



## The Situation of Social Housing in Switzerland

Marie Glaser

ETH Wohnforum – ETH CASE Centre for Research on Architecture, Society & the Built Environment

ETH Departement Architektur, HIT H13,

Wolfgang-Pauli-Str. 27, CH- 8093 Zürich, Switzerland

[glaser@arch.ethz.ch](mailto:glaser@arch.ethz.ch)

**Abstract:** *Without a national or cantonal policy for the provision of affordable, so-called social housing, Switzerland's way is unique in Europe. Finding appropriate housing is left to the people themselves. The challenge of building sustainable communities in urban centres in Switzerland has to address the tight housing market due to economic growth, immigration, and the renewed attractiveness of urban living. In the absence of a national low-cost housing policy, every growing city thus has to design its own strategies and implement local policies and programmes in order to counteract such developments. The role of housing cooperatives is important now and in the future. The paper gives an overview of the Swiss situation after the Global Financial Crisis (GFC) and discusses the successful strategies of the provision and protection of affordable housing in the major city of Zurich.*

**Keywords:** comparative housing policy; social housing; housing and urban sustainability; not-for-profit housing cooperatives.



The Swiss population has sufficient access to good-quality housing. Basic infrastructure is a matter of course. Nevertheless, Swiss housing policy today faces a number of challenges. These include high living costs, levels of access to the housing market for specific groups of the population, a lack of social interaction, and the quality of people's residential vicinity.

Switzerland does not have a national or cantonal policy for the provision of affordable, so-called social housing, as exists in many other European countries. Finding appropriate housing is thus left to the people themselves and depends on local programmes and options in cities and communes where the housing market is tight.

Housing provision in Switzerland is marketbased. Switzerland's inhabitants have sufficient access to good-quality housing. Population growth, low interest rates, the shrinking size of households and a generally positive economic climate mean that demand for housing has risen sharply in recent years. Supply has responded to this increase in demand. Between 2002 and 2013, the number of new housing units built each year rose from nearly 29,000 to around 50,000 (Hugentobler 2016).

## The unique Swiss position

'Switzerland is a country of tenants' – as the saying goes. The Swiss housing market is largely rental in nature. It has the lowest rate of home ownership in Europe (Gysi 2015). This is due to high land prices and construction costs, and the absence of publicly-supported saving schemes for future home owners. The rate of owneroccupancy has climbed continuously in recent decades and now stands at 38%, with less than this in cities. This is notably due to record low mortgage rates which, in turn, have led to a sharp increase in condominium ownership.

Most rental housing is owned by private individuals or institutional investors (pension funds, insurance companies). In particular, non-profit investors, e.g. municipalities, housing cooperatives or foundations have a significant share of the market in urban areas, where they are a stabilising factor on account of their affordable portfolios. The share of non-profit housing cooperatives amounts to only 5.1 per cent in Switzerland. It is, however, much higher in cities, particularly in Zurich and Biel, where this type of housing stock makes up almost one fifth of all rental housing (Swiss Statistics 2004).

In contrast to other countries, particularly in Southern Europe, the last housing crisis in Switzerland dates back to the early 1990s, when a speculative housing investment bubble burst (Pfiffner 2011). Demand for housing was high before and after the 2008 subprime crisis, which barely affected the Swiss housing market, but did affect some of the large banks. Ongoing high demand is reflected in persistently low vacancy rates, especially in urban regions. A functioning housing market presupposes a vacancy rate of not less than 1 per cent. In the urban cantons of Zurich, Basel, Geneva and Zug, it was below 0.5 per cent in 2015 (Swiss Federal Housing Office 2015a). In major cities, it was much lower still, with only 0.11 per cent in Zurich and 0.4 per cent in Geneva and Berne (Swiss Estates 2016). Housing prices in Switzerland vary greatly, not only between cities and surrounding suburban communities, but also among cities. A comparison of monthly rental costs for apartments advertised showed that in Zurich costs for an equivalent apartment were twice as high as in the more remote city of La Chaux-de-Fonds.



Housing prices are highest in Zurich and Geneva. In 2015, rental costs in Zurich and Geneva were 30 and 33 Swiss Francs per m<sup>2</sup>/month respectively (comparis.ch 2015). These figures do not include additional costs for heating, water, electricity and maintenance. On average, they make up 12 per cent of the rent and are added to the monthly payments. The high price of new housing is also due to increased floor space consumption per capita as a result of changing household compositions affluence and changes in lifestyles. In 2013, the per capita floor space consumption was 41 m<sup>2</sup> in Zurich, compared to 45 m<sup>2</sup> nationwide (Stadt Zürich 2013).

Swiss housing policy aims to provide for a suitable regulatory framework to ensure that the housing market functions efficiently, thereby enabling investments in housing construction while protecting against unfair rental practices. In view of this, the Federal Constitution includes an article in relation to the rental housing market which obliges the Confederation to legislate against unfair rents. Furthermore, it is a constitutional duty of the Confederation to promote housing construction for the economically and socially underprivileged. Implementation of this task is based primarily on the Federal Housing Act adopted in 2003, which places special emphasis on cooperation with non-profit housebuilders (Swiss Federal Housing Office 2016). However, housing policy and, in particular, the promotion of housing construction are tasks shared at all three levels of the state. The rather unique Swiss federalist democratic decision-making system influences policies toward sustainable urban development at the national, cantonal and local level. The particular focus is on local policies as they relate to the provision of sustainable housing in a more encompassing context of sustainable urban neighbourhood and city development.

## **The role of cantons and communes**

As shown above, the market situation and the challenges vary from region to region, which is why not all Swiss cantons pursue housing policy with the same intensity. Cantons like Zurich and Geneva have a long tradition of promoting housing construction, while others have only recently been implementing their own programmes or still have no involvement at all. Cities and communes have even greater market proximity. Not only do they know the needs of their inhabitants and the characteristics of the local housing market, but they also have long-standing relationships with many of the landowners. In the large urban centres, but in smaller localities too, sharply rising land and housing prices can lead to a form of homogenisation or 'ghettoisation' in favour of a particular demographic group, and jeopardise community life in the long term. Cities and communes affected by this phenomenon are taking action to ensure that low to medium-income families and individuals also have access to an adequate level of housing. Their strategies include filling gaps in the housing market, either directly or indirectly through the sale of land to suitable housebuilders at favourable prices, allocating grants to economically-weak households in order to cover the cost of rental payments, as well as using construction and planning legislation to stipulate what types of new housing are allowed in specific zones and how much these new builds should cost. Since 2013, the Confederation, cantons and cities have been coordinating measures in order to prevent them from producing duplicates. Housing needs to be an important cross-cutting topic on the agenda at all three levels of the state.

A functioning market offers choice for people trying to find homes and helps to ensure that



most housing needs are met. However, experience shows that average demand is what drives the market. This is to the detriment of specific housing requirements, including those of the elderly, the disabled, and individuals or households on low incomes. When housing markets are tight, as is currently the case in cities and their surrounding areas, economically-weak households risk being priced out of the market. In cities, affordable housing is becoming increasingly scarce due to existing buildings being extensively renovated to current quality standards, converted into condominium ownerships or replaced by new buildings. What is more, subsidised housing stock is falling as earlier cantonal funding schemes come to an end in the coming years.

## **The housing situation in Zurich and the role of not-for-profit housing cooperatives**

According to a scenario by Swiss Statistics (2010), metropolitan areas such as Zurich and Geneva are expected to show a continuing above-average growth rate. In order to prevent gentrification processes and segregation, these urban housing markets face the challenge of not only providing expensive housing for upper middle class and high-income groups.

Disadvantaged groups on the housing market typically include lower-income immigrant groups, students, some elderly people with small pensions, the physically disabled and other persons with psychological and physical health or social problems as well as families and single-parent households with below-poverty-line incomes (Bochsler, Y. et al. 2015).

Many of these households are situated in old urban housing stock that might be cheap, particularly if the inhabitants have lived there for a long time. Tenant protection legislation stipulates that rents cannot be arbitrarily increased, unless major renovations (bathrooms, kitchens, window replacement, facade insulation etc.) have taken place. Some commercial private owners, focused on short-term revenue, show little interest in investing in improving their multi-family housing units. Rents then remain cheap and profits are high, especially as mortgage interest rates have been very low in recent years. If necessary, renovations are implemented and rents, in turn, are raised, making renovated apartments unaffordable for some households. Frequently, tenants have to move out if a building is to be substantially renovated, and finding a replacement apartment at a similar price is often impossible. Very tight housing markets entail the risk of some owners taking advantage of tenants who have no choice.

In housing markets with an extremely low vacancy rate such as in Zurich and Geneva, access to housing has also become a challenge for moderate and middle-income households, particularly for young families. According to Eurostat 2012 figures, the housing cost overburden rate (households with more than 40 per cent of disposable household income devoted to housing) seems to be low in Switzerland. The perceived burden also depends on the level of household income, however. In 2000, Swiss households with an income below 3,680 €/month paid on average 33 per cent of their income in rent. The Swiss Federal Housing Office suggests that housing costs exceeding 25 per cent of income negatively affects meeting other basic needs. The affected middle-income households, e.g. families, move out the city to the growing agglomeration communes where they can still find housing within their budget. In



most cases, they then face the problem of non-existent or poorly-developed childcare facilities and having to commute long distances.

Nevertheless, Zurich being a socially-mixed city in which people with lower incomes and from other national backgrounds live means that, from a historical perspective, it has a high percentage of affordable housing. Whilst the proportion of cooperative housing in Switzerland in 2014 totalled only 4 per cent (compared to 5.1 per cent in 2000) (Wohnbaugenossenschaften Schweiz 2014), the over 150 smaller and larger housing cooperatives in Zurich continue to oversee around 20 per cent of the city's over 210,000 apartments. The regular clientele of these housing cooperatives consists of low to middle-income families, couples and single persons of mainly Swiss nationality. In recent years, a growing number of members with different cultural roots have gained access to cooperative housing thanks to more inclusive access policies. Zurich has a vivid professional cooperative housing scene with its roots in the social movements of the 1980s (Glaser and Hilti 2016). A further 5 per cent of the social housing stock belongs to the municipal authorities as well as three municipal-controlled and other foundations. However, affordable cooperative housing cannot be equated with social or subsidised housing elsewhere due to the fact that residential building is in principle not financially supported by the state, the canton or the city. The basis of the rental price structure in cooperative housing is the cost rent. Because additional returns do not have to be generated, the factors in these cost calculations consist simply of the rate of interest on borrowed capital, the quantification of the day-to-day maintenance and administration outlays, and the accrual of reserves needed for major renovations. On the whole, the average rents charged by private and institutional housing investors are around a third higher than those levied by housing cooperatives and the municipal authorities (Schweizerischer Verband für Wohnungswesen 2007).

In addition, a share of apartments is eligible for municipal and cantonal grants in order to further reduce – or in other words, subsidise – the rental rates for households on incomes lower than a set upper threshold. In terms of size, fittings and fixtures, and circumstances, these apartments are no different to others in the same housing development. It is up to the property developer to decide what the percentage of subsidised apartments in a new project should be. This produces an intermixture of different income groups in the housing developments, and the subsidised apartments are dispersed in their midst. The guiding principle, therefore, is one of property relief instead of individual assistance (for instance, by focusing on rental allowances). Having said this, the number of subsidised apartments in the city is modest: currently the rents on only 3.4 per cent of all apartments in Zurich are reduced by this form of grant (Kälin 2013).

## **Additional financial and social assistance provisions**

A number of state and non-state housing assistance programmes exist providing for disadvantaged groups, above all in the larger cities of Zurich, Berne, Basel, Lausanne, Biel and regions such as Lake Geneva with overstretched housing markets. The aim of these programmes is, by means of various non-monetary or mixed non-financial and financial assistance measures, to arrange and/or lastingly secure appropriate living space for socially or economically disadvantaged persons. These include assistance in looking for an apartment or achieving residential integration, preventative steps to retain accommodation by forestalling notices to quit or compulsory evictions, as well as offers of sheltered and supervised housing. The demand



for advice and assistance in acquiring and securing accommodation has exceeded the available provisions for many years now, making what is on offer little more than a proverbial drop in the ocean. This ever-growing need is a problem that has also been increasingly recognised by city and local authorities (Althaus, Glaser & Schmidt 2016, Althaus, Glaser & Schmidt 2016a).

The Domicil foundation is a relevant player in the Zurich housing market in terms of finding, securing and integrating accommodation for households on small incomes who otherwise have little prospect of finding appropriate housing with their own resources. Domicil supports families and single parents, the unemployed, people from other cultural backgrounds, the recently-growing groups of working poor cut off from income support (Domicil 2016), people in debt, and people receiving social or invalidity benefits. The organisation provides assistance in searching for and finding accommodation, and underwrites either a joint liability in their clients' tenancy agreements or directly assumes responsibility for the contracts vis-à-vis the leaser (Domicil 2014). The foundation finances its activities through public sector contributions, membership fees and donations (Domicil 2013). The particularly promising element in this model is the coupling of financial guarantees to property owners with non-financial provisions of professional housing integration and assistance, meaning that Domicil is also in a position, when needed, to facilitate the living and communication skills of the tenants they liaise for. Partner sought by Domicil are, on the one hand, a local housing cooperative, which easily provides a third of the apartments they arrange, but, on the other hand, also private owners or institutional property managements. The success of the services that an organisation such as Domicil is able to offer is based on the constant expansion and intensive nurturing of a network of local housing providers, the public sector and other participants in local social and health systems. Other partners that are becoming increasingly important for Domicil are both larger, professionally- managed housing cooperatives, as well as younger, newly-founded ones cultivating open and tolerant values, as mirrored in modes of living integration. In return, Domicil successfully offers professional support in proactively resolving conflicts in overly socially and culturally- heterogeneous housing developments.

## Conclusion

Structural data on the housing situation and recent market trends show that the average quantity and quality of housing in Switzerland is adequate and that the market is largely capable of ensuring supply at a high level. The key challenge for Swiss housing policy is about ensuring, and continuing to ensure, that all groups of the population have access to the housing market and that there is enough housing available. Besides low-income households, special attention needs to be devoted to individuals and groups who are often discriminated against in the allocation of housing on account of their skin colour, nationality or religion.

Governmental intervention in the field of housing in Switzerland is required, taking the following phenomena into account (Swiss Federal Office for Housing 2006; Sfar 2014):

High housing costs particularly affect low-income households, which must either forgo living in homes adequate for their needs, accepting cramped conditions and/or low-quality homes in substandard locations instead, or else spend so much on adequate housing that the satisfaction of the remainder of their basic needs is jeopardised. On the other hand, better-off households



and individuals can afford to live in exceedingly spacious and high-quality homes in excellent locations. As Swiss society is committed to social balance, it must make sure that such differences do not spin out of control, jeopardising 'peaceful cohabitation'. Current streaming of new buildings to wealthy clients seeking properties for their own use indicates that such differences are likely to increase. Currently, medium-sized Swiss communes tend to cut their social budgets and opt against supporting disadvantaged households in housing. To keep the social balance, investments must be made in favour of less-privileged households to help reverse this trend.

Moreover, the largely uninhibited construction of detached houses accelerates urban sprawl. New builds are primarily targeted at a wealthy clientele and at mainstream lifestyles. There is a serious lack of housing for groups wishing to live 'differently' (i.e. community-oriented, car-free, receiving a range of services, etc.).

People and groups tend to have severely-restricted access to the housing market due to personal features such as skin colour, nationality, or religion. All too frequently, they are passed over and forced to accept overly-expensive housing in substandard locations. Restricted market access also affects households with an adequate income but lacking the required capital to become homeowners.

While obsolete fixtures and fittings have become quite rare, the immediate or more distant vicinity is often unattractive, either lacking in services and facilities for everyday needs, or affected by traffic noise or smells.

The lack of social neighbourhood networks can lead to isolation and affect an individual's participation in social life. In view of increasing numbers of single-person households and an ageing society, this aspect requires particular attention.

The challenge of building sustainable communities in urban centres in Switzerland thus has to address the tight housing market due to economic growth, immigration, and the renewed attractiveness of urban living. In the absence of a national low-cost housing policy, every expanding city thus has to design its own strategies and implement local policies and programmes in order to counteract such developments.



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