



45th congress of ASÍ ASÍ priorities 2022 – 2024

Housing

ASÍ priorities

- Everybody shall enjoy housing security. This entails being capable of paying one's housing costs, living in a healthy home and not having to move unless one chooses to do so. Everyone should also have access to housing at a cost not exceeding a quarter of one's income.
- Public housing support should first and foremost be of aid to those with the lowest incomes, first purchasers and those suffering excessive housing costs. ASÍ emphasizes the need for a review of public support systems to ensure efficient use of public money.
- ASÍ prioritizes the continuing expansion of low-profit housing. This would strengthen the rental market and counterbalance its uncertainty and volatility.
- The construction sector needs to become healthier via greater certainty and stability in construction, e.g. via a housing policy. The vocational training of the requisite professions needs to be well framed and innovation, efficiency and professional working methods ensured in the sector. That way, we get certainty that houses are professionally built, and are of reliable quality.

ASÍ tasks

- The proposals of the working group on actions and improvements in the housing market must be put into action.
- A policy should be formulated on reviewing housing support, to make it useful to those who most need it. This includes the tax-free allocation of private pension savings into loans, the review and updating of interest relief and reference amounts, as well as the expansion of partial capital loans, a form of loans that involves few flats and needs updated guidelines on size and cost.
- The continuing expansion of low-profit housing.
 - Increased capital contributions annually and ensuring sufficient financing in the government's budget, until equilibrium is attained, and the needs of the rental market have been met.
 - Raised income limits in the system, to increase housing security and social mixing.
 - Equal and varied supply of plots provided by municipalities for housing associations, close to good public transport.
- Encourage low-profit renting companies, such as Blær.
- Formulating the federation's priorities in reducing volatility in the tax on property that arise from automatic increases linked to real estate valuations.
- The review of housing law, cf. unkept promise from the government's statement at the signing of collective agreements in 2019, and the government's programme. The review should keep the following in mind: A rent brake; a framework on for-profit renting companies; protecting tenants against unfair conditions by landlords; improving the legal status of those renting a flat from their employer. Separation of job- and rental contracts should further be guarded. Real recourse for those suffering breaches of rental contracts or housing law should be

ensured. Tenants' rights against rising rent need expanding, with the rise being communicated at a fair notice and for the contracts' notice and renewal periods to be set down at a fair level.

- That ASÍ encourage a strong tenants' association with assistance and by pressure on the government.
- That ASÍ define a vision on short-term rent of residential housing to tourists, so that the practice doesn't lead to imbalances in the Icelandic rental market.
- ASÍ should push for the construction of service housing aimed at elderly tenants at a reasonable price.
- There are varying service needs for the elderly, which must be taken into account.
- Credit ratings must be reviewed, in such a way as to e.g. consider people who can pay rent at the given level, and get that amount assessed.
- The pension funds must receive a clear permission to invest in and build up rental housing directly.
- The framework of capital loans must be expanded, to become a more realistic option for young people getting into the housing market.
- Housing co-ops should be better supported and their legal framework re-evaluated.
- ASÍ should intervene to have the tax-free allocation of private pension for mortgage payments to be maintained, with the proviso that this shouldn't be at the cost of other forms of housing support.
- The government must be kept to its promises on housing projects, made alongside collective agreements.
- ASÍ wants the Allir vinna project to be kept in place with 100% refunds of VAT for residential home improvements.

Report

The Icelandic housing market is in a hard place. Home prices have risen far in excess of wages since the start of 2021. Low interest rates and more savings made it easy to buy bigger homes or to buy one's first property. There was a lot of movement in the real estate market from the start of 2021, where homes were sold as rapidly as in the years before the financial crisis. Despite rising interest rates since the start of 2022, housing prices continue rising. This makes life most difficult for the least wealthy, and it is now hard for people to buy their first property without assistance.

In recent years, there has been plenty of residential housing construction. Since 2017, flats have increased by 3,200 each year on average. Projections for future construction assume similar numbers. This is a lot in the historical context. The reason is significant accumulated demand, on the one hand due to little construction in 2009-2014, and on the other due to great demand for housing led by tourism. The increased demand leads to questions about whether the housing supply will be sufficient in the short term. In the longer term, it is important to dampen the swings in construction, greatly increase professional training and create a more reliable environment in the sector.

In the last decade, public housing support shifted from the interest relief system into other systems. They are for instance capital contributions, partial capital loans and tax discounts on the use of private pensions to pay down a mortgage. Capital contributions and partial capital loans are government loans which are repaid, so they are fundamentally different from the interest relief, which is a transfer system. The tax-free use of a private pension is a concession inasmuch as income tax, which would have been collected on the payment, isn't. Experience

shows that such rebates go mostly to the highest earners and to people over 40. Interest relief goes mostly to lower earners and younger homeowners.

The housing group of the national economic council produced a report in the spring of 2022 with proposals for improvements to the housing market. The report sets guidelines on housing costs not exceeding a quarter of people's income, and calls it onerous for these costs to exceed 40%. Their proposals state that the construction of a considerable number of flats should be ensured in coming years, and that the social housing system for tenants should be strengthened. In addition, they propose that housing support be completely reviewed with the aim of ensuring manageable housing costs, with support going mostly to those who need it, to first purchasers and to those who suffer onerous housing costs. Further, that the burden of first purchasers' and tenants' payments be monitored. The group also proposed that the law on rent be reviewed to increase the housing security of tenants. ASÍ participated in the writing of the report and its proposals. The proposals need tailwind until they are being executed.