



REDUCING
HOUSING
INEQUALITIES

Contextualized analysis of the housing situation – papers on (sub) national trends

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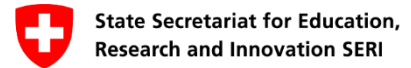


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INTRODUCTION

This report examines the housing landscape in nine selected European countries from 1990: Austria, France, Hungary, Italy, Norway, Poland, Spain, Switzerland, and the United Kingdom. In addition to detailing the development of the housing sector and macroeconomic and demographic trends in each of these countries, the report emphasizes various aspects of households' living conditions. Each main chapter is dedicated to a single country and is divided into two parts.

The first part highlights the key demographic, economic, environmental, and housing characteristics of each country, as well as their changes over the 21st century. This section provides a national-scale perspective, offering a broader context for analysis. Importantly, due to data quality issues (e.g. missing information for some years), the data for some countries is incomplete (e.g. gaps in time series data).

The second part of each main chapter delves deeper into the distribution of the population based on factors such as housing and neighbourhood quality, overcrowding rates, tenure status, and the intensity of the housing cost burden. Additionally, the second part places particular emphasis on the relationship between housing inequalities and the degree of urbanization, alongside the social, economic, and demographic disparities affecting households' living conditions.

Unless otherwise specified, all figures and tables in the first part of each country report are based on statistics from the online databases of the World Bank, the Organisation for Economic Co-operation and Development (OECD), and Eurostat. Figures and tables in the second part are derived from analyses of microdata from the EU Statistics on Income and Living Conditions (EU-SILC) survey. This data is available upon request from Eurostat. The EU-SILC microdata encompasses all EU Member States, as well as most EFTA and candidate countries.

Individual country reports follow the same layout. Each begins with a brief summary, followed by an introduction and the two parts presenting empirical results. Every report has its own chapter and figure numbering. They also differ slightly in the structure of chapters and subchapters, reflecting the unique characteristics of the countries studied.

EXECUTIVE SUMMARY OF ANALYSIS ON HOUSING INEQUALITIES IN EUROPE

The nine presented national reports focus on demographic, economic, environmental, and social trends shaping housing inequalities in European countries. Each country faces unique challenges arising from historical, geographical, and political contexts. Below is a consolidated summary of the key findings from the pan-European analysis on housing inequalities:

Austria

Austria is a small country with a population of approximately 9.2 million people. Stable economic conditions, its geographic location between East and West Europe, and its accession to the European Union have led to high migration and a population growth of 19% since 1990. Average annual wages per employee of around 50,000 EUR is high but wealth distribution is uneven: 16.1% of the households are at risk of poverty, living on less than 60% of the national median disposable income. Austria is amongst those European Countries with the lowest homeownership rates with about 49% renting their dwelling in which they reside. This percentage is significantly higher in urban and densely populated areas. For example, in the city of Vienna 18% of the residents own the dwelling in which they reside. Austrian wide about 25% of the households rent their apartments from the private market owned by private individuals or companies. Social housing plays a considerable role, with about 21% of households living in a public or non-profit unit. The shares of social housing are even higher in urban areas. Since 2000, rents have increased by 80% and house prices more than doubled outpacing wage development. On average, households spend 19% of their disposable income for housing with about 10% of the households perceiving housing costs as a heavy burden. Inequalities between homeowners and tenants exist: In 2020 the share of housing costs in disposable income for homeowners was only about 13% but for tenants it amounted to about 26%. Housing inequalities also exist across household types with single-parent and one-person households spending 25-30% of their disposable income on housing. Other household types pay typically not more than 15% of their disposable income for housing. On average non-Austrian-born households bear 8% higher housing costs than Austrian-born households. Territorial inequalities exist between urban and rural areas, with households living in densely populated areas having on average 9% higher housing costs than those living in thinly populated areas.

France

France boasts a robust economy with significant government involvement in critical energy, transportation, and defence sectors. Although it faces challenges such as high public debt and pending pension reforms, France maintains a strong position in the global economy. Over the past fifty years, the housing market has transformed considerably, with the growth of housing units consistently outpacing that of the population and households. Vacancy rates have increased faster than the overall housing stock, particularly in rural and coastal areas, while urban centres are experiencing densification. Following a boom in homeownership during the 1980s, rates declined until stabilising around the mid-2000s, especially in metropolitan regions. While four-fifths of households express contentment with their homes, a significant housing

crisis persists; for instance, tenants in social housing report lower satisfaction; a quarter of households with a recognized legal right to housing have yet to be allocated social housing; and the annual output of social housing is drastically insufficient. This is especially true in cities, where residents confront escalating costs, overcrowding, and noise issues. Even those eligible for assistance often struggle financially, with one-third of tenant households unable to pay rent. Rural areas also face affordability challenges amid rising demands for subsidised housing. Due to their significant environmental impacts, the National Low-Carbon Strategy (SNBC) prioritises the construction and public works sectors alongside energy production. Notoriously, nuclear power generates 62% of France's electricity, while renewable sources contribute 25%. To enhance energy efficiency, plans are underway to eliminate oil and gas heating, replace oil boilers, and improve insulation in residential and commercial buildings.

Hungary

Hungary has a population of 9,6 million, and 4,6 million housing units, of which 12% are vacant. The country joined the EU in 2004 as a former socialist New Member State. A key trend in these countries was the sharp decline in public housing stock following privatisation. By 2022, just 2.5% of Hungary's housing stock remained municipally owned, largely consisting of the lowest-quality homes occupied by the most disadvantaged groups. The share of the private rental sector is around 6-10%. Hungary's development gap with Europe has been gradually narrowing, however the country's economic development is lagging behind its neighbours. Unemployment has hovered around 4% since 2017, though regional disparities persist. Hungary faces population decline and aging, further complicated by low fertility rates. Housing subsidies aimed to sustain economic growth by boosting loan-driven demand and influencing middle-class family planning. Since 2015, support programmes boosted home purchases and birth rates, raising fertility to 1.51 in 2023 and long-term household loans by 180% (nominal terms). However, loan-to-GDP ratios have declined since 2021. At the same time, as foreign developers left the market, competition in housing construction weakened, concentrating subsidies in the domestic development and construction sector. This drove up housing prices and rents—among the region's highest—fuelling a housing crisis. From 2015 to 2023, average house prices rose by 250%, while real rents at 2022 prices increased by 205%. Affordability worsened, with the house price-to-income ratio around five in recent years and rent-to-income ratios exceeding 30% after 2019. After 2015, the housing output is among the lowest in the region (c. 1.875 new dwellings/1000 inhabitants in 2023). While the social housing rate is extremely low, 35-40% of the population struggles to afford housing costs. As a result, intergenerational transfers play a crucial role, with many families residing in substandard conditions—high-density, poor-quality homes with low energy efficiency—often located far from workplaces. Lastly, while housing conditions improved overall, disadvantaged groups saw less benefit causing widening inequalities.

Italy

Italy has a shrinking population due to low fertility and high outmigration, only partly counterbalanced by foreign inflow. Italy is a home-ownership dominated country with high and growing wealth inequality and more moderate income inequality. In the last forty years, the country has seen a significant growth in the number of dwellings, which outpaced the number of households and resulted in an increasing vacancy rate. Despite this, a large share of the

housing stock is old: in 2011, 72% of the dwellings had been built before the 1980s, when minimum energy-efficiency rules were required by the building code. The tenure composition has shifted in the recent period, with owner-occupation growing from 68% in 1991 to 77% in 2021 and rental tenure decreasing from 25% in 1991 to 17% in 2021. The share of public housing shrank from 5,8% in 1991 to 3,6% in 2021, however, the segment still constitutes around 20% of the rental stock. Housing costs tend to be a larger burden for poorer households residing in rental tenure, and more so in bigger cities than in intermediate and less dense areas. EU-SILC data show a decrease in the share of overburdened households in those categories, especially in recent years, which can be linked to the introduction of a minimum income scheme (Reddito di cittadinanza), a support instrument for households in need, which has meanwhile been abolished.

Norway

Norway is a wealthy country with a population of around 5.5 million people. Strong economic performance, supported by oil and gas revenues, has contributed to financial stability and sustained population growth, with immigration playing a key role, particularly after Norway's participation in the European Economic Area. Since 2000, the country's population has grown by approximately 20%, intensifying housing demand, especially in urban areas like Oslo, where housing pressure is highest. Environmental efforts, including investments in renewable energy and reductions in building sector CO₂ emissions, align with national priorities for a sustainable and green transition but still mainly concern new building construction. Concerning housing segmentation, homeownership, despite a slight decline since the early 2000s, remains the main tenure form, with 79% of individuals owning their property in 2023. In the same time frame, the rental market has expanded, and market-rate rentals now accommodate nearly 20% of households, particularly in densely populated regions. The role of subsidized housing in Norway is limited, with only around 4% of households living in public housing. Data shows that housing costs are generally perceived as manageable by most households. However, vulnerable groups, including students, immigrants, and tenants in private rentals, often face a housing cost burden exceeding 30% of their disposable income. In particular, single-person households and renters in urban areas pay significantly more, with some spending up to 40% of their income on rent. Although housing and neighborhood quality indicators remain high, with over 90% of dwellings meeting heating adequacy standards and low incidences of structural deficiencies, urban areas report higher levels of noise and crime, affecting the perceived quality of living. With housing pressures intensifying in major cities and affordable options diminishing, housing inequalities are becoming more pronounced, particularly in the most urbanized areas and among low-income renters and marginalized groups.

Poland

Poland's population has declined by over 2% in the last decade, and aging is a pressing concern, with seniors (65+) expected to make up 25% of the population. Economic growth has brought nominal wage increases, doubling in the 1990s and rising 60% between 2019 and 2023, though inflation-adjusted gains remain modest. Poverty rates have declined to 12–14%, and unemployment reached a historic low of 5% in 2023. Over 80% of households live in privately owned homes, with mortgages financing approximately 10% of properties. Housing prices have surged, with primary market prices up 50% since 2015 and secondary market

prices nearly doubling. Rental prices have risen by 60%, driven by inflation, refugee demand, and reduced housing loan accessibility. Housing costs remain a significant burden, with over 90% of households perceiving them as such since 2010. Persistent housing shortages, price inflation, and limited government intervention continue to hinder market accessibility. Housing quality has improved markedly since EU accession, particularly in thermal comfort and structural integrity. Overcrowding rates have dropped from over 40% in the 2000s to 30% in the 2010s, thanks to increased housing production and population decline. However, urban-rural disparities persist, with rural areas experiencing inferior housing standards, despite better conditions in noise and sunlight exposure. In conclusion, Poland's housing landscape reflects significant progress alongside persistent challenges. Improvements in quality and neighborhood conditions are tempered by affordability issues, demographic decline, and environmental pressures. Strategic efforts to address housing shortages, promote energy-efficient construction, and adapt to demographic changes will be vital to ensuring sustainable growth and improved living conditions for all.

Spain

The data throughout this report illustrate persistent housing inequality in Spain, driven by challenges such as affordability, space constraints, financial vulnerabilities, and regional disparities. Affordability issues are particularly acute for renters, low-income households, and residents in specific regions. High housing costs impose significant financial strain, with many households spending disproportionate shares of their income on rent. These burdens are especially severe in large urban centers, where demand for housing far exceeds supply, exacerbating gentrification and displacement of long-term residents. Overcrowding is another critical aspect of housing inequality, with smaller homes in densely populated urban areas experiencing the highest rates of spatial limitation. These conditions reduce the quality of life, as families struggle with inadequate living space. The prevalence of overcrowding underscores the spatial inequality within the housing market, as economically disadvantaged groups are disproportionately affected. Financial vulnerabilities further complicate the housing landscape, with high rates of mortgage arrears during economic downturns revealing the precarious nature of homeownership. Economic shocks often expose households, particularly low-income ones, to the risk of losing their homes, illustrating that homeownership does not necessarily provide financial stability. Regional disparities also play a significant role in perpetuating housing inequality. Housing costs vary greatly across Spain, with urbanized and economically prosperous regions facing higher burdens than rural areas. However, rural regions contend with their challenges, such as depopulation, aging housing stock, and limited infrastructure, which collectively hinder access to adequate housing. Structural inequality within the housing market remains pervasive. Historical trends, including a preference for homeownership and inadequate investment in public rental housing, have created a fragmented landscape where vulnerable populations face systemic barriers to quality housing. Housing inequality in Spain is thus shaped by the complex interplay of economic, social, and geographic factors that continue to disadvantage certain groups disproportionately.

Switzerland

Switzerland is a small country with a population of about nine million people. The comparatively high wages and low unemployment rates have led to high migration rates resulting in a 30%

population growth between 1990 and 2023. The annual average per capita income of around 90,000 CHF (roughly 95,000 EUR) is high but wealth distribution is uneven: 16% of the households are at risk of poverty, living on less than 60% of the national median disposable income. The country has the lowest rate of homeownership in Europe with 62% of the households renting their dwelling. This percentage is significantly higher in urban and densely populated areas. For example, in the city of Zurich less than 10% of the residents own the dwelling in which they reside. 57% of the households rely on apartments rented from the private market owned by private individuals or companies. Social housing plays a marginal role in Switzerland, with only 5% of households living in a subsidised or non-profit unit. Since 2000, rents have increased by 30% and house prices have almost doubled. Accordingly, homeownership is increasingly unaffordable for lower- and middle-income people. On average, households spend 14% of their gross income on housing but housing costs are perceived as a heavy burden by 25%. There are significant inequalities between homeowners and tenants: In 2020 the share of housing costs in disposable income for homeowners was only 17.4% but it amounted to more than 30% for tenants. Housing inequalities also exist across household types with single-parent and one-person households spending 30-35% of their disposable income on housing. On average non-Swiss-born households bear 3% higher housing costs than Swiss-born households. Territorial inequalities exist between urban and rural areas, with households living in densely populated areas showing 10% higher housing costs than those living in thinly populated areas.

The United Kingdom

For the UK, the data contained in this report indicates falling government expenditure on housebuilding, falling supply of new housing from the 1970s onwards, rising rents and house prices (in real terms), stagnating incomes, rising living costs (with inflation and the Consumer Price Index reaching historic levels in recent years) and shifts in tenure towards owner occupation and private rent, due to withdrawal of financial support for social housing construction and the Right to Buy policy. These trends have significant implications for housing inequalities. As saving becomes increasingly difficult, and as social and affordable rental housing becomes increasingly residualised, those unable to acquire a mortgage move increasingly in the private rental sector, which increased substantially since 2007. Growth of this sector has also been supported by the sale of council properties, with data showing that by 2017, 40% of former council homes had moved from owner occupation to the private rented sector. While homeownership remains the dominant tenure and continues to rise, new entrants into owner occupation have been falling, alongside rates of mortgaged home ownership and a rise in outright home ownership, suggesting that older generations and wealthier cash buyers benefit disproportionately from the reduced housing costs that ownership brings. The proportion of people aged 65 years or over has risen in the UK, particularly since 2007. Some have suggested that this puts pressure on the supply of family housing, but this fails to consider the options available to older people, or their own experiences and preferences in relation to housing. Immigration is also a political flashpoint in the UK and has been accused of deepening the housing crisis, but fails to account for the undersupply of affordable housing options across the UK more generally. A key issue arising from this data is the significance of inherited wealth and capital, rather than income (wages / pensions) as a key determinant of housing outcomes. We therefore suggest that housing access and affordability cannot be understood in the UK

without accounting for the intergenerational transfer of wealth. The UK case highlights a context of 'consecutive crises' or polycrisis, which far from 'causing' housing inequalities, interact with these underlying structural conditions to (re)produce housing inequalities in the UK. We therefore suggest it is pertinent to question the resilience of the UK housing context to external shocks.

NATIONAL REPORT ON HOUSING INEQUALITY – AUSTRIA

Executive Summary

This report provides an overview of housing inequality trends in Austria in the 21st century while contextualizing these trends with a brief discussion of key demographic, economic, environmental, and housing sector developments.

Austria's economic landscape reflects resilience but faces challenges from external shocks, including the 2008 financial crisis, the COVID-19 pandemic, and the 2021-2023 global energy crisis. While state responses have mitigated the consequences of earlier crises, the energy crisis has driven inflation, significantly impacting rental prices, which are often linked to the consumer price index, while rising energy costs have placed additional financial burdens on households. Environmental trends highlight significant CO₂ reductions from households due to efficiency improvements and a shift to renewable energy, yet reliance on natural gas—accounting for 33% of household energy use—poses ongoing challenges and the need for further decarbonization.

Austria's population has grown by 19% since 1990, reaching 9.13 million in 2023, with international migration as the primary driver of (urban) growth and diversification. Key migration events include the 2015 Syrian crisis, the 2022 Ukrainian refugee influx, labour migration from Turkey, movements from the former Yugoslavian states in the mid-1990s, and increased EU mobility following Austria's accession. Housing construction has mirrored population growth, with peaks in the mid-1990s, driven by geopolitical changes and migration from former Yugoslavian states, and after the 2008 financial crisis, fuelled by low interest rates. Growth driven by ongoing immigration and increasing diversification has contributed to disparities in housing cost burdens, particularly between Austrian and non-Austrian residents.

With a homeownership rate of 51%, Austria stands out among European countries for its substantial rental sector (~45%), of which approximately 21% consists of social rental housing. Ownership units and private rentals have expanded alongside the growth of non-profit housing associations—a cornerstone of Austria's social housing system—while the construction of public housing has diminished. Significant urban-rural disparities persist: urban areas feature more tenant- and multi-unit buildings, while rural areas are characterized by higher ownership rates and detached houses. Densification policies and the protection of green spaces have become crucial amid population growth and housing demands.

In conclusion, despite Austria's stable economic and political frameworks, persistent housing inequalities remain an ongoing policy challenge. The most significant housing inequalities include pronounced cost burdens in densely populated and intermediate areas, where multi-storey rentals dominate. Overcrowding rates and reported issues with neighbourhood and housing quality in cities highlight tighter markets, affordability challenges, accessibility issues, and quality concerns. Additionally, while stable economic conditions have ensured consistent wage growth and low unemployment, relatively stable poverty rates point to uneven income distribution and persistent socio-economic disparities. Housing inequalities are particularly

pronounced along socio-economic lines, with residents with lower education levels, students, single parents, and immigrants bearing the highest cost burdens.

Introduction

Austria, officially the Republic of Austria, is a landlocked Central European country with a population of approximately 9.2 million. It shares borders with eight countries: Germany, the Czech Republic, Slovakia, Hungary, Slovenia, Italy, Switzerland, and Liechtenstein, placing it in a key central position within Europe. This centrality has made Austria historically significant as a cultural and trade hub. Austria is characterised by its mountainous terrain, with the Alps in the Western and Southern part of the country covering roughly two-thirds of its area. The Danube River, one of Europe's major rivers, cuts across northern Austria from west to east. This direction also plays an essential role in transportation.

The primary settlement and economic areas are the flat and hilly regions, including the Alpine foothills, the Vienna Basin, and the Graz Basin. The East Region, which consists of Lower Austria, Burgenland, and Vienna, is home to 45% of Austria's population. Vienna, the nation's capital, is home to approximately 1.9 million residents, making it not only the most populous city in Austria, but also a major cultural and economic centre within the country. Other key population centres include Graz, Linz, Salzburg, and Innsbruck.

Austria has been a member of the European Union (EU) since 1995, aligning itself closely with EU policies on trade, economics, and environmental standards. It is part of both the Eurozone and the Schengen Area (since 1997). Austria is a federal state, composed of nine provinces, or federal states, which together form the Republic. Its nine federal states are Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg, and Vienna. This federal structure means that Austria operates as a federation, with legislative and executive powers divided between the national government and the individual states. Unlike a centrally-organized state, Austria's federal system delegates authority in both law-making and administration to each province. The provincial laws and municipal regulations are enacted by the regional parliaments (*Landtage*), while provincial governments handle the administration at the state level. These provincial governments are also responsible for implementing a wide range of federal laws within their respective regions, meaning they perform duties on behalf of the national government as well.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

1.1.1 Macroeconomic Trends at the National Levels

This section depicts Austria's macroeconomic developments and the impacts of key events from 2005 to 2023, focusing on GDP growth, inflation, short-term interest rates, and public sector debt. Figure AT1 illustrates substantial fluctuations in annual GDP growth. The sharp contraction in 2008-2009 is associated with the global financial crisis, followed by a slow recovery. A significant downturn, however, occurs again in 2020 due to the COVID-19 pandemic. By 2021-2022 a recovery is evident, with GDP growth rebounding as the economy adjusts to post-pandemic conditions.

The inflation rate remains stable until 2021, when a sharp rise occurs. This inflation spike is closely linked to the global energy crisis (2021-2023), triggered by the Russian invasion of Ukraine and exacerbated by global supply chain disruptions. Reflecting broader pressures on energy markets and economies worldwide, rising energy prices during this period significantly contributed to increased consumer price inflation including housing costs.

Short-term interest rates decline sharply following the 2008 financial crisis. They remain at low levels throughout the period and exhibit minimal fluctuation, creating favouring conditions for housing construction. Starting with 2021, however, increases of interest rates by the European Central Bank reflect changing macro-economic conditions.

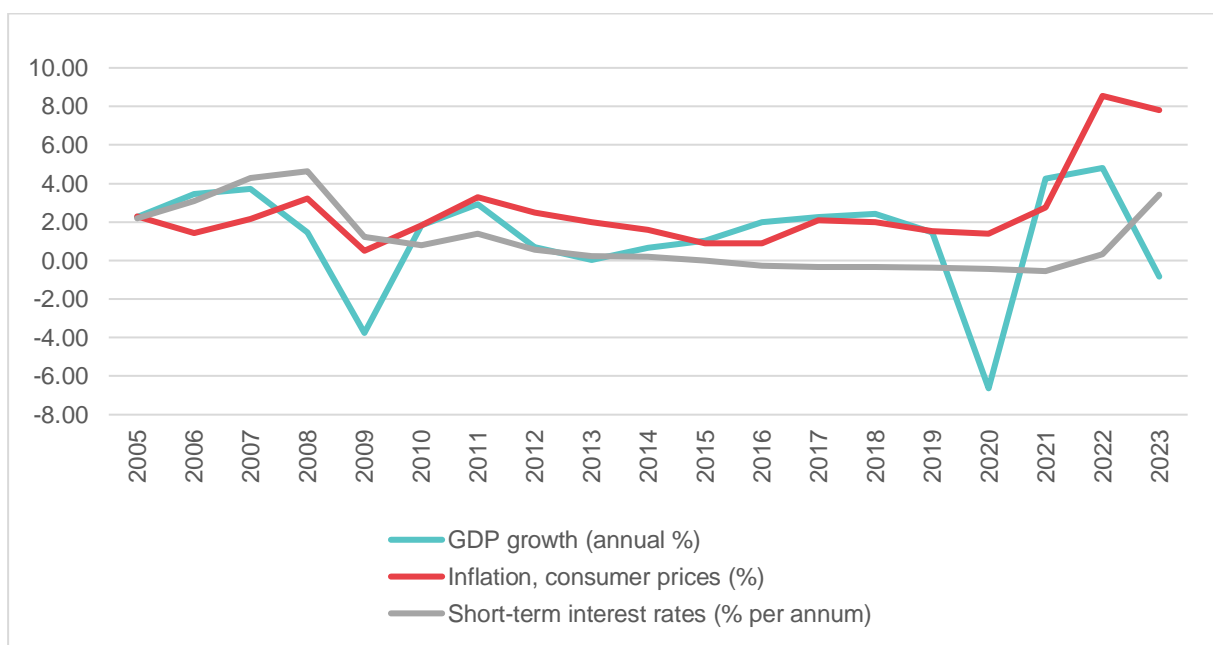


Figure AT1: Macro-economic Trends, Austria. Sources: compiled by authors, data from: DATABANK–World Bank Group, OECD–Organisation for Economic Co-operation and Development

Figure AT2 shows the public sector responses to the crises mentioned above. The figure highlights the rising levels of public sector debt as a percentage of GDP, with notable increases following the 2008 financial crisis, the COVID-19 pandemic in 2020 and the global energy crisis. Debt levels continue to rise into 2021-2022, where the fiscal strain imposed by the global energy crisis is reflected as governments responded to economic disruptions and soaring energy costs during this period.

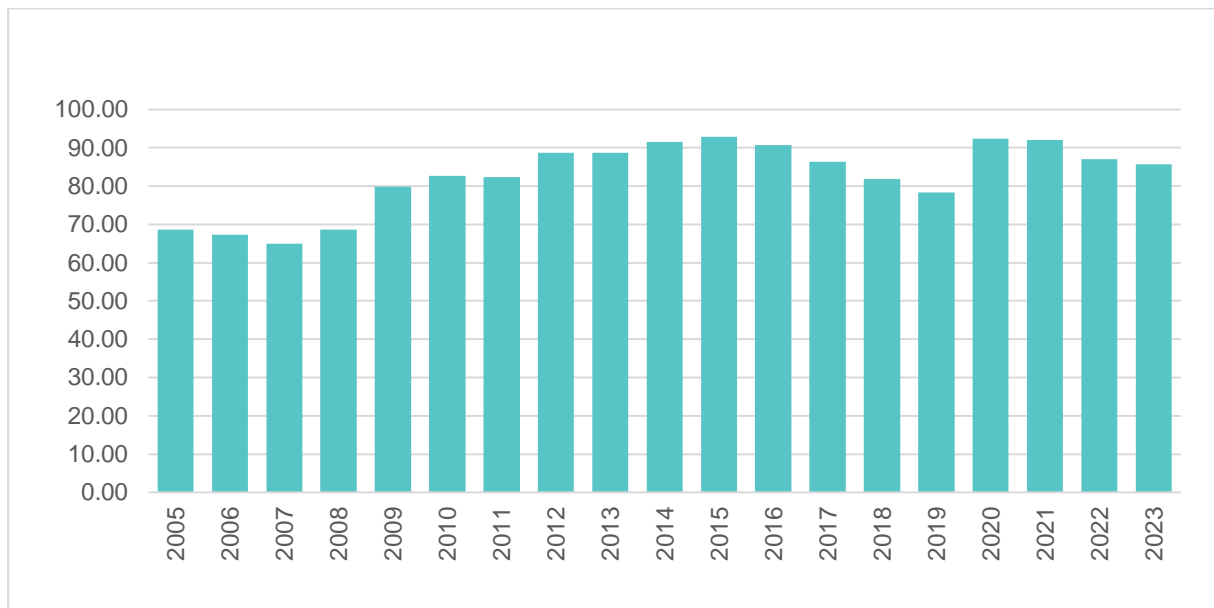


Figure AT2: Public Sector Debt in Q4 of each year (% of GDP), Austria 2005 – 2023. Sources: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

In short, these figures demonstrate the significant impact of external shocks—such as the global financial crisis of 2008 (GFC), COVID-19 pandemic, and the 2021-2023 global energy crisis—on Austria's economic landscape, particularly in terms of GDP volatility, inflation, and public sector debt.

1.1.2 Socio-economic and Demographic Trends

Demographic Trends

Figure AT3 shows the overall population growth in Austria, with particular focus on the increase in foreign population and the proportion of people aged 65 and over. Austria's population has steadily grown by 19% since 1990, up from 7.67 to a population of 9.13 million inhabitants. The Figure also shows an increasing proportion of individuals aged 65 and over, which indicates an ageing population, notably since the mid-2000s, to nearly 20% of the population. However, immigration plays a key demographic role in the 21st century. The foreign population figure—presented as residents with foreign citizenship/nationality—shows a notable rise. Whilst the Austrian population only slightly increased, the foreign population expanded since 1990 by 306% to 1.76 inhabitants in 2023. This trend can be attributed to several key waves of

migration that are impacting (the biggest) cities in Austria the most, such as Vienna, Graz, and Linz (Statistik Austria 2024a, p. 78).

From a historical perspective, labour market immigration during the 1960s brought many foreign workers to Austria, particularly from Turkey and former Yugoslavian states. This has contributed to the long-standing presence of Turkish and Southeast European-based groups. Many members of these groups already hold Austrian citizenship and were born in Austria in the years following this immigration (see also Statistik Austria 2024a). As for more recent history related to the Yugoslav Wars during the 1990s, Austria experienced an influx of migrants and asylum seekers from the former Yugoslavian states, especially from Bosnia between 1991 and 1995. Later, immigrants from Serbia and Croatia also became important groups in Austria.

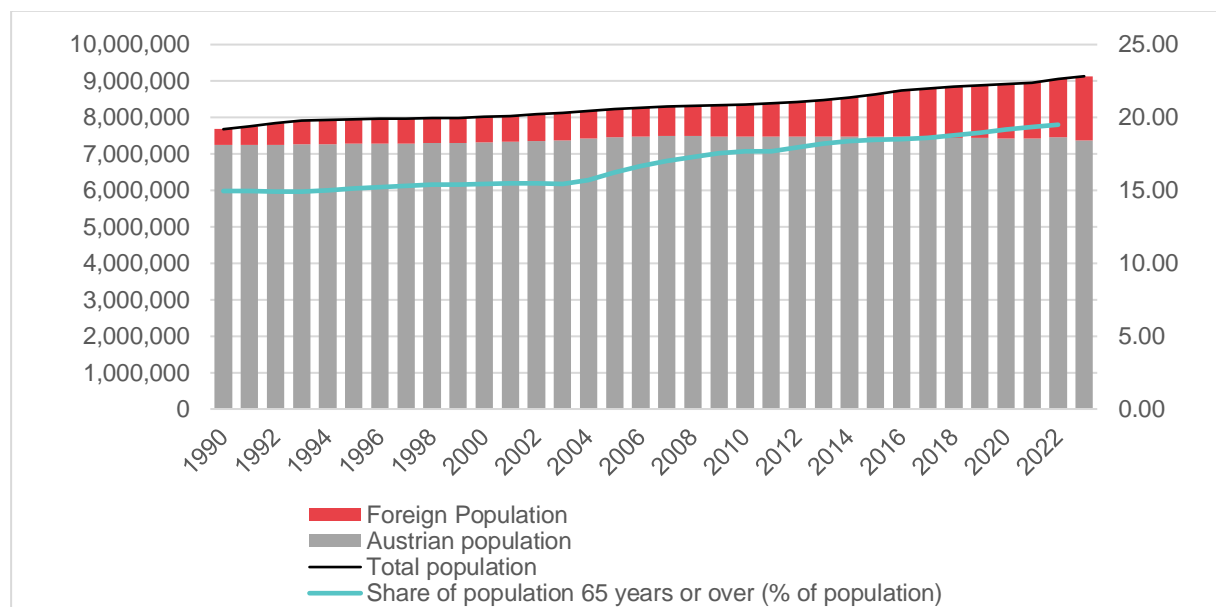


Figure AT3: Population development and ageing, Austria. Sources: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

Following Austria's accession to the European Union in 1995, the country saw an increase in residents from other EU member states. Since the mid-2000s immigrant groups from Western members states of the EU, e.g. Germany and Italy, but increasingly also from East European countries, e.g. Romania, Hungary, Poland, Slovakia, Bulgaria, characterize the Austrian population to an increasing degree. All in all, these groups have been integral to Austria's increasing population diversification.

These various waves of immigration—combined with more recent inflows linked to the Afghanistan (2001), Iraqi (2003), and Syrian conflicts (2011)—have significantly contributed to both the growing and diversification of Austria's foreign population. Figure AT4 provides insight into the net migration flows of foreign populations, a key driver of Austria's overall population growth. The most significant increase in inflows around 2015 corresponds to the so-called "European migration crisis," driven by the war in Syria. During this peak, Austria received a large number of migrants and asylum seekers from Syria. Migration stabilizes after 2015,

though inflows remain higher than pre-2011 levels. This illustrates ongoing migration pressures, which peak again in 2021 and 2022 due to an increase of asylum seekers (Statistik Austria 2024a, p. 23).

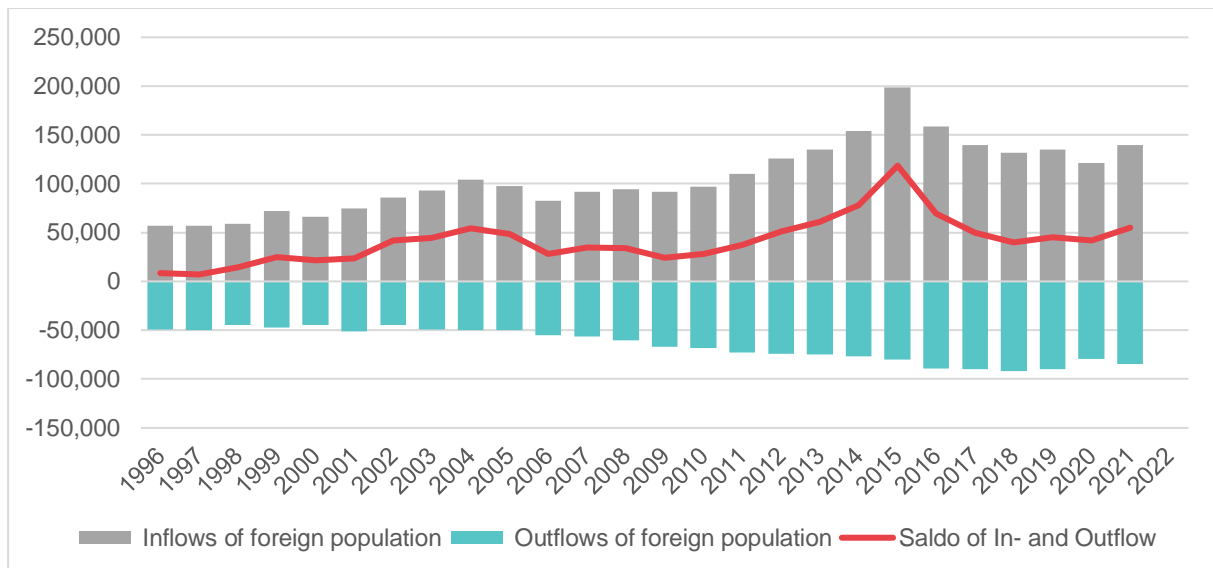


Figure AT4: In- and outflows of foreign population, Austria. Sources: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

Figure AT5 focuses specifically on the inflows of asylum seekers into Austria, showing a sharp spike in 2015 due to the before mentioned Syrian civil war, Afghanistan conflict, and broader unrest in the Middle East and North Africa. The number of asylum seekers surged in 2015, marking a significant moment in Austria's migration history. While surges of inflows have decreased since 2015, the amounts remain high, highlighting the continued impact of conflict-driven migration. The emerging peak of 2021, shown in Figure AT5, reflects an intensified phase of asylum seekers from Syria and Afghanistan (Statistik Austria 2022, p. 37). Continuing this trend, the amount of asylum seekers in 2022 further outnumbered the 2015 figure due to Ukrainian residents seeking asylum following the 2022 Russian invasion of the Ukraine (see Statistik Austria 2024a, p. 34).

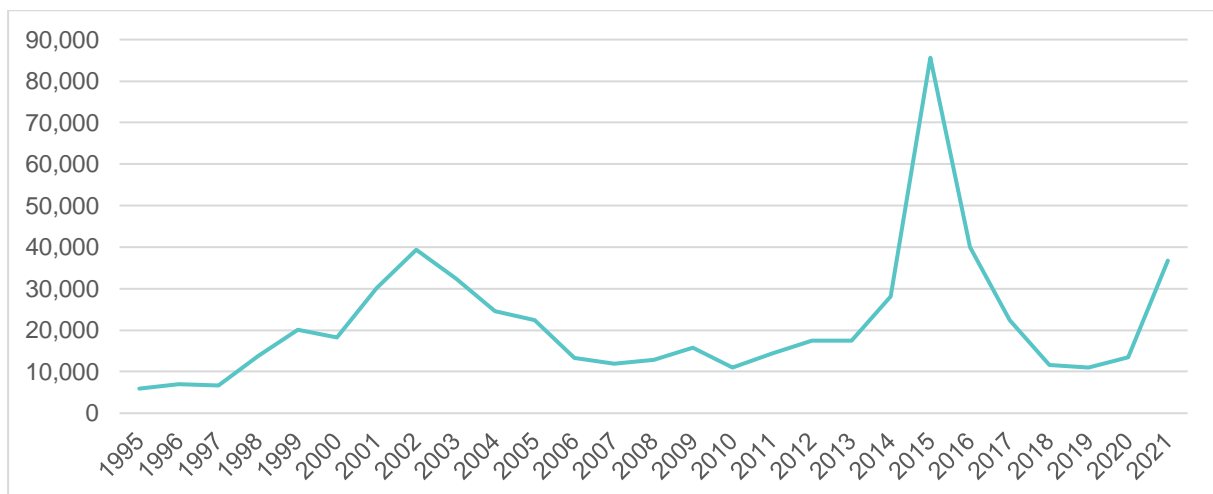


Figure AT5: Inflows of asylum seekers, Austria. Sources: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

In summary, international migration plays a key role in shaping Austria's population growth and diversity, with a focus on larger cities (Statistik Austria 2024a, p. 78). Migration has been concentrated in urban centres such as Vienna, Graz, and Linz, substantially driven by labour migration from Turkey in the 1960s, migration from former Yugoslavian states during the Balkan wars, and increased migration from EU countries following Austria's EU accession. The 2015 migration crisis, driven by the Syrian civil war and the Afghanistan conflict, resulted in a surge of asylum seekers, with many settlings in cities. Additionally, the Russian invasion of Ukraine in 2022 led to another increase in asylum seekers, with a notable influx of Ukrainian refugees. These global events have significantly shaped Austria's urban population growth and diversification, with immigration continuing to play a central role in the demographic shifts seen across the country's larger cities.

Socio-economic trends

Figure AT6 presents selected key socio-economic indicators over time in Austria, using two vertical axes: the left scale referring to wages in national currency (€) and the right scale showing the percentage of the population in poverty, the unemployment rate, and government expenditure on social protection (as a percentage of GDP).

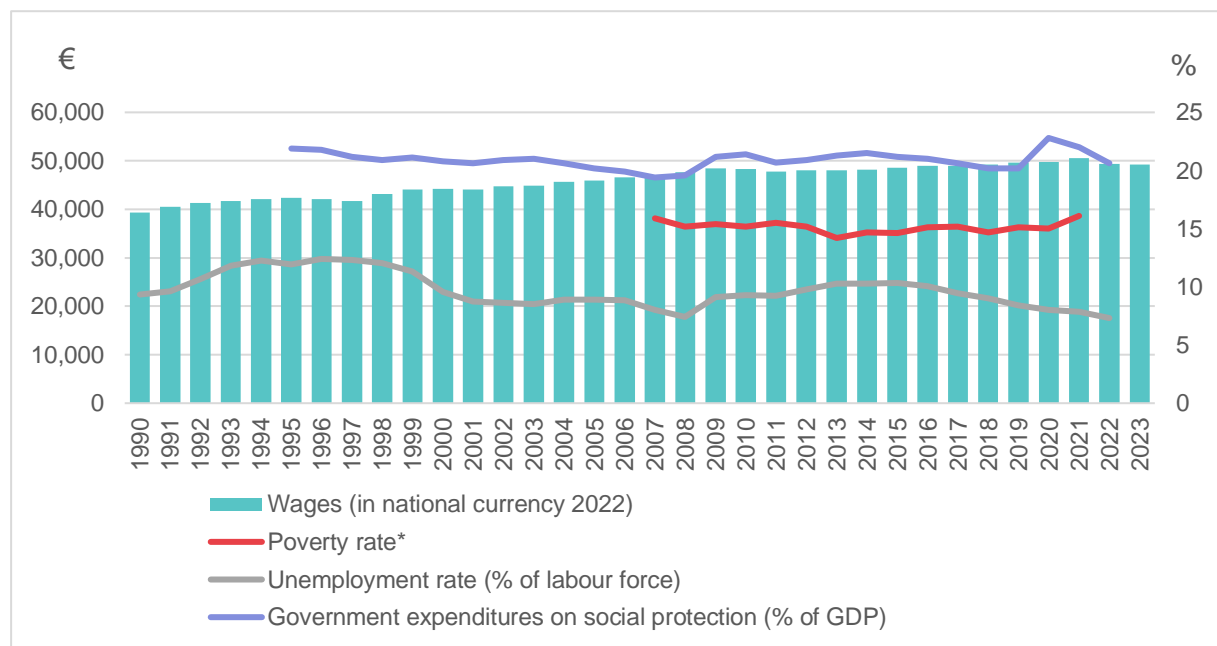


Figure AT6: Main socio-economic trends, Austria. *based on 60% of national median disposable income. Sources: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

As shown in Figure AT6, the development of wages presents a consistent upward trend throughout the period, which reflects overall growth in earnings over time. While the steady rise in wages suggests improvements in average income levels in Austria, the poverty rate (red line) fluctuates slightly and remains relatively stable throughout the period. There is no significant long-term change in the percentage of the population living in poverty, suggesting that despite wage growth, challenges related to poverty persist. This might indicate that wage increases have not been evenly distributed across all segments of society, which limits

improvements in poverty reduction. The unemployment rate (grey line) shows some variation, ranging from a high of 12% in the 1990s to a low of 7% in 2022. These variations correspond to periods of economic downturn, such as the global financial crisis in 2008-2009. Following this crisis, the unemployment rate saw a modest increase up to 10% by 2015. Thereafter, it declined steadily, culminating in a rate of 7% in 2022.

Government expenditure on social protection (light blue line) fluctuates with slight decreases before and after the GFC in 2008. Notably, significant increases in government expenditures on social protection emerge during periods of crises. This indicates the capacity of Austrian governments to mitigate the impact on vulnerable populations, most strikingly during the 2008 crisis and the COVID-19 pandemic. Therefore, this finding suggests that a responsive welfare system which adjusts to social and economic needs is still in place and results in sustained or increasing investment in social protection.

To summarize, wages have been steadily rising, reflecting overall economic growth. Relatively stable poverty levels indicate persistent socio-economic challenges despite wage growth. Unemployment spikes during economic crises, but later stabilizes in normal periods. Government social protection spending increases during economic downturns, demonstrating a flexible social safety net that responds to crises. These trends specify that while Austria has seen wage growth and stable poverty rates, it also experiences fluctuations in an adaptive social protection system that responds to economic challenges.

1.1.3 Environmental and Energy Trends

This section examines key environmental and energy trends, focusing on areas that are crucial for understanding and addressing the environmental impact of housing. Topics include: the evolution of CO₂ emissions and household energy consumption in general, accompanied by different fuel types and end use. Additionally, it explores trends in government expenditure on environmental protection and changes in energy prices.

Figure AT7 shows a significant decline in CO₂ emissions from household heating and cooling activities for Austria in the long run (red line). The increased efficiency of the housing sector is also reflected in a general decline in emissions per capita since 2008 (grey line), although Austria's population increased. Additionally, the final household energy consumption per capita (light blue line) remains stable over the last 20 years. Overall, these trends suggest that the housing sector has become more efficient, as reflected in declining emissions per capita and total emissions, even as population growth occurred. Additionally, the stable energy consumption per capita, combined with decreasing emissions, indicates a shift toward cleaner, less carbon-intensive energy sources for households.

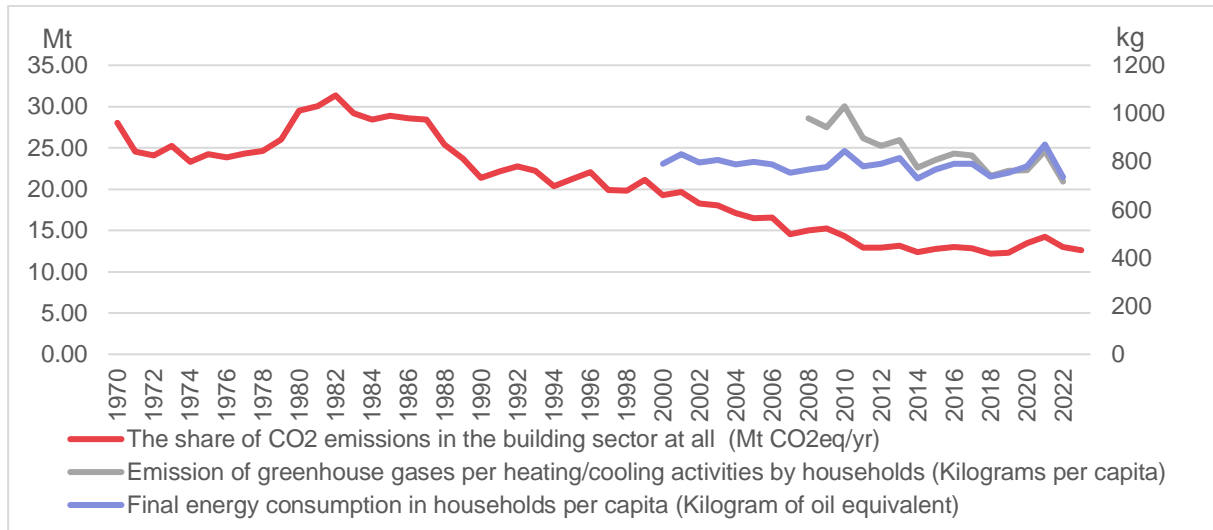


Figure AT7: Development of Emissions in the housing sector and households, Austria.
Sources: compiled by authors, data from: EDGAR-Emissions Database for Global Atmospheric Research, EUROSTAT-Statistical Office of the European Communities

Turning to fuels used in households, Figure AT8 shows that the above-mentioned trends are related to a significant decline in the use of fossil fuels for household energy consumption, particularly solid fossil fuels and oil (turquoise and grey), since the 1990s. Simultaneously, the increased use of renewable energy sources and biofuels indicates a shift toward more sustainable energy options (up from 24% to 30%). Nevertheless, the increased usage of natural gas in households from 14% to 20% subsequently results in a considerable challenge to decarbonize household energy use. The use of electricity and derived heat (e.g. district heating) continues to be a significant component of household energy consumption.

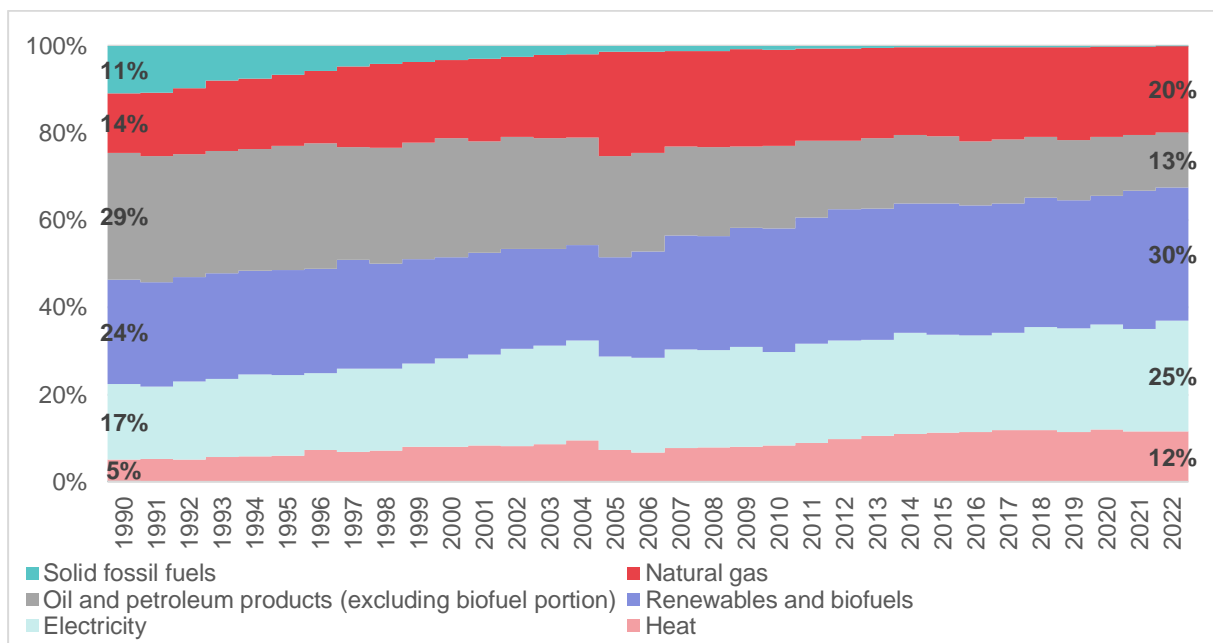


Figure AT8. Development of household energy use by fuels (percentages based on thousand tonnes of oil equivalent), Austria. Sources: compiled by authors, data from: EUROSTAT-Statistical Office of the European Communities

Space heating is by far the largest contributor to household energy consumption in Austria, consistently representing the most significant share of total energy use (see Figure AT9). This dominance underscores the importance of heating in residential energy demands, which is expected given Austria's climate and the necessity for heating throughout much of the year. In addition to space heating, water heating and lighting/electrical appliances make up notable portions of energy use, but they account for significantly less portions than space heating. Cooking and cooling represent only minor shares, indicating that these activities do not substantially drive household energy demand.

The heavy reliance on space heating suggests that any technological improvements or efficiency measures targeted at this area would have a substantial impact on reducing overall energy consumption in households. Additionally, the energy use patterns highlight that shifts in the sources of energy for heating—whether through increased use of renewables or more efficient systems—would play a crucial role in shaping the future of household energy consumption. Decarbonizing heating systems, therefore, remains one of the key challenges in Austria's building sector. The relatively low energy use for cooling reflects Austria's moderate summer climate, however summers are progressively getting hotter, especially in the Eastern parts of the country. Cooling—for now—is not a significant energy burden for households when compared to heating.

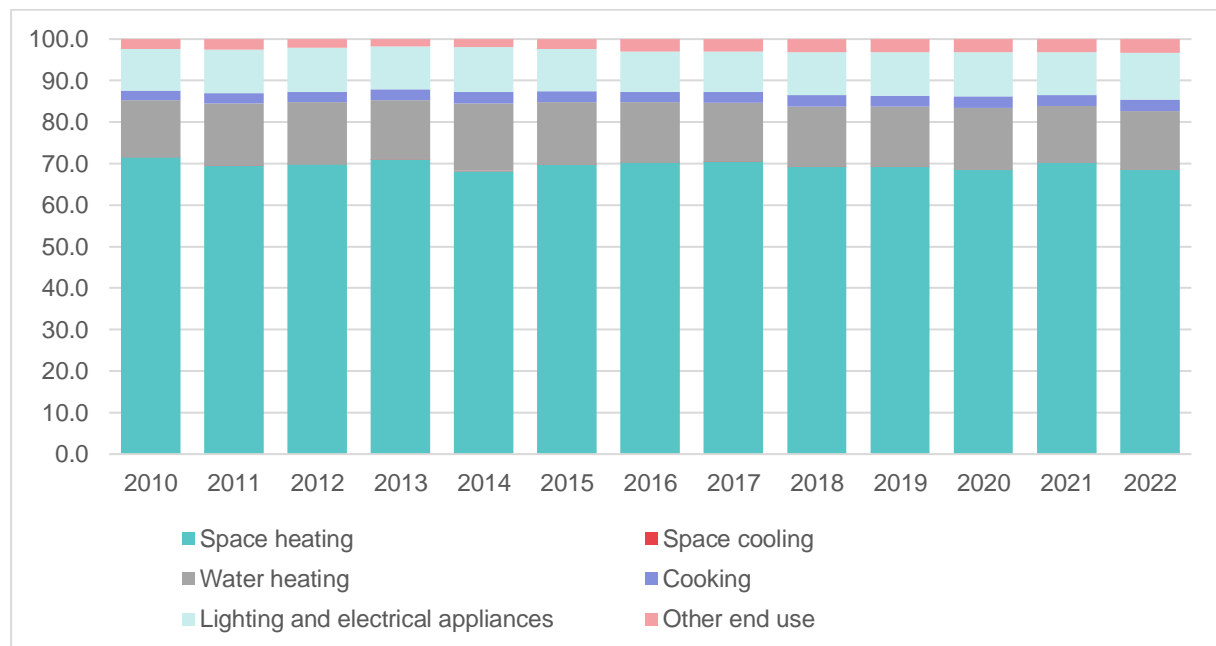


Figure AT9: Development of final household energy consumption by end use, Austria.

Sources: compiled by authors, data from: EUROSTAT-Statistical Office of the European Communities

Given that space and water heating, as well as lighting and electrical appliances, are major end uses by households in combination with the growing importance of gas and electricity as fuels, their price developments are key to assessing associated housing costs in Austria. Figure AT10 shows the development of gas and electricity prices semi-annually. A key observation in this figure is the sharp increase in both gas and electricity prices starting from 2021, which coincides with the onset of the global energy crisis. This price spike is largely attributed to disruptions in energy supply chains and increased demand, exacerbated by

geopolitical events such as the Russian invasion of Ukraine in 2022. Prior to this crisis, both gas and electricity prices showed relatively stable trends, with only minor fluctuations. This surge in energy prices has important implications for households in Austria, particularly regarding energy affordability and the increased financial burden on consumers.

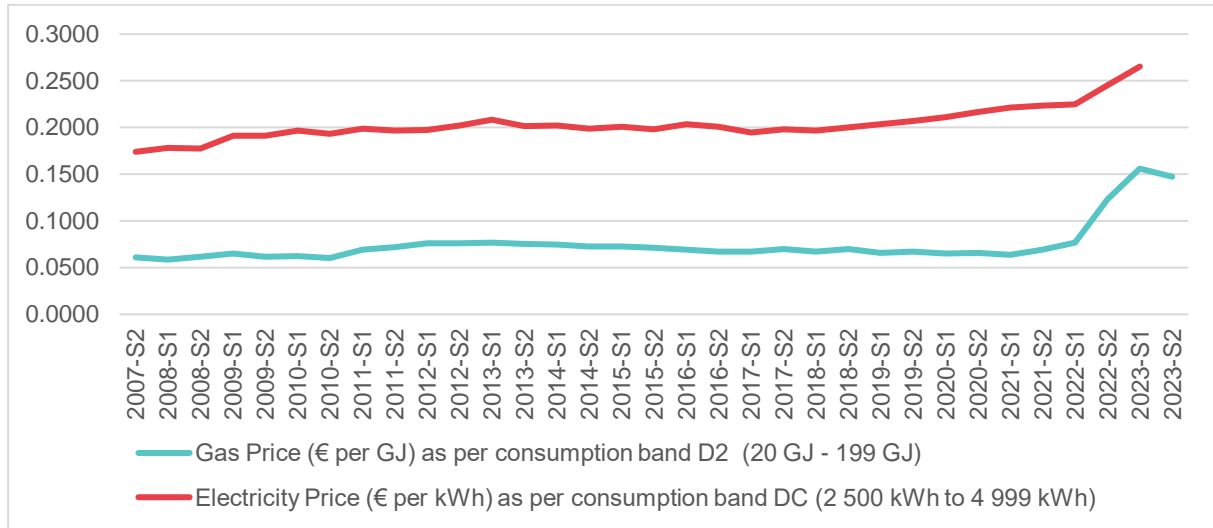


Figure AT10: Development of semi-annual gas and electricity prices, Austria. Source: compiled by authors, data from EUROSTAT-Statistical Office of the European Communities

Focusing on the government expenditure on environmental protection, Figure AT11 shows that expenditure has remained relatively stable since 1997, even in the face of significant energy and environmental challenges. The drop in expenditures from 1995-1996 might be related to the re-organization of the budget based on the accession of Austria to the European Union in 1995. The stability in expenditures, however, suggests that while environmental concerns are a priority, spending has not increased significantly, likely due to trade-offs with other public expenditures, e.g. those of social protection. During periods of economic stress, such as the global energy crisis, funds may have been redirected toward immediate needs like economic relief and energy affordability, limiting the potential for additional investments in environmental protection.

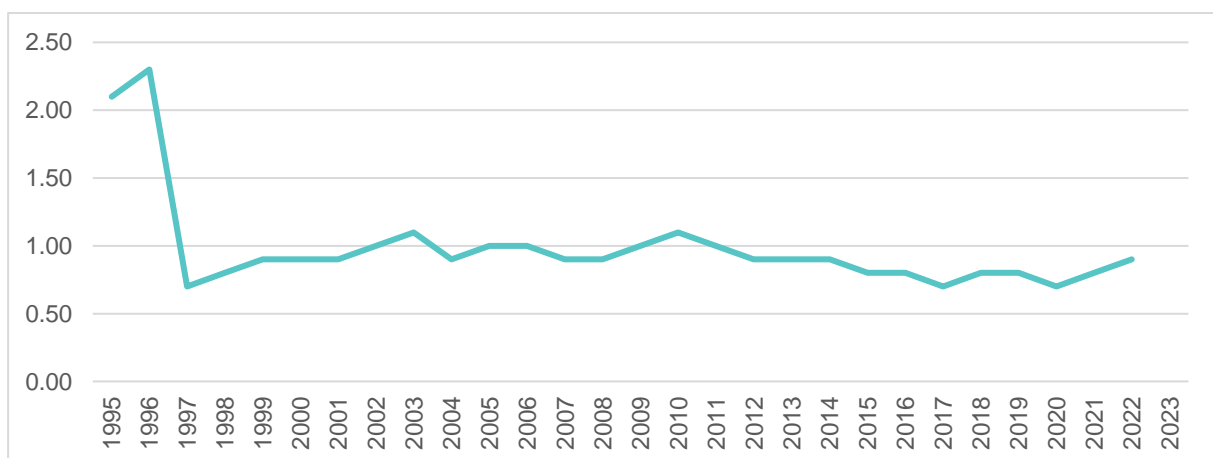


Figure AT11: Government expenditure on environmental protection (% of total), Austria. Sources: compiled by authors, data from: EUROSTAT-Statistical Office of the European Communities

1.2 Housing Sector

Section 1.2 provides an analysis of housing sector trends in Austria, focusing on key aspects such as the development of the housing stock, tenure structures, and housing prices. This section explores how these factors have evolved over time, with attention to the implications for housing inequality and affordability. The trends in housing construction, ownership versus rental dynamics, and shifts in housing expenses are central to understanding how the housing market has responded to both economic pressures and policy interventions. By examining these elements, this section aims to assess the broader impact on housing accessibility and the socio-economic landscape.

1.2.1 Housing Stock Development and Tenure Structure

Figure AT12 shows the development of the dwelling and housing stock in Austria over time. The figure highlights a steady increase in the total number of dwellings from around 3.3 to 4.9 million dwellings. The residential building stock grew from around 1.5 to 2.1 million buildings. While the dwelling stock grew by about 45% since 1991, the persons in main residencies grew by 15%. Given the expansion of dwellings outpaced the demands of a growing population, this relation must be considered in the context of population changes, preferences in living and regional, and urban development pressures.

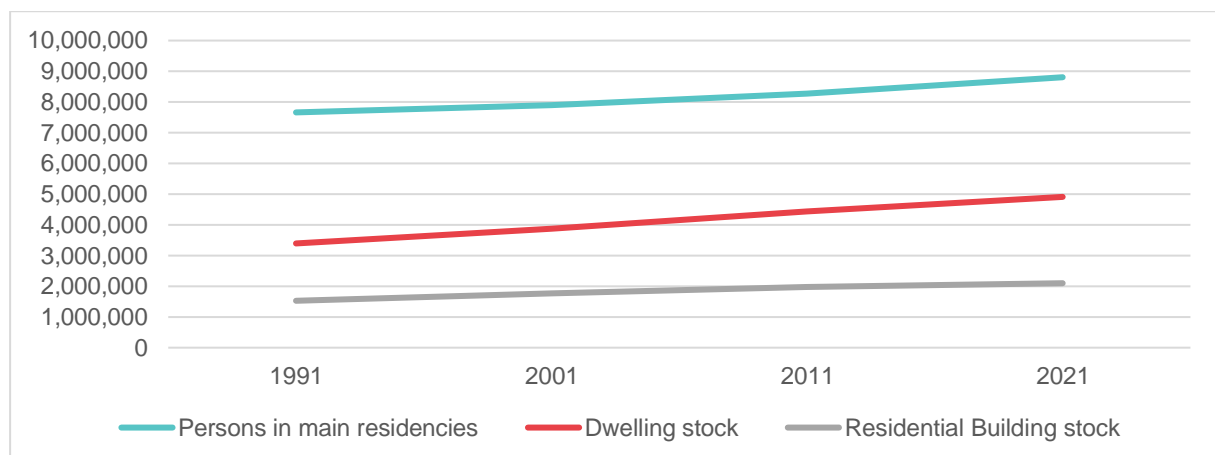


Figure AT12: Development of Dwelling and Housing Stock, Austria. Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria

Analysing the development in the dwelling stock, Figure AT13 shows the development of residential designations, distinguishing between main residences and secondary or non-residences. The latter, dwellings without a designated residency status, include dwellings that are vacant, listed for sale/rental, or unoccupied for other reasons. The figure indicates that while main residences account for much of the housing stock, their share is declining over time. In contrast, the number of secondary or non-residences has shown a substantial increase, suggesting a rise in homes or properties not used for permanent occupancy. Main residences have increased since 1991 by about 35%, while the dwellings used for secondary or non-residences has grown by about 110%. This trend highlights the growing disparity in how housing is used in Austria.

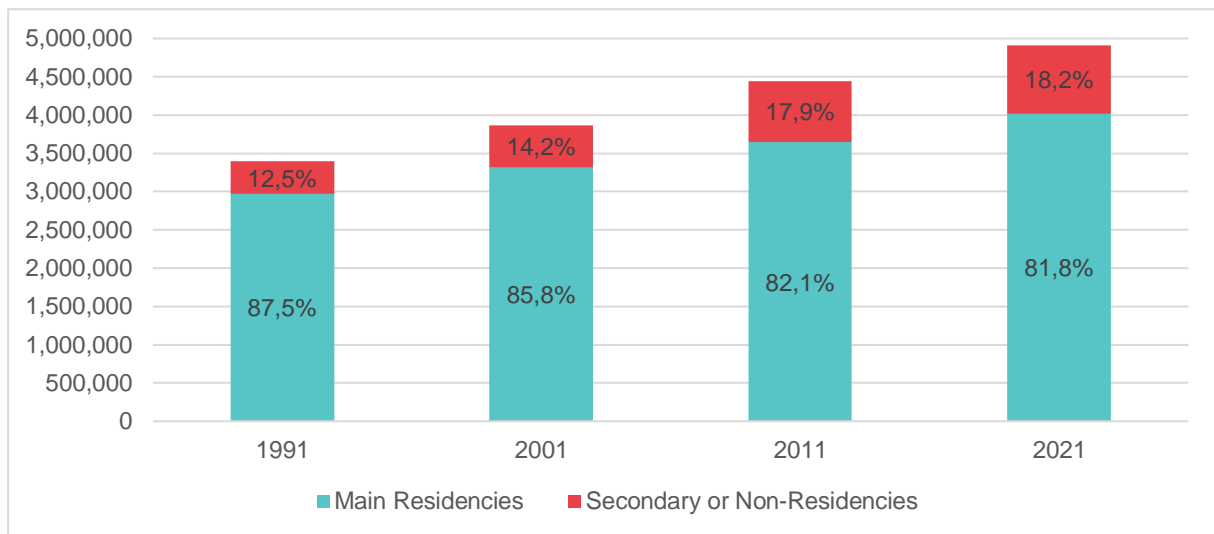


Figure AT13: Development of residencies in the dwelling stock, Austria. Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria

Highlighting another key characteristic of the housing sector, especially in relation to energy efficiency, Figure AT14 shows the age distribution of Austria's dwelling stock by construction period. Around one-fourth of the dwelling stock was built before 1944 (23%), demonstrating the substantial share of pre-World War II buildings that still make up part of the housing landscape. While the recovery phase resulting from WWII is important for housing construction, construction throughout all phases peaked during the 1960s and 1970s. In total, housing from the era of 1945 to 1980 forms a major part of the current stock (36%). This reflects the post-war reconstruction and economic growth periods, which spurred the development of new housing. From 1981 onwards, the construction of new dwellings slowed in comparison to earlier decades, though there has still been steady growth. The housing constructed after 1981 accounts for 41% of total stock.

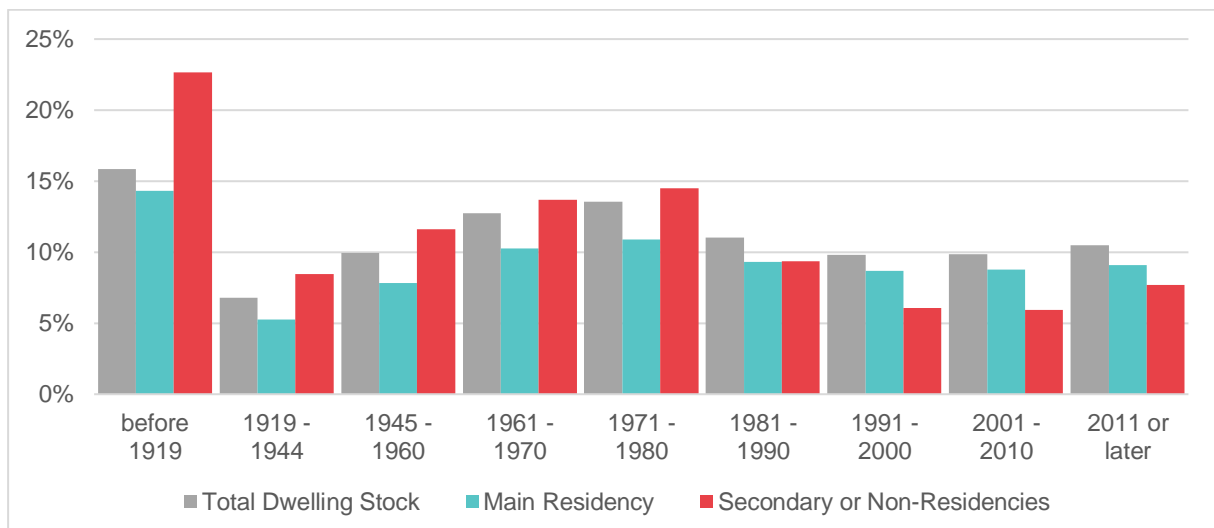


Figure AT14: Age of dwelling stock by 2021, Austria. Source: compiled by authors, data from: STATcube–Statistical Database of Statistics Austria

Trends in housing supply

The development of dwellings in new residential buildings (based on building permits) in Austria from 1980 to 2020, as shown in Figure AT15, is categorized by the type of builder. Several key trends in housing supply characterize the development in Austria. On one hand, the role of private individuals as contributors to housing supply, with a focus on individual homeownership and private construction, became less dominant over the last 40 years. On the other hand, there has been a noticeable shift towards a greater role of other legal entities and non-profit housing associations in housing development. The role of public housing in Austria's housing supply diminished nearly completely, but the construction of public social housing had a major role in Austria's welfare state approach of the post-war period (Matznetter 2002). Overall, this trend highlights a transition in housing supply from individual-driven development to a more prominent role for organizations and legal entities.

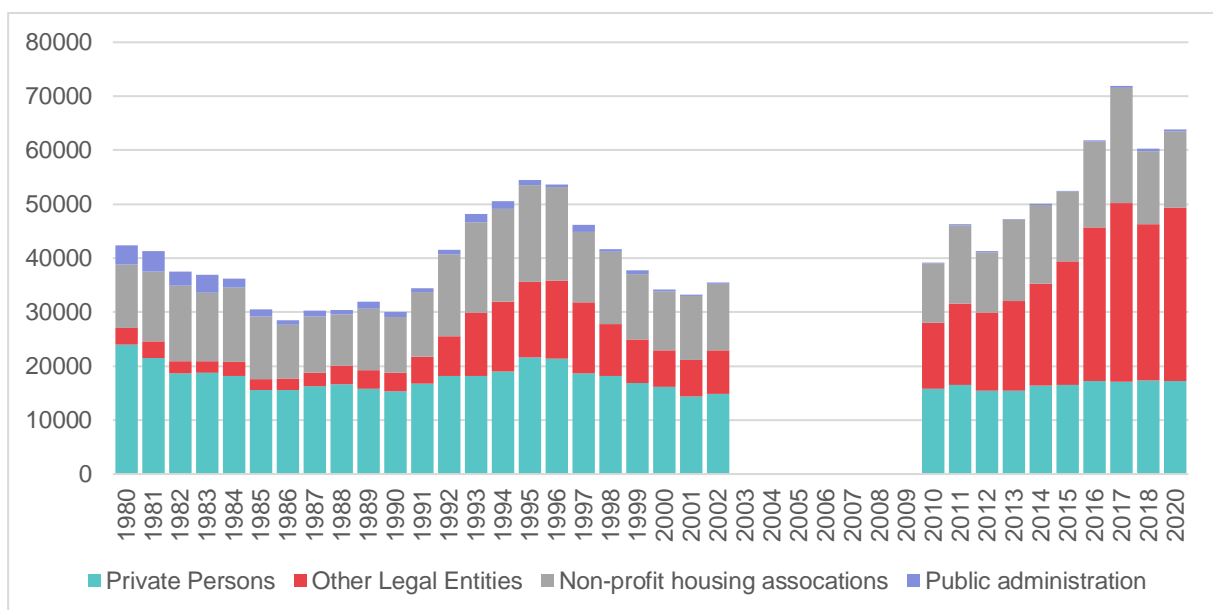


Figure AT15: Number of dwellings in new residential buildings by builder (based on building permits), 1980-220, Austria. Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria, no data for 2003-2009.

Transitioning to newly completed housing units by building type in Austria between 2010 and 2020, Figure AT16 shows the development of single-family houses, houses with 3 to 10 apartments, and buildings with more than 11 apartments. The most characteristic trend since 2010—in the aftermath of the financial crisis—is the dominance of multi-family buildings in construction, related to activities of commercial developers. This suggests a strong focus on apartment buildings or similar high-density housing projects, likely driven by urban housing demands. This focus is also visible from the shifting role of builders towards other legal entities and non-profit housing associations as described above. In contrast, single-family houses account for a significantly smaller share of housing completions during this period. The share of houses with 3 to 10 apartments remains stable. Overall, the figure highlights a growing preference for multi-family buildings in the Austrian housing market from 2010 to 2020, indicating a response to increased demand for higher-density housing solutions, especially in urban settings.

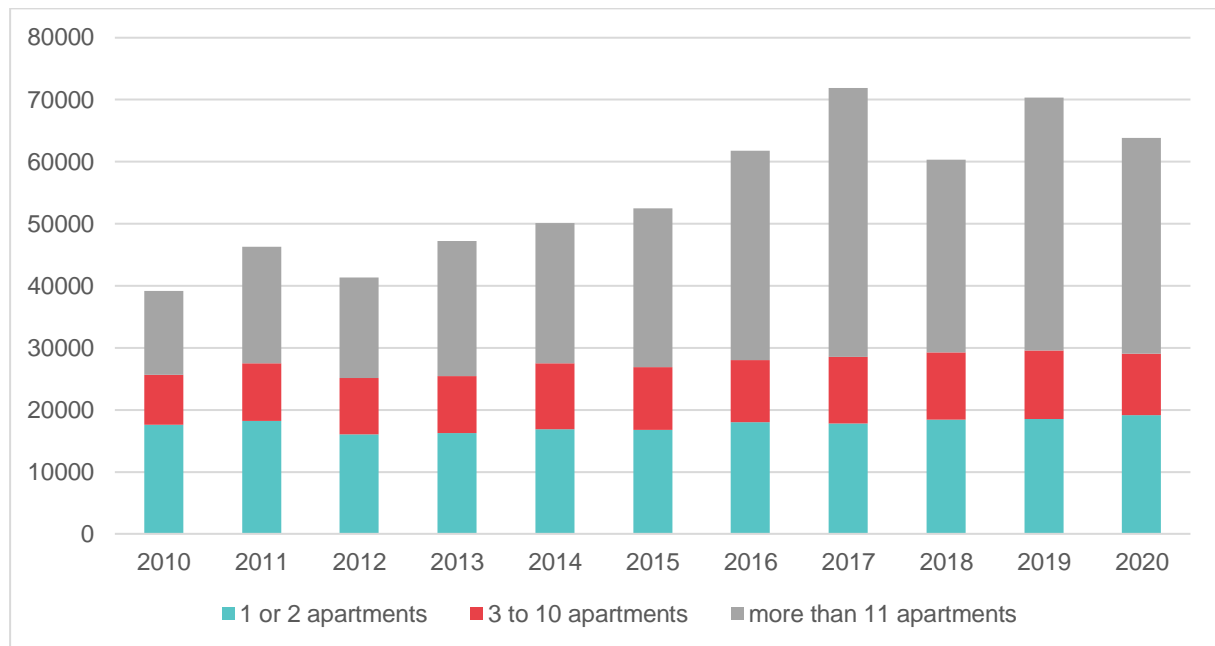


Figure AT16: Building permits for new buildings by type of building, 2010-2020, Austria.
Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria.

Tenure structure

A key dimension in relation to housing inequalities is the trend in tenure structure. Figure AT17 illustrates the long-term development of main residencies by tenure in Austria from 1991 to 2021. It focuses on the shares of owner-occupied housing, rentals, and other legal relations. The figure shows that owner-occupation has remained the dominant tenure type, but a slight shift towards rental as the second important tenure is visible. Owner-occupation increased by about 38% to slightly over 2 million main residencies between 1991 and 2021. In contrast, main residencies that are rented out increased by 57% to about 1.8 million main residences. This change suggests a gradual shift away from homeownership, potentially due to increased housing costs or demographic changes. The rental market shows an upward trend, increasing from 38.7% in 1991 to 45.1% in 2021, which indicates the growing importance of rental housing in Austria, possibly driven by urbanisation. Other legal relations, which include arrangements such as free accommodation or cohabitation without formal ownership, have consistently made up a smaller proportion of the total housing stock and have declined further over the period.

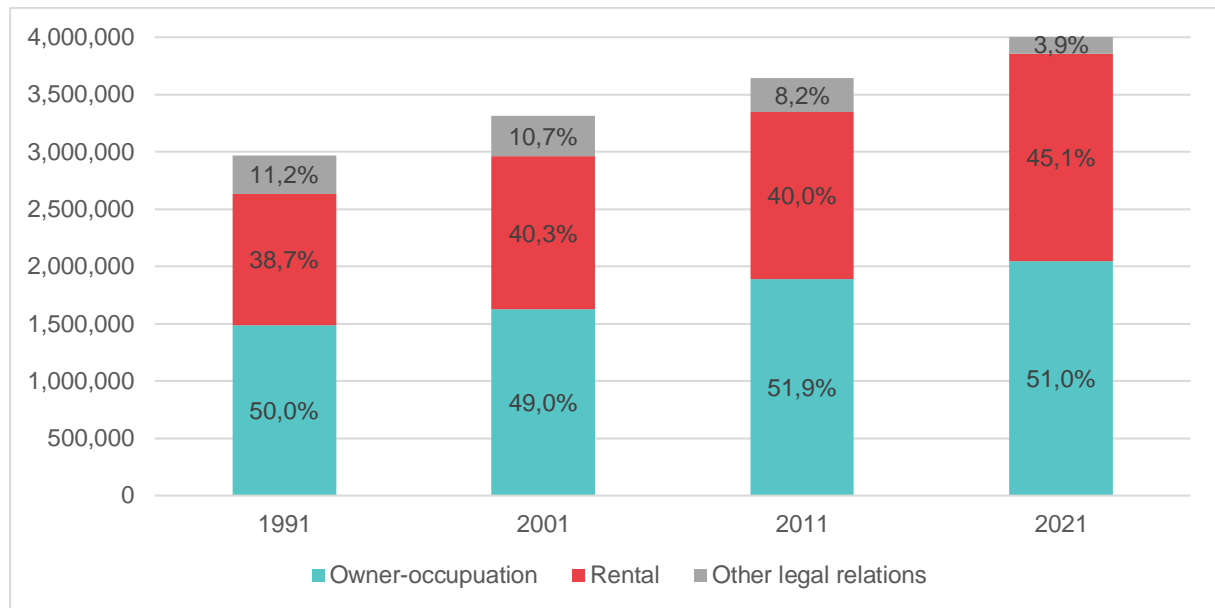


Figure AT17: Development main residencies per broad tenure structure (dwellings), 1991-2021, Austria. Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria.

Figure AT18 illustrates a more detailed perspective on the development of main residencies by legal relationship and tenure types from 1991 to 2021 in Austria. A key characteristic in the Austrian housing sector is private rental units, which amount to about 24% of all main residencies in 2021. Based on the regulatory framework of Austria, the national tenancy law—in simplified terms—regulates the height of rents in the form of reference value rents for rented-out apartments in buildings built before 1945 and with more than 3 apartments. As a result, the rent regulation applies to pre-WWII multi-apartment housing stock, while general tenant protection, e.g. regulations on the termination of contracts apply to all private rental units. Nevertheless, we delineate the rent-regulated and free market segment to highlight the key dynamics. While the rent-regulated, pre-WWII rental housing stock declined by 3.6 percentage points and 13,000 dwellings in main residencies, either through demolition or tenure conversion, the free market private rental sector expanded by 257% to around 590,000 main residencies. The share of the free-market segment increases to about 14.7% while the share of rent-regulated private rentals declined to 9% in 2021. This trend once more highlights a shift towards more market-based rentals, increasingly constructed by other legal entities over the last four decades.

As related to social rental housing in Austria, usually two sub-segments are considered: publicly owned housing and non-profit housing. The latter is constructed by registered housing associations that are strictly regulated by national law and only allowed to charge cost-covering rents in exchange for tax exemptions amongst others benefits. As the housing supply by public builders practically ceased, the shares of publicly owned rentals consequently decreased from 9.7% in 1991 to 6.8% in 2021. Main residencies in publicly owned buildings declined by 2.9 percentage points, from about 288,000 to about 275,000 in Austria. In addition, selling off or demolishing public social housing occurs in Austria, but is by no means a dominant trend in tenure restructuring. Furthermore, this decline in public social rental was countered by the increasing role of non-profit social rental housing. The data shows that main residencies in

buildings owned by non-profit housing associations expanded by about 81% since 1991 and amounts to about 580,000 main residencies (320,000 in the 1990s). Through this expansion, the shares of non-profit housing units have grown from 10.8% to 14.5%. In total, the social rental segment slightly expanded and makes up 21.3% of all main residencies.

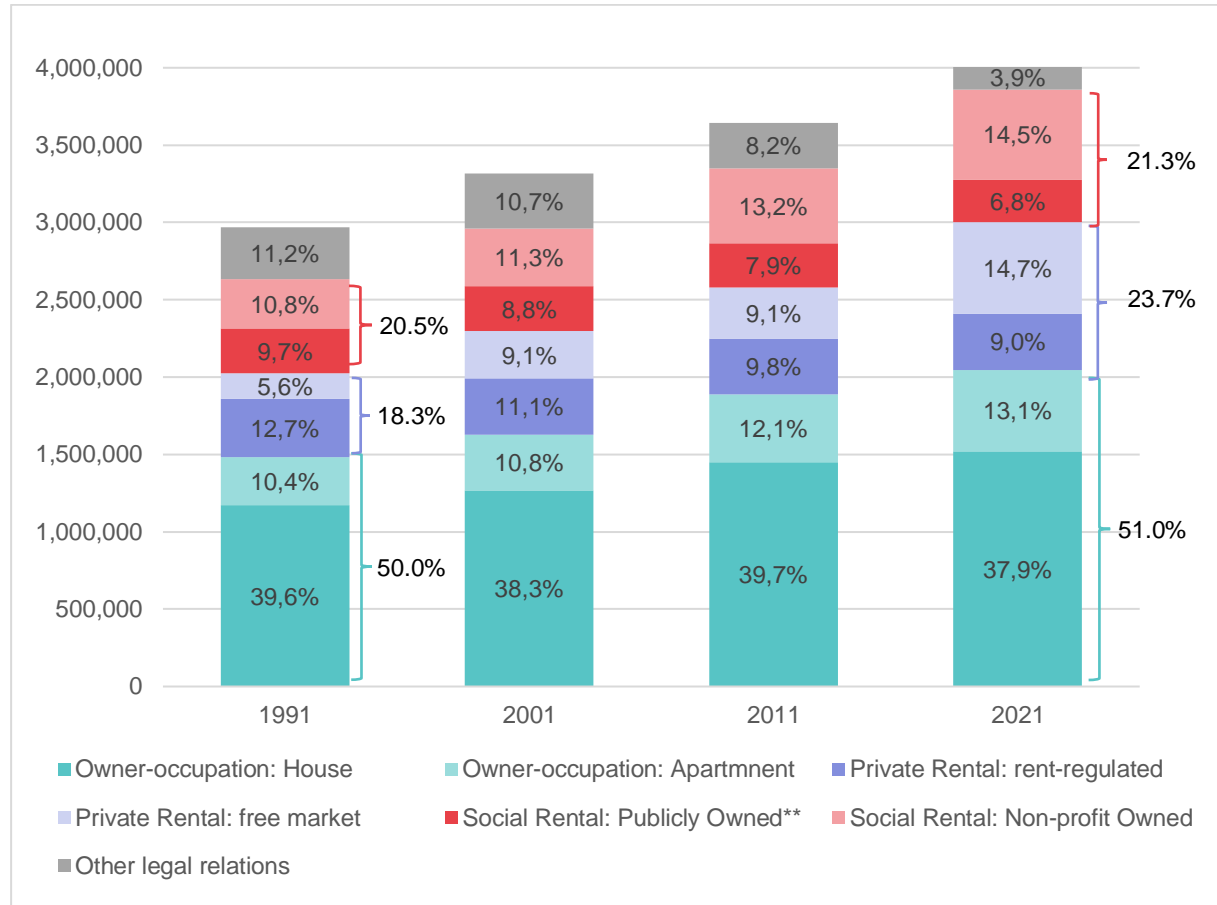


Figure AT18: Development of main residencies by legal relationship and tenure types (Number and %), 1991-2021, Austria. **owned by municipalities (in German Gemeindebauten). Source: compiled by authors, data from: STATcube – Statistical Database of Statistics Austria.

The detailed categorization of overall owner occupation more specifically into houses and apartments, helps to clearly demonstrate the role of urbanisation over the last four decades. While every tenure expanded its stock (besides public housing and regulated private rental units), apartment owner occupation grew by 70%, much more than owned single family houses, which grew by 29% since 1991. As a result, the share of house ownership declined from 39.6% in 1991 to 37.9% in 2021. Additionally, Figure AT19 shows only very gradual shifts in owner-occupied housing in relation to mortgaged or outright ownership in Austria from 2010 to 2022. While outright ownership is more dominant, both types have seen only a slight decline over the analysed period, highlighting no dramatic changes in access to homeownership since 2010.

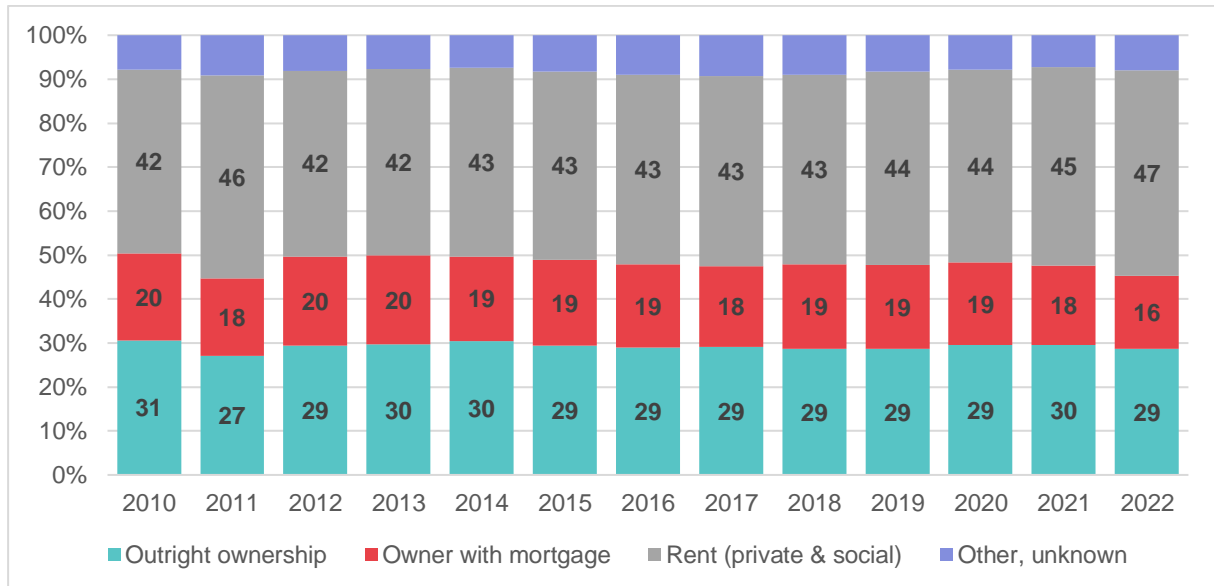


Figure AT19: Share of households in different tenure types (%), 2010-2022, Austria. Source: compiled by authors, data from Eurostat

To sum up, the Austrian housing stock is characterised by a noticeable shift towards private rentals, particularly in the free market, while social rental housing has also increased slightly given the substantial expansion of non-profit sector housing units. Owner-occupied housing has seen a slight decline, while apartment ownership units expanded substantially, reflecting changes in the supply of ownership units in Austria.

1.2.2 Housing Prices and Policy Expenditures

The development of housing prices and rent prices is presented in Figure AT20 in relation to annual average wage growth from 2000 to 2023. All indices are normalised and the baseline year is 2000 (with a value of 100). The figure highlights a significant and growing disparity between wage growth and housing and rental costs. Wage development (blue line) exhibits a much slower and more modest increase, remaining relatively flat when compared to the sharp rise in house and rent prices. Wages grew only marginally over the 23-year period, with the index hovering between 100 and 110 in the 21st century. Rent prices (red line) show a steady and continuous increase throughout the entire period, with some slower growth during the COVID19 pandemic. The pace of rent price growth mirrors that of house prices, but rent prices rise more consistently, without the fluctuation seen in house prices. Real house prices (turquoise line) initially show stability from 2000 to 2008, followed by a sharp increase starting in 2009, before slightly dropping in 2023. This drop is related to— amongst other things — increases of interest rates by the European Central Bank, but also stricter access criteria to mortgages issued by the national government in the summer of 2022.

The stark contrast between wage growth and the rise in both house and rent prices as shown in Figure AT20 is a key concern in Austria. Since 2009, house prices have outpaced wage growth, and this gap has widened dramatically. Rental prices also diverge sharply from wage growth, further emphasizing the increasing financial strain on households. As housing and rental costs rise much faster than incomes, affordability becomes an increasing issue. This contributes to greater housing inequality and financial stress, especially for low- to middle-

income households in private rental settings and regarding declining accessibility of ownership.

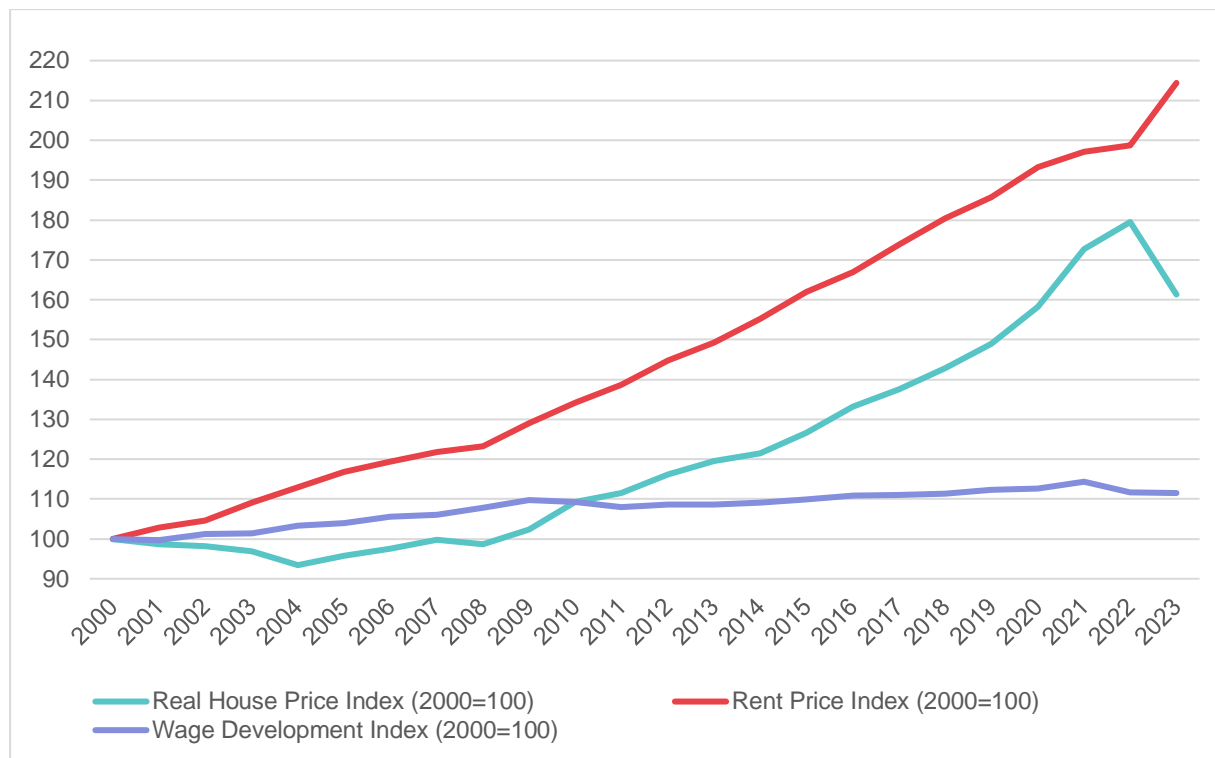


Figure AT20: Development of prices for houses and rentals, 2000-2023, Austria.

Source: compiled by authors, data from: OECD–Organisation for Economic Co-operation and Development

Trends in Austria's public expenditures on housing based on three categories is illustrated in Figure AT21. Housing development (GF0601) refers to activities and expenditures on housing development in terms of grants and loans or subsidies for the expansion, improvement, or maintenance of the housing stock. Community development (GF0602) refers to activities that—amongst housing—also include public utilities, health, education, etc. Housing costs (GF1006) are part of social protection measures and relate mainly to housing allowances.

Expenditures on housing development show an ongoing decrease. While the earliest drop in expenditures might reflect budget re-organisation due to Austria's accession to the EU, the ongoing decrease is probably related to the lift of earmarking housing subsidies in 2008. Federal provinces (*Bundesländer*) who oversee housing subsidies are allowed to use the financial resources that stem from a payroll tax on housing for any purpose within their budgets. In contrast to housing expenditures, costs for community developments (GF0602) remains stable over time. The expenditures for housing allowances (GF1006) grow steadily until 2010, with decreasing expenditures afterwards. This might be related to the fact that housing allowances are sometimes organised within means-tested minimum income schemes at the federal level.

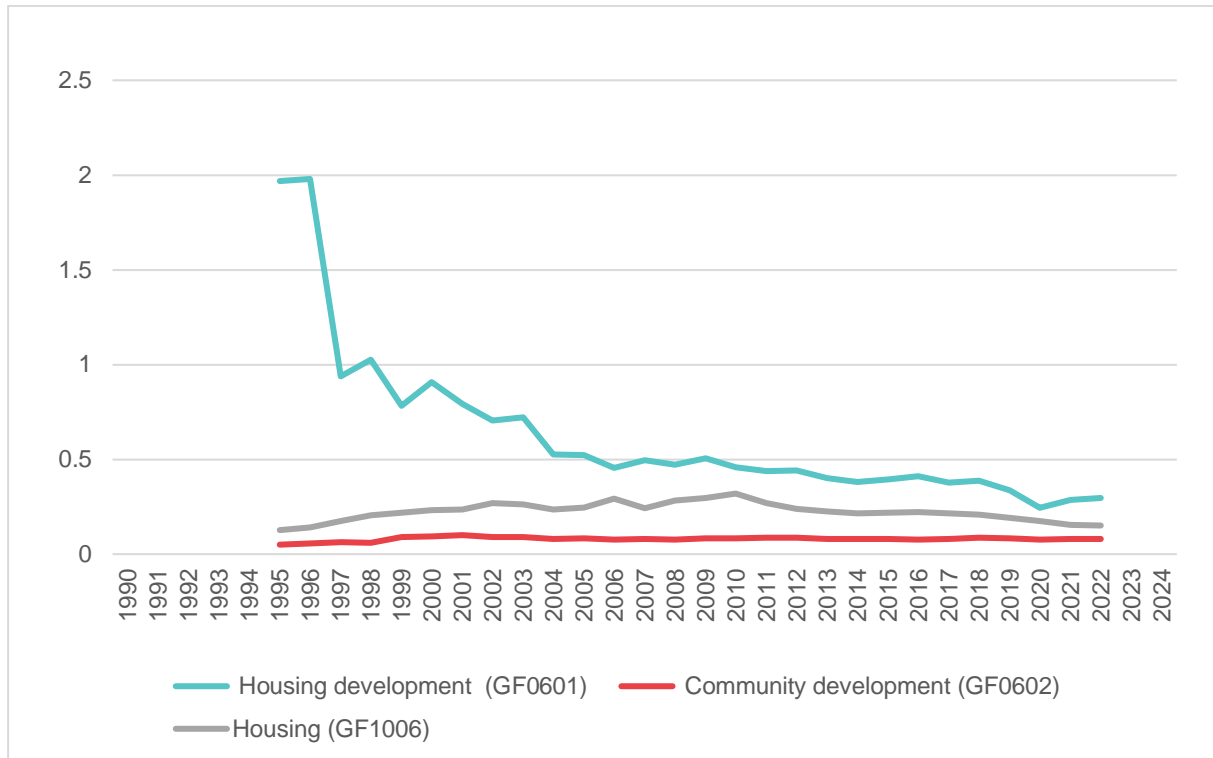


Figure AT21: Public expenditures for housing (%), Austria. Source: compiled by authors, data from: OECD—Organisation for Economic Co-operation and Development

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

This part of the report provides a focused and structured analysis of housing inequalities based on EU-SILC data from 2005–2020. Housing inequalities are understood as a multi-dimensional phenomenon, encompassing housing and neighbourhood quality, housing costs, and housing segmentation. Additionally, this analysis specifically considers the degree of urbanisation or regional differences to assess the spatial dimension of housing inequalities. The interpretation of the results relates to the general trends of the analysed dimensions with the underlying aim of determining whether housing inequalities are increasing, decreasing, or remaining stable.

2.1 Housing and Neighbourhood Quality

This section showcases trends in self-reported housing and neighbourhood quality issues in Austria from 2005–2020. Trends regarding neighbourhood quality, noise, pollution, and crime or vandalism remain persistent since 2005 with slight fluctuations. Not surprisingly, all three indicators of neighbourhood quality show higher levels in the subjective perception regarding noise, pollution, and crime in densely populated areas (see Annex Table AT1).

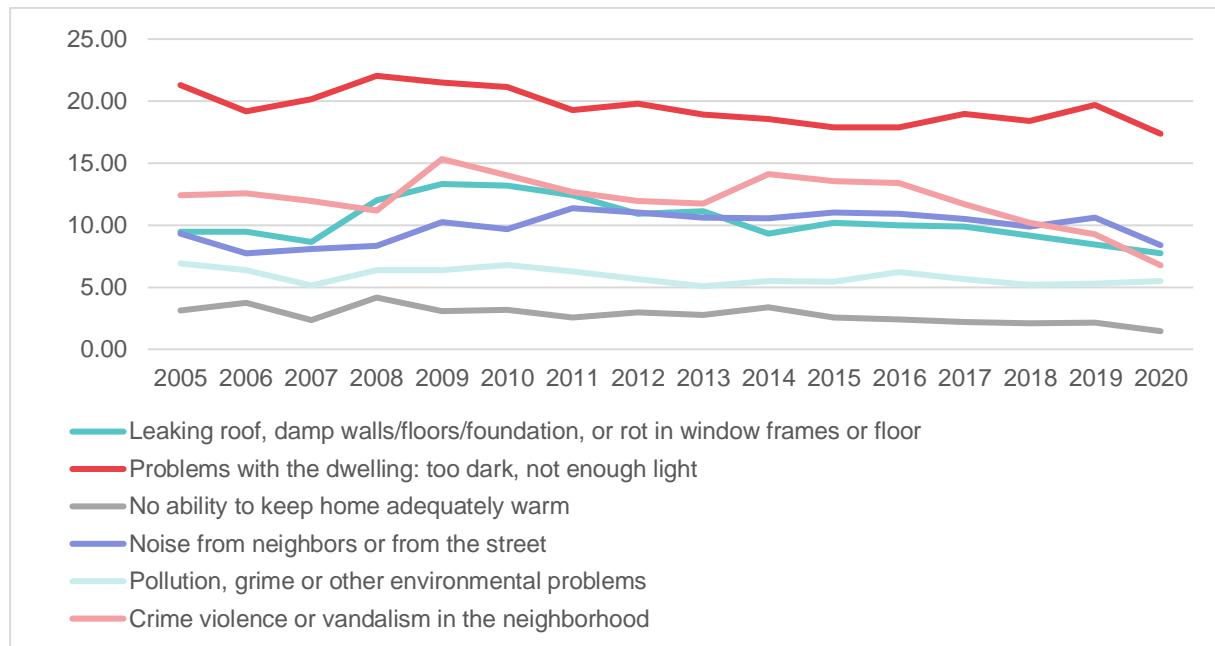


Figure AT22: Development on self-reported housing and neighbourhood quality (%), 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

Trends regarding housing quality problems are not clear cut. On one hand, the percentage of households reporting issues like leaking roofs, damp walls, or rot in window frames and floors shows fluctuations between 2005 and 2020. About 10% of the respondents' refer to these problems with the quality of the building quality. There is a slight decrease from 2010 visible, suggesting improvements, but this trend is to be interpreted with caution. Annex Table AT2 also shows that no clear difference between more urbanised and rural areas exist. A slight trend, that should be treated cautiously again, shows that housing quality problems become more prevalent in densely urbanised areas. On the other hand, problems with the lighting conditions of dwellings fluctuate around 20% without a clear trend. This may cautiously be interpreted as a structural housing problem in dense urban areas, with a consistent difference of about 10% between urban and rural areas (Annex Table AT2).

When it comes to the ability of keeping a home adequately warm, which can be interpreted as a measure of energy poverty, a slightly decreasing trend suggests improvements. The situation with skyrocketing energy prices since 2021, however, has worsened the situation again. In 2022 about 3.2% (129,500) of Austrian households are not able to keep their homes adequately warm, but these figures do not capture the substantial increases of energy prices in the second half of 2022 (Statistik Austria 2024b). As shown in Annex Table AT2, households that are not able to keep the home adequately warm are seen mainly in urbanised areas throughout the whole period.

Another dimension affecting the housing quality of residents is overcrowding. Figure AT24 shows the trends in the share of overcrowded households in Austria between 2005 and 2020, broken down by the degree of urbanisation (densely populated, intermediate, and thinly populated areas). In general, overcrowding is more manifested in urban areas. Additionally, this figure suggests that overcrowding in urban areas was lower before the GFC and since then has stagnated over 20%. Similar trends are observable at intermediate and thinly

populated areas, but the overcrowding rate remains relatively 10-15 percentage point lower than in densely populated areas. In general, this highlights challenges in realising the demand of needed rooms, especially in urban areas after the GFC for about one-fifth of the urban population, hinting at affordability challenges.

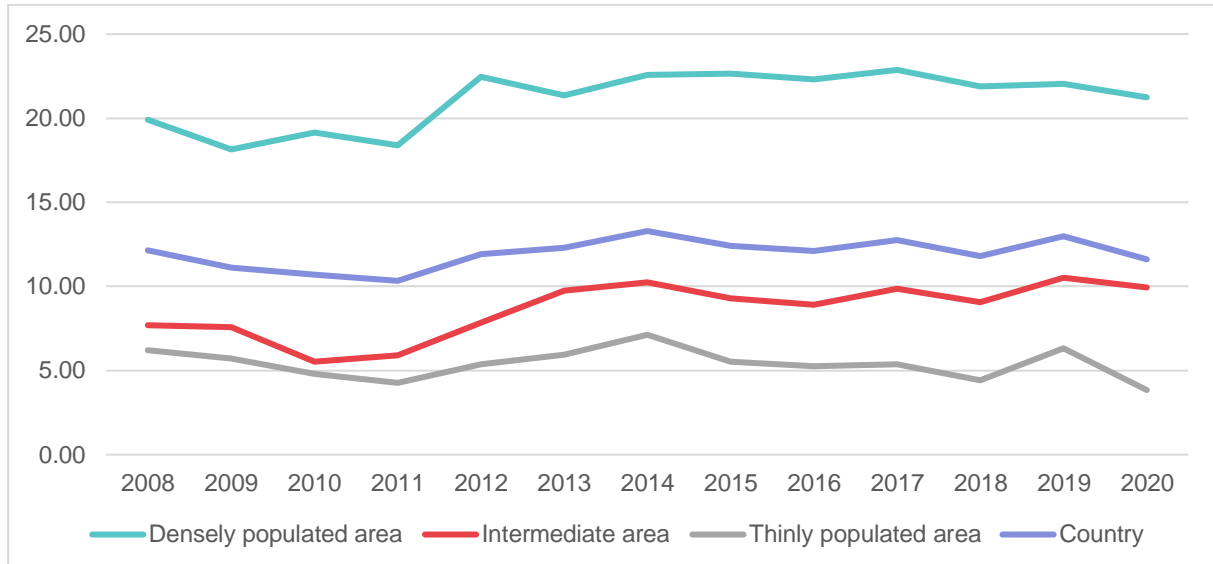


Figure AT23: Share of overcrowded households, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

While the number of rooms can be interpreted in terms of housing qualities, it is also indicative of housing consumption trends. Figure AT23 shows the average number of persons per room, distinguished by apartments with 5 or less rooms and for 6 or more rooms. The figure shows a decrease in the number of persons per room for both categories, which indicates a general trend in increased space consumption per person since 2005. As households increasingly have on average fewer people per room, this suggests that each individual is occupying more space, pointing toward a growing demand for larger living areas.

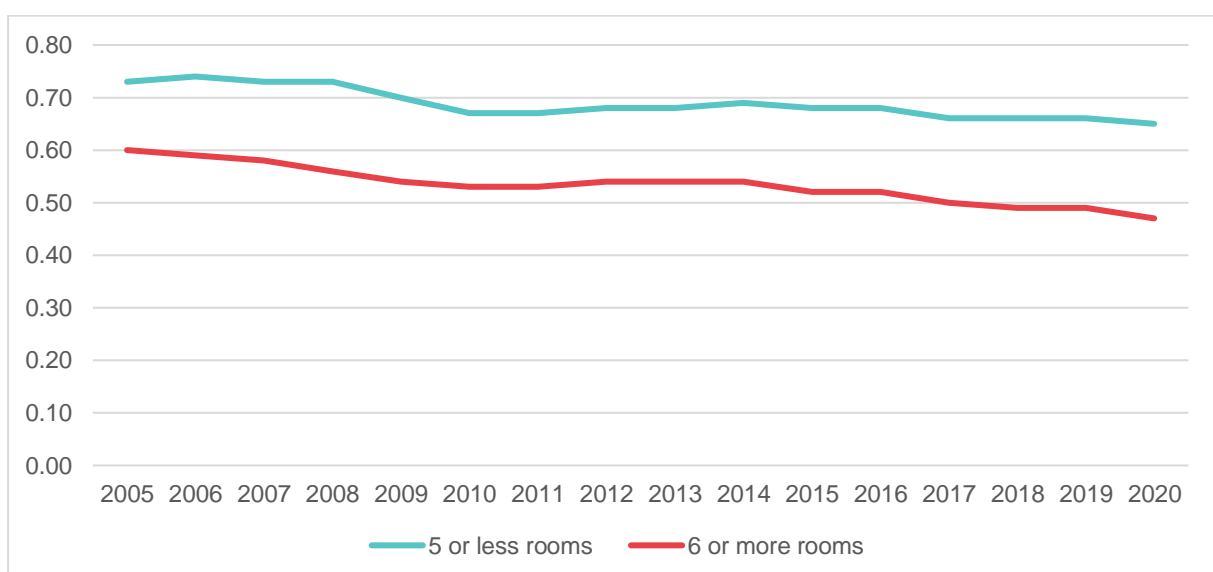


Figure AT24: Number of persons per room, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

2.2 Housing Costs

Housing costs, differentiated by socio-economic status and territorial dimensions, represent key aspects of housing inequalities. This section examines these disparities by exploring both self-perceived financial burdens and the share of total housing costs in total disposable income. By analysing these indicators, the section highlights how various socio-economic groups and regions experience the financial pressures of housing differently, shedding light on the uneven distribution of housing affordability challenges across Austria.

Looking at the self-perceived financial burden of housing costs among Austrian households from 2005-2020, most households self-perceive housing costs as somewhat a burden. Nevertheless, there is a clear trend from 2015 onwards in answering this question as rather 'not a burden at all' than 'somewhat a burden'. The proportions of households reporting a heavy financial burden are about 10% with the data showing some fluctuation.

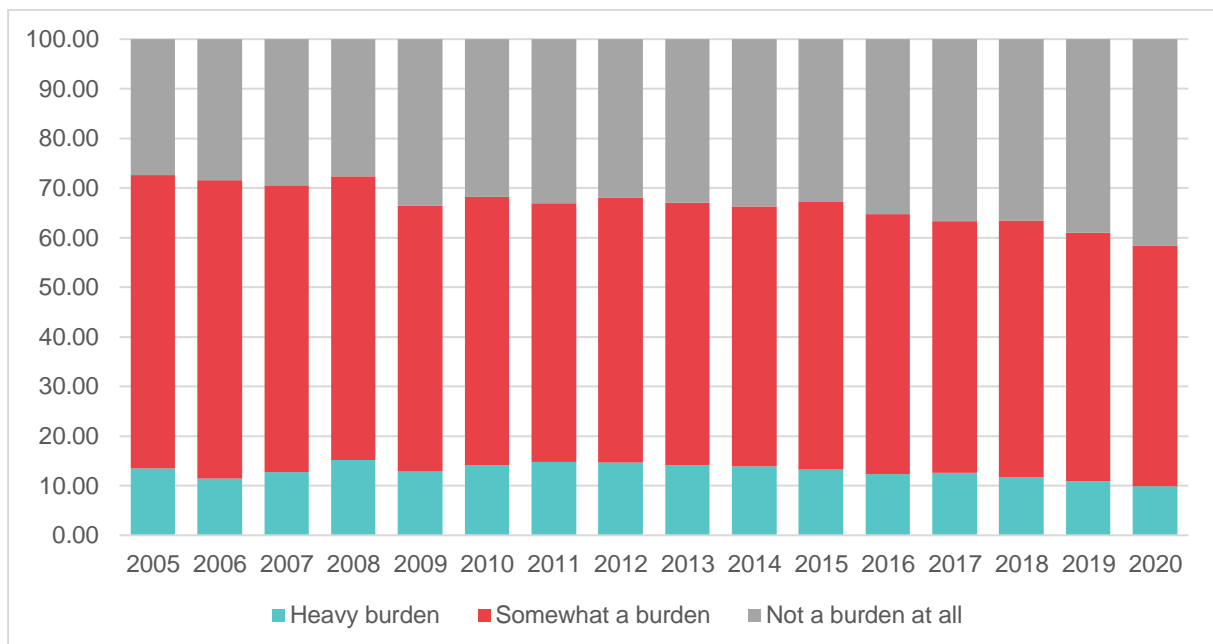


Figure AT25: Self-perceived financial burden of total housing costs, 2005-2020, Austria.
Source: compiled by authors, data from: EU-SILC own calculation

2.2.1 Housing Cost Burden per Socio-economic and Demographic Conditions

This report now turns towards a focus on housing cost burden, specifically examining the share of total housing costs as a percentage of total disposable income across different socio-economic and demographic conditions.

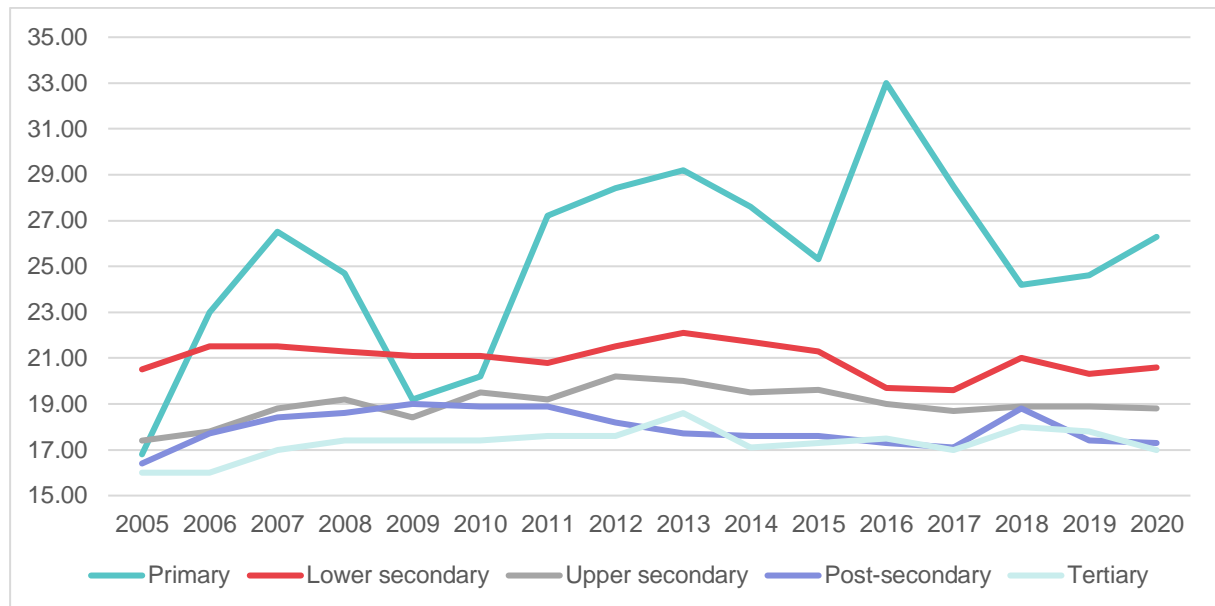


Figure AT26: Development of share of total housing costs in total disposable income by educational attainment level, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

A clear relationship between education levels and housing cost burdens is revealed in Figure AT26, with lower-educated household heads consistently experiencing substantively higher burdens (unless in 2005, 2008 and 2009 which might relate to data artefacts). The share of housing costs as part of disposable income fluctuates but generally stays around 25-30%. The difference of average housing cost burdens amongst the other educational categories vary, but only to a minor extent. While there are some fluctuations, particularly during economic downturns (e.g., 2008-2010), the overall pattern remains stable. This points to the enduring inequality in housing affordability based on educational attainment, where ongoing challenges remain for lower-educated individuals.

Housing cost burdens per self-defined economic status also differ considerably. Figure AT27 clearly shows that four groups consistently bear the greatest housing cost burdens: students (on average 38% over the whole period), other inactive persons (31% on average), unemployed (30% on average) and disabled (29%). The inequalities between working full/part time, performing domestic tasks, and being retired are moderate and the housing cost burden lies on average below 20%. The trends across all of these groups remain persistent and consistent over the 2005–2020 period, highlighting that socio-economic disparities in housing cost burdens are stable.

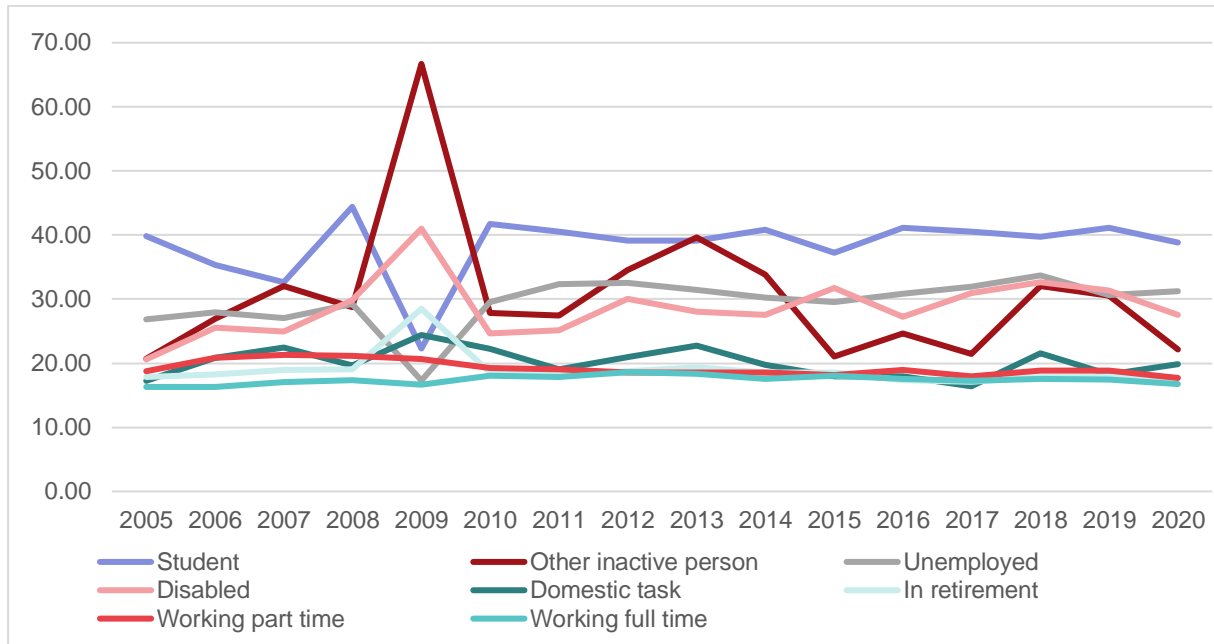


Figure AT27: Development of share of total housing costs in total disposable income by self-defined economic status, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

When it comes to disparities by country of birth, Figure AT28 reveals on-going inequalities among Austrian born and non-Austrian born. The difference between households from EU or non-EU countries is neglectable. Where households from the two former-mentioned categories pay on average about 24% across all years, Austrian households pay on average 18%. However, data suggests that there is a slight increase in disparities between Austrians and non-Austrian headed households since 2005. Overall, this suggests both greater and growing disparities in housing cost burdens of non-Austrians when compared to Austrians.

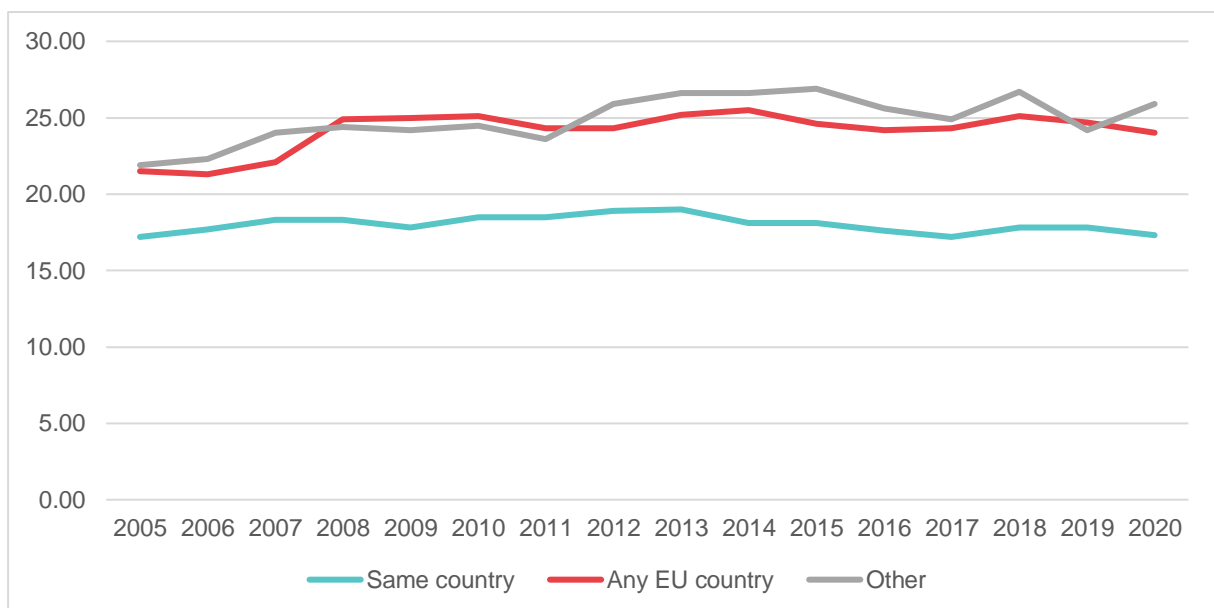


Figure AT28: Development of share of total housing costs in total disposable income by country of birth, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

2.2.2 Housing Cost Burden per Household Type

Trends in inequalities per household type reveal significant differences in housing cost burdens across various household compositions. They specifically highlight that larger families, single households and single-parent households unsurprisingly tend to face greater housing cost burdens. Single-parent households consistently face the highest housing cost burden, with the average share of total housing costs across all years being 27% and single households pay on average 25%. This reflects the financial strain experienced by single parents, who must cover housing costs with a single income, leading to persistent affordability challenges. Households consistent of two adults either with or without children show only moderate disparities and range on average between 14 and 16%. Other households pay on average 11% of their disposable household income for housing. Overall, these trends in disparities of household types remain remarkably consistent over time.

2.2.1 Housing Cost Burden per Building Type and Tenure

This report now turns towards housing cost burden disparities, as related to the building type and tenure. Looking at the housing cost burden per building type (Figure AT30), a clear disparity exists between detached/semi-detached houses and apartment buildings either with less or more than 10 buildings. Housing cost burdens for households living in detached or semi-detached houses are the lowest, typically around 15% of disposable income. Over the years, a very slight decrease in housing cost burdens can be seen. On the contrary, the highest housing cost burden households in apartment buildings typically exceed about 20% of their disposable income. This trend remains stable throughout the period, reflecting a persistent pattern of higher cost burdens in urban apartments in larger buildings. Overall, a slight trend towards increasing disparities between households living in (detached/semi-detached) houses and apartment houses can be observed, mostly because of decreasing housing cost burdens for households living in houses.

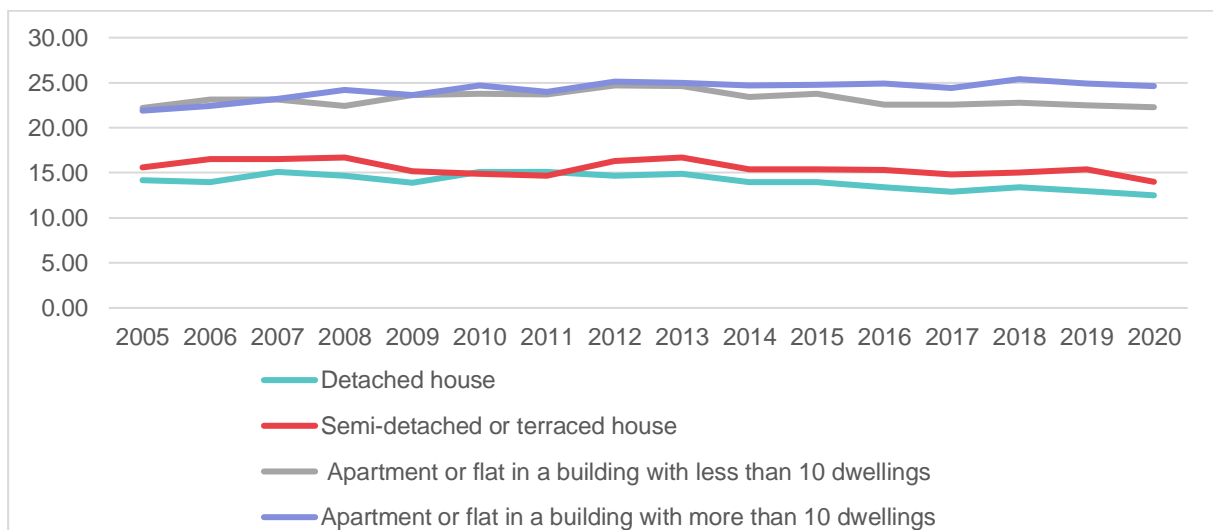


Figure AT29: Development of share of total housing costs in total disposable income by building type, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

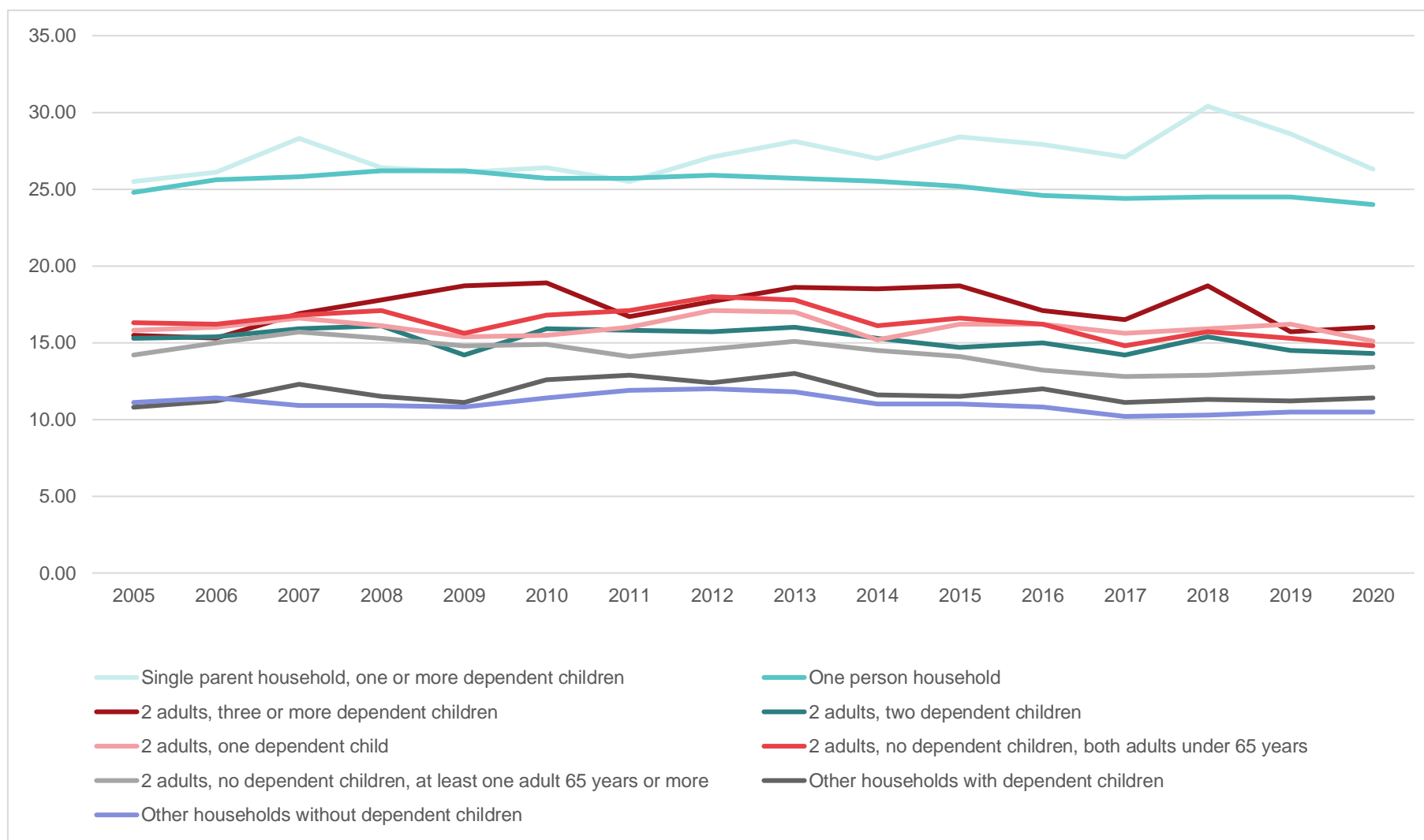


Figure AT30: Development of share of total housing costs in total disposable income by household type, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

The trends in tenure status (Figure AT31), highlight a similar disparity. Tenants—predominantly those renting at-market rents—bear the highest housing burdens with about 25% across all years. Conversely, owners and households where their accommodation is provided for free are on average less burdened—where the share of housing costs in total disposable income is usually below 15%. On average over all years, owners are about 13% less burdened by housing costs. Overall, the trends within these categories—despite some smaller fluctuations—remain stable. It is notable to mention that while homeowners and those in free accommodation continue to enjoy relatively stable and low housing cost burdens, the disparity of burdens for tenants has widened slightly, reflecting rising rent costs and increasing housing inequality, especially in the private rental market.

There seems to be a convergence of housing cost burdens for tenants as the disparity between renting at prevailing or market-rate apartments and renting at a reduced-rate becomes less. Based on the survey method of EU-SILC, respondents self-declare if they believe that their rent reflects market values or if their rent was higher or reduced upon signing their rental agreement. Therefore, regarding Austria's tenure segmentation, a distinction of clear institutional segmentation of private and social rentals should be treated cautiously. National surveys show that rents per square meter are considerably higher in private rentals as compared to non-profit and publicly-owned social rentals (Statistik Austria 2024c, p. 50). This is also reflected in the housing cost overburden rate (% of households paying more than 40%,) which is considerably lower in non-profit and publicly-owned social rentals (Statistik Austria 2024c, p. 65). It should be noted, that the housing cost overburden rate mentioned is different from the share of total housing costs in total disposable income used in the figures of this report.

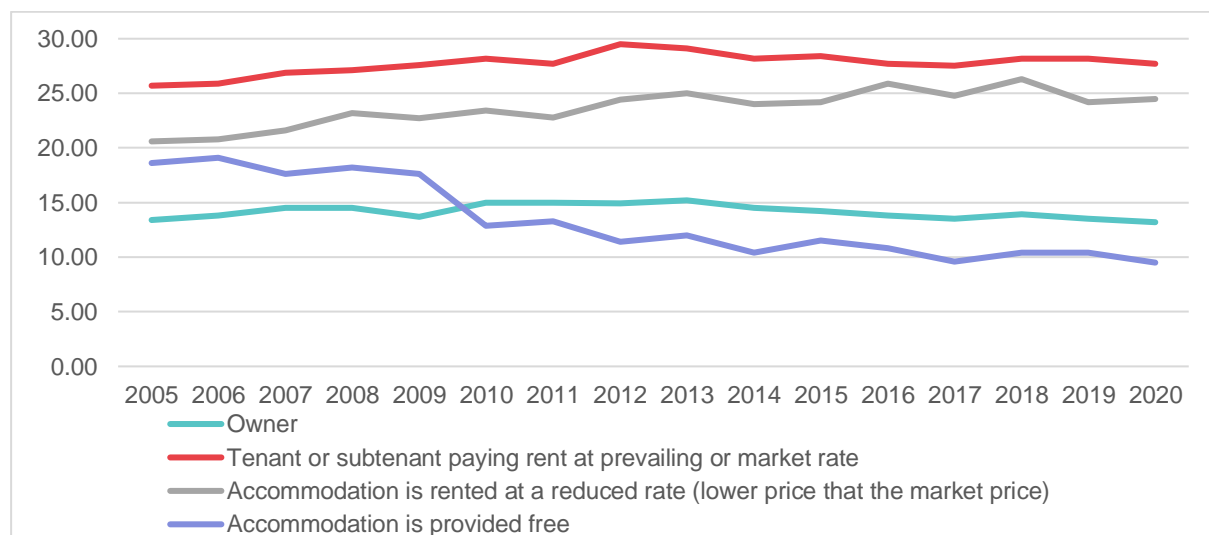


Figure AT31: Development of share of total housing costs in total disposable income by tenure status, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

While owners, in general, have the lowest housing cost burden, some of those exhibit arrears on mortgage payments. Figure AT32 illustrates the general trend for Austria between 2005 and 2020. It shows that the proportion of households facing difficulties in meeting their mortgage payments has remained consistently low, but the trend is characterised by fluctuations. An increase in mortgage arrears is visible around 2008-2010, coinciding with the

GFC. This suggests that economic downturns temporarily increased financial strain on households, making it harder for some to meet their mortgage obligations. After the crisis period, the share of households in arrears fluctuates at higher levels than before the crisis. Overall, the data displays that mortgage payment arrears are not a widespread issue in Austria, but households do face greater challenges during economic crises, with some recovery in more stable periods.

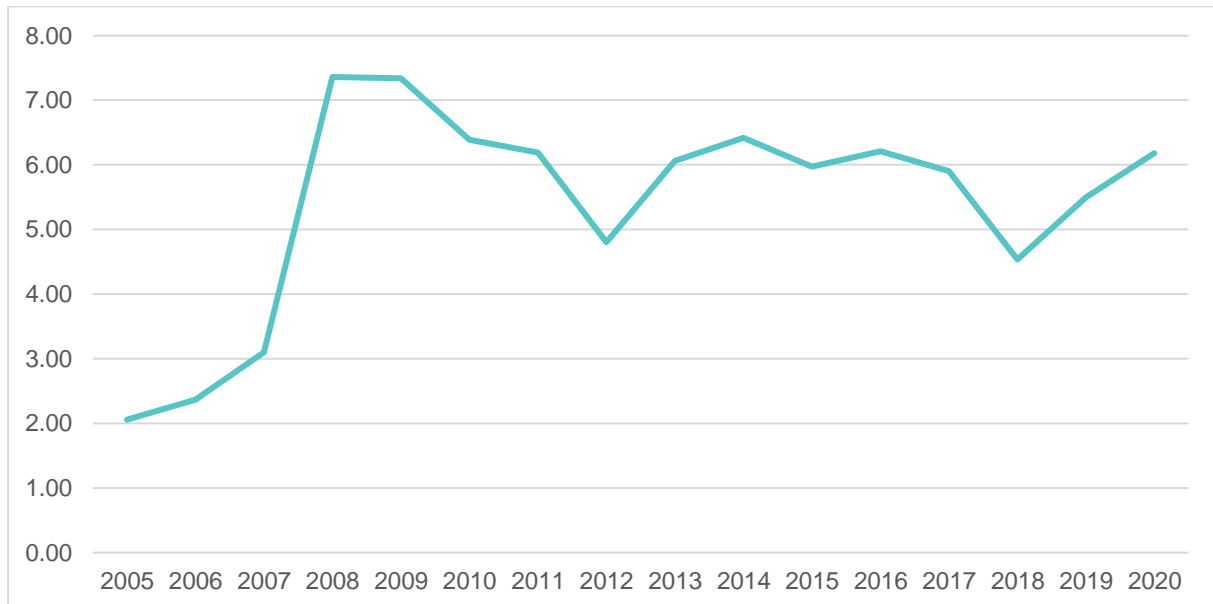


Figure AT32: Share of households in arrears on mortgage payments, 2005-2020, Austria.

Source: compiled by authors, data from: EU-SILC own calculation

2.2.2 Territorial Differences of Housing Cost Burdens

This report now examines territorial differences in housing cost burdens, specifically how regional disparities based on NUTS-1 and the degree of urbanisation influence housing affordability. Figure AT33 illustrates the share of total housing costs as a percentage of disposable income across Austria's three main regions (East, South, and West) from 2005 to 2020. While regional disparities are evident, they are very moderate when compared to other dimensions, such as urbanisation. Nevertheless, Eastern Austria consistently has the highest housing cost burden, driven by the presence of urban centres like Vienna.

As mentioned previously, disparities across the degree of urbanisation are more pronounced than the regional differences. As shown in Figure AT34, densely populated areas face the highest burden, regularly exceeding 20%, reflecting the persistently increased cost of living in cities. For Austria these cities are Vienna and most of all regional capitals (Graz, Linz, Salzburg, Klagenfurt and Innsbruck). Initially, the disparities between intermediate areas (e.g., town and suburbs) and thinly populated areas were small, where housing cost burdens were similar. However, after the GFC in 2008, this disparity became more pronounced with increasing housing cost burdens also occurring in intermediate areas. Households living in intermediate areas now bear an average burden between 15 and 20%, while thinly populated areas consistently show the lowest housing costs. The gap between urban and rural housing costs has widened over time, emphasising how the effect of urbanisation significantly shapes

housing affordability in Austria; with city dwellers facing much higher financial pressures from housing costs as compared to rural residents.

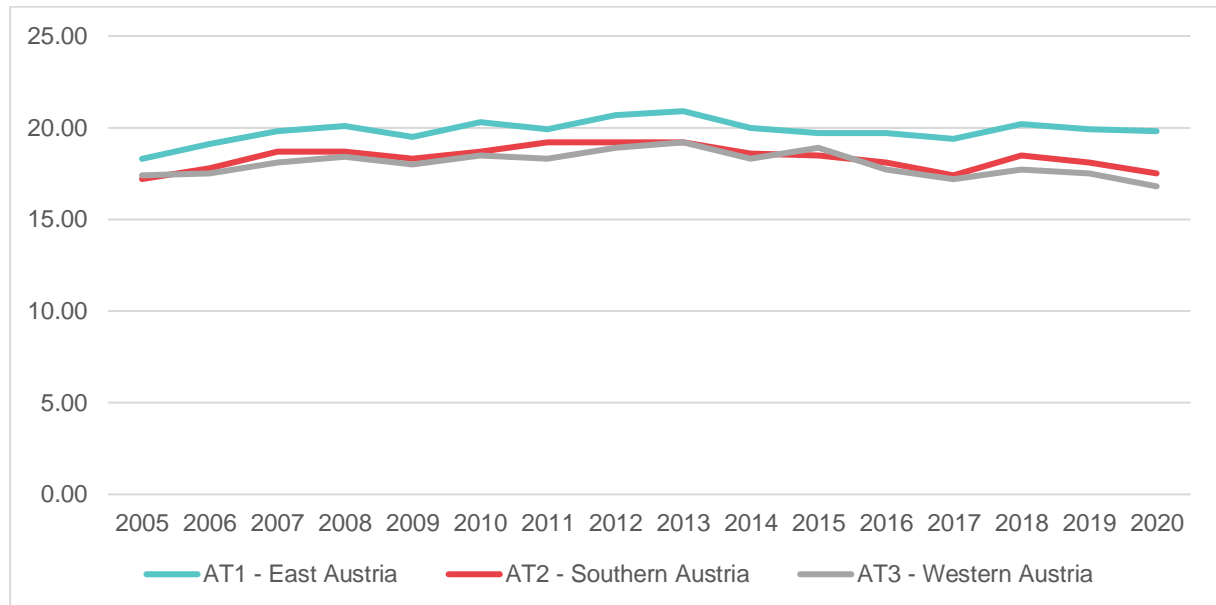


Figure AT33: Development of share of total housing costs in total disposable income by NUTS1 areas, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

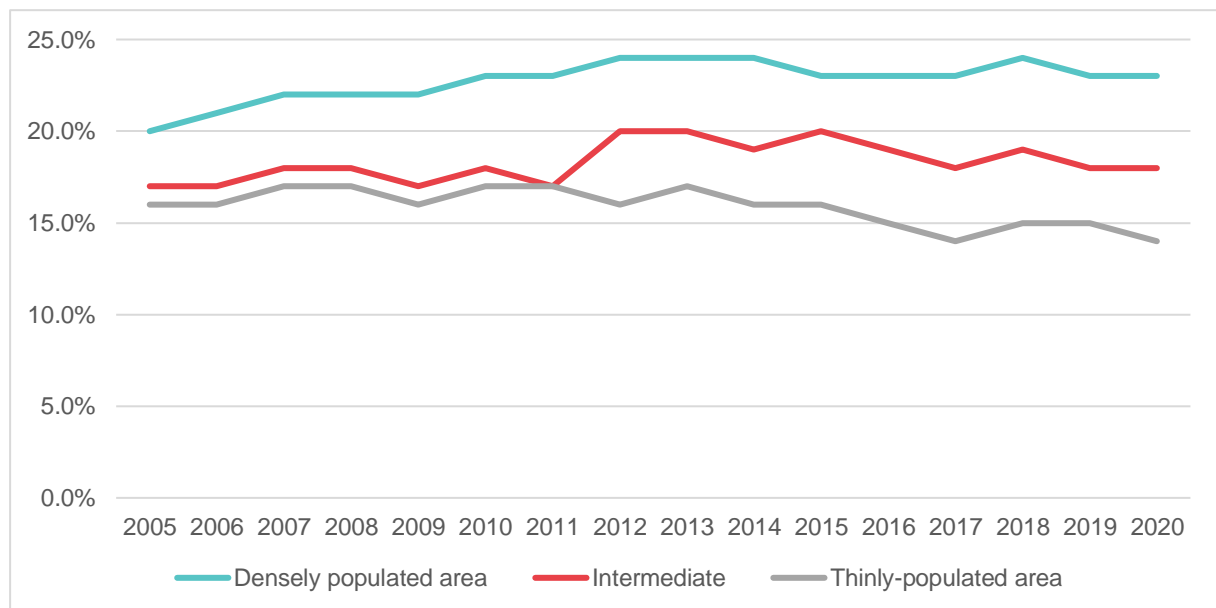


Figure AT34: Development of share of total housing costs in total disposable income by degree of urbanisation, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

2.3 Housing Segmentation

This section focuses on housing segmentation, more specifically on the distribution of tenure status and building types across different degrees of urbanisation. The key characteristic of

Austria's housing sector is a marked tenant–owner disparity along the urban-rural continuum. In densely populated urban areas, the majority of households typically rent their apartments (~70% on average). In intermediate areas, the share of renting tenants is already half (~35%), and in thinly populated areas it accounts for about 20%. Also, the shares of self-reported accommodations that are rented at a reduced rate are comparably higher in densely urban areas, where most of the (public and non-profit) social housing stock is located. On the contrary, owner occupation is much more predominant in intermediate (~55%) and thinly populated areas (70%). Additionally, the share of accommodation provided for free is more dominant in thinly populated rural areas, where family networks might play a role.

Looking at trends within different degrees of urbanisation, a steady decline in ownership from around 30% dropping to about 24% characterises densely populated areas. During the same period, there is an increase in tenants paying market rents, reflecting the rising housing supply of the free-market rental segment. Reduced-rent accommodations remain, with some fluctuations, stable but represent a smaller share. Notably, it also seems that in intermediate areas (suburbs and towns), the share of tenants becomes more important, especially after the GFC in which professional developers became important key actors in these areas as well. In rural, thinly populated areas, ownership rates remain stable with only minor shifts between declining shares of tenants and expanding shares of accommodations provided for free.

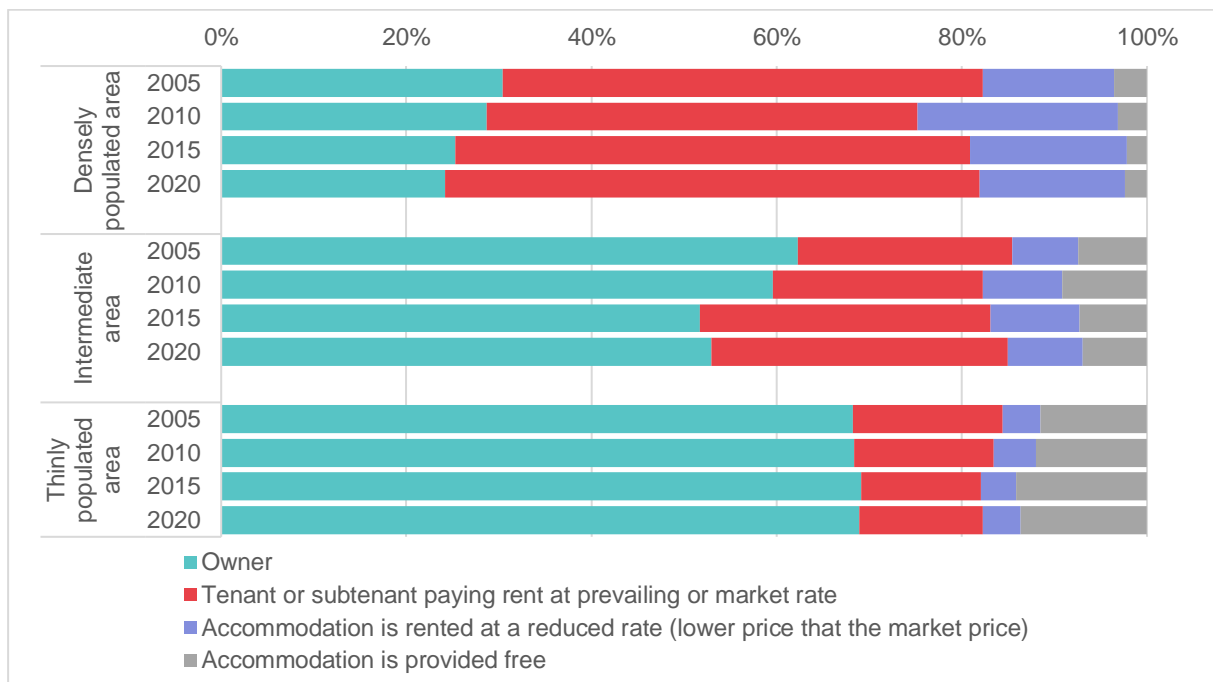


Figure AT35: Development of tenure status per degree of urbanisation, 2005-2020, Austria.

Source: compiled by authors, data from: EU-SILC own calculation

While Figure AT36 reflects the owner–tenant disparities highlighted in Figure AT35, particularly the prevalence of single-family homeownership in rural areas, it also provides insights into densification processes. Though starting from different levels, Austria's urban and intermediate areas are characterised by a clear trend towards more densified housing supply. The expansion of apartment buildings with more than 10 dwellings in densely populated areas and intermediate regions reflect a clear shift towards high-density living in cities. This effect is most

likely driven by population growth, environmental ambitions in land use, and already existing space constraints within city boundaries. As a result, detached houses and semi-detached houses play a diminishing role in urban areas, with their shares becoming increasingly marginal over time.

While being more dominant in intermediate areas, the shares of detached and semi-detached houses become less important over the last 15 years. Thinly populated areas continue to be dominated by houses either detached or semi-detached. The sharp decline after 2010 should not be over-interpreted and might relate to methodological changes in the Austrian EU-SILC survey. The underlying definition of the degree of urbanisation was changed in 2011, which for Austria led to a reclassification of thinly and intermediate populated areas.

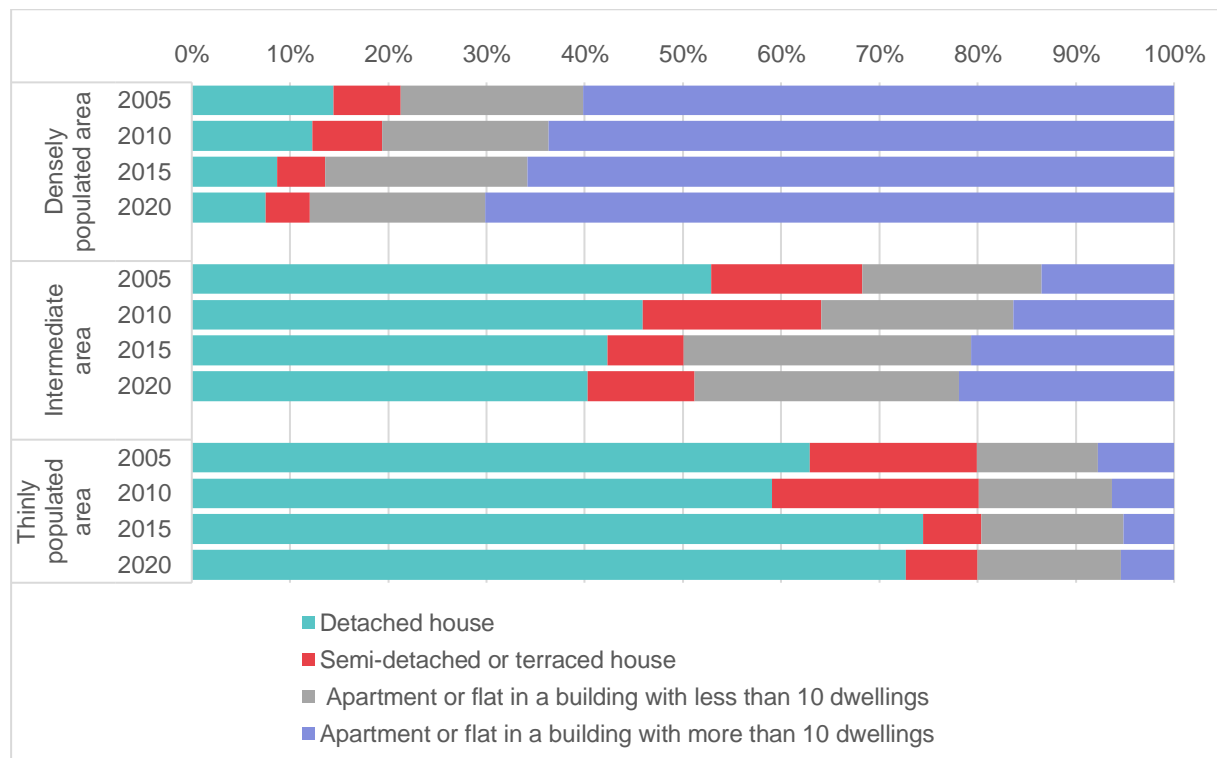


Figure AT36: Development of building type per degree of urbanisation, 2005-2020, Austria. Source: compiled by authors, data from: EU-SILC own calculation

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Annexes

Annex Table AT1: Development of self-perceived neighbourhood quality per degree of urbanisation, 2005-2020, Austria.

Year	Degree of urbanisation	Noise from neighbours or from the street	Pollution, grime or other environmental problems	Crime violence or vandalism in the neighbourhood
2005	Densely populated area	14,45	9,91	24,00
	Intermediate	7,84	4,64	9,51
	Thinly populated area	6,09	5,94	4,83
2006	Densely populated area	12,03	7,33	21,49
	Intermediate	6,71	5,80	10,84
	Thinly populated area	4,27	5,90	5,20
2007	Densely populated area	13,43	6,89	19,57
	Intermediate	7,31	4,75	10,66
	Thinly populated area	3,70	3,82	5,83
2008	Densely populated area	12,43	8,17	20,35
	Intermediate	6,66	5,21	8,68
	Thinly populated area	5,51	5,46	3,97
2009	Densely populated area	13,78	8,70	25,74
	Intermediate	9,28	4,31	12,42
	Thinly populated area	7,37	5,51	6,93
2010	Densely populated area	13,25	9,16	23,30
	Intermediate	9,07	5,06	12,12
	Thinly populated area	6,58	5,71	6,28
2011	Densely populated area	14,93	8,38	21,16
	Intermediate	10,54	4,79	9,96
	Thinly populated area	8,35	5,22	5,89
2012	Densely populated area	16,11	9,02	20,93
	Intermediate	10,69	4,75	10,80
	Thinly populated area	7,19	3,61	5,65
2013	Densely populated area	15,51	7,97	22,45
	Intermediate	10,32	3,67	9,08
	Thinly populated area	6,78	3,82	5,03
2014	Densely populated area	16,02	8,48	25,72
	Intermediate	10,29	3,97	11,56
	Thinly populated area	6,44	4,23	6,79
2015	Densely populated area	17,29	9,04	23,61
	Intermediate	10,27	3,68	11,81
	Thinly populated area	6,80	4,06	7,18
2016	Densely populated area	16,63	10,76	22,89
	Intermediate	9,95	4,17	11,84
	Thinly populated area	7,16	4,16	7,16
2017	Densely populated area	16,63	8,34	20,30
	Intermediate	9,29	4,40	9,52
	Thinly populated area	6,36	4,44	6,19
2018	Densely populated area	14,77	8,85	18,39
	Intermediate	8,27	4,00	7,77
	Thinly populated area	7,14	3,06	5,25
2019	Densely populated area	15,49	8,41	17,31
	Intermediate	9,22	3,85	7,47
	Thinly populated area	7,66	3,76	3,85
2020	Densely populated area	12,93	9,33	12,93
	Intermediate	6,74	4,00	4,68
	Thinly populated area	5,67	3,34	2,97

Source: compiled by authors, data from: EU-SILC own calculation

Annex Table AT2: Development of self-perceived housing quality per degree of urbanisation, 2005-2020, Austria.

Year	Degree of urbanisation	Leaking roof, damp walls/floors/foundation, or rot in window frames or floor	Problems with the dwelling: too dark, not enough light	No ability to keep home adequately warm
2005	Densely populated area	9,07	27,82	2,99
	Intermediate	8,37	20,62	3,50
	Thinly populated area	10,44	16,43	3,00
2006	Densely populated area	9,17	21,79	5,00
	Intermediate	8,67	18,81	3,08
	Thinly populated area	10,26	16,86	2,97
2007	Densely populated area	9,35	24,00	3,51
	Intermediate	8,10	21,56	1,83
	Thinly populated area	8,37	15,69	1,61
2008	Densely populated area	11,57	25,52	5,43
	Intermediate	12,37	22,72	3,26
	Thinly populated area	12,21	18,16	3,57
2009	Densely populated area	14,38	26,98	4,79
	Intermediate	12,78	21,33	1,61
	Thinly populated area	12,64	16,22	2,31
2010	Densely populated area	13,61	26,81	4,58
	Intermediate	12,57	21,39	2,07
	Thinly populated area	13,16	15,48	2,57
2011	Densely populated area	12,12	23,35	4,26
	Intermediate	12,71	19,22	1,28
	Thinly populated area	12,46	15,18	1,70
2012	Densely populated area	11,71	26,11	5,13
	Intermediate	11,09	20,31	2,04
	Thinly populated area	10,14	14,29	1,91
2013	Densely populated area	12,80	24,51	4,45
	Intermediate	11,11	18,73	2,37
	Thinly populated area	9,83	14,45	1,71
2014	Densely populated area	11,01	26,43	5,40
	Intermediate	8,80	18,75	3,28
	Thinly populated area	8,34	12,17	1,90
2015	Densely populated area	13,30	24,78	4,16
	Intermediate	8,96	18,24	2,20
	Thinly populated area	8,81	12,23	1,62
2016	Densely populated area	12,13	23,71	4,61
	Intermediate	8,06	18,41	1,49
	Thinly populated area	9,77	12,90	1,33
2017	Densely populated area	11,59	26,92	3,99
	Intermediate	8,51	17,75	1,56
	Thinly populated area	9,54	13,33	1,22
2018	Densely populated area	10,74	25,30	3,09
	Intermediate	8,33	16,94	1,78
	Thinly populated area	8,58	13,79	1,53
2019	Densely populated area	9,38	27,17	3,91
	Intermediate	8,26	18,67	1,47
	Thinly populated area	7,84	14,19	1,27
2020	Densely populated area	9,48	23,44	2,22
	Intermediate	7,60	16,79	0,97
	Thinly populated area	6,31	12,44	1,19

Source: compiled by authors, data from: EU-SILC own calculation

NATIONAL REPORT ON HOUSING INEQUALITY – FRANCE

Executive Summary

France's comprehensive approach to achieving carbon neutrality by 2050 highlighted a few key initiatives in residential renovations, energy efficiency, heating system transitions, and construction waste management. These measures underscore the challenges and advancements in France's sustainability journey.

Carbon neutrality requires reducing greenhouse gas emissions to one-sixth of 1990 levels, which will impact all sectors, including transportation, industry, and residential. Central to this endeavour is the National Low-Carbon Strategy (SNBC), which prioritizes the building and public works sectors due to their substantial contribution to emissions and resource consumption. These sectors are essential to achieving France's ambitious climate targets and play a crucial role in the country's transition to sustainability.

France has intensified its support for residential renovations through programmes like MaPrimeRenov', which provides grants to low- and middle-income households, and Éco-prêt à taux zéro, which offers interest-free loans (Cremaschi 2022). The government aims to complete 200,000 comprehensive renovations, tripling the number from 2022. The budget for renovation subsidies has also increased from EUR 3.4 billion to EUR 4 billion, helping cover up to 90% of renovation costs for low-income households.

However, despite significant public support, upfront renovation costs remain a financial burden for low- and middle-income households, often requiring borrowing, which can contribute to high household debt levels. Administrative complexity also hinders access to interest-free loans. Additionally, the renovation sector must train 170,000 to 250,000 additional workers by 2030 to meet demand. The Mon Accompagnateur Rénov program, now mandatory for certain financial aid, provides professional advice and support. At the same time, the France Rénov online platform has become the single point of entry for public services related to renovations. The REPowerEU initiative will also contribute funding to energy renovations, with impacts expected by winter 2023-2024.

France's Loi Climat et Résilience (2021) introduces criteria to define "residential housing". Significantly, the Diagnostic de Performance Énergétique (DPE energy efficiency rating) must be prominently displayed in all property advertisements, whether for rental or sale. For properties rated F, G, or G+, sale advertisements must explicitly state logement à consommation énergétique excessive ("housing with excessive energy consumption").

Social housing represents 17% of occupied dwellings, with 9% classified as thermal sieves (housing rated F or G) and 20% classified as E. This situation raises significant concerns regarding energy efficiency and the comfort of residents.

A series of strategic actions must be implemented to reduce emissions to 30 MtCO₂ from the sector by 2030.

- One crucial step involves transitioning away from oil heating by replacing 75% of oil boilers. This initiative would impact 2% of the tertiary sector's boiler fleet and requires 300,000 households to switch from oil heating each year leading up to 2030. This shift is essential for reducing emissions and promoting cleaner energy alternatives in residential heating.

- Additionally, a gradual exit from gas heating will be initiated in the tertiary sector, targeting a 15% reduction in gas consumption, with an annual decrease of 2% in the gas boiler fleet. In the residential sector, the goal is to replace 40% of individual home boilers by 2030. To achieve this, we assume that 7% of the fleet—comprising 5.7 million gas-heated individual homes—will transition away from gas each year, alongside the replacement of 10% to 20% of boilers in collective housing. Collectively, these efforts aim to remove one-quarter of gas boilers by 2030 compared to current figures, significantly lowering our carbon footprint.

- Enhancing insulation is another vital component of this strategy. According to the tertiary decree, approximately the gas-heated tertiary sector buildings will be insulated by 2030, covering an area of 116 million sqm., insulation efforts will extend to residential buildings that continue to rely on gas for heating. This dual approach not only saves energy but also improves comfort and reduces heating costs for occupants.

In 2023, France's construction sector produced an estimated 230 million tons of waste, of which 46 million tons were attributed to the building sector alone (France's Environmental Performance Review). Notably, 90% of this building waste arose from demolition and renovation activities: 49% originates from demolition, 38% from renovation, and the remaining 13% from new construction. Recycling rates in this sector are variable, largely contingent on the work carried out. Demolition activities, for example, achieve the highest recycling rates, with estimates ranging between 60% and 80%. Conversely, renovation activities see lower rates, fluctuating between 10% and 30%, while new construction falls somewhere in between at 40% to 60%.

In summary, France's strategy for decarbonization combines ambitious policy frameworks, financial incentives, and structural changes to the building sector. Despite hurdles like high costs, workforce gaps, and administrative complexities, the country is making significant strides in reducing emissions, enhancing energy efficiency, and managing construction waste to align with its 2050 climate targets.

Introduction

France's economy is highly developed and features significant state involvement, particularly in key industries like energy, transportation, and defence. After WW2, robust growth lasted until the first oil price shock in 1973, this was followed by a decline in performance and a slowdown in growth up to 1982. Since then, the economy has entered a phase of slow growth (Nicolas, Miotti, Sachwald 2004). The economy is bolstered by thriving sectors in tourism, aerospace manufacturing, pharmaceuticals, and heavy industry. However, the country faces challenges such as high public debt and ongoing pension reforms.

France housing condition has changed dramatically in the last 50 years, with a constant quantitative improvement though the signs of alarm are continuous. Recent housing statistics

reveal several key trends shaping the landscape of residential development in France. One notable insight is that the number of housing units has been growing at a faster rate than both the population and the number of households. However, this growth is accompanied by a rising vacancy rate, with vacant homes increasing at a quicker pace than the overall housing stock since 2006.

Regional differences are notable: urbanization, development, and demographics strongly influence dwelling types and tenure structures. Divergent trends between metropolitan densification and continued expansion in other regions highlight the ongoing challenges in managing housing supply and land use.

The proportion of new homeowners rose sharply in the 1980s but declined until the mid-2000s and has remained stable since then, particularly in metropolitan areas. Households renting their primary residence have remained stable at around 40%. Paris and other large metropolitan areas experience higher concentrations of homeownership and newer housing developments, often tied to employment growth and urban densification. At the same time, rural and coastal regions display a prevalence of secondary and vacant homes.

In line with its commitment to sustainability, France is transitioning towards a green economy, guided by the "France 2030" strategy. Electricity generation is primarily driven by nuclear energy, which accounts for more than 62%, while renewable sources accounts for 25%. One crucial step involves households and firms switching from oil heating and gas boilers while enhancing insulation.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

Metropolitan France is in Western Europe, bordered by the Bay of Biscay and the English Channel to the west, and by Belgium and Spain to the north and south, respectively. It borders the United Kingdom, while to the south, it faces the Mediterranean Sea between Italy and Spain. As of 2024, France's estimated population stands at more than 68 million inhab. with a slightly higher number of women among the 22% aged 65 years and over (17.3% between 0-14 years, 60.7% between 15-64 years). In addition to its metropolitan territory, France includes several overseas regions, such as French Guiana, Guadeloupe, Martinique, Mayotte, and Réunion, which are considered integral parts of the country, though they are not included in this study for climatic reasons.

France is a high-income, advanced, and diversified economy, a member of the European Union and the Eurozone. Since 1958, the country has developed a hybrid presidential-parliamentary system of government, which has proven resilient so far though being exposed to political instability and parliamentary disagreements in the last years. The country has a long-standing tradition of secularism, enshrined by its 1905 law, which formally established the separation of church and state. This policy is further reinforced by laws that prohibit state authorities from gathering information on individuals' ethnicity, race, or religious beliefs.

1.1 Demography, Economy, Environment and Society

France's housing condition has consistently improved in the long term. Since the late 1960s, the average number of people per household in France has decreased from 3.1 to 2.2. This downward trend continued until now, albeit at a slower pace. Concurrently, from 2013 to 2020, the average living space of primary residences increased by one square meter, reaching 93.2 square meters, an outcome of the construction of suburban detached houses (Driant 2014). This rise in housing size, combined with the decline in the number of individuals per household, has led to an increase in living space per person. The increase has not only concerned the quantity of living space, but also its quality given the improvement of basic comfort: while in-house, private restrooms and shower/bath was available in respectively 50% and 34% of dwellings in 1970, it was included in 92% of them as of 2013 (Driant, 2015).

This is not without apparent contradictions. Currently, there are approximately 8.9 million under-occupied homes, particularly in high-demand areas, primarily inhabited by households of one or two individuals, often aged 55 and older. In contrast, there are 1.5 million overcrowded homes that have fewer rooms than occupants, typically occupied by young families of four or more. The increase has not only concerned the quantity of living space, but also its quality given the improvement of basic comfort: while in-house, private restrooms and shower/bath was available in respectively 50% and 34% of dwellings in 1970, it was included in 92% of them as of 2013 (Driant, 2015).

A 2024 report (Cahiers Français 2024) emphasised “a general under-utilization of the housing stock” as the number of available rooms nationwide exceeds overall demand (same for the number of dwellings compared to households); the social geography of housing is incoherent with trends, while territorial disparities are significant. While some regions experience low

occupancy rates, others face a particularly tight housing market. At the national level, under-occupation and inadequate housing coexist (Cahiers Français 2024) while prices have kept increasing for a long time. This increase has been particularly concentrated in major metropolitan areas, most notably Paris where notarial records show that in 2021, apartments traded for 4.5 times their price in 1999 (Paris Notaires, 2021).

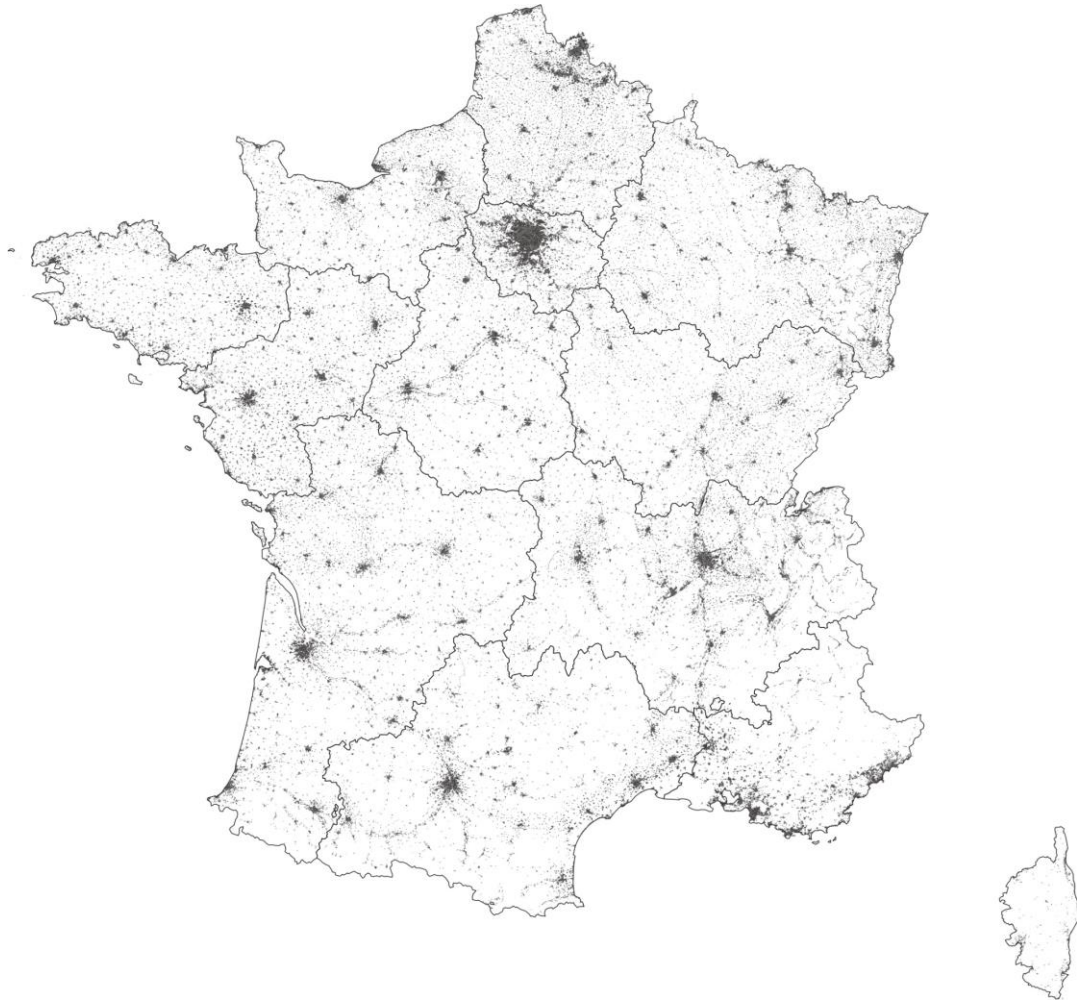


Figure FR1: France, an urban country Artificial surfaces in 2018, according to Corine Land Cover classification and regional boundaries: Source: Corine Land Cover, 2018.

At the start of the 1990s, a renewed emphasis on public housing led to a series of laws that ensured everyone had the right to state assistance in achieving and maintaining a decent housing situation. These laws set a threshold of 20% social housing in cities aimed at promoting social diversity within housing projects, a provision that was reinforced by new legislation in 2000. They supported urban redevelopment and demolition of dilapidated social housing estates to promote middle-class housing and foster social diversity. This “social mix is politically accepted”. However, the implementation of this policy has faced opposition, particularly from the Right (Baqué et al. 2010), and criticism for inadequacy and classism from the left.

Even more consistent government intervention supported the declining homeownership rates among low- and middle-income families. Also, government-backed mortgage securities and zero-interest loans boost the construction industry and encourage homeownership.

This distribution, however, varies significantly across different regions in France, reflecting the diverse housing conditions shaped by local economic, social, and geographic factors. This regional diversity, as represented by the land urbanisation rate in FR1 is a recurring theme: France is often describe through the main divide between Paris and the rest of the country, or between the major metropolitan cities and the countryside. This regional diversity will be further explored in the sections that follow.

1.1.1 Macroeconomic Trends at the National Levels

The paragraph provides a short analysis of France's economic structure and performance, focusing on sectoral contributions to GDP, foreign investment, and innovation delving into recent economic trends, including inflation dynamics, labour market changes, and fiscal challenges, while outlining projections for growth, unemployment, and public finances through 2025 (OECD 2024).

The analysis highlights France's diversified economy, resilience in navigating economic downturns, and robust labour market. Despite challenges like inflation, a rising public debt ratio, and slowing investment, projections suggest moderate recovery driven by private consumption, improving real wages, and favourable inflation trends. However, fiscal adjustments and external economic conditions remain pivotal to sustaining long-term growth.

The service sector contributed 78.8% to GDP in 2017, the industrial sector accounted for 19.5%, and agriculture made up 1.7%, though it leads the EU in agriculture. In 2020, France was the top destination for Foreign Direct Investment (FDI) in Europe and ranked second in Europe for research and development spending (OECD 2024). It is consistently recognised for innovation, being named among the ten most innovative countries in the 2020 Bloomberg Innovation Index¹ and the 15th most competitive globally in the 2019 Global Competitiveness Report².

France is the fifth-largest trading nation globally. In 2023, its GDP per capita was 33.750 euro (Eurostat 2024³), ranking 23rd according to the International Monetary Fund⁴. France also has a comprehensive social security system, which accounts for 31.7% of its GDP (-1,2 pts of %

1 See the Bloomberg site : <https://www.bloomberg.com/news/articles/2020-01-18/germany-breaks-korea-s-six-year-streak-as-most-innovative-nation>.

2 See the site of the World Economic Forum and its annual reports : <https://es.weforum.org/publications/global-competitiveness-report-2019/>

3 National accounts indicator (ESA 2010): Gross domestic product at market prices.

4 <https://www.imf.org/en/Publications/WEO/weo-database/2022/October>.

compared to 2022, with the mean standing at 27% for EU countries, according to DREES 2023). Itand is the most visited country by tourists worldwide.

France navigated the post 2008 recession more effectively than many other economies, experiencing just four quarters of contraction and an earlier recovery. However, between 2012 and 2014, the economy stagnated before showing improvement from 2015 to 2018. Looking ahead, economic activity is expected to remain weak in 2024, with a projected growth rate of 0.7%, following a slowdown in late 2023. Growth is forecast to accelerate to 1.3% in 2025 (EU Commission 2024).

International business oriented organisations expect private consumption to be the primary driver of France's economic growth in 2024 (OECD 2024), supported by a rebound in real wages. However, investment from both households and businesses is anticipated to slow (OECD 2024). Net exports are forecast to make a modest positive contribution to growth, mainly due to increased momentum in transport equipment exports.

The government's deficit-reducing measures, where details have been disclosed, are factored into this forecast and are expected to reduce economic growth (OECD 2024). Overall, the government projected a growth of 0.7% of GDP in 2024; in 2025, too, the economic momentum is expected to strengthen, with GDP growth forecast at 1.3%, driven by more favourable financial conditions and lower inflation (EU Commission, May 2024). This recovery will likely be fueled by strong domestic demand, preserved household purchasing power, growing real wages, and a resilient labour market. While exports are expected to grow, the increase in imports due to rising household consumption will result in a neutral contribution from net exports to growth. Investment from households and corporations is set to recover gradually. Although the government has announced significant cutbacks, they have yet to be included in the forecast due to a lack of detailed information, which could influence future growth projections once specified.

The labour market remained robust in 2023, with the unemployment rate dropping to 7.1% in the first quarter, its lowest since 2008, while the employment rate reached a record high. A slight rise in unemployment throughout 2023 was primarily due to a surge in the active population. Employment growth is expected to decelerate in 2024 and 2025, with projected increases of 0.2% and 0.3%, respectively, down from 1.1% in 2023 (OECD 2024). This slowdown is driven by a reduced impact from apprenticeship contracts, a return of working hours to pre-2019 levels, and increased labour productivity. As a result of the 2023 pension reform and strong population growth, the unemployment rate is forecast to rise to 7.7% in 2024 and 7.8% in 2025.

Also, nearly 10 million new jobs have been created over the past 40 years, with half of these positions concentrated in metropolitan areas. Since 1975, managerial and high-level intellectual professions have significantly increased (+3 million jobs), benefiting from the concentration of resources in large urban zones. These metropolises have reached a scale that allows for agglomeration economies—such as resource diversity, positive interactions, economies of scale, and capital accumulation—often accompanied by specialisation that drives job growth at nearly twice the rate of other areas.

After reaching a peak of 7.0% in the first quarter of 2023, inflation, measured by the Harmonized Index of Consumer Prices (HICP), gradually fell to 4.2% by the end of the year (FR2), largely due to declining energy and commodity prices. By the first quarter of 2024, inflation had further decreased to 3.0% as lower energy and commodity prices spread to industrial goods. The decline in inflation is expected to continue, although at a slower pace, as wage increases are likely to sustain inflation in the services sector. Inflation is projected to average 2.5% in 2024 and drop to 2.0% in 2025, mainly due to lower energy and commodity prices.

France's general government deficit rose to 5.5% of GDP in 2023, driven by weak tax revenues amid slow growth and decreasing inflation, but also multiple tax cutbacks for corporate and individual contributors motivated by a neoliberal, supply-side fiscal policy. After falling to 110.6% of GDP in 2023, public debt is expected to rise again, reaching 112.5% in 2024 and nearly 114% by 2025. This increase is primarily driven by high primary deficits and rising interest payments. At the same time, the debt-reducing effect of nominal growth is expected to be more modest compared to recent years. However, the interest burden on public debt dropped to 1.7% of GDP, thanks to lower yields on inflation-linked bonds, despite higher interest rates on new debt issuances. Energy-related measures in 2023 accounted for 0.9% of GDP.

Although economic activity is expected to remain weak, tax revenues should recover after the significant shortfalls in 2023 (OECD 2024). Measures were introduced to keep the revenue-to-GDP ratio stable at around 52%. However, rising interest payments are expected to reach 2.0% of GDP due to higher borrowing costs on new issues. In 2025, the deficit is forecast to decrease to 5.0% of GDP. While revenue is projected to increase only slightly, the expenditure ratio is expected to fall by 0.5 percentage points, mainly due to a recovery in growth.

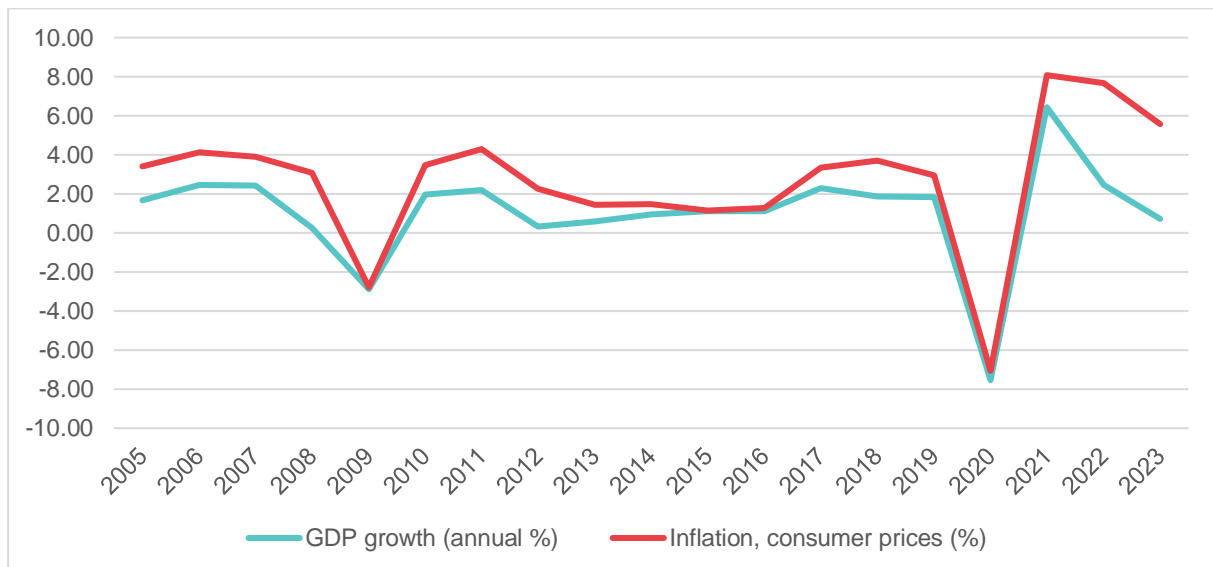


Figure FR2: GDP and Inflation index (changes over time) in France from 2005 to 2023 Source: Eurostat

1.1.2 Socio-economic and Demographic Trends

The following paragraph delves into demographic and migratory trends in France : shifts in population growth, aging demographics, marriage, and household structures add to a nuanced dynamics of migration. The discussion underscores France's dynamic demographic evolution (FR3), marked by aging populations, changing household compositions, and consistent migration flows shaped by historical and socio-political factors. Despite progress in narrowing gender pay gaps and stabilizing divorce rates, socio-economic challenges such as poverty, youth unemployment, and income inequality persist, requiring targeted policies.

Demography and migration

In the early 21st century, France experienced one of the highest population growth in Europe. Over the past 30 years, the country has added 9.4 million inhabitants, with half of this increase concentrated in metropolitan areas. Since 1975, France's population growth rate has slowed considerably, though it remains above the early 20th century average, excluding the exceptional post-World War II period.

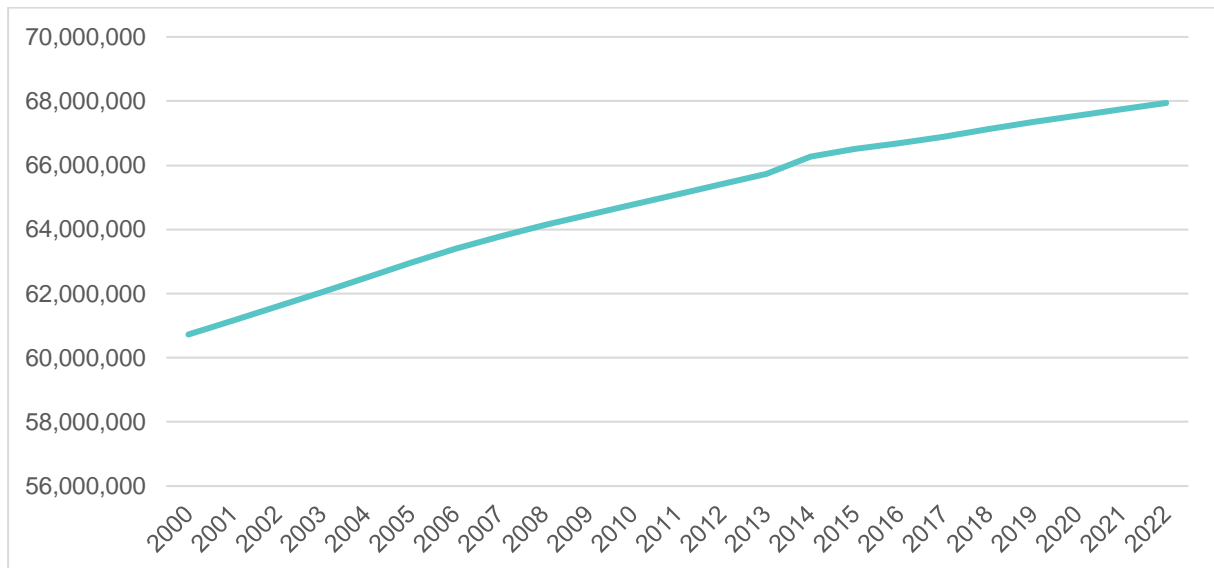


Figure FR3: Total population in France from 1990 to 2022. Source: Eurostat

Demography has also changed qualitatively (FR4). In 2021, France had 31 million households, marking a 0.3% year-on-year increase. Between 2010 and 2021, the total number of households grew by 4.9%. Again, according to the INSEE, the number of households will keep rising slower than before 2018. By 2050, projections estimate between 32 and 36 million households, compared to 22 million in 1990. The primary driver of this growth will shift from population increase to changing living arrangements, with more adults living alone or in single-parent families, while the proportion of couples declines. Territorial disparities may persist, leading to a significant decrease in households in some regions (INSEE 2023).

Individuals aged 60 and over represent just over a quarter of the population (27.7%) in 2024, up from 19.6% in 1994. The over-75s alone comprise 10.4% of the population, an increase of 1.6 percentage points since 2010 (INSEE 2023). According to the Institut National de la Statistique et des Études Économiques (INSEE) projections, the share of the population over

75 is expected to rise to 16.4% by 2050, equaling that of the 60-74 age group. The average age of the French population will be 42.6 by the end of 2023, compared to 39.1 twenty years ago.

The number of marriages has decreased since 2004, reaching 220,000 in 2021, down from 236,826 a decade earlier. Same-sex marriage has been legal since 2013, but civil partnerships, introduced in 1999, have become more popular. In 2010, over 205,000 civil partnerships were contracted, offering a legal union option regardless of gender.

In 2020, France recorded 57,437 divorces, with a divorce rate of 55 per 100 marriages. Although not among the highest in Europe, this figure highlights the significant impact of divorce in Western countries. Since a peak of 152,020 separations in 2005, the number of divorces has stabilised, with an 8% decline between 2004 and 2014. While divorce rates have remained steady since then, there was a slight decrease between 2016 and 2017. In 2019, most divorces were by mutual consent, with marriages typically ending between 4 and 7 years.

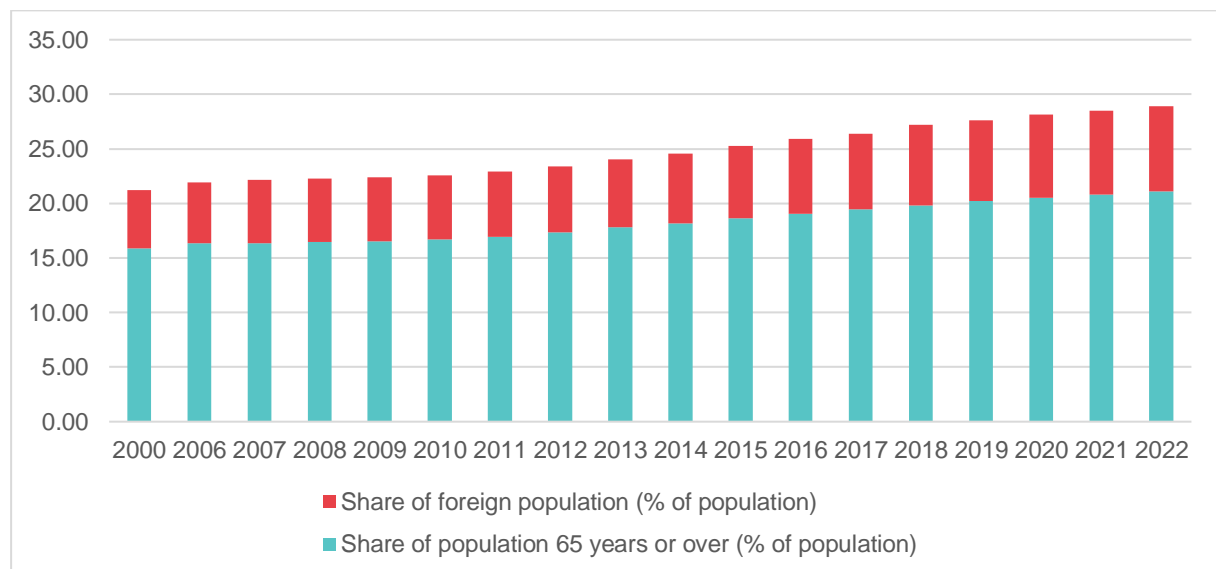


Figure FR4: Share of elderly people in the French population. Source: Insee, estimations de population.

Migration in France has deep historical roots (Cremaschi 2021), with migrants comprising 4% of the population as far back as 1920 (INSEE 2012). However, the diversity of migrant experiences and aspirations is often underestimated. France has a higher percentage of immigrants and children of immigrants than any other major country in Europe, with estimates ranging from 21% to 27% of the population (OECD 2018; INSEE 2012). These statistics may shape public perception of migration more significantly than the actual figures.

In 2020, migrants (foreign-born residents) made up 10.2% of France's population, totalling 4.4 million individuals, with an additional 2.4 million having acquired French citizenship, bringing the total to 6.8 million. Moreover, nearly 0.8 million foreigners were born in France, leading to a total of 5.1 million foreigners (INSEE, 2021). In the Paris Urban Area, there is a population of 2.2 million immigrants, representing 38.2% of the area's total population (INSEE 2020). Recently, the Paris Urban Area has become slightly less attractive, though the share of migrants has been growing at a rate higher than the national average (Cremaschi, Vitale 2024).

Regarding migration flows, only half of annual migrants fit the typical image of migrants from the Global South. For instance, in 2018, one-third of the 265,000 residence permits issued in France were for students. Additionally, France hosted 30,000 minors and 76,000 new immigrants from Europe that same year under the EU's freedom of movement treaty (France Stratégie, 2019).

The composition of migration remains consistent across various scales, including regions, metropolitan areas, and cities.

Migration in France is heavily influenced by its colonial history, resulting in a distinct regional structure. Approximately half of all migrants come from Africa, 27% from Europe, and 18% from Asia. Notably, the number of migrants from Europe has halved since 1982, while the proportion from the Maghreb has remained stable. In contrast, the number of migrants from Asia and sub-Saharan Africa has more than doubled during this period (Boussad, Couleaud, Sagot, 2017).

A small number of national groups account for a significant portion of the migrant population, with just 8 countries contributing to half of all migrants: Algeria, Morocco, Tunisia, Turkey, China, and Mali from outside the EU, alongside Portugal and Italy from within the EU.

Regarding asylum seekers (Cremaschi 2021), the Île-de-France region received around 40% of those who arrived in France in 2016, totalling 24,020 out of 63,649. This makes it the third-largest region in the national accommodation system, with nearly half of these individuals in Paris (OECD, 2018).

Socio-economic trends

The paragraph provides insights into France's socio-economic landscape, focusing on wage trends, poverty, and unemployment. It examines the impact of inflation on wages, the gender pay gap, and living standards, alongside shifts in poverty rates and income disparities. Additionally, unemployment rates across different age groups, gender, and educational qualifications, highlight key challenges in the labor market.

The analysis reveals the challenges posed by inflation and wage stagnation, particularly for middle- and low-income earners. Although minimum wage protections have mitigated some disparities, poverty rates and living standards remain areas of concern, especially for vulnerable populations. Unemployment remains disproportionately high among young people and those with lower qualifications, emphasizing the need for targeted interventions in education and the labor market to address systemic inequalities.

In 2022, private sector employees in France earned an average of €2,630 net per month (INSEE 2024) in Full-Time Equivalent (FTE). Due to high inflation, average net wages fell by 1.0% in constant euros, marking the steepest decline in 25 years, aside from anomalies in 2020 and 2021 caused by the pandemic.

Half of private sector workers earned less than €2,091 per month, with the lowest 10% earning under €1,436 and the top 10% earning over €4,162 (INSEE 2024). Only the lowest earners, protected by minimum wage adjustments linked to inflation, saw their purchasing power

maintained, narrowing wage disparities. On average, women earned 14.1% less than men, though the gender pay gap has shrunk by 0.7 points since 2021 and 6.8 points since 2008.

In 2021, the median annual standard of living for people living in ordinary housing in mainland France was 23,160 euros (INSEE 2021). However, 9.1 million people are estimated to live below the poverty threshold (Pen, Rousset 2024), which is 1,158 euros per month for a single person. The increase in economic activity in 2021 has led to a rise in income for households, particularly for the wealthier ones, resulting in an improved standard of living for them. Conversely, the discontinuation of exceptional solidarity benefits given in 2020 due to the health crisis has negatively affected the standard of living of the least affluent households, causing it to decline in 2021. As a result, the poverty rate is projected to increase by 0.9 points from 13.6% to 14.5% in 2021 (*ibidem*). Additionally, the intensity of poverty will also rise from 18.7% in 2020 to 20.2% in 2021. Despite uncertainties in the data, it is evident that the rate of poverty will be higher than it was prior to the start of the Covid-19 pandemic.

The unemployment rate for young people, specifically those aged 15-24, is significantly higher than other age groups. In 2023, it is projected to average 17.2% for this age range, while it is only 6.7% for those aged 25-49 and 5.1% for those aged 50 or over. However, this calculation is based on the working population only. Since most young people are still studying before the age of 25, the actual number of young people in work could be a lot higher. When looking at the proportion of unemployed individuals compared to the total population, the percentage of unemployed 15-24 year-olds (7.3%) is similar to that of 15-64 year-olds (5.5%). In terms of gender, the unemployment rates for men (7.5%) and women (7.2%) are expected to be close in 2023, whereas before the 2008-2009 economic crisis, the rate for men was noticeably lower than that for women. The unemployment rate is also higher for individuals with lower qualifications, reaching 13.3% for those with no more than a 'brevet des collèges' compared to 5.0% for those with higher education qualifications. It falls somewhere in between for individuals with a Brevet d'Études Professionnelles (BEP) or Certificat d'Aptitude Professionnelle CAP (7.3%) or a baccalauréat (8.8%).

1.1.3 Environmental and Energy Trends

The paragraph provides an analysis of greenhouse gas emissions and energy consumption in France. Primary energy production in France nearly tripled between 1973 and 2020, rising from 514 TWh to 1,423 TWh (SDES, 2022).

Fossil fuel extraction saw a sharp decline until the mid-2000s and is now minimal, following the cessation of coal and natural gas extraction. Renewable energy production, including wind, biofuels, and biogas, has steadily grown since the mid-2000s, gradually reshaping the energy mix. However, the majority of energy continues to come from nuclear power, whose contribution increased from 9% in 1973 to 75% in 2020, despite a recent decline in production due to outages across the nuclear fleet.

Energy consumption trends reveal a shift towards cleaner sources, with notable regional variations in heating methods and growing adoption of district heating. After peaking at 3,155 TWh in 2005, France's (climate-adjusted) primary energy consumption has slightly declined (SDES, 2022). Long-term trends vary significantly by energy source: since 1990, coal and oil

consumption have fallen by 72% and 27%, respectively, while nuclear and natural gas usage increased by 15% and 44%. Renewable energy consumption, meanwhile, has more than doubled.

France's primary energy mix now consists of 40% nuclear, 28% oil, 16% natural gas, 14% renewables (mostly wood burned for heating) and waste, and 2% coal (SDES, 2022). These figures highlights France's progress and ongoing challenges in reducing greenhouse gas emissions and energy consumption. While emissions have declined significantly since 1990 (FR5), the building sector still requires accelerated efforts to meet 2030 targets, particularly through reducing reliance on oil and gas boilers and improving insulation.

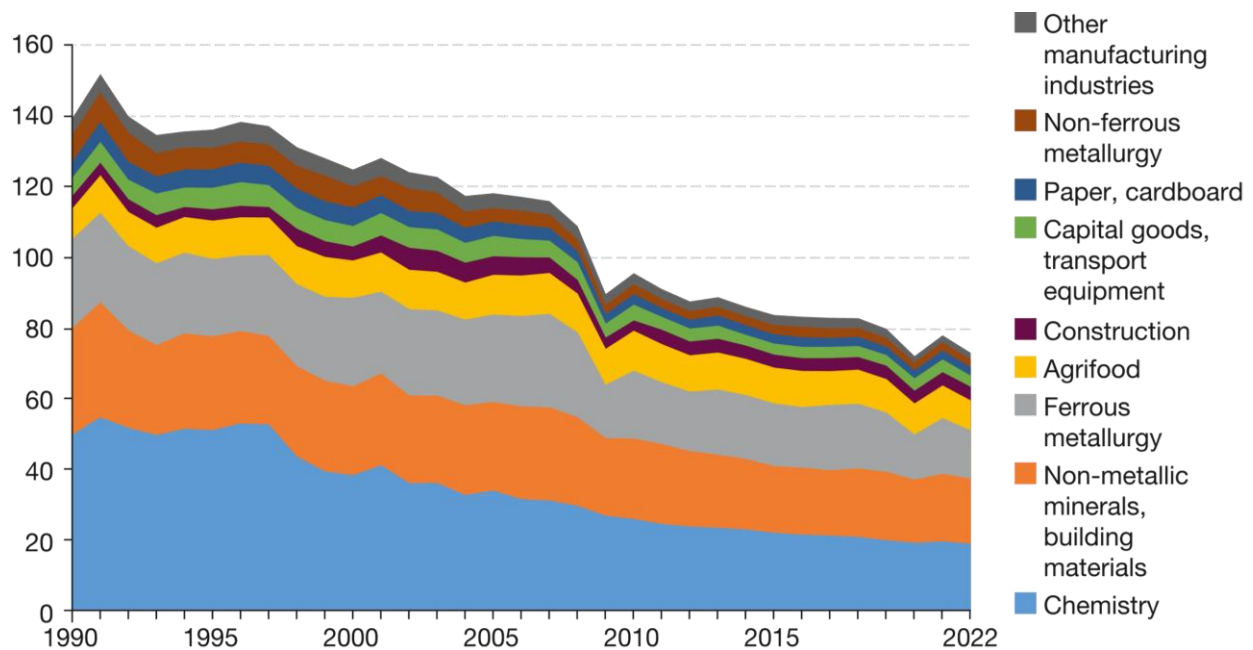


Figure FR5: GHG emissions in manufacturing and construction in France, in Mt CO2 eq. Source: SDES-2022 on Secten format - Citepa, 2023; NB: 2022 data are a preliminary estimate.

GHG emissions

The discussion on GHG emissions highlights the reliance on fossil fuels, the role of gas and oil boilers, and strategies like insulation and boiler replacement to achieve climate objectives.

In 2022, France's greenhouse gas emissions (excluding LULUCF1) reached 403.8 Mt CO2 equivalent, with CO2 making up 76.1% and methane 15.2%. Emissions dropped by 2.7% compared to 2021 and were 25.1% lower than in 1990. The transport sector was the largest emitter, responsible for 32.3% of emissions, followed by agriculture (19%), manufacturing and construction (18.1%), and the energy industry (11%). France's energy sector emissions are relatively low due to its reliance on nuclear power.

Emissions from the building sector were 75 Mt CO2 in 2021, down from 83 Mt CO2 in 2017, reflecting an annual reduction of about 2 million tons—only half the rate needed to meet the EU's goal of a 55% reduction by 2030 (Source: données d'émissions Secten 2022, Citepa). These emissions are divided between fossil fuels used for heating, hot water production, and

cooking—specifically, 21 MtCO₂ from oil and 44 MtCO₂ from gas—and other emissions, contributing 10 MtCO₂ (including waste burning, refrigeration, air conditioning, etc.).

To reach a target of 30 MtCO₂ by 2030, emissions must decrease by approximately 45 MtCO₂ per annum. Given that the potential for reducing other emissions (primarily non-CO₂ greenhouse gases) will be limited to a few MtCO₂, nearly all of the required reductions must focus on emissions from the combustion of oil and gas, totalling 40 MtCO₂. This necessitates a drastic decrease in oil-related emissions; for example, eliminating 75% of the current oil boilers by 2030 would account for 16 MtCO₂. Additionally, significant decreases in gas-related emissions will be achieved through the replacement of a large number of boilers and the insulation of residential buildings.

The building sector accounts for approximately 25% of national greenhouse gas emissions, with 18% attributable to the operation of buildings. Additionally, building operations represent 47% of France's annual energy consumption. In 2021, emissions from the sector were distributed as follows: the residential sector accounted for 64% of direct emissions; the tertiary sector contributed 36% of direct emissions, covering approximately 1,000 million square meters, equivalent to 315,000 buildings. Among these, 53% are privately owned and 47% are publicly owned (including state, social action, and local authorities).

This section on energy consumption examines trends in primary and final energy use, the shift in heating methods over decades, and regional variations, particularly in the Paris area.

Considering primary energy consumption by source in 2023, the total (primary) energy consumption in France was 2582 TWh, made up of 39% nuclear, 30% oil, 13% natural gas, 16% renewable energy and waste (including 1% non-renewable waste), and 2% coal (SDES, 2023). Since 1990, coal and oil consumption have decreased by 77% and 24%, respectively. Natural gas consumption has increased by 19%, and renewable energy has more than doubled. In 2021, France consumed 472 TWh of natural gas (in terms of lower calorific value), nearly all of which was imported, accounting for 15% of the country's primary energy consumption—an amount that has remained relatively stable over the past 20 years. The production of injected biomethane remains low, with an installed production capacity of 7.6 TWh per year as of June 30, 2022. However, it is experiencing dynamic growth, with the sector expected to exceed the target set by the multiannual energy programming for 2023 (6 TWh per year).

Considering final energy consumption by sector in 2023, the total (final) energy consumption in France was 1,496 TWh, distributed as follows: 34% for transportation, 28% for residential, 19% for industry, 16% for services, and 3% for agriculture (SDES, 2023). From 1990 to 2023, the share of transportation has slightly increased (from 30% to 33%), while the shares of residential (30%) and agriculture (3%) have remained stable. The share of services in total consumption has increased from 13% to 16%, while the industry share has decreased from 24% to 18%.

The multiannual energy programming, published in 2020, already aimed to significantly reduce natural gas consumption to meet France's energy and climate objectives. The targets were set to reach 467 TWh by 2023 and 420 TWh by 2028, primarily through energy efficiency measures. Additionally, considering the production of renewable gas, the programming

established medium- and short-term targets for reducing fossil gas consumption relative to 2012 levels: a 10% reduction by 2023 and a 22% reduction by 2028. Achieving these objectives now requires a reduction of approximately 100 TWh in fossil gas consumption by 2028 compared to 2021.

Beyond reducing greenhouse gas emissions, decreasing energy consumption is crucial for securing our energy supply (including electricity networks and biomass) and, in the long term, achieving carbon neutrality. Further reductions of 34 Mt CO₂-equivalent are targeted for 2030, two-thirds being expected to come from phasing out oil- and gas-fired boilers, while the remaining third will result from better insulation. Achieving this will require an annual investment of EUR 21 billion in residential buildings and EUR 27 billion in commercial buildings by 2030 (OECD, 2024).

Over the past five decades, there have been notable shifts in the predominant heating methods employed. The dominant heating methods in 1968, wood and coal, have all but disappeared, with gas, electricity and district heating becoming the primary heat sources. Over the past five decades, the utilisation of fuel oil has declined by a factor of six.

In Paris, electric heating is the most prevalent heating method, accounting for 41% of households. At the regional level, gas is the dominant heating source, with 41% of households using it, and a higher prevalence of 45% in the inner suburbs.

While marginal in 1968, district heating has experienced significant growth, serving almost the 8% of primary residential units (Cerema 2022), a result likely due the provision of European incentives and the strong framework provided by local policies (Rotondo, Abastante, Cotella, & Lami 2020).

In 2018, 73% of primary residences in the Greater Paris region were connected to heating networks, representing a significant proportion of the total primary homes in Ile-de-France (approximately six out of ten).

Since 2005, GDP growth and the expansion of the housing stock in France have increasingly diverged (FR7). Using 2005 as the base year (indexed at 100), nominal GDP has grown significantly more rapidly than the housing stock, which has seen only modest growth. Despite the overall availability of resources, allocation choices have favored investments in other sectors. This trend raises questions about whether the homes being built are indeed the ones that are needed, useful, and affordable. As a result, the gap continues to widen between potential housing capacity and the actual availability of suitable homes.

Between 1982 and 2024, France's housing stock increased to 38.1 million dwellings while the population reached 68,4 million (Insee, 2024) from 53.7; 31.4 million primary residences hosted 30,4 million households. Thus, 82% of these dwellings were primary residences, of which 55% were one-family homes. There were also 3.7 million second homes and occasional dwellings, making up 9.8% of the stock, and 3.1 million vacant dwellings, accounting for 8.0%.

The proportion of second homes and occasional accommodation has increased more than the total number of homes in recent years. In the past, the proportion of second homes and occasional dwellings had risen between 1982 and 1990 but then declined steadily until 2011.

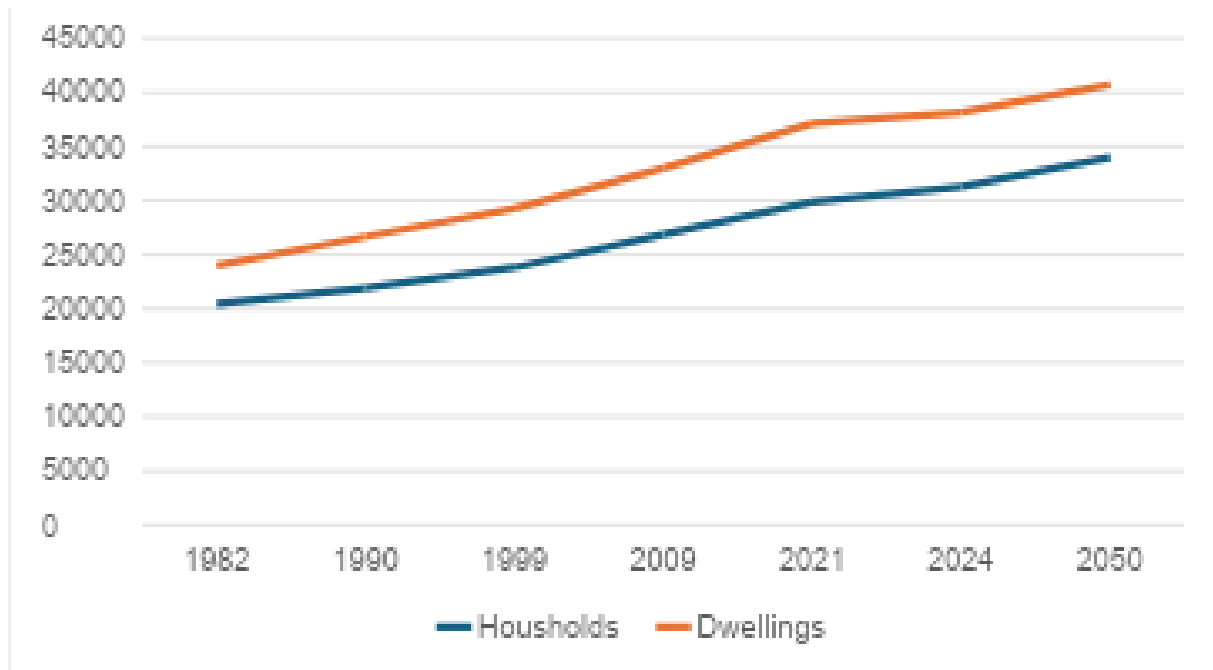


Figure FR6: Housing construction and number of households. Source: own elaboration on Insee Census Data and estimations de population.

The gap between the number of dwellings built in France and the number of households remains relatively constant over comparable time intervals (FR6). This is a curious aspect of the paradox of growth. Although it appears that more homes are being constructed, this increase does not meet the actual housing demand, which remains unchanged; in fact, the gap between these two indicators tends to widen. In other words, the number of households is consistently growing at a faster rate than the number of new dwellings, not due to demographic growth but as a result of the reduction in the average number of people per household, driven by factors such as ageing, divorces, separations, and multiple residences. Furthermore, new homes do not always contribute to the housing stock used by families, often remaining vacant, intentionally left as second homes, available for future use, or awaiting occupation. In both cases, new construction fails to address the actual need. Over the long term, there is a continuous tightening effect: building more does not provide an effective solution, yet the response remains the same—construct more.

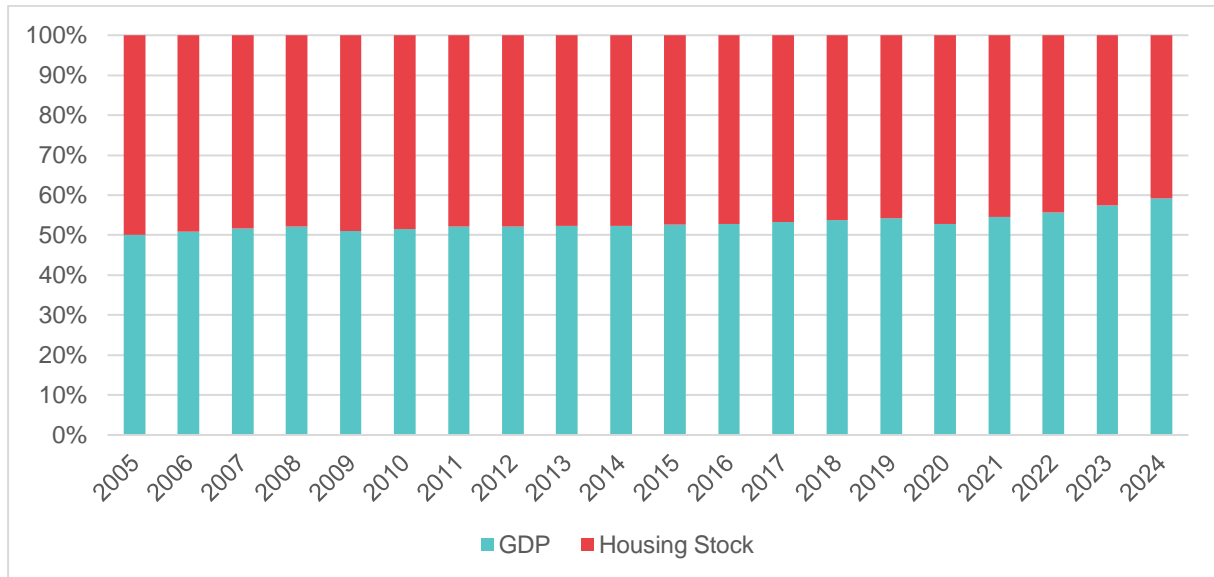


Figure FR7: Trends in GDP growth and housing stock. Source: SDES- 2023 on Secten format - Citepa, 2023; NB: 2022 data are a preliminary estimate.

1.2 Housing Sector

The housing sector in France has undergone significant transformations, with urban concentration, a growing gap between GDP and housing stock growth, and mounting pressures on affordability. In 2024, France's housing stock included 38.1 million dwellings, a 60% increase since 1982, with an annual growth rate of 1.4% (Insee, 2024). Single house accounts for 55% of the stock. Since 2007, the growth rate of the housing stock has slowed slightly, and the share of main residences has declined, with a rise in vacant homes, second homes, and occasional dwellings, particularly since 2010.

The evolving nature of housing, from ownership trends to the rise of second homes, highlights the need for policy adjustments to address these challenges. The trends also show a shift in housing types, with collective or housing growing faster than individual homes in the last years, a reflection of urban concentration, especially in metropolitan areas outside of Paris. The widening gap between potential housing capacity and the actual availability of affordable homes raises important questions about whether new construction is meeting the needs of the population.

1.2.1 Housing Stock Development and Tenure Structure

The housing sector in France has undergone significant transformations, with urban concentration, a growing gap between GDP and housing stock growth, and mounting pressures on affordability. In 2024, France's housing stock included 38.1 million dwellings, a 60% increase since 1982, with an annual growth rate of 1.4% (Insee, 2024). Single house accounts for 55% of the stock. Since 2007, the growth rate of the housing stock has slowed slightly, and the share of main residences has declined, with a rise in vacant homes, second homes, and occasional dwellings, particularly since 2010.

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1.2.1 Housing stock development and tenure structure

This section provides an overview of the trends in housing expenses in France, highlighting the growth of the housing stock, changes in homeownership, and the financial pressures faced by households.

The period between 2012 and 2017 saw relatively higher levels of construction permits for both individual and collective housing, followed by a slowdown in the following years (SDES, 2024); post-2017, a decline occurred in building permits, with individual housing permits showing a more consistent decrease post-2017 and, for the first time, the construction of new apartments surpassed that of new houses.

The highest number of individual housing permits was recorded in 2021, at 173.9 thousand, but this figure gradually decreased in subsequent years, reaching 125.1 thousand in 2023. In contrast, collective housing permits have exhibited more variability, but with a noticeable decrease after 2017. The peak for collective housing was also in 2017, with 261.2 thousand permits issued, but subsequent years show a decline, stabilizing at around 170 to 180 thousand permits in 2022 and 2023. This shift reflects a broader trend of urban concentration, which is more marked in metropolitan areas outside of Paris than in the early 1980s.

Moreover, homeownership rates have also evolved. In 2020, 58% of households owned their primary residence, a significant rise from 50% in 1982 (Bonvalet & Bringé, 2013; INSEE, 2019), driven partly by an ageing population. This share has remained stable since 2013, which might indicate a stagnation of homeownership growth (Driant, 2015).

However, the real estate sector has reached historically high levels of unaffordability. Since 2000, inflation-adjusted real estate costs have surged by over 70%, marking an unprecedented level of unaffordability (Friggit, 2017). Households have largely relied on lower interest rates and extended credit terms to mitigate the effects of price inflation and sustain their purchasing power. Nevertheless, the impact of these trends has been socially (and spatially) uneven. While middle- and upper-class households have reaped the benefits of rising property values, low-income households face increasing vulnerability to price fluctuations, resulting in heightened financial burdens and challenges in reselling their properties (Le Corre, 2019).

A significant proportion of homeowners in France are still repaying loans linked to the purchase of their residence. Additionally, 40.3% of households are renters of their primary residence. Nearly half of renter households consist of individuals living alone while homeowners live in households of two, three, or four people.

Like many other countries, intense pressure has been put on homeownership. According to INSEE, first-time homebuyers increased by 30% from 1980 to 2000, stabilising after that (FR9). This trend has led to a notable rise in equity-based financial stress, with only 38% of homeowners currently free from housing debt (INSEE, 2019).

Scholars point at the marked shift toward a model of 'privatised Keynesianism' (Wijburg, 2019): tax incentives, subsidies for the building and banking sectors, homeownership political narratives (Pollard, 2010). As a result, subsidies for private rentals and homeownership now surpass public-sector grants (Le Goix et al. 2021).

The annual mortgage interest rate, which was 5.2% in 2003, dropped to 1.2% by 2020. Over the past 20 years, the average price of existing homes has more than doubled, increasing by a factor of 2.4. Additionally, since 2016, the number of annual transactions involving existing homes has reached record highs, surpassing 1,067,000.

According to INSEE (2024), 24% of households now own 68% of all housing units held by individuals. In 2024, 3.5% of households owned at least five dwellings, a figure that rises sharply to 33% among the wealthiest 1% of households—and even 42% among the top 0.1%. In contrast, private market renters typically represent the opposite demographic of owner-occupiers, often being singles or young people.

Even though homeownership has grown in the past decades, with the support of proactive governmental policies, the rental sector has remained important, and equally distributed between social and private rental (Driant, 2015). The share of households renting their primary residence has remained around 40% since 1990, slightly lower than in 1982. FR9 shows data that remains relatively stable since 2005.

In term of social rental, housing units owned by public landlords represent 17% of the primary residence stock. France has one of the largest social housing stocks in Europe, second only to the UK and maintains a higher proportion of social housing, underscoring its importance in the national housing policy. This share has been stable since the 1990s after experiencing a net increase in the preceding years.

Social housing (HLM) provides affordable housing to around 10 million people. The HLM stock includes 4.6 million ordinary housing units, with approximately 5.5 million total units, 84% of which are managed by HLM organisations. These are primarily divided between ESH (Social Housing Companies), which manage 2.26 million units, OPH (Public Housing Offices) with a similar share, and smaller cooperative organisations such as COOP'HLM.

The HLM stock expanded significantly during the mid-20th century, with 37% of units constructed before 1971. Recent construction trends focus on smaller housing units (primarily two rooms). Meanwhile, energy efficiency is a growing priority, with 39% of units now certified energy-efficient (rated A, B, or C).

HLM tenants represent a broad cross-section of lower-income demographics, including a significant proportion of single-parent and large families. Approximately half of HLM tenants are employees or manual workers, with median incomes substantially lower than homeowners. The proportion of HLM tenants and application success rates vary by region, with the northern

and the Paris region (Hauts-de-France and Île-de-France) seeing the highest demand. Of late, the number of applicants is steadily increasing (Fondation Abbé Pierre 2024) as well as the share of poor households, due to the middle class exiting social housing (Driant, 2014).

Rented housing units owned by private landlords account for the remaining 23%. Most landlords in the residential market are individuals, as institutional investors like insurance companies and property trusts largely exited the sector in the 1990s and have only recently returned, focusing on limited volumes concentrated in Paris (Guironnet et al., 2023). While housing research traditionally characterized residential landlordism as fragmented among numerous small-scale investors (Driant, 2015), recent studies reveal growing ownership concentration among the wealthiest households.

While the percentage of principal residences has slightly decreased, the distribution between houses and flats shows a growing preference for flats of late, reflecting ongoing urbanization. In 2010, principal residences accounted for 83.4% of all housing units, a percentage that slightly decreased to 82.5% in 2015, and further to 82.2% by 2021. The breakdown between houses and flats has remained relatively stable in terms of their share of the total housing stock. The increase in vacant accommodations and the steady rise in secondary residences suggest evolving housing preferences and potential challenges related to housing availability in certain regions (FR8).

Year	Principal Residence (%)	Secondary Residences (%)	Vacant Accommodations (%)	Houses (%)	Flats (%)
2010	83.4%	9.4%	7.2%	56.2%	42.6%
2015	82.5%	9.5%	8.0%	56.0%	43.0%
2021	82.2%	9.7%	8.1%	55.0%	44.0%

FR8: Types and categories of housings Sources : Insee, RP2010, RP2015 and RP2021, main operations, geography as of 01/01/2024.



Figure FR9: Tenure structure since 2005 (%): owner (blue), and tenant (red). Source: EU-Silc

1.2.2 Housing Expenses

France allocates significant funding for social rental housing, with national government expenditure amounting to 0.20% of GDP in 2020. This places France among the nations with a higher level of public investment in social rental housing, similar to the US but far from countries like New Zealand (0.35% of GDP) and Austria (0.25%).

To simplify a complex system (with over 65 public housing programs in France), Madec (2022) suggests that public support for the housing system can be broadly categorised into three main areas:

- Housing allowances: In 2016, these amounted to €21 billion and aimed to subsidise households in both the social and private housing sectors to reduce their housing cost burden. The goal is to lower the "effort rate," or the proportion of income spent on housing.
- Social housing support: This category, totalling €6.2 billion in 2016, was directed at increasing the supply of affordable housing. These funds are distributed through various mechanisms, including tax incentives, interest rate advantages, and subsidies.
- Private sector housing support: This form of aid is designed to promote homeownership (€800 million), encourage rental investment (€2.3 billion), and support programs that claim to promote "energy-efficient housing renovations" (€9.2 billion), while renovation implies other indirect and sometimes perverse effects.

These categories reflect the multifaceted approach needed to address housing challenges across different sectors and objectives. HLM rents are generally 30% lower than private sector rates, making them an essential resource for low-income families. Eligibility for HLM housing is determined by family size, location, and type of financing, with income limits varying across regions.

Social housing financing often occurs through special circuits like the Caisse des Dépôts et Consignations, enabling social housing providers to pool resources and access credit. This approach mirrors systems in other countries, such as Norway's Housing Bank. Beyond government funding, many housing providers increasingly rely on private capital (OECD 2020), using their housing stock as collateral to borrow or issue bonds, as seen in England. Some organisations also leverage their resources, while non-profit sectors in countries like Austria and Denmark have established revolving funds for long-term sustainability (OECD 2020).

In several countries, social housing providers may sell portions of their housing stock to generate funds, a practice also observed in France consistent with broader European trends. Between 2000 and 2019, approximately 180,000 HLM units were sold in France. The sales rate fluctuated, with around 11,000 units sold annually in more recent years, including in 2019.

While these sales have generated much-needed capital, (even more so given austerity measures through which the government reduced rental revenues collected by social landlords), concerns remain about their long-term impact on the availability of affordable housing, particularly given the increasing demand in certain regions. In Île-de-France only, scholars estimated that 13,932 social housing units (HLM) were sold between 2009 and 2019 (Boulai, Fol, Gimat 2023), with 19% of these units being rented in the private market by 2019.

Smaller units are notably overrepresented in this trend, with half of the HLM units sold under 50 square meters now privately rented. Re-rentals are particularly prevalent in buildings constructed before the 1980s, especially in large apartment complexes and tower blocks. Additionally, a significant portion of non-occupant buyers appear to purchase former HLM units primarily as rental investments.

Financing for social housing involves a mix of loans, subsidies, and direct investments from HLM organisations. On average, building a new social housing unit costs €2,000 per square meter. Considerable investment also goes into renovation projects to improve the housing stock.

Data on government expenditures related to housing (as a percentage of total government expenses) shows fluctuations across different housing-related categories from 1995 to 2022 (FR 10); they also show a modest but steady government commitment to housing expenditures, with a slight increase in community development spending over time. The share of government spending on housing development remained relatively low but showed some variation over the years, peaking at 0.80% in 2015 and generally staying between 0.22% and 0.80%. Community development saw a slight upward trend, with expenditures ranging from 0.96% in 2005 to 1.44% in 2020. The largest portion of housing-related expenditures, accounting for 1.44% to 1.73% of total government expenses, remained relatively stable over the years.

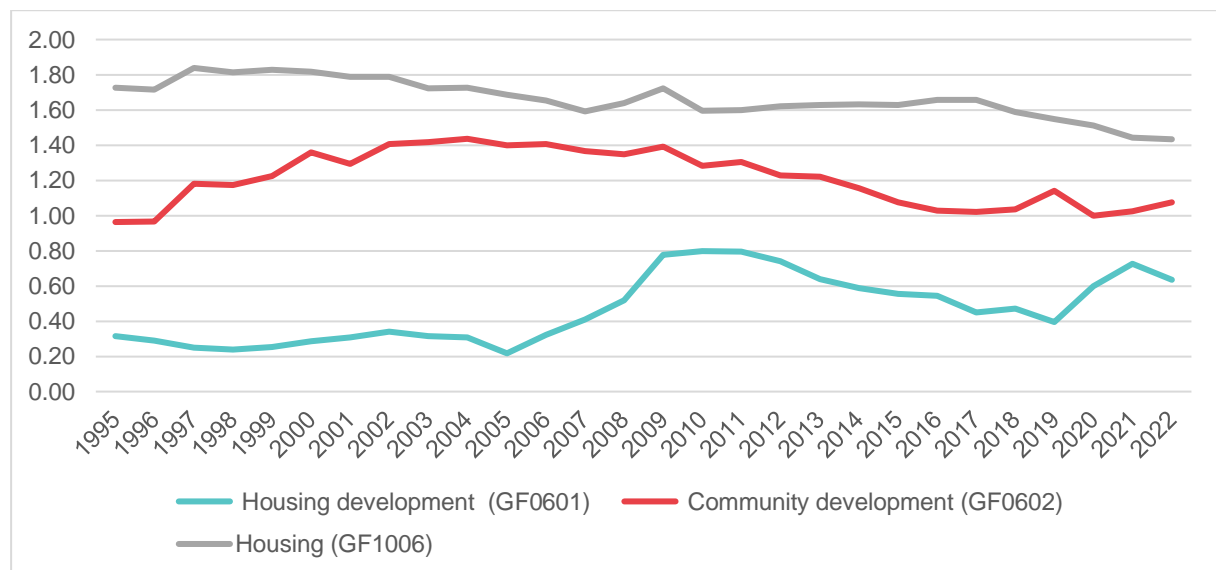


Figure FR 10 General Government Expenditures on housing. Source: EU-Silc

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

The dataset from the 2005-2020 EU-SILC surveys on housing and neighborhood quality includes a few indicators at the country level (FR11 for quality indicators assessed at the country level) and also focus on densely populated areas, intermediate and thinly populated areas.

Satisfaction with housing in France has improved across most market segments, except for social housing, where opinions have remained stable. Overall, 79% of households rate their housing conditions as satisfactory or very satisfactory, a slight increase since 2013. Homeowners report higher satisfaction levels compared to renters, with individual homes outperforming collective housing across both tenure types. Despite these positive trends, issues such as overcrowding and affordability remain critical, particularly in urban areas, where higher housing costs and increased demand exacerbate pressures. Rural areas face challenges too, including affordability concerns and rising shares of subsidized or free accommodation. These dynamics highlight persistent disparities in housing satisfaction across settlement types and tenure forms.

A few insights highlight the multifaceted nature of housing challenges in France:

- while overall satisfaction has risen, disparities persist, renters and social housing tenants continue to report significantly lower satisfaction than homeowners, particularly those in individual houses.
- urban areas face higher costs, overcrowding, and noise, in particular for students, the unemployed, and those renting apartments in larger buildings.
- urban regions see higher costs and satisfaction disparities, whereas rural areas contend with rising subsidized rentals and affordability challenges.
- ownership remains dominant but shows regional and demographic variations, with notable increases in subsidized or free accommodations in thinly populated areas.
- addressing affordability and satisfaction gaps requires targeted measures, particularly for vulnerable groups and high-cost urban areas, alongside balanced strategies for urban densification and rural affordability.

2.1 Housing and Neighbourhood Quality

Over the last period, satisfaction levels have increased significantly across all segments of the housing market, apart from social housing, where average opinions have remained relatively stable. Satisfaction with housing is generally high, with significant, minor variations according to the type of settlement: humidity, problems, which are felt more in the countryside, poor lighting, outdoor noise, and crime in the city.

Of late, 79.0% of households rate well their housing conditions (satisfactory or very satisfactory), marking an increase of 2.4 percentage points since 2013. Homeowners expressed significantly higher satisfaction with their housing (90.3%) than renters (63.6%). Additionally, satisfaction levels were notably higher in individual homes than collective housing. For example, among homeowners, satisfaction was 91.2% for individual homes versus 87.0% for collective housing, while for private renters, satisfaction rates were 71.8% compared to 67.5% for collective renters. In the case of social housing tenants, satisfaction was 66.1%, up from 54.0% for those living in collective housing.

The percentage of respondents reporting issues with their dwelling (leaking roof, damp walls, or rot) is relatively low across all categories, ranging from 11.31% in densely populated areas to 12.59% in thinly populated areas.

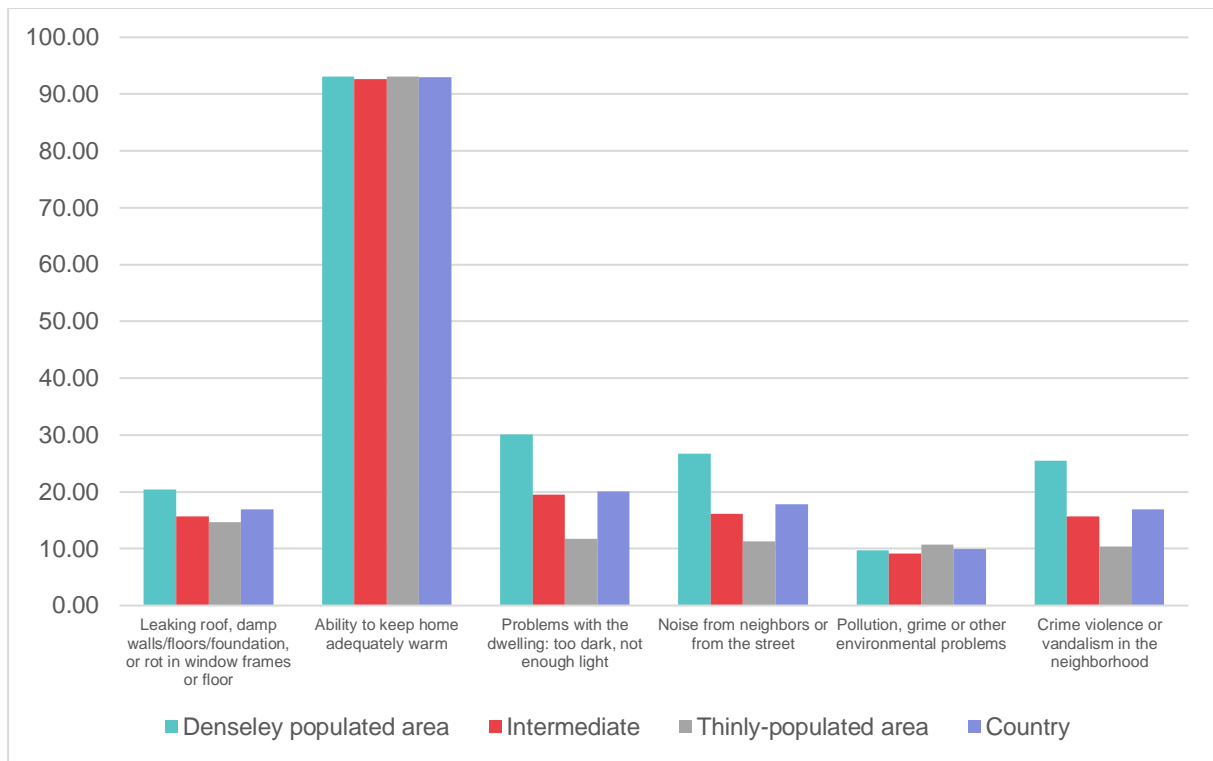


Figure FR11: Share of positive answers on housing and neighbourhood quality in 2020.
Source: EU-Silc

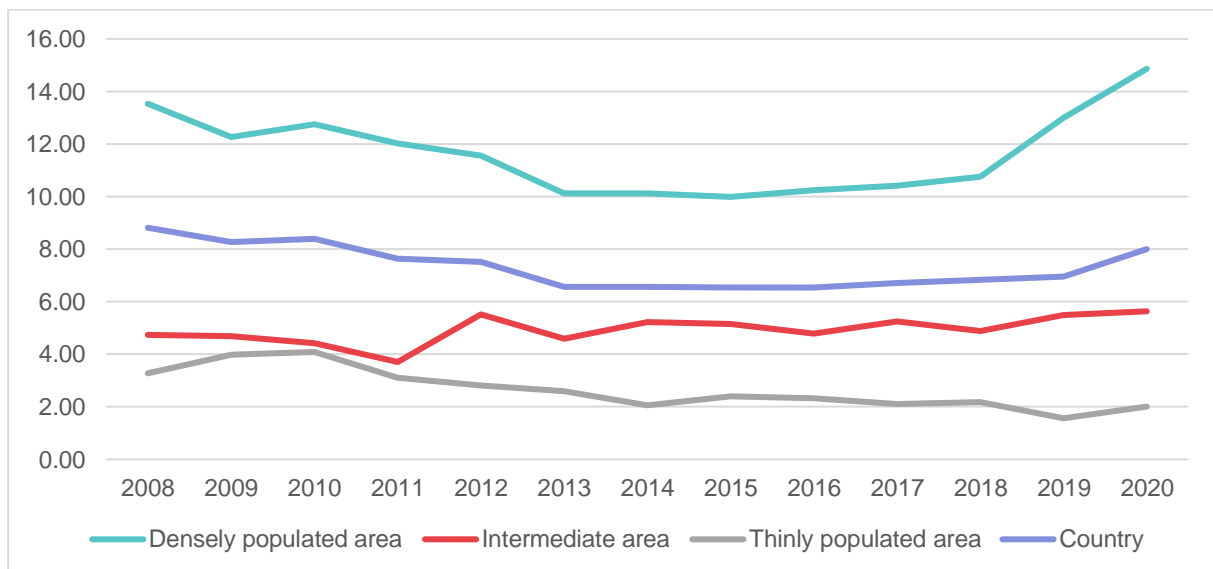


Figure FR12: Housing overcrowding per different urbanization model. Source: EU Silc

Around 24.1% of households reported experiencing cold in their homes, up by 4.8 percentage points from 2013, while 10% live in overcrowded conditions. Noise from neighbors or the street

is reported as a problem by 17.21% of respondents in densely populated areas, while it decrease in intermediate and thinly populated areas, with the lowest incidence in rural areas (7.85%). Crime, violence, or vandalism is reported as a concern by 22.55% of respondents in densely populated urban areas, the highest rate among the categories. This is followed by rural areas (15.21%) and intermediate areas (10.99%), while thinly populated areas report the lowest concern at 6.13%.

Additionally, 9% of individuals have experienced prolonged periods without personal housing at some point. In 2019, there were 154,000 emergency shelter places provided by state-run systems, an increase since 2013.

Overcrowding (FR12), one of the historical reasons for dissatisfaction, has recently risen again in urban areas, while it remains lower and often negligible in the countryside.

2.2 Housing expenditures

The persistent rise in housing prices following the global financial crisis presents a paradox. Despite a growing disparity between property prices and household incomes, which should theoretically deter homebuyers and investors in metropolitan areas (Friggit, 2017), the housing market has remained active, with price trends continuing to escalate—an occurrence described by Timbeau (2013) as a "resilient bubble."

In 2019, households in France dedicated an average of 18.3% of their income to their primary residence, a 3.9 percentage point increase compared to 2013. The effort for housing remains high and stable especially for tenants, and similar for public and private tenants.

Between 2005 and 2020, the financial burden of housing costs has generally declined for many groups, though with notable variations based on employment status, education level, and housing type. While the overall perception of housing costs as a heavy burden fluctuated, it remained a significant concern for certain demographics, such as students and the unemployed.

Over the period from 2005 to 2020, the data indicates a general decline in the perceived financial burden of housing costs (FR13). A heavy burden response has fluctuated over the years, with a slight increase from 20.74% in 2005 to a peak of 28.12% in 2013. After 2016, this figure remained relatively stable through 2020. The percentage of respondents who feel their housing costs are somewhat a burden decreased over time, from 29.70% in 2005 to 19.84% in 2020.

Over time, there appears to be a general decline in housing cost burdens for full-time workers and part-time workers (FR 14), but an increase for those in unemployment and students. The share for those working full-time remained relatively stable, ranging from 15.50% in 2005 to 16.50% in 2020, showing a slight decline in housing costs relative to disposable income: Individuals working part-time generally had higher housing cost burdens, fluctuating between 22.10% in 2005 and 17.60% in 2020. Unemployed: Unemployed individuals experienced the highest share of housing costs, peaking at 36.00% in 2020. This represents a clear increase over the years, highlighting financial difficulties faced by the unemployed. Housing costs for

students were notably high, peaking at 49.30% in 2018, before slightly decreasing to 41.20% in 2020. Individuals in retirement had relatively stable but lower housing cost shares. The data indicates that students and the unemployed face the highest housing cost burdens, while working full-time individuals and those in retirement generally experience the lowest. Other groups, such as the disabled, working part-time, and those engaged in domestic tasks, show moderate to high shares of housing costs.

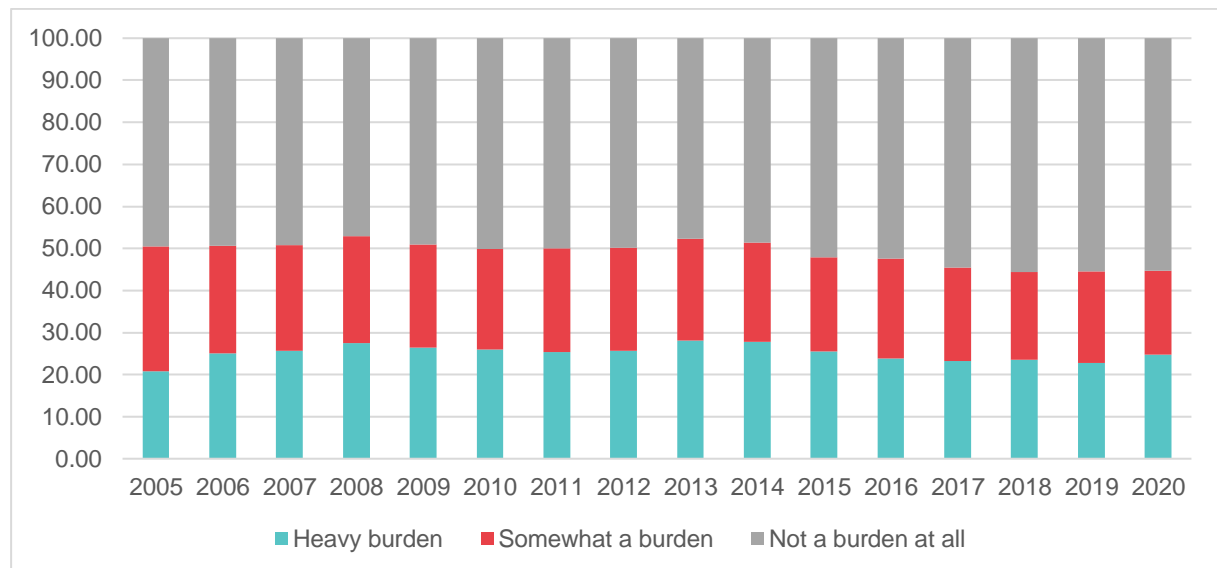


Figure FR13: Self-perceived financial burden of total housing costs from 2005 to 2020 Source: EU Silc

Individuals with primary and lower secondary education (FR 15) consistently had higher housing cost burdens compared to those with upper secondary or tertiary education. The share of housing costs was lowest for those with tertiary education, suggesting that higher educational attainment may be associated with lower housing cost burdens. However, values generally fluctuated across the years with a slight divergent trend over the years.

Housing costs as a share of disposable income have been highest for apartments in larger buildings (FR16), with significant increases around 2015. Detached houses typically represented the lowest share, while semi-detached and smaller apartment categories experienced moderate fluctuations over time. Apartments in Buildings of all size saw a general increase with a peak in 2015 and values remaining around 26-27% in subsequent years.

Overall, the data suggests a growing affordability in housing for full-time workers and those with higher educational attainment. However, vulnerable groups, including the unemployed and students, have faced increasing housing cost pressures, particularly in larger apartment buildings. These trends highlight the complex relationship between economic status, education, and housing affordability, suggesting that while some segments of the population have experienced relief, others continue to struggle with housing costs.

Typical urban-rural disparities in housing affordability reflects all these trends, where more urbanized regions generally see higher housing costs. Individuals living in densely populated areas (FR17), consistently face the highest share of housing costs, while Thinly populated areas consistently report the lowest share of housing costs, . Interestingly, intermediate areas show a gradual increase in the share of housing costs, starting from 0.15 in 2005 and rising to 0.19 by 2015. The share slightly decreased in 2020 to 0.17, but it generally remained higher than in thinly populated areas and lower than in densely populated areas.

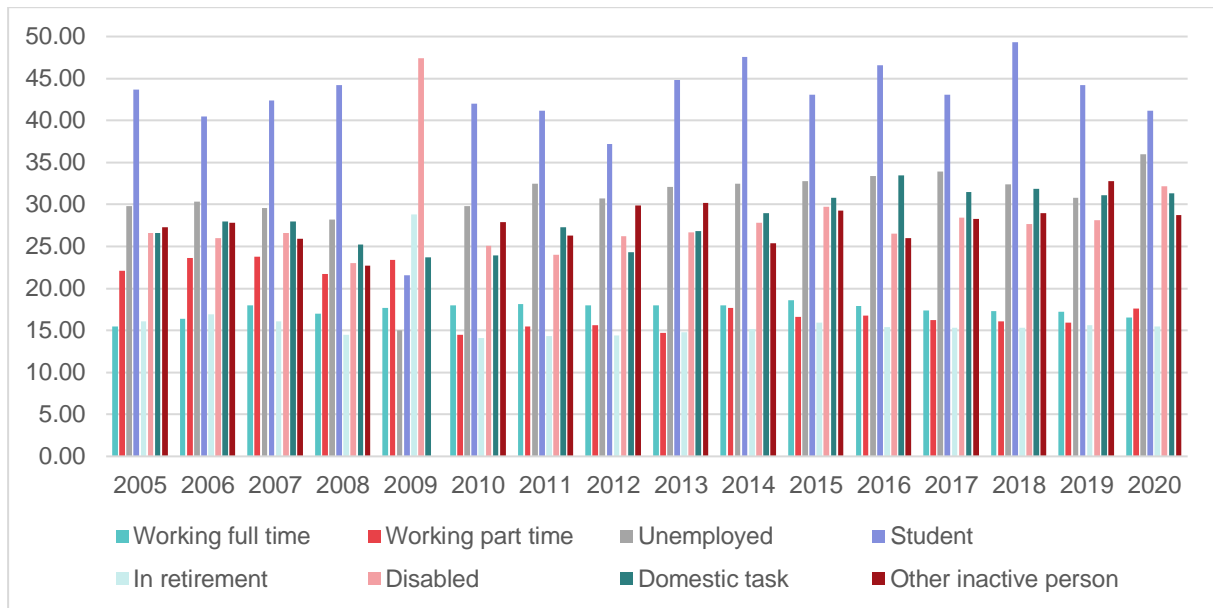


Figure FR14: Share of total housing costs in total disposable income by self-defined economic status.
Source: EU Silc

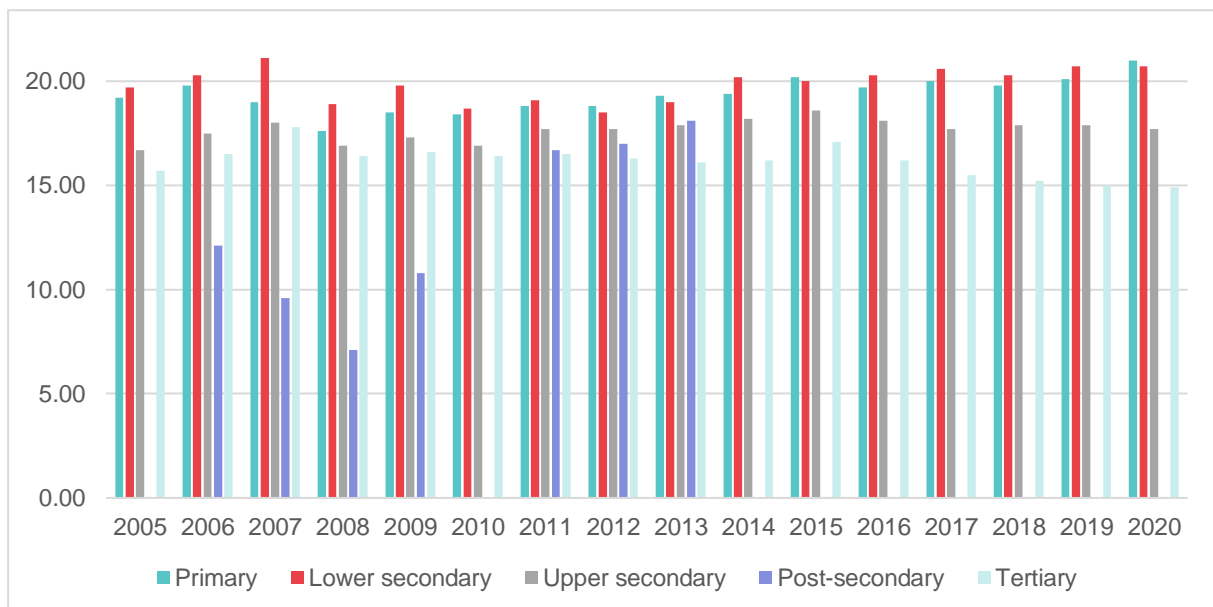


Figure FR15: Share of total housing costs in total disposable income by educational attainment level.
Source: EU Silc



Figure FR16. Housing cost burden per building type and tenure. Source: EU Silc

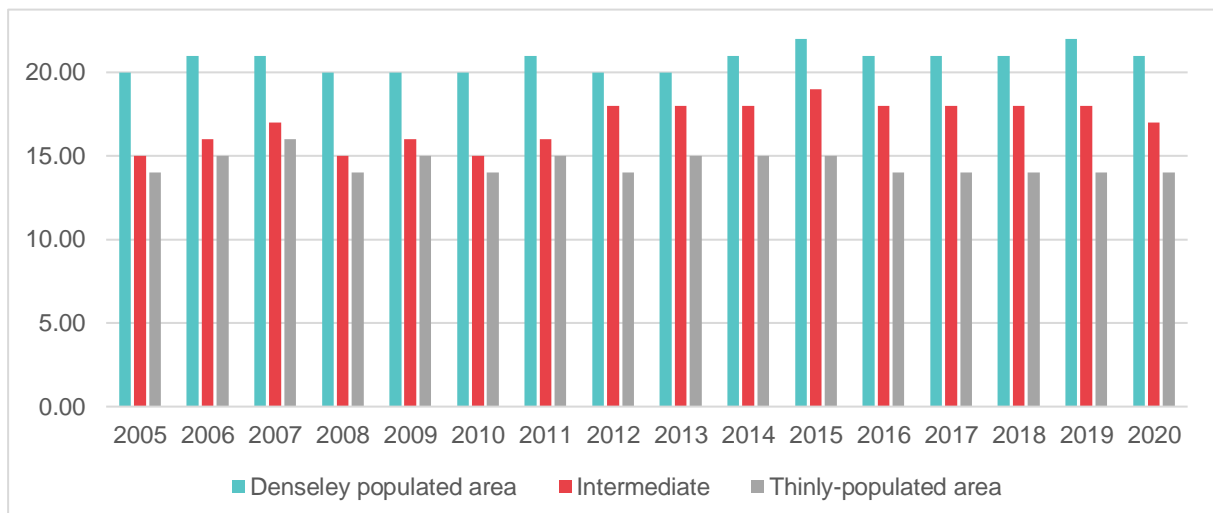


Figure FR17. Total housing costs in total disposable income by urbanization level from 2005 to 2020. Source: EU Silc

2.3 Housing segmentation

This paragraph explores the segmentation of housing types across France, focusing on regional and metropolitan differences, tenure categories, and urbanization trends. It highlights variations in ownership, rental patterns, and demographic shifts within urban and rural areas.

Housing segmentation in France reflects a complex interplay of urbanization, regional dynamics, and tenure categories. While homeownership generally increased across all urbanization levels, the decline in market-rate renting and rise in subsidized or reduced-price rentals reflect changing affordability conditions, particularly in urban areas. The increase in subsidized or free accommodation in rural and thinly-populated areas suggests that affordability challenges are not limited to urban centers but are also present in less urbanized regions.

The proportion of homeowners generally increased over time, with a particularly strong trend in densely populated areas and intermediate areas. For instance, ownership in densely populated areas (FR 18) increased from 46.39% in 2005 to 52.01% in 2018, before slightly decreasing to 46.82% in 2020.

The share of tenants paying rent at market rates showed a steady decline, especially in densely populated areas, where the proportion of tenants paying the prevailing market rent dropped from 28.19% in 2005 to 22.63% in 2020.

However, there has been a significant increase in the share of people renting at reduced rates or receiving free accommodation, particularly in thinly populated areas and rural areas. For example, in thinly populated areas, those renting at a reduced rate rose from 9.40% in 2005 to 15.80% in 2020 .

Ownership increased steadily in intermediate areas, and remains the dominant form of tenure in rural areas, though the trend fluctuated slightly over time. The share of renters paying market rates fell from 17.96% in 2005 to 16.44% in 2020. Both type of areas saw an increase in subsidized or free accommodation, reflecting affordability pressures, especially in thinly-populated areas.



Figure FR18. Tenure structure in Densely populated area. Source: EU Silc

Out of every 100 housing units, 82 are primary residences, 10 are secondary or occasional residences, and 8 are vacant. In 2024, 3.7 million homes were categorized as secondary residences or occasional housing, a figure that has remained stable after a slight rise between 2011 and 2017. Similarly, the share of vacant homes, representing 3.1 million units, has stabilized over the past four years. Among primary residences, 57% are owner-occupied, though this proportion has seen a slight decline since 2014. Ownership rates are higher in metropolitan areas, where 58% of households own their homes, a figure that has remained consistent since 2010. Conversely, approximately 40% of households rent their primary residence, a percentage that has been stable since the 1980s, with public and private rental sectors accounting for roughly equal shares.

In France, in 2024 3.7 million homes were secondary residences or occasional housing; after a slight increase between 2011 and 2017, their share of the total housing stock has stabilized.

Similarly, the proportion of vacant homes has stabilized over the past four years; in 2024, 3.1 million homes are vacant but 57.0% of households owned their primary residence, a proportion that has been slightly declining since 2014.

Regional differences are notable: Paris and other large metropolitan areas experience higher concentrations of homeownership and newer housing developments, often tied to employment growth and urban densification. In contrast, rural and coastal areas display a higher prevalence of secondary and vacant homes. Additionally, urban expansion and land consumption trends vary significantly across regions. In some metropolitan areas, such as Lyon and Montpellier, population growth outpaces land consumption, reflecting densification, while other regions continue to expand their artificialized surfaces per capita.

58% of households in metropolitan areas owned their primary residence in 2018. This share steadily increased from the 1980s until 2010 and has remained stable in recent years. The proportion of new homeowners rose sharply in the 1980s but declined until the mid-2000s and has remained stable.

Meanwhile, the proportion of households renting their primary residence slightly declined in the 1980s and has remained around 40%.

Among homeowners, about one-third are still repaying their mortgage to purchase their home. Over the past thirty years, the share of homeowners without outstanding mortgage payments has increased from 28% to 38% of households.

In summary, France's housing segmentation underscores the influence of urbanization, regional development, and demographic patterns on dwelling types and tenure structures. The contrast between metropolitan densification and continued expansion in other regions highlights the ongoing challenges and opportunities in managing housing supply and land use.

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NATIONAL REPORT ON HOUSING INEQUALITY – HUNGARY

Executive summary

The first part of the report analyses key macroeconomic, demographic, environmental, and housing trends from 1991 to 2023. It focuses on the impacts of policies, long-term societal shifts, and inequality, dividing the analysis into four distinct periods: 1) Economic recession and recovery (1991–1999), 2) Housing market recovery amidst economic volatility (2000–2008) 2) Sustained crisis management (2009–2015), 4) Post-2016 recovery, temporarily reversed by the COVID-19 pandemic, alongside the introduction of new housing subsidy programmes.

Macroeconomic Trends: Inflation declined overall during the period but surged in the last three years. Public sector debt fluctuated, with a significant rise between 2000 and 2010 due to irresponsible policies, which intensified the impact of the Global Financial Crisis (GFC).

Socioeconomic Trends: Unemployment rates were higher, and wages stagnated or grew minimally during the two crisis periods (post-regime change and post-GFC). Since 2017, unemployment stabilised around 4%, although regional differences persist.

Demographic Trends: The most notable demographic trends are a declining, aging population and persistently low fertility rates. The government has prioritised reversing this trend, subordinating numerous other policies to this goal.

Environmental Trends: The country remains highly vulnerable to global market price fluctuations. To mitigate this, the government introduced utility cost reduction programmes, which have eased the financial burden on households by capping energy prices. However, this has placed significant strain on the public budget, leading to the partial lifting of price freezes in some cases.

Housing Sector Trends: The four periods revealed markedly different trends, particularly in housing investments and lending dynamics. Privatization led to a near-disappearance of social housing, with the number of such units continuing to decline. Lending trends fluctuated, with periods of stagnation followed by government-led attempts to stimulate borrowing. Housing and rent prices rose sharply in the most recent period, creating a housing crisis, as income growth failed to keep pace, reducing affordability. The government has heavily focused housing policies on families (especially those planning children), often neglecting other groups. This has fueled inequality. Additionally, while subsidies for family housing loans increased demand, the construction sector's supply-side rigidity poses inflationary risks.

The second part first examines the share of total housing costs in disposable income. Overall, housing costs relative to income declined, a trend that accelerated in the last two years, likely

due to the utility price cap programme. This generally reduced inequality, except in certain cases, such as single-person and single-parent households.

Using SILC microdata, the report then analysed inequality in actual housing conditions and identified key trends. Most indicators showed significant improvement during the studied period, however, exceptions include the number of people perceiving housing costs as a burden and those facing arrears. The analysis explored how these trends were influenced by social, spatial, and tenure categories, finding: Significant differences across social statuses and tenure types and Smaller differences across regions and dwelling types.

Finally, the report investigated how improvements in indicators affected disadvantaged groups' relative positions across these dimensions. A specialized method compared the two best years with the two worst. Findings revealed that in some cases, improvements did not proportionally benefit disadvantaged groups, thereby exacerbating inequalities despite positive overall trends.

Introduction

The history of the housing system in Hungary before the change of regime and its development after 1990 shows many similarities with the new EU Member States. These countries share many common elements in their history, especially between 1945 and 1990, but also showed important similarities after the transition from a planned economy to various forms of liberal market economy. In these countries the governance structure were formally centralised, though some regions enjoyed informal power over their decisions. Regional differences emerged between the industrial centers (including capital cities) and other part of the country. Their development was shaped by Soviet political and military rule until 1990 and, despite their differences, their housing and welfare systems shared common features during this period. Until the financial crisis of 2008, the post-socialist Central and Eastern European (CEE) countries experienced very similar outcomes and therefore the transformation of their housing systems followed a similar logic; however, after the crisis, differences in economic and political situations became more pronounced, which then amplified the likelihood of divergence between housing and welfare systems in the region.

Over the past 30-35 years, four main phases can be distinguished, which have provided different economic and institutional environments for the development of the housing finance system and the housing market. These are:

- 1990-2000 Transition to a market society: recession and boom.
- 2001-2008 Growth and irresponsible fiscal policy: public and market failures.
- 2009-2015 Crisis management: from orthodoxy to unorthodoxy.
- 2016 - Housing boom and unbalanced development.

In order to understand the change of regime in Hungary, it is important to see that the socialist economic system, including housing policy, started to move away from the traditional socialist model in the 1980s. In the face of economic difficulties, the government took a number of measures to promote decentralisation of the public sector (loss of control of enterprises by

ministries), to encourage the creation of small private enterprises and to promote foreign investment in mixed-ownership companies. Housing policy also introduced a number of new elements moving away from the socialist housing model.

Between 1990 and 2000, Hungary moved from a state-led planned economy to a liberal market economy, but these changes were accompanied by different and contradictory economic strategies (privatisation, policies, fiscal austerity programmes, etc.) and deepening social conflicts (unemployment, growing inequalities, etc.). Society was hit by the crisis of transition, but with the introduction of a severe austerity programme in 1996, the economy began to recover and by the end of the decade GDP had returned to pre-transition levels.

From 2000 onwards, economic policy became more optimistic, shifting from austerity to a demand-led model (in which housing finance played an important role). World economic developments enabled the government's irresponsible policies, as financial markets became more accessible, and economic growth turned into a global phenomenon. In 2002, the new socialist-liberal government promised wage increases and a stabilisation of energy prices, which resulted in huge deficits and an increase in foreign debt. In 2004, Hungary joined the European Union, which raised expectations and allowed the necessary structural changes (education, health system, etc.) to be postponed. The economy grew from 2000 until the end of 2008, but irresponsible fiscal and monetary policies left the economy vulnerable and the Great Financial Crisis hit it hard.

After 2008, the global financial crisis hit Hungary the hardest from the Central and Eastern European economies, due to its high public deficit and foreign currency debt-to-GDP ratio. The new government that came to power in 2010 introduced 'unorthodox' economic (and political) measures that used populist elements and moved towards an authoritarian political system. The economic basis of this policy was to restore economic growth and fiscal balance without austerity measures. The state passed the costs of the crisis onto banks and foreign companies through increased taxes. In response, these institutions raised the prices of their services, indirectly shifting the burden of the crisis onto the people (Csizmadý and Hegedűs, 2016). Overall, crisis management was delayed until 2015.

By 2015, the economy had stabilised, thanks to the use of EU subsidies and economic reserves (private pension fund, centralisation of public service companies and delaying investment) and the success of the tax system in making foreign-owned companies pay a significant part of the burden of the crisis, as mentioned above. Unemployment is falling, incomes are rising, and housing investment is shifting away from the trough as house prices and credit are rising again, on low interest rates.

Economic, demographic and housing conditions are analysed in the context of the four periods described above. Although all these periods can be interpreted in a framework of one single housing regime (post-socialist housing regime), which is true for the dominant processes, it is not uncommon to find conflicting interventions that are specific to the periods. However, it is also important to emphasise that the housing system went through a development process as the characteristics of the post-socialist housing regime changed.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Society and Environment

1.1.1 Macro-economic Trends

1990-1999: Transition to a market society

From 1990 to 2000, Hungary underwent a major transition and shifted from a state controlled, planned economy to a liberal market economy through key economic reforms such as price liberalisation, the privatisation of state-owned enterprises and the consolidation and privatisation of banks (Hegedüs and Somogyi, 2016). The transitional recession affected several macroeconomic trends. A decline in GDP can be observed in Figure HU1 in the first half of the decade. Moreover, the country struggled with soaring inflation rates at the first half of the 1990s (between 18% and 35%), which then slightly dropped but surged again around 1995 (Figure HU2). Figure HU2 also shows that the base rate of the central bank followed the inflation curve.

In response, the government introduced a strict austerity programme in 1996, known as the Bokros package, which included the devaluation of the forint, the introduction of import tariffs, the freezing of public sector wages and the narrowing of eligibility for child support, among other measures (A Bokros-csomag, 2022). Thanks to this programme, the economy began to recover and by the end of the decade, the GDP gradually returned to its pre-transition level. Inflation, the base rate and government debt-to-GDP ratios also declined (see Figure HU3), marking the beginning of a period of economic growth.

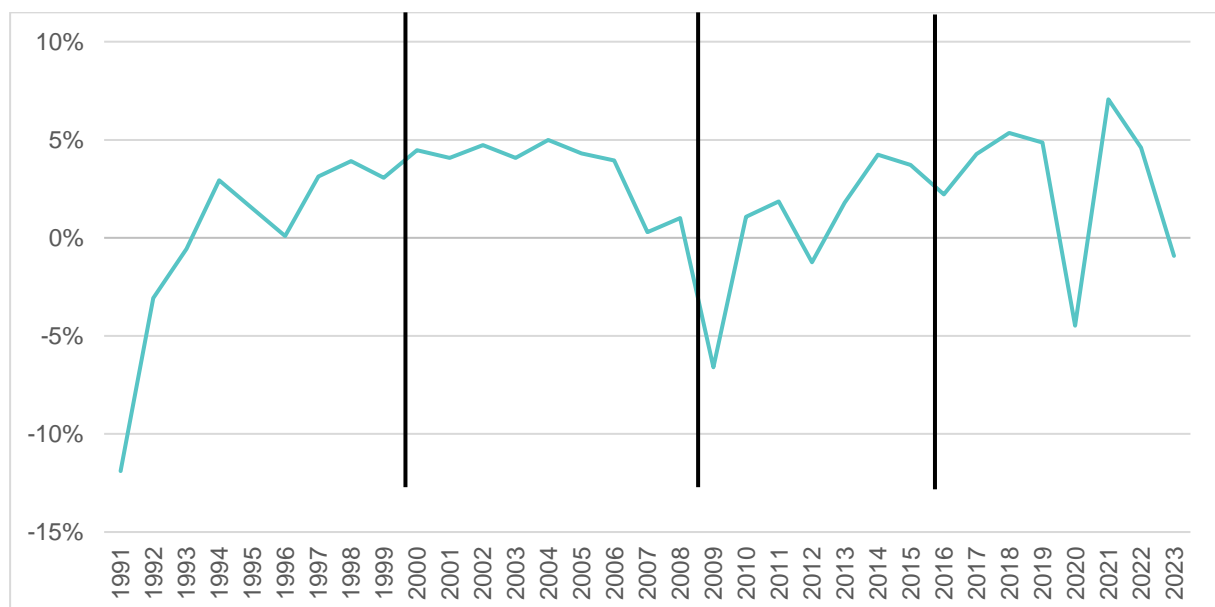


Figure HU1. GDP growth (annual %). Source: own visualisation based on World Bank Group data

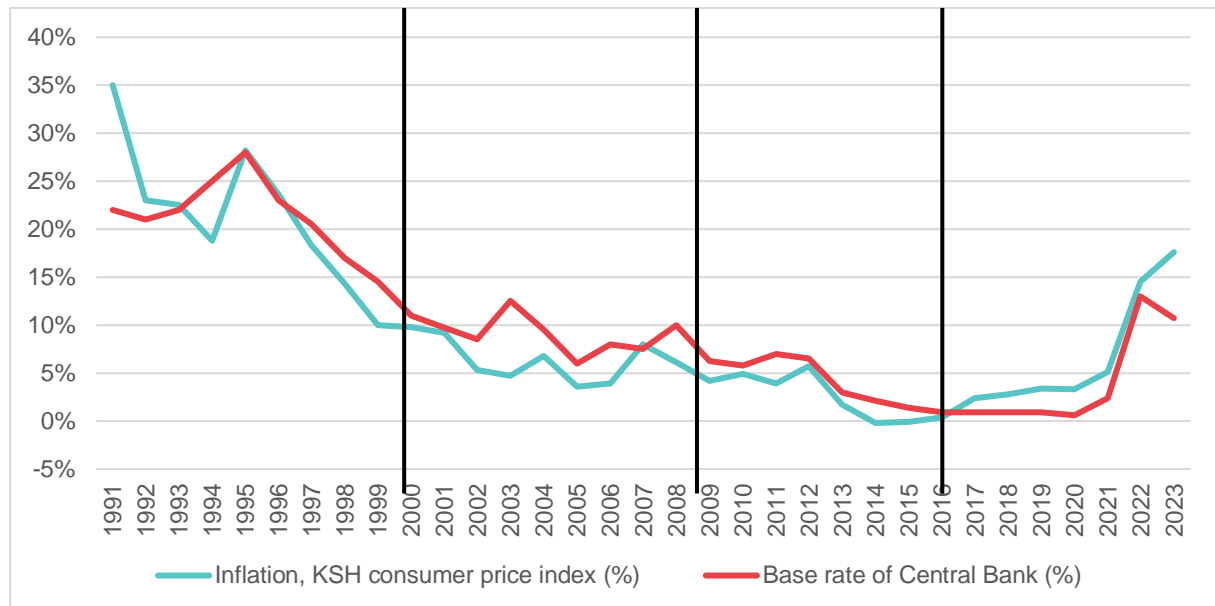


Figure HU2. Inflation and base rate. Source: own visualisation based on Hungarian Central Statistical Office (CSO) and Hungarian National Bank (HNB) data

2000-2008: Dynamic growth and irresponsible fiscal policy

As economic growth became evident, economic policy in Hungary shifted from austerity to a more optimistic, demand-oriented model in the early 2000s, with housing finance playing a pivotal role (more on this in Section 2.1). In 2004, Hungary joined the European Union, further enforcing the belief in sustained economic growth with Foreign Direct Investments and EU Structural Funds flowing into the country (Hegedüs and Somogyi, 2016). However, global economic prosperity and the financial market boom contributed to increasingly risky government policies. Hungary's budget deficit surged in 2002 when the government began its populist spending policies, including 50% wage increase for civil servants, the introduction of the 13th month pension and tax-free minimum wage, among other measures. The growing overspending of public finances led to the steady deterioration in economic performance (Palócz, 2008).

This period can therefore be described as an era of volatile economic growth. The handouts of the government are reflected in the public debt (Figure HU3). The growth rate of the country's GDP first stagnated around a relatively optimal 4% a year, then fell at the end of the period to around 1% in 2008 (Figure HU1). Irresponsible fiscal and monetary policies of this era left Hungary with a fragile and vulnerable economy, which was further weakened by the detrimental effects of the 2008 Global Financial Crisis.

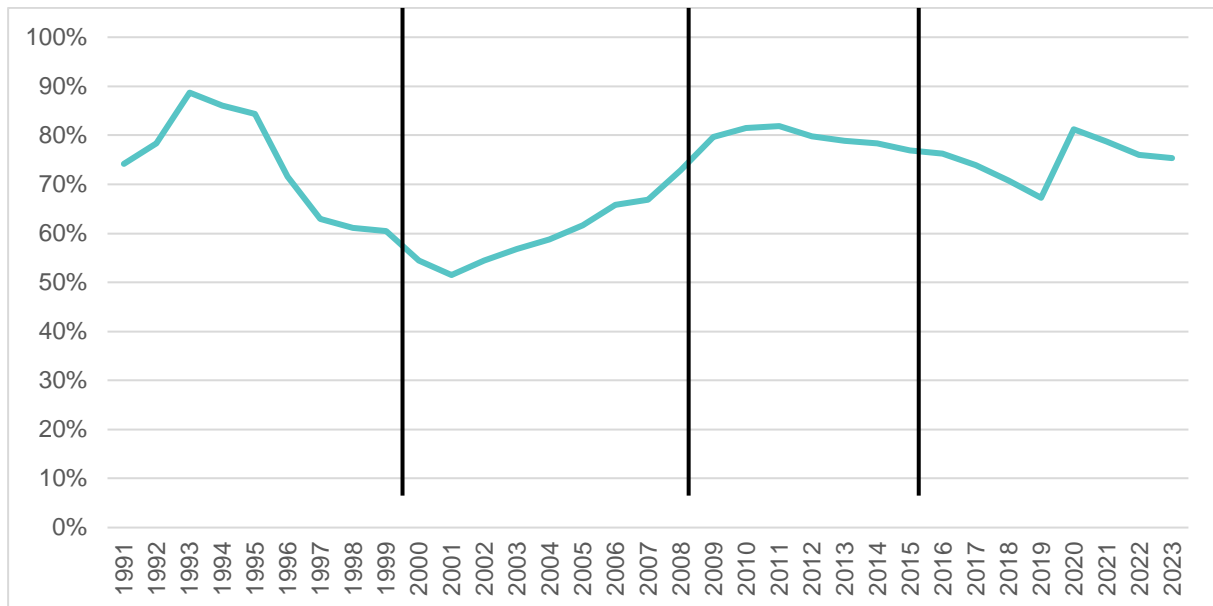


Figure HU3. Public Sector Debt (% of GDP). Source: own visualisation based on OECD and Wikipedia data

2009-2015: Crisis management from an 'orthodox' to an 'unorthodox' approach

Between 2008 and 2010, the government adopted traditional crisis management policies including ending foreign currency lending, securing a \$25 billion IMF loan and introducing austerity measures such as cutting government expenditures (affecting housing subsidies, pensions, public sector wages, etc.) and imposing special taxes on banks and energy companies (Hegedüs and Somogyi, 2016). These policies successfully reduced the budget deficit (Figure HU4) from 9.3 percent of the GDP in 2006 to 4.4 percent in 2010 and kept inflation (Figure HU2) under control. However, the Hungarian economy grew just by 1% in 2008 followed by a contraction of 6.3% in 2009 (Figure HU1).

After 2010, the newly elected conservative government (re-elected in 2014, 2018 and 2022 with a two-thirds majority each time) implemented an unorthodox economic and political regime, characterised by populist measures and a shift towards an authoritarian political system. In response to the crisis, this policy sought to avoid direct austerity measures by tapping into economic reserves, such as private pension funds, and introduced special taxes on companies owned by foreign entities (banks, energy and commercial companies). Simultaneously, it introduced the utility price cap programme (more on that later), implemented a regressive flat-rate income tax, and reduced social spending. Some observers viewed these developments as steps toward creating 'crony capitalism' (Hegedüs and Somogyi, 2016).

Despite this, long-term recovery requires austerity measures, whether by reducing expenditures (such as salary cuts), increasing taxes, or allowing inflation through currency devaluation to reduce living standards and boost productivity via lower wages. The government lacked a comprehensive economic restructuring plan, and many of its measures appeared to be ad hoc, trial-and-error decisions.



Figure HU4. Budget deficit. Source: own visualisation based on government, CSO, and OECD data

After 2015

After 2015, the government continued with its unorthodox approach to economic policy, however, a peculiarity of the Hungarian governance since 2015 is the large emphasis on family policy. A significant portion of the government's welfare budget has been spent on supporting families with children, and especially encouraging childbearing, due to the country's declining population (more on this in the 'Demographic trends' section). The government has introduced measures such as a family tax allowance, student loan waivers for women with two or more children and extra child benefit, alongside the introduction of the 'Family Home Allowance' (FHA) programme in 2015 – or re-introduction of the discontinued 'Social Policy Allowance'. The FHA now has had several different versions but it is, generally, given in the form of a subsidised loan and a non-repayable grant (or capital debt reduction since 2024) for the purchase or construction of a new dwelling and for the purchase or extension of an existing dwelling for families with (planned) children. The FHA can be quite generous – as an example, according to the newest version of the FHA programme a family with no children but planning on having 3 can apply for a maximum of 50 million HUF (approx. €120 000) subsidised loan, where after the second and third child, 10-10 million (approx. €24 000 for each child) of the debt is forgiven. However, the programme is also highly restrictive and favours middle and upper classes, as do many other measures as well, excluding those who would need it most.

Also relevant to the period after 2015 is that the state had to contend with two major international crises: the effects of COVID-19 and the Russia-Ukraine war. Both major events have significantly disrupted supply chains and energy production, as well as caused food insecurity, leading to a decrease in GDP, and an increase in public sector debt and budget deficit (Allam, Bibri and Sharpe, 2022).

1.1.2 Socio-economic and Demographic Trends

Socio-economic trends

As Hungary faced the transition crisis, mass unemployment surged, reaching its highest level in 1993 with an unemployment rate of 12% (Munkanélküliségi Ráta – Fenntartható Fejlődés Indikátorai, 2021). As a result, many people turned to jobs in the informal or secondary economy, which has historically played a significant role in Hungary. During the socialist era, although the state aimed to control the entire economy, it was unable to do so effectively. The 'gaps' created by this lack of control were filled by private actors, whose behaviours and interactions gave rise to new structures distinct from the logic of the command economy. The informal economy remained substantial after the transition, accounting for an estimated 25-33% of GDP between 1990 and 1997 (Lackó, 2000), and 22% in 2012 (Hegedüs, 2023).

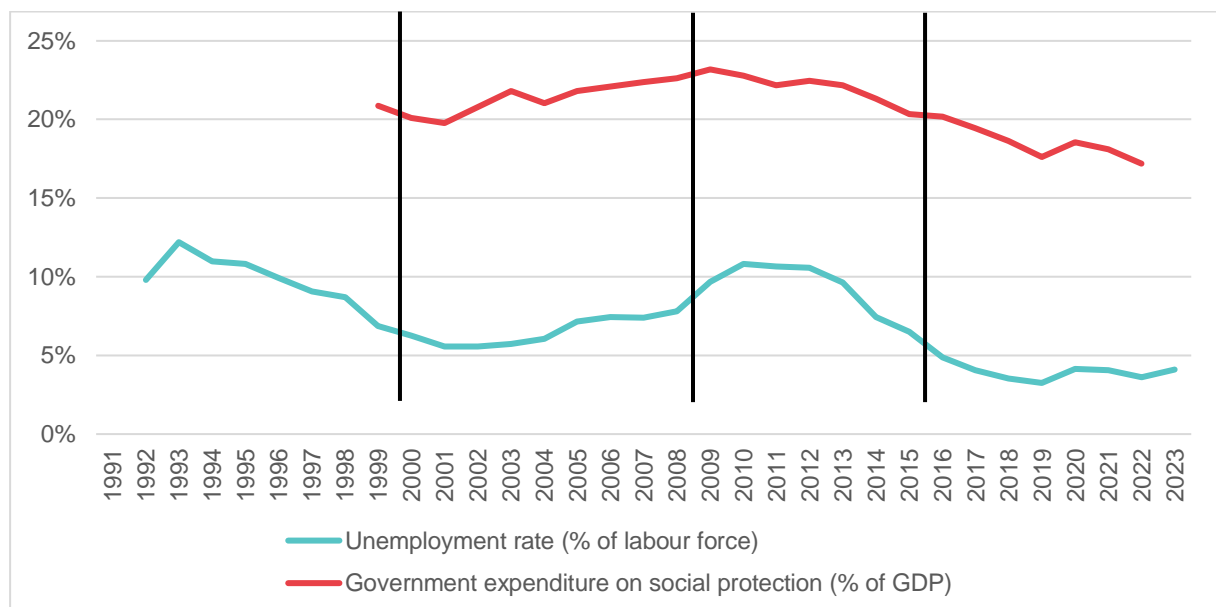


Figure HU5. Unemployment and social protection. Source: own visualisation based on OECD and CSO data

With the stabilisation of the economy in the second half of the 1990s, unemployment fell, only to rise again over the following decade as a consequence of the consolidation program. During the second period the macroeconomic conditions improved, but irresponsible social policy and the lack of the structural changes in public and infrastructure services pushed up the public expenditures, which made the crisis of 2008 hit even harder. As the country gradually recovered from the crisis, unemployment decreased, but it rose again in 2020 due to the economic impacts of the COVID-19 pandemic. Government expenditures on social protection are consistent with these unemployment trends, although it is important to note the surge in 2002 due to the populist spending policies mentioned above. While nominal wages show a steady increase, real wages adjusted to 2023 highlight stagnation during the two crisis management periods of the '90s and the years after the Global Financial Crisis (Figure HU6).

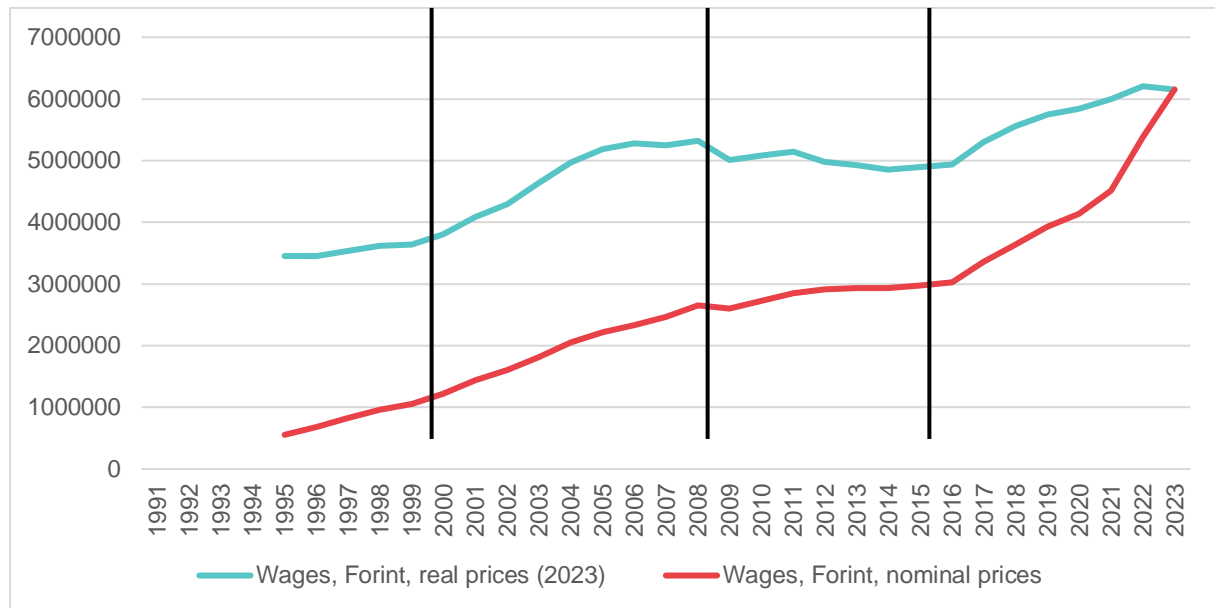


Figure HU6. Nominal and real annual average wages. Source: own visualisation based on OECD data

Table HU1. Unemployment rate by region, selected years.

	1990	1996	2001	2005	2011	2015	2019	2022
Central Hungary	2,7	8,6	6,8	6,3	8,6	5,1	2,3	2,3
Central Transdanubia	2,1	11,5	7,1	8,7	9,2	4,3	1,9	1,7
Western Transdanubia	1,6	8,3	5,7	8,3	7,1	3,7	1,7	2,4
Southern Transdanubia	2,8	12,6	11,8	14,4	12,5	8	4,7	4,7
Northern Hungary	3,2	18,2	16,6	16,4	16,1	8,5	4,3	6,2
Northern Great Plain	3,7	17,5	16,1	16	14,3	10,6	6,1	6,3
Southern Great Plain	2,5	11,2	11,2	12,4	10,2	7,7	3,4	4

Source: own visualisation based on CSO data

The dimension of regional disparity is also significant when it comes to unemployment (Table HU1). After the 1990s, unemployment increased sharply in all regions; however, as the economy stabilised, it mostly decreased in the central and western parts of Transdanubia, where industries that had faltered after the crises began to recover. Following the recovery from the global financial crisis after 2008, unemployment decreased significantly in all regions, partly due to the expansion of public employment programmes. However, despite overall improvements in the labour market, regional disparities in unemployment persisted. In 2022, the unemployment rate was the lowest in Central Transdanubia (1.7%) and the highest in Northern Great Plain (6.3%) (KSH, 2006; KSH, 2022).

Demographic trends

Hungary faces an ongoing population decline (Figure HU7). Although at the beginning of the 1990s, the country's fertility rate was only slightly below the replacement rate of 2.1, it decreased significantly over the following decade (Figure HU8). Throughout the 2000s, the

fertility rate fluctuated at a low level, reaching its lowest point of 1.23 in 2011. After a decade of gradual increase, it rose to 1.59 in 2021, but has since begun to decline again, despite the government's efforts. Furthermore, Hungary's declining and aging population is not counterbalanced by immigration. With the immigrant population ranging from 1% to 2% of the total population over the examined decades, it is clear that immigration to the country is minimal, and those who do come often leave.

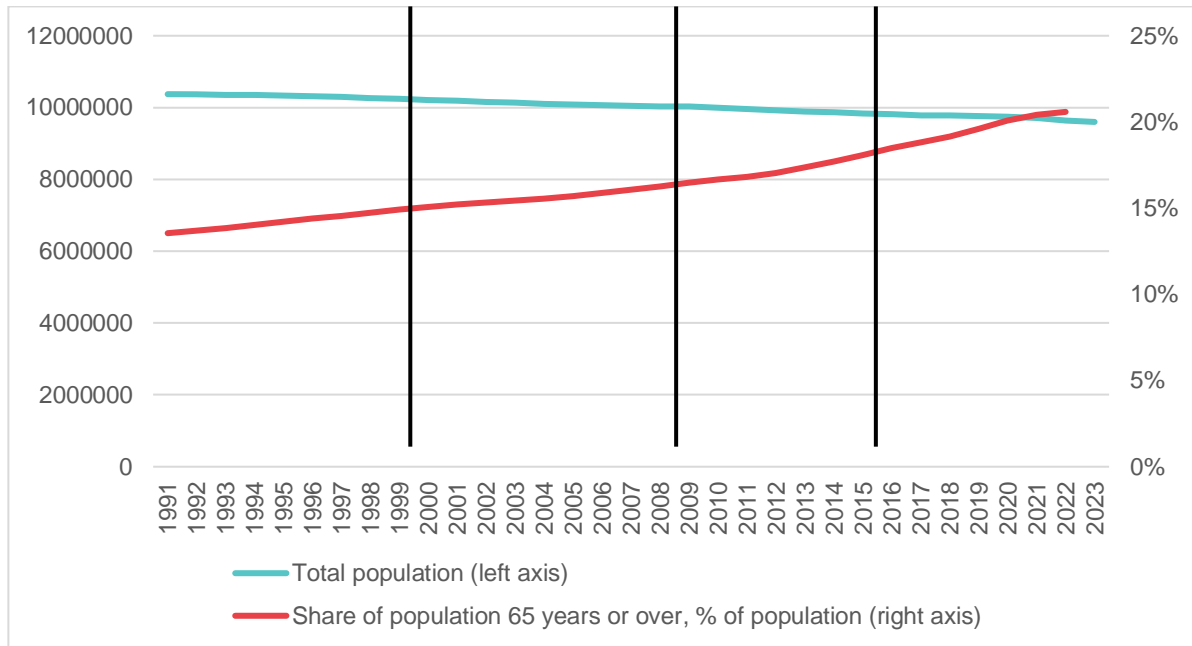


Figure HU7. Population. Source: own visualisation based on OECD and CSO data

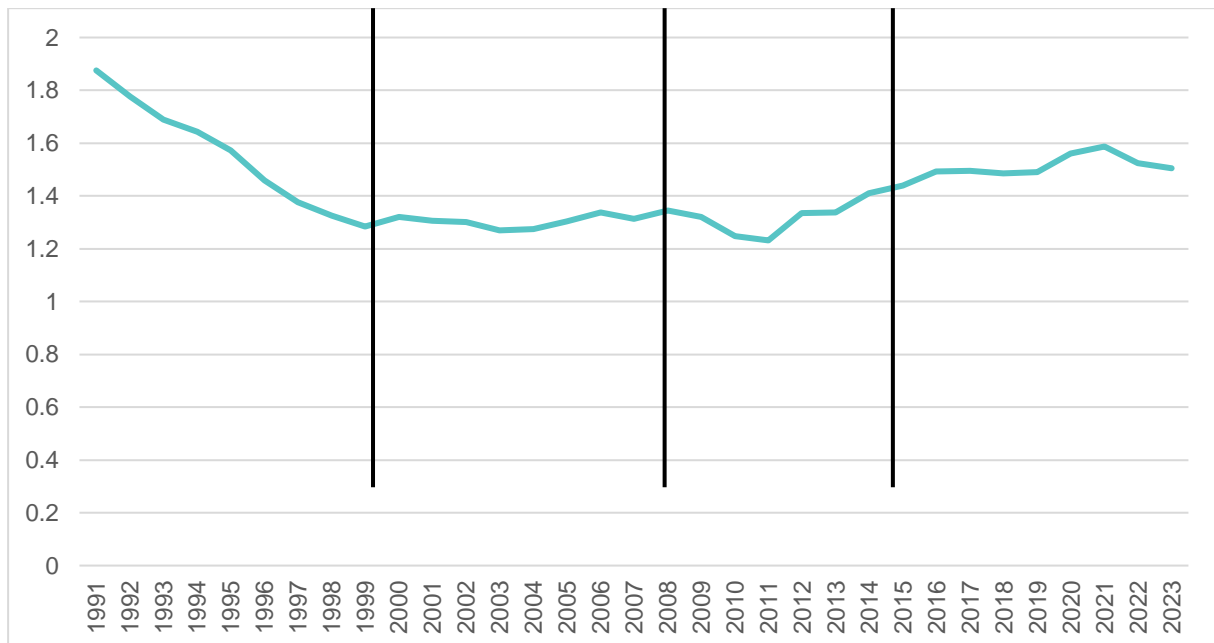


Figure HU8. Fertility rate. Source: own visualisation based on CSO data

1.1.3 Environmental and Energy Trends

According to the Emissions Database for Global Atmospheric Research (EDGAR, 2024), Hungary has produced fewer greenhouse gases (GHGs) per capita each year since 2007 than any New Member State except Latvia. However, Hungary still faces significant work in reducing atmospheric GHGs to meet EU standards. Achieving these targets will require special attention to the building sector, which consistently contributes around one-fifth of Hungary's total GHG emissions (Figure HU9).



Figure HU9. Total GHG emissions by sector (with and without buildings). Source: own visualisation based on EDGAR data

Furthermore, within the building sector, particular focus should be given to residential energy consumption. According to IEA data (González-Torres et al., 2022), residential buildings account for approximately three-quarters of global energy consumption in the building sector. Moreover, only the residential sector by itself has the biggest share – around one-third – in Hungary's final energy consumption (Odyssee-Mure, 2024). In Hungary, as shown in Figure HU10, nearly three-quarters of final energy use in residential buildings goes toward space heating, while the remaining four categories make up the last quarter—with cooling being almost negligible.

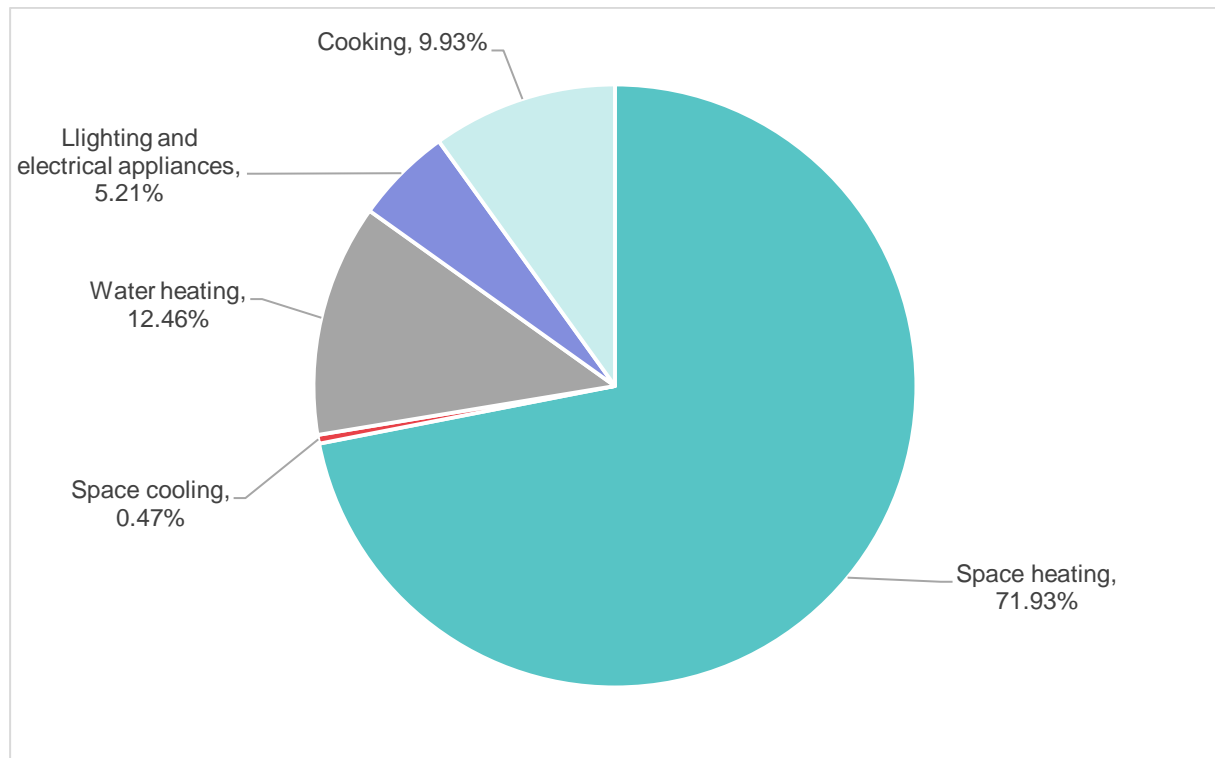


Figure HU10. Final energy consumption in households in 2022. Source: own visualisation based on EUROSTAT data

Energy bills in Hungary have become a highly politicized topic, owing to the government's controversial utility price cap programme, which was introduced in 2013 to freeze energy prices, largely for reasons tied to political rhetoric. The programme obliged energy and utility companies to switch to regulated prices. Thanks to the cuts, residential gas, electricity and water tariffs were kept constant in nominal terms (Figure HU11) and therefore have fallen in real prices over the years. The measure led to a reduced share of housing costs within households' annual expenditures, using the Classification of Individual Consumption According to Purpose (COICOP). Based on the classification, the two largest spending categories in Hungary each year are 'food and non-alcoholic beverages' and 'home maintenance, household energy.' While housing costs dominated expenses at the beginning of the 2010s, by the end of the decade, food expenses had surpassed housing costs as a larger portion of all household expenditures (Figure HU12).

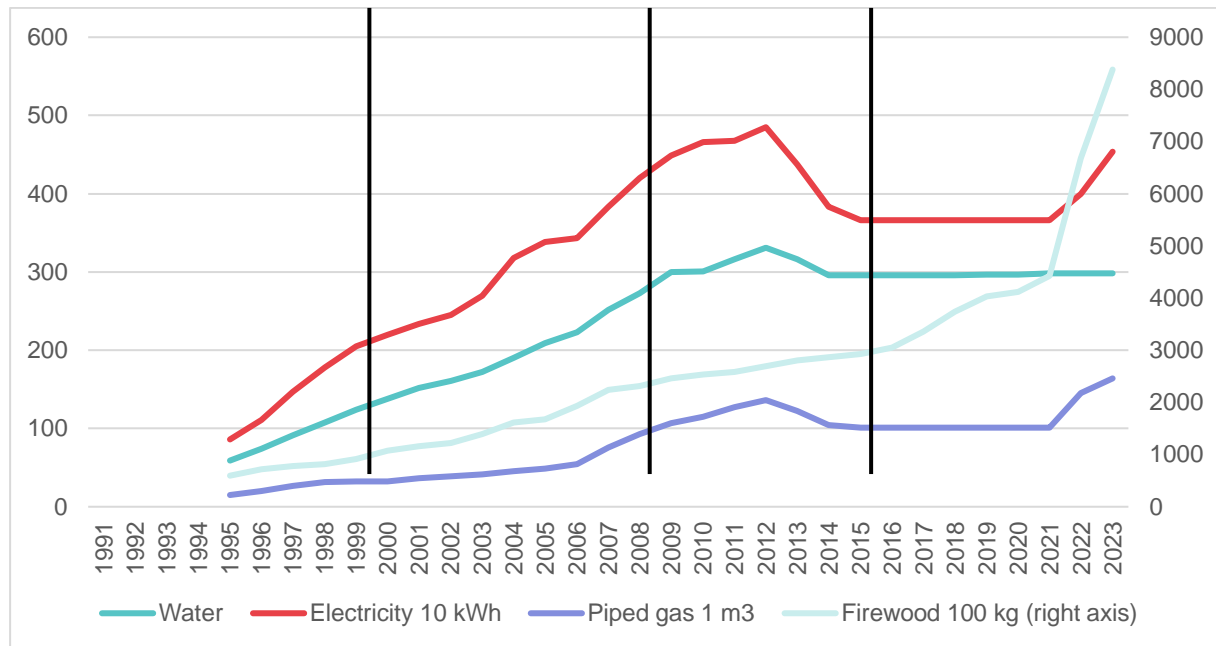


Figure HU11. Household utility bills. Source: own visualisation based on CSO data

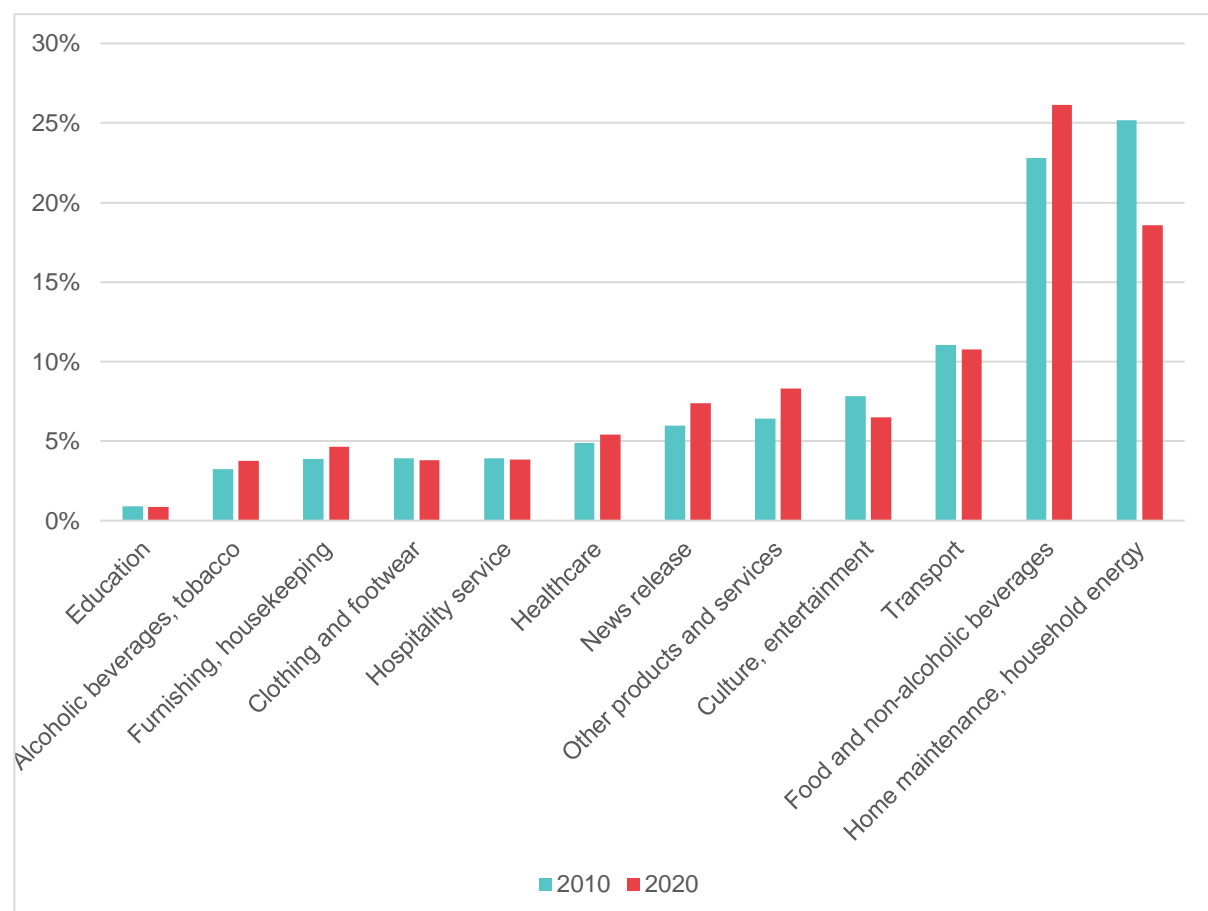


Figure HU12. Percentage of Total Annual Expenditure per Capita. Source: own visualisation based on CSO data

Thanks to the measure, inflation rates fell, and energy poverty, as well as poverty in general decreased in the country with more people being able to switch from solid fossil fuels (i.e. coal) and biofuels (e.g. wood) to gas, a higher quality energy carrier (Figure HU13). However, it is also important to note that the energy price cuts did not include wood (except for in 2018, as part of the 'winter cost reductions'), which is often the most significant energy source in households within the lowest socio-economic classes. Critics therefore argue that the measure did not support those who did not have gas connected to their home and could only afford wood or coal, and hence increasing social inequality. Moreover, the measure does not encourage residential energy savings, and it has curbed energy efficiency renovations in the household sector and renewable project investment in the energy industry (Szép and Weiner, 2020; Brückner, 2022). In 2022, fiscal burdens started to become unbearable due to the increase of energy prices on the global market, so the budget of the programme was reduced. From August 2022, it was limited to small residential consumers and a limit was imposed on both natural gas and electricity, above which the increased market price had to be paid.

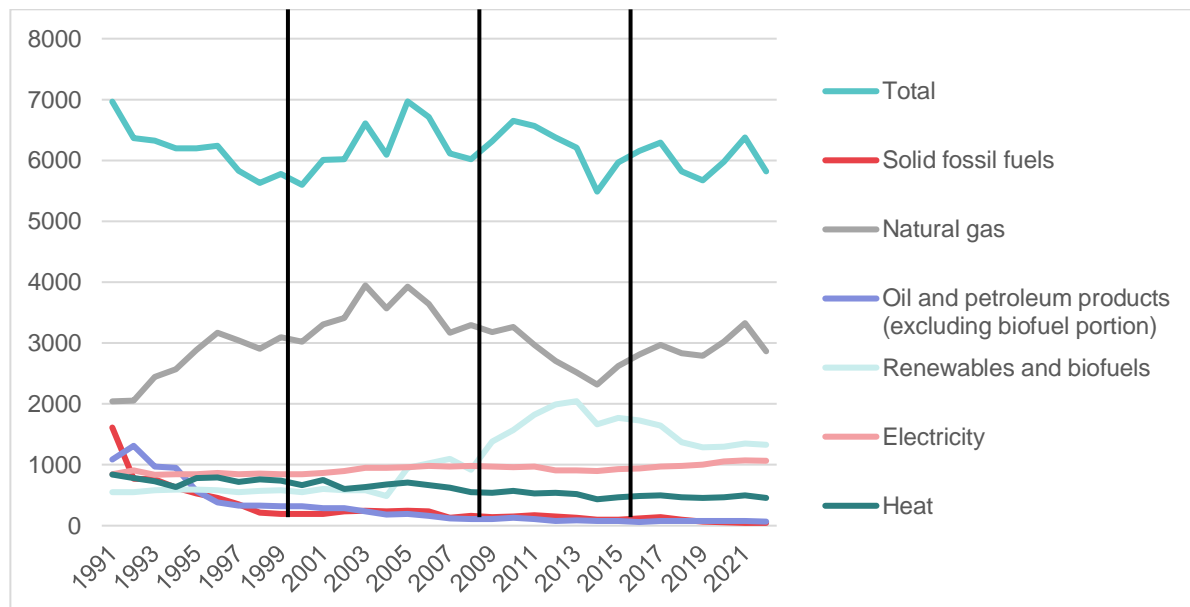


Figure HU13. Complete energy balances of households, thousand tonnes of oil equivalent.
Source: own visualisation based on IEA data

1.2 Housing Sector

1.2.1 Tenure Structure

In housing policy, Hungary was dominated by two major processes in the 1990s: (1) the privatisation of housing and the restructuring of the socialist housing system, (2) and the management of the “old loans” (discussed in the next section.) Housing privatization of state-owned flats has been legally possible since 1963, but the policy decision to actively pursue it was essentially made in the late 1980s, and by the 1990s altogether 50,000 flats had already been privatised. The fact that the privatisation processes and the move to a quasi market

system already started in 1980 was exceptional within the post-socialist countries. The process of privatisation was complicated, as it needed tenants to cooperate, but the prices were very favourable. In 1990 the state owned housing stock was transferred to the municipalities, who set their own rules until the national law on housing came into action (1993). The privatisation pressure was so high that there were basically no municipalities who could resist. The procedures were streamlined which allowed the transfers to take place much faster (Hegedüs et al, 1996). The law of 1993 gave tenants a “right to buy” the apartment until 2001. (It was supposed to be a shorter period, but the government postponed it.) The price was 10-13 % of the estimated market price (much lower than the real market price), which made the process very unjust, as it benefited those who rented more valuable dwellings (bigger, better location and quality, etc). However, the privatisation of municipal dwellings continued after 2001, because the municipalities wanted to get rid of their assets that generated negative cash flow, and because of various social and political problems.

A specific feature of the Hungarian privatisation was that the law did not allow the restitution in contrast to other post-socialist countries. In Hungary, restitution (which was possible in almost all countries) was not possible, as pre-1945 owners could not get their flats back in hereditary form, but only as redeemable coupons, worth a fraction of the real value of the flats (see Hegedüs, 2013).

Privatisation was relatively slow in the first years of the 1990s, but the 1993 Housing Act accelerated the process by introducing the right to buy rule, essentially a give and take process. The process was almost completed by around 2000. More than 85% of the housing stock was sold to the tenants (Figure HU14).

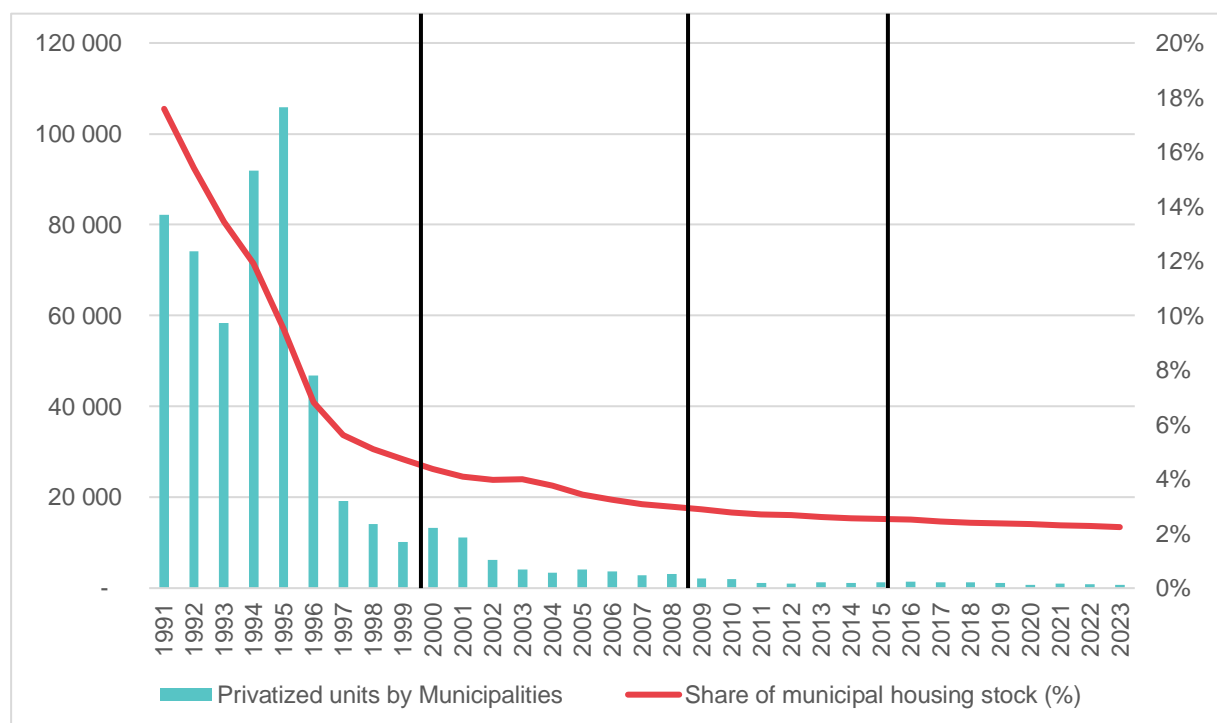


Figure HU14. Housing privatisation. Source: own visualisation based on CSO data

After 2000, a so-called trickle privatisation takes place, where the conditions of sale are set by the municipalities. But even with this reduced privatisation, the municipalities sell more housing than they build, with the result that the municipal sector shrinks to 2-2.5 % by the end of the period under review.

The tenure structure changes radically in the first decade studied in this report: the owner occupied sector rises from 72% to 90% in the first decade, while the 19% municipal sector falls to 4% and even half of this stock disappeared slowly in the following decades (Table HU2). In fact, an accurate knowledge of the private rented sector is a challenge for housing policy-makers and statisticians, as it is very difficult to know how many unregistered dwellings are rented out. The reason for this is that the only time the private rental tenure gets registered is the census. Census data, however, are not wholly reliable, because respondents might feel uncomfortable to disclose information about their taxable properties. Surveys can have the same problems.

Table HU2.Tenure structure – based on Census data 1990 – 2022.

	1990	2001	2011	2022
Owner Occupied	72%	90%	90%	90%
Municipal housing	19%	4%	3%	2%
Private rental	5%	5%	6%	7%
Other	4%	1%	1%	1%
Total	100%	100%	100%	100%

Source: CSO

Tenure structure data have been checked against EU SILC-based statistics for the period 2014-2023.

Table HU3.Tenure structure – based on EU-SILC data (%).

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Owner, with mortgage or loan	18,0	18,7	16,3	16,0	15,4	15,3	15,5	15,1	17,9	13,3
Owner, no outstanding mortgage or housing loan	70,2	67,6	70,0	69,3	70,6	76,4	75,8	76,6	72,2	77,2
Tenant, rent at market price	3,8	4,8	4,3	5,4	4,9	4,1	4,3	4,4	4,2	4,2
Tenant, rent at reduced price or free	8,0	8,9	9,3	9,3	9,1	4,2	4,4	3,9	5,8	5,3

Source: EUROSTAT

Table HU2 was based on the censuses (but we have to account for biases), the SILC database in Table HU3 is based on survey data, for which we also have to account for a margin of error. Essentially, two trends emerge in the tenure structure based on the SILC categories. Firstly, the share of owner-occupied dwellings backed by credit decreases from 18% to 13.3% over

the period under study (as a consequence of the 2008 GFC), but this is a product of changes in the elements of the housing tenure system. Secondly, the share of social (and free) rented dwellings also decreases (from 8% to 5.3%), because of the financial and political disincentives of the municipalities to maintain their social housing stock.

The reason for the lack of change in the tenure structure is that the municipalities have neither the means nor the interest in social renting in the sector, and construction is rare. In this respect, we are in a much worse position than Poland, Czech Republic or Slovakia.

1.2.2 Housing Stock Development

Housing construction is in decline compared to the socialist years. However, the process already started in the 1980s when the housing construction decreased from 89 000 in 1980 to 51 000 by 1989.⁵ Looking at the periods, housing construction falls from 66 000 in the previous decade to 25 000 in the 1990s (Figure HU16), a drop of 62%, explained by the economic crisis, the fall in demographic pressure and the disappearance of the housing finance system. The evolution of housing construction is a good illustration of the mentioned periods. The first period is characterised by a decline due to the above-mentioned reasons⁶. After 2000, as economic stabilisation in family incomes and the introduction of the housing subsidy system began to take hold, housing construction stabilised at around 35 000 houses (with some fluctuations). The 2008 crisis (as will be explained in more detail) hit the Hungarian economy and construction industry hard. Housing construction falls back to 11 000 dwellings per year, which is down to one third of the level in the previous period, and then picks up again after the crisis is dealt with, with new subsidies for almost exclusively private housing. But the level of housing construction does not even reach the levels of the crisis years of the 1990s, and despite heavy public support, it is the lowest among the New Member States.

Figure HU15 shows that despite a spike (2020), housing construction has stabilised at around 20,000.

⁵ https://www.ksh.hu/stadat_files/lak/hu/lak0007.html

⁶ 1994 and 1995 are outliers because a badly designed housing subsidy created incentives to build new (low quality) housing in areas that had over-supply (hence a rise in the number of empty homes). But these issues have to be discussed in WP4, which focus on the housing regimes and the related public housing interventions.

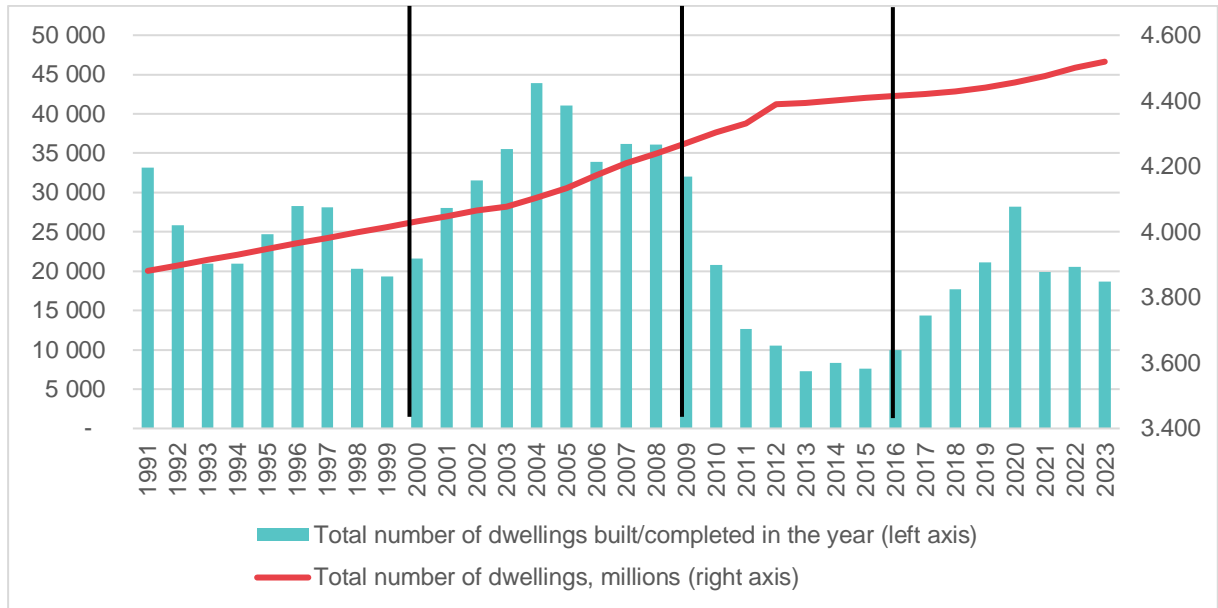


Figure HU15. Housing construction and total number of dwellings. Source: own visualisation based on CSO data

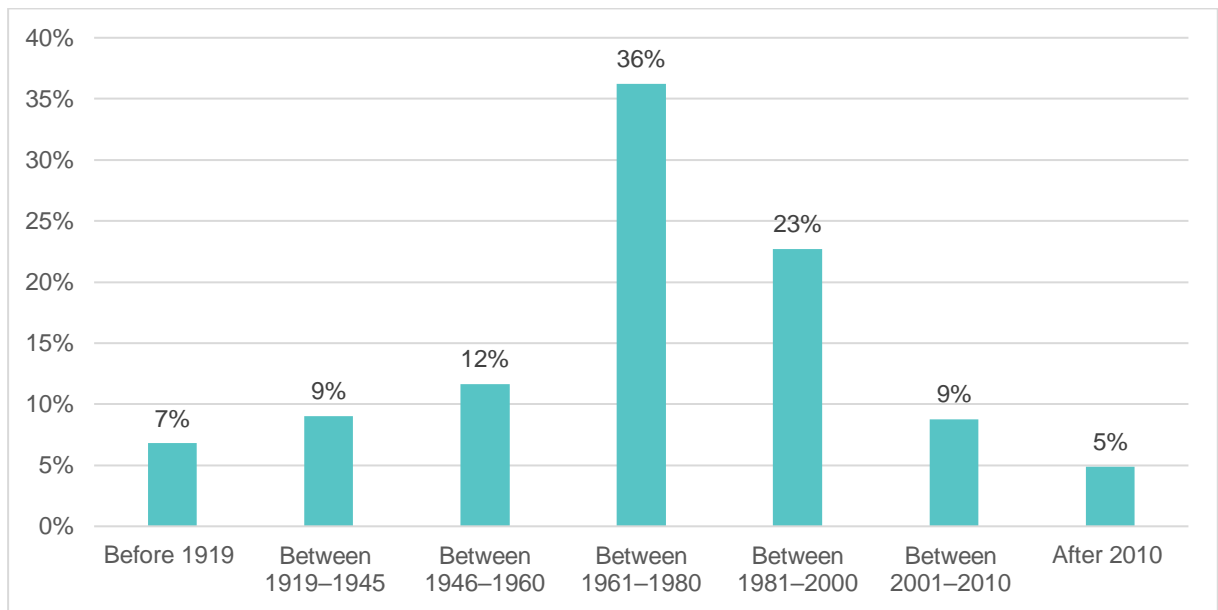


Figure HU16. Time of construction (inhabited housing units) in 2022. Source: own visualisation based on CSO data

BOX A: Municipal Housing

Municipal housing construction as a share of total housing construction had already fallen to 0.5-1.5 percent of new housing construction in the 1990s. Municipalities have three types of rented housing:

- **Social rented housing:** The rent for social rented housing is low and affordable. A major problem here is the long waiting list, which means that new tenders are rarely launched, and even then only for a very small number of flats. Municipalities generally decide on applications on the basis of a point system based on needs which varies from municipality to municipality. Most of the apartments to be rented out are usually in need of renovation and there are very few apartments that are ready for immediate occupation.

- **'Cost-based rented' housing:** The rent for such housing, although higher than the rent for social rented housing, is still usually affordable, and in principle it covers the costs. In all cases, the rent is based on square metres. These flats are usually all-comfort, move-in ready and in good condition.

- **'Market-based rented' housing:** The rent is higher than cost-covering levels, but still usually below real market rents.

Municipalities sometimes decide on allocation in a non-transparent way. As they do not receive central subsidies for housing management, there is no central control, nor a comprehensive database to track these activities.

Local authorities have a legal obligation to manage social housing, while facing severe financial disincentives. Their remaining housing stock - which is small - is typically made up mainly of poor quality, often dilapidated properties left over from privatisation. They lack the resources to expand their stock. Over the last ten years, more and more municipalities have been diversifying into innovative housing programmes, but until they receive substantial public funding, these will have very little impact on the housing system.

Table HU4. Hosing stock development in the different housing regimes.

	Total number of dwellings built/completed in the year	Housing completion per 1000 people	Share of dwellings built by municipalities	Share of non-occupied flats
1990 - 2000	24 618	2,4	1,9%	8%
2001-2008	34 198	3,4	1,6%	10%
2009-2015	11 217	1,1	0,9%	11%
2016 and after	18 811	1,9	0,5%	12%

Source: CSO

It is worth noting that the share of non-occupied dwellings increased from 8% to 12%, which is 6 times more than the number of dwellings owned by municipalities. In 2011, 92% of the non-occupied dwelling were in the property of private individuals, and only 3% was in municipal ownership (other organisations owned the remaining 5%). 25% of non-occupied homes were in Budapest, 43% in other cities, and 32% in villages. 20% of non-occupied housing were temporarily used, and only 80% was empty (the situation in 2001 was very similar in these respects)⁷.

1.2.3 Housing Finance

After 1990, the socialist housing finance system collapsed. In the 1980s (following the opening up of housing policy to a quasi-market system), many people took out long-term low-interest rate loans, which required very high budgetary support in 1989 because of high inflation (18%). In 1990, the government imposed a 'special tax' offering borrowers the right to have half of the loan waived if they paid the other half, or to pay market interest on half of the loan if they failed to pay. As a result, 80% of the loans were repaid, so that the GDP ratio of the outstanding loan was reduced to 0.5%. Lending virtually stopped in the 1990s and restarted in 2000, when the economy was in a strong state, and borrowers received substantial support (personal income tax rebate, interest rate subsidies, etc.). Interest rates on housing loans fell from 30% to 15% (Figure HU17), which was still too high to be affordable. In 2000, substantial state support was given to banks for their housing loans, which resulted in long-term loans to the household sector (of which 90% were housing loans⁸) rising from 2% to 35% of GDP. This was also a very rapid development in the region. Between 2000 and 2004, the market was dominated by

⁷ https://www.ksh.hu/nepszamlalas/tablak_lakasviszonyok

⁸ The remaining 10 % was car loan, or other special long term loan.

loans in Hungarian Forint (HUF), heavily supported by the first FIDESZ⁹ government between 2000 and 2002, which was modified in 2004 by the successor socialist government due to the unbearable size of the budget burden. At the same time, Hungary entered the European and foreign exchange (FX) lending, then at low interest rates, which became relatively easy to access through foreign-owned banks.

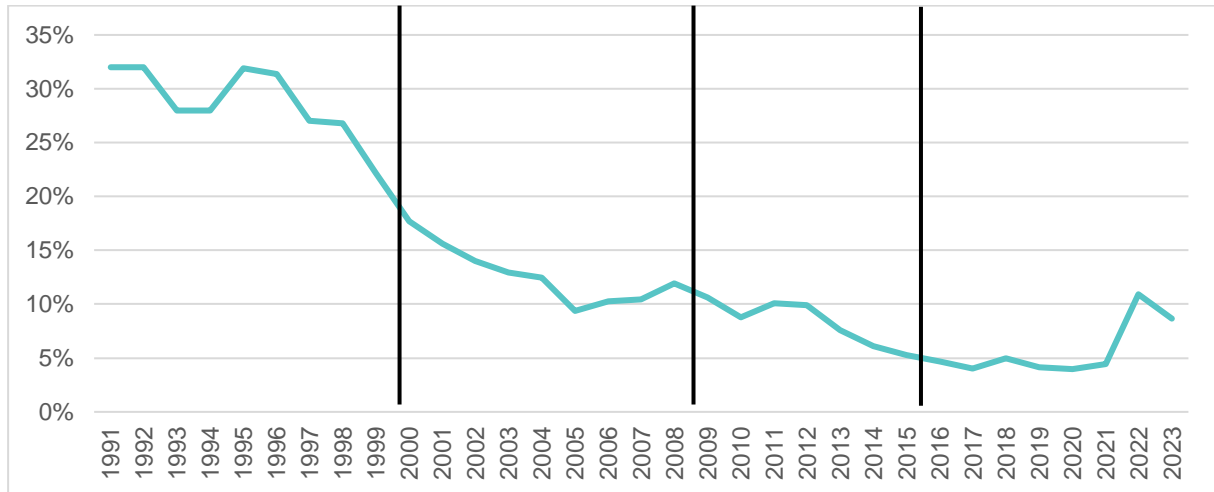


Figure HU17. Yearly interest rate for housing loans 1991-2023. Source: own visualisation based on HNB data

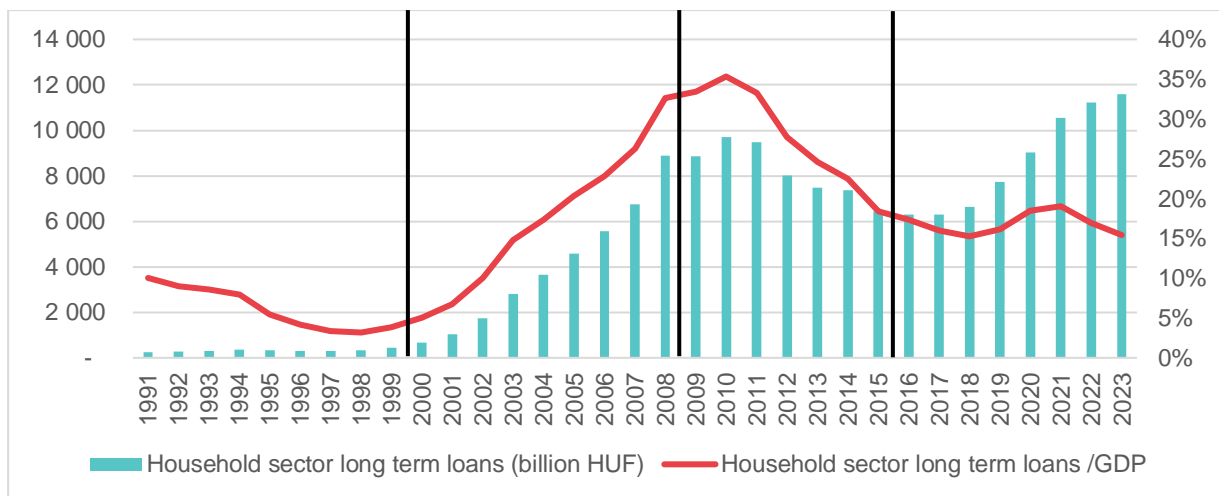


Figure HU18. Stock of the long term loans and the outstanding loan/GDP ratio. Source: own visualisation based on HNB data

⁹ FIDESZ is a right-wing populist and national conservative party in Hungary and has been the country's leading governing party since 2010. It also previously held power between 1998 to 2002.

By 2008, the stock of long-term loans had tripled. Then came the crisis, the management of which was delayed until 2015, after which housing lending resumed under another major government support programme.

The four periods can also be well separated from each other in terms of mortgage lending. In the first period, the mortgage/GDP ratio decreased and was at a low level. The period after 2000, however, is one of rapid growth until the crisis, when the mortgage/GDP ratio increases by 28%, averaging 17%. Then the crisis leads to a rapid decline, and interestingly, even after the stabilisation period of 2016, the mortgage/GDP ratio declines slightly (Table HU5).

Table HU5. Housing finance indicators according to periods (periods (yearly average, except the last indicator).

	Interest rate for housing loans	Household sector long term loans (billion HUF)	Household sector long term loans /GDP	Change of housing loan to GDP ratio in the periods
1990 - 2000	28,8	318	6%	-5%
2001-2008	12,7	3 969	17%	+28%
2009-2015	7,9	8 078	27%	-15%
2016 and after	5,7	8 669	17%	-3%

Source: HNB

1.2.4 Housing Prices and Private Market Rents

Real house prices increased by 35% over the whole period. It is omitted from our analysis, but it should be noted that there was a very large price increase in the period before the regime change: between 1980 and 1990 real house prices increased by more than 2.5 times, so the starting point was high. A 35% increase in real prices over 30 years is not considered high. More important are the fluctuations that characterise each period: 1. there is a trough in 1997 due to the crisis (mainly because nominal house prices did not follow inflation), then from this trough house prices double between 1997 and 2008, then there is another fall due to the GFC, and from 2015 onwards a serious house price rise. Average prices are at the same level in the two growth periods (2001-2008 and after 2015, see first column of Table HU6, while house prices in the first growth period are 30% lower than in the last period). It is worth comparing this data with the housing construction data, where the trend is the opposite.

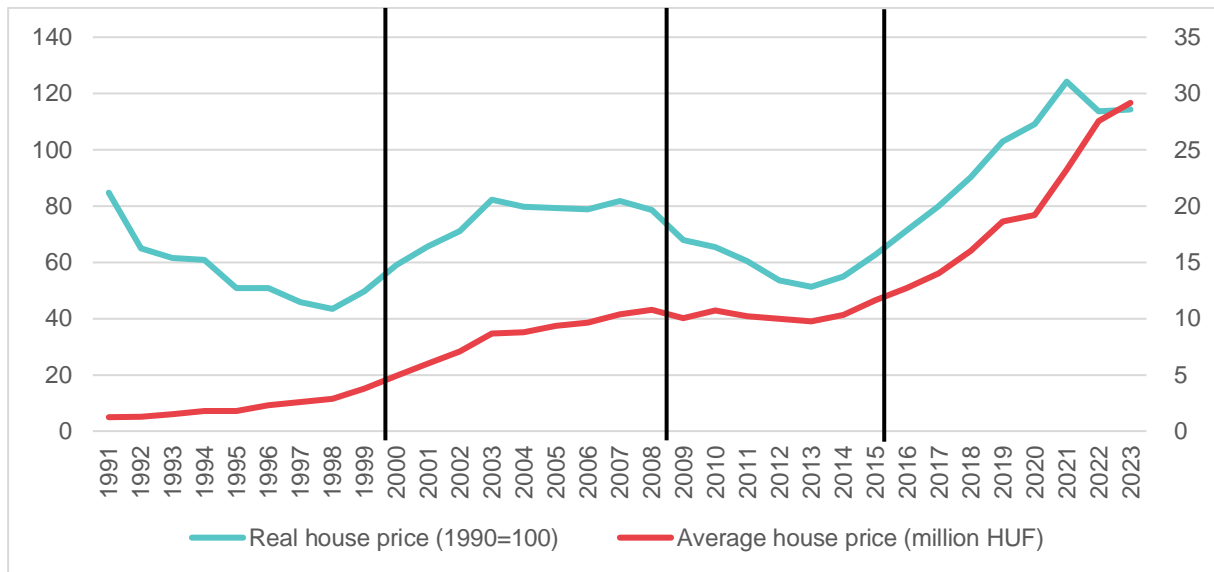


Figure HU19. Nominal and real house prices 1991-2023. Source: own visualisation based on CSO and HNB data

Rents have been very interesting, both in the municipal and private sector. Market rents fall steadily until 2015 and then show a rapid increase between 2015 and 2023. An important element of the housing crisis of the last 10 years is the rise in rents and house prices outpacing income growth.

Municipal rents have always been very far from market rents, despite the absence of a national rent control. The ratio of municipal rents to market rents rose from 10% to 35% between 1991 and 2016, before falling back to 15% in 2023. But this change was almost entirely dependent on changes in private sector rents.

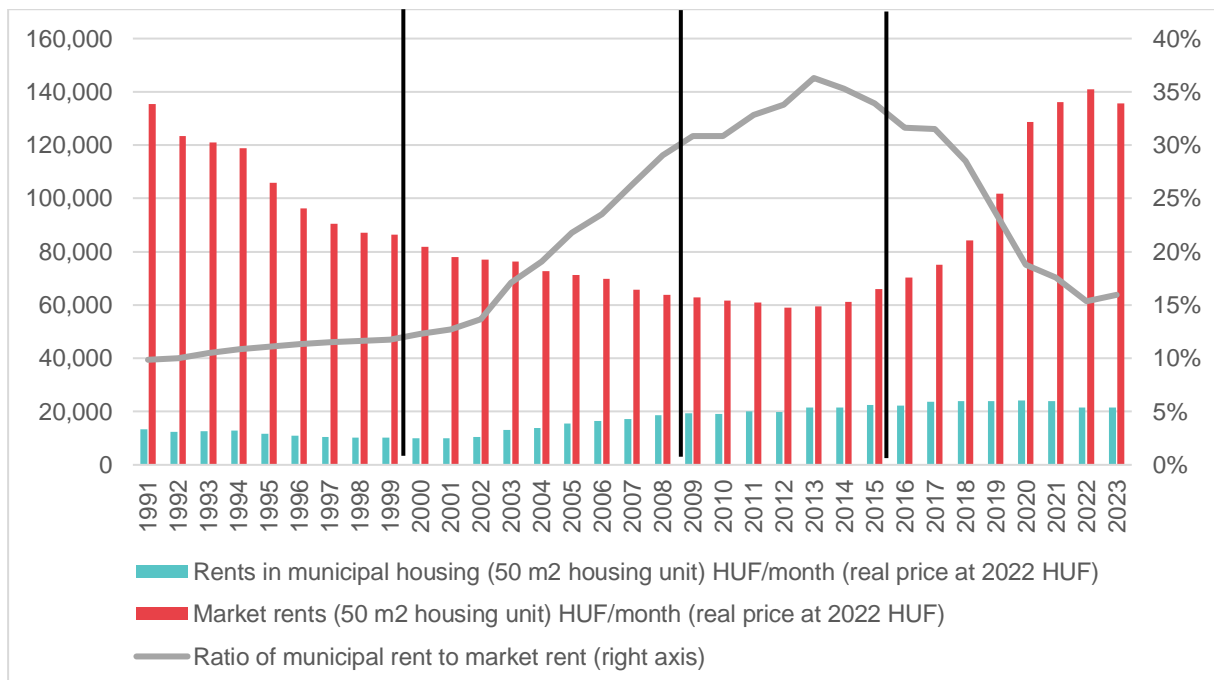


Figure HU20. Rents in the public sector and private sector (at 2022 price) and their ratio between 1991-2023. Source: own visualisation based on CSO data

There has also been an interesting shift in the relationship between house prices and rents. The rent to value ratio (the ratio of annual rent to the value of the dwelling) was very high in the first period (10-13%), falling to 4-6%, which is rather low by international standards.

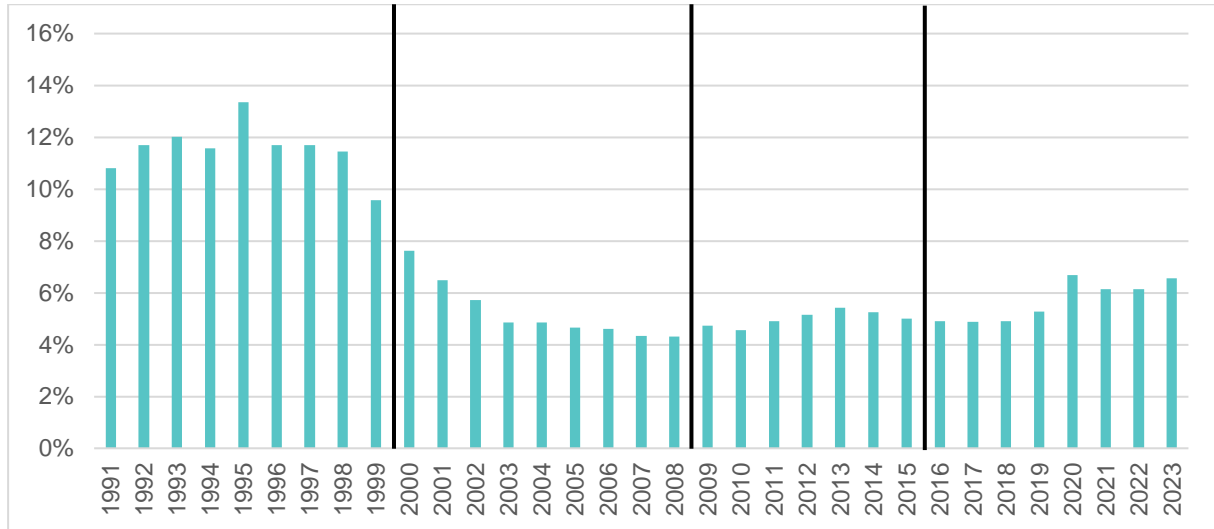


Figure HU21. Rent to value ratio between 1991-2023. Source: own visualisation based on data in Figure HU19 and Figure HU20

A summary table (Table HU6) of housing and rent trends over the four periods shows interesting differences. It is worth comparing the two crisis periods and the two growth periods (a: 1991-2000; 2009-2015 and b: 2001-2008; 2016 and after). In the crisis periods, house prices are low (obviously a downward trend), but the private rental market works differently. The likely reason for this is that by the time of the second crisis the private rental sector had expanded (which unfortunately is not sufficiently evidenced by the tenure data – Table HU2 and Table HU3) and the increasing supply may have led to a fall in real rents. The two periods of growth differ in the level of house prices, with house prices rising faster post 2016, although it is unlikely that we can talk of a price boom.

Table HU6. Trend of house prices and rents in the different periods.

	Real house price (1990=100)	Average house price (million HUF) at 2022 price	Rents in municipal housing (HUF/month) for a unit 50 m2 (at 2022 HUF)	Market rents (50 m2 housing unit) HUF/month (at 2022 HUF)	Ratio of municipal rent to market rent	Rent to value ratio
1990 - 2000	57	11	11 619	107 207	11%	12%
2001-2008	75	17	13 908	72 961	19%	5%
2009-2015	58	15	20 748	61 342	34%	5%
2016 and after	101	23	23 143	109 049	23%	6%

Source: CSO, MRI estimates

1.2.5 Housing Cost and Affordability

Housing costs and affordability are measured by four indicators:

- house price to income ratio (house price divided by annual household income)
- rent to income ratio (average monthly/yearly market rent per dwelling divided by monthly/yearly disposable household income)
- housing affordability index (what percentage of 80% of the average dwelling can be covered by a 20-year loan at the interest rate of a given year, if 30% of average household income can be spent on repayments)
- housing maintenance costs to income ratio (estimates for previous years are used here).

The house price income ratio varies between 3.7 and 5.2. By international standards¹⁰, a value of between 3.1 and 4.0 means moderately unaffordable, which in Hungary was interestingly the case during the period of the greatest crises: six years between 1991 and 2000 and two years after the 2008 GFC. In fact, the role of house prices is reflected in the indicator, these being the years when house prices were at their lowest levels. According to the literature, a value of 4.1 to 5 is seriously unaffordable, which is typical for most of the other periods, and a value above 5.0, which is severely unaffordable, is reached in 4 years in total, typically in the boom years. The rent-to-income ratio is unaffordable in the first period, it stabilises around 20-30% in the second and third, and then after 2019 it again goes above 30% (Figure HU22).



Figure HU22. House to income ratio (by year) and rent to income ratio (%) between 1991 and 2023.

Source: own visualisation based on CSO data, MRI estimates

¹⁰ Source: DEMOGRAPHIA INTERNATIONAL HOUSING AFFORDABILITY
<https://www.demographia.com/dhi.pdf>

The HAI index is much more sensitive to changes in the credit market and gives a more realistic picture of affordability. It is below 100% until 2015, which indicates that an average income (with a 20% down payment) cannot buy an average home, it is close to 100% between 2013 and 2020, and then it falls again after rapid house price growth and changes in interest rates, i.e. homes without subsidies have become unaffordable for average income families (Figure HU23).

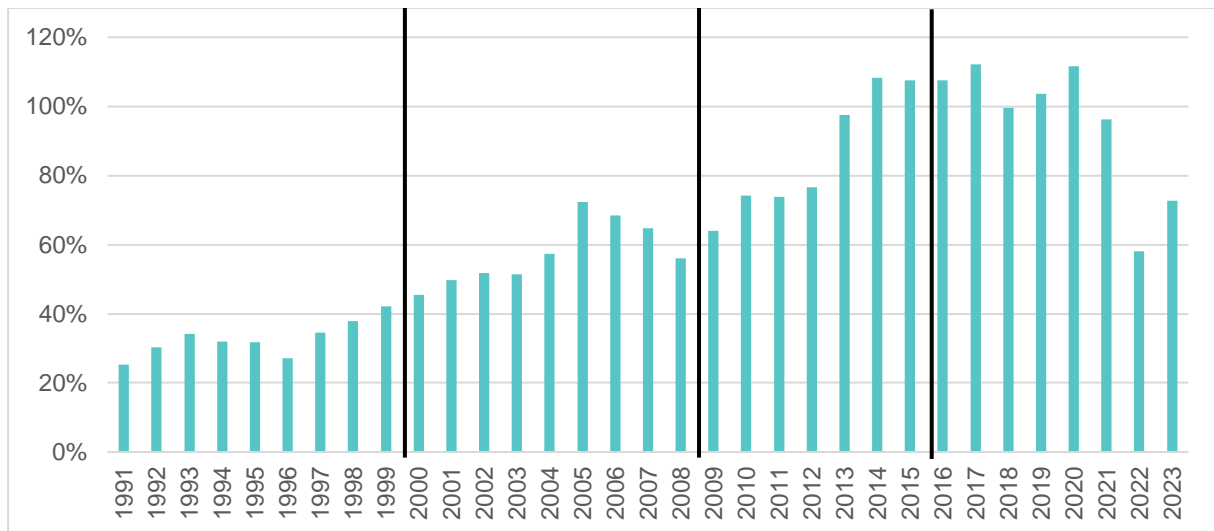


Figure HU23. Housing affordability index 1991 and 2023. Source: own visualisation based on HNB data

Over the four periods, affordability indicators show a contradictory trend. While the HAI and the rent to income ratio show a steadily improving trend until 2020, the house price to income ratio oscillates and the housing maintenance cost to income ratio indicator first deteriorates and then improves.

The housing maintenance cost to income ratio is a more difficult variable to define, with data for earlier years being incomplete and inconsistent. What is certain is that the figure of below 10% in the 1980s quickly starts to approach 20% after the change of regime and then exceeds it in the next two periods. After 2015, it falls due to the utility price cap programme, which, as we have touched on before, is a rather controversial process.

Table HU7. Housing affordability indicators.

	House price to income ratio	Rent to income ratio	Housing affordability index	Housing cost to income ratio
1990 - 2000	4,0	46%	29%	17,7
2001 - 2008	4,8	45%	51%	22,1
2009 - 2015	4,3	43%	79%	23,4
2016 and after	4,8	41%	84%	18,1

Source: CSO

1.2.6 Housing Support in the Government Budget

Housing support in the government budget plays a very important role in housing policy, but it is very difficult to measure. Below, we used budgeted housing expenditure that includes the development and renovation of social housing, socially and non-socially targeted subsidies for home ownership, subsidies for household energy costs (excluding the 2013 utility price cap programme), socially targeted aid for housing costs, and subsidies to financial institutions for housing equipment. It is known that budget expenditure in a given year is in some cases the cost of a previous programme (e.g. loan interest subsidy) and in other cases the preparation for a future programme (e.g. housing savings funds). Even with these caveats, the trend in housing expenditure is interesting. The high housing expenditure in the 1990s is linked to the housing boom of the 1980s (the spike of two years after 1994 is the result of a failed housing subsidy scheme), and then the expenditure between 2003 and 2009 is clearly the result of the housing subsidy scheme between 2000 and 2002. It can be seen that in nominal terms, spending increases substantially after 2016, but this increase is not spectacular in terms of the GDP share of housing expenditure due to GDP growth (and inflation).

The housing support system has evolved very differently in the four time periods studied. The vast majority of subsidies, we estimate, went to homeowners, with demand subsidies and social housing subsidies accounting for less than 10% of total subsidies. But a detailed analysis of this problem is the task of WP4.

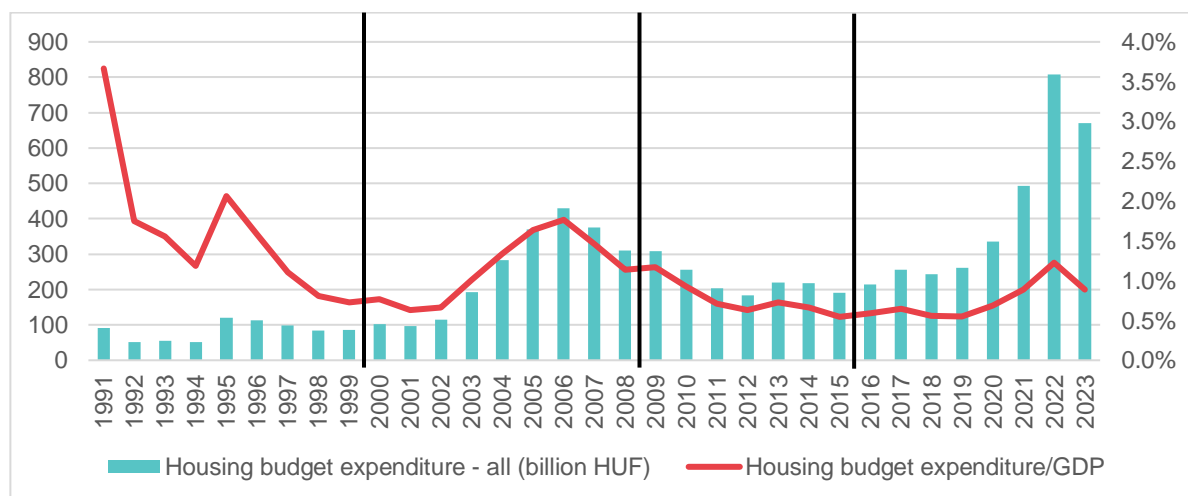


Figure HU24. Housing subsidies in the government budget. Source: own visualisation based on CSO and Czirfusz, 2024

To provide further context, Figure HU25 shows the above-defined housing expenditure in 2022 as a percentage of GDP, which is compared to 'housing development' and 'community development,' as well as 'housing-related' and 'family- and children-related' subsidies within Classification of the Functions of Government (COFOG), also expressed as a percentage of GDP in 2022. Although the housing expenditure we used overlaps with the COFOG categories, they cannot be fully mapped on each other. One reason for this, for example, is the Childbirth Support Loan - a special subsidised loan in Hungary predominantly used for housing purposes - which is also part of the original housing expenditure data, but is included in the 'family and children' category and not the housing category of the subsidies section within COFOG – hence its inclusion in the figure.

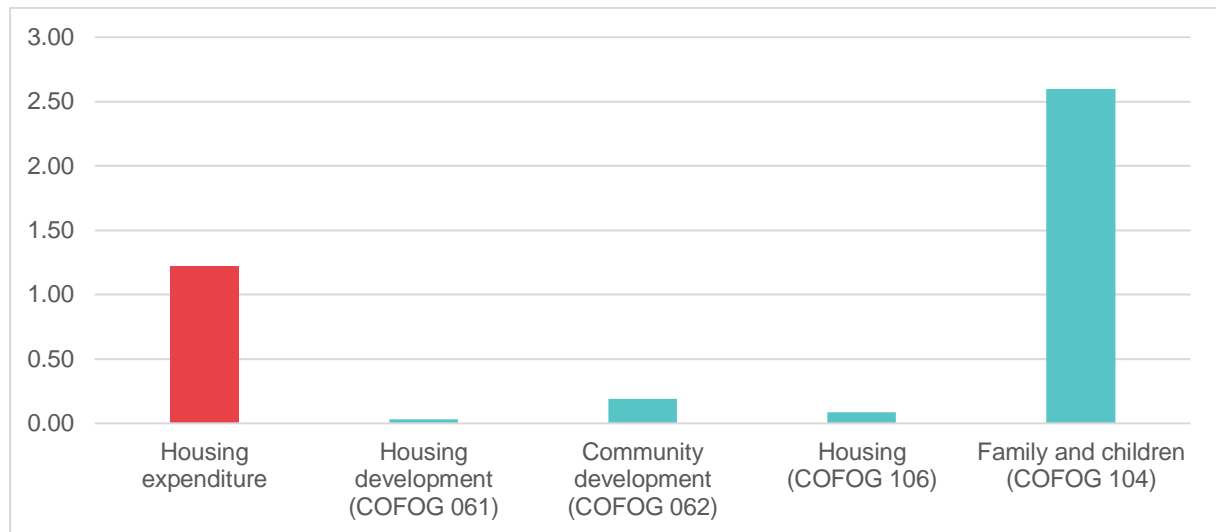
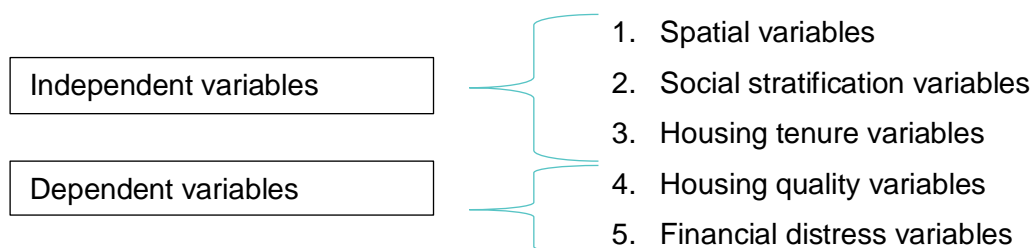


Figure HU25. Housing expenditure and COFOG categories. Source: own visualisation based on EUROSTAT data

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT between 2005 and 2018

The analysis of Part II [Major Trends in Housing Inequality development between 2005 and 2018] was carried out using two methods. Section 2.1 analyses housing costs using tables from SILC data with additional information from EUROSTAT. Section 2.2 and 2.3 go back to a database of EU SILC Hungarian microdata from 2005 to 2018, which includes individual observations for 12 years¹¹, totalling 127 050 observations. This database is used in the analysis of housing inequalities. Based on the analysis of the dataset, we have developed five types of variables:



(For the detailed descriptions of the variables, see APPENDIX)

¹¹ Year 2015 is missing from the data base.

The analysis first looks at how the variables describing the quality and financial distress factors of housing change over time, and then separately analyses how inequalities appear in the context of spatial variables, social groups and tenure, and lastly, how these differences change over time.

Table HU8. Frequency distribution of independent variables.

Regions	%
Central	23,6
Transdanubia	28,6
Great Plain	47,8
Mean	100,0
(N = 127 050)	
Urbanisation and dwelling type	%
Big cities - detached	10,0
Big cities - multiunit	21,3
Middle cities - detached	16,8
Middle cities - multiunit	8,6
Rural - detached	39,4
Rural - multiunit	3,9
Total	100,0
(N = 126 128)	
Social groups	%
Lower status	5,5
Middle status	36,1
Upper status	14,5
Lower-retired	21,5
Upper-retired	22,5
Total	100,0
(N = 126 682)	
Tenure	%
Owner	88,4
Rented at market rate	3,1
Rented at a reduced rate	3,2
Accommodation is provided free	5,3
Total	100,0
(N = 126 976)	

2.1 Housing Cost

In this section we analyse the indicator "share of the total housing costs in total disposable income".

„Housing costs refer to the monthly expenses associated with the right to live in a dwelling. This includes the cost of utilities such as water, electricity, gas, and heating. Only the housing costs that are paid are taken into account, regardless of who covers them. This includes expenses such as structural insurance, mandatory services and charges (e.g., sewage and refuse removal), regular maintenance and repairs, taxes, and the cost of utilities (water, electricity, gas, and heating). For homeowners, the housing cost calculation includes mortgage interest payments net of any tax relief, and gross of housing benefits (i.e., housing benefits should not be subtracted from the total housing cost). For tenants, the calculation includes rental payments gross of housing benefits (i.e., housing benefits should not be subtracted from the total housing cost).“¹²

The definition of housing cost suggests that a certain degree of imprecision in survey research is inevitable and should be considered in the analysis. Additionally, it is important to recognize that the share of housing costs relative to income does not always accurately reflect inequalities, as we often lack information about the circumstances in which people live. For example, a low housing cost share might result from unfavourable living conditions or low-quality housing.

The following figure shows the change of the indicator over time.¹³

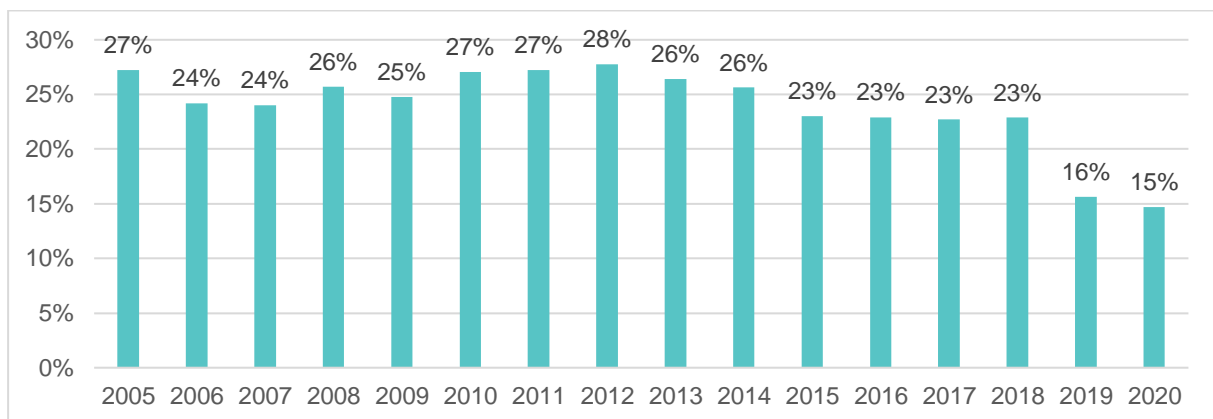


Figure HU26. Share of total housing costs in total disposable income. Source: SILC

¹²https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Housing_cost_overburden_rate

¹³ Totals were estimated using data on the population distribution between NUTS regions.

https://ec.europa.eu/eurostat/databrowser/view/demo_r_d2jan/default/table?lang=en&category=demo.demopreg

Over the past 15 years, the share of housing costs has fallen substantially, but not steadily. It averaged around 25% before the crisis, then hovered around 27% after the crisis, before falling to 15% in the last two years observed. This is presumably explained by the delayed manifestation of the effects of the utility price cap programme, as well as potential changes in the methodology used to measure the indicator. Additionally, inflationary effects may also explain the phenomenon, as utility prices remained fixed while inflation (and income) increased.

The next section will show the change of the indicator in different socio-economic and territorial contexts between 2005 and 2020.

2.1.1 Housing Cost Burden per Socio-economic and Demographic Condition

Educational level

We investigated the pattern of the housing cost indicator (share of total housing costs in total disposable income) of households in different educational attainment groups. First, we checked how the differences between groups varied over time (Figure HU27) namely by the standard deviation and the range (difference between maximum and minimum values) of observations for a given year. The standard deviation was stable at around 2%, the range was, by definition, much larger and more volatile. Importantly, however, both the range and the standard deviation decreased in the last two years, potentially due to the utility price cap programme, as mentioned above.

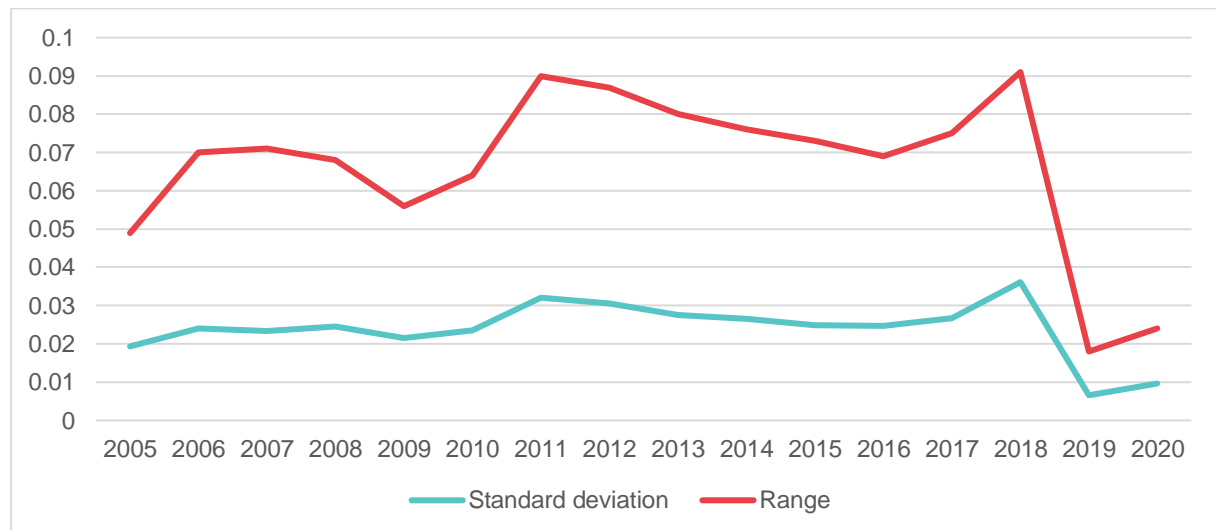


Figure HU27. Standard deviation and range of the share of total housing costs in total disposable income between 2005 and 2020. Source: SILC

The position of different education groups is analysed as the deviation of the indicator value from the annual average, i.e. how the relative position of the group changes (Figure HU28). The graph shows that the rule of thumb was that groups with higher education had a lower housing cost to disposable income ratio between 2005 and 2018, probably because of income differences. The positions of the two lowest education groups (primary and lower secondary) are close and in some years overlap. However, it is important to note that in the last two years

the gaps between the groups narrow, with each group moving to approx. 13-15% (again, potentially an effect of the utility price cap programme).

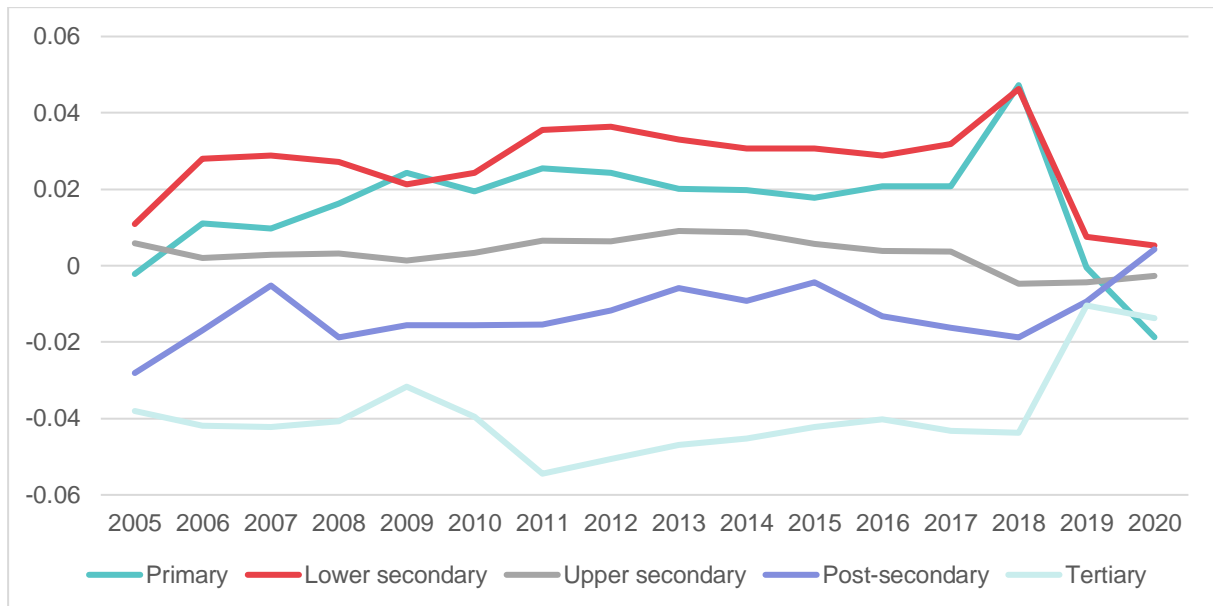


Figure HU28. The change in the indicator of share of total housing costs in total disposable income by educational attainment level between 2005 and 2020. Source: SILC

Economic status

In the analysis of the share of total housing costs in total disposable income indicator by self-defined economic status, we looked for groups that are systematically disadvantaged versus those that are stable. The following table shows how the values, average value, standard deviation, trend of change and range of the indicator changed for each group over the period under study.

Table HU9. Share of total housing costs in total disposable income by self-defined economic status (in %).

Year	Working full time	Working part time	Unemployed	Student	In retirement	Disabled	Domestic task	Other inactive person	Total
2005	26,70	27,20	34,30	34,60	26,40	29,20	30,60	28,40	27,21
2006	22,00	27,40	30,60	34,40	24,20	27,60	28,90	31,00	24,20
2007	22,10	26,80	29,50	37,00	24,40	25,60	28,50	33,00	24,02
2008	23,90	27,00	34,10	31,00	25,70	27,20	31,90	31,30	25,68
2009	23,00	28,30	23,90	32,50	30,80	37,10	26,90	31,50	24,76
2010	25,10	26,10	31,90	38,50	27,30	30,40	34,70	31,90	27,06
2011	24,70	26,80	34,70	41,80	27,70	31,30	31,00	32,60	27,25
2012	25,80	24,70	34,50	39,00	28,20	31,70	31,00	33,90	27,77

2013	25,70	21,70	34,90	39,20	26,40	30,20	29,10	33,30	26,39
2014	24,70	21,70	35,60	40,70	25,20	30,80	27,90	31,00	25,63
2015	22,20	19,80	29,60	30,30	22,90	27,50	27,30	28,70	23,03
2016	21,40	19,70	28,70	34,70	23,30	29,90	25,60	27,50	22,92
2017	20,90	21,90	29,40	36,10	23,40	27,70	23,10	28,60	22,72
2018	21,00	17,40	31,50	35,90	23,70	28,20	31,10	29,70	22,87
2019	13,40	14,00	17,70	23,00	16,30	19,50	19,60	17,80	15,64
2020	12,10	15,30	15,70	29,30	15,50	18,10	14,60	14,90	14,67
Standard deviation	3,98	4,47	5,78	4,69	3,83	4,38	4,85	5,17	3,69
Linear trend	-0,58	-0,90	-0,65	-0,33	-0,56	-0,45	-0,69	-0,71	-0,56
Average	22,17	22,86	29,79	34,88	24,46	28,25	27,61	29,07	23,86
Deviation from the main average	-1,69	-1,00	5,92	11,01	0,60	4,39	3,75	5,21	-

Source: SILC

Two types can be distinguished. The first type has groups whose values are close to the mean: in the cases of people working full- and part-time, the values are mostly below the mean, while the 'in retirement' group mainly follows the mean. The second type includes all the other economic status groups, who are generally much smaller than the first three, and the indicator values are much more volatile (higher standard deviation) and are typically above the average, i.e. representing a worse affordability position.

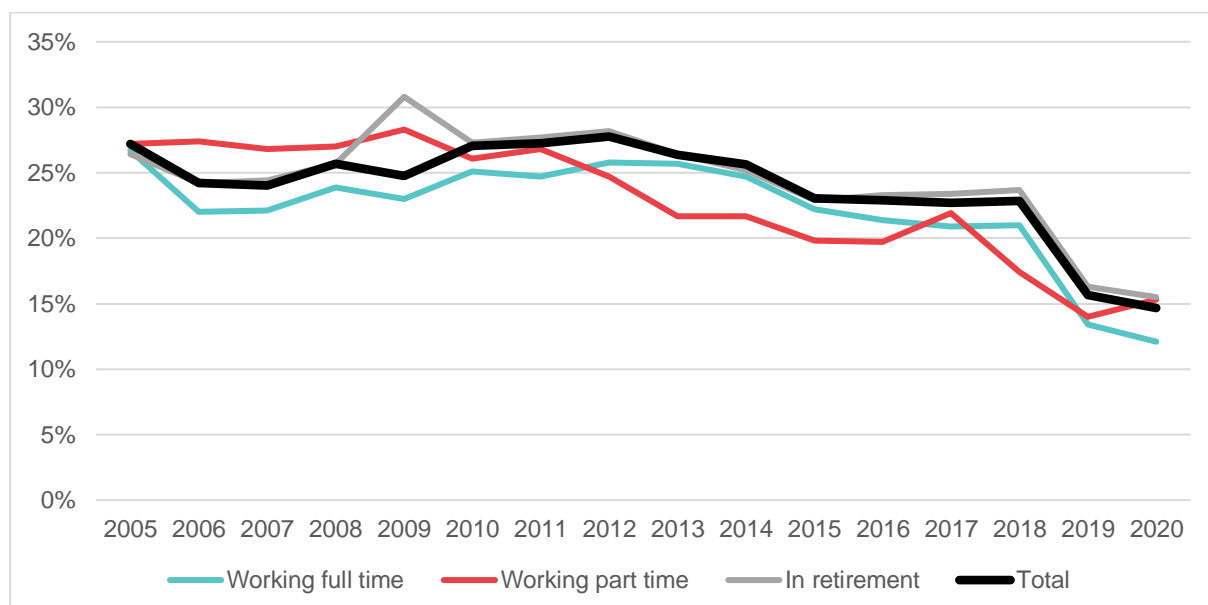


Figure HU29. Share of total housing costs in total disposable income by self-defined economic status – first type (in %). Source: SILC

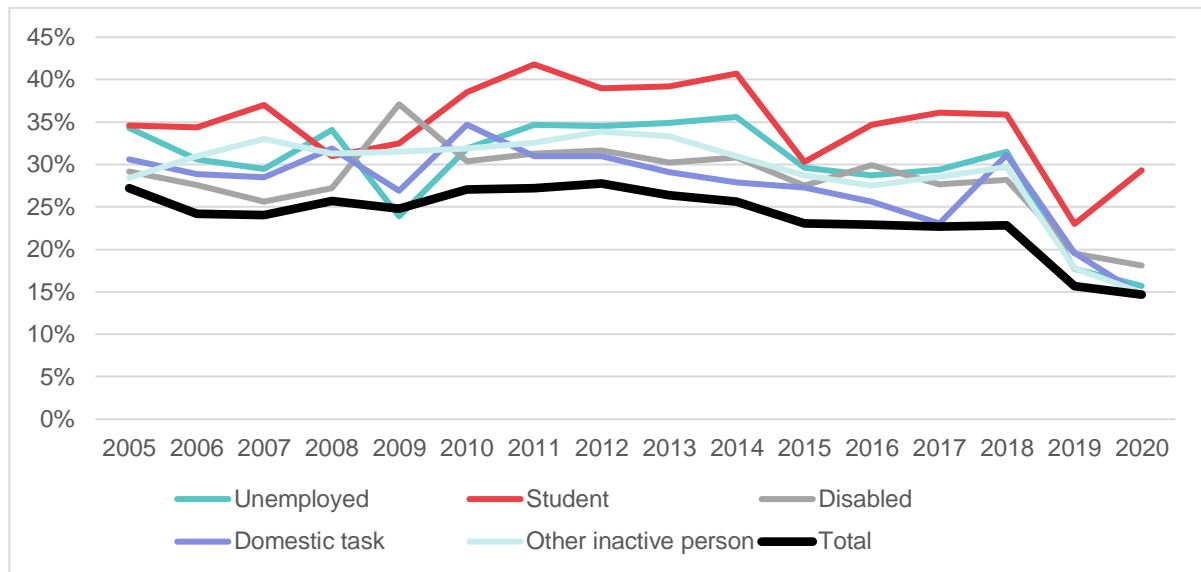


Figure HU30. Figure Share of total housing costs in total disposable income by self-defined economic status – second type (in %). Source: SILC

Immigrant Status

In Hungary, the proportion of foreign-born population is low, less than 5% of the whole population. But even within this, the Hungarian-speaking population settled in Hungary from neighbouring countries may dominate the foreign-born population. If we apply the previous analytical procedure, i.e. the deviation of each group from the mean, we see that for the European-born population, the indicator is practically the same on average as for the Hungarian-born, but with a higher standard deviation. For the non-European-born, the average value of the indicator is 3.4% higher over the period 2005-2020 and the standard deviation is also much higher.

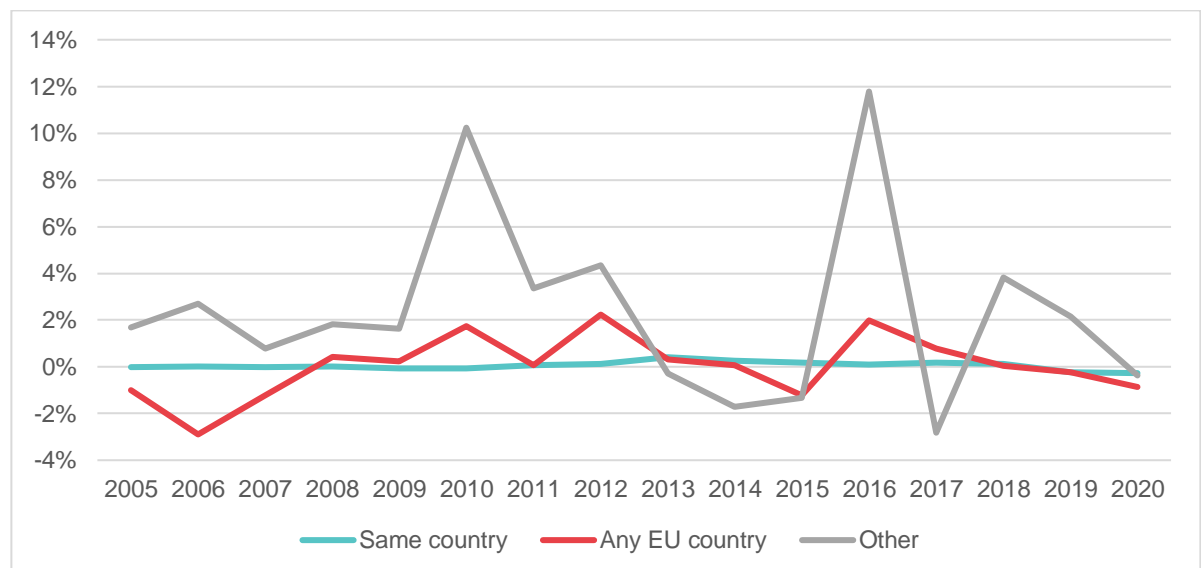


Figure HU31. Share of total housing costs in total disposable income by country of birth – deviation from the average. Source: SILC

2.1.2 Housing Cost Burden per Household Type

By household type, the indicator of total housing costs in total disposable income follows the average well (Figure HU32).

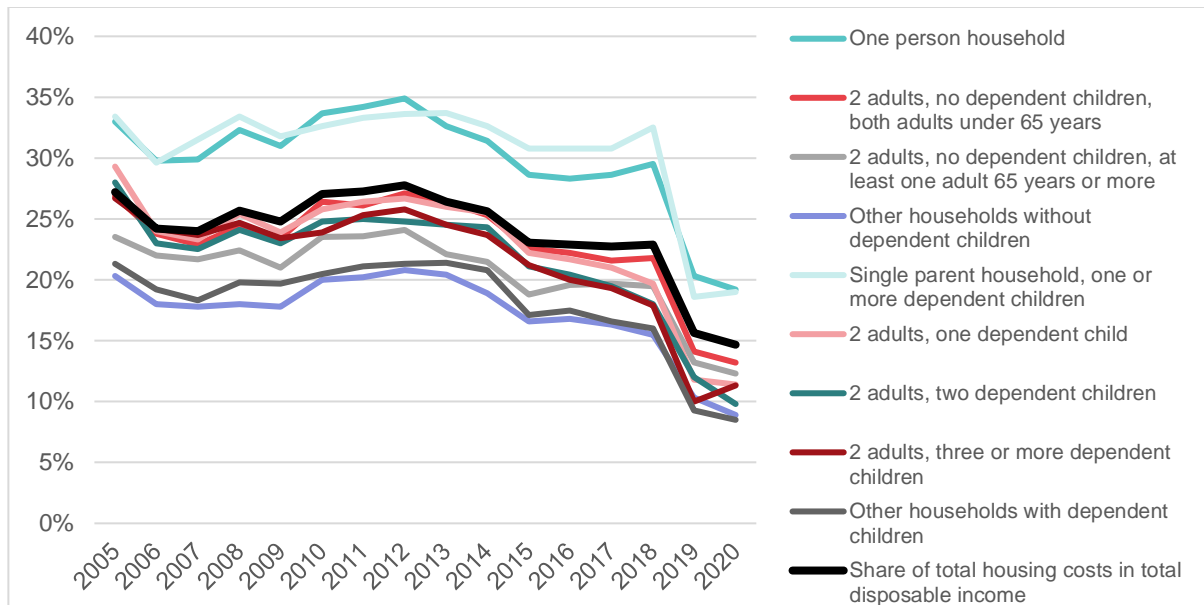


Figure HU32. Share of total housing costs in total disposable income by household type (in %).

Source: SILC

In the case of four household types, the values of the indicator are far from the average trend. These four types are also shown in a separate figure (Figure HU33), where the deviation from the average is shown. In two cases (one person household and single parent household with one or more dependent children) the indicator is systematically higher than the average, and in two cases (other households with dependent children, other households without dependent children) it is lower than the average.

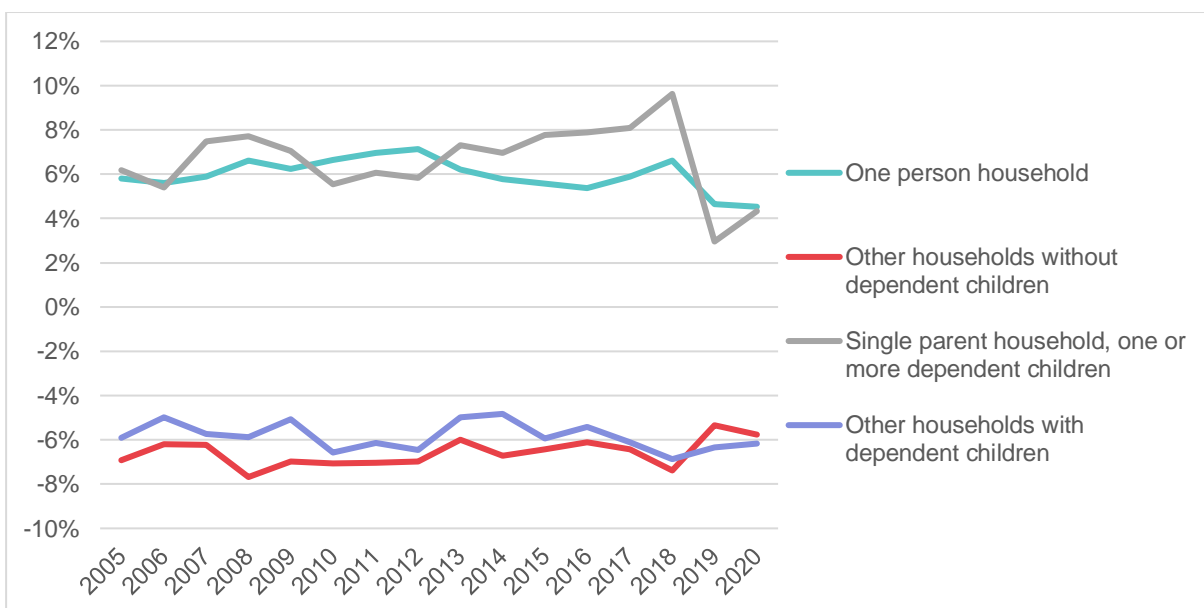


Figure HU33. Deviation from the average trend in the case of four household types. Source: SILC

2.1.3 Housing Cost per Building Type and Tenure

Building Types

The housing cost indicator does not differ very significantly by building type. The indicator is more favourable for semi-detached houses and smaller apartment buildings, but these two types represent only 10% of the housing stock (Figure HU34). The indicator differs significantly by building type in two periods: 2008 and 2009 (crisis years) and 2020.

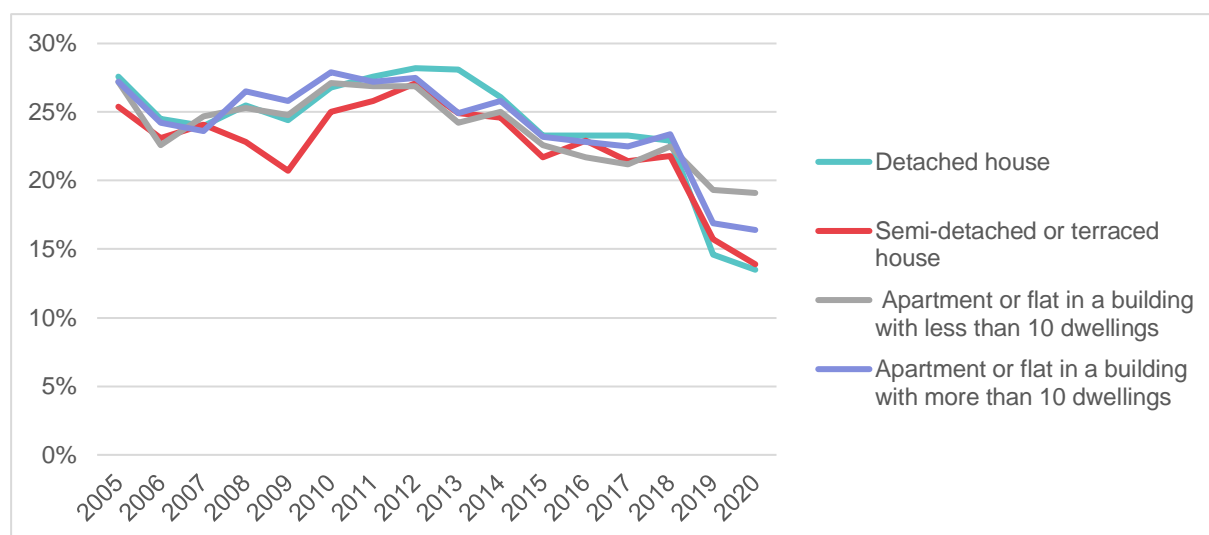


Figure HU34. Share of total housing costs in total disposable income by building types. Source: SILC

Tenure form

There are significant differences in the values of the indicator (of total housing costs in total disposable income) by tenure type. The indicator of those living in the rented sector (10% of the population in total) is much higher than that of owners and occupiers (Figure HU35).

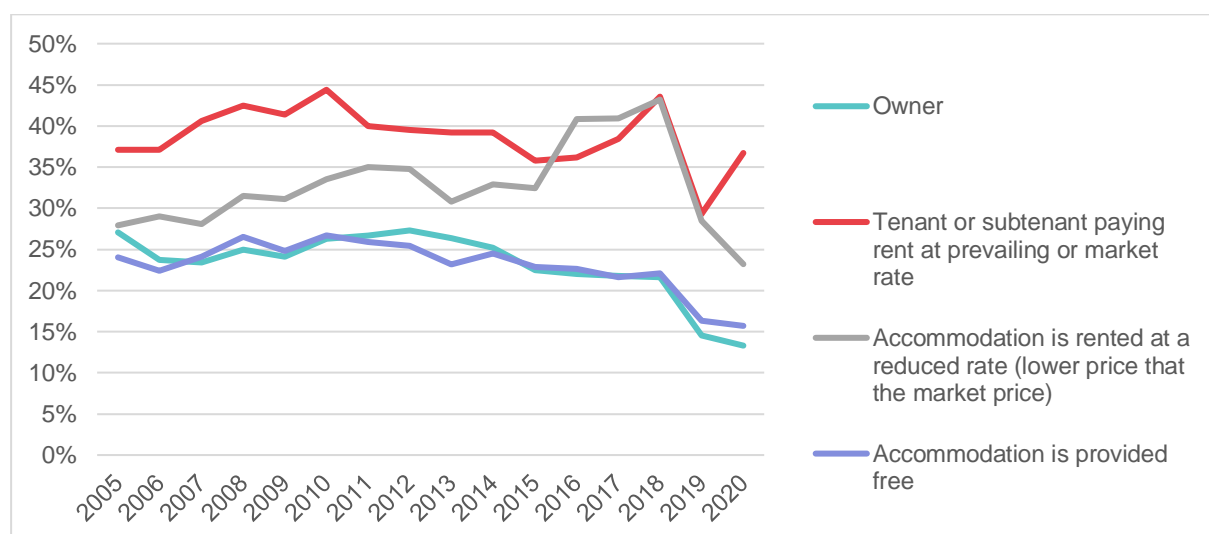


Figure HU35. Share of total housing costs in total disposable income by tenure forms. Source: SILC

2.1.4 Territorial Difference of Housing Costs (Degree of Urbanisation and Region)

Neither by degree of urbanisation nor by region are there significant differences between the values of the indicator of total housing costs in total disposable income.

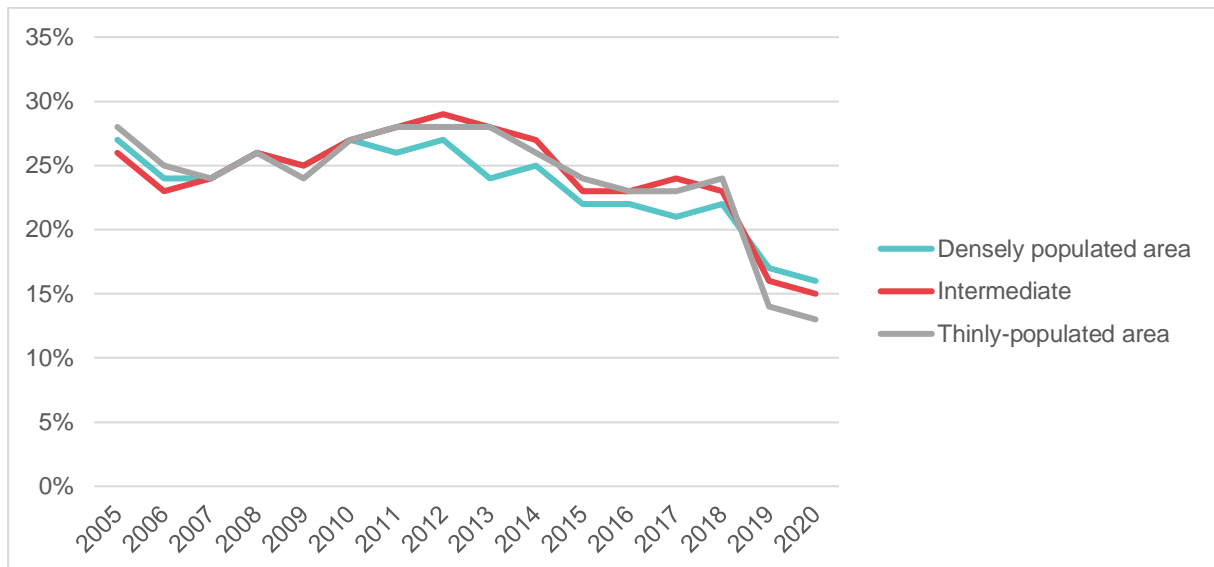


Figure HU36. Share of total housing costs in total disposable income by degree of urbanization. Source: SILC

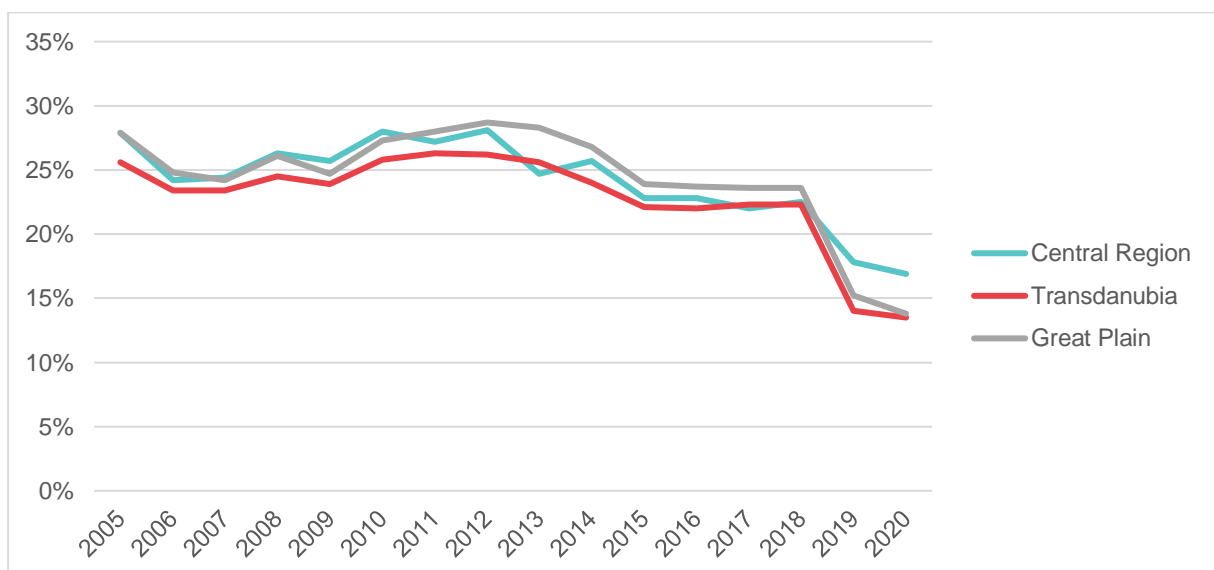


Figure HU37. Share of total housing costs in total disposable income by regions. Source: SILC

2.2 Housing and Neighborhood Quality and Financial Distress

2.2.1 Housing and Neighborhood Quality

Housing and neighborhood quality is discussed focusing on variables from the SILC dataset. **Housing variables are** 1) substandard dwellings, i.e. dwellings without an indoor toilet or a bath/shower; 2) housing density (person/room) 3) whether the dwelling is too dark, 4) whether there is a leaking roof. **Neighborhood variables** are 1) whether there is noise from the street, neighbors, etc.; 2) whether there is pollution, grime or environmental hazards in the neighborhood; 3) whether there is crime, violence, etc. in the neighborhood.

The table below shows the average percentage of the people struggling with the above-mentioned aspects of housing and neighborhood quality for each year (density is measured by average person per room). Just by comparing 2005 with 2018¹⁴, a decrease can be observed in all the variables, indicating an overall improvement in each. However, the decrease was not continuous or gradual in most cases, as there were periods when the values started to rise before they began to fall again. The largest improvement happened in the share of dwellings with a leaking roof, although between 2005 and 2009, as 2005 was the year when the largest share of people reported this sort of problem, and 2009 when the smallest. Following 2009, their share increased and then fluctuation can be observed. All the other variables are detailed in the table below.

Table HU10.Housing quality and neighbourhood indicators 2005-2018.

	Housing indicators				Neighborhood indicators		
	Substandard units	Density (person/room)	Dwelling too dark	Leaking roof	Noise from street	Pollution	Crime and violence
2005	10,6%	1,11	9,5%	34%	21,7%	17,2%	13%
2006	7,8%	1,10	7,5%	28%	17,2%	13,4%	9%
2007	8,9%	1,03	10,5%	20%	15,0%	13,5%	12%
2008	8,1%	1,01	9,7%	31%	12,3%	11,0%	13%
2009	8,1%	1,01	8,6%	15%	13,5%	11,1%	12%
2010	6,8%	1,01	8,6%	25%	12,3%	11,3%	12%
2011	5,7%	1,01	9,0%	22%	10,1%	11,8%	11%
2012	5,5%	1,01	8,5%	25%	10,4%	11,5%	11%

¹⁴ The data from year 2015 is missing.

2013	5,1%	0,98	8,8%	26%	12,8%	14,5%	13%
2014	5,1%	0,96	9,7%	27%	14,2%	15,5%	14%
2016	5,2%	0,91	10,5%	28%	12,4%	12,4%	10%
2017	4,8%	0,88	8,2%	26%	10,6%	12,2%	7%
2018	4,7%	0,66	8,3%	24%	8,8%	9,5%	5%
Average	6,4%	0,98	9,1%	25%	13,0%	12,8%	11%
Minimum	4,7%	0,7	7,5%	15,1%	8,8%	9,5%	5,5%
Maximum	10,6%	1,1	10,5%	33,8%	21,7%	17,2%	13,9%
Range	5,9%	0,4	3,0%	18,7%	13,0%	7,7%	8,4%

Source: own analysis based on SILC microdata

2.2.2 Financial Distress Related to Housing

Financial distress related to housing is considered in this analysis from three perspectives: 1) the ability to keep one's home warm; 2) whether housing costs are a heavy burden for the respondent; 3) whether the respondent has arrears (either in rent or mortgage). The table below shows how the share of people who reported such hardships change over the examined period.

Table HU11. Financial distress indicators 2005-2018.

	Ability to keep home warm	Housing costs are a heavy burden	Arrears (rent and/or mortgage)
2005	19%	24%	13%
2006	17%	25%	13%
2007	12%	32%	15%
2008	11%	33%	ND
2009	11%	37%	ND
2010	13%	40%	19%
2011	15%	41%	21%
2012	17%	40%	22%
2013	16%	40%	22%
2014	13%	34%	20%
2016	11%	28%	16%
2017	8%	29%	13%
2018	8%	25%	11%

maximum	17,4%	41,4%	22,3%
minimum	7,6%	24,6%	10,5%
range	9,8%	16,8%	11,8%
average	13,3%	34,0%	17,5%

Source: own analysis based on SILC microdata

While ability to keep one's home warm somewhat fluctuated but mostly decreased over the observed time period, there is essentially no difference between the first and last years in the share of people whose housing costs are a heavy burden and in the share of those with arrears. However, in all three variables, there is a noticeable increase in the middle of the time period.

2.3 Housing Segmentation

In the following section, we will examine the distribution of the previously analysed financial distress and housing quality variables across different segments, considering spatial, social, and tenure structure dimensions.

2.3.1 Spatial Aspect of Housing Inequality

The spatial dimension is measured using two variables. One looks at the region where the dwelling is situated, while the other is a combination of the degree of urbanisation and the type of the dwelling. Categories of the 'regions' variable are the following:

1. Central region
2. Transdanubia
3. Great Plain

The Central region from the perspective of 'housing and neighbourhood quality' is in a better position than the other two regions for two housing indicators: the share of substandard housing (Figure HU38) and density rate (the Central region has an average of 0.96 persons per room compared to the Great Plain region with 0.99, with Transdanubia is in the middle). Otherwise, in general, the Central region is worse off for the other indicators, but as we will see, the region explains relatively few of the differences, the effect of the other independent variables is stronger.

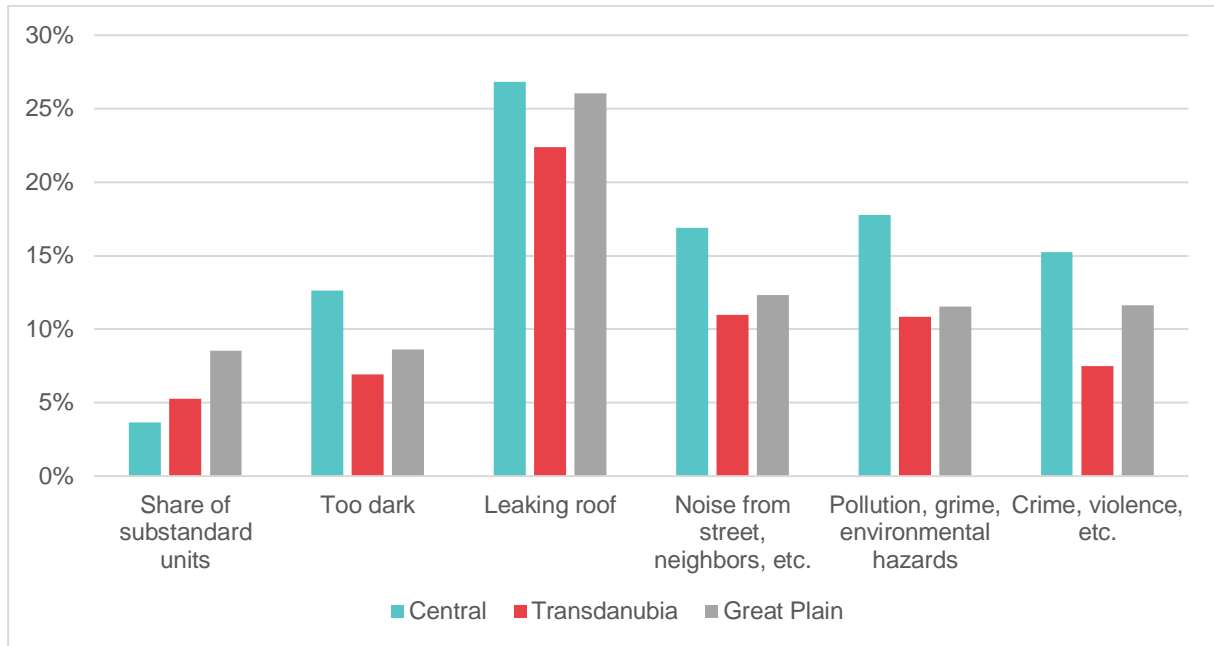


Figure HU38. Housing and neighbourhood indicators by regions. Source: own analysis based on SILC microdata

The values of the financial distress indicators are close across regions, with perhaps the Great Plain's worse position being highlighted, most visibly in the case of the arrears indicator.

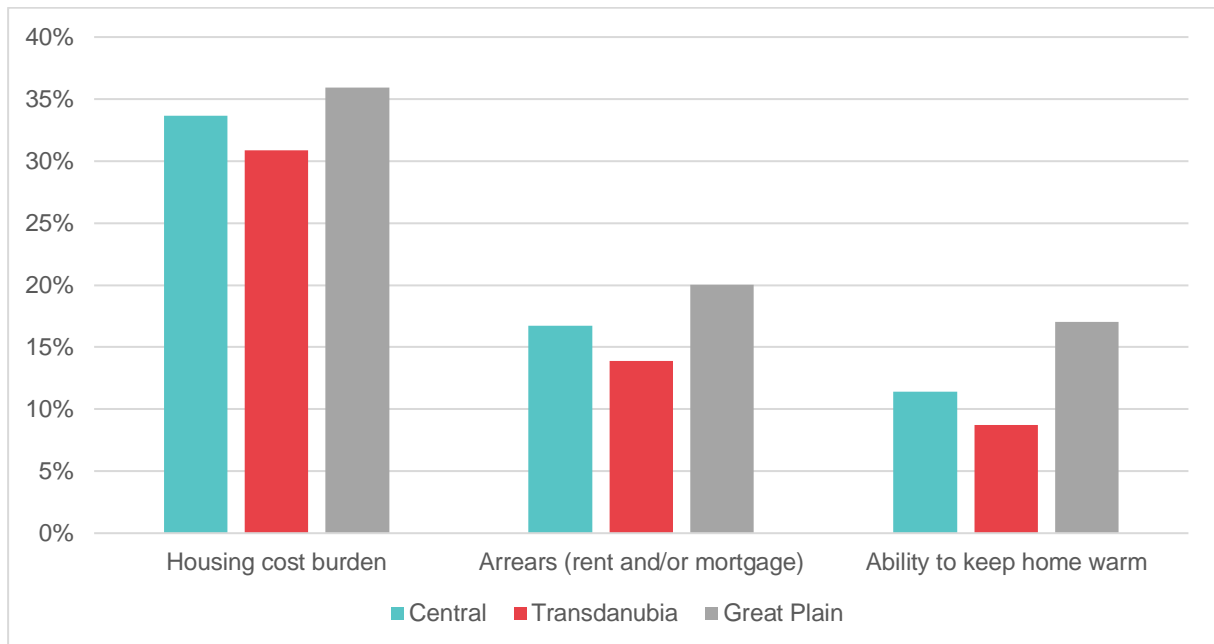


Figure HU39. Financial distress indicators by regions. Source: own analysis based on SILC microdata

The categories of the 'housing type and urbanisation' variable are the following:

1. Large cities – Detached houses
2. Large cities – Multiunit buildings
3. Middle size cities – Detached houses
4. Middle sized cities – Multiunit buildings

5. Rural settlements – Detached houses
6. Rural settlements – Multiunit buildings

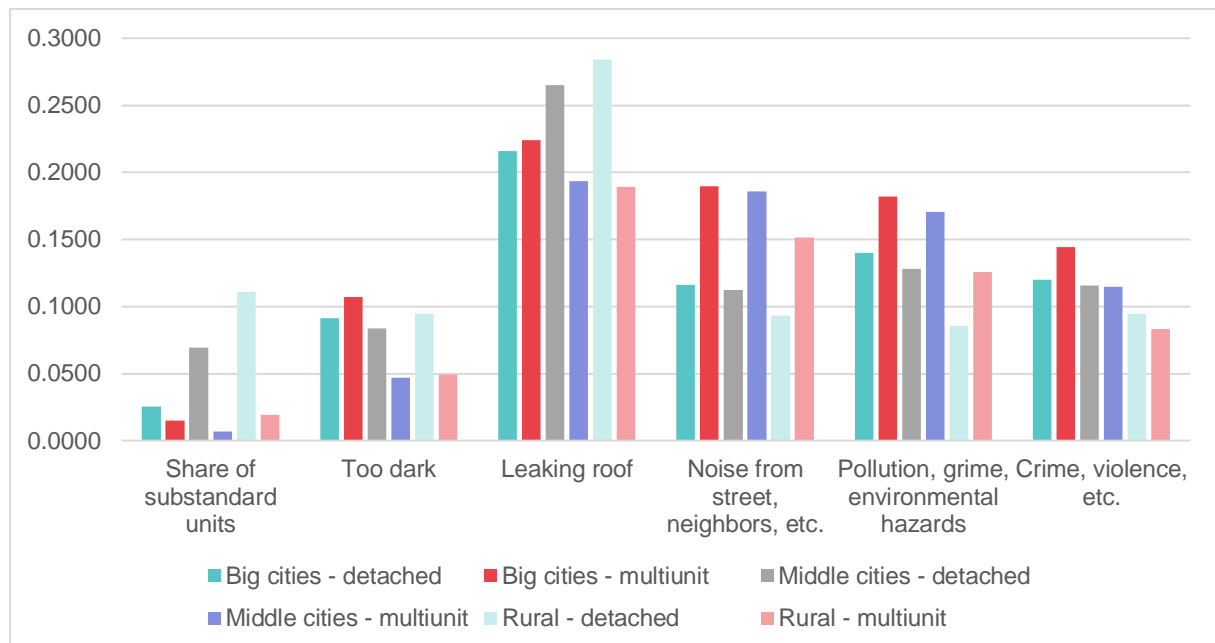


Figure HU40. Housing and neighbourhood indicators by housing type and urbanization. Source: own analysis based on SILC microdata

Trends in the quality variables among the different types of dwellings in areas with varying degree of urbanisation are rather scattered (Figure HU40). Yet, there are some tendencies worth highlighting. Noise and pollution seemed to be the biggest problem in multiunit-buildings in big and middle cities, while the largest share of respondents struggling with a leaking roof and having a substandard dwelling was among those who lived in detached houses in rural areas (and middle cities). Dark dwellings, and crime in the neighbourhood was slightly more frequent in the multiunit-buildings in the 'big cities' category, otherwise no trend can be observed. Finally, there are no significant differences in the density indicators either (Figure HU41).

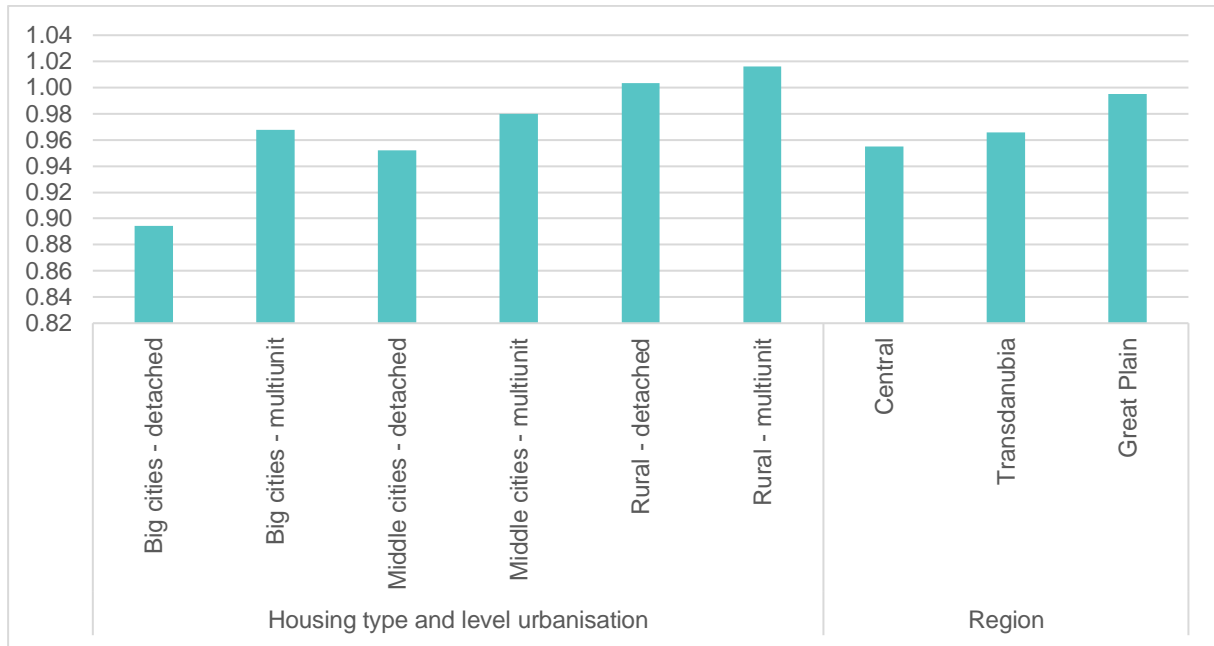


Figure HU41. Density by the spatial variables. Source: own analysis based on SILC microdata

Among the indicators of financial distress the disadvantageous situation of family houses in the city centre and in rural areas is generally highlighted, but the differences are not decisive. The position of metropolitan housing is more favourable than for the other types for two indicators (housing burden and arrears) and it is worth noting the more favourable position of rural multifamily housing, although the number of cases in this group is relatively small.



Figure HU42. Financial distress indicators by the spatial, social and tenure variables. Source: own analysis based on SILC microdata

2.3.2 Social Aspect of Housing Inequality

The largest inequalities between groups from different social situations can be observed for whether the dwelling has a leaking roof (Figure HU43) and density (Figure HU45). However, there are also significant inequalities between groups when we look at crime rate, whether the dwelling is substandard or whether it is too dark. Noise and pollution, on the other hand, seems to appear in a similar share of respondents within the groups. Yet, in each case, the share of those experiencing housing quality problems is the largest within the lower social status group and the least respondents reporting housing quality problems seem to be among those with an upper social status (except for pollution).

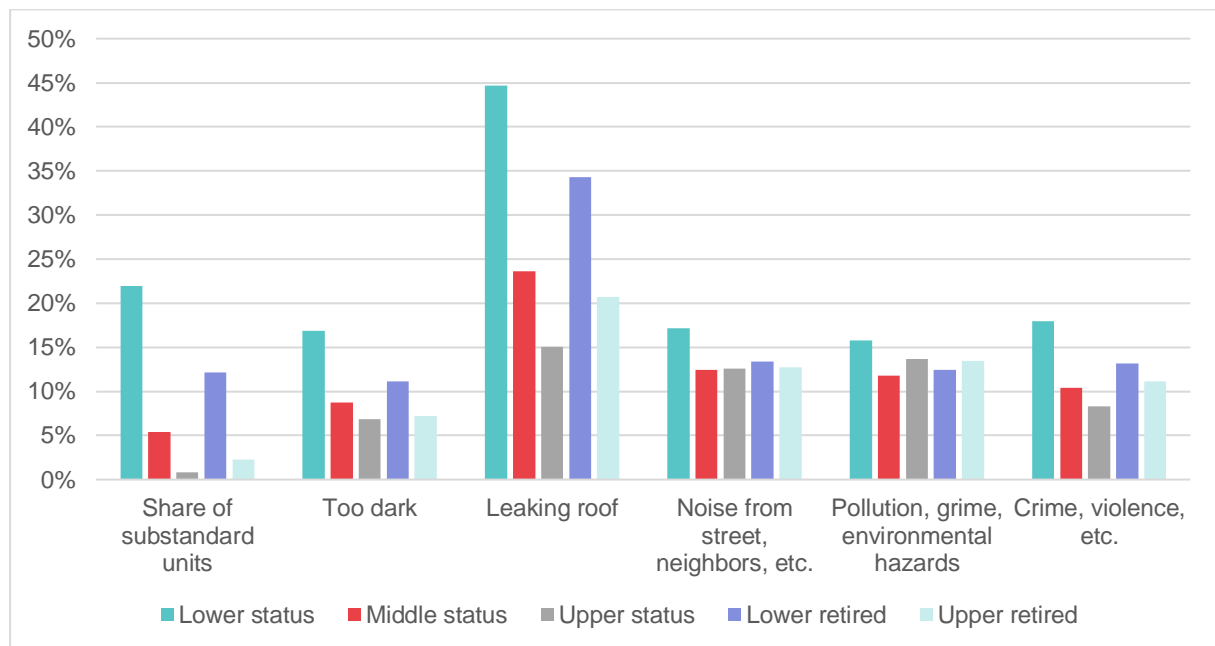


Figure HU43. Housing and neighbourhood indicators by social dimension. Source: own analysis based on SILC microdata

The social group variable explains most strongly the differences in the financial distress indicators, with the difference between the bottom, middle and top groups being clear. The most disadvantaged group is four times more likely to be in arrears than the top group and three times more likely to think that housing is expensive. Moreover, the situation of the lower status pensioner group is interesting compared to the middle group. Their position is worse for two indicators and better for one.

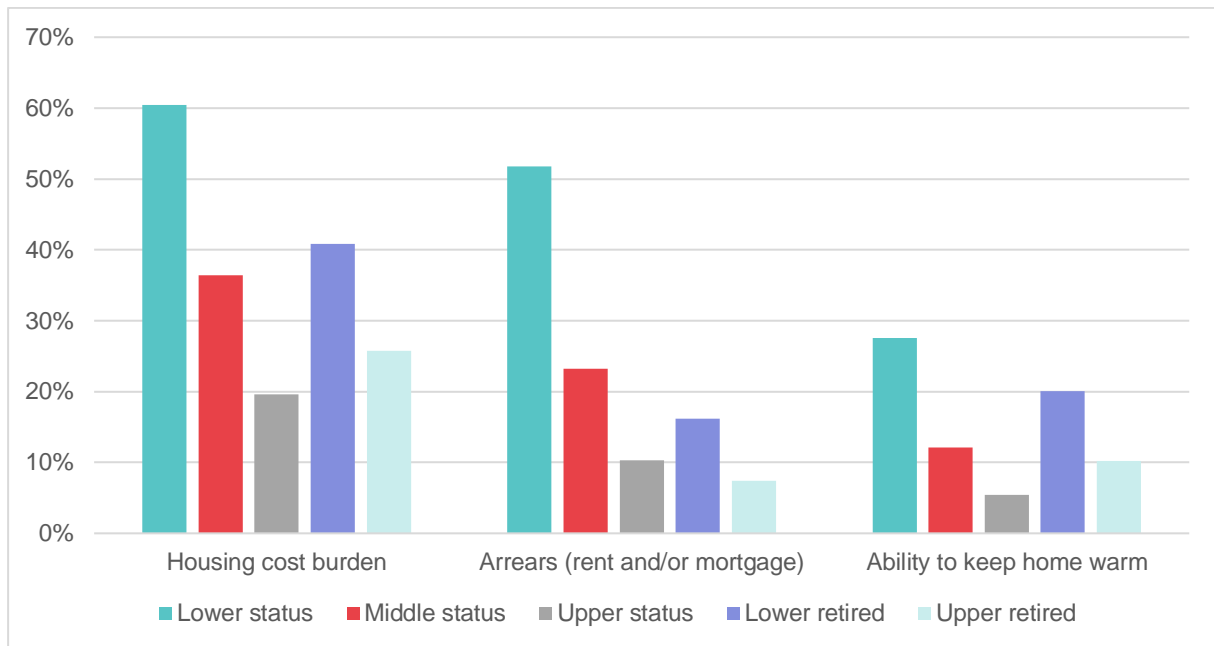


Figure HU44. Financial distress indicators by social dimension. Source: own analysis based on SILC microdata

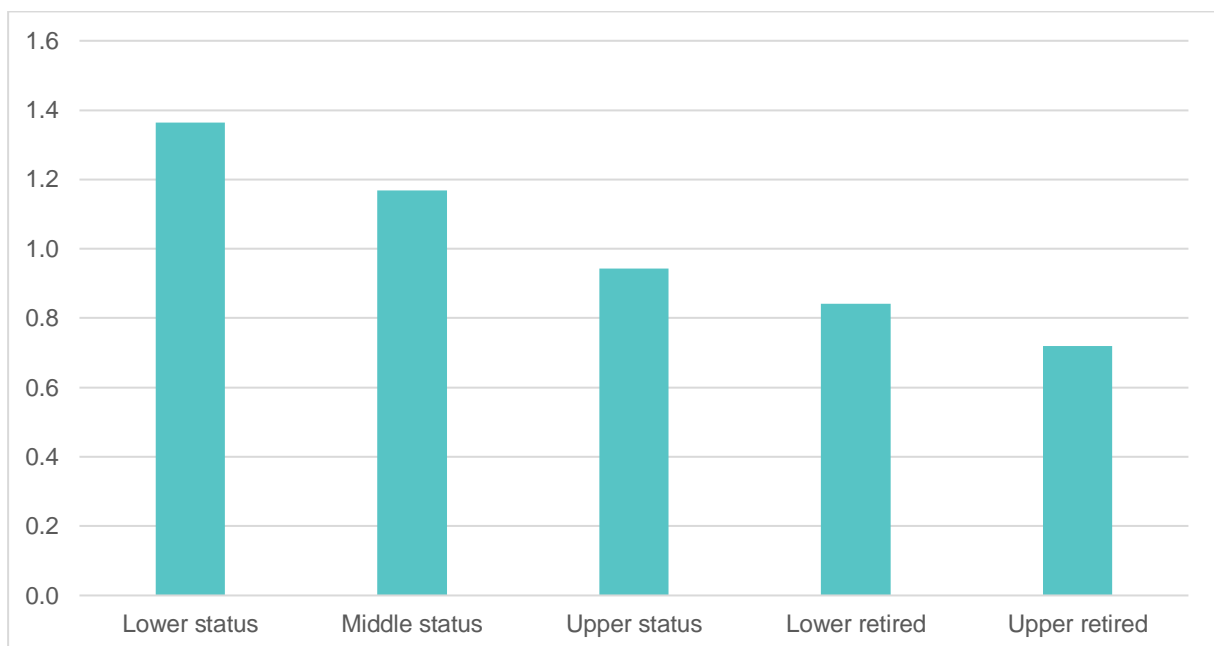


Figure HU45. Density by the social variables. Source: own analysis based on SILC microdata

2.3.3 Tenure and Housing Inequality

Tenure also has a strong explanatory power (Figure HU46). For all indicators, owner occupied dwellings are in the best position, and this is also true for density, as shown in Figure HU48. Housing with subsidised rent (municipal sector) is in the worst position.

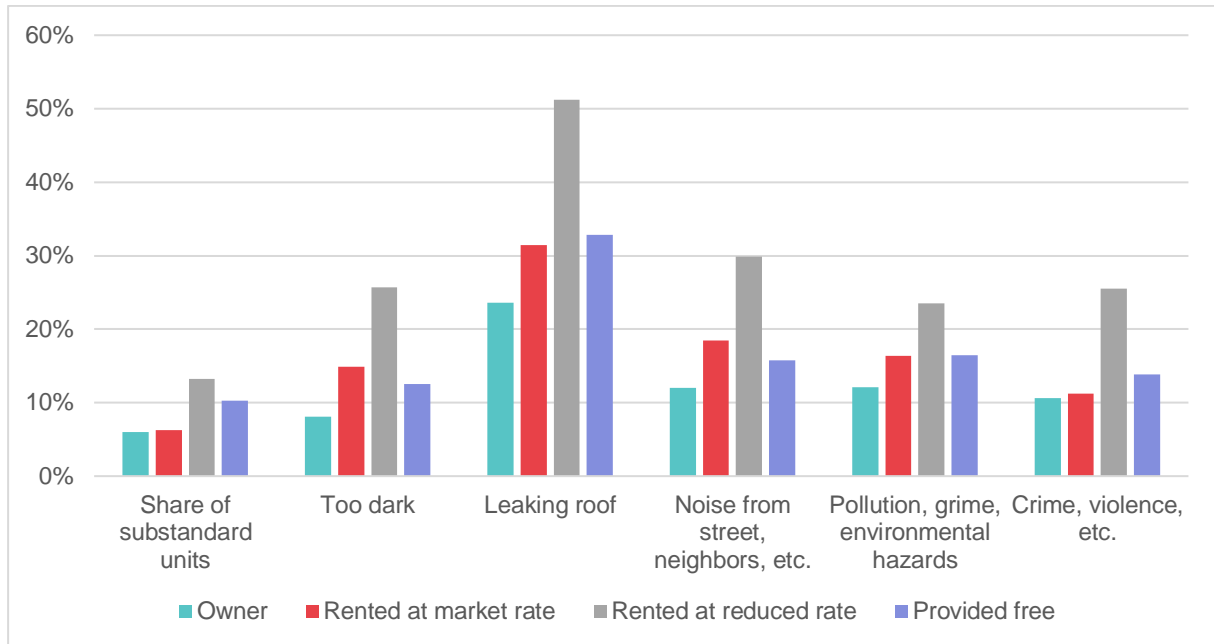


Figure HU46. Housing and neighbourhood indicators by tenure. Source: own analysis based on SILC microdata

Although we have seen that tenure is also a strong explanatory variable, its strength is reduced by the fact that owner occupation represents 88% of cases. Owner occupiers are in the most favourable position according to all indicators. The disadvantaged position of those in social housing (reduced rent) and the variable position of those in private rented housing should also be highlighted.

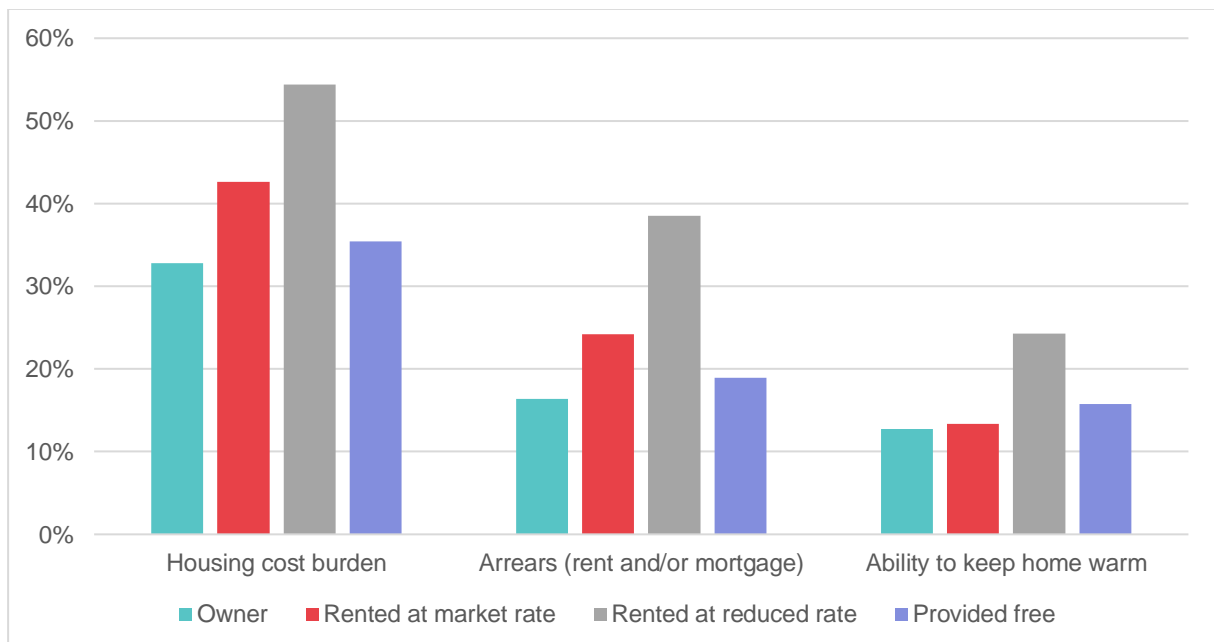


Figure HU47. Financial distress indicators by tenure. Source: own analysis based on SILC microdata

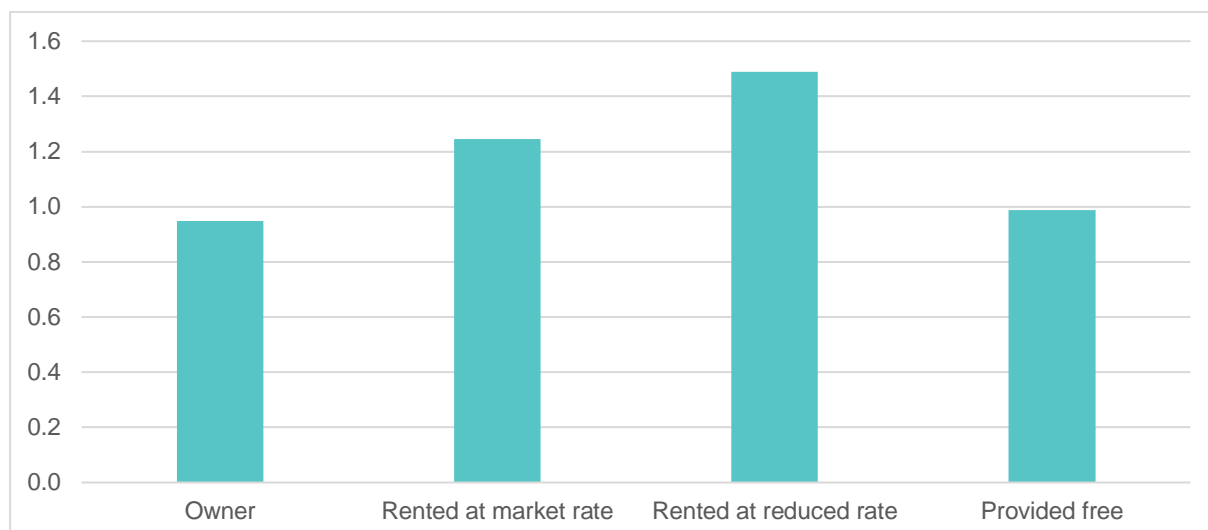


Figure HU48. Density by the tenure variables. Source: own analysis based on SILC microdata

2.3.4 Housing Segmentation Over Time

In this section, we examined the extent of inequality in housing quality and financial distress across the three independent factors (spatial, social and tenure). We have seen that all indicators improve over the period, but this improvement is not always uniform, for example the burden indicator deteriorates in the post-crisis years and then improves, i.e. it does not change uniformly. An important question is whether the improvement in some indicators leads to an increase or a decrease in inequality i.e. have the indicators improved to the same extent in all categories within the observed dimensions of the three independent factors. Therefore, for each factor, we examine if an improvement in an indicator leads to an increase or decrease in inequality during the examined period (2005 to 2018).

Methodologically, for each indicator, in order to demonstrate when the change was the largest, we have chosen the two worst years (when the indicator was at its worst) and took their average, and the two best years (when the indicator was at its best) (Table HU12) and took their average as well, and analysed how inequalities changed between these two positions. Two years were chosen each time in order to avoid any outliers. Change was measured by the percentage of people whose housing situation was able to improve living in the different segments (territorial, social and tenure). This analysis was carried out with all independent variables.

Below, the essence of this method is illustrated with an example. Over the whole period, the share of substandard housing was the highest at approx. 9.8% (taking the average of the two worst years i.e. 2005 and 2007 in this case) and was the lowest at approx. 4.8% (taking the average of the two best years. i.e. 2017 and 2018 in this case). There were large differences in the share of substandard dwellings between groups with different social positions over the whole period, as we demonstrated in the section above. However, here, the question is the difference between the share of those with substandard dwellings within each social group when comparing the average of the two worst and the two best years. This will demonstrate to what extent this aspect of housing situation improved for the different social groups (Figure HU49).

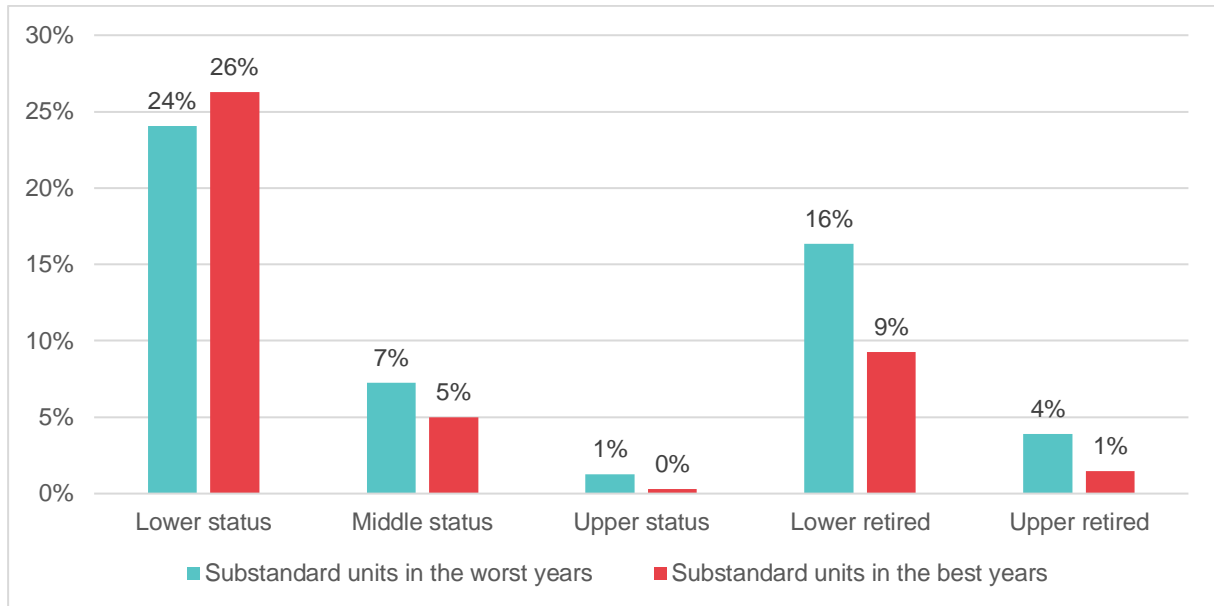


Figure HU49. Comparison of the shares of substandard houses among different social groups in two good years and two bad years. Source: own analysis based on SILC microdata

On average, 16% of those in the lower-retired status group lived in substandard housing in the two worst years and 9% in the two best years, which is 7% less. Since '7' is 43% of '16', that is a 43% improvement only in the lower-retired status group. While the other group of pensioners have improved their situation by 62%, the situation of the medium status group only improved by 31%, and even more strikingly, the lower status group's situation actually deteriorated by 9%. Lastly, 75% of the upper status group moved out of the substandard category. All in all, the most relative improvement happened in the group with the upper social status, while less relative improvement occurred among other groups, and the situation of those with lower status got slightly worse when comparing the two best and two worst years based on the large averages. Therefore, the indicator was accompanied by an increase in inequalities in this aspect. Below, you can see this type of analysis for all indicators.


$$\text{Change} = \frac{\text{Average of two worst year} - \text{Average of two best years}}{\text{Average of two worst years}}$$

Table HU12. Worst years versus best years.

	Share of substandard units	Density (person /rooms)	Too dark	Leaking roof	Noise from street, neighbors, etc.	Pollution, grime, environmental	Crime, violence, etc.	Housing cost burden	Arrears (rent and mortgage)	Ability to keep home warm
2005	11%	1,11	9%	34%	22%	17%	13%	24%	13%	19%
2006	8%	1,10	7%	28%	17%	13%	9%	25%	13%	17%
2007	9%	1,03	11%	20%	15%	13%	12%	32%	15%	12%
2008	8%	1,01	10%	31%	12%	11%	13%	33%		11%
2009	8%	1,01	9%	15%	13%	11%	12%	37%		11%

2010	7%	1,01	9%	25%	12%	11%	12%	40%	19%	13%
2011	6%	1,01	9%	22%	10%	12%	11%	41%	21%	15%
2012	5%	1,01	9%	25%	10%	12%	11%	40%	22%	17%
2013	5%	0,98	9%	26%	13%	15%	13%	40%	22%	16%
2014	5%	0,96	10%	27%	14%	16%	14%	34%	20%	13%
2016	5%	0,91	11%	28%	12%	12%	10%	28%	16%	11%
2017	5%	0,88	8%	26%	11%	12%	7%	29%	13%	8%
2018	5%	0,66	8%	24%	9%	9%	5%	25%	11%	8%
Total	6%	0,98	9%	25%	13%	13%	11%	34%	17%	13%

 Highest share of people reporting the problem, therefore the 'worst years'

 Lowest share of people reported the problem, therefore the 'best years'


Source: own analysis based on SILC microdata


Spatial dimension

The differences between regions were already moderate, and worse versus better years do not significantly affect these slight differences. The only exception is the Central region, which improves considerably more than the other regions for substandard housing and improves considerably less than other regions for the leaking roof indicator.

Table HU13. The changes of the indicator between the two good and bad years by region.

	Substan- dard units	Density (person/ rooms)	Too dark	Leaking roof	Noise	Pollution	Crime	Housing cost burden	Arrears	Ability to keep home warm
Central	79%	29%	30%	36%	45%	34%	58%	38%	45%	55%
Trans- danubia	54%	31%	18%	52%	59%	30%	60%	35%	44%	66%
Great Plain	55%	30%	17%	48%	46%	39%	44%	42%	47%	56%
Mean	55%	30%	21%	46%	51%	35%	52%	40%	46%	57%

 Improved a lot (by a minimum of 10% more than the mean improvement rate)

 Improved only a little (by a minimum of 10% less than the mean improvement rate)

 Deteriorated

Source: own analysis based on SILC microdata

The level of urbanisation and building type variable shows a much more mixed picture when comparing the two bad years and two good years. In four out of 10 indicators, the position of detached houses in large cities (which were in a better position than in the other categories for most indicators) improves more than the average improvement for all types. The position of rural multifamily buildings (which have a low share in the sample) improves in most indicators, but deteriorates markedly in one indicator (share of substandard dwellings).

Table HU14. The changes of the indicator between the two good and bad years by dwelling types and urbanisation level.

	Substan- dard units	Density (person/ rooms)	Too dark	Leaking roof	Noise	Pollution	Crime	Housing cost burden	Arrears	Ability to keep home warm
Big city: detached	85%	30%	43%	31%	58%	19%	48%	47%	41%	52%
Big city: multiunit	88%	28%	30%	43%	45%	37%	49%	36%	45%	70%
Middle city: detached	56%	33%	4%	41%	52%	40%	44%	44%	49%	56%
Middle city: multiunit	84%	29%	-4%	49%	60%	41%	63%	42%	48%	58%
Rural: detached	51%	30%	25%	50%	54%	29%	59%	36%	48%	59%
Rural: multiunit	-24%	31%	10%	64%	31%	38%	30%	52%	31%	4%
Mean	55%	30%	23%	46%	51%	36%	52%	40%	46%	57%
Improved a lot (by a minimum of 10% more than the mean improvement rate)										
Improved only a little (by a minimum of 10% less than the mean improvement rate)										
Deteriorated										

Source: own analysis based on SILC microdata

Social dimension

There are interesting changes in the position of social groups between the two worst and two best years. We find the largest differences between groups by socio-economic status position, and social inequalities seem to widen further for six out of ten indicators, as the upper group's scores improve more than any other group's and/or the lower group's scores improve less than any of other groups' or even deteriorate. The relative position of the pensioners are usually around the mean, with the exception of whether their dwelling has a leaking roof, where their position improves less than any other group's, and in the case of whether their dwelling is too dark, where the upper-retired group's position improves more while the lower-retired group's position improves less. Only for the indicator "leaking roof" does the relative position of the lower group improves more than for other groups. The relative position of the middle group also improves less than expected for three indicators.

Table HU15. The changes of the indicator between the two good and bad years by social group.

	Substan- dard units	Density (person/ rooms)	Too dark	Leaking roof	Noise	Pollution	Crime	Housing cost burden	Arrears	Ability to keep home warm
Lower	-9%	20%	-2%	51%	43%	27%	9%	33%	25%	24%
Middle	31%	25%	11%	49%	50%	37%	49%	40%	38%	47%
Upper	75%	19%	40%	47%	50%	40%	72%	57%	55%	68%

Lower-retired	43%	32%	9%	35%	48%	31%	53%	38%	42%	50%
Upper-retired	62%	27%	33%	30%	58%	36%	54%	39%	43%	62%
Mean	51%	30%	21%	46%	51%	35%	52%	40%	46%	57%

	Improved a lot (by a minimum of 10% more than the mean improvement rate)
	Improved only a little (by a minimum of 10% less than the mean improvement rate)
	Deteriorated

Source: own analysis based on SILC microdata

Tenure structure

For the tenure variable, the position of owner occupied dwellings is essentially unchanged, following the average trends. The position of market renters is interesting, improving better than average in three cases and less so in three cases. The relative position of subsidised rented housing (municipal housing) is deteriorating (i.e. improves considerably less than average) in six out of ten indicators. For tenure (similarly to the social variable), an increase in inequalities is to be expected in addition to an improvement in the overall trend.

Table HU16. The changes of the indicator between the two good and bad years by tenure.

	Substan- dard units	Density (person/ rooms)	Too dark	Leaking roof	Noise	Pollution	Crime	Housing cost burden	Arrears	Ability to keep home warm
Owner	55%	29%	22%	49%	52%	35%	54%	41%	50%	58%
Tenant market rate	76%	36%	41%	39%	55%	53%	32%	22%	3%	47%
Rented at a reduced rate	53%	30%	3%	25%	26%	19%	47%	33%	26%	32%
Provided free	39%	31%	17%	36%	48%	40%	50%	44%	41%	55%
Mean	55%	30%	21%	46%	51%	36%	52%	40%	46%	57%

	Improved a lot (by a minimum of 10% more than the mean improvement rate)
	Improved only a little (by a minimum of 10% less than the mean improvement rate)
	Deteriorated

Source: own analysis based on SILC microdata

3 METHODOLOGICAL APPENDIX

3.1 SILC Variables

This section analyses housing inequalities from various perspectives, including social, economic and spatial dimensions, using the EU SILC database.

3.2 Independent Variables

Spatial segmentation:

1) Level of urbanization and dwelling type

Spatial inequalities are analysed using two variables. One looks at the region where the dwelling is situated (DB040), and the other is a combination of the degree of urbanization (DB100) and dwelling type (HH010). The following figure shows the way we combined the two variables.

		HH010 'dwelling type'				Total
		1 detached house	2 semi-detached or terraced house	3 apartment or flat in a building with less than 10 dwellings	4 apartment or flat in a building with more than 10 dwellings	
DB100 'degree of urbanization'	1 densely populated area	8%	2%	2%	19%	31%
	2 intermediate area	15%	2%	1%	7%	25%
	3 thinly populated area	38%	2%	1%	3%	43%
Total		61%	5%	4%	29%	100%
	Big cities - detached					
	Big cities - multiunit					
	Middle cities - detached					
	Middle cities - multiunit					
	Rural - detached					
	Rural - multiunit					

2) Regions variable (DB040):

- 1 Central region
- 2 Transdanubia






3 Great Plain

Social segmentation

By combining educational attainment (PE040) and economic status (PL030), a social status variable (Class) was created. The following figure shows the way we combined the two variables.

	0 pre-primary education	1 primary education	2 lower secondary	3 upper secondary	4 post-secondary	5 tertiary education	Total
1 working full time	0,01%	0,28%	4,55%	24,07%	1,97%	10,16%	41,04%
2 working part time	0,00%	0,03%	0,27%	2,13%	0,21%	1,00%	3,64%
3 unemployed	0,00%	0,23%	1,51%	2,35%	0,12%	0,31%	4,53%
4 student	0,00%	0,00%	0,08%	0,41%	0,03%	0,07%	0,59%
5 in retirement	0,06%	4,05%	10,53%	15,88%	1,33%	5,19%	37,04%
6 disabled	0,02%	0,35%	1,99%	3,86%	0,16%	0,41%	6,79%
7 in military	0,00%	0,41%	0,72%	1,09%	0,13%	0,43%	2,78%
8 domestic tasks	0,00%	0,15%	0,54%	0,92%	0,07%	0,20%	1,88%
9 other inactive person	0,00%	0,12%	0,51%	0,67%	0,04%	0,15%	1,49%
10-missing	0,00%	0,01%	0,03%	0,07%	0,00%	0,03%	0,14%
11-missing	0,00%	0,01%	0,02%	0,05%	0,00%	0,00%	0,09%
Total	0,10%	5,64%	20,77%	51,49%	4,06%	17,95%	100,00 %

We defined the following groups:

	Lower status
	Middle status
	Upper status
	Lower retired
	Upper retired

3.3 Dependent Variables

Housing quality

Share of substandard units	Lack of Bathroom or indoor toilet =1; other =0	Hh080 hh090
Density	Person/room	HX040, hh030
Dwelling too dark	Yes =1; No=0	HS160
Leaking roof	Yes =1; No=0	HH050

Neighbourhood quality

Noise from street, neighbours etc.	Yes =1; No=0	HS070
Pollution, grime, environmental hazards	Yes =1; No=0	HS180
Crime, violence, etc.	Yes =1; No=0	HS190

Financial distress variables

Housing cost burden	heavy burden =1; else=0	HS140
Arrears	rent and mortgage	HS020 HS010
Ability to keep home warm	No=1; else=0	HH050

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NATIONAL REPORT ON HOUSING INEQUALITY – ITALY

Executive summary

Italy has a shrinking population due to low fertility and high outmigration, only partly counterbalanced by foreign inflow. Italy is a home-ownership dominated country with high and growing wealth inequality and more moderate income inequality. In the last forty years, the country has seen a significant growth in the number of dwellings, which outpaced the number of households and resulted in an increasing vacancy rate. Despite this, a large share of the housing stock is old: in 2011, 72% of the dwellings had been built before the 1980s, when minimum energy-efficiency rules were required by the building code.

The tenure composition has shifted in the recent period, with owner-occupation growing from 68% in 1991 to 77% in 2021 and rental tenure decreasing from 25% in 1991 to 17% in 2021. The share of public housing shrank from 5,8% in 1991 to 3,6% in 2021, however, the segment still constitutes around 20% of the rental stock. Housing costs tend to be a larger burden for poorer households residing in rental tenure, and more so in bigger cities than in intermediate and less dense areas. EU-SILC data show a decrease in the share of overburdened households in those categories, especially in recent years, which can be linked to the introduction of a minimum income scheme (*Reddito di cittadinanza*), a support instrument for households in need, which has meanwhile been abolished.

Introduction

The Italian Republic spans an area of approximately 302.000 km² (ISTAT, 2024a) and has an estimated population of around 59 million as of 2023 (ISTAT, 2023), rendering it the third most populous country in the European Union. Italy has been part of the European Community since its foundation, being one of the founding members of the European Coal and Steel Community (ECSC) alongside Belgium, Germany, Luxembourg, and the Netherlands.

At a density of around 195 inhabitants/km², the population is relatively well-distributed across the territory, however, mountainous areas such as the Alps and Appennines are more sparsely populated. Italy's territorial composition features a peculiar geography of distinctive middle-sized cities, usually playing a role as reference centres for their provinces. The country consists of 20 regions with an overall number of 7.896 municipalities (ISTAT, 2024b), the majority of which, approximately 70%, are small municipalities with a population of less than 5.000 inhabitants (Centro Documentazione e Studi Comuni Italiani, n.d.).

Major urban centers are the capital city of Rome - with a population of approximately 2,8 mio. -, followed by Milan (1,4 mio.), Naples (912.000), and Turin (847.000) (ISTAT, 2024c).

Since 2014, the population has been declining due to a negative natural balance, only partially offset by a positive migratory balance. Demographic trends are affecting historically grown territorial inequalities between a more developed and economically vibrant North which contrasts with a lagging South. Furthermore, territorial inequalities exist between central urban

poles – featuring prime hospitals, comprehensive secondary and tertiary education facilities, relevant transportation infrastructures and a growing population – and shrinking peripheral „inner areas“ (Moscarelli & Peverini, 2024).

In terms of governance, housing and welfare policies in Italy are embedded within a multi-level governance framework, with responsibilities divided among national, regional, and local levels. The national government defines general objectives, while regions, holding significant autonomy, adapt these general frameworks to their specific contexts, promulgating regional laws and implementing policies and programmes at the regional scale.

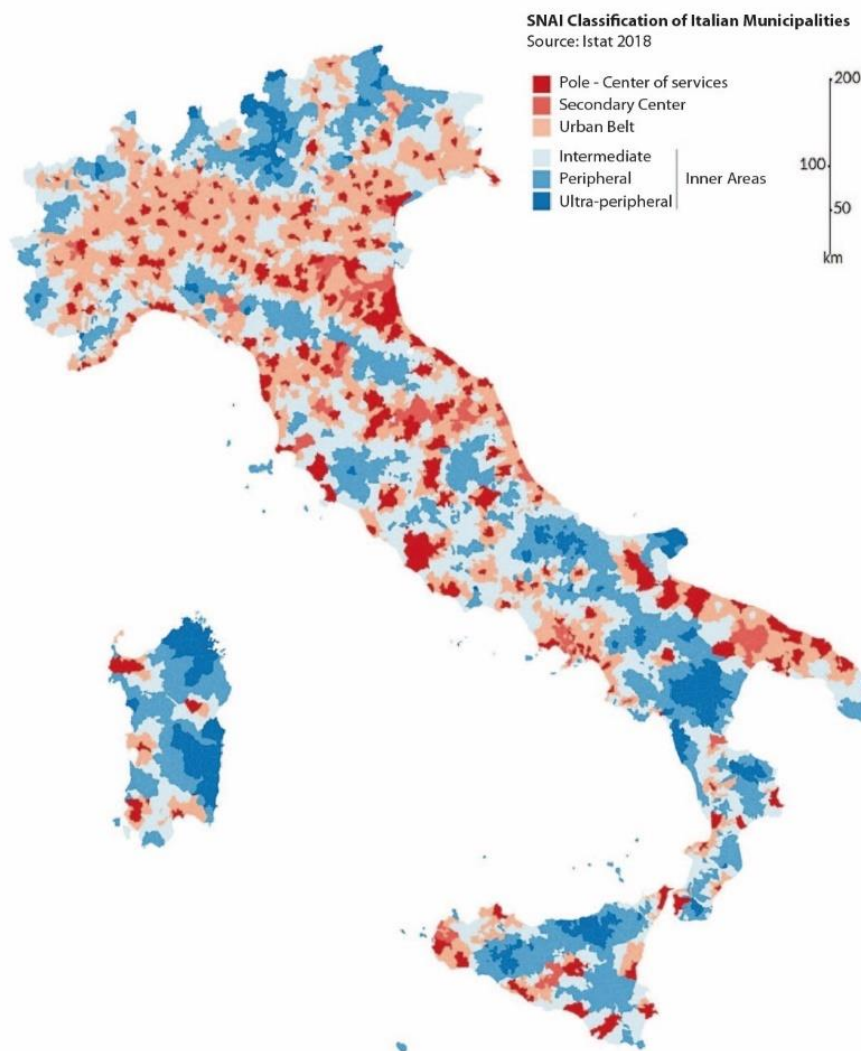


Figure IT1 Classification of Italian municipalities according to the six categories defined by the National Agency for Territorial Cohesion. Source: Strategia nazionale per le aree interne (SNAI) 2018, indicator based on ISTAT data.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

1.1.1 Macroeconomic Trends at the National Levels

The following section presents some of the key macroeconomic trends in Italy from 2005 to 2023. **Error! Reference source not found.** shows the evolution of Italy's GDP, short-term interest rates, and inflation (consumer prices). Within this period, the GDP demonstrates notable fluctuations, regarding particularly the years 2008/2009 (thus likely connected to the onset of the Global Financial Crisis) and the year 2020 – linked to the COVID-19 pandemic –, in which stark declines are evident. Inflation has remained at a relatively stable rate, however, peaking in 2022 at almost 6%, possibly reflecting post-pandemic economic adjustments and issues of a wider global impact, such as the Russian invasion of Ukraine, which added substantially to inflationary pressures. Short-term interest rates have overall shown a decreasing trend over the past two decades, reflecting the European Central Bank's efforts to support economic growth, especially after 2008. However, there has been a perceivable upward trend since 2022, linked to monetary policy adjustments in response to inflation (which consequently stagnated).

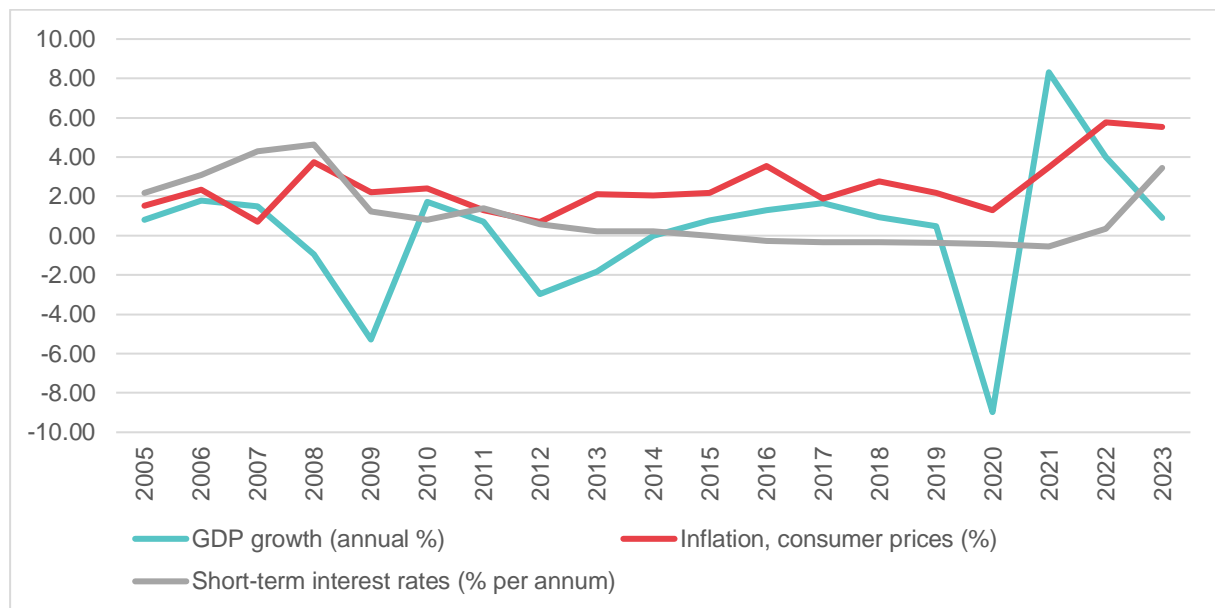


Figure IT2 Macroeconomic trends, Italy. Source: compiled by authors, data from OECD.

Figure IT3 displays Italy's public sector debt as a percentage of the GDP from 2005 to 2023. Italy's debt-to-GDP ratio has remained above 100% throughout the entire period, displaying a gradual increase from 2008 onward. The ratio stabilizes from 2014 to 2019, but spikes in 2020 with a debt-to-GDP ratio of 155%, likely due to the impacts of the COVID-19 pandemic on Italy's economy. The ratio has declined slightly since then; however, it remains notably above the values of pre-pandemic years. In 2023, with a debt-to-GDP ratio of 137,3%, the ratio is substantially higher than the EU average of 81,9% (Eurostat 2024) in the same year.



Figure IT3 Public Sector Debt in Q4 (% of GDP), Italy 2005 – 2023. Sources: compiled by authors, data from OECD.

1.1.2 Socio-economic and Demographic Trends

The following section presents key demographic trends, including the development of migration flows of foreign population, the number of asylum seekers, the share of the elderly on the overall population (65 years and older). It moreover illustrates socioeconomic trends, such as the evolution of wages, poverty and unemployment rates, and government expenditure on social protection.

Error! Reference source not found.4 shows the growth in the number of Italian households, which is mostly due to a significant increase in the number of single households, from 4,1 million in 1991 to 9,6 million in 2021.

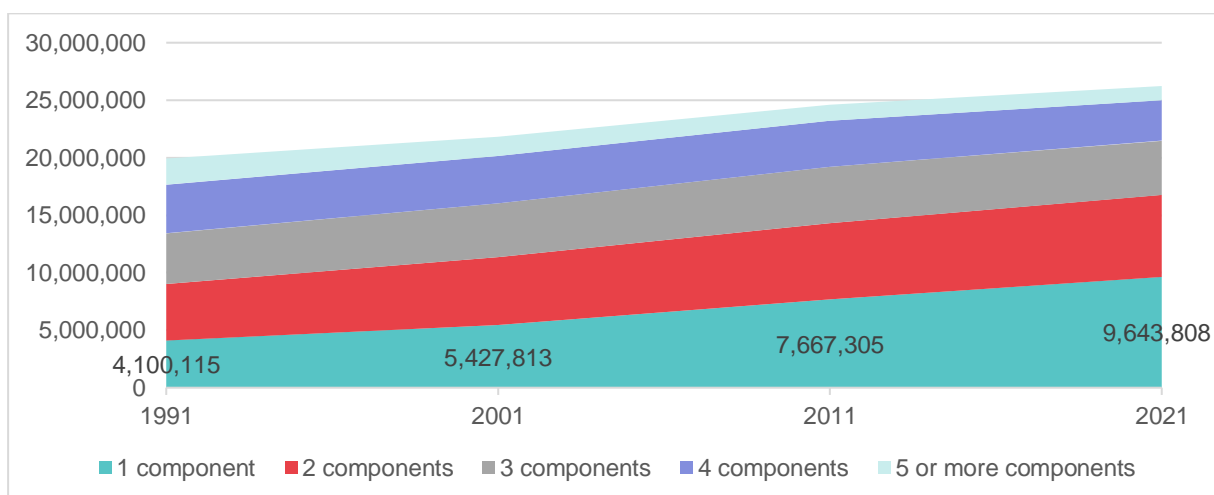


Figure IT4 Number of households by number of components in the census years (1991-2021), Italy. Sources: compiled by authors, data from ISTAT.

Error! Reference source not found.5 depicts population trends over the past two decades, illustrating the number of the Italian population, the foreign population, and the share of the population aged 65 and above. While numbers of the foreign population are not available for the years from 1990 until 1994, the available data show a clear decrease in the number of the Italian population by almost 3 million between 1990 and 2022. At the same time, the foreign population has increased gradually from less than 700.000 in 1995 (reaching a number of more than a million for the first time in 1999) to over 5 million in 2022, however, it still constitutes a relatively small share (8,5%) of the total. Meanwhile, the share of the elderly population shows a steady and pronounced upward trend (from 15,3% in 1990 to 24% in 2022), reflecting the intense process of demographic ageing taking place in Italy.

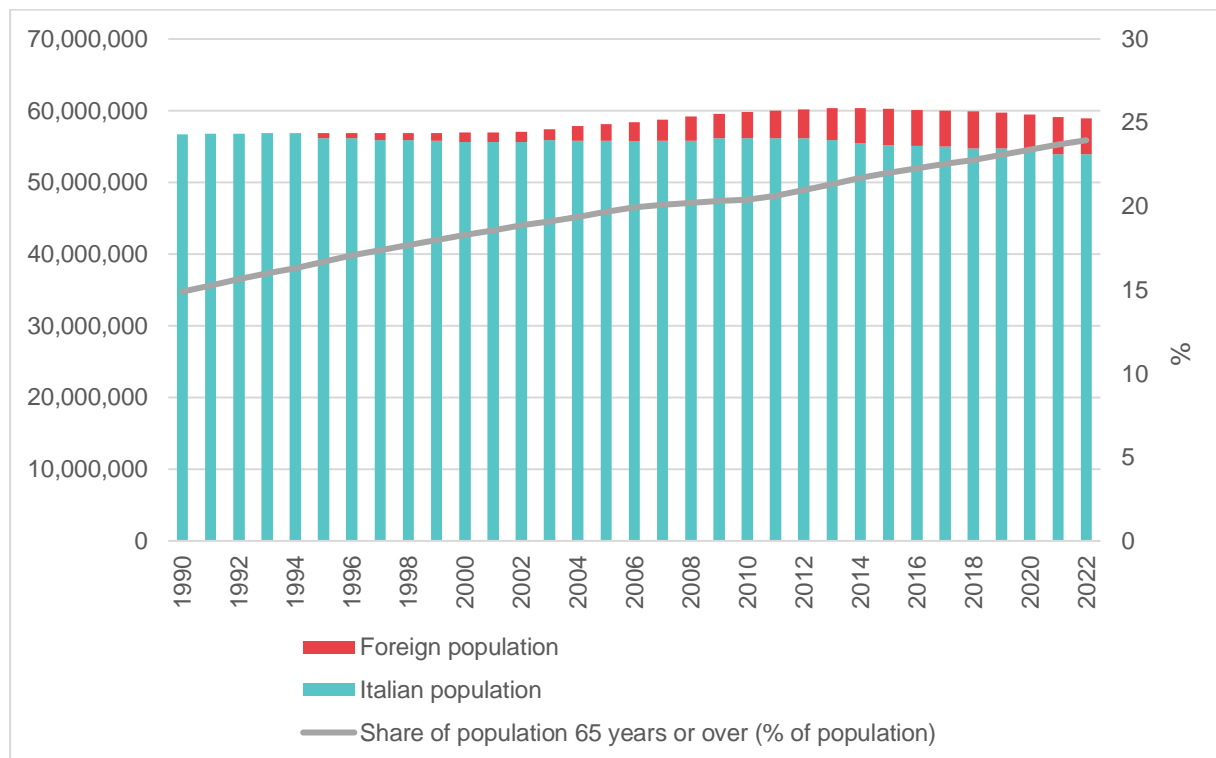


Figure IT5 Demographic development and ageing, Italy. (Data on foreign population from 1990-1994 are not available). Sources: compiled by authors, data from OECD.

Error! Reference source not found. shows the evolution of inflows and outflows of foreign population in Italy and presents the net migration balance of foreigners in the period between 1999 and 2021. In the early 2000s (from 2003 onwards), the inflows of foreign population show a clear increase, reaching a peak of around 515.000 individuals in 2007 – the highest influx within the observed period. From 2007 onwards, the influx of foreign nationals declined gradually (however, remaining at a substantially higher rate than before 2003). From 2013 onwards, values have stabilized at around 200.000-300.000 inflows annually. Outflows of the foreign population, on the other hand, are much lower than inflows throughout the entire period. However, gradual and pronounced increases are perceivable, specifically in relative terms: the rise from 8.590 outflows in 1999 to 64.093 in 2021 represents a relative increase of almost 650%. The net migration balance of the foreign population (saldo) follows the trend of inflows, reaching a peak in 2007. From this year onwards, the migration balance has decreased quite

notably, reflecting the reduced number of foreigners entering Italy. However, the balance has remained positive throughout the entire period, as inflows continue to exceed outflows.

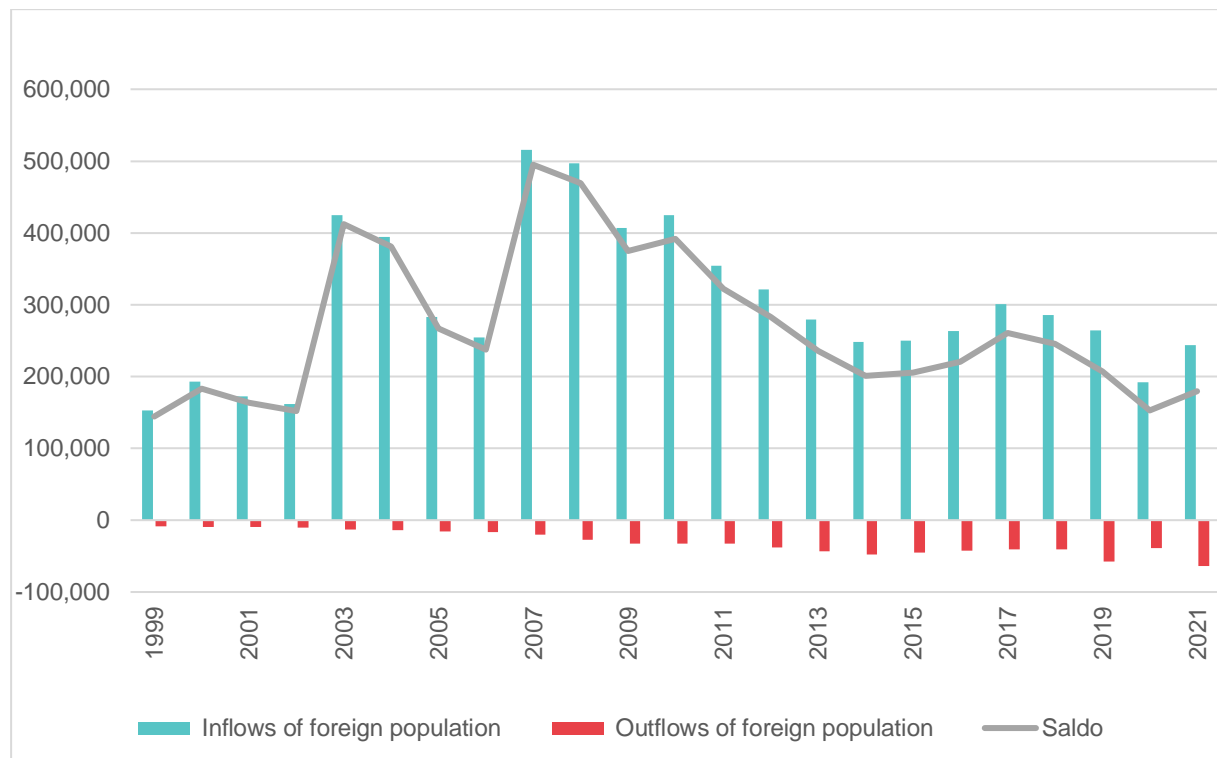


Figure IT6 In and outflows of foreign population, Italy. Sources: compiled by authors, data from OECD.

Figure IT7 shows patterns of emigration of Italian citizens, grouped by levels of education, from 2013 to 2022. In this period, emigration displays a clear upward trend, peaking at around 120.000 Italians who left the country in 2019 and 2020. The value declined somewhat in 2021 at 94.000 (presumably attributable to the effects of the Covid-19 pandemic), to slightly increase again in 2022. Emigrants with low levels of education make up the largest of the three brackets throughout the entire period, constituting shares from 37% (2022) to 52% (2014). However, when combining medium- and highly educated emigrants, increasing tendencies of brain drain from Italy are notable, specifically from 2020 onwards: in 2022, 63% of Italian emigrants had medium (32%) or high (31%) levels of education. Looking at graduated Italian citizens specifically (as shown in Figure IT8), it becomes clear that particularly younger individuals (from 25 to 39) pursue opportunities in a foreign country, with numbers peaking at over 21.000 in 2019, 2020, and 2022.

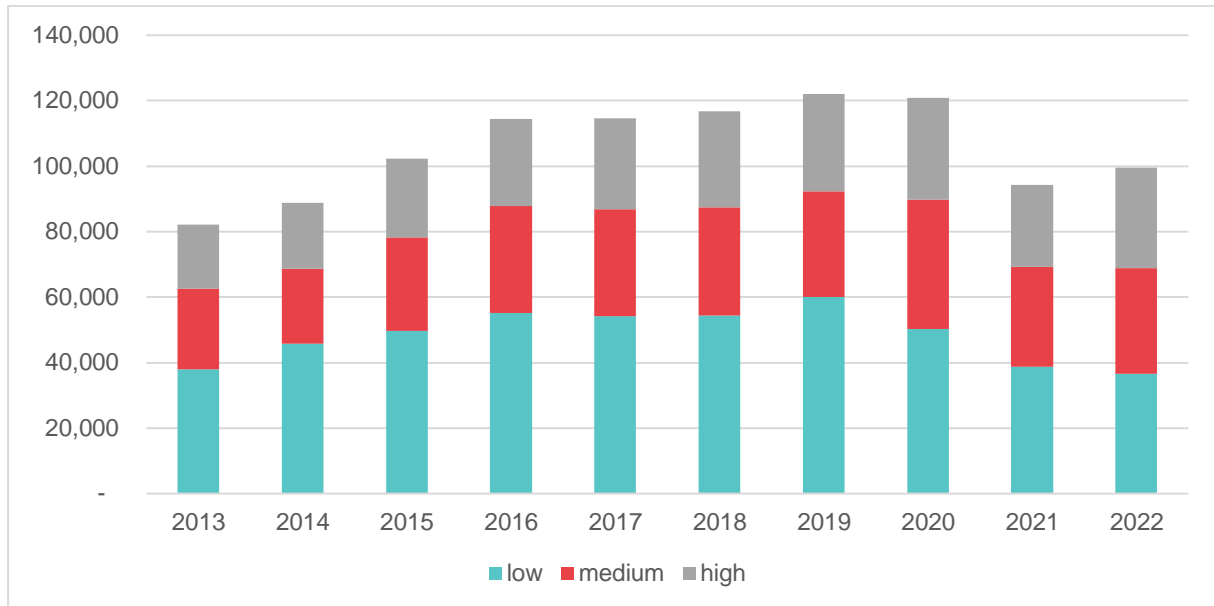


Figure IT7 Emigration of Italian citizens from Italy by levels of education, 2013-2022.

Sources: compiled by authors, data from ISTAT. ISTAT uses the ISCED classification [International Standard Classification of Education) of levels of education, developed by UNESCO.

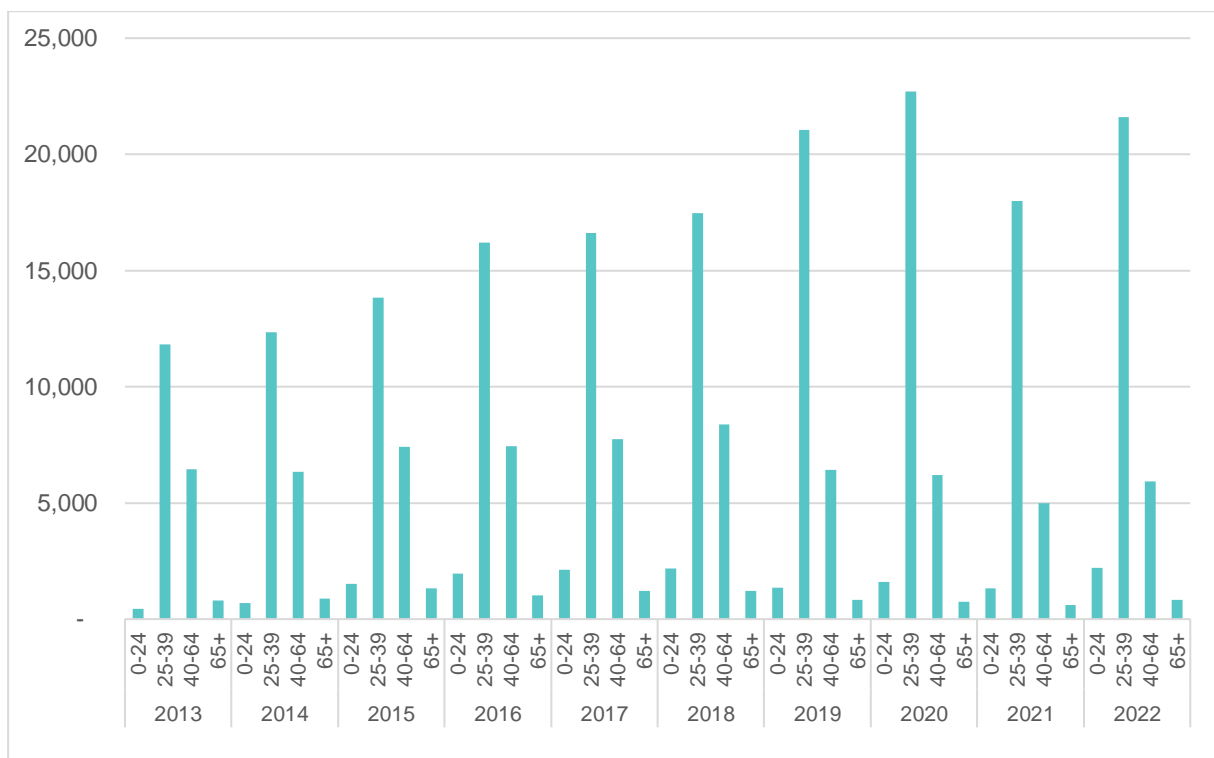


Figure IT8 Emigration of graduated Italian citizens from Italy by age groups, 2013-2022.

Sources: compiled by authors, data from ISTAT.

The number of asylum seekers, as shown in Figure IT9, has been low and relatively stable (at around 10-15.000) throughout large parts of the late 1990s through the early 2010s, displaying peaks only in 1999 (around 33.000), 2008 (30.000), and 2011 (34.000). The influx in 1999 is

likely associated with the Kosovo war (1998-1999), resulting in an influx of refugees to Italy from Kosovo and Albania. The 2008 peak might be linked, among others, to the onset of the global financial crisis, which presumably has intensified migration pressures due to economic reasons. In 2011, on the other hand, the onset of the Arab Spring in various North African countries led to increased migration flows from these countries (e.g., from Libya). A striking upward trend, however, is perceivable starting from 2013 onwards, with numbers reaching over 60.000 for the first time in 2014. The peak was reached in 2017 with over 126.000 asylum seekers, related to the so-called European 'refugee crisis', attributable to a large degree to the Syrian civil war. After this year, numbers have dropped significantly, returning to levels comparable to those in the early-2000s in 2020. However, this decline should be viewed in context with the widespread restrictions on global movement during the Covid-19 pandemic. In 2021, the last year covered by the data, numbers have again risen notably compared to the previous year.

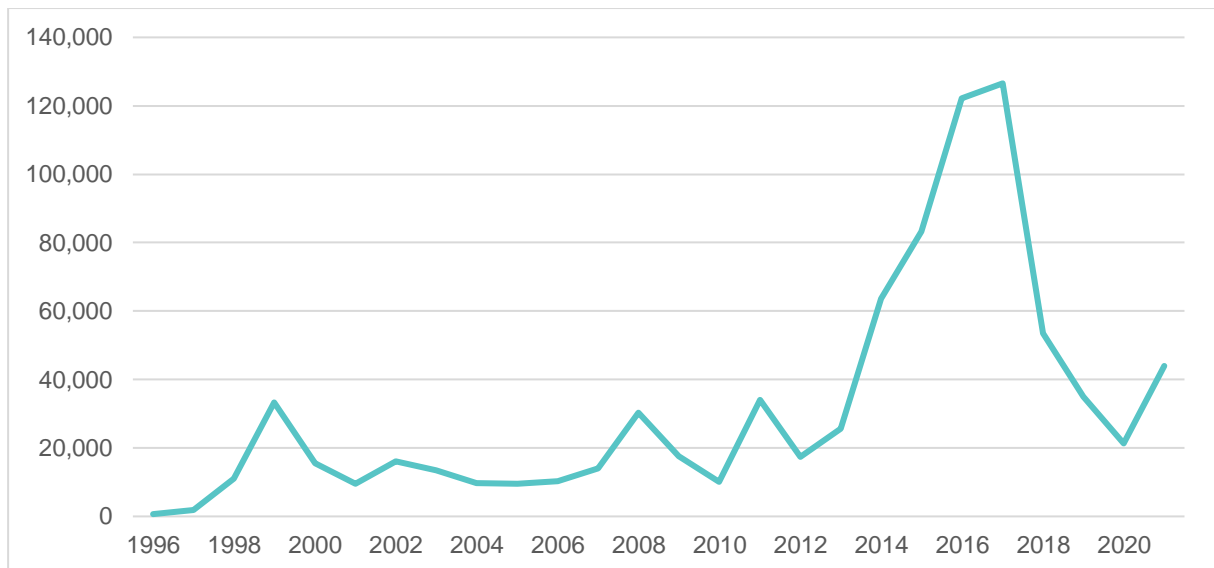


Figure IT9 Inflows of asylum seekers, Italy. Sources: compiled by authors, data from OECD.

Figure IT10 provides insights into trends on (nominal) wages, unemployment rates, government expenditures on social protection in Italy from 1990 to 2023 and the share of population affected by poverty and income inequality from 2004 to 2021. As emerges from the graph, nominal wages have shown a steady upward trend throughout the entire period, increasing by almost 130% from around € 14.000 in 1990 to € 32.450 in 2023. Data on poverty and income inequality is available only from 2004 to 2021, displaying a stable trend (however, at rather high levels of between 19 and 21%) during these years, reaching its highest value in 2015, when 21% of the population were affected by poverty and income inequality. The unemployment rate has varied over the years, having been highest at around 6% in 1992 and 1993, and reaching similarly high levels in 2015 and 2016 (with around 5%). Government spending on social protection (measured as a percentage of the GDP) increased substantially from 2011 onwards, reaching a peak in 2014 (when it amounted to almost 13%). This rise, correlating with the aftermath of the global financial crisis, indicates an increased commitment of the Italian government to implement support measures for tackling growing economic hardship. After 2014, spending on social protection again declined gradually, with the exemption of a minor increase in 2021, probably linked to the Covid-19 pandemic.

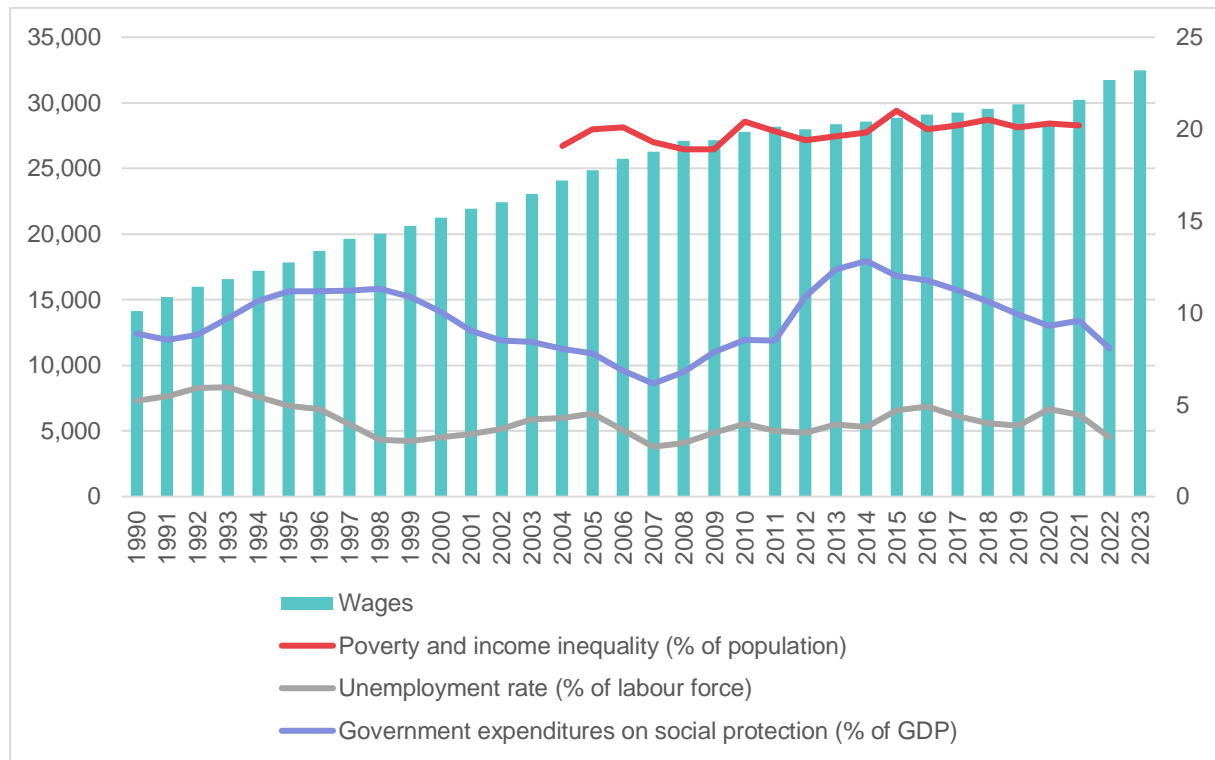


Figure IT10 Main socio-economic trends, Italy. Sources: compiled by authors, data from OECD.

Investigating average annual real wages is very significant for the Italian case. The following graph (Figure IT11) shows percentage changes in various EU countries between 1990 and 2023. Despite a significant increase in nominal wages (as demonstrated in Figure IT6), Italy stands out as the only country to experience a decline in real wages, with a 3% decrease in this period. This contrasts sharply with other countries, many of which have seen a substantial growth in real wages in these years.

In more depth, Figure IT12 compares the evolution of nominal and real wages from 1990 to 2023 (adopting 2023 as base year), highlighting a severe economic challenge, namely that nominal wage growth over the decades has not translated into increased real purchasing power. The graph illustrates that wages in real terms have stagnated – resulting in a lower purchasing power than in the early 1990s – due to inflation and rising costs of living.

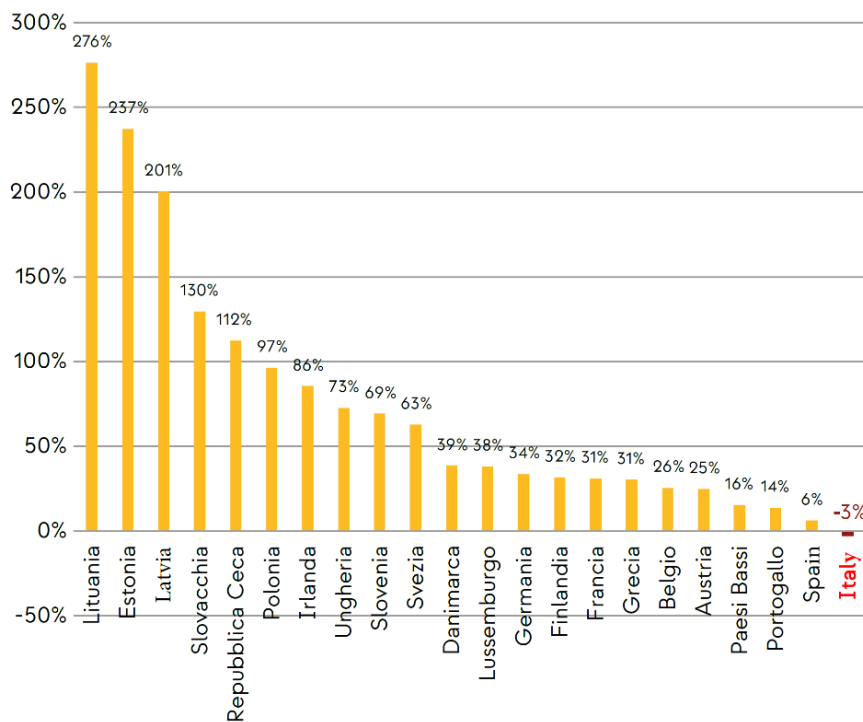


Figure IT11 Percentage change in average annual real wages between 1990 and 2020, in the OECD EU countries. For Lithuania, Estonia, the Czech Republic, Poland, Hungary, Slovenia, Greece and Portugal, the earliest data on annual wages go back to 1995. For Slovakia, however, they go back to 1994, for Latvia to 1996 and for Germany to 1991. Wages are measured at constant prices and at equal purchasing power parity, with base year 2016. Source: Bricocoli and Peverini (2024a), elaborated by Openpolis on OECD data.



Figure IT12 Comparison of average nominal wages (current prices in €, not adjusted for inflation) and real wages (in €, constant prices, taking 2023 as base year). Source: compiled by authors, data from OECD.

Regarding economic inequality, Italy ranked 8th in the Gini coefficient for equivalized disposable income in 2023 in the European Union, with a score of 31,5. However, inequality is even more pronounced when measured by Gini coefficient for per-capita net wealth, indicating that wealth is distributed much more unequally than income (Filandri, 2022). Both measures have shown an upward trend from 1991 to today. Typically, disadvantaged categories in Italy include the poor, renters, young families, households with low levels of education, foreigners, and those living in “inner areas” and Southern Italy (Filandri, 2022).

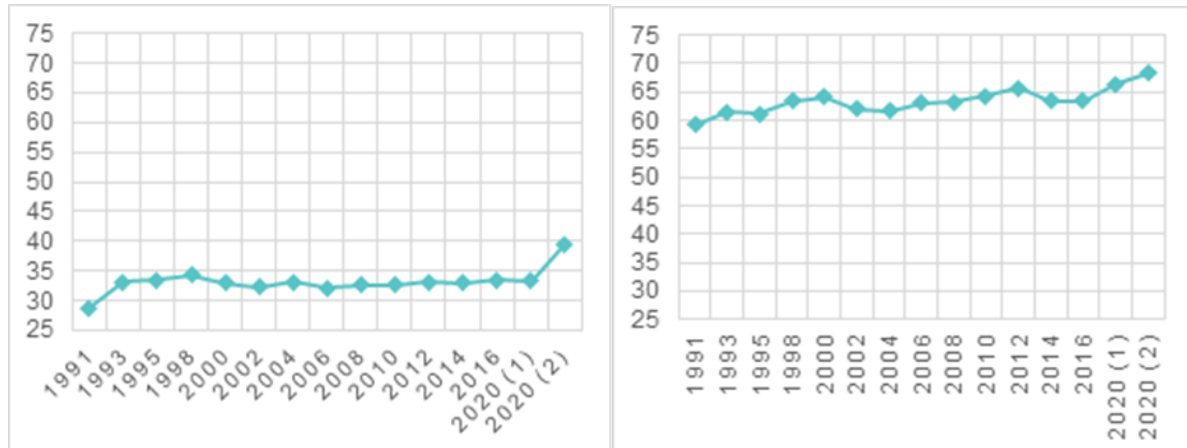


Figure IT13 Gini coefficients for equivalized disposable income (left) and per-capita net wealth (right).
Source: Filandri (2022) on data by Bank of Italy.

1.1.3 Environmental and Energy Trends

The following section presents some key data on environmental and energy trends, including the development of energy consumption in households, per capita greenhouse gas emissions, and the share of CO₂ emissions in the building sector. It moreover provides insights into the composition of the energy mix by sources used, the development of final household energy consumption by end use, as well as the evolution of gas and electricity prices.

As shown in Figure IT14, the share of CO₂ emissions in the building sector gradually decreased from 1970 to 2007, following a peak of 22,6% in 1972 - a period that featured by intense construction activity in the country – and then continuously decreasing from the mid-70s onwards. After 2007, the share of emissions increased sharply, reaching a spike in 2020 with 22,7%, marking the highest value in the observed period. This was followed by a sudden drop, presumably reflecting the contingent effects of the Covid-19 pandemic. The availability of data on per capita final-energy consumption in households and emission of greenhouse gases is limited, referring to the years of 2000-2022 in the case of the former and 2008-2022 in the case of the latter. Greenhouse gas emissions have dropped notably (by -25%) in this period, reaching their lowest value in 2014, and per capita final energy consumption mirrors this trend, as clearly visible from 2008 onwards.

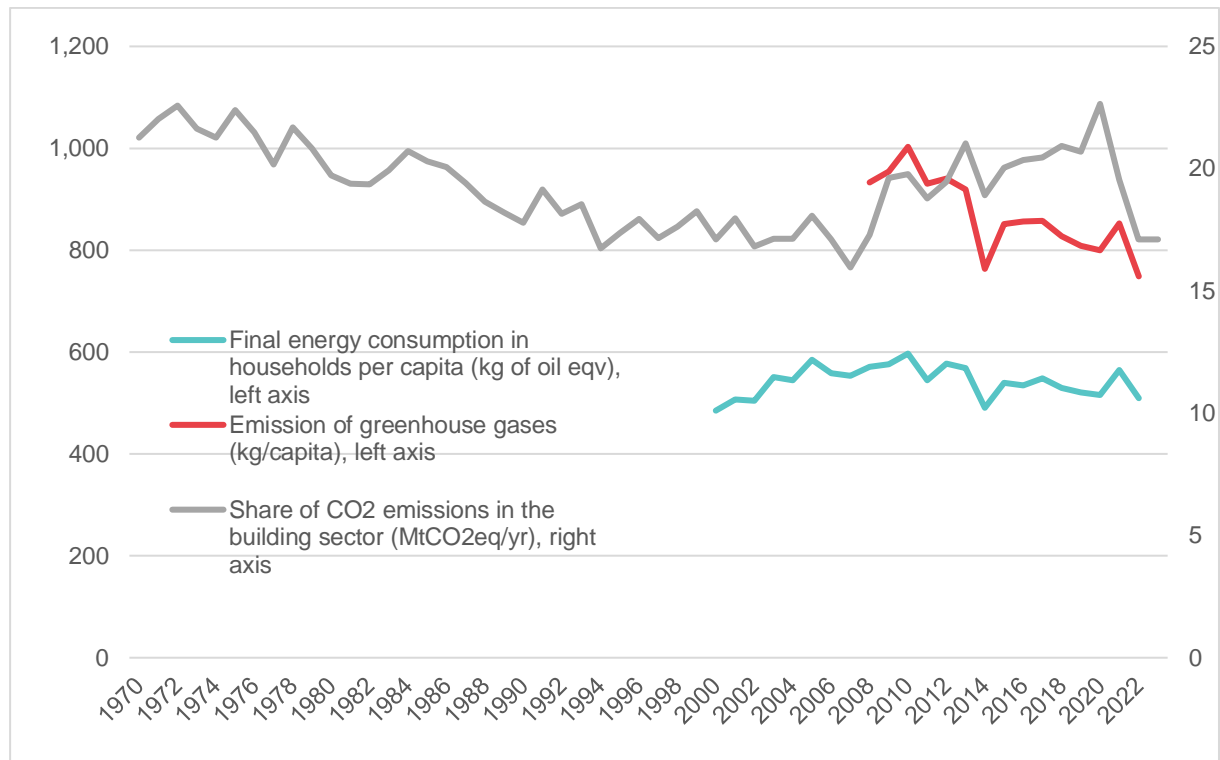


Figure IT14 Development of Emissions in the housing sector and households, Italy. Sources: compiled by authors, data from EDGAR-Emissions Database for Global Atmospheric Research, EUROSTAT.

Figure IT15 illustrates changes in household energy use by fuel type from 1990 to 2022. What clearly emerges is that throughout the entire period, natural gas has constituted (and continues to do so) by far the largest share of household energy consumption (with shares fluctuating between 43% in 1990 and 57% in 2004). Oil and petroleum accounted for a very substantial share of the energy mix in the 1990s and 2000s (with a share of almost 36% in 1990), but have gradually declined over the years, today amounting to a share of less than 6%. Quite an opposite development has occurred in terms of the share of renewables and biofuels, becoming a relevant energy source particularly from the mid-2000s onwards; today the share has reached 24%, reflecting Italy's attempts to invest in more sustainable energy sources, committing to environmental goals. Electricity remains steady throughout the entire period, while heat represents a minimal share of the energy mix.

Figure IT16 illustrates the households' energy consumption, measured in terajoules, by end use (distinguishing between space heating, space cooling, water heating, cooking, lighting/electrical appliances, and other uses) from 2015 to 2022. Throughout the entire period, most of the energy consumption has been accounted for by space heating, reaching stable shares of 65 to 67% consistently. Heating is followed by lighting and electrical appliances (with an average of around 12,5%) as well as water heating (on average 11,7%), both of which have remained stable throughout the years. Space cooling (which includes air conditioning) occupies a minimal share, however, one that increased strongly in relative terms in the past two years, from 0,7% in 2020 to 2,1% in 2022, presumably reflecting households' and policymakers' growing efforts to contrast increasing heat.

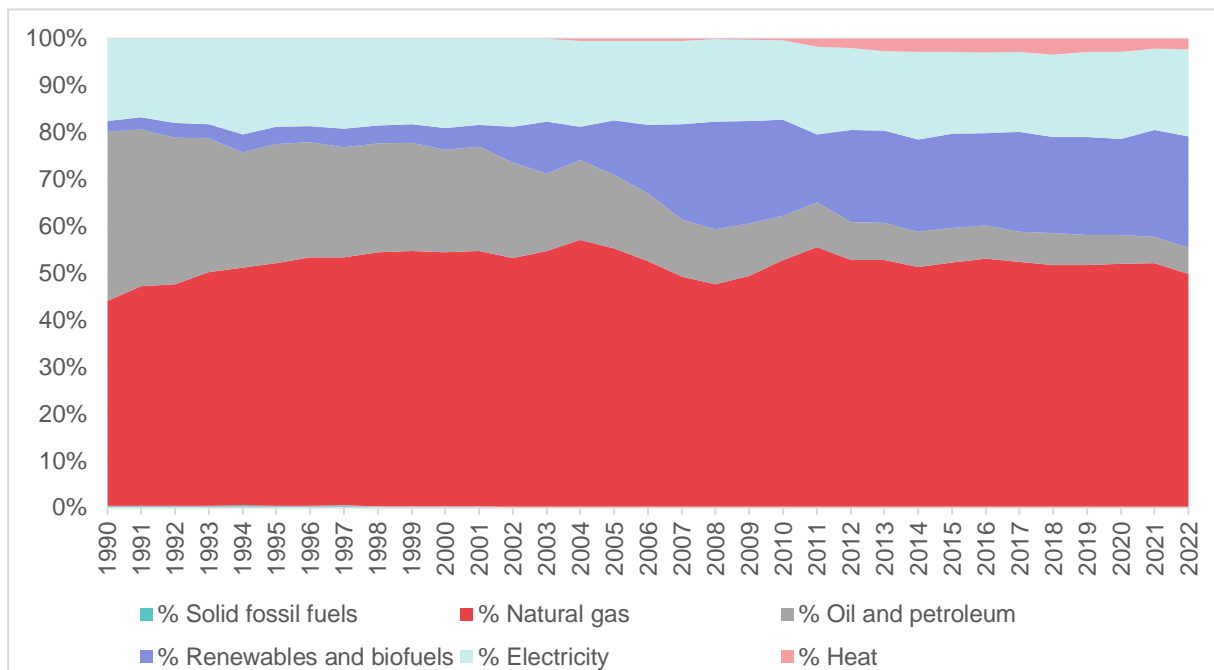


Figure IT15 Development of household energy use by fuels (percentages based on thousand tons of oil equivalent), Italy. Sources: compiled by authors, data from EUROSTAT.

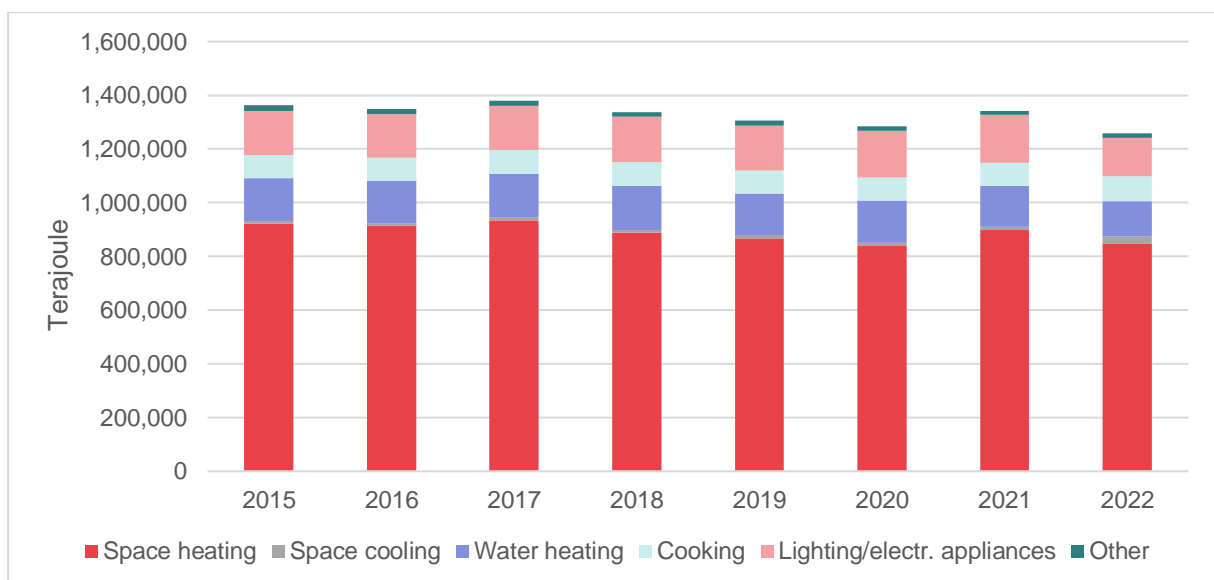


Figure IT16 Development of final household energy consumption by end use, Italy. Sources: compiled by authors, data from EUROSTAT.

Figure IT17 presents the trends in gas and electricity prices. While prices have remained relatively stable between 2007 and 2018, a sharp increase can be observed since 2019 as regards electricity prices and since 2020 in terms of gas prices. Both gas and electricity prices

have increased significantly, however, the rise is particularly pronounced in the latter case, reaching 0,31€ per kWh in the second half of 2020, and 0,38€ per kWh in early 2021. This constitutes an increase of 85% compared to 2008.

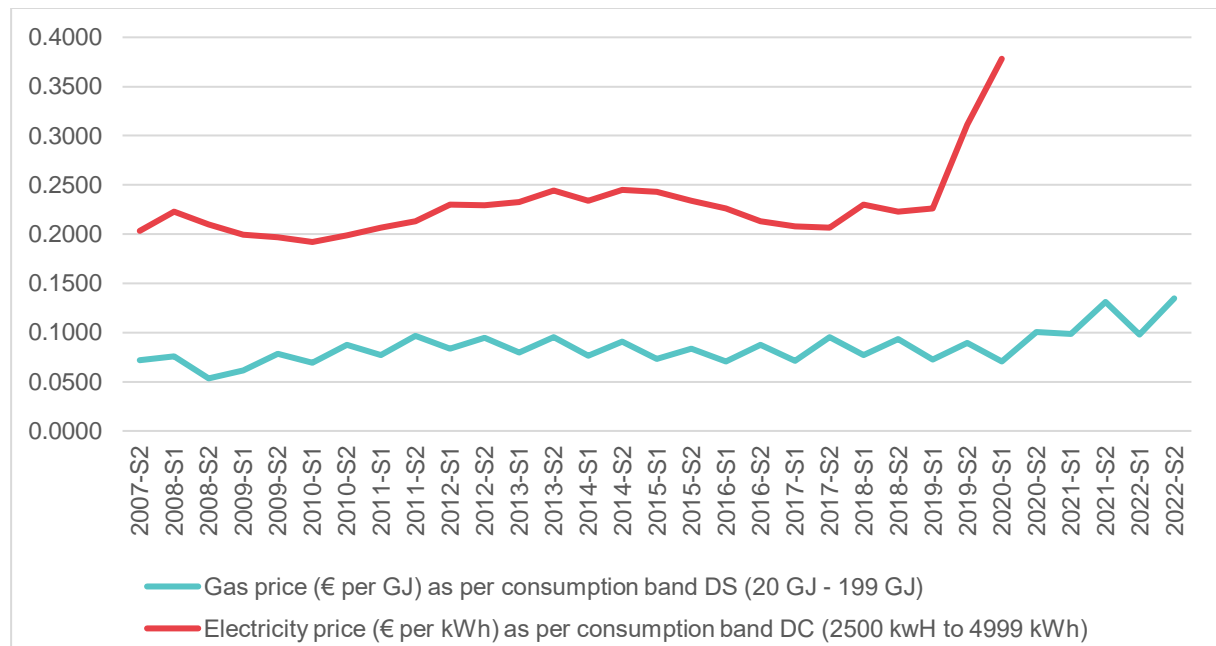


Figure IT17 Development of semi-annual gas and electricity prices, Italy. Source: compiled by authors, data from EUROSTAT.

1.2 Housing Sector

Section 1.2 provides an analysis of housing sector trends in Italy, focusing on key aspects such as the development of the housing stock, tenure structures, and housing prices. This section explores how these factors have evolved over time, with attention to the implications for housing inequality and affordability. Trends in housing construction and shifts in housing expenses are central to understanding how the housing market has responded to both economic pressures and policy interventions. By examining these elements, the section aims to assess broader impacts on housing accessibility and the socio-economic landscape.

1.2.1 Housing Stock Development and Tenure Structure

Most of Italy's housing stock was developed after WWII, with significant peaks in the 1960s. Housing construction remained stable throughout the 1980s and '90s with a small growth in the early 2000s and a shrinkage after the Global Financial Crisis.

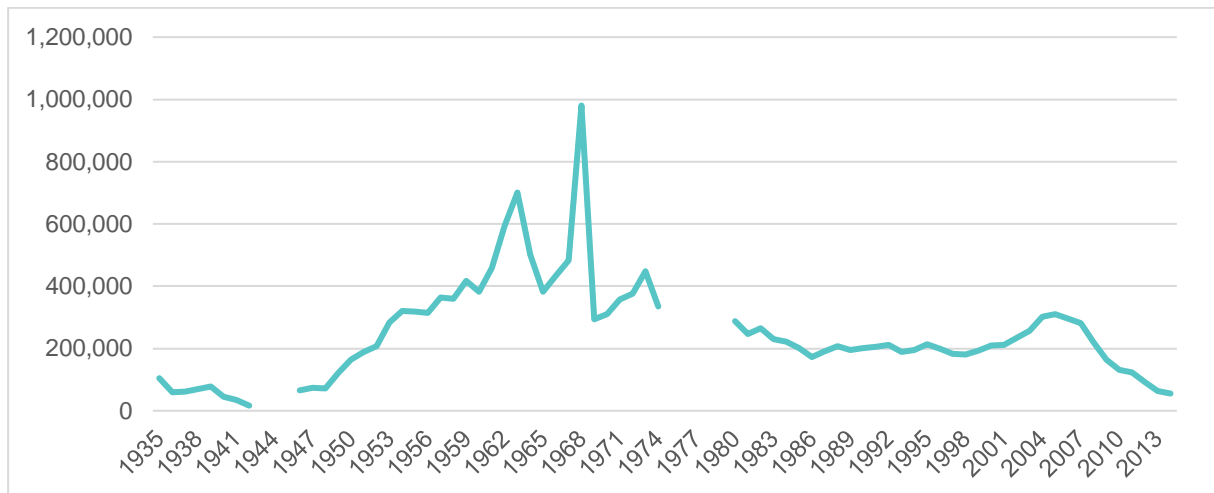


Figure IT18 Dwellings produced per year in Italy, 1935-2014. Source: compiled by the authors. Data from ISTAT (missing for 1943-1946 and 1975-1979).

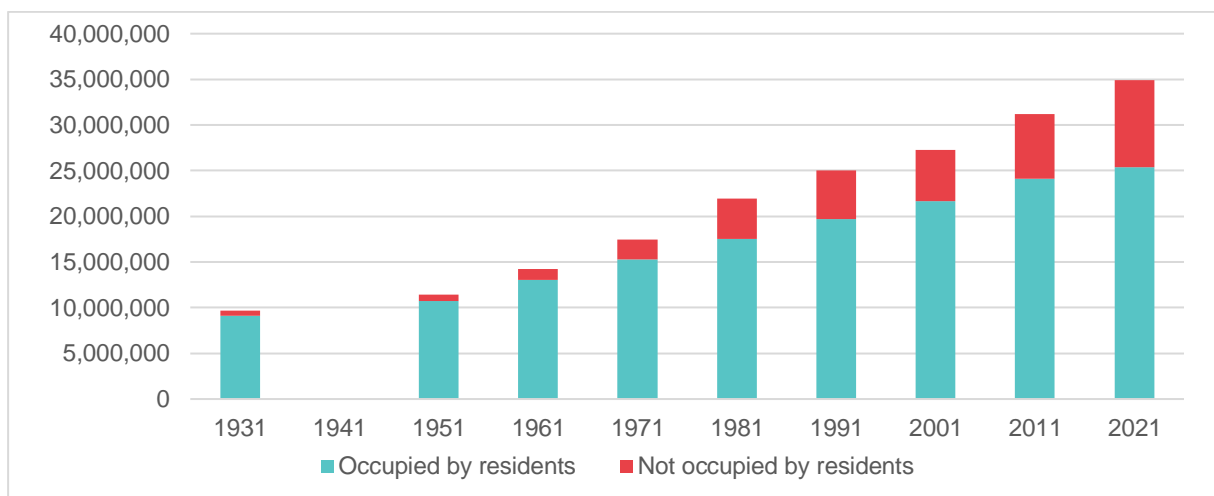


Figure IT19 Dwellings occupied by residents and not in census years. Source: compiled by the authors. Data from ISTAT.

In this framework, the Italian housing stock has increased continuously, regardless of the variation in the number of households (as shown in Figure IT20) – quite precisely approximated by the number of occupied dwellings. The result is a significant growth in the number of dwellings classified as „empty or occupied by non-residents“, which have almost doubled between 1991 and 2021. This wide category includes second homes and dwellings used for touristic or office purposes. Gentili & Hoekstra (2019) note that vacancy rates are very high for very old dwellings but also for recently built dwellings, highlighting the role of vacancy for speculative purposes and an inability to sell dwellings by developers. Additionally, they note

that when second and holiday homes are filtered out, the percentage goes down but still between one third and half appear to be empty (Gentili & Hoekstra, 2019).



Figure IT20 Number of dwellings recorded in census years 1991-2021 in Italy, and distinguished between „occupied by residents“ and „empty or occupied by non-residents“. Source: compiled by the authors. Data from ISTAT.

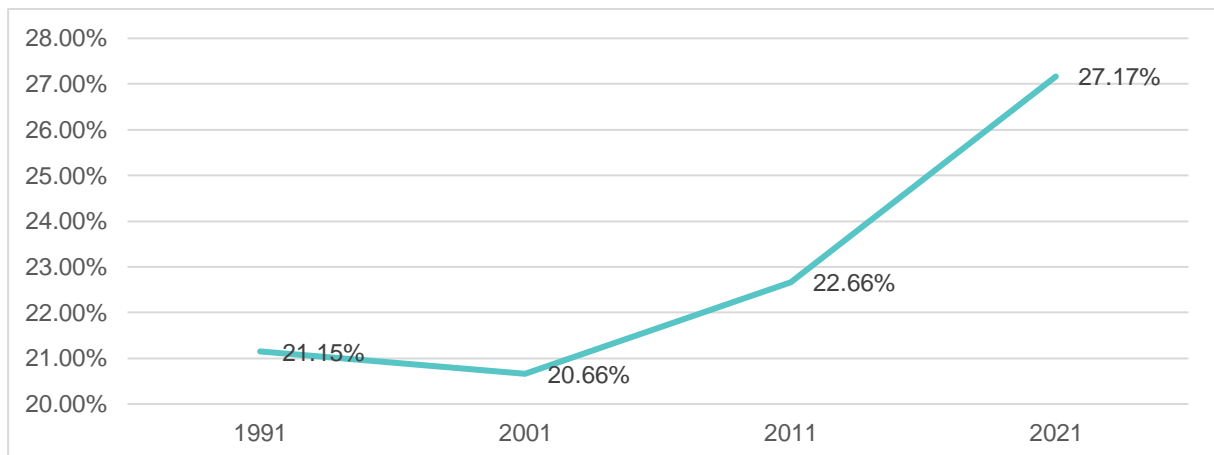


Figure IT21 Percentage of dwellings which are „empty or occupied by non-residents“ in census years 1991-2021 on the total number of dwellings in Italy. Source: elaborated by the authors. Data from ISTAT.

Regarding the tenure structure, one can see a continuous shift in tenure from renting – still in 1991 one fourth of all households was in rental tenure – to owner occupation, which grew from 68% to almost 77% in 2021. One component of this shift was the reduction in public rental housing, down from 5,8% in 1991 to 3,6% in 2021 – losing 20% of the stock in thirty years due to sales and a right-to-buy policy introduced in the 1990s. Nevertheless, public housing has consistently accommodated between around 21% and 24% of all households in the rental sector across all census years from 1991 to 2021.

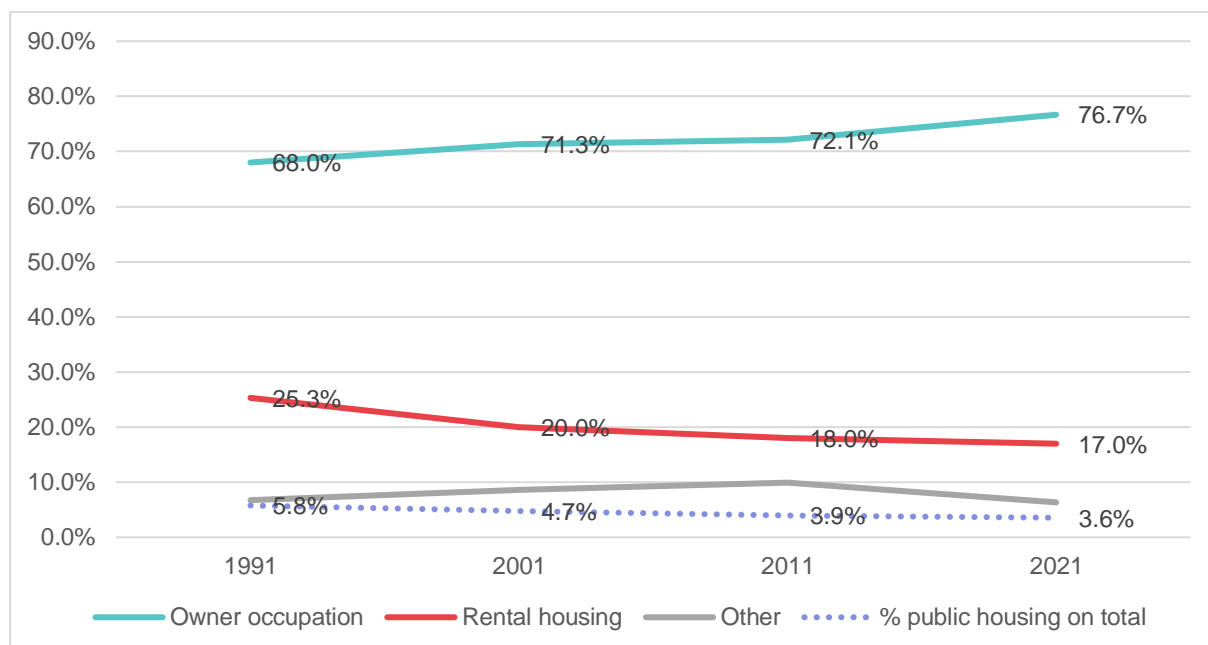


Figure IT22 Tenure structure 1991-2021 and percentage of public housing on the total tenure.

Source: elaborated by the authors, data from ISTAT.

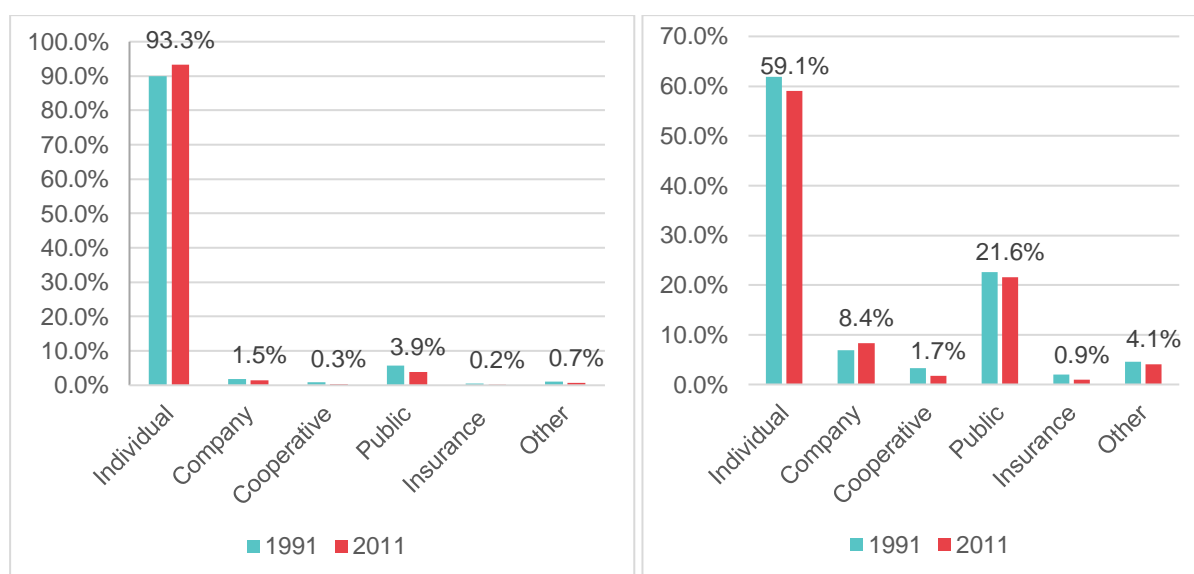


Figure IT23 Percentage of dwellings occupied by residents by type of owner [left - % of total, right - % of rental] Italy. Source: compiled by authors, data from ISTAT.

Figure IT23 shows the ownership structure of dwellings in 1991 and 2011. In 2011, over 90% of the dwellings were owned by individuals (physical persons), 3,9% by public entities, 1,5% by companies and 0,2% by insurances and pension entities. Compared to 1991, the share of dwellings owned by individuals has somewhat increased, whereas the proportion owned by public entities has decreased. Looking at rental tenure specifically, a more significant role of public housing emerges, with 21,6% of all tenants living in public housing – second to tenants living in dwellings owned by individuals, constituting 59,1%. This is followed by households

living in flats owned by companies (8,4%), cooperatives (1,7%) and insurance and pension companies (0,9%).

Error! Not a valid bookmark self-reference. IT24 shows the composition of the housing stock distinguished by period of construction. A large share of dwellings in Italy is old. In 2011, 72% of the dwellings had been built before the 1980s, when minimum energy-efficiency rules were introduced into building regulations.

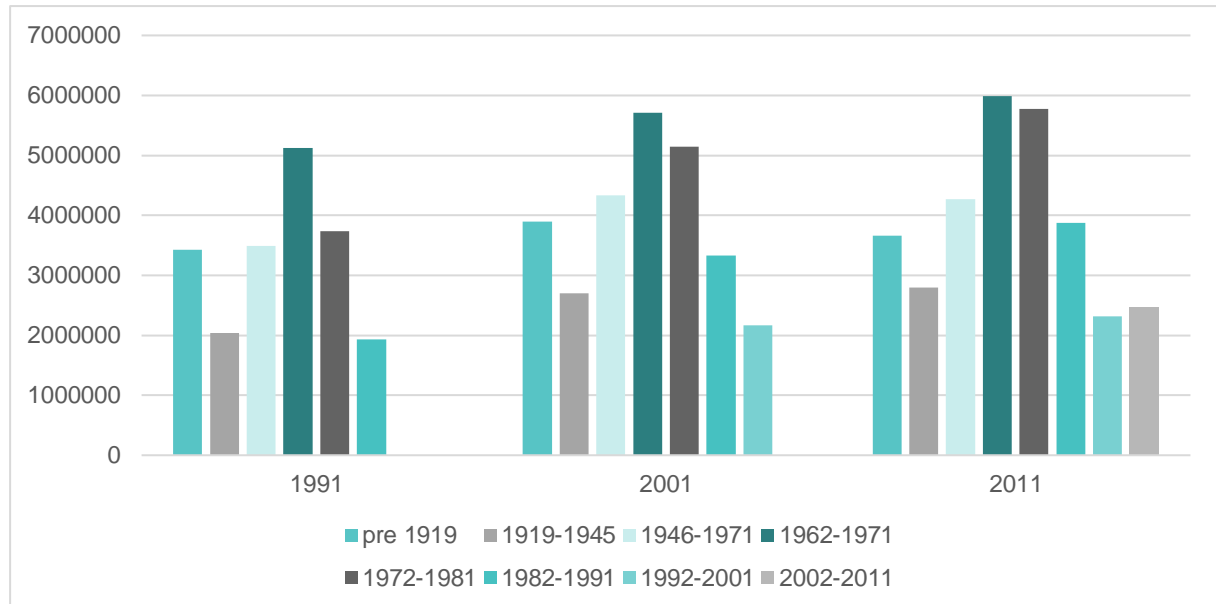


Figure IT24 Dwellings by year of construction in census years 1991-2011, Italy. Data for the 2021 census is not available. Source: compiled by authors, data from ISTAT.

1.2.2 Housing Prices and Public Expenditures

The development of housing prices and rent prices is presented in relation to annual average real wage growth from 2000 to 2023. All indices are normalized and the baseline year is 2000 (with a value of 100). The figure shows swinging housing prices, that after a significant growth in the early 2000s bounced back with the Global Financial Crisis. On a national level, only in 2020 prices returned to 2000 levels, to then lower again. By contrast, rents remained quite stable, and wages declined slowly.

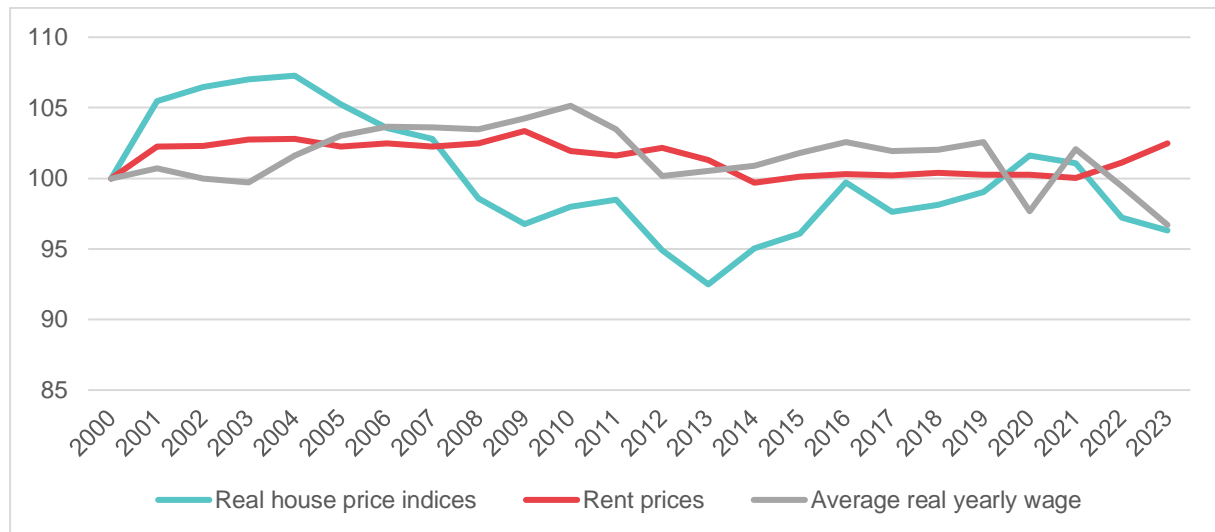


Figure IT25 Development of prices for houses and rentals, 2000-2023, Italy. Source: compiled by authors, data from: OECD.

Trends in public expenditure¹⁵ on housing are illustrated in Figure IT26, based on OECD data. Expenditure on housing (GF1006) shows an ongoing increase in Italy in the last twenty years. Given the consistent defunding process of public housing (Bricocoli, Peverini, 2024a), this increase in spending might well refer to the continuously increasing fiscal policy of private housing production, renovation and retrofitting by the national government, that has gradually increased through tax benefits (Jessoula, Pavolini, 2022) and NRRP direct funding. We know indeed that the expenditure for housing allowances remained rather low (Bricocoli, Peverini, 2024a). In contrast to general expenditures for housing, costs housing development (GF0601) and for community developments (GF0602) have decreased.

¹⁵ Expenditure on housing (GF1006) is the general figure of public expenditures dedicated to housing, including funding for the housing stock and social protection measures related to housing allowances. Housing development (GF0601) refers to direct activities and expenditures in terms of grants and loans or subsidies for the expansion, improvement, or maintenance of the housing stock. Community development (GF0602) refers to activities that – apart from housing – also include public utilities, health, education, etc.

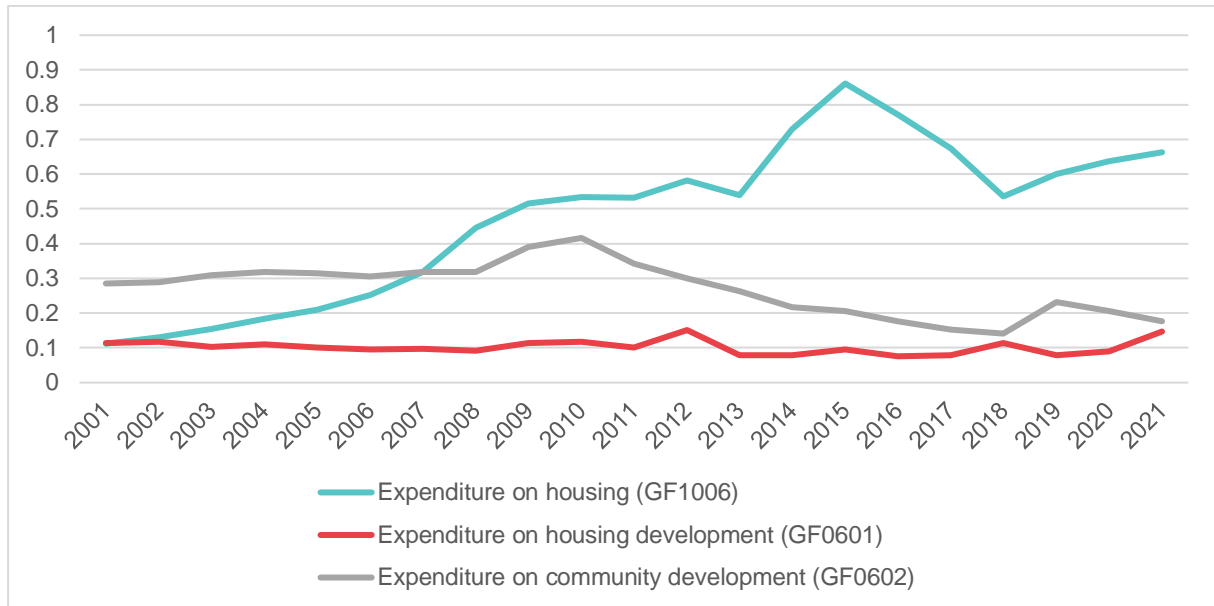


Figure IT26 Development of prices for houses and rentals, 2000-2023, Italy. Source: compiled by authors, data from: OECD.

Figure IT27 presents data on public expenditures (measured in percentage of GDP) for „housing and community amenities“ by levels of government, illustrating the impact of NRRP funding for housing retrofitting in 2021 and 2022, which increased Central Government expenditure on housing by a factor of six.

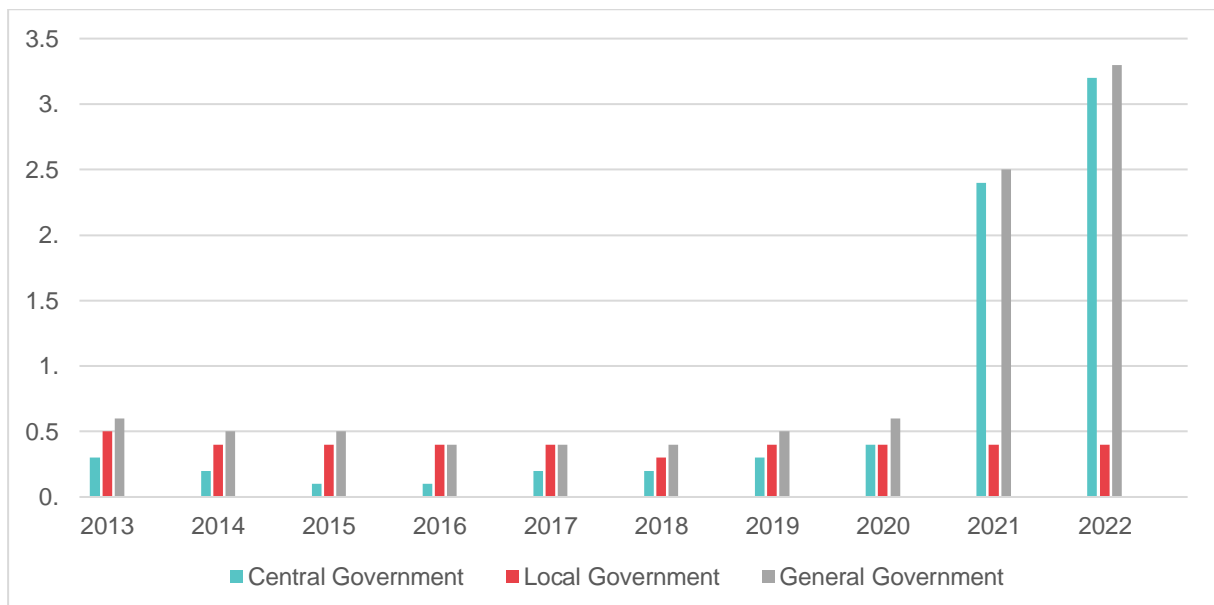


Figure IT27 Public expenditure for „housing and community development“ (% of GDP), Italy. Source: compiled by authors, data from Eurostat. Note: „State Government“ is not applicable for Italy; „Social security fund“ is zero.

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

2.1 Housing and Neighborhood Quality

The section on housing and neighborhood quality contains self-reported issues in Italy between 2005 and 2020. Figure IT29 displays the indicators provided by EU-SILC, including problems related to the physical status of the dwelling such as leaking roofs, damp walls/floors/foundations, rot in window frames or floors, too much or too little illumination, as well as problems related to the neighborhood like noise, the presence of crime violence or vandalism, and pollution, grime or other environmental problems. Perceptions across all indicators remain stable in the first five years, then the indicator on crime and violence in the neighborhood grows consistently for another five years, and in 2015 drops notably. This last indicator is the only one that continues its degrowth after 2019. The other indicators remain stable, with slight fluctuations, until 2015 when they all experience a significant decline of 5 to 10 percentage points. In 2019, all indicators begin to increase again, but do not arrive at the peaks of the post financial crisis years.

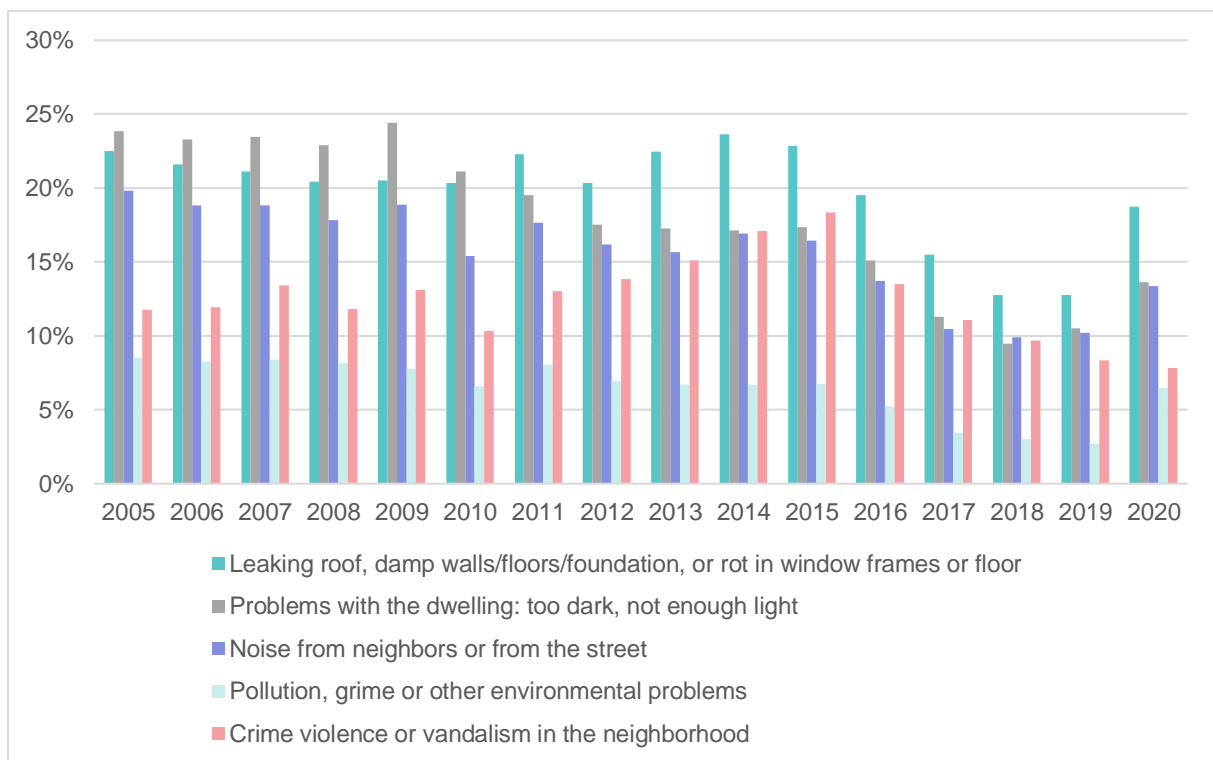


Figure IT28 Self-reported housing and neighbourhood quality (%), 2005-2020, Italy.

Source: calculation by authors, data from: EU-SILC.

Figure IT29 illustrates the trends in self-reported difficulties to keep one's home adequately warm. To highlight differences or similarities, the aggregated trend is further broken down into perceptions in densely populated, intermediate and thinly populated areas. Following the global financial crisis, data show a sharp increase in the proportion of the population experiencing problems in warming their homes. Criticalities seem to be diffused in all areas,

even if in densely populated areas the growth is relatively moderate (with around 5 percentage points from 2010 to 2012), compared to a more pronounced growth (or around 10 percentage points) in intermediate and thinly populated areas. From 2010 to 2017, fluctuations and variations can be observed across and between areas. However, the indicator subsequently shows a decrease in all areas, dropping below 10% in 2019 and 2020, returning to levels recorded during the 2005-2010 period.

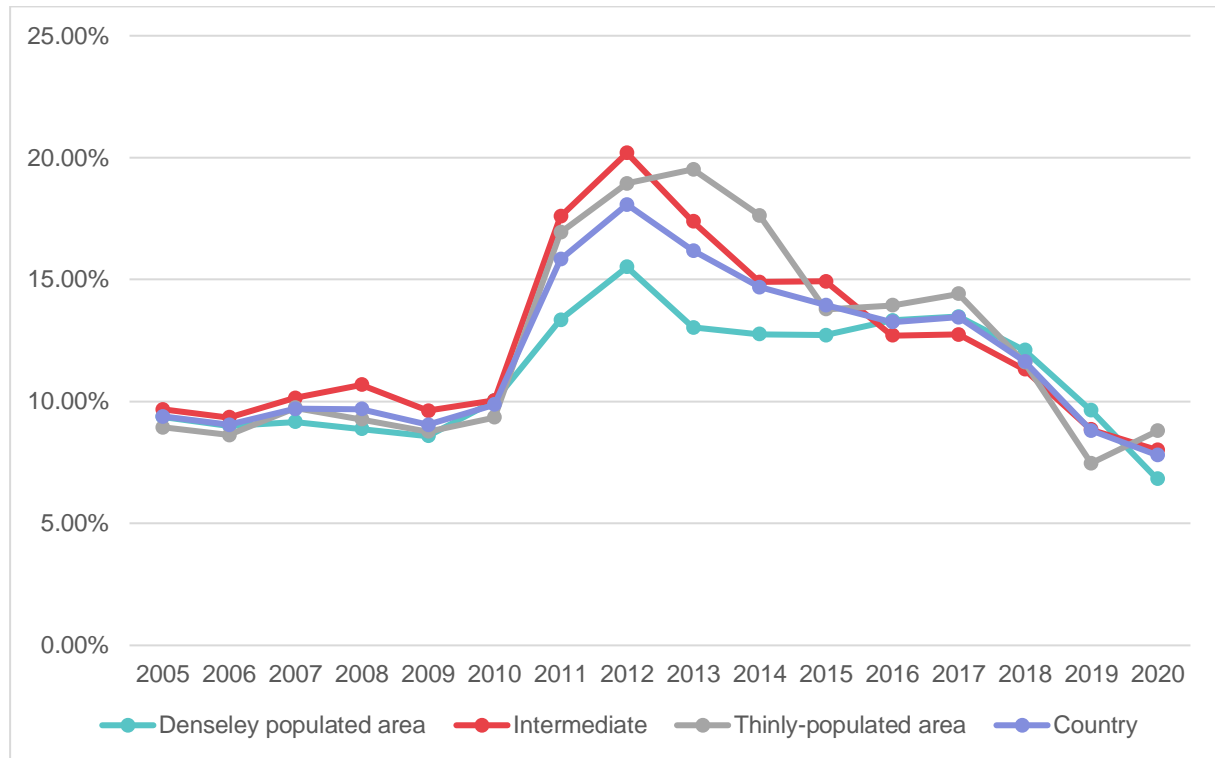


Figure IT 29 Self-reported inability to keep one's home adequately warm in the country and by population density. Development on self-reported housing and neighbourhood quality (%), 2005-2020, Italy. Source: compiled by authors, data from: EU-SILC own calculation.

EU-SILC data on the ability to “keep the home adequately warm” can be seen as an indicator of energy poverty, however, the 2020 time frame does not capture recent developments in energy markets that have dramatically changed the situation. In fact, in 2022, the price dynamics of energy goods were marked by strong increases, with significant effects on household expenditure. According to data from the Italian expenditure survey conducted by ISTAT, households on average spent 500 euros more in 2022 than the year before on energy for lighting, heating, cooling and cooking (ISTAT, 2024d). According to the same report, energy poverty in Italy decreased in 2022, which is mostly attributable to extensive governmental measures and transfers targeting households in difficulty, with the aim to contain energy prices.

In this report, housing consumption is operationalized as the share of overcrowded households (displayed in Figure IT30) and the number of persons per room (shown in Figure IT31).

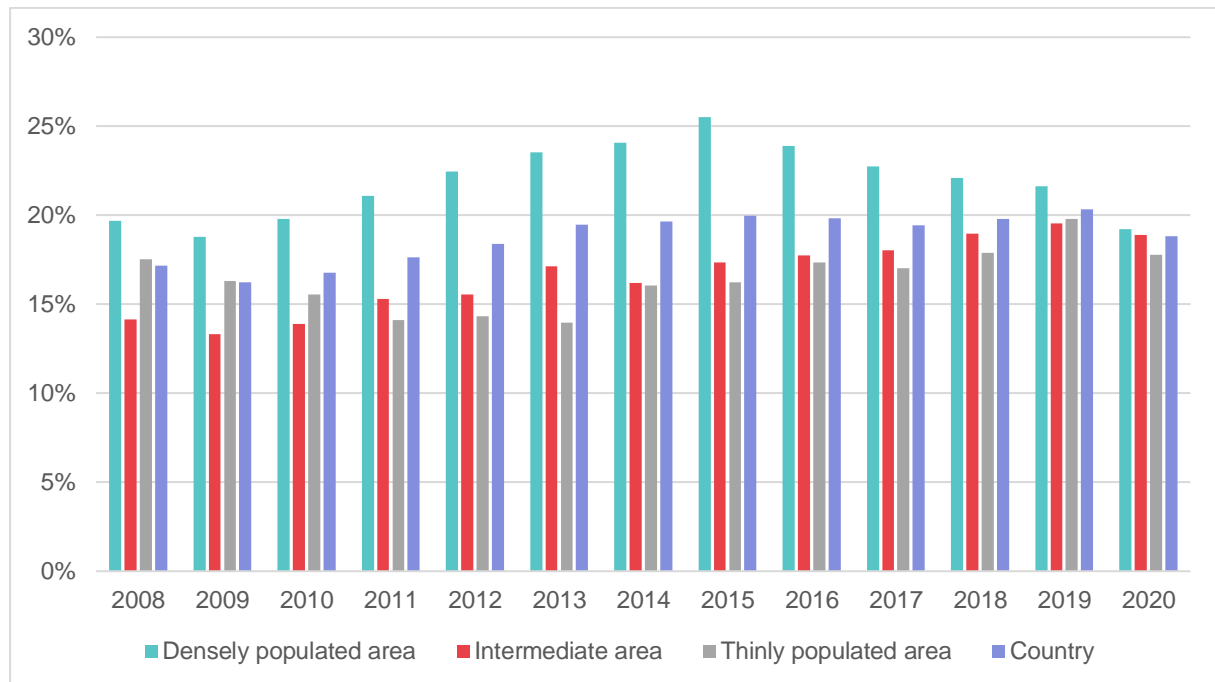


Figure IT30 Share of overcrowded households, 2005-2020, Italy and disaggregated by population densities. Source: compiled by authors, data from: EU-SILC own calculation.

As regards overcrowding, the trend has remained high in Italy throughout the entire period observed (2008-2020), reaching levels of between 16% (2009) and over 20% (2019). In the country, the indicator increased from 2009 to 2015, to then stagnate at a level of around 20%. In densely populated urban areas, the indicator is substantially higher than in intermediate and thinly populated areas throughout almost the entire period observed, reaching 20% in 2008 and peaking at over 25% in 2015. In the last five years, overcrowding in densely populated areas decreased, reaching similar levels as in other areas in 2020. Regarding the average number of persons per room, distinguished in the EU-SILC survey between dwellings with less than 6 rooms and with 6 or more rooms, a steady decrease is observed in both categories.

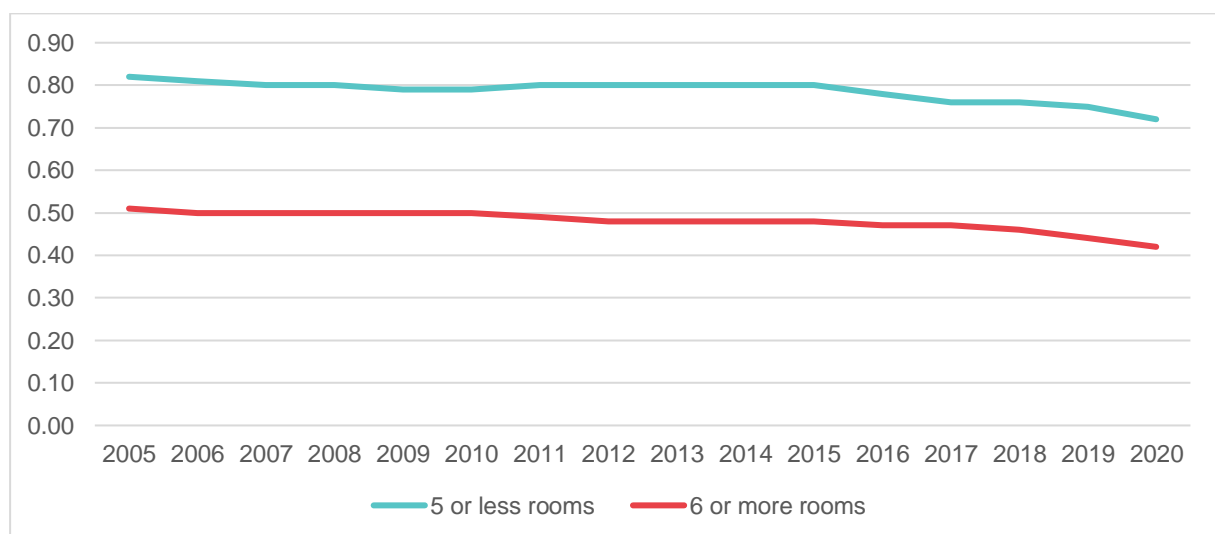


Figure IT31 Share of overcrowded households, 2005-2020, Italy and disaggregated by population densities. Source: compiled by authors, data from: EU-SILC own calculation.

2.2 Housing Costs

2.2.1 Housing Cost Burden per Socio-economic and Demographic Conditions

Figure IT32 illustrates the evolution of the housing cost burden in Italy from 2005 to 2020 by socio-economic and demographic status. Among the observed groups, retired individuals bear the lowest housing cost burden (with less than 13%), and the share has substantially decreased (starting from around 21%) since 2005, except for a peak in 2009. Those currently facing the highest housing cost burden (23,4% in 2020) are unemployed persons, starting from a peak of almost 32% in 2005, and displaying considerable fluctuations, with a low of 15,7% in 2009. The housing cost burden of full-time workers has remained relatively stable between 2007 and 2020, reaching between 15 and 17%. Part-time workers face a somewhat higher burden, with notable fluctuations of between 24,6% in 2006 and 14,2% in 2018. The starkest fluctuations, however, can be observed among students, who are also the group which has experienced the highest housing cost burden (35% in 2006) among all groups in the period observed. Overall, the data show that unemployment and student status are the strongest predictors of a high housing cost burden in Italy, reflecting the financial instability of these groups. However, overall, the housing cost burden substantially decreased across all groups from 2005 to 2020, with the strongest decrease among students (-44%) and retired individuals (-39%).

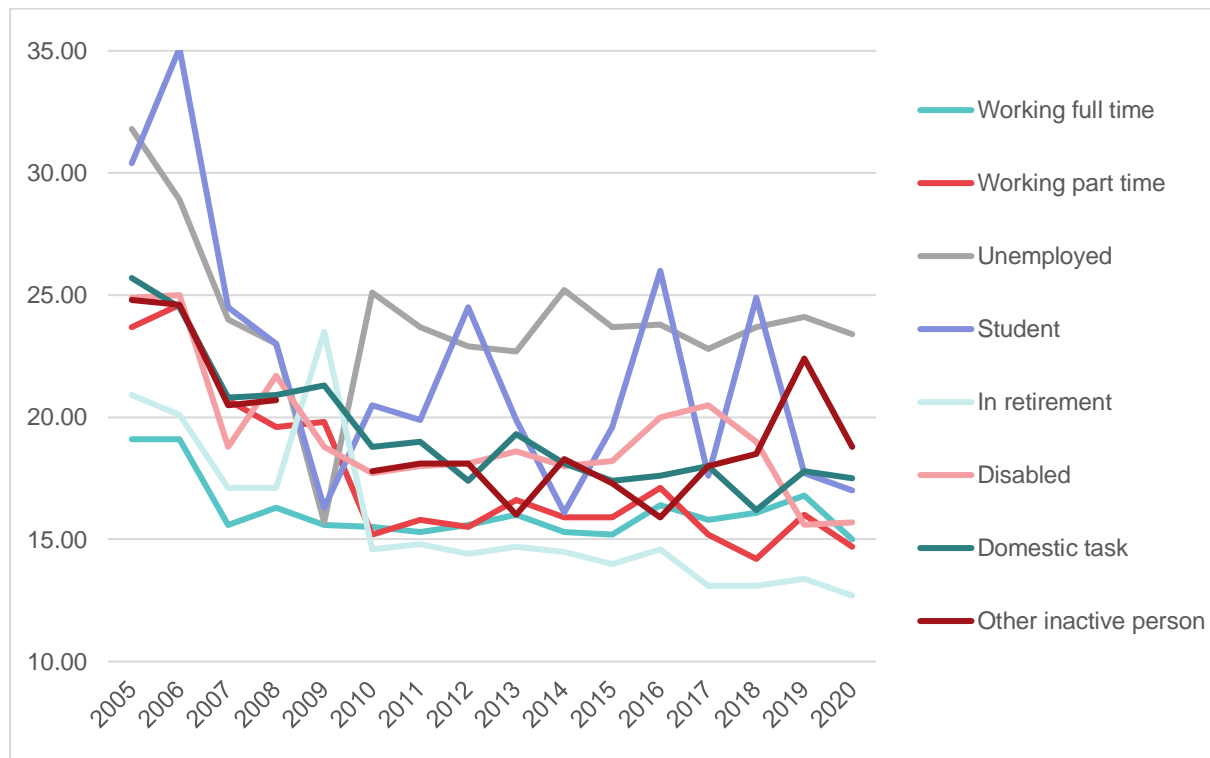


Figure IT32 Development of share of total housing costs in total disposable income by self-defined economic status Source: compiled by authors, data from: EU-SILC own calculation.

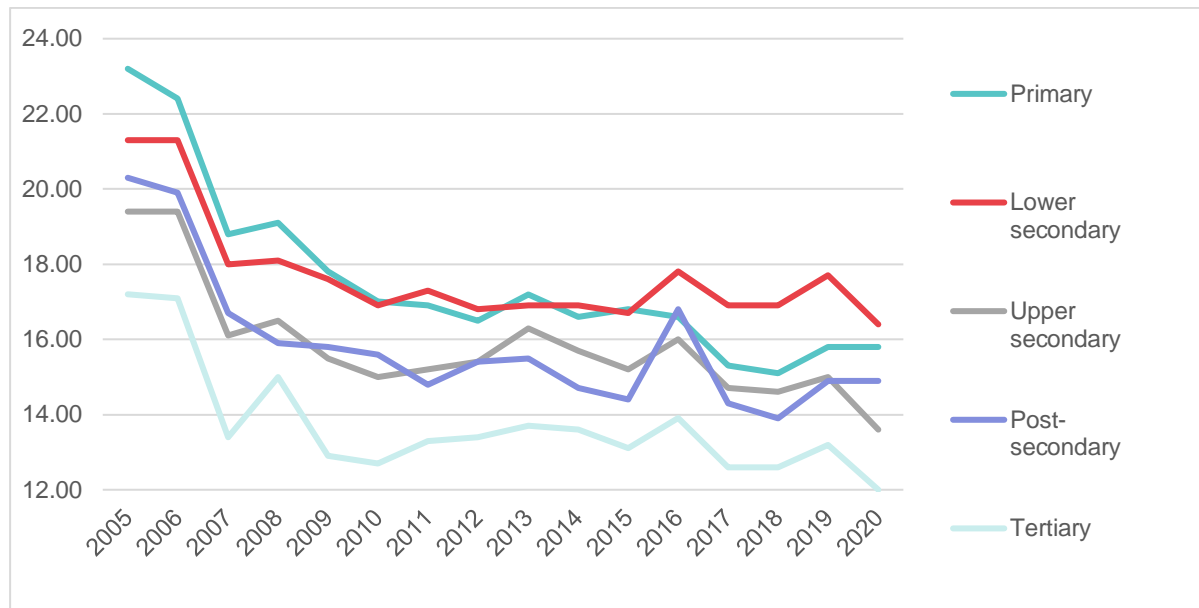


Figure IT33 Share of total housing costs in total disposable income by educational attainment level. Source: compiled by authors, data from: EU-SILC own calculation.

Similarly, the mean share of total housing costs in total disposable income varies significantly by education level, with higher education generally correlating to a lower housing cost burden. As Figure IT34 illustrates, the housing cost burden has decreased notably across all education levels in the observed period, particularly from 2005 to 2010, before experiencing some fluctuations. Individuals with lower secondary or primary education clearly face the highest housing cost burden, reaching levels of around 16%, whereas those with tertiary education spend an average of 12% of their income on housing costs in 2020.

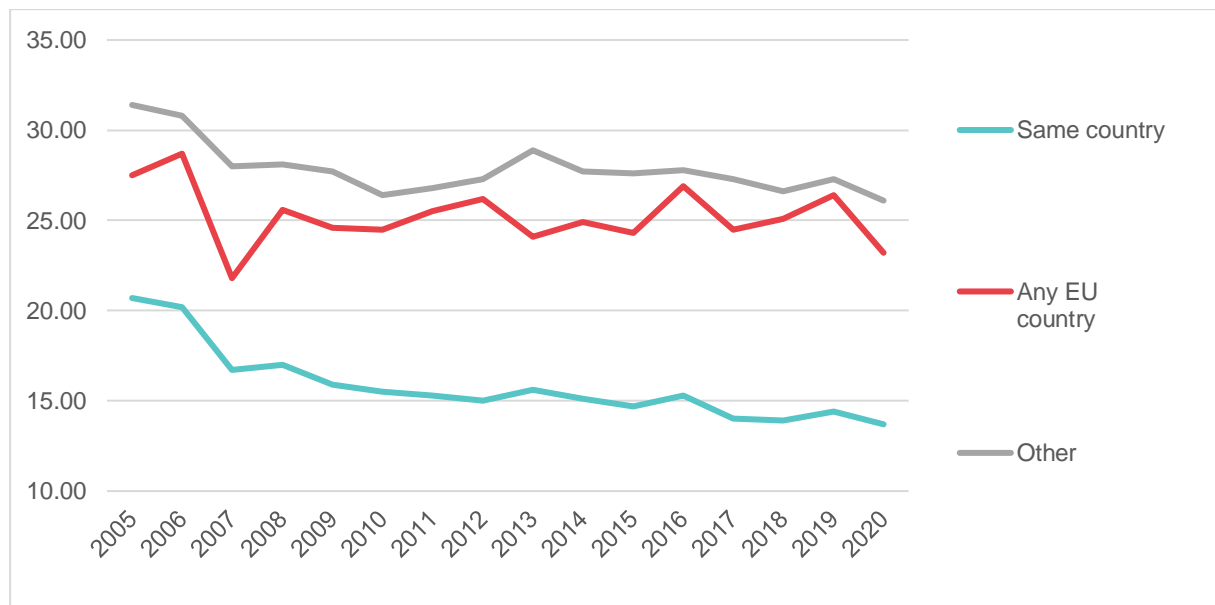


Figure IT34 Share of total housing costs in total disposable income by country of birth. Source: compiled by authors, data from: EU-SILC own calculation.

The mean share of total housing costs in total disposable income varies significantly by country of birth, with individuals born in Italy paying significantly less than those born in other EU or non-EU countries. Persons born in Italy consistently have the lowest housing cost burden throughout the entire period, which moreover decreased steadily from around 21% (in 2005) to less than 15% in 2020. For both individuals born in other EU countries and those from third countries, the share of housing costs in total disposable incomes has not only been higher throughout (exceeding, for the latter, 31% in 2005), but also subject to greater fluctuations, indicating a higher level of instability in their housing situations.

2.2.2 Housing Cost Burden per Household Type

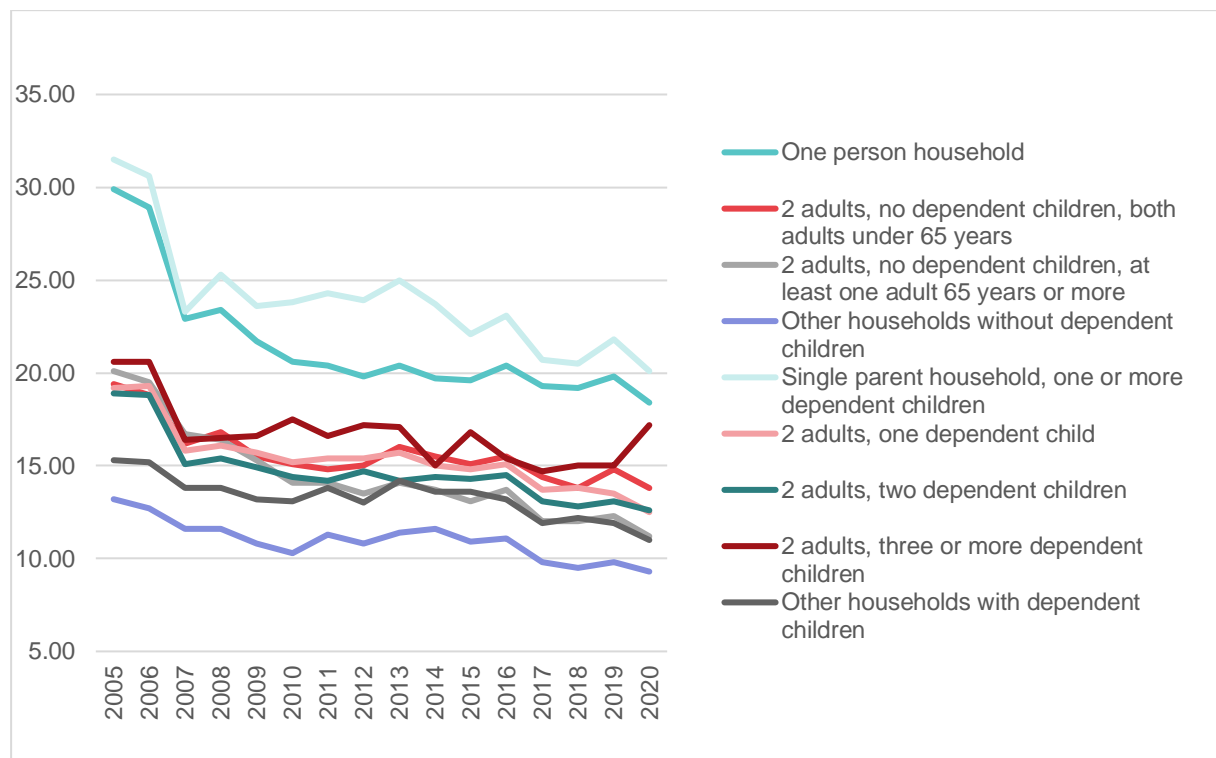


Figure IT35 Share of total housing costs in total disposable income by household type. Source: compiled by authors, data from: EU-SILC own calculation.

Figure IT35 shows the housing cost burden from 2005 to 2020, broken down by household composition. Across all household types, the overall housing cost burden has decreased over the observed period, in some cases substantially. Vulnerable groups like single parents and single households are experiencing the highest housing cost burdens with a share of 20,1% and 18,4% of housing costs in disposable income, respectively. However, these are also among the groups where the decrease has been most pronounced (-36% in the case of single parent households, and -38,5% in the case of single households). Households without dependent children, particularly those with older adults, face the lowest housing cost burdens. While households with dependent children overall have experienced a gradual improvement in their housing cost burdens, larger families with three or more children still remain more susceptible to economic pressures, with a housing cost burden fluctuating between 14,7% (in 2017) and 20,6% (in 2005 and 2006).

2.2.3 Housing Cost Burden per Building Type and Tenure

This section analyses how different levels of burden are related to different housing typologies, including detached and semi-detached houses and apartments, and to what degree the type of tenure affects housing costs for Italians.

Regarding the relationship between housing typology and housing expenses, we can notice that households residing in detached or semi-detached or terraced housing tend to have a lower housing cost burden than households who live in apartment buildings – and the difference has increased over time.

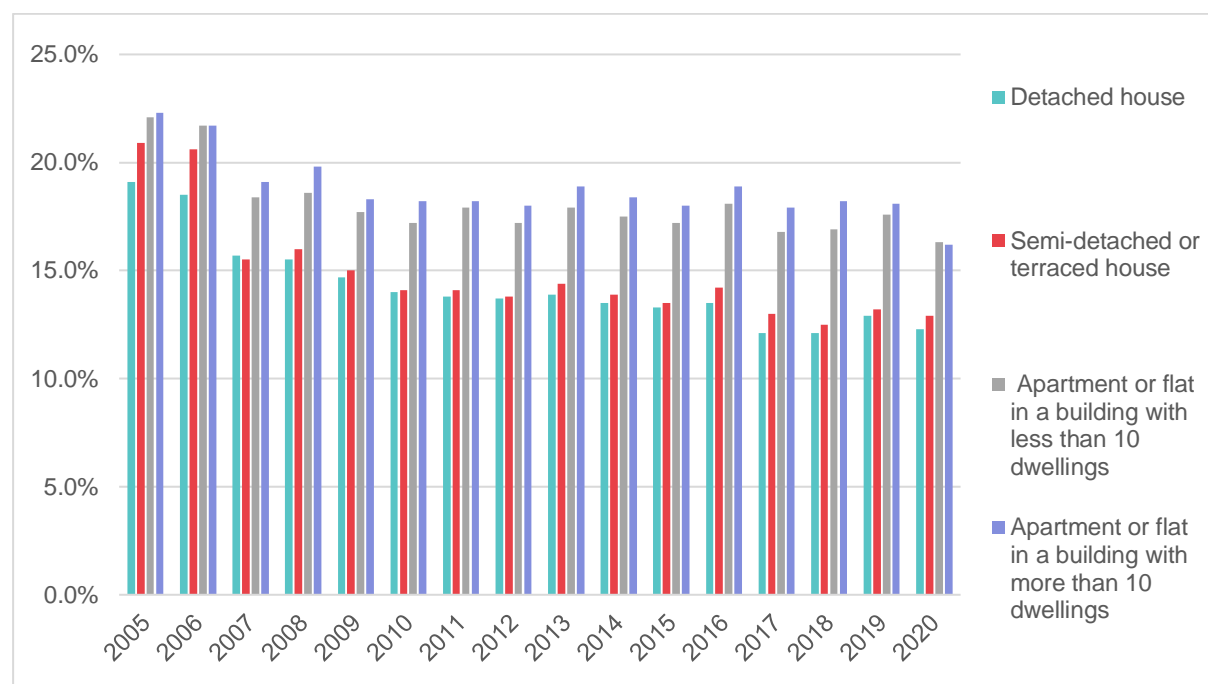


Figure IT36 Share of total housing costs in total disposable income per dwelling type, 2005-2020, Italy.
Source: compiled by authors, data from: EU-SILC own calculation.

As shown in Figure IT36 the share of disposable income spent on housing has been lowest (throughout the entire period from 2005 to 2020) for those living in detached and semi-detached houses, at around 20% at the beginning of the observed period, and then gradually fell to around 12% for both detached houses and semi-detached or terraced houses. The steady decrease of the percentage of disposable income spent on housing costs is not shared by Italians living in flats, neither in smaller buildings nor in buildings with more than 10 flats. After a net decrease for two years for both categories of multi-family dwellings, from 2007 onwards the share fluctuates between 17% and 19%, until 2020, when the lowest value is reached at 16,2%. The difference between dwellings by the dimension of the buildings in which they are situated is small, but overall, dwellers in buildings with more than 10 dwellings spend a higher percentage of their income on housing. The inequality between citizens living in different types of dwellings has increased in Italy over the period of analysis, although for those living in detached houses the percentage of income spent on housing costs has decreased significantly, while for those living in apartments, there has been no noticeable improvement. An exception is the last year observed, which was also the first year of the Covid-19 pandemic, when the Italian government intervened substantially in the country's economy with various

measures, including a moratorium on evictions. The trend of executed evictions is displayed in Figure IT37, in which the effect of the halt in evictions between 2020 and 2021 is clearly visible. However, the intervention was exceptional and resulted in only a temporary respite, as the following years were marked by a renewed eviction pressure in many Italian regions (Esposito, 2024).

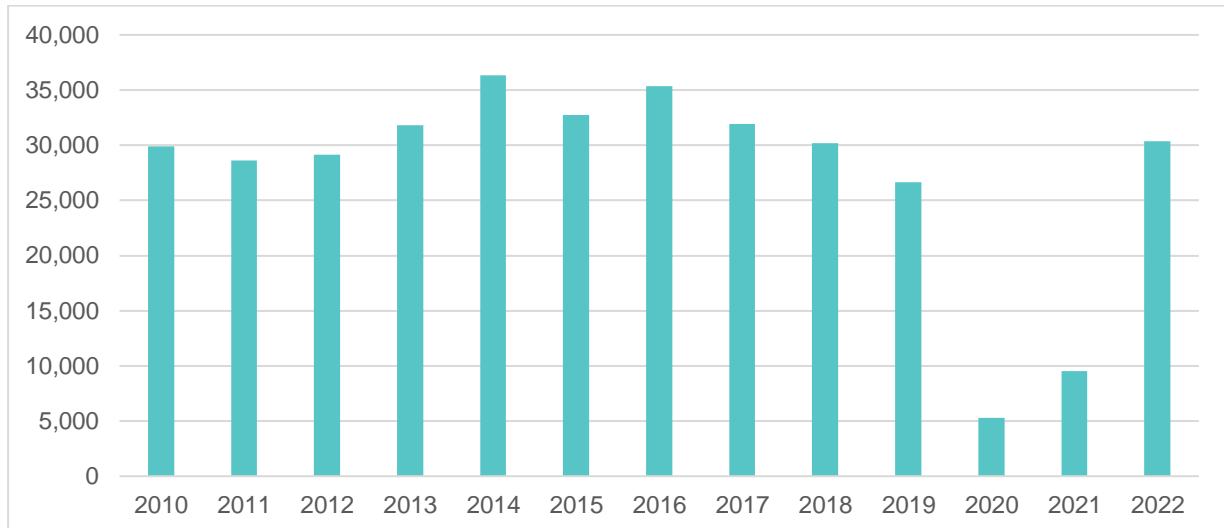


Figure IT37 Executed evictions in Italy between 2010 and 2022, data from: OECD (2024), OECD Affordable Housing Database - indicator HC 3.3. Evictions procedures (based on Ufficio Centrale di Statistica).

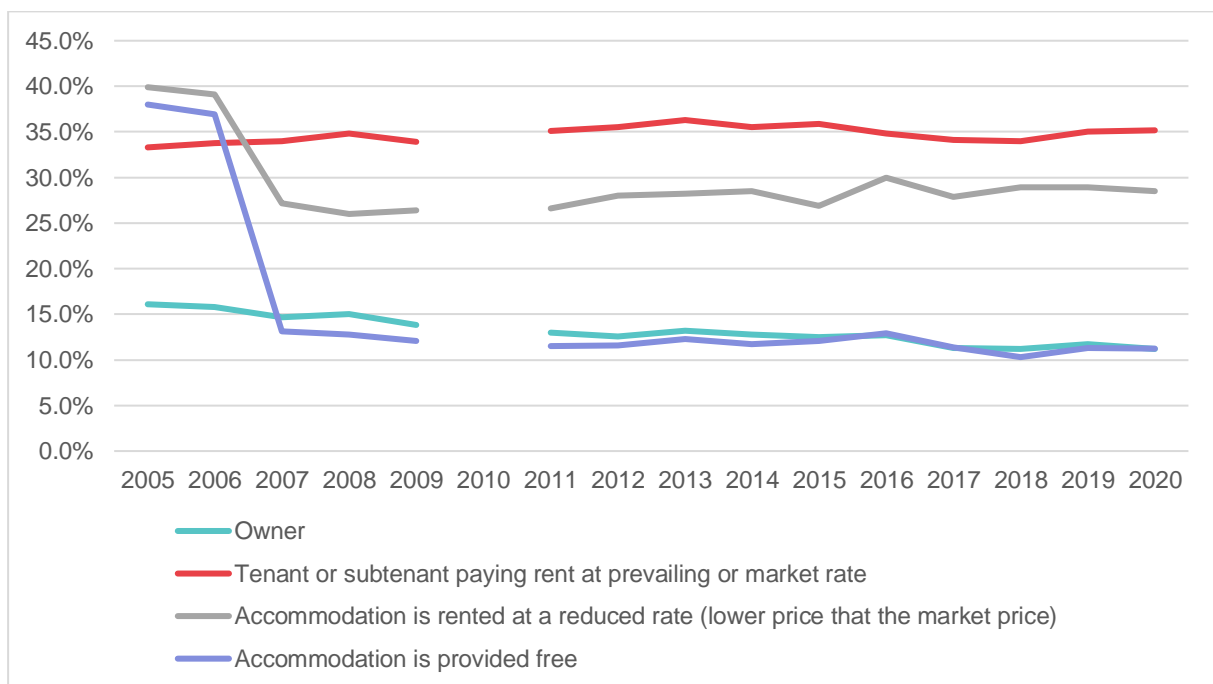


Figure IT38 Share of total housing costs in total disposable income by tenure status in Italy. Source: compiled by authors, data from: EU-SILC own calculation.

The distribution of housing expenditures and net income by tenure types in 2021 shows that tenants have by far the highest housing expenditures and the lowest incomes, facing a housing cost burden that is triple than those of other categories, and the share of overburdened tenants is more than double that of other categories. While mortgaged owner-occupiers have higher housing costs than outright owners, they also have higher incomes.

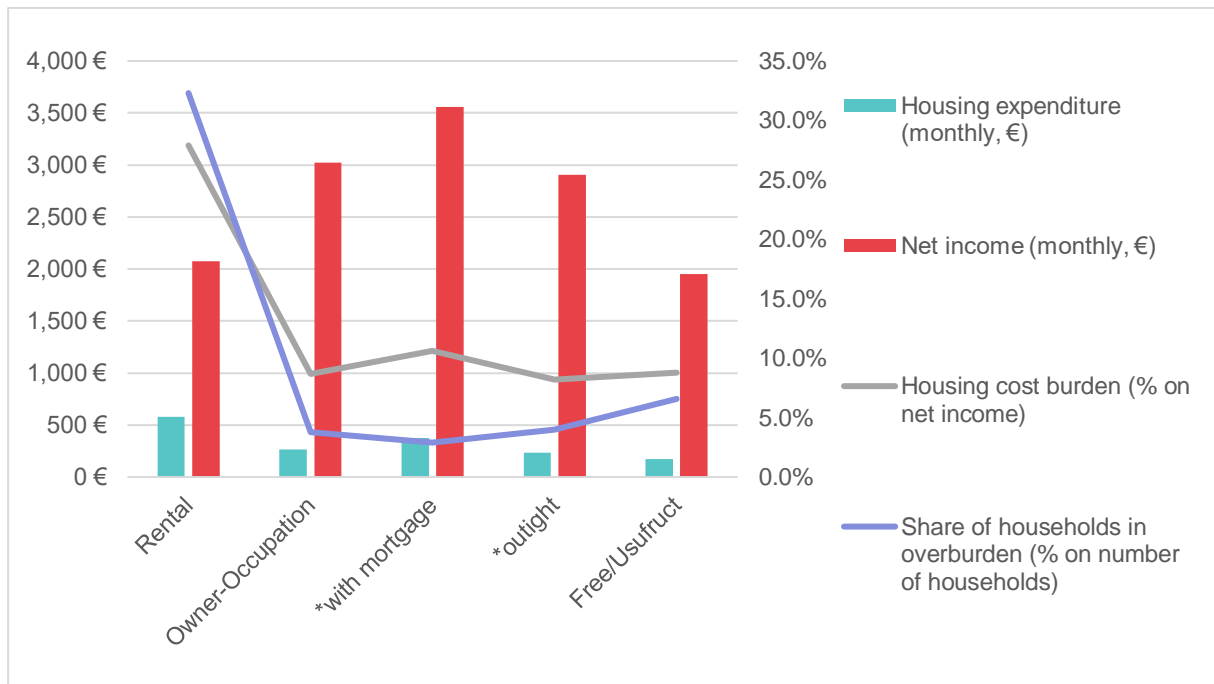


Figure IT39 Housing expenditure and net income (left axis) and housing cost burden (as % of net income) and share of overburdened households (% of all households) by tenure type in 2021.

Source: compiled by authors, data elaborated by ISTAT based on EU-SILC.

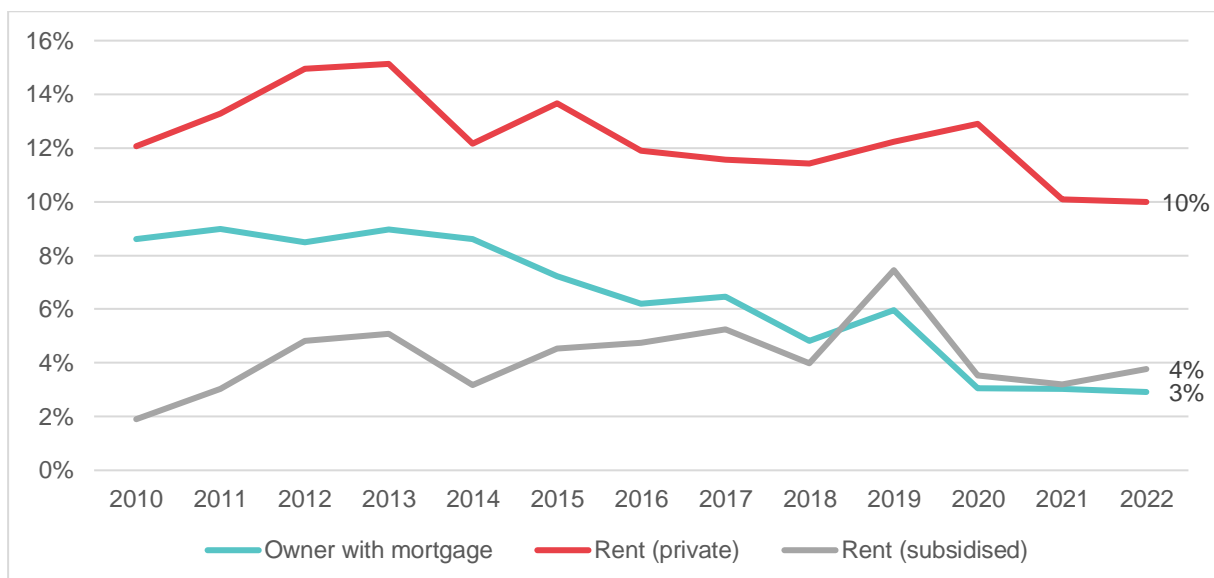


Figure IT40 Housing cost overburden rates by tenure types and years. Share of population spending more than 40% of disposable income on mortgage and rent, by tenure, in percent. Data from: OECD (2024), OECD Affordable Housing Database - indicator HC 1.2. Housing cost (based on EU-SILC).

Tenure indeed draws deep fault lines in terms of housing cost burden, with the share of disposable income spent for housing that is on average over three times higher for tenants at market rate than for owner-occupiers (with a slight difference for tenants at reduced rate). Similarly, the share of households experiencing housing cost overburden is three times higher for tenants at market rate (10% of the tenant population are spending more than 40% of their income in housing costs) than for owners with mortgages.

Figure IT38 shows the percentage of disposable income spent on housing costs, as self-declared by EU-SILC respondents in Italy, between 2005 and 2020 (data for 2010 are missing). Renters at market rents are the only category to spend a higher proportion of their income on housing in 2020 than 15 years earlier, reaching around 35%. Those renting at reduced rates on average spent relatively lower proportions of their income, however, in 2016, this category spent almost a third of the income on housing costs. For owner-occupiers, the trend is similar to those living in their accommodations for free, fluctuating between 15% and 10% of disposable income after 2007. In fact, according to EU-SILC, the share of households in arrears on mortgage payments appears to decrease significantly, although the fluctuation in the trend is notable between the ride out of the GFC and a new phase of decrease in 2013 until the end of the observed period.

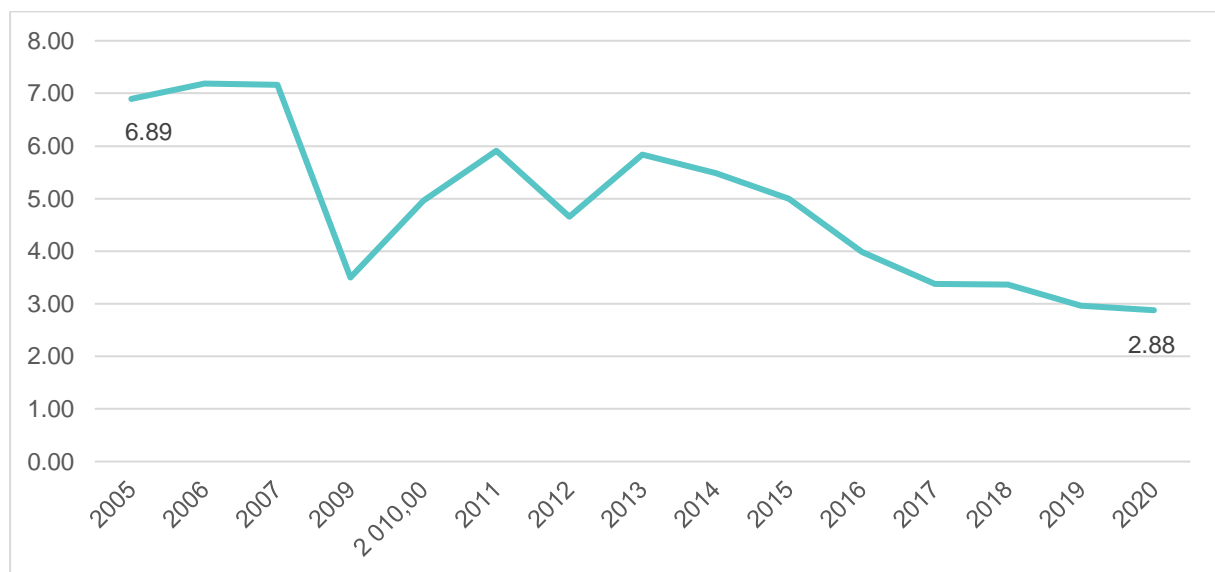


Figure IT41 Share of households in arrears on mortgage payments, 2005-2020, Italy.
Source: compiled by authors, data from: EU-SILC Survey.

2.2.4 Territorial Differences of Housing Costs Burdens (Degree of Urbanization)

Figure IT43 analyses the evolution of the share of total housing costs in total disposable income by degree of urbanization (densely populated, intermediate or thinly populated areas). Throughout the entire period, the highest proportion of disposable income is spent on housing costs in densely populated areas. Between intermediate and thinly populated areas, the share of income spent on housing differs only slightly.

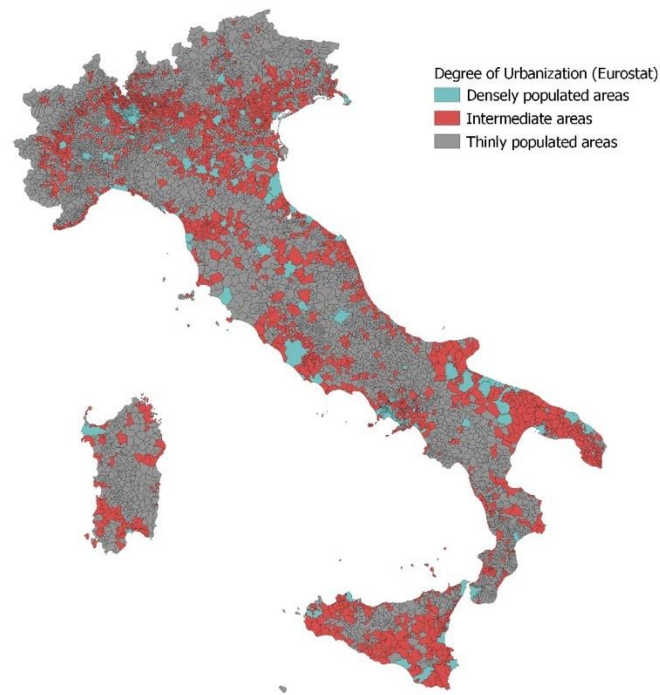


Figure IT42 Italian municipalities by degree of Urbanisation. Eurostat definition.

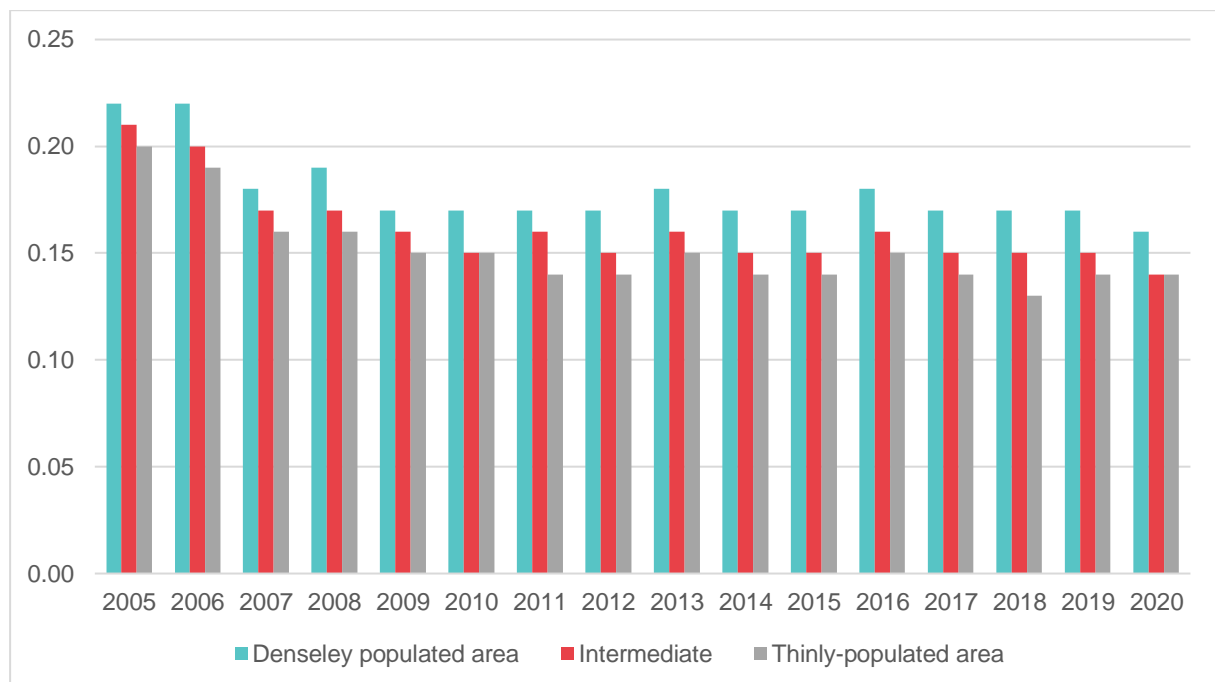


Figure IT 43 Development of share of total housing costs in total disposable income by degree of urbanization, 2005-2020, Italy. Source: compiled by authors, data from: EU-SILC own calculation.

Overall, as highlighted in the literature (Bricocoli & Peverini, 2024a; Colombaroli, 2024), EU-SILC data show that in Italy the percentage of citizens experiencing housing cost overburden (spending more than 40% of their income, including energy expenses) is relatively similar between urban and rural contexts. This is attributable to the fact that, even in areas with less

intense housing markets, rents can be high due to limited supply, persistent vacancies, and high competition induced by tourism. In addition, this is linked to the process of intensive investments in the housing stock along processes of financialization of housing that began during the 1990s and affect virtually every territory that offers some potential for the capitalization and assetization of housing. In some specific areas, market values are pushed far above the local economic capacities by factors such as the growth of tourism and short-term renting, the proximity to the Swiss border, the spread of second homes, etc. Due to these and other causes, low-income Italian people suffer from housing unaffordability even in less dynamic markets. According to a recent study, based on Eurostat data, poor in-work tenants, mortgaged homeowners and low- to middle-income households are most affected by housing unaffordability—almost regardless of location (Colombarolli, 2024). Given the scarce social housing stock and high market values, in several cities also the middle class faces unaffordability, widening the ranks of poverty and economic distress and creating the so-called issue of the “gray strata” (*fascia grigia*, those whose income exceeds the public housing access limits, but doesn’t suffice to afford housing at market rates). These are conditions that, as we shall show, are becoming particularly dramatic in the most attractive cities, such as the city of Milan (Bricocoli & Peverini, 2024b). Access to housing for younger generations in Italy strongly depends on financial or parental help, which is jeopardizing the ability to form a family, the feasibility of work mobility (Filandri & Bertolini, 2016), and results in a severe demographic decline (see Fig. XX) (Billari, 2023).

Looking at the housing cost overburden rate over time, the growth in residential real estate values in Italy since the 1990s - linked to global dynamics of financialization (Knoll et al., 2017) - has had a particular impact when connected to wage trends. Italy is the only European country that has shown a negative trend of real wages in the last thirty years. However, one can see a decrease in the burden of housing costs from 2020, especially for low-income households in major cities. This might be related to the introduction of a social policy measure, the so-called Citizenship Income (*Reddito di Cittadinanza*), a form of means-tested income support that is relatively extensive for the traditionally residual Italian welfare system.

Since households at risk of poverty tend to spend a much larger share of their income on housing and renter households are particularly affected by affordability issues, the degree of housing affordability contributes greatly to reinforcing inequalities connected to socio-economic conditions and tenure (Bricocoli & Peverini, 2024a).

2.3 Housing Segmentation

Tenure status

The last section of the report is on housing segmentation, operationalized as shares of tenure status. The first graph displays the evolution of housing tenure segmentation in Italy from 2005 to 2020, highlighting four main categories: ownership, renting at market rates, renting at a reduced rate, and rent-free accommodation. Italy is a country with a high proportion of homeowners. As illustrated in the initial graph, the predominant housing tenure is ownership, which has remained at a level exceeding 70% over time.

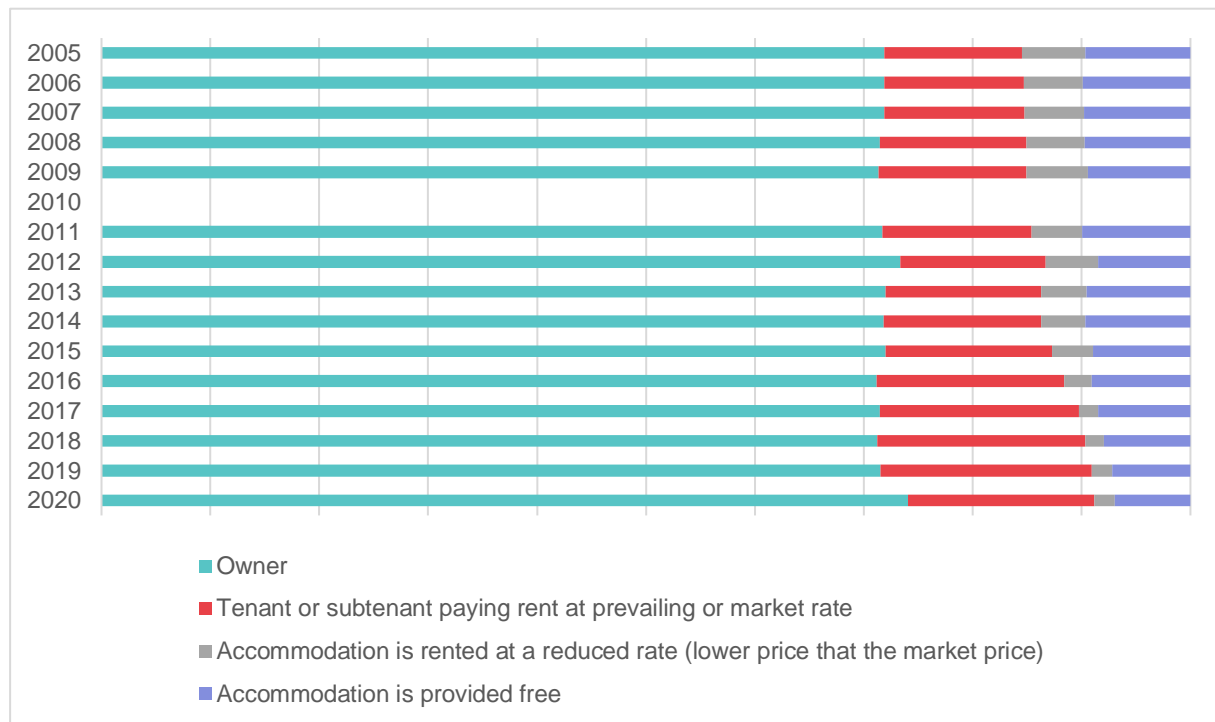


Figure IT44 Housing segmentation per tenure status, 2005-2020, Italy. Source: compiled by authors, data from: EU-SILC own calculation.

The share of market-rate rentals increased over the period, especially noticeable from 2011 onwards. By 2020, this category represented a larger segment compared to earlier years, at the expense of the reduced-rate rental segment. This last segment remained consistently small, and decreased throughout the time horizon observed, suggesting that the availability of housing at reduced rates did not see significant growth as for the other two main segments. The stability implies limited expansion of policies or programs aimed at increasing access to more affordable rental options. Rent-free accommodation, like the previous category, has consistently constituted a minimal share, though it experienced slight increases during certain years, notably in 2009 and 2011. The tenure structure is slightly differentiated by degree of urbanization, with more densely populated areas showing a higher percentage of market renting and renting at reduced rates.

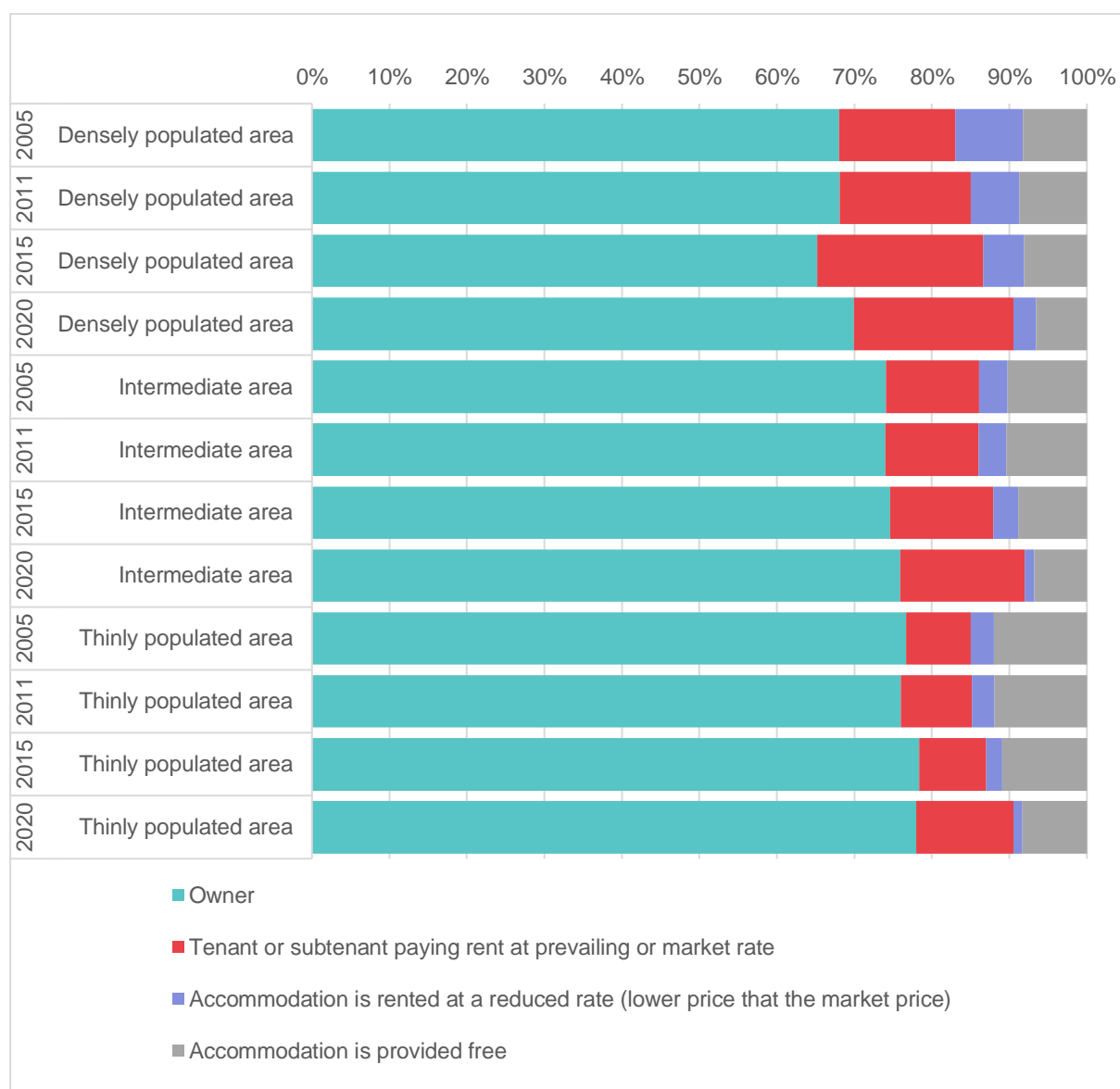


Figure IT45 Housing segmentation per tenure status, 2005-2020, Italy. Source: compiled by authors, data from: EU-SILC own calculation.

In order to capture possible differences between areas with different population densities, Figure IT45 shows the distribution of tenure types according to different levels of urbanization in densely populated, intermediate and thinly populated areas in selected years (2005, 2011, 2015, 2020). Unfortunately, data for 2010 are missing from the EU-SILC database for Italy.

Ownership appears to be consistently dominant at all levels of urbanization, especially in thinly populated areas. Over time, there is a slight increase in the share of tenants paying rent at market rate in densely populated and intermediate areas. It is also evident that the share of the housing segment of rental-housing at a price lower than the market has been decreasing in all years and across all levels of urbanization.

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NATIONAL REPORT ON HOUSING INEQUALITIES – NORWAY

Executive Summary

The national report on housing inequalities in Norway provides an analysis of economic, demographic, and environmental trends shaping the country's housing sector from approximately the early 2000s to 2023. Throughout this period, Norway has demonstrated strong economic performance, supported by prudent fiscal policies and resource wealth, enabling good recovery through crises such as the 2008 financial downturn and COVID-19 pandemic. Population growth and immigration, particularly following Norway's participation in the European Economic Area, have significantly impacted housing demand, especially in urban areas like Oslo, which experience significant housing pressure.

Environmental efforts, including investments in renewable energy and reductions in building sector CO₂ emissions, align with national priorities for a sustainable and green transition.

The second part of the report focuses on housing inequalities through three main indicators: housing cost burdens, housing and neighborhood quality, and housing segmentation. While most households seem to experience manageable housing costs, vulnerable groups such as students, immigrants, and tenants in market-rate rentals face disproportionately high housing cost burdens, often exceeding 30% of disposable income. Housing and neighborhood quality indicators are generally positive, with low incidences of structural issues and strong heating adequacy, but urban areas report higher noise and crime levels. Homeownership, although still predominant, has declined, with a corresponding rise in market-rate rentals, particularly in densely populated regions. This segmentation highlights growing affordability challenges and reduced access to subsidized housing, particularly in urban centers.

Introduction

Norway is a country located in the Scandinavian peninsula and, with an overall area of 323,781 km² (Nordic Cooperation, n.d.), shares land borders with Sweden, Finland, and Russia, and maritime boundaries with Denmark and the United Kingdom. Its coastline stretches over 25,000 kilometers with numerous islands. The Arctic territories of Svalbard and Jan Mayen are also under Norwegian sovereignty. As of 2024, the overall Norwegian population accounted for 5,571,634 people, of which about 1,5 million live in the metropolitan area of the capital, Oslo (Statistics Norway, 2024a). There are many remote and not inhabited areas in the country, which is one of the least densely populated in Europe, and 83.24% of the population lives in urban settlements (Statistics Norway, 2024b).

Norway is administratively divided into 11 counties (fylker) and further subdivided into municipalities (kommuner). These divisions emphasize local autonomy, with municipalities responsible for education, healthcare, and local infrastructure. Counties function as regional coordinators, managing larger-scale projects and regional development initiatives. The governance model is a constitutional monarchy with a parliamentary system, where the King

serves as a ceremonial head of state, and executive power rests with the Prime Minister and Cabinet. The unicameral Storting (Parliament) holds legislative authority, with elections held every four years. Norway's decentralized governance ensures that local and regional governments wield significant power, supported by a combination of central funding and local taxation.

Although Norway is not a member of the European Union (EU), it maintains close ties through the European Economic Area (EEA) Agreement, which it joined in 1994. This agreement allows Norway access to the EU's single market while adopting many EU regulations. Norway is also a member of the Schengen Agreement, which it joined in 2001, enabling passport-free travel across most of Europe. However, Norway retains sovereignty over key areas like agriculture, fisheries, and foreign policy, opting out of full EU membership through national referendums in 1972 and 1994.

The report is structured as follows. In the first part we identify key global events at the supra-national level such as the global financial crisis, the energy crisis and COVID-19, and how they have impacted the Norwegian economy. We further explore key demographic trends, with a focus on ageing and migration. Additionally, we describe main environmental trends and characteristics of housing development and tenure structure in the country. The second part of this report focuses on an analysis of housing inequalities using EU-SILC data from 2005 to 2020. Housing and neighborhood quality, housing costs and housing segmentation are examined.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

1.1.1 Macroeconomic Trends at the National Levels

This section analyses Norway's macroeconomic trends from 2005 to 2023, focusing on GDP growth, inflation, and interest rate dynamics in response to global crises. Key periods include the 2008 financial crisis, the 2014 oil price collapse, and the 2020 COVID-19 pandemic, highlighting Norway's resilience through prudent fiscal policies and resource wealth.

Norway's macroeconomic trends since the 2000s have been shaped by its resource-based economy, prudent fiscal policies- characterized by debt management, long-term planning and deficit control-, and responses to key global crises. As it can be observed in Figure NO 1, the period from 2005 to 2008 saw robust economic growth driven by a booming oil and gas sector, with GDP growing steadily and inflation remaining relatively stable under the Norges Bank's¹⁶ inflation-targeting framework. In this period, Norges Bank raised interest rates to temper demand and keep price levels in check (OECD, 2009). However, the global financial crisis in 2008–2009 caused a temporary contraction in GDP (reaching its lowest peak in 2009) and rising inflation due to higher import prices and a depreciating currency. Norges Bank responded by slashing interest rates to stimulate the economy, helping the country recover more quickly than many other advanced economies.

From 2010 to 2014, Norway experienced moderate GDP growth as it recovered from the global financial crisis, although a sharp decline in global oil prices in 2014 led to slower economic growth (OECD, 2014, p. 201). Inflation remained moderate during this time, while public debt decreased due to prudent fiscal management (Figure NO 2). However, the oil price collapse resulted in reduced investment and consumption, prompting Norges Bank to lower interest rates to historic lows by 2016. The economy stabilized from 2017 to 2019, as oil prices recovered and investments in renewable energy and infrastructure increased. GDP grew modestly, inflation aligned closer to Norges Bank's target, and interest rates gradually increased. The country's public debt remained low, reflecting strong fiscal discipline (see Figure NO 2).

¹⁶Norges Bank operates independently and sets its own monetary policy tailored to Norway's economic conditions. This is separate from the European Central Bank (ECB), which manages monetary policy for the eurozone countries that use the euro. Norway is a member of the European Free Trade Association (EFTA) and the European Economic Area (EEA), which allows participation in the EU's single market. However, these agreements do not include monetary union or financial governance under the ECB.

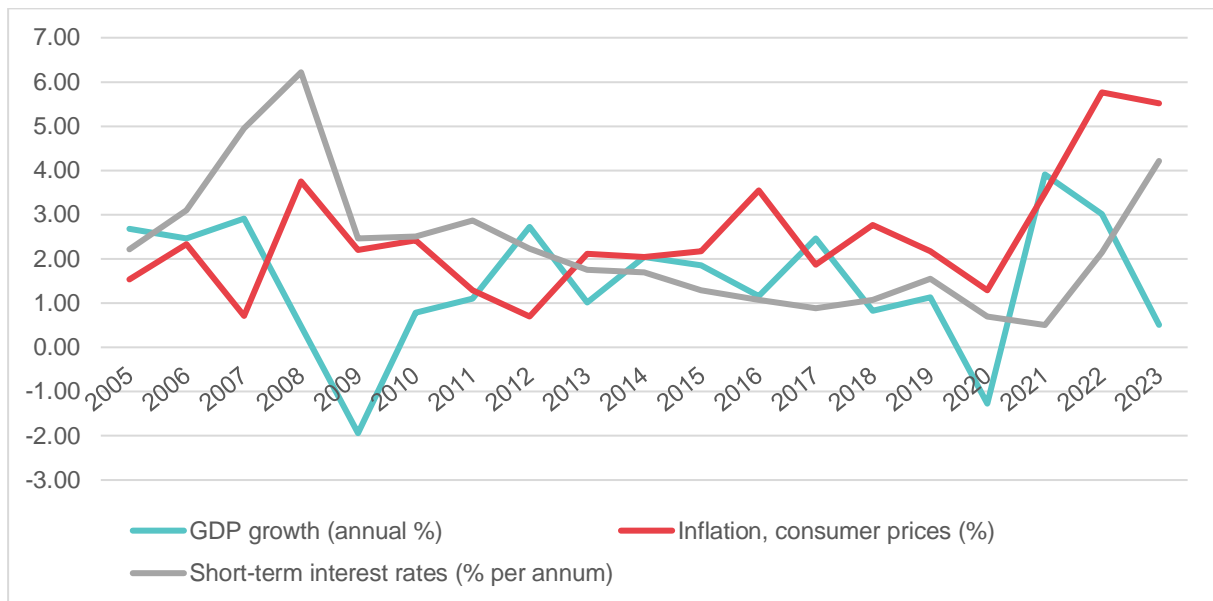


Figure NO 1. Macro-economic Trends, Norway. Sources: compiled by author, data from: DATABANK–World Bank Group, OECD–Organisation for Economic Co-operation and Development

The COVID-19 pandemic in 2020 caused a brief contraction in GDP, which was mitigated by substantial government stimulus supported by Norway's sovereign wealth fund. Inflation initially fell but rose sharply by late 2021 due to rising energy prices. Norges Bank responded by raising interest rates to curb inflation, which accelerated further due to the 2022 European energy crisis and the Russian invasion of Ukraine. By 2023, inflation remained high, prompting further interest rate hikes, but Norway benefited from surging export revenues as a major natural gas supplier, supporting strong GDP growth and stable public finances during this period.

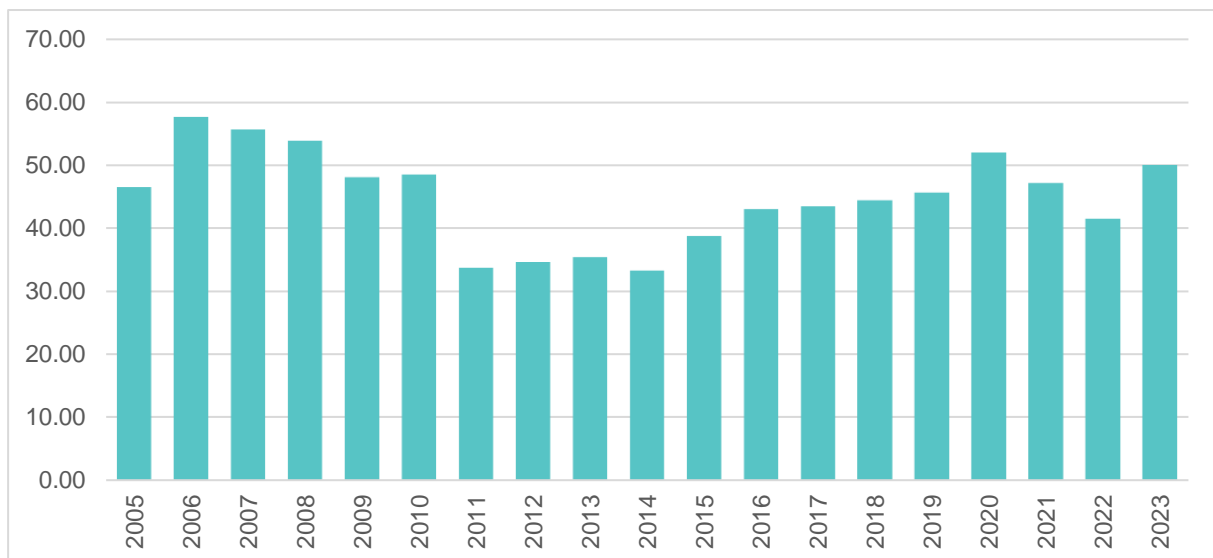


Figure NO 2. Public Sector Debt in Q4 (% of GDP), Norway 2005 – 2023. Sources: compiled by author, data from: OECD–Organisation for Economic Co-operation and Development

1.1.2 Socio-economic and Demographic Trends

Demographic Trends

Norway's population grew steadily from 1990 (from 4,241,276 in 1990 to 5,571,634 in 2023), with a consistent growth averaging about 0.8% per year. This suggests a positive net birth rate and a likely contribution from immigration and reflects the country's overall economic stability.

The contribution of immigration to a steady increase of the overall Norwegian population has been growing from the early 1990s (see Figure NO 3), in part also as a result of Norway joining the European Economic Area (EEA) in 1994 (Cappelen et al., 2011). In practice this meant that citizens of the EU gained free access to work in Norway for three months or to stay for six months as job-seekers, as well as getting in principle the same social benefits as Norwegian citizens (Cappelen et al., 2011). By the late 1990s and early 2000s, Norway's immigration policies became more favorable, encouraging skilled labor immigration and family reunification, which contributed to a steady growth in the immigrant population. The early 2000s marked a notable turning point, as Norway adopted more structured immigration policies. This included the introduction of a points-based system to attract skilled workers, and easing requirements to obtain work permits (OECD, 2003). Additionally, Norway became a destination for people from Eastern Europe, especially after the EU enlargement in 2004, which allowed citizens from several countries, such as Poland and Lithuania, to move freely to Norway for work. Also in relation to this, there has been a net increase in the inflow of immigrants in the country from 2007 (43% more compared to 2006) up until 2014 (when there was a net immigration of about 49000 people, the highest in the considered time frame).

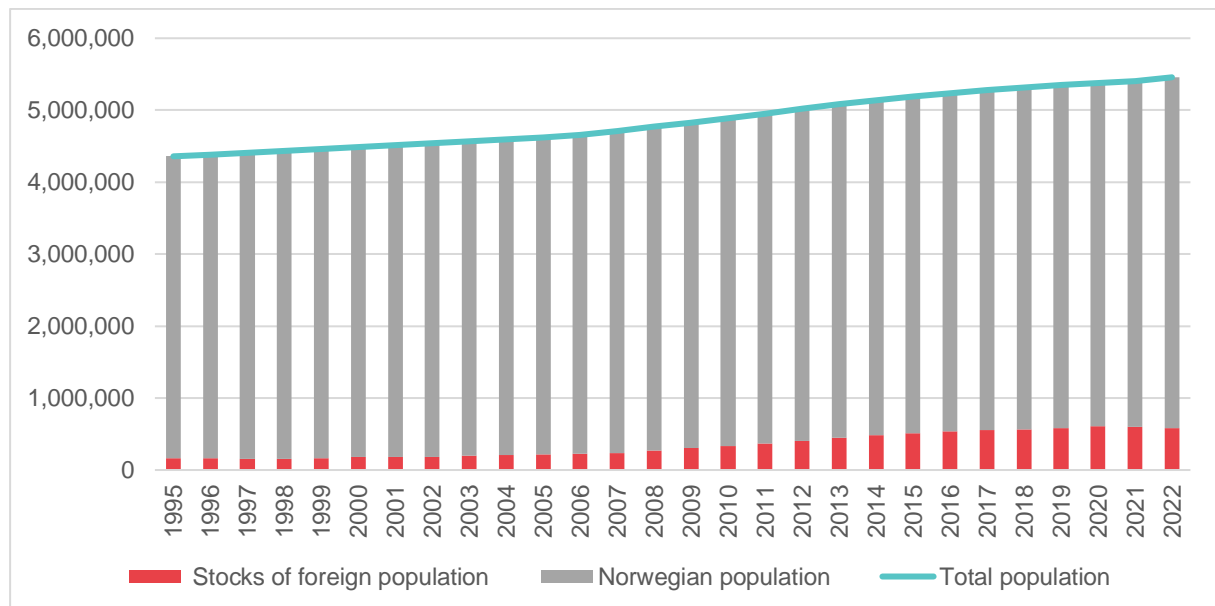


Figure NO 3. Population development, Norway. Sources: compiled by author, data from: OECD– Organisation for Economic Co-operation and Development

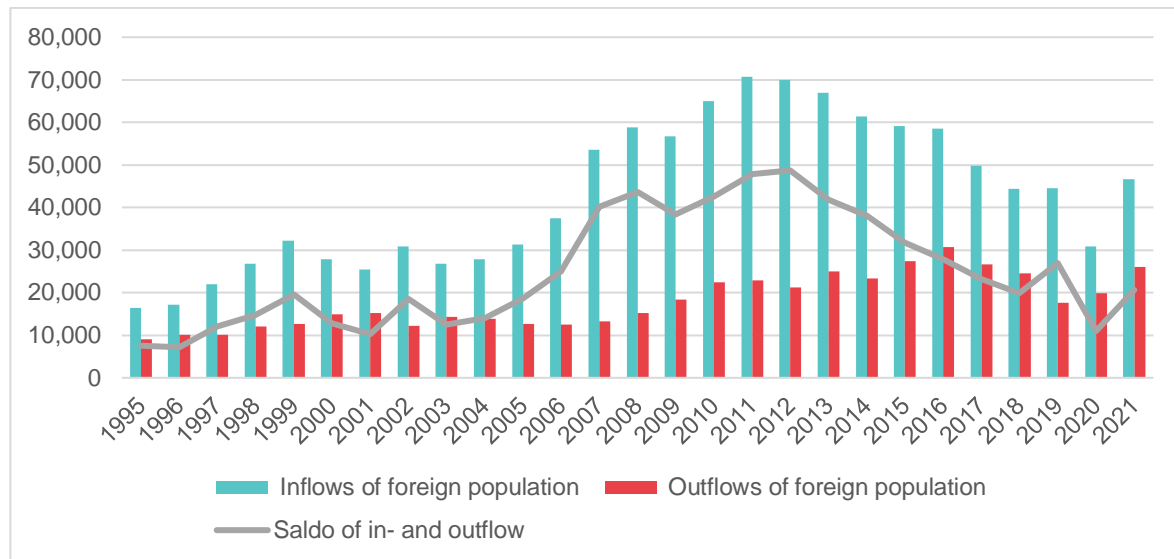


Figure NO 4. In- and outflows of foreign population, Norway. Sources: compiled by author, data from: OECD–Organisation for Economic Co-operation and Development

Additionally, the refugee crisis of 2015 saw a surge in asylum seekers, with thousands arriving from war-torn regions, particularly Syria, Afghanistan, and Iraq (30,520 only in 2015). Norway responded by increasing its intake of refugees, although the subsequent years saw a tightening of asylum policies, which effects can be seen in the drastic reduction of inflow of refugees from 2016 (OECD, 2016).

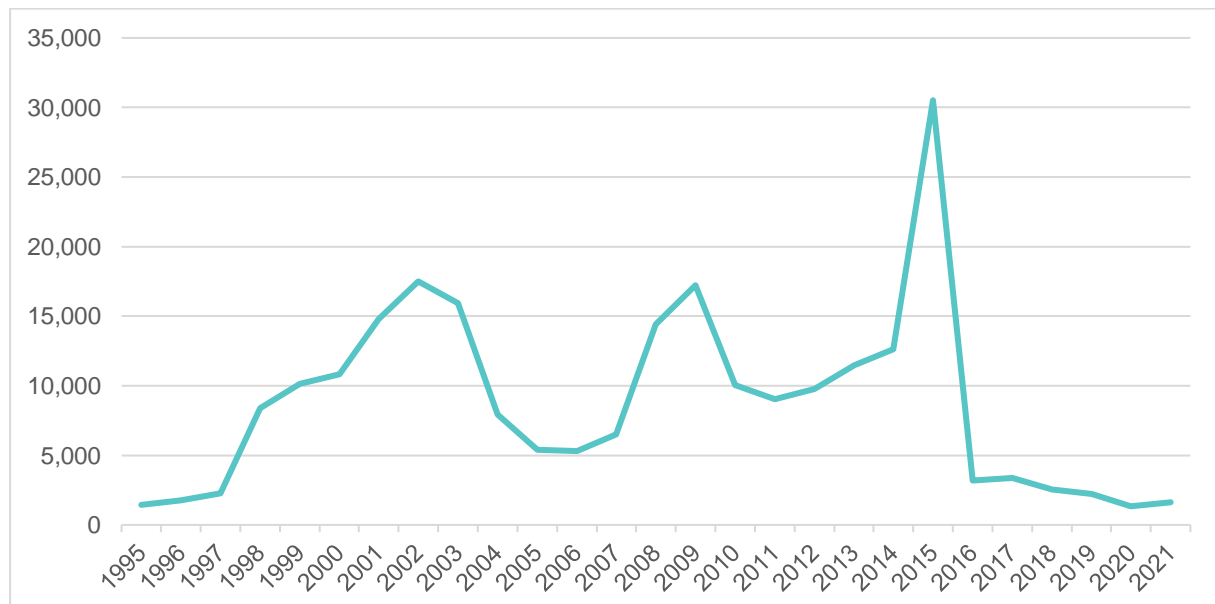


Figure NO 5. Inflows of asylum seekers, Norway. Sources: compiled by author, data from: OECD–Organisation for Economic Co-operation and Development

Overall, the influx of immigrants and asylum seekers has transformed Norway's demographic landscape. As of 2022 the share of immigrant population in the country was of 586017 people, corresponding to the 10, 7% of the total population, compared to the 3,7% of 1995 (see Figure NO 3).

Ageing Trends

In 1990, around 16.3% of Norway's population was aged 65 years or older. This percentage saw a slight decline throughout the 1990s, dropping to 15.6% by 2005. However, after 2005, the trend reversed, and the proportion of older adults began to rise. By 2010, it had reached 16.7%, and by 2020, it had increased further to 18.5%. This rise of over 2 percentage points within a decade suggests improvements in life expectancy in Norway, with a growing share of the population entering retirement age. According to the 2020 national population projections, Norway will soon experience an historic demographic shift. Within ten years, and for the first time ever, the projections suggest that Norway will have more elderly than children and teenagers (Thomas & Syse, 2020).

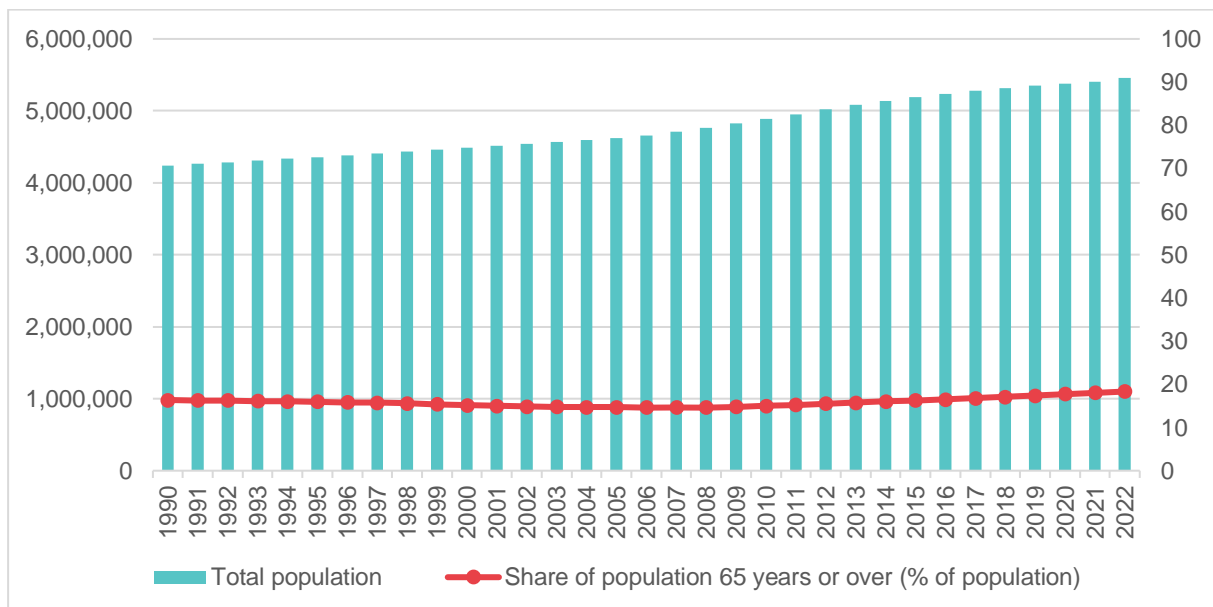


Figure NO 6. Share of population 65 years or over (% of population), Norway. Sources: compiled by author, data from: OECD–Organisation for Economic Co-operation and Development

Wages, Unemployment and Income Inequalities

Figure NO 7 shows four indicators in Norway from 1990 to 2022: steadily rising wages (mint bars), a stable poverty and income inequality rate (red line), fluctuating unemployment rates tied to economic cycles (gray line), and increasing government social protection expenditures as a share of GDP (blue line).

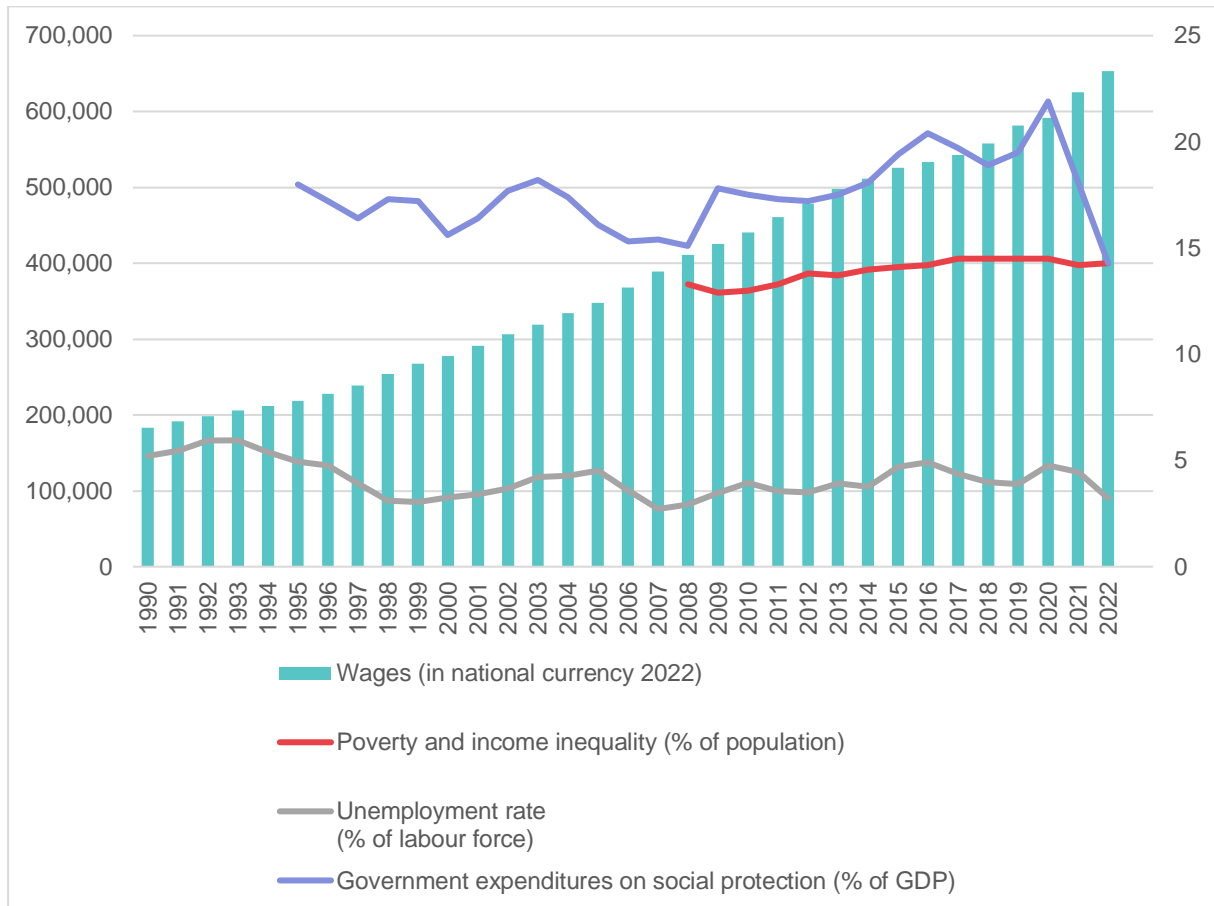


Figure NO 7. Main socio-economic trends, Norway. Sources: compiled by author, data from: OECD–Organisation for Economic Co-operation and Development

Wages have shown a steady increase when adjusted to 2022 values. From 183,117 NOK in 1990 to 277,322 NOK by 2000, representing a 55,4% increase over the decade. By 2010, the wages had risen to 440,224 NOK, which indicates a significant 58,7% increase compared to 2000. Finally, in 2023, average wages reached 689,190 NOK, marking a 56,5% increase compared to 2010. Despite this apparently substantial increase, as noted by Statistics Norway, Norway has seen virtually no real wage growth in the period 2015–2023. Between 2022 and 2023, nominal wage growth was 5.2 %, while prices rose by 5.5 %, measured by the CPI (Statistics Norway, 2024c).

The unemployment rate displayed fluctuations, which corresponded with various economic cycles: it stood at 5.2% in 1990, rising to 6.0% by 1993, reflecting the global economic downturn of the early 1990s. Then a recovery phase followed, bringing the rate down to 3.4% by 2000. Prior to the 2008 financial crisis, Norway's unemployment rate dipped to 2.9%, highlighting the strength of the country's economy during that period. However, the crisis led

to a spike in unemployment, which reached 3.9% in 2010. This was followed by another increase during the energy crisis, with the rate rising to 4.9% in 2016. By 2020, amidst the global disruptions caused by the COVID-19 pandemic, the unemployment rate increased slightly to 4.7%, but it began to decline again in 2022.

The red line indicating poverty and income inequalities (data are available only for the period 2008-2021) appears relatively stable, suggesting that income disparities have not widened significantly during this period.

Over the period from 1995 to 2022, the trend in social protection expenditures as a percentage of GDP closely followed fluctuations in economic cycles and unemployment rates. Between 1995 and 2000, government spending on social protection decreased from 18.0% to 15.6% of GDP. This period coincided with a substantial decline in unemployment, from 4.93% to 3.24%, which might indicate a reduced need in the social protection expenditure. Following the global financial crisis of 2008-2009, social protection spending rose to 17.5% of GDP by 2010, as unemployment increased and GDP growth slowed to 0.79%. This trend continued, reaching 19.4% by 2015, as governments maintained higher levels of support during the ongoing recovery. The COVID-19 pandemic caused the most dramatic changes, with social protection expenditures surging to 21.9% of GDP in 2020 due to emergency measures aimed at mitigating economic impacts. By 2022, as the economy rebounded with a growth rate of 3.01% and unemployment decreased to 3.23%, social protection spending dropped to 14.3% of GDP, reflecting the winding down of pandemic-related support.

1.1.3 Environmental and Energy Trends

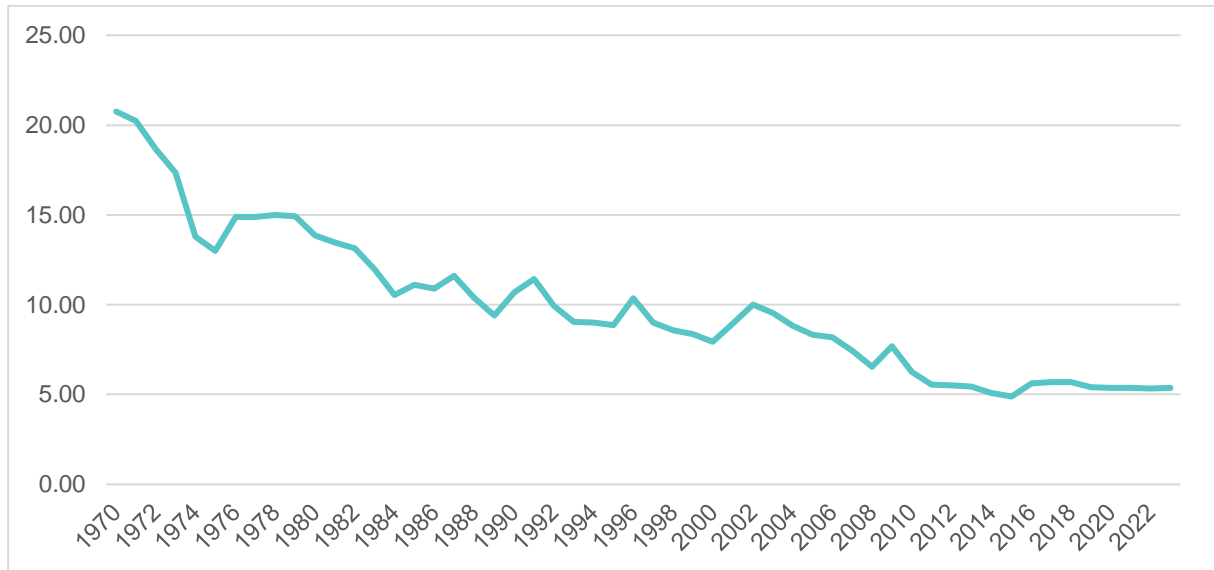
This section presents an analysis of CO₂ emissions from Norway's building sector, trends in household energy consumption, and electricity prices over time. It examines government expenditure on environmental protection and shifts in Norway's total energy balance. The section also discusses the energy consumption patterns across household sectors, emphasizing stability in usage and the role of renewables in the energy mix.

CO₂ emissions from the building sector

The CO₂ emissions from Norway's building sector have seen a significant decline from 1970 to 2022. In 1970, emissions were over 20 million metric tons of CO₂ equivalents per year (Mt CO₂eq/yr). By 2022, they had dropped substantially to around 5 Mt CO₂eq/yr, indicating a reduction of nearly 75% over the period.

This decline was especially pronounced between 1970 and 1978, when emissions fell rapidly from over 20 Mt CO₂eq/yr to around 15 Mt CO₂eq/yr. The downward trend continued through the 1980s and 1990s, albeit with occasional fluctuations, and saw another significant drop between 2000 and 2010, bringing emissions below the 10 Mt CO₂eq/yr mark.

In the last decade, from 2010 onwards, the pace of reduction has slowed, with emissions stabilizing between 5 and 6 Mt CO₂eq/yr. Despite this plateau, the long-term trend shows considerable progress in reducing the building sector's carbon footprint.



*Figure NO 8. The share of CO2 emissions in the building sector (Mt CO2eq/yr, Norway.
Sources: compiled by author, data from: EDGAR-Emissions Database for Global Atmospheric Research, EUROSTAT-Statistical Office of the European Communities*

Consumption in Households

When it comes to the fuels used in households, Figure NO 9 shows the total energy balance in Norway, which started just below 4,000 thousand tons of oil equivalent in 1990 and remained relatively stable with gradual increases until the mid-2010s. There is a sharp increase around 2018, peaking close to 5,000 thousand tons, followed by a slight dip by 2022. Natural gas consumption showed a steady increase until around 2007, where it fluctuated slightly. After peaking around 2011, it gradually decreased with some fluctuation and experiences a notable drop around 2022. Oil and petroleum products start relatively high in 1990 but declines until 2005, after which it stabilizes at a lower level. Overall, it shows a downward trend, with slight fluctuations through the 2010s, and remains a relatively minor part of the energy mix. Renewable energy and biofuels have shown consistent growth over the years. The line starts low in the early 1990s but steadily rises through the 2000s and 2010s, reaching its highest level around 2022, reflecting an increasing focus on renewable energy in Norway. The contribution of electricity remained low and flat throughout the entire period, suggesting minimal changes in this segment. Fossil fuel consumption remained negligible, showing a flat trend with almost no presence in the energy balance. Similar to solid fossil fuels, heat remained a minor contributor to the overall energy balance, with a flat and consistent line throughout the period.

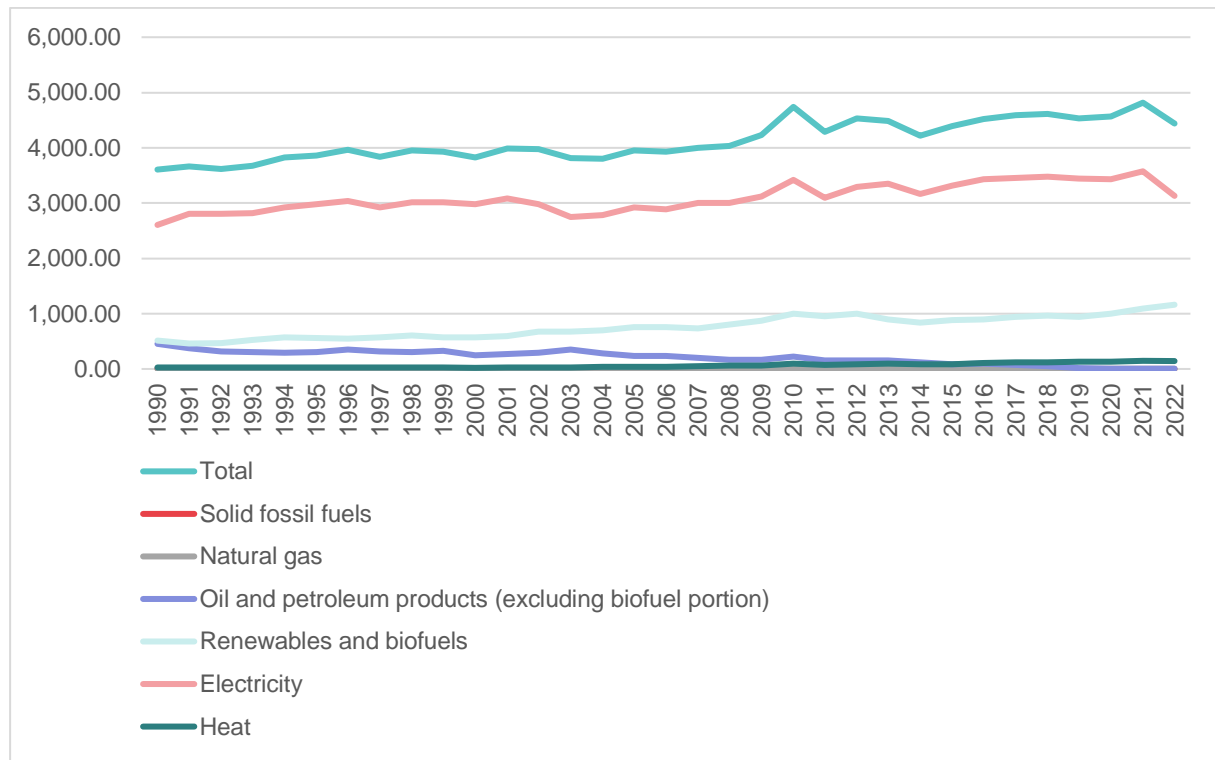


Figure NO 9. Complete energy balances, thousand tonnes of oil equivalent, Norway.

Sources: compiled by authors, data from: EUROSTAT-Statistical Office of the European Communities

The rise in energy consumption during the early 2000s can be partly attributed to economic growth in Norway, leading to increased household energy demand. The slight dip in consumption around 2008-2009 aligns with the global financial crisis. The economic downturn likely led to reduced energy use as households cut back on spending and consumption to adapt to economic uncertainties. While Norway was less affected than many other countries due to its robust economy, the broader impact on global energy demand had a dampening effect. Energy consumption stabilized around 2010 and experienced fluctuations until 2019. The COVID-19 pandemic brought a temporary shift in household energy patterns globally, with a pick in energy consumption in 2021, arguably related to lockdowns and increased time spent at home.

In 2021 and 2022, global energy markets faced a crisis due to supply chain disruptions and geopolitical tensions, notably the war in Ukraine, which affected natural gas and energy supplies across Europe. Norway, as a major energy producer, saw increased demand for its resources, but households also faced higher electricity prices. This period of increased energy costs might have led to greater emphasis on energy-saving behaviors in Norwegian households, possibly curbing consumption further and contributing to the slight decrease observed by 2023.

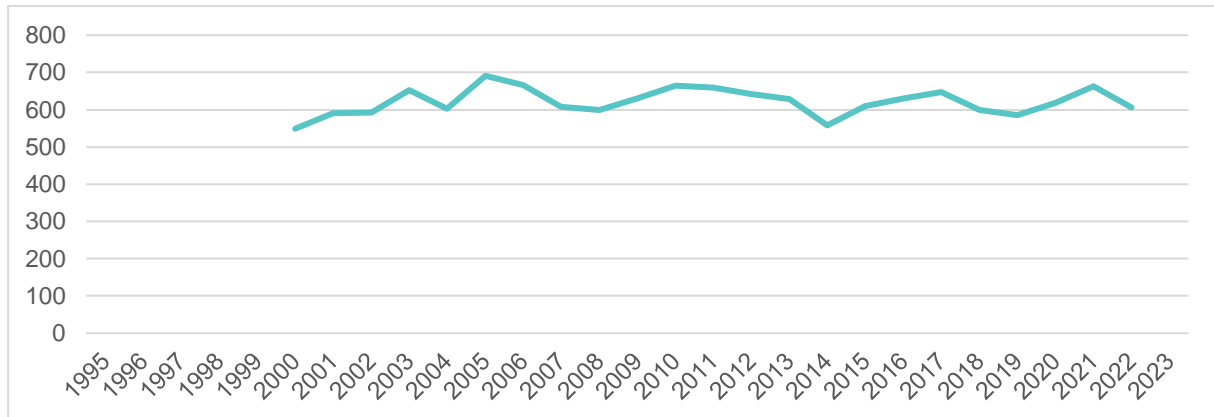


Figure NO 10. Final energy consumption in households per capita (Kilogram of oil equivalent), Norway. Sources: compiled by author, data from: EDGAR-Emissions Database for Global Atmospheric Research, EUROSTAT-Statistical Office of the European Communities

Energy consumption in the various sectors of Norwegian households reveals distinct patterns over the period from 2011 to 2022. The total household energy use (mint line), which consistently remains around 197,000 terajoules (TJ), reflects the relatively stable demand for energy across all end uses. Space heating stands out as the first-largest consumer, using about 139,000 TJ annually. However, it shows a slight downward trend, with a more pronounced drop in 2022. In contrast, energy consumption for lighting and electrical appliances remains constant at approximately 31,000 TJ per year, while water heating also shows little variation, consistently consuming around 22,800 TJ. Space cooling, cooking, and other miscellaneous uses make up the smallest portion of energy use, together contributing less than 5,500 TJ annually.

Overall, the stability in energy consumption across sectors indicates consistent energy demand patterns in Norwegian households, though fluctuations in space heating may be tied to factors like weather variations or efficiency improvements.

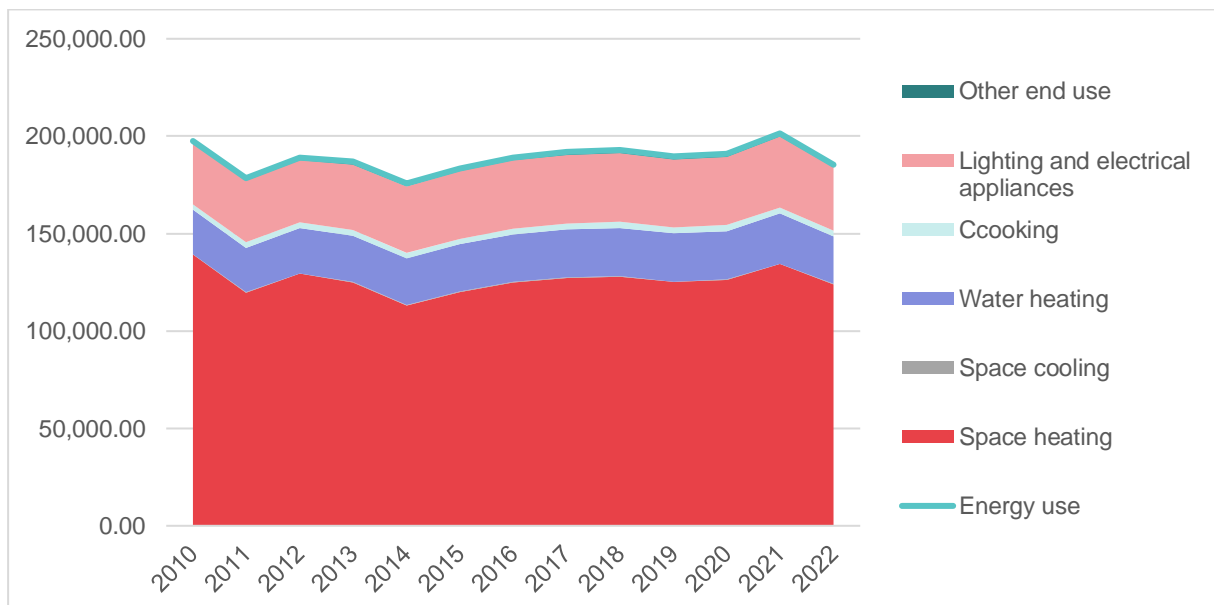


Figure NO 11. Disaggregated final energy consumption in households - quantities, Terajoule, Norway. Sources: compiled by author, data from: EUROSTAT-Statistical Office of the European Communities

Electricity Prices

Between 2007 and 2020, electricity prices in Norwegian household were fluctuating. A drop in 2009 was followed by a steep increase in 2010 and then a gradual decrease until 2015. Another remarkable drop in 2020 was followed by a sharp spike from 2021 to 2023. Global events like the COVID-19 pandemic triggered a surge in energy demand, initiating a steep price rise. This trend was further intensified by the European energy crisis and the Russian invasion of Ukraine in 2022, which led to natural gas shortages across Europe. It should be noted that, in order to support households to mitigate high electricity costs, in September 2023 a support model (Strømsstøttemodell) was introduced in Norway. The support is calculated hourly based on the spot price of electricity rather than a monthly average. If the spot price exceeds a threshold of 91.25 øre per kilowatt-hour (73 øre/kWh excluding VAT) during any given hour, the government covers 90% of the cost above this threshold. The support is automatically deducted from household electricity bills, reducing the amount payable. It applies to monthly consumption up to 5,000 kWh, with any usage beyond this limit excluded. While the scheme is available to all households, it does not cover holiday homes. This approach ensures timely and responsive relief for periods of high electricity prices.

Data on gas prices are not available as despite being the world's third-largest gas exporter, Norway's domestic gas consumption (as of 2022) is just about 1% of its total final energy consumption.

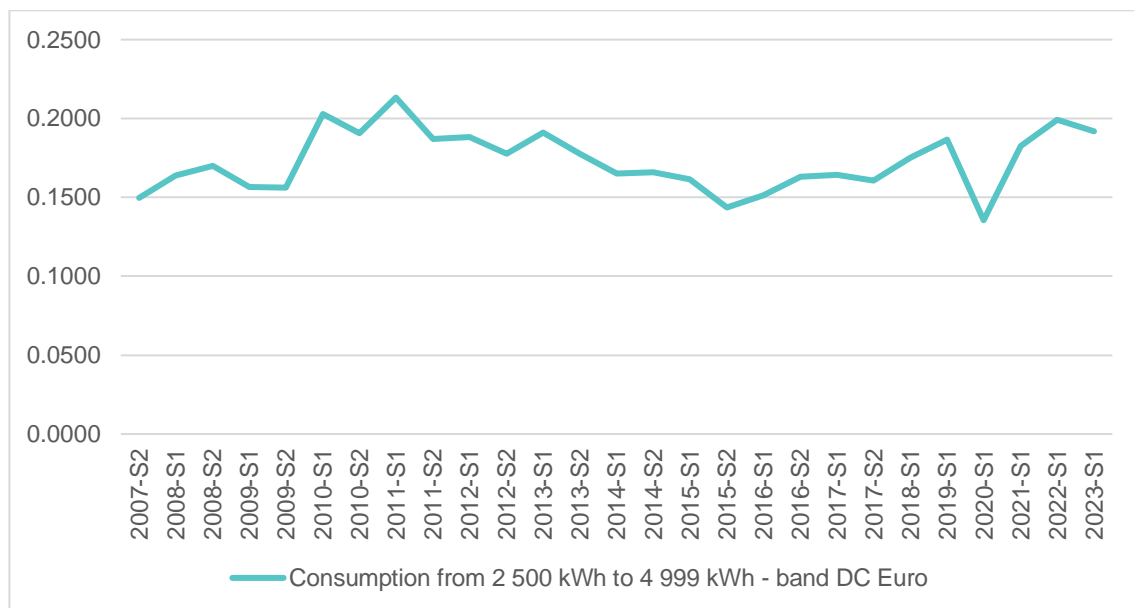


Figure NO 12. Electricity prices for household consumers - bi-annual data, Norway. Source: compiled by author, data from EUROSTAT-Statistical Office of the European Communities

Government Expenditure in Environmental Protection

Government spending on environmental protection in Norway was just over 2% of the total budget in 1995. However, this share gradually declined, hitting its lowest point around 2003, where it fell to approximately 1%. Between 2003 and 2009, the percentage of environmental protection spending remained low but showed a slow recovery, rising to around 1.5%. This

level was maintained until 2015. Since 2015, Norway's government spending on environmental protection has increased gradually. In 2021, it reached 2%, and by 2023, it saw a significant spike, exceeding 2.5%, the highest level in the observed period, which reflects stronger attention and financial commitment to environmental issues, likely driven by growing global and national focus on sustainability and climate change.



Figure NO 13. Total general government expenditure on environmental protection (% of total, Norway). Sources: compiled by author, data from: EUROSTAT-Statistical Office of the European Communities

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

Figure NO 14 shows the growth and distribution of residential housing types in Norway from 2006 to 2024. The total residential stock increases steadily from around 1.4 million dwellings in 2006 to nearly 1.6 million in 2024, highlighting a consistent expansion of the housing stock in line with population growth and urban development in Norway.

Detached houses form the majority of the housing stock, accounting for approximately 50-60% of all dwellings, a trend consistent with Norway's historical preference for single-family homes, particularly in suburban and rural areas. Row houses, linked houses, and houses with three or more dwellings represent the second-largest category, showing gradual growth in urban centers as part of Norway's efforts to increase housing density and sustainability.

Multi-dwelling buildings make up the 6% of the total stock, with an increase of 1% between 2006 and 2024. Their growth has been relatively minor compared to detached and row houses, reflecting their specialized nature, such as accommodating urban. The steady growth in residential stock aligns with increased urbanization, densification and housing demand especially in major cities like Oslo, Bergen, and Trondheim.

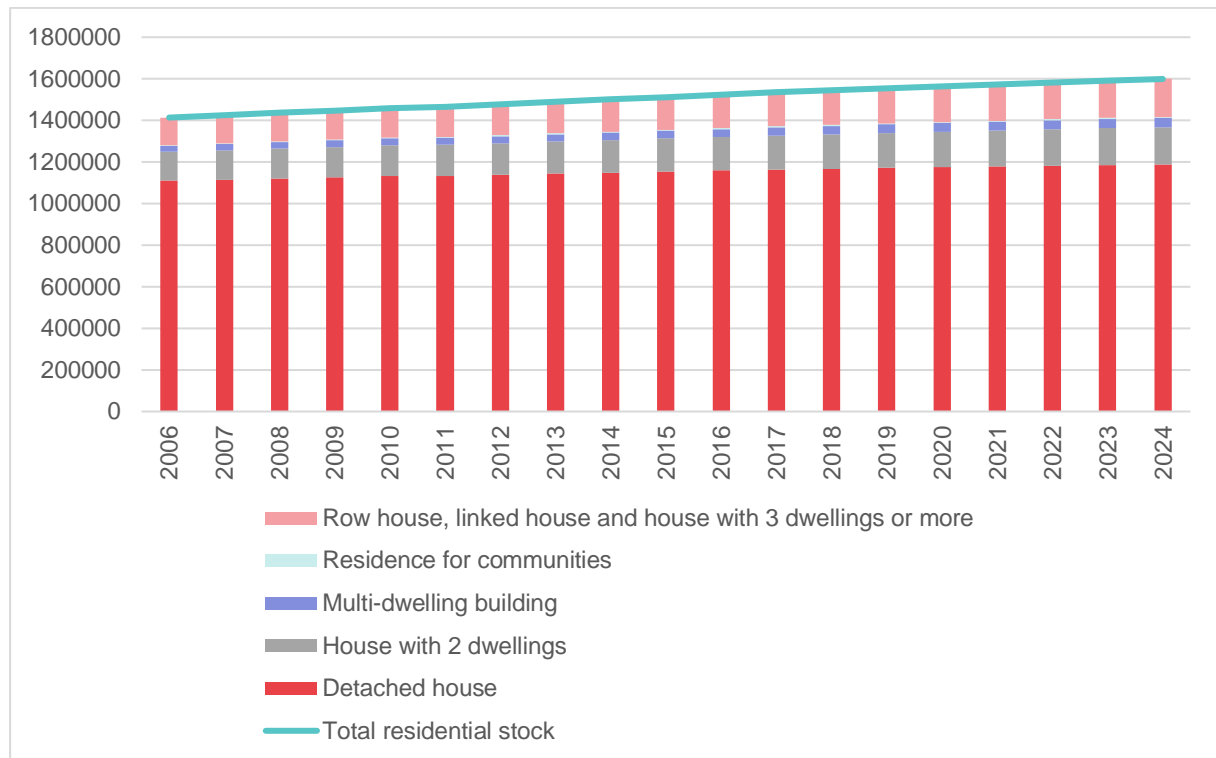


Figure NO 14. Existing building stocks. Residential buildings in Norway. Source: compiled by author, data from: Statistics Norway (Table 03175)

Another interesting trend in Norway is represented by the growth in holiday houses (Figure NO 15), which steadily increased over time. In 2001, there were approximately 400,000 holiday homes, and this figure grows consistently to just over 500,000 by 2024. The growth rate reflects a steady demand for recreational properties such as cabins (hytter), which are deeply ingrained in Norwegian culture.

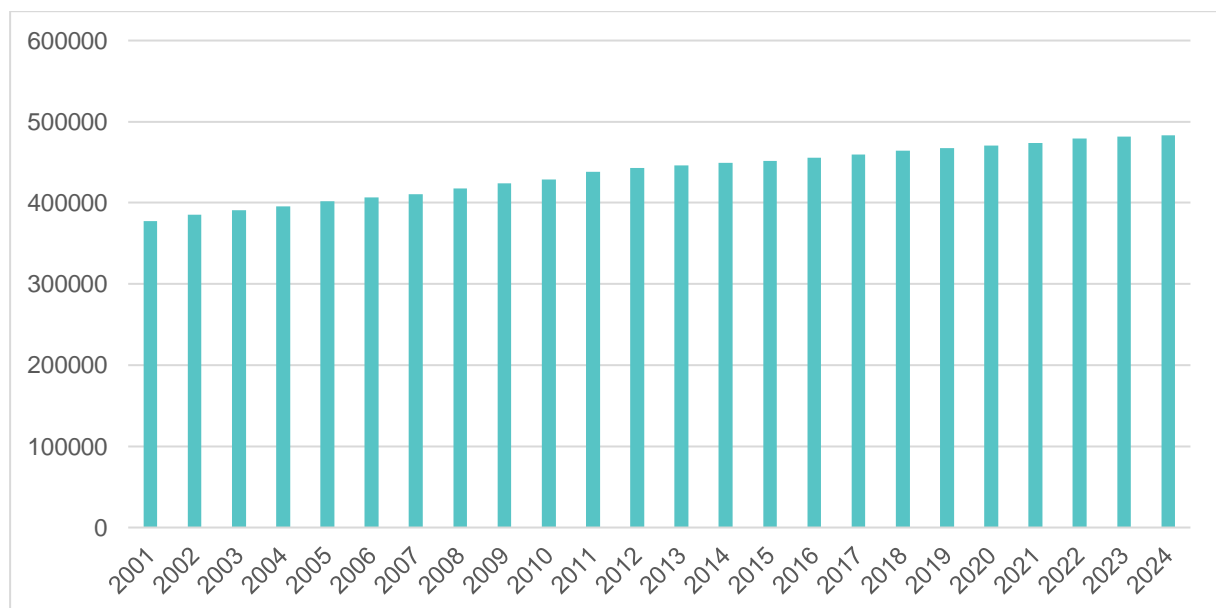


Figure NO 15. Existing building stocks. Holiday houses, Norway. Source: compiled by author, data from: Statistics Norway (Table 03174)

When it comes to the age structure of the norwegian housing stock, the average age is 50 years. 13% of the housing stock has been built before 1940, 48% between 1946 and 1990 and 33% between 1990 and today (see Figure NO 16 for an overview).

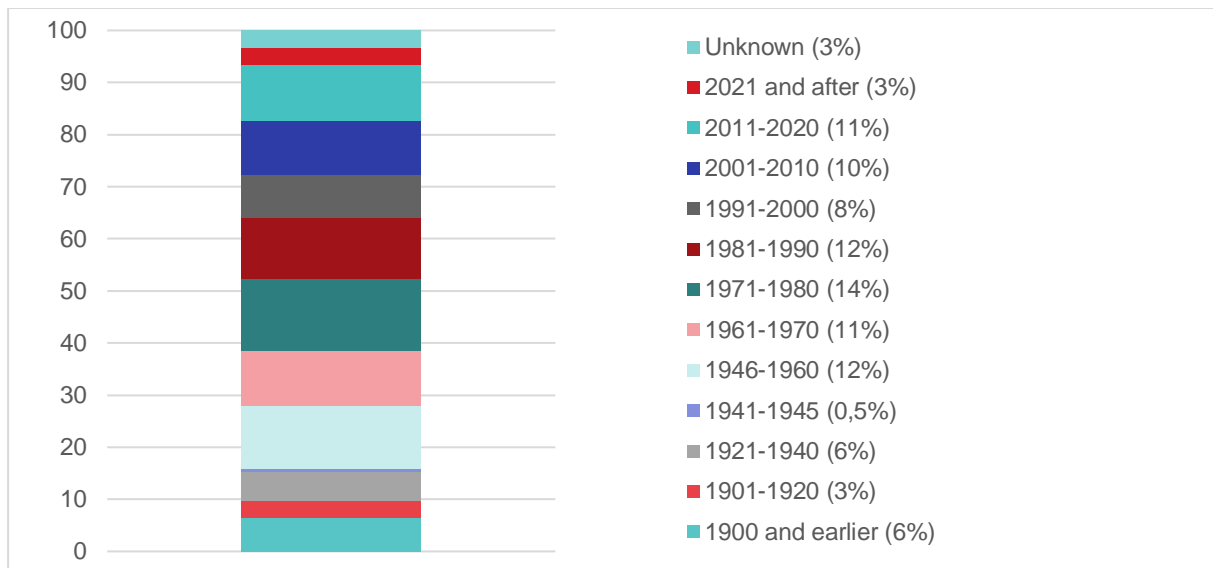


Figure NO 16. Age of the Housing Stock, Norway. Source: compiled by author, data from: statistics Norway (tablle 06266)

The construction activity in Norway has been fluctuating. Figure NO 17 illustrates the annual number of completed dwellings in Norway from 2007 to 2023, revealing key trends in housing construction over this period.

From 2007 to 2010, there is a significant decrease in the number of completed dwellings, dropping from around 28,361 in 2007 to a low of 16,627 in 2010, reflecting the impact of the global financial crisis on the construction industry. Following this, there is a sharp recovery, with completions steadily increasing from 18,540 in 2011 to a peak of 31,344 in 2018. This growth aligns with economic stabilization and increased housing demand during that period. After 2018, the number of completed dwellings begins to decline gradually, with 25,705 dwellings completed in 2023, indicating a slowdown in construction activity. This recent trend may reflect implications of the COVID-19 pandemics as well as of the energy crisis.



Figure NO 17. Number of Completed Dwellings by year, Norway. Source: compiled by the author, data from Espeland (2024)

Tenure Structure

Norway is well known to be a homeownership dominated country. As it can be observed from Figure NO 18, however, the share of homeowners has increasingly decreased from 2003. Specifically, the percentage of homeowners dropped from 83,2% in 2003 to 79,2 % in 2023. This trend was briefly reversed after the 2008 global financial crisis, most likely linked to the extremely low interest rates, which led many people to invest in housing. On the other side, the number of tenants increased by 4% between 2003 and 2023 (from 16,8% to 20,8%).

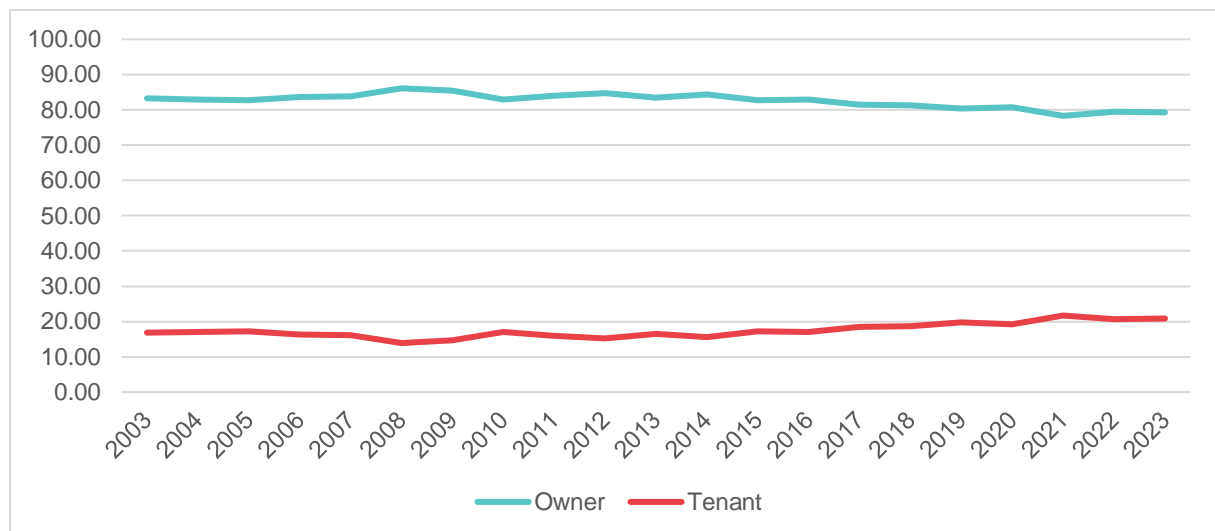


Figure NO 18. Tenure structure and its changes, Norway. Source: compiled by author, data from: CensusHub

It should be noted that, as of 2023, while Norway keeps being a country with high homeownership levels, this comes with high levels of households' debt (Figure NO 19). Most of homeowners (59,8%) hold mortgage debts¹⁷ versus 19,4% owning outright. Furthermore, as of 2023, 19% of the people were renting in the private market while only 1,8% was renting in the subsidized market, which reflects the extremely low share of public housing available in Norway (around 3%).

¹⁷ While, according to the data, it emerges that almost 60% of Norwegians have a mortgage debt, it should be noted that, as of 2020, about 13% of Norwegians held a *rammelån*, e.g. a flexible kind of loan with security in the dwelling, that can be used for various purposes, such as home renovations, large purchases (cars, cabins, boats etc.), investments, or as a financial buffer. This means that expenses other than housing costs might be included in the mortgage, and it demonstrates how housing functions as an "financing tool" for many Norwegian households.

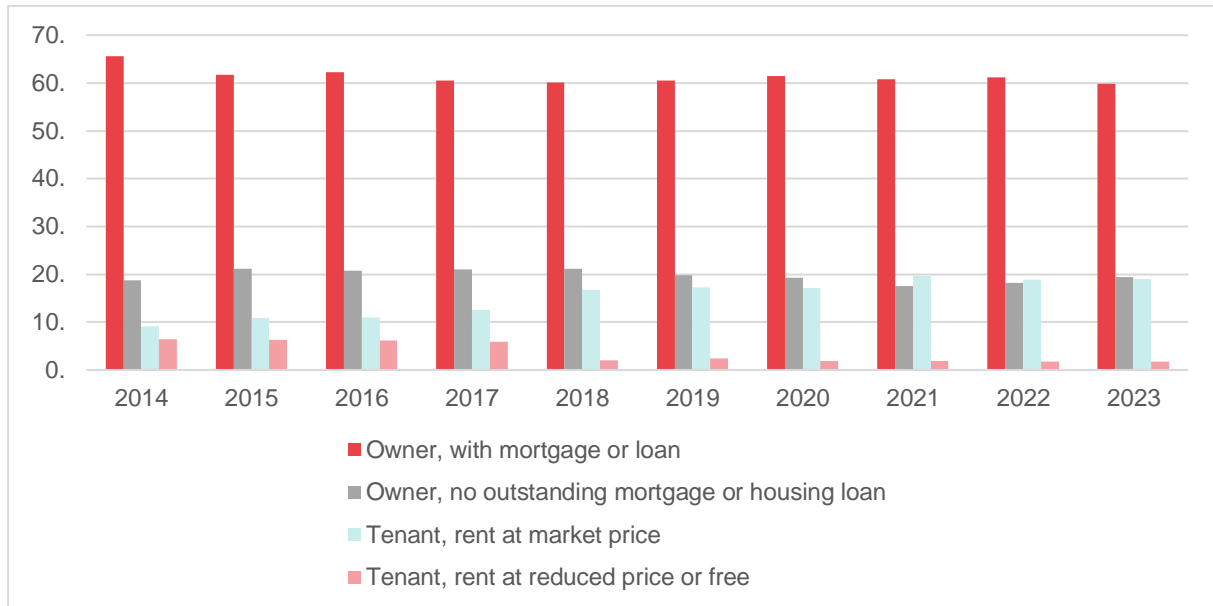


Figure NO 19. Distribution of population by tenure status, Norway. Source: compiled by author, data from: Eurostat

The ownership distribution of the housing stock in 2024 (Figure NO 20) reveals that the vast majority of dwellings—approximately 2 million—are owned by private individuals (73,8% of the total stock). Following this, housing cooperatives¹⁸ own 377,060 dwellings (13,9%), private enterprises hold 213,476 (7,8%), municipalities have 80,956 (3%), the state owns 11,174 (0,4%), and counties hold 1,537 (0,1%). Additionally, there are 3,356 dwellings categorized under “other” ownership, and around 26,000 dwellings with uncoded ownership information (see Figure NO 20). Over a 10-year period, municipally owned buildings have seen the largest increase (+42%), followed by those owned by private enterprises (+24%) and private individuals (+18%).

¹⁸ The Norwegian cooperative housing system is based on collective ownership and shared responsibility among residents. A borettslag (housing cooperative) is a corporation that is jointly owned by its residents. Residents purchase a share in the housing cooperative, and the number of shares correspond to the number of housing units in the housing cooperative. Each share corresponds to a specific unit and grants the resident the exclusive right to this unit. The cooperative – e.g. the residents collectively – owns and manages the building and shared facilities. Residents pay a monthly fee to cover maintenance, shared expenses, and collective loans, with decisions made democratically by a board and general meetings. Differently, a sameie (condominium) is not a corporation, but an association of individuals owning their units outright.

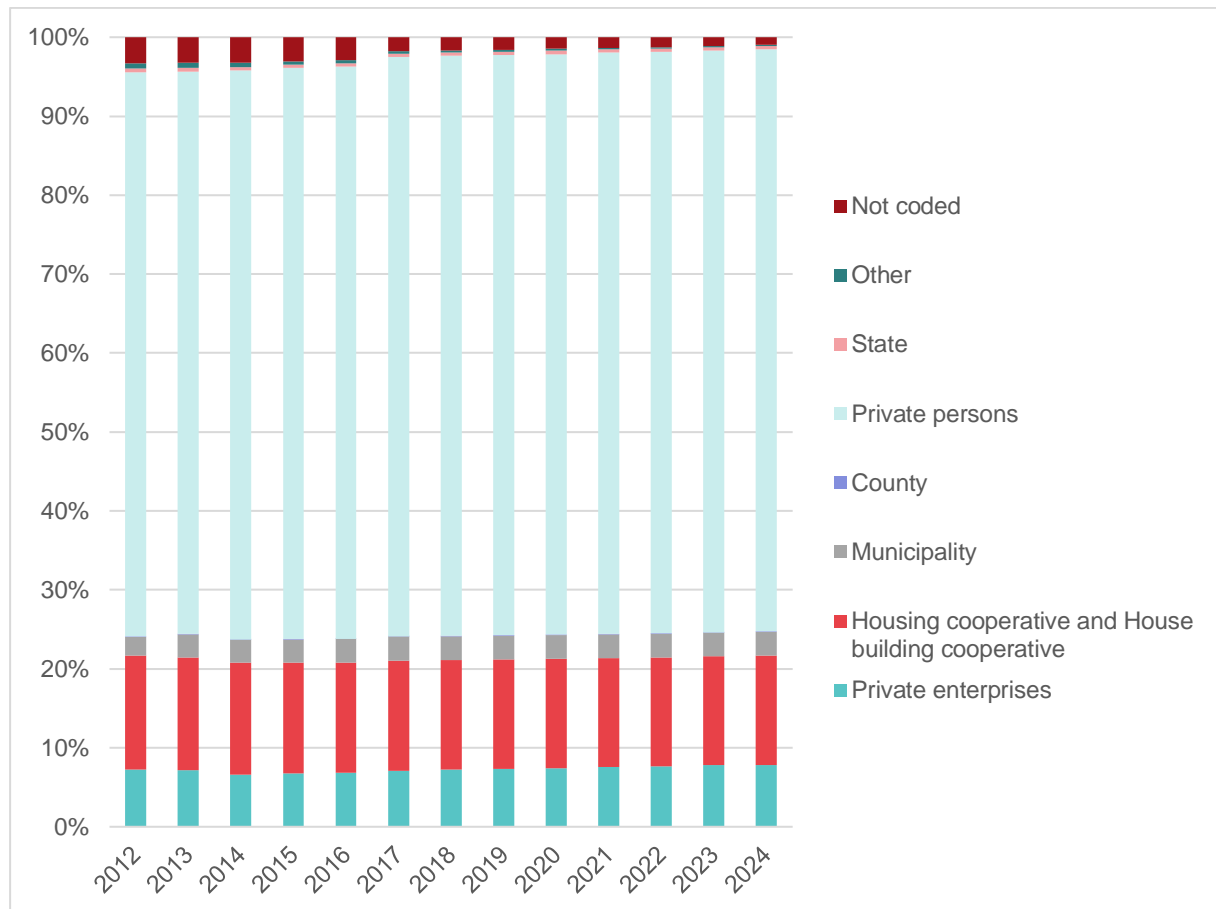


Figure NO 20. Dwellings by type of owner. Source: compiled by author, data from: CensusHub

1.2.2 Housing Prices and Policy Expenditures

Figure NO 21 illustrates the trends in real house prices, rental prices, and wage growth in Norway from 1990 to 2023, with indices normalized to 2015 = 100.

From the mid-1990s, real house prices began a sharp upward trajectory, with notable acceleration after the global financial crisis in 2008 and continuing steadily through the 2010s and 2020s. Rental prices, which are only available for the years 2009-2023, have shown a more moderate and consistent increase, growing steadily but not as rapidly as housing prices. Up until 2015, wage growth was relatively aligned with the housing market, post-2015, the gap between the two widened slightly with housing prices growing more, but then wage growth outpaced housing price growth after 2018. It should be noted that, as highlighted above, considering inflation and CPI growth, wages in Norway have not seen real growth between 2015 and 2023. This means that the gap between housing prices and wages can be expected to be higher in real terms. Furthermore, the gap between wage increase and housing/rental price increase might be considerably higher in some urban areas, especially around the capital city, Oslo.



Figure NO 21. Housing and rental price development, Norway. Source: compiled by author, data from OECD

Government expenditures for housing

General government expenditures in Norway for housing, housing development, and community development have consistently remained below 1% of total government spending since 1995 (Figure NO 22). Since then, spending on both housing and community development has significantly declined, with housing expenditures averaging just 0.25% since 2014 and community development expenditures dropping to zero since 2007. However, a modest increase is seen in the area of housing development, which now accounts for approximately 0.77% of total government expenditures, up from 0.29% in 1995.

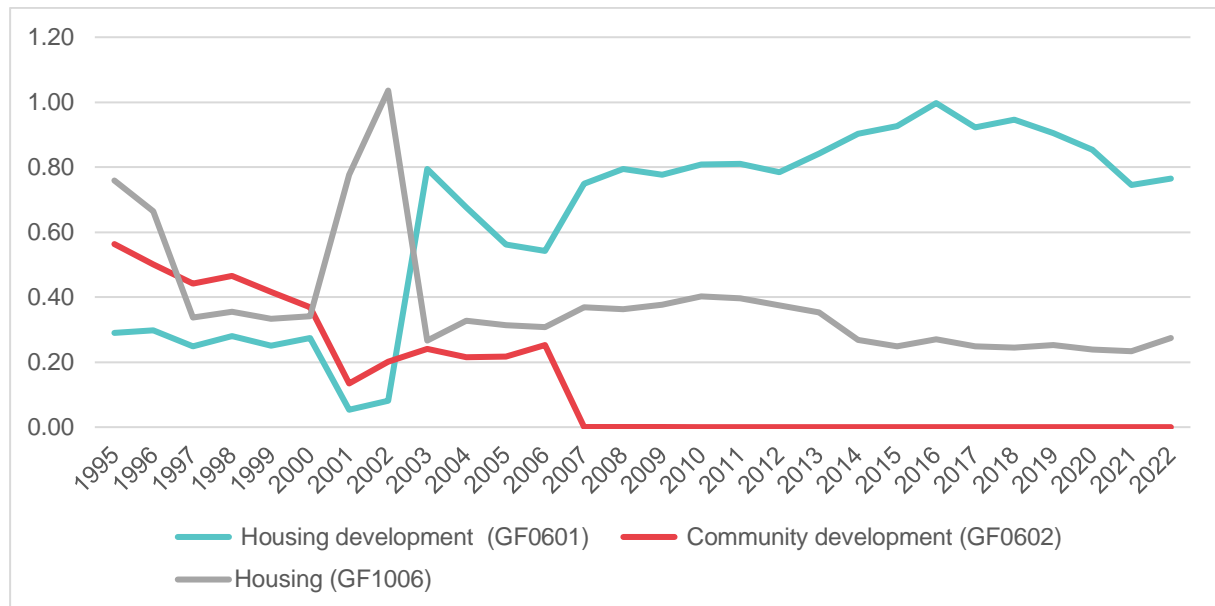


Figure NO 22. General Government Expenditures on housing (consolidated) (% of total expenses).
Source: compiled by author, data from: OECD

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

This part of the report is based on EU SILC data, i.e. the survey on income and living conditions that is carried out in the EU and other European countries.

2.1 Housing and Neighbourhood Quality

The dataset from the 2005-2020 EU-SILC surveys on housing and neighborhood quality includes the following indicators:

1. Leaking roof, damp walls/floors/foundation, or rot in window frames or floor
2. Ability to keep home adequately warm
3. Problems with the dwelling: too dark, not enough light
4. Noise from neighbors or from the street
5. Pollution, grime or other environmental problems
6. Crime violence or vandalism in the neighborhood

The indicators are assessed at the country level and also focus on densely populated areas, intermediate and thinly populated areas. Some relevant trends emerge in the Norwegian context (see figure NO 23 for quality indicators assessed at the country level and annex 1 for an overview of the data also according to different degrees of urbanization).

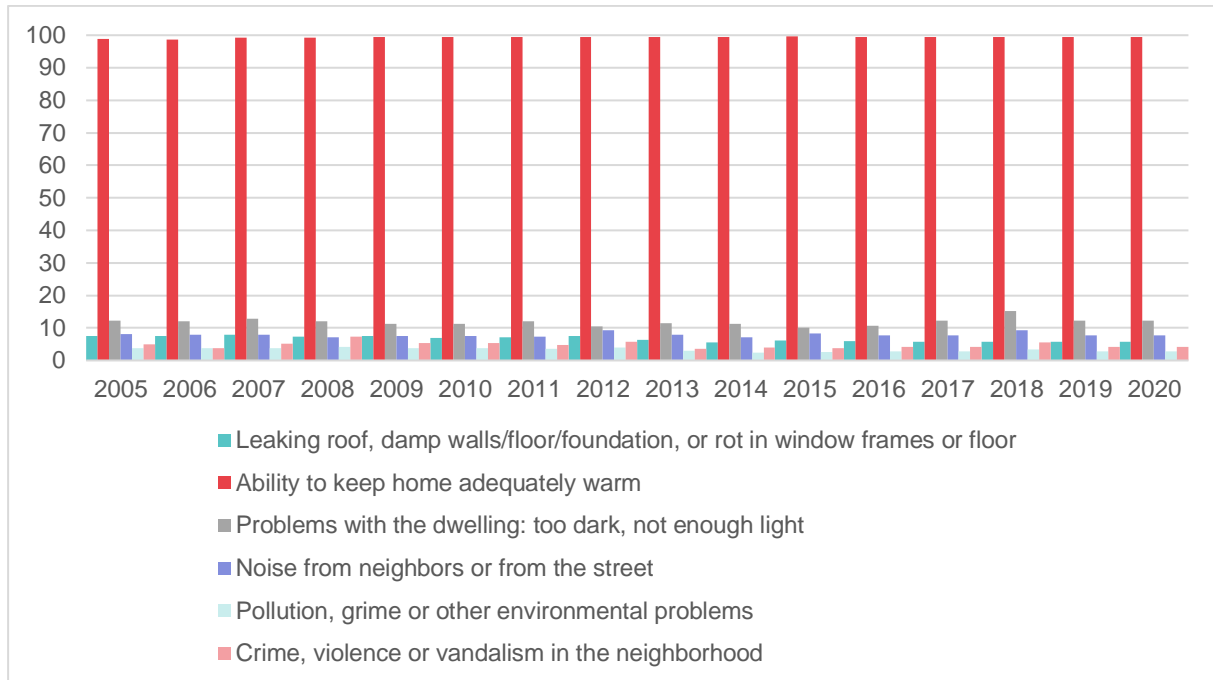


Figure NO 23. Share of positive answers on housing and neighborhood quality. (%), 2005-2020, Norway. Source: compiled by authors, data from: EU-SILC own calculation

The ability to keep home warm is the most positive indicator across all levels of urbanization, with between 99% and 100% of respondents consistently reporting the ability to keep their homes adequately warm throughout the 2005-2020 period.

Problems like damp walls, floors, or foundations, and rot in window frames or floors, show little variation between urbanization levels and remain fairly stable over time, with an average occurrence between 6.2% and 6.7%.

Problems relative to dwelling light are relatively more concerning, especially in densely populated areas and intermediate areas where on average between 2005 and 2020, 14% and 11% of the respondents reported such issues.

Noise from neighbors or the street is reported, on average between 2005 and 2020, more frequently in densely populated areas, with 9% of respondents citing this issue, compared to 7.5% in intermediately populated areas and 7% in sparsely populated areas.

Issues concerning pollution, grime or other environmental problems are the least reported by respondents. As expected, the issue is perceived to be stronger (even if not remarkably) in densely populated areas (3.8% of respondents on average in the considered time frame), compared to intermediately densely populated areas (about 3.3%) and thinly populated areas (about 2.8%). Interestingly, the perception of environmental problems at the country level has generally decreased of 1% between 2005 and 2020.

Finally, reports of crime-related concerns are higher in densely populated areas, averaging 6.7% between 2005 and 2020, compared to 4% in intermediate areas and 2.5% in sparsely populated areas. Interestingly, while perceptions have remained stable in densely and

sparsely populated areas, there has been a 2% decrease in crime-related concerns in intermediate areas over this period.

Housing overcrowding is here considered as another indicator of housing quality. The perception of housing overcrowding varies substantially across areas with different degrees of urbanization. As observed in Figure NO 24, densely populated areas consistently report the highest levels of perceived overcrowding compared to intermediate and thinly populated areas. The share of positive answers in densely populated areas often hovers around 8-10%, with notable peaks between 2018 and 2020. This is also consistent with the previous chart as urban areas often feature smaller homes with more people living in a limited space. Intermediate areas have lower rates of reported overcrowding, with percentages generally between 3-6% throughout the period 2005-2020. Thinly populated areas exhibit the lowest perceived overcrowding rates, usually below 5%. The overall country trend closely follows that of densely populated areas, which can be explained with the fact that the great majority of people (about 83%) in Norway live in urban and more densely populated areas (Statistics Norway, 2024b).

Figure NO 24 suggests that the challenge of housing overcrowding in Norway is primarily an urban issue, driven by smaller living spaces and a higher density of people in densely populated areas.

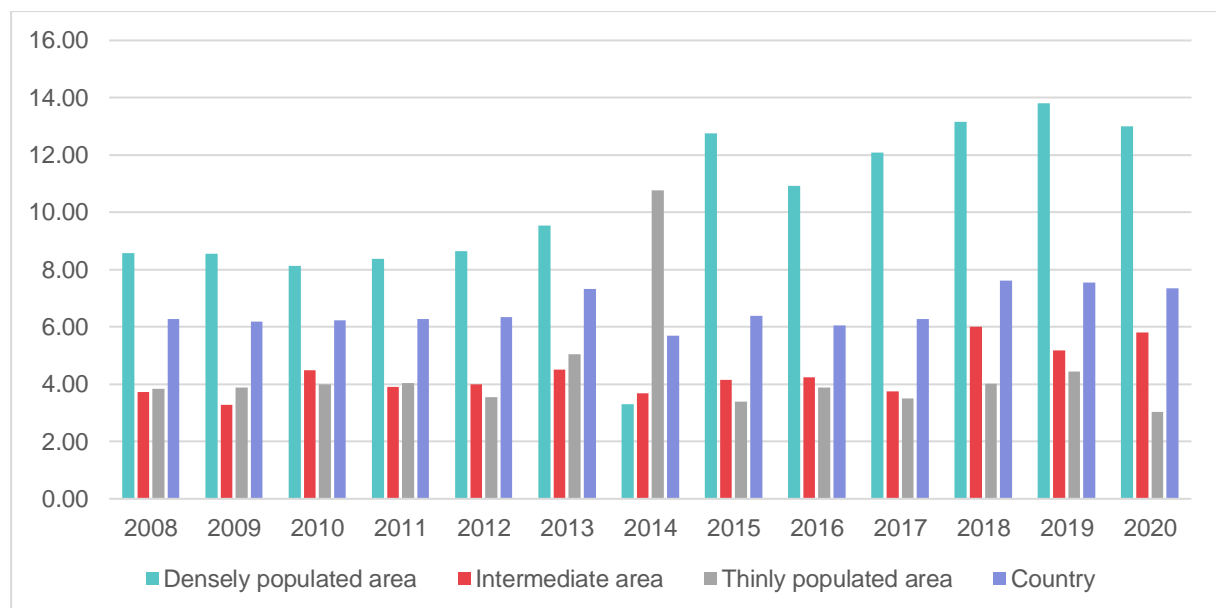


Figure NO 24. Share of positive answers on housing overcrowding 2008-2020, Norway. Source: compiled by authors, data from: EU-SILC own calculation

The amount of space available to each member of a household (Figure NO 25) can also be considered as a relevant indicator of housing quality. In Norway the number of persons per room is consistently higher in homes with 5 or fewer rooms compared to those with 6 or more rooms. This is expected, as larger homes naturally offer more living space per individual. For households with 5 or fewer rooms, the number of persons per room generally remains around 0.6 throughout the period 2005-2020, indicating a relatively stable ratio. For households with 6 or more rooms, the number of persons per room is lower, staying close to 0.5.



Figure NO 25. Number of persons per room 2005-2020, Norway. Source: compiled by author, data from: EU-SILC own calculation

2.2 Housing Costs

As far as housing cost burden is concerned, data from EU-SILC are available between 2005 and 2020. However, as data for 2005 are consistently low across all the indicators that will be discussed in this section (which might be related with methodological issues in the survey), description and interpretation will include data from 2006 or 2007.

Data about self-perceived housing cost burden (Figure NO 26) show a somewhat positive and relatively stable situation in Norway. In 2020, the great majority (around 60%) perceive not a burden at all from their housing costs, about 33% on average feel somewhat a burden and only about the 5% feel a heavy burden. Over time, the proportion of people reporting that their situation is "not a burden at all" grew by about 5%. Conversely, those feeling "somewhat a burden" declined slightly, indicating an easing of perceived pressures. The "heavy burden" category remained consistently low, with no significant change over the years.

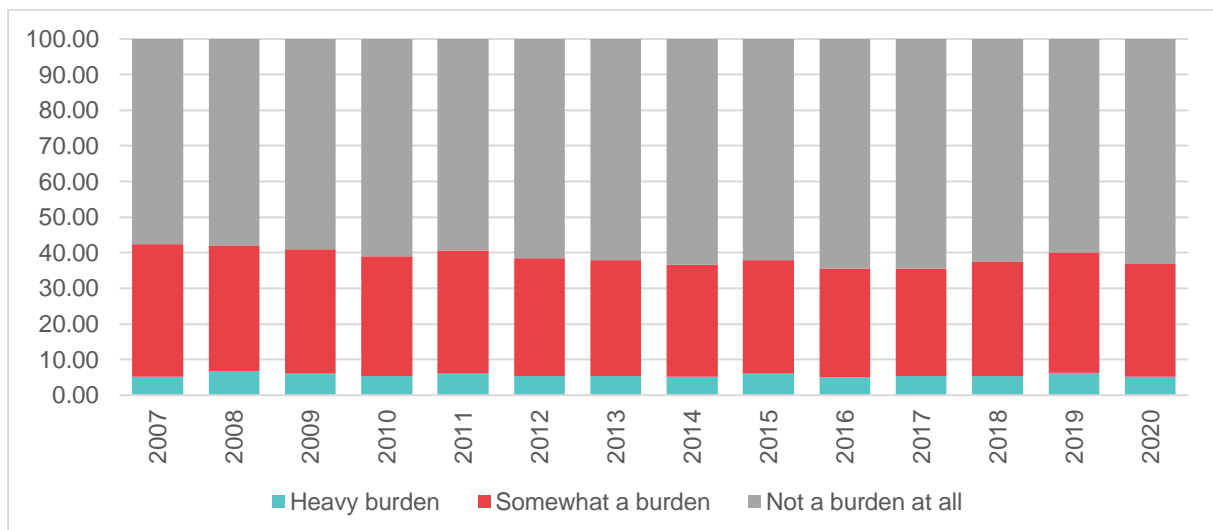


Figure NO 26. Self-perceived housing cost burden. Source: compiled by author, data from: EU-SILC own calculation

2.2.1 Housing Cost Burden per Socio-economic and Demographic Conditions

The share of housing costs on disposable income varies considerably across different education levels. Generally speaking, as expected, those under highest housing cost burdens are those with primary education (25,5% on average between 2006 and 2020), followed by those with secondary education (about 21% on average in the same time frame). Those with upper-secondary, post-secondary and tertiary education experience less housing cost burdens overall (around 18% of their disposable income on average between 2005 and 2020). Interestingly, the perceived housing cost burden has somewhat decreased across all categories between 2006 and 2020.

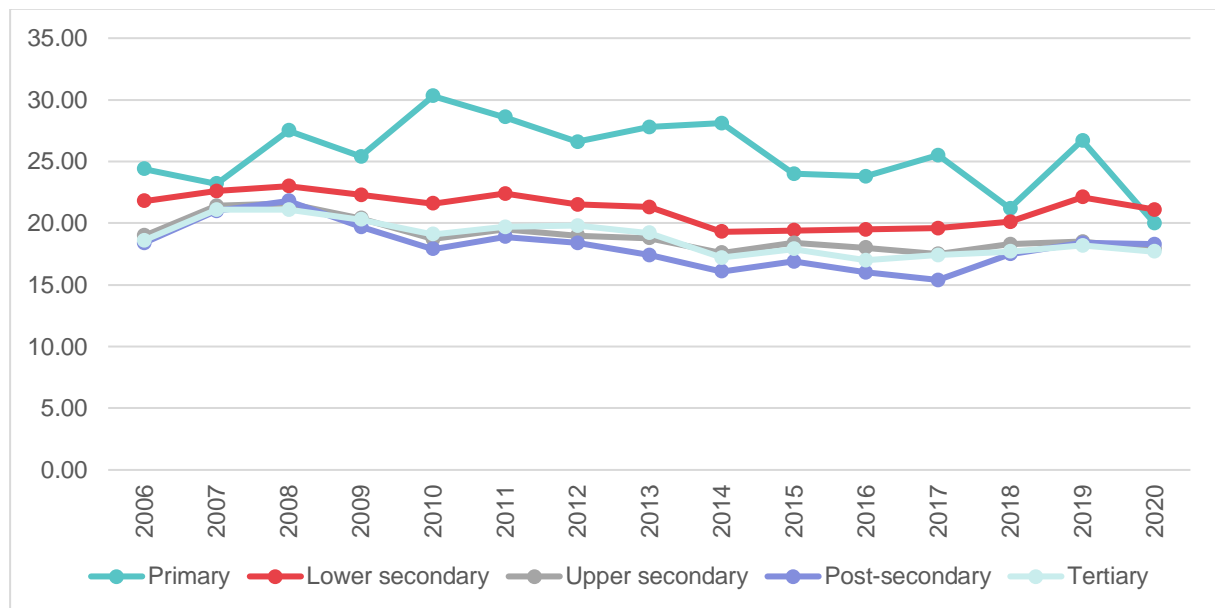


Figure NO 27. Share of housing costs in total disposable income by educational attainment level
Source: compiled by author, data from: EU-SILC own calculation

When looking at the share of total housing costs in total disposable income by self-defined economic status, it is immediately clear that students are the category experiencing the highest housing cost burdens, often reaching or exceeding 40% in several years between 2006 and 2020, reflecting their generally limited income. Unemployed individuals also face a significant burden from housing costs, with their share fluctuating between 25% and 35% over the period, highlighting economic vulnerability. Disabled individuals have seen variability in their housing cost burden, but generally remain in the 25-35% range throughout the years. Individuals in retirement, those engaged in domestic tasks, and other inactive persons show a slightly lower burden, usually between 20% and 30%. Full-time and part-time workers tend to have the lowest housing cost burden relative to their disposable income, typically staying in the range of 15% to 25%, reflecting a relatively more stable economic status.

The data shows notable fluctuations in some categories around 2007-2009, possibly due to the financial crisis, with students and unemployed individuals showing peaks during this period.

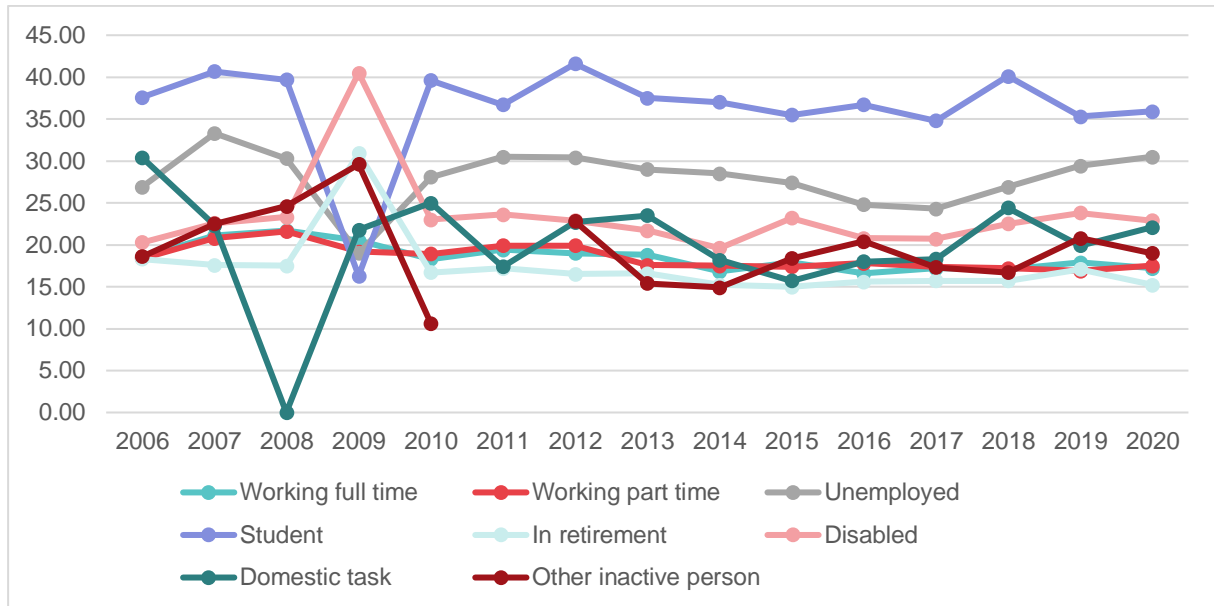


Figure NO 28. Share of total housing costs in total disposable income by self-defined economic status.
Source: compiled by author, data from: EU-SILC own calculation

When it comes to housing costs according to country of origins, individuals born outside the EU consistently have the highest share of housing costs relative to their disposable income. This percentage often exceeds 25%, indicating a larger financial burden of housing costs for this group compared to same country residents and EU-born residents. For individuals born in the same country, the share of housing costs in disposable income is typically the lowest among the three groups, ranging mostly from 15% to just above 20%, within the 2006-2020 time period. EU-born residents lag in the middles, with a share of disposable income used for housing costs typically between 19 and 25%. There is some fluctuation in the percentages over the years for all groups. For example, a rise in the share of housing costs is noticeable around 2008-2009, likely related to the global financial crisis, and again in 2015-2016. Post-2016, the share of housing costs seems to stabilize or show a gradual increase across all ethnic groups (Figure NO 29).

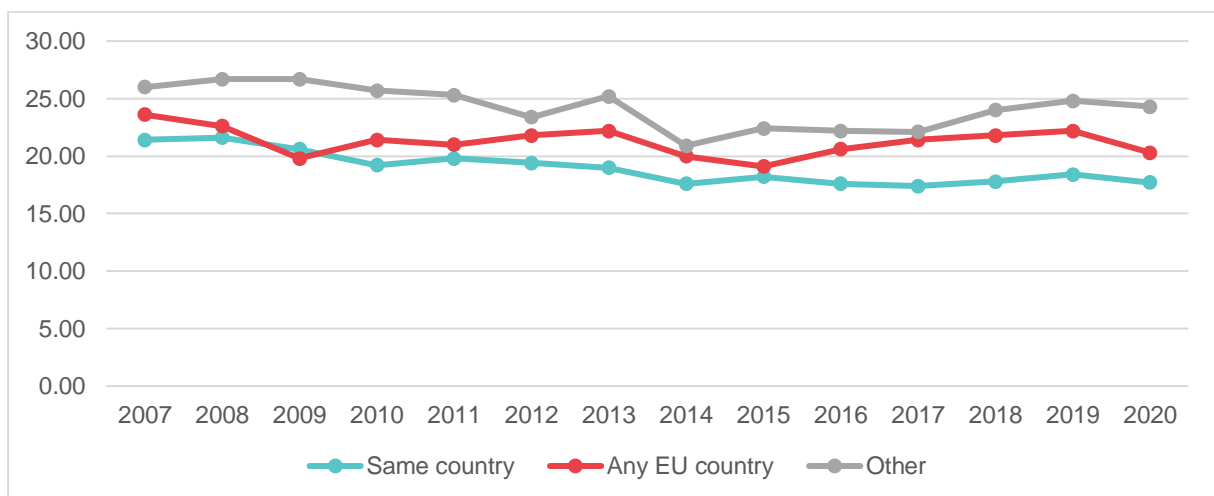


Figure NO 29. Share of total housing costs in total disposable income by country of birth.
Source: compiled by author, data from: EU-SILC own calculation

2.2.2 Housing Cost Burden per Household Type

The share of total housing costs in total disposable income shows interesting variations across different household typologies. Single-person households consistently bear the highest share of housing costs relative to their disposable income, generally hovering around 25% throughout the entire period. This suggests that single-person households have a relatively heavier housing cost burden due to having a single income source. Single-parent households with one or more dependent children also have a relatively high share of housing costs, typically staying close to 25%, similar to single-person households. Households with two adults and no dependent children, where both adults are under 65 years, and other households without dependent children, tend to have a lower share of housing costs, mostly ranging between 15% and 20%. Households with two adults and no dependent children, with at least one adult aged 65 or over, generally experience the lowest housing cost burden, staying around or slightly below 20% throughout the observed period. This could reflect the stability of income from pensions or savings in older households. The overall trend across all household types remains relatively stable over the years.

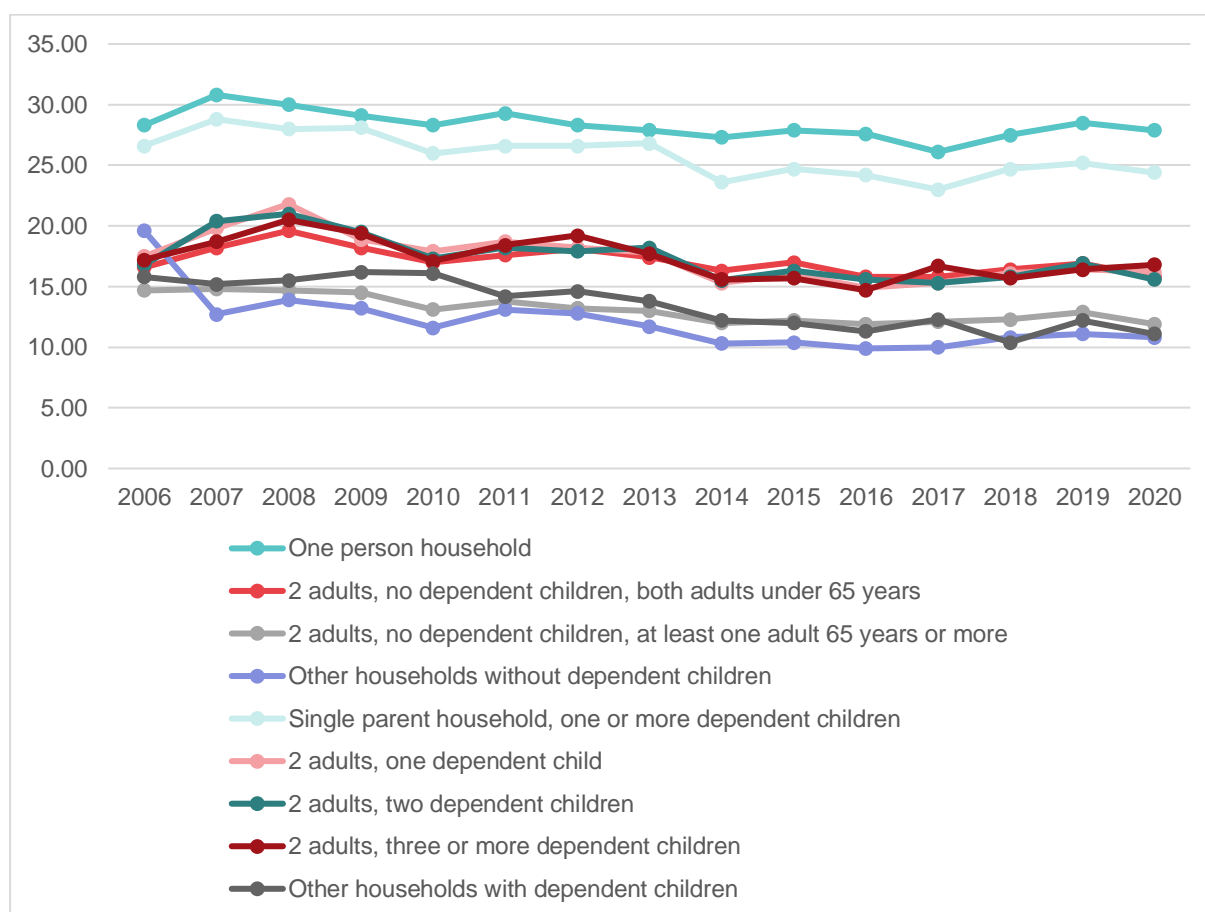


Figure NO 30. Share of total housing costs in total disposable income by household type. Source: compiled by author, data from: EU-SILC own calculation

2.2.3 Housing Cost Burden per Building Type and Tenure

Looking at the financial burden as share of housing costs on disposable income, data shows that in general people living in detached and semi-detached houses experience less burden (housing costs are at an average of 17%-22% of disposable income between 2006 and 2010). This can be explained with the fact that housing price per square meter is generally lower in this housing typologies (given also the fact that they are in general in not so central positions), but also with the fact that these housing typologies in Norway are usually located in well off areas. Conversely, households living in apartments in buildings are those spending the highest share of their disposable income (26% on average between 2006 and 2020). Notably, despite some fluctuations, trends remain relatively stable across all categories.

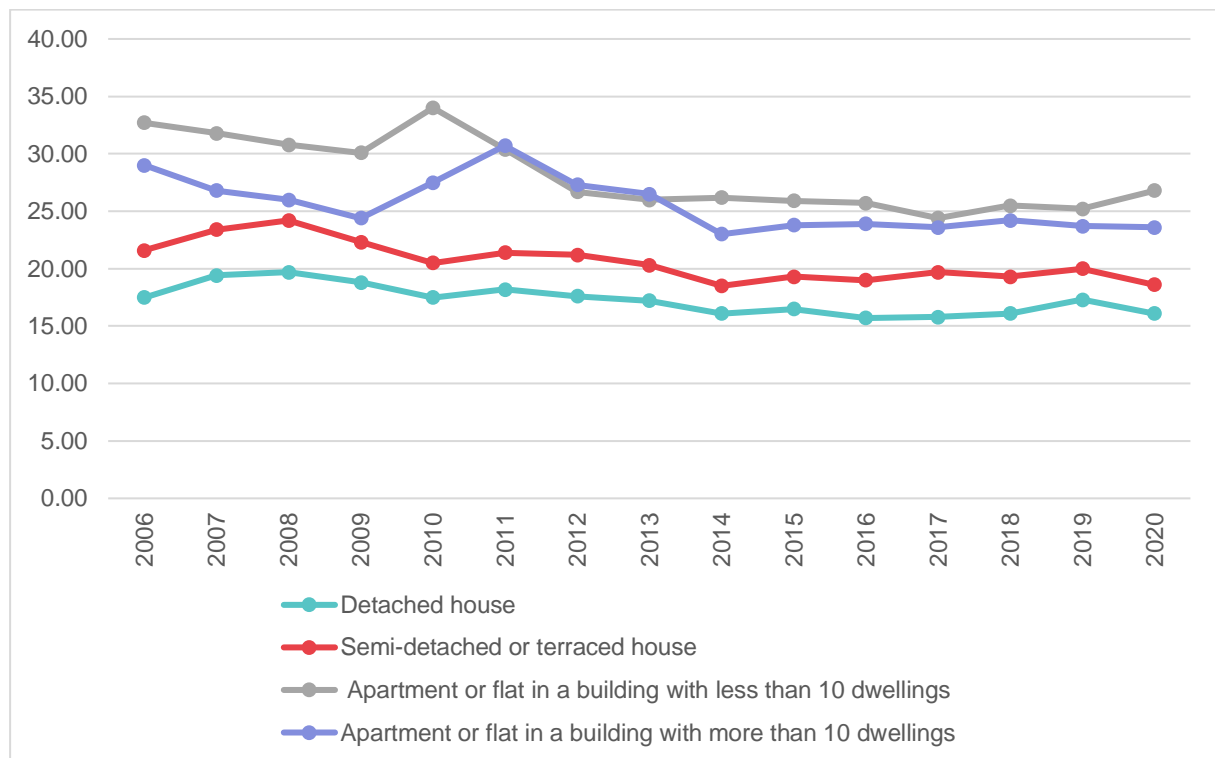


Figure NO 31. Share of total housing costs in total disposable income. Source: compiled by author, data from: EU-SILC own calculation

Regarding housing costs by tenure status, the data reveals that tenants paying market-rate rent, as expected, consistently face the highest housing cost burden, typically exceeding 33% of their disposable income and reaching up to 37%. Renters paying reduced rates experience a lighter burden compared to market-rate tenants but still allocate a substantial portion of their income to housing—generally between 15% and 25%, though this figure briefly exceeded 30% between 2011 and 2014. This indicates that even with lower rental rates, housing remains a significant expense for this group. Homeowners, on the other hand, dedicate a relatively smaller share of their disposable income to housing, usually between 10% and 20%, a trend that remains stable throughout the 2006-2020 period.



Figure NO 32. Share of housing costs in total income by tenure status (%). Source: compiled by author, data from: EU-SILC own calculation

Even though, generally speaking, housing costs cover a smaller share of disposable income for homeowners, some experience arrears on mortgage payments. As figure NO 33 shows, this does not appear to be a remarkable issue in Norway, where the number of people with mortgage arrears has been on average 3,7% between 2006 and 2020 and with a substantial decrease of more than 4% in this time period (from 6,9% in 2005 to 2,7% in 2020).

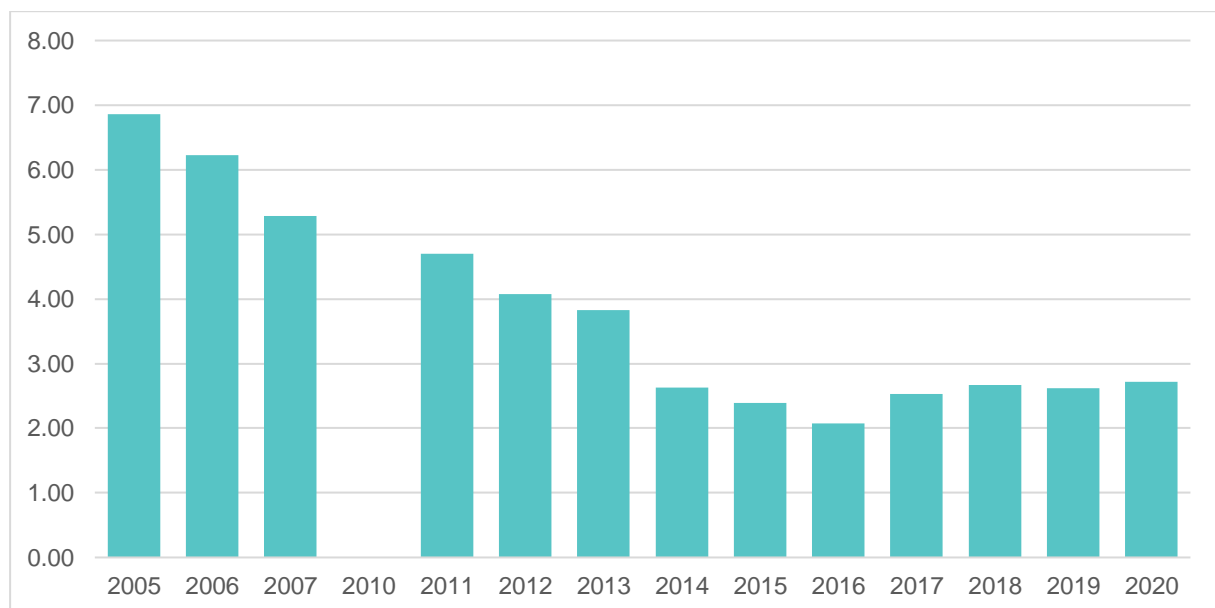


Figure NO 33. Share of households in arrears of mortgage payments. Source: compiled by author, data from: EU-SILC own calculation

2.2.4 Territorial Differences of Housing Cost Burdens (According to Degrees of Urbanization)

The share of housing costs in total income also varies according to areas' different urbanization levels. As expected, housing costs as a share of disposable income are generally higher in densely populated areas compared to intermediate and thinly populated areas. Throughout most of the period 2006-2020, this share fluctuates but typically remains close to or slightly above 20%. The slight increase in housing cost shares during certain periods, such as 2008-2009 and around 2015-2016, may reflect broader economic conditions, such as the impact of the global financial crisis and subsequent economic recovery, which affected housing markets and affordability. The higher costs in dense areas can be attributed to greater demand for housing in urban centers, leading to higher rents and property prices. The share of housing costs in disposable income in intermediate areas is generally lower than in densely populated areas but follows a similar trend. It fluctuates around 15% to 20%, showing some variation over time but remaining relatively stable. These areas represent suburban or semi-urban regions where housing may be less costly than in urban centers but still more expensive than in rural areas.

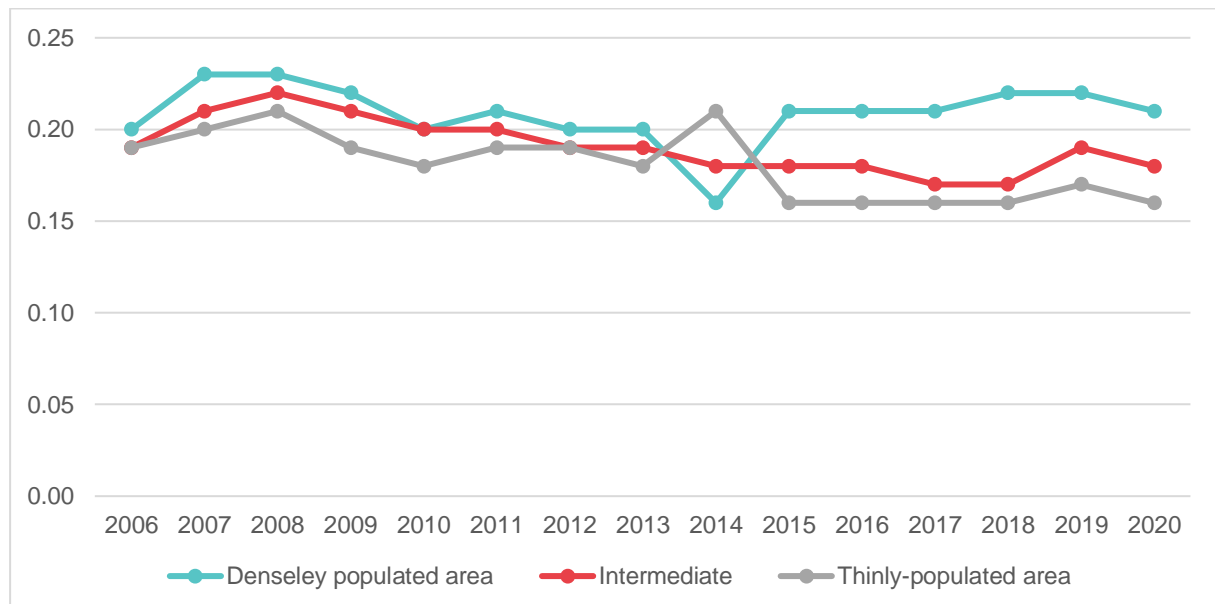


Figure NO 34. Share of housing costs in total income by type of urbanization (in %). Source: compiled by author, data from: EU-SILC own calculation

In addition to the disparities observable across the different degrees of urbanization, figure NO 35 shows how housing cost overburden is distributed across different Norwegian regions, based on NUTS-1. It should be specified that according to Eurostat, the housing cost overburden rate is defined as the percentage of the population living in households where the total housing costs (including rent or mortgage, utility bills, and maintenance costs) exceed 40% of their disposable income (after deducting housing allowances). In the period between 2021 and 2023 (available time frame from Eurostat), the overall housing cost overburden rate in Norway rose steadily, with more households across the country spending a significant portion of their income on housing expenses. In 2021, the national rate was around 11%, which increased slightly to 12% in 2022 and reached approximately 13% by 2023. The region of Oslo

og Viken consistently recorded one of the highest housing cost overburden rates throughout the three-year period. In 2021, the rate was 13%, climbing to around 16% in 2022. This region's high and fluctuating rates reflect the pressures of urban living costs, especially in Norway's capital area. Other regions show high housing cost overburden rates (Agder og Sør-Østlandet and Trøndelag), almost reaching the situation in the capital region (even though it is only in the region of Oslo that a constant upward trend is observable). Regional disparities are evident especially with Inland and western regions where the housing cost overburden rate is 2-3% points lower than that in the most pressured regions.

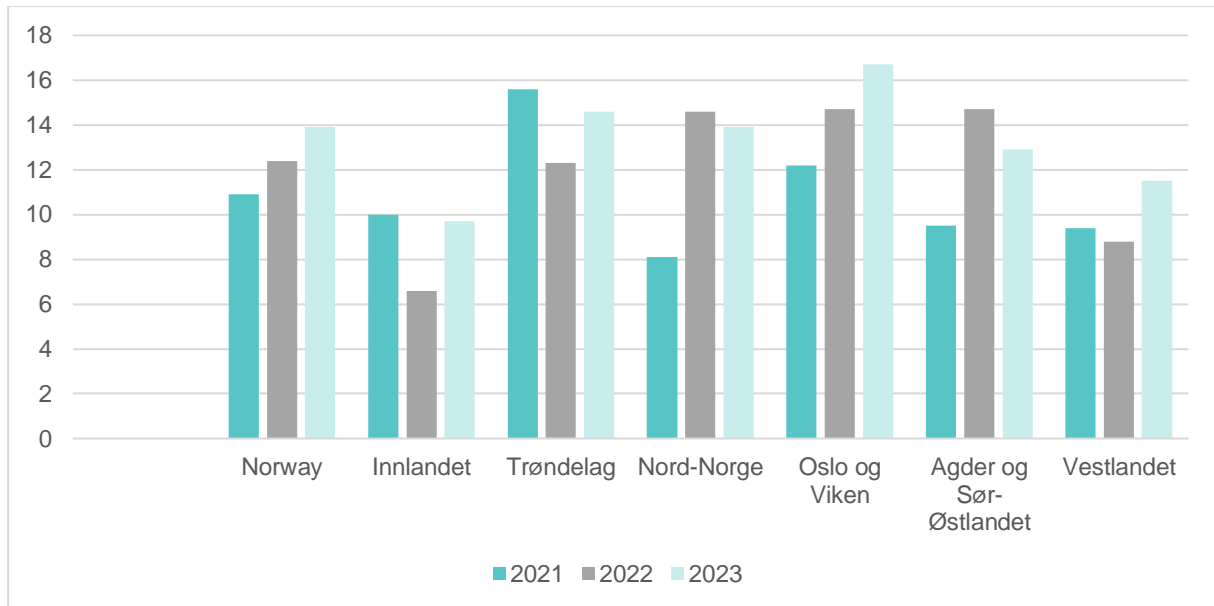


Figure NO 35. Housing cost overburden rate by NUTS1 regions, Norway. Source: compiled by author, data from: Eurostat

2.3 Housing Segmentation

As already mentioned, Norway is a country where homeownership is predominant, and this clearly emerges also when looking at the tenure structure by type of urbanization. From 2007 to 2020, ownership has consistently been the largest segment across all levels of urbanization, typically accounting for 70% to 80% of the total housing stock. On average, intermediate areas have the highest rate of homeownership at 79.5%, while densely populated areas have the lowest at 73.7%, compared to a national average of 76.6%. Notably, the share of homeowners has declined across all degrees of urbanization (-7.5% in densely populated areas and -5% in intermediate areas), with the exception of thinly populated areas, where the level remained stable.

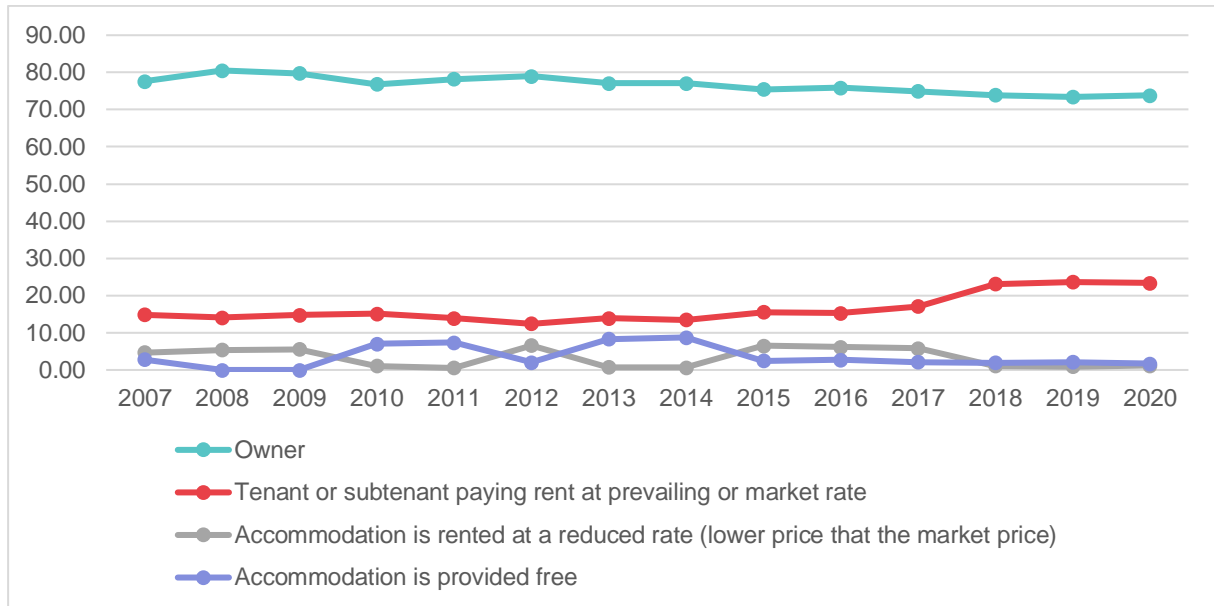


Figure NO 36. Tenure Structure in Norway (share %). Source: compiled by author, data from: EU-SILC own calculation

Densely populated areas have the highest proportion of tenants or subtenants paying rent at prevailing or market rates, with this share reaching about 28% in 2020—an increase of approximately 11.5% since 2007. At the national level, the trend closely mirrors that of intermediate areas, where around 23% of tenants rented at market rates in 2020, reflecting a rise of about 9% since 2007. In thinly populated areas, roughly 20% of residents rented at market rates in 2020, marking a 6,5% increase from 2007.

Accommodations rented at reduced rates make up a relatively small share of housing across all types of urbanization in Norway, and this share has significantly declined between 2007 and 2020. As shown in figure NO 37, the proportion of people living in reduced-rent accommodations ranged from 3% to 5% in 2007, with the highest share in densely populated areas (5%). By 2020, this share had fallen to a maximum of 1.7%, also reflecting a dramatic decrease due to reductions in government spending on public housing. Similarly, accommodations provided for free, which accounted for about 1.7% of the total housing share in 2020, saw a decline of 1.5% between 2007 and 2020.

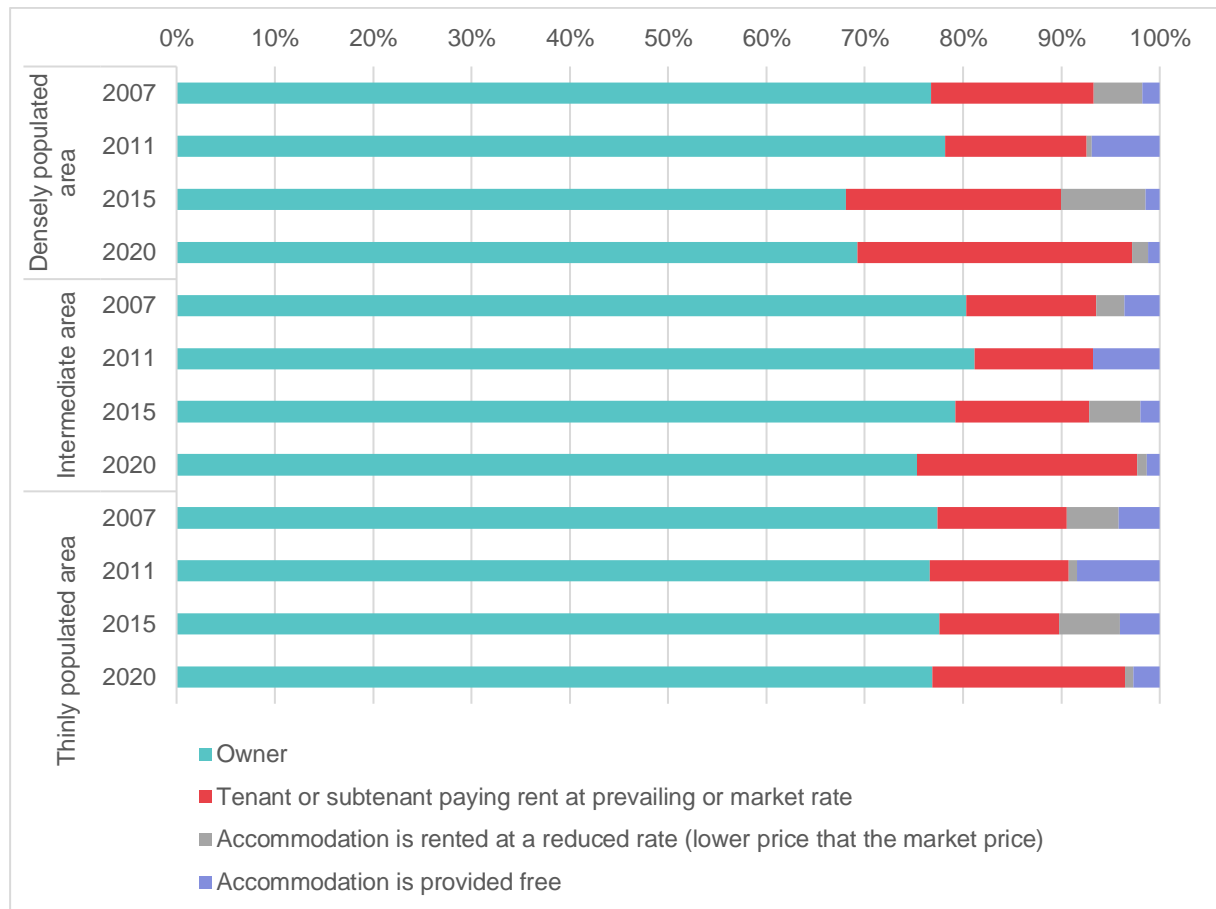


Figure NO 37. Tenure structure in Norway according to degree of urbanization. Source: compiled by author, data from: EU-SILC own calculation

Figure NO 38 provides valuable insights into the distribution of residential building typologies across varying degrees of urbanization in Norway, shedding also light on the evolution of densification trends over the years. The data clearly indicates that detached and semi-detached houses are dominant across all levels of urbanization, although they are more prevalent in intermediate and sparsely populated areas.

Despite it is important to interpret steep changes in the data with caution, as they may be influenced by methodological adjustments in the EU-SILC survey in Norway, a noteworthy trend emerges in densely populated areas. Between 2007 and 2020, the share of apartments in buildings with more than 10 dwellings increased by 14%. This shift reflects a marked intensification of urban densification processes over the past two decades, underscoring a growing emphasis on compact residential development in Norwegian cities.

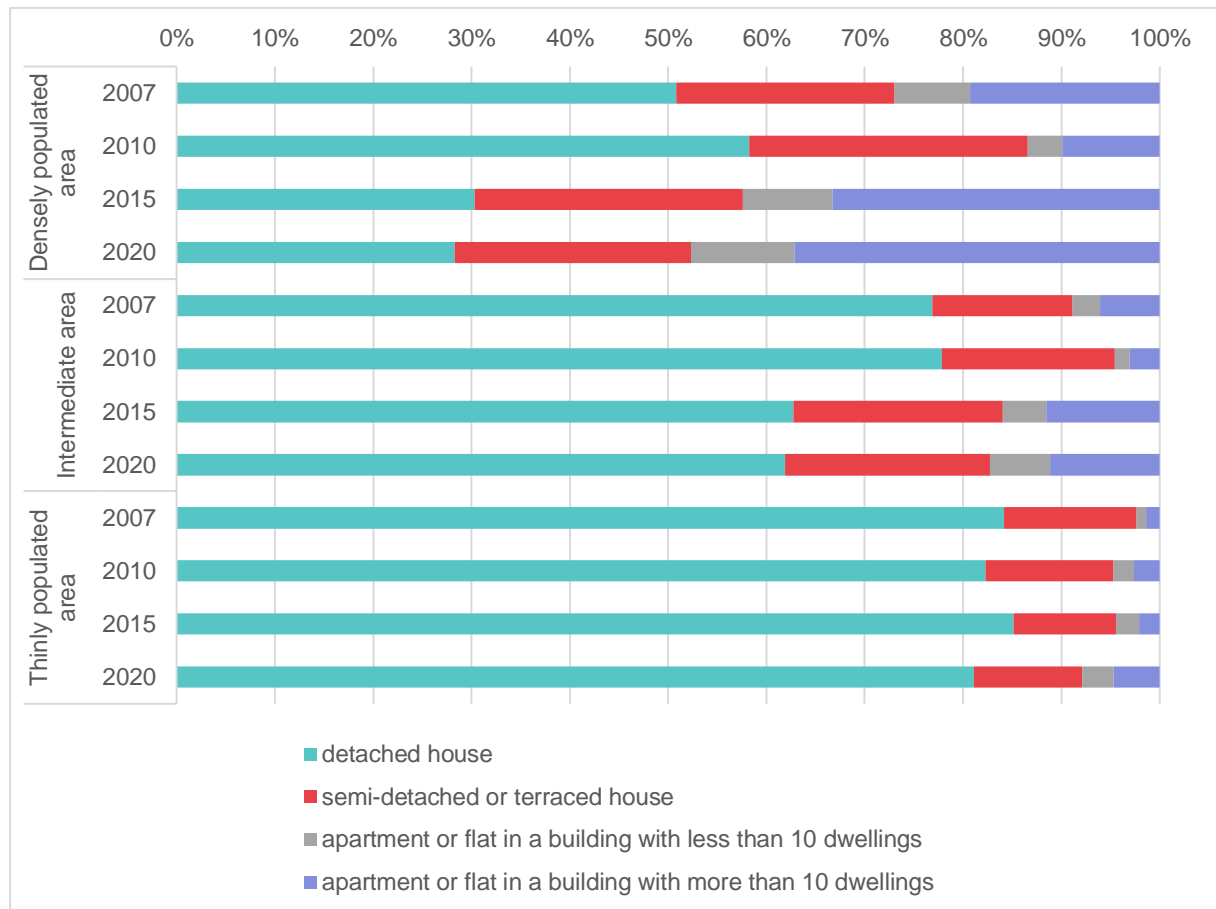


Figure NO 38. Residential building typologies in Norway according to degree of urbanization. Source: compiled by author, data from: EU-SILC own calculation

Annex

Annex Table 3: Development of self-perceived housing quality per degree of urbanisation, 2005-2020, Norway.

Year	Degree of urbanization	Leaking roof, damp walls/floors /foundation, or rot in window frames or floor	Ability to keep home adequately warm	Problems with the dwelling: too dark, not enough light	Noise from neighbors or from the street	Pollution, grime or other environmental problems	Crime violence or vandalism in the neighborhood
2005	Denseley populated area	8,11	98,61	14,00	8,55	4,39	6,83
2005	Intermediate	7,59	98,52	12,33	8,22	3,37	5,27
2005	Thinly-populated area	6,57	99,42	9,71	7,16	2,91	1,75
2006	Denseley populated area	8,23	98,49	13,70	9,11	3,78	4,99
2006	Intermediate	5,79	98,42	12,84	6,53	2,84	5,16
2006	Thinly-populated area	7,13	99,11	9,19	5,35	3,29	1,39
2007	Denseley populated area	8,30	99,09	13,94	9,03	3,61	6,62
2007	Intermediate	7,98	99,08	11,26	7,47	4,20	4,50
2007	Thinly-populated area	7,18	99,55	9,37	5,72	2,41	1,74
2008	Denseley populated area	7,14	99,13	14,65	8,87	3,86	6,78
2008	Intermediate	9,80	99,16	11,49	6,85	5,06	5,37
2008	Thinly-populated area	6,30	99,65	10,62	6,77	3,09	2,16
2009	Denseley populated area	7,64	99,38	13,34	7,60	3,98	7,31
2009	Intermediate	8,22	98,90	10,86	7,79	4,39	4,71
2009	Thinly-populated area	6,92	99,52	10,46	6,13	4,33	2,41
2010	Denseley populated area	7,07	99,36	12,91	8,27	4,26	7,56
2010	Intermediate	7,54	99,33	9,65	7,10	3,99	3,88
2010	Thinly-populated area	6,68	99,43	9,68	6,56	3,06	2,42
2011	Denseley populated area	7,25	99,11	14,15	7,92	3,81	6,44
2011	Intermediate	6,87	98,38	11,99	7,99	3,00	2,75
2011	Thinly-populated area	6,84	99,19	8,46	5,74	3,24	2,72
2012	Denseley populated area	7,76	99,32	11,98	10,43	4,45	7,73
2012	Intermediate	8,17	99,14	8,93	7,59	4,03	4,61
2012	Thinly-populated area	6,86	99,61	8,85	8,52	3,15	2,99
2013	Denseley populated area	6,25	99,19	13,05	8,31	3,06	5,93
2013	Intermediate	6,33	99,20	10,04	7,13	2,81	3,61
2013	Thinly-populated area	6,49	99,56	9,79	5,94	3,30	2,37
2014	Denseley populated area	5,78	99,47	8,31	5,88	2,39	1,85
2014	Intermediate	5,34	99,41	9,97	6,62	2,25	3,31

2014	Thinly-populated area	5,70	99,45	14,06	9,32	3,18	7,86
2015	Denseley populated area	5,66	99,59	14,41	13,01	4,26	9,68
2015	Intermediate	6,45	99,71	9,92	8,25	2,61	4,70
2015	Thinly-populated area	5,97	99,80	6,67	7,12	1,74	3,19
2016	Denseley populated area	5,23	99,35	13,97	9,39	3,34	7,77
2016	Intermediate	5,36	99,51	9,34	6,26	2,33	3,79
2016	Thinly-populated area	4,68	99,47	7,11	5,20	1,96	2,20
2017	Denseley populated area	4,68	99,21	14,59	9,80	4,51	5,63
2017	Intermediate	4,81	99,70	9,58	6,05	2,85	2,94
2017	Thinly-populated area	5,19	99,34	7,49	5,80	2,84	1,91
2018	Denseley populated area	6,04	99,35	16,82	11,67	4,44	8,06
2018	Intermediate	5,72	99,34	9,15	7,88	2,86	3,35
2018	Thinly-populated area	6,00	99,38	6,78	7,01	2,63	1,85
2019	Denseley populated area	5,83	99,07	13,58	8,39	4,02	7,81
2019	Intermediate	5,99	99,06	10,70	8,04	2,48	3,04
2019	Thinly-populated area	6,05	99,12	8,04	6,11	1,76	1,65
2020	Denseley populated area	5,79	99,50	15,73	9,99	2,54	6,40
2020	Intermediate	5,77	99,20	11,92	7,20	3,66	3,50
2020	Thinly-populated area	5,67	99,69	9,12	5,73	1,60	1,91

Source: compiled by author, data from: EU-SILC own calculation

NATIONAL REPORT ON HOUSING INEQUALITY – POLAND

Executive Summary

This report examines Poland's socio-economic conditions, housing market dynamics, and trends in housing inequality and development over the past 30 years. The transition from a centrally planned to a market economy in the 1990s brought challenges such as high unemployment and declining domestic consumption. Following EU accession in 2004, economic stabilization, lower inflation, and expanded access to European markets spurred GDP growth by over 60%. More recently, post-pandemic recovery and geopolitical instability, including the war in Ukraine, have led to inflation and GDP fluctuations.

Poland's population has declined by over 2% in the last decade, with projections indicating a further drop to 35.3 million by 2040. Aging is a pressing concern, with seniors (65+) expected to make up 25% of the population. Economic growth has brought nominal wage increases, doubling in the 1990s and rising 60% between 2019 and 2023, though inflation-adjusted gains remain modest. Poverty rates have declined to 12–14%, and unemployment reached a historic low of 5% in 2023.

Environmental trends highlight progress in Poland's energy transition, with coal reliance falling from 90% in 2000 to 65% by 2023 and renewable energy surpassing 20% of the energy mix. CO₂ emissions have dropped by 75% over two decades, but Poland remains one of the EU's largest emitters. Rising energy consumption and inflation have strained household budgets further, underscoring the importance of energy efficiency in housing development.

Poland's housing stock has grown by 35% over three decades, now totaling 16 million dwellings. Recent construction has focused on improving housing quality, aided by rising incomes and accessible mortgages. Over 80% of households live in privately owned homes, with mortgages financing approximately 10% of properties. Municipal housing, now only 5% of the market, is diminishing due to privatization. Housing prices have surged, with primary market prices up 50% since 2015 and secondary market prices nearly doubling. Rental prices have risen by 60%, driven by inflation, refugee demand, and reduced housing loan accessibility. Affordability has improved slightly in the primary market but has worsened in the secondary market due to rapid price increases. Persistent housing shortages, price inflation, and limited government intervention continue to hinder market accessibility.

Housing quality has improved markedly since EU accession, particularly in thermal comfort and structural integrity. Overcrowding rates have dropped from over 40% in the 2000s to 30% in the 2010s, thanks to increased housing production and population decline. However, urban-rural disparities persist, with rural areas experiencing inferior housing standards, despite better conditions in noise and sunlight exposure. Neighborhood quality has improved, with reduced pollution and crime rates, though urban areas face higher risks of environmental hazards compared to rural areas.

Housing costs remain a significant burden, with over 90% of households perceiving them as such since 2010. Small households, students, retirees, and immigrants face the highest

burdens, while those with higher education experience less strain. Detached houses are more affordable than apartments, while rental housing, especially unsubsidized, is the least affordable option. Ownership dominates, with 80% of residents in owner-occupied homes due to mass privatization in the 1990s. Territorial disparities persist, with rural eastern Poland enjoying better affordability than wealthier urbanized western regions, although the gap has narrowed since 2005. Urbanization patterns reveal a growing prevalence of apartments in intermediate urban areas and a predominance of detached houses in rural regions.

In conclusion, Poland's housing landscape reflects significant progress alongside persistent challenges. Improvements in quality and neighborhood conditions are tempered by affordability issues, demographic decline, and environmental pressures. Strategic efforts to address housing shortages, promote energy-efficient construction, and adapt to demographic changes will be vital to ensuring sustainable growth and improved living conditions for all.

INTRODUCTION

Poland, officially the Republic of Poland, is a country in Central Eastern Europe. It extends from the Baltic Sea in the north to the Sudetes and Carpathian Mountains in the south. Poland shares land borders with Lithuania and Russia to the northeast, Belarus and Ukraine to the east, Slovakia and the Czech Republic to the south, and Germany to the west. The territory is characterized by a varied landscape, mainly relatively flat lowlands and highlands, with settlements spread rather evenly across the country. Importantly, Poland ranks very high among European countries with a highly polycentric settlement structure.

Poland is the 5th most populous member state of the European Union (EU), with less than 38 million people, and the fifth largest EU country by land area, covering a combined area of 312,696 km². The capital and largest city is Warsaw (approximately 1.9 million people); other major urban centres include Kraków, Wrocław, Łódź, Poznań, and Gdańsk. Notably, with more than 3 million people, the most populous urban area in Poland is the Upper Silesia conurbation.

Poland was a socialist country for almost 50 years (from 1944 to 1989). This had a substantial impact on the path of economic development in the 21st century. After the demise of socialism in 1989, Poland had a generally obsolete industrial structure, undeveloped road infrastructure, and, most importantly, severe housing shortages. Poland joined the EU in 2004, which is often perceived as the symbolic end of the post-socialist transition. Importantly, accession to the EU boosted economic growth, institutional development (particularly in the financial sector), and infrastructure development. Poland is a semi-presidential republic with a bicameral legislature comprising the Sejm and the Senate. It has a unitary system of government and is composed of 16 voivodeships.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

1.1.1 Macroeconomic Trends at the National Levels

The development trajectory of the Polish economy over the past 30 years can be divided into three distinct periods. The first period corresponds to the transition from a centrally planned economy to a market economy, spanning the 1990s and early 2000s. The second period encompasses the years from Poland's accession to the European Union (EU) in 2004 until 2020, which marked the onset of the COVID-19 pandemic. The third period, the current phase, began in 2021. Since 1995, Poland has demonstrated continuous GDP growth, with the exception of 2020 due to the pandemic, despite varied domestic and international economic conditions across these periods. The initial phase of rapid economic growth concluded in the early 21st century, disrupted by global economic crises and domestic challenges, including political pressures stemming from high social expenditures and market-related issues, such as decreasing domestic consumption and investment alongside rising unemployment. Cumulative GDP growth for the period from 1996 to 2003 was 33.6% (Figure PL1).

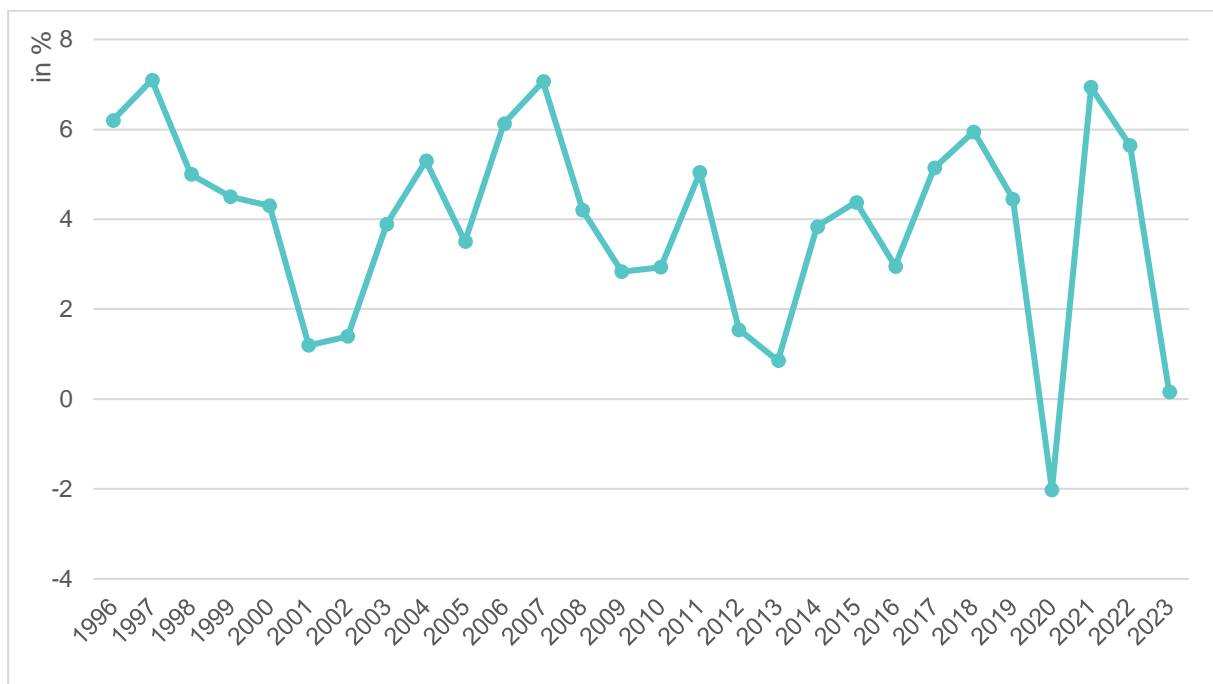


Figure PL1: GDP growth dynamics in Poland (1995–2023). Source: own elaboration based on Statistics Poland

In the subsequent period, Poland's entry into the EU acted as the primary catalyst for economic expansion, offering unrestricted access to European markets and, over time, access to the EU labour market. This phase saw monetary stabilization, low inflation (occasionally leading to deflation, with cumulative inflation at 30%), and declining interest rates (from 5.2% in 2005 to 1.7% in 2019). In particular, the latter factor played a significant role in the housing market, as low interest rates contributed to increased accessibility of mortgage loans, which during this

period financed the purchase of approximately half of all housing units (Raport roczny ...). (Figure PL2). From 2004 to 2019, cumulative GDP growth exceeded 60%, more than double the EU average. During this period, the share of public sector debt in GDP increased by 10%, reaching 61.7% in 2019, although fluctuations occurred throughout the period.

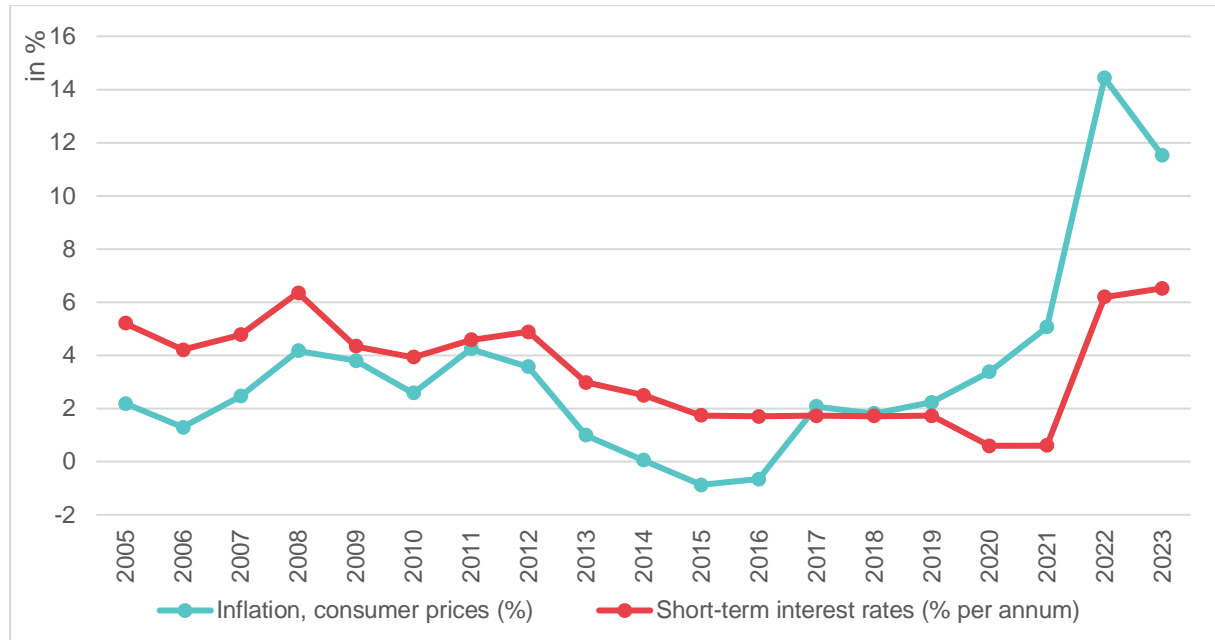


Figure PL2: Inflation and short-term interest rates (2005-2023) Source: own elaboration based on Statistics Poland

The current period has introduced new economic challenges due to the COVID-19 pandemic and geopolitical instability, including the Russian invasion of Ukraine, which has driven significant increases in energy prices. These factors have contributed to rising inflation, with cumulative inflation reaching 31% over the past three years (2021–2023). This inflationary pressure has led to an increase in unemployment, consequently reducing domestic consumption. However, GDP growth is projected at 3–3.5% for 2024, with 2023 being an exception in terms of GDP fluctuations.

1.1.2 Socio-economic and Demographic Trends

Poland has a population of approximately 37.6 million (2023). Since the mid-1990s, this population has been in gradual decline, with a decrease of over 2%—roughly 900,000 people - in the past decade alone (Figure PL3).

Population loss, however, is unevenly distributed. The regions at the greatest risk of depopulation are rural and peripheral areas, particularly those in the eastern, northeastern, and northwestern parts of the country. This trend also affects urban centres, including major post-industrial cities. By contrast, population growth is mainly concentrated in suburban areas surrounding large and medium-sized cities, as well as in the regions of Pomerania and Lesser Poland, traditionally associated with higher birth rates. Projections suggest that Poland's population will decrease to 35.3 million by 2040, with individuals over the age of 65 comprising 25% of the total population (Figure PL3).

Unfavourable demographic trends are largely influenced by natural population movement, which remained near zero during the first 15 years of the 21st century but has recently turned negative, primarily due to a sharp decline in birth rates. Between 2017 and 2023, the number of births dropped from 400,000 to 272,000, and the fertility rate fell from nearly 1.5 to 1.26, marking the lowest rate recorded in the 21st century. This trend aligns with an increase in the average age at which women have their first child, which rose by six years—from 23 to 29—between 1990 and 2023. Additionally, the proportion of foreign-born women giving birth in Poland has grown significantly, from 0.5% in 2015 to 5.5% in 2022, with Ukrainian women accounting for 80% of this group in that year. The death rate also increased modestly from 2017 to 2023, with a notable spike during the COVID-19 pandemic, resulting in an excess of approximately 50,000 deaths over the baseline of 400,000 in 2017.

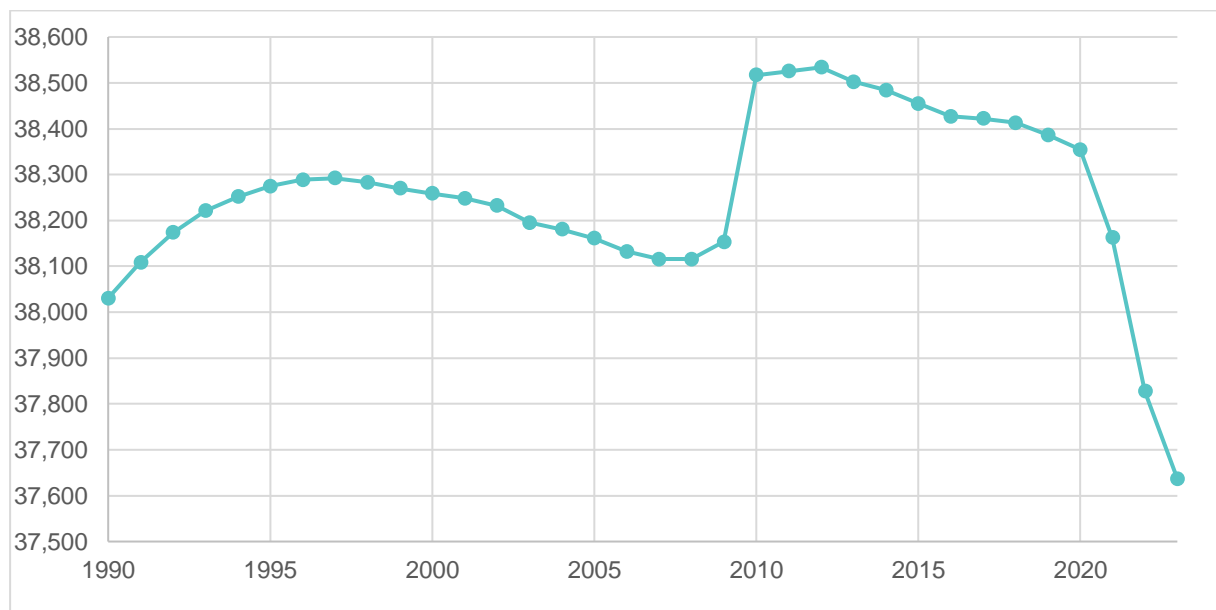


Figure PL3: Total population (1990-2023). Source: own elaboration based on Statistics Poland

NOTE: The significant change in population numbers between 2009 and 2010, as well as between 2019 and 2020, is the result of a change in the population measurement methodology adopted by the Statistics Poland

These demographic shifts have had a marked impact on the age structure of Poland's population. Since 1990, the proportion of individuals aged over 65 has doubled, rising from 10.1% to 19.9% in 2023, with the most significant increase occurring over the past decade (from 15% in 2014). Concurrently, the proportion of those under 14 years of age has declined from 24.9% to 15% (Figure PL4).

Since the 1990s, Poland has experienced a negative net migration rate, with the largest outflows occurring shortly after the country's accession to the European Union (EU) in the years 2005–2007. However, since 2015, the migration balance has turned positive, primarily due to an influx of Ukrainian and Belarusian nationals. Over this period, the number of foreigners residing in Poland has increased fivefold, reaching approximately 450,000 in 2023, according to Statistics Poland. This figure excludes around 950,000 Ukrainian refugees (UNHCR 2024). Outflows of foreigners from Poland are considerably smaller, amounting to 73,000 in 2021, reflecting a 25% increase over the previous decade (Figure PL5).

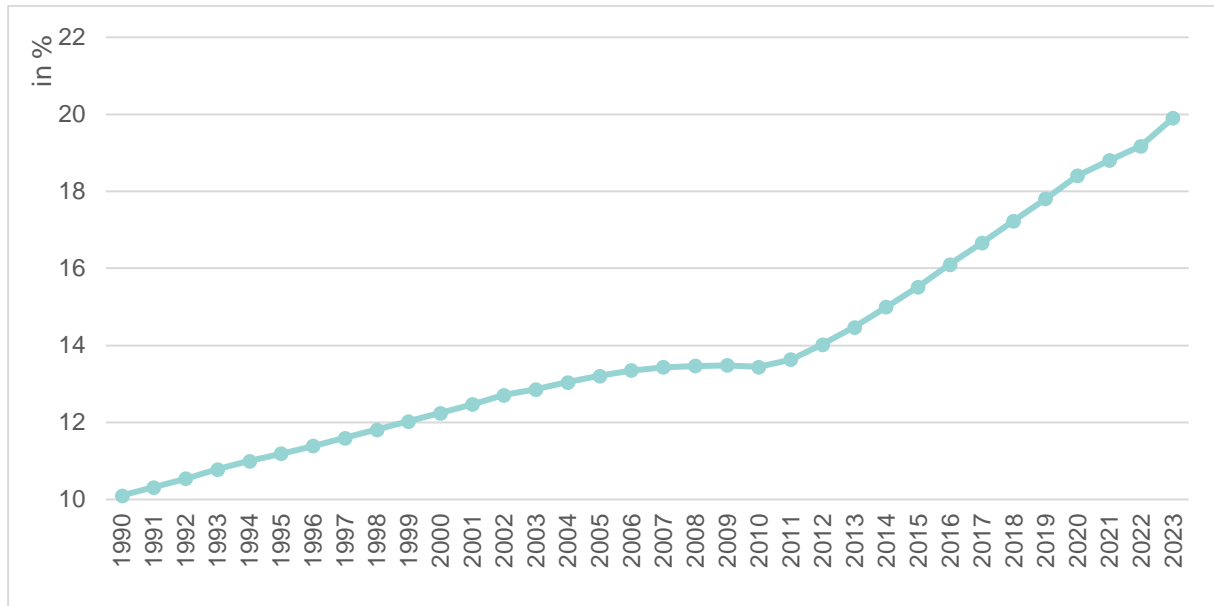


Figure PL4: Share of population 65 years or over (1990-2023). Source: own elaboration based on Statistics Poland

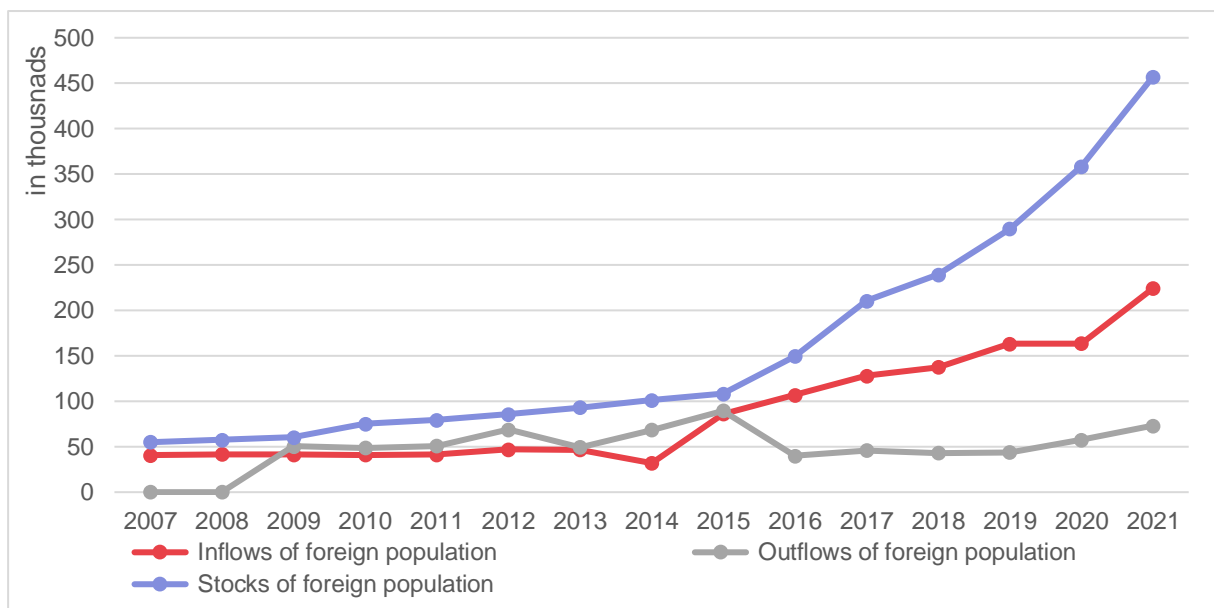


Figure PL5: Foreign population (2007-2021). Source: own elaboration based on Statistics Poland

Poland's socio-economic situation over the past 30 years has been shaped by dynamic shifts driven by several key factors: the successful transition from a centrally planned economy to a market economy, EU accession, and strategic utilization of global economic growth, particularly during the second decade of the 21st century. Nominal wages have shown continuous growth since the 1990s, with the most rapid increases observed in the mid-1990s (doubling between 1995 and 1999) and again in the past five years, with wages rising by 60% from 2019 to 2023 (Figure PL6). However, when adjusted for inflation, the real growth rate since 2019 is approximately half that of the nominal rate. Rising income levels have been accompanied by a decline in poverty rates—decreasing by 20% over the past two decades—

currently affecting 12% to 14% of the population, depending on the methodology used (OECD and Statistics Poland, respectively). Similarly, while social assistance spending as a proportion of GDP has decreased from 19% to 16.9% over the past 30 years, actual spending has consistently increased when GDP growth is considered.

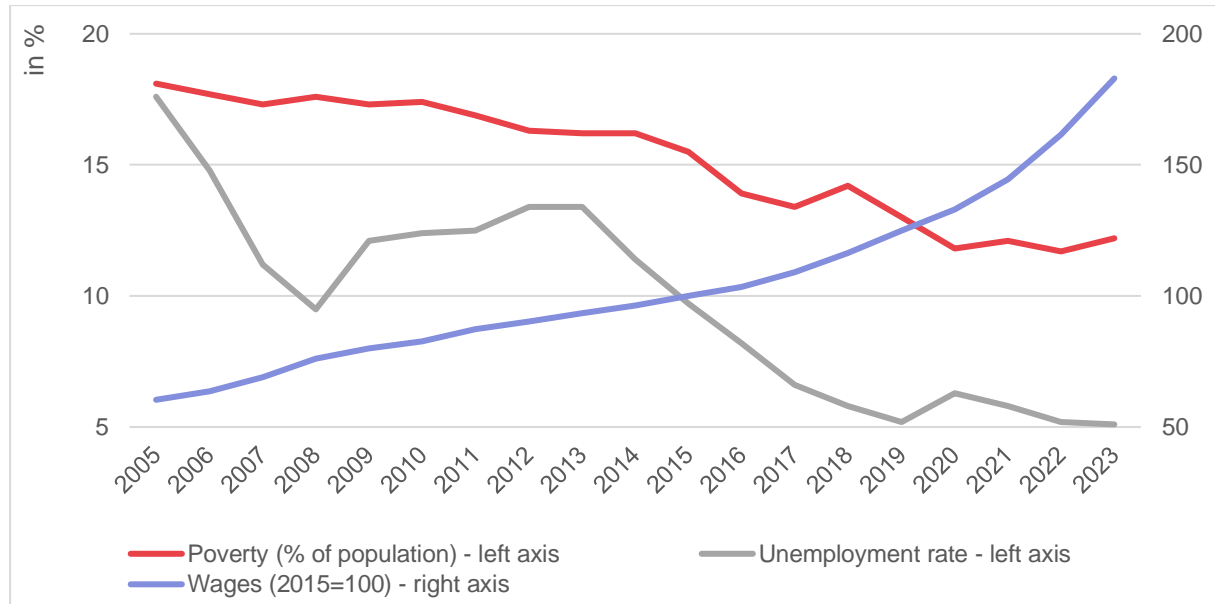


Figure PL6: Poverty index, unemployment rate and wages (2005-2023). Source: own elaboration based on Statistics Poland

Socio-economic trends are also reflected in changes in the unemployment rate, which has been influenced by both domestic economic conditions and global market fluctuations. Despite a general decline in unemployment over the past three decades—reaching a historic low of 5% in 2023—temporary increases in unemployment have coincided with global economic crises.

1.1.3 Environmental and Energy Trends

Poland's energy sector and environmental protection efforts follow distinct trends compared to most EU countries. At the start of the 21st century, over 90% of Poland's electricity and heat production relied on hard coal and lignite. Environmental standards for pollutant emissions were relatively lenient, and regulatory systems operated on a limited scale. Over the past 25 years, however, there has been a significant shift in the energy mix, with coal's role diminishing and alternative energy sources increasing. By 2023, coal's share in energy production fell to a historic low of 65%, while renewable sources accounted for over 20% of the energy mix. This transition contributed to a 75% reduction in CO₂ emissions over the past two decades, with current emissions levels at 114.8 million tons of CO₂ equivalent. Despite this progress, Poland remains one of the largest CO₂ emitters in the EU, currently accounting for 11.5% of the EU's total emissions. Although this represents a decrease from previous years, Poland remains among the EU's leading emitters. Greenhouse gas emissions have also declined, dropping by 15% over the last 15 years to 900 tons per capita by the end of 2022—a figure that remains 20% above the EU average (Eurostat Office data).

Within household energy consumption, heating constitutes the largest share (62%), followed by water heating (18%). Recent years have seen increased energy usage for water heating and cooking, each rising by 20%. Since 2015, total household energy consumption has grown by 10%, although this trend has fluctuated over time (Figure PL7). Increased energy consumption aligns with rising energy prices. Electricity prices, for example, have risen by more than 20% over the past 15 years, with the sharpest increase occurring in the most recent year as the Polish government removed some price caps. Natural gas prices have followed a similar upward trend, though they have exhibited greater volatility due to fluctuations in international markets. However, electricity prices have been partially insulated from global market shifts due to Poland's protective state policies in this sector (Figure PL8).

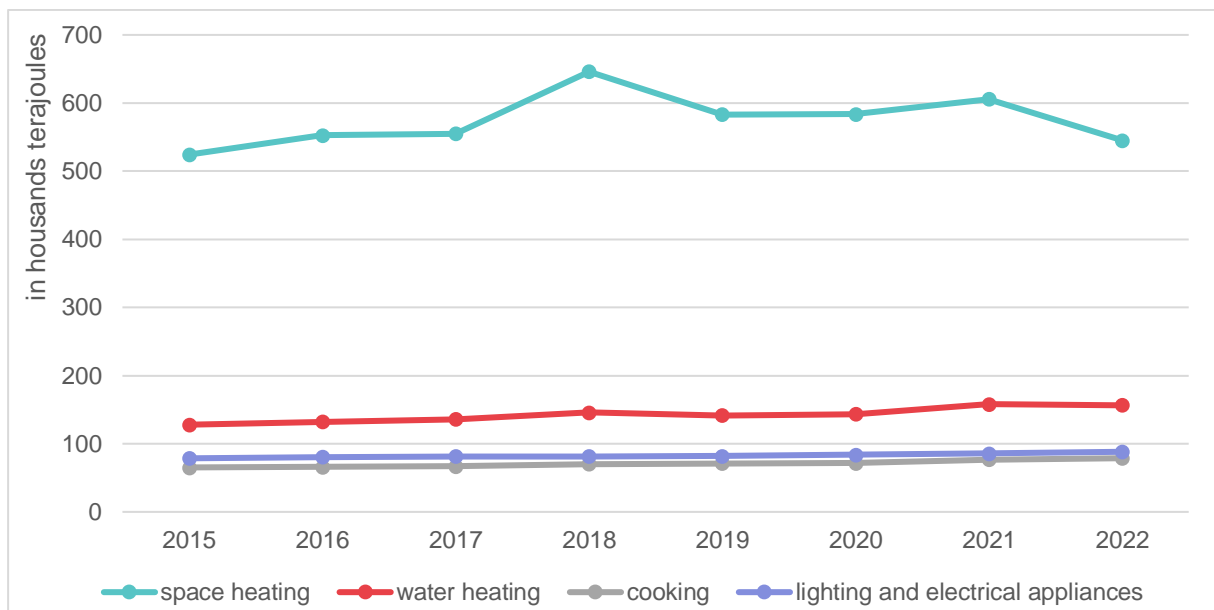


Figure PL7: Final energy consumption in households (2015-2022). Source: own elaboration based on Eurostat Office data

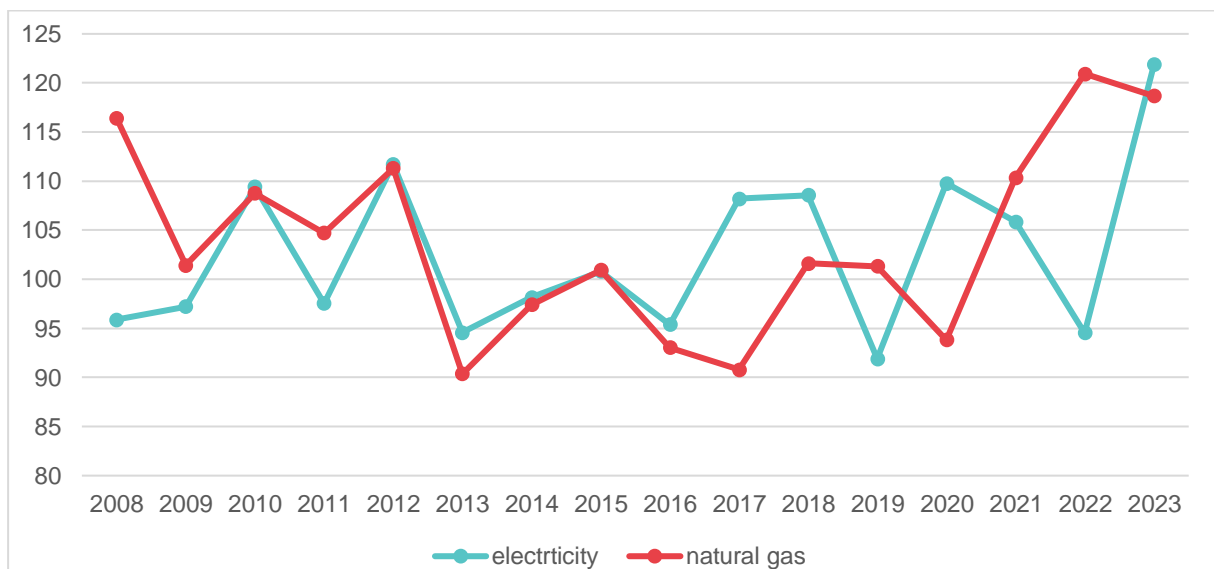


Figure PL8: Energy prices changes for households (2008-2023) (2007=100). Source: own elaboration based on Eurostat Office data

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

Poland currently has nearly 16 million housing units, reflecting a growth of over 35% in housing stock over the past 30 years. This growth, although steady, became more pronounced within the last five years (Figure PL9). Since 1995, the number of newly built housing units has been gradually rising, with the total number tripling from 1995 to 2023. Prior to 2015, annual housing investments fluctuated; however, after 2015, a stable upward trend emerged, with the annual number of newly built units increasing by more than 50%. Specifically, from 1995 to 2005, 930,000 new units were constructed, followed by 1.4 million in the subsequent decade, and nearly 1.8 million in the most recent period.

Several factors have driven the dynamic growth in housing construction. Primarily, Poland's favourable economic conditions—largely unaffected by global economic crises—have played a key role, alongside rising personal wealth and improved access to mortgage loans. Additionally, the relatively low quality of existing housing conditions (discussed in the following chapter) has fuelled demand for newer housing. In recent years, government policies, such as social benefits (e.g., the 500+ program providing financial support for families with children) and programs offering preferential mortgage loans for first-time homebuyers (e.g., “Startup Loan”), have further supported housing demand. Additionally, rising inflation over the last three to four years has spurred new housing investments, as real estate has become a secure investment option for both corporations and individuals.

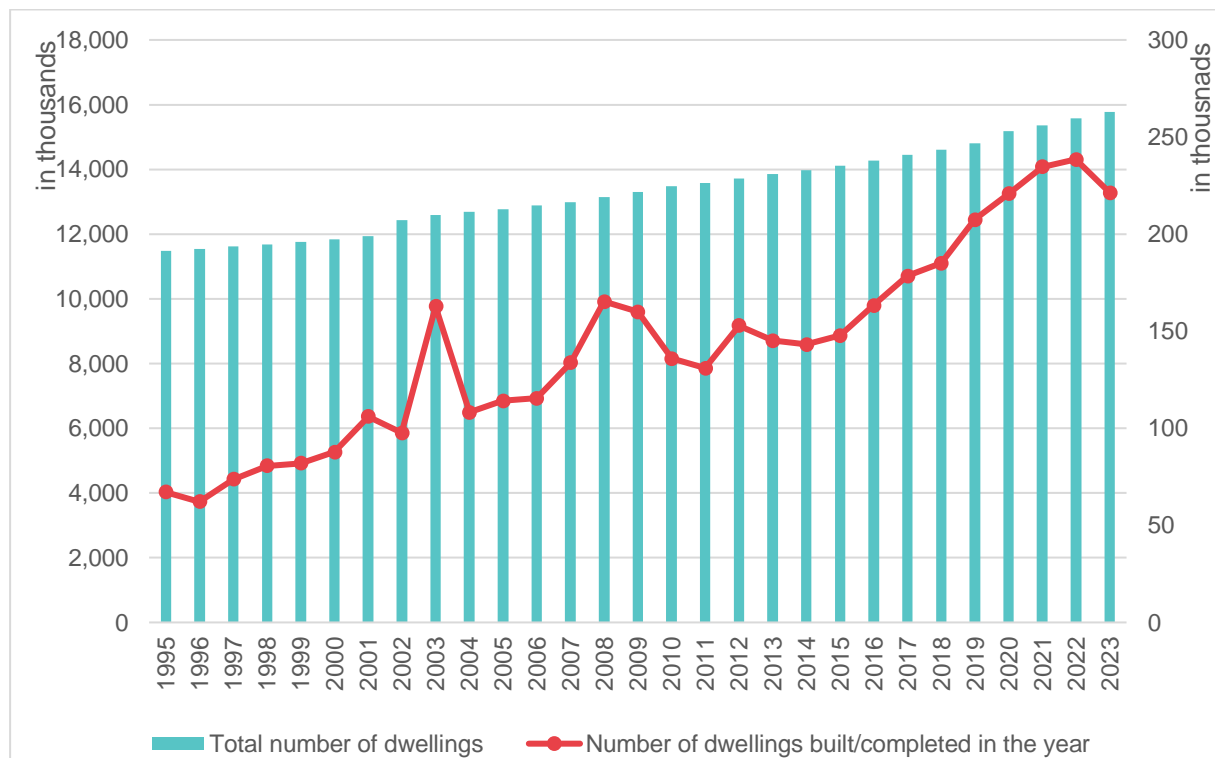


Figure PL9: Total number of dwellings and number of dwellings built/completed (1995-2023). Source: own elaboration based on Statistics Poland

The increase in new construction has shifted the age composition of Poland's housing stock. Twenty years ago, housing units constructed before the 1990s made up 80% of the housing stock, a share that has since declined to under 60% (Figure PL10).

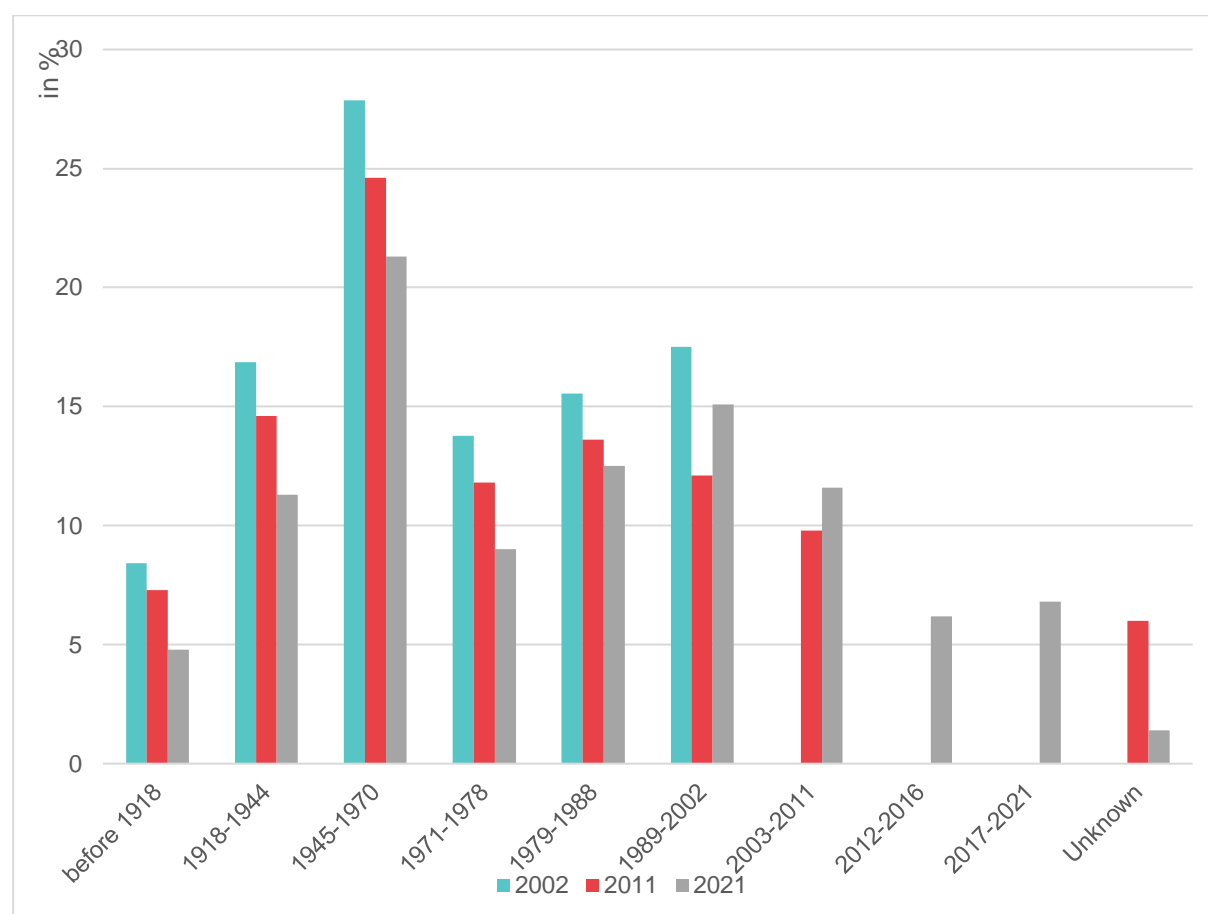


Figure PL10: Residential buildings by year of construction (% of total residential building stock).
Source: own elaboration based on Statistics Poland

Housing ownership in Poland is predominantly private (Figure PL11). Individual owners hold 80% of the housing stock as of 2020, a figure that has increased by 10 percentage points since 2009. Housing cooperatives are the second-largest ownership group, though their share has declined due to privatization; these cooperatives primarily own apartment blocks built during the 1960s and 1970s. Newly formed cooperatives are relatively rare. Local municipalities, holding approximately 5% of the housing stock, are the third-largest group of owners; their share has similarly declined due to privatization. Municipal housing primarily comprises older buildings, often pre-war structures that remained state-owned until the 1990s, especially in urban areas where municipalities inherited nationalized properties after World War II.

Other ownership groups hold minor shares. A small segment of housing remains under workplace ownership, a vestige of the previous political system, with properties owned by state-run enterprises like mines and hospitals, where employees often reside.

This ownership structure is reflected in the tenure types of households. Over 80% of Polish households live in privately owned units, with 10% of these homes mortgaged. Approximately 5% of households rent on the private market, while the remainder reside in municipal or cooperative housing (Table PL12).



Figure PL11: Dwellings by type of owner (%). Source: own elaboration based on Statistics Poland

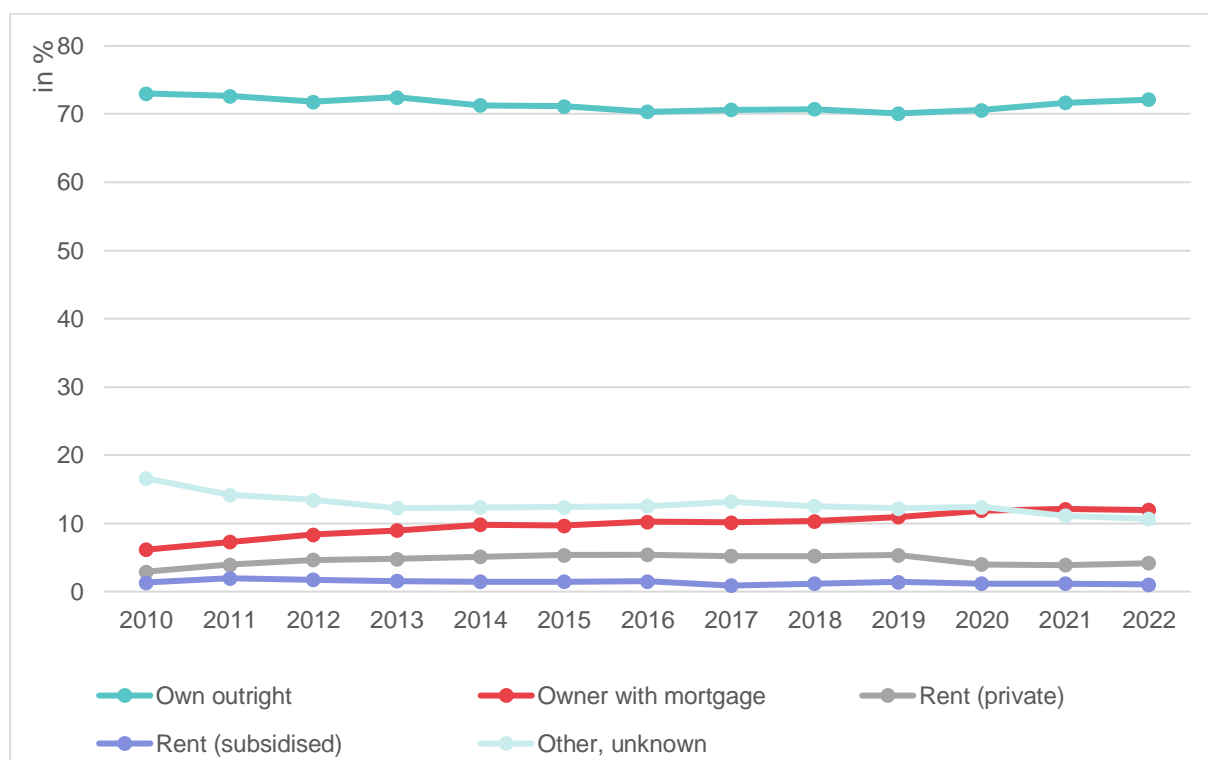


Figure PL12: Share of households in different tenure types (%). Source: own elaboration based on Statistics Poland

1.2.2 Housing Expenses

The Polish housing market is characterized by considerable dynamism and continuous evolution, with housing prices steadily increasing for over a decade. However, the primary and secondary housing markets display distinct pricing trends. In the primary market, the average transaction price per square meter has risen by 50% since 2015 (Figure PL13), with the most substantial increases observed in smaller apartments (up to 40 m²), where prices now exceed €2,100 per square meter. Larger apartments are approximately 10% less expensive. Prices also vary significantly by location, with the highest costs in cities such as Warsaw, Kraków, Wrocław, and Gdańsk, followed by other large cities, their suburbs, and popular tourist destinations.

The secondary market has exhibited even stronger price growth, with the average price per square meter nearly doubling. Currently, prices in the secondary market closely mirror those in the primary market, differing by no more than 10% across various apartment sizes (Figure PL14). The spatial distribution of prices remains consistent between the primary and secondary markets.

Housing affordability presents a distinct trend across these markets. In the primary market, affordability has generally improved since 2010 and has stabilized over the past five to six years. In contrast, affordability in the secondary market improved until 2017, after which it began to decline—a shift likely driven by the more rapid price increases in this segment.

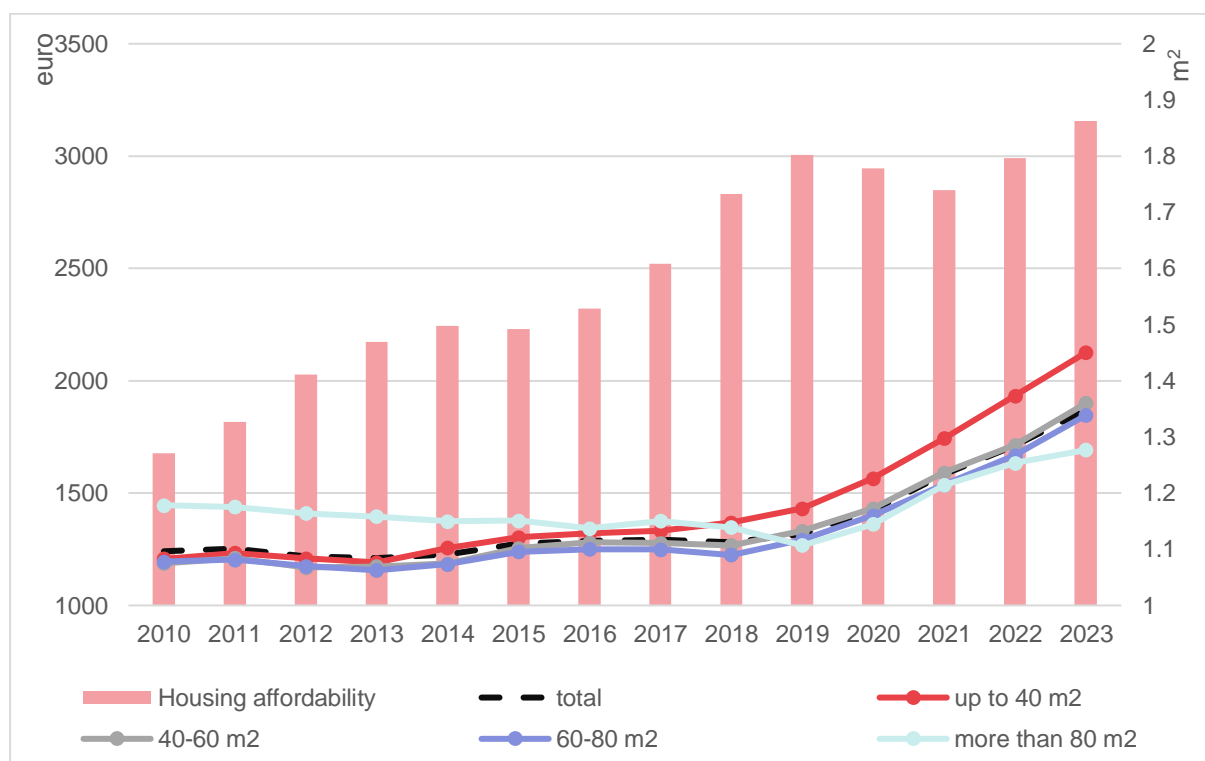


Figure PL13: Transactional price per square meter of an apartment on the primary market depending on the apartment size (in euro) and housing affordability (number of square meters of an apartment that can be bought with the average monthly household income) (2010-2023). Source: own elaboration based on Central Statistical Office data

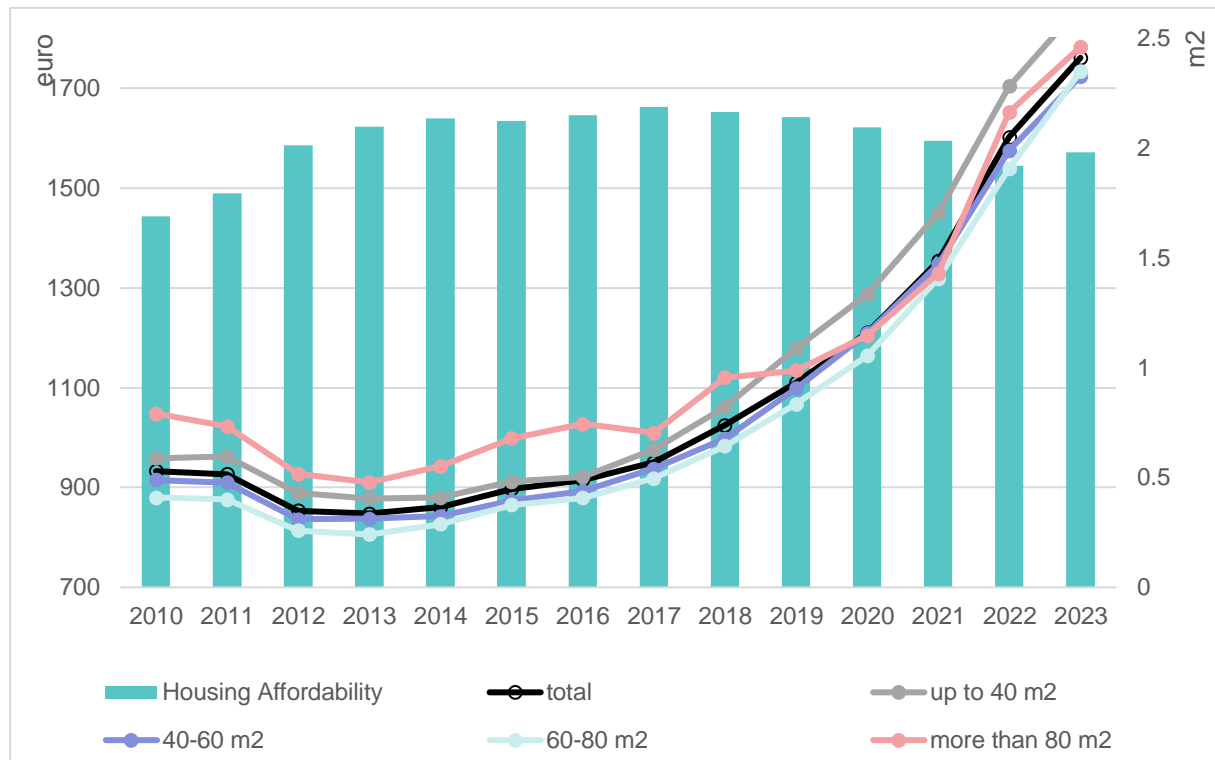


Figure PL14: Transactional price per square meter of an apartment on the secondary market depending on the apartment size (in euro) and housing affordability (number of square meters of an apartment that can be bought with the average monthly household income) (2010-2023). Source: own elaboration based on Central Statistical Office data

The factors driving housing prices in Poland largely parallel those influencing construction market dynamics. Persistent shortages from the socialist era, favourable economic conditions, and rising affluence among Poles have collectively increased housing demand. Additionally, the influx of middle- and upper-middle-class Ukrainian refugees, many of whom seek to purchase homes, has further impacted demand and pricing. Price growth is also fuelled by post-pandemic inflation and an increased focus on real estate as a form of investment, a trend often described as "housing financialization." Government initiatives, such as preferential loan programs, have further influenced housing prices.

As housing prices rise, rental prices have also surged. However, comprehensive and dynamic statistics on rental prices are limited. Based on the available housing rent price index (Figure PL15), rental prices have increased by approximately 60% since 2015, with a notable surge in the last two years. Contributing factors include the heightened rental demand from Ukrainian refugees, limited access to housing loans, and rising interest rates, which have reduced creditworthiness, particularly among younger Poles.

Despite the changing housing market, state intervention remains limited. Government expenditure on housing has declined significantly, with spending on housing construction alone dropping from 1.7-1.8% of total government expenditure at the start of the 21st century to 0.6% in 2022.

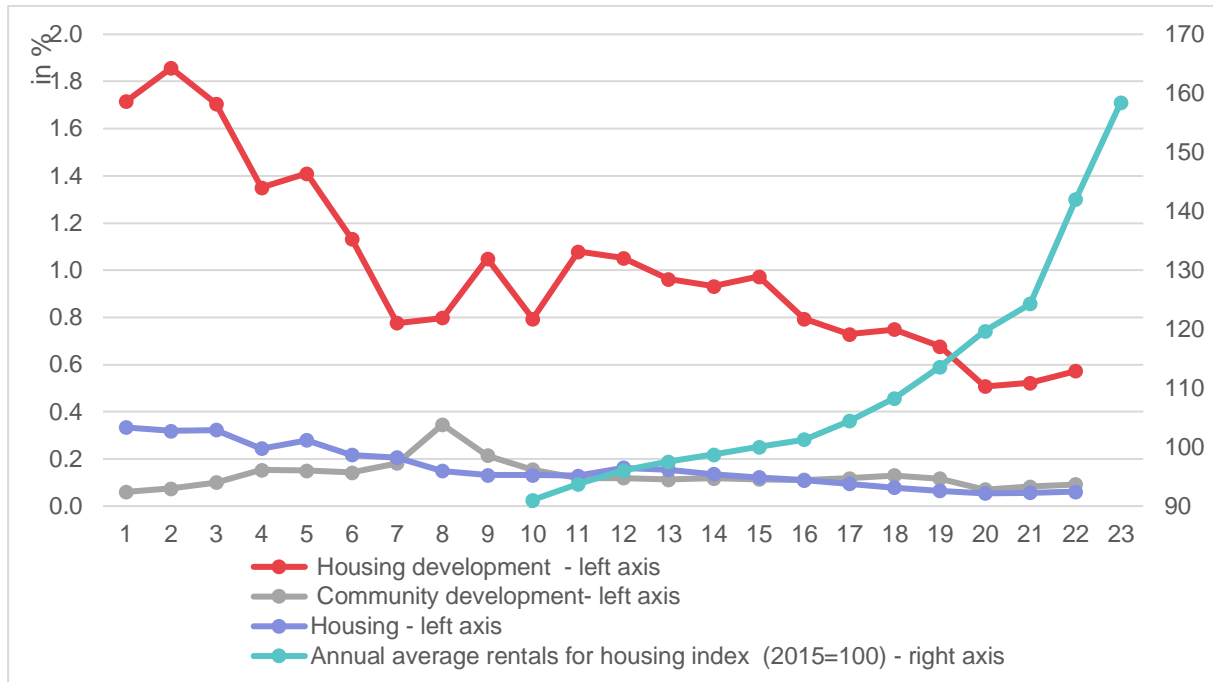


Figure PL15: Government Expenditures on housing (% of total expenses) and actual rentals for housing index (2015 = 100). Source: own elaboration based on OECD data

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN POLAND IN THE 21ST CENTURY

2.1 Housing and Neighbourhood Quality

The quality of housing can be assessed in various ways, with one of the most significant indicators being whether individuals live in overcrowded homes. In Poland, overcrowding rates were highest during the 2000s, with more than 40% of residents living in overcrowded apartments or homes (Figure PL16). The situation improved during the 2010s, as the national overcrowding rate declined by more than 10%. This trend can be attributed, on the one hand, to the overall population decline in Poland during the 2010s and, on the other hand, to a marked increase in housing production after 2010. Nevertheless, the overall rate of overcrowding remains relatively high, with approximately 30% of the population still residing in overcrowded apartments. This persistence suggests that the new housing supply has not been sufficient to fully address the housing shortages originating in the socialist era.

The issue of overcrowding in Poland is closely linked to the degree of urbanization. Interestingly, there is little difference in overcrowding rates between densely populated and sparsely populated areas. This finding is somewhat counterintuitive, as a substantial share of housing in medium-sized and large cities in Poland consists of panel-block apartments constructed during the socialist era, which are well known for their small sizes. Intermediate areas, in terms of urbanization, consistently exhibit the lowest rates of housing overcrowding. Notably, small and medium-sized cities—often classified as intermediate areas—frequently belong to the category of shrinking cities in Poland.

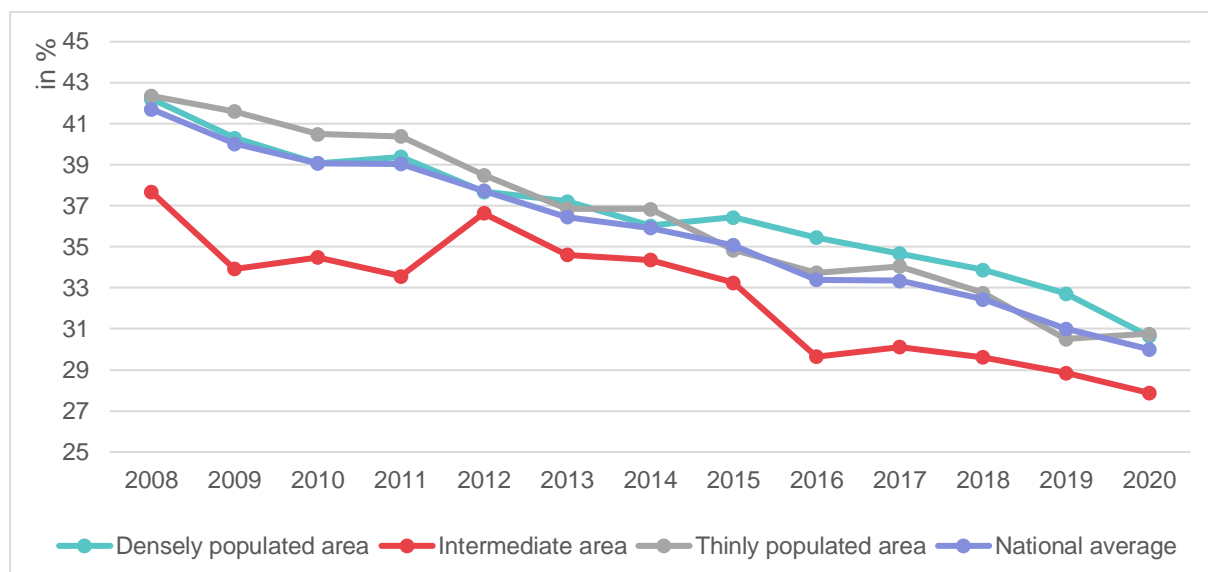


Figure PL16: Share of people living in overcrowded homes (in %). Source: own elaboration based on EU-SILC database



Figure PL17: Number of persons per room. Source: own elaboration based on EU-SILC database

The number of persons per room is another indicator of housing overcrowding (Figure PL17). This measure reveals a very similar trend to that presented in Figure PL16. More specifically, the number of persons per room has consistently decreased since 2005. This process has been more prominent in the group of smaller apartments/houses (with five or less rooms). Importantly, in this category of housing stock, the indicator reached the value of one person per room no sooner than in 2017.

The quality of the housing - such as the ability to keep the home warm, the lack of indoor flushing toilet, shower and bath, and a leaking roof, damp walls, floors or foundation, or rot in window frames or floor – is an equally important aspect of housing stock, which substantially impacts the quality of life. Assuming that the great majority of apartments and houses in Poland (more than 90%) had access to flushing toilet and/or bathroom, we decided to focus on the other aspects of housing quality. Figure PL18 illustrates changes in housing quality in Poland. The first thing to notice is that the quality of housing greatly improved in the late 2000s (during the first years after the Poland's accession to the EU). The improvements were especially manifested in the declining share of homes with a leaking roof, damp walls, floors or

foundation, or rot in window frames or floor, and in the growing number of households who are enjoying thermal comfort.

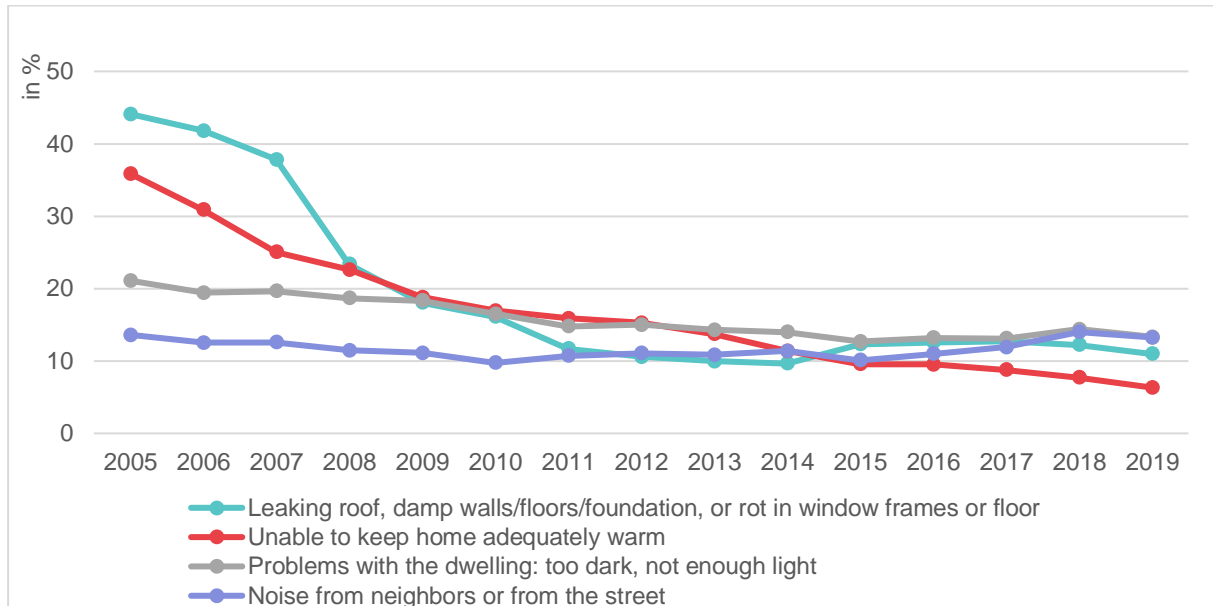


Figure PL18: Housing quality in Poland (2005-2019). Source: own elaboration based on EU-SILC database

The quality of housing in Poland is highly sensitive to the degree of urbanization (Figures PL19-PL21). Specifically, housing quality tends to decline as the level of urbanization decreases—rural (sparsely populated) areas exhibit poorer housing standards compared to densely populated urban areas. Notably, however, the disparity in thermal comfort between rural areas and highly urbanized regions virtually disappeared by 2019. Finally, the rural housing stock appears to outperform that of densely populated areas in aspects such as exposure to excessive noise and lack of sunlight.

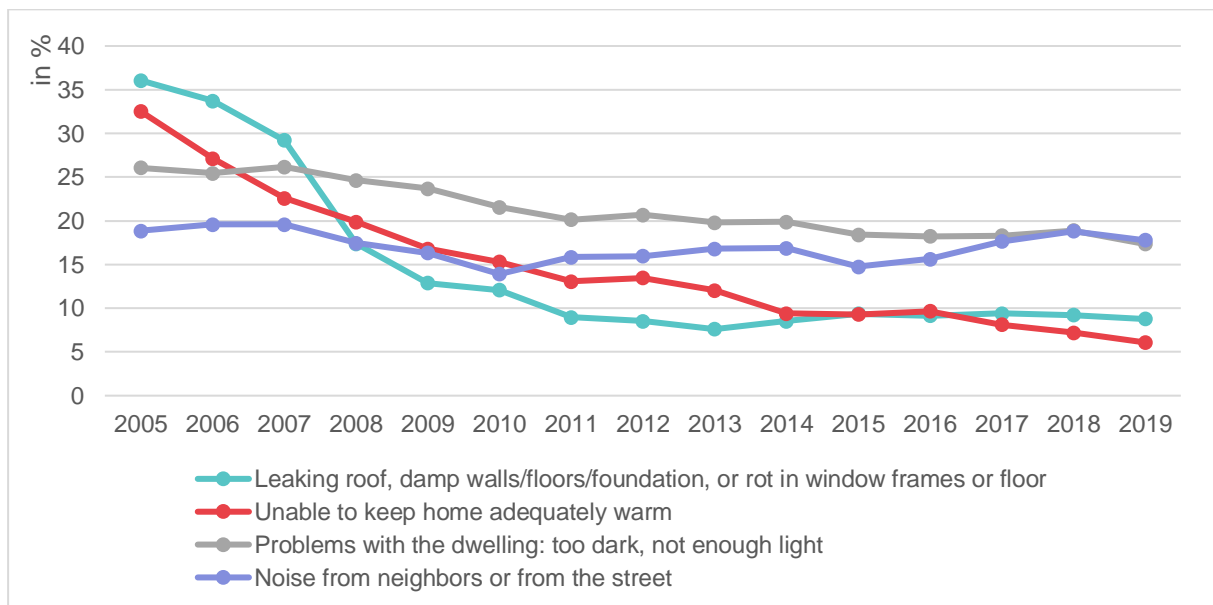


Figure PL19: Housing quality in densely populated areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

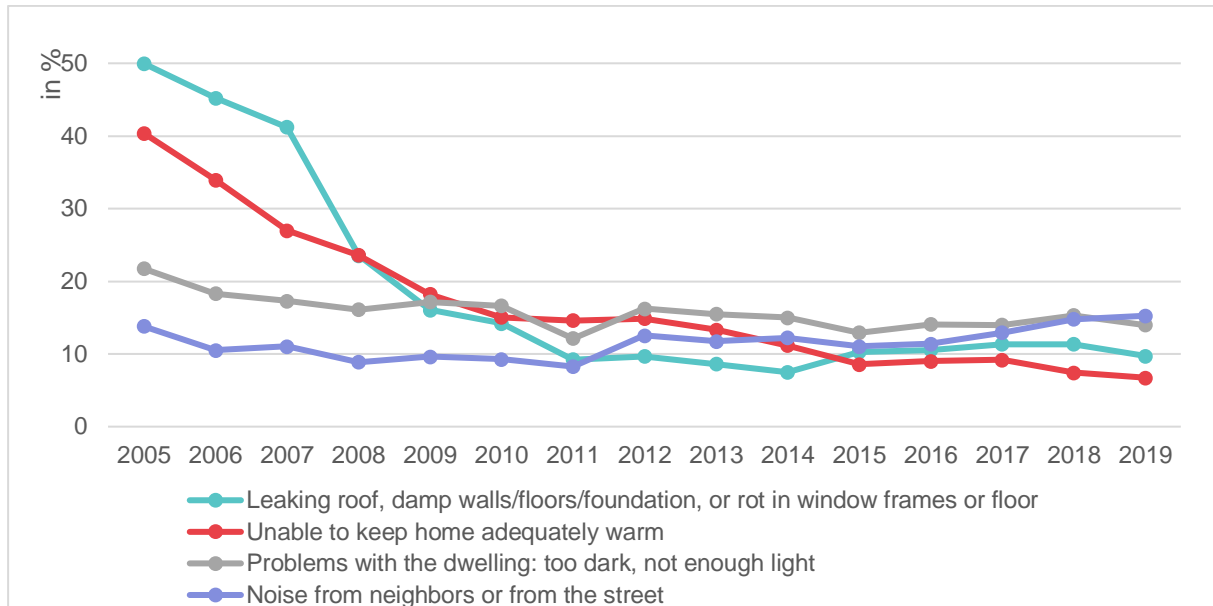


Figure PL20: Housing quality in intermediate areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

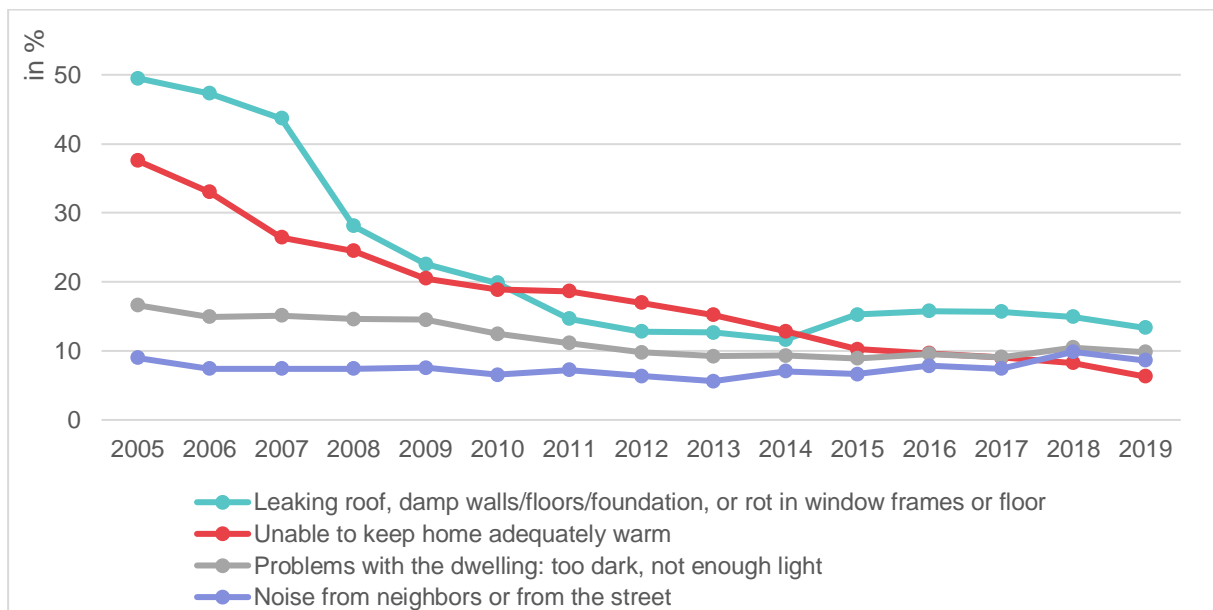


Figure PL21: Housing quality in thinly populated areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

The quality of a neighborhood, particularly elements such as exposure to environmental hazards or crime, violence, and vandalism, significantly affects one's quality of life. Similar to the trends observed in housing quality, the overall quality of neighborhoods has generally improved over the past 15 years (Figure PL22). Unsurprisingly, the issue of overexposure to environmental and social hazards is more pronounced in densely populated areas (Figures PL23-PL25). While the population in densely populated areas faces higher levels of crime, violence, and vandalism compared to those in rural areas, environmental issues tend to be more prevalent in sparsely populated regions, contributing to lower neighborhood quality. The

intermediate areas, in terms of urbanization, exhibit a trend similar to that observed in rural areas.

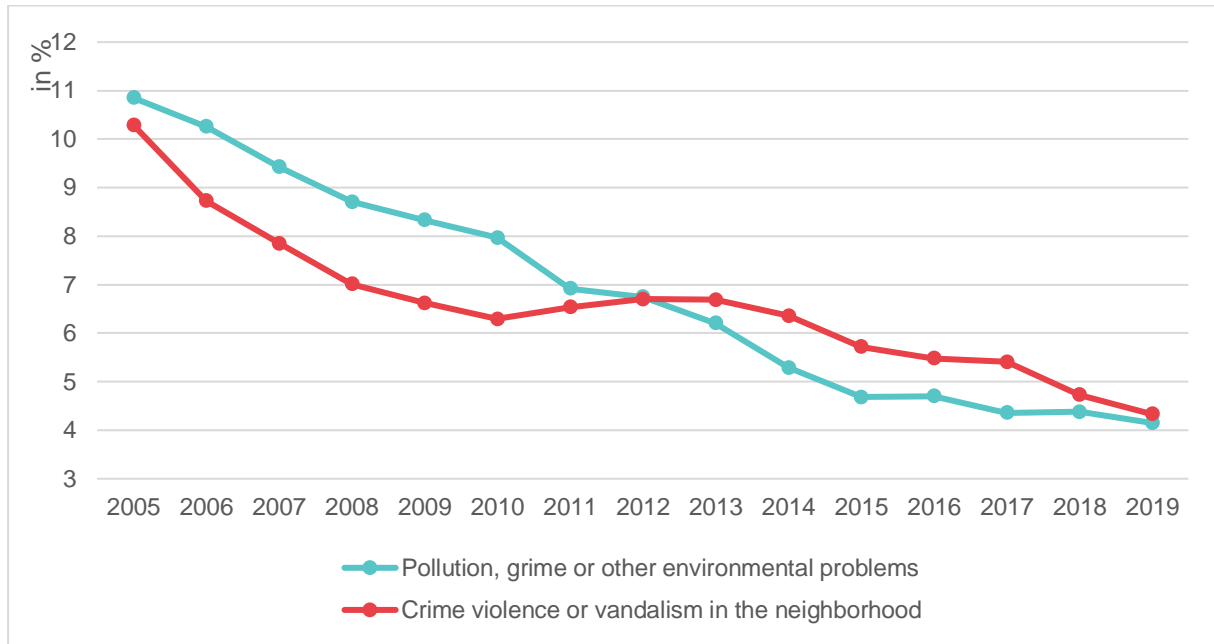


Figure PL22: Neighbourhood quality in Poland (2005-2019). Source: own elaboration based on EU-SILC database

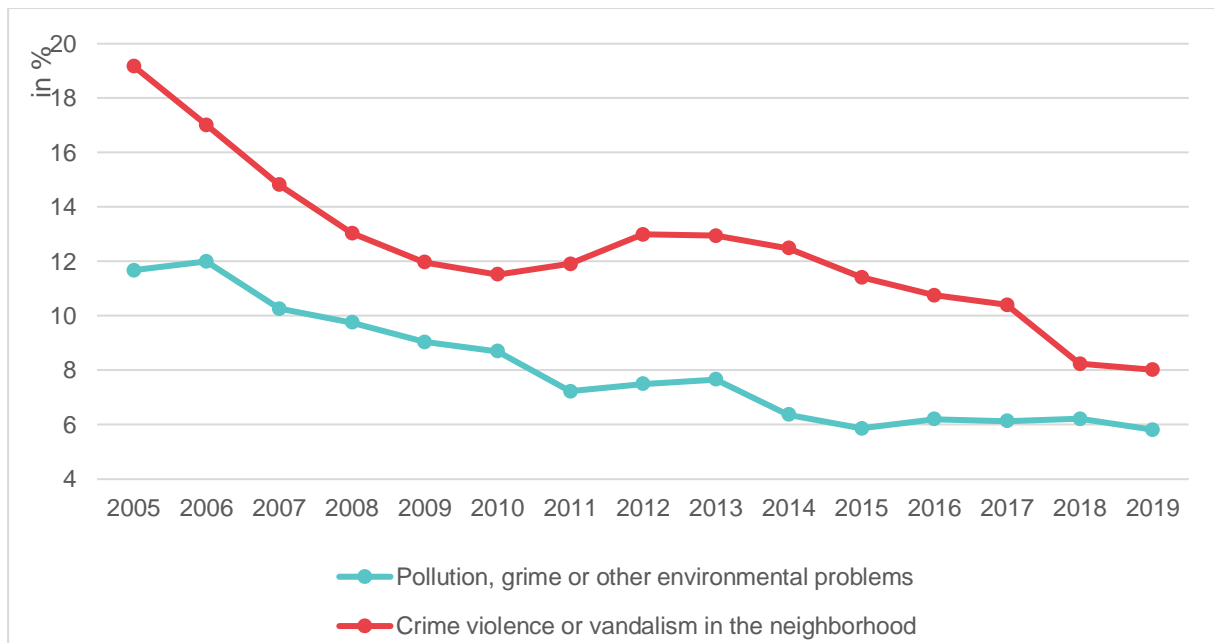


Figure PL23: Neighbourhood quality in densely populated areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

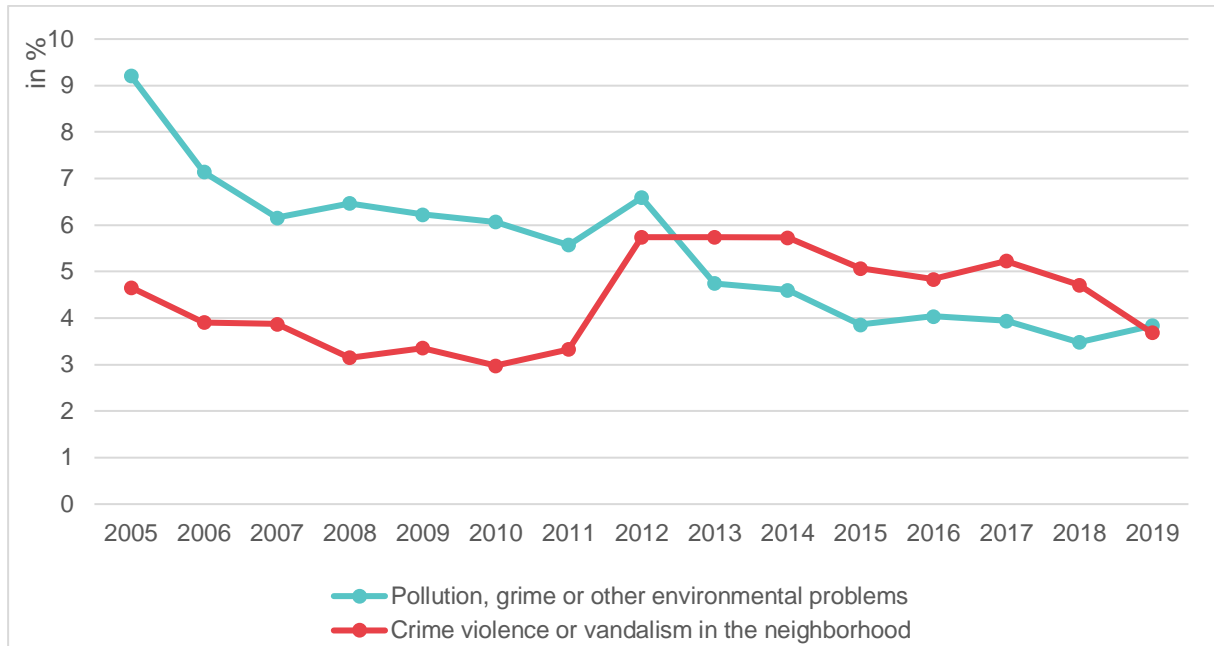


Figure PL24: Neighbourhood quality in intermediate areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

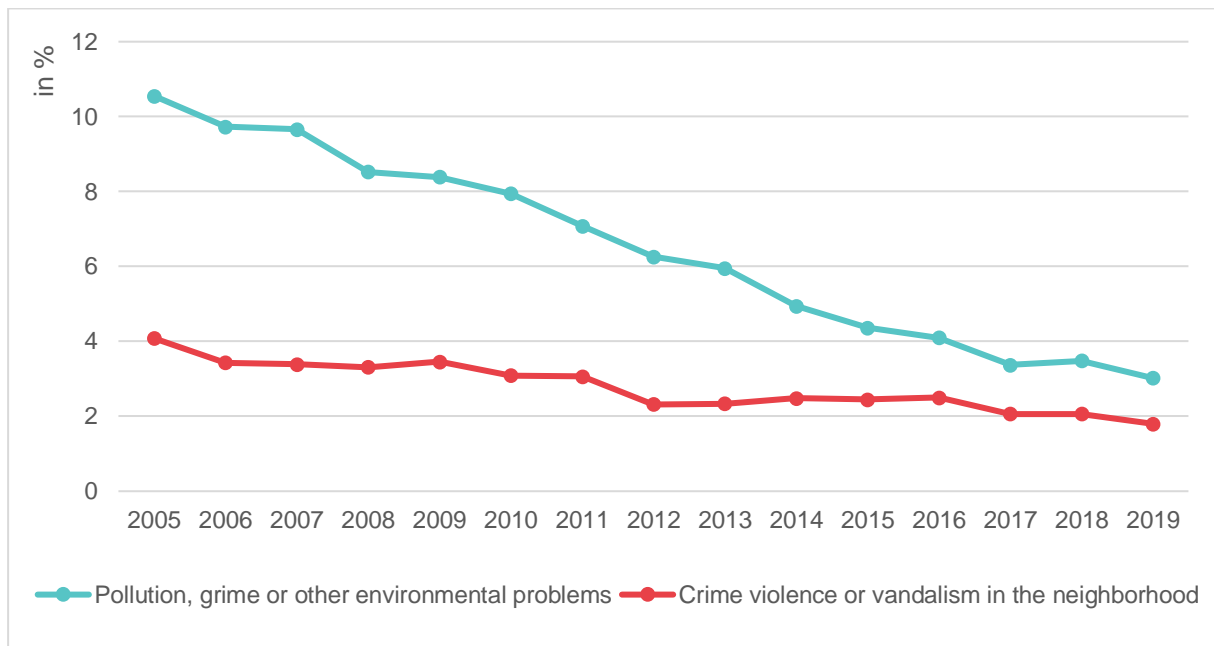


Figure PL25: Neighbourhood quality in thinly populated areas in Poland (2005-2019). Source: own elaboration based on EU-SILC database

2.2 Housing Cost

Housing costs and their relationship to household disposable incomes—referred to as housing cost burden (HCB)—are crucial indicators of housing affordability. This section examines both the subjective and objective dimensions of housing (over)burden in Poland. Figure PL26

presents the subjective evaluation of housing expenditures. It is evident that the vast majority of households in Poland (more than 90% since 2010) consider housing expenditures to be a burden on their budget. Specifically, over 50% of households classify total housing expenditures as a "heavy burden." This proportion increased by approximately 20% in 2010, when Poland experienced the delayed effects of the global financial crisis. Conversely, the share of households that do not perceive housing expenditures as a burden has halved since 2010, with approximately 5% of households in Poland now considering housing costs to be not burdensome at all.



Figure PL26: Self-perceived financial burden of total housing costs. Source: own elaboration based on EU-SILC database

2.2.1 Housing Cost Burden per Socio-economic and Demographic Conditions

The demographic, social, and economic characteristics of households are arguably more influential in determining the intensity of housing cost burden (HCB). Ethnic and racial differences in HCB intensity reveal an interesting pattern (Figure PL27). Prior to 2016, it was difficult to distinguish a clear trend in HCB intensity across different ethnic and racial groups in Poland. However, this trend became more pronounced in 2017, coinciding with an increased inflow of immigrants, particularly from non-EU countries. As a result, immigrants from third countries have experienced the highest HCB since 2018, while the HCB for the host population (those born in Poland) has remained the lowest.



Figure PL27: Share of total housing costs in total disposable income by country of birth in Poland.
Source: own elaboration based on EU-SILC database

The social status of residents, as indicated by their education level, is clearly related to the intensity of housing cost burden (HCB). However, it is difficult to assert unequivocally that housing burden decreases with higher educational attainment (social status) in Poland (Figure PL28). Nevertheless, individuals with higher education consistently experience lower HCB compared to those in other educational categories. Notably, the gap in HCB intensity between the highest and lowest social groups (those with the highest education versus those with lower secondary or primary education) widened in the late 2010s.

Differences in HCB according to the economic status of residents provide additional insights into housing affordability in Poland (Figure PL29). The most notable observation is that students experience the highest HCB, as this economic group is solely composed of households where housing costs exceed 40% of disposable income. In general, the working population tends to have lower HCB rates compared to those who are retired or disabled. These results, when considered alongside the data on social status, suggest that individuals in higher socioeconomic positions are more privileged in terms of relative housing expenditures.

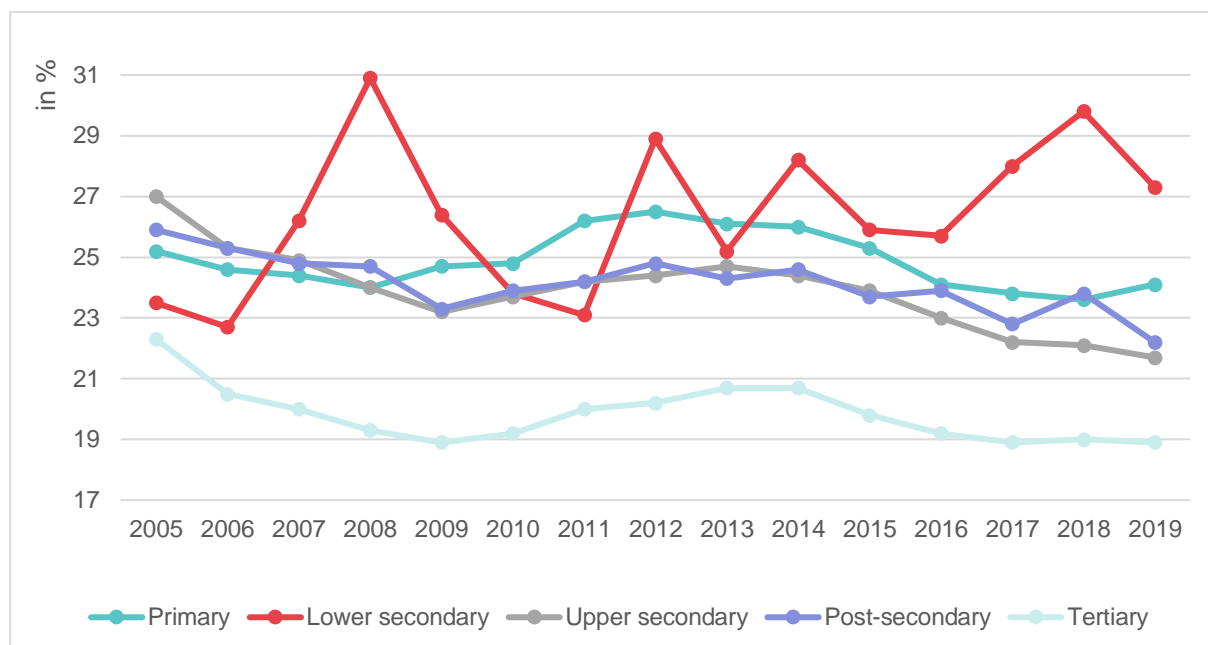


Figure PL28: Share of total housing costs in total disposable income by education level in Poland.
Source: own elaboration based on EU-SILC database

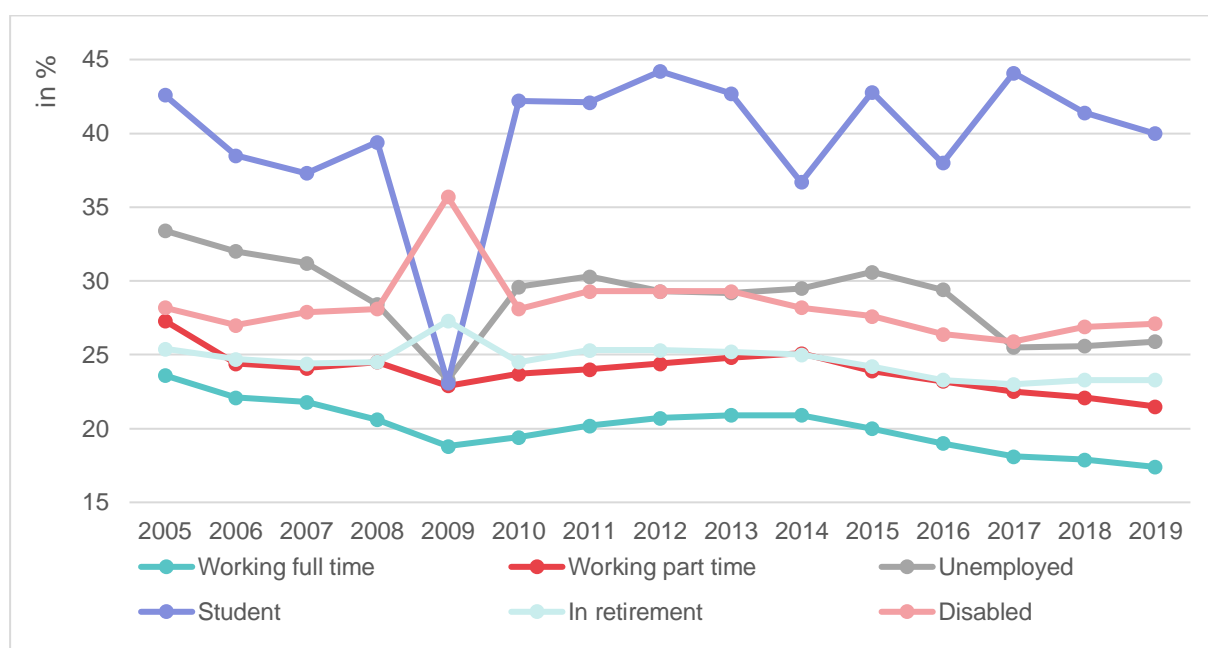


Figure PL29: Share of total housing costs in total disposable income by self-defined economic status.
Source: own elaboration based on EU-SILC database

2.2.2 Housing Cost Burden per Household Type

Differences in the share of housing expenditures relative to disposable income are particularly pronounced across household categories (Figure PL30). Smaller households, especially one-person households and single-parent households, allocate a higher proportion of their income to housing compared to other types of households. In contrast, households with or without dependent children consistently experience the lowest housing burden. Notably, the average

housing burden for one-person households has been twice as high as that of other households with dependent children.

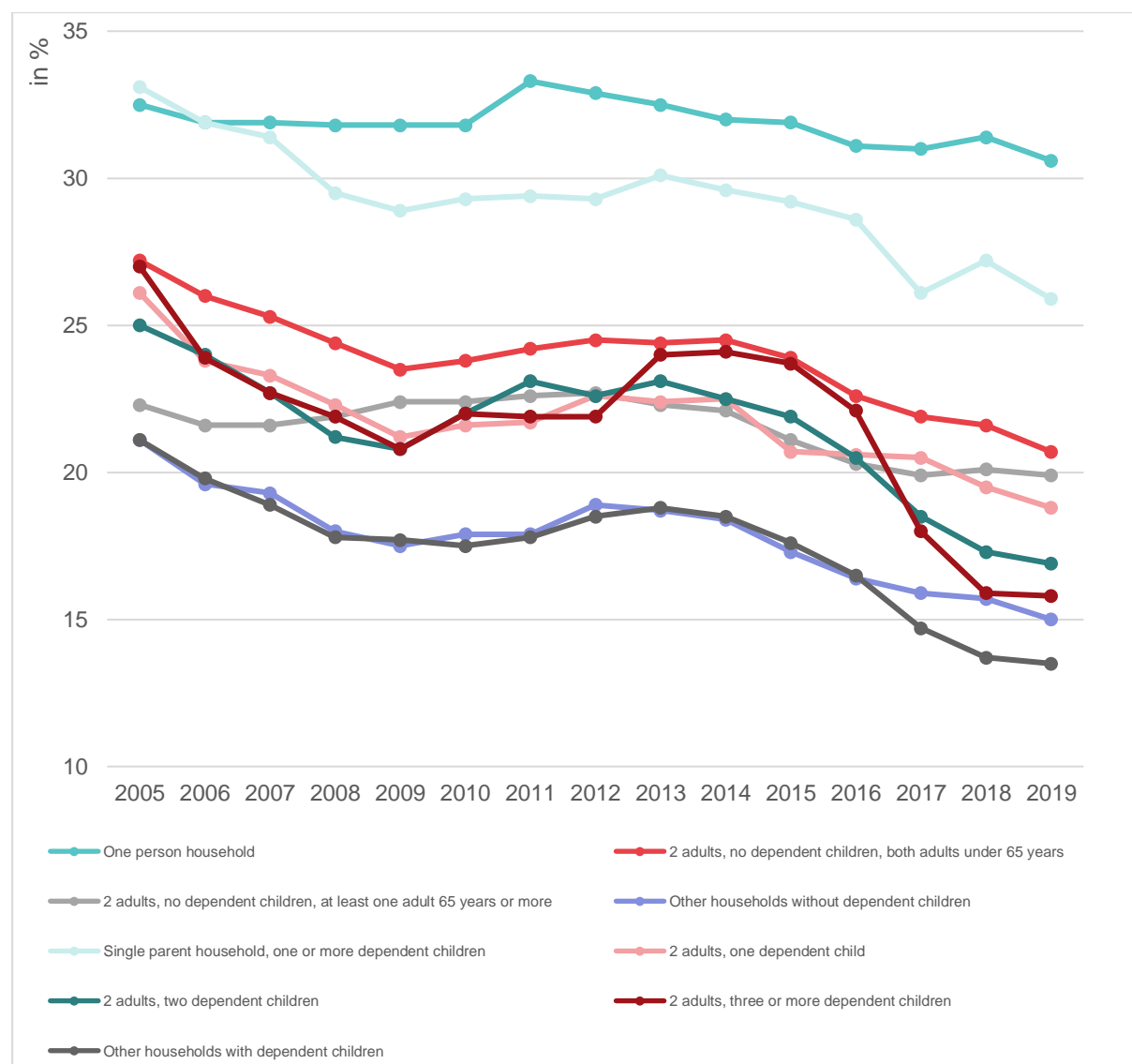


Figure PL30: Share of total housing costs in total disposable income by household type in Poland.
Source: own elaboration based on EU-SILC database

2.2.3 Housing Cost Burden per Tenure and Building Type

The type of housing, defined by both dwelling type and tenure status, ranks equally high among the factors influencing housing cost burden (HCB) in Poland. Differences in dwelling type reveal a clear trend—living in a house (either detached or semi-detached) appears more affordable than living in an apartment (Figure PL31). This pattern has remained consistent over time. Additionally, the most significant reduction in HCB occurred among apartments in buildings with more than 10 dwellings.

The differences in housing tenure structure also illustrate a distinct trend (Figure PL32). Notably, owner-occupiers generally live in the most affordable housing sector in terms of housing expenditures. Interestingly, households that own their homes spend a smaller

proportion of their disposable income on housing costs than those residing in apartments provided free of charge (the second most affordable sector). In contrast, the highest HCB rates are found in the rental sector, both subsidized (below market rent) and unsubsidized rental housing. The relatively high HCB in the subsidized rental sector can be explained by the fact that this sector often houses low-income households, for whom even below-market rent represents a significant financial burden. Meanwhile, the HCB in unsubsidized rental housing (the least affordable sector) is, on average, almost 15% higher than in owner-occupied housing.



Figure PL31: Share of total housing costs in total disposable income by type of dwelling in Poland.
Source: own elaboration based on EU-SILC database

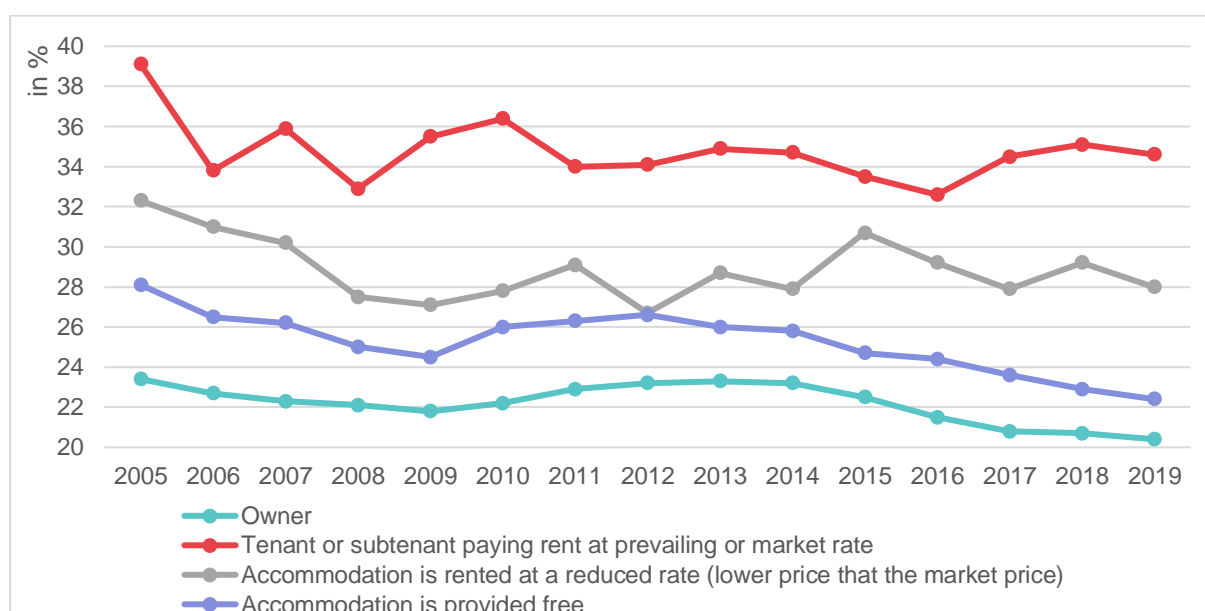


Figure PL32: Share of total housing costs in total disposable income by tenure status in Poland.
Source: own elaboration based on EU-SILC database

2.2.4 Territorial Difference of Housing Costs Burdens

The results presented in Figure PL33 show that the share of total housing costs relative to disposable income has been declining since 2005. Housing burden also appears to be sensitive to the level of urbanization. Households in densely populated areas have experienced the highest housing burden, while residents of sparsely populated (rural) areas have enjoyed the highest housing affordability in terms of housing expenditures. Moreover, the gap in housing burden between densely and sparsely populated areas has narrowed over time.

Figure PL34 illustrates regional variation in housing expenditures. Due to significant changes in the delimitation of NUTS1 regions in Poland in 2018, we limit our analysis to the years 2005–2017. The results indicate that the HCB was lowest in the least economically developed NUTS1 area, the East microregion, which predominantly consists of rural areas. In contrast, the housing burden was higher in the more developed macro-regions of Western Poland (NUTS regions PL4 and PL5). However, the regional gap in housing burden remains relatively small, not exceeding 3%, and has remained stable over time.

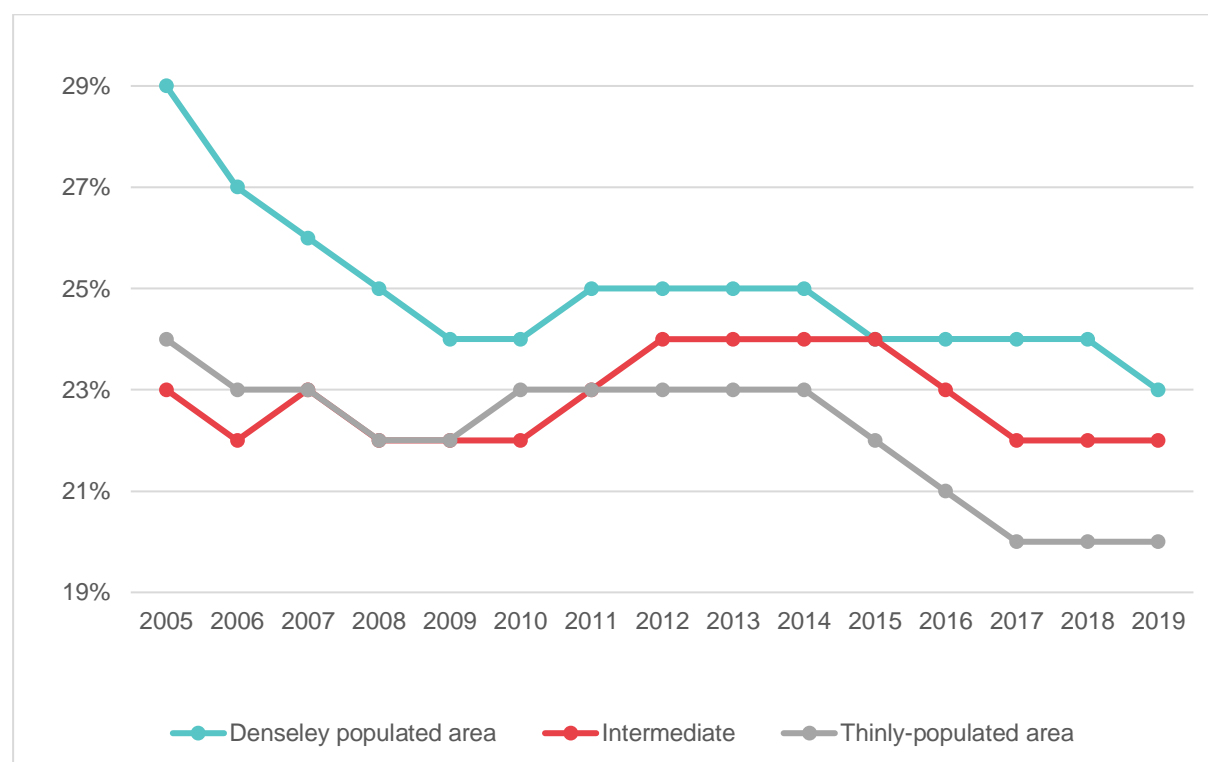


Figure PL33: Share of total housing costs in total disposable income by urbanization level in Poland.
Source: own elaboration based on EU-SILC database

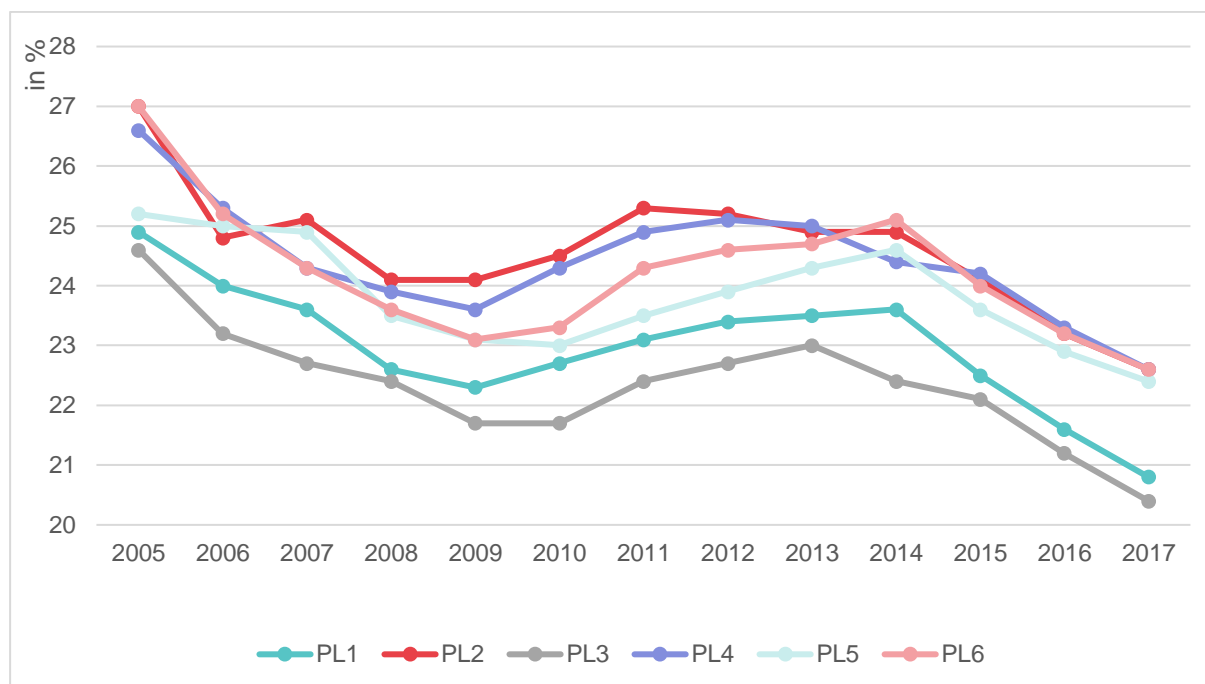


Figure PL34: Share of total housing costs in total disposable income by NUTS1 regions in Poland.
Source: own elaboration based on EU-SILC database

2.3 Housing segmentation

In this section, we examine the issue of housing segmentation, defined as the distribution of households across different types of dwellings and tenure. Table PL1 presents the distribution of households by dwelling type. Unsurprisingly, the type of dwelling is strongly correlated with the degree of urbanization. The majority of the population in densely populated areas resides in apartments within larger apartment buildings, and this trend slightly increased in the late 2010s. Interestingly, the share of the population living in both larger and smaller apartment buildings more than doubled in intermediate urbanized areas between 2005 and 2019. Although the sharp increase in this category's share in 2012 may be partially attributed to changes in the EU-SILC survey methodology, we believe that the results reflect a clear trend. This trend suggests that intermediate areas have undergone densification. Conversely, the share of the population living in detached houses in sparsely populated areas has increased, largely at the expense of apartments in larger buildings.

Table PL1: Dwelling types by degree of urbanization in Poland.

Year	Degree of urbanization	Detached house	Semi-detached or terraced house	Apartment or flat in a building with less than 10 dwellings	Apartment or flat in a building with more than 10 dwellings
2005	1	14.11	3.31	12.98	69.60
2005	2	76.62	3.68	5.01	14.68
2005	3	59.38	6.30	12.17	22.15
2006	1	15.14	4.05	12.52	68.28
2006	2	78.12	2.80	5.00	14.07

2006	3	59.50	5.97	12.39	22.14
2007	1	15.58	4.21	11.26	68.96
2007	2	77.99	3.31	4.33	14.37
2007	3	60.09	5.92	12.65	21.35
2008	1	16.32	3.99	11.23	68.46
2008	2	78.26	4.38	3.31	14.05
2008	3	60.92	6.37	11.60	21.11
2009	1	16.30	3.85	11.36	68.50
2009	2	77.60	3.72	3.40	15.29
2009	3	61.38	5.93	11.21	21.47
2010	1	17.95	3.72	11.30	67.04
2010	2	76.68	3.25	3.42	16.65
2010	3	62.85	5.85	11.29	20.02
2011	1	17.77	3.86	10.48	67.90
2011	2	78.19	2.94	3.64	15.23
2011	3	61.75	5.78	11.00	21.47
2012	1	14.41	3.83	10.13	71.64
2012	2	45.57	4.91	9.78	39.74
2012	3	72.30	5.53	9.47	12.69
2013	1	14.74	4.37	10.08	70.81
2013	2	46.29	5.49	9.06	39.16
2013	3	72.48	6.10	9.37	12.05
2014	1	13.90	4.38	9.57	72.15
2014	2	44.36	5.21	9.60	40.83
2014	3	71.28	6.55	9.87	12.29
2015	1	13.81	4.16	9.73	72.31
2015	2	44.17	4.89	10.38	40.56
2015	3	71.43	6.56	10.04	11.96
2016	1	14.06	4.33	9.70	71.91
2016	2	44.97	5.44	10.82	38.77
2016	3	71.76	6.59	10.41	11.24
2017	1	12.85	4.82	10.28	72.05
2017	2	43.86	5.43	10.67	40.03
2017	3	70.09	6.51	11.14	12.26
2018	1	12.70	4.59	10.71	72.01
2018	2	43.54	5.29	10.41	40.76
2018	3	69.99	6.31	11.74	11.96
2019	1	12.93	4.91	10.42	71.74
2019	2	40.33	5.52	11.24	42.91
2019	3	69.41	6.31	11.58	12.69

Source: own elaboration based on EU-SILC database

The tenure structure of housing in Poland is shown in Figure PL35. The sharp increase in owner-occupied housing and the corresponding decrease in housing provided for free in 2010 can be attributed to changes in the methodology of the EU-SILC survey. While the share of owner-occupiers seems to align with data from other sources, the relatively significant share of housing provided for free warrants attention. We suspect that cooperative housing may be included in this category in Poland. If this is the case, the significant changes in tenure structure in 2010 can be attributed to the privatization of cooperative housing. In summary, the tenure structure in Poland reflects a 'hyper-ownership' model, with approximately 80% of the population living in owner-occupied homes. This hyper-ownership model emerged in the

1990s, following the mass privatization of state-owned housing and the establishment of a capitalist system after the collapse of socialism in 1989.

Unsurprisingly, the tenure structure is sensitive to the degree of urbanization. As shown in Figure PL36, owner-occupied housing is most prevalent in sparsely populated and intermediate areas. The second most common tenure type is housing provided for free. Although the share of free housing has remained slightly higher in densely populated areas (approximately 15% after 2010), it is also present in less populated areas, accounting for around 10% of housing after 2010. As mentioned, the significant share of this housing type may be influenced by the methodology used in the EU-SILC survey. In densely populated areas, this category may primarily represent cooperative housing, while in sparsely populated areas, it may include housing occupied by multiple households, such as younger households living with their parents in rural areas.

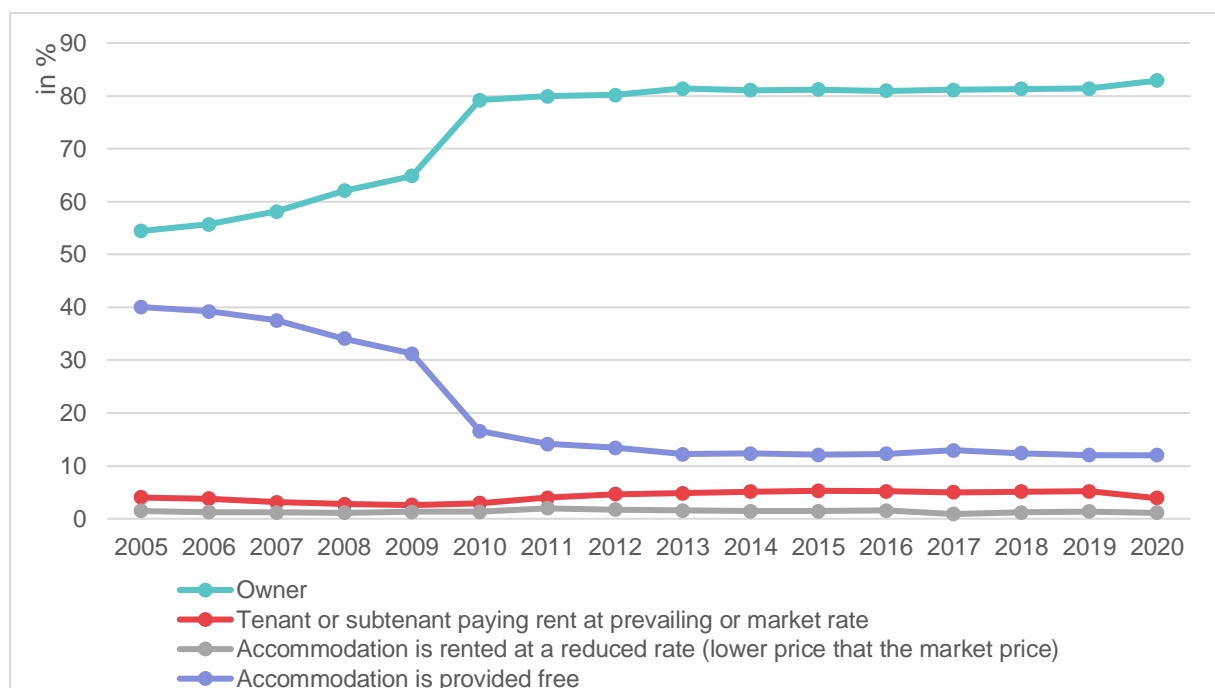


Figure PL35: Tenure structure of housing in Poland: Source: own elaboration based on EU-SILC database

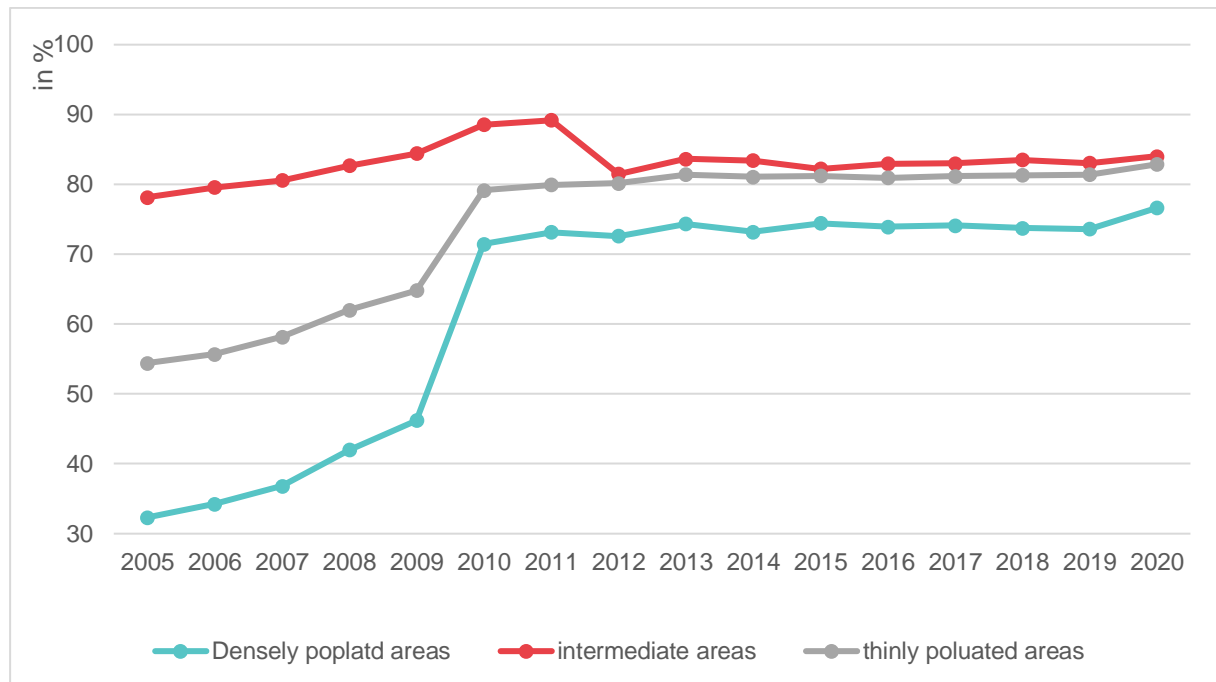


Figure PL36: Share of owner-occupied housing by degree of urbanization. Source: own elaboration based on EU-SILC database

NATIONAL REPORT ON HOUSING INEQUALITY – SPAIN

Executive Summary

The data throughout this report illustrate persistent housing inequality in Spain, driven by challenges such as affordability, space constraints, financial vulnerabilities, and regional disparities. Affordability issues are particularly acute for renters, low-income households, and residents in specific regions. High housing costs impose significant financial strain, with many households spending disproportionate shares of their income on rent. These burdens are especially severe in large urban centers, where demand for housing far exceeds supply, exacerbating gentrification and displacement of long-term residents.

Overcrowding is another critical aspect of housing inequality, with smaller homes in densely populated urban areas experiencing the highest rates of spatial limitation. These conditions reduce the quality of life, as families struggle with inadequate living space. The prevalence of overcrowding underscores the spatial inequality within the housing market, as economically disadvantaged groups are disproportionately affected.

Financial vulnerabilities further complicate the housing landscape, with high rates of mortgage arrears during economic downturns revealing the precarious nature of homeownership. Economic shocks often expose households, particularly low-income ones, to the risk of losing their homes, illustrating that homeownership does not necessarily provide financial stability.

Regional disparities also play a significant role in perpetuating housing inequality. Housing costs vary greatly across Spain, with urbanized and economically prosperous regions facing higher burdens than rural areas. However, rural regions contend with their challenges, such as depopulation, aging housing stock, and limited infrastructure, which collectively hinder access to adequate housing.

Structural inequality within the housing market remains pervasive. Historical trends, including a preference for homeownership and inadequate investment in public rental housing, have created a fragmented landscape where vulnerable populations face systemic barriers to quality housing. Housing inequality in Spain is thus shaped by the complex interplay of economic, social, and geographic factors that continue to disadvantage certain groups disproportionately.

Introduction

Housing inequality in Spain stems from a complex interplay of historical, political, and economic factors that have shaped the nation's housing landscape over two centuries. From the industrial age to the present, housing policies have evolved in response to shifting social dynamics, population growth, and economic priorities. Despite efforts across eras, housing access and affordability remain critical challenges, particularly for vulnerable populations. Early policies, urban expansion strategies, and housing market liberalization have contributed to a fragmented landscape that struggles to ensure equitable access for all.

In the 19th century, rapid industrialization drove rural populations to urban centres like Barcelona and Madrid, creating an urgent need for affordable housing. Urban expansion efforts, such as Barcelona's Eixample project, addressed some demands but highlighted growing class divides. Workers often lived in overcrowded and poorly serviced neighborhoods like Ciutat Vella, facing systemic barriers to quality housing. Early 20th-century initiatives, including the Casas Baratas ("Cheap Housing") laws inspired by France and England, aimed to formalize affordable housing but were undermined by economic instability and administrative challenges.

The mid-20th century brought policies shaped by the Civil War and Francoist rule. Programs like the National Housing Institute oversaw the mass construction of affordable housing estates (Polígonos de Vivienda) on urban peripheries. These developments provided homes but often lacked essential infrastructure such as transport, schools, and services, leading to social and physical isolation. Public housing projects, such as Barrios de Promoción Pública, prioritized quantity over quality, creating long-term issues of exclusion and poverty.

During Spain's democratic transition in the late 1970s, housing policy was decentralized to autonomous communities, with a shift toward promoting homeownership. The 1998 Land Law further liberalized the housing market, sparking a construction boom that temporarily increased housing stock but favored private developers over affordable housing. Spain's public rental housing sector remains limited, with social housing representing only 1.5-2% of total stock. Additionally, policies like the Vivienda de Protección Oficial (VPO) system, which allowed social housing to transition to the private market after 10-30 years, have hindered the creation of a permanent social housing stock.

The 2008 financial crisis exposed vulnerabilities in Spain's housing model. Property prices crashed, evictions surged, and social movements like the Plataforma de Afectados por la Hipoteca (PAH) emerged to advocate for housing rights. Between 2008 and 2015, approximately 600,000 mortgage foreclosures occurred, with 380,000 families evicted. This period highlighted the urgent need for equitable and resilient housing policies.

Today, housing inequality in Spain is marked by high rental costs, limited public housing, and regional disparities. Over 40% of renters are cost-burdened, spending more than 30% of their income on housing, with young adults and low-income households disproportionately affected. In metropolitan areas like Madrid and Barcelona, gentrification and tourism-driven investments have exacerbated housing shortages and displaced long-term residents. As of September 2024, 40% of Barcelona's rental units are short-term rentals, further straining affordable housing availability. Marginalized groups, including immigrants, single-parent families, and elderly individuals, face heightened housing insecurity.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

Spain's housing inequality landscape is deeply influenced by the nation's economic fluctuations, demographic shifts, and evolving environmental policies, each of which shapes access to and quality of housing across different regions and social groups. This section analyzes these factors in depth, using quantitative data to illustrate how macroeconomic trends, demographic pressures, and energy challenges affect housing accessibility and affordability.

1.1.1 Macroeconomic Trends at the National Levels

Spain's economic volatility, particularly since the 2008 financial crisis, has profoundly impacted housing inequality. The recession triggered by the 2008 crisis created widespread financial distress, which translated directly into housing instability for many Spanish households. Figure 1 provides critical insights into this instability by tracking mortgage arrears, which spiked significantly during the recession. The data shows that mortgage arrears (also called mortgage "defaults") reached a peak of approximately 11-12% around 2014, coinciding with the economic downturn's prolonged impact. This figure indicates that a substantial portion of the population faced difficulty meeting mortgage payments during this period, highlighting the financial strain caused by economic conditions and exposing the vulnerabilities within Spain's housing finance system.

Post-crisis recovery gradually reduced the arrears rate, which remained stable between 2017 and 2019. However, the COVID-19 pandemic in 2020 disrupted this stability, leading to a slight uptick in mortgage arrears as household incomes declined or became irregular. This level of arrears underscores a structural vulnerability in Spain's housing affordability, where economic shocks have immediate, adverse effects on housing security. High arrears rates reflect not only economic distress but also the deep-seated inequalities within Spain's financial structure that make lower-income households more susceptible to defaulting on housing-related debts during economic downturns. However, since COVID recovery mortgage defaulting has remained quite low with "only" 2.6% of households defaulting in 2022 against 2.3% in 2023 (The Spanish Mortgage Association, 2023). However, raising interest rates in 2023 and 2024 expose many households in a non-fixed mortgage to high fluctuations and have pushed mortgage defaulting up to 3.4% in 2024 (CEIC Data, 2024).

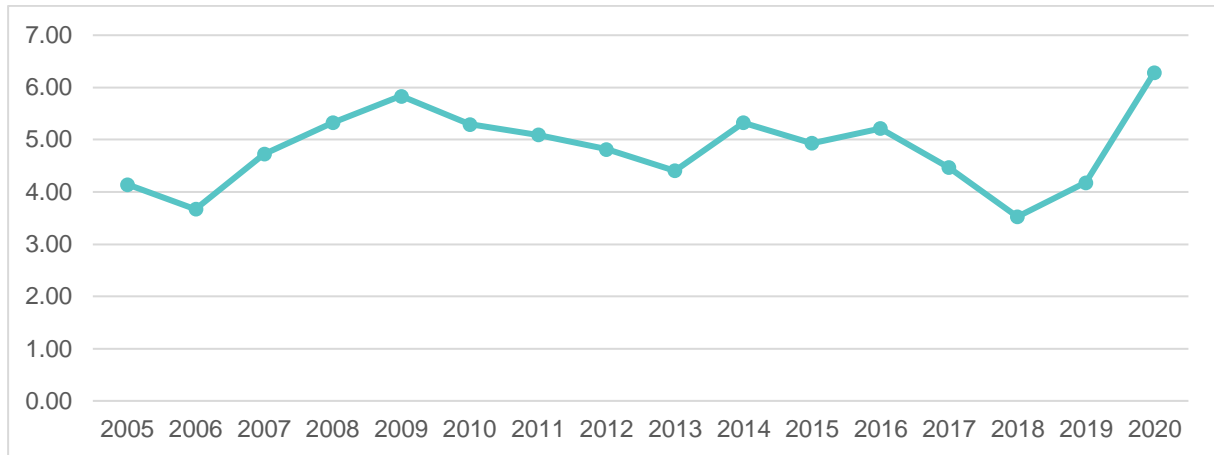


Figure ES1. Share of households in arrears on mortgage payments. Source: own elaboration on EU-SILC database

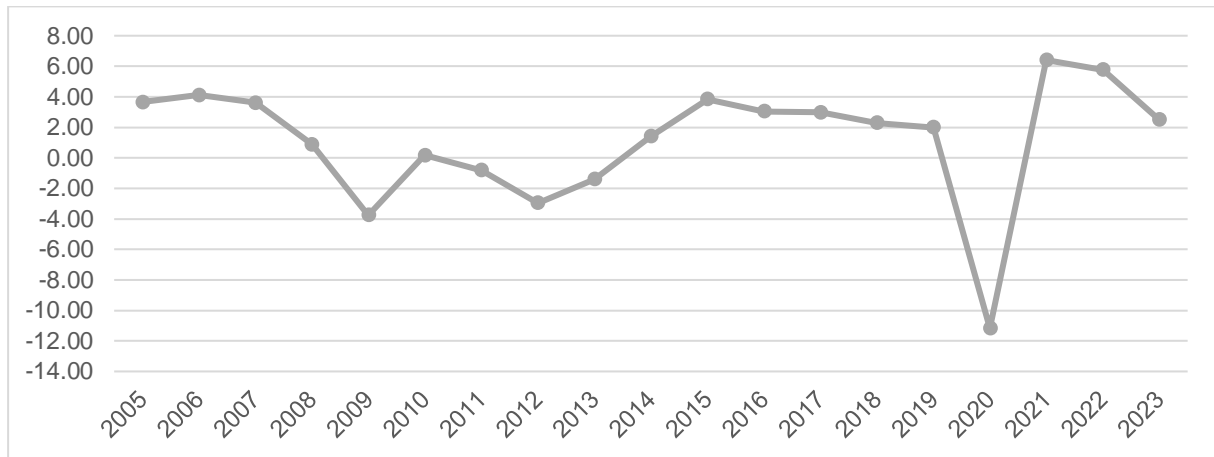


Figure ES2. GDP growth dynamics in Spain (1990-2023). Source: own elaboration on EU-SILC database

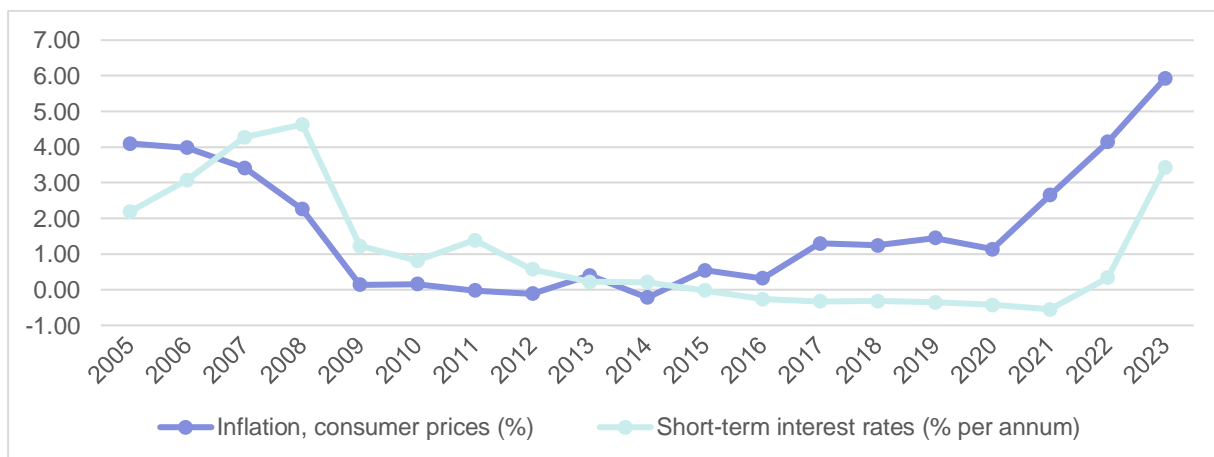


Figure ES3. Inflation (consumer prices %) and Short-term interest rates (% per annum) in Spain 2005-2023. Source: own elaboration on EU-SILC database

1.1.2 Socio-economic and Demographic Trends

Spain's socio-economic and demographic landscape further complicates housing affordability. Population trends reveal an aging demographic, with a rising percentage of individuals over 65 years old. This shift places additional pressure on the housing market, as the aging population may require specialized housing or support services that the current market lacks. Elderly individuals, particularly those in rural or less economically vibrant regions, may struggle to maintain adequate housing standards. The increased demand for age-appropriate and affordable housing reflects the need for housing policies that address demographic realities, which are currently unmet by Spain's housing supply. That said, from a housing affordability standpoint, a larger proportion of senior residents own their own, which is often paid-off, in comparison with younger residents and families, which does provide them with greater financial stability.

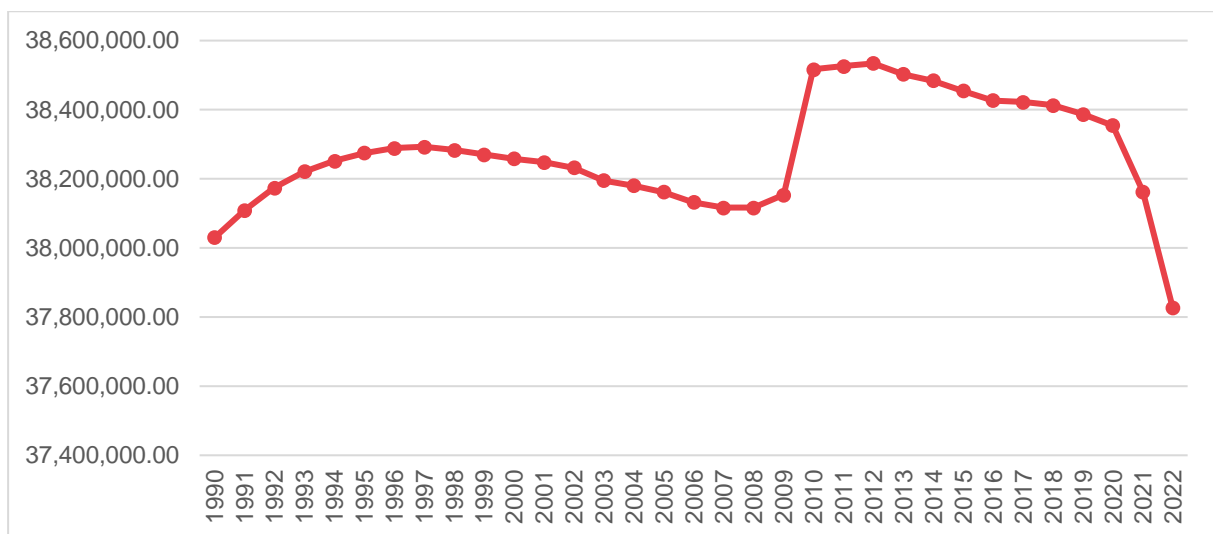


Figure ES4. Total population in Spain 1990-2022. Source: own elaboration on EU-SILC database

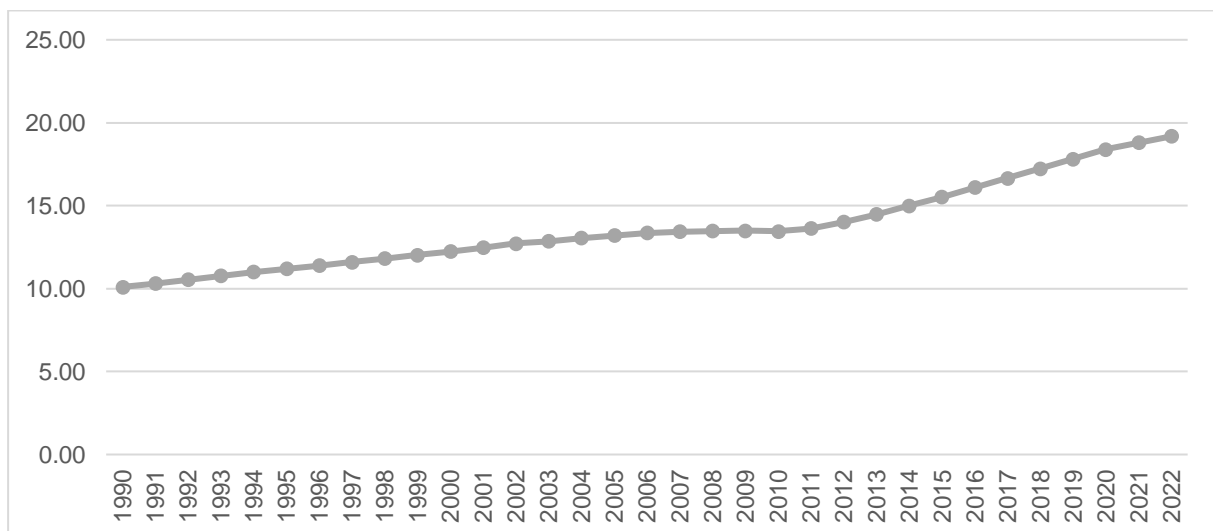


Figure ES5. Share of population in Spain 65 years or over 1990-2022. Source: own elaboration on EU-SILC database

Additionally, figures ES06 and ES07 highlight the variation in housing cost burdens based on economic activity, showing that economically inactive groups, such as the unemployed and students, face substantial housing affordability challenges. For example, students were spending close to 28% of their disposable income on housing costs in 2020. Unemployed individuals, represented by the highest housing cost burden across all income groups, consistently spend a disproportionate share of their income on housing. This reflects a systemic issue where limited income or irregular earnings restrict economically inactive individuals' ability to secure affordable housing. The data also indicates that students, another economically vulnerable group, experience similar financial strain, suggesting that housing affordability challenges are deeply rooted in Spain's economic structure and employment patterns.

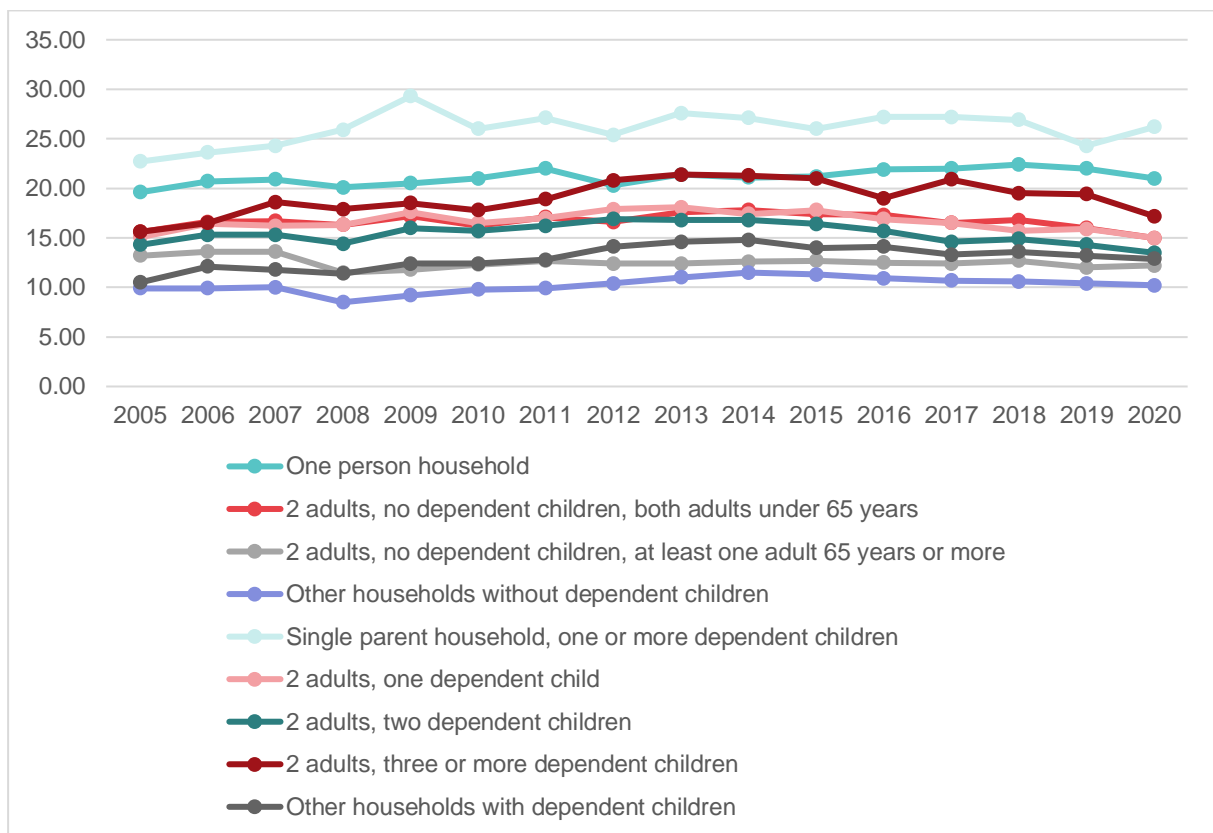


Figure ES06. Share of total housing costs in total disposable income by household type. Source: own elaboration on EU-SILC database

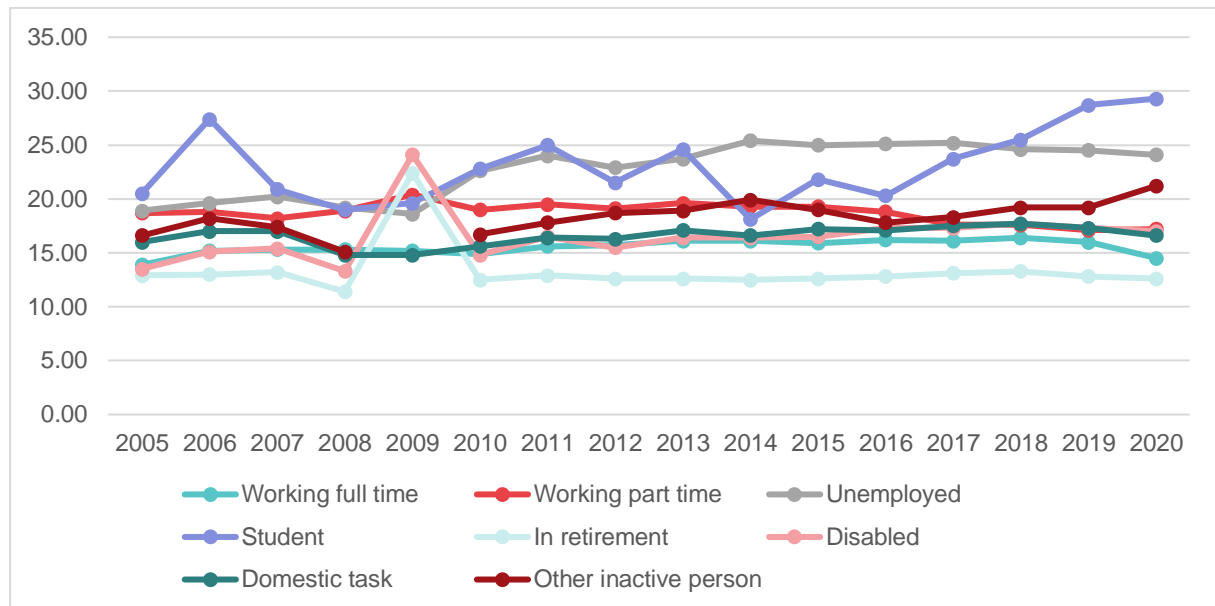


Figure ES07. Share of total housing costs in total disposable income by self-defined economic status.
Source: own elaboration on EU-SILC database

For immigrants, particularly non-EU immigrants, the data from figures ES08 and ES09 illustrate a pronounced affordability gap. Individuals born outside the EU consistently report higher housing cost burdens relative to income, averaging around 30% of their disposable income in housing costs, significantly higher than the approximately 20% reported by those born in the same country. This underscores the financial precarity of this group within Spain. Non-EU immigrants also tended to represent the highest share of mortgage abuses and foreclosures during and after the 2008 crisis (Garcia-Lamarca, 2022). Non-EU immigrants often face barriers such as lower-paying jobs or restricted access to housing support, further exacerbating housing inequality. This demographic pattern highlights the intersection of immigration status and housing affordability, indicating a need for policies that support affordable housing access for foreign-born residents.

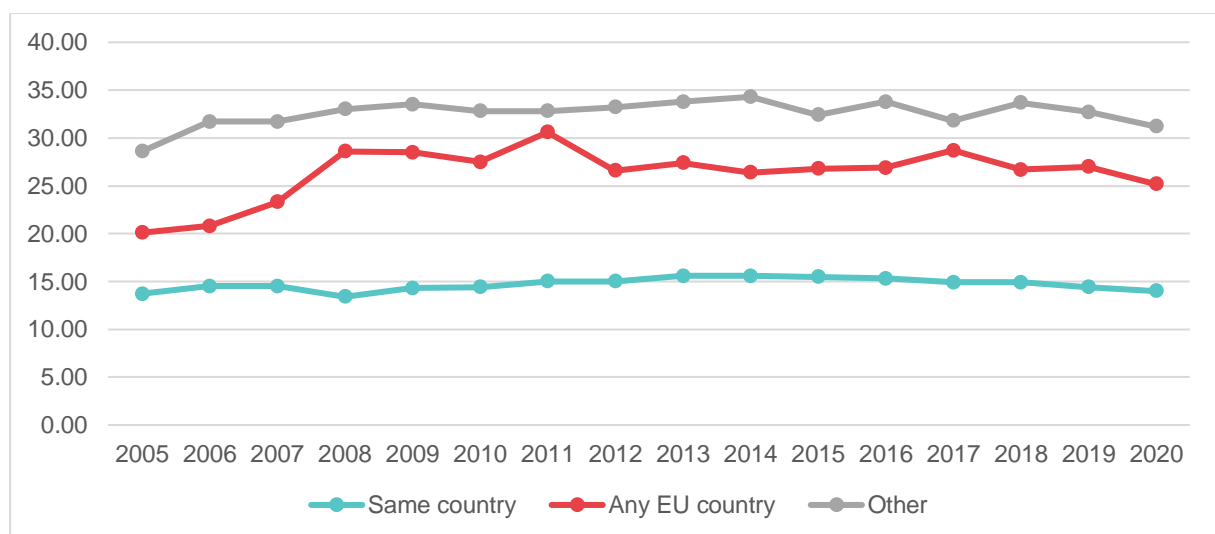


Figure ES08. Share of total housing costs in total disposable income by country of birth. Source: own elaboration on EU-SILC database

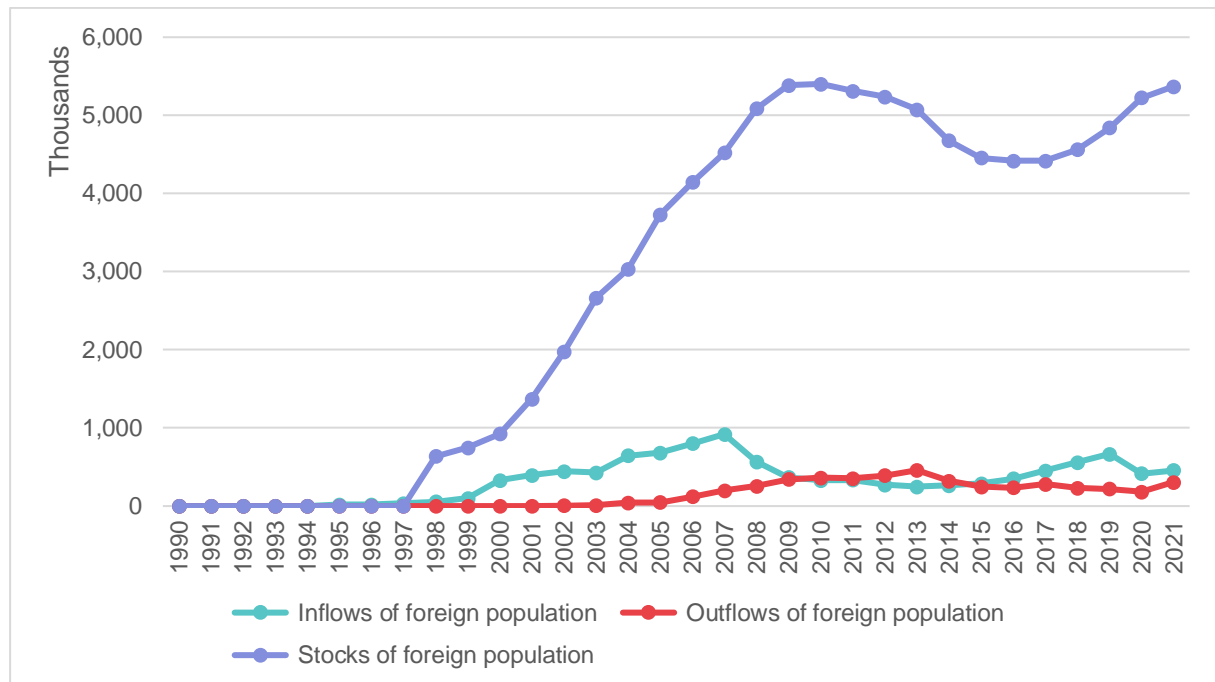


Figure ES09. Foreign born population in Spain 1990-2021. Source: own elaboration on EU-SILC database

1.1.3 Environmental and Energy Trends

The environmental dimension of housing inequality in Spain primarily concerns energy efficiency and the associated costs, which are particularly burdensome for low-income households. Data shows that a consistently high percentage of households report being unable to keep their homes adequately warm (close to 20%). This issue reflects broader energy inefficiencies in Spain's housing stock, particularly within older, poorly insulated buildings common in both urban and rural areas. Rising energy prices compound this problem, creating a significant financial burden for low-income households who must allocate a substantial portion of their income toward heating their homes.

One of the most vocal social groups against energy poverty, the Alliance against Energy Poverty (APE), has highlighted that Spain currently has one of the highest rates (28%), if not the highest, of energy poverty in the EU. This rate has doubled since 2018 despite recent support policies such as subsidies for energy bills or “minimum vital supply,” which prevents electricity cuts to vulnerable households. As part of its campaigns, it is calling for negotiations with large utility companies to help cancel the debt of the most vulnerable households.

Energy poverty and housing inequality are further exacerbated by the regional variations in housing and environmental conditions. Figure ES10 illustrates that smaller apartment buildings, particularly those with fewer than 10 dwellings, bear the highest share of housing costs (close to 18% throughout Spain) in relation to disposable income. This trend likely reflects higher energy expenditures for tenants in these buildings, who are more exposed to inefficiencies and may face higher per-unit energy costs than those in larger or more modern buildings.

Spain's commitment to environmental sustainability, outlined in the National Energy and Climate Plan (2021-2030), highlights the importance of addressing energy poverty through improved housing insulation and energy-efficient retrofitting. For example, the Plan aims at achieving energy efficiency improvements between 2021 and 2030 for 1.2M homes through thermal envelopes and for another 300,000 homes for the renovation of thermal heating and Domestic Hot Water installations). Most of those homes are meant to receive the funding of NextGeneration subsidies.

The financial strain is exacerbated by rising utility and energy costs. The cost of heating, combined with rising energy prices, places an additional burden on households, particularly those in older, less energy-efficient buildings. This trend is especially concerning for renters, who may lack the authority or resources to invest in energy-saving upgrades. Energy inefficiency not only increases monthly expenses but also has adverse effects on comfort and health, adding another layer of inequality for those living in substandard rental properties.

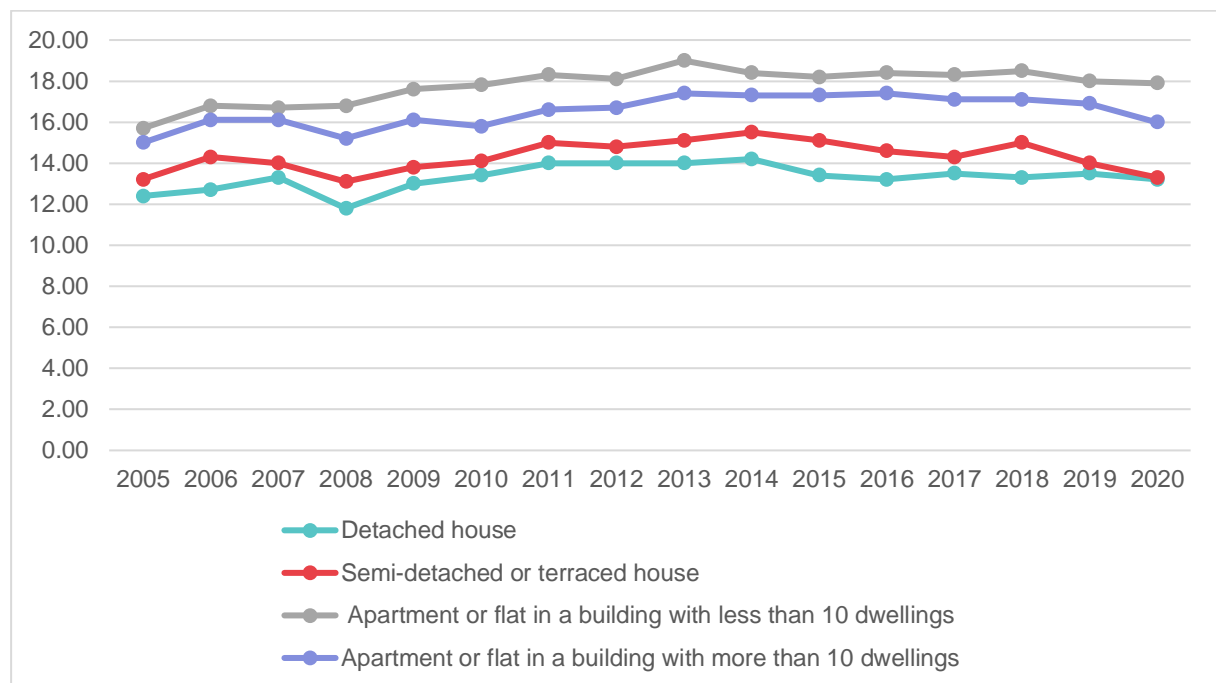


Figure ES10. Share of total housing costs in total disposable income. Source: own elaboration on EU-SILC database

However, implementation remains slow due to the complexity of the application and implementation process, particularly for low-income households most affected by energy inefficiency and working-class residents, who tend to live in large buildings with many neighbors and encounter technical and bureaucratic burdens to move the process forward. Without adequate financial and technical support from architects and municipal technicians, these households are likely to continue facing disproportionate energy costs, reinforcing existing inequalities. As energy costs rise, the disparity between those who can afford energy-efficient housing and those who cannot widens, creating a pressing need for targeted environmental policies that address both affordability and sustainability.

Gas and electricity prices for household consumers (Figures ES12 and ES13) show a **steady increase** from 2007, with a sharp spike around 2022, reflecting external energy crises and inflation. These rising prices disproportionately affect lower-income households, who spend a larger share of their income on energy, exacerbating energy poverty. Meanwhile, the **disaggregated energy consumption data** (Figure ES11) indicates that energy use for basic needs like **space heating** and **water heating** has remained stable, while total household energy consumption has declined slightly, likely due to economic constraints. As energy prices surge, vulnerable households may reduce energy usage, leading to inadequate heating or lighting, worsening living conditions. Combined, these trends highlight the **growing energy burden** for lower-income households, underscoring how housing inequality is compounded by energy affordability issues in Spain.

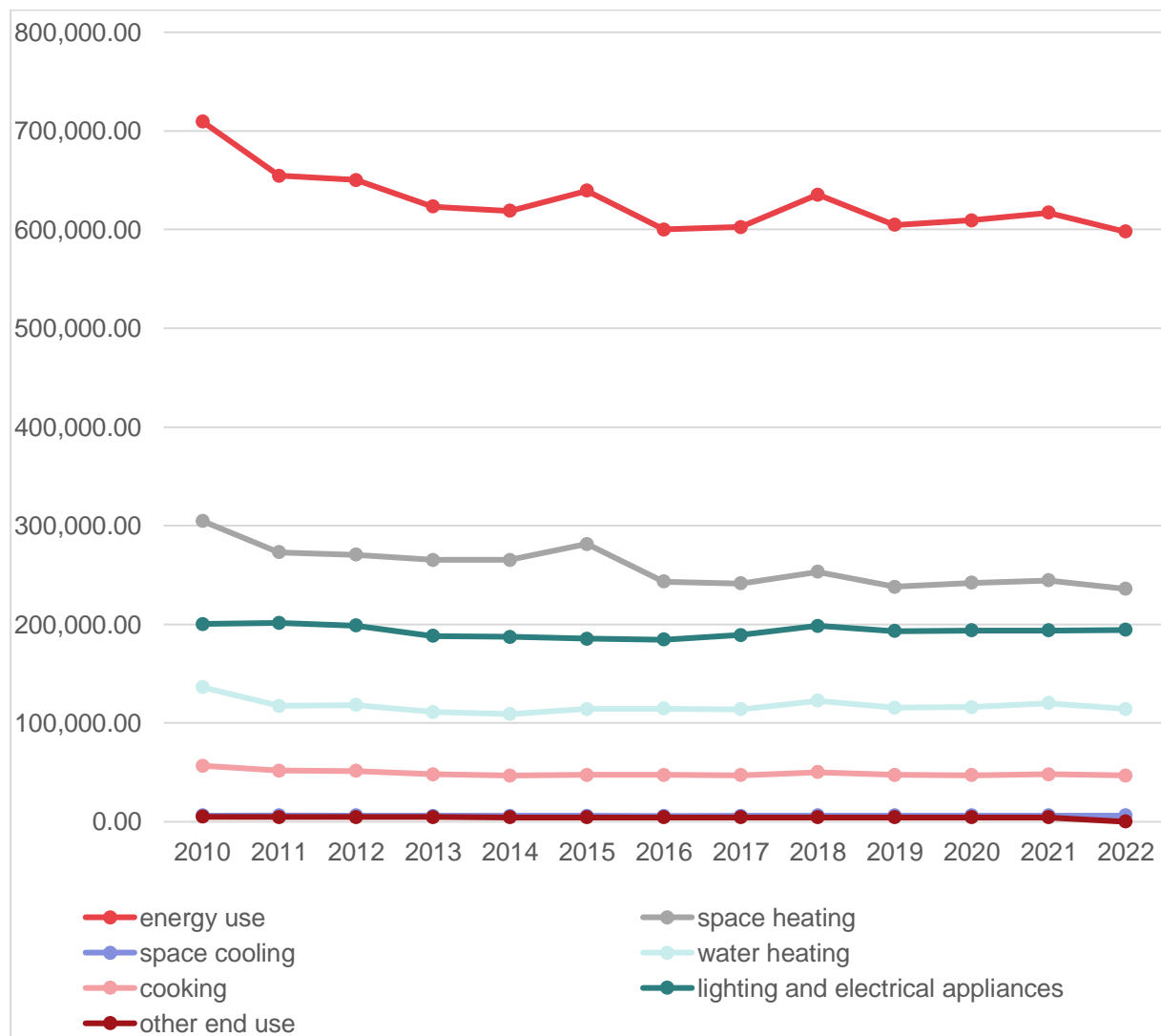


Figure ES11. Disaggregated final energy consumption in households - quantities, Terajoule. Source: own elaboration on EU-SILC data

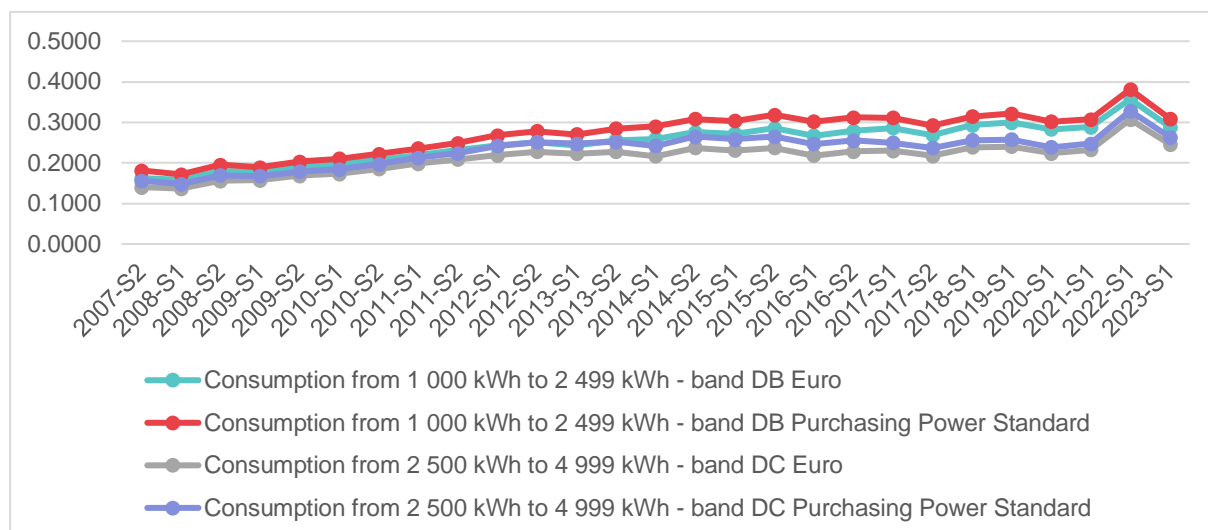


Figure ES12. Electricity prices for household consumers - bi-annual data (from 2007 onwards).
Source: own elaboration on EU-SILC data

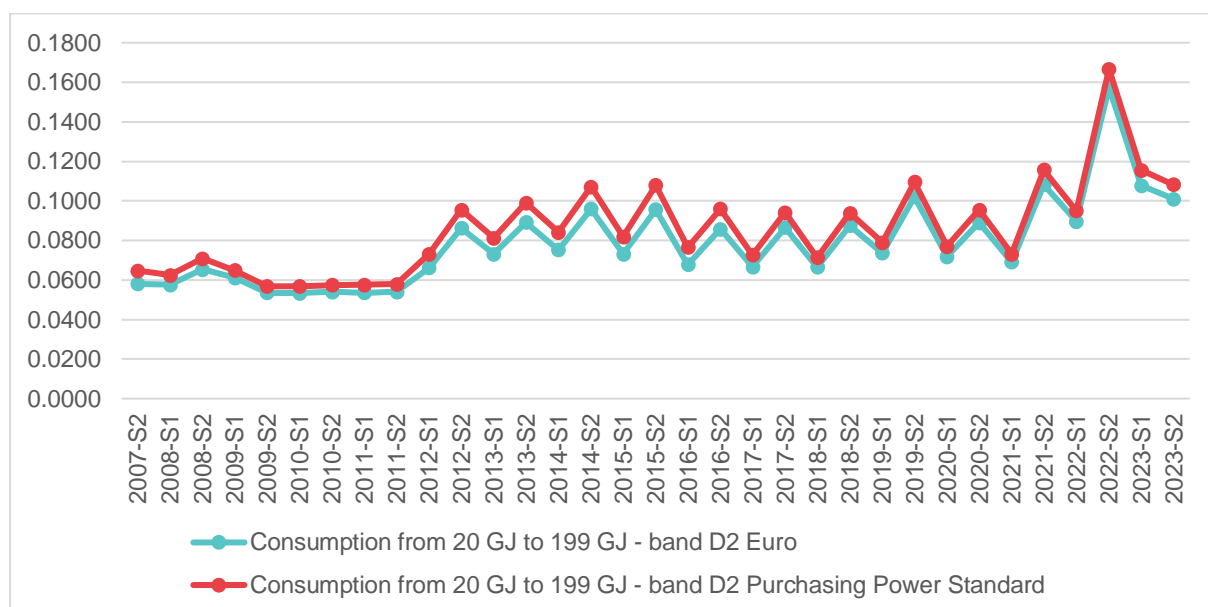


Figure ES13. Gas prices for household consumers – biannual data (from 2007 onwards). Source: own elaboration on EU-SILC data

In summary, the data in this section reveals that economic volatility, demographic pressures, and environmental inefficiencies contribute to a complex web of housing inequalities in Spain. Macroeconomic conditions, as evidenced by trends in mortgage arrears and the financial burden of housing costs, illustrate how economic instability translates into housing precarity, particularly for vulnerable groups such as the unemployed, students, and non-EU immigrants. Meanwhile, demographic aging and regional disparities intensify demand for affordable, accessible housing that meets diverse needs. Finally, energy inefficiency within Spain's aging housing stock continues to drive up costs, highlighting the environmental dimension of housing inequality. Addressing these intertwined factors requires policies that promote economic resilience, demographic inclusivity, and energy efficiency to ensure equitable access to housing across Spain's diverse population.

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

The structure of Spain's housing sector is defined by its evolving housing stock, shifting tenure preferences, and increasingly prohibitive costs. These elements together have shaped a sector where access to housing is stratified by socioeconomic status, regional disparities, and the financial viability of homeownership versus renting. This section examines these issues by assessing housing stock trends, tenure patterns, and the escalating expenses that characterize Spain's housing market.

Historically, Spain's housing stock development has been influenced by policies that encourage homeownership. Tax incentives, accessible mortgage options, and cultural preferences for ownership contributed to homeownership rates nearing 75% by the end of the 20th century (Naredo, 2010). However, Spain's housing landscape has changed drastically since then, with a marked shift toward rental markets, particularly among younger populations and in urban centers, although only 18.7% are reported to be renters as of 2023 (Idealista, 2024). The data in Figure ES14., which examines housing cost burdens by tenure type, highlights a critical divide: market-rate tenants consistently face the highest financial burden compared to homeowners and to those in subsidized or reduced-rent accommodations. For example, as of 2020 tenants or sub-tenants in the traditional market reported spending 37% of their disposable income on housing costs. This trend reflects the growing difficulty of securing affordable rental options, especially in Spain's urban areas where demand often exceeds supply.

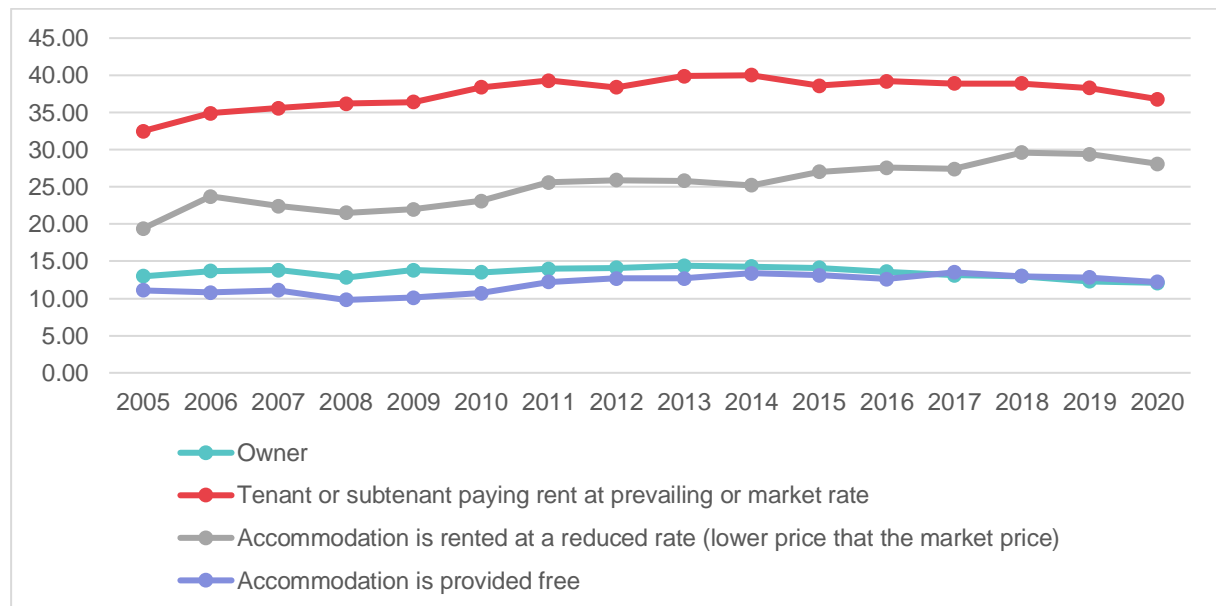


Figure ES14. Share of total housing costs in total disposable income by tenure status. Source: own elaboration on EU-SILC data

The shift toward renting is largely a consequence of rising property values and limited access to affordable financing, which prevent many young adults and low-income households from pursuing homeownership. Renting, however, is not always a viable alternative due to the rapid

escalation in rental costs. Figure ES15. underscores the perception of housing costs as a “heavy burden” among Spanish households (up to 45% of them) particularly in recent years. Renters, especially those paying market rates, are significantly more likely to report feeling financially strained by their housing expenses. The data reveals that the heavy burden of rental costs is felt across different demographics, suggesting that rental market conditions have created widespread affordability challenges that are no longer limited to the most economically disadvantaged.

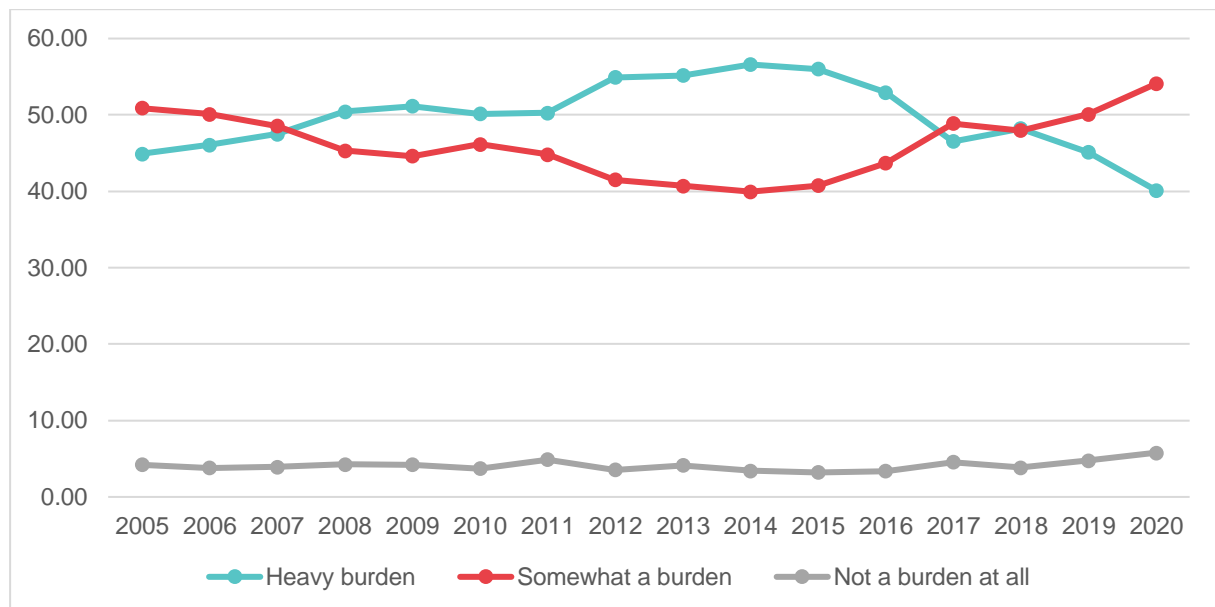


Figure ES15. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Housing stock availability has not kept pace with these shifting demands. The legacy of over-construction prior to the 2008 financial crisis left Spain with a surplus of vacant properties, yet many of these homes remain in locations with low demand or lack of adequate infrastructure, rendering them unsuitable for the rising urban demand. Urban centres, particularly in regions like Madrid and Barcelona, experience the opposite problem: high demand and inadequate affordable housing supply, which fuels price inflation. In addition, according to the City of Barcelona, in 2019 there were 10,052 empty homes, 1.2% of the total, further compounding the problem of lack of inadequate supply. In 2023, statistics from the National Statistics Office (INE) reported up to 9% of all units being empty in Barcelona (Instituto Nacional de Estadística, 2023).

Figure ES16 shows that the majority of households in Spain have consistently been homeowners, although this share has been slightly declining from 2007 to 2023. The rental sector, by contrast, has seen a gradual increase over the same period. This shift signifies a growing reliance on rental housing, likely due to economic barriers preventing homeownership, such as stagnant wages, precarious employment, and rising property prices. The increase in rentals could also point to younger generations being disproportionately unable to access ownership, widening generational inequalities in housing.

Figure ES17 breaks down tenure types in greater detail. While the proportion of households owning property outright (without a mortgage) remains significant, it has remained relatively stable or slightly declined. In contrast, "owner with mortgage" has been gradually decreasing since 2010, reflecting reduced access to mortgages, especially after the financial crisis. Meanwhile, private rentals have steadily increased, signaling greater reliance on this tenure type. Subsidized rentals and other tenure types remain a very small share, underscoring the insufficient availability of social housing to support vulnerable populations. These trends exacerbate housing inequality, as lower-income households struggle to access affordable housing in a system dominated by ownership and a limited rental supply, particularly subsidized options.

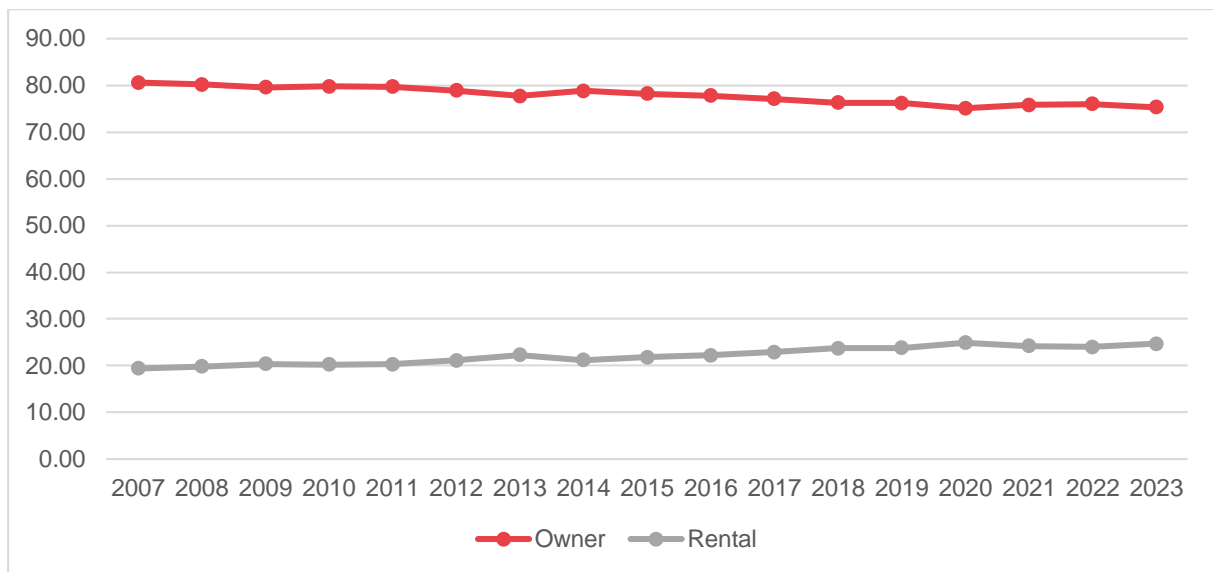


Figure ES16. Tenure structure and its changes: Social vs. private (%). Source: own elaboration on EU-SILC database

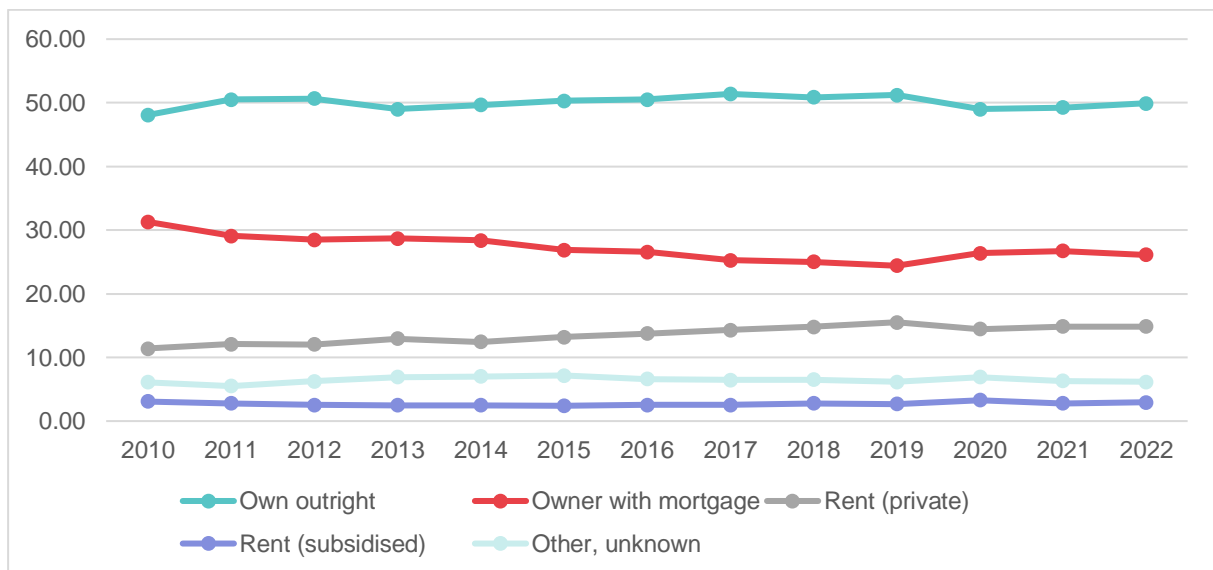


Figure ES17. Share of households in different tenure types (%). Source: own elaboration on EU-SILC database

The data in figure ES18 reveals a sharp rise in construction starting in the mid-1990s, peaking around 2006-2007. This corresponds to Spain's housing boom, driven by speculative investments, easy access to credit, and strong demand. However, the rapid decline that followed during the 2008 financial crisis reflects the bursting of the housing bubble, which left many unfinished projects, vacant homes, and a surplus of housing stock that failed to address real housing needs, particularly for lower-income households.

The aftermath of the 2008 crisis saw construction plummet to historically low levels, exacerbating housing inequalities. The lack of new affordable housing development during the recovery period (2010–2020) meant that housing became increasingly inaccessible to vulnerable groups, especially in urban areas where demand remained high. While construction activity has shown a modest recovery in recent years, it has not reached pre-crisis levels, signaling a structural shift. This imbalance highlights how housing supply in Spain has been historically misaligned with societal needs, prioritizing speculative over inclusive housing development. As a result, inequality persists, with significant portions of the population unable to afford either ownership or rental housing, leading to a worsening affordability crisis.

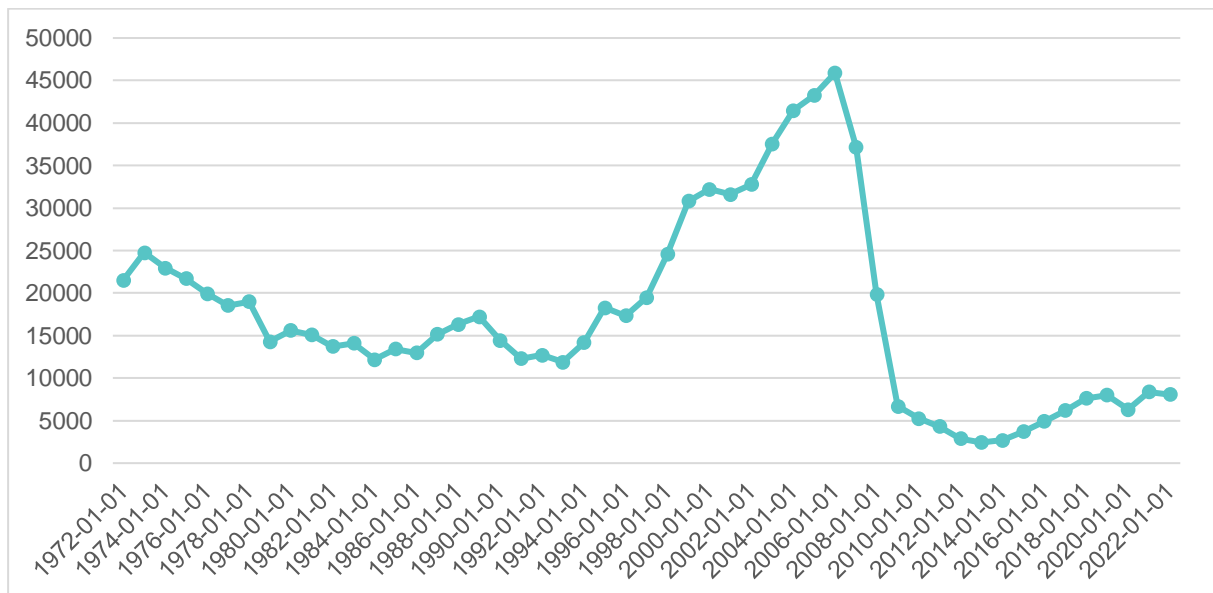


Figure ES18. Construction: Dwellings and Residential Buildings: Total for Spain. Source: Organization for Economic Co-operation and Development

1.2.2 Housing Expenses

The escalating financial burden of housing costs in Spain is a defining factor in the inequality within the housing sector. This trend peaked between 2008 and 2014, coinciding with the financial crisis, and although it has since improved slightly, a large portion of households continue to struggle with housing affordability. This financial strain is especially pronounced in metropolitan areas where rental prices have surged in recent years, driven by a combination of high demand, short-term rental markets, and the slow recovery of the construction sector.

The disparity in housing costs across different tenure types is also evident in figure ES14, which shows that market-rate renters consistently bear the highest housing cost burden

relative to their income. This burden is in stark contrast to homeowners and those in reduced-rate accommodations, whose housing expenses are more manageable relative to their disposable income. Market-rate renters in Spain face a structural disadvantage in the housing market due to the lack of affordable rental units, minimal tenant protections, and limited social housing availability. This disparity indicates that Spain's rental market conditions are particularly onerous for lower-income households, who are often confined to market-rate rentals due to limited access to ownership or reduced-rate housing options.

Another element driving up costs is the influence of short-term rentals and tourism-driven demand in certain regions. Major cities like Barcelona, Málaga, Palma de Mallorca, and Madrid have seen a sharp increase in property prices and rental rates as properties are repurposed for short-term rental markets, catering to tourists rather than residents. This “touristification” phenomenon not only reduces the availability of long-term rental units but also artificially inflates housing prices, making it difficult for locals to compete. The financial burden on tenants in these urban hubs is thus further intensified by external market forces, which prioritize profitability over affordability.

Figures ES19, ES20, and ES21 (below) revealing growing housing inequality in Spain. The real house price index (ES19) shows a sharp rise between 2000 and 2007, peaking during the housing bubble, followed by a decline after the 2008 financial crisis. However, prices have been recovering steadily since 2015, indicating renewed affordability challenges. Meanwhile, rental prices (ES20) have consistently increased, particularly since 2017, with both monthly and annual averages (ES21) showing accelerated growth. This steady rental inflation, combined with increasing property values, suggests that access to housing is becoming more difficult, especially for low- and middle-income households who cannot afford to buy homes or are increasingly burdened by rising rents. Together, these trends highlight widening disparities in housing affordability and access in Spain.

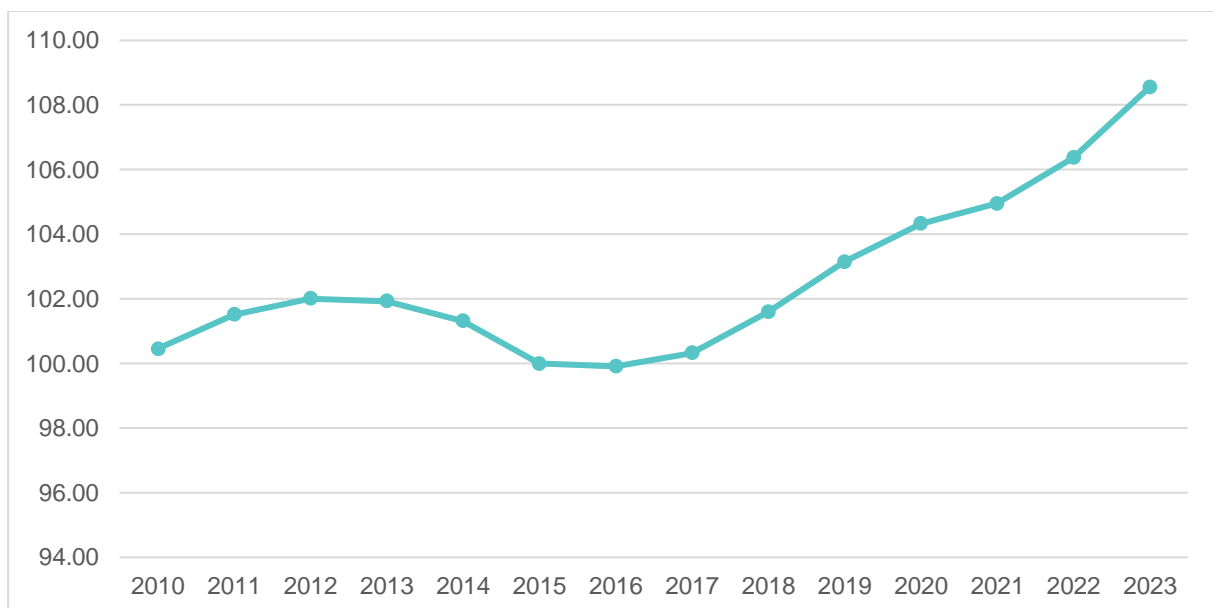


Figure ES19. Actual rentals for housing index: annual average index (2015=100). Source: own elaboration on EU-SILC database

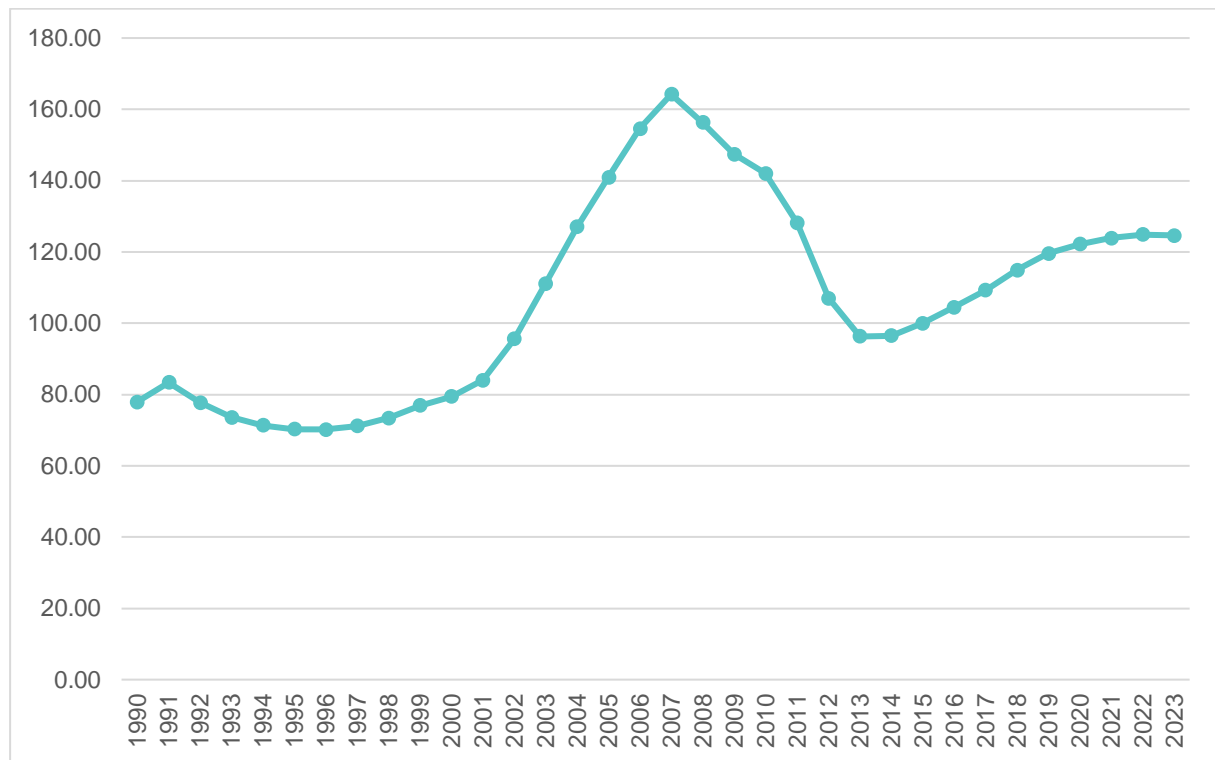


Figure ES20. Real house price indices (2015=100). Source: own elaboration on EU-SILC database

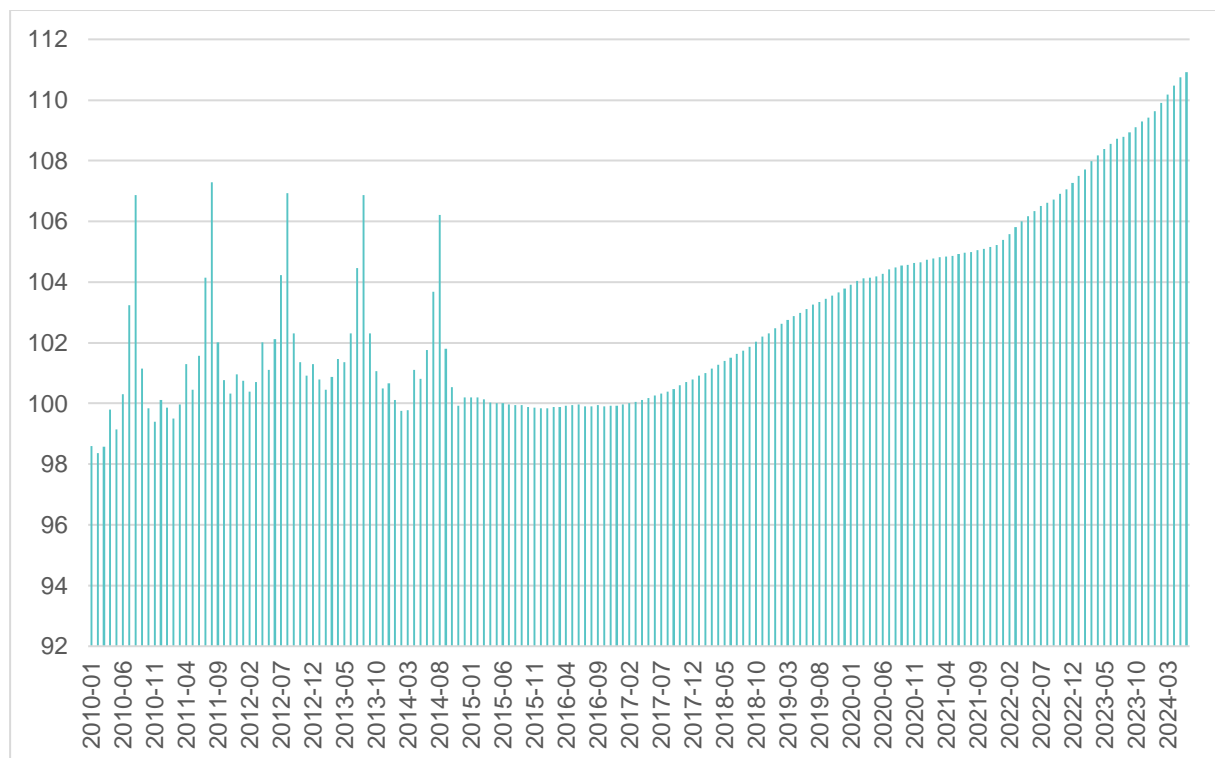


Figure ES21. Actual rentals for housing index, (2015=100 (monthly)). Source: own elaboration on EU-SILC database

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN SPAIN IN THE 21ST CENTURY

2.1 Housing and Neighbourhood Quality

Housing inequality in Spain extends beyond the cost of housing to include the quality of housing and the neighborhood environment. Quality disparities often manifest in poor housing conditions, lack of access to essential infrastructure and poor transport connectivity, and heightened exposure to environmental hazards. These issues are especially acute in lower-income neighborhoods and disproportionately impact immigrants, the elderly, and low-income families. This section explores the diverse factors contributing to housing quality inequality and highlights the pressing need for policies that address both housing quality and neighborhood conditions.

Housing quality is a significant aspect of housing inequality in Spain, where the age of housing stock and lack of investment in maintenance have led to deteriorating conditions in many areas. Figures ES 22-25 shed light on these quality challenges by illustrating a range of common housing issues, including inadequate heating, dampness, poor ventilation, and poor natural lighting.

Furthermore, figures ES22-25 highlight that pollution, grime, and other environmental issues are significant concerns in many neighborhoods, underscoring the connection between housing quality and environmental health. Pollution levels, particularly in urban areas (figure ES23), contribute to poorer air quality and negatively affect residents' health. The data suggest that these issues are more common in economically disadvantaged neighborhoods, where inadequate waste management, lack of green spaces, and industrial pollution are frequent problems. For example, in 2020, around 23% residents reported living in units that were too dark. These environmental disparities underscore a broader issue of spatial inequality, where poorer neighborhoods not only face inferior housing conditions but also contend with substandard environmental quality that further diminishes their quality of life.

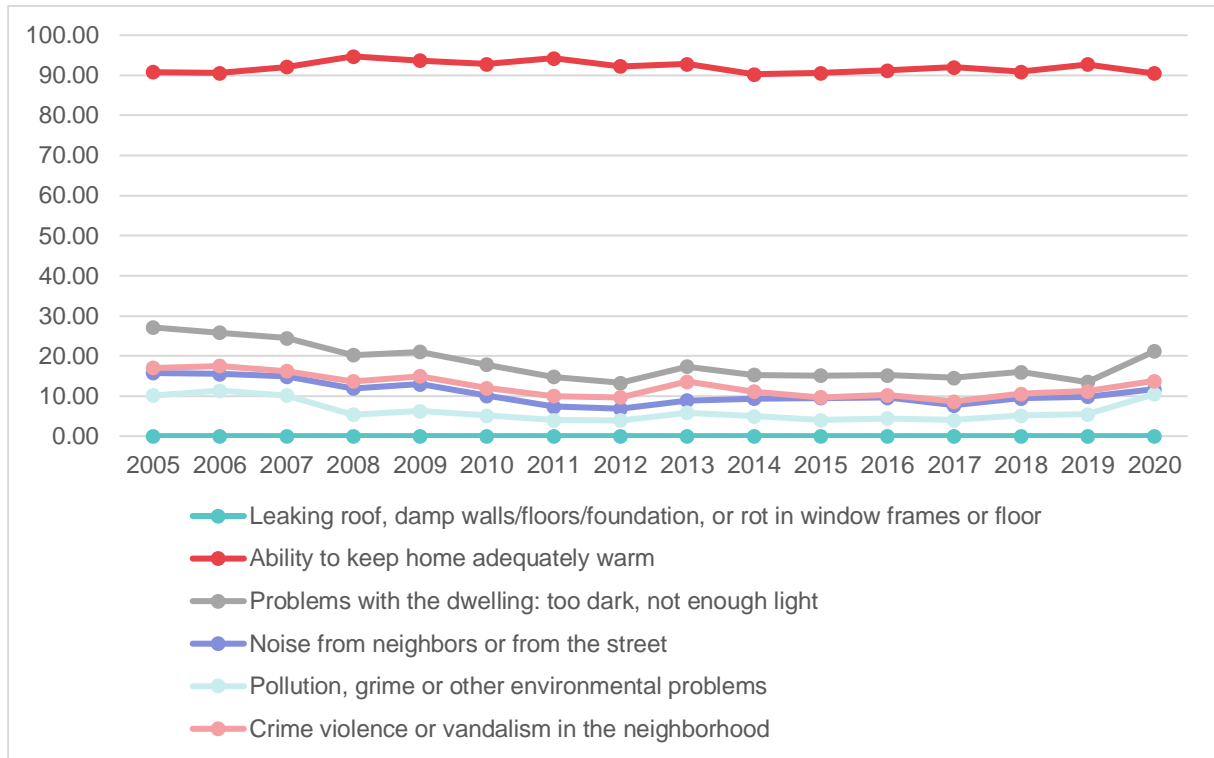


Figure ES22. Share of positive answers on housing and neighborhood quality (Country Level).
Source: own elaboration of EU-SILC database

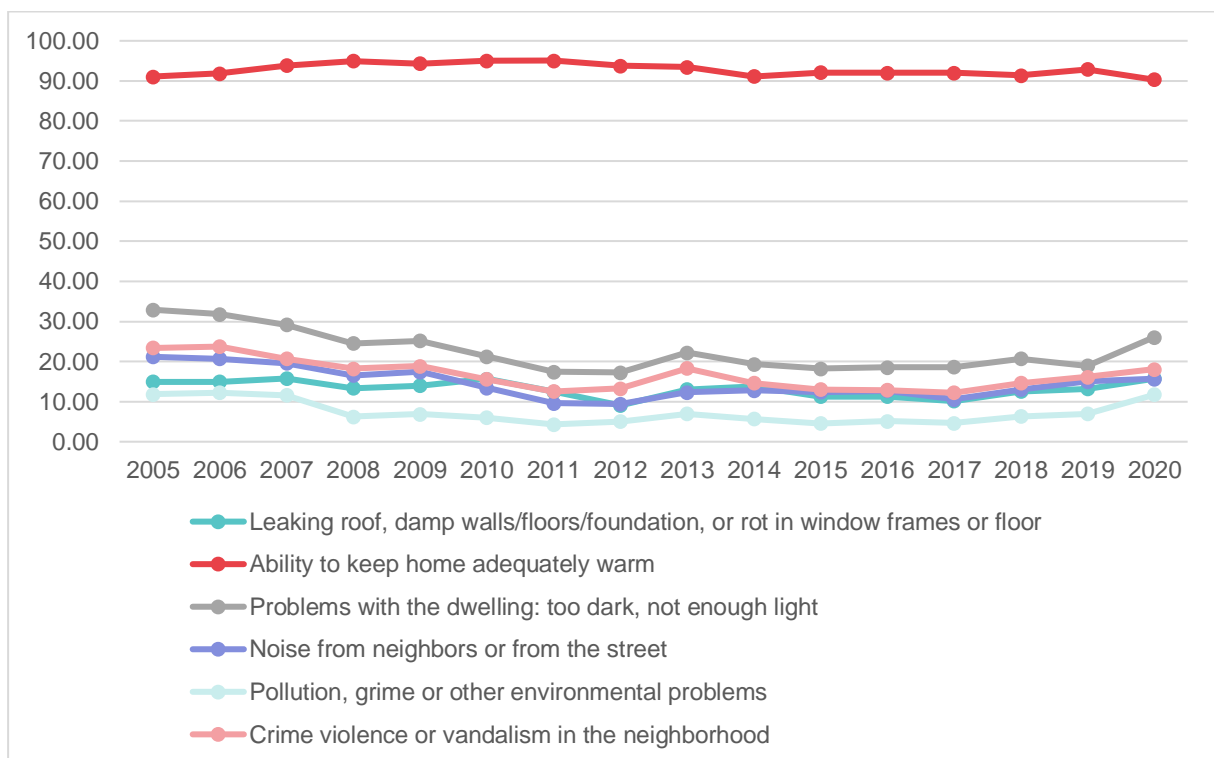


Figure ES23. Share of positive answers on housing and neighborhood quality (densely populated area). Source: own elaboration of EU-SILC database

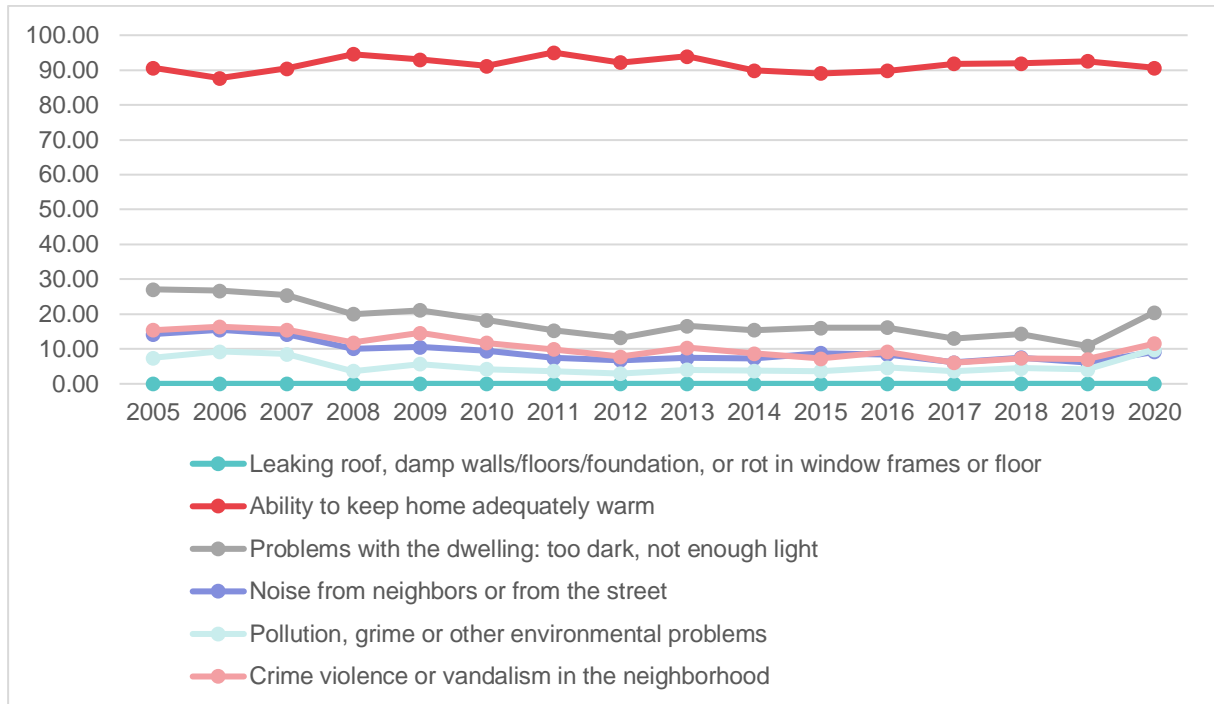


Figure ES24. Share of positive answers on housing and neighborhood quality (intermediate area).
Source: own elaboration of EU-SILC database

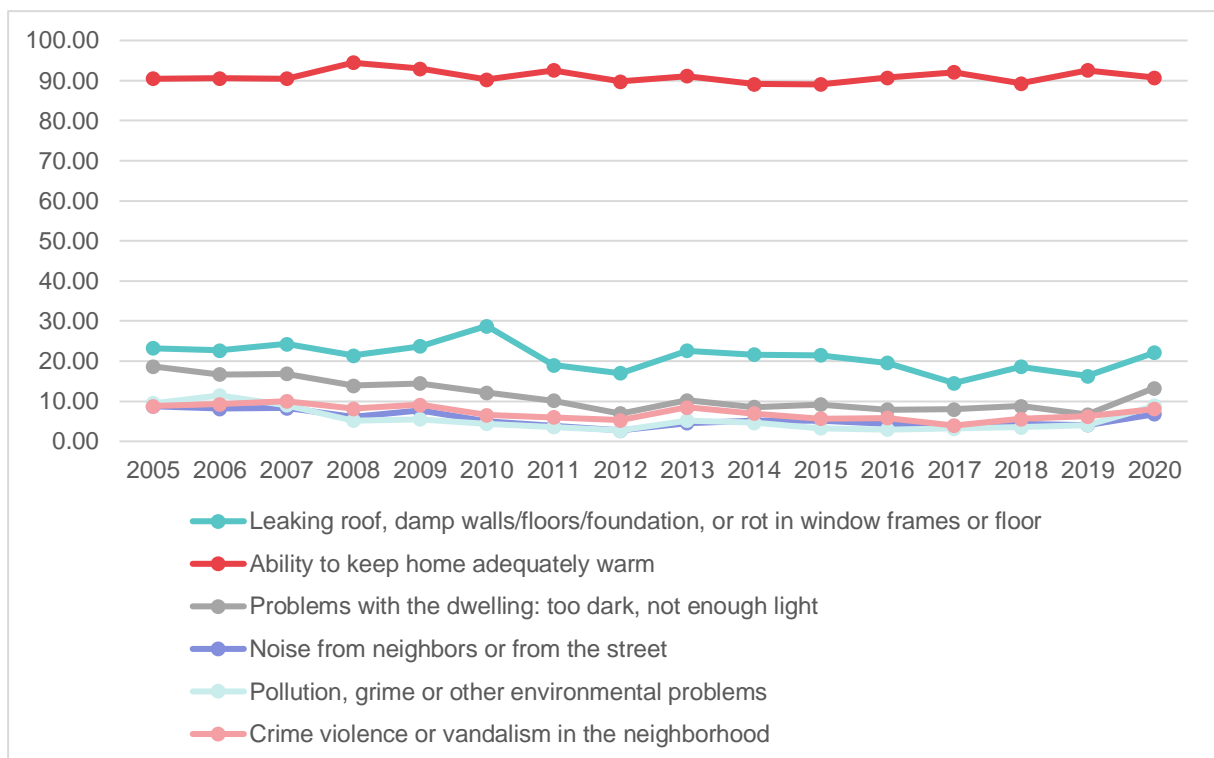


Figure ES25. Share of positive answers on housing and neighborhood quality (thinly populated area).
Source: own elaboration of EU-SILC database

Noise, dampness, and structural issues, such as leaks or rotting, also feature prominently in figures 20-23. Leaking roofs, dampness or rot was reported in close to 22% of the units. These problems have remained relatively stable over time, reflecting the chronic underinvestment in housing maintenance and the limited resources available to low-income tenants for repairs. Deteriorating conditions are particularly challenging for tenants, who often lack the authority to initiate significant repairs or improvements without the landlord's involvement. For homeowners, especially elderly and low-income individuals, maintenance costs can be prohibitively high, leaving them in substandard conditions. This lack of agency exacerbates housing quality issues, highlighting the need for policies that ensure both renters and low-income homeowners can access quality housing. Migrant groups also lack the political power or express fears to report poor living conditions.

The increase in complaints about insufficient natural lighting around 2020 may reflect a shift in how people value housing conditions, likely influenced by the COVID-19 pandemic and the increased amount of time people spend at home. Poor lighting and lack of access to daylight are not only inconvenient but also impact mental health and well-being, making these quality issues even more pressing. This trend underscores the importance of designing housing that prioritizes health and well-being, especially in light of recent experiences that have brought housing quality into sharper focus.

Neighborhood quality is closely linked to housing quality, as the surrounding environment and available amenities greatly impact residents' overall living conditions. Wealthier neighborhoods in Spain benefit from better infrastructure, public transportation, green spaces, and access to essential services such as healthcare and education. Conversely, lower-income neighborhoods, which often have higher immigrant populations and more elderly residents, are marked by poorer infrastructure, fewer amenities, and limited access to public services. Figure ES24, which shows levels of overcrowding by urbanization level, indicates that densely populated urban areas report the highest rates of overcrowding. This trend points to a significant quality-of-life issue for residents in urban neighborhoods, where space constraints exacerbate the challenges posed by poor infrastructure and lack of access to resources.

Overcrowding, as illustrated in Figure ES26, is more prevalent in Spain's densely populated urban centers, which are often characterized by older housing stock with smaller living spaces and darker streets. The share of residents reporting housing overcrowding reaches a bit more than 5% in 2020. For lower-income households, the high cost of housing forces more people into shared or cramped accommodations, leading to higher occupancy rates and overcrowded conditions. This spatial inequality reflects a pattern where economically disadvantaged families are often forced into inadequate and overcrowded housing due to limited options in the rental market. Overcrowding not only reduces privacy but can also contribute to physical and mental health issues, as well as limit residents' ability to perform essential daily activities comfortably.

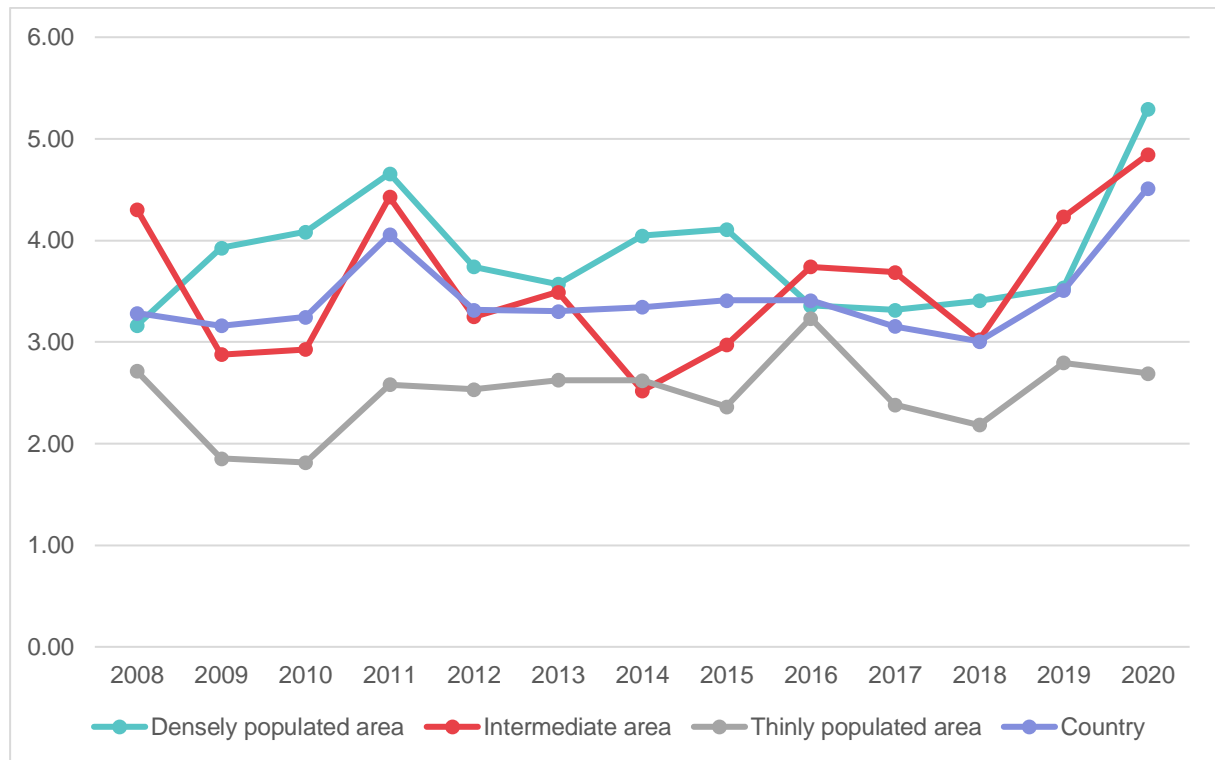


Figure ES26. Share of positive answers on housing overcrowding. Source: own elaboration of EU-SILC database

Pollution and crime are other major neighborhood quality issues highlighted by figures 22-25, with economically disadvantaged areas disproportionately affected by both. High pollution levels are common in lower-income neighborhoods located near industrial zones or major roads, where air quality is compromised, affecting residents' health over time. Crime rates, while stable, are perceived as a greater concern in poorer neighborhoods, where lack of investment in safety infrastructure, street lighting, and law enforcement presence contributes to a sense of insecurity. These figures show that close to 18% of all respondents responded perceiving crime around them. This perception of insecurity is particularly challenging for immigrant and minority communities, who may already feel marginalized due to socioeconomic and cultural factors. Addressing these neighborhood disparities is critical for fostering safer, healthier communities where residents can feel secure and supported.

Environmental conditions in disadvantaged neighborhoods create additional challenges for residents, particularly those related to housing energy efficiency and exposure to environmental hazards. Many older buildings in Spain lack proper insulation, as highlighted in figures ES 22-25, which reflects the prevalence of heating issues. This energy inefficiency drives up utility costs, as poorly insulated buildings require more energy to maintain comfortable temperatures. Furthermore, inadequate insulation exacerbates indoor air quality problems, as cold or damp conditions can promote mold growth and increase the risk of respiratory illnesses, impacting residents' health over time. Neighborhood conditions also play a role in health outcomes, with residents in lower-income neighborhoods facing greater exposure to pollution, overcrowding, and inadequate sanitation.

2.2 Housing costs

Housing affordability remains one of the most pressing issues in Spain's housing sector, as escalating housing costs continue to outpace income growth for many households. The burden of these costs falls disproportionately on certain groups, including renters, immigrants, and economically inactive individuals, making housing affordability a significant driver of housing inequality. The analysis reveals a complex interplay between economic conditions, demographic characteristics, and regional factors that intensify affordability challenges for Spain's most vulnerable populations.

Housing costs, as a share of disposable income, represent a substantial burden for many households in Spain. Figure ES27 provides insight into how households perceive these costs, showing that a large portion of respondents view housing expenses as a "heavy burden." This perception peaked between 2008 and 2014, coinciding with the financial crisis, when many households faced severe economic strain. Although this burden has since eased slightly, a significant share of the population still finds housing costs to be financially overwhelming. The persistence of this burden reflects the structural challenges within Spain's housing market, where rising property values and rental rates consistently outpace wage growth.

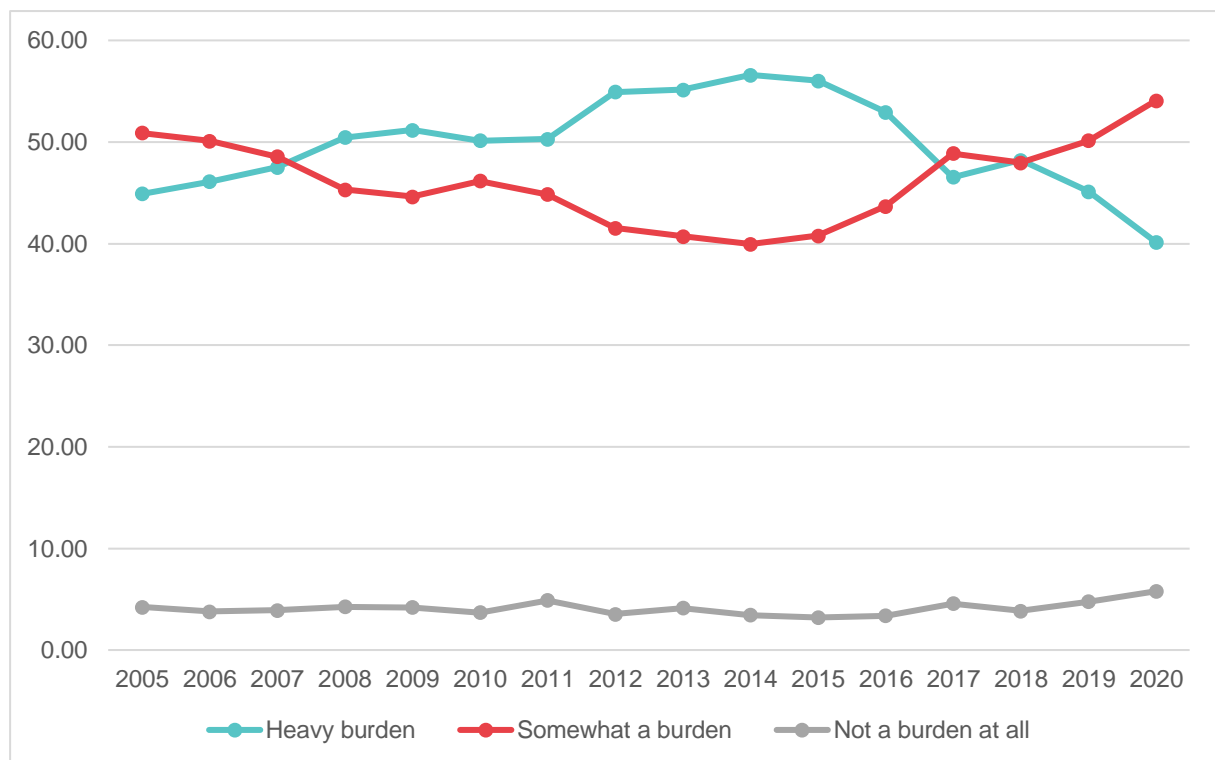


Figure ES27. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Economically vulnerable groups bear the brunt of these affordability challenges. Figure ES28 highlights the variation in housing costs by self-defined economic status, showing that unemployed individuals, students, and part-time workers face the highest housing cost burdens relative to their income. This finding suggests that economic insecurity directly translates into housing precarity, as these groups lack the financial stability to manage high

housing expenses. For students, limited income from part-time work often leaves them with little choice but to allocate a substantial portion of their budget to housing. For the unemployed, the lack of steady income makes housing costs a formidable barrier, contributing to their vulnerability and limiting access to adequate housing.

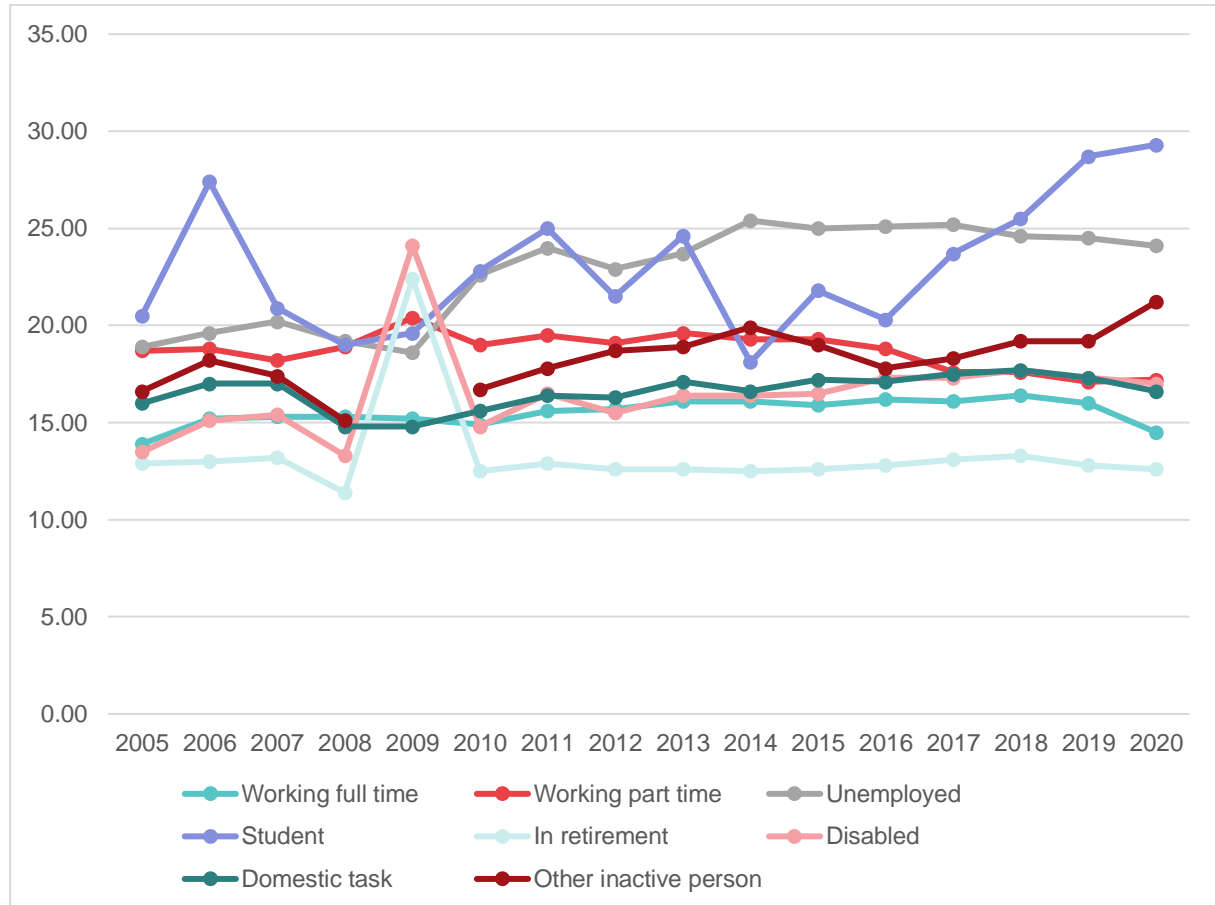


Figure ES28. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Figure ES29 highlights the distribution of housing cost burdens across NUTS 1 regions, showing that certain regions, particularly in urbanized and economically developed areas, have higher housing cost burdens. Major metropolitan centers like Madrid and Barcelona exemplify this trend, where limited affordable housing stock and high demand inflate both rental and property prices. These regions, which are economic hubs with abundant job opportunities, attract both domestic and international migrants, intensifying demand for housing. However, the supply of affordable housing has not kept pace, creating affordability challenges that disproportionately affect lower-income residents.

Rural regions, by contrast, face different affordability challenges. While housing costs are generally lower in rural areas, limited infrastructure, employment opportunities, and public services present their own set of obstacles. The lack of investment in rural housing stock results in poorer quality homes, which may require additional maintenance or energy costs. Additionally, depopulation trends in rural areas mean that some regions have excess housing stock but few residents, creating a mismatch between available properties and potential

demand. Addressing regional disparities in housing costs thus requires a balanced policy approach that encourages urban affordability while fostering rural development to prevent depopulation.

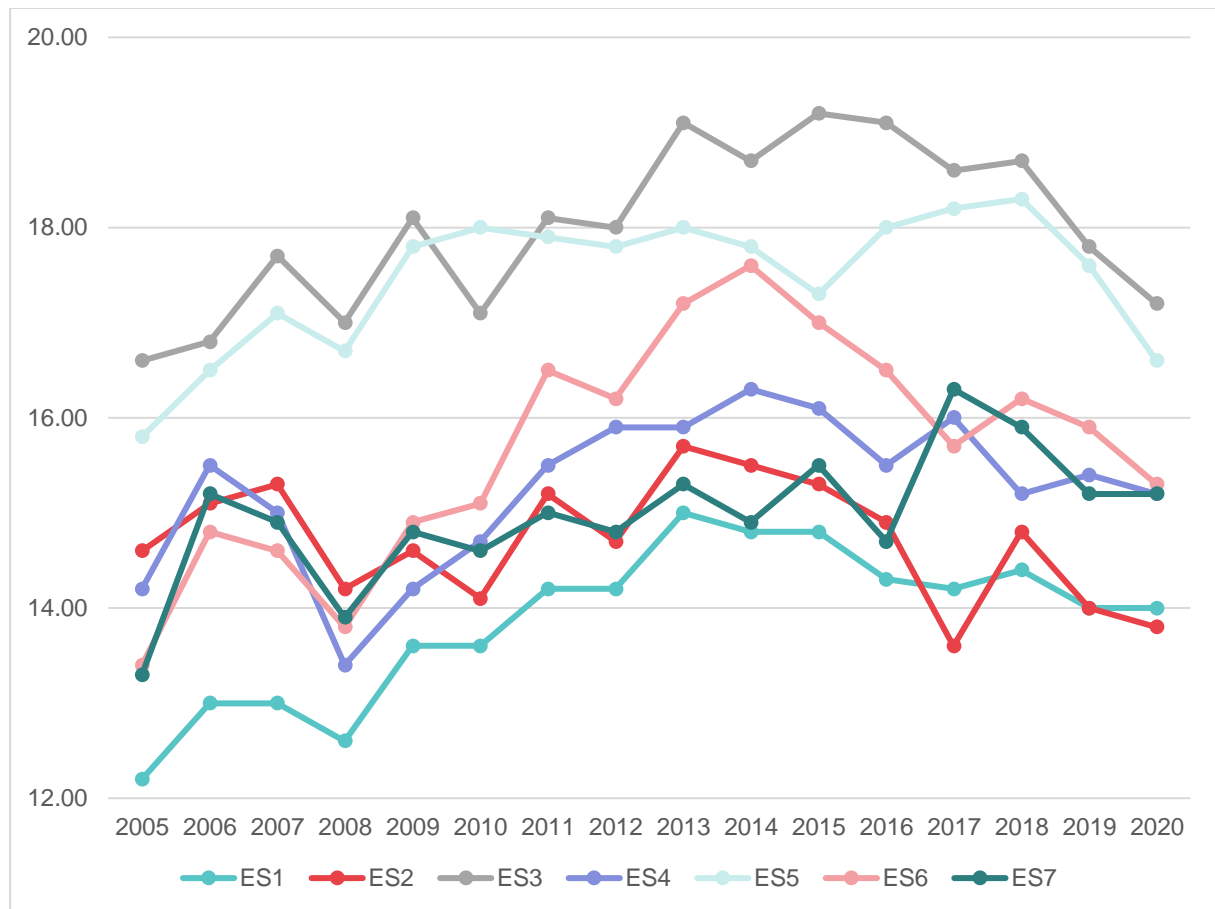


Figure ES29. Share of total housing costs in total disposable income by NUTS 1 areas. Source: own elaboration on EU-SILC database

Urbanization level also plays a crucial role in determining housing costs, as evidenced by Figure ES30. Densely populated areas consistently show the highest housing cost burden, highlighting the urban-rural divide in housing affordability. The data indicates that densely populated urban areas, where demand is high, experience the most significant affordability challenges. Intermediate areas have slightly lower housing costs, while thinly populated areas (often rural) show the lowest cost burden relative to income. This pattern underscores the concentrated nature of housing cost pressures in urban centers, where limited space, high demand, and speculative investment contribute to inflated prices. The urban-rural divide in housing costs also reflects broader socio-economic inequalities, where low-income individuals often cannot afford to live in high-cost urban centers, limiting their access to employment and social mobility opportunities.

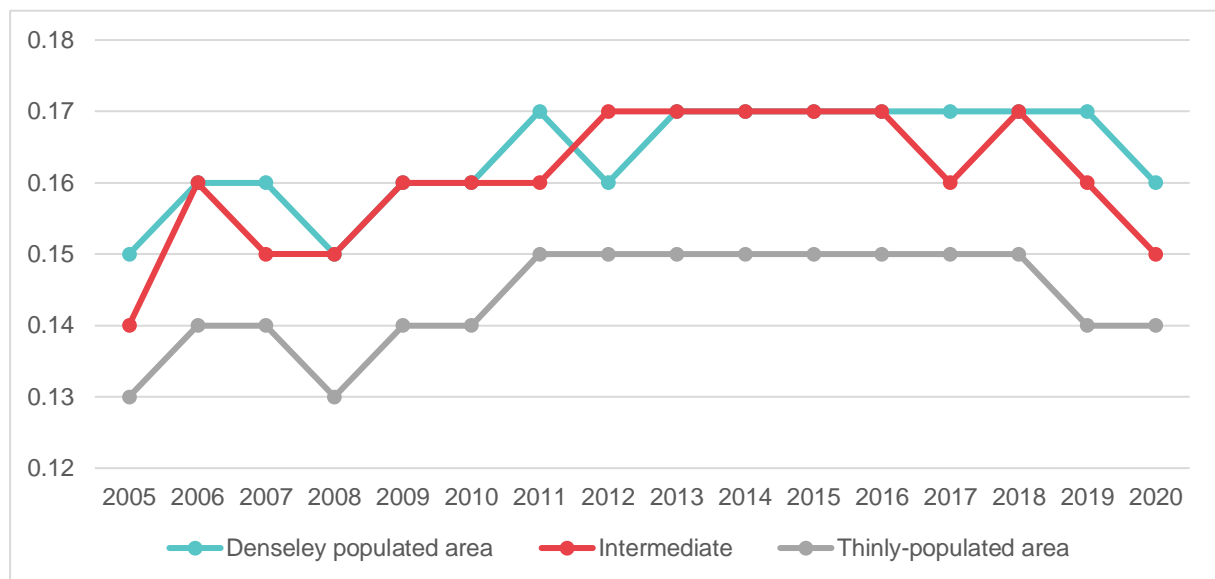


Figure ES30. Share of total housing costs in total disposable income by urbanization level. Source: own elaboration on EU-SILC database

Overcrowding remains a key indicator of housing affordability issues, as households unable to afford larger or better-quality dwellings are forced into smaller, more crowded spaces. Figure ES31 shows the average number of persons per room, revealing that households with fewer rooms experience higher occupancy rates, particularly among low-income families in urban areas. Overcrowding is a direct consequence of the high cost of housing, as economically constrained households have limited options and must maximize space within smaller apartments. This trend not only impacts living conditions but also exacerbates mental health issues, reduces privacy, and affects the overall quality of life.

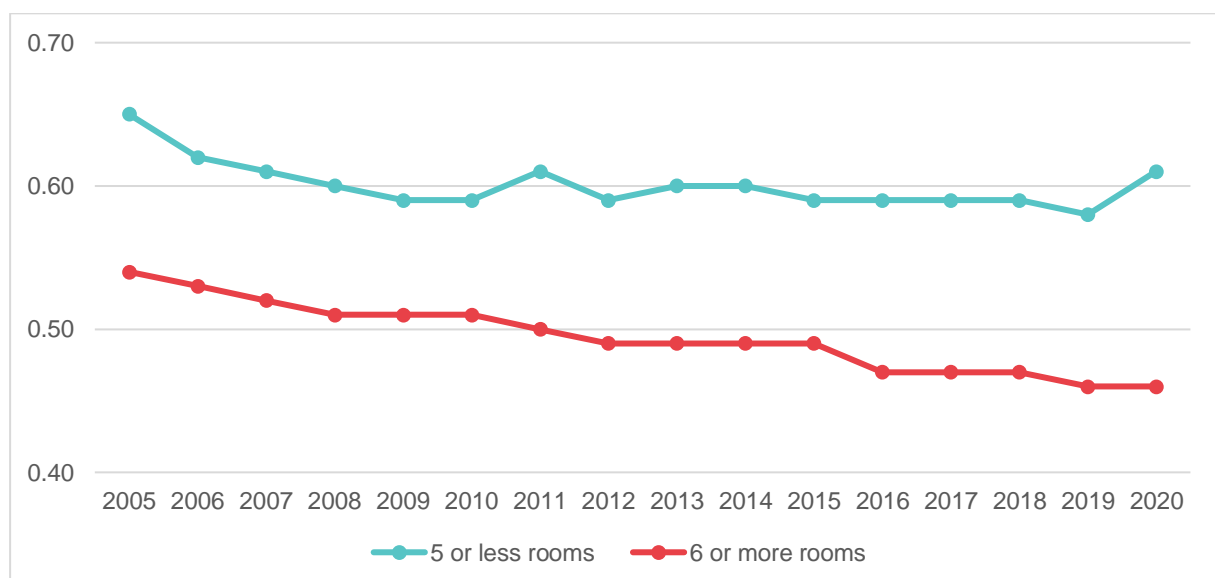


Figure ES31. Number of persons per room. Source: own elaboration on EU-SILC database*

* In the EU-SILC database, the number of rooms in a dwelling is coded up to 5 rooms, while apartments with more than 5 rooms are coded as 6 or more. Therefore, the value in the '6 and more rooms' column is only indicative (the occupancy rate indicator is calculated for 6 rooms in each case).

This figure indicates that space constraints are particularly pronounced in urban centers, where high housing costs and limited availability of affordable units force families into smaller dwellings. For lower-income households, the high cost of housing in urban areas means that overcrowding is often unavoidable. This issue highlights the need for housing policies that expand access to affordable, spacious housing, especially in urban centers where the demand is greatest.

The data also underscore the impact of economic crises on housing affordability. Figure ES01 shows that mortgage arrears spiked around 2014, reaching approximately 11-12% as a consequence of the 2008 financial crisis. This trend reflects the economic distress experienced by many households, who struggled to meet mortgage obligations during the recession. Although the arrears rate stabilized post-crisis, this period exposed the vulnerabilities of Spain's housing finance system and the precarious nature of homeownership for many households. The reliance on mortgages, combined with high property prices, leaves homeowners susceptible to financial shocks, suggesting a need for policies that support mortgage relief or payment deferrals during economic downturns.

Additionally, figure ES27 (see above) reflects that housing costs were perceived as a particularly heavy burden during the financial crisis years, a trend that only marginally improved in the following years. The COVID-19 pandemic introduced new affordability challenges, as economic instability led to income reductions and increased financial strain for many households. While mortgage arrears did not spike as dramatically as during the 2008 crisis, renters, particularly those in market-rate units, faced significant financial challenges. This recent crisis underscores the need for policies that support both homeowners and renters in times of economic distress, such as housing assistance programs, rental subsidies, or emergency relief funds.

Income and educational attainment are key determinants in housing costs, influencing not only the type of housing individuals can afford but also the quality of their living environment. Figure ES32 shows that individuals with only post-secondary education face the highest housing cost burdens as a percentage of income (approximately 20%) followed closely by those with upper and lower secondary education levels (approximately 18%-19%). This trend highlights the financial precarity faced by lower-educated groups, who often have limited earning potential and thus face higher relative housing costs. In contrast, those with tertiary education experience the lowest cost burdens (approximately 15%-16%), likely due to higher average earnings that enable them to access more affordable or higher-quality housing options.

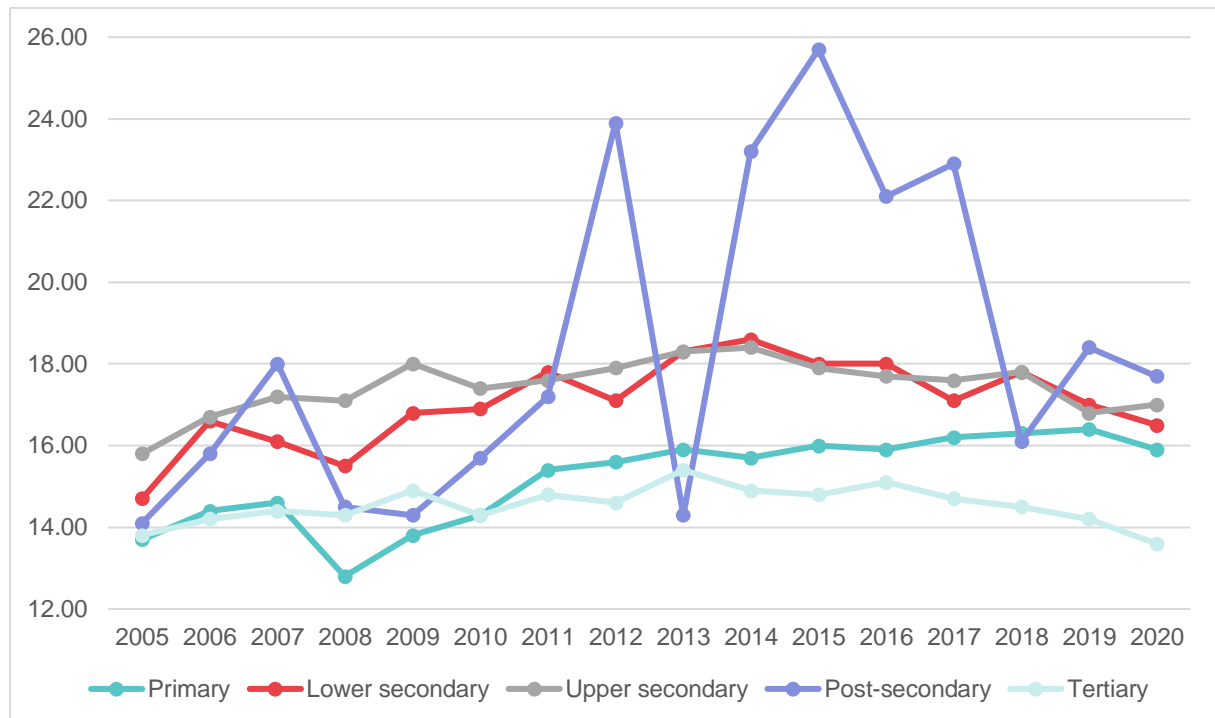


Figure ES32. Share of total housing costs in total disposable income by educational attainment level.
Source: own elaboration on EU-SILC database

The relationship between education and housing affordability underscores broader socio-economic inequalities, where individuals with fewer educational qualifications are more vulnerable to financial strain. Lower-educated individuals are more likely to work in low-wage or unstable jobs, which restricts their ability to secure quality housing. This segmentation based on educational attainment also affects access to homeownership, as lower-income groups are less likely to qualify for mortgage financing or afford the down payments required to purchase property. Consequently, low-educated individuals are often confined to the rental market, where high costs further exacerbate their financial vulnerability.

Household composition is another key factor that influences housing access and affordability. Figure ES33 (approximately 30% for single-parent households and 25%-28% for larger families), highlights the disparities in housing costs across different household types, showing that single-parent households and larger families with multiple dependent children bear the highest housing cost burdens. Single-parent households, which often rely on a single income, face unique affordability challenges as they are forced to allocate a larger share of their income to housing. For families with multiple children, the high cost of larger dwellings makes finding adequate housing particularly challenging, especially in urban areas where spacious units are limited and expensive.

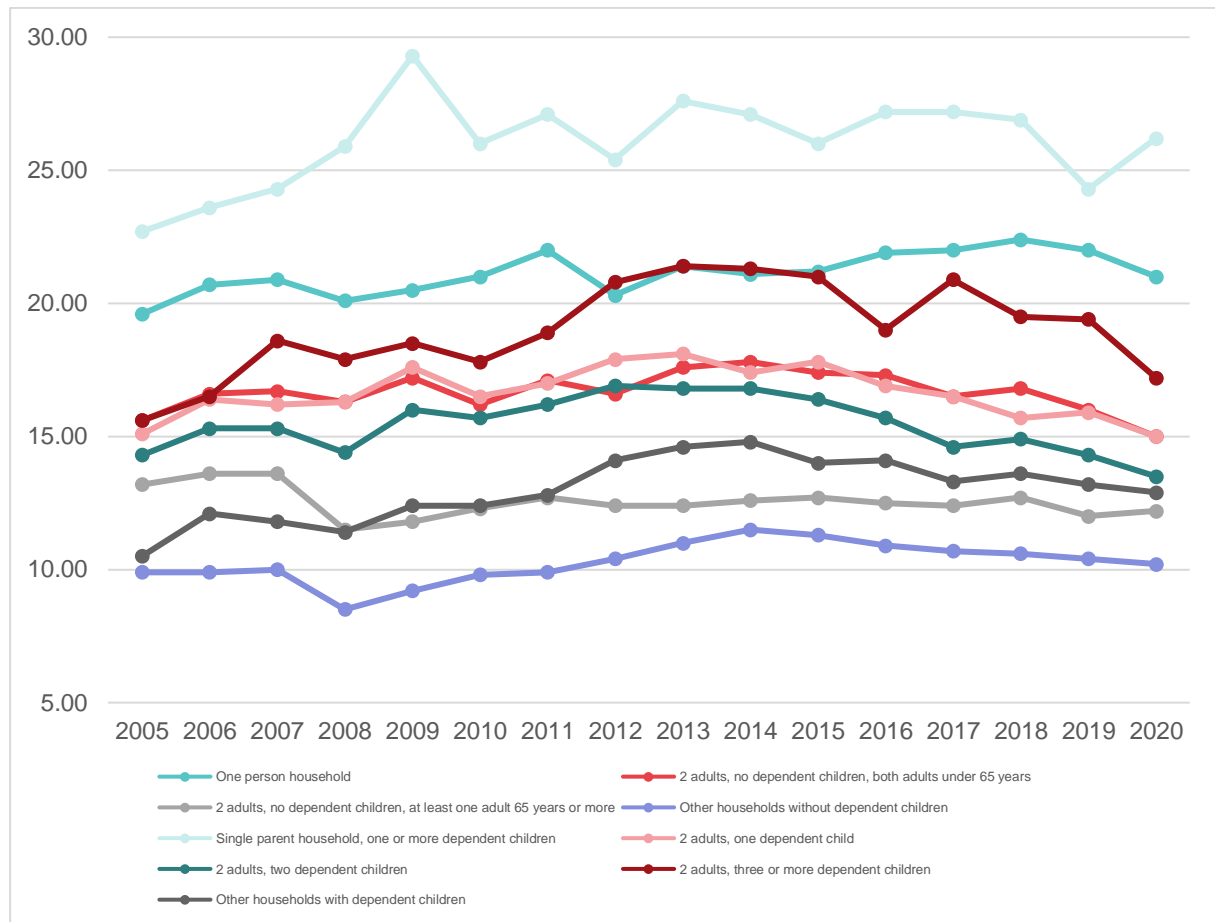


Figure ES33. Share of total housing costs in total disposable income by household type. Source: own elaboration on EU-SILC database

This segmentation based on household composition reveals structural inequalities in Spain's housing market, where family structure directly impacts financial stability and housing access. Single-parent households, for instance, are disproportionately affected by housing cost burdens, which limit their ability to afford quality housing and expose them to substandard living conditions. Large families, meanwhile, face crowding issues and may have to compromise on location or amenities to secure affordable housing. The segmentation by household composition underscores the need for housing policies that cater to diverse family structures, including subsidies for single-parent families and larger affordable housing units for multi-child families.

Figure ES30 (see above) further illustrates the segmentation based on urbanization level, showing that densely populated urban areas experience the highest housing cost burdens. The data reveal that housing costs are particularly challenging in dense urban areas, where demand outstrips supply and speculative investment inflates prices. Intermediate and thinly populated areas show relatively lower housing costs, indicating a less competitive housing market. However, rural residents may face limited housing options, as new developments are often prioritized in urban centers. This urban-rural divide highlights the need for regionally tailored housing policies that address affordability in cities while supporting infrastructure development in rural areas.

2.3 Housing segmentation

The ownership structure in Spain is segmented by region, with higher rates of homeownership in rural areas where property prices are lower, but employment opportunities are fewer. In urban centers, however, limited affordable housing stock pushes individuals toward the rental market, creating a structural divide between rural ownership and urban rental. This regional division in tenure preferences and availability of affordable housing reinforces economic and social divides, as lower-income households often face trade-offs between affordable homeownership in rural areas or costly rentals in urban centers. Figure ES29 (above) highlights this regional disparity, showing that housing cost burdens vary significantly across Spain's regions. For example, in 2020, the share of housing costs as a percentage of total disposable income was highest in ES6 (Madrid), exceeding 15%, reflecting the economic pressure in urbanized and prosperous areas. In contrast, rural regions like ES1 (Northwest Spain) consistently displayed lower housing cost burdens, averaging around 12% over the years, demonstrating the affordability but also the economic challenges associated with these areas. These variations underscore the socio-economic divide across Spain's regions, shaped by the interplay between housing markets and regional economic conditions.

The slow recovery of the construction sector post-2008 has further hindered the development of affordable housing. While there has been some progress, new constructions have not kept pace with demand, particularly in high-density urban areas. This lag contributes to price inflation as demand outstrips supply, leaving many households struggling to find affordable options. Additionally, Spain's emphasis on homeownership over rental development and overall structure of social housing in Spain (see Introduction) has led to a chronic, limited public rental housing sector, compounding affordability issues for those unable to buy property. Public housing projects have seen sporadic development, but they remain insufficient to meet demand, particularly among low-income families, immigrants, and young adults. Without substantial investment in public housing, the current structure continues to exclude large segments of the population from affordable housing access. According to analyses from the Spain's Affordable Housing Observatory reported by bank portals, the stock of affordable social housing accounted for only 2.5% of the total housing stock as of 2019 against an EU15 European average of 15% for the same year (Solventis, n.d.) This poses a significant challenge to Spain's Housing Act approved in 2023, whose target is to increase the proportion of social housing in municipalities with a strained housing market by 20% over the next 20 years.

Figures ES 34-37 below show a significant dominance of homeownership across all types of areas (thinly populated, intermediate, and densely populated), reflecting Spain's long-standing emphasis on ownership over rental housing. In thinly populated areas, ownership is notably higher, exceeding 80%, while rental housing at market rates and reduced rates is minimal. In contrast, densely populated areas exhibit slightly higher shares of rental housing, suggesting urban areas have more diversified housing options, likely due to higher housing costs and economic pressures. This segmentation reflects an urban-rural divide, where ownership is often the only affordable or viable option in rural areas, while urban areas show a more nuanced distribution driven by labor markets and population mobility.

Moreover, the persistence of market-rate rentals in densely and intermediate areas underscores growing affordability challenges, as renting remains costly and access to reduced-rate or free accommodations is minimal. The charts also point to a systemic lack of affordable rental housing, exacerbating inequality for lower-income households that cannot afford ownership. While densely populated areas have more rental housing opportunities, these tend to be concentrated among higher earners, leaving lower-income groups vulnerable to housing insecurity. Meanwhile, rural areas' high ownership rates may mask hidden inequalities, as housing quality or maintenance may be poorer compared to urban areas. Overall, the data indicates that housing inequality in Spain is shaped by both geographic segmentation and tenure type, with urban areas facing cost-driven disparities and rural areas experiencing limited rental alternatives.



Figure ES34. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Country Level). Source: own elaboration on EU-SILC database

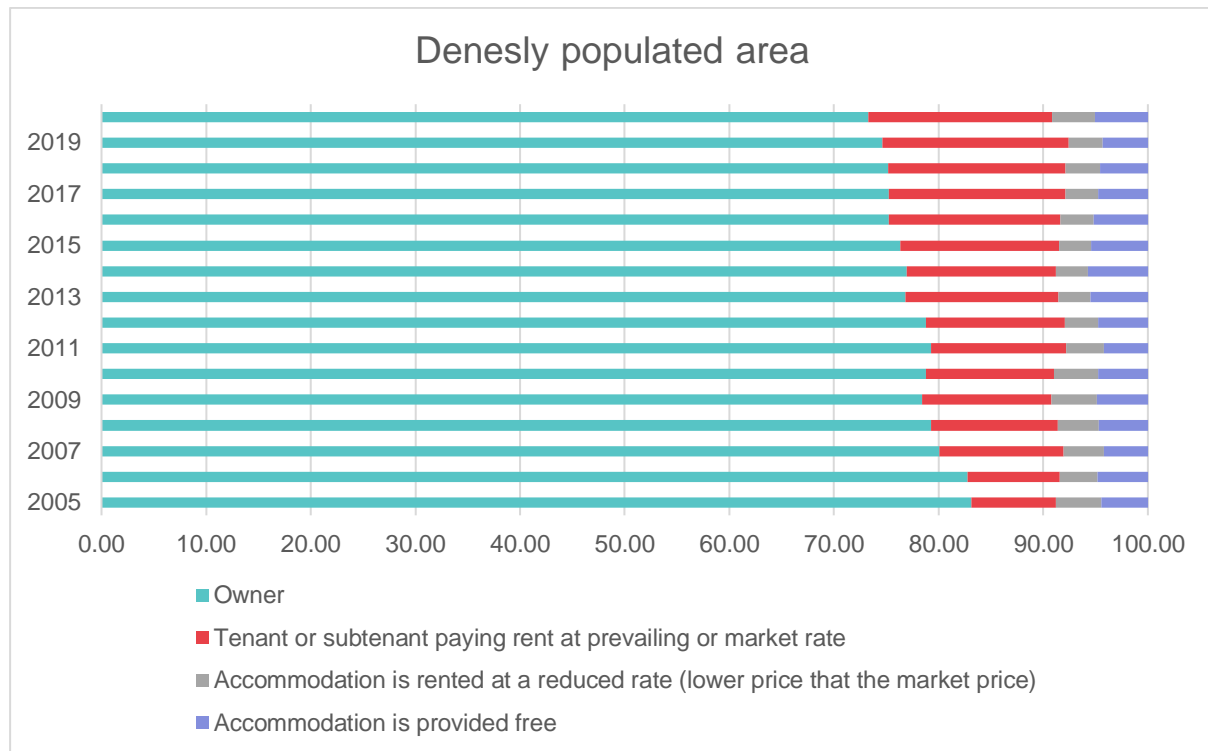


Figure ES35. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Densely Populated Areas). Source: own elaboration on EU-SILC database



Figure ES36. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Intermediate Areas). Source: own elaboration on EU-SILC data

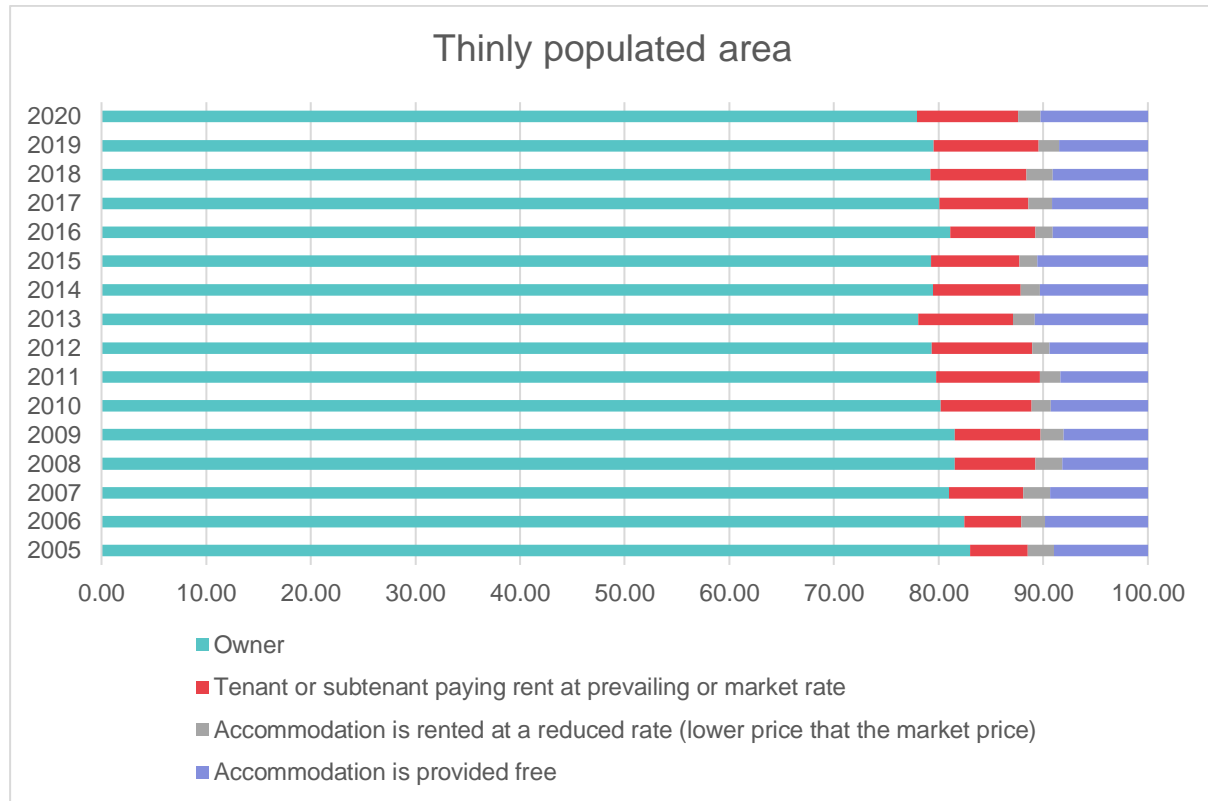


Figure ES37. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Thinly Populated Areas). Source: own elaboration on EU-SILC data

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NATIONAL REPORT ON HOUSING INEQUALITIES – SWITZERLAND

Executive Summary

This report presents an overview of trends in housing inequalities in Switzerland. To contextualise the results, we also provide a brief tour of the most important indicators regarding demography, economy, environment and the housing stock in Switzerland.

Overall, it can be said that Switzerland presents a relatively stable environment, marked by modest yet steady economic growth, consistently low inflation rates (even in the most recent years, in which many European countries faced soaring prices), and a robust labour market with low unemployment levels. This economic stability has fostered high average wages. However, this stability does not extend equally across all groups of the population. Notably, 16% of Swiss residents live on less than 60% of the national median disposable income. The fact that income inequality is growing, and that Switzerland has one of the highest inequalities in terms of wealth worldwide (Föllmi & Martínez, 2017), are also important elements of the backdrop against which housing inequalities can be better understood.

Demographically, Switzerland's population continues to grow, driven primarily by immigration. Despite a growing building stock, the population growth contributes to tensions on the housing market, especially in urban areas. The country's growing demand for housing is one of the drivers that has led to an increase in land use despite ongoing efforts to promote densification. Buildable land, which is relatively scarce due to Switzerland's topography anyway, is thus getting even more scarce.

Greenhouse gas emissions per capita are on a decline, and the buildings sector is actually one of the sectors where the reduction of greenhouse gas is among the largest: 43% between 1990 and 2023 (IEA et al., 2024). Still, residential buildings remain an important source for the future reduction of greenhouse gas emissions, since more than half of them continue to be heated by fossil fuels. At the level of households, two-thirds of total energy consumption is used for heating purposes. Rising energy prices (for oil and gas in particular) create a financial strain on households, especially those already burdened by high housing costs.

Switzerland's housing market presents unique characteristics within an international context, with one of the lowest ownership rates, a trend that, although it rose briefly, slightly decreased again in recent years. Housing also displays a spatially varied tenure structure; densely populated urban areas have higher numbers of tenants and multi-unit buildings, while rural areas are characterised by higher ownership rates and more detached houses.

Concerning housing inequalities, affordability remains a key issue in Switzerland, with 25% of households perceiving their housing costs as a significant financial burden. The ratio of housing cost to disposable income varies indeed between different groups: tenants and vulnerable groups – including the unemployed, students, disabled individuals, and inactive persons – face higher housing cost shares relative to their disposable incomes. The share of housing costs is higher in densely populated areas than in thinly populated areas. Moreover,

while the average living area per capita is increasing, approximately 5% of the population lives in overcrowded households (i.e. the number of rooms is not considered adequate for the number of people in the household). This share varies considerably with the degree of urbanisation. It is twice as high in densely populated areas than in thinly populated areas.

Switzerland presents a relatively stable environment, marked by modest yet steady economic growth, consistently low inflation rates (even in the most recent years, in which many European countries faced soaring prices), and a robust labour market with low unemployment levels. This economic stability has fostered high average wages. However, this stability does not extend equally across all groups of the population. Notably, 16% of Swiss residents are at risk of poverty, i.e. they live on less than 60% of the national median disposable income.

Despite a growing building stock, the population growth (primarily driven by immigration) contributes to tensions on the housing market, especially in urban areas. The country's growing demand for housing is one of the drivers that has led to an increase in land use despite ongoing efforts to promote densification. Concerning housing inequalities, affordability remains a key issue in Switzerland, with 25% of households perceiving their housing costs as a significant financial burden. The ratio of housing cost to disposable income varies indeed between different groups: tenants and vulnerable groups – including the unemployed, students, disabled individuals, and inactive persons – face higher housing cost shares relative to their disposable incomes.

Introduction

The project "Reducing Housing Inequalities in the Green and Digital Transition" (ReHousIn) seeks to understand the impact of recent crises on housing inequalities across Europe, with a focus on how green transition initiatives affect these disparities. It aims to explore the mechanisms driving the (re)production of housing inequalities in different national contexts and varying degrees of urbanization. ReHousIn examines how the green transition may exacerbate existing inequalities and investigates pathways for fostering inclusive local housing initiatives.

This report is part of the ReHousIn project and provides an overview of trends in housing inequalities in Switzerland. It is primarily based on data from the EU-SILC survey which, for Switzerland, covers the period between 2007 and 2020. To contextualise these results, we also present trends regarding demography, economy, environment, energy use and the housing stock which we draw from official statistics. Whenever possible, we look at data from 1990 until today. The aim of this report is to thus provide the backdrop against which changes in environmental and energy policies as well as housing policies can be better understood.

Before turning to demographic and socio-economic trends and developments in housing inequality, it is worth taking a brief look at the political situation in Switzerland. Switzerland is a small country of 8.9 million people, landlocked in Europe. Despite its central geographic position, Switzerland is not a member of the European Union (EU). However, it participates in a range of other supranational organizations, including the European Free Trade Association (EFTA), the Schengen Area, and the United Nations. Switzerland has bilateral treaties with the EU in the areas of the free movement of persons, land transport, air transport, technical

barriers to trade, public procurement, research, and agriculture. Through these memberships and treaties, Switzerland maintains strong economic and political ties with its European neighbours.

The Swiss political system is characterized by its federal structure, composed of 26 cantons, each of which enjoys a significant degree of autonomy. These cantons are further divided into 2,131 municipalities (as of October 2024), each responsible for local governance. The subsidiarity principle in Swiss politics ensures that decisions are made at the lowest possible level of government, with higher levels intervening only when necessary.

At the national level, Switzerland's government is governed by a Federal Council, composed of seven equal federal councillors. These councillors are elected by the Swiss Federal Assembly and represent the country's most significant political parties. Switzerland does not have a single head of state or head of government; instead, the collective Federal Council jointly performs these functions. The president, elected from among the seven councillors on a rotating basis each year, carries out mostly ceremonial and representational duties. This unique system of collective governance ensures that no single individual holds excessive power.

A key feature of Swiss governance is its tradition of direct democracy, which plays a central role in shaping the country's political and social landscape. Swiss citizens regularly participate in referenda and popular initiatives, which allow them to directly influence legislation and policy. This system provides an additional layer of checks and balances, requiring broad public support for significant political changes.

Switzerland's political system is often described as a "consensus democracy" (Qvortrup, 2005). In practice, this means that the government seeks to prevent referenda by fostering consultation and dialogue among political entities and stakeholder of civil society at all levels. This approach promotes compromise and cooperation within the political system, allowing for the integration of diverse viewpoints.

The stability of Switzerland's political system is often attributed to the mechanisms of direct democracy, which encourage incremental rather than abrupt change. As a result, political and economic shifts tend to happen slowly, ensuring a stable environment for governance and economic growth. The slowness is typically reflected in many of the socio-economic and demographic trends examined in this report.

This political context provides a backdrop to understanding the country's demographic and socio-economic trends, but also the persistence and exacerbation of (housing) inequalities. The remainder of this report is structured into two main parts, one covering the socio-economic and housing conditions in Switzerland (Section 1), and the other focussing on major national trends in housing inequality (Section 2). We end by synthesising and discussing these trends and drawing conclusions in view of the overarching objective of the ReHousIn project – to analyse the possible effects of green transition initiatives on housing inequalities.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

This section aims to provide the context for understanding the development of housing inequalities in section 2, but also for future work in the ReHousIn project. It therefore briefly presents statistics on Switzerland's economic, demographic, and environmental situation (Section 1.1) as well as key figures describing the Swiss housing sector (Section 1.2). The report mainly shows the average situation at national level. However, average figures naturally conceal regional and socio-economic differences. These are mentioned in some cases, but cannot be discussed in detail.

Whenever possible, we look at data that cover the period from the turn of the century until today. When needed, the period was adapted as some statistics are not available for the most recent years, or only start after 2000.

1.1 Demography, Economy, Environment and Society

In this section, we present the most important macroeconomic, socio-economic, demographic, and environmental trends in Switzerland. We use key indicators to help understanding Switzerland as it presents itself today, focussing in particular on indicators related to housing.

1.1.1 Macroeconomic Trends at the National Levels

To better understand Switzerland's situation regarding housing and inequality, we first consider its gross domestic product (GDP). During the last roughly twenty years (2005-2023), the Swiss economy has grown, with an average rate of 1.96% per year. However, there have been two periods of recession which can be linked to global causes. In 2009, the economy contracted following the global financial crisis, and in 2020 due to the Covid-19 pandemic (Figure CH1). This is also visible in the GDP per capita which has been growing over the last decades, except for 2009 and 2020 when a decrease was recorded (Figure CH2). GDP per capita stood at 90,000 CHF in 2023.

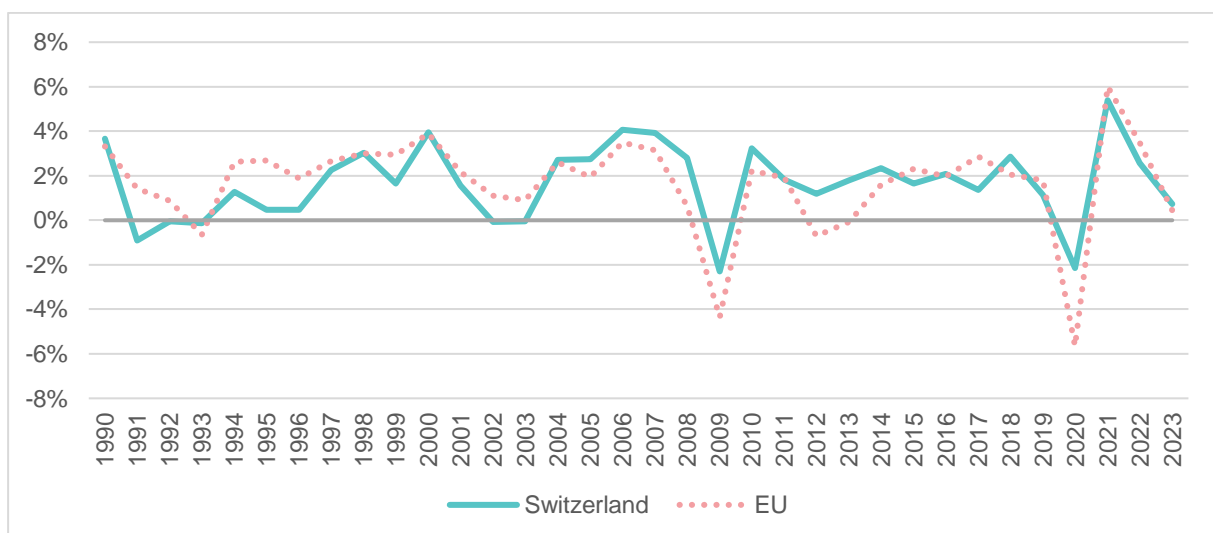


Figure CH1: Annual GDP growth in Switzerland and EU, in %. Source: World Bank.

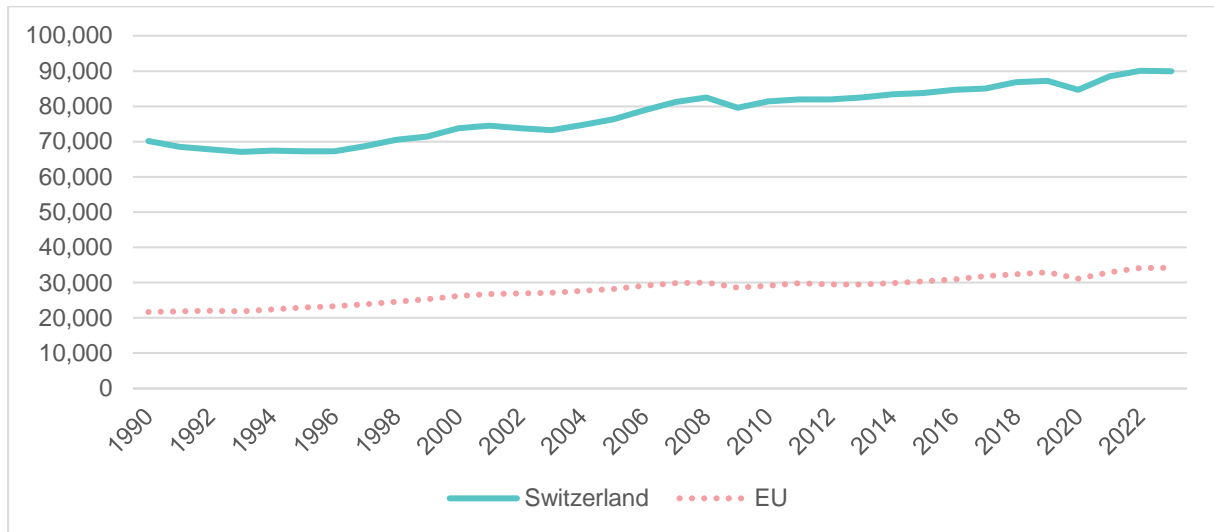


Figure CH2: GDP per capita for Switzerland and EU, (constant 2015 US\$). Source: World Bank.

In the same period, consumer prices rose overall. However, there was an extended period of deflation (negative inflation rate) between 2012 and 2016 (Figure CH3). Consumer prices also fell in 2009, due to the global financial crisis and decreasing oil prices, and in 2020 in the course of the Covid-19 pandemic. From 2022, inflation rose sharply, which can largely be attributed to the rise in energy prices in relation to the Russian invasion in Ukraine which started in February 2022 (see also Section 1.1.3 for the increase in energy prices). However, inflation did not affect Swiss households as hard as in other countries, with relatively moderate inflation rates of 2.8% (2022) and 2.1% (2023), as compared to 8.8% and 6.3% in the EU.

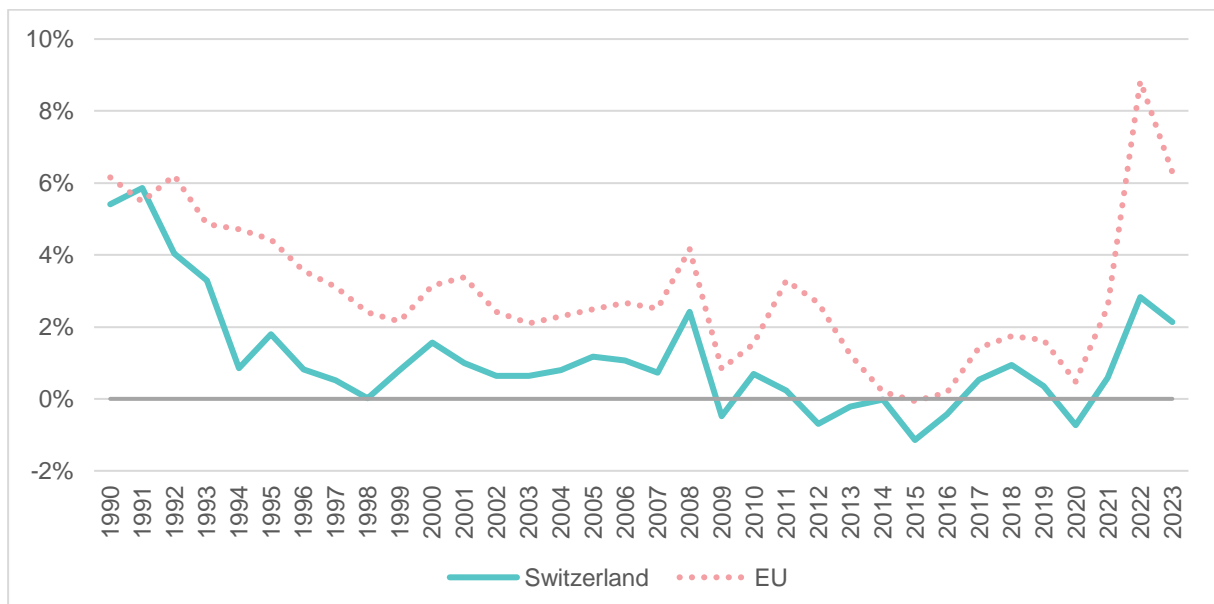


Figure CH3: Inflation in Switzerland and EU, consumer prices. Source: World Bank.

Another macroeconomic indicator that is relevant in the context of housing, is the short-term interest rate. Short-term rates affect mortgage rates and are thus a factor that makes building and owning real estate more or less attractive. Looking at short-term interest rates in Switzerland, we see that following the global financial crisis and in parallel to the international tendency of falling interest rates, interest rates fell to close to zero in 2009. At the end of 2014, the Swiss National Bank introduced negative interest rates in a further attempt to stimulate economic growth. Short-term interests were below zero for an extended period (2015-2022; Figure CH4). In such a situation, real estate tends to become an even more attractive investment option than it already was. The financing of construction is cheaper, and interest rates of mortgages were very low, benefitting homeowners. Only in September 2022 did the Swiss National Bank raise its interest rate above zero again.

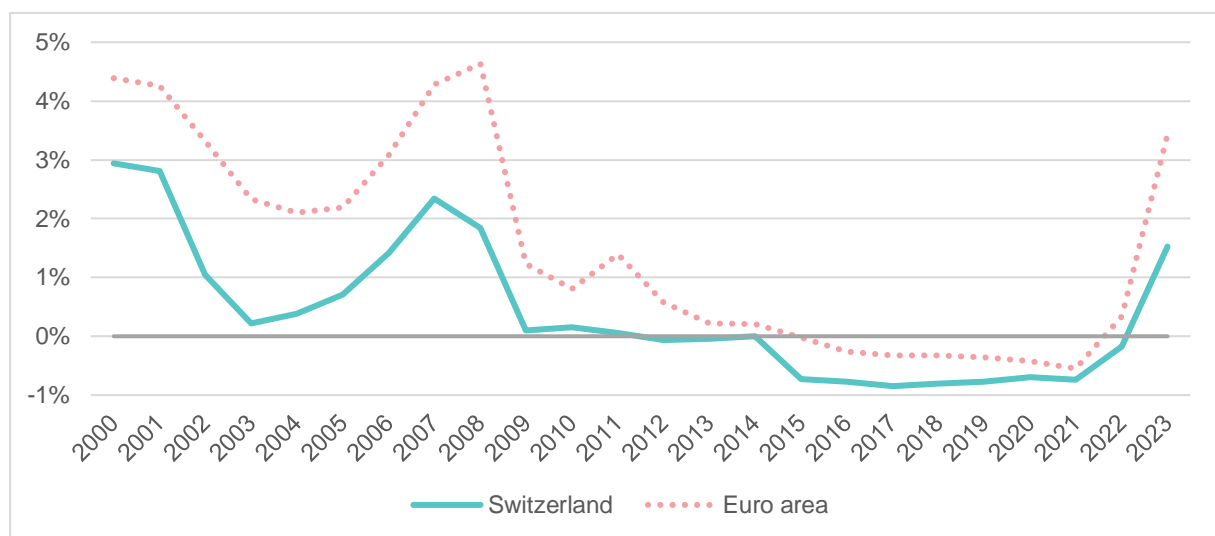


Figure CH4: Short-term interest rates (% , per annum) in Switzerland and in the Euro area. Source: OECD.

Turning to the public sector and its development over the last two decades, we focus on public sector debt (Figure CH5). During the period under review, public sector debt has fallen from 52.6% of GDP to roughly 40% of GDP where it has stabilized since 2010. This, in international comparison, moderate debt level – at the level of the federal government – is linked to the Swiss debt brake. The debt brake mechanism mandates that government expenditures are capped at the expected revenue. Since the revenue is unknown at the time of budgeting, the expected revenue is estimated based on the previous years, using a factor correcting for business cycle fluctuations (Mosler & Schaltegger, 2024). This federal rule was added to the Swiss constitution following a vote in 2001 and has been in force since 2003.

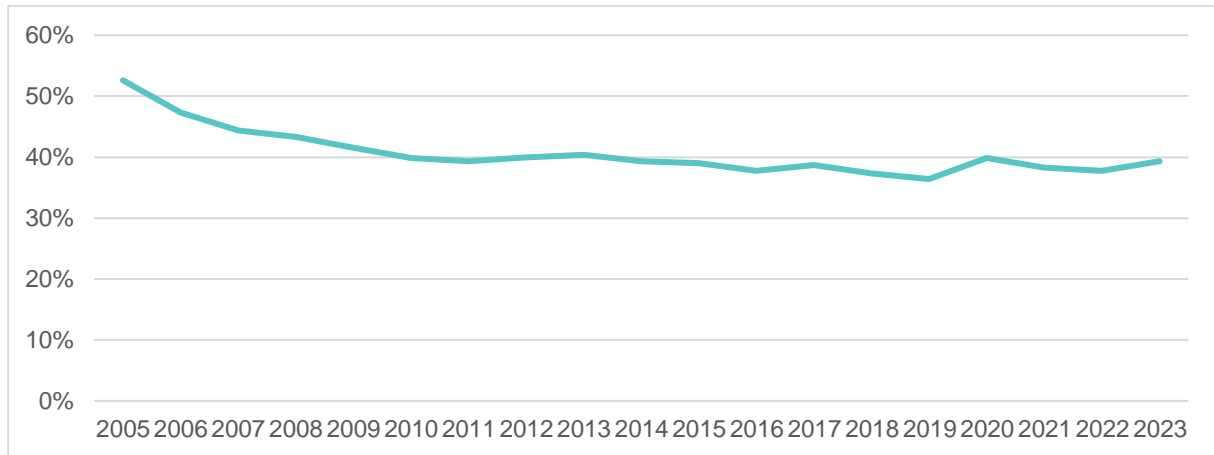


Figure CH5: Switzerland's public sector debt (Q4) in percentage of GDP. Source: OECD.

Overall, the macroeconomic development in Switzerland shows a relatively stable economic situation. Recessions have been more shallow and incomes less affected by economic downturns compared to other OECD countries (OECD, 2024, p. 13). In view of this report's focus on housing, it is particularly noteworthy that due to the Swiss economy's attractiveness as a 'safe haven' for foreign investment, there was considerable appreciation pressure on the Swiss Franc. In response, the Swiss National Bank introduced negative interest rates in 2014 which, with regard to housing, benefitted incumbent homeowners as they profited from lower mortgage rates, made buying a more attractive option, and triggered investments in construction (see also newly built dwellings, Section 1.2.1).

1.1.2 Socio-economic and Demographic Trends

Switzerland has seen a relatively steady population growth in the last three decades (1990-2022; Figure CH6). Starting from close to 7 million inhabitants in 1990, Switzerland now has a population of roughly 8.9 million (as of December 2023; Bundesamt für Statistik, 2024j). As in most industrialised countries, the Swiss population is ageing. The share of people who are aged 65 or older has increased from 15% in 1990 to 19% in 2022 (OECD, 2023).

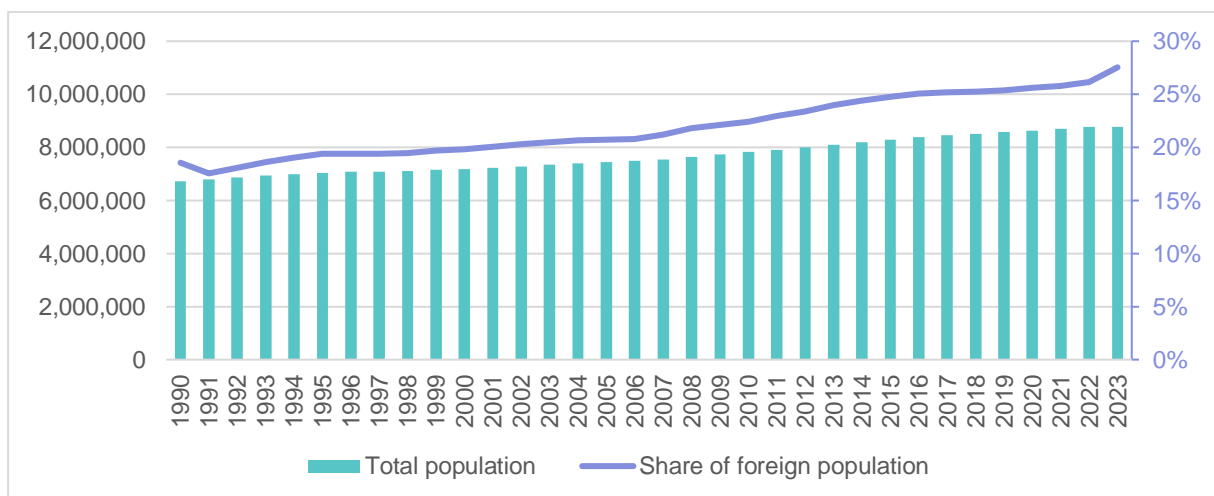


Figure CH6: Swiss population and share of foreigners, 1990-2022. Source: Bundesamt für Statistik.

The stable political and economic situation of Switzerland, and plenty of employment opportunities in all domains makes it an attractive country for immigration. The inflow of foreign population is larger than their outflow, and the share of people living in the country without Swiss nationality is constantly rising, reaching 27% in 2023 (Figure CH6). Switzerland has a long history of immigration (and also emigration), and influx from neighbouring countries has long been an important factor (Piguet, 2013). Immigration from the EU was boosted following the bilateral agreement on the free movement of persons, signed in 1999 by Switzerland and the EU. The heated discussions in the public discourse on asylum seekers from other continents notwithstanding, the majority of the current foreign population residing in Switzerland has an EU nationality (63% in 2023; Bundesamt für Statistik, 2024i).

The economic situation of people working in the Swiss labour market is, on average, quite favourable. Annual average wages have overall increased in the period from 1990 to 2022 (Figure CH7). In an international comparison, Switzerland not only has very high wages, but also a relatively moderate unemployment rate, ranging between 4.2% and 5.2% of the labour force in the last decade, compared to a range of 6% to 12% in the EU (Figure CH7). Nonetheless, poverty also exists in wealthy Switzerland. Over the last few years, the share of people at risk of poverty stood at around 16%, meaning this share of the population lives on an equivalised disposable income that is less than 60% of the national median (Figure CH7).

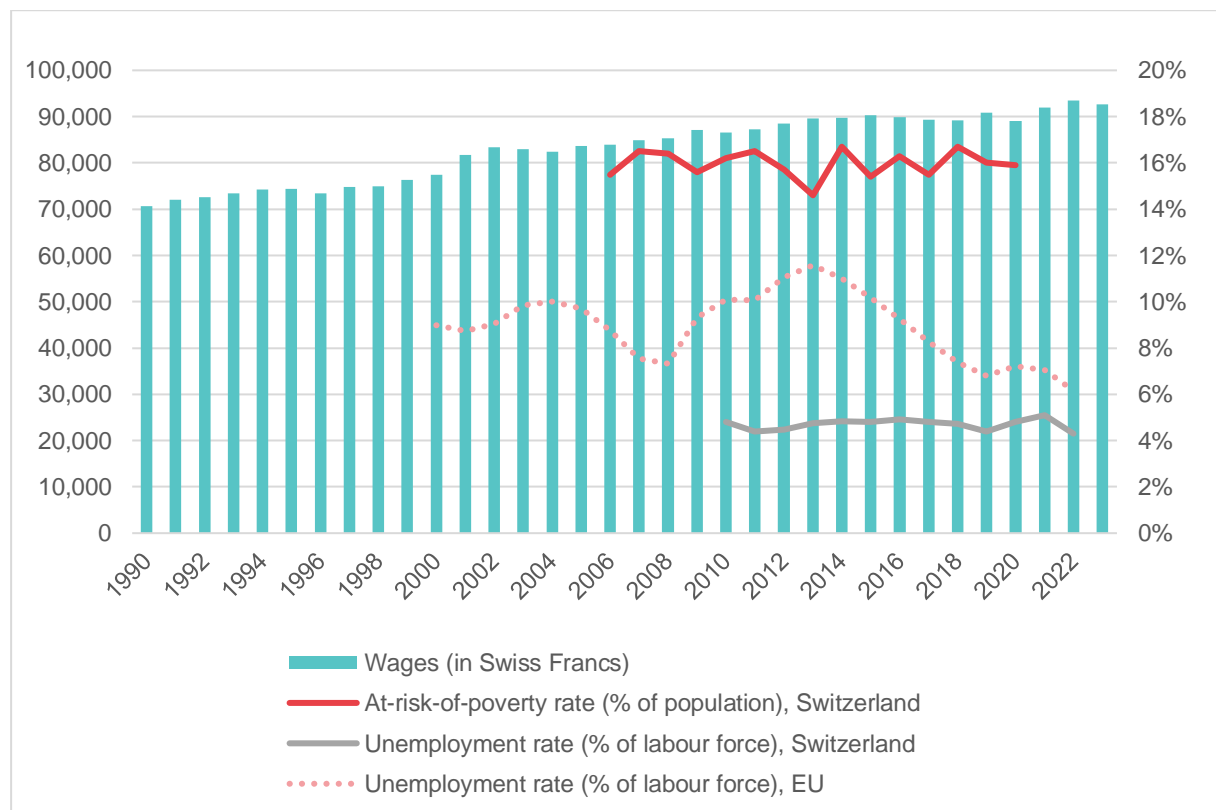


Figure CH7: Average annual wages (in Swiss Francs, constant prices of 2022); at-risk-of-poverty rate, i.e. share of people with an equivalised disposable income below 60% of the national median; unemployment rate in Switzerland and EU, % of labour force. Source: OECD.

The high wages in Switzerland are relativised by a high price level and high cost of living. Swiss households on average spend 20% of their disposable income¹⁹ on housing and energy (in 2021; Bundesamt für Statistik, 2023). Costs for energy (heating, electricity, gas) account for 8% of this, or 2% of total disposable income. Housing and energy is the largest type of expense. For reference, food and non-alcoholic beverages take 10% of disposable income on average, as does transportation.

Compared to the other countries in the ReHousIn project, Switzerland has a mid-range income inequality of disposable incomes (i.e. after tax and social transfers). The Gini coefficient has slightly increased in the last couple of years, however (Figure CH8). It is furthermore well established that Switzerland has one of the highest concentrations of wealth, with the richest 1% of the population owning 40% of total wealth (Foellmi & Martinez, 2017). Contributing to this inequality is the decentralised Swiss tax system, with tax rates differing between cantons. The considerable tax competition between cantons and the willingness of certain households to relocate in order to avoid high taxes leads to a situation where the income tax system for households with very high incomes and without children is effectively regressive (Roller & Schmidheiny, 2016). Furthermore, tax privileges for wealthy foreigners attract large numbers of super-rich individuals and families (Baselgia & Martinez, 2022).

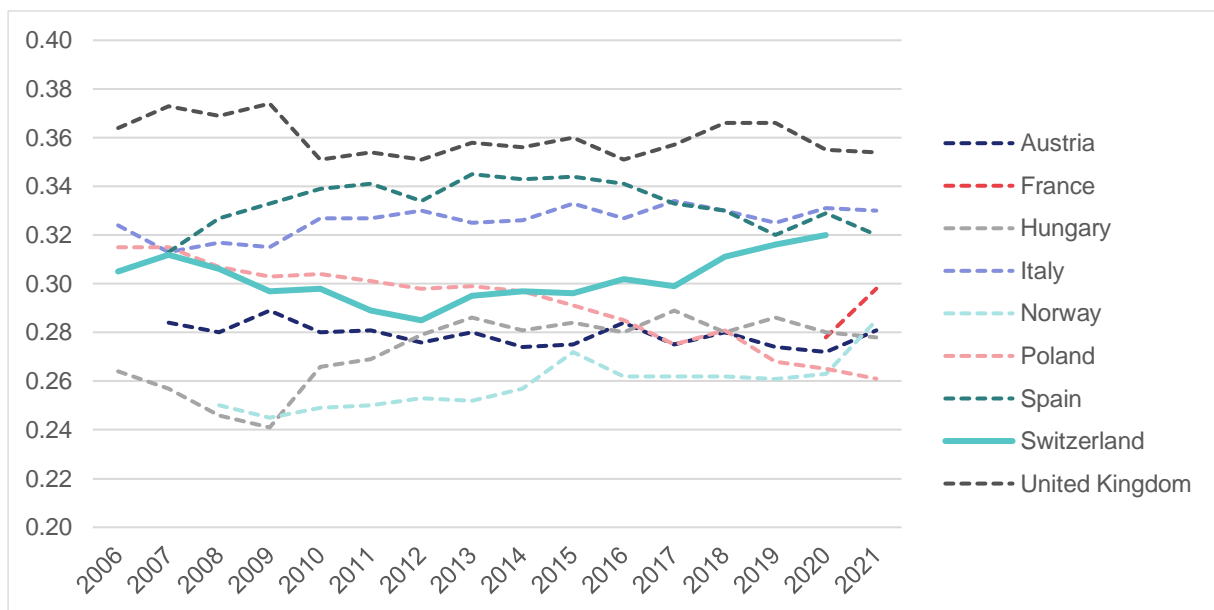


Figure CH8: Income inequality, measured by the Gini coefficient, based on disposable incomes.

Source: OECD.

¹⁹ Gross income minus social security contributions, taxes and health insurance

1.1.3 Environmental and Energy Trends

Given the overall objective of the ReHousIn project – to analyse the possible effects of green transition initiatives on housing inequalities – it is worth touching on some of the figures that indicate the development of greenhouse gas emissions, energy and land use, as a substantial part of these can be attributed to housing.

In Switzerland, the emission of greenhouse gases per capita has decreased in the period from 1990 to 2022 (Figure CH9/Figure CH1). This is not only due to population growth (see Section 1.1.2) which would reduce per capita emissions even at constant total emissions: Switzerland's total greenhouse gas emissions have decreased by 21% from 1990 to 2023. These reductions are owed to Switzerland's commitments under UN Framework Convention on Climate Change, the Kyoto Protocol and the Paris Agreement, which have led to measures such as the CO₂ levy, the emission trading system, the Buildings Programme, and other policies (see also Report on Environmental and Energy Policies in Work Package 3 of the ReHousIn project).

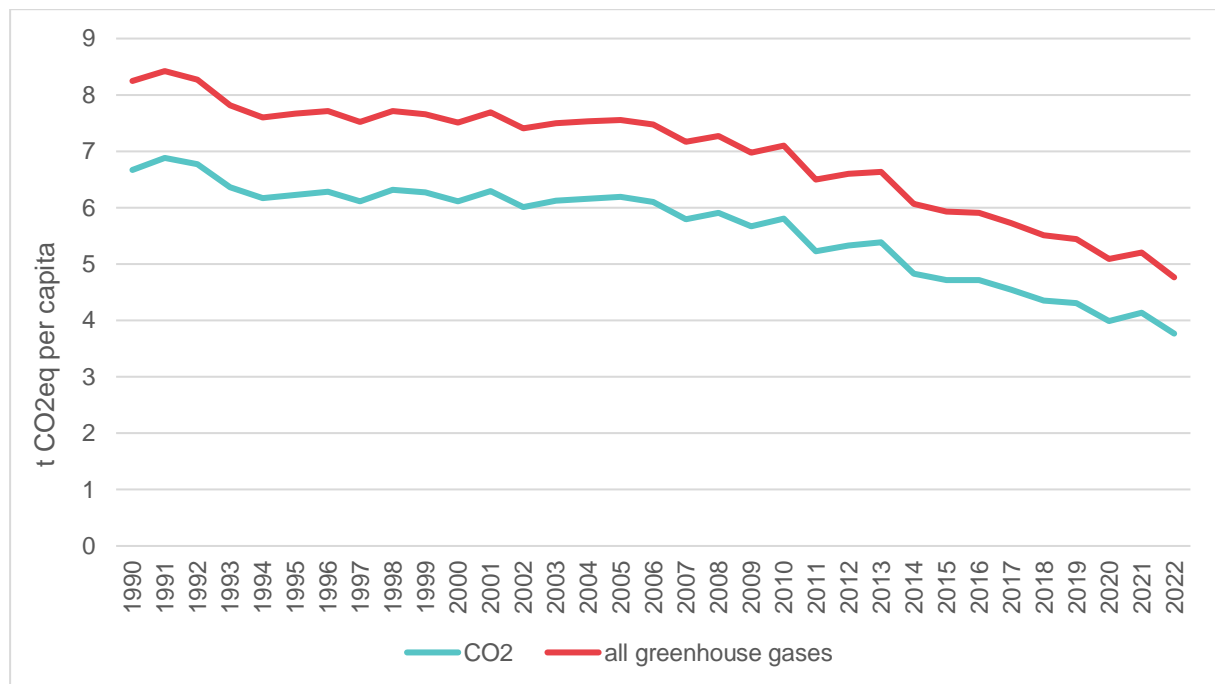


Figure CH9: Greenhouse gas emissions per capita, Switzerland. Source: Bundesamt für Umwelt BAFU.

The reduction in greenhouse gas emissions was not uniform across the sectors. In the transport sector, for example, emissions have only stabilised. However, in the buildings sector, i.e. considering greenhouse gas emitting heating systems, emissions have been reduced by 43% between 1990 and 2023 (IEA et al., 2024). Breaking down the final energy consumption of households, we see that the use of heating oil is actually decreasing (Figure CH10).

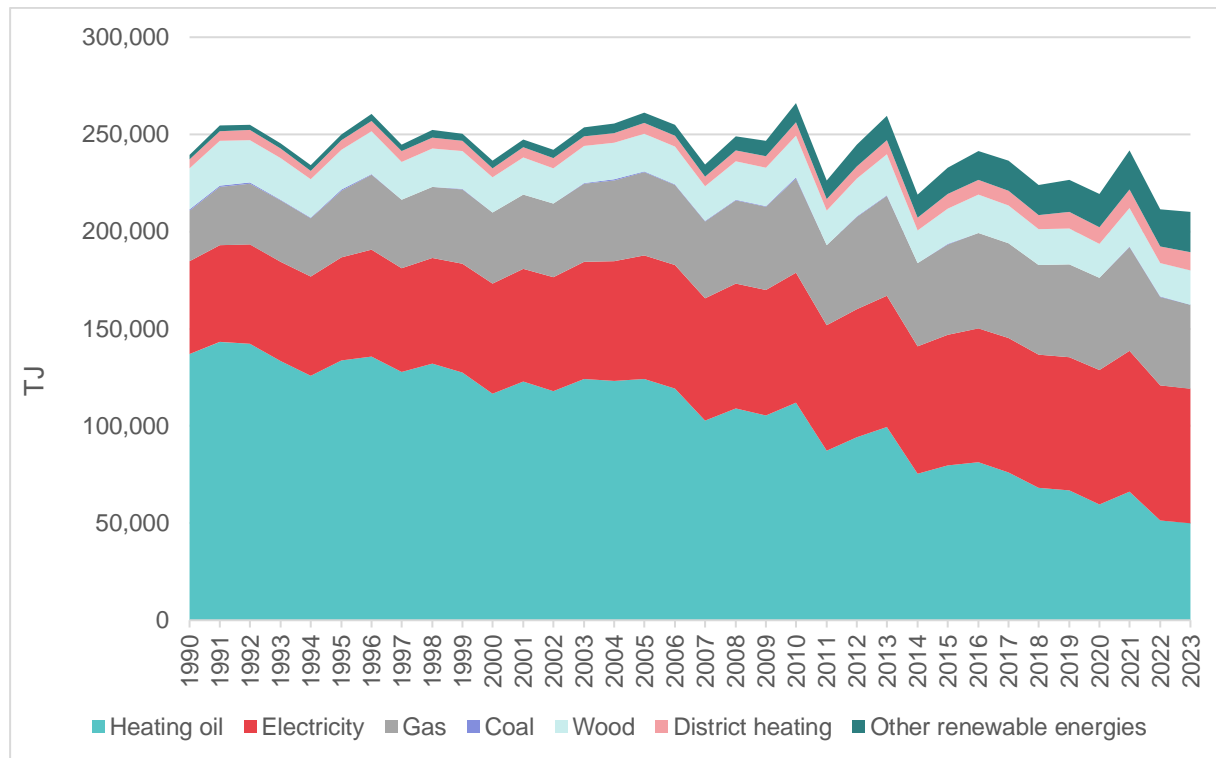


Figure CH10: Final energy consumption in households according to type of energy, in TJ. Source: Bundesamt für Energie BFE, Schweizerische Gesamtenergiestatistik 2023.

Notwithstanding, the heating of buildings (with oil or other energy sources) is still a substantial part of household's energy consumption, estimated to account for 65% of households' total energy consumption (Kemmler & Spillmann, 2021; Figure CH11). In 2023, still 54.4% of Swiss residential buildings used fossil fuels for heating (Bundesamt für Statistik, 2024b). The soaring energy prices due to the Ukraine war which particularly concerns heating oil and gas are therefore felt in many households' budgets. Oil prices were 93% higher in 2022 than in 2020, and gas prices 50% higher (Figure CH12). In 2023, the prices remained elevated, up by 57% and 72% respectively.

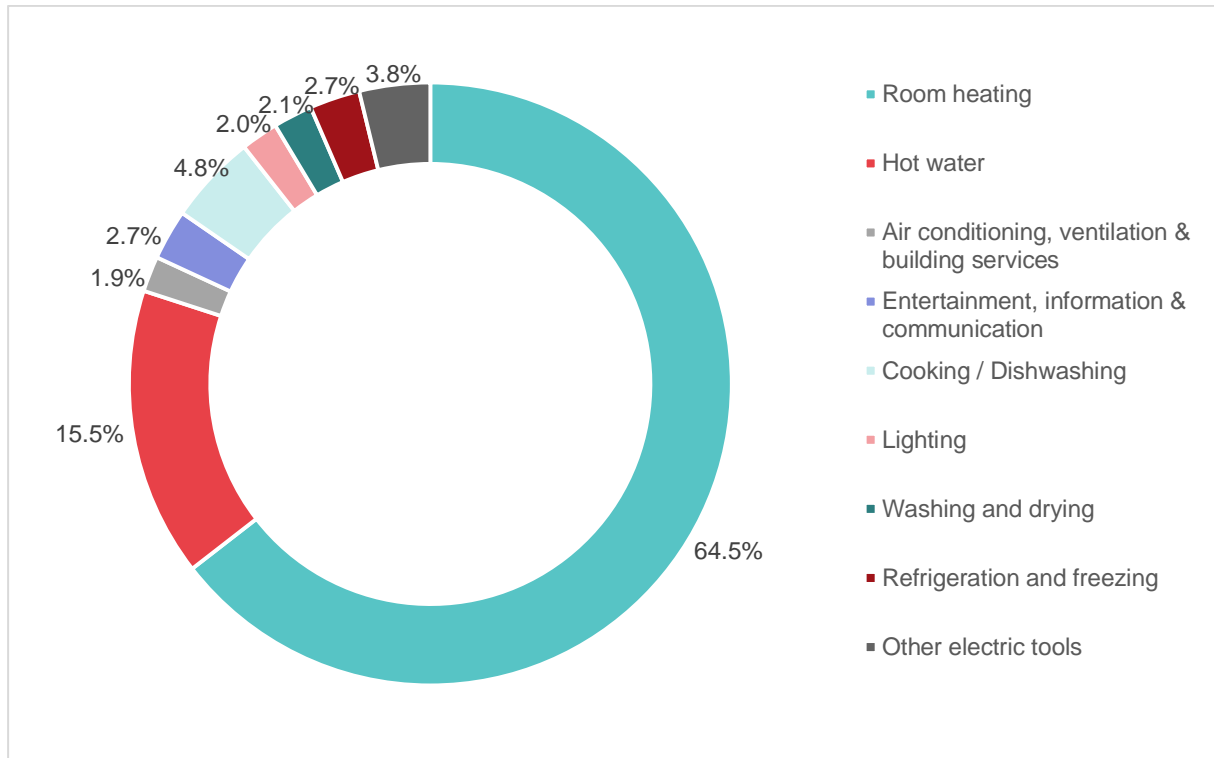


Figure CH11: Disaggregated final energy consumption in households, in 2020. Source: Prognos, Kemmler & Spillmann (2021).

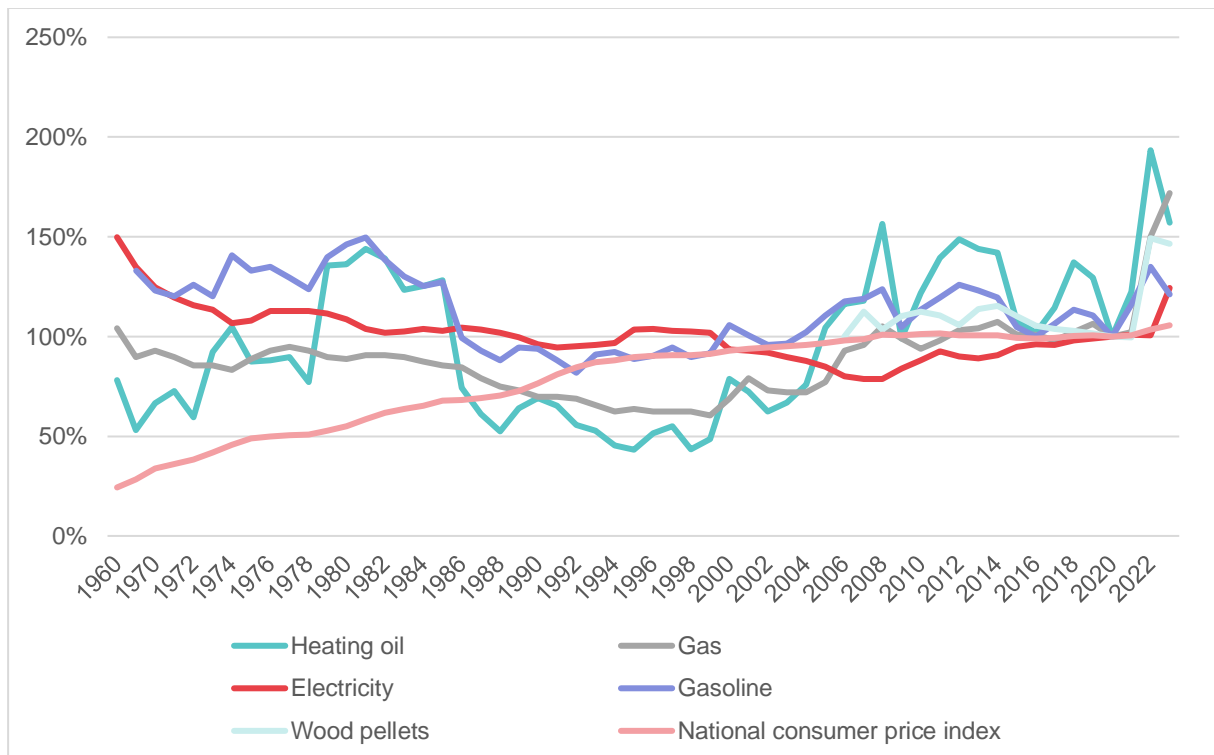


Figure CH12: Energy prices for consumers, real prices, indexed (2020=100). Source: Bundesamt für Energie BFE, Schweizerische Gesamtenergiestatistik 2023.

Energy is not the only resource whose development is relevant to the research questions of the ReHousIn project. Land is another limited resource, and land use particularly relevant when looking at housing and its environmental impact. We will not discuss this in detail here, but only look at one key indicator: between 1985 and 2018, the settlement area (spaces and places related to housing, transportation, industry, recreation, etc.) has increased by 31% (Figure CH13). The largest expansion was recorded in areas used for residential purposes. It grew by 61%, and outpaced population growth in the same period (Biedermann et al., 2021). The Report on Environmental and Energy Policies in Work Package 3 of the ReHousIn project will go into more depth on these issues.

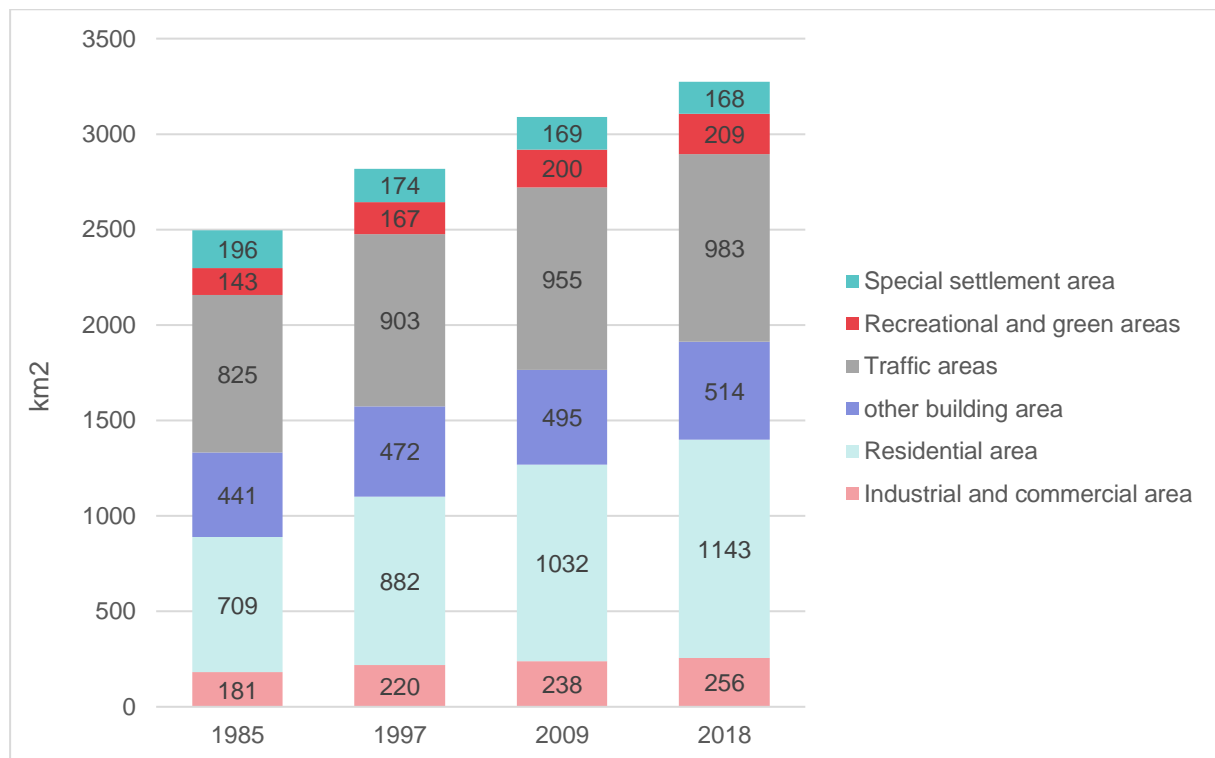


Figure CH13: Settlement area according to use. Source: Bundesamt für Statistik, Arealstatistik.

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

By the end of 2023, the Swiss housing stock consisted of just under 1.8 million buildings with residential use, containing roughly 4.8 million dwellings in total. A substantial part (30%) of these buildings date from before 1946. The 15 years following the Second World War (1946-1960), as well as each of the following decades account for about 10% of the housing stock. Slightly less buildings date from the more recent decades (2001-2010: 9%, 2011-2020: 7%; Figure CH14). The distribution of buildings by construction period varies greatly between cantons and municipalities; in the Canton of Basel-Stadt for example, a canton consisting only

of urban settlement area, only 5% of the buildings were built in the 21st century, whereas in many others, this share is close to 20% or over (Bundesamt für Statistik, 2024a).

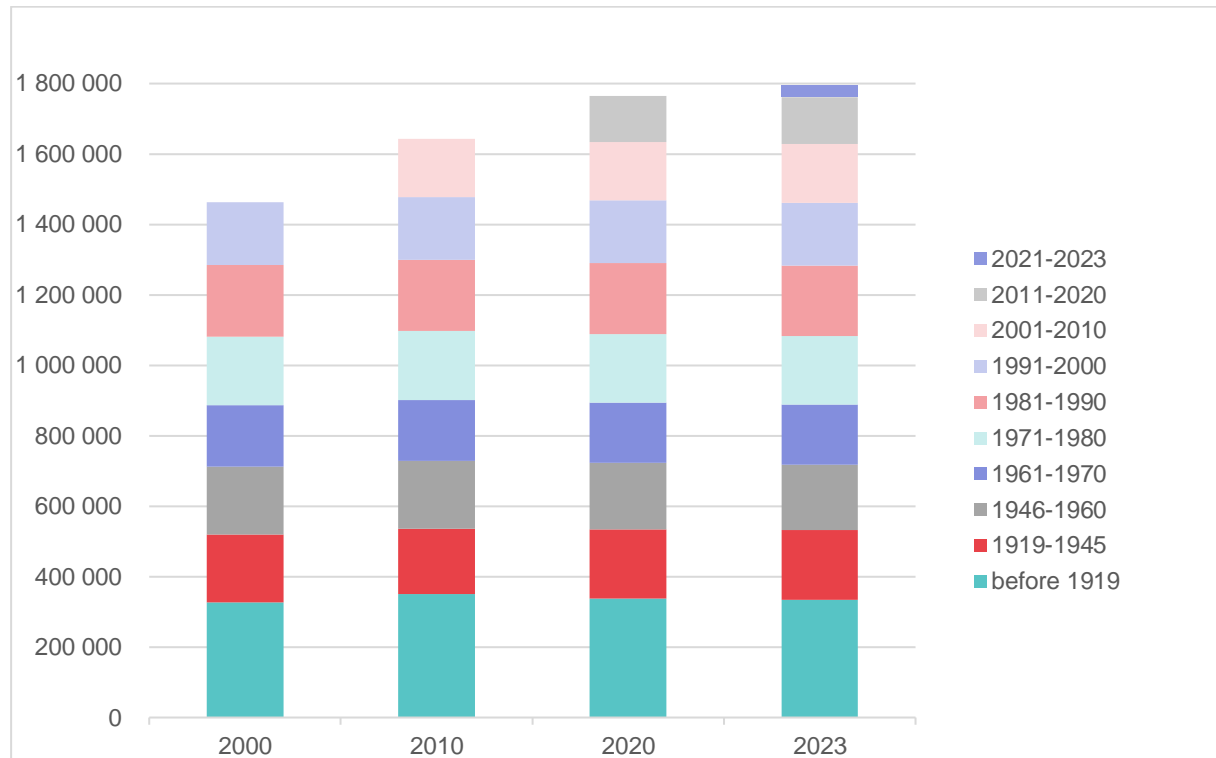


Figure CH14: Number of buildings with residential use per construction period. Source: Bundesamt für Statistik, Gebäude und Wohnungsstatistik.

The number of new dwellings that are built in each year is usually between 30,000 and 50,000 (Figure CH15). A sharp increase in the middle of the 1990s was followed by a period of decreasing numbers of newly built dwellings due to the Swiss real estate crisis at the beginning of the 1990s. During the high demand for properties at the end of the 1980s, construction activity increased. However, a recession accompanied by high inflation and high interest rates sharply reduced demand, but many of the properties were only finished after that, explaining the time lag between the outbreak of the crisis and the decrease in newly built dwellings (Vujanovic, 2016). Since the turn of the century, however, the trend has clearly been upward, with more dwellings being built each year on average. Please note that statistics recording the number of demolished buildings lack on the national level. A part of the newly built dwellings replaced existing dwellings that were demolished.

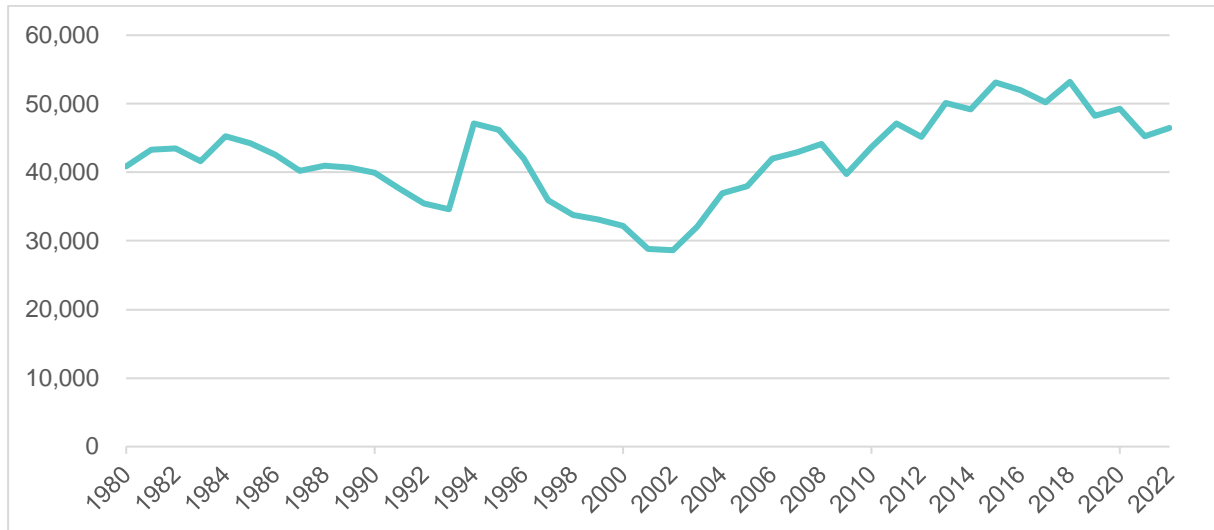


Figure CH15: Number of newly built dwellings, 1980-2022. Source: Bundesamt für Statistik, *Jährliche Bau- und Wohnbaustatistik*.

More dwellings are needed because of the growing population, but also because of a growing per capita consumption of living area. It has increased from 34m² per capita in 1980 to 46.5m² in 2023 (Bundesamt für Statistik, 2024c; Karlen et al., 2022). This trend towards an increasing consumption of floor space also leads to a higher consumption of other resources (energy, materials, etc.).

Having taken stock of the Swiss buildings and dwellings, let us turn to the tenure structure by starting with the home ownership rate. Switzerland has the lowest home ownership rates in Europe (Eurostat, 2023). Of all dwellings, only 36% are owner-occupied in 2022 (Figure CH16). While the rate increased between 1970 and 2015 – various political instruments have been put in place because the promotion of home ownership is a constitutional mandate – it slightly decreased again in the following years. In the literature, there are several reasons given for this low rate of homeownership. A relatively liberal rental housing market with a weak protection of tenants (Debrunner et al., 2024) means that investment in the rental sector provides reliable returns, leading to higher investments in the construction and maintenance of rental units than in other countries (Bundesamt für Wohnungswesen BWO, 2005). For the same reason, rental units are of relatively high quality, comparable to the quality of owner-occupied housing. Furthermore, residential real estate prices are high due to the scarcity of buildable land and high quality standards in construction in Switzerland (Bourassa & Hoesli, 2010). An additional complication is that Swiss banks require a down payment of 20% for mortgages, making mortgages difficult to obtain for a large share of the population. Taken together, the price ratio between property prices and household incomes is thus unfavourable to higher homeownership rates. Moreover, condominium ownership was not possible in Switzerland before 1965 (except for the Canton of Valais), which is why in cities where large buildings with several units are most common, the rate of homeownership is lowest (Bundesamt für Wohnungswesen BWO, 2005). However, condominium ownership is growing fast and today makes up one third of all owner-occupied housing (Bundesamt für Statistik, 2024e).

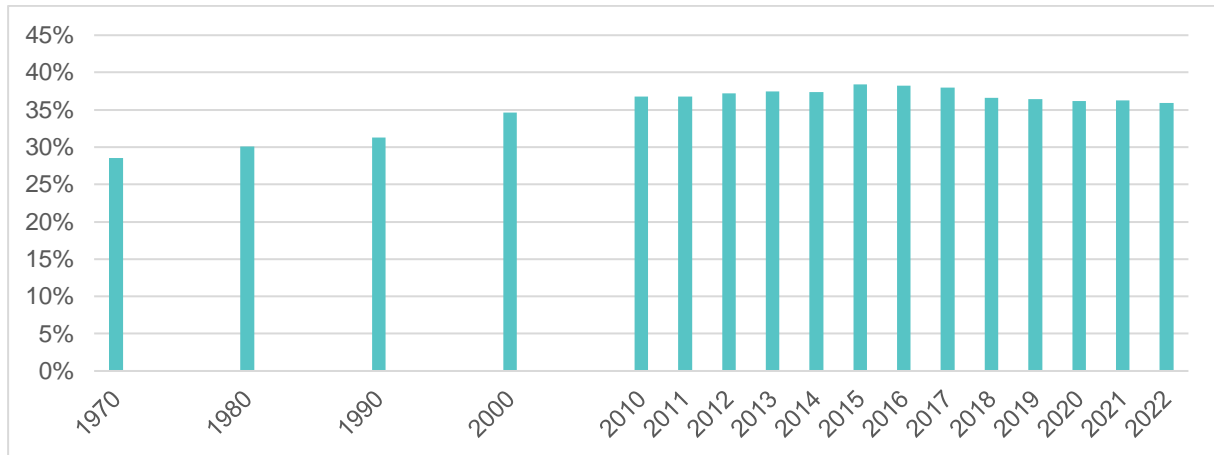


Figure CH16: Homeownership rate, 1970-2022. Percentage of dwellings occupied by the owner(s).

Source: Bundesamt für Statistik, Strukturerhebung/Volkszählung.

When looking at the tenure structure in more detail, considering also other tenures, we can first of all note that only 4 to 5% percent of households own their residence outright, i.e. without mortgage (Figure CH17). Some argue that the low share of outright owners and the high share of owners with mortgages is due to the taxation of the imputed rental value. The Swiss tax system imputes a rental value that an owner would receive if they rented out their property and treats it as taxable income. Mortgage interests on the other hand are tax-deductible and can thus partly compensate the tax on imputed rental value. However, due to the high residential real estate prices, it can be assumed that these tax incentives for ownership with mortgage are only relevant for the marginal share of buyers who have enough free equity (Fahrländer, 2020). Accordingly, the high share of mortgages is rather to be attributed to the high property prices and to the fact that mortgages do not have to be fully paid back over a given period (Hilber & Schöni, 2016).

In 2021, 57% of households lived in dwellings they rented on the private rental market, and 5% in subsidized rentals (Figure CH17). This category includes social housing, cooperative housing, housing that is provided at a reduced rate by an employer or another party. The shares of the different tenures have not substantially changed since 2010. When zooming in into rental units only, it is interesting to ask who rents them out, i.e. what type of landlords own them (Figure CH18). The largest share of rental units is rented out by private people. Their share has decreased from 56% to 47% between 2003 and 2021, however. In the same period, the share of rental units owned by private companies grew. While it was 30% in 2003, it amounted to 41% in 2021. This is largely attributed to increased investment in real estate and therefore also in rental properties by insurance companies, pension funds, foundations, banks, investments funds, etc.

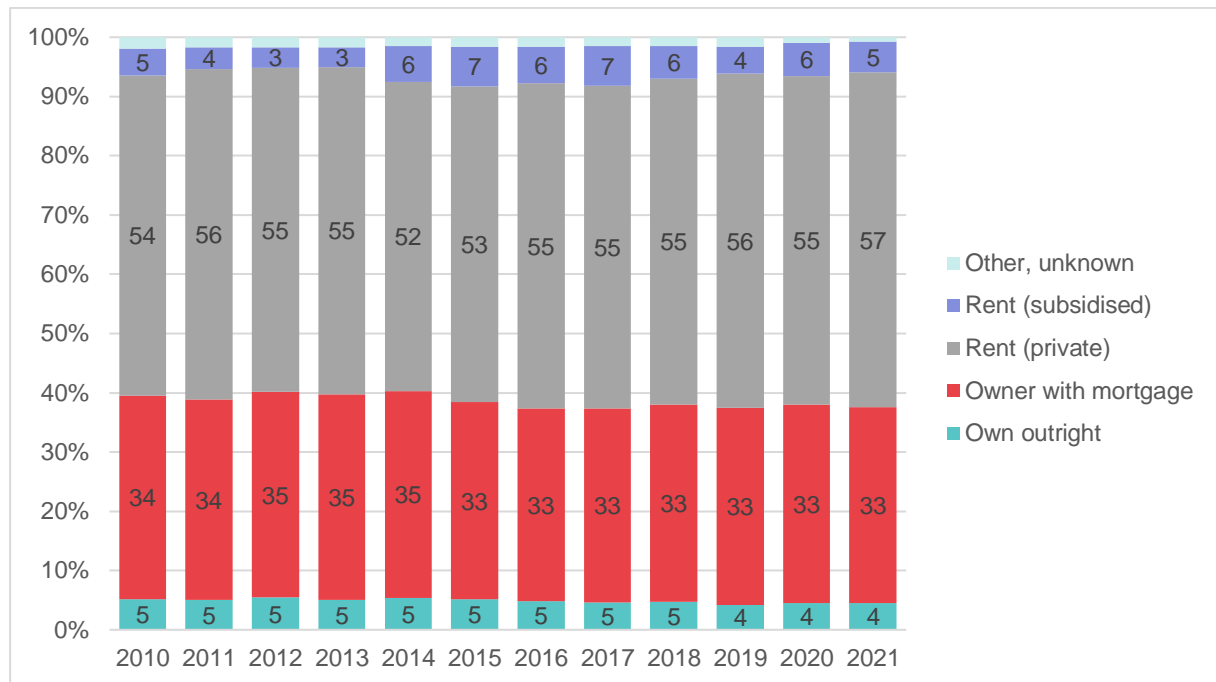


Figure CH17: Share of households in different tenure types. Source: OECD, SILC data.

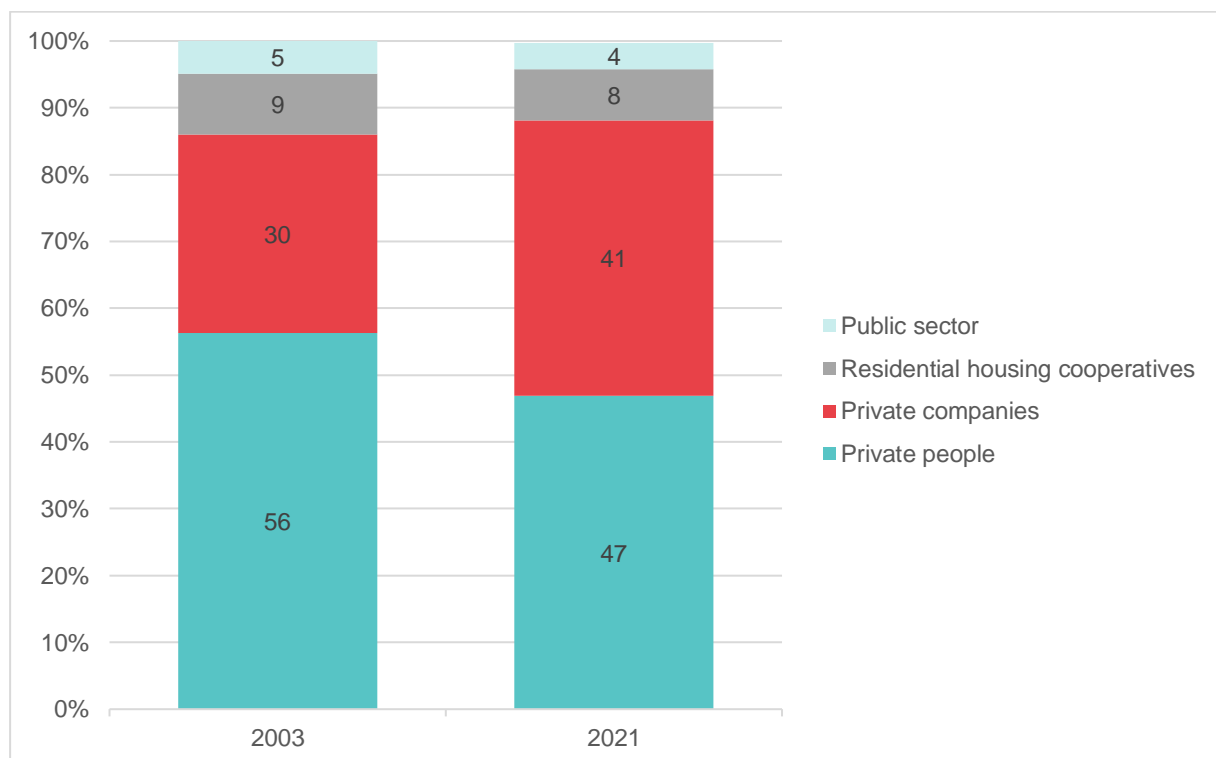


Figure CH18: Type of landlords (owners of rental units), 2021. Source: Bundesamt für Statistik, Mietpreisindex.

In Switzerland, foreign investment in real estate is regulated by the law ‘Lex Koller’. Residential properties can only be bought by Swiss people or foreigners with a residence permit whose main place of residence is in Switzerland (for commercial real estate, no such rule applies; Bodmer, 2023). Thanks to this law, the real estate market in Switzerland is presumably less strongly influenced by foreign investments than in other countries. However, the ‘Lex Koller’ does not impose restrictions on holding stakes in publicly listed residential real estate companies for foreigner investors. It can therefore be assumed that indirect investment in residential properties is becoming more and more important despite the ‘Lex Koller’. The American company Blackrock has massively increased its investments in the 2010s and held 6% of all the shares of Swiss real estate companies in 2021 (REFLEKT, 2022).

Returning to Figure CH18, it not only shows a shift between private and corporate landlords, but also that in relative terms, the share of rental units owned by housing cooperatives and the public sector diminished between 2003 and 2021: from 9% to 8% in the case of cooperatives, and from 5% to 4% in the case of the public sector. Even though the share of rental units owned by residential housing cooperatives has decreased, the number of cooperative housing units has grown in absolute terms. The relative distribution of cooperative housing varies greatly between different regions and between urban and more rural areas. In the city of Zurich, the share is particularly high with 18% (Müller, 2021).

The share of rental units owned by the public sector shows that the state is not a very important actor in the rental housing market. Switzerland never had a strong social housing sector, but it responded to affordable housing needs by supporting housing cooperatives²⁰. On a federal level, this is achieved by granting loans and mortgages under attractive conditions, and on a local level by granting land under a building lease. Housing cooperatives are free in allocating their apartments as they wish, but usually, if built under a building lease provided by the municipality, they are requested to provide a certain share of their apartments as social housing. Nevertheless, most cooperatives have signed the “Charter of non-profit housing providers” and offer their apartments at a rent based on a cost-rent-model, i.e. the rent is only allowed to cover financing, management, maintenance and operation of the cooperatives’ buildings (Duyne Barenstein et al., 2022).

²⁰ Housing cooperatives can differ in their scope: the members of residential housing cooperatives (Wohnbaugenossenschaften) build dwellings for themselves, whereas housing construction cooperatives (Baugenossenschaften) build dwellings to create financial returns for their members (Duyne Barenstein et al., 2022)

1.2.2 Housing Expenses

Figure CH19 depicts the development of the real house prices, rent prices and wages in Switzerland between 1990 and 2023. The prices and wages are indexed, with 2000 as the base year (2000 = 100). The real house prices index is derived by dividing nominal house prices to the consumers' expenditure deflator and therefore indicates the degree to which house prices have shifted in comparison to overall price changes in the general economy (OECD, n.d.). While during the 1990s, houses became cheaper compared to other goods, real house prices have increased ever since the turn of the century. The increase in rent prices has been more moderate, but also steadier: there has been no dip in rent prices in the 1990s. While wages have been steadily growing in the period covered by Figure CH19, this growth has been outpaced by the increase in house prices and rent prices. This diverging development of house prices and rents compared to incomes poses problems for affordability. Homeownership is becoming less and less accessible to lower- and middle-income households, and renting causes more and more financial strain.

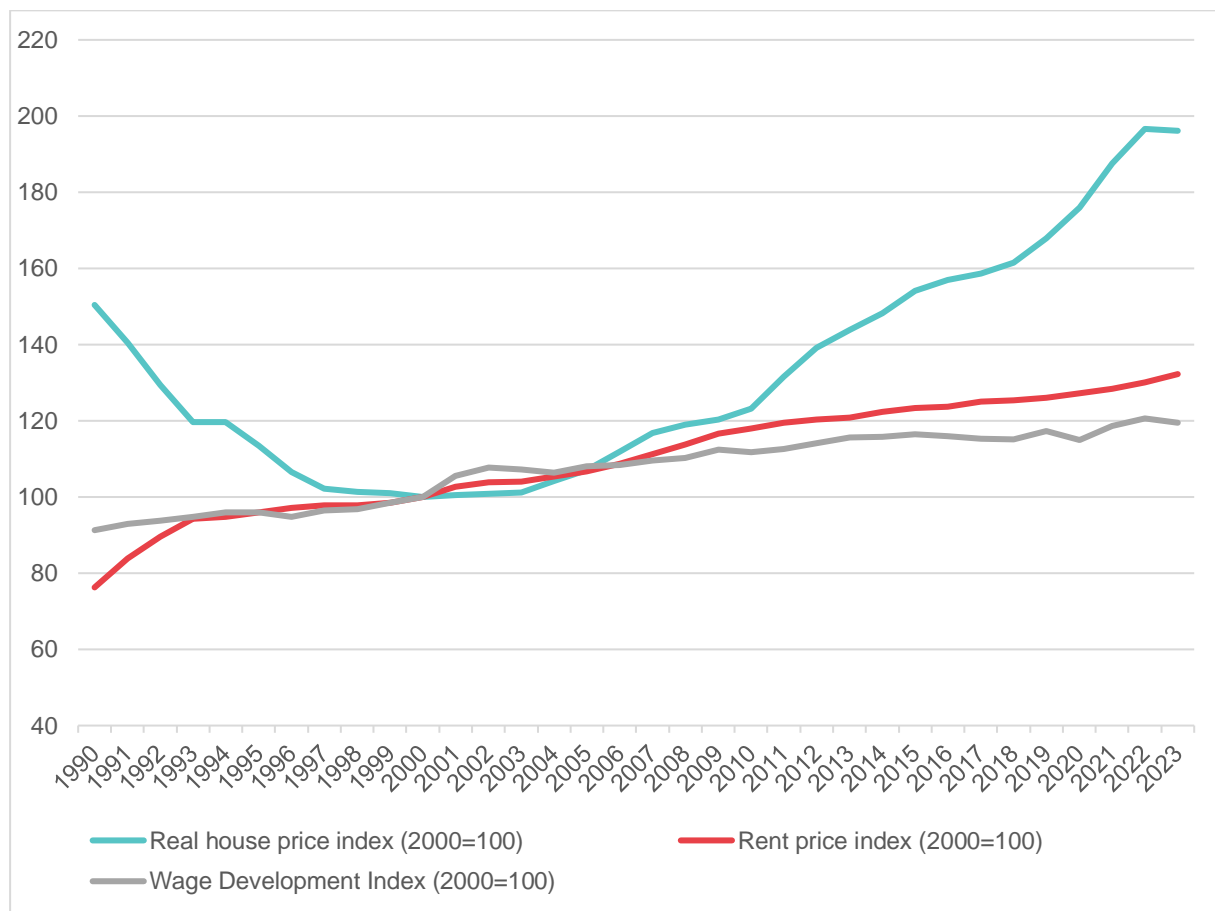


Figure CH19: Development of real house price, rent prices and wages, 1990-2023. 2000 = 100.

Source: OECD.

With regard to government expenditures on housing (Figure CH20), a Swiss particularity should first be noted. The function 'Housing Development' (GF0601) is not used in the breakdown of Swiss government expenditure. According to the Federal Department of Finance FDF (Eidgenössisches Finanzdepartement), it is not possible to separate housing development expenditures from community development expenditures²¹ (GF0602) based on the data from cantons and municipalities, which is why the promotion of housing construction also falls under this function (M. Wermuth, personal communication, November 1, 2024). Expenses on community development (including housing development) amounted to 0.39% of total expenses in 1999, when it reached its peak in the period discussed here. It has since declined and fluctuates around 0.2% since 2010. Government expenditures on housing as part of social protection shows a steady decrease from 1990 to 2018, from 0.31% to 0.07%.

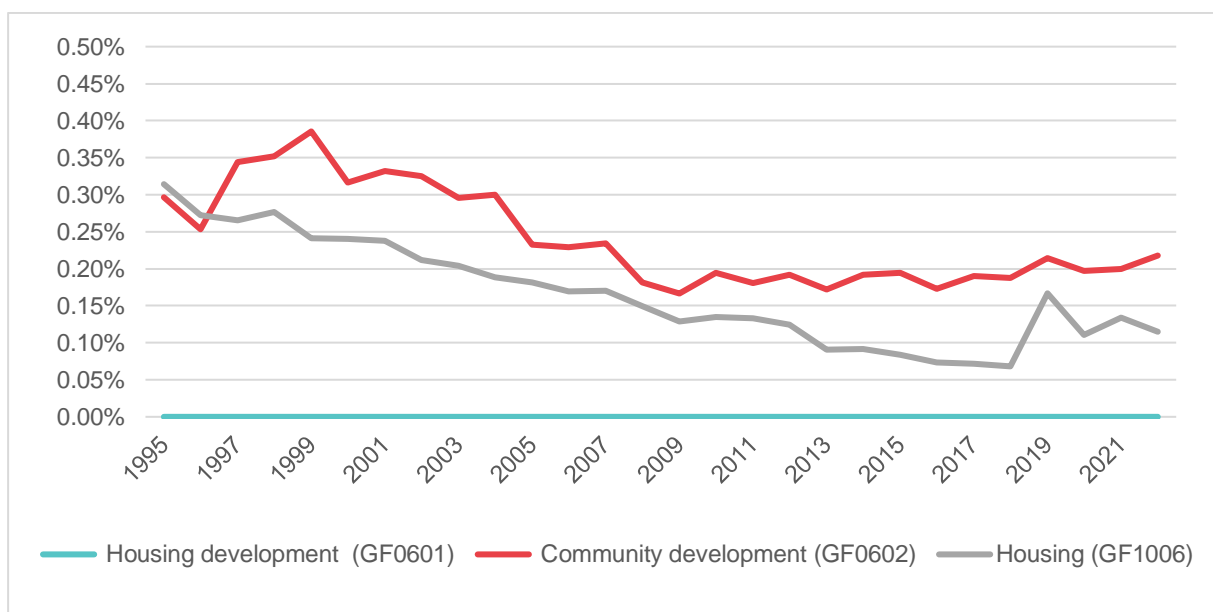


Figure CH20: General government expenditure on housing, in % of total expenses. Source: OECD.

²¹ According to the classification of the functions of government (COFOG), community development expenditures include the administration of zoning laws, land-use and building regulations, and the planning of public facilities for communities, whereas housing development expenditures entail the administration of housing development activities, acquisition of land needed for the construction of dwellings, construction or purchase of dwellings (Eurostat, 2019).

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

To study trends in housing inequality, we draw an EU SILC data, i.e. the survey on income and living conditions that is carried out in the EU and other European countries – among them Switzerland. Survey data for Switzerland is available since 2007. It covers topics such as health, quality of life, childcare, and housing conditions. SILC annually surveys 8,000 households across Switzerland, which corresponds to roughly 18,000 people.

2.1 Housing and Neighbourhood Quality

One aspect of the quality of housing is the amount of space available to each member of a household. We have already shown that per capita living area has grown considerably over the last decades in Switzerland. Accordingly, the average number of persons per room in an appartement also decreased, even if only slightly in the period between 2007 and 2020 (Figure CH21). For dwellings with 5 or less rooms, the number of persons per room was slightly below 0.6 in 2020, and for dwellings with 6 or more rooms, it was 0.5²². The average dwelling is thus occupied by less people than it has rooms. Overcrowding is thus not a very common issue.

²² Larger dwellings with 6 or more rooms are grouped into one category in SILC. Since the accurate number of rooms is missing, the number of persons per room is calculated for 6 rooms in each case. This might overestimate the number of persons per room, because the number of rooms is in some cases higher than 6.

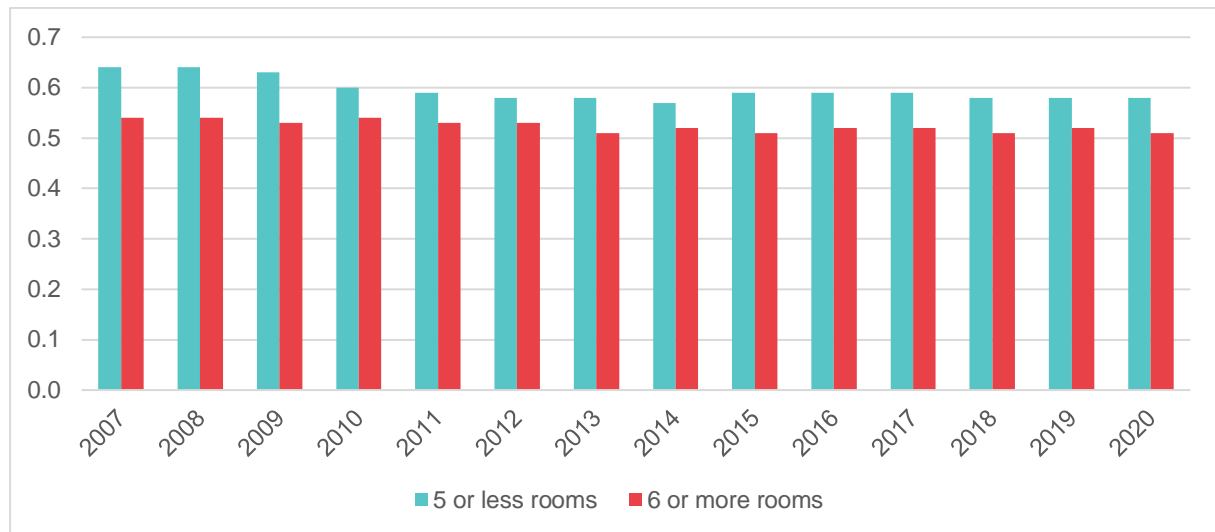


Figure CH21: Number of persons per room, 2007-2020. Source: SILC.

However, focussing on the increasing amount of space for the average individual conceals the fact that space is not equally distributed and that there are also households which cannot afford appartements that provide one or more rooms to each of their member. If a household has less than the number of rooms considered adequate²³ at its disposal, it is considered an overcrowded home (Eurostat, 2023). In Switzerland, overall, the share of people/households living in an overcrowded home is relatively low in international comparison and amounts to 5.7% in 2020 (Figure CH22). This percentage slightly fluctuated in the period 2007-2020, not showing a clear trend. There are substantial differences in the share of overcrowding depending on the degree of urbanisation, however. In densely populated areas²⁴, the share is markedly higher than in intermediate and thinly populated areas. This tendency seems to have become more marked in 2012 and the following years, where the share of overcrowding in densely populated areas is more than twice as high as in thinly populated areas. This presumably reflects higher housing costs in cities, leading to less households who can afford a dwelling with a number of rooms that is considered adequate.

²³ To have an adequate number of rooms, a dwelling needs “one room for the household, per couple, for each adult single person, per pair of single people of the same gender aged 12-17, for each single person aged 12-17 and not included in the previous category, and per pair of children under 12” (Eurostat, 2023)

²⁴ In the SILC data, the degree of urbanization is given by the DEGURBA typology. It divides local area units in densely populated areas, intermediate areas, and thinly populated areas. Densely populated areas have a population density of more than 1,500 inhabitants per km² and a population of at least 50,000 people. Intermediate areas have a population density of more than 300 inhabitants per km² and a population of at least 5,000 people, all other areas are defined as ‘thinly populated’ (Bundesamt für Statistik, 2024g). In Switzerland, 30% of the population live in densely populated areas, 52% in intermediate areas, and 18% in thinly populated areas (Bundesamt für Statistik, 2020, 2024h).

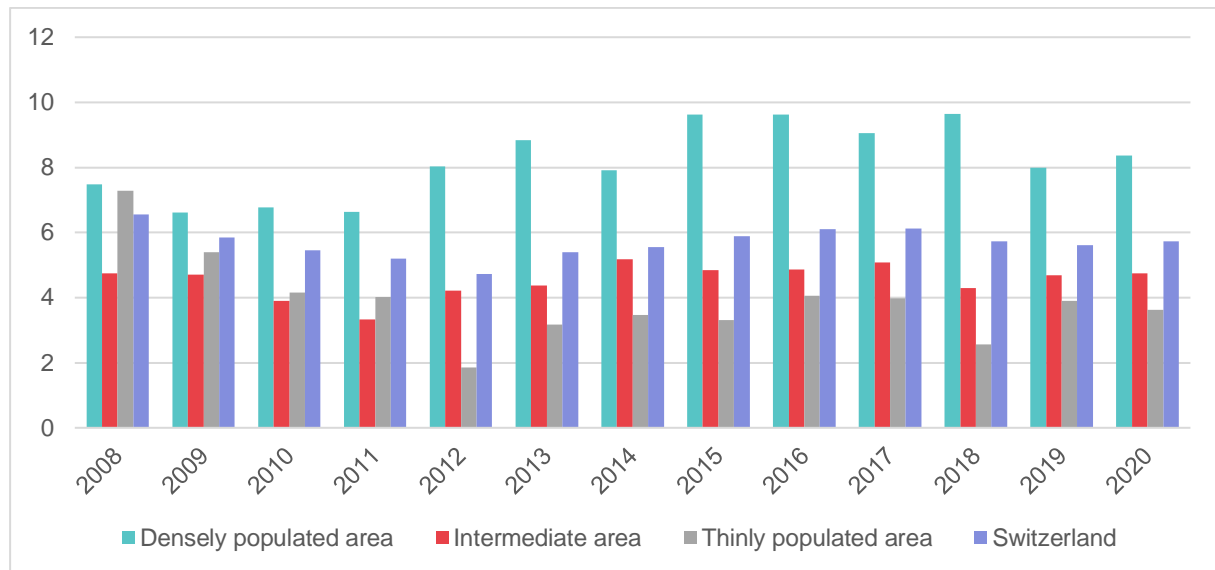


Figure CH22: Share of overcrowded households, 2008-2020. Source: SILC.

Square meters and rooms per person are not the only aspect of quality. SILC data also informs us about the living conditions in terms of the standard or the state of maintenance of a building and problems in the neighbourhood.

As can be seen from Figure CH23, the share of households in Switzerland with no ability (financially and given the quality and technical equipment of their dwelling) to keep their home adequately warm is very low and approached zero towards 2020. Around 9% of households are affected by a leaking roof, damp walls/floors/foundation, or rot in the window frames or floor. Approximately 17% of households report problems with the dwelling as a whole, i.e. that it is too dark and does not provide enough light.

Problems regarding the neighbourhood beyond people's own dwelling include noise, pollution, and crime, violence or vandalism. Each of these three issues are problematic for between 6% and 8% of households. Crime, violence or vandalism in the neighbourhood was a problem for more households, at the beginning of the period under study, and also noise from neighbours or from the street were more frequently stated to be a problem at that time. On the other hand, pollution, grime or other environmental problems was an issue for less households at the beginning of the survey.

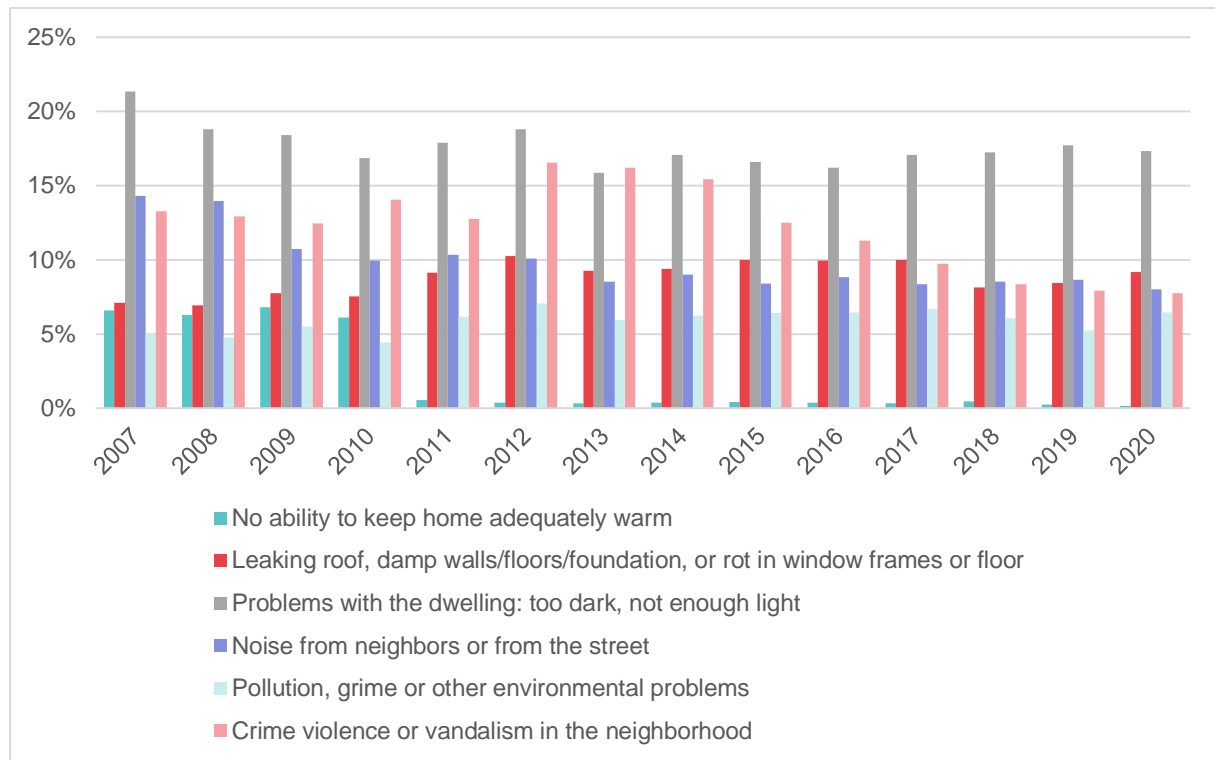


Figure CH23: Self-reported housing and neighbourhood quality, 2007-2020. Source: SILC.

While there are no marked differences between densely, intermediate, and thinly populated areas regarding the ability to keep homes adequately warm, leaking roof, damp walls/floors/foundation, or rot in the window frames or floor, or pollution, grime or other environmental problems, there are more pronounced differences in the other problem areas. In densely populated areas, 23% of households report that their dwelling is too dark and does not provide enough light (vs. only 16% and 13% in intermediate and thinly populated areas respectively). More households have problems with noise from neighbours or from the street (11% in densely populated areas, vs. 7% and 6% in intermediate and thinly populated areas respectively). Also, crime, violence or vandalism in the neighbourhood is more commonly perceived in urban areas (12%, vs. 6% and 4% in intermediate and thinly populated areas respectively).

2.2 Housing Cost

Before discussing the share that housing costs take from a household's disposable income, let us look at people's subjective assessment of whether their total housing costs are a financial burden (Figure CH24). In Switzerland, no major trends can be detected when looking at the years 2012-2020 which are the only years for which data is available. For the majority of the households (55-60%) housing costs are 'somewhat a burden'. Between 15 and 20% of households state that for them, it is not a burden at all, and for roughly 25%, housing costs are a heavy burden. For some, housing costs are too much of a burden so that they cannot pay

their rent or their mortgage on time. In Switzerland, slightly more than 2% of households each year have arrears on their mortgage payments or rent (Figure CH25).



Figure CH24: Self-perceived financial burden of housing costs, 2012-2020. Source: SILC.

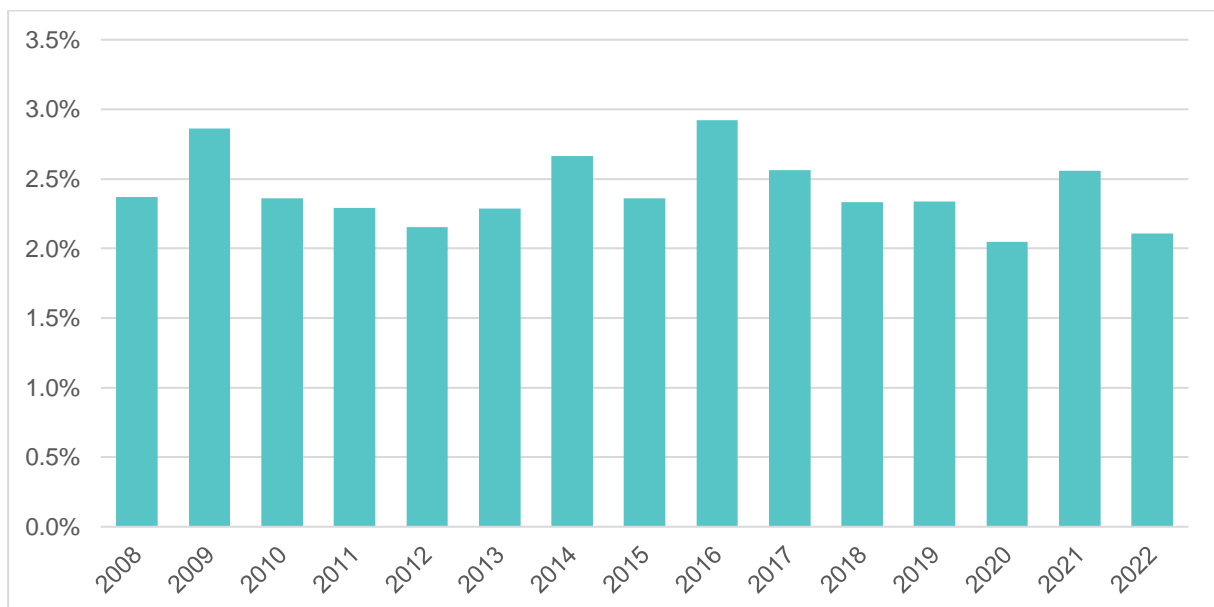


Figure CH25: Share of households with arrears on mortgage or rent, 2008-2022. Source: SILC.

2.2.1 Housing Cost Burden per Socio-economic and Demographic Conditions

An important indicator of the affordability of housing is the share of housing costs in disposable income. In Switzerland, housing costs for a household on average amount to 20% of disposable income and 14% of gross income (in 2021; Bundesamt für Statistik, 2023). Housing

is commonly considered unaffordable if it takes more than 30% of gross income (and not disposable income; OECD, 2021). However, in Switzerland, a housing cost-to-income ratio of 25% is considered as jeopardising the satisfaction of other needs for lower income households (Bochsler et al., 2015). Indeed, the figure cited above that describes the average share of housing costs of disposable income conceals considerable inequalities within the Swiss population.

There is, for example a clear and relatively stable relationship between educational attainment levels and the share of housing costs in disposable income (Figure CH26). Except for years 2008 and 2019, the general patterns reveals that the share of housing costs is highest for lower-educated households (usually above 30%), and lowest for households with a tertiary degree (some 10 percentage points lower). Households with lower and upper secondary education are positioned between these two groups at the lower and higher end, so that moving up one level of educational attainment on average means a share of housing costs that is 2-4 percentage points lower.

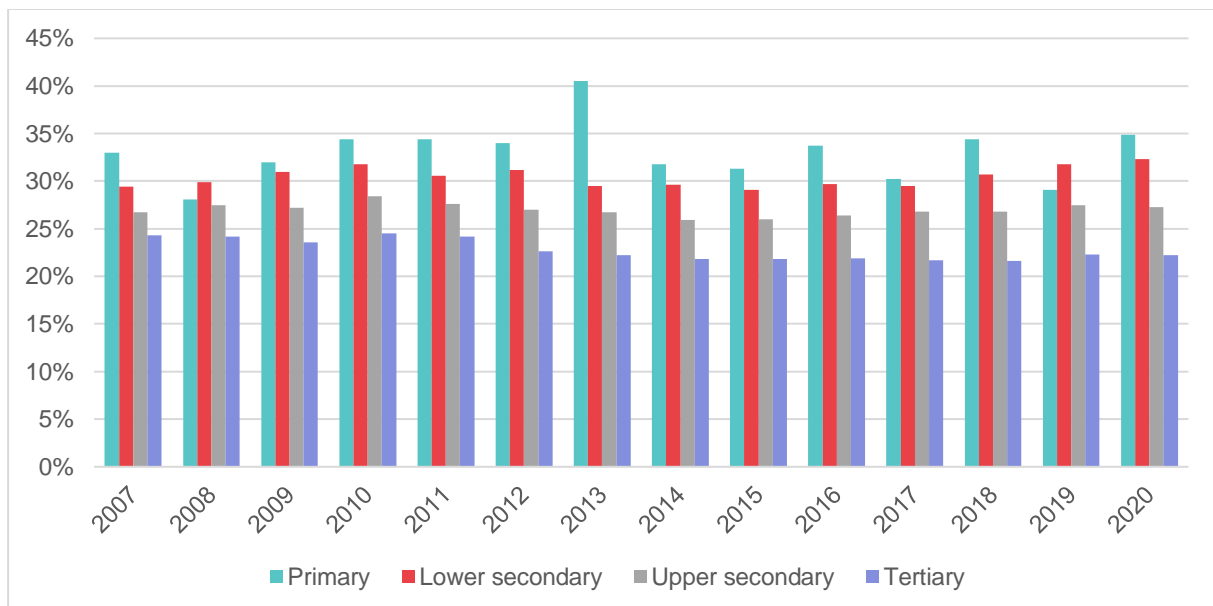


Figure CH26: Share of total housing costs in total disposable income by educational attainment level, 2007-2020. Source: SILC.

When breaking down the share of housing costs by self-defined current economic status, we see that housing is a heavy burden in particular for unemployed people, students, disabled people, and people that are otherwise inactive in the labour market (Figure CH27). For some of these groups, the share of housing costs is well above 30%, for students in some years even getting close or above 40%. The financial burden is also markedly higher for retired people than for those working full time or part time.

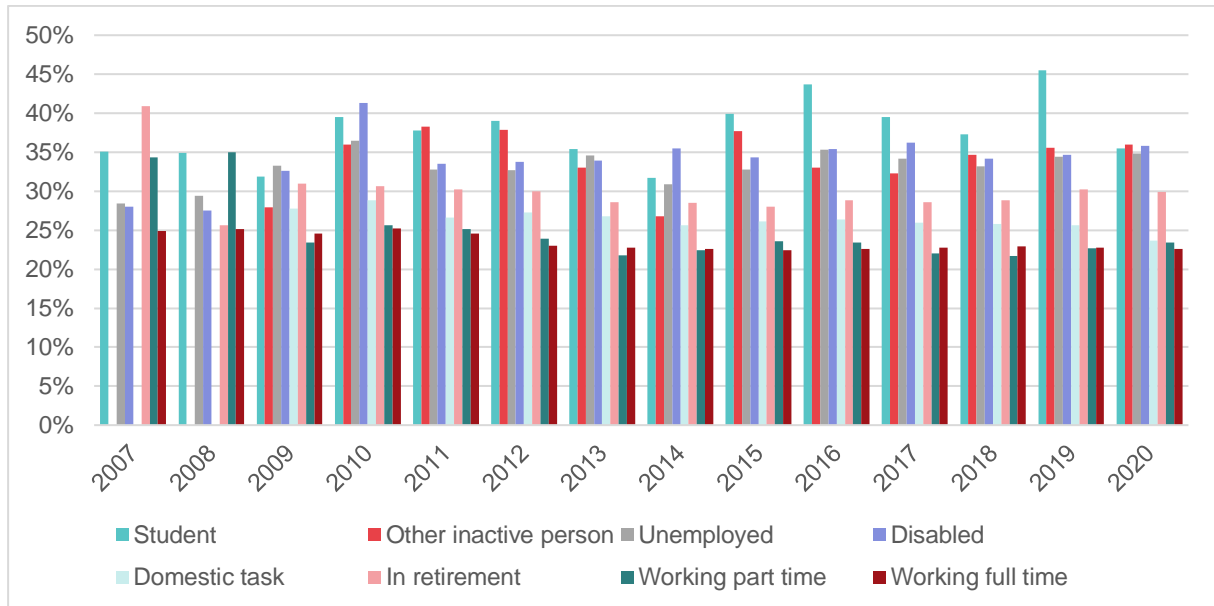


Figure CH27: Share of housing costs in total disposable income by self-defined economic status, 2007-2020. Source: SILC.

Looking at the country of birth, there is a persistent inequality between Swiss born and non-Swiss born households. On average across the years shown in Figure CH28, the share of housing costs in disposable income is 25% for Swiss born households, and 28% for foreign born households. In some years, the housing cost burden for households from EU countries is higher than that for households from non-EU countries, and vice versa in other years, so there does not seem to be a clear tendency there. The disparity between Swiss born and non-Swiss born households seems to be neither increasing nor decreasing, at least in the period shown here.

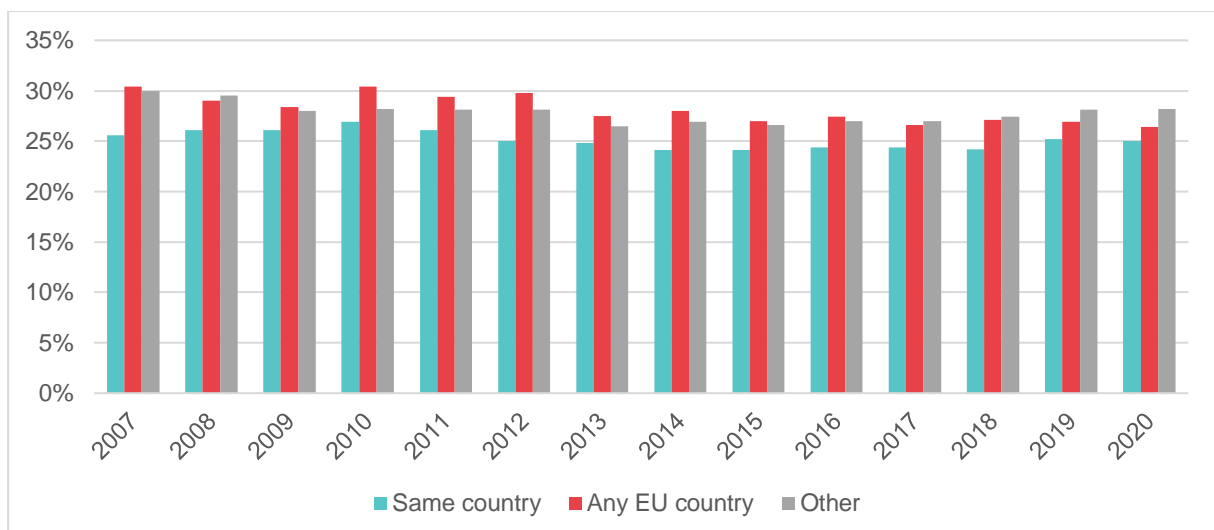


Figure CH28: Share of total housing costs in total disposable income by country of birth. 2007-2020. Source: SILC.

2.2.2 Housing Cost Burden per Household Type

Figure CH29 shows the development of the share of housing costs in disposable income for different household compositions. It reveals that there are considerable inequalities between different types of households. Households with only one adult (single parent households and one-person households) spend a significantly higher share of their disposable income on housing than other households. Their financial burden ranges between 30% and 35% of their disposable income. For single parent households, there is a slight trend observable: while at the beginning of the period shown here, the share of disposable income spent on housing was more than 35% for several years in a row, it is consistently below 35% and closer to 30% towards the end of the period. No comparable trend is observable for one-person households.

The housing cost burden is significantly lower for households with more than one adult. It tends to be higher for households where at least one of the adults is over 65 years old, hinting at the more modest incomes after retiring and the consequently higher housing cost burden. For all households with more than one adult (below or above 65), however, Figure CH29 shows a slight tendency for lower housing cost burdens. This implies growing disparities between one-person households and single parent households on the one hand, and other households on the other.

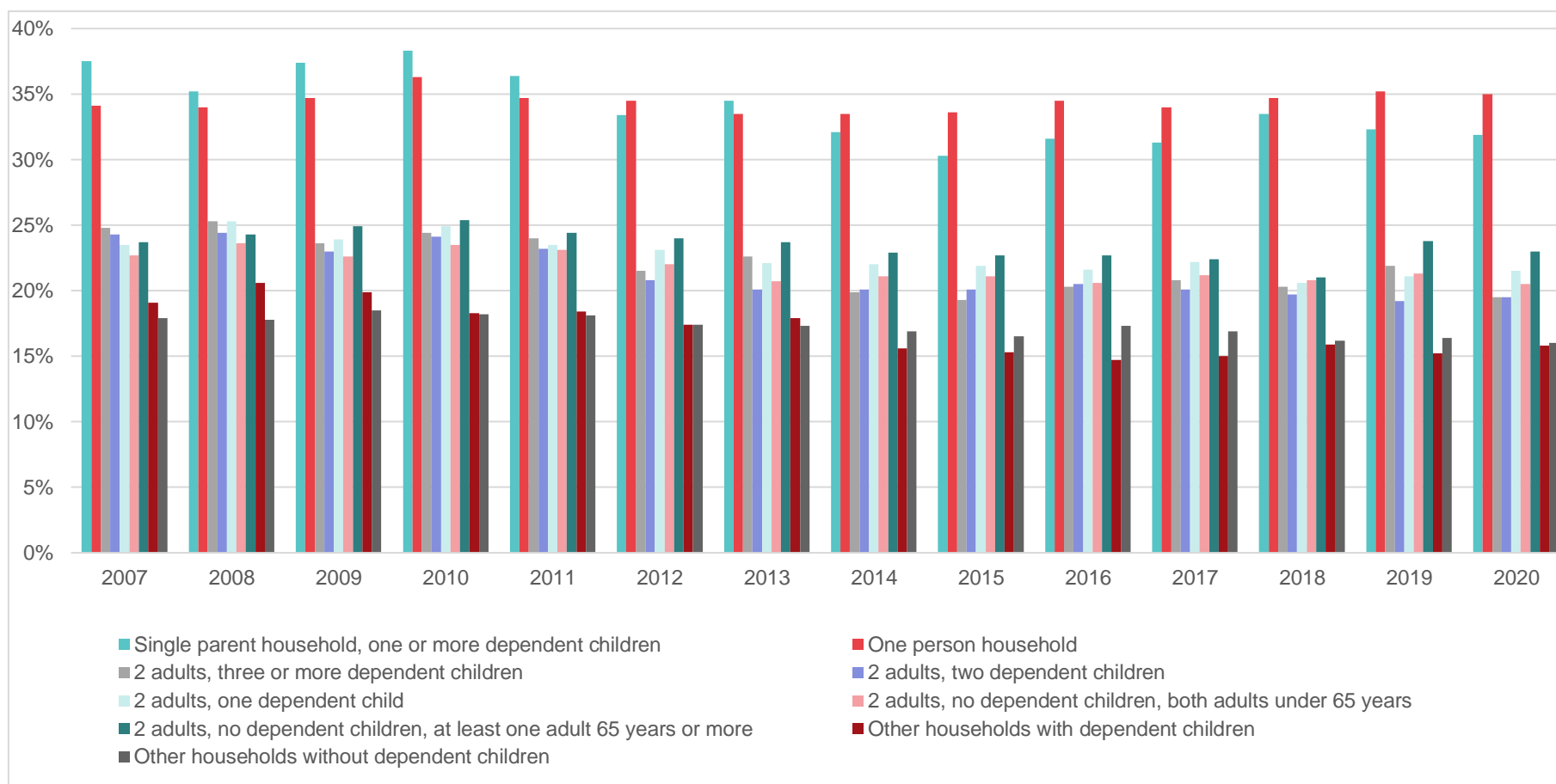


Figure CH29: Share of total housing costs in disposable income by household type. 2007-2020. Source: SILC.

2.2.3 Housing Cost Burden per Tenure and Building Type

The share of housing costs is also very different according to tenure types. For homeowners, it was 20% in 2012 and it has decreased further since then, reaching 17.4% in 2020 (Figure CH30). This can presumably be attributed to a context of low interest rates, which positively affected mortgage payments. For tenants, on the other hand, the share of housing costs is close to or above 30% and shows a rising tendency over the last years. The financial burden is, unsurprisingly, heavier for tenants renting at market rate than for those renting at a reduced rate.

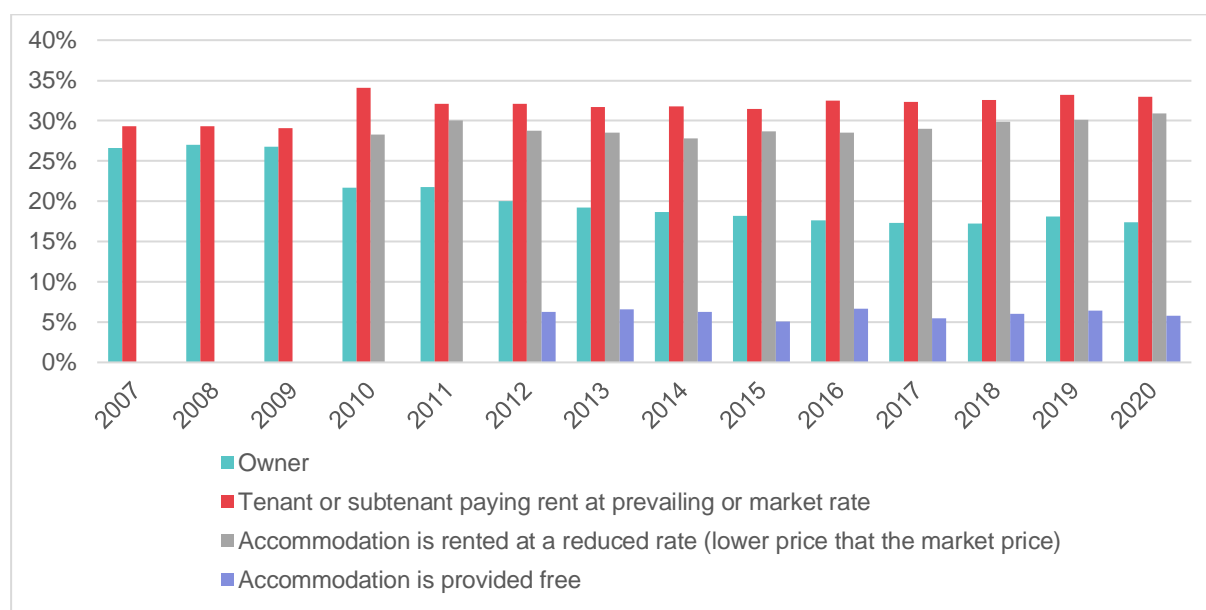


Figure CH30: Share of housing costs in total disposable income by tenure status. 2007-2020. Source: SILC.

Looking at the type of dwelling, we see that the share of housing costs is lower for households living in detached, semi-detached or terraced houses compared to those living in buildings with more than one dwelling (Figure CH31). It has decreased from slightly above to slightly below 20% for households living in detached, semi-detached or terraced houses, and it is close or slightly above 30% for households living in buildings with more than one dwelling. This can be explained by a strong association between tenure status and dwelling type. Owners (with or without mortgage) predominantly live in detached, semi-detached or terraced houses (64%) and in buildings with less than 10 dwellings (25%). A great majority of tenants (over 80%), on the other hand, live in buildings with 10 or more dwellings. The shares of different types of buildings also depend on the degree of urbanisation. Detached houses are more likely to be in more rural areas where housing costs are generally lower (see also Section 2.3).



Figure CH31: Share of housing costs in total disposable income by dwelling type. 2007-2020. Source: SILC.

2.2.4 Territorial Difference of Housing Costs Burdens

When looking at the share of housing costs in disposable income by region, it is the predominantly urban regions Lake Geneva and Zurich that have higher shares on average (Figure CH32). Higher than average shares can also be found in the canton of Ticino. Even though rents are lower in the canton of Ticino than in Switzerland on average (Bundesamt für Statistik, 2024f), wages are significantly lower than the Swiss average (Bundesamt für Statistik, 2024d), resulting in a higher burden.

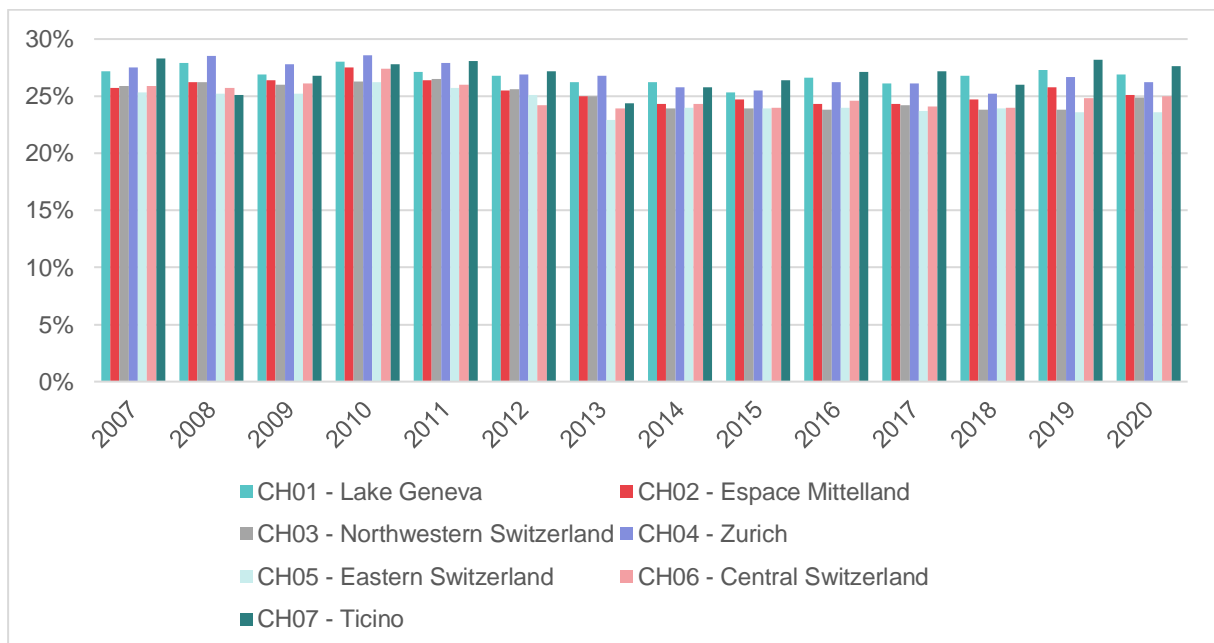


Figure CH32: Share of housing costs in total disposable income by NUTS 2 areas, 2007-2020. Source: SILC.

Mirroring the regional disparities, the share of housing costs differs between areas with different degrees of urbanisation. In densely populated areas, it is considerably higher (close

to 30%), whereas in thinly populated areas, it is closer to 20% (Figure CH33). This, again, can be explained by a higher share of tenants in densely populated areas (see also Section 2.3), but also by price differences between urban and rural areas.

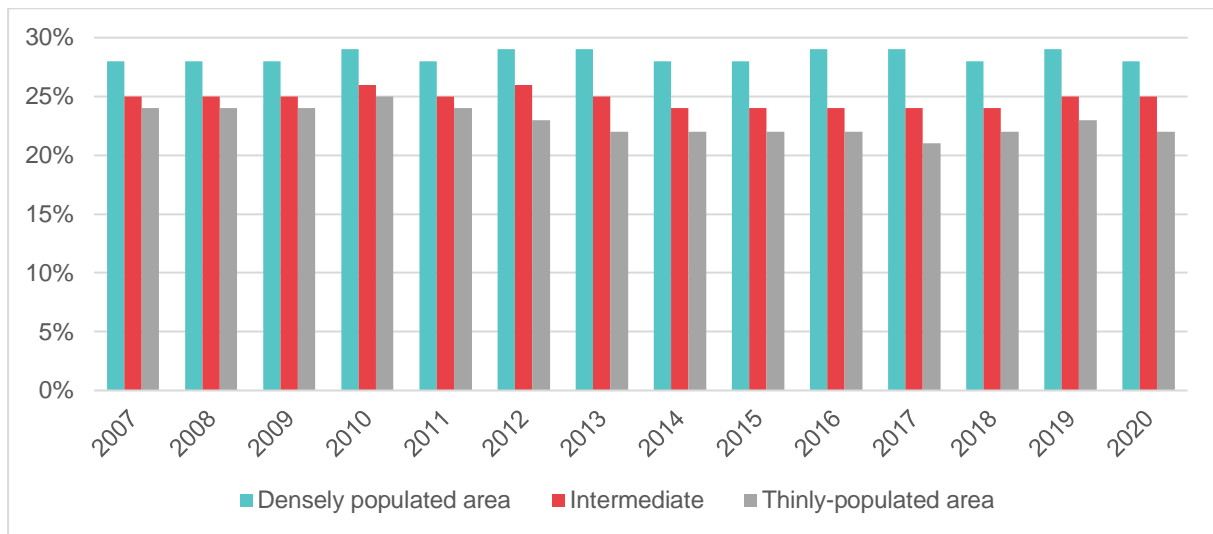


Figure CH33: Share of housing costs in total disposable income by degree of urbanisation, 2007-2020. Source: SILC.

2.3 Housing Segmentation

We have already seen in Section 1.2.1 that Switzerland is a 'country of tenants', with a majority of households living in a rented accommodation. The distribution of households/people over different tenure types is relatively constant in the period studied here (2007-2020). Accommodation rented at a reduced rate – i.e. cooperative housing or social housing – and accommodation that is provided free play a relatively marginal role in the Swiss housing system overall. However, there are large differences in the share of tenure types between more and less urbanised areas.

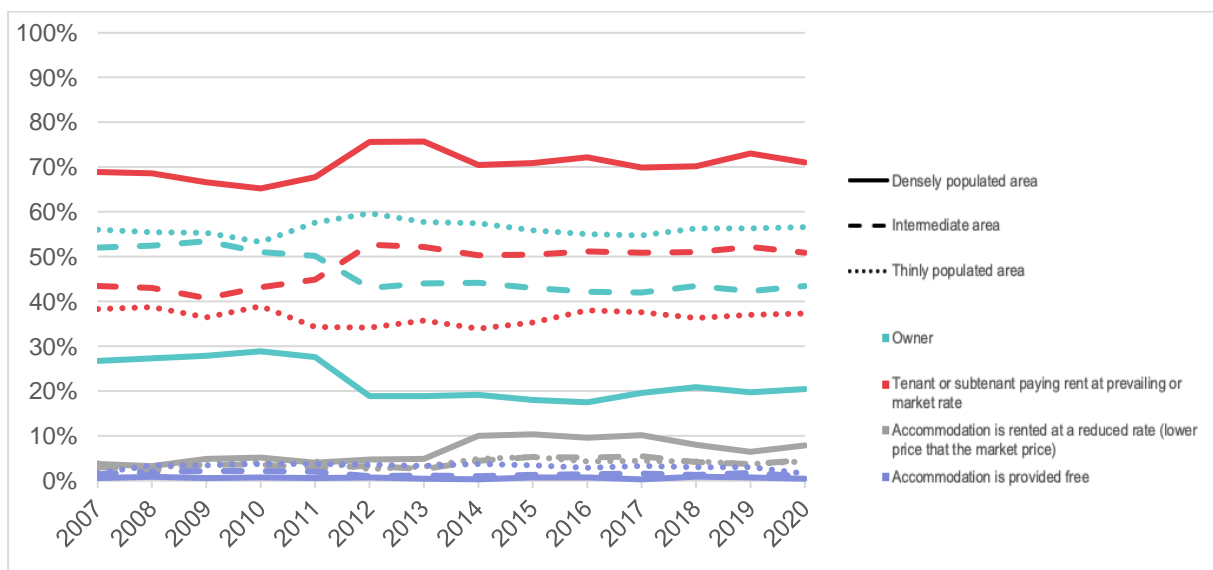


Figure CH34: Tenure structure in by degree of urbanisation, 2007-2020. Source: SILC.

In thinly populated areas, the share of tenants is much lower than in the Swiss average, amounting to slightly less than 40% (Figure CH34). Owners, on the other hand, are in the majority with approximately 56%. Accommodation at a reduced rate or that is provided free account for only 2 to 4% each.

The situation in intermediate areas – home of half of the Swiss population – was comparable to that of thinly populated areas between 2007 and 2011, where the majority of households (slightly over 50%) lived in a dwelling they owned, while a bit more than 40% were tenants on the private market (Figure CH34). This relationship reversed in 2012 when the share of tenants grew over 50% and the share of owners fell to slightly over 40%, a ratio that has been stable since then. Accommodation at a reduced rate plays only a minor role (roughly 4%), and accommodation that is provided free is rarer than in thinly populated areas (only 1.5% on average over the period 2007-2020).

The tenure structure in densely populated areas – where 30% of the population live – the tenure structure is very different, however. Tenants who rent at prevailing market rates are a large majority of about 70%, and a considerable share of households/people rent at a reduced rate (Figure CH34). The latter has increased from around 4-5% between 2007 and 2013 to 10% in 2014, but has recently slightly decreased again. Accommodation that is provided free is almost negligible (less than 1%) in densely populated areas. It should be noted that large cities have even higher shares of rentals. In city cantons such as Basel City and Geneva, rentals account for 83% and 78%, respectively (Bundesamt für Statistik, 2024f), and in the City of Zurich, even 92% of all dwellings are rentals (Stadt Zürich, 2024).

This differences between urban and more rural areas are also owed to a different composition of the housing stock in terms of building types. Here, we compare densely and thinly populated areas (Figure CH35). In densely populated areas, the vast majority, over 80%, lives in buildings with more than one dwelling. Households living in detached, semi-detached or terraced houses amount to only roughly 20% at the beginning of the period studied here. This share declined over time, and is only roughly 13% in 2020. The share of households living in buildings with 10 or more dwellings, on the other hand, has grown, whereas the share of those living in buildings with less than 10 dwellings has remained constant over time. This trend shows that more large buildings are being built. This alone increases the share of households living in large buildings, and there is evidence that sometimes detached, semi-detached or terraced houses have also been replaced by larger buildings.

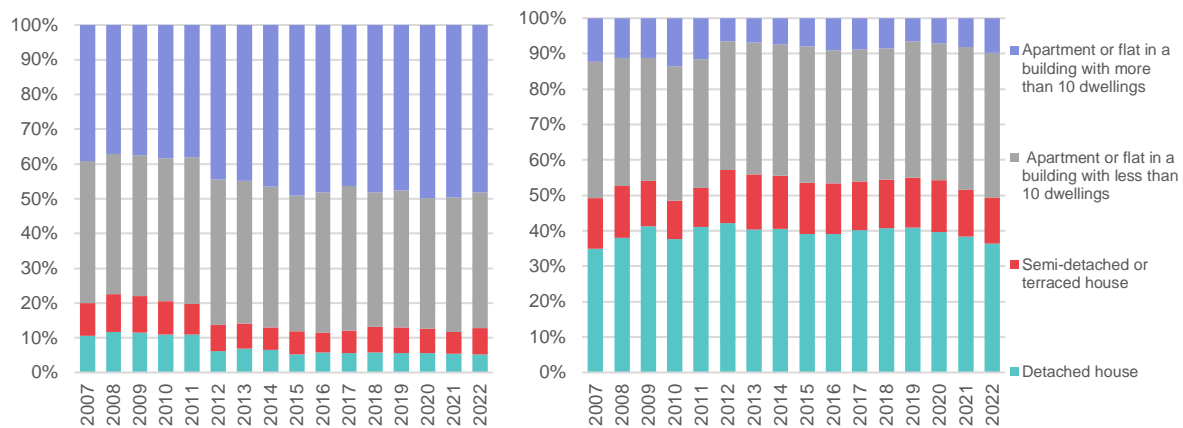


Figure CH35: Building types in densely (left) and thinly (right) populated areas, 2007-2020. Source: SILC.

In thinly populated areas, however, most households live in detached houses or in buildings with less than 10 dwellings (roughly 40% each; Figure CH35). Semi-detached and terraced houses are slightly more common in these areas than in densely populated areas (14% on average over time). Buildings with 10 or more dwellings are not very frequent in thinly populated areas, only around 10% of households live in this type of building.

Summing up, we can say that in thinly populated areas, there are more owners than tenants, and more detached houses than large buildings with 10 or more dwellings. In more densely populated areas, on the other hand, there are more tenants than owners, and most buildings contain several dwellings. Put differently, detached houses are mostly owned by their residents: in 2020, 83% of households living in detached houses owned their dwelling. The ownership rate of dwellings in buildings with less than 10 dwellings was much lower (only 25%), and even lower in large buildings with 10 or more dwellings (15%). These numbers are relatively stable over the period from 2007 to 2020.

Energy refurbishments may present different challenges in these different contexts: while decision making and implementation might be easier for private owners of detached houses, they might also lack the resources and the know-how to do it. For this reason, the Swiss government has developed different schemes to facilitate energy refurbishments (see also Report on Environmental and Energy Policies in Work Package 3 of the ReHousIn project). The large number of owner-occupied detached houses especially in thinly populated areas is also an issue for densification, as individual homeowners may be reluctant to redevelop their property with higher density.

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NATIONAL REPORT IN HOUSING INEQUALITIES – THE UNITED KINGDOM

Executive Summary

The key trends identified in the UK case highlight a context of ‘consecutive crises’ or polycrisis (including the 2008 global financial crisis, barriers to exports and imports due to Brexit (post-2016), the coronavirus (COVID-19) pandemic (2020 to 2021) and the energy price crisis following the Russian invasion of Ukraine). However, we would suggest that far from ‘causing’ housing inequalities, these crises have simply interacted with the underlying structural conditions that (re)produce housing inequalities in the UK, exacerbating these to different extents. We therefore suggest it is pertinent to question the resilience of the UK housing context to external shocks.

Another key issue emerging from our analysis is the significance of inherited wealth and capital rather than income (wages / pensions) as a key determinant of housing inequalities. We suggest that housing access and affordability cannot be understood in the UK without accounting for the intergenerational transfer of wealth. We intend to deepen this aspect of our analysis with reference to literature investigating how patrimony and the intergenerational transfer of wealth have shaped the landscape of housing inequality in the UK. This literature forefronts wealth as a determinant of housing inequalities and suggests that housing inequality in the UK has two parallel aspects: housing wealth inequality, and housing tenure inequality (Christophers 2019). This also suggests that the middle class may increasingly be exposed to housing inequalities that their income group would formerly have protected them from (Chauvel 2023).

Introduction

Population

The UK Office For National Statistics (ONS) have estimated the UK population at mid-year 2023 to be 68,265,200. This can be divided into the population of England (57,690,30), Scotland (5,490,100), Wales (3,164,400) and Northern Ireland (1,920,400).

Governance architecture

The United Kingdom (UK) is made up of four countries: England, Scotland, Wales and Northern Ireland (NI). The UK has its own legislature (UK Parliament) and executive (UK Government). The ‘devolved administrations’ (Scotland, Wales and NI) also have their own legislatures (Scottish Parliament, National Assembly for Wales, and Northern Ireland Assembly), and their own executives (Scottish Government, Welsh Government, and Northern Ireland Executive).

There is no separate legislature or executive for England. This creates a political issue around what gets called the West Lothian Question or the English Question, concerning whether members of Parliament (MPs) from the devolved administrations (who sit in the UK Parliament) should be able to vote on matters that affect only England, while these same matters are reserved for the devolved administrations to vote on separately, without being impacted by votes from MP's representing other parts of the UK. Devolution also means that there can be different political parties in power in each of the four countries of the UK. These different parties are then able to set a different political agenda for that administration, supported by the Civil Service (which supports the Scottish Government, the Welsh Government and the UK Government; the Northern Ireland Executive is supported by a separate Northern Ireland Civil Service).

This governance architecture means that the administrative and legislative frameworks for specific policy areas can be quite complex, with not only multi-level governance to consider (central, regional and local tiers of government and the governance ecosystems surrounding them) but also separate-yet-overlapping central administrations with distinct political landscapes. When it comes to analysing specific policy spheres at the national level, it is worth bearing in mind that the powers of UK legislation do not always apply equally to all four countries within the UK, particularly in policy areas which are devolved to Scotland, Wales or NI. Some areas of the UK government's work apply largely to England, meaning for example that some statistics produced by the UK government are for England only.

The following powers are devolved to the devolved administrations: local government (including planning); agriculture, forestry and fisheries; transport; health and social care; education and training; justice and policing; sports and the arts, some taxation, and some social security elements. The following powers are reserved to the UK administration: defence; foreign affairs; immigration; trade policy; constitution; and most aspects of broadcasting. Energy policy is not a devolved power, but the devolved administrations can have a significant impact on those aspects of energy policy that are manifested through the built environment, due to devolved planning powers.

Sub-national government in the UK is divided into three levels: civil parishes, local authorities and regional authorities. Not all areas have all three levels of government. Civil parishes exist mostly in rural areas, with locally elected parish councils being responsible for the maintenance of public spaces and facilities.

At least one local authority provides local services to all areas in the UK: these are either single-tier areas, where one single borough council or unitary authority provides services relating to planning and housing as well as education, transport, and waste management; or two-tier areas where local authority services are divided between a district council and a county council.

Regional authorities are not common throughout the UK, but are used to provide additional services to some larger areas, for example the Greater London Authority (GLA) which is supported by the Mayoral Assembly, and which creates and maintains London-wide strategies such as the London Plan. Other areas (such as Greater Manchester) have created combined authorities which do not replace the local authorities in question but which have additional

powers, including the ability to receive separate funding and to directly elect a combined authority mayor, for joint strategic functions.

Relation to the European Union

The UK left the EU on January 31, 2020. It is therefore not a member of the EU Single Market Customs Union, and EU law (such as the EU Climate Law, adopted in 2021, to reduce emissions by 55% by 2030) does not apply in the UK. Neither does the EU Green Deal policy package have direct implications for the administrative or legislative frameworks for specific policy areas relating to climate or housing within the UK. Nevertheless, because of the UK's historical membership of the EU and continued engagement with EU programmes, there remains an indirect relationship between the EU and the UK. This means that current and historical EU frameworks should be considered when outlining the governance frameworks pertinent to climate and housing within the UK. The EU-UK Trade and Cooperation Agreement outlines the basis of the relationship between the UK and the EU, setting out preferential arrangements in policy areas such as energy, trade, digital trade, intellectual property, public procurement, transport, fisheries, social security, law enforcement and judicial cooperation, and participation in EU programmes. For example, this agreement supports the continued involvement of UK businesses and institutions with EU programmes such as Horizon Europe, and in Fusion for Energy.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

1.1.1 Macroeconomic Trends at the National Level

Inflation and the ‘concentration of shocks’

There has been a steady growth in the CPI since 2005, and a significant increase in 2022 and 2023 (see Figure UK1). As a widely used measure of inflation, this shows that overall living costs to consumers (including housing and all other necessities) have risen steadily since 2005, but risen to historic levels in the most recent years (Haskel 2023).



Figure UK1: Consumer Price Index (2010 =100). Source: compiled by authors, own elaboration based on data from DATABANK

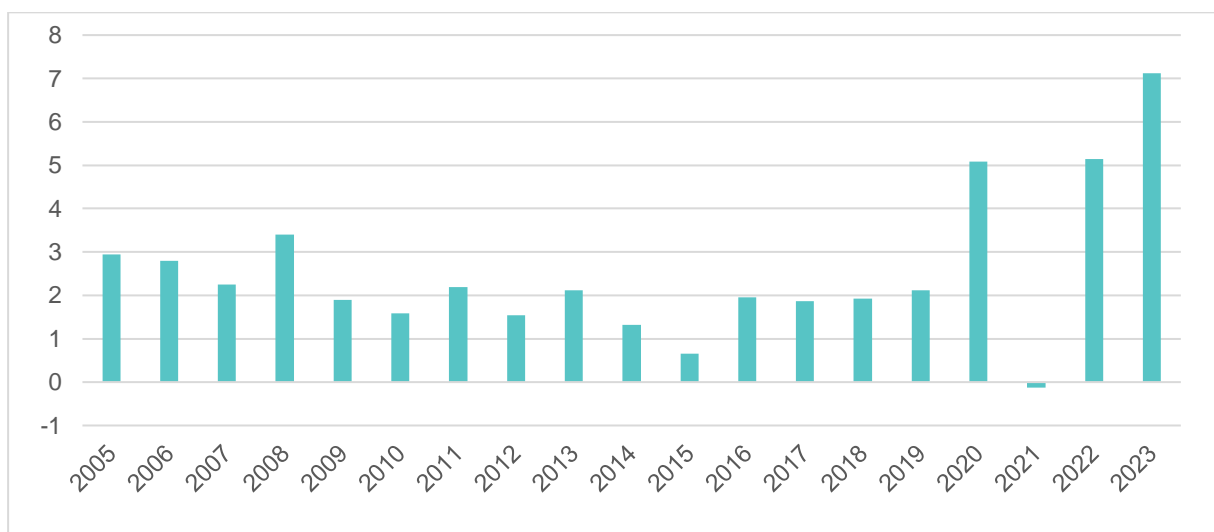


Figure UK2: Inflation, consumer prices (%). Source: compiled by authors, own elaboration based on data from DATABANK

The most recent significant rise in inflation (see Figures UK1 and UK2) has been attributed to international relations (particularly the surge in gas prices since the Russian invasion of Ukraine), as well as barriers to exports and imports due to Brexit, and the Covid-19 pandemic. In response to this, Between December 2021 and August 2023, the Bank of England has raised interest rates, in an effort to bring inflation down (see Figure UK3).

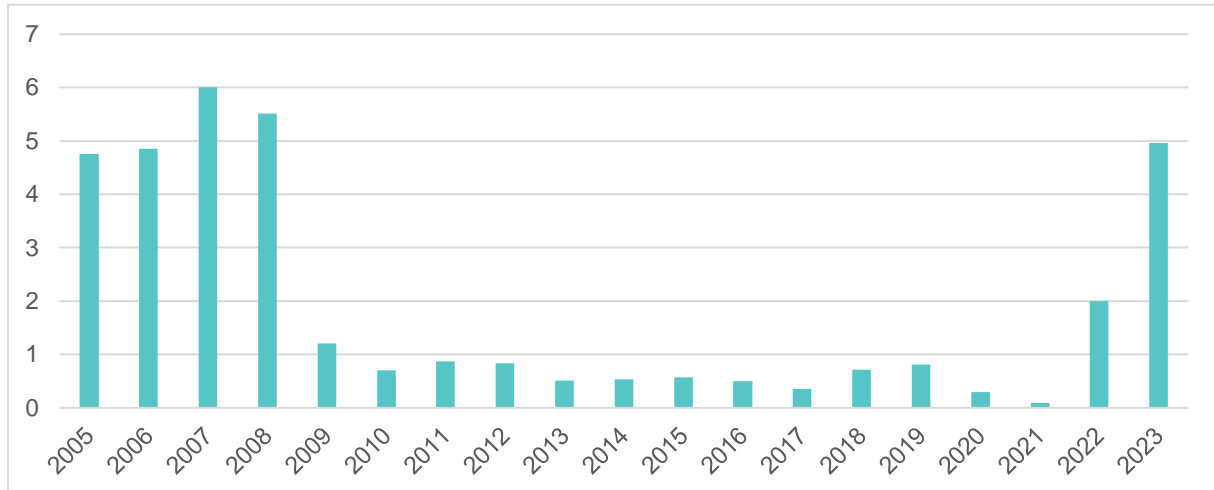


Figure UK3: Short-term interest rates (% per annum). Source: compiled by authors, own elaboration based on data from OECD

Haskel (2023: 7)) Notes that ‘annual CPI inflation started to rise through 2021, starting the year at 0.7% and finishing at 5.4%. Notice that energy prices started to rise in 2021 Q2, well before the outbreak of the Ukraine war in 2022 Q1. Food prices started to rise materially in 2021 Q4 and rose strongly from 2022 Q2 and onwards’. He argues that while UK inflation ‘disappears quickly with a typical shock’, the recent period has been characterised by a ‘concentration of shocks’, which has implications for the ability to recover during the most recent period (ibid: 14).

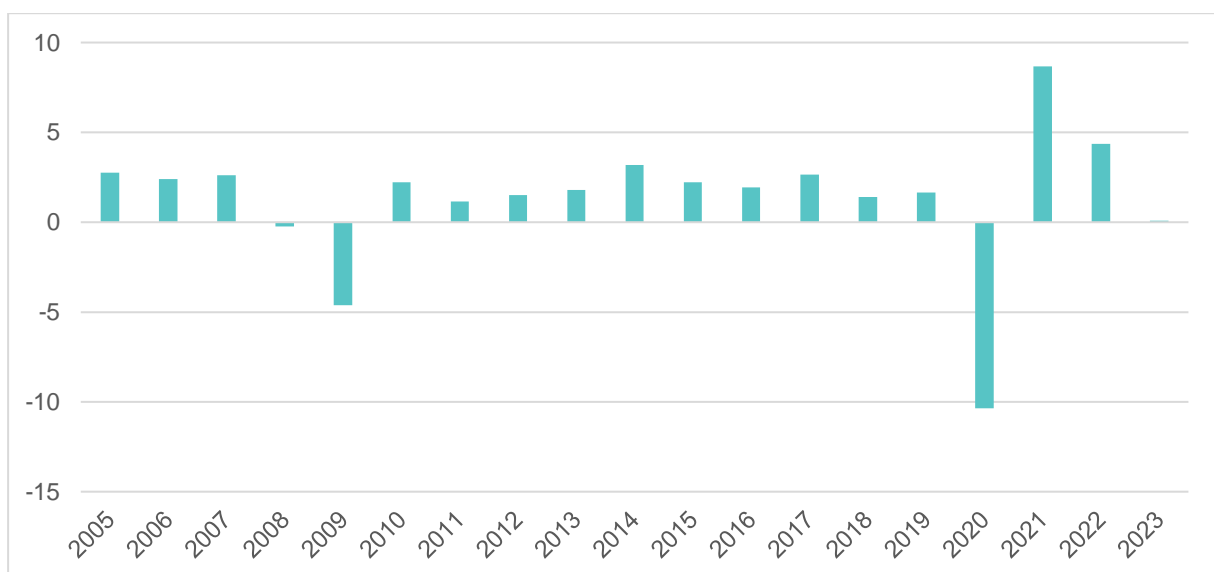


Figure UK4: GDP growth (annual %). Source: compiled by authors, own elaboration based on data from DATABANK

In a context where GDP growth has not been straightforward (see Figure UK4) and incomes have not increased in real terms (see Figure UK11), rising inflation can mean that a greater proportion of individuals' disposable income will need to be spent on living costs, leaving less income available for saving. In addition, for individuals who are renting, and for whom rent has also been becoming increasingly expensive during this period (see Figure UK30), saving will be additionally difficult during this period. Finally, higher interest rates (aimed at reducing inflation) make borrowing for mortgages more expensive.

These recent trends intersect with housing inequality, since both borrowing and saving for a deposit are necessary for house purchase, particularly for those without inherited wealth. This means that it will have become progressively harder for new entrants to enter the mortgage market, particularly younger individuals or those without inherited wealth. This therefore intersects with falling rates of home ownership amongst certain groups (see section on 'late-homeownership', below). In a country with a residualised public housing stock and wealth accruing disproportionately to homeowners over renters, these trends can reinforce housing-based inequalities.

GDP and public sector debt in the context of consecutive crises

The UK public sector comprises general government (both central and local government) and public corporations (publicly controlled enterprises, such as the Post Office, or financial public corporations such as public sector funded pension schemes and the Bank of England). Public sector debt represents the money owed by these institutions to private sector organisations and foreign governments at any given moment.

The ONS (2024) recently explored the effects of the economy on the debt accruing to the public sector. Reporting different figures to those shown in Figure UK5, the ONS stated that 'Public sector net debt excluding the public sector banks (PSND ex), often referred to as the "national debt", was 98.3% of GDP at the end of the financial year 2023 to 2024; [marking] a notable increase of more than 60 percentage points over the last two decades.'



Figure UK5: Public Sector Debt in - Q4 (% of GDP). Source: compiled by authors, own elaboration based on data from OECD

This increase in national debt reflects the growing gap between the public sector's levels of investment/spending, and its receipts (largely from taxation). Thus, the borrowing required to fund the day-to-day activities of government has grown significantly in recent years. As the ONS (2024) state, this has been caused by a series of negative economic shocks (or crises): '(the global financial crisis (2007 to 2008), the coronavirus (COVID-19) pandemic (2020 to 2021) and the energy price crisis (2022 to 2023))'.

These trends can intersect with housing inequalities in several ways. One argument is that as investors purchase more public debt, they become less likely to invest in private sector industries such as housebuilding. Another argument is that government budgets are devoted increasingly to paying interest on the growing debt, the government is less likely to devote public money to public housebuilding and housing programmes. These arguments can be used as a rationalisation for reducing public spending on public goods including housing, as the government struggles to reduce the debt-to-GDP ratio.

However, as Mazzucato and Ryan-Collins (2024: 1) argue, the level of public debt could be far less important than how that debt is being used, for the productivity of the economy and the inclusivity and sustainability of any growth. They write that 'it is critical to understand that government spending can take the form of investments in the long-range drivers of productivity and growth [...] Investment-led sustainable and inclusive economic growth can expand the productive capacity of the economy, which can in turn contribute to a fall in the debt-to-GDP ratio.'

1.1.2 Socio-economic and Demographic Trends

Population trends

Total UK population stands at 68,265,200 as of 2023 (ONS 2023b). It has risen by around 10,000,000 since 1990, and has been rising at an increasing rate but one that has been slowing in recent years, as shown by the total population growth trend. This drop could be linked to Brexit but further investigation would be needed to understand its causes.



Figure UK6: Total population. Source: compiled by authors, own elaboration based on data from OECD

An ageing population

The proportion of the population aged 65 years or over has risen in the UK, particularly since 2007. Further to this, those aged 65 and over are projected to make up 26% of the total population by 2041 (ONS, 2018).

The ageing population in the UK has featured in housing policy discourse and discussions about the housing crisis in the last decade. Some have suggested that older people are ‘under-occupying’ large family homes, and argue that this puts pressure on the supply of family housing, making it harder for young families to find suitable accommodation (see Burgess and Quinio 2020 for several examples of this narrative). Those who engage in this line of thinking have proposed a policy solution that older people should be encouraged to ‘downsize’ to smaller accommodation (Park & Ziegler, 2016). This suggestion has been discredited as oversimplistic however (Burgess and Quinio 2020), notwithstanding the fact that their proposed solution is easily undermined by a lack of realistic alternatives for older people, including specialist housing options (such as retirement homes and villages). As Burgess and Quinio (2020) observe, there is also a concurrent but contradictory policy narrative suggesting that given the lack of funding or finance for specialist options in the UK, older people should be encouraged to ‘age in place’, remaining in their own homes for longer and supported by the provision of care in the community.

These various narratives put older people's occupancy at the centre of discussions around 'the housing crisis', but often fail to consider the contextual options, motivations and incentives faced by older people themselves (Brugess and Quinio 2020). Any discussion of housing inequality in the UK should therefore also consider the options available for older people, whether these are the provision of specialist housing options, or the ability to remain living in their own homes for longer.

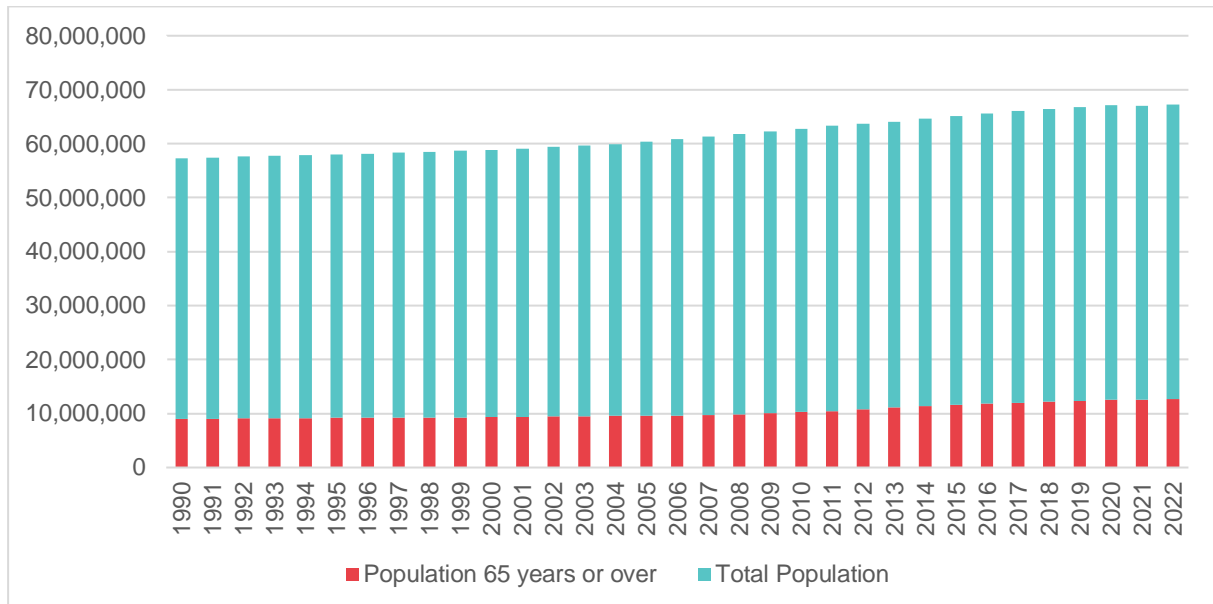


Figure UK7: Share of population 65 years or over (% of population). Source: compiled by authors, own elaboration based on data from OECD

Immigration

Immigration to the UK has risen since 1995, from around 150,000 in 1995, to around 500,000 in 2019 (see Figure UK8). Outflows of foreign population have also risen since 1995, with a particular rise at the time of the 2008 financial crisis, and around the 2016 United Kingdom European Union membership referendum. Outflows of foreign population hover very loosely around half of the inflows of foreign population.

What this data does not show is the nationalities of immigrants to the UK and which countries they are arriving from (e.g. high-, middle-, or low-income countries), as well as the nationalities and destinations of those leaving the UK. This data also misses out in-out mobility flows like transnational migratory networks. This lack of detail prevents us from understanding the motivations and points of causality driving migration flows. For example, it seems that students cover a significant proportion of in-out migration. It will therefore be difficult to understand how migration statistics relate to the experience of immigrants in relation to housing inequalities (e.g. those unable to afford to stay in the UK). See also Hall et al (2024) and Sumption et al (2024).

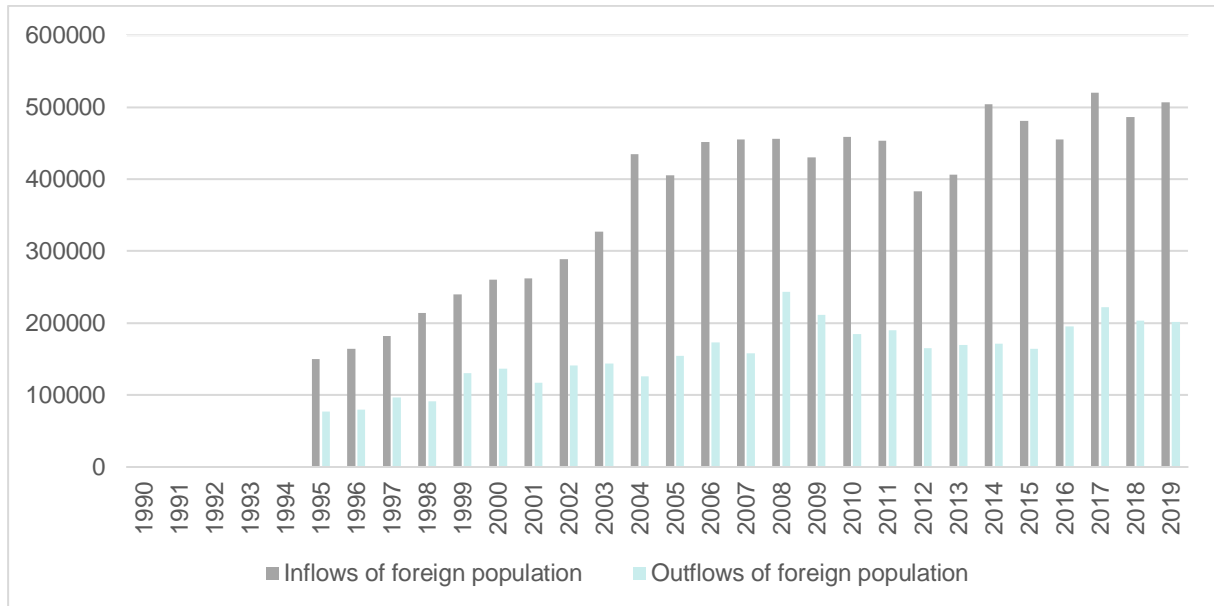
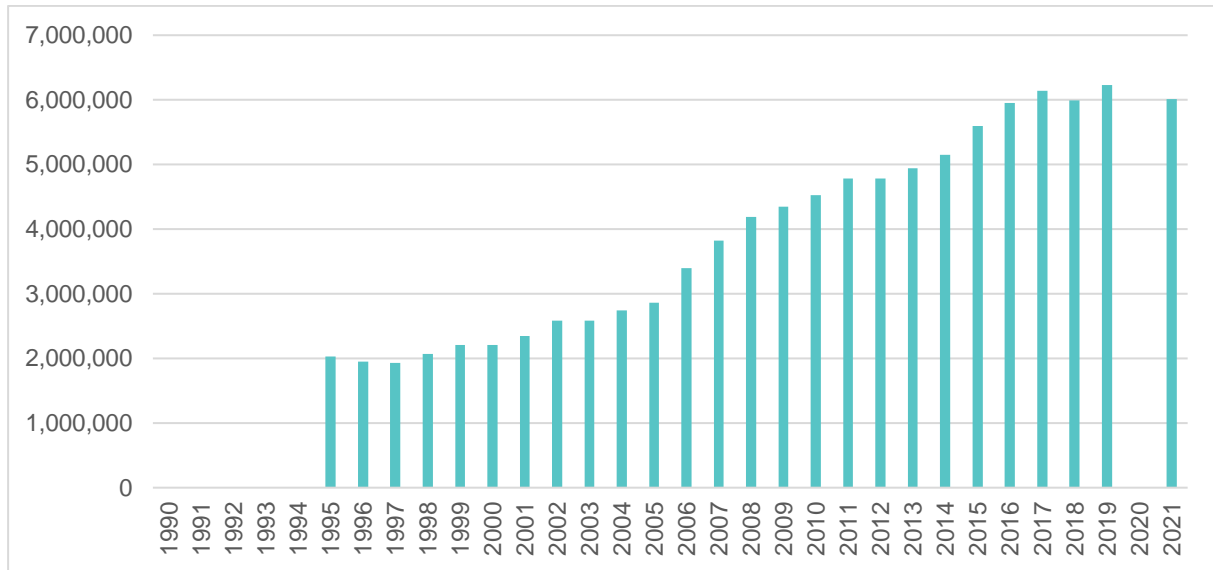


Figure UK8: Inflows and outflows of foreign population. Source: compiled by authors, own elaboration based on data from OECD

Inflows of asylum seekers peaked in 2002, falling to their lowest point in 2010, and have since been rising steadily to around 55,000 in 2021.

This reflects some key dates relating to the so called European ‘migrant crisis’, starting with the Syrian refugee crisis in 2011, notwithstanding a slight dip in inflows of asylum seekers around the time of the 2016 United Kingdom European Union membership referendum.

In terms of housing, immigration is a political flashpoint in the UK (Williams 2024). One anti-immigration think tank has written that ‘mass-migration’ has ‘deepened the housing crisis’ (Migration Watch 2024) while others have argued that an additional 41% of the additional housing required in the UK can be attributed to net migration. These perspectives are often viewed as inflammatory, with other commentators noting a significant housing shortage and arguing that immigrants are simply used as a scapegoat for the nationalist right wing. Nevertheless, the impact of this narrative on the UK’s exit from the EU may have been significant.



UK9: Stocks of foreign population. Source: compiled by authors, own elaboration based on data from OECD



Figure UK10: Inflows of asylum seekers. Source: compiled by authors, own elaboration based on data from OECD

Work and social security

The general trend in wages is their rising since 1990 to 2019, when they stagnate slightly, but then show a significant increase. This wage growth broadly reflects inflation, (see Figure UK1), meaning that wages may not have increased in real terms.

In terms of housing inequalities, this is relevant when considering the rises in house prices and in rental costs during this period, meaning that housing has been becoming relatively more expensive, as time progresses. This has implications for intergenerational inequalities,

meaning that over time housing becomes less accessible to those with lower incomes, or without intergenerational wealth.

This data is based on averages, and what it does not show is how wages have changed for different social and occupational groups. Wages may have raised substantially for those with high and very high incomes, but stagnated for those on middle or low incomes. There is also no way to understand the impact of precarious or zero-hours contracts, which provide income but not in a consistent or sustainable way. This could mean that while average incomes have been rising, income inequality may have been rising. In particular, we are interested in wages for key workers (e.g. teachers, nurses and other public sector professionals working at the front line of public services), who have faced an increase in costs of living in recent years, and who may not be able to afford to remain living in cities like London where housing costs are high. There is a social and public interest in protecting key workers (alongside other low-income and vulnerable groups), meaning that data disaggregating wages over time by income levels and occupational groups would be useful for our analysis on housing inequalities.

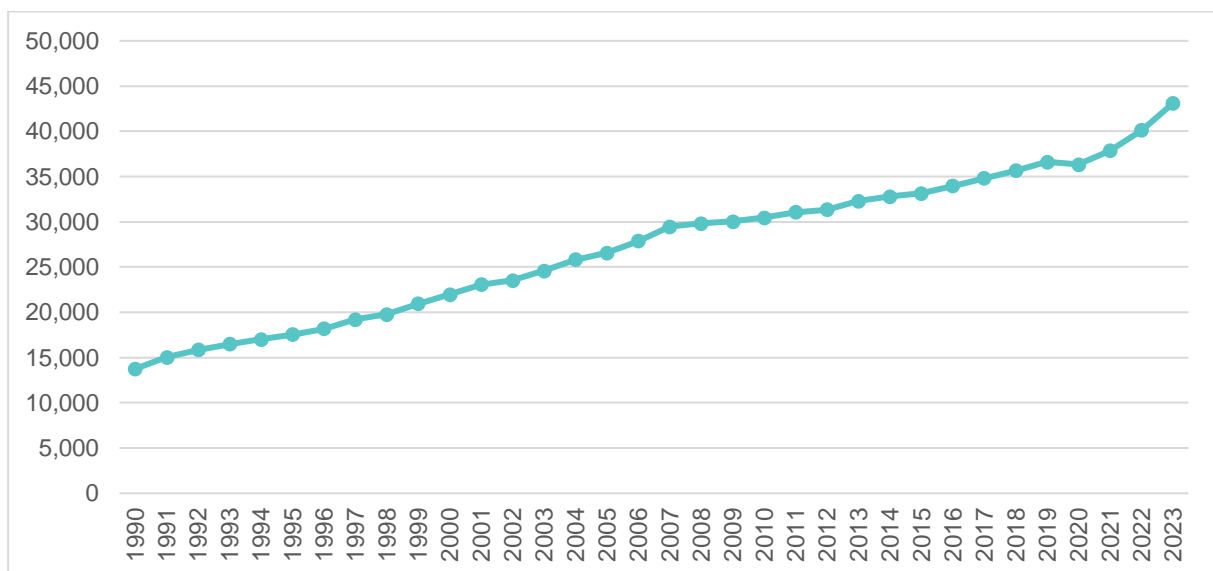


Figure UK11: Wages (in national currency 2022). Source: compiled by authors, own elaboration based on data from OECD

The proportion of people in poverty and income inequality has remained relatively stable between 2002 – 2021, ranging between 17 – 20% of the overall population. The general trend is for a decline in the proportion of people in poverty and income inequality, falling from around 20% in 2002, to around 18% in 2021. However, this decline has not been straightforward. Rates of people in poverty and income inequality have fluctuated, reaching a low in 2013, but rising and falling each year since 2016. This suggests that rates of poverty and income inequality are quite responsive, although further investigation is needed to assess exactly what these rates are responding to. Rates of poverty and income inequality start to fall after the 2008 global financial crisis, which may indicate a reduction in incomes at the very top, rather than a rise in incomes at the lower end of the spectrum.

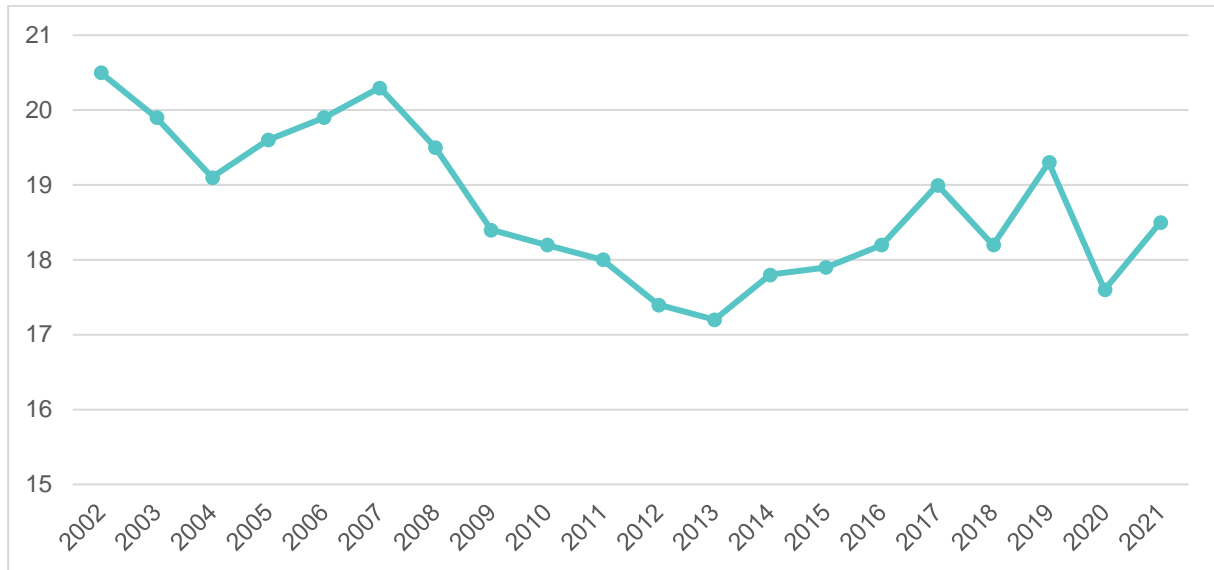


Figure UK12: Poverty and income inequality (% of population). Source: compiled by authors, own elaboration based on data from OECD

Figure UK13 shows that broadly, the unemployment rate has been falling since 1990, but that there were two large peaks in unemployment around the time of the last two economic recessions: 1990, and 2008. The unemployment caused by the 1990 recession was greater, but started falling faster, than in 2008. There was also a smaller peak in unemployment from 2019-2020, which can be attributed to the Covid-19 pandemic, and started falling in 2021. One limitation of this data is that it does not account for precarious and zero-hours contracts, which are classed as employment, but can leave individuals vulnerable to severe income and housing inequalities.

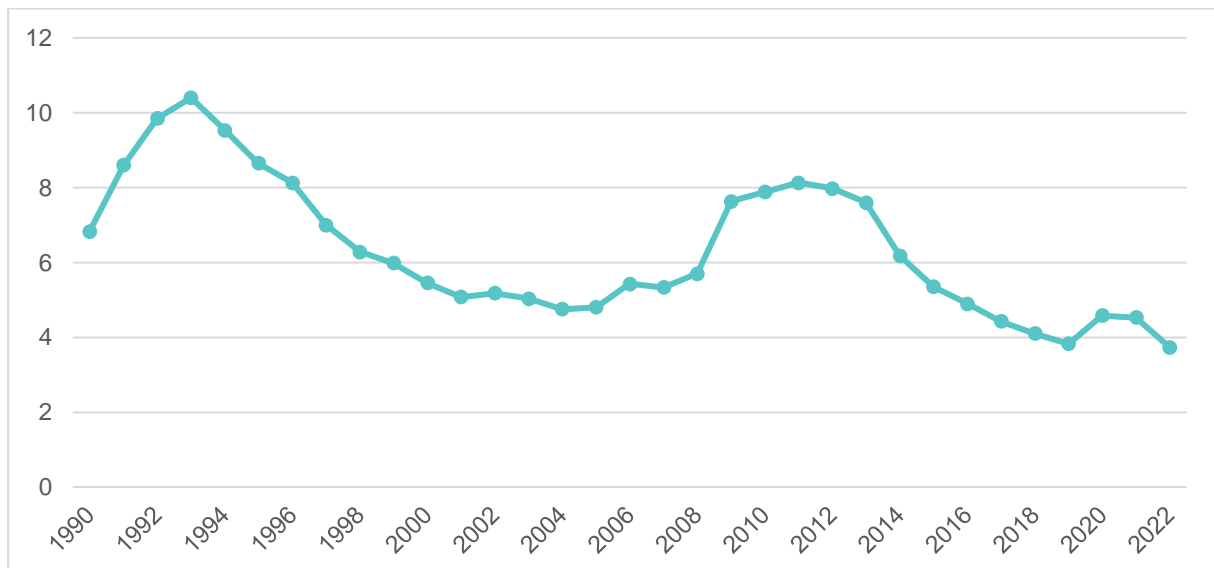


Figure UK13: Unemployment rate. Source: compiled by authors, own elaboration based on data from OECD

Government expenditure on social protection rose during these same periods of rising unemployment (see Figure UK14; this chart does not show figures for the 1990 recession since it starts in 2007). The peaks of government expenditure on social protection after the 2008 financial crisis and after the Covid-19 pandemic were at the same levels, around 17% of GDP, whereas the rise in unemployment was significantly smaller around the pandemic, which may illustrate the use of the furlough scheme to keep people in employment.

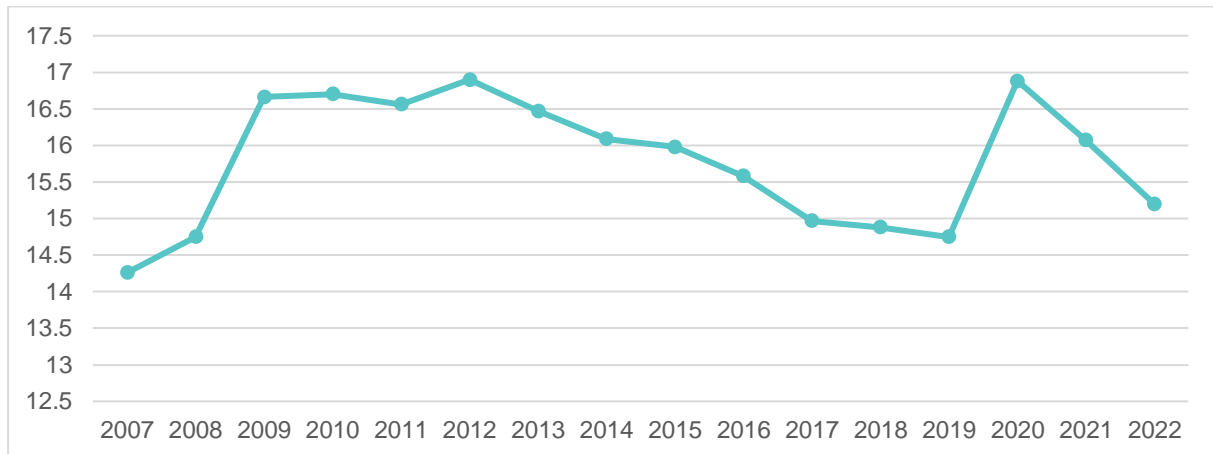


Figure UK14: Government expenditures on social protection (% of GDP). Source: compiled by authors, own elaboration based on data from OECD

1.1.3 Environmental and Energy Trends

The share of CO₂ emissions in the building sector remains relatively stable, despite some fluctuations reaches two peaks, in 1985 and 1996 (see Figure UK15). The dip between these two dates, reaching a low in 1989 and 1990, may reflect the economic recession of this time, which could have impacted the scale of building within the UK, and the size of the building sector itself. Further analysis is required to determine how this data could be related to building materials, methods of construction, or wider building trends due to structural changes in the UK economy.

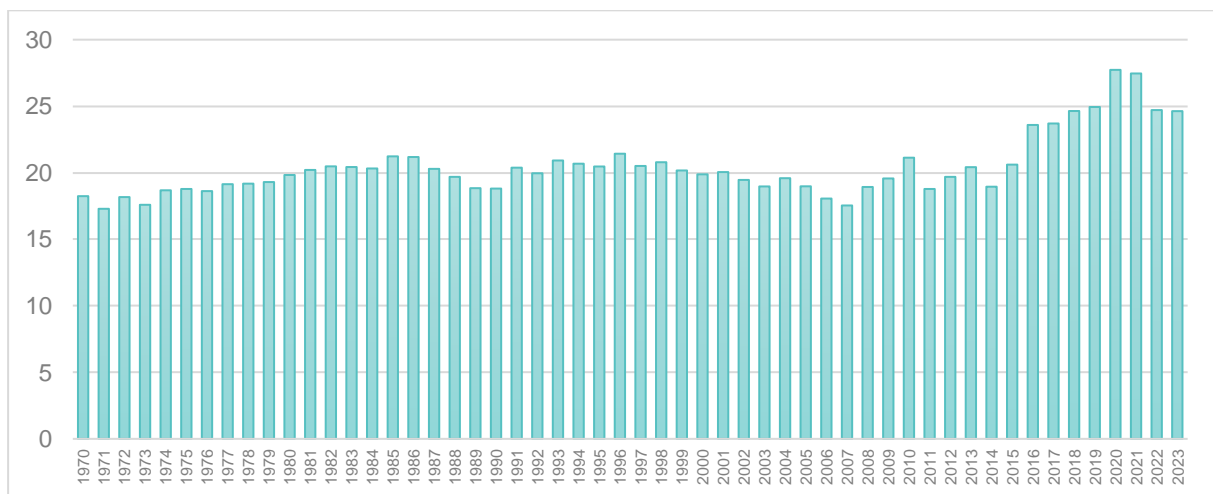


Figure UK15: The share of CO₂ emissions in the building sector at all (Mt CO₂eq/yr). Source: compiled by authors, own elaboration based on data from EDGAR

Figure UK16 illustrates the decline of solid fossil fuels, as well as the emergence of renewables and biofuels, within the overall energy balance since 1990 (although one does not replace the other in quantitative terms). This chart also illustrates the emergence of heat (e.g. heat pumps). Nevertheless, these three sources of energy make up a tiny fraction of the complete energy balance, so while these trends are going in the 'right' direction in terms of sustainability, they are not greatly significant to the overall picture of the energy balance.

The use of natural gas, oil and petroleum products, and electricity have remained relatively stable since 1990, and make up the largest part of complete energy balances: around 95% of the overall balance. Natural gas is by far the largest part of this, at around 70% of the balance, and showing little decline in use since 1990.

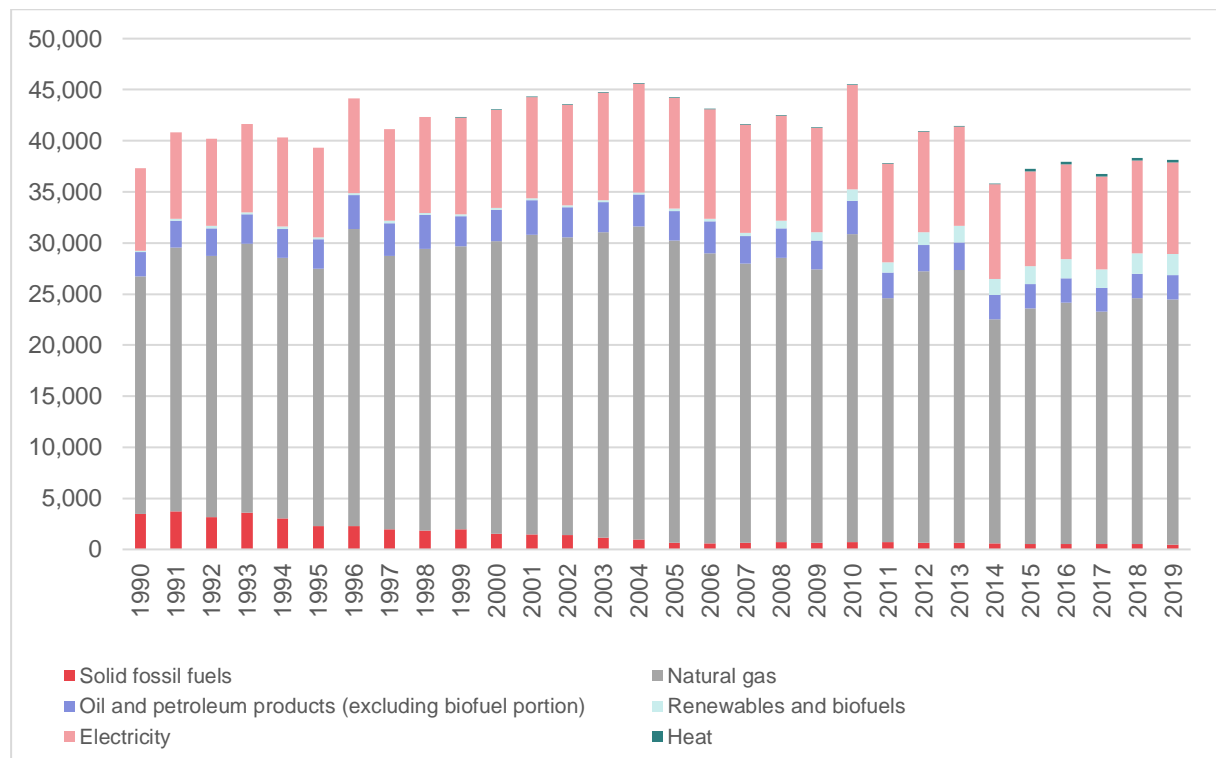


Figure UK16: Complete energy balances, thousand tonnes of oil equivalent. Source: compiled by authors, own elaboration based on data from Eurostat

Since 2010 the household consumption of space heating has declined, whereas consumption water heating, cooking, and lighting and electrical appliances remain constant. This could indicate that the demand for space heating is the most 'flexible' or 'elastic' component of energy consumption; further assessment is required to understand whether this is because of improvements in construction techniques, insulation or space heating technology, or other factors.

Space heating is also the largest part of household energy consumption; this may be because the building stock in the UK is quite old (see Figure UK20), and is known to be relatively inefficient in terms of insulation. Insulation has been targeted as one of the most straightforward ways to improve energy efficiency in the home, and so this may be another reason this aspect of household energy consumption has fallen relative to other aspects of energy consumption.

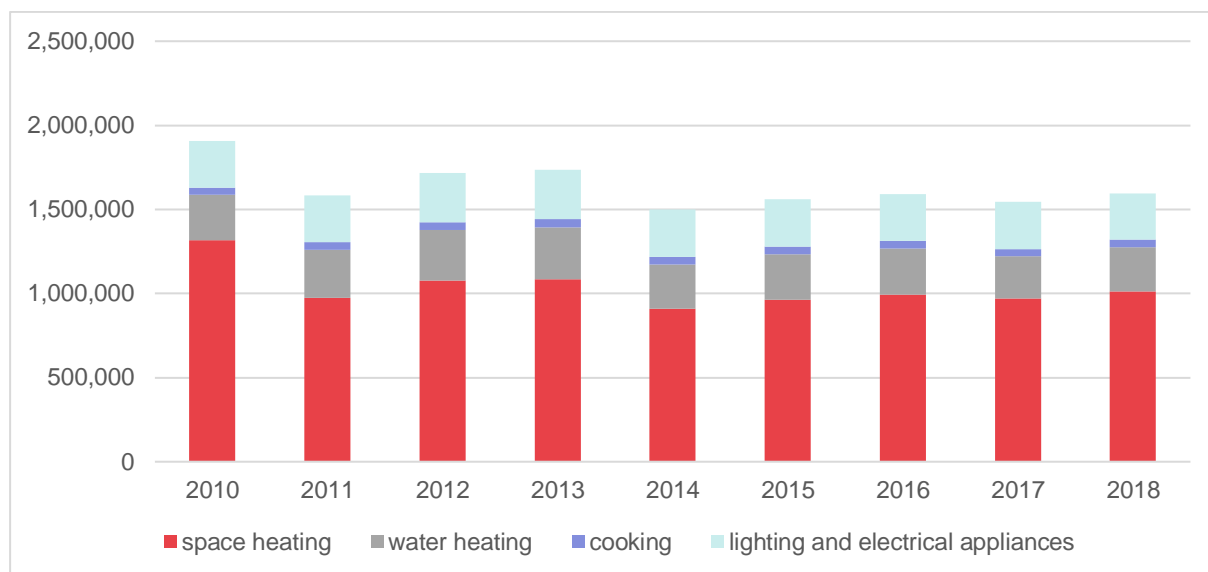


Figure UK17: Disaggregated final energy consumption in households - quantities, Terajoule. Source: compiled by authors, own elaboration based on data from Eurostat



Figure UK18: Electricity prices for household consumers - bi-annual data (from 2007 onwards). Source: compiled by authors, own elaboration based on data from Eurostat

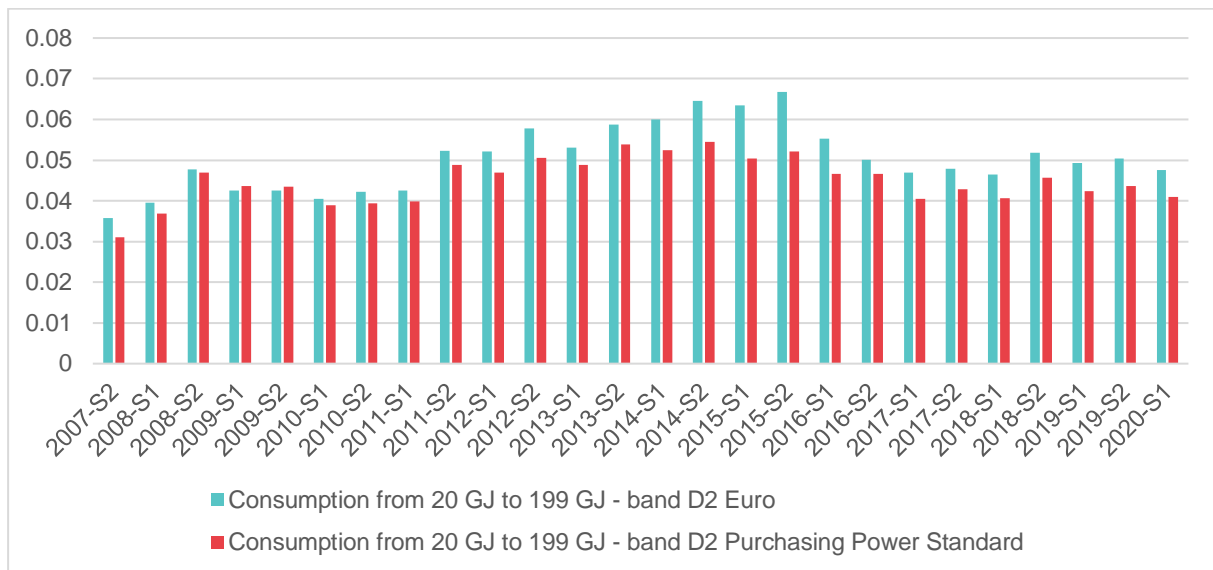


Figure UK19: Gas prices for household consumers. Source: compiled by authors, own elaboration based on data from Eurostat

Gas and electricity prices for household consumers show a similar trend, rising since 2010, and falling after 2015, with a more recent rise in electricity prices since 2017.

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

Age of Housing stock and share of new housing (housing constructed ten years prior to the observation date).

Figure UK20 shows that there is proportionally less newer housing relative to older housing, with the largest age category being pre-1919. This is perhaps unsurprising given that this represents the largest time period, and reflects the legacy of (pre)-industrial building in the UK.

Given that 1919-1945 represents only 2.5 decades, there is a relatively large proportion of the housing stock built during this period. During these decades, British governments placed a great emphasis on housebuilding through a 'tenure neutral' housing policy, which funded housebuilding for both private sale, private rent, and social rent. The housing policy priority during this period was to increase the supply of homes. More than half of the total housing stock (as of 2009) was built before 1960, with 53.07% built before 1961.

The period with the largest proportion of the housing stock is 1961-1970, which represents only 1 decade, and 13.97 % of the overall housing stock.

From this period onwards, the proportion of the housing stock built within each decade starts to decline consistently. This also aligns with a period during which increasing the supply of new housing fell off the housing policy agenda, with general needs subsidies for social housing

construction being withdrawn, and an emphasis on expanding the finance for the purchase of already existing market housing, rather than for the construction of new market housing.

Increasing the supply of new housing re-emerged as a policy priority after 2004, when Barker (2004, 2014) pointed towards a lack of housing supply as a cause for rising house prices, in her report to the government. This approach became consolidated in subsequent housing white papers, such as 'Fixing Our Broken Housing Market' (MHCLG 2017), which sets out the then government's plans to increase the supply of new homes.

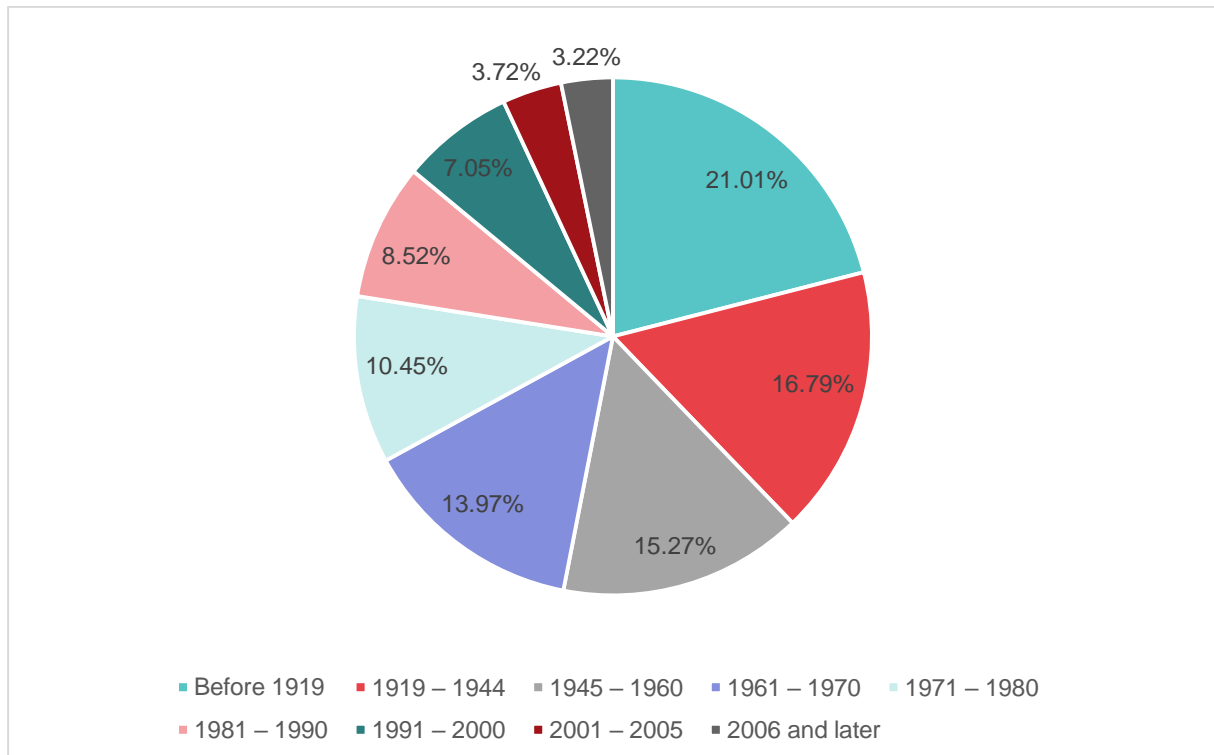


Figure UK20: Age of housing stock (2009 only). Source: compiled by authors, own elaboration based on data from CensusHub

Of course, since the data presented in Figure UK20 is only from 2009, it does not directly illustrate housebuilding during the decades covered, as some of the housing stock will have been demolished or destroyed in previous years. Nevertheless, it paints a broad picture of the amount of housing that was built during these decades.

UK21 relies on data that is only available for 2009, 2017, and 2021 (see Figure UK21). The number of dwellings built/ completed in these years rises in absolute terms (144,870 in 2017, 222,281 in 2017, and 232,816 in 2021), reflecting the renewed emphasis on supply in recent years.

In terms of housing inequality, the recent policy priority to increase the supply of housing has led to several specific policies that could worsen, rather than improve, inequalities on the ground. For example, in 2012 the government was under pressure to increase housing supply and commissioned a study into barriers to institutional investment into the rental sector in the UK (Montague 2012). The government commissioned the review in order to investigate

whether the rented sector could offer potential investment opportunities of interest to large-scale institutional investors (Montague 2012: 2) and to consider the potential for attracting such investment into new homes for private rent (Montague 2012: 5). The report concluded that investors (pension funds in particular) might benefit from synergies between rent rises in the private sector with their liabilities, and that residential investment might provide valuable diversification: “[...] overseas investors see the private rented sector as an inflation and currency hedge. The private rented sector also offers the advantage of multiple exit strategies, including break-up, aggregation, flotation, REIT status or sale to other investors” (Montague 2012).

The path of expanding the private rented sector (and institutional provision of private rental housing in particular) was chosen as a means of increasing the supply of and access to residential dwellings in the context of a stagnating home ownership market, since the rush of capital into assets after the 2008 financial crisis (and unconventional monetary policy) left owner-occupied dwellings beyond the reach of increasing numbers of individuals. This move can be seen as a component of the ‘late-homeownership’ period (, where the market for owner occupied housing became inaccessible to many. There have been concerns expressed about increasing the institutional provision of private rental housing (as an answer to increasing the supply of homes), and of the financialised nature of this market; these homes are often far from ‘affordable’, and may have become a kind of cul-de-sac for the so-called ‘generation rent’.

Other policies to increase the supply of housing units in the UK since 2004 include the extension of permitted development rights to conversion of office space to residential homes, something which can lead to poorer quality housing and undermine the ability of local authorities to capture value from housing development (Clifford et al 2020). These policies, and their ‘unintended consequences’, show that increasing the overall supply of new housing will not, by itself, be enough to make housing more affordable or to reduce housing inequalities.

Figure UK21: Total number of dwellings built/completed in the year (2009, 2017 and 2021 only)

Year	Total number of dwellings built/completed in the year	Total number of dwellings
2009	144,870	22,838,672
2017	222,281	24,213,477
2021	232,816	24,927,588

Source: compiled by authors, own elaboration based on data from OECD

Figure UK22 shows a significant increase in the number of household respondents in 2014 and 2018, which is separate from the issue of dwelling type. The relationship between different types of dwelling remains relatively stable between 2005 and 2018, suggesting that the housing mix in the UK has remained relatively stable, with no significant increase in any particular type of dwelling.

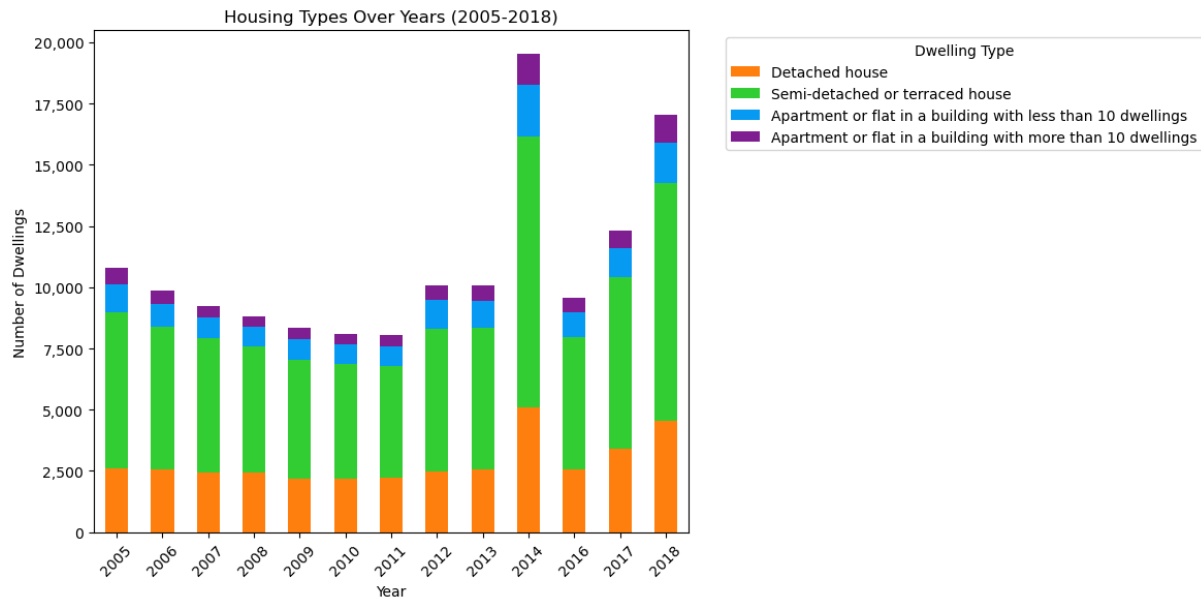


Figure UK 22: Dwelling type. Source: compiled by authors, own elaboration based on data from EU-SILC

What this data does now show is how housing segmentation is distributed according to different social groups and income levels, which might give a more nuanced picture of potential housing inequalities in the UK.

Tenure structure and its changes: Social vs. private

Since 2005 the proportion of owner occupiers in relation to renters in the UK has remained relatively stable, varying within 5%. Nevertheless, there is a distinct direction of change, with falling numbers of owner occupiers between 2008 and 2018. In 2005 there were 70% owner occupiers in relation to 30% renters. This number rose until 2007, reaching a peak of 73.3%. From 2008 onwards this number started to decline, falling to 69.9% in 2009, and eventually falling to a low of 63.40 in 2016, although there has been a slight resurgence in 2018, discussed below in reference to the period of 'late-homeownership' and the concentration of housing wealth in fewer hands.

When owner occupation is divided into those who own outright and those who own with a mortgage (see Figure UK25), we see that while the number of outright owners rose from 31.54% in 2010, to 39.31% in 2021, this was also a period during which mortgaged ownership was falling. This fall in mortgaged ownership may therefore account for any decline in numbers of owner occupiers between 2005 – 2018.

This recent decline in rates of mortgaged home ownership in the UK has been recognized by scholars and characterized by literature which refers to this period as 'late home ownership' (e.g. Forrest and Hirayama, 2015; Forrest and Hirayama, 2018; Forrest and Yip, 2013).

'Late home ownership' describes a condition of increasing housing inequality, characterized by a range of phenomena such as falling numbers of owner-occupiers overall, the rise of outright homeownership and increased multiple-property ownership. Essentially this means

that privately owned homes are owned by fewer people, leading to falling rates of overall ownership and the concentration of housing wealth. This restricts access to homeownership for lower-income or vulnerable groups and young adults, and means more people are renting, for longer (the so-called 'generation rent'). It has also been described as the decline of the so-called 'property-owning democracy' in the UK.

What this data does not show is how rates of outright ownership and mortgaged ownership corresponds to the distribution of different income groups and different ages, which would tell a more nuanced picture about the nature of 'late-homeownership' and how it affects the housing inequalities experienced by different groups.

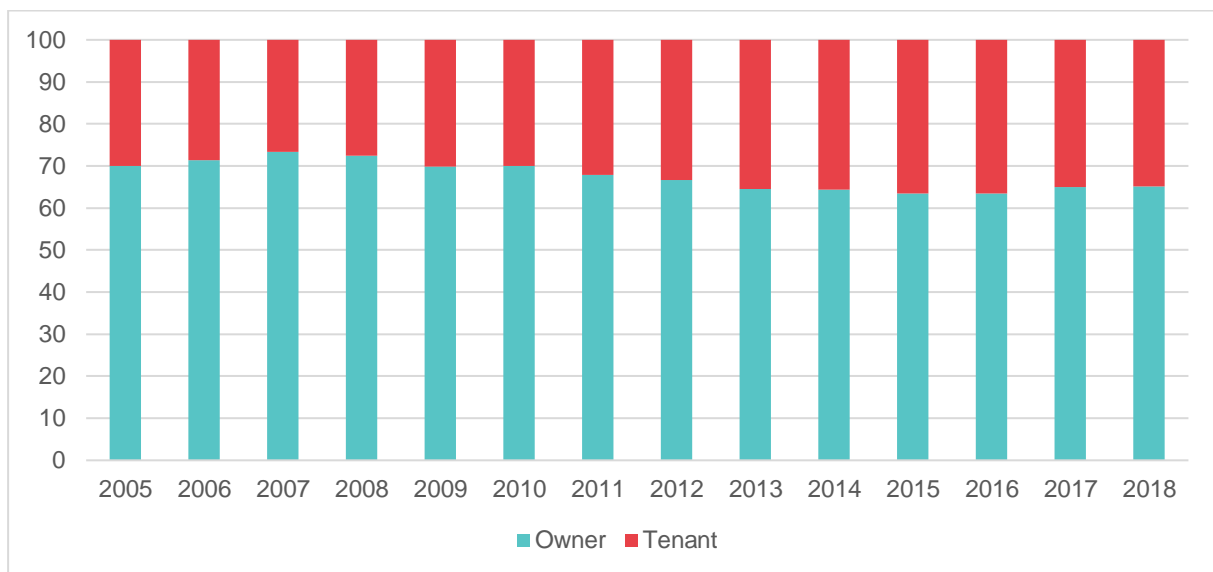


Figure UK23: Tenure structure and its changes: owner occupation vs renting (2005 – 2018).

Source: compiled by authors, own elaboration based on data from Eurostat; BFS

Despite falling rates of owner occupation during the early 2010s, we see from Figure UK26 that rates of owner occupation start to rise again and reach a peak in 2023. Figure UK25, which shows the tenure split of households until 2021, suggests that this rise in owner occupation may be a rise primarily in properties owned outright, rather than with a mortgage, and these owner occupied properties may therefore be owned by fewer individuals overall, indicating a concentration of housing wealth.

In terms of renting, the proportion of renters (both private and subsidized) in relation to ownership remained relatively stable until 2010, representing about one third of the population. At this point, the number of rental properties in relation to owner occupied properties started to rise. Within this share of properties for rent, those rented privately have grown the most.

These statistics indicate that while homeownership remains the dominant tenure and continues to rise, new entrants into owner occupation have been falling, reinforcing this period as one characterized by 'late home ownership'.

Another trend illustrated by Figure UK26 is the rise of properties rented from registered housing providers such as housing associations, and the decline of properties rented from local authorities, within the share of properties for social rent.

What this data does not show is rates of transfer from social rental housing to owner occupation due to the Right to Buy policy specifically, which are useful for contextualizing the UK case. The House of Lord Library report that over 100,000 council properties were sold each year after the 1980 Housing Act, which enabled local authority tenants to purchase their homes at a discounted rate (Eardley 2022). Between 1984 and 1988, these sales fell to between 70,000 and 100,000 each year, and then rose again between 1989 and 1990 to over 130,000 each year. Sales fell to between 70,000 and 100,000 a year for the following four financial years, from 1984 to 1988. During the 1990s, council housing sales hovered between 30,000 and 50,000 each year. These rose again to around 60,000 sales each year in the early 2000s, but fell due to the dissipation of demand, and in the last decade (2013-2023) have hovered between 10,000 and 13,500, with a low point in 2021 of around 7,000 (most likely due to the Covid-19 pandemic) (DLUHC 2024).

Despite the fall in sales, when compared with declining rates of local authority housing construction, this amounts to a significant transfer of social rental housing to owner occupation during this time, across England (UK government statistics on Right to Buy sales are available for England). The number of local authority residences completed fell below 100,000 each year for the first time in 1979, and by 1990 had reached around 18,000. This reached a low of under 1,000 on average during the 2000s, subsequently rising but staying below 5,000 between 2010 and 2018 (DLUHC 2019). Housing association construction has risen during this time, but far from close enough to act as a replacement for the loss of social rental properties. Between 1990 and 2018, the number of housing association residences completed has ranged between a low of around 17,500 per year, and a high of around 39,000 each year.

Showing changes in tenure status since 2005, Figure UK24 also shows us a proportional increase in the number of people renting at the prevailing market rate, in relation to rental accommodation provided at a reduced rate (there is a significant increase in the number of household respondents in 2014 and 2018, meaning a visual comparison between each year is not straightforward, but some proportions can be determined). As younger people find that house prices make saving for a mortgage more difficult, and as social and affordable rental housing becomes increasingly residualised, these younger individuals move in the private rental sector. ONS data shows that the size of the private rented sector has increased substantially, with the number of households living in private rental accommodation rising by 63% between 2007 and 2017 (Eardley 2022). The growth of the private rental sector has also been supported by the sale of council properties, with Data from 111 local authorities in England showing that in 2017, 40% of former council homes had moved from owner occupation to the private rented sector (Eardley 2022).

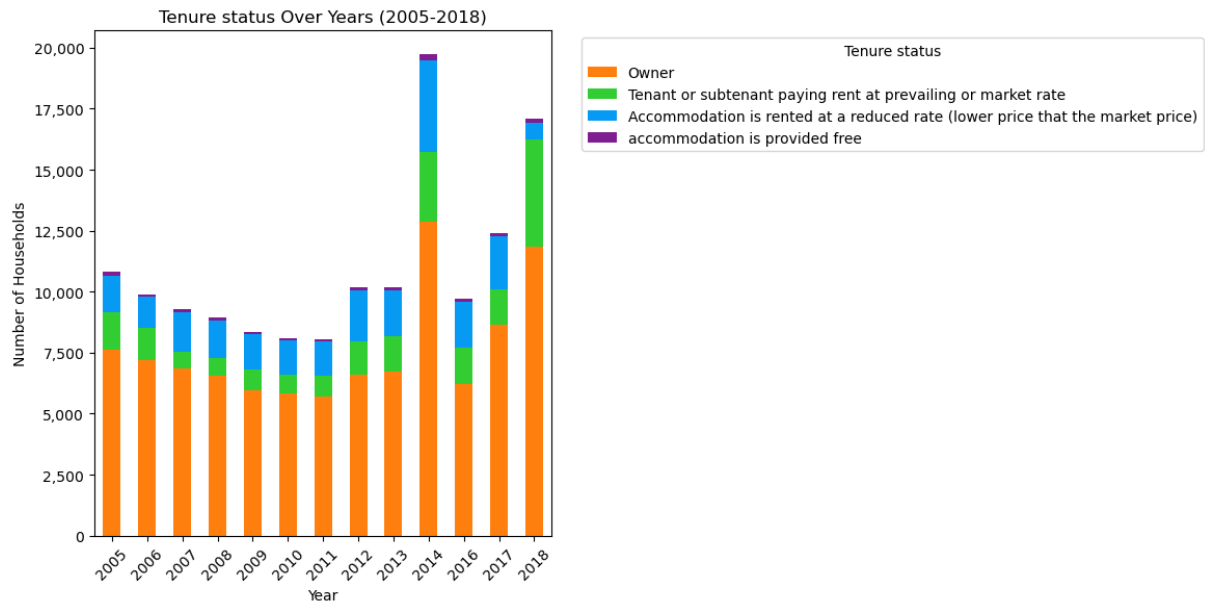


Figure UK24: Tenure status. Source: compiled by authors, own elaboration based on data from EU-SILC

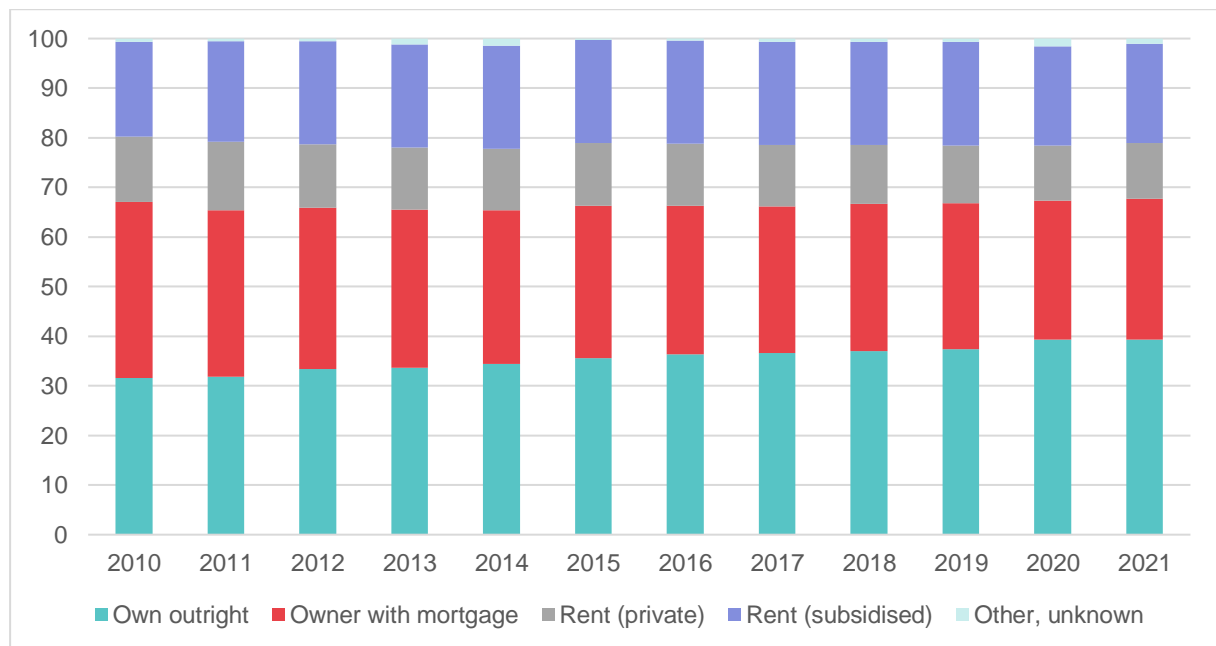


Figure UK25: Share of households in different tenure types (%) (2010 – 2021). Source: compiled by authors, own elaboration based on data from OECD

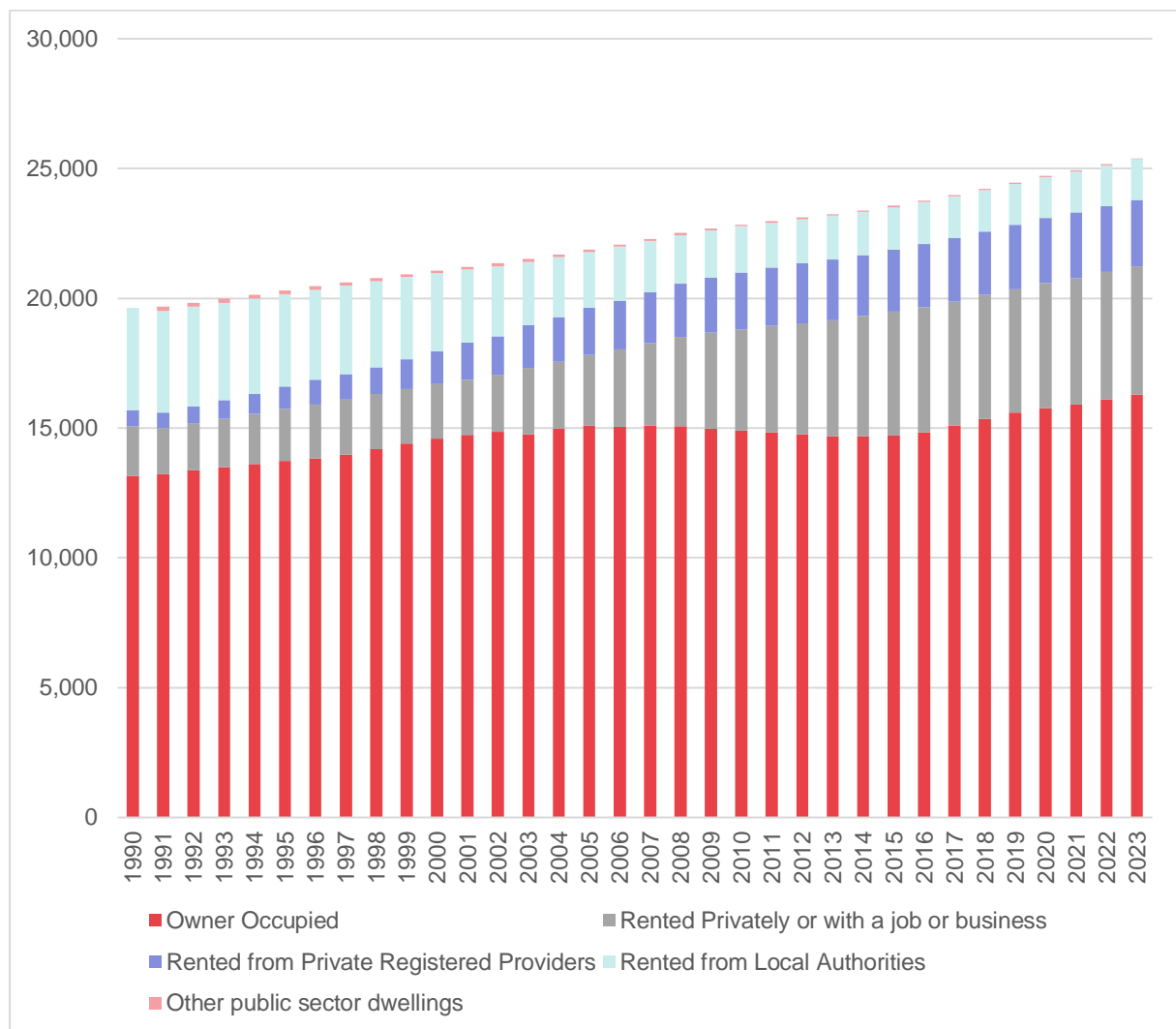


Figure UK26: Dwelling stock: by tenure, England (historical series) (in thousands) (1990 – 2023).
Source: compiled by authors, own elaboration based on data from UK Government

1.2.2 Housing Prices and Policy Expenditures

Housing Prices and their Development

Figure UK27 suggests that between 2005 – 2018, median housing costs stayed relatively stable, hovering between £450 and £500. The outlying years are 2012 and 2013, in which median total housing costs dropped to £350. As with Figure UK48, this dip in the financial burden of housing costs could represent the cuts to interest rates made in 2009 (reduced to 0.5%), which will have had a delayed effect on homeowners as they renewed their mortgages.

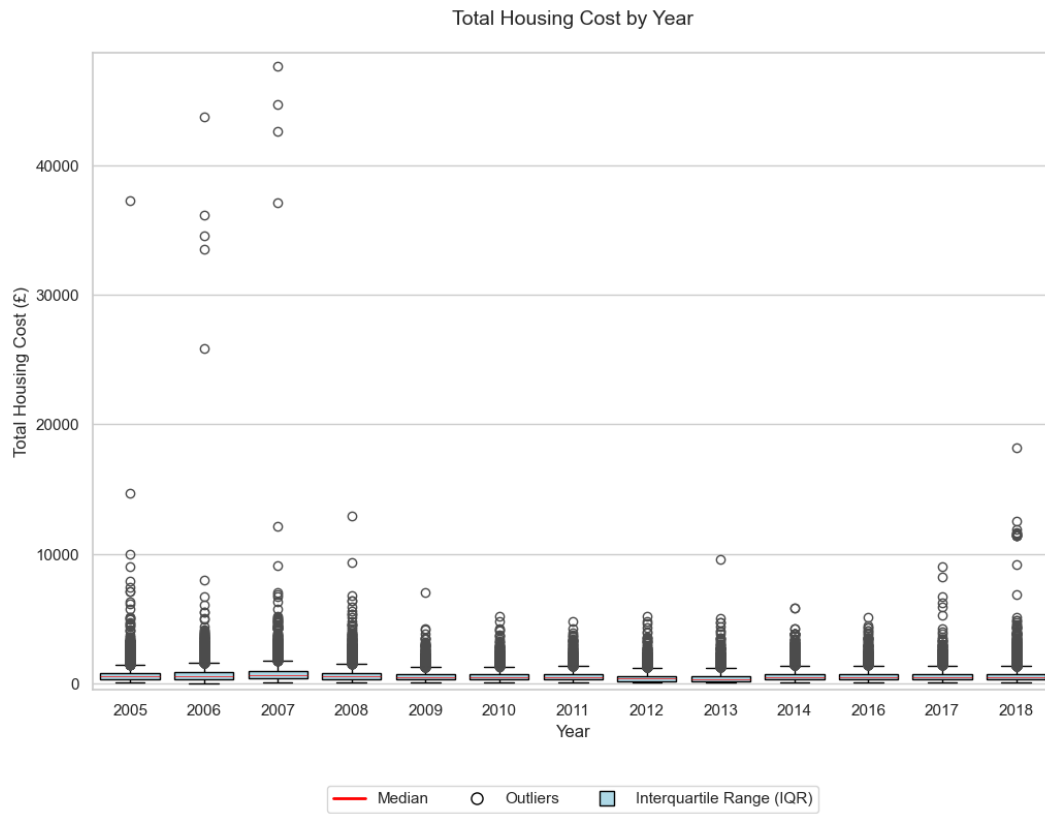


Figure UK27: Housing Cost. Source: compiled by authors, own elaboration based on data from EU-SILC

Note: The first boxplot includes all data for house prices between 2005-2018, showing the full distribution but with numerous outliers. Therefore, we have created a second boxplot that includes only data within the 85% quantile, making the chart more representative and accurately reflecting the distribution of the main data.

Figure UK28 shows that average house prices have risen continuously since 1990, with a dip in 2008 after the financial crash. There was also some small fluctuation in 2021, affected by the uncertainty caused by the multiple crises referenced in the introduction to this report. Nevertheless the general trend is that house prices have risen consistently, with an average of just around £60,000 in 1990, and an average of around £300,000 in 2024. When adjusted for inflation (see Figure UK31), we see the trend in house price change rising from an average of £160,000 in 1990, to an average of around £300,000 in 2024, maintaining a notable rise in the cost of houses for owner occupation.

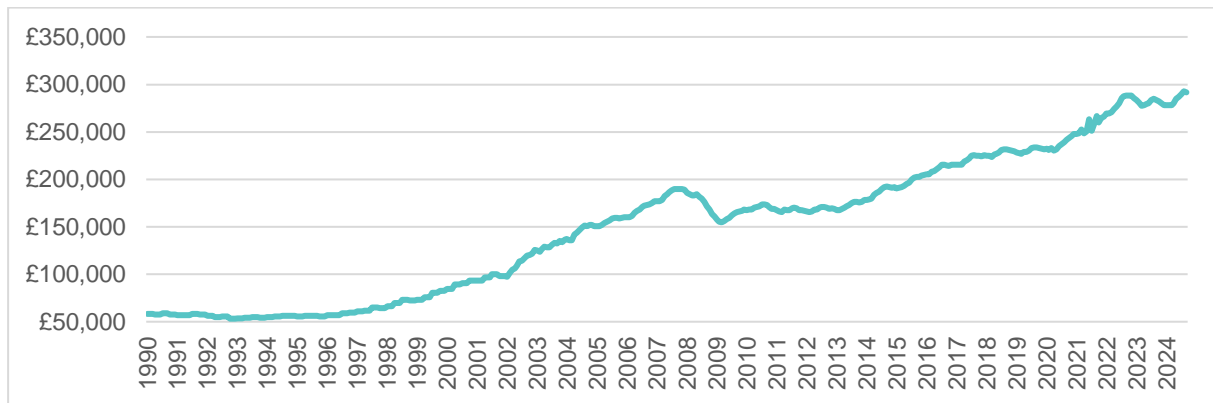


Figure UK28: UK Average price by all property types from 1990 to 2024. Source: compiled by authors, own elaboration based on data from House Price Statistics - UK House Price Index: (1990-2024)

Figure UK29 shows that median disposable household income remained relatively stable between 2005 – 2018, at around £28-30,000 per year, although there was a dip between 2009 - 2013, during which median disposable income dropped to around £27-28,000 per year. This relates to the 2008 financial crisis, during these years the outlying figures for total disposable income also dropped.

While disposable income has remained relatively stable, this means that incomes have been falling in real terms, as indicated in Figures UK1, UK2, UK3, and UK11. This could have an impact on housing inequalities, especially given that housing costs were rising during this time [see section 2.2 Housing prices and their development: to be completed with Land Registry Data, as well as longitudinal data on housing costs in London and other regions of England, from the ONS (2023)].

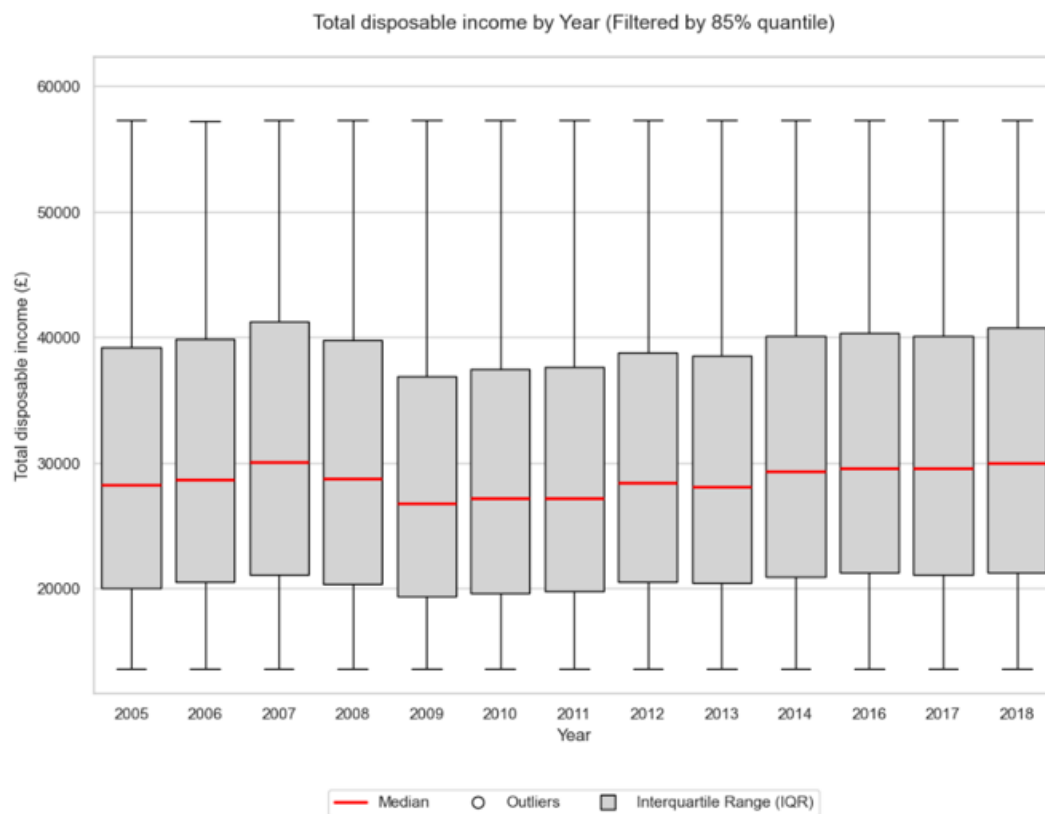
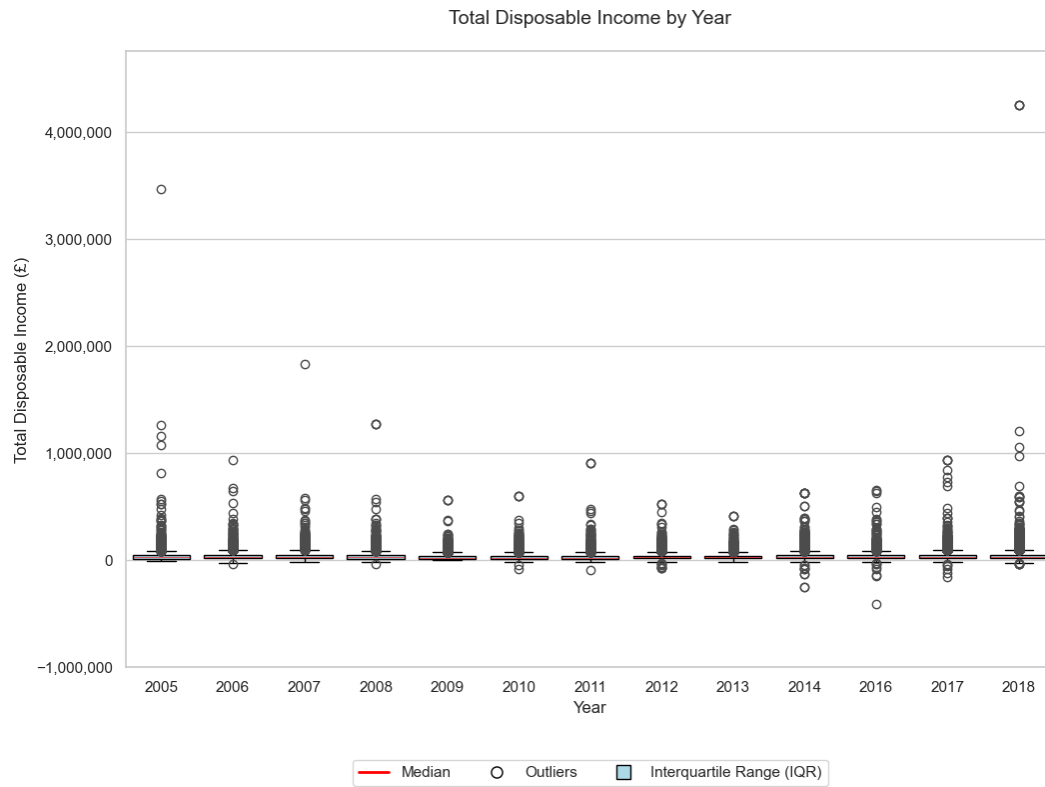
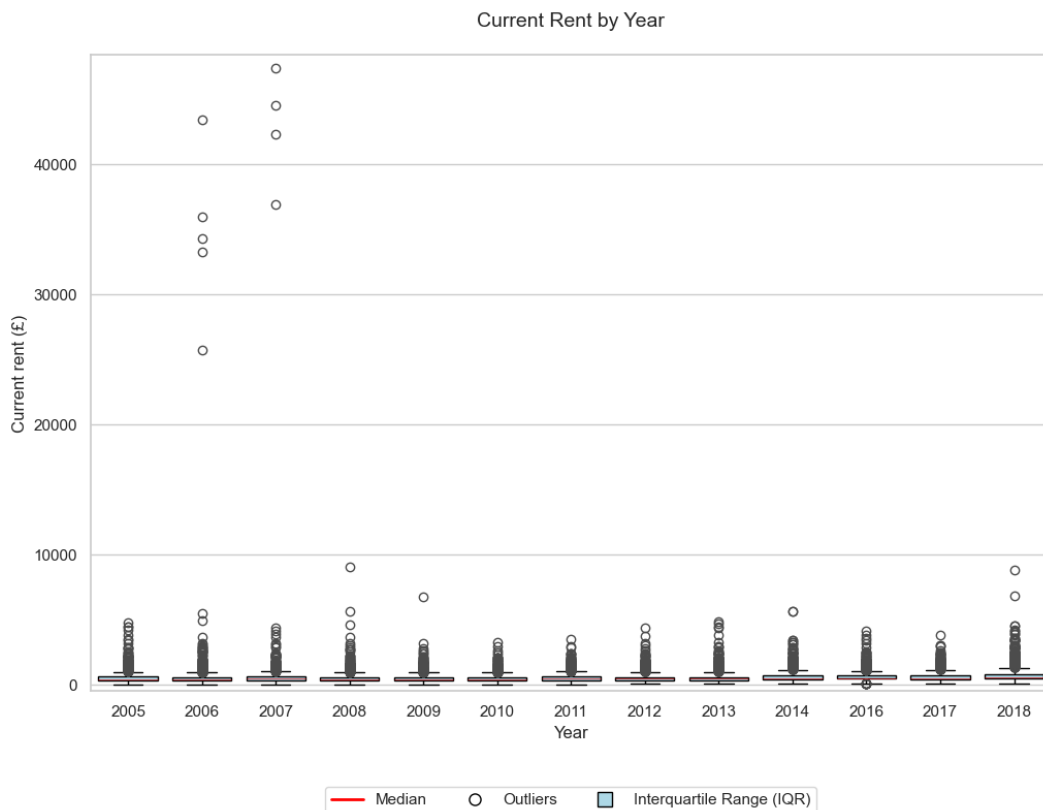


Figure UK29: Disposable Household Income; (based on EU-SILC variable HY020 Total Disposable Household Income since 2004). Source: compiled by authors, own elaboration based on data from EU-SILC

Note: The first boxplot includes all data for total disposable income between 2005-2018, showing the full distribution but with numerous outliers. Therefore, we have created a second boxplot that includes only data within the 85% quantile, making the chart more representative and accurately reflecting the distribution of the main data.

Figure UK30 shows that median rents have been rising, from £400 in 2005, to £500 in 2018 [Question: is this per week per household?]. Given that disposable income has remained relatively stable (see Figure UK29) and incomes have been falling in real terms (see Figure UK11), this implies that renters have been spending an increasing proportion of their income on housing over time, pointing towards a particular housing inequality for renters over owner occupiers.



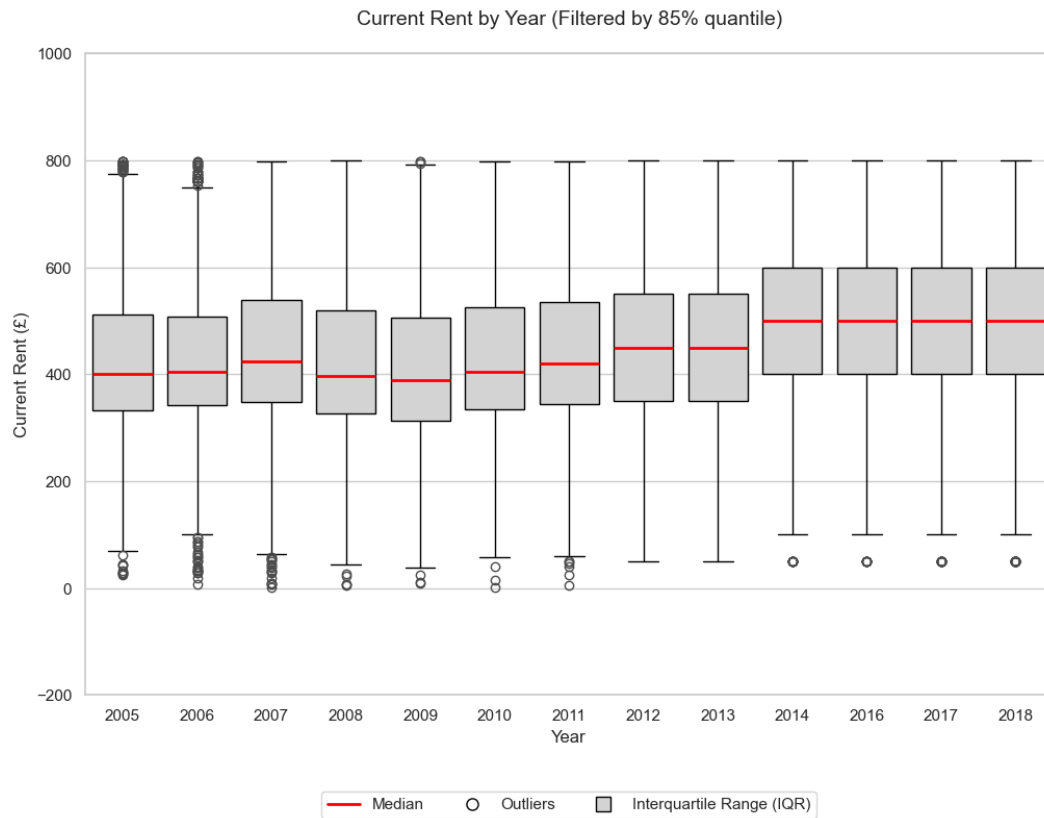


Figure UK30: Current Rent (EU-SILC variable HH060 – since 2004). Source: compiled by authors, own elaboration based on data from EU-SILC

Note: The first boxplot includes all data for current rent paid between 2005-2018, showing the full distribution but with numerous outliers. Therefore, we have created a second boxplot that includes only data within the 85% quantile, making the chart more representative and accurately reflecting the distribution of the main data.

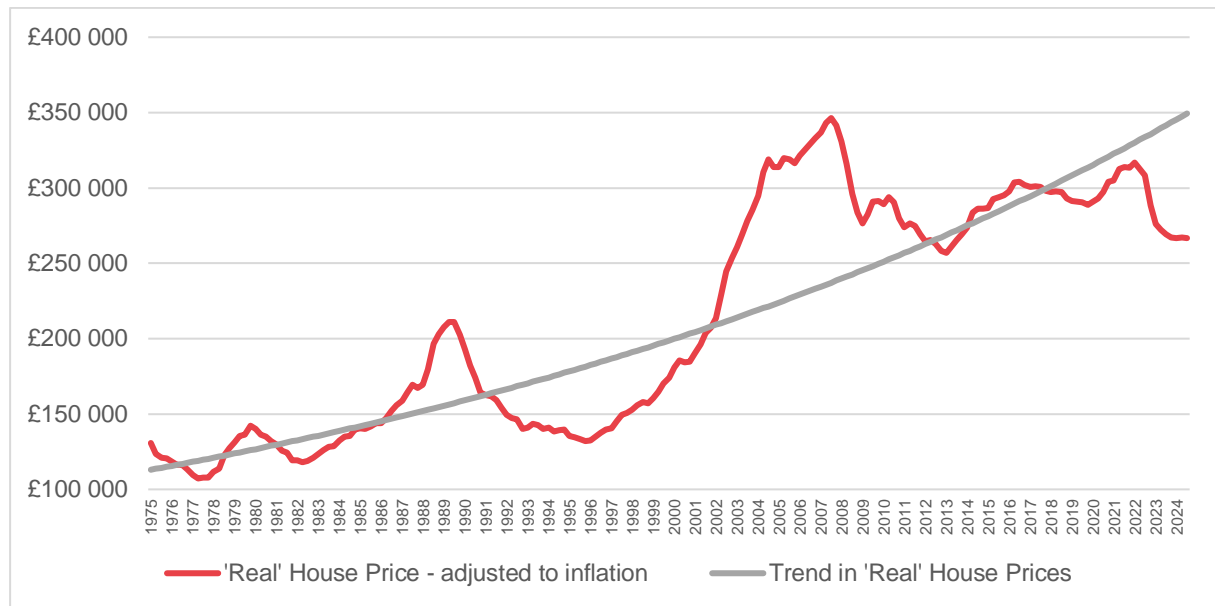


Figure UK31: UK Real House Price (adjusted to inflation) from 1975 to 2024. Source: compiled by authors, own elaboration based on data from Nationwide House Price Index

Figure UK32 shows that the average monthly rent for England has risen from just below £700 per month in 2008/9, to £1000 in 2022/23. The only year that rents fell, albeit slightly, was after 2019, which may be attributed to the Covid-19 pandemic. Since their recovery in 2020/21, rents rose particularly sharply, from £850 per month to £1000 per month.

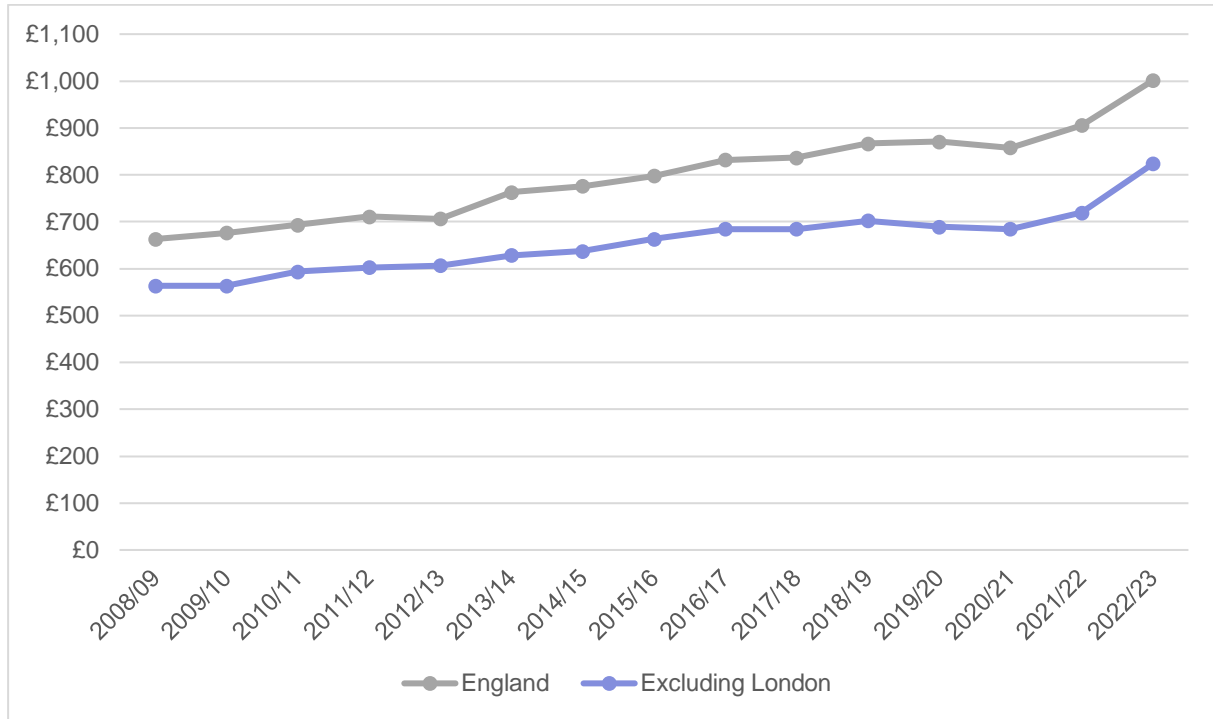


Figure UK32: England: Average monthly rent of private renters from 2009 to 2023. Source: compiled by authors, own elaboration based on data from Department for Communities and Local Government (UK)

Government Expenditures on housing (housing allowances and brick and mortar subsidies, % of GDP, COFOG)

Figure UK33 shows a steadily decreasing proportion of government expenditure on housebuilding since 1995. In the years 1995 until 2010, the percentage of total government expenditure used towards housing development hovered between 0.75 and 1.50, moving downwards at the turn of the century, and returning to above 1.00 in the mid-2000s. After 2010, the percentage of total expenses used towards housing development fell overall and did not rise above 1.00. Since 2013 this figure did not rise above 0.70 %.

2010 was the year of a general election and saw the Conservative-Liberal Democrat coalition gain power, and almost immediately launch a programme of 'austerity policies' to reduce the UK's budget deficit. This could indicate the reason for reduced government expenditure on housebuilding from this date onwards.

Figure UK 33: General Government Expenditures on housing (consolidated) (% of total expenses) (data only available for 1995 – 2022)

Year	General Government Expenditures on housing (consolidated) (% of total expenses)		
	Housing development (GF0601)	Community development (GF0602)	Housing (GF1006)
1995	1.21	0.97	3.99
1996	1.45	0.81	4.00
1997	1.15	0.94	3.95
1998	1.08	0.97	3.79
1999	1.00	0.79	3.59
2000	0.73	0.70	3.25
2001	0.89	0.94	2.93
2002	0.85	0.88	2.92
2003	1.17	1.02	2.65
2004	0.96	1.11	2.53
2005	0.97	1.30	2.47
2006	0.94	1.45	2.51
2007	1.15	1.46	2.52
2008	1.08	1.18	2.44
2009	1.51	1.20	2.71
2010	1.22	1.06	2.87
2011	0.96	0.89	3.01
2012	0.79	0.72	3.07
2013	0.54	0.68	3.13
2014	0.46	0.72	3.06
2015	0.58	0.74	3.00
2016	0.44	0.74	2.87
2017	0.58	0.78	2.65
2018	0.55	0.80	2.45
2019	0.67	0.89	2.08
2020	0.45	0.73	1.63
2021	0.56	0.81	1.60
2022	0.54	0.85	1.32

Source: compiled by authors, own elaboration based on data from OECD

Arrears on Payments

Between 2005 and 2018, mortgage arrears in the UK seem to be high, hovering between 4-6%. There is missing data for 2008-2010, a period in which mortgage arrears may have gone up even higher due to the 2008 financial crisis.

More recently, mortgage arrears in the UK have been reported as low, at 1.10% of homeowner mortgages and 0.69% of BTL mortgages in 2024 (UKFinance 2024).

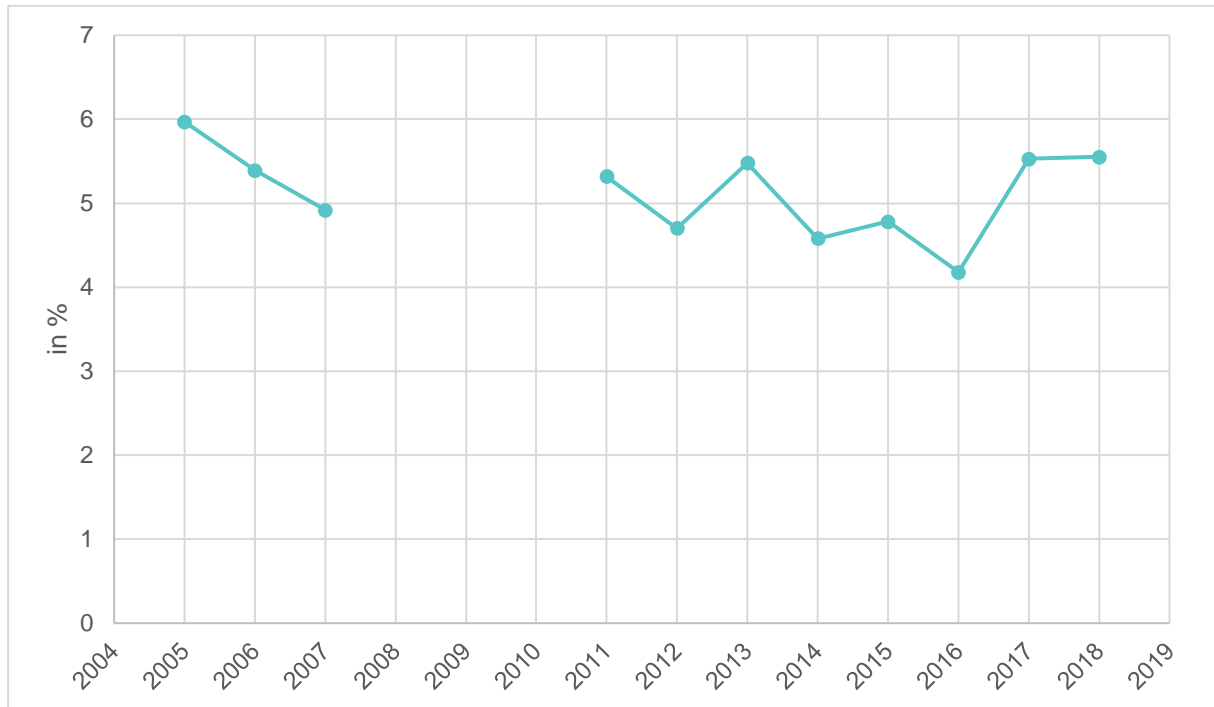


Figure UK34: Share of households in arrears on mortgage payments. Source: compiled by authors, own elaboration based on data from EU-SILC

Separate from the issue of arrears, there was a significant increase in the number of household respondents in 2014 and 2018. While this number of respondent households varies from year to year, Figure UK36 can be read next to Figure UK35 in order to show how the proportion of all households in arrears on their utility bills in each year compares to those in arrears on mortgage payments in each year. These trends are broadly similar, showing that there is a consistent section of society for whom meeting these obligations has been difficult. It is these households who may be some of the most vulnerable to the housing inequalities exacerbated by external shocks such as the 2008 financial crisis, the Covid-19 pandemic, or any unjust outcomes from the green transition. In the most recently available data (2016-2018), greater numbers of households fell into arrears on mortgage payments than utility bills. This could be due to the greater burden of mortgage payments, although further investigation would be needed to explore other possible factors.

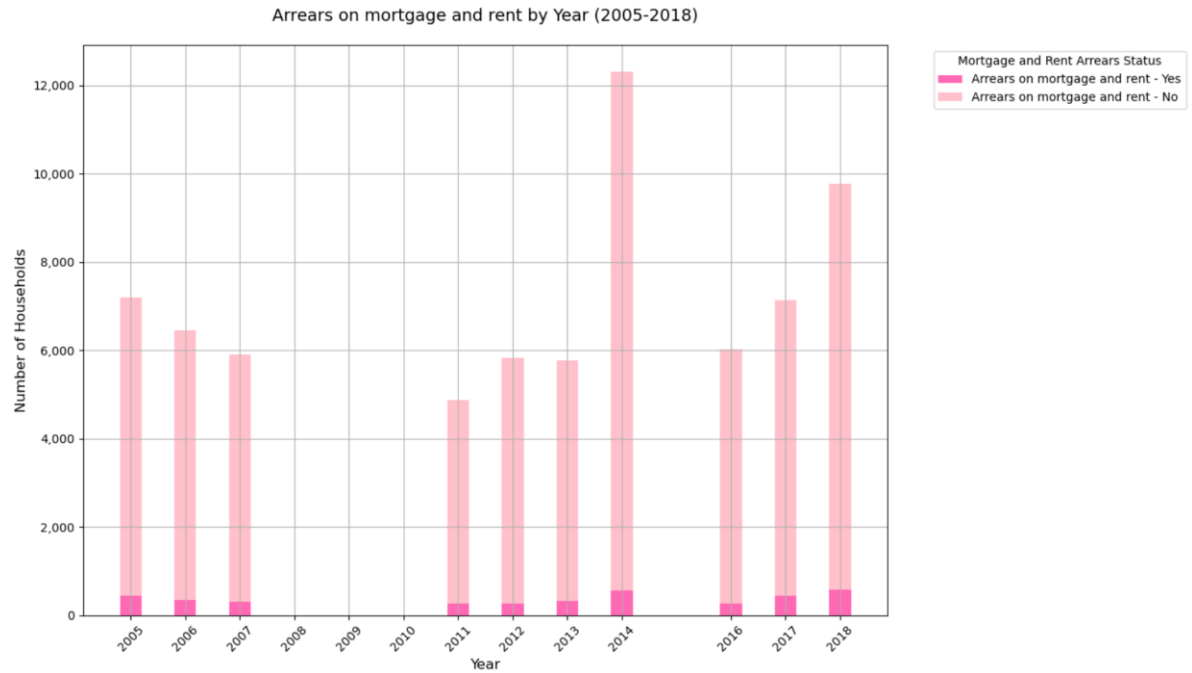


Figure UK35: Mortgage or Rental Payments (HS010, and HS011 – since 2008). Source: compiled by authors, own elaboration based on data from EU-SILC

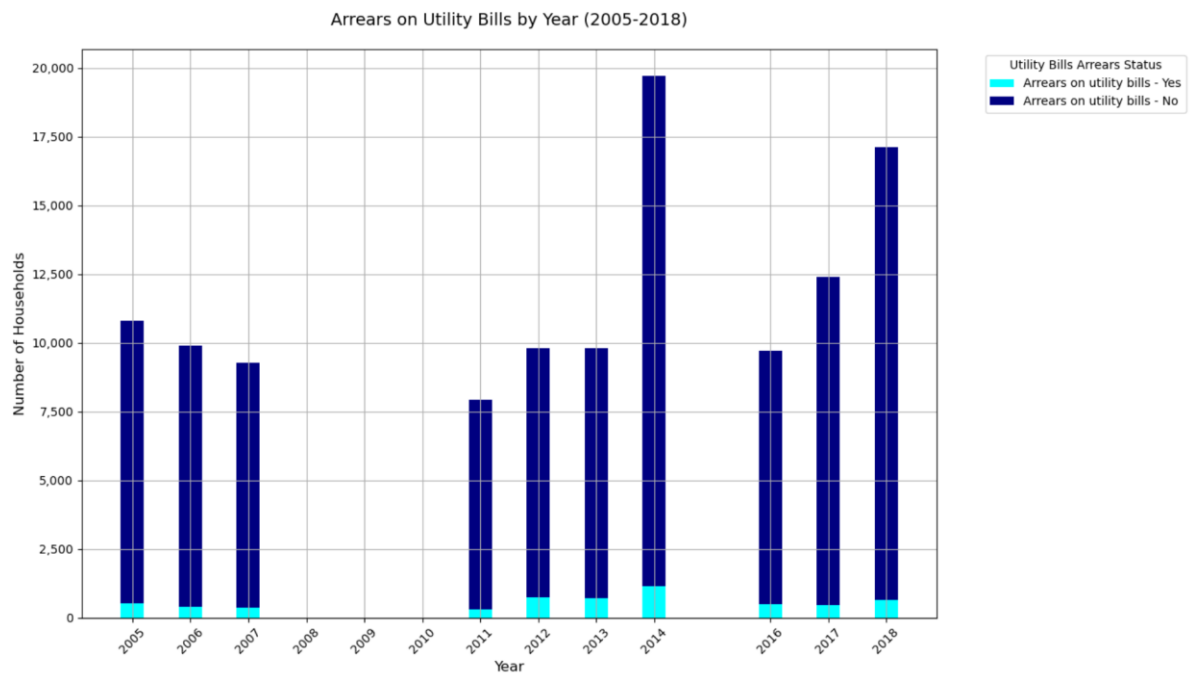


Figure UK36: Arrears on Utility Bills (HS020, and HS021 – since 2008). Source: compiled by authors, own elaboration based on data from EU-SILC

Energy Poverty

Separate from the relative ability to keep the home warm (or not), there was a significant increase in the number of household respondents in 2014 and 2018. Therefore, the task of interpreting energy poverty statistics from Figure UK37 lies in understanding the proportion of homes unable to keep the home warm, relative to the total number of household respondents each year.

Between 2005-2011, the total number of households unable to keep the home warm remains stable, while the overall number of household able to keep the home warm declines, meaning that there are proportionally more households unable to keep their home warm relative to the total number of household respondents.

Despite increased total numbers of household respondents able to keep their home warm in 2017 and 2018, this relational trend continues, with proportionally more households unable to keep their home warm relative to the total number of household respondents.

In terms of housing inequality, this shows that keeping the home warm has become more difficult since 2005. This could be due to a range of factors, whether this relates to energy costs, housing costs, inflation, poor quality housing and insulation, or other factors.

Ability to keep home warm (2005-2018)

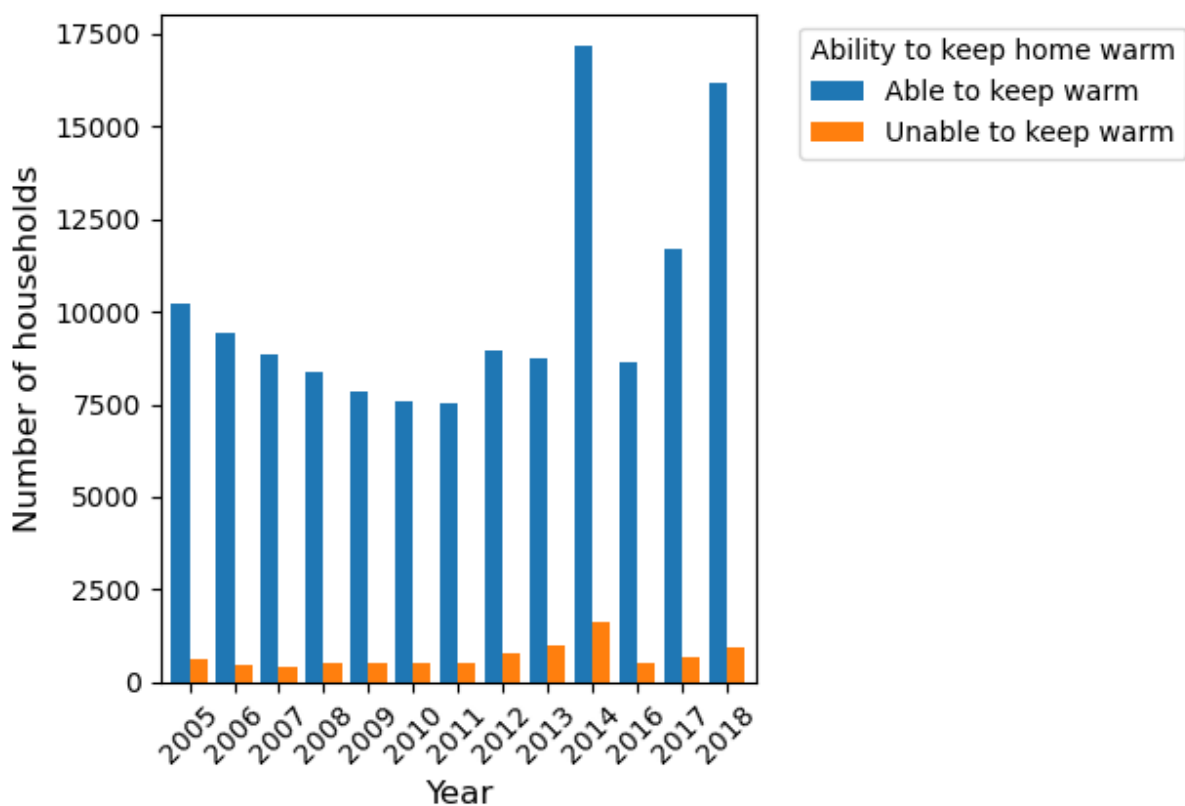


Figure UK37: Ability to keep home warm. Source: compiled by authors, own elaboration based on data from EU-SILC

Residential household wealth

Figure UK38 shows that the median income from rental of property or land has remained stable (hovering between £4-5,000) from 2005 – 2016, rising slightly in 2017 and 2018 (with a median around £7,000). However, the outlying data show that the more extreme instances of income from rental of property or land has increased in recent years, with the highest income rising from around 140,000 in 2011 to around 180,000 in 2017.





Figure UK38: Income from Rental of Property or Land by Year. Source: compiled by authors, own elaboration based on data from EU-SILC

Note: The first boxplot includes all data for Income from Rental of Property or Land between 2005-2018, showing the full distribution but with numerous outliers. Therefore, we have created a second boxplot that includes only data within the 85% quantile, making the chart more representative and accurately reflecting the distribution of the main data.

Housing Welfare/Allowances

Overall, there is a slow but steady increase in the receipt of housing welfare and allowances between 2005 and 2018, with a peak in 2014, and 2016 (see Figure UK39).

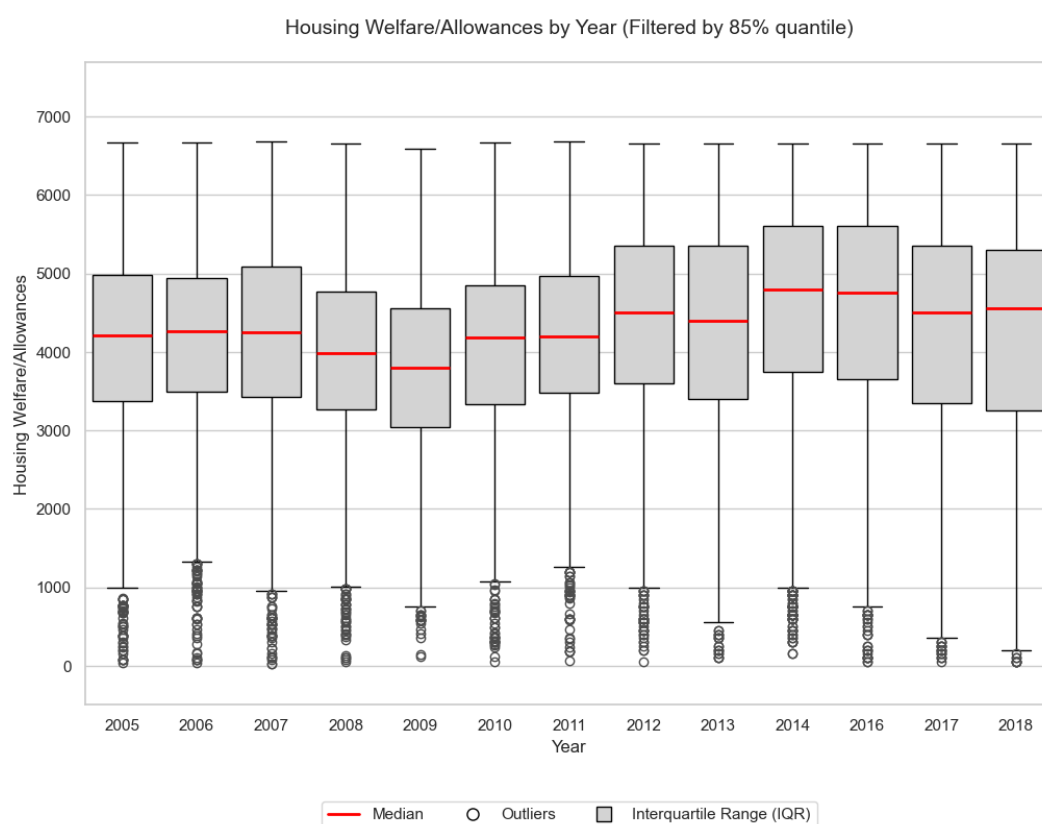
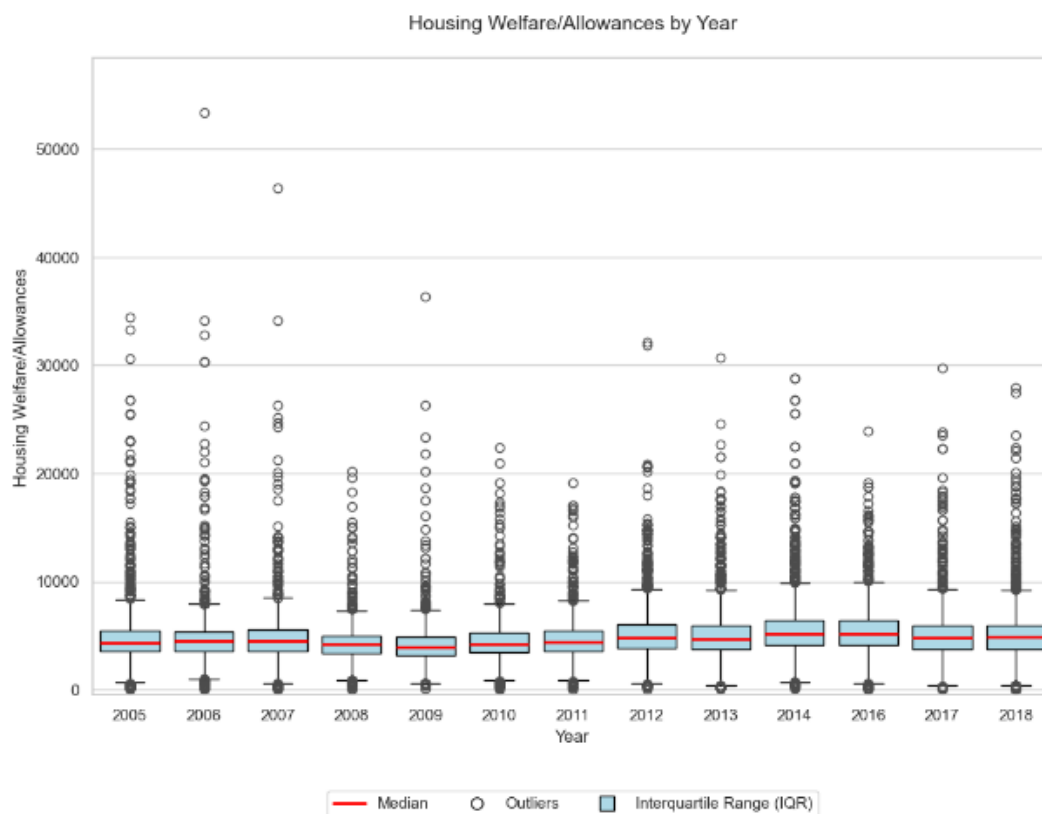


Figure UK39: Housing welfare/Allowances by Year. Source: compiled by authors, own elaboration based on data from EU-SILC

Note: The first boxplot includes all data, for housing welfare or allowances between 2005-2018, showing the full distribution but with numerous outliers. Therefore, we have created a second boxplot that includes only data within the 85% quantile, making the chart more representative and accurately reflecting the distribution of the main data.

2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN THE 21ST CENTURY

2.1 Housing and Neighborhood Quality

In the UK, there are almost no respondent households living without a bath or shower, or indoor flushing toilet for sole use of the household. These indicators may therefore not be good indicators of housing inequalities between households. The issue affecting the largest proportion of households is that of leaking rooves, damp walls/floors/foundations, or rot in the window frames or floor. The relevance of this particular indicator may be due to the relatively cold, damp climate in the UK, alongside the age and lack of investment in the building stock. This may therefore be a better indicator of inequalities between households, revealing those who are unable to afford better housing conditions. The next significant issue is problems with dwellings being too dark or not having enough light.

Once again, separate from the issue of housing amenities, there was a significant increase in the number of household respondents in 2014 and 2018. While the changes each year in the number of household respondents means identifying trends in these variables is not straightforward, Figure UK40 suggests that the proportion of households with problems associated with damp, rot, and a lack of light has been growing, even if slightly.

We can supplement this data with reports from The Health Foundation (2024a-e), detailing (amongst others) the numbers of households experiencing multiple housing problems.

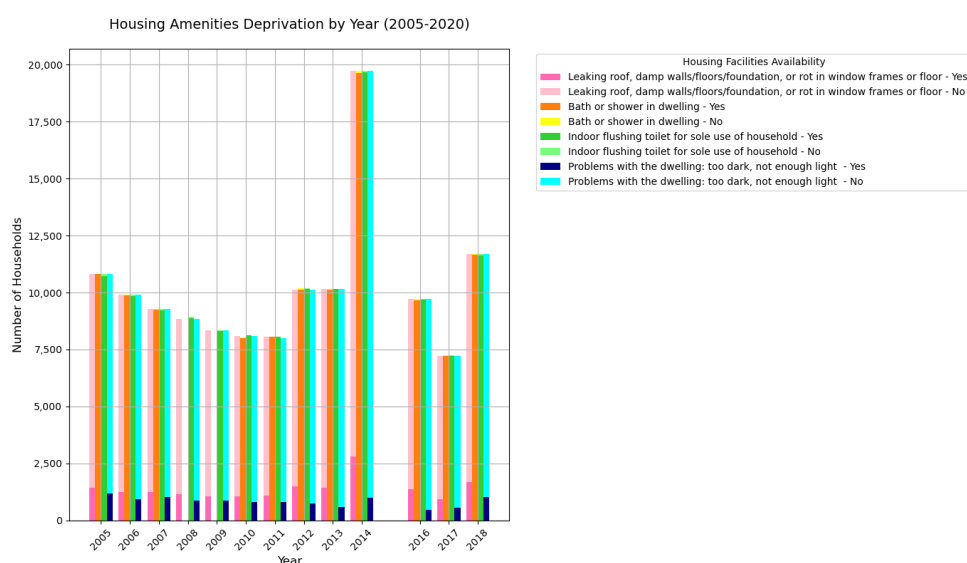


Figure UK40: Housing amenities Deprivation Rate. Source: compiled by authors, own elaboration based on data from EU-SILC

Again, changes each year in the number of household respondents means identifying trends in neighbourhood quality is not straightforward. Nevertheless, Figure UK41 reveals the issues most indicative of poor neighbourhood quality in the UK, with a greater proportion of households experiencing crime, violence and vandalism, as well as excessive noise, relative to their experience of pollution and environmental problems.



Figure UK41: Neighborhood quality (2005-2020). Source: compiled by authors, own elaboration based on data from EU-SILC

Housing Consumption

Figure UK42 shows that the number of persons per room has been declining overall between 2005 and 2018. This could indicate various trends, for example, socio-demographic trends such as households being made up of fewer people, or housing trends, such as a greater supply of housing, reduced houses of multiple occupation, or proportionally more housing units of a certain type (e.g. houses with more rooms) being added to the housing stock supply. Further investigation would be needed to understand what this trend means in terms of housing inequalities in the UK. there are consistently more households living with 5 or fewer rooms, than with 6 or more rooms.

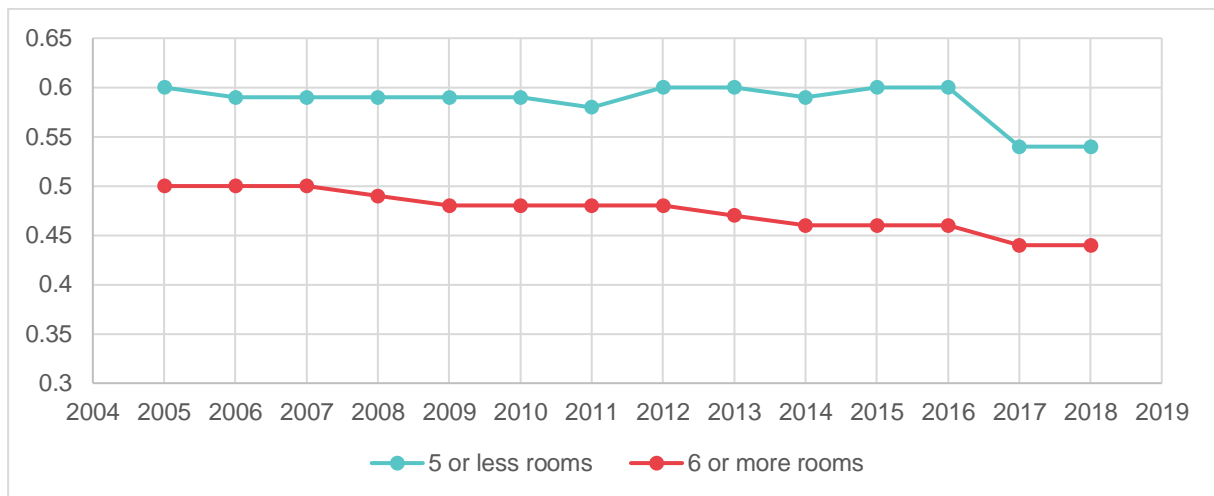


Figure UK42: Number of persons per room. Source: compiled by authors, own elaboration based on data from EU-SILC

Figure UK43 shows that 2012-2016 were the years of highest reported overcrowding, but that reported overcrowding declined in 2017 and 2018, most notably within densely populated and intermediate areas, which have brought the national average of reported overcrowding down.

This is reinforced by Figure UK44, which shows the median number of rooms available rising to 5 rooms per household, after a steady trend of a median 4 rooms per household since 2005.

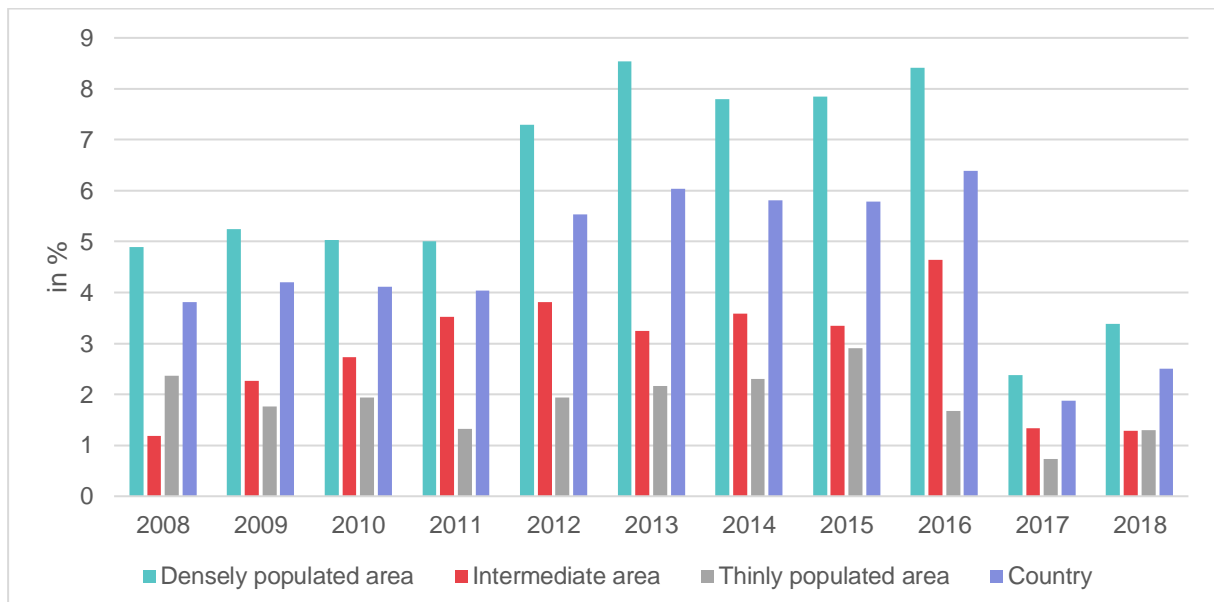


Figure UK43: Share of positive answers on housing overcrowding. Source: compiled by authors, own elaboration based on data from EU-SILC

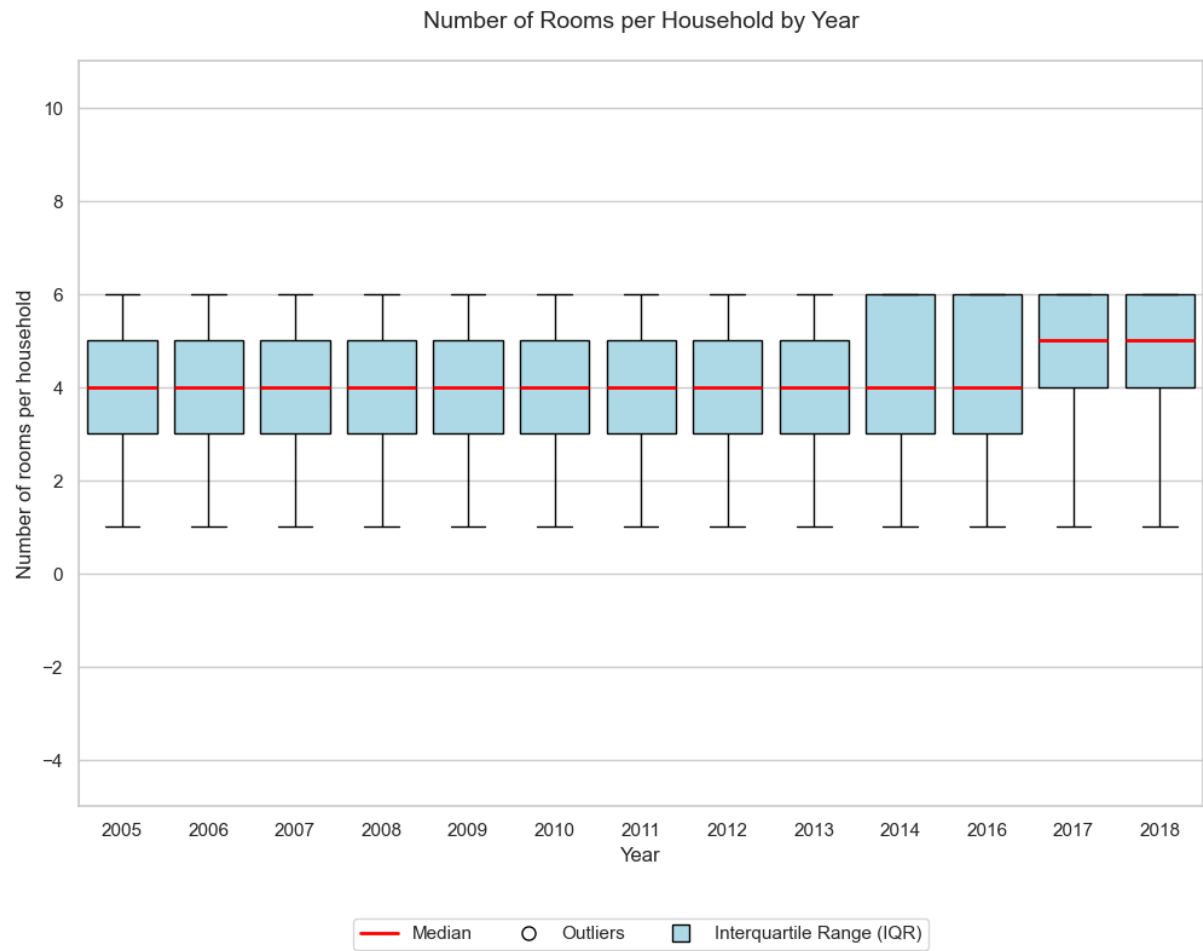


Figure UK44: Over-crowded Household (Number of Rooms available (HH030 per Household) Source: compiled by authors, own elaboration based on data from EU-SILC

2.2 Housing Costs

Housing Cost (Burden)

Self perceived financial burden of housing costs has fallen overall since 2005, moving from 23.62% of the population reporting a heavy burden, to 15.03%. Those reporting that their self-perceived financial burden was 'not a burden at all' rose in this time, from 32.86% to 46.95%.

During this time, the self-perceived financial burden of housing costs rose to its peak in 2013.

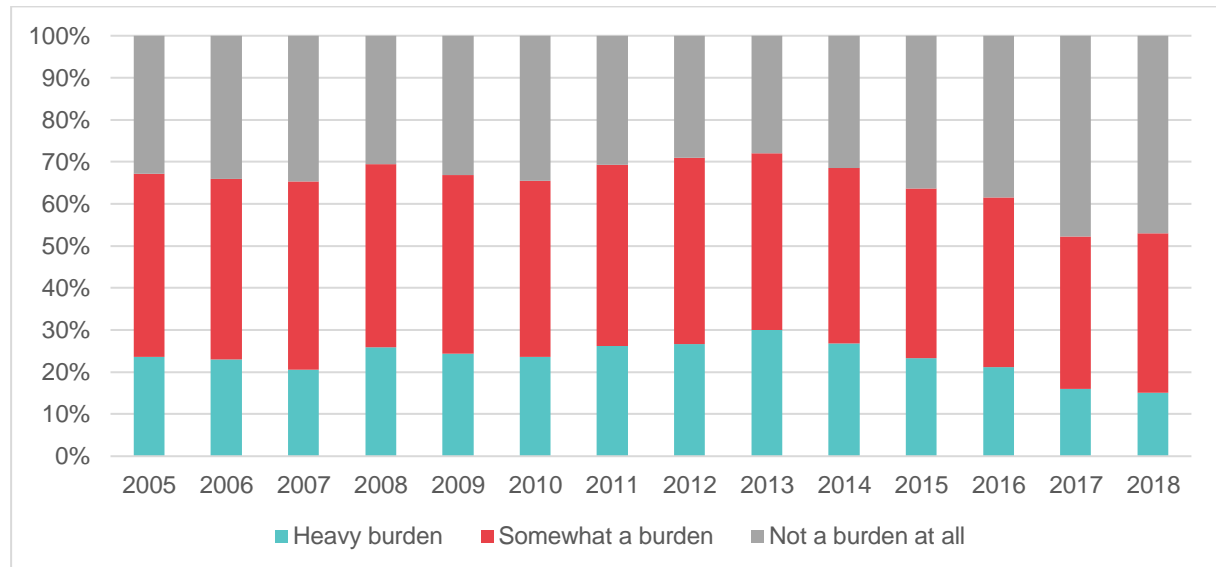


Figure UK 45: Self-perceived financial burden of total housing costs. Source: compiled by authors, own elaboration based on data from EU-SILC

Dwelling type

Between 2005-2018, the share of total housing costs in total disposable income has been highest amongst those living in flats (in buildings with more than 10 dwellings, followed by those living in buildings with less than 10 dwellings), the cost of which hovered around 30-40% of disposable income. The housing costs for those living in Detached, semi-detached or terraced housing hovered between 13-30% during the same period (see Figure UK46).

This means those living with less space pay proportionally more of their income for their housing. We might deduct from this that those with higher incomes chose to live in larger houses; equally, this could mean that smaller housing is proportionally more expensive. This could also be true since homes in cities like London (with higher housing costs) are more likely to include flats as well as houses.

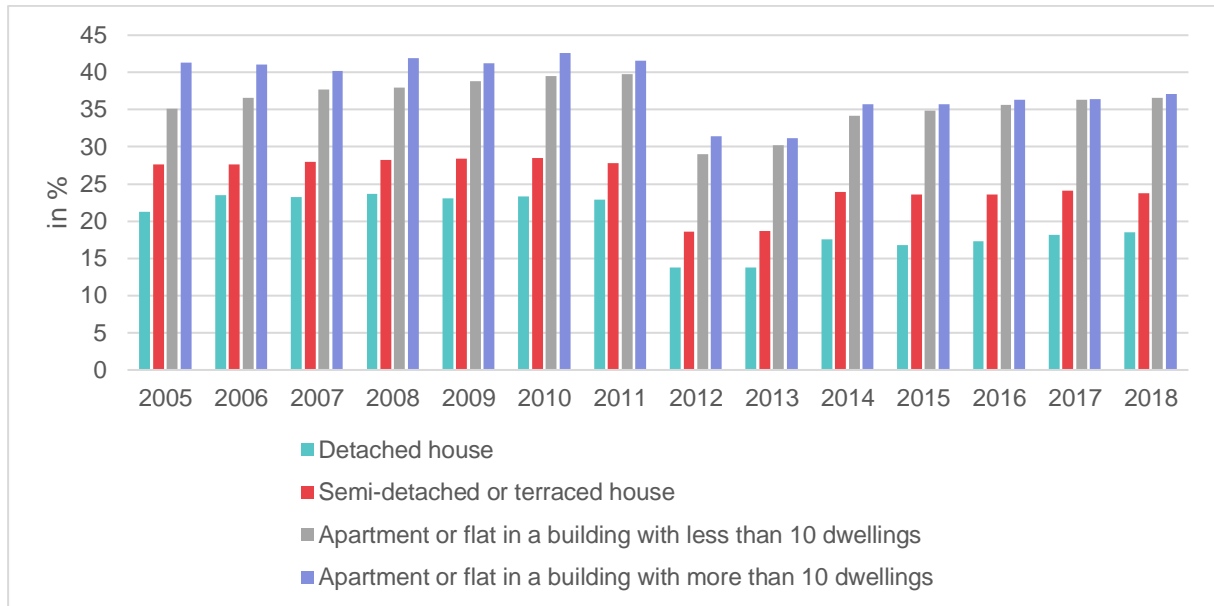


Figure UK46: Self-perceived financial burden of total housing costs by dwelling type. Source: compiled by authors, own elaboration based on data from EU-SILC

Educational attainment

Higher educational attainment level appears to have a negative relationship to housing costs burdens (see Figure UK47), with those attaining tertiary-level education reporting the lowest share of housing costs in total disposable income, compared with those attaining primary, lower secondary, upper secondary or post-secondary level education.

This evidences a form of housing inequality, since tertiary education often requires substantial financial investment relatively early in life, this group are more likely to come from more financially privileged backgrounds, as well as being more likely to earn higher salaries in the future.

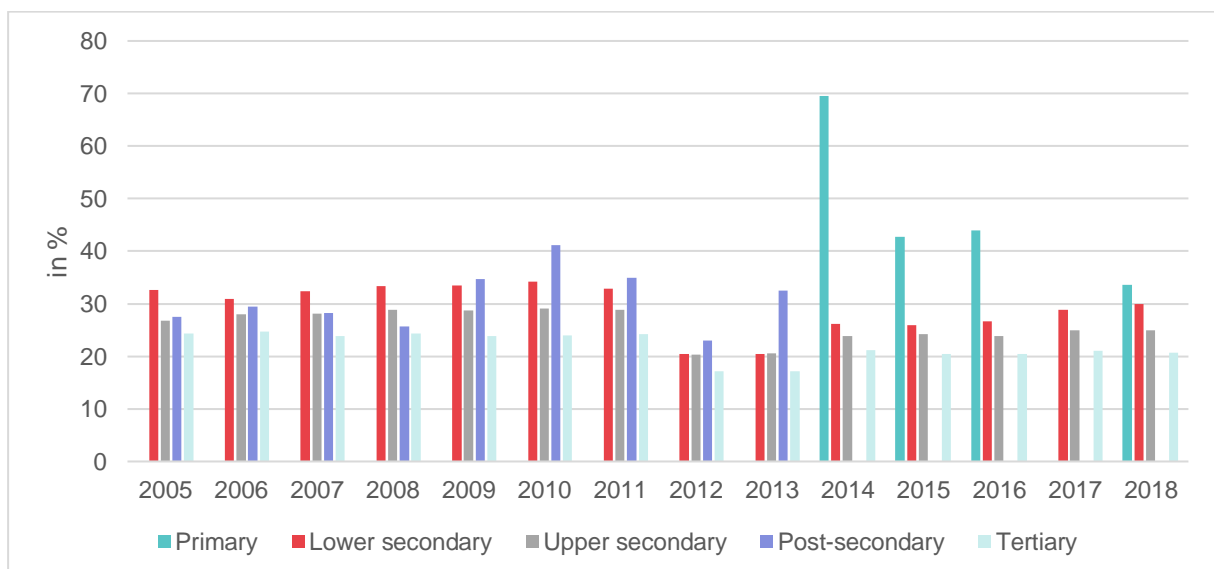


Figure UK47: Self-perceived financial burden of total housing costs by educational attainment level. Source: compiled by authors, own elaboration based on data from EU-SILC

Economic status

Self-perceived financial burden of total housing costs stayed relatively consistent (falling slightly) for those working full- and part-time between 2005 and 2018, with a notable dip around 2012 / 2013 (see Figure UK48). This dip in the financial burden of housing costs could represent the cuts to interest rates made in 2009 (reduced to 0.5%), which will have had a delayed effect on homeowners as they renewed their mortgages.

One outlier is 2009 during which retirees reported exceptionally high financial burden of housing costs, possibly due to the return on their savings being demolished by the interest rate reduction.

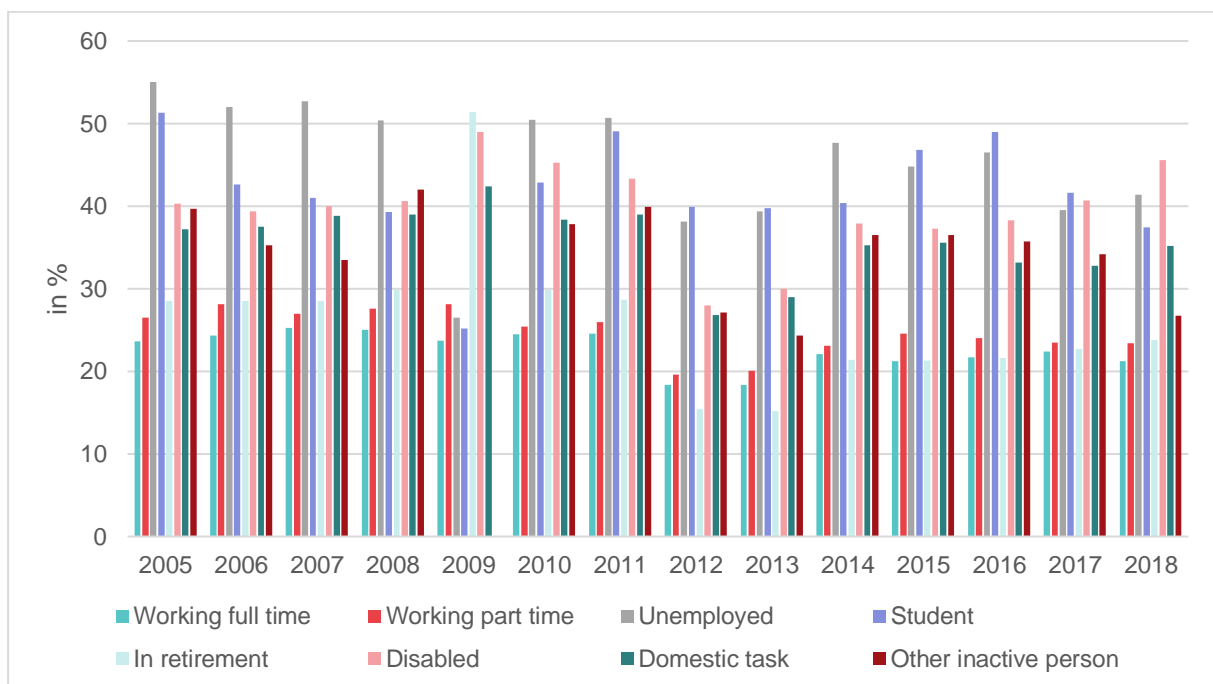


Figure UK48: Self-perceived financial burden of total housing costs by self-defined economic status.

Source: compiled by authors, own elaboration based on data from EU-SILC

Household type

In terms of household type (see Figure UK49), housing has been consistently more expensive for single adult households, most likely due to their being single income households.

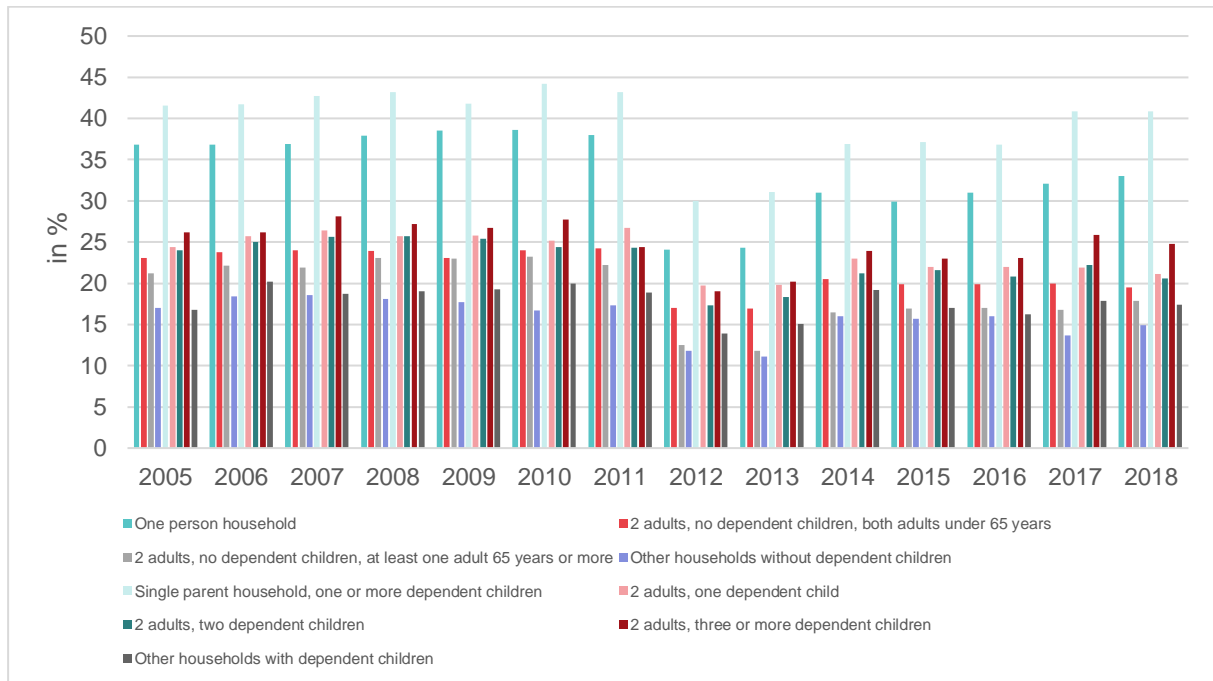


Figure UK49: Self-perceived financial burden of total housing costs by household type. Source: compiled by authors, own elaboration based on data from EU-SILC

Country of Birth

Housing costs represent a higher proportion of income for those born outside the UK, and a higher proportion of income still for those born outside of the EU. This is likely to representing different income levels between these groups, with those born outside of the UK earning less than UK nationals, and those born outside of the EU earning even less than those born inside of the EU.

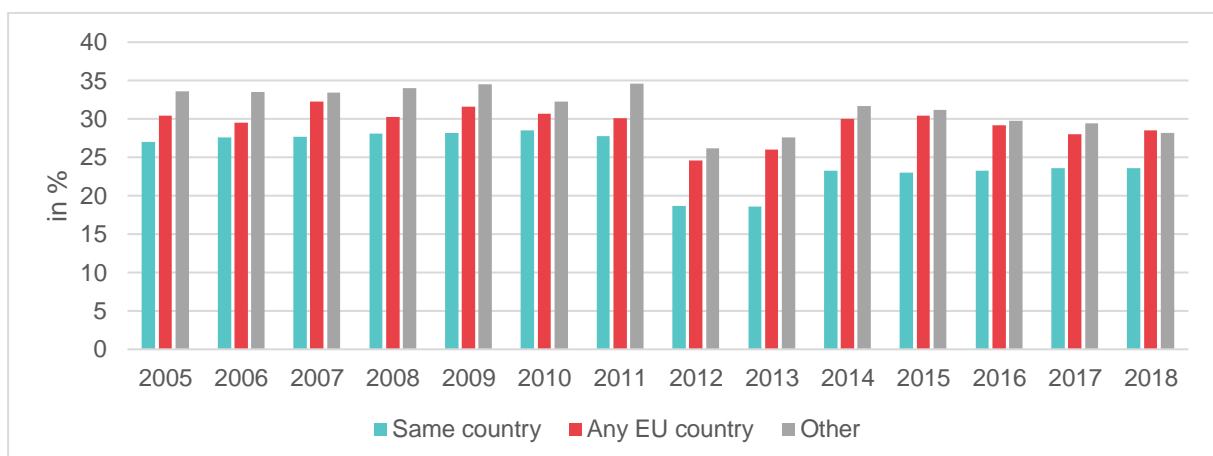


Figure UK50: Self-perceived financial burden of total housing costs by country of birth. Source: compiled by authors, own elaboration based on data from EU-SILC

Regions within the UK

The NUTS level region with highest reported financial burden of total housing costs is London (see Figure UK51).

The region with next highest reported financial burden of total housing costs varies, starting with the West Midlands in 2010, the Northeast in 2011, the Southeast in 2012, the East of England in 2013 (etc).

The NUTS level region most consistently low reported financial burden of total housing costs is Northern Ireland, although this only became more marked in 2012.

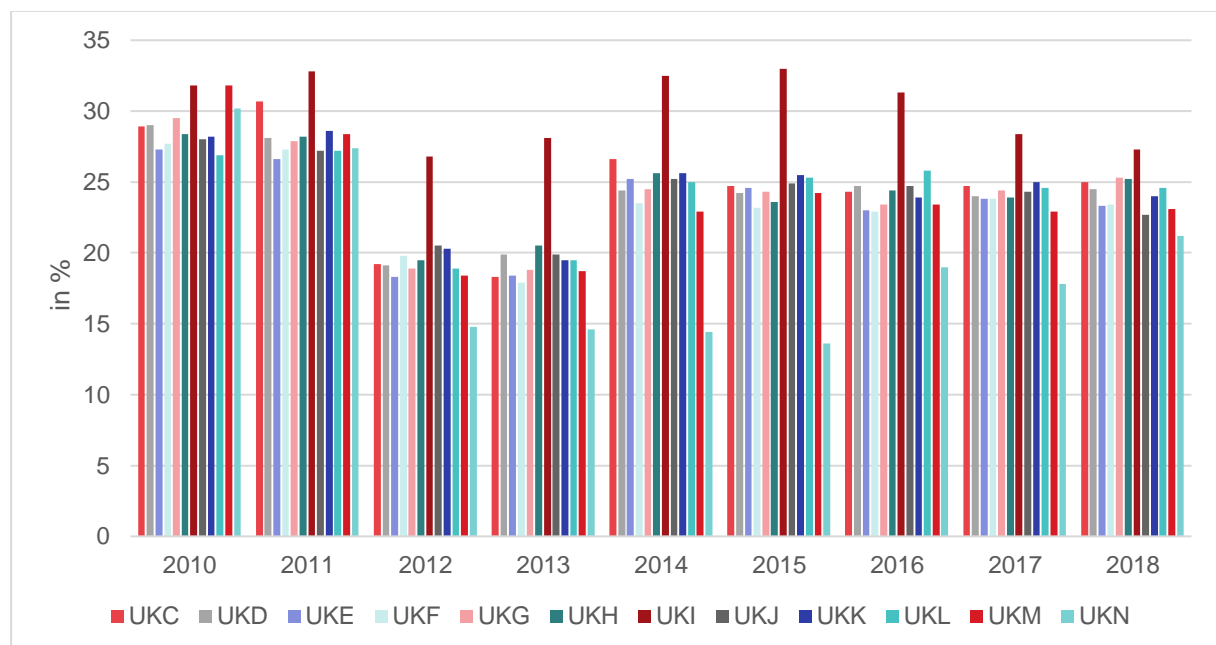


Figure UK51: Self-perceived financial burden of total housing costs by NUTS 1 areas.

Source: compiled by authors, own elaboration based on data from EU-SILC

Tenure

In the UK, apart from those living rent free, those spending the smallest share of their disposable income on housing costs are consistently owner occupiers (see Figure UK52). Those spending the highest share of their disposable income on housing costs are consistently those living in private rental housing, or those renting at below the market price (those living in social rental housing or otherwise subsidized housing).

This may be because owner occupiers are more likely to have higher incomes, therefore reducing the relative financial burden of their housing costs. However, this also reflects decades' worth of housing policies aimed at incentivizing individuals to move into home ownership, leading to policies that reduce the financial burden of owner occupation (Stirling et al 2022a, 2022b).

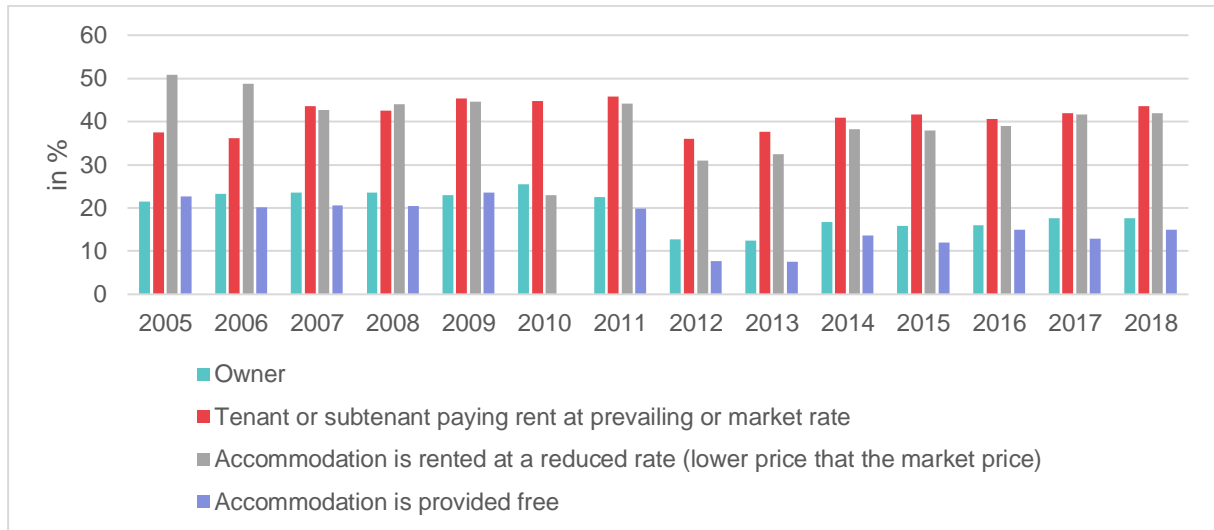


Figure UK52: Self-perceived financial burden of total housing costs by tenure status. Source: compiled by authors, own elaboration based on data from EU-SILC

2.3 Housing Segmentation

Figures UK53 and UK54-UK56 show that home ownership rates are slightly higher in thinly populated areas (rural areas) than in densely populated areas. This could be interpreted as meaning there is greater housing inequality in densely populated areas, with fewer individuals able to enter into home ownership. Alternatively, it could be reflective of the more limited supply of rental accommodation in rural areas. In particular, there is a shortage of 'affordable' housing (including social rental housing and other forms of subsidized housing) in rural areas in the UK, where accessible land connected to key infrastructures and is allocated for housing commands a particularly high price due to its scarcity, meaning that land is usually developed for high-end housing that is unaffordable to many on lower incomes (Stirling et al 2024). This has caused many social problems for rural communities, where people cannot always afford to continue living in the areas they are from, close to family, jobs or schools (Stirling et al 2023).

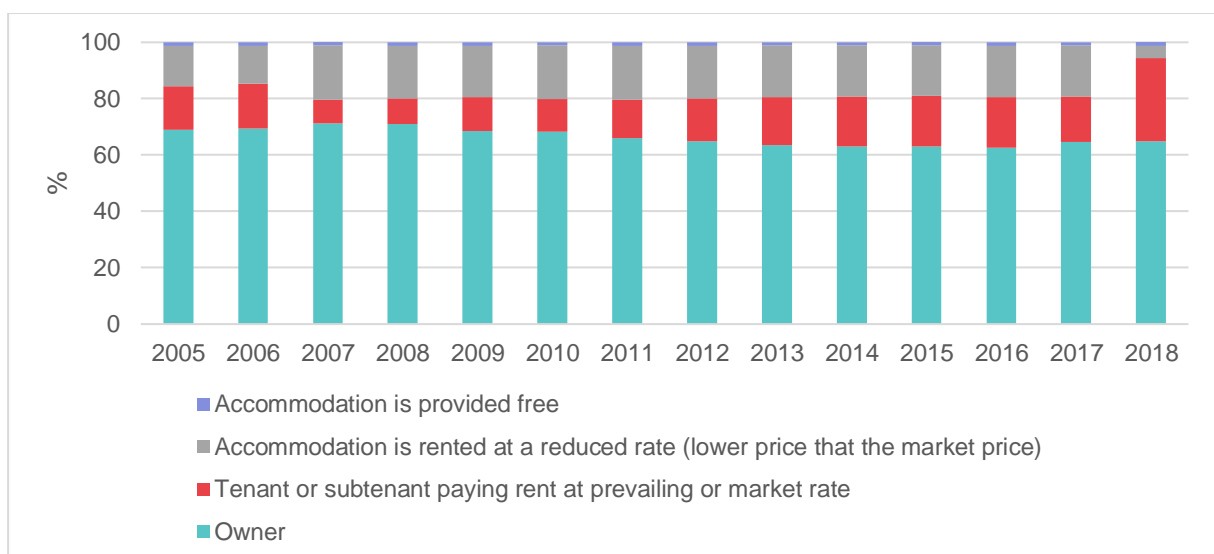


Figure UK 53: Tenure structure by type of urbanization: country (2005 – 2020). Source: compiled by authors, own elaboration based on data from EU-SILC

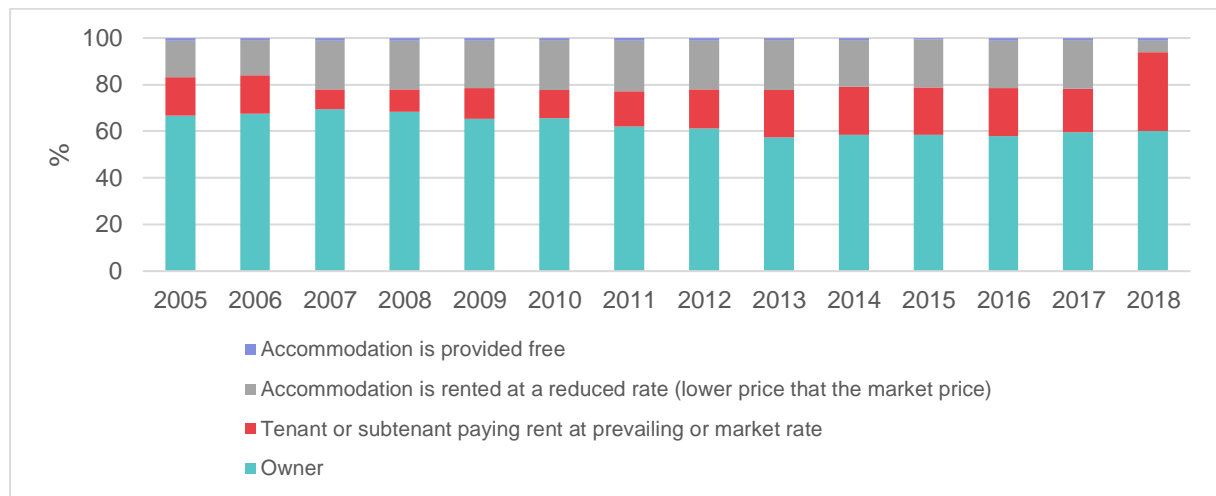


Figure UK 54: Tenure structure by type of urbanization densely populated areas (2005 – 2020).
Source: compiled by authors, own elaboration based on data from EU-SILC

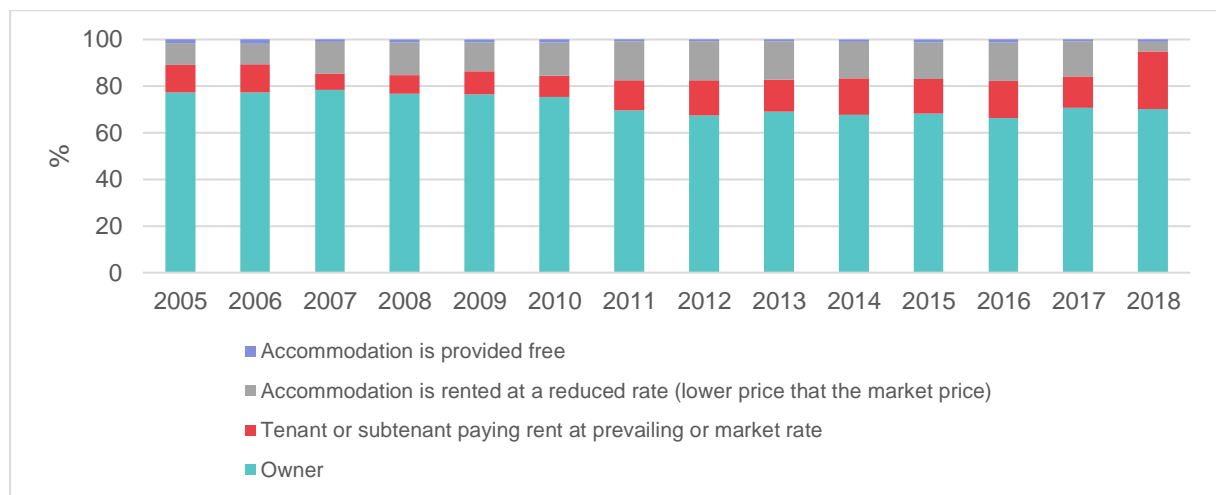


Figure UK 55: Tenure structure by type of urbanization - intermediate populated areas (2005 – 2020).
Source: compiled by authors, own elaboration based on data from EU-SILC

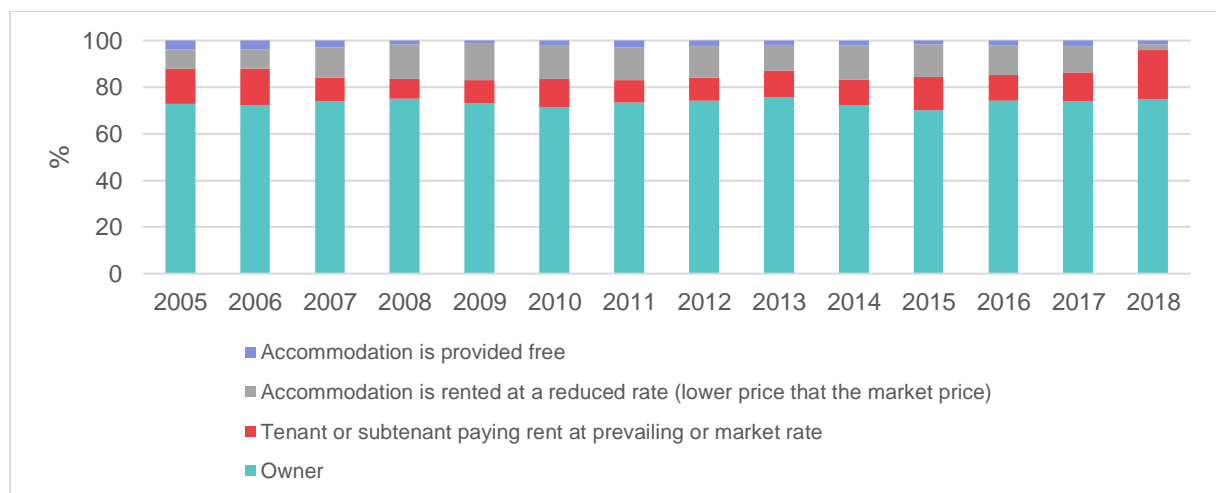


Figure UK 56: Tenure structure by type of urbanization thinly populated areas (2005 – 2020).
Source: compiled by authors, own elaboration based on data from EU-SILC

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