ULI Europe Residential Council

Overview
ULI's new European Residential Council had its inaugural meeting in February 2017, kindly hosted at Catella’s office in Paris ahead of the ULI Europe 2017 Conference. The Council launched a vision statement, which lays out its key priorities and its proposed programme of work for the next three years.

Presentations and discussions touched on a variety of topics, including the current global housing affordability challenge (with an emphasis on London), comparisons between housing markets and policies across Europe, the Israel tax-credit case study and residential landscaping trends.

Vision Statement Launch
Speaker: Xavier Jongen, Co-Chair of ULI Europe Residential Council and Vorstand (Managing Director), Catella

To set the scene for the day, Xavier Jongen welcomed the participants; a diverse group of senior industry professionals active in residential across Europe. This was followed by the launch of the Council’s vision statement. The Residential Council’s mission is to share best practices, lessons learnt and innovative solutions from a diverse group passionate about the creation, expansion and retention of high quality housing that is affordable for all and fits their living needs in our European cities as a key success factor for vibrant, dynamic and economically successful cities. The Council has developed a specific concept for this: “housing well”, which the Council interprets as meeting the challenges related to affordability and flexible, “fit for demand” housing stock. The vision statement also outlines the causes and consequences of housing affordability issues and provides aspirations for a future programme of work that the Council wishes to undertake in Europe in the next 3 years.

It is acknowledged that there are varying definitions of affordability and how it means different things to different people and cities, such as social housing or affordability in the context of competitive cities, and the need to attract talent for cities to remain competitive and diverse. So far, most of the work on affordability seems to have been done on a country level and the Council intends to go one level higher, focusing on the assessment of the different affordability metrics from a European, comparative perspective.
Global Housing Affordability

Speaker: Derek Ray-Hill, Executive Director, London First

Derek Ray-Hill gave the Council an overview of the global housing affordability work that both London First and previous Global Cities Business Alliance have done, focusing on comparative affordability, liveability and competitiveness in global cities. Derek compared the liveability and housing challenge with global competitiveness of the same cities. He also addressed affordability in global cities and some of the solutions that are being tried to address its growing challenge.

Key Take-Aways

- The cities with the highest liveability scores were San Francisco, Sydney and Singapore. Those three cities also scored the highest on housing quality.

- The three power house cities (London, Paris and New York) that share common characteristics are not necessarily all in the top five liveability cities. In terms of the least affordable housing cities, Paris came second followed by New York at the sixth place and London at the eighth.

- The city scoring highest in the housing affordability sub-index is Chicago with a rent-to-income ratio of 49% and a house price-to-income multiple of 4.8, which is the lowest value of all cities examined. Places two and three go to Paris and Sydney. In Paris, average rent for a one-bedroom makes up about 44% of the average income, while the comparable figure is 55% for Sydney.

- Asian cities (Hong Kong and Shanghai) are those with the least housing cost.

Factors that contribute to high housing costs in global leading cities:

- Liberal democratic values that reinforce city attractiveness.


- Communities that have combined income levels create more creativity, more dynamism and more ‘entrepreneurs’.

- Without affordable housing, it is economically impossible to sustain jobs and ‘excellent services’ to compete on a global scale.

The presentation made clear that data availability and comparability are difficult when trying to assess topics like liveability and affordability at a global scale. The group actively debated some of the outcomes, such as the liveability in Abu Dhabi or the top-ranking of Chicago in terms of affordability with a rent-to-income as high as 49%. Consequently, the group also exchanged first ideas on how it could contribute to better metrics.
Low-Income Housing Tax Credit
Israel case study

Speaker: Elisabeth Rosenbaum, President, Urban Initiatives

Elisabeth Rosenbaum demonstrated good examples of affordability by presenting on its best practice tax credit model that could work in other contexts. This is largely taken from the US where the tax credit model is successful and applied in Israel where housing prices have escalated. This housing tax credit programme has operated for 30 years in the US and for every $1 invested, there was $8-9 return. Investor confidence in government housing programmes were low as they were in search for a quicker housing development process and return, which is what this successful tax credit model offers.

Housing Tax Credit programme in Israel

- It is important to note that this housing tax credit initiative was recently introduced and been approved by Israeli parliament. Although it is now turned into law, it has not yet been put into practice.
- Tax credits are proposed to be issued by the Israeli government and awarded to developers/contractors for projects that provide affordable housing.
- Private sector investors purchase the credits for cash which serves as equity for construction or rehabilitation.
- Tax credits give investors a “Shekel-for-Shekel” reduction in tax liability OR a cash refund for the credit amount if it exceeds the investor’s tax liability.
- Tax credits generate upfront (60-70%) private equity which funds the development, dramatically reducing the debt needed, allowing for affordability.
- This is an attractive financial scheme that generates thousands of units of affordable housing in the US, and hopes to do so in Israel by replicating the same tax credit model.

The US government only teamed up with leading, well-established developers to ensure this tax credit model would work, which also increased the quality of housing. In addition, through bank regulation and requirements, there is also the obligation of community reinvestment through developer’s profits.
Discussion and next steps

The first pan-European Residential Council meeting provided only an introductory glance at the ongoing housing challenges raised at the global, European, national and city level, and without question, housing affordability is increasingly becoming a crucial topic for the international real estate sector, both public and private.

Going forward, Xavier Jongen highlighted that the Council aims to look at the measurement of affordability and accessibility and best practice housing affordability solutions across a selected range of European cities. A suggested structured research approach was outlined for the next three years.

In short, the programme aims to focus on the following key elements:

- A general assessment, to identify the issues across Europe.
- Deep dive into some specific cities, through a number of city case studies.
- Lessons learnt from the top down and bottom up analysis - what are the real critical issues?
- Identify best practices to help solve local issues.

The participants debated that housing markets in each country have different issues and the step by step best practice case study approach will identify the issues, challenges and solutions that other housing markets/countries can learn from.

The group also discussed which cities to include in the assessment and it was felt that besides global cities, also smaller cities or groups of cities where the issues are the same - e.g. greenbelt, concentrations of poorer people, should be included. A long list was created, which included Amsterdam, a number of German cities - with Berlin and Munich having critical local housing affordability discussions – London, Warsaw, Helsinki, Stockholm – with a huge affordable housing building programme, and a Southern European city, with Milan mentioned as a possibility.

It was also questioned to look at the reasons for the need for affordability to see what can be done to help economically develop a local population, for example social impact bonds, versus the alternative of continuing to invest in affordable housing, without considering the bigger picture.

This discussion was very useful to help frame the future programme of the Council, and determine the priorities including which European cities and countries we should initially focus on for the upcoming year.
Attendees of the Council meeting included:

AM Blackstone
Bouwinvest
Catella (meeting host)
EY
Greater London Authority
Greystar Europe
IFHP
Hainke & Partner
London First
Lothbury Investment Management
Patrizia
REAS Residential Advisors
Re-vive
Round Hill Capital
Savills
UDR
Urban Initiatives

About ULI

The Urban Land Institute is a global, member-driven organization comprising 40,000 real estate and urban development professionals dedicated to advancing the Institute’s mission of providing leadership in the responsible use of land and creating and sustaining thriving communities worldwide. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 80 countries.

ULI has been active in Europe since the early 1990s and today has over 3,000 members across 27 countries. The Institute has a particularly strong presence in the major Europe real estate markets of the UK, Germany, France, and the Netherlands, but is also active in emerging markets such as Turkey and Poland.

European Councils are forums for industry leaders to meet, exchange ideas, share best practices and foster thought leadership in their specific sector of the real estate market. Consisting of a genuinely international membership, the councils provide a unique platform to learn from peers in the same sector who are operating in different geographical markets, as well as help shape the future of pan-European real estate.

Join today

The success of the newly formed ULI Europe Residential Product Council relies on the active participation of our senior executive full members. The council is keen to continue share best practice and innovative solutions in housing affordability in the context of densification, innovation and city competitiveness.

In the next few months, the Product Council will approach ULI members for additional information, ideas and contribution to research to pave the way for thought leadership in addressing housing affordability challenges in our cities across Europe. If you are interested in learning more about the Council and its research, please contact clare.game@uli.org.

http://europe.uli.org/join