ESPON

Co-funded by the European Union

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EUROPEAN RESEARCH PROJECT

Access to Affordable and Quality Housing for All People

Main Report

November 2025

This European Research Project was conducted within the framework of the ESPON 2030 Cooperation Programme, partly financed by the European Regional Development Fund.

The ESPON EGTC is the Single Beneficiary of the ESPON 2030 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

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ISBN: 978-2-919839-26-1

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Executive Summary

Affordable housing has become one of the most contested issues in contemporary policymaking at both national and, increasingly, European levels. Rapid increases in housing prices, not only in urban centres, combined with stagnating real incomes, have heightened awareness among researchers, policymakers, and the broader public of the growing unaffordability of housing. The full social, economic and political implications of this housing crisis, however, have yet to unfold. With the crisis intensifying across Europe, a central question emerges: what steps can be taken to ensure equitable access to affordable, high-quality housing for all?

Against this backdrop, the ESPON HOUSE4ALL project seeks to generate new insights and comparative evidence on the regional geography of housing unaffordability in Europe. The project investigates local variations in housing prices and affordability across tenures by employing a web-scraping-based big data approach. Mapping housing prices and affordability indicators is essential not only for understanding the spatial dynamics of the housing crisis but also for providing a foundation for future research on its drivers and for evaluating the effectiveness of existing housing policies.

To deepen the understanding of housing policies and their heterogeneity across Europe, the project also developed a European Housing Policy Compendium. This compendium offers a systematic overview of housing policies across European countries and analyses how these policies are designed and implemented across countries and regions. By examining differences in tenure structures, definitions and concepts of affordable and social housing, governance arrangements, and interactions with other policy domains, the compendium highlights the substantial diversity characterising European housing systems.

Complementing the data-driven analysis and comparative policy review, the project conducted ten local and regional case studies. These case studies provide contextualised insights into how drivers of housing unaffordability and the policies targeting them manifest at the local level across European cities and regions. Case study locations were selected using a systematic framework designed to ensure sufficient variation and enhance the transferability of insights, given the complexity of housing systems revealed in the compendium.

This report presents the main findings out of this broad European Research Project.

Box 1: Main lessons learnt

Which key findings and policy-relevant insights arise from the ESPON HOUSE4ALL project?
1. The scale and geography of the affordability crisis Severe housing affordability challenges affect large parts of Europe across both private rental and homeownership markets. Newcomers to the housing market are particularly exposed, and current data likely signal a deeper affordability crisis yet to come. Homeownership is especially unaffordable in many regions, including major urban centres, touristic coastal and alpine areas, and much of Eastern Europe. In several regions, particularly in Central and Eastern Europe, even the purchase of a modest dwelling would require more than 30 years of mortgage repayments on a single income, with downpayment requirements posing an additional barrier to entry. Strong spatial variations in housing prices explain much of the within-country variation in affordability, while cross-country differences are more closely linked to national income levels. Rental affordability also varies markedly across countries, regions, and unit sizes, with mid-sized and larger units, as well as units in high-homeownership contexts, showing the highest levels of unaffordability. **2. Housing challenges extend beyond affordability** In many parts of Europe, affordability pressures coexist with problems of poor housing quality, depreciation and high renovation needs. This is especially pronounced in the Baltic states and other regions where low energy efficiency and limited renovation activity leave many residents living in inadequate conditions despite the existence of funding schemes. **3. Demand pressures, supply rigidities, and price escalation** Housing price increases are typically driven by a combination of demographic and economic demand factors, including population growth, smaller household sizes (because of decohabitation and ageing) , and urbanization. Financial demand, amplified by cheap credit, easy mortgage access and low interest rates, further accelerated price growth by increasing purchasing power and fuelling speculative investment by households and institutions. Additional pressures emerge from the expansion of short-term rentals and second-home ownership in urban and tourist regions, which can crowd out local populations. On the supply side, inelastic land availability and new forms of financial speculation, especially in dense metropolitan areas, remain structural constraints, with rising land prices acting as the dominant driver of real housing price increases. **4. Housing systems, governance structures, and conceptual ambiguities** European housing systems differ substantially in governance, tenure structures and conceptual frameworks. Governance arrangements range from highly centralised (e.g. Greece, Portugal) to multilevel and decentralised (e.g. Germany, Austria), often leading to fragmented responsibilities and uneven implementation capacities. Tenure structures—particularly the balance between homeownership, private rental and social rental—strongly shape policy needs and institutional pathways. A fundamental conceptual challenge lies in the absence of a shared understanding of “affordable housing.” The terms “affordable housing” and “social housing” are used differently across countries to describe a wide range of schemes targeting different population groups. In some countries, large non-profit housing sectors blur the line between social and affordable housing, whereas more residualised systems restrict social housing to the most vulnerable. These differences have major implications for designing and financing affordable housing initiatives, particularly where large-scale investment or EU-level funding is concerned. **5. Policy instruments: strengths, limitations, and trade-offs** Rental markets are becoming a fallback solution but also increasingly strained as real estate prices decouple from incomes. Yet rental housing can be viewed in certain countries as less attractive due to cultural norms and perceived long-term cost disadvantages. In the meantime, homeownership-oriented policies can unintentionally worsen market conditions by stimulating demand, raising prices and leaving non-owners insufficiently protected.

Which key findings and policy-relevant insights arise from the ESPON HOUSE4ALL project?

Traditional rental policy tools come with notable trade-offs. Strict rent controls are effective to protect tenants and moderate prices in the private sector, but may reduce mobility and exacerbate supply shortages if poorly designed. Housing allowances have proven efficient to improve affordability but are fiscally costly and may contribute to rent inflation. Non-profit housing offers secure, affordable, countercyclical supply and can have broader price-stabilising effects, but requires strong legal frameworks and sustained long-term funding. EU-level instruments, including the Recovery and Resilience Facility and the European Investment Bank, play an important role in supporting such models, especially in countries with limited financial capacity.

6. Local policymaking and administrative capacity

Local authorities are central actors in responding to housing challenges due to their proximity to market dynamics and affected households. The ESPON HOUSE4ALL case studies reveal both innovative local solutions and the risks associated with limited administrative capacity. Social rental agencies, for example, show promise in expanding affordable rental options in post-socialist contexts by mediating between tenants and private landlords. Conversely, cases such as Cologne demonstrate that the effectiveness of rent regulation hinges on the administrative resources required for enforcement. The design of renovation subsidy programmes also illustrates how local implementation can shape affordability outcomes and socio-spatial inequalities.

7. Housing emerging as a European-level policy field

Although traditionally viewed as a national responsibility, housing is gaining prominence at the EU level. The appointment of the first Commissioner for Energy and Housing in 2024 and the establishment of a Housing Taskforce mark an institutional shift. The EU increasingly frames housing policy within broader strategic goals, particularly climate neutrality through large-scale energy-efficient renovation of residential buildings. Housing affordability and homelessness are also recognised as shared European challenges, reflected in initiatives such as Housing First. Indirectly, renewed EU state aid frameworks influence the ability of Member States to finance housing interventions.

8. Interdependence with broader socio-economic policy fields

Housing outcomes are deeply intertwined with social, economic, monetary, fiscal, energy, environmental and land-use policies. The strong explanatory power of income differences in cross-country affordability outcomes underscores that housing policy alone cannot resolve the crisis. Improving real wage trajectories, ensuring stable credit conditions and addressing structural factors in the wider economy are equally important for enhancing affordability.

9. Data needs and the value of continued monitoring

The large-scale web-scraping exercise undertaken in the project illustrates the feasibility and value of high-resolution housing market data, with more than 22 million unique listings collected across Europe. These data underpin granular affordability indicators, yet sustained monitoring efforts are needed. In particular, the development of regional time-series data and the integration of listings with transaction records would strengthen the evidence base for trend analysis, policy evaluation and the detection of emerging market pressures.

10. Implications for EU policies

These findings prompt critical reflection on EU policy frameworks that have traditionally identified "left-behind areas" primarily through low GDP levels. High housing costs can also produce exclusion and socio-economic disadvantage, particularly for lower-income households in otherwise prosperous urban regions. Conversely, low housing prices do not necessarily equate to genuine affordability. In this context, the ESPON HOUSE4ALL project underscores the need for a more differentiated and territorially sensitive approach that accounts for local housing market dynamics rather than relying on simplistic categorical distinctions such as urban versus rural. Such an approach is essential for identifying policy responses aligned with the specific manifestations of the housing crisis across Europe.

1 A European Housing Crisis in the Making and the Emergence of a European Housing Policy Agenda

In 2024, Ursula von der Leyen appointed Dan Jørgensen as the first-ever Commissioner for Energy and Housing, marking a historic step in recognising housing as a key pillar of European social and economic policy. Jørgensen's mandate includes the development of the first European Affordable Housing Plan, which seeks to address the growing housing affordability crisis through a series of ambitious initiatives. Central to this plan is the creation of a pan-European investment platform for affordable and sustainable housing, designed to inject liquidity into the housing market and to double the planned cohesion policy investments in affordable housing. In addition, the Commission will propose a revision of state aid rules to make it easier for member states to support affordable housing, and will develop a European Strategy for Housing Construction to bolster housing supply. Further measures include supporting cities and regions in tackling the inefficient use of empty and underused buildings, addressing systemic issues related to short-term accommodation rentals and housing speculation, and reducing energy bills and energy poverty to ensure that homes are affordable, decent, and sustainable. Finally, through the newly established Affordable Housing Dialogue, the Commission aims to identify further areas where coordinated European action could add value and strengthen housing policy across the Union.

Since his appointment, a new field of housing policy is emerging at the European level coming together under the affordable housing initiative (see European Commission, 2025a). In order to prepare these initiatives a Housing Task Force was established, starting their work in February 2025. These European initiatives are a response to an increasing pressure by EU Member States towards the European Union level to provide tools for EU Member States in addressing the unaffordability in European housing markets.

The current political attention to the topic is a clear indication as to the fact that housing has become one of the most contentious matters, defining citizens satisfaction with their living situation. The Eurobarometer survey from July 2024 indicated that the economic situation, rising costs of living have been one of the main reasons for people's decisions at the ballot box (see European Parliament, 2024). Van der Leyen's decisive response to appoint a Commissioner for housing is thus consequential:

"Europe faces a housing crisis, with people of all ages and families of all sizes affected. Prices and rents are soaring. People are struggling to find affordable homes. This is why, for the first time, I will appoint a Commissioner with direct responsibility for housing. We will develop a European Affordable Housing Plan, to look at all the drivers of the crisis and to help unlock the private and public investment needed. Typically, housing is not seen as a European issue. Some might say we should not get involved. But I want this Commission to support people where it matters the most. If it matters to Europeans, it matters to Europe." ***European Commission President Ursula von der Leyen, July 2024***

(European Commission, 2025b)

There were already several initiatives ahead of this development that indicated this increasing importance of housing for the European level: The European Parliament, for example, passed a resolution 'on access to decent and affordable housing for all' in early 2021, urging for a wider definition of social housing in the state-aid regulations and a comprehensive EU strategy for social, public, non-segregated, and affordable housing (European Parliament, 2021). Other initiatives and opportunities to use of EU funding instruments for housing, for example through the Recovery and Resilience Funds were already indications towards this development. For a further summary of the previous initiatives and strategies, please see as well chapter 2 in the ESPON European Compendium of Housing Policies.

This ESPON HOUSE4ALL project is being implemented since 2023 during these very dynamic developments. The projects' main goals were to provide to develop a methodology to measure housing affordability in Europe, to provide a European-wide overview of housing systems and policies and to analyse experiences in dealing with affordability challenges through case studies. In these endeavours, a key objective of this projects' consortium approach was to propose affordability indicators based on big data derived from web scraping. A key consideration of the project is that the data provided through web scraping allows us to understand at what levels the contemporary housing offer is priced, and what type of housing offer exists.

Against the background of this data, we stipulate that what we see currently is only the start of a housing crisis in the making. Following the data analysis, we can already see substantial unaffordability levels in urban agglomerations, and other touristic hotspots, where there is for newcomers into the market little to no housing offer. As a result, while affordability levels may already be low, an additional challenge is that the housing supply itself is often not existent in the affordable market segments (see chapter 7). These challenges are already particularly pronounced in areas that are traditional economically strong and thus are agglomerations that continue to grow. In taking into account the size of the population living in regions with the highest values of unaffordability, our research clearly indicates the challenges ahead. With a continued process of urban growth in most European countries, these developments are expected to be exacerbated. In addition, as the European citizens luckily have an increased life expectancy, the housing stock that finds its way back into the market is also too low to alleviate pressures.

The implications of these findings are substantial: While it has politically been already decided at the European level that further engagement through funding opportunities, investments and policy initiatives is needed to support housing construction and alleviate pressures more broadly will take place, the logic of distribution of funds puts traditional funding distribution mechanisms into questions. If costs of living, and particularly pressures in the housing markets, e.g. through insufficient opportunities for redensification, are to be found in European economic strongholds, and one wants to address the most challenged housing markets existing funding logics may be thrown overboard.

2 Introduction to the ESPON HOUSE4ALL Project

Against the background of a looming housing affordability crisis and a renewed focus on housing policy, the *ESPON HOUSE4ALL* project set out to gather information on the current state of housing affordability and policy but also to investigate drivers of unaffordability as well as the potentials and limits of housing projects and policies on the ground.

The project is guided through a set of highly policy relevant questions: How is and can affordable and quality housing be defined, from a policy point of view? Which are the main drivers contributing to making housing less affordable? What public policies regarding affordable and quality housing exist in Europe and how are they designed and implemented? How is good governance contributing to efficient housing policies? Which coordination challenges can be identified? And crucially, what tools could help implement affordable housing policies and what good practices can be identified?

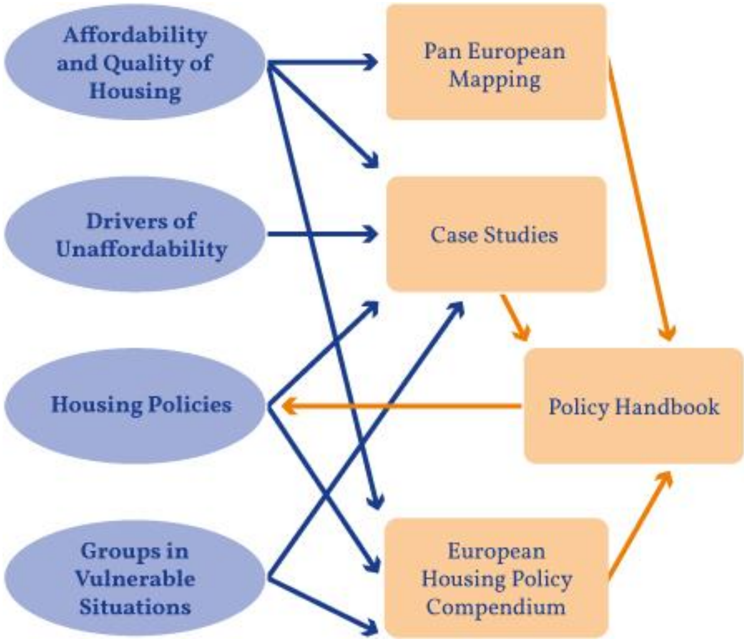
The main outputs produced in response to these questions include

1) a conceptual and methodological framework describing how to define (from a policy perspective) and measure housing affordability and quality considering an integrated place-based approach with a special focus on groups in vulnerable situations.
2) a European Housing Policy Compendium,
3) a methodology to analyse Pan-European housing affordability,
4) Case studies on different types of territories,
5) Data and interactive maps and graphs which are showcased on the ESPON Portal.

Figure 1 visualizes the most important fields of investigation and Figure 2 relates them to the main outputs from the *ESPON HOUSE4ALL* project.

Figure 1: Key Subjects Investigated by the ESPON HOUSE4ALL Project

Figure 2: Key Outputs from the ESPON HOUSE4ALL Project



The *ESPON HOUSE4ALL* project has been initiated in September 2023. It has been guided by a steering committee comprised of representatives from *JRC, EIB, OECD, EUROCITIES, EUROFUND*, and the *ESPON Monitoring Committee* representatives from *Hungary*, *France* and *Norway* under the overall coordination of the *ESPON EGTC*. Throughout the project also a direct exchange with the European Commission's *DG ECFIN* and *DG REGIO* and the *Housing Taskforce* has been established, to ensure policy relevance and utilization of our findings.

2.1 European Mapping of Local Housing Affordability

A key task of the *ESPON HOUSE4ALL* project was to map housing affordability across Europe at very granular level. Detailed knowledge on the matter of households housing expenses or the housing overburden rate (Eurostat, 2025c) can already be obtained from survey such as EU-SILC. However, this very detailed information allows for the construction of multiple sophisticated housing affordability metrics, the dataset is not designed for spatial disaggregation and hence cannot be utilized to capture local housing market dynamics. Meanwhile, several European countries report their own regional housing market indicators ranging from transaction data to number of housing completions, with few countries focussing on affordability itself. What has been lacking though is a basis for a Pan-European affordability analysis on the local level.

The *ESPON HOUSE4ALL* project aims to address this lacuna through combining a large-scale web scraping exercise of housing advertisements in both the sales and the rental market, with traditional data sources to obtain LAU level indicators of housing affordability. The objective of this exercise was to provide a proof of concept that more granularity in understanding housing affordability at a European level is possible when building on novel big data opportunities. With this exercise, a key contribution of the *ESPON HOUSE4ALL* project is the development of a methodology that will allow to bring together data by using web-scrapping techniques, including an understanding as to how these prices are comparable and what adjustments will have to be undertaken. The project has used at least one website for web scraping for each ESPON space country, including the outermost regions, with - where possible - the best representation of the local housing markets. Yet, the project's goal was to provide an initial overview of housing affordability and proof of concept. Given the size of the project, we did not start off with the objective to be comprehensive. Throughout the project, and realising the interest in the data, we have increased our efforts in this exercise: Yet to be fully representative of the market, future exercises should include, e.g. more platforms, combine it with transaction data and incorporate where possible social rental (for all the details on the methodology please see ESPON Methodological Report).

Web scraping of housing adverts allows us to obtain insights into current asking prices and qualitative features of listed dwellings. Most importantly, the microdata obtained in such way comes geo-referenced which allows for flexible aggregation to any desired spatial level.

The web scraping of housing adverts has been conducted on a weekly basis for the period of beginning of March 2024 until the end of March 2025. Over one hundred million listings have been obtained across the ESPON space countries (including the outermost regions).

Figure 3: Schematic Overview of Data Processing

After intensive data cleaning and removal of duplicates across time and platforms we ended up with around 22 million unique valid listings. These refer to advertisements which passed all filtering and correction steps, including geographic location, price and area, room count, and internal consistency in property attributes. Next, the data is harmonized in terms of currency and taxes and fees are added to the prices in order to turn them into a comparable indicator of housing costs. These amended prices of unique valid listings were then used to compute weighted average prices at the LAU level using a penalty function to downweigh the influence of listings which stay on the platform for a disproportionally long time. Further details on the exact methodology can be found in the *ESPON HOUSE4ALL* Methodological Report. The price indicators have been tested against the latest available transaction data from national sources and the OECD wherever possible. Although, varying discrepancies do exist between listed prices and transactions, which are also reflective of fluctuating market conditions, we are confident in the overall spatial distribution of the *ESPON HOUSE4ALL* price data.

However, housing affordability is not only a function of housing related costs but also of available income. Thus, drawing on recent work by Mikou et al. (2024) and data from the EU-SILC, we develop a locally disaggregated disposable income indicator to match the spatial scale of the housing prices. Based on the combined dataset affordability indicators for both the private rental and the homeownership market have been developed. As prices across tenures tend to vary between differently sized dwellings, we specifically compute the indicators for differently sized housing units. For the rental market, these refer to the percent of a person's average disposable income required to rent an averagely priced rental unit within the respective size category. When drafting the affordability indicator for the homeownership market, we also added mortgage costs into the equation. Thus, the indicator reports the number of mortgage years required to buy a house or apartment in the respective size class, under the assumption of a fixed mortgage rate and spending one third of disposable income on mortgage payments. See Table 1 for the whole list of housing price and affordability indicators.

The LAU level indicators are made available through the [ESPON Portal](). Researchers, public authorities, journalists or other interested parties are encouraged to utilize the data for their own need but also to further test it and improve it. Most importantly, though, the data can and should be combined with other indicators at the LAU level to investigate and better understand the conditions which cause different affordability outcomes and analyse the effects of housing conditions on other spheres of life.

Table 1: Key Housing Price & Affordability Indicators

Indicator	Unit	Type	Tenure
Average Rent	Euro/ m²	Housing Price	Private Rental
Average Sales Price	Euro/ m²	Housing Price	Homeownership
Percent of Income Required to Rent 25 m² / 45 m² / 75 m²	%	Affordability	Private Rental
Mortgage Years Required to buy 25 m² / 45 m² / 75 m² Spending 1/3 of Income	Years	Affordability	Homeownership

2.2 Comparative View on Housing Policies

The current housing affordability crisis as documented by the affordability mapping, automatically raises the question: what can be done? Hence, the current challenges in the housing market also ignited a renewed interest in the topic of housing policy. However, national and regional housing markets often differ substantially in terms of their challenges, tenure structure and legal frameworks. Thus, the ESPON HOUSE4ALL project did not only set out to map the affordability challenges but also to develop a comparative overview of housing policies and the housing systems behind them.

Hence, a *European Housing Policy Compendium* was drafted, with the goal to offer a broad and comparative overview of how housing policies are implemented across European countries. The compendium takes into account a wide set of indicators and reflects the diversity and specific characteristics of European regions. It also examines and visualizes current public policies on affordable and quality housing in Europe, focusing on how these policies are coordinated across different levels of governance and how they are integrated into spatial planning and territorial development strategies. See Table 2 for an overview of the content covered by the *European Housing Policy Compen*dium and the type of data presented at the national level.

At the core of the *European Housing Policy Compendium* are 38 Country Fiches (covering 31 ESPON member states and 7 additional European countries). These country fiches present key data, policy frameworks, and governance structures, offering a concise summary of each national housing system. The initial information was compiled by September 2024; however, individual updates have been implemented based upon consultation with national ministries and following a feedback round with academics and national experts.

Table 2: Contents of the European Housing Policy Compendium

Sections	Type of Data	Purpose
General Government Expenditure by Function	Time series of direct public investment in housing, public capital transfers for housing and spendings on housing welfare	Compare type and magnitude of government expenditure on housing over time
Tenure Structure	Latest share of owner occupied, private rental, social housing and other homes	Tenure structures are key to understanding the European housing market segmentation and thus the potential impact of different types of housing policies
House Price, Rents and Average Income	Time series of house prices, rents and average income (indexed)	Complement cross sectional picture obtained by web scraping data with temporal data to compare housing market trends over time and across country
Subjective Measure of Housing Affordability	Latest shares of households with heavy financial burden/ with financial burden/ without financial burden due to housing costs	Complement previous objective affordability measures with subjective measures where households are directly questioned about their current housing situation
Basic Data	Key housing market figures	Provide Overview of key housing market data
Quality and Affordable Housing: Relevant Concepts and Definitions	Qualitative data on Definitions of intermediate/affordable housing, social housing, adequate housing, of energy poverty, homelessness and vulnerable groups identified in the context of housing policies	Understanding what is meant by key tenures, terms and target groups

Sections	Type of Data	Purpose
Housing Governance – Distribution of Competences Across Government Levels	Qualitative data on the role of ministries in charge of housing at national level, role of other public bodies involved at national level, role of regional authorities, role of local authorities	Outlining the multi-level governance structures
Housing Governance – Coordination Among Different Policy Areas	Qualitative data on selected policy documents defining overarching goals and priorities for housing, energy and environmental goals for housing, strategy to tackle housing exclusion, planning and land use paradigm and other relevant strategic documents in specific policy areas	Highlight and understanding the interplay of various policy areas which play into housing
Housing Policy Instruments for Quality and Affordable Housing	Qualitative data on major housing allowance programmes, public and social rental housing programmes, public subsidies towards affordable owner-occupied housing, mortgage interest rate subsidization, programmes supporting energy efficiency refurbishment, home improvements/adaptation, vulnerable households with access to energy and other schemes for specific groups	Outline the fiscal housing policy instruments and give context to the government spending figures
Country Snapshot	Qualitative data highlighting the key features of the country fiche	Summary of the national housing system

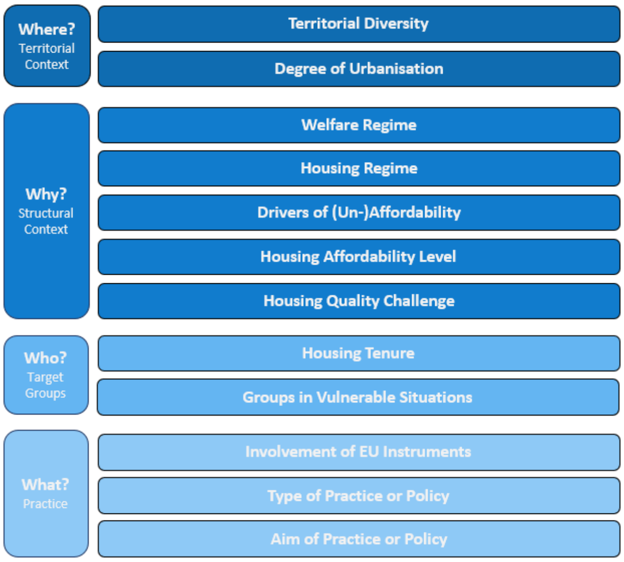
The compendium also offers an analytical chapter analysing some key take aways from country fiches, and providing an overview of the diversity of countries housing markets, stakeholders, governance policies, as well as the diversity in conceptualising social and affordable housing.

2.3 Local and Regional Case Studies

The affordability mapping and the policy analysis already provide a quite comprehensive picture of the current situation and the tools at hand to tackle ongoing housing challenges. However, many key challenges cannot be captured through aggregated statistics or abstract policy analysis but need to be investigated within the specific local or regional context. Thus, the ESPON HOUSE4ALL project further conducted a set of local and regional case studies to allow for further insights into specific housing issues, such as renovation challenges groups in vulnerable situations and local impacts of housing policies. To that end, the case studies feature elements of desk research, qualitative approaches as well as analysis of very local data, both from the ESPON HOUSE4ALL Database as well as additional sources.

In order to allow for a systematic and reproducible selection of cases a selection mechanism has been designed and implemented. We start from four leading questions – *Where? Why? Who? & What?* featuring twelve operationalizable dimensions. These are designed to capture a diverse set of territorial and structural contexts, target groups and type of practices when choosing case studies for our local methodology. Figure 4 gives an overview of the dimensions considered. From a policy maker point of view, they could be used to identify good practice projects embedded in a similar context to ensure transferability of policy knowledge.

Figure 4: Case Study Selection Grid



After consultation with stakeholders and national experts, 10 specific case studies were selected and implemented between November 2024 and July 2025. Table 3 gives an overview for the full set of case studies. They cover multiple policies such as renovation subsidies, housing allowances and rent control while also addressing housing challenges related to tourism or cross border spillovers. Furthermore, housing challenges of different groups in vulnerable situations are addressed and targeted measures such as housing first programmes analysed. Additionally, we analyse very different approaches to social housing, from largescale and widely accessible non-profit supply in countries such as Denmark, Austria and the Netherlands while also investigating private rental social rental agencies in Hungary where social housing provision is a very much residualised form of accommodation.

Table 3: Case Studies Conducted

Title	Country/Region	Objective
Intended and Unintended Consequences of Rent Control — The Case of Cologne	Cologne (Germany)	Study the socioeconomic effects of rent control in a major Germany city
Temporary-Social-Housing Policy in Como, Italy — Addressing a Tourism-Led Rental-Housing Crisis	Como (Italy)	Analysis of a bottom-up temporary social-housing programme aiming to address the severe housing crisis that has in Como due to its touristic attractiveness
The Impact of Housing Allowances on Housing Supply and Affordability — The View of Finnish Landlords	Helsinki & Turku (Finland)	Understanding the feasibility of subject-side subsidies as the main policy to provide affordable housing
Building Renovation, Energy Gentrification, and Displacement — An Assessment of Residential Energy Efficiency Programmes in the Baltic Countries	Estonia, Latvia & Lithuania	Analysing energy gentrification and displacement induced by multi-apartment building renovation projects in the Baltic countries
Housing Markets in Shrinking Regions Across Europe	Norway, Romania, Italy, Spain, France	Investigating housing market challenges and policy responses specific in shrinking regions.
Using the Private Rental Sector for Social and Affordable Housing Programmes — The case of Hungary	Hungary	Examines the operation and implementation of four municipal Social Rental Agencies in Hungary
Cross-Border Housing Markets — The Case of Luxembourg	The Luxembourg Greater Region (Luxembourg, France, Belgium, Germany)	Investigating spillovers effects from the Luxembourgish housing and labour market to the neighbouring regions.

Title	Country/Region	Objective
Way Out of the Homeownership Trap — Energy Efficient Renovation of Condominiums in Slovakia	Petržalka/Bratislava (Slovakia)	Explore state support for energy renovations in the post-socialist housing market of Slovakia
The Implementation of the Housing First Model in Southern Europe – Key Insights from Croatia, Greece, Italy, Spain and Portugal	Croatia, Greece, Italy, Portugal, Spain	Examines the implementation of the Housing First model in Southern European countries as a key policy to tackle homelessness
Price Dampening through Social Housing Provision? — Spillover Effects on Private Rents in Austria, Denmark, and the Netherlands	Austria, Denmark, the Netherlands	Provide quantitative evidence of a price-dampening effect exerted by large and inclusive social housing providers on private rents.

3 What Is Affordable and Quality Housing?

Housing affordability and quality are two key terms within the *ESPON HOUSE4ALL* project. Indeed, most readers will have an intuition what they perceive as affordable and which qualities they value with respect to housing. However, both in housing research and in housing policy, we need to pay closer attention to what is actually behind these terms. Particularly for the task of mapping housing affordability we need to understand how affordability can be measured and what the strengths and weaknesses of different operationalizations are. Meanwhile, when it comes to policy analysis, comparison is often made quite difficult by the heterogeneous usage of similar terms across countries. Thus, we will present a short review of how affordability is defined from a policy perspective but also reflect upon housing quality and adequacy and the identification of groups in vulnerable situations. A more in-depth analysis of these key concepts in the realm of housing policy can be found in the *ESPON European Housing Policy Compendium*.

3.1 How Can Affordability Be Measured?

Housing affordability has emerged as a key concept in debates around housing issues in many advanced economies over the last decades. For Hulchanski (1995: 471), it has become a term summarizing the housing problems of many nations in the current context, replacing earlier notions of 'slum problems', 'low-rent housing problems', 'housing shortage' or 'housing need' that featured more prominently in the description of housing problems in the past. Housing affordability as a concept is of earlier origin (see Hulchanski 1995: 471). It emerged in the context of studies of household budgets in North-America in the 19th century. The vernacular expression *'one week's pay for one month's rent'* set a normative standard for socially acceptable affordability burdens. The concept was later taken up by mortgage lenders and private landlords in the context of borrower and tenant selection (Feins & White, 1977). In research, the concept gained popularity in the 1950s, particularly among economists in the construction of housing market models (e.g., Maisel & Winnick, 1966). While the term has come to be more widely used in popular debate and the broader housing research literature since the 1980s (Hulchanski, 1995), it has arguably gained an even more prominent role in both policy and research circles since the mid-2000s, reflecting the growing divide between housing costs and incomes in many advanced economies (Anacker 2019; Haffner & Hulse, 2021).

While housing affordability is traditionally understood as a measure of a financial outcome related to housing (e.g., Champman 2006), Ezennia & Hoskara (2019) suggest distinguishing between the concept of housing affordability and measurements thereof. Typically, affordability refers to some relationship of ongoing housing costs and household income levels. Housing costs may either refer to regular rent payments, for tenants, to housing prices, for would-be homeowners, to mortgage interest payments, for mortgaged homeowners, or to maintenance and utility costs, for outright owners. Recent contributions, however, further suggest considering housing standard and appropriateness as well as neighbourhood factors in the approach to housing affordability (e.g., Leishman & Rowley, 2012; Rowley & Ong, 2012).

A simple yet often used measure is the income ratio approach. It is based on the proportion of income a household pays for housing costs. Typically, a certain threshold is defined (e.g., 30%, see below), under/over which housing is considered affordable/unaffordable. While the ratio approach provides an intuitive measure to understand and communicate affordability burdens, it has been widely criticized. The first critique relates to the definition of affordability thresholds. Even though affordability has come to dominate housing debates in many advanced economies, the specific concepts and thresholds used differ across contexts. In the US, following Stone (2006), the standard ratio to define (un)affordability was 25% housing costs/income until the early 1980s. Since then, this has changed to 30%. In the European Union, Eurostat (2025c) calculates the housing cost overburden rate, which shows the share of households that pay more than 40% of their disposable income on housing costs. A second, and related criticism of the ratio approach highlights the insufficient attention to different income groups. An affordability burden of 30% will have very different implications for low-income households compared to high-income households, because the absolute amount of income that remains is much higher for high-income households (Stone 2006).

In the absence of household level data, average house-price to average income ratios is often calculated as a regional approximation to the income ratio approach. In contrast to the household level measure, it is a narrower approach focused on current market prices. Doing so, the average house-price to average income ratio excludes elements that a household will usually face, and a housing cost measure typically includes, such as maintenance costs, costs of taxation, or subsidy effects (Haffner & Hulse 2021: 71).

These critiques have inspired the residual income approach as an alternative affordability measure. It calculates a standardized basket of household consumer items such as food, clothing, utility bills, etc. The remaining, residual income is then used to measure whether a household can afford a decent and affordable home (Stone, 2006). Kutty (2005), drawing on the residual income concept, argues for an approach that defines essential housing costs and, in a second step, calculates whether the household can pay for essential services based on the residual income. Households that have insufficient income left are defined as households in 'housing-induced poverty'. While the residual income approach provides a more accurate and potentially more fine-grained measure of affordability, data and measurement requirements are higher and the measure is thus more demanding in its application (Leishman & Rowley, 2012).

While these two approaches operationalize and present affordability problems in different ways, there is a growing consensus that affordability is a multi-dimensional concept that requires multiple measurements, and thus, several measures can provide relevant insights (Haffner & Hulse 2021: 71). Nonetheless, recent work has developed more complex measures to account for some of the weaknesses of traditional approaches and to take into account current housing market developments. One line of inquiry has incorporated commuting costs, reflecting the fact that households increasingly move to more peripheral areas to find affordable housing, yet thereby accepting higher commuting costs. The Location Affordability Index (LAI), used by the US Department of housing and Urban Development (HUD), for example, draws on housing and transportation costs to calculate location affordability for private renters (Haffner & Hulse 2021: 71). More advanced versions also include indicators for 'neighbourhood quality' (Walter & Wang 2016). Another approach, again by HUD, measures affordability through an index of housing supply that is affordable to households with different incomes. This has been further developed into indices that include also issues of availability and adequacy (Vandenbroucke, 2007).

Meanwhile, the so-called housing affordability index (HAI) is the ratio of median household income to the required income in order to make the mortgage payments to buy an average-priced house with a standard loan product. The index compares the average household's income to an 'ideal income level', which is high enough to purchase an average home. In contrast the housing opportunity index (HOI) is defined as the share of homes sold in an area that would have been affordable to a family earning the local median income. The housing opportunity index indicates what percentage of the homes in a given market the average household is able to buy with a standard loan product.

These different notions of housing affordability come with different strengths and weaknesses and thus areas of application. While the residual income approach might appear as the most nuanced, it is mostly applicable when working with large and very detailed survey data. However, analysis with a high level of spatial granularity is merely impossible with this approach. The reverse holds true for the ratio-approach, which is less sophisticated but can be implemented based on a combination of different data sources and most importantly, be achieved on a LAU level. Within the Pan-European mapping exercise, we thus draw on a ratio-approach to operationalize housing affordability at the local level.

Cross-Border Case Study

This case study explores the impact of cross-border housing and labor markets between Luxembourg and its neighboring regions in Belgium, France, and Germany. Due to free movement within the EU and large populations in border areas, housing markets transcend national boundaries, causing affordability challenges from differing incomes, housing supplies, and living costs.

Luxembourg, with the EU's highest wages and housing prices, attracts many cross-border commuters, creating spillover effects. Workers earning Luxembourg incomes can afford significantly more living space in neighboring countries than locals, especially near the French and German borders. These spillovers particularly strain rental markets, where local renters in border regions often afford less space than those living and working inside Luxembourg.

While Belgian border areas show weaker spillover impacts, the French-Luxembourg rental market faces pronounced affordability issues. The study emphasizes the need to analyze housing markets beyond national borders to fully understand cross-border dynamics and related affordability pressures.

Inspired by the literature, however we further include additional costs such as taxes and fees but most importantly costs related to a standard mortgage product into the equation. We generally consider one third of one's disposable income as an appropriate threshold, however, several indicators are available on a continuous scale and may thus be interpreted with respect to any threshold.

3.2 How Is Affordability Defined From a Policy Perspective

Both researchers as well as a variety housing market actors are keen to measure housing affordability on various levels Meanwhile, policy makers are tasked to deliver affordable housing, however the connotation of the terms typically deviates from the previous discussion. In policy terms, the concept of housing affordability is often associated with social housing and affordable housing. Through the analysis of policy definitions at national level carried out within the ESPON European Housing Policy Compendium, we find the lines between the two concepts are often blurred, and both the terms 'social' and 'affordable' housing are in reality rarely used or clearly defined as such in legal or even policy documents, and they should be understood as shortcuts to refer to different policy measures and schemes.

This variety reflects a real diversity of models for social housing delivery across Europe with different actors involved (local authorities, public bodies and entities but also a range of private not for profit or limited-profit organisations) and catering to different target groups. Separating the concept of social and affordable housing seems artificial in cases where there is a well-established and regulated not for profit sector with a relatively broad range of users (such as for instance in Austria, Denmark or the Netherlands, analysed as part of the case studies).

However, and increasingly at European level, the term affordable housing is increasingly used to refer to programmes offering incentives to produce housing at lower than market – but higher than social – rents. Some of these programmes however do not include considerations of housing affordability in terms of housing costs to income, with the risk of tensions between objectives and actual outcomes. While this may happen with little consideration of whether the results are really affordable or not.

3.2.1 Housing Quality and Adequacy

Even if it is one of the key priorities in most European countries, delivering affordable housing is not the only aim for policy makers, though. Housing may be affordable but of low quality, thus not considered adequate and vice versa. Particularly in the Baltic countries this one of the most pressing challenges in relation to housing.

Similarly, to housing affordability, various definitions of adequate and quality housing are available. mainly stemming from international organisations. When it comes to the quality of housing, we tend to adopt the definition of housing of an adequate standard from ECSR. Accordingly, a dwelling must be safe from a sanitation and health perspective, it should not overcrowd and should provide secure tenure protected in law.

These international volunteer commitments do not, however, come with a set of measurable indicators. From this perspective, some physical conditions such as basic amenities are strictly linked to the dwelling itself, while other aspects such as overcrowding are linked to its use. Issues such as legal protection protections can only be evaluated through analysis of policies and regulations.

At the level of the single countries, we find a range of situations. A majority of countries have not adopted a clear legal definition; they do however enforce - to different extents - building codes or tenancy laws that ensure habitability. Where definitions exist, they typically include safety, sanitation, privacy, space, access to utilities, and sometimes affordability and accessibility for groups in vulnerable situations.

With regards to the latter, creating adequate housing for these groups is not an easy task and requires knowledge of relevant market segments and mechanisms. The term vulnerable groups itself is multifaceted. In relation to housing, the term broadly refers to social groups that are (1) suffering from homelessness, (2) are at risk of becoming homeless, (3) are confronted with inadequate housing conditions.

3.2.2 Groups in Vulnerable Situations

Even if the majority of people are provided with affordable and adequate housing, challenges may exist with respect to particularly vulnerable groups. Hence, defining target groups for policy intervention is a key task.

Different population groups can be considered to be in vulnerable situations that call for specific measures or prioritizing them in the context of housing policy programmes. Countries analysed identify a variety of 'groups in vulnerable situations', often including for instance the Roma population, migrants and refugees. From the point of view of different age groups, often either or both elderly and youth are included, not necessarily in combination with other criteria such as low incomes.

Overall, low-income households and homeless people are the two most commonly recognized groups in vulnerable situations across countries. Both categories however have far from harmonised definitions. Within the EU, many countries adopt the European Typology of Homelessness and Housing Exclusion (ETHOS) framework, which provides a shared language for identifying and comparing homelessness and allow to categorise definitions at national level from narrower to broader.

Box 2: What is Affordable and Quality Housing?

Key Findings - What is Affordable and Quality Housing?

- Several ways to measure housing affordability exist in the literature. The most common are the income ratio- and the residual income approach. Considering additional factors such as mortgage and energy costs but also housing quality and transportation are recommended by the literature.
- The *ESPON HOUSE4ALL* project operationalised sales affordability through the number of expected mortgage years on an average income considering prices, income and financing costs. Affordability in the private rental market is measured by the share of income required to rent a standardized apartment. Generally spending a third of a person's income on either mortgage or rent is considered as the affordability threshold.
- In policy, 'affordable housing' and 'social housing' are often used interchangeably and refer to different schemes aimed at helping specific population groups, implemented by public authorities, non-profits, or regulated private actors. In countries like Austria, Denmark, and the Netherlands, the line between social and affordable housing blurs, with well-established non-profit housing sectors serving diverse users.
- Across Europe, 'affordable housing' now often refers to programs that aim to keep rents below market rates—but not necessarily low enough to be considered truly affordable based on income. This can create a mismatch between intent and outcome.
- Adequate and Quality Housing, as defined by the European Committee of Social Rights, means a home that's safe, healthy, not overcrowded, and legally secure.
- While global commitments call for quality housing, they rarely come with measurable benchmarks. National laws vary. Most countries don't define "adequate housing" legally but enforce building standards or tenancy laws that ensure basic habitability—safety, sanitation, space, privacy, and access to utilities. Some also address affordability and accessibility for groups in vulnerable situations.
- Groups in vulnerable situations typically include the homeless, those at risk of homelessness, and people living in poor conditions. Definitions vary, but common groups include low-income households, migrants, Roma communities, refugees, youth, single parents and the elderly.

4 What is Driving Housing (Un-) Affordability

According to Knoll et al. (2017) real housing prices across many advanced economies remained relatively stable from the 19th to the mid-20th century but surged significantly in the latter half of the 20th century, with notable variation across countries. Thus, many authors (e.g., Wetzstein, 2017, Galster & Lee, 2021; Barenstein et al. 2022) and institutions (e.g., OECD, 2021; Eurofound, 2023) have begun to discuss these developments under the term crisis of (urban) housing affordability. Notably, the crisis does not only affect poor and disadvantaged households, but extends to the middle class (OECD, 2021).

Wetzstein (2017) argues, that the housing affordability crisis, i.e. the fact that housing-related household expenses are rising way faster than labour income, is due to at least three global post-Global Financial Crisis (GFC) mega-trends. First, Accelerated Urbanization of Capital and People referring to a significant influx of both financial investments and populations into urban centres. This surge has intensified competition for housing, driving up property values and rents beyond the reach of many residents. Second, the Provision of Cheap Credit has enabled more individuals and investors to enter the housing market. While this can stimulate economic activity, it also increases demand for housing, leading to higher prices and potential market speculation. Third, the Rise of Intra-Society Inequality which means that while some individuals can afford escalating housing costs, a significant portion of the population faces increased financial stress and housing insecurity. This widening gap exacerbates social inequalities and contributes to the affordability crisis.

However, key drivers may also differ between countries and across time. For example, Muellbauer & Murphy (2008) highlight that UK house prices are influenced by factors such as income, the housing stock, demographic trends, credit availability, interest rates, and past price appreciation, with the latter potentially contributing to price overshooting. In contrast, there is less evidence on the factors driving new construction, although planning constraints are widely recognized as a key issue and a major contributor to the UK's housing affordability challenges. Meanwhile, analysis of Asal (2018) indicates that Sweden's housing price boom has been primarily driven by three key factors. First, highly expansionary monetary policies, including exceptionally low policy interest rates and rapid mortgage credit growth, have played a significant role. Second, structural factors such as housing supply constraints, tax policy changes that have incentivized homeownership, and tax benefits that have kept amortization rates low have further contributed to rising prices. Third, Sweden's improved economic competitiveness, supported by a weak krona and a lower inflation rate relative to other countries, has also been a driving force. In contrast, Coskun (2023) finds the Turkish housing affordability crisis to be mainly driven by credit expansion, rent and construction costs. Based on a study of 15 European countries Melecky & Paksi (2024) highlight the role of demand sided determinants such as GDP, unemployment, wage and population growth as key drivers of real housing price increases but also suggest that financial developments also significantly affect housing prices. While also confirming the importance of these drivers, Égert & Mihaljek (2007) observed that housing prices in CEE countries reacted much stronger to interest rates and real wages while responding less to credit growth than other OECD countries.

Already this short review of the literature highlights the variety of explanations of what is driving the current housing affordability crisis in Europe. While some authors try to understand the macroeconomic mechanisms impacting housing markets, others highlight the role of wider societal inequalities and the role of state in mediating socio-economic conflicts. Furthermore, financialization and global urbanization processes are also among the potential causes, just to name a few of the mentioned drivers. While all the contributions are able to make a plausible claim with respect to the processes behind the current housing tensions, they argue from very different perspectives, using diverging concepts and abstraction levels. This makes it quite difficult to compare and evaluate or even them against each other using empirical data. However, the *ESPON HOUSE4ALL* project may help to achieve some progress by providing comparable data and a joint discussion of the various drivers mentioned across literatures. Hence, we proceed by integrating the various drivers of housing (un)affordability within a common framework by combining standard economic arguments of supply and demand shifts with actor centric perspectives and crucially a spatial perspective.

4.1 Demand Sided Drivers of Housing Costs and Affordability

We will start the investigation with a focus on factors primarily affecting housing costs and affordability by altering the demand for housing. Demographic changes are one of the most obvious and frequently mentioned drivers of housing demand and thus prices (e.g., Lee et al., 2022; Muellbauer & Murphy, 2008). The two key variable with respect to demographic change are population growth and household size as they determine the expected number of housing units required to satisfy immediate housing needs. Key factors impacting these demographic changes are of course fertility rates but also internal and external migration. Particularly the latter have been put into focus over the last years as the Russian invasion of Ukraine triggered one of the largest migration waves in Europe, enhancing existing affordability problems in the urban housing market of Poland (Orchowska, 2024) and Germany (Hegedüs et al., 2023).

The housing market may also be affected by the different size of different cohorts, as this causes fluctuations in the housing demand. The increasing delay in starting a family and having children also affects families' propensity to buy housing, however, the unaffordability of housing is at the same time increasingly forcing young people to move into rented accommodation and even to rely on their parents for longer periods (Ronald, 2018). Additionally, intergenerational transfers also play a very important role in housing inequality due to rising house prices, and its role is even greater in housing systems where housing finance is underdeveloped (Cohen & Lewin-Epstein, 2021). Ultimately, we expect population growth to positively affect housing costs and thus decrease affordability while the opposite holds true for the household size. This is also backed up by the empirical literature (e.g., Melecky & Paksi 2024; Borowiecki, 2009, Anthony, 2018). Urbanisation, a particular version of population change, further exaggerates the effects of general household growth as it focuses a larger share of the housing demand (e.g., Wetzstein, 2017; Lozano-Gracia & Young, 2014) onto already condensed spaces, effectively altering the shape of the demand curve.

As market-based housing systems do not work based on the pure human need for shelter but the willingness and ability to pay for it, household purchasing power is a key factor determining (effective) housing demand and thus housing costs. Generally, more affluent households will spend more of their income on housing in absolute terms but typically less in relative terms. Thus, housing costs are expected to rise with increasing household income, however, affordability is likely to increase as well. The empirical literature often utilizes various proxy variables such as GDP, wages or unemployment, but tends to find significantly positive effects on housing prices (e.g., Melecky & Paksi, 2024; Maynou et al., 2021).

Most households are not able to outright finance the purchase of a home, even if they are in a high-income bracket. Thus, access to a mortgage and financing costs are two key drivers of housing costs and affordability. Hence, mortgage costs are a key determinant of housing costs in the owner-occupied segment. While higher mortgage rates directly increase housing costs and lower affordability, pricing out potential buyers may also lower demand which potentially offsets some of the effect (e.g., Richter & Zhou, 2024). Generally, the accessibility of mortgages is considered key driver of housing affordability. With lower rates but also looser regulations, more households will be able to become homeowners and thus increase both housing prices and thereby decrease affordability for other buyers. The impact of access to credit have been widely studied and typically shown to increase housing prices (e.g., Asal, 2018; Melecky & Paksi, 2024; Maynou et al., 2021, Vogiazas & Alexiou, 2017). It needs to be pointed out, though, that the opposite effects might be observable on the rental market, where demand is expected to decline accordingly. However, to the best of our knowledge there is no empirical study of said trade-off.

Touristification Case Study

This case study examines a bottom-up, temporary rent-free social housing programme in Como, Italy, developed in response to the region's severe affordability crisis driven by tourism and short-term rental demand.

In a context of limited rental housing and underfunded public social housing, this innovative programme—led by non-profit providers and backed by municipal social-assistance services—offers flexible, cost-free housing for 6 to 18 months, alongside personalised social and economic support. It represents a shift toward 'social housing as a service', aligning with Lombardy's housing legislation promoting integrated assistance.

While budgetary constraints limit its scale and long-term impact, the initiative successfully overcomes many limitations of traditional public housing, such as restrictive eligibility, long waiting lists, and inflexible tenures. The programme provides vulnerable households with the time and support needed to regain housing independence.

Though small in scope, Como's approach offers a promising model for mid-sized cities seeking to link housing provision with social inclusion strategies.

So far, we have only considered demand for housing units based on the human need for shelter, however, real estate also provides an attractive investment opportunity. Particularly the inelasticity (i.e. slow tendency to react) of the supply makes betting on long term appreciation of real estate a gamble a lot of investors, but also private households are willing to take. While history has certainly thought us that house prices can indeed fall and even drag the global economy down with them, it is also true that house prices have shown a tendency to grow faster than inflation for over halve a decade (e.g., Knoll et al., 2017). Thus, speculative demand has certainly increased housing prices and led to a decline in affordability. However, it is quite difficult to empirically differentiate between speculative investments and purchases to satisfy the need for housing, particularly since one's home may fulfill both aspects at the same time. One typical sign of emerging house price bubbles driven by speculative demand are high vacancy rates despite rising prices. This phenomenon is typically observed in overheating markets where rent-control is in place and has for example been observed in Spain during the early twothousands (e.g., Hoekstra, 2011). In any case, low interest rates and high liquidity, have been shown to spur house price increases (e.g., Muellbauer & Murphy, 2008, Asal, 2018; Coskun, 2023) while high borrowing and opportunity costs in term of long-term interest rates have the opposite effect (e.g., Melecky & Paksi, 2024). Thus, monetary policy is a key factor in controlling or spurring speculative demand for housing.

While financial markets play a crucial role in facilitating housing production and consumption, financial institutions have increasingly become active actors on housing markets across the globe in their own right. This is typically discussed under the term 'housing financialization' which vaguely refers to the increasingly dominant role of financial actors, institutions and practices on housing markets (e.g., Aalbers, 2017, Fernandez & Aalbers, 2016). This includes private-equity firms, Real Estate Investment Trusts (REITS), (alternative) asset managers and other institutional investors purchasing large amounts of existing housing real estate, typically through highly leveraged buyouts (e.g., Wijburg & Aalbers, 2017; Christophers, 2022). This has been observed quite prominently in Berlin, where investors were able to buy large stocks of former social housing units at cheap rates as part of a privatization policy (Metzger, 2020). While the business practices of these investors vary, they typically focus on earning a return on their investment through 'buy-fix-sell' strategies and turnover of the housing units rather than construction of new dwellings (Gabor & Kohl, 2022, Metzger, 2020). Hence, raising the price of housing is an integral part of this business strategy. Over the last years, however, institutional investors frequently switched more long-term strategies, trying to earn their returns through actual operation of rental housing real estate (e.g., Fuller, 2021). Implementing either rent increases cutting maintenance costs are only two of several commonly employed strategies (Nethercote, 2020). A commonality across the various business practices is that they allow 'mainstream savers' to gain exposure to rental housing (Fuller, 2021), thereby pumping additional liquidity into the market while contributing little to additional supply. In combination, we thus expect a positive effect on housing costs followed by a decline in affordability. A recent study by Banti & Phylaktis (2024) indeed found REIT investments to drive price increases of multi-family real estate based on data from 57 cities across 15 countries. It needs to be emphasised, though that many of named strategies such as flipping housing real estate for short term gains or highly leveraged buyouts are by no means exclusively used by large institutional investors but also on a smaller scale by local actors.

Finally, another frequently discussed topic is the impact of tourism on housing affordability. While traditional hotels pose a certain competition for residential use, the massive rise of short-term rentals (STRs) offered via platforms such as Airbnb has radically increased the detrimental impact on affordability. According to Eurostat (2024), 718,984,723 guest nights were spent at short-stay accommodation offered via collaborative economy platforms across the EU in 2023 alone. Empirical studies show that the additional demand facilitated through these platforms significantly increase both rents and house prices (e.g., Garcia-López et al. 2020; Barron et al., 2021). A similar, though less prominent debate revolves around second homes bought for recreational purposes often located in coastal or mountainous areas. While it is quite obvious that the effect of second homes should have a similar effect to STRs, there is less empirical literature studying the impacts. However, see Cho et al. (2023) who provide evidence for a housing price increasing effect obtained in the US.

Table 4: Demand Sided Drivers of Housing Costs and Affordability

Driver	Key Variables	Expected Short-Term Effect on Housing Costs	Expected Short-Term Effect on Housing Affordability
Demographic Change	Population Growth - Fertility - Internal Migration - External Migration	+	-
	Household Size - Marital Status - Age Distribution	-	+
Urbanisation	Share of Urban Population	+	- / ~
Purchasing Power	Household Income	+	+
Access to Credit	Share of Households with Mortgage	+	-
	Mortgage Costs	+ / ~	- / ~
	Turnover Rates	+	-
Speculation on Asset Appreciation	Ownership Rates of Institutional Investors	+	-
	Vacancy Rates (in Strong Markets)	+	-
	Share of Non-owner-occupied Mortgages	+	-
Tourism	Short Term Rentals	+	-
	Second Homes	+	-

Note: + suggests an expected rise of the specified metric which has opposite implications with respect to costs and affordability as high costs lead to low affordability. The opposite holds true for -, whereas ~ suggests the net short-term effect is unclear. Own elaboration.

4.2 Supply Sided Drivers of Housing Costs and Affordability

As Melecky & Paksi (2024) rightfully point out, supply sided drivers of housing prices (and subsequently affordability) are often neglected in empirical research as data availability is often an issue. However, also from a theoretical perspective the limited availability of land and the lengthy process of completing new construction contribute to the rigidity of the housing market's supply side. Given the extended timeframe required to for the supply to adjust, the connection between housing prices and construction costs may not always be apparent. As a result, this relationship is often omitted, with most theoretical and empirical studies primarily focusing on demand-side factors (Maynou et al., 2021). At the same time, the supply rigidities are amongst the key factors to understand the recent housing affordability crisis (Lee et al. 2022).

The first thing that springs to mind when discussing the supply of housing is the construction sector. Especially rising input costs, such as construction material, energy, equipment and labor costs, play an important role in driving the price of housing construction and thus future housing costs. While increasing input costs generally translate to lower affordability, the effect of labor costs may be twofold, as it affects both the numerator and the denominator when computing the affordability metric.

This otherwise straightforward relationship is also confirmed empirically (e.g., Melecky & Paksi, 2024). Figures from Eurostat (2025a) show that construction costs in the EU have been steadily rising over the last decades but show a pronounced spike after the COVID19 pandemic. Another key argument can be made is with respect to productivity of the housing construction sectors of advanced economies, which typically saw drastic declines in the latter stages of the 20th century (e.g., Productivity Commission, 2025, Goolsbee & Syverson, 2023), very much coinciding with the observed increases in real housing prices (e.g., Knoll et al. 2017). According to D'Amico (2024) low productivity in housing construction is largely due to increasingly strict project level land-use regulations as they both reduce firm size and incentives to invest in technological innovation. However, technological progress has been also very low and despite various efforts by the construction sector, measurable industry-wide productivity improvements are yet to materialize, particularly in Europe and other advanced economies (Mischke et al. 2024).

The typical response to housing shortages across the political spectrum is to increase the supply of new housing units. However, from an environmental standpoint, there is an urgent need to decarbonize the housing sector while minimizing land and resource consumption. This apparent contradiction could be addressed by optimizing the use of under-occupied dwellings. Nevertheless, new construction is not the only source of housing supply. On the contrary the rigidities of the housing market largely come from the durability of housing, i.e. the fact that new production makes up a tiny share of the supply when compared to the existing housing stock (Galster, 1996). Thus, the relationship between the amount of existing housing units relative to the number of current residents is one of the most essential factors influencing housing prices and affordability. However, one which is determined by past events and policies and thus virtually impossible to change in the short term.

As existing stock is not always supplied on the housing market, particularly if other market interventions such as rent control are already in place (e.g., Segú, 2020) thus mobilizing vacant units is one option to increase supply in the short run. Housing stock which does not meet the minimum standards of housing adequacy due to progressing depreciation also constitutes a relevant supply-reserve which may be activated through housing policy, particularly renovation subsidies (e.g., Kährik & Gončarovs, 2025).

Nonetheless, the arguably most important supply constraint which differentiates housing markets from other basic consumption goods is its spatial immobility (Galster, 1996) and thus direct dependence on land availability. Although, scarcity is central feature of any commodity, additional land obviously cannot be produced (expect with enormous costs) at a relevant scale. Thus, density levels, which are due to either physical restrictions (e.g. in mountainous or coastal areas) or preexisting built environment, are a key driver of housing costs and unaffordability. As land supply is very much inelastic, in many cases the only available option is redensification which becomes increasingly expensive with preexisting density levels. While urban sprawl is of course another possibility where preexisting conditions allow it, however, this typically comes with increases infrastructure and transportation costs. There is wide agreement regarding the central position of land availability and subsequently costs with respect to the current housing affordability crisis (e.g., Wetzstein, 2017; Lee et al. 2022, Knoll. 2017). According to Knoll et al. (2017) the primary driver of the housing price boom since World War II has indeed been rising land prices, which they estimate to account for approximately 80% of real price increases. Nevertheless, also sparsely populated areas do exhibit housing challenges, although of a different kind (see case study on housing challenges in shrinking regions).

On top of the natural and built environment, regulatory restrictions in terms of building and zoning restrictions also constitute key limitations to the availability of land.

Rent Control Case Study

This case study examines rent control in Cologne, Germany, focusing on its effectiveness in addressing housing affordability. Germany's framework includes the Rent Cap, limiting rent increases within existing tenancies, and the Rent Brake, which caps rents for new leases in pressured markets.

However, enforcement in Cologne is weak, as it depends on tenants initiating legal action—often hindered by housing scarcity, legal complexity, and lack of awareness. Landlords frequently exploit loopholes through short-term contracts, excessive furnishing charges, or alternative lease formats.

While rent control helps limit displacement and rent hikes, it also risks reducing housing quality, mobility, and supply efficiency. In Cologne, high demand and declining subsidized housing have intensified affordability pressures, especially for newcomers.

Reforms are needed to strengthen enforcement, ensure transparency, and balance legal certainty for both tenants and landlords. However, rent control alone is insufficient; boosting affordable housing supply through social housing, planning tools, and innovative measures like home-swapping platforms is essential.

While these are key instrument for sustainable and efficient land use, they nonetheless limit the availability of land and thus housing supply which has the potential to further deteriorates housing affordability. Stacy et al. (2023) show that reforms which loosen restrictions are associated with a significant increase in housing supply. This increase, however, mainly occurs for units at the higher end of the rent distribution. Meanwhile, the authors find no evidence according to which more cheap units become available in the years following reforms. Reforms which increase land-use restrictions and subsequently lower allowed density levels are associated with increased median rents and a reduction in units affordable to middle-income renters. According to a study by Landis & Reina (2021) stronger land use regulations at the metropolitan level are consistently linked to higher home values and rents. This association is particularly pronounced in regions with higher payroll-per-worker and strong job growth, while it is minimal in economically struggling areas. However, the relationship between housing construction activity and price levels is highly variable, indicating no uniform link between new housing supply and local housing costs. Notably, from 2005 to 2016, home values and rents did not rise faster in highly regulated areas than in less regulated ones; instead, growth was more closely tied to employment and payroll trends. The authors thus argue that relaxing land use restrictions could improve housing affordability, particularly in high-cost areas, these effects are more likely to manifest as slower price growth rather than immediate reductions.

Table 5: Supply Sided Drivers of Housing Costs and Affordability

Driver	Key Variables	Expected Short-Term Effect on Housing Costs	Expected Short-Term Effect on Housing Affordability
Construction Sector	Construction Sector Productivity	-	+
	Construction Costs	+	-
	- Materials		
	- Energy		
	- Equipment		
	- Labor	+	~
Housing Stock	Existing Housing Stock	-	+
	- Housing Units per Capita		
	- Depreciation & Renovation Requirements		
	- Vacancy rates		
Land Availability	Density Levels	+	-
	- Built Environment		
	- Natural Restrictions		
	Regulatory Restrictions	+	-
	- Building Restrictions		
	- Zoning		

Note: + suggests an expected rise of the specified metric which has opposite implications with respect to costs and affordability as high costs lead to low affordability. The opposite holds true for -, whereas ~ suggests the net short-term effect is unclear. Own elaboration.

4.3 Housing Policy as Drivers of Housing (Un)Affordability

Supply and demand as well as their restrictions drive housing affordability outcomes, housing policies crucially shape and interfere with these factors, also often in unintended ways.

First, we wanted to have a quick look at rent control policies. Although rent control aims to ensure affordable housing for tenants, it is also linked to various unintended consequences, including impacts on prices, supply, and quality, as well as broader socioeconomic and demographic effects. A recent meta-study by Kholodilin (2024) shows, that rent control typically increases affordability in the rent-controlled segment of the housing market but tends to increase prices in the uncontrolled segment. Beside their intended effect on rents, rent control also tends to dampen house prices for homeowners. However, supply is often reduced which can exaggerate existing housing shortages.

Second, taxation of housing is another key area of housing policy directly affecting housing costs. The most commonly employed taxation schemes are real estate transfer taxes which typically apply to transfers between natural persons and VAT which in most European countries applies if a housing unit is purchased directly from a developer. Both types of taxes immediately increase the cost of housing and thus need to be included when estimating housing affordability. Reoccurring residential property taxation (RRPT) are another common form of fiscal policy negatively impacting housing affordability. However, according to Leodolter et al. (2022) well-designed RRPTs can be an important element of the tax mix able to foster growth, combat inequality and contribute to the green transition. Nevertheless, tax revenues from recurrent property taxes are low in EU Member States, according to the authors. In a recent study, Horten et al. (2024) explore property tax reductions as a strategy to enhance housing affordability. Examining different tax reduction policies reveals a complex interplay between affordability and taxation, with varying impacts across demographic groups. Interestingly, in many cases, these policies do not effectively improve affordability for young first-time homebuyers and renters and may even exacerbate affordability challenges. Many advanced economies, real estate is not only taxed, but they also grant tax relief on mortgage interest payments to make homeownership more attractive and allegedly affordable. While Mortgage interest deductibility (MID) apparently reduces existing housing costs, it also incentivizes to borrow more and purchase more expensive housing (Geng, 2018). An increasingly popular tool to activate unsupplied housing stock and incentivise renovation of depreciated housing units are vacancy taxes. These often target owners speculating on housing price increases as well as in some cases owners of second homes. However, so far there is little empirical evidence on the effectiveness of vacancy taxes. In a notable exception, Segu (2020) provides a study on the impact of vacancy taxation on French housing markets. She finds that the vacancy tax decreased vacancy rates by 13% and that the tax was especially effective in reducing long-term vacancies. Although, the study did not explicitly test for affordability outcomes, it is likely that the increase in housing supply had a positive allover impact on housing affordability.

Third, housing subsidies are another widespread type of housing policy which can take the form of demand-sided subsidies (i.e. housing allowances) or supply-sided subsidies (i.e. building subsidisation). Although very common across the whole of Europe (see Housing Policy Compendium), housing allowances, especially if not properly targeted, are in danger of simply being passed on to landlords and thus actually raising the price level instead of supporting affordability. Although, subsidies will typically not be passed on one to one, they nonetheless are widely considered as an inefficient tool to achieve wider housing affordability. Empirical findings by Vien (2013) suggest that between a third to halve of the housing allowances paid by the Finnish state are directly passed on to landlords.

Housing Allowances Case Study

This case study examines the shift in Finnish housing policy from supply-side support for social housing to demand-side subsidies via housing allowances, followed by significant cuts to these allowances.

The cuts aim to reduce public spending amid economic constraints and ideological shifts. Analysis of Helsinki and Turku shows that housing allowances have limited influence on landlord rent-setting decisions, which depend more on broader market conditions. Thus, housing prices are unlikely to be reduced in the short term, independent of policy shifts in an under-supplied market – in the long run cuts in housing allowances may imply slower rise in housing prices.

Private landlords generally support targeted benefits and market deregulation, while social housing advocates stress the need for both housing allowances and social housing to ensure affordable housing, especially in growing urban areas.

The allowance cuts increase financial strain on low-income households, risk urban exclusion, and raise homelessness. The study concludes that integrating housing policy with wider social and economic policies is essential to address affordability sustainably.

Meanwhile we do not observe a continuous relationship between rent setting and housing allowances. However, Braakmann & McDonald (2020) observed falling property prices in England after cuts in rental subsidies but also increased relocation of benefit recipients.

Nonetheless, economists are traditionally inclined to favour direct subsidies to households (e.g., Rosen, 1938). However, when intervention such rent control, land use zoning or environmental regulation are in place, supply-sided subsidies may be the more efficient option (Wieser & Mundt, 2014). Furthermore, supply sided subsidies have the advantage that they can be utilized to lower housing costs across tenures, supporting both private as well as social housing provision. If well designed, this can even be achieved in a fiscally neutral way (see for example the Austrian model of housing subsidisation documented in the Austrian country fiche) without indirectly financing landlords. Housing subsidies can further be spent in the form of mortgage subsidisation, which ultimately is another form of the previously discussed MID.

Fourth, social and affordable housing provision is the last cornerstone of housing policy to be discussed (see the Housing Policy Compendium for an in-depth discussion of different concepts of social and affordable housing). The obvious advantage of social housing in terms of affordability is the ability to offer housing at below market rents. However, the construction, maintenance and administration thus have to be financed through other means, typically notoriously short government budgets. Thus, after decades of neoliberal policy and welfare state retrenchment (Lee et al., 2022) capacities have been cut short across most European countries as social housing provision has been under pressure from privatization (Bernt et al., 2017; Hegedus et al., 2013), financialization (Wijburg and Aalbers, 2017) and wider processes of residualization (Angel, 2023). However, the recent housing affordability crisis has led to a renewed interest in social and affordable housing models. While social housing programmes of some sorts exist in most countries, there are two very distinct models of social housing provision.

According to Kemeny (1995) the term dualist rental systems is used to describe housing systems which are characterized by a fairly small social housing sector with strict means testing and close state control. Their goal is to provide housing for those who simply cannot afford to pay a market rent. Meanwhile, within integrated rental markets, non-profit housing providers are encouraged to compete with for-profit landlords by the regulatory setting. Although unitary rental systems are less targeted and may therefore be seen as less efficient, their potential price-dampening effect on the private rental market is noteworthy. While for-profit providers must charge rents that cover both debt interest and a market return on equity, non-profit providers can set rents that only cover costs, as they are not driven by profit. As a result, for a given equity-to-market-value ratio—an indicator of financial stability—non-/limited-profit housing providers face lower financial costs. Given similar levels of maturation, they should be able to offer lower rents than private landlords (Kemeny et al., 2005). If entry barriers are not overly restrictive, these providers could attract more tenants, pressuring private landlords to adjust and lower rents. However, this spillover effect depends on several factors, including broad accessibility for diverse tenant groups and a well-distributed housing stock that matches private market standards in terms of location, size, and quality. Whilst Kemeny was overoptimistic about the spread of the integrated market model (Stephens, 2020), there is indeed evidence of the price dampening effect on private rents associated with the model (e.g., Klien et al. 2023; Banabak, 2023). The *ESPON HOUSE4ALL* case study on social housing spillovers adds to this body of evidence, studying the relationship between private rents and social housing provision in Austria, Denmark and the Netherlands. This of course comes on top of the already below market rents for the tenants living in the affordable housing units.

Table 6: Selected Housing Policies Affecting of Housing Costs and Affordability

Type of Policy	Key Variables	Expected Short-Term Effect on Housing Costs	Expected Short-Term Effect on Housing Affordability
Rent Control	House Prices in Controlled Tenure	-	+
	Rents in Price Controlled Tenure	-	+
	Rents in Uncontrolled Tenure	+	-
Taxation	Real Estate Transfer Tax / VAT	+	-
	Reoccurring Real Estate Taxes	+	-

Type of Policy	Key Variables	Expected Short-Term Effect on Housing Costs	Expected Short-Term Effect on Housing Afforda-bility
Housing Subsidies	Mortgage Interest Deductibility	- / ~	+ / ~
	Vacancy tax	-	+
	Housing Allowances	+	~
	Building Subsidies	-	+
	Mortgage Subsidisation	- / ~	+ / ~
Social/Affordable Housing	Share of Social Housing	-	+
	Accessibility/Openness	-	+
	Zoning for Social/Affordable Housing	-	+

Note: + suggests an expected rise of the specified metric which has opposite implications with respect to costs and affordability as high costs lead to low affordability. The opposite holds true for -, whereas ~ suggests the net short-term effect is unclear. Own elaboration.

5 Housing Policy Landscapes Across Europe

The previous chapters offered a reflection upon understandings of housing affordability and the fundamental drivers behind varying affordability observed across space and time. Next, we want to turn our attention towards the different kinds of policy responses that have been put in place as a response to existing housing challenges over the past decades. Furthermore, we will review the different kinds of governance structures in put in place to administer these housing policies across Europe based on the findings from the *European Housing Policy Compendium* and the *ESPON HOUSE4ALL Case Studies*.

5.1 Two Dominant Housing Policy Paradigm

In the last 30 - 40 years, after the quantity shortage in Western European countries, the housing policy programmes were based on two main paradigms. The 'Enabling Markets' approach treats housing as an economic good, focusing on creating efficient markets by reducing the rigidity of state intervention and the bureaucratic allocation of scarce resources (World Bank, 1993). In contrast, the 'Regulating Markets to Make Housing for All' model's starting point was that the housing problems is caused by the market failures which become clear after 2000, and especially in the GFC of 2008. This gave rise to a new paradigm that recognised the limits of market solutions and the need for stronger state intervention. Countries with underdeveloped markets need the 'Enabling Market' approach in housing finance and in the private rental sector. For example, the market institutions necessary for an efficient and equitable housing sector have not developed in most CEE countries. Building these institutions remains an essential and urgent task for national governments and local authorities (Hegedüs et al 2017). However, the 'Regulating Market' mechanisms and programmes began to strengthen across Europe, shifting the focus from traditional social housing to broader affordable housing solutions.

In many respects, the housing privatisation policies of the 1980s, exemplified by the Thatcher government in the UK, were underpinned by the 'enabling market paradigm' promoted by the World Bank. The energy crisis of the 1970s, coupled with rising welfare expenditure and inflation, triggered economic crises that exposed perceived inefficiencies in state-led housing systems. Housing was characterised by strict regulatory controls, bureaucratic building standards, slow rent control reforms, and mortgage institutions isolated from capital markets.

The World Bank advocated reducing state intervention to enable markets to operate efficiently, arguing that most households could meet their housing needs through income from employment. In this view, state failure—rather than market failure—was the primary cause of housing problems. This approach gained traction as quantitative housing shortages in Western Europe were largely resolved by this period. It influenced national housing policies and shaped the EU's indirect housing interventions. While not rejecting social housing outright, this paradigm relegated its role to addressing the needs of a small group with very low incomes (Harloe, 1995). It is supported by institutions like the World Bank, IMF, and partially by the EU.

While the 'enabling markets' approach initially gained traction, particularly in new Eastern European states after the 1990s, aiming to build a functional market for viable countries, it became clear by the end of 1990s that this approach had not worked efficiently: the market institutions developed slowly, and the potential social (and affordable) housing stock disappeared. Moreover, two main developments have called the viability of this paradigm into question. First, market failures—including house prices and rents rising faster than household incomes—led to growing affordability problems, particularly in expanding and economically strong cities. Second, the income insecurity of middle-class households contributed to the rise of a vulnerable precariat. These factors fuelled housing affordability crises, compounded by vacant properties, price volatility, homelessness, and the shrinking rental supply in areas experiencing rapid tourism growth. The 'regulating market' paradigm promotes social housing and regulation, including rent controls, housing finance rules, and public-private cooperation. Supporting institutions include UN-Habitat, Housing Europe, Feantsa, OECD, and parts of the EU.

As mentioned above, key factors contributing to housing unaffordability after 2000 stem largely from market failures. Housing has increasingly been treated as an investment asset rather than a basic need. This shift has also driven up property prices significantly in recent years, making homeownership less accessible to large parts of the population.

In the meantime, short-term rental platforms like Airbnb and tourism in general grew, such as in the case of Como, which is in the central focus of the Case Study 'Addressing a Tourism-Led Rental Housing Crisis: Temporary Social Housing Policy in Como' (Belotti & Bricocoli, 2025). These have led to the withdrawal of many residential units from the long-term rental market, further increasing rental prices—especially in popular urban and tourist destinations. Lastly, land scarcity and high land prices present a critical challenge. In most countries, both the demand and supply of housing are concentrated in cities, where developable land is limited and increasingly expensive. This further drives up housing costs and pushes development—and people—further from urban centres.

Additionally, contrary to earlier expectations, a strong middle class capable of sustaining housing demand without public support did not emerge. Instead, rising inequalities and the growing insecurity of the middle class highlighted the need for greater state involvement (Scanlon et al., 2014; Hegedüs et al., 2016). Often referred to as the 'housing for all' [1] approach, this paradigm reflects political recognition of the affordable housing needs of not only the poorest, but also the lower-middle class.

Table 7: Two Dominating Housing Policy Paradigm

	"Enabling Markets" Approach	"Regulating Market to Make Housing for All"
The Challenge	State failures: overregulation, inefficient public solutions	Market failures: volatile housing market, vacant homes, homelessness
Economic and Social Structure	Stable structure, few low-income groups	Fluid structure, broad and vulnerable middle class ("precariat"), poor coexistence
Housing Policy Priorities	Housing is an economic good; policy should ensure efficient markets, separate social programs	Housing is a human right; policy should support market regulation and public-private integration
Weak/Critical Elements	Market failures: perverse incentives, weak institutions	Regulations may discourage investment; conflicting interests between income groups
Representative Institutions	World Bank, IMF, partially the EU	UN-Habitat, Housing Europe, OECD, Feantsa, partially the EU

Source: Hegedüs (2023)

Housing affordability problems in Europe affect not only those overburdened by housing costs (around 10% of households), but also large numbers of households experiencing hidden need: around 17% live in overcrowded dwellings, 4% in substandard housing, and nearly 50% of young adults (25–34) are unable to form independent households, often due to affordability constraints (Pape, 2025). Studies demonstrate that affordability problems affect a much larger share of the population when you include hidden measures like energy insufficiency, overcrowding, and inadequate housing conditions (Karpinska, and Śmiech, 2020). While there is an increasing focus on energy poverty, these dwellings are often characterised by an overall poor physical quality, not meeting European standards. Energy efficiency in a building by itself is often insufficient to solve underlying technical problems (Gerőházi et al., 2023).

The question is how society can deal with this affordability problem. One starting point is to compare the proportion of social housing with the proportion of people struggling with affordability. Across Europe, the proportion of social housing varies widely, averaging around 9% of the housing stock (Housing Europe, 2021). Consequently, there is a huge gap between the share of social housing and share of household with housing problems. It can be defined as the social and affordable housing gap.

European countries have experienced a widening social and affordability gap over the past two decades and have launched programmes to narrow this gap[2] (Housing Europe, 2021; OECD, 2020). One of the most important criteria for effective programmes is that public resources invested in social and affordable housing (subsidies, low-interest loans, tax breaks, land grants) remain in the sector that serves households that cannot afford market prices or rents in the long term. Countries that have not allowed state-subsidised housing stock to be transferred entirely into private hands through privatisation, rent-to-own schemes, or excessive homeownership subsidies are in a more advantageous position. In these countries, housing stock has remained in the hands of local authorities or various types of cooperatives, which do not necessarily provide social housing in the legal sense, but still offer affordable rents that are lower than market rents (Droste & Knorr-Siedow, 2014).

Other countries, however, have to come up with creative solutions. For instance, a part of the supply in private rental market can be used for social and affordable housing through different programmes like rent allowance schemes, social rental agencies – such as in the Hungarian case study (Kepes, 2025) and recently the different Housing First programmes, elaborated on in the case study focusing on the implementation of the Housing First in various countries (Belotti, 2025). One of the earliest tools used to narrow the affordability gap was rent subsidies, which helped to improve affordability in the private rental market. The Finnish case study presents the advantages and difficulties of housing allowance (Rautio & Lilius, 2025).

Rent regulation, intended to enhance affordability, embodies two opposing housing policy approaches. One prioritises tenant protection through rent control to limit displacement and improve affordability where markets fail (Kemeny, 1995; OECD, 2021). The other focuses on enabling flexible rental markets, arguing that rent control distorts markets, reduces supply, and discourages investment (World Bank, 1993; Whitehead, 2018). The Cologne case study demonstrates that rent control continues to be an important tool for preserving housing affordability in high-demand rental markets, as it helps curb landlords' market power and reduces the risk of tenant displacement. While it offers short-term protection for current tenants, it also brings potential downsides, including inefficient housing allocation, lower maintenance standards, and decreased residential mobility (Banabak et al., 2025).

There are several other innovative housing policy schemes to narrow the gap focusing on different target groups. One such policy involves using land policy to reduce housing costs, such as inclusionary housing and supported densification, which through the lower land cost makes the housing more affordable (Granath Hansson et al., 2024). This opportunity can be exploited primarily by countries where urban land is owned by the state or local municipalities (e.g. Sweden, Finland, Germany, Netherlands). Even municipalities with little land can compel or incentivise affordable housing delivery by linking building permission to affordable housing requirements; offering flexibility (e.g. higher densities, relaxed standards) conditional on affordable housing; using negotiated planning agreements. Inclusionary housing is weakest or absent in most New Member States, where planning obligations of this type are rare.

Additionally, broadening the target groups of housing programmes has become important. Instead of narrowly focusing only on the poorest, this allows for the creation of more inclusive programmes that address a wider segment of the population, who, through tenant contribution, can financially contribute to the cost of social and affordable housing. Following similar logic, raising the initial tenant contribution in social rental housing—which tenants later receive back—can also be beneficial. As this tenant contribution enters the system, it enables the construction of more affordable housing units. Controlled ownership and privatisation models are likewise designed to support affordable housing goals. An example for this is the Polish TBS model.

Housing First Case Study

The case study examines Housing First (HF) implementation in Croatia, Greece, Italy, Portugal, and Spain. HF prioritizes immediate access to permanent housing with tailored support, without preconditions like sobriety. While effective across Europe, HF in Southern Europe remains limited due to structural and policy barriers.

Programmes are largely led by local non-profits, shaped by familistic welfare regimes and housing systems dominated by homeownership. Challenges include a lack of affordable and social housing, limited welfare spending, and weak state involvement. Many projects deviate from HF's core principles, functioning more like transitional housing or targeting lower-need groups.

HF initiatives are unevenly distributed, mainly concentrated in urban areas, with peri-urban and high-pressure regions often underserved. Despite these obstacles, EU support through ESF+, ERDF, and the Recovery and Resilience Facility has enabled some progress.

Scaling up HF in Southern Europe requires stronger state engagement, increased housing supply, and funding to ensure fidelity to the model and broader impact.

Another important strategy is promoting intergenerational redistribution. For example, even after a mortgage of a new housing construction is paid off, rent levels may remain only slightly reduced. This surplus can then be used to support the rent of the next incoming generation, helping to ensure the long-term sustainability and affordability of cooperative housing. The Danish and Austrian cooperative models, which are otherwise very different in many respects, are based on this operating logic (Larsen, 2024; Vidal, 2019; Amann & Mundt, 2005). It is also crucial to support households who have savings but cannot afford to buy a home at full market prices. Their contributions can be used to help finance affordable housing, providing them with secure, non-market housing options. Programmes like Finland's "right of occupancy" system or the Netherlands' "smart buying" scheme are strong examples of this approach, but similar models can be found across Europe (Bergsten & Paulsson, 2023, Scanlon et al., 2014; Smeets & Dogge, 2007).

It is also important to note that significant differences exist between countries when it comes to housing challenges and policy responses. For instance, in Central and Eastern Europe, both the affordable and social housing sectors must be rebuilt simultaneously. This is due to the near-complete disappearance of public housing stock following widespread privatisation in the 1990s.

5.2 Multi-Level Governance

In recent years, housing governance across Europe has undergone significant transformation, reflecting broader shifts in public administration and urban policy. A notable trend is the decentralisation of responsibilities from national to regional and local authorities, allowing more tailored responses to housing needs. Concurrently, the role of non-governmental and private actors has expanded across both delivery and financing. Community-led innovations—cooperative housing, Community Land Trusts, participatory planning, and grassroots initiatives—have gained traction, especially in cities facing acute affordability issues. These developments coincide with new forms of public-private cooperation, including institutional partnerships, hybrid financing, and negotiated planning tools. Together, these changes are reshaping how housing is planned, financed, and managed, often blurring traditional boundaries between state, market, and civil society.

Many European countries maintain housing oversight through a dedicated ministry or a specialised national unit. Several countries have established public institutions to coordinate housing efforts. Sweden's Boverket leads on planning and regulation, while Slovenia and Slovakia rely on national housing funds to manage investments and subsidies. Poland's BGK and Norway's State Housing Bank combine financing, grants, and advisory roles (OECD, 2021; Krapp et al., 2020). These bodies aim to align funding and regulatory efforts across sectors.

Governance structures vary widely across Europe (Pittini et al., 2015; Krapp et al., 2020). While national governments generally set the legal framework, housing policy increasingly involves negotiation among public, private, and civil society actors. Subnational authorities and NGOs are active in both implementation and design, and many are active in experimenting with novel methods. Among others, in Germany, the contested Mietendeckel law in Berlin, which was later repealed, illustrates local-level efforts to expand regulatory powers (Hanh et al., 2020; OECD, 2021). In a similar vein Barcelona pursued inclusionary zoning and expropriation of vacant units (Ajuntament de Barcelona, 2023). The establishment of Community Land Trusts across Western Europe is used to secure long-term affordability via collective land ownership (Lang et al., 2020). In Central and Eastern Europe, post-socialist states are experimenting with new governance models to revive fragmented social housing sectors (HHI, 2016; Hegedüs, 2020). Overall, these shifts reflect a move away from top-down control towards pluralistic governance arrangements tailored to local conditions.

Based on the ESPON *European Housing Policy Compendium* and *ESPON HOUSE4ALL* case studies, European countries can be grouped into three broad governance types: centralised systems; decentralised systems with strong intergovernmental cooperation; and fragmented multi-level systems (Krapp et al., 2020; TENLAW, 2015; OECD, 2021; Czischke, 2009). These types are fluid, shaped by evolving decentralisation, public-private collaboration, and civil society roles.

Centralised systems concentrate key decisions—planning, regulation, funding—at the national level. Portugal's Ministry of Infrastructure and Housing leads on policy and construction regulation. In Greece, the Ministry of Labour and Social Security manages national housing strategy. France's Ministry for Ecological Transition and Territorial Cohesion, along with DGALN, handles affordability, planning, and social housing. Ireland's Department of Housing sets strategy, with local authorities implementing centrally funded programmes like Housing for All (OECD, 2021). While local actors manage stock and services, strategic control remains central.

Decentralised systems feature structured cooperation across government levels. Central governments provide legal and financial frameworks, while subnational actors lead implementation. Austria delegates subsidy management to provinces under federal tax and finance laws. Swedish municipalities oversee planning and provision, supported by national coordination. Finland and Denmark empower municipalities for non-profit housing, with national oversight. Finland's ARA dwellings follow cost-recovery principles, while Kela handles housing allowances. For Finland, the *ESPON HOUSE4ALL* case study also shows that state regulation intervenes to maintain affordability and limit profiteering from public housing (OECD, 2021). Germany and Spain's decentralisation stems from legal reforms, enabling local responsiveness within national parameters.

Finally, fragmented systems show unclear role divisions, weak coordination, and uneven implementation. Examples here include Hungary, where responsibilities are split among ministries, and the small public housing stock is underfunded and managed by the municipalities (Krapp et al., 2020; European Commission, 2018). Italy's regional framework also suffers from ad hoc cooperation and an unequal access to services (Belotti & Arbachi, 2021; Poggio & Boreiko, 2017). And finally, in Bulgaria and Romania the housing frameworks are outdated, and local capacity is low, leading to uneven delivery (Turcu, 2017; Krapp et al., 2020). All these cases show that decentralisation without coordination undermines policy effectiveness.

Housing governance is also dynamic, changing flexibly even within one system. Hungary illustrates this: while formal roles have remained over the years, municipalities have been engaged in innovation, although with constraints. For instance, as the Hungarian *ESPON HOUSE4ALL* case study demonstrates, housing agency models in the country vary locally in structure and focus. Some agencies are new bodies; others function within existing departments. Variation also exists in allocation and rent-setting. However, limited central support hampers scale-up. In contrast for example, in Poland the model is embedded within national support structures, showing how grassroots innovation can drive national change.

Portugal, though centralised, also shows evolving governance. The PER programme, launched in 1993 to eliminate informal settlements, transitioned from state-led to municipal control after Decree-Law No. 109/2018. Institutions like Porto Vivo SRU are now fully municipal. This highlights a broader pattern: national programs can evolve into decentralized models under administrative or urban pressures.

Housing First implementation also departs from national typologies, as showcased in the Housing First case study of *ESPON HOUSE4ALL*. In Northern and Central Europe (e.g., Finland, France, Austria), national governments lead these initiatives. In Southern Europe (e.g., Italy, Greece, Spain), NGOs and municipalities drive implementation. EU funding (ESF+, ERDF, Recovery Funds) - as spelt out in chapter 7.2 The European Union's Role in Defining the (Future) Housing Agenda- generally supports this diversity. Italy and Portugal reference Housing First in national plans, but operational control rests locally. NGOs, often central actors, work with municipalities to allocate scarce units and provide services, despite fragmented governance.

Rent control offers another lens into governance complexity. Though defined nationally, regional and municipal authorities often adapt or apply measures based on local conditions. Implementation varies widely and involves conflicting interests. The German rent control model – as shown in the ESPON HOUSE4ALL case study on Cologne - limits increases but contains numerous exceptions. Enforcement relies on tenants, who often lack resources to challenge violations. This enforcement gap, combined with regulatory ambiguity, weakens compliance. Municipal actors lack authority, and landlords exploit loopholes. Despite intent, listings routinely exceed limits. Without robust institutional coordination, rent control risks becoming symbolic.

Finally, the condominiums in new Member States also raise governance concerns, regarding how homeowner associations can be engaged and supported. *ESPON HOUSE4ALL* case studies from the Baltics and Slovakia reveal renovation challenges linked to owner cooperation and top-down regulatory limits. In Tallinn, disparities in renovation are linked to ethnicity and income. In Slovakia, owners sometimes lack resources and decision-making capacity for renovations. Policy frameworks, while technically sound, lack income targeting and can burden low-income groups. Lithuania's support is a rare exception, but even there the income threshold is set very low. Additionally, these programmes often boost property values and through this reduce affordability for newcomers, showing how poorly targeted regulation can worsen housing inequality.

Box 3: Housing Policy Landscapes Across Europe

Key Findings - Two Dominant Housing Policy Paradigm

- Since the 1980s, European housing policies have shifted between two paradigms: the Enabling Markets approach, which emphasizes market efficiency and minimal state intervention, and the Regulating Markets to Make Housing for All model, which emerged after 2000 in response to market failures and rising affordability crises.
- Increasing housing unaffordability across Europe is driven by market failures, including rising prices, rent inflation, income insecurity, and housing being treated as an investment asset. These pressures disproportionately affect not only low-income households but also the middle class and young adults.
- Efforts to narrow the affordability gap include social rental agencies, housing allowances, rent regulation, and land-use strategies like inclusionary zoning. Innovative solutions—such as cooperative housing, tenant contributions, controlled ownership, and intergenerational financing—aim to broaden target groups and sustain affordable housing supply, particularly in countries rebuilding their public housing sectors after mass privatization.
- European countries can be grouped into three broad governance types: centralised systems; decentralised systems with strong intergovernmental cooperation; and fragmented multi-level systems. These types are fluid, shaped by evolving decentralisation, public-private collaboration, and civil society roles. However, housing governance is also dynamic, changing flexibly even within one system.
- Many European countries maintain housing oversight through a dedicated ministry or a specialised national unit. Several countries have established public institutions to coordinate housing efforts. While national governments generally set the legal framework, housing policy increasingly involves negotiation among public, private, and civil society actors. Subnational authorities and NGOs are active in both implementation and design, and many are active in experimenting with novel methods

6 How Unaffordable is Housing in Europe?

The following section presents the main results from the Pan-European housing affordability mapping exercise. It discusses the spatial picture in terms of housing prices and affordability across local homeownership and rental markets. Furthermore, the relationship between the tenures is analysed and reflected upon.

6.1 Housing Prices Across Europe

Map 1 illustrates the average sales prices across Europe on an LAU level (Note that Portugal and Greece are displayed at the Municipal rather than the LAU level due to the small s. The highest and second-highest price categories, ranging from €2,500 to over €5,000 per square metre, are predominantly found in Switzerland, Ireland, Iceland, the Netherlands, Belgium, Germany, and Austria. In contrast, much of Portugal, Spain, and Italy fall into the mid-range categories, although rural regions and popular tourist destinations within these countries often show significantly higher prices. The Nordic countries display a notable disparity in housing prices, with generally lower prices in central areas and higher prices concentrated in both the southern and northern regions. While Eastern European countries typically show lower average sales prices, there are notable exceptions: Greece, for instance, exhibits relatively high prices in several areas.

Map 2 presents an overview of private rents across the ESPON space, again at the LAU level. Switzerland once more stands out with some of the highest rental costs, closely followed by the Netherlands and Ireland. Elevated rental prices are also observed in southern Portugal and across many regions of Austria. In contrast, more affordable rental markets are found in Eastern Germany, parts of Spain and Italy, as well as in several areas of Eastern Europe and the Baltic States.

While maps of sales and rental prices offer valuable insights into regional housing markets, they do not fully capture the question of affordability. High prices do not necessarily indicate unaffordability if local incomes are also high, just as low prices may still be out of reach in areas with lower wages. To understand housing pressures more accurately, it is essential to consider the relationship between housing costs and household income, as this determines whether people can realistically afford to rent or buy homes in their regions.

A Cautious Disclaimer

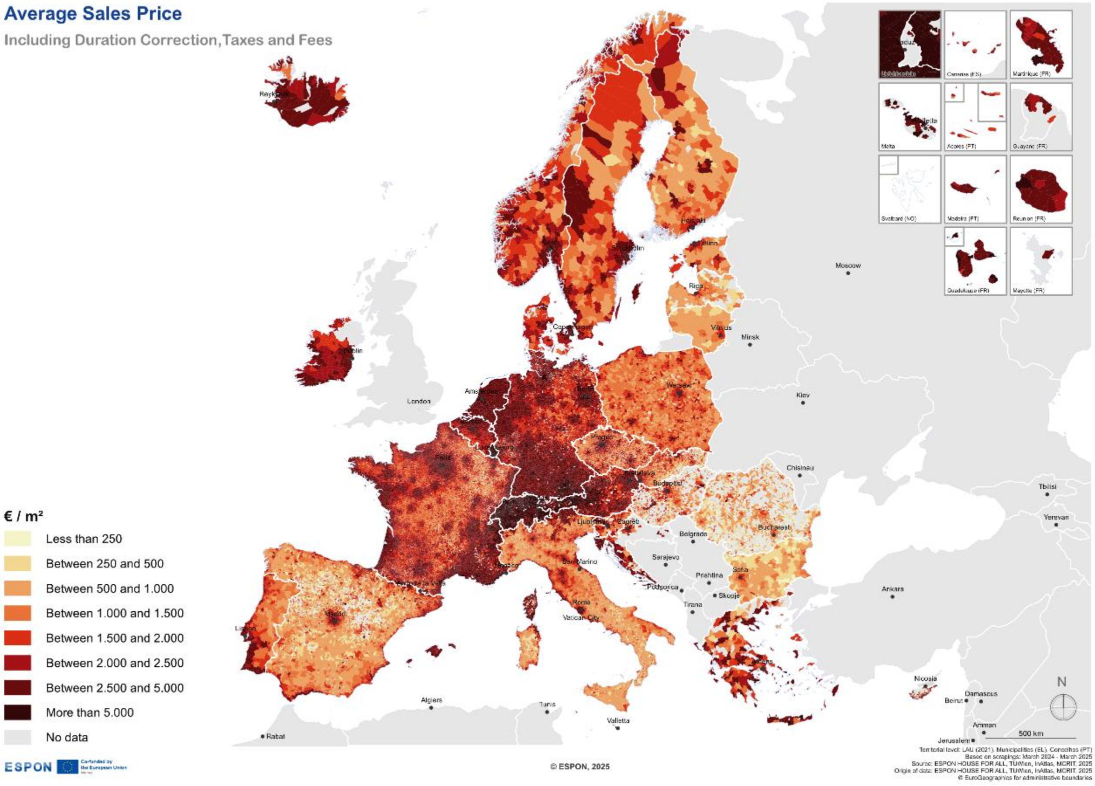
The housing data underlying the price and affordability indicators is based on housing adverts, thus the underlying prices are listed sales prices and listed rents not transaction prices. Particularly, listed sales prices in less active markets tend to be higher than actual transaction prices, while very hot markets may even have a small premium on top of the listed price.

There is generally less discrepancy between listed rents and actual rents paid at current rates, however, one needs to keep in mind, that these rents are not necessarily reflective of the average rent paid among tenants but only those who enter the market at the time of the analysis.

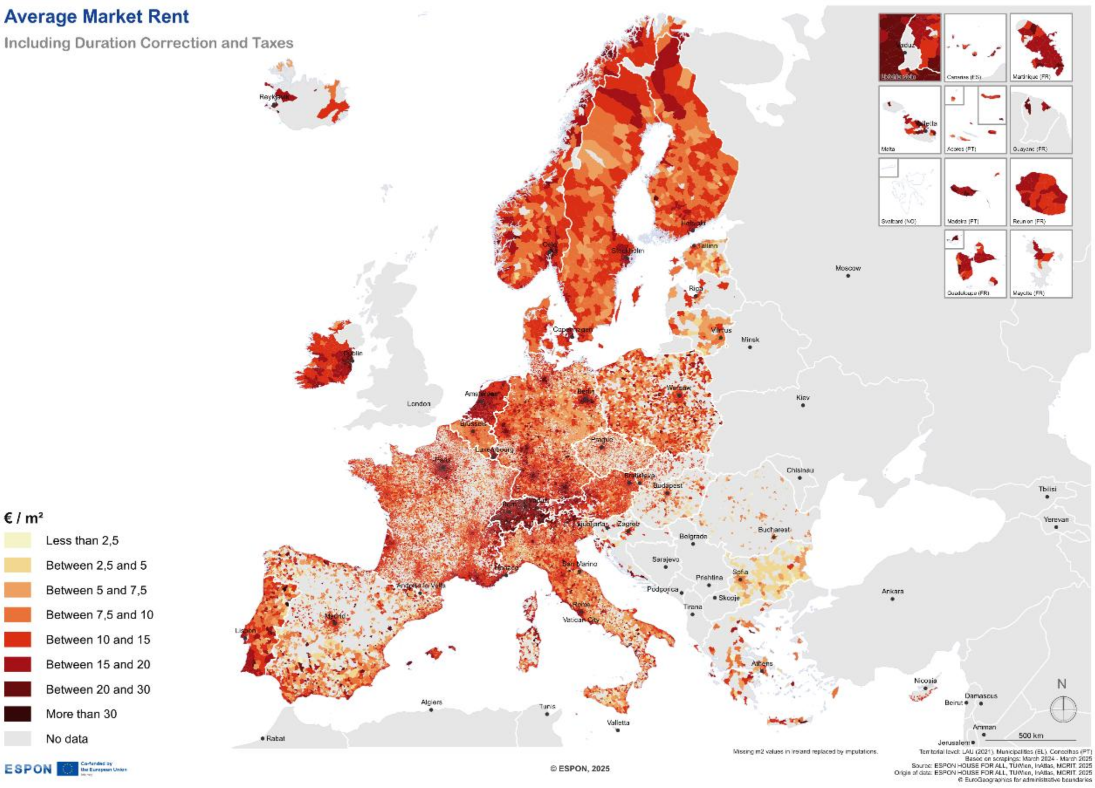
The project has used at least one website for web scraping for each ESPON space country with - where possible - the best representation of the local housing markets. However, the market coverage obtained at a given LAU may vary significantly and sample selection biases may occur depending on the quality of coverage.

This being said, the objective of this exercise was to provide a proof of concept that more granularity in understanding housing affordability at a European level is possible with the approach taken.

Map 1: Average Sales Prices per LAU



Map 2: Average Private Market Rents per LAU

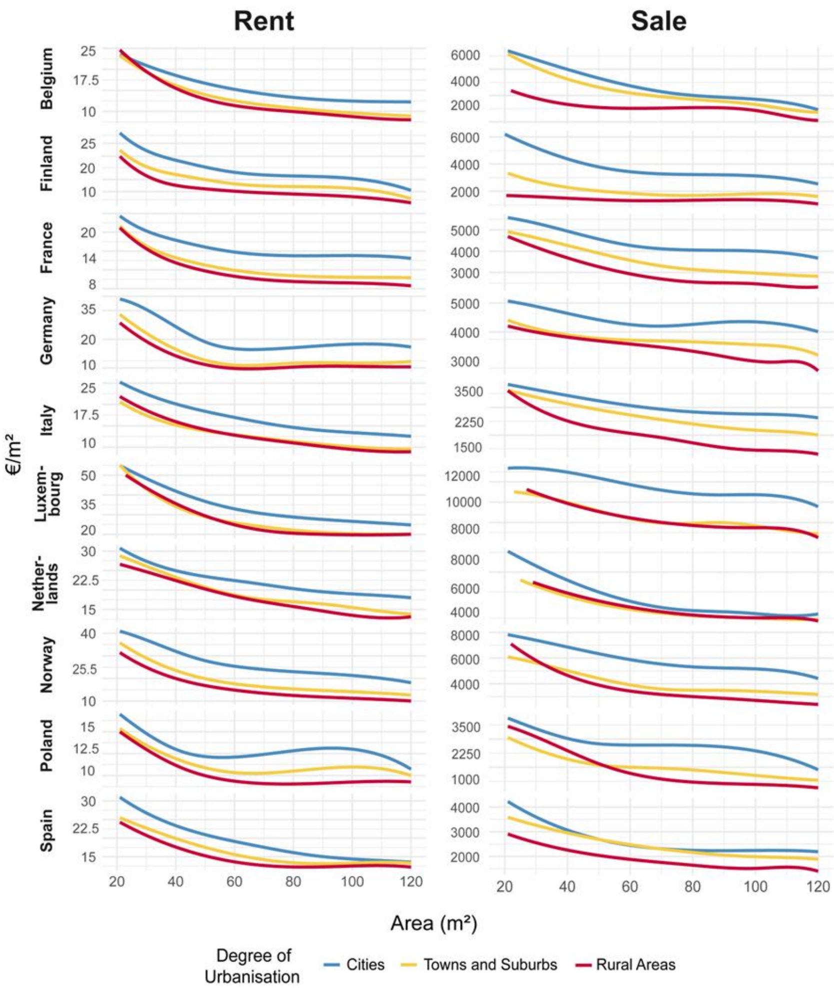


6.2 European Housing Affordability Maps

6.2.1 A Short Note on the Relationship Between Price and Size

This graph compares the cost of housing—both rent and sale prices—across various European countries, segmented by degree of urbanisation (cities, towns/suburbs, rural areas) and dwelling size (in square meters). A clear and consistent pattern emerges: smaller dwellings are significantly more expensive per square meter than larger ones, regardless of whether the unit is rented or purchased. On the left side, rent prices per square meter are shown to be highest for the smallest dwellings (20–40 m²) across all countries and urbanisation levels. For example, in Belgium, France, and the Netherlands, units under 40 m² can cost more than €20 per m² in cities, with prices decreasing steadily as size increases. This declining cost trend with increasing area is visible across all degrees of urbanisation, though urban rents consistently remain the highest, followed by towns and then rural areas. The right side, showing sale prices per square meter, reflects the same pattern: smaller properties are far more expensive per square meter than larger ones. In countries like France, the Netherlands, and Spain, small units in cities exceed €5,000–€6,000 per m², while larger dwellings (100+ m²) drop to €3,000–€4,000 per m². This gradient is slightly less steep in rural areas, but the size-price relationship holds.

Figure 5: Price over Size - Selected Countries 2024



Origin of Data: House4All, ESPON, TU Wien, InAtlas, MCrit

In summary, the data illustrates a clear inverse relationship between dwelling size and price per square meter, both for renting and buying. Small dwellings carry a disproportionately high cost, particularly in cities. This suggests that while smaller units may be more affordable in total price, they offer lower value per square meter. Therefore, housing affordability analyses must consider multiple dwelling sizes.

Focusing only on average prices can obscure the fact that smaller units, which are often the only option for lower-income or single-person households, are disproportionately expensive relative to their size. Investigating rent and sale prices across different dwelling sizes is thus essential for evaluating affordability.

6.2.2 Sales Affordability

This section examines the affordability of home ownership across Europe, focusing on how many years it would take to pay off a mortgage for a property of a specific size (25 m², 45 m², and 75 m²), assuming that a single-person household devotes one-third of their income to housing costs. The maps reflect average prices per square metre at the local administrative level and offer a detailed view of spatial disparities across ESPON countries.

Map 3 reflects affordability for studio apartments (25 m²). These types of properties are relatively rare in most European countries but more common in Sweden, Finland, Bulgaria, Poland, and Italy. In much of Scandinavia and Southern Europe, despite their higher square meter price, due to their small size these units remain relatively affordable, typically requiring fewer than 20 years of mortgage repayments. Poland stands in sharp contrast: despite a relatively low price per square metre in some regions, the affordability ratio is severely impacted by low incomes, and studios often exceed 30 years of mortgage time. Furthermore, Poland has rather high mortgage interest rates, contributing to the low affordability levels. However, it needs to be highlighted that Poland has one of the highest rates of households who already own their home outright without a mortgage (OECD (2021). Thus, the problem particularly concerns young cohorts and people who try to relocate. A similar affordability issue is visible in the touristic coastal regions of Spain and Portugal, where high demand drives up prices for very compact units.

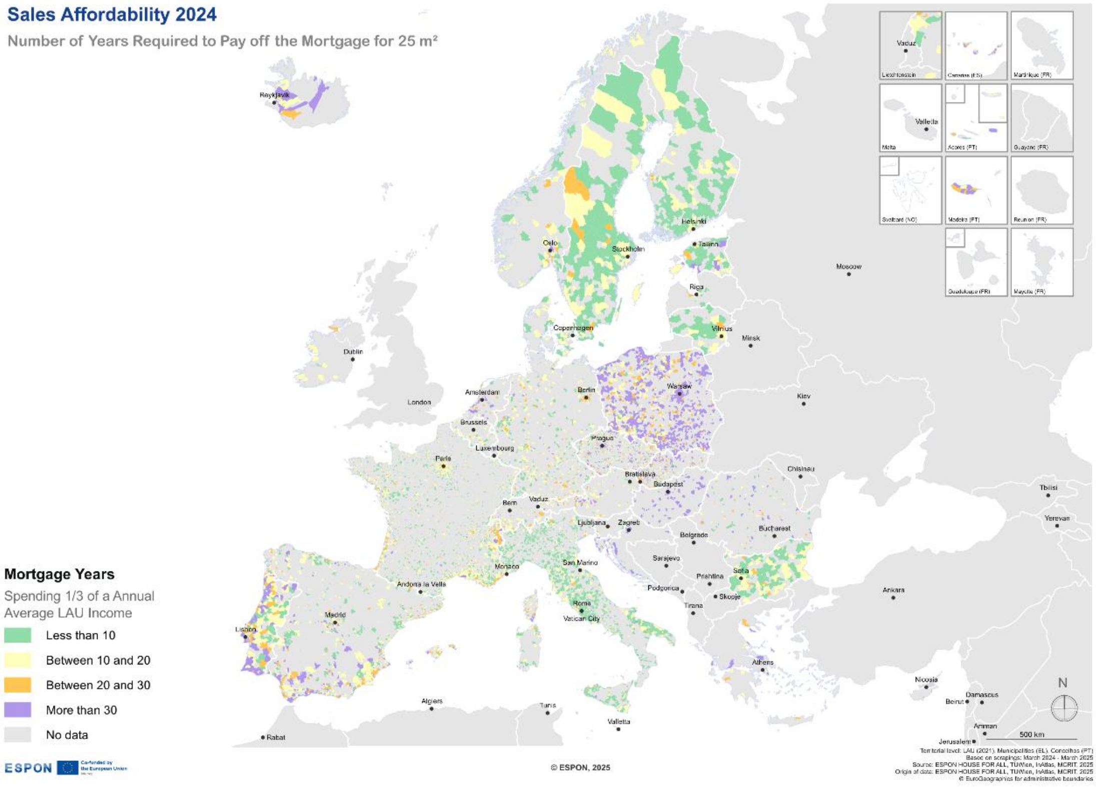
How to Read the Affordability Indicators

Please note that, all indicators displayed in this section are not reflective of the populations current housing affordability situation! They represent estimates of current market rates and relate them to average income within the respective region. In this sense, the indicators reflect the perspective of a newcomer to market.

Hence, the sales affordability indicators do not imply that the average person has a mortgage of the respective class. Instead, it tells us what kind of mortgage duration a person spending one third of average income would expect if they would buy within their current region.

Furthermore, the mortgage indicators do not subtract a down payment, which would typically be required, but may vary significantly. Hence, the durations are overestimated to a certain degree to achieve better comparability. See Map 10 for insights into the geography of down payments under the assumption of a uniform 20% requirement.

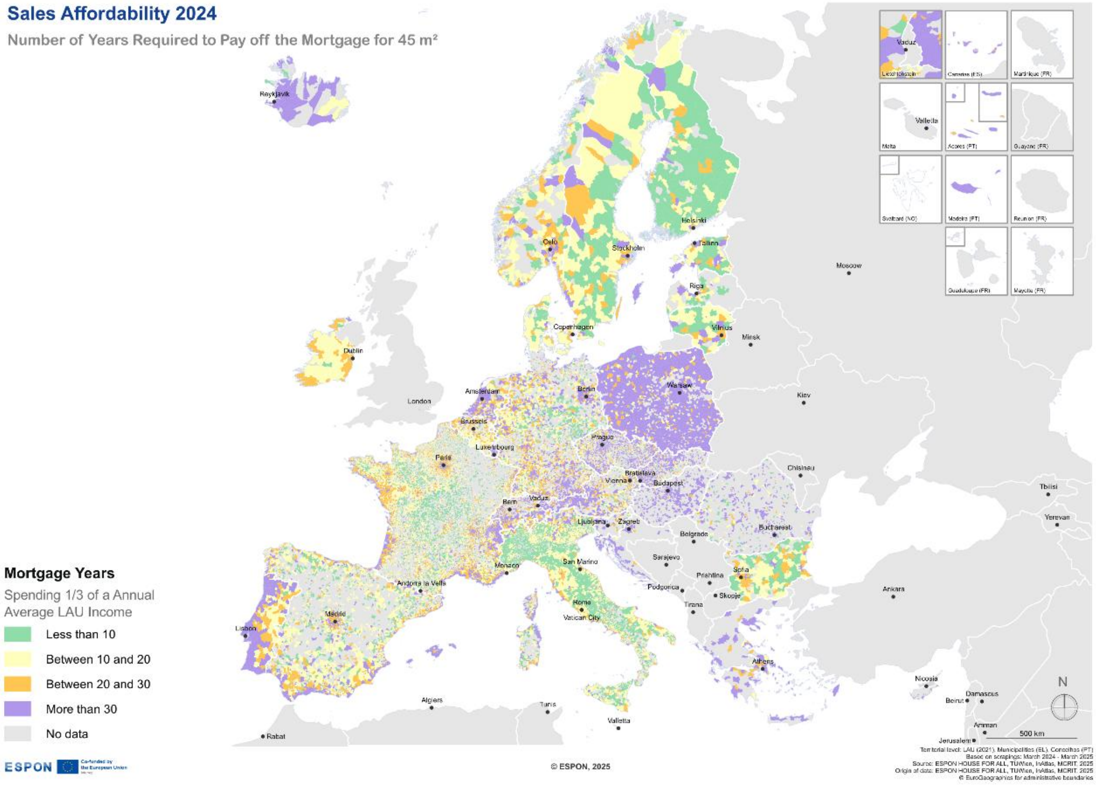
Map 3: Sales Affordability of Studio Apartments per LAU



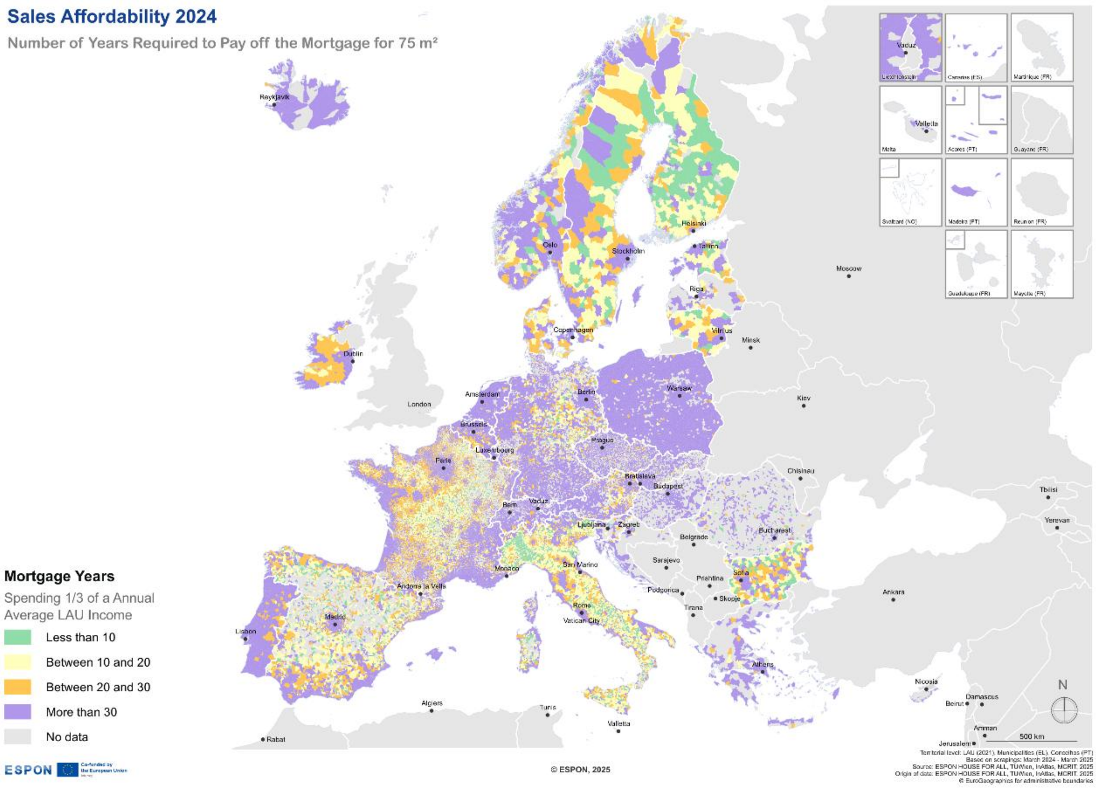
Small properties are far more typical across the EU and provide a clearer picture of regional housing trends. As shown in Map 4, dwellings of 45 m², typically one-bedroom apartments, are more prevalent across the EU and offer a more representative view of general housing conditions. Affordability pressures are most intense in Eastern Europe, particularly Poland, Slovakia, Hungary, and Romania, where large swathes of territory fall into the most unaffordable category (over 30 years of repayment). Meanwhile, in Western Europe, the picture is more varied. Urban centres such as Paris, Amsterdam, Munich, and Vienna show reduced affordability, surrounded by more affordable rural surroundings. Touristic hotspots along the French Riviera, Spanish and Portuguese coasts, and Croatian Adriatic present affordability challenges, often concentrated in major cities despite being in otherwise more affordable countries.

Map 5 focuses on 75 m² properties. This map shows the steepest mortgage requirements. In almost all major cities and coastal areas of Europe, owning such a home on a single-person income would take more than 30 years. This includes wide regions of Germany, the Netherlands, Belgium, Austria, some parts of Southern and many countries in Eastern Europe. Even parts of France and Ireland show strong purple zones, indicating unaffordability. However, rural regions in countries such as Ireland, Finland, the Baltics, Bulgaria, and Southern Italy still offer relatively affordable opportunities for ownership, with repayment times often under 20 years. It is important to note that although the 75 m² size represents the most common dwelling type across the continent, appropriate for households with two or more occupants, the use of single-person income in the calculation provides a consistent metric for comparison across regions.

Map 4: Sales Affordability of Small Units per LAU



Map 5: Sales Affordability of Regular Units per LAU

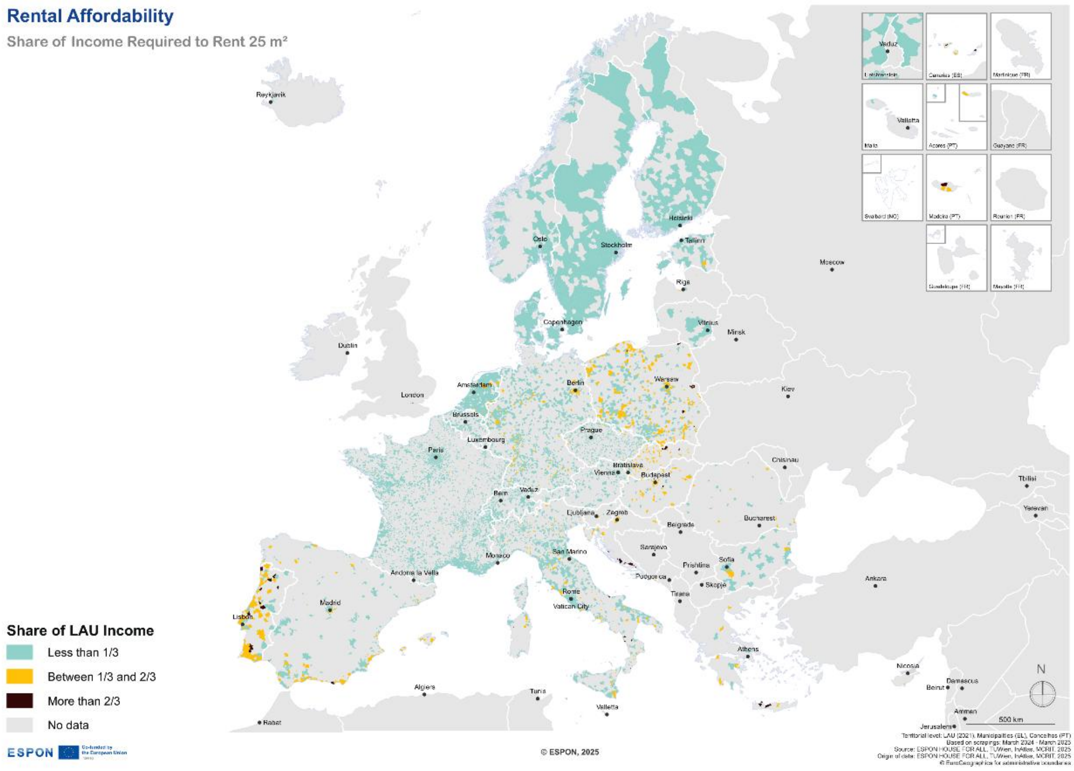


Together the three sales affordability maps reveal a troublesome picture. Entering homeownership is highly unaffordable on an average income in nearly all of Europe's urban centres. Meanwhile, large parts of Central and Eastern Europe are highly unaffordable also beyond the urban hotspots. Furthermore, coastal and alpine regions stand out across most of the continent. Comparing both the spatial patterns of prices and the affordability, it becomes apparent, that price variations seem to be behind a lot of within country variation of housing affordability, while income discrepancies seem to explain a lot of between country variation.

6.2.3 Rental Affordability

Rental affordability, measured as the share of a single-person income required to rent a dwelling of a specific size, reveals notable regional disparities across ESPON countries. While rental markets provide greater flexibility than home ownership, they also present serious affordability challenges in many urban, touristic, and lower-income regions.

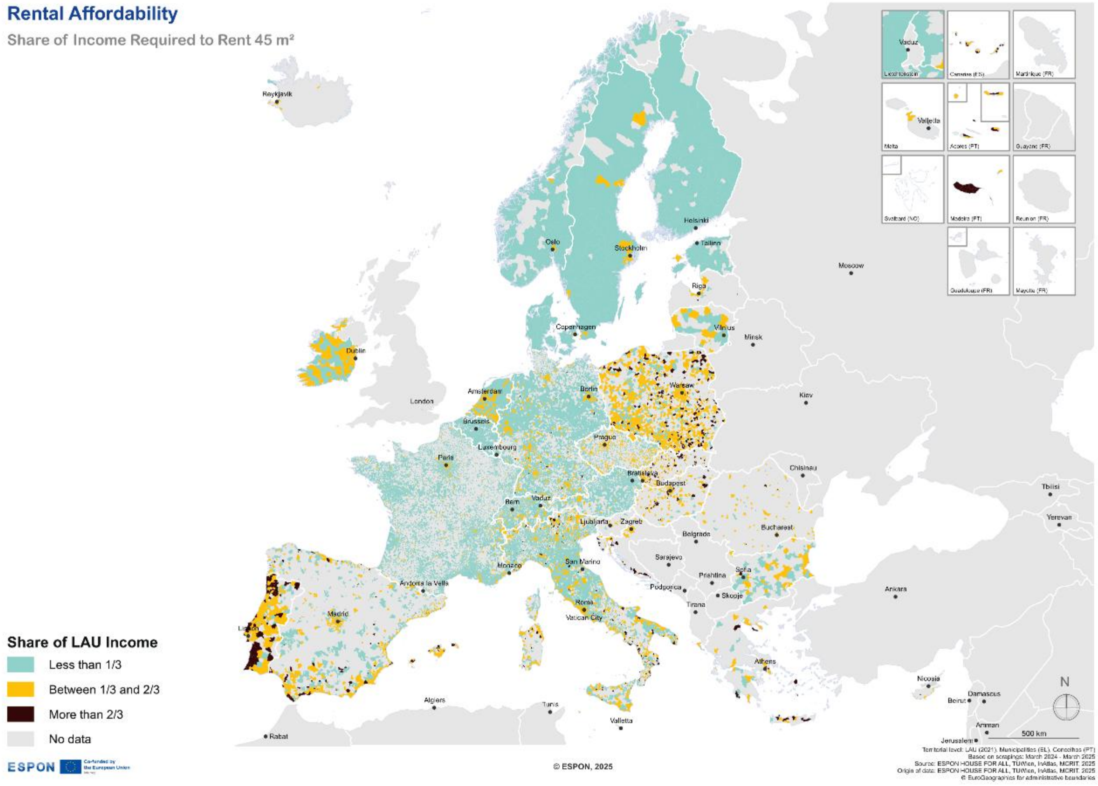
Map 6: Rental Affordability of Studio Apartments per LAU



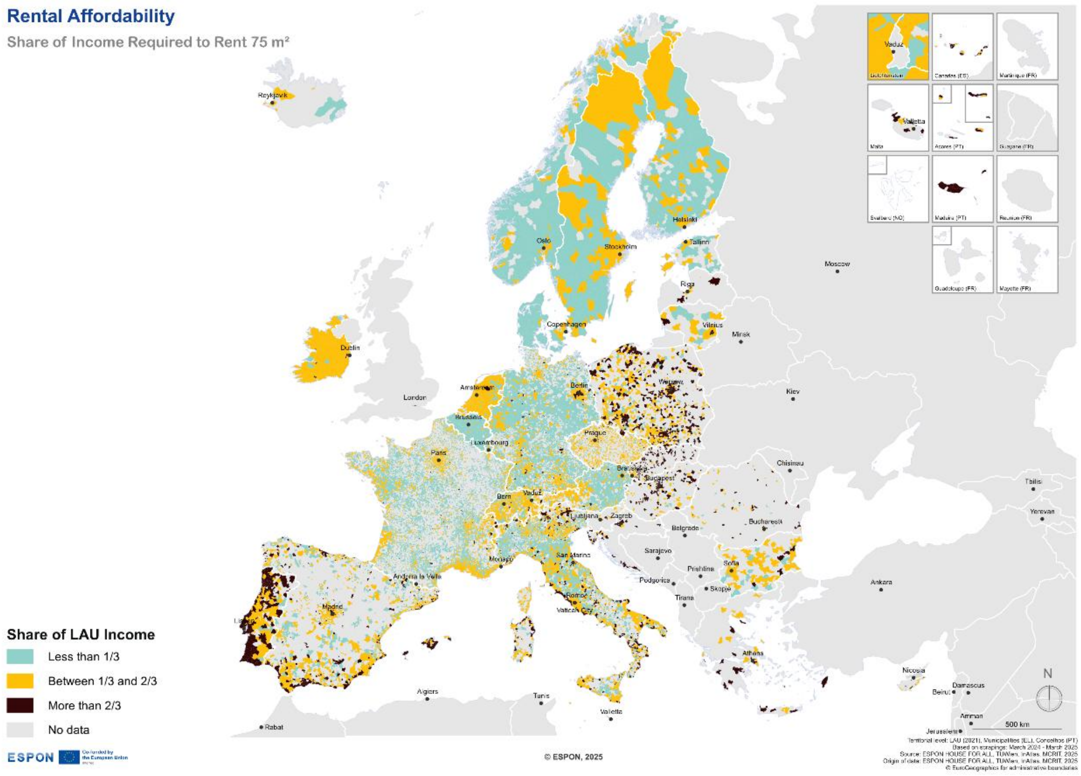
Map 6 focuses on studios (25 m² dwellings), a relatively niche segment but crucial for younger and single-person households. Across Scandinavia, the Baltics, and much of France, Germany, and Italy, renting a 25 m² studio typically requires less than one-third of a local average income, making it a viable option for many. However, affordability worsens in parts of Central and Eastern Europe, including major Polish and Slovak cities, where between one-third and two-thirds of income is needed. Notably, select urban areas, particularly in Hungary and Romania, require more than two-thirds of an average local income just to rent a studio, which may place renters under financial strain.

Map 7 shifts focus to 45 m² dwellings. These units are more common across Europe and provide a broader perspective on the rental market. The affordability situation intensifies at this size. In large parts of Portugal and southern Spain, rents for 45 m² units consume between one-third and two-thirds of local incomes, with several black zones (more than two-thirds of income) which indicate more acute affordability stress. Similar patterns are evident across Ireland, especially around Dublin, and throughout major urban centres in Germany, Austria, and Central Eastern Europe. In Poland, Hungary, and parts of Romania, high rent-to-income ratios are widespread, reflecting not only high housing costs but also lower local incomes. By contrast, much of France, Italy (outside cities), the Baltics, and Scandinavia still offer 45 m² units at rents below one-third of income, though affordability decreases compared to studio flats.

Map 7: Rental Affordability of Small Units per LAU



Map 8: Rental Affordability of Regular Units per LAU



Map 8, depicting rental affordability for 75 m² dwellings shows an even more challenging picture. In nearly all major cities and many touristic coastal areas, renting a mid-sized dwelling becomes significantly unaffordable for single earners. Central and Eastern Europe (especially Poland, Hungary, and Romania) show large continuous regions where rents exceed two-thirds of local incomes. Similarly, Portugal, southern Spain, and the French Riviera highlight how demand from tourism and second-home ownership has pushed up rental costs. Even relatively wealthy regions in Ireland and parts of Sweden begin to show stress at this size. Affordability improves mostly in rural or peripheral regions of Italy, the Baltics, France, and parts of Scandinavia, where renting a 75 m² dwelling remains within one-third of income.

When compared to sales affordability, rental affordability displays both overlap and divergence. In Poland and Hungary, for example, both owning and renting are partly unaffordable, which may indicate deeper systemic housing challenges. Conversely, in Scandinavia, renting is generally more affordable than buying, especially in urban areas. This suggests well-functioning rental markets and potentially stronger tenant protections or public housing availability. Meanwhile, Southern European countries like Italy and Spain often show more affordable ownership opportunities, particularly in rural areas, than rentals. This may reflect a greater emphasis on ownership and lower availability of rental stock. Therefore, rental affordability does not necessarily correlate with sales affordability. Regions like coastal Spain and Portugal are unaffordable on both fronts, driven by tourism and second-home demand. However, in Germany and France, renting can often be more affordable than buying, especially for those who cannot meet the long-term financial commitment of a mortgage.

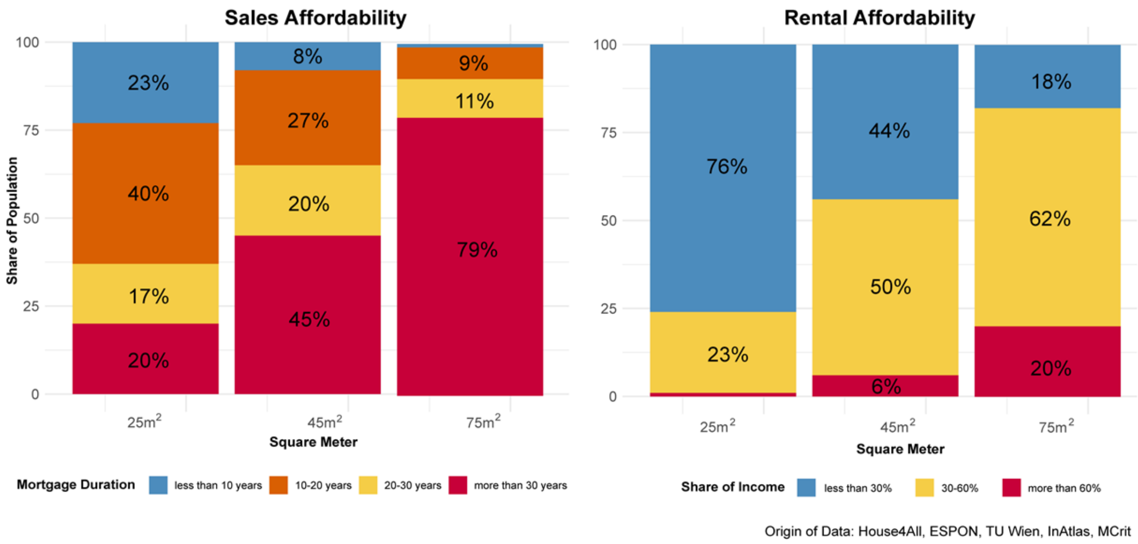
6.3 Do We Really See a Housing Crisis?

While the LAU level affordability maps offer a very detailed infromation about the geography of housing (un-) affordability, the visual impression may also be misleading when it comes to judging the extent of the problem. As less populated rural areas cover a much larger share of the map than densly populated urban areas, we tend to severely underestimate how many people live within the affordable as opposed to unaffordable areas. Thus, the left side of Figure 6 present the share of the population in European countries living in LAUs where the number of mortgage years required to purchase properties of 25 m², 45 m², and 75 m² exceeds certain thresholds, assuming one-third of annual income is spent on mortgage payments. Please note that, this does not mean that said number of people do actually have a mortgage of the respective class! However, it tells us how many people would face a certain mortgage duration if they would buy within their current region (assuming average prices and income).

Meanwhile, the right side of Figure 6 shows the percentage of the population in European countries living in LAUs where renting an apartment of 25 m², 45 m², or 75 m² would consume different shares of monthly income. The affordability thresholds are categorized as below 30% of income, 30% to 60%, more than 60%. In general, the share of the population living in areas where housing affordability is a concern increases significantly with dwelling size. Accordingly, most people live in areas where mortgages for a 75m² dwelling exceed 30 years (over 75% of the population fall into this category). On the rental side, affordability is similarly strained. The majority of the population lives in LAUs, where renting a 75m² unit requires spending more than 30% of income, with a large share exceeding 60%.

For 25 m² properties, affordability varies significantly. In countries such as Hungary, Croatia, and Iceland, a large proportion of the population lives in areas, where buying even a small property would require over 30 years of mortgage payments. In contrast, Sweden, Ireland, and Finland perform better, with more people living in areas where such purchases are feasible within 10–20 years. Affordability drops further for 45 m² properties. A growing share of the population in countries like France and Germany lives in areas where 20 or more years are needed to afford this property size. Malta is a notable outlier, with nearly the entire population in LAUs where more than 30 years are required. The affordability gap is widest for 75 m² properties. In several Eastern and Southern European countries, notably Hungary, Poland, Croatia, and Romania, almost the entire population resides in areas where mortgage durations exceed 30 years. Luxembourg and Malta also remain highly unaffordable. Even in higher-income countries such as Finland, Ireland, and France, the majority of the population lives in LAUs where 20 – 30 years or more are needed to finance a standard-sized home.

Figure 6: Affordability Classes by Population Share



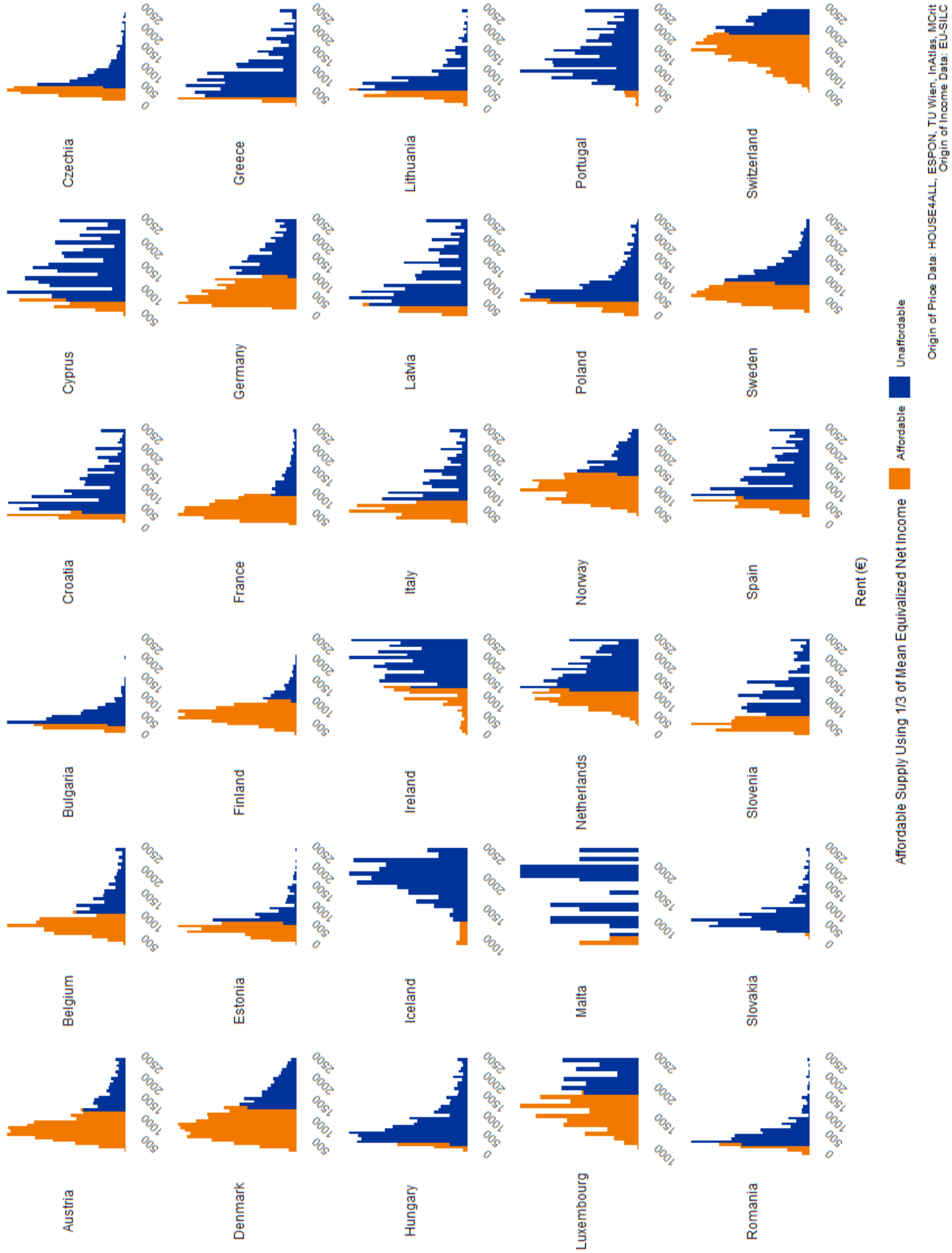
These long repayment periods pose several challenges. While they may lower monthly instalments, they also tie households to long-term debt, which may increase their financial vulnerability and reduce flexibility over the life course. Prolonged mortgage terms often result in higher total interest payments, making housing more expensive in the long run. In this sense, extended mortgage durations can be seen as a sign of strained affordability.

Also, in terms of rental affordability, the data shows a clear trend. As apartment size increases, rental affordability worsens across most countries. In nations such as Greece, Slovakia, Hungary, and Croatia, a significant majority of the population lives in areas where renting even a small 25 m² unit consumes over 30% of income. For 75 m² rentals, the situation is more severe: in Croatia, Hungary, Latvia and Slovakia nearly the entire population faces rent burdens exceeding 60% of income. In contrast, countries like Belgium, Norway, Estonia and Sweden consistently show comparatively higher affordability, with most of the population living in areas where rents for all apartment sizes remain below 60% of monthly income.

6.4 A Look at What is on Offer

The analysis so far has only been focused on comparing the prices similar kinds of housing offers across space and relating them to the local level of income. However, what is currently available on the market does not need to fit into these categories. Thus, Figure 7 depicts the distribution of rental listings by country and highlights which of those listings would be (un)affordable on the average national (net equivalized) income. While nearly all distributions are skewed to the right, the share of affordable listings varies greatly across ESPON countries. Most noticeably, countries with higher income, lower homeownership rates and stronger rental housing policies tend to have more affordable units on offer. Meanwhile, most homeownership orientated countries where the rental market plays a more residual role, have very small shares of affordable rental listings. As these countries also tend to have very small social housing sectors, those who do not already own a home and cannot afford to buy, are stranded in a highly overprices private rental market.

Figure 7: Distribution of Rental Listings by Country



6.5 Should You Buy or Should You Rent?

Across Europe, more and more households rely on renting (Eurostat, 2025b) and young people tend to stay longer with their parents before moving out. This trend is evident even in countries historically oriented toward homeownership. As a result, the notion of a 'generation rent' has gained traction in both public discourse and academic research (e.g., Howard, 2025). This shift is particularly notable in traditionally homeownership-dominated countries such as Poland (Napiórkowska-Baryła et al., 2024), Spain (Vidal et al., 2024; Byrne, 2020), and Ireland and the UK (Waldron, 2023; Ronald, 2018).

Meanwhile, countries with traditionally larger rental markets such as Switzerland, Germany, Austria or Denmark (Sielker et al., 2025a) seem to be less phased by the growth of rental markets but affordability challenges in urban centres, triggered debates about the need for stricter rent control (e.g., Banabak et al. 2025a) and easing the overburden of the non-profit segments (Banabak et al. 2025b, Mundt, 2018). However, in theory, housing prices across tenures should be closely aligned as they represent direct opportunity costs.

Figure 8 explores the relationship between rents and purchase price (left side) as well as affordability levels (right side) between the tenures across 10 European countries. On the left, the relationship between average rent prices and sale prices is shown. Countries like Norway, the Netherlands, and Austria exhibit strong positive correlations ($r = 0.76$, 0.70, and 0.70, respectively), which suggests that in these countries, high rents generally align with high purchase prices, and vice versa. In contrast, Finland, Hungary, and Poland show lower correlation between sale and rent prices ($r = 0.27$, 0.27, and 0.20).

On the right, the plot shows sales and rent affordability. Here, low or negative correlation means that a place may be affordable to rent but not to buy, or the other way around. This may happen when incomes are low and price-to-income ratios diverge between renting and owning, or when public subsidies or protections exist in one market but not the other. In this regard, Luxembourg and Norway show strong positive correlations ($r = 0.76$ and 0.71), indicating that affordability in renting and buying tends to move together in these countries. However, this pattern does not hold universally. In Hungary, the Netherlands, and Poland, correlations are weak - or slightly negative in the case of Hungary - which may suggest a disconnect between housing costs and local incomes or indicate a segmented housing market (i.e., a large social rental sector).

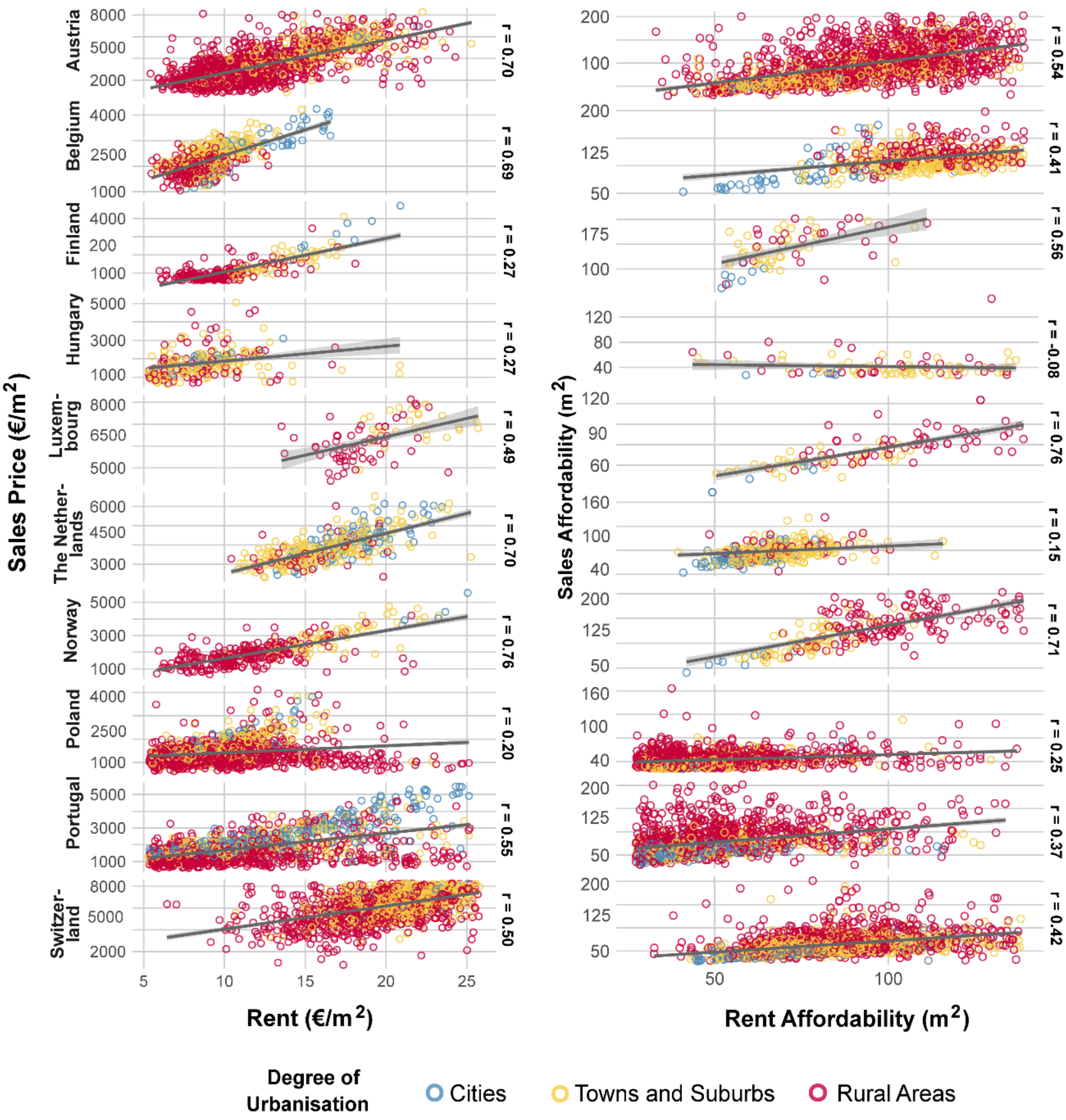
Social Housing Case Study

This case study examines how the social and private rental housing sectors interact in Austria, Denmark, and the Netherlands, which have some of Europe's largest and most accessible social housing systems (around 20–29% of housing).

Unlike many countries where social housing is residualized and stigmatized, these nations maintain integrated rental systems that serve a broad income range, fostering social mix and competition with private landlords. Their distinct institutional designs—ranging from regulated non-profit housing associations in the Netherlands, universal access non-profit models in Denmark, to dual systems of limited-profit and municipal housing in Austria—offer affordable, secure rental options.

Regression analysis of private rental data reveals that a larger social housing supply is associated with lower private rental prices, demonstrating a significant dampening effect on market rents. This challenges assumptions that residual social housing has limited market impact, highlighting social housing as a crucial structural factor in maintaining affordability and influencing private rental markets.

Figure 8: Relationship Between Rents and Purchase Prices – Selected Countries



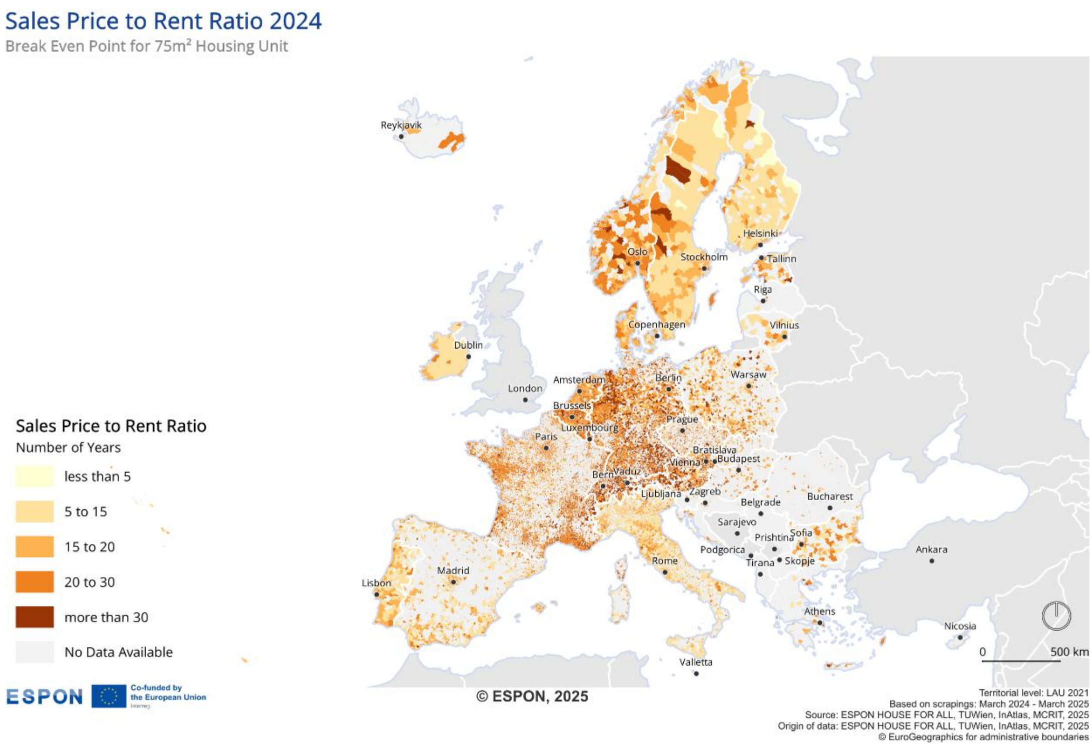
Origin of Data: House4All, ESPON, TU Wien, InAtlas, MCrit

As it becomes apparent that housing costs and affordability are indeed related but far from perfectly aligned, the question appears where in Europe it is more attractive to rent and where to buy.

6.5.1 Price to Rent Ratios Across Europe

Price to Rent Ratios as displayed in Map 9 are the most common indicator to measure the relative cost of buying versus renting a home. It reports the number of yearly rents equating the cost of purchasing the housing unit. A ratio below 15 is widely perceived to indicate that buying is generally more affordable than renting, suggesting either undervalued property prices or relatively high rents. A ratio between 15 and 20 typically reflects a balanced market, where neither option holds a clear financial advantage. When the ratio rises above 20 and up to 25, it signals that renting is likely cheaper than buying, potentially pointing to overvalued home prices or rental market pressure. A ratio above 25 is considered a strong signal of housing market overvaluation, often associated with speculative demand or a potential housing bubble.

Map 9: Price to Rent Ratios per LAU



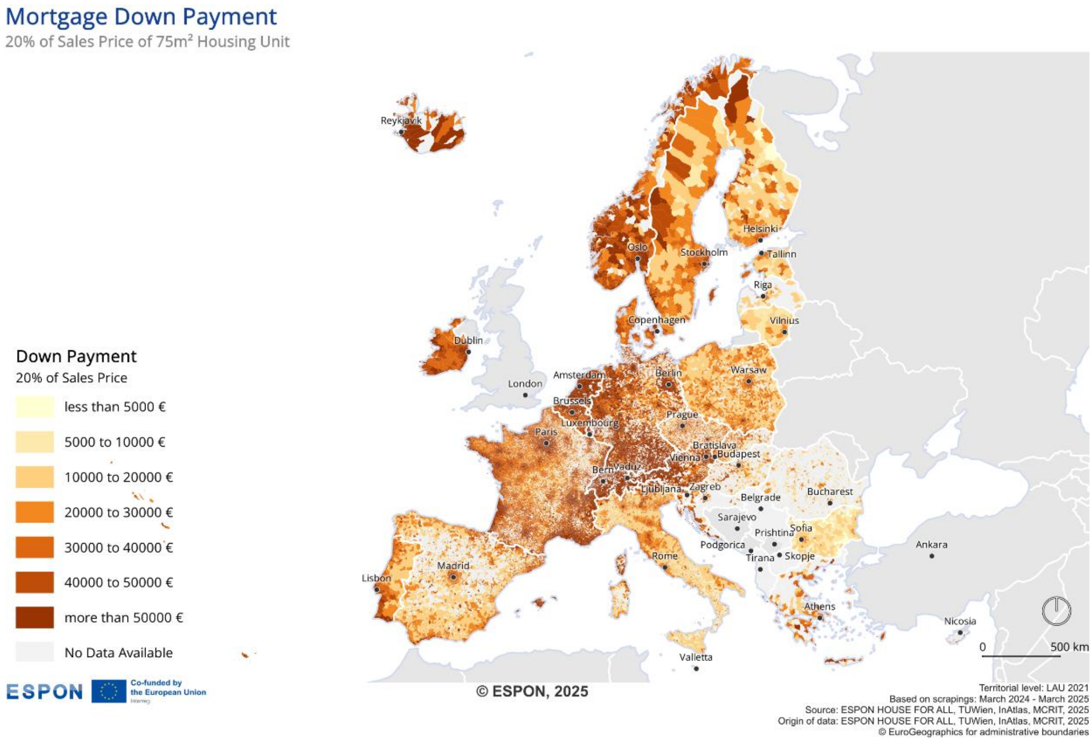
Looking at the distribution of the sales-to-rent price ratios, we find that in vast areas of northern and southern Europe, the sales-to-rent ratio is on the lower side, indicating buying is more economically feasible there than renting. Norway forms an exception in the northern European countries with a mid to higher sales-to-rent ratio, especially in the southern LAUs of Norway. In central Europe, high sales-to-rent ratios become apparent. This is especially the casein the alpine regions and many parts of Germany with very high sales-to-rent-price ratios. But also, France, Belgium, the Netherlands, Polen, Czechia and Hungary display sales-to-rent-ratios on the higher side.

It becomes apparent that the price to rent ratios of countries with lower homeownership rates also tend to be in favor of rental markets. Interestingly, those countries also tend to have better tenant protection and in some cases like Austria, Denmark or the Netherlands, non-profit housing providers in direct competition with for profit landlords. Thus, it seems that the private rental supply performing a residual role in the predominantly homeownership orientated housing market performs worse in terms of both housing costs and tenure security. This observation sheds critical light on housing policy which is primarily concerned with increasing homeownership rates due to cultural or ideological preferences. However, it needs to be acknowledged that homeownership also performs a function as an insurance asset in welfare regimes with low levels of public social security services.

6.5.2 Downpayment as a Key Entry Barrier

Even if homeownership appears to be the preferred or even economically beneficial option, entering into a mortgage may be difficult for many households due to credit constraints and downpayment requirements. After the 2008 financial crisis with housing bubbles bursting in countries like Ireland, Spain and Portugal, many European countries tightened credit constraints (e.g., Duca et al., 2010) for the sake of financial stability (e.g., Martins et al. 2021, Whitehead et al. 2014). Although this has proven to be an important measure in the sphere of financial stability and an important tool to combat overheating of housing markets, it leaves many households unable to access homeownership. Map 10 visualizes the estimated down payment required to enter a mortgage for a 75m² housing unit assuming a 20% downpayment on the total sales price. It provides a comparative view of housing affordability in terms of upfront costs for homebuyers.

Map 10: Potential Down Payment Requirements to Enter Mortgage per LAU



At the top end of the spectrum, down payments exceed €50,000 in some of Europe's most expensive real estate markets. These include most of Switzerland, Luxembourg, parts in southern Germany, and western Austria. Large parts of Western and Northern Europe fall into the mid-to-high range, with required down payments between €40,000 and €50,000. This includes southern Germany, northern Italy, urban parts of Austria and Spain, as well as the capitals of Nordic countries like Stockholm and Helsinki. Down payments between €20,000 and €40,000 are common in many parts of Central and Southern Europe. This includes central parts of Czechia, Slovenia, and Poland. The most affordable regions are found predominantly in Eastern and Southeastern Europe, where down payments range from under €15,000 to €20,000. Countries such as Romania, Bulgaria, Hungary, and the Baltic States feature prominently in this category, as do some rural parts of Southern and Western Europe.

The map illustrates that requiring a down payment, often tens of thousands of euros, can create a substantial entry barrier, particularly for young people, low-income households, or those without financial support from their family or a substantial inheritance. In regions with high housing prices, and therefore high down payments, the required savings can exceed what many households are realistically able to accumulate. Unlike rental markets, which may allow for more gradual monthly payments, homeownership demands immediate financial capacity, which excludes a large portion of the population despite long-term affordability through mortgage repayments. Even in regions with moderate home prices, saving for a 20% down payment can take years, particularly where wages are low or housing prices are rising faster than incomes.

Box 4: How Unaffordable is Europe?

Key Findings - How Unaffordable is Europe?

- Large parts of Europe are experiencing severe housing affordability challenges with respect to current market rates in both the private rental and the homeownership market segments.
- The high housing costs particularly affect newcomers to the housing market. Thus, the data can be seen as an indication of the affordability crisis yet to come.
- The spatial variations in housing prices explain much of the local variation of housing affordability within countries, while national income levels seem to drive differences between countries.
- Homeownership is highly unaffordable across many European regions, especially in urban centers, touristic hot spots such as coastal and alpine regions, as well as large parts of Eastern Europe.
- In many regions, especially in Central and Eastern Europe, even purchasing a modest home would demand more than 30 years of mortgage repayments on a single income while downpayment requirements pose a significant additional entry barrier.
- Rental affordability varies considerably across countries, regions and size classes. Particularly mid-sized and larger units and in countries with high homeownership rates and low levels of tenure security are highly unaffordable.

7 What Can Be Done About the Housing Crisis?

Having reviewed the manyfold drivers of (un-) affordability in chapter 4, investigated the existing policy approaches and governance structures in chapter 5 and established the severity of the affordability issue in chapter 6, the obvious question emerges: what can be done about the housing crisis? And crucially, what should be done? In this regard we want to particularly reflect on three important issues. First, the appearance of a renewed interest in affordable rental schemes, also across many European countries which do not have established large scale affordable housing programmes. Second, the emergence of the European Union as an important player for the future housing agenda and third, the need to think beyond the narrow realms of housing policy and consider the manyfold interdependence with other policy fields to achieve better housing outcomes.

7.1 A Renewed Focus on Affordable Rental Housing

Private rental housing is often perceived as an unattractive alternative due to cultural preferences, higher levels of housing insecurity and at least in some cases lower long-term affordability. While housing policies in several countries aim to address this by promoting homeownership, such strategies—often ideologically driven—also tend to introduce new challenges. These include insufficient funding for maintenance and renovation, limited institutional capacity to support vulnerable households (Budapest), and contributions to further increasing housing prices (e.g., Geng, 2018, Carozzi et al, 2024).

Rent control is a widely used and powerful policy instrument designed to protect existing tenants by capping rent increases. However, it also comes with significant drawbacks. In contexts of housing supply shortages, rent regulation may provide short-term relief, but it does not correct underlying market imbalances and may exacerbate them over time by discouraging new investment and reducing residential mobility. To mitigate these downsides, most rent control systems employ complex policy designs, but maintaining affordability while preserving supply and mobility remains a persistent challenge.

For those reluctant to intervene directly in market mechanisms, housing allowances are often seen as a more targeted tool to improve affordability for tenants in need. Yet, these schemes are fiscally costly, and when applied at scale and without limits to eligible rents, they risk becoming a de facto subsidy for landlords, potentially fuelling further rent inflation. Although, the cutting of allowances neither guarantees a subsequent reduction of rents.

A third path toward affordable and stable rental housing lies in non-profit housing provision models, which offer an alternative to both speculative markets and direct subsidies. Countries such as Austria, Denmark, and the Netherlands have developed large-scale, mature non-profit housing sectors that provide affordable, high-quality, and secure housing to a wide range of tenants. Recent research has even documented spillover effects from this sector, showing that non-profit housing exerts a price-dampening influence on surrounding private rental markets. While long waiting lists can limit their capacity to fully offset unaffordable private markets, they also signal the attractiveness and effectiveness of these housing models.

These organisations exist in various legal forms, from cooperatives to publicly listed companies, but are unified by a specific legal framework that enforces close to cost-based rents and long-term tenure security.

Social Rental Agencies Case Study

This case study explores the functioning of four municipal Social Rental Agencies (SRAs) in Budapest, Hungary, within the context of an increasingly unaffordable and unregulated private rental sector.

With social housing stock severely limited, Hungary faces a rental housing crisis marked by high costs, insecurity, informal contracts, and widespread discrimination, particularly against Roma tenants. SRAs operate as intermediaries, leasing homes from private landlords and subletting them at affordable rates to vulnerable households. They reduce risks for landlords by guaranteeing rent, managing maintenance, and handling administrative tasks, while offering tenants secure, affordable housing and support services.

Despite their benefits, SRAs face significant obstacles, including administrative burdens, difficulty integrating social work, and political pressures. The study concludes that while SRAs can ease market dysfunction and improve access for low-income renters, broader structural reforms—such as stronger rental regulation and investment in social housing—are essential to ensure long-term housing security for Hungary's most vulnerable populations.

Crucially, these models are not merely about having developers built with state subsidies or charging below market rents for a certain amount of time. Instead, they represent frameworks which are designed to ensure long-term affordability and security for the tenants while achieving self-sustainability and endogenous growth. As such, the underlying legal frameworks can be adapted and transferred to other countries and serve as blueprints for building affordable rental housing sectors elsewhere. However, developing such a system requires time, institutional capacity, and significant initial investment. While national and regional governments play a key role in funding and coordination, European Union funding programmes such as Recovery and Resilience Facility and Cohesion Funds as well as European-level actors such as the European Investment Bank (EIB) are particularly vital in supporting such efforts, especially in countries with limited public spending capacity.

Box 5: A Renewed Focus on Affordable Rental Housing

Key Findings - A Renewed Focus on Affordable Rental Housing

- Private rental housing is seen in some countries as less attractive due to cultural preferences and lower long-term affordability. However, homeownership-focused policies can create indirect problems, including rising prices, underfunded maintenance, and limited support for vulnerable households.
- Traditional approaches to rental affordability come with caveats. Rent control protects tenants but may discourage investment, reduce mobility, and worsen supply shortages if not carefully designed. Meanwhile. housing allowances improve affordability but are fiscally costly and can unintentionally fuel rent inflation.
- Non-profit housing models offer affordable, secure housing and can stabilize surrounding markets, but require strong legal frameworks and long-term investment. However, these models can provide sustainable alternatives to market-based or subsidy-driven systems and can be adapted to other contexts.
- EU funding and institutions, such as the Recovery and Resilience Facility and the European Investment Bank, play a key role in supporting non-profit housing development in countries with limited resources.

7.2 The European Union’s Role in Defining the (Future) Housing Agenda

Although the EU does not hold direct authority over housing policy, it significantly shapes national housing systems in two important ways. Firstly, it influences the regulatory landscape through legislation and policy decisions through its involvement in other fields like energy or economic competition, and providing overarching development goals, as in the Territorial Agenda 2030. Secondly, the EU plays a crucial role in supporting housing-related investments by providing funding through a range of financial instruments.

7.2.1 Policies and Regulations

With the European Green Deal and the Renovation Wave Strategy (European Commission, n.d.-a), the EU places great emphasis on climate policy and the energy regulations of the housing sector within Member States. The 2021 European Climate Law (European Commission, n.d.-b) established a legally binding goal for the EU to achieve climate neutrality by 2050 and initiated legislative revisions as part of the 'Fit for 55' package, named after the intermediate target whereby net greenhouse gas emissions need to be reduced by at least 55% by 2030, relative to 1990 levels (European Commission, n.d.-c). As part of the 'Fit for 55' package, both the Energy Efficiency Directive (EED) and the Energy Performance of Buildings Directive (EPBD) were revised. The new EED set the target of reducing final energy consumption at EU level by 11.7% in 2030 and introduced a definition for energy poverty, requiring Member States to implement measures that safeguard individuals experiencing energy poverty and other vulnerable groups (European Commission, n.d.-d).

EU goals and regulations related to the energy-efficient renovation of residential buildings are illustrated in both the Baltic and the Slovak case studies. The decarbonisation of multi-apartment buildings in the Baltics was given momentum by the European Green Deal, and the EED and EPBD. While these directives provide a legislative framework, each Member State must implement them through national laws (Kährik & Gončarovs, 2025).

Similarly, Slovakia’s housing and refurbishment policies have also been strongly shaped by EU energy efficiency directives and the push for a just transition since the country joined the EU in 2004.

In line with EU Directive 2012/27/EU, Slovakia developed long-term renovation strategies, focusing on cost-effective, deep renovations (Kepes & Szemző, 2025). Additionally, the country fiches also show that EU directives and incentives are reflected in national housing and energy policies, as they require Member States to develop specific strategies for refurbishing residential buildings.

The EU's housing-related legislative and policy actions are also aimed at improving affordability and combating homelessness. This is clearly reflected in the ESPON HOUSE4ALL Housing First case study, which highlights that the EU increasingly supports the HF approach as a key strategy to end homelessness by 2030. This can be seen in major policy frameworks such as the Lisbon Declaration on the European Platform to Combat Homelessness, which commits EU institutions and Member States to a housing-led solution. The European Parliament's 2020 resolution (2020/2802(RSP)) also calls for adopting Housing First across the EU. Additionally, Principle 19 of the European Pillar of Social Rights highlights the need for social housing and assistance for the homeless, reinforcing Housing First principles. Together, these initiatives position Housing First as a central element in EU efforts to combat homelessness.

The EU's engagement with housing issues is also evident in other policy areas. For instance, the ESPON HOUSE4ALL Shrinking Regions case study illustrates how national strategies, like Spain's 2030 National Strategy for the Demographic Challenge, align closely with EU-wide frameworks such as the Rural Vision and the Territorial Agenda 2030. These coordinated efforts show how the EU's evolving housing agenda is being translated into targeted actions at the national and local levels.

While not directly related, the EU's monetary policy and fiscal regulations also have significant implications for the housing sector in Member States. Firstly, the EU State Aid policy limits government financing to prevent distortion of market competition (Elsinga, 2025). However, this has notably affected public housing, as state aid regulations have contributed to a decline in the social housing sector in some countries. In response, in early 2021, the European Parliament adopted a resolution calling for a broader definition of social housing within state aid regulations, alongside the development of a comprehensive EU-level strategy covering social, public, non-segregated, and affordable housing (European Union, 2021). Secondly, the EU's Stability and Growth Pact aims to limit state debt (European Commission, n.d.-e), which can influence the extent to which Member States invest in housing. This constraint may encourage governments to explore alternative financing models for affordable housing, such as public-private partnerships (PPP), though it remains unclear whether PPPs are counted towards government debt figures (Kennedy, 2016).

7.2.2 Funding Schemes

In addition to its policy framework, the EU supports energy-efficient housing through a range of financing mechanisms that have significantly shaped national renovation strategies and enabled large-scale investments across Europe. Among these, the Recovery and Resilience Facility (RRF) plays a particularly important role, funding for example renovation initiatives that are aligned with countries' Integrated National Energy and Climate Plans—such as Spain's national refurbishment programme, as the *ESPON European Compendium of Housing Policies* also demonstrates. Another key instrument will be the Social Climate Fund, which will assist those most affected by the new emissions trading system for buildings and to address energy poverty.

The impact of EU financing is clearly demonstrated by the case studies. The importance of the European Regional Development Fund (ERDF), for instance, is highlighted in the ESPON HOUSE4ALL Slovak case study, where the ERDF contributes directly to housing upgrades. Through the JESSICA initiative, it supports Slovakia's State Housing Development Fund (SHDF), which provides low-interest loans for energy-efficient renovations.

Energy Gentrification Case Study

The case study investigates energy gentrification and displacement linked to multi-apartment renovations in the Baltic states, focusing on Tallinn, Estonia. Unlike Western Europe, the Baltics face acute challenges around housing stock depreciation and the urgent need for energy retrofits, which may also trigger displacement.

Support structures vary: Estonia and Latvia emphasize regional equity, while Lithuania targets household-level income disparities. Renovated socialist-era buildings show higher prices than non-renovated ones, though still below pre- and post-socialist housing.

Ethnic disparities are evident, with Russian-speakers underrepresented in renovated buildings, suggesting barriers to participation. Interestingly, single elderly women often remain in renovated units, showing resilience against displacement when tenure is secure. Meanwhile, young single adults are increasingly drawn to these upgraded homes, while families remain underrepresented. These shifts signal early demographic changes that may reshape Soviet-era estates.

Banks working in close cooperation with the EU also serve as crucial financial partners. In Slovakia, the Slovak Sustainable Energy Financing Facility (SlovSEFF), backed by the European Bank for Reconstruction and Development (EBRD), has supported housing energy upgrades for years by subsidising loans. In Lithuania (Kährik & Gončarovs, 2025), the European Investment Bank (EIB) has played a similarly significant role, supporting renovation programmes through JESSICA and launching a new €100 million multi-apartment renovation initiative in 2024. Together, these instruments illustrate the EU's comprehensive approach to financing energy-efficient housing—linking social objectives with climate goals.

Various EU funding instruments play a crucial role in promoting affordable and social housing across Member States by enabling targeted investments in both infrastructure and social support systems. The RRF is a key example here as well, supporting a wide range of housing-related projects. In Romania, as it is revealed in the *ESPON European Compendium of Housing Policies*, RRF funds are used for social housing initiatives aimed at vulnerable youth and service housing for essential workers in education and healthcare. The ESPON HOUSE4ALL Como case study further illustrates this, where the RRF financed the development of seven temporary social housing units to address local housing shortages. Similarly, the Housing First approach has benefited from several EU funds, including the European Social Fund Plus (ESF+), ERDF, and Next Generation EU, which support national recovery plans in countries like Italy and Portugal (Belotti, 2025). These plans allocate significant resources toward poverty reduction and the construction or renovation of social and affordable housing. In Croatia, EU funding, along with the advocacy of organisations like FEANTSA and Housing First Europe, has supported pilot Housing First programmes. Additionally, strategies addressing territorial inequalities, such as Italy's National Strategy for Inner Areas (SNAI), are co-financed through structural funds like the ERDF, ESF+, and the European Agricultural Fund for Rural Development (EAFRD). Together, these instruments exemplify how EU financial mechanisms are strategically leveraged to address housing challenges while advancing broader social and regional development goals.

Finally, less direct, but just as significant is the way EU funding significantly shapes the research and knowledge landscape across Europe. Through research and innovation programmes such as LIFE and Horizon Europe, the EU funds a wide array of projects that explore housing-related challenges from multiple perspectives. These include studies on climate adaptation strategies and their unintended consequences, such as displacement or gentrification (e.g. ReHousIn, 2025), which are increasingly relevant in urban policy discussions. It also allows the exchange of ideas for policy experts at lower – often municipal – levels, who otherwise would have difficulty learning about innovation in housing policy. Furthermore, EU-funded research also addresses issues of social equity and human rights. For example, as mentioned in the ESPON HOUSE4ALL Hungarian case study, the European Union Agency for Fundamental Rights conducted a study in 2016 assessing discrimination against Roma populations in nine Member States, with a focus on areas like access to housing. This highlights how EU-backed research can bring visibility to housing inequalities and inform more inclusive policy responses.

7.2.3 Shifting EU Stance

A shift can be observed in the EU, as housing-related issues—formerly managed solely by individual Member States—have gained increasing attention at the European level in recent years, emerging as a shared challenge and policy priority across Europe (European Commission, 2025). This is particularly evident through legislative and policy actions aimed at improving affordability and combating homelessness. One illustration of this is the 2021 European Parliament resolution, which called for a revision of the definition of social housing within state aid regulations (European Union, 2021).

Energy Renovation Case Study

This case study explores Slovakia's unique post-socialist housing context, focusing on widespread renewal of multi-family owner-occupied housing, especially in Bratislava.

Slovakia's fully privatised housing market, combined with complex financial mechanisms, has enabled large-scale renovations, supported by national programs like the State Housing Development Fund (SDHF). The SDHF's revolving nature makes it nearly self-sustaining, complemented by commercial loans and mandatory savings funds required by law. These funds help finance upkeep and energy efficiency improvements but can pose affordability challenges for some residents.

Success depends largely on capable, trusted housing managers rather than solely on residents' finances. While renovations improve housing quality and stability, they also drive property value appreciation, which benefits current owners but contributes to rising prices and reduced affordability for groups in vulnerable situations. The study highlights how non-targeted policies can still improve housing stock broadly but may have mixed impacts on housing access in privatized, post-socialist markets.

It is also reflected in the launch of the European Platform on Combatting Homelessness in the same year, under the European Pillar of Social Rights action plan (European Commission, n.d.-f). Building on this momentum, the European Parliament established a Special Committee on the Housing Crisis in the EU in 2024. The committee is tasked with investigating the root causes of housing shortages, analysing the EU's role in regulation and funding, and proposing concrete policy solutions. However, perhaps the clearest signal of this shift toward more coordinated and housing-led approaches at the EU level is the appointment, in 2024, of a commissioner with a dual mandate covering both energy and housing, supported by a housing task force. The new commissioner's responsibilities include developing the EU's first Affordable Housing Plan and addressing issues related to energy poverty, with the broader goal of ensuring a fair and sustainable energy transition (European Commission, 2024).

Box 6: The European Union's Role in Defining the (Future) Housing Agenda

Key Findings - What Can Be Done About the Housing Crisis?

- The EU is driving ambitious climate goals through housing policy. Through the European Green Deal, Renovation Wave, and the 'Fit for 55' package, the EU has made energy-efficient renovation of residential buildings a key strategy to achieve climate neutrality by 2050.
- Affordable housing and homelessness are gaining traction at the EU level. The EU increasingly recognizes housing affordability and homelessness as shared European challenges. Initiatives like Housing First, supported by resolutions and policy frameworks, show a shift toward housing-led responses—anchored in the European Pillar of Social Rights.
- Fiscal and state aid regulations significantly influence national housing systems. EU fiscal rules, including state aid limitations and the Stability and Growth Pact, shape how Member States fund housing. Calls to reform state aid definitions and support broader public housing investment reflect growing pressure for more inclusive regulatory frameworks.
- EU funding mechanisms are central to enabling renovation and housing investment. Financial instruments such as the Recovery and Resilience Facility (RRF), ERDF, and JESSICA are vital for supporting energy-efficient renovations and affordable housing projects. These funds help implement national strategies, particularly in vulnerable regions and for disadvantaged groups.
- A clear policy shift is underway: housing is becoming a coordinated EU priority. What was once a national issue is now recognized at the EU level. The creation of a European housing commissioner, the establishment of a special committee on the housing crisis, and the upcoming Affordable Housing Plan reflect a new, more integrated European approach to housing policy.

7.3 Thinking Beyond Housing Policy

As housing policy has emerged on the European agenda as a new field of concern and reemerged as a key policy field for national and regional governments, we want to take a moment to also reflect about the limitation of housing policy as a tool to combat the current housing challenges. The broad field of housing policies as captured in the European Housing Policy Compendium is of course crucial in terms of directing and intervening into housing markets and shaping the lived experience of households in terms of affordability and quality. However, interactions with many other policy fields exist which cannot be disregarded when aiming for affordable and quality housing as a social and economic goal. The compendium thus also tries to capture aspect of related fields such as energy and environmental goals for housing or planning and land use paradigms. Reflecting the manyfold drivers of housing (un-) affordability summarised in chapter 4, it becomes apparent that many more policy fields also affect housing outcomes.

One of the most important fields is of course monetary policy, shaping mortgage costs through interest rates but also the attractiveness of real estate as an investment object more generally. Thus, the European Central bank (ECB) must be considered another prominent actor shaping the development of housing markets. Together with national authorities it also has a shared responsibility for macroprudential policies, referring to regulations to safeguard the stability of the financial system by mitigating systemic risk and boom-bust cycles (ECB, 2025). These generally include capital-based, borrower-based and liquidity-based measures. However, national authorities are primarily tasked with the implementation of the tools.

For example, Ireland and Sweden introduced strict Loan-to-value (LTV) caps and Debt-to-income (DTI) caps after experiencing severe housing booms and busts. Meanwhile, Austria adopted binding borrower-based measures in 2022 amid concerns over mortgage market overheating[1] (OeNB, 2022) which substantially increased entry barriers for residential mortgages.

Furthermore, migration both within and into the European Union plays a relevant role in terms of relocating housing demand. Particularly an influx of refugees, as for example experienced by Poland in the early stages of the Russian attack on Ukraine, may not only increase housing demand but also the need to cater for the housing needs of particularly vulnerable groups (e.g. Orchowska, 2024). Hence, both European integration and cohesion but also foreign policy play a role in shaping local housing markets.

On a more local level, infrastructure provision plays a key role for housing market developments. Public provision of essential services and infrastructure typically increases land prices and is thus reflected in local housing costs. However, better accessibility to urban centres through transportation infrastructure can also help to effectively redistribute the urban demand burden onto the surrounding regions where more land or existing housing stock can offer additional supply.

Most importantly, labour market and social policies are key determinants of housing affordability as they directly impact households' ability to pay for housing. Interregional and international income inequalities crucially shape the affordability landscape identified in chapter 6. In fact, the key issue behind the current housing affordability crisis is not per se the rise of housing prices, but the growing spread between income, particularly wages, and prices. This does not only highlight the need to consider household income as an equally important factor to achieving housing affordability but also the need to go beyond the cross-sectional analysis at the heart of this project to form continuous monitoring of housing price and income over time and space.

Shrinking Regions Case Study

This case study compares real estate prices and affordability in shrinking and non-shrinking LAUs across Europe, focusing on Norway, Romania, Italy, Spain, and France in more depth.

Norway shows a strong price discount in shrinking areas with significantly larger affordable housing sizes. Romania's price differences are minimal, despite known out-migration, suggesting relative market parity. Italy reveals surprisingly small price gaps, possibly due to earlier shrinkage or market distortions, despite policies like €1 home sales in shrinking regions.

Spain exhibits modest price differences but pronounced affordability gains, with larger housing units affordable in shrinking areas. France shows clear price discounts in shrinking LAUs, but with high regional variability; some shrinking areas still have high-end markets.

Overall, shrinking regions tend to offer more affordable housing options, often with larger spaces, although the extent varies widely depending on national contexts and local market dynamics.

[1] Note that the regulation has recently expired in June 2025.

8 Conclusions

The ESPON HOUSE4ALL project results clearly indicate that Europe is facing a housing affordability crisis. Although the affordability maps may appear less alarming at first glance, they obscure the reality that most of the population is concentrated in urban areas, which are typically the least affordable. Homeownership is increasingly out of reach, particularly in metropolitan regions, touristic hotspots such as coastal and alpine zones, and much of Eastern Europe. In many of these areas, purchasing even a modest home now requires more than 30 years of mortgage repayments on a single income, with high down payment requirements adding a further barrier to enter the housing market.

Meanwhile, rental affordability varies greatly between countries and size classes. Problems are especially severe for mid-sized and larger units, and in countries where high homeownership rates and low tenure security leave renters more exposed. Within countries, spatial variations in housing prices largely explain differences in affordability, while income disparities between countries are the primary driver of broader regional differences.

Although homeowners and renters on existing tenancies may not yet be affected, the data indicates that there is a severe housing crisis in the making. Currently it mostly affects newcomers to the housing market such as young adults, households relocating for personal or professional reasons and external migrants. However, high rents and high mortgage rates with extensive duration are likely to translate into increased housing costs for a wider population and for a sustained period of time. Hence, the data points to a future affordability crisis, with serious implications for younger generations and those who wish—or are forced—to relocate. This raises urgent concerns not only for intergenerational equity, but also for labour mobility and European cohesion. To some extent, the current state of housing markets already signals a looming crisis, with an ever-growing share of citizens unable to access affordable housing.

Meanwhile, housing challenges, particularly shrinking regions and the state of housing in several post-socialist countries in the Baltics and Central and Eastern Europe, are more often related to housing quality and energy efficiency due to a high degree of depreciation and insufficient maintenance funds. This is already an area where European Funders started to intervene, however, there is still a long way to go to ensure quality and energy efficient housing in these regions.

Altogether, the project focussed on affordability of housing, as well as quality of housing. Yet, a key question that emerged is what the key factors that contribute to the challenges of providing affordable housing are. The set of drivers contributing to housing (un-)affordability are many-fold. These drivers, namely territorial heterogeneity, different policy systems, shifting demand patterns in contrast to an inflexible housing stock and long construction periods, long land-use planning processes, and complex multi-level governance settings, all contribute to the challenge of developing affordable housing. Thus, it is particularly important for policymaking to develop measures, such as funding instruments or regulations, that are well suited to tackle the housing crisis.

There is a need for more housing supply through construction but also renovation and mobilization of vacant dwellings. This task will command both private and public investment at various levels of government. The European Union has already identified this as a key strategy area and started to provide substantial funding through the European Investment Bank. However, this task will not only command large investments but also frameworks to ensure investments are used to indeed increase the supply of housing and prevent publicly funded (ground)rent extraction strategies.

Rental housing has long been treated as secondary both in terms of preferential treatment of homeownership in terms of policy but also data availability. However, unaffordable sales prices and credit constraints have sparked a renewed interest in rental markets and policy. Thus, after decades of shifts away from supply subsidization and privatization of public social housing stocks, social and affordable housing provision needs to return to the agenda of policy makers and funding institutions.

Our research has provided an overview of housing policies in European countries, a broad overview of challenges for the provision of housing, and identification of where the affordability challenges are most acute, both spatially and with relation to particular market segments. Yet, following this broadly comprehensive research approach, several future avenues for research have been identified. These avenues have been highlighted in Box 7.

To conclude, housing affordability is a challenge for European housing markets that is both currently relevant and expected to worsen further in the future. Further research is needed to better support an emerging European housing policy field.

Box 7: Future Housing Research Avenues

Future Housing Research Avenues

- **Continued housing affordability monitoring** — Given the huge interest in the ESPON HOUSE4ALL data—specifically the web scraping and income data—and related increasing demand for interventions in housing systems and markets at the EU level, a comprehensive and current understanding of European housing markets is needed. While using web scraping/big data techniques has the disadvantage of collecting asking prices rather than final prices, it has the advantage of covering prices at the same point in time, in contrast to transaction data which may be officially recorded long after the prices were determined. Providing a continuous monitoring of housing markets, while simultaneously building on the most up-to-date income data allows for a more nuanced understanding of housing markets. If continued and possibly even continued at a weekly basis, such monitoring could act as an early warning system of markets heating up, as well as an information source for policy interventions implications. If the web scraping is continued, further data can be collected to complement the housing market picture within Europe and develop time series data for house price developments. A weekly web-scraping would also allow for a better understanding of housing markets, specifically in analysing the turnaround of different apartments and flats, and analysing highly demanded apartment types.

- **Development of further affordability indicators** — Having worked with the web scraping data and having developed a methodology to better treat the data, a next step could be the development of further indicators that provide a better understanding of the data. One such indicator could be differentiating between the type of housing units/dwellings. For example, affordability between apartments and houses may differ substantially, both in terms of rental and sales markets.

- **Link data to other themes** — In understanding house prices and house price dynamics at a pan-European scale, this information could be linked to other social-economic indicators to identify the challenges and opportunities for local housing markets, such as the potential for housing markets in shrinking areas to serve dual-purpose as a welfare system.

- **Comparative local housing policies** — The case study research indicated the value of case-based research in attempting to understand the implications and functioning of specific housing policy approaches. While empirical results may differ from city to city, , conducting comparative case studies on similar housing policy approaches across Europe can provide indications as to how policies affect housing markets, and what place-based specificities determine effects in housing markets.

- **Dynamic Housing Policy Developments** — The *European Compendium of Housing Policies* is a very valuable extensive document allowing for a good overview on different countries' housing policies and initiatives that would call for regular updates.

- **Overarching trends and drivers** — The research clearly showed that housing policies are interdependent with numerous other policy fields, and thus housing markets are complex to research given the dynamics are a result of many parallel developments. where overarching trends as well as policy initiatives that may in parts serve contradicting goals. Further research would be needed to better understand these interrelations.

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The ESPON EGTC is the Single Beneficiary of the ESPON 2030 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway, and Switzerland.