

PUBLIC PROMOTION OF RESIDENTIAL CONSTRUCTION

In nearly all European countries, the state intervenes in the housing construction market with various support measures, for example, to increase the supply of affordable housing units to compensate social imbalances for low wage earners in high-rent areas or to stimulate residential housing construction in the private sector. Also the promotion of environmentally friendly construction has become increasingly more important.

The individual promotion systems are strongly marked by national and historical structures. Fundamentally there are two models of residential construction promotion in Europe: the centralised French model and the decentralised German model. In Germany the federal government makes funds available to the federal states ("Länder") according to a distribution key. In addition to the promotion by the states, many German municipalities also support housing construction. In Austria residential construction promotion was regionalised in the 1980s, so that now a very complex support-landscape exists. In the Netherlands as well, the central government transferred the administration of public housing assistance to the regions. In Great Britain the environmental department (DETR) determines the annual investment volume of the Housing Investment Programme. The municipalities, however, can freely decide on how to use the funds.

Promotion via tax benefits lies in the jurisdiction of the federal or central government in all European states. The table summarises a study by BIPE, pre-

sented at a Euroconstruct Conference in 2000, comparing five European countries and the United States.

In most European countries, direct assistance is in the form of mortgage subsidies for new housing construction or renovation. Indirect assistance is understood as subject-related, which is primarily granted to individual renters, or with few exceptions also to home owners. Indirect assistance also includes promotion of savings at building societies. This type of assistance is wide-spread in France and Great Britain.

Tax benefits for housing play a very different role in individual European countries. Promotion via tax allowances is to advance home ownership in most countries and tends to benefit higher-wage households, depending on how the benefits are designed in the tax code. Tax allowances for the acquisition of dwellings are granted in almost all countries. In France and Germany there are also tax reductions for the construction of rental-flat buildings, but not in Austria, the Netherlands, Sweden or Great Britain. In Germany as well as in the United States, tax allowances are the dominant form of assistance for promoting residential construction.

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References

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Type of promotion of residential construction

Countries	Type of promotion, in %			Total
	Direct assistance	Tax allowance	Indirect assistance	
Austria	71	13	16	100
France	15	27	58	100
Germany	18	65	17	100
Sweden	40	30	30	100
United Kingdom	22	14	64	100
United States	9	77	14	100

Source: Euroconstruct, 2000