



Housing in 2022 Country-Specific Recommendations

Austria: ‘Reduce overall reliance on fossil fuels, and diversify imports of fossil fuels, by accelerating the deployment of renewable energy and of the necessary infrastructure, notably by simplifying planning and further streamlining permitting procedures, and enhancing energy efficiency, in particular in the industry and building sectors, and diversifying energy supplies.’

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-austria_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-austria_en.pdf

Bulgaria: ‘Step up efforts to reduce energy demand by increasing energy efficiency in industry and in private and public building stock.’

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-bulgaria_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-bulgaria_en.pdf

Croatia: ‘Diversify fossil fuel imports and reduce overall reliance on fossil fuels. Accelerate the deployment of renewables, focussing in particular on wind, solar and geothermal sources, including through small-scale renewable energy production and developing energy communities, mainly by streamlining procedures for administrative authorisation and permits. Further upgrade electricity transmission and distribution grids and invest in electricity storage. Step-up action to reduce energy demand by improving energy efficiency, mainly in residential buildings, and to reduce dependence on fossil fuels in the heating and transport sectors.’

Source: <https://ec.europa.eu/info/system/files/2022-european-semester-csr-croatia.pdf>

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-czechia_en.pdf

Czechia: ‘Strengthen the provision of social and affordable housing, including by adopting a specific legislative framework for social housing and improved coordination between different public bodies’

[...] ‘Increase the energy efficiency of district heating systems and of the building stock by incentivising deep renovations and renewable heat sources.’

Explanation from recital:

‘Beyond the economic and social challenges addressed by the recovery and resilience plan, Czechia faces a number of additional challenges related to housing. Housing affordability in Czechia has been among the lowest in the EU in the past 5 years. Moreover, the low social housing stock cannot meet the demand of all low-income and vulnerable households (it accounted for 0.4% of total housing stock in 2019 versus 7-8% on average in the EU), and existing housing allowances are underutilised. In recent years, cohesion policy funding has supported investments in new social housing units, and the new programming period will continue to promote social inclusion, including via social housing. Czechia lacks legislation on social housing as well as a comprehensive framework. This hampers coordination of the fragmented housing policies, and a definition of responsibilities among national



and regional bodies. The pandemic and influx of people fleeing Ukraine have further exacerbated these preexisting challenges.'

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-czechia_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-czechia_en.pdf

Denmark: 'Implement the new property tax system in order to restore the link between market prices and taxes and ensure fairer taxation. Stimulate investment in construction of affordable housing to alleviate the most pressing needs. Increase the financial resilience of highly indebted borrowers.'

Explanation from recital:

'In Denmark recurrent property taxes are currently capped, hence they do not increase with market prices. They are thereby not able to dampen house price cycles and entail adverse distributional effects. A new property tax system was already approved by the Parliament in 2017 but is still not in place. A surge in house prices and long waiting times for social housing has resulted in a shortage of affordable housing in the main urban areas. Additionally, the share of mortgage loans with a debt-to-income ratio above 4 and loan-to-value ratio above 60% have increased substantially in the Copenhagen area making such borrowers potentially vulnerable to increases in interest rates or any marked decline in house prices. The Danish Systemic Risk Council has issued recommendations to reduce risks for such mortgage loans, but the recommendations have not been implemented.'

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-denmark_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-denmark_en.pdf

Estonia: 'Increase energy efficiency, including of buildings, to reduce energy consumption.'

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-estonia_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-estonia_en.pdf

France: 'Improve the policy framework to incentivise the deep renovation of buildings.'

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-france_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-france_en.pdf

Greece: 'Strengthen the energy services market framework and step up energy efficiency-enhancing measures through reforms and market incentives to support the decarbonisation of the building sector and the transport sector'

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-greece_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-greece_en.pdf

Hungary: Improve the adequacy of social assistance and ensure access to essential services and adequate housing for all.



[...] Reduce the dependency on fossil fuels in buildings and transport by stepping up efforts on energy efficiency measures for all, especially in residential houses and on the electrification of transport.

Explanation from recital:

Regulated prices for residential energy have remained unchanged, thus partly shielding households from recent commodity price increases. However, this does not help poor rural households using solid fuels for heating. Rising house prices pose further challenge to low-income families, which have difficulty accessing public housing support schemes. Meanwhile, social housing has become scarce and often run-down.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-hungary_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-hungary_en_0.pdf

Ireland: Ensure the fast implementation of deep building retrofits.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-ireland_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-ireland_en.pdf

Italy: Aligning the cadastral values to current market values

Explanation from recital: The tax wedge on labour remains very high at all income levels compared to other EU Member States. At the same time, other sources of revenues, less detrimental to growth, are underused, leaving room to further reduce the tax burden on labour in a budgetary neutral way. The cadastral values, which serve as the basis for calculating the property tax, are largely outdated.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-italy_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-italy_en.pdf

Lithuania: Improve access to and quality of social housing.

[...] Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, increasing energy efficiency and decarbonisation of industry, transport and buildings.

Explanation from recital:

Beyond the economic and social challenges addressed by the recovery and resilience plan, Lithuania faces a number of additional challenges related to primary and preventive care, weaknesses in the planning and delivery of social services and a lack of strategy on social housing. [...] Lithuania's spending on social housing, i.e. EUR 10.31 per inhabitant (in constant 2010 prices), compared to an EU average of EUR 101.58 in 2019, is significantly below the EU average, leading to persistent shortages and long waiting lists. The quality of the social housing provided also needs to be improved.



The recovery and resilience plan includes important measures [...]. However, beyond the measures included in the plan, further efforts are needed to improve the planning, quality and effectiveness of social services and to address the shortages and insufficient quality of social housing.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-lithuania_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-lithuania_en.pdf

Malta: Reduce energy demand through improved energy efficiency, particularly in residential buildings

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-malta_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-malta_en.pdf

Romania: Increase the pace and ambition of renovations to advance the energy efficiency of the building stock.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-romania_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-romania_en.pdf

Slovenia: Increase implementation of energy efficiency measures, notably in the building sector

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-slovenia_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-slovenia_en.pdf

Luxembourg: Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, and investment in energy efficiency in both the residential and non-residential sectors.

From recital: the recovery and resilience plan [...] includes measures to increase the public supply of affordable housing.

Source: <https://ec.europa.eu/info/system/files/2022-european-semester-csr-luxembourg-en.pdf>

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-luxembourg_en.pdf

Portugal: Strengthen the incentives framework for energy efficiency investments in buildings.

From recital: The recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. [...]The plan includes significant investments to improve social services, including by increasing the supply of social and affordable housing.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-portugal_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-portugal_en.pdf



Netherlands: Reduce the debt bias for households and the distortions in the housing market, including by supporting the development of the private rental sector, and taking measures to increase housing supply.

[...] Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, in particular by boosting complementary investments in network infrastructure and further streamlining permitting procedures, improving energy efficiency, in particular in buildings

Explanation from recital:

Distortions in the housing market contribute to rapidly rising house prices and high household indebtedness, which makes households vulnerable to economic shocks. House price growth surged in 2021 with an annual growth rate of 15% and there are increasing signs of overvaluation in the housing market, which increases risks and vulnerabilities. While mortgage interest tax deductibility is being reduced gradually, the reduction is only partial, with the tax relief it provides on mortgage payments remaining generous. Together with relatively high borrowing limits (loan-to-value), this continues to contribute to a strong debt bias for households. At the same time, the private rental market remains small and underdeveloped. The lack of a well-functioning middle segment on the rental market encourages households to buy rather than rent, contributing to high debt-to-income ratios and financial vulnerability.

Rigidities on the supply side add to the distortions in the housing market. The relatively inelastic supply of homes increases the risk that policies meant to make housing more affordable end up stimulating demand and ultimately drive house prices up further, thereby undermining the policies' original objective.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-netherlands_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-netherlands_en.pdf

Spain: Increase the availability of energy-efficient social and affordable housing, including through renovation.

Explanation from recital:

Beyond the economic and social challenges addressed by the recovery and resilience plan, Spain faces a number of additional challenges related to accelerating the green transition, energy interconnections, social and affordable energy-efficient housing and the circular economy.

[...] Further progress in decentralised renewable energy production and deep renovations in both residential and non-residential buildings, particularly in mid-size cities, could be achieved by putting in place appropriate financing schemes, upskilling and training of workers in the construction sector, awareness raising campaigns and technical assistance to support the use of grants and financial instruments for renovations. Also, deploying additional energy efficient social and affordable housing, notably in areas with pronounced shortages and stressed markets, could be helpful for containing energy consumption, more decisively addressing the green transition and supporting vulnerable households.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-spain_en.pdf



See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-spain_en.pdf

Slovakia: Adjust renovation policies to accelerate and incentivise deep renovations of buildings.

Make the tax mix more efficient and more supportive to inclusive and sustainable growth, including by leveraging the potential of environmental and property taxation.

From recital: Slovakia does not currently have sufficient data to enable updating and indexing the property tax base in line with market values, which could also partly mitigate the continuing strong demand for housing and related strong house price growth. [...] Additional effort is needed to address energy poverty and reform investment in social housing.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-slovakia_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-slovakia_en.pdf

Sweden: Reduce risks related to high household debt and housing market imbalances by reducing the tax deductibility of mortgage interest payments or by increasing recurrent property taxes. Stimulate investment in residential construction to ease the most urgent shortages, in particular by removing structural obstacles to construction and by ensuring the supply of buildable land. Improve the efficiency of the housing market, including by introducing reforms to the rental market.

Explanation from recital:

[...] Sweden is experiencing macroeconomic imbalances. Vulnerabilities relate to high and rising house prices and high household indebtedness. Private debt has risen to 216 % of GDP in 2020, which is a concern because of the large share of debt used to buy property. Financial institutions are exposed to the real estate market through mortgage lending and credit to commercial real estate and construction firms. Spurred by a housing shortage, an overregulated rental market, fiscal incentives to take up mortgage loans, and declining interest rates, households have increasingly taken on debt to finance house purchases. This makes them vulnerable to potential interest rate changes. [...] Some measures have been taken in recent years to address these imbalances but have had a limited impact. Key policy gaps remain particularly in relation to tax incentives for debt-financed home ownership, housing supply and the rental market.

The combination of high house prices and household debt poses risks of a disorderly correction. Sweden has implemented several macro-prudential measures in recent years to reduce household debt relative to income and the value of the mortgaged property. However, other incentives to borrow and take on debt remain in place. As a result, the policy measures taken so far appear to have had a limited impact on mortgage lending growth. House prices have been increasing since the middle of the 1990s, outpacing the growth of household income. This trend accelerated during 2021, with nominal house prices growing by 11.3% year-on-year in the third quarter. The main reasons for this include tax incentives favouring home ownership and mortgage debt, accommodative credit conditions and relatively low mortgage repayment rates. The overall tax burden on property is relatively low in Sweden because of generous tax deductions of mortgage interest payments and low recurrent property taxes. While capital gain taxes have been lowered in 2020 and 2021 to reduce the cost for existing homeowners to buy and move houses, this change may have slightly raised the



entry barrier for first-time buyers through an increase in house prices. Despite a significant increase in new construction in recent years and an increase in the number of building permits granted, a shortage of houses is expected to continue in the coming years. In addition, the existing housing stock is not used efficiently. Together, this makes it harder for people to change jobs and likely contributes to intergenerational inequality.

In the rental market, regulated below-market rents benefit a limited group of households. There is no link between the rent and the household's needs and income. Efficiency gains would be made if rents followed market prices more closely complemented with rental support based on income and net wealth.

Source: https://ec.europa.eu/info/system/files/2022-european-semester-csr-sweden_en.pdf

See also: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-sweden_en.pdf