STUDY

Requested by the HOUS Special Committee

European Parliament

Mapping the housing needs in the EU, assessing the impacts of scarcity and providing an overview of relevant EU legislation

Part 1

Policy Department for Transport, Employment and Social Affairs
Directorate-General for Cohesion, Agriculture and Social Policies (CASP)
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Mapping the housing needs in the EU, assessing the impacts of scarcity and providing an overview of relevant EU legislation

Abstract

This study examines housing needs across the EU, focusing on inequalities in affordability, accessibility, and quality. It provides a mapping of the current housing needs in the EU across territories, including across Member States, rural and urban areas, outermost regions, and islands and across population groups. The study analyses key factors affecting housing demand and supply challenges, and the impacts of housing scarcity on health, education and employment. It also reviews how EU legislation and funding shape and support national policies in the area of decent, sustainable and affordable housing. This document was prepared at the request of the Special Committee on the Housing Crisis in the European Union (HOUS).

This document was requested by the European Parliament's Special Committee on the Housing Crisis in the European Union.

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LIST OF ABBREVIATIONS

AI	Artificial Intelligence
APCE	Association of Developers and Builders of Spain
BIM	Building Information Modelling
CEB	Council of Europe Development Bank
CLLD	Community Led Local Development Bank
CoE	Council of Europe
COVID	Coronavirus disease
CPR	Construction Products Regulation
DoPC	Declaration of Performance and Conformity
DPP	Digital Product Passports
EAA	European Accessibility Act
EC	European Commission
ECB	European Central Bank
ECRE	European Council on Refugees and Exiles
ECSO	European Construction Sector Observatory
EED	Energy Efficiency Directive
EEOS	Energy Efficiency Obligation Schemes
EP	European Parliament
EPC	Energy Performance Certificate
EPAH	Energy Poverty Advisory Hub
EPD	Environmental Product Declarations

EPSR	European Pillar of Social Rights
EPBD	Energy Performance of Buildings Directive
ERDF	European Regional Development Fund
ESRI	Economic and Social Research Institute
ESU	European Students' Union
ESF	European Social Fund
ETUI	European Trade Union Institute
EU	European Union
EUROSTAT	European Statistical Office
ETS	Emissions Trading System
FEANTSA	The European Federation of National Organisations working with the Homeless
FIEC	European Construction Industry Federation
FRA	European Union Agency for Fundamental Rights
GBER	General Block Exemption Regulation
GDPR	General Data Protection Regulation
HLM	Habitations à Loyer Modéré
ICESCR	International Covenant on Economic, Social and Cultural Rights
IMF	Institutional Monetary Fund
INSEE	National Institute of Statistics and Economic Studies (France)
IoT	Internet of Things
ITI	Integrated Territorial Investments
JTF	Just Transition Fund

LDA	Land Development Agency
LTRS	Long-Term Renovation Strategies
MEPS	Minimum Energy Performance Standards
MS	Member States of the EU
Mtoe	Million tonnes of oil equivalent
NECP	National Energy and Climate Plans
NGO	Non-Governmental Organisation
NRRP	National Recovery and Resilience Plan
NZEB	Nearly-zero energy buildings
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal of the EU
OMR	EU's Outermost Regions
PBSA	Purpose-Built Student Accommodation
PV	Rooftop solar photovoltaic (PV) systems
RED	Renewable Energy Directive
REGI	EP Committee on Regional Development
RRF	Recovery and Resilience Facility
SCF	Social Climate Fund
SGEI	Services of General Economic Interest
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
STR	Short-Term Rental

TFEU	Treaty on the Functioning of the European Union
UN	United Nations
UN-Habitat	United Nations Human Settlements Programme
UN OHCHR	UN Human Rights Office
URBACT	European Urban Development Network

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EXECUTIVE SUMMARY

Background and methodology

Housing scarcity has become one of Europe's most pressing social challenges, as it undermines social inclusion, economic stability, and environmental sustainability. It does so while limiting people's access to decent, sustainable, and affordable living conditions essential for well-being and equal opportunities across the EU.

The EU has increasingly acknowledged the need for coordinated action to tackle these issues. The European Parliament resolution of 21 January 2021 on Access to decent and affordable housing for all (2020/2844(RSP)) laid the groundwork for stronger EU-level engagement. More recent developments signal a growing political commitment to housing at the EU level, including the appointment of the first-ever European Commissioner for Housing, the announcement of an EU Affordable Housing Plan, and the establishment of the European Parliament Special Committee on the Housing Crisis in the EU (HOUS).

Against this background, this study examines housing needs across the EU, focusing on inequalities in housing affordability, accessibility, and quality. It provides a mapping of the current housing needs in the EU across territories and population groups. The study analyses key factors affecting housing demand and supply challenges, and the impacts of housing scarcity on health, education and employment. It also reviews how EU legislation and funding shape and support national policies in the area of decent, sustainable and affordable housing. The analysis is based on a combination of research methods, integrating desk-based analysis, examination of quantitative data, stakeholder consultations, and selected case studies for illustration.

Key findings of the study

Housing is broadly recognised as a fundamental human right encompassing security of tenure, adequate living conditions, affordability relative to household income, and compliance with environmental and energy efficiency standards. Thus, decent, sustainable, and affordable housing represent three interconnected dimensions essential for EU housing policy, yet how these concepts are defined and operationalised varies across the EU.

The study highlights major disparities in housing conditions and access. Southern and Eastern Europe face high rates of overcrowding and deprivation, while Western and Northern Europe struggle with soaring prices and limited supply. Urban areas face acute shortages and escalating prices, while rural and outermost regions often contend with deteriorating housing and limited investment. Substandard, overcrowded, or unsafe housing continues to disproportionately affect vulnerable groups – low-income families, migrants, ethnic minorities, single parents (particularly women), young people, older persons, and persons with disabilities.

Persistent housing scarcity and rising costs affect physical and mental well-being, social inclusion, labour mobility, and educational outcomes. It also exacerbates inequalities across income levels, age groups, gender, and vulnerable populations.

Demographic and social trends, such as ageing populations, the rise of smaller households, urbanisation, delayed family formation among young adults, migration, and the rise of tourism-related short-term rentals, cause demand-side pressures. At the same time, the housing supply struggles to keep pace due to factors such as limited land availability, high construction costs, fragmented regulations, labour and skill shortages in the construction sector, and low sector productivity. Affecting both demand- and supply-side pressures, the financialisation of housing has become a major structural driver of affordability challenges. The growing role of institutional investors, real estate funds, and speculative investment has increasingly turned housing into a financial asset rather than a social good. This process has fuelled price inflation, reduced the availability of affordable rental housing, and limited access for first-time buyers.

EU legislation and funding mechanisms have contributed to improvements in housing quality. It has done so by setting targets and requirements for energy efficiency and use of renewable energy sources in residential buildings, and by providing funding for reforms and investments in energy efficiency of housing sector and the development of affordable housing. However, their impacts remain uneven due to differences in national transposition, administrative capacity, and financial resources.

Policy pointers

To address housing scarcity, reduce inequalities, and ensure that all residents can access secure, adequate, and climate-resilient housing, it is recommended that the EU and its Member States (MS) act across three mutually reinforcing pillars: (1) legislation and standards; (2) finance and investment; (3) enabling capacity, data and public support. The following actions are ways to make housing policy more affordable, inclusive and ready for implementation:

1) Strengthen EU legislation and standards for impact

- **Embed social goals in climate-related building policy.**

  The implementation of the EPBD could require National Long-Term Renovation Strategies to include measurable social targets (e.g. low-income households reached) and tenant safeguards during renovations.

- **Clarify and update State aid rules for affordable housing.**

  Update the services of general economic interest (SGEI) Decision to widen eligibility (i.e. to also include moderate-income households, key workers and young people) and raise thresholds. This would enable MS to scale social and cost-rental programmes and to use land and subsidy tools without legal uncertainty.

- **Promote tenant rights and security.**

  Develop initiatives to strengthen tenant rights as part of its social policy agenda under Principle 19 of the European Pillar of Social Rights. While tenancy law remains a national competence, elements such as transparency of rental contracts, fairness of eviction procedures, and access to basic housing services could be guided by EU principles.

2) Mobilise funding and investment at scale

- **Expand the European Affordable Housing Initiative.**

  Under InvestEU and with the European Investment Bank, further expand the European Affordable Housing Initiative by creating dedicated financing windows (including guarantees) on its pan-European Investment Platform for social and affordable new-builds and renovations, with clear affordability and energy-efficiency benchmarks.

- **Strategically use Cohesion Policy, the Recovery and Resilience Facility (RRF) and the Social Climate Fund (SCF).**

  Encourage programme allocations to energy-efficient social/affordable housing, regeneration in deprived areas, and rental supply near jobs—across cities, small towns and rural areas to support territorial cohesion. Prioritise SCF support that cuts bills for vulnerable households, reducing energy poverty.

- **Innovate with financing models.**

  Promote revolving housing funds, social bonds and land-value capture; provide technical assistance (e.g. Advisory Hub) to help MS set them up and crowd-in private capital for public-interest outcomes.

- **Align fiscal incentives.**

  Encourage MS to control and disincentivise speculation and vacancy (e.g. second-home, vacancy and STR taxation) and reward affordable supply (e.g. tax credits, reduced VAT for social/affordable construction).

3) Drive enabling measures for effective implementation

- **Build local capacity and improve governance.**

  Use the Technical Support Instrument, European Urban Initiative and URBACT to level up municipal capabilities (e.g. planning, land mobilisation, digital permitting, community engagement). Share replicable models of participatory planning and co-designing.

- **Strengthen data, monitoring and definitions.**

  Establish an EU Housing Data Hub (Eurostat with relevant DGs), harmonising core indicators (e.g. affordability, homelessness, social housing stock, rents, energy performance), including disaggregation by degree of urbanisation and available demographic groups. Agree on an operational EU definition of "affordable housing" anchored in income and local costs. Create an EU Building Performance Observatory to track the renovation performance gap.

- **Foster public support and inclusive governance.**

  Co-design solutions with tenants, housing associations and local communities; communicate the triple benefits of affordability, quality and decarbonisation. Spotlight proven models to

build confidence and political will (e.g. Housing First in Helsinki, brownfield renovations in Freiburg – read more on these case studies in Part 2: Annexes[1]).

- **Sustain research and knowledge exchange.**

  Fund applied research on short-term rental impacts, climate adaptation costs, and effective public and private partnerships; re-energise the Urban Agenda Housing Partnership as a standing platform for implementation guidance.

[1] Part 2: Annexes, including Annex I. Case studies is available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/759352/CASP_STU(2025)759352(ANN01)_EN.pdf.

1. BACKGROUND

Access to decent, sustainable and affordable housing in the European Union (EU) is both a social need and a social right as it is one of the essential principles of the European Pillar of Social Rights (EPSR). This aligns with the United Nations (UN) 2030 Agenda for Sustainable Development, the Geneva UN Charter on Sustainable Housing, and the Charter of Fundamental Rights of the European Union (EU) (European Economic and Social Committee, 2024a). Access to housing is an increasingly important concern in the EU, as more and more people face challenges in accessing and affording a home. This scarcity ultimately puts pressure on social inclusion, economic stability, and environmental sustainability.

The EU has increasingly acknowledged the need for coordinated action to tackle the issue of the housing crisis. The 2021 European Parliament (EP) resolution on access to decent and affordable housing for all[2] highlights affordability as a core concern, citing rising housing costs and overburdened rates, especially for low-income and young people. This 2021 resolution laid the groundwork for stronger EU-level engagement to ensure the right to adequate housing, linking it to the European Green Deal, social inclusion policies, and sustainable urban development strategies. Building on this, more recent developments signal a growing political commitment to housing at the EU level, including the appointment of the first-ever European Commissioner for Housing, the announcement of an EU Affordable Housing Plan, and the establishment of the EP Special Committee on the Housing Crisis in the EU (HOUS).

This study aims to provide Members of the HOUS Committee with a comprehensive overview and analysis of the current housing needs in the EU, their socio-economic impacts, and an overview of EU legislation and funding relevant to the housing sector. Against this background, and in line with the mandate of the HOUS Committee[3], the study pursues the following key objectives:

- Provide an up-to-date understanding of how decent, sustainable and affordable housing is defined in the EU.
- Provide a mapping of the current housing needs in the EU across territories, including across Member States (MS), rural vs urban areas, outermost regions, and islands; across population groups, including gender differences and age groups; across income groups, in particular, low- and middle-income groups.
- Identify and analyse the main factors/challenges impacting the demand for housing.
- Identify and analyse the main factors/challenges impacting the supply of decent, sustainable and affordable housing in the EU.

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[2] European Parliament (2022), *Resolution of 14 December 2022 on the implementation of the New European Agenda for Culture and the EU Strategy for International Cultural Relations (2022/2047(INI))*. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021IP0020.

[3] European Parliament (2024), *Setting up a special committee on the Housing Crisis in the European Union, and defining its responsibilities, numerical strength and term of office*. Decision 2024/3000(RSO). Available at: https://www.europarl.europa.eu/cmsdata/294732/HOUS%20Mandate.pdf.

- Provide an assessment of the impacts of the identified housing scarcities on inequalities, affordability, demography, poverty and social exclusion.
- Provide an overview and analysis of EU legislation and funding that is relevant to the housing sector in the EU.
- Analyse the transposition of EU legislation, including successes as well as unforeseen consequences.

1.1. Approach and methodology

To achieve the aim of the study, a mixed-methods approach combining desk research (enhanced by artificial intelligence (AI) tools) with targeted stakeholder interviews and illustrative case studies was used (see Table 1). Data triangulation contributes to increased validity and reliability of the research.

Table 1: Overview of the methodology

		Description	Methodology
Part 1	Chapters 2 and 3	Provide an up-to-date understanding of how decent, sustainable and affordable housing is defined in the EU; Provide a mapping of the current housing needs in the EU (across territories, population and income groups).	**Desk research and literature review:** to gather definitions of "decent, sustainable and affordable housing" used across the EU and collect existing data on territorial and population-based disparities. **Quantitative data overview** (EU-SILC, Eurostat, Cohesion Open Data, Observatory of the Energy Poverty Advisory Hub, national sources): to map housing needs by geography, gender, income and age group.
Part 2	Chapter 4	Identify and analyse the main factors/challenges impacting the demand for housing.	**Quantitative desk research:** to assess trends in purchasing power, mortgage rates, taxation, etc. **Literature review:** to identify documented factors and legal/policy frameworks impacting housing demand. **Interviews**: to collect insights from practical experience and validate desk research insights.
Part 3	Chapter 5	Identify and analyse the main factors/challenges impacting the supply of decent, sustainable and affordable housing in the EU.	**Desk research (legal/policy review):** to examine land-use rules, vacancy/short-term rental policies, and social housing strategies. **Good practice cases:** to explore supply-side measures in depth (e.g., permitting reform, housing renovation initiatives). **Interviews:** to understand practical challenges and responses.

		Description	Methodology
Part 4	Chapter 6	Provide an assessment of the impacts of the identified housing scarcities on inequalities, affordability, demography, poverty and social exclusion.	**Quantitative desk research:** to analyse trends in housing costs, affordability ratios, and demographic shifts. **Literature review:** to gather findings on how housing scarcity influences poverty and exclusion. **Good practice cases and interviews:** to explore real-life impacts on households and vulnerable groups (e.g., youth, lone parents, migrants).
Part 5	Chapter 7	Provide an overview and analysis of EU legislation that is relevant to the housing sector in the EU; Analyse the transposition of EU legislation, including successes as well as unforeseen consequences.	**Desk research and legal analysis:** to review relevant EU legislation and identify implementation challenges across MS. **Interviews:** to assess transposition, gold plating, and perceived impacts. **Good practice cases:** to explore concrete national examples of implementation and outcomes.

The study was implemented in three complementary phases combining qualitative, quantitative, and case-based research methods.

Phase 1: AI-driven desk research and literature review

The first phase established the analytical foundation for the study. It combined qualitative and quantitative reviews of academic and grey literature, EU and national policy frameworks, and multisource datasets. Academic and policy publications were systematically identified using predefined keyword combinations and inclusion criteria, supported by AI-assisted search tools such as *Elicit*, *Perplexity AI*, and *Consensus*. These tools enhanced search efficiency and helped identify semantically relevant sources while maintaining strict human oversight. Grey literature and legal sources were retrieved from international organisations, EU institutions, and national authorities through targeted searches. Quantitative analysis drew on official datasets (e.g. Eurostat, OECD, national statistical institutes) to map housing affordability, supply-demand trends, and socio-economic disparities. Together, these elements provided a robust evidence base for the subsequent qualitative and case study analysis.

Phase 2: Stakeholder interviews

The second phase explored stakeholder perspectives through 30 semi-structured interviews with EU-level and national experts, civil society representatives, and researchers. Interviews provided qualitative insights into housing access, affordability, and the effectiveness of EU and national policy measures. Interviewees were purposively selected to ensure representation from key EU- and national-level stakeholders with expertise in housing access, affordability and policy responses, including EU institutions, public and social housing providers, tenant and anti-poverty organisations, and leading research institutes. This selection ensured a balanced mix of geographical contexts and institutional perspectives.

Thematic coding was used to identify common trends, emerging challenges, and policy recommendations. An internal AI-supported *Smart Matrix Analyser* facilitated qualitative data analysis through theme identification and classification, with all outputs validated by human researchers to ensure contextual accuracy and compliance with ethical and GDPR standards.

Phase 3: Good practice case studies

The third phase examined eight good practice cases from across Europe to illustrate concrete housing challenges and innovative policy responses. Cases were selected based on geographical diversity, demographic and market variation, and the presence of innovative or replicable approaches. Each case drew on national and EU-level statistics, relevant literature, and, where possible, local interviews with key stakeholders. The analysis integrated both qualitative and quantitative data to assess the effectiveness of interventions in improving housing access, affordability, and sustainability. Findings from the case studies were incorporated throughout the report to contextualise broader trends with practical, real-world examples.

This study adopts a gender-responsive approach throughout all stages of research. The study applies a gender mainstreaming perspective by utilising disaggregated data where possible and provides a specific focus on gender-related themes in the area of housing needs and the impacts of housing scarcity. For more details on the methodology, refer to Annex II on Research Methodology[4].

[4] Annex II. Research Methodology is available in Part 2: Annexes. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/759352/CASP_STU(2025)759352(ANN01)_EN.pdf.

2. DEFINING DECENT, SUSTAINABLE AND AFFORDABLE HOUSING

KEY FINDINGS

- Decent, sustainable, and affordable housing represent three interconnected dimensions essential for EU housing policy, yet how these concepts are defined and operationalised varies across the EU.
- At least 18 EU Member States **lack clear legal definitions of adequate housing**. Only ten countries have full legal definitions (Belgium, Croatia, France, Italy, Lithuania, Netherlands, Romania, Slovakia, Slovenia, Spain), while seven rely on policy interpretations and eleven have none. This creates challenges for monitoring and cohesive cross-border policy design.
- The **EU emphasises housing sustainability primarily through an environmental lens**, focusing on energy efficiency and emissions reduction. A fundamental tension arises as sustainability standards can increase costs, creating conflicts between environmental performance and affordability that risk undermining social equity. Social sustainability, including inclusion, participation, and equity, remains harder to operationalise and is often overshadowed despite its critical importance.
- **Affordable housing lacks a universally accepted EU definition**. Different international, national and local contexts employ varying terms and criteria - varying from using a 40% cost-to-income threshold for severe housing cost burden, to 30% for general affordability concerns. Some stakeholders emphasise that 10-20% already marks unaffordability for low-income households, and that fixed thresholds overlook challenges across income groups. 'Social housing' is often used synonymously, though it is essential to maintain the distinction as (in the EU) it is primarily aimed at low-income households while affordable housing is broader in its support.

Definitions of what constitutes decent, sustainable and affordable housing are essential for mapping, understanding and addressing housing needs in the EU. These terms, while closely related, capture different dimensions of housing that are critical for effective policy design and comparison across Member States of the EU (MS). The following chapter examines and compares how these concepts are defined in international and EU policy frameworks, academic research and stakeholder perspectives (collected through interviews), and considers how these definitions have evolved over the years.

2.1. Decent housing

The notion of "decent", or adequate, housing comes from the language of human rights and quality standards. International law defines adequate housing as more than just a physical shelter – it must meet specific criteria to ensure the short- and long-term physical and mental health of its occupants (ICESCR, 1991, para. 8(d); WHO, 2018; Rolfe et al., 2020).

International organisations and the EU reveal similarities in defining decent housing. According to the United Nations Human Rights Office (UN OHCHR, 2021), the adequacy of housing is assessed through seven interrelated criteria encompassing affordability, security of tenure, availability of essential services and infrastructure, habitability, accessibility, location, and cultural adequacy. Together, these criteria ensure that housing supports physical safety, social inclusion, and the realisation of broader human rights (UN OHCHR, 2021; FEANTSA, 2024). This is echoed in Article 31 of the Revised European Social Charter of the Council of Europe (Council of Europe, 1996), which commits States to promote access to housing of an "adequate standard", prevent and reduce homelessness, and make housing affordable to those without sufficient resources. This explicitly ties "adequate standard" to housing quality (i.e. not sub-standard or overcrowded) and affordability as a state obligation. At the EU-level, Principle 19 of the EPSR[5] underscores housing adequacy as part of social rights[6]. Viewing housing as a right to an adequate standard shifts the focus from mere affordability to habitability and dignity.

To meet decent (or 'adequate') standards of housing, it has been advocated to develop clear frameworks to define such standards and to recognise adequate housing as a fundamental human right (United Nations Economic Commission for Europe (UNECE), 2025). However, this is currently not the case in the EU, where at least 18 MS have not yet established a clear legal definition of the term (ESPON, 2025). Table 2 summarises how different EU countries define or interpret the concept of adequate housing. A distinction is made between countries with no formal or functional definition, those with explicit legal definitions, and those that rely on policy-level or functional interpretations without a single legal framework.

Table 2: Definitions and frameworks of adequate housing across MS

Country	Definition and policy reference
Countries with full legal definitions	
Belgium	The Royal Decree of 8 July 1997 defines minimum conditions for renting property. The regional decree of the Brussels region defines minimum safety, health, and equipment standards for dwellings.
Croatia	Croatia defines adequate housing as safe, secure, accessible, habitable, and affordable, with access to infrastructure. Minimum floor space of 35 m^2 for a single-person household, plus 10 m^2 per extra person. The minimum floor-space requirement does not apply directly to the private rental market. It is an administrative benchmark primarily for social housing allocation, social welfare eligibility, and defining overcrowding in policy assessments.

[5] European Commission (2017), *European Pillar of Social Rights - Building a fairer and more inclusive European Union*, Available at: https://employment-social-affairs.ec.europa.eu/policies-and-activities/european-pillar-social-rights-building-fairer-and-more-inclusive-european-union_en.

[6] Brady, D., Grossi, T. and Rayner, L. (2024), *The Social Pillar and the future of the EU Social Agenda*, European Policy Centre/Foundation for European Progressive Studies, Available at: https://epc-web-s3.s3.amazonaws.com/content/PDF/2024/PS-Social-Agenda-DIGITAL.pdf.

Country	Definition and policy reference
France	France defines "decent accommodation" by five criteria (minimum surface, safety, pest-free, energy performance, and essential functional amenities including adequate heating, a kitchen area with a sink and necessary connections, sanitary facilities (toilet + bath/shower with hot water), potable water supply, a safe electrical installation, and sufficient ventilation). The Law on Enforceable Right to Housing (DALO) guarantees a right to decent and independent housing to residents unable to secure it by their own means.
Italy	Ministry Decree (1975) defines standards for height, space, lighting, ventilation, and heating to ensure safety and hygiene.
Lithuania	Law on Support for Housing Acquisition or Rental defines "adequate accommodation" as 10–14 m^2 of usable space per person.
Netherlands	Dutch law defines a proper "independent living space" through specific requirements (private entrance, kitchen, toilet, etc.).
Romania	Law 114/1996 defines "convenient housing" as housing that satisfies essential needs for rest, food preparation, education, and hygiene.
Slovakia	Act No. 443/2010 defines adequate housing as fulfilling basic housing functions (sleep, rest, hygiene) and meeting physical, social, and legal criteria.
Slovenia	The Housing Act defines a suitable dwelling based on technical standards and an occupancy permit. The National Housing Programme emphasises quality and low maintenance.
Spain	Article 47 of the Constitution and the Law on the Right to Housing define housing as decent and adequate, meeting standards of habitability, accessibility, efficiency, and affordability.
Countries with policy-level or functional interpretations	
Austria	No formal definition. The Austrian Tenancy Act (Mietrechtsgesetz) sets minimum standards for rentals.
Finland	Housing policy guarantees everyone's right to good quality and affordable housing, socially sustainable neighbourhoods, and regional vitality.
Germany	No definition, but federal state building regulations require dwellings to have basic amenities (heating, lockable door, facilities for sanitation and cooking, etc.).
Ireland	No official definition, but the state's obligations under the United Nations International Covenant on Economic, Social and Cultural Rights (ICESCR) require it to ensure an adequate standard of living, including adequate housing. The Irish Human Rights and Equality Commission assesses housing adequacy across six dimensions: access, affordability, security, cultural adequacy, quality and location. In addition, minimum standards for rented homes set requirements for heating, ventilation, natural light, fire safety and sanitary facilities.
Luxembourg	No formal definition. Housing adequacy is linked to overcrowding and under-occupation indicators following EU criteria.

Country	Definition and policy reference
Malta	No explicit legal definition, but the Development Planning Regulation (2016) and Housing Authority standards cover habitability and access. Malta follows ICESCR on adequate living standards.
Sweden	No single definition, but housing policy ensures accessibility, affordability, security, cultural appropriateness, and quality.
Countries with no official or functional definition: Bulgaria[7], Cyprus, Czechia, Denmark, Estonia, Greece, Hungary[8], Latvia[9], Liechtenstein, Poland, Portugal.	

Source: ESPON, 2025, Access to Affordable and Quality Housing for All People. Available at: european-compendium-of-housing-policies.pdf.

While a harmonised conceptual definition is lacking, the European Statistical Office (Eurostat) monitors inadequate housing at the statistical level through indicators in the EU Statistics on Income and Living Conditions (EU-SILC), including the severe housing deprivation rate, overcrowding rate, and measures of housing quality. These indicators collectively assess the extent to which households experience issues of space, comfort, and basic living standards. Together, they provide a framework for evaluating housing adequacy in line with the EPSR and the UN Sustainable Development Goals (SDG) (particularly SDG 11 on inclusive, safe, resilient, and sustainable cities)[10].

2.2. Sustainable housing

Sustainable housing refers to homes that are environmentally and socially sustainable, drawing on widely used sustainability frameworks that emphasise habitability, affordability and the protection of future generations' needs (Chiu, 2004; Severson & de Vos, 2021). The United Nations Human Settlements Programme (UN-Habitat) defines housing sustainability broadly as the integration of environmental, social, cultural, and economic dimensions to promote thriving and fair communities (European Economic and Social Committee, 2024a). The 2024 study for the EESC on *Affordable sustainable housing in the EU* conceptualised affordable sustainable housing as a cross-cutting combination of five factors: (1) habitability and comfort; (2) community and connectivity; (3) economic accessibility; (4) resource efficiency and circularity; and (5) resilience and adaptation to climate change.

The Organisation for Economic Co-operation and Development (OECD) does not provide a single definition of sustainable housing, but emphasises policies for green building standards, energy-saving retrofits, and sustainable urban planning to reduce urban sprawl[11] (OECD, n.d.). The OECD and UN

[7] Bulgaria has not adopted the (revised) European Social Charter, ratified in March 2000, and is therefore not obligated under Article 31 concerning access to housing of an adequate standard and housing affordability.

[8] Partial descriptions of characteristics relevant to adequacy in the Housing Act and subsidy laws.

[9] The National Housing Availability Guidelines 2023-2027 highlight the need to define 'adequate housing' by 2025.

[10] Eurostat (2023), *Housing statistics*, Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=676950.

[11] Urban sprawl refers to the uncontrolled and often unplanned expansion of urban areas into surrounding rural land, characterised by low-density, dispersed development. This type of growth typically leads to the spread of infrastructure, such as roads and utilities, over a large area, resulting in increased reliance on cars, higher environmental impacts, and the loss of agricultural or natural landscapes. (Rethinking Urban Sprawl | OECD).

SDGs link sustainable housing with SDG 11 ("make cities inclusive, safe, resilient and sustainable"), whose Target 11.1 is to ensure access for all to *adequate, safe and affordable housing* by 2030. In essence, these sustainable housing frameworks demand that housing be climate-friendly (low energy and emissions), resource-efficient (water-saving, minimal waste, recyclable materials), and inclusive – aligning environmental performance with affordability and social needs. Social sustainability supports access to adequate housing for all groups and promotes living environments that benefit both individuals and their communities (Ball, 2015; Severson & de Vos, 2021; Alaie et al., 2022; Ahamed et al., 2024).

This view of housing sustainability, entailing balancing green ambitions with affordability, is also shared by the experts interviewed for this study. National representatives of construction associations and housing organisations consistently highlight that while sustainability goals are increasingly integrated into housing policy, their implementation often leads to higher costs, making housing more expensive for both homeowners and tenants. As one expert from the Austrian Construction Institute put it, "We often face conflicting targets—affordability and sustainability. Both are essential, and we cannot sacrifice one for the other. Building poor-quality housing for poor people would be a disaster". Others highlight that efficiency and decarbonisation standards "do increase costs", putting additional pressure on tenants and buyers (a concern raised by APCEspaña[12] and the Construction Industry Federation in Ireland). The experts emphasise shifting the focus from upfront investments to life-cycle costs, and accelerating the renovation of Europe's ageing, poorly insulated housing stock to reduce energy poverty. Cost-neutral renovation (where energy savings offset rent increases) is viewed as essential to prevent housing poverty, alongside stronger EU-level financial incentives to help non-profit and social housing providers decarbonise without undermining affordability.

At the EU level, there is no official definition of sustainable housing. Sustainability in housing has mainly been framed through the environmental lens, with initiatives such as the European Green Deal and the Renovation Wave emphasising energy efficiency, emissions reduction, and climate resilience (Ürge-Vorsatz et al., 2020; Panagidis, 2024; read more about the Green Deal and Renovation Wave in Chapter 7) Also, the indicators that Eurostat and the EC (i.e. Energy Poverty Advisory Hub, National Indicators dashboard) use to monitor housing sustainability at the EU-level align with environmental policies. This includes indicators like energy efficiency, changes in primary and final energy consumption, the share of dwellings with an energy performance label A, and household final consumption expenditure on housing-related energy.

As a result, environmental and economic goals have largely dominated EU housing-related policies, at times overshadowing, particularly, the social dimension of sustainability. As Panagidis[13] (2024) explains, conflicting economic, environmental and social objectives, coupled with the difficulty of measuring social outcomes, have made social sustainability harder to operationalise in housing and urban policy. Consequently, planning approaches have prioritised technocratic and easily quantifiable environmental

[12] The Spanish association of housing promoters and builders.

[13] A researcher part of the Re-dwell research project on "*Delivering affordable and sustainable housing in Europe*" funded by Horizon 2020. Panagidis worked on the research on "Urban living labs and the role of users in the co-creation of sustainable housing".

indicators, often overlooking citizen participation, inclusion and equity. The EP study by McGuinn et al. (2020) for the Committee on Employment and Social Affairs on *Social Sustainability – Concepts and Benchmarks* further highlights that pursuing environmental goals can inadvertently undermine social equity if affordability, participation and inclusiveness are not adequately considered (Panagidis, 2024).

On a positive note, the Affordable Housing Initiative launched within the Renovation Wave strategy did explicitly link environmental performance with social inclusion, as one of the aims is to ensure that low-income and vulnerable households benefit from energy-efficient home renovations. Future EU actions should continue addressing a multi-dimensional conceptualisation of housing sustainability that balances environmental goals with social inclusion and affordability.

2.3. Affordable housing

The term "affordable housing" lacks a precise, universally accepted definition, even within the EU. Without a single, standardised measure, different national and local contexts employ varying terms and criteria. This inconsistency makes cross-country comparisons and the design of cohesive housing policies increasingly complex (Czischke & van Bortel, 2018; Steinhoff, 2024).

Affordable housing has long been difficult to define and measure, with debates going back to the 19th century (e.g. "a week's wage for a month's rent" - translating to roughly 25% of income) (Hilber, 2022; Steinhoff, 2024). Yet, broadly, the term refers to housing that does not put an excessive financial strain on households, allowing them to meet other essential needs. In policy and research, affordability is generally understood as a relationship between housing costs (rent or mortgage, utilities, and taxes) and household income (OECD, 2021a; Hilber, 2022; Czischke & van Bortel, 2018; Steinhof, 2024). According to Stephens (2017), "housing is affordable when housing of an acceptable minimum standard can be obtained and retained, leaving sufficient income to meet essential non-housing expenditure." When housing costs consume a substantial share of household income, households are regarded as cost-burdened or at risk of poverty.

Housing affordability is often measured using the cost-to-income ratio, which compares housing costs to household income (i.e. the housing cost-burden), with thresholds varying across countries. The threshold is commonly set at 30% of one's income, a simple "rule-of-thumb" used in many OECD and International Monetary Fund (IMF) analyses (Herbert et al., 2018; OECD, 2021a). In its official monitoring, however, the OECD uses a stricter 40% threshold to identify households facing a severe housing cost burden (OECD, 2021a). This aligns with Eurostat's "housing cost overburden rate", which measures the share of households spending more than 40% of their equivalised disposable income on housing after deducting housing allowances (Eurostat, 2024a).To operationalise its measure, the OECD 40% threshold distinguishes between a narrow version, covering rent and mortgage payments only, and a broader one that also includes utilities, taxes and other mandatory charges (OECD, 2024a). In contrast, Eurostat excludes mortgage principal payments and deducts housing allowances, meaning its indicator reflects affordability pressures after social transfers, whereas the OECD captures gross housing-related costs. In general, the 30% threshold provides a lower benchmark indicating general affordability concerns, while the 40% mark denotes a severe cost burden (Caturianas et al., 2020; IMF,

2021; OECD, 2021a). Although these methodological differences limit direct comparability, they offer complementary insights.

However, as the European Federation of National Organisations working with the Homeless (FEANTSA) (2024) highlights, even smaller housing cost shares may be unaffordable for low-income households. As the interviewed expert on social and housing policy in the EU highlighted, for vulnerable groups, spending even 10-20% of their income on housing can be a significant strain, especially when housing costs force them to cut back on other essential expenses such as food, healthcare, and education. The situation is particularly difficult for people living in urban areas and for people with children who are, as the interviewee states, "more likely to face difficulties making ends meet if they spend more than 30% or 40% of their income on housing, due to additional costs like childcare".

Recognising these limitations, some researchers and national frameworks have adopted the residual income approach, which assesses how much income a household has left after paying for housing, rather than relying on a fixed cost-to-income threshold. This method is better suited to capturing the specific constraints faced by different income groups and is therefore more sensitive to the needs of vulnerable households. However, its practical use remains limited in many countries due to substantial data requirements, such as detailed information on household budgets and local living costs (Hegedüs et al., 2017).

Recent EU-level and academic discussions also increasingly link affordable housing to support mechanisms, such as subsidies and price restrictions, which help ensure that housing costs remain a manageable proportion of a household's income (OECD, 2021b; Hick et al., 2024). This support is increasingly directed not only at low-income households but also to those of middle-income, reflecting the growing recognition that housing affordability challenges extend beyond traditionally disadvantaged groups (Hick et al., 2024).

When discussing affordable housing, social housing is often used synonymously, though it is essential to maintain the distinction. Affordable housing initiatives typically provide a broad range of demand and supply side support, such as tax benefits for first-time homeowners and below-market rent prices (but higher than traditional social housing rents) and are generally more accessible to middle-income households, whereas social housing in the EU is primarily aimed at low-income households (OECD, 2020a; Czischke & van Bortel, 2018; ESPON, 2025) (see Chapter 7.5 on State aid rules for more on this). The European Investment Bank (EIB) proposed a "housing continuum" concept in which social housing serves the lowest-income groups, while affordable housing addresses those who do not qualify for social housing but still struggle with market prices (EIB, 2024; EIB, 2025).

Some MS make the distinction between affordable and social housing explicit:

- In France, *logement social* provides regulated rents for low-income groups, while *logement intermédiaire* targets moderate-income households (Górczyńska, 2016).
- In Portugal, social housing consists of publicly owned rental units, whereas affordable housing is defined as housing costs that do not exceed 35% of household income (ESPON, 2025).

However, in other MS, the boundary between the two categories is less clear:

- In Sweden, there is no official social housing sector; instead, municipal housing associations rent dwellings at market-related rates, which over time have become concentrated among lower-income residents.
- In Ireland, social housing includes not only publicly owned dwellings, but also private properties leased by local authorities for tenants receiving housing supports.
- In Germany, social housing obligations concerning rent levels and eligibility apply only during the subsidy period, after which units revert to private ownership (OECD, 2020a).

More examples and detailed information on the differentiation between affordable and social housing among MS are presented in Annex III[14].

[14] Annex III is available in Part 2: Annexes, available here: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/759352/CASP_STU(2025)759352(ANN01)_EN.pdf.

3. MAPPING THE CURRENT HOUSING NEEDS IN THE EU

KEY FINDINGS

- **Housing availability gap:** The EIB estimates a gap of 925,000 units between housing need and construction starts in 2025 (EIB, 2025a). Germany, Spain, France, and the Netherlands were specifically mentioned by interviewees as facing substantial gaps between the housing need and the construction output. Social housing waiting lists provide evidence of unmet needs, when EU and national level data is fragmented and hard to compare.

- **Affordability disparities:** In 2024, 8.2% of Europeans spent over 40% of income on housing, ranging from 2.4% in Cyprus to 28.9% in Greece. Energy poverty compounds this: 9.2% could not heat their homes adequately, rising to roughly 20% in Bulgaria, Lithuania, Portugal, and Spain. The urban housing cost overburden (9.8%) exceeds that of rural areas (6.3%). Meanwhile, outermost regions face unique housing cost pressures from tourism and geographic constraints.

- **Adequacy disparities:** In 2024, 16.9% of the EU population lived in overcrowded dwellings, with stark East-West disparities. Southern and Eastern Europe show the highest overcrowding rates (30–41% in Romania, Latvia, Bulgaria, Poland) and severe housing deprivation rates (e.g. 11.6% in Latvia) despite 90–96% homeownership.

- **Gender and age-related differences:** Women face higher after-housing-cost poverty (31.2% vs 28% for men), with single mothers most affected. Youth face unprecedented barriers as the EU average age of leaving home reached 26.2 years, 23% of those aged 18–29 are cost overburdened and the student accommodation shortage exceeds 3 million beds. Homeownership among 30–49-year-olds fell from 75% to 68% from 2010–2024), while 47.3% of those 65+ live in under-occupied homes.

- **Income-related disparities:** In 2024, 27.2% of low-income households were cost overburdened (vs 12.7% overall). The lowest quintile faces overburden rates almost 40 times higher than the top quintile. Nearly 46% of private rental tenants reported feeling at risk of eviction.

- **Ethnic, racial minorities and migrants:** People with ethno-racial minority or migrant backgrounds face persistent discrimination in accessing housing and face severe challenges related to decent housing. 45% of people of African descent and 40% of Muslims lived in overcrowded housing in 2023—over double the EU average. Interviewees highlighted the extremely deprived housing conditions that many Roma people experience. Non-EU citizens face 34.2% overcrowding (vs 13.7% nationals) and 18.8% cost overburden (vs 7.6%).

- **Persons with disabilities:** The housing cost overburden for persons with disabilities reaches 10.4% (vs 7.8% without limitations). Only 28.9% consider their homes to meet their needs.

Europe is facing a deepening housing affordability and quality crisis that cuts across regions, income groups and generations. Housing prices rose in almost all countries between 2015 and 2024. The strongest increases occurred in Hungary (+209.5%), Lithuania (+135%), and Portugal (+124.4%). These countries saw prices more than double since 2015, although there has been a slower pace of price growth since 2022. To address the housing crisis, it is pertinent to understand the varying housing needs across the EU. A critical component of understanding the housing needs is assessing where needs are met versus unmet. This requires examining not only the quality and affordability of existing housing, but also whether sufficient housing stock exists to meet demand. This chapter, therefore, presents the current housing needs across territories (i.e. across MS, urban versus rural areas, and outermost regions and islands), and population groups (i.e. analysing gender and age-related differences, and challenges across different income groups and specific vulnerable groups).

In this chapter, the current housing needs in the EU are mapped based on the framework established in Chapter 2, that is: the need for decent, sustainable, and affordable housing. The 'housing needs' are therefore operationalised through the following three core dimensions:

- **Availability needs**: assessed through the gap between the housing demand and supply, including available data on social housing waiting lists and construction completion rates.
- **Affordability needs**: measured through housing cost overburden rates (i.e. households spending >40% of income on housing).
- **Adequacy needs**: measuring the housing quality primarily through overcrowding rates and severe housing deprivation (combining overcrowding with poor conditions like leaking roofs or no bath/toilet).

3.1. Housing needs across Member States and territories

a. Housing needs and conditions across Member States

Housing conditions impact the ability to meet basic human needs and affect the overall quality of life (further discussed in Chapter 6). The affordability of decent and sustainable housing is essential for a dignified existence and the realisation of fundamental rights, as discussed in Chapter 2 (Kozera et al., 2021; Dewilde, 2022; Oleńczuk-Paszel & Sompolska-Rzechuła, 2025). Therefore, over the years of socio-economic development, there has been a growing interest in, and aim towards, decent living conditions and high living standards for all (Kozera et al., 2021). As discussed in Chapter 2, housing conditions are a multidimensional phenomenon and many indicators can be used to analyse and assess them, such as indicators reflecting unmet housing demand needs, the housing cost overburden rate, overcrowding rate, severe housing deprivation rate, sanitary installations and similar (Kozera, et al., 2021). The following section presents the statistical overview of these indicators across MS.

- **Availability of housing: unmet needs of housing demand**

A critical dimension of the analysis of housing needs is understanding where the housing supply meets or falls short of demand. The European Investment Bank (EIB) estimates that 2.25 million additional housing units are needed across the EU in 2025, representing a 50% increase over current housing starts

indicated by permit data, suggesting a gap of 925,000 units (EIB, 2025a). The housing experts interviewed confirmed that this structural deficit persists across most MS, though it manifests differently depending on local market conditions, regulatory environments, and historical housing policies.

Eurostat provides no systematic tracking of housing shortages or deficits, that is: the gap between the existing housing supply and the demographic need. Data at the national level are fragmented and hardly comparable. However, these data are useful when identifying the scope of the housing deficit and trends across MS. Table 3 below provides estimates by Euroconstruct[15], based on construction completion projections in 2024 and verified against authoritative primary sources.

Table 3: Estimates of the unmet housing needs in MS

MS	Housing deficit or need	Reference year	Primary source	Source type
EU-27	9.6 million unit deficit (3.5% of housing stock)	2024-2025	CBRE European Real Estate Market Outlook 2025	Industry research
Finland	29,000–37,000 units required annually till 2030	2024	EUROCONSTRUCT (April 2025)	Industry network
France	2.767 million households on the social housing waiting list	End 2024	Union sociale pour l'habitat (USH)	Official association
Germany	700,000–800,000 cumulative current housing deficit 360,000–410,000 units needed annually 251,900 units completed (actual)	2024	Pestel Institute Pestel Institute / BNP Paribas Real Estate Federal Statistical Office (Destatis)	Research institute Government statistics
Ireland	50,500 units targeted on average annually till 2030 (scaling to 60,000 by 2030)	Nov 2024	Department of Housing / National Planning Framework revision	Government target
Netherlands	396,000–401,000 current housing shortage (4.8–4.9% of stock) 100,000–116,000 units needed annually	2024-2025	ABF Research	Government-commissioned research
Spain	400,000–700,000 cumulative housing deficit	2022-2025	Bank of Spain	Central bank
Sweden	523,000 units needed 2024–2033 (52,300 annual average)	2024	Boverket (National Board of Housing)	Government agency

Source: This table presents only data that has been verified against authoritative primary sources. Countries for which figures could not be independently corroborated from publicly accessible materials have been excluded.

[15] EUROCONSTRUCT is an independent construction market forecasting network. More on it: https://www.euroconstruct.org/about-us/.

Germany, Spain, France, and the Netherlands were specifically mentioned by interviewees as facing substantial gaps between the housing need and the construction output. The most acute supply-demand imbalances are observed in major urban areas where population growth, limited land availability, and construction bottlenecks combine to create severe shortages (discussed in more detail in Chapters 4 and 5). Social housing waiting lists, where data are available, provide further evidence of unmet needs. For example, France has approximately 2.8 million households on social housing waiting lists, while the Netherlands reports waiting lists exceeding 330,000 households, with waiting times in major cities often exceeding 10 years (Housing Europe, 2025a).

- **Affordability of housing: housing cost overburden**

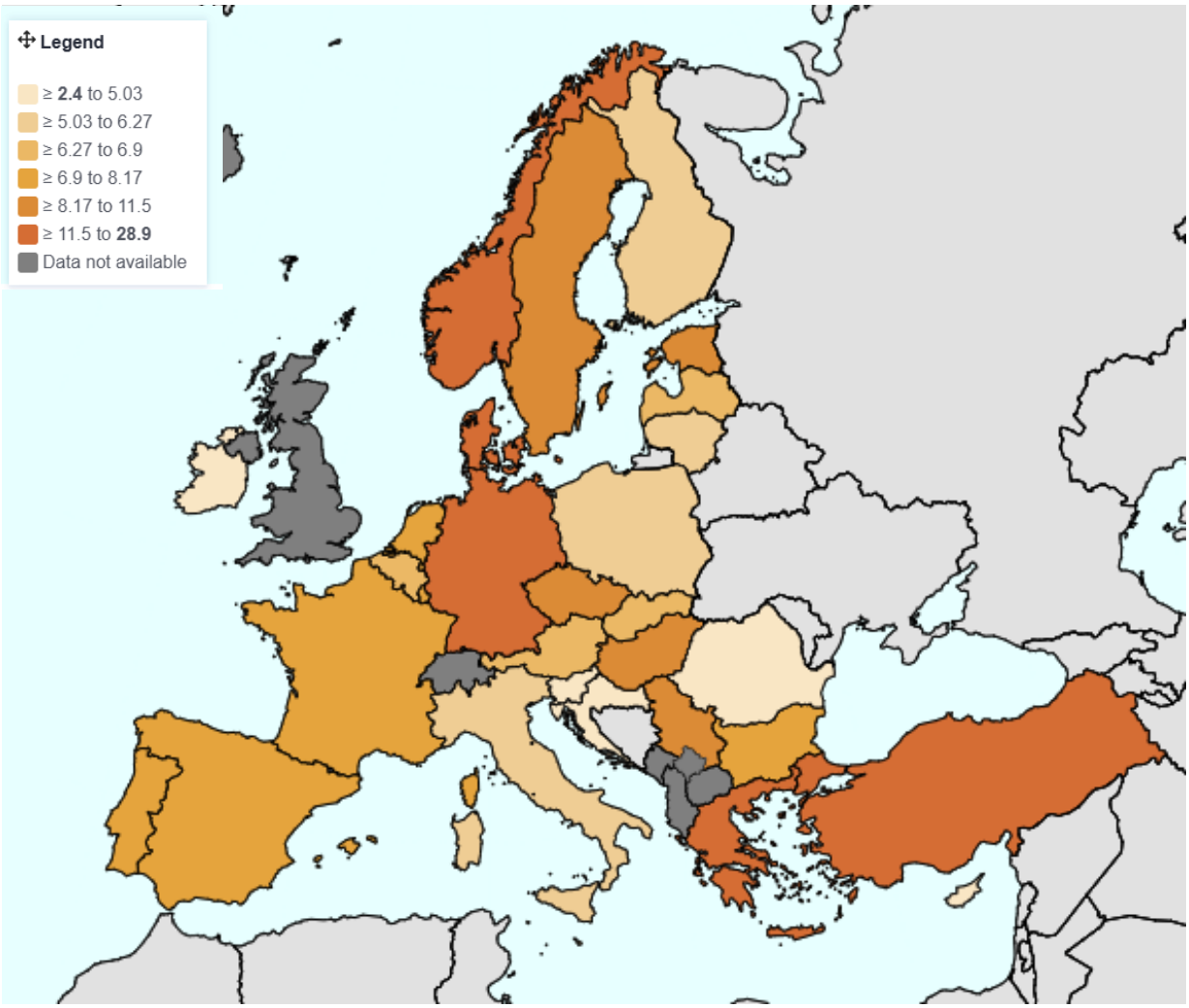
The statistics show sharp national disparities in the housing cost overburden rate in the EU and Europe more broadly (see Figure 1). As of 2024, about 8.2% of Europeans live in households spending over 40% of their income on housing ("housing cost overburden rate" indicator[16]). Greece has the highest housing cost overburden rate at 28.9% – meaning that over one-quarter of Greeks pay an unsustainable share of their income towards housing[17]. Other countries with serious affordability stress include Denmark (14.6%), Germany (12%), Sweden (10.6%), and Czechia (9.2%). By contrast, some MS see relatively few people overburdened by housing costs, notably Cyprus (2.4%) and Slovenia (3.8%)[18]. The housing experts interviewed emphasised that housing affordability is a major issue in all EU countries, that differences cut more by place and income group than by national borders. This suggests that while national averages reveal important patterns, intra-national variation by urban/rural location and income level is equally critical for understanding unmet affordability needs.

[16] See Eurostat (2025), *Housing cost overburden rate by income quintile (ilc_lvho07b)*, Available at: https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho07b/default/table?lang=en&category=livcon.ilc.ilc_lv.ilc_lvho.ilc_lvho_hc.

[17] Ibid.

[18] Ibid.

Figure 1: Housing cost overburden rate in Europe in 2024



Source: Eurostat, ilc_lvho07a.

Economic strain more broadly, which also includes the inability to keep one's home adequately warm, is an additional factor contributing to housing unaffordability. In 2024, 9.2% of the EU population could not keep their home adequately warm in winter. Though this indicator decreased compared to 10.6% in 2023, reflecting the energy price spike that occurred from 2022-2023, it is still considerably higher than the 7.5% average in 2020[19]. Countries like Lithuania, Bulgaria, Portugal, and Spain saw roughly 1 in 5 households (i.e. 20%) unable to afford sufficient heating, whereas states like Luxembourg and Finland had only about 3% of their population in that situation[20].

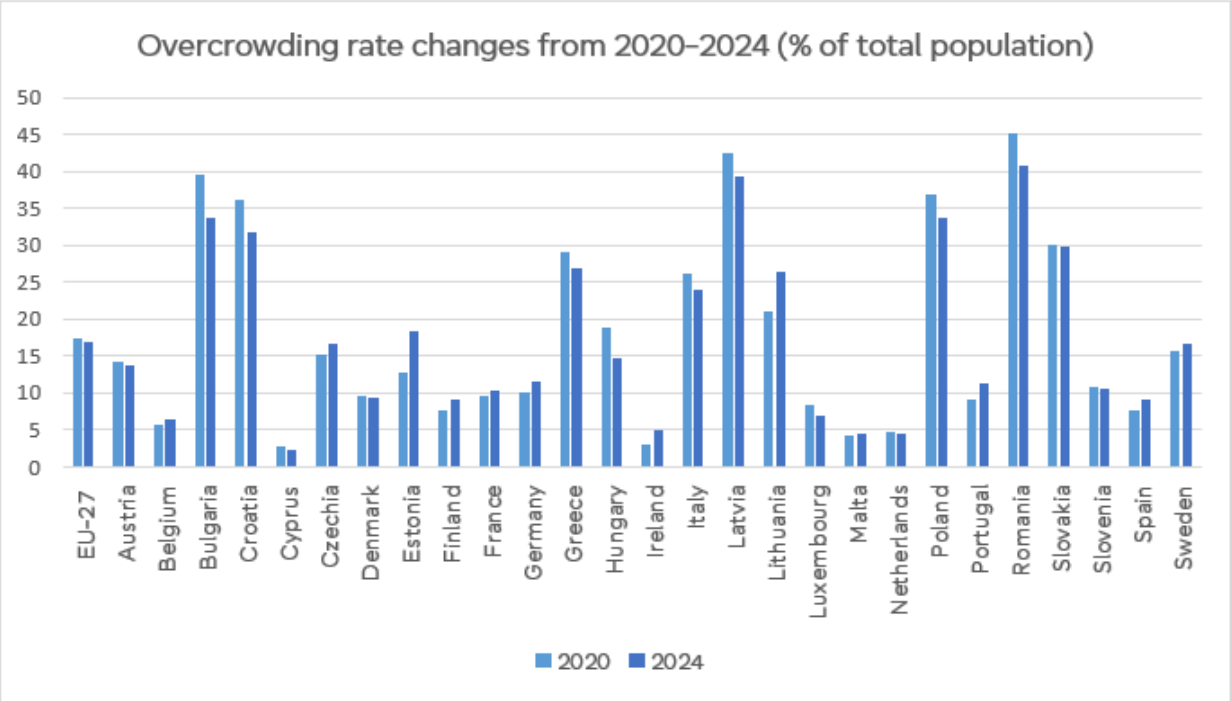
[19] See Eurostat (2025), *Inability to keep home adequately warm*, Available at: https://ec.europa.eu/eurostat/databrowser/view/ilc_mdes01__custom_14898524/bookmark/table?lang=en&bookmarkId=4a552b4f-9fd7-414a-b670-16b69828eab4.

[20] Ibid.

- **Adequacy of housing: overcrowding rate**

The overcrowding rate remains one of the most visible forms of housing inadequacy. In 2024, around 16.9% of the EU population lived in overcrowded dwellings, while national rates diverged dramatically[21]. The highest levels were recorded in several Central and Eastern European countries, where nearly two in five people lack sufficient living space. Romania (40%) and Latvia (39.3%) stand out, alongside Bulgaria (33.8%), Poland (33.7%), Croatia (31.7%), and Slovakia (29.9%), where, despite some decreases since 2020, the overcrowding rate remained the highest in the EU. By contrast, Western and island states have managed to keep overcrowding to minimal levels throughout 2020-2024. Cyprus (2.4%) and Malta (4.4%) report some of the lowest rates in Europe, with the Netherlands (4.6%), Ireland (5%), and Belgium (6.6%) also at the bottom of the scale[22]. Figure 2 below demonstrates that Estonia and Lithuania experienced the highest increases in overcrowding (5.7 and 5.2 percentage points (p.p.), respectively) since 2020.

Figure 2: Overcrowding rate in EU Member States from 2020-2024



Source: Eurostat, ilc_lvho05a.

The divergence in overcrowding rates between Eastern and Western European countries reflects the deeper East–West divides in housing quality (Wojewódzka-Wiewiórska & Deák, 2024). For a wider comparison, across major non-EU OECD members, overcrowding is generally much lower than in the EU's high-rate countries. OECD data show that fewer than 3% of households are overcrowded in Canada (2016), Japan (2023), Korea (2023), New Zealand (2018) and the United Kingdom (UK) (2022).

[21] See Eurostat (2025), *Overcrowding rate by age, sex and poverty status - total population (ilc_lvho05a)*. Available at: https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho05a/default/table?lang=en.

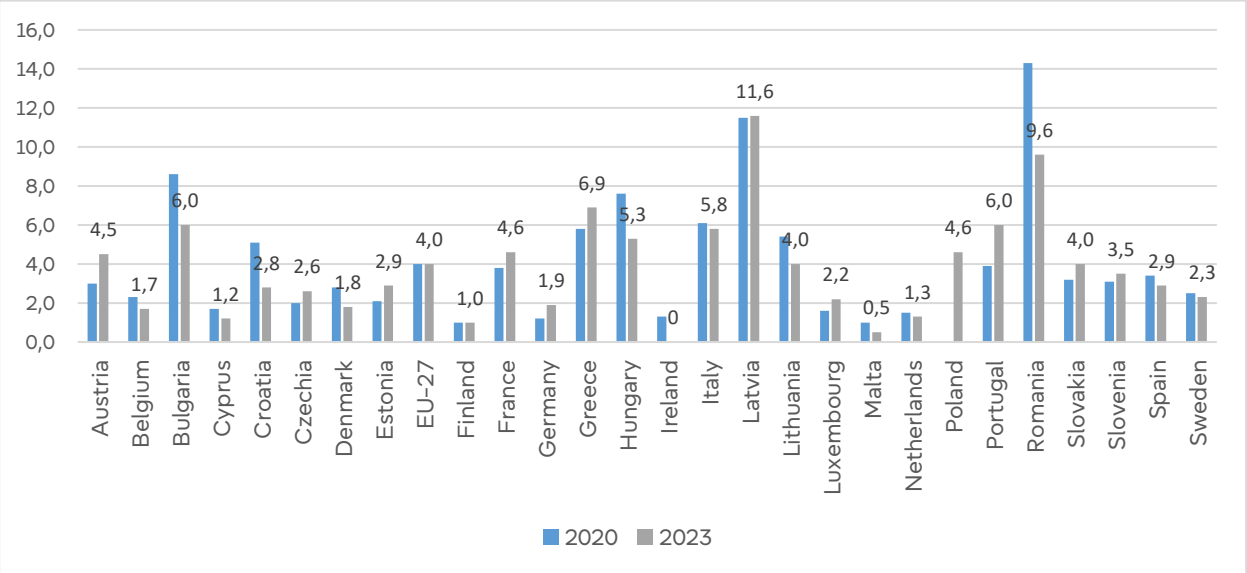
[22] Ibid.

Similar to the housing cost overburden rate, the overcrowding rate also shows discrepancies that go beyond national borders. For instance, interviewees pointed out that the marginalised groups in the EU are particularly vulnerable to overcrowding. In Croatia, the average household has 29 m² of living space per person, while Roma households have only 11 m² per person (Eurofound, 2023; Government of the Republic of Croatia, 2021). Housing challenges for vulnerable groups (including Roma) are discussed in more detail in Chapter 3.2.d.

- **Quality of housing: severe housing deprivation and inadequate housing conditions**

In 2023, the severe housing deprivation rate[23], combining overcrowding with poor conditions like leaking roofs or not having a bath or flushing toilet, remained above EU average (4%) in ten MS[24]. The highest rate of severe housing deprivation was experienced in Latvia (11.6%), followed by Romania (9.6%) and Bulgaria (6%), though the severe housing deprivation rate decreased substantially since 2020 in the latter two MS. Some southern MS, such as Greece, Italy and Portugal, also demonstrate a high – and, in Greece and Portugal, further growing – rate of severe housing deprivation, even though it has improved since 2013. The growth of the severe housing deprivation rate can also be observed in Austria, Estonia, Czechia, France, Luxembourg, Slovakia and Slovenia (see Figure 3).

Figure 3: Severe housing deprivation rate in EU Member States (% of population), 2020 vs. 2023



Source: Eurostat, ilc_mdho06a.

Overall, the severe housing deprivation rate in the EU has substantially improved over a decade (2013–2023), especially in the most affected countries in 2013, such as Romania, Bulgaria, Hungary, Latvia and

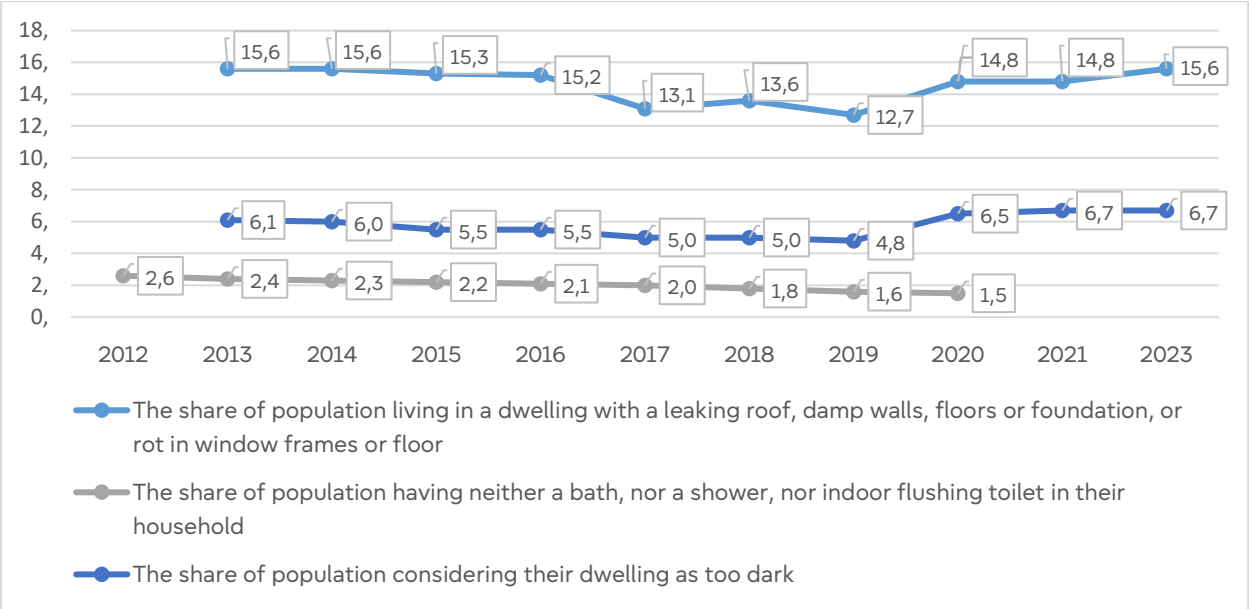
[23] The 'severe housing deprivation rate' is defined as the percentage of population living in a dwelling that is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures, such as: (1) leaking roof, damp walls, floors or foundation; (2) lack of a bath or shower; (3) lack of an indoor flushing toilet for the sole use of the household;(4) or dwelling considered too dark . See: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Severe_housing_deprivation_rate.

[24] See Eurostat (2025), *Severe housing deprivation rate by age, sex and poverty status*. Available at: https://doi.org/10.2908/ILC_MDHO06A.

Poland. Housing conditions remained considerably better in Western Europe and in the Scandinavian countries. Nevertheless, notable inequalities persist, as severe housing deprivation continues to affect parts of South-Eastern Europe, largely due to lower gross domestic product (GDP) per capita, weaker social welfare and housing support, which lowers the housing costs that households can handle (Kozera et al., 2021).

Housing deprivation indicators[25] show increasing trends in the share of population living in inadequate dwellings (see Figure 4)[26]. These statistics demonstrate that the conditions in occupied dwellings worsened since 2019, as the share of the population living in dwellings with leaking roofs, damp walls, and floors of foundations or rots in window frames or considering their dwellings too dark increased.

Figure 4: Housing deprivation indicators in EU-27 in 2012-2023 (% of population)



Source: Eurostat, ilc_mdho03, ilc_mdho04, ilc_mdho05.

These statistics underscore that in parts of Europe, sizeable portions of the population still live in substandard or insecure housing, signalling urgent needs for investment in housing quality and adequacy.

[25] 'Housing deprivation' is a measure of poor amenities and is calculated by referring to those households with a leaking roof, no bath/shower, and no indoor toilet, or a dwelling considered too dark. See: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Severe_housing_deprivation_rate.

[26] See: Eurostat (2025), *Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor*, Available at: https://doi.org/10.2908/ILC_MDHO01, *Total population not having indoor flushing toilet for the sole use of their household*, Available at: https://doi.org/10.2908/ILC_MDHO03, *Total population considering their dwelling as too dark,* Available at: https://doi.org/10.2908/ILC_MDHO04.

b. Housing needs in urban and rural areas

The results of the research by Cyrek & Cyrek (2025), analysing living standards in rural areas in EU countries, showed that housing conditions in rural areas vary significantly among MS, and that the general level of socioeconomic development of a country playa a key role in determining those living standards (Cyrek & Cyrek, 2025). In MS with higher levels of socioeconomic development, such as Scandinavian countries, Germany, the Netherlands, and Luxembourg, rural housing conditions are typically much better. Conversely, less populated rural areas with a higher proportion of farmers in Central and Eastern Europe and Southern Europe face more challenges, including less access to adequate housing and lower income levels (Bernard, 2019). This growing heterogeneity in rural living standards across the EU presents a significant challenge for social and economic cohesion, as disparities in housing quality and affordability widen across regions (Cyrek & Cyrek, 2025).

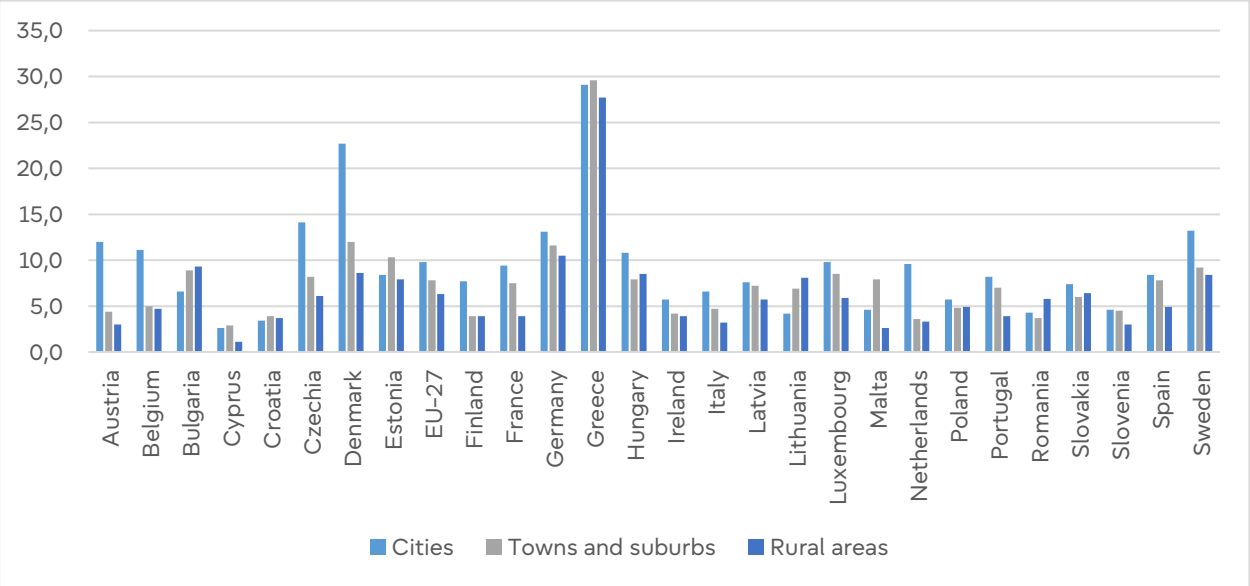
- **Affordability of housing: housing cost overburden**

One of the differences between urban and rural areas in the EU concerns the price of housing and the burden of housing costs on the population. Across the EU, urban areas (i.e. cities) experience higher housing cost burdens than rural areas. By 2024, 9.8% of urban households in Europe were spending >40% of their income on housing, compared to about 6.3% of rural households (see Figure 5), revealing pricier urban markets (Wojewódzka-Wiewiórska and Deák, 2024). Interviewed housing experts in Germany, Ireland, Denmark, and Spain emphasised that the housing prices and rents in cities are high and further rising particularly rapidly. They explain this growth to be largely driven by population growth, in-migration, and limited housing supply as well as investment-driven property purchases and the expansion of short-term rentals (STR) (further explained in Chapters 4 and 5).

However, the average EU trend of pricier urban housing markets does not reflect the urban-rural housing cost trend in all MS. Figure 5 illustrates how, in Greece, the housing cost overburden remains almost equally high across cities, towns and suburbs and rural areas in 2024. Meanwhile, in Bulgaria, Lithuania and Romania, housing cost overburden in rural areas is actually higher than in cities and towns[27].

[27] Eurostat, *Housing cost overburden rate by degree of urbanisation,* ilc_lvho07d. Available at: https://ec.europa.eu/eurostat/databrowser/view/ILC_LVHO07D__custom_4842828/default/table?lang=en.

Figure 5: Housing cost overburden rate by degree of urbanisation, 2024 (% of population)

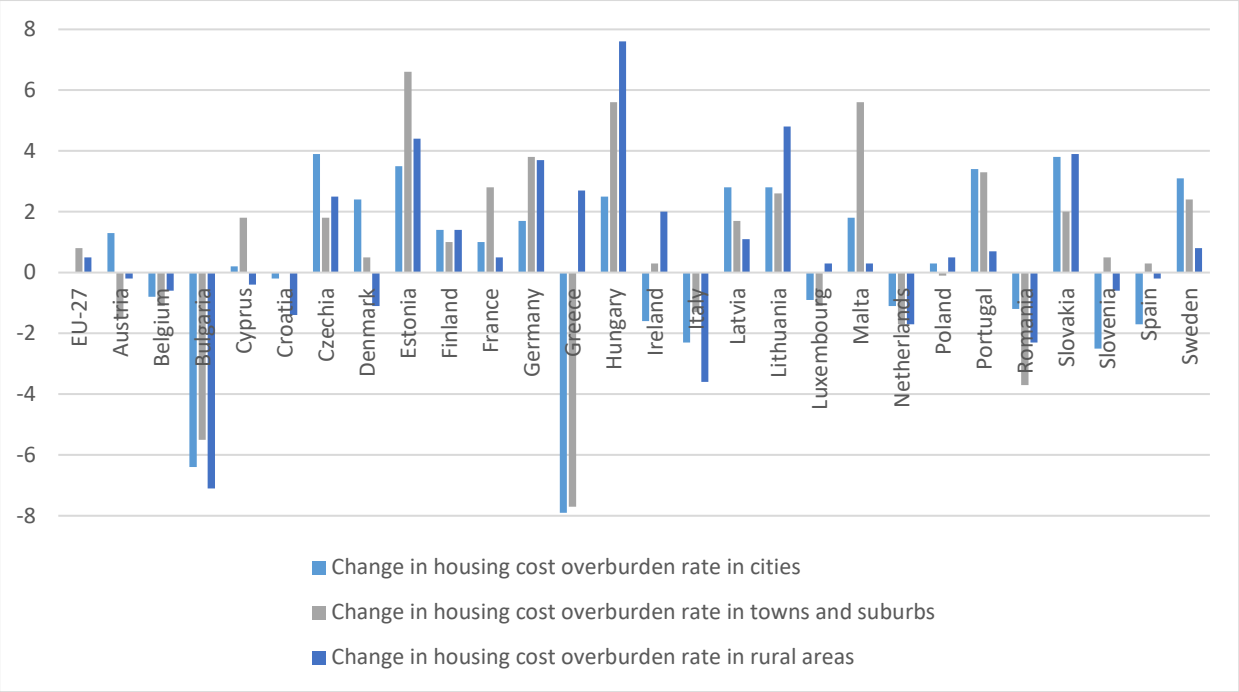


Source: Eurostat (EU-SILC), dataset ilc_lvho07d.

When analysing the change of housing cost overburden rate by degree of urbanisation over time (between 2020 and 2024) mixed trends appear (see Figure 6). Overall, Czechia, Estonia, Germany, Hungary, Lithuania, Malta, Portugal and Slovakia experienced the highest increases of housing cost overburden across different areas with varying degrees of urbanisation. The most substantial increase was observed for rural areas in Hungary, with also rural areas in Lithuania, Estonia and Slovakia seeing high increases. At the same time, towns and suburbs in Estonia, Malta, Hungary and Germany experienced significant increases[28].

[28] Ibid.

Figure 6: Changes in housing cost overburden rate by degree of urbanisation, 2020 vs 2024 (% of population)



Source: Eurostat (EU-SILC), dataset ilc_lvho07d.

These changes, and their impacts, were equally noted by the interviewed housing experts from the aforementioned MS, who emphasised that smaller towns and rural areas are experiencing price increases as businesses and households expand beyond major cities, raising demand in these regions. Those interviewees stressed that housing affordability debates are often dominated by an urban lens, overlooking the very different realities in rural and peripheral areas. As one expert from the International Union of Property Owners noted, "we often think about housing affordability from an urban perspective [...] but in the rural area, you face very different challenges". One of those issues, as described, includes the "very low value of property", which makes it difficult to secure financing for renovations. Overall, it was noted that in cities, higher absolute prices make housing unaffordable even for middle-income households, whereas in rural areas, lower price levels do not prevent the generally larger low-income population from being overburdened.

- **Affordability of housing: differences in access to social housing**

Another key urban-rural difference and concern in the EU, related to affordable housing and the need for it, is the uneven distribution of and access to social housing. There are no reliable quantitative data on the distribution of social housing by degree of urbanisation. Neither Eurostat nor the OECD's Affordable Housing Database publish social housing stock data disaggregated in this way. The EU-SILC survey collects tenure status by urbanisation level, distinguishing between owner-occupied, market-rate rental, and reduced-rate/free rental accommodation; however, "reduced-rate rental" serves only as an imperfect proxy for social housing and reflects household survey responses rather than dwelling stock counts. This data limitation is challenging when assessing the disparities between access to social

housing for the population in urban and rural areas, which needs to be addressed to ensure evidence-supported housing policies in the future.

Research shows that social housing is predominantly concentrated in urban areas, while rural regions have experienced persistent under-provision due to limited investment and financial constraints (Ziebarth & Brown, 2016; Poggio & Whitehead, 2017; Indriliūnaitė, 2018). Investments in rural social housing were even lower in countries where the sector had undergone significant privatisation (Ziebarth & Brown, 2016; Danusevics et al., 2023). A clear example of this imbalance can be seen in Latvia, where the municipal housing stock is mainly concentrated in the capital city, Riga, with limited access in rural areas (Danusevics et al., 2023). The study highlights the need for both state and municipal programmes, alongside public–private partnerships, to promote social and affordable housing development in rural regions.

In contrast, France offers a more decentralised model of social housing provision. The SRU law[29] has long required communes to meet minimum quotas of social housing, with the target set at 25% of the housing stock in high-pressure markets and 20% in areas with less housing tension (Lamy et al., 2015). Communes that fail to meet their targets are subject to annual financial penalties proportional to their deficit, with the funds collected being reinvested into social housing production. As of 2022, some 2,157 communes fell within the scope of the SRU law, of which 1,161 (54%) remained deficient in meeting their targets (Ministère de la Transition écologique, 2023). Evidence from national monitoring reports suggests that this framework has contributed to the expansion of social housing production beyond major metropolitan areas, although high-demand rural and tourist zones continue to face structural constraints, including high levels of second-home ownership, seasonal population pressures, and land scarcity for development (Lamy et al., 2015; Ministère de la Transition écologique, 2023). Nationally, 57% of all social housing units in France are located in large cities, accounting for just over half of the total housing stock (Eurofound, 2023).

Despite a larger social housing stock, urban areas face their own difficulties. Access to social housing is constrained by high demand and limited supply (Indriliūnaitė, 2018). In France, for instance, over two million households are on social housing waiting lists, while in Belgium, waiting times can extend up to twelve years (Housing Europe, 2025a). Access to social housing is discussed in more detail in Chapter 55.5.

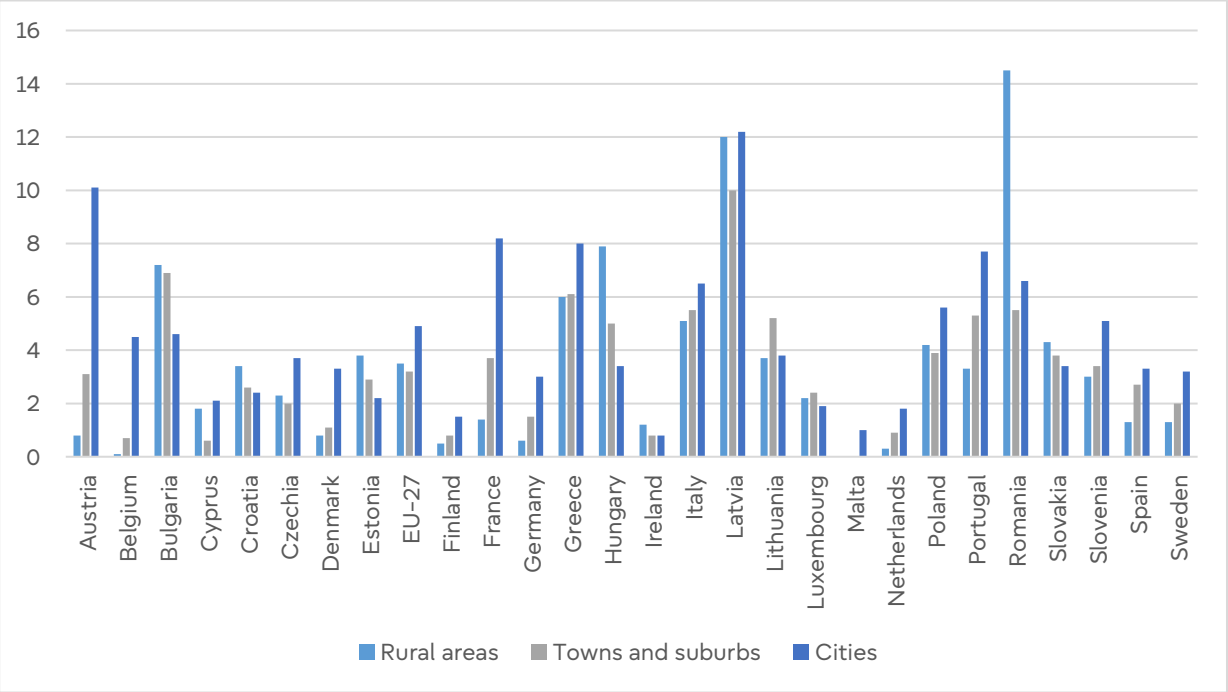
- **Quality of housing: overcrowding, severe housing deprivation, lack of access to services**

Differences between urban and rural areas can also be observed in terms of housing conditions. In 2024, the average overcrowding rate in rural areas in the EU-27 was 14.3% as compared to 14.9% in towns and

[29] The SRU law (Loi relative à la Solidarité et au Renouvellement Urbains, or Law on Urban Solidarity and Renewal) was adopted on 13 December 2000. Its Article 55 requires communes with more than 3,500 inhabitants (1,500 in the Île-de-France region) that belong to agglomerations or inter-municipal groupings of more than 50,000 inhabitants—including at least one commune of more than 15,000 inhabitants—to maintain a minimum proportion of social housing. The original target of 20% was raised to 25% by the 2013 law on the mobilisation of public land for housing (Loi relative à la mobilisation du foncier public en faveur du logement). The framework was subsequently reinforced by the ALUR law (2014), the Equality and Citizenship law (2017), and the 3DS law (2022), which extended obligations beyond 2025 and introduced differentiated catch-up rates based on communes' existing social housing levels.

suburbs and 20.3% in cities[30]. At the same time, in 2023, the severe housing deprivation rate was highest in cities with 4.9% of the population experiencing this issue, versus 3.5% in rural areas, and 3.3% in suburban towns[31]. However, in several MS, such as Bulgaria, Hungary and Romania, severe housing deprivation rates in rural communities were considerably higher than in cities[32] (see Figure 7).

Figure 7: Severe housing deprivation rate by degree of urbanisation in EU MS, 2023 (% of population)



Source: Eurostat (EU-SILC), dataset ilc_mdho06d.

Another interesting finding concerns the intersection of tenure and urbanisation when analysing issues related to quality of housing. Namely, across all urbanisation levels in 2023, renters (i.e. tenants) in the EU experience markedly higher rates of severe housing deprivation than owner-occupiers (see Figure 8). The trend that tenants face substantially elevated risks of housing deprivation compared to homeowners, even after controlling for socio-economic characteristics, has consistently been demonstrated in EU-level research (Hick et al., 2024; Inchauste et al., 2018; Dewilde, 2018). This tenure gap reflects the fact that renters—particularly those in the private rental market—tend to have lower incomes, less security of tenure, and reduced capacity to address housing quality issues, which remain the responsibility of lessors[33].

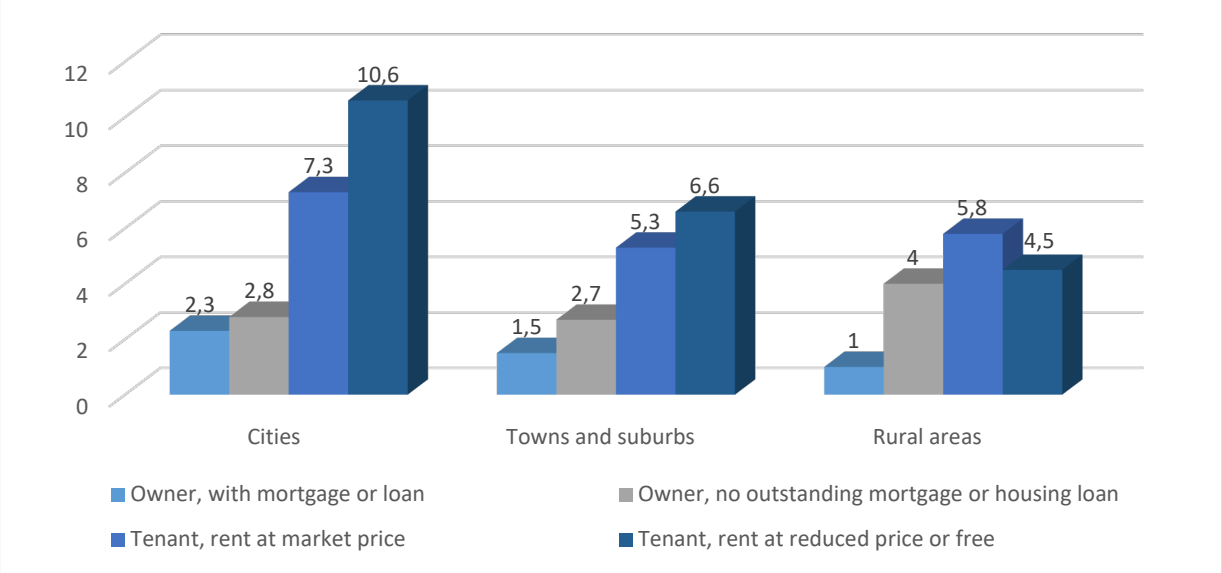
[30] Eurostat, *Overcrowding rate by degree of urbanisation - total population*, ilc_lvho05d, Available at: https://doi.org/10.2908/ILC_LVHO05D.

[31] Eurostat, *Severe housing deprivation by degree of urbanisation,* ilc_mdho06d, Available at: https://doi.org/10.2908/ILC_MDHO06D.

[32] Ibid.

[33] The term 'lessors' is used rather than 'landladies or landlords' (referring to 15th century land use arrangements), due to brevity, gender neutrality and up-to-date connotation, as insisted in Eurofound (2023).

Figure 8: Severe housing deprivation rate by tenure status and degree of urbanisation in EU-27, 2023 (% of population)



Source: Eurostat (EU-SILC), ilc_mdho06c. Available at: https://doi.org/10.2908/ILC_MDHO06C.

Overall, urban tenants face the highest deprivation rates, combining higher overcrowding pressures in more densely populated areas with the insecurities of rental markets caused by rising rental costs. Meanwhile, rural owner-occupiers—often elderly households on fixed incomes—face distinct challenges related to maintaining and upgrading older properties that lack modern facilities or adequate insulation. This pattern underscores the need for differentiated policy approaches: addressing affordability and overcrowding in urban rental markets, while supporting renovation and infrastructure improvements for rural homeowners.

Other housing conditions indicators also vary between urban and rural areas. Classic urban problems such as noise and air pollution hit city residents harder, and lack of space is a top complaint in urban apartments (Eurofound, 2023; Kozera et al., 2024; Dudek & Wojewodzka-Wiewiorska, 2024). While rural homes are often less crowded than urban ones, they are more likely to lack modern facilities or suffer from poor insulation (Eurofound, 2023). In 2023, the share of persons living in a dwelling not comfortably warm during winter was higher in rural areas than in cities in Bulgaria, Cyprus, Greece, Hungary, Lithuania, Luxembourg, Portugal, Romania and Slovakia[34]. Issues like energy-inefficient housing and a lack of indoor plumbing disproportionately affects rural and remote areas of the EU.

Access to public services and infrastructure is particularly limited in rural areas, especially in Eastern Europe, but also in Southern Europe (Kozera et al., 2024; Guo et al., 2024). This limited access stems from a lack of resources, which contributes to a self-reinforcing cycle of decline: young people migrate to urban centres in search of better employment and educational opportunities, which reduces the local tax base and workforce available to maintain services and leads to the closure of services due to

[34] Eurostat, *Persons living in a dwelling not comfortably warm during winter by sex, household composition and degree of urbanisation*, ilc_lvhe12. Available at: https://ec.europa.eu/eurostat/databrowser/view/ILC_LVHE12/default/table.

declining populations, in turn, this again accelerates further outmigration (Margaras, 2019; Population Europe, 2023). The OECD (2025) has described this pattern as a "vicious cycle". Labour shortages compound these challenges, as rural areas struggle to recruit essential workers such as healthcare providers, teachers, and tradespeople who are needed to sustain local services (Eurofound, 2023). Consequently, new infrastructure and services are often not developed, since there are neither enough residents to justify investment nor sufficient workers to deliver them.

Interviewed housing experts, when asked about housing disparities in urban and rural areas, highlighted these issues related to the labour market shortages and lack of access to services as key factors explaining outmigration from rural areas. The EU-level expert on social policy and housing elaborated, that "there are so much fewer employment opportunities" in rural areas, creating "poverty traps" despite lower housing prices. Limited access to hospitals, schools and public services often forces people to relocate to cities, with one interviewee observing that although rural areas may have "many empty houses", people "cannot live in the countryside" since they are "obligated to live in [metropolitan] places" to access essential services.

c. Housing needs in outermost regions and island territories

The EU's outermost regions (OMR)[35] and islands[36], face varying housing needs and confront unique housing challenges. These regions often suffer a deeply rooted housing crisis driven by structural factors related to geography and insularity (Cour des comptes, 2020; European Committee of the Regions (CoR), 2025). They tend to have scarce land available for development, high construction costs (due to remoteness and import costs), and often lower incomes than the mainland EU (CoR, 2025). As a result, housing prices have risen across most OMR, while purchasing power has stagnated, leading to lower homeownership rates, private rent unaffordability, and long waiting lists for social housing. A recent study by the European Commission (2024) researched housing challenges across the OMR, finding consistent patterns of affordability stress, quality deficits, and supply-demand imbalances exacerbated by geographical constraints. The analysis below provides a brief overview of the specific challenges related to housing needs in the OMR.

- **Affordability of housing: housing cost overburden**

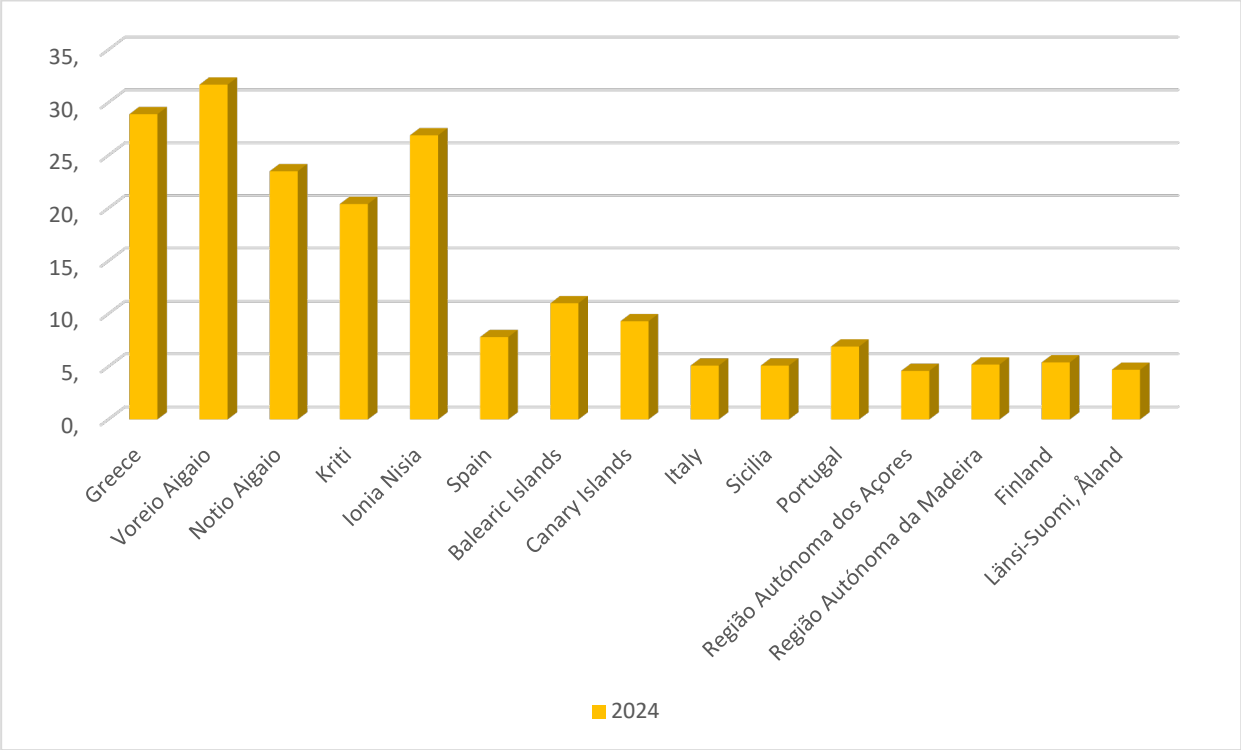
Compared to their respective MS averages, OMR and islands often have varying housing cost overburden rates, whether lower or higher, showing varying degrees of affordability issues (see Figure 9). For instance, the North Aegean islands of Greece exceed the national rate of cost overburden (28.9%), with a rate of 31.7%, while the rates in the South Aegean (23.5%), Crete (20.4%), and Ionian Islands (26.9%) are lower than the national average. In Italy, Portugal and Finland, OMR and islands also show lower rates of housing cost overburden. On the other hand, in Spain, both the Balearic and Canary Islands have higher housing cost overburden rates than the national average. Namely, in 2024, 11% of households in the Balearic Islands and 9.3% households in the Canary Islands spent more than 40% of

[35] Remote territories include the Canary Islands, Réunion, Mayotte, Martinique, Guadeloupe, French Guiana, Saint Martin, the Azores, and Madeira.

[36] Where data are available, the analysis include NUTS 2 level islands, including OMR and Balearic Islands (ES53), Sicily (ITG1), Sardinia (ITG2), Corsica (FRM0), North Aegean (EL41), South Aegean (EL42), Crete (EL43), Ionian Islands (EL62), and Åland Islands (FI20).

their disposable income on housing, compared to 7.8% at the national level. Higher overburden rates in the OMR and islands are often explained by tourism and short-term rentals in tourism-attractive regions (further discussed below), as well as structural geographic constraints, including limited land for construction.

Figure 9: Average housing cost overburden rate in OMR and islands (national and for outermost regions), 2024



Source: Eurostat, ilc_lvho07_r, 2024. Note: data on France are not available at NUTS 2 level.

In the French OMR, harmonised housing cost overburden rate data at the regional level (NUTS2) are not published. However, other indicators point to significant strain. In Mayotte, a very low median disposable income (EUR 3,140 in 2019), compared to the national average of EUR 21,680, combined with a poverty rate of 77% in 2020, implies a very high risk of overburden, even though no official regional time series are available (European Commission, 2024a). Another way of identifying strong housing cost pressures is by observing the social housing figures, including how many people would be eligible for social housing and how many people get actual access to it. Assessments for Guadeloupe, Martinique and Réunion show that around 15% of households live in social housing, even though about 80% are eligible, and overcrowding is common (Cour des comptes, 2020; European Commission, 2024b). Mayotte stands dramatically apart from other French OMR in social housing coverage. As of January 2024, only 2,941 social housing units serve Mayotte's more than 320,000 residents—representing just 4.7% of principal residences (SDES, 2024). In French Guiana, only 12.5% of social housing applications were approved in 2020, which was well below the mainland approval rate (European Commission, 2024c). In 2023, there were 13,113 households in the waiting list for social housing in Guiana, representing 36,747 persons and showing a 50% increase since 2018 (Union sociale pour l'habitat, 2024a).

The first French Overseas Housing Plan (PLOM 1) was signed in 2015 to address the documented housing crisis conditions which consisted of a 90,000+ social housing unit deficit across all OMR and an estimated 70,000 informal or insalubrious housing units in the early 2010's (Sénat, 2021). PLOM 1, which aimed to produce and rehabilitate 10,000 units per year (2015–2019) in each OMR, failed to meet this target in most years across all French OMR (except for Guiana in 2016), further exacerbating shortages (European Commission, 2024b). The social housing shortage, combined with rapid population growth, limited land availability, administrative inefficiencies, and high construction costs in overseas regions, contributes to the very low rate of approved applications in French OMR (Sénat, 2021).

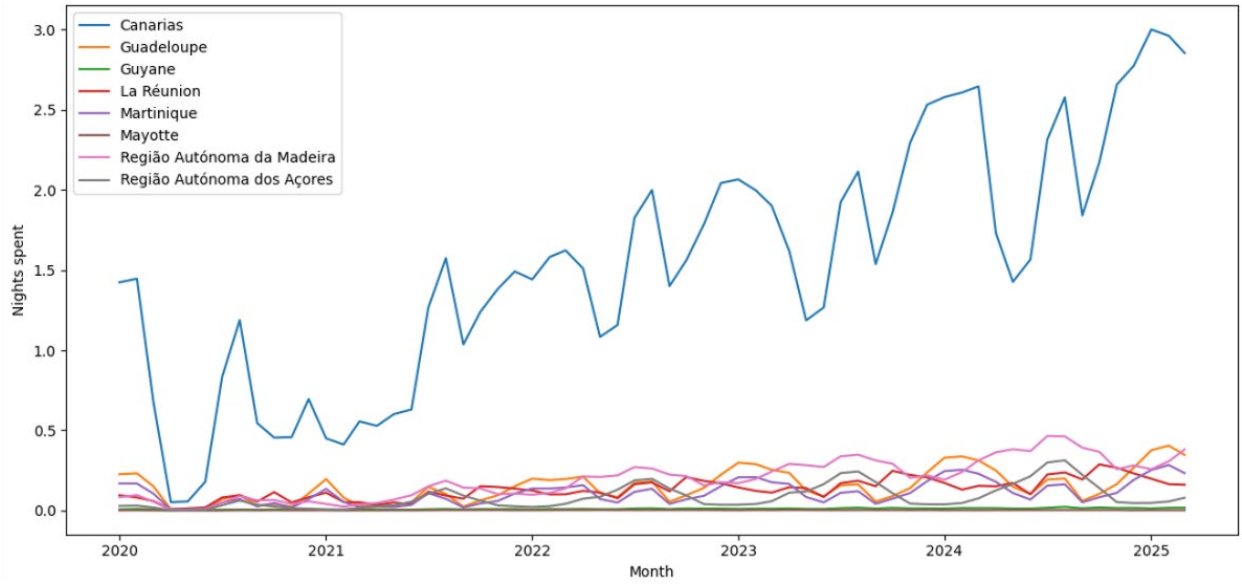
As previously mentioned, housing provision in OMR and island territories is complicated by their fragmented geography, which makes it difficult to deliver large-scale development, integrate climate change strategies or ensure consistent infrastructure across multiple islands (Ribalaygua et al., 2019). In the Azores, for instance, the dispersion of settlements across nine islands combined with limited infrastructure creates challenges in supplying affordable housing evenly, with smaller islands often struggling to maintain an adequate stock (European Commission, 2024b).

The interviewed housing experts from Spain, Portugal and France, as well as EU-level associations were also adamant on the fact that larger islands face a different set of housing pressures than on the mainland. In Réunion, one of the examples provided by an expert interviewee, land-use policies have historically prioritised tourism and speculative investment over local residential needs. This leads to high housing costs for locals, which tighten household budgets and put strain on, particularly, essential workers (e.g. teachers and healthcare professionals) who are priced out of popular urban and coastal areas and forced into long commutes. For instance, in 2022, the general housing price level in Réunion was about 9% higher than in metropolitan France, and in 2021, 266,700 residents commuted to work, and the average home-to-work distance was 13.6 kilometres (French National Institute of Statistics and Economic Studies (INSEE),2023; INSEE, 2024).

- **Affordability of housing: tourism and outside investment**

Tourism further impacts the demand for housing in many OMR and islands as they are major tourist destinations or "retirement havens". The demand from visitors, second-home buyers, and outside investors inflates prices far beyond what local residents can afford (García-López et al., 2020; European Commission, 2024b; Basílio Ornelas et al., 2024). Figure 10 shows how the number of nights spent via collaborative platforms has increased since 2020 in most OMR, with the highest spike in the Canary Islands. The interviewed experts highlighted that in tourism-heavy regions, such as Madeira and the Canary Islands, the rise of STR and second-home purchases creates seasonal pressure on housing, making it increasingly unaffordable for local residents, especially in coastal areas. Unfortunately, absolute (quantitative) data of the effect of short-term rentals (STRs) and tourism on the housing stock is unavailable to substantiate these trends, a limitation also noted by interviewees, which hampers efforts to identify and address causes underlying the housing crisis (read more on the impact of STR demand in Chapter 5.4).

Figure 10: Nights spent in STRs via collaborative platforms in the OMR, 2020–2025 (million)



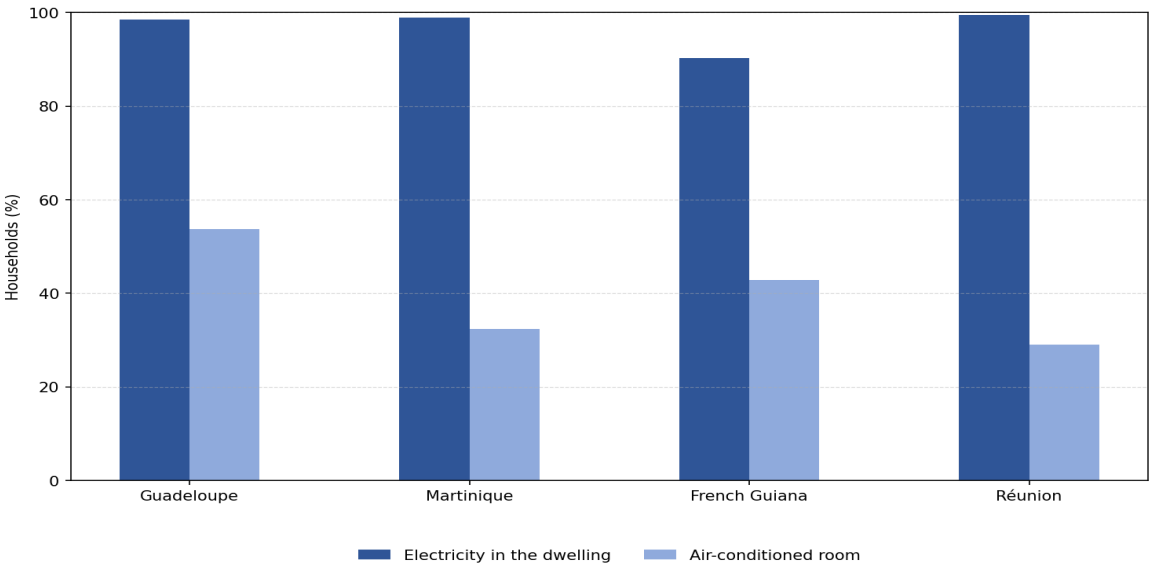
Source: Eurostat, tour_ce_omn12.

In Réunion, seasonal rentals (similar to STRs) accounted for 25% of all paid accommodation in 2023, surpassing hotels at 19% (Observatoire Régional du Tourisme de La Réunion, 2024). This reflects a significant diversion of the island's housing stock into tourist use, reducing the number of homes available for permanent residents and contributing to rising housing costs (Ibid). Ultimately, this speculative behaviour, alongside the scarcity of available land, makes it increasingly difficult for young people to afford to stay on the islands, leading to a brain drain and vicious cycle as the youth move to mainland cities in search of employment opportunities (European Commission, 2022a; Basílio Ornelas et al, 2024; CoR, 2025).

- **Quality of housing: lack of access to services, and overcrowding**

Access to basic infrastructure services varies considerably across the OMR. The most acute deficits are concentrated in the French territories, while Portuguese and Spanish OMR have infrastructure largely comparable to mainland Europe for electricity and internet (European Commission, 2024b). In Mayotte, approximately one-third of households lack access to running water inside their residence (30%), and two-thirds lack basic sanitation facilities; the proportion of dwellings with electricity actually decreased from 93.6% in 2012 to 90% in 2017, reflecting demographic pressures from migration and informal housing (European Commission, 2024a). In French Guiana, 15% of the population lacks direct access to drinking water networks, while 21% lack access to wastewater treatment systems; electricity coverage reaches 89.4% of households, with gaps concentrated in isolated inland communes and informal settlements (European Commission, 2024c). In addition, all French OMR experience a widespread lack of air-conditioned rooms (see Figure 11).

Figure 11: Percentage of households with access to electricity and air-conditioning in their dwelling in the French OMR*, 2022

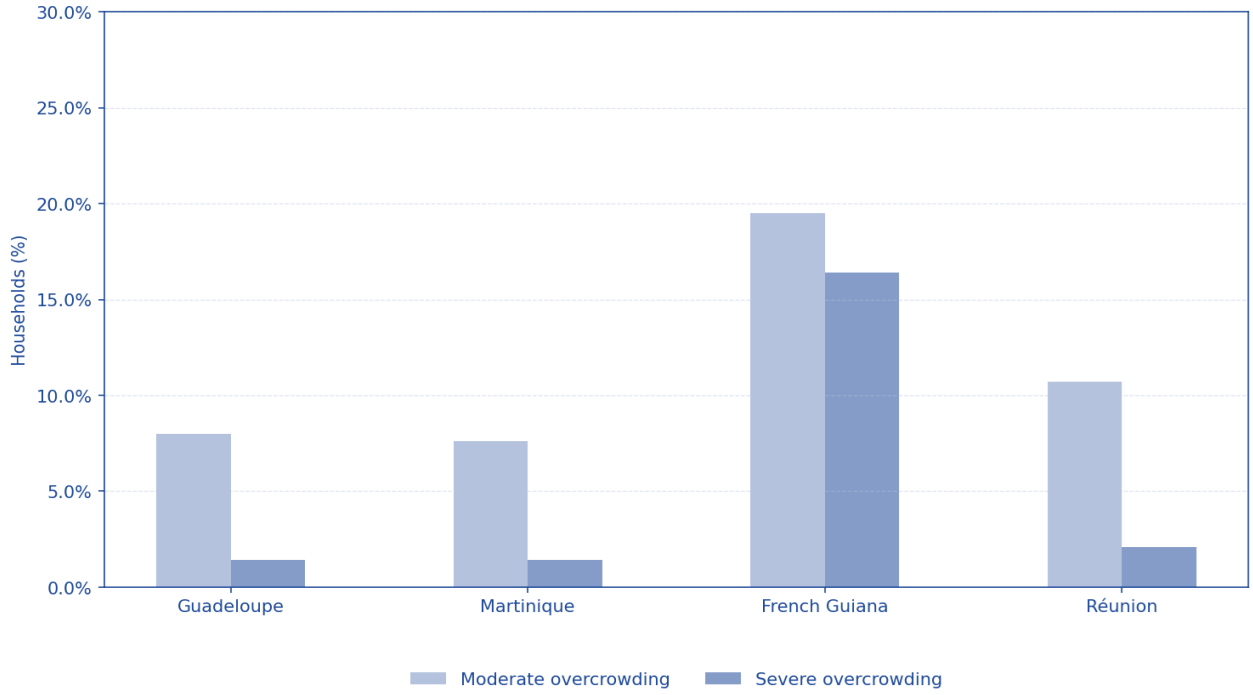


Source: INSEE (2024b), LOG T8D. Note*: Data presented on the French OMR with data available.

Access to adequate housing is also under pressure in some OMR. For instance, the Azores face a particularly urgent situation, as large numbers of older dwellings (i.e. 34.6% of buildings in 2021, comparable to the national rate of 35.8%) fall short of modern standards—particularly regarding thermal insulation and energy efficiency—and are in need of repair (Statistics Portugal, 2021; European Commission, 2024b). The remoteness of the archipelago (i.e. island group) compounds renovation challenges, with certain smaller islands facing particularly acute deterioration, such as in Flores where 8.8% of buildings require major repairs (European Commission, 2024b). Meanwhile, in the French OMR, incomplete sewerage networks continue to block new construction and limit housing development. In Guadeloupe, 60.8% of main residences were not connected to a public sewer network in 2022, which indicates a high risk of material housing deprivation and poor living conditions (INSEE, 2025c).

As discussed in Chapter 2, overcrowding indicates a lack of decent housing conditions. This challenge affects multiple OMR to varying degrees, generally exceeding mainland rates: in French Guiana, the overcrowding rate of 32.8% was approximately six times the French mainland national average (5%) in 2022, while the Azores rate of 13.5% and Madeira's rate of 19.4% exceeded Portugal's national average of 9.4% (European Commission, 2024b). The issue is particularly acute in French Guiana (see, Figure 12), where demographic growth and migration intensify pressure on already limited housing stocks (European Commission, 2024b).

Figure 12: Overcrowding rate among households in the French OMR, 2022 (% of households)



Source: INSEE (2024b), LOG T4bis.

- **Affordability and quality of housing: in- and out-migration**

The topic of migration, both inwards and outwards, has an impact on the affordability and quality of housing, though trends vary across the OMR and islands. Given their geographical locations near less affluent third countries, some OMR (especially the Canary Islands and French Guiana) experience considerable migratory pressures, which, when combined with population growth rates that exceed the EU average, has resulted in notable housing pressures (European Parliament, 2020). On the contrary, Guadeloupe and Martinique face long-term population decline and weak year-round residency, with their populations decreasing by 5.4% and 7.8%, respectively, from 2013-2025 (INSEE,2025a; INSEE, 2025b). The outmigration that occurs in these regions, especially because of younger people seeking jobs and education on the mainland, leaves behind ageing populations and a large stock of vacant or deteriorating dwellings that are difficult to sell or maintain.

The Italian Island of Sicily illustrates this challenge where many of the inland towns face widespread abandonment in historic centres and homes fall into disrepair (European Commission, 2024b). Sicily's response to this deterioration has been the "one-euro homes" initiative, through which municipalities sell abandoned properties at a symbolic price on the condition that buyers renovate and bring them back into use. This housing initiative was designed to counter depopulation and safeguard heritage (read more on Sicily's one-euro homes in Annex I. Case studies[37]).

[37] Annex I. Case studies is available in Part 2: Annexes. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/759352/CASP_STU(2025)759352(ANN01)_EN.pdf.

Although the case of Sicily does not directly apply to other OMR, given its proximity to the mainland, some of its lessons can still be adapted to address housing quality problems in the OMR as well. Namely, linking rehabilitation obligations to legal clarity and enforceable milestones could help ensure that dwellings upgraded with public support meet modern energy and safety standards. Prioritising permanent residency or long-term rental for locals would strengthen the social impact of such schemes, particularly in areas affected by seasonal demand. Conditional subsidies combined with technical guidance could lower risks for households and stimulate local construction markets, while integration with broader climate-adaptation and regional development strategies would align housing renewal with long-term policy goals (the successes and lessons learned are further described in Annex I. Case studies).

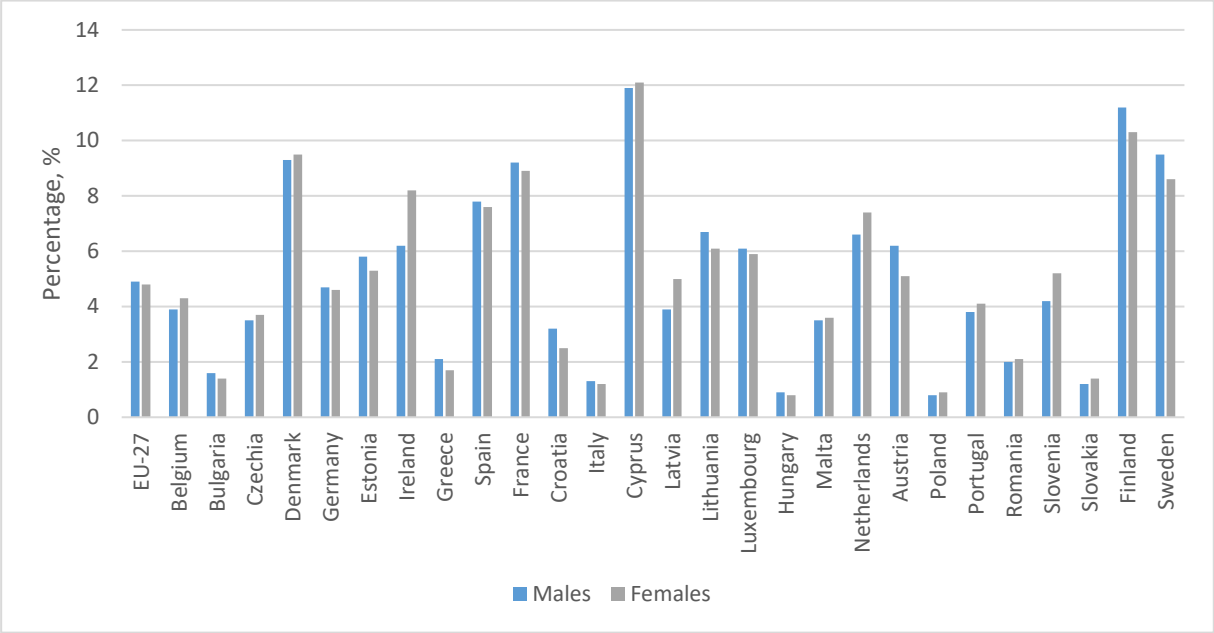
3.2. Housing needs across demographic groups

While the previous section (Chapter 3.1) emphasised how housing needs vary geographically across the EU, this chapter turns to how housing demands differ across population groups. Research demonstrates that factors such as age, gender, income, ethnic or racial minority status, migrant background, and disability significantly shape the profiles of housing-needs, in terms of access and affordability, adequacy, and security (ReHousIn, 2024; Dubois et al., 2025). Understanding these diverse needs is essential to design inclusive housing policies that reflect social as well as spatial realities.

a. Gender differences

One way of analysing the housing needs across gender differences is to analyse whose needs are not met or who experiences difficulties in securing housing. Overall, men and women report fairly similar rates of housing difficulties in the EU – in 2023, about 4.9% of men and 4.8% of women said they had experienced serious housing difficulties (such as homelessness) at some point, revealing virtually no gender gap (Eurostat, 2024b). As can be observed from Figure 13 below, the gendered statistics on experiencing housing difficulties vary across EU countries. In some MS, women were more likely than men to have faced housing instability in 2023. In Ireland, this concerned 8.2% of women vs 6.2% of men; in Latvia (5% vs 3.9%) and Slovenia (5.2% vs 4.2%) (see below; Eurostat, 2024b). A few countries saw men reporting slightly more housing problems than women, such as in Austria (6.2% vs 5.1%), Estonia (5.8% vs 5.3%) and Lithuania (6.7% vs 6.1%) (Ibid).

Figure 13: Persons having experienced housing difficulties in their lifetime by sex, 2023 (%)



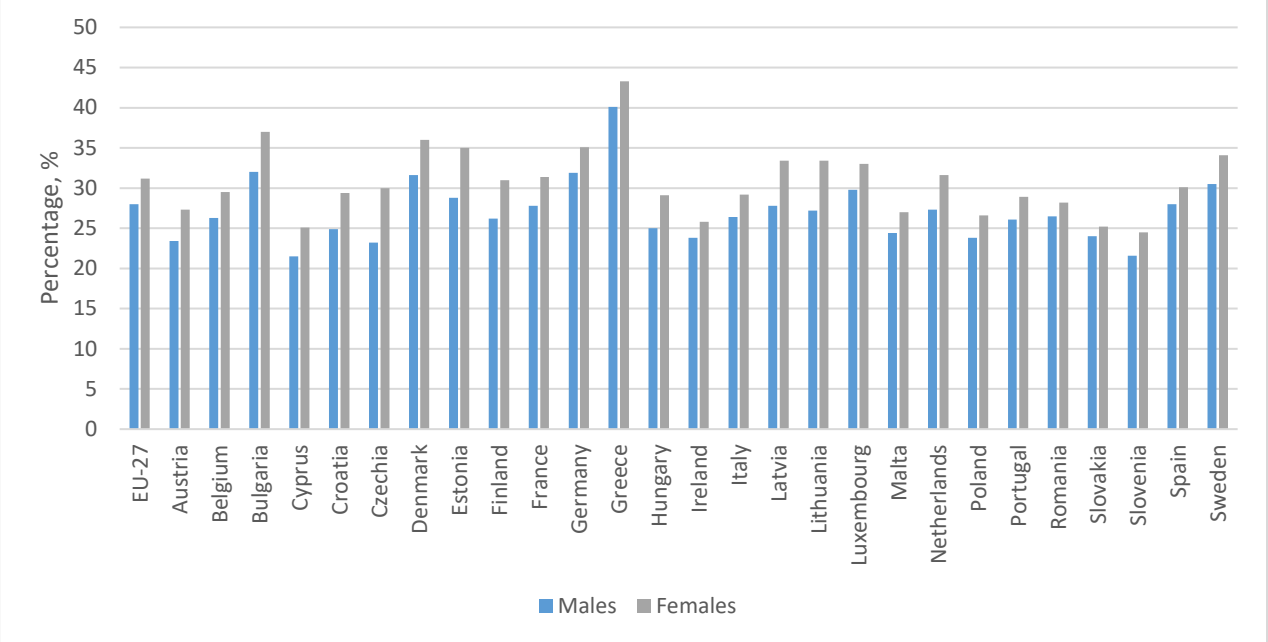
Source: Eurostat (EU-SILC), dataset ilc_lvhd01. Available at: https://doi.org/10.2908/ILC_LVHD01.

While strict gender differences in experienced housing hardship are less apparent, research shows that women's housing exclusion and homelessness is often "hidden" (Sales & Guijarro, 2017). Rather than appearing in official street counts or shelters, women may rely on insecure arrangements such as staying temporarily with friends, relatives, or acquaintances, or they may live in overcrowded and unsafe conditions (Sales & Guijarro, 2017; EOH, 2017; Betherton, 2021; Colomb & Gallent, 2022). This invisibility has significant consequences, as policies and services then tend to address issues more relevant to men, overlooking the particular vulnerabilities of women, especially those with children (Sales & Guijarro, 2017; Betherton, 2021).

Research also reveals discrepancies between men and women in the levels of housing stress experienced in the process of accessing and keeping a home (Mostowska & Dębska, 2020; Nieuwenhuis et al., 2022). Namely, in 2024, women faced higher after-housing-cost poverty rates than men (31.2% compared with 28%)[38]. This gap, observed across all MS (see Figure 14), means that more women experienced poverty after paying for their housing costs than men.

[38] Eurostat, *At-risk-of-poverty rate after deducting housing costs by age and sex*. Available at: https://doi.org/10.2908/ILC_LI45.

Figure 14: At-risk-of-poverty rate after deducting housing costs by sex, 2024 (% of population)



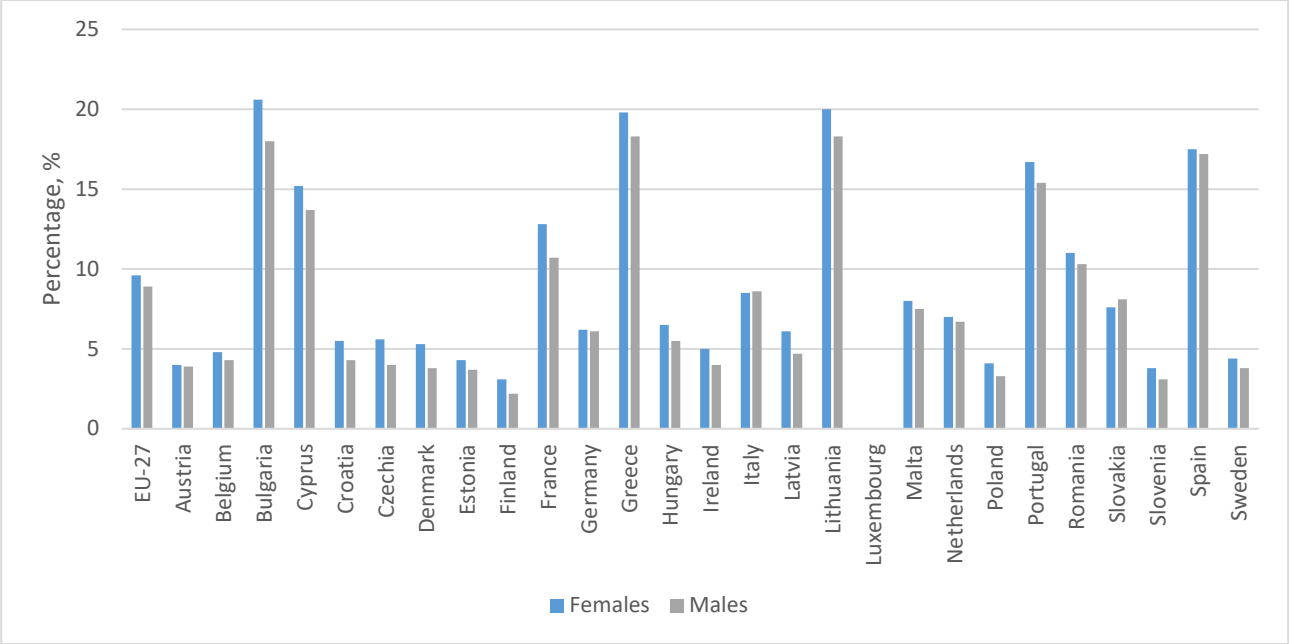
Source: Eurostat, **ilc_li45.** Available at: https://doi.org/10.2908/ILC_LI45.

Furthermore, women are more likely to struggle with rent, face difficulties accessing mortgages, and build less housing-related capital wealth over their lifetime (Urbact, 2022; Nieuwenhuis et al., 2022; EIB, 2023). This is because women more often interrupt or scale down their careers for caregiving reasons, subsequently impacting their income and long-term financial stability. According to a recent EIB study, the employment gap, reflected in the fact that on average in the EU 86% of fathers work full-time compared with only 48% of mothers, directly lowers women's housing affordability and limits their access to stable housing (EIB, 2023).

A key indicator of inadequate housing conditions is the extent to which one is unable to keep their home adequately warm, and this issue is also more acute among women in all MS. Extremely high rates can be observed in Bulgaria (20.6%), Lithuania (20%), Greece (19.8%), Spain (17.5%) in 2024[39] (see Figure 15). In Barcelona, women-headed households received 70% of subsidies for energy poverty, with single mothers, older women and women with disabilities identified as the most at-risk groups (Feenstra & Clancy, 2020; Gayoso Heredia et al., 2022).

[39] Eurostat, *Inability to keep home adequately warm by level of disability (activity limitation), sex and age*, hlth_dhc140. Available at: https://doi.org/10.2908/HLTH_DHC140.

Figure 15: Inability to keep home adequately warm across the EU by sex, 2024 (% of population)



Source: Eurostat, hlth_dhc140. Available at: https://doi.org/10.2908/HLTH_DHC140 .

Gender intersects with other vulnerabilities, such as household composition, income group, migration background, disabilities, and age, deepening disparities in housing and capital wealth. An interviewed expert on social policy, housing and deprivation emphasised that single parents are at a higher risk of housing exclusion, with single mothers facing the most acute challenges. They refer to the lower wages and job insecurity that single mothers are more often subjected to, which lead to higher probabilities of living in substandard housing or facing eviction. This is corroborated by comparative research across European countries demonstrating that single mothers face elevated housing deprivation, overcrowding, and cost overburden due to their concentration in the lower income distribution, with these challenges being significantly more acute in densely populated urban areas and high-price housing markets (Nieuwenhuis & Zagel, 2023). Other interviewees also further noted that this struggle is especially severe in metropolitan and tourism-intensive areas and where integrated policies (e.g. addressing housing, employment, and access to services together) to support single mothers and their children are lacking. The challenges are even more severe for immigrant single mothers, who often face discrimination in rental markets and limited information on available support[40] (Skubiejute, 2025). In general, migrant women often lack both formal support services and informal family or community networks, leaving them more vulnerable to housing exclusion (Akgüç, M., & Arabadjieva, K., 2024; Skubiejute, 2025) (read more on the housing challenges migrants face later in Chapter 3.2.e).

Moreover, women with disabilities experience similar vulnerabilities as labour-market disadvantages (and the lack of supportive policies) lower employment rates and reduce incomes, which in turn narrow

[40] At least, in the countries analysed which consist of Germany, Norway, and the UK. Although Norway and the UK are not part of the EU, they are popular destinations for EU-migrants and represent different welfare modes. Similar patterns in other countries may vary depending on the specific welfare systems in place, which influence housing access and affordability for migrants (Skubiejute, 2025).

their housing options (ETUI, 2024; EIB, 2023). Elderly women (in particular, mothers) also face intersecting vulnerabilities, though related to their gender and age. Namely, many live alone on low pensions that reflect the consequences of the gender pay gap and employment gap (previously mentioned) over time (Steinhoff, 2024; ETUI, 2024). This financial precarity often forces them into older housing stock that is poorly insulated, inadequately heated, and costly to maintain (ETUI, 2024).

Another gender-specific housing need includes safe housing options for women fleeing domestic violence. Women's higher risk of abuse (especially among younger women) means that without affordable alternative housing, many remain trapped in dangerous living situations (Bretherton & Mayock, 2021; Stulz et al., 2024). As urban planners note, when safe, alternative housing is not available, women and girls facing abuse have limited escape routes (Urbact, 2022). Where housing models prioritise access to stable, long-term accommodation over temporary shelters and integrate tailored gender-sensitive support based on individual needs, vulnerable women's safety, health and social inclusion improves significantly (Sales & Guijarro, 2017). Although not designed specifically for women, the Housing First model implemented in Helsinki demonstrates how large-scale reductions in long-term homelessness can be achieved when permanent housing, voluntary support and prevention are combined under a rights-based mandate. Such systemic approaches are relevant for women experiencing homelessness — including those fleeing domestic violence — when complemented by gender-specific services that address safety, trauma, and family needs (for more information refer to Annex I. Case studies).

Overall, the factors discussed in this Chapter show that housing policies should incorporate a gender-sensitive perspective. The CoR has called for integrating gender and diversity considerations into housing initiatives by, for example, ensuring that social housing allocation and urban planning account for the needs of single mothers, women in poverty, and female victims of violence (CoR, 2025). Recent good practices (as illustrated in Table 4 point to concrete steps, such as requiring gender-sensitive allocation criteria in social housing, ensuring that homes are designed with safe and accessible public spaces, embedding gender experts in procurement and planning processes, and improving sex- and gender-disaggregated data collection to track housing outcomes. Cities such as Vienna, Berlin and Barcelona have already shown how gender-sensitive housing and urban design can make environments more inclusive, safe, and accessible (Damyanovic et al., 2013; EIB, 2023).

Table 4: Gender mainstreaming in housing systems across MS

Country	Best practice	Gender mainstreaming
Austria	Wohnfonds Wien ("Housing Fun Vienna") implements multidisciplinary competitions to design and develop land with a gender-sensitive focus.	Land development process with gender-sensitive design through multidisciplinary teams.
France	The Lacaton & Vassal Plus initiative focuses on designing public spaces with a focus on security and transitions between private and public spaces.	Design of public spaces and buildings ensuring safety, accessibility, and security for all genders.

Country	Best practice	Gender mainstreaming
Belgium	The Community Land Trust model expanded housing availability for refugees and migrants, while prioritising equal access to housing.	Increasing housing access for vulnerable groups, focusing on gender equality for refugees and migrants.
Spain (Madrid)	Municipal housing company EMVS (Madrid) supports social rental initiatives that provide housing for women in vulnerable situations and works in partnership with NGOs to ensure adequate support.	Provision of housing and emergency accommodation for women in vulnerable situations.
Spain (Valencia)	Public housing body AUMSA (Valencia) applies gender mainstreaming in housing strategy with criteria and checklists for gender-sensitive urban design and housing.	Integration of gender in public housing strategy, from urban planning to housing allocation and construction teams.

Source:European Investment Bank, 2023, Promoting gender equality in public social housing. Available at: https://www.eib.org/attachments/lucalli/20230291_promoting_gender_equality_in_public_social_housing_en.pdf.

b. Age-related differences

Housing needs vary greatly by age as specific age groups face specific challenges (Dubois et al., 2025). This section examines housing needs across three broad age cohorts: youth (18–30), middle-aged adults (31–65), and older persons (65+).

- **Youth**

Barriers to housing independence

Young adults in Europe face unprecedented barriers to accessing and affording independent housing. Multiple crises over the past decade—including the 2008 financial crisis, COVID-19, and recent geopolitical shocks such as the energy crisis following Russia's invasion of Ukraine—have worsened housing affordability for youth, reinforcing intergenerational inequalities (Delclós & Vidal, 2021; Xerez et al., 2024). High youth unemployment, precarious employment contracts, and soaring housing costs have forced many young people to delay leaving their parents' homes (Bayrakdar & Coulter, 2018; Dubois et al., 2025; Lennartz et al., 2016; Modena & Rondinelli, 2011; van den Berg et al., 2021). These structural barriers have profound consequences for family formation, labour mobility, and overall life satisfaction across the EU.

In 2024, the EU average age of leaving the parental home reached 26.2 years, with a persistent gender gap: men depart at 27.3 years on average, compared to 25.4 years for women (Eurostat, 2025a). However, this average masks substantial variation. At the extremes, young people in Finland depart earliest at 21.4 years, while those in Croatia remain in the parental home until 31.3 years on average. The most acute differences emerge in Southern and Eastern Europe: in Slovakia (57%), Greece (72%), and Croatia (68%), the majority of 25–34-year-olds continue living with their parents (Dubois et al., 2025). Critically, the share of young adults living with their parents has increased rapidly in countries

such as Ireland, Poland, and Portugal over the past decade, reflecting growing housing unaffordability rather than shifts in cultural preferences (Eurofound, 2025).

While delayed emancipation was once primarily associated with Southern European countries, interview evidence confirms it is now widespread. Danish and Swedish experts reported observing similar trends in Northern Europe, where cultural norms traditionally favoured earlier independence. Interviewees from the International Union of Property Owners and the International Union of Tenants similarly observed that "younger generations remain with their parents even longer than they used to", leading to young adults accessing housing "at a much later stage in their life". Representatives from the Ireland Construction Federation observed that the average age of leaving home is "getting higher each year", with a "huge proportion of under-30-year-olds" still living with their parents. The reason for this delayed independence is strongly attributed to the cost of housing as young persons are "unable to afford" to move out.

One of the experts on EU housing and social policy described this trend as a form of "housing exclusion", whereby young people remain in the parental home not by preference but "because they cannot find a home." The consequences of delayed independence extend beyond housing itself. A Dutch developer interviewed for the Netherlands Developers Association described the situation as "quite sad", explaining that "many young people want to move out, ideally staying in their own village or neighbourhood, but there's nothing available." Interviewees noted that some young adults postpone major life decisions, including "having children because they don't have the right housing for it", and students living at home miss out on "an important and formative part of life."

Apart from leaving the parental home later, the average age for a young person to purchase their first home has also risen substantially. Young first-time buyers now purchase property at an average age of 34 years (Lennartz et al., 2016; Vangeel et al., 2023). Strikingly, 35% of European non-homeowners anticipate they will never own a home at all and only 9% of non-homeowners expect to buy before age 30 (ING, 2018). Increased house prices, deposit requirements of 10–20%, and income verification criteria disadvantage young workers with precarious employment, which is more common in their age category than in older ones (Housing Europe, 2025a). The situation is particularly severe in major cities where youth employment opportunities are concentrated but housing costs are exorbitant, effectively pricing out even middle-income young professionals (Eijsink & van Dijk, 2022; Kuiper & Carbonell, 2024). The previously mentioned interviewee also emphasised this point, explaining that it creates a spatial mismatch between where young people can afford to live and where work is available for them.

Those who do purchase a home are typically young adults with stable dual incomes, parental transfers, inheritances, and/or access to state-backed youth schemes. Examples of such youth schemes include France's *Prêt à Taux Zéro*, Spain's ICO first-home guarantees, or Portugal's public housing loan guarantees (van Dijk & Eijsink, 2024; e-IMMOBILIER, 2025; Riera, 2025; Talev, 2025). In highly supply-constrained markets, these instruments improve access but also risk driving up prices. Evidence from the Netherlands shows that borrowing capacity and house prices move almost one-to-one over time (van Dijk & Eijsink, 2024). This means that even when house prices dip, higher mortgage rates can quickly offset potential gains in affordability for first-time buyers (Eijsink, & van Dijk, 2022; Caloia, 2024). Beyond support to youth for purchasing a home, other forms of support in countries such as

France, Denmark, Slovenia, and Sweden include shared housing options, expansion of student residences, youth-specific rental schemes, and long-term financing for affordable housing development (Pape, 2024).

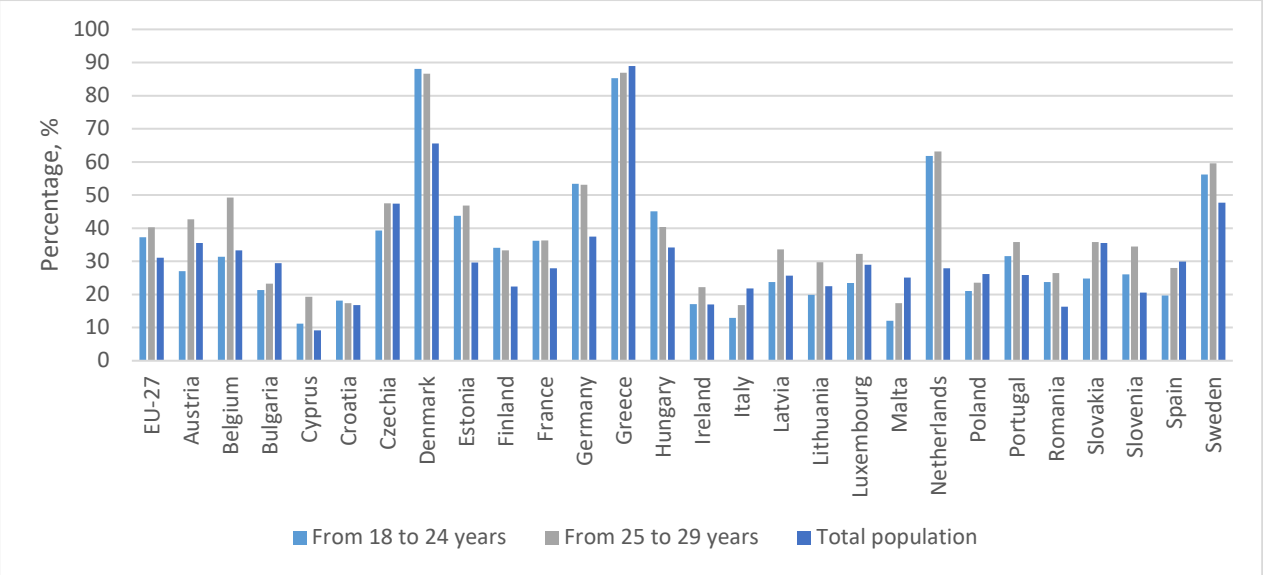
Housing cost overburden

Young Europeans who do achieve independent living face disproportionate housing cost strains. Calculations based on EU-SILC microdata by Dubois et al. (2025) showed that in 2023, approximately 23% of 18–29-year-olds spent more than 40% of their disposable income on housing, compared to 12% of those aged 30–39[41]. Northern European countries present a striking pattern: young people leave home earliest but face the steepest housing costs relative to their national averages. For instance, in Denmark, the youth housing cost overburden rate reaches 28.9% (14.3 p.p. above its general population rate), while the Netherlands shows a similar gap (15.3% for youth, versus 6.9% overall). In these contexts, cultural norms encouraging early independence collide with tight rental markets. However, in Greece, where young people leave home later than almost any other EU nationality, young people still experience the highest housing cost overburden rate in Europe, with it affecting 30.3% of young people (Eurostat, 2025a). Moreover, on average in the EU-27, in 2023, 14.8% of youth aged 16–29 had experienced rent or mortgage payment difficulties in the previous year—more than double the rate among those aged 65 and over (6.7%). For youth at risk of poverty, the disparity in the EU-27 is even greater: 22.1% reported renting difficulties compared to 12.9% for older persons (Eurostat, 2025a).

Overall, the data confirm that in 2024, low-income young adults were facing even higher housing cost pressures in the EU, with 37.3% of those aged 18-24, and 40.3% of those aged 25-29 years old being affected (see Figure 16). The burden is particularly acute for 25–29-year-olds, who in many countries report the highest overburden levels of all age groups. These extreme affordability challenges reinforce broader patterns of material deprivation and risks of homelessness among economically vulnerable youth. Greece stands out as one of the most affected MS, with over 86.9% of low-income youth aged 25–29 and around 85.3% of those aged 18–24 spending more than 40% of their disposable income on housing. In high-cost rental markets such as in Denmark, Germany, the Netherlands, and Sweden, over 50% of low-income youth also face very high overburden rates. These patterns illustrate the vulnerability of low-income young adults in largely market-driven systems where affordable housing supply is insufficient.

[41] The in-depth conducted by Dubois et al. on Housing affordability problems across socio-demographic groups is available at: https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/776018/CASP_IDA(2025)776018_EN.pdf.

Figure 16: Housing cost overburden in MS across different age groups at-risk-of poverty in 2024 (% of population)



Source: Eurostat, ilc_lvho07a. Available at: https://doi.org/10.2908/ILC_LVHO07A.

Overcrowding rate among youth

Given the affordability pressures, and the large number of young Europeans that are renting, youth experience significantly worse housing conditions than older age groups. The overcrowding rate among youth reached 26.5% for those aged 15–29 in 2024, compared to 16.9% for the total population, with this gap having widened slightly since 2023 (Eurostat, 2025a). Regional disparities are extreme: Romania's youth overcrowding rate stands at 58.3%, followed by Latvia and Bulgaria at over 50%. Notably, even in countries with low absolute overcrowding rates, young people are significantly more likely than the general population to live in overcrowded conditions. In Denmark, 21.6% of young people aged 15–29 live in overcrowded households compared to just 9.2% of the general population, making youth 2.3 times more likely to experience overcrowding. Similarly, in the Netherlands (7.5% versus 3.4%) and Finland (15.6% versus 7.4%), the youth overcrowding rate is more than double the national average (Eurostat, 2025a).

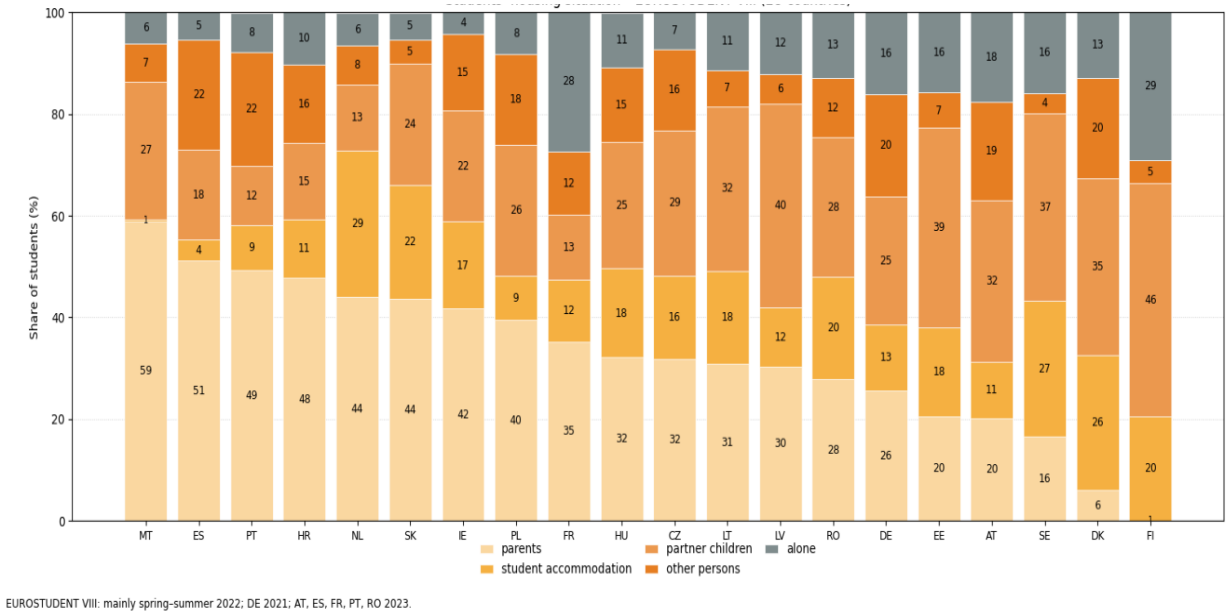
Students housing crisis

A subgroup within the youth age group that faces specific challenges are students. The housing experts interviewed, when asked about specific vulnerabilities of different age groups, emphasised that student housing shortages constitute a distinct element of the youth housing crisis with far-reaching consequences. Experts from Eurocities and the Czech Construction Association noted that students often struggle to find accommodation near their universities and (higher education) schools, with some effectively being "shut out" of certain institutions as there are insufficient solutions or options. This dynamic reinforces class inequalities as it limits higher education access to those who can afford local housing costs.

Quantitative evidence confirms the severity of these shortages. The purpose-built student accommodation (PBSA) shortage exceeds 3 million beds across Europe, with projections indicating this will reach 3.2 million by 2029 (Kences et al., 2023). Addressing unmet demand would require an estimated EUR 450 billion in investment, yet the current development pipeline will meet only 10% of the need. The shortage concentrates in major university cities: Paris requires an estimated 195,000 additional student beds, Warsaw 107,000, and Berlin over 150,000. In the Netherlands, waiting lists for student housing exceed the duration of a bachelor's degree, with Amsterdam, Delft, and Leiden reporting waiting times approaching five years (Kences et al., 2023).

The Eurostudent data shows that in 2022, the share of students living in student accommodation reached 20% in only six EU countries, namely in the Netherlands (29%), Sweden (27%), Denmark (26%), Slovakia (22%), Romania (20%), and Finland (20%) (see Figure 17). Other students were living either with their parents, partners and children, other persons, or alone. These living arrangements are not problematic in themselves and can reflect personal preferences, cultural norms, or financial choices. However, in contexts where students would prefer to live independently or in student housing but cannot do so due to high rents, insufficient supply of student accommodation, or barriers to accessing the private rental market, such patterns signal underlying challenges of housing affordability and accessibility for the student population.

Figure 17: Housing situation of students across the EU, 2022



Source: EUROSTUDENT VIII database, E8_Ttopic_E_.

In recent years, PBSA rents increased 6.5% in 2023 and 5.4% in 2024—more than double the inflation rate (Bonard, 2024). In Germany, the student housing allowance maximum of EUR 380 per month falls short of average rents in 36 of 38 university cities (MLP & German Economic Institute, 2024). An interviewee from the Austria Construction Institute observed that even small dormitory rooms remain unaffordable in many countries, with EUR 400 per month being "a lot for students to pay".

According to research from the European Students' Union (ESU)/the European Student Network (ESN) and EUROSTUDENT data, students who rent accommodation on the private market in the EU often

allocate a large share of their monthly budget—frequently around 40–50%—to housing, highlighting widespread affordability pressures (ESU & ESN, 2023; Hauschildt, 2024). While publicly available summaries do not break this data down by country, the overall pattern of high cost burdens for student renters is consistent across many MS.

Due to the high housing costs and the limited access or supply, many students struggle to secure accommodation before arriving at universities. For example, 28% of students in Italy found housing only after arrival, compared to just 8% in Poland (ESU, 2023). Scams targeting housing-seeking students are a widespread problem, highlighting the vulnerability of young people searching for accommodation abroad. This is particularly the case for international students who face additional administrative hurdles, the preferences of lessors for local tenants, and elevated fraud risk (ICOS, 2024; Threshold, 2024). Limited institutional support compounds these challenges: almost one-third of students received no housing assistance from their universities, and satisfaction with available support remains low (ESU, 2023).

Research indicates that the student housing shortage results partly from decreased government investment in student housing construction, which has generated a growing interest from private investors in recent years (Franz & Gruber, 2022; Housing Europe, 2018). As private for-profit developers have entered the market, the focus has shifted towards luxury student accommodations, driving up rents and reducing affordability. This shift, combined with broader financialisation of the housing sector, has exacerbated shortages and made it more difficult for students with limited financial means to access adequate housing.

Some countries are responding with increased investment:

- In Portugal, for example, the government is expanding capacity, with more than 40 new student residences under construction and plans for over 26,000 additional beds (República Portuguesa, 2023).
- France provides approximately 245,000 social student housing places—covering only 8.2% of demand in 2023 (Cour des comptes, 2025; Ministère de l'Enseignement supérieur et de la Recherche, 2023). In 2018, the "Plan 60 000 logements étudiants" was launched to create 60,000 additional student beds over five years, complementing the 40,000 dwellings already built (Campus France, 2018). Following its mixed results, the government's 2023 roadmap now targets the creation of 35,000 new affordable student housing units and the renovation of 12,000 existing places by 2027 (French Government, 2025; Cour des comptes, 2025).
- In Germany, residence-hall capacity stood at approximately 239,700 places in 2021, and the share of students housed in such facilities fell from nearly 12% in 2007 to under 10% in 2021. To reverse this trend, the federal government launched the EUR 500 million "Junges Wohnen" programme in 2023 to support the construction and modernisation of student and trainee accommodation (Deutsches Studentenwerk, 2021; Bundesministerium für Wohnen, 2023).

Youth homelessness

Across the EU, there are still no harmonised EU-wide statistics on youth homelessness, but available evidence shows that young people form a substantial – and in some countries growing – share of the homeless population. FEANTSA's *European Framework for Defining Youth Homelessness* stresses that youth homelessness is a distinct phenomenon, with different pathways, needs and supports than adult homelessness. It highlights particularly high risks for young people leaving state care, those in precarious work, and those facing discrimination (FEANTSA, 2020). In 2023, the study on homelessness for the EP's Committee on Petitions reports that in some MS, such as Denmark in 2017, more than one third of people experiencing homelessness were aged 18–29, with similarly high shares in Italy. The study notes evidence of increasing youth homelessness linked to exclusion from housing markets, histories of state care, LGBTQ+ identification, racial discrimination, mental ill-health, substance use and family conflict (O'Sullivan, 2023). The elevated housing stress which young people experience even before homelessness indicate that youth homelessness sits at the sharp end of broader affordability and exclusion pressures facing young people in Europe. In 2023, 14.8% of people aged 16–29 reported difficulties paying rent in the previous year, rising to 22.1% among those at risk of poverty or social exclusion, while in 2024 the highest risk of poverty or social exclusion in the EU was recorded for 18–24-year-olds (26.2%) (FEANTSA, 2025). As such, dedicated, youth-oriented responses are needed alongside general homelessness policies.

LGBTQI+ youth face particularly high risks of homelessness (FEANTSA, 2021; 2023). Family rejection is the leading cause of homelessness among youth. Many LGBTQI+ young individuals avoid mainstream shelters due to fear of homophobia, transphobia, or violence, which drives them into hidden homelessness, such as sofa-surfing or unsafe informal stays (FEANTSA, 2021). The COVID-19 pandemic further intensified risks, as young people were often trapped in unsupportive or hostile family homes while safe community spaces and services closed (FEANTSA, 2023a). Evidence also shows that mainstream homelessness services often lack training or inclusive policies, leaving LGBTQI+ youth underserved and invisible in statistics[42]. Promising initiatives do exist - such as the already mentioned Housing First in Finland (refer for more information to Annex I. Case studies), specific training on LGBTQI+ in Ireland, safe-space pilots in Denmark, or local government-backed hostels in Poland.

- **Middle-aged adults: squeezed by rising costs**

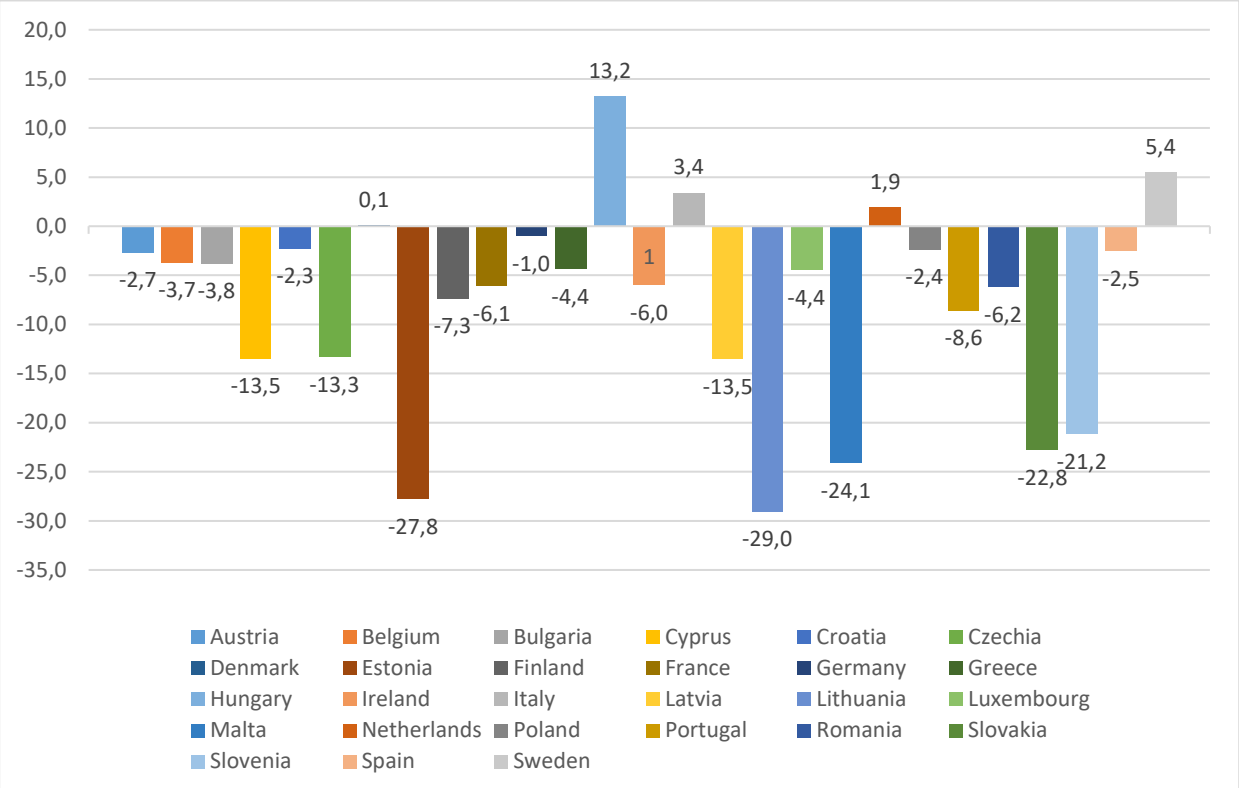
Middle-aged adults in Europe face a distinct constellation of housing challenges that, while less visible in policy discourse than those affecting youth or the elderly, carry profound implications for economic efficiency, social cohesion, and intergenerational solidarity. Often termed the 'squeezed generation' or 'sandwich generation,' adults aged approximately 35 to 54 are increasingly caught between the financial demands of supporting ageing parents and their (young adult) children while simultaneously managing their own housing costs amid stagnant real wage growth and shifting housing market conditions (Silverstein et al., 2022; Friedman et al., 2017). Unlike previous generations who benefited from more favourable market conditions, many middle-aged Europeans today confront rising mortgage burdens,

[42] See Fraser, B., Pierse, N., Chisholm, E. and Cook, H. (2019), L*GBTIQ+ Homelessness: A Review of the Literature, International Journal of Environmental Research and Public Health*, 16(15), 2677. Available at: https://doi.org/10.3390/ijerph16152677.

escalating property taxes and maintenance costs, and, for those who did not achieve homeownership, declining prospects of ever doing so (OECD, 2024b).

Across the OECD, the share of people aged 30-49 living in owned dwellings has fallen markedly over the past 15 years. On average in the EU, outright homeownership among this cohort declined from just under 75% in 2010 to approximately 68% in 2024—a drop representing a fundamental shift in housing tenure patterns for what was traditionally the highest homeownership age group (OECD, 2024b). This decline has been particularly pronounced in certain MS (see Figure 18). Cyprus, Czechia, Estonia, Malta, Lithuania, Slovakia and Slovenia all experienced reductions exceeding 10 p.p. over this period. In practical terms, millions of middle-aged Europeans who would have been homeowners under previous market conditions now find themselves in the rental sector, often competing with younger cohorts for an insufficient supply of affordable housing.

Figure 18: Change in housing ownership (outright) from 2010-2024 within the 30–49-year age group (%)



Source: OECD, Affordable housing database: Housing tenure. Available at: https://www.oecd.org/en/data/datasets/oecd-affordable-housing-database.html.

Among middle-aged homeowners who achieved homeownership during periods of rapidly escalating prices, mortgage burden rates have increased substantially. The European Central Bank's (ECB) interest rate hiking cycle, which began in mid-2022 to combat inflation, has had differential impacts across household types. Average mortgage interest rates across Europe approximately quadrupled from their historic lows in 2021, returning to levels comparable to the pre-2008 financial crisis (European Mortgage Federation, 2024).

For middle-aged adults who did not achieve homeownership, the situation is often more precarious than for their homeowning counterparts. Private rental costs have increased substantially across major European cities, outpacing wage growth and pushing many into housing cost overburden who were not previously overburdened. Eurostat data reveal that people aged 30 to 54 at risk of poverty or social exclusion report the highest renting difficulties compared to other age groups, with 27.7% experiencing problems in 2023, more serious even than the 22.1% reported by those aged 16–29 (Eurostat, 2025a). This pattern persists even among those not at risk of poverty: renting difficulties decline with age but peak among young adults and remain elevated through middle age.

- **Older persons: ageing in place and specialised needs**

The housing needs of older persons centre on adequacy, accessibility, and energy poverty. Notably, many seniors in Europe are homeowners and thus less exposed to rent inflation – about 44% of Europeans live in homes they own outright (mortgage-free), a group that skews older (Eurostat, 2024b). In countries like Romania, Croatia, or Italy, the vast majority of older people own their dwellings, often resulting from life-cycle accumulation or inheritance[43]. This means that relatively few European retirees face heavy mortgage costs. Moreover, older people report fewer instances of housing cost overburden on average – partly because those still renting or paying loans into old age are a smaller, self-selecting group. Housing satisfaction is generally high among seniors (over 90% of non-poor seniors are satisfied with their housing) (Eurostat, 2024a).

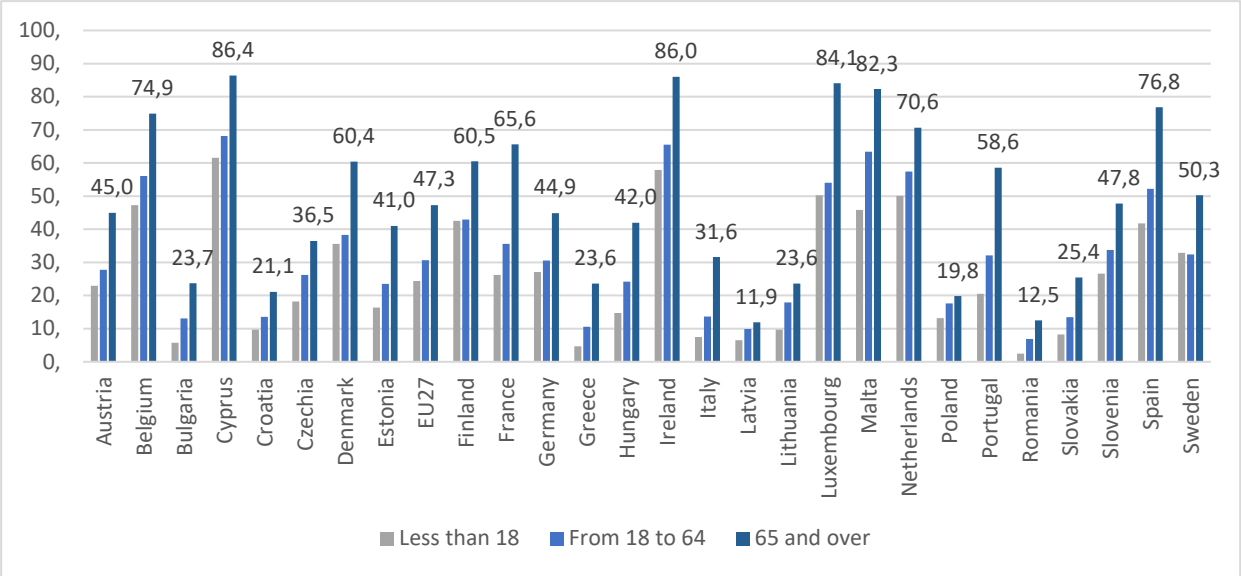
However, challenges remain. Rising housing costs are a major driver of income poverty among older persons (Lozano Alcántara & Vogel, 2023; Dubois et al., 2025). A sizable number of older Europeans live on very low incomes, even if their homes are paid off. In countries with many outright homeowners, about one-quarter of those owners are still at risk of poverty despite not having housing loans (Lozano Alcántara & Vogel, 2023; Eurofound, 2023). For example, in Spain, Germany, Italy, and Cyprus, many older homeowners struggle to afford maintenance, utilities, and taxes on their properties (Lozano Alcántara & Vogel, 2023; Dubois et al., 2025). Single-person households and older people with a migration background are particularly vulnerable, with poverty rates increasing sharply once housing costs are factored in (Lozano Alcántara & Vogel, 2023). These dynamics mean that affordability problems for older people are not limited to rent or mortgage burdens but extend to energy poverty, poor housing quality, and the inability to finance necessary renovations. Energy poverty is therefore still a serious concern among older people (Brown et al., 2020; Dubois et al., 2025). The inability to keep homes adequately warm is most prevalent among low-income older households in Eastern and Southern Europe (Eurostat, 2024a; Eurofound, 2023).

The housing experts interviewed highlighted that many older people, particularly those living alone, choose to remain in homes that are now too large rather than relocating, due to sentimental attachment and a reluctance to leave familiar surroundings. This is demonstrated by Eurostat data, which shows that, in 2024, 47.3% of people aged 65+ in the EU-27 lived in under-occupied homes, compared with about 30.7% among working-age adults (see Figure 19). In some countries, the rate is much higher -

[43] See Eurostat (2024), *Living conditions in Europe - housing and renting difficulties*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_housing_and_renting_difficulties.

Cyprus had 86.4% of older persons living in under-occupied dwellings, and Ireland 86%, Luxembourg 84.1% and Malta 82.3%[44] (see Figure 19). The expert on EU housing and social policy explained that this trend reflects a strong desire for autonomy and the wider trend of promoting "ageing in place", especially as residential care options decline. As a result, many older people—often older women—continue living alone in ageing properties. Another (Swedish) expert noted that even when willing to downsize, it is common for older persons to face financial barriers due to the high transaction costs and difficult administrative processes. For example, in Sweden, there is a 22% capital gains tax on the sale of real estate, a high transaction cost that discourages some to sell and relocate (PwC, 2025). Other expenses may include fees for real estate agents, moving costs, and home modifications in the new property.

Figure 19: Share of people (%) living in under-occupied dwellings by age, 2024



Source: Eurostat, ilc_lvho50a. Available at: https://doi.org/10.2908/ILC_LVHO50A.

As populations age, the demand for accessible or adapted housing (e.g. homes with grab bars, step-free entrances, and barrier-free layouts) increases (Slaug et al., 2020). To meet this need, new housing developments must prioritise accessibility for older people and those with disabilities (Akgüç & Arabadjieva, 2024). Enabling older adults to age in place, that is, to remain in their homes and communities rather than move into institutional care, will require large-scale retrofitting of existing homes alongside improved home-support services. The interviewed expert on EU housing and social policy underlined the importance of designing and implementing renovation programmes beyond energy efficiency to "facilitate ageing at home", warning that inadequate housing can lead to costly health issues, such as falls or illnesses linked to mould.

[44] Eurostat (2024), *Share of people living in under-occupied dwellings by age,* ilc_lvho50a. Available at: https://doi.org/10.2908/ILC_LVHO50A.

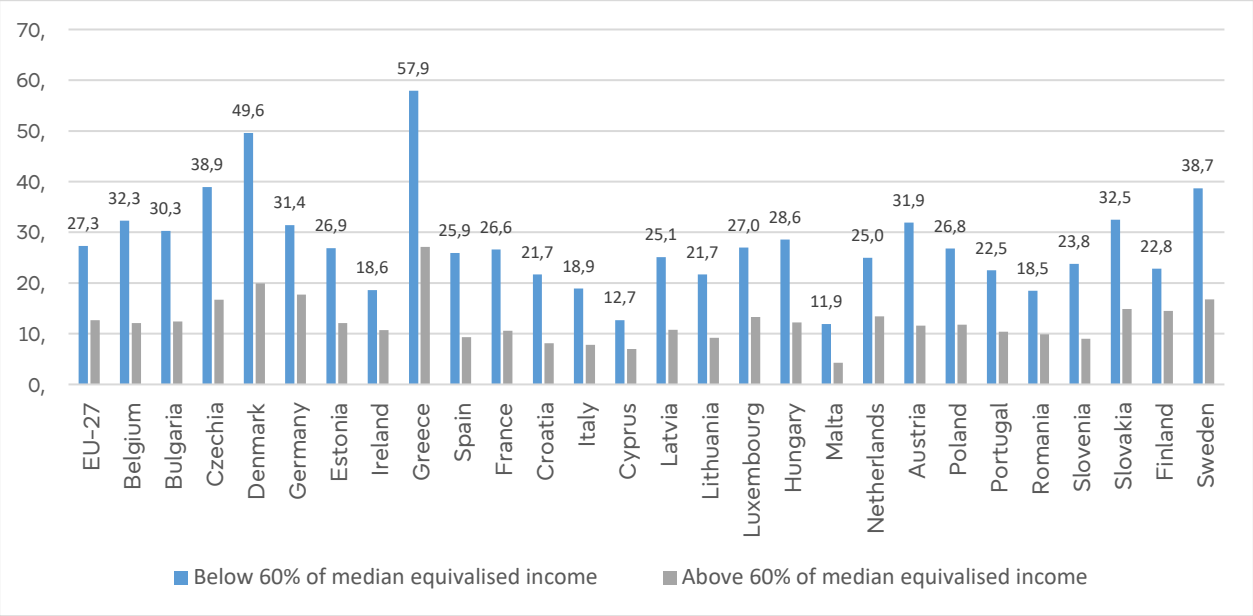
c. Challenges across income groups

Income level is a primary determinant of housing inequality and housing-related challenges across the EU. Research shows that housing insecurity and unaffordability are closely tied to poverty and social exclusion, making them key aspects of socio-economic inequality (Hick, 2024; Famous et al., 2025). As such, different unmet needs for decent, sustainable, and affordable housing can be observed across income groups.

- **Low-income households**

Low-income households (typically defined as those below 60% of median equivalised income) have limited purchasing power in housing markets and are therefore more vulnerable to housing cost overburden, which reflects an unmet need for affordability. In 2024, 27.2% of low-income households experienced housing cost overburden in the EU, compared to the EU overall average of 12.7%. Around half of low-income households are overburdened in Greece (57.9%) and Denmark (49.6%), while in Austria, Belgium, Czechia, Germany, Slovakia and Sweden, housing cost overburden affects at least 30% of low-income households[45] (see Figure 20). The lowest income quintile in the EU faces cost overburden rates that are on average 3.7 times higher than those of the second quintile, and almost 40 times higher than those of the top quintile[46].

Figure 20: Housing cost overburden rate by income group, 2024 (% of population)



Source: Eurostat, ilc_lvho08a.

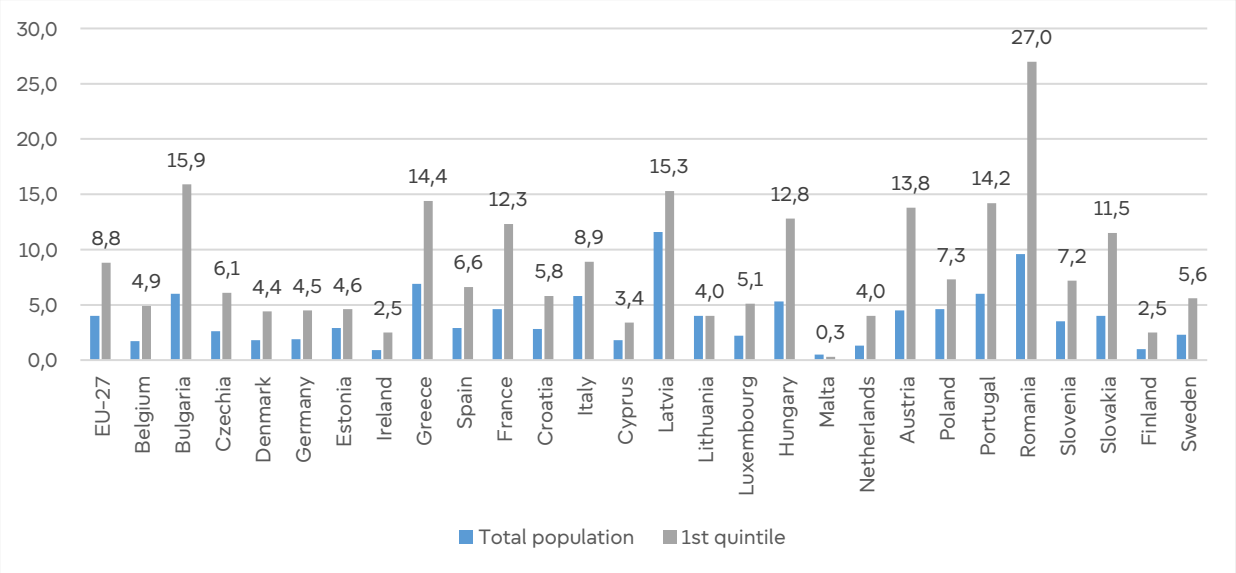
Low-income households also more often face unmet needs for decent housing due to their limited purchasing power and subsequent agency in the housing market, this is reflected in their disproportionately higher experiences of severe housing deprivation (e.g. leaky roofs, inadequate heat,

[45] Eurostat (2024), Median of the housing cost burden distribution by age, sex and poverty status, ilc_lvho08a. Available at: https://doi.org/10.2908/ILC_LVHO08A.

[46] Eurostat (2024), Housing cost overburden rate by income quintile, ilc_lvho07b, Available at: https://doi.org/10.2908/ILC_LVHO07B.

etc.). The issue is particularly concentrated in the bottom income quintiles in Central, Eastern and Southern MS, such as Romania, Bulgaria, Latvia, Greece, Portugal and Hungary, but also Austria (see Figure 21)[47].

Figure 21: Severe housing deprivation by income quintile, 2023 (% of population)



Source: Eurostat, ilc_lvho07b. Available at: https://doi.org/10.2908/ILC_LVHO07B.

The ongoing cost-of-living crisis has exacerbated the challenges related to affordable decent housing. As energy prices spiked in 2022, 28% of persons in the EU anticipated difficulty paying their utility bills, with this increased to 36% among social housing tenants and mortgage-free low-income owners (Eurofound, 2023; Institute for European Energy and Climate Policy, 2025). In the EU, 19.7% of low-income households were not able to keep their homes adequately warm, as compared to 9.2% of total population in 2024[48].

Furthermore, part of a decent and sustainable home is also a secure home.However, housing insecurity is rampant in the lower-income rental sector. In a Eurofound (2023) survey, nearly 46% of tenants in the private rental market reported feeling at risk of eviction (i.e. having to leave their home within months due to unaffordability). This precariousness reflects how little buffer low-income renters have against income loss or rent hikes. When housing costs consume an excessive share of household income, even minor financial shocks can push vulnerable households into arrears or eviction, and even lead to homelessness (Hick et al., 2024; FEANTSA, 2024). EU-SILC data shows that the largest share of persons who have experienced homelessness or housing instability in their life cite financial reasons (e.g. loss of employment and low income) as the main cause for their homelessness[49]. This reflects the precarity of a stable home when in situations of low income or sudden income loss.

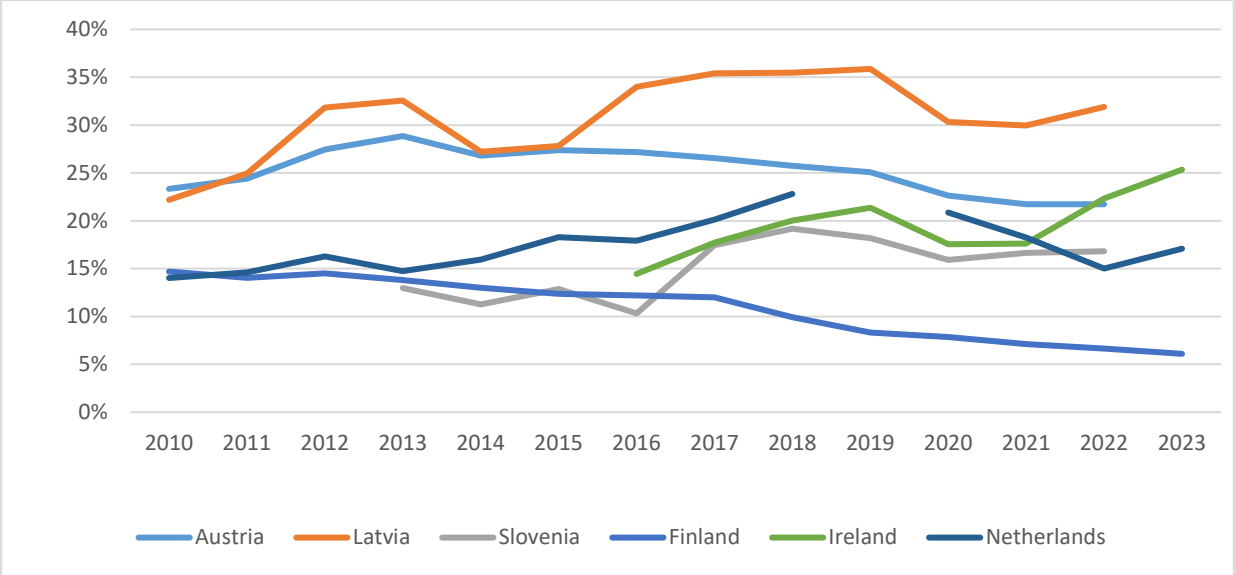
[47] Eurostat (2023), Housing cost overburden rate by income quintile, ilc_lvho07b. Available at: https://doi.org/10.2908/ILC_LVHO07B.

[48] Eurostat (2024), Inability to keep home adequately warm, ilc_mdes01. Available at: https://doi.org/10.2908/ILC_MDES01.

[49] Ibid.

While comprehensive EU-wide homelessness figures are hard to obtain due to varying definitions and inconsistent data collection methodologies[50], there is broad evidence that homelessness has increased in various MS (e.g. Latvia, Slovenia, Ireland) over the last decade (see Figure 22) (FEANTSA, 2024; OECD, 2025a). However, while homelessness is growing among some MS, Finland, Austria and Denmark stand out with low and decreasing homelessness rates (see Figure 22). This is mostly due to stronger welfare systems, preventive eviction policies, and targeted support (for more information on these systems in Vienna and Helsinki please refer to Annex I. Case studies).

Figure 22: People experiencing homelessness as a % of the total population, 2010-2023, selected MS



Source: OECD, Affordable Housing Database. Available at: https://www.oecd.org/content/oecd/en/data/datasets/oecd-affordable-housing-database.html.

* Denmark's data is fragmented and can therefore not be visualised; homelessness rate in Denmark increased from 10 to 12% in 2011-2017 and decreased back to 10% in 2022.

** For the Netherlands, a data break exists for 2019.

Research shows that hidden homelessness (i.e. those who are not accounted for in statistics) also exists across MS (FEANTSA & The Abbe Pierre Foundation, 2024; Batista, 2017). FEANTSA & Fondation Abbé Pierre (2024) report that women's homelessness is systematically undercounted because many stay in informal or unsafe arrangements to avoid sleeping on the street or because they lack access to gender-sensitive shelters. The report notes that women escaping domestic violence may cycle between temporary stays, short-term informal hosting, and unsafe accommodation—none of which appear in homelessness statistics. Batista (2017) reveals that undocumented migrants frequently live in overcrowded informal housing, makeshift dwellings, or temporary accommodation provided by acquaintances, which keeps them out of official counts. In Portugal, for example, irregular migrants

[50] This difficulty in obtaining reliable data stems from the lack of harmonised measurement tools across MS, with some countries failing to enumerate those living in non-conventional dwellings or staying with other households (OECD, 2025a).

working in agriculture or domestic work often sleep in "informal collective housing" or rotate between short-term stays arranged through social networks. Similarly, FEANTSA & Abbé Pierre Foundation (2024) highlight that across southern Europe, undocumented workers live in garages, storage rooms, abandoned buildings, or employer-provided makeshift shelters—conditions that constitute homelessness but are rarely captured by national monitoring systems.

- **Middle-income households**

Over the past two decades, the housing affordability gap has widened, affecting more people across income-groups. Housing development in many places has failed to keep pace with the demand driven by population growth and urbanisation (CBRE, 2024; Stavreva-Pancheva, 2024). With house prices and rents climbing faster than wages over the past decade, even average earners in high-cost cities find it difficult to buy a home or rent a family-sized apartment (Kuiper & Carbonell, 2024). For instance, based on pre-COVID-19 pandemic (i.e. 2018–2020) Eurostat/OECD data modelling, 57% of middle-income households could not afford market rents at the 30% affordability threshold (UNECE & UN-Habitat, 2021). More recent market evidence shows that pressures have intensified, with CBRE (2024) reporting continued rent increases across major EU cities. Meanwhile, inequalities widen within the middle-income group among prospective buyers as affording to buy a home now increasingly depends on one's external access to wealth (e.g. through parents and grandparents) (read more on this in Chapter 4.1.1).

Interviewed housing experts emphasise that the challenges facing middle-income groups have largely been overlooked by housing policies in EU countries. Recent changes signal the need for a structural shift – while housing systems have traditionally prioritised low-income households through social housing and subsidies, today's affordability crisis increasingly affects middle-income earners as well. Interviewees suggest that social housing eligibility criteria and State aid rules should evolve to include middle-income families, not just low-income households, as they now also face increasing affordability challenges (discussed further in Chapter 7.5 on State aid rules).

One good-practice example of how the needs of the middle-income group are being addressed in housing policy is the *Housing for All* strategy developed in Dublin. Instead of relying on one programme, the city has developed a combination of approaches, showing how different instruments can work together to ease pressure for both low- and middle-income households. Alongside the expansion of new social housing and tenant-in-situ schemes for those at immediate risk, the city and national government introduced cost-rental housing, a new tenure where rents are based on construction and management costs instead of market levels (Byrne, O'Callaghan, Sheridan & Sweeney, 2024). These homes are typically priced 20–30% below prevailing market rents, creating secure and affordable options for households that earn too much to qualify for social housing but struggle to pay market prices (for more insights on Dublin's *Housing for All* strategy, refer to Annex I. Case studies).

d. Challenges for ethnic and racial minorities

Ethnic and racial minorities across Europe face systematic barriers in accessing decent and affordable housing. Despite legal frameworks designed to prevent discrimination, tenants of an ethnic or racial minority often face prejudice based on skin colour or their perceived origin, which hinders their ability to secure housing (Hanhörster & Ramos Lobato, 2021; Skubiejute, 2025). Housing allocation decisions

are frequently influenced by subjective (prejudiced) factors rather than objective criteria like income or family size, a practice referred to as taste-based discrimination (Baranzini, 2008; Hanhörster & Ramos Lobato, 2021; Ghekiere et al., 2022; Skubiejute, 2025). Evidence from Spain, for example, shows that seven out of ten real estate agencies refuse to rent or sell to people based on their origins, despite them meeting all requirements, with similar patterns reported across other MS (Provivienda, 2020; Carrera, 2025).

Ethno-racial discrimination in the EU's rental market is well-documented and persistent (Dickinson, 2023; Martiniello & Verhaeghe, 2023; Verhaeghe & Coninck, 2021). Studies conducted in Belgium, Italy, Sweden, Spain, France, and Germany all demonstrate that candidates with non-European names face higher levels of discrimination when applying for housing. Martiniello and Verhaeghe (2023) found that applicants with Arab/Muslim names experience the highest rates of discrimination. Further empirical evidence from Ireland illustrates how local applicants were much more likely to be invited to view an apartment than Polish and Nigerian applicants, with Nigerians ranking last (Gusciute et al., 2020). Gender further intersects with experiences of ethno-racial discrimination, as seen in Brussels where North African men face particularly acute barriers when seeking rentals (Gusciute et al., 2020; Abel et al., 2024). Overall, people of an ethno-racial minority are particularly vulnerable to housing exclusion as they are disproportionally excluded from viewings by property owners and agents compared with majority-group applicants, and the findings also reveal how the impacts of discrimination vary between ethno-racial groups.

Furthermore, ethno-racial minority groups face particularly severe challenges related to decent ('adequate') housing. Namely, 45% of people of African descent and 40% of Muslims were living in overcrowded housing in 2023, rates more than twice those of the general EU population (European Agency for Fundamental Rights (FRA), 2024a; FRA, 2024b). This can be due to ethnic and racial minority housing candidates being steered into poorer quality housing and less desirable neighbourhoods (Martiniello & Verhaeghe, 2023), but also due to broader socio-economic disadvantages. The interviews conducted with the housing experts also underlined how discrimination compounds the housing difficulties faced by minorities, as they highlighted how Roma people (the biggest ethnic minority group in Europe) often live in extremely deprived housing conditions (Maestri & Mantovan, 2025). According to a FRA survey across 10 countries, 80% of Roma are at risk of poverty (vs the 17% EU average), and this poverty is reflected in their housing situations (FRA, 2022). Over half of Roma live in housing that can be considered poor or substandard, although there has been a slight improvement - down from 61% in 2016 to 52% in 2021[51]. Many Roma settlements lack basic infrastructure as 22% of Roma live in households with no tap water, and 33% have no indoor toilet or shower (FRA, 2022). Roma neighbourhoods are often segregated and frequently consist of informal shacks or overcrowded, deteriorating flats with inadequate utilities. In some cases, entire Roma communities lack connection to electricity or safe drinking water (European Environmental Bureau, 2020; Wierenga, 2025). Overcrowding is very common, as large Roma families frequently live in one or

[51] Ibid.

two-room dwellings (Eurofound, 2023). Forced evictions and lack of secure tenure also affect Roma communities, making their housing situation highly precarious (FRA, 2022).

Ultimately, patterns of housing exclusion, based on ethno-racial discrimination, reinforce broader cycles of exclusion (e.g. in education, employment, etc.) and hamper the realisation of inclusive and socially sustainable communities (Slingenberg & Vols, 2025). Research indicates that ethnic discrimination in housing tends to be lower in poorer and more socially mixed neighbourhoods (Ghekiere et al., 2022). A common policy tool to tackle housing discrimination has therefore been housing diversification (i.e. social mixing), which seeks to integrate different social and ethnic groups within urban areas. For example, to address housing exclusion and segregation, Belgium's Flanders and Brussels regions have been running campaigns to identify discrimination, followed by training programmes for property owners and agencies found to engage in discriminatory practices (European Web Site on Integration (EWSI), 2024). While this has created more socially mixed neighbourhoods, the anticipated social benefits, such as greater interaction and mutual understanding between groups, do not always materialise as envisioned (Bolt, 2009; Hanhörster & Ramos Lobato, 2021; Famous et al., 2025). Similarly, housing allocation policies, including quotas applied in cities such as Rotterdam, aim to prevent the segregation of ethnic minorities in certain neighbourhoods. Yet, these approaches risk restricting access to housing rather than addressing the deeper structural drivers of segregation, such as discrimination and socio-economic inequalities.

Due to persistent barriers in accessing secure and affordable housing, including discriminatory practices in rental markets, ethnic and racial minorities more frequently depend on informal social networks to secure accommodation or mitigate housing-related pressures. While such networks provide a coping mechanism in the absence of access to housing, reliance on them can inadvertently reinforce spatial concentration, limit opportunities for social and economic mobility, and contribute to the continued segregation of minority communities from the wider population (Rosen et al., 2022).

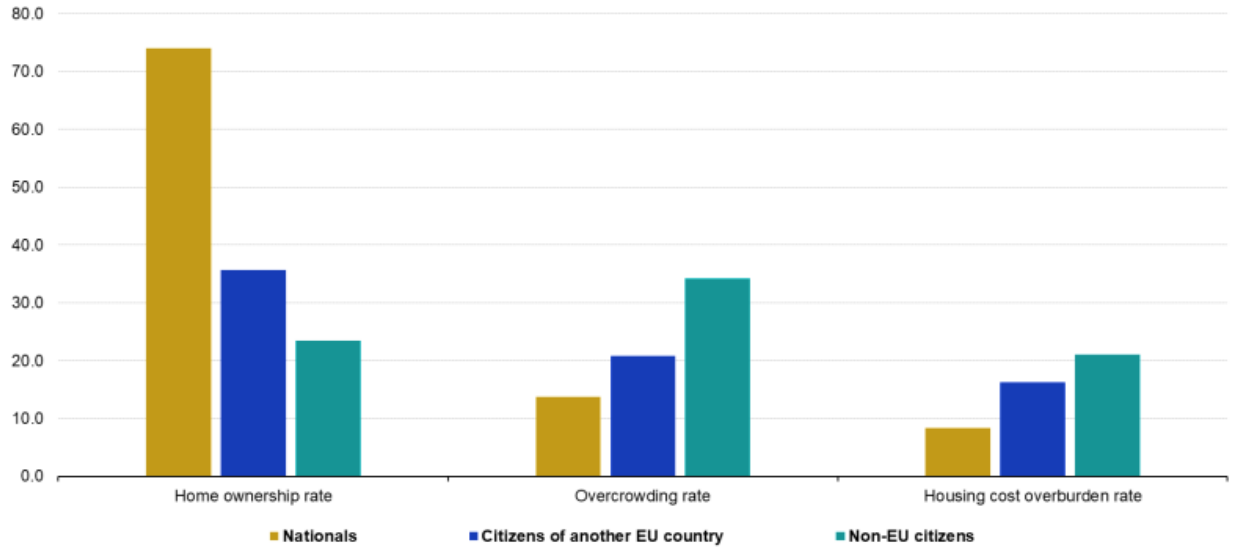
Other measures, such as mobility programmes encouraging families to relocate to less segregated areas, have shown limited success at the city-wide level (OECD, 2018). These policies often fail to address the broader dynamics of discrimination and affordability that underpin segregation (Musterd et al, 2021; van Ham & Tammaru, 2022). As such, future housing policies should not only seek to create more diverse residential patterns but also directly tackle discrimination through binding laws and information campaigns and reduce economic barriers to ensure meaningful integration and equal access to housing.

Overall, people from ethnic and racial minority backgrounds continue to face systemic barriers to adequate and equal housing across the EU. Persistent discrimination in rental and sales markets limits access to decent housing and reinforces segregation, while social mixing and mobility policies have achieved mixed results when not paired with anti-discrimination enforcement and inclusive allocation criteria. To advance equality, housing policies should combine stronger anti-discrimination measures, such as testing and sanctions, with targeted investment in desegregated, affordable housing and support for local awareness initiatives that foster social inclusion. Special attention should also be given to Roma communities, whose living conditions remain particularly poor, by ensuring access to safe, serviced housing and secure tenure as part of broader social inclusion strategies.

e. Challenges for migrants, asylum seekers and refugees

Migrants[52] often endure some of the worst housing outcomes in Europe, even though secure housing is central to integration and access to education, work, and healthcare (Famous et al., 2025). The data shows that migrants are less likely to own homes and are more likely to experience housing cost overburden. Additionally, migrants also experience poorer housing conditions compared to nationals. For instance, about 34.2% of non-EU citizens lived in overcrowded households in 2023, that is over double the rate compared to country nationals (13.7%) (see Figure 23). In some countries, this disparity is extreme – for example, Poland and Italy report overcrowding rates of above 50% for non-EU residents (Eurostat, 2024b).

Figure 23: Main indicators on housing in EU-27, by citizenship, 2023 (% of population)



Source: Eurostat, ilc_lvps15, ilc_lvho15 and ilc_lvho25.

Overall, non-nationals, especially those from outside the EU, have far lower homeownership rates and experience higher housing costs and precarity. In 2023, less than 24% of non-EU citizens in the EU owned their home, compared to 74% of EU nationals – a more than three-fold gap (Eurostat, 2024b). In France, for example, 36% of migrants are owner-occupiers, compared with 63% of non-migrants, and nearly one in four migrants lived in overcrowded dwellings, compared with just 5.1% of people born in France (Ministère de l'Intérieur et des Outre-mer, 2025a; Ministère de l'Intérieur et des Outre-mer, 2025b). In Spain, 56.4% of households composed entirely of foreign nationals are tenants, while 37.4% are homeowners. In contrast, households of Spanish nationals are predominantly owners (80.5%), with only 10.5% renting (Instituto Nacional de Estadística, 2024).

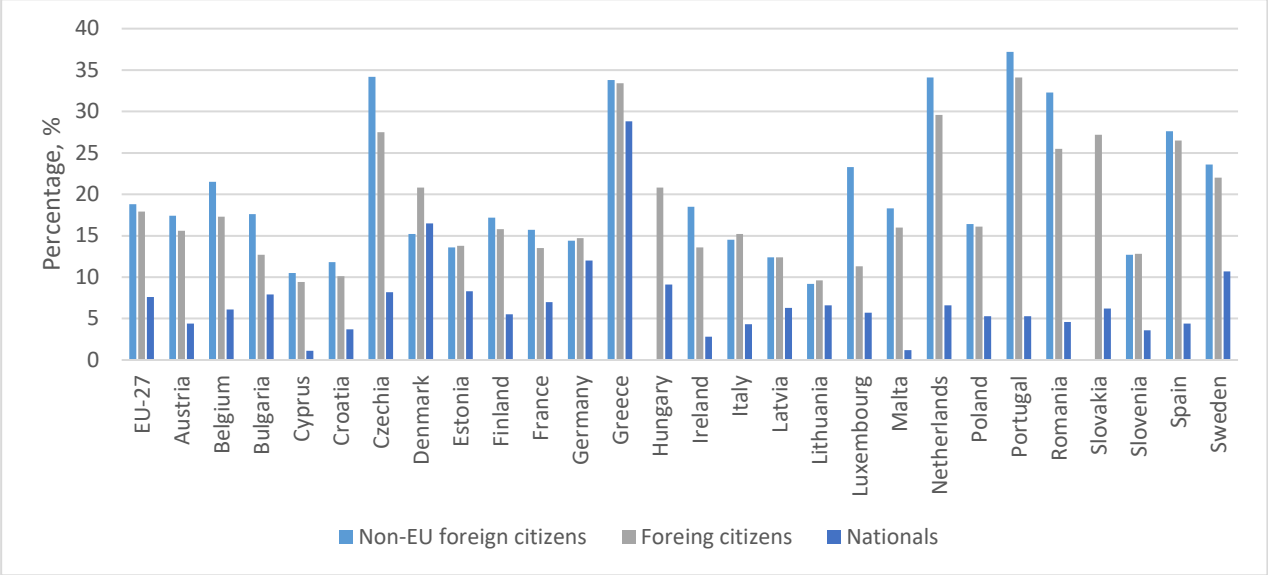
These figures highlight how migrant households are disproportionately confined to the private rental sector. This sector also exposes them to higher rents, overcrowding and discrimination which limit their

[52] The UN Migration Agency defines a migrant as "any person who is moving or has moved across an international border or within State away from his/her habitual place of residence, regardless of the persons's legal status' whether the movement is voluntary or involuntary; what the causes for the movement are; or what the length of the stay is" (UN, n.d.). In this report, the term "migrants" refers to individuals who have migrated across international borders, including those within the EU.

equal opportunities for decent affordable housing. In Germany, foreign nationals pay, on average, 9.5% more rent per square metre for their main residence than German nationals (Federal Statistical Office of Germany, 2025). In Ireland, a large part of non-Irish arrivals before 2022 rent from private lessors, with an average weekly rent of EUR 372 (Residential Tenancies Board, 2023). This was slightly above the national average weekly rent for new private tenancies (EUR 356) and considerably higher than the average rent paid by Irish nationals, whose median weekly rent falls between EUR 250–300 depending on location (Residential Tenancies Board, 2025).

Given the higher housing costs, migrant households face higher housing cost overburdens than nationals, with 18.8% of non-EU citizens spending over 40% of their income on housing, versus roughly 7.6% of nationals[53] (see Figure 24). Migrants in the private rental sector also frequently face discrimination, similar to that experienced by ethnic and racial minorities (as previously discussed) (Birkner & Apostolopoulou, 2025).

Figure 24: Housing cost overburden rate by citizenship across MS (nationals vs foreign) in 2024



Source: Eurostat (EU-SILC), ilc_lvho25. Available at: https://doi.org/10.2908/ILC_LVHO25.

Additionally, migrants may face stricter requirements to enter housing contracts (Birkner & Apostolopoulou, 2025). For example, in Italy, migrants may need to provide additional financial guarantees, while in Spain, rental agreements often include clauses demanding higher deposits (EWSI, 2024).

Access to social housing

Migrants also face challenges when trying to access housing support. Language barriers and complex administrative procedures often complicate the process, further marginalising them from available resources (Dickinson, 2023; EWSI, 2024; Skubiejute, 2025; Birkner & Apostolopoulou, 2025).

[53] Ibid.

The shortage of social housing across many EU countries and the long waiting lists exacerbate this situation, leaving migrants particularly vulnerable to housing instability and overcrowding. Moreover, there is usually a several-year residence or permanent residence requirement to access social housing or cash support as a prerequisite for receiving any housing benefits and support, for example, in Spain, Italy, Austria, Belgium, and Poland. Third-country nationals in countries such as Denmark and Hungary are not eligible for social housing at all (EWSI, 2024).

Specific vulnerable groups

It is important to note that within the migrant population, certain groups, such as migrant workers, refugees, asylum seekers and undocumented migrants, and victims of domestic violence are particularly vulnerable:

Many of the **seasonal and migrant workers** hold vulnerable positions as they arrive from abroad to take up temporary, often low-paid jobs in sectors such as agriculture, factories, or construction (Skubiejute, 2025). Augère-Granier's (2021) analysis of working and living conditions of seasonal workers in the EU shows that they are particularly vulnerable due to their precarious employment status, which limits bargaining power and causes dependence on employers for both work and accommodation. The research presented cases where migrant labourers were housed in overcrowded barracks, makeshift shelters, or informal encampments lacking adequate security, sanitation, ventilation, and/or cooling. Such conditions not only undermine workers' health and dignity but also expose gaps in regulatory oversight. Furthermore, the study by Manting et al. (2024) on EU migrants in the Netherlands, between 2012 and 2019, shows how shared housing is a common form of housing among migrants (essentially) upon arrival. However, due to unaffordability pressures, housing shortages, and unstable labour market positions, shared housing often becomes a longer-term housing solution. While shared housing provides a practical way to manage costs, it is associated with insecurity, overcrowding, and a lack of privacy, leaving many migrants in precarious conditions. The turnover and overcrowding can also undermine neighbourhood cohesion, while prolonged dependence on unstable housing hinders integration and fuels resentment towards free movement.

Migrant working single mothers also hold particularly vulnerable positions. A study by Skubiejute (2025) of single mothers who migrated from Lithuania to the UK, Germany, and Norway shows similar precarities when it comes to shared housing (e.g. overcrowding, insecurity, etc.). As they move to remote areas for agricultural or factory jobs and are housed in shared apartments, their mobility and agency is strongly limited due to a combination of factors such as living in isolated locations, having demanding work, and lacking access to the wider housing market. This results in prolonged separation from the mothers' children, who remain in their home country for years until the mothers manage to secure decent affordable housing to bring them over. This illustrates how housing systems often overlook migrant families. Even European single mothers who, in principle, qualify for housing support in the UK, Norway, and Germany are often unaware of such options due to isolation, language barriers, and limited knowledge of how the system works. This lack of accessible information and outreach leaves many migrants trapped in inadequate housing (Skubiejute, 2025).

Refugees, asylum seekers, and undocumented migrants also face acute housing challenges. Due to a combination of limited housing options, structural shortages of affordable housing, and gaps in governance, they are increasingly forced into substandard and overcrowded living conditions, such as reception centres, slums, camps, or shared flats (Meer et al., 2021; Rana et al., 2025). Large asylum arrivals (e.g. during the 2015 refugee crisis, or the displacement of Ukrainians from Russia's war of aggression) have put pressure on shelter systems[54]. Many refugees spend extended periods in temporary reception centres or shared accommodations that may become overcrowded and inadequate (van Eggermont Arwidson et al., 2024). Even after obtaining international protection (i.e. refugee status), refugees encounter barriers, such as the previously described deposit requirements and discrimination, that push them into inadequate private rentals or result in months/years on social housing waiting lists (Housing Europe, 2018).

Moreover, evidence shows that reception systems often focus on short-term emergency accommodation, and thereby fail to provide pathways to stable long-term housing for these migrant groups (Meer et al., 2021; Dickinson, 2023). For example:

- In Italy, emergency reception predominates over integration-oriented placements. As of 31 December 2024, there were approximately 95,453 places in emergency centres, 37,678 in the national integration system and 3,724 in government centres. Thereby, about 70% of all reception places were short-term rather than geared toward long-term integration (European Council on Refugees and Exiles (ECRE), 2024).
- In Sweden, persons granted protection can remain in Migration Agency housing for two months after municipal assignment. In 2023, the average time to municipal settlement was 62 days, and 1,006 people with residence permits were still living in Agency accommodation at the end of 2023. As municipal housing obligations typically end after two years, many fall back into temporary accommodation, creating a recurring cycle of instability (ECRE, 2025a).
- In Cyprus, reception-centre capacity is around 1,400 places, while more than 25,000 asylum applications were registered in 2023 and over 20,000 in 2024, meaning most applicants must secure housing in the community, often under precarious conditions (ECRE, 2025b).

Given the capacity imbalances (e.g. in Italy, Sweden and Cyprus), local municipalities, in partnership with non-governmental organisations (NGOs) and community organisations, often carry much of the responsibility for settlement[55]. These local initiatives are essential for integration, but when national governments step back, local authorities often lack the resources to guarantee even basic provisions.

During the interviews, several experts also noted that housing for asylum seekers is frequently allocated in concentrated clusters, often in disadvantaged neighbourhoods. Far from supporting integration, this practice deepens social segregation and reduces opportunities for migrants to build long-term connections in wider society (Dickinson, 2023). Interviewees also raised concerns about the quality and suitability of accommodation provided to asylum seekers. A representative from the

[54] Ibid.

[55] Ibid.

German Federation of Housing Companies reported that refugees are sometimes placed in "temporary accommodation, like in big shops", indicating the use of non-residential spaces that offer substandard living conditions and limited privacy. For Ireland, the expert from the Irish Construction Federation highlighted a persistent shortage of "emergency accommodation" for asylum seekers, noting that the government amended planning regulations to allow emergency units to be set up without planning permission, reflecting a focus on rapid provision rather than housing quality. This interviewee then stressed the overall "lack of emergency accommodation available for people", which affects both asylum seekers and other vulnerable groups.

Given the lack of housing resources, after exiting temporary accommodation centres, refugees experience significant housing instability, including homelessness, rough sleeping, and reliance on temporary shelters (Dotsey & Lumley-Sapanski, 2021; Rana et al, 2025). As such, homelessness is a particularly significant issue, also for the vulnerable migrant group more broadly:

- In France, from 2021–2022, 81% of people in generalist emergency accommodation were not French nationals and 77% were from outside the EU (Ministère des Solidarités et de la Santé – Direction de la Recherche, des Études, de l'Évaluation et des Statistiques, 2023).
- In Germany, in 2022, 69% of the 178,100 people in temporary accommodation were non-German nationals, with even higher proportions among families with children (Ahmad, 2024).

People from these vulnerable groups commonly end up in these dire situations as they are usually excluded from mainstream welfare provision schemes, including housing (Benoliel, 2020; Giansanti et al., 2022). Rising welfare nationalism in EU countries over recent years exacerbates the issue (Giansanti et al., 2022).

Homelessness among migrant populations is difficult to analyse as EU-wide harmonised nationality breakdowns on persons in shelters and temporary accommodation remains limited. For instance, in Sweden, municipalities often do not count asylum seekers, undocumented migrants, or other EU citizens as part of the homeless population, ultimately also excluding them from government support measures (Giansanti et al., 2022). Recent reviews, however, confirm that migrants are disproportionately represented in the emergency shelters (OECD, 2024c).

To address homelessness among vulnerable migrants, the already mentioned Housing First initiative in Helsinki is a good practice example. Within the initiative, the *Katto* project ensures that housing support is provided in several languages and professionals are trained on how to work with people from diverse backgrounds. For more insight into this best practice case study, please refer to Annex I on Case studies. Meanwhile, in Germany, community-driven approaches place a strong emphasis on involving refugees and asylum seekers directly in the design and implementation of housing and integration policies. Their participation in local decision-making processes has contributed to more responsive housing solutions, stronger social cohesion, and greater empowerment. Sweden (and Norway) have developed successful long-term accommodation solutions by integrating refugees into social housing networks, with a focus on providing access to social services, such as language classes, job training, and legal support (EWSI, 2024). For migrants, these policies improve not only housing, but also access to healthcare, work, schooling and language classes (Birkner & Apostolopoulou, 2025).

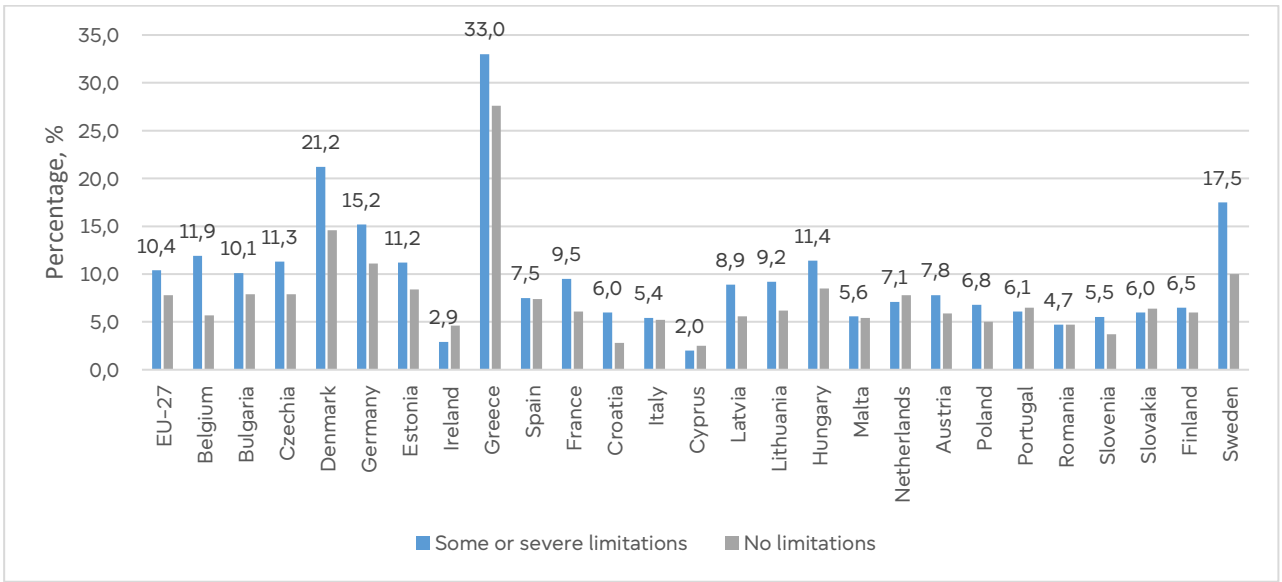
In summary, migrants, asylum seekers and refugees face some of the most severe housing inequalities in Europe. They are overrepresented in overcrowded, substandard and temporary housing, often excluded from social housing schemes and subjected to discriminatory rental practices. Administrative and language barriers further restrict access to support. Addressing these challenges requires a comprehensive, rights-based approach that ensures equal access to affordable housing regardless of legal status, strengthens anti-discrimination enforcement, and expands pathways from temporary accommodation to stable homes (FRA, 2025). Greater investment in integration-oriented housing policies and local partnerships—such as community-based housing models and multilingual support services—can improve both housing outcomes and social inclusion for migrant populations across the EU.

f. Challenges for persons with disabilities

People with disabilities face distinct and acute housing needs in Europe. A fundamental issue concerns the accessibility of housing, as much of the housing stock is not suited for those with physical disabilities, and finding affordable, adequate and suitable housing can be very difficult (Winters & Van den Broeck, 2023; Famous et al., 2025).

The need for affordable housing for persons with disabilities is a major challenge (OECD, 2021c). In 2024, the housing cost overburden rate for people aged 16 years or over with a disability was 10.4% as compared with 7.8% for people with no limitations. The housing cost overburden ranges from 2.0% in Cyprus to 21.2% in Denmark, and 33.0% in Greece[56] (see Figure 25).

Figure 25: Housing cost overburden by disability level for people aged >16 across the EU, 2024 (% of the total population)



Source: Eurostat, hlth_dhc060. Available at: https://doi.org/10.2908/HLTH_DHC060.

[56] Eurostat (2025), *Housing cost overburden rate by level of disability (activity limitation), sex and age [hlth_dhc060]*. Available at: https://doi.org/10.2908/HLTH_DHC060.

Affordability among persons with disabilities is more challenging since this is a vulnerable group that is already more likely to be in poverty (Mussida & Parisi, 2024). In the EU, 28.7% of persons with disabilities are at risk of poverty or social exclusion, a rate about 8 p.p. higher than the general population[57]. Lower employment rates and extra costs related to disability (e.g. for medical care, assistive equipment, etc.) mean that households with disabilities have less income available for housing. As a result, many rely on social housing or disability-specific housing programmes. Yet, mainstream supports such as housing allowances and social housing often fall short, either because they are not accessible or because allowances do not fully cover the higher costs for accessible dwellings (OECD, 2021c). In addition to the limited financial means, finding affordable housing in the first place is also difficult as informational barriers exist. For example, up-to-date registers on accessible housing are rare, making it difficult for people with disabilities to locate suitable units (OECD, 2021c).

When it comes to the quality of housing among persons with disabilities, the needs and unmet needs vary depending on what housing condition is analysed. On a positive note, overcrowding is generally less of an issue for people with a disability in the EU, compared to those without. In 2024, the share of overcrowding among people with a disability (>16 years old) was 11.0%, compared to 16.1% for those without a disability. This pattern was observed in 25 of the EU countries, with the exceptions of Finland and Sweden. However, the overcrowding rate for people with a disability ranges significantly across those countries. In 2024, it ranged from 1.3% in Malta, 1.7% in Cyprus, 2.2% in Ireland and 2.8% in the Netherlands, to 30.1% in Poland and 34.2% in Latvia[58]. Interestingly, among people with a disability aged +65 years, a different pattern emerges as overcrowding was a bigger issue for them (affecting 6.9% of the population) than for people without a disability (5.4%) in 2024[59].

When it comes to experiencing problems associated with housing material deprivation as well as energy poverty, people with a disability are more likely to be impacted. In 2023, 18.9% of people with (vs 13.8% without) a disability in the EU said they had a leaking roof, damp walls, floors or foundation, or rot in the window frames or floor in their home, and 8.3% of people with (vs 6.1% without) a disability stated to be living in a dwelling considered to be too dark. With regards to energy poverty, 13.2% of people with (vs 8.0% without) a disability reported that they were unable to keep their home adequately warm in 2024[60]. These challenges occur as sustainable and accessible housing options remain scarce, and subsidies often fail to reach tenants with a disability (Brown et al., 2020; Bouzarovski et al., 2023).

Eurostat data for 2024 highlight clear disparities in tenure status between people with some or severe activity limitations and those with no limitations in the EU-27. Individuals with activity limitations are more likely to own their home outright (51.1% compared with 46.3%), however, they are less likely to be homeowners with an outstanding mortgage (15.4% versus 23.7%). This potentially reflects lower access to credit, reduced employment stability, and income constraints that make purchasing a home through

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57 See Eurostat (2025), *Persons at risk of poverty or social exclusion by level of disability [hlth_dpe010].* Available at: https://ec.europa.eu/eurostat/databrowser/view/hlth_dpe010/default/table?lang=en.

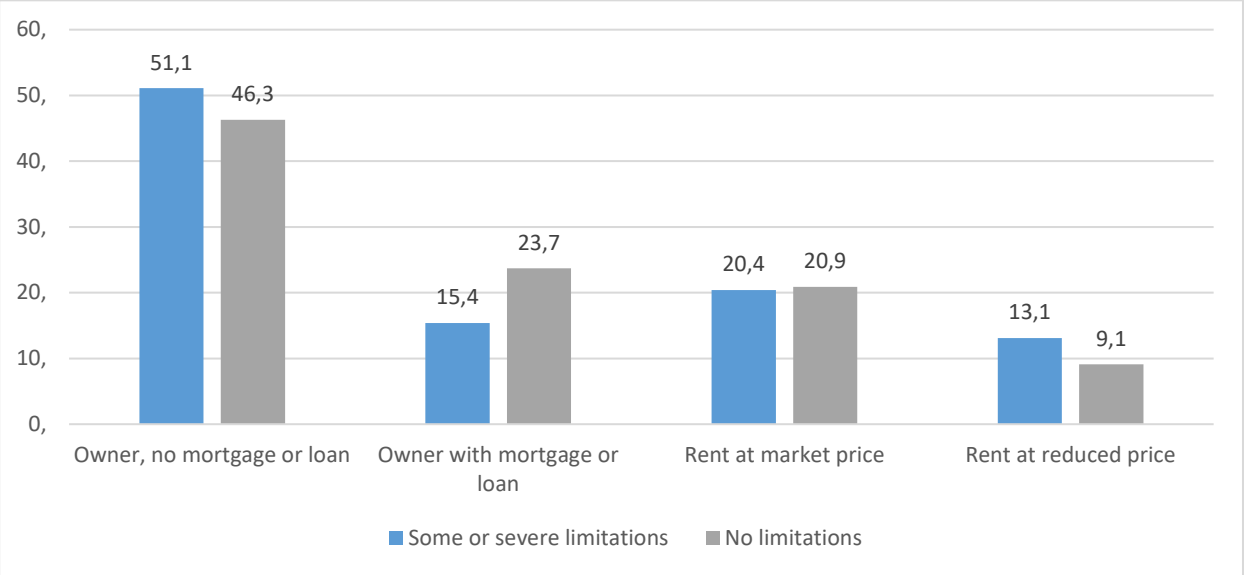
58 Eurostat (2025), Overcrowding rate by level of disability (activity limitation), sex and age, hlth_dh040. Available at: https://doi.org/10.2908/HLTH_DHC040.

59 Ibid.

60 Eurostat (2025), *Disability statistics – housing conditions.* Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Disability_statistics_-_housing_conditions.

borrowing more difficult. In the rental sector, the proportions for those renting at market price with limitations versus without are broadly similar (20.4% and 20.9%, respectively), suggesting that both groups rely on private renting to a comparable extent. Yet, persons with limitations are more likely to live in reduced-price rental housing (13.1% compared with 9.1%), indicating greater reliance on subsidised or social rental options.

Figure 26: Tenure status by level of disability (activity limitation) in EU-27 in 2024 (% of population)



Source: Eurostat, hlth_dhc010. Available at: https://doi.org/10.2908/HLTH_DHC010.

The (unmet) housing needs for persons with disabilities also vary within this group, depending on the type of disability. Overall, only 28.9% of people with disabilities consider their homes to meet their needs (Felix, 2025). For instance, people with respiratory conditions are disproportionately affected by substandard or damp housing. For persons whose mobility is limited, the shortage of barrier-free housing (e.g. older homes with stairs, narrow doorways, or bathrooms that are not equipped for assistance) forces them to live in unsuitable dwellings that limit their mobility or prematurely move into institutions (OECD, 2021c). Ultimately, independent living is limited and cut shorter than needed (Felix, 2025).

Recent MS evidence underscores the scale of the problem of inadequate and inaccessible housing for persons with disabilities as only a certain number of dwellings are accessible[61]:

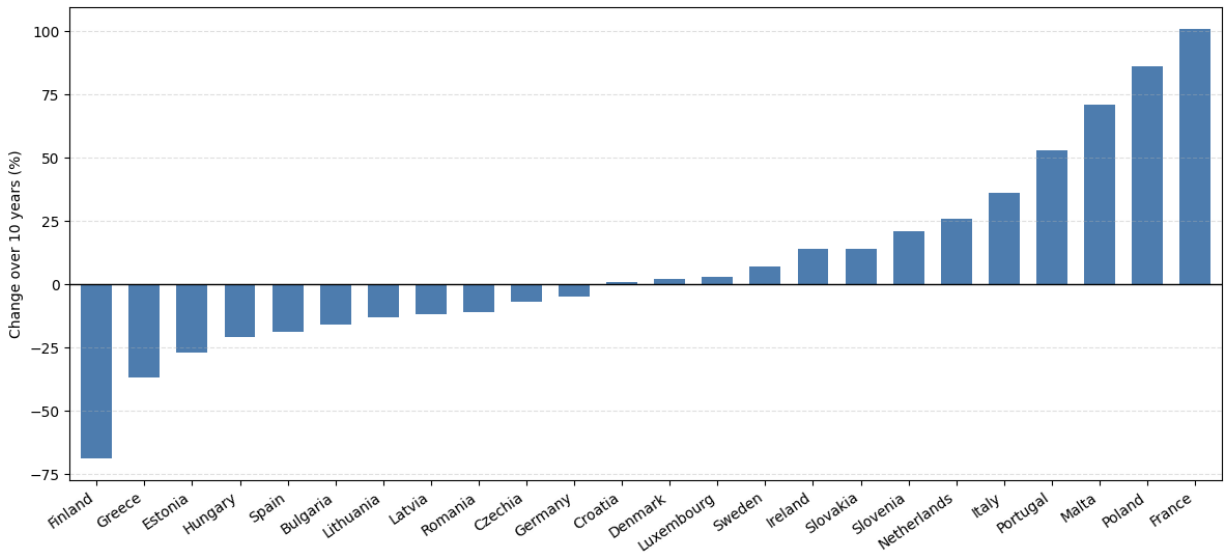
- In **Spain**, 24.6% of persons with disabilities identified the building entrance, stairs or garage as the main barrier to mobility at home or within their building (Instituto Nacional de Estadística, 2024).
- In **France**, 18.3% of main residences are lift-served, and 41.7% of flats have a lift, indicating limited step-free vertical access to upper floors (INSEE, 2023).

[61] The data on the specific demand for accessible dwellings (with which types of criteria) and data on the supply could not directly be compared due to the lack thereof and its fragmentation across countries/regions/localities.

- In **Germany**, 85% of households with people with disabilities lacked step-free access to their dwelling in 2018 (Federal Statistical Office of Germany, 2019), as only 560,000 (about 1.5%) of dwellings met the "improved accessibility" criteria (i.e. barrier- or step-free access to and within the home, walk-in shower, etc.) (Leifels, 2020).
- In **Austria**, only 13% of dwellings are at least barrier-free and adaptable (Federal Ministry of Social Affairs, Health, Care and Consumer Protection, 2022).
- In the **Netherlands**, step-free ("nultreden") dwellings represented 20% of the stock in January 2023 (Centraal Bureau voor de Statistiek, 2025).

In relation to the foregoing, according to Eurofound (2024), the number of persons with disabilities housed in residential institutions has increased overall in the EU over the past decade. Specifically, the absolute numbers have increased in 13 MS (see Figure 27). This highlights the lack of independent living for persons with disabilities, and the urgency of needing community-based housing solutions where people have access to the supporting services they need (Felix, 2025). People transitioning out of institutions often face precarious, unsuitable living conditions or return to no home at all, as placements frequently result in the loss of housing and possessions, which is why these increasing numbers pose a concern. In a resolution, the European Disability Forum stresses that addressing these housing barriers requires expanding the accessible housing stock, revising EU funding and State aid frameworks to support accessibility adaptations, strengthening accessibility standards, improving access to social housing, and ensuring adequate social protection and financial services (Felix, 2025).

Figure 27: Adults (aged 18-61) with disabilities in residential institutions (2008-2024*)



Source: Eurofound, EF23018EN, 2024. Available at: https://www.eurofound.europa.eu/en/surveys-and-data/data-catalogue/change-population-adults-aged-18-64-disabilities-residential-institutions-over-10.

Note*: the dates of estimation differ across MS: the earliest dates of previous estimate range from 2008-2016, and the most recent estimates range from 2019-2024. In most cases, the estimates for 2011-2012 and 2021-2022 were compared.

For those with intellectual or psychosocial disabilities, appropriate supported housing or community-based living arrangements are often lacking, leading to over-reliance on institutions. In several countries, disability advocates point out that finding available, accessible, and affordable housing is virtually impossible for adults with intellectual disabilities without family help (OECD, 2021c; Inclusion Europe, 2024). Research by Roebuck (2021) further shows that supported housing offers the most promising outcomes, allowing people to live in their community with tailored support, yet availability remains limited and highly dependent on the affordable housing stock (Roebuck, 2021)[62].

Furthermore, the access to suitable housing, and the housing market at large, for persons with disabilities is made more difficult due to discrimination. Research shows that people with disabilities face bias when renting, with some property owners reluctant to rent to people who use wheelchairs or those with psychosocial disabilities (Flage & Le Gallo, 2023; OECD, 2021c; Felix, 2025). An experimental study by Flage and Le Gallo (2023) in France provides evidence of discrimination specifically against people who are blind and live with guide dogs, people with motor impairments, and those with mental disabilities. The findings indicate that discrimination against applicants with these disabilities increases as rental prices rise, and that private property owners are significantly more likely to discriminate than real estate agents.

Across Europe and beyond, innovative practices are emerging to address the housing needs of persons with disabilities. In Greece, parental associations have created supported living flats designed around the individual needs of tenants, while in France, NGOs partner with social property owners and provide mediation to support inclusion (Inclusion Europe, 2024). Other initiatives, such as Prague's rent deposit support, address property owners' reluctance to rent out to persons with disabilities by reducing financial risks, and in the Netherlands, inclusive social housing projects mix tenants with and without intellectual disabilities to build stronger communities. In Germany, separating housing from care has given residents greater choice, as tenants can live in NGO-owned flats while selecting their own service providers (Inclusion Europe, 2024). Despite these positive examples, challenges persist. Many people with intellectual disabilities remain excluded from housing statistics, struggle with affordability, face stigma, and report loneliness.

Though policy responses remain fragmented, there is growing recognition of the need for strong and targeted measures addressing the housing needs of persons with disabilities. Advocacy groups such as the European Disability Forum have called for the EC's upcoming European Affordable Housing Plan to place specific emphasis on the housing needs of people with disabilities (Felix, 2025; European Disability Forum, 2025). This includes incentivising universal design in all new construction so that dwellings are accessible or easily adaptable, as well as funding renovations to adapt the existing housing stock. At the same time, housing subsidies and vouchers must be able to cover the higher costs of accessible units, while governments should also invest in expanding the stock of accessible and affordable social housing (OECD, 2021c). Another important step is the development of registries and other tools to better match available accessible housing with those who need it, thereby addressing

[62] Available at: https://www.eurofound.europa.eu/en/surveys-and-data/data-catalogue/change-population-adults-aged-18-64-disabilities-residential-institutions-over-10.

the persistent informational barriers that many households face. Together, these actions can help ensure that people with disabilities have meaningful choices in the housing market, enabling greater independence and integration, and improving deinstitutionalisation.

Therefore, future policies must go beyond a "build-and-fill" model, prioritising person-centred planning, supported decision-making, and accessible information (Inclusion Europe, 2024). Governments need to assure sufficient funding for inclusive and affordable housing, mandate minimum accessibility standards, and develop clear frameworks for supported housing that allow people to live independently while remaining connected to their families and communities (Roebuck, 2021; Inclusion Europe, 2024). In parallel, housing policy must be aligned with the sustainable ('green') transition, ensuring that renovation and decarbonisation efforts also advance accessibility, inclusion, and affordability. This way, persons with disabilities equally benefit from energy-efficiency upgrades, modernised housing, and sustainable urban environments.

4. MAIN FACTORS IMPACTING THE DEMAND FOR HOUSING

KEY FINDINGS

- **Household income, purchasing power and wealth accumulation**: Housing demand has high income-elasticity—as incomes rise, households spend more on housing through upgrades or moves into ownership. Real house prices across OECD countries rose 15–20% from 2020–2025, while price-to-income ratios also climbed, indicating prices outpacing incomes. In supply-constrained markets, rising incomes fuel price inflation rather than expanded housing access, widening affordability gaps. Access to savings, inherited wealth, and intergenerational transfers increasingly determines homeownership access, reinforcing social and generational inequalities.
- **Demand from low- and middle-income households**: Around 31% of people in the EU rent, with rents in several capitals now exceeding half of the average salary. The shrinking social housing stock has pushed income-constrained households into private rentals, intensifying upward pressure on market rents—particularly in urban areas.
- **Monetary policy**: Historically low interest rates during the 2010s–2021 fuelled demand and price surges; record-low rates of 1.3% in 2021 drove nearly 10% house price growth in early 2022. ECB rate hikes since mid-2022 sharply increased mortgage costs, but prices remained elevated due to supply constraints and accumulated wealth effects.
- **Taxation and financial incentives**: Mortgage interest relief, imputed rent exemptions, and capital gains tax exemptions reduce the user cost of housing by up to 40%, increasing home purchasing by an estimated 7–8%. Favourable tax treatment has attracted speculative and buy-to-let investment, intensifying demand pressures and reducing affordable supply.
- **Household formation and ageing:** The average EU household size fell from 2.8 to 2.3 persons over 40 years, increasing the number of households even where total population stagnates. Ageing populations remain in larger homes longer, limiting turnover and supply for younger families. A growing cohort of 25–35-year-olds in countries like Germany and the Netherlands generates strong demand for starter homes and rentals.
- **Migration and population mobility**: Immigration is associated with moderate rent and price increases (a 1% immigration increase is linked to 0.5–3% price rises depending on the market). Effects are strongest where construction lags behind growth—notably in Malta and Ireland.

As presented in Chapter 3, the EIB's analysis estimated a gap of roughly 925,000 units between the need for additional housing units and the new construction starts in the EU in 2025 (EIB, 2025a). This gap reflects a broader trend where, over the past decade, housing demand has consistently outpaced new supply, creating a structural deficit visible in rising rents, worsening price-to-income ratios and growing waiting times for affordable homes (Cousin et al, 2025). The consequences extend beyond price pressures, increasingly pushing younger and lower-income households into insecure rental

arrangements, deepening spatial and social inequalities, and constraining labour mobility and economic performance. A nuanced understanding of the underlying demand dynamics is therefore critical for identifying the most acute pressure points, designing evidence-based interventions, and ensuring that policy responses address structural constraints on housing provision rather than further stimulating demand-led inflation.

Key factors driving housing demand are income and wealth, mortgage conditions and taxation, and demographics (Cousin et al, 2025). This Chapter maps the forces behind the increased demand and the subsequent pressures. It sets out the economic drivers of demand (i.e. household incomes and purchasing power, mortgage rates and credit conditions, taxation and incentives), and then examines the social and demographic pressures that are reshaping demand (i.e. ageing, household formation, migration, and urbanisation). It also clarifies how legal and institutional frameworks, including rental regulation and the scale of social housing, shape how these pressures play out across different markets. The focus is on EU-wide patterns, with cross-country examples and interview insights to indicate where pressures are most acute and where policy levers matter most.

4.1. Economic drivers of housing demand

4.1.1. Household incomes and purchasing power

Household income, and by extension, purchasing power, is a fundamental driver of housing demand over time. Evidence shows that housing demand has a high income-elasticity – as incomes rise, households tend to spend more on housing, either by upgrading, buying larger or better-located homes or moving from renting into ownership. When incomes fall, households typically delay purchases, downsize or shift to lower-cost rental options and areas (Malecky & Paksi, 2024; Cousin et al, 2025).

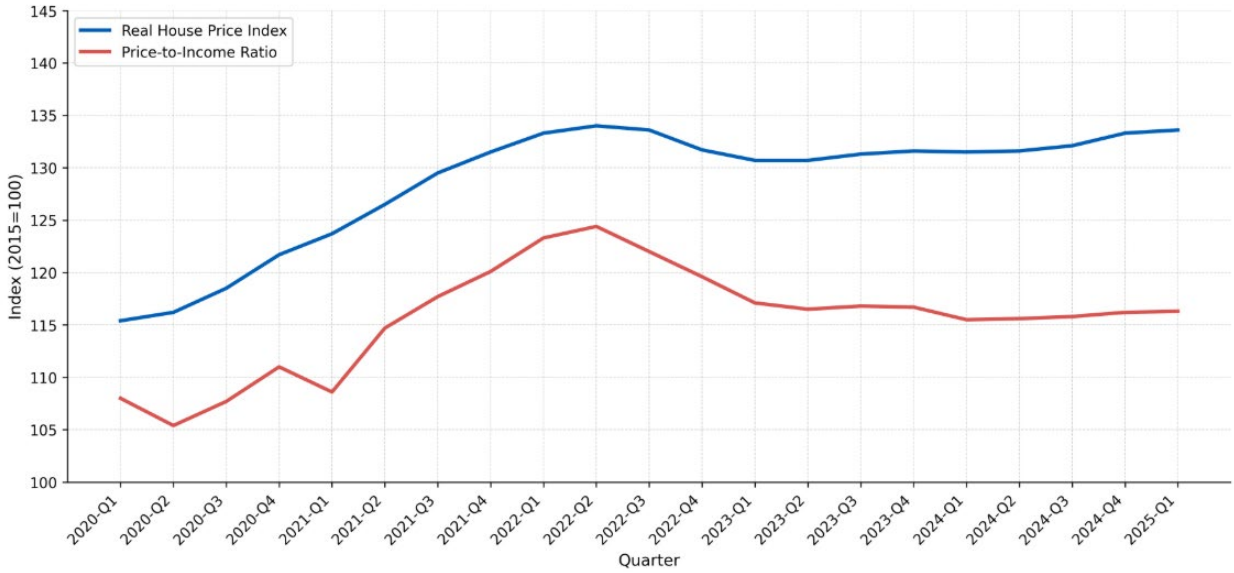
A key distinction is that households base tenure and location decisions on expected long-term or permanent income, meaning their housing choices do not adjust immediately to short-term income shocks (such as the inflation spike of 2022–2023 or the interest rate increases of 2023–2025). However, at the aggregate level, current income—which fluctuates with economic conditions—drives cyclical movements in housing demand (Cousin et al, 2025).

These income dynamics interact with the structure of national housing markets. In predominantly owner-occupied systems, common in Eastern and Southern Europe, rising incomes tend to push up house prices as more households compete for a relatively fixed supply. In rental-dominated markets, such as in Western and Northern Europe, higher incomes can strengthen tenants' bargaining power but may also attract additional investor activity, putting further upward pressure on both purchasing prices and rents (ECB, 2025).

Overall, across the EU, house prices and incomes are closely correlated over time. Whether this results in the purchasing of more homes or in price inflation depends on how quickly supply responds. When supply lags behind demand, prices rise faster than incomes, widening the house price-to-income ratio and placing pressure on affordability or signalling potentially unsustainable price dynamics (Cousin et al, 2025). Recent developments illustrate this pattern as real house prices across OECD countries rose

sharply from 2020 onwards, increasing by roughly 15–20% by 2025, while the price-to-income ratio also climbed, indicating that house prices grew faster than household incomes (see Figure 28).

Figure 28: Development of house prices from 2020-2025, OECD average



Source: OECD, 2025b. Note: The 100 on the y-axis represents the index baseline value, which is set to 2015. Both the Real House Price Index (blue line) and the Price-to-Income Ratio (red line) are indexed to their 2015 values, which are normalised to 100. Any value above 100 shows an increase relative to the 2015 level.

Interviewees from Eurofound, the Danish Social Housing Federation and WeDevelop (Czechia) explained that this dynamic is a key driver of the housing crisis in the EU. As wealthier households continue to buy homes both to live in and as investments, middle- and low-income households are pushed out of the ownership market and increasingly struggle in the rental sector due to rising rents and a shortage of affordable housing.

- **Wealth accumulation and housing demand**

Despite rising house prices and tighter credit conditions, demand for homeownership in the EU remains strong, especially among younger generations who continue to view ownership as a preferred tenure. However, affordability challenges have intensified, making access to homeownership increasingly dependent on accumulated resources. Recent studies confirm that households with access to savings, intergenerational wealth transfers, or proceeds from previous property ownership are significantly more likely to become homeowners. Inherited wealth and parental financial assistance often determine whether young adults can meet the substantial upfront costs required to buy a home, reinforcing social and generational inequalities in housing access (Cohen Raviv & Hinz, 2022; Dräger et al., 2025; Eurofound, 2025).

The structural importance of accumulated wealth as a driver of housing demand was particularly exposed during and immediately after the COVID-19 pandemic, when the sudden redirection of lockdown savings, combined with low interest rates (further described later in this Chapter), substantially increased demand for owner-occupied housing. The result was a marked surge in

purchase transactions and bidding intensity across MS, which in turn propelled real house-price growth to sustained annual rates of 6% or higher (Álvarez Ondina, 2025).

However, rising property prices do not uniformly suppress demand. For households endowed with substantial wealth, higher prices may instead reinforce the attractiveness of housing as an investment and consumption good – a dynamic akin to the Veblen effect, whereby elevated prices enhance the perceived prestige of ownership, particularly of well-located or luxury dwellings. Ownership of such assets thereby serves as a visible marker of material and social status, further stimulating demand among affluent strata (Brzezicka & Kobylińska, 2021).

Over recent decades, public policy across the EU has actively promoted homeownership as a primary vehicle for household wealth accumulation. Fiscal incentives, mortgage-interest tax relief, and guarantees have systematically privileged owner-occupation, while social and private rental sectors have often faced retrenchment and residualisation (Kaas et al., 2015; Aalbers & Christophers, 2014; Aalbers et al., 2021). These measures have been underpinned by a broader socio-cultural ideology that naturalises homeownership as the normative, morally valued tenure, associating it with autonomy, responsibility, and civic virtue, whilst implicitly devaluing renting – especially social renting – as a residual and less desirable option (Ronald, 2008; Forrest & Hirayama, 2015; Arundel & Roland, 2021; Hochstenbach, 2022). The persistence of such an ideological hierarchy has entrenched structural divides between owners and renters and contributed to the reproduction of housing and social inequality across generations and welfare states (Ronald & Arundel, 2023; Le Blanc et al., 2025). Intergenerational wealth transfers have emerged as a critical mechanism sustaining access to homeownership among younger cohorts in an era of elevated prices and constrained affordability as discussed in Chapter 3.2.b (Lux et al., 2018; Ronald & Arundel, 2023).

Finally, the progressive financialisation of housing has further intensified demand pressures. Institutional and private investors, attracted by the asset class's perceived stability and yield potential, have entered residential markets at scale, competing directly with households for limited stock and driving price escalation in urban centres (Kaas et al., 2015; Dewilde, 2018; Goracy et al., 2024). This investor-driven demand interacts synergistically with wealth-based household demand, amplifying overall market tightness (more on housing as an investment later in this Chapter).

- **Demand for affordable housing between low- and middle-income households**

Given the increased unaffordability of housing properties, demand for rental housing has intensified across those groups who cannot afford to buy a home, that is low- and (increasingly) middle-income households. These are also usually the groups with limited access to accumulated wealth, whether from their incomes or from other sources. In the absence of sufficient wealth to cover down-payments or to qualify for large mortgages, these households are largely excluded from owner-occupation and redirected towards the rental sector. Recent data indicate that around 31% of EU residents live in rented housing, with rents in several capitals now exceeding half of an average salary - a stark signal of affordability pressures (Dewilde & Lancee, 2013; Goracy et al., 2024). This income-constrained segment of the population, therefore, constitutes the core source of demand for affordable and social rental housing across the Union (Dewilde, 2018).

However, the privatisation, demolition, and reduced construction of social housing over recent decades have substantially diminished the supply of genuinely income-geared accommodation (see more on social housing in Chapter 5.5). Low- and middle-income households that would previously have qualified for social tenancies are now compelled to seek private rentals, significantly expanding demand in a market segment that is often unregulated or only partially controlled (Peggs, 2025; CBRE, 2025). The resulting concentration of income-constrained demand in a limited private rental stock is a primary driver of upward pressure on market rents, particularly in urban areas (Dewilde & Lancee, 2013; Goracy et al., 2024).

These income-driven demand pressures interact with supply-side constraints and regulatory frameworks to produce sharply differentiated outcomes. In cities with extensive rent regulation or large residual social sectors (e.g. Vienna and Paris), a significant proportion of longer-established moderate-income households continue to benefit from below-market rents. New entrants, however – typically younger, lower-income, or migrant households – face a much smaller, unregulated private rental stock and consequently absorb the full force of market pricing (Major, 2025). This dualisation amplifies the affordability burden precisely for those income and vulnerable groups least able to bear it.

Overall, these dynamics show that income growth, accumulated wealth and structural inequalities jointly shape housing demand across the EU, reinforcing divides between those able to access ownership and those confined to increasingly strained rental markets. Without policy measures that expand affordable supply, rebalance incentives away from wealth-driven demand and strengthen protections for income-constrained households, pressures on both purchase and rental markets will continue to intensify. Addressing this requires tighter rent regulation, improved security of tenure and clearer rules for fair rental contracts. At the same time, expanding and better targeting social and affordable housing is essential to prevent low- and middle-income households from being forced into high-cost private rentals.

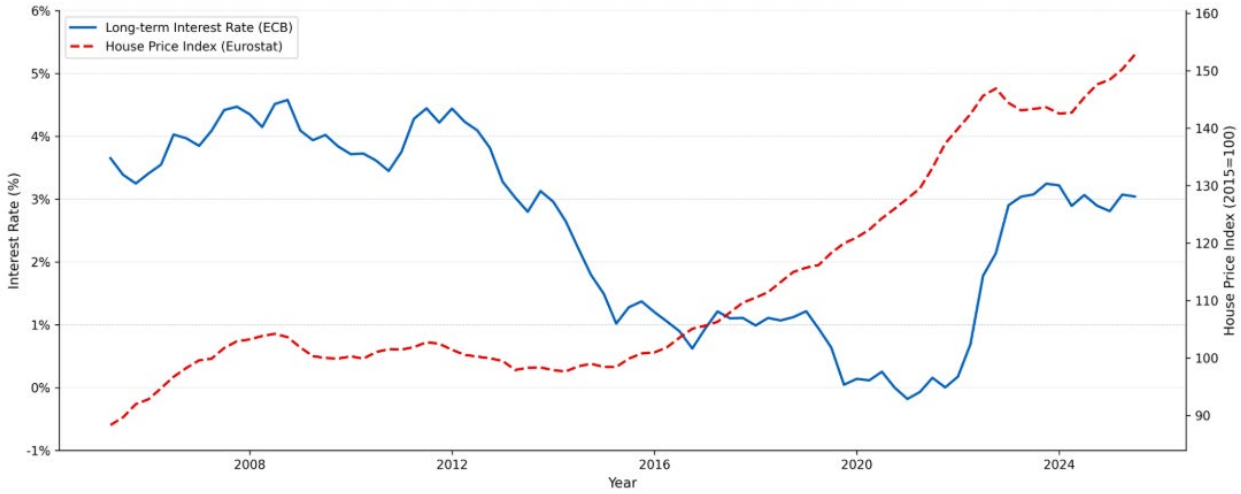
4.1.2. Monetary policy

Mortgage borrowing remains the principal route into homeownership for most households, meaning that changes in the cost and availability of credit—primarily shaped by monetary policy—have direct and significant implications for housing affordability and market dynamics. Mortgage demand is influenced not only by household income, wealth, house prices and interest rates but also by the lending standards applied by financial institutions, which collectively determine households' borrowing capacity (Dajcman, 2020; Battisti et al., 2022). Periods of low interest rates reduce borrowing costs, enabling a larger share of households to access higher-value loans, thereby increasing demand and contributing to upward pressure on prices. In contrast, rising interest rates substantially increase borrowing costs, constrain the amount households can afford to borrow and typically moderate demand and price growth (Malecky & Paksi, 2024).

Over the past decade, Europe experienced an extended period of historically low interest rates, which significantly lowered mortgage costs and, by making borrowing more accessible, fuelled demand and contributed to a sustained rise in house prices (see Figure 29) (Battisti et al., 2022; Eurofound, 2023; Just & Salzberger, 2024). Even under better mortgage conditions, which should democratise access to

credit, wealthier households and investors benefit the most as they have enough money for down payments (Cousin et al., 2025). Interest rates, however, are not the sole driver of price dynamics: even after the ECB's rate-hiking cycle began in mid-2022, house prices remained elevated across much of the EU, reflecting the continued influence of supply constraints, accumulated wealth effects, and structural demand pressures discussed elsewhere in this chapter.

Figure 29: Euro area long-term interest rate vs house price index over time



Source: Eurostat, 2025b, *House Price Index (prc_hpi_q).* Available at: https://ec.europa.eu/eurostat/databrowser/view/prc_hpi_q/default/table; European Central Bank, 2025, *Long - term Interest Rate Statistics*, Available at: https://data.ecb.europa.eu/data/datasets/IRS/IRS.M.I9.L.L40.CI.0000.EUR.N.Z.

- **Impact on speculative demand**

Exceptionally low-cost mortgage credits not only attract first-time home buyers, but also speculative players – including institutional investors such as pension funds, insurance companies and sovereign wealth funds, as well as private equity firms, buy-to-let property owners and corporate property owners – who, over the past decade, expanded their portfolios in anticipation of rising returns (Ryan-Colling, 202). For investors, low-interest periods combined with improved loan terms such as lower down payments and reduced fees create favourable conditions that encourage more expansive borrowing against housing collateral, treating property as a leveraged investment and bidding up prices beyond fundamentals (Muellbauer, 2022). For example, record-low interest rates of 1.3% in 2021 fuelled demand and drove house prices up by nearly 10% in early 2022, the fastest rise in decades in the EU (Battisti et al., 2022). Overall, loose monetary conditions are associated with surges in real estate lending, faster house price growth and, in some cases, the formation of housing price bubbles[63] (Zhao & Liu, 2023; Ryan-Colling, 2024).

Recent ECB evidence further shows that regions with housing markets that are investor-concentrated (e.g. in the Netherlands, Germany, Paris, Dublin) experience stronger price effects from favourable

[63] A housing price bubble arises when prices are driven significantly above levels justified by household incomes, rents and construction costs, largely due to speculative expectations of further increases, and are therefore vulnerable to sharp corrections.

monetary conditions than markets concentrated by households. Markets with a substantial presence of institutional investors show weaker links between house prices and local incomes, making them more susceptible to overvaluation during easing cycles and more vulnerable to corrections when conditions tighten (Bandoni et al., 2025). This means that in investor-heavy markets, housing becomes more expensive and less connected to what local residents can actually afford thus pushing affordable housing even further out of reach.

Against this backdrop, the long period of low mortgage interest rates—prolonged by the COVID-19 pandemic and associated monetary easing—came to an end in 2022–2023, when the ECB and other authorities began raising policy rates. This shift resulted in sharply higher mortgage rates across Europe (UNECE, 2025). Since early 2022, euro-area mortgage rates have risen dramatically from their 2021 historic lows (see previous Figure 29), with a record six-month increase in 2022 (Battisti et al., 2022). This shift has had a direct impact on housing demand, as higher interest rates make new mortgages significantly more expensive, reducing the purchasing power of prospective buyers and cooling market activity (Battisti et al., 2022; Denmark's Nationalbank, 2024). However, the effects extend beyond curbing speculative demand. Higher rates also place substantial strain on existing homeowners with variable-rate mortgages. As their monthly repayments increase, disposable incomes shrink, and a growing share of households face heightened financial stress or risk of arrears (UNECE, 2025; Eurocities, 2025; Licchetta et al., 2025; Just & Salzberger, 2024).

- **Impact on demand among low- and middle-income households**

Macroprudential policy aims to safeguard financial stability by limiting excessive credit growth and housing market risks without suppressing wider economic activity. Key tools include loan-to-value caps, debt-service-to-income limits, loan-to-income caps and higher risk-weighted capital requirements for mortgage lending. These measures can be targeted specifically at behaviours in the housing market, making them more precise than interest rate hikes, and curbing risky lending (Martin et al., 2019; OECD, 2021b).

However, banks' lending standards and macroprudential regulations also influence who can access mortgages (Hodula et al., 2023). Stricter rules may stabilise markets but can also exclude first-time buyers with limited savings, again often hurting younger and lower-income families (OECD, 2021b; Abreu et al., 2024; Poderys et al., 2024). For example, in Finland, banks like Nordea have specific criteria for granting housing loans, such as the applicant's ability to repay, stable employment, and income level (Saifi, 2021). As a result, loan approvals still tend to favour higher-income professionals while people in more precarious forms of employment face greater difficulties in accessing credit, despite high demand (Saifi, 2021). According to the interviewee from the International Union of Property Owners, creditworthiness assessments and high equity requirements are major barriers, disproportionately affecting these populations. The assessment, based on actual income, especially takes a toll on middle-income earners who earn too much to access social or other subsidised housing support, but whose incomes are still low to secure mortgages and subsequently afford market rates.

Exclusion from mortgage access would be less problematic if renting provided an affordable and stable alternative. However, this is rarely the case, as rent prices have also been increasing over the past years.

Research shows that when interest rates spike and regulators tighten mortgage credit (for example, by requiring higher down payments), more people remain in the rental sector, which can again push up rents and reduce welfare for those households who are locked out of homeownership (Battisti et al., 2022; CBRE, 2024; Castellanos et al., 2025). This interaction between higher interest rates, tighter credit conditions, rising rental costs and limited rental supply creates a vicious cycle. Households unable to buy remain in a rental market where prices continue to rise. As pressure builds to exit costly renting, many eventually take on large mortgages despite high purchase prices (Battisti et al., 2022). This exacerbates the disadvantages faced by those excluded from homeownership and reinforces the structural bias towards owner-occupation embedded in many housing systems.

Thus, policies curbing speculative demand should be balanced with maintaining access for first-time and lower-income buyers. In some instances, governments have introduced support schemes (e.g. first-home buyer grants, mortgage interest subsidies, guarantees) to help those groups. Several countries have offered low-interest loans or interest-rate buydowns for young families and moderate-income buyers (UNECE, 2025). For instance:

- Poland's First Home Programme includes a subsidised 2% Safe Mortgage with state support and a Home Savings Account to help first-time buyers secure stable financing (Gov.pl, 2023; OECD, 2025c).
- Ireland's First Home Scheme and Help to Buy grant assists first-time buyers by bridging deposit and mortgage gaps and refunding part of prior tax paid (First Home Scheme, 2025; Revenue, 2025).
- Portugal's State Guarantee measure provides mortgage credit support for young first-time buyers by co-signing part of the loan with banks (Banco de Portugal, 2025; Gov.pt, 2024).
- Malta offers a statutory first-time buyer grant paid over ten years to support new homeowners (Housing Authority Malta, 2025; Servizz.gov.mt, 2025).
- Germany's KfW Subsidy Program continues to provide low-interest loans and grants to homebuyers, including energy-efficient and first-time purchase support (KfW Bankengruppe, 2025).

These demand-side subsidies can offer temporary relief, but without corresponding measures to expand housing supply in both the rental and owner-occupation markets, they primarily increase purchasing power. In the long term, this tends to drive up property prices further rather than improving affordability (Licchetta et al., 2025). Interview insights underscored this point. Habita! (Portugal) and CoR representatives stressed that governments should regulate the market more actively, including linking housing costs to earned income and introducing rent controls, and argued for strong penalties on empty speculative dwellings. They highlighted financialisation as a key problem, with investors acquiring units and leaving them vacant and speculating on the price of the dwelling, to then later profit from reselling. This further constrains supply and exacerbates affordability pressures.

Interviewees from the Institute for Real Estate, Construction and Housing, the German Federation of Housing Companies and the International Union of Property Owners also highlighted the important role

of EU financial institutions, noting that the EIB and the Council of Europe Development Bank (CEB) can make housing finance more affordable across Europe. However, most of their outstanding loans still benefit wealthier Western and Northern European countries, while Central and Eastern European countries with greater needs often struggle to access such financing (discussed in more detail in Chapter 7.8). To address this imbalance, less economically advanced countries and regions would need to strengthen their institutional frameworks and ensure a secure and reliable housing sector in order to absorb funding more effectively.

4.1.3. Taxation and financial incentives

Tax policies and fiscal incentives related to housing also influence demand by altering the costs and returns of owning property – a factor embedded within broader institutional differences in housing markets across countries (Le Blanc et al., 2025; OECD, 2022). In many EU countries, homeowners benefit from preferential tax treatment, including mortgage interest relief, and exemptions from imputed rent and capital gains taxes on primary residences (OECD, 2022). For instance, in the Netherlands, Belgium, Ireland (and historically Sweden, Finland, Luxembourg), mortgage interest payments are deductible, reducing the cost of homeownership (OECD, 2022). OECD data also show that capital gains on main residences are typically exempt in EU MS such as Spain and Italy (Hourani, 2025). Additionally, under-taxation of imputed rents and other preferential treatments further benefit homeowners (OECD, 2022; Barriós, 2025). Tax reliefs on mortgages lower interest payments and encourage households to take on more debt to purchase homes, which further fuels demand and amplifies price increases (Fatica & Prammer, 2017; Vangeel et al., 2022; OECD, 2022). OECD (2022) evidence shows that this is especially relevant in markets where supply is slow to respond to growing demand.

- **Taxation incentives that encourage homeownership and exacerbate inequalities**

The described tax provisions, which lower the real cost of owning a home, reinforce a wider cultural and policy preference for homeownership that exists across the EU. The ECB study by Fatica and Prammer (2017) shows that such advantages can reduce the user cost of housing capital by almost 40% compared with a neutral tax system (i.e. a tax system that treats housing the same as other forms of investment). As a result, households are incentivised to purchase a home more than they otherwise would, with estimates suggesting increases in home purchasing of around 7–8% when preferential tax systems are in place (Fatica & Prammer, 2017). The purchasing of larger and/or more expensive homes (or invest in additional properties) is then also encouraged, in part due to the tax system which makes it financially attractive to do so (Fatica & Prammer, 2017; Vangeel et al., 2022). For example, Luxembourg's low property taxes, tax reliefs for mortgage interest, and limited social housing stock have supported private developers' strategies, such as land hoarding and land banking (Paccoud et al., 2022).

This increases inequalities, as such tax policies disproportionately benefit higher-income and wealthier households, as these groups are more likely to own property and itemise deductions (Fatica & Prammer, 2017; Gyourko et al., 2013; Saifi, 2022; OECD, 2022). Low- and middle-income households pay proportionally more tax on their 'wealth' through heavily taxed labour income, while higher-income

groups benefit from relatively lightly taxed capital gains and property wealth (OECD, 2022). For example, a simulation of removing mortgage-interest relief in the EU shows that while it would reduce the average disposable income by about 4.9%, the losses would be concentrated in the upper deciles at nearly 6% (European Commission, 2022c). This outcome illustrates how the highest-income group received the largest share of the total mortgage-interest relief benefit in 2016, capturing around 58% in the Netherlands, 40% in Sweden and 37% in Italy. This confirms that, as one's income is higher, one benefits more from these advantages (Figari et al., 2019).

- **Taxation incentives that encourage speculative demand**

Favourable tax frameworks – much like periods of low mortgage interest rates – have made property ownership increasingly attractive to investors, expanding through buy-to-let portfolios, second-home purchases and short-term rental platforms (discussed later in this Chapter), attracting both domestic and foreign capital into the EU (Aalbers, 2008; Saifi, 2022; Goix et al., 2020; Colomb, 2025; Major, 2025). However, much of this influx has been demand-side investment, often speculative or focused on upgrading dwellings into higher price segments rather than expanding the affordable supply. This too has intensified demand and price pressures, reduced the availability of affordable rental options, and widened inequalities between owners and non-owners, increasingly constraining the housing available for younger households and those on lower and middle incomes (Wind, 2017; Dräger, 2025).

It is worth noting that some countries are re-evaluating housing tax policies in light of the housing crisis. OECD analysis highlights widespread distortions from generous mortgage interest relief and suggests options for reform to improve equity and affordability (OECD, 2022; OECD, 2025b), to cool excessive housing demand and raise revenues for affordability programmes (Licchetta et al., 2025). A more balanced approach to taxation could therefore help not only to dampen speculative demand and redirect resources to affordable housing but also to address broader distributive concerns. In 2024, all EU housing ministers signed a declaration calling for a "New Deal for affordable and social housing", recognising that policy action (e.g. taxing speculative ownership and easing supply constraints) is needed at multiple levels to rebalance housing markets (Major, 2025). At MS level, in the Netherlands, high levels of mortgage interest deductions have been flagged by the OECD as contributing to price pressures, and reforms have gradually reduced the benefit while ongoing discussions continue on further adjustments (OECD, 2025a). Belgium's 2025–2029 government agreement also abolishes mortgage interest deductions on non-primary residences, directly altering longstanding incentives for property investment (Belgium Federal Government, 2025).

4.2. Socio-demographic drivers of housing demand

4.2.1. Population, ageing and household formation

Demographic trends fundamentally influence housing needs and demand in the EU (Esteve, 2024; Cousin et al., 2025). Population size and growth determine the overall number of housing units required, while the composition of the population – in terms of age structure, family size, and household formation patterns – affects the types of housing in demand. In recent decades, Europe's population

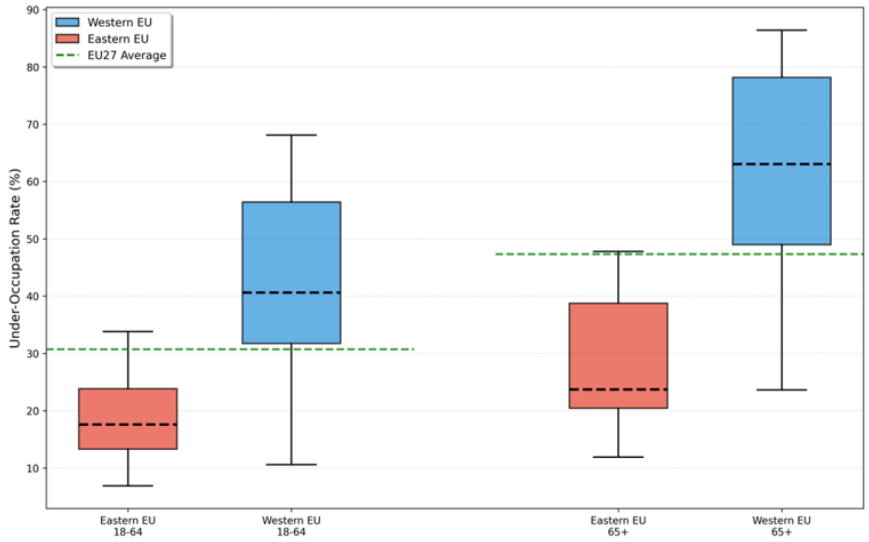
dynamics have been marked by two key trends – ageing and shrinking households (Goracy et al., 2024; European Commission, 2024d).

Over the last 40 years, the average EU household shrank from about 2.8 persons (early 1980s) to roughly 2.3 persons today (Williams, 2005; European Parliament, 2025a). This means that even in countries with stagnant or declining total population, the number of households has increased, because the same population is fragmenting into more, smaller households (Williams, 2005; Stavreva-Pancheva, 2024). Family and household structures have diversified, with more people living alone, more couples cohabiting without children, and a rise in shared accommodation (Eurostat, 2024a; Cousin et al., 2025). These changes have increased the demand for smaller and more adaptable homes that can suit different living arrangements (Cousin et al., 2025). A parallel trend is the growth of the population aged 25–35 in several MS, including Germany and the Netherlands, where a relatively large cohort of young adults is moving into the household formation phase. This group is the most active in seeking housing, which has generated particularly strong demand for starter homes and rentals (Eurofound, 2023).

Meanwhile, ageing individuals (as discussed in Chapter 3.2.b), tend to remain in their family homes longer, which can limit the supply of larger homes coming onto the market for younger families (Tavy et al., 2022; Eurofound, 2023). Some countries fare worse than others under these dynamics. Southern and Western European countries – with high levels of home ownership and larger dwellings per person – seem more affected by the "locking up" of housing by older generations (e.g. Ireland, Belgium, Luxembourg, Spain, and Malta)[64]. In contrast, many Eastern EU countries show lower rates of under-occupation among older people (e.g. Poland, Croatia, Romania, and Latvia), meaning the impact of ageing on reducing turnover is less severe there (Samogyi, 2018). Figure 30 shows how housing under-occupation varies across Eastern and Western EU regions for adults aged 18–64 and those aged 65 and over in 2024.

[64] Eurostat (2020*), Ageing Europe – statistics on housing and living conditions.* Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Ageing_Europe_-_statistics_on_housing_and_living_conditions.

Figure 30: Housing under-occupation per regional distribution, by age group, 2024



Source: Eurostat, ilc_lvho50a. Available at: https://doi.org/10.2908/ILC_LVHO50A.

Additionally, the rise of ageing populations who keep living in their homes raises the demand for specific types of housing – for instance, accessible and single-level homes, assisted living facilities, and similar (see Chapter 3.2.b) (Jarzebski et al., 2021).

Additionally, according to the interviews, as the large Baby Boomer[65] generation ages and enters retirement, there has been a growing trend of purchasing second homes, such as vacation or retirement properties, which adds to the demand for housing in very specific places rather than across the market. Interview insights highlight that these pressures are particularly acute in rural, coastal and high-amenity areas. The representative of the Construction Industry Federation of Ireland, for example, noted that West Cork has developed a substantial second-home market, driving up prices and reducing affordability for local residents. Similarly, the World Green Building Council representative pointed to tourist regions such as Barcelona and Catalonia, where the expansion of holiday homes has intensified competition for housing and made it harder for local residents to secure stable, long-term accommodation.

All in all, these demographic shifts underline the need for housing policies that are sensitive to the evolving size and composition of European households. To respond effectively, policymakers should prioritise how the existing supply is used and look specifically at what type of supply is missing and catering to those needs. For instance, increasing the supply of smaller and adaptable homes, supporting the development of age-friendly and accessible housing, providing better downsizing options, and addressing localised pressures in regions affected by second-home demand.

[65] Baby Boomers are the generation born during the post-Second World War baby boom, typically defined as those born between 1946 and 1964. This cohort is now entering, or already is in, retirement age across most European countries.

4.2.2. Migration and population mobility

Across Europe, migration (of all types) has become a major driver of housing demand, particularly in metropolitan regions and economically dynamic areas that already face structural shortages (Cochrane & Poot, 2019; Jarzebski et al., 2021; Manting et al., 2024; Hartmann et al., 2025). Different groups of migrants shape this demand in distinct ways, reflecting the diversity of mobility patterns across the EU. For instance:

- Skilled workers and labour migrants typically rent privately near industrial or service hubs, often in high-demand urban areas (see Chapter 3.2.e) (Századvég 2024). Interviews with Eurofound, the International Union of Property Owners, the International Union of Tenants and APCEspaña[66] highlight that this pattern is closely linked to the broader structural issue of the concentration of employment opportunities in specific regions, which intensifies local housing demand.
- Students concentrate near universities, intensifying demand for student housing (which is lacking due to privatisation as discussed in Chapter 3.2.b) and small units.
- Beneficiaries of protection and temporary protection, such as refugees and Ukrainians displaced as a result of Russia's war of aggression, require immediate housing at scale (Dickinson, 2023; EWSI, 2023).
- Long-term migrants increasingly enter the mainstream housing market with demand patterns similar to those of the native population, moving from renting to homeownership.

Empirical studies consistently show that increases in immigration are associated with moderate rises in rents and in some cases house prices. In Germany, a one-percentage-point increase in the immigration rate—equivalent to 1% of a district's population—raises flat prices by up to 3% and short-term rents by roughly 1% (Causa et al., 2021; Ünal et al., 2024). Evidence from Italy and Spain suggests that a 1% rise in immigration is typically associated with rent increases of 0.5–1%, while house prices rise by almost twice that amount (Cochrane & Poot, 2019). Such effects are particularly visible in countries where rapid economic expansion has attracted foreign labour without corresponding increases in housing construction, such as in Malta and Ireland (Eurofound, 2023).

- **The role of regulatory and planning bottlenecks on housing demand pressures**

Housing supply across the EU is already constrained and slow to adjust (Cochrane & Poot, 2019; Solf et al., 2024). Where land-use regulations, planning constraints and construction bottlenecks limit supply elasticity (see Chapter 5), demand rises faster than the number of dwellings produced, leading to price inflation (Cochrane & Poot, 2019). Crucially, migration interacts with these conditions rather than causing them. Structural shortages, underbuilding and rising construction costs long predate recent migration flows and significantly shape housing outcomes (Leroy, 2025). These pressures are further intensified where governments underinvest in affordable and social housing, where responsibilities are

[66] APCEspaña (Asociación de Promotores Constructores de España) is the national association representing real-estate developers and home-builders in Spain.

fragmented across national, regional and local levels, and where lengthy bureaucratic procedures, weak regulation of private rentals and speculative investment distort access and reduce the available affordable stock (Hanhörster & Ramos Lobato, 2021; EWSI, 2023; Dickinson, 2023; Századvég, 2024).

Interview evidence reinforces this interpretation. A representative from Build Europe Norway stressed that in Norway migration is not perceived as a source of housing strain in itself, but rather as a predictable component of demographic change. They emphasised that pressures emerge only when systems fail to plan for population growth. Therefore, Norwegian authorities closely monitor demographic trends and work with industry and municipalities to align housing provision with expected needs. This proactive coordination means migration does not generate additional housing pressures. Instead, the interviewee's insights underline that it is structural supply constraints and insufficient planning that drive housing stress also more broadly across the EU. The Norwegian example is particularly valuable for the EU because it demonstrates that migration-related housing pressures are not inevitable but depend on how well institutional systems anticipate and absorb population change. The Norwegian case underscores that policy capacity, planning systems, and supply responsiveness—not the scale of migration—determine whether demographic change produces housing stress.

As the European Web Site on Integration (EWSI) (2023) analysis stresses, and as was discussed in Chapter 3.2.e, often it is migrants themselves who disproportionately bear the consequences of these systemic failures. For instance, they face long waiting lists, administrative barriers, widespread discrimination, and homelessness. In contrast, interconnected well-designed housing and integration policies prevent competition between newcomers and existing residents and can help assure that all persons have access to an affordable home (Hanhörster & Ramos Lobato, 2020; Colomb & Gallent, 2022; Dickinson, 2023). Examples of such measures are inclusive planning, social mixing, and collaborative housing which reduce tensions and strengthen cohesion (Dickinson, 2023).

Sudden inflows, such as the arrival of displaced Ukrainians in 2022, further illustrate the importance of institutional settings. Access to credit, rent regulation, social housing availability and emergency accommodation systems can either mitigate or intensify local impacts (Cochrane & Poot, 2019; Trojanek & Głuszak, 2022). For example, in France, where a comparatively large social housing sector helped absorb part of the inflow, price pressures linked to the arrival of Ukrainians were more contained. In Spain, by contrast, where the system is more market-driven and social housing is limited, the arrival of Ukrainians generated stronger and more regionally uneven pressure on local markets (Eurofound, 2024).

- **Internal mobility and housing demand**

The influence of migration on housing demand is also shaped by internal mobility within MS. On the one hand, movements from rural areas and smaller towns into metropolitan regions for employment and services continue to reinforce pressure in major cities (Stawarz et al., 2020; Jarzebski et al., 2021; Sanchis-Guarner, 2023; Stavreva-Pancheva, 2024; Licchetta et al., 2025). Despite the temporary 'urban flight' during the COVID-19 lockdowns, demand for inner-city housing rebounded in the second half of 2021 (Colomb & Gallent, 2022). On the other hand, residential mobility patterns such as counter-urbanisation and rural relocations, including moves back to smaller towns and amenity areas facilitated

by remote working, are reshaping local housing markets (Colomb & Gallent, 2022; Leroy, 2025). EWSI (2023) highlights that rural housing schemes can successfully attract both migrants and returnees, but insufficient infrastructure often means newcomers eventually gravitate back to cities.

Overall, migration and mobility patterns clearly influence housing demand and affordability across Europe, particularly where supply is constrained and construction lags behind demographic changes. As a long-standing and predictable feature of socio-economic development, migration itself is not the source of pressure; rather, difficulties arise when housing systems fail to plan for and adapt to population change. Evidence shows that its impact on housing demand can be managed sustainably when countries expand affordable housing, strengthen governance, regulate markets and invest in inclusive integration measures. When authorities align housing provision with population realities, migration becomes an opportunity rather than a burden, supporting labour markets, enriching communities and strengthening social cohesion (Howard, 2020; EWSI, 2023; Dickinson, 2023; Leroy, 2025; Századvég, 2024; Altaf & Pandey, 2025).

5. MAIN FACTORS IMPACTING THE SUPPLY OF HOUSING

KEY FINDINGS

- **Strict land-use rules, and long planning procedures** limit where new homes can be built and push up land prices, reducing the viability of development. Slow or fragmented planning systems often prevent available land from being released efficiently, while unclear responsibilities between national and local levels add further delays. Stronger governance, including clear institutional roles, and the strategic use of brownfield sites can ease these constraints, particularly when paired with public–private partnerships that enable municipalities and developers to bring forward affordable housing even where land is scarce.

- **Construction costs** have escalated due to surging material prices and rising sustainability requirements, making many projects financially unviable. Limited digital uptake and acute skilled labour shortages further delay delivery and push up costs. Innovative methods such as modular building and adaptive reuse show strong potential, but their wider deployment depends on more supportive regulation, investment in skills and greater incentives to modernise the construction sector.

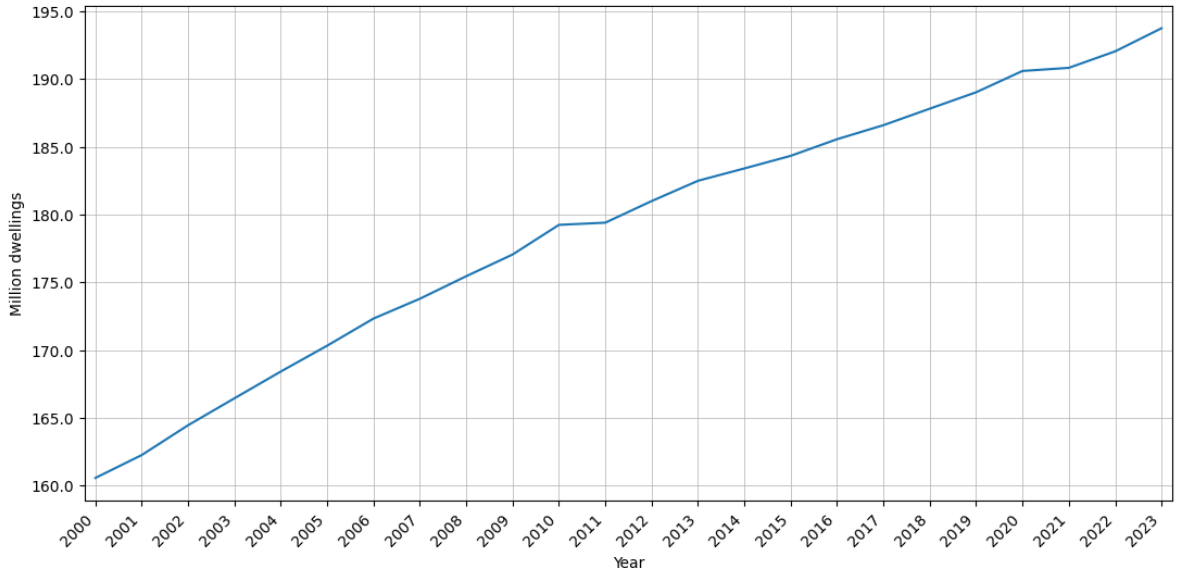
- **Administrative and regulatory barriers**, especially slow permitting processes—substantially reduce supply responsiveness across the EU. Building permit issuance fell sharply after 2021. In 2024, 60% of construction firms reported waiting more than a year for approvals. Even after permits are granted, many projects do not begin due to fragmented procedures, lengthy consultations, and overlapping authority requirements. These delays create uncertainty, raise compliance costs and deter investment.

- **Short-term rentals (STRs)** are reducing the availability of long-term housing in numerous high-demand cities and tourist regions. As of mid-2025, the EU hosted over 4 million short-term rental listings, with a record 48.5 million guest nights in June 2025 alone. Research indicates that in, saturated markets or neighbourhoods, STRs can account for a certain amount of the price increases.

- **Social housing** plays an important stabilising role in house prices and is an important source of affordable housing. Its share of the total housing stock, however, has been declining for a decade. Across the EU there are around 14 million social housing dwellings, representing just 8% of the total housing stock—down from roughly 11% in 2010. Many Member States have not expanded their social housing stock in line with population growth, leaving growing numbers of low-income households dependent on tight private rental markets. Declining public investment, privatisation trends and slow construction rates have all contributed to shortages.

The housing shortage across all of Europe has grown to an estimated 9.6 million homes in 2024, a figure that is equivalent to approximately 3.5% of the current housing stock (CBRE, 2025). To understand the EU's housing shortage, it is essential to examine the supply-side factors that hinder the creation of new homes. While the number of dwellings in the EU has continued to grow, recent analysis shows that the housing supply is still failing to keep pace with underlying demand drivers such as population growth, household formation and urbanisation. The 2025 study by the EC finds that supply lags behind due to regulatory barriers, rising land and construction costs, and inefficiencies in the construction sector, which constrains the rate at which new homes can be added across the Union (Cousin et al., 2025). As shown in Figure 31, the number of occupied dwellings is steadily growing, but the supply and how it is used still falls short of meeting the various types of demand, signalling certain supply constraints (Cousin et al., 2025; EIB, 2025a).

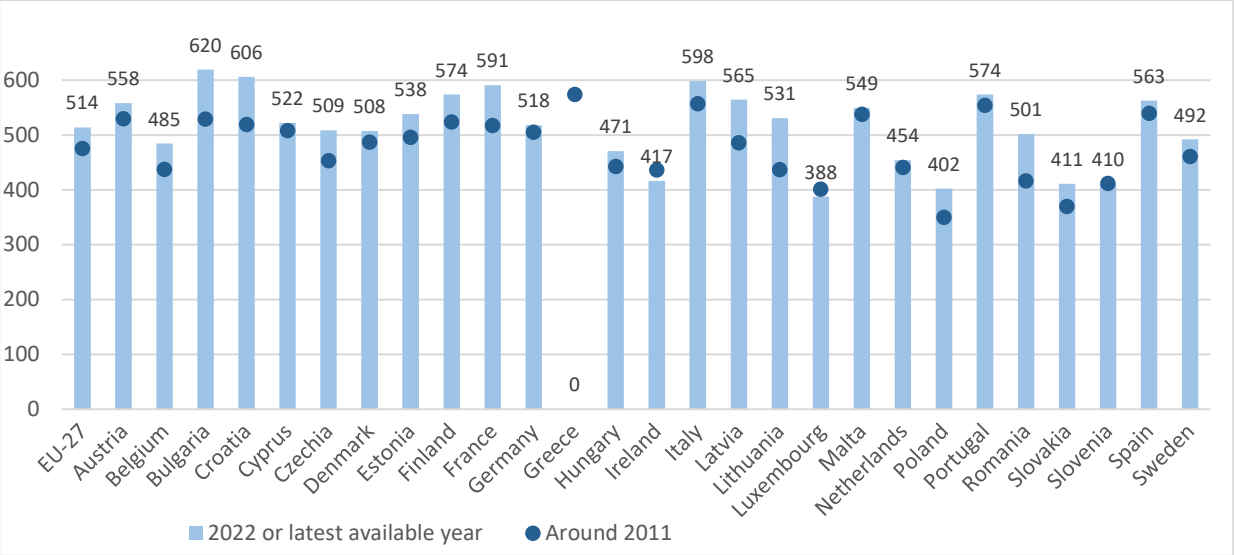
Figure 31: Stock of permanently occupied dwellings in the EU, 2000-2023



Source: ODYSEE-MURE indicators, https://www.indicators.odyssee-mure.eu/key-indicators.html.

Moreover, comparative data on the housing stock per capita in MS (see Figure 32) indicate differences across EU countries. Though in most MS and in the EU-27 on average the number of dwellings per capita increased from 2011-2022, Ireland and Luxembourg experienced a slight decrease, while in Cyprus, Denmark, Germany, the Netherlands and Slovenia the number of dwellings remained stable (OECD, 2024).

Figure 32: The number of dwellings per thousand inhabitants in EU Member States, around 2022 or latest year available



Source: OECD, 2024b, HM1.1 – Housing Stock and Construction (Affordable Housing Database), OECD, Paris. Available at: https://www.oecd.org/data/oecd-affordable-housing-database.htm. Note: there are no recent data available on Greece.

These differences across MS reflect structural constraints affecting housing supply, such as land availability, construction costs, regulatory barriers, and availability of social housing, that can be identified in the literature and are further examined in this Chapter. The analysis explores how land-use rules, zoning laws, and the growth of STRs have contributed to the housing shortage, and discusses efforts to address these issues, such as housing renovation initiatives and new construction models that aim to meet sustainability and affordability goals.

5.1. Land availability and land-use rules

Land policies address the inherently scarce resource of land (Hartmann et al., 2025). Many EU countries are grappling with a shortage of land that is both physically developable and permitted for housing (Shahab et al., 2020; Renhart, 2023). This includes regions with geographic constraints, protected areas, or strict environmental rules, as well as city centres. European city centres are already very dense, and many are hemmed in by natural or planned barriers (parks, greenbelts and protected areas) that make it difficult for cities to physically expand in- and outwards (Shahab et al., 2020; Siemplenski Lefort, 2025). A study by the EC (2019) on housing affordability shows that limited land availability is a major constraint on new housing supply. Rising land costs – driven not only by physical scarcity but also by regulatory restrictions, expectations of further value increases and speculative pressures – significantly raise development costs. As the study notes, developers face increasing difficulty securing affordable sites, especially in high-productivity urban centres, which slows the delivery of new housing and reinforces structural shortages. In Germany, for example, districts with high existing development intensity (i.e. where much of the land has already been developed) have much lower elasticities of housing supply (Beze, 2023). That is, when demand increases (for example, due to demographic pressure, migration, population mobility or economic drivers as presented in Chapter 4.2.2), they

cannot respond much via new housing because there is either little vacant buildable land, tight land-use rules, or both[67].

- **The impact of planning rules on land availability**

Land availability is not just a geographic reality but also a product of policy. Land-use rules and planning regulations critically shape how much land can be used for housing. In the EU, local and regional authorities control land use, zoning, and building permits, giving them significant influence over urban development (Licchetta, 2025; Hartmann et al., 2025). Strict zoning laws can limit the areas where new housing is permitted or cap the density (e.g. by setting height limits or reserving land for single-family homes) (Renhart, 2023). At the same time, overly loose legislation can cause speculative sprawl, mismatches between development and infrastructure capacity and protracted disputes that delay delivery, raising costs and eroding public trust (Hartmann et al., 2025). Several studies have linked land-use policies and urban planning to higher housing costs (Alves, 2019; Goytia & Heikkila, 2022; Eurofound, 2023).

Drawing on data from 191 metropolitan areas in 75 countries, including European cities in Austria, Belgium, France, Germany, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, and Spain, the global study by Goytia and Heikkila (2022) finds that more stringent land-use regulations are generally associated with higher land and housing prices. The evidence suggests that restrictive measures such as minimum plot sizes, density limits and growth controls constrain the supply of housing, which places upward pressure on prices as demand rises. Although the study confirms this relationship across a wide range of contexts, it does not quantify a universal effect size, because the impact varies with local enforcement capacity, institutional settings and the stage of urbanisation.

See some examples of land-use policies and their effects from countries across MS in Table 5 below.

Table 5: Examples of land-use policy across MS

Country	Land-use policy and its effects on housing
Austria	Land-use policy balances affordable housing goals with scarce developable land. Municipalities manage zoning and urban expansion within a system that protects private property and agricultural land. Due to the limited buildable land—especially in Alpine and tourist regions—competition between residential and commercial use drives prices up. Strong regulation and cooperation with non-profit developers supports affordability, but expanding supply remains constrained by geography, tight planning rules and strong privacy laws (Schindelegger & Seher, 2025; Hartmann et al., 2025)

[67] Ibid.

Country	Land-use policy and its effects on housing
Belgium	Belgium is described as a "landowners' paradise", where most land is privately owned and municipalities have weak instruments to steer or acquire it. Decentralised planning and powerful private ownership make it difficult to coordinate development or control land take. Efforts to reduce land consumption (e.g. through 'zero net land take' targets, meaning that any new development on open land must be offset by restoring an equivalent area of built-up land to open space) aim to limit sprawl but also restrict new housing in high-demand areas, deepening affordability pressures and reinforcing urban sprawl outside regulated zones (Halleux & Leinfelder, 2025).
Czechia	The Czech planning framework is underregulated and fragmented, with vague land-use plans and limited municipal tools. Developers hold a strong influence over what is built, and land-use disputes are often settled through lengthy administrative and legal procedures. This causes major delays and uncertainty, leaving land idle and constraining new housing supply. The result is that even where land is available, institutional weakness prevents effective use for residential development (Vejchodská, 2025).
Finland	Finland's model of public land development remains strong. Municipalities acquire, plan, service and then sell or lease land for development, ensuring a steady pipeline of buildable plots. This gives local governments direct control over where and how housing is built, supporting affordable and sustainable growth. However, as brownfield redevelopment becomes more common, municipalities face greater financial risks and longer timelines due to the high upfront costs of remediation and infrastructure (Valtonen & Falkenbach, 2025).
Sweden	Sweden's system combines municipal ownership of land with detailed local planning and high sustainability standards. While this allows cities to align housing development with long-term environmental and social goals, it also creates what scholars call a "paradoxical difficulty" in producing affordable housing. Complex local procedures and cautious land allocation slows construction, and the focus on quality and environmental performance contributes to persistent high prices in growing urban regions (Granath Hansson, 2025).

Country	Land-use policy and its effects on housing
Spain	In Madrid, the regional government introduced a temporary regulatory regime under Ley ('Law') 3/2024 that allows land and buildings designated for office (tertiary) use to be converted into affordable rental housing without formal urban-plan amendments, provided the resulting units are leased as affordable homes for a set period (e.g. 15 years). This measure, which has generated thousands of new building licences in the city and neighbouring areas, aims to unlock under-utilised space to increase affordable housing supply (Ley 3/2024, de 28 de junio). In the Canary Islands, the regional Sustainable Tourism Housing Law (2025) and related planning measures give municipalities control over the zoning of housing and tourism uses, with requirements of least 90% of the housing stock to be dedicated to permanent residential use and restrictions on tourist accommodation where it undermines local housing supply. Under this framework, land originally designated for tourism that does not result in hotel or tourist facility development is increasingly being prioritised for residential and protected housing by local authorities, helping to mitigate tourist-driven displacement (Parlamento de Canarias, 2025).

Source: compiled by the authors.

The approaches to land-use planning in EU countries often emphasise comprehensive urban plans and growth management. While this can promote sustainable development, it sometimes slows the release of new land for housing. For instance, the UK (though no longer in the EU, still relevant for comparison) has an exceptionally restrictive planning system, and instead of a rules-based zoning approach, each development in England is subject to discretionary, case-by-case approval by local councils (Watling & Breach, 2023). This *ad hoc* system has been cited as a core reason behind Britain's housing shortfall (Ibid.).

Interviews with stakeholders from Spain and Norway referred to similar patterns, relating to land planning and zoning, though the mechanisms differ across countries. Representatives from APCEspaña described Spain's urban planning laws as slow, complex and legally fragile, with revisions to the general plans often taking years and sometimes needing to restart after court challenges. This contributes to a chronic shortage of ready-to-build land, particularly in metropolitan areas such as Madrid. The interviewee from Norway Build Europe noted that Norway's main bottleneck is the duration of permitting and zoning procedures, which substantially delays the release of development land and is exacerbated by high construction costs and a high VAT rate on new housing. Despite these national differences, both interviewees emphasised that protracted planning and approval processes are a major constraint on the timely delivery of new housing.

Policies aiming to reduce the amount of land converted to urban use (e.g. to preserve agricultural land, natural habitats, or limit urban sprawl) may make housing harder to build because they restrict the conversion of non-urban land (Hartmann et al., 2025). For example, in Malta, which faces severe space limitations, much of the land is classified as outside development zones, making it unavailable for new housing despite increasing demand (Shahab et al., 2020).

- **Strategies to overcome land scarcity**

In response to these constraints, governments in Germany and the Netherlands have sought to promote higher density, urban infill[68] and the redevelopment of brownfield sites[69]. In the Netherlands, for instance, restrictions on greenfield[70] development and the protection of designated areas such as the Dutch "Green Heart" reduces available land and shifts pressure onto brownfield redevelopment and densification (Satsangi et al., 2020). Another great example is in Freiburg (Germany), where two flagship eco-districts were developed entirely on brownfield land. Rieselfeld is a high-density mixed neighbourhood built between 1994 and 2010 on a 78-hectare former airport site, providing around 4,200 dwellings for some 12,500 residents, with a substantial share of social and affordable housing and generous green space. The district of Vauban, also part of Freiburg, was developed between 1998 and 2006 on a 42-hectare former military barracks site as a compact, tram-served, largely car-reduced district of around 2,000 dwellings, many delivered through co-operative self-build groups that combined lower costs with high energy performance. Together, these projects show how remediated brownfields can deliver thousands of new homes, improving urban amenity and ambitious environmental standards while limiting expansion into surrounding green areas (for more information on the Freiburg case refer to Annex I. Case studies).

The case of Freiburg also shows the importance of aligning municipal housing and climate strategies with national policy and targets (e.g. net-zero targets). Germany has committed to achieving a nearly climate-neutral building stock by mid-century, and Freiburg's early adoption of binding low-energy standards anticipated this trajectory. By introducing strict efficiency rules in 1992 and embedding them in land policy, the city not only advanced its own housing and climate objectives but also demonstrated that such standards were technically and financially feasible. In France, by contrast, the "Zero Net Land Take" objective restricts the conversion of natural land for new construction, even as municipalities seek to expand housing to attract residents (Bivic et al., 2025). Taken together, these examples highlight how the interaction between national frameworks and local priorities can either reinforce or create tensions in housing policy, shaping both the scale of delivery and its affordability. National and municipal goals can be mutually supportive when well-coordinated, ensuring that housing growth advances environmental commitments rather than competing with them.

Clearly defining the responsibilities of the central government and municipalities is essential. The OECD Governance of Land Use recommendations highlight the need for flexible multi-level governance systems and innovative financial tools that foster cooperation and ensure that public investment delivers greater impact for citizens' wellbeing (OECD, 2017). Across MS, devolution has shifted more authority to municipalities, giving them the flexibility to tailor development to local needs, infrastructure limits, and environmental concerns (European Parliament, 2022; Beze, 2023; Hartman et

[68] Urban infill refers to the process of developing vacant, underused, or derelict land within existing built-up areas, rather than expanding a city outward into undeveloped land.

[69] A brownfield site is a land that has previously been developed and used for industrial, commercial, or other urban purposes, and which is now vacant, underused, or derelict.

[70] A greenfield site is an undeveloped land, such as an agricultural field or natural landscape.

al., 2025). Yet, without streamlined procedures, this often results in fragmented systems where each municipality has its own complex process for permits or rezoning.

- **Leveraging public–private collaboration for housing supply**

EU countries are also experimenting with public-private partnerships, community land trusts, and cooperative housing models to stimulate supply (European Parliament, 2025b; Devis et al., 2022; Imme, 2025). For instance, some cities provide low-cost or free public land to developers who agree to build a certain share of affordable housing or employ green building techniques, effectively leveraging land availability to get the type of housing that is needed most.

Numerous of the housing experts interviewed pointed to practices in Austria, Denmark, France, Sweden and Ireland, noting that these countries provide subsidies to housing providers that serve both low- and middle-income households. For Austria, for example, the interviewee from the Austrian Construction Institute explained how limited-profit housing associations rely on sustained provincial subsidies to deliver a large share of affordable rented homes, enabling them to offer stable, below-market rents to a broad income range. The interviewees from the Danish Social Housing Federation and from the Sweden Malmö University highlighted similar long-standing frameworks in which non-profit or municipal housing providers receive capital grants or favourable financing, which help them keep rents affordable and maintain mixed-income accessibility. Then, the interviewees from Housing Europe and Ireland noted that subsidy schemes for private developers in France and Ireland allow providers to construct or renovate dwellings that would otherwise be financially unviable without public support. Another example is Plan VIVE ('live') in Spain, which makes public land available for private delivery, enabling thousands of affordable homes (around 8,500 within four years) that would not be feasible without the underlying subsidies.

All examples of public-private partnerships identified in the interviews are summarised in the Table 6 below.

Table 6: Examples of public-private partnerships across the EU

Country/City	Type of partnership/mandate	Description/mechanisms
Spain	Plan VIVE ('live') (Madrid region)	The regional public administration provides ready-to-build public land to developers for 50 or 75 years to build and manage affordable housing. This model is being adopted by other regions like Andalusia, Valencia, and Catalonia.
	Housing Metropoli Barcelona	A public-private corporation (50% public, 50% private) with the Barcelona City Council and metropolitan area as public owners, aiming to build affordable housing units.
	Private sector in social housing	Spain has an "open system" where private property owners and real estate companies can be involved in providing social housing. Social housing is built by the private sector, while affordable housing can be built through collaboration or by the private sector with fixed prices per square meter.
Netherlands	Mandatory inclusion	In the Netherlands, housing policy is shaped by a national framework that obliges municipalities to programme a minimum share of new housing as affordable or social rental, often by requiring 30% social housing in areas with low existing stocks and 40% affordable/mid-rent in areas with higher stocks. Housing associations, which own around three-quarters of the rented stock, are regulated to allocate most vacancies to low-income households, with limited flexibility for middle-income groups (Government of the Netherlands, 2024). Local development agreements (*spelregels*) often formalise these inclusion shares in private building promotions, requiring significant proportions of affordable housing in new projects (Municipality of Zandvoort & Zuid-Kennemerland, 2023).
Austria	Regulated housing associations	In Austria, housing associations operate under the Wohnungsgemeinnützigkeitsgesetz (WGG, *Limited Profit Housing Act*), which grants them a special "limited-profit" status that subjects them to statutory obligations on cost-based rents, profit limitations and reinvestment of surpluses, in exchange for public benefits such as tax exemptions. Although technically private organisations, they are heavily regulated and rely on public subsidies administered by provincial governments to finance affordable housing construction and renovation. Under this framework, housing associations must fix rents to cover only costs and reinvest surpluses in new or existing housing, contributing significantly to Austria's social housing stock (with limited-profit providers and municipal housing together comprising around 24% of the total) and helping to anchor affordability across a broader segment of the population (Wohnungsgemeinnützigkeitsgesetz (WGG); Austrian Federation of Limited-Profit Housing Associations, 2025; Housing Europe Observatory, 2025).

Country/City	Type of partnership/mandate	Description/mechanisms
Sweden	NGOs and collaborative models	NGOs build housing outside the municipal waiting list system, allowing for more direct and flexible allocation. Public-private partnerships and cooperative housing initiatives involving municipalities, NGOs, and private investors exist, though scaling these models is a challenge.
Italy (Bologna)	Neighbourhood renovation	The municipality, which owns a social housing building, cooperated with a social housing provider, a social cooperative, and local associations to renovate a social housing neighbourhood and create a social mix.
Finland	Housing Finance and Development Centre of Finland (ARA) system and non-profits	The public sector, particularly municipalities, holds the main responsibility for social housing. The ARA system enables the private sector to build affordable homes. Various non-profit organisations also participate in producing all types of housing, especially for groups needing special support.
	MAL system	A system between the Finnish state and large municipal regions where cities negotiate with the government to plan enough plots for different types of housing, with the government investing in transportation and other necessary infrastructure.
Ireland	Land development agency (LDA)	The LDA specifically delivers cost-rental and affordable homes and calls for private developers to help deliver these sites. Local authorities also work with private developers to deliver affordable housing, though bureaucracy is a challenge.
Germany	Open system for social housing	Germany has an open system where private property owners and real estate companies can be involved in providing social housing, benefiting from tax advantages with strict requirements.

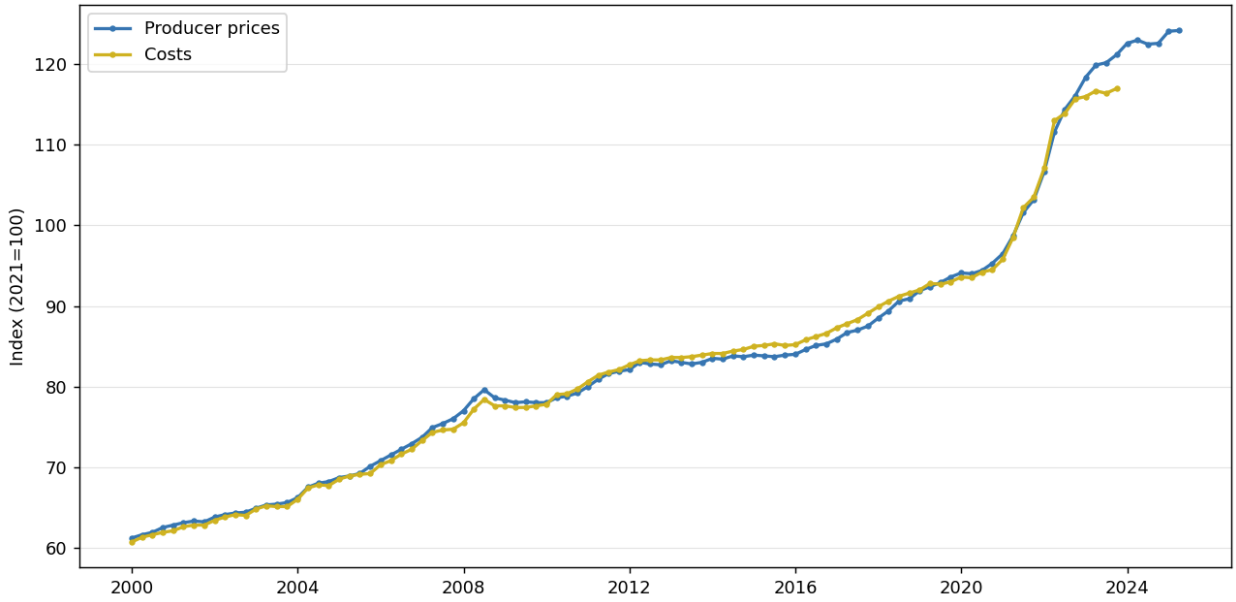
Source: interview findings.

All in all, land availability for housing in Europe is not only limited by geography but also by the way land is regulated, managed, and reused. Across MS, rigid planning systems can slow the release of land, while weak regulation and fragmented governance can lead to speculative or inefficient use. Countries with strong public land management, such as Finland and Austria, demonstrate how coordinated planning can support housing affordability. Yet, these systems can face high costs and slower delivery, especially when shifting towards brownfield redevelopment. In contrast, settings with dominant private ownership, such as Belgium and Czechia, often lack the instruments to guide land use effectively, resulting in underutilised plots and long approval delays. A more balanced approach is needed—one that strengthens municipal capacity, integrates housing goals into land-use planning, and makes better use of existing urban land through brownfield regeneration. Public-private partnerships can be instrumental in this process, combining public oversight with private investment to deliver affordable and sustainable housing at scale.

5.2. Rising construction costs and industry challenges

Even when land is available, high construction material costs and limited sector capacity, including shortages of skilled labour and constrained production capabilities, restrict the supply of new housing. In recent years, Europe has faced sharply rising construction costs, which act as a brake on new housing developments (see Figure 33). The year 2021 marked a dynamic upturn in these costs, with most MS recording double-digit increases in 2022 and further, albeit slower, growth in 2023–2024 (Ibid.). Even the countries with the lowest increases, such as Greece and the Netherlands (both at 6.8%), experienced rates that were high compared to previous years (Eurostat, 2024c).

Figure 33: Indexed trends in construction producer prices and costs, EU-27, 2000-2025



Source: Eurostat, sts_copi_q.

- **Cost pressures from materials and sustainability requirements**

Several factors contributed to the increases in costs. For one, the supply chain disruptions during the COVID-19 pandemic and the increases in energy costs following the war in Ukraine (and the subsequent imposed Russian sanctions) play a role. These factors have caused materials such as lumber, steel and cement to become significantly more expensive (Stasiak-Betlejewska & Potkány, 2015; Eurostat, 2024c; Amca et al., 2025). For example, in Germany, in 2021, solid construction timber prices rose by 77.3%, roof battens by 65.1% and other structural timber by 61.4%, while in 2022, energy-intensive steel inputs also surged, with bar steel up 40.4%, bright steel up 39.1% and reinforcing mesh up 38.1%. By October 2023, cement and ready-mixed concrete were still about 22–25% higher year on year (Federal Statistical Office of Germany, 2023).

Rising construction costs in Europe are also increasingly linked to sustainability requirements. The push for energy-efficient and low-emission buildings has added pressure on budgets. Recent EU legislation on energy efficiency and sustainability, such as the Energy Performance of Buildings Directive and Energy Efficiency Directive (for more information on EU legislation refer to Chapter 7) have raised compliance and technical costs (De Jong, 2022; Voigtländer, 2025). Although sustainable construction

reduces operational costs over time, new materials and technologies require significant upfront investment. These requirements, while crucial to achieving climate goals, make balancing affordability with environmental targets increasingly difficult. According to interviewees representing developers' associations, businesses report growing caution due to regulatory complexity, including energy efficiency and sustainability requirements, and market uncertainty, while the EIB (2024) notes that energy and transition pressures are dampening investment confidence. Examples on the costs of new housing projects from Germany show that the combination of sharply rising material and labour costs, tighter regulatory requirements and high financing costs have significantly increased the cost base for new housing (Dorffmeister, 2025). According to Dorffmeister, per-square-metre construction costs for a single-family dwelling more than doubled from around EUR 1,360 in 2010 to roughly EUR 2,510 by the first half of 2024 — driven by elevated materials prices and regulatory demands — while planned completions have fallen far short of national targets, indicating that many projects no longer cover costs or are considered financially unviable under current conditions.

At the same time, the Freiburg case (for more information refer to Annex I. Case studies) showed that housing delivery and sustainable development can be mutually reinforcing when cities integrate compact urban form, brownfield redevelopment and low-carbon mobility into their growth strategies. Moreover, firm energy-efficiency requirements do not impede affordability when paired with practical support tools—such as technical guidance, concept-based land allocation and targeted financial instruments—which help builders meet higher standards without prohibitive cost burdens.

- **Digitalisation and technological uptake**

Digitalisation has the potential to reduce construction costs and make the construction sector more effective. However, the construction sector in Europe is dominated by small firms with limited capacity to invest in new technologies. Across the EU, there are more than 3.8 million construction enterprises, and 95% of them employ fewer than 20 workers (European Construction Industry Federation (FIEC), 2025). Estimates suggest that roughly 75% of construction companies in the EU do not implement digital innovations (Siemplenski Lefort, 2025). Many still rely on traditional, labour-intensive methods, and struggle to adopt digital tools or modern equipment that could make building faster and more efficient (Ibid.). These structural challenges contribute to high unit costs and frequent project delays (Siemplenski Lefort, 2025).

Digitalisation is generally seen as a weak point of the construction sector but also as an opportunity to improve productivity. According to the European Construction Sector Observatory (ECSO) (2024), technologies such as Building Information Modelling (BIM), sensors, 3D scanning, drones, and digital permitting systems are increasingly used across different project stages.

BIM is now mandatory for public procurement in several countries (e.g. the Netherlands, Denmark, and Finland) to help improve coordination and reduce design errors. In Estonia and Finland, advanced digital building permit systems and 3D property registries have streamlined administrative processes and increased transparency. Automation tools, such as robots and 3D printing, are emerging but remain limited to specific applications. Drones are becoming widespread for site monitoring, while sensors and

Internet of Things (IoT) solutions[71] are improving energy efficiency and maintenance in buildings (ECSO, 2021). Yet, adaptation remains uneven. The Royal Institution of Chartered Surveyors' (RICS) *Digitalisation in Construction Report 2024* reveals that, at the global level, Europe performs below other regions in several key areas of digital adoption, particularly whole-life/whole-asset thinking (46% rate of application), integration of environmental, social and governance principles (49% rate), and social-value measurement (45% rate), where it records the lowest index among all regions. While Europe's adoption levels in traditional functions such as cost estimation and planning are close to the global average, it consistently lags behind the Asia–Pacific region, the Middle East and Africa, and the UK and Ireland in more advanced and sustainability-oriented uses of digital tools. According to the RICS (2024) report, these gaps are mostly driven by capability and skills constraints, which hinder progress in areas where other regions are rapidly advancing and to a lesser extent by client demand.

Overall, results from these digital innovations show that projects using BIM or integrated data systems achieve shorter delivery times, less rework, better cost control and improved sustainability performance. Digitalisation has also improved safety management, documentation quality and the overall efficiency of delivering construction tasks. However, barriers such as high upfront investment costs, a shortage of digital skills and low adoption among small and medium-sized enterprises (SMEs) continue to limit wider uptake (ECSO, 2021; RICS, 2024).

- **Skilled labour shortages**

Another major structural issue affecting the European construction sector is the persistent shortage of skilled labour, amplifying affordability challenges in both housing and infrastructure delivery (FIEC, 2023). The European Labour Authority (2024) reports that the industry faces some of the most severe workforce constraints across the single market, particularly in construction and engineering crafts. This challenge, which has intensified since the COVID-19 pandemic, reflects broader demographic, economic and technological shifts. Many experienced workers are retiring, too few young people are entering the sector and digitalisation, and the green transition are increasing demand for skills that many current workers do not yet have (European Labour Authority, 2024). These pressures reduce the number of workers available for key tasks, making many firms too slow or postpone projects. At the same time, the sector's unattractive image and often precarious working conditions continue to deter potential entrants, contributing to persistent mismatches between jobseekers' expectations and available positions (Stasiak-Betlejewska & Potkány, 2015; FIEC, 2023; Voigtländer, 2025). The effects of these shortages are tangible. Labour bottlenecks delay construction projects, push up subcontractor and overall labour costs, and ultimately reduce productivity.

Addressing this issue requires coordinated investment in skills, training and labour mobility. Strengthening upskilling and reskilling programmes through vocational education and adult learning can help workers acquire the digital, technical and environmental skills needed for modern construction (FIEC, 2023; Sadeh et al., 2024; Rowley & Goff, 2025). For example, in Belgium, companies fund education and research centres, ensuring that the workforce remains skilful and adapted (Voigtländer,

[71] IoT refers to interconnected devices and sensors that collect and share data in real time. In buildings, IoT systems help monitor energy use, detect maintenance issues early and optimise heating, lighting and ventilation.

2025). Improving the attractiveness of the sector—through better working conditions, visible career paths and targeted efforts to recruit women and young workers—would also help reverse declining participation. In the short term, facilitating cross-border mobility within the EU and easing access for skilled third-country nationals can help fill immediate gaps (Juricic et al., 2021; FIEC, 2023; Voigtländer, 2025).

- **Innovative approaches to reducing construction costs**

When asked about innovative approaches to addressing supply shortages, several housing experts noted that some MS are exploring ways to ease certain requirements for building construction in order to reduce construction costs. During the interviews, a representative from Malmö University explained that Sweden recently relaxed some accessibility standards for new buildings, particularly student housing, arguing that the previous requirement for 100% of units to be fully accessible was unnecessary in this context and added significantly to construction costs. The expert from the German Federation of Housing Companies reported similar discussions in Germany, where policymakers are debating how to balance deep renovation with affordability; this has led to growing support for "middle renovation" options that achieve substantial energy improvements at a much lower cost than full-scale refurbishments.

However, relaxing accessibility standards or shifting from full to "middle" renovation carries the risk of embedding long-term inequalities in the built environment, particularly if reduced standards limit the usability of housing for people with disabilities or older residents. Such approaches may also create future retrofit burdens, as buildings constructed or renovated to lower specifications may require costly upgrades later to meet evolving demographic needs or regulatory requirements. A representative from the World Green Building Council pointed to these risks and emphasised the importance of circularity and material reuse, which could reduce costs and contribute to sustainability, including designing buildings for disassembly so that components such as windows can be recovered and used again. They also pointed to a shift towards industrialised construction and more standardised and replicable building types, which can be delivered more quickly, reduce emissions and help address current capacity constraints.

Research by Wolfs et al. (2023), Svatoš-Ražnjević et al. (2025) and Smith (2025), among others, also highlight the growing relevance of alternative construction methods that can deliver homes more quickly, be replicated at scale, reduce costs and minimise the carbon footprint of new development. These studies argue that policies and regulations should actively encourage renovation and modern construction approaches by providing incentives for advanced building techniques and higher-quality housing outcomes. According to the interviewed housing expert from the International Union of Property Owners, addressing these challenges in a coordinated way is essential. The main innovative construction techniques identified in the literature are summarised in Table 7 below.

Table 7: The main innovative construction techniques – their benefits, challenges, and potential for expansion

Technique	Definition	Main benefits	Key challenges	Current use examples	Potential for expansion
Modular (off-site/prefabricated) construction	A building method where housing units or components are manufactured in factories, then transported and assembled on-site	Shortens construction time (factory-built units assembled on-site in days), lowers costs, reduces waste, improves energy efficiency (solar panels, insulation, smart systems)	Logistics of transport and on-site assembly; initial investment in factory infrastructure	Rotterdam: 3,000 modular "popup" homes planned; Sweden: long tradition of prefabricated housing; Germany: thriving modular market (e.g. Huf Haus).	Strong potential across Europe, especially in areas with housing shortages
Mass timber (engineered wood)	Construction using advanced wood products such as cross-laminated timber, glued laminated timber, or laminated veneer lumber instead of concrete or steel.	Low-carbon alternative to concrete, lighter materials allow vertical extensions of existing buildings, faster assembly	Fire safety regulations, material supply chain constraints	Scandinavia and Austria: growing number of mid-rise timber apartments	Expansion possible in cities seeking densification with sustainable materials
3D printing of housing	Additive manufacturing technique that layers construction materials, often concrete or composites, to create walls or full structures directly from digital designs	Reduces material waste, potentially lower labour needs, innovative design possibilities	Still experimental, limited scale, requires specialised equipment and standards	Pilot projects in the Netherlands and Italy	Future potential once scalability and regulation improve
Adaptive reuse of existing structures	Conversion of non-residential or obsolete buildings (such as offices, warehouses, or shopping centres) into housing	Utilises existing shells (offices, warehouses, malls), quicker than new builds, revitalises urban areas	Regulatory hurdles, building suitability, retrofit costs	Many European cities converting empty office blocks post-pandemic	High potential in urban areas with vacant commercial stock

Source: Lu et al., 2021; Viros & Nappi, 2021; Zhang et al., 2024; Es-sebyty, Igouzal, & Ferretti, 2022; Wolfs et al., 2023; Svatoš-Ražnjević et al., 2025; Smith, 2025; JLL, 2025.

At EU level, the regulatory framework is beginning to accommodate these innovations: the revised Construction Products Regulation (CPR) (Regulation (EU) 2024/3110) (further discussed in Chapter 7.4) now explicitly includes 3D-printed products and reused construction products within its scope, whilst exempting prefabricated single-family houses of certain sizes to reduce regulatory burden (Regulation (EU) 2024/3110, Article 2). However, the CPR primarily establishes harmonised product standards rather than incentivising construction methods themselves. This gap between product-level regulation and method-level promotion is expected to be addressed through the forthcoming Strategy for Housing Construction (Q1 2026).

Altogether, the evidence shows that the construction sector in the EU faces a set of interlinked pressures that significantly constrain its capacity to deliver new housing. Rising costs for energy-intensive materials and compliance with sustainability requirements continue to erode project viability, while uneven digital uptake limits the ability of the construction sector to raise productivity and reduce delays. At the same time, severe shortages of skilled labour slow projects, push up labour costs and deepen affordability challenges. Although promising innovations, including modular construction, adaptive reuse, and adoption of digital solutions, exist, their wider rollout depends on regulatory flexibility, investment in skills, and stronger incentives for modern methods of construction. Policies that stabilise input costs, accelerate digital adoption, expand vocational pathways, and support scalable, low-carbon building techniques would strengthen sector capacity, ease supply bottlenecks, and improve the feasibility of delivering affordable and sustainable housing across the EU.

5.3. Regulatory and administrative barriers

Regulatory and administrative barriers have emerged as critical constraints on housing supply across the EU, contributing to the widening gap between housing demand and construction output. These barriers operate at multiple stages of the development process. Complex rules, lengthy procedures, and bureaucratic inertia significantly limit the rate of new housing supply across MS, including such countries as France, Germany, and Italy (Chapelle et al., 2023). The EU's climate and sustainability goals while highly important, cause a significant increase in project complexity in a short-term (Leontie, 2022; European Economic and Social Committee, 2025).

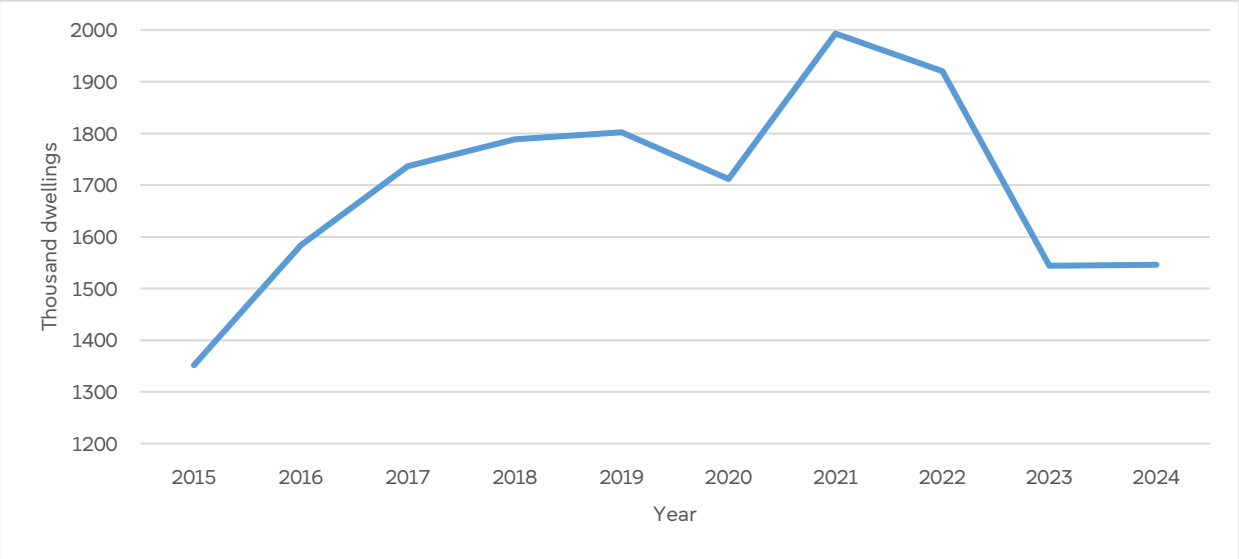
During the COVID-19 pandemic, administrative hurdles became even more apparent, as lockdowns and remote working slowed permit processing (Siemplenski Lefort, 2025). This chapter examines the nature and extent of regulatory and administrative barriers to residential construction, the post-permit challenges that delay project delivery, local opposition dynamics, and the reform measures that MS and EU institutions are deploying to accelerate housing supply.

- **Declining building permits and administrative complexity**

In recent years, the issuance of residential building permits in the EU has declined dramatically, signalling a reduced pipeline capacity for new housing (see Figure 34). Eurostat data shows that after a post-COVID-19 rebound in 2021, the approval of building permits in 2022 fell by 4.3% in floor area

and 3.6% in dwelling count, and by 2023 the declines had deepened to 14.6% and 19.6% respectively[72]. According to the FIEC 2025 *Statistical Report*, it is the administrative delays in addition to high construction costs that are significantly slowing implementation of construction projects across MS. The decline in building permits poses significant risks to economic growth and the achievement of the EU's green and housing transition goals, as it limits the speed at which new residential construction can be delivered.

Figure 34: Residential building permits in the EU-27, 2010-2024



Source: Eurostat, sts_cobp_a. Available at: https://doi.org/10.2908/STS_COBP_A.

This decline can be attributed to growing administrative complexity with overlapping responsibilities between agencies, fragmented regulatory frameworks, and limited institutional capacity within permitting authorities. At national level, MS are making efforts to reform their planning and permitting system to simplify and streamline processes. For example, in Spain, there are efforts to change national urban law to prevent minor mistakes in planning rules from invalidating an entire plan. These can currently delay land development for many years while plans are re-prepared and re-adopted (Baño León, 2020). It was also confirmed by an interviewee, who noted that "changes to general urban planning rules [are] taking over eight years to establish in Spain" and that currently "technical defects in planning rules can invalidate entire development plans, delaying land development by 10 to 16 years while plans are re-prepared and re-adopted". In addition, local opposition and insufficient digitalisation of permitting systems can further slow approval processes (European Network for Digital Building Permits, 2024). At EU level, the EC has recognised these challenges, launching a consultation in May 2025 as part of the already mentioned upcoming Strategy for Housing Construction[73] (expected Q1 2026).

[72] Eurostat, 2025d, *Building permits - annual data*, sts_cobp_a. Available at: https://doi.org/10.2908/STS_COBP_A.

[73] European Commission, 2025d, Call for Evidence on the European Strategy for Housing Construction. Available at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14762-European-strategy-for-housing-construction_en.

- **Post-permit barriers and infrastructure readiness**

However, the administrative barriers go beyond permitting. For example, in Germany, while building permits for new residential buildings have been falling, the start of construction on dwellings with already issued permits also decreased in 2023 (Dorffmeister, 2024). Fragmented post-permit procedures, extensive consultations and appeals from local residents without clear time limits and overlapping requirements at different levels of government mean that even after a permit is granted, developers face long lead times and rising compliance costs.

After obtaining a building permit, developers typically need to secure separate approvals or clearances from multiple agencies before construction can commence. These commonly include utility connection permits for water, sewage, electricity and gas from different providers; road and access permits from transport authorities; environmental compliance certifications; fire safety approvals; and archaeological or heritage clearances in protected areas. In metropolitan areas, this fragmentation is particularly acute. Evidence from Warsaw's housing programme illustrates the challenge: projects required coordination among the Ministry of Development, the national housing investment fund (PFR Nieruchomości), city housing departments, multiple district authorities, utility companies, and transport agencies. Decisions that took weeks in smaller cities stretched to months or years in the capital. Large portions of Warsaw lacked comprehensive zoning plans, requiring individual permits subject to lengthy environmental assessments, traffic studies, and heritage consultations (Najwyższa Izba Kontroli (NIK), 2022).

Infrastructure readiness presents another post-permit barrier. Metropolitan sites often lack basic infrastructure connections, requiring developers to fund and coordinate extensions before construction can begin. Warsaw's Białołęka project, for example, required multi-million złoty investments in water, sewage, and power infrastructure before construction could start, whereas smaller cities offered ready-to-build sites with existing connections (Wojtczuk, 2019). Electricity grid connection delays have become particularly problematic across the EU, with the European Commission (2024) identifying grid connection as a major bottleneck affecting both renewable energy and residential construction projects.

- **Local opposition and legal appeals**

Another factor related to regulatory and administrative barriers to residential construction projects is local opposition, often dubbed "NIMBYism" ('not in my backyard' sentiment) (Wicki et al., 2025; Wehr et al., 2025). Local residents sometimes oppose new development (especially higher-density or affordable housing projects) due to fears of congestion, environmental impacts, or loss of neighbourhood character (Arnold et al., 2015; Ferreri, 2020). In poorer neighbourhoods, opposition can also reflect genuine concerns about displacement as many residents face the threat of evictions or demolitions when land is cleared for middle- to high-income housing projects, which can accelerate gentrification and push out lower-income households. These complaints are valid and highlight the importance of ensuring that new construction includes genuinely affordable housing options rather than only market-rate developments (Ferreri, 2020).

Appeals and litigation represent a significant source of post-permit delay, particularly in MS with strong judicial review traditions. In systems where local councils have discretion to approve or reject proposals (as in the case-by-case planning system), organised local communities can succeed in blocking, delaying or shrinking housing projects. Thus, even when there is demand and developer interest, the "discretionary" nature of case-by-case planning can result in far fewer homes being built than planned, contributing to chronic shortages (Arnold et al., 2015; Watling & Breach, 2023). Several interviewed housing experts emphasised that in countries such as the Netherlands, Ireland, and Spain, neighbours frequently file legal objections to new developments. These objections often proceed through multiple rounds of court cases, thereby creating prolonged uncertainty and, in some cases, delaying projects for several years or even more than a decade:

- In the Netherlands, one in three new homes is now delayed by complaints from local residents. The Dutch Housing Minister has sought to limit the possibility of endless objections in court, noting that complainants sometimes strategically take cases to the Council of State (the highest administrative court) hoping that delay will lead to project cancellation (NL Times, 2024).
- In Ireland, the situation is particularly acute. The number of judicial reviews of planning board decisions rose by 74% between 2017 and 2020 (Office of the Planning Regulator, 2021). According to a 2024 industry report, construction of nearly 29,000 homes was held up by planning delays or court challenges—equivalent to almost one year's housing output (Mitchell McDermott, 2024). Of these, approximately 21,000 units in strategic housing developments were delayed by decision-making backlogs at An Bord Pleanála (the planning appeals board), with decisions overdue by an average of 16 months. A further 8,000 units were on hold due to judicial reviews. The report calculated that these delays added approximately EUR 6,000 to the cost of each housing unit.

By contrast, moving towards a clearer, rules-based approval system (where projects that meet zoning and code requirements cannot arbitrarily be stopped) is a reform that many economists recommend to reduce uncertainty and speed up construction (Nadin & Stead, 2023; Dembski & O'Brien, 2023). This idea is strongly supported by some of the interviewed housing experts in property development and social policies, who, when discussing the barriers to housing construction, emphasised that objections from neighbours should be time-bound and limited to a single round.

Sweden offers good practices on how to address "NIMBYism" through a structured and transparent planning system that embeds dialogue. The Planning and Building Act requires municipalities to consult residents early ("samråd") and again before final approval ("granskning"), ensuring that local concerns are heard and formally considered. Cities such as Stockholm and Malmö have developed participatory platforms and community dialogue programmes to explain projects, gather feedback and maintain communication throughout implementation. Municipal land allocation policies ("markanvisning") are also used to promote social mixing and quality standards, helping to counter fears of overconcentration or neighbourhood decline. This structured engagement process, combined with clear legal procedures for appeals, helps transform potential conflict into constructive dialogue and more widely accepted housing projects (NAD, 2025; Granath Hansson, 2025).

- **Reforms in Member States: digital permitting, statutory deadlines and one-stop shops**

EU countries have begun to acknowledge regulatory and administrative issues and taken steps to simplify and streamline permit and post-permit planning approvals. This includes, for example, digitising permitting processes, introducing one-stop shop approaches for permits and housing construction and setting statutory time limits for decisions, or granting automatic approvals when agencies delay beyond a deadline (Fauth, 2024).

Digital permitting systems have transformed application processes in leading MS:

- Estonia's e-ehitus platform[74] achieves a 98% digital submission rate and processes permits in an average of 31 days in 2023, down from 37 days in 2022. The system includes 47 automated compliance checks against the Building Code and supports BIM submissions (Kliimaministeerium, 2025).
- Finland's New Building Act (Rakentamislaki 751/2023), which entered into force in January 2025, will require all building permit applications to be submitted in BIM format from January 2026, with statutory deadlines of three months for standard permits and six months for complex projects (Government of Finland, 2023).
- Germany's Digitaler Bauantrag (Digital Building Application) now operates in 13 of 16 federal states, with Bavaria, Hamburg, and Lower Saxony having made digital applications mandatory from January 2024 (BMWSB, 2025).
- Poland's e-Budownictwo portal (e-Construction portal) supports full digital submission with a 14-day deadline for authorities to request corrections (Główny Urząd Nadzoru Budowlanego, 2025).

One-stop-shop approaches have consolidated fragmented permit processes, in several MS:

- The Netherlands' Environment and Planning Act *(Omgevingswet*), introduced in January 2024, consolidated 26 separate laws into one framework covering housing, spatial planning, construction, and environmental issues. The single digital portal (*Omgevingsloket*) replaced multiple separate permits with one application point. Under the new framework, the standard decision period for most environment and planning permit applications is 8 weeks, replacing the much longer and fragmented timelines that could go up to 26 weeks under the previous system (Government of the Netherlands, 2024).
- The Czech Republic's new Building Act (283/2021), effective as of July 2024 for residential buildings, implements a "one office, one procedure, one stamp" principle, consolidating separate zoning and construction permits into a single planning permit with statutory deadlines of 30 days for most residential permits (Ministerstvo pro místní rozvoj ČR, 2024).

[74] E-ehitus (the e-construction platform) is Estonia's national digital e-construction procedural environment that centralises building and use permit submissions and related construction procedures into one online system. It provides a single portal for submitting building permit applications (including digital documents) and links with the National Building Registry (EHR) and other spatial data services, enabling more efficient electronic processing and reducing reliance on paper-based workflows.

- Slovakia's reform package (Acts 200/2022 and 201/2022), effective April 2025, targets processing time of 40 working days, down from an average of 300 days previously, administered through the new Office for Spatial Planning and Construction (Stavebný úrad SR, 2024).

Statutory deadlines with tacit approval mechanisms (whereby an approval for a building permit is granted when authorities do not issue a decision within the legal deadline), have been introduced by some MS, which are driving faster decisions in the housing construction sector:

- Portugal's Simplex Urbanístico (Decree-Law 10/2024, effective March 2024) eliminated traditional building licences entirely, with automatic approval occurring if municipalities do not respond within 120 days for projects under 300 square metres (Ministério do Ambiente e Ação Climática, 2024).
- Cyprus implemented a transformative fast-track system in October 2024, with Category A developments (up to two dwelling units) receiving planning certificates within 20 working days and building permits within an additional 20 days—40 working days total, reduced from months or years previously. By early 2025, 491 applications had been submitted under the new system with 347 processed (Ministry of Interior, Republic of Cyprus, 2024).
- Germany introduced the "Bau-Turbo" ('Turbo-Building'), a temporary fast-track framework allowing municipalities to deviate from planning law until 2030, to accelerate housing construction. Under the new rules, building permits can be deemed approved after three months if not rejected, and municipalities may allow housing projects more flexibly—including in unplanned inner areas or through extensions, conversions and densification—substantially shortening procedures that previously took years (Deutscher Bundestag, 2025). Bavaria already introduced tacit approval (Genehmigungsfiktion) if the three-month permit deadline is exceeded (Bayerische Staatsregierung, 2021).

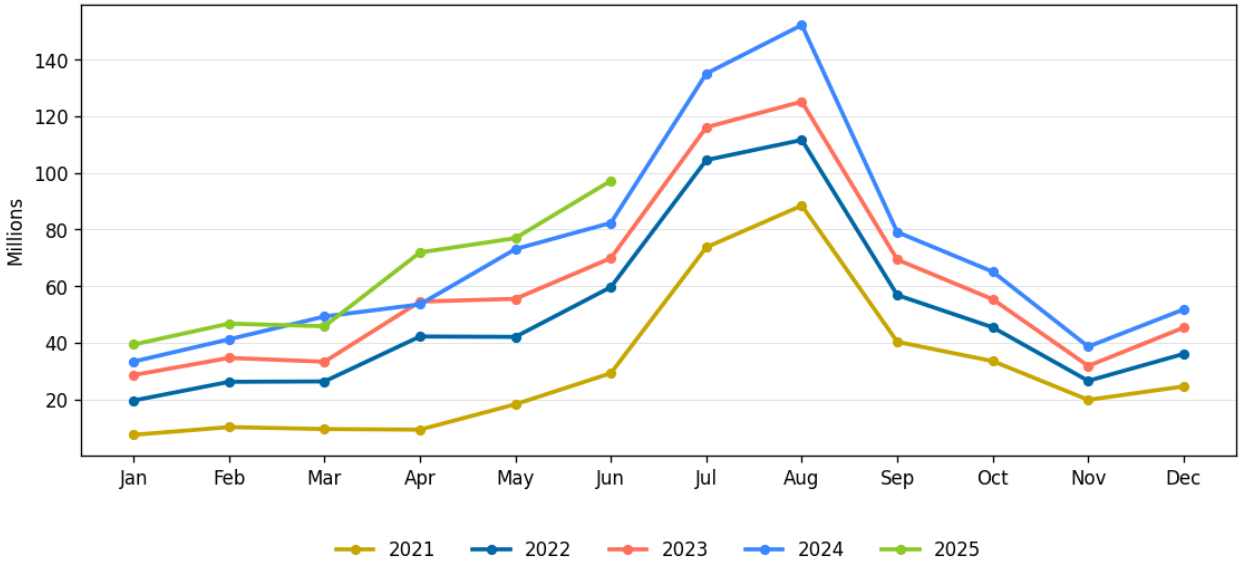
These reforms demonstrate that MS are addressing the regulatory and administrative barriers constraining housing supply, with early results suggesting that digitisation, procedural consolidation, and statutory deadlines can accelerate the transition from permit approval to construction.

5.4. Short-term rentals

The rapid expansion of short-term rental (STR) platforms such as Airbnb, Booking, Expedia and Vrbo has become an important factor shaping the housing supply, or more specifically, how the housing stock is used, in many European cities, particularly in tourist destinations (Gurran & Redmond, 2021). As of June 2025, there were just over 4 million STR rental listings in the EU, with demand nights reaching a record 48.5 million for that month (Colomb, 2025) (see Figure 35[75]).

[75] Eurostat, 2025c, *Short-stay accommodation offered via collaborative economy platforms by months and residence of the guest - experimental statistics*. Available at: https://doi.org/10.2908/TOUR_CE_OMR.

Figure 35: Short-stay accommodation offered via collaborative economy platform in the EU, 2020-2025 (monthly)



Source: Eurostat, tour_ce_omr. Available at: https://doi.org/10.2908/TOUR_CE_OMR.

Initially viewed as part of the sharing economy, these platforms have become significant players in housing financialisation (Gurran & Redmond, 2021; Cocola-Gant et al.,2021; Colomb, 2025) (see also Chapter 4.1). Properties that would otherwise have been available for long-term rental to local residents often generate higher returns as short-term tourist accommodation. This financial incentive has encouraged the buying of homes for STR and property owners to withdraw dwellings from the traditional rental market (Garcia-López et al., 2020; Colomb & de Souza, 2021; Redmond, 2021; Navarro, 2024).

A growing body of research and policy analysis identifies this trend as a contributor to housing shortages and rising rents in urban areas and popular tourist areas (Licchetta et al., 2025; Colomb, 2025; Garcia-López et al., 2020; Colomb & de Souza, 2021; Duso et al., 2024). In tight markets, such as major European tourist cities with chronically low housing supply elasticity (e.g. Barcelona, Lisbon, Madrid, Paris, Amsterdam, and similar high-tourism, low-vacancy urban areas), even a small percentage of units diverted to tourist use can have noticeable housing and rental price effects. Where the density of STRs reached saturation levels, STRs accounted for nearly 40% of the observed increase in housing prices in those neighbourhoods (Chaves, 2024). A study of the Madrid market from 2010 to 2018 found that a 100-unit increase in Airbnb listings led to a 2% rise in house prices (Chaves, 2024). In Barcelona, one of Europe's most visited cities, Airbnb listings added up to over 23,000 rentals from 2021-2022 when many owners found that nightly tourist rentals were more profitable than year-long leases (Navarro, 2024). This shift coincided with a sharp rise in rents in Barcelona in 2022 when rents increased by 12%, far outpacing the income growth of 2.6%[76]. The housing observatory of the city pinpointed short-term holiday rentals as a driver of the affordability problem, disproportionately hurting low-income families

[76] Ibid.

and young people (Navarro, 2024). The effects of STRs are further emphasised by Basílio Ornelas et al. (2024), who highlight that the situation in Madeira worsened after the COVID-19 pandemic, when tourism sharply rebounded, and property owners shifted long-term rentals to short-term tourist lets in response to this demand.

A similar trajectory unfolded in Lisbon, where the combination of reforms implemented after the financial crisis of 2008 and booming tourism reshaped the city's housing market. Following the 2012 liberalisation of the rental sector, large numbers of apartments in central districts like Alfama and Bairro Alto were converted into STRs aimed at tourists (European Commission, 2019; Navarro, 2024). Between 2012 and 2018, the rapid expansion of Airbnb listings coincided with rent increases, with rents even doubling in some neighbourhoods - far outpacing local wage growth (Colomb & de Souza, 2024). Other tourist-heavy markets – from the Greek islands and Malta to cities like Prague and Dubrovnik – have reported that the rise of home-sharing platforms added stress to housing availability, especially at the peak of the tourism boom (Eurofound, 2023).

The concentration of STRs in highly localised areas also fuels processes of gentrification and touristification (Colomb & de Souza, 2021; Gurran & Redmond, 2021). In areas like tourist districts, historic city centres, and neighbourhoods with high amenity value (e.g. Florence, Barcelona, Madrid, Lisbon), including those in outermost regions (e.g. Canary Islands, Madeira, Balearic Islands) (see also Chapter 3.1.c on OMR), the substantial proportion of apartments that are converted into holiday accommodation amplify the transformative urban processes of gentrification and touristification (Colomb & de Souza, 2021; Bei, 2025). The displacement of existing residents and the gradual erosion of local character and cohesion as a consequence of those processes has a large impact on the communities in those neighbourhoods.

In addition to the financial incentives to operate STRs, some interviewees (e.g. those representing the association of tenants and experts in social and housing policies) pointed to regulatory asymmetries that create incentives for property owners to favour short-term over long-term letting. In several MS, long-term rental contracts are subject to tenant protection rules—including rent controls, security of tenure, and restrictions on eviction—that do not apply to short-term tourist accommodation. This regulatory gap, combined with the higher per-night returns achievable from tourist rentals in popular destinations, encourages lessors to withdraw properties from the long-term market (Gurran & Redmond, 2021; Cocola-Gant et al., 2021).

- **The challenges in regulating STRs to assure housing affordability**

The housing experts interviewed also identified the impact of STRs on housing availability and affordability as a significant contributor to the current housing crisis. With the aim of increasing the availability and affordability of the housing supply, the interviewees specified concerns about the challenges in regulating STRs in the EU. They describe the fragmentation of regulatory frameworks and the inability of those frameworks to actually monitor and mediate STR activity to ensure housing affordability. This links with Colomb (2025) who writes about the regulatory challenges that many local authorities face due to the lack of access to reliable data on the number, location, and intensity of STR operations in their jurisdictions. So far, platforms like Airbnb have not been obliged to share STR listing

data, often invoking EU data protection and e-commerce rules to not do so (Colomb, 2025). The data gap made it difficult for local authorities, for example in cities, to enforce registration requirements, day caps, or zoning restrictions effectively. The interviewees suggested that without harmonised data-sharing obligations and clearer regulatory frameworks, local solutions would remain slow or ineffective. For this, EU-level action is described as needed to overcome those challenges.

This call for action goes in line with the recently adopted Regulation (EU) 2024/1028 on *Data collection and sharing relating to short-term accommodation rental services*, which will come into force in May 2026. This regulation enables MS to require STR platforms to register all listings and share data with local authorities. It is envisioned that this will help local authorities identify illegal or over-the-limit rentals and ensure compliance with local rules (Colomb, 2025; Martínez Mata, 2025; Navarro, 2024). Furthermore, in October 2025, the EC announced in its work programme for 2026 that it would introduce an initiative on STRs under the Affordable Housing Plan in the second quarter of that year signalling continued EU-level engagement with the issue.

These actions addressing STRs in relation to housing affordability reveal a shift from the EU's longer tradition in how it framed STRs as a matter related largely to the "collaborative economy" rather than the housing sector. This framing within EU legislation, for instance under the Digital Services Act, has historically limited the ability of local authorities to regulate them as part of housing policies (Kaźmierczyk, 2019; Cocola-Gant & Gago, 2021; Pantazi & Vlanchos, 2025). Since housing and property laws remain a Member State competence, rules addressing STRs across the EU are fragmented (Martínez Mata, 2025). As Martínez Mata (2025), in her briefing for the EP notes, the multi-layered competence structure—spanning property rights, urban planning, tourism regulation, and consumer protection—leads to divergent and sometimes incompatible interpretations by different public authorities or courts, creating a climate of legal uncertainty.

Overall, evidence from Barcelona, Berlin, Amsterdam, and Bordeaux demonstrates that stricter STR regulations—including mandatory registration, annual day caps, and zoning restrictions—can be effective in limiting the sector's (illegal) expansion and/or returning units to the long-term rental market:

- In 2017, in Spain, Barcelona adopted the Special Urban Plan for Tourist Accommodation, which introduced strict licensing rules, capped tourist beds in saturated areas, and required one licence per unit. Cooperation agreements with platforms like Airbnb obliged them to remove unlicensed listings, while a dedicated inspection team enforced sanctions against illegal relisting (Ajuntament de Barcelona, 2018; Ajuntament de Barcelona, 2024b).
- In Berlin, the 2016 law requiring a commercial permit for STRs led to a 30% drop in listings and increased the supply of long-term rentals. When the rules were later eased in 2018—allowing hosts to rent out secondary homes for up to 90 days per year—the number of listings still fell by 18%, suggesting that even moderately strict frameworks, combined with improved enforcement and mandatory registration, can sustain downward pressure on the STR market (Duso et al., 2024; Hübscher & Kallert, 2023). However, researchers note that the 2016

intervention targeting commercial listings had a more pronounced effect on long-term rental supply than the 2018 reform, which mainly affected non-commercial hosts (Duso et al., 2024).

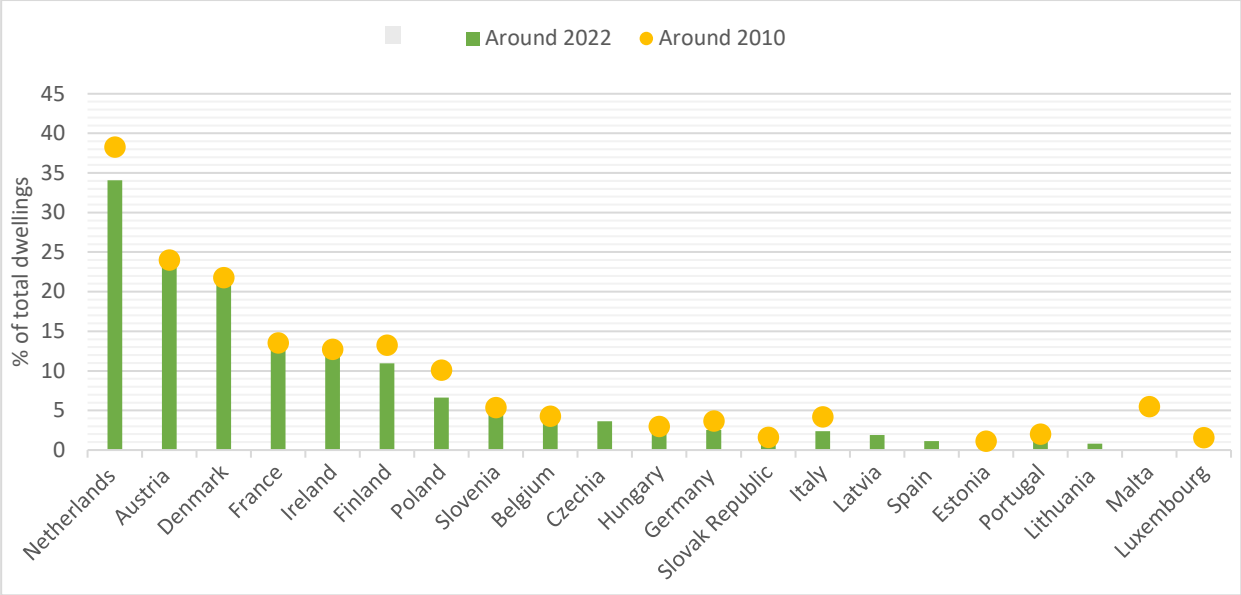
- In Amsterdam, a combination of time limits (120 days per year, later reduced to 30 days in certain areas), mandatory registration, and zoning restrictions that prohibit STRs in overcrowded or historically sensitive districts has led to a decline in Airbnb listings and in the number of professional operators dominating the market. This rigorous framework is further supported by active inspections and cooperation with platforms regarding the sharing of data (Hübscher & Kallert, 2023).
- In Bordeaux, a combination of a primary residence requirement and a 120-day annual cap on rentals reduced Airbnb activity, particularly among professional operators. However, the tighter rules also caused a spillover effect, pushing some STR growth in neighbouring municipalities with less stringent rules (Robertson et al., 2023).

These experiences suggest that the success of regulation depends not only on its design, but also on enforcement capacity, data transparency from platforms, and sustained commitment by local authorities (Martínez Mata, 2025; Colomb, 2025).

5.5. The role of social housing

Social housing has traditionally been an important component of the housing supply in Europe and remains a crucial solution for the housing crisis and the need for more affordable, adequate and sustainable housing (OECD, 2020a). Across the EU, there are approximately 14 million social housing dwellings, which represents about 8% of the total housing stock (Siemplenski Lefort, 2025; EIB, 2025b). This share has declined over the last decade, down from roughly 11% of the housing stock around 2010 to 8% by 2021, as illustrated by Figure 36. Poland, Finland and Germany experienced the most significant reductions in the share of social housing (OECD, 2020a; Kadi & Lilius, 2022; Famous et al., 2025). Ultimately, the decrease in social housing has reduced the availability of affordable homes relative to the need (EIB, 2025b).

Figure 36: Social rental housing stock as a share of total dwellings, earliest vs. latest available year



Source: OECD, OECD Questionnaire on Social and Affordable Housing (QuASH), 2023. Available at: https://www.oecd.org/en/data/datasets/oecd-affordable-housing-database.html.

The decline of the social housing stock is for a large part due to the widespread selling or privatisation of units, driven by a belief that the market could better address housing needs and that demand-side assistance would be more effective (Poggio & Whitehead, 2017; EIB, 2025b). This trend led to a slowdown in the construction of new social housing and, for instance in Germany, to the conversion of social housing units into market-rate rentals (OECD, 2020a). Finland is an exemplary case of those trends, where the share of social housing has indeed declined steadily since the early 2000s due to reduced state support, deregulation of affordable rental housing, and a new dominance of market-based housing policies. New construction has not compensated for the loss of regulated units in the country. As a result, social housing shortages have deepened, waiting lists have lengthened, and low- (as well as middle-) income households face increasing difficulties accessing adequate housing, contributing to growing spatial and social inequalities (Ruonavaara, 2017; Rasinkangas et al., 2024).

The most direct indicator that could help to assess the shortages of the social housing supply relative to the demand is social housing waiting lists. However, these are not collected systematically at the EU level nor are they comparable across countries due to inconsistent definitions (of both "social housing" and "waiting list eligibility"). No mandatory reporting framework or harmonised methodology exists either. The data is thereby scattered across national systems, regional housing authorities, local governments, and NGOs, but with little ability to be compared. Available fragmentary data comes from Housing Europe's (the European Federation of Public, Cooperative, and Social Housing) biennial "State of Housing in Europe" reports, which compile statistics from a combination of national and regional public, cooperative, and social-housing providers. In its 2025 report, Housing Europe provides the following data and estimations:

- In Austria, around 800,000 people are registered on waiting lists of Limited-Profit Housing Associations (LPHAs)[77].
- In Belgium, a total of approximately 310,000 households are on social housing waiting lists – split between 60,000 households in Brussels, 200,000 in Flanders, and 50,000 in Wallonia[78].
- In Denmark, a need for approximately 1,400 new non-profit housing units per year for seniors in the period 2024–2040 has been announced with improved accessibility needs[79].
- In France, around 2.8 million households are on waiting lists as of end-2024 (up 6% from 2023), and there is a need for 198,000 social housing units each year until 2040[80].
- In Hungary, according to the Central Statistical Office, 9,752 households were on municipal waiting lists in 2023, with 44 households awaiting housing allocation[81].
- In Ireland, around 60,000 households were on social housing waiting lists at the end of 2024. In addition, 54,000 households were in receipt of the Housing Assistance Payment (HAP), which supports households eligible for social housing to be housed by private lessors[82].
- In Luxembourg, about 6,000 households were on waiting lists in 2025, almost double as many as in 2021[83].
- In Portugal, there is no centralized data on waiting lists for social housing, but the recent study by the Institute for Housing and Urban Rehabilitation (2024) estimates that roughly 43,000 households were in need of public housing units in 2023[84].

The absence, or fragmentation of data on social housing needs means policymakers often cannot assess the actual gap between the supply of and demand for social housing, nor compare it across countries, to then evaluate policy effectiveness or allocate resources appropriately. Quarterly waiting list statistics by the French *Union sociale pour l'habitat* (USH) demonstrate exemplary tracking, including detailed demographic breakdowns, attribution rates (384,000 allocations in 2024), success rates (a 14% ratio of allocations to the waiting list), and historical trends. However, France remains the exception rather than the rule.

- **Social housing policy approaches across MS**

Broadly, social housing systems can be classified as either universalist or targeted. Universalist systems are, in principle, open to a broad share of the population, while targeted systems focus support on low-income or otherwise vulnerable households. In practice, the boundary is blurred, and many countries have been shifting away from universalism towards tighter targeting over time (Poggio & Whitehead,

77 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/austria_the_state_of_housing_in_the_eu_2025_digital.pdf.
78 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/belgium_the_state_of_housing_in_the_eu_2025_digital.pdf.
79 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/denmark_the_state_of_housing_in_the_eu_2025_digital-1.pdf.
80 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/france_the_state_of_housing_in_the_eu_2025_digital.pdf.
81 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/hungary_the_state_of_housing_in_the_eu_2025_digital.pdf.
82 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/ireland_the_state_of_housing_in_the_eu_2025_digital.pdf.
83 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/luxembourg_the_state_of_housing_in_the_eu_2025_digital.pdf.
84 See: https://www.housingeurope.eu/wp-content/uploads/2025/10/portugal_the_state_of_housing_in_the_eu_2025_digital.pdf.

2017). Austria, Denmark and the Netherlands have been the countries that long followed a universalist approach, which helps explain their large social housing stocks of above 20% of all housing (see Table 8).

Meanwhile, within targeted systems, two broad variants can be distinguished. Firstly, a targeted-generalist approach, which allocates dwellings to households unable to afford market-rents using income or based on social criteria, while keeping a relatively broad access. This is used in countries like France, Ireland, and Finland, often still leading to sizeable shares of social housing, representing about 10–19% of the housing stock (see Table 8). Overall, mostly Western and Northen EU countries fall under approaches with larger social housing sectors (Czischke & van Bortel, 2018; EIB, 2025b). Secondly, a residual approach, which limits access largely to the lowest incomes and specific vulnerable groups. The use of the residual approach can reflect, for instance, a high degree of homeownership following post-socialist privatisation and a subsequent small public stock (i.e. in Eastern European countries), as well as an historically underdeveloped social housing system (i.e. in Southern Europe, where the family, rather than the state, served as the primary pillar of housing provision, for example), with both of these cases leaving limited scope for social rentals (Samogyi, 2018; Siemplenski Lefort, 2025; EIB, 2025b) (see Table 8). The different trajectories and varying policy choices across countries in the EU translate into markedly different levels of social housing availability (OECD, 2020a).

Table 8: Social housing stock and system types across EU countries

Social housing stock as share of total dwellings	Example countries	Examples of social housing systems
Large stock (over 20%)	Austria, Denmark and the Netherlands	Austria includes both municipal and subsidised dwellings, rented at cost-based rates. Broad eligibility allows roughly four in five households to qualify, making it one of Europe's most inclusive systems. Denmark provides cost-based rents through non-profit housing associations and aims to serve a wide cross-section of the population. Only in Denmark, all households are eligible, without income threshold. Priority allocation takes into account time spent on the waiting list, disabled or elderly household members, current housing situation and household composition/size.
Moderate stock (10-19%)	Finland, France, and Ireland	In Finland, publicly subsidised rental homes are offered at cost-based rents. While formally open to all, allocation prioritises those with social or financial needs. The French system provides regulated, cost-based rents mainly for low- and middle-income households. About 60% of the population meets income eligibility limits, reflecting a long tradition of social mixing.
Low stock (2-9%)	Germany, Belgium, Hungary, Italy, Malta, Poland, Portugal, and Slovenia	In Germany, social housing is tied to time-limited public subsidies. Once the subsidy period ends, properties revert to the private market, contributing to a gradual reduction in stock.

Social housing stock as share of total dwellings	Example countries	Examples of social housing systems
Very low stock (less than 2%)	Latvia, Lithuania, Estonia, Czechia, Luxembourg, and Spain	In Latvia, social housing is managed by municipalities and provided to low-income and vulnerable households under national assistance legislation. In Estonia, there is significant variation across municipalities, which set their own eligibility criteria. In the capital area of Tallinn, priority is given to young families and essential workers.

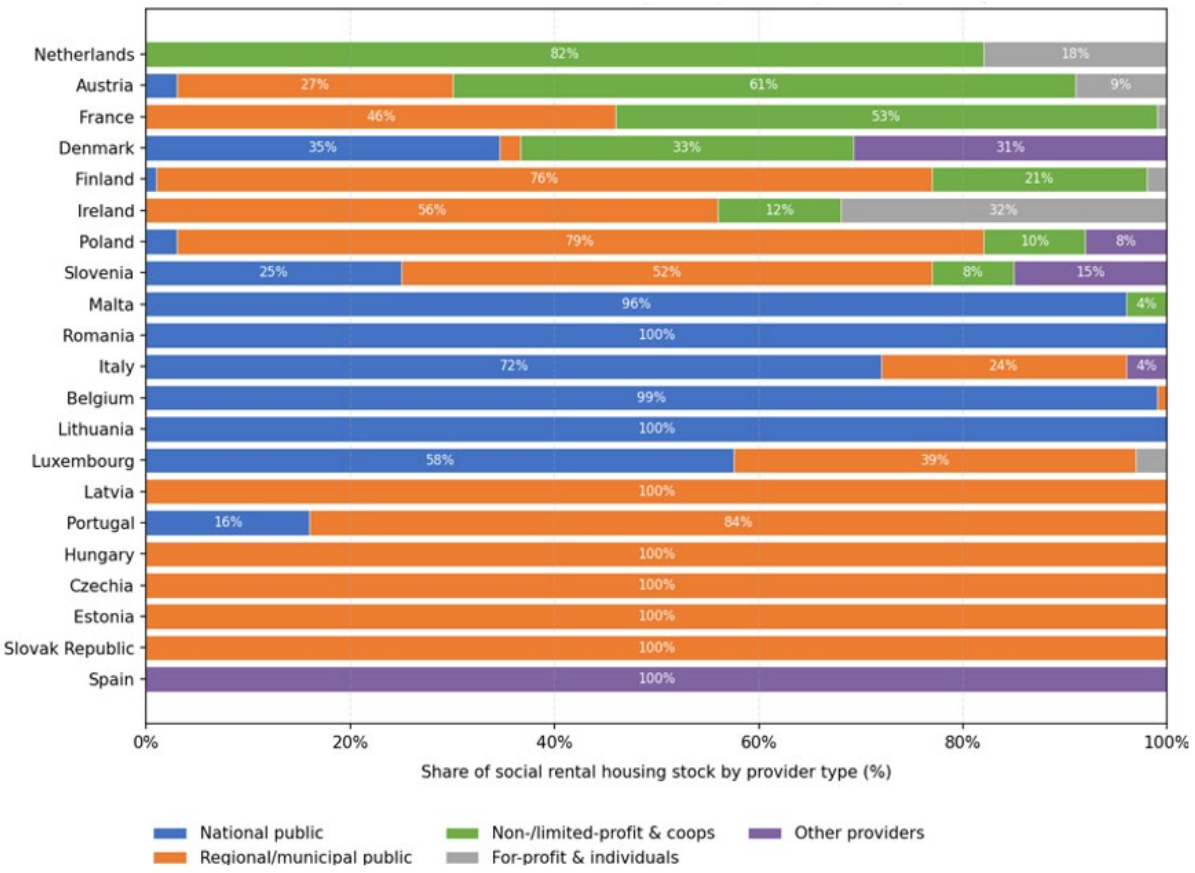
Source: OECD, 2020a.

Vienna, in Austria, is frequently cited as a best practice model. Vienna's housing tradition, rooted in the "Red Vienna" period of the 1920s, results in over half the population benefiting from large supply of de-commodified housing (Oltermann, 2024). New construction continues at scale, with social housing accounting for more than half of new housing in recent years (Kadi & Lilius, 2022; Cohen et al., 2025). Vienna's housing model is described in more detail in Annex I. Case studies.

- **Financing of social housing**

Public investment in social housing has declined across the EU since 2010, reaching historic lows by the mid-to-late 2010s. In 2022, public spending on social housing averaged only 0.06% of the aggregate EU-27 GDP (EIB, 2025b). This decline reflects multiple converging factors. Fiscal constraints following the 2008 global financial crisis and the European debt crisis of the early 2010s prompted widespread austerity measures that prioritised deficit reduction over long-term housing investment (Poggio & Whitehead, 2017; OECD, 2020a). Concurrently, rising land acquisition costs and construction input prices—particularly acute since 2020—have substantially increased the per-unit cost of social housing development, reducing the volume of units that limited budgets can deliver (EIB, 2025b). As traditional long-term public financing has become scarcer, many housing providers have been compelled to seek alternative funding sources, including shorter-term private lending, mixed-finance models involving non-profit and cooperative partners, and public-private partnerships (Lawson & Ruonavaara, 2020; EIB, 2025b) (see Figure 37). While these arrangements can enable projects to proceed where public funding alone would be insufficient, they may also introduce higher borrowing costs, greater financial risk, and potential pressure to compromise on affordability objectives compared to traditional state-backed, low-interest financing models.

Figure 37: Providers of social rental housing – composition by country in 2022



Source: OECD, 2024b. Available at: https://www.oecd.org/en/data/datasets/oecd-affordable-housing-database.html.

Financing models strongly influence long-term outcomes. For example, Austria's and Denmark's consistent state support and reinvestment mechanisms (i.e. revolving funds) have helped embed social housing as a permanent and inclusive sector (Marquardt & Glaser, 2020; OECD, 2020a; EIB, 2025b). The interviewed experts from Housing Europe, the International Union of Tenants, and the Danish Social Housing Federation identified revolving funds as one of the most successful investment strategies, which support long-term, self-sustaining investment in social housing and that could be applicable across EU countries. Specific mechanisms in Austria and Denmark allow for its good practices in social housing provision:

- In Austria, housing associations operate under the Limited-Profit Housing Act, which requires all surpluses to be reinvested in new construction or renovation. Financing combines bank loans (around 40%), low-interest public loans (about 35%), and equity from housing associations. The system is cost-based and non-profit, ensuring that rents cover only actual costs and that surpluses feed back into further development, creating a continuous cycle of renewal (OECD, 2020a).
- In Denmark, the National Building Fund, established in 1967, functions as a revolving fund financed mainly through tenants' rent contributions and mortgage payments by housing

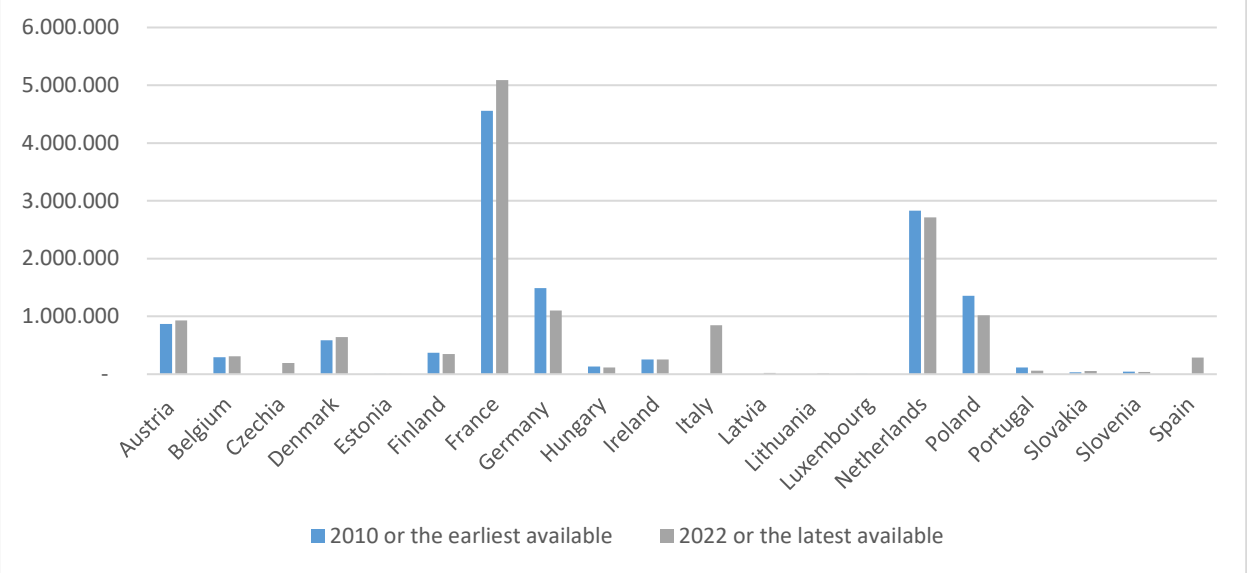
associations. Once loans are repaid, rent revenues are channelled back into the fund to finance new housing, renovation projects, and social initiatives in disadvantaged areas. This circular model sustains the sector without requiring large, recurring state subsidies (OECD, 2020a).

- **Increasing the social housing supply**

Social housing plays a critical role in meeting the demand for affordable housing. By expanding the overall affordable housing stock, social housing can mitigate speculative pressure, moderate rent inflation and enhance market elasticity, ultimately helping stabilise housing markets. Unlike demand-side measures (e.g. rent subsidies or tax reliefs) that can inadvertently drive-up prices, investment in social housing increases the number of affordable dwellings available and provides a long-term buffer against volatility (Licchetta et al., 2025; Dewilde, 2022). Persistent underproduction has therefore not only eroded affordability but also limited the capacity of housing systems to respond to rising demand (Licchetta et al., 2025).

Across the EU, governments are increasingly recognising that scaling up social housing is essential to ensure both social cohesion and economic resilience. Yet, progress remains uneven, with the absolute number of social rental dwellings increasing only in Austria, Denmark and France between 2010 and 2022 (see Figure 38).

Figure 38: The number of social rental dwellings in EU countries in 2010 and 2022



Source: OECD Questionnaire on Social and Affordable Housing (QuASH), 2023. Available at: https://www.oecd.org/en/data/datasets/oecd-affordable-housing-database.html.

Note: Data on the number of social rental dwellings in 2010 were not available for Czechia, Italy, Spain, Latvia and Lithuania.

Many systems are still characterised by short-term programmes focused on financing that fail to address structural deficits and by weak coordination between national, regional and municipal authorities. Evidence from Poggio and Whitehead (2017) and Granath Hansson (2025) highlights three preconditions for scaling up social housing: sustained political commitment, coordinated governance, and access to affordable land and finance. Governments must ensure stable, low-cost financing for

social lessors and retain strategic control over land and infrastructure. Allocating public land for affordable housing and containing speculative pressures are key to maintaining affordability. Moreover, partnerships between established housing providers and emerging local actors can facilitate knowledge transfer, improve management efficiency and strengthen institutional capacity (Poggio & Whitehead, 2017; Granath Hansson, 2025). The EIB's Investment report 2024/2025 also states that to reverse the decline and meet growing demand, stable, long-term financing mechanisms are needed, including already discussed revolving public funds, low-interest loans, and dedicated investment channels from non-profit providers.

Desk research of policy measures and initiatives targeting challenges relating to social housing, reveals several recent examples of efforts from MS to increase the social housing supply between 2020 and 2025, addressing the growing need for affordable, adequate and sustainable housing. The following initiatives demonstrate diverse approaches, from municipal coordination models to national legislative reforms and public-private partnership frameworks, each adapted to local contexts while sharing common objectives of expanding the affordable housing stock and improving access for vulnerable populations:

- **Hamburg (Germany)** represents a compelling example of how sustained municipal coordination can drive results. The city established its "Alliance for Housing" (*Bündnis für das Wohnen*) in 2011, setting new standards in state funding for housing construction across Germany. In June 2021, the Senate renewed the Alliance with an ambitious annual target of approving 10,000 new housing units per year, with the city committing to increase the share of subsidised housing from 30% to 35% of all new construction (TheMayor.EU, 2021; Housing Europe, 2025a). The Alliance brings together government bodies, housing associations and private developers to agree on annual targets, streamline approval procedures and align financial incentives. Hamburg has consistently met its residential construction targets since 2016 by introducing coordination units for housing delivery, simplified planning frameworks and transparent targets. This integrated governance model has improved the city's "supply elasticity"—its ability to respond quickly to housing demand—while maintaining social and environmental standards (Poggio & Whitehead, 2017; Granath Hansson, 2025). The city's "Green Deal" balances housing needs with environmental sustainability by protecting 30% of the city's territory while ensuring construction proceeds in designated areas (Housing Europe, 2025a).
- **Luxembourg** provides an example of comprehensive structural reform through its landmark Law of 7 August 2023 on affordable housing. The reform introduced three major innovations: (1) creation of a National Registry of Affordable Housing (*Registre national des logements abordables*, RENLA) to improve data accuracy and policy management; (2) centralised tenant management systems connecting all affordable housing providers; and (3) broadened eligibility for social housing and expanded allowances for low- and middle-income households (Luxtoday, 2025; Housing Europe, 2025a). The government's national affordable housing plan focuses on making land available to public providers through land mobilisation taxes and deploying public–private partnerships to accelerate delivery. Property tax reforms target vacant land and unused

dwellings to encourage development. The Housing Fund (*Fonds du logement*) was officially recognised as a public benefit structure with expanded capacities and instruments (Luxtoday, 2025).

Some MS have set national targets and delivery mechanisms to address the existing gap between the demand for and supply of social housing. For example:

- The **German government** announced in 2022 an ambitious target to build 400,000 new homes per year, of which 100,000 should be social housing. However, a Housing Ministry study published in March 2025 revised this need to 320,000 new apartments annually by 2030, acknowledging implementation challenges. Total completions in 2024 reached only 255,000 units, with building permits declining for three consecutive years (EUROCONSTRUCT, 2025). The gap between targets and delivery highlights challenges including rising construction costs, labour shortages, and financing constraints that many MS face despite policy commitments (as discussed earlier in this Chapter).
- In **Portugal,** the government approved comprehensive measures in September 2023 and November 2024 to tackle the housing crisis. In November 2024, the Council of Ministers signed a decree-law modifying the Legal Regime of Territorial Management Instruments (RJIGT), giving municipalities authority to reclassify rustic land for residential construction with a mandate that 70% of new homes must be sold at moderate prices aligned with national and local incomes (Euro Weekly News, 2024). In December 2023, Portugal launched its National Affordable Housing Programme and secured a EUR 1.34 billion framework loan from the EIB, co-financed by the Recovery and Resilience Facility, to support construction and renovation of 12,000 affordable housing units between 2025 and 2030 (EIB, 2025c; European Commission, 2023a) (more on EU funding in Chapter 7.6).
- **Belgium, Spain and Italy** have made public funding available through EU resources from Resilience and Recovery Funds, representing for some housing providers an unprecedented funding opportunity. Spain's VIVE Plan in Madrid (2022–2025) aims to build over 13,000 homes at up to 40% below market prices for vulnerable groups and young people through public-private partnerships, with EIB financing support (EIB, 2025b).

These examples demonstrate that scaling up requires a shift from fragmented, short-term interventions to structural, multi-decade programmes supported by stable funding, accessible land, and integrated governance. EU-level instruments also play an important role when expanding social housing. However, progress has been uneven due to escalating construction and financing costs, causing many projects to be postponed or delayed. In Germany, this has resulted in renovation projects being cut by one-fourth and new construction by one-third compared to planned activities (Housing Europe, 2023).

6. IMPACTS OF HOUSING SCARCITY

KEY FINDINGS

- Overall **poor-quality housing increases respiratory illness, mental distress and avoidable injuries**, with the heaviest impacts on vulnerable groups, such as children and the elderly. Energy-inefficient homes and high housing costs further worsen health, while renovation, energy upgrades and secure housing provision show measurable improvements in population health.
- Overcrowding, noise, poor indoor quality and **housing instability undermine children's concentration, school attendance and long-term attainment**. Higher education students facing housing insecurity are less likely to complete their studies, and adults in unstable or unaffordable housing struggle to invest in further education or skills development. Stable and affordable housing supports continuity in learning and enables both students and adults to pursue educational opportunities.
- **Poor and unsustainable housing reduces workers' health and productivity**. High housing costs restrict mobility, worsen labour shortages in high-demand regions and limit entrepreneurship by reducing financial security and access to collateral. Well-located affordable housing improves job access and retention.
- High housing costs and unstable living conditions **delay key life transitions such as leaving the parental home and starting a family**, with clear evidence linking unaffordable housing to having fewer children. Families often relocate to suburban or rural areas to secure affordable space, thereby reshaping population patterns and contributing to de-urbanisation. Evidence shows that policies which improve affordability, expand access to secure rental options, and strengthen tenant protections can ease these demographic pressures by allowing people to form households when they intend to rather than postponing life choices due to housing constraints.

Housing is a basic necessity, and poor housing conditions have far-reaching consequences (Bérard & Trannoy, 2025). The current housing scarcity that people experience is not merely a market issue, but also a broad social challenge that deteriorates living standards, opportunities, and social inclusion, particularly for vulnerable groups. The following sections will explore how the lack of adequate, decent and affordable housing affects health, education, employment and family formation, and worsens inequalities.

6.1. Impacts on health

Housing decency, affordability and sustainability are increasingly recognised as crucial social determinants of health (WHO, 2025). These conditions shape residents' well-being through multiple pathways, although people are not affected equally. Older adults, low-income households, tenants with

little control over repairs, children, people with disabilities and marginalised groups are those who most frequently experience poor or insecure housing to a degree that harms their physical and mental health. These groups are more exposed to housing insecurity and neighbourhood deprivation, and they have fewer resources to mitigate the impacts, which deepens existing health inequalities (Amerio et al., 2020; D'Alessandro & Appolloni, 2020; Borrell et al., 2023).

- **Impacts of inadequate and unsustainable housing**

Firstly, the quality of housing is recognised as a major determinant of health, influencing both physical and mental wellbeing (Rolfe et al., 2020; Eurofound, 2023). Physically, substandard housing conditions, such as cold or damp environment, increase the risk of respiratory and cardiovascular illnesses (Rolfe et al., 2020; Dubois & Nivakoski, 2023). Moreover, homes that are not physically safe, such as those with steep stairs, loose rugs or without elevators, can contribute to injuries. The high incidence of falls among older Europeans illustrates this risk, with around 36,000 adults aged 65 and over dying from falls each year in the EU and millions more requiring emergency treatment or hospital admission (EuroSafe & ProFouND, 2015; 2015; Dubois & Nivakoski, 2023). Meanwhile, overcrowding facilitates the rapid transmission of infectious diseases such as tuberculosis and influenza (Krieger & Higgins, 2002; Lorentzen et al., 2022; Dubois & Nivakoski, 2023). Evidence from Kuzior et al. (2022) further shows that overcrowding is linked to higher mortality from AIDS, viral hepatitis, diabetes and pneumonia, with these effects becoming visible only after several years.

Overcrowding and poor housing conditions are also strongly associated with mental and behavioural disorders, including a higher risk of suicide (Kuzior et al., 2022). Research highlights that housing is not only about the material structure but also about the concept of a secure home (Rolfe et al., 2020). The home offers control, autonomy, socialisation, identity, and a sense of stability and confidence in self and social belonging. As such, when a home is overcrowded or of poor quality, one often lacks privacy and experiences high noise levels and tension, which can lead to chronic stress, anxiety, depression, and cognitive challenges (Bakso, 2025).

During COVID-19 lockdowns, people in cramped or poor-quality apartments showed increased depressive symptoms (Bakso, 2025). A survey of more than 8000 university students in Milan, during Italy's first COVID-19 lockdown, found that poor housing sharply increased the likelihood of moderate to severe depressive symptoms. Living in flats under 60m² raised the odds by about 30%, poor-quality views by nearly 40%, and poor indoor quality more than doubled the risk (Amerio et al., 2020). Children are particularly vulnerable to overcrowding, with long-term effects on development, emotional health, and social behaviour (Solari & Mare, 2013; Bakso, 2025).

Indoor pollutants are another major hazard for physical health (Rolfe et al., 2020; Dubois & Nivakoski, 2023). In Poland, it was found that households burning coal or wood for heating – a proxy for energy poverty – were 27 p.p. more likely to develop respiratory diseases compared to others (Dubois & Nivakoski, 2023). Indoor pollutants from gas heating, cooking, chemicals, radon or carbon monoxide also worsen health outcomes (Dubois & Nivakovski, 2023; Borrell et al., 2023). Lack of ventilation, common in old or overcrowded apartments, aggravates these issues.

On the one hand, in winter, insufficient heating in poorly insulated dwellings leads to excess winter mortality among the elderly and other vulnerable groups, such as children and people with disabilities. Meanwhile, people living in insulated homes enjoy drier and warmer conditions, leading people to report fewer sick days and overall better health (Maidment et al, 2014). On the other hand, in summer, heatwaves become deadly when housing cannot provide refuge from high temperatures (Rana, 2025). Vulnerability arises when poorly insulated or poorly shaded homes trap heat, and when people lack affordable ways to cool their homes. The study by Thomson et al. (2019) argues that cooling poverty must be recognised alongside heating poverty, and that simple measures such as insulation, shading and nature-based solutions can help maintain safe indoor temperatures while reducing reliance on energy-intensive air conditioning (Thomson et al., 2019).

A German panel study by Palacios et al. (2021) shows that homes classified as needing renovation—meaning with problems such as inadequate insulation, heating systems, and/or poor ventilation—are linked to significantly worse health. Living in such a dwelling leads to about 11% more doctor visits and 2–4% lower mental and physical health scores. Effects are strongest among older people with those aged 64 and over visiting the doctor 6–20% more often. Doctor visits fall by 8–10% after renovation works such as heating upgrades, window replacement and other repairs that improve indoor conditions.

- **Impacts of unaffordable housing**

Longitudinal research on the 2008–2010 housing crisis shows that affordability also strongly affects health (Clair et al., 2016). During the crisis, people who fell into rent or mortgage arrears reported worsening health, even after accounting for income, employment and existing illness. The harm was comparable to job loss and was especially severe for renters and low- to middle-income households, highlighting housing payment problems as a major independent driver of health inequalities (Ibid.).

Moreover, when families are "housing cost-burdened," meaning they spend a high percentage of their income on housing, they have less money left for things critical to health, such as nutritious food, necessary medications, and regular doctor's visits (Swope & Hernández, 2020; Borrell et al., 2023; Beagley et al., 2024). This can lead to nutritional deficiencies and a delay or lack of preventative care (Beagley et al., 2024). Research by Tavares et al. (2024) suggests that even modest improvements in addressing the housing cost overburden can contribute to improved health outcomes. A Eurofound survey found that nearly 46% of private tenants reported feeling at risk of having to leave their home within months because they could not afford it (Eurofound, 2023). Children are particularly affected by the resulting residential instability, experiencing worse developmental outcomes when families are forced to relocate frequently (D'Alessandro & Appolloni, 2020). The consequences of all these negative impacts can spill over beyond the individual and be felt more broadly through higher healthcare costs and loss of productivity (Carrere et al., 2022; Eurofound, 2023). The earlier estimates by a Eurofound study in 2016 showed that leaving people in poor or inadequate housing costs EU economies nearly EUR 194 billion per year[85].

- **Mitigating negative impacts of housing scarcity on health**

[85] The estimations were based on 2011 prices.

Examples across MS show how health risks related to housing problems can be reduced:

- Finland's Housing First model (described in detail in Annex I. Case studies), provides strong evidence that stable, long-term housing combined with tailored support services can lead to major improvements in health for vulnerable groups. It centres on providing immediate access to permanent, affordable housing without preconditions, alongside voluntary, needs-based support such as mental health care and addiction treatment. By replacing shelters with long-term homes and ensuring that services follow the individual, the approach creates stable living conditions that enable recovery and reduce crises. Evaluations report significant health gains, including improved mental well-being, reduced use of emergency healthcare and fewer hospital admissions, alongside public savings of EUR 15,000–50,000 per person per year as reliance on crisis services declines (Pleace, 2021).
- Energy poverty alleviation programmes are also linked to improved health outcomes (WHO, 2018). For example, Ireland's retrofitting programme, delivered through its Long-Term Renovation Strategy (see Chapter 7.1), provides free or heavily subsidised deep energy upgrades for vulnerable households, especially older people living in cold, inefficient homes. Typical works include wall and attic insulation, window replacements and heating system upgrades. Evaluations show clear health gains among older residents, with participants reporting fewer visits to general practitioners, emergency room attendances and hospital admissions for respiratory conditions, reduced medication use, and improved thermal comfort (Government of Ireland, 2024).
- Similarly, France's ban on renting the worst-performing dwellings (energy performance certificates F and G) has already removed the coldest and dampest homes from the rental market, pushing thousands of renovation projects and preventing lessors from letting substandard units unless upgraded. The ban began in 2023 with properties consuming over 450 kWh/m²/year (Légifrance, 2021), expanding to all G-rated properties in 2025, affecting an estimated 250,000 units in condominiums alone according to the Ministry of Housing (Meilleurs Agents, 2024). While the reform is recent and health impacts have not yet been quantified, it directly targets the housing conditions most strongly linked to respiratory and cold-related illnesses, especially among low-income renters (Service-Public.fr, 2023).

These examples illustrate that improving population health requires housing policy to incorporate health criteria (Kuzior et al., 2022). Affordable and social housing should be framed with this in mind, with a particular focus on reducing overcrowding and ensuring that renovation strategies recognise health as a core co-benefit alongside sustainability and equity (Eurofound, 2023). Strengthening support for renovation and maintenance of the existing housing stock is essential, as better insulation, safer layouts and the removal of damp and mould can prevent respiratory illness, accidents and cold-related health risks, especially among older residents (Housing Europe, 2025b). Measures to alleviate fuel poverty, including targeted income support, further reduce the health impacts of cold homes (Borrell et al., 2023). Governments should also prevent households from falling into arrears during crises by reinforcing housing benefits and welfare support, particularly for renters and low-income

groups. Early housing assistance can stop arrears escalating into eviction or homelessness, both of which carry substantial physical and mental health consequences (Clair et al., 2016).

The housing and social policy experts from, among others, national construction institutes, real estate developers and universities, when asked about the impacts of housing scarcity on health, emphasised that improving health requires addressing the full spectrum of housing problems. This can range from insecure tenancies and debt to inadequate dwelling conditions. They highlighted the importance of investing in decent, affordable and stable homes as a foundation for reducing health inequalities and preventing intergenerational disadvantages. They called for stronger public investment, mixed-income housing schemes and improved housing allowances to help low- and middle-income households access suitable homes.

6.2. Impacts on education

Housing problems during formative years can compromise a child's future opportunities. This is a key mechanism by which housing scarcity perpetuates intergenerational inequality. Four key elements – affordability, stability, housing quality, and neighbourhood quality – work together to support positive academic outcomes for low-income children (Gallagher et al., 2020).

- **Impacts of inadequate and unsustainable housing**

Secure and adequate housing in childhood is indispensable for education and development – and conversely, housing instability or overcrowding can have lasting detrimental effects on children's learning outcomes (Lorentzen et al., 2022). When families cannot access adequately sized housing, children risk being raised in cramped environments that hinder both study and play. Studies from various countries have linked overcrowded and noisy homes to poorer educational performance (Gallagher et al., 2020; von Simson & Umblijs, 2021). Research by Goux and Maurin (2005) using comprehensive French national data found that 60% of adolescents living in overcrowded housing were held back a grade compared to 40% of those in adequately housed conditions, revealing a 20% difference attributable to housing conditions. An analysis of data from the Panel Study of Income Dynamics in the United States of America (US) found that each additional person-per-room in crowded housing was associated with reductions of 4.3 standard points in mathematics scores and 6.8 standard points in reading scores, even after controlling for socioeconomic status (Solari & Mare, 2013). Moreover, children growing up with insufficient space show various developmental challenges. Research shows that excessive noise exposure is associated with reduced language development and related neurobiological alterations (Simon et al., 2022).

Illnesses linked to poor or unsustainable housing conditions, such as respiratory infections or prolonged exposure to cold and damp, can keep children out of school and negatively affect their academic performance. Sleep disruptions caused by noise or poor air quality have similar effects, reducing concentration, increasing fatigue and ultimately undermining learning outcomes (Hoden et al., 2023)

Furthermore, the quality of the neighbourhood also plays a role. Children living in safe, resource-rich environments benefit from better learning opportunities and are more likely to achieve stronger educational attainment, higher graduation rates and better employment prospects later in life. In

contrast, exposure to neighbourhood violence or disadvantaged surroundings disrupts cognitive development and widens educational and income opportunity gaps (Gallagher et al., 2020; Phillips et al., 2022).

- **Impacts of unaffordable housing**

Housing costs also play a significant role in education and related opportunities. When housing costs are manageable, families experience lower stress, which supports the mental health and academic performance of children (Gallagher et al., 2020). Meanwhile, housing instability due to evictions or frequent relocation can interrupt their schooling and negatively affect academic performance. Changing schools often means loss of curriculum continuity, as well as social support networks (Eurofound, 2023; Marion et al., 2024). A major study in the US that compared children whose families were evicted with children whose families managed to avoid such an outcome and found clear negative impacts on the former. The eviction increased children's school absence rates by 2.4% (approximately 4.3 additional school days per year), raised chronic absenteeism by 9%, increased grade repetition likelihood by 5.3%, and reduced high school graduation rates by 12.5% (Collinson et al., 2025). Homeless children or those in temporary accommodation face the greatest barriers as they lack, for example, access to school supplies and the appropriate environment to study, often amplifying feelings of social exclusion (FEANTSA, 2024). On a positive note, stable, affordable housing acts as a platform for educational success. When families are not worrying about rent or forced to move, children benefit from continuity and a sense of security (FEANTSA, 2024).

Apart from children, housing unaffordability also impacts higher education students. As discussed in Chapter 3.2.b, a significant proportion of students face housing insecurity, particularly those from low-income families, which has a measurable impact on their educational outcomes (Kornbluh et al., 2024). Students experiencing housing insecurity are 8–12 p.p. less likely to complete their degree or continue their studies (Broton, 2021). Additionally, housing insecurity also contributes to stress, poor concentration and reduced engagement in academic life, further weakening students' performance and long-term prospects (Grander, 2023).

Housing conditions also influence adults' opportunities to pursue education. Stable and affordable housing provides the security needed to invest time and resources in higher education and skills development, thereby supporting improved educational attainment (Gallagher et al., 2020). Research shows that housing is a key determinant for vulnerable groups, such as single mothers and migrants, with high housing costs and instability creating major barriers to pursuing education, including basic opportunities such as language courses in the host country (Skubiejute, 2025). For example, single mothers who become parents at a young age often face high housing costs overburden, combined with the demands of work and childcare, which prevents them from pursuing higher education. However, evidence from Norway, Germany and the UK indicates that when supportive housing conditions are in place, which reduce the burden of what is typically the largest household expense, these mothers are more likely to return to education later in life (Ibid.). In this way, housing security not only eases immediate financial pressures, but also opens pathways for adult education and thereby up-/re-skilling at later stages.

- **Mitigating the negative impacts of housing scarcity on education**

Ultimately, providing affordable, decent housing for families is an investment in education and skills development across generations. There are various good examples across the EU demonstrating this.

- Aalborg East, in Denmark, is a leading example of how integrated housing renewal can support better social and educational outcomes. Through a decade-long regeneration process (2011–2021), the social housing provider Himmerland Boligforening worked with the municipality, local businesses, universities and residents to rehabilitate a disadvantaged neighbourhood marked by poor housing conditions, low education levels and high unemployment. The project combined major physical upgrades—better insulation, improved urban spaces, diversified dwelling types—with strong social investment, including a new community and health centre, co-creation with tenants, and partnerships aimed at raising local education and employment levels. The results were substantial - energy use was reduced by up to 50%, crime rates halved, and the share of young adults completing only primary school dropped from 25.2% to 18.4%. By improving housing quality, strengthening local services, and creating a supportive environment for learning and participation, Aalborg East demonstrates how housing policy can contribute to better educational and life outcomes in vulnerable districts (Shape, 2025).
- Similarly, in the Netherlands, the "Nationaal Programma Rotterdam Zuid" ("National Programme of Rotterdam South", NPRZ) experience shows that improving housing conditions was an essential pillar of a broader strategy to strengthen educational outcomes in Rotterdam South (NPRZ, 2022). Alongside measures on work and schooling, the programme invested heavily in upgrading the quality of the housing stock in vulnerable neighbourhoods. This included large-scale renovation of poor-quality homes, tackling unsafe and overcrowded dwellings, and improving the physical environment in focus districts. Independent evaluation confirms that these improvements went hand in hand with better school performance, extended school days, higher participation in education, and a reduction in the proportion of young people leaving school with only primary education (NPRZ, 2025; Erasmus Custers, 2025). The programme's midterm review highlights that improved housing stability and healthier home environments helped create the conditions for children to benefit from extended learning time, more stable school attendance, and consequently helped to achieve better results.

Improving housing policy is essential for strengthening educational outcomes across the EU. Many interviewees, including the representative from the Danish Social Housing Federation, but also from the Swedish Union of Tenants and the German Federation of Housing Companies, highlighted several concrete measures, such as sustained national investment to ease the current supply bottleneck (also specifically in relation to new student housing), upgrading the quality of existing accommodation, and setting rents at genuinely affordable levels. They warned that persistent student housing shortages will continue to limit educational access, constrain mobility within and across MS and deepen social inequalities. Evidence also shows that targeted housing support, such as providing accommodation for the duration of a study programme, can help vulnerable groups in education, including migrants and single mothers, to seek education and improve their employment prospects (Skubiejute, 2025).

6.3. Impacts on employment

The housing scarcity and the problems people face because of it greatly impact their working lives and employment opportunities.

- **Impacts of inadequate and unsustainable housing**

Substandard housing conditions such as overcrowding and inadequate living space can generate stress and other health problems as previously discussed. This, in turn, undermines concentration, job attendance and performance. Checa-Olivas et al. (2021), for instance, analysed data from 27 EU countries (and the UK), and found that overcrowded housing is significantly associated with lower individuals' basic freedoms, creativity and capabilities, which then corresponds with decreases in countries' Human Development Index[86] scores. These restrictions on crucial cognitive practices manifest in heightened stress and dissatisfaction, which can weaken morale, productivity and retention in the workplace. In this way, difficulty securing adequate housing contributes to higher turnover rates, disrupting business operations and raising recruitment costs (Ibid.).

Housing conditions such as damp, mould, inadequate heating and poor indoor air quality affect employment in similar ways as they do education. Poor housing increases the likelihood of respiratory illness, chronic stress and discomfort, all of which reduce the capacity to work, increase sick leave and undermine productivity. Moreover, working parents may be unable to attend work more frequently when their children fall ill, and rates of child illness are higher in households living in cold, damp or poorly ventilated homes (Gehrt et al., 2019). Overall, health and well-being impacts translate into measurable economic losses through reduced work attendance and lower performance. Sustainable housing, therefore, contributes not only to environmental goals but also to a healthier and more resilient workforce (Phillips et al., 2022).

Furthermore, sustainable housing encompasses housing that is well-located and -connected with transport and services. These conditions directly shape residents' access to employment and livelihood opportunities. Suitable locations support human development, social inclusion and economic participation by reducing financial strain, improving access to employment hubs and enabling stable livelihoods (Gibb et al., 2016).

- **Impacts of unaffordable housing**

The most significant housing-related factor affecting employment is the unaffordability of housing. Since housing is typically the largest household expense, high costs can discourage workers from pursuing career opportunities that require relocation (Observatoire de l'Habitat, 2024; Government of Luxembourg, 2025; Duboid, 2024; Lefort, 2025). This contributes to labour shortages in specific sectors and jobs in high-demand regions, undermining the delivery of crucial services such as education, healthcare and long-term care. At the same time, it exacerbates spatial mismatches between

[86] The Human Development Index is a composite indicator that measures health, education and standard of living (based on gross national income per capita).

employment opportunities and workers in low-demand regions, ultimately intensifying geographic inequalities (Klurfield, 2018; Eliasson & Westerlund, 2023; Eurocities, 2023; Dubois, 2024).

Across the EU, there are striking examples of housing costs impeding mobility and creating inefficiencies in the labour market:

- In the Netherlands, the high cost of housing in Amsterdam has contributed to shortages of essential workers such as teachers, police officers, childcare and youth workers, since many middle-income professionals cannot afford to live in the city (Eurofound, 2023). Quantitative evidence shows that among teachers aged 18–40 in Amsterdam, the share living and working in the city declined from 57% to 51% between 2012 and 2020, while annual out-migration of teachers increased from 8% to 13% in 2020 (Kenniscentrum Ongelijkheid, 2024). Only three in ten teachers can obtain a mortgage above EUR 438,000, yet the average sale price exceeds EUR 500,000.
- In Ireland's Dublin, many frontline workers live in severely overcrowded conditions and spend 50–60% of their income on rent, which affects their job satisfaction and career choices and contributes to ongoing shortages of essential staff (Ibid.).
- In Luxembourg City, a one-bedroom apartment costs approximately EUR 1,780 per month in rent, which is about 55% of the gross monthly qualified minimum wage of EUR 3,244.48 (Observatoire de l'Habitat, 2024). Since many essential workers earn close to this wage level, such high housing costs make it difficult for them to live near their jobs, affecting both their living standards and the city's ability to attract and retain key staff. Luxembourg has struggled to attract and retain essential workers for years, with housing costs explicitly identified as the main barrier – for example, in 2024, there were staff shortages in 24 job segments (*Agence pour le développement de l'emploi* (ADEM), 2024; EURES, 2024).
- In Greece's tourism sector, thousands of jobs went unfilled in popular islands (e.g. Crete, Rhodes, Santorini, etc.) even amid high unemployment rates in those areas, because workers could not find affordable accommodation in those areas in 2022 (Eurofound, 2023). The lack of housing for workers essentially capped the post-COVID-19 tourism recovery, illustrating a direct economic loss due to housing scarcity (Eurofound, 2023).

High costs push many workers to reside far from their workplace. This increases the commutes that workers have to endure and ultimately impacts productivity and well-being. Research from Austria shows that high housing costs push workers to live outside Salzburg, where households can save up to 50% in housing expenditure and commuting households spend on average EUR 1.9 less per m^2 than those living in the city. However, these savings come at the cost of longer daily travel times, which increase time pressure, add ongoing transport-related expenses and gradually erode work–life balance when sustained over longer periods (Klien, 2024).

On the other hand, recent analysis also suggests that some people choose to live far from the workplace because of the possibility of working from home, which has risen during and after the COVID-19 pandemic. The research finds that the shift towards teleworking increased demand for larger homes located farther from city centres, as remote work reduces the need for daily commuting (Richard, 2025;

Wong et al., 2025). These developments indicate that for workers in occupations that allow remote work, relocating to more affordable areas has become both feasible and attractive. Nevertheless, the study by Wong et al. (2025) which covered 22 MS also indicates that highly skilled professionals and high-income individuals tend to remain in cities and that there is no strong demographic or socioeconomic evidence of a broader rural revival. This suggests that teleworking may ease commuting pressures, and support moves to more affordable locations for some groups, while largely preserving existing urban–rural inequalities. In essence, it shows that individuals who can afford to live in quality housing in cities continue to do so. Du et al. (2020) argue that unless rising housing costs are addressed, improvements in job access will continue to produce unequal labour-market outcomes and reinforce existing inequalities, meaning that sustainable urban planning must integrate land-use, housing affordability and transport to support social inclusion.

Finally, high housing availability and costs affect entrepreneurship. High property values ease access to collateral and early-stage finance for homeowners, while high rents and housing insecurity limit the ability of younger or less wealthy individuals to take on the risks of starting a business. In addition, new entrepreneurs often have unstable incomes, which makes securing stable housing more difficult. This is especially the case in expensive cities, where (generally) access to networks and opportunities for entrepreneurs is favourable (Kerr et al., 2022; Klien, 2024). Some examples illustrate the role of housing as collateral in this context:

- In Italy, evidence from a panel study of 38 Italian cities (from 2009–2022) shows that rising rents and property prices significantly weaken the positive effects of urban innovation on youth-led business creation. In cities where housing costs are high, young founders are less likely to start firms because they face greater financial insecurity, struggle to secure adequate living space on irregular income, and must allocate a larger share of their budget to housing instead of business investment. The study indicates that affordability pressures can offset the advantages typically offered by innovative urban ecosystems, reducing entrepreneurial entry, especially among younger and less financially secure would-be entrepreneurs (Marchesani, 2025).
- Research in France shows that rising house prices enable more people to start businesses. Schmalz et al. (2017) found that homeowners were 11% more likely than renters to become entrepreneurs when house prices increased significantly, with the effect being even stronger (28%) for those who owned their homes outright and could use them as collateral. This pattern implies that where high housing costs prevent younger or poorer would-be entrepreneurs from becoming outright owners, or confine them to renting or highly leveraged ownership, they are effectively excluded from this collateral channel and are less likely to enter entrepreneurship (Schmalz et al., 2017).
- In Sweden, a study by Berggren et al. (2017) covering all 290 municipalities finds that housing market conditions exert a measurable influence on business creation. Using spatial econometric modelling, Berggren et al. (2017) show that a 1% increase in house prices in a municipality leads to roughly a 0.15% rise in the number of business start-ups. Municipalities with house prices above the national average also exhibit higher start-up rates. This indicates that higher

property values expand the pool of collateral available to prospective entrepreneurs and ease access to early-stage finance.

Taken together, these examples show that housing conditions affect both how many start-ups emerge and who can realistically become an entrepreneur, ultimately reinforcing existing inequalities.

- **Mitigating the negative impacts of housing scarcity on employment**

In response to the above-described challenges, there are certain initiatives taking place across the EU:

- Tallinn, the capital city of Estonia, has introduced targeted measures to address housing challenges faced by essential workers. Through its municipal housing schemes, Tallinn provides dedicated, affordable dwellings for teachers, medical staff, care workers, police officers and other employees whose roles are vital for the functioning of the city. This includes priority in accessing social housing, and purpose-built accommodation such as the Teachers' House and the Medical Staff House. The lease agreements are usually for up to three years, with a new assessment conducted after this period (OECD, 2021d; Tallinn, 2025).
- In Freiburg (Germany), there is a good example of how access to housing in high-demand urban areas can be improved in ways that benefit a broad range of workers. Instead of expanding into greenfields or pushing new development to the urban fringe, the city concentrated housing development growth on centrally located brownfield sites, creating the Rieselfeld and Vauban districts close to jobs, services and public transport. These areas delivered several thousand new homes, with a significant share of social and affordable housing as well as cooperative self-build projects that kept construction costs up to 25% below market levels. The result is two compact, transit-oriented neighbourhoods that offer affordable, well-located housing, making it easier for workers to live near employment centres rather than being displaced to car-dependent suburbs. For more information on the Freiburg case, see Annex I.

Overall, housing policies should prioritise affordable, stable and well-located homes that provide good access to local labour markets, with particular attention to the needs of essential workers. As the examples above illustrate, improving workers' access to housing can be achieved through a range of approaches, including community-led living projects, widening access to social housing for essential workers and making better use of underused sites such as brownfields.

6.4. Demographic shifts and housing

Housing strongly shapes key life choices such as leaving the parental home and starting a family. When housing is unaffordable or unstable, these decisions are often postponed or abandoned, as discussed in Chapter 3.2. While studies do not often analyse the direct effects of housing adequacy or sustainability on life-course decisions or demographic patterns, some impacts are plausible. Poor housing quality, such as overcrowding or unsustainable conditions, may influence decisions about having children, as these environments are not ideal for raising a family. At the same time, high utility bills – often associated with cheaper, energy-inefficient housing – may encourage young adults to remain longer in the parental home to save money.

Additionally, research on migrant single mothers shows that inadequate housing can delay family reunification (Skubiejute, 2025). Upon arrival, many women live in overcrowded, shared or poor-quality accommodation that offers neither stability nor sufficient space for children. In the study, mothers identified secure and adequate housing as the key precondition for bringing their children to the host country.

- **Impacts of unaffordable housing**

Meanwhile, research on the impacts of housing affordability on demographic trends is extensive, showing clear and measurable effects on demographic outcomes. To start, rising house prices make family-sized homes less accessible, increase financial insecurity, and limit young adults' ability to form independent households, thereby delaying major life transitions (Wijk, 2024). In this context, research increasingly shows that constrained access to affordable housing is closely linked to having fewer children, as delayed household formation often translates into postponed or fewer births (van Wijk, 2024; Fazio et al., 2025).

Quantified evidence from outside Europe demonstrates how strongly housing affordability shapes family formation. A study by Fazio et al. (2025), based on Brazil's large-scale housing credit lottery[87] system, provides rare causal evidence on this link. The study is able to isolate the effect of secure and affordable housing on fertility as the housing credit lottery randomly assigns housing credit to individuals. The individuals aged 20–25 who obtained housing credit were then 32% more likely to have children and had 33% more children on average than those who did not receive credit at that time. A ten-year delay in accessing housing credit reduced lifetime fertility by around 50% among 20–24-year-olds. Although based in Brazil, this natural experiment is widely cited because it offers unusually robust causal evidence that stable and affordable housing can substantially influence family planning decisions.

Meanwhile research in Europe, such as by Lennartz et al. (2016), Foye et al. (2018), Tocchioni et al. (2021) and van Wijk (2024), that links birth rates to housing often finds that homeowners more often or sooner have children. This pattern reflects more than financial capacity, as in many European contexts, homeownership carries strong cultural meaning (see more information in Chapter 4.1.1). Homeownership is commonly associated with stability, adulthood and being 'ready' for family life, shaping both how individuals interpret their circumstances and how society expects them to behave. When access to secure and affordable housing becomes increasingly difficult, these cultural expectations come into tension with economic realities. Young adults may delay parenthood not because their aspirations have shifted but because the housing conditions that traditionally signal readiness are harder to achieve. This illustrates a longstanding debate in housing research over the prominence of homeownership as a societal ideal, and the ways in which this ideology can reinforce inequalities and postpone key life transitions (Lennartz et al., 2016; Foye et al., 2018).

[87] The study is based on Brazil's housing "consórcios", a group-lending system where participants pool monthly savings and receive housing credit through random lotteries. This lottery determines when a participant gains access to the credit used to buy a home. Because allocation happens randomly, it provides a natural experiment for studying the causal effects of housing access on fertility.

Besides family formation, housing affordability also influences de-urbanisation processes, including rural in-migration and suburbanisation. Families seeking affordable, family-sized homes often move away from expensive urban centres towards suburban or rural areas, changing the social fabric of cities as well as rural areas. This process can accelerate gentrification, leaving inner cities dominated by smaller, higher-income households while younger or lower-income families relocate to the periphery (Steinführer et al., 2024). In Germany, for example, tight housing markets in large cities have coincided with increased out-migration from urban cores to surrounding suburban and rural districts, particularly in the regions around Munich, Stuttgart, Frankfurt am Main and Cologne, as households search for more affordable and spacious housing (Ibid.).

- **Mitigating negative impacts of scarce housing on demographic shifts**

Evidence from across Europe shows that, regarding independent living and family formation, the most effective policies are those that help individuals realise their aspirations at the time they choose, by linking housing, family and social policies (Tocchioni et al., 2021; van Wijk, 2024). Mostly, measures such as housing allowances or subsidised loans for young adults are implemented to ease the transition to independent living and family formation. For instance:

- In France, young tenants, including students and apprentices, can receive means-tested personal housing benefits (APL, ALS, ALF) that lower their rent in both private and social housing. Alongside this, 'social landlords'[88] and local authorities provide dedicated youth housing such as social residences and foyers for young workers, often developed with youth organisations and priced below the market (Pape, 2024).
- In Ireland, the cost-rental scheme supports young adults and young families by offering homes with rents set only to cover construction, financing and maintenance costs, rather than market prices. Delivered by local authorities and housing agencies since 2019, the model provides secure long-term tenancies with rent increases capped to inflation. It is aimed at people on moderate incomes who struggle in the private rental market but do not qualify for social housing. Early evidence shows that cost-rental homes offer tenant protection and financial stability, reduce housing stress and make it easier for young people to move out of the parental home or plan their next life steps (Caturianas et al., 2020).
- In Austria, Vienna illustrates how a well-designed housing system can support demographic stability rather than contribute to population displacement or unequal settlement patterns. Since affordable, secure and good-quality housing is broadly available across the country and within the capital city itself (including in well-connected districts close to jobs, childcare and public services), individuals and families are not pushed to the periphery in search of lower costs. Broad eligibility rules and socially mixed developments prevent the concentration of low-income households in specific areas to a wide extent, reducing spatial segregation and ensuring that subsidised housing remains accessible to a wide range of demographic groups. Vienna's

[88] Social landlords (*bailleurs sociaux*) are state-approved organisations—either public or private—that are invested with a public interest mission to provide affordable rental housing. They are responsible for the construction, acquisition, renovation, and management of social housing units (*logements sociaux*) rented at below-market rates to households meeting income eligibility criteria.

model avoids the de-urbanisation pressures and insider–outsider divides common in high-cost cities, demonstrating how an integrated, non-market housing system can underpin inclusive demographic and social outcomes. For more information on Vienna's housing model, refer to Annex I.

- In Germany, the rent-ceiling mechanism (Mietpreisbremse) limits rent increases in high-pressure markets, helping to curb excessive price growth and protect tenants from sudden cost surges. These stronger tenant protections and regulated rent levels can reinforce the goals of promoting autonomy in major life decisions among those who are not (or incapable of being) homeowners.

Taken together, these examples show that policies which improve affordability, expand access to stable rental options and strengthen tenant protections can help mitigate the demographic pressures created by scarce or insecure housing. By lowering costs, providing predictable tenancies and ensuring access to good-quality homes in well-connected areas, such measures can assist earlier transitions to independent living and family formation, while also helping to prevent the de-urbanisation patterns that emerge when families are pushed out of high-cost urban centres. Coordinating housing measures with wider social and family policies can therefore make it easier for people to realise their life plans rather than postponing them because adequate housing is out of reach.

7. THE ROLE OF EU LEGISLATION IN SHAPING HOUSING POLICIES

KEY FINDINGS

- **The EU has introduced a comprehensive set of directives and initiatives to improve the energy performance, quality and safety of housing**. The Energy Performance of Buildings Directive (EPBD) drives higher efficiency standards in new and existing buildings, supported by tools such as Energy Performance Certificates (EPCs), Minimum Energy Performance Standards (MEPS) and long-term renovation strategies (LTRS). The Energy Efficiency Directive (EED) complements this by setting binding energy savings targets and requiring annual improvements, with a focus on vulnerable households. These measures have tightened building codes, boosted renovations, improved health and living conditions, and created jobs. Yet, challenges remain, including uneven national transposition, performance gaps, financing gaps, access to finance, labour shortages within the construction sector, and risks of affordability pressures or "renovictions" (i.e. evictions following renovation works used as a pretext to raise rents or displace existing tenants).
- **State aid and funding regulations shape how MS finance (affordable) housing**. While support was once limited to narrowly defined "social housing", a shift towards broader "affordable housing" is underway, with revised Services of General Economic Interest (SGEI) rules expected in 2026.
- Funding available through **InvestEU, the Recovery and Resilience Facility (RRF) and Cohesion funds** provide major regulatory and funding frameworks, while institutions like the European Investment Bank (EIB) play a key role in implementing these instruments. The 2014–2020 programming period, with a total of EUR 7,400 million allocated under ERDF investments for housing-related interventions, significantly expanded eligible support under Cohesion policy funds through explicit thematic objectives linking housing to low-carbon transition and social inclusion. The current 2021–2027 programming period, with even higher planned allocations of EUR 7,620 million, represents further evolution toward a comprehensive approach to affordable and quality housing, integrating climate action, digitalisation, social innovation, and inclusion objectives within a unified policy framework.

While housing is primarily a national competence, it has become a growing area of EU concern, not only for its role in achieving energy and climate objectives but also as part of broader social and economic priorities. Rising housing costs, affordability challenges and the risk of homelessness have increasingly placed housing on the EU policy agenda (European Parliament, 2025c). Recent years have seen housing policies linked closely with, for instance, the European Green Deal and the Renovation Wave and with commitments under the European Pillar of Social Rights (European Commission, 2020).

This Chapter investigates and provides an overview of how EU initiatives and legislation influence housing developments across MS through regulatory standards, funding, and environmental as well as social policy frameworks. The Energy Performance of Building Directive (EPBD) and Energy Efficiency

Directive (EED), together with other complementary legislation and initiatives (see Table 9), have guided MS in adopting policies to improve both the new and existing housing stock.

Table 9: Key EU-level policies shaping housing across MS

Policy/instrument	Objective(s)	Key provisions	Target groups / scope
Energy Performance of Building Directive (EPBD)	Improve energy efficiency of EU building stock; ensure new buildings meet ambitious standards; achieve fully decarbonised stock by 2050.	Minimum energy performance standards (MEPS) for new and renovated buildings; energy performance certificates (EPCs); long-term renovation strategies (LTRS); nearly zero-energy buildings (NZEB) requirement; future zero-emission buildings; inspection of heating/AC; promotion of smart tech and EV infrastructure.	Residential and commercial buildings, new and existing; special focus on worst-performing buildings.
Energy Efficiency Directive (EED)	Reduce EU-wide energy consumption across all sectors; embed "Energy Efficiency First" principle; ensure binding 2030 targets.	Binding EU energy reduction target (–11.7% by 2030 vs baseline); annual energy savings obligation (ramping up to 1.9% by 2028–30); 3% annual renovation of public buildings; consumer empowerment via metering/billing; energy audits; measures on energy poverty and split incentives; procurement rules for public sector.	Cross-sector: buildings, industry, transport, power; specific obligations for public buildings, utilities, and energy suppliers; vulnerable households.
Renewable Energy Directive	Boost the share of renewables in the energy mix; specific focus on heating/cooling.	+1.1%/yr renewables in heating/cooling; solar & hot water mandates; district heating; Renewables Acceleration Areas; permitting reform; renewables declared as an overriding public interest.	Heating/cooling in housing; new and existing buildings.
European Green Deal & Renovation Wave	Double annual renovation rates in 2020s; tackle energy poverty; link climate and housing.	Renovation roadmap; Affordable Housing Initiative; New European Bauhaus; Funding under the National Recovery and Resilience Plans (NRRP).	EU housing stock, especially social/public and worst-performing.
Construction Products Regulation	Harmonise construction product standards; integrate sustainability.	CE marking[89]; digital product passport; environmental product declarations; recyclability & lifecycle rules.	Building materials, producers, SMEs, construction sector.
Emissions Trading System	Put carbon price on heating fuels; fund social mitigation.	ETS2 carbon pricing (from approx. 2027); Funding for home retrofits, heat pumps, & bill support in the Social Climate Fund (SCF) (EUR 86bn est.).	Households (esp. low-income), heating sector, social housing.

[89] CE (*Conformité Européenne*) marking is an official EU certification that indicates a product meets all the EU-wide health, safety, environmental, and performance standards required for it to be legally sold in the European Economic Area (EEA).

Policy/instrument	Objective(s)	Key provisions	Target groups / scope
Health, safety & accessibility regulations	Ensure safe, healthy, accessible housing.	Fire safety codes; lead/asbestos abatement; ventilation; European Accessibility Act: accessibility for public buildings/services; disability access standards.	Housing, public buildings, services, persons with disabilities

Source: elaborated by the authors.

7.1. Energy Performance of Buildings Directive (EPBD)

First adopted in 2002 (Directive 2002/91/EC), the EPBD established a common EU framework to improve the energy efficiency of buildings. It introduces measures such as minimum energy performance standards for new buildings (and major renovations), requirements for energy performance certificates[90] (EPCs) in buildings when sold or rented, and regular inspections of boilers and air-conditioning systems. Overall, the EPBD has a significant importance in ensuring the quality, sustainability and affordability of residential housing. By establishing minimum energy performance standards (MEPS), the directive addresses all three dimensions: it ensures buildings meet quality standards for decent living conditions, advances sustainability through reduced energy consumption and emissions, and enhances affordability by lowering energy costs for households—a critical factor given that energy expenses represent a substantial portion of housing costs for many European families.

Over the years, the EPBD has been recast (i.e. updated in its entirety) and amended a few times to consistently align the ambitions for energy efficiency in the EU buildings sector with wider EU policy targets. The directive was first recast in 2010 (Directive 2010/31/EU)[91] to introduce the requirement that all new buildings be "nearly zero-energy" (NZEB) by the end of 2020. The 2010 recast also tightened the rules on EPCs and inspections of heating and cooling systems. In 2018, as part of the EU's *Clean Energy for All Europeans* package, the directive was amended (Directive (EU) 2018/844)[92] to accelerate efficiency improvements in the building sector. The amendment required MS to develop long-term renovation strategies (LTRS) for both residential and non-residential buildings, with the aim of making the building stock highly energy-efficient and largely decarbonised by 2050. Most recently, a second EPBD recast was proposed in 2021 and adopted in 2024 (Directive (EU) 2024/1275)[93], as part

[90] Energy Performance Certificates are standardized documents that assess and rate a building's energy efficiency on a scale (typically A to G, though scales vary by Member State). EPCs provide information on a building's energy consumption, typical energy costs, and recommendations for cost-effective improvements to enhance energy performance. They are valid for 10 years and must be made available when buildings are constructed, sold, or rented.

[91] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast). (2010). OJ L 153, 18.06.2010, 13–35. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010L0031.

[92] Directive EU 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency, OJ L 156 19.06.2018 75–91. Available at: https://eur-lex.europa.eu/eli/dir/2018/844/oj.

[93] Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast). OJ L, 2024/1275, 8.5.2024. Available at: https://eur-lex.europa.eu/eli/dir/2024/1275/oj; The transposition of the EPBD into national law is due by 29 May 2026 through revised LTRS, harmonised EPCs, and investment schemes.

of the European Green Deal and its Renovation Wave strategy (see Chapter 7.3). This latest directive significantly raises the level of ambition for energy performance in buildings as it:

- sets targets to renovate the worst-performing segments of the building stock and to phase out fossil-fuel heating systems;
- introduces minimum energy performance standards (MEPS);
- establishes "zero-emission building" (ZEB) standards for all new constructions – while mandating measures such as the gradual phase-out of coal- or gas-fired boilers, starting with a ban on new subsidies for those systems from 2025;
- sets targets for the reduced energy use in the residential sector (see Table 10 below).

Table 10: EPBD targets for the improvements of the energy performance of the residential sector

Date / Period	Requirement
1 Jan 2030	All new buildings in the EU must be ZEB (both residential and commercial)
1 Jan 2030	New residential buildings must be solar-ready
2030	≥16% cut in average residential energy use compared to 2020
2035	≥20–22% cut in average residential energy use compared to 2020
2050	Full decarbonisation of building stock

Source: elaborated by the authors based on Directive (EU) 2024/1275 (EPBD recast 2024).

The transposition of the EPBD into national policies

While the EPBD sets a common direction for the energy performance of buildings across the EU, it gives MS flexibility in implementation. EU countries individually transpose the requirements of the EPBD into national building codes, housing regulations, and renovation programmes, allowing for tailoring to local conditions. However, it also means that the stringency and effectiveness of measures can vary due to the various ways in which countries implement EU requirements.

One of the key features of EPBD transposition has been the significant tightening of building codes. The introduction of MEPS requirements and the mandate for "nearly zero-energy" buildings NZEBs for all new buildings from 2020 onwards have ensured that new buildings throughout the EU are now constructed to far higher energy efficiency standards (European Parliament, 2021). All MS have updated their building codes to comply, resulting in higher standards for the levels of insulation, double or triple glazing, airtight construction with mechanical ventilation, and efficiency of low-carbon heating systems (see Box 1).

Box 1: Examples of transposition of EPBD among MS

Italy transposed Directive (EU) 2018/844 with Legislative Decree No. 48/2020, which updated the national framework on building energy performance (Presidenza della Repubblica Italiana, 2020a). The decree reinforced NZEB requirements for new buildings, in line with the EPBD's 2020 targets. It also mandated new technical measures such as the installation of building automation and control systems in large buildings by 2025, as well as requirements for electric vehicle charging infrastructure in residential car parks, directly reflecting new EPBD provisions.

Germany consolidated its building energy legislation with the *Gebäudeenergiegesetz* (GEG, 'Building Energy Act') of 2020, which came into force on 1 November 2020 (QualDeEPC, 2020). The GEG replaced three separate laws (i.e. the Energy Saving Act, Energy Saving Ordinance, and Renewable Heat Act), creating a unified framework aligned with the EPBD. A central element was the integration of the EU's NZEB requirement, effective since the end of 2020 (QualDeEPC, 2020).

Poland updated its *Energy Performance of Buildings Act* in line with the 2018 EPBD amendments, introducing stricter standards for new constructions and major renovations (CA EPBD, 2024). From 1 January 2021, all new buildings must meet NZEB standards, requiring improved insulation and a greater share of renewables (BPIE, 2021). These requirements have been written into the building code, raising the efficiency baseline of Poland's new housing stock.

France reinforced its building energy framework with the *Climate and Resilience Act* (Law No. 2021-1104), adopted in August 2021 (Government of France, 2021). This legislation completed the transposition of the 2018 EPBD update and went beyond it by introducing MEPS for the rental housing market.

Spain completed its transposition of the EPBD through major regulatory updates between 2019 and 2021. The revision of the *Código Técnico de la Edificación* (CTE) via Real Decreto 732/2019 introduced stricter energy performance requirements for new buildings, aligning them with the NZEB mandate (Government of Spain, 2019; BPIE, 2021).

The roll-out of EPCs, as per the EPBD, has been nearly universal across the EU and has created transparency on the energy efficiency of buildings where little previously existed. The EPBD requires EPC information to be included in all advertisements for property sales or rentals (Article 12, Directive 2010/31/EU) to increase public visibility of the energy performance of buildings they buy or use. Millions of buildings have now been rated, and buyers and renters can, in principle, factor energy costs and comfort into their decisions by considering EPC ratings. Additionally, public EPC databases have been created across MS and have become valuable policy assets as, for example, authorities use them to identify clusters of inefficient buildings, design targeted renovation programmes, and track progress. Some countries have progressed even further and use EPC data to map energy poverty hotspots, creating an open database enabling entrepreneurs to offer renovation services, and legislated bans on renting out G- and F-rated flats, as described in Box 2 (European Parliament, 2021).

Box 2: Examples of EPC implementation across MS

In **Belgium**, three regions (i.e. Brussels-Capital Region, Wallonia and Flanders) implemented emergency decrees linking rent indexation to EPCs, effective since October-November 2022. The rules vary by region and protect tenants from bearing both high inflation costs and high energy bills in poorly insulated housing (Brussels-Capital Region, n.d.; Parlement wallone, 2022; Vlaams Parlement, 2022).

France, using the EPBD-required EPC system as the basis, classified the worst-performing dwellings (i.e. EPC classes G and F) as "indecent" in the Climate and Resilience Act. From January 2025, G-rated homes could no longer be rented, and from 2028, this ban extends to F-rated homes (Service-Public, 2025). This creates a legal obligation for property owners to either renovate or withdraw inefficient units from the rental market, a bold use of EPBD tools to drive upgrades.

The **German** GEG legislation standardised EPCs and introduced disclosure of a building's carbon emissions on the EPC, thereby strengthening transparency (QualDeEPC, 2020).

In **Ireland**, the Sustainable Energy Authority has developed a BER Map that geo-codes Building Energy Rating data to the Central Statistics Office "Small Areas" (geographic units of 80-120 dwellings), enabling visualisation of median BER ratings across Ireland through an interactive map covering approximately 35% of the residential housing stock. The map explicitly supports geo-targeting of energy poverty interventions by allowing policymakers to identify clusters of homes with poor BER ratings (E, F, or G), to then direct energy retrofit campaigns to areas where they are most needed (Sustainable Energy Authority of Ireland, n.d.; Bonaczek, n.d.)

Poland expanded the scope of EPCs, making them obligatory for a wider range of buildings, and established a central EPC register to improve compliance and transparency (CA EPBD, 2024).

In **Portugal,** the Sistema de Certificação Energética (SCE) ('Energy Certification System') portal, managed by ADENE (Agência para a Energia, Portuguese Energy Agency), provides public access to a database containing approximately 1.8 million EPCs with 250-300 variables per building, including geographic data, technical systems information, energy balance indicators, and tailored improvement recommendations with cost estimates (Fragoso & Baptista, 2020). Additionally, Portugal developed Portal casA+ (portalcasamais.pt) as a one-stop-shop where consumers can request proposals from renovation contractors to implement the improvement measures identified in their energy certificates.

In 2021, **Spain** implemented further EPBD provisions through the updated *Reglamento de Instalaciones Térmicas en los Edificios* (RITE) and Real Decreto 390/2021 on building energy certification, which strengthened Heating, Ventilation and Air Conditioning (HVAC) efficiency standards, introduced mandatory inspections, and expanded the EPC regime (Government of Spain, 2021).

National LTRS required under the EPBD after the 2018 revision have anchored building decarbonisation into national planning frameworks and become a backbone of climate planning in the EU. Countries across the EU developed varying LTRS, as illustrated in Box 3. Although some MS' initial LTRS submissions were relatively abstract, the obligation to update them in the future, and to submit detailed Building Renovation Plans every five years, has ensured sustained political and policy attention to building renovation and decarbonisation targets (European Commission, 2023b).

Box 3: Examples of LTRS among MS

In **Italy**, Legislative Decree No. 48/2020 introduced a LTRS to address building energy efficiency and decarbonisation. This strategy focuses on retrofitting the existing building stock and integrating sustainable practices to achieve carbon neutrality by 2050. The plan supports the EU's broader renovation targets while ensuring that the energy performance of buildings is gradually improved (Presidenza della Repubblica Italiana, 2020a).

In **Poland**, at the strategic level, the government adopted a LTRS to 2050 and integrated building efficiency measures into the NECP 2021–2030, reflecting the urgent need to address inefficient communist-era apartment blocks and detached homes (Tokarski et al., 2025).

In **Spain,** long-term renovation goals were integrated into the Climate Change and Energy Transition Law 7/2021, which aims for a decarbonised building sector. The law sets long-term emissions reduction targets and establishes a roadmap for improving the energy performance of existing buildings, aligning with EU decarbonisation efforts (Government of Spain, 2021). Also, the updated LTRS was linked directly to the Recovery and Resilience Plan, securing over EUR 6 billion from the EU Recovery and Resilience Facility to fund large-scale retrofits of thousands of apartments and single-family homes, with a focus on worst-performing dwellings (Renovate Europe, 2021).

Positive impacts of the EBPD

The impacts of the EPBD are important to recognise to be able to assess the quality of the legislation. All impacts, whether short- or long-term, positive or negative, are important to understand the ways in which housing quality, sustainability, and affordability can be ensured.

- **Short-term market impacts: house prices and "green premiums"**

The EPBD's introduction of mandatory EPCs has created an unprecedented level of transparency in EU housing markets, fundamentally altering how energy efficiency is valued. By requiring EPCs to be displayed in all property advertisements for sales and rentals (Article 12, Directive 2010/31/EU), the directive enables market participants to incorporate energy performance into their decision-making processes. This transparency mechanism allows markets to reward energy-efficient properties through price premiums (also called "green premiums"), while creating financial incentives for property owners to invest in energy improvements.

Energy efficiency measures can have noticeable short-term effects on housing markets and prices. Retrofitting a home or building a highly efficient dwelling adds upfront cost, but empirical research

across multiple European markets demonstrates that buyers are willing to pay premiums for properties with superior energy performance. A recent systematic scoping review of 68 European studies covering data from May 2024 found that energy-efficient homes consistently provide price premiums. Each EPC band improvement adds approximately 1-3% to property values, and a top-rated A-class home sells for about 9–10% more on average than an otherwise similar home with a mid-range energy rating (e.g. D-class) (Ou et al., 2025). Studies from Belgium, Denmark, Finland, Ireland, Italy, the Netherlands, Portugal, and Spain provide evidence that high EPC ratings positively influence sale prices, though the magnitude varies across markets and property segments (Dell'Anna et al., 2019; Evangelista et al., 2020). In Portugal, for instance, properties with EPCs ranked A, B, or C sold for 5.9% more per square meter than D-rated properties, while those with low rankings (E, F, or G) sold for 4% less (Evangelista et al., 2020). The price premium gradually scales higher with the rating – for example, moving *one* label grade up can add a few percent to the price. For homeowners, these market premiums create positive financial incentives for energy efficiency investments (e.g. improved insulation, high-performance windows, or efficient heating systems).

Furthermore, in Spain, research examining the Barcelona metropolitan area found that renovated apartments with energy label A commanded a 12.2% price premium compared to label G properties, with each one-letter improvement being associated with a 1.19% increase in listing prices (Chen & Marmolejo-Duarte, 2019). This represented a higher premium than earlier Spanish studies had documented (Marmolejo-Duarte, 2014), suggesting that, as EPC awareness increased and the supply of certified properties grew, market capitalisation of energy efficiency strengthened over time. This market response reflects evolving consumer preferences for efficient homes, particularly following the 2020-2022 period when energy costs surged, and climate awareness heightened. The analysis of the London housing market between 2013 and 2021, for example, showed that the green premium rose from statistically insignificant levels to approximately 0.47% per EPC point by 2021 - demonstrating how market valuations of energy efficiency evolved in response to policy interventions and rising energy costs (Ou et al., 2024).

The rental market presents more complex dynamics, as lessors bear renovation costs while tenants typically receive the energy bill savings. Despite this principal-agent problem, emerging evidence suggests that energy efficiency is increasingly reflected in rental values in certain markets. Research on the German rental market found evidence of rental premiums for energy-efficient properties, though effects were weaker in large cities with housing shortages where high demand reduced price sensitivity to building characteristics (Kholodilin et al., 2017). While rental premiums may incentivise lessors to improve properties, they also raise concerns about affordability for tenants in renovated units.

From the tenant perspective, improved energy performance should reduce energy bills and enhance living comfort through better thermal performance, improved air quality, and reduced dampness. However, if renovation costs are passed through to tenants via significantly higher rents that exceed energy savings, the net effect on affordability becomes negative. The 2024 EPBD revision explicitly addresses this tension by requiring MS to introduce effective safeguards for vulnerable tenants when lessors undertake energy renovations (Article 17(3), Directive 2024/1275). Such safeguards may

include rent support schemes, caps on rent increases following renovation, or temporary relocation assistance during works. These protections aim to ensure that energy efficiency improvements enhance housing quality and sustainability without undermining affordability—particularly for low-income and vulnerable households who often occupy the worst-performing buildings targeted for renovation priority. An approach by the regions of Belgium of linking rent indexation rights to EPC ratings illustrates one policy mechanism for balancing these concerns: in Flanders, Brussels, and Wallonia, lessors of poorly rated properties (typically E, F, or G) face restrictions on annual rent increases, creating incentives for improvement while protecting existing tenants from rent inflation in substandard housing (Vlaams Parlement, 2022; Brussels-Capital Region, n.d.), while for housing with higher energy performance partial or full indexation is allowed.

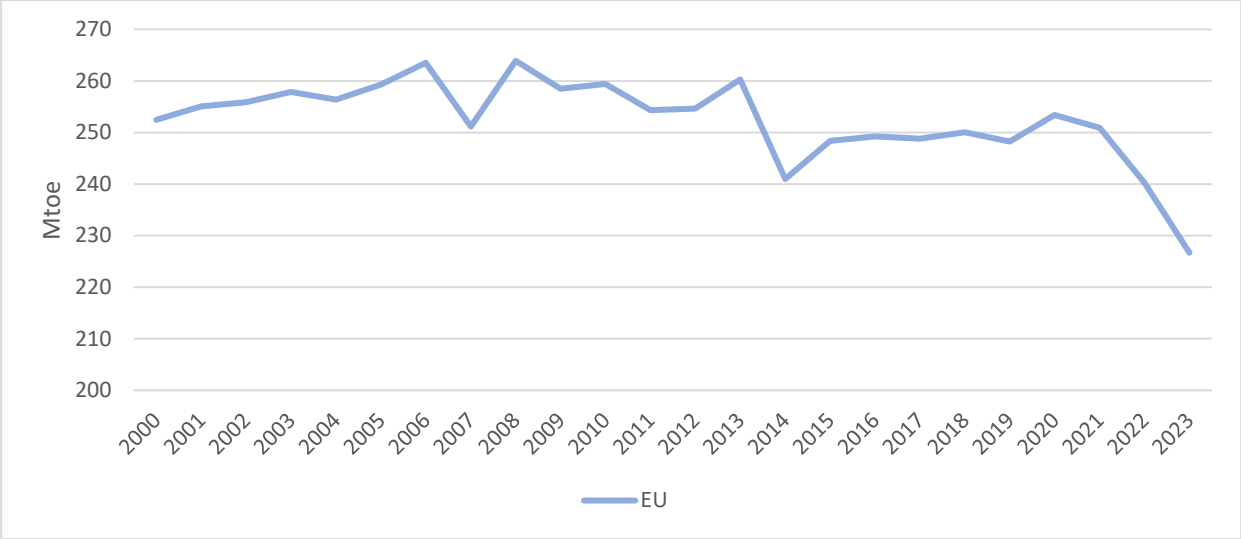
- **Long-term benefits: energy savings, lower energy bills and affordable comfort**

At the EU and national policy level, one of the expected long-term effects of the EBPD's transposition is an upward convergence in energy performance standards for the overall housing stock. This progress is expected to yield energy savings over the decades as increasingly efficient buildings become the norm. An efficient home that uses much less fuel or electricity for heating, cooling, and appliances, translates to monthly reduced energy costs. A wide body of EU-funded analyses consistently show that residential energy efficiency generates lifetime benefits significantly exceeding upfront costs, once energy savings, avoided emissions, health improvements and property value increases are taken into account (JRC, 2020; EEFIG, 2021; COMBI/MICAT, 2018–2023).

For a typical household, upgrading from a very poor energy class (i.e. G or F) to a modern standard can cut energy consumption significantly. A study conducted by Alexandri et al. (2022) from Cambridge Econometrics for the Coalition for Energy Savings showed that if the EU meets its renovation targets, the introduction of energy efficiency measures for the poorest households could lead to a decrease in the share of overall consumption spent on energy from 7.2% (at 2022 levels) to 5.9% by 2030, while for the richest households this translated in a reduction from 4.5% to 3.7% . In many cases of deep renovation, the savings are even greater. For instance, replacing an old gas boiler with a heat pump, and adding insulation and efficient windows can reduce heating energy needs by 70–85%, depending on the starting point (Abdoos et al, 2024).

From 2000 to 2022, the EU's overall final energy consumption of households decreased by 25.8 million tonnes of oil equivalent (Mtoe), representing a 10.2% overall reduction (Odyssee-Mure, 2024). The Joint Research Centre's (JRC) analysis (2025a), based on National Energy and Climate Progress Reports, found that some of the main reasons for increasing residential energy consumption in 2020 were the increase in population and households, the worsening of winter/summer conditions, and the increase in disposable income of households. After a notable increase in 2019-2020, there was a decline of 13.1 Mtoe in 2022, likely due to milder winters (JRC, 2025a) and a further decline of 13.5 Mtoe in 2023 (see Figure 39:), leading to 10.5% reduction compared to 2020.

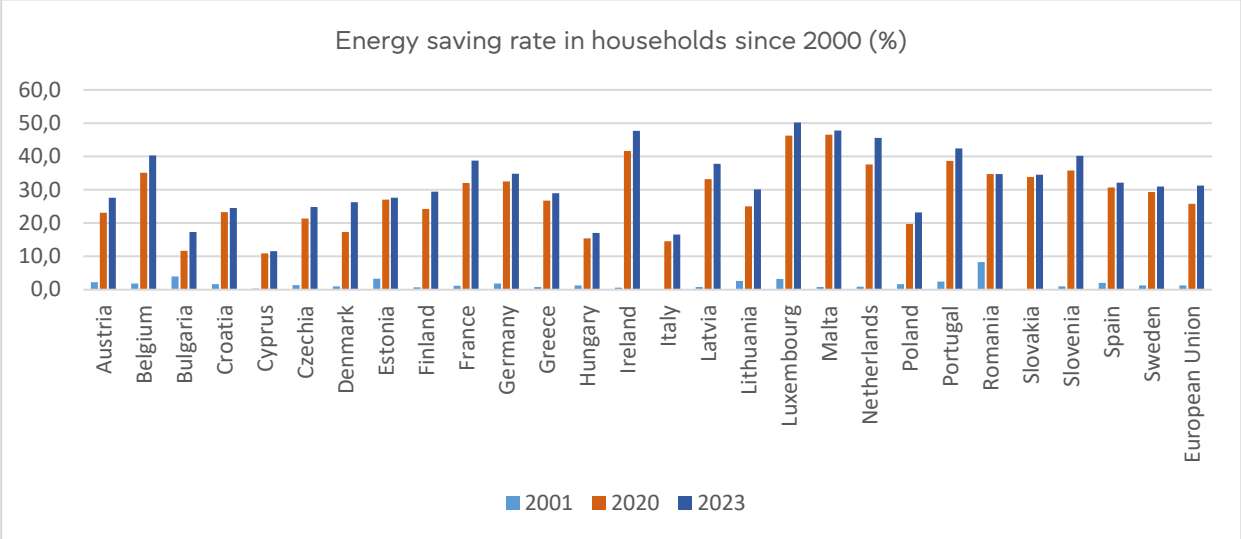
Figure 39: Final energy consumption of households in the EU from 2005-2023 (with climatic corrections, Mtoe)



Source: Odysee-Mure key indicators, available at: https://www.indicators.odyssee-mure.eu/key-indicators.html.

In 2023, the energy saving rate in EU households reached 31.3% of the energy consumption from the year 2000, with savings above the EU average in Belgium, France, Germany, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Romania, Slovakia, Slovenia, and Spain. From 2020-2023, an on-average 5.5 p.p. increase in energy savings was observed in the EU, with the most substantial growth of savings in Denmark (8.9 p.p.), France (6.7 p.p.), Ireland (6 p.p.) and the Netherlands (8 p.p.) (see Figure 40).

Figure 40: Energy saving rate in households in MS from 2000-2023 (% as compared to 2000)

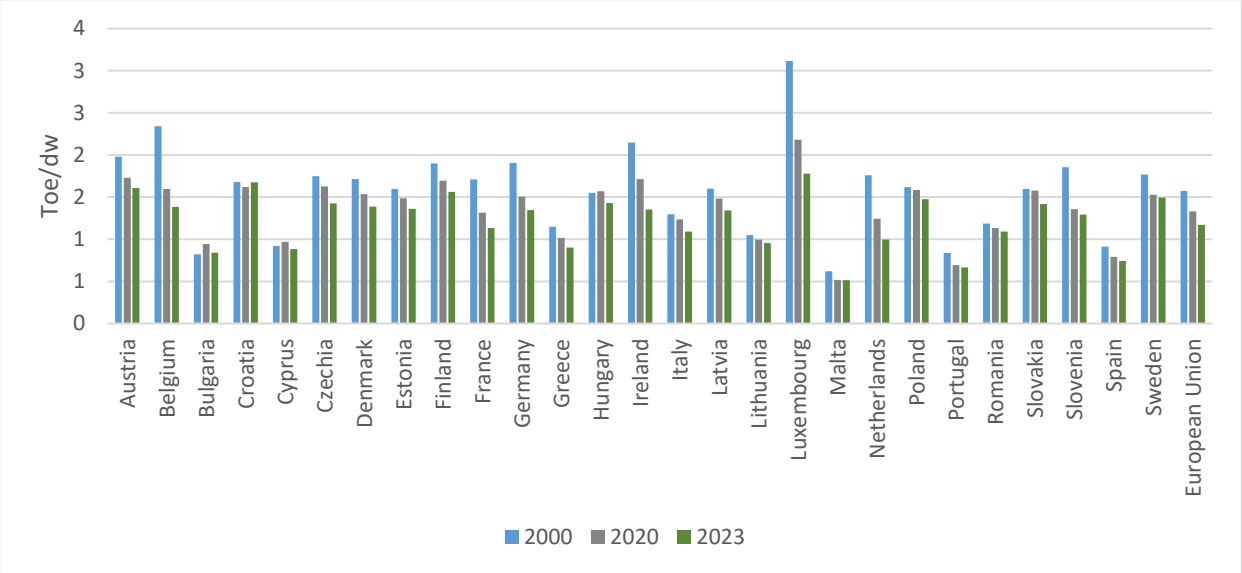


Source: Odysee-Mure key indicators, available at: https://www.indicators.odyssee-mure.eu/key-indicators.html.

Energy consumption per dwelling (at normal climate) also decreased steadily since 2020, though 2020-2021 saw a temporary increase (see Figure 41). However, the progress is uneven across MS and the indicator itself is affected by the differences in the average size of dwellings in MS. At EU level, the

decrease in the energy consumption per dwelling in 2023 was 26% of the 2000 value, and 12% since 2020.

Figure 41: Annual energy consumption per dwelling at normal climate in MS, toe per dwelling

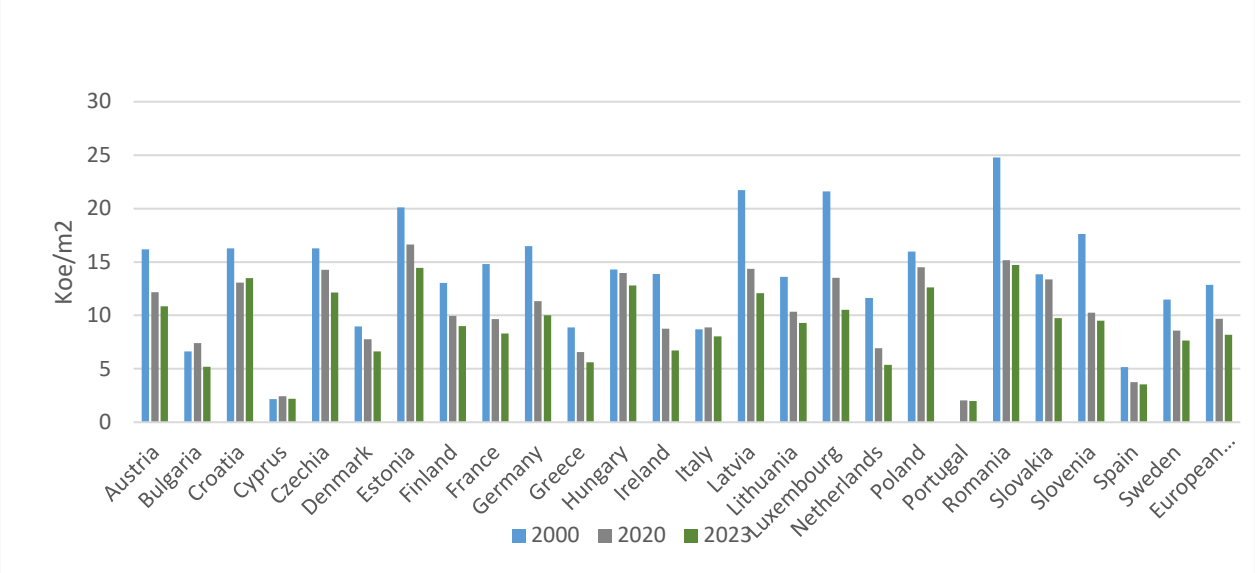


Source: Odysee-Mure key indicators, available at: https://www.indicators.odyssee-mure.eu/key-indicators.html. Note: Energy consumption per dwelling at normal climate = actual household energy consumption, adjusted to remove the effect of year-to-year temperature variation (mainly winter severity).

The energy consumption of households for space heating per square meter at EU level steadily decreased by over 36.3% as compared to 2000[94]. Most countries saw a slight increase from 2020-2021, and in Bulgaria and Cyprus this increase even outpaced the 2000 value (as can be seen in Figure 41). However, since then, declining trends can be observed across most MS. The changes in energy consumption for heating per m^2 from 2000-2023 vary from a 46% decline in Slovenia to a 2% increase in Cyprus. Meanwhile, from 2020-2023, consumption declines vary from a 30% decrease in Bulgaria to 3% increase in Croatia (see Figure 42).

[94] The EU-level indicator "Energy consumption per m^2 of households for space heating at normal climate", ODYSSEE-MURE calculates an EU aggregate that is weighted by the final energy consumption for space heating of each Member State.

Figure 42: Energy consumption of households for space heating at normal climate in MS, Koe/m²



Source: Odysee-Mure key indicators, available at: https://www.indicators.odyssee-mure.eu/key-indicators.html. Note: data on energy consumption per m² of households for space heating are not available for Belgium and Malta. Note: Energy consumption per dwelling at normal climate = actual household energy consumption, adjusted to remove the effect of year-to-year temperature variation (mainly winter severity).

While the downward trends in household energy consumption documented above are encouraging, isolating the direct impact of the EPBD on improvements to the energy performance of residential buildings across the EU is methodologically challenging. Energy consumption reductions in the residential sector result from multiple overlapping policies, market dynamics, and external factors operating simultaneously, making it difficult to attribute outcomes to any single legislative instrument. The European Environment Agency (2023) conducted a decomposition analysis of residential energy consumption trends to understand the drivers of change in the EU's building stock from 2005 to 2021. This analysis identifies several factors that simultaneously influence residential energy consumption and obscure the EPBD's isolated effect: higher standards for new buildings (EPBD-related), energy efficiency measures in existing buildings (EPBD plus national policies), electricity sector decarbonisation (Energy Efficiency Directive and renewable energy policies), warmer winter temperatures (climate factors), and increased floor area of households per person offsetting efficiency gains (demographic and behavioural factors, reflecting the increasing number of single-person households and keeping higher air temperature at home). No comprehensive study has successfully disaggregated these influences to calculate a clean EPBD attribution to decreased energy consumption percentage.

Nevertheless, the available evidence suggests the EPBD has made a meaningful contribution. The 2021 impact assessment by the EC estimated that without policy drivers from the EPBD, efforts from the building sector to reduce greenhouse gas emissions would be 49% lower than required to achieve the 2030 climate target (European Commission, 2021). The assessment projected that the EPBD, as initially proposed, would deliver greenhouse gas emissions savings of 22.8% in space heating, cooling, and

domestic hot water by 2030. Similarly, the ex-post analysis of the 2018 EPBD by the European Parliamentary Research Service (2021) found that the directive has broadly fulfilled its goals of increasing both the energy efficiency of the building stock and the scale of deep renovations, though significant unexploited potential remains due to sub-optimal transposition and inadequate funding.

- **Energy poverty alleviation and health co-benefits**

Beyond direct energy savings, the EPBD contributes to addressing energy poverty. Prior to these efficiency efforts, millions of Europeans struggled to afford adequate heating with cold and damp homes presenting serious health hazards. By lowering the energy required to maintain comfortable indoor temperatures, the building performance standards and renovation measures encouraged by the EPBD help shield vulnerable households from volatile energy prices and reduce the incidence of fuel poverty. The EC's 2016 impact assessment estimated that by 2030 the EPBD, as proposed, would lift between 515,000 and 3.2 million households (of a total of 23.3 million energy-poor households in 2014) out of energy poverty. However, while between 2015-2019, steady improvement occurred as the rate of people unable to keep their home adequately warm decreased, the 2022 energy crisis triggered a dramatic effect, as rates jumped from 6.9% to 9.3% in a single year, adding approximately 11 million people to energy poverty. The deterioration continued into 2023, reaching a peak of 10.6% (around 47.5 million people) and only in 2024 did rates begin declining again, falling to 9.2%[95]. This demonstrates that the EPBD is only one of the factors affecting actual energy costs and that an integrated approach, combining environmental and social policies, is needed to address energy poverty in the EU.

Better insulated and ventilated homes also yield health benefits, such as fewer respiratory illnesses, less stress, and improved overall well-being (see also Chapter 6.1). Though these benefits are harder to quantify, they constitute significant positive impacts that are frequently noted by MS. Cold housing increases the risk of respiratory disease associated with indoor dampness and mould, with strong evidence for asthma exacerbations and respiratory infections (WHO, 2018). A recent systematic review found that structural interventions such as cavity wall insulation and central heating were associated with better mental health and reduced circulatory and respiratory symptoms (European Journal of Public Health, 2024).

Ireland has documented these health co-benefits through rigorous evaluation programmes. Its Warmth and Wellbeing Pilot Scheme (2016–2024), a joint initiative between the Department of Climate, Energy and the Environment, the Department of Health, the Sustainable Energy Authority of Ireland, and the Health Service Executive, targeted 1,672 vulnerable households at risk of energy poverty who were living with chronic respiratory conditions. An independent evaluation by the London School of Hygiene & Tropical Medicine found statistically significant improvements across multiple health dimensions: improved respiratory symptoms, enhanced physical functioning, better mobility, reduced pain, reductions in anxiety and depression, and improvements in emotional wellbeing. Critically, participants reported fewer consultations with general practitioners, fewer emergency room visits, and fewer hospital admissions over a three-year follow-up period, as well as fewer prescriptions for respiratory medication (Government of Ireland, 2024). The scheme's findings have since been incorporated into

[95] Eurostat (2025), *Inability to keep home adequately warm*, ilc_mdes01. Available at: https://doi.org/10.2908/ILC_MDES01.

Ireland's national Warmer Homes Scheme, with 60% of the government's total retrofit spending in 2023 being dedicated to free upgrades for low-income and energy-poor homes.

- **Other long-term impacts: Boost in employment and economic activity**

The long-term impacts of the EPBD extend beyond energy savings and health benefits. The directive has stimulated employment and economic activity in the construction sector. The EU building renovation market, encompassing contractors, manufacturers of insulation, windows, and heating systems, has grown and innovated, creating local jobs that cannot easily be offshored (European Parliament, 2021). The Renovation Wave strategy highlighted this job creation potential as a key justification to invest in housing upgrades, particularly relevant for the post-COVID-19 economic recovery. The EC estimated that meeting the EPBD renovation targets would create an EUR 80–120 billion annual renovation market by 2030 (European Commission, 2016).

Challenges and unintended consequences

Despite significant improvements in the energy performance of buildings, in line with the aims of the EPBD, MS still face persisting challenges in both transposition and implementation of the directive. LTRS, a central element of the directive, have been uneven as some MS submitted ambitious and detailed plans, and others were late or provided strategies that were lacking enforceable content. For example, strong commitments to improving energy efficiency in buildings by Denmark contrast with reliance on minimum requirements in some other MS. The main challenges and unintended consequences of the EPBD's implementation can be summarised as follows:

- **Varying definitions of NZEB**

The EPBD 2010 recast (Directive 2010/31/EU) defined a nearly zero-energy building (NZEB) in Article 2(2) as "a building that has a very high energy performance... [where] the nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby."[96] While this definition established the conceptual framework, the directive deliberately left the numerical thresholds—for both energy performance and renewable energy share—to national discretion, allowing MS to adapt requirements to local conditions.

This flexibility has resulted in wide variation in national NZEB standards. The overview of national EPBD transposition legislation conducted by the JRC (2025b) demonstrates this divergence across building types. For instance, for single-family houses, MS vary significantly in how they balance maximum primary energy consumption limits with renewable energy integration requirements (see Annex IV[97] for information on the NZEB primary energy demand per MS). The maximum total primary energy demand

[96] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast), Article 2(2). The 2024 EPBD recast (Directive (EU) 2024/1275) has since introduced the more stringent "zero-emission building" (ZEB) standard, which will apply to all new buildings from 2030.

[97] Annex IV. NZEB primary energy demand is available in Part 2: Annexes. Available here: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/759352/CASP_STU(2025)759352(ANN01)_EN.pdf.

permitted[98] for new single-family houses ranges from 30 kWh/m² per year in Belgium-Flanders and Luxembourg to 128 kWh/m² per year in Romania, representing a more than four-fold difference between EU countries despite the common NZEB requirement (JRC, 2025b). The divergence is also pronounced for existing buildings, where standards range from 60 kWh/m² per year in Belgium-Flanders to 149 kWh/m² per year in Romania. Several MS, including Germany and the Netherlands, have not established legal definitions for NZEB renovation at all, instead applying general renovation requirements without a specific NZEB standard (Ibid). This variation in the definition of "nearly-zero" reflects several factors: climatic conditions (e.g. countries with colder winters or hotter summers may permit higher energy consumption to meet heating or cooling demands); different policy priorities regarding stringency versus affordability; and divergent calculation methodologies, including different primary energy factors for electricity and variations in which energy uses are included in the calculation.

The EPBD also requires that the low amount of energy needed by an NZEB be covered "to a very significant extent" by renewable sources but does not specify a minimum percentage. Consequently, national approaches vary substantially. Some MS specify percentages in the minimum share of renewable energy (ranging from 5% in France to 65% in Luxembourg), others define absolute values (e.g. kWh/m² per year from renewable sources), and several leave renewable shares unquantified entirely, relying instead on technology-specific requirements such as solar thermal for domestic hot water (JRC, 2025b).

This lack of harmonisation reveals the tension between the EU's overarching decarbonization goals and the practical challenges of retrofitting diverse housing stocks under varying national conditions. While most MS set more lenient standards for existing buildings compared to new construction (recognising technical and financial constraints), the absence of common benchmarks complicates cross-border policy learning and makes it difficult to assess whether the EU is collectively on track to meet its 2050 climate neutrality targets as set in the European Green Deal (see Chapter 7.3).

The evidence suggests that future EU policy may need to provide clearer guidance on minimum performance thresholds while still allowing flexibility for national circumstances, particularly regarding the balance between reducing total energy consumption and maximising renewable energy deployment (see the policy pointers in Chapter 8).

- **Shifting political priorities create stop–start renovation patterns**

The changing political priorities at national and regional levels across the EU cause for frequently interrupted and discontinued renovation patterns, slowing overall progress and disrupting industry practices. The building sector requires long-term policy certainty to plan investments, train workforces, and develop supply chains; when national governments alter funding allocations, modify construction legislation, or shift policy focus between electoral and/or funding cycles, renovation programmes experience delays that undermine their cumulative impact.

[98] Total primary energy demand refers to the total amount of energy from primary sources (fossil fuels, nuclear, renewables) required to meet a building's energy needs, accounting for energy losses in generation, transmission, and distribution. It is expressed in kWh per square metre of useful floor area per year (kWh/m²·y) and is calculated using primary energy factors that convert delivered energy (electricity, gas, etc.) to primary energy equivalents. Maximum thresholds set upper limits on permitted consumption.

Romania's experience with thermal rehabilitation programmes illustrates this volatility. In Bistrița, a structured thermal retrofitting programme launched in 2007 has retrofitted 130 apartment blocks containing over 6,300 apartments—representing 28% of the city's pre-1990 housing stock. During its initial phase (2009–2011), the programme operated through a blended funding model comprising 50% state budget, 35% local budget, and 15% resident contributions. After Romania's EU accession in 2007, the programme transitioned to EU co-financing through the Regional Operational Programme and European Regional Development Fund. However, progress was repeatedly disrupted by: excessive evaluation procedures averaging one year from application submission to contract signing; changes in national construction legislation that blocked public procurement and forced technical projects to be redesigned; and insufficient financial allocations relative to demand (European Commission, 2022b). Romania's National Recovery and Resilience Plan (NRRP) has since provided new impetus for building renovation, allocating EUR 2.9 billion for energy-efficiency improvements and seismic consolidation of buildings, alongside reforms establishing one-stop-shops for advisory services on energy efficiency renovations. These milestone-driven NRRP investments aim to accelerate the renovation rate and address the structural barriers—including procedural complexity and fragmented funding—that have historically impeded progress (European Commission, 2024e).

Political backlash has also complicated EPBD implementation. Proposals to phase out gas boilers or mandate heat pumps provoked resistance in the Netherlands and Belgium. In Germany, a 2023 draft law on renewable heating in existing homes triggered concerns about cost, strong opposition and disinformation campaigns, forcing revisions (FEANTSA, 2023b). These cases illustrate how measures directly affecting homes (the most valuable assets for households) can spark political and social resistance.

The EU has responded to the broader challenge of policy discontinuity by introducing binding long-term objectives. The 2024 EPBD recast established a legally mandated trajectory toward a decarbonised building stock by 2050 and introduced minimum energy performance standards (MEPS) requiring MS to progressively upgrade the worst-performing buildings regardless of short-term political shifts. By embedding renovation obligations in EU law rather than leaving them to voluntary national action, MEPS are designed to provide the regulatory certainty that the construction sector needs for sustained investment (European Parliament, 2021). However, as emphasised in the interviews with housing experts representing national developers' organisations and academic institutions, the effectiveness of these measures will depend on consistent national transposition and enforcement; early evidence suggests that implementation challenges persist, particularly in MS with weaker administrative capacity or competing fiscal priorities. The extent to which MEPS will successfully overcome stop-start renovation dynamics will only become clear as MS transpose the 2024 EPBD requirements and enforcement mechanisms are tested in practice.

- **Persisting low renovation rates and shallow retrofits**.

The renovation rate of the EU building stock lies at about 1% per year from 2016-2020, well below the 2–3% annual renovation rates needed to achieve the EU's 2050 climate neutrality target and deliver a fully decarbonised building stock. Most renovation activities involve partial works such as window replacements or boiler upgrades (Maduta et al., 2023). These measures deliver limited savings and risk

locking in inefficiency of energy consumption due to limited housing stock modernisation measures. The 2018 recast of the EPBD introduced deep renovation requirements, mandating significant energy performance improvements rather than superficial fixes, and prepared MEPS to ensure steadier long-term progress toward decarbonisation and reduce the stop-start patterns caused by shifting political priorities. Yet households often choose the least costly works due to high upfront expenses, project complexity, or lack of skilled contractors. Even with financial support, limited administrative capacity and labour shortages constrain progress (Maduta et al., 2023).

- **Split incentives for owners and tenants remain a barrier**

Owners bear renovation costs (while also benefitting from "green premiums"), while tenants benefit from reduced energy bills. This incentivises owners to recoup investments through higher rents that diminish tenant savings. This puts pressure on the balance between aiming for decent and sustainable housing, while also keeping housing affordable for all households. Various MS have tried to address this disincentive for renovations. For example, Germany allows partial cost recoveries through rents. Meanwhile, in Sweden, associations of tenants can negotiate specific terms regarding sharing the costs and benefits of renovation. Yet, neither of these models fully prevent rent increases or the displacement of tenants.

- **Persisting performance gap**

A persistent energy performance gap (i.e. the discrepancy between theoretical energy savings predicted at the design stage and actual energy consumption after renovation) undermines trust in the effectiveness of the EPBD's implementation and effects. Refurbished buildings frequently underperform in energy savings due to construction quality deficiencies (e.g. improper insulation installation, thermal bridging, or inadequate sealing that compromise building envelope performance); occupant behaviour changes following renovation; and methodological limitations in how savings are calculated and measured.

Research conducted on German residential buildings found theoretical savings overstated by up to 287% (Calì et al., 2016; Maduta et al., 2023). A separate analysis by Sunikka-Blank and Galvin (2012) of 3,400 homes in Germany revealed that pre-renovation energy use was already 30% below the levels assumed in standard calculations, a phenomenon termed the "prebound effect" - where occupants of inefficient dwellings systematically under-heat their homes due to cost constraints, making realised savings appear smaller than predicted. Research by Majcen et al. (2013) in the Netherlands analyses approximately 200,000 dwellings and confirms these patterns that, while theoretical calculations predict energy consumption five times higher in label G dwellings compared to label A++, actual consumption differs by only a factor of two (Majcen et al., 2013).

The energy rebound effect occurs after renovation. Occupants often increase indoor temperatures or expand heated living space (improvements in thermal comfort that they could not previously afford or achieve), thereby consuming some or all of the energy saved through efficiency improvements. Meta-analyses estimate direct rebound effects for residential heating at 10–30% of predicted savings (Sorrell et al., 2009; Greening et al., 2000). This behavioural response, while representing genuine welfare gains for households, is not captured in standard energy models used for policy planning.

Additionally, EPC ratings based on theoretical calculations rather than actual consumption create a disconnect between certified performance and real energy use, leaving both homeowners and policymakers with unreliable data for investment decisions and policy targeting.

Addressing the energy performance gap requires contractor certification and quality assurance protocols (e.g. blower-door tests and thermal imaging verification), design-stage calculations calibrated to actual consumption patterns, and quality assurance (e.g. renovation passports, homeowner education on optimal system operation, warranties, insurance) to incentivise quality outcomes.

- **The risk of "green gentrification"**

Green gentrification refers to urban gentrification processes that are facilitated by the creation or restoration of environmental amenities, including energy-efficient building renovations (Gould & Lewis, 2017). This phenomenon operates at two distinct levels, the building level and the neighbourhood level. On the one hand, at the building level, renovation costs are passed through to tenants via rent increases. On the other hand, at the neighbourhood level, area-wide environmental improvements (e.g. new parks, district heating networks, or coordinated retrofit programmes) increase property values and create broader displacement pressures affecting entire communities.

Evidence from several MS quantifies the scale of this challenge. Research by Von Platten et al. (2022) in Sweden found that, after extensive green renovations in 2013-2019, households in dwellings owned by public housing companies experienced rent increases exceeding 30%, compared to only 12% for dwellings without renovation. In addition, for privately-owned rental properties, significant green renovations increased rents by 40% on average. In Germany, lessors may legally pass up to 8% of modernisation costs annually to tenants under Article 559 of the Civil Code, creating systematic affordability pressure following energy renovations—particularly in high-demand urban areas where such cost pass-throughs can render housing unaffordable for existing tenants (Holm & Schulz, 2018).

To prevent the green gentrification dynamic and ensure that mandated deep renovations do not inadvertently accelerate the exclusion of original residents, France has tightened rent control laws and requires 30% social housing in new private construction in certain districts. While the EPBD recast mobilises the Social Climate Fund (SCF) to protect vulnerable households starting 2026, FEANTSA argues that the SCF is "insufficient and based on a funding source that would contribute to increasing energy poverty and inequalities" as it is funded by Emissions Trading System 2 (ETS2) revenues derived from carbon pricing on heating fuels, which will increase energy costs for vulnerable households before renovation benefits materialise (FEANTSA, 2023b).

- **Grid infrastructure challenges**

As renovation programmes accelerate the electrification of heating through heat pumps and the deployment of rooftop solar photovoltaic (PV) systems, electricity distribution networks are increasingly unable to accommodate the surge in connection requests. This bottleneck emerges from a fundamental mismatch: grids designed decades ago to distribute electricity downward from centralised fossil fuel plants lack the capacity to integrate distributed renewables and manage the

bidirectional flows created when households both consume and generate electricity. Around 40% of Europe's electricity grid infrastructure is now over 40 years old—just ten years short of its typical operational lifespan—and cannot accommodate new renewable connections without substantial reinforcement (European Council on Foreign Relations, 2024). The EC's Grid Action Plan (2023) identifies distribution network congestion as "increasingly jeopardising the capacity to manage new connection requests," with the state of EU grids risking becoming "the number one bottleneck for electrification."

The scale of this challenge is evident across MS:

- In **Italy**, the Superbonus 110% tax credit scheme generated an explosion in residential PV and heat pump installations (see more in Box 11 in Chapter 7.2). SolarVision (2025) reports that as of July 30 2025, Italy had over 2 million PV systems connected to the grid with >40 GW of cumulative capacity, with residential connections rising sharply compared to pre-Superbonus levels (driven in part by incentives of the tax credit scheme).
- In **Germany**, high-voltage connection requests in Berlin now exceed the city's entire peak load, forcing distribution system operators to ration capacity (Eurelectric, 2025).
- In the **Netherlands**, grid congestion is also a major problem, with industry and households asked to reduce demand at peak times to avoid blackouts (Atlantic Council, 2025).

Meeting EU climate targets will require the number of heat pumps to triple from approximately 20 million today to 60 million by 2030. Yet, without adequate grid investment, Eurelectric (the federation of the European electricity industry) estimates that Europe could see 62 million fewer heat pumps and 371 GW less solar PV connected by 2050 than what climate targets require (Eurelectric, 2024a). The EC estimates that EU investment in electricity distribution networks must increase from approximately EUR 23 billion annually to EUR 67 billion per year to achieve carbon neutrality by 2050.

Addressing these challenges requires not only sustained capital investment but also regulatory reforms that support anticipatory grid planning, the digitalisation of distribution networks to manage flexibility, and more efficient permitting procedures for grid reinforcement. Current approval and deployment timelines for transmission infrastructure remain a critical bottleneck: recent assessments from the International Energy Agency (IEA) show that transmission line development in Europe typically takes around a decade, and often significantly longer for cross-border projects (IEA, 2024). Similarly, the European Court of Auditors (2025) reported that the preparation and permitting phase alone for transmission lines in the EU can take around four years, even before construction begins. Together, these delays underscore the need for accelerated and better-coordinated planning frameworks to meet rising electrification demands.

7.2. Energy Efficiency Directive (EED)

First adopted in 2012 (Directive 2012/27/EU), subsequently amended by Directive (EU) 2018/2002, and substantially revised in 2023 (Directive (EU) 2023/1791)[99], the Energy Efficiency Directive (EED) sets energy-saving targets and measures for the EU as a whole and for each Member State. Where the EPBD focuses on buildings, the EED takes a broader, cross-sectoral approach. The scope of the EED includes power generation, industry, transport, and, most importantly, buildings. The two directives are designed to be complementary but operate at fundamentally different level:

- **The EPBD regulates individual buildings**: it establishes technical requirements for how each building should perform (minimum energy performance standards, nearly zero-energy building definitions, Energy Performance Certificate methodologies, heating system requirements) which MS then transpose into their national building codes and regulation.
- **The EED governs aggregate energy consumption**: it sets binding national and EU-wide energy savings targets, creates mandatory annual savings obligations that compel governments to deliver measurable reductions across their entire economy, and establishes "horizontal measures"—cross-cutting policy instruments such as mandatory public sector renovation rates, consumer metering and billing transparency requirements, energy audit programmes, and specific provisions addressing energy poverty and the 'landlord-tenant' split incentive barrier (as just discussed in Chapter 7.1).

The EED also contains specific requirements that complement the EPBD's technical standards: mandatory annual renovation of at least 3% of public buildings' floor area, consumer information and individual metering provisions (including heat cost allocators in multi-apartment buildings), explicit targeting of vulnerable and energy-poor households in national savings programmes, and measures to address split incentives between lessors and tenants that otherwise discourage rental property upgrades. The EED also has specific requirements (e.g. regarding public building renovations, consumer information, focusing on vulnerable households) that complement the EPBD's requirements for building codes and performance standards.

Key elements of the EED relevant to housing include:

- **EU and national energy efficiency targets**.

  As already mentioned, the EED establishes a binding EU target for reducing energy consumption at MS level. Under the latest revision in 2023, the EU must achieve at least an additional 11.7% reduction in final and primary energy consumption by 2030 (relative to the projections of a 2020 baseline scenario)[100]. In absolute terms, EU final energy use in 2030 should be no more than 763 Mtoe. While this is an EU-wide target, each MS contributes via national energy efficiency contributions outlined in their integrated National Energy and Climate Plans

[99] European Parliament and Council Directive of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast) (Directive (EU) 2023/1791). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC1791.

[100] European Parliament and Council Directive of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast) (Directive (EU) 2023/1791). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC1791.

(NECPs). The EED provides a formula and guidance for how countries should set these contributions (e.g. taking into account GDP, energy intensity, savings potential, etc.), and includes a "gap filling" mechanism if the aggregated efforts fall short.

- **Annual energy savings obligations (Article 7)**.

  It requires each MS to achieve a certain amount of new energy savings each year among end-use consumers. From 2024 to 2030, the required annual savings rate ramps up in stages – 0.8% per year for 2021–2023, then 1.3% for 2024–2025, 1.5% for 2026–2027, and reaching 1.9% per year in 2028–2030. This doubling of the savings rate means MS must significantly expand their efforts.

- **Public sector leadership (Articles 5 & 6)**.

  Article 5 originally required central governments to renovate at least 3% of the floor area of their buildings each year to meet minimum efficiency standards. The 2023 revision of the EED broadened the scope by including public housing owned by public bodies. It also introduced an explicit requirement for all public administrations (not just central government) to reduce energy consumption. However, MS may still exempt social housing where renovations would cause unaffordable rent increases beyond energy bill savings.

- **Consumer empowerment and metering (Articles 9-11)**.

  The EED includes provisions to ensure that consumers are informed about and can control their energy use at home. This led to improved metering (e.g. individual heat meters in multi-apartment buildings where feasible, and clear billing information). For housing, one notable aspect is the requirement for individual heat cost allocators in buildings with central heating, so that each apartment's usage can be measured and charged appropriately, to incentivise saving.

- **Energy audits and management (Article 8)**.

  For households, the EED encourages MS to develop programmes for energy audits and advice.

- **Addressing energy poverty and split incentives**.

  The social dimension of energy efficiency was elevated in the latest EED update. The 2023 revision of the EED (Directive 2023/1791) introduced a specific requirement that a share of MS' energy savings under Article 7 must be achieved among vulnerable and energy-poor households, reinforcing this social dimension of energy efficiency policy[101]. This is meant to ensure that efficiency improvements reach those who need lower energy bills and better living conditions the most. Furthermore, the EED 2023 explicitly calls for steps to remove barriers like split incentives – the already mentioned "landlord-tenant dilemma" where the property

[101] European Parliament and Council Directive of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast) (Directive (EU) 2023/1791). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC1791.

owner pays for the renovation, but the tenant gets the energy savings (Brown et al., 2020). EED requires MS to implement mechanisms (e.g. adjusting rent control or providing tax breaks) to resolve this, so that rental properties can be upgraded without unfair cost burdens. The EED even suggests simplifying renovation decision-making in multi-owner apartment buildings, a common hurdle in housing upgrades, by providing advice and facilitation for homeowner associations.

The transposition of the EED into national legislation

The EED has been embedded in MS' National Energy and Climate Plans (NECPs)[102] and LTRS, utility obligations, and public building programmes. The milestones and targets for energy savings in buildings that are set in these strategic documents mostly do not specify the type of buildings (i.a. public, private, residential, or other buildings). This lack of disaggregation creates a significant monitoring gap: policymakers cannot readily assess whether residential housing—which represents roughly 75% of the EU building stock—is progressing at the required pace, nor can they identify whether certain building segments (e.g. rental housing or multi-family dwellings) are systematically underperforming

An analysis by the JRC (2025a) of the 2023 National Energy and Climate Progress Reports, revealed uneven progress towards energy efficiency targets. In both 2020 and 2021, Croatia and Cyprus demonstrated energy consumption levels below their 2030 targets, indicating that they are already on track. However, several other MS showed energy consumption exceeding their LTRS reference values, namely Czechia, Hungary, the Netherlands, Romania, and Slovenia in 2020 and Finland and Lithuania in 2021. These deviations underscore the implementation challenges facing MS and highlight the risk that aggregate EU targets may not be met without accelerated action in underperforming countries.

EED requirements—particularly the annual energy savings obligations and public sector renovation mandates—have compelled governments to introduce subsidy schemes, "white certificates" schemes[103], utility obligation systems, and consumer information measures. For housing specifically, these mechanisms have translated into programmes, which have financed residential upgrades including insulation and heating system replacements, and renovation loans targeting private homeowners. However, the effectiveness of these measures for the residential sector varies considerably: while some MS have achieved significant renovation uptake in housing through these

[102] NECPs are strategic documents required under the Governance Regulation (EU) 2018/1999, covering the period 2021–2030. MS submitted their initial NECPs in 2019–2020 and are required to submit updated plans every five years (with the first updates in 2023–2024). Progress is monitored through biennial National Energy and Climate Progress Reports, which MS must submit every two years starting from 2023. The NECPs integrate energy efficiency targets alongside renewable energy, emissions reduction, energy security, and research objectives into a single planning framework.

[103] White certificate schemes create a market for certified energy savings, allowing obligated parties to trade certificates that prove compliance with energy-efficiency obligations. Under a White Certificate Scheme (WCS) energy distributors or retailers have an energy-saving obligation (e.g. 1.5% annual savings under Article 7 EED). They can meet the obligation either by implementing energy-efficiency measures in households, buildings, industry, or transport, and receive certificates for verified savings; or by purchasing certificates from other parties who have generated savings. Certificates represent 1 unit of verified energy savings and are tradable, allowing a cost-efficient allocation of savings across the economy. White certificates are used in Italy, Poland, France, and Denmark Source: IEA (2020). White Certificates. Available at: https://www.iea.org/policies/6388-white-certificates.

EED-driven programmes (see Box 4), others have concentrated resources on commercial or public buildings, leaving residential housing—particularly the private rental stock—underserved.

Box 4: Examples of transposition of the EED among MS

Italy transposed Directive (EU) 2018/2002 on energy efficiency through Legislative Decree No. 73/2020, which amended earlier national legislation (Presidenza della Repubblica Italiana, 2020b). The decree strengthened Italy's Energy Efficiency Obligation scheme, based on tradable "white certificates" (*Titoli di Efficienza Energetica*), and expanded incentives for building energy improvements. The most significant housing-related measure has been the Superbonus 110% scheme. This scheme provided tax deductions of up to 110% (reduced to 70% in 2024 and 65% in 2025) for energy efficiency improvements in residential buildings, including condominiums, single-family homes, and social housing. Eligible interventions include thermal insulation covering at least 25% of the building envelope, replacement of heating and cooling systems with heat pumps, and installation of photovoltaic systems (Ibid).

Poland fulfils its EED Article 7 savings obligation through a combination of a tradable white certificate system and, more significantly for housing, its flagship Clean Air Programme (*Program Czyste Powietrze*), the largest residential anti-smog initiative in Central and Eastern Europe. The programme targets approximately 3 million single-family homes for thermal modernisation and heating system replacement (IEA, 2022; Polish Ministry of Climate, 2024). Homeowners can receive subsidies of up to PLN 79,000 (approximately EUR 17,000), covering up to 90% of project costs for lower-income households, for interventions including thermal insulation, replacement of coal-fired heating with heat pumps or modern gas condensing boilers, and installation of photovoltaic systems. The complementary Stop Smog programme (2019–2024) specifically targets energy-poor households in municipalities with the worst air quality, providing 100% grant coverage for those who cannot afford any co-financing, thereby ensuring that the most vulnerable homeowners are not excluded from the thermal modernisation process.

Spain advanced EED objectives through subsidy schemes and retrofit programmes, many co-financed by the RRF. These measures support Article 7 obligations by driving energy savings through alternative policies rather than only through supplier obligations. National schemes subsidise insulation, windows, and heating system upgrades in residential buildings, targeting Spain's large stock of inefficient older homes. By linking building codes with financial incentives, Spain has created a more integrated approach to boosting renovations and addressing energy poverty of households (European Commission, 2023c).

France's MEPS framework contributes directly to the EED's objectives for upgrading the existing building stock, particularly among vulnerable households. To mitigate the risk of a shrinking rental supply or burdening low-income property owners, the government has paired the bans with financial support measures, such as an expanded *MaPrimeRénov'* grant scheme, covering insulation, windows, and heating systems (Service-Public, 2025). This policy design shows how EPBD instruments (e.g. EPCs and building codes) and EED goals (e.g. supporting energy savings and social housing improvements) can be integrated (Ibid).

Positive impacts of EED implementation

The EED has complemented the EPBD by embedding energy efficiency of buildings into the broader architecture of EU energy and climate governance. Its positive impacts are systemic as it shapes national plans, market behaviour, and social outcomes across multiple sectors, including housing.

- **Short-term impact: annual savings obligation and Energy Efficiency Obligation Schemes**

A first major short-term impact of the EED has come through the annual energy savings obligation (Article 7), which requires governments to deliver incremental end-use energy savings each year. To meet this requirement, various MS, including France, Denmark, Italy, Austria, Poland, and Ireland, introduced Energy Efficiency Obligation Schemes (EEOSs), compelling utilities and energy suppliers to support households in saving energy. For example, France's *Certificats d'Économies d'Énergie* ('Energy Savings Certificates') scheme has financed millions of upgrades, ranging from insulation to heating system replacements. These mechanisms not only leveraged private-sector resources but also brought energy companies into the delivery of public efficiency goals, transforming utilities from pure energy sellers into providers of efficiency services.

According to Thomas and Santini's (2021) analysis for the Regulatory Assistance Project, EEOSs across the EU have mobilised billions of euros in private investment and significantly increased renovation activity in the residential sector. Their study examined the cumulative impact of Article 7 savings obligations across MS, finding that obligation schemes represent one of the most cost-effective policy instruments for delivering verified energy savings in buildings, though they note challenges with measurement methodologies and ensuring that reported savings reflect genuine, additional reductions in energy consumption.

- **Short-term impact: Revolving funds and one-stop-shop service models**

To facilitate uptake of renovation measures, some countries have pioneered revolving funds and "one-stop-shop" service models to make renovations easier. These approaches are often highlighted as best practices in the EU. For example, Austria, Denmark, Estonia, France, Czechia, Latvia, Lithuania, Slovakia, Slovenia, and Poland have created revolving renovation funds at national and regional levels, also with support from the EIB and Cohesion funds. These funds reinvest loan repayments and returns into new projects, creating self-sustaining financing mechanisms for energy renovation (EIB, 2025b).

Ireland set up local and regional one-stop-shop hubs through its Sustainable Energy Authority to provide citizens with turn-key solutions—from energy audits to contractor selection and access to subsidies. The FAIRE network (Faciliter, Accompagner et Informer pour la Rénovation Énergétique) in France and municipal energy advisors (Energieberatung) in Germany similarly guide homeowners through the process. These approaches have improved renovation uptake rates, as documented in the EC's assessment of good practices under the EED and the 2024 recast EPBD's requirement that all MS establish one-stop-shops for renovation advice (European Commission, 2024e; Directive 2024/1275).

- **Medium- and long-term impact: public sector leadership and focus on social housing and energy poverty**

The EED emphasises public sector leadership and alleviating energy poverty, pushing governments to focus on social housing and low-income homes. Under Article 5 (now broadened under the 2023 revision), the public sector must lead by example through building renovations and energy consumption reductions, with the revised directive explicitly including public housing owned by public bodies within its scope.

Several MS have developed ambitious programmes in response to these requirements. France's *Habitations à Loyer Modéré* (HLM, 'moderate-rent housing') sector has adopted a roadmap to renovate social housing units to at least EPC Class C by 2028, backed by state loans (*prêts de la Caisse des Dépôts*) and RRF funds—a target linked to France's NECP commitments under the EED framework (Union sociale pour l'habitat, 2024b; French RRP, 2021). Finland and Sweden have upgraded large portions of their mid-20th-century social housing stock—particularly the Swedish *miljonprogrammet* ('million homes programme') buildings—with energy retrofits as part of broader urban renewal strategies aligned with their LTRS obligations under the EPBD and EED (Swedish National Board of Housing, 2020; Finnish Ministry of the Environment, 2020). In Portugal, the EU-funded programme "Casa Eficiente" ('Efficient Home') specifically targets lower-income households, providing free or heavily subsidised efficiency improvements, reaching approximately 100,000 vulnerable households by 2024 (Portuguese Recovery Plan, 2021). These efforts yield a double dividend—improving living conditions for vulnerable groups while cutting carbon emissions and utility bills.

- **Long-term impacts:**

Lowered household energy bills

As discussed in Section 7.1 on the EPBD, energy efficiency improvements in housing deliver substantial and lasting reductions in household energy consumption and energy costs. This effect is particularly pronounced over the long term as efficiency measures generate cumulative savings and shield households from energy price volatility.

In upgraded homes, energy costs are substantially lower, and the impacts of energy price spikes are significantly mitigated. This protective effect was starkly demonstrated during the 2021–2022 energy crisis triggered by Russia's invasion of Ukraine. According to the International Energy Agency (IEA), homes that had been insulated or fitted with heat pumps were far less burdened by the gas price surge than their un-retrofitted counterparts. The IEA's analysis found that improved energy performance of buildings, including efficiency retrofits and boiler replacements with heat pumps, reduced natural gas demand by around 3.5 billion cubic metres (bcm) in 2022 alone—reductions that carried over into subsequent years. Approximately 2.8 million heat pumps were installed across Europe over the course of 2022, accounting for around 1.4 bcm of gas savings (IEA, 2023).

The economic benefits for individual households based on the retrofits are considerable. The IEA estimates that the average EU household or business using a heat pump spends significantly less on energy than those using a gas boiler, with annual savings of approximately USD 900 (roughly EUR 830)

in Europe—savings that offset the higher upfront costs in many markets even without subsidies (IEA, 2022). A 2022 study by the European Climate Foundation found that a large-scale deployment of heat pumps coupled with building renovations could reduce household heating bills by 20% by 2030 and potentially halve average energy bills for heating by 2050 (European Climate Foundation & European Alliance to Save Energy, 2022). Furthermore, the analysis by Eurelectric (2024b) indicated that an average EU household could have saved approximately EUR 150 per month in 2022 by electrifying their heating, transport, and cooking.

Improved health and comfort

A second long-term benefit, closely related to both EPBD and EED objectives, concerns improvements in health and comfort for residents of renovated homes. Residents in renovated homes consistently report better indoor temperatures, reduced damp and mould, and corresponding health benefits, including fewer winter illnesses and improved overall well-being. The WHO (2018) linked deep energy retrofits in low-quality housing to significant positive health outcomes, and many national health ministries now support energy poverty alleviation schemes. Evidence from MS programmes substantiate these findings (see Chapter 7.1 for more details on Irish Warmth and Wellbeing Pilot Scheme results).

Boost of employment and economic activity in the construction sector

Together with the EPBD, the EED contributed to growth and innovation in the European building renovation market. From small local contractors to large manufacturers of insulation or windows, hundreds of thousands of jobs have been created, which was highlighted in the Renovation Wave (see Chapter 7.3) as a key reason to invest in housing upgrades, particularly relevant for COVID-19 economic recovery (see Chapter 7.1 for more evidence of this long-term effect).

Challenges and unintended consequences

Several challenges related to the implementation of the EED have also occurred which undermine its positive impacts on the quality, sustainability and affordability of housing:

Quality and credibility of reported energy savings

Early implementation of the EED in 2014-2020 revealed that some MS overstated results or relied on lenient calculation methods that did not reflect real, additional savings (Thomas & Santini, 2021). This impairs the validity of the directive and the goals it set, but importantly also creates uneven progress across the EU. The 2023 revision of the EED attempts to address these weaknesses by requiring stronger monitoring, independent verification of results, and more consistent methodologies across countries.

Slow and uneven enforcement

Beyond measurement issues, the directive has also faced challenges with enforcement at the national level. While transposition refers to the legal incorporation of EU directives into national legislation, enforcement concerns the practical application and monitoring of those rules once transposed. In some cases, the same methodological weaknesses described above, particularly the reliance on default or

estimated figures on energy consumption and energy savings, meant that reported savings did not materialise in actual energy consumption reductions.

The EC has used two principal mechanisms to address implementation gaps: the European Semester process, through which it issues country-specific recommendations on energy and climate policy, and formal infringement procedures against MS that fail to transpose or implement directives correctly. However, differences in administrative capacity, including the availability of skilled staff, monitoring systems, and enforcement resources, continue to shape the degree to which EED provisions translate into real-world impact (Thomas & Santini, 2021).

Extensive administrative and technical infrastructure needed

For the EED's objectives to be met, extensive administrative and technical infrastructure is required at both national and local levels. As discussed in Section 5.3 on regulatory and administrative barriers to housing supply, many countries struggle with bottlenecks in permitting, weak enforcement of building efficiency rules, and insufficiently streamlined access to support programmes.

For households, the complexity of navigating grant applications, coordinating multiple contractors, and securing the necessary approvals can act as a significant deterrent to undertaking renovations. The establishment of one-stop-shop services to support the implementation of energy efficiency measures in buildings (especially in the residential sector) aims to address these barriers, but their coverage and capacity remain limited in many MS.

Labour shortages slowing renovation

Shortages of skilled construction workers—including insulation specialists, engineers in heating, ventilation, and air conditioning (HVAC), and certified energy auditors—have slowed renovation projects and increased service costs across the EU. According to the 2024 report on labour shortages by the European Labour Authority, construction occupations feature prominently among sectors facing recruitment difficulties in the majority of MS, with shortages nearly three times higher in 2023 than levels observed a decade ago. This shows that, while the renovation sector creates jobs, the current workforce is unable to meet those employment needs.

The scale of the skills gap is substantial. A comprehensive 2023 report by the International Trade Union Confederation's (ITUC) Just Transition Centre and the European Federation of Building and Woodworkers (EFBWW) estimated that delivering the Renovation Wave and related climate targets (see Chapter 7.3 below) would require up to 1.5 million additional workers in the construction sector between 2023 and 2030, alongside 1.2 million workers to replace those retiring from an ageing workforce (ITUC-EFDWW, 2023). In 2025, the European Construction Industry Federation (FIEC) estimated that 25% of the construction industry workforce—approximately 3 million workers—would need upskilling or reskilling between 2022 and 2027 to meet energy efficiency requirements (FIEC, 2022).

The EU has taken steps to address this gap. The BUILD UP Skills initiative[104], launched in 2011 under the Intelligent Energy Europe programme and subsequently funded under Horizon 2020 and the LIFE Clean Energy Transition sub-programme, aims to increase the number of skilled professionals in the building renovation value chain. To date, the initiative has funded more than 90 projects across 32 countries, developing national qualification platforms and training schemes focused on energy efficiency and renewable energy in buildings. However, results take time to materialise as training programmes must be developed, accredited, and delivered at scale, and the construction sector must simultaneously attract new entrants while retaining experienced workers.

Financing gap for renovations

A central difficulty in fulfilling the EED's ambitions lies in financing the scale of investment required in building renovation—including thermal insulation, heating system replacements, window upgrades, and integration of renewable energy sources. Deep renovations typically cost between EUR 25,000 and EUR 50,000 per dwelling, depending on the building type, climate zone, and depth of intervention needed (Bruegel, 2024). Public subsidies can rarely cover more than a share of these costs, and access to affordable private finance remains a significant barrier for many households.

The EC estimates that the EU's total investment needs to achieve its 2030 energy efficiency targets, including the building renovation and energy efficiency objectives set out in both the EED and EPBD, amount to over EUR 300 billion annually, with an investment gap of at least EUR 165 billion per year (European Commission, 2024f). Mobilising private capital through instruments such as green mortgages[105], on-bill financing[106], pay-as-you-save schemes[107] or tax deduction schemes[108] remains complex and underdeveloped.

In several Eastern European countries, cultural reluctance to take on debt, combined with lower incomes and less developed consumer credit markets, further slows progress despite available grants (IEA, 2022a). The financial gap also disproportionately affects vulnerable groups. Many households, especially low-income or elderly homeowners, cannot access or afford loans to renovate their homes, while middle-income groups often fall between eligibility thresholds for subsidies and the financial means to self-finance. For example, in Poland, the IEA's 2022 Energy Policy Review found that new efficiency standards and the phase-out of coal heating disproportionately burdened poorer households and rural communities, where compliance costs are high, alternative heating systems require significant upfront investment, and the existing housing stock is characterised by older, energy-inefficient buildings often heated by outdated coal boilers (Ibid).

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[104] European Commission. BUILD UP Skills Initiative. Brussels: DG Energy. Available at: https://build-up.ec.europa.eu/en/bup-skills.

[105] Green mortgages offer preferential interest rates or higher loan-to-value ratios for the purchase or renovation of energy-efficient properties, linking mortgage terms to EPC ratings.

[106] On-bill financing allows households to repay renovation costs through their energy bills, with monthly repayments designed to be lower than the achieved energy savings—removing the need for upfront capital.

[107] Pay-as-you-save schemes spread costs over time, with repayments tied to the property rather than the individual owner, addressing concerns about payback periods exceeding intended occupancy.

[108] Tax deduction schemes provide incentives through income or property tax relief for renovation expenditures, as seen in Italy's *Superbonus* programme. More details available at: https://www.agenziaentrate.gov.it/portale/web/guest/superbonus-110.

7.3. The EU Climate and Housing Policy Framework

The EU's approach to decarbonising the building sector represents a comprehensive regulatory framework, directly affecting residential housing through an interconnected set of directives, regulations, and funding mechanisms. As established in the preceding analysis of the EPBD and EED, these instruments form part of a broader policy architecture designed to achieve climate neutrality by 2050 whilst addressing social equity concerns.

This section examines the overarching strategic frameworks, the European Green Deal and Renovation Wave, before analysing the carbon pricing mechanisms introduced through the Fit for 55 package, and subsequently exploring how the Renewable Energy Directive shapes heating and cooling requirements for residential buildings. The section concludes by examining the cross-cutting challenges of transposition and implementation across MS. The regulatory measures discussed here complement the EPBD's minimum energy performance standards and the EED's energy savings obligations, creating a mutually reinforcing system of targets, incentives, and requirements that collectively shape the future of European housing.

7.3.1. The European Green Deal and Renovation Wave

The European Green Deal[109], unveiled on 11 December 2019, established the EU's overarching framework for achieving climate neutrality by 2050 and serves as the EU's principal growth strategy to transform the Union into a fair and prosperous society with a modern, resource-efficient economy. The Communication on the Green Deal explicitly identified building renovation as a priority, recognising that buildings account for approximately 40% of the EU's total energy consumption and 36% of its greenhouse gas emissions, whilst more than 34 million Europeans remain at risk of energy poverty.

In October 2020, recognising both the climate imperative and the economic recovery needs following the COVID-19 pandemic, the EC launched the Renovation Wave strategy under the communication "A Renovation Wave for Europe – Greening our buildings, creating jobs, improving lives" (COM(2020) 662 final)[110]. This strategy established the ambitious target of at least doubling the annual energy renovation rate during the 2020s (from approximately 1% to 2%) and fostering deep renovations that substantially improve energy performance rather than superficial upgrades. The EC projected that 35 million building units could be renovated by 2030, creating up to 160,000 additional sustainable jobs in the construction sector.

The main elements of the Renovation Wave are as follows:

- **Guiding principles for residential buildings**

The Renovation Wave established several foundational principles with direct implications for residential housing policy. One of those principles is that of "energy efficiency first", which requires that energy-

[109] European Commission. (2019). Communication from the Commission: The European Green Deal (COM(2019) 640 final, 11.12.2019). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640.

[110] European Commission. (2020). A Renovation Wave for Europe – Greening our buildings, creating jobs, improving lives (COM(2020) 662 final, 14.10.2020). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0662.

saving measures be prioritised before investments in the supply of energy. This ensures that buildings consume only the energy that is genuinely needed (European Commission, 2020). The strategy further emphasised the principle of affordability, seeking to make energy-performing buildings widely available to medium and lower-income households, and explicitly identified the renovation of social housing as a priority area (FEANTSA et al., 2023). Moreover, the Renovation Wave is guided by the principle of "leaving no one behind", which underpins the social dimension of the strategy. The strategy calls for the targeting of the worst-performing buildings, which disproportionately house low-income residents, and ensuring that the green transition does not exacerbate existing inequalities. This connects directly to broader EU social policy objectives, including the European Pillar of Social Rights, which establishes housing as a fundamental right.

- **The Affordable Housing Initiative and New European Bauhaus**

Two flagship initiatives under the Renovation Wave specifically address the housing sector. The Affordable Housing Initiative aims to ensure that social and affordable housing infrastructure benefits from the renovation effort through three primary mechanisms:

- piloting 100 lighthouse renovation and construction districts demonstrating smart neighbourhood approaches focused on energy efficiency and liveability;
- building cross-sectoral partnerships linking local authorities, housing associations, SMEs, and civil society;
- promoting innovative circular and modular building techniques alongside renewable energy integration (European Commission, 2020).

The European Affordable Housing Consortium (SHAPE-EU), which was established to coordinate these efforts, has been working with local communities across Europe to create replicable blueprints for district-level renovation approaches. By 2024, the consortium had facilitated partnerships in 20 lighthouse districts, with the ultimate objective of supporting 100 such districts by 2030[111].

The New European Bauhaus, launched simultaneously in October 2020, complements these efforts by bringing together aesthetic, sustainability, and inclusivity considerations in buildings and the residential environment. This interdisciplinary initiative provides a forum for architects, designers, artists, planners, and civil society to develop creative approaches to climate-friendly architecture (European Commission, 2020). Rather than treating energy efficiency as a purely technical matter, the New European Bauhaus seeks to ensure that renovated housing improves quality of life and maintains architectural quality.

7.3.2. The Fit for 55 Package and Emissions Trading

The Fit for 55 package, proposed in July 2021 and substantially adopted during the 2022-2023 period, represents the legislative translation of the 2030 climate ambitions of the European Green Deal into

[111] European Commission, 2024, February 16, *Supporting affordable and social housing in taking on the challenge of renovation*, EU Sustainable Energy Week, Available at: https://sustainable-energy-week.ec.europa.eu/news/supporting-affordable-and-social-housing-taking-challenge-renovation-2024-02-16_en.

binding requirements. The package takes its name from the EU commitment to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels, a significant increase from the previous 40% target (European Parliament, 2024a). For the buildings sector, Fit for 55 entailed comprehensive revisions to the EPBD, the EED (see analysis in Chapters 7.1 and 7.2), the Renewable Energy Directive (discussed below) and the extension of carbon pricing to building heating through a new emissions trading system for buildings (ETS2). In the following sections, we further analyse the design and expected impacts of ETS2, its direct linkage with the Social Climate Fund—established to cushion vulnerable households from distributional impacts—and the key transposition and implementation challenges that MS face in aligning national frameworks with the new carbon-pricing architecture.

- **The Emissions Trading System for Buildings (ETS2)**

From 2021-2023, as part of the Fit for 55 negotiations, the EU decided to extend carbon pricing to the buildings and road transport sectors through a new Emissions Trading System (ETS2), established under Directive (EU) 2023/959 amending Directive 2003/87/EC[112]. Unlike the existing EU ETS covering industry and power generation, ETS2 operates upstream: fuel suppliers—rather than end consumers (e.g. households)—are required to monitor, report, and surrender allowances covering the emissions from heating fuels including natural gas, heating oil, and coal placed on the market (Directive (EU) 2023/959, Article 30a-30k).

ETS2 will become fully operational in 2027, with monitoring and reporting obligations having commenced on 1 January 2025. The system establishes a cap set to deliver emissions reductions of 42% by 2030 compared to 2005 levels (Commission Decision (EU) 2024/2951[113]). All emission allowances will be auctioned, with no free allocation, and the price of allowances will make fossil fuel heating progressively more expensive relative to renewable alternatives. To manage market volatility during the initial phase, an automatic price stabilisation mechanism will release additional allowances from a market stability reserve if the price exceeds EUR 45 per tonne of CO_2 (in 2020 prices), with provision for postponing full implementation to 2028 if energy prices are exceptionally high in 2026 (Directive (EU) 2023/959, Article 30h).

- **The Social Climate Fund**

Recognising that carbon pricing for heating fuels disproportionately risks affecting vulnerable households, particularly those in poorly insulated homes with limited capacity to invest in alternatives, the EU established the Social Climate Fund (SCF) as an integral complement to ETS2 under Regulation (EU) 2023/955[114]. The SCF will operate from 2026 to 2032, beginning one year before the ETS2

[112] Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system, OJ L 130, 16 May 2023, pp. 134–165. Available at: https://eur-lex.europa.eu/eli/dir/2023/959/oj/eng.

[113] Commission Decision (EU) 2024/2951 of 26 November 2024 on the Union-wide quantity of allowances to be issued under the emissions trading system for buildings, road transport and additional sectors. OJ L, 2024/2951. Available at: https://eur-lex.europa.eu/eli/dec/2024/2951/oj.

[114] Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060. OJ L 130, 16.5.2023, pp. 1–51. Available at: https://eur-lex.europa.eu/eli/reg/2023/955/oj.

becomes fully operational, to enable preparatory support measures. The SCF will provide a maximum of EUR 65 billion from EU resources, with MS required to co-finance at least 25% of estimated costs in their Social Climate Plans, bringing total mobilised resources to approximately EUR 86.7 billion (Regulation (EU) 2023/955, Articles 1, 9, 14).

The SCF specifically supports measures relevant to housing, including energy efficiency improvements in buildings (e.g. insulation, clean heating and cooling systems such as heat pump installations), and the integration of renewable energy (e.g. solar panels), alongside temporary direct income support during the transition period (Regulation (EU) 2023/955, Article 8). MS had to submit Social Climate Plans to access funding, setting out national measures and investments to support vulnerable households and micro-enterprises by 30 June 2025 (Regulation (EU) 2023/955, Article 4). By October 2025, two MS (Sweden and Latvia) had formally submitted their plans, with more than half having shared draft versions (European Commission, 2025a).

- **Implications for housing affordability and energy poverty**

The interaction between ETS2 and the SCF creates both opportunities and risks for the housing sector. On the one hand, the combination of carbon price signals and dedicated funding for renovation could accelerate the transition to energy-efficient housing, particularly for vulnerable groups currently trapped in poorly performing buildings with high energy costs. Research suggests that investments in energy efficiency, clean heating, and renewable integration deliver multiple co-benefits beyond emissions reduction, including reduced energy bills, improved indoor air quality, enhanced thermal comfort, and health improvements (Akgüç & Arabadjieva, 2024).

On the other hand, analyses by civil society organisations suggest that the SCF alone may be insufficient to prevent increases in energy poverty resulting from ETS2 (Carbon Market Watch, 2024). The fund addresses only additional poverty risks arising from the new carbon pricing mechanism, not the pre-existing scale of energy poverty affecting over 34 million European households. Furthermore, the interviewed expert from Housing Europe emphasised that the success of the combined ETS2-SCF system depends critically on Member State capacity to design and implement effective Social Climate Plans that channel resources to those most in need whilst supporting structural investments rather than merely subsidising fossil fuel consumption.

Countries with strong administrative capacity and existing renovation programmes—such as Germany, the Netherlands, and Spain—are better positioned to use SCF funds for transformative energy efficiency investments (Öko-Institut, 2023). By contrast, MS that rely highly on fossil fuel heating or with weaker governance capacity, particularly in Central and Eastern Europe, may face greater challenges in balancing short-term affordability support with long-term housing upgrades (Ibid.).

- **Challenges of ETS2 transposition**

The transposition of ETS2 provisions has proven to be challenging. By the 30 June 2024 deadline established in Directive (EU) 2023/959, only Austria had fully transposed the relevant provisions into national law, prompting the EC to open infringement proceedings against the remaining 26 MS in July 2024[115]. As of late 2024, several MS, including Czechia, Poland, Slovakia, and Estonia, had formally requested delays to ETS2 implementation, citing social and economic concerns regarding the impact of higher heating costs on households (European Parliament, 2025d). The EC has indicated that postponement would require legislative amendment and could jeopardise the EU's 2030 climate targets.

The uneven progress in transposition creates uncertainty for both households and the construction sector. Without timely implementation, businesses cannot prepare adequately, households lack clarity regarding future costs, and the investment signals needed to accelerate renovation and clean heating deployment are weakened.

7.3.3. The Renewable Energy Directive (RED III)

The Renewable Energy Directive (RED) has undergone successive revisions reflecting the EU's increasing climate ambition. The original Directive (2009/28/EC) established a 20% renewable energy target for 2020. The recast Directive (EU) 2018/2001 (RED II) raised the 2030 target to 32%. Most recently, Directive (EU) 2023/2413[116] (RED III) was adopted on 18 October 2023 as part of the Fit for 55 package and subsequently strengthened through REPowerEU amendments responding to the energy security crisis following Russia's invasion of Ukraine. RED III established a binding EU-wide target of at least 42.5% renewable energy in the total gross final energy consumption[117] at MS level by 2030, with an aspirational goal of reaching 45% (Directive (EU) 2023/2413, Article 3).

RED III entered into force on 20 November 2023, with MS required to transpose most provisions into national law by 21 May 2025. By July 2025, the EC had opened infringement procedures against 26 MS—all except Denmark—for failing to fully transpose the directive by the deadline (Enerdata, 2025). The 26 MS had two months to respond, complete their transposition, and notify their measures to the EC, which may decide to issue a reasoned opinion. In the following sections, we analyse RED III requirements relating to heating and cooling targets for buildings and provisions on the simplification and acceleration of permitting procedures for renewable energy installations.

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[115] European Commission. July 2024 infringement package: Key decisions. Available at: https://ec.europa.eu/commission/presscorner/detail/en/inf_24_3924.

[116] Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652. OJ L, 31.10.2023. Available at: https://eur-lex.europa.eu/eli/dir/2023/2413/oj.

[117] Gross final energy consumption encompasses the energy used across all end-use sectors, including heating and cooling, electricity, transport, industry, services and households. It also includes the energy consumed by the energy sector itself for the production of electricity and heat, as well as transmission and distribution losses within the system.

- **Heating and cooling targets for buildings**

RED III establishes specific requirements for renewable energy in heating, cooling, and buildings that directly affect residential housing. The directive mandates a binding increase in the share of renewable energy in heating and cooling of 0.8 p.p. per year until 2026, increasing to 1.1 p.p. per year from 2026 to 2030 (Directive (EU) 2023/2413, Article 23). For district heating and cooling systems—increasingly relevant in urban residential developments—an even higher annual increase of 2.1 p.p. applies.

For the buildings sector specifically, RED III sets an indicative target of at least 49% renewable energy share in buildings by 2030 (Directive (EU) 2023/2413, Article 15a). Whilst indicative rather than binding at Member State level, this target provides a clear direction for national policy and connects with the EPBD's requirements for zero-emission buildings. In practice, MS are expected to implement policies encouraging solar panels on buildings, heat pump deployment, connection to renewable district heating networks, and use of renewable fuels in heating systems.

The directive strengthens provisions for third-party access to district heating and cooling systems, requiring systems with capacity exceeding 25 MWth to accept renewable energy and waste heat from external suppliers (Directive (EU) 2023/2413, Article 24). This measure supports the integration of diverse renewable heat sources and facilitates community energy projects in residential areas.

- **Permitting reform and renewables acceleration areas**

A significant innovation in RED III concerns the simplification and acceleration of permitting procedures for renewable energy installations—provisions with direct relevance to residential solar installations and community renewable energy projects. The directive establishes that renewable energy plants are presumed to be in the "overriding public interest" when conducting environmental and planning assessments, a provision designed to facilitate faster approvals whilst maintaining appropriate environmental scrutiny (Directive (EU) 2023/2413, Article 16f).

MS are required to designate Renewables Acceleration Areas (RAAs) by 21 February 2026 for at least one type of renewable energy technology (Directive (EU) 2023/2413, Article 15c). Within these designated areas, which must represent zones of low environmental risk, permit-granting procedures are limited to one year, compared to two years for projects outside such areas. This spatial approach aims to direct renewable energy development to pre-screened locations where impacts are minimal, and procedures can be expedited.

For the housing sector, the designation of RAAs could facilitate deployment of community solar installations, small-scale wind projects, and renewable heating infrastructure in residential areas. However, faster permitting must be balanced against robust environmental scrutiny, and the approach risks generating local opposition if communities perceive inadequate consultation or challenge opportunities.

7.3.4. Transposition, impacts, and challenges

Across the climate and energy directives affecting housing, including the EPBD, EED, RED III, and the directive establishing ETS2, several common transposition challenges emerge:

- **Difficulties meeting implementation deadlines**

Similar to the challenges of transposition with the EPBD and EED, MS consistently face difficulties meeting implementation deadlines for RED III, with infringement proceedings becoming routine rather than exceptional. Administrative capacity varies significantly, with some countries struggling to translate complex EU requirements into national law and operational procedures.

The flexibility inherent in EU directives, whilst intended to respect national circumstances and subsidiarity, can result in fragmented implementation that undermines the single market and creates uncertainty for stakeholders. Housing providers, construction companies, and investors operating across borders face different requirements in each Member State, increasing compliance costs and hindering the scale-up of renovation activities.

- **Ensuring social safeguards and preventing "renovictions"**

A critical challenge across the policy framework concerns ensuring that decarbonisation benefits rather than harms vulnerable households. Without adequate social safeguards, energy efficiency requirements risk triggering "renovictions"—evictions following renovation works used as a pretext to raise rents or displace existing tenants. Civil society organisations, including the International Union of Tenants (IUT), FEANTSA, and Housing Europe, have consistently advocated for the principle of "housing cost neutrality," whereby rent increases following renovation must not exceed the energy cost savings achieved, ensuring tenants' overall housing costs remain stable or decrease (IUT, 2021; FEANTSA et al., 2023).

The Netherlands provides an example of legal provisions approaching this principle, with regulations limiting rent increases following renovation to the value of energy savings. The country has further committed that social housing renovation will be "free" for tenants, meaning rents remain stable after insulation works—going beyond cost neutrality to ensure that no financial burden falls on tenants (Housing Europe, 2022a). Such approaches demonstrate that ambitious renovation targets can be reconciled with tenant protections, but that these require explicit policy choices and adequate public funding.

- **Funding gaps and distributional concerns**

Despite multiple funding streams, including NRRPs, Cohesion policy funds, the SCF, and national programmes, financing gaps persist. Subsidies typically cover only 30-40% of renovation costs, leaving substantial sums to be financed by building owners or passed onto tenants. The cost-effectiveness of different renovation approaches remains debated, with some stakeholders arguing that "staged" or "middle-depth" renovations may deliver better carbon savings per euro invested than ambitious deep renovations targeting immediate near-zero energy performance. Evidence from cost-optimality studies suggest that the financially optimal level of renovation often falls short of near-zero energy performance. Under the EPBD's cost-optimal methodology, global-cost calculations for representative buildings in Germany and Greece show that the cost-optimal packages typically correspond to medium-to-deep energy savings, while NZEB-level refurbishments lie beyond the cost-optimal point

on the energy–cost curve, delivering additional savings at substantially higher marginal costs (Filippidou & Jimenez Navarro, 2019).

Distributional concerns compound these challenges. Evidence suggests that renovation subsidies and incentives tend to favour better-off homeowners with the capacity to navigate application processes and finance remaining costs, whilst tenants and low-income households face barriers in accessing support (Akgüç & Arabadjieva, 2024). The energy efficiency and decarbonisation requirements under the Green Deal may increase construction and building costs, potentially affecting housing affordability even as they reduce utility bills over one's lifetime.

7.4. Construction Products Regulation and building standards

The quality, safety, and environmental performance of residential buildings depend not only on overarching energy and climate policies but also on the materials and products from which they are constructed. The Construction Products Regulation (Regulation (EU) 2024/3110) establishes harmonised EU requirements for construction materials, whilst various health, safety, and accessibility standards shape the characteristics of residential buildings. This section examines these regulatory frameworks, their recent revisions, and the implementation challenges they present.

7.4.1. The revised CPR framework

The Construction Products Regulation (CPR) provides the regulatory foundation for the European construction products market, establishing harmonised rules that enable products to circulate freely across the single market whilst ensuring consistent standards for safety, health, and environmental performance. The original CPR (Regulation (EU) No 305/2011) required CE (European Conformity) marking for construction products covered by harmonised European standards, providing a common technical language for assessing and declaring product performance.

Recognising that the original regulation was no longer adequate to address contemporary challenges—particularly the climate and digital transitions—the EC proposed a comprehensive revision in March 2022 as part of a package supporting sustainable products and the circular economy. Following negotiations, the revised CPR (Regulation (EU) 2024/3110[118]) was adopted and published in the Official Journal (OJ) of the EU on 18 December 2024 and entered into force on 7 January 2025 (Regulation (EU) 2024/3110). Most operational requirements apply from 8 January 2026, with compliance mandatory for all priority product categories by January 2028.

Below, the key provisions of the revised CPR, including the enhanced sustainability requirements and Digital Product Passports, as well as the scope of and exemptions from CPR are discussed.

[118] Regulation (EU) 2024/3110 of the European Parliament and of the Council of 27 November 2024 laying down harmonised rules for the marketing of construction products and repealing Regulation (EU) No 305/2011. OJ L, 18.12.2024. Available at: https://eur-lex.europa.eu/eli/reg/2024/3110/oj.

- **Enhanced sustainability requirements**

The revised CPR significantly strengthens environmental sustainability requirements for construction products, aligning the regulation with the European Green Deal's climate neutrality objectives. Products must now be designed and manufactured with greater durability, recyclability, repairability, and ease of remanufacture (Regulation (EU) 2024/3110, Annex I).

A fundamental innovation is the integration of Environmental Product Declarations (EPDs) into the regulatory framework. The revised regulation requires that EPDs, which provide standardised information on products' environmental performance across their lifecycle, be included in the Declaration of Performance and Conformity (DoPC), making environmental data an integral component of product information rather than a voluntary addition (Regulation (EU) 2024/3110, Article 22). From January 2026, manufacturers must report on climate-related indicators, particularly CO_2 emissions and energy consumption, with additional environmental metrics including recyclability and resource efficiency to be phased in by 2030.

The CE marking regime has been enhanced to reflect both technical performance and environmental impact, ensuring that marked products meet comprehensive safety and sustainability requirements. Products covered by the regulation include insulation materials, windows, structural assemblies, boilers, and prefabricated systems — all materials central to residential construction and renovation.

- **Digital Product Passports**

The revised CPR introduces mandatory Digital Product Passports (DPPs) for construction products, aligned with the broader Ecodesign for Sustainable Products Regulation (ESPR) framework. The DPP serves as a digital repository containing a product's technical specifications, environmental data, and compliance information, accessible through standardised digital interfaces (Regulation (EU) 2024/3110, Article 77).

For the housing sector, DPPs offer several benefits. They enhance transparency and traceability across supply chains, enabling building owners, architects, and renovation contractors to access reliable information about the materials in existing buildings—critical for planning renovation works and end-of-life management. DPPs support integration with Building Information Modelling (BIM) systems, facilitating more sophisticated lifecycle management of building components. The digitalisation of product information also supports market surveillance and enforcement, as authorities can more readily verify compliance claims.

A new centralised database will store product information for at least ten years, ensuring data accessibility even as products pass through multiple owners or are eventually disposed of or recycled.

- **Updated scope and exemptions**

The revised regulation clarifies and partially adjusts the CPR's scope. Reused construction products and 3D-printed products are now explicitly included, reflecting circular economy principles and technological developments. Conversely, prefabricated single-family houses of certain sizes and construction products manufactured on-site for immediate incorporation into works no longer fall

within scope, reducing regulatory burden for these categories (Regulation (EU) 2024/3110, Article 2; European Parliament, 2024b). Importantly, the regulation also empowers MS to exempt micro-enterprises not operating across borders from certain requirements, easing compliance pressure on the smallest construction businesses whilst maintaining obligations for firms participating in the single market (Regulation (EU) 2024/3110, Article 5).

7.4.2. Health, safety, and accessibility standards

Building construction norms ensuring occupant well-being and safety have evolved over more than a century in response to public health crises, urbanisation challenges, and changing social expectations. For instance, more recently, the COVID-19 pandemic highlighted the importance of health-conscious housing design, intensifying attention to indoor air quality and ventilation systems. These health-related concerns and subsequent requirements complement the standards set by the energy efficiency agenda. For instance, well-designed ventilation systems can simultaneously improve indoor air quality and support heat recovery, whilst the presence of natural lighting reduces both energy consumption and negative health impacts. The following subsections provide an overview of the requirements relating to accessibility and indoor environment quality standards for residential buildings:

- **Accessibility requirements for residential buildings**

The European Accessibility Act (Directive (EU) 2019/882) (EAA), applicable since June 2025, establishes accessibility requirements for products and services. The EEA has implications for residential housing through the requirements that affect digital services used by tenants (such as property management portals), smart home technologies, and certain building access systems. Whilst the EAA does not directly regulate physical building accessibility, it creates pressure for accessible design in the digital interfaces through which housing services are increasingly delivered.

MS retain competence over building accessibility requirements, leading to significant variations in standards. For instance, Germany has closely aligned its accessibility legislation, particularly the Accessibility Strengthening Act (*Barrierefreiheitsstärkungsgesetz*, BFSG), with EU requirements whilst adding robust enforcement mechanisms, including fines up to EUR 100,000 for non-compliance and active compliance monitoring (Sleeking et al., 2025). This stricter approach ensures consistency but raises stakes for housing-related service providers, including lessors offering digital tenant portals.

Historic buildings, small properties, and other buildings in which accessibility modifications would require "fundamental alteration" or impose "disproportionate burden" (e.g. listed buildings with protected staircases or historic facades, small apartment blocks unable to support lift installation) may be exempt from certain requirements. Whilst these exemptions prevent excessive costs in genuine cases, they risk weakening implementation if applied too broadly, leaving people with disabilities facing barriers in significant portions of the housing stock.

- **Indoor environment quality standards**

Beyond accessibility, various European standards address indoor environment quality in residential buildings. The revised EPBD (Directive (EU) 2024/1275) includes provisions on indoor air quality and healthy indoor climate conditions, recognising that energy efficiency measures must not compromise

occupant health (Directive (EU) 2024/1275, Annex I). Standards for ventilation rates, humidity control, and protection against hazardous substances complement the energy performance requirements. These standards interact with the CPR through requirements for construction products affecting indoor environment quality, including insulation materials, surface finishes, ventilation system components, and heating appliances. The revised CPR provisions on hazardous substances and its attention to health and environmental protection throughout product lifecycles support healthier residential environments.

7.4.3. Benefits and alignment with broader objectives

Despite implementation challenges, the revised CPR delivers substantial benefits. By strengthening harmonisation, the regulation ensures that products circulate more freely across MS. This reduces redundant testing and certification requirements that previously fragmented the market and increased costs. Uniform standards support fairer competition and enable scale economies in production.

The regulation directly supports the EU's environmental and industrial policy objectives. By integrating sustainability requirements and circular economy principles into construction product rules, it advances the European Green Deal's goals and contributes to decarbonising the built environment. Products with lower embodied carbon, greater recyclability, and longer service lives support the climate performance of buildings throughout their lifecycles—complementing the EPBD's focus on operational energy performance. Enhanced transparency through EPDs and DPPs builds market confidence and enables building owners, developers, and renovation contractors to make informed choices. This information flow supports innovation by enabling differentiation based on genuine environmental performance rather than unsubstantiated marketing claims.

The revised CPR aligns closely with other EU sustainability frameworks, particularly the EPBD and the Ecodesign for Sustainable Products Regulation. This alignment ensures that CPR-compliant products directly contribute to building-level energy efficiency and climate targets, creating coherent requirements across the regulatory landscape. Product-level environmental data generated under the CPR will feed into building-level assessments required under the EPBD, supporting the calculation and disclosure of buildings' whole-lifecycle carbon footprints. The Digital Product Passport concept is consistent across both regulatory frameworks, enabling integrated data management from product manufacturing through building construction, operation, renovation, and eventual deconstruction.

7.4.4. Implementation challenges and costs

The construction sector faces significant challenges in adapting to the revised CPR requirements. A major issue concerns traceability across complex value chains, which underpins obligations for the combined Declaration of Performance and Conformity, lifecycle environmental declarations, and Digital Product Passports (Association for European Manufacturers of Expanded Polystyrene (EUMEPS), 2024). Many manufacturers lack integrated digital systems capable of capturing and transmitting the required data, and supply chain partners may be unable or unwilling to provide necessary information.

Technical readiness varies significantly by company size and capacity. Whilst experience with the original CPR has created a baseline understanding of the requirements for construction products, many

companies face substantial backlogs, with some unable to address new obligations until 2027 or later. Larger firms with dedicated compliance teams and resources can adapt more readily, whilst SMEs—which dominate the construction products sector—struggle with limited capacity to invest in new systems, training, and testing.

The EC's impact assessment (2022), accompanying the proposal on revised CPR, estimated that the revised CPR's additional obligations will increase sector costs by approximately EUR 200 million annually, equivalent to roughly 8% above baseline compliance costs. These costs arise from enhanced requirements for CE marking, expanded declarations, digital infrastructure for product passports, and strengthened regulatory oversight.

Cost impacts are unevenly distributed. On the one hand, larger companies can typically absorb new costs more readily and may benefit from enhanced market access and reputation for sustainability. Whilst on the other hand, SMEs face proportionally greater burdens relative to their resources and turnover, which then has the potential to affect competitiveness and, indirectly, the availability and pricing of construction products for residential renovation.

For housing affordability, these cost increases could translate into higher prices for renovation materials and new construction, with the energy cost savings from improved building performance only partially offsetting the newly incurred costs (OECD, 2020b). However, the revised CPR's emphasis on durability and recyclability should reduce whole-lifecycle costs, and improved environmental transparency enables more informed procurement decisions.

7.5. State aid rules

The evolution of SGEI rules applicable to social and affordable housing

At its core, the EU's legal framework on State aid is designed to prevent government resources from distorting competition within the single market. Article 107(1) of the Treaty on the Functioning of the European Union (TFEU) generally prohibits any aid that favours certain undertakings and threatens to distort competition (IUT, 2025). However, this prohibition is not absolute. Article 106(2) TFEU provides an exception for Services of General Economic Interest (SGEI), allowing government support for services that would not be provided, or would be provided under different conditions, by the private sector (Olofsson, 2020). This legal distinction has greatly influenced the scope of public spending on housing.

The 2005 SGEI Decision (2005/842/EC)[119] first introduced the concept of social housing as an SGEI eligible for State aid exemption, describing it in Recital 16 as housing for "disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at

[119] European Commission, 2005, Commission Decision of 28 November 2005 on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (2005/842/EC), OJ L 312, 67–73. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32005D0842.

market conditions" (2005 SGEI Decision). This framing established the principle that publicly funded social housing should target those unable to access market-rate accommodation.

The 2009 Dutch social housing case (State aid E 2/2005 and N 642/2009)[120] applied this framework to the Netherlands' *woningcorporaties* ('housing corporations') system. The EC found a "manifest error" in the Dutch definition of social housing as an SGEI, as housing corporations could rent to households of any income level with only a non-binding "priority" for disadvantaged persons. The EC required the Netherlands to limit social housing to "a clearly defined target group of disadvantaged citizens or socially less advantaged groups" and to separate commercial from social activities. However, the EC did not prescribe specific income thresholds or allocation percentages; it explicitly affirmed that "Member States have a wide margin as regards the size of the target group and the exact modalities of applying the system" (State aid E 2/2005 and N 642/2009, para. 55).

Table 11: Evolution of EU State aid rules in housing policy area

Year/Milestone	Legal instrument/Decision	Primary rationale	Impact on Housing Policy
2005	SGEI Decision (2005/842/EC)	To define State aid-compatible compensation for public services under Article 106(2) TFEU.	Formalised social housing as an SGEI but restricted it to *"disadvantaged citizens"* who could not afford housing at market conditions.
2009	Dutch Social Housing Case	To rule on an complaint about unfair competition from a state-subsidised social housing provider.	MS required to limit social housing to *"a clearly defined target group of disadvantaged citizens or socially less advantaged groups"*
2012	2012 SGEI Decision (2012/21/EU)	To strike a clearer balance between allowing MS to finance essential services (e.g. housing, healthcare, transport, energy, social inclusion) that markets may undersupply, while ensuring such compensation does not exceed what is necessary and does not unduly distort competition.	Exempts compensation for social housing from notification when it serves *"disadvantaged citizens or socially less advantaged groups."*
2020	Renovation Wave Strategy (COM(2020) 662)	To address climate goals by accelerating building renovations.	Introduced the concept of "Affordable Housing" as a political priority, expanding the focus beyond the most vulnerable and signalling a policy shift.

[120] European Commission, 2009, State aid E 2/2005 and N 642/2009 – The Netherlands: Existing and special project aid to housing corporations (C(2009) 9963 final). Available at: https://ec.europa.eu/competition/state_aid/cases/197757/197757_1155868_173_2.pdf.

Year/Milestone	Legal instrument/Decision	Primary rationale	Impact on Housing Policy
2025	Public consultation on SGEI Decision	EC launched a first public consultation and a call for the collection of evidence in June 2025, and second public consultation in October 2025 for revising the SGEI Decision	Aims to collect the data and feedback, and to analyse the need for revising the SGEI Decision to better enable affordable housing support.
2026 (expected)	Review of SGEI Decision	To provide MS with greater flexibility to support affordable housing.	Aims to broaden the formal State aid framework to cover "affordable housing," potentially giving MS more legal certainty for their spending.

Sources: European Commission documents presented in this section; IUT, 2025.

The 2012 SGEI Decision (2012/21/EU) exempts compensation for social housing from notification when it serves *"disadvantaged citizens or socially less advantaged groups."* Article 2(1)(c) and recital 11 of the Decision taken together indicate that publicly-funded social housing must be intended for "disadvantaged citizens" who experience "solvency constraints" and, as a result, "are unable to obtain housing at market conditions". In the 2012 SGEI Decision, specific phrasing was chosen to limit the scope to socially targeted interventions (preventing general housing subsidies from being treated as SGEI) and ensure that market-based rental providers would not be unfairly subsidised. However, this narrow definition excluded affordable housing for low- and middle-income groups facing affordability pressures (who are not formally "disadvantaged"). This reflects a historical emphasis on competition law over social policy which has played a significant role in the current housing affordability crisis (Scanlon et al., 2022). The strict SGEI definition discouraged MS from creating large-scale affordable housing programmes for non-vulnerable groups. As a result, many countries privatised their social housing stock or did not build new units for a broader range of the population.

However, to invest in affordable housing, MS also use alternatives to SGEI rules. Though it requires notification to the EC and has to be granted to all types of property owners. For example, in Sweden, a funding scheme for affordable housing was approved by the EC. Under the scheme, the support is to be provided for: a) any rental housing in areas experiencing population growth and housing shortages or in municipalities experiencing population growth and suffering from a lack of a certain type of housing; or b) for student rental housing in or near municipalities which have universities or other higher education institutions. The aid is limited to a certain amount per m^2 and in exchange of this state aid, providers will cap the rent at a certain below-market level depending on the geographical location (Housing Europe, 2022b).

A notable shift is now underway in the relationship between the EC's legal stance and its broader policy goals. While the legal framework remained static for years, the social reality of a deepening housing crisis forced a change in rhetoric and policy. The Renovation Wave strategy and the New European Bauhaus explicitly introduced the concept of "affordable housing," which implicitly acknowledges a wider target audience than just the "disadvantaged" (European Commission, 2020). Stakeholders (e.g.

Housing Europe, IUT, Eurocities, FEANTSA, Confrontations Europe, and the Council of European Municipalities and Regions (CEMR)) broadly welcomed the introduction of "affordable housing", but their reactions emphasised the need for this broader concept to be fully operationalised through policy reforms, particularly regarding EU State aid rules. In a joint position paper and 10-point plan (2021–2022), the coalition of the aforementioned stakeholders stated that while the Renovation Wave and New European Bauhaus rightly broadened the EU's housing agenda, State aid rules still reflected a 2012 policy context, where only "disadvantaged citizens or socially less advantaged groups" qualified for subsidised or state-supported housing schemes. They therefore called for a revision of EU State aid rules to reflect the new reality of widespread housing unaffordability (Housing Europe, Eurocities, IUT, FEANTSA, Confrontations Europe & CEMR, 2021–2022).

This political shift is now being formalised with a planned review of the SGEI rules (as announced in the Political Guidelines for 2024-2029 of the EC[121]), which will be presented together with the EU Affordable Housing Plan. This review aims to broaden the formal framework to cover affordable housing in a wider sense. Given widespread housing unaffordability among low- and middle-income households, and the large scale of the renovation/affordable-housing challenge under the Renovation Wave and the New European Bauhaus agenda, the EC launched a first public consultation and a call for the collection of evidence in July 2025, and a second public consultation in October 2025 for revising the SGEI Decision to better enable affordable housing support[122]. The goal for this revised decision is to give MS greater flexibility and legal certainty to support affordable housing (not just social housing) without each scheme requiring a full state-aid notification process. In other words, broaden the formal state-aid framework to include "affordable housing" as a recognised SGEI category.

The main changes (not officially adopted, but providing indications) stemming from the public consultation documents are presented in Table 12 below.

[121] von der Leyen, Ursula, 2024, *Europe's Choice: Political Guidelines for the next European Commission 2024–2029*, European Commission. Available at: https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en.

[122] European Commission, Public consultation on the revised SGEI Decision. Available at: https://competition-policy.ec.europa.eu/public-consultations/2025-sgei_en?utm Note: Not officially adopted.

Table 12: Key proposed SGEI decision changes and features

Feature	What is proposed	Implication for MS / housing
New exemption category for "affordable housing"	The draft revision proposes adding a distinct SGEI category: "housing for households who are not able, due to market outcomes and notably market failures, to access housing at affordable conditions".	MS will be able to support a broader income bracket (beyond only disadvantaged groups) under the SGEI exemption, reducing the need for full notification.
Broader eligibility and scope	The revision envisages that not only social housing for the very poor, but also housing accessible to moderate/middle-income households could qualify under the SGEI framework. Stakeholder papers emphasise this (e.g. European Association for Investors in Non-Listed Real Estate (INREV), etc.).	This could unlock more public investment and renovation support for large portions of the housing stock, not just the traditional "social" segment.
Simplification of procedures / legal certainty	The revision aims to reduce administrative burdens (e.g. fewer notifications, clearer criteria, larger thresholds) and ensure clarity on how to design entrustment acts, affordability commitments, and compensation mechanisms.	Local and national authorities will better know upfront how to structure affordable-housing support under EU State aid rules.
Consideration of renovation / energy efficiency component	The consultation documents highlight that the housing affordability crisis is intertwined with energy renovation, so the new rules seek to cover schemes that combine affordable housing provision + energy upgrades.	MS designing affordable housing programmes can embed renovation/energy performance (important for EPBD/EED alignment).

Source: elaborated by the authors, based on consultation documents provided by the European Commission on Public consultation on the revised SGEI Decision website. Available at: https://competition-policy.ec.europa.eu/public-consultations/2025-sgei_en?utm.

Other instruments ensuring compliance with State aid rules

The EU shapes national housing policy through various legal and financial instruments that go beyond the SGEI framework. These mechanisms allow MS to fund housing projects while remaining compliant with State aid rules, but their impact is far from uniform across the Union. Namely:

- **The General Bloc Exemption Regulation (GBER) (Regulation (EU) No 651/2014)**

This is a key mechanism that allows MS to implement a wide range of subsidies without the need for prior notification to and approval from the EC. This framework declares certain categories of State aid as compatible with EU law, provided they meet specific conditions, thereby exempting them from the requirement of prior EC approval (European Confederation of Local Intermediate Authorities (CEPLI), 2025). This legal flexibility has been particularly instrumental in enabling the financing of energy-

efficient housing. In March 2023, the EC adopted amendments to the GBER to accelerate investment in the transition to a net-zero economy (CEPLI, 2025). These changes introduced new provisions for environmental protection and energy, including support for renewable energy, decarbonisation projects, and energy efficiency (European Association for Storage of Energy (EASE)[123], 2023). Specifically, the GBER now allows for investment aid for energy efficiency measures in buildings to be combined with aid for behind-the-meter energy storage (CEPLI, 2025). Aid for renewable energy projects and thermal storage solutions associated with district heating are also exempt from notification requirements under certain conditions. The GBER amendments also increased notification thresholds and maximum aid amounts by 10% due to inflation, aiming to simplify the administration of these schemes (EASE, 2023).

- **The Public Procurement Directive (2014/24/EU)**

Public procurement rules shape how MS implement housing projects. Under Directive 2014/24/EU[124], contracts above certain monetary thresholds must be awarded according to the "most economically advantageous tender" (MEAT) principle, which considers not only price but also quality, environmental and social factors, life-cycle costs, and innovation. While lower-value contracts are subject to national rules, these must still comply with the general principles of EU law.

Despite this framework and guidance from the EC, many MS continue to rely on the lowest-price criterion. A 2023 European Court of Auditors report found that the promotion of strategic procurement—encouraging greater consideration of environmental, social, or innovative aspects—has had limited impact, with the share of procedures using award criteria other than price remaining very limited (European Court of Auditors, 2023). The EC estimates that approximately 55% of procurement procedures across the EU use lowest price as the sole award criterion (European Commission, n.d.). In the construction sector specifically, which accounts for a substantial share of public procurement spending, this over-reliance on lowest price is particularly problematic. Research indicates that procurement method is a significant determinant of building quality, with lowest-price awards creating incentives for contractors to reduce costs through lower-quality materials, inadequate supervision, or compressed timelines (Olanrewaju et al., 2022). In housing construction, quality defects directly affect residents' health, safety, and living conditions, and the consequences of compromising quality requirements are particularly severe.

To address these shortcomings, strategic and social criteria are increasingly recommended for public housing procurement, including for energy-efficient renovations and sustainable housing. The EP's 2025 resolution on public procurement called for systematic integration of environmental and labour standards into award criteria, and for reforms that would transform procurement into a driver of innovation and sustainability (European Parliament, 2025b). These procurement rules, combined with GBER exemptions, enable MS to channel both public and EU funding effectively, supporting integrated

[123] Currently, Energy Storage Europe. See: https://energystorageeurope.eu/.

[124] Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, OJ L 94, 65–242. Available at: https://eur-lex.europa.eu/eli/dir/2014/24/oj.

approaches that link financial incentives with quality, sustainability, and social objectives in housing projects.

7.6. EU funding mechanisms addressing housing scarcity

The EU has developed multiple funding instruments to support housing investment across MS, with three principal mechanisms providing the core financing architecture: (1) InvestEU and EIB financing, which mobilise private capital through guarantees and long-term lending; (2) Cohesion Policy funds (ERDF, Cohesion Fund), which support housing renovation, energy efficiency, and social inclusion through grant-based programming; and (3) the Recovery and Resilience Facility (RRF), which links housing investments to broader reform agendas. Additional instruments, including the Just Transition Fund (JTF) and the forthcoming Social Climate Fund (SCF), complement these core mechanisms by targeting specific transition challenges and vulnerable populations (European Parliament, 2025c).

This section examines each key funding stream, analysing their design and implementation, positive impacts achieved, geographic distribution challenges, and key implementation barriers that affect their effectiveness in addressing housing scarcity across MS.

7.6.1. InvestEU and EIB

InvestEU and the EIB have been identified by interviewed housing experts as among the most significant financing sources for affordable housing in Europe with dedicated mechanisms to support housing development and renovation. When asked specifically about EU-level financial instruments, experts consistently highlighted the role of these mechanisms in providing long-term, low-interest financing that makes housing projects viable[125].

- **InvestEU Fund**

The InvestEU Fund[126], established under Regulation (EU) 2021/523 for the 2021–2027 Multiannual Financial Framework (MFF), consolidates thirteen previously separate EU financial instruments into a unified programme. The Fund is expected to mobilise at least EUR 372 billion of public and private investment through an EU budget guarantee of EUR 26.2 billion (European Commission, 2024g). The guarantee is implemented through designated financial partners, including the European Investment Bank (EIB) Group—which manages 75% of the EU guarantee—as well as the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), the Nordic Investment Bank (NIB), and national promotional banks that have attained 'entrusted entity' status under EU budgetary rules (Ibid).

With respect to the InvestEU future, the EC's proposal for the 2028–2034 MFF, published in July 2025, indicates that InvestEU as a standalone programme will not continue in its current form. However, the EC has stated that lessons learned from InvestEU regarding private investment mobilisation will be

[125] Interviewees were asked directly about their assessment of EU financing mechanisms, including the EIB, InvestEU, and Cohesion Policy funds. Positive assessments of the EIB's contribution were offered by experts from Germany, the Netherlands, France, Spain, Portugal, Ireland, and Denmark.

[126] The InvestEU Fund is one of the three building blocks of the InvestEU Programme.

applied to successor instruments under the new framework, with a proposed European Competitiveness Fund intended to leverage private and public investment through EU-backed de-risking mechanisms (European Commission, 2025b).

- **EIB housing finance: scale and impact**

The EIB plays a significant role in making housing finance more affordable and accessible across Europe (see Table 12). Between 2020 and 2024, the EIB provided EUR 15.6 billion in financing for affordable and sustainable housing, contributing to the construction of 265,000 new homes, the renovation of 400,000 homes, and improved housing conditions for 665,000 households (EIB, 2025b). The EIB's funding schemes have helped various MS fund housing projects (see Table 12). Portugal, for example, secured a EUR 1.34 billion framework loan from the EIB, co-financed by the RRF, to support the construction and renovation of 12,000 affordable housing units (European Commission, 2023a; EIB, 2025d).

Table 13: Examples of the use of EIB funding schemes for housing among MS

Country/Region	Mechanism	Type of funding	Impact/Details
Portugal	National Affordable Housing Programme	EIB (2025-2030/RRF framework loan (2021-2026)	Secured a EUR 1.34 billion framework loan from the EIB, co-financed by the RRF, to build and renovate 12,000 affordable rental units.
Finland	SATO's[127] energy efficiency refurbishment of 25 residential buildings	EIB (2021-2023)	The EIB provided an EUR 80 million loan to SATO Oyj to refurbish 25 residential buildings in Helsinki, Turku, Tampere, and other metropolitan areas in Finland, improving energy efficiency by at least 30% and reducing CO_2 emissions, while enhancing sustainable housing and lowering energy bills for residents.
Spain	VIVE Plan (Madrid)	EIB; Public-private partnership (2022-2025)	The VIVE Plan is an initiative promoting affordable rental housing through a public-private partnership, aiming to build over 13,000 homes at up to 40% below market prices for vulnerable groups and young people, with private management for 25 years before becoming public property.
Germany	Gewobag project (Berlin)	EIB loan (2020-2026)	The EIB provided an approximately EUR 300 million loan to a state-owned housing company to finance the construction and renovation of four residential areas in Berlin, including social and affordable rental housing, student accommodation, sheltered and assisted housing, and care facilities for low- and moderate-income households.

[127] SATO Oyj is one of Finland's largest private residential real estate companies and a major long-term rental housing provider. SATO is also a key institutional player in Finland's housing market, operating under a regulated framework for parts of its portfolio (including state-subsidised rental dwellings) while managing a significant share of market-rate rental units.

Country/Region	Mechanism	Type of funding	Impact/Details
Poland	BGK Social & Affordable Housing project in Poland	EIB; National Promotional Bank (2017–2021 and from 2022)	The EIB provided approximately EUR 133 million in loans to BGK, the Polish national promotional bank, to finance the construction of around 4,000 social and affordable housing units for moderate-income households, including rental units with the option to purchase.

Sources: EIB, 2021; EIB, 2025b; EIB, 2025d; Housing Europe, 2025b; EIB, 2022; Codogno, 2024; Habitaro, 2025.

However, housing experts interviewed for this study expressed concern that the distribution of EIB and CEB financing (discussed below) is not geographically balanced[128]. According to stakeholders and institutional analysis, most affordable housing financing from the EIB and related institutions has historically been concentrated in Western and Northern European MS, where well-established housing finance frameworks exist. Representatives from the EIB have noted that this concentration reflects institutional capacity and pipeline readiness, with Central and Eastern European countries receiving comparatively less support relative to their housing needs and institutional development. Extending financing to all 27 MS is a core objective of the EIB's recent Affordable and Sustainable Housing Action Plan, reflecting an effort to correct these imbalances (EIB, 2025e; Housing Europe, 2025b).

A critical challenge for expanding EIB lending to underserved regions is the link between MS institutional capacity to prepare, manage, and execute large-scale projects and its ability to absorb EU financing. Central and Eastern European countries, which, as demonstrated in Chapter 3, face more acute housing quality challenges including higher overcrowding rates (e.g. in Romania 40%, Latvia 39.3%, Bulgaria 33.8%) and severe housing deprivation rates, often faced structural disadvantages due to weaker administrative frameworks for housing policy and less-developed financial sectors (Hegedüs et al., 2017). This created a situation in which the regions with the greatest housing needs are often the least equipped to access the most impactful EU financing instruments.

- **Council of Europe Development Bank (CEB)**

The aforementioned gap in access to EIB funding mechanisms is partially addressed by the involvement of the Council of Europe Development Bank (CEB) under the InvestEU programme. The CEB, as an InvestEU implementing partner, operates under a specifically social mandate with a focus on projects in Central, Eastern, and South-Eastern Europe. Under the InvestEU guarantee agreement signed in 2022, the CEB is committed to unlocking EUR 500 million in investments for social, affordable, and student housing, as well as healthcare and social care, over the 2021–2027 programming period[129]. The allocation of these funds specifically targets geographical and social disparities that EIB financing has not fully addressed.

[128] Geographic distribution concerns were specifically raised by interviewees from Central and Eastern European countries, as well as by representatives from Housing Europe and academic researchers specialising in comparative housing policy.

[129] See https://investeu.europa.eu/investeu-programme/investeu-fund_en. The EUR 500 million commitment covers the full 2021–2027 programming period, with projects to be selected and disbursed through 2027.

The CEB's mandate and geographic focus complement the broader InvestEU architecture by directing resources toward regions that face both higher housing needs and greater barriers to accessing mainstream EIB financing. Additional mechanisms, such as the forthcoming Social Climate Fund (discussed previously in Chapter 7.3), are designed to further support vulnerable households and regions with energy-inefficient housing stocks, reinforcing the overall strategy to ensure EU funding reaches those most in need.

7.6.2. EU Cohesion Policy

Although housing investment was historically limited under EU structural funds, Cohesion policy (CP) has played an increasingly significant role in mobilising public investment for housing improvement, urban regeneration, and energy efficiency in the building stock since 2007. Successive reforms of the European Regional Development Fund (ERDF) and Cohesion Fund (CF) regulations have broadened the scope of eligible housing-related interventions, particularly for energy efficiency, social inclusion, and territorial cohesion purposes. According to Housing Europe (2021), Cohesion policy support for affordable housing has grown substantially across programming periods, from approximately EUR 2 billion in 2007–2013 to EUR 6.6 billion in 2014–2020.

The programming periods 2014–2020 and 2021–2027 mark two important stages in this evolution, demonstrating a progressive shift in Cohesion policy approach to housing. In the 2007–2013 period, housing interventions remained relatively targeted, focusing primarily on social housing renewal in marginalised communities and basic energy efficiency measures. The 2014–2020 programming period significantly expanded eligible interventions through explicit thematic objectives linking housing to low-carbon transition and social inclusion. The current 2021–2027 period represents a further evolution toward a comprehensive approach to affordable and quality housing, integrating climate action, digitalisation, social innovation, and inclusion objectives within a unified policy framework.

The following sections examine the evolution of CP housing-related interventions across the two most recent programming periods in more detail, analysing the regulatory framework, investment allocations, geographic distribution, and quantified achievements in terms of households reached and housing units improved.

2014–2020 programming period

During the 2014–2020 period, housing-related investments were primarily channelled through the ERDF, while the Cohesion Fund contributed through its support for energy efficiency measures in buildings under Thematic Objective 4[130]. The regulatory framework established under Regulation (EU) No 1301/2013 (ERDF) and Regulation (EU) No 1300/2013 (CF) enabled housing interventions through three main pathways:

[130] The Cohesion Fund during the 2014–2020 period supported MS with gross national income (GNI) per capita below 90% of the EU average, focusing primarily on environmental infrastructure and trans-European transport networks. However, under Thematic Objective 4, CF could also support energy efficiency measures in buildings, including residential buildings, contributing indirectly to housing policy objectives (Regulation (EU) No 1300/2013). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1300.

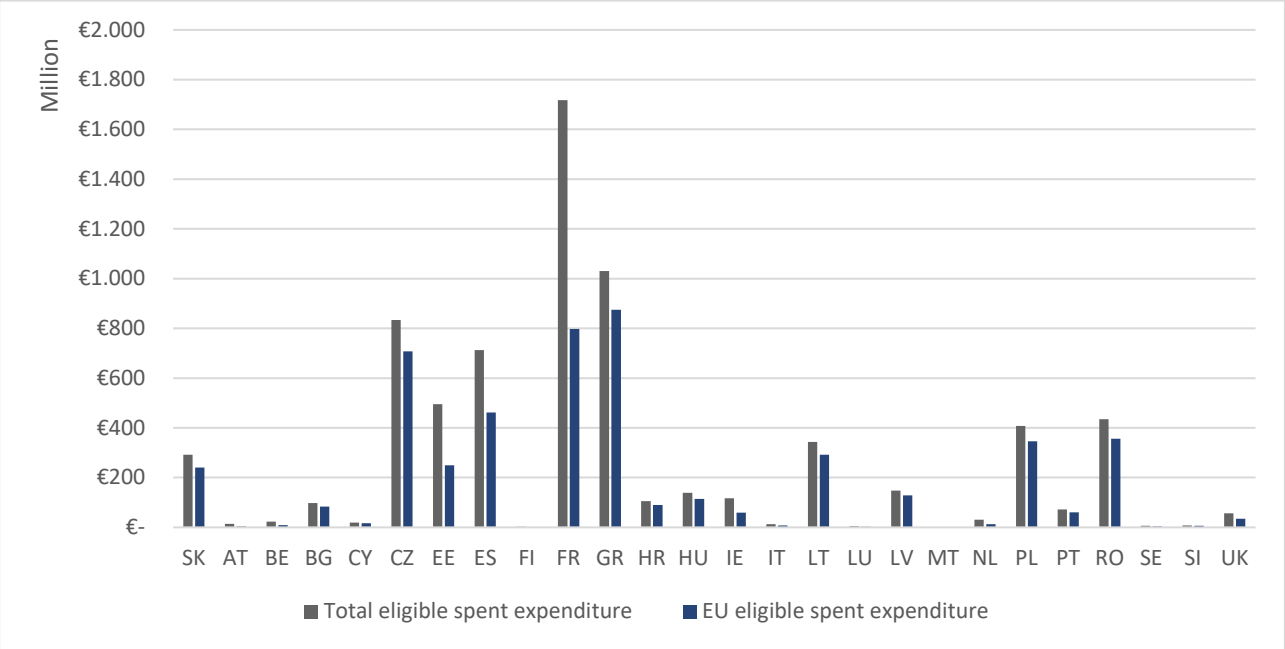
- **Supporting the shift towards a low-carbon economy** (Thematic Objective 4), which enabled funding for energy efficiency in residential buildings and the public housing stock.
- **Promoting social inclusion, combating poverty and discrimination** (Thematic Objective 9), which covered social housing improvements and the regeneration of deprived communities.
- **Integrated Sustainable Urban Development (ISUD) strategies**, which allowed cities to combine housing renovation with wider urban measures (e.g. community facilities, green spaces, accessibility).

In line with the EED and EPBD, MS (all except Denmark) used ERDF resources to co-finance deep renovations, insulation, renewable heating systems, and smart-metering in multi-apartment blocks and social housing (see Figures 36 and 37). The focus was primarily on reducing energy poverty, lowering utility costs for low-income households, and upgrading the quality and safety of the existing housing stock. According to Cohesion Open Data Platform, a total of EUR 7,400 million was allocated under ERDF investments for housing-related interventions, achieving an exceptional execution rate of 98.5% with EUR 5,947 million successfully spent by the programme's closure. The resources spent represent approximately 2% of total Cohesion policy resources during the period and, when combined with national co-financing, mobilised over EUR 8.2 billion in total investment for affordable and quality housing across the EU. The near-complete absorption of available funding indicated strong demand for housing interventions and effective programme management by MS[131].

The CP national and regional operational programmes prioritised energy efficiency renovation of the existing housing stock, which received EUR 4,717 million in planned EU funding (78.2% of the total allocation) (see Figure 40). This category not only met but exceeded expectations, with EUR 4,973 million ultimately being spent, representing a 105.4% execution rate. The overperformance reflected a high demand for energy efficiency and renovation programmes and the ability of MS to modify projects and redirect resources to meet pressing needs.

[131] Cohesion Open Data Platform. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&page=1&pageSize=20.

Figure 43: Cohesion policy investments in energy efficiency renovation in 2014-2020

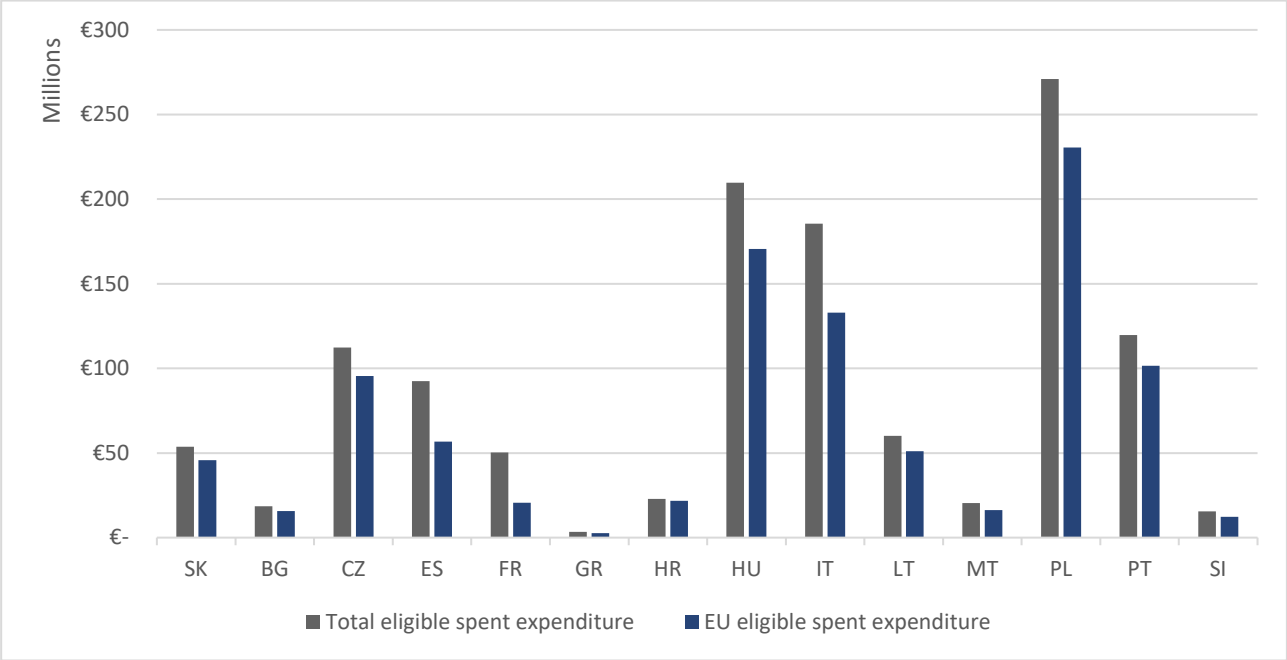


Source: Cohesion Open Data Platform, 2012-2020 categorisation dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2014+%2F+2020+Categorisation&limitTo=datasets.

Note: Total eligible spent expenditure includes EU eligible expenditure and public eligible co-financing.

Housing infrastructure, encompassing construction and the major rehabilitation of dwellings, received EUR 1,318 million in planned funding, representing 21.8% of the total housing-related investments under CP (see Figure 41). However, this category achieved a lower execution rate of 73.9%, with EUR 974 million spent. The slight underperformance in housing infrastructure was anticipated by programme managers, as construction projects typically require two to four years from initial planning through completion, compared to six to eighteen months for energy renovations.

Figure 44: Cohesion policy investments in housing infrastructure in 2014-2020



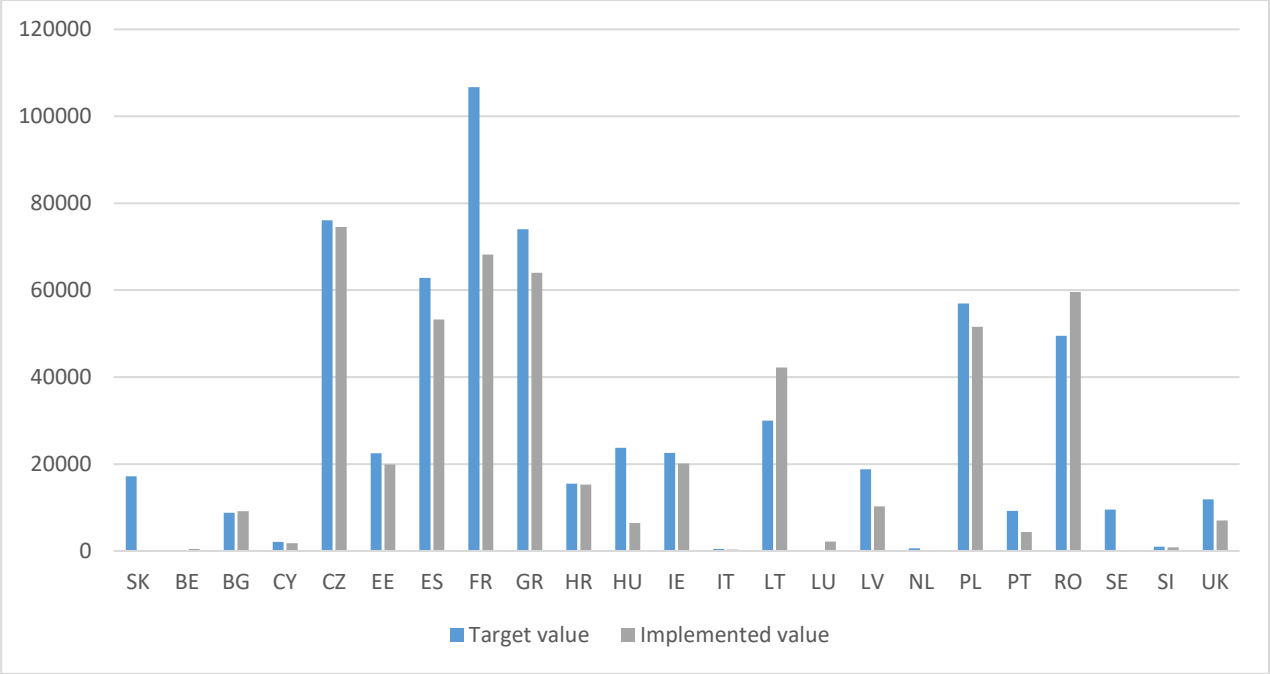
Source: Cohesion Open Data Platform, 2012-2020 categorisation dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2014+%2F+2020+Categorisation&limitTo=datasets.

Achievement: households with improved energy efficiency

The primary output indicator for energy renovation, designated as CO31 in the Cohesion policy monitoring framework, measured the number of households achieving improved energy consumption classification through project interventions. The 2014-2020 period established a target of benefitting 620,336 households across all participating MS. The projects selected during the programming period actually exceeded this target, with 640,971 households included in approved interventions (Cohesion Open Data Platform, 2025). After the programming period, by the end of 2023, a total of 511,536 households were benefitting from improved energy efficiency classifications, representing an 82.5% achievement rate against the original target (see Figure 42 for MS-level detail). While falling short of the ambitious target, this represents a substantial impact across hundreds of thousands of European households who now benefit from reduced energy costs, improved living conditions, and decreased carbon emissions. The gap between selected projects (640,971) and completed outcomes (511,536) reflects typical implementation challenges including project delays, cost overruns requiring scope reductions, and in some cases, project failures that necessitated de-commitments of funds[132].

[132] The final achievements of indicators will be reported in the closure reports of the 2014-2020 operational programmes.

Figure 45: Number of households with improved energy consumption classification under the 2014-2020 Cohesion policy programmes (by the end of 2023)

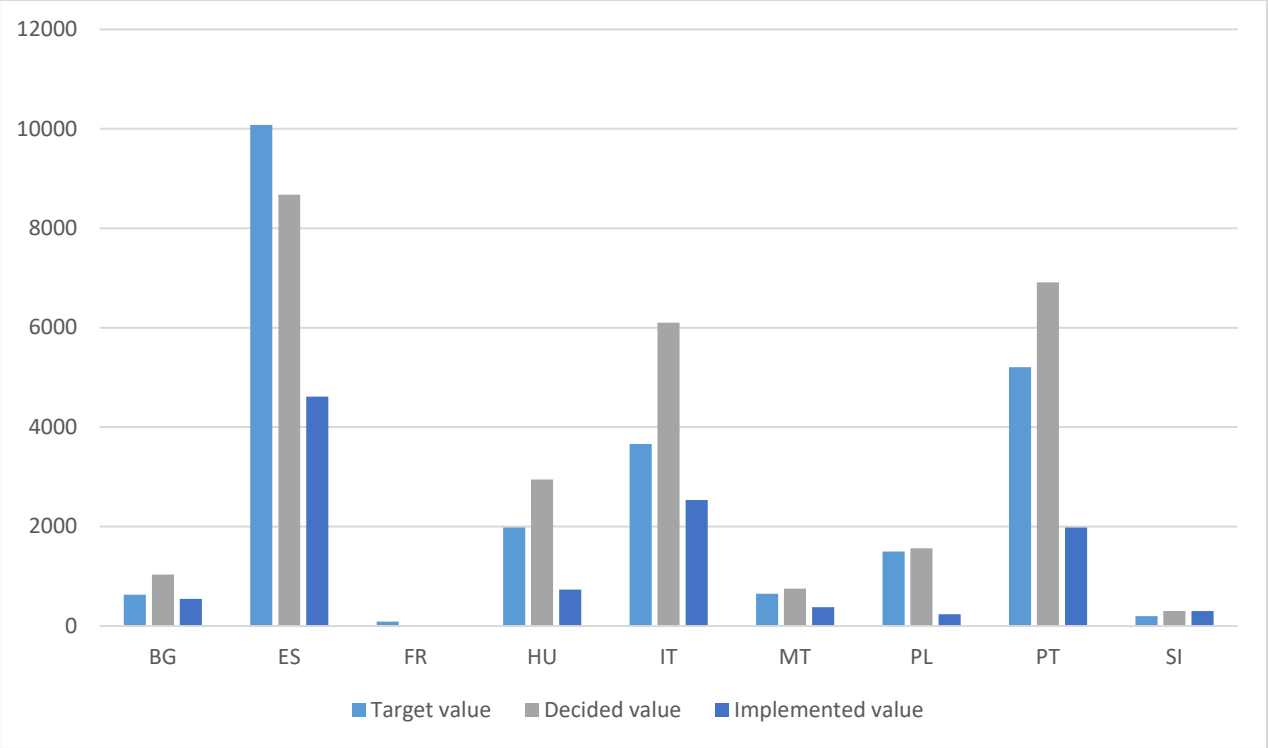


Source: Cohesion Open Data Platform, 2012-2020 indicator dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2014+%2F+2020+Indicators&limitTo=datasets

Achievement: rehabilitated housing in urban areas

The secondary output indicator (CO40) focused specifically on urban housing rehabilitation, targeting the construction or major renovation of housing units facing particular challenges of affordability, quality, and social inclusion. The programmes established a target of rehabilitating 24,002 housing units across participating MS, with 28,293 units included in selected (i.e. decided) projects (118% over-programming). By the end of 2022, only 11,326 units had been completed and reported as achieved, representing a 47.2% achievement rate (see Figure 43 for MS-level detail). This significantly lower achievement rate compared to the success of energy efficiency renovations (as previously described) can partially be explained by the slow roll out of projects under the new implementation models in 2014-2020, aimed at sustainable urban development and territorial development in general.

Figure 46: Number of rehabilitated housing units in urban areas in 2014-2020 (by the end of 2023)



Source: Cohesion Open Data Platform, 2014-2020 indicator dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2014+%2F+2020+Indicators&limitTo=datasets.

2021–2027 programming period

The 2021–2027 programming period introduced a significantly strengthened regulatory framework for housing-related interventions compared to its predecessor. Regulation (EU) 2021/1058[133] on the ERDF and the Cohesion Fund explicitly recognises affordable and energy-efficient housing as eligible for support under two of the five policy objectives established for the period (European Parliament & Council, 2021a):

- Under **Policy Objective 2 (PO2)** on "a greener, low-carbon Europe," Article 3(1)(b) enables the ERDF and CF to support energy efficiency and renewable energy measures in housing. Specifically, Article 5(1)(d) of the Regulation clarifies that the Cohesion Fund may support investment in housing only "where related to the promotion of energy efficiency or renewable energy use" (Ibid). This represents continuity with the 2014–2020 period but with enhanced ambition through mandatory minimum energy savings thresholds.
- Under **Policy Objective 4 (PO4)** on "a more social and inclusive Europe implementing the European Pillar of Social Rights," Article 3(1)(d)(iii) explicitly enables ERDF support for

[133] Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund, OJ L 231, 30.6.2021. Available at: https://eur-lex.europa.eu/eli/reg/2021/1058/oj/eng.

"promoting the socioeconomic inclusion of marginalised communities, low-income households and disadvantaged groups, including people with special needs, through integrated actions, including housing and social services" (Ibid). This represents a significant expansion compared to the 2014–2020 framework, which addressed social housing primarily through Thematic Objective 9's broader social inclusion provisions, without such explicit reference to housing and social services as integrated actions.

The regulatory framework thus enables MS to combine climate and social dimensions of housing policy through the following intervention types:

- **Energy efficiency and climate adaptation under PO2:** The ERDF and CF support the deep renovation of existing buildings to comply with EU energy-performance standards (achieving minimum 30% energy savings), installation of renewable-energy systems, and adaptation to climate change including cooling and climate resilience measures.
- **Affordable housing and social inclusion under PO4:** The ERDF supports construction or rehabilitation of affordable housing for marginalised communities, low-income households, and disadvantaged groups, as well as housing for migrants and refugees. While the Regulation does not specifically reference homeless persons, several MS have programmed interventions supporting homeless reintegration and innovative housing models (e.g. cooperative or intergenerational housing) under the broader PO4 specific objective on social inclusion (Cohesion Open Data Platform, 2025).
- **Territorial instruments:** Community-led local development (CLLD) and Integrated Territorial Investments (ITIs) further facilitate locally driven housing projects aligned with regional development strategies, allowing for integrated approaches that combine housing with wider urban regeneration measures.

Over the programming period, EUR 7,620 million in EU funding has been planned to be allocated to projects related to increasing affordable and quality housing. When combined with national and regional co-financing, the total planned investment reaches approximately EUR 11,490 million, representing a 34% increase in aggregate resources dedicated to the cause compared to the 2014-2020 programming period (Cohesion Open Data, 2025).

It should be noted that this increased allocation was established at the outset of the programming period through MS' Partnership Agreements and CP programmes negotiated with the EC in 2021–2022. It reflects the elevated priority accorded to housing within the Green Deal and European Pillar of Social Rights frameworks. The subsequent appointment of the EU's first Commissioner for Energy and Housing in 2024 and the development of a European Affordable Housing Plan in 2025 have further reinforced this commitment, with the EC's April 2025 Cohesion policy mid-term review[134] committing to enable MS to double their planned cohesion policy investments in affordable housing. It was also announced that MS will be able to leverage private and public financing through a new financial

[134] Available at: https://ec.europa.eu/regional_policy/sources/communication/mid-term-review-2025/communication-mid-term-review-2025_en.pdf.

instrument established jointly with the EIB. This instrument will combine cohesion funding with the resources of the EIB, other international financial institutions, and national promotional and commercial banks, thereby creating a pan-European investment platform for affordable and sustainable housing (EIB, 2025f).

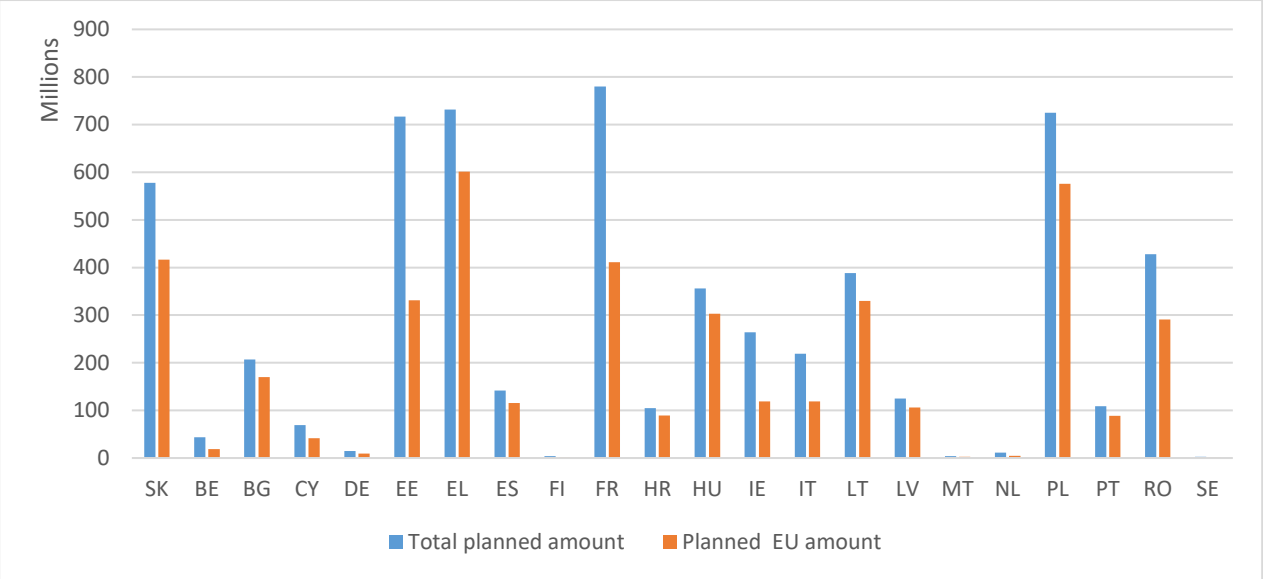
The importance of CP for housing has been also underscored by the EP's resolution of 10 September 2025 on "The role of cohesion policy investment in resolving the current housing crisis" (2024/2120(INI)), based on the work of the Committee on Regional Development (REGI) (European Parliament, 2025e). The resolution notes that the total EU support allocated to housing under Cohesion policy represents approximately 2% of the total EUR 379 billion CP allocation for 2021–2027. It therefore emphasises that while CP alone cannot resolve the housing crisis, CP funds should be deployed strategically to maximise impact. Notably, Members of the European Parliament (MEPs) called on the EU countries to "at least double" their funding for affordable housing and welcomed the establishment of an EU platform on affordable housing with the EIB to leverage cohesion policy funds and private investments (European Parliament, 2025e).

- **Investments under 2021-2027 CP programmes**

The CP programmes for 2021-2027 introduce important qualitative aims alongside quantitative ones. The deep renovation intervention field[135] (requiring minimum energy savings of 30%) receives EUR 4,147 million in EU funding from ERDF, CF and Just Transition Fund. This represents 54.4% of the total amount of funding that relates to housing and EUR 6,024 million in combined public investment (see Figure 44 for MS-level detail). This category did not exist as a distinct intervention field in 2014-2020, reflecting an enhanced ambition for climate impact under the Green Deal and its targets (see Chapter 7.3). Standard energy efficiency improvements in housing, comparable to the 2014-2020 energy renovation category, receive EUR 2,313 million (30.3% of the total) in EU funding, and EUR 2,846 million in combined public investment. Together, energy efficiency in housing interventions represent 84.7% of total funding, an increase from 78.2% in the previous period.

[135] Intervention fields for CP investments are established by the **Commission Delegated Regulation (EU) 2021/2106**, supplementing Regulation (EU) 2021/1060 with the *nomenclature of categories of intervention*. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2106.

Figure 47: ERDF/CF/JTF planned investments in Energy efficiency in housing – deep renovation in 2021–2027

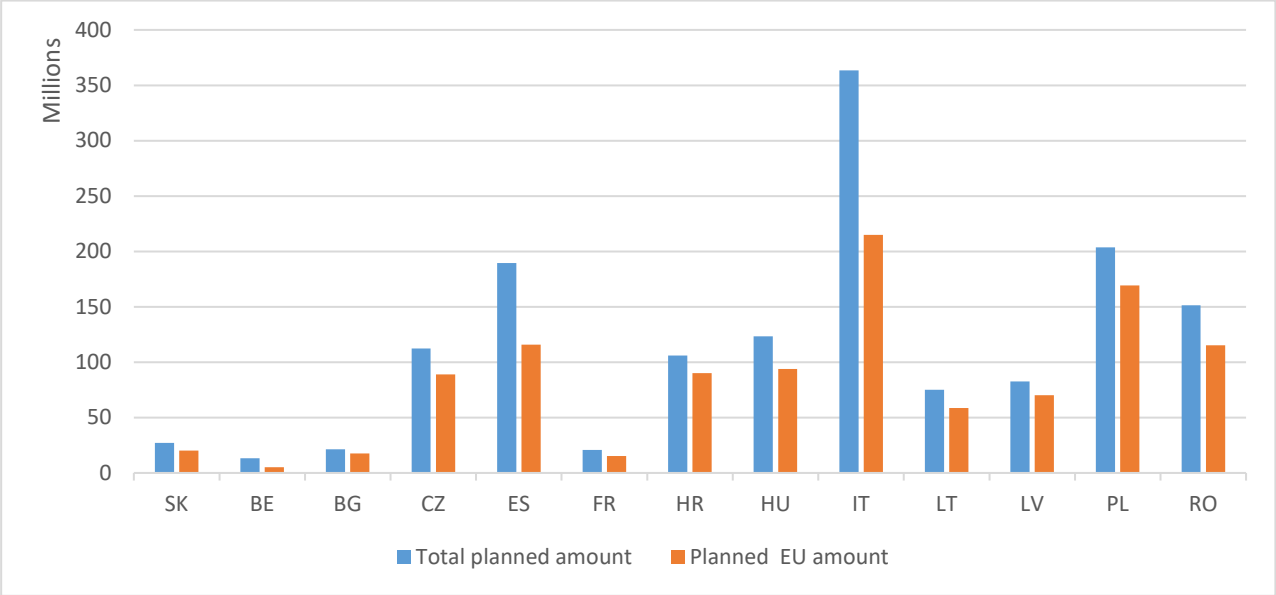


Source: Cohesion Open Data Platform, 2021–2027 categorisation dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2021+%2F+2027+Categorisation&limitTo=datasets.

Note: "Total planned amount" refers to planned EU and other (national, regional or local) public investments.

Housing infrastructure (incl. new construction and major rehabilitation) receives EUR 1,075 million in EU funding (14.1% of the total) and EUR 1,490 million in combined planned public investment (see Figure 45 for MS-level detail). This represents a reduced share compared to 21.8% share in 2014–2020, reflecting a strategic choice to prioritise upgrading existing stock over new construction, where appropriate. However, the absolute funding remains substantial, at EUR 1.1 billion of CP funding. A new intervention field category for housing infrastructure specifically targeting migrants and refugees was made due to the housing vulnerabilities and the specific challenges they face (as described in Chapter 3.2). This category receives EUR 85 million in EU funding (1.1% of the total allocations related to housing), increasing to EUR 130 million when accounting for further investment.

Figure 48: ERDF investments in housing infrastructure in 2021-2027



Source: Cohesion Open Data Platform, 2021-2027 categorisation dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2021+%2F+2027+Categorisation&limitTo=datasets.

Note: "Total planned amount" refers to planned EU and other (national, regional or local) public investments.

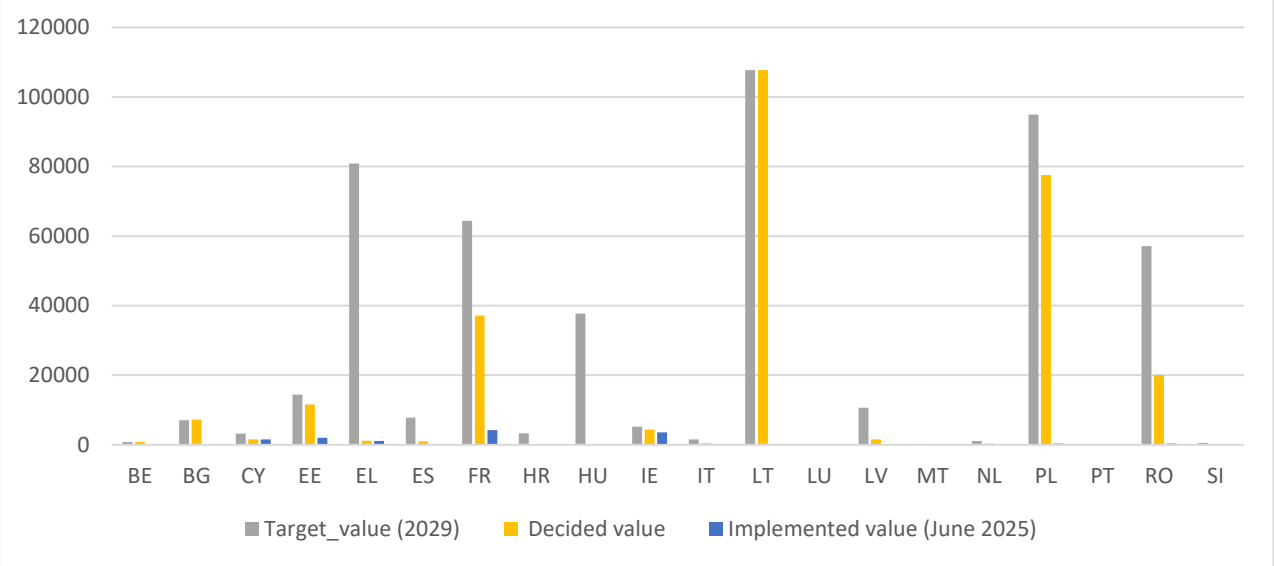
Geographic distribution of 2021-2027 funding related to housing and renovation reveals a dramatic shift compared to the previous period, with significant concentration in Central and Eastern European countries. Among those countries, Poland receives the largest allocation, with EUR 2,533 million in total EU funding across all housing categories. Greece, with the second-largest planned investment of EUR 601 million, concentrates them exclusively under the deep renovation intervention field.

Target outcomes and implementation progress: affordable and sustainable dwellings with improved energy performance

The primary common output indicator[136] for CP investment (i.e. ERDF, CF and JTF) related to housing for the 2021-2027 period measures the number of affordable and sustainable dwellings with improved energy performance. According to Cohesion Open Data Portal data, a cumulative target of 514,996 dwellings by 2029 was set by all MS in their CP programmes for the 2021-2027 programming period (see Figure 46). This target is comparable in scale to the 2014-2020 achievement of 511,536 households, indicating continuity in EU ambition, while raising housing quality standards through the mandatory minimum 30% energy savings requirement for deep renovations.

[136] The Common Provisions Regulation (CPR) 2021-2027 sets common output and result indicators to ensure performance monitoring for EU funds. Member States must select and use these common indicators where possible, alongside programme-specific ones, to measure progress toward programme objectives and allow for data aggregation across the EU.

Figure 49: Targets for affordable and sustainable dwellings with improved energy performance in 2021-2027 using CP funds (ERDF, CF and JTF)



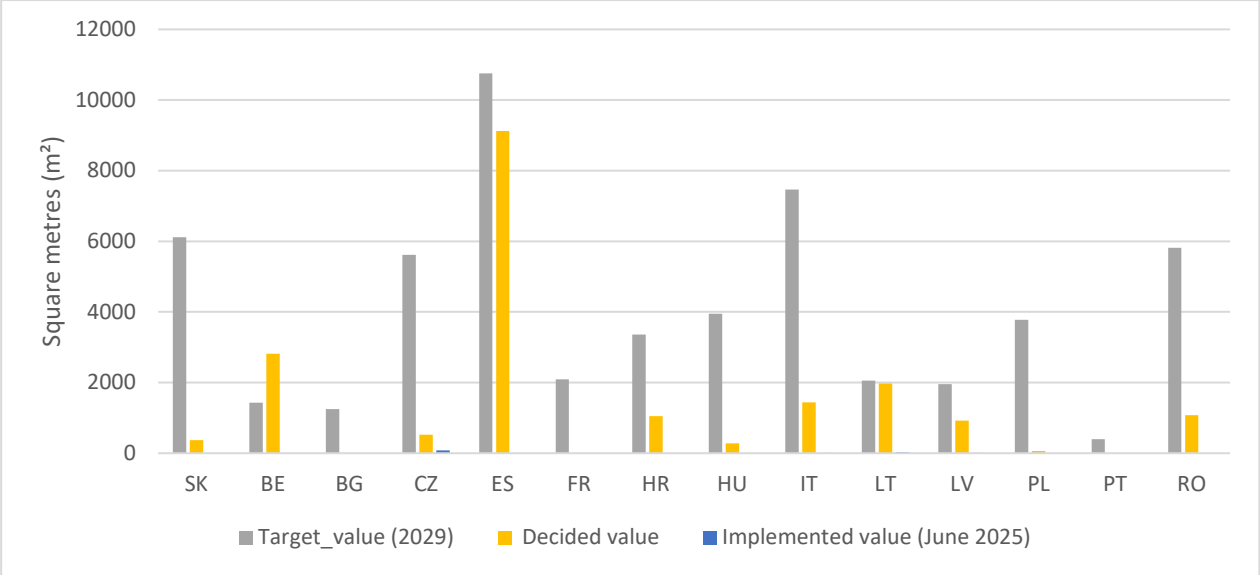
Source: Cohesion Open Data Platform, 2021-2027 indicators dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2021+%2F+2027+Indicators&limitTo=datasets.

As of June 2025, representing the mid-point of the programming period, projects covering 286,543 dwellings have been selected and approved for funding, representing 55.6% of the final 2029 target. This selection rate indicates reasonable progress in project pipeline development, though with considerable variation across MS (as can be seen in Figure 46). However, physical implementation so far shows that only 15,757 dwellings have been completed as of June 2025, representing just 3.1% of the target. This apparent gap between selection and completion is typical for the mid-point of Cohesion policy programming periods, where the bulk of physical outputs traditionally materialise in years five through seven as projects move from approval through construction to completion.

Target outcomes: social housing capacity and annual users

A new and ambitious target for the 2021-2027 period focuses specifically on the capacity of new or modernised social, affordable, and sustainable housing, targeting 56,025 units by 2029 (see Figure 47 for MS-level details). It reflects recognition for the fact that energy efficiency alone cannot address housing affordability challenges without expanding the supply of the social and affordable housing stock.

Figure 50: Planned targets for capacity of new or modernised social, affordable and sustainable housing in 2021–2027

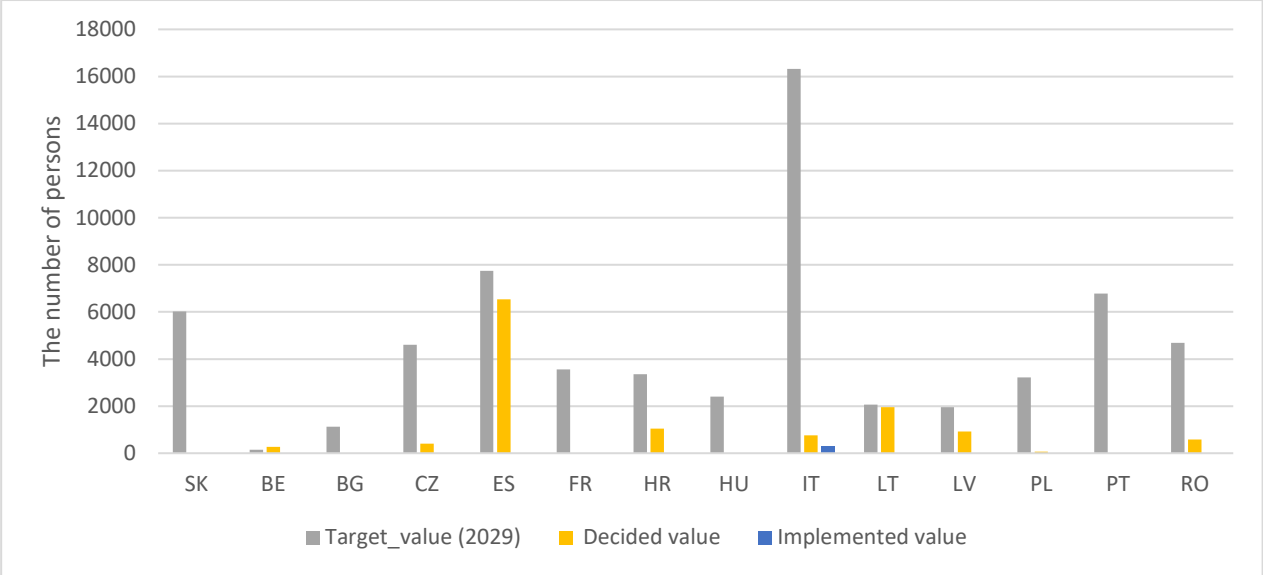


Source: Cohesion Open Data Platform, 2021–2027 indicators dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2021+%2F+2027+Indicators&limitTo=datasets.

As of June 2025, projects covering 19,625 housing units have been selected, representing 35% of the 2029 target. However, only 118 units have been physically completed, representing just 0.2% of the target. This stark gap between selection and completion is even more pronounced than for energy performance improvements, reflecting the inherently longer timelines for new housing construction compared to the renovation of existing units. As discussed earlier, due to construction timelines, projects selected in 2023–2024 would not be expected to be completed until 2025–2027, at the earliest. The very low completion rate at mid-programme is therefore not necessarily indicative of implementation failure, but rather reflects the standard construction project lifecycle.

A related result indicator measuring the outcome of investments tracks the number of annual users of new/modernised affordable, sustainable, and social housing. A target is set at 63,984 people by 2029, with a baseline of 11,155 users in 2021. Projects selected cover 12,557 annual users (19.6% of the target), but only 284 users have been reached through completed projects (0.4% of the target). Spain leads with 6,534 users in selected projects, followed by Lithuania (1,962 users), Croatia (1,050 users), Latvia (920 users), and Italy (754 users) (see Figure 48). The very low completion rate reflects the direct linkage to housing unit completion as users cannot benefit from housing that has not yet been constructed.

Figure 51: Planned targets for annual users of new or modernised social, affordable and sustainable housing in 2021–2027



Source: Cohesion Open Data Platform, 2021-2027 indicators dataset. Available at: https://cohesiondata.ec.europa.eu/browse?sortBy=relevance&pageSize=20&category=2021+%2F+2027+Indicators&limitTo=datasets.

These indicators demonstrate that the 2021-2027 period has successfully mobilised substantial project pipelines for social housing construction, with approximately one-third of final targets secured in approved projects by mid-programme. However, the success of the period will ultimately be determined by whether these approved projects translate into physical housing units between 2025 and 2027. The risk of construction delays, cost overruns, or project failures remains significant. MS that over-programmed (e.g. Belgium at 197%) will likely meet targets even if some projects fail. MS that selected only 20-35% of their targets mid-programme may struggle to achieve their final objectives, unless they accelerate selection while simultaneously ensuring that already-approved projects are completed on schedule.

7.6.3. Recovery and Resilience Facility (RRF)

Launched in 2021 as the EU's principal instrument to address the economic and social consequences of the COVID-19 pandemic[137], the Recovery and Resilience Facility (RRF) combines structural, regulatory and administrative reforms with public investments to accelerate green and digital transitions while strengthening social resilience. The RRF operates through nationally designed Recovery and Resilience Plans (NRRPs), whereby each MS develops its own plan. These plans set out the reforms and investments to be implemented by the end of 2026, tailored to country-specific challenges identified within the European Semester framework. With a total envelope of approximately EUR 650 billion in grants and loans, the RRF represents the centrepiece of NextGenerationEU and the most significant

[137] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, pp. 17–75. As amended by Regulation (EU) 2023/435 (REPowerEU) and Regulation (EU) 2024/795 (STEP). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R0241-20240301.

stimulus package in European history. MS were required to allocate at least 37% of their NRRP budgets to green measures, ensuring that recovery spending serves long-term transformation objectives. As of mid-2024, all MS exceeded the 37% climate target, reaching 42% on average, with total climate expenditure amounting to approximately EUR 275 billion[138].

- **RRF investments in affordable and social housing and energy efficiency**

In housing, the RRF has been pivotal for:

- scaling up energy efficiency renovations to reduce primary energy consumption and utility bills;
- addressing energy poverty among vulnerable households;
- increasing the supply of affordable and social housing through new construction and the modernisation of existing stock;
- reforms related to affordable, social and adequate housing

According to the EC's thematic analysis of NRRPs, the total estimated expenditure on measures related to making housing more affordable and accessible amounts to approximately EUR 19.6 billion, which corresponds to about 3% of the RRFs total allocation. From this support, around 6.3 billion is in the form of grants and 13.3 billion is in the form of loans (European Commission, 2025c). The measures laid out by MS in their NRRPs contribute to a variety of housing objectives, prioritising structural solutions over temporary ones. Table 14 below summarise the key categories of interventions and MS that undertake them.

Table 14: Key intervention categories related to housing under the RRF

Category	Description	Member States
Removing barriers to housing market access	Regulatory reforms, incentives for affordable housing investment, national housing strategies, urban planning reforms	NL, LU, IE, ES, CZ, LV
Energy efficiency renovations for disadvantaged groups	Targeting social housing or economically disadvantaged recipients	AT, BE, CY, EL, ES, FR, HU, IT, PL, SK, HR
Building up the public housing stock	Construction, acquisition, & rehabilitation of social/affordable housing	PT, IT, ES, RO, HU, SI, SE, PL

[138] European Commission, Recovery and Resilience Facility for clean energy. Available at: https://energy.ec.europa.eu/topics/funding-and-financing/recovery-and-resilience-facility-clean-energy_en.

Source: European Commission. (2025). *Thematic analysis: Housing* (Recovery and Resilience Scoreboard). Directorate-General for Economic and Financial Affairs. Available at: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/scoreboard_thematic_analysis_housing.pdf

Based on the EC's RRF Scoreboard Thematic Analysis on Housing (May 2025), a summary of housing-related interventions is presented in Table 15.

Table 15: RRF-funded housing interventions by EU MS

Member State	Allocation (EUR million)	Key Interventions	Target Outputs
Austria	50	Renewable Heating Law reform; energy poverty coordination platform; residential building renovation	1,079 dwellings thermally renovated
Belgium	207	Social housing energy renovation (Flanders, Brussels, German-speaking Community, Wallonia)	5,400+ social housing units renovated; 1,200 public utility housing units
Cyprus	19	Energy renovation for disadvantaged groups; housing for unaccompanied minors; community-based living for persons with disabilities	Housing improvements for vulnerable groups
Croatia	88	Programme for combating energy poverty; energy renovation in assisted areas	Energy renovation in disadvantaged areas
Czechia	358	Affordable housing reform; concessional loans; public-private co-investment fund; housing advisory network	Increased affordable housing supply
France	1,833	Social housing energy renovation; MaPrimeRénov scheme; housing benefit reform	40,000+ social housing units renovated; 700,000 households supported
Greece	1,154	Residential energy renovation targeting energy-poor households; housing for homeless/disadvantaged; first-home loans	105,000 residences renovated (20,000 energy-poor); 100 apartments for 250 homeless people
Hungary	163	Social housing construction/renovation in disadvantaged municipalities; renewable energy for disadvantaged families	1,600 dwellings renovated; 400 new social houses

Member State	Allocation (EUR million)	Key Interventions	Target Outputs
Ireland	0 (reform)	Affordable Housing Act; Land Development Agency establishment; cost rental scheme (reform only)	100+ homes for first-time buyers; 450 cost-rental homes
Italy	5,1	Social housing construction/rehabilitation; Housing First for homeless; student housing; housing for agricultural workers	10,000+ housing units; 3,000 people supported
Latvia	78	Rental framework reform; housing affordability strategy; low-rent housing construction; social housing energy renovation	792 newly constructed apartments
Luxembourg	0 (reform)	Housing Pact 2.0 Law reform (municipalities reserve 10-30% for affordable housing)	Increased affordable housing stock
Netherlands	538	Dwelling supply reform; energy efficiency of housing stock; construction bottleneck removal	900,000 new dwellings by 2030 (of which 600,000 affordable)
Poland	582	Municipal housing stock expansion; Clean Air Priority programme for low-income households	7,820 rental units
Portugal	3,209	Support Programme for Access to Housing; temporary/emergency accommodations; student housing; housing for persons with disabilities	26,000 households; 18,000 student places; 2,000 emergency accommodations; 1,000 disability-accessible dwellings
Romania	712	Housing for disadvantaged youth; student accommodation; housing needs mapping reform	3,490 housing units for disadvantaged youth; 15,320 student places
Slovakia	51	Single-family house renovation for energy-poor households	Renovations for households at risk of energy poverty

Member State	Allocation (EUR million)	Key Interventions	Target Outputs
Slovenia	60	Housing policy reform; public rental service; public rental housing construction	5,000 new public rental dwellings; 2,000 renovated private dwellings; 480 NZEB housing units
Spain	5	Social rented housing construction; EUR 4bn loan facility; Housing Law reform; urban planning reform	20,000 energy-efficient social dwellings
Sweden	415	Lower-rent dwellings; housing market reforms; building permit simplification	6,720 new dwellings with controlled rent

Source: European Commission. (2025). *Thematic analysis: Housing* (Recovery and Resilience Scoreboard). Directorate-General for Economic and Financial Affairs. Available at: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/scoreboard_thematic_analysis_housing.pdf.

- **Implementation model of the RRF**

Unlike Cohesion Policy, the RRF operates on a performance-based disbursement model, meaning that the EC releases funds only when MS satisfactorily achieve agreed milestones (qualitative achievements) and targets (quantitative achievements) by specified payment instalments. This milestone-and-target architecture creates strong incentives for MS to deliver concrete housing outcomes within defined timeframes and ensures accountability for results. RRF measures related to housing and energy efficiency in the residential sector are aligned with the requirements of the EPBD and the EED, as well as with Cohesion policy 2021–2027 investments. The relationship between RRF and CP funding streams is complementary: the RRF enables MS to front-load large-scale renovation programmes and structural reforms within the 2021–2026 implementation window, while Cohesion funds extend implementation timelines and territorialise investments to address regional disparities. Several MS have also directly linked RRF investments with EIB financing. For example, Portugal secured a EUR 1.34 billion EIB framework loan, co-financed by the RRF, to support construction and renovation of 12,000 affordable housing units (European Commission, 2023a; EIB, 2025d).

- **Energy efficiency renovation programmes across Member States**

An analysis of NRRP measure descriptions reveals that a significant number of MS have integrated housing renovation as a core component of their NRRPs. In MS such as Spain, Portugal, and Romania (see below), the RRF has enabled comprehensive programmes to retrofit residential buildings, including both private dwellings and the social housing stock, to improve thermal insulation, and replace fossil-fuel-based heating systems with low-emission alternatives:

- **Spain,** under Component 2 of its NRRP (*"Implementation of the Spanish Urban Agenda: Urban Rehabilitation and Regeneration Plan"*), dedicates EUR 15.4 billion to housing rehabilitation

and urban regeneration, comprising one of the most ambitious housing renovation programmes in the EU. Within this component, EUR 3.6 billion supports a multi-measure renovation programme targeting residential environments, EUR 1 billion finances the *"Regeneration and Demographic Challenge"* programme focused on smaller municipalities and low-income areas, EUR 1 billion supports new social housing construction (European Commission, 2024h; IEA, 2021; Renovate Europe, 2021). Additionally, Spain's NRRP includes EUR 4 billion in loans for social housing and a EUR 6 billion for ICO Vivienda (*Instituto de Crédito Oficial*, 'Official Credit Institute') for affordable rental construction. Royal Decree 1312/2024 establishes a Digital One-Stop Shop for Rentals (*Ventanilla Única Digital*), effective July 2025, which streamlines access to renovation support and rental housing information. The Spanish plan aims to renovate more than one million homes during this decade, given that 84.5% of the existing building stock rates in the three lowest energy performance categories (E, F, or G).

- **Portugal** has mobilised EUR 1.2 billion in RRF funding for affordable housing, with local housing strategies being approved by more than 200 municipalities by February 2023 and construction works being underway across the country. The investment should result in the provision of 26,000 housing units to households, which are either newly built, purchased, or renovated with certified energy performance improvements (European Commission, 2023a). A separate RRF investment of EUR 300 million supports private household energy renovation, including schemes to replace inefficient equipment, increase installed capacity for energy and resource efficiency, and enhance self-consumption of renewable energy. Within this allocation, EUR 30 million specifically targets low-income households in energy poverty through a voucher scheme that eliminates the need for upfront payments—households receive vouchers covering costs directly, avoiding the financial barrier of paying first and waiting for reimbursement. By the end of 2022, 70% of the RRF funds for energy efficiency in buildings were already executed or in execution (European Commission, 2023a). Portugal's *"Mais Habitação"* ('More Housing') programme further includes the *Simplex Urbanístico* ('Urban Simplification') reforms, with mandatory electronic platforms for all permit applications from January 2026.
- **Romania** has committed EUR 2.9 billion for energy-efficiency renovation and seismic consolidation of buildings, establishing a Renovation Wave Fund to improve energy performance of multi-family and public buildings. As one of the EU MS most exposed to seismic risk, Romania's programme addresses both energy and structural safety objectives simultaneously. Romania's REPowerEU chapter establishes one-stop-shops to provide advisory services for energy efficiency renovations and renewable energy deployment for households (European Commission, 2024i).

– **Integration of social and affordability dimensions**

A second pattern emerging from the analysis of MS' NRRP measures is the integration of social inclusion and affordability considerations into energy renovation policy at national level. Several MS have explicitly designed programmes to ensure that vulnerable households and those experiencing energy poverty benefit from renovation investments. Here are some examples:

- **Greece** has allocated EUR 3.1 billion under the Green Transition pillar of its NRRP for the energy upgrading of residential buildings. EUR 1.6 billion is provided through subsidies and the remainder is provided through loans and private co-financing.[3] The Exoikonomo ('Save Energy') programme provides targeted grants for households experiencing energy poverty to replace windows, improve insulation, and install renewable energy systems. The programme targets the renovation of 105,000 households by 2025, with subsidy levels ranging from 75% for the lowest-income households to lower rates based on income thresholds. Eligibility requires that renovations achieve a minimum 30% reduction in primary energy consumption and improvement by at least three energy grades (Karytsas et al., 2022).
- **Latvia** and **Estonia** have coupled their renovation investments with reforms to facilitate access to financing for homeowners' associations, addressing a structural barrier to renovation in countries where multi-apartment buildings predominate. In these countries, where the majority of the housing stock consists of Soviet-era multi-family buildings with fragmented ownership, the creation of legal frameworks and financial instruments enabling collective decision-making and borrowing has been essential to unlock renovation at scale. Several MS, including Austria, Denmark, Estonia, France, Czechia, Latvia, Lithuania, Slovakia, Slovenia, and Poland, have created revolving renovation funds (national and regional, often with support from the EIB and Cohesion funds). These funds reinvest energy savings and loan repayments into new projects, creating sustainable financing cycles.
- **France** has supported energy efficiency renovation in social housing by allocating grants to more than 20,000 social dwellings through its NRRP, complementing the ambitious national roadmap for the HLM (social housing) sector to renovate all units to at least EPC class C by 2028, backed by state loans and EU funds.

These examples illustrate that the RRF does not only fund energy efficiency but also contributes to social inclusion and affordability, aligning with broader EU priorities under the European Pillar of Social Rights and the principle of ensuring that no one is left behind in the green transition.

- **Structural reforms in housing governance**

The RRF's reform component aims to secure lasting structural improvements in housing governance that will outlive the funding period. Many MS have introduced or upgraded institutional frameworks to support renovation delivery, with reforms often designed to support EPBD transposition and create the enabling conditions to achieve long-term renovation objectives.

Across the EU, RRF-supported reforms have included:

- the establishment or upgrading of **one-stop-shops** for renovation advice, providing citizens with integrated support from energy audits through contractor selection to subsidy applications;
- reformed **building codes** to enforce higher energy-performance standards aligned with EPBD requirements; and
- **digitalisation of permitting systems** to accelerate renovation and construction workflows.

The EC's 2022 analysis of LTRS found that RRF-funded reforms encouraging building renovation—including regulatory simplification, the creation of one-stop-shops, and the upskilling of construction workers—represents a significant component of MS' green transition strategies (European Commission, 2022d).

- **Ireland** has set up local and regional one-stop-shop hubs to provide citizens with turn-key solutions from energy audits to contractor selection and access to subsidies, while the FAIRE network **in France** and municipal energy advisors in Germany similarly guide homeowners through the renovation process—approaches that have improved uptake rates and are being emulated elsewhere.
- **Poland's** reform of the Clean Air and Building Decarbonisation framework creates a unified digital platform for subsidy applications and monitoring, consolidating multiple programmes into a coherent system.
- **Czechia** and **Slovakia** have embedded EPC registries and quality-control systems into national legislation, strengthening the infrastructure needed to verify renovation outcomes and ensure the quality of building stock data.
- **Spain's** Royal Decree on Renovation Offices, which entered into force in October 2021, mandates the creation of local one-stop-shops (*oficinas de rehabilitación*) to guide households and communities of owners through the renovation process, directly supporting EPBD implementation objectives (European Commission, 2024h).

These reforms are essential to ensure that RRF-financed investments generate lasting institutional capacity and contribute to a self-sustaining renovation market beyond the 2026 programme horizon.

- **Early implementation results**

RRF implementation data demonstrates its performance-based model (i.e. linking payments to the verified achievement of concrete milestones and targets rather than reimbursing costs) in action. As of late 2024, a number of MS have achieved key housing-related milestones and targets, e.g.:

- **Bulgaria** has fulfilled the milestone of establishing its national renewable energy support scheme for households. The scheme was established through a Ministerial order, which will finance the purchase of 'best in class' solar domestic hot water and photovoltaic systems for at least 1,500 households with inefficient solid fuel heat sources.
- **Slovakia** has fulfilled its RRF reform milestone by completing an implementation plan that harmonises support mechanisms for family home renovations. It lays the groundwork for ambitious targets to renovate over 25,000 family houses with at least 30% of primary energy savings.
- **Greece** has achieved multiple RRF milestones by launching the second and third rounds of its residential renovation programme targeting energy-poor households through Joint Ministerial Decisions, establishing the programmatic framework for its EUR 3.1 billion green transition

investment. These fulfilled milestones represent the institutional and regulatory foundations required before disbursements for physical renovation works can proceed.

- **Cyprus** has made measurable early progress under its RRF investment aimed at promoting renewable energy use and improving energy efficiency in the residential sector, particularly among vulnerable electricity consumers. The RRF-funded measure targets the country's large stock of older dwellings and seeks to address energy poverty by subsidising small-scale renovations such as roof insulation**,** installation of photovoltaic systems**,** and installation or replacement of solar water heating (SWH) systems**.** The RRF investment had a clear social dimension: it prioritised energy-poor households, vulnerable electricity consumers, and people with disabilities**,** helping reduce energy bills and improve living conditions. The upgrades were delivered to at least 16,200 dwellings by achieving an average 30% reduction in primary energy demand across supported homes**.**
- **Portugal**, under the RRF-funded Support Programme for Access to Housing, provided 1500 grants to families with the greatest needs, particularly low-income households and vulnerable groups lacking the financial means to secure suitable accommodation. The aim of the grants was to guarantee decent and adequate housing for these vulnerable households. The investment covered a wide range of housing interventions, including the construction of new social housing units, renovation of existing dwellings, acquisition of buildings, and leasing of buildings to be subleased to eligible households.

The mid-term evaluation of the RRF[139], which examined RRF measures targeting energy efficiency in residential buildings across France, Bulgaria, Latvia, and Romania, also highlights early achievements of RRF-funded reforms and investments and the challenges and barriers faced by MS:

- France and Romania demonstrated strong progress, completing or fulfilling all milestones due by 2022. Latvia achieved three of four milestones, while Bulgaria lagged behind primarily due to political instability affecting reform adoption. Across all countries, it remains too early to quantify actual energy savings given the long-term nature of construction projects, though substantial outputs have been achieved—notably France's MaPrimeRénov' scheme supporting over 864,000 dwelling renovations with 3.0 TWh in energy savings by end-2022.
- Most measures meet the 30% primary energy savings threshold for medium-depth renovation but generally lack incentives for deep renovations exceeding 60% savings. Notable exceptions include France's bonus structure incentivising deeper renovation and Romania's dedicated deep renovation funding (EUR 255 million). Technical assistance varies considerably: France relies on pre-existing public services, Bulgaria is developing one-stop shops, while Latvia lacks supporting measures. This was identified as a significant gap given public scepticism toward renovation schemes.

[139] European Commission, 2024j, Mid-Term Evaluation of the Recovery and Resilience Facility: Strengthening our Union through ambitious reforms and investments (European Economy – Institutional Paper 269), Publications Office of the European Union. Available at: https://doi.org/10.2765/895571.

- Common barriers included skilled labour shortages (particularly acute in Central and Eastern European countries), inflation-driven construction cost increases, and underdeveloped private financing mechanisms. Country-specific challenges include technical platform issues in France, co-financing reluctance and underdeveloped ESCO markets in Bulgaria and Latvia, and insufficient building stock data in Romania (Ibid).

Collectively, the analysis demonstrates that the RRF is a powerful catalyst for transforming the EU's residential building stock. The mid-term evaluation confirms that the Facility is delivering tangible results—with EUR 81 billion specifically allocated to building energy efficiency and EUR 28.8 billion supporting social protection and housing, the RRF addresses both immediate renovation needs and the underlying institutional barriers that have historically constrained renovation rates.

Looking forward, maximising the structural impact of EU funding requires a shift from temporary grant-based models to financially engineered solutions with reinforced social safeguards. MS should be strongly incentivised to channel portions of their RRF and Cohesion Policy funds into InvestEU guarantees, consolidating a move towards blended finance that can mobilise private capital at the necessary scale. Effective implementation, particularly in complex social housing projects, also depends on prioritising technical assistance at the local level to ensure successful integration of physical investments (ERDF/RRF) with the essential social support services for vulnerable groups funded by the ESF+.

8. CONCLUSIONS

Europe faces a housing crisis that undermines many aspects of society, including cohesion, well-being, economic stability, and the environment. Housing is considered a fundamental need and a right, yet across the EU millions of people cannot access *decent, sustainable, and affordable* homes. This crisis has multiple dimensions: in many cities, housing costs have outpaced incomes for years, pushing even middle-income families out of the market, while in other regions substandard and overcrowded housing remain widespread.

The pressures on housing have intensified in recent years due to a confluence of factors. Supply chain disruptions during the COVID-19 pandemic drove sharp increases in construction material costs. Lockdowns slowed permit processing and construction activity, while the redirection of household savings, combined with historically low interest rates, substantially increased demand for owner-occupied housing, propelling real house-price growth to sustained annual rates of 6% or higher. The energy crisis following Russia's invasion of Ukraine further exacerbated affordability pressures, with 10.6% of Europeans unable to keep their homes adequately warm in 2023—considerably higher than the 7.5% recorded in 2020. Demographic shifts, including the declining average household size (from approximately 2.8 persons to 2.3 persons over the last 40 years), continued urbanisation, and ageing populations have created additional demand pressures that housing systems have struggled to accommodate.

The result is not only financial strain on households, but also increased poverty and homelessness, reduced labour mobility, and worsening inequalities between generations and regions.

Territorial and social disparities associated with housing crisis

At the same time, the housing crisis is not uniform across Europe. Housing outcomes are marked by deep territorial and social disparities. Major urban centres in wealthier Member States (MS) grapple with soaring house prices and rental shortages, while many rural or post-industrial areas in other countries face population decline, vacant homes, and disinvestment. By 2024, 9.8% of urban households were spending over 40% of their income on housing, compared to 6.3% of rural households. However, in countries such as Bulgaria, Lithuania, and Romania, the housing cost overburden in rural areas exceeds that in cities, demonstrating that affordability challenges extend well beyond metropolitan centres.

Vulnerable groups carry the heaviest burdens: women (especially single mothers and older women), young adults, low-income and essential workers, migrants and ethnic minorities, and persons with disabilities all experience specific barriers—from higher risk of eviction or energy poverty to discrimination and lack of accessible housing. Young adults face unprecedented barriers to housing independence, with the EU average age of leaving the parental home reaching 26.2 years in 2024—and exceeding 31 years in Croatia. Nearly 28.7% of persons with disabilities in the EU are at risk of poverty or social exclusion, a rate about 8 p.p. higher than the general population, while only 28.9% consider their homes to meet their needs. Housing policy, therefore, must be multi-faceted and inclusive, tailored to varied local realities while upholding the principle that everyone in the EU should have access to an adequate, sustainable, and affordable home.

Factors impacting housing demand and supply

Based on the analysis presented in this study, the main factors impacting housing demand were identified and examined. On the demand side, the evidence demonstrates that stagnant wages alongside rising borrowing costs have eroded affordability, even as societal changes (e.g. smaller households, urbanisation, migration) have increased the need for housing. Interview findings and the literature reviewed confirm that past policy biases—such as tax incentives favouring homeownership and investment—have enriched property owners but left younger and low-income people behind, reinforcing wealth inequalities. The financialisation of housing has become a major structural driver of affordability challenges, with institutional investors, real estate funds, and speculative investment increasingly turning housing into a financial asset rather than a social good. Short-term rental platforms have further diverted the housing stock from long-term residents to the global tourism market, with over 4 million listings in the EU as of June 2025.

On the supply side, the analysis reveals that housing construction has not kept pace with demand. Decades of under-investment in social and affordable housing, coupled with high land prices, construction cost inflation, and persistent labour shortages, have led to chronic undersupply. The European housing shortage reached an estimated 9.6 million homes in 2024, equivalent to approximately 3.5% of the current housing stock. The European Investment Bank (EIB) (2024) estimates a gap of 925,000 units between housing needs and construction starts. Cumbersome planning and permitting processes, as well as local opposition to development, further slow new projects, with building permit approvals falling by 14.6% in floor area and 19.6% in dwelling count in 2023. Additionally, the social housing stock has declined steadily, unable to properly address rising affordability issues for low-income and increasingly middle-income households. When new housing is built, it often targets the high end of the market or short-term tourist rentals, rather than the affordable homes that communities need.

Impacts of housing scarcity

The impacts of housing scarcity extend far beyond affordability concerns. The study documents substantial consequences across multiple domains of life. In terms of health, poor housing conditions increase the risk of respiratory and cardiovascular illnesses, with around 36,000 adults aged 65 and over dying from falls each year in the EU due to unsafe housing conditions. In 2016, Eurofound estimated that leaving people in poor or inadequate housing costs EU economies nearly EUR 194 billion per year (in 2011 prices) through higher healthcare spending and worse social outcomes.

Education is similarly affected. Research shows that 60% of adolescents living in overcrowded housing were held back a grade compared to 40% of those in adequately housed conditions, while students experiencing housing insecurity are 8–12 p.p. less likely to complete their degree. Employment outcomes suffer as high housing costs create spatial mismatches between workers and jobs, contributing to labour shortages in essential sectors such as education, healthcare, and childcare in high-cost cities. In the Netherlands, for example, the high cost of housing in Amsterdam has contributed to shortages of teachers, police officers, and childcare workers who cannot afford to live in the city.

Demographic patterns are also reshaped by housing constraints. Rising house prices delay household formation and family planning: international research demonstrates that individuals aged 20–25 who obtained housing credit were 32% more likely to have children, while a ten-year delay in accessing housing reduced lifetime fertility by around 50%. These findings confirm that housing scarcity is not merely a market issue but a broad social challenge that deteriorates living standards, opportunities, and social inclusion, particularly for vulnerable groups.

The EU's role: legislation and funding

Housing is a shared responsibility in the EU's multi-level governance. While responsibility primary lies with national and local authorities, the EU's influence is substantial and increasingly direct through both legislation and funding. EU legislation, including the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED), the Renewable Energy Directive (RED), and State aid rules—sets binding framework conditions that shape national housing policy. The EPBD mandates minimum energy performance standards and near-zero energy requirements for new buildings, while the EED establishes energy savings obligations with specific provisions targeting energy poverty and social housing. The European Green Deal's Renovation Wave strategy established the target of at least doubling the annual energy renovation rate during the 2020s, with the projected renovation of 35 million building units by 2030 and the creation of up to 160,000 additional green jobs in the construction sector.

EU funding and financial instruments provide billions of euros for housing-related investments. Cohesion Policy (CP) has allocated EUR 7.6 billion in EU funding for housing in the 2021–2027 period, representing a 34% increase compared to the previous programming period. The Recovery and Resilience Facility (RRF) has channelled substantial resources towards residential renovation and affordable housing construction across MS, with EUR 81 billion specifically allocated to building energy efficiency and EUR 28.8 billion supporting social protection and housing. InvestEU and the EIB have been identified by interviewed housing experts as among the most significant financing sources for affordable housing in Europe. EU-level strategies, including the European Pillar of Social Rights and the forthcoming Social Climate Fund (SCF), define collective goals such as ending energy poverty and homelessness or decarbonising the building stock by 2050.

Future directions and expected changes

Importantly, the EU's role in housing is evolving significantly. The European Commission's (EC) Political Guidelines for 2024–2029 announced a review of State aid rules (the SGEI Decision) alongside a forthcoming EU Affordable Housing Plan, signalling a major policy shift. The ongoing public consultation, launched in 2025, aims to get input from stakeholders on the suggested broadening of the formal State aid framework to encompass 'affordable housing' as a recognised category—not only housing for the most disadvantaged—to thereby give MS greater flexibility and legal certainty to support low- and middle-income households. This represents a departure from the historical emphasis on competition law over social policy, which had discouraged MS from creating large-scale affordable housing programmes for non-vulnerable groups.

Additionally, under the Affordable Housing Plan, the EC has announced a Strategy for Housing Construction to address permitting bottlenecks and an initiative on short-term rentals. The review of the General Block Exemption Regulation has already introduced new provisions supporting energy-efficient housing financing, while the revised Construction Products Regulation requirements will strengthen sustainability standards for building materials. These developments indicate that EU housing policy is moving from a predominantly climate-focused agenda towards a more integrated approach that explicitly recognises housing affordability as a policy priority in its own right.

The strategic conclusion of this study is that housing challenges in the EU demand coordinated action at all levels. A coherent strategy is needed that balances immediate relief for those currently in distress with long-term structural reforms to make housing systems fair, resilient, and sustainable. The identified challenges underline the need for an approach to housing policy that simultaneously promotes quality, affordability, social inclusion, and sustainability across three mutually reinforcing pillars: legislation and standards; finance and investment; and enabling capacity, data, and public support. Strengthened cooperation between EU institutions, MS, and local actors—supported by coherent legislation, adequate funding, and inclusive planning—is key to securing housing as a fundamental right and ensuring that all citizens in the EU can live in safe, accessible, and sustainable homes.

EU-level levers to drive progress

Although housing policy in itself remains a Member State competence, the EU has tools at its disposal that can complement and catalyse national efforts. The EU can make a decisive difference by exercising its levers, that are legislative, financial, and coordinative, in support of better housing outcomes:

1. Legislative and regulatory frameworks

EU legislation already affects housing through requirements on energy performance, renewable energy, accessibility standards, and State aid rules. These frameworks should be harnessed and enhanced to ensure they contribute to affordable and inclusive housing. The recent recast of the EPBD, with a transposition deadline of 29 May 2026, introduces minimum energy performance standards and mandates renovation strategies. Critically, Article 17 of Directive (EU) 2024/1275 establishes the EU's first explicit anti-renoviction requirements in building legislation: Article 17(17) requires MS to "address the eviction of vulnerable households caused by disproportionate rent increases following energy renovation," while Article 17(19) mandates that renovation incentives "benefit both the owners and the tenants," requiring MS to "introduce effective safeguards, to protect in particular vulnerable households, including by providing rent support or by imposing caps on rent increases." The EC's implementation guidance (EC (2025) 4132 final, June 2025) details policy instruments including rent increase, required lessor-tenant dialogue, and clawback provisions for subsidies where substantial rent increases follow renovation. The EC could issue further interpretative guidance to clarify how existing and forthcoming EU rules apply to housing measures, building on the approach of the Belgian regions where rent indexation rights have been linked to EPC ratings to protect tenants from rent inflation in substandard housing.

As co-legislator and within its scrutinising role, the European Parliament (EP) can ensure that forthcoming legislation takes into account the housing affordability impact and empowers authorities to act in the public interest. The EC's 2026 Work Programme includes several housing-relevant initiatives that will require parliamentary scrutiny:

- **Short-term rentals initiative (Q2 2026)**: Building on Regulation (EU) 2024/1028 establishing harmonised registration requirements and data-sharing obligations for platforms (applicable from 20 May 2026), the EC has announced a new initiative going beyond transparency toward potential direct restrictions, as signalled by President von der Leyen's commitment to "a legal initiative on short-term rentals to make sure there is enough long-term housing for the local population."
- **Strategy for Housing Construction (Q1 2026)**: This forthcoming strategy will address supply-side constraints including complexity of land use and permitting requirements, administrative procedure lengths, access to construction materials, technological innovation in prefabricated and modular construction, and construction sector skills shortages.
- **Construction Services Act (Q4 2026)**: Part of the Single Market Strategy, this legislative proposal will lower barriers to cross-border market access for construction and installation services.

The EP committee structure provides multiple entry points for housing policy scrutiny. One example is the standing Committee on Regional Development (REGI), which has already demonstrated leadership through its September 2025 resolution on "The role of cohesion policy investment in resolving the current housing crisis" (2024/2120(INI)), which emphasised strategic deployment of the approximately 2% of total Cohesion Policy (CP) allocation (EUR 379 billion for 2021-2027) dedicated to housing. This resolution established REGI as a key forum for monitoring the implementation of Cohesion-funded housing investments and could serve as a model for ongoing parliamentary oversight of new housing initiatives by other committees.

2. Funding, investment, and economic governance

As demonstrated in Chapter 7, the EU's budgetary and financing tools are critical levers to support housing. Looking forward to the next Multiannual Financial Framework (MFF) (2028–2034), the EC's July 2025 proposal (COM(2025) 570-571) marks a fundamental shift in how housing is treated within EU funding architecture. For the first time, "social and affordable housing" is listed as a specific objective within National and Regional Partnership Plans, which receive a total of EUR 865 billion in funding. A new 14% social expenditure target applies to these plans—the first mainstreaming target of this kind—with first-time tracking of social funding across the entire MFF. The proposed European Competitiveness Fund (EUR 409 billion) explicitly includes social infrastructure among its objectives, enabling mobilisation of public and private investment in housing through budgetary guarantees.

However, the analysis in Chapter 7 reveals that implementation gaps persist and current instruments are not being used to their fullest potential. In the 2014–2020 period, the target of rehabilitating 24,002 housing units in urban areas achieved only a 47.2% completion rate by the end 2023. The current 2021–

2027 period shows only 3.1% of the 514,996 affordable and sustainable dwelling target completed by mid-2025 (15,757 dwellings), with only 0.2% of the 56,025 social housing capacity target achieved (118 units). While these low completion rates partly reflect normal construction timelines, they underscore the need for accelerated project selection and addressing implementation barriers such as skilled labour shortages and construction cost inflation.

Going forward, EU institutions must ensure these tools achieve their targets. The EC's April 2025 mid-term review Communication (COM(2025) 163 final) committed to enabling MS to double their planned Cohesion policy investments in affordable housing—from EUR 7.5 billion to EUR 15 billion. The Council adopted the final legislation on 18 September 2025, introducing incentives to accelerate investment: MS and regions wishing to invest in affordable housing will benefit from higher pre-financing rates of up to 20%, with rates increasing further for programmes reallocating at least 10% of their total value to new strategic priorities including housing. Reprogrammed funds will also benefit from higher EU co-financing rates—10 p.p. above applicable rates—thus reducing the necessary contribution from national budgets (Regulation (EU) 2025/1914).

Beyond energy efficiency and green renovations, which are already well-established priorities, interviewed experts and the analysis in Chapter 7 identified additional dimensions requiring attention:

- **Geographic rebalancing**: EIB financing remains concentrated in wealthier Western and Northern European countries, while Central and Eastern European countries with greater needs often struggle to access such financing. The new pan-European Investment Platform for Affordable and Sustainable housing, announced in March 2025 by the Commissioner for Energy and Housing and EIB President, aims to address this gap with a target of EUR 10 billion in investments over two years supporting 1.5 million new or renovated homes.
- **Social Climate Fund**: Operating from 2026–2032 with approximately EUR 86.7 billion (EUR 65 billion EU budget plus Member State co-financing), the SCF will support building renovation for vulnerable households in worst-performing buildings, renovation support for tenants and social housing residents, and access to affordable energy-efficient housing.
- **State aid reform**: The EC's October 2025 draft proposal to revise SGEI Decision 2012/21/EU represents a pivotal shift, introducing a new definition extending support to housing for "households who are not able, due to market outcomes and notably market failures, to access housing at affordable conditions" thus extending support to middle-income households priced out by market failures, not just the most disadvantaged.

Conditions for the use of financing should be utilised to maximise impact—for example, requiring EU-funded housing projects to meet affordability benchmarks and inclusive design standards. The EP's September 2025 resolution on "The role of cohesion policy investment in resolving the current housing crisis" (2024/2120(INI)), specifically requests "inclusion of long-term conditions for beneficiaries of CP funds for affordable housing to support the right to stay." In addition, the EU economic governance should actively support housing investment. The EC can facilitate this through its guidance in the European Semester, by recommending housing investment in country-specific recommendations and by allowing prudent flexibility within fiscal rules for countries that invest in social, affordable, and

climate-resilient housing. During the Belgian presidency of the Council in 2024, all EU housing ministers endorsed the 2024 Liège declaration calling for a "New Deal for affordable and social housing," recognising that coordinated policy action at multiple levels is needed to rebalance housing markets and ensure that housing is treated as a fundamental right rather than solely as a financial asset.

3. Coordination, guidance, and monitoring

The EU can use "soft power" and coordination mechanisms to inspire and steer national actions. The establishment of new coordination structures under the European Affordable Housing Plan demonstrates this approach: the Affordable Housing Dialogue has engaged 313 stakeholders contributing to the Plan's development (European Commission 2025), while a 15-member Housing Advisory Board delivered recommendations[140] in November 2025. Building on these structures, European guidance can help share best practices and set common targets across several priority areas.

First, the EC, in cooperation with the Committee of the Regions (CoR), could issue guidance on sustainable land use for housing. This would help cities mobilise land for affordable homes and integrate territorial development, to ensure that rural housing revival goes hand in hand with improvements in connectivity and services. The forthcoming Strategy for Housing Construction (Q1 2026) provides an opportunity to address administrative bottlenecks, with the consultations by the EC indicating potential benefits of 10–15% reduction in construction waste and 20–60% reduction in construction time through modern prefabricated and modular methods.

Second, the European Platform on Combating Homelessness should intensify efforts to help MS adopt successful approaches such as Housing First (for more detail refer to Helsinki's case study in Annex I. Case studies), by facilitating peer reviews and dedicated funding for programmes to eradicate homelessness. Building on the evidence presented in this study on the societal and economic costs due to poor housing conditions, the Platform should expand its scope to address the full spectrum of housing inadequacy, not only rooflessness.

Third, monitoring and data collection represents a critical but underutilised lever. As documented in Chapters 3 and 4, Europe tracks housing outcomes relatively well through Eurostat's EU-SILC surveys—measuring overcrowding, cost overburden, and energy poverty—but systematically fails to measure the actual housing demand. Most MS lack systematic housing needs assessments; only Germany, France, Ireland, the Netherlands, Austria, Denmark, Finland, and Sweden maintain regular demand tracking. This limitation means that policymakers know precisely how many people experience housing problems but cannot quantify how many additional dwellings the EU actually needs. The EIB Investment Report 2024/2025 estimates a EUR 270 billion annual affordable housing investment gap, yet this figure itself reflects methodological uncertainty given the absence of standardised demand measurements.

The EU should establish a more robust system to track housing indicators overall across all MS, including affordability, quality, homelessness, and, crucially, housing demand and supply gaps at regional level.

[140] Housing Advisory Board, 2025, Housing Advisory Board recommendations to the European Commission 2025. European Commission. Available at: https://housing.ec.europa.eu/document/download/e8944c5e-6098-495c-8ecd-da7da9738588_en?filename=Housing+Advisory+Board+recommendations+to+the+European+Commission+-+2025.pdf.

This could entail a new European Housing Observatory—building on the EC's new housing portal (housing.ec.europa.eu)—or strengthening Eurostat's mandate to collect harmonised data on housing needs assessments, building permit trajectories, and social housing waiting lists. The European Parliament's Special Committee on the Housing Crisis in the EU (HOUS), with its explicit mandate to "map housing needs" across the Union, can play a catalytic role in demanding such improvements. European institutions, particularly the EP through its scrutinising role, can then use this data to hold governments accountable through the European Semester process and keep housing high on the political agenda. The EP's September 2025 resolution on "The role of CP investment in resolving the current housing crisis" (2024/2120(INI)), already demonstrates this accountability function, calling for transparent reporting on housing investment outcomes.

Policy pointers: from policy reform to implementation

To operationalise these high-level levers, concrete policy and financial actions are required. These actions translate strategic objectives into implementable measures that EU institutions and national authorities can take. Based on the findings of the study, the specific policy pointers are as follows:

1. Strengthen EU housing-related legislation and standards for impact

- **Integrate social safeguards into climate-driven building policies**

The EC should leverage the EPBD's implementation to require National Long-Term Renovation Strategies to include social impact targets (e.g. minimum numbers of low-income households reached) and tenant protections. Through its implementation guidance and cost-optimality frameworks under Article 5 of Directive (EU) 2024/1275, the EC can promote EU-wide quality standards for renovations—including contractor certification schemes, post-renovation performance verification (e.g. blower-door tests or thermal imaging), and warranties to address the performance gap documented in Chapter 6. During the EPBD's transposition, the Council could urge MS to implement rigorous training, certification and inspection regimes to ensure that EU funding for the Green Deal delivers real-world energy savings rather than theoretical projections. The EP, through its oversight role, can request annual progress reports on renovation quality and advocate for stronger tenant protection provisions in future legislative revisions. Closing the renovation performance gap is essential to achieve climate neutrality with public support rather than at the expense of vulnerable households.

- **Clarify and expand State aid exemptions for affordable housing**

Building on the EC's October 2025 draft proposal to revise SGEI Decision 2012/21/EU, the EC (with Council support) could explicitly allow a broad range of affordable and social housing services to receive public support without cumbersome notification procedures. This means updating the Decision to widen the definition of eligible households to include moderate-income households, key workers, and young people—reflecting contemporary housing challenges where market failures exclude far more than just the most disadvantaged. MS could then more easily expand social and cost-rental housing programmes through public subsidies or land provisions, accelerating affordable housing supply. The EC's guidance on rent controls and housing allowances (as discussed in Chapter 7) similarly removes obstacles: confirming that temporary rent stabilisation measures aimed at affordability are permissible under EU law enables local and national authorities to act decisively without fear of State aid

infringement proceedings. These clarifications fall within the EC's competence and will foster an environment where innovative housing policies can flourish across the EU.

- **Strengthen tenant rights through EU consumer and social policy**

The EU should develop initiatives to strengthen tenant rights as part of its social policy agenda under Principle 19 of the European Pillar of Social Rights. While tenancy law remains a national competence, elements such as transparency of rental contracts, fairness of eviction procedures, and access to basic housing services could be guided by EU principles. The EP could call for a "Tenant Rights Charter" at EU level, while the EC could support research and exchanges on best practices in tenant protection—building on the anti-renoviction provisions in Article 17 of Directive (EU) 2024/1275 discussed in Chapter 7. Ensuring that tenants have security and a voice will complement affordability efforts by preventing exploitation and displacement.

2. Mobilise funding and investment at scale for affordable housing

Meeting housing needs requires mobilising billions in investment from public and private sources, as demonstrated by the EIB's role in financing affordable housing across Europe (Chapter 7). EU institutions must catalyse this funding through clear social, environmental and affordability benchmarks:

- **Expand the European Affordable Housing Initiative under InvestEU and the EIB**

The EC and EIB should expand the existing Affordable Housing Initiative through dedicated guarantee facilities under InvestEU that de-risk loans to non-profit and community housing providers in the 2021-2027 MFF. The EIB should scale up lending for housing as core social infrastructure, building on its EUR 10 billion pan-European Investment Platform announced in March 2025. All EU-supported programmes should incorporate clear benchmarks: units should rent or sell below specified local thresholds, meet minimum energy performance standards (e.g. class B or higher), and include affordability conditionality for long-term tenant protection as requested in the EP's September 2025 resolution 2024/2120(INI). By providing long-term, low-interest loans or blending grants with loans, the EU can significantly lower funding costs for affordable housing projects. As only 8% of EU housing is social housing—insufficient to meet demand—this initiative can directly finance new stock while addressing the geographic imbalance where EIB financing remains concentrated in wealthier Western and Northern European countries.

- **Use Cohesion Policy and the Recovery and Resilience Facility strategically**

MS, with EC guidance, should allocate more ERDF and RRF resources to housing investment in the 2021-2027 MFF, especially where market forces fail to provide adequate affordable housing. The EC's approval of National and Regional Partnership Plans should also encourage such allocations in post-2027 financing, supporting energy-efficient social housing, renovation of deprived areas, and new rental stock in employment-rich regions. Funding should support housing in both cities and smaller towns to ensure territorial cohesion. The SCF (2026–2032, EUR 86.7 billion) must prioritise housing energy efficiency for low-income households, linking support to renovations that reduce energy poverty and increase disposable income—addressing the intersection of social and climate needs identified in the Green Deal.

- **Promote innovative financing models and partnerships**

The EU should promote innovative financing mechanisms including revolving housing funds, public-private social bonds, and land value capture instruments, as discussed in Chapter 5. Revolving funds—successfully demonstrated in Austria and Denmark—reinvest returns from affordable rental projects into new developments, creating sustainable investment loops. The EC can provide technical assistance to MS through the Advisory Hub to establish such instruments and facilitate exchanges of best practices. These models reduce reliance on recurring state subsidies while maintaining long-term affordable housing supply.

- **Support fiscal policies that reduce speculation and boost supply**

Although taxation remains national competence, the EU can influence policy through the European Semester's country-specific recommendations and expert forums. The EC could encourage MS to implement tax reforms that reduce speculative property investment—such as higher taxes on second homes, vacant properties, and short-term rental income—while incentivising affordable housing providers through tax credits or reduced VAT for social housing construction. The EU's own fiscal rules should not discourage public housing investment: treating certain public housing investments more flexibly under deficit rules would empower cities and countries to build needed homes without breaching EU budget limits, as recognised in the 2024 Liège Declaration signed under the Belgian Presidency and calling for a "New Deal for affordable and social housing".

3. Drive enabling measures for effective implementation

Beyond funding and policies, the success of any housing strategy depends on capacity, knowledge and public support. The EU and its MS should take supporting actions that enable policies to deliver results on the ground:

- **Build local capacity and improve governance**

The EU could help "level up" the capacity of municipalities and regions to implement housing projects. Many smaller or under-resourced local authorities struggle with complex tasks like urban planning, land management, or applying for EU funds. Through instruments like the Technical Support Instrument and dedicated initiatives under the European Urban Initiative or URBACT, the EC can provide expert assistance, training and digital tools to municipalities. For example, the EU could fund a programme to deploy standardised digital permitting systems in cities, speeding up approvals for new housing while maintaining transparency. Peer-learning networks – facilitated by the EC and the CoR – should spread best practices such as participatory planning (as used in cities like Freiburg or Vienna, see Annex I. Case studies) and effective models of metropolitan housing agencies. Strengthening administrative capacity will ensure that the ambitious policies (and ample EU funds) do not bottleneck due to local implementation failures.

- **Strengthen data collection, monitoring and definitional clarity**

As highlighted, reliable data is the cornerstone of evidence-supported policy. The EC (including Eurostat, DG EMPL, DG ENER, DG REGIO) should establish a comprehensive EU Housing Data Hub that harmonises key indicators: housing cost overburden rates, homelessness counts, social housing stock,

waiting lists for social housing, rental prices, energy performance, (etc.), disaggregated by region and population group. MS need to be part of this effort – each should have a national housing observatory or coordinate existing statistical offices to feed into the EU Hub. Crucially, common definitions need to be established. The term "affordable housing" should be operationally defined across the EU (see Chapter 2). While local conditions vary, a shared definition framework, anchored in income levels and local cost of living, would greatly aid comparability and the targeting of resources. The EC, in consultation with MS, can develop this definition and apply it consistently in EU funding criteria – ensuring that when the term "affordable" is used across the EU, the same level of affordability is understood. Monitoring should be aligned to the following objective: projects funded by the EU should report how many affordable units were delivered and at what rent/price, and these outcomes should be publicly tracked. By making data transparency a condition for funding, the EU will foster accountability and enable mid-course corrections if policies aren't achieving the desired social impact. In addition, the EU Building Performance Observatory would significantly benefit from evidence-supported policymaking, by systematically collecting data on the energy renovation performance gap, monitoring real-world outcomes of renovations, and sharing best practices to improve quality. This kind of knowledge platform, possibly hosted by the Joint Research Centre or European Environment Agency, would support continuous improvement in building policies – a good example of an enabling measure complementing regulatory action.

- **Foster public support and inclusive governance**

It is important to bring citizens and stakeholders along in the process of change. The EU and national governments should communicate clearly the triple goals of the housing strategy: making housing more affordable, adequate and sustainable. Engaging civil society – housing associations, tenant unions, urban planners, social services – in designing solutions leads to more effective and accepted outcomes. At EU level, the EC can continue funding civil society projects (e.g. through the European Urban Initiative) that demonstrate community-led housing solutions, and the EP can (continue to) facilitate hearings with stakeholders on housing policies (including legislation).

On the ground, inclusive decision-making (e.g. co-designing social housing projects with residents or involving communities in repurposing vacant buildings) will improve project quality and acceptance. EU guidance should promote these approaches by:

- **Establishing participation requirements in funding conditions**: Cohesion policy programmes and RRF projects receiving EU support should demonstrate meaningful community engagement, with documentation of consultation processes, resident input incorporation, and ongoing participation mechanisms post-completion.
- **Developing practical toolkits**: The EC should compile best-practice guidance on participatory housing design, drawing on documented examples of co-creation and structured consultation processes. These could include templates, timelines, and methods for engaging diverse populations, including women, persons with disabilities, migrants, and youth.
- **Capacity-building for municipal authorities**: Many local authorities lack expertise in facilitating genuine participation. EU technical assistance could support training programmes

on participatory methods, conflict resolution in community planning, and inclusive engagement techniques reaching marginalised groups who typically do not attend public consultations.

- **Monitoring and evaluation frameworks**: Projects should track participation quality, not just occurrence, by measuring the diversity of participants, incorporation of feedback into final designs, and resident satisfaction post-occupancy. This addresses the risk that "consultation" becomes perfunctory rather than transformative.
- **Resource allocation for participation processes**: Genuine co-design requires time and funding. EU guidance should recognise that inclusive decision-making extends project timelines and necessitates dedicated resources for facilitation, translation services, accessibility accommodations, and compensation for participants (particularly important for low-income residents who cannot afford unpaid participation).
- **Addressing power imbalances**: Guidance must acknowledge that participatory processes can reproduce existing inequalities if not carefully designed. This includes ensuring representation of tenants (not just homeowners), temporary residents, and those facing language barriers or discrimination.

Public support would also grow if people experienced tangible benefits: for instance, when a deep renovation not only cuts carbon emissions but also lowers energy bills of low- and middle-income families and improves their comfort. Emphasising success stories, like the reduction of homelessness in Finland through Housing First or the sustainable and affordable housing projects in Freiburg, can inspire confidence and political ambition across MS.

- **Continued research and knowledge exchange**

EU institutions should support ongoing research to fill knowledge gaps identified in this study. This can include research on the links between short-term rental regulation and local housing markets, on the impact of climate adaptation requirements on construction costs, or on effective models for public-private partnerships in housing. Horizon Europe and other research programmes could fund projects in these areas, with findings disseminated to policymakers promptly. The Housing Partnership of the Urban Agenda for the EU (which has already produced useful toolkits) could be re-energised and possibly given a permanent platform to guide implementation of these recommendations at city level.

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This study examines housing needs across the EU, focusing on inequalities in affordability, accessibility, and quality. It provides a mapping of the current housing needs in the EU across territories, including across Member States, rural and urban areas, outermost regions, and islands and across population groups. The study analyses key factors affecting housing demand and supply challenges, and the impacts of housing scarcity on health, education and employment. It also reviews how EU legislation and funding shape and support national policies in the area of decent, sustainable and affordable housing.
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