Understanding Europe's Housing Affordability Challenge: Trends, Drivers and Market Dynamics

ELRA Assembly

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Paloma Taltavull de La Paz ·

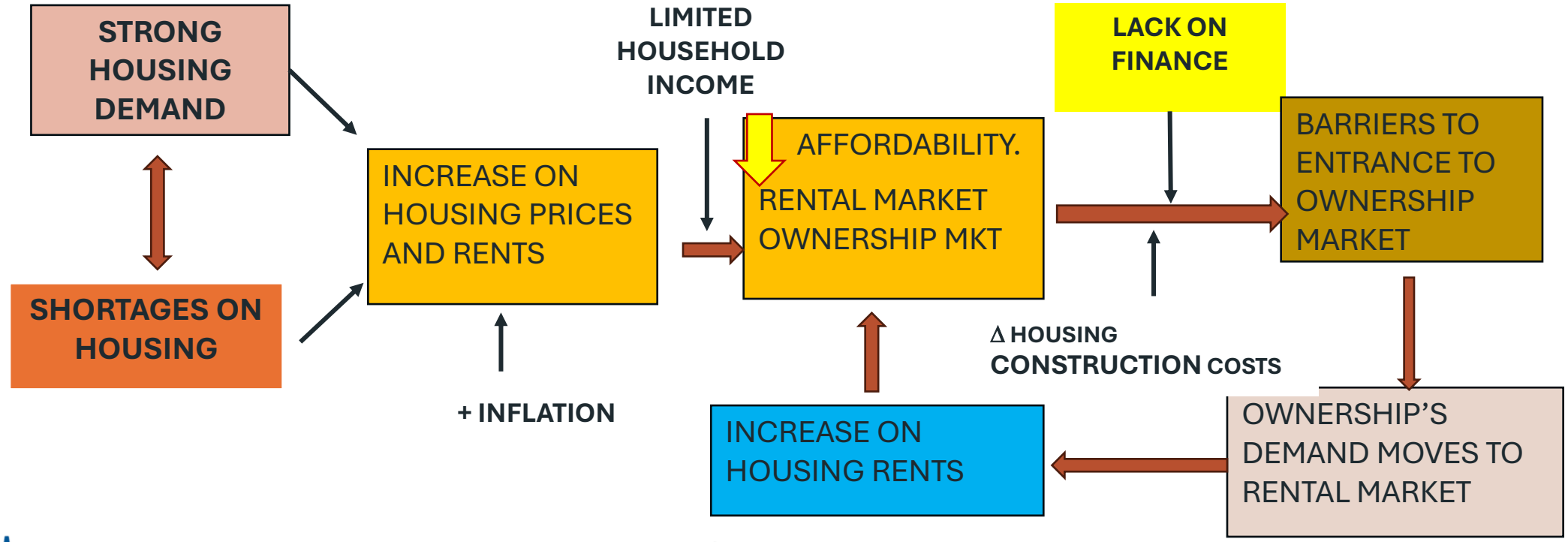
UNECE- REM team

University of Alicante, Spain

Why housing has become unaffordable

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- Housing markets perform under a demand shock and two unsolved failures from Financial crisis:
  - Increase in population mobility and relocation, mainly facing cities (global)
  - Housing shortages, due to lack on construction
  - Financial shortages, since the application of new risk limits (Basel III)



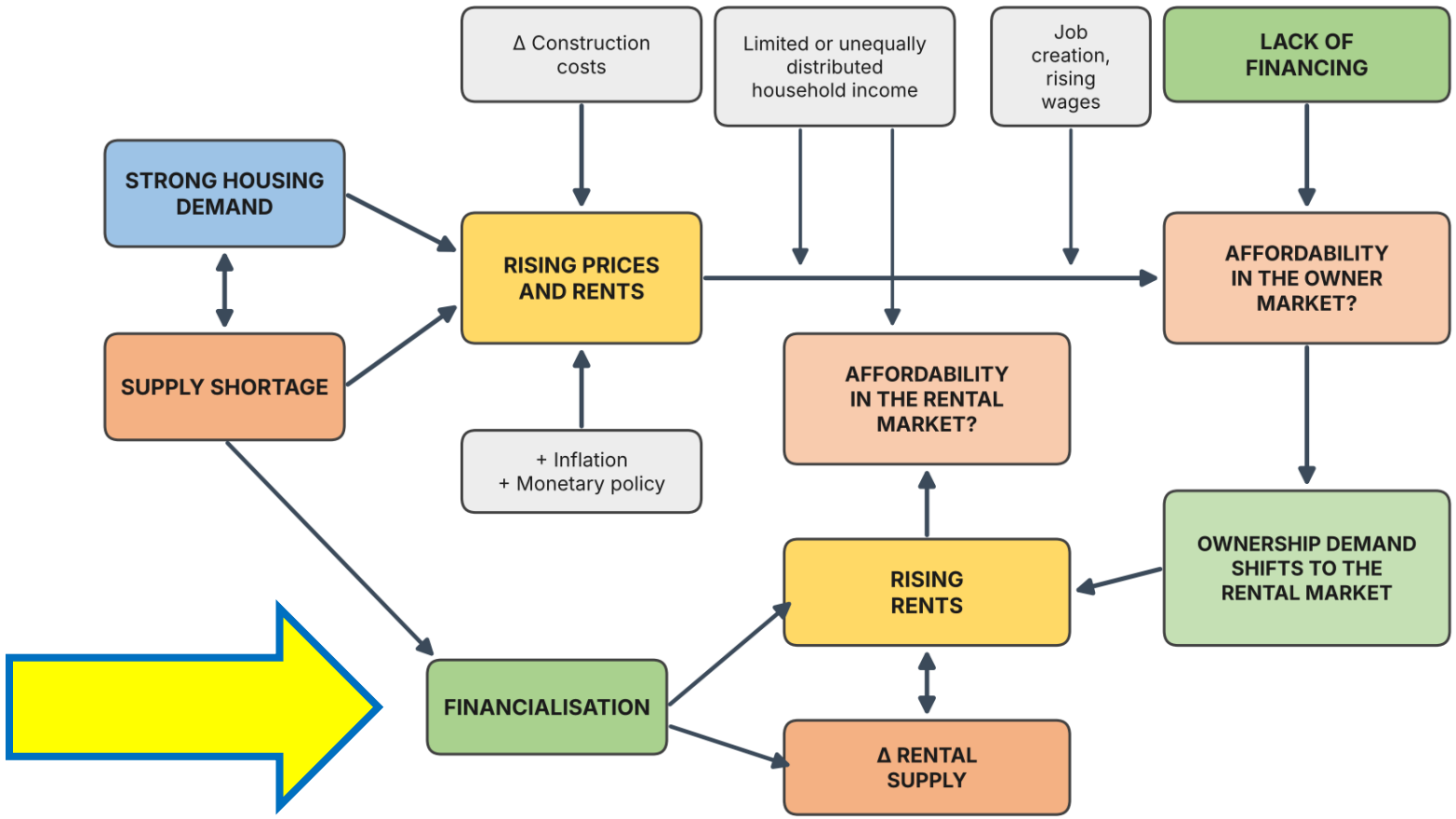
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In a inceasingly profitable market..

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Strong demand, rigid supply

Jobs and demographics push demand up; new supply does not respond.

Tighter credit

Since the Global Financial Crisis, fewer households can get a mortgage.

Renting absorbs the pressure

Those who cannot buy rent: rents rise at every contract renewal.

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The 2026 UNECE survey: a crisis centred on cities

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respondents from 21 countries (38.2% of UNECE member States)

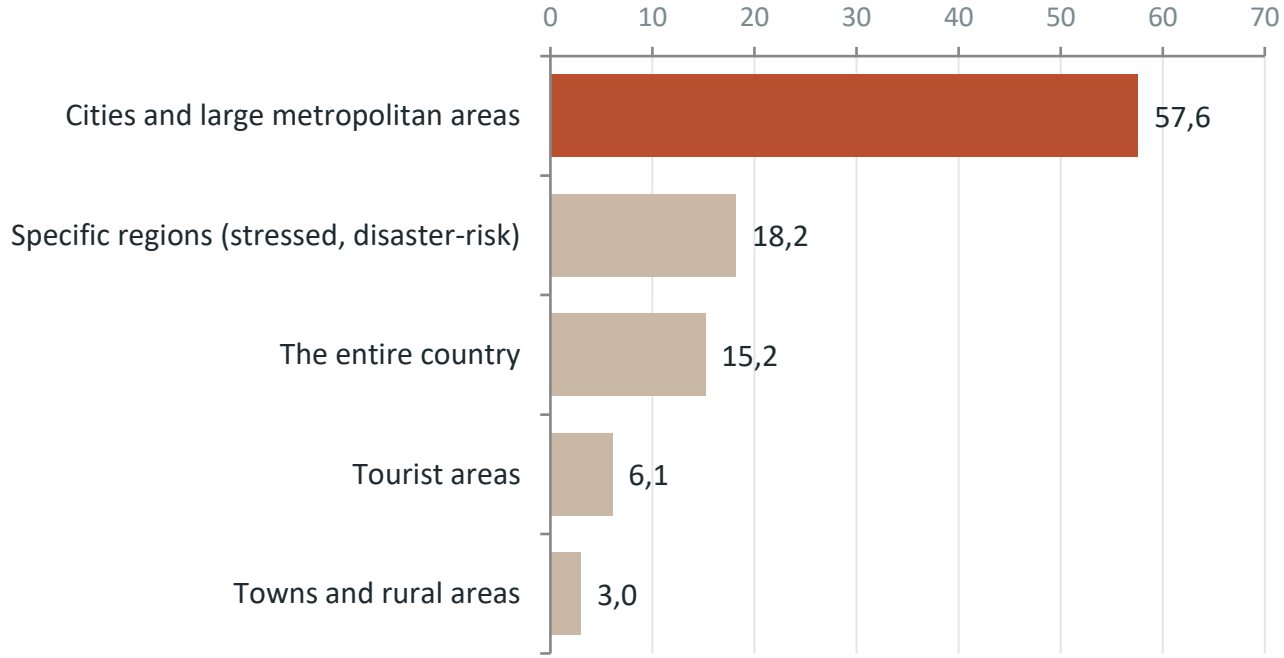
72.3%

from the public sector, mostly national governments

Top priority

access to affordable housing (48%), then social, public and municipal housing (33%)

Where is the most urgent intervention required? (% of responses)



Other priorities: land availability and urban planning (34.5% each), multi-level governance, public-private partnerships and access to housing finance.

Source: UNECE (2026), Outcomes of the 2026 housing affordability and sustainability survey, ECE/HBP/2026/Inf.2. Not representative of all member States.

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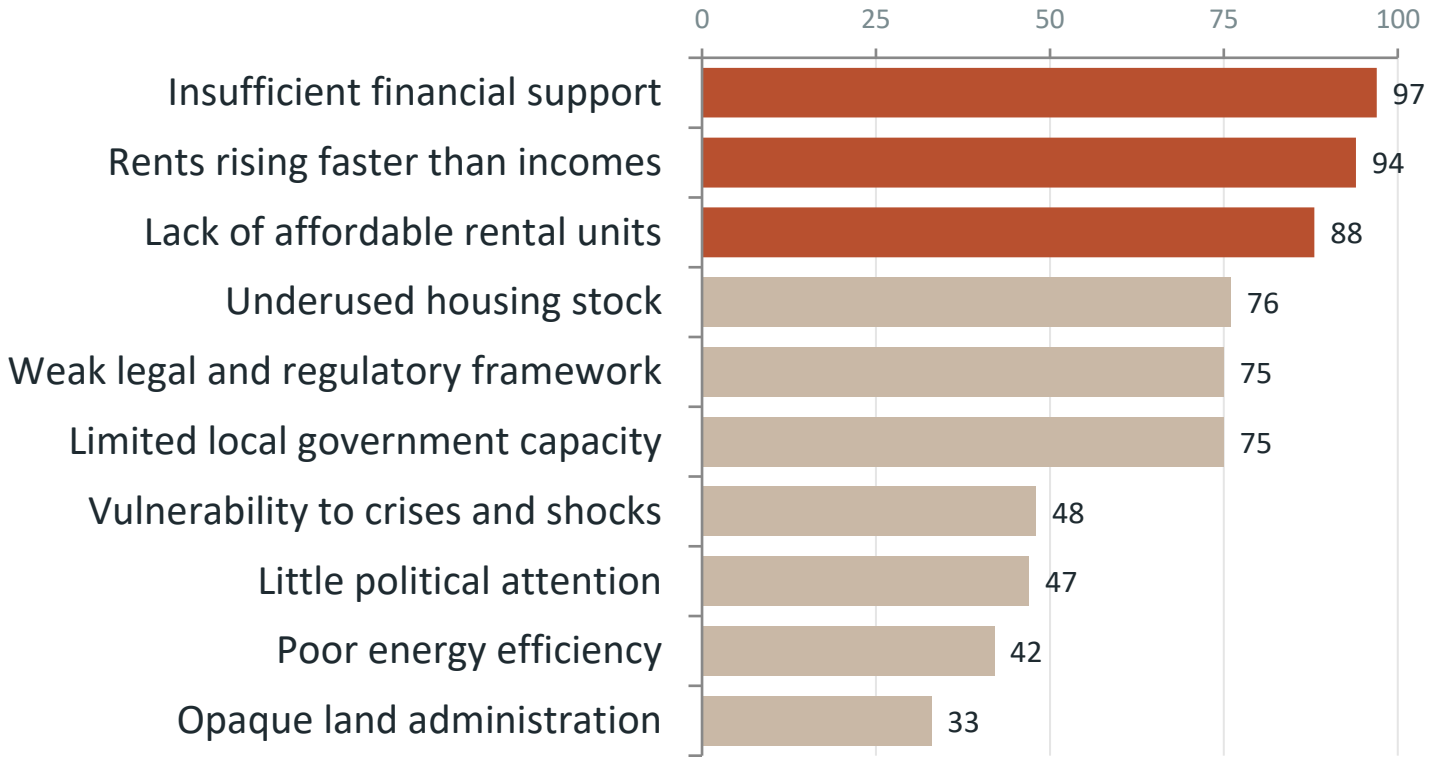
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Renting: rents are outpacing incomes

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Barriers to affordable rental housing (% rating them important)



Source: UNECE (2026), ECE/HBP/2026/Inf.2, figure 7 and text.

Same core barriers for owners

Supply shortages and lack of funding dominate in both tenures (85–90% of respondents).

Local capacity matters more for renting

75% for rental housing versus 62% for ownership.

Short-term rentals

Tourist lets reduce the long-term rental supply in several countries.

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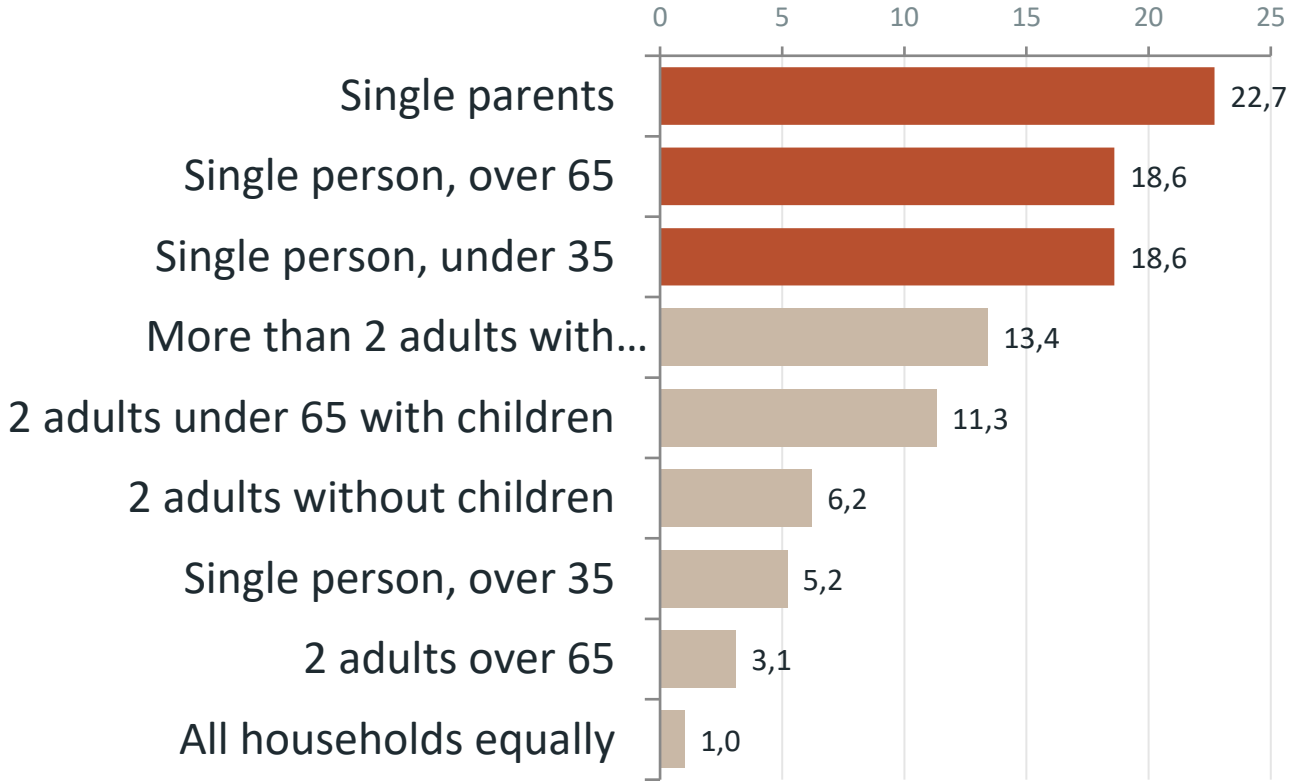
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Who is hit: single-income households

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Household types most affected by unaffordability (% of responses)



Reported effects

- Delayed household formation and longer stays in the parental home
- Overcrowding and multigenerational living
- More homelessness, evictions and housing insecurity
- Hard to attract workers; longer commutes and migration
- Long social housing waiting lists and informal renting

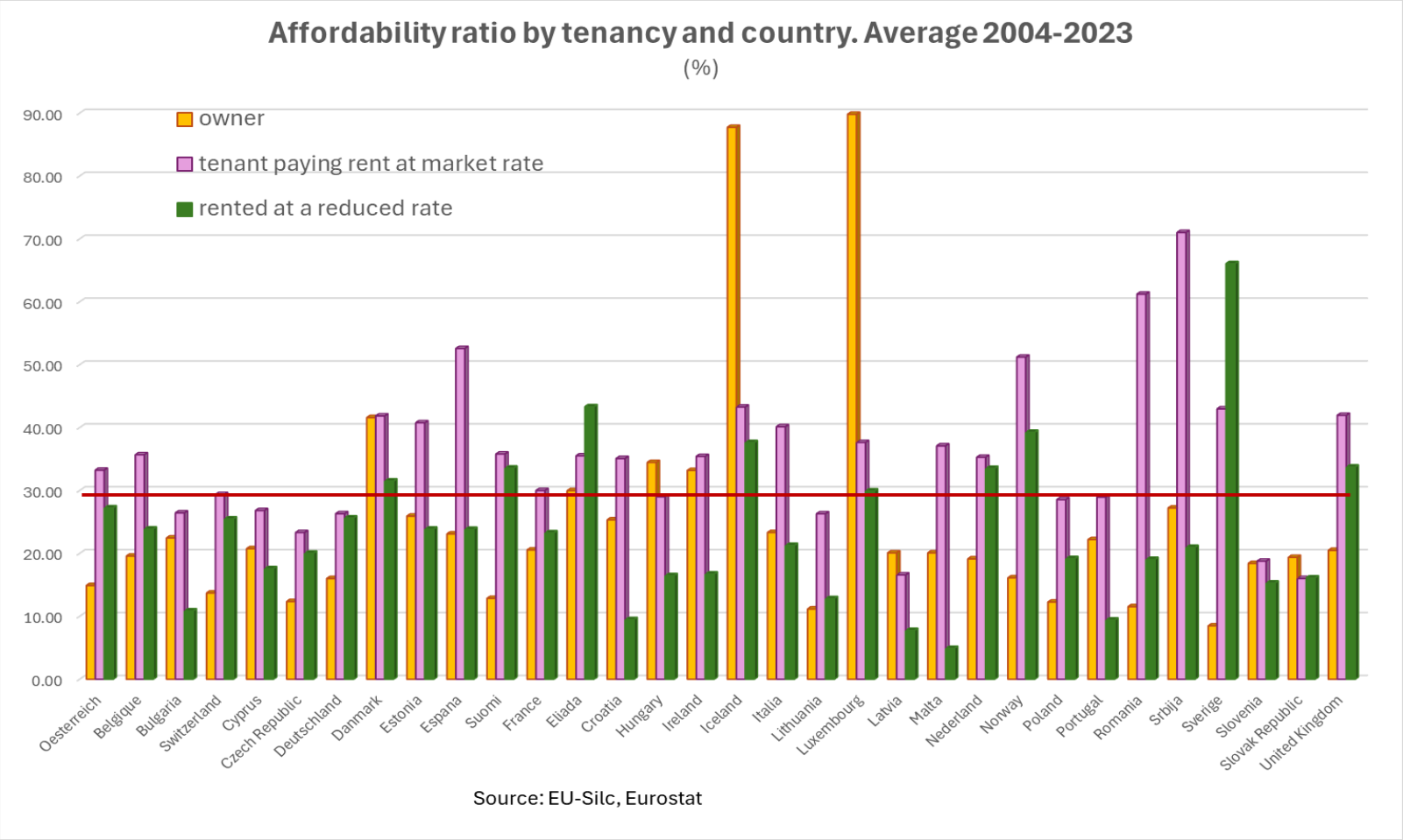
Source: UNECE (2026), ECE/HBP/2026/Inf.2, figure 7 (typology).

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Across Europe, renting sits on the wrong side of 30%



30%

the affordability threshold (red line)

In almost every country, market-rate renters exceed the threshold, while owners usually stay below it.

Source: EU-SILC, Eurostat. Average 2004–2023.

Whatever the tenure mix, renters pay more

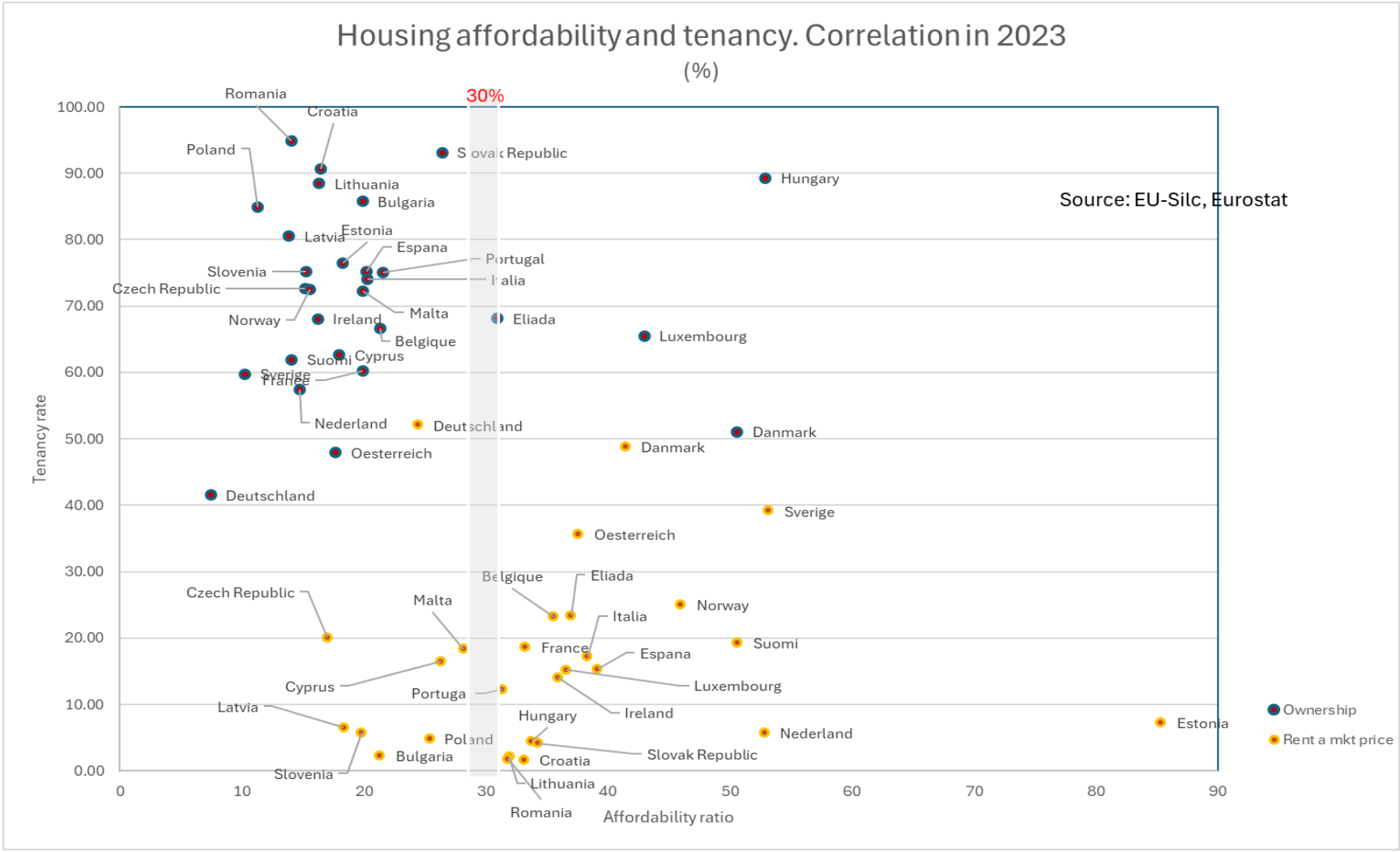
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Two clouds

Owners cluster to the left of 30%; market-rate renters to the right.

Small rental sectors

Where most households own, the small rental market absorbs those who cannot buy, and tightens.



Source: EU-SILC, Eurostat, 2023. Vertical axis: share of households in each tenure.

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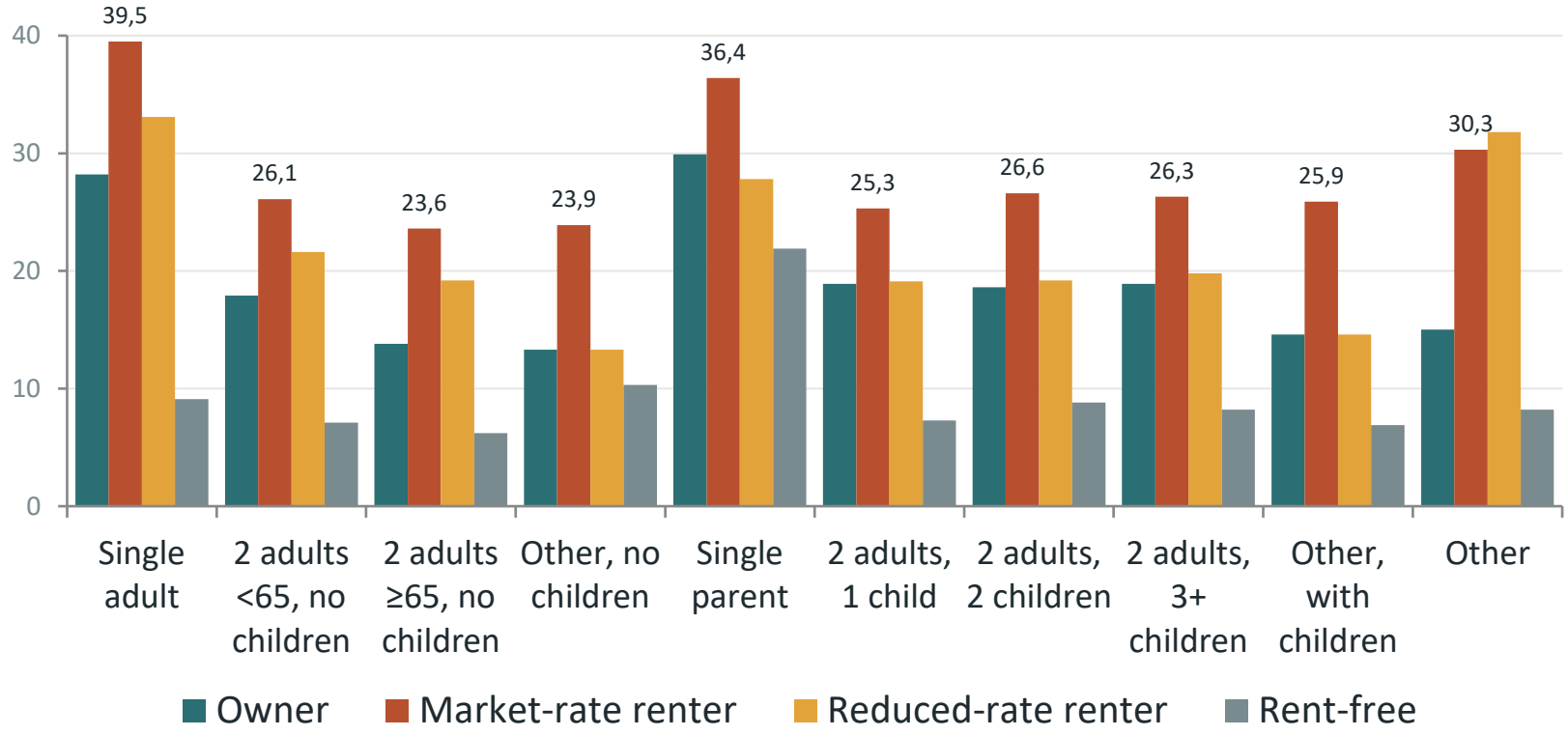
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Single adults and single parents are most exposed

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Housing cost burden by household type and tenure, average of 32 countries, 2004–2023 (%)



≈40%

burden of single adults renting at market price

≈36%

single parents renting at market price; ≈30% even as owners

Source: EU-SILC, Eurostat. Chart rebuilt from the original figure; values approximate.

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Two ways to measure affordability

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Housing cost burden

Housing costs (rent, or mortgage payments and interest) over disposable income. Above 30%, the burden is considered excessive.

Residual income

What is left after paying for housing, for food, health or education. If it falls below a minimum: housing-induced poverty.

32 countries
across Europe

2004–2024
twenty years of data

5+ million
household observations

EU-SILC
harmonised microdata

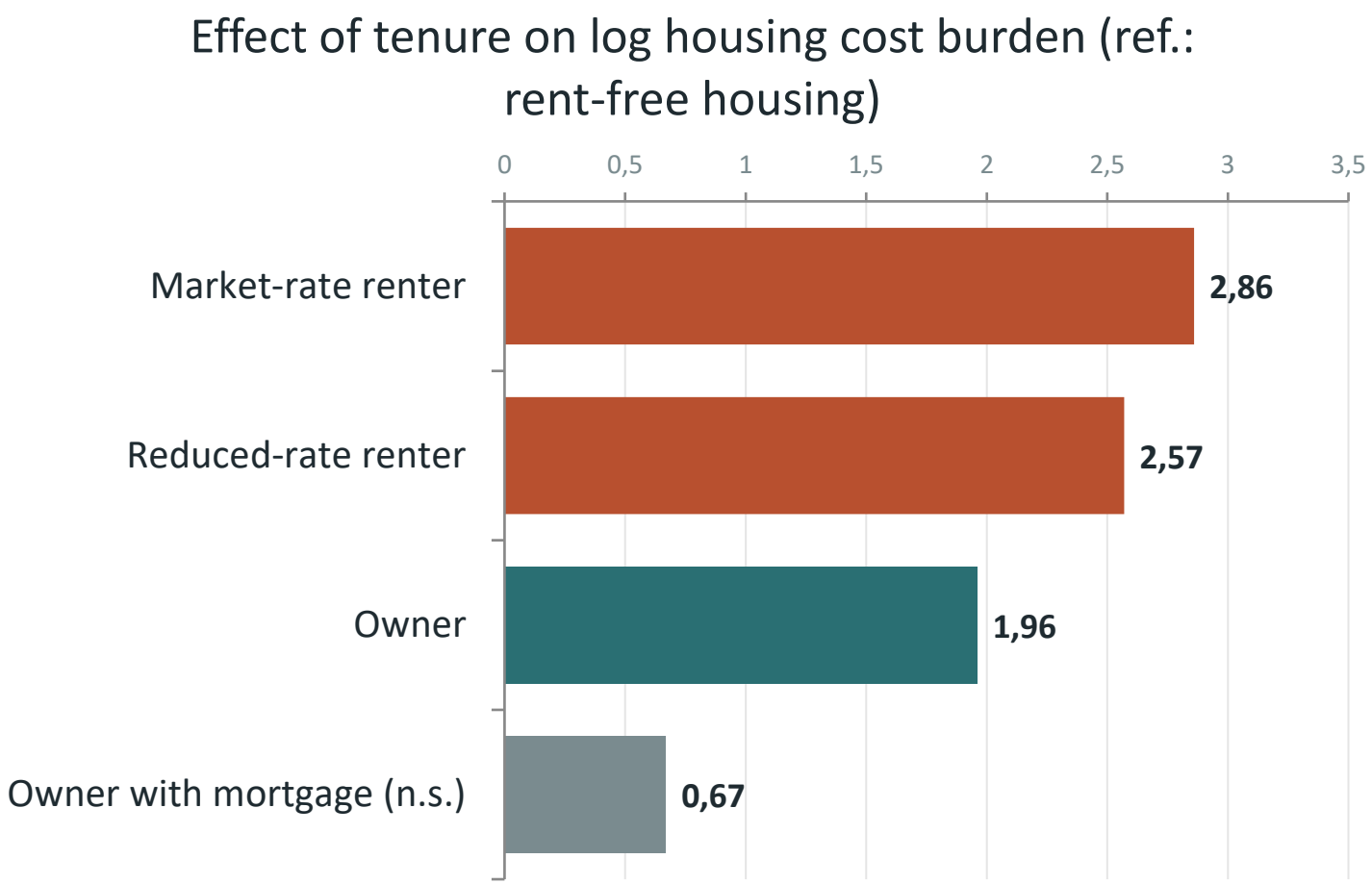
Least-squares models with country and year fixed effects; errors clustered by country; regional Gini lagged one year.

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Tenure is the main driver: a renters' crisis



Market-rate renters

The largest increase in burden relative to households that pay nothing for their home.

Mortgage not significant

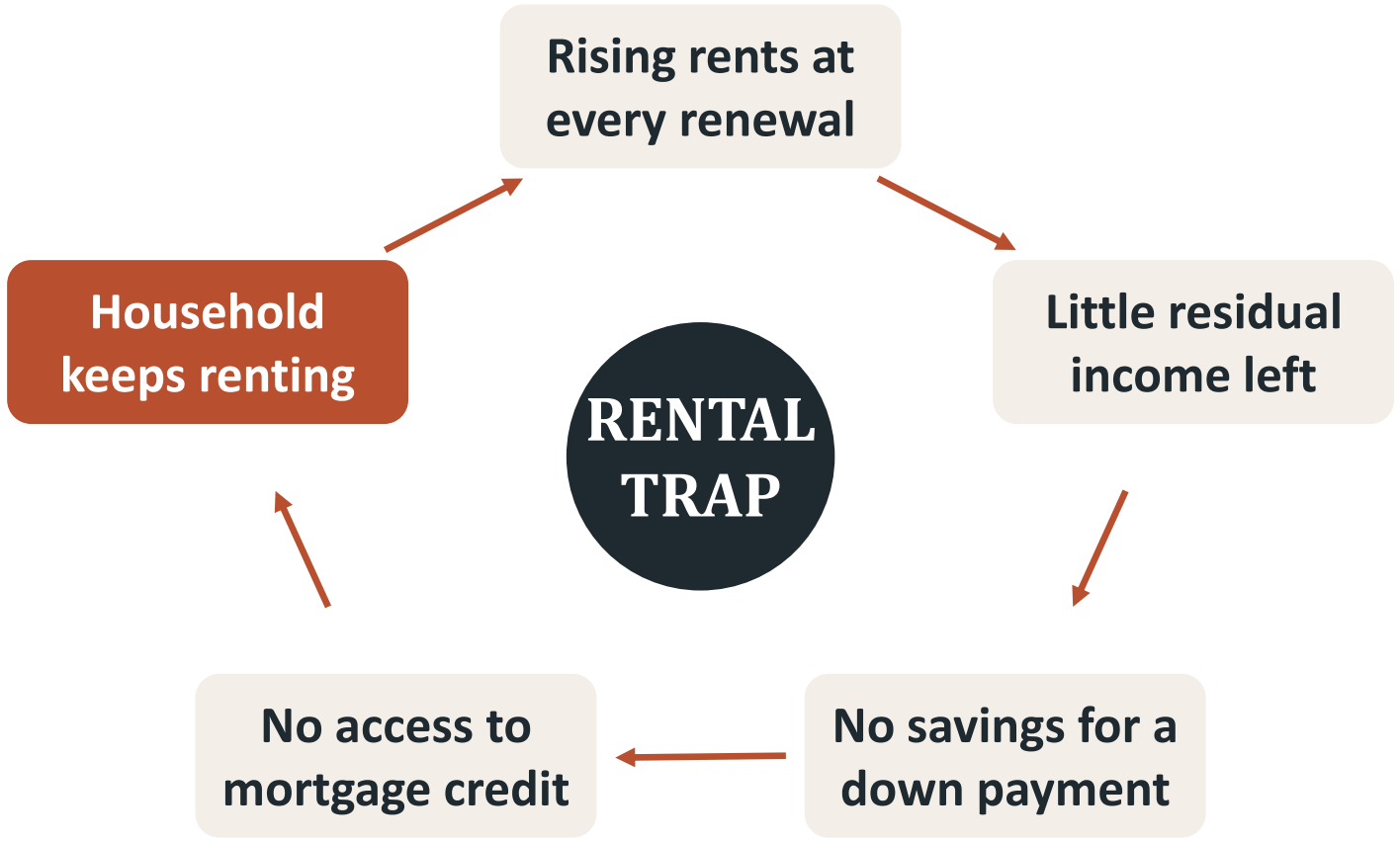
Older loans at low rates, and those who could not afford a mortgage today simply do not get one.

Below-market rents: partial relief

Reduced-rate renters still bear almost the same burden as market renters.

Model 1, specification with lagged Gini. 1.26 million households; R^2 = 0.23. n.s.: not significant.

The rental trap: a vicious circle



Consumption lost, no wealth built

Renters give up income every month without accumulating an asset, unlike mortgaged owners.

Locked out of ownership

High rents prevent saving for a down payment; tighter credit closes the mortgage route.

It does not ease with age

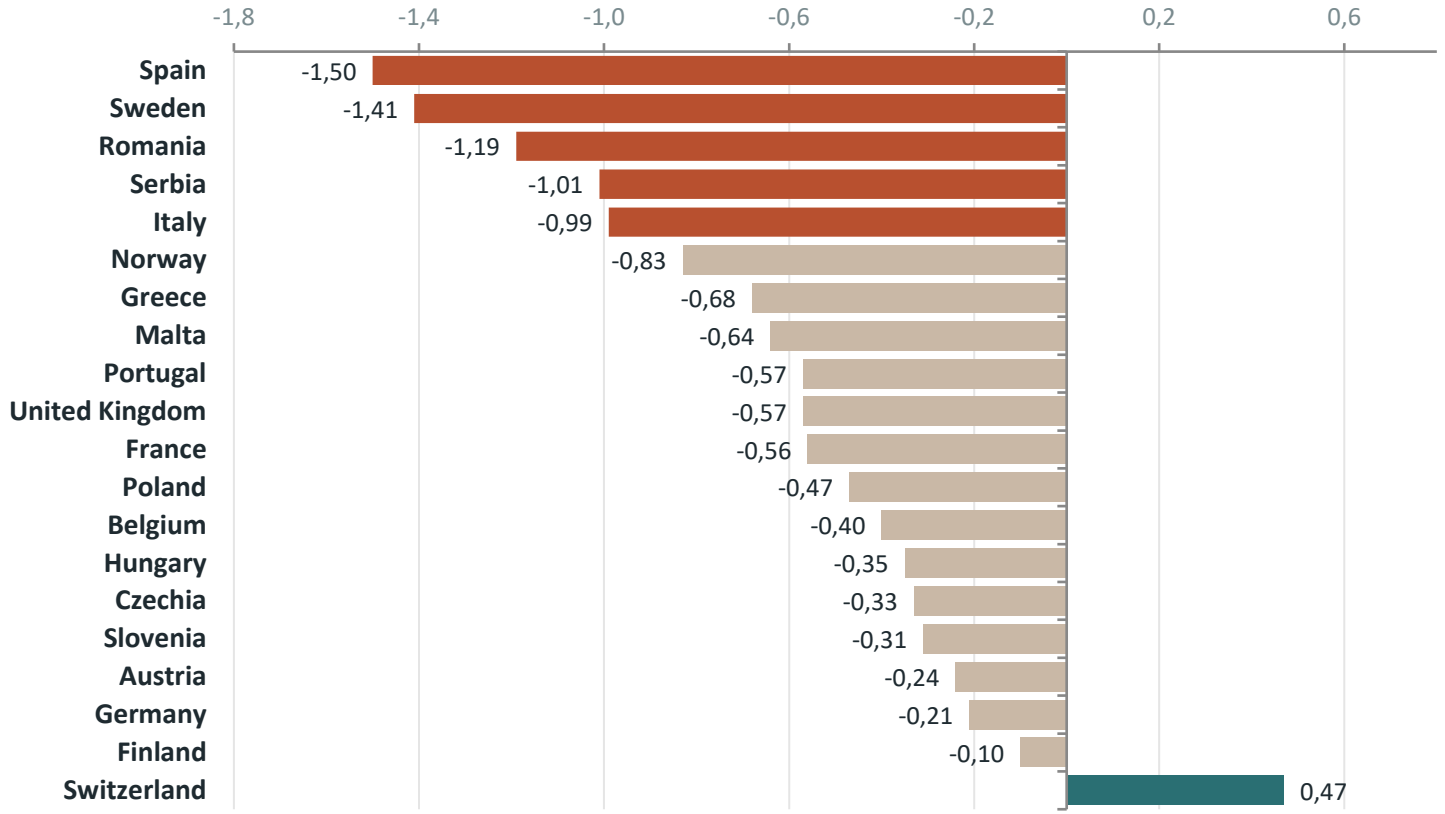
Unlike a mortgage, rent never ends: older renters keep facing high burdens and renewal risk.

Displaced would-be buyers add to rental demand, pushing rents up further and feeding the circle.

Where the rental trap bites hardest

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Effect of renting at market price on residual income, by country (ref.: rent-free)



Strongest trap

Spain, Sweden, Romania, Serbia and Italy: renters lose the most residual income relative to rent-free households.

Mildest

Finland, Germany and Austria: the penalty exists but is small.

The exception

Switzerland is the only country where market renters keep more residual income than the reference group.

Country models of residual income (IHS), Table 3. Only significant coefficients shown ($p < 0.10$). Not significant: Bulgaria, Denmark, Estonia, Croatia, Ireland, Iceland, Lithuania, Luxembourg, Latvia, Netherlands, Slovakia.

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The key result: time is on the ownership's side

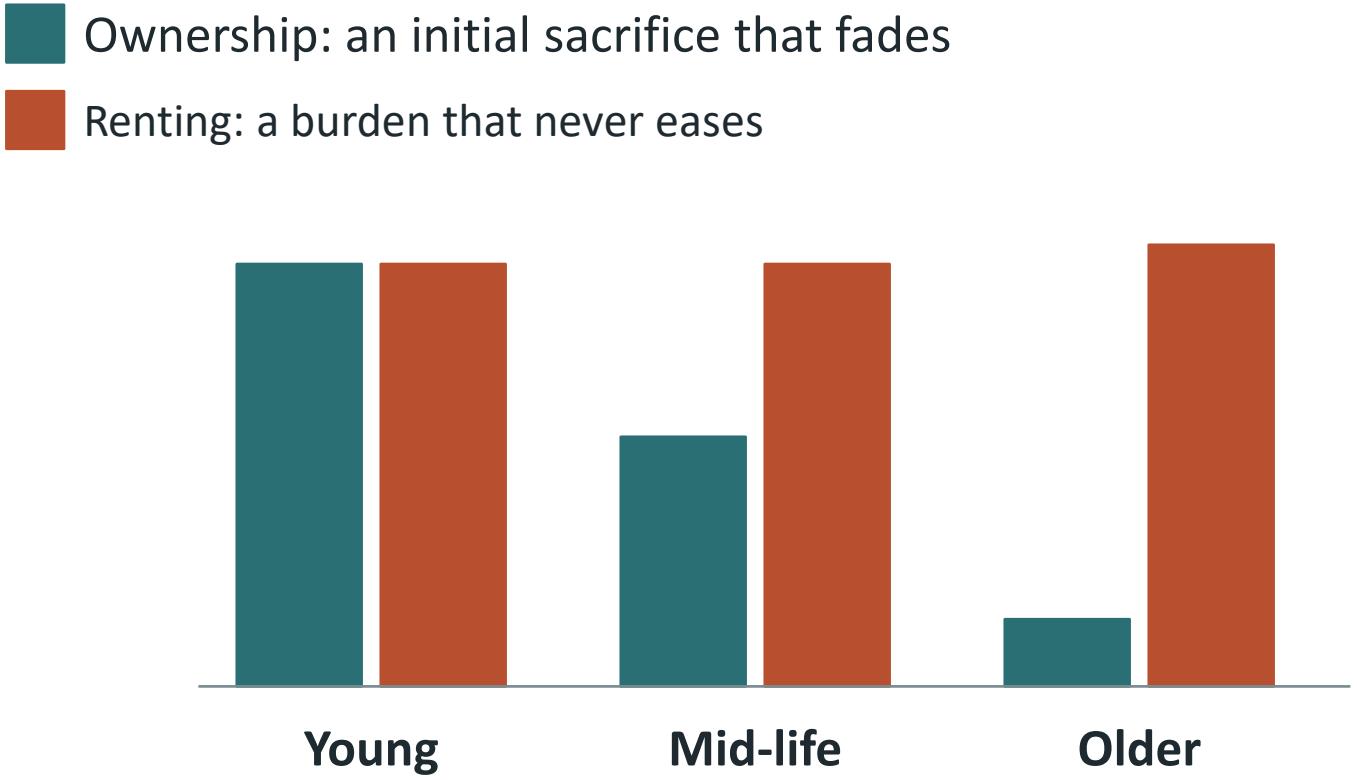
−0.3%

housing cost burden per extra year of age of the household head; significant in every specification

14

countries where age significantly raises residual income

Housing cost burden over the life cycle (illustrative)



Coefficients from Model 1 (housing cost burden) and Model 2 (residual income).

Owners: a costly entry that eases with time

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1 Entry: the squeeze

Instalments absorb principal, interest and financing spreads. Households give up part of their consumption, most of all first-time buyers with high loan-to-value.

Residual income



2 Consolidation

Income grows over the working life while the fixed instalment stays flat: its weight falls year after year.

Residual income



3 Repayment: the ownership dividend

Once the loan is repaid, housing costs almost vanish and residual income expands.

Residual income



−16.9

effect of a mortgage on residual income across Europe: the largest drain of any tenure

n.s.

effect of a mortgage on the burden ratio: fixed instalments and older, low-rate loans (a 'legacy effect')

−0.3%

burden per extra year of age; age raises residual income in 14 countries

Model 1 (burden ratio) and Model 2 (residual income, IHS, with deciles). Age and tenure enter as separate terms; the phases are the paper's life-cycle reading of both.

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The affordability paradox

Owner with a mortgage

- Protected on the housing cost burden
- But little disposable income left: the largest residual-income losses in several countries
- 'Asset-rich, cash-poor': a form of forced saving
- Eases over the years

Market-rate renter

- Short-term flexibility
- Net loss of consumption, with no wealth built
- Exposed at every contract renewal
- Does not ease with age: the 'rental trap'

Households do not simply choose between renting and buying: they choose between two forms of precarity. Only one of them fades with time.

Same crisis, different national faces

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Mortgage drain on residual income

Largest: Italy −19.9 · Belgium −19.5 · France −19.1 · UK −18.9 · Spain −18.6

Smallest: Sweden −6.2 · Poland −6.6 · Romania −8.3

Inequality squeezes residual income

Strongest: Norway −103.6 · Slovenia −13.0 · Serbia −9.3 · Italy −7.9 · Spain −5.1

Opposite sign: Austria +20.4 (century-old social housing) · Malta +17.3

Age as protection (per extra year)

Strongest: Norway +5.3% · Sweden +3.1% · Austria +2.5% · Germany and Finland +1.8%

Weakest: Poland +0.3% · none in Romania, Serbia or Czechia

Gender of the household head

Female-headed worse off: Romania −12.7% · Greece −7.9% · Italy −7.9% · Poland −5.8%

Better off: Sweden and Norway, reflecting their safety nets

Country models of residual income (IHS), Table 3; significant coefficients only. Values are coefficients (Gini, tenure) or approximate % effects (age, gender).

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Housing and poverty: institutions matter most

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The burden predicts poverty better

The housing cost burden identifies housing costs as an independent driver of poverty risk, better than residual income.

The Gini paradox

Inequality does not explain housing poverty: it responds to household-specific budget shocks (wages versus prices).

Institutions rule

Rent regulation, subsidies and security of tenure outweigh almost any individual trait. Large differences between countries.

Family as a safety net

Household size and composition are significant: the household remains the main unit of social protection.

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Conclusions: Implications for housing policy

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Measure better

Combine the housing cost burden with residual income to detect hidden precarity and target support.

Think life cycle

Help young households through the initial, most demanding phase: long-term fixed-rate mortgages and support with the down payment.

Stable, sufficient renting

Break the rental trap: stabilise rents, expand public and non-profit housing, and open pathways from renting to ownership.

Well-targeted support

Relieving mortgages alone helps a group that is already protected; the focus should be on the most exposed households.

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Conclusions

01 Unaffordability is multidimensional: it depends on tenure, income and supply.

02 Renting is a trap in periods of high rents: the heaviest burden, no wealth built and no way into ownership.

03 Age protects: ownership costs at first and eases with time; renting does not.

04 The crisis is not only about prices: it is reshaping middle-class living standards.

Thank you · paloma@ua.es

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Thanks for listening!



REM Team

https://unece.org/housing/advisory-group#accordion_2.

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