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# RENOVICTIONS IN EUROPE

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FEANTSA

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FEANTSA BRIEFING

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## Introduction

To combat the climate crisis, the European Commission launched a "Green Pact for Europe" in July 2020 with the objective of ending net greenhouse gas emissions by 2050. In the European Union, buildings are estimated to be responsible for about 40% of energy consumption and 36% of energy-related greenhouse gas emissions<sup>1</sup>. In line with the Green Deal, the European Commission published in October 2020 its "renovation wave" strategy to

double the rate of building renovation over the next ten years, ensuring that buildings become more energy efficient and that emissions are ultimately reduced.

The renovation wave is a political and financial strategy that promises to renovate substandard housing and thus lift millions of people out of energy poverty. However, if it is not well designed, it also carries social risks. Some examples of major retrofitting programs in the past have shown the risk of increased rent or energy bills because of retrofits, leading to displacement of the poorest people from these retrofitted areas. It is therefore essential to include this major renovation effort in an approach based on social impact.

The term "renoviction" is a contraction of the words "renovation" and "eviction". It refers to deliberate or indirect evictions due to the sudden and disproportionate increase in

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<sup>1</sup> European Commission, *In focus: Energy efficiency in buildings*, 2020: [https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17\\_en](https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en)

rents caused by housing renovation. In the long run, renovations can lead to renovictions, leading to green gentrification and increased levels of homelessness. According to research conducted by the Joint Research Centre (JRC) of the European Commission, at the European level, the price of residential assets is expected to increase because of retrofitting, the cost of the renovation generally fluctuating between 3-8% because of energy efficiency improvements, and around 3-5% in residential rents compared to similar properties.<sup>2</sup>

Combating renovictions is necessary to avoid a major social crisis and to guarantee the social acceptability of ecological measures such as the wave of renovation undertaken at the European level. To do so, it is necessary to understand this phenomenon. Apart from providing an overview of the state of play of renovictions in Europe and the policies implemented to face them, this brief will issue political recommendations to tackle this question.

## An overview of renovictions in Europe: a multifaced reality



In Europe, the renovations of energy retrofits in buildings are still minimal and unevenly advanced in different countries. Thus, there is a lack of data on evictions caused by housing renovations to increase energy efficiency. However, solutions exist to assess the potential risk of renovictions in European countries, such as the tools implemented at national and EU level to protect low-income households from

rent increases after energy retrofits. Energy poverty, welfare state policies or the nature of the building stock are different across Europe. To have the most comprehensive understanding of renovictions, this brief will adopt a regional approach to it.

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<sup>2</sup> EU Commission's Joint Research Centre report: *Energy efficiency, the value of buildings and the payment default risk*, 2019: <https://euase.net/eu-commissions-joint-research-centre-report-energy-efficiency-the-value-of-buildings-and-the-payment-default-risk/>

## *Renovictions in Eastern Europe: lack of data and in an owner-occupied dominated market*

To consider the situation of renoviction in Eastern Europe, it is necessary to look first at the specificity of the housing stock in Central and Eastern Europe.

Firstly, the housing market needs energy efficiency renovations. Data from the Metropolitan Research Institute (MRI) shows firstly that the Central and Eastern European (CEE) EU Member States are more dependent on fossil fuels than other Member States<sup>3</sup>. The need to move towards energy independence in the current context makes the issue of energy-efficient renovation a more pressing one. The study highlights that post-socialist regions are characterised by lower wages and weaker welfare states than their Western European counterparts, while the need for affordable housing is higher. In addition to that, the region's housing stock is older than the European average and the population has fewer personal savings. Some researchers refer to a fifth specificity, a 'lack of ownership', which is explained by the historical context: the fall of the Soviet regime in the early 1990s was accompanied by rapid privatisation, leading people to own their homes, with no consideration for renovation costs. This owner-occupied market makes the issue of renovation relatively less pressing in Eastern and Central Europe, as the renoviction risk is mainly a challenge for tenants on the private rental market.



Secondly, there is a lack of data on the number of evictions caused by energy efficiency housing renovations. The MRI states that there is limited information available about renovictions in the region. This is because there is no data available on the social impact of renovations and a lack of scientific papers. One solution to assess the state of play in terms of renovictions is to present the different schemes and assess their risks.

<sup>3</sup> Metropolitan Research Institute for FEANTSA, Timo Sándor Kollár, Hanna Szemző, *Renoviction in the context of energy efficiency investments in the former socialist countries of the EU*, 2022.

Information from non-governmental organisations (NGOs) working with the most vulnerable in the CEE region (mostly Roma people) only provides information about the genuinely poor, and no information about the lower middle class. The region is characterised by a very rigid housing market, with fewer moves due to the transaction costs associated with changing ownership. The regulatory environment for condominiums (e.g., operation, maintenance and repair funds, decision-making process, etc.) is the key factor determining renovations and renovictions. So far energy efficiency renovations in condominiums have not propelled renovictions, or at least it was impossible to prove. Due to heavy subsidies, the actual increase in monthly costs were typically lower than the transaction costs would have been associated with moving out, selling, and buying an apartment.

Very little is known about the private rental sector, although it is most likely to engage in renovations (however, not only energy-focused ones). The MRI's study assesses that it may result in renovictions as well, but no proof is available so far. Municipalities often cause the biggest renovictions, or at least there is more evidence about it than for other sectors. However, these cases typically regard general refurbishments, not specifically energy efficiency ones. In fact, in the public housing sector municipalities have the liberty to regulate the rents, so the displacement of tenants is strongly dependent on their political will.

### *Renovictions in Northern Europe: evidence of a link between occupancy status and vulnerability*



Evidence exists on renovictions in Sweden and provides a vision of renovictions Northern Europe. In Sweden, in 2017, the share of tenants among the total population of Sweden was around 34,8%. While rents are collectively negotiated and cannot be increased without good reason, landlords are accused of using renovations as an excuse to make huge rent increases.

However, in the country, support was introduced to encourage renovation and energy efficiency measures in rented properties in areas facing socioeconomic challenges.<sup>4</sup>

Åse Richard and Dominika V. Polanska, researchers at Södertörn University and Uppsala University, presented the case of the resistance to renovictions and the current state of play in Sweden during an MRI event.

In 2010 in Sweden, the media drew attention to the issue of renovating multi-family housing in the context of the State's demand for greater energy efficiency. These renovations targeted marginalised neighbourhoods. Following this debate, 400 000 renovations were identified in Sweden between 2013 and 2020, accompanied by sharp rent increases. According to the researchers, these were unnecessarily extensive renovations (“over-renovation”), combined with decades of a lack of maintenance in the housing stock. Research shows that these extensive renovations caused mental and physical illness, relocation, unrest in residential areas, housing segregation and inequality. Sweden is known as a welfare state with a fair housing system and strong tenants' rights. However, since the 1990s, the country has undergone heavy deregulation that has led to the marginalisation of formal rental housing. A 2011 law harmonised legislation with the EU (Public Municipal Housing Companies Act 2010:879) and paved the way for renovictions. The act removed the role of rent levels in municipal housing companies as a norm for the use-value system. It reframed the conditions of the public housing sector and destabilised the collective bargaining system for rent-setting. It stated that municipal housing companies must be run according to “business-like principles”.<sup>5</sup> This legislation has been seen as a concession done to landlords' associations, who conducted active lobbying in the beginning of the 2000s, threatening to take the Swedish State to the European Court for its violation of the European law on competition, since municipal housing companies held this special status.<sup>6</sup>

The Swedish legal framework governs the relationship between tenants and landlords. But Åse Richard and Dominika V. Polanska say that there are loopholes, mainly the fact that in cases of renovation, the legal interpretation is biased in favour of the landlords.

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<sup>4</sup> European Commission, Energy section, National long term renovation strategies.

<sup>5</sup> Malmö University, Department of Global Political Studies, Lisa Kolarby, *Allbolagen revisited: a tenants' union in a changing (de)political landscape, a neoliberal delusion or a democratic imaginary?* 2022: <https://www.diva-portal.org/smash/record.jsf?pid=diva2%3A1695454&dswid=-6792>

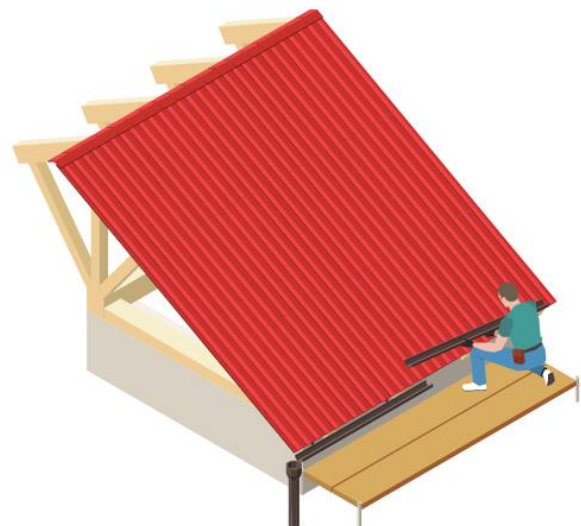
<sup>6</sup> FEANTSA's interview of Dominika Polanska.

Research shows differences between renovations in co-ops and in residential housing. In co-ops, where residents have formal influence, renovations lead to cautious and small-scale, cheaper, and energy-efficient structural renovations. In the rental housing, where tenants have primarily symbolic influence, large scale, rent-raising renovations usually ensue, causing renoviction. This contributes to an increase in tenure inequality.

### ***Renovictions in Western Europe: a protective legal framework undermined by financialisation of housing***

France, Germany, and Ireland provide interesting examples of gaps in policies leading to renovictions.

In France, as reported in FEANTSA and Foundation Abbé Pierre's *7th Overview of Housing Exclusion in Europe*, "law protects tenants but is not necessarily sufficient to prevent renovictions in practice".<sup>7</sup> The law offers protections to households, such as a cap on rent increases when renewing a lease. In the densely populated urban areas where the housing market suffers from a serious imbalance between housing supply and demand, there is also a cap on the rent increase for a new tenant after the previous lease has ended, and in the case of "improvement work", the rent increase cannot exceed 15% of the actual cost of the renovations. However, renovations are taking place despite this legislation. FEANTSA and Foundation Abbé Pierre's report gives the example of the construction company Cherpantier based in Paris (a very densely populated area with a highly competitive housing market), which buys dilapidated buildings with the aim of renovating them and putting them back on the market by considerably increasing the rents. In effect, the company resells the flats individually at exorbitant prices. Officially, the group is only "not renewing tenants" leases, without officially forcing them to leave the flats and offering



<sup>7</sup> FEANTSA, Fondation Abbé Pierre, *Seventh overview of housing exclusion in Europe, Chapter two: Evictions in Europe*, 2022: <https://www.feantsa.org/en/report/2022/06/30/?bcParent=27>

them compensation". In practice, many former tenants have reported being pressured and have filed harassment complaints against the company<sup>8</sup>.

In Germany, as reported in the *7th Overview of Housing Exclusion in Europe* as well, low-cost loans and subsidies are offered by the German public bank to encourage the energy renovation work in private homes, communities, and businesses. However, this allows landlords to increase rents by up to 8% to compensate for the costs of these renovations, in the name of the right to a "modernisation levy". Renovations can then lead to increasing inequalities and renovictions through these rent increases.

In Ireland, the possible increase in rents is limited in areas of high demand. However, the lack of enforcement of this measure is denounced, as well as the fact that it leads to a situation where landlords seek to house new tenants at higher rents by using renovations to evict existing tenants. Many renovictions have been reported<sup>9</sup>. In addition, the Irish example raises the question of the financialisation of the real estate stock, as vulture funds acquired real estate on a massive scale when prices collapsed in the country after the economic crisis of 2009. Research shows that the inaction of the Irish State to combat the rising unaffordability and housing insecurity at that time led to a period of escalating rents and evictions between 2013–2019.<sup>10</sup> In the absence of regulatory policies or rent caps, they are now taking advantage of a dominant position and reselling apartments at prices that are too high. This practice is strongly condemned by tenants' organizations<sup>11</sup>.

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<sup>8</sup> France Culture, *Les pieds sur terre, Logements pas très sociaux*, 2022 : <https://www.radiofrance.fr/franceculture/podcasts/les-pieds-sur-terre/logements-pas-tres-sociaux-1233167>

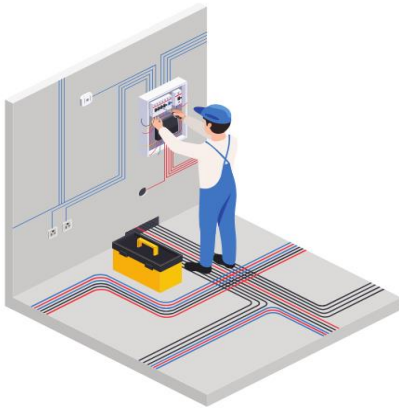
<sup>9</sup> The Irish Times, *Surge in 'renovictions' reported in rent pressure zones*, 2018: <https://www.irishtimes.com/news/social-affairs/surge-in-renovictions-reported-in-rent-pressure-zones-1.3354974>

<sup>10</sup> Valesca Lima, Rory Hearne, Mary P. Murphyc, *Housing financialisation and the creation of homelessness in Ireland*, Housing Studies, 2020: <https://www.tandfonline.com/doi/full/10.1080/02673037.2022.2042493>

<sup>11</sup> Catu Ireland, *Stop the Vulture Eviction!*, 2022: <https://catuireland.org/stop-the-vulture-eviction/>



### *Renovictions in Southern Europe: a lack of data, but elements pointing to a social risk*



In Spain, the government put in place a National Strategy to alleviate Energy Poverty,<sup>12</sup> with a social bonus protecting vulnerable consumers. Other social policies address energy poverty such as low-cost refurbishments available to vulnerable households, public intervention to increase the number of social housing renovations and specific provisions for vulnerable households in the form of grant allocations for building renovations.<sup>13</sup> However, for

ECODES, these household renovation subsidies do not reach people experiencing energy poverty, who are mostly low-income households.

In Greece, research by Meric Ozgunes (Major Development Agency of Thessaloniki) and Nikos Vrantzis (Uppsala University, Institute for Housing and Urban Research) highlight that there is an absence of data collected to reveal the full picture of the impact of retrofitting and renovation on the prices of dwellings after renovation. However, with data a) based on research done at European level and b) expected return for the Greek case based on national level research and c) local case studies, the researchers show direct causal link between energy savings investments and increases of property prices. In their study, they cite the findings from the Hellenic property Federations' research,<sup>14</sup> which state that the expected increase in sale prices of properties after retrofitting ranges from at least 2% to 7%. They mention a case study conducted in the Municipality of Thessaloniki on specific cases of retrofitted units, which revealed that these energy efficiency renovations could contribute to an increase of price from 3% up until 20%.<sup>15</sup> Indeed,

<sup>12</sup> Interreg Europe, *National Strategy against Energy Poverty 2019-2024 in Spain (ENPE)*, 2021: <https://www.interregeurope.eu/good-practices/national-strategy-against-energy-poverty-2019-2024-in-spain-enpe>

<sup>13</sup> *Ibid* 2.

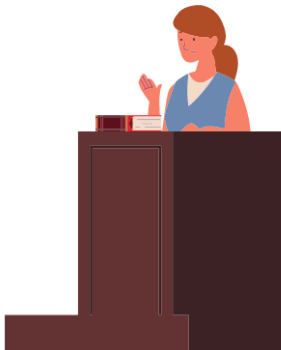
<sup>14</sup> Greek Ministry of Energy and Environment, *Long-term strategy report on the mobilisation of investment for the renovation of commercial and residential private, public and national stock*, 2014.

<sup>15</sup> P. Sabbidou, Aristotle University Urban Planning Department, *The Role of Energy Upgrading in Property Values*:

researchers state that renovictions in Greece are “hidden”<sup>16</sup> because renovations are more likely to be implemented at the scale of individual housing units rather than by large landowners rolling out large renovation projects. Landlords who want and have the financial capability to improve their property renovate it after the rental contracts expire before re-renting it at a higher price. Thus, although there is no clear eviction process, prices increase after renovations. In addition, more renovations are carried out in owner-occupied dwellings than in rental dwellings, as Greek landlords invest less in rental dwellings to improve their energy efficiency than in owner-occupied dwellings, since landowners in Greece invest more on self-occupied homes.

## Combatting renovictions in Europe, towards policy recommendations

### *What has been done to combat renovictions*



Policies and civil engagement against renovictions have developed in some countries, among which Canada and Sweden, that may inspire action.

In Canada, legislative mechanisms have already been put in place to combat renovictions, with relative effectiveness. In the province of British Columbia since February 2019, landlords can be fined up to CAD 1,000 per day if they evict tenants without notice or do not give them the right to move back into their apartment at the same rent after renovation. In Nova Scotia, the government introduced a 2% cap on rent increases and a ban on renovations during the pandemic, which has now been extended and replaced by a new legislation, supposed to give more power to tenants. In Montreal, the renovation permit is conditional on tenants not being evicted.<sup>17</sup> In Sweden, tenants have opposed the renovation plans of the Swedish housing companies in different ways: by delaying the processes, with disengagement policy and by demanding accountability.

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*Applying the Hedonic Price Method in the 1st District of the Municipality of Thessaloniki, 2021.*

<sup>16</sup> FEANTSA's interview with Fereniki Vatavali, Hellenic Open University.

<sup>17</sup> *Ibid* 5.



### *Policy recommendations at national level*

For Åse Richard and Dominika V. Polanska, the main solutions to stop renovictions are to organise, create allies, and politicise the issue to facilitate understanding in research, civil society and politics. They recommend regulating profit-making by implementing rent caps, expanding State subsidies, improving law and legal practice with strengthened tenants' rights, promoting progressive housing policies informed by research and focusing on good practices.

For Claudia Chender, it is important to guarantee law enforcement, namely ensure that cases effectively go to a hearing when needed and that there is no unequal balance of power between the tenant and the landlord. Legislation should prohibit landlords to pressure the tenant to leave by telling them so or by deteriorating their housing conditions (heat source cut off, flooding, etc.).

Another solution is the possibility to renovate homes without displacing inhabitants. The group "ReCover" (based on a Dutch program called *Energiesprong*) has pioneered a way to carry out environmental retrofits without displacement, with engineered panels placed outside of the home. This alternative provides several advantages over conventional approaches to building energy retrofits: it is more affordable, retrofits can be done more quickly, employing panels results in greater energy savings and carbon storage potential and the process is less disruptive to occupants, who can remain in their home throughout the renovation work.

For Claudia Chender, there is also a need to increase non-market housing (cooperatives, public housing, non-profit housing, etc.) and to significantly improve building codes which could help new construction avoid the need for renovations. Public-private partnerships in housing will have to meet the challenge of increasing housing pressure, soaring energy prices, and the climate crisis. Public subsidies could also be tied to the security of tenure (if the tenants must leave, the landlord does not receive a refund).



### *Policy recommendations at the EU level*

For María José Aldanas, Project Officer at FEANTSA, existing legal tools could help combat renovictions at the supranational and European level.<sup>18</sup>

Taking the case to the UN Committee on Economic, Social and Cultural Rights (UN ESCR), launching a collective complaint against an EU Member State to the European Committee of Social Rights of the Council of Europe (ECSR) for violation of Article 31 of the European Social Charter, which recognises the right to housing and prevention of homelessness are some of the possible solutions. At the EU level, one can use the Charter of Fundamental Rights of the European Union, and especially Article 7.

Regarding the more structural changes, she proposes that national policies integrate the binding obligations related to housing from international jurisprudence. This would create a legal obligation for courts to inform housing and social care agencies, ensuring the respect of the right to legal aid, advocacy, and representation in cases of evictions. These processes would, on a larger scale, better integrate housing consumers into national and EU consumer protection policies by promoting and disseminating information on eviction related to housing rights and putting into place enforcement procedures.

FEANTSA<sup>19</sup> believes that the EU should use the renovation wave to renovate energy inefficient homes as a priority and combine the renovations with strong social safeguards to ensure that rents do not increase. Ambitious public financing should be unlocked and secured to renovate the worst performing buildings and the homes of those living in energy poverty. The regulatory framework (the different European directives such as the EPBD, EED, etc.) should be sufficiently protective and adapted to the needs of those on low incomes and those facing housing exclusion. A 'European fund for cold homes' could

<sup>18</sup> Report from FEANTSA online event, *Existing tools to prevent renovictions*, 2022:

<https://www.feantsa.org/en/event/2022/05/24/webinar-existing-tools-to-prevent-renovictions>

<sup>19</sup> *Ibid* 5.

facilitate this type of public financing and could be financed by European structural funds or by a contribution from the large construction companies benefiting from Renovation Wave contracts.

With new and bigger funding, the Social Climate Fund could be a part of the solution to tackle energy poverty and promote socially just unfit housing renovations, as explained by FEANTSA and the Jacques Delors Institute in a recently published op-ed.<sup>20</sup>

To fight renovictions, governments should also prevent gentrification (which is the displacement of disadvantaged communities because of renovations), FEATSA argues.<sup>21</sup> To do so, the EU should continue its efforts so that Member States monitor the impact of building renovations on rents, with the introduction of prevention measures such as rent caps and/or a ban on renovation that would be properly implemented.

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<sup>20</sup> Camille Defard, Alice Bergoënd, Jacques Delors Institute, FEANTSA, *Making the Social Climate Fund a lever in the fight against energy poverty*, 2022: <https://institutdelors.eu/en/publications/make-the-social-climate-fund-a-game-changer-for-the-energy-transition-with-alternative-funding/>

<sup>21</sup> *Ibid* 5.

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