

ELF Study 9

# Building Freedom

Liberal Solutions to  
Europe's Housing  
Crisis

Edited by

**Dr Antonios Nestoras**

**Maartje Schulz**

**Benjamin Robitaille**



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## Editors' Note

# Building Freedom: Liberal Solutions to Europe's Housing Crisis

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Dr Antonios Nestoras,  
Maartje Schulz, and  
Benjamin Robitaille

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Europe's housing crisis is one of the most urgent challenges of our time. The appointment of the EU's first Commissioner for Energy and Housing, alongside the ambitious Fit-for-55 and REPowerEU packages, signals both the depth of the problem and the growing recognition that housing has become a European political priority. Rising prices, stagnating supply levels, and widening inequalities are undermining the promise of opportunity for younger and middle-income households, while the demand for energy efficiency and sustainability exposes structural weaknesses in Europe's building stock.

This volume, published by the European Liberal Forum (ELF) in partnership with the European Policy Innovation Council (EPIC), brings together liberal perspectives on how to respond. Its chapters are organised in three parts to provide both a clear diagnosis and a coherent agenda for action.

Part I, *Framing the Crisis*, examines the philosophical and political stakes of housing. It traces property's role as a foundation of liberty, shows why liberals cannot ignore today's crisis, and draws lessons from Member States' experiences across Europe.

In Chapter 1, 'Pillar or Privilege? Property, Generations, and the Future of Freedom in Europe', Antonios Nestoras explores the historical and philosophical role of property as a cornerstone of liberty. Nestoras argues that the decline in homeownership, especially among younger generations, has turned property from a shared foundation of freedom into a privilege, destabilising liberal democracy. The chapter concludes with a call to restore property's accessibility in order to strengthen civic engagement and intergenerational equity.

In Chapter 2, 'Why Liberals Need to Fix the Housing Crisis', Robin van Leijen argues that housing is central to equal opportunity and self-determination, and that liberals must take responsibility for fixing the crisis. The chapter reviews the rise in costs, declining affordability, and risks of far-right populism if the problem remains unaddressed and proposes active housing policy: redirecting subsidies toward supply, attracting patient capital, expanding construction, and reforming EU state aid rules.

Vassilis Kessidis offers a comparative analysis of reforms in Austria, Germany, the Netherlands, Finland, and Estonia in Chapter 3, 'Comparative Lessons from Member States'. He highlights Vienna's cooperative model, Germany's failed rent controls, Dutch liberalisation, Finland's Housing First approach, and Estonia's digital permitting success. The chapter concludes that liberal principles – competition, subsidiarity, innovation, and streamlined regulation – are essential for a sustainable housing policy.

Part II, *Policy Levers and Solutions*, turns to concrete tools. It analyses the EU's potential to unlock investment through regulatory reform, underscores the crucial link between energy efficiency, affordability, and climate goals, and proposes liberal market-driven reforms to expand rental supply.

In Chapter 4, 'Brussels Can't Build Alone, But It Can Remove the Obstacles', Ernesto López focuses on the EU's limited budgetary capacity but significant regulatory power. Using the Dutch model, López shows how middle-income households fall into a 'structural gap'. The chapter recommends reforms to EU state aid rules (SGEI) and the General Block Exemption Regulation (GBER) to empower Member States to support affordable housing for middle-income groups without burdensome notification processes.

Chapter 5, 'Powering Affordability: Energy Efficiency', by Eloi Borgne, positions energy efficiency in housing as a liberal-market solution to both affordability and energy security. The author identifies barriers (regulatory fragmentation, financing gaps, skills shortages) and proposes market-based reforms: tradable energy-efficiency certificates, green mortgages, ETS-funded rebates, one-stop EU permitting, and citizen energy communities. The chapter observes that improvements to efficiency can deliver 3–4% annual savings, reducing both emissions and bills.

In Chapter 6, 'Liberalizing the Rental Market: Supply-Side Solutions to Unlock Housing Supply', Constantinos Saravakos and Angelos Debonos examine structural barriers to rental supply, including zoning laws, permitting bottlenecks, weak landlord protections, and distortive taxes. The authors argue that short-term rentals like Airbnb are not the main culprit, and instead propose reforms to unlock supply: renovation tax deductions, faster eviction procedures, tenure-neutral taxation, and reduced rent controls. They call for a shift from demand-side subsidies to supply-driven liberal reforms.

Part III, *Governance and Society*, addresses the human and societal dimension of housing policy. It emphasises the leadership role of cities and regions, introduces the ethics of care as a principle for healthier communities, and concludes with the perspective of liberal youth – showing how the housing crisis shapes the lives and opportunities of the next generation, and stressing the importance of their voice in Europe's response.

In Chapter 7, 'Subsidiarity in Action: Why Cities and Regions Must Lead on Housing', Andres Jaadla makes the case for local and regional leadership in housing. In this opinion article, he shows how mayors and municipalities are closest to the crisis and best placed to innovate, leveraging solutions that range from modular retrofits to cooperative housing. Jaadla calls for updated state aid rules, stronger investment capacity, and EU-level platforms for knowledge exchange, framing subsidiarity as the only way to scale solutions.

In 'Placing Care at the Heart of Housing Policy: A Liberal Path to Healthier Cities', Chapter 8, Lidia Katia C. Manzo introduces the 'City of Care' framework, based on participatory research in Dublin and Milan. Arguing that neglect of housing is not only unjust but fiscally irrational, producing ill health and social distrust, she advocates embedding care into housing policy via health audits, participatory regeneration, support for grassroots care infrastructures, and safeguards against financialisation.

Finally, in Chapter 9, 'Liberal Youth Perspective on Housing in Europe', SORCHA NI CHONGHAILE and DIMI PAPADOPOULOU bring the voice of Europe's younger generations into the housing debate. As officers at LYMEC, they highlight how unaffordability, precarious tenures, and the student housing crisis undermine youth emancipation, mental wellbeing, and intergenerational fairness. They propose a liberal youth agenda focused on smart planning, fair tenancy rights, and innovative community solutions – positioning housing not just as a roof, but as the foundation for freedom, opportunity, and a sustainable European future.

The core collective message is clear: housing is not just an economic commodity but a precondition for freedom, dignity, and participation in society. Liberal values – self-determination, competition, innovation, and subsidiarity – must guide Europe's actions. With state aid rules under revision, cohesion policy and ETS revenues in play, and local authorities already experimenting with solutions, liberals are uniquely placed to lead. By mobilising investment, empowering markets, decentralising governance, embedding care and quality into housing policy, and ensuring that the perspective of young Europeans is included, we can turn today's crisis into an opportunity to restore trust, strengthen communities, and build a more resilient European future.

Our sincere thanks go to all contributing authors for their expertise, insight, and dedication to advancing liberal solutions to Europe's housing challenges. Finally, recognition is due to our member organisations and partners across Europe, whose engagement and support continue to make possible the exploration of liberal ideas and the promotion of policy innovation.

# Foreword

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## Brigitte van den Berg

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### ABOUT

**Brigitte van den Berg** is a member of the European Parliament (Renew Europe Group) and ELF Board Member. Van den Berg is member of the Special committee on the Housing Crisis in the European Union.



Today, housing is the number one concern for European citizens. Across our continent, too many people are struggling to find an affordable place to live in. Prices are rising, supply is stagnating, and for an entire generation of young and middle-income Europeans, the dream of owning or even renting a home is slipping away. This is not just an economic challenge; it is a social challenge as well. A secure home is the foundation for stability in people's lives. Without it, people lose faith in the future.

This is an issue for all Europeans, which means that the European Union must act –not by adding more rules or restrictions, but by looking at where it's standing in the way of building more homes. The EU must become an enabler, not an obstacle.

Faster construction can be achieved if we remove unnecessary regulatory and administrative burdens and cut the red tape that stands in the way of new housing projects. Beyond this, we must unlock private capital, financing affordable housing through investment, not debt. We should also invest in a skilled workforce by supporting training programmes that address the shortage of qualified workers needed to build more homes. At the same time, we must uphold our climate policies, not only to protect nature, but also to ensure affordable energy costs for households now and in the future.

The future success of housing in Europe will not be built through paperwork, but through ambition. Let us make Europe the continent that made it possible for everyone to afford a home and build a life. Let's simplify, invest, and empower those who build. Together, we can overcome the crisis.



Part 1

# FRAMING THE CRISIS

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# Pillar or Privilege?

## Property, Generations, and the Future of Freedom in Europe

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Dr Antonios Nestoras

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### ABOUT THE AUTHOR

**Dr Antonios Nestoras** is the Founder and CEO of the European Policy Innovation Council (EPIC) and Senior Fellow at the European Liberal Forum.

### INTRODUCTION

Across Europe, debates about housing are often framed in technical terms, revolving around matters like the supply of new units, the trajectory of interest rates, and the regulation of rents. Yet behind these policy discussions lies a deeper question: what place does property hold in a free society? For centuries, the ability to own a home (and with it, assume a tangible stake in one's community) has been more than an economic milestone. It has been part of the very architecture of liberty, shaping how individuals live, plan, and participate as citizens.

*Declining access to home ownership, especially among younger generations, is not merely a shift in housing markets – it is a transformation in the social contract that has hitherto underpinned European democracy.*

That foundation is now under strain. Declining access to home ownership, especially among younger generations, is not merely a shift in housing markets – it is a transformation in the social contract that has hitherto underpinned European democracy. As property moves from being a widely attainable pillar of freedom to a privilege concentrated in fewer hands, the effects are felt across all forms of housing: from rentals to social and cooperative models, every way of claiming a home faces consequences for affordability, stability, and civic engagement.

This chapter traces this transformation. It begins by grounding property in Europe's philosophical and historical tradition as a cornerstone of liberty. It then examines the erosion of the ownership promise, the forces narrowing the path to property, and the systemic pressures on all tenures. Finally, it considers what it means for liberal societies if these trends continue and why restoring property to its rightful place is central to Europe's future.

## PROPERTY AS THE CORNERSTONE OF LIBERTY

The idea that property is a buttress for freedom is as old as European political thought itself. From Aristotle's reflections on private ownership as a safeguard for virtue, to John Locke's assertion that life, liberty, and property are the natural rights of every individual, the association between owning property and living freely runs deep in our intellectual tradition. Property gives substance to liberty: it is not merely the right to be left alone, but the ability to stand on one's own ground, both literally and figuratively.

In the liberal imagination, property is the material basis for independence. To own property is to have a place that cannot be revoked at the whim of a ruler, the mood of a market, or the shifting tides of politics. It offers security in the present and a bridge to the future. It is an asset that can be passed on to children, used as collateral to start a business, or invested in, building lasting value. In this sense, property is not just a possession; it is a platform for self-determination.

Throughout European history, the expansion of property rights has often gone hand in hand with the expansion of citizenship and democracy. From the gradual dismantling of feudal tenures to the rise of small freeholders in the nineteenth century, ownership has meant more than economic status. It has been a ticket to civic participation.<sup>1</sup> Those with property by necessity have an interest in the rule of law, the stability of their communities, and the future of their nations.<sup>2</sup>

In the modern era, buying a home is the most common and most emotionally resonant form of property acquisition. It is a major moment in the life of the individual and the family: a sign of independence, new responsibility, and a personal investment in society. People who own property are more likely to invest in their communities, participate in local governance, and pass on both material and moral capital to the next generation. In contrast with financial assets that can be liquidated overnight, a home is fixed in place, and this serves as a daily reminder of belonging and a visible expression of commitment to a neighbourhood, a city, and a country. A society in which home ownership

is broadly attainable is one in which the bonds between citizens, markets, and institutions are strengthened.

*A society in which home ownership is broadly attainable is one in which the bonds between citizens, markets, and institutions are strengthened.*

It stands to reason that when ownership is out of reach for too many, the foundations of this social contract begin to erode, leaving individuals less anchored and less engaged. It is precisely this scenario that is

currently playing out across Europe. The path to home ownership – once a realistic aspiration for anyone willing to work, save, and take on the duties it entails – is now narrowing. Understanding how and why we have arrived in this situation is the first step towards reinstating property as a linchpin for liberty.

1. J. W. Singer (2011). *Property Law as the Infrastructure of Democracy*. Harvard Law School Faculty Scholarship. <https://scholar.harvard.edu/files/jsinger/files/id.pdf>.

2. C. H. Knutsen (2010), 'Democracy, dictatorship and protection of property rights', *Journal of Democracy and Development Studies*, 46(2).

## THE EROSION OF THE OWNERSHIP PROMISE

Across the continent, the proportion of people who own their homes is shrinking. In several Member States, ownership rates have declined markedly over the past decade, reversing a post-war trend of steady expansion.<sup>3</sup> This is not a passing market fluctuation; it is a structural shift that risks altering the very meaning of property in European life.

The decline is most pronounced and most damaging among younger generations. Where their parents could expect to purchase a first home in their twenties or early thirties, today's young adults operate on the assumption that ownership, if it should ever occur, will be postponed until well into middle age. Rising prices, stagnant wages, and tighter credit have combined to exclude them from the ownership circle. The ladder onto which earlier generations could step with relative ease has been pulled further from reach.

Meanwhile, property wealth has become increasingly concentrated in the hands of older cohorts – baby boomers and early Generation X – who entered the market when prices were lower, mortgages more accessible, and the social expectation of ownership was strong.<sup>4</sup> These owners now enjoy the security of fully paid-off homes and the benefits of decades of appreciation, while younger people face an ever-higher threshold of entry.<sup>5</sup> This generational imbalance is accompanied by a divide in security, influence, and the ability to plan for the future.

The crisis of home ownership is not simply a housing crisis; it is a crisis of the liberal promise that property should be a foundation available to every generation. To address it, we must first understand why the path to ownership has narrowed so sharply.

## WHY THE PATH HAS NARROWED

The current barriers to ownership are not the work of a single force, but the result of many threads woven together over decades. Some are economic, some regulatory, others demographic. Yet all have converged to make property ownership increasingly unfeasible for the generations coming of age today.

At the economic level, the relentless rise in property prices has far outpaced the growth of wages in much of Europe. Between 2010 and 2023, average house prices in the EU rose by more than 50%, while wages grew at less than half that rate.<sup>6</sup> What earlier generations could buy with three or four times their annual income may now require six, eight, or more. Low interest rates in the early twenty-first century, once thought to make mortgages more accessible, also fuelled price inflation. This was particularly true in cities, where global capital sought real estate as a safe haven. For younger buyers, affordability is no longer just about managing monthly repayments; it is about amassing an initial deposit so large that it often feels unattainable.

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3. Eurofound (2023), *Homeownership Declines across EU as Young Adults Find Themselves Locked out of Market* (Dublin: European Foundation for the Improvement of Living and Working Conditions), <https://www.eurofound.europa.eu/en/news/2023/homeownership-declines-across-eu-young-adults-find-themselves-locked-out-market>.

4. European Central Bank (2022), *Household Wealth Distribution and Generational Differences in Homeownership* (Frankfurt am Main: ECB Research Bulletin), <https://www.ecb.europa.eu/press/research-publications/resbull/2022/html/ecb.rb220126~4542d3cea0.en.html>.

5. OECD (2025), *Mapping Trends and Gaps in Household Wealth across OECD Countries* (Paris: Organisation for Economic Co-operation and Development), [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/mapping-trends-and-gaps-in-household-wealth-across-oecd-countries\\_37e92f18/4bb6ec53-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/mapping-trends-and-gaps-in-household-wealth-across-oecd-countries_37e92f18/4bb6ec53-en.pdf).

6. Eurostat (2024), *Evolution of House Prices and Rents in the European Union*. Luxembourg: Eurostat. <https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-2a.html>.

Regulatory choices have also shaped the terrain. Planning and zoning regimes (often introduced with the legitimate aims of environmental protection or heritage preservation) have in many places hardened into rigid systems that constrain supply. Slow and uncertain permitting processes deter development, while restrictive land-use rules limit the adaptability of housing stock to changing needs. The result is a market that produces too few homes in the places where demand is greatest.

Demographic shifts add another layer. As life expectancy rises and older generations retain their properties longer, the natural recycling of homes through inheritance slows. In many markets, properties are held as second homes, investment assets, or short-term rentals, further reducing availability for permanent residents. Younger generations, who are more mobile for work and study, often find themselves paying high rents without building equity, further delaying the leap into ownership.

These forces are not morally neutral. When markets and policies combine to make ownership a privilege rather than an option, they tilt the balance of independence and security towards those who already have and away from those who seek to build. Over time, such a dynamic undermines one of the oldest liberal understandings: that property should be open to the industrious, not reserved for the fortunate.

The effects of these trends go beyond the ownership market. The pressure spills outward into every other form of housing, reshaping the rental sector, straining social housing, and limiting cooperative opportunities – a chain reaction that has turned a crisis of ownership into a crisis for the whole housing system.

## **A HOUSING CRISIS THAT TOUCHES ALL**

The decline in home ownership does not simply affect those who aspire to buy; it reverberates across all forms of tenure. When ownership becomes unattainable for a growing share of the population – and especially the younger generations – the pressure spills into every other form of property. People remain in rental housing for longer, increasing competition for a limited stock and driving rents upward. Rising property values push land and construction costs higher, making new developments more expensive to build. The scarcity of affordable ownership opportunities swells demand for social and cooperative housing, lengthening waiting lists and constraining access.

This chain reaction is why the housing crisis cannot be treated as an isolated problem for would-be owners. Ownership has long acted as the system's stabiliser: it absorbed demand, freed up rental units, and ensured a steady flow between tenures. When that stabiliser fails, the imbalance ripples outwards, producing scarcity and cost inflation across the board.

For much of the post-war era, different tenures complemented one another in a workable equilibrium. Renting offered mobility and flexibility; social housing provided stability for those excluded from the market; cooperative models blended shared ownership with community governance. But when ownership becomes the preserve of a shrinking, ageing cohort, these other tenures are forced to carry a burden they were never designed to bear. Private rentals fill with long-term tenants unable to buy, driving prices beyond the reach of new entrants. Social housing systems, already weakened by decades of underinvestment, are overwhelmed. Cooperative schemes, valuable but small in scale, cannot absorb the overflow.

This is not merely a technical malfunction of the market; it is a philosophical concern for liberals. Housing, in all its forms, is part of the infrastructure of freedom: without secure and affordable living conditions, the capacity for self-determination is diminished. When ownership is denied to the many, it destabilises the entire housing system, narrowing choice, eroding autonomy, and weakening the balance that allows individuals to move through life stages with dignity. If the decline in ownership continues unchecked, the crisis will deepen not only for those who wish to buy, but for all who seek a stable and affordable home. In that wider crisis, the promise that a free society can offer secure shelter to all its members will be called into question.

## THE STAKES FOR LIBERAL SOCIETIES

For liberals, housing is not a commodity like any other. Whether owned or rented, whether private, cooperative, or social, a home is part of the enabling framework that allows individuals to live freely and responsibly. It is where personal autonomy is exercised, where families are created, and where the habits of civic life take root. When access to secure and affordable housing falters, the damage is not confined to the housing market – it penetrates the very fabric of liberal democracy.

A broad and attainable base of property ownership has historically strengthened the bonds between citizens and the institutions that govern them. As has been emphasised, owners have a stake in stability, the rule of law, predictable governance, and the maintenance of public goods.<sup>7</sup> They are more likely to participate in local decision-making, invest in their neighbourhoods, and pass on both economic and civic capital to the next generation. When ownership is concentrated in the hands of the few, the shared investment in society's future becomes uneven.

Declining home ownership also has a deleterious effect on the experience of renting, social housing, and other tenures. In a market where security is limited and costs are high, people become more transient, less rooted, and less able to form durable attachments to place. This chips away at the trust and reciprocity that hold together healthy communities.<sup>8</sup> It also feeds a sense of exclusion among those who feel that the traditional routes to stability are denied to them. This sentiment can curdle into political disaffection, alienation, or support for illiberal alternatives.

The generational imbalance in ownership compounds these risks. Older cohorts hold a disproportionate share of housing wealth, while younger generations, unable to buy, see their savings drained by high rents.<sup>9</sup> This is not only an economic disparity, but marks a fracture in the intergenerational social contract. Where once each generation could expect to build on the achievements of the last, there is now a risk that the next will inherit less security and fewer opportunities than those who came before.

If liberal societies cannot preserve the accessibility of secure housing, whether in ownership or in other tenures, they risk undermining one of their own core principles. The promise of liberty is not abstract; it rests on the concrete conditions that allow individuals to live, plan, and thrive. Housing, in all its forms, is one of those conditions. When it fails, the whole structure of freedom is placed under strain.

## CONCLUDING REFLECTION: FROM PILLAR TO PRIVILEGE

The changes reshaping Europe's housing systems are doing more than distorting markets. They are radically altering the very meaning of property in European life. The shift towards property being concentrated in the hands of ever fewer individuals, and subject to ever heavier taxation, carries two dangers. First, increased taxation exacerbates the very problem it seeks to address. Taxing property more heavily in a market of constrained supply and generational imbalance risks further discouraging mobility, investment, and the transfer of assets to younger generations.

Second, and more profoundly, these tendencies weaken the philosophical foundations on which liberal European societies have been built. The moral legitimacy of property rights has always presupposed their accessibility – the belief that ownership is open to all who strive for it. When that possibility fades, ownership becomes a mark of inherited privilege rather than earned indepen-

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7. D. DiPasquale & E. L. Glaeser (1999), 'Incentives and social capital: Are homeowners better citizens?', *Journal of Urban Economics*, 45(2): 354–384.

8. J. Perales et al. (2022), 'Intergenerational wealth transmission and homeownership in Europe: A comparative perspective', *European Societies*, 24(4).

9. OECD (2025), *Mapping Trends and Gaps in Household Wealth across OECD Countries*. Paris: Organisation for Economic Co-operation and Development. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/mapping-trends-and-gaps-in-household-wealth-across-oecd-countries\\_37e92f18/4bb6ec53-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/mapping-trends-and-gaps-in-household-wealth-across-oecd-countries_37e92f18/4bb6ec53-en.pdf).

dence, and the social contract frays. Any link between property and freedom becomes dubious, replaced by the perception of property as an exclusionary asset to be regulated or redistributed, rather than as a universal aspiration to be defended.

When property is no longer a shared foundation but a taxed privilege, it is not only economic balance that is imperilled, but an essential part of Europe's political soul. The challenge ahead is not simply to make property more affordable, but to restore it to its rightful place as a cornerstone of liberty, a common inheritance, and a living promise for future generations.

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# Why Liberals Need to Fix the Housing Crisis

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Robin van Leijen

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## INTRODUCTION

‘Poverty is a destiny, it repeats itself, just like privilege’, said Katriona O’Sullivan during her keynote speech at the International Social Housing Festival 2025 in Dublin. Remarkably, O’Sullivan herself had escaped this fate. Coming from the poorest social stratum, her upbringing had been marked by adversity – raised by addicts, abused, school dropout, teen mom, homeless at age 15. Despite these obstacles, however, she developed into an academic (specialising in psychology) and bestselling author. Her memoirs, *Poor*, debuted at #1 on the Irish non-fiction bestseller list. By any metric, her life is a success story, showing the tremendous resilience, strength, and will power of an exceptional individual.

Yet O’Sullivan wouldn’t be where she is today without public housing – it had given her the stability and peace of mind to rethink what she wanted to make of herself. Similarly, had it not been for the special access programme at Dublin’s Trinity College, she might not have gained entry into the academic world. Put differently, her individual strengths and potential flourished because public policies pursuing equality of opportunity had given her a chance to overcome the considerable disadvantages life had dealt her. And, as was made clear during her keynote speech, this started with housing.

This chapter argues that liberals, while believing in the strength of individuals, also have a responsibility to provide them with the conditions to fulfil their potential. Today’s Europe is embroiled in a housing crisis, choices are being postponed, and young adults are hindered in starting their own life. This chapter contends that liberal housing policy should be recalibrated towards policies that promote equality of opportunity. An active housing policy, on the local, national, and European level, is required to give Europeans the foundations they need to pursue the liberal dream of self-development.



## A HOUSING CRISIS RAGING THROUGH EUROPE

In 2024, for the first time in history, a European Commissioner was assigned responsibility for housing. In the mission statement letter to Commissioner Dan Jorgensen, Ursula von der Leyen urged him to address the 'acutely felt' housing crisis 'as millions of young people and families struggle to find affordable housing throughout Europe'. Looking at some key figures, one could hardly argue that this is an overstatement.

Adjusted for inflation, house prices have increased by more than 20% since 2015, while rents in major cities have surged by as much as 48% for a one-bedroom apartment between 2014 and 2023. At the same time, overall inflation-adjusted investment in residential buildings declined by 6% from 2022 to 2024, signalling a slowdown in housing supply. Additionally, 17% of the EU population lives in overcrowded homes, and building permits for residential construction have dropped by more than 20% since 2021. Homelessness, too, has risen significantly and now affects all Member States.<sup>1</sup>

Several observers have noted that the impact of the housing crisis goes beyond just housing. The OECD (Organisation for Economic Co-operation and Development) concluded that house prices have grown three times faster than median household income, suggesting that this impedes labour mobility and intergenerational social mobility as younger generations are less able to purchase property than their parents.<sup>2</sup>

Similarly, the World Bank stressed that the capacity to participate in and benefit from economic growth depends on the place where you were born, 'as high-productivity jobs are concentrated in metropolitan regions where housing affordability is an entry barrier'.<sup>3</sup> In his 2024 *Much More than a Market* report, Enrico Letta linked labour mobility to the housing crisis, positing that high housing costs act as a barrier for essential workers in urban hotspots. According to Letta, this puts the functioning of the Single Market at risk.<sup>4</sup>

Already in 2018, the European Commission's Eurobarometer showed that housing was among the top two concerns for citizens.<sup>5</sup> Since then, the housing crisis has only worsened. By 2025, the Eurobarometer on cities revealed that more than half of urban residents now identify the lack of affordable housing as one of the most pressing issues facing their communities.<sup>6</sup>

Without doubt the housing crisis impacts large parts of society, affects the very foundations of our economy, and is a deeply felt social and political priority for citizens across the EU. This is a crisis that needs to be addressed, and liberals across Europe need to be part of the solution.

## NEO-LIBERAL HOUSING POLICIES ON BOTH SIDES OF THE IRON CURTAIN

In the 1990s and the first decade of this century, housing policy was characterised by laissez-faire governance, a focus on the market, and the promotion of homeownership. Inspired by the policies of the Thatcher government, privatisation of the public housing sector swept across Western Europe. This move was inspired by an ideological turn to the right and efforts to reduce public spend-

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1. European Commission (2025a), 'Making housing affordable', Housing - European Commission. retrieved 13 October 2025, from [https://housing.ec.europa.eu/index\\_en](https://housing.ec.europa.eu/index_en)
  2. OECD (2019), *Under Pressure: The Squeezed Middle Class* (Paris: OECD Publishing). <https://doi.org/10.1787/689afed1-en>.
  3. The World Bank (2023), *Living and Leaving: Housing and Labor Mobility* (Washington, DC: World Bank), p. 15.
  4. E. Letta (2024), 'Much more than a market. speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens', European Union. <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>, p. 99.
  5. European Commission (2018), 'Public opinion in the European Union'. Brussels: European Commission.
  6. European Commission (2025), 'Public opinion on urban challenges and investment in cities'. Brussels: European Commission.

ing.<sup>7</sup> In Eastern Europe, after the fall of communism, public housing was viewed as something from the past and home ownership was heavily promoted. Consequently, home ownership became the dominant form of housing in most transitional countries.<sup>8</sup> This wave of privatisation did, however, come with questions about the management, maintenance, and renovating of the ageing stock.<sup>9</sup>

In the aftermath of the global financial crisis, housing policies in the Netherlands were also characterised by a market-orientated approach. Such a policy was pursued by Stef Blok (of the liberal VVD party) during his tenure as leader of the Ministry of Housing. His administration sought to reduce the role of housing associations and stimulate private sector involvement, particularly in the mid-rental segment. He famously abolished the entire Ministry of Housing, insisting that the housing market was back in full swing.<sup>10</sup>

## DUTCH HOUSING POLICIES AT THE BEGINNING OF THE TWENTIETH CENTURY

This *laissez-faire* approach stands in stark contrast to the vision that shaped Dutch housing policy at the beginning of the twentieth century. Under the leadership of another liberal politician, Nikolaas Pierson, the 1901 Housing Act was passed, which institutionalised the idea that the state bears responsibility for ensuring decent housing for all. The Act introduced a corporatist model in which the national government delegated implementation to municipalities and supported non-profit housing associations with state-backed loans. The goal of social housing was not to undercut the market, but to provide housing of higher quality than what the market could offer. The Pierson government explicitly framed housing as a matter of 'public interest' and strove to embed this responsibility into a regulated partnership between the state and civil society. This early twentieth-century model thus positioned housing as a public good.<sup>11</sup>

## LIBERAL VALUES AT STAKE

Evidently, a more market-oriented approach has not always been central to liberal thinking on housing policy. With the current housing crisis impacting large parts of the population, the question arises of how European liberals should respond to this issue. This chapter argues that we should look for a framework that moves beyond mere non-interference towards enabling housing capability by putting in place the structures and systems that allow individuals to thrive.

This requires us to treat housing as a foundational right that underpins autonomy, social participation, and economic mobil-

*If we are to affirm our support of individual freedom and self-determination, we should also acknowledge that none of this can materialise when a person struggles to pay their rent, lives in poor housing conditions, or worse, does not have access to housing at all.*

7. H. M. Brouliková & J. Montag (2020), 'Housing Privatization in Transition Countries: Institutional Features and Outcomes', *Review of Economic Perspectives*, 20(1), 51–71.

8. Brouliková & Montag, 'Housing privatization in transition countries'.

9. V. Gruis, N. Nieboer & S. Tsenkova (2007), 'Management of privatized housing: Policies and practice in East and West', *European Network of Housing Research*, Rotterdam, June, 25–28.

10. Blog, 'Woningmarkt draait als zonnetje', *Duurzaam Gebouwd*, 14 February 2017, <https://www.duurzaamgebouwd.nl/artikel/20170214-blok-woningmarkt-draait-als-zonnetje>

11. S. Van Den Eynden (2020), *Waardenvol Wonen: Een sociaal-liberale visie op volkshuisvesting* (Van Mierlo Stichting), <https://d66.nl/vanmierlostichting/nieuwe-publicatie-waardenvol-wonen/>.

ity. If we are to affirm our support of individual freedom and self-determination, we should also acknowledge that none of this can materialise when a person struggles to pay their rent, lives in poor housing conditions, or worse, does not have access to housing at all. Declining access to affordable housing for an entire generation of young Europeans also raises pressing questions about intergenerational fairness, as older homeowners have seen their wealth grow while younger people are increasingly locked out of the housing market.

Furthermore, a lack of fundamental securities cannot be separated from the tendency of many voters to place their hopes in far-right political parties, attracted by promises that are seldom, if ever, fulfilled (a failure inevitably blamed on immigrants). The principles of such parties are in total opposition to the values we as liberals endorse: freedom, self-determination, and a world order based on institutions and agreements rather than the law of the strongest. Put differently, if we do not address the housing crisis, the far right will reap the benefits in the ballot box.

## WHAT CAN LIBERALS DO?

It is the contention of this chapter that the housing crisis constitutes a fundamental threat to individual freedom and equal opportunity. What is necessary now is a recalibration of liberal thought – and a focus on bringing about the enabling conditions for realising these core values. In the realm of housing, this demands nothing less than a reinvention of public policy. The EU, national, regional, and local governments have a role to play and should actively draft housing policy that facilitates long-term access to affordable housing. Although not exhaustive, the following recommendations may contribute to this goal.

### 1. Attract patient capital

Large-scale investment is needed to address the shortage of housing. The 2025 European Investment Bank (EIB) report estimates that there is already an investment gap of 270 billion euros per year in social and affordable housing alone. At the same time, defence, innovation, and competitiveness require significant financial input, and public resources are limited. In other words, public resources are insufficient and crowding in private investment must be part of the solution. But not all kinds of investment lead to improvement.

Several observers have drawn attention to the growing opinion that housing as an asset class has had a negative impact on housing affordability, especially in cities such as London, Paris, Barcelona, Amsterdam, Munich, and Stockholm.<sup>12</sup> The European Commission's Joint Research Centre has warned that increased financialisation of housing can lead to higher prices, less accountability, and housing shortages (the latter because bought-up houses are often left vacant).<sup>13</sup>

Crowding in private finance is needed to solve the housing crisis, yet policy makers should strike the right balance and ensure this contributes to the affordability of housing in the long run. What is needed is patient capital that prioritises steady long-term return on investments over short-term profits. Public instruments can serve as effective leverage tools to attract patient private capital. In countries like Austria, the Netherlands, Denmark, and France, national and local governments guarantee loans for investments in social housing. The presence of a government backstop brings down risks for investment in that sector. It bears noting that the social housing sector offers good examples of revolving funds that deliver continued (and counter-cyclical) investment in housing by reinvesting returns into new projects.<sup>14</sup>

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12. D. Caturianas et al. (2020), *Policies to Ensure Access to Affordable Housing*, Study for the European Parliament, Committee on Employment and Social Affairs (EMPL), p. 25. The authors cite: Sherman, R. (2017), *Uneasy Street: The Anxieties of Affluence* (Princeton, NJ: Princeton University Press).

13. JRC (Joint Research Centre) (2023), *The Future of Cities* (Brussels: European Commission), p. 34.

14. Examples of guaranteed systems and revolving funds in social housing include the *Waarborgfonds Sociale Woningbouw* (the Netherlands), *Wohn Fonds Wien* (Vienna, Austria), *Landsbyggefonden* (Denmark), and the *Caisse des Dépôts et Consignations* (France).

Another example of public instruments being used for the modernisation and development of affordable housing can be found in Estonia.<sup>15</sup> The foundation KredEx was established to provide financing for, amongst other things, the renovation of homes. Its success has been remarkable, leading to the percentage of low-income households living in sub-standard housing dropping from 40% in 2000 to 14% in 2020, significantly below the EU average of 23%.<sup>16</sup> The potential for such models to be replicated in other countries should be assessed.

The European Commission and European Investment Bank are also set to play a large role through the initiation of a pan-European investment platform for housing. Here, it remains important that long-term commitment to affordability is treated as a necessary precondition. Finally, it cannot be emphasised enough that offering stable policy and legislative frameworks is a prerequisite for crowding in finance that focuses on long-term return of investments. This is a call to action for governments and politicians everywhere.

## **2. Redirect demand-side subsidies to supply-side investments**

Demand-side subsidies can be a popular tool for politicians, especially when it comes to promoting home ownership. In the short term, they do seem to help buyers finance homes they couldn't otherwise afford, but they make the housing crisis worse in the long run. Demand-side policies often result in rising housing prices, creating a vicious cycle where increased affordability measures fuel demand, drive prices higher, and ultimately undermine housing accessibility.<sup>17</sup> For this reason, several EU governments have begun to phase out mortgage tax relief policies.<sup>18</sup>

Yet demand-side measures remain prevalent in housing policy. Between 2009 and 2015 there was an increase in public expenditure on demand-side housing measures. The majority of housing programmes in the EU focus on home ownership and support for homeowners, with 90 such programmes implemented across 26 Member States.<sup>19</sup> On the other side of the coin, the general trend has been a reduction in public spending on supply-side measures – that is, in public investment in housing development across the EU.<sup>20</sup>

Given the aforementioned investment gap and shortage of housing, this tendency is alarming (although some form of demand-side subsidies may be necessary; for example, rental subsidies that help low-income households to make ends meet). However, in light of the widespread housing shortage across the EU, it is advisable to re-balance the current funding approach by shifting part of the over-concentration on the demand side towards increased investment on the supply side.

## **3. Yes, 'build, build, build' – but for whom?**

Construction figures dropped in the aftermath of the global financial crisis and have never fully recovered.<sup>21</sup> Without a doubt, boosting supply is part of any solution to the housing crisis, and

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15. 'Renew Europe, Delivering on Housing in Ireland', report commissioned by Barry Andrews and conducted by Turnbull, Housing Europe.

16. 'Renew Europe'.

17. European Parliament (2020), 'The affordability of housing in the EU'. Policy Department for Economic, Scientific and Quality of Life Policies, Directorate-General for Internal Policies. Document reference: IPOL\_ATA(2020)652733.

18. F. Figari et al. (2019), 'Recent changes in housing policies and their distributional impact across Europe', EURO-MOD Working Paper No. EM12/19. <https://www.euromod.ac.uk/sites/default/files/working-papers/em12-19.pdf>.

19. Caturianas et al., *Policies to Ensure Access to Affordable Housing*.

20. A. Pittini et al. (2019), 'The state of housing in the EU 2019' (Brussels: Housing Europe/The European Federation of Public, Cooperative and Social Housing). <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

21. European Investment Bank (2025), *Why does Europe have a housing crisis and how do we fix it?* Retrieved from: <https://www.eib.org/en/essays/housing-crisis-solutions-europe>.

this requires a focus on innovation in the construction sector. Technologies wherein homes are prefabricated in off-site factories and reassembled at the desired location have the potential to speed up the production of housing stock and make up for a lack of construction workers. EU funds that target research and development should incentivise the uptake of these technologies.

At the same time, just following the mantra 'build, build, build' is not enough. The housing crisis is not only reflected in shortages but in a lack of access to affordable housing for specific segments of society. Developers tend to build for households with a higher income and while this increases supply, it doesn't address the affordability of housing.<sup>22</sup> Every call to 'build, build, build' must, therefore, be accompanied by a clear answer to the question: for whom? In the Netherlands, a pending legislative proposal addresses this question by requiring regional and local governments to ensure that 30% of all new housing is social housing, and that two-thirds of all projects are affordable – covering social housing, mid-priced rentals, and affordable homeownership.<sup>23</sup>

The same act also requires municipalities to draw up lists of groups with urgent housing needs, such as the homeless, which are then given priority in the allocation of available social housing units. While the percentages mentioned may be unique to the context of the Netherlands, where social housing historically makes up a large part of the stock, reserving a portion of all new housing developments for social and affordable housing is a best practice to follow, as is giving priority access to housing to the most vulnerable households.

#### **4. Make use of the potential of new state aid rules**

Currently, social housing is eligible for state aid. When a support scheme matches the requirements of the European SGEI Decision (2012/21/EU), it does not have to be declared to the European Commission. One of the requirements is that Member States limit social housing to 'socially disadvantaged groups'. The focus on low-income households in state aid legislation and concerns over unfair competition led countries such as Sweden and the Netherlands to reform their housing systems by reducing the role of social and public housing. Perhaps unsurprisingly, since these reforms both countries have experienced a shortage of affordable and accessible housing for low- and middle-income households.<sup>24</sup>

In recent years, many have argued that the criteria for access to social housing are too narrowly defined and have advocated for the inclusion of middle-income households that face similar challenges. Calls for a wider target group were made by the European Parliament, the Committee of the Regions, several Member States, cities, workers within the social housing sector, public banks, and tenants. Such a call is also present in the Letta report (in connection with the previously noted effect on pressured labour mobility).<sup>25</sup> Indeed, high prices in urban hotspots push out key workers, such as teachers, policy officers, and nurses.

*With middle-income households struggling to find access to housing, an investment gap, and flagging construction rates, the revision of the European state aid rules on housing may prove to be a very welcome new instrument in the toolbox for fighting the housing crisis.*

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22. Caturianas et al., *Policies to Ensure Access to Affordable Housing*.

23. Ministry of Housing and Spatial Planning (Netherlands) ((2025), 'Wet Versterking regie volkshuisvesting' [Strengthening Governance of Public Housing Act]. Volkshuisvesting Nederland, <https://www.volkshuisvestingnederland.nl/onderwerpen/wet-versterking-regie-volkshuisvesting> .

24. M. Grander & M. Elsinga (2025), 'Good news for the squeezed middle? EU's new housing commissioner, state aid and housing systems in Sweden and the Netherlands', SBV Working Paper Series, 25(1) (Sweden: Malmö University).

25. Letta, 'Much more than a market', pp. 94 and 100.

Von Der Leyen acknowledged the investment gap in housing in her political guidelines and urged the revision of the state aid rules in order to take away investment barriers. The European Commission will add a second target group for affordable housing to the above-mentioned SGEI Decision, which will allow Member States to set up a separate state-supported scheme for middle-income households. Member States that intend to make use of this possibility, like the Netherlands, expect that it will drive new construction in the middle segment. A study conducted by Ortec Finance confirms this, demonstrating that the investment capacity of Dutch social housing providers will increase by a factor of 2.6.<sup>26</sup> With middle-income households struggling to find access to housing, an investment gap, and flagging construction rates, the revision of the European state aid rules on housing may prove to be a very welcome new instrument in the toolbox for fighting the housing crisis.

## CONCLUSION

As Katriona O'Sullivan stated: 'Poverty is a destiny, it repeats itself, just like privilege'. Her life story shows that individual strength only flourishes when public provisions – such as housing – give people the chance to reshape their lives. For liberals, this means that promoting freedom and self-development cannot be separated from actively creating equal starting points. Europe's housing crisis is obstructing self-development, especially for young people, vulnerable groups, and middle-income households. A future in which everyone has the opportunity to realize their potential begins with a solid foundation: an affordable and stable home.

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26. Ortec Finance (2024), 'Niet-DAEB investeringsruimte: Toelichting bij model en scenario's' (commissioned by Aedes). <https://aedes.nl/media/document/rapportage-ortec-finance-over-niet-daeb-investeringsruimte>.

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# Comparative Lessons from Member States

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Vassilis Kessidis

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## INTRODUCTION

The housing crisis has emerged as one of the most pressing socio-economic challenges in contemporary Europe. Spiralling property prices, growing demand–supply mismatches, and regulatory rigidities have combined to undermine affordability and access to housing across Member States. According to Eurostat, between 2010 and 2023, house prices in the EU increased by 45.1%, while rents rose by 21.9%.<sup>1</sup> In metropolitan areas such as Berlin, Milan, Amsterdam, and Zagreb, the challenge of securing affordable and adequate housing has become acute, disproportionately affecting younger generations, lower-income households, and mobile workers.<sup>2</sup>

The severity of the problem calls for innovative solutions rooted in liberal principles. Liberal political thought places emphasis on individual freedom, competitive markets, innovation, and subsidiarity, all of which can provide fertile ground for designing policy frameworks that expand supply, remove bottlenecks, and foster inclusivity without undermining efficiency.<sup>3</sup> While the debate on housing often gravitates toward state-led interventions, this chapter argues that market-driven reforms, enhanced competition, and regulatory streamlining are indispensable for long-term sustainability.

This chapter adopts a comparative perspective, presenting case studies from Austria, Germany, the Netherlands, Finland, and Estonia. These examples illustrate both the successes and the limitations of different approaches and highlight the potential of liberal reforms to address the affordability, availability, and sustainability of housing in Europe.

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1. Eurostat (2024a), *House Price Index* (2015 = 100), EU27, Database, [https://ec.europa.eu/eurostat/databrowser/view/PRC\\_HPI\\_\\_custom\\_8882844](https://ec.europa.eu/eurostat/databrowser/view/PRC_HPI__custom_8882844).

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## DIAGNOSING THE CRISIS

### Affordability gaps

Housing affordability remains uneven across Member States but is particularly critical in urban centers where demand is concentrated. In cities such as Munich, Amsterdam, and Paris, average rents hover around or above the EU's 'housing cost overburden' threshold of 40% of disposable income, signaling that a growing share of urban households now face structural affordability pressures.<sup>4</sup> Younger populations and lower-income groups are disproportionately priced out, leading to generational inequities and social fragmentation.<sup>5</sup> The affordability gap is aggravated by speculative investments, restrictions on land use, and delayed responses in housing supply.

### Supply shortages

The crisis is fundamentally supply-driven. Construction activity in the EU lags, failing to meet demographic pressures and urbanisation trends. Euroconstruct estimates that Europe needs at least 1.5 million new homes annually to satisfy demand, yet completions between 2018 and 2023 averaged only 1.1 million units per year.<sup>6</sup> In Central and Eastern Europe, legacies of privatisation in the 1990s created fragmented ownership patterns, limiting rental availability and hampering mobility.<sup>7</sup>

### Regulatory and procedural barriers

Lengthy permitting processes, zoning rigidities, and bureaucratic red tape hinder the construction of new homes. According to the OECD, the average time to obtain a construction permit in the EU ranges from 120 days in Denmark to over 900 days in Greece.<sup>8</sup> Such delays discourage private investment and exacerbate shortages. Rent controls, though politically attractive, likewise often worsen supply shortages by disincentivising landlords from offering properties and reducing maintenance quality.<sup>9</sup>

## CASE STUDIES OF HOUSING REFORMS

### Austria: Balancing supply with affordability

Austria, and Vienna in particular, has long been regarded as a European 'success story' in housing policy. Roughly 60% of Vienna's population lives in some form of subsidised or cooperative housing, ensuring relative affordability compared to other European capitals.<sup>10</sup> This outcome was not achieved through rigid price controls, but through a combination of proactive land policy and long-term institutional stability. The city's municipal land banking strategy allows authorities to purchase and retain land, which is then made available to housing associations through long-term leases rather than outright sales.<sup>11</sup> This instrument prevents speculative fluctuations and gives housing providers incentives for stewardship and long-term investment.

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4. Eurostat (2024b), *Housing Cost Overburden Rate by Income Quintile*, database, [https://ec.europa.eu/eurostat/databrowser/view/ILC\\_LVHO07](https://ec.europa.eu/eurostat/databrowser/view/ILC_LVHO07).

5. K. Scanlon, C. Whitehead, & M. Fernández Arrigoitia (2014), *Social Housing in Europe* (London: Wiley).

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7. J. Hegedüs & E. Somogyi (2019), 'Housing in Transitional Countries: Trends, Policies, and Challenges', *Urban Studies*, 56(6): 1159–1178.

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9. K. Kholodilin (2020), 'Rent Control: Theory, Evidence, and Prospects', *DIW Discussion Papers*, 1876.

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Competition plays a central role in Vienna's model. Housing associations compete for access to municipally held land through transparent tenders, fostering efficiency while preventing monopolistic distortions. From a liberal perspective, this demonstrates how municipalities can design a market framework that balances affordability with choice without relying on blunt rent caps. The broader lesson is that predictable institutions, transparency in land allocation, and a pluralistic housing provider ecosystem can combine to deliver sustained affordability in a liberal housing market.

### **Germany: The pitfalls of rent control**

Germany provides a cautionary tale of regulatory overreach. The 2015 introduction of the *Mietpreisbremse* (rent brake) sought to limit rent increases to 10% above local reference levels in designated 'tight housing markets'.<sup>12</sup> While the policy was politically popular, its effectiveness was limited. Research by the German Institute for Economic Research (DIW) found only marginal impacts on rent growth, as landlords exploited legal exemptions or reduced investments in rental stock.<sup>13</sup> The more radical Berlin *Mietendeckel* (rent cap) of 2020, which froze rents at 2019 levels for five years, produced even stronger distortions. Many landlords withdrew units from the market or shifted them into ownership, while investors scaled back new construction. The measure was ultimately struck down by the Federal Constitutional Court in 2021 as unconstitutional.<sup>14</sup>

From a liberal standpoint, Germany's experience highlights the risks of well-intentioned but counterproductive regulation. Rent caps undercut incentives to maintain and expand rental stock, discourage investment, and ultimately exacerbate the very shortages they are intended to alleviate. A more sustainable path, consistent with liberal principles, lies in addressing the supply side: liberalising zoning, accelerating permit approvals, and creating fiscal incentives for private sector participation. The German case reveals that attempts to artificially suppress prices in a constrained market are not only ineffective but also legally and economically unsound.

### **The Netherlands: Liberalisation and its limits**

The Netherlands liberalised its rental market during the 1990s, reducing rent controls and encouraging private investment. Initially, this approach expanded the supply of rental units and diversified housing options. However, by the 2010s, demand outstripped land availability, particularly in the densely populated Randstad region. Between 2013 and 2022, house prices doubled, making the Dutch housing market one of the most overheated in Europe.<sup>15</sup> The liberalisation of rents (in the absence of reforms to land availability) created a situation where housing supply could not adjust to rising demand.

In response, Dutch policymakers experimented with modular housing and accelerated planning procedures under the Crisis and Recovery Act, which allowed temporary exemptions from rigid planning rules.<sup>16</sup> These innovations exemplify the importance of coupling liberalisation with governance instruments that expand land supply and reduce bottlenecks. From a liberal perspective, the Dutch case demonstrates that markets cannot function effectively when constrained by land scarcity and speculative pressures. Liberalisation must therefore be accompanied by predictable, transparent, and flexible land-use frameworks if affordability is to be maintained.

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12. Deutscher Bundestag (2015), *Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten (Mietpreisbremse)*.

13. A. Mense & K. Kholodilin (2019), 'Rent control in Germany: Impact on supply and rents', *Applied Economics*, 51(12): 1230–1248.

14. Bundesverfassungsgericht (Federal Constitutional Court of Germany) (2021), 'Decision on the Berlin rent cap (Mietendeckel)', 15 April.

15. P. Boelhouwer (2019), 'The housing market in the Netherlands: Trends and policies', *Journal of Housing and the Built Environment*, 34(2): 281–298.

16. Ministry of the Interior and Kingdom Relations (Netherlands) (2021), *Crisis and Recovery Act Review* (The Hague: Government of the Netherlands).

## Finland: Innovation and social inclusion

Finland's pioneering Housing First model (2008) fundamentally re-oriented social housing policy by treating permanent housing as the starting point rather than the end goal of addressing social problems. The results have been striking: Finland is the only EU country where homelessness has consistently declined over the past decade, falling by more than 35% since 2010.<sup>17</sup> This success depended on a coalition of actors: municipalities, NGOs, and private landlords coordinated to put Housing First into practice, with local authorities tailoring services to specific community needs.

At the same time, Finland pursued liberal instruments to expand housing supply. Helsinki's Zoning Agreement Model allows developers to finance infrastructure in exchange for accelerated building rights.<sup>18</sup> This public-private partnership shows how market incentives can be aligned with public goals, reducing the fiscal burden on the state while stimulating construction. Seen through a liberal lens, Finland's case embodies the principle of subsidiarity: delegating authority to municipalities, empowering local actors, and fostering partnerships between the public and private sectors. The lesson is that social inclusion can be advanced without top-down state control, through flexible governance and cooperative mechanisms.

## Estonia: Digital innovation and streamlined permitting

Estonia, faced with a post-socialist housing shortage, invested heavily in digital governance. Its e-Building platform enables online applications, transparent tracking, and inter-agency coordination, reducing permitting times from an average of 100 days in 2013 to under 30 days in 2022.<sup>19</sup>

Moreover, Estonia encouraged housing cooperatives and private developers through clear legal frameworks. The Housing Development Programme (2017–2023) incentivised energy-efficient renovations and cooperative housing models.<sup>20</sup> Innovation, transparency, and the reduction of administrative burden are key liberal policy values, exemplified by the Estonian response to its housing shortage; and as this case shows, solutions shaped by these ideals can provide meaningful improvements in the lives of citizens.

## LIBERAL SOLUTIONS: LESSONS FROM COMPARATIVE CASES

Several guiding principles for liberal reforms across Europe can be extracted from these case studies. Above all, they indicate that liberal principles such as market openness, inclusive local governance, and disciplined regulation, when combined, can generate sustainable and equitable housing outcomes. Before passing on to specific policy recommendations, it is worth pausing to consider each of these in turn.

Expanding supply through competitive and innovative markets. Affordability begins with the capacity of supply to respond to demand. The cases suggest that streamlined permitting, flexible zoning, and land-use liberalisation allow private and cooperative actors to build efficiently where needed.<sup>21</sup> Estonia's e-Building platform shows how digital innovation can drastically shorten approval times and improve transparency, while Austria's proactive land policy and competition among private and

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17. Y-Foundation (2020), *A Home of Your Own: Housing First and Ending Homelessness in Finland* (Helsinki: Y-Foundation Reports).

18. City of Helsinki (2021), *Zoning Agreement Model* (Helsinki City Planning Department).

19. Ministry of Economic Affairs and Communications of Estonia (2022), *e-Building Platform and Digital Permitting* (Tallinn: Estonian Government).

20. Anneli Kährik et al. (2021), 'Housing Policy in Estonia: From Post-Socialist Privatization to Digital Innovation', *Housing Studies* 36(4): 612–629.

21. OECD (2021b), *Housing Policies for Inclusive Growth* (Paris: OECD).

cooperative developers demonstrate that openness and clear rules encourage steady investment and moderate prices.<sup>22</sup>

Building inclusive markets through subsidiarity and social design. Liberal housing policy succeeds when markets are empowered from the bottom up, are anchored in local autonomy, and are designed for inclusion.<sup>23</sup> Finland's Housing First model exemplifies how municipalities, working with private developers and civil society, can integrate social objectives into flexible market frameworks. Local authorities in Austria play a similar role, adapting planning tools and cooperative models to their communities. In both cases, subsidiarity is the bridge between efficiency and fairness: decisions made closest to citizens allow markets to function freely while ensuring that no one is left behind.

Preserving market integrity through regulatory discipline. Predictable, proportionate regulation underpins market confidence. Germany's rent-control measures, while popular, ultimately constrained investment and reduced available housing stock, demonstrating the risks of distortionary controls.<sup>24</sup> In contrast, stable, rule-based frameworks such as Austria's have maintained a steady supply without blunt intervention.

## **POLICY RECOMMENDATIONS**

### **Streamline administrative procedures: Promote EU-wide benchmarks for digital permitting and planning systems, modeled on Estonia's success**

From liberal standpoint, the excessive weight of bureaucracy represents one of the principal barriers to an efficient housing market. Simplifying and digitalising administrative procedures is therefore not only a question of efficiency but of individual freedom and market accessibility. By setting EU-wide benchmarks inspired by Estonia's digital governance model, states can guarantee a transparent, predictable, and rapid permitting system that reduces the arbitrary power of local administrations.<sup>25</sup>

This would lower entry barriers for smaller developers and entrepreneurs who often lack the resources to navigate complex procedures, thereby enhancing competition and consumer choice. Liberalising planning approvals through digitisation and strict time limits would enable housing supply to respond more flexibly to market demand.

### **Expand land availability and use: Liberalise land-use rules while curbing speculative practices through taxation of vacant land**

Housing shortages are not fundamentally caused by a lack of physical land, but by restrictive land-use rules and rigid zoning systems that artificially constrain supply.<sup>26</sup> A liberal reform agenda would advocate for the easing of zoning restrictions and the opening of more land to residential development, particularly by promoting the adaptive reuse of abandoned or underutilised sites. However, to safeguard against speculative distortions, taxation on idle or vacant plots can ensure that land is directed toward productive uses rather than financial hoarding. In this way, the market is allowed to operate freely, but speculation that artificially inflates prices is curtailed. Such reforms would create a more competitive and flexible land market, keeping supply apace with the evolving needs of society.

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22. IMF (2023b), *Europe Regional Economic Outlook: Housing and Inequality* (Washington, DC: International Monetary Fund).

23. European Commission (2022a), *Housing Policy in the EU: Challenges and Prospects* (Brussels: Publications Office of the EU); Lawson, *International Trends in Housing Policies*.

24. Kholodilin, 'Rent Control: Theory, Evidence, and Prospects'.

25. Ministry of Economic Affairs and Communications of Estonia, *e-Building Platform*.

26. OECD, *Brick by Brick*.

## **Incentivise private sector investment: Introduce EU-backed housing bonds and tax incentives for affordable construction**

A liberal housing strategy recognises that the private sector, rather than the state, must be the main driver of construction and innovation. To unleash this potential, Europe should create financial instruments such as EU-backed housing bonds, designed to attract long-term investment from pension funds, insurers, and other institutional actors.<sup>27</sup> At the same time, targeted tax incentives could reward developers who voluntarily allocate parts of their projects to affordable housing, thereby aligning profit motives with social outcomes. Rather than relying on direct state provision, the objective should be to reduce investor risk and create a regulatory and financial environment where private entrepreneurship can flourish. This approach ensures that affordable housing emerges as a viable market segment, not merely as a subsidised niche.

## **Promote modular and sustainable housing: Support innovative construction technologies through Horizon Europe and the New European Bauhaus**

Innovation, competition, and entrepreneurial initiative are central to a liberal vision of housing policy. Modular housing, prefabricated construction, and 3D-printed technologies represent market-driven solutions to high costs and long construction timelines. EU programs such as Horizon Europe and the New European Bauhaus should be leveraged not to impose top-down design principles, but to create an enabling environment for startups and private actors experimenting with sustainable housing technologies.<sup>28</sup>

By linking housing innovation to the principles of the circular economy, Europe can stimulate a competitive ecosystem of firms producing recyclable materials, energy-efficient designs, and smart housing systems. While consumers benefit from lower costs, greater choice, and environmentally responsible housing, entrepreneurs gain incentives to innovate.

## **Encourage municipal experimentation: Empower cities to pilot cooperative housing, mixed-use zoning, and innovative financing schemes**

Cities are natural laboratories of liberal experimentation. Local authorities should be empowered to test new models of cooperative housing, flexible zoning, and alternative financing mechanisms without being constrained by rigid national rules. Liberalism stresses the importance of decentralisation: municipalities should have the autonomy to adapt housing models to their unique contexts and demographics. Allowing mixed-use zoning, for example, creates vibrant neighborhoods where housing, commerce, and culture coexist organically, reflecting the spontaneous order of the market.<sup>29</sup> EU support of such policies should take the form of competitive innovation grants, rewarding municipalities that pioneer scalable and successful solutions. The result would be a Europe of diverse housing ecosystems, where competition between cities cultivates best practices.

## **Foster knowledge sharing: Establish an EU Observatory on Liberal Housing Reforms to disseminate best practices**

A liberal housing agenda also values the free flow of information and the diffusion of successful reforms across borders. Establishing an EU Observatory on Housing Reforms would facilitate the exchange of market-oriented solutions, case studies, and comparative indicators, helping policymakers avoid the wasted time and effort of repeatedly reinventing the wheel.<sup>30</sup>

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27. European Investment Bank (2023), *Financing Affordable Housing in Europe* (Luxembourg: EIB Reports).

28. European Commission (2022b), *New European Bauhaus: Shaping More Beautiful, Sustainable, and Inclusive Housing* (Brussels).

29. Eurocities (2023), *Innovative Housing Solutions in European Cities* (Brussels: Eurocities Reports).

30. European Liberal Forum (2022), *Housing the Future: Liberal Approaches to Affordability and Innovation* (Brussels: ELF Policy Papers).

Knowledge sharing empowers both private actors and public authorities by providing evidence of what works in real-world conditions. Annual housing forums and peer-to-peer learning initiatives would serve as platforms where cities, developers, and researchers can learn from one another in an open and competitive context. Such transparency and collaboration are essential to ensuring that Europe's housing policies remain dynamic, evidence-based, and aligned with the principles of liberal governance.

## **CONCLUSION**

Europe's housing crisis is multidimensional, encompassing affordability, availability, and sustainability challenges. Comparative evidence suggests that rent caps and centralised interventions are insufficient and sometimes counterproductive. Liberal solutions, grounded in market efficiency, competition, innovation, and subsidiarity, offer a more viable long-term approach. From the cases outlined in this chapter, we are provided several lessons for future policy: Austria demonstrates the role of cooperative-market balances, Germany provides a warning against overregulation, the Netherlands illustrates the need for complementary governance, Finland showcases inclusivity through innovation, and Estonia exemplifies digital liberalisation. Together, these case studies are a rich repository of ideas for addressing Europe's housing crisis.

The liberal response must therefore be proactive: expand supply, dismantle barriers, empower local actors, and harness innovation.

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Part 2

# **POLICY LEVERS AND SOLUTIONS**

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# Brussels Can't Build Alone, But It Can Remove Obstacles

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## INTRODUCTION

Historically, public intervention in the housing market has focused on social housing, targeting low-income individuals. While this approach has brought about important positive effects for the most vulnerable, it has largely overlooked middle-income households, who in some cases earn too much to qualify for social housing but who cannot afford market-rate housing, especially in urban areas.

In recent years, the housing crisis has worsened and middle-income households have been pushed into precarious situations. They cannot be left behind any longer: public assistance for affordable housing for the middle-income is now urgently needed, not to replace but to complement social housing. The European Commission is currently preparing a revision of the Services of General Economic Interest (SGEI) rules (*Decision 2012/21/EU, Recital 1*), following a public consultation launched in the summer of 2025. A legal proposal is expected in the first quarter of 2026. This chapter offers practical recommendations for the reform of these rules so that public administrations can take on today's challenge with adequate tools at their disposal.<sup>1</sup>

This chapter focuses on legislative responses to the housing crisis, highlighting mismatches between purported aim and real-world effectiveness and considering how policy reform can be optimised to deliver meaningful results. It looks beyond good intentions and outlines the pragmatic issues that can limit the effects of policy. It begins by illustrating the risks of focusing exclusively on social housing through a case study of the Netherlands, where middle-income households face a growing 'structural gap'. It then provides a set of concrete reforms to the SGEI decision through the introduction of a dedicated category for affordable housing. Finally, it argues that a complementary reform of the General Block Exemption Regulation (GBER) could yield further improvements by reducing administrative burdens and consequently accelerating public investment in affordable housing, putting the ideal of regulation that empowers, rather than impedes, into practice.

1. European Commission (2011), *Services of General Economic Interest (SGEI) rules* (Decision 2012/21/EU, Recital 1), EUR-Lex, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012D0021&from=EL>.

## CASE STUDY: THE DUTCH MODEL AND THE STRUCTURAL GAP FOR MIDDLE-INCOME HOUSEHOLDS

The Netherlands has long been regarded as one of the leaders in the EU in the provision of social housing. The Dutch can fairly claim that their model has delivered positive outcomes to large segments of the population. Social housing accounts for roughly one-third of the country's rental housing stock. According to the Dutch government, approximately 75% of the 3 million rental dwellings are owned by housing associations. Per the 2024 thresholds, these associations are legally mandated to allocate 92.5% of their vacant stock to households earning up to €47,699 (for single-person households) or €52,671 (for multi-person households). These homes fall under the social housing category and are rented below the liberalised market threshold of €879.66 per month.

This framework has ensured good protection for low-income groups. But it is equally true that its sharp division between income brackets, combined with rigid eligibility thresholds, has left little space for middle-income families, contributing to a growing 'structural gap' in housing availability. These so-called 'in-between' households, typically made up of workers (such as nurses, teachers, and public servants), earn too much to qualify for social housing, yet struggle to afford decent housing on private market terms.

Acknowledging this issue, the Dutch government passed the Affordable Rent Act in April 2024.<sup>2</sup> The Act extends rent regulation to the middle-income segment by introducing controls for mid-range rental properties, understood as those with rents up to approximately €1,100 per month. The reform aims to benefit over 300,000 tenants, reducing rents by an average of €190 per month. As stated by Housing Minister Hugo de Jonge in the policy memorandum *Reguleren middenhuur*, 'finding an affordable rental home for middle-income households has become less of a guarantee'.<sup>3</sup> The government justified the new regulatory framework by noting that the rent level for many mid-range homes was no longer proportional to the quality offered. Aedes, the national organisation promoting the interests of practically every social housing association in the Netherlands, has echoed concerns about the problem. They argue:

Since the introduction of the Housing Act in 2015, housing associations have had very few opportunities to build mid-range housing. A limited number of associations remained active in mid-range rental housing, but most were forced to abandon the mid-range rental market... The thinking was that market players would provide this. However, this proved insufficient for the lower segments: the housing shortage is particularly severe.<sup>4</sup>

*Focusing exclusively on social housing, while politically compelling, may inadvertently neglect the needs of a moderate-income majority that is increasingly vulnerable in overheated housing markets.*

This example underscores a broader risk for EU housing policy: focusing exclusively on social housing, while politically compelling, may inadvertently neglect the needs of a moderate-income majority that is increasingly vulnerable in overheated housing markets.

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2. Government of the Netherlands (2024), *Affordable Rent Act*, *Volkshuisvesting Nederland*, <https://www.volkshuisvestingnederland.nl/onderwerpen/wet-betalbare-huur>.

3. Government of the Netherlands (2022), *Regulation of Mid-Range Rental Housing* (Letter from the Government presented by Minister De Jonge on 9 December 2022), *Tweede Kamer der Staten-Generaal*, [https://www.tweedekamer.nl/kamerstukken/brieven\\_regering/detail?id=2022Z24754&did=2022D53159](https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2022Z24754&did=2022D53159).

4. Aedes (2024), *Many More Mid-Range Rental Properties from Corporations Made Possible by Using the Guarantee System* (Press release, 27 March 2024), <https://aedes.nl/financieel-stelsel/veel-meer-middenhuurwoningen-bij-corporaties-mogelijk-door-gebruiken>.

## POLICY CONTEXT: THE POTENTIAL FOR EU INTERVENTION IN THE HOUSING MARKET

With the appointment of the first-ever EU Commissioner for Energy and Housing, Commission President Ursula von der Leyen sent a clear political message: housing will be a central priority of her second mandate. This represents a historic shift in the approach of EU legislators, who have traditionally treated housing as a national competence from which they aimed to keep their distance.

In this sense, the expected presentation of the Affordable Housing Plan in the first quarter of 2026 has generated significant anticipation.<sup>5</sup> As part of the initiative, the Commission has announced its intention to establish a pan-European investment platform for affordable and sustainable housing. Moreover, in the context of the mid-term review of cohesion policy, the Commission has already implemented the necessary amendments to the cohesion policy regulation to allow Member States to double the amount of cohesion funding available for affordable housing, providing a much-needed injection of liquidity into the sector.<sup>6</sup>

In principle, both initiatives should be applauded. The housing crisis is a pan-European challenge that requires a European solution. Indeed, most housing providers, when consulted, are likely to say that any additional EU-level support is more than welcome. However, a closer look at the financial reality of the EU raises serious questions about the scale of support the EU can realistically commit to, no matter how well-intended the policies may be.

Take, for example, the recently published Commission proposal for the next Multiannual Financial Framework (MFF).<sup>7</sup> Despite claims from the Commission that the package is the most ambitious to date, the reality is that once inflation and the repayment of the NextGenerationEU debt are factored in, the actual resources available will remain roughly equivalent to those of the previous budgetary cycle (around 1.26% of the EU's gross national income, up from 1.13%, but far below the 2% increase many analysts had expected). Furthermore, some Member States (most notably Germany and the Netherlands) are already calling for cuts from the Commission proposal. When the upcoming negotiations conclude, the most likely outcome is a budget that leaves the Commission with less financial capacity than the previous MFF.

As a result, the Commission will need to address a broader range of priorities – not just housing, but also areas like defence and competitiveness – without a corresponding increase in resources. This being the case, it is safe to assume that the final amount allocated to the housing market will be insufficient for a truly transformative EU-level intervention for middle-income households.

Even beyond budgetary limitations, the design of EU funding instruments presents another major hurdle: the excessive administrative complexity associated with EU funds, which disproportionately affects small and medium-sized projects and may discourage housing investors by making EU funding appear unattractive or unfeasible.

## THE CASE FOR THE REFORM OF THE STATE AID RULES IN THE SGEI

In light of everything mentioned above, the main argument of this chapter is that the most viable solution the EU can give to address the housing crisis lies in the review of the rules on Services of General Economic Interest (SGEI) currently under consideration by DG Competition. This possible legislative change, which will take the form of a Commission decision and possibly a Commission communication once finalised, represents an opportunity for providing meaningful, tangible support of affordable housing.

5. European Commission (n.d.), *Affordable Housing*, European Commission – Housing Portal, [https://housing.ec.europa.eu/index\\_en?prefLang=es&ettrans=es](https://housing.ec.europa.eu/index_en?prefLang=es&ettrans=es).

6. European Commission (2025a), *A Modernised Cohesion Policy: The Mid-Term Review* (Communication, 1 April 2025), DG REGIO – Publications, [https://ec.europa.eu/regional\\_policy/information-sources/publications/communications/2025/a-modernised-cohesion-policy-the-mid-term-review\\_en](https://ec.europa.eu/regional_policy/information-sources/publications/communications/2025/a-modernised-cohesion-policy-the-mid-term-review_en).

7. European Commission (2025b), *A Dynamic EU Budget for the Priorities of the Future – The Multiannual Financial Framework 2028–2034* (Communication COM(2025) 570 final, 1 August 2025), European Commission – Publications, [https://commission.europa.eu/publications/multiannual-financial-framework\\_en](https://commission.europa.eu/publications/multiannual-financial-framework_en).

In the EU legal framework, ‘services of general economic interest’ refer to economic activities that public authorities identify as being of particular importance to citizens and that would not be supplied (or would not be supplied under the same conditions) by the market alone. EU State aid rules allow Member States to grant public support to these services in certain circumstances.

As the European Commission has admitted, the current legal text – Decision 2012/21/EU, Recital 11 – falls short of addressing today’s realities. At the most basic level, it lacks a clear definition of ‘affordable housing’, making it difficult for Member States to finance relevant projects beyond the scope of social housing.<sup>8</sup> This is because the SGEI Decision was conceived exclusively with social housing in mind, narrowly designed to benefit the low-income and limited in scale. Furthermore, once a project falls outside the scope of social housing, it faces a limit of €15 million per year in compensation – an amount clearly inadequate to meet the current market’s investment needs for affordable housing for the middle income.

In theory, there is an alternative route to funding beyond the aforementioned €15 million per year: via the SGEI Framework, applicable in SGEI cases where the SGEI Decision that we just mentioned does not apply. However, this option imposes stricter compatibility requirements and involves a mandatory prior notification to the Commission; the resulting administrative burden renders it totally impractical. Perhaps for this reason, to date no Member State has ever notified an affordable housing compensation under the SGEI Framework. In a few isolated cases (Sweden, Ireland, and Czechia), the Commission has approved aid under Article 107(3)(c) TFEU, but these instances are considered by the Commission to be ‘unfit for generalised application’.

Consequently, the European Association of Public Banks (EAPB) proposed, in their contribution to the consultation launched by DG Competition, the creation of a dedicated SGEI category for affordable housing. They defined affordable housing as:

Housing for households that cannot afford adequate housing at market conditions due to market outcomes and, in particular, market failures in their region or municipality, according to Member State standards.<sup>9</sup>

This definition, which reflects the diversity of local realities and the structural nature of housing market failures, would allow Member States to tailor policies to their own regional and national contexts while ensuring compatibility with broader EU policy objectives.

It is important to highlight the fact that this definition does not compromise social housing, which would still be a very important sector of the market. What it does is enable Member States to expand the aid they offer, distinguishing between different segments of the housing market: social housing for the most vulnerable and mid-rental or affordable ownership for middle-income groups.

Beyond definitions, the Commission should also consider the following factors when revising SGEI rules:

- *The existence of housing supply does not necessarily imply the existence of affordable housing.* Therefore, affordable housing policy should not focus solely on places with acute shortages but extend to areas where, despite adequate supply, high prices create accessibility issues.
- *Targeting should take into account not only income but also housing costs.* Where housing costs are excessively high, affordability has also become a problem for middle-wage households. Member States should be allowed flexibility to prioritise groups such as nurses, teachers, or emergency service workers.

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8. European Commission (2024), *State Aid – Revision of the Rules on Services of General Economic Interest* (Initiative launched 5 June 2024), *Better Regulation Portal*, [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14708-State-aid-revision-of-the-rules-on-services-of-general-economic-interest\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14708-State-aid-revision-of-the-rules-on-services-of-general-economic-interest_en).

9. European Association of Public Banks (EAPB) (2025), *Position Paper on Housing* (18 March 2025), <https://eapb.eu/component/attachments/attachments.html?id=3389>.

- *Preventing speculation is crucial.* Subsidised rental units should remain affordable for the duration of financing agreements (e.g. 20–30 years), and resale restrictions should be applied to ownership models.
- *The private sector can play an important role in the supply of affordable housing.* Although it might be tempting to restrict affordable housing provision to non-profit or public entities, private actors and smaller developers should be considered eligible if they meet public-interest conditions.
- *Beyond new construction, refinancing of existing housing stock should also be included as an eligible cost,* as this would improve financial capacity for housing providers.

These changes would empower national authorities to support the creation of affordable housing for the middle class – bringing relief to thousands of families across Europe without compromising EU resources – by allowing them to compensate housing companies for the losses they face when charging rents that are below market prices.

Moreover, reforming Member State aid rules is an exclusive prerogative of the Commission and therefore does not need to be agreed upon by the EU Member States themselves. If done well, such reforms could represent an important political win for the Commission and particularly for President Von der Leyen, and would accomplish one of her objectives in this legislative term.

## IMPACT ASSESSMENT

In January 2024, Aedes (the Dutch federation of housing associations) asked the independent consultancy Ortec Finance to prepare an estimate on how changes in EU State aid rules could affect the investment capacity of housing corporations in the mid-range rental segment. The focus was on scenarios in which providers could apply to mid-range rental housing the same mutual guarantee system (WSW guarantee) currently used for social housing.

The report was published in March 2024, and the results speak by themselves: according to their calculations, the investment capacity of Dutch housing providers would jump from 26,000 to 67,000 homes.<sup>10</sup> And most notably, this expansion would happen without the need for additional government funding or higher rents.

It might seem paradoxical that such a significantly different outcome could be achieved with the same resources. The reason lies in the high efficiency of mutual guarantees, which allow housing providers to access loans under better conditions and on a greater scale. This efficiency gain would be enough to close the investment gap identified in the Dutch National Performance Agreements without compromising the financial stability of housing providers. Aedes concluded by calling for clear regulatory changes at EU level to enable guaranteed financing for mid-range rental housing, consonant with the recommendations put forward in this chapter.

## COMPLEMENTARY PROPOSAL: REFORMING THE GBER TO UNLOCK DIRECT INVESTMENT

While the modification of the SGEI proposed by the Commission presents a valuable opportunity to support affordable housing, there is potential to go even further, provided that there is sufficient political will. Concretely, a reform of the General Block Exemption Regulation (GBER, Regulation No 651/2014) could significantly reduce the administrative burden for national authorities and speed up delivery of public investment.<sup>11</sup>

10. Aedes (2024), *How Do We Finance 50,000 Mid-Range Rental Homes?* (Report, 27 March 2024), <https://aedes.nl/financieel-stelsel/veel-meer-middenhuurwoningen-bij-corporaties-mogelijk-door-gebruiken>.

11. European Commission (2014), *Commission Regulation (EU) No 651/2014 of 17 June 2014 Declaring Certain Categories of Aid Compatible with the Internal Market in Application of Articles 107 and 108 of the Treaty*, EUR-Lex, <https://eur-lex.europa.eu/eli/reg/2014/651/oj/eng>.

These are complementary reforms. Unlike the SGEI (which focuses on compensating losses), a reform of the GBER would allow Member States to support affordable housing providers and construction companies directly, without prior notification to the European Commission (provided the aid meets certain criteria). More specifically, a new article could be introduced under Section 17, Article 56 of the GBER (full proposed text in Annex, European Association of Public Banks). Some key points in this proposal are outlined below.

- In order to safeguard affordability, publicly supported housing units should not exceed 'comparable rents' for a period of at least 10 years, regardless of changes in ownership or tenancy.
- The 'comparable rents' should be jointly established or validated by public authorities or representative bodies of landlords and tenants.
- Aid would cover investment costs in tangible assets (excluding replacements and fossil fuel systems), including one-off non-amortisable expenses directly linked to the project.
- The GBER aid should either a) be capped at 50% of the eligible costs (investment costs in tangible assets, including one-off non-amortisable costs), or b) be limited to closing the viability gap.
- Eligibility criteria should be restricted to housing for long-term residential use and not for short-term or tourist rental.

## CONCLUSION

This chapter has examined the risks of an EU housing policy that focuses exclusively on social housing. Using the Netherlands as a case study, it showed how a dual system – where one-third of housing is social and the remainder is high-cost – leaves middle-income families with few affordable options. These 'in-between' households often earn too much to qualify for social housing but still struggle to access market-rate rentals. To address this growing 'structural gap', the European Commission has announced its intention to redirect EU funding into the housing market. While the political signal is welcome, the EU lacks the budgetary capacity to produce a real impact on national housing markets, as suggested by the proposal for the new Multiannual Financial Framework (MFF).

This chapter has argued that the most impactful contribution the EU can offer comes in the form of regulatory reforms, specifically to the Services of General Economic Interest (SGEI) Decision. It suggested the creation of a dedicated SGEI category for affordable housing, allowing Member States to support middle-income households who cannot afford adequate housing in their region under market conditions. An impact assessment by Ortec Finance estimates that such a change could more than double the investment capacity of Dutch housing associations, from 26,000 to 67,000 homes – without additional public funds or higher rents – by unlocking the use of efficient mutual guarantee systems.

In addition, the chapter has proposed a targeted reform of the General Block Exemption Regulation (GBER) to allow direct support for affordable housing providers and construction companies without prior notification to the Commission.<sup>12</sup> This would reduce administrative burdens and accelerate the delivery of public investment. Even in the absence of budgetary resources, the EU has some important tools at its disposal to promote affordable housing through regulatory reforms. The targeted amendments outlined in this chapter to the SGEI and the GBER will not solve the housing crisis by themselves, but they can remove some of the most significant barriers to investment that housing providers face.

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12. Council of the European Union (2015), *Council Regulation (EU) 2015/1588 of 13 July 2015 on the Application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to Certain Categories of Horizontal State Aid (Codification)*, EUR-Lex, <http://eur-lex.europa.eu/eli/reg/2015/1588/oj/eng>.

## DRAFT LEGAL PROPOSAL FOR GBER HOUSING EXEMPTION (EUROPEAN ASSOCIATION OF PUBLIC BANKS)

### SECTION 17

#### Aid for rental housing

##### Article 56 g) Local and/or regional investment aid for affordable rental housing

1. *Local and/or regional investment aid for affordable rental housing shall be compatible with the internal market within the meaning of Article 107(3) TFEU and shall be exempted from the notification requirement of Article 108(3) TFEU, provided that the conditions laid down in this Article and in Chapter I are fulfilled.*
2. *Affordable rental housing within the meaning of this Regulation includes the construction, conversion, remediation and/or rededication to housing that is open to broad sections of the population for rental purposes. The housing may not be rented out for tourist and/or short-term purposes. The affordability of the rented housing is measured against a benchmark, such as the comparable rent customary in a given region, municipality or local area. The benchmark is formed from the usual rents that have been agreed upon for a reasonable period of time for housing of a comparable type, size, furnishings, quality, location and age.*
3. *The comparative rent in place or any other relevant benchmark may not be exceeded for a period of at least 10 years, irrespective of a change of owner or tenant.*
4. *The eligible costs shall be the costs of investments in tangible assets for affordable rental housing, including one-off non-amortizable costs directly related to the investment. A replacement investment does not constitute an investment within the meaning of this paragraph. Costs for the installation of energy systems powered by fossil fuels, including natural gas, are not eligible.*
5. *The amount of aid per project is limited to the difference between the eligible costs and the operating profit of the investment. The operating profit shall be determined in advance on the basis of realistic projections or deducted from the eligible costs through a claw-back mechanism.*
6. *As an alternative to paragraph 5, the aid intensity shall not exceed 50 % of the eligible costs.*

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# Powering Affordability: Energy efficiency

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## INTRODUCTION

The recent Iberian Peninsula blackout demonstrated a general weakness in our electric system, with congestion increasing in grids across the European Union. This incident points to a fundamental challenge: before we can successfully electrify, we must first re-engineer energy systems for resilience and security. As demand for electricity is projected to surge 60% by 2030 (driven by everything from heat pumps to artificial intelligence), the traditional paradigm of simply generating more power is no longer sustainable. This is because building vast new generation and grid capacity from scratch will, at the current rate, be a slow and expensive process. A more sustainable short- to medium-term solution would be to improve energy efficiency in housing. This would help reduce electricity demand, especially during peak hours, which in turn would ease pressure on the grid and lower the risk of congestion or blackouts.

According to the European Commission, 'Energy Efficiency means the ratio of output of performance, service, goods or energy to input of energy.' In simpler terms, it means using less energy to produce the same amount of output from a service, whether heating water or using lighting or AC.

Improved insulation of homes and the adoption of smart appliances can decrease the energy required for heating, cooling, and lighting, while also enabling flexible consumption patterns. Such gains in efficiency and adaptability can support grid stability. Moreover, they can facilitate the integration of renewable energy sources, reducing reliance on fossil-fuel backup systems. Thoughtful housing design is therefore a key enabler of a cleaner, more resilient energy system.

The continent's housing stock, largely constructed in the post-war era, represents its single largest energy liability, accounting for 40% of the EU's total energy consumption. These poorly insulated buildings leak energy, strain the grid during peak demand periods, and saddle families with high and unpredictable utility bills. This inefficiency is a direct drain on household budgets and a critical vulnerability for national energy security.

*The most immediate, cost-effective, and powerful tool at our disposal is not in a power plant but in our own homes: energy efficiency.*

A liberal approach to this challenge does not seek a top-down, state-heavy solution. Instead, it embraces innovation, empowers individual choice, and unlocks market-based efficiencies. The

most immediate, cost-effective, and powerful tool at our disposal is not in a power plant but in our own homes: energy efficiency.

This chapter argues for a modern liberal energy policy that harnesses competition, price signals, and data to drive voluntary efficiency investments. By making our homes smarter and more efficient, we build the essential foundation for a secure, affordable, and clean energy future for all Europeans.

## **REASONS FOR ENERGY INEFFICIENCY IN THE EU BUILDING STOCK**

There are two main EU legislative packages relevant to the continent's energy efficiency. Firstly, the Fit-for-55 Package, adopted in July 2021, which aims to reduce EU greenhouse gas (GHG) emissions by at least 55% by 2030 (compared to 1990 levels), en route to climate neutrality by 2050. The Revised Energy Efficiency Directive (EED), which has become a cornerstone of the package, sets a binding target of 11.7% reduction in final (energy used by end consumers) and primary (total energy used in its raw form before any conversion energy consumption) by 2030, compared to 2020 forecasts. Additionally, Member States must almost double annual energy savings, especially in public buildings and services. The second legislative package is the REPowerEU Plan, launched in May 2022 in response to Russia's invasion of Ukraine. It builds on Fit-for-55 by pledging to end EU dependence on Russian fossil fuels by 2027 and accelerate the clean energy transition. It calls for an additional 13% energy savings by 2030 and seeks to boost building renovations and heat pump deployment.

Overcoming the deeply entrenched obstacles to efficiency is a prerequisite for achieving the EU's climate and energy security ambitions. It is important here to recognise that the energy inefficiency of Europe's building stock is not a monolithic, single-cause problem – it has arisen from a complex interplay between regulatory, economic, technical, and social barriers. The reasons for this persistent inefficiency can be categorised into six key areas.

### **Regulatory Fragmentation and Bureaucratic Inertia**

The EU's regulatory landscape for buildings is characterised by a patchwork of national and sub-national standards, leading to significant disparities in policy enforcement and ambition. While directives like the Energy Performance of Buildings Directive (EPBD), revised in May 2024, set broad EU-level goals, their transposition into national law has been inconsistent.<sup>1</sup> As matters currently stand, 85% of EU buildings were built before 2000 and 75% have poor energy performance.<sup>2</sup> Complex permitting processes can make it difficult to achieve substantive improvements. Ambitious retrofits, particularly those involving changes to façades, structural elements, or the installation of low-carbon technologies like heat pumps and EV chargers in multi-owner buildings, often face administrative timelines stretching months or even years. This bureaucratic inertia creates a disincentive for investment, trapping older, lower-value housing in a cycle of disrepair where landlords defer upgrades, tenants face high energy bills, and overall housing quality deteriorates. This regulatory drag increases financing hurdles and weakens market signals for renovations. Liberal regulatory and permitting policies must always keep user experience in the foreground. Transparent and efficient protocols are needed if would-be renovators are to bring about positive changes in their buildings.

### **Pervasive Market Failures and Misaligned Incentives**

The 'split incentive' dilemma is a fundamental market failure plaguing the rental sector. It arises when landlords are responsible for financing upgrades but tenants capture the benefits through lower utility bills. This misalignment creates cost-recovery problems: neither party has sufficient incentive to invest, even when upgrades would be financially beneficial overall. The result is sys-

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1. European Commission Inclusion, September. *Energy Performance of Buildings Directive*, [https://energy.ec.europa.eu/topics/energy-efficiency/energy-performance-buildings/energy-performance-buildings-directive\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-performance-buildings/energy-performance-buildings-directive_en).

2. European Commission, *Energy Performance of Buildings Directive*.

tematic underinvestment in deep retrofits. In the owner-occupied sector, the problem manifests as information asymmetry and valuation uncertainty.<sup>3</sup> Prospective buyers and tenants lack reliable, comparable data on a dwelling's operational energy costs or the potential return on investment for upgrades. Consequently, energy performance is rarely fully capitalised into property prices, diminishing the financial reward for owning an efficient home and weakening the economic case for renovations, even when they offer compelling lifetime savings. Such incentive gaps mean that even well-designed finance products struggle to reach the properties that need them most.

## **Capital Constraints and an Immature Financing Ecosystem**

The high upfront cost of deep renovation remains a major barrier for most households. Low-income families lack the capital (or access to affordable credit) for comprehensive upgrades such as improved insulation or the installation of high-efficiency heating systems. When liberals espouse the right to equal opportunity, they should not overlook this obvious disparity; income level should not be the deciding factor for bringing green solutions to a dwelling. While public subsidy schemes do exist, they are often fragmented across member states, temporary, and skewed towards single, visible measures rather than the integrated, whole-building approaches. Without robust EU-wide financing vehicles to de-risk projects and lower capital costs, many economically viable retrofits will not be carried out. Capital limits interact with regulatory and market failures to stall renovations at scale.

## **Technological Gaps and a Critical Skills Shortage**

Digitalisation of the building sector through smart meters, building energy management systems, and data-driven retrofit planning is a promising pathway to greater efficiency. However, uptake is highly uneven. Many older multi-family buildings do not have the necessary metering infrastructure (and therefore data) to enable smart energy management or participate in demand-response programmes. Furthermore, Europe faces a severe shortage of qualified installers and tradespeople skilled in modern retrofit techniques.<sup>4</sup> This skills gap can both elevate the risk of faulty installations and increase project costs, ultimately leading to slower renovation rollouts, reluctance among landlords or owners to undertake retrofits, and reduced confidence among financiers.

## **Infrastructure Limitations and a Lack of Systemic Planning**

Buildings are not isolated units; their energy efficiency is inextricably connected to local energy infrastructure. In many regions, distribution grids are already operating at or near capacity, creating a significant barrier to electrification. Under such circumstances, building owners may be discouraged from installing heat pumps or solar PV by slow grid connection times, high reinforcement fees, or capacity constraints. Compounding this issue is a lack of coordinated planning between building renovation strategies and network upgrades, leading to underinvestment in cost-saving alternatives like local storage, microgrids, and flexible demand management. If buildings aren't designed to align with the existing grid, it becomes harder to implement smart energy systems and achieve flexible power use. Network limits, moreover, blunt the impact of building-level measures and make certain choices – although efficient – impractical.

## **Socio-Economic Vulnerability and Political Economy**

The housing and energy affordability crises are intertwined with the inefficiency of the building stock. Energy-inefficient homes are a primary driver of energy poverty, as they force vulnerable households to spend a disproportionate share of their income on basic thermal comfort. This creates a political and economic challenge: despite potential long-term societal benefits, policy-makers and landlords may be hesitant to mandate or undertake renovations if the costs are to be shouldered by tenants in the form of rent increases. Short-term economic horizons, concerns over

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3. L. Castellazzi, P. Bertoldi, & M. Economidou (2017), 'Overcoming the split incentive barrier in the building sector', *Publications Office of the European Union, Luxembourg*, 10(912494).

4. European Labour Authority (2025), *Building the skills for a thriving construction industry*, Directorate-General for Employment, Social Affairs and Inclusion, [https://eures.europa.eu/building-skills-thriving-construction-industry-2025-09-03\\_en](https://eures.europa.eu/building-skills-thriving-construction-industry-2025-09-03_en).

social displacement (often termed 'renoviction'), and a lack of trust in public interventions further complicate policy design. Without carefully targeted measures that protect low-income residents and ensure a just distribution of costs and benefits, efforts to improve efficiency will face significant political headwinds and risk exacerbating social inequality. Equity concerns require policy designs that offer reasonable incentives while protecting vulnerable households.

## INNOVATIVE MARKET-BASED SOLUTIONS

While the challenges that have just been outlined are considerable, they are not insuperable. Below, I propose several liberal, market-based solutions to the problems currently affecting the housing market. Increasing efficiency is key here, and a few different approaches stand out: the use of sectoral instruments; digitalisation; streamlined permitting and financing; and even the creation of energy communities. These are all viable strategies that can benefit the citizens of Europe and limit energy poverty.

### Sectoral instruments: Building certificates and mortgages

White certificate schemes, or Energy Efficiency Certificates (EECs), are pivotal in reducing emissions. These market-based mechanisms motivate companies across various sectors to implement energy-saving projects by issuing tradable certificates for verified energy savings. Such schemes promote effective climate action by rewarding businesses for their energy-saving initiatives while helping the EU meet its energy efficiency goals and fostering growth in the green economy. The International Energy Agency (IEA) estimates that energy efficiency measures could deliver up to 40% of the emissions reductions necessary to meet global climate targets by 2040.<sup>5</sup> In countries like France and Poland, these schemes have been employed to incentivise residential upgrades. In France alone, they generated savings equivalent to the energy use of nearly 10 million homes between 2020 and 2021.<sup>6</sup>

Performance-based mortgages, also known as energy-efficient mortgages (EEMs) or green mortgages, are innovative financial products. They link mortgage terms (such as interest rates or loan eligibility) to a property's energy performance. That is, they encourage homeowners to prioritise green investment by offering better mortgage conditions for purchasing energy-efficient buildings or making energy-efficient renovations. The EU has been actively developing and promoting performance-based mortgages through several initiatives. The Energy Efficient Mortgages Initiative (EEMI), launched in 2015 and funded by EU Horizon 2020, is a notable example. The EEMI aims to create a standardised framework for energy-efficient mortgages across Europe. It includes tools like the EEM Label, which certifies banks offering mortgages aligned with energy performance goals.

Additionally, EU-funded projects like the Energy efficient Mortgages Action Plan (EeMAP) and Energy efficiency Data Protocol and Portal (EeDAPP) can play crucial roles.<sup>7</sup> EeMAP defines what qualifies as an energy-efficient mortgage and has launched a pilot with 65 banks across the EU. Meanwhile, EeDAPP developed data protocols to help banks track energy performance and assess credit risk based on building efficiency. In a report published in 2023, the European Banking Authority (EBA) proposed a voluntary EU green loan label and a common framework for green mortgages. The report emphasised, however, the need for harmonised definitions and better access to energy performance data if green lending is to be scaled up successfully.<sup>8</sup>

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5. IEA (2023), *Energy Efficiency 2023*, IEA (Paris), <https://www.iea.org/reports/energy-efficiency-2023>.

6. STX Group (2024), *Europe's White Certificate Schemes: A Closer Look at Poland, France, Spain, and Italy*, <https://stxgroup.com/strive/latest-news/europe-white-certificate-schemes/>.

7. <https://energyefficientmortgages.eu/>.

8. European Banking Authority (2023), *EBA report in response to the call for advice from the European Commission on Green Loans and Mortgages*, [https://eba.europa.eu/sites/default/files/2023-12/e7bcc22e-7fc2-4ca9-b50d-b6e922f99513/EBA%20report%20on%20green%20loans%20and%20mortgages\\_0.pdf](https://eba.europa.eu/sites/default/files/2023-12/e7bcc22e-7fc2-4ca9-b50d-b6e922f99513/EBA%20report%20on%20green%20loans%20and%20mortgages_0.pdf).

Initiatives like those just described use financial products and market logic to promote energy efficiency, which in turn empowers consumers and leverages private capital (rather than relying on regulation or subsidies). Despite the progress already made in this area, several challenges remain. These include a lack of standardised data on building energy performance, limited consumer awareness and uptake, and regulatory fragmentation across member states. To address such issues, political support and integration with broader EU climate goals are imperative.

## **Digitalisation and information transparency**

One of the most innovative ideas put forth for increasing energy efficiency in housing was described in a 2025 ELF paper on electric grids.<sup>9</sup> The paper argued that smart meters may serve as a powerful tool for balancing energy consumption within residential grids. Such meters offer real-time data on energy use, allowing for more efficient management of electricity distribution. By monitoring usage patterns, smart meters enable utility providers to predict demand and adjust supply accordingly, reducing strain on residential grids. Smart meters can also facilitate demand response programs, incentivising consumers to reduce or shift their energy usage during peak times. Mandating smart meter rollouts to increase efficiency involves leveraging technology, market incentives, and individual agency to achieve public goals. It is thus well aligned with liberal policy values.

Establishing robust data-sharing platforms is also important. Digital infrastructures can allow the secure exchange of energy-related data among key stakeholders. We recommend the creation of an EU ‘Energy Data Space’ that would let grid operators and independent energy companies share real-time information on electricity use and supply, while ensuring the protection of privacy. Grid operators must work transparently while streamlining data collection and storage.

## **Streamlined EU permitting and coordination: Establish TEN-E one-stop shop with six-month appeal cap**

A ‘one-stop shop’ for renovations seeks to offer a market-friendly service hub, simplifying the process for both households and building managers. It functions as a centralised interface guiding users through the entire energy renovation journey, from technical assessments and financing options to contractor coordination and compliance with EU and national standards. By replacing cumbersome bureaucratic processes with a single point of contact, one-stop shops can make renovation a more manageable, consumer-oriented experience.

The one-stop shop concept discussed here aligns with existing EU initiatives that aim to streamline complex procedures. For example, the revised TEN-E Regulation includes provisions for ‘offshore one-stop shops’ to simplify permitting, while the LIFE Programme funds one-stop shops with integrated services for transitioning buildings to clean energy.

The six-month appeal cap represents a more ambitious timeline than current provisions. The revised TEN-E Regulation accelerates permit-granting, requiring its completion in less than 42 months – significantly longer than the proposed six-month cap. From a liberal perspective, predictable and limited timelines for appeals augment investment certainty while maintaining necessary oversight mechanisms.

## **Financing: Use ETS revenues to fund rebates for efficiency upgrades**

The use of ETS revenues to fund rebates for efficiency upgrades may also promote energy efficiency. The EU Emissions Trading System (ETS) has generated significant revenue: over €230 billion since 2013, with €38.8 billion in 2024 alone.<sup>10</sup> The ETS is the world’s largest carbon market and embodies the ‘polluter pays’ principle (the idea that those who produce pollution should bear the costs of managing it, to prevent damage to human health or the environment), creating a direct

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9. E. Borgne (2025), ‘Gridlocked. Unleashing European Power’, *European Liberal Forum Paper/ELF – Policy Paper*, 32, 1–16.

10. European Commission (2025b), *Auctioning of Allowances*, [https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/auctioning-allowances\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/auctioning-allowances_en).

financial incentive for industries to decarbonise.<sup>11</sup> The ETS itself is a cap-and-trade system, employing market forces to price carbon and incentivise emissions reductions.

A liberal policy approach would use these revenues to directly counteract the market failures and high upfront costs that discourage private investment in energy efficiency. This creates a virtuous cycle: polluters pay, and the funds are used to empower consumers and businesses to reduce their future energy costs and environmental impact. Such a mechanism is already successfully being tested in several Member States:

- France initially channelled 100% of its ETS auction revenues into its MaPrimeRénov programme, a subsidy for energy renovation projects.
- Germany allocated 36% of its ETS revenues in 2020 to a CO<sub>2</sub> Building Retrofitting Programme.

EU law already mandates that Member States spend at least 50% of their ETS revenues on climate and energy purposes, with most countries far exceeding this minimum (averaging 76% in 2022). A focused, liberal policy would argue for ring-fencing a significant, predictable portion of these existing revenue streams specifically for direct-to-consumer and direct-to-business rebates for verified efficiency upgrades, such as insulation, heat pumps, and high-efficiency windows.

### **Energy communities and public–private partnerships: Support citizen energy communities under RED II/CEED directives**

The idea of energy communities is not new, but it has been underexploited. Energy communities make individuals and local groups active participants in the energy market, decentralising power both literally and figuratively. This chapter calls for the implementation and strengthening of such EU legislation as could make energy communities a viable option for improving efficiency. In this ambit, two directives – RED II and CEED – are particularly relevant.

- RED II (Renewable Energy Directive II): This directive legally requires Member States to provide an enabling regulatory framework for Citizen Energy Communities (CECs) in their national laws. It defines a CEC as a legal entity based on open and voluntary participation, controlled by shareholders or members that are natural persons, SMEs, or local authorities, whose primary purpose is to provide environmental, economic, or social community benefits rather than financial profits. However, while RED II establishes the legal basis for CECs, its implementation across Member States remains uneven, with varying levels of support, clarity, and administrative burden. This fragmentation limits the scalability and impact of CECs.
- CEED (Clean Energy for all Europeans Package): This package, which includes the Electricity Market Directive, further enshrines the rights of CECs to access energy markets; generate, consume, store, and sell electricity; and be protected from discriminatory practices. In practice, many CECs face barriers such as complex licensing procedures, grid access limitations, and lack of tailored financial instruments, which hinder their ability to fully participate in energy markets.

Overall, CECs are a powerful tool to overcome the specific barriers identified in this chapter. Some of the ways they can facilitate a shift to energy efficiency and affordability are outlined below.

- *Overcoming Split Incentives*: In multi-owner buildings, a CEC can be formed among residents to collectively invest in building-wide efficiency upgrades (e.g., insulation, a shared heat pump). This aligns the incentives of all owners and tenants, as the business case is built on reducing the community's shared energy costs.

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11. S. Bergina (2024), *EU ETS revenues: what do the member states use the proceeds for?*, Homaio, <https://www.homaio.com/post/eu-ets-revenues-what-do-the-member-states-use-the-proceeds-for>.

- *Lowering Financial Barriers:* By aggregating many individual households into a single entity, a CEC can access better financing terms, secure grants, and manage investments at a scale that is both feasible and attractive to capital. This directly solves the problem of 'high upfront costs' for individual homeowners.
- *Driving Demand-Side Flexibility:* A CEC can act as a Virtual Power Plant (VPP; a digital system that aggregates and coordinates multiple decentralised energy resources to function like a single power plant), aggregating the flexible demand of its members (by smartly timing the operation of heat pumps or EV charging). This allows the community to generate revenue from grid stability services, creating a new income stream to pay back efficiency investments. This significantly alleviates the 'infrastructure limitations' and 'peak demand' problems that were outlined earlier in this chapter.

To unlock the full potential of CECs, future policy should focus on harmonising implementation across Member States, simplifying administrative procedures, and creating dedicated funding and technical support mechanisms. Without these improvements, the transformative potential of CECs will remain unrealised.

## CONCLUSION

The EU aims to decarbonise power and meet Fit-for-55 efficiency targets by 2030. The major challenge faced by the EU is that its energy-intensity improvement slowed to 1 % in 2024. To power an affordable and secure energy future, Europe must unleash the efficiency potential within its own homes. A liberal-market agenda based on harnessing smart price signals, tradeable white certificates, streamlined EU permitting, and digital transparency, can unlock annual efficiency gains of 3–4%, turning buildings from liabilities into assets.

*To power an affordable and secure energy future, Europe must unleash the efficiency potential within its own homes.*

Key proposals mentioned in this chapter include carbon-revenues rebates, an EU white-certificate market, performance mortgages, one-stop EU permitting, energy-data space, dynamic pricing, and

private-sector bonds for interconnectors. By aligning market incentives with climate ambitions, the EU can increase private investment, ease grid pressure, and lower bills. Efficiency in housing can power a resilient, efficient, and competitive Europe.

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# Liberalising the Rental Market: Supply-Side Solutions to Unlock Housing Supply

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## INTRODUCTION

Citizens in European Union countries face a growing residential crisis characterised by increasingly unaffordable housing. According to the Eurobarometer on Urban Challenges and Investment in Cities, affordable housing has emerged as the most pressing concern for urban citizens, with 51% of city residents identifying it as an urgent problem, far surpassing other challenges such as unemployment or poverty.<sup>1</sup>

A look at housing conditions across the EU countries demonstrates significant disparities in both tenure status and quality. According to Eurostat, in 2023, 69% of the EU population lived in owner-occupied dwellings, while the remaining 31% were tenants.<sup>2</sup> However, the balance between ownership and renting varies sharply from east to west. While home ownership remains near universal in countries such as Romania and Slovakia, tenant-based markets dominate in Germany and Austria. Beyond these structural contrasts lie deeper social divides: overcrowding remains widespread in parts of Eastern and Southern Europe, while under-occupation is common in wealthier states, revealing a continent where living space is unevenly allocated. At the same time, roughly one

1. Flash Eurobarometer 561 (2025), 'Public opinion on urban challenges and investment in cities' (Ipsos European Public Affairs, conducted for the European Commission, Directorate-General for Regional and Urban Policy, coordinated by DG COMM), <https://europa.eu/eurobarometer/surveys/detail/3368>. The problem is most acute in cities: only 37% of residents of towns and 28% of residents of rural areas rank housing as their top concern, prioritising instead the lack of quality public services.
2. Eurostat (2024), 'Housing statistics: Tenure status, overcrowding, under-occupation, and housing conditions in the EU', [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvho02\\_\\_custom\\_12697765/bookmark/table?lang=en&bookmarkId=4b4bd471-585b-40a2-aabc-495ff4e56790&c=1724850706258](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho02__custom_12697765/bookmark/table?lang=en&bookmarkId=4b4bd471-585b-40a2-aabc-495ff4e56790&c=1724850706258).

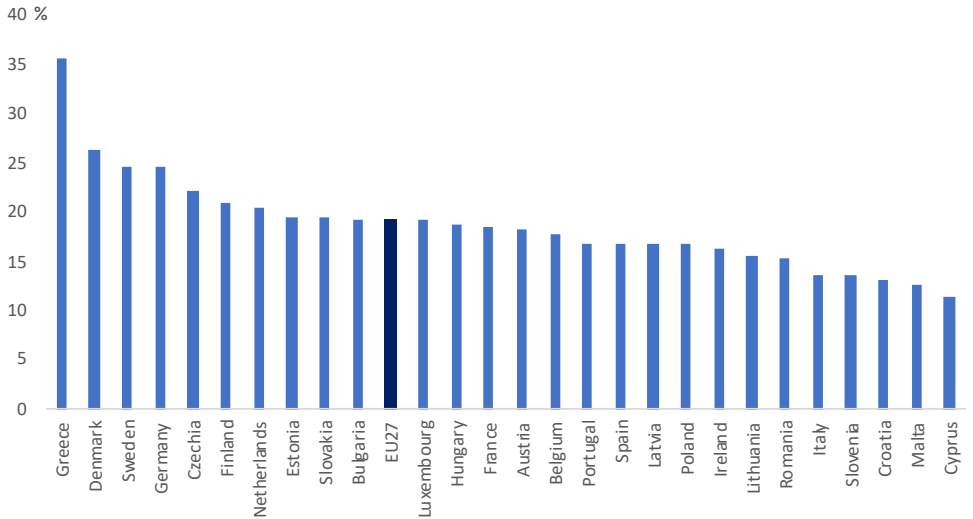
in ten Europeans are unable to keep their homes adequately warm, underscoring the fact that the crisis is not only about ownership patterns but also about living standards. Taken together, these differences expose a fragmented European housing landscape that is shaped by divergent national policies and regulatory systems rather than by any single continental model.

In this chapter, we outline recent housing trends and affordability challenges across the European Union. We then examine the debated role of short-term rentals in the housing crisis, comparing evidence from countries that are experiencing the most severe housing crisis. Building on this analytical framework, we identify the structural and policy-driven obstacles that constrain rental housing supply, including zoning laws, permitting processes, rent controls, ineffective demand-side measures, and inadequate landlord protections. Finally, we present a supply-driven policy framework, highlighting reforms in taxation, renovation incentives, and legal protections as pathways to expand affordable housing.

**HOUSING TRENDS IN EUROPEAN UNION: IS SHORT-TERM RENTAL THE PROBLEM?**

Eurostat data show wide disparities across EU Member States in the share of disposable income households devote to housing costs (Figure 1). Greece reports the highest housing cost burden in the EU, with households allocating 35.5% of their disposable income to housing – well above the EU27 average of 19.2%. This is followed by Denmark (26.3%), Sweden (24.6%), and Germany (24.5%), all of which exceed the EU average by a considerable margin. Greece’s housing affordability crisis is neither new nor without precedent. Rather, it reflects the lasting effects of economic shocks and policy inaction, in contrast to the more stable or improving trajectories seen in other EU member states. At the other end of the spectrum, Cyprus (11.4%), Malta (12.5%), and Croatia (13.0%) show the lowest housing cost ratios, indicating relatively less strain on household budgets.

**FIGURE 1. Share of housing costs in disposable household income in EU.**

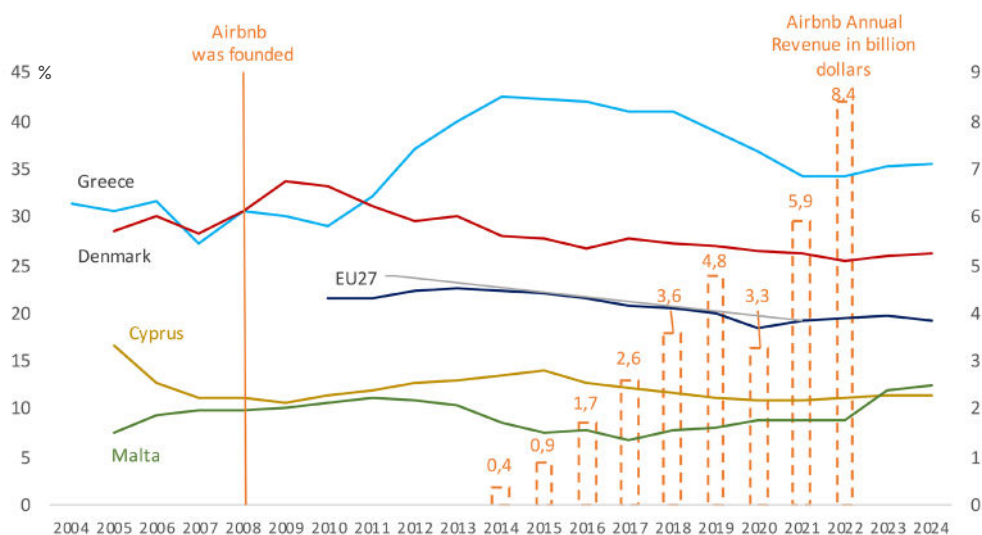


Source: Eurostat (2025), ‘Share of housing costs in disposable household income, by type of household and income group’, EU-SILC, [https://ec.europa.eu/eurostat/databrowser/view/ILC\\_MDED01/default/table](https://ec.europa.eu/eurostat/databrowser/view/ILC_MDED01/default/table).

Despite widespread claims that short-term rentals (STR) are a major driver of housing unaffordability,<sup>3</sup> the data suggest a more complex picture. In Figure 2, we analyse the share of housing costs in disposable household income for selected countries at both ends of the EU distribution over the past two decades, together with the evolution of Airbnb revenues. The fluctuations and disparities in housing costs reveal markedly different trajectories across EU countries, resulting more from structural and crisis-driven shifts than from tourism platforms.

Greece stands out in its persistently high and volatile housing cost ratios, which rose from 32.3% in 2011 to a peak of 42.5% in 2014 in the aftermath of the sovereign-debt crisis and austerity measures. While the share has slightly declined in recent years, it remained at a comparatively high 35.5% in 2024, almost double the EU27 average. By contrast, countries such as Denmark, Malta, and Cyprus have maintained comparatively stable or low cost-to-income ratios, indicating more resilient or balanced housing markets. This is reflected by the EU27 average remaining relatively stable, fluctuating within a narrow band around 20% since 2010 and showing no signs of the crisis-related surges observed in Greece.

**FIGURE 2. Share of housing costs in disposable household income in EU, selected EU countries (2004-2024), and Airbnb expansion.**



Source: Eurostat (2025), 'Share of housing costs in disposable household income, by type of household and income group' and Helplama (2024), Airbnb Statistics.

3. According to Flash Eurobarometer 561, 'about seven in ten respondents (71%) think that controlling property speculation (e.g. by taxing vacant properties, regulating short-term rentals, or by capping the number of tourists) would improve affordability of housing in the place they live'.

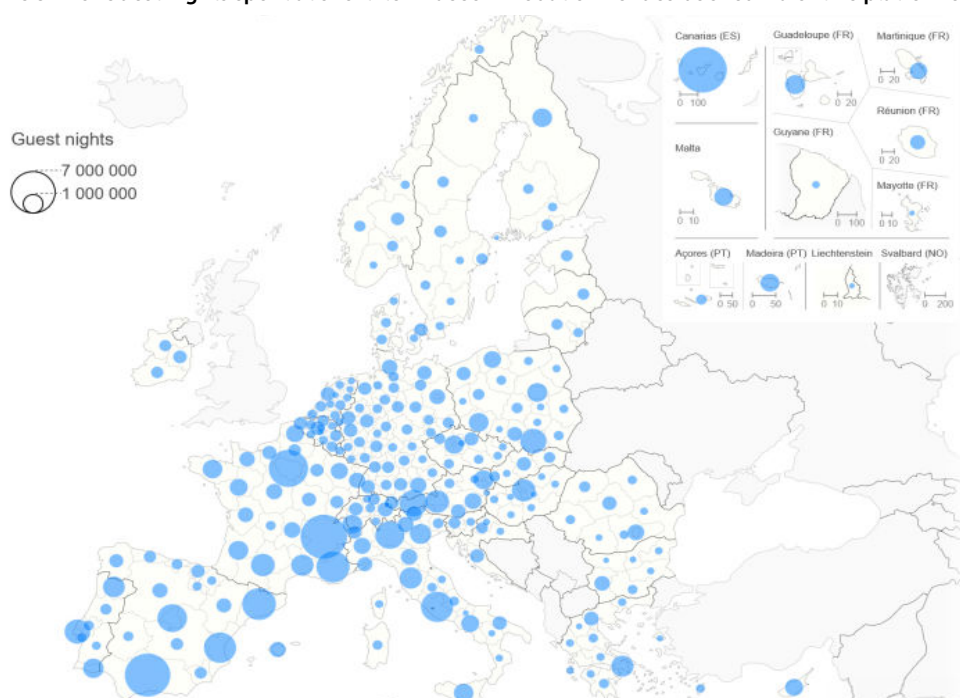
Although Airbnb dominates much of the public debate, the data suggest that its expansion has had little effect on underlying affordability patterns. Between 2014 and 2022, Airbnb's global revenue increased twentyfold, yet national affordability trends in Europe moved largely independently. In Greece, for example, the housing-cost burden declined even as the platform expanded. And while countries like Malta and Cyprus saw modest increases in their housing cost ratios, they remained among the lowest in the EU, even as Airbnb scaled significantly. In May 2025 a study by the Athens University of Economics and Business found that properties listed exclusively for short-term rental account for only 0.4 % of Greece's total housing stock, a negligible share when compared to the 2.28 million vacant homes nationwide.<sup>4</sup> Their true impact lies elsewhere: STRs are a key pillar of many local economies with strong tourism sectors, generating billions in activity and thousands of jobs.

Similarly, as Figure 3 illustrates, the regions with the highest short-term rental activity – such as coastal Croatia, southern Spain, and the French Riviera – do not coincide with those experiencing the most acute affordability pressures. This reinforces the inference that Europe's housing crisis stems

*Europe's housing crisis stems less from platform-based tourism than from deeper structural constraints.*

less from platform-based tourism than from deeper structural constraints: stagnant incomes, vast reserves of underutilised housing, and tax systems that discourage long-term rental investment. These are the factors that must be addressed to solve the housing crisis.

FIGURE 3. Guest nights spent at short-term accommodation venues booked via online platforms.



Source: Eurostat (2024), Short-stay accommodation offered via online collaborative economy platforms, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Short-stay\\_accommodation\\_offered\\_via\\_online\\_collaborative\\_economy\\_platforms](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Short-stay_accommodation_offered_via_online_collaborative_economy_platforms).

4. G. J. Doukidis & L. Kioses (2025), 'Short-term Rentals and the Greek Economy: Economic Impact and Housing Market Effects' (Athens: Athens University of Economics and Business, May 2025).

## OBSTACLES TO GROWTH: STRUCTURAL CONSTRAINTS AND POLICY DISTORTIONS ON HOUSING SUPPLY

Certain policies can stimulate growth in the housing market, while others, despite being designed to protect citizens, severely restrict housing supply and reduce access to affordable homes. The literature consistently identifies such barriers as major obstacles not only to residential construction but also to the development of a healthy rental market. These constraints, ranging from restrictive zoning laws and lengthy permitting processes to rent controls and weak legal protections, ultimately distort incentives for both developers and landlords, limiting the availability of adequate and affordable housing.

### Zoning laws

Zoning laws have become an increasingly significant barrier to the growth of rental housing supply in many European countries. Originally designed to separate residential areas from industry, promote public health, and preserve the character of historical neighbourhoods, these regulations have evolved into rigid systems that slow down new development. In Germany, for instance, some municipalities require minimum lots of 400–600 m<sup>2</sup> for detached homes. This reduces density and raises land cost. Moreover, fixed density caps in many jurisdictions push developers to focus on building larger, higher-end units to maximise returns on scarce land, rather than delivering more space-efficient and affordable housing. The result is a market skewed toward luxury housing, with limited options for middle- and lower-income households.<sup>5</sup> The Cologne Institute for Economic Research (IW) points to restrictive zoning policies (such as density caps and lot size limits) as a key reason why cities like Munich and Hamburg are struggling to cover housing demand.<sup>6</sup> According to their estimates, Germany is currently meeting only about 79% of housing needs.<sup>7</sup> A further complication comes from Europe's fragmented planning bureaucracy. Responsibilities are often split across national, regional, and municipal levels, which leads to overlapping or even conflicting requirements. In Ireland, there are more than 50 separate zoning categories, and local authorities retain broad discretion in applying them. This creates uncertainty for developers and often results in inconsistent project outcomes.<sup>8</sup>

### Permitting processes

Permitting and administrative procedures in Europe often pose a considerable impediment to the expansion of rental housing supply. Developers must navigate multiple agencies to acquire approvals, a process often beset by delays. The malfunctioning bureaucratic mechanisms involved make each project even more uncertain and costly in terms of money and time. In addition, developers may face opposition (so-called 'NIMBYism') in some neighbourhoods, with locals objecting to new constructions close to their properties.<sup>9</sup> Romania performs particularly poorly in building permit accessibility, ranking 147th out of 190 countries. Securing a permit involves more than 24 steps,

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9. R. Rosado, 'Regulatory barriers to home construction and rehab', Lean Urbanism, <https://leanurbanism.org/wp-content/uploads/2015/09/Rosado-RegBarriers-2.pdf>.

takes roughly 260 days, and costs about 2% of the overall construction budget.<sup>10</sup> This shortage of permits is widespread across Europe. In Czechia, Prague can permit only 5,000 flats per year, which is half the estimated need of 10,000 and results in an annual shortfall of 5,000 units. This has led to year-on-year rises of 7% in both prices and rents.<sup>11</sup> In Germany, building permits for new residential units plunged 21.1% in the first half of 2024 versus 2023, with single-family home approvals down almost 31% and multi-family approvals down 20.8%. Overall permits dropped to roughly 106,700 units – nearly half the government’s 400,000-unit annual target.<sup>12</sup>

## Rent controls

Rent controls tend to hamper the rental housing market by distorting incentives and reducing profitability. In Stockholm, for instance, the share of rental housing has dropped by a third since 1990,<sup>13</sup> as many units have been converted into cooperatives.<sup>14</sup> Consequently, developers are discouraged from building new rentals, while landlords often avoid maintenance or renovations unless they are allowed to increase rents, which leads to homes falling into bad condition. In addition, there is a €900-million annual welfare loss in misallocated housing because people in Stockholm are not able signal their need by offering a higher rent.<sup>15</sup> Waiting times for rent-controlled apartments in central Stockholm average 11.3 years, reaching up to 30 years for heavily subsidised units.<sup>16</sup> This has fuelled the significant growth of the subletting market, where secondary tenants pay double the rent of primary tenants,<sup>17</sup> and has bankrolled a black market worth an estimated €110 million annually, with one in five young tenants admitting to illegal payments.<sup>18</sup> These distortions reduce housing mobility, worsen social segregation, and create recruitment challenges for businesses.<sup>19</sup> Instead of ensuring affordability, rent control freezes supply, misallocates homes, and undermines the broader housing market.

10. R. Raeside (2022), ‘Reform, deregulation, and investment: How to combat Romania’s housing crisis’, EPICENTER, 26 July, <https://www.epicenternetwork.eu/blog/reform-deregulation-and-investment-how-to-combat-romania-housing-crisis/>.
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16. Fritzson, ‘Rent controls’.
17. H. Donner, P. Englund, & M. Persson (2017), ‘Distributional Effects of Deregulating the Stockholm Rental Housing Market’, Swedish Fiscal Policy Council, Report 2017/1, <https://www.fpr.se/download/18.61ae2c6184eb-33bcd6156f/1670427201845/2017-1%20Donner,%20Englund%20och%20Persson%20-%20Distributional%20effects%20of%20deregulating%20the%20Stockholm%20rental%20housing%20market.pdf>.
18. Fritzson, ‘Rent controls’.
19. Fritzson, ‘Rent controls’.

## Ineffective demand-side policies

Policies that artificially boost demand, like rent subsidies or housing allowances, cannot achieve their intended aims when the forces of supply cannot adjust. Evidence from the paper 'Literature Review on the Impact of Demand-Side Housing Subsidies on the Housing Market' shows that in France, a €1 increase in housing allowance drove rents up to €0.78 higher and in the US,<sup>20</sup> voucher programs pushed average rents 16% higher in targeted areas.<sup>21</sup> Instead of promoting affordability, much of the support ends up inflating prices. These subsidies also tend to increase prices in the small-unit and low-income segments of the market, where supply is least responsive, and can even raise rents for households not receiving support. Thus, demand-side interventions may worsen affordability and fail to improve housing outcomes unless followed with policies that actively increase housing supply.

## Inadequate legal protections

A serious problem keeping many property owners from renting out their homes is the weak legal protection available to them in the face of tenant non-payment. In Germany, even straightforward eviction cases take an average of 15.5 months, discouraging investment in the sector.<sup>22</sup> In France, legal procedures and a winter eviction ban cost landlords an average of 226 days of rent,<sup>23</sup> while in Spain evictions can take more than two years, contributing to a rental market where 3.8 million homes remain vacant, as owners prefer not to let them.<sup>24</sup> These prolonged and uncertain procedures increase financial risk, causing many small landlords to exit the market and reducing the availability of long-term rental housing.

## A SUPPLY-DRIVEN POLICY FRAMEWORK

While short-term rentals are not the main driver of rising housing costs, they remain politically charged and subject to strict regulation in many cities. Public opinion strongly supports such measures: around 75% of urban residents favour curbing property speculation through taxes on vacant homes or limits on STRs, alongside policies to expand affordable housing and improve energy efficiency.<sup>25</sup> Localised effects can indeed be significant – evidence from Barcelona, for instance, links high Airbnb density to up to 7% higher rents and 17% higher transaction prices.<sup>26</sup> Yet, even where regulation slows the expansion of STRs, it rarely addresses the underlying pressures of limited housing supply, weak construction incentives, and stagnant incomes.<sup>27</sup>

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20. G. Fack (2006), 'Are Housing Benefit an Effective Way to Redistribute Income? Evidence from a Natural Experiment in France', *Labour Economics*, 13(6), 747–771.

21. S. Susin (2002), 'Rent Vouchers and the Price of Low-Income Housing', *Journal of Public Economics*, 83(1), 109–152. [https://doi.org/10.1016/S0047-2727\(01\)00081-0](https://doi.org/10.1016/S0047-2727(01)00081-0)

22. S.-Å. Stenberg, L. van Doorn & S. Gerull (2011), 'Locked Out in Europe: A Comparative Analysis of Evictions Due to Rent Arrears in Germany, the Netherlands and Sweden', *European Journal of Homelessness*, 5(2), 39–61.

23. A. Bonleu & A. Basiuk (2020, September 2), 'Rental and Eviction: A Question of Social Connections?', *Dialogues Économiques*, [https://www.dialogueseconomiques.fr/en/article/rental-and-eviction-question-social-connections?utm\\_source](https://www.dialogueseconomiques.fr/en/article/rental-and-eviction-question-social-connections?utm_source).

24. Financial Times (2025), 'The eviction heavies stoking the fires of Spain's property crisis', 11 April, [https://www.ft.com/content/04c34f3c-862c-43e6-afb7-029b94cd1472?utm\\_source](https://www.ft.com/content/04c34f3c-862c-43e6-afb7-029b94cd1472?utm_source).

25. Flash Eurobarometer 561 (2025), 'Public opinion on urban challenges and investment in cities'.

26. M.-À., J. Jofre-Monseny, R. Martínez-Mazza and M. Segú (2020), 'Do Short-Term Rental Platforms Affect Housing Markets? Evidence from Airbnb in Barcelona', *Journal of Urban Economics*, 119(103278). <https://doi.org/10.1016/j.jue.2020.103278>.

27. N. Furukawa & M. Onuki (2019), 'The Design and Effects of Short-Term Rental Regulation', *Current Issues in Tourism*, 25(20), 3245–3260. <https://doi.org/10.1080/13683500.2019.1638892>.

To address the challenges of the current housing market, the focus should be shifted to a supply-driven policy framework that incentivises people to offer their properties, to renovate, and to create more affordable houses in the near future. To this end we suggest the following.

## **1. Increasing supply through market forces**

The only way to ensure the long-term viability of a healthy housing supply is to let the market mechanisms work. First of all, policymakers should focus on removing regulatory obstacles that restrict private sector participation (instead of wasting money in subsidies and further aggravating the crisis). Upzoning measures such as eliminating single-family zoning, easing height limits, and reducing minimum lot size and floor area requirements enable higher-density development, which in turn reduces per-unit land and infrastructure costs, making housing more affordable. Moreover, streamlining permitting processes by structuring a simple regulatory framework would reduce uncertainty and attract investors' capital. Poland provides a strong example, where local governments implemented a zoning-based system that set clear, objective development rules regarding building height, type, and access. This eliminated much of the discretionary decision-making and unpredictability that raise the risks profile of construction in some areas. Poland's transparent and rule-based approach has reduced delays, encouraged investment, and increased construction activity.<sup>28</sup> To maximise the impact of such reforms, it is also necessary to eliminate rent controls, which freeze the mobility of the market. Additionally, demand-side subsidies should be constrained, as they risk inflating rents when supply is inelastic. In a more deregulated environment, private developers are better able to respond to market needs; some specialise in niche segments such as small, affordable units or housing tailored to students or seniors.<sup>29</sup> The point is that unleashing market forces not only boosts overall supply but also supports a more diverse and affordable housing market across Europe.

## **2. Tax deductions on renovation costs**

Tax deductions for renovation cost can help ease Europe's housing shortage by bringing empty or run-down homes back into circulation. By lowering the cost for owners who upgrade and rent out their properties, governments can attract private capital to expand supply and improve affordability. France's Denormandie scheme shows how tax incentives can spur housing renovation. Investors were allowed to deduct 12%, 18%, or 21% of their costs – including both purchase and renovation – if they agreed to rent out the property for 6, 9, or 12 years. To qualify, at least a quarter of the spending had to go into renovations, and the property had to be in a medium-sized town with high vacancy rates. Additionally, the unit had to be rented as a primary residence, subject to rent and income ceilings to maintain affordability. The policy resulted in a 32.3% increase in renovated rental units, a 19% rise in building permits, and an 18% increase in vacant housing sales without causing inhabitants moving to neighbouring areas. These outcomes confirm that well-designed renovation tax deductions can significantly expand the affordable rental supply, stimulate local housing markets, and revitalise declining urban areas, all while maintaining social equity.

## **3. Reducing legal barriers**

Crucial in reducing uncertainty and bringing more rental housing into the market is the introduction of policies that support the landlord's property rights and ensures a clear framework in case of non-payment. Portugal, where the 2012 New Regime of Urban Leasing (NRAU) reform instituted a streamlined eviction process,<sup>30</sup> provides a good example. Landlords were allowed to terminate

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28. Raeside, 'Reform, deregulation, and investment'.

29. R. A. Epstein, (2017), 'The affordable housing crisis', Hoover Institution, 27 February, <https://www.hoover.org/research/affordable-housing-crisis> (citing Portland City Council Unanimously Approves Historic Inclusionary Housing Program, PORTLAND HOUSING BUREAU (21 Dec. 2016), <https://www.portlandoregon.gov/phb/article/621738>).

30. The New Regime of Urban Leasing (NRAU), or Novo Regime do Arrendamento Urbano in Portuguese, is a legal framework regulating the rental contracts in Portugal. It was first introduced by Law No. 31/2012 (later



contracts after just two months of non-payment, using a specialised procedure managed by the National Rental Office rather than the slow civil courts.<sup>31</sup> This reform was supported by a digital eviction system, making filings more convenient and reducing bureaucratic delays. As a result, thousands of previously idle properties, especially in Lisbon and Porto, were reintroduced into the rental market.<sup>32</sup> Such outcomes show that reinforcing landlords' legal rights through fair but efficient enforcement can expand rental housing supply while maintaining tenant safeguards.

#### 4. Tax policy

Recurrent property taxation is one of the least distortive and most stable forms of housing-related taxation because unlike transactions or income-based taxes, it does not discourage investment or labour and capital mobility. Among recurrent taxes, land-only taxation is especially efficient, as land is fixed in supply: the larger the construction, the greater the tax savings from the economies of scale that taxation-exempt buildings produce.<sup>33</sup> According to ECB estimates, current tax advantages for homeowners reduce the user cost of capital by 40%, resulting in 7.8% excess housing consumption and an annual deadweight loss of 0.5% of household income.<sup>34</sup> Targeted tax relief for new construction, renovation, or long-term affordable rentals can increase housing supply, especially in high-tax countries; however, broad exemptions are less effective as they misallocate capital in development instead of investment in bringing vacant or underused homes back in the market.<sup>35</sup> A more neutral and efficient tax system would support balanced tenure choices and the productive use of both land and existing housing resources.

### CONCLUSION

The roots of Europe's housing crisis lie in the structural disincentives embedded within its rental markets, in particular policies that restrict supply, distort incentives, and erode confidence. Rigid zoning and planning regimes, excessive regulation, and weak legal protections for landlords have combined to make long-term rental investment increasingly unattractive. Meanwhile, political attention has often fixated on short-term rentals, even though their overall impact remains marginal compared with the deeper institutional failures that constrain housing construction and renovation.

A genuinely liberal housing agenda must reverse this dynamic. It should prioritise reforms that expand supply by unlocking underused housing stock, simplifying permitting and density rules, and restoring investor confidence through clear, fair, and enforceable legal frameworks. Fiscal policy must also play its part – rewarding productive investment over speculation by making taxation tenure-neutral and favouring land-based rather than transaction-based levies. Finally, governments should replace ineffective demand-side subsidies with targeted, supply-oriented incentives that mobilise private capital and encourage renovation rather than inflation.

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amended by laws 79/2014 and law 43/2017, reforming previous urban lease rules. The NRAU modernised rental relations (such as terminating minimum periods), promoting market flexibility and tenant-landlord balance.

31. M. Tempera (2025), 'Evicting a non-paying tenant in Portugal: What landlords need to know', LVP Advogados, 28 May, [https://www.lvpadvogados.com/evicting-a-non-paying-tenant-in-portugal-what-landlords-need-to-know?utm\\_source](https://www.lvpadvogados.com/evicting-a-non-paying-tenant-in-portugal-what-landlords-need-to-know?utm_source).
32. V. Sousa (2025), 'Renting a house in Portugal: Supply soars by 59% at the end of 2024', Idealista, 27 January, [https://www.idealista.pt/en/news/property-for-rent-in-portugal/2025/01/27/67748-renting-a-house-in-portugal-supply-soars-by-59-at-the-end-of-2024?utm\\_source](https://www.idealista.pt/en/news/property-for-rent-in-portugal/2025/01/27/67748-renting-a-house-in-portugal-supply-soars-by-59-at-the-end-of-2024?utm_source).
33. OECD (2022), 'Housing taxation in OECD countries: Highlights 2022' (Paris: Organisation for Economic Co-operation and Development).
34. S. Fatica & D. Prammer (2017), 'Housing and the Tax System: How Large Are the Distortions in the Euro Area?', *European Central Bank Eurosystem Working Paper Series* (European Central Bank).
35. OECD (2022), 'Housing taxation in OECD countries'.

In short, Europe's housing challenge cannot be solved by regulating demand or constraining markets. On the contrary, it requires a supply-driven, market-enabling approach that restores affordability, revitalises the rental sector, and ensures housing systems that are equitable, efficient, and resilient in the long term.

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Part 3

# **GOVERNANCE AND SOCIETY**

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# Subsidiarity in Action: Why Cities and Regions Must Lead on Housing

Andres Jaadla

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## ABOUT THE AUTHOR

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Europe is in the midst of a housing crisis that is no longer a distant worry for policymakers but an everyday reality for millions of citizens. The pressure on households has grown steadily over the past decade, but the combination of rising urbanisation, successive crises such as the COVID-19 pandemic, inflation, and soaring energy prices triggered by the war in Ukraine has brought us to the point where entire generations and social groups are being priced out of the market. The European Committee of the Regions (CoR), in its 2024<sup>1</sup> – which I drafted as the Renew Europe rapporteur – sounded the alarm with unusual urgency: Unless we act now, the gap between what citizens need and what the housing market delivers will widen into a chasm, destabilising not only societies but also economies and the European project itself.

The sheer scale of the challenge is staggering. Energy poverty already affects more than 30 million Europeans. In cities, over 10% of households spend upwards of 40% of their disposable income just to keep a roof over their heads. It is not only a problem of social exclusion of the poorest; middle-income families, young professionals, and essential workers such as nurses or teachers find themselves unable to access decent housing close to where they work. Without affordable homes, young couples postpone starting families, students turn down offers at the best universities, and companies struggle to fill vital positions. It is not just a social crisis; it is an economic bottleneck and a brake on Europe's competitiveness.

To close this gap, Europe must build or renovate millions of homes every single year for the foreseeable future. This alone is a daunting undertaking, but it is further complicated by labour shortages in the construction sector, rising costs of raw materials, and the imperative of ensuring

1. CoR (2024), 'Opinion of the European Committee of the Regions – Smart, sustainable and affordable housing as a tool for local authorities to face multiple challenges (Own-initiative opinion)', EUR-Lex - 52023IR4562 - EN - EUR-Lex.

that new or renovated housing stock is sustainable, energy-efficient, and climate resilient. In short, brute force construction is not enough. We will have to be smart, innovative, and adaptive, using technology and new ways of organising construction and renovation. And this is precisely why the CoR insists that local and regional authorities must be placed at the very centre of any serious housing strategy.

While housing policy is formally a national competence, in practice the most effective responses are born locally. Cities and regions are closest to citizens, they know their territory's traditions and needs, and they can differentiate between contexts where home ownership dominates, where co-operative housing has deep roots, or where rental markets are more flexible.

They are also the ones who deal daily with the consequences of housing exclusion: homelessness on city streets, rising social tensions, or entire neighbourhoods suffering from decay and disinvestment. By contrast, national ministries, often sitting hundreds of kilometres away, tend to favour one-size-fits-all programmes that risk overlooking local realities.

The CoR makes this point forcefully by emphasising subsidiarity. Solutions will only succeed if they respect territorial diversity. A social housing model that works in Vienna, where municipal ownership is strong, may not be appropriate in Tallinn or Vilnius, where the legacy of mass privatisation after the Soviet era created an entirely different landscape. Similarly, in southern Europe, where family ownership structures dominate, policies must adapt to traditions of intergenerational transfer of homes. Local leaders are best placed to navigate these realities.

At the same time, cities and regions are uniquely positioned to drive place-based innovation. They are already experimenting with modular construction, adaptive reuse of vacant buildings, digital platforms for matching supply and demand, and rapid renovation strategies that combine affordability with energy efficiency. When presenting the CoR opinion, I highlighted a pioneering example from Estonia. There, municipalities have successfully deployed smart modular systems for retrofitting old Soviet-era apartment blocks. Instead of demolishing and rebuilding at high cost, they apply prefabricated panels that wrap existing structures with new insulation, upgraded façades, and integrated energy systems. These methods slash renovation time, reduce disruption to residents, cut emissions, and dramatically improve living conditions. Such innovations rarely originate in Brussels or national capitals; they are conceived and tested where the buildings stand – in the neighbourhoods themselves.

But for such local ingenuity to flourish, framework conditions must change. Local and regional authorities can only scale up solutions if they are given the right legal environment, sufficient investment capacity, and channels for exchanging technology and best practice. The first barrier is regulatory. The current EU State aid framework for housing is outdated. By narrowly defining 'social housing' in State aid rules, it restricts public investment to a limited category of beneficiaries, ignoring the reality that middle-income households are also locked out of the market. The CoR opinion rightly calls for an update of Decision 2012/21/EU to allow more flexible support for affordable housing projects, including cooperative, non-profit and mixed-finance initiatives. Without this, local leaders remain constrained in how they can mobilise funds or partner with different actors.

Investment is the second pillar. Cohesion policy funds, the Recovery and Resilience Facility, the European Regional Development Fund, and ESF+ all play a role, but they are fragmented and insufficient. If cities are to build and renovate at the necessary scale, they need predictable long-term financing, and Member States must make affordable housing a priority in their National Reform Programmes. The logic is simple: without investment at the local level, strategies drafted in national or EU capitals remain paper exercises.

The third requirement is knowledge exchange. Housing innovation is happening in pockets across Europe, but too often municipalities reinvent the wheel instead of learning from each other. The CoR therefore advocates creating an EU Housing Agenda, akin to the Urban Agenda, with annual summits and dedicated platforms where local and regional leaders can share solutions, from modular retrofits in Estonia to cooperative housing models in Scandinavia or land value capture schemes in the Netherlands. By connecting these experiments, Europe can accelerate the diffusion of innovation and avoid costly duplication.

If these enabling conditions are met, the benefits will ripple far beyond the housing sector. Affordable, sustainable housing is a social, economic, and environmental lever all at once. Socially, it prevents evictions, combats homelessness, and allows young families to thrive. Economically, construction and renovation generate local jobs, strengthen SMEs in the building sector, and revitalise struggling neighbourhoods, turning them into engines of urban regeneration. Environmentally, the impact is enormous: buildings currently account for forty percent of EU energy consumption, three-quarters of them with poor performance. Each renovation reduces emissions, cuts energy bills, and brings Europe closer to its climate goals.

***By modernising our housing stock, we simultaneously fight poverty, strengthen competitiveness, and accelerate the green transition. No other single policy domain offers such leverage.***

In this sense, housing is the quintessential win-win-win policy. By modernising our housing stock, we simultaneously fight poverty, strengthen competitiveness, and accelerate the green transition. No other single policy domain offers such leverage. And because housing affects people's everyday lives so intimately – where they raise their children, how far they commute, whether they can age in dignity – it also has a profound impact on citizens' trust in the European project.

The Committee of the Regions has thus articulated a clear roadmap. Europe must treat housing not as a marginal social policy, but as a central element of cohesion, economic resilience, and climate action. And it must do so by putting cities and regions in the driver's seat. National governments and EU institutions have a duty to provide the legal framework, the investment firepower, and the platforms for knowledge transfer. Local leaders will then deliver the solutions on the ground, tailored to their communities and rooted in their traditions.

Ultimately, this crisis cannot be solved from the top down. It will be solved from the ground up, in town halls and municipal councils, by mayors and regional governors who know the names of the streets and the faces of the residents. They are the ones who can see beyond numbers and budgets to the lived reality of families. If they are given the tools and the freedom to act, Europe can indeed turn the housing crisis into an opportunity: an opportunity to modernise its building stock, create inclusive communities, and advance towards a sustainable future.

***Ultimately, this crisis cannot be solved from the top down. It will be solved from the ground up, in town halls and municipal councils, by mayors and regional governors who know the names of the streets and the faces of the residents.***

A modern housing policy, led by cities and regions, is not just about providing roofs. It is about shaping the future of Europe itself.

# Placing Care at the Heart of Housing Policy: A Liberal Path to Healthier Cities

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## INTRODUCTION

Across Europe, the housing crisis is no longer viewed solely in terms of affordability and supply. It has become a crisis of *quality* and *governance*. Millions live in overcrowded, damp, or unsafe dwellings that not only undermine their dignity, but also put health and life at risk. Rising rents, speculative investment, and regulatory bottlenecks restrict access to adequate housing – particularly for young people, migrants, and working-class families. The result is a growing mismatch between the social-inclusion goals set out by the European Union – such as the European Pillar of Social Rights and the Renovation Wave – and the everyday realities produced by policy inertia and fragmented responsibilities.<sup>1</sup>

For liberals, housing is not simply a roof over one's head. It is the precondition for freedom, dignity, and opportunity. Without secure and healthy homes, people cannot exercise autonomy, learn effectively, participate in labour markets, or provide and receive care. In this sense, housing is constitutive of equal citizenship: it enables individuals to use their freedoms meaningfully and to contribute to open, innovative economies.<sup>2</sup> A liberal housing agenda must therefore join market dynamism with the social guarantees that prevent avoidable harm.

This chapter advances the City of Care framework as a liberal solution to Europe's housing crisis. Developed through extensive participatory research in Dublin and Milan under the EU-funded CITY-OF-CARE project, the framework proposes a model of urban governance that treats care as essential component of civic infrastructure. A City of Care is one in which housing policy is designed and assessed through the lens of habitability, health, participation, and accountability, the

1. M. Aalbers (2016), *The Financialization of Housing* (New York: Routledge).

2. L. K. C. Manzo (2025a), 'Community Action, Social Capital, and Care in Oliver Bond House's Struggle against Poverty in Dublin's Inner City', forthcoming in E. Morlicchio, E. Mingione, & D. Benassi (eds.), *Modern Guide on Urban Poverty* (Cheltenham: Edward Elgar).



everyday conditions that allow individuals to flourish. It shifts the focus from units built to lives sustained, from reactive welfare to proactive social investment.<sup>3</sup>

The chapter proposes a liberal roadmap built on three priorities: defining qualitative and quantitative parameters for healthier living and developing corresponding solutions; empowering communities through care and participation; and guarding against neglect and financialisation. Together, these guiding principles link housing supply to health and habitability, strengthen local infrastructures through resident participation, and restore accountability by protecting housing as a public good. The experience of housing estates such as Dublin's Oliver Bond and Milan's Molise-Calvaire illustrates the stakes. In both cases, women-led networks have emerged to sustain community life amid chronic neglect, revealing that Europe's housing emergency is not only a matter of inadequate supply but a crisis of carelessness – a failure of institutions to prevent foreseeable harm, maintain existing stock, and engage residents as partners in decision-making.<sup>4</sup>

The challenge for liberal policymakers is clear: to build housing systems that combine efficiency with empathy, markets with dignity, and innovation with care.

## DIAGNOSING THE CRISIS THROUGH A CARE LENS

Housing markets across Europe have been dramatically altered by financialisation, which has turned dwellings into speculative assets rather than stable homes.<sup>5</sup> In Ireland, home ownership declined from 80% in the early 2000s to 69% in 2022, while international investors captured large segments of the rental sector.<sup>6</sup> In Southern Europe, real estate investment funds increasingly treat public housing as liquid assets, prioritising financial returns over social stability and pushing long-term residents into precarity. Across the continent, decades of underinvestment and austerity have eroded the quality of social housing, while red tape and piecemeal governance delay new provision.<sup>7</sup> For policymakers, the danger is clear: when homes are viewed primarily as engines for profit, the social foundations of European cities are destabilised.

### The Dublin and Milan cases

The human consequences of the housing crisis are stark. In Dublin's Oliver Bond House – built in 1936 to accommodate 1,200 residents – a 2021 resident survey revealed that 83% of tenants lived with mould and damp, 55% suffered from chronic respiratory illness, and one third faced sewage problems and unreliable hot water.<sup>8</sup> These figures represent more than poor maintenance: they indicate a systemic violation of the international right to adequate housing, which requires dwellings to be habitable, safe, and free from health hazards.<sup>9</sup> It is not surprising that the physical deterioration of the estate took a psychological toll upon tenants, who had waited years for promised renovations that were repeatedly postponed. In response, residents – predominantly women – organised under the banner 'We Are Sick Waiting', documenting living conditions, petitioning local authorities, and mobilising media attention. Their

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3. J. Tronto (1993), *Moral Boundaries: A Political Argument for an Ethic of Care* (New York: Routledge); L. K. C. Manzo (2025b), 'Reti di Solidarietà ed Empowerment Femminile: La Cura come Infrastruttura Sociale nelle Comunità Popolari di Dublino e Milano', forthcoming in M. G. Bernardini & O. Giolo (eds.), *La seconda città. Genere, età, diritti* (Milan: Mimesis).

4. S. J. Smith (2012), 'Explaining the Link Between Housing and Health: All or Nothing?', *Housing, Theory and Society*, 29(1), 40–46.

5. Albers, *The Financialization of Housing*.

6. R. Hearne (2020), *Housing Shock: The Irish Housing Crisis and How to Solve It* (Cambridge: Policy Press).

7. K. Scanlon, C. Whitehead, & M. Fernández Arrigoitia (2015), *Social Housing in Europe* (New York: Wiley).

8. Manzo, 'Community Action, Social Capital, and Care'.

9. UN-Habitat (2014), *The Right to Adequate Housing*. [https://unhabitat.org/sites/default/files/documents/2019-05/fact\\_sheet\\_21\\_adequate\\_housing\\_final\\_2010.pdf](https://unhabitat.org/sites/default/files/documents/2019-05/fact_sheet_21_adequate_housing_final_2010.pdf).

activism transformed social capital into political leverage, compelling Dublin City Council to acknowledge their demands. As ethnographic research shows, such mobilisation directly challenges what scholars term 'institutional abandonment', a governance strategy that often precedes financialised regeneration.<sup>10</sup> For residents, everyday life became a form of resistance against what Nixon calls 'slow violence': the stress, ill health, and stigma caused by environments that systematically fail to meet basic standards of habitability.<sup>11</sup>

Similar dynamics are evident in Milan's Molise-Calvairate social housing complex. Built in the 1930s, the estate faces many of the same vulnerabilities. With over 2,300 units, many as small as 27–45 m<sup>2</sup>, decades of neglect have caused structural problems, stigmatisation of tenants, and rising social tensions. Here, too, residents developed informal networks of solidarity. Women-led groups such as 'La Bottega Popolare' distribute food to more than 160 families, while community associations run after-school programmes and tenant committees that provide emotional and practical support to vulnerable neighbours. This infrastructure of care has helped maintain social cohesion in the face of institutional withdrawal, transforming social housing from a site of dependency to a space of solidarity and civic innovation.<sup>12</sup> Yet the 'infrastructure of care' represented by these informal systems

*Yet the 'infrastructure of care' represented by these informal systems remains tenuous, sustained largely through unpaid labour and community goodwill. Without formal recognition and sustained investment, the capacity of such initiatives to offset structural neglect is limited.*

remains tenuous, sustained largely through unpaid labour and community goodwill. Without formal recognition and sustained investment, the capacity of such initiatives to offset structural neglect is limited. Together, these cases reveal both the strength and fragility of community resilience. When public institutions retreat, residents – particularly women – step in to fill the gaps, creating networks of care that function as parallel welfare systems. Such community solidarity can evolve into political influence when collectively mobilised. However, while efforts of this kind demonstrate extraordinary adaptability, they are ultimately unsustainable without structural support.

Neglecting housing is not only unjust – it is fiscally irrational, generating higher health expenditures, lower educational outcomes,

reduced productivity, and declining trust in institutions.<sup>13</sup> When households have to shoulder the burden of housing neglect alone, the social costs reverberate across generations. Seen through a care lens, Europe's housing emergency thus emerges not merely as a question of scarce resources or market inefficiencies, but as a governance failure rooted in policy choices that prioritise short-term cost containment and speculative gain over long-term investment in human dignity. The lesson from Dublin and Milan is clear: care must be recognised not as a stopgap but as a cornerstone of liberal housing policy, to be nurtured, funded, and embedded in governance.

10. Manzo, 'Reti di Solidarietà'; M. Byrne & M. Norris (2019), 'Housing Market Financialization, Neoliberalism and Everyday Retrenchment of Social Housing', *Environment and Planning A: Economy and Space*, 54(1), 182–198. <https://doi.org/10.1177/0308518X19832614>.

11. R. Nixon (2011), *Slow Violence and the Environmentalism of the Poor* (Cambridge, MA: Harvard University Press).

12. Manzo, 'Reti di Solidarietà'.

13. M. Marmot (2010), *Fair Society, Healthy Lives: The Marmot Review*. <http://www.parliament.uk/documents/fair-society-healthy-lives-full-report.pdf>.

## WHY LIBERALISM NEEDS CARE

Traditional liberal housing debates often revolve around supply, affordability, and market efficiency. Yet without bringing care into the conversation, policies risk reproducing cycles of exclusion and inequality. The concept of care provides a normative compass that strengthens, rather than contradicts, liberal values. The following principles illustrate how embedding care strengthens key liberal commitments, turning abstract values into practical governance tools.

- *Individual dignity.* Secure and healthy housing is the foundation of autonomy and self-realisation. Without it, freedoms remain formal rather than substantive.<sup>14</sup>
- *Subsidiarity.* Liberal traditions maintain that citizens should be involved as closely as possible in decision-making. Care-led housing governance reinforces this principle by empowering municipalities, neighbourhood committees, and resident associations.<sup>15</sup>
- *Innovation.* Community-led regeneration and participatory planning foster creative, context-specific solutions that bureaucratic systems or profit-driven developers often overlook.<sup>16</sup>
- *Inclusive governance.* Care networks – especially those sustained by women – make housing systems responsive to vulnerable groups, ensuring that policies reflect lived realities.<sup>17</sup>

Evidence from Dublin and Milan reinforces these principles: community networks turned social capital into political leverage, proving that care-led governance is both emancipatory and efficient.<sup>18</sup> These practices, though unpaid and often invisible, function as social infrastructure – a hidden architecture comparable in importance to roads or utilities.<sup>19</sup>

From a liberal perspective, investing in care is not paternalistic but emancipatory. By reducing the risks and burdens of precarious housing, care expands individual freedom, strengthens collective resilience. It also delivers long-term economic and social returns, lowering welfare and healthcare costs while enhancing trust and participation. In this sense, care functions as social infrastructure—an essential form of social investment that sustains the conditions for freedom and equality. Just as infrastructure spending generates economic returns, embedding care into housing policy generates civic returns: healthier populations, more cohesive communities, and greater trust in institutions. Liberals must reconsider their approach to housing and begin to view it not only as a matter of markets and supply, but as a space where freedom and care reinforce each other – ensuring that dignity and opportunity are real, not rhetorical, for all European citizens.

*Just as infrastructure spending generates economic returns, embedding care into housing policy generates civic returns: healthier populations, more cohesive communities, and greater trust in institutions.*

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14. Marmot, *Fair Society, Healthy Lives*.

15. Tronto, *Moral Boundaries*.

16. Manzo, 'Community Action, Social Capital, and Care'.

17. L. K. C. Manzo & H. Grove (2024), 'Inadequate Social Housing and Health: The case of Oliver Bond House in inner-city Dublin', *OPEN RESEARCH EUROPE*, 3, 1–21. <https://doi.org/10.12688/openreseurope.16767.2>.

18. Manzo, 'Community Action, Social Capital, and Care', 'Reti di Solidarietà'.

19. E. Klinenberg (2018), *Palaces for the People: How Social Infrastructure Can Help Fight Inequality, Polarization, and the Decline of Civic Life* (New York: Crown).

## POLICY RECOMMENDATIONS: A LIBERAL ROADMAP

Addressing Europe's housing crisis requires more than incremental adjustments. The following recommendations illustrate how care can be institutionalised as a guiding principle of European housing policy.

### 1. Quality and quantity for healthier living

- a) *The quality + quantity principle.* Europe's push to increase the housing supply must avoid repeating past mistakes of low-cost but low-quality provision. EU housing strategies should therefore measure success not only by the number of units built, but by their habitability: ventilation, insulation, accessibility, safety, and energy efficiency. At the national level, procurement processes must reward quality construction and penalise any cost-cutting that shifts the burden onto health systems. By adopting the principle of 'quality + quantity', policymakers can ensure that affordable housing is also healthy housing – aligning market efficiency with human dignity. Such habitability is what turns formal freedom into practical autonomy: only when people live in secure, healthy environments can they plan their lives, make independent choices, and participate fully in society.
- b) *Health in All Housing Policies (HiAP).* The links between poor housing and poor health outcomes are now undeniable. Embedding health audits into all major regeneration projects would ensure that investment delivers measurable wellbeing benefits. At the EU level, greater collaboration is needed between DG SANTE, DG REGIO, and DG EMPL so that housing–health integration becomes mainstream rather than exceptional. At the national level, housing legislation should be accompanied by health impact assessments, so that design standards, location, and maintenance are evaluated not just for cost but for their contribution to public health. This approach treats housing as part of a broader preventive health policy, reducing costs and saving lives.

### 2. Strengthening communities through care and participation

- a) *Empowering local care infrastructures.* Grassroots networks, frequently led by women, already function as parallel welfare systems in neglected estates. The EU should formally recognise these networks as part of the social infrastructure of cities. One concrete step would be to establish dedicated funding lines for women-led initiatives, food collectives, and neighbourhood childcare programmes. Under the European Urban Initiative, 'Care Infrastructure Funds' could pilot micro-grants for resident-led projects that strengthen resilience and participation. These funds would valorise the invisible work of care and bring it into the formal realm of governance. Fortifying these networks honours the liberal principle of subsidiarity – placing decisions and resources where people best understand their own needs – and fuels reciprocity and civic responsibility, transforming communities from passive recipients into active, organised partners in governance.
- b) *Participatory regeneration as a binding principle.* A comparable example of resident-led regeneration can be found in Dublin's Dolphin House, another public housing complex in Dublin's south inner city. There, tenants successfully resisted a Public–Private Partnership (PPP) redevelopment plan that threatened displacement, reframing the project as a rights-based regeneration grounded in health and habitability. Through years of organised advocacy and collaboration with human-rights groups, residents secured a publicly funded renewal scheme – one of the few cases in Dublin where collective action reshaped regeneration on equitable terms.<sup>20</sup> To scale this, the EU should condition structural funds on the existence of resident-led forums with real decision-making power. National governments can institutionalise participatory planning processes to prevent displacement and ensure legitimacy. Cultivating participation should not be a box-ticking exercise but a substantive governance requirement, integrating subsidiarity and accountability into housing policy.

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20. Hearne, *Housing Shock*.

- c) *Promoting comparative learning.* Liberal housing policy must foster a culture of experimentation and exchange. An EU Observatory on Housing and Care could document best practices – from Vienna’s social housing model to community-led initiatives in Dublin and Milan – and disseminate replicable solutions across Member States. Exchange programmes between municipalities could allow cities to learn from one another directly, spreading innovative approaches that combine efficiency, care, and inclusion. Embodying a spirit of pluralism and progress, such openness to experimentation bolsters Europe’s capacity to adapt and innovate.

### 3. Guarding against neglect and financialisation

- a) *Recognising carelessness as systemic failure.* For too long, the deterioration of public housing has been tolerated as an unfortunate but acceptable by-product of fiscal austerity. Yet prolonged neglect should be treated as seriously as fiscal mismanagement or corruption. The EU could lead the way by adopting a Housing and Health Monitoring Framework, integrating indicators on respiratory illness, mental health, overcrowding, and building quality into its Cohesion Policy evaluations. At the national level, governments must classify long-term neglect of housing stock as a governance failure in itself, holding authorities accountable for the avoidable harm caused to citizens. To reframe neglect as a failure of the liberal duty of care and accountability is to affirm that public institutions exist to safeguard the conditions for individual freedom and dignity. Poor housing is not a neutral budgetary choice.
- b) *Protecting against financialisation risks.* Financial actors have increasingly captured housing markets across Europe, often to the detriment of affordability and security.<sup>21</sup> EU conditionality could prevent displacement in regeneration projects by requiring no net loss of public housing units. In parallel, funding streams should prioritise cost-rental and cooperative housing models that keep homes affordable and shielded from speculation. Limiting the role of speculative investors in EU-funded schemes would restore housing’s status as a social good. This is not anti-market but pro-contestability: markets must remain open, fair, and anchored in the public interest.

Together, these measures would elevate care from an invisible practice to a recognised part of European housing policy infrastructure.

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21. Albers, *The Financialization of Housing*.

## CONCLUSION

The European housing crisis is not only about the scarcity of affordable homes. It is also about the erosion of care in governance. When institutions withdraw or turn a blind eye on long-term neglect, the consequences are profound: illness, social distrust, and wasted human potential. In Dublin, Milan, and elsewhere, residents have paid the price of carelessness through respiratory illness, stigma, and chronic uncertainty. Yet their response has been extraordinary. Communities – especially those that are women-led – have built networks of solidarity that sustain everyday life where institutions have failed, showing that care is at the heart of social resilience.<sup>22</sup>

*Embedding the ethics of care into housing policy does not mean abandoning efficiency or market principles. It means treating dignity, subsidiarity, and participation as practical governance tools.*

Embedding the ethics of care into housing policy does not mean abandoning efficiency or market principles. It means treating dignity, subsidiarity, and participation as practical governance tools. A liberal framework enriched by care insists that homes must be safe, healthy, and inclusive, and that residents must be engaged as active partners in shaping their environments.<sup>23</sup>

By building health into housing, empowering community infrastructures, and limiting the financialisation of housing, Europe can change housing from a site of exclusion to pillar of resilience. The time is ripe: with growing EU attention turned to housing, liberal policymakers have the chance to advance reforms that are both visionary and grounded.

Ultimately, freedom and care are not opposites. They are partners. Together, they can form the foundation of a liberal path to healthier, more inclusive, and more caring European cities.

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22. Manzo, 'Reti di Solidarietà'; Klinenberg, *Palaces for the People*.

23. Tronto, *Moral Boundaries*; Care Collective (2020), *The Care Manifesto* (New York: Verso).

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<http://www.parliament.uk/documents/fair-society-healthy-lives-full-report.pdf>.
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[https://unhabitat.org/sites/default/files/documents/2019-05/fact\\_sheet\\_21\\_adequate\\_housing\\_final\\_2010.pdf](https://unhabitat.org/sites/default/files/documents/2019-05/fact_sheet_21_adequate_housing_final_2010.pdf).

# Liberal Youth Perspective on Housing in Europe

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## INTRODUCTION

Throughout Europe, housing has rapidly become one of the most pressing challenges facing young people today.<sup>1</sup> What was once seen to be a stepping stone towards independence and personal development has increasingly become a barrier to emancipation, mobility, and mental wellbeing.<sup>2</sup> From skyrocketing rents in our cities to the scarcity of affordable student accommodation, the housing crisis touches more than economics: it has become a social issue, deeply intertwined with questions of dignity, opportunity, and intergenerational fairness.<sup>3</sup> Across the continent, young people are being priced out of cities, trapped in insecure tenures, or forced to delay key milestones such as leaving the parental home or starting a family.<sup>4</sup>

This chapter explores housing through the lens of the values of European Liberal Youth (LYMEC), focusing on individual liberty, social inclusion, and European solidarity. Drawing on recent statistics and the results of LYMEC's 2024 survey 'Stepping into Adulthood: Can the Youth Overcome Emancipation Challenges?', we navigate the emotional and economic toll of housing precarity – and propose youth-focused, liberal solutions that restore flexibility, fairness, and hope. For our generation, housing is not just about having a roof over our heads – it's about having a future.<sup>5</sup>

1. Eurostat (2023), 'Housing statistics', <https://ec.europa.eu/eurostat>; FFEANTSA (2022), 'Seventh Overview of Housing Exclusion in Europe', [https://www.feantsa.org/public/user/Resources/reports/2022/Rapport\\_Europe\\_GB\\_2022\\_V3\\_Planches\\_Corrected.pdf](https://www.feantsa.org/public/user/Resources/reports/2022/Rapport_Europe_GB_2022_V3_Planches_Corrected.pdf).
2. OECD (2023a), 'Affordable housing for youth: Trends and policy responses', [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/brick-by-brick-volume-2\\_0e2bf228/e91cb19d-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/brick-by-brick-volume-2_0e2bf228/e91cb19d-en.pdf).
3. UN-Habitat (2022), 'Housing and social inclusion', <https://unhabitat.org/wcr/2022/>
4. European Youth Forum (2025), 'More Than a Roof', <https://www.youthforum.org/files/250414-PP-Housing-A5.pdf>; Eurofound (2022), 'Living conditions and housing insecurity among young Europeans', <https://www.eurofound.europa.eu>.
5. Eurostat (2024), 'Young people – housing conditions' [https://ec.europa.eu/eurostat/statistics-explained/index.php/Young\\_people\\_-\\_housing\\_conditions](https://ec.europa.eu/eurostat/statistics-explained/index.php/Young_people_-_housing_conditions).



## CONTEXTUALISATION

Over recent decades, Europe has witnessed a significant shift from state-supported housing systems to market-driven models, which has reshaped access to affordable living.<sup>6</sup> This transition has not been a uniform one, nor has it been a resounding success: Nordic countries have largely maintained robust public housing frameworks, while Southern and Eastern regions face more fragmented and underfunded systems.<sup>7</sup> These disparities have exacerbated inequalities, affecting young people in particular.<sup>8</sup>

Youth across Europe increasingly encounter insecure rental tenures, limited access to mortgage credit, and exclusion from urban centres due to soaring costs and gentrification.<sup>9</sup> The weakening of welfare structures and the commodification of housing have left many young Europeans in precarious living situations, stalling their achievement of financial independence and social emancipation.<sup>10</sup> The 2008 global financial crisis changed how banks operate as lenders, and housing supply chains sank in many countries as austerity measures were implemented.<sup>11</sup>

*Youth across Europe increasingly encounter insecure rental tenures, limited access to mortgage credit, and exclusion from urban centres due to soaring costs and gentrification.*

## THE STATISTICS REVEAL A GENERATION WITHOUT CHOICE

LYMEC's Emancipation Survey, conducted in 2024 through voluntary submissions from young people across Europe, offers a comprehensive overview of the challenges faced by youth during their transition to independent living.<sup>12</sup> The survey gathered both quantitative and qualitative data, with a focus on housing, financial stability, emotional wellbeing, and access to support networks.

The survey revealed that financial strain is the single biggest barrier to independence, with two-thirds of respondents citing 'affordability' as their primary concern. Additionally, despite an average move-out age of 18.5 among respondents, 32% remain living with family due to economic pressure. The mental health toll is severe, with over half of respondents expressing dissatisfaction with their housing situation.

As has just been alluded to, a substantial proportion of respondents reported that affordability was the primary factor influencing their housing decisions, followed closely by location and proximity to education or employment. Emotional and practical support were among the most frequently cited types of assistance received during the transition, yet 10% of respondents stated they received no support at all, highlighting a gap in available safety nets.

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6. European Parliament (2024), 'Social and youth housing in the EU' (PE 757653), European Parliamentary Research Service, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757653/EPRS\\_BRI%282024%29757653\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757653/EPRS_BRI%282024%29757653_EN.pdf); Housing Europe (2025), 'Housing the youth: Innovative responses from social, public and affordable housing providers', briefing summary.
  7. FEANTSA (2024), 'Mapping the implementation of Housing First for Youth in Europe'. European Journal of Homelessness, 18(2) 149-172
  8. Housing Europe, 'Housing the youth'.
  9. European Parliament, 'Social and youth housing in the EU'.
  10. M. Mansueto, A. Raymaekers, & K. Hermans (2024), 'Housing First for Youth in Europe: Practices and Challenges', European Journal of Homelessness, 18(2), 85–102.
  11. OECD (2023b), 'Affordable housing and financial resilience post-2008', <https://www.oecd.org>.
  12. LYMEC (2024), 'Youth emancipation survey results', internal publication.

Another critical finding relates to mobility challenges. Many participants reported difficulties in relocating due to rising rent prices, lack of accessible housing options, and limited public infrastructure connecting residential areas to education or work hubs. These conditions collectively contribute to delayed autonomy and emotional distress, often forcing young people to postpone key milestones of adulthood such as independent living, full financial self-sufficiency, and family formation. Overall, the survey highlights a clear need for targeted and inclusive policy interventions promoting access to affordable housing, improved mental health services, and enhanced mobility schemes for youth.

## THE ANNUAL SEPTEMBER CRISIS

It is common knowledge that every year there are new students, fresh out of secondary school, who need somewhere to live near their university. Yet every autumn this seems to come as a surprise to the housing market, the media, and politicians.<sup>13</sup> What often happens is a last-minute scramble, with young people falling prey to housing scams, overpriced rentals, or lack of a secure option, forcing them into a long commute.<sup>14</sup>

Universities are frequently situated in or around cities – cities which are already densely populated, overcrowded, and facing significant supply shortages. Alternatively, a university may represent the main business of a town or non-capital city, delivering consistent economic advantages to its environs.<sup>15</sup> Maynooth University, in Kildare, Ireland, has been an academic institution and driver of Maynooth's economic development since the readmission of lay students in the 1960s. This suburban town is accustomed to a regular turnover of students taking up campus accommodation and term-time leases in nearby housing estates, and often providing additional income for residents who let out spare rooms. The social aspect of the college experience was once central in Maynooth, bringing money into local bars, restaurants, and cafés. This has changed over the last few years, with the blame well placed on the housing crisis.<sup>16</sup>

Once a vibrant hub for university life, the town has increasingly become a residential area for families displaced by rising housing costs in Dublin. This demographic shift has contributed to a significant spike in local property prices, subsequently reducing the availability of accommodation for students. Local bars and the social scene now feel the brunt of the economic impact, with businesses closing and students no longer as active in college societies. Students commute longer and experience higher rates of burnout, putting a strain on the university's wellbeing services.<sup>17</sup>

This is just one example of how the housing crisis has fundamentally changed the ways university students live. It should be stressed, however, that this pattern is not unique to Maynooth. One could point to numerous towns across Europe (such as Leuven, Rennes, or Utrecht) where a similar transformation has taken place.<sup>18</sup> This speaks to the need to tackle the university housing crisis collaboratively, collectively, and on a pan-European level. It is imperative not only to build more student housing in these areas – although that is a given – but to build more housing of all tenures, as demand likewise exists for family homes, student beds, and apartments for young people starting their postgraduate lives.<sup>19</sup>

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13. A. P. Russo & M. Tatjer (2007), 'Students and the City: The Impact of Student Mobility on Urban Housing Markets in Europe', *Urban Studies*, 44(10), 1891–1908.

14. B. Farbenblum, L. Berg, & A. Kintominas (2019), 'Migrant Students in the Rental Housing Market: Discrimination, Insecurity, and Coping Strategies', *Journal of Intercultural Studies*, 40(3), 289–306.

15. S. Rokaha, (2023), 'Studentification and structural exclusion: Housing experiences of international students in Utrecht', Department of Geosciences, Utrecht University.

16. Rokaha, 'Studentification and structural exclusion'.

17. Farbenblum, Berg, & Kintominas, 'Migrant Students in the Rental Housing Market'.

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## THE SOCIAL AND ECONOMIC COST OF A GENERATION WITHOUT HOUSING CHOICES

In our 2024 Emancipation Survey, two-thirds of respondents cited ‘affordability’ as the main factor for deciding where to live.<sup>20</sup> When the availability of housing is as tight as it is right now in Europe (both EU and non-EU), affordable options are scarce, which can lead to taking on leases in environments that are not always best suited to the needs of the young person making the choice.<sup>21</sup> Some benefit from quieter homes with fewer housemates, while others prefer to live with friends and have an abundance of housemates – neither of these preferences are particularly well catered to under current housing markets, where it has become a ‘take what you can get, and take what you can afford’ situation.<sup>22</sup>

While this may be perceived by some as a minor concern (or dismissed with sentiments such as ‘be grateful to have housing at all’), inadequate housing conditions pose substantial risks to individual wellbeing. Substandard or unsuitable living arrangements are well-documented contributors to both physical and mental health challenges, affecting quality of life, stability, and overall life satisfaction. The psychological and emotional impact of living somewhere you feel insecure, unsafe, or isolated from social circles trickles into health and happiness outcomes.<sup>23</sup> What use is it to have a great job or study opportunity if you are living somewhere with black mould that leads to chronic health issues?<sup>24</sup> In LYMEC’s survey, 54% of respondents stated that they felt either neutral or deeply unsatisfied about their housing situation, whereas only 20% cited being completely satisfied. It is a core liberal value that so long as a person does not bring harm to others, they should be able to live freely as they see fit; but in a European housing market with inadequate options (due to both lack of availability and health risks), it can be argued that young liberals do not get to experience the freedom that is so central to our political worldview.<sup>25</sup>

The economic impact of the current crisis has, moreover, altered the social and developmental stages traditionally associated with a person’s 20s and 30s. If Millennials and Generation Z cannot access affordable housing or are left with little disposable income after covering basic living expenses, their ability to start families, contribute to the economy, or plan for the future becomes severely limited. The decision to move in with a partner, marry, or start a family should be a matter of personal choice, not a response to economic necessity. When younger generations are held back economically, it puts strain on the balance between those working and those relying on pensions, creating real risks for both economic stability and social cohesion. A University of Bristol study showed that the challenging housing market directly impacts birth rates, which consequently affects the social cohesion of cities.<sup>26</sup> In 2023, the Total Fertility Rate for Europe fell to an average of 1.38 – a stark figure when the replacement rate to maintain social balance is mapped at 2.1. No European country is at that rate as of the writing of this chapter in 2025.<sup>27</sup>

20. LYMEC, ‘Youth emancipation survey results’.

21. R. Hick, M. Pomati, & M. Stephens (2024), ‘Housing Affordability and Poverty in Europe: On the Deteriorating Position of Market Renters’, *Journal of Social Policy*, 54(4), 1072–1095, <https://doi.org/10.1017/S0047279423000703>.

22. J. Furtado & L. B. Flynn (2025), ‘Housing Unaffordability and Political Preferences among Young People in Europe’, *International Journal of Comparative Sociology*, 66(4), 606–632, <https://doi.org/10.1177/00207152241295976>.

23. D. Coates, P. Anand, M. Norris, & E. O’Shea (2015), ‘Wellbeing and Housing: A Critical Review and Research Agenda’, *Housing Studies*, 30(3), 1–19, <https://www.econstor.eu/bitstream/10419/147532/1/857485571.pdf>.

24. UK Government (2006), ‘Housing health and safety rating system: Guidance for landlords and tenants’, <https://www.gov.uk/government/publications/housing-health-and-safety-rating-system-guidance-for-landlords-and-property-related-professionals/housing-health-and-safety-rating-system-guidance-for-landlords-and-property-related-professionals>.

25. European Parliament (2024), ‘Social and youth housing in the EU’.

26. E. Washbrook (2012), ‘Housing costs and family formation: Evidence from the UK’, University of Bristol Working Paper Series, <https://www.bristol.ac.uk/media-library/sites/cmm/migrated/documents/housingcosts.pdf>.

27. Eurostat (2025), ‘Total fertility rate by country’, Eurostat Data Browser, <https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=669961>

Intergenerational fairness demands that if pensioners are to be guaranteed state security, youth must be empowered to keep economies moving and public purses steady. If Generation Z and Millennials cannot afford the housing space to create families, or lack enough disposable income after paying rent to invest into the economy, the fragile generational balance falls away – and fast.

## THE HOUSING HACK: YOUTH IDEAS FOR A FAIRER FUTURE

Across Europe, young people are navigating a housing landscape that feels increasingly hostile to their ambitions. Skyrocketing rents, stagnant wages, and limited supply have made secure housing a distant dream for many. But liberal youth are not content to accept this status quo: they're taking ownership of the housing debate around autonomy, mobility, and innovation. Instead of treating housing as a static commodity, young liberals envision it as a dynamic enabler of opportunity.

This vision starts with rethinking how housing is built, and where. Outdated zoning laws and rigid planning frameworks often block the development of affordable units in areas where young people study, work, and socialise. Liberal youth advocate for streamlined regulations that allow for faster, smarter construction – especially near universities, transport hubs, and urban job centres.<sup>28</sup>

Modular and green building technologies offer a promising path to speed up construction and lower lifetime costs. Projects like the WOOD complex in Berlin or Vienna's Aspern Seestadt demonstrate that prefabricated timber modules can cut construction times by up to 50% while meeting high standards of energy efficiency. The challenge remains scaling these pilot projects and bringing down upfront capital costs, which is where targeted EU-level innovation funding, like the Life Programme, is critical.

But access isn't just about supply, it is also about fundamental rights. Young people, especially

students, migrants, and LGBTQ+ youth, often face discrimination or precarious rental conditions. Transparent rental frameworks, digital tenancy contracts, and stronger enforcement of anti-discrimination laws are essential to ensuring fair treatment.<sup>29</sup> Moreover, with youth mobility at the heart of European integration, housing policy must reflect the reality of cross-border lives. Portable housing benefits and harmonised tenancy rights across EU Member States would allow young people to move freely without losing access to support.<sup>30</sup>

Community-led solutions also play a role. Cooperative housing models and youth-driven urban initiatives offer not only affordability but agency, giving young people a stake in shaping their environments.<sup>31</sup> These approaches align with liberal values of participation, decentralisation, and individual empowerment. Community-led housing models, such as the Mietshäuser Syndikat in Germany, provide a proven alternative. This network of over 180 tenant-owned houses permanently removes property from the speculative market, safeguarding long-term affordability. While these models require significant tenant organisation and initial capital, their success shows that giving residents a direct stake in their housing is a sustainable model for affordability and community resilience.

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28. European Parliament (2024), 'Social and youth housing in the EU'.

29. European Education Area (2025), 'Housing checklist: Tips and tenant rights when studying in Europe', <https://education.ec.europa.eu/eu/news/housing-checklist-tips-and-tenant-rights-when-studying-in-europe>.

30. European Commission (2025), 'Residence rights when living abroad in the EU', [https://europa.eu/youreurope/citizens/residence/residence-rights/index\\_en.htm](https://europa.eu/youreurope/citizens/residence/residence-rights/index_en.htm)

31. LYMEC (2025), 'Policy book' (Updated at the Zagreb Spring Congress). [https://www.lymec.eu/documents/ux-15\\_3CmR2a-wnxXXYdBlwo123](https://www.lymec.eu/documents/ux-15_3CmR2a-wnxXXYdBlwo123).

Ultimately, liberal youth see housing not as a simple backdrop upon which life plays out, but as a launchpad for independence, civic engagement, and cross-border opportunity. By removing bureaucratic barriers and investing in scalable, inclusive solutions, young liberals are imagining and designing a Europe where housing policy reflects how people actually live – and where every person, young and old, has the chance to thrive.

## CONCLUSION

For young liberals, housing is much more than a logistical concern. It is the basis for youth emancipation, mental wellbeing, and intergenerational fairness. As we have emphasised in this chapter, the current housing landscape across Europe undermines the very freedoms liberal youth hold close to their hearts. From students' annual scramble to find a home near their university, to the more long-term economic and emotional burdens of insecure tenures, youth in Europe are too often being denied the foundation upon which independence relies.

But liberal youth are not passive observers. We are both the advocates and the test cases for new solutions, championing proven cooperative models and leveraging new construction technologies. Our lived experience with housing precarity offers unique insight into which policies will actually work. We are demanding – and designing – housing policies that reflect how we live, not just where we sleep, with smarter planning, inclusive tenancy rights, and cross-border solidarity that empower every young European to thrive on their own terms.

This is our rallying cry: 'We don't just want a roof over our heads. We want a future that benefits all generations in our communities.' And we will not wait quietly for it to be handed to us; we will shape it, together.

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