

Over 70% of Europeans live in urban areas. This translates into high demand for access to housing at affordable prices in several cities. According to the latest Eurostat data ([Living conditions in Europe – 2018](#)), almost 1 in 20 people across the European Union faced severe housing deprivation in 2016, and some 11% of the EU-28 population spent 40% or more of their household disposable income on housing.

Due to gradually decreasing investments since 2009, the affordable and social housing sector is confronted with two main problems: a decline in stocks and quality of dwellings, and the increasing need for accommodation. A recent EU study^[1] reveals a **€6bn** annual investment gap in social and affordable housing, meaning that investment in this sector should increase by 25%.

Housing is a basic human need and the European Investment Bank is committed to easing the pressure on housing markets in Europe. The EIB creates advanced financial tools to meet that need. Social and affordable housing loans are a major element of the EU bank's **€150bn** in urban lending. The EIB support in this sector includes the retrofitting of existing housing and the construction of new social and affordable accommodation, ranging from housing schemes in small towns and rural areas often facing demographic challenges to development projects in large cities with very severe housing shortages.



[1] "Boosting Investment in Social Infrastructure (January 2018)", authored by the High-Level Task Force (HLTF) in association with the European Commission (DG ECFIN) and the European Long-Term Investors Association (ELTI)

Social and affordable housing

OVERVIEW

2020

WHY IS THE EIB FINANCING SOCIAL AND AFFORDABLE HOUSING?

The EIB is involved in social housing for two main reasons:

First, there is **a market failure** in the provision of decent, safe and energy-efficient housing for lower-income and marginalised populations. This can be attributed to incomplete or missing markets and coordination failures: the available housing supply on the market does not cater for the demand of people with low or modest incomes.

This can have wider negative consequences, such as public health and safety issues, a shortage of workers, inefficient labour markets, poor use of energy and low energy efficiency.

Second, there is **a social equity rationale** to provide everyone with decent housing, to reduce inequality in society and to defuse potential social tensions, which may be ignited by geographically polarised concentrations of different population groups and a poor social mix.

The boundaries between social and affordable housing are not so clear-cut and may vary from country to country. In general, however, affordable housing is aimed at people whose income is too high for them to be entitled to social housing, but not sufficient to buy a property on the free market.

The EIB addresses these market failures by lending to the social and affordable housing sector in order to:

- redress the lack of social and affordable housing. Long-term financing enables cities and social and affordable housing providers to increase the stock of housing available for those in need;
- strengthen equity and cohesion. Social and affordable housing projects support the reinforcement of the EU's economic, social and territorial cohesion.

By doing so, the EIB is helping European cities to tackle the severe housing crisis affecting many countries today, as evidenced by long waiting lists and frequent housing overburden (where people pay over 40% of their income to cover housing costs).

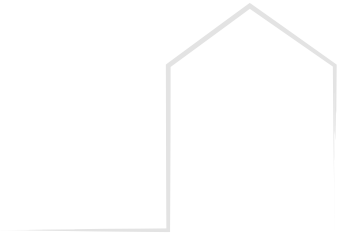
The EU bank is also helping to enhance the **energy efficiency** of social and affordable housing. This contributes to lowering the energy bill for both local authorities and households, is good for the environment and ultimately contributes to addressing the climate challenge.

WHO CAN BENEFIT FROM EIB SUPPORT?

The EIB can lend to a wide range of social and affordable housing clients – from cities and government agencies to housing companies operating in the public and private sectors. For smaller housing projects, we typically provide loans through intermediaries such as specialised housing agencies, national promotional banks or funds.

The Bank targets specific entities:

- housing associations;
- cities and municipal companies;
- approved/regulated social and affordable housing providers;
- national and local promotional banks;
- dedicated financial organisations backed by governments;
- commercial banks and financial intermediaries.



WHICH FINANCIAL TOOLS DOES THE EIB OFFER?

The EIB is flexible in terms of its financing approach and has different products available, including corporate and project finance, public/private/PPP financing structures, and debt equity^[2]. The European Fund for Strategic Investments (EFSI), known as the Juncker Plan, enables the EIB to accept higher levels of risk, for example when lending to social and affordable housing companies with lower ratings.

The EIB is a trusted partner – it supports better funding and advisory services under the EU Urban Agenda Housing Partnership. It works with partners to foster new social housing in transition countries where social housing is limited and regulatory frameworks have not been established.

Besides financing, the EIB provides advice on social and affordable housing topics linked to investment in the sector – in particular through our **URBIS** (Urban Investment Support) instrument developed together with the European Commission.

HOW DOES THE EIB SELECT SOCIAL AND AFFORDABLE HOUSING PROJECTS?

EIB activities are supporting the implementation of the EU Urban Agenda, which brings together the urban dimension of EU and national policies and legislation while aiming to improve the quality of life in urban areas. We invest in regions and nations where there is a clear policy and a regulatory housing framework.

The EIB receives financing requests from social housing promoters via its network of loan officers and local offices. These requests are then screened and appraised for their quality and bankability.

The EIB does not finance purely market-based housing, which does not respond to specific public policy goals or address a market gap, nor does it finance unplanned housing development, mortgage financing and speculative housing development. **The Bank finances social and affordable rental housing only.** Market housing and housing for sale are excluded except in specific cases (for example energy-efficiency improvements for private housing, or certain types of shared ownership or rent-to-buy arrangements).

The EIB typically finances:

- social housing and affordable housing for rent;
- refugee accommodation and reception centres, and associated infrastructure and start-up costs (typically provided during an asylum process);
- student accommodation and accommodation for apprentices;
- care homes and assisted living facilities.

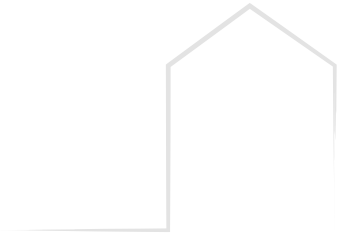
The EIB checks social and affordable housing projects against their eligibility criteria, income related and other social criteria, such as: rent setting, administration of waiting lists, transparency of the allocation process, market functioning across public and private providers, potential state aid issues and procurement arrangements for housing construction. Where some of these elements are not in place, the Bank seeks to incorporate appropriate safeguards on a project-specific basis and provides advice if needed.

As recent initiatives in Poland show, the EIB is also supporting the development of social and affordable housing in countries with limited experience in this sector for historical reasons – especially in Central and Eastern Europe – by providing advice and exploring the potential to finance pilot projects as the regulatory regime evolves.

[2] In practice, the EIB rarely provides equity for social and affordable housing projects but it is potentially feasible.



PROJECT HIGHLIGHTS



Affordable housing – SNI (CDC-Habitat), France

In March 2017, the EIB and the SNI Group announced a €500m loan for affordable housing in France, backed by the Investment Plan for Europe. This EU financing operation will enable the SNI Group to build 13 000 affordable housing units by end-2019 in an area of France where housing demand outstrips supply, which is close to employment centres and in which rents are 15-20% below the market rates. This new stock of rental accommodation will offer a sustainable response to requirements of those segments of the population who find it difficult to access housing on the free market. The housing units will also meet the latest energy performance standards.

Social housing, Ireland

This involves Housing Finance Agency (HFA), a public limited company backed by the Minister for Housing, Planning and Local Government in Ireland. In 2017, the EIB signed a €405m Irish social housing investment programme that will construct and improve thousands of properties across Ireland. It comprises the construction of 1 400 new homes and the upgrade of more than 700 properties in Dublin and across the country and is jointly financed with the Housing Finance Agency.

Framework loan to local affordable housing company – Poznańskie Towarzystwo Budownictwa Społecznego (PTBS), Poland

In March 2019, the PTBS housing association completed the construction of new housing units in the Strzeszyn district of Poznan. Ultimately, about 1 100 new housing units will be built in the new housing estate. Half of the apartments will be inhabited by Poznań residents, who received an allocation under the PTBS recruitment process. In the remaining units, the city will implement the “Mieszkanie dla Seniora” (homes for the elderly) programme for people on the housing lists of the Office for Housing Affairs.

Expansion and energy-efficiency improvement of Madrid’s social housing stock, Spain

In March 2019, the EIB lent €49m to the Madrid Region to build 612 affordable rental flats. Half of the new units will be low-consumption homes and a further 1 337 will be renovated to reduce energy costs.

RESOURCES

LATEST PRESS RELEASES

- **Spain: EIB finances expansion and energy efficiency improvement of Madrid's social housing stock**
 - **Poland: EIB support for affordable housing - new flats delivered in Poznan**
 - **France: Investment Plan for Europe: EIB and SNI Group announce a €500m loan for affordable housing in France**
 - **France: Juncker Plan - four public housing agencies (OPHs) and Réseau Canopée members receive unprecedented €107m in financing from EIB**
 - **Ireland: EIB backs record €405m Irish social housing investment programme**
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PUBLICATIONS

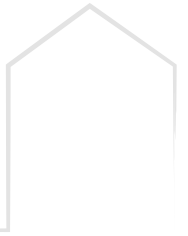
- **Social and Affordable Housing with the EIB: Advanced Finance for a Basic Need**
 - **The 15 circular steps for cities**
 - **Factsheet: URBIS, boosting urban development projects**
 - **Factsheet: EIB contribution to the Urban Agenda for the EU**
 - **Factsheet: The role of EFSI in financing urban and regional projects**
 - **The EU Urban Agenda Toolbox**
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STORIES

- **My first real apartment**
 - **In Irish social housing 'life is worth living'**
 - **Szymon's room**
 - **Who's the 'smartest' in Central, Eastern and South-Eastern Europe?**
 - **Be smart: Smart city finance for your citizens**
 - **A birds-eye view of smart city regeneration**
 - **Podcast: Smart city finance for better planning**
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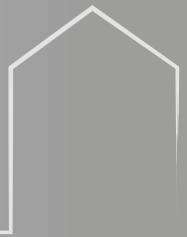
VIDEO ON SOCIAL HOUSING

- **A better, greener, affordable home for everyone**
- **EIB activities under the EU Urban Agenda**



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