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RESEARCH PAPER

## **One roof, many realities: Europe's complex housing crisis**

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The housing crisis in Europe is primarily a structural issue, with local characteristics and variations across different regions. While the specific challenges faced by each Member State, ranging from affordability to housing type and quality, vary significantly, the crisis is inherently pan-European in scope. Housing systems are shaped by the unique economic, social and cultural contexts of each country, leading to a diverse market landscape. There are major differences within Europe regarding how we live, in terms of size, kind and quality of housing and whether we own or rent. There are also cultural preferences in the way we live.

Over two-thirds of EU residents own their homes, with 51.7% living in houses and 47.7% in apartments. Urban areas, where the majority of Europeans reside, have a higher proportion of apartments, with 72% of urban residents living in multi-unit buildings, compared to 82% of those in rural regions living in houses. While national

trends offer a useful frame of reference, it is often the regional and city-level data that reveal the underlying challenges – affordability, availability and quality of life.

Housing prices have surged across Europe, rising by 60.5% from 2015 to 2025. As a result, the proportion of household budgets devoted to housing has increased dramatically, especially in urban centres, which house a large part of the EU's population. This growing affordability gap has been exacerbated by a series of external shocks, including the global pandemic, geopolitical instability, migration waves and an ongoing energy crisis. These changes have far-reaching consequences, affecting not only housing markets, but also social stability, political dynamics and economic resilience across the continent. In 2024, 5.3% of EU GDP was contributed by housing, underscoring its importance to the European economy <sup>1</sup>. As the EU faces a transformative

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decade, both urban areas – projected to house 83% of the population by 2050 – and rural ones must contend with a wide array of challenges that range beyond traditional housing policy, from infrastructure resilience to demographic shifts and climate imperatives.

This analysis explores the key challenges for a European housing policy arising from the trends shaping the sector, offering insights that could inform policy discussions ahead of the European Council meeting in October and beyond. The following sections provide an overview of the current housing landscape and the potential implications for addressing these pressing issues as part of the EU’s policy agenda.

## 1. Trends

After a period marked by pandemic recovery and rapid price growth, the housing sector is

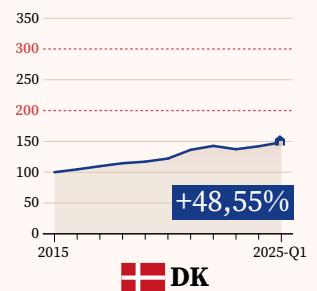
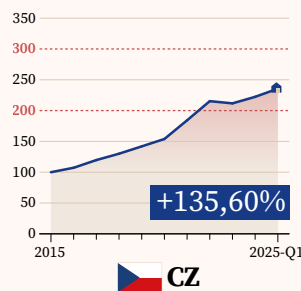
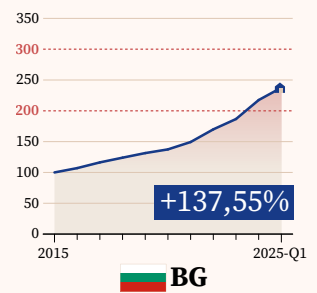
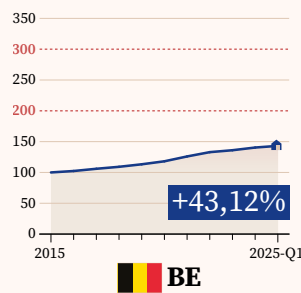
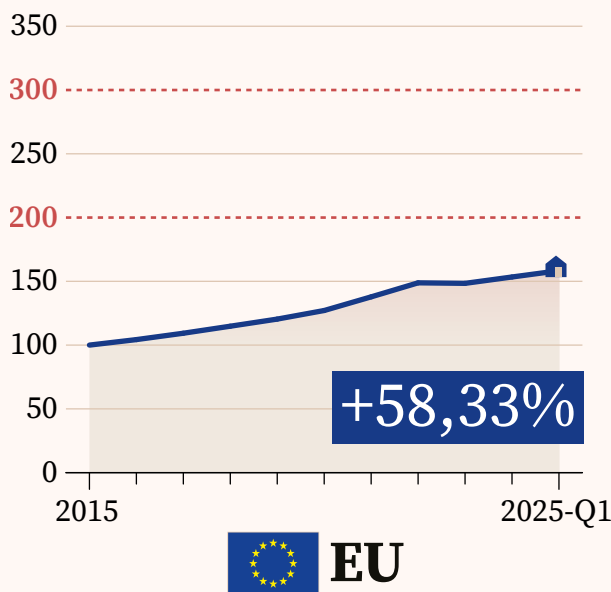
now shaped by economic adjustments, tighter lending conditions and a renewed focus on affordability. While conditions vary between regions, many share similar concerns: the cost of living, rental pressure on housing supply and interest rates.

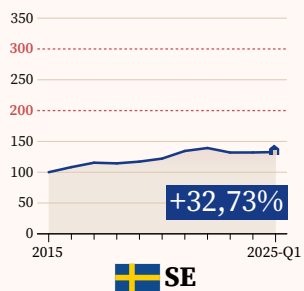
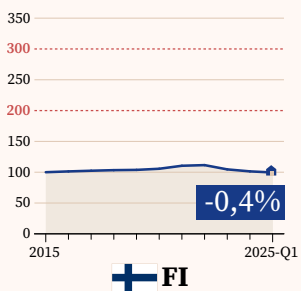
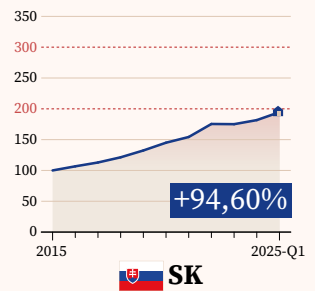
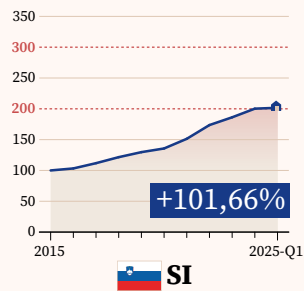
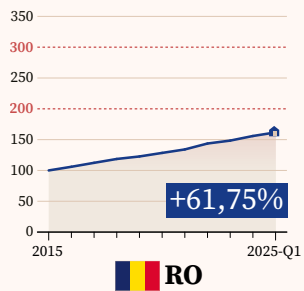
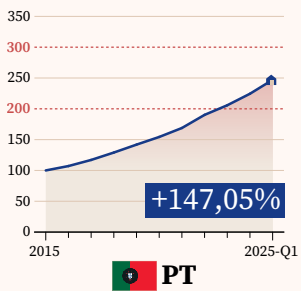
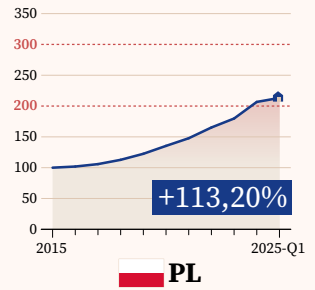
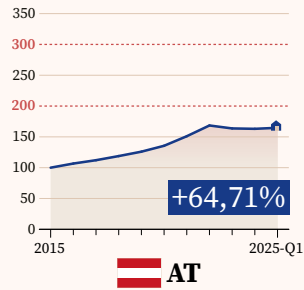
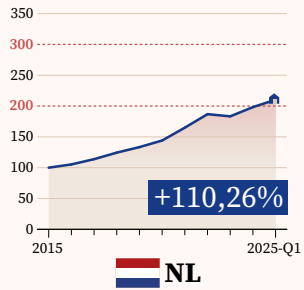
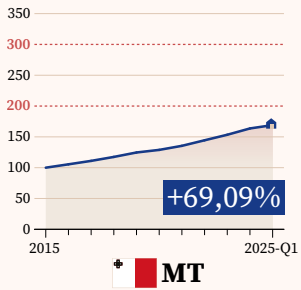
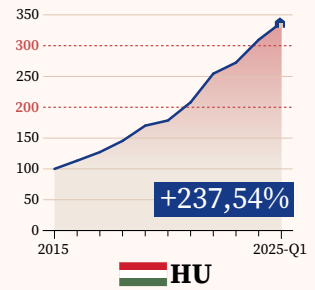
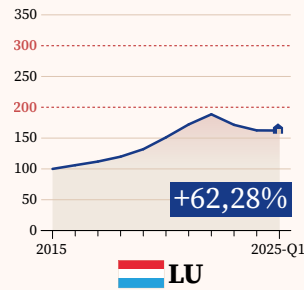
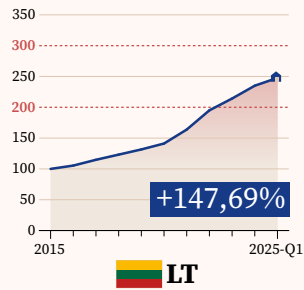
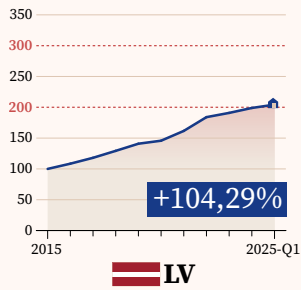
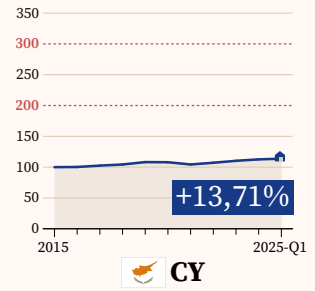
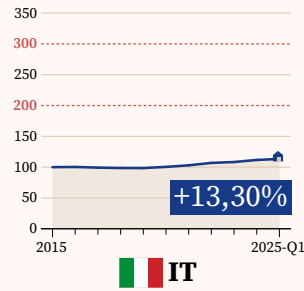
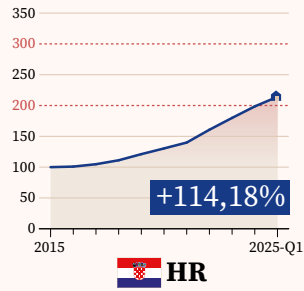
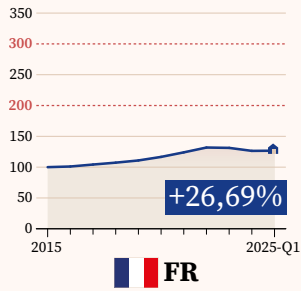
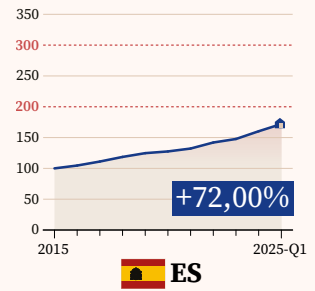
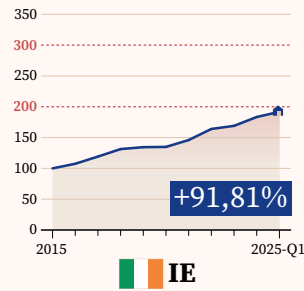
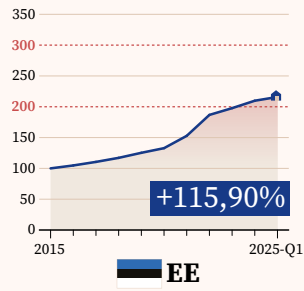
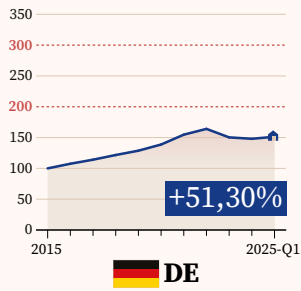
### 1.1 Housing costs have risen significantly

Across the EU, housing costs have risen, and disposable incomes can no longer keep up. High house prices and interest rates limit the options of prospective buyers, while high rents constrain the budgets of tenants. But even homeowners without a mortgage struggle, due to high energy costs and the ongoing cost-of-living crisis. **Housing costs are mounting:** one in ten EU households was unable to pay rent or mortgage payments on time and 15% were in arrears on their utility bills in the past year<sup>2</sup>.

### Housing prices across the EU have risen significantly

Rise in housing prices, 2015-2025 (2015=100)





Most recent data available (2025 Q1) | Data for Greece is not available  
 Source: [European Parliament](#), Eurostat

EU households spent an average of 19.2% of their disposable income on housing in 2024, but there are significant differences between Member States and income groups<sup>3</sup>. Households whose housing costs exceed 40% of their disposable income are at a particularly high risk of financial difficulty. In 2024, 9.8% of urban EU residents lived in households spending over 40% of their income on housing, compared to 6.3% in rural areas, highlighting a stark urban-rural divide<sup>4</sup>.

**Rising prices are making homeownership increasingly unaffordable**, especially for young people and lower-income households. From 2010 to 2025, EU house prices rose 60.5% overall, outpacing rent increases, with houses exceeding rent increases in 21 out of 26 countries<sup>5</sup>. House prices have been volatile in recent years – peaking pre-2022, dipping in 2023, then rising for six quarters since 2024 – while rents have increased steadily. There have been **stark national variations**: eastern or Baltic states such as Hungary (+277%), Estonia (+250%) where house prices have more than tripled, have seen explosive growth, due to economic catch-up and low starting points. At the same time, Italy (the only country where house prices have decreased, – 1%), or Greece (the only country where rental prices have decreased – 9%) have faced declines amid stagnation. Other notable house price surges include Latvia (+162%), Czechia (+155%) and Portugal (+141%), reflecting regional disparities.

If buying has become more complicated, **renting is not much easier**. Between 2010 and 2025, rental prices in the EU increased by 28.8%<sup>6</sup>. Across Europe, the rental market has become more and more competitive. Here, too, younger people, students and lower-income households face growing challenges in securing stable accommodation. Many households have turned to renting as homeownership became harder to attain, even in countries where homeownership has been the default option, due to difficulties in raising the necessary finance. Although **average mortgage rates have declined** from their peaks in

2022/2023, they are still **significantly higher than before Russia’s invasion of Ukraine**<sup>7</sup>.

The increased demand has placed **upward pressure on rents**, particularly in urban and economically dynamic regions. From 2013 to 2018, in some capitals, rental price **increases surpassed country-level rental growth by multiple times**, for example, in Lisbon, Dublin, Madrid, Reykjavik, Stockholm, or the City of Luxembourg. In response, several governments explored rent regulation, subsidy programmes or partnerships with institutional investors to expand the rental supply, although the long-term impact of such measures remains to be seen<sup>8</sup>.

## 1.2 New housing construction is lagging behind

The best way to make housing more accessible is to increase supply<sup>9</sup>. To close the current supply gap, the European Investment Bank (EIB) estimates that **the EU would need to build almost 1 million new dwellings**<sup>10</sup>. But although demand is clearly exceeding supply, building decent housing at affordable prices has become increasingly challenging.

**Construction costs are one of the major factors in the current supply shortage**. The cost of building new homes in the EU **surged by 56% from 2010 to 2024**, with a record 12% jump in 2022 alone<sup>11</sup>. That year, construction costs rose steeply in all EU countries, but the extent of the increases varied widely. Hungary saw the steepest rise, with a 159% surge, followed by Bulgaria at 136% and Romania at 116%, driven by strong demand and rising materials costs. In contrast, Greece experienced a mere 3% increase, while Italy and Cyprus saw more moderate gains of 24%, reflecting slower market dynamics.

Residential construction in the EU has been **lagging behind demand for almost two decades**. After robust activity in the 1990s and early 2000s,

the 2008 financial crisis, triggered by reckless US mortgage lending, led to a sudden **drop in investment in new builds**, from which the sector never fully recovered. The pandemic worsened the situation as it disrupted permit-issuing, delayed material deliveries and caused labour shortages, stalling residential construction. Central banks, including the ECB, raised interest rates to curb inflation driven by supply chain disruptions and skyrocketing energy costs linked to Russia's 2022 invasion of Ukraine, which further squeezed investment in housing.

After a post-COVID-19 rebound that began in 2021, the momentum has faded in most Member States. In 2024, new housing construction in the EU slowed significantly, with overall construction investment declining by over 2%, reversing post-COVID-19 gains<sup>12</sup>. The three largest economies on the continent – typically drivers of the sector – all show a negative trend, as do the Nordic countries. **Forecasts for 2025 predict more moderate contraction, leaving little room for optimism.** Conversely, several Southern European countries maintain a generally positive outlook on construction, despite economic uncertainties (Spain expects +3.2%, Portugal +4.0%, Greece +10% in 2025), driven by EU recovery funds, large infrastructure modernisation projects and renewed interest in energy renovation.

Given the negative growth forecast, a key challenge is the **lack of innovation**. According to the 2024 European Investment Bank (EIB) Investment Survey, 75% of construction companies in Europe report limited innovation, a stark contrast to the 67% found in other industries. This innovation gap further exacerbates the sector's struggles, limiting its ability to effectively address pressing issues such as environmental sustainability<sup>13</sup>.

Despite **widespread access to EU recovery funds**, the effects on construction remain uneven across Member States. The ongoing downturn in the sector results from a mix of structural factors. Elevated interest rates are restricting credit

availability, thereby limiting private investment. Simultaneously, **the gradual phase-out of public support – particularly for the EU recovery plan – has diminished a key driver of growth.** Additionally, soaring construction costs and administrative delays are significantly hindering the progress of projects.

Thus, the sector argues that European support alone is not sufficient to ensure sustained growth in the construction sector and that national political, administrative and economic conditions strongly influence investment dynamics<sup>14</sup>.

### 1.3 The existing housing stock is increasingly inadequate

Even in areas where house prices are lower and the housing supply is under less strain, the conditions of the existing housing stock may still render them inadequate and expensive. **Buildings are the single largest energy consumer in Europe**, with around 40% of total energy consumption and almost half of the EU's gas consumption attributable to buildings<sup>15</sup>. Housing also accounts for more than a quarter of CO<sub>2</sub> emissions in OECD countries<sup>16</sup>.

Due to the slowdown in construction activity, the EU's housing stock is predominantly old, which affects their energy efficiency. 85% of buildings in the EU were built before 2000 and 75% have a poor energy performance rating<sup>17</sup>. According to the Joint Research Centre of the European Commission (JRC), **energy poverty**, or the inability to afford adequate heating, cooling or lighting, **affects between 8% and 16% of the EU population**<sup>18</sup>. Improving the energy efficiency rating of these houses would be the most effective way to reduce housing costs and improve the quality of living. However, the annual energy-related renovation rate stands at only about 1% of all residential buildings, while 'deep' renovations – those achieving energy savings of at least 60% – account for just 0.2% of residential buildings per year<sup>19</sup>.

**Renovating existing buildings in the EU faces several challenges**, primarily high investment costs exacerbated by rising interest rates and stricter financial regulations, which make obtaining loans more difficult. While these regulations have reduced mortgage defaults, they also limit funding for socially beneficial projects such as renovations. Additional obstacles include a shortage of skilled workers, particularly heating engineers, and the reluctance of older homeowners to invest in energy-efficient upgrades due to long payback periods. In regions with declining populations, the demand for energy-efficient renovations is lower, and properties may remain unrenovated. Moreover, a lack of transparency in energy efficiency data further hinders investment<sup>20</sup>.

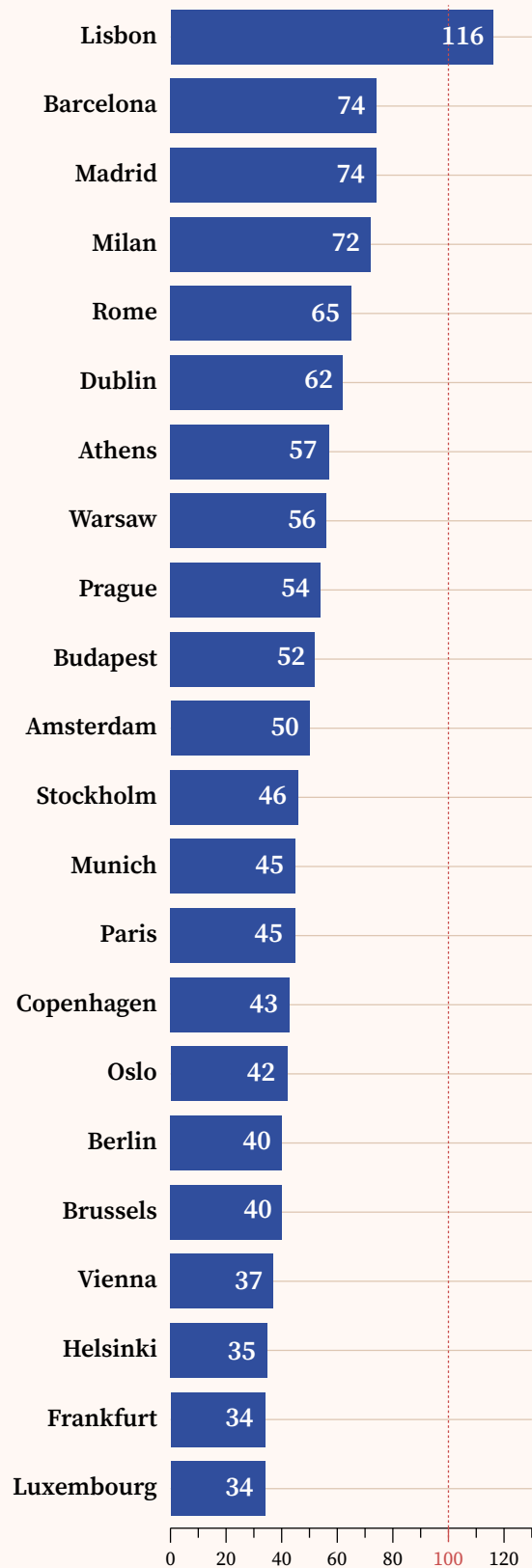
#### 1.4 Societies are becoming more urban

Over the last 30 years, cities globally have grown in size by an area equal to that of Romania<sup>21</sup>. The European Union faces a transformative time as its urban areas, home to over 70% of its population, **grapple with structural, social, and environmental challenges over the coming decades**. Most capital cities have seen marked increases in residential property prices, reflecting a continued trend of rising demand and constrained supply in urban areas<sup>22</sup>.

With **urbanisation projected to reach 83% by 2050**, EU cities must address housing shortages, infrastructure resilience, demographic shifts and climate imperatives to ensure sustainable and inclusive growth. In contrast, some less dynamic areas are beginning to decline, requiring specific support in response to the demographic composition – older, rural and with limited economic activity. For example, Italy's 2021-2027 National Strategy for Inner Areas<sup>23</sup>, revised this summer, acknowledges that **some territories could face irreversible depopulation**, with no realistic prospect of reversing the trend. This admission sparked sharp criticism from affected mayors and regions.

### Apartments in major European city centres are increasingly unaffordable on average salaries

*Percentage of salary spent on rent, 2025*



Source: [Euronews](#), based on Deutsche Bank Research Institute

And yet, this prospect could apply to most EU Member States. Whilst rural regions account for almost half (44.7%) of the EU's surface area, their share of inhabitants in the EU is considerably lower, at 20.6%<sup>24</sup>. Between 2014 and 2024, the EU's rural regions lost nearly 8 million inhabitants, while urban areas gained over 10 million<sup>25</sup>. These shifts align with long-term cycles, as the number of inhabitants aged 65 years or over has increased by 1.5% to 1.7% each year in rural areas<sup>26</sup>. Examining demographic trends from 1921 to 2021 in Italy, researchers show that internal migration flows are not random but follow recurring dynamics, driven by a persistent rule: **density attracts density**<sup>27</sup>. Urban hubs continuously strengthen their pull, while marginal areas accumulate disadvantages, with declining birth rates compounding resident exodus. As a result, many regions will require a support strategy tailored to the specific needs of a declining and ageing population.

### 1.5 Housing needs are evolving

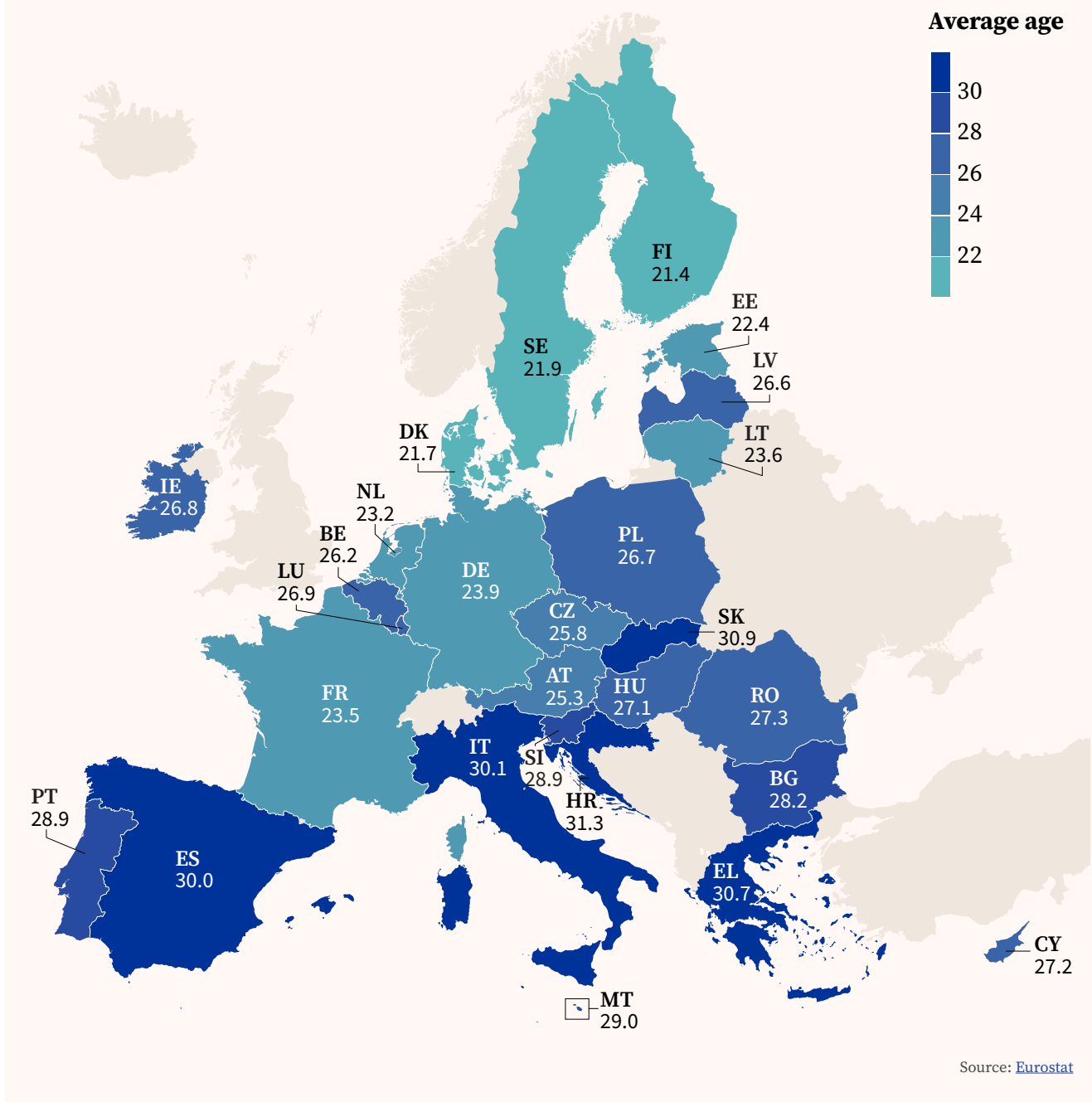
As European societies evolve, there is **an increasing mismatch between the current housing stock and societal demands**. The European Commission notes a shortage of 4 million affordable units, particularly for low-income and young households. This shortage exists alongside significant inefficiencies in housing stock, with a third of the population (33.1%) living in homes that are too large for their needs in 2024<sup>28</sup>. Under-occupation is often caused by older individuals or couples remaining in homes after their children have moved out. Limited supply and the increase in housing costs likely prevent many of these 'empty-nesters' from downsizing<sup>29</sup>. **Smaller households (1-2 persons) will dominate in the coming decades**, driven by ageing populations and declining birth rates. This demographic shift will require a **10-15% increase in urban housing units by 2040, despite slower population growth**.

As housing becomes unaffordable for a growing share of the population, the **number of those in need of assistance is increasing**. Housing benefits and social housing offer critical support for many EU residents, but these provisions remain uneven across Member States. Comprehensive and harmonised data on social housing is scarce, as varying definitions, diverse providers and fragmented legislation make it difficult to assess its proliferation. According to the OECD, **social housing comprises some 14 million homes, roughly 8% of dwellings** out of a total of around 175 million across 21 Member States<sup>30</sup>. The proportion varies widely: over 30% in the Netherlands, around 20% in Austria and Denmark, 10% in France, Finland, Ireland, and well below 10% elsewhere<sup>31</sup>. In recent decades, however, the share of social housing has declined due to a slowdown in construction and waves of privatisation.

Within the EU, some countries have already implemented a range of measures to support affordable housing models. There has been a **resurgence of interest in housing cooperatives** from both public authorities and civil society in many parts of Europe, which view the cooperative model as part of the solution to the affordability crisis. In Germany, 3.2 million people already live in cooperatives<sup>32</sup>. Belgium's Flanders region has reduced poverty by 40% among people with access to social housing. Denmark has launched programmes aimed at preventing youth homelessness by providing study grants and access to stable housing. In the Netherlands, 20-30% of residents live in limited-profit housing, a hybrid model that balances affordability with private investment.

## The housing crisis can delay young people's independence

*Average age when young people leave their parental home, 2024*



### 1.6 Financialisation creates new challenges

Over the past decade, **institutional investors**, such as private equity firms and real estate funds, have been increasingly active in housing markets across the EU. This forms a major aspect of the **financialisation of housing**, a process by which

housing is increasingly treated as a financial asset or investment vehicle. The footprint of institutional investors in European housing markets has been growing rapidly: in Ireland, investment funds have purchased nearly half of all new units since 2017. In Sweden, institutional investors now own 24% of private rental apartments, while in Berlin, they control €40bn in housing assets, or



10% of the total stock. In the four largest Dutch cities, investors have bought a quarter of homes sold in recent years. Even in Vienna, with its large subsidised housing sector, institutional investors now own 10% of housing units, including 42% of new private rental homes<sup>33</sup>.

While institutional investors can bring liquidity to housing markets and address gaps in certain housing segments, such as by providing student housing and shared accommodation for young professionals, their impact on solving the affordability crisis seems limited at best<sup>34</sup>. In recent decades, most of their investment activity has not resulted in the construction of new affordable housing, but has focused on purchasing existing homes or financing developments in the higher-end segments<sup>35</sup>. Studies indicate that institutional landlords tend to renovate less and increase rents more than other local ones, pricing out lower-income tenants and exacerbating the negative effects of gentrification<sup>36</sup>. Unlike public or non-profit investors, **institutional investors often do not reinvest the profits in the areas where they were extracted, leading to an outflow of capital**<sup>37</sup>. Greater activity by such investors also leads to higher housing prices and increased mortgage borrowing, rendering housing markets more vulnerable to macroeconomic shocks<sup>38</sup>.

The growing trend of purchasing properties as financial investments is also a factor in the **proliferation of short-term rentals**, a market increasingly controlled by professional hosts<sup>39</sup>. Short-term rentals have reduced the availability of houses and apartments on the long-term market in key tourist destinations, although the extent of their impact is difficult to quantify. While platforms such as Airbnb, Booking.com, the Expedia Group, and Tripadvisor have boosted tourism – evidenced by a **record 854.1 million overnight stays booked in the EU in 2024, 152.2 million of which were spent in short-term rentals**<sup>40</sup> – the exponential growth of short-term rentals has strained local communities. Although

the COVID-19 pandemic caused a dip in overnight stays in 2020 compared to 2019, bookings rebounded beyond pre-crisis levels in 2021 and continued to rise through 2023 and 2024<sup>41</sup>.

## 2. Why housing matters

Although housing is not a direct competence of the EU, the ongoing crisis has ramifications across the Union, which is why the current crisis demands attention from all government levels. Housing affects many different policy areas, including some of the most significant challenges currently facing European leaders.

### 2.1 The housing crisis limits the EU's competitiveness

Far from only being a social challenge, the housing crisis also represents a major constraint on the economic potential of the EU. As pointed out in the Letta Report, **the lack of affordable housing represents a risk for the good functioning of the Single Market**, which could undermine efforts to enhance European competitiveness<sup>42</sup>.

Unaffordable housing represents a significant barrier to economic growth, particularly in thriving urban areas and regions. From a macroeconomic perspective, rising housing costs have a **direct impact on disposable household income**, reducing the amount available for spending on other goods and services. This not only limits local consumption, but can also dampen overall economic growth<sup>43</sup>.

Housing affordability also **influences labour market dynamics**. Research across multiple EU Member States highlights how high housing costs contribute to a misallocation of labour. Skilled workers are often deterred from relocating to high-cost cities or regions, while low-income households are priced out of employment-rich areas<sup>44</sup>. In addition, **housing availability**

### increasingly factors into companies' location

and expansion decisions, as companies in high-cost cities struggle to attract and retain workers, limiting their ability to grow and innovate. This can have real costs for local economies: recent studies found that improving the availability of housing in key cities would have significant positive effects on local GDP<sup>45</sup>. In the long term, these dynamics could diminish the attractiveness of high-cost regions for future investment and undermine their economic prospects<sup>46</sup>.

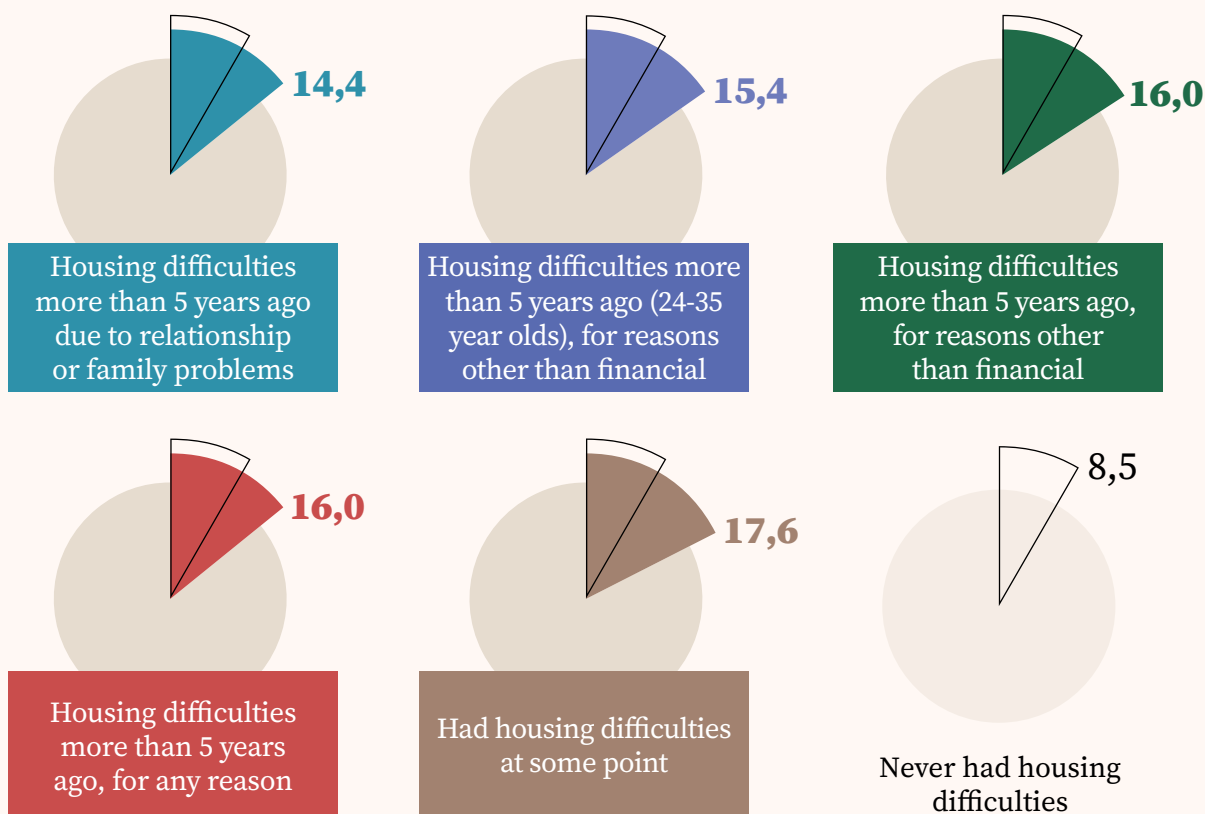
Moreover, the lack of affordable housing severely impacts young people's career and educational choices, forcing many to forgo opportunities in higher-cost areas altogether<sup>47</sup>. This creates an

uneven playing field, where educational and professional development are increasingly determined by economic background<sup>48</sup>. Housing costs could be one of the factors that limit young people from moving out and starting their families, which could affect fertility rates. **The stress of housing insecurity can also have lasting effects** on mental health and career development, ultimately hindering young people's ability to thrive in the workforce<sup>49</sup>. This stifles young people's potential and could have long-term implications for the EU's future talent pool.

Finally, **high housing prices can divert capital away from productive investments**, as property owners capture economic rent without

## Housing problems have long-term effects on employment

*Unemployment rates (in %) of people who previously experienced housing difficulties, 2023*



The unemployment rate is the EU average for each demographic group.

Source: [European Investment Bank](#)

increasing the property's productivity. This misallocation of resources is worsened by the fact that banks tend to provide more mortgage credit to households than to businesses, despite evidence showing that credit to non-financial companies leads to greater economic output<sup>50</sup>.

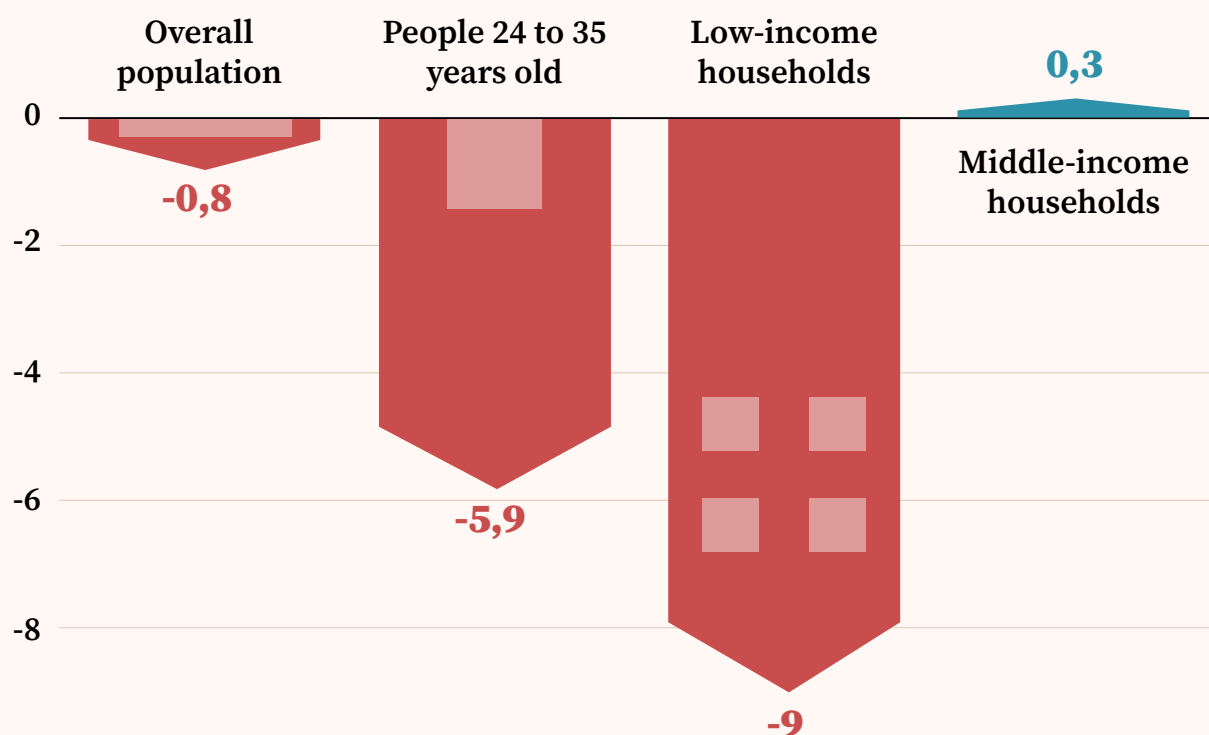
## 2.2 The housing crisis poses a risk for democracy

The housing crisis drives both inequality and polarisation, which divides European societies and, as pointed out by Commissioner Jørgensen, could pose a risk for democracy<sup>51</sup>. **Rising prices and the cost of living (42%) were the main reasons that**

**drove people to vote in the last European elections**, which shows that housing is a highly political topic<sup>52</sup>. Housing disparities play the largest role in wealth inequality across virtually all Member States, with home-ownership accounting for 63 percent of total net wealth<sup>53</sup>. The recent rise in house prices has rendered many homeowners more wealthy, which has further widened the wealth gap between homeowners and renters. Younger generations and lower-income households are especially affected, as they are increasingly unable to afford to buy a house. This not only leaves them less wealthy, but also much more vulnerable to economic shocks<sup>54</sup>. At the same time, the upcoming 'great wealth transfer' from the affluent baby boomer generation to their millennial and Gen Z offspring is set to widen

### Homeownership rates among young people and low-income households have dropped

Change in homeownership rates (in %) among different demographic groups, 2005-2023



The unemployment rate is the EU average for each demographic group.  
Source: [European Investment Bank](#)

the already-growing wealth gap within younger generations<sup>55</sup>. These **rising inter- and intra-generational inequalities are likely to fuel social alienation and amplify distrust in the system**.

Moreover, there are clear signs that the current dynamics around **housing could worsen political polarisation**. A growing body of studies has demonstrated a link between rising rent prices and votes for populist parties<sup>56</sup>. Populist far-right parties in multiple Member States have benefitted from local rising rents and gained support, especially among lower-income voters who lack the means to deal with higher housing costs<sup>57</sup>. By rhetorically linking the housing crisis with migration, these parties are able to **exploit anxiety and dissatisfaction** over housing to amplify support for their anti-immigration agenda<sup>58</sup>. But there have also been cases where populist leftwing parties have gained support among these voters by campaigning for redistribution and against excessive rents<sup>59</sup>.

Conversely, **lower-than-average housing prices could also worsen divisions**. Although homeowners tend to vote regularly and for centrist parties rather than extreme ones, their voting behaviour tends to change in regions where housing prices have stagnated compared to other parts of the country<sup>60</sup>. Excluded from the wealth gains of homeowners in booming urban areas, homeowners in these more disadvantaged regions tend to vote against the system and in favour of populist challengers<sup>61</sup>.

With societies across Member States increasingly divided, the housing crisis is exacerbating these divisions and puts the European economic and social model under strain.

### 3. Main challenges for housing policy at the EU level

Across the EU, finding affordable housing has become more and more challenging. Calls for more EU action are growing louder, and a number of initiatives are being prepared. However, there are also potential pitfalls when it comes to addressing the housing crisis and these would need to be considered.

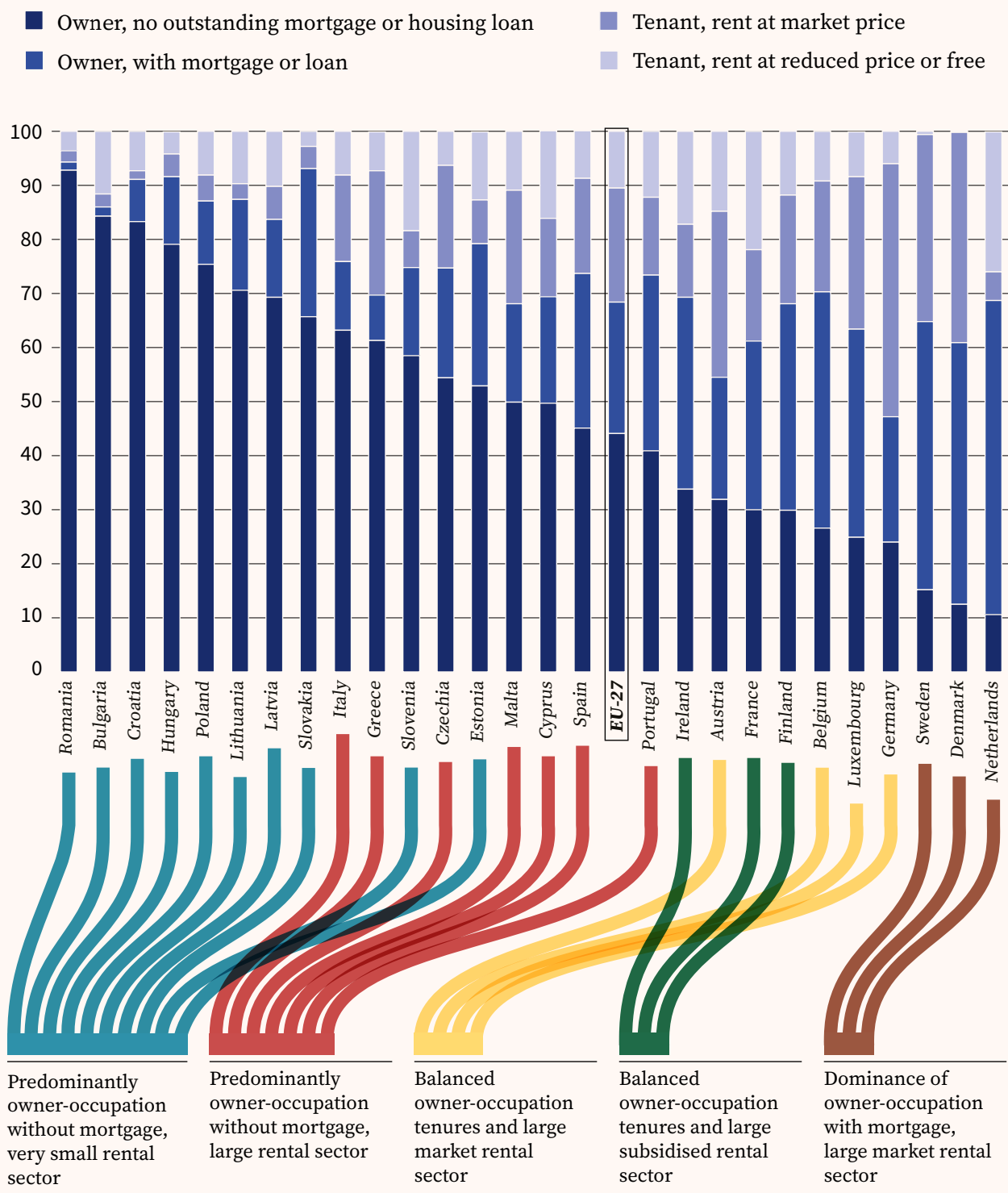
#### 3.1 The housing crisis is almost everywhere, but both causes and adequate responses vary greatly

While **inadequate housing is a challenge in nearly all Member States**, the extent of the crisis and its underlying causes differ significantly, making it difficult to find comprehensive, clear-cut solutions at the EU level. For example, whereas rents in many large cities in Southern Europe are rising due to the conversion of apartments into short-term rentals, many renters and homeowners in South-Eastern Europe struggle with overcrowding or rising housing costs due to high energy prices<sup>62</sup>.

**Differences are also apparent within individual Member States**, including structural disparities between urban and rural areas, divergent trends between capital cities and other regions and the influence of tourism on particularly popular cities and areas<sup>63</sup>. In addition, housing systems vary greatly among EU countries – in terms of their tenure status, purpose, types of providers, categories of beneficiaries, funding and subsidised rent arrangements. This also includes legal frameworks around permit-issuing, zoning and public funding for specific types of housing.

## The housing composition in EU Member States differs significantly

Tenure status in EU Member States (in %), 2024



Based on their housing compositions, Member States can be sorted into five groups

The Netherlands introduced an Affordable Rent Act in July 2024, which drastically increased the share of reduced-price renting. Due to its large share of owners with mortgage it remains in this category. Source: [Source: Eurostat](#) (bar chart), [Egner and Krapp](#) (categorisation).

### 3.2 Housing debates tend to have a narrow focus

Public debates in Member States and in the media tend to focus on specific tenant groups or drivers of housing affordability, which carries the **risk of overlooking important aspects of the crisis**. Biases can also arise due to the predominant tenure types in each Member State, which can lead to less attention for other housing forms. But although some drivers are mostly associated with a specific tenure status, they can also affect other groups: in countries where home ownership is common, inflation and rising interest rates are a key driver of housing costs, as they significantly affect both refinancing and new mortgage contracts. However, they also pose challenges for countries with strong rental markets, especially when rents are linked to consumer prices<sup>64</sup>. Moreover, the more home ownership slips out of reach, the higher the pressure on rental housing markets becomes in all countries. This has substantial long-term effects for renters in high-ownership countries who are barred from one of the main ways of achieving long-term financial security. In addition, rental markets in these countries often have weaker regulations, leaving renters at higher risk of exploitation.

In times of high energy prices across the EU, **heating expenses** can also be a significant driver of housing costs, for both renters and owner-occupiers. Member States with energy-efficient housing solutions, such as heat pumps or district heating, are less vulnerable compared to those with an older housing stock and fossil fuel-based heating. Even in more prepared countries, low-income households without access to energy-efficient heating would need public support to cope with their housing cost burdens<sup>65</sup>. However, given the massive environmental footprint of housing, **any measures to alleviate heating-related housing costs would have to be carefully calibrated** to support sustainable solutions for those that need it most. Simply relaxing energy

efficiency requirements to increase the housing stock could be counter-productive: instead, adjusting regulation and providing targeted support to incentivise investments in efficiency across all tenure types, such as through measures sharing costs and efficiency gains between tenants and landlords, might be needed to remove obstacles to home improvements and increase affordability<sup>66</sup>.

In order to solve the housing crisis, one might also have to look beyond housing policy<sup>67</sup>. Due to the wider acceptance of remote work following the COVID-19 pandemic, potential residential areas around job-rich metropolitan centres have expanded, as workers are more willing to accept longer but less frequent commutes<sup>68</sup>. **Improving the quality of local areas in places currently disconnected from jobs and services could increase the supply of affordable housing and enable more residential mobility**. Policies such as the expansion of public transport and cycling infrastructure could further alleviate pressure on urban areas. Measures to bring more local amenities to suburbs and communes surrounding urban centres could improve the situation for low-income households pushed out of the city centre, but these would have to be carefully designed to avoid negative gentrification effects on current populations<sup>69</sup>. In areas with high housing costs, better access to high-quality public services could help avoid drops in living standards for those struggling with cost over-burden. Finally, enhancing social protection systems could help decrease the role housing plays in guaranteeing economic security and ensure that housing remains adequate, accessible and affordable across all types of tenure.

### 3.3 Support for policy measures is shaped by national housing systems

Despite widespread concerns about housing unaffordability, **voters hold diverging views** on how to best address this crisis, **largely shaped by their national housing system and personal tenure status**. Given these varying views, some policy measures may be highly unpopular in certain Member States.

Research on affordable housing policies indicates that **homeowners are generally less supportive of redistributive housing policies**, such as rent controls, housing vouchers, higher taxes and social housing<sup>70</sup>. Especially when local government budgets appear strained, homeowners seem to prioritise spending in other policy areas and may even vote against incumbents responsible for building new public housing<sup>71</sup>. This means that **rising fears of unaffordability could lead to a greater polarisation between homeowners and renters**. While rising insecurity leads renters to call for more intervention, their demands often clash with the interests of homeowners. However, this is somewhat moderated by national housing systems: whereas renters in low-ownership, high-welfare countries favour broader government intervention, those in high-ownership countries seem to prefer policies aimed at enabling homeownership, as housing plays a larger role in guaranteeing economic security<sup>72</sup>. Moreover, although homeowners with mortgages, particularly younger ones, tend to be more supportive of welfare measures, this effect seems to be lower in countries where mortgage debt is more common<sup>73</sup>.

These findings indicate that support for some housing policy measures, particularly those with a more redistributive angle, could differ significantly based on a Member State's housing system and tenure structure. **Policies aimed at financing more social housing could be less**

**popular in Member States with high ownership rates**, even if renters in these countries experience high housing costs. Thus, even though affordable housing is widely seen as a priority, **measures to address the crisis may be met with popular backlash**.

### 3.4 Some housing policy options will involve trade-offs

Beyond the risk of unpopularity, **some housing policy options may have unintended consequences**, which would need to be carefully analysed. For example, mortgage and rent subsidies can help disadvantaged groups to become homeowners or manage high rental costs, but they can also lead to over-indebtedness due to larger mortgages and drive up market rents. Targeted tax breaks for first-time buyers exclude those dependent on rental markets. And although rent controls are very effective at lowering rents for those in controlled units, they also lead to higher rents for uncontrolled units, lower residential mobility, less maintenance and reduced residential construction<sup>74</sup>. Efforts to improve the energy efficiency of buildings could lead to savings on utility bills and raise home values, but could also raise housing costs in the short term, due to the sizeable investments needed to upgrade insufficient houses<sup>75</sup>. Stricter sustainability regulations may slow down construction of new homes, but could also lead to more innovation and competitiveness among construction companies<sup>76</sup>.

Mobilising more private finance may seem like an effective solution, but the greater involvement of institutional investors also runs significant risks. In light of the growing affordability crisis in recent years, many countries have begun to incentivise institutional investment in social and affordable housing through tax discounts and state-backed investment vehicles<sup>77</sup>. However, research indicates that this kind of **'socially responsible' investment often does**

**not lead to an increase in genuinely affordable housing:** mandated affordable rents often remain too close to already inflated market rents or are only charged for a limited amount of time, after which apartments can be rented out or sold at market rate<sup>78</sup>.

Policies aimed at increasing private investment would therefore need to be carefully designed to avoid negative consequences. **More institutional investment increases the sensitivity of housing markets to financial market shocks, which would require dedicated tools to mitigate stability risks.** Refocusing policies on housing as a public good rather than an asset might help ensure that public incentives will ultimately lead to a long-term increase in affordable housing for those who need it the most.



## Conclusion

Housing issues lie at the intersection of local, regional, national, and, by extension, European priorities. While housing is a concern in every Member State, citizens across the EU hold different views on how to best address the issue. These perspectives are shaped by personal circumstances, housing conditions, and the specific housing systems they live under, and can shift over time as household needs evolve. As housing affordability continues to be a growing challenge across Europe, it compounds the complexity of finding effective solutions that respond to diverse needs and changing realities.

In the context of the ongoing EU-level debate, it is crucial to recognise that many of the potential solutions lie within the competence of Member States. An EU-level discussion on housing would also need to account for both the variety of underlying causes and the diverse housing systems across Member States. This diversity makes it difficult to craft a set of ‘ideal’ policies that could be applied across Member States. Even advocacy reports on best practices note that successful strategies in one country often cannot be directly transferred to another without significant modifications<sup>79</sup>.

While European action can complement national efforts to improve existing housing stock and help address market failures, some proposed measures may pose dilemmas. As emphasised throughout this analysis, the housing crisis is not only a social challenge. It is essential that policies aimed at improving affordability do not inadvertently worsen inequalities, slow down construction, or lead to long-term financial burdens. At the same time, factors beyond traditional housing policy could also have an important role in alleviating some of the pressures contributing to the crisis.

By holding a strategic discussion on housing, the European Council underscores the essential and fundamental importance of housing, not only for the well-being of its citizens, but also as a contributing factor to achieve a more competitive and cohesive EU.

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