

# Housing in Spain in the Twenty-First Century

Diagnosis of the residential model and  
proposals for another housing policy

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**EXECUTIVE SUMMARY**



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## Introduction

1. An adequate consideration of housing cannot be simple, unidirectional, unidimensional, unilateral, but rather complex and comprehensive. The unidimensional understanding of housing as an economic object is not only insufficient, but fully distorting. Therefore, this Report understands that the key to the analysis of a residential housing model is to consider housing as a good for the satisfaction of a need, not as an investment for profit, as the accommodation of the population in adequate conditions is a satisfier that guarantees basic subsistence/health needs. Housing is a vital space, indispensable for socialisation, for being part of a society, i.e. it is a factor of social inclusion of the first order. It is true that we often refer to housing conventionally as a “need”, including as a need that has an obvious “social” dimension. Nonetheless, we cannot hold a simplistic view that does not unveil the full meaning of this social need.

2. The purpose of this report will thus be to analyse the Spanish residential model as a model that conditions the function of housing as the satisfier of the basic need of accommodation, which is the practical result of the satisfaction of basic subsistence/health needs in a comprehensive sense. To this purpose, this Report is divided into four main sections, bearing in mind that all of them, and the chapters in which they develop, interact by mutually determining each other and explain the uniqueness of the Spanish residential model.

3. The hypothesis guiding this Report, accordingly, can be formulated as follows:

*“The residential model is structured by three factors:*

***1. the home-ownership production model and the production for investment purposes, which is the determining factor of the residential model, [first section];***

***2. the sharp and permanent imbalance between housing supply and demand/needs, [second section];***

***3. the balance/imbalance in territorial planning and its impact on the social structure and social cohesion [third section]; and***

***4. the conjunction of these three factors has brought the need for the residential model to respond to the enforceability of housing as a right, and for policy proposals and guidelines to make it effective [fourth section].”***

4. The conclusion of this work is situated between the confirmation of repeated failure (of an economic and social policy, and the impossibility of claiming the effectiveness of a right) and the expression of a hope expressed by alternative proposals to the current situation that, in relation to housing policy, require a long period of implementation to achieve effective results.

## First part

# Housing as investment and the residential model

## 1. BASIC CHARACTERISTICS OF THE RESIDENTIAL PRODUCTION MODEL

1. The first chapters analyse the housing production model, along with the criteria for territorial planning, which both reflect at all times the residential model that was built through decision-making. They analyse how the residential stock has been built with lasting effects, that is, what may be called the supply of housing from housing production in its various forms, from private market housing, state-subsidised housing, and rental housing. It thus becomes manifest that the production of homes in Spain during the first decade of the century has largely responded to the concept of housing as an investment object, i.e. a product that one can get high returns on over a short period of time, and therefore away from a socially and territorially balanced response to the accommodation demands and needs.

Given the above mentioned housing production model, we can conclude that the structure of the Spanish housing stock is at the very least “peculiar” because it has characteristics that make it “unique” in relation to the rest of Europe. Schematically, we can qualify it as a model of housing supply with the following features.

2. **Quantitative.** The housing production model has been merely quantitative. More housing units have been built than ever before (the number of housing units initiated exceeded 200,000 annually during the first half of the 1990s, increasing to 300,000 in the years 1995-97 and moving to 400,000 in 1998, 500,000 in the period from 1999 to 2003, and over 650,000 in the period 2004 – 2007), and this production was carried out at the expense of secondary housing, following the logic of a construction model centred on new housing. However, the model of production and supply of housing, its conditions, etc., has not only failed to respond to the accommodation needs and demands of the population, but is at the core of the current economic crisis (and crisis of values) as well as its economic (the notorious financial bailout) and social consequences.

3. **Access to property.** The residential model is also defined to a large extent by the system of access to housing marked by its peculiar association to housing purchase, which since the 1950s has been radically transformed from rental to home ownership, which has been closely related to the financing mechanisms for purchase, as we shall see below. Pending definitive data available from the 2012 Population and Housing Census, home ownership in Spain represents 83% of all housing, while rental housing only accounts for 11% of it, a structure of the housing stock that can be classified as extreme in relation to the European Union countries as a whole.

4. **Reduction of public housing to the point of extinction.** Public housing for rent in Spain only accounts for 1% of all housing, and public housing development from 2000

to 2011 has represented no more than 0.4% of the total housing units initiated in each of those years.

**5. Increase of home purchase.** Home purchase has been incentivised and housing production in recent years has done nothing but reinforce these trends: there have been record numbers of homes but increasingly distant from the needs of the population, which implies a clear failure of any housing policy and is the root cause of the mortgage housing crisis.

**6. Rental housing has become residual.** Rental housing continues to decline despite its potential adaptation to new demands for accommodation. Rental and its structure, distribution, and stock, is inefficient in meeting the demands of the population with housing needs. In fact, even at a time like the present one, rental is seen as an intermediate step to access homeownership.

**7. Housing proves inadequate for the accommodation demands and needs** to which it does not respond, so it is socially inefficient (in 2001 already, 60% of home buyers were not purchasing their first home). The 2001 Population and Housing Census describes a situation in which only 63.7% of family homes are primary (79.8% in 1970); in contrast, secondary homes have probably exceeded 20% of all housing. According to provisional data from the Population and Housing Census (2011), the primary residence accounts for 71.7% of the total housing stock and secondary housing represents 14.6% of the total, with only an absolute increase of a mere 28,602 homes in relation to the 2001 census. Both figures contradict with other annual statistics for the period 2001-2011.

**8. Housing as investment.** Housing aimed at the formation of new households has had a limited weight on housing production (30% in recent years). Oversized housing production in relation with supply has been responding to a large extent to investment demands for a liberalised and fictional commodity that (akin to tulips in Holland during the first third of the seventeenth century) caused a socio-economic disaster when the speculative process deflated.

**9. Significant production of secondary housing.** Concentrated on the Mediterranean coast and the two archipelagos, it is aimed at the demand of European residents and investors, with a pattern of widespread, continuous and massive urbanisation, which is modifying yet again the natural and social characteristics of a territory that is harder to recognise by the day.

**10. Overlooking the consolidated city.** Urban planning has failed so its role has been substituted by the logic of producing private housing as an investment. This model implies a huge property waste by overlooking the consolidated city and concentrating all economic and financial efforts in new territories, which has aggravated urban degradation and the social and spatial segregation of the population; rehabilitation stagnates precisely because of speculation reassessing the value of housing properties of the consolidated city, producing “exclusive” typologies (terraced housing, closed housing blocks, segregated housing estates) that generate fragmentation and urban and social unsustainability.

11. **This mode of housing production has serious consequences and long-term effects.** The spectacular number of housing units initiated in Spain in recent years have formed the basis of the so-called “housing bubble” that has not only failed to resolve the demands of a significant proportion of the population with accommodation problems, especially the Spanish youth who cannot afford housing, but has actually aggravated them.

## **2. EVOLUTION OF PRICES IN THE HOUSING PROPERTY MARKET: DETERMINING FACTORS AND CONDITIONS FOR ACCESS**

1. The last cycle of the housing property market in Spain has been notable for its intensity and duration. During the expansion / speculation phase, between 1997 and 2007, the price of housing in Spain almost tripled in value. At the same time, the number of private market homes initiated between 1998 and 2006 averaged 585,000 units annually.

2. The rhythm of price growth and housing supply over the last period does not correspond to the needs arising from the formation of new households, not to mention the evolution of household disposable income. The behaviour of prices in the private housing market is not understandable except as a result of the demand for housing as an investment asset.

3. Territorial disparities in the evolution of private housing prices demonstrate the importance of tourism and speculative components of supply and demand for housing. The largest increases in housing prices have been registered in coastal areas due to demand for second homes by foreign non-residents as well as capital inflows attracted by expectations of a steady appreciation in value of real estate investments.

4. Likewise, the largest increases in land prices have not been recorded in large cities and municipalities, which a priori are those areas where greater demand for housing is concentrated, but rather in those places that have also recorded higher housing prices. The evolution of prices has been driven more by expectations of appreciations in value rather than by relative scarcity.

5. The determining factor driving effective demand for housing in the context of sustained price increases is the improvement of the financing terms of mortgage loans by reducing interest rates and extending the repayment of loans. Increasing the ratio between the loan granted and the appraised value reduced the need for savings for home buyers, and the extension of the repayment period helped reduce the proportion of household income used by households to repay their mortgage.

6. Borrowing for home acquisition has entailed an increase in the “wealth effect” of households associated with the appreciation in value of property assets, which would have been used as an argument to minimise the financial risk incurred both by households and by financial institutions during the years of credit expansion. The value of residential assets of households increased by 129% between 1994 and 2007, while the disposable income of households increased by 57% over the same period. However, the future evolution of the housing wealth of households depends on the

magnitude of the decline in housing prices that will likely persist in the coming years. At present (2013), the high level of household indebtedness remains one of the main problems of the Spanish economy and is causing an increase in accommodation problems in conjunction with an increase in unemployment that has not yet peaked.

7. Moreover, inequality in the distribution of residential supply growth, with high percentages of second residences and unoccupied homes, characteristic of the Spanish residential model, has left unsolved the problem of housing affordability for broad sectors of the population, especially the access to a first home for young and low-income households. In a context of greater restrictions on access to credit, access to housing for these households should take place through alternatives to home purchase.

### **3. ACCESSIBILITY, STRAIN AND OVERINDEBTEDNESS**

1. The mere analysis of the evolution of housing prices is insufficient if it is not placed in relation to the ability of the population to access housing under the conditions set by the market. The evolution of strain (studied via several indicators) during the last period of real estate speculation reached a value of 40.6% in 2008 as a result of the continued rise in housing prices and consequently in the average amount of mortgage credits, the rise in interest rates since 2005 (in mortgage credits largely signed with variable interest), increased unemployment (28% expected for 2014), and rising defaults (currently at maximum levels).

2. The estimated number of years of income required by median households for the acquisition of a home is currently above 6 (it was 3.6 in 1997 and had risen to a maximum of 7.7 years in 2007). This explains the lack of access to housing (an adequate number for this indicator should be 3.5). However, levels of overindebtedness, involving the allocation of over 40% of gross income to pay the mortgage debt are far higher among lower income households, thereby explaining the plight of a significant part of the population, which is treated by some economic powers as disposable, dispensable, superfluous (and indeed, "dangerous" if it can generate a crisis of the financial system) due to its socioeconomic conditions. Even in a situation of protracted decline in prices, and lack of access to bank credit, the percentage of indebted households spending over 40% of their gross income to pay their debts has risen by 5% compared to 2005, with obvious implications on living conditions.

3. An analysis of the level of strain to access housing in the European context highlights and reinforces the unique position of Spain in terms of the high levels of strain required to access decent housing, primarily due to low rates of rental housing, with a negligible public sector in relation to the supply of rental housing and the lack of subsidies (and fiscal incentives) for tenants (social rent). Thus, in Spain (2009), the proportion of the population under excessive strain to fulfil its mortgage housing payments (dedicating 40% or more of their disposable income) was 14.7%, well above the 8.8% average of the EU27.

4. The evolution of mortgages since the start of the financial crisis (August 2007) reveals the profound changes undergone by the real estate sector, the definite distancing of housing supply from demands and needs, and the resulting increase in available housing, whether empty, new or second hand. In September 2007, the number of mortgages granted reached 103,671 with an average amount of € 150,328, compared to 21,195 mortgages in September 2012 with an average amount of € 102,407.

5. The risks involved in situations of high levels of private debt, as a result of a quasi-exclusive supply of housing for purchase and irresponsible – and sometimes fraudulent – supply of financing (the so-called “floor clauses” of interest rates on mortgage loans have recently been put into question in spite of the fact that some financial institutions remain reluctant to eliminate them), and in spite of all the repeatedly disregarded warnings, manifest themselves today in an increase in defaults, foreclosures and evictions, with devastating social effects in relation to processes of residential emancipation, overcrowding, and ultimately precariousness and exclusion.

6. The measures taken to address the phenomenon and extent of evictions have been sporadic, partial, limited and ineffective, and have postponed the achievement of a stable and lasting solution. In this regard, the report analyses the measures taken by the central government, exposing the need for a new strategy, which should extend to all accommodation needs. Other official measures taken at local level have not addressed in a realistic manner the magnitude of the consequences of indebtedness arising from housing purchases, which has significant repercussions on the social model of the Spanish population.

#### **4. POLICIES AND INSTRUMENTS IN MATTERS OF HOUSING**

1. The housing situation in Spain today is a result of different housing policies and plans made over the past 50 years. The analysis of public expenditure on housing (direct and through fiscal incentives) during that period clarifies, beyond the discourses of vested interest, what really constitutes Spain’s housing policy, both in quantitative and qualitative terms.

2. Public authorities in Spain have promoted home property both in the private market and public housing, through direct and indirect expenditures that have proven to be deeply regressive because they did not help those most in need but rather benefitted higher income families. This has left important sectors of the population with access to a squalid rental market and a negligible public housing stock, which have proven insufficient to meet the residential needs of the population. Historically then, public authorities have been in retreat before the market when developing housing policies and have allowed speculative abuses and corruption. Breaking the momentum of home ownership and overcoming the lack of dynamism of the figures, measures and forms of public intervention in housing are grounds for thinking that other housing policies are possible.

3. This chapter addresses various aspects of public spending on housing in Spain, from its size relative to other countries over a long period (1995-2007), to the internal structure of such spending, which allows us to reveal its orientation. Thus, public spending on housing accounted for only 1.1% of GDP (2008), two to three times lower than in neighbouring countries.

4. The “macro” analysis of public expenditure offered in this chapter allows assessing housing policy and revealing its true object. This analysis does not reveal surprises and highlights the following aspects:

- Greater weight of indirect or fiscal expenditures in relation to direct spending on housing needs, as well as an overwhelming and sustained public support for investment in home purchase (free or subsidised). Public expenditure on housing has not only been very small, but its chief characteristic, its indirect component, i.e. fiscal spending, is regarded as highly regressive, representing almost 75% of total expenditure (2004) compared to 25% of direct expenditure, which is more directly related to accommodation demands and needs, a housing structure at the antipodes of those characterising the rest of the countries in Spain’s vicinity.
- Lack of support for rental or rehabilitation policies in relation to policies promoting the construction of new housing. Spain was the only EU member state (until 2009, and with a limit on taxable income up to € 24,000) where there was no tax relief for tenants.
- Significant predominance of the central government in the definition and implementation of public expenditure on housing compared to other administrations with supposed competencies in the matter; housing expenditure by the central administration accounts for over 85% of total expenditure on housing as a result of the strong component of fiscal spending on housing relative to direct spending, which is carried out primarily by regional administrations.
- The great weight of public aid for investment in housing (up to 53 billion euros in tax benefits for this item over the past 10 years) compared to the absence of rent subsidies (“social rent”) or public housing development.

5. With regard to direct expenditure, this chapter offers an overview of the various housing schemes up to the PITVI (*Plan de infraestructuras, Transporte y Vivienda* [Infrastructure, Transportation and Housing Plan]) presented on 26 September 2012, whose measures are conditioned to “*accelerate the cleaning up of the sector (construction and promotion), namely the absorption of the stock of unsold new homes as a prerequisite for its normalisation and to resume activity*”. The latter clearly demonstrate that the failure of the housing policies developed especially since 1997 has not been understood, and remains unquestioned as an element without which one cannot explain the depth of the financial and social crisis in which Spanish society currently finds itself.

6. This chapter also addresses an aspect given little attention: the analysis of direct public spending on housing by the “Autonomous Communities” (regional authorities) of Spain, to measure the types and relative amounts of aid among regions. The analysis demonstrates that even in relation to this aspect, there are large regional disparities.

Spending on housing in the Autonomous Communities in the first decade of this century has represented between 1.4% and 1.8% of the total budget of those administrations, with 6 to 1 differences observed between them, unjustified in relation to territorial accommodation needs.

7. The conclusion of the analysis carried out in this chapter is clear: the current characteristics of the housing market in Spain oriented towards home property respond to an explicit public policy and not to supposed habits of a cultural origin. Home ownership (with the current implications of foreclosures, defaults, fraud and financial scam, and mortgaged lives) is therefore a created desire, a specific product of the economic production model, ideology and government intervention, as well as the interests of those sectors close to public powers. Ultimately, housing policy has been instrumentalised exclusively as a part of economic policy, without any regard for the nature of housing as a right. The production model of housing and of the policies that reflect the analysis of public spending on housing explains the “unique” structure of Spain’s residential stock, without equivalent among neighbouring countries, and is part of the “Spain brand” which, among other social and economic consequences, has maintained an absolute indifference to the housing needs of people in situations of residential exclusion.

## Second Part

### Housing needs and demands

#### 1. POPULATION IN SITUATIONS OF VULNERABILITY AND AT RISK OF RESIDENTIAL EXCLUSION

1. New demands are arising from changes in households. Between 1991 and 2010 there was an increase in the number of households of about 48% (3 times the population growth in that period). This situation is due to a decrease in the average size of households. Nevertheless, since the beginning of the crisis (2008) this growth has become negative. The number of households fell by 65,800 between the third and fourth quarters of 2012, according to data from the Labour Force Survey of the National Institute of Statistics of Spain (*Instituto Nacional de Estadísticas* [INE]). The population decline responds to the second demographic transition in neighbouring countries, and is brought about by ageing populations and new lifestyles that have emerged in these two decades (for example, couples without children, single parents, Living Apart Together, etc.) that have caused a drop in fertility rates (1.38 children per woman). The crisis is actually generating an increase in the average size of households.

2. The Spanish population between 18 and 34 years old stood at around 10,500,000 in 2011. Young people form the most numerous group demanding housing, but they are also the most afflicted by the disparity between residential and labour markets, generating a conjuncture in which the period of highest growth of housing prices coincides with higher demands and needs due to demographic and migratory factors.

The average age of emancipation of young people in 2009 was 29.3 years, among the highest in the EU, producing a correlation between the rate of emancipation, the unemployment rate and the temporary employment rate. As the latter two increase, the rate of emancipation decreases. The emancipation of young people is also determined to a large extent by the lack of supply of affordable rental housing. In fact, the crisis has been accompanied by a downwards U-turn in the percentage of youth becoming home owners (61.9% in 2007 to 50.5% in 2011), resulting in an increase in access to rental housing (26.1% in 2007 to 38% in 2011).

3. There is a population of 8,093,557 people over 65 years old, and nine out of ten older people are home owners. Home ownership, which has been considered as an essential element of security in old age, and as a resource to accommodate other generations of the family, drifts under certain circumstances towards situations where the elderly must share their savings, pension and home with their family group at a time of great uncertainty regarding the present and future needs for support and care.

The homes of the elderly are old, a third of them were built over 50 years ago, and only 10% of the elderly live in households less than 25 years old. Half of those over 65 (52.2%) live in multi-storey residential buildings, of which 21% have no elevator. On the other hand, 40.1% dwell in low-rise, single-family homes. And while in 1994 only 32.2% of the elderly enjoyed heating throughout their home, at the beginning of this decade this percentage has doubled, rising to 64.90%.

4. The population with disabilities comprised 9% of the Spanish population, approximately 4 million people, in 2008. However, there are almost 270,000 persons with disabilities residing in collective establishments in Spain, compared with 3.85 million living in households (8.5% of the total Spanish population are disabled and live in family dwellings).

For 72.7% of households in which a member suffers from a disability (2.4 million households), there are one or more barriers to housing. And 52.3% say they have difficulty functioning normally in their home or building.

5. The estimated population of 750,000 belonging to the Roma community, having experienced a remarkable process of social inclusion and access to citizenship, remains one of the most stigmatised population groups. The proportion of Roma residing in standard housing is now 88%, but 12% of Roma families continue to live in substandard housing. The proportion of all Roma households dwelling in slums stands at around 4%.

Despite the progressive trend of residential normalisation of Roma families, 27.5% of Roma households continue to present negative or very negative dwelling conditions (8.55% for the general population); 40.6% of homes are located in neighbourhoods in "situations of special vulnerability"; 4% of homes lack running water and other basic utilities (0.3% for the general population); and overcrowding situations occur in 30% of homes.

6. In Spain, there has been a significant growth in the population of foreign origin, from about 1,300,000 registered foreigners in 2001 to around 5,750,000 on 1 January 2011. Their economic situation, low wages and high housing prices complicate their access to decent housing. This combination of factors leads them to access primarily rental housing, including the rental of bedrooms in shared housing during the initial years of stay. Rental is more common among those who have not secured their migratory project, both in relation to work and family.

Between 2004 and 2008, a downward trend could be observed in rental or transfer among immigrants, with rental housing declining from 82% to 71.4% while ownership rose from 18% to 28.7%. Nevertheless, these trends have been modified by the crisis and rental or home transfer have rebounded to 72.6% as a clear effect of tighter conditions for access to homeownership, which has declined to 27.4%.

## **2. POPULATION IN SITUATIONS OF RESIDENTIAL EXCLUSION**

1. Living in a home is a fundamental prerequisite for the development and support of human dignity. For a physical space to be considered decent and adequate housing, it must fulfil internal (sanitation, health, sustainability, accessibility, security of tenure, etc.) and external conditions (communication, entertainment and free time, neighbourhood, supplies, etc.). Although decent and adequate housing does not constitute a home in itself, it is certainly a fundamental precondition for it. The home must provide dignity and adequacy for every human being to enjoy a good quality of life, meet their needs and find satisfaction in living.

2. In recent years, consensus has been built on the use of the European Typology of Homelessness and Housing Exclusion (ETHOS classification) to define different situations of lack of access to this right: rooflessness, homelessness, insecure housing and inadequate housing.

Rooflessness	Physical aspect	Social aspect	Legal aspect
1. Living in a public space (without shelter)	No room	No private area to maintain social relations	No right to exclusive ownership
2. Sleeping in a shelter and forced to spend the daylight hours in a public space.			
Homelessness	Physical aspect	Social aspect	Legal aspect
3. Dwelling in service centres or shelters (refuges for the homeless, women's shelters, etc.).	There is a place to live in	No private area to maintain social relations	No right to exclusive ownership
4. Living in temporary accommodation: paid for by the municipality, temporary lodging (awaiting counsel), transitional housing units (short-term), etc.			

The number of people in situations of rooflessness/homelessness are estimated to total 30,000 (INE). The line between “rooflessness” and “homelessness” is blurry given that shifts from one situation to the other occur on an almost daily basis among men and women without a home who:

- lack a space to live of their “own” (whether decent or inadequate, whether temporary or permanent, whether legally secure or not);
- lack a space for personal and social development;
- lack (legal or not) guarantees for tenancy.

3. Population in insecure housing and population in inadequate housing. (New) Forms of residential exclusion.

Insecure housing	<ul style="list-style-type: none"> <li>- Shelter provided by family, friends...</li> <li>- “Returning home”: first home of parents shared again by the families of the owner’s children.</li> <li>- Shared Housing: Shared legal title on the home.</li> <li>- Rooms: sublease.</li> <li>- “Squatting” of empty homes.</li> <li>- Home in a process of foreclosure / eviction.</li> </ul>
Inadequate housing	<ul style="list-style-type: none"> <li>- Settlements in areas not classified for development / non-urban areas: large gardens / green areas within cities. Beaches, farms with old houses in ruins or unfinished dwellings...</li> <li>- Overcrowding. Hot beds / overcrowded flats. Caravans</li> </ul>

By inadequate housing or substandard housing, we refer to a living space that lacks minimum services (running water, electricity, inbuilt sanitation and bathroom); sufficient ventilation or light; is unable to protect from the elements; is insufficient for its occupants to endure overcrowding without strain. Besides these characteristics, we could also include: it is difficult to access; it is legally unstable.

The 2001 Census surveyed an approximate number of 1,447,880 households residing in substandard housing and representing 10.2% of the whole. Its most characteristic features are: increasing presence of one-person households given an average age above the national aggregate; 29% of these homes were built before 1920, and 24% between 1951 and 1960; higher rate of rental housing (in the more severe cases: 22.4% are rented, in the more moderate cases: 19.1%).

It is interesting to note what FEANTSA (European Federation of National Organisations Working with the Homeless) stated in 2008 in its Report on Housing in Spain: “The social spending of the Spanish State aimed at families in matters of housing and social exclusion stands at 1.7%, two points below the European average. 20% of the population of Spain is excluded from the housing market, according to data from the observatory of housing of the General Council of Notaries for 2005. Housing prices are exorbitant with increases of 107% in seven years, whereas wages over the same period only did 34%, the unemployment rate in the age group of 18-35 years is 13.2% and the poverty rate stands at 18.5%, while constant decreases in public spending on social protection have been carried out, from 24% of GDP in 1993 to 20% in 2002 (Eurostat, 2005).” That is, the housing deficit is much older than the crisis and accompanied the real estate boom.

4. Overcrowding among the immigrant population. Levels of overcrowding relate to the number of people living in each dwelling in relation to its useful surface area in square metres (<10m<sup>2</sup>: Severe overcrowding; 10m<sup>2</sup> to 15m<sup>2</sup>: Moderate overcrowding; >15m<sup>2</sup>: Overcrowding alleviation or normalised situation); or to the number of rooms in a single dwelling (considered to be overcrowded when more than 2 people use one bedroom).

Rental is the tenancy regime by excellence among the immigrant population. It is embodied in various forms:

- Lease from Spanish owner
- Sublease of rooms in housing owned by foreigners.
- Sublease of rooms in rental housing, whereby an immigrant rents housing and sublets rooms to other foreigners, whether compatriots or not.

The sublease of rooms is accompanied by overcrowding in many cases. The main reason for the rental of rooms is related to the migration project.

It is thus found that a decline in overcrowding has taken place among immigrants when we compare their situation in the first dwelling they occupied in relation to the housing situation they found themselves in in 2007. In fact, at the beginning of their migration project, 33.63% of immigrants experience overcrowding (taking the number of bedrooms into consideration) versus 22.21% before the start of the crisis.

In turn, if the comparison is carried out taking into consideration the useful surface area available to immigrants in the first dwelling they occupied, and the surface available to them in 1997, we also find a decrease in overcrowding: 20.41% suffered overcrowding in relation to the floor space available, compared to 12.74% in 2007, at the start of the crisis.

However, with the crisis, it is expected that overcrowding will increase as a strategy to cope with mortgage payments or with the return of children to their parents' home (return of the extended family). This situation is increasingly linked to the economic and employment situation, which generates greater difficulty in accessing rental housing or housing property, leading to the emergence of situations of abuse.

## Third Part

### Impact on social structure

#### 1. HOUSING, CITY AND TERRITORY

1. The Spanish residential model, based essentially on the mass production of homes and “commodification” (through the promotion of the right to property) has resulted in the continued production and expansion of housing as an investment, producing: 1. unlimited urbanisation; 2. with an indiscriminate occupation of land for the construction of new housing; 3. with neglect of the **consolidated** city; 4. and oversized investments for the construction of large transport infrastructure aimed primarily at mobility in private vehicles (ring roads, highways, private expressways), thus creating the conditions for an unlimited, socially and environmentally unsustainable urban sprawl.

2. These conditions are generated by the following factors:

1. Declaring all land as suitable for building development, except that land considered in a flexible manner as land of natural value or under special protection;
2. Abandoning political and institutional leadership and leaving all prominence in real estate matters to the building promoters in the management of land transformation, providing it with great strategic capacity through, for example, the figure of the Urban Development Agent, incorporated first in Valencian legislation adopted in 1994 and later in the land legislation enacted by other Autonomous Communities. All this was made possible by the coupling of land legislation to the prevailing neoliberal theory proclaiming that the maximum liberalisation of land produces an unlimited supply of housing that lowers the price of housing. However, the effects have been totally contrary to this premise, which has facilitated purely speculative and uncontrollable processes.
3. Despite the controls and public intervention that the land legislation of 1956, 1975, 1990 and the consolidated law of 1992 established normatively, urban planning has been increasingly based on rezoning and reclassifications, fostering the change of plans urban and guiding urban development towards mass production of residential units and infrastructure. This legislative path culminated in the Land Law of 1998. This law establishes an almost complete deregulation of land, invalidates urban planning and confines the democratic management of territorial and urban planning to ostracism, consolidating a subjective right to urban development / construction of any land that is not protected. Such conception was coined as “all land is subject to development”. The implementation of the neoliberal proposal was made possible through the so-called “FIC” partnership (*Financieros, Inmobiliarios y Constructores* [Financiers, Real Estate Developers and Builders]). This alliance has been building ever greater capacity to intervene in the “housing business” and has

had a primary role in management, thus shaping the residential model and the production of the urban space.

4. The consequences of this process, during the so-called “prodigious decade” (1998- 2006), have been a “legalised” overvaluation of land, producing a 150% increase in housing prices and a 530% increase in land prices, twenty times the inflation rate and three and a half times that of housing. The thesis underpinning the need for “the development of all land” to lower the price of housing is invalidated because its effect has been just the opposite. Comparing prices of land and buildings with the inflation rate during the housing boom period (1997 to 2007) the rate of change in land prices grew 8.7 times over inflation and the growth rate of the price of buildings was 2.3 times higher than inflation.
5. However, the consequences have not merely limited to increasing prices, but also has triggered uncontrolled potential urbanisation, so that the urbanisation process taking place over the last thirty years has been higher than that produced in all of Spain’s previous history, with a stock of empty homes nearing 4 million units, another 4 million secondary homes and land available to initiate another 1.6 million new homes, only in areas with special building potential. However, if we expand the scope of the analysis, the potential to build homes would rise to 3,336,897, with a total residential surface area of 439,989,838 m<sup>2</sup> (an average of 132 m<sup>2</sup> per dwelling). There is as much land subject to development as that built during the real estate boom, thereby providing a stock of housing and land subject to development able to absorb the expected demand for the next 7-10 years.
6. The environmental impact of the occupation of land and the increase in journeys by private vehicle, and their implications in terms of the destruction of land of high environmental and agricultural quality (between 1987 and 2006, artificial surfaces increased by 347,500 hectares, 51.87% more than in 1987), and in terms of air pollution (increase of greenhouse gases by 41% just in the first five years of the twenty-first century) highlight the unsustainability of the model.
7. The manner in which the territory has been built, with investments aimed primarily at new surfaces, has not only had long-term environmental consequences, but has also led to the implementation of residential programmes lacking necessary basic urban infrastructure (power grid, water supply, adequate road network, sanitation and wastewater treatment, absence of primary education health, and other facilities) as a result of a market regulation exclusively based on short-term returns.
8. The growth of the diffuse city has been accompanied by the neglect of the consolidated city and the abandonment of the necessary rehabilitation of around 15 million homes. Decisive policies aimed at the rehabilitation and development of physically and socially depressed would imply the necessary restructuring of the construction sector, enabling stable and sustained job creation, in addition to undertaking the satisfaction of social needs and actions against urban vulnerability and social exclusion.
9. The Spanish Ministry of Housing itself has a registry of 900 “disadvantaged” neighbourhoods in Spain. The comprehensive rehabilitation of residential

buildings (which also includes specific actions such as repairs in bathrooms and kitchens), aims to rehabilitate the physical and social components of the city, putting empty housing into use, with actions including energy efficiency, the introduction of renewable energy, improving accessibility and livability, and taking advantage of existing infrastructure and services of the consolidated city. A Rehabilitation Law, foreseen and necessary, but which has never been enacted, should cover all these aspects.

10. Finally, another noteworthy aspect, and the impact of which is generated in the field of politics, is the phenomenon of corruption derived from the urbanisation model of the diffuse city, which also reproduces it. The number of cases of collusion between local authorities and construction and real estate companies is so extensive and widespread on the territory that its description could be the subject of a monograph. Arguably, corruption has become systemic, i.e. something casual went on to become a basic category of the conquest of the market (competition rather than cooperation) and an essential component of company policy, particularly those specialising in territorial and urban planning. Such corruption is clearly recognized, given that alternatives have been proposed to prevent it, with measures that are normally included in recent legislation (the new Land Law of 2007) rather than in new models of governance in relation to housing, in direct public intervention to address the problem. The problem cannot be tackled in this manner; a new housing policy is needed.

## **2. IMPACT OF THE RESIDENTIAL MODEL ON THE SOCIAL STRUCTURE**

1. The effects of the singular Spanish residential model on the social structure can be boiled down to two factors: 1) it hinders full social inclusion, as it impedes the access to housing of sectors in need of accommodation, condemning a significant proportion of the population to urban vulnerability; and producing social and housing exclusion. 2) It thus deepens the breakdown in social cohesion in three dimensions: living conditions and health; putting the brakes on the life cycles of households and family strategies; and residential and cultural patterns. Both aspects reveal how the necessary conditions for social reproduction are affected by the satisfaction of housing needs.

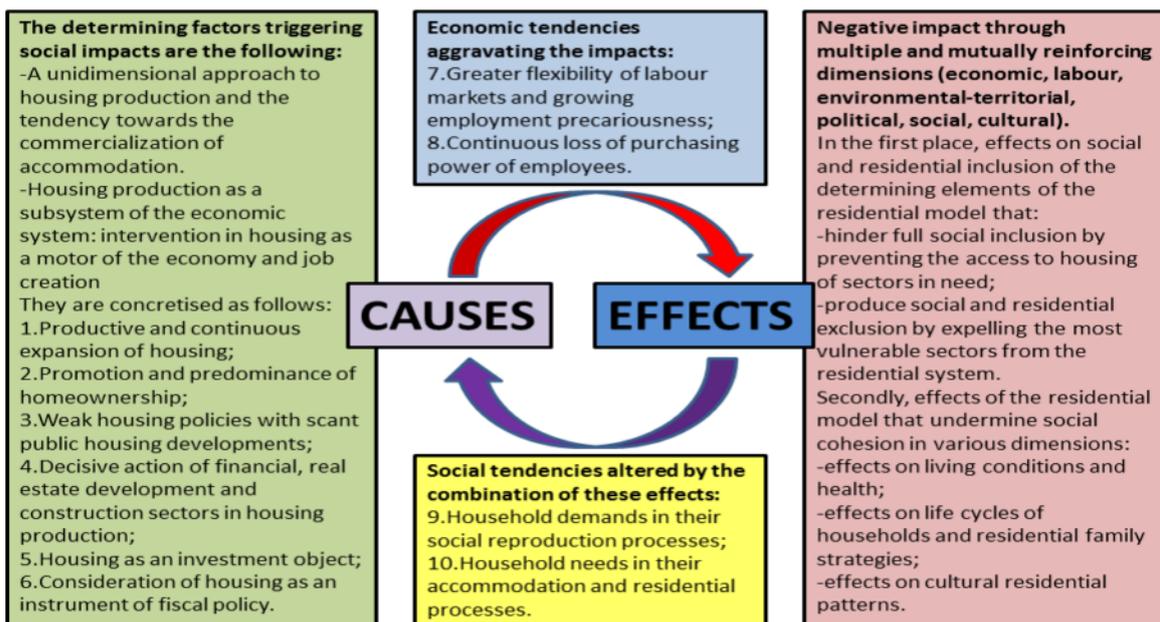
2. The main trigger for these impacts is the interaction that occurs between a rigid housing market and an extremely flexible labour market. The first is rigid in its main variables: tenancy (almost exclusive presence of property housing), commercialisation and high prices leading to household strain and prolonged indebtedness, lack of variety in typologies and lack of housing policies. On its side, the flexibility of the labour market entails job precariousness, continuous wage devaluations and a continuous increase in working hours, changes in occupation and workplace and high unemployment rates. Multiple problems derive from such combination, such as the inaccessibility of housing, difficulties in adapting housing to the household structure, difficulty in improving the quality of housing, and impossibility of bringing residence and workplace closer, causing an increase in journey times between residence and work, thereby weakening family relationships.

3. This particularly affects sectors that find themselves trapped in the secondary labour market: young people, women, people with disabilities and health problems, ethnic minorities and economic migrants; and has consequences that aggravate social and housing exclusion in different aspects: late emancipation of young people, increase of overcrowding, evictions, homelessness, lack of residential mobility, inadequacy of housing for household characteristics, lack of livability and *ghettoization*.

4. These effects, in turn, impact on three areas:

- a) Public health: increase of diseases resulting from overcrowding and poor living conditions, difficulties in adapting housing for people with disability and dependency, increase in mental illness resulting from strain, indebtedness and evictions, increase of suicides, increase in urban violence and gender violence.
- b) Life cycles and family strategies, such as youth emancipation, autonomy of the elderly and women, the splitting of households, etc., are weakened by the impact of the urban-residential model. The formation of new households of a small size is thus determined by new forms of cohabitation: single youth and elderly households, single parent households, “empty nest” or “unused nest” households, multiple-person households...
- c) Residential cultural patterns. The internalisation of housing as an investment good in the collective imagination, which provides security through family heritage, has led to a diversion of household savings into housing, being considered a safe and lasting investment that can maintain and improve the family’s status. This perspective, which undermines its use value, has been erected to a culture that reproduces itself and is detrimental to the satisfaction of the residential needs of the sectors with less purchasing power. On the other hand, the automobile culture determines an urban model underpinning a diffuse, fragmented and unsustainable city.

### THE VICIOUS CIRCLE OF THE SPANISH RESIDENTIAL MODEL:



## Fourth Part

### Housing as a right

#### 1. HOUSING FROM A RIGHTS-BASED APPROACH

1. There is a direct connection between the right to housing and other rights. Access to decent and adequate housing is an essential condition for the exercise of many human rights (such as the right to life, to privacy, the right to health and the right to an adequate standard of living) and precisely for this reason, understanding the right to housing as a human right involves overcoming the artificial division between economic, social and cultural rights and civil and political rights. The right to adequate housing is a right with far-reaching implications for the realisation of other rights and therefore for our quality of life.

2. At the international level, a normative corpus that recognises housing rights has been building on three planes:

- The United Nations Organisation: its most important legal instruments in matters of housing are Article 25 of the Universal Declaration of Human Rights (1948) and Article 11.1 of the International Covenant on Economic, Social and Cultural Rights (ICESCR);
- The Council of Europe: in addition to the European Convention on Human Rights (1950), we may highlight the European Social Charter (1961) and the Revised European Social Charter (1996), and in the latter case, Article 30 on the right to protection from poverty and social exclusion and Article 31 concerning the right to housing;
- The European Union: Article 34.3 enshrined in the Charter of Fundamental Rights of the European Union on the right to social assistance and housing assistance has special relevance, given that since the entry into force of the Lisbon Treaty, the Charter has acquired the same legally binding nature as the Treaties.

3. In addition to being established as a right in the Constitution, recognition of the right is articulated through other legal dispositions, either directly or indirectly. Including the right to housing in the legal framework can be a simple statement of intent if it is not accompanied by the relevant legal purposes and means of direct action and redress. If not, recognition of the right to housing becomes a simple politics of gesture, because it is precisely this action that gives meaning to the right.

4. In Spain the right to housing is a genuine constitutional entitlement, legally enforceable, although it stresses the important role of the legislature in configuring results obligations. This said, although the right to housing is recognised at the highest level, the authorities have not configured results obligations for housing policies that develop this right. Consequently, successive governments have failed to comply with a legal duty to respect, protect, guarantee, promote and not undermine the right to housing. Despite some progress in some Autonomous Communities, there is a lack of

political courage to define and specify results obligations for the administration and to assume a greater commitment to human rights.

5. In this regard the authorities should (be obliged to) take all necessary measures to ensure and promote housing rights (obligation of means). We are facing an individual right whose benefits are to be properly organised and programmed by the competent authorities. Therefore, while it is true that a good law does not guarantee good public policy and good administration, there is no doubt that a bad law makes it difficult, if not impossible, to ensure the latter, let alone ensure the adequate guarantee of rights and interests, especially of vulnerable groups. It is therefore necessary to recognise this right by law.

6. It is necessary to emphasise the obligations of public authorities in the development of housing rights, in setting objectives that are clear, measurable, achievable and ensuring an integrated approach involving all relevant policy areas and all stakeholders, including those affected by the violation of human rights as well as civil society in both the definition and evaluation processes.

7. The focus on Human Rights, in the context of economic crisis, sets limits to regressive public policies on housing because, according to the aforementioned ICESCR, to the constitutional right to housing and the legal principles controlling the activity of the legislative and executive powers, it is not possible to undertake any “curtailment” of the right to housing, that is, any regressive measure that reduces benefits for rights holders, nor let any such measures be taken in any way.

8. The inviolable minimum core content of the right to housing, as well as the limits to rights “curtailment” resulting from constitutional principles (among others, the prohibition of arbitrariness, which demands rationality and motivation; equality, which prevents discrimination; proportionality, which requires the least harmful regressive measures for the right to housing and the weighing of costs and benefits of these measures, with the latter having to outweigh the former) are a barrier to unlimited regression and a new and useful service of the Human Right-Based Approach Human Rights in defending the right to housing and dignity.

## **2. HOUSING POLICY AGAINST NEW HOUSING CONSTRUCTION POLICY**

### **ISSUES REQUIRING A RESPONSE FROM HOUSING POLICY**

There is a variety of interrelated issues that form the list of fundamental problems of the residential model. Each of the problems could represent the “only” problem for each of the stakeholders involved in the residential sector. However, the complexity of the residential sector makes it function as a system, in the sense that the whole is not the mere sum of its parts.

1. Social and cultural, economic, demographic, legal and political effects arising from a residential model based on speculative production distanced from the needs and demands of the population and that have been the cause of a **significant growth of**

**the residential exclusion** of important social groups, manifested for example in the progressive growth of evictions.

2. **Housing policy oriented so far towards investment in housing.** Taxation, the main component of public spending on housing, has favoured the purchase of housing, which explains part of the experienced overvaluation. Direct expenditure is a fraction of expenditure on housing, is very uneven when analysed geographically, and has minimal impact on the conditions of access of the population with housing needs. The problems of housing affordability are not cyclical but structural, although they may be invisible.

3. **Excessive uptake of credit by the residential sector, which has ultimately compromised the financial sector itself.** This progressive concentration of loans in real estate has generated a reduction of funding to other productive sectors. The credit bubble phase also unfolded on the basis of an overvaluation of housing, which on the one hand compromises the financial position of institutions (in whose hands many property developments and land surfaces of dubious if not null value have ended) and has gradually increased default rates, which imply among other important effects situations of eviction. The loans granted by financial institutions could be qualified as “junk” credits given the overvaluation of housing, long maturities and fixed interest rates. Housing finance as exclusive system of access to housing, linked to an outdated and unfair Mortgage Law, explains the perception of a monumental scam by the majority of the population.

4. **Scarcity of rental housing, despite the multitude of official messages** issued to support the latter. Public spending on rental represents about 3% of total expenditure on housing. Modifying the structure of expenditure (purchase / rental) takes time from the moment the decision to strongly encourage rental (for example, the exclusivity of public housing in the rental regime) is made. The type and volume of the public aid designed has failed to increase rental housing. Rental is fragmented and there has been no political will to generate a public rental housing stock. Rent to own does not constitute rent, and is simply a formula to carry out a later purchase. There is evidence of a strong relationship between economic and social development, and the supply of rental housing.

5. **The abrupt reduction of the production of new housing** will persist for at least five years, to be sustained thereafter around a maximum of 150,000 homes annually. This reduction has occurred despite the numerous alarms and warning signs given during the expansionary phase of production and credits.

6. **Excess of finished homes on offer**, along with homes for second-hand sale and rental homes, and those empty homes requiring rehabilitation to be put into use, total approximately 3,600,000 housing units, a clear example of the failure of the liberal market both in social and economic terms.

7. **Public housing** (especially in some Autonomous Communities, given their prices and income restrictions) **is neither, nor can it be qualified as, social housing.** This fact distorts the analysis of investment in housing between Autonomous Communities. The transformation of public housing into private market housing, including with formulas

of early termination of public housing regimes, is a fact, whereas the reverse step has proven to be unviable even in times of housing oversupply such as the present one.

8. ***High unemployment in the construction sector***, which had produced the initial effect of reducing male unemployment to a greater extent than female unemployment. A sharp rise in unemployment, with one (pessimistic) scenario foreseeing a rate of 26 to 28%, derived to a large extent from the consequences of the growth cycle of residential construction.

9. ***Disproportionate process of land occupation with significant environmental impacts***. Production has focused on the supply of new housing in new property developments favoured by the liberal theory that housing prices would decrease with an unlimited supply of land subject to development. This phenomenon has contributed substantially to the physical and social deterioration of the consolidated city; the rehabilitation of urban areas, of integrated housing estates and/or urban zones, is merely residual.

10. ***Widespread process of integration of real estate speculation and corruption***, with known consequences on democratic degeneration. These problems justify the need for programmed intervention given the failure of the deregulated market in matters of housing. It is also necessary given that more than three million empty homes do not come free of charge to society, let alone to people who not only have lacked access to housing, but who have lost everything by losing their home. The market will function again in so far as it meets human needs.

## **AXES AND PROPOSALS FOR A NEW HOUSING POLICY**

Tackling the issues that demand an answer requires a series of proposals to develop a “new” housing policy. These proposals are integrated into a coherent body so that they cannot be implemented individually, using one and leaving aside another. It would be a matter of implementing them in a coordinated manner and continuously over time in order to reverse the current inertia. And yet, despite the fact that the near future will be a new era of insecurity, it is necessary to establish the objectives or strategic lines of action of a new housing policy, which serve to underpin operational proposals.

### **1. Development of the constitutional mandate of public powers in the access to, support and guarantee of decent and adequate housing as a fundamental right.**

The primary axes and proposals for intervention, corresponding to the problems identified in the previous section, and considering that each is part of an integrated set of proposals, which individually cannot become fully efficient, could be articulated around a Law on the Right to Housing.

### **2. Development of the stock of publicly owned land in compliance with the current legislation.**

The public land heritage should not only be maintained but increased (for example in consolidated urban areas through the acquisition of residential buildings or the rehabilitation of public buildings and their assignment for use as social rental housing),

as a regulating mechanism of the prices of land subject to development, urban land and housing.

**3. The totality of public aid (to real estate promoters and families) should focus on public rental housing and on the promotion of rental housing in general. Public aid (direct and fiscal) should be directed exclusively to this purpose, in order to allow the development of alternative housing options for groups with needs and demands for affordable housing, and to enable greater residential mobility.**

**4. Development of public rental housing (new and refurbished), through direct development.** To this purpose, the Housing Plans should include building measures (financing, land, taxation, etc.), excluding any form of support to purchasing any type of housing. The different modalities of public housing subject to direct development, should take into consideration, among other aspects, the need to give urgent priority to situations of homelessness (understood according to the ETHOS typology), through actions integrated with other social policies.

**5. Public aid for investments in the consolidated city rather than for the production of new housing. Promoting integrated actions for the rehabilitation of neighbourhoods through interventions in collaboration with other social sectors (employment, training, etc.). Actions in public housing and / or the rehabilitation of neighbourhoods should incorporate investments on the existing city and its public space, and promote mobility through collective and alternative forms of transportation.**

**6. Encouraging the occupation of empty homes through the combination of rental and rehabilitation aids, with the participation of regional rental and housing rehabilitation agencies.**

**7. Investment in the integrated management of housing and living conditions, developing public agencies intervening in rental housing and the integrated rehabilitation of physically and socially degraded urban complexes.**

**8. Development of a system of residential information producing up-to-date, reliable and independent information in order to formulate quality measures tailored to specific needs. It is considered necessary, in the current context of transfer of competences, to establish an Interregional Housing Council to coordinate the (direct and indirect) activities of the various authorities with competencies in matters of housing. It is essential that the Autonomous Communities fulfill their primary duty to have reliable information on housing demands and needs in their respective territories, as well as on the status of their housing stocks.**

**9. Reformulation of the current Quadrennial Housing Plans according to the overarching objectives of housing policy (rental, social, integrated rehabilitation and public promotion of rental housing). The financial resources would be distributed among those Autonomous Communities willing to fulfill these objectives and thus committed to be integrated into a residential information system and to have authentic records of housing demands and needs in their territories.**

**10. Development of strategies for urban and residential planning of a supra-municipal and supra-regional nature, with public control, participation and decision systems, which serve to combat corruption in urban and real estate development.**

In summary, the items on which all public aid on housing should focus are: ***social rent, integrated rehabilitation and public intervention and diversification of the model of access*** which, together with the ***regulation of the right to housing***, constitute the key axes of housing policy.

#### **INDICATORS FOR THE EVALUATION OF HOUSING POLICY**

It is beyond the scope of this report to provide a list of the detailed measures considered most appropriate to guarantee decent housing for people in need of housing. However, it is important to establish the indicators that, as used in other sectors, would serve to assess any housing policy aimed at that essential objective, enshrined without much success in the Constitution: the right to decent and adequate housing for all.

**1. Investment in housing: volume and structure. Public investment in housing should be situated in the medium term around 3% of GDP, i.e. double the current spending rate, and gradually reverse the (direct / fiscal) structure of such expenditure.**

In addition to increased investment in housing, another priority of equal or even greater relevance is the development of a new structure of such investment, so that within a reasonable time (10 years), 70% of total expenditure would be made on direct actions (direct public development, integrated rehabilitation of physically and socially deteriorated urban areas, rent subsidies, ...) and 30% would correspond to fiscal spending (rehabilitation, promotion of rental housing, etc.). Public spending on housing would only focus on rental housing (in different forms) and on the integrated rehabilitation of consolidated areas of the city.

**2. Formation of public land heritage.** It is necessary to generate a real **public land heritage** benefitting from sustained investment, with the capacity to ensure the promotion of public and subsidised rental housing as proposed above. A Portfolio of Public Land should exist, actually in compliance with the law currently in force.

**3. The level of strain to access housing (housing costs relative to disposable income) experienced by the population should not exceed a maximum of 30% in case of purchase and 25% for rent.**

**4. Number of housing units to be initiated in all regimes (private market and public development for rent): 150,000 per year from 2015, of which 30,000 through public development; number of dwellings in an integrated rehabilitation programmes: 150,000 units per year.**

**5. Rental housing rate: growth up to 20% of total tenancy regimes in 2022.** The rental housing rate, especially in urban centres, must revert its gradual decline to rise from its current rate of 11% to 20% in 10 years. This should include a policy of direct aid, subsidies to the entire population (without any limit on age) that could reach 50% of the rent for those dwellings previously on rental housing registries. In order for rental to respond to the needs of youth emancipation, labour and personal development, the

rent must be differentiated from the costs of home purchase and must not exceed 25% of wages.

**6. Diversification of housing supply: variety of tenancy regimes and housing development and rehabilitation regimes.** This indicator of a more qualitative nature can be expressed in *the relationship between social rental housing (with public subsidy) and housing rehabilitation (in integrated units) and newly built housing*. The higher the value of indicators of rental housing and rehabilitated housing, the greater the adequacy of housing policy to current accommodation demands and needs.

**7. Rate of vacant housing: progressive decrease to 10% of the total stock in 2022.**

**8. Rate of emancipation and average age of emancipation.** A change in the current trend, aimed at bringing indicators of emancipation closer to the EU average, would reveal a change in housing policy demonstrating a commitment to accommodation adequate to the needs of young people, which would also require parallel and coordinated actions with regard to the quality, accessibility and stability of employment and training processes, which should be more adapted to real needs.

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