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HOUSING FINANCE
IN WESTERN EUROPE

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General Manager and Secretary,
Co-operative Permanent Building Society,
London

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INTRODUCTION

In this brochure an account is given of the main methods and techniques of financing house building in most of the countries of Western Europe at the present time. Also, as the detailed problems of housing finance can only be fully understood if a knowledge of general housing conditions and problems has first been acquired, some account is given of the general housing situation in the countries under review. The report is in two parts: in the first, the subject matter is outlined in general terms; in the second, greater detail is provided by dealing with each country separately. The information given is as complete, up-to-date and accurate as possible but some of the data required has not been obtainable and some of the original data has proved to be conflicting. However, great care has been taken and slight omissions and inaccuracies should not detract from the general usefulness of the information provided.

Information on housing finance is plentiful but diffuse. A mass of data has been published relating to one or other of most European countries, but there have been very few attempts to collate such information in a conveniently concise form. Clearly such an attempt is desirable. With housing finance, as with other subjects, knowledge of the problems confronting other countries and of the methods adopted elsewhere is a necessary prerequisite to closer understanding and co-operation between nations. It is hoped that this study will assist in the interchange of ideas and, possibly, in the solution of certain common problems.

It must be made clear at the outset that the following pages are intended to be informative rather than critical—facts are described as they exist, without judgment of any kind being passed. The narrative has been written with the close collaboration of Co-operative Housing Societies in all the countries under review and thanks are extended to those Organisations for the many helpful comments and suggestions proffered. Other information has been obtained from the most up-to-date publications available; in particular, free use has been made of the latest reports of the Housing Committee of the Economic Commission for Europe.

HERBERT ASHWORTH.

London,
September 1955.

PART I.

General Housing Situation.

**General Nature of the Problem
of Housing Finance.**

Observations and Conclusion.

THE GENERAL HOUSING SITUATION

During the war years, house building came to a complete standstill and aerial and land bombardment inflicted severe damage on existing house property in most of the belligerent countries in Western Europe. In those countries which remained neutral, house building was curtailed, and in both belligerent and non-belligerent countries the repair and maintenance of private dwelling houses was unavoidably neglected. Also, in some countries special factors during and after the war, such as the loss of frontier territories and/or the influx of refugees, have accentuated housing problems. War conditions, therefore, caused a housing shortage of unprecedented magnitude, a fact which necessarily dominates all others in any examination of post-war housing in Europe.

Shortage of accommodation still remains an urgent problem in many areas, and the success with which it is being overcome varies considerably from country to country. Table I shows that house construction in nearly all West European countries has expanded in the last few years and it now exceeds the pre-war level. However, the supply of new houses must be considered not in isolation but in relation to the demand for living accommodation and this demand has been rising in recent years with the general growth of population.

TABLE I. House Construction in Europe

Country	Pre-war Period ⁽¹⁾	Dwelling Units Completed (Thousands)			
		Pre-war ⁽¹⁾	1952	1953	1954
Austria	--	Not known	39	38	35
Belgium	1935	37	32	37	40
Denmark	1934-37	21	19	21	23
Finland	1936-39	24	31	29	31
France	1929-32	151	84	116	170*
Western Germany	1928-31	190	411	487	505*
Italy	1936	86	116	149	175*
Netherlands	1928-31	49	57	63	71
Norway	1939	16	33	35	35†
Sweden	1939	59	46	53	58†
Switzerland	1930-33	20	28	29	33*
United Kingdom ⁽²⁾	1935-38	358	240	319	348

Source: Economic Commission for Europe. * Estimate. † Provisional figure.

Note: ⁽¹⁾ Except where insufficient data are available, the pre-war figure represents the highest average annual rate at which dwellings were completed during any four consecutive years in the inter-war period.

⁽²⁾ Excluding Northern Ireland.

Table II has been prepared from statistics issued by the Secretariat of the Economic Commission for Europe in an endeavour to show the progress achieved in overcoming the wartime housing shortage. It compares the percentage increase in total population between 1937 and 1953 with the estimated percentage increase in the total number of dwellings in the same period.

**TABLE II. Changes in Population and in the Number of Dwellings
1937 to 1953**

Country	Total Population (thousands)			Estimated Number of Dwellings (Thousands)		
	In mid-1937	At end of 1953	% change 1937-1953	In 1937	At end of 1953	% change 1937-1953
Austria	6,755	6,964	3.1	2,000	2,229	11.5
Belgium	8,346	8,798	5.4	2,458	3,017	22.7
Denmark	3,749	4,392	17.2	1,088	1,337*	22.9
Finland	3,150	4,163	32.2	708	1,084	53.1
France	41,200	42,775†	3.8	13,140	12,300†	--6.4
Western Germany ...	39,000	49,278	26.4	10,331	10,966	6.1
Italy	42,372	48,160	13.7	10,522	11,700	11.2
Netherlands	8,598	10,551	22.7	2,036	2,400	17.9
Norway	2,919	3,375	15.6	681	941	38.2
Sweden	6,276	7,205	14.8	1,785	2,464	38.0
Switzerland	4,180	4,900	17.2	1,083	1,373	26.8
United Kingdom ...	47,289	50,954	7.8	12,238	14,386	17.6

* In 1952.

† On 10th May, 1954. The figure for the total number of dwellings is an estimate by the Secretariat of the E.C.E.

From this table it can be seen that in France, Western Germany, Italy and the Netherlands, the total number of dwellings had risen more slowly than total population since 1937—housing conditions had clearly deteriorated in these countries. Elsewhere, the total number of dwellings had risen more rapidly than total population, but it is doubtful whether housing standards had improved.

The general housing situation is less favourable than a study of the table would indicate. On the supply side, the change in the number of dwellings is estimated on the basis of new construction less war losses, no account being taken of replacement needs. Assuming the average life of a dwelling to be 100 years, these needs have been estimated to amount each year to two-thirds of one per cent of the total stock of dwellings. On the demand side, no account is taken of any increase in the number of individual households and the effect of

high employment and controlled rents : in almost all countries, the percentage increases in marriages have been greater than the growth of total population and the effective demand for housing has often increased more than physical needs owing to higher employment and controlled rents. Movements of population have also affected housing conditions, particularly in those areas where there has been an influx of refugees and where there has been a continued drift from the countryside into towns. If these factors are taken into consideration, the housing position may be regarded as satisfactory in relatively few European countries.

In the United Kingdom and Austria the total number of dwellings has increased at a greater rate than total population but the general housing situation appears to have deteriorated if account is taken only of family formation. The number of additional married couples between 1937 and 1953 exceeded the number of dwellings built less war losses in the same period. Overcrowding is, therefore, worse than before the war, even if no account is taken of replacement needs: and obsolescence is the major problem.

In the Scandinavian countries, Belgium and Switzerland, there has also been an increase in the number of dwellings per head of population since 1937. In Belgium and Norway, however, there has been little replacement of obsolete dwellings, though construction has kept pace with family formation. Only in Sweden, Denmark, Switzerland and Finland has construction been sufficient to cover the increase in the number of married couples and to allow a surplus for replacement needs.

A general analysis of house construction and population statistics thus suggests that the housing situation in Western Europe as a whole showed neither marked improvement nor deterioration between 1937 and 1953. Until the end of 1953, the number of new houses produced had just about kept up with family formation with the result that the shortage of dwellings remained about the same as in the immediate pre-war years. However, if allowance is taken of obsolescence and the resultant replacement needs, a definite deterioration occurred in housing standards in many countries during the period in question.

During 1954 house construction in Western Europe showed a significant rise—the number of new dwellings completed being between 12 and 15 per cent higher than in 1953. It would appear that for the first year since the war the level of construction was such as to provide for an improvement in housing standards. Nevertheless, if a substantial amelioration in housing conditions existing before the war is to be achieved, a further increase in house construction will be necessary and additional building resources will have to be allocated for slum clearance programmes and the repair and maintenance of existing dwellings.

GENERAL NATURE OF THE PROBLEM OF HOUSING FINANCE

The essence of the problem of housing finance is to ensure that builders are able to borrow enough capital over and above their own contributions, on terms they are able to meet. The three major requirements are that they should be able to obtain a high percentage loan, that rates of interest should be moderate, and that the periodic repayments should be as low as possible.

In the post-war years, builders in almost every country in Europe have experienced considerable difficulty in acquiring sufficient capital, conforming to these requirements, for their construction programmes. The canalisation of adequate funds into house construction has, in fact, become one of the most important aspects of the housing problem. In many countries, shortage of capital, more than any other single factor, has made difficult a rapid expansion of house building, an expansion which is so desirable if accommodation shortages resulting from wartime conditions are to be overcome.

THE EFFECT OF RISING COSTS

The Cost of Living

In all European countries, there has been a marked rise in the cost of living since the outbreak of the second world war. It will be seen from Table III, which depicts the position in 1953, that this rise has varied considerably from country to country, being relatively low for example in Western Germany and Switzerland on the one hand and extremely high in Finland, France and Italy on the other. Nevertheless, a rise of some sort occurred everywhere and this exercised a detrimental effect on the volume of savings. Continuously rising prices affected both the ability and the willingness to save; wage adjustments to price increases usually occurred only after some time had elapsed, whilst uncertainty as to the future has produced a tendency to spend rather than to accumulate savings which would depreciate with time.

**TABLE III. Index Numbers of the Cost of Living (Excluding Rent)
Building Costs and Rent in 1953**
(1938 = 100)

Country	Cost of Living Excluding Rent	Building Costs	Rent
Austria	668	831 (a)	334 (e)
Belgium	405	480 (b)	256
Denmark	219	270 (c)	120
Finland	1,200	1,545	512
France	2,639	2,667	945
Western Germany	178	220	112
Italy	6,982	6,975	990
Netherlands	289	355	115
Norway	230	221	102
Sweden	210	213	125
Switzerland	182	199 (d)	114 (e)
United Kingdom	252	301	122

Source: Economic Commission for Europe;
Reports from Co-operative Housing Societies.

(a) 1937=100. (b) 1939=100. (c) August, 1939=100. (d) 1st June, 1939=100. (e) April, 1938 = 100.

The rise in the cost of living seriously restricted the supply of savings for investment, particularly long-term investment. The decline in personal savings meant that both private builders and prospective house purchasers were only able to furnish a smaller proportion of the capital required to finance house construction and that the traditional real estate credit institutions in many West European countries were often hampered by lack of funds. Most credit institutions which specialise in housing loans obtain their finance direct from the deposits of their members or by the issue of long-term bonds to the public -- owing to the general decline in savings and scarcity of capital on the open market, they were often obliged to reduce their loans considerably. Moreover, this general shortage of capital occurred at a time when the capital requirements of other sectors of the economy were increasing and consequently interest rates were forced up to high levels. In a number of countries the position improved slightly in 1954.

Building Costs

The difficulties of financing house construction have also been increased by rapidly rising building costs in recent years. Table III shows that in most West European countries building costs rose between 1938 and 1953 even more rapidly than the cost of living. Thus at the very time when the supply of savings for private investment in housing declined, larger sums than ever were required for constructional purposes.

THE EFFECT OF RENT RESTRICTION

Rent policies in recent years have also exercised a detrimental effect on private investment in housing. It may be deduced from Table III that rent restriction in one form or other has been operative in virtually all the West European countries. The relatively low rents charged in some countries form one of the chief obstacles to the finance of housing: apart from a reluctance to invest in rent restricted properties, private investors are chary of building or financing new houses for letting when uncertainty exists as to the degree of rent restriction likely to be operative in the future.

INTEREST RATES

Owing to the great variety of loan contracts and to their influence on interest rates it is not easy to get comparable figures for different countries of the rates of interest charged on loans for housing. However, the following table has been constructed for comparison purposes and gives an approximation of the level of interest rates in the West European countries in recent years. It will be seen that the rates charged by private credit institutions vary considerably from country to country. Only in the relatively few countries where the rates are low is the supply of private capital for housing purposes plentiful. Probably only in Switzerland are current rates lower than those which prevailed before the war.

TABLE IV. Rates of Interest Charged on Housing Loans

Country	Loans from Private Credit Institutions		State Loans
	Short-term Rates during Construction	Long-term Mortgage Loans	
	%	%	%
Austria	7-10	6-7	3
Belgium	—	6-7	2½-3
Denmark	—	3½-5½	2-3½
Finland	8-10	8-10	1-3
France	8-9	5-7	2-3
Western Germany	8-9	6-10	½-4
Italy	10-14	7-10	—
Netherlands	5-5½	3½-4	3¼-4
Norway	—	3½	2½
Sweden	3½-4½	3½-4½	3
Switzerland	4-5	3½-3¾	—
United Kingdom	4½-5	4½-5	4

Source: Economic Commission for Europe.
Reports from Co-operative Housing Societies.

STATE ASSISTANCE

It has become necessary in most countries for the State to take an increasing part in the finance of house building. Public authorities, often for political as well as financial reasons, have been obliged to promote and assist the building of dwelling houses and a number of different financial methods have been adopted for this purpose.

State loans for housing are granted in most countries at lower rates of interest than those prevailing on the market (see Table IV). Sometimes they are granted only after private first mortgages have been obtained—elsewhere they cover almost the full loan required. The rate of interest charged in some countries varies according to the borrower's income and is nearly always fixed for a very long period of time so that the owners and tenants are covered against the risk of rising interest rates.

In a number of countries, capital subsidies are granted by the State to encourage the construction of certain types of housing—lump sum capital payments of this kind are given under certain circumstances in Holland, Belgium, Norway, and Sweden. Elsewhere annual subsidies are granted to the owners or tenants of new houses—this is the predominant form of subsidy in the United Kingdom and is also important in France.

Other assistance is sometimes given in the form of guarantees. These are given in some cases to house owners or tenants against rises of interest rates and in others to credit institutions to cover any losses on their loans. Tax concessions have also been granted in some countries to assist house building: one of the methods consists of exempting newly-built houses from certain taxes whilst another allows for deductions from taxable income of funds invested in housing.

The majority of new dwelling houses built in Western Europe during recent years have been constructed with the aid of funds provided by public authorities using one or more of the methods mentioned above. In most of the countries of Western Europe between 65 per cent and 75 per cent of the dwellings constructed in 1953 attracted State assistance: if account is taken of tax exemptions, almost all new dwellings in the countries under review were built with the aid of public finance of some kind.

The percentage of total expenditure on new housing contributed by public authorities varies from country to country. In the Netherlands, Norway and the United Kingdom, where the system of private first mortgages on publicly assisted housing is not generally employed, upwards of 80 per cent of total investment in new houses was obtained from public funds in 1953. In France, about 60 per cent of the total investment in building was channelled through the State in that year, in Belgium about 53 per cent, in Italy about 50 per cent, and in Germany about 42 per cent. In Denmark, Finland and Sweden, a large part of the total investment in housing in 1953 was provided privately by means of first and second mortgage loans, State loans being granted as second or third mortgages subject to the private mortgages being obtained. As a result, in Denmark and Sweden only about 40 per cent of the total investment in new houses was provided by the State whilst in Finland it was as low as approximately 17 per cent. In Switzerland, State assistance of all kinds was insignificant.

During 1954, concern was felt in many West European countries at the high and rising level of housing subsidies and an attempt was made to stabilise Government expenditure of this nature. As a result, a decline occurred in some countries in the proportion of the Government contribution to the total expenditure on new housing. In certain countries, as for example, the Netherlands and Great Britain, private building increased during 1954 whereas state-financed construction remained relatively stable. Elsewhere, housing policy was specifically directed towards a reduction in State financial assistance for housing. In Germany, for example, it was decided that Government subsidies were to taper off over a period and that State mortgage loans were to be granted at market rather than specially low rates of interest. In Denmark, also, the form of State assistance was changed towards the end of 1954 from low-interest loans to loans at market rates of interest, combined with annual subsidies calculated per square metre of floor space.

OBSERVATIONS AND CONCLUSION

OBSERVATIONS

The methods and techniques of financing house construction in Western Europe vary considerably from country to country.

In all countries, funds for housing purposes are derived from three main sources; from individuals, from real estate credit institutions and from the State, but the relative importance of these sources varies from one country to another. In those countries where personal savings are high and there is a well-established credit system, private lending institutions supply most of the capital invested in housing. In other countries, where private capital

is scarce, the public authorities have had to provide most of the funds required for their housing programmes.

Details of the different financial institutions which grant mortgage loans in Western Europe are contained in the report. It is evident that in organisation and importance these institutions vary considerably from country to country. The terms upon which private mortgage loans are granted, that is to say the percentage of building costs advanced, the rates of interest charged and the repayment terms allowed, depend very largely upon the general economic and financial situation in the country concerned. In most West European countries, private capital is still relatively scarce, and in the face of competing requirements, the rate of interest charged on long-term mortgage loans remains high. Of necessity the State in most countries continues to play a considerable part in the finance of house building.

Co-operative Housing Societies and the State

Co-operative Housing Societies, together with other non-profit-making organisations, often benefit from special legislation and receive special State assistance. This legislation and assistance has the effect of reducing the annual outgoings on properties owned by the Societies, and allows them to charge their members lower rents. In certain countries, Co-operative Housing Societies enjoy special privileges as they come within the framework of special working-class housing legislation; for example, in France they benefit from "moderate rental" legislation and in Belgium from "cheap housing" legislation. Co-operative Housing Societies in these two countries receive low-interest loans from government supported institutions. In most other countries, Co-operatives are eligible for larger State loans at lower rates of interest than those obtainable by private builders. Interest in the early years of State loans is sometimes reduced and sometimes amortisation is dispensed with altogether. The total annual charges (covering interest, amortisation and administrative costs) incurred by Co-operative Housing Societies, vary normally between 4 per cent and 6 per cent of building costs.

Encouraging Trends

In most countries, there was a reduction in State assistance for housing during 1954. This probably reflected a general easing of the financial difficulties experienced in most of the countries under review. In 1953, for the first time since the war, the cost of living showed signs of levelling out. This trend continued during 1954 and greater stability of prices and increased wages began to react favourably on the level of personal savings. Also, during 1953 and 1954, the steep rise in building costs was checked in most areas of Western Europe—in some countries, as for example Belgium, Western Germany, Sweden, Norway and Switzerland, falls were recorded owing to reductions in the prices of certain basic building materials. Recently too, mortgage lending rates have shown greater stability and there have been reductions in long-term interest rates in some countries. Clearly if these encouraging tendencies continue, it will be possible for more private capital to be channelled into house building and the problem of housing finance will become less acute.

However, despite the improvement, housing finance remains a problem in most European countries; capital is in demand, rates of interest charged on mortgage loans are high, and house construction and repair work are still hampered by lack of funds and the high level of building costs. On the other hand, there is already a supply of low-interest building capital sufficient to satisfy house construction programmes in a few countries, and, in others, savings are increasing to such an extent that surpluses may become available for long-term investment. In Switzerland, real estate credit institutions are competing against one another already for mortgage business.

CONCLUSION

With housing finance, as with other aspects of housing, knowledge of the problems confronting other countries and of the methods they adopt to overcome them is helpful and, in relation to the present problem, such knowledge makes it possible to appreciate the very real opportunity and need that exists for closer co-operation between nations. Different methods and techniques of housing finance have been evolved in different countries under the influence of differing environments. In no two countries are all circumstances and outside influences exactly identical; nevertheless, lessons can be learned from the experience of others. Most of the countries of Western Europe could profit from the adoption of one or some of the schemes in practical operation elsewhere.

A field where careful study and exchange of experiences between countries would be particularly fruitful is that of housing subsidies. A strong argument exists for finding some way of avoiding the basing of financial assistance exclusively on subsidies, which increase continually the total burden on public funds as the number of dwellings built with subsidies increase. From the purely financial point of view, and ignoring other considerations, an extension of the activity and rôle of Co-operative Housing Societies as instruments of Government housing policy is desirable. Scandinavian experience has shown that such Societies can finance and superintend the construction of houses, also carry out management, and thus relieve the public authorities, in some degree, of much direct financial and administrative burden. Co-operative Societies can also work more closely with the general public and might be instrumental in some countries in reducing building costs.

PART II

**In this part of the brochure, the following countries
are treated separately:-**

Austria

Belgium

Denmark

Finland

France

W. Germany

Italy

Netherlands

Norway

Sweden

Switzerland

United Kingdom

AUSTRIA

I. GENERAL HOUSING SITUATION

Housing Needs

In Austria, during the war, much damage to house property was suffered (as for example, in Vienna where 30 per cent of all dwellings were destroyed or damaged) and few, if any, new houses were constructed. In post-war years, therefore, the demand for living accommodation has been high and overcrowding has become an acute problem, particularly in the larger towns. Although the rate of increase in total population has been comparatively low in the last decade, that of marriages has been high and a conservative estimate has put the present accommodation shortage at 200,000 dwellings.

House Construction

Accurate statistics of the number of private dwellings constructed in recent years are not available. Estimates, however, suggest that, in spite of difficult economic and political conditions, house building has shown a marked expansion in the post-war years. The number of dwellings completed (including new construction, reconstruction, alteration and conversion in respect of both residential and non-residential dwellings) rose from approximately 26,000 in 1948 to 46,000 in 1950. Thereafter construction showed a decline to average approximately 37,000 between 1951 and 1953, but rose again to total some 45,000 in 1954.

Housing Characteristics

The population of Austria is highly urbanised, a large proportion being concentrated in a small number of the larger towns: as much as one-third of the total population live in Vienna alone. Recent house construction in the towns has consisted predominantly of blocks of flats.

2. SOURCES OF HOUSING FINANCE

The Private Sector

In recent years, there has been a steep rise in retail prices (in 1953 the cost of living index, excluding rent (1938=100) rose to 668) and savings have been low. Moreover, building costs have risen even more steeply than the cost of living, the index (1938=100) reaching 831 in 1953. Therefore, at a time when finance has been limited, the capital required for housing has been high and, in consequence, interest rates have risen to between 6 and 10 per cent per annum.

Owing to the post-war conditions, the part played by individuals (private builders and prospective house purchasers) in financing the construction of dwellings has been small, and the Land Banks and Savings Banks, the traditional sources of finance for housing in Austria, have been able to provide only limited assistance.

Land Banks grant long-term first mortgage loans for terms of 30 to 40 years, repayable by fixed annual instalments which include interest and amortisation: the loans cannot be repaid usually until the full term has elapsed. Prevailing interest rates are 6 to 7 per cent per annum and the loans these institutions grant must not exceed 60 per cent of the estimated values of the buildings. As the valuations are based on the incomes arising from the properties as well as on their market values, and as rentals in general are low, the valuations fall well below building costs, with the result that loans normally amount to only small percentages of such costs. The Land Banks obtain their funds by issuing bonds for purchase by the public.

Savings Banks grant loans on conditions similar to Land Banks. However, their loans must not exceed 50 per cent of the estimated values of the properties and they may be repaid before the full terms of the loans have expired.

There are also four Building Societies which specialise in financing home ownership but, owing to lack of capital, their activities at present are very limited and the rates of interest they charge are high.

The State

Due to the smaller amounts contributed by individuals, and the low percentage of building costs obtainable on first mortgage from the real estate credit institutions, the part played by public authorities in housing finance has, of necessity, increased greatly in recent years.

In order to stimulate house building, the Austrian Government has set up a Federal Housing and Housing Estates Fund and Regional Housing Promotion Funds in the individual states. In addition to granting loans through these loan agencies, the government encourages the granting of second mortgage loans covered by State guarantees and has employed European Recovery Programme Funds to assist in the finance of new construction.

The Government also established the Federal Fund for Housing Reconstruction in 1948 to finance reconstruction. This fund is purely a lending institution, granting interest-free loans for the full amount of reconstruction held to be necessary. The loans are amortised at the rate of 1 per cent per annum.

The Federal Housing and Housing Estates Fund assists municipalities and "housing undertakings operated in the public interest" (see later). It may grant loans of up to 90 per cent of building costs for approved building, although in practice the loans normally amount to between 30 and 60 per cent of building costs. These loans are repaid by annual instalments of 2 per cent of the original loan. As interest is at the rate of 1 per cent on declining balances, the average period of repayment is 69 years. In addition the Fund gives assistance to the "housing undertakings operating in the public interest" to bring the interest rates on other loans obtained by them down to 3 per cent per annum. These subsidies are paid for the duration of the loans and for a minimum period of 10 years. The Fund can also guarantee private second mortgage loans.

Regional Funds for the promotion of housing in the individual states are available to private individuals, municipalities and non-profit-making housing societies. The assistance given is not so far reaching as that granted by the Federal Fund, as the Regional Funds are only entitled to grant loans. The conditions and amounts of these loans are, in essentials, the same as those granted by the Federal Housing and Housing Estates Fund.

The State also grants capital subsidies covering 20 per cent of the costs of improvement or conversion of existing houses. In exceptional circumstances an annual subsidy will be permitted. The City of Vienna provided 30 million schillings in its 1955 budget towards improving sub-standard dwellings. This sum is equivalent to the cost of 300 new houses, but represents improvements to several times that number of old dwellings.

3. HOUSES BUILT FOR LETTING

Most of the houses built in Austria recently have been for letting. Local authorities have been responsible for a considerable proportion of the new building, large scale apartment projects in Vienna being of particular importance. There, the local authority housing programme aims at the construction of 2,000 dwellings per annum, to be built, financed and administered completely out of the town's resources.

Some of the other municipalities have also provided housing with the help of loans from public or private organisations. Usually, however, they limit their housing programmes to assisting "undertakings operating in the public interest" by providing land for building or granting subsidies. These housing undertakings enjoy valuable tax privileges and receive the bulk of their finance from the Federal and Regional Housing Funds. They include co-operatives, limited liability and joint stock companies, and are grouped in a National Union* affiliated to the International Co-operative Alliance. The uniting bond between these organisations lies in the fact that they are fully recognised by municipalities as non-profit-making housing enterprises and all adhere to the principles and regulations of the Public Utility Housing Act, which allows them to construct only dwellings of up to 100 square metres living space and housing estates. Rents must be worked out strictly according to building costs—any attempt to make a profit from the erection of dwellings is prohibited. At the end of 1954 there were 349 non-profit-making housing societies which, in total, had been responsible for the provision of over 100,000 units of accommodation.

In recent years Austrian industry has provided funds for housing purposes, the industrial concerns often becoming the general lease-holders of the dwellings.

4. COMMUNAL OWNERSHIP SCHEMES

In 1948, an Act was passed which created a special form of co-ownership and fostered co-operative principles in Austria. It enables the co-owners of a block of flats to divide the ownership of the flats in such a way that each co-owner acquires a personal right to one or more flats and a right to an undivided share in the jointly owned parts of the building.

5. CO-OPERATIVE HOUSING SOCIETIES

At the end of 1954 there were 246 Co-operative Housing Societies in Austria with a total membership of over 50,000. These Societies erect blocks of flats in the larger cities and let them to their members at rentals which must not exceed 20 per cent of their wages. The members are required to provide a proportion of the cost of building the flats and, being legally entitled to the dwellings they occupy, their rights exceed those of mere tenancy.

The Co-operative Housing Societies benefit from considerable State assistance, being exempted from many miscellaneous fiscal charges. The capital they require is raised:—

- (a) by means of State loans from the Federal Housing and Housing Estates Fund,
- (b) by means of loans from private credit institutions with State guarantees and or State contributions to reduce the interest chargeable, and
- (c) from contributions by the interested parties.

6. HOUSES BUILT FOR SALE

In Austria, the construction of one-family houses for sale to individuals constitutes only a small part of total output. Individuals can obtain loans from private credit institutions and from the Regional Housing Promotion Funds, but the expense involved is such that this course can be adopted only by the comparatively well-to-do. Additional to the high interest rates charged on loans, miscellaneous financial charges may amount to as much as 5 to 10 per cent of the amount advanced.

* Oesterreichischer Verband gemeinnütziger Bau-, Wohnungs- und Siedlungsvereinigungen, Vienna.

BELGIUM

1. GENERAL HOUSING SITUATION

Housing Needs

During the war, 140,000 houses or 7 per cent of the total number of dwellings in Belgium were destroyed or seriously damaged, and construction was seriously curtailed, only 30,000 dwellings being completed. However, the resultant post-war housing shortage has not been aggravated by the same rate of increase in population as has occurred in most other West European countries.

House Construction

The rate of house construction has been high since the war. In March, 1952, it was estimated that 50 per cent of the dwellings destroyed and 75 per cent of those damaged had been rebuilt or repaired, in addition to new constructions, and the statistics show that by that date the total number of dwellings in existence exceeded the number at the outbreak of war. In 1954, some 40,000 dwellings were constructed, a rate in excess of the pre-war average.

Housing Characteristics

In marked contrast to the situation in most West European countries, over three-quarters of the total number of houses in Belgium are of the single-family type. Owner occupation is prevalent—40 per cent of the total number of houses are owned by the families living in them. Also, most of the dwellings let for rent are privately owned; those belonging to public or private bodies constitute collectively only 9 per cent of the total number of houses.

2. SOURCES OF HOUSING FINANCE

The Private Sector

In Belgium, owing to the importance of semi-public credit institutions and of building under cheap housing legislation, the parts played by the private and public sectors in the supply of capital for housing are closely intertwined. The contribution of individuals to housing finance is important mainly to building outside the sphere of cheap housing legislation.

The most important private credit institutions providing capital for housing purposes are Insurance Companies and Savings Banks: relatively few Commercial Banks specialise in mortgage loans. Normally, private first mortgage loans for housing do not cover more than 40 per cent of building costs. The interest charged averages over 6 per cent per annum and the periods for which the loans are granted seldom exceed 20 years—10 to 15 years is normal. Second mortgage loans are rare, the rates of interest charged being prohibitive.

Rates of interest charged on private mortgage loans are higher than general market rates. However, most mortgage loans are canalised through semi-public institutions which charge lower rates of interest than those prevailing on the money market.

One of the fundamental factors in Belgium's housing policy is the General Savings and Pension Fund, a semi-state organisation. This Fund controls the deposits of savings and pension societies and a large proportion of these deposits is used for financing housing. The financing of working class housing is assisted by making advances to approved building and loan societies, to the two large National Cheap Housing Societies, and in certain circumstances to towns and communes for building cheap houses.

The State

Traditionally, Belgian housing policy is of a liberal character: building has been carried out mainly by private enterprise and the aim of both private and public bodies has always been to promote individual home ownership.

However, State assistance to housing finance has increased greatly in recent years. In 1953 it was responsible for about 53 per cent of total expenditure on new construction. The State has created special bodies to finance building and has granted loans, subsidies and interest rebates. The primary aim of State action is to improve working class housing by encouraging the building and ownership of small houses by private individuals and the erection of dwellings for letting to persons of limited means. Government action mainly takes the form of assistance to the two National Housing Societies and their approved societies. State assistance also reduces the financial burden on prospective owners of all classes and provides additional funds for builders who would otherwise be restricted by the limited amounts procurable on the money markets.

The Government grants loans direct to the semi-public National Cheap Housing Society and the National Smallholding Society and guarantees the differences between the rates of interest paid on loans obtained by, and those received on loans granted by, these societies. It is also responsible for the general backing of the semi-public General Savings and Pension Fund.

In addition to assisting these non-profit-making organisations the State grants aid to individuals. Grants are made to persons of limited means who have small houses built for their own use or who purchase houses built by local cheap housing societies. Supplementary grants are also made in certain provinces to heads of large families, and low-interest loans for housing purposes are often granted to miners and large families.

In 1953, new legislation was adopted. Its purpose was to expand and strengthen the existing provisions governing public assistance for slum clearance and rehousing programmes, by providing for State contributions to the municipalities of 80 per cent of the difference between the cost of acquisitions and the values of sites acquired for the purpose of clearance.

3. HOUSES BUILT FOR LETTING

A considerable proportion of houses erected for letting are provided by non-profit-making bodies, the "cheap housing societies" and "smallholding societies."

The National Cheap Housing Society advances funds to approved local and regional societies, which for the most part build houses for letting. Loans granted by the National Society are repayable in yearly instalments of 2·35 per cent, covering interest, amortisation and expenses. The National Society obtains over half its funds from the State and the provinces. It also borrows from the General Savings and Pension Fund, and to a lesser extent on the money market. The difference between the rate of interest paid by the local and regional societies and that paid by the National Society to its creditors is covered by a State subsidy.

There are over 300 approved local and regional societies, which may be divided into four main groups, as follows:—

1. Local or regional cheap housing societies which are the most common. (These societies are either limited liability companies or co-operative societies with capital provided by either the State, the provinces, the communes or public assistance boards.)
2. Tenants' co-operative societies whose capital is for the most part provided by the tenants themselves.

3. Companies of an industrial character, formed by employers of labour to provide housing for their employees.
4. Specialised welfare organisations.

Over half of all the subscribed capital of the local and regional societies is provided by the State, municipalities and public bodies, whilst contributions from industrial undertakings account for another third of the total.

The rents of houses let by the societies are fixed at a minimum rate of 3·25 per cent of the cost of the house. The loss incurred by certain societies has been met by special State loans. Cheap housing societies are responsible for about 12 per cent of all new dwellings completed—many of these are eventually resold to their occupiers.

The National Smallholding Society finances and controls over 50 approved societies in rural areas but the greater part of its capital is advanced direct to individuals on first mortgage loans which are repayable in 20 or 30 years, at an interest rate of 2·5 per cent per annum: the annual repayment of capital and expenses varies according to the age of the borrower. The total capital of the approved societies is provided roughly as follows: one half by the State, provinces and communes; one quarter by welfare organisations and one quarter by beneficiaries. Many of the approved societies are co-operative in form and they normally let on terms similar to those of the cheap housing societies; the dwellings may be sold to their occupiers.

The National Cheap Housing Society and the National Smallholding Society and their approved societies play a major rôle in the acquiring of slum sites, the buildings being demolished and new houses erected for the former occupants of the slums. The National Cheap Housing Society has, by agreement with the Government, arranged to allocate 20 per cent of the loans it makes during 1955 for rehousing former slum tenants.

4. HOUSES BUILT FOR SALE

Institutions providing house purchase facilities are well developed in Belgium.

It has already been stated that dwellings constructed by the cheap housing societies may be sold to their occupiers. There are also over 200 approved building and loan societies which specialise in assisting individuals who wish to own their houses. These loan societies are usually limited liability companies which derive their capital from the subscriptions of private individuals and communes, and their loan funds from the General Savings and Pension Fund, which grants them money at a quarter to a half of 1 per cent above the rate of interest it pays on its own deposits, i.e. 3½ per cent to 3¾ per cent. The building and loan societies grant loans to individuals wishing to build or purchase dwellings for amounts which do not exceed a limit varying with the locality and the number of children in the family. Loans of 70 per cent of the value of the house or of 80 per cent if the borrower is the head of a large family are granted, and if the builder is in receipt of a State subsidy a loan up to 90 per cent of the total value of the property may be made. The rate of interest charged is 3·75 per cent per annum, a lower rate than that normally charged on mortgage loans. Loans are repayable by monthly instalments and the amortisation period varies from 10 to 30 years according to the age and means of the borrower. These monthly repayments may be reinvested by the building and loan societies, as the loans they obtain from the General Savings and Pension Fund are not repayable before the date of redemption.

The Housing Fund of the Large Families League, which is a co-operative state assisted body, also fosters house purchase. It grants first mortgage loans up to as much as 95 per cent of the values of houses to low-income families with at least four children. The rate of interest charged varies from 0·5 per cent to 3·25 per cent according to the number of dependants: repayments are spread over terms of up to 20 years.

DENMARK

1. GENERAL HOUSING SITUATION

Housing Needs

As a result of a high level of house building in the inter-war years, the general housing situation in Denmark was fairly satisfactory in 1939. During the war, there was very little destruction of house property, and building continued throughout the German occupation. Consequently, the post-war housing problem was less acute than in most European countries.

It was estimated that in 1948 there was a housing shortage of between 35,000 and 40,000 dwellings. This shortage has now been largely overcome due to an increased level of construction in recent years.

House Construction

Because of a shortage of materials and labour, construction was lower in the early post-war years than during the war. However, recent years have witnessed an increase in house building; in 1954, 23,300 dwellings were built, compared with an average rate of construction between 1934 and 1937 of 21,000 units per annum.

In the towns, the quality of recent construction has been particularly high and has consisted predominantly of blocks of flats, although in suburban districts the building of terraced houses has also been important. In rural areas, house building in recent years has consisted chiefly of single-family houses.

Housing Characteristics

One-quarter of the population of Denmark live in Copenhagen and the neighbouring municipalities. Nevertheless, the rural population is of importance and still accounts for about one-half of the total population of approximately 4½ millions. In the towns the flat is the traditional unit of accommodation.

Housing standards in general are good, and overcrowding and obsolescence are less pressing problems than in most West European countries. Nevertheless, Danish housing policy has recently been directed towards the reconstruction or clearance of a considerable number of dwellings which are regarded by the authorities as not being of a satisfactory standard.

2. SOURCES OF HOUSING FINANCE

The Private Sector

In Denmark, the private sector of the community is responsible for the provision of over half the total investment in house construction.

The part played by individuals in housing finance has declined in the post-war years. Individual contributions at present amount to between 3 and 10 per cent of building costs, and mortgage loans obtainable from individuals (rather than credit institutions) are usually for relatively small amounts. The amortisation term for such loans is generally under 15 years and the interest rate charged is over 5 per cent per annum.

Commercial banks provide short-term loans during building operations whilst private real estate credit institutions, which are extremely well developed in Denmark, grant first

and second mortgage loans for all types of construction. These first and second mortgages generally cover approximately 40 per cent of building costs, but often the figure is only 30 per cent. The most important of the credit institutions are—

Credit Associations

These Associations can grant first mortgage loans of up to 60 per cent of the estimated value of the property. However, they have adopted a cautious policy, and recently their loans have amounted to approximately 30 per cent of building costs. Such loans must be redeemed within 60 years, and the nominal rate of interest charged has varied recently between 3½ and 5 per cent. However, the actual rate of interest paid is in excess of this rate. The loan is received in the form of bonds which the borrower has to sell on the open market, and a bond at par value with a rate of interest of 4½ per cent would be sold (in June, 1955) at approximately 75 making the actual rate of interest paid by the borrower 6 per cent. The borrower pays the credit association a fixed sum annually or half-yearly, part interest, part amortisation, and part a contribution towards administration and a reserve fund.

Mortgage Companies

These Companies grant second mortgage loans amounting normally to one-quarter of the amount of the first mortgage. The rate of interest charged is higher than on credit association loans, and the period of amortisation is shorter (usually 40 to 50 years). When granting loans the Companies apply the same method as Credit Associations. The borrower is issued with bonds which he has to sell on the Stock Exchange—the effective interest rate paid on the loan is thus dependent upon the price obtained for the bonds.

Savings Banks

These Banks are of considerable importance in rural districts in the supply of capital for house construction. Their mortgage loans amount to about one-sixth of the combined total of the loans made by Credit Associations and Mortgage Companies.

The State

The provision of housing and housing credit is an important part of the State's social policy.

State housing loans are normally only granted after the maximum first and second mortgage loans have been procured from private credit institutions. Nevertheless, over 70 per cent of houses constructed receive aid from public funds. State loans are granted to non-profit-making housing societies or municipalities for "social housing" purposes, and to private builders constructing dwellings of a non-luxury type. The loans take the form of cash payments from the State Treasury, and are secured by third mortgages on the properties. The State raises the capital required by issuing government bonds which are sold on the Stock Exchange. When assessing the amount of a State loan, consideration is given to the amount of capital raised on first and second mortgage and the reputation of the builder, and whether or not the municipality concerned is willing to guarantee part of the loan.

On the 6th October, 1954, it was decided to change the principal form of State assistance to housing from low-interest loans to loans at market rates of interest combined with subsidies calculated per square metre of floor space. These subsidies are now granted annually and are intended to cover a proportion of the running costs of the dwelling. Under the Housing Act of April, 1955, co-operative and non-profit-making housing associations receive 11 kroner per square metre of floor space (up to a maximum of 85 square metres per dwelling) per year until 1967 when the subsidy will decrease by 1 kroner a year for seven years, and will terminate in the year 1974.

The Housing Act confirmed that in future State mortgage loans would be granted at market rates of interest. When building is undertaken on behalf of a non-profit-making housing society these State loans, together with first and second mortgage loans obtainable from private credit institutions, now cover the financing of up to 94 per cent of total construction costs, provided the municipality guarantees the part of the loan exceeding 85 per cent of the value of the property. State loans and subsidies granted to other types of borrowers are restricted at slightly lower levels.

It was laid down in the Housing Act that in the financial years 1955-6 to 1958-9 State loans would amount to a total of 1,250 million kroner. They would not be subject to amortisation until 1971 when they would become redeemable over 45 years.

Special State subsidies are granted to certain sections of the community, e.g., heads of large families and pensioners, to reduce their rent payments. Other assistance to housing finance includes the suspension of building taxes for the first 22 years and exemption from stamp duty and registration fees on all documents for building.

3. HOUSES BUILT FOR LETTING

The majority of dwellings constructed in Denmark are for letting rather than individual ownership. In recent years, specially State assisted "social housing" projects have accounted for nearly 70 per cent of new building. These projects provide dwellings conforming to certain standards and subject to rent control for persons of limited means. Social houses are built and administered by three main types of building undertakings. These undertakings are:—

Housing societies, which are organised on a co-operative basis and provide accommodation for their members only.

Non-profit-making building enterprises, which work in close co-operation with local authorities and provide blocks of flats available to the general public.

Housing societies which are joint stock companies with limited profits, and which also provide accommodation for the general public.

Until recently most building was financed by the builder providing 3 per cent of building costs, which was recovered from the tenant on taking occupation, and by mortgage loans amounting to 97 per cent of costs.

Prior to October, 1954, a first mortgage loan of up to 28 per cent of total building costs was normally obtained from a credit association: this loan was redeemable in 60 years. A second mortgage loan of up to 7 per cent of building costs and redeemable in 40 years was obtained from a mortgage company and a third mortgage loan averaging 62 per cent

of building costs was obtained from the State. Such State loans were not subject to amortisation until 20 years had passed, and during the 20 years the rate of interest was 2 per cent per annum. At the end of the 20 years, the annual instalments rose to $4\frac{1}{2}$ per cent of capital, of which $3\frac{1}{2}$ per cent was interest. The full term for State loans was 60 years.

Private persons building dwellings for letting could obtain State loans of 45 per cent of building costs. Such loans were redeemable in 56 years, and the rate of interest was $2\frac{1}{2}$ per cent per annum. Loans obtainable from private credit institutions were the same as those granted to social housing projects but the individual contribution was normally 20 per cent of total costs.

Since the passing of the Housing Act of April, 1955, tenants of non-profit-making housing societies in Denmark have been obliged to contribute 6 per cent of the cost of their dwellings. The Act laid down that the mortgage loans obtainable by these societies should be limited to a maximum of 94 per cent of building costs. Of this sum, private first and second mortgages normally amount to between 32 and 35 per cent of costs; the third State loans thus amount to between 59 and 62 per cent of building costs and are redeemable over 45 years from 1971.

As stated previously, the State now charges the market rate instead of a specially low interest rate on its mortgage loans. However, rents paid by tenants are reduced by the annual subsidies based on floor space described above and also in many cases by supplementary subsidies based on the number of dependent children in the family.

Mortgages, including State loans, of up to 90 per cent of building costs can be obtained on dwellings built by private persons for letting.

4. HOUSES BUILT FOR SALE

One-family houses for owner occupation now form a small proportion of the total output of dwellings. When erected for a person of modest means, they are normally financed by the prospective owner contributing 10 per cent and by mortgage loans (including State loans) for the other 90 per cent of building costs.

Private credit institutions usually provide 35 per cent of costs, repayable on the same terms as those described in the previous section, and the State normally provides the other 55 per cent. Prior to October, 1954, the State loan was repayable for the first 20 years at an annual rate of 3.2 per cent of the total loan, the interest rate being 2.2 per cent per annum. Subsequently, the repayment was increased to $4\frac{1}{2}$ per cent of the total loan and the interest rate to $3\frac{1}{2}$ per cent per annum.

Market rates of interest are now charged on State loans which are redeemable over 45 years from 1971, but the owner is eligible for an annual subsidy of 11 kroner per square metre of floor space.

FINLAND

1. GENERAL HOUSING SITUATION

Housing Needs

As a result of the loss of territories to the Soviet Union, about 13 per cent of the stock of existing houses in Finland were lost. Some 423,000 evacuees from the ceded areas, or 11 per cent of the entire population, had thus to be rehoused. In addition, about 9,000 dwellings were destroyed or badly damaged in air raids and, in the war against Germany, 62 per cent of all buildings in Lapland were destroyed. These factors, allied to the wartime decline in house construction, caused a severe post-war housing shortage.

In the towns this housing shortage has been aggravated by a marked influx of population from rural areas. Between 1940 and 1952 the population of the towns increased by 41 per cent, whereas that of the rural areas increased by only 3 per cent.

Before the second world war, housing standards were rather low in Finland. In 1937, for example, dwellings consisting of two rooms or less constituted 64 per cent of the total in rural areas. The size of the average dwellings is still small; at the end of 1950, over 80 per cent of the total were of three rooms or less and 36 per cent of the population were living in overcrowded dwellings. Thus the average number of persons per room is high, and overcrowding still remains a problem in many areas.

House Construction

In an attempt to overcome the serious shortages, house construction has recently been expanded remarkably, and for several years has stood well above the pre-war level. Total construction of approximately 31,000 dwelling units in 1954 was almost 30 per cent higher than the average pre-war rate. Between 1948 and 1952, total output per head of the population in Finland was one of the highest in Europe, the average annual number of dwelling units completed per 100,000 inhabitants being 680. For 1954, this figure was 740, a figure which ranked only below Norway, Western Germany and Sweden of the West European countries.

Housing Characteristics

Finland is less urbanised than most West European countries. At the beginning of 1953, the population totalled 4,170,000 of which 1,383,000 lived in urban areas and market towns and the remainder in country districts.

In the towns, dwellings are for the most part built of stone, whilst in the country districts they are predominantly of wooden construction. In 1953, about two-thirds of the houses completed in urban areas were of stone and only one-third of wood, but in rural areas 94 per cent were of wood and only 6 per cent of stone. Scarcely one-tenth of the dwellings now being constructed in urban areas are so-called family-houses, which are not allowed to contain more than two dwellings; the remainder are of the several-storied apartment house type. On the other hand, in the rural areas, construction is primarily of the one-family house. A large proportion of family-houses are factory made wooden houses estimated to last about 40 years in the severe Finnish climate.

Before the war, a large part of total construction in the urban areas consisted of tenement dwellings, the present demand for which greatly exceeds the supply.

2. SOURCES OF HOUSING FINANCE

The Private Sector

Since 1940 Finland has suffered a severe inflation. At the end of 1954, the cost of living index stood at 1,065 (1938 = 100) and the building cost index at 1,546 (1938 = 100). The Bank rate, which varied before the war between 5 and 6 per cent, has in the last few years been between 8 and 10 per cent. Because of these unstable credit conditions personal savings have declined—the present real value of total deposits with financial institutions has been estimated to be about four-fifths of the pre-war level. A severe shortage of capital has been dominant and, as a result, interest rates have risen markedly.

Mortgage loans, granted by various credit institutions, generally amount to between 30 to 50 per cent of the value of the property. Rates of interest charged in the last few years have varied between 8 and 10 per cent—towards the end of 1954, they had fallen to between $7\frac{1}{2}$ and $7\frac{3}{4}$ per cent. The scale of annual payments of capital varies between 1 and 4 per cent of the loan.

Savings Banks are of great importance in the supply of housing credit and in 1952 they made about 70 per cent of all mortgage loans furnished by real estate credit institutions. Insurance companies are important chiefly in the financing of urban projects; in 1952 they provided 14 per cent of total real estate loans.

Commercial Banks are mainly important in granting short term loans during construction; to an extent they also furnish first and second mortgage loans but their ability to do so has been reduced by competing demands from industry and commerce.

The State

Because of high building costs and the general scarcity of capital, the Government has had to play an increasing part in the financing of housing by granting loans at low rates of interest.

In 1949, the Housing Output Commission (ARAVA) was founded. This Commission is responsible for the distribution of State mortgage loans in urban areas and other population centres and by the end of 1954 had advanced 34.4 milliard marks. The State loan generally amounts to between 40 and 50 per cent of the value of the property and is granted as a second loan after a primary loan has been obtained from a credit institution. A primary loan may amount to anything between 30 and 50 per cent of the value of the property, but the total loan obtainable from the credit institution and the State is not allowed to exceed 90 per cent of the value of the property.

The interest charged on State loans is not fixed; at present it stands at 1 per cent. The redemption period for State loans on stone houses is fixed at 45 years. In the first year no repayment of capital is required, in the next 4 years only 1 per cent of the capital is repayable, and in the subsequent 40 years annual capital repayments of 2.4 per cent of the loan are required. A period of 33 years is allowed for the repayment of loans on wooden houses; no repayments of capital are required in the first two years, 1 per cent of the capital is repayable in the third year and 3.3 per cent annually in the remaining 30 years. The unfavourable effect on dwelling costs caused by the very high rates of interest charged on loans obtained in the open market is thus largely offset by the favourable terms upon which State loans are granted.

A new Arava Act, in force between 1954 and 1959, allocates from State funds up to 7·5 milliard marks a year for housing purposes. By this means the construction of between 9,000 and 10,000 dwellings will be assisted each year.

In addition to these low-interest Arava loans, special assistance is also granted under the Land Procurement Act for house construction in rural areas. State loans of between 50 and 75 per cent of the value of the buildings are granted at an interest rate of 3 per cent per annum, preference being given to those who lost their homes during the war.

3. HOUSES BUILT FOR LETTING

A State loan, up to a maximum of 60 per cent of the value of the property, may be obtained on a house built for letting but, in practice, the maximum is usually restricted to 50 per cent. The builder himself must provide at least 10 per cent of the value of a tenement house, and thus in respect of such a dwelling about 40 per cent of the value is generally obtained from a credit institution. Only about 30 per cent of the dwellings constructed with the assistance of Arava loans are let.

Blocks of flats are mostly constructed by municipalities of towns, and industrial undertakings for their staffs. State subsidies in the form of rent reductions are granted to large families, the size of the reduction depending on the number of children—it varies between 20 and 70 per cent of the rent.

4. COMMUNAL OWNERSHIP SCHEMES

Joint Stock Company Houses

The joint stock company house is a multiple-storey building containing a number of apartments, which are owned by the occupiers who are the shareholders of the company. If such a building also contains business premises, garages, etc., these are owned and let out by the company itself.

Occupants of the flats in such a building are required to take up share capital in the company equivalent to at least 10 per cent, and usually between 20 and 25 per cent, of the value of the property. Arava grants maximum loans of 40 per cent of the value, and the balance required, which depends upon the amount of the Arava loan and the share capital subscribed by the occupants, must be procured from other credit institutions. Occupiers pay amounts to the company each month, related to the number of shares they have purchased, to cover amortisation and interest on the company's loans, and management expenses. Any apartment can be transferred by the shareholder to the possession of another person at any time.

The company is administered and managed by a Board elected annually by the shareholders (occupants). Since the war, the most usual form of administration of multiple-storey houses has been the joint stock company, but for people of limited means the buying of such apartments has presented insuperable difficulties.

Semi-communal and Instalments Joint Stock Company Houses

To assist those who cannot afford to purchase the shares necessary to obtain a flat in a joint stock house, the building of semi-communal flats is sometimes initiated by the commune, which will then furnish a sum equal to the share capital which the occupants of the joint stock company house are required to provide from their own resources. The balance required to erect the dwelling is financed by Arava and other credit institutions in the same way as the joint stock company house. The tenants of the flats provided in this way are able to repay the amount furnished by the commune, usually over a period of 10 years, when the house becomes an ordinary joint stock company house.

If this kind of enterprise is initiated by a community other than by the commune, it is called an instalments joint stock company.

Co-operative Haka-Companies

Co-operative Haka-Companies initiate and supervise much construction of joint stock company houses, tenement houses, and instalments joint stock company houses. They are now responsible for the construction of about 12 per cent of all Arava assisted houses, mainly in the form of relatively small apartments in three to nine storey houses.

5. FAMILY HOUSES BUILT FOR SALE

In Finland, family houses usually belong to the occupiers. Prospective owners of family houses may supply much of the building labour themselves and their personal contributions average 15 to 20 per cent of approved building costs. An Arava loan is obtainable on the family house (not more than two dwellings) up to a maximum of 40 per cent of the value of the property and this loan, together with a first loan, can amount to as much as 90 per cent of such value. Buyers of family houses in rural areas may also be eligible for State loans under the Land Procurement Act.

The owner of the family house, who has a large family, may be granted a subsidy in the form of exemption, either partial or total, from the interest and amortisation in respect of the State loan. The extent of this subsidy depends upon the size of the family.

Construction of family houses now appears to be small in the larger towns but is fairly widespread in rural districts.

FRANCE

I. GENERAL HOUSING SITUATION

Housing Needs

The general housing situation in France in 1952 showed a greater deterioration from conditions prevailing before the war than had been experienced in most other West European countries. War damage to property and the curtailment of construction during the war caused a serious housing shortage, and construction since the war had been at a relatively low level. Although the increase in population in recent years has been comparatively low, it was estimated in 1953 that 12 per cent of the population were living in overcrowded houses, and in the urban areas as much as 22 per cent of the population were living under these conditions. It has also been estimated that 40 per cent of the total housing stock is over obsolescence age, dwellings over 120 years old constituting over one-half of the rural stock and a little less than one-fifth of the total urban dwellings.

Demographic experts put France's building requirements at 320,000 dwellings annually until 1980.

House Construction

Immediately after the war, building activity was mainly concentrated on the restoration and repair of existing buildings, whether or not they had been damaged during the war. By the end of 1950, three-quarters-of-a-million dwellings had been repaired and made available for occupation and 175,000 new housing units had been completed. Since 1950, the emphasis has been on new construction, but the number of houses completed has fallen short of requirements—in 1953, completions totalled 116,000 and in 1954 approximately 170,000 dwelling units.

Housing Characteristics

Houses are generally of sturdy construction and their average life is long. Nevertheless, obsolescence has constituted a serious problem: controlled rents have consistently lagged behind prices, and expenditure on repairs and maintenance has consequently diminished.

Recent construction has consisted chiefly of small type dwellings for letting.

2. SOURCES OF HOUSING FINANCE

The Private Sector

France has suffered a severe depreciation of her currency: prices in general have risen to over twenty times the level prevailing before the war. In the light of these unstable credit conditions, it is hardly surprising to find that personal savings have fallen and that the proportion contributed by individuals to the finance of housing has contracted. Nevertheless, the French are traditionally thrifty and show a reluctance to borrow from credit institutions. Many mortgage loans still take the form of transactions between private persons, often members of the same family.

Institutions granting real estate loans are not well developed, the part played by insurance companies being particularly small. Long-term loans by the chief private financial institutions probably account for less than 10 per cent of the capital invested in housing, and almost the whole of this is derived from the Treasury or *Crédit Foncier* (see later)—thus in the granting of mortgage loans the private and public sectors are closely intertwined.

When granting mortgage loans, the Treasury, until 1954, often drew on the "Caisse de Dépôts et Consignations," a public body responsible for centralising and managing the

funds of a number of pension and social insurance funds and savings bank deposits. Such loans had to be accompanied by a communal or departmental guarantee. The Treasury now makes these loans out of its own resources.

The Crédit Foncier is a semi-public institution which raises its funds from public savings and grants from the Bank of France. It has pursued a fairly cautious policy in recent years but the rates of interest it charges set the standard for loan contracts between individuals. The Crédit Foncier grants loans after houses are completed—its branch the “*Sous Comptoir des Entrepreneurs*” specialises in making short-term loans while construction is in progress. The rate of interest on 20 to 30 year loans granted by the Crédit Foncier in 1953 was 6·8 per cent and up to 60 per cent of building costs was normally advanced although this could be increased to 80 per cent in respect of low-cost family houses.

Formalities for the conclusion of land contracts combined with mortgages involve charges in France of between 5 and 10 per cent of the amounts of the loans.

The State

State assistance in financing housing has increased considerably in recent years. In 1953 approximately 60 per cent of the total capital invested in housing was provided by the public authorities.

Assistance for house construction has been provided by the State in a number of ways, as follows—

- (a) It assumed full liability by law for reconstruction expenditure of all kinds, and up to 1950 most State aid consisted of capital subsidies to war damage victims. A National Housing Improvement Fund was created in 1947 to subsidise repairs and alterations. The fund is financed from a tax on rents and unoccupied and insufficiently occupied dwellings, also from State advances. Grants of between 15 and 55 per cent are made depending upon the nature of the improvement and the type of dwelling. Between 1947 and 1953, 80,000 grants were made which amounted to over eight billion francs. A large proportion of the grants were for properties in Paris and its environs, the average cost of improvement being equivalent to 20 per cent of the average cost of a new H.L.M. dwelling (see later).
- (b) Since 1950 direct aid has been granted to those building dwellings for their own use. Subsidies of 1,000 francs a year per square metre have been granted for the construction of low-cost family dwellings for a period of 20 years. The subsidy is 600 francs a year per square metre for all other houses up to a maximum of 200 square metre.
- (c) Housing allowances for families with at least two children have been made since 1949. These allowances are payable to families whose dwellings satisfy certain conditions and who pay out a certain proportion of their income in rent.
- (d) Low-interest rate loans are made to moderate rental (H.L.M.) housing societies. Such loans (in respect of dwellings being let) are granted at the rate of 1 per cent per annum for 45 years. During the first three years amortisation is deferred and no interest is charged—thereafter the rate of repayment is 2·94 per cent of the original loan. The rate of interest on loans in respect of dwellings intended for owner occupation is at the rate of 2 per cent over terms up to 30 years. On these loans, interest is reduced during the first 10 years at the rate of 1 per cent of the capital borrowed.
- (e) Since 1950, the State has guaranteed Crédit Foncier loans to private builders in receipt of State subsidies.

3. HOUSES BUILT FOR LETTING

In France, dwellings built for letting constitute the greater part of the total output.

A large proportion of these dwellings is built by non-profit making (H.L.M.) societies within the framework of legislation on moderate rental housing. Between 1947 and 1953 such construction totalled over 130,000 dwellings. These cheap housing societies are either public agencies (autonomous bodies set up by local authorities) or private non-profit-making bodies under State supervision. They usually build dwellings for ordinary leasing but sometimes for leasing on a rent plus share basis (co-operatives) and even for rental purchase. Loans of up to 85 per cent of building costs are obtained from the Treasury at an interest rate of 1 per cent per annum. Where the dwellings are built solely for letting, these loans are redeemable in 45 years: if the dwellings are intended for individual ownership, the loans are redeemable in 30 years. For the first 10 years of the periods of the loans these cheap housing societies are sometimes exempted from paying interest: also, the redemption period is sometimes extended. Other loans are obtained by these societies from various sources, those from local authorities, social welfare bodies, or industrialists concerned with housing their employees, being the most important. In addition such societies receive subsidies from some local authorities.

Since the 9th August, 1953, industrial and commercial enterprises employing more than 10 persons have been obliged to devote 1 per cent of all wage and salary payments for housing purposes. A large proportion of these funds are channelled through H.L.M. societies.

Co-operatives

Between 1947 and 1953 Co-operative Housing Societies constructed over 16,000 dwellings. Normally, they obtain up to 85 per cent of the cost of construction from the State. The remaining 15 per cent is usually provided by the tenant himself, in which case the dwelling remains the property of the Society but the tenant retains the right of life occupation. Financial aid is often granted by local authorities, particularly in the acquisition of land, whilst short-term loans to finance construction are sometimes obtained from the "Caisse Centrale de Crédit Coopératif"—this bank also guarantees mortgage loans.

4. HOUSES BUILT FOR SALE

Houses built for sale probably constitute a small proportion of the total output of dwellings. However, persons wishing to build houses, which conform to certain technical conditions and do not exceed a certain price, for their own occupation, can obtain loans at relatively low rates of interest from building loan societies.

Until 1954 these non-profit-making societies obtained their loan funds from the Caisse de Dépôts et Consignations, which acted on behalf of the Treasury and was responsible for securing repayment and exercising a general financial supervision. The loans were usually subject to an interest rate of 2 per cent per annum (although interest was often reduced during the first 10 years of the loan by 1 per cent of the capital borrowed) for terms of up to 30 years. Since 1954, loans have been obtained direct from the Treasury at rates of interest varying between 1 and 2 per cent per annum. The building loan societies charge their borrowers, who are required to insure their lives, a rate of interest of $2\frac{3}{4}$ per cent per annum, though sometimes this is reduced in the early years—such a loan may cover 90 per cent of the total expenditure in purchasing a dwelling and may be granted for a period of up to 30 years.

WESTERN GERMANY

1. GENERAL HOUSING SITUATION

Housing Needs

In May, 1939, there were approximately 11·6 million dwellings in the area that now forms Western Germany (including West Berlin), and, of a population of 42,088,000, there were, on average, 3·6 persons to a dwelling. Wartime destruction and a rapid increase in population have caused a severe deterioration in the situation: it has been estimated that between 1·5 and 1·7 million dwellings were completely destroyed and a further 2 million severely damaged in Western Germany during the war.

A housing census in 1950 gave the total number of dwellings in existence as 10·7 million, whereas the population had increased to 49,842,000—the housing density has thus risen to 4·7 persons per dwelling, and 12 per cent of the population were stated to be living in overcrowded conditions. The rise of over 18 per cent in total population was caused mainly by a great influx of refugees from the east, many of whom obtained accommodation in only temporary or partially repaired houses—in 1950, 4 per cent of the population was housed in this way.

At the end of 1952 it was estimated that the accommodation shortage still amounted to 3 million family dwellings and approximately $1\frac{1}{4}$ million single-person flats. If the 1953 rate of production is maintained, it is estimated that this serious shortage will be overcome in 12 to 13 years. The current housing programme envisages the building of 2·2 million houses during the period 1954-1957, and the clearing of 500,000 emergency quarters. In 1954 funds were made available to commence clearing operations.

House Construction

In the period between the two World Wars, fewer than 200,000 dwellings were built annually and, during the war, construction was considerably curtailed, completions falling from 61,400 in 1940 to 17,200 in 1943. Recently, house building has increased remarkably; 487,000 dwellings were completed in 1953, the vast majority being for letting. The number of completions during 1954 has been estimated at 505,000.

Housing Characteristics

In Germany, flats and multi-family houses are more common than self-contained one-family houses. The average floor space per dwelling is relatively low and has declined since 1939. Of all the dwelling units built in Germany in 1952, 75 per cent were of the three to four room type, and 16 per cent were of the one to two room type; only 9 per cent had five rooms or more.

2. SOURCES OF HOUSING FINANCE

The Private Sector

During the post-war years, personal savings in Germany have been at a low level, credit institutions have suffered from a general shortage of capital, and the rates of interest charged on private first and second mortgage loans have been high. It has been estimated that, in 1953, capital obtained from the money market amounted to about 32 per cent of total expenditure on new construction. Money market funds are derived not only from private sources, but partly also from public institutions which, however, are regarded by the money market as private finance. The principal institutions providing funds for the

finance of housing in Western Germany are social insurance institutions, insurance companies, public and private mortgage banks, savings banks, public and private building and loan associations.

Credit institutions grant first mortgage loans depending on the so-called "collateral value," which to-day is generally fixed at 200 per cent of the building costs of 1914, an arbitrary figure and one which is considerably lower than present day costs of land and building. As first mortgages are usually equivalent to 50 per cent of the "collateral value," the actual loan obtainable usually covers between 22 and 30 per cent of total costs. The nominal rates of interest charged normally vary between $5\frac{1}{2}$ and $6\frac{1}{2}$ per cent per annum on such loans, which are repaid by constant annual instalments equivalent to 1 per cent above the rate of interest. The difference between total payments made by the borrower and the rate of interest calculated on declining balances represents amortisation so that these first mortgages are repaid in about 35 to 40 years.

Owing to the special nature of the German mortgage system it is necessary to differentiate between the nominal and real rates of interest charged on housing loans. In many cases only 75 to 80 per cent of the mortgage money is paid out; thus if the nominal rate of interest is 6 per cent and 20 per cent is not paid out, the real rate of interest charged is $7\frac{1}{2}$ per cent.

Until the 1st January, 1955, a large proportion of the funds made available for first mortgages on "social dwellings" (see later) came from the issue of mortgage bonds bearing interest at 5 per cent and enjoying certain tax remissions. However, the issue of these "social mortgage bonds" ceased on 1st January, 1955, and from that date first mortgages were no longer available so cheaply for "social housing" as interest on all first mortgages was thenceforth based on the normal market rates.

Where public funds are not provided for second mortgages (i.e., in the case of building financed out of individual resources or with the aid of tax privileges—see later) such accommodation may sometimes be obtainable from building and loan associations (real estate savings' banks). These associations offer their share members loans as second mortgages provided they contribute at least 20 per cent, but usually between 40 and 50 per cent of the entire loan. The nominal rate of interest charged on these loans is 5 to $6\frac{1}{2}$ per cent and the amortisation rate is 2 per cent. But, owing to the way the repayment is calculated, the actual rate of interest paid exceeds that on the first mortgage.

Residual Financing

Private loans obtained from individuals are assuming an ever-increasing importance. In 1953 these loans probably amounted to 26 per cent of total building costs; they provide the finance required over and above the amounts obtainable from private credit institutions, and the public authorities. Such "residual financing" amounts to between 15 and 30 per cent of building costs and includes builders' contributions and capital supplied by employers, relatives and prospective tenants. "Genuine private capital" is derived from savings of the contractors and their tenants, so-called "non-genuine capital" from loans which contractors or tenants receive either from employers or relatives, but not from the money market.

Loans for building dwellings for those driven from their homes and those who have suffered injury, either physical or to their interests, as a result of the war, are granted free of interest but with a amortisation rate of 2 per cent per annum by the Burdens Equalisation Fund. The extent of these loans is based upon the nature and size of the dwellings. Although it is not specified for which mortgage they shall serve, they are in fact used mainly for residual financing.

The State

State assistance in financing house building in Germany is considerable. In 1953 about 42 per cent of total expenditure on new construction was derived from funds granted by federal, regional or municipal authorities.

The Housing Act of 1950 laid down the general principles of state assistance in the housing field. The focal point of this Act was the establishment of a six-year programme for the construction of dwellings which with regard to size, fittings and rents, were intended for the lower and middle classes. The aim was that 1·8 million "social" dwellings with a floor space of up to 80 square metres should be built between 1950 and 1955, but provision was also made for dwellings to be built in special circumstances up to 120 square metres floor space. Houses built under this programme form the great proportion of total output. The dwellings are subject to rent control and are allocated to tenants with incomes of under £900 per annum, priority being given to those whose dwellings were destroyed during wartime. After private first mortgages have been obtained, funds for the finance of these houses are made available by the federal authorities, the Länder, and local authorities, in the form of subsidies or interest-free or low-interest loans. Central Government Boards recommend the amount of the loan and the conditions on which it shall be granted after consideration of the proposed building costs, but the allocation of these funds is normally in the hands of the middle and lower administrative authorities and, consequently, the amounts granted and conditions attached to them vary from region to region. The interest rate charged on these secondary public loans is not fixed but worked out according to the way each particular house is financed. The rate is stated to vary with the amount the builder has left after payment of all other expenses: where it is found that nothing remains for the payment of interest, secondary public loans are granted interest free. Generally the rate of interest charged varies between 0 and 1 per cent, the maximum is 4 per cent. The repayment term is usually between 60 and 65 years and amortisation often does not commence until the first mortgage has been repaid. All dwellings constructed under the Housing Act enjoy privileges with regard to land tax; for a period of 10 years this tax is only charged at the level at which it was previously payable on the land.

A second category under the 1950 Housing Act covers dwellings constructed without the utilisation of public funds but with the aid of income tax concessions in addition to the privileges with regard to land tax. Employers who make loans to employees free of interest can treat such loans as expenses for income tax purposes provided they keep proper account books and publish balance sheets. Loans granted by employers must be utilised forthwith for the construction of dwellings in accordance with the first Housing Act. Such loans may normally be granted up to a total of 7,000 marks for each dwelling promoted, although in the case of private builders up to 10,000 marks per dwelling may be granted.

In 1953 an Amending Housing Act was passed by the Federal Parliament which provided for the erection of about 1·4 million "social" dwellings between 1953 and 1956 or about 350,000 dwellings per annum. To finance these dwellings, public authorities will have to make available between 2·4 and 2·8 milliard marks per annum. It was specified that the federal authorities must contribute at least 500 million marks per annum. Regional and municipal authorities, therefore, have to provide between 1·9 to 2·3 milliard marks every year for the finance of these "government promoted housing" schemes. The passing of this Act marked a change in housing policy by favouring the construction of one and two-family houses for sale, and by encouraging non-profit-making housing societies to finance home ownership rather than rented houses. It also allowed for a relaxation of rent control and made provision for government subsidies to taper off within a period of 10 years.

3. HOUSES BUILT FOR LETTING

As already stated, most of the dwellings constructed in Germany in recent years have been for letting, the typical unit of accommodation being flats rather than individual houses.

Funds for the construction of rental units are normally obtained in the following manner:—

- (a) Up to 30 per cent of building costs from private credit institutions.
- (b) Between 40 and 60 per cent of building costs from public authorities.
- (c) Approximately 20 per cent of building costs from "residual" sources. The necessary funds to cover this residual financing include funds provided by builders, prospective tenants and their relatives, and by industrial undertakings.

Housing undertakings of a public utility character are responsible for a large proportion of the total output of dwellings built for letting. During 1953 they were responsible for the erection of almost 225,000 dwellings, or 43 per cent of total construction.

Co-operative Housing Societies

Co-operative Housing Societies have existed in Germany for many years. They received full legal status in 1940 and are the most common category of "housing society promoting the public welfare." At the end of 1952 there were 1,868 Co-operative Housing Societies in existence with a total membership of 800,000. The 1953 Amending Housing Act gave encouragement to the development of Co-operative Housing Societies by providing that "preference be given to the erection of blocks of flats in which the separate flats were to be made available in the legal form of property ownership, or in a form akin to ownership which would entitle to permanent residence."

Individual members of the Societies usually provide between 5 and 10 per cent of building costs. Other finance is obtained from private credit institutions on first mortgage loans: such loans usually amount up to 35 per cent of total building costs and are subject to an interest rate of generally 6 per cent, the period of the loan varying between 30 and 40 years. In some cases funds are obtained free of interest from employers to house their staffs, and additional interest-free second mortgage loans, repayable on a progressive scale on terms up to 65 years, may be granted by the public authorities.

4. HOUSES BUILT FOR SALE

Individual houses built for sale have constituted a small percentage of total construction in recent years. They are usually produced by a third building category provided for in the 1950 Housing Act. This free building category is financed entirely by individuals and the private sector without recourse to state assistance of any kind. With the recent change of housing policy, private building for sale is expected to rise sharply.

ITALY

1. GENERAL HOUSING SITUATION

Owing to climatic factors, the same importance is not attached to housing conditions in much of Italy as in the northern countries of Western Europe. Existing houses are often without modern amenities and many are dilapidated, but dwellings are generally of solid stone construction and have a long average life.

During the war at least 500,000 houses were destroyed and a further 1,500,000 were severely damaged. The resultant post-war housing shortage has been accentuated by a rapid increase in total population, amounting recently to almost 300,000 persons per annum.

In an effort to overcome the housing problem, construction has been speeded up: 116,000 dwellings were completed in 1952, 149,000 in 1953 and it is estimated that 175,000 were completed during 1954—rates considerably higher than the pre-war level. Nevertheless, construction has often been of the luxury type; only one-third of the dwellings completed in the post-war years have been working class houses. A large proportion of the new houses are neither subsidised nor subject to rent restriction and appear to be beyond the means of the ordinary worker. In many areas the shortage of living accommodation is still very acute and in the working class districts of the larger towns overcrowding constitutes a serious problem. The Parliamentary Commission on Poverty in Italy reported that, in 1953, 22 per cent of the population were living in dwellings that were either overcrowded (on a definition of over two persons per room) or were otherwise unsatisfactory for human habitation.

2. SOURCES OF HOUSING FINANCE

The Private Sector

Unstable credit conditions and the magnitude of the rise in living and building costs in Italy in the post-war years have tended to reduce both personal savings and the contribution of individuals to housing finance. Private real estate credit institutions have been hampered by lack of funds and interest rates have been high: the rate of interest charged by banks on long-term mortgage loans has varied in recent years between 7 and 10 per cent, whilst that charged on short-term loans during construction has varied between 10 and 14 per cent per annum. In spite of these difficult financial circumstances, the private sector still accounts for approximately two-thirds of the total expenditure on new construction. Housing policy has been directed towards giving every possible encouragement to the investment of private capital in housing, and mortgage loans from private individuals are still of considerable importance.

The principle credit institutions financing building operations are mortgage and commercial banks, although savings banks also grant some mortgage loans. The I.N.C.E. (National Building Credit Institution) specialises in mortgage business, while of less importance in the same field are the I.N.A. (National Insurance Institution), I.N.A.I.L. (National Industrial Accident Insurance Institution), and I.N.P.S. (National Social Security Institution). Many of the larger commercial banks, such as the Bank of Naples and the Bank of Sicily, also grant loans on real estate in addition to their other functions. These institutions obtain their funds by the issue of real estate bonds; instead of providing

borrowers with cash, they issue to them bonds which bear interest at a rate of between $3\frac{1}{2}$ and 5 per cent per annum. The borrower is responsible for putting the bonds on the market and they are quoted on the stock exchange at a discount of between 12 and 30 per cent. The total cost of such loans for the normal period of 25 to 30 years is from 8 to 12 per cent per annum (including bank commission, taxes, interest and amortisation charges). Loans are secured by first mortgages and do not usually amount to more than 30 to 40 per cent of building costs, although sometimes they may amount to as much as 50 per cent.

Building Trade Development Fund

Certain categories of builders are able to obtain additional loans from the real estate credit institutions, funds for this purpose being provided by the Treasury drawing on the Building Trade Development Fund. In effect the Treasury utilises this Fund to purchase real estate credit institution bonds at their face value. As a result, the borrower receives the loan in the form of cash rather than bonds. The rate of interest charged on these loans is 4 per cent. The borrower has, therefore, the twofold advantage of a lower rate of interest, combined with the elimination of the loss represented by the difference between the face and market value of the bonds. These loans can only be granted to individuals, or associations, building working class dwellings for occupation by themselves or their members. They must be repaid by the end of 35 years, though they may be redeemed at an earlier date. The advance may not amount to more than 75 per cent of the building costs as approved by the Ministry of Public Works. The builders or interested parties provide the balance from their own resources and the advance is only granted after this has been used in construction.

Deposit and Loan Fund

Mortgage loans are also granted from the Deposit and Loan Fund, a semi-public agency. These loans are restricted to cheap housing organisations which have obtained annual subsidies from the Ministry of Public Works. The amount of a loan may cover the entire building costs. The rate of interest charged is 5·8 per cent per annum, a rate considerably lower than that charged on mortgage loans obtainable by private builders. Repayments of such loans are spread over periods up to 35 years.

The State

Direct State assistance to housing finance is chiefly given to the most under-privileged classes, and mostly takes the form of subsidies spread over long periods. With the exception of the purchase of credit institution bonds at face value by the Building Trade Development Fund, very few state loans are obtainable at the time of actual construction.

In recent years special state subsidies have been payable by 30 annual instalments of 4 per cent of building costs, as compensation for war damage, to owners wishing to rebuild houses destroyed during the war. In addition, subsidies in the form of single capital payments have been granted to certain small communes for the reconstruction of houses destroyed during the war. Since December, 1953, owners wishing to repair or rebuild war damaged houses have been able to obtain reconstruction subsidies of up to 50 per cent of costs.

In 1949, the Turpini Law helped non-profit-making housing undertakings by subsidy and tax exemption. Under this law, most cheap housing societies are entitled to an annual subsidy from the Ministry of Public Works of an average of 4 per cent of building costs, payable in 35 equal instalments. To be eligible for this subsidy, the building must conform to certain specifications and must not be let to persons already possessing dwellings or to those regarded as well-to-do.

Also in 1949 the Fanfani Plan was instituted. This included a financial programme for the construction of at least 200,000 working class dwellings, both for letting and sale, over a period of seven years. The actual building work under the Fanfani Plan has been in the hands of a semi-public institution called the I.N.A. Casas, and has been financed by:—

- (a) A special national insurance fund, comprising compulsory employers' and workers' contributions which together are equal to about 2 per cent of wages;
- (b) Funds provided by the State amounting to 15 milliard lire per annum;
- (c) Net profits from rentals of leased dwellings; and
- (d) Monthly payments by tenants purchasing their dwellings.

By early 1954, I.N.A. Casas had been responsible for the building of 180,000 apartments, housing about one million people. When the scheme finishes in 1956, it is hoped that accommodation for another million will have been provided. The houses are assigned to workers who have contributed to the Plan; approximately half the dwellings are let, whilst the other half are being sold over a 25 year term.

State intervention in slum clearance has been confined to some of the worst areas, but the Ministry of Public Works was authorised to construct, at government expense, a number of dwellings in Naples, Matera, Rome and several other towns. A law passed in August, 1954, permitted a programme, similar to that instituted under the Fanfani Plan, for the next 8 years, in respect of 10,000 dwellings per annum for slum tenants.

3. HOUSES BUILT FOR LETTING

Recent construction has consisted chiefly of houses for letting and, in many areas, the emphasis has been on the construction of blocks of flats. Building for letting is now chiefly undertaken by non-profit-making housing societies, although in the larger towns building by private persons for letting is important.

Buildings erected by the Ministry of Public Works are managed by provincial working class dwelling institutions or by communes. These provincial institutions also build cheap houses themselves for letting to the poorest sections of the community, finance being obtained from the Deposit and Loan Fund, mortgage banks and other credit institutions.

In recent years, the I.N.A. Casas has been one of the most important organisations constructing dwellings for letting. At least half the dwellings it has constructed have been let.

More than one-half of all rents are still controlled at a low level, but there is a proposal before Parliament to raise rents by 20 per cent per annum until 1960. Should this scheme become effective the new rent income ratio will still be low.

Communal Ownership Schemes

Between 1948 and 1953, state-subsidised Housing Co-operatives constructed 13,587 dwellings containing over 78,000 rooms, and at the end of 1953 a further 8,122 co-operative dwellings containing over 55,000 rooms were under construction. Co-operative Housing Societies are particularly well developed in Milan where, at the end of 1953, they numbered 460 with a total membership of approximately 45,000. These Societies are of two kinds -- " Owners' Co-operatives " whose members buy their dwellings on an instalment plan over 35 years; and the more important " Tenants' Co-operatives " which retain ownership of the dwellings.

The chief sources of finance are the State and the Deposit and Loan Fund. Advances are obtained at an interest rate of 4 per cent per annum; they amount to up to 75 per cent of the cost of construction, and are redeemable in 35 years. In addition, a state subsidy can be obtained in the form of 35 equal annual payments of 4 per cent of the cost of construction.

4. HOUSES BUILT FOR SALE

There are few financial institutions specialising in the finance of home ownership. Private building carried out by owners to meet their own needs is common, but high building costs and high rates of interest on mortgage loans restrict the construction of one-family houses by individuals for own occupation to the wealthiest classes.

Cheap housing societies, established since 1949 by industrial and commercial undertakings for the purpose of housing their employees, sometimes sell their dwellings to the occupants by annual instalments. These societies are eligible for state subsidies and also receive considerable funds from industrial concerns.

Flats constructed by I.N.A. Casas are often purchased by their occupiers over a 25-year term. The cost of buying a flat in this way is only slightly higher than that of renting one. No interest is charged and no initial lump sum payment is required from the prospective owner.

THE NETHERLANDS

1. GENERAL HOUSING SITUATION

Housing Needs

During the war, 8 per cent of all houses existing in Holland in 1939 were destroyed and house building was curtailed with the result that by the time hostilities ended there was a housing shortage estimated at more than 300,000 dwellings. This shortage has been aggravated by a rapid increase in population; for some time the birth rate in Holland has been the highest in Europe and total population has been increasing by over 100,000 per annum.

In 1947, 10 per cent of the population were believed to be living in overcrowded dwellings, and it was estimated in 1952 that the accommodation shortage was still approximately 200,000 dwellings.

House Construction

In the last few years there has been a remarkable increase in house building, and construction is now considerably above the pre-war level of 40,000 completions per annum. Recently, efforts have been made to save materials and labour, to reduce costs per dwelling, and to increase the number of separate dwellings in a given building without reducing standards. These efforts no doubt assisted towards the construction of 63,000 dwellings in 1953 and a record total of 71,000 in 1954.

Housing Characteristics

Holland is highly urbanised—over 80 per cent of the total population of 10½ million live in urban areas. Approximately three-quarters of the total stock of houses are let, the remainder being owner-occupied. Since the war the erection of three or four-storied blocks of flats by large-scale undertakings has constituted a large proportion of total output, but private building of single-family houses is now increasing.

2. SOURCES OF HOUSING FINANCE

The Private Sector

Before 1940, real estate credit institutions provided most of the capital required for housing. Private builders were responsible for most construction and borrowed 85 to 90 per cent of the funds they required from mortgage institutions such as insurance companies and savings banks.

Since the war, building for letting by municipalities and housing associations has increased and private building has declined. Building by municipalities and housing associations is normally financed almost entirely out of public funds, so that the part played by the private sector in housing finance has declined considerably. Private contractors often have to pay 5 per cent interest on loans obtained during construction, whereas municipalities and housing associations have been able to raise funds for their own building schemes at interest rates of between 3 and 4 per cent per annum.

Nevertheless, private credit institutions have continued to finance some building, and in 1952 and 1953 their importance increased with the rise in private building. Mortgage banks and insurance companies grant first and second mortgage loans of up to 50 to 60 per cent of cost to private builders. These loans are generally for a term of 50 years and bear an interest rate of $3\frac{1}{2}$ to 4 per cent per annum. There are also 10 building societies specialising in the finance of home ownership but it would appear that their activities at present are limited.

The State

Since the war, most house building has been financed out of public funds. In 1953, the public authorities contributed 83 per cent of the total expenditure on new construction; this amounted to nearly 4 per cent of the national income. It has been estimated that 97 per cent of all dwellings completed in that year received state assistance in some form or other.

The state grants loans to non-profit-making undertakings up to 100 per cent of the building cost if a local authority guarantee is obtained. The interest rate is normally $3\frac{1}{4}$ to 4 per cent and the loan is redeemable within 50 years for the building and 75 years for the site. The annual instalments, therefore, generally amount to 4 to $4\frac{1}{2}$ per cent on the whole capital. With the object of keeping down the rents of new houses, the state grants second mortgage loans at low interest rates to private builders of up to 15 per cent of building costs.

It also grants subsidies up to the amount of the difference between the capitalised value of the permitted income from rents and the actual building cost. In practice, this means that the state subsidises housing by taking over the losses on the management of buildings due to differences between expenses and income from rents which are pegged at from 15 to 40 per cent above the 1940 levels. Annual state grants to make up these differences often amount to about half the total annual charges on the buildings.

The central and local governments share equally the difference between the cost of acquiring slum dwellings for clearance and the value of the sites. Since the beginning of 1954, public authorities have granted extra subsidies for building dwellings to replace slums, and special subsidies are paid to slum dwellers moving into better and more expensive dwellings, or to families who make cheaper accommodation available to slum tenants by themselves moving into more expensive houses. The subsidy, which is governed by the size of the family, is reduced by 20 per cent each year so that after 5 years the tenant bears the full rent. For the period 1954-1956, 6 per cent of new dwellings are reserved for the tenants of slums.

3. HOUSES BUILT FOR LETTING

In the early post-war years the great majority of houses constructed were for letting. Building by municipalities and housing associations was all important and constituted between 80 and 90 per cent of total output, mainly in the form of blocks of flats and multi-family houses. In 1953, over 39,000 dwellings, or nearly two-thirds of total output, were built for letting. Of this total, municipalities were responsible for nearly 21,000 dwellings.

Housing Associations

Housing associations are now responsible for over 30 per cent of the total output of dwellings. There are two distinct types, although from the standpoint of state aid and control they are very similar. Firstly, there are semi-public organisations whose members do not live in the houses they provide. Secondly, there are workers' associations, which are co-operative in character and are composed of occupiers, or future occupiers, of the dwellings which are built.

In both cases, the funds necessary for the purchase of land and the costs of construction are advanced by the municipality, which in turn obtains advances from the Government. If an advance is not repaid, the municipality reserves the right to take possession of the dwellings, together with the charges and obligations attached to them. The total annual charges, including an instalment for redemption, amount to 4 to 4½ per cent of the cost of construction. The state subsidy covers any difference between the total amount of rents received and the annual charges paid out.

Some associations utilise their members' savings in financing additional construction without state assistance. In all cases, the respective associations are responsible for the management of their dwellings. It would appear that the rights of the individual members of the co-operatives are less extensive than in most West European countries, amounting as they do to little more than mere tenancy.

4. HOUSES BUILT FOR SALE

Houses built for sale by private individuals have, until recently, formed only a small proportion of total output. In 1952 and 1953, however, Government policy, for the first time since the war, encouraged home ownership and private building. In 1953, private builders constructed almost 20,000 dwellings or about one-third of the total. It would seem that the majority of these were individual houses for sale. About half the necessary funds for this type of building are obtained from private mortgage institutions. The state grants a subsidy up to a maximum of 4,500 guilders for buildings of an approved size.

NORWAY

I. GENERAL HOUSING SITUATION

Housing Needs

In 1945, there was an acute housing shortage in Norway. It has been estimated that the total stock of 740,000 dwellings at that time was approximately 110,000 short of requirements. This shortage had been brought about by the war-time stoppage in construction, war-time destruction (amounting to 22,000 dwellings or 3 per cent of the total stock), the rapid growth of population (increasing by 33,000 per annum) and the high marriage rate immediately after the war. The housing deficit was estimated to have increased to 125,000 dwellings by 1950. Obsolescence is also a major problem; and it has been estimated that, in 1940, 40 per cent of the total number of houses were constructed before 1900.

House Construction

The average annual rate of construction between 1930 and 1940 was 12,000 houses. Since 1951, there has been a great increase in house building: 33,000 dwellings were completed in 1952, 35,000 in 1953, and 36,000 in 1954. In these years, the building rate of over 10 dwellings per 1,000 inhabitants was the highest in Europe.

Better methods of insulation and constructional improvements have made it possible to use materials more economically. New methods have helped to reduce costs without lowering standards and there has been an increase in productivity of about 3½ per cent per annum.

Housing Characteristics

Norway is less urbanised than most European countries. Out of a total population of 3·3 million, there are only four towns with over 50,000 inhabitants.

Recent measures to reduce expenditure on materials and labour have decreased the output of single-family houses in favour of the construction of apartment houses for two or more families. The share of single-family houses in total house construction fell from 42 per cent in 1950, to 22 per cent in 1952, and 16·8 per cent in 1953. In the period from 1950 to 1952, the percentage of new houses containing two flats increased from 33 per cent to over 50 per cent. Four-fifths of all houses are of wood, or part wood, construction.

2. SOURCES OF HOUSING FINANCE

The Private Sector

With building costs rising faster than incomes, the proportion of housing capital provided by private builders and prospective purchasers has declined in the post-war years. Private real estate credit institutions have been hampered by lack of funds and they now play a less important part in housing finance in Norway than in most European countries.

However, in certain cases, commercial banks and savings banks grant short-term loans during building; but the rate of interest charged was increased from 3½ to 4½ per cent per annum on 1st March, 1955, and there is a supplementary charge of ½ per cent. Banks and insurance companies sometimes grant long-term mortgage loans at the same rate of interest, but the proportion of building costs advanced is normally small.

The State

Since the war, the provision of housing and the organisation of building credit has occupied an important part in the Government's social programme. Nearly all properties

now constructed receive state assistance of one kind or another, and over 80 per cent of total expenditure on new construction is provided by the public authorities.

The state grants low-interest loans through the State Housing Bank, which specialises in urban areas; a similar organisation exists for financing rural housing. Loans are granted on first mortgages of 60 to 65 per cent of total costs, or 85 to 95 per cent of valuations. The rate of interest charged is $2\frac{1}{2}$ per cent per annum and is pegged for 15 years. The principal is usually repaid at the rate of $1\frac{1}{3}$ per cent per annum for wooden houses and 1 per cent for stone houses. The repayment period varies from 75 to 100 years, the longer terms being allowed for stone houses. The annual instalment of capital and interest during the early years is usually $3\frac{1}{2}$ per cent of the loan for stone houses and 3.83 per cent of the loan for wooden houses.

In places where building costs are higher than those prevailing elsewhere, certain classes of building undertakings obtain a capital subsidy in the form of an interest-free irredeemable loan, two-thirds of which is provided by the state and one-third by the municipality. This subsidy is based on floor space and amounts, on average, to 15 per cent of the total cost of the building and land. The object of these subsidies is to establish socially equitable rent levels by ensuring that rent does not exceed 20 per cent of the family income.

Specially reduced interest rates are charged on state housing loans granted to large families: one-third of such a subsidy is provided by the municipality.

3. HOUSES BUILT FOR LETTING

Multi-family houses, built by non-profit-making undertakings for letting or for co-operative ownership, form the greater part of new constructions in urban areas. Finance is provided mainly by the public authorities; the State Housing Bank grants loans of 90 to 95 per cent of the estimated value of approved building of this kind.

4. COMMUNAL OWNERSHIP SCHEMES

Co-operative Housing Associations have more and more become the auxiliaries of public authorities in the implementation of housing policy. Relatively unimportant before the war, they are now responsible for about 20 per cent of total annual house construction and are federated under a national association. As in Sweden, "parent" societies concern themselves with the building whilst provincial branches administer the dwellings. The Oslo Society is responsible for the building and financing of half the new dwellings in the capital; its dwellings mainly consist of three and four-storied apartment houses.

Finance is obtained by Co-operative Housing Associations in the form of:--

Contributions from individuals.

Government loans up to 95 per cent of valuation at $2\frac{1}{2}$ per cent interest, redeemable in 100 years for stone houses and 75 years for wooden houses.

Interest-free irredeemable loans from the state and municipalities, varying according to the size and income of the families accommodated, type of dwelling, etc.

5. HOUSES BUILT FOR SALE

The construction of single one-family houses has decreased in recent years and in 1953 constituted about one-sixth of total output. Houses of this type are mostly owned by their occupiers. An individual building a house for his own use and of an approved size, is eligible for a state loan up to 85 per cent of the value; the balance may be secured from private credit institutions at an interest rate of 4 per cent per annum.

SWEDEN

1. GENERAL HOUSING SITUATION

Housing Needs

Because of the decline in house construction and the continued drift of population from rural areas to the towns during the war years, there existed in Sweden a post-war housing shortage of about 50,000 dwellings. Moreover, housing problems have been aggravated by an annual increase in population of some 50,000, and by the influx into Sweden of more than 200,000 persons, mostly refugees from other parts of Europe, during the last 10 years.

House Construction

House construction in urban areas declined from an average of 34,000 per annum between 1936 and 1940 to between 10,000 and 20,000 per annum during the war. Post-war construction has shown a progressive increase. In 1953, 52,600 dwellings were completed whilst a provisional estimate suggests that construction in 1954 totalled approximately 58,000.

Housing Characteristics

Urban development took place comparatively recently in Sweden, about one-half of the existing urban dwellings having been built since 1930. The problem of obsolescence is, therefore, not as serious as in most West European countries.

Most recent construction has been in the form of flats and multi-family houses. The size of the dwellings is often small: it has been estimated that over half the population still live in dwellings containing at the most two rooms and a kitchen. One of the main aims of recent housing policy has been to obtain a progressive increase in the dimensions of dwellings. To achieve this, minimum standards have been fixed and a long-term construction programme instituted.

2. SOURCES OF HOUSING FINANCE

The state is prepared to grant financial assistance towards the construction of all dwellings except living accommodation provided above shops or offices. Such business property is normally financed solely by individuals or by commercial undertakings.

First and second mortgage loans on ordinary private dwellings are obtained from private credit institutions. Third mortgages on such properties are granted by the state, which also exercises control over private mortgage interest rates and subsidises new construction by granting interest-free irredeemable loans.

First mortgage loans (with amortisation often deferred for 40 years) are generally granted up to 60 per cent of building costs, minus the state capital subsidy. A further 10 per cent (up to 70 per cent) is granted on second mortgage to be amortised within 40 years; the balance (normally up to 90 per cent) is provided by the state on third mortgage at an interest rate of 3 per cent per annum and repayable within 40 years.

The Private Sector

Living and building costs in the past decade have been more stable and savings higher in Sweden than in most other West European countries. A large proportion of these savings are channelled into mortgage institutions, which supply much of the capital required for house building. Loans obtainable from private credit institutions normally cover between 50 and 70 per cent of total building costs.

Of the private real estate credit institutions, commercial banks are most important in short-term financing while building is in progress. Interest on such loans is 4 to 4½ per cent per annum plus a supplementary charge of 1 per cent per annum. Where municipalities stand surety, a lower rate of 3½ per cent is charged. Commercial banks very seldom grant long-term mortgage loans.

Principal sources of long-term mortgage loans, in order of importance, are savings' banks, insurance companies and the Post Office Savings Bank. About two-thirds of the funds of savings' banks are invested in mortgage loans, mostly on first mortgage. There are approximately five hundred savings' banks scattered over the country providing from 15 to 20 per cent of all building loans. Insurance companies play an important part in financing building, especially in the towns. Their loans are usually granted on first mortgage with the rate of interest fixed for 10 years. Investments by these companies in building form about one-quarter of their total resources. The Post Office Savings Bank grants mortgage loans mainly to Co-operative Housing Associations.

There are also two state supported central banks specialising in mortgage loans, the Municipal Mortgage Bank and the Housing Credit Bank. These banks supply funds to a number of affiliated local Co-operative Societies, obtaining the required capital by the issue of bonds. The Municipal Mortgage Bank grants first mortgage loans up to 50 to 60 per cent of building costs at an interest rate of 3 per cent per annum. These loans are usually permanent mortgages. The Housing Credit Bank grants second mortgage loans bringing the total amount advanced up to 70 to 75 per cent of costs. Such loans are usually redeemable within 40 years, and the interest, as on the first mortgage loans granted by the Municipal Mortgage Bank, is pegged at a fixed level for either 10 or 20 years. In the past, the two banks have provided about 10 per cent of all building loans.

The State

In 1939, only 10 per cent of new houses were built with the aid of public authorities. By 1953, this percentage had increased to almost 80 per cent, and 40 per cent of the total expenditure on new construction was provided by the state.

In order to prevent rents increasing with rising building costs, all housing projects which comply with certain conditions (see later) are eligible for subsidies provided by the State Building Loan Office. The subsidy is given as a loan, free of interest and amortisation, for a period of 10 years. After that, the loan can be subject to interest and amortisation if the general level of rents has risen, and if an increase in rent owing to the increased cost of the loan can be considered reasonable.

The state also guarantees that the interest will not exceed 3 per cent per annum on first mortgage loans and 3½ per cent on second mortgage loans. Any interest charged in excess of these rates is paid by the state. At present general rates of interest for first and second mortgage loans are 3½ per cent and 4 per cent respectively.

In practice, state loans in respect of ordinary dwelling units are normally only granted on third mortgage: they are thus still regarded as supplementary to private sources of credit. State loans, however, may amount to almost all the building costs not covered by private mortgages or state capital subsidies, and are granted on all approved properties whether constructed by private, co-operative or municipal undertakings.

Since 1933, the government has made grants for the improvement of existing dwellings. This assistance has been mainly in respect of rural dwellings and may amount to as much as 20 per cent of the cost of an average new house. Each year between 3,000 and 4,000 dwellings are completely reconditioned, and between 11,000 and 12,000 partially reconditioned with the utilisation of this aid.

3. HOUSES BUILT FOR LETTING

Recent construction for letting has been chiefly in the form of multi-family apartment houses. Building is carried out by private, co-operative and, since 1946, by municipal undertakings. In each case, first and second mortgage loans amounting together to 70 per cent of building costs, less state capital subsidies, are normally obtained from private credit institutions. In addition, the state grants loans on third mortgage making total finance obtainable by various undertakings as follows—

Private undertakings -- up to 85 to 90 per cent of building costs.

Co-operative undertakings—up to 95 per cent of building costs.

Municipal undertakings -- up to 100 per cent of building costs.

Having regard to the state interest guarantee, the average interest rate on a triple mortgage is just over 3 per cent per annum. Upkeep expenses usually represent 3 per cent of building costs, and loans are repaid at the rate of 0·75 per cent per annum. Total annual rents approximate to 6·75 per cent of building costs.

Whether private, co-operative or municipal undertakings, the owners of the houses must subject themselves to certain conditions in order to obtain state loans and subsidies. Thus they are not allowed to sell the houses without the approval of the State Building Loan Office and the purchase-sum is usually fixed at the building cost. Further, they are not allowed to take higher rents from the tenants than those fixed by the State Loan Office and must permit inspection of the property at regular intervals by representatives of the Office.

Municipally-owned houses are often administered by separate bodies consisting of five members, three of whom are appointed by the municipality. The flats in these houses are usually let for periods of one year at a time.

4. COMMUNAL OWNERSHIP SCHEMES

Co-operative Housing Associations are of great importance in Sweden, being responsible for more than 30 per cent of the total output of dwellings. They are grouped in two nation-wide organisations, the *H.S.B., formed in 1924 by the Tenants' Union and still closely associated with it, and an Association formed in 1940 by the Trade Unions in the building field.†

These societies retain ownership of their properties but their members are more than mere tenants. Each co-operative member has a right to life occupation of the apartment he occupies and this right can be ceded to anyone acceptable to the local co-operative committee. If he wishes to sell his flat, the tenant is entitled to charge a price equivalent to what has been paid back on it.

Co-operative building is usually financed by members contributing about 5 per cent of the costs of construction and by mortgage loans. H.S.B. can also draw on its own savings' fund for short-term loans while construction is in progress. With regard to long-term financing, first and second mortgage loans of up to 75 per cent of building costs are usually procured from the Municipal Mortgage Bank and the Housing Credit Bank. First and second mortgage loans may also be obtained from the Post Office Savings' Bank. A third state loan, amounting to 20 to 25 per cent of costs, is obtainable.

H.S.B. Societies alone are responsible for more than 20 per cent of total house construction. A total of over 1,000 H.S.B. Societies at present own over 100,000 dwellings in 170 localities. "Parent societies" are responsible for supervision of the construction of new houses and collecting savings from their members. Local "daughter" societies are mainly responsible for the administration of building estates through elected committees of tenants.

5. HOUSES BUILT FOR SALE

In Sweden, 36 per cent of the total stock of dwellings is owner-occupied. Single-family houses are rarely rented and nearly always belong to the occupier; thus lending to build such houses generally amounts to the financing of home ownership. Usually, construction is undertaken on the initiative of the future owner, who often takes part in the actual work of building. Generally, 50 per cent of the capital required is obtained from the ordinary market, chiefly from savings' banks at 3 per cent interest, while state loans on dwellings of an approved size usually increase the amounts obtainable to 90 per cent. Interest on state loans is 3 per cent per annum and the redemption period is 25 years. Repayment of a first mortgage is often deferred or considerably reduced until the state loan has been repaid, and as state capital subsidy of about 10 per cent of the building costs may be granted.

* H.S.B.: s Riksförbund.

† Svenska Riksbyggen.

SWITZERLAND

1. GENERAL HOUSING SITUATION

Housing Needs

Between 1918 and 1938, an average of 10,000 dwellings were built annually in Switzerland and, except in the remote villages, housing standards were high. But during the war the rate of construction was curtailed and a housing shortage resulted. In urban areas, this shortage has been aggravated by an influx of population from the country districts and overcrowding still constitutes an important problem in the larger cities. In certain remote rural villages, housing obsolescence is becoming increasingly serious.

House Construction

In recent years, the rate of house building has been stepped up to overcome the shortage, and since 1946 over 20,000 houses have been constructed each year. In 1953, 29,000 dwellings were completed whilst a provisional estimate suggests that in 1954 construction increased still further to total approximately 33,000. During and immediately after the war, building was carried out largely by Co-operative Housing Societies, but since 1951 private enterprise building has become preponderant.

2. SOURCES OF HOUSING FINANCE

The Private Sector

The supply of capital for house building purposes presents fewer problems in Switzerland than in other countries. Indeed, in recent years, banks have often found themselves with surplus funds which they could not invest, and mortgage loans can, therefore, be obtained easily. The Swiss have a reputation for thriftiness and recent economic circumstances have increased personal savings. Confidence in the real estate system and the banking houses has led to a large proportion of savings being invested in mortgage business.

An extremely well developed credit system exists in Switzerland. Capital for house building can be obtained at low rates of interest from cantonal banks, official mortgage banks, private land banks and local real estate credit banks. It is also provided to a lesser extent by commercial banks, savings' banks and insurance companies. Interest rates on mortgage loans granted by these institutions vary to-day between $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent per annum and are lower than those prevailing before the war.

Normally, credit agencies grant first mortgage loans up to 65 per cent of building costs: they also grant additional amounts on second mortgages up to total advances of 85 per cent of costs.

The State

On 31st December, 1949, following a general referendum, the federal system of state subsidies for housing purposes, which had been operative since 1942, was abolished. Since that date the finance of house building has been almost exclusively the responsibility

of the private sector. Certain cantons and municipalities, where the housing problem is still acute, continue to encourage house building by granting cheap loans on second mortgage or by means of building subsidies; and in certain circumstances rent subsidies are given to tenants with low incomes.

Two official institutions, the Central Mortgage Office of the Swiss Cantonal Banks and the Mortgage Bond Bank of the Swiss Mortgage Loan Institutions, finance their member bodies by granting them long-term loans at fixed rates of interest.

3. HOUSES BUILT FOR LETTING

Construction for letting predominates. During the period of actual building, credit in the form of short-term loans is supplied by cantonal or private banks and by insurance companies. The loan is granted as the work progresses and is repaid in a lump sum once construction is completed.

When construction is completed, building credit is replaced by a mortgage loan or by a land mortgage bond which is taken up by banks, insurance companies and other credit agencies. A first mortgage usually covers two-thirds of an average value based on the capitalised value of the income from the building and the actual value of the building. Such mortgages are granted for unlimited periods, and are often subject to six months' notice of termination. Second mortgages bring the amount advanced up to 85 per cent of this average value and usually they must be amortised within a period of up to 20 years. Third mortgages usually have to be amortised within a stipulated period and additional security, such as a life assurance policy, is always required.

Communal Ownership Schemes

There are, at the present time, over 1,000 Building and Housing Co-operative Societies in Switzerland, owning and administering about 70,000 dwellings. For some time these Societies were responsible for more than 40 per cent of total construction and, in some towns, as much as 70 per cent. However, in recent years their importance has declined.

The land upon which the co-operative building takes place is sometimes let to the Societies by local authorities at low annual rentals (2 to 3 per cent of the value of land) but, usually, it is purchased from either local authorities or private owners. Building contracts are generally put out by the Societies to private contractors, and sometimes they go to Producer's Co-operative Societies. During the construction period, short-term loans are made available by mortgage banks or other credit agencies. After building has been completed, short-term loans, as already described, are replaced by mortgage loans covering up to 80 to 90 per cent of costs. Certain municipalities, such as Zurich, grant second mortgages to Co-operatives to bring the total loans up to 94 per cent of costs, so that the Societies only provide 6 per cent of the total capital required.

4. HOUSES BUILT FOR SALE

One-family houses built for private ownership are usually financed in the same way as houses built for letting. Between 10 and 20 per cent of total building costs are normally provided by the builder or prospective purchaser, and mortgage loans are obtained for the balance required. First mortgage loans usually represent 55 to 65 per cent of total costs, second mortgages cover the difference up to 80 to 85 per cent, and sometimes a third loan is obtainable making the total sum borrowed 90 per cent of total building costs.

UNITED KINGDOM

1. THE GENERAL HOUSING SITUATION

Housing Needs

During the second world war, house construction in the United Kingdom came to a standstill: about 210,000 houses were entirely destroyed and approximately 500,000 were rendered uninhabitable or severely damaged. A rapid increase in the number of young married couples in recent years and rent restrictions have increased the demand for living accommodation.

House Construction

In marked contrast to other belligerent countries, house building in the United Kingdom underwent a rapid recovery after the war. In spite of shortages of labour and materials, almost 140,000 new dwellings of all kinds were completed in 1946 and, by 1948, the construction of permanent houses was at the rate of over 200,000 dwellings per annum. A further increase has occurred in the last two years: in 1953, over 326,000 permanent dwellings were completed, whilst in 1954 a post-war record of approximately 354,000 were constructed. By the end of 1954, approximately 1,975,000 new houses and flats had been constructed since the end of the war. The total number of dwellings made available for occupation in the same period, including conversions and adaptations of existing property, the repair of unoccupied war damaged dwellings and the construction of temporary houses, was over 2,400,000.

Housing Characteristics

In the United Kingdom, more than in any other West European country, save perhaps Belgium, the single one-family house is characteristic. Large blocks of flats are common only in the large towns. At the time of the last census in 1951, it was estimated that out of a total of about 13½ million dwellings, 3¾ million were lived in by owner occupiers, 2½ million were rented from local authorities and housing associations, and 7¼ million were rented from private landlords. Housing standards in general are good and the size of the average dwelling is reasonable large. Nevertheless, in certain industrial districts overcrowding and obsolescence constitute serious problems and, now the most acute features of the post-war housing shortage have been overcome, it is planned to devote more building resources in future years to improving existing dwellings. Slum clearance, and the repair and maintenance of existing dwellings will thus occupy a more important place in future housing policy.

2. SOURCES OF HOUSING FINANCE

The Private Sector

Since the second world war, the predominance of state-aided house construction has resulted in the private sector playing a smaller rôle in housing finance. The number of houses built for sale and financed by individuals and financial institutions has formed a relatively small percentage of total output. However, in the last two years there has been a marked increase in houses constructed for private owners. In 1953, construction of houses for sale almost doubled and amounted to almost 65,000, or 20 per cent of total output. In 1954, it increased still further to total approximately 92,000 or over 25 per cent of total output.

Building societies are the most important of the credit institutions financing private house building. They obtain their funds by accepting investments from the general public. The interest rates on these investments are 2 and 2½ per cent, according to the class of investment, income tax on the interest being paid by the Building Society. The investments received from the public are advanced to prospective house purchasers. The societies thus act, in effect, as savings banks for the special purpose of financing house purchase.

The rate of interest charged on mortgage loans is 4½ per cent per annum. A basic advance of 80 per cent of the value is usually granted but this can, in certain cases, be increased up to 90 per cent or even 95 per cent where state and local authority guarantees operate. The normal period for repaying a loan is 20 years but many societies grant loans over periods of up to 25 years; a few are prepared to extend the repayment period to 30 years and one will grant loans for 35 years in certain cases. The most common method of repaying a loan is by fixed calendar monthly instalments of capital and interest.

Insurance companies assist in financing house construction, though to a considerably lesser extent. Their advances are on similar terms to those of building societies, but are combined with endowment assurance policies.

Commercial banks also advance funds for housing projects: they often grant loans to private builders for short periods during construction, and occasionally grant mortgage loans to individuals. The rates of interest charged by the banks are higher than the rates charged by building societies and insurance companies, and the repayment period is shorter.

The State

Post-war house building has been financed very largely by the local government authorities. Between 1945 and 1953, local authority houses for letting constituted between 80 and 90 per cent of total annual construction.

The local authorities obtain the bulk of the capital required for housing purposes by borrowing from the Public Works Loan Board, which is financed entirely by state funds and charges rates of interest which are generally more favourable than those obtainable in the open market. In March, 1955, rates of interest payable to the P.W.L. Board were fixed at 3½ per cent for loans of not more than 5 years, 3¾ per cent for 6 to 15 years, and 4 per cent for more than 15 years. The loans are paid while building work is in progress, so that no special financial arrangements for obtaining credit are necessary during the period of building. Such loans are repayable to the Public Works Loan Board in the form of an annuity (i.e., by equal annual amounts for interest and amortisation) over 60 years.

On every house built for letting under local government auspices, an annual subsidy is payable by the state for 60 years. In April, 1955, this was fixed at £22. 1s. 0d. Moreover, for every house in respect of which the state grants this "annual exchequer contribution," local authorities must pay a subsidy of £7. 7s. 0d. per annum for the same period. These are the standard rates of subsidy applying to the greater part of local government housing production. Exceptions from the standard rates are made in special circumstances and to meet particular needs. Thus special subsidies at an increased rate are made available for housing intended for agricultural workers and for blocks of flats built on expensive sites. The object of these annual subsidies is to reduce rent levels. It was felt that, with building costs at their post-war level, economic rentals would not be within the means of families of modest circumstances.

State subsidies have also been obtainable since 1949 for the conversion and improvement of existing local authority houses. Of the calculated annual loss on the capital expenditure incurred for such purposes, the state pays three-quarters over a period of 20 years. Local authorities can also grant subsidies under certain conditions to private property owners amounting to one-half of the cost of conversions or improvements.

Local authorities assist house purchase, though their total contribution in this sphere is small. They grant loans to private individuals of up to 90 per cent of value on dwellings valued at not more than £5,000. The rate of interest charged is $\frac{1}{4}$ per cent higher than the rate local authorities pay on loans obtained from the Public Works Loan Board, and the maximum period of repayment is 30 years.

3. HOUSES BUILT FOR LETTING

Since the war, the emphasis has been on the construction of state subsidised houses for letting rather than on houses built for sale by private builders. It was felt that, in a time of acute accommodation shortage, needs rather than ability to pay should be the chief criterion in the allocation of new houses. The method of financing local authority housing for letting has already been described.

Housing associations have also been responsible for a certain amount of building for letting, but their contribution to total housing production is small. The number of dwellings completed by these associations from the end of the war to the end of 1954 totalled only about 32,500, compared with almost $1\frac{1}{2}$ million completed by local authorities. Housing associations normally obtain loans of up to 90 per cent of the total cost of their building schemes from local authorities. These loans are repayable over 60 years, though in the few cases where funds are obtained direct from the Public Works Loan Board the repayment period is restricted to 50 years. In late 1954 the rate charged on loans to housing associations varied between $3\frac{3}{4}$ and 4 per cent. Subject to the approval of the Ministry of Housing and Local Government, housing associations which have concluded agreements with local authorities regarding types of houses, rents and choice of tenants may obtain the same exchequer subsidies as the local authorities themselves.

4. HOUSES BUILT FOR SALE

With the emphasis on the construction of houses built for letting in post-war years, most of the mortgage loans granted by the financial institutions specialising in home ownership have been to assist purchasers of existing dwellings. With the recent increase in building for private owners, however, these institutions have been able to return, to an extent, to their main pre-war function of financing new construction.

PART III

**STATISTICS OF HOUSING
AND BUILDING CO-OPERATIVES
affiliated to the
INTERNATIONAL CO-OPERATIVE ALLIANCE**

Organization	Years	Affiliated Societies all Types	Affiliated Co-operative Housing Societies	Reporting Co-operative Housing Societies	Members
1.	2.	3.	4.	5.	6.
AUSTRIA.					
Oester. Verband gemeinnütziger Bau- Wohnungs- und Siedlungsvereinigungen.	1950	260	190	—	35,000
	1951	299	215	—	37,000
	1952	313	222	—	40,000
	1953	340	241	—	45,000
CZECHOSLOVAKIA.					
Ustredni Rada Druzstev.	1952	98	98	98	96,000
	1953	98	98	98	96,928
DENMARK.					
Det kooperative Faellesforbund.	1950	252	252	252	54,664 ³
	1951	255	255	255	58,708 ³
	1952	265	265	265	64,829 ³
	1953	272	272	272	70,963 ³
FINLAND.					
" Haka " Building Societies.	1950	26	26	26	—
	1951	27	27	27	—
	1952	29	29	29	—
	1953	29	29	29	—
	1954	29	29	29	—
FRANCE.					
Fédération Nationale des Sociétés Coopératives d'Habitations à Loyer Modéré.	1951	128	128	72	11,500
	1952	151	151	107	15,000
	1953	180	180	121	28,000
	1954	157	157	157	31,500
GERMANY.					
Gesamtverband gemeinnütziger Wohnungsunternehmen.	1950	2,321	1,791	1,719	667,695
	1951	2,430	1,860	1,706	724,243
	1952	2,467	1,855	1,771	793,432
	1953	2,442	1,840	1,718	817,501
GREAT BRITAIN.					
Co-operative Permanent Building Society.	1950	1	1	1	208,112
	1951	1	1	1	231,370
	1952 ⁶	1	1	1	254,029
	1953 ⁷	1	1	1	282,959
East Midlands Housing Association.	1953	1	1	1	21

Housing Units Owned by Co-operative Housing Societies 7.	Total Annual Rent 8.	Housing Units transferred to Private Ownership 9.	Value of No. 9 10.	Housing Units Constructed 11.	
	S		S		S
20,000	—	1,000	—	1,800 ²	73,000,000 ²
21,500	¹	1,000	—	3,000 ²	300,000,000 ²
23,000	¹	1,000	—	3,500 ²	350,000,000 ²
23,346	¹	1,000	—	4,500 ²	431,000,000 ²
	Kr.		Kr.		Kr.
—	—	—	—	—	—
—	—	—	—	—	—
	Kr.		Kr.		Kr.
54,664	42,786,000	—	—	—	—
58,708	59,000,000	—	—	—	—
64,829	70,000,000	—	—	—	—
70,963	90,000,000	—	—	—	—
	Fmk.		Fmk.		Fmk.
24	⁴	439	—	463	815,000,000
98	—	217	—	315	720,000,000
54	—	665	—	719	2,050,000,000
181	—	470	—	651	1,960,000,000
109	⁴	523	—	632	1,830,000,000
	Frs.		Frs.		Frs.
8,750	875,000,000	⁵	—	—	—
12,500	1,250,000,000	⁵	—	—	—
23,000	2,300,000,000	⁵	—	—	—
28,000	3,360,000,000	500	1,250,000,000	200	60,000,000
	DM		DM		DM
353,245	171,276,000	?	?	61,574	435,318,000
381,665	205,026,000	?	?	61,954	648,026,000
441,019	264,973,000	?	?	59,496	723,953,000
498,604	288,400,000	6,157	?	65,977	889,400,000
	£		£		£
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
163	7,900	45	67,500	62 ⁸	94,000 ⁸

1.	2.	3.	4.	5.	6.
"Urban" Urban Housing Societies.	1950	110	110	110	24,000
	1951	151	151	151	31,034
	1952	160	160	160	33,050
	1953	170	170	170	37,200
"Nieve Oved" Rural Housing Societies.	1950	51	51	51	12,700
	1951	53	53	53	16,300
	1952	62	62	62	23,300
	1953	70	70	70	24,664
ITALY.					
Lega Nazionale delle Cooperative	1950	295	295	295	52,935
Confederazione Cooperativa	1950	387	387	387	57,500
NORWAY.					
A/L Norske Boligbyggelags Landsforbund.	1954	80	80	80	?
PAKISTAN.					
All Pakistan Co-operative Association.	1949/50	102	102	102	17,241
	1952/53	166	166	166	25,723
SWEDEN.					
Hyresgästernas Sparkasse- och Byggnadsföringars Riksförbund.	1950	1,132	1,030	1,030	71,080
	1951	1,184	1,078	1,078	75,280
	1952	1,263	1,154	1,154	81,026
	1953	1,338	1,224	1,224	87,407
SWITZERLAND.					
Schweiz. Verband für Wohnungswesen.	1952	301	301	301	44,829 ³
	1953	304	304	304	44,498 ³
	1954	314	314	314	45,807 ³
INDIA (Official Statistics).					
State of Madras.	1951/52	—	—	298	31,303
Bombay.	1951/52	—	—	927	46,411
16 Other States.	1951/52	—	—	622	49,515

¹ Monthly rents—old dwellings S80–S150; new dwellings S250–S350.

² Cols. 11 and 12 refer to Societies of all types.

³ Dwellings—number of members larger.

⁴ Per sq. m. per month—1950: Fmk. 120; 1954: Fmk. 250.

7.	8.	9.	10.	11.	
	£l		£l		
12,000	—	—	—	2,000	2,16
15,566	—	—	—	3,566	11,350,
16,600	—	—	—	1,034	3,300,0
18,600	—	—	40,000,000	2,000	12,000.0
6,364	—	—	—	2,949	2,096.000
8,158	—	—	—	1,794	3,469,000
11,567	—	—	—	3,409	6,452,000
12,332	—	—	20,892,000	765	4,590,000
—	—	—	—	—	—
—	—	—	—	—	—
60,000	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
	Kr.		Kr.		Kr.
47,928	61,416,000	2,675	74,253,000	6,552	173,068,000
50,455	69,270,000	2,527	79,937,000	5,888	179,781,000
54,354	78,033,000	3,899	153,571,000	7,718	298,604,000
58,778	90,500,000	4,424	158,803,000	9,095	316,767,000
	Fr.		Fr.		Fr.
44,829	—	—	—	—	—
44,498	—	—	—	—	—
45,807	—	—	—	—	—
	Rs.		Rs.		Rs.
—	—	—	—	1,168	—
—	—	—	—	8,610	—
—	—	—	—	1,729	3,515,000

⁵ Dwellings remain the property of Societies for 30 years.

⁶ Advances on Mortgages, £26,753,000.

⁷ Advances on Mortgages, £30,093,000.

⁸ Houses completed for local authorities.