



European
Commission

THE HOUSING BASKET

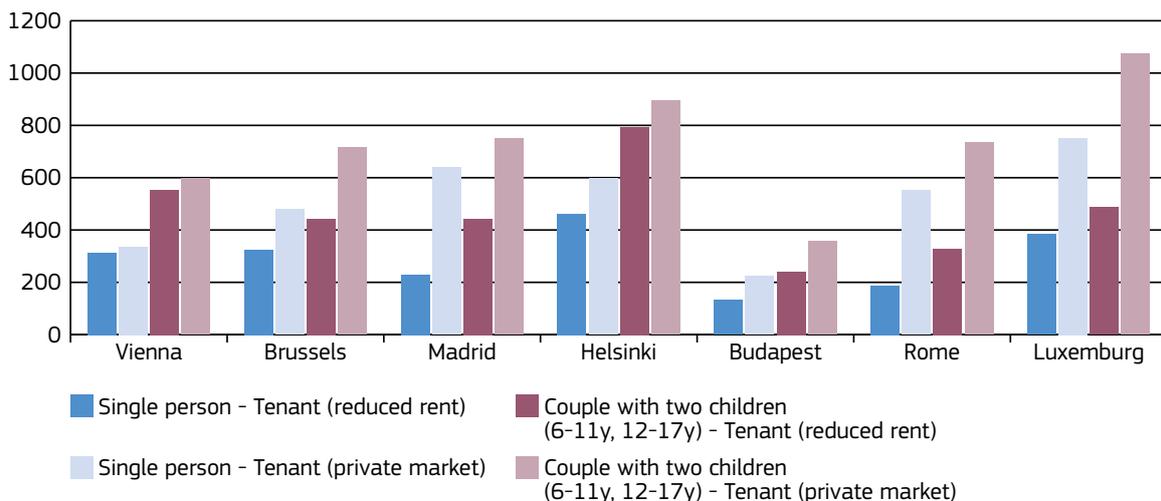
➔ The European Reference Budgets Network is a project financed by the European Commission that aims to develop cross-national, comparable reference budgets in all EU Member States. Reference budgets are baskets of goods and services considered necessary for an individual household to achieve an acceptable standard of living within a given country, region or city. Preparing reference budgets with a common methodology can help EU Member States to design effective and adequate income support measures and to encourage mutual learning and the exchange of best practices. More information about the project as well as the complete final report can be found on the European Commission website: <http://europa.eu/!CC79TD>

Housing is generally recognised as a basic need as it provides protection and security and also contributes to a hygienic lifestyle. For many households, housing costs are the largest component of their expenditure, which highlights the importance of establishing a housing basket. The housing basket indicates the monthly budget required by various reference households to afford adequate housing. It has

been developed for a selected number of countries and in accordance with national and international guidelines on housing quality requirements. The results presented here reveal the housing costs for tenants in the private market and for tenants with reduced rent in the regions in which the seven reference cities are located: Vienna, Brussels, Madrid, Helsinki, Budapest, Rome and Luxembourg⁽¹⁾.

1. Key findings

The housing budget, monthly amounts in euros



N.B.: As these amounts are estimates from survey data, they are subject to sampling error. Confidence intervals for these results can be found in the final report.
Source: EU-SILC 2012 UDB.

(1) The reference budget results for outright owners can be found in the final project report. It was decided that this presentation should focus on tenants in the private sector and tenants with reduced rent.

Estimates of the reference rent for adequate dwellings vary strongly between the capitals, reflecting large cross-national differences in the levels of rent actually paid by tenants in the private sector. Actual rents are lowest in Budapest, where 90 % of rents are below EUR 215, and highest in Luxembourg and Helsinki. In most cities, average reference rents are below the median of actual rents, but the gap is relatively small in Brussels, Budapest and Helsinki. Reference rents for tenants in the reduced rent sector are lower than in the private sector, but the size of the gap differs considerably between countries. In proportional terms, it is smallest in Vienna and Helsinki and largest in Rome, Madrid and Luxembourg.

2. Constructing the housing basket

The standard approach for constructing a basket is to specify the nature, number and quality of the necessary items and then to price those. However, housing is very heterogeneous and subject to local price variations. The range of prices for dwellings with similar minimum quality requirements can be wide and the availability of adequate housing at the lowest prices may be very limited. Therefore, the budget for the housing basket has been determined on the basis of survey data from the European Union Statistics on Income and Living Conditions (EU-SILC), wave 2012. This database includes a number of housing quality indicators and produces useful estimates of illustrative costs.

The housing basket has been established by taking the following factors into account:

➔ Housing quality requirements

Despite variations between countries, a review of the national and international guidelines on minimally acceptable housing identifies three general conditions that a quality dwelling needs to meet. Firstly, it should provide adequate shelter and protect against disease and adverse weather conditions. Secondly, it should contribute to a hygienic lifestyle, which requires clean and hot water. Thirdly, it should have enough space for a decent standard of living as well as lighting and heating. The standard in terms of space is usually defined in relation to the number of occupants and can be specified in square metres or by the number of bedrooms.

The quality criteria used to calculate housing costs are mainly derived from EU indicators in the field of (housing) deprivation, as well as from certain national guidelines. In addition to the criteria regarding the number of rooms (e.g. four rooms for couples or single parent families with two children) and the size of the dwelling in square metres (e.g. 73 m² for a couple with two children), the dwelling should be free from damp and possess an indoor toilet and shower, adequate electrical and water installations and central heating. Apartments

were chosen as the reference dwelling, as these are the most common rented housing type in the reference capitals.

➔ Housing patterns in Europe

Countries of the EU have substantially different housing markets. Some cities have more tenants than owners (Brussels, Madrid, Helsinki, Budapest and Rome), while in other ones owners constitute the majority (Vienna and Luxembourg). Household composition also varies according to the type of housing market. In Brussels and Helsinki, couples with children only represent a small minority among private tenants, while single tenants and childless couples predominate. The latter group also constitutes the majority of tenants in the reduced rent sector, with the exception of Rome. Among outright owners, childless single persons and couples predominate in Vienna, Brussels, Helsinki and Luxembourg, whereas the proportion of couples with children is clearly larger in Budapest, Madrid and Rome. However, variations between countries partly reflect the variations in the typical household composition of the respective countries.

Since households with insufficient capital or savings potential to buy a home are forced to rent accommodation, one would expect the majority of tenants to have a low income. However, this is not the case in all capitals. In Budapest, Helsinki and Madrid, fewer than 25 % of all tenants are in the bottom quartile and 40 to 50 % fall within the top half of income distribution. In contrast, in Vienna, Brussels, Rome and Luxembourg, tenants in the private sector tend to be concentrated within the lower income groups. Although reduced rent accommodation is generally targeted at households with limited means, these tenants are not clearly concentrated within the low income groups, with the exception of Brussels and Budapest. Compared with tenants, outright owners generally find themselves in higher income groups.

➔ Calculation of reference housing costs

Reference housing costs for tenants are calculated by taking the sum of the reference rent and any reference housing costs other than rent.

The reference rent is calculated by estimating the cost of a dwelling meeting the quality requirements in the cities, using regression techniques. The 30th percentile, rather than the average or median of these costs, is used, as the reference budgets aim to indicate the minimum income needed for adequate participation, while avoiding the lowest rents. Reference housing costs other than rent refer to the monthly costs associated with the household's rights to live in the accommodation, such as taxes on housing, insurance, maintenance and repair costs as well as the cost of utilities (e.g. water, electricity, gas and heating). In most countries, median housing costs other than rent for tenants range from EUR 120 to EUR 180. These costs vary much less between cities and countries than the rent itself, which implies that they represent a larger proportion of the total income in lower income countries.