National Reports on the Housing System from a Multi-Level Perspective

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The ReHousIn project aims to spark innovative policy solutions towards inclusionary and quality housing. To achieve this, it investigates the complex relationship between green transition initiatives and housing inequalities in European urban and rural contexts, and develops innovative policy recommendations for better and context-sensitive integration between environmentally sustainable interventions and socially inclusive housing.

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Introduction

This report is intended to meet the ReHousIn project objective O.4: '*To define and analyse contextual housing and welfare regimes: We will provide a qualitative analysis of the housing and welfare regimes through an in-depth review of policies and regulations and a multi-level governance lens*'.

D4.2 presents findings from the research conducted by each national team to examine two inter-related aspects of their housing systems: the tenure-policy system (organization of tenures through policy and instruments and programmes) and the supply system (how housing of all tenures is produced and provided, including examining the profit regime associated with land ownership and development).

An important objective is to provide an assessment of each country's contextual housing system using a multi-level governance lens, that is, considering national but also local levels of governance (resulting in potentially different outcomes from national and local housing systems). In order to apply a multi-level governance lens to analysis of each housing system, partners have considered multi-level governance throughout the report. Where possible, partners have considered both the main city as well as the national level. This reflects a goal of the ReHousIn project to take explicitly into account the growing role of local housing systems and their divergence from national housing systems, thereby reframing the conventional comparative welfare regime perspective defined in the 2000s, which considers only the national level.

Each partner has completed an analysis of the housing system (tenure-policy system and housing supply system) for their case, using two discrete stages:

Part 1: Factual analysis

Partners first collated quantitative data on the three housing tenures (owner-occupation (OO), private rent (PR) and social rent (SR)), and their composition over the defined period of the study (1991, 2001, 2011, 2021). Each partner looks separately at both national and main city level to tease out potential divergences/differences between the national and local level. The majority of this data has been sourced using the national census, as well as some secondary data.

Partners then developed a baseline of 'factual' information about local and national housing systems and their trajectory and evolution over time. The data required for this analysis was secondary and sourced from literature (document analysis of policy, academic and grey literature). The timeframe for this section was from 1990s through to the present day, although partners were invited to include information of any notable policies that created a significant path change in the run up to the 1990s (e.g. abolition of rent control).

Part 2: Interpretative analysis

Using the information collated for the factual analysis as a baseline, partners then answered the three key fundamental questions of WP4, which relate to the WP4 Objectives as stated in the project Grant Agreement. This analysis required partners to interpret the factual information more broadly, and forms the basis of this report. Each national report below follows a common outline, organized according to these questions:

Question 1: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

This question asks partners to identify the key historical events (exogeneous macro-trends, policies or crises) which have impacted the housing system at different levels of governance (national, regional, local), towards commodification or de-commodification. By considering how each housing system has responded to exogeneous events, partners are able to answer the following project research question:

> *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends (e.g. EU policies / welfare restructuring) and crises (e.g. financial crisis, housing affordability crisis)?*

Question 2: Degree of commodification: Clustering the housing systems along a spectrum

From the welfare regime perspective, national housing systems are broadly conceptualised as existing along a spectrum from those that are most commodified ('residualist' housing systems) to those that are least commodified ('universalist' housing systems). For this interpretative analysis, partners have considered the additional aspect of local housing systems, noting any divergences from the national context. This reflects the goal of the grant agreement to take explicitly into account the growing role of local housing systems and their divergence from the national system.

This question asks partners to reflect on the historical trajectory of each housing system (the national and the local separately), asking whether they have become more or less 'commodified' over time (i.e. showing a direction of travel towards greater commodification of housing, or towards de-commodification of housing). This allows partners to answer the following interpretative questions:

> *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*
>
> *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system? (For example, one fostering re-commodification, the other preventing it?)*

What synergies and/ or conflicts exist between the vertical and horizontal governance levels?

Question 3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

All partners have then assessed the capacity of each housing system to 'filter' (mitigate or exacerbate) exogeneous crises. This allows partners to answer the following interpretative questions:

What is the capacity of the local and national housing system to provide affordable housing: identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems (e.g. increase in community led housing programmes have enabled more affordable housing provision, but this has been constrained by the lack of public land)

How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?

What challenges have the state and non-profit sector faced, in the light of recent crises (2008 GFC, Covid emergency interventions)?

These questions are designed to help all partners reflect on the capacity of each housing system to filter crises. Looking at how each housing system has historically responded to various exogeneous events helps us to gauge their capacity to respond to crises and external shocks. This will provide further data about each housing system that will strengthen our ability to analyse later how it interacts with the 'green transition' in ways that filter, drive, reduce or worsen housing inequalities. The aim is to understand the flexibilities and constraints of local and national policy frameworks to handle the potentially growing social and housing externalities of EU Green Deal policies.

Executive summary of analysis on housing systems from a multi-level perspective

Below is a consolidated summary of the key findings from the pan-European analysis on housing systems from a multi-level governance perspective:

Austria

Austria’s housing system is shaped by a stable institutional framework marked by persistent political divergence across governance levels. The main policy instruments—limited-profit housing regulation, tenancy law, and housing subsidies—remain intact, yet their use is politically contingent. Housing policy change occurs rather through shifts in how policy instruments are mobilised by different regions, parties and coalitions. Recent decades have seen re-commodification trends, especially in the private rental sector. At the same time, de-commodified housing through limited-profit housing associations and publicly supported through subsidies, land banking, and zoning instruments, has been expanded. This has led to a segmented housing system increasingly determined by local political leadership and land policy capacity. The interaction between Austria’s housing and environmental policy goals reveals tenure-specific tensions. Retrofitting policies tend to favour owner-occupied single-family homes, while rental housing—especially private and condominium stock—faces legal barriers and cost pass-through. Nature-based solutions (NBS) show very limited tensions in social housing due to rent regulation, but capacities for NBS implementation are unevenly distributed. While densification often aligns with social housing, as in Vienna, it is usually pursued through market-led redevelopment elsewhere. In sum, Austria’s housing system filters crises and environmental demands through a multi-level, politically pluralistic framework.

France

At the national level, the housing system shows a complex picture combining elements of de-commodification and re-commodification. Despite the pro-ownership policies introduced since the 1970s, including measures targeting first-time buyers, the rental tenure kept on being supported through specific regulation and funding. Additionally, state fiscal incentives encouraged private investments in the rental market, while social housing production remained significant throughout the 2000s.

Affordability is supported by a strong social housing sector with long-term loans and mandatory quotas, a tradition of public land ownership and the consolidation of the right to housing. However urban regeneration policies, budget cuts, and limited fiscal autonomy of local authorities increasingly undermine the social housing sector and push partnerships with the private sector. Moreover, the land system is affected by rent-seeking practices driven by different actors.

Potential impacts of EEPs include reproducing wealth inequalities, reducing the production of new social units and/or pushing towards its less affordable forms, as well as increasing the cost of housing provided through urban regeneration, leading in some cases to gentrification.

Hungary

Hungary's housing system underwent major transformation after the end of its socialist era, shifting from a strongly decommodified model towards a market-driven structure. Widespread privatisation and the collapse of state-led construction left behind a minimal public rental sector and a heavily commodified homeownership model, without a robust housing finance system. By 2001, municipal housing served only 2–3% of the population, typically the most vulnerable, A strong private rental sector failed to develop due to political and policy barriers. From 2008 to 2015, the government focused on the fallout from the foreign currency crisis that resulted from poorly regulated credit markets, placing heavy burdens on both banks and borrowers. Post-2015 period saw ad-hoc policies, such as utility cost subsidies, VAT cuts and subsidised loans aimed at supporting families and ownership. Housing policy has been increasingly characterised by "helicopter-style" cash transfer schemes - ad hoc financial giveaways driven by political, economic, and construction industry interests, which can be viewed as partial decommodification measures. While such transfers may temporarily reduce commodification through state support, they primarily benefit households already able to save or invest, reinforcing inequalities while placing a considerable burden on the public budget. By 2022, reduced subsidies signalled recommodification again.

Italy

The Italian housing system is relatively commodified and homeownership-oriented, marked by a progressive marginalization of the private rental (PRS) and public housing (ERP) sectors, and a very small intermediate social rental sector (ERS). Housing policy in Italy remains fragmented, marked by weak national coordination and considerable regional and local disparities, after devolution of competences with funding cuts. Despite high eviction rates and over-representation of poverty among tenants, public discourse and policymaking continue to be dominated by a strong bias towards homeownership. Public housing (ERP) has been defunded and residualized, functioning as a safety net for the most vulnerable with very limited turnover, while the intermediate sector (ERS) is mainly shaped by market logic and financial capital. Beside some rhetorical shifts, public investment in de-commodified rental housing remains scarce, and land assets that could enable the production of affordable housing are privatized to comply with austerity and attract private capital. The private rental market was deregulated in the 1990s and has undergone significant commodification – recently accelerated by touristification dynamics. Within the Italian housing system, policies linked to the ecological transition risk reinforcing existing inequalities. Without stronger coordination, redistributive policies, a focus on decommodification and support for non-market actors, the transition risks deepening socio-spatial inequalities.

Norway

While post-war housing policy featured strong state involvement—particularly through land policy, cooperative housing, and subsidized finance—since the 1980s there has been a gradual shift toward market-oriented governance. Today, housing is predominantly treated as a private asset, with high homeownership rates, limited rental regulation, and residual public provision.

The report examines national policy tools such as Husbanken loans, planning frameworks, and fiscal incentives, showing how these offer selective support but lack the scale and regulatory force to influence broader affordability outcomes. It also explores the challenges municipalities face in steering housing development, as declining public land ownership and strong market pressures weaken local capacity, especially in contexts of urban densification.

A central focus is the changing role of cooperative housing actors, especially OBOS, whose operations now attempt to balance social commitments with commercial strategies. Environmental objectives—such as energy retrofitting and densification—are increasingly present in policy discourse, yet remain poorly integrated with housing equity goals.

Ultimately, the report identifies fragmented governance, limited state steering, and insufficient redistributive mechanisms as key barriers to a more inclusive and sustainable housing system.

Poland

Poland's housing system is dominated by market mechanisms, with state support focused on promoting homeownership through subsidies and mortgages. Public and social rental housing remain marginal, while local governments face financial constraints despite being formally responsible for social provision. Crises such as the post-socialist transition, global financial crisis, COVID-19, the war in Ukraine, and inflation have prompted temporary interventions (e.g., rent freezes), but have not altered the overall recommodification trend. Key challenges include a lack of strategic housing planning, limited public stock, and a fragmented, weakly regulated private rental sector. The growth of private rental schemes (PRS), especially in urban centers, has worsened affordability and spatial inequalities. Institutional tools like TBS and SIM remain underdeveloped, while housing financialization erodes tenure security. Climate policy has brought sustainable housing and energy efficiency into focus, notably via retrofitting and green construction. However, initiatives like "Clean Air" often benefit wealthier homeowners, reinforcing structural inequalities. Urban densification can lead to gentrification and displacement, further marginalizing vulnerable groups.

Spain

Spain's housing system faces a structural crisis marked by high commodification, minimal social housing, and widening affordability gaps. Rooted in a pro-ownership model, homeownership has declined since the 1990s while rentals expanded after the 2008 crisis, amid housing financialization. Austerity, mass foreclosures, and asset privatization enabled global investors to consolidate portfolios, accelerating rentier accumulation and inequality.

The 2023 Right to Housing Law introduced rent controls and tenant protections, yet challenges persist. Social housing remains just 2% of stock—among Europe's lowest—while speculative forces (short-term rentals, seasonal lets, foreign investment) inflate urban prices. By 2025, housing affordability surpassed unemployment as Spaniards' top concern. Barcelona illustrates these tensions: rents outpace incomes, with 45% of tenants cost-burdened. Rural areas face depopulation and vacancy, deepening territorial imbalances.

EU Recovery funds (€6.8B) drive green transition activities, but uptake is slow amid bureaucracy and fragmented governance. Green gentrification and renoviction remain serious threats in the absence of strong anti-displacement measures. Government programs aim to industrialize housing and deliver 20,000 affordable units annually, addressing land, licensing, and labor bottlenecks.

Governance fragmentation, market logics, and wealth inequalities persist. Achieving greater housing decommodification requires long-term public investment, stronger regulation, and tenant protections to ensure climate transitions do not reproduce spatial inequities in Spain.

Switzerland

Switzerland is a country of tenants with the lowest homeownership rate in Europe. Housing policy at the national level is rather weak, and the responsibility for housing primarily lies with municipalities and cantons. The Swiss housing system strongly relies on the private market for the provision of housing, with cooperative and state-provided social housing occupying a marginal role. Regarding the trajectory of the Swiss housing system in the direction of de-commodification or (re-)commodification, it should be noted that there have not been substantial changes since the 1990s at national level. A compulsory and de-commodifying value capture recovering at least 20% of planning gains was introduced in 2014. On the other hand, several aspects of commodification can be observed: there is less financial support by the state for affordable rental housing, and even though there is rent regulation, its enforcement is weak and the modest protection of tenants from rental contract cancellations is creating major hardships to tenants in a market that is increasingly dominated by financialised actors. The high land and housing prices, coupled with environmental and energy policies that encourage densification and energy refurbishments, contribute to the demolition of affordable housing and its replacement with more expensive housing, particularly in rapidly growing large cities.

The United Kingdom (UK)

From the mid-20th Century until the 1980s, the UK housing system focused on de-commodification: expanding the housing stock, embracing tenure neutrality, and ensuring provision of subsidies across ownership and rental sectors. This was reinforced by de-commodification of housing at the local level, with direct production of SR by local authorities.

This shifted in the 1980s under Thatcher's government, as welfare restructuring drove re-commodification of land and housing. Housing policy favoured private provision over public investment, with weakened local governance—central government removed control from local housing budgets, meaning local authorities increasingly relied on private and non-profit actors to meet their housing provision responsibilities. Re-commodification also targeted land, with planning reforms such as 1990's Section 106 contributions, making social housing a negotiable share of private development. Other reforms incentivised land transfer to private actors.

The 2008 Global Financial Crisis deepened this trajectory, albeit shifting private investment increasingly into rental housing, increasing its financialisation. Subsequent crises have reinforced these trends. Recently, some local efforts support direct delivery of social housing by local authorities, leveraging existing public land and housing stock. However, the trajectory remains firmly toward re-commodification of land and housing, with each crisis creating conditions that are used to entrench these mechanisms further.

National Report on the Housing System from a Multi-Level Perspective: Austria

1 EXECUTIVE SUMMARY

Austria’s housing system is shaped by a historically stable institutional framework but marked by persistent political divergence across governance levels. The main policy instruments—limited-profit housing regulation (WGG), tenancy law (MRG), and housing subsidies—remain intact, yet their use is politically contingent. Rather than structural overhaul, housing policy change in Austria occurs through shifts in how these instruments are interpreted and mobilized by different parties and coalitions. Conservative and right-wing actors tend to promote ownership and market liberalization, while social-democratic governments—particularly in Vienna—emphasize rental affordability, tenant protection, and social housing expansion.

Recent decades have seen gradual re-commodification trends, especially in the private rental sector, with deregulation of new units, attic conversions, and market-based rent setting mechanisms. At the same time, Vienna has actively expanded de-commodified housing through municipal construction, public land banking, and zoning instruments for subsidized development. This has led to a fragmented housing system, where access to affordable rental housing is increasingly determined by local political leadership and land policy capacity.

The interaction between Austria’s housing tenures and environmental policy goals reveals tenure-specific tensions. Retrofitting policies tend to favour owner-occupied single-family homes, while rental housing—especially private and condominium stock—faces legal and cost pass-through barriers. Nature-based solutions (NBS) are more feasible in social housing due to rent regulation, but unevenly distributed in space and policy capacity. Densification aligns with social housing in Vienna but is often pursued through market-led redevelopment elsewhere, weakening affordability protections.

In sum, Austria’s housing system filters crises and environmental demands through a multi-level, politically pluralistic framework. Its evolution depends less on major legal reforms than on how existing institutions are recalibrated in response to shifting fiscal pressures, ecological imperatives, and political coalitions at national and local levels.

2 THE HOUSING DEBATE

Austria's housing debate reflects the long-standing institutional configuration within a shared legal and policy framework in which divergent conceptions of housing—either as a social good or as a market asset—are debated in the political and administrative sphere. These debates have not emerged recently but have consistently shaped the direction of housing policy, contingent upon prevailing political coalitions at different governance levels. While the overall institutional structure appears mostly stable—anchored by the Limited-Profit Housing Act (WGG), the Tenancy Act (MRG), and a housing subsidy regime—the orientation and use of the main housing instruments are sensitive to the political composition of federal and regional governments.

Political contestation around housing tends to materialise not in the creation or dismantling of institutions, but in how existing policy instruments shaping tenures are mobilised for broader policy goals. For instance, the use of limited-profit housing as a buffer against market volatility is widely accepted across parties, but the extent to which such stock should be used to support affordable ownership options has been a persistent point of the recent debate. The 1993 introduction of a purchase option in the limited-profit housing (LPHA) sector marked a key point, supported by a grand coalition yet interpreted differently: for conservatives and right-leaning parties (ÖVP, FPÖ), it was, and still is, a vehicle for expanding property ownership and individual autonomy; for the SPÖ, particularly in Vienna, it signalled a risk to the long-term affordability and non-speculative function of subsidised rental housing. These opposing interpretations continue to inform debates around eligibility restrictions, fiscal incentives, and the effective long-term management of a subsidised, limited-profit stock. In relation to energetic retrofits and other maintenance investments (e.g. green infrastructure), the ownership options also fuelled a debate on whether shared ownership structures legally complicate decision-making on investments.

Similar debates appear in the governance of the private rental sector, especially with regard to deregulation. While the segmented application of the MRG, with regulation of rents applying in full extent to buildings built before 1953, creates a legal structure within which both regulated and free-market units coexist. Political parties have interpreted this architecture in sharply different ways. Centre-right and right-wing coalitions have tended to view legal liberalisation—such as expanding location-based rent surcharges, the allowance of attic conversion on rent-regulated buildings to be free-market or loosening rules on temporary leases—as necessary to encourage investment and housing supply. Social democratic actors, by contrast, have emphasised the need for tenant protection, legal transparency, and affordability, particularly in urban markets where rent burdens are increasing.

In the debate, private housing market developers highlight the need for attic conversions to finance the renovation and, at times, energetic retrofits and decarbonisation of the pre-WWII housing stock in urban areas. In general, claims are made by a large portion of housing experts for years that a substantial reform of the Tenancy Law is due, where low-quality buildings should be rent-regulated and retrofitted buildings should be lifted from rent-regulation. This, in the view of private rental market actors and experts, shall foster the necessary investments needed to renovate and decarbonise the private rental stock. However, this debate is politically highly contested; attempts at substantial tenancy law reforms, and not smaller amendments as done in the past 30 years, have thus largely stalled, not due to technical disagreement, but because of incompatible normative positions on the role of regulation in private rental markets.

The owner-occupied sector is perhaps the least institutionally distinct but equally subject to political interpretation. Although homeownership is widespread and generally supported across the political spectrum, its promotion has varied considerably. Conservative-led coalitions have tended to advance measures that reduce fiscal barriers to entry—such as tax relief and credit support—while social democratic governments have been more cautious, particularly given the limited redistributive effects of ownership subsidies. The SPÖ–ÖVP–NEOS coalition agreement (2025–2029) reflects this tension: it envisions supporting young households entering the ownership market, but only within a broader return to earmarked housing subsidies and without compromising the supply of subsidised rental housing. And yet, outside of the urban centres, single-family homes are the housing norm, which most of the people demand and political parties support, also through retrofit and zoning.

What emerges is not an Austrian housing regime defined by consensus or gradual convergence, but one characterised by an ‘internal’ institutionalised pluralism. Federal structures, fiscal decentralization, and the differentiated responsibilities of municipalities, federal states, and the national government – as this report will show – enable diverging political strategies to coexist within a shared framework. Vienna’s municipal model, with its emphasis on public land banking, subsidised rental construction, and climate-integrated housing, sits in contrast to more market-oriented approaches in other federal states, where ownership and liberalised private rental sectors are more strongly promoted.

In this context, the future direction of Austrian housing policy is unlikely to be determined by structural overhaul, but rather by the strategic recalibration of existing instruments in response to political, fiscal, and ecological pressures. The durability of the system lies in its legal and institutional continuity; its evolution, however, rests on smaller amendments that are shaped by shifts in political leadership, coalition dynamics, and the framing of housing within broader policy domains—whether social protection, economic development, or environmental transition.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

The Austrian housing system has historically maintained a balance between decommodification and market forces, with a peak of municipal housing production in the post WWII period (Matznetter, 2002). Cities in Austria have been strongholds of decommodified housing provision, with Vienna especially known for its social housing production, famously known as Red Vienna (Kadi & Suitner, 2019). However, beginning with the 1980s and especially since the 1990s, there has been a gradual shift towards a stronger recommodification at the national level.

First, the deregulation of parts of the private rental sector has allowed for higher market rents, particularly in attic extensions and newly constructed units. The National Tenancy Law (*MRG, Mietrechtsgesetz*), introduced in 1981, is the main piece of legislation governing the private rental sector. It applies fully to rental units in multi-apartment buildings constructed before 1953 and partially to all privately rented units. In practice, this means that rental units from the pre-WWII period are rent-controlled, while the Tenancy Law stipulates security regulations for tenants that apply to the entire private rental sector.

However, since the 1994 amendment to the National Tenancy Law, the law has been based on a reference value rent (*Richtwert*), which is set by the Reference Value Law (*Richtwertgesetz*). This reference value rent varies by region (federal states) and is typically updated every two years in line with inflation. Commodification tendencies, however, have been introduced by allowing for location premiums (*Lagezuschlag*) that can be added to the reference value rent, introducing a market-oriented pricing mechanism based on neighbourhood quality. Hence, even within the regulated private rental sector, the *Richtwert* system enables prices to be formed in line with market developments through consumer price index adjustments and location premiums (Litschauer & Friesenecker, 2022; Kadi, 2015). The reform also made temporary leases, usually between 3 and 5 years in length, possible (Litschauer & Friesenecker, 2022). Furthermore, in 2006, a right-wing coalition excluded the rent-regulation of attic conversions on rent-regulated, pre-WWII buildings from the tenancy law. Overall, these commodification tendencies contribute to rising housing costs in the private rental sector and a severe affordability crisis in periods of high inflation (Litschauer & Friesenecker, 2022; Kumnig & Litschauer, 2025; Kadi 2024).

In the interwar period, Austria laid the cornerstones of a social housing sector consisting of two different segments: 1) municipal housing built, maintained and managed (e.g. eligibility and accessibility) by the Austrian municipalities; and 2) the origins of limited-profit housing by housing cooperatives, housing provided by factory owners and arms-length organisations (Kadi & Suitner, 2019; Kössl, 2022). After WWII the municipal and the limited-profit housing sector were strongly institutionalised, with the latter sector built and maintained by registered and strictly controlled Limited Profit Housing Associations (LPHAs) (Matznetter, 2002; Reinprecht, 2014; Friesenecker & Kazepov, 2021). LPHAs are regulated at the national level through the Limited-Profit Housing Act (*WGG, Wohnungsgemeinützigkeitsgesetz*), while operating LPHAs are approved regionally through federal state governments. Based on the regulation, LPHAs need to provide a so-called cost-based rent where they can only charge as much rent as the housing estate costs (Kössl, 2022). Initially, this also includes payback costs for loans, e.g. for land acquisition and construction costs, utility costs and a maintenance and renovation fee (Friesenecker and Litschauer, 2022). In exchange for tax benefits, LPHAs are only allowed to make 3.5% profits (Kössl, 2022). Given the cost-rent principle, limited-profit housing options are considered a long-term affordable housing option for the middle classes, also given substantial one-time capital contributions upon entry (see Litschauer and Friesenecker, 2022, for details).

While this tenure has become a cornerstone of housing geared towards de-commodification, the 1993 introduction of rent-to-buy options in LPHA housing has introduced some sell-off of rental units, albeit with limited effects so far (Baron et al., 2021). Nevertheless, the 1993 introduction of the rent-to-buy model and the 2004 sell-off of nationally owned-LPHA units were pushed by conservative coalitions, reducing Austria's social housing stock with the idea to expand home-ownership (ibid.).

Despite these commodification attempts, a key tool in the expansion of the de-commodified housing segments, both municipal and limited-profit housing, has been the state-provision of housing subsidies for construction. While having been a national matter until 1989, housing subsidies have been decentralised to the sole responsibility of the nine Austrian federal states (Friesenecker & Kazepov, 2021). Housing subsidies stemming from a payroll tax (with each employer and employee paying half a per cent of their wages) were still collected and redistributed by the national state. In 2008, with another reform, the earmarking of housing subsidies for federal states was lifted, and since 2018, housing subsidies have been turned into a federal state revenue (Kössl 2024; Amann et al., 2023; Friesenecker & Litschauer, 2022).

While with the abolition of earmarked housing subsidies in 2008, some federal states used the revenues for non-housing purposes, Vienna remained a stronghold of de-commodification. Together with an ongoing maintenance of its extensive municipal housing stock (about 220,000 units), housing subsidies were combined with zoning requirements for subsidised developments (usually done by LPHAs) and the long-standing acquisition of land supporting the construction of de-commodified forms of housing (Friesenecker & Litschauer, 2022). Yet even here, pressures from private investors and rising land costs pose challenges to maintaining affordability in this sector since the financial crisis of 2008 (Baron et al., 2021; Friesenecker & Litschauer, 2022; Kumnig & Litschauer, 2025; Kadi, 2015).

As a consequence of these policy changes, at the national level, Austria is characterised by a mixed-tenure structure, dominated by stable homeownership rates with about 50% since 1991 (Statistik Austria, 1991; 2021). The private rental sector (PRS) has, compared to other segments, expanded significantly and increased from 18.2% to 23.8% of all dwelling units since 1991 (Statistik Austria, 1991; 2021). Unlike in fully residualist systems, Austria still heavily subsidises rental housing built by LPHAs. Hence, the limited-profit housing sector grew from 10.8% to 14.8% since 1991, while publicly owned housing slightly decreased from 9.7% to 6.8% at the national level. Taking the limit-profit and municipal housing together, Austria's social housing sector was kept stable and accounted for 21.3% in 2021 (Statistik Austria, 1991; 2021). However, the tenure structure in big cities is usually very different from that of more rural municipalities, where homeownership rates of single-family homes are dominant. Vienna, as an example, stands out according to Statistik Austria (2021): In 2021, only 17.1% of the dwelling stock was owned, whereas the rental sector accounted for nearly 80% split equally between private (39%) and social rental (40%). Furthermore, out of about 7-8% of Austria's total municipal housing stock, approximately 5% is located in Vienna, while the remaining 2% is spread across the other federal states (see also Angel & Mundt, 2024). As with the Austrian trend, the private rental sector expanded, compared to other segments, most significantly, but the social housing sector did expand significantly as well, dominated by the limited-profit sector.

In summary, Austria has not undergone extreme re-commodification, but the market-mechanism and macro-trends, especially since the financial crisis of 2008, favoured an above-average expansion of the private rental sector. Hence, together with the weakening of the rent-regulated segment, it is the newly built private rental segment that is not rent-regulated that drives re-commodification trends in Austria, especially in urban areas (see Kadi, 2024 on Vienna, for instance). Nonetheless, Austria continues its ongoing trajectory toward de-commodification. Especially Vienna's, but also other federal states', proactive housing policies and still existing tenant protections of the old private rental stock continue to counterbalance the above-mentioned shift, keeping elements of the universalist housing provision intact. While this is increasingly carried out by limited-profit housing associations, they needed to operate in difficult times throughout the last decade, where pressures from private investors and rising land costs posed considerable affordability challenges given the sector's cost-rent principle (Kumnig & Litschauer, 2025).

While 'brick and mortar' subsidies remain an important policy instrument, Austria's subsidy scheme also provides revenues for means-tested housing benefits (*Wohnbeihilfe*), which, following the decentralisation, are provided by federal states to support low- and very low-income households in covering rental costs (Amann et al., 2023). Additionally, for the lowest-income groups, Austria's minimum income social assistance programs, administered by the federal states as well, can also cover housing-related expenses, and basic benefit schemes further ensure that basic housing needs are met (see Mundt, 2017; and Wolfgring & Peverini, 2024 on Vienna, for instance).

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

Structural divergences between Austria's national housing policies (which increasingly promoted re-commodification) and housing policies in bigger cities are largely driven politically. Vienna's local policies, for instance, remain strongly de-commodified and universalist, given the dominance of the Social-Democratic Party (SPÖ). Conservative and right-wing parties (ÖVP, FPÖ) favour market-driven housing solutions, while the Social Democratic Party (SPÖ) emphasises tenant protection and social housing. At the national level, housing policy has increasingly shifted toward homeownership promotion and liberalising private rental regulation, especially under ÖVP-FPÖ governments (2000-2006, 2017-2019). These governments have expanded homeownership incentives by privatising LPHA housing. For example, the 1993 reform of the Limited-Profit Housing Act introduced a "rent-to-buy" model, allowing the sale of previously subsidised housing to sitting tenants (GBV, 2016). While initially a limited measure, right-wing and conservative parties (ÖVP, FPÖ) have repeatedly attempted to expand this purchasing option, signalling a shift towards homeownership promotion at the expense of rental affordability. Similarly, the partial privatisation of LPHA stock in 2004, when federally owned non-profit housing was sold to banks and private investors, marked a turning point in re-commodification, reducing the available supply of social housing (Mundt & Amann, 2010). Additionally, the 2017-2019 ÖVP-FPÖ government framed homeownership as the ideal model fostering a self-determined and secure life, while the government program also sought to further liberalise tenancy laws by attempting to abolish rent caps in the historic housing stock (Bundeskanzleramt, 2017).

In contrast, Vienna, governed by the SPÖ for over a century, strongly resists re-commodification. The city continues to expand social housing, while supporting tenant rights in the private rental sector through consulting and lobbying for the enforcement of strong tenant protections at the national level. The 2018 introduction of the zoning category "Subsidized Housing" (*Geförderter Wohnbau*) and the 2019 revival of municipal housing construction under a city-owned limited housing association demonstrate Vienna's pushback against national trends. Furthermore, the current SPÖ-NEOS city government (2020-present) has frozen municipal rents for 2024 and 2025 at the level of 2023 as a response to high inflation following energy price increases.

These diverging political ideologies create tension between federal and local housing strategies, resulting in a fragmented housing system where access to affordable rental housing varies significantly by political leadership.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

Austria's federal state design and its multi-level housing governance approach create both synergies and conflicts, as already outlined above. A key synergy lies in the division of responsibilities: the federal government establishes legal frameworks, such as tenancy law (MRG) and limited-profit housing regulations (*WGG*), while federal states, provinces and municipalities implement housing policies by distributing housing subsidies since the decentralisation in 1989. This potentially allows for national consistency with local flexibility. Additionally, the housing subsidy system (*Wohnbauförderung*) supports both supply- and demand-side measures, enabling public-limited-profit partnerships in construction and housing benefits to support the social groups in most need.

As mentioned above, Austria's housing governance is marked by significant political tensions between national and local levels, depending on the coalitions in place. A key tension, at least historically, remained particularly between ÖVP-led federal governments and SPÖ-led federal states, mostly Vienna, resulting in diametrically opposed approaches to housing policy. Nationally, conservative and right-wing governments (ÖVP-FPÖ) have promoted homeownership, (rental) market liberalisation, and private sector involvement. Vienna, under continuous SPÖ rule since 1919, except for the Austrofascist period and the Nazi rule (1934-1945), prioritises the expansion of social housing by providing cheap land to, and subsidising limited-profit housing associations, while continuing the maintenance of its substantial municipal housing stock. However, given that a large stock of Vienna's housing dates back to the pre-WWII private rental segment, housing affordability also depends crucially on the decommodifying nature of the national tenant protection and rent controls (Debrunner et al., 2024).

Furthermore, since the 1989 and 2008 decentralisation, housing subsidies have been managed by the federal states rather than the national government. The abolition of earmarked federal housing subsidies in 2008 granted financial autonomy to federal states, but many states redirected funds away from housing, limiting investment in social housing in some federal states, undermining the potential de-commodifying orientation of housing subsidies. Another source of conflict is privatisation, particularly regarding Limited-Profit Housing Associations. ÖVP-FPÖ governments have supported expanding rent-to-buy options and selling subsidised LPHA housing at the national level. These options weaken the long-term affordability protections given by the national Limited Profit Housing Act, while also complicating retrofitting and management of limited-profit housing estates.

The overall trajectory remains politically fragmented, with housing affordability and accessibility increasingly dependent on the coordination of national-regional political leadership.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

EU influences have, since 1995, when Austria joined the EU, played a dual role in shaping de-commodification and re-commodification at the national as well as the regional, federal state level. While Austria's limited-profit housing model has been upheld under EU competition law, concerns about state aid and budgetary constraints (e.g., Maastricht criteria) led Vienna, amongst other reasons, to halt municipal housing construction in 2004 (Friesenecker & Kazepov, 2021). However, municipal housing was never sold off en masse and was reintroduced in 2019 under a limited-profit housing scheme (Baron et al., 2021; Amann et al., 2023). Additionally, the 2018 zoning reform introduced the zoning category "Subsidised Housing" (Geförderter Wohnbau), which requires that two-thirds of newly zoned residential land be reserved for subsidised housing, counteracting speculative market pressures (Kumnig & Litschauer, 2025).

The accession to the EU, followed by population growth, is associated with a substantial expansion in the private rental market, especially in the 2000s. Furthermore, the 2008 financial crisis and post-crisis low-interest rates indirectly fuelled re-commodification by making mortgage borrowing more attractive, increasing owner-occupation, but also fuelled the expansion of Austria's historical preference for rental tenure, especially in urban areas.

More recently, as a response to the financial risks associated with increasing inflation, construction costs, energy prices, and variable interest rates following the COVID-19 pandemic and the effects of the Russian invasion of Ukraine, the Austrian Financial Market Authority introduced mortgage lending restrictions (KIM-VO) in 2022, aiming to prevent unsustainable borrowing and mitigate financial risk. Additionally, the *Wohnschirm* initiative (2022-2026) and *Wohnungssicherung Plus* (2023-2024) represent more recent interventions by the national government, aimed at preventing evictions and supporting vulnerable renters, reflecting an ongoing commitment to protecting rental security in the face of rising housing costs following the COVID-19 pandemic and the energy crisis.

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing?*

Austria's national and local housing systems have a relatively strong capacity to provide affordable housing, particularly due to the long-standing role of limited-profit housing associations (LPHAs), housing subsidies, and the limited privatisation of municipal/social housing. Limited-profit housing associations – regulated at the federal level – remain key providers of affordable rental units, benefiting from preferential tax treatment and reinvestment requirements that prevent excessive profit extraction. Housing subsidies – stemming from a payroll tax (0.5% from the employer, 0.5% from the employed) – are another key enabler. With the 2018 reform, federal states are even allowed to set the height of the payroll tax, but this hasn't been used.

Key obstacles for an expansion of social and affordable housing are clearly rising land prices and increasing market competition through financialization and private real estate developers in new constructions, as private real estate developers have become profoundly more active since 2015 (Kumnig & Litschauer, 2025). These developments have led to a dramatic rise in land prices: between 2010 and 2019, land prices in Vienna increased by an average of 124% (Baron et al., 2021). As a result, the cost of new construction has risen substantially, posing major challenges for the production of affordable and social housing.

Despite these challenges, there are key enablers at the local level that help sustain affordable housing production. Vienna, for instance, aims to maintain affordable housing production through zoning regulations and land policies that prioritise subsidised development. The city's developer competitions and public land banking (through *wohnfonds_wien*) aim to ensure an expansion of affordable housing in times of population growth as well as rising land and construction costs (see Friesenecker & Litschauer, 2022; Altreiter & Litschauer 2022). Vienna's practice of developer competitions ensures quality and cost efficiency in subsidised housing projects, while the *wohnfonds_wien* secures and allocates land specifically for affordable housing development. These instruments help to ensure a continuous pipeline of social and affordable housing despite adverse market conditions.

However, in addition, the city's housing system is currently experiencing increasing pressure due to significant market shifts. A particularly notable development is the growing role of institutional investors in the existing housing stock. In Vienna, institutional actors accounted for only 12% of purchases within the 'old' private housing stock before 1982, but their share rose sharply to 90% between 2007 and 2019 (Musil et al., 2024). This reflects a fundamental transformation of the housing market, driven by the financialization of real estate and the growing influence of commercial developers (Kadi, 2024; Kumnig & Litschauer, 2025).

II. *How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?*

The 2008 Global Financial Crisis and the subsequent period of low interest rates initially supported housing construction by making financing cheaper. However, this also led to increased real estate investment, raising land prices and shifting housing development towards more market-driven models, particularly in the private rental sector (PRS). This financialization made it more difficult for municipalities and non-profit housing providers to acquire land at affordable prices for subsidised housing.

EU budgetary constraints also played a role in reducing Austria's capacity to expand social housing together with national reforms. The 2008 reform abolition of the Housing Subsidy Purpose Grant Act (Wohnbauförderungszweckzuschussgesetz) allowed federal states to redirect federal housing funds for other uses than housing, weakening public investment in new construction. While maintaining a strong focus on subsidising housing construction, Vienna responded by introducing "Geförderter Wohnbau (Subsidised Housing)" as a zoning category (2018), requiring two-thirds of new residential developments to be subsidised housing.

The inflation and energy crisis (2021–2024) further increased construction costs and rent burdens. To mitigate these effects, the Austrian government launched Wohnschirm (2022–2026), a national eviction prevention program assisting low-income tenants at risk of losing their homes. Additionally, Vienna froze municipal rent increases for 2024 and 2025 at the level of 2023 and introduced further energy retrofitting subsidies to reduce housing costs.

III. *What challenges have the state and non-profit sector faced, in the light of recent crises?*

Austria's state and non-profit housing sectors have faced significant challenges in the wake of the 2008 Global Financial Crisis (GFC) and the COVID-19 pandemic. While Austria's housing system remained relatively stable during the GFC, the crisis led to a prolonged period of low interest rates, which spurred private investment in real estate and contributed to rising land and property prices. This made it increasingly difficult for limited-profit housing associations (LPHAs) to acquire land for affordable housing, as they faced intensified competition from commercial developers and institutional investors.

During the COVID-19 crisis, the Austrian government introduced emergency measures to prevent evictions and support struggling tenants. While rent deferrals and eviction moratoriums provided short-term relief, concerns over rent arrears and housing insecurity persisted, particularly in the private rental sector. In response, the Wohnschirm program was launched in 2022 to assist tenants at risk of eviction, covering rent and energy debts when other support was insufficient. However, this initiative is temporary (running until 2026) and does not address structural affordability issues in the long term. Additionally, the Wohnungssicherung Plus program in Vienna was introduced in 2023 to provide further rental assistance, yet its funding remains limited.

The post-COVID economic environment, characterised by inflation, rising construction costs, and supply chain disruptions, has further strained the capacity of LPHAs and the state to maintain affordable housing production. While federal and provincial governments continue to provide subsidies (Wohnbauförderung), budgetary constraints and political shifts have made long-term planning difficult.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

Retrofitting policies in Austria are marked by pronounced tenure-based inequalities. While financial incentives are extensive and the main instrument, they disproportionately benefit owner-occupied single-family homes, where uptake is technically simpler and decisions are individually controlled. In contrast, rental housing—especially in private, multi-apartment buildings—faces structural and institutional barriers. In the private rental sector, the landlord–tenant dilemma remains unresolved: landlords control investment decisions, but tenants bear the costs, especially in deregulated segments where rent increases post-retrofit are legally possible. Moreover, multi-owner buildings—which are becoming increasingly typical for urban areas—are constrained by Austria's Condominium Act (*WEG, Wohnungseigentumsgesetz*), which requires majority agreement for collective renovation decisions. These barriers are compounded by fragmented governance and limited coordination across subsidy schemes, particularly between federal goals and state-level implementation. As such, retrofitting reinforces tenure-based inequalities and remains structurally biased against the rental sector.

These dynamics tend to discourage both landlords and tenants from engaging in renovations. Tenants often resist due to fears of rent increases and construction disturbances. Additionally, fragmented subsidy systems and bureaucratic hurdles, particularly in coordinating federal and state-level programs, further delay or block implementation. While municipal and limited-profit housing providers can access multiple support schemes, their capacity to deliver large-scale renovations is constrained by EU procurement rules and skilled labour shortages. As a result, retrofit funding and delivery remain structurally biased in favour of better-resourced, owner-occupied dwellings, with the risk of exacerbating spatial and social inequalities.

Nature-based solutions (NbS), while strategically emphasised in the latest national climate change adaptation strategies, are predominantly implemented at the municipal level and heavily influenced by tenure patterns. In Vienna, where municipal and limited-profit rental housing is concentrated, long-term tenancies and rent regulation reduce the risk of displacement from greening initiatives such as street greening, façade vegetation, green roofs (Friesenecker et al., 2024). However, greening measures are often introduced in pilot formats and remain highly uneven across municipalities, particularly in smaller or less-resourced jurisdictions. Additional limitations for the implementation are heritage protections and legal frameworks that often obstruct greening in historic areas, while rising operating costs could burden tenants, especially in socially vulnerable areas. The concern is that, without binding mandates or redistribution mechanisms, NbS may not only be spatially selective but could also reinforce tenure-based inequalities in environmental quality. Moreover, in deregulated rental markets, the enhancement of local amenities through NbS could indirectly contribute to rent increases and displacement, even if current data suggests limited effects so far (Friesenecker et al., 2024).

Densification policies illustrate the divergence between environmental goals and affordability across tenure lines. While national strategies emphasise compact growth and reduced land consumption, implementation is decentralised and shaped by local land-use regimes and market dynamics. In Vienna, densification is strategically aligned with subsidised housing through instruments such as zoning categories and land allocation for limited-profit housing associations. This allows for environmentally and socially sustainable densification. However, in many other cities and regions, densification is primarily pursued through private-sector-led redevelopment, particularly via attic conversions and brownfield infill. These interventions often target high-end owner-occupied or deregulated rental units, segments largely exempt from the Tenancy Law (MRG) due to reforms in the 1990s and 2000s. This mode of densification risks excluding low-income tenants, undermining affordability objectives. Additional concerns include the tension between densification and green space preservation, as well as regulatory constraints such as height limits or heritage status that complicate integrated planning. The broader implication is that, while densification holds potential to reconcile climate mitigation and housing needs, its social outcomes are largely determined by tenure structure and the regulatory instruments employed at the local level.

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National Report on the Housing System from a Multi-Level Perspective: France

1 EXECUTIVE SUMMARY

In France, the housing system is characterized by a relative equilibrium between the three tenures, and persistent inequalities due to an extension of market logics across all of them despite the rising concern for affordability. Governmental support for homeownership has been persistent since the 1970s, including through instruments supporting first-time buyers, but modest households have had increasing difficulty in accessing owner-occupation. Meanwhile, the state has used fiscal incentives to stimulate private investment into private rental market, shifting the focus from individual to corporate landlords in the mid-2010s – but with limited success. While social housing production has remained significant throughout the 2000s, massive demolitions under the estate regeneration policy and degrading financial conditions (rising costs, declining public subsidies) are putting the ability of the sector to answer the needs of the population into question.

The housing system combines key enablers and obstacles to the production of housing affordability. On the one hand, affordability is supported by a strong social housing sector with dedicated, long-term loan system and mandatory quota; a strong tradition of public landownership and land-use planning; the introduction of the right to housing as an enforceable right; and the creation of new tools to experiment affordable scheme across different tenures. On the other hand, national programmes like the estate regeneration policy and budgetary cuts are undermining the social housing system, and more generally eroding the fiscal autonomy of local authorities thus pushing them to partner with the private sector. Relatedly, the land system has been increasingly subject to rent-seeking practices as a result of the greater role of private property developers, and of public landowners turning into real estate developers. All in all, experimentations in affordability remain limited in quantitative terms, and in space and time such as rent control.

Against that backdrop, we review the mechanisms and potential impacts of environmental and energy policies (EEPs) on housing inequalities. Due to the prevailing in the political economy under which housing is considered for its exchange value, and fiscal policy restricts public revenues – and in spite of advocacy and activism on the housing crisis and energy poverty – the pre-existing processes we identified are likely to be reproduced across the different tenures. We explore the complex mechanisms whereby EEPs might generate trade-offs with housing affordability, paying attention to the different type of tenures for energy retrofits, and various forms of densification (urban regeneration, no net land artificialisation, and air rights). Given the costs of energy retrofit, potential impacts include the reproduction of wealth inequalities, or the decrease of new production in social units and/or push towards its less affordable forms as providers seek to offset them, as well as an increase in the cost of housing provided through urban regeneration, leading in some cases to gentrification.

2 THE HOUSING DEBATE

In France, the current situation of the housing system and debate is critical. According to Driant (2015), the field of housing policy is characterised by the lack of a single,by unified policy; a "technocratic capture" of the topic by a few elected officials but who remain marginal beyond expert circles; and a paradoxical trajectory whereby there is an enduring sentiment that housing policies are inefficient, despite the improvement of living conditions since 1945. On the other hand, housing has characterized as being regularly at the centre of the agenda, and housing policy as very much institutionalised (Pollard, 2018).

Driant (2015) identified five main topics and issues guiding debates around housing policies in the early 21st century:

- The **quantitative target of 500,000 new units per year**, which has hardly even been met since the 1970s, and is based around the assumption of a lack of supply due to a lack of construction in the 1990s, and according to demographic forecasts.
- The **roles of the different tenures**, in a context of the persistance of private and social rental despite of pro-homeownership policies, including debates on rent regulation and the reform of the "generalist" model of social housing[1].
- **Policy supporting refurbishment**, in a context where 85% of the housing supply comes from the existing stock: while policies started in the 1980s, they have increasingly expanded in relationship to environmental and energy concerns.
- **Devolution of powers to local authorities**, which has been linked to reforms reinforcing the role of intercommunal institutions in planning, but limited in terms of scope (especially in the Paris region where the central State maintains a significant role in the definition of quantitative objectifs and their spatialisation).
- **Contradictions between the right to housing**, which has became an enforceable right supposed to guarantee access to social housing for the most deprived, and the **'social mix' doctrine** which has supported the demolition of existing estates to make space for private housing for the middle-class in working class neighborhouds.

Most of these debates are still ongoing, within a policy framework increasingly dominated by the neoliberal consensus, in spite of the long-standing networks in social housing and housing rights advocates. Indeed, since the first election of Emmanuel Macron in 2017, housing has been **quite marginal in the governemental agenda**, and the existing policy rules and

[1] Ghekière (2008) distinguishes three types ideal-types of social housing in the European Union : residual, generalist, and universalist. In countries that follow a "generalist" model like France, social housing is meant to alleviate the difficulties of finding housing on the private market, and as such targets a specific population (e.g. low-income households), based on income ceiling. Rent ceilings apply, and tenants can also benefit from housing allowances. Currently, there are three "tiers" of rent ceilings, corresponding to different type of financing conditions and level of rents (from the lower to the upper: *prêt locatif aidé d'intégration*, PLAI; *prêt locatif à usage social*, PLUS; *prêt locatif social*, PLS).

institutions have been **framed as too complex and costly**, with reforms focusing on cutting public costs (Fol, Gimat and Miot, 2022). Accordingly, **increasing the supply of housing through market forces** is seen as a solution to the housing crisis, following the neoclassical standard reasoning that this will lead to a decrease in prices.

This translated into the decrease of public spending into housing, in terms of its share of the GDP (Driant, 2024a). The **social housing sector has been put under particular pressure**, contributing to its ongoing restructuring as we will detail below. On the one one hand, austerity measures have reduced public support for construction: both through continuous cuts in brick-and-mortar grants that were initiated before, and new cuts in housing allowances. On the other hand, the sector is being put in competition with other tenures, such as intermediate housing[2].

Additionnally, housing policy is now facing a **crisis in itself, to the extent that some stakeholders question its very existence** due to political instability and some *status quo*. In the past 8 years, 7 successive governments have been formed, including 6 Ministers appointed for Housing[3]. This turnover can also be seen in the administration. In 2022, in response to the critical situation in housing construction, the government launched a consultation process with more than 200 public, private, and NGOs actors involved in housing (*Conseil national de la refondation Logement*). Three working groups on were formed, including on ecological issues. However, this was **not followed by any significant legislative changes**, rather than small technical adjustments, raising much deception and criticism from these stakeholders (Madec, 2023). In 2024, the then-Minister of Housing sponsored a draft bill on “Developing affordable housing supply” (*Développer l’offre de logement abordable*, DOLA), which included provisions that would undermine some of the major components of social housing, such as relaxing the rules for quotas in urban areas. While the law attracted much criticism from social housing advocates and housing scholars, it was eventually dropped due to snap elections called by Emmanuel Macron after the results of the European Parliament election.

Meanwhile, some NGOs have made advocacy efforts to **put housing inequalities on the agenda**, such as *Fondation pour le logement des défavorisés* (ex-*Fondation Abbé Pierre*) which has issued an annual report on the state of poor housing for the past 30 years, and Oxfam (2023). In 2024, the former stated that housing was a “social bomb that had exploded”.

[2] Intermediate housing (*logement locatif intermédiaire*) is a new tax regime that was established in 2014. It was motivated by attracting institutional investors (e.g. insurance companies) back to private rental housing, but remains opened to social housing providers as well. These landlords can benefit from tax incentives and select tenants through conventional market mechanisms, provided they respect a number of conditions: location of buildings (areas with high demand), income ceilings, rent ceilings (defined by governmental decree), and the provision of 25% of social housing in the same building (with exceptions). In addition, landlords must rent the building for 20 years in compliance with income and rent ceilings, but can sell 50% of the units after 11 years (100% after 16), either to individuals (including sitting tenants) or other corporate investors.

[3] Except for two months early in 2024, there has not been a first rank Minister of Housing, which was instead placed under other Ministers (of Ecological Transition, Planning, etc.).

Others have specifically **campaigned on energy retrofit**: following the 2022 call of the Citizens' Climate Convention for making energy retrofit compulsory as of 2040, the NGO *Dernière Rénovation* engaged in civil disobedience (e.g. disrupting major sports events) to campaign for a more proactive policy on the matter. Beyond their different backgrounds, these actors share a concern for an **equitable retrofit policy** taking into account social inequalities.

In that politically sensitive context, **some key environmental and energy policies (EEPs) impacting housing have raised significant debate, if not backlash** (see D3.2 for more details). In 2021, the introduction of a progressive ban on rent for thermal sieves (starting with G label in 2023) attracted much criticism, and was presented by some opponents as responsible for the drop in housing supply. Accordingly, the schedule was delayed, and a new law relaxing conditions is currently under examination[4]. Likewise, the zero net land take (*zéro artificialisation nette*, ZAN) policy created by the same time has been subject to much political controversy, on grounds that it was a top-down approach, detrimental to first-time buyers, and even an attack against rural idendity according to some right-wing elected officials. Again, after some adjustements already introduced in 2023, a new law that may undermine its main principles is currently under examination after its adoption by the Senate.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

At the national level, the housing system shows a **complex pattern mixing elements** both from de-commodification and re-commodification modes and processes, so that deciphering a single direction remains tricky – even so given that some structural changes are recent, and may take time to fully develop. Comparative studies of housing policies have characterized the housing policy in France as "soft", due to the compromise between supported of liberal and redistributive policies, the latter being able to persist due to a strong institutionalisation (Bugeja-Bloch, 2013).

While traditionally categorised as belonging to the "unitary" model (Kemeny, 1995), some of its key housing systems ingredients seems to be **moving away from this**. Firstly, following political emphasis since the 1970s, **owner-occupation has become the dominant tenure**, increasing from 55% to 57% between 1991 and 2021. However, this growth has slowed down

[4] In 2024, the government had already adjusted some technical aspects for small apartments, resulting in lifting the ban on 140,000 units.

in the last decades; and it has not translated in policy discourses and programs that would abandon the other rental tenures, which kept on being supported through specific goals, instruments, and some funding. Secondly, the **private and social rental sector is somehow integrated in a single rental market** given that (i) a significant part of the population remains eligible to social housing following the "generalist" model – even though this is in principle, and does not translate into facts for various reasons – and (ii) both tenures are recipient of state budgetary support and regulation. However, this budgetary support has shifted in terms of quality (from brick-and-mortar subsidies to tax incentives for supply, and housing allowances for demand), and quantity (with a significant drop in supply subsidies for social rental since the 2000s, and more recently ford demand). Thirdly, the **rental sector does not take up most of the housing market** (less than 50%), with (i) social housing undergoing a process of residualisation in terms of occupancy, and (ii) private rental being subject to control through regulation of rent increase (national index), the introduction of rent caps in some specific areas (including the city of Paris and adjacent first-ring cities in the suburbs), and specific regulations regarding short-term rental (STR) accommodation. Additionally, (iii) low-income groups benefit from housing allowances, but these have come under pressure due to austerity policies, which led to a first decrease in 2017. Finally, **the land system is moving towards greater commodification**: even though there remains regulations (e.g. mandatory quota for 25% social housing for urban municipalities, planning gains), reforms have been proposed to relax them (e.g. include intermediary housing into the quota), and public land banking is less comprehensive.

Indeed, several elements relative to decommodification, or that involved a form of countercheck to commodification have undergone radical changes. While France was characterized by a strong public land banking tradition and centralised planning system that was believed to undermine the formation of growth coalitions (Le Galès, 1995), recent research has shown the **development of rent-seeking behaviours by public landowners** turning into real estate developers (Piganiol, 2017; Adisson, 2018), the **greater intervention of large-scale developers** through the direct purchase of large tract of lands and leading regeneration schemes (Citron, 2017; Guironnet, 2017), i.e. taking care of housing development and public space, notably through the introduction of new legal tools to allow local authorities to negotiate planning gains through contracts (Thibault, 2017).

Moreover, the country's **strong tradition of social housing and its "generalist" model are currently undergoing significant shifts**. While the level of production was certainly maintained at significant levels throughout the 2000s (Gimat, 2017), the increasing austerity pressure is not only threatening the ability to keep pace with this level – not to mention actual needs – but more largely the whole system. Even though this process already started with the 1977 reform that introduced a shift in public grants from supply (brick-and-mortar subsidies) to demand (housing allowances), it gained prominence throughout the last two decades: the decrease of housing allowances and state subsidies – compensated by local authorities but only temporarily – has put social housing providers under pressure to tap into their own equity and to "diversify" their revenues (Gimat and Halbert, 2018), through selling their stock and shifting to more lucrative social tenures (Herrault, 2024), but also to new private rental tenures such as intermediate housing. The latter was part of a larger governmental push for opening the provision of "affordable housing" to institutional investors and real estate asset managers through the creation of a new tax regime (*logement locatif intermédiaire*, LLI). Over the same period, the production of social housing has also been increasingly outsourced to private developers through forward sale schemes[5], a practice that initially started as an experiment by mayors and quickly became widespread across the whole sector, supported by several large-scale purchase plans from a state-owned housing company (Gimat and Pollard, 2016).

On the other hand, some policies were introduced to curb commodification – if not to de-commodify part of the housing production and stock. Firstly, despite political conflicts between the central state and the city of Paris (see below), **rent controls** were introduced in 2014, and currently apply in Paris and adjacent jurisdictions (Plaine Commune, Est Ensemble), as well as other metropolitan regions (Lille, Lyon and Villeurbanne, Bordeaux, Montpellier). However, the system is an experiment, i.e. limited in space and in time (up to 2026). Loopholes also allow landlords to bypass the control. Secondly, there exist **instruments designed for providing housing affordability across each tenure**, and these have expanded in the past decades. But as for homeownership, their development is still limited (see Appendix in 6); while in the case of private rental their actual contribution to affordability remains open to debate (such as intermediate housing via the LLI tax regime).

All in all, many elements point towards greater commodification, even though it might be too early to tell with certitude given the ongoing restructuration of the social housing sector – not to mention the importance of territorial variability (see Driant, 2024b).

II. Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?

Focusing on the city of Paris, there are **no significant structural divergences** between the direction of travel of the national and the local housing systems. For instance, Paris has ranked first in terms of the continuous rise in housing prices observed at the national scale. The municipality has also pioneered the use of rent controls, being the first area where the experiment was tested in 2014. Likewise, large-scale regeneration schemes were used to experiment new financing modes in private rental, such as intermediate housing in the Clichy-Batignolles area.

Moreover, if we shift the focus beyond the administrative boundaries of the City of Paris to that of the greater Paris area, the **commodification process seems to be accelerating** in many municipalities in relationship to the transit-oriented megaproject of the Grand Paris Express,

[5] Created in 1967, forward sales (*vente en l'état futur d'achèvement*, VEFA) are a type of contract whereby the seller (typically a developer) transfers to the buyer (e.g. households) their property rights over the land and existing construction. The units gradually become the property of the purchasers through various tranches, following the progress of construction.

which will create 68 new train stations in the periphery, and is likely to drive up land and real estate prices, therefore pushing out working classes (Clerval and Wojcik, 2024).

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

The synergies and/or conflicts between vertical (central-local, focusing on Paris) and horizontal (public-private) governance level are summarised in Table FR1 below.

	Synergies	**Conflicts**
Vertical (central-local)	- Emphasis on social mix from above (bringing middle class in poor areas) - Policy instruments helping first-time buyers	*City of Paris*: - SR: existing vs. construction, funding - PR: Airbnb regulation, tax on vacant buildings *Other localities*: - Supply-side policy to boost private investment into PR tenure: tax incentives vs. lack of revenues, competition with social housing *Île-de-France (Paris region)*: - Conflict around quantitative targets + spatial distribution of (social) housing
Horizontal (public-private)	Discursive framing of “affordable” housing, and related emphasis on the needs of the middle class (?)	*At the national level:* - Institutional divestment from housing leading to large-scale sales, and new regulation (1990s) - Institutional investment into funding PR through new tax regime (LLI), and SR through sales (2010s) *At the local level (Paris):* - PR: rent control, Airbnb regulation - Institutional investors: pushing housing densification through new zoning plan (PLU-B), conflict over renovictions (Akelius)

Table FR1 – Summary of multilevel governance dynamics across vertical and horizontal dimensions

Synergies

Focusing on the City of Paris, two main elements can be cited as **synergies between the central and local levels**. Firstly, there is a consensus across policymakers on the doctrine of the “social mix”, that is the idea of mixing population with different socio-economic positions at the neighbourhood scale, and the ways of achieving this , which is mostly tackled “from above”, i.e. as creating housing for the middle class in deprived neighbourhoods – rather than introducing more social housing into affluent areas. The shift of the City of Paris towards the centre-left since 2001 has been associated with discursive emphasis on achieving this social mix (Clerval, 2013), in line with the political consensus observed at the national level. Secondly, the City of Paris has developed a zero-interest loan (*prêt Paris logement*) that can be combined with similar instruments at the national level (PTZ) in order to help middle class residents to become homeowners.

In terms of **synergies across the public-private spectrum,** the most palpable element seems to be the discursive shift towards the “affordable” rubric, which tends to supersede traditional social housing in policymaking and practitioner circles. The “affordable” discourse generally involves a framing over the housing needs of the middle class, as it cannot access homeownership due to the continuous rise of prices over the last two decades, nor social housing due to the lack thereof. Despite generating tensions within the left majority (Hervet, 2013), this emphasis on the middle class can be seen some of the policies developed by the City of Paris, such as pilot operations of intermediary housing in large-scale regeneration projects, and the creation of a municipal housing company for affordable housing (*Foncière de logement abordable*).

Conflicts

Conflicts between the vertical governance levels, both between the central State and local authorities, but also between the latter (regional council, districts, municipalities and intermunicipal institutions), are manifest in the tensions surrounding the adoption of housing plans at the metropolitan or regional level. At the metropolitan level, the plan for housing and accommodation (*Plan métropolitain de l’hébergement et de l’habitat*, PMHH) was supposed to be adopted by the Metropolis of Greater Paris (MGP) before 2018 according to the law. However, it was stopped in 2019 because of conflicts between municipalities regarding the spatial redistribution of the production of social housing; and was only relaunched in 2023. Likewise, the second version of the regional plan for housing and accommodation (*Schéma regional de l’habitat et l’hébergement*, SRHH), that is supposed to help implementing the production target set by the Grand Paris law (70,000 units/year), has led to significant governance conflicts, in particular around the production of social housing. Again, local authorities were divided on its geography, while social housing representatives criticised the risk of setting targets they deemed too restrictive. The issue is also the gap between the targets set by local state administrations which pilot the definition of the plan, and the lack of dedicated financial resources to build social housing units to reach the said targets, due to austerity pressure.

Focusing on **the City of Paris, conflicts with the central level mostly revolve around the rental market**. Firstly, while both institutions share the agenda of social housing production, they differ over the means: the State pushed for more new production, as the acquisition-conversion of existing buildings is seen too costly; and its representatives have pushed for more intermediate housing[6], a position that triggered criticism given the uncertainty over the funding of traditional social housing by the central State (Hervet, 2013). Secondly, tensions also unfolded around issues related to private rental. Since 2015, the City of Paris has engaged in developing a policy to regulate short term rentals (STR), and particularly Airbnb which has been framed as a threat to the supply of permanent housing (Aguilera, Artioli and Colomb, 2019). While this did not translate into an open conflict with the central State, it stands in contrast with the benevolent attitude of the executive since Emmanuel Macron's first term (2017) towards platforms. Lately, the City of Paris has found that the stock of private rental has seen a sharp decline – to the extent that it is deemed to offset its efforts in the production of social housing. The City's deputy for housing is currently campaigning for a reform of the tax on vacant housing, on the account that it is too low to deter landlords to put their property on the rental market.

Interestingly, **corporate landlordism is subject to both vertical and horizontal conflicts** in governance. The new tax regime created by the government in 2013 to attract institutional investors into private rental housing (LLI) has drawn significant criticism of many localities (not specifically the city of Paris) on two main accounts: tax exemptions designed to boost the return meant a loss of property tax revenue for municipalities; and some of these consider this type of housing as a competitor to the upper tier of social housing (PLS) which they favour for different reasons, including because it is taken into account into the 25% social quota[7]. This led to fiscal adjustments into 2020, with the hope that this would unlock the willingness of mayors to allow for more LLI development. This tension can be seen in continuity with the previous conflicts over the tax incentive system introduced since the 1980s for individual investors: it was criticized for leading to a spatial mismatch between the supply/demand of private rental housing (Pollard, 2018; Le Brun, 2022), which the shift towards institutional investment was supposed to supersede.

Corporate landlordism involved horizontal conflicts as well. At the national level, massive sales of housing by institutional investors following the 1991 crisis led to public controversy, and new regulation reinforcing tenant rights in certain conditions, with investors being criticised for shrinking the supply of affordable private rental housing. But this changed around the mid-2000s as these investors were framed by policymakers as a solution to the shortage of such housing for the middle class. The centre-left government's project of conditioning their tax advantages to investment into intermediate housing turned into a conflict between the

[6] To clarify, this kind of "intermediate housing" is not the same as the tax regime introduced in 2013 (i.e. LLI), but encompasses pre-existing schemes that includes the upper tier of social housing (*prêt locatif social*, PLS) and specific loans for intermediate housing (*prêt locatif intermédiaire*, PLI).
[7] As of now, LLI is not taken into account in the social housing quota. In its draft bill presented in Spring 2024, the government aimed at introducing this possibility, but the initiative was halted due to snap elections called by the President.

industry's representatives (particularly REITs, and insurance companies) and part of the government, which shifted instead to tax incentives (see Guironnet, Bono and Kireche, 2024). Similar governmental narrative framed institutional investors as a solution to fund traditional social housing, leading to parliamentary attempts since 2014 and providers' experimentations. However, the main legislative initiative around the sale of the existing stock to corporate landlords in 2018 triggered the mobilisation of a coalition led by the social housing sector's representatives, and was ultimately defeated (see Guironnet and Halbert, 2023).

Moreover, **similar public-private tensions emerged at the local level** around the revision of the City of Paris' zoning regulation (PLU-B) in 2020-2024. These focused on the municipality's project of pushing for housing densification on ca. 1,000 targeted parcels, including many on which institutional investors and real estate asset managers own non-residential (mostly office) buildings. Mostly supported by the green and communist aldermen within the governing majority, this project aims at producing below market, social, and CLT housing. It triggered criticism and lobbying efforts from corporate landlords, many of which are reluctant to build housing which is seen as less profitable. Prior to that, the municipality had also engaged in informal negotiations against the Swedish property company Akelius, which was accused of conducing "renovictions" by tenants who alerted the mayor, and threatened with eminent domain purchase.

Similarly, **STR such as Airbnb are at the crossroads of vertical and horizontal conflicts**. As explained above, it has been framed as a major issue by the elected officials in Paris. Besides their willingness to regulate its use which did not seem to be much supported by the executive, it also causes conflicts with landlords and their representatives, but most of all with corporations themselves such as Airbnb, even though the City has reached an agreement with the platform for the collection of the travel tax (Aguilera, Artioli and Colomb, 2019).

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

This section focuses on the national level, and is based on the distinction between non-housing/ housing specific items.

Non-housing specific macro trends and crises

In France, the housing system at the national level has been affected by welfare restructuring over the past decades. This process was already evident in the 1977 reform which was a milestone in housing policy, and social housing in particular, leading to a shift from brick-and-mortar subsidies (*aides à la pierre*) to housing allowances (*aides à la personne*). The reform was linked to a decrease in government spending turn in response to the 1973 oil shock

(Driant, 2015). This austerity rationale putting pressure on the social housing has grown throughout the 2000s. Following the 2012 sovereign debt crisis, it was used to support the centre-left government's plan to bring institutional investors back to housing through a new tax regime for intermediate rentals (LLI). Since Emmanuel Macron's election in 2017, it has served as a guiding thread for the housing policy in general, which is presented as inefficient due to its complexity and cost (Fol, Gimat and Miot, 2022). At the same time, the combination of supply-side tax incentives introduced in the 1980s and the successive reforms of the pension system has led many households to use housing as a means to reach financial security, including for retirement (Benites-Gambirazio and Bonneval, 2024).

Moreover, the housing system has been subject to several key crises that had a structural impact at several levels. Besides the burst of the bubble, the **1991 property crisis** ignited a massive exit of institutional investors away from the residential market, which then became more structural as active asset management took root in the real estate industry. This had a twofold repercussion: it reinforced owner-occupation – and in the case of Paris, social housing through an active purchase policy of buildings for sale by the City – and led to further regulation of tenant rights. These path-dependency factors have constrained institutional investment into housing once policymakers have been willing to encourage it in the 2010s (Guironnet, Bono and Kireche, 2024).

Besides its outcome in economic slowdown and the repercussions seen in housing production, the **2008 global financial crisis (GFC)** had two main outcomes on the housing system. Firstly, the government positioned housing as a key countercyclical tool to kickstart economic activity through enlarging existing tax incentives (such as relaxing access conditions to zero-interest loan, revising tax incentives for private investment into rental housing). So, while the crisis can be seen as putting President Nicolas Sarkozy's ambitions to reach a rate of 70% of owner-occupation on hold, this tenure was still part of the government's toolbox. This countercyclical strategy also involved social housing through the large-scale purchase plan of future units by social housing providers through forward sales agreements with private developers (*30 000 VEFA*). In the next years, this shifted to an established practice of outsourcing social housing production to private developers. Secondly, the concern of policymakers for systemic financial risk led to the reinforcement of macroprudential regulation through the creation of the High Council for Financial Stability (HCSF), which started to issue recommendations (e.g. capital requirements, loan duration and loan-to-value).

In 2020, the government essentially reproduced this strategy to combat the economic downturn caused by the outbreak of the **Covid-19 pandemic and associated lockdown policies**. The state-owned housing provider CDC Habitat signed a large-scale purchase agreement with private developers for 40,000 units (out of which 30,000 were eventually built), including social housing, and private rentals (intermediate housing, "affordable", an even market-rate). This was reiterated in 2023 (17,000 units, including 12,000 intermediate), mostly financed through a provision of fresh equity by the State[8]. Additionally, in order to regulate the provision of credit to households, the HCSF recommendations were made mandatory.

In the face of other crises such as the **energy crises** linked to the Russia-Ukraine war, and subsequent **rise of inflation** that compounded pre-existing dynamics (e.g. glut in global production networks for raw materials because of Covid-19 pandemic), other governmental strategies included budgetary plans to alleviate the costs for the less affluent population as we detail in the WP3 report (see D3.2).

Overall, the influence of EU policies seems to have a moderate impact on social housing policy in the case of France compared to other countries – at least in a direct way (Daniel, 2018). One reason may be that the system of social housing follows the “generalist” model, which is less subject to regulation in the name of competition policy than the “universalist” found in Netherlands or Sweden (Ghekière, 2010). The influence of EU policies over housing are also larger, having to do with monetary policies (QE) that created a low-interest rate environment conducive to asset price appreciation.

Housing specific events and processes

In France, housing is subject to an accumulation of policies and instruments over time, serving different – if not contradictory purposes – of home, urban development, and economic growth and wealth accumulation (Driant, 2015). Altogether with the continuous policy support for homeownership but as well as for private and social rental, it results in a complex landscape that makes any attempt to identify trends across tenures and key historical moments a challenging task.

For private rental, the most significant process has been the **development of tax incentives since the 1980s to stimulate individual investment into buy-to-let housing**. There have been many adjustments throughout time, the main variable being the introduction/relaxing of income and rent ceiling by centre-left policymakers. Despite heavy criticism, these schemes have persisted over time until recently. Some of their critics argue that the fiscal support should instead be redirected to institutional investors in order to incentivise them to purchase buy-to-let housing, and more recently, to invest into energy retrofitting of the existing stock. Additionally, the regulation of the private rental market has been reinforced through the introduction of rent controls in 2014, but only as an experiment in some localities, including the City of Paris (more on this below).

[8] In 2023, Action Logement, the institution financed by the tax on salary mass (*participation des employeurs à l’effort de construction*, also known as 1% for housing) and co-managed by union representatives of employers and employees, also adopted a plan to buy 30,000 housing units (either for intermediate or social housing).

While the production of **social housing** has remarkably remained significant throughout the 2000s (Gimat, 2017), the sector has **undergone contradictory trends**. On the one hand, its development was encouraged through the creation of social housing quotas for urban municipalities in 2000 (SRU), and access to it was made an enforceable right for the most deprived through the creation of a "right to housing" in 2007 (DALO). On the other one, a number of policies have undermined its ability to meet the housing needs of the population. In the name of the "social mix", the estate regeneration policy (2003) led to an actual shrink of social housing overall (including its lowest tier with low rents). This doctrine was motivated by what policymakers considered as the failure of estate regeneration policy (*politique de la ville*), and gained further traction after the so-called "urban riots" that erupted in 2005 following the death of two young residents due to police control. Moreover, new reforms in 2018 (ELAN) accelerated ongoing processes of corporatisation and commodification, such as the pre-existing Right-to-Buy policy that it sought to buttress, and the regrouping of housing providers to achieve a minimum size. Altogether with the decrease in state funding, they pushed social housing providers to seek more revenues by "diversifying" their activity (see below).

Last but not least, the situation of housing in the **devolution process** that was initiated in 1982 **remains contrasted**, due to concerns that territorial fragmentation (ca. 36,000 communes at that time) and competition would lead to exclusion and inequalities (Driant, 2015). In 2004, the delegation of supply subsidies was created by the law but conditioned on the adoption of local housing plans by intercommunal institutions, and remains limited (i.e. volume of subsidies is capped by the State, and remains low). In 2014, local strategic plans for housing (*programme local de l'habitat*, PLH) were reinforced. However, the central State has maintained its grip over key aspects of the housing policy and system, such as tax incentives, and estate regeneration (Epstein, 2013).

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems.*

In France, "affordable" housing is a keyword that has made its way in policymaking and practitioners circles over the past years – not without generating criticism from some advocates of social housing who consider this as part and parcel of the political effort to undermine the "generalist" of social housing in France by blending it into a larger, more flexible buzzword. This was epitomized by the government's short-lived draft bill in 2024[9]. There is **no official**

[9] Eventually the bill was dropped because of snap elections called by Emmanuel Macron.

definition of affordable housing, however. A range of initiatives and new hybrid tenures have emerged under this umbrella term: some being developed by housing providers such as CDC Habitat (*logement abordable contractualisé*, LAC), others by local authorities (*Foncière de logement abordable* by the City of Paris, '3A' plan of the Métropole de Lyon). These run across different tenures (mostly owner-occupation, and private rental). In the following, we adopt a **larger focus that includes traditional social housing** which arguably aims at affordability to the extent that it is regulated by income and rent ceilings[10]. We also do not engage in assessing whether housing that is claimed as being "affordable" really is.

The key enablers of the production of such affordable housing and the key obstacles that may run against them are summarised in Table FR2 below, distinguishing between the national level and the local (with a focus on the City of Paris).

	Key enablers to the production of affordable housing	**Key obstacles to the production of affordable housing**
National housing system	- Strong social housing sector with dedicated, long-term loan system and mandatory quota for 25% social housing (SRU) - Strong tradition of public landownership and land-use planning - Introduction of right to housing as a constitutional right and a policy instrument (DALO) - Creation of new tools to experiment affordable schemes across tenures	- Neoliberal ideology and austerity policies undermining social housing funding, pushing for less affordable units - Neoliberal ideology and austerity policies undermining fiscal autonomy, pushing for more land rent extraction - Estate regeneration (PNRU) leading to demolition of lower tier of social housing
Local housing system	*City of Paris:* - Housing as a key priority in the agenda, including affordability issues - Internal expertise and coupling of legal competencies - Strong fiscal base linked to hot market	*City of Paris:* - General rise in prices not really undermined by rent controls, nor by municipal policy - Dependence over the central state for legal changes - Lack of available land in the upcoming years

[10] But, crucially, in a different way since the funding model is in principle based on the cost of production, rather than the market rate as it is for affordable housing (Gimat, Guironnet and Halbert, 2022, p. 63). However, not all social housing is affordable (see item **Error! Reference source not found.** above).

	Other localities: - In attractive cities (e.g. first ring around Paris), ability of mayors to use land-use planning powers to bargain with developers	*Other localities:* - Greater fiscal dependence over land rent extraction to compensate for austerity policies (e.g. loss of intergovernmental transfers)

Table FR2 – Summary of key obstacles and enablers to the production of affordable housing

National housing system

At the national level, the production of affordable housing (including traditional social housing) has been supported by four main items. Firstly, there exists a **strong social housing sector** (representing 18% of the households in 2021) with dedicated, **long-term loan system** overseen by the CDC, a state-owned financial institution responsible for transforming households' deposits into long-term loans to social housing providers at a variable rate (but not based on market)[11]. While the rest of the funding (e.g. public subsidies) has come under pressure, and despite several reforms that have restricted the scope of this loan system, it is still functional. Additionally, social housing provision is also supported by the **legal framework for social housing quotas** (25% in urban municipalities) that was established in 2001 – even though some municipalities still do not meet the target, and that it regularly comes under attack, such as in the latest governmental project (DOLA).

Secondly, there is also a **strong tradition of public landownership and land-use planning system** conducive to social housing production – provided there is local political will. This takes shape in an array of instruments, from dedicated arm's length development corporations (*établissements public fonciers*, EPF) to legal competencies of municipalities, such as eminent domain purchase, construction permit delivery, local tax setting, etc. In attractive locations, such as municipalities adjacent to Paris, this has allowed mayors to go engage in bargaining with private developers, and settle paralegal arrangements to secure the delivery of social housing, or cap the price of new private housing schemes (Pollard, 2018).

Thirdly, the rights of the population to access social housing was reinforced – at least on paper – by the consolidation of the **"right to housing"** into the Constitution by the end of the 1990s, leading to a specific framework in 2007 (*droit au logement opposable*, DALO). Provided they are willing to engage in the process, this opens the possibility for the most deprived to put the State under the obligation to provide them with social housing.

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[11] Crucially, this system is based on an equal access to loans, i.e. the interest rates are the same whatever the financial conditions of the providers or the location of the operation (Halbert *et al.*, 2013).

Fourthly, the last two decades have seen a **proliferation of new schemes** designed at securing affordability across the different tenures, providing local mayors and administrations with a toolbox (see Appendix 1 in 6). For owner-occupation, these include zero-interest loans, shared ownership schemes (PSLA), and the dismemberment of land-housing (OFS-BRS)[12]. For private rental, the counterparties to accessing specific retrofitting subsidies (ANAH), or the new intermediate housing tax regime (LLI). Even in social housing, a tenure geared towards the provision of below market housing, some experiments were introduced as a national framework (*PLAI adaptés* in relationship with Housing First policy) or by specific NGOs (Fondation Abbé Pierre through its *Sociétés d'investissement solidaires*).

On the other hand, these elements are counterbalanced by **significant obstacles to the production of affordable housing**, with some of these being structural shifts still ongoing. Firstly, despite its long-established tradition, the **funding of social housing sector has come under significant pressure in the last decade**. Neoliberal policies have "put [the system] in crisis" (Santili, 2020), whether in the name of efficiency, and/or austerity, by decrease grants to social housing providers, either directly (e.g. central state grants), or indirectly (e.g. by redirecting resources devoted to other purposes, such as the *1% logement*). In addition, production costs have significantly increased, while specific programs to alleviate the cost of land through the use of public land (*programme de mobilisation du foncier public*) have not generated significant results. This puts providers under pressure, and force them to tap into their own equity, as well as to "diversify" their revenues by selling their existing stock, engaging in new activities such as partnerships with private property developers, or producing less affordable social housing (upper tier, PLS) or intermediate housing (LLI). Despite the sector's ability to resist some of the reforms, these have also revealed that it is divided, with some of the biggest providers pushing for them (Gimat, Guironnet and Halbert, 2022).

Secondly, this pattern also applies more largely to public landownership and the planning system. Indeed, the **fiscal autonomy of local authorities has eroded** as a combination of (i) austerity cuts to intergovernmental redistribution that have aggravated since 2012, and (ii) structural reforms of the fiscal system since 2017. As a result, local authorities are pushed to partner with private developers and national public agencies to finance their urban and housing policies, especially in areas where they can leverage their attractivity on the real estate market, such as first ring municipalities in the greater Paris area, leading to land rent extraction (Adisson, Halbert and Maisetti, 2023; see also Clerval and Wojcik, 2024, p. 144).

Thirdly, the **estate regeneration policy (PNRU) has led to a shrinking of traditional social housing**. In the name of the "social mix", more social housing was destroyed (164,000) than rebuilt (142,000) – many of which in other areas. The net result of 48,000 additional housing units presented by policymakers includes private housing built in order to make room for the

[12] For these, affordability is not always an end in itself, but can instead by a means towards homeownership.

middle class in working class areas. Altogether with the sale of the existing stock by social housing providers to generate new revenues, estate regeneration policy leads to the decrease of the older stock, which is usually associated with lower rent levels, while new social housing construction is not, due to rising costs in construction and land (Clerval and Wojcik, 2024).

All in all, the tensions between the key enablers and obstacles of affordability are reflected in the rise of the number of applicants on a waiting list for social housing, which has reached unprecedented high at 2,25 millions in 2021, up from 1,4 in 2013, which was already a 37% increase compared to 2001 (Fondation Abbé Pierre, 2024, p. 193).

Local housing system

Focusing on the City of Paris, the production of affordable housing has been enabled through the combination of political change, organisational, and fiscal resources. Firstly, housing has been **framed as a priority** by the centre-left mayor Bertrand Delanoë (2001-2014), followed his former deputy Anne Hidalgo (2014-2026), in stark contrast with the previous right-wing majority. Based on the doctrine of the "social mix", this included the production of social housing, including for the middle class. This can also be seen as a way to comply with the national framework of the SRU law, which set a target of 25% of social housing to be reached by 2025. This proactive housing policy also involves the conflict with Airbnb, and more generally the development of tools to regulate STR supply.

Secondly, this agenda is supported by **strong organisational resources**, owing both to its capital status and related institutional specificities (Le Galès and Mouchard, 2023). Given that Paris is both a municipality, a district, and does not belong to any intermunicipal institution, it combines competencies over housing, planning, and social action that are elsewhere fragmented between different tiers of government (Hervet, 2013). Additionally, its intervention into housing is supported by a strong technical expertise (with over 400 people, ibid.).

Thirdly, and crucially, it is also supported by **abundant fiscal resources**, resulting from the most attractive real estate market nationwide that generates significant revenues. These fiscal resources come from the housing tax (suppressed in 2024), the property tax, as well as the tax on real estate transactions (DMTO). In 2019, the latter represented 22% of its operating revenue, with the slowing down of the market during the Covid-19 lockdown estimated to a loss of €300 millions[13]. These fiscal resources help to finance social housing through a variety of channels, including the acquisition-conversion of existing privately-owned buildings into social housing through eminent domain purchase power (for €250 millions per year), and more recently, the creation of a municipal housing company to provide "affordable" housing.

[13] Denis Cosnard, « Le coronavirus fait chuter les recettes de la Ville de Paris », *Le Monde*, 14/04/2020.

In the City of Paris, the **share of social housing increased significantly** over the past three decades, going from 12% to 18%, and even reaching the 25% quota according to other studies (Apur, 2024a). However, the lower tier of social housing (PLAI) only accounted for less than a third of the construction, with the middle (PLUS) being most prominent, and the upper (PLS) accounting for the remaining third according to the same study. While there was an effort in targeting the most affluent neighbourhoods (1st to 8th and 15th to 17th districts), the bulk of the stock remains in the Eastern (above 40% in the 19th, 20th, and 13th) due to historical location and land availability for large-scale regeneration projects. The purchase of existing buildings – including those owned by institutional investors – and their conversion to social housing was also a key instrument. On the other hand, critics have underlined that **this policy is faced with conjunctural** – as it creates less units than are destroyed in the old stock – and **structural limits –** with the priority given to the middle and upper tiers, while being oblivious to – if not complicit with – gentrification (Clerval, 2013).

More largely, there are key obstacles to the production of affordable housing in the City of Paris. The first and foremost is that the **policy has not curbed the general rise in prices**, despite the introduction of rent controls since 2014 (reintroduced in 2019 after a suspension following legal issues). This led to slow down the rental increase of 4,2% from 2019 to 2023 (Apur, 2024b). Earlier studies highlighted its "limited efficiency" given the stability of the number of cases (ca. 25%) where the rent exceeds the legal threshold (Bosvieux, 2020). This can be seen as the result of several factors, from the political orientation of the majority (more reformist rather than radical) to its fiscal dependence over real estate transactions, including the structural constraints linked to private property being a constitutional right in France.

Secondly, for all its internal resources, the City is still **dependent upon negotiations with upper tiers of the state** on different matters. This was the case during B. Delanoë's two mandates (2001-2014), on issues such as access to public land owned by state administrations or enterprises, or the production of intermediate housing[14] (Hervet, 2013). Currently, the Deputy mayor for Housing is advocating for a reform of the tax on vacant housing in order to make it costlier for individual landlords to withhold their properties.

Thirdly, the provision of affordable housing benefited from land opportunities, which were transformed through large-scale regeneration schemes (e.g. Paris Rive Gauche, Clichy-Batignolles, Chapelle International). Now that these are mostly completed, the challenge for the municipality in the coming years will be to adjust to this new context where **land is increasingly a scarce resource** (Rainaldi, 2024).

Relatedly, land opportunities are more abundant in the periphery: regeneration-led housing schemes have multiplied in the past two decades **besides the administrative boundaries of the City**, in a more or less direct relationship to the large-scale transit-oriented project Grand

[14] Again, pre-existing schemes different from the new 2013 tax regime (see footnote n°1 above).

Paris Express. In these peripheral spaces, a number of structural obstacles to the production of affordable housing arise, such as **institutional fragmentation** (Hervet, 2013), **fiscal competition**, and more largely municipal **strategies trying to mitigate austerity** through partnerships with cash-abundant central agencies and private developers, leading to an intensification of land rent extraction (Adisson, Halbert and Maisetti, 2023).

II. *How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?*

See above, and below.

III. *What challenges have the state and non-profit sector faced, in the light of recent crises?*

First of all, the 2008 GFC crisis and Covid-19 pandemic outbreak have led to a **downturn in housing production**, whereas there is a dominant consensus between policymakers and experts that (i) there is a lack of 800,000 to 1 million dwellings, hence a goal of reaching 500,000 new dwellings per year, and that (ii) more supply will lead, per market mechanisms, to a decrease in prices.

Secondly, these crises have been fought through **massive spending by the State**, which led to an increase in sovereign debt and public deficit. Since 2012, and even more since Emmanuel Macron's election in 2017, most policymakers and experts have used this argument to justify and austerity policy leading to a cut in state spending that puts intense pressure on social housing. While local authorities have stepped in during some time, they have increasingly come under pressure as well, due to less intergovernmental transfer from the central state, as well as tax reforms motivated by supply side policy (first in 2005, but mostly during Emmanuel Macron's term) that have eroded their fiscal autonomy as explained above. At the same time, despite welfare policies that mitigated its impact, the GFC has led to the pauperisation, especially in the Paris region where almost 20% of the population lives under the povery threshold, and where a third of poor households cannot even afford the lowest rents in social housing (Clerval and Wojcik, 2024).

Relatedly, the 2008 GFC led to **monetary policies** (low interest rate, QE) that essentially drove **asset price appreciation** by lowering the cost of debt, thus increasing the cost of housing for first-time home purchasers, boosting the value of homeowners with no outstanding debt, ultimately reinforcing inequalities in access to housing and wealth. In fact, access to homeownership has been highly selective on social grounds, with the poorest left outside of the market despite supportive policies (Bugeja-Bloch, 2013, p. 79; Driant and Madec, 2018). More recently, the rise of inflation has led to a revision of monetary policies, with a rise of interest rates. Coupled with rising costs for construction and land, this has led to a tightening of credit distribution, and therefore to a drop in demand that fuelled one of the biggest decrease in housing production (250,000 units in 2024, against 345,000 in 2009).

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

The green-housing nexus implies complex synergies and trade-offs between existing restructuring processes of the welfare and housing system on the one hand, and of increasing concerns and targets for environmental and energy policies (EEPs) on the other hand.

In terms of **housing retrofitting**, these interactions are better captured through a distinction between different tenures, which are based on distinctive policy instruments and financing circuits. In the following, we mostly focus on the national scale.

- **Owner occupation**: in the past decades, owner-occupied housing has increasingly been transformed as a patrimonial asset to “achieve lifetime financial security”, especially for rich households (Benites-Gambirazio and Bonneval, 2024). At the same time, homeownership has been increasingly concentrated in the wealthiest groups, with 24% of households owning 68% of homes (André, Arnold and Meslin, 2021). Access to homeownership has been increasingly difficult for modest households despite specific policy instruments (e.g. zero-interest loans), due to the enduring rise in prices since the early 2000s that was only moderately compensated by loan conditions adjustments (lower interest rates, higher duration). In that context, energy retrofit policy seeks to incentivise owner-occupiers to engage in energy efficiency renovation works (as opposed to the rental sector, see D3.2 report for more details). Recent studies shows an emerging pattern of “green value”, i.e. adjustments of price in relationship to energy consumption (with housing labelled F and G selling at a discount, whereas A and B would get a bonus) (Notaires de France, 2024). Consequently, it could be hypothesized that this **green value may be captured by those households that either already own energy efficient housing, or can afford to engage in renovation works**. In that regard, it should be noted that there exists an array of public instrument (subsidies, loans, obligation scheme) targeting the most modest households. However, they suppose administrative resources to navigate applications, and do not cover all the costs which remain important.
- **Private rental**: investment into private rental schemes (PRS) goes through several channels, which have seen a restructuring in the past decade. *Individual investors* (households) are the most important provider of PRS. Since the 1980s, the state has used tax instruments to incentivise them to invest into rental housing. Additionally, the boom in short term rental platforms such as Airbnb has supported this trend. The trend towards wealth concentration observed for homeownership is thus even greater for private rental, with 3,5% of households owning 50% of the rental stock, including 40% of homes located in Paris (André, Arnold and Meslin, 2021). Concomitantly, since the late 2000s, there has been increasing governmental support to shift the source of funding to *corporate investors*, to finance affordable and green housing. While new tax incentives for intermediate housing, but above all macroeconomic conditions (low interest rates and inflation, etc.) have led to an increase in institutional investments since 2015, this remained limited and short-lived however (Guironnet, Bono and Kireche, 2024). In that context, energy retrofit policy has adopted a **more stringent approach to the rental market**: minimum standards for dwellings to be leased has *de*

facto created a requirement for landlords owning obsolescent properties to engage in renovation or to sell[15]. Given that public subsidies are only available for individual landlords, this could create a different incentive structure between investors. For individuals, the availability of public funding may contribute to create opportunities for multi-owners, as filtered by the uneven geographies of real estate markets (i.e. retrofit investment targeting high-demand markets where investment can be recouped). As for corporate investors, this could act as a further deterrence of investment into housing, even though they have been identified by some policymakers as key actors in reaching at-scale energy retrofit due to their access to large capital pools.

- **Social rental**: in the case of social housing, energy retrofit policy may compound ongoing patterns of restructuring. The estate regeneration (*rénovation urbaine*) policy has led to a demolition of part of the old social housing stock, which tended to be the most affordable, and to the displacement of modest households in the name of the 'social mix'. Meanwhile, social housing providers tend to struggle with maintaining a high volume of production as they did during the past two decades. Austerity policies have led to a decrease in public subsidies, as well as rental revenues. This has pushed them to engage in the so-called diversification of their financing, e.g. sale of their existing stock, developing non-social schemes (such as intermediate housing – LLI), or engaging in real estate development partnerships. Against that backdrop, energy retrofit policy requires them to upgrade the performance of their stock, and provides dedicated funding (subsidised loans, punctual subsidies based on competitive allocation). Therefore, it could be hypothesized that the **combination of austerity and retrofit policies may result in trade-offs between environmental and social objectives**: it could either lead to a decrease of production of new social housing in order to save money to fund renovation, and/or to push the production towards less affordable types of social housing (upper tier, or LLI).

Turning to **densification** requires to shift the lens onto different submarkets, based on the type of spaces, urban forms, and policy instruments:

- **Urban regeneration projects**: there already is evidence that eco-neighbourhoods projects can contribute to the production of social housing, but that it is tilted towards the middle-class, and is dependent upon the generation of revenues through the sale of private housing at a higher cost, with implications for the design of buildings, housing units and public spaces, as well as unaffordability of the private market (Piganiol, 2021). On the other hand, such projects can be more redistributive towards lower social groups through energy retrofit and the construction of new collective infrastructures, but that it is highly dependent from local political dynamics, including the ability of grassroot initiatives to mobilize (Béal, 2017). More generally, many urban regeneration

[15] Although this regulation has been partially relaxed, see D3.2 for more details.

projects are based on a transit-oriented (TOD) approach. In the case of the Paris city-region, the new Grand Paris Express project might lead to gentrification of the inner suburbs, as new infrastructure might provide landowners, developers, and investors the opportunity to close the rent gap (Clerval and Wojcik, 2024). This is because both the central state and many mayors see this project as an opportunity to attract more affluent residents in historically working-class areas, as well as to the lack of a cohesive metropolitan governance and active public landownership policy. More generally, given the pressure on local public budgets linked to austerity, many local authorities leverage land as a way to extract revenues (Adisson, Halbert and Maisetti, 2023). All in all, higher costs of brownfield redevelopment and lower public resources (financial, technical) allowing for landownership and funding of social housing might lead to costlier housing.

- **No net artificialisation policy (*zéro artificialisation nette, ZAN*)**: notwithstanding current political efforts to undermine the initial targets and mechanisms of the policy adopted in 2021 (see section 2 above), possible interactions with local housing systems seems contrasted. On the one hand, periurban spaces have been a significant lever for access to homeownership for first-time buyers, especially amongst the lower social groups who benefited from the zero-interest loan policy (Gobillon, Lambert and Pellet, 2022; but see Bavay, 2015)[16]. Therefore, to what extent might the ZAN policy slow down this type of homeownership, characterized by low financial/high environmental costs? On the other, in the contemporary fiscal and property system, the recycling of the existing built fabric entails higher costs (e.g. decontamination, title consolidation, etc.) that might translate to higher housing prices on the private rental market, and the difficulty in creating social housing. Experimentations in separating land from housing (*démembrement foncier*) might open perspectives, but as for now the actual numbers remain low (see Table FR4 in Appendix).
- **Air rights (*surélévation*)**: the construction of additional floors on top of existing buildings has been pushed as a tool for densification, especially in Paris. Its supporters have argued that it would also contribute to increase the supply of housing, thus leading to decrease sale prices. However, research shows the opposite: its implementation by private developers may lead to housing unaffordability, due to the higher administrative risks translated into higher profit (Bouchet-Blancou, 2025).

[16] In 2024, the eligibility of individual housing to zero-interest loans was already suppressed.

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6 APPENDIX

6.1 Methods

This report is primarily based on desk research, compiling data from the academic literature, grey literature, and press reviews. It is also informed by semi-structured interviews conducted with key actors solicited for their expertise in housing policy and systems, including on the role of environmental and energy policies.

Name oft the institution	Type	Date	Lenght (in min)
Fédération des offices publics de l'habitat (FOPH) *Industry body of public social housing providers*	Social housing provider (public)	28/04/2025	110
City of Paris	Local government	28/04/2025	80
Institut Paris Region (IPR) *Regional planning agency for the Paris region*	Local agency	22/05/205	60
Coordination gouvernementale du plan de rénovation énergétique des bâtiments (CIPREB) *Intergovernmental taskforce for building retrofit*	National governement	22/05/2025	90
Agence nationale de l'habitat (ANAH) *National agency overseeing energy retrofit policy*	National agency	07/05/2025	80
Ministry for Ecological Transition and Planning (Direction générale de l'aménagement, du logement, et de la nature, DGALN)	National government	18/06/2025	100
Banque des Territoires (Caisse des Dépôts et Consignations) *Main provider of loans to social housing providers*	Financial institution (public)	19/06/2025	60

CDC Habitat (Caisse des Dépôts et Consignations) *Main provider of social and intermediary housing*	Housing provider (public)	30/06/2025	60
Fédération des entreprises sociales de l'habitat (FESH) *Industry body of private social housing providers*	Social housing provider (private)	16/07/2025	80

Table FR3 – List of interviewees

6.2 Alternative type of homeownership property

Instrument	Date	Production	Geography
Prêt social location-accession (PSLA) ≈ *shared ownership*	2004	46 700 authorisations over 2004-2015, 80% by social housing providers	Only 14% in tense markets (zone A), 40% in less tense (B1)
SCI d'accession progressive à la propriété (SCI APP) ≈ *shared ownership*	2006	ca. 100, mostly through coops	Mostly in the Toulouse area
Usufruit locatif social (ULS)	2006	500/year in 2011 according to industry estimates (main provider: CDC Tonus Territoire with 4,400 units as of 2023)	3,274 units in the Paris region (Île-de-France) between 2015-2021
Bail réel immobilier (BRI)	2014	None	
Bail réel solidaire (BRS) ≈ *community land trusts*	2016	9,200 units expected in 2024*	15% in the Paris region (Île-de-France)*

Table FR4 – Experimentations in alternative type of homeownership property

** Outlook from 2019*

Source: Authors, based on Le Rouzic (2019)

National Report on the Housing System from a Multi-Level Perspective: Hungary

1 EXECUTIVE SUMMARY

Like other new EU Member States, Hungary dismantled a once strongly decommodified housing system, which had included a large stock of state-owned rental housing and a finance system protected from market forces. With widespread privatisation and the decline of state-led construction and financing, Hungary was left with a residualised rental sector and a heavily commodified owner-occupied sector. This shift occurred without a well-regulated housing finance system. Instead, a poorly regulated credit market (notably the foreign currency crisis) and an ad-hoc, unsustainable subsidy system strained the budget. A long-term housing policy remains absent.

By 2001, a tenure structure typical of former socialist countries emerged, with 2-3% of municipal property occupied by the worst-off families. Those without municipal housing turned to the poorest segments of the private-owned and rented housing market. A strong private rental sector has not developed due to political and policy barriers. In the owner-occupied sector, all social groups are represented, except for the lowest income groups.

Between 2000 and 2004, housing policy mobilised public funds to boost mortgage lending and support municipal rental housing. The two programmes - one commodifying and promoting market forces, the other decommodifying and reducing market dependence - were fiscally unsustainable. Mortgage finance soon shifted to foreign currency loans, transferring risk to borrowers. The rental programme was abandoned, and further privatisation shrank the social housing stock.

From 2008 to 2015, policies aimed to manage the foreign currency crisis. In contract to other countries, Hungary placed a heavier burden on both banks and borrowers, prolonging the crisis. Some support programmes promoted decommodification (e.g., rent subsidies and the National Asset Management Company), others commodification. The overall goal was to stabilise housing finance and prevent mass evictions.

Post-2015, housing policy targeted demographic decline through VAT reductions, subsidies, and the Childbirth Incentive Loan—forms of partial decommodification. Utility cost cuts also represented universal decommodification, albeit with regressive effects and fiscal strain.

By 2022, budget cuts led to reduced utility and loan subsidies, signalling a gradual recommodification. Despite declining powers and funding since 2010, local governments remain engaged through small-scale innovative programmes, pressuring the central government to to revisit their one-sided homeownership oriented housing policy.

More recently, housing policies must be seen in relation to climate targets, highlighting a growing green-housing nexus – yet key barriers prevent an inclusive, climate-aligned transition: utility cost reduction policies distort price signals and disincentivise energy-efficient renovations; municipalities lack resources and land ownership to shape green development; and Hungary’s tenure structure—dominated by private homeownership, a fragmented rental market, and a marginalised public sector—limits access to green investments. Without reform, the housing system risks reinforcing inequality while failing to meet environmental goals.

2 THE HOUSING DEBATE

2.1 Housing privatisation in Hungary in the 1990s

One of the defining transformations of the post-communist era in Hungary was the privatisation of housing. The mass sale of state-owned rental properties fundamentally changed the country's housing policy and urban structure. The process was supported by numerous arguments, but it also attracted considerable criticism (Dániel, 1996; Székely, 2001; Hegedüs 2012).

The main arguments in favour of housing privatisation were that the sale of flats would relieve the state of the burden of maintenance and upkeep costs, which it was no longer able to bear effectively in the crisis-hit economy after the collapse of the state-socialist economies of Eastern-Europe. The low – often well below market value – purchase prices enabled tenants to become homeowners, which gave people a sense of social stability and security during an uncertain transitional period (although the sense of security was seriously damaged by lending after 2000). While privatisation also created serious inequalities, it was impossible to resist the pressure from tenants and the broader political landscape to privatise. This led to the majority of the public housing stock being sold by the end of the 1990s, if the tenant requested it (Central Statistical Office, 2016).

However, the arguments against it pointed out that rapid and cheap privatisation had serious long-term consequences. The rental housing stock declined dramatically, removing an important alternative from the housing market, especially for low-income earners. The lack of social housing remains a serious problem to this day. In addition, many new owners were unable to maintain or renovate their properties, leading to a deterioration of the building stock.

Furthermore, housing privatisation often reinforced urban social inequalities: better-off tenants in city centres were able to acquire more valuable properties more easily, while residents of disadvantaged neighbourhoods were less able to take advantage of this opportunity.

Overall, housing privatisation in Hungary was simultaneously an economic necessity, a social imperative and a political decision. Although it contributed to the stability of the transition in the short term, it had serious long-term consequences for housing policy and the urban social structure.

2.2 Housing and demography

At the core of the housing and demography debate lie two key questions: can and should demographic trends be influenced by housing policy? While we cannot say with certainty that this is possible, the Hungarian government has been actively attempting to influence fertility through various housing-related measures, especially since 2015. However, several major issues suggest that such policies might have limited or negligible effects on demographic trends – the Total Fertility Rate was 1.38 in 2024, the lowest in the last decade (Central Statistical Office, 2024).

First, the level of financial support provided to families after the birth of a child remains disproportionately small compared to the actual cost of raising children. As a result, these incentives are often insufficient to genuinely motivate families to have more children. Second, many households that shift childbearing earlier due to these programmes are ones that would have had children anyway. In such cases, policies may affect the timing rather than the overall number of children. Thus, fertility decisions appear to be influenced more by broader social and economic factors than by short-term financial incentives.

Beyond this debate, several technical questions complicate the issue. One major area of concern is the tension between new and existing housing. Hungarian policy—through instruments such as Family Home Support (CSOK, Hungarian acronym; see Appendix)—has prioritised newly built housing, creating a structural bias that favours higher-income families. New construction is more expensive and typically requires access to credit, which many households lack. This design aligns well with the interests of the construction industry and indirectly supports the banking sector, which benefits from larger mortgages. However, it leads to a distributional imbalance, where public subsidies disproportionately benefit those already well-off, exacerbating existing spatial and wealth inequalities, particularly between urban and rural areas.

Another central debate involves whether housing-related family support should be universal or targeted. Programmes like CSOK and the Childbirth Incentive Loan (CIL) have leaned toward quasi-universal access, with relatively few restrictions based on income or existing housing wealth. These programmes tend to reward “ideal” family types—married, employed, with multiple children—thus risking the reinforcement of structural exclusion. This approach can lead to inefficient use of public funds, increased inequality, and the undermining of redistribution principles. A more equitable model might involve restricting access to higher-income groups by setting property size limits or imposing income thresholds, which could improve cost-effectiveness and reduce market distortions. However, such restrictions could provoke political backlash or introduce excessive bureaucracy.

A further point of contention is whether state support should be proportional to the number of children. Hungarian housing policy is overtly pro-natalist, especially favouring families with three or more children. These families receive the most generous benefits, such as full loan forgiveness. While this approach aligns with demographic goals, it creates a regressive incentive structure. Families unable or unwilling to have more children receive significantly less support. This raises concerns about equity—should policy be designed to provide more gradual and inclusive support, or should it remain focused on maximising demographic impact by targeting larger families?

An equally pressing issue is the inclusion—or effective exclusion—of low-income households from these housing programmes. Although initiatives like CSOK and CIL are rhetorically universal, they are implemented through credit-based mechanisms that often act as gatekeepers. While Hungary adheres to the EU Mortgage Credit Directive (MCD), which mandates affordability assessments to protect vulnerable borrowers, in practice, this directive is applied selectively. Banks enforce strict creditworthiness checks that disproportionately exclude poorer families, particularly those without formal employment or savings, even when they meet state eligibility criteria. Simultaneously, the government often relaxes standards for politically favoured groups or exerts informal pressure on banks to approve loans. The result is a structurally regressive system, leaving lower-income and marginalised communities—especially in rural or Roma areas—effectively excluded. As a result, these benefits are becoming available to a shrinking segment of the population, which undermines their redistributive potential and leaves housing poverty largely unaddressed (Czirfusz et al., 2023).

Finally, there is the issue of the temporary versus permanent nature of these programmes. Although CSOK and CIL were introduced as temporary measures—typically planned for 2–3 years—they have been extended, reshaped, and renewed multiple times. For instance, CSOK, originally launched in 2015, was replaced by CSOK Plus in 2024. This ongoing modification creates policy uncertainty. The repeated extension of supposedly temporary measures discourages long-term planning and encourages short-term thinking, often guided more by electoral considerations than structural needs. It also complicates the evaluation of their long-term demographic and economic effects.

2.3 Debate on the utility price cap programme

Hungary's utility price cap policy, which has been a key element of the government's economic and social policy since 2013, has been heavily criticised by policy experts and economic analysts. Arguments for and against the policy generally fall into three categories: political, economic and social.

The most common argument by the government in favour of utility price caps is that they reduce the burden on households: the programme aims to protect households from the effects of rising global energy prices, thereby ensuring predictable and affordable utility bills. The government argues that the support helps lower-income households, especially in times of crisis, such as during the 2022 energy crisis. The government considers it a positive development that it has forced multinational companies out of public services, which also helps legitimise nationalist policies. Another common argument in favour of utility subsidies is that they limit inflation and contribute to the predictability of household budgets.

Most of the arguments against utility price cuts are based on economic rationality and social justice considerations. According to expert analyses, fixed residential energy prices distort market signals, do not encourage thrift, and perpetuate wasteful consumption in the long run.

As a result, not only are energy efficiency investments neglected, but energy awareness itself is undermined. Furthermore, it is clear that the system is not targeted, meaning that the support does not necessarily reach those who really need it. Numerous studies have confirmed that higher-income households, which consume more energy, benefit proportionally more from the utility price cuts than low-income groups. The system is, therefore, socially regressive, as the distribution of state support is unfair.

Another critical issue is the budgetary sustainability of the system. State financing of utility price cuts places a burden of hundreds of billions of forints on the budget each year, especially at a time of soaring international energy prices. This burden is significantly higher than what the government spends on housing subsidies. In addition, public utility providers operating at regulated prices have become underfunded, leading to deteriorating infrastructure and delayed investments in many sectors (e.g. water utilities, district heating, waste management),

From a political perspective, the government has successfully used utility price cuts as an identity-building and campaign tool. International expert forums, such as the European Commission and the IMF, have repeatedly recommended that the system be transformed into market-based, targeted support that takes into account the income situation and consumption patterns of households.

2.4 Rental market failure

As mentioned above, it is up for debate whether the government's current focus on subsidy programmes that are promoting owner-occupation with a large demographic focus is an efficient way to tackle the housing crisis of the younger generations. Critiques argue that these programmes exclude those who lack the financial resources to be able to build new homes, even with the support from the government. Moreover, they also exclude an emerging generation of young people who would prefer not to own their home yet, given the owner-occupied tenure's less flexible nature.

The private rental market would be a good alternative for the second group. However, due to limited access to affordable housing and a deepening housing crisis driven by rising rents (especially in Budapest), the private rental market in Hungary is also at the centre of a growing debate. With a minimal and highly residualised social housing stock, many people are forced into the private rental sector out of necessity. The sector suffers from severe dysfunctions, including unaffordable and unstable rent levels, a lack of regulation, and insecure tenancy conditions. Rental agreements are typically liberal and offer little protection, while conflict resolution through the legal system is slow, expensive, and often ineffective, encouraging the use of informal, unregistered contracts. These informal arrangements exclude tenants from essential services like healthcare and social support. Both tenants and landlords face considerable risks, and a deep mistrust exists between the two. Discrimination is also widespread, particularly against Roma individuals and families with children. Despite high demand for housing, a significant number of dwellings remain vacant due to market and policy failures, further highlighting the need for systemic reform (Kováts, 2017; Hegedüs et al., 2016).

2.5 Lack of social housing

Taking care of the first group would be the task of the social rental market. Since the regime change, local governments are responsible for providing affordable housing to those who lack the resources to rent or buy on the market. However, the central government has adopted an increasingly centralised approach to social service finance. Conflicts between local authorities and the government have intensified, creating an intergovernmental fiscal policy problem, where the finances of towns and cities are heavily dependent on discretionary central government decisions, and local governments are often left without the necessary funding to fulfil their housing obligations (unfunded mandates).

This is especially problematic, as nearly one-third (31.8%) of households faced housing-related hardship, based on analysis done on data from the Hungarian Central Statistical Office in 2015 (Hegedüs & Somogyi, 2018). According to the analysis, around 13.4% of households had less than 60% of the national equivalent average income left after covering housing costs, 17.2% were living in inadequate or substandard housing conditions, and 13.4% were housing cost-burdened, spending more than 40% of their income on housing.

During the 2018 elections, the opposition-controlled municipalities' manifestos included the issue of tackling the affordable housing shortage, putting pressure on the government. Despite this pressure and ongoing criticism, no policy reforms have been implemented so far (Misetics, 2017).

2.6 Regions left behind

Lastly, an important debate around affordable quality housing focuses on a government programme launched in 2019 with EU financial support, aimed at reducing regional disparities. The Emerging Settlements (FETE) programme targets the 300 most underdeveloped settlements in the country, which were selected by eight key indicators: (1) proportion of young people, (2) birth rate, (3) taxable income per working-age person, (4) rate of long-term jobseekers, (5) proportion of children receiving regular child protection benefits, (6) proportion of substandard or inadequate housing, (7) number of registered crimes per 1,000 residents, (8) proportion of people aged 15+ without completing 8th grade (Németh, 2023). It follows the proven-to-be-effective presence-based approach, prioritising social work, community development, primary health care and screening, early childhood support, and affordable housing (Bőle, 2022). This kind of programme plays a dual role: it aims to improve living conditions for residents, while also trying to create the circumstances that would allow them to relocate if they choose to. However, the programme raises several questions — such as the appropriate tenure model for subsidised housing in these regions (whether to promote owner-occupied homes or social rental units), to what extent locals should be encouraged to move out, where those who leave would go, and how municipalities and existing residents in the target areas will react to incoming newcomers.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

After the political changes of 1989/1990, the privatisation of housing and the abolition of the socialist housing finance system led to the emergence of a clearly commodified housing model with a small (3%) residual social rental housing system by 2000 (see Appendix). At the same time, programmes aimed at decommodification were launched at various times throughout the last 35 years, but the budgetary impact of these could not be managed by the government. The impact of decommodification on inequalities was often regressive, i.e. it benefited higher income groups.

The social impact of this is that the lowest income groups were forced into municipal housing, which is of the poorest quality and accounts for 2-3% of the housing stock since 2010 (Misetics, 2017, Hegedüs, 2023a). The owner sector, on the contrary, accounts for the majority of dwellings (85-90% of households) and consists of mixed social groups. A, statistically difficult to quantify, private rental sector emerged. Its size was estimated by statistics at 4-6%, which is much lower than we would have expected in Hungary's market economy environment, knowing its main structure. Firstly, there is a poor quality housing stock (peripheral areas of cities, remote villages) occupied by low-income groups unable to pay for urban housing, who were pushed out of the owner-occupied sector. Secondly, there is also a better-quality urban private rental housing in this sector which is occupied by students, foreign workers and young professionals. This structure has not changed significantly since 2010. We know the least about the private rental sector, but as a result of the ownership-promoting programmes and regulations that have been in place since the change of regime, its role has always remained residual, in the sense that those who cannot find a solution in the first two tenures are forced to rent. However, the consequences of more diverse life strategies are more varied (see Figure HU1; Hegedüs & Horváth, 2018).

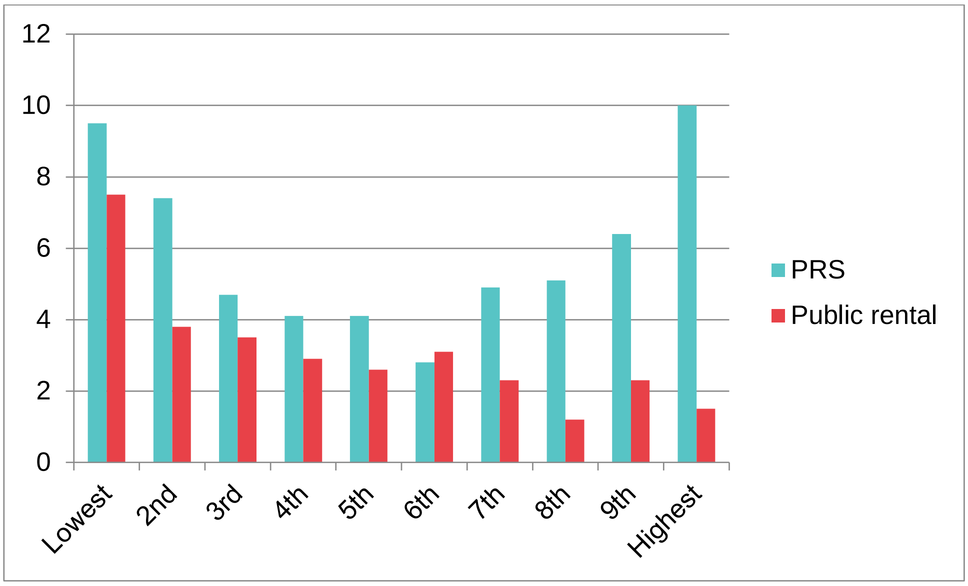

Figure HU1. Share of population in private and public task rentals by income decile (%), 2015 Source: HCSO, 2016

Numerous housing programmes were launched between 2000 and 2024, some of which are still ongoing. As explained in Appendix 6.1, we view the transformation of the housing system as a complex process involving numerous government and municipal programmes, as well as non-profit organisations, the most successful of which receive significant state support (primarily church organisations). These programmes can be divided into two types: an 'enabling markets' type and a 'regulating markets' type. It is sometimes difficult to determine the direction of a particular programme—whether it leans toward decommodification or commodification—which is an important issue from the theoretical perspective of this research. Moreover, it is questionable whether these (de)commodification tendencies are directly tied to the tenure structure at all, rather than being specific to the programmes themselves. We argue that both decommodification and recommodification can occur regardless of tenure type (see Appendix 6.1).

One notable example is the housing savings bank system (lakástakarékpénztárak), which helped households access the housing market through fixed-term savings plans. In return for saving regularly at below-market interest rates, participants qualified for low-interest loans. These schemes became popular in Hungary after the 2008 crisis due to their predictability, though initially they functioned mainly as savings accounts without offering loans. Their surge in popularity was largely driven by generous state subsidies - 30% of annual savings, much higher than in other countries - placing a heavy burden on the state budget. The subsidy was abolished in 2018 (Hegedüs, 2018a). However, the benefits primarily went to those who could afford to save, reinforcing existing social inequalities. An exception was a targeted refurbishment and infrastructure programme that operated through these banks. Instead of requiring upfront savings, an intermediary (e.g., a developer) provided the initial investment, and after four years the state subsidy—equivalent to saved contributions—was transferred in the beneficiary's name, alongside access to a subsidised loan. This model reached a broader population, including lower-income groups without savings.

Another examples is the ‘Social policy benefits’ programme, that supported the construction of new homes for families with children, and an increase in the benefits in 1994 (which was motivated by tax policy considerations) had an unexpected housing policy consequence, whereby contractors built low quality homes primarily for impoverished families with three children (often Roma) in poorer neighbourhoods, on very poor plots of land, but free of charge. This is certainly not a market-based intervention, and if it is decommodification, then it does not have an effect on the rental housing sector, but has instead unintentionally supported the poor. At the same time, the support was very ineffective, and within five years these dwellings became unacceptable in terms of quality.

This illustrates how programmes and the interactions they trigger can bring about change in a housing system. A similar example is the rent subsidy programme for the private housing sector introduced in 2004, which became unworkable due to mistrust on the part of landlords. The history of credit subsidies also reflects the struggle between the banking lobby and the construction industry lobby, which was won by the banking lobby in the early 2000s. Here, the interpretation of decommodification-commodification does not pose a problem, although market development has spread to the lower-middle class through foreign currency lending. Between 2004 and 2008, due to credit competition, social groups that would have had access to social/affordable credit in a more balanced system also entered the credit system (Pósfai et al., 2018). Finally, the Utility Cost Cap Programme (2013-2025) is also a decommodification programme, which has no specific effect on tenure and has a clear regressive income distribution effect.

The various programmes affected the situation of individual social groups, but did not address the fundamental elements of the system: a small municipal rental housing stock, the dominance of owner-occupied dwellings, the limited importance of credit and a very poorly functioning private rental market). Restrictions on the private rental sector were lifted, but comprehensive regulation did not help the sector to develop, and the state-integrated housing finance system was abolished. Interestingly, the reciprocal sector also lost its influence (see Appendix 6.1).

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

The radical transformation of the first decade, especially the rapid privatisation and the disappearance of state housing finance, was in the interests of both central government and local authorities. In 1993, parliament essentially passed the right to buy law, after which, even if local governments wanted to keep their housing, they could not (but politically it was impossible to resist the pressure to privatise anyway). The Local Government Act assigned social housing tasks to local authorities but did not allocate any resources to them (unfunded mandates). In the programmes between 2000 and 2004, local authorities cooperated with the central government in the construction of rental housing and the renovation of prefabricated buildings, but these were partial and temporary decommodification measures.

After 2010, local governments lost many of their functions, and serious centralisation took place. Before 2010, local governments, or more accurately municipal governments, had relative financial independence, with assets and tax revenues that could be redistributed by the central government, but radical change was difficult to implement because local governments had strong representation in parliament. This ended in 2010 with Fidesz gaining a two-thirds majority, and urban municipalities were also exposed to the central government's centralisation efforts. Centralisation was also one of the underlying motivations for the utility cost reduction programme. Deprived of resources, local governments played a negligible role in housing policy.

However, after the 2018 elections, opposition local governments came up with programmes to increase social housing, although they admitted that they had no resources, which left the central government in a difficult position. They focused on drawing down EU funds, which did not include housing programmes (unlike other new EU member states). The likely reason for this is that programmes involving many actors would have slowed down the drawdown of EU funds. After 2022, the country had less access to EU funds for political reasons, and the budget faced serious difficulties due to previous spending. Both the utility cost reduction programme and the mortgage subsidy programme had to be scaled back, which threatened to trigger a recession. At the same time, local governments are putting serious political pressure on the government to implement social housing programmes, but the government now has little room for manoeuvre, as it has so far been unwilling and is now unable to use EU funds.

Hungarian housing policy, similarly to that of other post-socialist New Member States, has largely failed to address two fundamental principles: a) providing affordable rental for socially vulnerable groups and b) ensuring that better income groups cannot capitalise on subsidies. It is justifiable to provide property subsidies for lower-middle income groups and also to parts of the middle class, but only in a way that does not allow beneficiaries to capitalise on the subsidy individually. If a family has bought a home with serious public subsidies, and their financial situation allows them to move to a better, bigger, more valuable home, they should not receive the subsidy part of the value of the home, because that will allow another needy family to benefit from it.

Since 2010, housing policy in Hungary has been dominated by helicopter-style cash transfer programmes, which are not embedded in a long-term institutional framework. These ad hoc schemes, motivated by demographic and economic growth objectives, construction industry lobbying, and political propaganda, lack predictability and continuity. Programs are typically announced for short periods, adjusted in response to political and popular feedback, and often disappear without leaving lasting institutional structures behind.

This policy approach operates within a fundamentally commodified housing system. While subsidies may temporarily reduce commodification by offering financial relief, they do not establish institutional guarantees for long-term decommodification. The design of these subsidies has primarily benefitted those who already have the financial means to save or invest, thereby reinforcing existing inequalities. Despite the high fiscal cost, their social targeting remains weak, and they fail to shift the structural dominance of owner-occupation.

Overall, the housing policy changes between 2015-2024 have led to a deepening of the housing crisis in terms of house prices and rents while the supply remained one of the lowest in Europe. The subsidised (mostly mortgage) loans granted for having children include a conditional liability. Firstly, in case a family fails to fulfil the requirement (no children are born), they have to pay back the loan without the subsidy. Secondly, it promotes childbearing that entails often unknown costs in the future as conditions might chance. In this respect, the situation is analogous to that of foreign currency lending, where the borrower assumes the exchange rate risks. Similarly, in the demography-focused schemes, the state transfers the risks of not having children as welll as childbearing to families in exchange for short-term benefits (Hegedüs et al., 2025).

Experiences have also shown that in lack of an efficient social housing system and adequate regulatory safeguards in other fields (such as in the field of tenancy law), the focus on subsidised mortgage loans has contributed to deepen the housing crisis. The exclusion of more vulnerable groups, the inclusion of higher income groups, and the increased risks in some programmes for more vulnerable families have negative implications for the Hungarian housing situation.

III. What synergies and/ or conflicts exist between the vertical and horizontal governance levels?

After the change of regime, a new law was enacted, whereby local governments were handed over to democratically elected leaders. This was a significant step towards decentralisation compared to the previous system. From the outset, decentralisation faced a number of serious shortcomings: 1) the central government retained unilateral control over the redistribution of resources (tax revenues), which only required the support of a parliamentary majority; 2) it was a highly fragmented system with many very small local governments; 3) a two-tier local government system was introduced in Budapest, with 23 district municipalities operating alongside the ‘Budapest‘ municipal government.

Local governments were given the assets necessary for public services and the task of managing those assets, within which the ownership and management of the housing stock was the most important from the perspective of housing policy. Until 1993, housing privatisation was optional for local governments, but after 1993, with the introduction of the right to buy law and support from both the central government and parliament, it became essentially mandatory to sell flats. However, as it was mentioned before on several occasions, local authorities were unable to resist privatisation, partly because they did not have the financial resources to run the sector (rents did not cover operating costs) and partly because they were unable (or unwilling) to resist pressure from tenants to privatise.

Local governments were not given any additional resources to perform their housing tasks beyond their housing assets, and consequently, their housing programmes had to be covered from general revenues. In practice, the municipalities had no housing programmes until 2000. The central government's housing programmes were also underdeveloped, and the economic (transformation) crisis also affected the housing system, which central (homeownership support) programmes were unable to compensate for.

Between 2000 and 2008, programmes were established in which cooperation developed between local authorities and the central government. However, apart from a rental housing programme between 2000 and 2004 (involving approximately 10,000 homes in the sector), programmes supporting home ownership dominated the housing subsidy system. These included the so-called panel programme for instance, which supported the refurbishment of multi-apartment buildings. It is characteristic of this period that between 2000 and 2004 more homes were privatised than were built through the rental housing programme. Both the rental housing programme and the panel programme can be considered a joint effort by central and local governments, and they were successful in those municipalities where local governments invested their own resources and organisational capacity in the programmes.

Local governments played no role in dealing with the negative effects of the 2008 economic crisis and resisted taking over apartments whose owners were unable to pay their mortgage costs. Therefore, the central government had to set up an organisation for this purpose.

After 2010, a process of centralisation began in the local government system (Hegedüs & Péteri, 2015, Kákai, 2021), which further weakened primarily urban local governments (by withdrawing tasks and public service assets) and reduced the chances of local government housing programmes. The basic principle of government housing policy was that Hungarian families wanted to own their own homes, and that support policies should follow this principle, which explains the dominance of home ownership. Local governments did not receive subsidies for housing, and the development of private rental housing also stagnated due to tenure-biased subsidy and tax policy principles. (A change will occur after 2018, but only at the level of intentions, not actions.)

In the 2018 local elections, opposition municipalities included the need for social housing programmes in their campaigns, but these were not followed by the development of serious programmes (due to a lack of support from the central government). Meanwhile, the Asset Management Agency, set up to deal with the crisis, privatised 90% of its 40,000 housing stock in 2019. As a result, virtually no change occurred in the tenure structure. After 2002, privatisation was again a matter for local government decision (the right to buy system was in place between 1993 and 2002).

The central government's housing programmes between 2015 and 2024 are programmes supporting homeownership, despite the fact that the housing crisis (rent and house prices rising faster than income levels) is affecting the younger generation (those aged between 25 and 40), whose tenure preferences have changed. Young people leaving the education system are postponing their plans to buy a home, and many prefer private rental (social housing is minimal), even those who could afford to buy a home. Furthermore, a significant proportion of families, primarily those who cannot rely on intergenerational transfers, are unable to buy a home if they do not qualify for state-subsidised programmes. This factor becomes politically significant between 2015 and 2024, and by 2024 the government reconsiders its public rental subsidy programmes (which have so far been blacklisted at government level). However, no real programme has been launched yet.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

Between 1990 and 2025, six major economic crises shaped the trajectory of the Hungarian economy and society. While these crises differed in nature and intensity, each had a discernible impact on the housing system, influencing the ownership structure, the housing subsidy regime, and the level of commodification within the sector.

The most transformative shift occurred with the regime change in 1990, which entailed not only political and economic transformation but also a fundamental restructuring of the housing system. State-owned rental housing was massively privatised, the public housing finance system was dismantled, and mortgage subsidies were significantly reduced. The collapse of the previous support system and the rise of market-oriented housing policy reshaped the functioning of the housing sector. These changes, however, increased the burden on many families: maintaining and operating the newly acquired homes often exceeded their financial capacity, and the repayment of so-called discounted loans (with partial debt forgiveness) resulted in widespread housing loss. A debt management program launched in 2001 was intended to mitigate some of these consequences, albeit retroactively.

The next crisis emerged around 1994–1995, when the government faced increasing difficulties in managing public debt and budget deficits. A series of austerity measures followed, most notably the 1995 stabilisation package known as the Bokros Plan. The reforms included cuts to housing subsidies and a narrowing of available housing support schemes. However, these reductions had limited practical consequences, as the prevailing economic uncertainty had already curbed housing investment by the population.

In the early 2000s, a new chapter opened with the launch of a generous and ambitious housing subsidy program under the first Orbán government around 2000. The program remained largely unaltered after the Socialist government took office in 2002, despite its long-term fiscal unsustainability. The combination of rising housing subsidies and expanding welfare expenditures created mounting budgetary pressure by 2004, prompting another wave of fiscal adjustment. One of the most significant measures was the scaling back of interest subsidies for housing loans, which in turn redirected households toward foreign currency-denominated mortgages. Neither the government nor the central bank intervened to regulate this shift, as both prioritised short-term economic growth. The resulting financial risks, however, were borne by households. In parallel, the national rental housing program was discontinued and would not reappear on the political agenda until 2025, when it resurfaced as a key issue in electoral competition among political parties.

The 2008 global financial crisis marked another major turning point, with Hungary particularly vulnerable due to the widespread reliance on foreign currency loans (Bohle, 2014). As subsidised forint-based mortgages had been withdrawn and interest rates remained high, many households had shifted to foreign currency lending, which—amid exchange rate volatility and income shocks—led to severe repayment difficulties, widespread housing loss, and growing social tensions. Between 2008 and 2015, housing policy became almost entirely subordinated to the goal of managing the foreign currency mortgage crisis. Housing subsidies were curtailed, construction activity declined sharply, and structural problems in the housing sector deepened further. One of the most notable policy responses was the National Asset Management Agency program, which purchased distressed properties from indebted households and converted them into rental housing. Although the initiative pointed toward a new model of social rental housing, the experiment ultimately proved short-lived: by 2022, approximately 90% of the agency's housing stock had been re-privatised.

The most recent crisis is linked to the COVID-19 pandemic in 2020 and its aftermath. While this was a global shock, its effects in Hungary were amplified by the structural weaknesses of the domestic economic model, including the prioritisation of high-risk, low-return investments with limited social utility. The crisis prompted new constraints on housing-related programs: the universal utility cost reduction scheme (rezsicsökkentés) was scaled back, limiting subsidies to average household consumption levels, and various housing support schemes were also reduced. The government recently announced a generous first-time homebuyer program, offering up to HUF 50 million in loans at a fixed 3% interest rate. The state would cover the difference between the market and subsidised interest rates, but the fiscal sustainability of the program has already been questioned. Consequently, regulatory constraints are expected to be introduced even before the program's official launch, which is scheduled for September 2025.

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing?*
II. *How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?*
III. *What challenges have the state and non-profit sector faced, in the light of recent crises?*

The economic crises between 1990 and 2025 radically reshaped the Hungarian housing system, housing policy, and the position of various social groups within the system. At the same time, housing institutions exhibit a certain inertia—a *path dependency*—that limits the pace and direction of change. As discussed in the previous chapter, the most profound transformation was triggered by the post-1990 regime change: the privatisation of public housing, the dismantling of the previous housing finance system, and the gradual establishment of a market-based policy framework.

Households responded by taking ownership of their dwellings en masse, but this shift soon revealed major internal inequalities and new structural tensions. Two key consequences of the 1990 changes shaped the long-term development of the system. First, the question arose as to how new owners could cope with the responsibilities of ownership—maintaining their homes, covering utility costs, and making repairs. This posed serious challenges especially for low-income families who had acquired poorly maintained, substandard dwellings. For these households, there was no effective housing support policy in place during the 1990s that could have mitigated their exposure.

The second critical issue involved the restructuring of housing loans. Many households were unable to repay their subsidised loans in time and were shifted into market-based loan contracts with extremely high interest rates under the new regulations. This led to widespread arrears and housing loss, particularly among vulnerable families. In this sense, the 1990 transition not only transformed the institutional structure but also generated significant hardship at the household level.

The 1994–95 budget crisis, and the stabilisation package known as the Bokros Plan, had a more limited effect on the housing system. By that time, residential construction had already slowed, and most households had withdrawn from the housing market, instead trying to adapt to their new conditions. The share of housing loans in GDP dropped sharply—from 15–20% in earlier years to just 1–2%—reflecting the collapse of lending activity.

More substantial changes followed the 2004 crisis. At that time, housing construction began to rise again, the housing market started to take shape, and competition among banks intensified. Households fell into a form of "rational short-term trap": due to the reduced subsidy levels, foreign currency loans offered lower interest rates than state-supported forint loans, which made them more attractive. Banks actively promoted foreign currency lending, and the government did not intervene to limit the trend. Meanwhile, public rental housing programs were phased out entirely.

This undermined a core element of the early-2000s housing policy vision: the creation of a segmented rental housing system with market-rate, cost-based, and social (municipal) segments. This concept never materialised in practice. Instead, new construction initiatives were absorbed into the legacy framework, and inherited practices persisted. Rents remained far below market levels and insufficient to cover maintenance costs, making the municipal sector financially unsustainable.

The 2008 crisis was the second most serious structural shock to the system. The issue of foreign currency mortgages dominated government attention for nearly a decade. Unlike governments in similar positions—such as those of the Baltic states, where stricter and more rapid interventions were adopted—Hungary allowed the foreign currency mortgage problem to linger from 2008–2009 until approximately 2015. During this period, a variety of policy schemes were introduced, and the government's approach to housing policy became increasingly characterised by **ad hoc, short-term responses**. Policy tools were adjusted based on public reaction, without any coherent long-term strategy.

Despite this reactive logic, the creation of the **National Asset Management Agency (NET)** was an innovative move and hinted at the possibility of a new direction in housing policy.

However, as discussed earlier, this opportunity was not fully realised: by 2022, around 90% of the agency's housing stock had been re-privatised, closing the door on a more sustained rental housing initiative.

After 2015, the housing market stabilised and entered a period of rapid price and rent increases. This significantly exacerbated housing affordability problems. By the time the COVID-19 pandemic emerged in 2020, affordability had become one of the most pressing social issues in housing. In response, the government began to roll back several of its earlier, often politically motivated and improvisational support schemes. Among the most significant cutbacks were the **narrowing of the utility cost subsidy program** and the **reduction of housing subsidies for families with children.**

It is within this context that the most recent government initiative must be interpreted: a new housing support program offering generous terms for first-time buyers. The proposed plan would provide loans up to HUF 50 million with a fixed 3% interest rate, with the government covering the difference between the market and subsidised rates. While the announcement signals strong political intent, the projected fiscal burden is extremely high. As a result, the program is expected to be subject to strict eligibility conditions and limited accessibility upon its launch, currently scheduled for September 2025.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

Green policies in the housing sector (energy retrofitting of residential units, applying nature-based solutions and implementing densification) can mitigate or generate housing inequalities depending on the specificities of the national or local housing systems (Koritár & Feldmár, 2023). The three main factors of the green-related housing characteristics can be summarised as 1) the withdrawal of market incentives due to capped utility prices, 2) marginalisation of the room of manoeuvre of localities and 3) dominance of private ownership in housing.

Capping the utility prices

The cap on household utility prices in Hungary, applied since 2013, results in the lowest electricity and gas prices in Europe. This policy is considered a major tool against energy poverty, while it is a major structural barrier to green development in the housing sector at the same time. While it lowers utility bills in the short term, it removes the financial incentive for households to invest in energy-efficient renovations (such as insulation, window upgrades, or heating modernisation).

Thus, the level of residential energy efficiency interventions is very low, as the investment cannot be motivated by market-based financial calculations, except the times when public subsidies appear. Public subsidies were generous in the 2000s, but they concentrated on multi-family buildings built by industrialised technology. After 2010, subsidy programmes remained marginal and the focus shifted from multi-family buildings to family houses. While access to subsidies for multi-family buildings depends less on the financial capacity of the owners as organisational aspects matter more, for family houses the ability to co-finance is the crucial issue besides the capability to follow the administrative requirements.

Instead of encouraging long-term efficiency, the cap on household utility prices basically traps households in outdated, inefficient buildings, missing the opportunity for energy transition through housing renewal, while simultaneously deepening social inequalities. Wealthier households, who tend to live in larger homes and consume more energy, gain greater absolute benefits from capped prices, when poorer households receive less benefit as they are the least likely to access renovation subsidies, leading to a widening gap in housing quality and energy efficiency.

Marginalisation of the room of manoeuvre of localities

Another major issue is the systemic neglect of public and social housing in both housing policy and green transition initiatives. The public rental housing in Hungary is an ever-shrinking share of the total housing stock reaching about 2.4% in 2024. It is home to some of the most vulnerable populations, including low-income households, the elderly, and marginalised groups. Despite this, state-funded renovation programs and energy-efficiency incentives rarely, if ever, include public housing. Most subsidies, such as CSOK, Childbirth Incentive Loan (CIL), or even retrofitting schemes, are tied to private ownership or demographic conditions like childbearing. This means public and municipal housing units—often the least energy-efficient—are left behind, deepening the energy divide. The result is a structural policy failure: those most in need of improved housing and lower energy bills are systematically excluded from state-led green investment, reinforcing spatial and class-based inequalities. Without a targeted and well-funded strategy for public housing retrofitting, Hungary's green transition risks becoming not only incomplete but socially unjust.

A further constraint on green and inclusive housing development in Hungary lies in the weak land ownership position of municipalities. Unlike in many Western European countries, where local governments own significant amounts of own resources (local tax revenue, property, etc.) urban land and can leverage it for social housing or sustainable development, Hungarian municipalities possess very limited land assets and authority. This severely reduces their capacity to initiate or control housing projects—especially in brownfield redevelopment, which in Hungary is largely driven by private investment with minimal public regulation –- resulting in market-led densification that favours private interests over social or environmental goals. Compounding the problem, Hungary lacks inclusionary zoning regulations—planning tools used elsewhere to require developers to include affordable or energy-efficient units in new projects. In the absence of such mechanisms, new urban development typically excludes lower-income residents, fails to meet climate targets, and deepens spatial inequality.

Dominance of private ownership in housing

97.6% of the housing stock in Hungary is in private hands, more than 90% of which is owner-occupied. It means that the energy efficient retrofits have to be initiated, financed and implemented by private owners, no matter how poor or energy poor they are. There are no non-profit or public housing organisations that take the administrative and financial burden from the inhabitants. In addition, the multi-family housing stock, which is dominant in urban areas, consists of private condominiums and cooperatives (Polgár & Szádeczky, 2017). For this stock, the financial problems of their socially mixed residents are coupled with the organisational difficulties of decision-making (Czifrus et al, 2015). That is why the implementation of retrofits of any kind has a slower pace and is even more slowed down by the state of local subsidy programmes, which Hungary has lacked in the last decades. The situation is further complicated by the fact that Hungary is the only member state not receiving the funds of the Recovery and Resilience Facility due to Rule of Law violations (Csaky, 2025).

The private rental market, while growing and reaching 8-9% nationwide and 15-20% in Budapest, remains fragmented, informal, and underregulated. Tenants face insecure tenancy, weak legal protections, and are entirely excluded from most renovation subsidies The split incentive between landlords and tenants discourages investment in energy upgrades, and where renovations do occur, rent prices might skyrocket and renovictions can follow, however this phenomena is not acknowledged yet in Hungary, most probably due to the relatively modest rate and dispersed nature of private rental properties. Given Hungary's weak tenant protections, these scenarios risk amplifying housing insecurity rather than addressing energy poverty.

While green gentrification—displacement driven by environmental upgrades—is a well-documented issue in Western European cities with large, flexible rental markets, its visibility is lower in Hungary. This might be explained by the high rate of homeownership, low mobility that limits rapid turnover or by the relatively low implementation of greening. However, Hungary faces a quieter but equally problematic form of green exclusion, as public investments and retrofitting tend to concentrate in higher-income, owner-occupied areas, while marginalised communities—especially tenants—are left behind. This reinforces spatial and class-based green inequalities without triggering the neighbourhood-based conflict seen elsewhere.

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6 APPENDIX

6.1 Analytical frameworks of housing systems – the role of the state and the market in the classification of housing regimes

1. Our starting point is the static classification of housing systems, which is based on the combination of the form of ownership of housing (municipal rental housing, private rental housing, owner-occupied housing) and the integration mechanism (state, market, reciprocity – and solutions outside the formal housing system) (Hegedüs, 2018b). This is illustrated in the following table:

		Forms of tenure		
		Public rental housing	**Private rental housing**	**Owner-occupied housing**
Integrative mechanism	**State/social integration**	„A": Council housing, rental cooperatives	„B": Social rental housing agency, significant housing subsidy models	„C": Singapore model, Land Trust, Spanish/Portuguese subsidized private ownership
	Market integration	„D": Social landlords enter the market (Netherlands, UK, Hungary)	„E": Typical private rentals, the owners are private individuals or institutional landlords	„F": Typical private ownership
	Reciprocative (family and friends)	„G": Sub-tenants move into social rental housing based on favor	„H": Favor-based rentals, special financial agreements	„I": Housing provided as a favor (e.g. between relatives)
	Exclusion, marginalization	"J": Homeless services	"K": Illegally occupied housing	"L" Sub-standard housing, slums

Table HU1. Analytical framework for the comparative study of housing regimes and illustrative international examples (housing sector matrix) Source: Hegedüs, 2018b, Hegedüs, 2020

The theoretical significance of these types is that they show that state integration mechanisms exist not only in the public rental sector, but also in owner-occupied and private rental sectors. Interventions typically take the form of subsidies or legal restrictions, which are identical to decommodification, but the distribution of benefits of state intervention depends on the structure of the specific programmes and the interactions between participants

2. The main question is how this approach can be adapted to modern theories, such as welfare regime theories, approaches examining commodification–decommodification (market dependence–independence), financialisation theories. According to our approach, progress can be achieved if we can understand the internal dynamics of individual cells and the

movements between cells. However, this can only be reached through the analysis of specific housing solutions – e.g. housing programs with its interactions between individual and organisational actors.

The theoretical approach of the Rehousing project is based on the analysis of the relationship between decommodification (reducing market dependence), tenure structure and social inequality. Decommodification is the consequence of state intervention, that allows the housing of certain social groups of society (or for everybody) to be independent of certain market mechanisms within the housing system. Our analysis showed that decommodification does not necessarily strengthen the public rental sector (i.e. it can also be achieved through other forms of tenure), and decommodification does not necessarily reduce social inequalities.

Another important conclusion is that the processes taking place in the housing system are difficult to separate from socio-economic processes. Embeddedness means that processes within the housing system are not autonomous but are embedded in social, political, and institutional contexts. Housing policy programmes cannot be separated from other related economic, social or political aspirations. Indeed, as we have pointed out in this study, housing policy decisions are often subordinated to other social policy objectives.

3. The state housing policy programs (after 1980s) are fundamentally organised along two logics – they represent two different housing policy paradigms, that are summarised in the following table.

4. Our conclusion is that housing policy programmes (even if they are closely linked to other areas of public policy) need to be interpreted, with housing policy matrix and underlying policy paradigm.

	“Enabling markets” approach	“Regulating Market to make hausing for all
The challenge	State failures: overregulation, inefficient public solutions	Market failures: volatile housing market, vacant homes and homelessness
Economic and social structure	Stable social structure with a small fraction of low-income people	A fluid income structure with a broad middle class (precariat) in volatile position besides the very poor
Housing policy priorities	Housing is an economic good; policy must ensure efficient market, reduce regulations, separate social programmes from the market	Housing is a human right; policy must support regulations (housing finance, rent control, environmental framework) to integrate market and public solutions (PPP, etc.)
Weak/critical elements	Market failures: perverse incentives, weak institutional background (rule of law, etc.)	Regulations undermine markets; no viable financial/economic incentivization, conflicts between different income groups
Representative Institutions	World Bank, EU (partly), IMF	UN-Habitat, Housing Europe, EU (partly), Feantsa, OECD

Table HU2.Two defining housing policy paradigms Source: Hegedüs, 2023b

This approach affects two rows of the matrix in the first table. The function of state intervention can be construction of the market, correction of market failures, or coordination of market participants' behaviour. This reflects the logic of the Enabling Market concept developed by the World Bank. In this sense, such interventions marketise (commodify) housing.

At the same time, state intervention can also aim to deactivate market relations and exempt social groups from the negative (or even positive) effects of the market through subsidies and regulations.

Consequently, in our approach, those housing policy programmes are in the centre that are related to those cells primarily in the first two rows of the matrix. These programmes describe the relationships and mechanisms that develop there and analyse the forces (processes) that determine the movements between the cells.

This approach is based on the principle of path dependence, since the cells are never "empty": the programmes are always built on previous institutional solutions, also modifying, or reinterpreting them. Solutions that do not have some kind of historical predecessor are rare.

When analysing the cells of the third row, we emphasise the relations between social groups and the socio-economic embeddedness of individual life paths. In this case, the influence of state and market actors plays a secondary, subordinate role and the processes taking place here cannot be interpreted within the commodification–decommodification framework. Reciprocative solutions, such as kalákák, were especially widespread during Hungary's socialist era, which can be explained by the lack of banks and free enterprises. However, with the emergence of a commodified housing model after the regime change, the significance of reciprocal processes diminished.

In the cells of the fourth row, the state already has a role, and the degree of decommodification can also be interpreted, although the processes are not only influenced by state intervention, but also by market and reciprocal mechanisms.

6.2 Utility price *cap*

Utility price cap were introduced by the government in 2013, covering residential electricity, natural gas and district heating, followed in 2014 by water and sewage services, residential waste management and chimney sweeping services.This meant a 10% reduction in service charges by decree. In some sectors, it introduced uniform prices (e.g. electricity and natural gas), but in other areas (such as district heating and water supply), price differences between individual service providers remained. (Between 2015 and 2021, prices remained virtually unchanged, while global energy prices fell.)

Utility price cuts played an important role and continue to play an important role in the government's political campaign, but they played at least as important a role in the centralisation of public services [and the exclusion of foreign service providers. Due to price freezes, services became loss-making, causing foreign owners to sell their interests and domestic service providers to rely on various state transfers. Budget expenditures are very difficult to estimate because they appear under several headings in the budget, such as price compensation, task financing, investment support and capital increases, and investment. Utitlity subsidies are a form of budget redistribution, largely financed by the state in an undeclared manner (Weiner & Szép, 2022). Between 2013 and 2021, the amount of subsidies is estimated at HUF 2,000 billion. In 2022, a new system was introduced for electricity and gas services. From 1 August 2022, a consumption cap was introduced for electricity and natural gas services, with consumption above this cap subject to market prices. As a result, not all households will receive utility subsidies up to the average consumption level. In the case of electricity consumption, the market price is twice the subsidised price and affects 25% of consumers (1.4 million households). In the case of natural gas, the market price is seven times the subsidised price and also affects 25% of consumers (9,000,000 households). In 2022, the Utility Protection Fund used HUF 1,400 million in subsidies, in 2023 HUF 3,630 million, and in 2024 approximately HUF 1,000 million. (Szép & Kashour, 2024) Analyses have shown that low-income households are more sensitive to energy price changes (high price elasticity), while the actual financial benefits were greater for higher-income households with higher consumption. Consequently, it was not the socially disadvantaged but the relatively better-off who benefited most from state support.

Utility price gap programs are embedded within broader political and institutional dynamics, including electoral strategies, processes of centralisation, and the exclusion of foreign service providers from the sector. While these measures are often justified as a means of reducing the cost burden on households, they also illustrate the complex consequences of decommodification, particularly its potential to reinforce social inequalities and undermine collective incentives for energy efficiency.

6.3 *Family Home Support (CSOK)*

"The CSOK housing support scheme[17], which was introduced in 2015 and ceased at the end of 2023, provided non-reimbursable support to families with children, and in addition offered a subsidised loan structure. A very strong motivating factor behind the scheme was to increase the number of children born, improve the fertility rate (which was 1.88 in 1991 and decreased to 1.44 by 2014)[18] and encourage housing construction and investment.

These two aspects dominated the internal structure of the scheme. Thus, if a family had more children, it received progressively more subsidies, and if it built a new dwelling, it received 4-5 times more than a family buying an existing dwelling.

[17] 17/2016 (II. 10) Korm. Rendelet a használt lakás vásárlásához, bővítéséhez igényelhető családi otthonteremtési kedvezményről = Government Decree 17/2016 (II. 10) on the family housing allowance for the purchase or extension of a second-hand dwelling.

[18]See https://www.ksh.hu/stadat_files/nep/hu/nep0001.html.

The conditions of the subsidy changed over the years, removing income limits and restrictions on the size of the dwelling. The social targeting of the subsidy changed as well, as house prices rose rapidly, so that the subsidy increasingly favoured higher income families, while reduced the opportunities for middle-income groups, which meant a social risk. Families with arrears and applicants who could not prove a sufficient length of employment were excluded from this subsidy" (Hegedüs et al., 2025, pp. 210).

Between 2016 and 2023, 251,000 families received CSOK subsidies, which was 22% of all transactions, with a total subsidy expenditure of HUF 609 billion, generating an additional HUF 1,342 billion in subsidised loans.[19] Thus, the CSOK scheme effectively contributed to the growth of outstanding loans but implied an increase in social risk by excluding significant groups from the housing support.

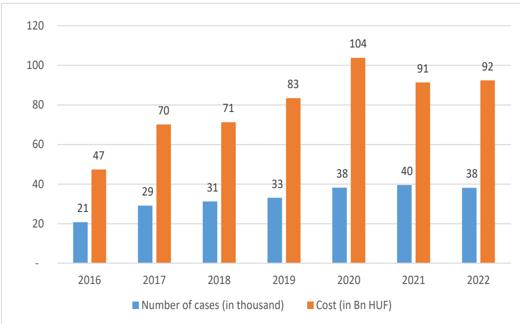

Figure HU2 Number and sum of CSOK subsidies

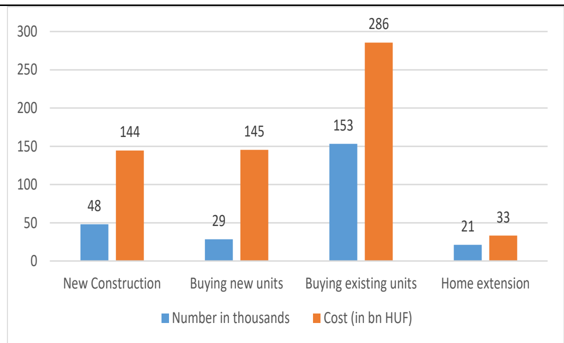

Figure HU3 The use of the CSOK subsidies (number and the sum of the grant)

Source: Lakáshitelezés 2023 (Housing Loans) [20]

6.4 *VAT Reduction*

The VAT reduction was introduced by the government in 2016 (amendment to Act CXXVII of 2007), under which builders of newly constructed residential buildings under 300 m² and newly constructed condominium units under 150 m² are eligible for a reduced tax refund of up to HUF 5 million instead of 27%. The measure was temporary in nature – it was planned to last until 2018 – and its aim was to boost housing construction, which was at an all-time low. The VAT

[19] Financial Stability Report 2024 May (issued by HNB in 2024 May) 32, chart Available at:„https://www.mnb.hu/letoltes/financial-stability-report-may-2024-en.pdf„

[20] Housing loans of Household in 2023 (Online publication of the Central Statistical Office) Available at: https://www.ksh.hu/s/kiadvanyok/lakossagi-lakashitelezes-2023/index.html

reduction can typically be considered a form of support for the middle class, as it is primarily families in a better financial position who build or buy new homes. Furthermore, the fact that the reduction only lasted for a few years meant that developers and families brought forward their investments, which inevitably led to higher prices for materials and labour and capacity shortages. The subsidy can be claimed until 31 December 2023 for properties that had a building permit by 1 November 2018. This also means that prices for new homes will rise after that date.

The following factors should be taken into account when assessing the subsidy:

1. The VAT reduction did not reduce the prices of new homes because supply (primarily labour) was unable to respond flexibly to increased demand.

2. Among those who acquired a home between 2005 and 2015, the average household income of families benefiting from the VAT reduction was 20% higher, the value of their homes was on average twice as high, and those with higher education were nearly twice (1.87) as likely to benefit from the subsidy (i.e. build or buy a new home) as the sample as a whole (KSH, 2016).

3. According to the MNB Housing Market Report (2019)[, 'After the reduction in VAT, the price of new homes fell by 9% compared to the price of used homes, meaning that 60% of the tax reduction did not benefit consumers.'

6.5 Childbirth *Incentive Loan (CIL)*

"A Childbirth Incentive Loan, not technically a home loan, can be used by families for anything, but surveys have shown that in 80 % of cases it is used to buy a home or replace existing loans. The childbirth incentive loan (CIL) has been made available to young couples since July 2019. The scheme was originally planned to be phased out by July 2022, but the deadline has been removed and it has become a long-term subsidised loan scheme.

A loan of HUF 10 million is made available to married couples, the debt for which is cancelled fully upon the birth of their third child. The wife has to be maximum 40 years of age, and at least one of the married parties has to have paid social security contribution (i.e. held a legal job) for at least 3 years, of which at least for 180 days in Hungary. Public employment is also accepted up to 1 year out of the necessary 3. At the beginning of 2024, the maximum loan amount was increased to HUF 11 million, but the maximum age of the wife at the time the loan is granted was reduced to 30 years.

The first child is expected to be born –or adopted– within five years; if this happens, the loan is interest free (except for a 0.5 percent 'guarantee fee'), and repayment is halted for three years. Upon arrival of the second child, another three-year halt is granted; and the loan is written off entirely upon the birth or adoption of the third child. If the couple is divorced or does not have children, they must repay their debt within 120 days with interest; but exemption is granted if they provide a medical certificate of their inability to have children. Most of the families belong the category of 'privileged costumers' of the banks (that is, high income, educated costumers).

At the end of 2023, the amount of the outstanding CIL was HUF 2,061 billion[21] and more than 235,000 couple took out the loan[22]. In the first two years, the stock rapidly increased but its growth has slowed down since the beginning of 2022.

In assessing the impact of the scheme, there is already a significant risk of default if children are not born within the specified period. The group most at risk are families who took out the loan between 2019 and 2021, as in their case the birth of the first child is already due or will be due soon. In their case, the government has extended the deadline for the birth of the first child from 5 to 7 years. In addition, more than 1,000 families were already in arrears with their loan payments because of the high inflation period in 2022 and 2023[23] "(Hegedüs et al., 2025, pp. 211).

6.6 Village CSOK

"The 'Village CSOK'[24] scheme was introduced in 2019 and was scheduled to run until June 2022, but has since been extended. Around 85 percent, roughly 3,150 municipalities in Hungary are small rural communities, although only around a third of the country's population lives in these municipalities. The regulation allows for the inclusion of 2,486 small settlements in the Village CSOK scheme, specifically those with a declining population of less than 5,000.

The programme is specifically designed for the purchase and renovation, modernisation and extension of dwellings on remote farms, estates or small settlements, to encourage the preservation and modernisation of rural areas. However, with the abolition of the CSOK scheme, significant were made in the Village CSOK scheme: the amount of the subsidies was increased and the purpose of the use of the subsidy was expanded in 2024. Currently, a maximum amount of HUF 15 million (approximately EUR 37,500) grant subsidy is available for constructing new single houses or for purchasing and renovating existing dwellings where parents have or plan to have 3 or more children. The lowest amount (HUF 600,000, i.e. approximately EUR 1,500) is available for one child if only renovation of an existing dwelling is involved; differentiation is made according to the type of transaction and the number of dependent or planned children, and one of the married partners must be under 40 years of

[21] HNB, Trends in Lending, 2024 May, Chart 10. Available at: https://www.mnb.hu/en/publications/reports/trends-in-lending/trends-in-lending-may-2024

[22] Egyre több család bajban a babaváró hitelesek közül. (More and more families in trouble among baby loan borrowers). Article of Bankmonitor, 10.07.2024. Available at: https://bankmonitor.hu/mediatar/cikk/babavaro-hitel-hogyan-hat-a-most-bejelentett-valtozas-azokra-akik-felvettek/

[23] Ibid.

[24] 302/2023. (VII. 11) Korm. Rendelet a kistelepüléseken nyújtható otthonteremtési támogatásokról = 302/2023.(VII. 11) Government Decree on housing allowance grants in small settlements

age. Conditions also include the square meter footage, which depends on both the number of children and the intended purpose of the loan (purchase, building etc.). The claimant must have at least two years of social security entitlement and must not have a criminal record nor public debts.

As seen in Table 3, the rate of Village CSOK has drastically changed over the years. (Hegedüs et al., 2025, pp. 212)"

	Village CSOK (in bn HUF)	Home extension (in bn HUF)	Purchasing of used apartment (in bn HUF)	Purchasing of new apartment (in bn HUF)	Building of new apartment(in bn HUF)	Share of Village CSOK(%)
2016	0	23,2	10,6	31,9	65,7	
2017	0	25,1	23,2	38,2	86,5	
2018	0	27	25	31,5	83,5	
2019	22,2	20,5	27,4	32,3	102,4	22%
2020	61,5	20,7	18,6	20,5	121,3	51%
2021	57,6	27,1	20	22,1	126,8	45%
2022	49,9	20,3	21,6	20,5	112,3	44%
2023	27,1	15,5	8,8	7,9	59,3	46%
Total	218,3	179,4	155,2	204,9	757,8	29%

Table HU3 Composition of the total CSOK subsidies between 2016 and 2023
Source: Palkó, 2024[25]

6.7 CSOK *PLUS*

"A new subsidy has replaced the CSOK, named by CSOK Plus[26]. Young families have access to soft loans with a maximum interest rate of 3 %. Upon the birth of the second child (and for each subsequent child), HUF 10 million of the outstanding loan debt will be waived (so only children born during the term count). Families have to meet the following additional eligibility criteria: minimum 10 % down payment, it should be their first flat, and one of the members of the couple has to have two years social insurance contract. The maximum amount of subsidised credit depends on the number of children: The maximum amount is HUF 15 million for one child; the maximum amount for two children is HUF 30 million. For three or more

[25]Avalaible at: https://www.portfolio.hu/bank/20240626/bejelentest-tett-a-kormany-a-csok-pluszrol-es-a-falusi-csok-rol-694863

[26] Kormány rendelete a családok otthonteremtését támogató kedvezményes CSOK Plusz hitelprogramról 2023.11.23. Government decree on the CSOK Plus loan programme to support families in creating a home 2023.11.23

children, the maximum amount is HUF 50 million. The value of the property must not exceed HUF 150 million. In the case of couples' first home, the purchase price and construction costs must not exceed HUF 80 million. Families must promise to have another or a first child in order to benefit from this support. Only married couples can apply for this benefit. The other criteria, such as the age of the wife, the existence of social security and the exclusion of couples with criminal record and public debt are same as in the case of Village CSOK.

In the first five months of its existence, banks received 6,000 applications for the CSOK Plus, which was launched on 1 January 2024, for the amount of HUF 160 billion, with couples applying for a loan with an average amount of HUF 26 million. The preferential loan programme is therefore on track to meet the expectations of 12,000 contracts and over HUF 300 billion in applications for the whole year. As it is a loan, it must also comply with the bank's assessment rules" (Hegedüs et al., 2025, pp. 214).

6.8 Other New regulation of housing loan interest rate and small public rental programs

"On the 21th of October 2024, the Hungarian Government issued the New Economic Policy Action Plan (21 steps). Five of the 21 steps have an effect on the mortgage market. The most important is that the Ministry of National Economy asks banks to introduce a new voluntary APR cap. Under the plans, the total interest rate of a residential mortgage loan should not exceed 5%. The 5% APR ceiling is accompanied by an interest rate of around 4.7% (the remaining 0.3% is made up of other costs). [27] If the banks will accept that "suggestion" the available loan amount would increase by 14.8 percent. **There is a debate among experts as to which of the banks will take the 5% maximum APR and how the vestiges of this will be compensated. It is likely to lead to a rise in house prices, depending on the consumer group for which preferential rates are made available.** Furthermore, it is expected that the banks will marginalise lower income groups, for whom the risk of default is higher, and this will further reinforce the property subsidy effect of marginalising lower income groups**.** The government plans to allow employee benefits (the amount transferred to the employee's SZÉP card[28]) and amount accumulated in a self-managed pension fund to be used for housing" (Hegedüs et al., 2025, pp. 214).

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[27] See https://bankmonitor.hu/mediatar/cikk/hogyan-hathat-az-ingatlanpiacra-az-5-os-onkentes-thm-plafon/

[28] The SZÉP kártya (or SZÉP card) is similar to debit cards in appearance and in functioning. It is one of the forms of fringe benefits provided by employers. The amount on the SZÉP Card can be spent primarily for accommodation and related services in Hungary.

6.9 Green Loans

"Because of the importance to increase green modernisation of the housing stock, the HNB considers changing the rules on the green loans from early 2025. The proposal is to increase the LTV to 90 % and oblige banks to lower the interest rate of green loans by 0.5%. The justification is the following. A green lending turnaround is needed, as the housing stock is not in a good shape: its heating energy consumption is high and decreasing only very slowly, with the total energy consumption per dwelling being the 6th highest in the EU and 30% above the EU average. Lending can play a key role in the green turnaround, but green home loans are in their infancy in Hungary, with no price differentiation between green and non-green loans. Green loans are currently concentrated in the upper income brackets, attracting a more conscious clientele, but requiring more equity and a more strained income burden" (Hegedüs et al., 2025, pp. 215).

6.10 Stop the support for Housing Saving Banks

"The government paid a premium of 30 % of the money saved for housing purposes up to HUF 72,000 /year at the eligible financial institutions. The condominiums and housing cooperatives could also take part in the scheme. After four years' saving, the households (and condominiums/coops) were eligible for low interest rate loans.

The savings had to be used for housing purposes (but after eight years' savings it was not a requirement). One family was allowed to have more than one contract (spouse, children etc.). In 2018, the number of housing savings contracts was estimated at 1.3-1.5 million, while household surveys showed that only 6-7% of households have a housing savings fund contract. It was also estimated that most of the contracts belonged to the middle-class, while households belonging to lower and upper income groups were underrepresented in the LTP scheme. However, the government had abolished the state premium in 2018" (Hegedüs et al., 2025, pp. 215). The programme was discontinued not for housing policy reasons, but to improve the budgetary position (Hegedüs, 2018a).

6.11 Tables

	1935	1970	1980	1990	2001	2011	2021
Owner Occupied	75.0%	66.5%	71.5%	72.3%	90.0%	88.0%	86,8%
Municipal housing	2%	33.3%	28.3%	19.0%	3.7%	2.7%	4,4%
Corporate housing	2%	--	--	3.7%	1.0%	1.0%	-
Private rental and other	26%	0.3%	0.2%	5.0%	5.3%	8.3%	6,8%
Total	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Table HU4 Tenure structure (Source: Central Statistical Office)

	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%

Table HU5 Trend of house prices and rents in the different periods (Hegedüs et al., 2025)

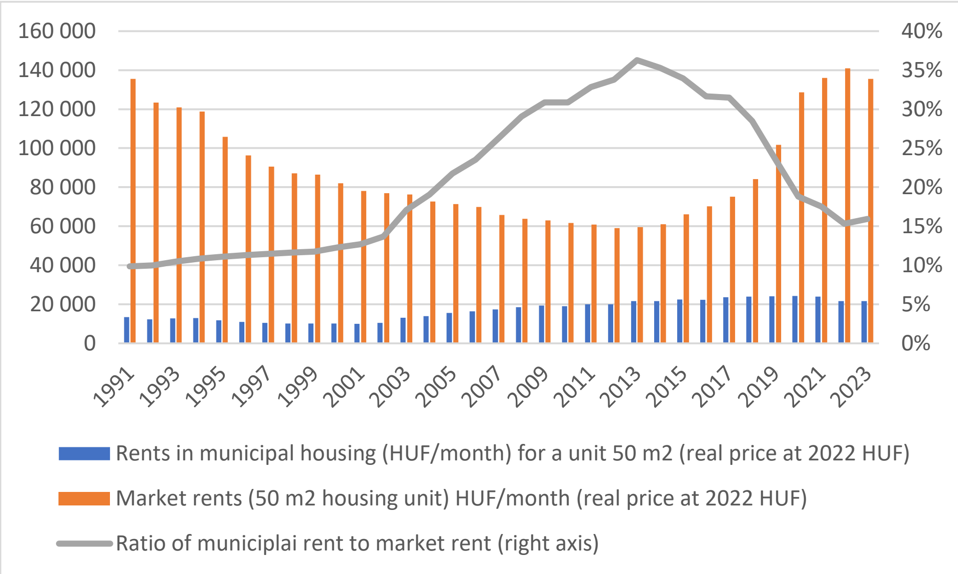

Figure HU4 Rents in the public sector and private sector (at 2022 price) and their ratio between 1991-2023 (Source: Hegedüs et al 2025)

National Report on the Housing System from a Multi-Level Perspective: Italy

1 EXECUTIVE SUMMARY

This national report explores the Italian housing system from a multi-level perspective, within the framework of the ReHousIn project, it highlights the features of Italy's relatively commodified and homeownership-oriented housing model, marked by a progressive marginalization of the rental and public housing (ERP) sectors. Housing policy in Italy remains fragmented, marked by weak national coordination and considerable regional and local disparities. Despite the high eviction rate and over-representation of poverty among tenants are high, public discourse and policymaking continue to be dominated by a strong bias towards homeownership, which is highly majoritarian in the tenure structure.

The report highlights a growing residualization and commodification of the rental housing sector. Public housing (ERP) increasingly functions as a safety net for the most vulnerable, while intermediate social housing (ERS) is largely shaped by market logic and financial capital, and small in number. Despite rhetorical shifts, actual public investment in de-commodified rental housing remains scarce, and land policies that could enable the production of affordable housing have been increasingly used to leverage private for-profit investment. The private rental market was deregulated in the 1990s and has since then undergone significant commodification – recently accelerated by the dynamics of touristification.

Within the Italian housing system, recent crises—the 2008 financial crash and the COVID-19 pandemic—have reinforced existing inequalities. Retrofitting programs have benefited more middle-class and upper-class homeowners, with only marginal resources allocated to public housing (ERP) and no program for private rental units, thereby further widening socio-spatial divides. Milan stands out for its experimentation with public-private partnerships and inclusionary zoning, but these initiatives remain limited in scope and embedded within a market-oriented framework.

The report also highlights the significant challenges and tensions in Italy's multi-level housing governance. While some local innovations have emerged and there was some interest in increasing the social rental supply in the 2000s, structural constraints—such as fragmented responsibilities, insufficient funding, and diverging political agendas—continue to hinder any move toward systemic change. Without a coherent housing strategy (especially at the national level), redistributive fiscal policies, and stronger support for public and non-profit actors, green transition policies — as mediated by Italy's housing system — risk exacerbating inequalities rather than mitigating them.

2 THE HOUSING DEBATE

Until the late 1960s, housing was a key issue in political debate, emphasized not only by trade unions and social movements but also by political parties and citizens. However, it gradually faded from the public discourse in the following decades, due to the fact that the dominance of homeownership, led to a process of de-politicization of housing (Tulumello & Caruso, 2021). In this context, media often favoured the perspectives of owner-occupiers and landlords, neglecting issues of access to housing (and especially to rental housing). Despite the complex history of housing conflicts and mobilisations, the current state of the housing debate is marginalised at the central government level, unlike recent trajectories in other Mediterranean countries, where housing has recently become a prominent public and political concern (Tulumello, 2023).

Currently, the housing debate is predominantly framed as a discussion concerning the impoverished middle-class - a highly heterogeneous social group for whom private residential property represents the primary source of wealth. Already in the 1970s and with reference to the discussions around land and planning system reforms, critics highlighted the existence of a “pro-building bloc” – a highly differentiated political alliance comprising small homeowners, medium to large landlords and major real estate company owners (Parlato, 1972). The prevailing ideology surrounding the housing question is rooted in the valorization of homeownership, which is regarded as a fundamental societal value (Gaeta & Cucca, 2018). This societal norm has led to associate rental tenure with economic vulnerability (Wolfgring & Peverini, 2024). In 2024, 18.4% of the Italian resident population accessed housing through rent, and 38.1% of the poorest quintile were concentrated in this tenure type (ISTAT, 2025). The rental market and tenant conditions in Italy remain under-discussed, the majority of structural interventions are in support of ownership (Poggio & Boreiko, 2017; Baglieri, Belotti, Peverini, 2024). This lack of public and political attention prevents a broader debate on tenancy law and evictions, even though Italy has seen a significant rise in evictions driven by rent arrears since the 1990s, reflecting growing housing unaffordability (Esposito, 2024). This is particularly concerning given that Italy has the highest eviction rate in Europe (OECD, 2021). Esposito (2024) argues that the issue is under-researched and overshadowed by prevailing emphasis on homeownership, while public policies are challenged by scarce funding and effectiveness in preventing evictions.

While data are highly fragmented and overall knowledge about housing is limited, the lack of political awareness on the matter is reflected in the absence of a coherent and centralised national housing policy. One telling indicator is that in Italy, the responsibility for housing lies with the Ministry of Infrastructure and Transport (Ministero delle Infrastrutture e dei Trasporti, often abbreviated as MIT), marking an emphasis on the building dimension and a distance from acknowledging housing as a social infrastructure.

However, the housing debate has recently begun to acknowledge the increasing diversification of housing conditions and the emergence of a “housing crisis”, also driven by an increasing (albeit still relatively modest compared to other European countries) popular mobilization on housing issues. In May 2023 university students initiated a peaceful protest by setting up an encampment in the main square in front of the Politecnico di Milano, the leading technical

University of the country. The protest, supported by student associations, was organised to draw attention to the rising, unaffordable housing costs faced by students in Milan but rapidly spread across Italy attracting relevant institutional and media attention. The student protest signalled the re-emergence of housing as a key social and political issue in Italy. At the core of the current housing debate are issues such as affordability, the effects of touristification on housing and neighbourhoods, the impact of financialization, evictions, the effectiveness of green policies, the efficacy of the tenancy law, and activism for the right to housing (among others see Bricocoli, Peverini, 2024; Belotti, Arbaci, 2021; Celata, Romano, 2020; Filandri, 2020; Dagnes, Salento, 2022; Esposito, 2024; and Celata, Brollo, 2023; Portelli, Porcaro, 2024; Cristiano, et al., 2023).

Public housing. Between the 1970s and the 1990s, homeownership was heavily promoted, while renting was increasingly marginalized — often perceived as suitable for students or as a temporary arrangement for "young" workers transitioning to homeownership. As a result, public housing (ERP) increasingly became the main housing option for low-income families (Padovani, 1991). A major turning point was the abolition of the Gescal fund in the 1990s. **Gescal** (an acronym for *Gestione Case per i Lavoratori*, or *Housing Management for Workers*) was a fund dedicated to the construction and allocation of public housing (ERP) for workers. It was introduced in 1963 and discontinued in 1990. The core principle behind Gescal was to build housing for workers using contributions from the workers themselves, from employers, and partially from government funding. In the past three decades, the residualization of the Italian housing system combined with the dismantling of land policies and funding for public housing, as well as the introduction of right-to-buy and sale policies increasingly transformed public housing (ERP) into a concentration of social vulnerability. This has produced an unfeasible business model for providers, as public housing (ERP) is *de-facto* a welfare policy without funding. This has led to stigmatization and extensive media attention, making public housing (ERP) neighbourhoods the target of security and policing policies (and sometimes of urban renewal and rehabilitation projects).

Affordability. While the decay of public housing (ERP) and neighbourhoods has long dominated the academic and critical debate, the issue of housing (un)affordability received less attention outside of the real estate discourse (Peverini, 2023). Even the term "affordability" was only recently introduced into Italian as "*abbordabilità*" by OCA - the Observatory on Housing Affordability (Bricocoli & Peverini, 2024). Affordability is becoming increasingly problematic, affecting not only low-income groups and extending beyond most dynamic real estate markets even in the wealthiest regions of the country (Filandri et al., 2020). In central urban areas, the consistent rise in property prices and rental costs has a profound impact on middle-income households, especially against a backdrop of income stagnation and in-work-poverty that is unmatched in other European cities (Filandri, 2022; Colombarolli, 2024). This is pushing segments of the lower middle-class into conditions of housing precarity and forces many households to relocate in peripheral areas (Bricocoli, Peverini & Caresana, 2025).

Over a relatively brief period, both the media and political discourse have begun to address the issue of housing affordability, acknowledging the inextricable relation between housing costs and income or wages, while in the past the discourse on rising housing costs was seen in terms of advantages for homeowners but disregarded in terms of its social impact. For instance, the local real estate market of Milan was commonly compared with other dynamic markets across Europe, without consideration of the fact that incomes in Italy are much lower and growing at a slower pace than elsewhere. Indeed, in Milan - the capital of Italy's labour market - the discrepancy between housing prices and rents, on the one hand, and salaries, on the other, continues to widen, meaning that having a job no longer guarantees access to housing (Bricocoli, Peverini & Caresana, 2025; Filandri, 2022).

Touristification. Touristification has rapidly become a central topic in the Italian housing debate, initially in highly touristic cities (e.g., Venice, Florence, etc.). The debate on the effects of the proliferation of short-term rentals has had a peculiar trajectory in Italy, in respect to other European countries (Aguilera, Artioli & Colomb, 2021; 2025). More recently, the debate on the touristification process has expanded extensively across the country and at the national level. The extensive conversion of the housing stock into short-term rentals exacerbated the ongoing depopulation of historic centres and worsened housing scarcity with cascade effects to the greater urban areas (Salerno & Russo, 2020; Celata, Romano, 2020). Cities like Venice, Naples and Florence are at the frontline of social struggles and overtourism excesses (Salerno, Russo, 2020; Celata, Romano, 2020; Esposito, 2023). At the local level, regulatory responses have been introduced with an important delay in respect to other cities (Bei, Celata, 2023) to address the negative impacts of overtourism on the accessibility to housing (Comune di Firenze, 2025; Comune di Bologna, 2025). These local interventions were due to the pressure of a network of housing movements demanding regulation of short-term rentals which have recently organized into a national forum (Social Forum Abitare, 2025). The national government recently established a national register of tourist accommodation, including short-term rentals. Although this policy acknowledges the issue, paving the way for a better understanding of the phenomenon by providing a publicly available set of empirical data, it is merely enacting EU recommendations. A national level regulatory framework is still missing – while the current national government claims Italy to become a “tourism superpower”. In this context of robust tourism promotion, largely funded by public resources, such as tourist tax revenues, which by law in Italy are to be reinvested in tourism-related initiatives, and a stagnation of the conventional tourist accommodation supply, the growth of tourist presence is increasingly absorbed by the short-term rental market (Bricocoli, Peverini & Caresana, 2025). Significant gains are extracted by those who dispose of several residential properties, largely due to inheritance.

The critical debate on short-term rentals in Italy is part of the wider debate on the middle-class crisis. Those supporting the non-regulation of the phenomenon argue that short-term renting is a right of the impoverished middle classes to generate wealth from their own real estate assets. The position of influential stakeholders such as property managers and host association leaders is published in national newspapers, supporting the narrative that short-term renting is too insignificant to have a real impact on the housing market, and is helping to get dwellings out of vacancy. Conversely, grass-root movements highlight the impacts of overtourism on neighbourhoods and cities, framing short-term rentals as drivers of gentrification and supporting campaigns with mottos like ‘this city is not an hotel’.

Generational inequalities. Inheritance, not only in Italy, is now considered to be more significant than income generated through labour (Acciari & Morelli, 2022). Individuals who are newcomers to housing markets (such as young adults, workers relocating, immigrants and separated couples) and those without prior ownership or other wealth resources are systematically disadvantaged. This disparity is evident from the substantial increase in mortgage access since the 1990s, which has been most pronounced among individuals with greater financial resources (Filandri, 2022). The prospect of implementing reforms to the taxation of inheritances in relation to housing is a politically sensitive and contentious issue togheter with the issue of wealth. Leftwing parties have proposed taxing wealth and inheritance in different occasions, but these proposals never reached any practical leves (beside triggering a strong reaction by conservative and centrist parties). Instead, in the early 2000s a center-rightwing government cut the tax on the first owned residence – regardless of income and wealth of the resident, and even of the value or type of the dwelling.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

In the period 1991-2021, the Italian housing system became increasingly commodified, with homeownership expanding at the expense of the private and public rental sector. Several have driven homeownership and housing commodification. At the national level: continuous subsidization of owner occupation defunding of public housing, commodification of subsidized housing due to time-limited constraints, financialization of public assets. At the local level: policies promoting the sale of public housing, privatization of public land, sale of land leasing right. Recently however, the growth of homeownership slowed down and in the last years the number of tenants in the private sector started to increase slowly. Within the social rental sector, public housing (ERP) continues to decline due to stock sales, though at a slower pace than in the 1990s. In this framework, the system has become overall more residualist, with the private rental sector and (especially) the public housing (ERP) sector hosting a great concentration of poor and foreign households - mainly second and third generation households of the various waves of immigration to Italy, meaning they are usually low income or working class (often unemployed). Public housing (ERP) has increasingly shifted towards a "very social" function, increasingly allocating the few available dwellings to households experiencing severe poverty and intersectional vulnerabilities; without a comprehensive reform of public housing (ERP) funding (since the so called Gescal system was dismantled), public housing (ERP) companies face persistent financial challenges (Saporito, Perobelli & Bricocoli, 2024), relying on occasional funding for specific initiatives, such as retrofitting under the PNRR program (Talluri, 2022). In this context, new legislation in the early 2000 created a divide between public housing (ERP) and social housing (ERS), each operating under different mechanisms and serving distinct target groups. This reform aimed at de-segregating public

housing (ERP) and promoting rental supply, but in fact which mainly promoted commodified owner occupation and a residual (and time-limited) rental stock (Belotti, Arbaci, 2021).
In the private rental sector, policies aimed at improving housing affordability have failed to offset the impacts of market liberalization of 1998, reduced public investment, and the prioritization of homeownership. These initiatives have suffered from inconsistent funding, limited reach, and poor coordination, leaving the growing housing needs of low-income households, which are more concentrated in this tenure, largely unmet. Rental subsidy programs have increasingly shifted from more universal support to targeted assistance, addressing specific social and economic needs, mainly due to budgetary cuts.

Meanwhile, homeownership support programs have been redesigned to provide fiscal benefits and targeted to specific groups, such as individuals under 36, first-time buyers, and workers facing job instability. Additionally, Italy's Mortgage Interest Tax Relief is one of the most influential factors promoting homeownership (OECD, 2023).

A focus on Milan shows that the local housing system has largely followed the national trends – rise in owner occupation, reduction of private renting and public housing. However, it features some distinctive figures. Milan has a relatively high percentage of rental housing cooperatives (1%) and intermediate social housing (ERS) (1%) compared to the rest of Italy. However, Milan has also been a core entry point for international finance capital into the real estate sector, especially since the 2015 international exposition. Milan is also a breeding ground for policy innovations that are often then transferred and scaled up elsewhere in the country. In the field of housing, for example, Milan pioneered the development of the new field of "housing sociale". While the initiative was conceived as an attempt to leverage on finance through real estate funds to provide affordable rental stock, it marked the beginning of the financialization process of social housing (ERS) (Belotti, Arbaci, 2021).

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

Housing policies are mainly regulated and funded at the national and regional level, therefore relevant bias is recorded among the different cities and regions. Milan is rather a frontline case and policy innovation conceived in Milan is often scaled up elsewhere in the country. The main tension between Italy's national housing system and Milan's local approach lies in the differing quantitative role of social rental housing (both public - ERP - and intermediate ERS) within the tenure system. While both systems are extensively marked by residualization and re-commodification of housing, Milan pursued a more active role in the production of public and social housing (ERS) throughout the 1960s, 70s and 80s (Peverini, 2023). This path-dependent heritage of social housing (ERS) policies provides a persistent distinction from the rest of the country. At the national level public housing (ERP) represents only around 3% of the housing stock, whereas the percentage in Milan reaches around 8%. Furthermore, housing cooperatives have been more active in Milan than in other parts of Italy (Peverini, 2025). However, housing policies in Milan were increasingly implemented within a market-oriented framework that entailed privatization of large portions of the public and social housing (ERS) stock, similarly to the rest of the country.

As mentioned, Milan experimented with public-private partnerships and innovative financial instruments to produce social rental housing. In the 1970s and 70s the city actively used its planning powers to mobilize land for public and cooperative housing projects (Peverini, 2023). Since the 1980s, however, the scope of public land policies diminished due to legal and legislative changes. Since then, public land was only scraped and, with defunding of the main public housing funding (the so called Gescal) the Municipality of Milan started collaborating with bank foundations (e.g. Fondazione Cariplo), to develop new financial instruments promoting an intermediate housing supply. These initiatives led to the development of pilot projects that emphasized social and functional mixing in new social rental developments (Bricocoli & Cucca, 2016), which were soon scaled up by the national government, introducing in the regulatory framework “housing sociale” as an alternative (yet competitive) instrument to public housing (ERP) and diverting funding into this new instrument. This process of marketization of the Social Rental sector was facilitated by the integration of financial capital in the policy design. The local innovations brought forward in Milan were used to create a national system of real estate development funds, which encouraged financial investment in finance-driven SRH nationwide. Therefore, while Milan's initial approach seemed divergent, it ultimately contributed to the larger, state-led financialization of social rental housing across Italy. In the end, however, in the social housing (ERS) funds model mainly worked in Milan, while implementation elsewhere was very scarce. In Milan, a more recent development is the introduction of an inclusionary zoning measure in the planning regulations, mandating developers of rezoned land to allocate 30% to 40% of residential floor area to “social housing (ERS)”, broadly defined to include affordable owner occupation, moderate rents and student housing. However, this change is not enough to signal a paradigm shift, nor a path change, as it is frequently circumvented and is currently under discussion. At the regional level, Lombardy has introduced some limited reforms to the regulatory framework of public housing (ERP) – allowing agencies to develop an intermediate rental supply (the so called “Valorizzazione alternativa alla vendita”, providing higher revenues from the rental of portion of the housing stock as a way to prevent sales of the stock), introducing the concept of housing as a public service, and channelling some new but limited funding.

In summary, while there are rhetorical and discursive divergences between national and local narratives—particularly in Milan—these have not translated into systemic action. Local narratives have indeed helped bring attention to housing challenges at the national level, but responses remain largely symbolic or confined to small-scale initiatives. Nevertheless, compared to other cities, Milan has a more complex ecosystem of housing production actors, including bank foundations and international real estate funds.

Outside of these experiments and debates, Italy has raised its governmental expenditure on housing from around 0,5% of GDP until 2020 to around 3,3% in 2022. However, these resources have been primarily directed to the retrofitting of the private housing stock without any tenure-based / use constraints, *de facto* strongly reinforcing the direction of the Italian housing system towards increased commodification of the existing stock.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

Vertically, housing governance is well structured, with clearly assigned responsibilities, which are, however, cascading downwards in a way that requires full functionality at each level for the system to work effectively. Overall "the full performance of functions and roles assigned to each level is a prerequisite for the full performance of obligations at lower levels" (Venditti, 2009). Given that the National Government has demonstrated to be rather passive in the past decades, especially from the point of view of funding provision, the risk is that inertia at a superior level translates to negative effects on lower levels – "passive devolution" as labelled by Kazepov (2010). The lack of investment is a key point, together with a lack of a comprehensive national housing strategy. Horizontally, governance features overlap and, at times, conflicts, with two-track systems for instance in the management of public housing (ERP) —where both regional and municipal bodies maintain parallel responsibilities—, resulting in inefficiencies and ambiguous situations.

The regulation of housing policies involves a complex system of multi-level governance. The central government sets national policy priorities, regions are in charge of their implementation, and municipalities manage local projects. The central government sets national policy priorities, regulates the rental sector, and establishes guiding principles for regional legislation. Responsibility for housing falls under the Ministry of Infrastructure and Transport, a placement that reflects the limited political prioritization of housing as a social issue. The regional level plays a crucial role in determining a set of important policies. For instance, tourism and public housing (ERP) are matters mainly regulated by regions, which set the frame in which municipalities can act. In this context, different political coalitions leading the City Government versus the Regional Government often imply struggles to implement housing initiatives autonomously within a region. The resulting political misalignment can hinder coordinated action.

Regarding the relation between state and regions, the existence of significant disparities in policymaking and planning traditions across different regions is considered a major obstacle in establishing a coherent, national debate on the housing question (Tulumello, 2023). The fragmentation of housing regimes at the regional level and concomitant conflicts at the local level create considerable difficulties for the achievement of structural change in Italy (ibid.).

Regarding the governance on public housing (ERP) after the "regionalisation" of housing policies, the state retained only residual competencies, which include the definition of general principles and objectives of the sector, of minimal quality standards, and criteria for income support. The regions hold the majority of legislative, programmatic and implementation responsibilities in terms of housing agendas, and the municipalities are responsible for releasing calls for the allocation of public housing (ERP) and for administering these allocations. Most of the public housing (ERP) stock is managed by public companies (featuring a different name and a different management asset in every region) which have been established at the regional level, but usually operate on a subregional scale, and are subject to control and oversight by the regions. These entities manage stocks in their ownership, but also on behalf of others (usually, municipalities, who transfer the management of their property). However, some municipalities, such as Milan, have decided to manage their own stocks, resulting in situations of two-track management within the same city. Since the abolition of strategic public housing (ERP) funding in the 1990s—specifically, the closure of the Gescal fund—maintenance and retrofitting have become major challenges, while expansion of the stock is not really on the agenda. A large number of units remain vacant and unfit for allocation, due to their state of disrepair. New construction, meanwhile, has come to an almost complete halt. Public housing (ERP) providers are thus facing increased responsibilities. In addition to property management, they have to manage increasingly complex social situations within their tenant base. Yet, they receive limited and declining resources (while rent arrears are on the rise, along with an increasing residualisation of the sector).

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

The residualization of the SR sector in Italy has transformed public housing (ERP) from a universalist system for workers into a safety net for the most vulnerable. This shift was not sudden but the result of a gradual process that has unfolded over time, as part of a broader trend of welfare restructuring (Bricocoli, de Leonairds & Tosi, 2008). While EU economic integration coincided with the defunding of public housing (ERP) and the introduction of right-to-buy policies. Moreover, EU regulation on state aid might have influenced Italian governments in divesting from public housing (ERP) – though Italian public housing (ERP) falls clearly within the services of general economic interest, as it is directed to low income households –, and the adoption of market-oriented reforms and new public management along with austerity measures has resulted in a restructuring process that has seen a gradual transformation of public property into financial assets (Addison & Halbert, 2022). Many civil servants had to adhere to a sort of mantra that if public assets do not generate revenues, it is "treasury losses" (*danno erariale*). In this financialization process, the Italian state played the dual role of regulator and provider of financial assets. The residual public housing (ERP) also participated in this process of assetization when in 2001, a national law enacted in response to these conditions, introduced urgent provisions concerning the privatisation and valorisation of public real estate assets and the development of real estate investment funds. The legislation facilitated the establishment of companies specialising in the securitisation of public housing (ERP) (Addison, Halbert, 2022).

The NRRP (National Recovery and Resilience Plan) has introduced some limited decommodification, funding small area-based public housing (ERP) regeneration programs (PINQUA). At the local level, Milan's municipality launched a new "Housing plan", offering public land at no cost to private, cooperative and non-profit providers to build new social housing (ERS) units. Yet, public housing (ERP) providers are left out of the game.

The overlapping processes of public housing (ERP) residualization and its re-commodification – through Right-to-buy schemes and sale of the stock – together with the introduction of financialized actors and mechanisms for social housing (ERS) provision have intensified the marginalization of the traditional public housing (ERP) sector while facilitating the financialization of social housing (ERS) in Italy. This process stemmed from domestic policy decisions *together* with structural dynamics and broader economic factors, including the 2008 financial crisis and EU policies on public debt management and state aid, even if those were not the main drivers. The main drivers were the re-commodification of land and the housing stock (e.g. including that of banks and insurance companies) and state-led financialization of ERS, as the state has played a proactive role to push toward a marketized approach. The goal was to address the housing affordability crisis via an increase of the housing supply, through attraction of capital by transforming ERS into a viable financial asset. On the other hand, one very important step in the re-commodification of public housing (ERP) was the decision to abolish the Gescal national funding system (also motivated by the weight it had on salaries), that was followed by alienation plans of relevant shares of the public housing (ERP) stock as an alternative economic source providing resources mainly for maintenance costs. This source, however, has proven to be neither sufficient nor stable: dwellings were sold far below market rates.

Concurrent to the privatization of public housing (ERP) assets, the shift in the private rental sector – initiated with the domestic decision to revitalize the sector – started from abolition of the “fair rent” regulation in early 90s and the subsequent liberalization of rental contracts under the influence of an overall pro-market policy climate. The introduction of ‘canone concordato’ (negotiated rent agreements) — was intended to cap rents through voluntary landlord participation. Though revised upward in recent years and incentivized by tax breaks, this tool has failed to meaningfully improve affordability. It is also important to note the rise of short to mid-term rentals (under 30 days and from one to 18 months), which is acting as an additional driver toward housing commodification, particularly impacting central metropolitan areas, tourist destinations, and attractive cities. The abrupt re-commodification of the private rental sector limited the possibilities of many to access affordable housing through PR dwellings, raising the housing cost burden on tenants and moving tenants to look for mortgage-backed OO, until the financial crisis hit the country.

The re-commodification of owner-occupied (OO) tenure has been primarily driven by the restructuring of the Italian financial system, particularly in response to the country's integration into the Single Market. This transformation has facilitated broader access to credit, reinforcing homeownership. However, the benefits of financial liberalization were distributed unevenly, with wealthier individuals gaining the greatest advantage. A relatively high share of owner-occupiers in Italy are outright owners compared to other European countries, which makes them relatively insulated from fluctuations of interest rates and broader financial and economic conditions. Meanwhile low-income mortgaged owners became targets for value extraction through rising property prices, as they have been pushed to homebuying also by high rents. Since the global financial crisis, this trend has attenuated, and in 2024 only 41,6% of residential dwelling purchases by households were backed by a mortgage, meaning that the majority of sales are intercepted by wealthy households.

NRRP-funded subsidies were mainly directed to the full coverage of energy retrofitting of owner-occupied dwellings – often single-family homes – that can be then directly monetized in the market. No constraints to the sale of a retrofitted dwelling are set – though a modification of the law in 2024 has introduced a 26% taxation of the capital gain generated by the retrofitting if the dwelling is sold within 10 years.

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems.*

In the Italian national context, as well as in Milan, there is a tension between market-led approaches that prioritize homeownership (majoritarian with ~76,7% of the tenure) and the provision of de-commodified and affordable rental housing (~3-4% of tenure), while there is a minor debate about the private rental sector (~14,4%). Meanwhile, affordable homeownership programs are still important (even though much less than in the past) but have no long-term mechanism to prevent commodification. Overall, public resources to support provision in owner occupation absorb most resources primarily through tax-based incentives and fiscal welfare mechanisms (Figari et al., 2019). In the late 90s, the two key housing policy mechanisms to provide public housing (ERP) were dismantled, but already from the late 70s the housing provision system was in a residualization trajectory (Padovani, 1996). The Gescal funding system, which relied on the taxation of employees' salaries and employers' revenues to provide the public authorities with funding for the construction of public housing, was definitely terminated in 1998 following a phase of significant reductions. Similarly, the *Plans for public and affordable housing* (*Piani di edilizia economica e popolare*) or **PEEP** land-use mechanism, introduced in 1963 to enable municipalities to acquire land at below-market prices for the development of subsidized housing (both rental and sale, for at least 40% of the forecasted local housing need), after extensive implementation until the late 1970's was undermined by a 1980 Constitutional Court ruling that mandated compensation at market value. The direct production of public housing (ERP) was then halted, and its provision has come to a near standstill. Most beneficiaries of public housing (ERP) are selected based on severe social and economic vulnerabilities, while most households in the waiting list cannot be allocated as only very few dwellings are available every year, no public dwelling is being built, some are still being sold off, and many units remain vacant due to disrepair and lack of financial and organizational resources (Saporito, Perobelli & Bricocoli, 2024). The diminishing resources have been paired with the emergence of new differentiated housing demands. The affirmation of the idea of a 'grey area' of unmet housing demand, corresponding to the portion of workers who cannot afford housing at market rates, nor qualify for public housing, paved the way for affirmation of the ideological system of 'housing sociale', first in Milan and then at the national level, an intermediate public-private housing supply for low-middle income households (Tosi, 2017). The foundational idea was that the public actor cannot face adequately the housing question, because of the resource scarcity; but also, private actors cannot deliver social results if not adequately supported with public resources, being land or funds (ibid.). ‘Housing sociale’ has since become a major recipient of public funds (or of public land), competing with traditional public housing (ERP) in terms of fund allocations, while interventions have provided limited stock of genuinely de-commodified housing affordable rental solutions (Fontana & Lareno Faccini, 2017). New recently introduced policy interventions such as inclusionary zoning in cities such as Milan and Bologna (Pogliani, 2017; Tosi, 2017) have also fallen short, failing to provide land for affordable housing, mostly due to exemptions and weak enforcement.

Milan's local housing system, while reflecting many national trends, differs in some key respects. The city’s combines a strong emphasis on homeownership (~70,4%) alongside a limited and dualist rental sector (though larger than the national one) split into two segments: a deregulated private sector (~17,4%) and a small-scale public rental (~8,0%) – which however is more than two times the national average. In addition to the ~57.000 public housing (ERP) dwellings, approximately 2.000 units of social rental units are managed by public companies (Comune di Milano, 2023), 7.500 by cooperatives and around 3.700 by real estate funds and private developers. Altogether, the public, social and cooperative housing sectors provide accommodation for approximately 10% of Milan's residents (Peverini, 2023). The significance of the public housing (ERP) sector becomes particularly apparent when one considers its role within the rental market itself: public housing (ERP) accommodates more than 25% of all tenants (Bricocoli & Peverini, 2023). The private rental market is predominantly characterised by small property owners. While until the early 2000s Italian banks and insurance companies were required to allocate a portion of their deposits to real estate investments to safeguard the interests of their clients, and engaged in rental housing development (Gaeta, 2017), during the 1990s, the majority of these assets were liquidated after regulatory changes. Indeed, the second-hand market, in which small owners with one or two dwellings for rent or sale are the vast majority, and not new production, is the primary source of affordable housing. Old housing of lower quality represents the most significant supply for both Italian renters and buyers. Attempts to regulate the private rental sector through “agreed rent” (canone concordato) contracts have had limited success. In Milan, only around 5% of contracts used this mechanism until very recently. A revision of the agreed rent levels has slightly increased uptake, but also reduced its de-commodifying potential, with agreed rents now being more closely aligned with market prices (Bricocoli, Peverini & Caresana, 2025).

Enabling factors for affordable housing include the presence of public and non-profit actors, especially in Milan (Peverini, 2025), and a favourable legislation in principle. However, these actors often face important limitations, such as the absence of effective land provision tools, scarce financial resources, and fragmented governance. To reach goals like affordable housing and energy efficiency, municipalities and other planning bodies often rely on incentives such as extra building rights offered to private developers. In some local areas, the presence of public housing (ERP) and housing cooperatives helps to preserve a small amount of affordable housing. However, access to this housing remains very limited, and the construction of new units is almost non-existent.

Both the national and local housing systems face significant challenges in providing affordable housing. The national system, characterized by a residualist approach and a focus on privately-driven and financially-backed policy instruments, has severely constrained the conditions for the production of affordable housing. Mechanisms that prevent decommodification of the stock have been weakened in order to attract private investment. In Milan, although the local government has shown relative dynamism—thanks in part to an active third sector and cooperative actors (Peverini, 2025) —the city remains embedded within this marketized framework. Furthermore, Milan's initiatives often rely on complex public-private partnerships that lack the capacity to scale up effectively or provide long-term affordability guarantees.

Key obstacles to decommodification include the erosion of public funding, the commodification of land policy instruments used by municipalities to attract private investment rather than provide affordable housing, and the prioritisation of market-driven solutions (with austerity being a key factor behind these processes). Key enablers include the third sector and public land ownership, limited by austerity-driven commodification and financialization of public actors and tensions between national and local priorities. In this context, public housing (ERP) providers have very small margin of manoeuvre to enlarge the affordable housing stock.

II. How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?

The impact of austerity measures on Italian government policy regarding its real estate assets, both residential and non-residential, has been profound. The general trend in Europe has been the withdrawal of the public intervention in line with neoliberal transformations of the welfare state, but these transformations have affected European countries in different ways. Particular importance had the starting point and in Italy the public housing (ERP) offer was already historically weak (Tosi, 2017). The process of EU integration landed on a context of already weak public policy in the housing realm (Padovani, 1996). The Maastricht Treaty criteria resulted in heightened fiscal constraints for the Italian government and could be linked – though not directly – to the cut of the Gescal tax for public housing. The emergence of the 'housing sociale' paradigm, from public housing (ERP) provision to social housing (ERS) facilitation, as reported before in the text, was built up on the context of resources scarcity induced by austerity and neoliberal political paradigm.

In comparison to other countries, the global financial crisis had a comparatively limited effect due to the high percentage of outright owners. However, newcomers to the housing market have seen their chances of accessing adequate housing at affordable conditions diminish, and the average age at which Italians leave the parental home increased. The crisis reduced the ability of low-income households to obtain mortgages, thereby increasing their reliance on the private rental sector, and led to a rise in eviction – as no response in terms of public housing (ERP) production followed. For this reason, in 2014 the government introduced a funding to prevent evictions due to "blameless arrears" (*morosità incolpevole*) that was however defunded a few years later. The result of these trends was to push the national government to adopt measures (e.g. fiscal deductions) to support homeownership acquisition rather than invest in de-commodified sectors, in the context of increased austerity and reduced public intervention. Paradoxically, funding for demand-side subsidies for low-income tenants was also reduced. The finance-backed instruments for "social housing (ERS)" promotion were also affected by the global financial crisis (GFC), pushing national governments to increase the public investment to launch the sector, but achieving very limited results.

The consequence of the global financial crisis on the non-profit sector is more ambiguous, as they relied less on finance, but austerity cuts affected state funding and the ability to get bank loans (Peverini, 2025). Overall, the pressure on the very weak Italian housing welfare system increased due to the consequences of the crisis, as it reinforced austerity measures already adopted in the 1990s and curtailed public intervention mechanisms even more and reduced the spending capacity of households, increasing housing emergencies. In the following years, the neoliberal principles became deeply embedded within most public administrations, with the attraction of private investment and the commodification and financialization of public assets being more important than social goals of housing provision (Adisson & Halbert, 2022).

The COVID-19 crisis reopened space for renewed state intervention, and public spending on housing in Italy grew to an unprecedented level, largely funded through the NRRP. During the pandemic, the difficulties of low income and housing insecure households gained visibility in the media, and university students organised protests on housing issues throughout Italy. However, within a prevailing market-oriented approach, the priority of revitalizing the economy through the depressed construction sector (except for Milan), and the pressure to perform and match the deadlines for spending the funds, led to most of the funds being spent for the retrofitting of owner-occupied housing. No mechanisms to prevent decommodification and basically no policy addressing tenants was introduced, except for a brief moratorium on evictions and a one-time demand-side subsidy for tenants. After the pandemic, housing prices and rents grew all over the country, creating the conditions for a recrudescence of housing distress. In this situation, construction costs also grew significantly, jeopardizing the ability of non-profit providers to keep housing costs low.

III. What challenges have the state and non-profit sector faced, in the light of recent crises?

Already responded in the previous section.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

In the Italian context, the implementation of environmental and energy policies (EEPs) — particularly those selected by the ReHousIn project, such as urban densification, nature-based solutions (NBS), and energy retrofitting — has revealed complex and often problematic interactions with national and local housing systems (Bricocoli et al., 2025). The Policy Labs held in Milan and Assisi, as part of the ReHousIn program, served as critical forums for dialogue among experts, policymakers, and stakeholders. These exchanges highlighted significant misalignments between policy objectives and the needs of intended beneficiaries, underscoring persistent challenges related to housing inequalities, that are currently being confirmed in the interview process (ongoing).

A complex understanding of the controversial effects on housing inequalities that may be produced by green policies emerged from the policy labs. EU Green policies have been mainly implemented by programs and projects in a very short time frame at the expense of medium- and long-term planning, shifting the focus from equality to short-term feasibility - as in the case of the Superbonus 110% (the NRRP-funded subsidy for energy retrofitting introduced in 2021, see report D3.2). Green policies, especially those related to retrofitting of the housing stock, are generally recognized to increase the quality of life and enhance real estate values (thereby increasing market rents and prices). Therefore, the role of the public actor (either at the national, regional or local level) is crucial in the distribution of the benefits and in reaching the recipients. Many interviewees agree that without a redistributive approach, environmental policies may deepen social and spatial inequalities rather than mitigate them. A strong criticality is the absence of housing policy frameworks integrated with urban transformation strategies, particularly those related to environmental sustainability.

The discussion of local experiences related to the implementation of green policies and projects - particularly those focused on energy efficiency and densification/ regeneration – from the point of view of housing inequalities reveals significant asymmetries in the distribution of benefits due to:

- Social factors (mainly due to differences in homeownership status, financial capacity and socio-cultural capital, etc.),
- Territorial factors (with advantages concentrated in northern regions and large cities over the south and smaller municipalities, etc.)
- Institutional, organizational and economic capabilities of institutions and readiness of the regional and local governments and actors in responding to complex policy programs – especially those requiring co-funding.

These structural inequalities are compounded by informational, bureaucratic, and cultural barriers. Many citizens are unaware of available measures or are discouraged by to bureaucratic complexity, low institutional trust, or a lack of technical support. Moreover, the shortage of qualified technical staff within local administrations limits their capacity to design and manage integrated interventions. The necessary and crucial role of the public in setting priorities and compensation is recognised: certain cases demonstrate that green transformation can benefit the most without exploiting huge value gaps.

A key concern emerging from these discussions relates to the regressive nature of many fiscal instruments designed to promote energy transition in the housing sector. As these measures typically require significant tax capacity or upfront investment, they tend to benefit those with available capital or access to credit, such as middle and high-income homeowners, large actors in the construction and energy sectors, financial institutions, and municipalities with favourable regulatory frameworks. Conversely, groups most in need — such as public housing (ERP) tenants, low-income renters (ISTAT, 2025), individuals facing energy poverty, small-scale businesses, and residents of rural or inner areas — have largely been excluded from these schemes (Bricocoli et al., 2025).

This disparity in access to incentives is further exacerbated by a pervasive lack of awareness among vulnerable groups and less organised actors. Key barriers include bureaucratic complexity, low institutional trust, insufficient technical assistance, and a scarcity of qualified personnel within local administrations. These institutional limitations negatively impact the capacity of municipalities and individuals to effectively respond to time-sensitive funding opportunities and to develop integrated, long-term strategies for sustainable transformation.

Spatial inequalities also emerge prominently in the distributional outcomes of green policies, with northern regions of Italy benefitting far more than their southern counterparts. This uneven impact is not merely a reflection of economic disparities; it is also a consequence of different levels of institutional capacity and organisational readiness at regional and local levels. The existence of structural, technical and financial obstacles, in combination with inadequate compensatory mechanisms, has resulted in the exacerbation of pre-existing territorial inequalities. These challenges are further reinforced by overlapping economic, informational, administrative, and cultural barriers that limit inclusive access to green initiatives.

In a housing system, as strongly market-oriented as Italy's, green policy interventions have tended to generate added value — both in terms of enhanced quality of life and increased real estate values. However, without a robust and proactive role for the public sector — at national, regional, and municipal levels — these value gains risk reinforcing socio-spatial inequalities. It is therefore imperative that public instruments, particularly urban planning tools, should be recalibrated to regulate first, and then redistribute the value generated by environmental and energy policy interventions. Such regulation and redistribution mechanisms are essential to ensuring that the green transition contributes not only to ecological sustainability but also to social equity and territorial cohesion.

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6 APPENDIX

6.1 Tables on tenure composition

Housing tenure (Italy, census)		1991	2001	2011	2021
Absolute value	Total households	19.909.003	21.778.228	24.501.477	25.346.523
	Owner Occupation	13.538.122	15.530.545	17.666.209	19.432.745
	Renting (PRS + SR)	5.036.978	4.364.852	4.402.904	4.306.112
	Other	1.333.903	1.882.831	2.432.364	1.607.666
	(Public housing, ERP)	1139837	1.028.285	952.068	914458
%	% Owner Occupation	68,0%	71,3%	72,1%	76,7%
	% renting (PRS + SR)	25,3%	20,0%	18,0%	17,0%
	% other	6,7%	8,6%	9,9%	6,3%
	(% public housing)	5,8%	4,7%	3,9%	3,6%

Table IT1. Sources: compiled by authors; data from ISTAT (except for 2021 data on public housing, which comes from administrative source) - own calculations.

Housing tenure (Milan, census)		1991	2001	2011	2021
Absolute value	Total households	576.777	583.335	604.507	720.523
	Owner Occupation	294.982	347.353	387.710	504.563
	Renting (PRS + SR)	255.231	203.419	174.542	183.227
	Other	26.564	32.563	42.255	32.733
	(Public housing, ERP)	82.343	70.759	54.215	57.498
%	% Owner Occupation	51,1%	59,5%	64,1%	70,0%
	% renting (PRS + SR)	44,3%	34,9%	28,9%	25,4%
	% other	4,6%	5,6%	7,0%	4,5%
	(% public housing)	14,3%	12,1%	9,0%	8,0%

Table IT2. Sources: compiled by authors; data from ISTAT (except for 2021 data on public housing, which comes from administrative source) - own calculations.

Tenures	Absolute number (households)	% of total households	Low income (% or Cf of total)	Middle-low income (% or Cf of total)	Middle income (% or Cf of total)	Middle-high income (% or CF of total)	High income (% or Cf of total)
Owner Occupation	17.945.338	70,80	55,10	65,50	72,40	77,00	83,90
Outright	14.700.983	58,00	49,20	55,10	59,30	59,50	66,70
Mortgaged	3.244.355	12,80	5,90	10,40	13,10	17,60	17,20
Rented (Private + Public)	5.196.037	20,50	31,80	24,50	19,30	15,50	11,30
Other (altro titolo)	2.205.148	8,70	13,10	10,00	8,30	7,50	4,80
TOTAL (Households)	25.346.523	100,00	100	100	100	100	100

Table IT3: Italy, 2021. Equivalent quintile income levels by tenure.

Source: Compiled by authors; data from ISTAT and EU-SILC – own calculations.

National Report on the Housing System from a Multi-Level Perspective: Norway

1 EXECUTIVE SUMMARY

Norway's housing system has historically promoted widespread homeownership as a cornerstone of its welfare model. Through cooperative housing and state-backed financing, this model fostered residential stability and wealth accumulation across broad segments of the population. Since the 1980s, however, the system has increasingly shifted toward market orientation, with reduced public intervention, diminished public land ownership, weakened planning tools, and growing reliance on private finance. This re-commodification has led to mounting affordability pressures, especially in the most populous urban areas of the country like Oslo, Bergen, and Trondheim.

The current housing crisis is characterised by declining accessibility, particularly for first-time buyers, young people, and low-income households. Entry into the ownership market is increasingly dependent on intergenerational transfers of wealth—often referred to as the "parental bank." Crucially, the *location* of family housing assets matters: property in high-demand areas offers higher returns and better leverage opportunities, reinforcing spatial inequalities and long-term socioeconomic divides.

While policymakers acknowledge the housing challenges, national responses remain fragmented and insufficient. The social rental sector is minimal, private renting is precarious, and innovative models such as shared ownership or third-sector housing remain marginal. At the local level, municipalities lack the regulatory and financial capacity to steer housing development toward affordability goals.

Importantly, the Norwegian housing system has shown limited capacity to respond to major crises. During the 2008 financial crisis and the COVID-19 pandemic, no significant counter-cyclical housing measures were introduced. Public and cooperative sectors lacked the scale and instruments to buffer market shocks or address rising affordability issues. Instead, ownership-friendly tax and credit policies continued to reinforce housing as a speculative asset.

Within this housing system, the implementation of environmental and climate policies—such as energy retrofitting, nature-based solutions (NBS), and urban densification—*risks reinforcing existing inequalities*. These policies often target privately owned housing, are shaped by market dynamics, and lack integration with social and affordability goals. Without safeguards, they may increase costs for vulnerable groups, displace low-income residents, and exacerbate existing spatial divisions.

2 THE HOUSING DEBATE

Norway’s housing policy has long been characterised by a strong emphasis on homeownership, with both individual and cooperative ownership forming the institutional backbone of the system (Sandlie & Gulbrandsen, 2017). This ownership-oriented model has been sustained by broad political consensus and social legitimacy, fostering high rates of homeownership across the population (Annaniassen, 1996)- see also Tables in Appendix 6.1.1. The social rental sector, by contrast, plays only a marginal role, primarily targeting vulnerable groups through municipally owned dwellings and housing allowances (Sørvoll, 2019). Similarly, the private rental market has historically been limited in scale and politically discouraged as a long-term solution (Ann Stamsø, 2023).

This ownership-oriented model has contributed to residential stability and wealth accumulation for many households. However, over the past two decades, signs of strain have become increasingly visible. A growing housing affordability and accessibility crisis is affecting Norwegian cities, particularly the major urban areas of Oslo, Bergen, and Trondheim (Cavicchia et al., 2024). These challenges are especially acute for young people, single-person households, and first-time buyers, for whom entry into the housing market is becoming progressively difficult.

One of the key dimensions of the current crisis is housing accessibility. Structural changes in the housing market, combined with urban population growth and limited supply, have contributed to a situation in which housing is increasingly out of reach for segments of the population not already embedded in the ownership system. In parallel, housing affordability has deteriorated due to high property prices and rising interest rates—especially in the last three years—which have significantly increased the cost of borrowing. At the same time, rents in the private sector have also risen sharply, while mortgage debt levels among homeowners remain among the highest in Europe (Cavicchia et al., 2024).

These developments have brought issues of intergenerational justice to the forefront of public debate. Young people are increasingly reliant on parental support to access the housing market, a trend often referred to as the “parental bank” (foreldrebanken). These assets are clearly unevenly distributed (Statistics Norway, 2019). What matters is not only whether parents can and are willing to support their children in entering the housing market, but also *where* their housing assets are located. Property in high-demand areas can be sold or leveraged to support intergenerational transfers, such as down payments or mortgage guarantees. As Galster and Wessel (2019) show, individuals whose grandparents owned large homes in Oslo in 1960 were significantly more likely to be owner-occupiers in 2014—illustrating how location shapes the long-term value and utility of housing wealth. This dynamic reinforces existing socioeconomic inequalities and limits housing opportunities for those without family wealth, exacerbating social and spatial divides. The issue in Norway, then, does not seem to be related to a late ownership era(Forrest & Hirayama, 2018), but to the growing dependence on family resources and the financial risks it entails. While intergenerational transfers have enabled many young people to buy homes, this model of access has become increasingly stratified (Sandlie & Gulbrandsen, 2017). Those without such support face higher entry barriers, often relying on large mortgages that leave them vulnerable to changes in interest rates or employment.

Despite widespread recognition of the problem, policy responses have been fragmented and, so far, largely ineffective (Sørvoll & Nordvik, 2020). There is broad political consensus on the need to address the housing shortage and to facilitate the construction of more dwellings, including through public support schemes such as those provided by the Norwegian State Housing Bank (Husbanken). However, the effectiveness of such instruments has diminished in recent years due to reduced funding and shifting priorities (Sørvoll, 2021).

Some political actors have advocated for more transformative measures, such as the development of a third housing sector—neither fully public nor fully market-based—as a way to provide long-term, affordable housing especially in urban areas with pressured housing markets. Others have pushed for the reintroduction or strengthening of rent regulation in the private rental market. Nevertheless, experimental initiatives to implement new housing models and policies—such as pilot projects for affordable ownership schemes or cooperative rental housing—have so far largely failed to scale up or influence mainstream housing policy (Kjærås & Haarstad, 2022).

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?

The Norwegian housing system has undergone a significant transformation in the post-World War II period, shaped by broader shifts in welfare state orientations and housing regime configurations. During the three post-war decades (1950s–1970s), Norway developed what scholars have described as a "social homeownership" model (Kemeny, 2006; Sandlie & Gulbrandsen, 2017), whereby homeownership—particularly cooperative and individually owned homes—was promoted as a universal welfare good through state-subsidized loans, land policies, and price regulation (Kohl & Sørvoll, 2021). In this period, housing was embedded within a universalist welfare regime and treated largely as a de-commodified good, intended to secure social integration and upward mobility for broad segments of the population. However, since the 1980s, the direction of travel has shifted toward re-commodification, as housing policy increasingly embraced market-oriented principles. This transition has been enabled by political reforms supported by a broad coalition of actors across the socio-democratic and conservative spectrum, reflecting a growing belief in the capacity of the market to deliver welfare outcomes.

This shift is evident across the three main housing tenures—owner-occupation (OO), private rental (PR), and social rental (SR)—and is closely linked to transformations in land supply mechanisms, financial instruments, and regulatory frameworks. The Norwegian housing regime, long centered on high rates of owner-occupation as both a normative ideal and policy objective, has become increasingly exclusionary and market-dependent. This section examines the evolution of the Norwegian housing system through the lens of de-commodification and re-commodification, distinguishing two key phases: the consolidation of a de-commodified, universalist model from the interwar years to the early 1980s, and the gradual marketization of housing from the 1980s to the present (Sørvoll & Nordvik, 2020).

1. De-Commodification and Housing as a Welfare Good (Interwar Period to Early 1980s)

The post-war housing system in Norway was strongly rooted in a welfare-state logic, emphasizing de-commodification through state-led housing production, public land policy, and cooperative ownership models (Annaniassen, 1991). The establishment of the Norwegian State Housing Bank (Husbanken) in 1946 was a foundational moment, allowing both individuals and cooperatives to access favorable, non-means-tested loans (Annaniassen, 1996; Kohl & Sørvoll, 2021). These loans were used to finance a broad spectrum of housing, including private homes, cooperative apartments, and, occasionally, municipal dwellings, all subject to regulations regarding size, standard, and affordability.

The system promoted OO on a universal basis, extending subsidies through production-side support rather than demand-side benefits. Cooperative housing (e.g., through OBOS, the largest housing cooperative in Norway, founded in 1929) played a particularly important role in urban areas, operating on a cost-price principle and reinforcing the norm of owner-occupation without opening avenues for speculation or large-scale commodification (Kronborg, 2014). Simultaneously, municipalities acquired land and prepared it for development, leasing or selling it at regulated prices—a mechanism that further restricted speculative pressures(Annaniassen, 1996).

Although the housing policy did not redistribute wealth per se, it made new, modern homes accessible to large portions of the population. Housing was thus treated as a welfare good: not entirely divorced from market logic (since private contractors still built the housing),but shaped by public intervention to ensure affordability and accessibility. Price regulation on resale further limited commodification, especially in cooperative and joint-stock housing until the 1980s (Sørvoll & Nordvik, 2020).

The PR sector, by contrast, was never strongly developed as a long-term tenure. Early rent regulation introduced in 1915 and expanded after World War II helped protect tenants, but no coherent or sustained rental policy emerged. Rather, PR was seen as a transitional phase until families could access OO (which is still the case). The labor movement and state policy both favored OO, and this priority was reflected in the lack of investment in dedicated rental housing(Kohl & Sørvoll, 2021).

The SR sector remained residual and minimal throughout the post-war period. Apart from a brief experiment in public housing construction in the interwar years, most municipal social housing was provided through the purchase of existing units within the general housing stock (including co-ops). Social rental was targeted strictly at vulnerable groups, never developing into a universal alternative to OO.

2. Re-Commodification and the Market Turn (1980s to Present)

Beginning in the 1980s, Norway's housing policy shifted significantly toward re-commodification (Sørvoll & Nordvik, 2020; Tranøy, 2008). The most important institutional change was the reorientation of Husbanken. From being a universal housing finance institution, it became a means-tested welfare tool, focused primarily on disadvantaged groups(Reiersen & Thue, 1996). This move reflected broader market-oriented thinking that gained ground during the period, emphasizing individual responsibility and the perceived efficiency of housing markets to meet general needs (Innset, 2020).

Simultaneously, municipalities withdrew from active land policy. The abolition of land price regulation in 1983, combined with reduced municipal land acquisition and development responsibilities, opened land markets to speculation and pushed up development costs. These changes significantly weakened one of the key tools of the earlier de-commodified system(Sørvoll & Nordvik, 2020).

The OO sector was also transformed. While ownership remained the dominant tenure, its character shifted. Price regulation on used homes was gradually lifted from 1982 onwards. This applied to both cooperative and privately-owned homes, allowing owners to sell their property on the open market and capture capital gains. Although cooperative housing formally remained non-profit and single-shareholding rules prevented large-scale accumulation, the elimination of price control created incentives for individual profit and turned housing into a capital asset (Kohl & Sørvoll, 2021).

Despite the continuation of ownership-friendly tax policies—such as interest deductions, no capital gains tax on primary residences, and low wealth taxation on housing—no general subsidies were introduced for OO. Instead, homeownership became increasingly reliant on access to affordable credit. For most of the past 30 years, this has remained widely available, helping to sustain high levels of OO despite rising prices. However, the last 10–15 years have seen a slight decline in homeownership, especially in large cities, due to affordability constraints. This suggests growing exclusionary dynamics within the commodified system.

The PR sector, historically underdeveloped, grew in importance but remained structurally precarious. The repeal of rent control laws culminated in 2010, ending long-standing protections for tenants. Most rental housing is provided by small-scale landlords letting out one or a few properties, and much of the stock was not originally built for rental use. There are no significant policies to regulate or support this tenure, and its expansion has been largely market-driven. While housing allowances continue to exist, they are strictly means-tested and have become increasingly targeted since the 1980s (Nordvik & Sørvoll, 2014).

A major turning point for PR came during the 1980s and 1990s, when large parts of the 19th-century rental stock in central Oslo were converted to OO as part of a state-supported urban renewal programme. Though the stated aim was to improve living conditions and eliminate urban decay, the result was a large-scale reduction in rental housing stock and a boost to homeownership—effectively a re-commodification of previously regulated rentals. In retrospect, this initiative marked the beginning of gentrification processes in Oslo and reinforced the marginal status of PR.

The SR sector remained residual throughout this period. With no public investment in new social housing, municipalities continued to rely on purchasing individual dwellings from the general market. Today, SR represents only about 4% of the total housing stock. Its role is strictly limited to housing the most disadvantaged, and its marginality reflects the broader commodified structure of the housing system(Sørvoll, 2019).

These structural shifts in Norway's housing system have not only reshaped tenure patterns and access but have also contributed to a broader transformation of the country's political economy. As Tranøy (2008) argues, Norway's growth model has become increasingly similar to that of the United States, driven by rising private consumption underpinned by housing wealth and the housing–monetary policy nexus. Easy access to credit—particularly through flexible, floating-rate mortgages—and rapidly appreciating property values have enabled households to extract and reinvest housing equity, thereby fuelling domestic demand. This dynamic has deepened the financialisation of the housing sector, increased macroeconomic volatility, and amplified distributional inequalities within a recommodified housing regime.

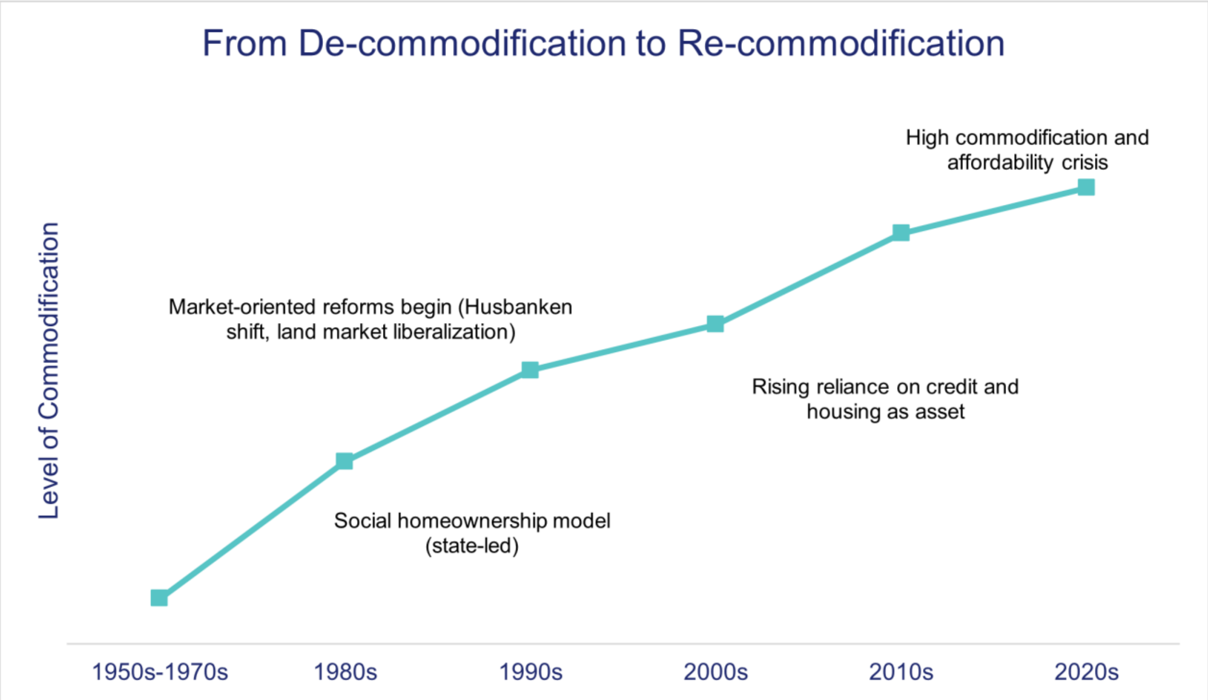

Figure NO1. Historical trajectory of the Norwegian housing system

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

In Norway, national and local housing systems have generally evolved along similar trajectories, largely due to the centralized nature of housing governance, which ensures that key features of the national framework—such as the emphasis on homeownership, a residual private rental sector, and a minimal social rental sector—are mirrored at the local level. However, some divergences do emerge, particularly at the municipal level, where housing challenges are most acutely experienced and become most visible for local authorities. These differences are especially pronounced in municipalities experiencing high housing market pressures, where local responses, especially to provide affordable housing, may diverge from national patterns in order to address specific contextual needs. Some of these experiences are discussed in section 3.3 on the capacity of local authorities to provide affordable housing.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

In Norway, there is a high degree of vertical alignment between the national and local housing systems, due to the centralized governance of housing policy. Both levels reflect a broader shift from a universalist orientation to a residualist and market-dependent model that increasingly limits public responsibility to the most disadvantaged.

However, structural tensions do exist, particularly at the municipal level, where local authorities are tasked with ensuring housing provision but are constrained by national policies, limited financial instruments, and weak regulatory tools (Granath Hansson et al., 2025). While municipalities formally hold responsibility for providing housing solutions, especially for vulnerable groups, they lack the capacity to implement proactive, non-market alternatives due to declining public landownership, limited public housing stock, and the absence of dedicated funding mechanisms (Cavicchia, 2023; Kjærås & Haarstad, 2022).

This divergence is most visible in urban municipalities under housing pressure, which in some cases seek more progressive approaches (see section 3.2).

Thus, while the direction of travel is broadly consistent, a governance gap has emerged: municipalities are expected to address complex housing challenges but are not equipped with the tools or resources to diverge meaningfully from the residualist trajectory set by the national system

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

In Norway, processes of both de-commodification and re-commodification in the housing system are shaped primarily by national rather than external pressures, although global macro-trends and economic crises have exerted a growing influence in recent years.

The more significant driver has been the long-term restructuring of the welfare state, with housing often described, following Torgersen (1987), as the "wobbly pillar" of the Norwegian welfare. The gradual retreat, since the 80s, of the state from housing production—through the reduction of direct subsidies, public land development, and large-scale construction of social housing—has contributed to the re-commodification of housing. Homeownership is heavily incentivised through tax advantages, while public and cooperative rental options have stagnated.

Nevertheless, Norway's gradual re-commodification of housing has not resulted in full-scale financialization. While corporate landlords such as Heimstaden Bostad and Blackstone have entered the Norwegian housing market, their presence remains limited compared to their more expansive operations in neighboring countries like Sweden and Denmark (Christophers, 2024). Structural features—most notably the dominance of owner-occupied cooperative housing (borettslag)—have acted as barriers to large-scale acquisition by institutional investors and global financial actors. The cooperative model itself imposes restrictions that discourage speculative ownership, such as limits on the number of shares a single entity can hold and rights of first refusal granted to existing members. These legal constraints help preserve certain de-commodifying elements—not through active state intervention, but as a legacy of the institutional design of Norway's housing regime.

As a result, unlike contexts where financialization is driven by corporate landlords and investment funds, in Norway it operates primarily through households and public policy. Tax advantages (e.g., mortgage interest deductions, capital gains exemptions), widespread access to credit, and favorable mortgage conditions have encouraged individuals to treat homeownership as a means of asset accumulation. In this way, housing has increasingly come to function as a financial asset rather than a universal social right, embedding financial logics at the heart of everyday housing practices (Poppe et al., 2015).

Recent macro-economic and exogenous crises have exposed vulnerabilities and amplified commodification pressures. The global urban housing affordability crisis—what Wetzstein (2017) describes as a systemic and structural mismatch between housing costs and income levels—has manifested in Norway as well, particularly in cities like Oslo where rising prices and demand outpace supply (Cavicchia, 2021). This crisis is not merely a function of local market failures but a reflection of global shifts in how housing is financed, governed, and treated as an asset. In the Norwegian context, it intersects with rising interest rates, increased construction costs, and a weakening of the Norwegian currency, all of which make housing less accessible, especially for first-time buyers. These pressures disproportionately affect lower-income groups and have prompted local actors to experiment with alternative ownership and affordability models (section 3.3). However, these responses remain fragmented and largely unsupported at the national level, indicating that housing affordability is still not addressed as a systemic policy issue.

Overall, Norway's processes of re-commodification have been largely driven by internal policy choices related to welfare restructuring and the promotion of homeownership, rather than exogenous macro-trends. However, global financial volatility and economic crises have exacerbated existing affordability issues and contributed to further commodification pressures. Where de-commodification occurs, it tends to be marginal and locally driven, rather than embedded in a coordinated national strategy (Kjærås & Haarstad, 2022).

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing?*

In Norway, both the national and local housing systems face significant limitations in their capacity to deliver affordable housing. A foundational challenge that should be mentioned in this context is the absence of an official or widely accepted definition of "affordable housing". In practice, affordability in Norway is interpreted in terms of *market access*, rather than cost in relation to income, with a strong focus on the accessibility of the ownership market (Cavicchia, 2021). In recent years, it has been introduced in Norway the so called "nurse index," which indicates the percentage of homes sold in a specific year that a single nurse, with hypothetically no savings and no parent bank, can afford to buy. The index reveals that in high-demand urban areas such as Oslo, even essential workers with stable incomes struggle to access the housing market.

National Housing System

At the national level, the capacity to promote affordable housing is constrained by several structural obstacles. A central issue is the lack of national regulation on housing prices and rental contracts (Sørvoll & Nordvik, 2020). This deregulated environment limits the ability of both national and local authorities to ensure affordability or protect tenants from rising costs.

The absence of programmatic public housing production further exacerbates the situation[29], leaving the supply of non-market housing extremely limited. Compounding these challenges is the decline in public land ownership, which has eroded the state's capacity to steer urban development in line with social and affordability objectives.

Despite structural constraints, the national housing policy continues to prioritise homeownership by promoting new construction (increasing supply is often used as an argument for increasing affordability) and enhancing individual purchasing power[30]. The policy serves a market-correcting role by supporting more efficient planning and building processes, while offering means-tested social housing support for disadvantaged groups excluded from the commercial market (Sørvoll, 2019). At the same time, Norway's well-developed credit and tax system modestly supports affordability by facilitating access to mortgage financing, for example providing housing saving schemes for young people.

Local Housing System

Municipalities in Norway formally bear the responsibility for ensuring access to housing for all residents, particularly vulnerable groups. However, in practice, their policy capacity is severely limited. While they are expected to pursue social housing goals and ensure adequate provision, they operate within a national framework that offers minimal support and limited flexibility. Crucially, municipalities often lack both the legal authority and financial instruments necessary to influence the tenure mix, promote affordability, or shape the structure of new residential developments in line with social objectives(Cavicchia, 2023).

A number of structural obstacles undermine the effectiveness of local housing governance. Housing development in Norway is overwhelmingly developer-led, with municipalities playing a reactive role, primarily through regulatory approval rather than proactive provision (Falleth et al., 2010). This limits their ability to steer housing outcomes[31]. Furthermore, municipalities have no authority to impose affordability requirements through zoning or land-use planning (no inclusionary zoning is permitted), a gap present in the national Planning and Building Act that does not allow them to secure affordable housing in private developments (Cavicchia, 2023; Granath Hansson et al., 2025). Their negotiating power is further weakened by the limited availability of public land and the gradual decline of municipal land banks. Additionally, municipalities receive no dedicated funding for the construction of new public housing,

29 It should also be noted that general government expenditures in Norway for housing, housing development, and community development have consistently remained below 1% of total government spending since 1995 (Cavicchia et al., 2024)

30 For example, by applyin amendments to the Loan-to-value ratio. According to the Norwegian Ministry of Finance, an amendment effective 1 January 2025 raises the maximum loan-to-value (LTV) ratio from 85% to 90%, meaning the required down payment is reduced to 10% of the property value.

31 Christiansen & Kjærås (2021) refer to the Norwegian housing system as characterized by a so-called "regulatory capture". The term describes a structural weakness in public-private partnerships where the expertise in a certain field often lies with private actors

restricting their role to the allocation and management of an already diminishing stock of social rental units.

Nonetheless, some enabling factors at the local level offer modest avenues for innovation and intervention. In certain cities, municipalities have initiated or supported locally led housing initiatives aimed at addressing gaps in affordability. Notable examples include OsloBolig, a shared ownership scheme that helps lower the threshold for market entry, the Trondheim Housing Foundation, a nonprofit entity that offers long-term rentals and reinvests its income to preserve affordability (interviews[32]), and the municipal company in Sandnes (Sandnes Tomsteselskap), which has worked with strategic land purchase for the provision of more affordable housing -- 10% below the market price (interviews). In a few instances, municipalities also allow tenants to purchase rental units with the help of start-up loans or grants, although these schemes remain small in scale. Moreover, while municipalities can apply for state funding through Husbanken to maintain or retrofit existing housing stock, this support is generally insufficient for expanding or significantly upgrading the local social housing portfolio.

While municipalities are tasked with a central role in housing provision, they face severe structural constraints that limit their ability to deliver affordable housing (Christiansen & Kjærås, 2021). Their efforts are often reduced to fragmented responses, that lack holistic visions, rather than systemic solutions, highlighting the need for stronger alignment between national policy frameworks and local responsibilities.

Yet, despite these challenges, the Norwegian housing landscape retains some institutional infrastructures that could support a more socially oriented model if reactivated (interviews). Most notably, the Norwegian State Housing Bank (Husbanken) and the cooperative housing sector continue to exist, albeit in reduced or commercialized forms. Husbanken, now largely focused on targeted social support, remains a professionally competent agency. Its role as a counter-cyclical financer during the banking crisis of the late 1980s and again after 2008 illustrates its potential to act as a stabilizing force. Similarly, cooperative housing associations such as OBOS and USBL, while increasingly market-driven, retain organizational structures and housing expertise that could support the reintroduction of cost-based or cooperative rental models (interviews).

These institutions represent latent capacities that—if supported by deliberate policy direction and renewed political commitment—could play a critical role in addressing affordability challenges. Their continued existence suggests that the infrastructure for a more de-commodified housing approach is not entirely absent but underutilized.

[32] We conducted four stakeholder interviews between March and May 2025, involving representatives from the Housing Foundation in Trondheim, a housing policy expert, Sandnes Tomteselskap, and the Norwegian Tenants' Association.

II. How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?

As previously noted, Norway's housing system is strongly oriented toward ownership and increasingly influenced by macroeconomic dynamics and financial market trends. The state primarily plays a facilitating role, using instruments such as credit regulation and tax incentives. However, these tools have proven more effective at safeguarding financial stability than at ensuring housing affordability. A clear example is the response following the Global Financial Crisis (GFC), when the Financial Supervisory Authority (Finanstilsynet) introduced stricter mortgage regulations to curb speculative lending. In 2010, the maximum loan-to-value (LTV) ratio was set at 90%, and later reduced to 85%, effectively requiring a minimum 15% down payment (restored to 90% as of January 2025). While these measures aimed to contain household debt and limit house price inflation, they also made it more difficult for first-time buyers and low-income households to access the housing market—particularly in high-cost urban areas (Sandlie & Gulbrandsen, 2017).

Another crucial point to stress here is Norway's tax system, which structurally favours owner-occupiers in multiple ways. First, mortgage interest payments are tax deductible, reducing the real cost of borrowing and encouraging home acquisition through leveraged debt. Second, primary residences are exempt from capital gains tax upon resale, allowing owners to accumulate wealth through rising housing values without taxation. Third, owner-occupied dwellings are significantly undervalued for wealth tax purposes, meaning that housing wealth is taxed more leniently than financial assets. These mechanisms, especially in combination, have promoted widespread homeownership and contributed to the commodification of housing as a financial asset. These dynamics, tax rules and credit liberalisation from the 1980s onward transformed Norwegian housing into a speculative investment good and created a system where housing access is increasingly reliant on individual borrowing capacity and market timing rather than state provision (Tranøy, 2008). The result is a housing system that is highly sensitive to macroeconomic cycles: during periods of low interest rates and monetary easing, such as in the aftermath of the GFC and COVID-19, prices are driven upward, further reducing affordability for new entrants.

III. What challenges have the state and non-profit sector faced, in the light of recent crises?

The recent crises—particularly the 2008 Global Financial Crisis (GFC) and the COVID-19 pandemic—have exposed structural challenges in Norway's housing system, revealing the limited capacity of both the state and non-profit sector to respond to affordability pressures during periods of economic disruption (Conigrave & Hemmings, 2022). These crises underscored the state's inability to deliver counter-cyclical housing interventions and highlighted the institutional weakness of the non-profit and cooperative sectors.

Norway's highly residualised public housing system—administered by municipalities under constrained budgets—provides only a narrow safety net rather than a structural response to housing insecurity. This left the system poorly positioned to scale up or adapt during crises.

Following the 2008 GFC, no expansion of public housing or affordability mechanisms occurred. Similarly, during COVID-19, while the state implemented generous income support schemes, it did not introduce housing-specific measures. Meanwhile, house prices continued to rise—driven by low interest rates, liquidity, and stable demand—deepening affordability challenges, particularly for renters and those excluded from the ownership model (Conigrave & Hemmings, 2022).

The cooperative housing sector also failed to play a counter-cyclical role. Over recent decades, the cooperative sector has been increasingly marketised, allowing dwellings to be traded at full market value and diminishing its historical affordability function(Sørvoll & Nordvik, 2020). As a result, these sectors lacked both the scale and mandate to respond meaningfully to the housing consequences of crisis.

Finally, as Tranøy (2008) argues, the transformation of housing into a financial asset has produced political resistance to redistributive reforms. The class of homeowners benefits from tax privileges, rising property values, and accommodative monetary policy—and tend to resist to changes in taxation that increase the costs associated with house ownership and/or reduce the value of housing assets. In both the GFC and COVID-19 contexts, this political dynamic contributed to the preservation of existing ownership structures, rather than structural efforts to address exclusion or inequality.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

The implementation of the environmental and energy policies explored in ReHousIn—energy retrofitting, nature-based solutions (NBS), and urban densification—interacts in complex ways with the Norwegian national and local housing systems. These interactions reveal important governance misalignments, policy gaps, and equity tensions, but also present opportunities to strengthen synergies between environmental goals and housing provision.

Energy retrofitting in Norway is driven by a strong national framework (Cavicchia et al., 2025). While this centralized approach ensures consistency with national climate targets, it leaves little room for municipalities to adapt retrofitting policies to local housing needs. Municipalities have limited capacity to prioritize vulnerable groups, and most of the retrofitting funding is oriented toward private owners. The result is a fragmented and uneven implementation landscape, where deep renovations in disadvantaged housing segments are rare, and funding does not adequately support the integration of energy upgrades with affordability. In the Norwegian context, the central challenge related to housing and retrofitting is, differently from other contexts, less about processes of *renoviction*—where tenants are displaced due to upscale renovations—and more about the limited accessibility of renovation funding for lower-income households, which increases the risk of energy poverty. This reflects a structural gap in the retrofitting agenda, where the absence of targeted financial instruments risks undermining the capacity of vulnerable groups to benefit from energy efficiency improvements (Cavicchia et al., 2025).

Nature-based solutions are increasingly promoted as tools for climate adaptation, biodiversity protection, and urban resilience (Cavicchia et al., 2025). Implementation, however, relies heavily on municipal land-use planning and discretionary funding from the national level. While NBS may create long-term environmental benefits, they can also generate unintended social consequences when deployed in areas with existing housing vulnerability. Projects aiming to "green" urban environments risk contributing to green gentrification, increasing land values and displacing low-income residents if not coupled with affordability safeguards. Additionally, NBS are required in new developments, potentially increasing housing building costs and prices (Cavicchia et al., 2025).

This points to a structural contradiction: while the state encourages NBS for environmental purposes, it does not provide clear social guidelines or housing integration mechanisms. Many municipalities lack the fiscal and technical capacity to deliver both ecological and housing outcomes simultaneously.

Among the three EEPs, densification is the most entrenched in Norwegian planning legislation and policy (Cavicchia et al., 2025). While local governments have formal responsibility for land-use planning, in practice, the densification process is heavily influenced by private developers who propose and drive most new housing projects. Municipalities, especially in high-demand areas, lack the land ownership and legal instruments—such as inclusionary zoning—to ensure that densification contributes to housing affordability. This market-led densification dynamic risks exacerbating spatial inequality (Andersen & Røe, 2017; Cavicchia, 2021). It leads to a proliferation of small, high-cost units rather than a socially mixed and affordable housing stock. The absence of national requirements for social or affordable housing in densification areas reinforces the commodification of urban space. These dynamics are particularly pronounced in Oslo, where the legally protected forest belt (*Marka*) functions as a de facto urban growth boundary. By restricting outward expansion, this geographic and regulatory constraint on the one side represents an important tool against urban sprawl, but on the other side, limits the availability of developable land within the municipal borders, thereby intensifying land scarcity and further inflating development pressures in central and already densified areas (Cavicchia, 2023).

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6 APPENDIX

6.1 Tables on tenure composition

Tenures	Absolute number (households)	% of total households	Bottom quintile	2nd quintile	3rd quintile	4th quintile	Top quintile
OO	**1 710 393**	**77,6**	**50,8**	**79,9**	**87,2**	**90,3**	**95,2**
Outright	561 455	25,5	30,1	30,8	21,7	21,1	20,6
Mortgaged	1 147 131	52,1	20,7	49,1	65,6	69,2	74,6
PR	**303 806**	**13,8**	**32,1**	**12,5**	**7,2**	**4,7**	**2,2**
SR	**11 661**	**0,53**	**1,4**	**0,4**	**0,1**	**0,1**	**0,2**
Other/ Unknown	**175 923**	**7,99**	**15,7**	**7,2**	**5,4**	**4,9**	**2,4**
TOTAL	**2 201 787**	**100**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Table NO1. Norway, distribution tenures and social groups, 2011. Sources: complied by authors; data from OECD - own calculations.

Tenures	Absolute number (households)	% of total households	Bottom quintile	2nd quintile	3rd quintile	4th quintile)	Top quintile
OO	**1 833 227**	**72,9**	**40,9**	**76,5**	**81,6**	**90,4**	**93,1**
Outright	557 734	22,2	19,0	28,3	19,9	19,8	24,5
Mortgaged	1 273 745	50,7	21,9	48,2	61,6	70,5	68,6
PR	**586 655**	**23,4**	**52,2**	**19,7**	**16,2**	**7,7**	**5,2**
SR	**28 565**	**1,1**	**2,0**	**2,2**	**0,4**	**0,3**	**0,1**
Other/Unknown	**63 869**	**2,5**	**4,9**	**1,6**	**1,9**	**1,6**	**1,6**
TOTAL	**2 512 317**	**100**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Table NO2. Norway, distribution tenures and social groups, 2021. Sources: complied by authors; data from OECD - own calculations.

*Please note that the proportion of data categorized as 'other/unknown' tenure in 2011 is relatively high (7.99%). This may be due to data inconsistencies that require clarification and could potentially distort the distribution and trends across different tenure categories.

Oslo, distribution tenures and social groups - 2015

Tenures	Absolute number (households)	% of total households	Lowest income quartile	Second income quartile	Third income quartile	Highest income quartile
OO	226 399	70,1	43,3	69,1	81	90
PR&SR	96 741	29,9	56,6	3,9	19	10
TOTAL	323 140	100		100,0	100	100

Table NO 3: Oslo, distribution tenures and social groups - 2015. Sources: compiled by authors; data from: Statistics Norway (no disaggregated data for private rental and social rental available)

Tenures	Absolute number (households)	% of total households	Lowest income quartile	Second income quartile	Third income quartile	Highest income quartile
OO	237 030	68,6	38,9	67,6	79	89,1
PR&SR	108 219	31,3	61,1	32,4	21	10,9
TOTAL	345 249	100	100,0	100	100	100

Table NO 4: Oslo, distribution tenures and social groups - 2021. Sources: compiled by authors; data from: Statistics Norway (no disaggregated data for private rental and social rental available)

Tenures	Absolute number (hoeseholds) 2011	Absolute number (households) 2020	Change 2011-2021 absolute	Change 2011-2021 (%)
OO	**1 710 393**	**1833227**	**122834,0**	**7,2**
Outright	561 455	557734	-3721,0	-0,7
Mortgaged	1 147 131	1273744	126613,0	11,0
PR	**303 806**	**586655**	**282849,0**	**93,1**
SR	**11 661**	**28565**	**16904,0**	**145,0**
Unknown	**175 923**	**63869**	**-112054,0**	**-63,7**
TOTAL	**2 201 787**	**2512317**	**310530,0**	**14,1**

Table NO 5: Norway, longitudinal tenures since 2011 - 2021. Sources: complied by authors; data from OECD - own calculations.

Tenures	Total Households 2015	Total Households 2021	Change 2015-2021 absolute	Change 2015-2021 (%)
OO	**226 399**	**237 030**	**10631,0**	**4,7**
PR&SR	**96 741**	**108 219**	**11478,0**	**11,9**
TOTAL	**323 140**	**345 249**	**22109,0**	**6,8**

Table NO 6: Oslo, longitudinal tenures 2015-2021. Sources: compiled by authors; data from: Statistics Norway (no disaggregated data for private rental and social rental available)

	Tenures	OO	Outright	Mortgaged	PR	SR	Other/Unknown	TOTAL
2011	Bottom quintile (%of total households)	**50,8**	30,1	20,7	**32,1**	**1,4**	**15,7**	**100,0**
	2nd quintile (%of total households)	**79,9**	30,8	49,1	**12,5**	**0,4**	**7,2**	**100,0**
	3rd quintile (%of total households)	**87,2**	21,7	65,6	**7,2**	**0,1**	**5,4**	**100,0**
	4th quintile (%of total households)	**90,3**	21,1	69,2	**4,7**	**0,1**	**4,9**	**100,0**
	Top quintile (%of total households)	**95,2**	20,6	74,6	**2,2**	**0,2**	**2,4**	**100**
2020	Bottom quintile (%of total	**40,9**	19,0	21,9	**52,2**	**2,0**	**4,9**	**100,0**
	2nd quintile (%of total households)	**76,5**	28,3	48,2	**19,7**	**2,2**	**1,6**	**100,0**
	3rd quintile (%of total households)	**81,6**	19,9	61,6	**16,2**	**0,4**	**1,9**	**100,0**
	4th quintile (%of total households)	**90,4**	19,8	70,5	**7,7**	**0,3**	**1,6**	**100,0**
	Top quintile (%of total households)	**93,1**	24,5	68,6	**5,2**	**0,1**	**1,6**	**100**
Changes 2011 - 2020	Bottom quintile (%difference)	**-19,5**	-36,9	5,8	**62,6**	**42,9**	**-68,8**	**100,0**
	2nd quintile (%difference)	**-4,3**	-8,1	-1,8	**57,6**	**450,0**	**-77,8**	**100,0**
	3rd quintile (%difference)	**-6,4**	-8,3	-6,1	**125,0**	**300,0**	**-64,8**	**100,0**
	4th quintile) (%difference)	**0,1**	-6,2	1,9	**63,8**	**200,0**	**-67,3**	**100,0**
	Top quintile (%difference)	**-2,2**	18,9	-8,0	**136,4**	**-50**	**-33,3**	**100**
2011-2020	Total inhabitants/househ	**7,2**	-0,7	11,0	**93,1**	**145,0**	**-63,7**	**14,1**

Table NO 7: Norway, longitudinal social groups by tenures 2021 and 2020. Sources: complied by authors; data from OECD - own calculations.

	Tenures	OO	PR&SR	TOTAL
2015	Lowest income quartile	43,3	56,6	100,0
	Second income quartile	69,1	3,9	100,0
	Third income quartile	81	19	100,0
	Highest income quartile	89,7	10,3	100
2021	Lowest income quartile	38,9	61,1	100,0
	Second income quartile	67,6	32,4	100,0
	Third income quartile	79	21	100,0
	Highest income quartile	89,1	10,9	100
Changes 2015- 2021	Lowest income quartile	-10,2	8,0	100,0
	Second income quartile	-2,2	730,8	100,0
	Third income quartile	-2,8	12,6	100,0
	Highest income quartile	-0,7	5,8	100
2015-2021	Total inhabitants/househ	7,2	93,1	14,1

Table NO 8: Oslo, longitudinal social groups by tenures since 2015 – by decades. Sources: compiled by authors; data from: Statistics Norway (no disaggregated data for private rental and social rental available)

National Report on the Housing System from a Multi-Level Perspective: Poland

1 EXECUTIVE SUMMARY

The housing landscape in Poland is marked by a persistent reliance on market mechanisms, reflecting a broader trend of recommodification. State support largely focuses on promoting ownership through subsidies and mortgage instruments, while public housing provision remains limited and social rental housing is marginal. Historical and contemporary crises – including post-socialist transformation, the global financial crisis, the COVID-19 pandemic, the war in Ukraine, and inflation – have triggered temporary decommodification measures (e.g., rent freezes, refugee assistance), yet have failed to alter the overarching trajectory. Local governments, formally responsible for social housing, operate under constrained financial resources and growing demand pressures.

Key challenges include the absence of strategic housing planning, insufficient public and social housing stock, and a fragmented, underregulated private rental sector. The emergence of private rental schemes (PRS), especially in urban centers, has exacerbated affordability issues and spatial inequalities. Institutional frameworks such as TBS and SIM remain limited in scope, while the financialization of housing continues to shape access and tenure security.

Simultaneously, climate objectives have brought sustainable housing and energy efficiency into the policy spotlight, particularly through thermal retrofitting and green construction. However, the implementation of the three EEPs may deepen existing housing inequalities. Processes of urban densification often lead to gentrification and tenant displacement, while programmes like “Clean Air” disproportionately benefit wealthier, property-owning households. Structural barriers – including lack of policy integration and exclusion of tenants – limit the inclusive potential of ecological investments.

Despite these challenges, integrated reforms that align housing and environmental goals offer a pathway toward a more equitable energy transition. Simplifying access to support for low-income groups, introducing rent control, and expanding municipal housing – especially in smaller towns – can enhance affordability and social justice. Ensuring access to nature-based solutions in disadvantaged areas further supports an inclusive approach to sustainable urban development.

2 THE HOUSING DEBATE

The contemporary housing debate in Poland is shaped by a range of interrelated structural and policy challenges. A primary concern is the low effectiveness of national housing policy, which suffers from short-termism and a lack of strategic coherence. There is no comprehensive long-term framework to guide the development of a diversified housing system, particularly in terms of non-ownership tenures. Existing government programs tend to lack continuity and often fail to adapt to changing socio-economic conditions, resulting in limited impact.

A critical issue within this context is the insufficient supply of affordable housing amid the rising costs of homeownership. Although the overall housing stock has expanded, access to affordable dwellings remains restricted, particularly for younger generations. Escalating property prices and increasing mortgage interest rates have placed homeownership beyond the reach of many, prompting a broader policy debate over the appropriate focus of state intervention – whether it should continue to subsidize mortgages or instead prioritize the development of affordable rental housing outside the market.

The persistent shortage and slow development of social and public rental housing is another major theme in the national discourse. Despite growing recognition of the need for affordable rental options, the number of municipal and socially supported units remains low. Current discussions examine whether legal constraints, limited availability of publicly owned land, or inadequate public funding constitute the main barriers to expansion. In this context, the role of institutions such as Social Housing Associations (TBS) and Social Housing Initiatives (SIM) is a focal point, particularly in relation to their potential to support a more robust and inclusive rental sector.

Concurrently, the underdevelopment of the private rental market poses significant challenges. The sector remains largely unregulated, with high rental costs and legal uncertainties undermining both tenant and landlord security. Additionally, the institutional rental sector is still in its infancy in Poland. While currently limited in scale, recent policy and academic debates have increasingly focused on the risks associated with housing financialization, particularly regarding the potential impact of large corporate landlords. Proposals have emerged to regulate or tax institutional investors in order to mitigate speculative behavior and preserve housing affordability, though opinions remain divided on how to balance efficiency and equity in this domain.

Finally, the growing urgency of climate change and energy insecurity has intensified attention to sustainable housing development and energy efficiency. Rising energy costs and national commitments to climate goals have spurred interest in green construction and retrofitting existing buildings. Public policy increasingly emphasizes thermal modernization as a strategy to enhance the energy performance of older housing stock, reduce household energy burdens, and meet environmental targets.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

Poland's housing system has generally followed a trajectory of re-commodification, with market forces playing an increasingly dominant role over time. Since the post-communist transition, the privatization of state-owned housing as well as financial liberalization have reinforced homeownership and private rental markets, reducing the role of the state in direct housing provision. Although there have been periodic shifts towards de-commodification – particularly during economic crises or in response to affordability challenges – these interventions have been limited in scope and have not reversed the overall trend towards a market-driven housing system. At the national level, government programs have focused more on supporting homeownership through subsidies and mortgage incentives rather than significantly expanding the social rental sector. While recent initiatives, such as Social Housing Initiatives (SIMs), indicate a partial move towards de-commodification, they remain relatively small-scale compared to the broader housing market. Meanwhile, rising rents in the private rental sector (PRS), increased foreign investment, and a shortage of affordable housing options have reinforced market dependency. At the local level, municipalities continue to manage social rental housing, but with limited resources and growing demand, access to this sector has become increasingly restricted, making it more residualist. Additionally, the war in Ukraine and the subsequent inflow of refugees have further strained urban housing systems, particularly in metropolitan areas. The urgent need to accommodate displaced populations, coupled with the limited capacity of public housing stock, has led to a significant reinforcement of the private rental sector. In many cities, refugees have predominantly relied on PRS solutions, intensifying competition and contributing to further rent increases. This influx has also exposed structural weaknesses in the availability of temporary and emergency housing, prompting ad hoc reliance on market-based responses. As a result, the conflict has not only exacerbated existing affordability pressures but has also accelerated the development of the PRS, particularly in urban centres with limited public housing reserves. Simultaneously, the inflation crisis has compounded housing pressures by driving up construction costs, interest rates, and household expenses. The combined effect of high inflation and surging demand in the rental market has led to steep increases in rental prices, undermining housing stability for lower-income households.

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system? [For example, one fostering re-commodification, the other preventing it?]*

Structural divergences between the national and local housing systems in Poland are both evident and consequential, particularly with regard to the direction of housing policy and provision. At the national level, housing policy has consistently favoured market mechanisms, with a clear emphasis on promoting homeownership and encouraging private-sector involvement. Programs such as “Housing for the Young” and “Safe Credit 2%” have further entrenched re-commodification by subsidizing access to mortgage credit, rather than investing in the development of a robust social or affordable rental sector. While initiatives like Social Housing Initiatives (SIMs) signal some degree of state-supported intervention, they remain modest in scope, reflecting a broader tendency to treat non-market housing as peripheral.

In contrast, local housing systems, governed by municipalities, are primarily tasked with the management and allocation of municipal and social rental housing. However, they operate under severe financial and institutional constraints, lacking resources to significantly expand supply or implement alternative housing models. This tension is exacerbated by growing demand: urbanization, internal migration, and rising housing costs – intensified by the inflation crisis – have all contributed to heightened pressures at the local level. Municipalities, unable to meet these demands, increasingly adopt a residualist logic in which social housing is reserved for the most vulnerable populations, with long waiting lists and limited turnover.

These divergent trajectories are further compounded by differing logics of provision: national policies largely reinforce commodification and individual ownership, whereas local actors, by necessity, often attempt to mitigate housing insecurity through public provision. This misalignment makes the structural tensions between the national and local levels more readily perceivable, as municipalities struggle to respond to acute social needs within a policy environment shaped by market-oriented objectives.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

In Poland, housing governance is shaped by both synergies and conflicts between national and local levels. National programs, such as Social Housing Initiatives (SIMs) and subsidies for affordable housing, provide financial support to municipalities, aligning national objectives with local implementation. EU structural funds and national housing programs further assist municipalities in developing social housing, energy-efficient renovations, and urban renewal. Public-private partnerships (PPPs) also facilitate housing investments, particularly in the private rental sector (PRS). However, conflicts arise due to funding constraints and policy misalignment. While municipalities depend on central funding, resources for social housing remain insufficient, as national policies prioritize homeownership and, more recently, PRS expansion.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends (e.g.*

EU policies / welfare restructuring) and crises (e.g. financial crisis, housing affordability crisis)?

The processes of de-commodification and re-commodification in Poland's housing system have been shaped by a complex interplay of political transformations, economic crises, global events, and national housing policies. These dynamics have affected different housing tenures in varying ways and generated uneven territorial impacts. Typically, state intervention intensifies during periods of crisis, leading to temporary phases of de-commodification, whereas periods of economic growth and liberalization have consistently reinforced market mechanisms and, consequently, re-commodification.

The post-communist transition of the 1990s marked the onset of large-scale re-commodification, particularly through the privatization of state-owned housing stock. The ownership rate rose dramatically, exceeding 80% of the total housing stock (Table 1), while public housing was marginalized to less than 5%. Many privatized units entered the nascent private rental sector, often operating informally.

From the mid-1990s onward, national housing programs combined contradictory logics. Policies supporting homeownership – such as "Family on Its Own", "Housing for the Young", and more recently "Safe Credit 2%" – have reinforced re-commodification by tying access to housing to income levels and mortgage debt. In parallel, selective and modest attempts at de-commodification have been undertaken through schemes such as the Social Building Societies (TBS) and Social Housing Initiatives (SIM), designed to expand affordable rental provision.

In the 2000s, financial liberalization and Poland's EU accession facilitated a sharp increase in mortgage availability. The influx of foreign capital and the expansion of credit markets significantly boosted homeownership and drove up property prices, particularly in major cities such as Warsaw, Kraków, and Wrocław. This development reinforced re-commodification and widened the affordability gap. Data from EU-SILC reveal growing housing cost overburden, particularly among young adults and low-income households during this period.

The global financial crisis of 2008–2009 disrupted access to credit and temporarily slowed housing market activity. While demand for public rental housing increased, government response remained limited, resulting in only marginal and short-lived de-commodification. In cities, where housing demand remained high, households increasingly turned to the private rental sector under conditions of insecurity and rising costs, thereby reinforcing commodification despite the economic downturn.

Since the mid-2010s, the housing affordability crisis has intensified. A widening gap between household incomes and housing costs – particularly rents – has emerged, most acutely in urban areas. Vulnerable groups such as migrants, young adults, and single-parent households have been disproportionately affected. While the private rental sector slowly expanded in response to demand, it remained weakly regulated and financially inaccessible for many, fostering deepened re-commodification. In rural and peripheral areas, slower market growth has been accompanied by inadequate public housing supply, generating a dual burden of housing scarcity and poor quality.

The COVID-19 pandemic further exposed housing inequalities and prompted a short-term re-engagement of the state. Some municipalities implemented temporary relief measures, including rent freezes and eviction moratoria. However, these interventions were fragmented and time-limited. Demand for social housing rose, but no significant structural expansion occurred. The dominant national policy remained focused on promoting homeownership. Regional disparities became more visible, with large urban centres experiencing a sharper increase in rent burdens and tenure insecurity than smaller localities.

The war in Ukraine and the resulting influx of over one million refugees into Poland from 2022 onwards added additional pressure to local housing systems. Border regions and cities such as Warsaw, Rzeszów and Lublin saw heightened demand for both temporary and long-term housing. Initially, some public and social housing units were repurposed for refugee accommodation, suggesting a temporary phase of de-commodification. However, sustained pressure from refugee households – largely excluded from ownership and limited public stock – ultimately reinforced the development of the private rental sector.

Simultaneously, the inflation and energy crises have further exacerbated housing affordability challenges. In response, the government introduced short-term support measures, such as thermal retrofitting programs and energy subsidies, representing partial de-commodification through cost mitigation. Nonetheless, inflation-driven rent increases in an unregulated private rental sector have continued to strengthen re-commodification, particularly in urban areas where energy-efficient housing is in high demand but inaccessible to low- and middle-income households.

Overall, re-commodification remains the prevailing trend in Poland’s housing system. This trajectory has been sustained by market-oriented national policies, limited regulation of the private rental sector, and insufficient public housing provision. De-commodification measures tend to emerge reactively and episodically, primarily in response to external shocks, and are generally limited in both scope and duration. Importantly, the spatial dimension of these processes cannot be overlooked. Large urban centres have been more susceptible to global capital flows, speculative investment, and rising property values, leading to intensified commodification. In contrast, smaller towns and rural regions, though not immune to affordability issues, have followed divergent trajectories shaped by local labour markets, demographic trends, and constrained public resources

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems. (e.g. increase in community led housing programmes have enabled more affordable housing provision, but this has been constrained by the lack of public land)*

Housing affordability in Poland is fundamentally shaped by the relationship between housing costs and household incomes, with significant variation across tenures and between different territorial contexts. Owner-occupation is traditionally perceived as the most stable and affordable form of tenure in Poland, which is reflected in the high share of privately owned dwellings within the overall housing stock. This form of tenure dominates particularly in rural areas and smaller towns, although its prevalence in Warsaw also approaches 70% (Table 2). A significant proportion of ownership involves homes held without a mortgage, although the share of mortgaged ownership has increased substantially in recent years (Table 2 and Table 4). Owner-occupation is especially common among households with medium and high incomes (Table 5 and Table 6). In recent years, however, owner-occupation has become less accessible for younger and lower-income households, especially in major cities. Although mortgage interest rates remain relatively low compared to historical levels, soaring housing prices and tightening credit conditions have eroded affordability. Moreover, while ownership may be more affordable in rural areas or smaller towns, the required capital or credit access remains out of reach for many. The government continues to promote homeownership through subsidy programs such as “Safe Credit 2%”, which temporarily improve access for selected income groups, but may also inflate demand and prices, thereby exacerbating long-term affordability challenges.

The private rental sector (PRS) has expanded over the last decade, particularly in urban areas, but it remains much less developed compared to Western countries. Moreover, it is largely informal and cost-burdened for many tenants. In cities like Warsaw, the average rent-to-income ratio for young working adults exceeds 40%, placing these households well above the affordability threshold of 30%. For single-person or single-parent households, this burden can be even higher. Although rental housing offers flexibility and access in the absence of ownership, rising rent levels – amplified by the refugee inflow from Ukraine and post-pandemic urban migration – have turned the PRS into an increasingly commodified sector. In smaller towns, rents are relatively lower, but so are incomes, often resulting in similar affordability strains.

The social rental sector, though theoretically the most affordable, is chronically underdeveloped and increasingly residual in function. Public rental housing comprises less than 5% of the housing stock nationwide and is highly restricted to the most vulnerable groups. Long waiting lists, particularly in large municipalities, and a general lack of available units mean that many low-income working households are unable to access this tenure. Municipalities face major obstacles in expanding the stock of social housing, including insufficient funding and limited access to publicly owned land. Despite these structural barriers, some enabling factors do exist. Social Housing Initiatives (SIMs), supported by the state development bank (BGK), represent a partial attempt to reintroduce affordable rental options for middle-income groups. Additionally, EU structural funds can be used for the construction and renovation of affordable housing, although access and absorption remain uneven across regions.

In sum, the capacity of Poland’s housing system to deliver affordability varies widely depending on tenure, location, and household profile. In metropolitan areas, affordability is under pressure across all tenures, while smaller towns and rural areas face distinct constraints linked to income levels and the quality of available housing. Although homeownership remains the dominant and culturally preferred option, it is becoming increasingly inaccessible to younger and precarious workers. The PRS, while expanding, offers limited affordability and security, especially in urban contexts. Social rental housing retains the greatest potential to provide genuinely affordable housing but is structurally constrained by underinvestment and policy prioritization of ownership.

II. How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?

The identified crises and macro-trends have significantly impacted the capacity of both the national and local housing systems in Poland to provide affordable housing. The transition from a centrally planned to a market-driven economy marked the beginning of the privatization of state-owned and cooperative housing and a retreat from public housing provision. The remaining public housing stock was insufficient to meet demand, contributing to rising inequalities and housing shortages. EU integration increased access to financial resources, including structural funds, which supported housing and urban renewal programs. However, the focus on market liberalization and the influx of foreign investments in real estate led to an expansion of the private rental sector (PRS), making housing less affordable for lower-income households. The Global Financial Crisis (2008–2009) temporarily curtailed access to credit, reduced private investment, and exacerbated unemployment, increasing the demand for social housing. Municipalities and the central government struggled with funding constraints and lacked the capacity to respond effectively. Rapidly rising housing prices and rents after 2010, especially in urban areas, deepened the affordability crisis. The state's response through housing programs was insufficient to meet the growing demand for affordable housing, while the private rental sector continued to expand, further limiting access for lower-income households. The COVID-19 pandemic shifted the rental market, as economic uncertainty and rising unemployment led to increased demand for affordable housing. The influx of refugees from Ukraine placed additional strain on Poland's housing system, with municipalities and the central government focusing on providing housing for displaced persons. While this response alleviated immediate housing needs, the long-term impact has been an increased demand for private rental housing. Ongoing inflation and rising energy costs have further exacerbated the affordability crisis, with increasing pressure on households to cover basic living expenses, including housing. Local and national government responses, such as subsidies and energy-efficiency programs, have helped mitigate some of these effects.

III. What challenges have the state and non-profit sector faced, in the light of recent crises (e.g. 2008 GFC, Covid emergency interventions)?

In Poland, the impacts of the 2008 Global Financial Crisis (GFC) were felt to a significantly lesser extent than in other European countries. Although the country avoided a recession, the crisis led to a tightening of credit availability by banks, which hindered access to financing for both individuals and investors. A particularly challenging issue was the increased difficulty in repaying loans denominated in foreign currencies, particularly Swiss francs, as the depreciation of the Polish zloty exacerbated the debt burden. As a result, many borrowers found themselves in financially precarious situations, putting additional pressure on the rental market. Moreover, the economic slowdown caused by the crisis led to a reduction in the financial resources available for supporting housing affordability initiatives.

The COVID-19 pandemic presented significant challenges for both national and local housing systems in Poland. At the national level, the crisis exacerbated existing inequalities and increased demand for affordable housing, particularly as rising unemployment and economic uncertainty left many households struggling to pay for housing. The government introduced temporary measures, such as rent subsidies and financial support programs, but these were often inadequate to address the scale of the problem. At the local level, municipalities faced considerable difficulties in responding to the surge in demand for social housing. Financial constraints, limited resources, and a lack of capacity to rapidly expand housing stock hindered local governments' ability to meet the needs of vulnerable populations. Moreover, the pandemic strained the already overburdened social housing system, revealing significant gaps in provision and exacerbating the affordability crisis.

In Poland, the influx of Ukrainian refugees since 2022 has posed significant housing challenges. The sudden surge in demand for rental housing further strained an already limited supply, particularly in major cities. At the national level, the government introduced temporary support measures, such as subsidies for hosting refugees, but these were short-term and did not address long-term housing needs. Locally, municipalities faced financial and housing shortages, limiting their ability to provide stable accommodation. Increased competition in the rental market led to rising rents, exacerbating the housing affordability crisis for both refugees and low- to middle-income households.

The latest challenges are related to rising inflation and the energy crisis, which have further strained Poland's housing sector, increasing financial pressures on both households and local governments. Rising inflation has driven up construction costs, slowing affordable housing development and reducing the purchasing power of prospective homeowners. Higher energy prices have disproportionately affected low-income households, increasing housing costs and utility arrears. Municipalities, already facing budget constraints, have struggled to finance social housing and implement energy-efficient renovations. In response, the government introduced subsidies and price caps, but these measures provided only temporary relief, leaving long-term affordability challenges unresolved.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

The implementation of the 3 EEPs in Poland entails a number of challenges that may exacerbate existing housing inequalities. Densification processes tend to concentrate in attractive, well-connected urban areas, thereby increasing their market value. As a consequence, these developments often lead to rising rents, gentrification, and the displacement of lower-income residents. When not accompanied by rent regulation or an adequate supply of social housing, densification imposes growing pressure on low-income households. Thermal retrofitting – one of the primary instruments for improving energy efficiency – remains unevenly accessible, with uptake largely dependent on property ownership status and the ability to co-finance the investment. The "Clean Air" programme, although formally open to all, in practice has primarily benefited single-family homes. By the end of 2023, over 700,000 applications had been submitted, more than 80% of which concerned privately owned detached houses (National Fund for Environmental Protection and Water Management). In contrast, low-income residents often face barriers to participation due to the lack of required co-financing or bureaucratic obstacles. As a result, households most vulnerable to energy poverty have the least access to support. The exclusion of tenants from the mainstream of ecological policy represents another significant challenge. According to Statistics Poland (2023), around 12% of Polish households live in rental housing (both municipal and private), with approximately 40% of them spending over 40% of their disposable income on housing costs. Modernisation programmes oriented toward homeowners systematically overlook this group, deepening disparities in housing quality and energy efficiency. Nature-based solutions (NBS) contribute to the improvement of environmental conditions and urban aesthetics, but access to high-quality green spaces remains uneven. GUS data indicate that in Warsaw there is an average of 23.5 m² of green space per resident, compared to just 10–15 m² in smaller county-level cities. Moreover, NBS investments in central districts are frequently correlated with increases in property prices. In Łódź, for example, following the revitalisation of the city centre and the development of green infrastructure, average housing prices rose by 16.7% between 2023 and 2024 – highlighting the risk of “green gentrification. A major obstacle is the lack of policy integration – environmental, climate, and housing policies continue to operate within separate institutional frameworks. In practice, there are no coherent mechanisms that combine social assistance with the energy transition. As a result, market-neutral implementation of the 3 EEPs may inadvertently reinforce structural barriers faced by disadvantaged groups. Additionally, the geographical concentration of ecological investments contributes to deepening territorial inequalities. According to the Ministry of Funds and Regional Policy, over 70% of EU funding allocated to environmental investments is directed toward the largest cities and metropolitan areas. Smaller towns and rural municipalities, often lacking administrative capacity and the financial means for co-financing, are frequently unable to successfully apply for such funding. This leads to a slower pace of modernisation in municipal housing stock and deteriorating housing conditions outside metropolitan centres.

Despite numerous challenges, the implementation of the 3 EEPs presents a range of opportunities to reduce housing inequalities in Poland. One of the key prospects lies in the integration of housing and environmental policies, enabling the creation of new public policy frameworks that combine social support with energy transition. Targeted thermal retrofitting programmes for low-income households, for instance, can substantially reduce living costs while improving housing conditions. Another opportunity involves expanding access to existing programmes such as “Clean Air” by revising eligibility criteria – e.g., eliminating co-financing requirements for low-income households or simplifying administrative procedures. Such measures would enhance the accessibility of funding for tenants of municipal housing. In the context of urban densification, introducing rent control mechanisms in rapidly transforming areas may serve as a critical tool. Tenant protection measures, including rent increase caps and priority leasing rights for current residents, could mitigate the risk of gentrification and displacement. Moreover, increasing investment in municipal housing in small towns and rural municipalities is essential for addressing territorial disparities in access to quality housing stock. Tailored financial and technical support for these areas would help bridge regional inequalities. Inclusive implementation of nature-based solutions (NBS) also plays a vital role; ensuring that such interventions extend beyond city centres to peripheral and disadvantaged neighbourhoods can reduce disparities in access to green spaces and enhance overall well-being. Finally, extending housing policy to include support measures for tenants in the private rental sector is crucial, as this group often bears the highest housing cost burden. Programmes offering rent subsidies or financial assistance for retrofitting rented properties could significantly improve their housing security and quality. Taken together, these measures represent a pathway toward a more just and inclusive energy transition and offer tangible means of addressing housing inequalities in the Polish context.

5 APPENDIX

POLAND	2002	2011	change 2002-2011	2021	change 2011-2021
Private	55,23	64,07	8,83	76,30	12,23
Municipal	11,55	8,70	-2,85	4,17	-4,53
Other	33,22	27,23	-5,98	19,53	-7,70
Total	100	100		100	

Table PL1: / PL, 2002, 2011, 2021: Ownership structure of dwellings (%). Sources: compiled by authors; data from national censuses – own calculations

POLAND	2002	2011	change 2002-2011	2021	change 2011-2021
Private	29,23	37,91	8,67	67,65	38,39
Municipal	16,61	14,43	-7,91	6,75	-4,53
Other	54,16	47,66	-26,92	25,60	-7,70
Total	100	100		100	

Table PL2: Warsaw, 2002, 2011, 2021: Ownership structure of dwellings (%). Sources: compiled by authors; data from national censuses – own calculations

	2005	2011	2021	change 05-11	change 11-21
owner occupier with mortgage	2,35	5,87	10,80	3,52	4,93
owner occupier outright	51,20	61,40	67,20	10,20	5,80
Cooperative	26,30	12,40	9,60	-13,90	-2,80
renting (market price)	2,69	3,50	0,03	0,81	-3,47
renting (below market price)	1,34	1,13	0,60	-0,21	-0,53
renting (without rent fee, just utlity costs)	14,30	14,40	8,20	0,10	-6,20
Other	1,86	1,23	0,40	-0,63	-0,83

Table PL3: PL, 2005, 2011, 2021: Tenure structure of housing (% of households). Sources: compiled by authors; data from Households Budget Survey – own calculations

	2005	2011	2021	change 05-11	change 11-21
owner occupier with mortgage	3,29	13,40	25,30	10,11	11,90
owner occupier outright	28,80	37,70	43,50	8,90	5,80
Cooperative	43,80	23,70	14,60	-20,10	-9,10
renting (market price)	5,64	9,60	4,60	3,96	-5,00
renting (below market price)	2,31	1,90	0,80	-0,41	-1,10
renting (without rent fee, just utlity costs)	14,70	13,50	10,70	-1,20	-2,80
Other	1,50	0,10	0,50	-1,40	0,40

Table PL4: Warsaw, 2005, 2011, 2021: Tenure structure of housing (% of households). Sources: compiled by authors; data from Households Budget Survey – own calculations

	2005			2011			2021		
	1st quintile	2nd,3rd, 4th quintiles	5th quintile	1st quintile	2nd,3rd, 4th quintiles	5th quintile	1st quintile	2nd,3rd, 4th quintiles	5th quintile
owner occupier with mortgage	8,13	48,40	43,40	2,40	45,03	52,60	1,13	46,34	52,20
owner occupier outright	22,90	57,20	19,90	21,50	58,70	19,80	19,10	58,60	22,20
cooperative	19,90	60,20	20,00	21,50	59,80	18,70	23,00	61,00	16,00
renting (market price)	26,80	57,30	15,90	19,80	60,90	19,40	16,90	66,70	16,40
renting (below market price)	35,60	54,60	9,90	24,50	61,90	13,60	25,90	63,70	10,60
renting (without rent fee, just utlity costs)	34,80	55,00	10,20	32,30	56,80	11,00	31,10	57,80	11,00
Other	43,00	50,20	6,80	57,90	38,61	3,53	45,10	46,80	8,00

Table PL6: PL, 2005, 2011, 2021: Gross income groups by tenures (in %). Sources: compiled by authors; data from Households Budget Survey – own calculations

	2005			2011			2021		
	1st quintile	2nd,3rd, 4th quintiles	5th quintile	1st quintile	2nd,3rd, 4th quintiles	5th quintile	1st quintile	2nd,3rd, 4th quintiles	5th quintile
owner occupier with mortgage	11,80	47,80	40,30	3,65	47,60	48,80	2,18	50,52	47,40
owner occupier outright	15,80	59,40	24,90	26,90	57,60	15,50	19,10	63,70	17,20
cooperative	23,40	60,50	16,10	24,80	56,30	18,90	28,70	60,30	11,00
renting (market price)	17,50	58,10	24,40	20,80	66,60	12,60	14,90	69,70	15,40
renting (below market price)	47,00	48,70	4,30	11,50	82,50	5,90	30,70	69,30	0,00
renting (without rent fee, just utlity costs)	41,70	49,70	8,60	31,30	61,30	7,40	42,50	52,00	5,50
Other	52,00	44,80	3,20	100,00	0,00	0,00	48,20	51,90	0,00

Table PL6: Warsaw, 2005, 2011, 2021: Gross income groups by tenures (in %). Sources: compiled by authors; data from Households Budget Survey – own calculations

National Report on the Housing System from a Multi-Level Perspective: Spain

1 EXECUTIVE SUMMARY

Spain's housing system faces a persistent structural crisis characterized by high commodification, limited social housing, and increasing affordability gaps. Historically rooted in a pro-ownership model, Spain has seen homeownership decline since the 1990s while rental tenure expanded, particularly after the 2008 financial crisis. This shift coincided with the financialization of housing, as austerity policies, foreclosure waves, and the privatization of distressed assets enabled global investment funds and real estate trusts to consolidate large portfolios, accelerating rentier accumulation and deepening inequalities.

Despite the 2023 Right to Housing Law, which introduced rent controls and tenant protections, systemic challenges persist. Social housing represents only about 2% of the national stock, among the lowest in Europe, while speculative dynamics—short-term rentals, seasonal lets, and foreign investment—inflate prices in major cities. By 2025, housing affordability surpassed unemployment as Spaniards' top concern, with 34.1% citing it as the primary issue. Urban centers like Barcelona exemplify these tensions: rents have risen far faster than incomes, and 45% of tenants are cost-burdened. Meanwhile, rural areas face depopulation and vacancy, reinforcing territorial imbalances.

EU Recovery and Resilience Facility funds (€6.8 billion) have driven energy-efficient retrofitting, yet uptake remains slow due to bureaucratic complexity and fragmented governance. Various green renovation programs risk fueling green gentrification and renovictions without robust anti-displacement measures. Similarly, the PERTE de Industrialización de la Vivienda seeks to industrialize construction and deliver 20,000 affordable units annually, addressing bottlenecks such as land scarcity, licensing delays, and labor shortages.

Spain's housing governance is fragmented across national, regional, and municipal levels, generating conflicts over competencies and regulatory strategies. While recent reforms signal a modest shift toward decommodification through public investment, rent regulation, and the mobilization of land and buildings remaining from post-2008 bank bailouts, entrenched market logics and intergenerational wealth inequalities continue to shape housing provision. Reducing housing inequalities in Spain will require coordinated governance, long-term public housing investment, and stronger regulation of speculative practices to ensure that climate and digital transitions do not exacerbate spatial inequality.

The report argues that a just energy transition in Spain will require stronger protections for tenants and permanent social housing strategies. As it stands, energy-efficient renovation, densification, and nature-based solution approaches all risk, to various extents, reproducing spatial injustice under the banner of the green transition.

2 THE HOUSING DEBATE

Since 1991, Spain has experienced a gradual but significant transformation in housing tenure patterns, marked by a slow decline in outright homeownership and a corresponding rise in mortgaged ownership and rental tenure. In 1991, most Spanish households—well over 80%—were homeowners, with the majority owning their homes outright. Over the next three decades, mortgaged homeownership rose sharply as access to credit expanded in the early 2000s, peaking just before the 2008 financial crisis. At the same time, the share of households in rental housing began to grow again after decades of decline, reflecting rising housing costs, more precarious employment, and reduced access to homeownership for younger generations. Social rental housing, however, remained persistently low—hovering around 2–3% of total housing stock—underscoring Spain's historical bias toward ownership and its underdeveloped safety net for low-income renters. These shifts have widened housing inequalities, particularly affecting youth, single-parent households, and migrant renters (IDRA, 2025), who face structural barriers to stable, affordable housing in a market dominated by owner-occupation and limited public provision (see Tables, Appendices). Meanwhile, homeownership has become increasingly out of reach for first-time owner-occupiers.

If we consider major cities such as Barcelona, Madrid, Valencia, and Málaga, these national trends have been even more pronounced due to the pressures of tourism, financialization, and gentrification. Between 1991 and 2021, the rate of homeownership in Barcelona remained relatively stable at around 68%, but its composition shifted significantly, from predominantly outright ownership to a growing share of mortgaged owners. At the same time, the private rental sector expanded steadily, rising from around 20% in 1991 to over 38% by 2021, driven in part by speculative investment, short and medium-term rentals, and constrained housing supply. Social housing remains critically low, with publicly owned units making up just over 1.5% of the city's housing stock, with cooperative and nonprofit housing experiencing some marginal growth. This dynamic has fueled spatial segregation and affordability crises, disproportionately impacting low-income households. Despite recent efforts to expand public housing and regulate rents, the overall tenure structure continues to reflect and reinforce deepening inequalities in access, stability, and housing quality.

The politics of housing, particularly at the municipal level, were central to a political shift in Spain since 2009: The founding of the Platform for the Mortgage Affected (PAH) in 2009 galvanized grassroots resistance against evictions during Spain's housing crisis, transforming housing into a central political issue. This movement propelled its spokesperson, Ada Colau, to the mayoralty of Barcelona under the political platform Barcelona En Comú (Barcelona in Common) from 2015 to 2023, marking a shift toward municipalist governance focused on the "right to housing" as a core policy agenda. At the level of the Spanish state, the Comunes, as part of the left-wing alliance Unidas Podemos (Together We Can), leveraged their role in a government coalition with the PSOE to make housing a legislative priority and were instrumental in drafting and negotiating the 2023 Right to Housing Law. By framing housing as a right enshrined under the Spanish constitution rather than as a commodity, this leftist alliance pushed the PSOE toward adopting stronger regulatory mechanisms targeting property speculation and addressing Spain's affordability crisis. While mortgage foreclosures remain an important political question, in recent years, it has been organizations of renters that have played a larger role in activism and political organizing in Spain, particularly the various regional renters' unions that have emerged and joined in the negotiations surrounding the 2023 Right to Housing Law.

Since December 2024, housing has become the top concern for Spaniards. According to Spain's official polling institution, the Center for Sociological Investigations, 34.1% of respondents cite housing as the main issue by February 2025, near the 2007 housing crisis peak (CIS, 2025). Affordability now surpasses unemployment and political instability. The EU has urged Spain to address a 600,000-unit housing shortage (Banco de España, 2024), and in April 2025, the Spanish government pledged €1.3 billion in EU funds to industrialize construction through prefabrication and advance public-private partnerships.

Housing policy debates center on demographic pressures (aging population, low birth rates, migration), territorial imbalance, the increasing centrality of private equity in the financialization of housing, and the proliferation of short-term rentals in tourist hubs. This is exacerbated by a migratory inversion, in which high proportions of floating populations in major cities are highly qualified foreign residents born outside of Spain, adding complexity to the historical migration-housing nexus that has defined urban growth and led to the decline of many rural areas in the country since the Francisco Franco regime. For example, according to the municipal register, 26% of the population of Barcelona are foreign nationals (considerably higher among those aged 20-39), rising 5.7% in one year, the majority of them highly qualified.

Homeownership, the centerpiece of housing policy and cultural aspirations since the Franco era, is increasingly inaccessible for the middle class. Since 2023, over 50% of home purchases have been without mortgages, driven by investors. By early 2025, only 14% of mortgages offered by Spanish banks were for primary residences (de las Heras, 2025). Young people, often stuck living with parents into their 30s and beyond, face precarious jobs and soaring urban rents, while elderly renters find themselves susceptible to renovictions. Meanwhile, cities attract remote-working international migrants, aided by national programs like the Digital Nomad Visa, the Golden Visa, and tax incentives (Beckham Law), fueling resentment among locals.

Affordable rentals are scarce in cities like Barcelona and Madrid. Spain's post-2008 housing market saw heavy foreign investment, especially from real estate investment trusts (SOCIMIs) and private equity firms (known colloquially as "vulture funds") purchasing bank-owned properties at discounted rates. Small-scale investors also contribute via second-home rentals. Transnational gentrification is driven by global mobility and favorable tax policies, displacing low-income residents and reshaping urban neighborhoods.

Tourist rentals via Airbnb and similar platforms have contributed to housing scarcity. In major cities and coastal towns, thousands of homes are removed from the rental market for tourism. Though cities—particularly Barcelona—have implemented some regulations, enforcement is weak, and national policy is only beginning to catch up. Municipalities bear responsibility but often lack legal tools, creating tensions within Spain's fragmented governance system.

While urban centers have become prohibitively expensive in relation to wages, rural Spain has low housing costs but faces depopulation and a lack of economic opportunities. Over 70% of municipalities have fewer than 1,000 residents, with many experiencing population decline.

Vacancy rates exceed 30% in many areas, highlighting unbalanced development. The discourse contrasting “emptied Spain” and over-touristed major cities remains central to political debates in Spain, with “left-behind” regions susceptible to rightward political shifts and distrust in green transition measures (Rodríguez-Pose and Bartalucci, 2024).

Efforts to boost social housing face obstacles. Spain’s public housing stock is very low by European standards, at around 2%. Despite notable recent pushes, national, regional, and local plans aim to construct social housing on public land but face bureaucratic, legal, and coordination challenges. Quality, affordability, and social equity concerns persist, especially with public-private partnerships. In recent years, innovations have come in the form of “public-commons partnerships” (Bianchi, 2024), such as publicly subsidized cooperative housing development and increasing roles for the non-profit sector in housing provision, particularly in Catalonia, but this has not occurred at a scale to make a major impact on the overall housing market.

Governance in Spain is particularly complex because housing is regionally devolved, but key fiscal and legal tools remain central. Conflicts arise when different parties govern each level, and their willingness to acquiesce to the 2023 Spanish Right to Housing Law. Along with social movements such as renters’ unions, EU pressure is increasing: Spain is urged to boost affordable housing, reform taxes, and streamline permits, but reforms often lack local legitimacy and specificity.

In June 2025, the European Commission warned that Spain’s housing crisis threatens economic growth. Recommendations include boosting social housing, streamlining permits, and shifting taxes. Vulnerable populations—non-EU nationals, disabled people, and low-skilled workers—are most affected. The currently governing Socialist Socialist Workers’ Party (PSOE) supports affordable housing, but disagreements at different political scales remain over funding and mechanisms. In Catalonia, municipalities are identifying land and using legal tools to reclaim housing for public use, and have been serving as a testing ground for many of the policies devised to attempt to address the housing crisis. This has principally occurred through the implementation of the price limits and tenant protections of the 2023 Spanish Housing Law, which has led to a reduction of long-term rental costs but also a major reduction in supply, strategic vacancies, and a shift to unregulated sub-markets (seasonal leases of 1-11 months, rental of individual rooms, etc.). In Spain as a whole, short-term and seasonal lets are 35% more profitable for landlords than traditional long-term leases, according to the most recent tax declaration data (Yebra and Jara, 2025). As of June 2025, seasonal rentals account for 11% of call contracts signed in Catalonia, with figures considerably higher in the Barcelona metropolitan area (Rigol, 2025).

Housing inequality reflects broader structural issues in Spain. Key among those is delayed youth emancipation, foreign capital and tourism pressure on the housing market, gentrification, and limited public housing converging into a fragmented, investor-driven system. Addressing this requires coordinated governance, long-term investment, legal reform, and a rights-based approach to housing.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national/local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

In the scope of the time frame under consideration in this study, the national and local housing systems have followed a relatively steady path toward residualism: the emphasis on homeownership—along with tax benefits—has shifted toward policies promoting rental housing and gradually supporting tenants' rights and security of tenure. Homeownership has largely been de-emphasized, aside from some subsidies for younger, first-time purchasers in some autonomous communities, while renting has become more dominant, along with more regulation of rental contracts and a shift toward a renter model of social housing provision. However, both the dominant models of promoting owner occupation or rental housing provision have occurred predominantly along residualist lines. Evidence of this re-commodification over time is the decline of social housing protections through Official Protection Housing (VPO), liberalization of renters' protections and land use planning toward market-driven housing development, the financialization of housing in the wake of the 2008 financial crisis, and the increasing domination of institutional investors over owner-occupiers in home purchase. In the aftermath of the 2008 financial crisis, austerity-driven retrenchment of public housing policies and the large-scale privatization of foreclosed assets created fertile ground for speculative investment. This enabled global financial actors—such as private equity funds and Real Estate Investment Trusts (in Spanish, SOCIMIs)—to transform housing into a high-yield financial asset, accelerating its commodification and deepening housing inequalities in the urban market. High levels of mortgage defaults and decreased accessibility to credit following the crisis have led to an increase in people living in rented accommodations, with skyrocketing cost burdens in recent years, particularly in major cities. Eviction moratoria and mortgage forbearances during the Covid pandemic helped to partially avoid a broader catastrophe, and, as previously mentioned, the influence of the leftist Podemos party in its government coalition with the PSOE led to the introduction of housing measures (price caps, longer leases, public housing construction) that represent an ambitious, but limited, shift toward housing decommodification.

The role of the SAREB33 is illustrative of housing commodification and financialization in the wake of the 2008 crisis, with the "bad bank" absorbing distressed real estate assets from

[33] SAREB (Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria) is Spain's state-backed "bad bank," created in 2012 to manage and sell distressed real estate and financial

bailed-out banks, a process that was financed almost completely by public funds, and financial losses were socialized while private actors were the greatest beneficiaries. SAREB's rental housing assets were initially managed by private equity firms such as Blackstone. In 2022, SAREB was recognized as having a "social mandate" through a shift that made the state its primary owner. García-Lamarca's argument (2017) that the SAREB portfolio should be treated as a public resource directed to social housing initiatives—reclaiming the social function of housing from financialization—was eventually accepted by the Spanish state, but not until after many of the most desirable housing assets had been auctioned off to institutional and individual investors. Elements of the current PSOE leadership acknowledge that the 50 billion euro bailout of Spanish banks was a lost opportunity to provide accessible housing, with the social mandate of the state becoming the majority stakeholder seen as a turning point in "reversing and restoring the justice that should have been achieved in 2012" (Noriega, 2025).

Since 2023, through the Right to Housing Law, the Spanish state and (some) autonomous communities (Catalonia, Navarra, Basque Country) have made major advances in promoting tenants' rights, controlling rental prices, mobilizing SAREB properties toward social rentals, and increasing the public provision of new social rental housing. Indeed, the 40,000 remaining housing units of SAREB and 2,400 vacant or partially constructed lots (with capacity to construct another 55,000 units) were transferred to a publicly-owned company managed by the Public Business Entity for Land (SEPES), a state-owned company under the aegis of the Ministry of Housing and Urban Agenda (MIVAU), in July 2025. The portfolio is worth an estimated 5.9 billion Euros. Within this are included the 7,500 housing units that SAREB offers as social rentals. Sepes has, until now, played a relatively minor role in residential densification through preparing former industrial land for residential redevelopment, then selling the land. The Spanish government is cautious to emphasize that SEPES will manage former SAREB properties not as social housing per se, but as permanently protected affordable housing with minimum income requirements, with the goal of "emphasizing that affordable housing is profitable, also for the private sector" (Noriega, 2025). All SEPES units will be for rental. Its first projects, of 1,600 units, will be financed and developed by the public company itself, but with the aim of starting public-private partnerships by the end of 2025. The model to be followed is expected to be one in which surface rights and public works concessions will be passed on to private developers, with agreement that the housing remains publicly owned after a defined period. Developers are expected to receive a 6-10% return on investment. Nevertheless, this is a major shift, as SAREB's goal was to sell these homes, which have now been transferred to state ownership, becoming available for a combination of social, accessible, and affordable rentals, with prices below the market and a commitment that costs will not exceed 30% of household incomes. There is a further element of political strategy involved in the implementation of SEPES' housing development, as funds will initially be almost exclusively

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assets transferred from troubled banks during the financial crisis. Originally privately operated with public oversight, it became fully state-owned in 2022 and now holds a significant portfolio of residential properties, some of which have been proposed for use as public or social housing.

focused on autonomous communities where regional governments have put into place Right to Housing Law protections, namely the designation of tense rental market areas.

While the Spanish government has recently emphasized the need for both regulation and an increase of affordable housing supply—with the President Pedro Sánchez pledging the creation of 1.5 million new affordable housing units in December of 2014—legal loopholes around seasonal rentals[34] and the subdivision of flats into individual bedroom leases—important secondary markets for migrants in large cities—would need to be closed, as they are currently being exploited en masse by landlords and real estate investors. So far, the main actions made in this regard have been the Spanish government's 2025 law requiring all short-term and seasonal lets to be registered with the government, and for a licensing number to be posted on online listings to reduce fraud. Addressing these issues, along with the continued construction of public rental housing in major metropolitan areas, would be key steps toward a more universalist housing regime. Other programs, such as recently instated rental and home purchase subsidies for young people in Catalonia, serve to create a more generationally equitable housing system, while at the same time leaving a residualist system largely intact.

A key question is what will happen with the housing units that were constructed in the developmentalist property boom under Francoism (1950s-70s)—when many households accumulated properties as homeowners—through intergenerational wealth transfer. Catalonia, Valencia, the Basque Country, and Navarra have revised the rules for VPO, in which new units will remain protected in perpetuity, but as of yet, there has been little effort to retain VPO properties as affordable housing after their protections expire. On a massive scale, affordable multi-family housing complexes (built at considerable public expense) are being transferred to the open market. As VPO expirations have long outpaced the construction of, and conversion to, social housing units, this implies that current measures toward housing decommodification are insufficient to counteract a net decline of affordable housing as VPO protections expire.

Intergenerational wealth transfer (whether through continued family use of a property, its rental, its sale, or its vacancy) plays a key role in a society still dominated by homeowners across the socio-economic spectrum, and in which owning rental properties is considered one of the most profitable modes of investment—particularly in major cities, provincial capitals, and areas with strong second-home and tourist markets. There is a considerable imbalance between inheritors of residential properties in the many "left-behind" areas of Spain, where inheritance may result in financial burden and abandonment, and those who inherit properties in tense housing markets. Intergenerational conflicts are driven by the realization that many younger people will not become property owners, a phenomenon labeled "generation rent"

[34] In the Spanish legal framework, vacation rentals are for less than one month and may subject to regulations, while seasonal rentals (1-11 months) and the rental of individual bedrooms remain unregulated, creating unregulated, largely "a-legal" leases.

(Institut de Recerca Urbana de Barcelona, 2023). Despite social movements' targeting of foreign private equity funds as responsible for the current housing crisis since post-2008 bank bailouts created strong incentives to dispose of distressed properties, there is also a strong culture of rentismo popular (popular rentierism) in Spanish society, in which acquiring rental properties is a key, culturally-ingrained strategy for wealth generation as reliable, or more so, than the Spanish stock exchange (Carmona Pascual, 2022).

The central role of intergenerational wealth transfer also influences autonomous communities' policies toward inheritance. According to Eurostat studies on inheritance trends, 15-20% of Spaniards reside in properties inherited through their family: this is higher in rural and small towns and lower in major cities. This trend, particularly in rural areas, leads to a stock of affordable housing that remains decommodified (as it does not enter the market). However, a key challenge is that taxes on inherited properties in areas of low market demand—much of the rural interior of the country and the "emptied Spain"—means that properties are often a financial burden, rather than an asset, for their inheritors. In many cases, this leads to vacancy and abandonment in areas with declining or stagnating populations.

The increasing market share of rental housing in major metropolitan and tourism-dominated areas—as well as speculation in the sale market—is a step toward the greater commodification of housing, with high rates of migration since the 1990s filling the gap for low birth rates.

The changing approaches toward the disposal of distressed properties acquired by SAREB as an indicator of a gradual, uneven paradigm shift from a residualist to a universalist mode, but not a fully decommodified one. For example, the state is gradually moving toward a model in which public bodies (autonomous communities or municipalities) have the right of first refusal when properties owned by large private investors enter the market: the new strategy is to acquire housing estates and convert them to public rental housing, allowing the state to provide new social rentals faster than they would be able to build them. Build-to-let investors are compelled to exit the market because of rent caps in tense housing markets where the Housing Law regulations have been implemented. Another example of an attempt to create permanent VPO housing—though it might be a stretch to call it decommodification—is the Catalan government's 2025 Emancipation Loans, granting interest-free loans to first-time buyers under 35, encouraging the conversion of purchased homes to permanent VPO.

Thus, we can see that the path change is developing toward a dual market, in which housing continues a path toward commodification while at the same time, the state plays a more active role in protecting tenants and providing de-commodified housing, while leaving a speculation-led model largely intact. If seasonal lets are most stringently regulated, in places like Catalonia that have implemented rent controls, this will continue to result in inflated sale prices: prices have already surpassed 2008 levels in Barcelona and are projected to continue doing so, driven largely by strong demand from foreign investors.

There are key limits to what the Spanish state may do to control or coordinate these dynamics since autonomous communities have the right to elect whether they apply certain elements of the Housing Law, such as "tense zone" protections, and the majority of autonomous communities have elected not to apply them. Most regions governed by the conservative Popular Party—Madrid, Galicia, Murcia, Cantabria, Andalucía, and the Balearic Islands—have refused to declare tense zones or rent caps, citing concerns about market distortion, administrative burden, or jurisdictional conflict. This speaks to the limitations of top-down policies toward greater rights of tenants within a fragmented system of governance.

II. Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system and the local housing system? (For example, one fostering re-commodification, the other preventing it?)

Historically, there have been structural diversions between Catalonia and the Spanish state, and also between the municipality of Barcelona and Catalonia. Catalonia, and particularly Barcelona, has tended to spearhead more de-commodification efforts than the Spanish state as a whole, evidenced by autonomous community housing policy (2007 Catalan Right to Housing Law) and Barcelona's various attempts in the regulation of private rentals and prioritization of tenant protections. This may be partially explained by demands for greater devolution of powers or Catalan independence, but also reflects that metropolitan Barcelona has experienced phases of housing crises since the early 2000s.

Recent years have seen conflicts, with Catalonia passing various measures toward the de-commodification of housing, including a rent control law (in place 2020-2022), which led to an average rent reduction of 3% (28 Euros monthly), but was overturned by the Spanish constitutional court (OH-B, 2022).

The 2023 Spanish Right to Housing Law was greatly influenced by earlier experiments in Catalonia, even if Spanish law is weaker in regulating private rentals. We can also consider debates within the same political parties at various scales—for example, though Catalonia is currently governed by the same party as the Spanish state—the Catalan Socialist Party (PSC)—the Catalan branch of the PSOE—abstained from a Catalan parliament vote which would have placed greater regulations on temporary rentals, effectively vetoing the measure and highlighting the parties historical alliances with the real estate lobby.

If we consider the debates between different spatial scales, even within the PSOE, there are divergences between directions of travel. For example, when the 2023 Right to Housing Law was being written, various research interviewees from the ReHousIn project explained that the Secretary of State for Housing and Urban Agenda vocally opted to leave seasonal lets unregulated as a pressure relief valve to appease Spanish real estate interests. At the local level, current Barcelona mayor Jaume Collboni campaigned on and sought to enact a modification of a local regulation requiring developers to provide 30% of new units as affordable housing in new developments or buildings undergoing major renovations. This was first framed as abandoning this approach outright due to its perceived impact of slowing new development, then later reduced to loosening regulations so developers could build affordable housing at the same volume on other sites. This can be interpreted as a push toward re-commodication, though it was recently abandoned because the center-right Catalan independentist party Junts was unwilling to endorse the modification (Lamelas, 2025).

Like the the original Catalan rent control law, the implementation of the Spanish law in Catalonia brought long-term rental prices down, in the case of the latter by approximately 6% (Jofre-Monseny et al., 2023). However, at the same time, property owners took many residential units off the market or shifted from long-term to seasonal lease structures, greatly reducing the supply of long-term residential rentals.

Since 2023, there has been a general agreement between the local housing system (in Metro Barcelona and Catalonia) and the Spanish state in Madrid, though the state is in stark conflict with the autonomous community and municipality of Madrid, governed by the right-wing Popular Party. This can be explained, in part, because as of 2024, the Spanish state, the Catalan government, and Barcelona City Hall are all governed by the Socialist Party (PSOE and PSC).

Catalonia has been a pioneer in the regulation of rental properties under the Spanish Right to Housing Law, followed by the Basque Country and Navarra. This is challenging because competencies held at different levels of the state create structural divergences: municipalities are predominantly responsible for urban planning, land use regulation, and issuing construction permits. Some municipalities can also give rent subsidies and build their own public housing. Autonomous communities only have competencies in normative terms, such as creating legal definitions of “protected housing” and whether/how it can eventually be privatized (or not). The regulation of tourist rentals is the competency of both autonomous communities and local governments, though the state appears to be starting to intervene. The state, for its part, has the main competencies of civil regulations through the Urban Rent Law, the Housing Law, and various elements of urban planning and economic activities. It is also a key actor in creating housing plans and financing autonomous communities, and its role has increased greatly in recent years.

While approaches to housing and land use policy at the level of the Spanish state and certain regions represent elements of de-commodification within an overall framework maintaining elements of neoliberalism, in regions governed by the conservative Popular Party—the Community of Madrid, Andalusia, the Canary Islands, the Balearic Islands, Extremadura, and Murcia—are taking a more deregulatory path that avoids implementing tenant protections and state-led land provision for subsidized rental housing production. Rather, autonomous communities are following the lead of the Community of Madrid, whose plan to address the housing crisis is liberalizing land use planning regulations so that housing—including protected housing—can be built on land which has been zoned for other purposes in an expedited fashion (Santamarina, 2025), based on the argument that the housing crisis is, foremost, an issue of undersupply.

For Spain to achieve a more decommodified housing system, robust regulation of rental properties (and, especially, vacation and seasonal rentals) would need to be implemented, and to catch up with the rest of Europe in terms of housing justice requires a major push toward the construction of, or conversion of buildings to, public and social housing. Currently, rent regulations function as a patch but do not address supply-side issues in a country where 98% of housing units remain in private hands.

III. What synergies and/ or conflicts exist between the vertical and horizontal governance levels?

We can point to shared funding of housing plans, like the State Housing Plan, which is adapted by autonomous communities according to their housing needs. EU funds have also been essential in this regard, especially EU NextGen funds, as they have been distributed by the State to autonomous communities for social housing and building refurbishment. In Catalonia, there are a variety of joint housing initiatives, such as the Barcelona Housing Consortium, a collaboration between the Catalan government and Barcelona's city hall. During the COVID-19 pandemic, there were high levels of coordination between government institutions at different levels, including protecting housing for the economically vulnerable (against evictions and mortgage foreclosures, enhanced unemployment benefits, etc.).

Discordances between the Spanish state and the Generalitat (the Catalan regional government)—even between the same political party—have already been mentioned. At times, depending on the political balance, there are also conflicts between the municipal government of Barcelona and the autonomous community government. This often regards competency disputes or funding constraints, pitting local, regional, and national governments against one another. Barcelona has frequently criticized the Catalan Government—often dominated by more conservative parties than the city itself—for inadequately funding and supporting social and affordable housing initiatives. The Catalan Government has been slow in delivering promised funds, including renters' subsidies. Under Mayor Ada Colau, the city highlighted discrepancies in Catalonia's housing budget, which is well below the European Union average. The city administration under Colau called for strong regulatory frameworks to control rental prices, with the Catalan Government taking a more cautious approach to regulation. Furthermore, Barcelona City Hall had taken an aggressive approach toward expropriating vacant properties and fining large landlords for leaving homes unoccupied, measures that the Catalan government has been slower to adopt (this was part of the center-left independentist Republican Left party's platform last year, though they lost the power of the Generalitat). Barcelona has been more active in recent years in delivering SR housing within the city itself—including expropriating vacant land—while the Generalitat has been slower to deliver on pledges to construct public housing. This is happening more now, largely due to funding injections from the Spanish state and the European Union, and the Catalan government's pledge to create 50,000 social housing units by 2030.

In current debates around the housing crisis in Barcelona, public-private organizations such as the Barcelona Metropolitan Strategic Plan (PEMB) are calling for greater collaboration between the Catalan government, the Metropolitan Area of Barcelona, municipalities, and the private sector. They argue that the housing policy needs to scale up from the metropolitan area (36 municipalities) to the "second metropolitan ring", or Barcelona region, with rent regulations, the mobilization of empty properties, and the provision of public land for housing co-operatives as "meanwhile" approach, while the construction of gradually social housing is scaled up. This would be essential to construct the projected 475,000 new homes in the metropolitan region by 2050, as called for by the recently approved Metropolitan Plan.

In the period in focus, the Generalitat has consistently claimed that the Spanish state has underfunded affordable housing programs and that Catalonia does not receive funds proportionate to its population size and housing challenges. In 2022, the Catalan Government accused the Spanish government of failing to adequately fund its portion of rental subsidies under the State Housing Plan. The most serious conflict was the overturning of the 2020 Catalan Rent Control Law: while this was determined in a constitutional court rather than in a political body, the challenge was made by the Spanish government itself. The same happened with previous attempts of the Generalitat to expropriate vacant properties owned by banks for social housing. While Catalonia's claims for greater autonomy cannot be separated from broader demands of the independentist movement and its key parties, which factor into nearly all political calculations between the Spanish state and Catalonia, the Catalan government has typically taken a stronger stance toward the decommodification of housing than the Spanish state.

3.2 Q2: Impact of exogenous macro-trends, policies, and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogenous macro-trends (e.g. EU policies / welfare restructuring) and crises (e.g. financial crisis, housing affordability crisis)?*

Housing—and especially public and private rental housing—is at the forefront of national political agendas in contemporary Spain. The dynamics of exogenous macro-trends have led to various processes of de- and recommodification of housing during the period in question, unfolding through policy shifts and structural economic changes.

Entering the European Union (in 1986), less than a decade after the transition to democracy and the opening of the Spanish economy, has had several implications for the commodification and decommodification of housing. On the one hand, Spain's membership in the EU provided access to various EU funding mechanisms that have been used to finance the construction of social and affordable housing. The EU has also funded infrastructure projects that have indirectly impacted housing markets (transport, utilities, urban redevelopment), boosting housing demand. However, on the other hand, entering the EU has led to the liberalization of the housing market, with EU rules encouraging increased competition, deregulation, and free flow of capital (along with the freedom of movement of people).

The commodification of housing in Spain was spurred by endogenous, neoliberal housing reforms such as the 1985 Boyer Degree (updated in 1992) which did away with tenant protection (price freezes and security of tenure), Spain's entry into the European Economic Area, and its adherence to the European Stability Pact (1992) further promoted fiscal austerity measures and the liberalization of the housing market. Integration into the EU led to an influx of foreign investment in Spain's housing sector, particularly in the 1990s and early 2000s, and then again after the 2008 housing crisis. This has led to Spain being an attractive market for foreign investors in real estate. The increased availability of capital and the liberalization of lending practices because of market liberalization and foreign investment led to a housing boom in the 2000s, mostly for the commodified OO market.

In the wake of the 2008 financial crisis, the commodification of housing could be said to have increased, but in a different form: a shift from owner occupation toward the growth of the buy-to-let market, the entry of international institutional investors from the EU and beyond, and the increase in the financialized private residential rental market. If we consider that EU membership has imposed restrictions on Spain's ability to implement national housing policies, this indirectly led to a reduction in state intervention in the market to comply with EU public procurement and competition rules. The European Commission's state aid rules have also placed limits on large-scale public housing programs and their target populations, especially in terms of subsidized rental housing, while the EU principles of market competition have also placed in jeopardy elements of rent control laws and regulations around seasonal and vacation rentals in recent years. Overall, a case could be made that entering the EU had an overall impact of further commodifying the housing market.

We can also consider the 2008 financial crisis and its aftermath concerning credit access policies of the European Central Bank, as well as the reflection of a broader failure to regulate financial capital worldwide. Where the lead-up to the crisis was facilitated by easily accessible credit, speculation, and overleveraged developers with an emphasis on owner-occupied, commodified housing, the response to the crisis in Spain was the acceleration of housing financialization, capitalized upon by national banks and international investment funds. Rentiership becomes more central to modes of capital accumulation, with financial institutions purchasing distressed properties at highly discounted rates to convert them to rental properties. The creation of the SAREB turned distressed real estate assets into financial instruments and investment assets, seeing the rise of corporate landlords (both national and international), increased tenant evictions, and increased speculative vacancy. The second-hand housing market became ripe for speculation, while we also saw the emergence of build-to-rent schemes and SOCIMIs as financial instruments. This commodification of housing has greatly contributed to the ongoing affordability crisis, worsened by mass tourism and by short-term and seasonal rentals to tourists and digital nomads in major cities and coastal tourism areas.

The COVID-19 pandemic triggered some decommodification measures in Spain, some temporary and some lasting. There were, for example, eviction moratoria and mortgage forbearances, though this did not so much impact commodification as tenants' rights. In major cities, there was a partial return of some vacation rentals to the long-term market that might not have happened without the pandemic's impacts on mass tourism. These measures, however, were reactive and temporary, not leading to a longer-term decommodification shift.

In recent years, EU structural funds—particularly NextGen funds—have directly impacted Spain's housing strategies. In some ways, this has resulted in the increased production of decommodified housing through the promotion of new VPOs and cooperative housing developments. However, EU policies have also limited the scope of subsidized housing by targeting it only to lower-income groups, as opposed to a more universalist approach. In this sense, EU policies uphold commodification by focusing specifically on needs-based housing assistance with heavy involvement of the private market.

The City of Barcelona also relies upon European Union finance for the social housing it has constructed in the past decade: Between 2017 and 2025, the city council has accessed 190M€ in European Investment Bank (EIB) financing for the construction of approximately 2,700 public rental housing units (Mayors for Housing, 2025), circumventing a political climate when little public housing initiatives were happening at the state or regional level. Considering that 10,000 people entered the lottery to access 201 new affordable housing units in a new building next to the new the new Glòries Park in Barcelona, access to public and affordable housing remains incredibly competitive in the city.

In summation, while Spain is in the midst of a paradigm shift in housing policy since the 2023 Right to Housing Law, its housing system continues to follow a path-dependent trajectory of commodification deeply rooted in the Franco era and neoliberal reforms since the 1980s, and a net loss of public housing units. It appears that the widespread reforms since 2023 will lead to a modest shift toward decommodification of the rental housing market through increased tenant protections and the construction of new social housing, but it is unclear to what extent this will rein in housing speculation, price inflation, and VPO expiration, as market forces still dominate.

If we consider specifically the transfer of SAREB properties to a state-owned land company to create affordable housing, which could be considered a step toward the creation of social housing, we nevertheless witness a continued path toward housing commodification, albeit through a modality that offers some benefits to tenants, particularly those of the middle classes. This is because, instead of removing these assets entirely from speculative markets, the operation leaves their status as financial products intact through keeping them as mechanisms prioritizing debt recovery over the imperative for social housing that prioritizes a broader spectrum of society, including lower-income people. The “near cost-neutral” approach to the state management of SAREB properties sidesteps possibilities toward deeper housing reforms prioritizing social, rather than affordable, housing. Thus, rather than decommodification, the SAREB deal perpetuates the financializing logic that turned homes into tradeable assets during the post-2008 financial crisis through market-driven management in the form of a state-owned company, reinforcing the role of housing as a commodity. As the declared objective of this approach is to increase the supply of protected housing as a mechanism to drive the lowering—or containment—of current real estate prices, and the governments’ plan to create “its own Idealista” (referring to the main online real estate platform in Spain), the approach is one of extending, rather than containing, the market logic of housing provision.

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to the production of affordable* *housing and the key enablers of the production of affordable housing, in both the national and local housing systems.*

The ability of Barcelona’s local housing system to deliver affordable housing is currently constrained by a set of structural imbalances, policy limitations, and external pressures that have accumulated over the past two decades. Despite recent regulatory reforms and intensified monitoring of housing market trends, the city continues to struggle to meet the needs of its low- and middle-income households. An April 2025 report (OH-B, 2025) reveals that affordability challenges are deeply embedded in the urban housing landscape, where demand has consistently outpaced supply, and policy responses have not yet closed the gap.

One of the most pressing issues facing Barcelona’s housing system is the persistent misalignment between income levels and housing costs. Data from the OH-B shows that between 2000 and 2023, household incomes increased by less than half the rate of average rents. This affordability gap has meant that a growing proportion of tenants are experiencing housing cost overburden, defined as spending more than 40% of household income on rent. In 2023, nearly 45% of market-rate renters in Barcelona fell into this category. The situation is particularly acute among younger residents, migrants, and single-parent households, who are disproportionately affected by high rental costs and insecure tenure.

The origins of this crisis can be traced not only to market dynamics but also to long-standing underinvestment in public housing infrastructure. At present, social rental housing accounts for only 2% of the housing stock in Barcelona, the same as the national average.

The supply side of the housing system has not kept pace with demand. While the population of Barcelona has grown steadily over the past two decades—driven by immigration, demographic shifts, and lifestyle changes—new housing construction has lagged far behind. The number of completed residential units has remained stagnant, and land scarcity in urban cores has further constrained development. The result is a tightening of available units, especially for long-term rentals. Overcrowding is on the rise, with a significant increase in the number of “multi-household” units, where more than one family shares a single dwelling. This trend reflects not only a housing shortage but also the growing unaffordability of living independently in the city.

Another factor distorting the local housing market is the proliferation of short-term and seasonal rentals. Since the rise of platforms like Airbnb, the share of housing used for tourism-related purposes has expanded rapidly. The 2025 OH-B report notes that over 10,000 tourist apartments are legally operating in Barcelona, and this number does not account for illegal or unregistered units. These apartments, concentrated in central and coastal neighborhoods, exert upward pressure on rents by reducing the supply of homes available for autochthonous residents. The trend has been further complicated by a surge in temporary rental contracts—leases that fall outside the scope of rent control regulation. In Q4 2024, seasonal rentals made up over a quarter of all new contracts in the city, highlighting a growing shift by property owners to bypass price caps and maximize returns.

The implementation of rental regulation in March 2024 marked a significant shift in housing policy at the regional level. Under the framework of Spain’s 2023 Housing Law, areas designated as “stressed residential markets,” including Barcelona, are subject to controls on rent increases. New leases must be linked either to the previous contract's rent or to a benchmark index established by the Generalitat de Catalunya. The initial impact has been measurable: Accounding to the Catalan Land and Housing Institute, by Q1of 2025, the average rent for new contracts had fallen by 8.9% in Barcelona and 4.7% in stressed residential market areas in Catalonia compared to the same time the previous year This contrasts with years of steady increases and indicates that the regulatory measures are beginning to moderate market dynamics. However, there has also been a 52% increase in new temporary contracts (short-term and seasonal) in Catalonia, demonstrating landlords' tactical shift toward these lease structures and reducing the supply of long-term rentals (Rigol, 2025).

Price caps alone do not address the root causes of the crisis. Landlords retain considerable flexibility in how, to whom, and for how long they lease their properties. Enforcement remains a challenge, and loopholes in the system can lead to underreporting or misclassification of contracts. While some property owners have taken advantage of new tax incentives—such as the 90% income tax deduction available to those who reduce rents by 5%—many remain skeptical of state intervention and prefer to hold or sell properties—or convert them to short-term or seasonal rentals in major cities with tourist pressure—rather than lease them under regulated conditions.

At the national level, several initiatives aim to increase the volume of affordable housing. One of the most ambitious is the Strategic Project for the Industrialization of Housing (PERTE), launched with EU recovery funding. This program targets the construction of 20,000 affordable homes per year through modular and prefabricated building methods. It seeks to streamline the development process, reduce costs, and overcome the bottlenecks of traditional construction. However, its success will depend on local cooperation, land availability, and sustained financial backing.

Despite these obstacles, there are enablers within the system that could support the long-term production of affordable housing. Barcelona benefits from a robust institutional framework for data collection and policy evaluation. Especially under the citizen municipalist Ada Colau's mayoralty (2015-2023), the municipality has also taken steps to regulate tourism rentals more aggressively, impose penalties for non-compliance, and protect tenants from displacement.

Civil society organizations, housing cooperatives, and community land trusts are playing a growing role in expanding non-market housing alternatives. These models, though small in scale, provide a template for more inclusive and participatory approaches to urban housing. They offer a counter-narrative to speculative development and could serve as a foundation for broader reform if adequately supported by public policy.

The capacity of the housing system in Barcelona to deliver affordable housing remains constrained by structural imbalances, insufficient supply, and market pressures exacerbated by tourism and speculation. Recent policy measures—including rent controls, tax incentives, and national investment programs—represent important steps toward mitigation, but they must be part of a more comprehensive strategy. This would require deeper coordination between national, regional, and local governments; increased investment in public and social housing; and stronger protections against the financialization of housing.

II. How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?

The housing system in Barcelona—mirroring broader national dynamics—has been severely challenged in recent decades by a convergence of crises and macro-trends that have eroded its capacity to provide affordable housing. A sustained housing affordability crisis has taken root, characterized by the structural divergence between average household incomes and housing costs. According to the OH-B, from 2000 to 2023, household incomes increased by 84%, while average rental prices rose by 178%, and the price of second-hand housing by 165%. This affordability gap has become particularly acute in the rental sector, where a growing segment of the population has been priced out of ownership due to tighter credit conditions and rising purchase costs, thus increasing dependence on rental housing.

A further challenge lies in the changing dynamics of the rental market itself. Since 2019, legal reforms at the national level have extended the minimum duration of rental contracts from three to five or seven years, depending on the type of landlord. While this has increased housing stability for tenants and reduced evictions, it has also led to a notable decline in rental turnover. With fewer tenants moving and landlords taking properties off the rental market or shifting to seasonal let arrangements, the number of new rental contracts has dropped significantly—by over 20% since early 2022—potentially limiting market flexibility and reinforcing supply constraints, while at the same time providing renters who have long-term leases with more security.

III. What challenges have the state and non-profit sector faced, in the light of recent crises (e.g. 2008 GFC, Covid emergency interventions)?

A key challenge is that a great deal of private developers went out of business in the wake of the 2008 global financial crisis, leaving a greatly reduced number of large developers with the capacity to build at a large scale. Now that the Spanish state and some regional governments are emphasizing building large-scale social housing complexes, this is perceived by policymakers as only possible through increased partnership with these large national firms and the entry of new firms with European finance capital.

The key Spanish state intervention into the construction sector has been the 2025 introduction of the PERTE, which is designed to address various barriers limiting the speed and agility of housing construction, including the scarcity of buildable land in many metropolitan areas, slow bureaucratic licensing, increasing construction costs, and a shorage of qualified construction labor as the result of a prolonged decline in new-build development since 2008. The construction sector of Spain, typically described as low-productivity and under-industrialized, is the target of this plan, which commits 1.3 billion euros in public funding—leveraging private investment—toward industrialized, modular housing production, reducing build times by 20–60% and boosting sector productivity.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

Energy Efficient Retrofit

The structural underpinning of Spain's housing crisis has much to do with the dynamics of assetization- the transformation of housing into an asset for financial investment that prioritizes revenues and asset valorization over the response to a social need for housing. The cumulative outcome has been a housing regime in which scarcity, not abundance, underwrites value, and where public institutions often function less as correctives to market failure than as active enablers of rentier accumulation. This is widely observable in the second-hand market within which rehabilitations are based.

As Delclós and Vidal [2021] cautioned, for EU-funded housing rehabilitation activities under NextGeneration (2021-2027) to avoid exacerbating housing inequalities in Spain, initiatives must not on seek only climate neutrality but also housing cost neutrality and neutrality of housing tenure that empower tenants' unions and right-to-housing organizations as key stakeholders in the just transition: "Unless there are changes in this direction, the new wave of public investment will likely engross private profit, undermining its social impact on the right to housing" (p.336). Universal housing retrofit grants and subsidies in Barcelona have tended to favor higher-income groups, resulting in a greater number of retrofits completed and greater investment per homeowner, but not playing an economically redistributive function. Meanwhile, targeted housing renovation subsidies in private multifamily buildings in more urgent need of rehabilitation address households with more critical needs and result in more comprehensive energy-efficient retrofits (Esteve-Güell, 2025). While Esteve-Güell suggests that an optimal approach would be a combination of universal and targeted retrofit schemes in order to increase social equity while meeting EU rehabilitation targets of 3% annually, if we focus more squarely on targeted retrofit programs paired with anti-displacement protections, such targeted programs are more likely to reduce housing inequalities. Those facing the greatest risk of negative repercussions from the "renovation wave" are tenants, particularly those living in high-pressure housing markets.

The state's role has been less redistributive than it has been an intermediary between European Union funds and, principally, homeowners' associations, as most Spanish people live in private apartment blocks. Spain has been referred to as a "democracy of property owners", and this term adequately describes the dynamics of retrofit: decisions are ultimately made by homeowners (owner-occupiers and landlords alike), building by building. There has been a slow take-up of European Union residential refurbishment funds in Spain. €6.8 billion has been allocated nationally to support energy-efficient renovation, marking a shift from cosmetic improvements to deep, structural upgrades with climate objectives. The funding is unprecedented, but uptake has been slow due to mistrust, bureaucratic complexity, and the difficulty of coordinating multi-owner residential buildings. From the EU-funded Recovery, Transformation, and Resilience Plan, Programs 1 to 5 were designed to cover everything from technical diagnostics to project execution, with subsidies reaching up to 80%. Yet, citizen engagement lagged, with the first visible demand in Catalonia appearing six months after the program launch. Homeowners often prioritize other needs, like elevators, and do not see energy renovation as urgent or beneficial. As fieldwork has demonstrated, applications for rehabilitation subsidies are going to middle-class (often architects or those well-versed in policy) who convince fellow owners of homeowners associations and their often apprehensive property administrators. This dynamic is quite common in mid-20th-century apartment buildings that had once been VPOs.

If we are to focus on the impacts of individual households rather than broader systemic trends, the key threat of energy-efficient retrofits concerning housing inequalities appears to be the threat of renoviction, though there is little data available to corroborate this widely held concern among housing activists, planners, and policy analysts. Spain does not have a "just cause eviction" law, as may be found in parts of North America and is being introduced in the United Kingdom: lease termination is a justifiable ground for eviction in Spain. In some cases, particularly vulnerable families with children, squatters have some "just cause" protections from evictions, particularly if their landlord is legally considered a large property holder. Considering that hundreds of thousands of leases signed during the Covid-19 pandemic are expiring in 2025, many occupied units will likely undergo energy-efficient retrofit as a pretext to evict tenants and later raise rents—what we could call "green renoviction"—though we do not yet have final data on the distribution of these funds.

Looking forward, there is a major issue in relation to EU energy efficiency mandates and their impacts on the Spanish housing system. The EU's updated Energy Performance of Buildings Directive (EPBD 2024/1275), which incorporates Minimum Energy Performance Standards (MEPS), mandates that Spain (and all other member states), requires that all homes sold or rented from 2030 must have an energy rating of E or above, and by 2033, this will require a rating of D or above, with increasingly stringent requirements as years pass. Only 75% of housing units fulfill the 2030 requirements, and only 15% of homes fit the guidelines anticipated for 2033.

There is a gradual acceleration of energy-efficient retrofits of residential buildings driven by European Union subsidies (López, 2024). The subsidiary of the New York-based private equity firm Blackstone, Effic is one of only two large companies operating throughout Spain. Blackstone is also the largest private landlord in Spain and in the world. Effic has served over 7,000 property administrators—who are now eligible for direct loans from banks—offering a full-service model that includes technical assessments, financing, project execution, and administrative support, and is publicly lobbying for greater regulation, which would make properties with F and G ratings unable to be rented.

Even with a model in which private equity profits directly from EU subsidies, the rehabilitation wave is well behind meeting targets. For Spain to reach the EU 2050 climate targets, it would need to accelerate retrofits from a current rate of 30,000 per year to 300,000 per year.

There does not appear to be widespread public awareness in Spain about the availability of public subsidies for energy-efficient retrofit. This is also due to property administrators being unaware of, or uninterested in, the bureaucratic steps involved in seeking such funds. Aside from specific large-scale retrofit projects of lower-income, marginalized neighborhoods like Sant Ildefons in Cornellà de Llobregat (Barcelona)—increasingly being treated as a model case worthy of replication—there are few examples of retrofitting projects that are completed at a large scale, targeted in an area where homeowners would be unlikely to pay for retrofit themselves.

Densification

Densification is only beginning to be a part of policy conversations in Spain, mainly within the context of thinking of metropolitan-level, often transit-oriented, housing development plans and policies. We must consider that about 90% of Spain's land area is uninhabited (making it the least densely settled country in Europe), while at the same time, settled (particularly urban) areas are among the most compact and with some of the highest population densities in Europe. There are indeed issues of urban sprawl: for example, 85% of population growth in the metropolitan area of Madrid has occurred in the suburbs rather than the central city since 1990. Barcelona also experienced significant peri-urbanization since the creation of new automobile infrastructures for the 1992 Summer Olympics, as the city's confinement by mountains and the sea makes residential expansion only possible on requalified industrial and infrastructural land, of which reserves are limited. Thus, hard densification comes into play in major urban areas, particularly on rezoned brownfield sites. This is increasingly the strategy for the construction of new mixed-income and social housing in metropolitan Barcelona. In secondary cities, the development of green fields on the peripheries of cities remains common, whether for market-rate, social, or mixed housing.

Soft residential densification is also occurring, particularly in Barcelona and Madrid, where ground-floor commercial spaces—and even parking garages—are converted or subdivided into housing, while the rental of individual bedrooms is a rising trend since its lack of price protection regulations by the 2023 Right to Housing law. On the other hand, small family sizes and incoming highly-qualified migrants in Barcelona have created a market where 32% of all households are one individual (40% of those aged 65+), up from 25% in 2021. On the other extreme are households made up of multiple, principally migrant, families sharing small apartments. There are ongoing trends of soft densification of commercial spaces in Madrid and Barcelona, but there are serious concerns about the suitability of these spaces, many of which do not comply with the minimum parameters established principally by autonomous community law.

We see variations in which, through soft densification, pre-existing buildings may see increases and decreases in population without any new construction. The most notable form of soft densification in Barcelona is the gradual conversion of street-level commercial, bars, and light industrial spaces into housing. There is a market for purchasing properties without a habitability certificate and either illegally renting or reselling these properties as residences, or speculatively purchasing lower-priced commercial spaces and then seeking permission for residential conversion. Such ground-floor units are key elements of so-called “infravivienda”, a broad term for sub-standard housing, which tends to be overlooked by authorities since their tenants are more likely to be vulnerable and unable to access housing elsewhere. On the other hand, Barcelona has experimented with converting these spaces to homes for physically disabled people in some neighborhoods, driving a debate for the appropriate mix between ground-floor commercial and residential usages.

Overall, a key question is whether forms of new-build, hard densification in urban Spain should be understood as significantly divergent from the greenfield and brownfield development that have dominated state-led gentrification strategies (in the case of historically industrial areas) or developer-led suburban expansion (in the case of greenfields) in recent decades. Being as, particularly in the case of EU-funded schemes and in self-fashioned green cities like Barcelona, Nature-based Solutions (NBS) are incorporated into the comprehensive planning processes, such ecological interventions go hand-in-hand with redevelopment projects: this creates challenges to assess to what extent such activities represent green transition objectives, or simply implicate such projects into new “rules of the game”.

The role of public-private partnerships and public-commons partnerships is becoming an important element of an approach to building an additional 600,000 housing units, with ongoing debates on how many of these should be protected housing and through what mechanisms. The Catalonian government, for example, has committed to creating 50,000 new units of protected housing—predominantly on a rental model—by 2030. To get close to this unlikely target, the role of private builders is key: since the 2008 crisis, many construction companies have gone out of business, leaving only a handful of large, national homebuilders with the capacity to build at such a pace and scale. The extent to which public-private partnerships will prove fruitful will depend on the contexts and conditions in which they occur. Debates on the political left echo those occurring previously in cities in New York and London, where new mixed-income developments have internal segregation (access to a pool, or “poor doors”), but generally accept the need to mobilize the private building sector to build public housing. This, in turn, relates to the theme of densification (in the case of the conversion of industrial and infrastructural land to housing and public facilities) in the case of Barcelona, but also to greenfield development, as is seen in redevelopments on the periphery of Madrid.

Due to European Union Next Generation funds distributed to Spain as part of the Covid recovery package, there is a great deal of renaturalization and green infrastructure projects currently occurring, particularly in secondary cities, while activities in the largest cities—varying in scale and extent—are more likely to come from municipal or metropolitan comprehensive planning. Approaches of secondary cities appear more opportunistic and tailored to the language of European Union promotion. In the case of case studies in Catalonia, as NBS have been widely integrated into the planning of major rezoning projects, they are largely inextricable from broader processes of brownfield or peri-urban greenfield redevelopment. In Barcelona, this is largely through the SUDS program, or Sustainable Urban Drainage Systems, installed in the process of creating new public space, green infrastructure, and flood risk mitigation elements as a precondition of private or public site planning.

Nature-based solutions

NBS, while essential for building climate-resilient and healthier cities, are increasingly implicated in processes of green gentrification in Spanish urban contexts. In cities like Barcelona, for example, the implementation of parks and green corridors—particularly in former industrial areas such as Sant Martí—has coincided with rising property values, demographic shifts, and the displacement of working-class residents. Rather than fostering inclusive urban transformation, these green interventions often become catalysts for real estate speculation, benefiting higher-income newcomers while marginalizing long-standing communities. The quality and aestheticization of green spaces, rather than their ecological functionality alone, play a central role in attracting capital and reshaping neighborhood profiles. Without accompanying measures—such as affordable housing guarantees, anti-displacement policies, and genuine participatory planning—NBS risk reproducing spatial inequalities under the guise of sustainability. Considering that NBS approaches are incorporated into comprehensive planning and green infrastructure approaches to new development sites, in many cases, NBS may simply be considered a prerequisite for developments that do not significantly differ from "traditional" brownfield and greenfield development, with debates largely confined to the quantity and distribution of social housing within new developments. To ensure that green urbanism promotes environmental justice rather than exclusion, we must embed equity and social safeguards into every stage of NBS design and implementation.

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6 APPENDIX

6.1 Data Sources and Calculations

A. Total Household Baseline

- All calculations use the **official household total of 18,539,223** from the **2021 INE census**, excluding collective dwellings (residencias, hospitals, etc.).
- This total serves as the denominator for calculating the % share of each tenure type.

B. Owner-Occupied Housing

- Total owner-occupied households: **13.94 million** (75.2%)
  → Derived directly from INE-ECEPOV 2021.
- **Breakdown**:
- Shared ownership was listed as "n/a" due to its negligible presence in Spain.

Source Cross-Checks:

- INE census + OECD Affordable Housing DB confirm these ranges.

C. Private Rental Housing (PR)

- Total estimated private rental households: **3,825,000**
  → Composed of three subcategories:
  - **Private landlord (long/medium contract)**: 2.95 million (15.9%)
  - **Lives rent-free**: 465,000 (2.5%)
    → Often involves intergenerational or informal arrangements.
  - **Other private rented**: 410,000 (2.2%)
    → Includes informal lets, transitional rentals, or undefined contracts.

Method: The INE-ECEPOV disaggregates "alquiler" (rent) into these categories. "Lives rent-free" is included under "other tenures" in the census but is documented separately in the microdata.

D. Social Rental Housing (SR)

- **Total SR**: 276,000 units (1.5%)
  → Cited in multiple reports, including Amnesty (2023) and OECD.
- **Publicly owned SR**: 250,000
  → Nearly all SR in Spain is owned/managed by local or regional governments.
- **Non-profit owned SR**: Estimated at 26,000 units
  → Based on figures from the Barcelona Housing Observatory and scaled to

the national level. This likely overestimates, but these are the best data we have access to.

E. Missing Category – "Other / Unknown Tenure"

- **Gap of 498,223 households** found between cumulative tenure totals and the national household figure.
- This is accounted for by:
  - Dwellings with unknown or unclassified tenure status.
  - Residents in institutional housing not captured in household-level survey categories.
  - Data inconsistencies or omitted responses in survey instruments.

Approach: Rather than reallocating the gap proportionally,“Other / Unknown” was created for transparency.

F. Rounding, Units, and Precision

- Household figures are rounded to the nearest 1,000 for readability.
- Percentages are calculated using unrounded figures for accuracy but displayed to one decimal point.

G. Validation Strategy

- Data points were triangulated between:
  - **INE (ECEPOV)** for official counts and tenure distribution.
  - **OECD Housing Database** for international comparisons.
  - **El País**, **Amnesty International**, and **academic estimates** for housing stock classification (particularly for SR and free occupation).
  - Local data (Barcelona OH-B) to estimate non-profit/social tenures.

Appendix 2

A. Total Household Baseline

- The **total number of households** in Spain in 2011 was:
  18,083,692 (as recorded in the INE *Censo de Población y Viviendas 2011*) .
- All tenure category percentages were applied to this base.

B. Owner-Occupied Housing

- INE's 2011 ECEPOV data states that:
  - **78.9%** of Spanish households were owner-occupied.
  - This was further divided into:
    - **46.0%** owning **outright** (fully paid)
    - **32.9%** owning **with a mortgage or loan**

C. Private Rental and Rent-Free Housing

- **Private rentals at market price** accounted for **13.5%** of households in 2011, per INE .
- INE separately reported that **3.3%** of households lived in housing "provided free or at low price," a category understood as **rent-free or symbolic rent** arrangements.

Calculation:

- Private rental = 13.5% × 18,083,692 ≈ 2,441,716
- Rent-free = 3.3% × 18,083,692 ≈ 596,802

D. Other Tenures (Residual Category)

- The remaining percentage (**4.3%**) includes:
  - Institutional arrangements (religious orders, company housing)
  - Shared/cooperative ownership models (rare in Spain)
  - Survey non-responses or ambiguous tenures

Calculation:

- Other = 100% – (OO + PR + Rent-Free)
  = 100% – (78.9% + 13.5% + 3.3%) = **4.3%**
  = 4.3% × 18,083,692 ≈ **776,701** households

This method mirrors INE's official approach in reporting tenure when exact legal statuses were unknown or irregular.

E. Assumptions and Limitations

- **No disaggregation** by public vs. non-profit social rental housing was available in the 2011 ECEPOV dataset. It is likely included in the 4.3% "other" or 3.3% "rent-free" category.

- No shared ownership category was isolated, as this form of tenure is negligible in Spain.
- Figures were **rounded to the nearest whole household**, though calculations used exact percentages for accuracy.

Appendix 3

A. Total Household baseline

- The 2001 INE Census reported **18,217,300 private households** in Spain. This figure excludes collective or institutional dwellings and serves as the denominator for all tenure calculations.

B. Owner-Occupied Housing

- According to INE 2001, **82.2%** of households lived in owner-occupied housing.
- This category was further disaggregated into:
    - **Owns outright**: Estimated at **56.1%** of all households
    - **Owns with mortgage**: Estimated at **26.1%**
- This breakdown was derived from:
    - INE's *Encuesta de Condiciones de Vida* (ECV) 2004–2005
    - Eurostat's EU-SILC 2004, which report that ~68–70% of owner-occupiers had paid off their homes.
- These ratios were applied to the 82.2% owner-occupied figure to estimate the absolute number of outright vs. mortgaged homes.

C. Private rental and rent-free housing

The remaining **17.8%** of households were allocated across three rental and quasi-rental categories:

1. **Private market rental (9.5%)**
   – Based on retrospective estimates from INE ECV 2005 and adjusted to reflect early-2000s norms.
   – Included standard lease agreements with private landlords.
2. **Social rental housing (1.5%)**
   – Estimate based on OECD and Amnesty International data showing that social rental stock remained around 1.5% of total housing units in both 2001 and 2011.
   – Assumes consistent low investment and historical continuity across this period.
3. **Rent-free or symbolic rent (2.0%)**
   – Includes households living in dwellings owned by family, employers, or institutions without regular rent payments.
   – Estimate informed by INE's 2005 ECV and similar categories reported in 2011 ECEPOV.

D. Other tenure arrangements (4.8%)

- The remaining **4.8%** includes:

- Institutional housing (e.g., company housing, military or religious accommodations)
- Informal tenures (e.g., squatting, unregulated dwellings)
- Shared or cooperative arrangements (rare in 2001)
- Survey non-responses or ambiguous classifications

This is a **residual category**, calculated as:
100% – (Owner-occupied + Market rental + Social rental + Rent-free)
= 100% – (82.2% + 9.5% + 1.5% + 2.0%) = **4.8%**

E. Calculation and Rounding

- All percentages were applied to the total household figure (18,217,300).
- Household numbers were rounded to the nearest whole number for clarity, while ensuring that the sum totals exactly 100% of households.
- Small rounding differences may occur but do not affect category proportions.

F. Limitations

- **Social rental data in 2001** were not disaggregated in the census. Estimates rely on later OECD and AI reports.
- **Mortgage data** were inferred using 2004–2005 surveys.
- Rent-free and other tenure shares are approximations based on subsequent years with minor back-adjustments.

Appendix 4

A. Total Households and Dwellings

- The total number of dwellings in 1991 was **17,220,399**, according to INE.
- Among them, **11,852,075** were classified as *family dwellings in use*, or **primary residences**—those that were actually occupied as main homes.
- This represents **68.8% of all dwellings** in Spain.

Calculation:
11,852,07517,220,399×100=68.8%\frac{11,852,075}{17,220,399} \times 100 = 68.8\%17,220,39911,852,075×100=68.8%

B. Total Number of Households

- The number of private households (hogares) in primary residences was approximated to **~17.99 million**, based on the estimated population (~38.88 million) and average household size (~2.16 persons per household), consistent with INE census data and OECD calculations.

C. Owner-Occupied Housing

- Official tenure shares were not disaggregated in the 1991 census.
- However, various sources indicate that **owner-occupancy rates were slightly higher than in 2001**, with estimates ranging from **83–85%**.
- A mid-range value of **84%** was adopted for this reconstruction.
- Based on trends from Eurostat and INE ECV (2004–2005), we applied the following subdivision:
    - **Owns outright**: ~55% of total households (i.e., ~65.5% of owner-occupiers)
    - **Owns with mortgage**: ~29% of households

D. Rented and Other Tenures

The remaining **16% of households** were assigned to rental or other tenure types. This group was further divided based on trends extrapolated from INE ECV and Eurostat SILC:

- **Private market rental**: ~7% of total households
  Based on a steadily declining rental market in post-Franco Spain through the 1980s–1990s.
- **Social rental**: ~1%
  Consistent with OECD data that places Spain's public/non-profit rental stock between 1–2% of total dwellings during this period.
- **Rent-free or symbolic rent**: ~2%
  Includes accommodations provided by family, employers, or other parties without standard rent payment.
- **Institutional or informal housing**: ~6%
  Used as a residual category to account for non-classifiable arrangements such as cooperative housing, squatting, military housing, or data gaps.

E. Estimation Procedure

Each tenure category was calculated using the following steps:

1. Determine percentage share based on documented or inferred sources.
2. Multiply by the estimated total number of households (~17.99 million).
3. Round to the nearest thousand for clarity.

Appendix 5

A. Total Households and Dwellings

- **Primary residences**
  – Calculated as 96% of the total dwellings (≈785,757 × 0.96 = 754,000).
- **Owner-occupied (OO)**
  – Derived as the complement of the local private rental rate: OO = 100% –

38.5% = 61.5% of primary stock.
– The split between outright and mortgaged uses the national ratio (~60/40) due to lack of Barcelona-specific microdata.

- **Private rental**
  – Municipal survey gives 38.5% directly. No higher-level detail for rent-free; it's assumed minimal.
- **Social rental**
  – Public: Based on city-managed public housing listings: ~22,600 units.
  – Non-profit/cooperative: Includes Barcelona's 86 Sostre Cívic units plus others → estimated ≈ 3,000 units.
- **Other tenures**
  – The remainder after deducting owner, private rental, and social from primary stock (≈ 1.5%).
- **Mid-term rentals (MTR)**
  – Growing but not included in these totals; flagged separately. Based on documented increases since 2018.

📃 Notes and Caveats

- Data is rounded to nearest thousand; totals may vary slightly.
- Mortgage vs. outright figures are estimates, due to lack of Barcelona-specific survey splits.
- Rent-free occupancy may be undercounted in municipal surveys.
- Social rental statistics rely on institutional reporting rather than census microdata.
- "Other" category includes institutional and informal housing not captured elsewhere.

Appendix 6

A. Total Households and Dwellings

- **Total Primary Residences** Assumed ~770,000, based on INE 2011 census data and municipal estimates ohb.cat.

Owner-Occupied Housing

- Census indicates **61.3%** of households owned their homes in the city—totaling ~472,000 .
- Split into outright/mortgaged using a **national 60/40 ratio** (2004–2011), yielding ~277,000 outright and ~195,000 mortgaged homes.

C. Private Rental Housing

- Census reports **30.1% rented in 2011**, totaling ~232,000 units .

E. Rent-Free / Low-Cost Cession

- Such tenure appears in census as “cedidos gratis o a bajo precio”—approximately **1.5%**, ~11,550 dwellings.

F. Institutional/Other Housing

- The remainder (~4.1%) reflects institutional dwellings, informal tenure, Vacant-to-occupied categorization gaps, or data mismatches.

Appendix 7

Primary Residence Count

- ~770,000 primary residences in 2001 based on INE census and corroborated by UB-INE apartment studies .

Owner-Occupied

- 68.4% homeownership rate for Barcelona in 2001.
- Split into ~45% outright and ~23.4% mortgaged, based on mid-2000s mortgage survey patterns.

Private Rental

- Estimated at ~20% of primary stock—consistent with municipal rental data and the broader decline in Barcelona’s rental market by 2001.

Social Housing

- Total ~3%, with ~2.3% publicly owned and ~0.7% non-profit/cooperative, based on OECD-affiliated sources .

Rent-Free/Cession

- Estimated at 1.5%, representing housing ceded free or at low cost, aligned with trends visible in 2001 census microdata.

Institutional / Informal / Other

- Residual category (~6.1%) covering cooperative, informal, or institutional housing, plus data non-responses.

Rounding

- All figures rounded to nearest 100 for clarity; minor rounding variances may occur.

6.2 TABLES

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)
OO	**13.940.000**	**75.2%**	**n/a**	**n/a**	**n/a**	**n/a**
Owns outright	9.040.000	48.8%	n/a	n/a	n/a	n/a
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a
Owns with a mortgage or loan	4.900.000	26.4%	n/a	n/a	n/a	n/a
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a
PR	**3.825.000**	**20.6%**	**n/a**	**n/a**	**n/a**	**n/a**
Private landlord or letting agency (long/medium contract)	2.950.000	15.9%	n/a	n/a	n/a	n/a
Lives rent free and other private rented	875,000	4.7%	n/a	n/a	n/a	n/a
Lives rent free	465,000	2.5%	n/a	n/a	n/a	n/a
Other private rented	410.000	2.2%	n/a	n/a	n/a	n/a
SR	**276,000**	**1.5%**	**n/a**	**n/a**	**n/a**	**n/a**
Rents from council or Local Authority (publicly owned)	250,000	1.3%	-	-	-	-
Other social rented (including housing associations)	26,000	n/a-	-	-	-	-
UNKNOWN	498,223	2.7%				
TOTAL	**18,539,223**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**

Table ES1: Spain, 2021: Distribution tenures and social groups (All households). Sources: complied by authors; data from 2021 Population and Housing Census (INE) INE-ECEPOV, OECD Affordable

Housing Database - own calculations. See Appendix 1. These data only reflect primary residences and long-term contracts. As of 2021, approximately 69.1% of housing units in Spain were occupied as primary residences. This leaves 30.9% of housing units which were non-primary residences. These include vacant housing (due to speculation, inheritance, abandonment, approximately), second homes, temporary accommodations/vacation rentals, commercial residential property. As of 2024, Spain has one of the highest proportions of vacant and seasonal homes in Europe, with over 12% of the total housing stock being vacant dwellings (excluding seasonal homes) (OECD 2024).

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)
OO	**14.279.456**	**78.9%**	**n/a**	**n/a**	**n/a**	**n/a**
Owns outright	8.320.360	46.0%	n/a	n/a	n/a	n/a
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a
Owns with a mortgage or loan	5.959.095	32.9%	n/a	n/a	n/a	n/a
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a
PR	**3.815.219**	**21.1%**	**n/a**	**n/a**	**n/a**	**n/a**
Private landlord or letting agency (long/medium contract)	2.441.716	13.5%	n/a	n/a	n/a	n/a
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a
Lives rent free	596.802	3.3%	n/a	n/a	n/a	n/a
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a
SR	**276,000**	**1.5%**	**n/a**	**n/a**	**n/a**	**n/a**
Rents from council or Local Authority (publicly owned)	250,000	1.3%	-	-	-	-
Other social rented (including housing associations)	26,000	n/a-	-	-	-	-
UNKNOWN/ OTHER	776,701	4.3%				
TOTAL	**18,083,692**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**

Table ES2: Spain, 2011: Distribution tenures and social groups (All households). Sources: complied by authors; data from 2011 Population and Housing Census (INE) INE-ECEPOV, OECD Affordable Housing Database - own calculations. See Appendix 2. These data only reflect primary residences and long-term contracts. As of 2011, approximately 71.7% of housing units in Spain were occupied as primary residences. This leaves 28.3% of housing units which were non-primary residences. These include vacant housing (due to speculation, inheritance, abandonment, approximately), second homes, temporary accommodations/vacation rentals, commercial residential property.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**14.971.989**	**82.2%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	10.230.899	56.1%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	4.741.090	26.1%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	**2.368.240**	**11.5%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	1.730.634	9.5%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	365.000	2.0%	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**276,000**	**1.5%**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	273,260	1.5	-	-	-	-	-
Other social rented (including housing associations)	26,000	n/a-	-	-	-	-	-
UNKNOWN/ OTHER	876,421	4.8%					
TOTAL	**18,217,300**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES3: Spain, 2001: Distribution tenures and social groups (All households). Sources: complied by authors; data from 2001 Population and Housing Census (INE) INE-ECV (2004-2005), EU-SIL, OECD Affordable Housing Database - own calculations. See Appendix 3. These data only reflect primary residences and long-term contracts. As of 2001, approximately 70.0% of housing units in Spain were occupied as primary residences. This leaves 30.0% of housing units which were non-primary residences. These include vacant housing (due to speculation, inheritance, abandonment, approximately), second homes, temporary accommodations/vacation rentals, commercial residential property.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**15.110.000**	**84%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	9.900.000	55%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	5.200.000	29%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	1.620.000	**9.0%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	1.260.000	7.0%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	360,.000	2.0%	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**180.000**	**1.0**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	n/a		-	-	-	-	-
Other social rented (including housing associations)	n/a	n/a-	-	-	-	-	-
UNKNOWN/ OTHER	1,080.000	6.0&					
TOTAL	**17.990.000**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES4: Spain, 1991: Distribution tenures and social groups (All households). Sources: complied by authors; data from 1991 Population and Housing Census (INE) OECD Affordable Housing Databate, IPUMS 1991 Spain metadata - own calculations. See Appendix 4. These data only reflect primary residences and long-term contracts. As of 1991, approximately 68.8% of housing units in Spain were occupied as primary residences. This leaves 31.2% of housing units which were non-primary residences. These include vacant housing (due to speculation, inheritance, abandonment, approximately), second homes, temporary accommodations/vacation rentals, commercial residential property.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**451,000**	**59.9%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	278,000	36.9%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	173,000	23.0%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	290,000	**38.5%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	290,000	38.5%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	negligible	n/a	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**11,900**	**1.5**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	n/a		-	-	-	-	-
Other social rented (including housing associations)	n/a	n/a-	-	-	-	-	-
UNKNOWN/ OTHER	1.100	.0%					
TOTAL	**754,000**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES5: City of Barcelona, 2021: Distribution of social groups. Sources: Barcelona Land Register (2021), Barcelona Sociodemographic Survey (2020), compiled by the authors. In the city of Barcelona, 98% of residential properties are private residences. See Appendix 5.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**472,000**	**61.3%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	277,000	36.0%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	195,000	25.3%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	**243,500**	**31.6%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	232,000	30.1%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	11,500	1.5%	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**11,600**	**1.5**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	n/a		-	-	-	-	-
Other social rented (including housing associations)	n/a	n/a-	-	-	-	-	-
n	31,550	4.1%					
TOTAL	**770,000**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES6: City of Barcelona, 2011: Distribution of social groups. Sources: Barcelona Land Register (2011), OH-B, OECD Affordable Housing database (2021), compiled by the authors. In the city of Barcelona, 98% of residential properties are private residences. See Appendix 6.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**526,000**	**68.4%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	346,500	45.0%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	179,500	23.4%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	**165,550**	**21.5%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	154,000	20.0%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	11,550	1.5%	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**23,100**	**3.0%**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	17,700	2.3%	-	-	-	-	-
Other social rented (including housing associations)	5,400	0.7%	-	-	-	-	-
UNKNOWN/ OTHER	46,900	6.1%					
TOTAL	**770,000**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES7: City of Barcelona, 2001: Distribution of social groups. Sources: 2001 Population and Housing Census (INE), Barcelona Statistical Office, IPUMS 2001 microdata, compiled by the authors. In the city of Barcelona, 98% of residential properties are private residences. See Appendix 7.

Tenures	Households (absolute)	% of Total Stock	Low inc. (%)	Middle-low inc. (%)	Middle-high i. (%)	High-inc. (%)	Households (absolute)
OO	**526,000**	**68.4%**	**n/a**	**n/a**	**n/a**	**n/a**	
Owns outright	346,500	45.0%	n/a	n/a	n/a	n/a	
Owned with a mortgage or loan, and shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
Owns with a mortgage or loan	179,500	23.4%	n/a	n/a	n/a	n/a	
Shared ownership	n/a	n/a	n/a	n/a	n/a	n/a	
PR	**165,550**	**21.5%**	**n/a**	**n/a**	**n/a**	**n/a**	
Private landlord or letting agency (long/medium contract)	154,000	20.0%	n/a	n/a	n/a	n/a	
Lives rent free and other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
Lives rent free	11,550	1.5%	n/a	n/a	n/a	n/a	
Other private rented	n/a	n/a	n/a	n/a	n/a	n/a	
SR	**23,100**	**3.0%**	**n/a**	**n/a**	**n/a**	**n/a**	
Rents from council or Local Authority (publicly owned)	17,700	2.3%	-	-	-	-	-
Other social rented (including housing associations)	5,400	0.7%	-	-	-	-	-
UNKNOWN/ OTHER	46,900	6.1%					
TOTAL	**770,000**	**100%**	**n/a**	**n/a**	**n/a**	**n/a**	

Table ES8: City of Barcelona, 1991: Distribution of social groups. Sources: 2001 Population and Housing Census (INE), Barcelona Statistical Office, IPUMS 2001 microdata, compiled by the authors. In the city of Barcelona, 98% of residential properties are private residences. See Appendix 7.

National Report on the Housing System from a Multi-Level Perspective: Switzerland

1 EXECUTIVE SUMMARY

Switzerland is a country of tenants with the lowest homeownership rate in Europe. Currently only 35.9% of dwellings are owner-occupied. Housing policy at the national level is rather weak, and the responsibility for housing primarily lies with municipalities and cantons. The Swiss housing system strongly relies on the private market for the provision of housing. The Swiss housing system has relied on housing cooperatives and other non-profit housing associations as providers of social rental housing, with state-provided social housing occupying a marginal role.

With regard to the trajectory of the Swiss housing system in the direction of de-commodification or (re-)commodification, it should be noted that there have not been substantial changes since the 1990s at national level. On the one hand, a compulsory and de-commodifying value capture recovering at least 20% of planning gains was introduced in 2014. On the other hand, several aspects of commodification can be observed: presently there is only modest support for non-profit housing, while there was more substantive financial means for a limited number of years prior to 2003. Even though there is rent regulation, its enforcement is weak and the modest protection of tenants from rental contract cancellations is creating major hardships to tenants in a market that is increasingly dominated by financialised actors. Encouraged by urban environmental and energy policies that promote denser and more energy efficient construction, these tend to demolish and rebuild or completely renovate their properties in order to be able to cancel rental contracts and increase initial rents to prevailing market rent. Some local governments have responded to this trend and the related housing affordability crisis with more regulations or additional support schemes for non-profit housing.

Macro-trends like financial crises, the Covid pandemic or the energy crisis did not have a strong influence on the Swiss housing system. However, the trend of financialisation presents a key obstacle in the provision of affordable housing as it leads to extremely high land prices that limit local governments’ capacity to actively develop housing or support non-profit providers. The high land and housing prices encourage the demolition of affordable housing and its replacement with more expensive housing. These practices are particularly affecting fast growing large cities and are compounded by environmental and energy policies that promote densification and energy refurbishments.

2 THE HOUSING DEBATE

Switzerland has historically been and continues to be a country of tenants with the lowest homeownership rates in Europe. Currently only 35.9% of dwellings are owner-occupied (BFS, 2024b). Several reasons explain this low rate of homeownership such as the very high prices of residential real estate (Bourassa & Hoesli, 2010), and the relatively late introduction of condominium ownership (only in 1965) in combination with a housing stock that, especially in cities, consists to a large extent of multi-apartment buildings (BWO, 2005). The private rental housing is the largest sector still holding a moderate protection of tenants, as eviction is regulated and rents can only be adjusted to reflect higher operation and maintenance costs, and changes in interest rates (Bourassa et al., 2010a, p. 270). In most cantons, they can be adjusted to the market in case of a change of tenants. However, as rent increases are formally allowed only in case of value-enhancing investments, the previous rent must be disclosed to a new tenant upon request. Some cantons have introduced a mandatory disclosure of the previous rent when setting up a new contract.

There are considerable differences in the tenancy structure between urban and rural areas. In predominantly rural cantons, the homeownership rate of households is above 50%, whereas it is below 20% mainly in urban cantons such as Geneva and Basel-City (BFS, 2024a).

Currently, the main concern in housing debates is the housing shortage. In the last years, the vacancy rate has fallen to an average of 1.08% (Figure 1). However, the vacancy rate varies greatly between different regions, and is particularly low in large cities, their agglomerations, and municipalities. Many tourist regions in the Alps are suffering from a housing crisis caused by the heated market for vacation residences, which severely affects the local population and the seasonal workers employed in the tourist industry. In Zurich, the vacancy rate was as low as 0.07% in 2024 (BFS, 2025).

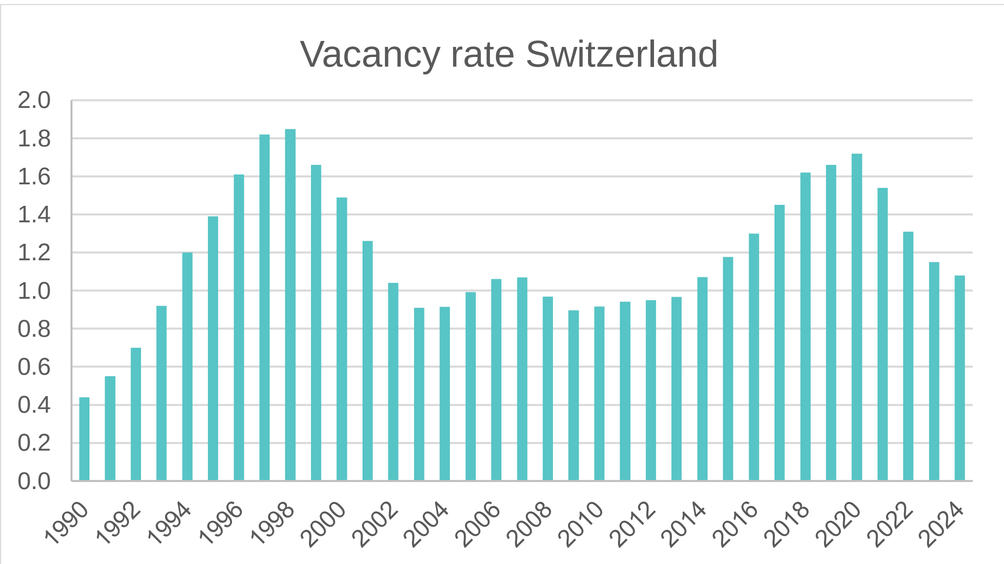

Figure 1: Vacancy rate in Switzerland, 1990-2024. Data: Federal Statistical Office.

The shortage of housing, in combination with the financialization of the housing sector (Theurillat et al., 2010, 2015; Young, 2019), also leads to problems of affordability. Since 2000, rents have increased by 30%, and house prices by 80%[35] (BWO, 2023). Housing costs (i.e. housing, water, electricity, gas and other fuels) are relatively high in European comparison in general (Eurostat, 2023), and for households in the lowest quintile of incomes, housing costs are well above 30% of their gross income (BFS, 2024c). The demolition of affordable housing and its replacement with more expensive units, which is made more profitable by densification policies, exacerbates the problem.

The disappearance of affordable housing due to total renovations and demolitions is therefore heavily debated and affects vulnerable groups in particular. The Swiss tenancy law permits rent increases following value-enhancing renovations, a mechanism designed to maintain housing quality. However, financialised landlords leverage this to renovate and align rents with market rates, leading to a replacement of affordable housing. Urban densification, often driven by financial motives, further contributes to the exclusion of low-income groups, in particular migrants and single-parent households (Lutz et al., 2023).

Housing lies primarily within the responsibility of municipalities and cantons. Some cantons have responded to the housing crisis by enhancing tenant protection, while some municipalities promote affordable housing through special legislations, subsidies and the provision of public land on building lease to non-profit housing providers, such as housing cooperatives. The housing crisis and potential solutions are debated differently by the population, the cantons and the federal state, depending on the region, local housing markets, and political orientation. In the absence of a strong national housing policy (Cuennet & Favarger, 2002; Lawson, 2009), national measures to counteract the housing shortage and the affordability crisis remain limited.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

[35] The growing unaffordability of homeownership is also evident in the decrease of the share of owner-occupiers across all income quintiles between 2010 and 2020-22 (see Appendix 4).

Switzerland is a country of landlords and tenants. More than 60% of households are tenants renting their homes either from private landlords or living in public or other non-profit housing (Arbaci, 2019; Lawson, 2009). The Swiss welfare regime has been fostering only a partial de-commodification of housing system by developing a variant of unitary rental system, which was more reliant on a larger, yet regulated private rental sector, and a smaller social rental sector by non-profit housing providers. However, processes of housing de-commodification and re-commodification have been concurrent, though at different scale and pace among cantons. Historically, housing provision relies largely on private developers and landlords, as well as on housing cooperatives and other non-profit housing associations for the provision of social rented housing since the early 20th century, receiving from the national or local governments financial support or support in the form of land leases (Cuennet & Favarger, 2002; Lawson, 2009). Direct national housing intervention is rather weak, as there is, for example, no extensive provision of social rented housing by the national state, whereby initiatives – if any – are left to lower levels of governance. However, state support to the promotion of affordable housing[36] has gradually weakened and is currently limited to the non-profit sector. Today, non-profit housing only represents a niche of 3.9% in the total of housing units (BWO & BFS, 2024). National funding schemes were extended in the post-war periods and were strongest in the 1990s, but even then only 20% of new dwellings were built with financial support by the government (Lawson, 2009). The rental market is regulated through the tenancy law, which has changed from 1st generation (freeze on rent) to a 2nd generation in the 1970s, with more moderate rental regulation (Bodmer, 2023a; Kettunen & Ruonavaara, 2021; Rohrbach, 2014). On the one hand, the tenancy law prevents excessive initial rents, restricts speculative rent increases and should protect from arbitrary evictions (thus partly keeping a more de-commodified private rental sector). On the other hand, it allows landlords to increase rents as costs rise (increased operating and maintenance costs and/or interest rates), and under Swiss tax law, landlords and owner-occupiers can deduct refurbishment costs and loan interests from taxable income. Since 2008, the reference interest rate, defined based on the average mortgage rates of Swiss banks, is updated quarterly by the Federal Office for Housing (*Bundesamt für Wohnungswesen*, BWO), and landlords are allowed to increase rents according to this rate even in case of fixed or no mortgages. Several attempts have been made to uncouple rents from interest rates, but all have failed for political reasons (Vujanovic, 2016, p. 24). With regard to offering rents, the Swiss tenancy law foresees elements of market rents and cost rents that sometimes conflict, resulting in an unclear legal situation (Bodmer, 2023b).

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[36] State support at both national and local level is contingent on providers adhering to the Charta of the Swiss non-profit housing providers. To receive subsidies, non-profit housing providers also must ensure compliance with standards defining minimal requirements regarding the quality of housing, ecological and social sustainability, but also setting limits to the dwelling size and the level of amenities. The Charta also ensures that non-profit housing is permanently withdrawn from speculation. Non-profit housing providers therefore do not engage in commercial activities. Generally, the non-profit housing sector, consisting of housing cooperatives and public rental housing, is of high quality and well located. Accordingly, there is neither residential segregation nor residualisation or stigmatization of the non-profit sector.

Commodification was further facilitated in 1970 by allowing landlords to terminate the rental contract on a 3 months' notice without having to provide a reason (Rohrbach, 2014), except for a period immediately after a change in ownership. Some municipalities and cantons have defined official cancellation dates (two or three dates, or each month except December). Also, tenants are responsible for checking the legality of initial rents, rent increases, cancellations of rental contracts, and for contesting them in court. This requires significant knowledge and financial resources (Debrunner, Kolocek, et al., 2024).

In Switzerland, the housing allowance scheme for tenants is residualist since means-tested, directed to vulnerable households. This, however, is not a national scheme and the maximum rent to be taken over for an indefinite period is determined by the municipalities (SKOS, 2019).

Also, the land system is, overall, not particularly de-commodified, but it is highly regulated through the planning system. Built-up or buildable land is mostly owned by private individuals or companies, and usually public land does not play a significant role in controlling land price and speculation. The share of land owned by municipalities can differ widely (Gerber, 2008), and there is no data on the amount of public land at the national scale. However, the control over land speculation (and partial prevention against disproportional increase on land price) is guaranteed through a highly regulated planning system, which plays a role in supporting the partial de-commodification of the housing system. Similarly, the property gains tax (*Grundstückgewinnsteuer*) reduces incentives for speculation, while allowing profit on buying and selling land. Tax on gains on the sale of land and real estate must be paid to the cantons or municipalities, and the tax rate depends on the length of ownership (the longer the property stayed with one owner, the lower the tax), thus preventing land and real estate flipping , but it varies from canton to canton (VZ VermögensZentrum, n.d.). A tax on planning gains has also been introduced (see below). However, as the primary objective of the planning system is the protection of landscape and agricultural land, and, consequently, densification, we see an increase in land prices despite regulations.

Looking at the direction of travel of the Swiss housing system over the period 1990-2020, we can observe a strong path dependency, with no substantial shifts in the tenure system nor in the supply system.

In fact, stronger interventions in the housing market in the 20th century were a reaction to crises during and after the world wars. These interventions were not aimed to provide adequate housing in terms of quality and quantity, but should be seen as elements of broader social, economic and monetary policy objectives (Müller, 2021). In Switzerland, liberalism determined housing policies already since 1950, after a relatively short period of state interventions during periods of scarcity, such as the 1920s and the post-WWII period. However, in 1949 the Swiss Landlords Association (*Hauseigentümerverband Schweiz,* HEV) launched a referendum demanding to end federal subsidies to housing construction, which was accepted by the majority of the Swiss voters in 1950. The same year the federal council also started a partial deregulation of rental price control, shifting from 1st generation rent freeze to 2nd generation moderate regulation with control mechanisms which were discontinued in 1970 (Rohrbach, 2014). With these events, the relatively strong intervention of the state in the housing sector came to an end. However, even before that the Federal Council only took over reluctantly a stronger role in supporting housing, by emphasizing that this was the role of cantons and municipalities and that private sector actors were best suited to provide housing. Ever since, there have not been any relevant federal policy instruments, neither to promote private homeownership nor social housing. With no support from the central government, many cantons and communes did not have the capacity nor the political will to engage in the housing sector. This situation left significant freedom to private developers to invest in the private rental market. The call for a free housing market went hand in hand with a high degree of cartelisation in the construction industry (Müller, 2021, p. 94). The HEV, already in its 1950 annual report explicitly called flats a commodity (Müller, 2021, p. 96). In the following years housing constituted a prime investment for the middle class and small owners, which in most cases owned only one apartment building, with institutional owners playing only a marginal role. In the post-war period Switzerland was the only western country where homeownership shrank down to 28.1%. Attempts to substantively change the Swiss housing system and introduce stronger national housing policy instruments were hindered by the direct democracy and the federalist structure of Swiss politics (Lawson, 2009).

Nevertheless, despite its inertia, there have been some smaller changes in the Swiss housing system that show aspects of de-commodification or re-commodification. In the period studied here, the subsidies for social rent within the framework of the Housing and Property Promotion Act (*Wohnbau- und Eigentumsförderungsgesetz*, WEG) were discontinued. With the WEG, the public sector offered loans to reduce initial rents, guarantees and subsidies for the acquisition of land reserves and sureties for construction costs for profit and non-profit housing developers from 1975 to 2003 (Cuennet and Favarger 2002). This act was replaced by the Housing Promotion Act (*Wohnraumförderungsgesetz*, WFG), which made the promotion of non-profit housing an official task at the federal level, but only provides modest support to non-profit housing providers (Lawson, 2009). Indeed, we see a decrease in the share of individuals living in housing cooperatives in the period 1990-2020 and an increase of homeownership, in particular between 1990 and 2010 and for the top-two income quintiles (see Appendix 2-4).

While there have been no substantial change to the tenancy law between 1990 and 2020, we observe that the enforcement of rent regulation continues to be weak. This, and the modest protection of tenants from rental contract cancellations is creating much hardship to tenants in a market that is more and more dominated by financialised actors that acquire or develop new properties, completely renovate their existing ones, or even fully demolish and rebuild them anew, in order to be able to cancel rental contracts and increase initial rents to the current market rents (Debrunner, 2024). These practices are compounded by environmental and energy policies that promote densification and energy refurbishments and are increasingly leading to the displacement of vulnerable groups (Lutz et al., 2023). At the same time there has been a substantial shift in the ownership structure of rental units. Private companies used to own 30% of all rental units in 2003, but their share increased to 41% in 2021 (see WP2.1 report). This is attributed to increased investment in real estate by pension funds, insurance companies, and investment funds. Taken together, these dynamics suggest a commodifying trajectory of the housing system, as there are now more and more actors in the private rental sector for whom housing is primarily a source of return on investment taking advantage of the possibilities provided by the liberal tenancy law.

On the other hand, we see some de-commodifying tendencies in certain municipalities that have started to secure land from speculation by lawfully forbidding the public sector to sell public land (and sometimes giving the government a mandate to increase the share of public land) and by introducing municipalities' right of first refusal. Some cantons (Vaud, Geneva) already have the right of first refusal that municipalities can activate in times of housing shortage. Withdrawing land from speculation through the right of first refusal seems one of the key solutions to address housing affordability problems – albeit an expensive one – since rising land prices, especially in areas with limited land reserves, are often unaffordable for the public sector, too (CRED, Universität Bern & IAZI, 2023).

Since the revision of the Federal Spatial Planning Act which came into force in 2014, the absorption of added value in real estate through planning changes (planning gains) is regulated. The change in value due to rezoning is federally bound to be compensated with at least 20% of the added value, but it lies within the competence of cantons to define the regulation in detail. The cantons apply this very differently; in most cases the fee has the character of a tax that is due when the property is built on or sold (Lezzi, 2014), and takes values between 20% and 50% (EspaceSuisse, 2024).

Overall, we observe a slight trend towards the commodification of the national housing system, which is primarily driven by financialization, and, to a lesser extent, by changes in tenure policies or the housing supply system.

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

As mentioned above, national policies provide only limited support to non-profit housing, based on the view that cantons and communes are responsible for housing. In the past, there have been popular initiatives for a stronger state intervention in the housing sector (e.g. the popular initiative "*Mehr bezahlbare Wohnungen*" of 2016), but Swiss voters and cantons followed the advice of the Federal Council and rejected the initiative in a popular vote.

Structural tensions in Switzerland's housing system also find their expression in the large number of popular initiatives or referenda demanding more state support to housing or stronger tenant protection. Between 1945 and 2020 there have been several national level initiatives and referenda on related topics. Most of them have been rejected by the majority of the Swiss voters because they were mainly driven by urban centres, while housing is much less a problem in rural cantons.

Generally, there is a considerable difference in the tenure structure between urban and rural regions, with urban regions being more strongly characterised by renting (private rent and social rent), and rural regions having a higher share of homeownership. Regarding the direction of travel towards de-commodification or re-commodification, the statistical analysis of the tenure structure implies a similar trajectory for both the national level and Zurich between 1990 and 2020 when looking at the tenure structure of individuals (see Appendix 2): the share of owner-occupation has increased (CH: +5.0 percentage points, ZH: +3.1 percentage points), and there is a slight decrease in the share of social rent[37] (CH: -0.7 percentage points, ZH: -3.4 percentage points). The share of private rent has developed differently at the two levels, (CH: -2.6 percentage points, ZH: +5.3 percentage points), but with the private rental sector being regulated, this is no clear divergence.

However, in terms of policies, there are some differences between the local/cantonal and the national level, that might not be showing effects yet. Currently, large cities are facing a severe housing crisis; vacancy rates are below 1% and rental prices have increased dramatically. Population growth, urban densification and energy policies are triggering speculative investments in housing and leading to the demolition of older and affordable housing stock. In cities under pressure, there is a strong public demand for affordable housing that finds its expression in popular initiatives and mass demonstrations demanding more public intervention. In Zurich, where the affordability crisis is particularly severe, over the last few years there have been five mass demonstrations demanding more affordable housing and the stop of speculative demolitions of affordable housing. Remarkably, Zurich's housing system is already characterised by strong housing policies, with around 28 per cent of its rental housing stock being non-profit, housing about one third of its total population (Stadt Zürich, Stadtrat, 2024). The political goal is to reach one-third non-profit housing by 2050, through the direct provision of public social rental housing, as well as by supporting housing cooperatives and other non-profit housing providers through the provision of public land on leasehold terms, favourable loans and direct financial participation by the city.

Another instrument to promote affordable housing introduced by Zurich and other cities is fixing a percentage of affordable housing for new developments and in turn allowing the developers a higher utilisation of the plot (e.g. with special land-use plans or '*Sondernutzungsplänen*'; Verheij et al., 2025). Inclusionary zoning, i.e. fixing a percentage of affordable housing in zoning plans, is also an option given to municipalities by certain cantons (e.g. Canton of Vaud), but is used only timidly so far. Using zoning to increase the volume of affordable housing is, however, much followed by the Canton of Geneva. It has designated development zones (zones de développement), in which at least one third of the dwellings of new developments must be non-profit housing (Canton de Genève, n.d.).

Another city that currently is facing severe housing affordability problems is Zug. This is the result of a fiscal policy attracting very high-income groups. To tackle the housing crisis the city

[37] The share of social rent is quite similar across income quintiles at the national level (see Appendix 3). In Switzerland, there is therefore no residualisation of the social rental sector observable. In Zurich, where there is much more cooperative housing, the shares of people living in this sector have dropped somewhat between 1990 and 2020 for the upper two quintiles and remained more or less stable for the lower three quintiles (see Appendix 4). Still, this is not linked to a residualisation or stigmatisation, also due to the high quality of non-profit housing.

has introduced a regulation that new developments in areas that are to be densified should include at least 40% affordable housing (Urban, 2023).

Other measures, so far only adopted by the Cantons of Basel-City, Geneva, and Vaud, relate to a stronger protection of tenants from (energy) refurbishment-related evictions and unproportional rent increases. In Basel-City, for example, in case of a housing shortage, i.e. a vacancy rate below 1.5%, refurbishments and demolitions need a permit, rent increases are limited, and rents are controlled for 5 years (BSS Volkswirtschaftliche Beratung AG, 2024), a clear step of de-commodification.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

As argued by Lawson (2009), Switzerland federalist state structure and its broad and direct electoral franchise have been an impediment for the development of redistributive social and economic policy. In fact, demands for stronger national housing policies are typically not supported by rural voters and cantons and accordingly are rejected in popular votes.

The same dynamics play at cantonal level. Often, demands from larger city governments and their populations for de-commodifying measures cannot obtain a majority of votes because they are not supported by the voters in their rural areas, where access to housing is less of an issue. It

is therefore no coincidence that the Cantons of Basel-City and Geneva have a more de-commodified housing system, as both cantons mainly consist of their capital city.

Moreover, most of the responsibility in planning lies with the municipalities. While all municipalities have the same task of implementing the Federal Spatial Planning Act according to cantonal structure plans, the amount of resources and knowhow varies greatly between differently sized municipalities. In a majority of municipalities, the absence of any municipal (or cantonal) housing policy makes the integration of (national) planning and housing objectives even more difficult.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends (e.g. EU policies / welfare restructuring) and crises (e.g. financial crisis, housing affordability crisis)?*

As no larger shifts of de-commodification or re-commodification have occurred in Switzerland in the period from 1990 to 2020, macro-trends do not seem to have a strong influence on the Swiss housing system.

The global financial crisis of the 1990s influenced the Swiss housing system in two ways. It led to the introduction of stricter condition to access mortgages for the purchase of a private property[38], making it even more difficult for lower income groups to access home ownership. It also influenced the national housing policy. The framework of the Housing and Property Promotion Act (WEG), in force from 1975 to 2003, permitted controlled rent increases in the federally subsidised flats. During the years of stagnation, these increases were not tenable for many tenants, which meant that many of the housing providers were not receiving sufficient rental income to meet their obligations to the Confederation (Cuennet & Favarger, 2002). The federal government set up its own rescue company for those properties (Bundesrat, n.d.). By the end of the 1990s, it was therefore clear that the WEG had to be revised, and it was finally replaced by the Housing Promotion Act (WFG) in 2003.

The shifts toward de-commodification observed in the planning system by introducing a mandatory value capture of planning gains in the revised Federal Spatial Planning Act (SPA I) cannot be clearly attributed to a broader macro-trend. It should rather be seen as a measure accompanying the general objectives of the SPA I, namely a cap on buildable land and densification within existing settlements, because the revenues from value capture are used for compensation for rezoning, regional structure planning, infrastructure, etc. (EspaceSuisse, 2024).

One of the macro-trends that was identified for having a large impact on the housing situation in Switzerland is the financialization of housing (Theurillat et al., 2010, 2015; Young, 2019). While there have been no policy responses to this macro trend at national level, the effects of financialization on house prices and rents are very tangible not only in large cities (Debrunner, Jonkman, et al., 2024; Gehriger, 2024), but also in tourist regions in the mountains where (luxury) second homes are increasingly eroding the affordable housing stock for locals (ARE et al., 2024).

The current housing crisis fuelled by financialization is triggering a growing public demand for state intervention in the housing sector and has, in some cases (see Section 3) led to local responses of de-commodification, or at least mitigating some of the crisis' worst impacts. The movement is struggling to gain sufficient political support at a national level, however.

[38] Today, banks provide a loan-to-value ratio of 80%, meaning that 20% of the house price must be covered by a down payment. Until 1990, the percentage of equity required for a mortgage was only 10% (Bourassa et al., 2010b).

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems. (e.g. increase in community led housing programmes have enabled more affordable housing provision, but this has been constrained by the lack of public land)*

For Switzerland, when considering the housing systems' capacity to filter crises, it is important to not only look at the production of affordable housing, but also at the disappearance of affordable rental housing through total renovation or demolition.

Enablers of and obstacles to the production of affordable housing

A general obstacle that applies to the whole of Switzerland are the very high costs of housing production caused by the high land prices, labour costs, building materials and building standards (BAK Basel Economics AG, 2010). Limited subsidies from the national government to non-profit housing providers constitute a major obstacle for municipalities to support the construction of affordable non-profit housing, which are provided primarily by cooperatives. Providing access to cheaper finance is the main mechanism used at the national level to support the supply of affordable housing (Lawson, 2009).

At local level, it is important to underline that only large and fast-growing cities are facing severe housing affordability problems, while rents remain by and large affordable for most of the people in most medium- and small towns. In these municipalities, local governments generally do not have any housing policy to subsidize the supply of affordable housing but provide vulnerable households with demand-side subsidies.

Large cities, such as Zurich, Basel, Geneva, Bern, and Lausanne are facing serious housing affordability problems and accordingly have housing policies explicitly aiming at tackling the problem, generally through a mix of demand- and supply-side subsidies and through a direct engagement in the production of public subsidised housing. Key obstacles are the shortage of public land, extremely high land prices, the high costs of production, the long procedures for obtaining building permits, and to some extent also the insufficient number of non-profit housing providers with the capacity or willingness to engage in new housing projects.

Apart from non-profit rental housing, a housing system could also promote affordable homeownership. However, in Switzerland little is done to promote homeownership, even though the issue is often on political agendas (Thalmann, 1999). The Swiss Association of Homeowners is lobbying for owners of rental housing rather than for individual homeownership (Müller, 2022). Key obstacles to affordable homeownership are, just like in the rental market, high land prices in combination with lending criteria that make mortgages inaccessible for many, and high costs of production.

Drivers of the disappearance of affordable rental housing

The main factors driving the disappearance of affordable rental housing and reinforcing each other, are the tenancy law that only moderately protects tenants and lacks effective enforcement mechanisms, the financialization of real estate, and the demolition of affordable rental housing and its replacement with more expensive units which is partly driven by environmental and energy policies.

The standard rates defining to which extent landlords can increase rents after a renovation are fixed by the tenancy law, but only controlled if a tenant contests the rent increase. This provides an incentive for extensive renovations that can be used to raise rents to the market rents. The weak protection from rental contract termination has a similar effect, because cancellation of all contracts in order to renovate or demolish the building and afterwards align rents to changed market conditions is lucrative (B,S,S & Basler & Hofmann AG, 2014). These options are primarily --although not exclusively-- attractive to financialised actors. Moreover, just as for rent increases, tenants need to contest their initial rent if they consider their rent excessively high. Except for a few cantons, landlords must communicate the rent paid by the previous tenants only on request, making a contestation even more demanding.

In combination with the dwindling availability of green and brown fields, particularly in cities, and the mandatory inward development/densification policy in Switzerland, the construction of more (affordable) housing units is increasingly only possible by demolishing (more) affordable but less dense housing. This does not only cause displacement of the most vulnerable people but is increasingly contested on social as well as environmental grounds. The current regulatory framework does not internalise the social and ecological external costs of demolitions that occur in the form of CO_2 emissions and in rising social welfare costs when displaced tenants cannot find again appropriate housing. At a local level, the Canton of Geneva, for example, has a law that prohibits demolitions, except for cases where a building poses a threat to health and safety, or where there is a strong public interest (Loi sur les démolitions, transformations et rénovations de maisons d’habitation (mesures de soutien en faveur des locataires et de l’emploi) (LDTR), 1996). This measure effectively reduces the number of demolitions and displaced people (Kauer et al., 2025)

II. *How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?*

Macro-trends such as global players’ investments in Switzerland’s housing market have contributed to dramatic increases of land prices which have a major influence on housing affordability. Even cities determined to increase the stock of non-profit housing are facing challenges to achieve their goals due to the lack of public land reserves. The high land and housing prices encourage the demolition of affordable housing and its replacement with more luxurious housing. This trend is particularly affecting fast growing large cities.

III. *What challenges have the state and non-profit sector faced, in the light of recent crises (e.g. 2008 GFC, Covid emergency interventions)?*

During the financial crisis in 2007 Switzerland did not face a real estate crisis as other European countries did (Wehrmüller, 2014, p. 37). As a result, foreclosures and evictions were not a growing problem during that time. The GFC mainly had an indirect effect as it contributed to make investments in real estate in Switzerland even more attractive, thus contributing to hikes in prices. Under such conditions, producing affordable housing becomes increasingly challenging for the non-profit sector.

With regard to Covid pandemic there is no evidence that Switzerland's marginal non-profit housing sector was affected, but it may have increased the demand for secondary residences in tourist areas, intensifying pressure in the housing markets there.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

In our analysis of environmental and energy policies (EEPs; more specifically: densification, energy refurbishments, nature-based solutions, NBS) in Switzerland, we have seen that there is an awareness of the negative repercussions of densification and energy refurbishments on housing affordability, while such a debate by and large lacks in the case of NBS (see report WP3.2). It is furthermore clear from our desk research and from the interviews we held with the national level administration, that EEPs and housing policy are inherently separate; concerns regarding their interlinkages are raised by some actors, but tackling them cross-sectorally is challenging because each federal office has its distinct mandate and objectives and cannot or does not want to take on housing objectives.

The repercussions of densification and energy refurbishment policies are mainly discussed in terms of their consequences for tenants. A tenancy law that only moderately protects tenants and gives landlords' interests considerable weight leads to a situation where extensive renovations[39] or demolitions and total reconstructions are causing rent hikes and displacement. While buildings might be more energy efficient and denser afterwards, the social costs of displacement, the ecological costs of demolitions and the higher building density that is not necessarily coupled with higher use density, are externalised. So far, there are no policies at national level that aim at internalising these costs to motivate landowners to adopt more ecological and socially sustainable solutions, but regulations in the cantons of Geneva and Basel-Stadt (on rent increases, on demolitions, etc.), provide examples of such policies. Bans on demolitions such as in Geneva could help prevent displacement and promote soft

[39] It should be noted that it is not possible to distinguish separate the effect of energy refurbishments on rent increases from that of other value-enhancing renovations, because in most cases, they are carried out simultaneously. It is therefore also not clear to what extent policies and subsidies for energy refurbishment contribute to the problem of rent increases after renovations.

densification, i.e. the conversion and adaptive re-use of existing buildings that would contribute to higher use density as opposed to mere building density.

One of the main challenges in the Swiss case is the rising share of institutional owners, for whom housing is a mere commodity. To enhance their returns, they often opt for the cancellation of rental contracts in order to raise rents after renovating or demolishing and reconstructing because this is the only way to raise existing rents to market rents. An opportunity within this setting could be that institutional owners are quite keen to comply with ecological standards so that their properties do not lose value in the future (anticipating further regulation, for example). However, no equivalent "standards" for the social costs of displacement and the ecological costs of demolitions exist.

An aspect of the green-housing nexus that is less discussed in the Swiss context is the inequality between homeowners and tenants regarding subsidies. Ideally, subsidies for energy refurbishments (or NBS, but so far, these exist only in some cities/municipalities) would only be given to those homeowners that need an additional incentive. In reality, the Buildings Programme, the national programme for energy refurbishment subsidies, has a considerable deadweight effect, meaning the subsidies benefit also those that would have carried out the refurbishment even without subsidies (BFE & EFK, 2024).

As of now, there is hardly any debate on how NBS are or will be affecting housing. NBS on public land might increase rents and house prices and thus contribute to gentrification, but for Switzerland, there is no research on related issues yet. Whether or not NBS on private land count as value-enhancing and would thus allow rent increases is not clearly defined in the Swiss tenancy law.

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6 APPENDIX

6.1 Appendix 1: Information on data used for tables on tenure structures in Switzerland and Zurich

The tables for Switzerland and for Zurich are based on the Swiss census (1990 and 2000) and the register data and surveys that replaced the census system in 2010: the statistics of population and households (STATPOP) and the structural survey (*Strukturerhebung*). Data on individual incomes was provided by the Central Compensation Office (*Zentrale Ausgleichsstelle*). In this income data source, all incomes that are relevant in the social security scheme Old-Age and Survivors Insurance (*Alters- und Hinterbliebenenversicherung, AHV*) can be found, meaning other forms of income, e.g. capital income, is not considered.

The Swiss census and its successor statistics collect data on tenure. However, it differentiates only between tenants (or sub-tenants), members of housing cooperatives, condominium owners, house (co-)owners, and people who live in “other” tenures (e.g. as leaseholders, dwelling is offered free or at a reduced rate by employer, or people living in a collective household such as a care home). We therefore can neither distinguish between outright and mortgaged owners, nor between the length of tenants’ contracts. Tenants living in dwellings owned by public authorities – which would count as social rent in the framework of this report – are registered as tenants and are thus included in the private rental sector in these tables. This introduces some bias, as in Switzerland, 4% of dwellings are owned publicly, and a larger bias in Zurich, where this share is 7% (in 2023).

Because the information on tenure is, from 2010 onward, collected via a sample survey, pooling data from three years is recommended for smaller spatial units. Thus, we used data from the years 2010-2012 and 2020-2022 instead of 2010 and 2020 only. Results from 2010-2012 and 2020-2022 are subject to a margin of error of max. ±0.04 (95% confidence level) for the whole of Switzerland, and ±0.17 (95% confidence level) for Zurich.

Tables are based on *individuals, not households*. Due to the re-organisation of the census system, aggregation at the household level is not possible for the years 2010 and 2011, which is why we opted for individuals as the basic unit for our tables. Generally, owner occupation is more prevalent and private rental less prevalent when looking at individuals as opposed to households, because smaller households, especially 1-person-households are more are much more likely to be tenants.

6.2 Appendix 2: Distribution of tenures, 1990-2020, Switzerland and Zurich

Tenures	1990 (%)	2000 (%)	2010-12 (%)*	2020-22 (%)*		1990 - 2000	2000-2010-12*	2010-12 - 2020-22*	1990 - 2020-22*
OO	35.7	37.9	42.0	42.9		2.2	4.1	-1.3	5.0
PR	55.1	51.2	50.9	51.2		-3.9	-0.8	2.2	-2.6
SR	3.4	3.3	2.9	2.4		-0.1	-0.7	0.0	-0.7
Other	5.7	7.5	4.2	3.6		1.8	-2.7	-0.9	-1.7
Total	100.0	100.0	100.0	100.0					

Table CH1: Proportion and change in proportion of individuals in each tenure, Switzerland

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households.
** Margin of error (2010-12, 2020-22): max. ±0.04 (95% confidence level).*

Tenures	1990 (%)	2000 (%)	2010-12 (%)	2020-22 (%)		1990 - 2000	2000 - 2010-12*	2010-12 - 2020-22*	1990 - 2020-22*
OO	6.9	7.6	10.4	10.9		0.7	2.1	0.3	3.1
PR	68.0	66.3	71.6	72.4		-1.7	6.4	0.6	5.3
SR	18.7	18.7	16.3	15.7		0.0	-3.1	-0.3	-3.4
Other	6.4	7.4	1.7	1.1		1.0	-5.5	-0.6	-5.0
Total	100.0	100.0	100.0	100.0					

Table 5-CH: Proportion and change in proportion of individuals in each tenure, Zurich

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households.
** Margin of error (2010-12, 2020-22): max. ±0.17 (95% confidence level).*

6.3 Appendix 3: Distribution of tenures by income quintiles, 1990-2020, Switzerland and Zurich

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	1990					**2000**				
OO	39.0	31.9	27.0	28.4	46.4	38.5	36.8	29.4	32.5	51.3
PR	51.5	60.0	66.6	65.6	48.6	49.9	53.8	61.9	59.7	42.6
SR	3.6	3.1	2.7	3.5	3.2	3.5	3.2	3.1	3.2	2.4
Other	5.9	5.0	3.8	2.6	1.8	8.1	6.2	5.6	4.6	3.7

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	2010-12*					**2020-22***				
OO	39.1	39.4	28.1	35.7	55.5	37.8	35.1	26.1	33.8	51.8
PR	48.7	52.4	65.5	59.8	41.9	52.7	57.7	68.0	61.9	45.5
SR	2.6	2.6	2.6	2.6	1.5	2.7	2.8	2.8	2.7	1.7
Other	9.7	5.6	3.9	1.8	1.1	6.8	4.5	3.0	1.7	1.0

Table 6-CH: Proportion of individuals in each tenure, by income quintiles, Switzerland

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households. Margin of error of the proportions (2010-12, 2020-22): max. ±0.11 (95% confidence level).*

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	1990					**2000**				
OO	7.34	5	3.95	3.98	11.13	6.97	6.35	5.15	5.3	13.74
PR	66.75	70.75	76.31	75.9	71.91	65.19	68.41	72.29	73.43	70.6
SR	18.33	17.07	14.53	16.78	15.07	17.88	18.54	17.05	17.29	11.97
Other	7.58	7.18	5.21	3.35	1.88	9.95	6.7	5.51	3.98	3.68

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	2010-12*					**2020-22***				
OO	8.4	6.9	4.6	6.1	14.5	8.99	5.94	4.51	6.09	13.52
PR	69.6	74.6	78.5	79.8	77.7	69.04	75.28	79.07	81.07	79.94
SR	17.2	17.0	16.0	13.3	7.5	19.7	17.79	15.77	12.33	6.33
Other	4.8	1.5	1.0	0.8	0.3	2.27	0.99	0.66	0.51	0.21

Table 7-CH: Proportion of individuals in each tenure, by income quintiles, Zurich

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households. Margin of error of the proportions (2010-12, 2020-22): max. ±0.44 (95% confidence level) for 2010-12, and max. ±0.39 (95% confidence level) for 2020-22.

6.4 Appendix 4: Distribution of tenures by income quintiles, 1990-2020, Switzerland and Zurich

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	1990 to 2000					2000 to 2010-12				
OO	-0.5	5.0	2.5	4.1	4.9	0.6	2.6	-1.4	3.2	4.2
PR	-1.6	-6.2	-4.6	-5.9	-6.0	-1.3	-1.4	3.5	0.1	-0.7
SR	-0.1	0.1	0.3	-0.2	-0.8	-0.9	-0.6	-0.5	-0.6	-0.9
Other	2.2	1.2	1.8	2.0	1.9	1.5	-0.6	-1.7	-2.8	-2.7

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	2010-12 to 2020-22					1990 to 2020-22				
OO	-1.4	-4.4	-1.9	-2.0	-3.7	-1.2	3.2	-0.8	5.3	5.4
PR	4.1	5.3	2.6	2.1	3.7	1.2	-2.4	1.5	-3.7	-3.1
SR	0.2	0.2	0.2	0.1	0.1	-0.9	-0.3	0.1	-0.7	-1.5
Other	-2.9	-1.1	-0.9	-0.2	-0.1	0.9	-0.5	-0.7	-0.9	-0.8

Table 8-CH: Change in proportion of individuals in each tenure, by income quintiles, Switzerland

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households. Margin of error of the proportions (2010-12, 2020-22): max. ±0.11 (95% confidence level).*

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	1990 to 2000					**2000 to 2010-12**				
OO	-0.4	1.4	1.2	1.3	2.6	1.4	0.5	-0.5	0.8	0.8
PR	-1.6	-2.3	-4.0	-2.5	-1.3	4.4	6.2	6.2	6.3	7.1
SR	-0.4	1.5	2.5	0.5	-3.1	-0.7	-1.5	-1.1	-4.0	-4.5
Other	2.4	-0.5	0.3	0.6	1.8	-5.1	-5.2	-4.6	-3.2	-3.4

Tenures	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)	Bottom quintile (%)	2nd quintile (%)	3rd quintile (%)	4th quintile (%)	Top quintile (%)
	2010-12 to 2020-22					**1990 to 2020-22**				
OO	0.2	-1.4	-0.5	-0.4	-1.2	1.2	0.5	0.2	1.7	2.1
PR	0.2	2.0	1.4	2.3	2.7	3.0	5.8	3.5	6.2	8.5
SR	1.8	-0.3	-0.9	-1.7	-1.4	0.7	-0.3	0.6	-5.1	-8.9
Other	-2.2	-0.3	0.0	-0.2	-0.1	-4.9	-6.0	-4.3	-2.8	-1.7

Table 9-CH: Change in proportion of individuals in each tenure, by income quintiles, Zurich

Sources: compiled by authors; data from the Federal Statistical Office (Census, Statpop and Strukturerhebung) and the Central Compensation Office (individual incomes). Percentages are based on individuals, not households. Margin of error of the proportions (2010-12, 2020-22): max. ±0.44 (95% confidence level) for 2010-12, and max. ±0.39 (95% confidence level) for 2020-22.

National Report on the Housing System from a Multi-Level Perspective: UK

1 EXECUTIVE SUMMARY

In the immediate post-war period, the UK housing system underwent significant processes of de-commodification, focused on expanding the housing stock to tackle severe housing shortages, and a tenure-neutral housing policy ensuring that production of owner-occupation received similar subsidies to other tenures, and that both the social rental and private rental sector were open to all households.

An era of re-commodification was initiated during the liberalisation of the credit market and the restructuring of the welfare state in the 1980s—politico-economic responses by Thatcher's Conservative government to deindustrialisation and the transition to a post-Fordist accumulation regime—marking a significant paradigm shift in the UK housing system. Re-commodification was actively pursued across all tenures: the balance of government intervention shifted from a tenure-neutral focus on public investment into housing supply, to incentivising the private provision of housing and thereby to mechanisms that support private tenures over social or affordable housing provision. One significant mechanism was the systematic weakening of local governance through the de-municipalisation / centralisation of control over spending and borrowing for housing. This gave central government greater control over public investment into housing, constraining the budgets available direct delivery of housing by local governments (through a range of mechanisms including borrowing caps, reduced fiscal autonomy and reduced subsidy from the Treasury), whilst maintaining local authority responsibility for local housing delivery. This reduced the vertical distribution of power in the UK housing system; it also meant that local authorities became increasingly dependent on the non-profit and private sector to meet their housing obligations, increasing the role of non-profit and private actors in public goods provision.

A further significant mechanism has been the recommodification of the land necessary for housing development. This has been done in part through successive reforms in the planning system. It has included (but is not limited to) the introduction of 'Section 106 contributions' in 1990, meaning that almost all new social housing provision is organised as a negotiable proportion of new private tenure housing provision, therefore linked to the success of private sector growth. Other reforms have encouraged the transfer of land from the public to the private sector wholesale or otherwise worked to reduce barriers to value capture by the private sector, as an incentive for greater private investment into housing.

The 2008 Global Financial Crisis (GFC) represented a step-change in this direction of travel, a path-dependent deepening of mechanisms of commodification. A notable development in this period was a focus on drawing private investment into the provision of private rental housing, and the financialisation of this sector. In the era of polycrises since, each successive crisis has been used as justification for strengthening these mechanisms, further recommodification of the housing system, and reinforcing the conditions for the financialisation of housing.

In recent years, there have been some small-scale interventions made by local and supra-local authorities towards greater direct provision of social rental housing. A legacy from the post-war era still exists in the form of public land on which local authorities can, in principle, build, as well as a significant share of social rental stock. Nevertheless, the direction of travel in the UK case shows a strong push towards re-commodification of land and housing, and the reinforcing of this direction with each crisis.

2 THE HOUSING DEBATE

It may seem almost beyond debate that the UK's housing problem is allegedly one of constrained housing supply[40] (Wilson et al. 2023). The importance of increasing housing supply to address affordability problems has dominated policy discourse in the UK for the last two decades, with the main thrust of housing policy being to increase housing supply. However, we would argue that this view that sees increasing housing supply as the only means of addressing the housing problem is a political construction. As part of this construction, the demand for housing is not questioned but framed as a pre-existing structure, without features beyond its need to be met.

The demand for housing has been consecrated in British policy and discourse over the course of the twentieth century, with government support to the housing system shifting from supply-side intervention in the immediate post-war years, to demand-side props (Gibb and Stephens, 2024). This shift in the provision of public goods has been present in the housing system but is also reflected in public goods provision relating to environmental and energy policy (as detailed in Deliverable 3.2, Striling and Arbaci, 2025). It has consisted in attempts to reduce government intervention in the economy, to liberate the supply side of public goods from state control, and to catalyse economic activity through the private provision of these goods. In the housing system, incentives on the demand-side would, it was envisaged, encourage the provision of new housing by private developers and housing associations, with land supply coordinated through the planning system.

The publication of the 2004 Barker report marked something of a watershed in terms of interest in the lack of supply and responsiveness of housing in the UK. This review identified that the UK rate of real house price growth had grown at a rate of 2.4 per cent over the previous 30 years, in contrast to the European average of 1.1 per cent (Barker, 2004: 3). Meen (2005) anticipated that the review would have a significant impact on planning for housing in the UK, as increasing attention would be paid to market indicators – notably affordability and prices. Economics and economic modelling would play a greater role in the analysis of the UK housing market and would be accompanied by "a perceived need for a greater understanding of market economics" in planning for housing (Bramley et al., 2008).

[40] Averaging 174,000 homes per year since the 1990s, dropping to just 135,000 in 2012–13, compared to over 300,000 annually during the 1950s (ONS Census, 1991-2021).

Feeding into this debate Cheshire and Sheppard (2005: 2) argue that the British land use planning system had "grown up without any account being taken of price information or other economic indicators". They argue that the planning system -particularly planning constraints to development- is a key factor contributing to the significant rise in house prices. Meen and Andrew (2008) illustrate how this perspective has affected planning for housing policy from central government: conventional wisdom started to dictate that housing supply had been lagging due in large part to an overly restrictive planning process (Cheshire et al., 2014). Action to redress rising prices within a context of restricted supply required de-regulation of the planning system, transforming local government into an enabler of private development. The subsequent housing white paper, 'Fixing Our Broken Housing Market' (DCLG, 2017) recognised market failure within the housing system, but only blames a failure to build (housing market supply) for rising prices and widening housing-wealth inequality. The policy response therefore emphasizes, yet again, freeing up (public) land and building more homes, with a simplification of the planning system to encourage housebuilding. Local government's control over private development and value capture was further weakened.

On the other side of the debate, this has been interpreted as laying the context for a "neoliberal reform agenda" in housing (Hincks et al., 2013). The aim of this agenda has been de-regulation and the reduced influence of planning constraints within the market for land and housing (*ibid*.). Its argument implies that house prices would be far lower if no planning applications were refused (Hilber & Vermeulen 2016) and thus that planning controls should be removed in most cases in order to raise housing supply and improve housing affordability.

The policy focus on increasing the sheer numbers of housing units through de-regulation of the supply-side and incentives for private provision has manifested in various specific policies, including the local framework for urban densification strategies such as London's Opportunity Areas, introduced in 2004. These have resulted in the transfer of public land to the private sector. As another example, in 2015, changes in permitted development rights allowed office-to-residential conversions without the need for planning permission, but have had many adverse effects on housing inequalities (Madeddu and Clifford 2022). An emphasis on increasing the supply of housing in a post-2008 low-interest rate environment also led the government to encourage the provision of rental accommodation by institutional investors, and resulted in a boom in build-to-rent provision and financialisation of the private rental sector. Ultimately, efforts to increase the sheer number of homes in the UK by reducing planning and other constraints to private development have not delivered on their promise to help reduce housing inequalities (Lee et al., 2022).

These are only a few examples, but all illustrate the way that the British housing problem has been reduced, on one side of the debate, to a simplistic shortage of homes. Meanwhile, academic and public discourse elsewhere has raised questions about the demand side. This includes Barker (2014: 86), who recommended not only "a boost to housing supply" but also "greater fairness and limiting the investment motive for owning housing". Shortfalls in the supply of affordable housing have not only been impacted through the shift from direct public intervention to stimulating private provision, but also through decades' worth of demand-side inducements for private investment into housing, both individual and institutional (Stirling et al., 2022). Barker (2014) is not alone in arguing for a tax on landowners; de-commodification of land through a tax on land values has various advocates (Ryan-Collins et al., 2023, 2024; Gallent, 2024). Nevertheless, central government policymakers continue to focus on increasing housing supply through the commodification of land and housing, with no indication that de-commodification is considered politically feasible. At the local level, however, there are signs of paradigm shifts, such as calls for increased regulation of the private rental market (e.g. initiatives by Sadiq Khan, Mayor of London) and a growing emphasis on the direct production of social rental housing by local authorities.

3 HOW THE HOUSING SYSTEM HAS CHANGED

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

1945-80s: De-commodification of the UK housing system

From the post-war period to the welfare restructuring of the 1980s, the UK housing system underwent significant processes of de-commodification, while expanding the housing stock to tackle severe housing shortages. Housing was regarded as a central pillar of the UK's social-democratic welfare regime, instrumental to support Keynesian full employment policies and to ensure social mobility (Lowe, 2011). As housing was treated as a universal right, the tenure policy system was designed to be highly redistributive and tenure-neutral—distributing programmes and subsidies more equitably across the three main tenures: owner-occupation (OO), the private rental sector (PR), and the social rental sector (SR), as well as across the social spectrum. By the mid-60s, each tenure held a significant share of the total housing stock, accounting for the large scale private and public production, in particular direct production of SR housing by local authorities, Greater London Council (GLC), New Town Development Corporations[41], and to a less extent by non-profit providers such as Housing Associations (Appendix 1, Figure 1). This highly redistributive programme was made possible by a heavily subsidised supply system including 'brick-and-mortar' subsidies and mortgage interest tax relief, and the de-commodification of the land system through expansion of public land ownership and planning regulation aimed at curbing land speculation (Cristophers, 2018).

The national government simultaneously promoted and subsidised OO (during a period of high interest rates) and a so-called 'unitary rental system' (Kemeny, 1995), in which the PR and SR sectors were integrated into a large, single rental market with both sectors encouraged to compete with access open to all households. Large-scale state provision of SR housing was not means-tested, ensuring universal access across a broad social spectrum, with middle-

[41] New Town Development Corporations (NTDC) were quasi-governmental bodies, funded by central government loans, set up under the New Towns Act 1946. NTCDs built for a mix of housing tenures, but a large proportion was SR, especially in the early phases, and with support from local authorities and later housing associations.

income groups and key workers forming the largest tenant cohort (Lowe, 2011; Kemp, 2025). Simultaneously, rent control in the PR sector was strengthened[42]. This type of unitary rental system prevented housing and land speculation in all tenures, reduced residential inequalities, and guaranteed an affordable housing system with low rents, low land prices and production cost, high-quality housing (Parker Morris standards), and security of tenure (Murie et al., 1976).

1980s onwards: Re-commodification of the UK housing system (path-change)

The 1980s marked a significant paradigm shift for the UK housing system, with a path-change in policies and instruments that transformed both the tenure-policy and the supply system. Driven by the welfare restructuring and the liberalisation of the credit market—key politico-economic responses of Thatcher's Conservative government to de-industrialisation and transition to a post-Fordist accumulation regime—this period marked the beginning of an incremental process of re-commodification of the housing and labour system. As the UK welfare regime gradually moved away from universalist social-democratic principles, housing increasingly came to be viewed as a commodity and financial asset, rather than a universal right (Lowe, 2011). This shift led to the erosion of redistributive mechanisms within the housing system, fostering instead the accumulation of capital; it dismantled many of the instruments and weakened the institutions (e.g. local authorities, and the GLC being abolished in 1986) that once supported the de-commodification of housing and land (Malpass, 2005). As a result, residential inequalities began to widen, and the roots of today's housing affordability crisis were laid.

Since the 1980s welfare restructuring, housing policy, practices, and instruments in the UK have followed a path-dependent trajectory that has accelerated the processes of re-commodification and financialisation until today (Smyth, 2019). The re-centralisation of local governments' control over finance through Housing Revenue Account borrowing caps (de-municipalisation), the re-commodification of land system through various processes contributing to the privatisation of public land (Christophers 2018)[43], and the weakening of planning regulations through mechanisms that reduced developer obligations towards planning gain (e.g. Section 106's; Gallent et al, 2021) have been key in these processes. Since then, state intervention shifted from production to consumption to lubricate the flow of private

[42] Introduced during WWII, rent control was maintained in the postwar period and strengthened through the Rent Act 1965 and Rent Act 1977; but then rolled back through Housing Act 1988, which introduced Assured Shorthold Tenancies (ASTs) to allow landlords to set market rents and limited security of tenure (eviction).

[43] Christophers (2018) details the extent of the transfer of public land to private investors since the 1970s in Britain. The privatisation of public land exceeded the scale of any other British privatisation, set in motion by the Conservative government in the 1980s. Since the 1990s, 50% of public land has been privatised (2 million hectares the equivalent of 10% British landmass. In 1970s, the UK government was owning 20% of British landmass). Various processes contributed to the re-commodification of land, from council estates demolition to regeneration programmes, or budget deficit.

(rather than public) investment into housing (Gibb and Stephens, 2024). It started by removing substantial supply-side subsidies (e.g. 'brick-and-mortar') in favour to demand-side subsidies (e.g. housing allowances), which in turn drives rent increases in absence of rent control).

The incremental re-commodification of the UK housing system, moving away from a tenure-neutral policy system, has had two aspects. Firstly, the expansion of OO over other tenures; and secondly, gradually transforming the unitary rental system into a dualist rental system (Lowe, 2011). This means that the for-profit (PR) and non-profit (SR) rental sectors became segregated in two separated rental markets so as to avoid state competition with the profit-driven PR sector (Kemeny, 1995). This path-change began since the 1980s with the segmentation of the PR and SR sectors (Malpass, 2005), through the incremental de-regulation of the PR sector starting with the abolition of rent control in 1988, and the severe decline of SR stock and new production, driven by the Right-to-Buy (RtB) and transfer of SR council stock to housing associations, alongside restrictions on local authority borrowing and spending. This led to the residualisation and stigmatisation of the SR sector, which became means-tested and contracted due to privatisation, demolition, and limited new construction (Murie and Mullins, 2017).

Owner-occupation: expansion, tenure change and late stagnation

The expansion of OO[44] was encouraged and underwritten by the UK Government since the 1950s to stimulate housing production (removal of Schedule A tax on imputed rent, provision of Mortgage Interest Tax Relief to encourage demand, 'mortgage stabilisation' schemes providing low-interest loans for developers and investors). The Housing Act 1980, however, represented a significant path change, as the government sought 'new methods of building society finance' to support demand from greater numbers of homeowners, and in 1981, private banks were permitted to lend in the mortgage market. The expansion of OO was simultaneously fostered through tenure change given (i) the privatisation of the SR sector, via the RtB national policy (Murie, 2016), which allowed thousands of social tenants to buy their homes at a discount from 1980 onwards, and (ii) local programmes for Estate regeneration, which often entailed the demolition of SR stock (Crawford et al, 2014) substituted by mixed-tenure developments dominated by OO and Shared Ownership (e.g. Sustainable Communities Plan since 2003).

Shared Ownership (a part-buy part-rent scheme, allowing staircasing into full OO), was also introduced in 1980, and has continued since (Cowan et al., 2017). After the Global Financial

[44] OO housing stock reached its highest share of total housing in 2001 in the UK (68.3%) and in 1991 in Greater London (58.1%). In absolute terms, OO stock peaked in the UK in 2021 with 17.586 million units, while in Greater London it reached its highest level in 2001 with 1.7 million units, declining slightly to 1.6 million units by 2021 (ONS Census,1991-2021).

Crisis (GFC), Shared Ownership[45] and other intermediate OO schemes have been promoted at national and local level to stimulate OO demand from middle-low income buyers priced out of an increasingly unaffordable housing market, and to incentivise the real estate market in estate regeneration programmes (Smyth, 2019). However, since the early 2020s, high house prices and increase interest rates have made staircasing untenable (Clarke and Heywood, 2024).

The Bank of England's monetary policy (to keep interest rates low in downturn periods) and in particular the UK's tax system[46] have made OO a more attractive and tax-efficient investment than other assets (Ronald and Kadi, 2018). This has fuelled demand, inflated property prices, expanded mortgage markets, and contributed to the financialisation of housing (via OO). Following the GFC and risks attached to OO mortgage lending, tax laws[47] have been further altered to diversify investment by attracting large-scale institutional investors into the British PR sector (so-called financialisation 2.0; Wijburg et al., 2018).

Following the GFC, OO mortgage lending and the level of OO stock started to stagnate[48] (to average 63.45% in the UK and 50.35% in Greater London since 2011), but multi-property ownership increased (e.g. "second homes, buy-to-let properties, holiday rentals, intergenerational support properties and safe deposit box properties", Kadi et al, 2020: 6). House prices continued to rise due to "the growth of wealth-driven (as opposed to credit-driven) housing investment" from cash buyers, wealth inheritance and direct overseas investments (Ryan-Collins, 2024: 24 and Figure 7). Wealth-driven housing investment continued to dominate the UK housing market with the escalation of interest rates in response to energy crisis-driven inflation. Since the late 2000s, the UK has in fact entered a period of "late homeownership" (Kadi et. al, 2020), reflecting particularly in large cities a process of impoverishment of middle-classes, and an increasing concentration of housing wealth in higher income[49] and older cohorts (Hirsch and Karagiannaki, 2024).

Private rental sector: de-regulation, expansion and financialisation

[45] Share-Ownership: Home Buy, 2009; FirstBuy, 2011; Help to Buy, 2013; Rent to Buy, 2014, First Homes Scheme, 2021; London Living Rent and Intermediate Housing, 2016).

[46] Private Residence Relief, a full tax relief for primary residence, since no Capital Gains Tax is payable on its sale. Otherwise, sellers pay 24% tax on their gains from the residential property's sale (2024), comparatively lower than in Denmark (42%), Norway (37.8%), France and Finland (34%).

[47] Limited company landlords do not pay Corporation Tax if profit used to pay for deposits on further property; and benefit from Corporation tax relief (deduction of mortgage interest from taxable profit).

[48] OO stock stagnated at 64.2% in the UK in 2011, before declining to 62.7% in 2021. In Greater London, it stood at 49.5% in 2011, with a slight increase to 51.2% by 2021, but still highlighting a notably lower rate of OO compared to the national average (ONS Census,1991-2021).

[49] The share of OO among high-income households in the UK rose from 16.4% in 2001 to 21.9% in 2021, and in Greater London from 22.3% to 29.6% over the same period. In contrast, as a sign of impoverishment middle classes, in Greater London the share among middle-high income households declined from 44.6% in 2001 to 37.5% in 2021 (ONS Census,1991-2021).

The re-commodification of the UK housing system has been simultaneously furthered since the *'liberalisation' of PR sector*[50] in the late-1980s with the abolition of rent control to encourage private investment in the housing stock (Housing Act 1988). By removing rent restrictions and security of tenure, the Assured Shorthold Tenancies (ASTs)[51] allowed landlords to set their own terms for private renters, including setting rents and issuing 'no-fault' evictions (Kemp, 2004).

As rents were expected to rise, the UK government introduced Housing Benefit—a means-tested allowance designed to help vulnerable groups cover part or all of their rent. Funded by the Department of Work and Pensions, it was administered by the local authorities where the claimant lives. However, housing benefits have also driven up rents due to landlords' speculative practices, functioning as an inflationary tool in the absence of rent control (Murie and Mullins, 2017).

This reflects the paradigm shift in state investment—from production aimed at fostering de-commodification, to consumption laying the ground for re-commodification (Gibb and Stephens, 2024). Between the 1980s and 2000s, housing policy transitioned from predominantly supply-side subsidies ('brick-and-mortar') to demand-side subsidies (primarily housing benefits). In 1975, 80% of housing expenditure was allocated to the construction of SR housing, supporting local authorities (public landlords) and the expansion of the non-means-tested SR sector (universalism). By 2000, however, 85% of housing expenditure was directed toward means-tested housing benefits (residualism), effectively supporting private landlords and facilitating the growth of the PR sector (Holmans et al., 2007).

To stimulate the expansion of the PR market and help existing landlords expand their portfolios, the Buy-to-let (BTL) mortgage product was introduced in 1996, which changed the landscape of the PR sector facilitating individual landlordism. The real game change that propelled the expansion of the PR sector[52] presented itself in the 2010s, following the GFC,

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[50] In effect, PR has been treated as a 'spillover' tenure, which can accommodate changes that are made in OO and SR at different times. During the 1980s, when the priority was the expansion of OO (as it is now) but when significant tax exemptions and proportionally lower house-price-to-income ratios created less of a constraint to expanding ownership (through OO and PR), this tenure was 'liberaralised' in order to encourage a more economically 'perfect' market.

[51] Introduced in the 1988 Housing Act, ASTs were made the default type of tenancy in the 1996 Housing Act. This provides the landlord with the right to make a 'no-fault eviction': to repossess the property at the end of the stipulated term of the tenancy, usually 12 months, given two months' notice, therefore removing security of tenure from PR properties.

[52] The PR stock increased significantly in the UK, rising from 11.7% in 2001 to 17.6% in 2011, and reaching nearly 20% by 2021. In absolute terms, it almost doubled from approximately 2.87 million units in 2001 to 5.57 million units in 2021, and nearly tripled from 2.11 million units in 1991. In Greater London, the expansion was even more pronounced: the PR sector grew from 17.3% in 2001 to 26.4% in 2011, and reached 33% in 2021—representing one-third of the total housing stock. In terms of units, the PR stock more than doubled from 521,000 in 2001 to over 1 million in 2021, and nearly tripled from 370,000 units in 1991 (ONS Census,1991-2021).

when mortgage lending and house prices became an increasing constraint to the expansion of OO and individual landlordism, and the problems of housing affordability placed pressure on governments to provide alternatives to OO, particularly for young professionals 'left behind' by the property market. In 2012, Government introduced the Built-to-Rent schemes (Brickflow, 2022) and commissioned the Montague review (2012) to identify potential investment opportunities in the PR sector of interest to large-scale institutional investors, in particular pension funds/REITs. The recommendations led to the weakening of planning regulations, the release of public land owned by local authorities for Build-to-Rent developments, and changes to tax laws (2016–2021) that resulted in large corporate landlords paying a smaller proportion of tax on their rental revenues than small private landlords paid on their rental income (Marsh et al., 2023). This was part of the same shift towards a preferential landscape for corporate and institutional landlords over individual landlordism setting the terms for financialisation 2.0 and propelling housing rents. Despite a small pause during the Covid period, rents continued to escalate throughout the energy crisis.

These policy shifts on PR are indicative of 'late homeownership' (Forrest and Hirayama, 2015, 2018), which shows path dependency within the re-commodified housing system. The homeownership era has been characterised by rising residential inequalities, and this 'late' period of homeownership is no different: there are now increasing numbers of young people and middle-low income households[53] living in an expensive PR sector (Forrest and Yip, 2012), who are not eligible for SR, since SR has been residualised on the one hand, and who cannot afford OO due to rising house prices and deposit requirements, on the other (Berrington and Stone, 2014).

At the same time, since the GFC austerity reforms have further residualised state support for the most vulnerable social groups—despite a worsening affordability crisis—Housing Benefit increasingly functioned as a direct subsidy to private landlords. Under the 2012 Welfare Reform Act, Housing Benefit was combined with five other benefit payments[54] into a single monthly payment known as Universal Credit, which is capped for families with more than two children. Not only is the Local Housing Allowance (the housing component of Universal Credit) smaller than the former Housing Benefit, particularly for families with more than two children, but it is also paid to landlords, directly or through claimants, thus bypassing local authorities (Watt and Minton, 2020).

Social rental sector: reduction, residualisation and stigmtisation

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[53] The proportion of low- and middle-income households residing in the PR sector in the UK increased from 50.3% in 2001 and has since plateaued at an average of 54.6% from 2011 onwards. In Greater London, this share rose from 33% in 2001 to an average of 45% since 2011 (ONS Census,1991-2021).

[54] Child Tax Credit, Income Support, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, and Working Tax Credit.

Central to the re-commodification of the UK housing system has been the relentless reduction and residualisation of the SR sector since the 1980s welfare restructuring (Malpasse, 2005). Once a guarantor of universal access across the social spectrum, the SR sector operated on a large scale[55] and was integrated into a unitary rental system, making the UK‘s post-war housing system a highly redistributive welfare mechanism (Lowe, 2011; Kemp, 2024).

In the 1980s, Thatcher’s Conservative government initiated a dramatic path-change of the SR sector with the introduction of Housing Revenue Account (HRA; Housing Act 1989)[56] and the Right-to-Buy (RtB; Housing Act 1988). The HRA re-centralised local governments’ control over spending and borrowing in the hands of the national government, imposing strict limits through a borrowing cap. Housing Act 1989 required each local authority to fund all housing expenditure on housing (including construction) from HRA, containing all revenue from SR rent and SR sales. These mechanisms of financial centralisation severely weakened the power/budget of local government (de-municipalisation), while keeping production and maintenance of SR stock a responsibility of local government (Malpass, 2005).

Local authorities were pressured to sell their housing to sitting tenants (RtB) and transfer council estates to housing associations to raise revenue, while discouraged from building new SR homes due to the HRA borrowing cap (Murie, 2016). Although the transfer of SR housing from local authorities to housing associations did not significantly reduce the overall stock, it removed local authority protections; while housing associations can borrow to invest, their rents are often higher than those of council-owned SR housing (Watt, 2021).

As the SR stock—and consequently rental income—declined, revenues from SR property sales were insufficient to compensate, leaving local authorities with a diminishing source of funds to replenish and maintain their stock. The RtB therefore lead to a huge transfer of SR stock, without replacement. Since many of the better-quality homes were sold and transferred[57], this led to further residualisation and stigmatisation of the SR stock[58] (Pearce and Vine, 2014).

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[55] During the right1960s housebuilding peak, local authorities contributed nearly half the total number of housing built (Chartered Institute of Housing 2020), reaching a total of 5.5 million SR homes in the early 1980s, more than 30% of the total housing stock.

[56] Housing Revenue Account (HRA) is a system of ring-fencing council revenue on housing for spending on housing delivery, and preventing cross-subsidy from other sources of revenue.

[57] The 1979 Conservative government aggressively implemented the RtB policy, transferring large numbers of SR homes to O-O. Typically, better-quality homes were purchased by middle- and higher-income sitting tenants able to secure mortgages, leaving behind poorer-quality stock occupied by lower-income and vulnerable groups. This selective outflow eroded social mix, deepened residualisation, and contributed to the stigmatisation of the SR sector. Between 1980 and 1985, around half a million SR homes were sold (10% loss.in 5 years).

[58] The decline of SR stock in the UK from its peak in the late-1970s (33%) to 24.7% in 1991, and further to 17.5% by 2021, marks a relentless process of residualisation of the sector. In Greater London, it fell from its peak in 1981 (34.8%) to 29.2% in 1991, and then to 15.8% in 2021. Since the

Successive governments continued this process of residualisation and loss of the SR stock, despite or because of the RtB reforms[59] and the urban regeneration agenda (Murie, 2016). Mixed-tenure regeneration programmes (since 2003 e.g. Sustainable Communities Plan) and Estate Regeneration programmes (2016) often resulted in the demolition of large council estates (124.000 SR home), with a net loss of 270.000 SR units (Hill 2022; Appendix 2, Fig.1). By 2022, two million SR housing units had been sold, contributing to the expansion of both the OO and PR sectors. Despite a 50% reduction since the 1980s, SR housing still accounted for 17.5% of the UK's housing stock and 15.8% of Greater London's in 2021—equivalent to nearly 5 million and approximately 500,000 units, respectively (ONS Census, 1991-2021). These levels remain higher than in many European countries. The continued presence of SR housing reflects the resilience of the social-democratic welfare legacy, despite sustained efforts by successive national governments to dismantle it (Watt, 2021).

Following the GFC, government funding to local authorities was further reduced through austerity measures and a tighter borrowing cap introduced in 2012. These constraints limited councils' ability to borrow against their HRA assets, severely restricting their capacity to invest in new SR or refurbish existing stock. Although the HRA borrowing cap was lifted in 2018, its impact has been offset by rising borrowing costs driven by energy crisis-induced inflation, along with higher construction and labour costs since Brexit (Jupp, 2021; IIPP, 2023).

The 1980s centralisation of finance has simultaneously triggered a relentless process of re-commodification of land. The privatisation of public land exceeded the scale of any other British privatisation (Cristophers, 2018). Local authorities have often sold land to balance budget deficits (rather than using it to meet social needs), and in particular to cross-subsidised public-private partnerships for urban regeneration programmes and support the production of new 'affordable' or SR housing that only marginally replaced the units demolished (Hall, 2015). SR production is outsourced to housing associations and/or delivered by private developers through Section 106 agreements. Introduced in 1990, S106 is a planning contribution from the private developer to provide SR as a proportion of new private development, and it can be negotiated down depending on a developers view of the viability of a development project, meaning the proportion of SR production is not guaranteed (Smyth, 2017, 2019).

1990s, what was once a socially mixed sector has become increasingly stigmatised, with a growing concentration of low-income groups in socially rented (SR) housing, although a notable share of middle-income households remains—accounting in 2021 for 60.6% and 20% of SR tenants in the UK, and 52.5% and 25.6% in Greater London, respectively (ONS Census,1991-2021).

[59] RtB discount levels were reduced in the 1990s (Conservative government), further restrictions introduced in 2000s (Labour government) to curb the rapid depletion of social housing stock in high-demand areas. In 2012, the discount level was increased (Conservative government) to reinvigorate the scheme, and in 2016 the RtB scheme was extended to housing association tenants (Conservative government), but allowing limited implementation funded by the sale of high-value council homes.

To accelerate the privatisation of public land imposed upon local governments the Conservative government introduced a policy in 2011 to “accelerate the release of ‘surplus’ public sector land”, and in 2021 a policy proposal (Right to Regenerate) “to request the sale and redevelopment of underused or vacant public land and buildings, including council-owned homes“. The re-commodification of land has driven a sharp rise in land prices, significantly increasing the cost of new development and transforming remaining public land into a potential asset class (land financialisation, Shepherd et al., 2024).

Since the mid-2010s, housing associations have also been struggling with construction costs, land availability, and reduced grant funding, curtailing their capacity to provide new SR properties and managing their stock (Archer and Cole, 2021). Many have merged into bigger housing associations, which have started to cross-subsidise provision of SR with OO and PR (Smyth, 2017; Morrison and Szumilo, 2019). Some (e.g. Peabody) have been leading a new generation of regeneration programmes through joint ventures with large multinational private developers (e.g. Lendlease), which capitalise on the transfer or selling of remaining public land in council estates, brownfield and industrial sites.

Since the 1980s welfare restructuring, decades of housing, fiscal/financial policies and welfare reforms have simultaneously eroded the redistributive mechanisms of the UK housing system and propelled the accumulation of private capital to large-scale institutional investors, private landlords and developers, and wealthy homeowners (Smyth, 2019; Ryan-Collins, 2024). The government responses following the GFC and energy crisis have accelerated these processes of re-commodification and financialisation (of both land and housing), thus amplifying rather than reducing the affordability crisis and residential inequalities (Wijburg, 2020; Çelik, 2024).

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

From the post-war period to the mid-late 1970s, national and local governments aligned in de-commodifying the UK housing and land systems, encompassing a broader shift toward a universalist social-democratic welfare regime, post-war urban reconstruction and new towns development (Lowe, 2011). Local governments and supra-local intermediate tiers (e.g. Greater London Council (GLC)[60] and Metropolitan County Councils (MCC)) took a central role in its implementation.

Thatcher-era welfare restructuring in the 1980s reshaped governance in England, driving de-municipalisation to enable the gradual re-commodification of housing and land, alongside the

[60] Greater London Council (GLC) was top-tier local government administrative body for Greater London (1965-1986). Dissolved in 1986 by the Local Government Act 1985 (conservative government), its powers were devolved to the London boroughs and other entities.

residualisation of the welfare regime (a neoliberalisation process; Malpass, 2005). Financial re-centralisation, de-regulation of mechanisms controlling housing and land speculation (abolition of rent controls, weakening of planning obligations), and switching to demand-side subsidies was part of a broader national reform to curtail local governments' power, finance and direct production of housing and public land (*ibid*.).

The abolition of supra-local intermediate tiers (GLC and 6 MCC) was also key in this process of "de-municipalisation vis-a-vis re-commodification". The London-wide tier of government – known as the Greater London Authority (GLA) - was reintroduced by the Labour government in 2000. However, GLA has more limited powers than the GLC, with less fiscal autonomy, limited revenue-raising powers, and relying more heavily on central government grants. Rather than direct control, the GLA offers a strategic oversight and does not directly deliver services like housing or land (Travers, 2002; Morphet, 2012).

Since the 1980s welfare restructuring, some divergences emerged between the approaches of the national (England) government and local governments. Rather than representing fundamentally opposing directions, the contrast lies in the pace and intensity of re-commodification—driven and accelerated at the national level, and slower and more contested at some local levels. Progressive local authorities have sought to resist or mitigate these effects, despite operating under significant coercive pressures (Smyth, 2019; Watt, 2021). In parallel, there has been a growing movement advocating for stronger regulation of the PR sector (Slater, 2021), and for rent-controlled housing programmes increasingly being led by supra-local institutions such as the GLA (GLA, 2020, 2024; see below).

As outlined previously, since the 1980s national policy changes in fiscal, housing, planning, and welfare domains have accelerated both the re-commodification and financialisation of housing, particularly during periods of crisis (austerity post-GFC). Even when national narratives—such as the Labour government's agenda (1997–2010)—promoted a universal approach to housing and urban inequality, delivery remained largely market-led, aligned with the logic of an 'entrepreneurial state', whereby local governments should 'enable' private sector involvement and boost the real estate market through national and local regeneration programmes (a 'Third Way' re-commodification through the back door; Watt and Minton, 2020). Mayoral Development Corporations (MDCs)[61] introduced with the Localism Act 2011 reproduced the same mechanisms but at a large scale. Weakened local governments were further pressured to cross-subsidise estate regeneration and outsource the production of SR to the non-profit and private sector (through Section 106 planning contributions), while

[61] Mayoral Development Corporations (MDCs) are special-purpose public bodies established by the Mayor of London (or other metro mayors in devolved regions) to lead and coordinate urban regeneration in designated areas. Seen as tools to accelerate regeneration, they have also faced criticism for limited local accountability and for prioritising market-led development.

supporting alternative 'affordable' programmes like shared ownership. These dynamics accelerated public land privatisation and the demolition of SR estates (Penny, 2016).

Despite structural constraints, some local authorities—and occasionally the GLA—have sought to resist or slow housing/land re-commodification processes (Watt, 2021). The London Plans introduced under Mayors Ken Livingstone (2000–2008) and Sadiq Khan (2016–present) set a 50% affordable housing target for new developments, including shared ownership and a significant share of SR housing. However, this target is non-statutory and subject to negotiation (Penny, 2017). Through Section 106 agreements, developers can reduce or eliminate affordable housing obligations by demonstrating that full compliance would undermine project viability. The actual delivery of affordable homes—particularly in the SR sector—has in fact consistently fallen short (Smyth, 2017).

Mayor Sadiq Khan has lobbied national government to devolve powers over rent control to the GLA (GLA, 2020), which was refused by both the previous Conservative and current Labour governments. As an alternative, the GLA Affordable Homes Programme 2016-2023 has introduced various affordable schemes, where rental prices in the part-rent proportion of the scheme are set by the GLA rent benchmarks, revised annually. However, these schemes aim for tenants to build up savings to buy a home through shared ownership schemes, thus staircasing to OO, rather than securing affordable tenancy in perpetuity. Since 2019, Mayor Sadiq Khan called for the creation of a London Private Rent Commission to cap rents, and in 2025 proposed rent-controlled homes for key workers (KWLR programme)[62] with rents linked to income levels, and rent increases tied to wage growth (GLA, 2024).

More recently, we are witnessing signs of a paradigm shift at local level, with GLA housing strategies supporting de-commodification and local authorities directly producing new SR stock and preventing the demolition of council estates.

Several local governments and the GLA have begun to reverse the regeneration-led council estate demolitions and boost direct state production and refurbishment of SR housing (Morphet, 2019). This was facilitated by the introduction of Council-Owned Regeneration Companies (CORCs) and Local Housing Companies (LHCs), commercial entities partly or wholly owned by local authorities (e.g. Croydon, Barking and Dagenham, Newham, Ealing, Southwark). Both LHCs and CORCs have the capacity to acquire land and property, develop and manage housing, and deliver a mix of tenures.

These experimental programmes signal a paradigm shift in local government's approaches to housing, but their scale and regulatory scope remain too limited to reverse the trajectory set

[62] Aimed at Londoners on ordinary incomes, the Key Worker Living Rent homes programme (KWLR) ensure homes are genuinely affordable by linking rents to 40% of average post-tax key worker household incomes—a widely accepted affordability benchmark, consistent with principles outlined in the London Plan. The programme aims to start at least 6,000 new SR homes by 2030.

by national governments. Moreover, GLA-led de-commodification strategies—such as those introduced by a sitting Mayor—can be swiftly undone by successors, as seen with Boris Johnson's London Plan (2008–2016), highlighting the fragility and limited long-term capacity of intermediate governance tiers in England. Similarly, the regional planning tier, introduced under Labour in the early-2000s, was abolished by the Conservative–Liberal Democrat coalition in 2010 via the Localism Act 2011. While local and metropolitan shifts are promising, they often remain short-lived and structurally weak unless implemented at scale, sustained over time, and supported by fiscal and planning national reform to enable genuine de-commodification (Salter et al., 2023; Gallent, 2024).

III. What synergies and/ or conflicts exist between the vertical and horizontal governance levels?

Since the 1980s, the vertical distribution of power, financial, and regulatory control in the UK/England has been centralised, while responsibility for welfare services and housing has grown at local government level, without corresponding fiscal and financial devolution. Local authorities have become heavily reliant on central government grants and hold limited regulatory power. This so-called 'devolution without funding ' (Amery, 2025) or 'penniless devolution' was entrenched by the abolition of intermediate tiers of government (GLC and 6 MCC) which had held significant fiscal autonomy, regulatory authority, and revenue-raising powers that were not transferred to local authorities. The reintroduction of fewer intermediate tiers of government (GLA and 2 Combined Authorities of Greater Manchester and the West Midlands) and the short-lived experiment with regional governance in England have not altered the centralised organisation of vertical governance (Copus et al., 2017).

Penniless devolution lies at the heart of the structural conflict between local and national governments over housing and welfare. Local governments are underfunded and under pressure to transfer their land to the private sector, yet bear increasing responsibilities for delivering the national green agenda and addressing the urgent affordable housing crisis (Morphet and Clifford, 2020). As shown in the previous Section 3.1(ii), these tensions often intensify after crises, especially following reforms like the Localism Act 2011 (post-GFC), which further weakened local governance, deregulated planning, and accelerated land re-commodification and financialisation. Penniless devolution has been central to the intertwined processes of de-municipalisation and re-commodification and show little sign of reversal in England.

Currently, there is growing vertical synergy between the GLA and London's local authorities, with the latter introducing new housing programmes and funds[63] (negotiated with central

[63] The GLA does not have full fiscal autonomy and relies on a combination of Central government grants (negotiated through spending reviews), borrowing limits set by HM Treasury, revenue from

government and HM Treasury) to scale up affordable housing delivery by local authorities and housing associations (Homebuilding Capacity Fund), and to regulate rents in affordable housing schemes (e.g. London Affordable Rent, London Living Rent, and London Shared Ownership). However, these synergies may shift under future GLA administrations.

The transfer of council-owned SR stock to housing associations, since the late 1980s, marked the beginning of long-standing horizontal synergies between local authorities and housing associations in England to address housing need, meet affordable housing targets, and alleviate homelessness (National Housing Federation, 2025). These partnerships have grown increasingly important amid financial constraints, policy reforms, and a deepening affordability crisis. While local authorities often lack the capacity to build directly, they support development by providing land or planning assistance. Housing associations have taken on a greater role in delivering and managing social, affordable, and intermediate housing—often using land or funding facilitated by local authorities—particularly in estate renewal and regeneration schemes involving the demolition and replacement of council housing (Watt, 2021). Their role has evolved from supporting actors in early public-private regeneration partnerships (first generation, 2000s to mid-2010s) to leading players in more recent schemes (second generation, since the mid-2010s), by forming joint ventures with major (often international) developers (e.g. Peabody and Lendlease) to deliver mixed-tenure, large-scale developments.

Local authorities continue to transfer SR stock and public land to housing associations, but their role has been substantially diminished, reversing the traditional power dynamic between the two. Over recent decades, housing associations in England have grown significantly through mergers and acquisitions (Morrison and Szumilo, 2019), adopting more commercial, corporate-like strategies—including involvement in large-scale development and regeneration, and cross-subsidising affordable housing with PR and OO units (National Housing Federation, 2025). Government policies have encouraged this scaling-up to meet delivery targets and access funding. Larger associations are now often better positioned than local authorities to compete for Homes England grants, deliver complex regeneration schemes, and meet regulatory and performance standards.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

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local sources, such as transport fares (via TfL), business rates, and council tax, and alternative financing mechanisms, including structured finance and partnerships.

I. *To what extent are processes of de-commodification and re-commodification in each housing system driven by, or respond to, the identified exogeneous macro-trends and crises?*

The welfare restructuring of the 1980s and the post-GFC austerity reforms of the 2010s were the two major central government's responses to global crises that marked, respectively, the turning point (path-change) and the accelerator of housing and land re-commodification and financialisation in the UK housing system. In both cases, the neoliberalisation of the welfare–housing system was not driven by exogenous macro-scale forces, but rather constituted a deliberate state-led politico-economic strategy to advance a broader party agenda.

Thatcher's Conservative government responded to the Fordist industrial crisis and accumulation regime with the welfare restructuring in the 1980s and the credit market liberalisation in 1991. These reforms have been instrumental in creating the conditions for the implementation of the Conservative's neoliberal agenda. As detailed in Section 3.1(i), These established OO as the dominant tenure, deregulated the PR sector, and residualised the SR, alongside aggressive land privatisation and planning de-regulation. Centralised finance and underfunded devolution catalysed this path change. The Labour government of the 2000s deepened re-commodification through local regeneration initiatives and state entrepreneurialism, expanding state intervention into consumption to channel investment from the private and financial sectors into housing and to fuel the UK real estate market(s). Once again, re-commodification was not driven primarily by exogenous macro-trends, but by Labour's broader "Third Way" political strategy centered on public-private partnerships (Haugh and Kitson, 2007).

Similarly, the Conservative–Liberal Democrat coalition government responded to the Global Financial Crisis with austerity reforms in the 2010s and changes to tax laws (2016-2021), aiming particularly to expand and financialise the PR sector. These measures provided an opportunity to advance the Conservative Party's neoliberal agenda through the Spending Review 2010, which cut public expenditure and led to the residualisation and outsourcing of welfare services; the Welfare Reform Act 2012, which reduced benefit entitlements via Universal Credit and the benefit cap; and the combined impact of Local Government Cuts and the Localism Act 2011, which devolved responsibilities to local authorities while reducing their funding and further weaking their control over planning matters (Mulliner and Maliene, 2012).

This accelerated the re-commodification of land and de-regulation of planning system, for instance, to support the growth of Build-to-Rent developments, to attract large-scale institutional investors, and to shift the PR sector from individual landlordism to corporate and institutional ownership. Concurrent cuts to public spending in welfare and housing subsidies further weakened the role of local government, prompting it to outsource the limited provision of public goods and affordable or SR housing to intermediary private and non-profit actors, and to scale up the role of housing associations in regeneration programmes (Hall, 2015).

The 2001 reform of EU Competition Policy and State Aid Rules had little impact on the UK housing system. Often described as "EU housing policy by stealth" (Doling, 2006), the reform significantly affected countries reproducing unitary rental systems, such as the Netherlands, by restricting public subsidies (deemed to distort the market) and enforcing means-testing. These measures led to the residualisation and stigmatisation of SR sector in those countries. In the UK, however, similar transformations had already been set in motion under Thatcher-era reforms. Paradoxically, post-Brexit, the UK now has less regulatory constraints than EU member states to reintroduce universalist approaches and expand public investment in SR housing. For instance, the UK regulatory framework defining eligibility for SR housing can be broader—encompassing middle-income groups and key workers—than the EU definition of social housing as a Service of General Economic Interest (SGEI), which is limited to disadvantaged citizens or socially less advantaged groups (Bowie, 2017)

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

I. *What is the capacity of the local and national housing system to provide affordable housing? Identify the key obstacles to production of affordable housing, and the key enablers of the production of affordable housing, in both the national and local housing systems.*

The UK case has shown that the greater the re-commodification and financialisation of the housing system, the greater the increase in housing prices, rents, production costs, and land values—and, consequently, the deeper the affordability crisis. Privatisation of public land vis a vis de-regulation of planning system is central in these processes. Following the previous Section 3.2(iii), the fostering of re-commodification and deepening into financialisation should not be seen merely as a consequence of macro-trends or global crises, but rather as the result of crafted politico-economic strategies by central governments, using crises as justification to transform housing and land into asset classes for capital accumulation. Central government responses to the energy crisis and the green agenda follow the same logic that underpins the existing housing system: leveraging green interventions—just as they did with affordable housing programmes—to catalyse economic activity and create new markets through the re-commodification of public goods (Iafrati, 2024), thereby transforming green infrastructure into asset classes (see Section 4).

The allegedly crisis-driven reforms have contributed to driving, rather than addressing, the affordability crisis (for instance, the Housing Act 1980 to 'liberalise' the credit system, the Housing Act 1988 to centralise housing finance, or the Localism Act 2011 to deregulate planning). As detailed in Section 3.1(i), these reforms have incrementally weakened the redistributive role and capacity of local governments and intermediate tiers (e.g. GLA) to promote housing de-commodification (e.g. through the production and acquisition of SR housing), while central government has retained control over the de-regulation and financialisation of the PR sector, thereby curtailing the potential for more stringent rent regulation (Watt, 2021; Slater, 2021).

Land remains the key obstacle to delivering affordable housing in the UK. The scarcity of public land—often privatised through regeneration programmes, RtB and transfer of council estates to the private sector —means most housing development occurs on privately owned land. By weakening planning control over speculation and land value capture, once land is allocated for housing development, its value rises sharply, driven by demand from private developers aiming to build market-rate units (Christopher, 2018). This makes it difficult for housing associations to acquire land for SR production, and means SR provision relies on cross-subsidy from the production of OO and PR and joint ventures with private developers. Local authorities also face barriers, as compulsory purchase rules require market-based compensation levels that are unaffordable. Affordable housing provision now largely depends on developer contributions, negotiated down based on project viability, claimed untenable by high land costs. As a result, developers and housing associations favour shared ownership over SR, limiting long-term affordability.

Government schemes for low-cost OO and shared ownership have helped middle-income household access the property ladder, but they fail to address high house prices (Clarke and Heywood, 2024). For instance, Help to Buy propped up prices in the new-build market, benefiting developers more than buyers (Hilber and Schöni, 2021). By increasing demand without price controls, they ultimately inflate land and housing costs. Additionally, budgets for affordable housing delivery from Homes England and the Greater London Authority (GLA) are limited. These financial constraints are compounded by challenges in the construction industry, including a shortage of skilled labour, rising building costs, and higher borrowing costs.

The experimental programmes and paradigm shift at the local and intermediate levels outlined in Section 3.1(ii) -e.g. Council-Owned Regeneration Companies and Local Housing Companies)- demonstrate the resilient capacity of local authorities and the GLA to spearhead direct state-led production of SR housing (small infill), introduce rent benchmarks in GLA mixed-tenure schemes, and counteract re-commodification by preventing council estate demolition and public land privatisation. Local authorities still own significant public land banks (social-democratic welfare legacy) and long-term horizontal synergies with housing associations (and community land trust) can be key factors enabling the production of genuine affordable housing (Ryan-Collins, 2003, 2024).

It is still too early to determine whether the lifting of the HRA borrowing cap (2018) and the publication of the 2018 Green Paper *A New Deal for Social Housing* will lead to increased SR housing provision—potentially signalling a timid shift in national policy priorities. Without meaningful land reform to enable de-commodification, the affordable housing crisis is likely to intensify (Gallent, 2024).

II. *How have the identified crises and macro-trends affected the capacity of these housing systems to provide affordable housing?*

As detailed above in Sections 3.3(i) and 3.2, the allegedly crisis-driven reforms have been driving—rather than addressing—the affordability crisis, particularly through two concurrent processes rooted in underfunded devolution. First, they have incrementally weakened the financial and regulatory capacity of local governments and intermediate tiers (such as the GLA) to foster housing de-commodification. This has curtailed their ability to directly produce, refurbish and/or acquire SR housing, secure significant planning contributions for SR stock and adequate central government grants, retain and expand public land banks through compulsory purchase, and introduce more stringent rent regulation in the private rented (PR) sector—such as benchmark rents and longer tenancy security. Second, the reforms have strengthened central government's fiscal and financial control, along with its mechanisms for deregulating the planning and land system, thereby accelerating the re-commodification and financialisation of both the PR and SR sectors.

III. What challenges have the state and non-profit sector faced, in the light of recent crises

Many current challenges to affordable housing provision have remained the same since the aftermath of the 2008 GFC and the austerity regime implemented in its wake, as since then we have seen a path dependent direction of travel rather than a path change in the tenure policy system and supply system. These challenges, discussed in detail in Section 3.1(i), include the weakening of local authorities, the erosion of planning regulations, the transfer of public land to the private sector, and incentives for private investment in both housing production and consumption. These aspects have undermined the direct delivery of homes by local authorities, which has been shown as the only way to ensure a net-gain in social and affordable housing (Watt, 2021).

The recent polycrisis affecting the UK (and globally) have contributed to rising construction costs, which make the provision of affordable homes more costly for registered providers of social and affordable housing, as well as for local authorities (Clifford et al., 2024). The UK's exit from the EU in 2020, as well as subsequent geopolitical crises, have affected global trade, and the number of construction workers available for housebuilding and maintenance (Smith et al., 2020). The Covid-19 pandemic has led to supply-chain disruptions. The Russia-Ukraine war has impacted energy costs (Allam et al., 2022). These factors may continue to raise housebuilding costs, which stretches housebuilding budgets, making it harder for registered social housing providers to balance their revenues and outgoings. This also makes housing development less viable for private developers, who may negotiate fewer developer contributions for SR (Section 106).

Moreover, successive and allegedly crisis-driven reforms in the UK that have impacted the housing system have tended to amplify the mechanisms that drive re-commodification and financialisation (housing and a land as an asset-class; Ryan-Collins, 2024). Such reforms have further withdrawn financial support for local authorities, weakened the capacity of the local governments and worsening the housing affordability crisis. As land values rise, the size of private and non-profit actors involved in housing provision has had to increase in order to operate within increasingly expensive markets. Only large developers can compete in land acquisition; as a result, both housing associations and private developers have either exited the market or expanded—often through mergers and acquisitions (Morrison and Szumilo, 2019)—in order to survive. Understanding how housing associations are adapting to scale up operations in response to housing demand, policy shifts, and funding challenges will provide critical insights into the evolving role of non-profit actors in the housing sector and their capacity to deliver affordable housing at scale.

4 CONCERNS REGARDING THE GREEN-HOUSING NEXUS

In the UK, environmental debate and the green policy initiatives (EEPs such as retrofitting, NbS, and densification) have developed largely in isolation from the housing affordability debate. The housing affordability debate predates the decarbonisation and sustainability debate, and the links between these areas are not part of the current political agenda. Their nexus also remains underexplored in academic circles due to disciplinary silos, although some synergies are gathering momentum (Gough et al., 2024).

In our view, however, the governance structures determining how these three green initiatives are rolled out (see Deliverable D3.2, Stirling and Arbaci, 2025) are underpinned by the same logic that governs the existing housing system: a preference by UK policymakers to catalyse economic activity through the commodification of public goods. These EEPs are public goods that are manifested through the built environment, and as such their design follows the same logic as the UK housing system, and replicates many of the mechanisms whereby housing inequalities are created.

This policy preference for private provision of public goods, the historical context of which is outlined above, has seen a shift of state intervention and investment from the supply side (largely but not limited to central government subsidy) to the demand side (largely but not limited to tax restructuring). This has created decades' worth of housing, fiscal and welfare policy intervention intended to lubricate the flow of private (rather than public) investment into housing, and now into green initiatives. Direct state investment into supply (which was key for the postwar de-commodification of the UK housing system) has been replaced by attempts to stimulate supply by boosting demand in order to stimulate the private market for the delivery of public goods. This logic has been applied both to housing and to green initiatives.

We would add that this is not primarily an issue of environmental policy or governance, but of how the governance of public goods provision works in the UK. By outsourcing the provision of public goods to the private sector, the costs of both housing production and of green interventions will rise, with costs ultimately re-couped from end-users, thereby increasing residential inequalities. Retrofitting, NbS, and densification programmes are therefore replicating and amplifying the residential inequalities that are already produced by the UK housing system.

In retrofitting, homeowners and landlords (whether private, public, or non-profit) have struggled to retrofit their properties and are unlikely to do so by 2035–2050 due to prohibitive costs. Similarly, the provision of NBS remains scarce, often off-site, and of poor quality, while densification continues to drive up housing prices, making the delivery of affordable housing increasingly untenable.

Just as the UK housing debate (since 2004) has framed the housing affordability crisis as a supply-side (market failure) problem, the climate and environmental discourse is now expected to follow suit—framing shortfalls in the provision of retrofits, NbS, and densification of housing as a supply-side problem, rather than a problem of state funding, coordination and provision. This narrative risk justifying further demand-side subsidies and de-regulation of planning and the housing system to stimulate market-led production of green goods, rather than addressing the complex implications of green interventions for housing affordability and regional or urban inequalities. Thus, although the housing affordability and environmental debates remain largely disconnected, the systems themselves are deeply intertwined—following similar narratives, governance structures, and policy patterns, albeit with a time lag.

More importantly, the idea that decarbonisation may hinder housing affordability—and in fact make housing less affordable—is largely absent from the UK's national debate, especially when compared to discussions in other European countries. In international academic circles, the green-housing affordability nexus has gained traction through the concept of 'green gentrification' (environmental initiatives triggering neighbourhood changes which drive green gentrification and displacement). Green gentrification may occur in certain areas (particularly those that are already quite gentrified such as Woodbury Down – see WP2 for more details). However, our hypothesis is that green gentrification is far from being the main mechanism whereby EEPs reinforce housing inequalities in the UK context.

Green initiatives in the UK are impacting housing affordability more fundamentally through the housing provision/production system itself. As the cost of green production and retrofitting continues to rise, and with minimal direct state intervention and only limited demand-side subsidies, the financial burden of the UK's low-carbon policies is increasingly falling on housing providers rather than the national government. Private developers, non-profit organisations, and local authorities are being tasked with both funding and implementing decarbonisation efforts. Consequently, a portion of these costs is passed on to tenants and prospective buyers, further exacerbating housing affordability challenges. As housing providers are increasingly required to deliver green initiatives—whether on-site or off-site—the production and retrofitting of affordable housing is being constrained. Small and medium-sized private and non-profit providers are already struggling to operate under these conditions. At the same time, policies aimed at expanding low-carbon technologies are not improving housing affordability. In fact, green policy instruments and subsidies often raise development costs, indirectly limiting the supply of affordable housing and reinforcing the commodification of the housing system.

Due to the UK's exit from the EU in 2020, the scale of public investment in the UK green agenda is significantly smaller than for other EU countries, which benefit from substantial EU subsidies. One issue here is not only the size of these funds, but also how they are distributed. In the UK, the limited availability of grants constrains the capacity to support 'green and affordable' housing initiatives effectively.

The UK's environmental agenda is missing a critical opportunity to support the production of affordable housing. Current green policies lack mechanisms to foster the de-commodification of housing, which would mitigate the affordability crisis. This would require, for instance, direct state intervention in the provision of these three green initiatives. Furthermore, green programmes and subsidies to housing providers are not accompanied by regulatory safeguards to prevent rent increases or speculative practices. Nor do they include fiscal tools and land value capture mechanisms that would allow the state to reclaim a portion of the increased land value resulting from public investment (e.g. through improved environmental quality). This gap is rooted in the UK's weakly regulated private rental sector, and in the negotiable nature of planning gain (like Section 106 agreements), which are designed to allow the private sector to retain much of the uplift in value as an incentive to deliver public goods.

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6 APPENDIX

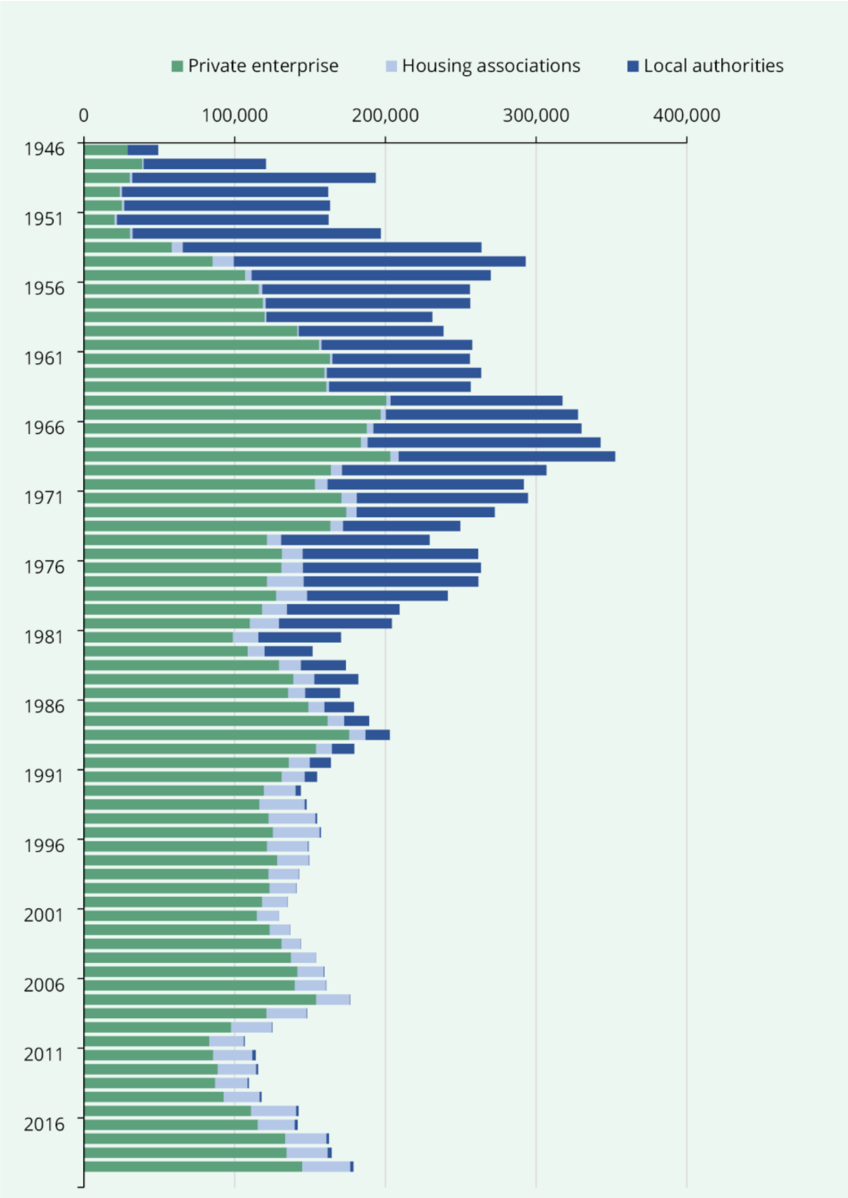

Figure GB1. Housebuilding by type of developer, England, 1946–2019.

Source: MHCLG (2020) (c.f Office for National Statistics, UK house building: permanent dwellings started and completed, 24 April 2020).
from https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17305.htm

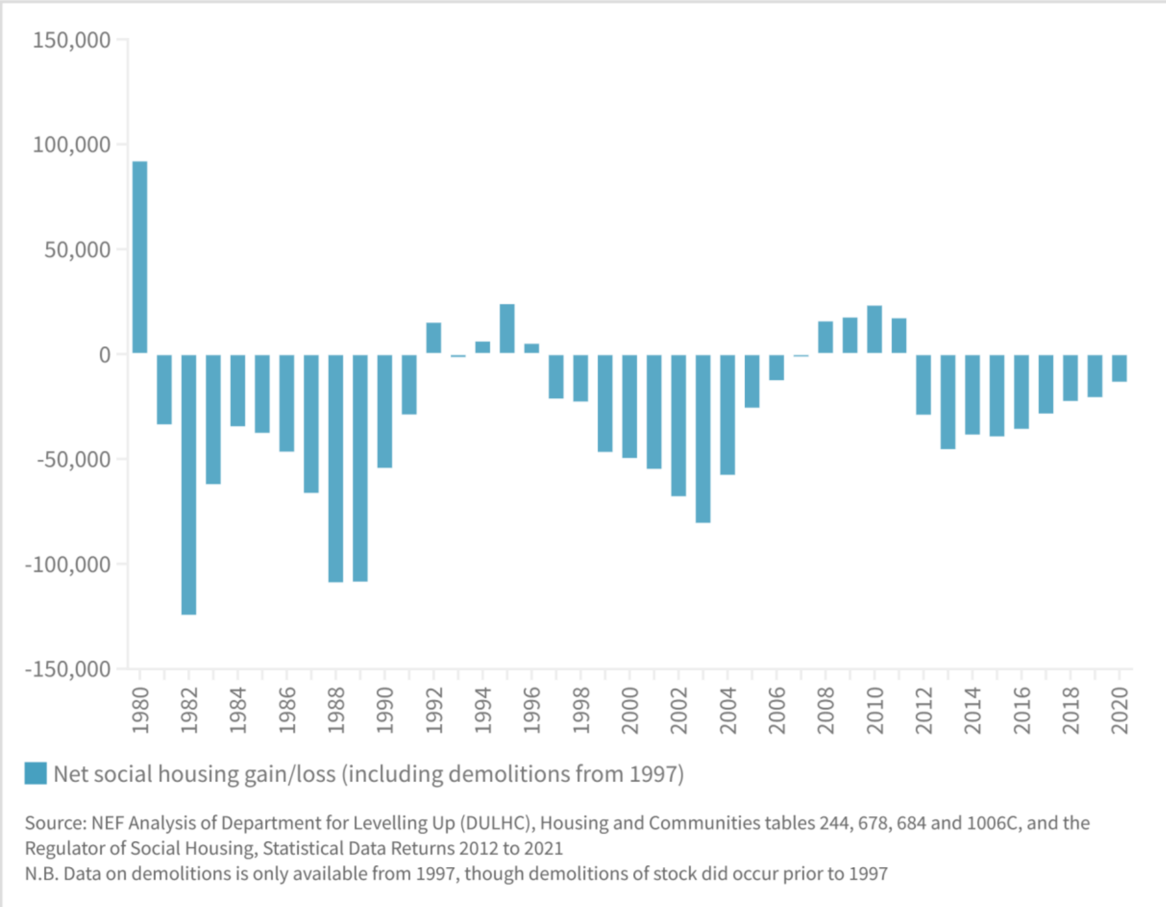

Figure GB2. Net social housing loss/gain from 1980 to 2020.

Source: Hill 2022 (c.f NEF Analysis of Department for Levelling Up (DULHC), Housing and Communities tables 244, 678, 684 and 1006C, and the Regulator of Social Housing, Statistical Data Returns 2012 to 2021) from: https://neweconomics.org/2022/06/reversing-the-decline-of-social-housing

N.B. Data on demolitions is only available from 1997, though demolitions of stock did occur prior to 1997.