

## **Young people in the Basque Country need to earmark 63.8% of their salary to rent an apartment alone and 53.4% to pay the mortgage on a property on the open market**

### **Subsidized housing offers affordable costs, especially as regards rent, but is beyond the reach of young people under 25 years of age**

*The Basque Youth Observatory has published its third report on the cost of residential independence in the Basque Country. Taking into account data, such as the average salary of young people, the costs of registering the house's title deeds and the duration and interest of mortgage loans, or average rental prices, the study calculates housing access costs for young employed people in the Basque country who want to become independent alone. In 2015 the cost of home ownership decreased, but increased in the case of private market rentals. Subsidized housing, despite registering a slight rise, is presented as the most affordable option for young people.*

Housing access costs show us how much it costs, in terms of percentages of the average salary for young people between **18 to 34 years** to embark on either a residential independence project alone, albeit purchasing or renting property.

The report includes **12 indicators** of the housing access costs for the private and the subsidized housing market, while analyzing the differences between genders and age groups, offering comparisons between the Basque Provinces and with the whole of Spain. The study period covers 2007 to 2015 and data regarding the evolution of housing access costs is presented year by year.

The study concludes that non-subsidized housing in the Basque Country is not within the reach of young people and **only subsidized housing is a viable option** for a young person who wants to become independent alone, without having to exceed the limit of 30% of their net monthly salary, which is considered a reasonable debt ceiling for housing costs.

#### **Non-subsidized home ownership costs**

With the average monthly salary of a person aged 18 to 34 working in the Basque Country and taking into account the purchase price of registered private housing in 2015, interest rates and the average duration of mortgage loans, it is estimated that for payment of the first monthly mortgage instalment, **53.4% of net salary should be earmarked, i.e., more than half their salary.**

Private market housing access costs in 2015 **were at their lowest since 2007.** This decrease of almost 50% was mainly due to the decline experienced in the purchase price of housing in the Basque Country and the interest rates of mortgage loans and not to any improvement in the average wages for young people, which fell 0.4% from 2014 to 2015.

Housing access costs in the Basque Country are higher than in the whole of Spain (45.5%), but in both places the limit of 30% considered the most recommendable is exceeded and runs to even 40% of the average monthly salary, situating those who earmark this percentage of their salary for housing costs in a position of economic overburden.

There are large differences regarding age, gender and province. For a young person aged 18 to 24 the housing costs would be 77.2% of their net salary, for a person between 25 to 29 years, 57.0% for those between 30 and 34, 47.5 %.

Moreover, the earnings gap between men and women results in a differential in private market housing access costs of almost ten percentage points: for men between 18 and 34, it is 48.7%, but for women of the same age housing access costs would stand at 57.7% of their salary.

Gipuzkoa, with 58.0%, has the highest housing access cost, followed by Bizkaia with 52.2% and finally, Álava where the cost is 45.4%.

If we calculate the price that a young working person can earmark for their mortgage at no more than 30% of their salary, the amount is € 110,086, leaving them at €85,968 short of the average market price. In other words the average salary of a young person would have to increase by 78.1% to pay a mortgage for a home on the private market which would only require 30% of their salary.

Given the average price of homes registered in 2015 and the average salaries of young people in 2014 another indicator is obtained: the maximum tolerable dwelling space, which is 50.1 m<sup>2</sup> in the Basque Country. I.e., a young wage-earner could only buy a flat of this size. The average size of homes registered in 2015 was 91.3 m<sup>2</sup>, so the difference between what can be bought and the market reality is 41.2 m<sup>2</sup>.

### ***Non-subsidized rental housing costs***

For the second consecutive year housing rental costs are higher than home purchase costs on the private market. Given the average rental prices and the average salary of young people aged 18 to 34; a young person would spend 63.8% of their monthly salary on paying rent if they are to become independent alone. Contrary to what is happening with home ownership, in the last year, rental housing access costs have risen due to the increase in rents in the private market.

The group faced with **the greatest difficulties** when accessing private rental are young people from **18 to 24, who would need to earmark 92.3%** of their salary to rent a dwelling. Followed by women who would have to spend 69% compared to the 58.2% needed by a young man to enter the private market rental on his own.

Gipuzkoa is, again, the most expensive region, with housing costs at 67.5% of the average salary, followed by Bizkaia (64.0%) and Álava (54.1%).

Given that the maximum recommended debt is 30% of a person's salary, a young salary earner would need to earn more than twice what they earn each month to pay housing rental alone, their salary would in fact need to increase by 112.8%.

The maximum tolerable rental, setting a maximum advisable housing cost burden limit at 30% of their salary is 410 €, and the difference between this maximum tolerable rental and the market price is 462 €.

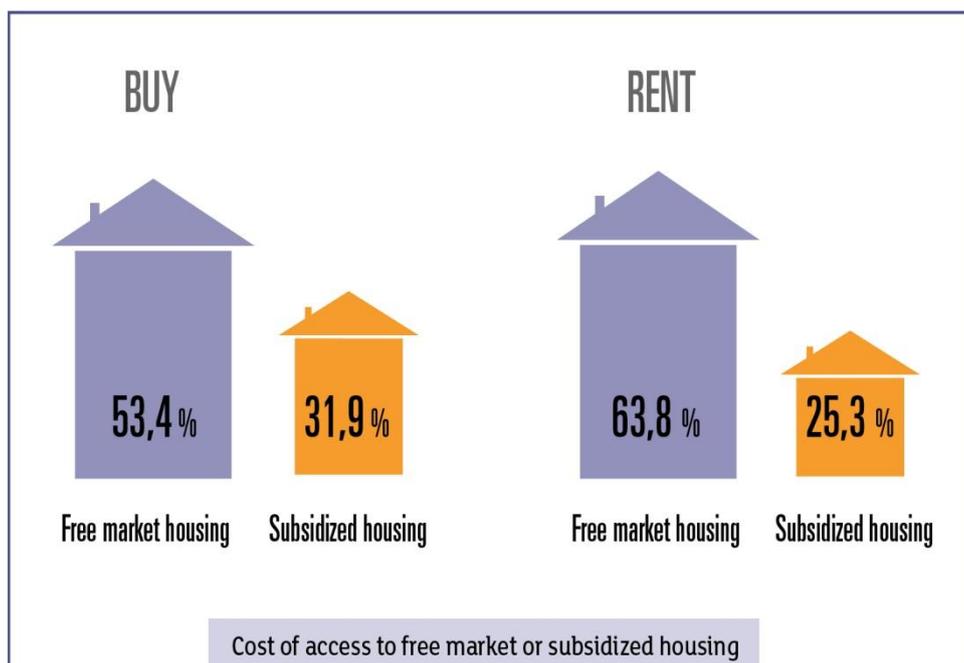
Throughout Spain rental prices are lower but the housing access cost is also very high, 53.6%.

### ***Subsidized housing***

The payment of the first mortgage instalment in the case of **subsidized housing ownership** commits 31.9% of the net salary of a young person aged 18 to 34 years in the Basque Country, which puts us close to the maximum recommended limit of indebtedness. 2015 is the first year that the Basque Country comes in above housing access costs for the purchase of subsidized housing with regards the country as a whole (29.2%)

Subsidized **rentals** are an affordable option for all young people in the Basque Country as housing costs stand at 25.3% of the average monthly salary for those aged 18 to 34 years. Housing access costs remain less than that of the country as a whole, which amount to 30.1%.

However, the 18 to 24 age-group, even though they are in employment cannot access subsidized rental housing in optimal housing-cost burden conditions, given that paying rent for such housing alone would take 36.5% of their salary and paying a mortgage even more, at 46.2%.



The Basque Youth Observatory has coordinated the research, which has been prepared by Joffre López Oller, an expert on residential independence indicators. Calculating the indicators has required methodological work, combining **multiple databases** from the National Institute of Statistics, the General Association of Notaries, the Association of Property Registrars, Commercial and Private Property Register of Spain, the Bank of Spain, the Basque Housing Observatory, etc. A full report can be read on the website of the Basque Youth Observatory.