

TRACING THE PLACE OF HOME. THE SPECIFICITIES, POLICIES AND DILEMMAS OF LUXEMBOURG'S HOUSING SECTOR

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TRANSITION AND TRANSFORMATION

Terms such as “transition” or “transformation” have been proliferating in recent debates on climate change mitigation, sustainable development, and discussions of post-growth scenarios. Perhaps for want of a better term, they are used to grasp the notion of a need for a more fundamental change in how societies deal with pertinent issues such as resource depletion, environmental justice and social equity. Both terms indicate a directed process from “here” to “there”, or in other words, from a currently problematic situation to something fundamentally different and considerably better (e.g. sustainable). While this process character is also inherent to the concept of sustainable development, both “transition” and “transformation” suggest that a particular time window might imminently be used for a decisive “leap forward”. Other than “evolution” or “development”, these terms are substantially more value laden and imply a more radical shift, encompassing pivotal changes in the economic and social spheres.

The term “transition”, in particular, has been widely used and reinterpreted in different contexts, ranging from well-defined scholarly concepts (e.g. transition studies), over normative/programmatic connotations (e.g. transition towns movement) to commonplace uses amongst policy makers, public media, and other constituencies (e.g. the UK's Low Carbon Transition Plan from 2009 or the German “Energiewende” (energy transition) policy). Given the increasingly varied fields of application, it seems useful to outline three distinctive interpretations of transition as follows.

Transition as a scientific concept: Transition Studies

An important strand of literature on transition in relation to sustainable development can be found in the Social Studies of Technologies (SST), also known as Transition Studies. Compared with the more traditional work on technological innovations of which one central question relates to identifying technologies that have the greatest potential for assisting (green) transitions, Transition Studies has widened the focus towards the interplay, or co-evolution, of societal and technological changes.



TRANSITION STUDIES HAS WIDENED THE FOCUS TOWARDS THE INTERPLAY, OR CO-EVOLUTION, OF SOCIETAL AND TECHNOLOGICAL CHANGES

This analytical approach starts from the assumption that more fundamental technological changes can only occur if the societal context changes simultaneously, and partly triggers, partly reacts to the technological evolution. It focuses on relevant actor groups and framework conditions (political programmes, research policies, funding and tax systems, education, consumption practices, cultural meanings, etc.) and investigates how the respective transition (e.g. from fossil to renewable energies) could emerge and gain momentum.

Regarding spatial development issues, Transition Studies have increasingly resonated amongst scholars in human geography and spatial planning who are discussing the often neglected spatial dimension of socio-technical evolutions (Rohracher and Späth, 2014; Hansen and Coenen, 2015; Truffer et al., 2015).

Without advocating any spatial determinism, they deal with geographically distinct context conditions, and extend the definition of innovation from a mere technological understanding to other forms of progressive approaches (e.g. social and spatial organisation, decision making procedures and civic participation, see Affolderbach and Schulz, 2015).

Transition as a normative approach: Transition Management & Transition Towns

Following the logic of the SST approach, a more normatively oriented group of scholars working on strategic niche management (SNM) approaches share the core assumption “that sustainable innovation journeys can be facilitated by modulating of technological niches, i.e. protected spaces that allow nurturing and experimentation with the co-evolution of technology, user practices, and regulatory structures” (Schot and Geels 2008: 538). In this regard, the local or regional level plays a crucial role in the way its political, administrative, economic, and civil society actors co-determine the framework conditions for niche developments and regime changes. This transition management approach has gained traction outside academia and inspired important sector policies. For example, in the Netherlands several ministries have adopted TM as a new governance model for their environmental policies (Kemp and Loorbach 2003). Based on long-term policy goals (e.g. low carbon energy provision, sustainable water management), TM defines intermediate objectives through backcasting techniques. The latter is conceived as a participatory process including relevant stakeholders and civil society.

Backcasting, participation and ambitious goals are the most obvious parallels to the Transition Town approach, although it emerged from a less managerial and more community-driven context. Organised since 2006 under the banner of the Transition Towns Network, a growing number of cities around the world see “the end of growth” as inevitable (Bailey *et al.* 2010) and ambitiously try to mediate low-carbon transitions at the local level (Bulkeley *et al.* 2011). Today, the transition network comprises numerous towns and cities, but also neighbourhoods, single community projects, businesses, universities, or schools, fulfilling the minimum criteria defined by the association.¹ Their approach to sustainability transitions is more comprehensive than the aforementioned sector policies, and encompasses fundamental changes in lifestyles and social organisation, based on the notion of permaculture as the sustainable alternative to current business and consumption practices. It feeds into the third notion of transition.

Transition as a comprehensive societal project: the Great Transformation

Partly referring to Polanyi's seminal work, advocates of a Great (sustainability) Transformation plead for profound societal changes. These include the revision of predominant mechanisms of western political-economic regimes and the overcoming of the current growth paradigm. As propagated by the German Advisory Council for Global Change in its flagship report, a Great Transformation would encompass "profound changes to infrastructures, production processes, regulation systems and lifestyles, and extends to a new kind of interaction between politics, society, science and the economy" (WBGU 2011: 1).



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The council pleads for no less than "a new global social contract for a low-carbon and sustainable global economic system" (ibid.). This is of course a big commitment, situating policy and politics at a thin line between vision and hubris.

THE DELICATE CONTEXT OF LUXEMBOURG

Although applying the idea of a fundamental transition to the case of the Grand Duchy of Luxembourg and its capital, Luxembourg City may seem ambitious or perhaps even ironic, this approach reveals an extraordinary degree of economic and demographic growth in recent times.



LUXEMBOURG'S EXISTING GROWTH FRAMEWORK COULD EVEN BE SEEN AS A COUNTER-FACTUAL MODEL TO ANY IDEA OF POLICY-LED TRANSITION TOWARDS SUSTAINABILITY.

Luxembourg's existing growth framework could even be seen as a counter-factual model to any idea of policy-led transition towards sustainability. The level of wealth, growth dynamics and international network relations achieved

¹ see <http://www.transitionnetwork.org/support/becoming-official#criteria>

so far is almost unparalleled. The small affluent, rapidly developing member state of the European Union represents a rather peculiar example of globalisation and its spatial articulation, particularly concerning the usual conditions of smaller or emerging metropolitan areas (Hesse 2014). Its recent development trajectory is characterised by major changes in the socio-economic focus, which could also be considered to be subject of *transition or transformation*, though placing a rather narrow focus on economic development, growth and competitiveness only.

The tale of three Luxembourgs

When approaching the case of Luxembourg, it is useful and necessary to clarify the subject matter. Given the level of dense interaction practised on various spatial scales, we suggest that there are at least three different "Luxembourgs". The first one is of course the current aggregate of the 105 municipalities in the country, the national territory where development takes place. It covers a small area of about just 2,586 square kilometres, hosting about 576,000 inhabitants and more than 412,000 workplaces (as at January 2016), representing an increasingly diverse, international and multi-cultural population. More than 45 per cent of the population is of non-Luxembourg origin or nationality, this being even more than two thirds in the capital city even. Among these groups are rather distinct migratory milieus, such as Italian and Portuguese construction workers, bank and investment fund staff, corporate services employees, as well as numerous staff members of the European institutions.

Secondly, on the regional scale, Luxembourg is part of a major cross-border field of interaction, most notably its labour market, but increasingly also a housing market. Comprising the regions of Lorraine (France), Wallonia and the German-speaking community of Belgium (Belgium), Saarland, Rhineland-Palatinate (Germany), and the entire territory of the Grand Duchy, this labour market is estimated to consist of about 200,000 employees, of whom about 50 per cent are based in Lorraine, and three quarters work in Luxembourg. Each workday, about 160,000 employees cross borders and commute into Luxembourg, about half of them coming from France, and a quarter each from Belgium and Germany. A large majority of these commuters work in the capital city. Thirdly, Luxembourg, and Luxembourg City especially, has been embedded in global economic space, most notably the financial and corporate services industries. Thus this rather small place became specialised in a set of functions that are usually confined to major metropolitan areas, particularly gaining a high share of occupations in the financial and corporate services

sub-sectors. Luxembourg is far from being a global city, but judging from its degree of international connectivity, it ranks on the *Beta* level of the Globalization and World Cities Group (*GaWC*) – alongside capital cities such as Helsinki, Oslo, or Budapest, and also much bigger metropolitan centres such as Manchester (UK), Seattle or Minneapolis (USA).

The developments taking place on these three spatial scales are closely interwoven, so they not only provide a high degree of complexity, but also suggest different policy responses, depending on what scale is taken into account. This poses a certain dilemma for any urban-regional or spatial policy. However, numbers reveal that Luxembourg and its capital city exemplify a rather successful case of economic transition, specifically economic diversification from iron and steel industries via the attraction of European institutions. Luxembourg is now a global financial centre and a hot spot of the corporate services industries. The foundation for such transition was already laid in the heyday of the steel industry, when a national law was released in 1920 that allowed foreign holdings to settle in the country. The establishment of a European capital relatively shortly after World War II provided the next period of growth in the country, as did the later creation of a global banking and insurance hub. Both economic specialisations were associated with a high demand for building activities, so a significant amount of construction had to be provided, triggering another wave of labour-related migration into the country, most notably from Southern Europe.

Making the most of smallness

What may explain the success behind this? In the first instance, size matters.



NICHES OF SOVEREIGNTY HAVE CONTRIBUTED A GREAT DEAL TO THE ECONOMIC PERFORMANCE OF THE MICRO-LOCALE OF LUXEMBOURG; THE SAME APPLIES FOR THE TRANSPARENCY OF POLITICAL CONDITIONS.

Niches of sovereignty have contributed a great deal to the economic performance of the micro-locale of Luxembourg; the same applies for the transparency of political conditions. A sense of tradition and understatement on the one hand, a commitment to change and the determined and strategic integration into larger spatial contexts on the other, make such a case unusual but highly significant. In other words, as Adam Grydehoj has pointed out: it is the

case of “making the most of smallness”. Situated behind this economic niche are complex socio-cultural preconditions. Historically, the society has internationalised in a very brief period of time, and it is marked by very specific – yet clearly less internationalised – practices of political regulation. Tax rulings and other advantages are only some among many different means available in a favourable regulatory environment that has attracted thousands of firms to settle in Luxembourg. National stakeholders and institutions here play a key role, profiting from the specific localities of the small state, which appears to have been conducive to close interaction and cooperation between relevant players. Secondly, the potentials of the small state that lacks a sufficient home base in terms of territory could only be fully played out by attracting a broad range of flows to serve the country’s needs. This includes, most notably, the circulation of people, goods, money and services, perhaps ideas and policy recipes from abroad as well. Luxembourg’s current level of wealth and political importance can be attributed to such flows, a related openness and the ability of Luxembourg as a hub to bundle them for added value. Also, circulation is well situated in the specific interplay of spaces, flows and politics, which may explain the full development trajectory of Luxembourg. Openness for flows in the context of the required international orientation of the small state includes a variety of features and competences, not least language skills and the conduct of political manoeuvres of all kind.

Making sense of relationality and borrowed size

Compared with urban economic development elsewhere, the recent development trajectory of Luxembourg is characterised by two specific paths. On the one hand, this development occurred during a rather short period of time, beginning no earlier than the 1960s. On the other hand, this dynamic development is less based on a continuous, endogenous development path; rather, it can only be understood in the context of the persistent internationalisation of Luxembourg. Urban research has just started to deal with such phenomena, particularly the case of small states and their increasing role in global networks. Current attempts to further analyse and explain such patterns of development and policy use two different concepts, or metaphors: One approach understands these territories as “relational” (Sigler 2013), with regards to how certain places have achieved their significance from a specific positioning with respect to other urban locations. Neither local location factors nor their size are relevant here, but rather the specialisation of their function in the web of larger spatial relationships and flows. The other concept points at the surplus in importance of Luxembourg as a small but highly internationally-integrated space,

thus evoking William Alonso's notion of "borrowed size" (Alonso, 1973: 200). This is when "a smaller city or metropolitan area exhibits some characteristics of a larger one if it is near other population concentrations" (ibid.). Alonso associated this property particularly with the population potential of smaller European metropolises, namely in the Low Countries. Such cities are quite small judging by American standards, yet they apparently achieve sufficient scale to function as a modern economy.

Borrowed size makes a city attractive: it delivers jobs and provides quality of life at short distances, or to use Alonso's words: "*It is possible to have one's cake and to eat it too*" (ibid.). As a consequence of borrowed size, mobilised by economic specialisation and competitive niche strategies, any association between the size and the function of a city has dissolved, leading to a new distribution of economic power, away from the old centres and towards newly emerging micro-spaces. It has proven that even small cities or micro-states can be rather powerful in the global economy, as countries such as Luxembourg, Ireland or Switzerland, yet also tax havens and off-shore financial centres such as Jersey in the UK or the Cayman Islands in the Caribbean, have demonstrated. The power of small states, which has already questioned the downfall of the nation state that was predicted in the globalisation debate, evokes the emergence of a new "metageography of development" (Sidaway 2007), emerging from specialized niche economic strategies of small states, rather than the growth of a major metropolis.

Looking at Luxembourg's built environment, borrowed size clearly makes a difference compared to more ordinary cases of urban development. The properties mentioned above have a rather direct impact on spatial development and pose certain demands on the planning system. As an outcome of the niche economic strategy, the relation between jobs and residents is unbalanced in many communities. The associated volume of flows – not least material flows of commuters and commodities – tends to be massive. Due to the accelerated pressure of economic and urban-regional growth, policy and planning face relentless difficulties both in keeping development under control, and in providing infrastructures that allow for a more balanced spatial development.

The resulting spatial pattern is a distinct mismatch: the fragmentation of urban and regional life-worlds, spaces and connections across time and space. In line with a certain "politics of property", that is, the reservation of land that is mostly in the hands of the original population and of developers for speculative purposes, it also triggers extraordinarily high costs of housing. These dysfunctional real estate markets make Luxembourg an acutely unaffordable

place, which has already caused thousands of Luxembourgers to seek property abroad. Thus the shadow side of the Luxembourg growth model is relatively obvious: real estate markets have largely prioritised office space over housing, as has land use planning at various levels.

In the country's development trajectory, a whole bunch of varied transitions comes together: socio-economic, societal, political and last but not least in terms of spatial development and the built environment. Here the fundamental challenge for the government and for municipalities is not to seek solutions, but to recognise the very specificity of this setting and to develop related strategies of adaptation and compensation (rather than deploying "integrated" visions for this imminently disintegrated environment, which tends to be a mainstream misunderstanding within current practices). However, the specificities in the development path, dominated by relationality and borrowed size, have never been acknowledged as underlying mechanisms that need to be taken into account here. Conventional discourses on spatial development and urbanism lack a proper recognition of these framework conditions.



THERE IS NO FIELD OF DEVELOPMENT AND POLICY DEMONSTRATING THIS DILEMMA MORE VISIBLY THAN THE HOUSING SECTOR, WITH MAJOR GAPS BETWEEN SUPPLY AND DEMAND, AN UNJUST DISTRIBUTION OF ACCESS TO PROPERTY, AND A RATHER PECULIAR SETTING OF MARKET REGULATION, WHERE ANY PURSUIT OF BUSINESS-AS-USUAL POLICIES TENDS TO MAKE THE SITUATION EVEN WORSE, NOT BETTER.

HOUSING AS A CASE PAR EXCELLENCE

The housing market perfectly illustrates the specific situation and dilemmas of Luxembourg. Rapid growth and high development pressure on the one hand and (for various reasons) limited provision of developable land on the other have produced a substantial lack of housing opportunities. Although building new dwelling units has become part of the official policy rhetoric, one suspects that there is resistance within mainstream politics to altering the status quo, since the related interests of home-owners, property holders and real estate agents enjoy priority in the system of decision-making.

This lack of housing options has been exacerbated by the strong population growth Luxembourg experienced in recent decades. In fact, population fore-

casts frequently underestimate how quickly and steadily the country's population is continuing to rise due to immigration. Previous predictions regarding new build housing ranged from 3,400 to 4,800 new housing units per year, but none of those targets were ever reached. Meanwhile, the prioritisation of office space over housing space adds to this dilemma, as renting a place to a business can be very lucrative.

The owner-occupied single family house is considered the dream of the Luxembourgier, but fewer and fewer people can afford this. Today housing costs in Luxembourg are, as in other European countries, by far the major consumption expenditure of households. Since the mid-1990s housing costs have continued to increase. Despite a slight decrease in house prices in 2008 and 2009, the housing market returned to its pre-crisis levels by the end of 2009. Additionally, prices are increasing throughout the country, although in the capital and its surroundings the increase is by far the highest (OBS 2015). Owner-occupation dominates Luxembourg's housing market: in 2012 about 70 per cent of the population were homeowners, this figure being as high as 85.8 per cent for Luxembourg nationals, whereas for foreigners it rates at 52.8 per cent (STATEC 2014). Rental markets exist only in larger urban agglomerations and along main transport axes, but rents in these areas are very high. Approximately 30 per cent of the country's population rent their homes, and only 4.6 per cent receive reduced rents (STATEC 2014). Meanwhile, Luxembourg nationals make up 14 per cent of those living in rental properties whereas up to 50 per cent of foreigners do so (STATEC 2014).

The institutional focus on ownership and high ownership rates, a limited degree of rental housing and the strong role of developers thus contribute to the dilemma. A look at stakeholders clarifies the situation. For landowners, building land functions as a speculation object. There is an expectation that real estate values will continue to rise due to the persistent economic growth of the country. For people in need of housing, however, the situation is rather different. Some earn high salaries and can afford high costs, whilst others struggle to avoid poverty due to large income differences and the high cost of living. To clarify: in 2014 Luxembourg's gross domestic product (GDP) per inhabitant was at the top of the EU-28. Amongst the main criticisms of GDP (e.g. in development studies) as a measure for quality of life is that this data often masks poverty or strong social imbalances. People living in single-parent households, the so-called working poor households (often stemming from the first migratory movement) and young people (those just beginning their careers, as well as students) are considered especially vulnerable groups within these conditions. Well-known socio-spatial processes often accompany this scarcity. For instance, tendencies towards segregation are evident within Luxembourg City.

In the current situation, developers act as city planners with all the difficulties that come along when profit rules creation and design. For such a small country, the number of large-scale projects is quite extensive indeed. However, in order to maximise profitability (often resulting in dense projects), living quality falls by the wayside. The same motivation impacts creativity in terms of architecture, since it is cheaper to copy one and the same model from A to B. With some delay developers quickly took up on “green” building certifications in order to attract investors (leading to even higher construction costs), and today it is common to see a high-end sports car next to a triple A building. Instead of sustainability (remember the three pillars: environment, society and economy) this recalls the notion of greenwashing, where the costs of the building material and the branding of the property as “green” increase its value.



THIS SITUATION IS WELL KNOWN TO THE GOVERNMENT AND THE PLANNING INSTITUTIONS, AND THE WILL TO GUARANTEE ACCESS TO AFFORDABLE HOUSING HAS BEEN OFFICIAL POLICY FOR DECADES.

This situation is well known to the government and the planning institutions, and the will to guarantee access to affordable housing has been official policy for decades. However, by relying on the invisible hand of the market, current housing policies appear limited in solving the problem. Since the focus on new building (e.g. the empty lot programme pursued by Luxembourg City) is the only solution that seems to have convinced the relevant electorate, the housing stock is increasing but only very slowly. This is linked to the uneven power distribution: a small elite of private people and developers hold large parts of the building land. Meanwhile, residents struggling with these problems are often not part of the voting population. The government’s long-lasting exclusive promotion of home ownership is considered a further obstacle. Although there are two associations that are concerned with the allocation of public housing, the *Société Nationale des Habitations à Bon Marché S.A.* (SNHBM) and the *Fonds du Logement* (FDL), their proposals cannot be expected to significantly reconcile the housing mismatch in Luxembourg.

Furthermore housing policy is restricted to national territory. The opening of the borders via the Schengen Agreement had far-reaching consequences for the economic and settlement structure in the border regions. Parts of the

TRACING THE PLACE OF HOME.
THE SPECIFICITIES, POLICIES AND DILEMMAS
OF LUXEMBOURG'S HOUSING SECTOR

47

Greater Region are experiencing population change and an increase in housing costs due to strong transnational connections. Outside of prospering residential areas that are only affordable with a Luxembourg salary and enclaves of Luxembourg nationals and/or expats who seek cheaper property across the border, some villages and towns recall the industrial past of the region. This results in the formation of separated communities, and tensions amongst these inhabitants. Although there are no literally gated communities in Luxembourg, housing costs have essentially become the new borders.

The events analysed above leave Luxembourg's housing policy in a significant dilemma, with limited provision at poor quality level. Taking into account transition as more a fundamental change beyond just the implementation of policy measures under the given framework conditions, such a strategy would have to resolve this established framework and

- seek alternatives to the market
- foster the establishment of a rental market
- go beyond the national territory.

These three alternatives constitute major challenges for the current state of Luxembourg mainstream planning in general and housing policy in particular. When it comes to planning, top-down documents that are non-binding miss the point. What is needed is an open dialogue that brings actors together, rather than pseudo-participation. The creation of a tri-partite "Alliance for Housing", including entrepreneurs, civil society and public officials could be a possible step towards the search for more social practices. Organisations such as Caritas Luxembourg (2012), for instance, suggest differing ideas and try to contribute to the discussion within society. The first question should be: how is quality of life understood in the context of housing? An open dialogue could help to improve the quality of housing projects, particularly of residences that are rather popular in the Luxembourg system, but given their size and density, often make a negatively-received contribution to the built environment.

Regarding the rental market, in January 2016 a law regarding rent aid was finally enacted. This means on the one hand, that those who cannot become homeowners finally get some financial help. On the other hand critics say that homeowners will profit and keep on increasing rents. To get away from the dictation of property, a rental market strategy would have to be put in place.



THE CREATION OF COOPERATIVES COULD BE ANOTHER ALTERNATIVE FOR HOUSING SOLUTIONS BEYOND THE REAL ESTATE MARKET. WITH THE CIVIL SOCIETY INITIATIVE CALLED AD-HOC, A FIRST STEP TOWARDS THE PROMOTION OF COOPERATIVE HOUSING IS NOW BEING TAKEN.

The creation of cooperatives could be another alternative for housing solutions beyond the real estate market. With the civil society initiative called *Ad-Hoc*, a first step towards the promotion of cooperative housing is now being taken.

Whilst according to Luxembourg planning documents, the housing market region ends at the national border, developers, architects and the demand side have realised that the lines are to be drawn further around the country, conforming with the everyday practices of border crossings. City councils or planners and the local population perceive the effects of this population mobility resulting from uneven development due to differing regulations in border regions very differently. Open dialogue and the full recognition of the multi-functional surrounding border regions should lead to political-administrative cooperation. All this is already part of the official discourse of the cross-border cooperation network, but solutions to this delicate problem have yet to be decided upon.

OUTLOOK

The notions of “transition” and “transformation” as deployed in this essay reveal a particular tension when applied to the field of housing in the Grand Duchy of Luxembourg. Given the ambitious goals and aspirations expressed in the transition literature, actually existing transformation processes in Luxembourg give a rather mediocre, if not disappointing impression. As yet, the market rules, and policy and politics tend to muddle through the contested field of issues and interests, without being able to catch up with the overall levels of growth and development. Strikingly as well, the lack of mid-term strategy at various levels of policymaking is a major constraint to finding solutions to this dilemma. Only very few sector policies (e.g. some national energy transition programmes) show a well-reflected approach with clearly defined long-term goals, and can thus be considered exemplary for the matter of interpretation that would justify the use of great words such as transformation or transition. Within the housing sector, increasing pressures (overheated real estate markets, social exclusion) nurture public debates, but have not lead to a fundamental revision of current practices, rules and regulations. As the case of housing shows, we can assume that particular socio-economic framework conditions and powerful interest groups, as well as informal and not necessarily transparent arrangements accompanied by dubious practices (e.g. land speculation), have led to significant institutional lock-ins that tend to block transformative approaches.



TRANSFORMING THE HOUSING SECTOR IN LUXEMBOURG MAY BE A DIFFICULT, IF NOT IMPOSSIBLE GOAL TO ACHIEVE, AS LONG AS THE RATHER SPECIFIC SOCIO-ECONOMIC AND SOCIETAL FRAMEWORK CONDITIONS REMAIN UNCONSIDERED AND THUS UNCHANGED IN THE COUNTRY'S POLITICS OF HOUSING.

Transforming the housing sector in Luxembourg may be a difficult, if not impossible goal to achieve, as long as the rather specific socio-economic and societal framework conditions remain unconsidered and thus unchanged in the country's politics of housing. It is a perfect case of contradiction, where the manifold transitions that came out of the deliberate politics of economic development and growth of the past decades may be considered a significant hindrance for any deliberate *transformation* towards a more balanced, sustainable direction.

ACKNOWLEDGMENT

Our sincere thanks go to Evan McDonough, University of Luxembourg, for proofreading the draft manuscript.

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