Inequalities in housing affordability: the lesson from Budapest, London, Madrid, Paris, Stockholm, Vienna, and Zurich in the 21st century

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10 June 2025, MCB meeting

Outline

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Introduction

- Housing-related inequalities are one of the central topics in social sciences, and they have recently become an important topic of public and political debates

- Already in the 1990s housing prices (and expenses) have on average increased faster than the income of residents and buyers in major post-industrial city-regions

- Since the 2008 Global Financial Crisis (GFC), the affordability crisis has become an explicitly urban issue (Haffner and Hulse 2021)

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Introduction

- There still are knowledge gaps to be filled in (Galster and Lee 2021a, Haffner and Hulse 2021):

1. cases from beyond the English-speaking world have largely been absent, and explanations of urban housing affordability patterns and their changes demonstrate a strong Anglo-Saxon bias;

2. studies exploring the inequality in housing affordability at household level commonly revolve around the national scale, thus ignoring potential differences across urban centers with different demographic and economic dynamics

Housing affordability

- Housing affordability can be generally described as households' ability to access and obtain decent housing without experiencing undue financial hardship

- We rely on income-ratio methods to operationalize the notion of housing affordability

- We use a housing expenditures-to-income ratio (Hulchanski 1995) as a measure of housing affordability at the household level

Cases, data and methods

- **Cases**

- Cities (urban regions) represent cases from East, North, South and West Europe.

- The urban areas also represent different types of welfare regimes and housing regimes

- **Data**

- Micro data from the EU-SILC survey: two samples pooled for each study period

Welfare-state regime	Rental-market regime
■ Conservative	○ Dual rental system
■ Liberal	⬠ Transitional → super-homeownership
■ Mediterranean / Southern	△ Unitary rental system
■ Post-socialist / Eastern European	☐ state borders
■ Social-democratic	

Cases, data and methods

- **Methods**

- We use the Gini coefficient to estimate disparities in housing expenses among households.

- We use the multivariate regression decomposition method (Fields 2003) to gain insights into the housing affordability inequality patterns

- We estimate the housing burden generating equation (OLS regression), where housing burden is a function of the following predictors: income, age, immigrant origin, migration, gender, and the type of housing

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Results

Housing cost burden

Variable	Budapest		London		Madrid		Paris		Stockholm		Vienna		Zurich	
Year	2008	2020	2010	2018	2005	2020	2005	2020	2008	2020	2005	2020	2008	2020
Gini (housing burden)	0.311	0.414	0.379	0.404	0.421	0.421	0.432	0.416	0.291	0.336	0.343	0.338	0.305	0.325
Gini (disposable income)	0.302	0.364	0.391	0.382	0.334	0.334	0.313	0.375	0.357	0.332	0.323	0.331	0.373	0.361
Mean housing burden	23.35	16.97	29.91	25.45	15.01	16.06	17.54	18.16	21.85	18.80	19.27	22.07	28.44	26.49
Share of Gini index explained by														
Income quintiles	0.401	0.360	0.419	0.395	0.329	0.388	0.274	0.378	0.621	0.604	0.428	0.411	0.427	0.407
Immigrant origin	0.000	0.000	0.001	0.018	0.058	0.074	0.007	0.016	0.027	0.011	-0.002	0.006	0.000	0.003
Length of residence in current home	0.008	0.011	0.073	0.018	0.139	0.087	0.007	0.021	0.007	-0.001	0.024	0.056	0.014	0.016

Results

Vienna: Significant Predictors Across Models (p < 0.05)

Zurich: Significant Predictors Across Models (p < 0.05)

Paris: Significant Predictors Across Models (p < 0.05)

Madrid: Significant Predictors Across Models (p < 0.05)

Results

Budapest: Significant Predictors Across Models (p < 0.05)

Stockholm: Significant Predictors Across Models (p < 0.05)

London: Significant Predictors Across Models (p < 0.05)
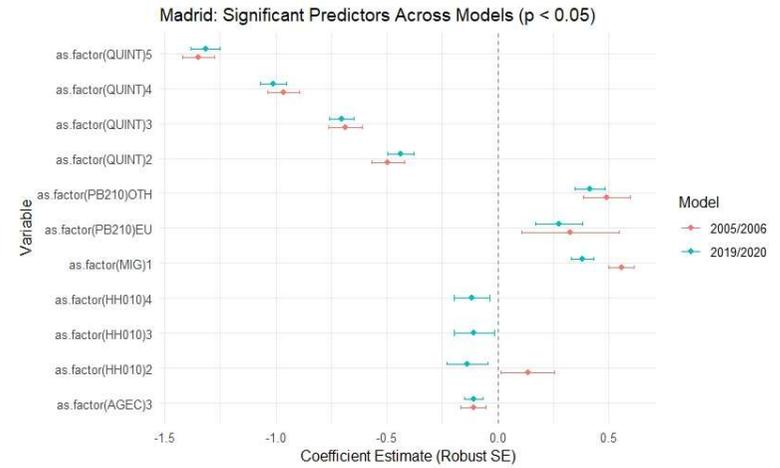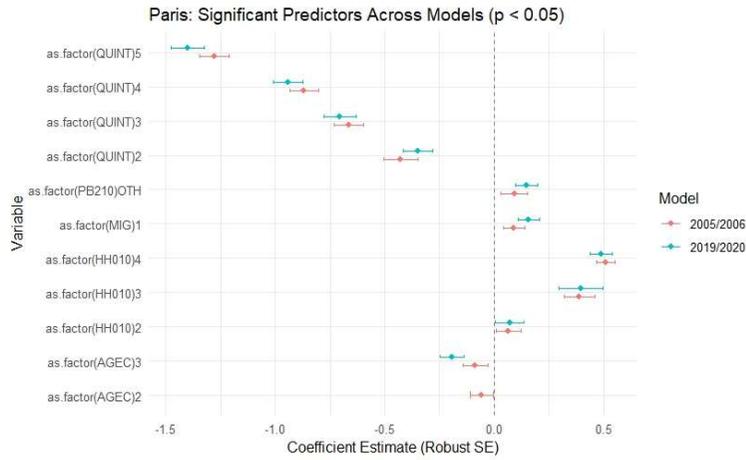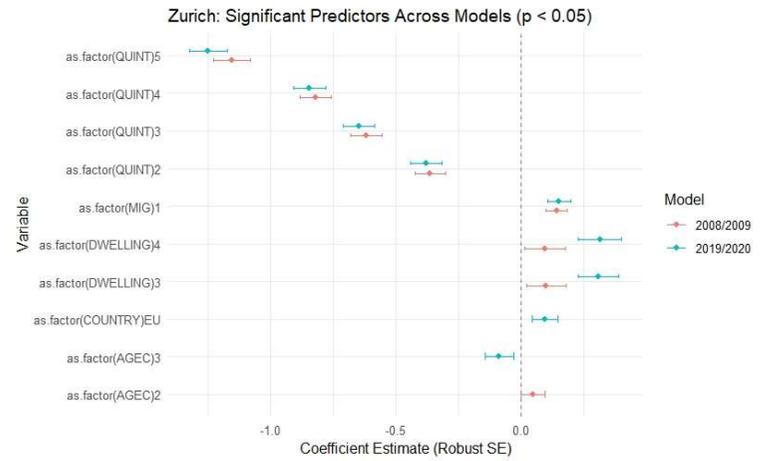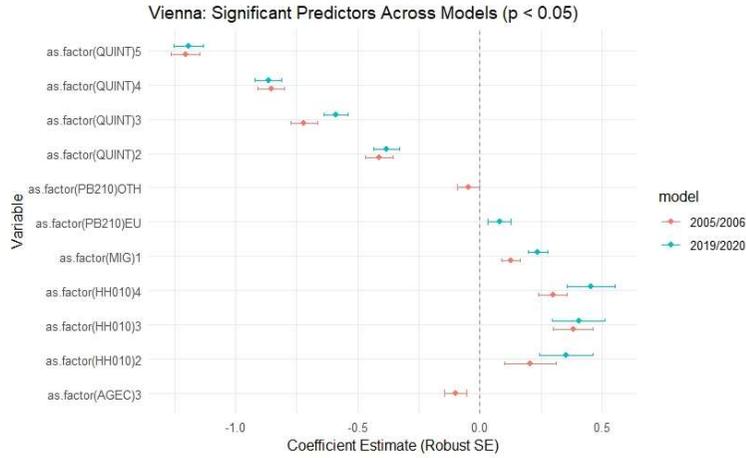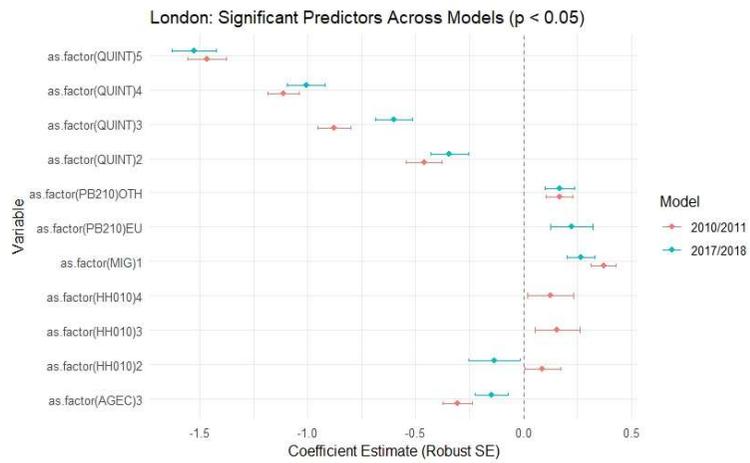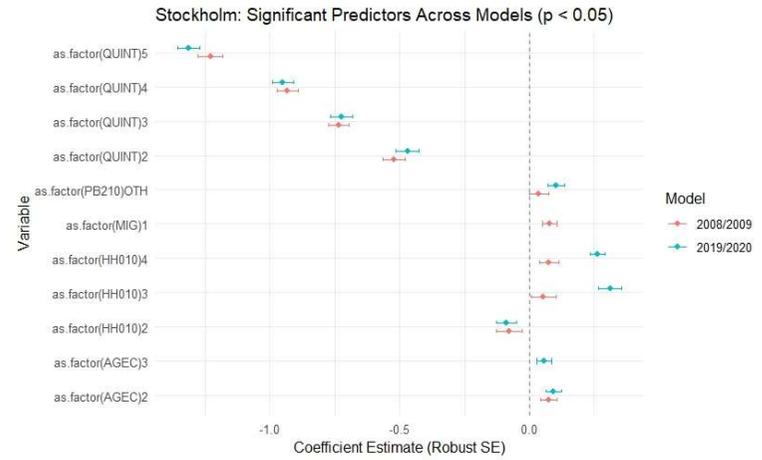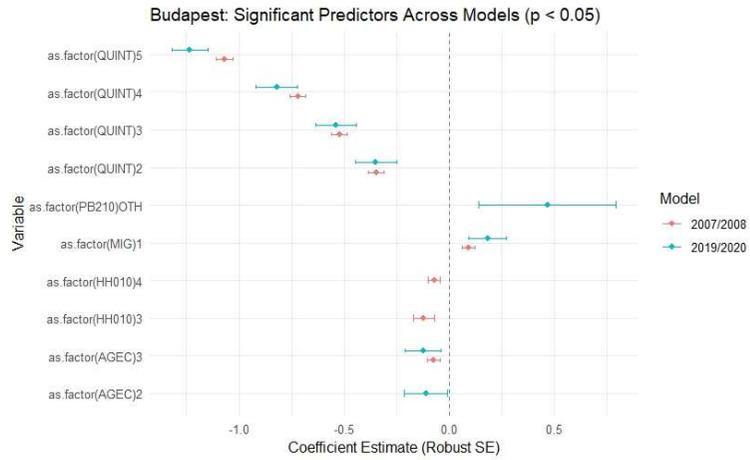
Conclusions

- With some exceptions, inequality in housing affordability has increased in the 21st century.

- Overall housing affordability either improved or remained stable.

- Income is a key determinant of housing affordability in each case city.

- Changes in the level of housing inequality appear to be related to the narrowing/widening gap in housing affordability between the top and bottom income quintiles.

Conclusions

- The institutional context plays an important role in determining the level of inequality in housing affordability.

- Inequality is generally more pronounced in liberal, post-socialist, and Mediterranean/Southern European welfare regimes, where housing systems are characterized by widespread homeownership.

- In contrast, social-democratic and conservative welfare regimes, combined with unitary rental housing systems, tend to exhibit greater equality in housing affordability.

Thank you!

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