



REDUCING
HOUSING
INEQUALITIES

National report on housing inequalities – Spain

An extract from Deliverable 2.1, “Contextualized analysis of the housing situation – Papers on (sub) national trends”, of the ReHousIn project

December 2024

FOREWORD

This report is an extract from Deliverable 2.1, “*Contextualized analysis of the housing situation – Papers on (sub) national trends*”, of the ReHousIn project. The deliverable examines the housing landscape in nine European countries from 1990 onward: Austria, France, Hungary, Italy, Norway, Poland, Spain, Switzerland, and the United Kingdom.

The full version of the deliverable is available [here](#).

Deliverable No.	D2.1
Document title	Contextualised analysis of the housing situation – Papers on (sub) national trends
Dissemination level	Public
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Due date	31.12.2024
Actual submission date	31.12.2024
Work package	WP2 [Trends in inequalities and access to housing]
Project title	ReHousIn: Contextualized pathways to Reduce Housing Inequalities in the green and digital transition.
Grant Agreement No.	101132540
Coordinator	Metropolitan Research Institute (MRI)

This document has been prepared in the framework of the European project [ReHousIn](#) – “Contextualized pathways to reduce housing inequalities in the green and digital transition”.

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.

This project is co-funded by the European Union. The UCL's work on this project is funded by UK Research and Innovation (UKRI) under the UK government's Horizon Europe funding guarantee. The ETH work on this project is funded by the Swiss State Secretariat for Education, Research and Innovation (SERI) under the Swiss government's Horizon Europe funding guarantee.

Views and opinions expressed are those of the author(s) only and do not necessarily reflect those of the European Union, European Research Executive Agency (REA) and other granting authorities. Neither the European Union nor the granting authorities can be held responsible for them.

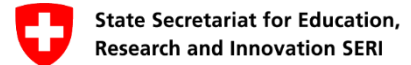


Table of Contents

FOREWORD	2
NATIONAL REPORT ON HOUSING INEQUALITIES – SPAIN	5
Executive Summary	5
Introduction	5
1 SOCIO-ECONOMIC AND HOUSING CONDITIONS	7
1.1 Demography, Economy, Environment and Society	7
1.1.1 Macroeconomic Trends at the National Levels	7
1.1.2 Socio-economic and Demographic Trends	9
1.1.3 Environmental and Energy Trends.....	12
1.2 Housing Sector	16
1.2.1 Housing Stock Development and Tenure Structure	16
1.2.2 Housing Expenses	19
2 MAJOR TRENDS IN HOUSING INEQUALITY DEVELOPMENT IN SPAIN IN THE 21ST CENTURY	22
2.1 Housing and Neighbourhood Quality.....	22
2.2 Housing costs	27
2.3 Housing segmentation.....	34
References	38

NATIONAL REPORT ON HOUSING INEQUALITIES – SPAIN

Executive Summary

The data throughout this report illustrate persistent housing inequality in Spain, driven by challenges such as affordability, space constraints, financial vulnerabilities, and regional disparities. Affordability issues are particularly acute for renters, low-income households, and residents in specific regions. High housing costs impose significant financial strain, with many households spending disproportionate shares of their income on rent. These burdens are especially severe in large urban centers, where demand for housing far exceeds supply, exacerbating gentrification and displacement of long-term residents.

Overcrowding is another critical aspect of housing inequality, with smaller homes in densely populated urban areas experiencing the highest rates of spatial limitation. These conditions reduce the quality of life, as families struggle with inadequate living space. The prevalence of overcrowding underscores the spatial inequality within the housing market, as economically disadvantaged groups are disproportionately affected.

Financial vulnerabilities further complicate the housing landscape, with high rates of mortgage arrears during economic downturns revealing the precarious nature of homeownership. Economic shocks often expose households, particularly low-income ones, to the risk of losing their homes, illustrating that homeownership does not necessarily provide financial stability.

Regional disparities also play a significant role in perpetuating housing inequality. Housing costs vary greatly across Spain, with urbanized and economically prosperous regions facing higher burdens than rural areas. However, rural regions contend with their challenges, such as depopulation, aging housing stock, and limited infrastructure, which collectively hinder access to adequate housing.

Structural inequality within the housing market remains pervasive. Historical trends, including a preference for homeownership and inadequate investment in public rental housing, have created a fragmented landscape where vulnerable populations face systemic barriers to quality housing. Housing inequality in Spain is thus shaped by the complex interplay of economic, social, and geographic factors that continue to disadvantage certain groups disproportionately.

Introduction

Housing inequality in Spain stems from a complex interplay of historical, political, and economic factors that have shaped the nation's housing landscape over two centuries. From the industrial age to the present, housing policies have evolved in response to shifting social dynamics, population growth, and economic priorities. Despite efforts across eras, housing access and affordability remain critical challenges, particularly for vulnerable populations. Early policies, urban expansion strategies, and housing market liberalization have contributed to a fragmented landscape that struggles to ensure equitable access for all.

In the 19th century, rapid industrialization drove rural populations to urban centres like Barcelona and Madrid, creating an urgent need for affordable housing. Urban expansion efforts, such as Barcelona's Eixample project, addressed some demands but highlighted growing class divides. Workers often lived in overcrowded and poorly serviced neighborhoods like Ciutat Vella, facing systemic barriers to quality housing. Early 20th-century initiatives, including the Casas Baratas ("Cheap Housing") laws inspired by France and England, aimed to formalize affordable housing but were undermined by economic instability and administrative challenges.

The mid-20th century brought policies shaped by the Civil War and Francoist rule. Programs like the National Housing Institute oversaw the mass construction of affordable housing estates (Polígonos de Vivienda) on urban peripheries. These developments provided homes but often lacked essential infrastructure such as transport, schools, and services, leading to social and physical isolation. Public housing projects, such as Barrios de Promoción Pública, prioritized quantity over quality, creating long-term issues of exclusion and poverty.

During Spain's democratic transition in the late 1970s, housing policy was decentralized to autonomous communities, with a shift toward promoting homeownership. The 1998 Land Law further liberalized the housing market, sparking a construction boom that temporarily increased housing stock but favored private developers over affordable housing. Spain's public rental housing sector remains limited, with social housing representing only 1.5-2% of total stock. Additionally, policies like the Vivienda de Protección Oficial (VPO) system, which allowed social housing to transition to the private market after 10-30 years, have hindered the creation of a permanent social housing stock.

The 2008 financial crisis exposed vulnerabilities in Spain's housing model. Property prices crashed, evictions surged, and social movements like the Plataforma de Afectados por la Hipoteca (PAH) emerged to advocate for housing rights. Between 2008 and 2015, approximately 600,000 mortgage foreclosures occurred, with 380,000 families evicted. This period highlighted the urgent need for equitable and resilient housing policies.

Today, housing inequality in Spain is marked by high rental costs, limited public housing, and regional disparities. Over 40% of renters are cost-burdened, spending more than 30% of their income on housing, with young adults and low-income households disproportionately affected. In metropolitan areas like Madrid and Barcelona, gentrification and tourism-driven investments have exacerbated housing shortages and displaced long-term residents. As of September 2024, 40% of Barcelona's rental units are short-term rentals, further straining affordable housing availability. Marginalized groups, including immigrants, single-parent families, and elderly individuals, face heightened housing insecurity.

1 SOCIO-ECONOMIC AND HOUSING CONDITIONS

1.1 Demography, Economy, Environment and Society

Spain's housing inequality landscape is deeply influenced by the nation's economic fluctuations, demographic shifts, and evolving environmental policies, each of which shapes access to and quality of housing across different regions and social groups. This section analyzes these factors in depth, using quantitative data to illustrate how macroeconomic trends, demographic pressures, and energy challenges affect housing accessibility and affordability.

1.1.1 Macroeconomic Trends at the National Levels

Spain's economic volatility, particularly since the 2008 financial crisis, has profoundly impacted housing inequality. The recession triggered by the 2008 crisis created widespread financial distress, which translated directly into housing instability for many Spanish households. Figure 1 provides critical insights into this instability by tracking mortgage arrears, which spiked significantly during the recession. The data shows that mortgage arrears (also called mortgage "defaults") reached a peak of approximately 11-12% around 2014, coinciding with the economic downturn's prolonged impact. This figure indicates that a substantial portion of the population faced difficulty meeting mortgage payments during this period, highlighting the financial strain caused by economic conditions and exposing the vulnerabilities within Spain's housing finance system.

Post-crisis recovery gradually reduced the arrears rate, which remained stable between 2017 and 2019. However, the COVID-19 pandemic in 2020 disrupted this stability, leading to a slight uptick in mortgage arrears as household incomes declined or became irregular. This level of arrears underscores a structural vulnerability in Spain's housing affordability, where economic shocks have immediate, adverse effects on housing security. High arrears rates reflect not only economic distress but also the deep-seated inequalities within Spain's financial structure that make lower-income households more susceptible to defaulting on housing-related debts during economic downturns. However, since COVID recovery mortgage defaulting has remained quite low with "only" 2.6% of households defaulting in 2022 against 2.3% in 2023 (The Spanish Mortgage Association, 2023). However, raising interest rates in 2023 and 2024 expose many households in a non-fixed mortgage to high fluctuations and have pushed mortgage defaulting up to 3.4% in 2024 (CEIC Data, 2024).

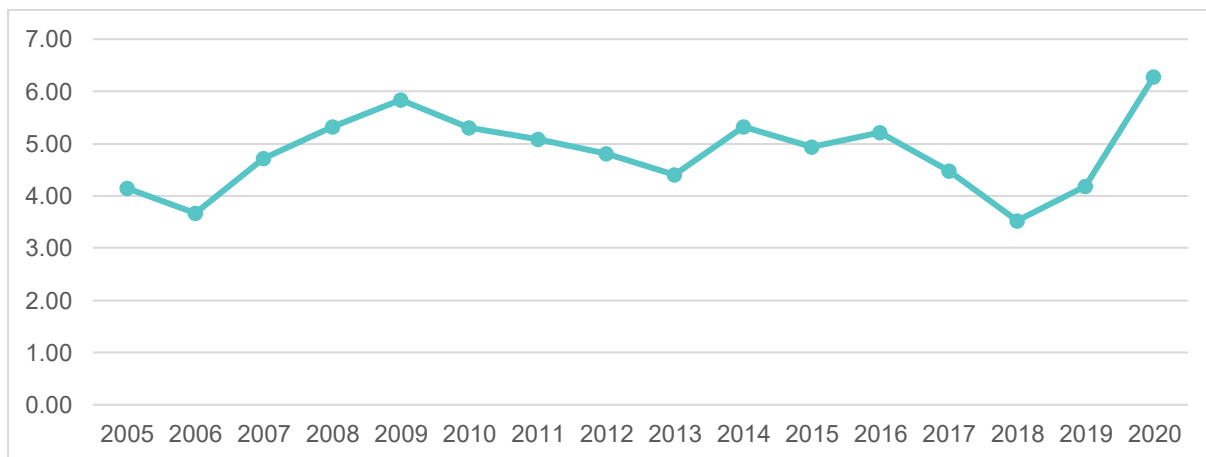


Figure ES1. Share of households in arrears on mortgage payments. Source: own elaboration on EU-SILC database

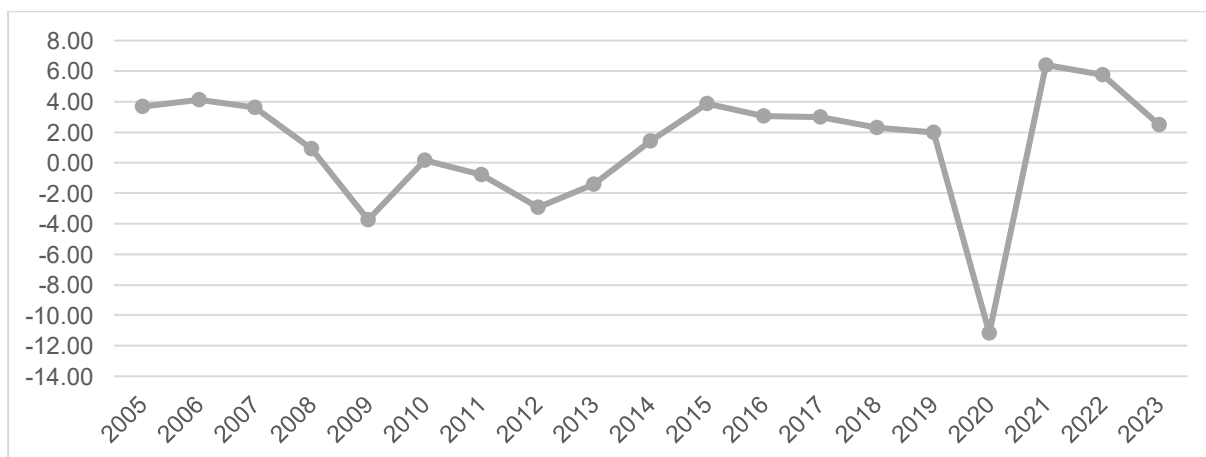


Figure ES2. GDP growth dynamics in Spain (1990-2023). Source: own elaboration on EU-SILC database

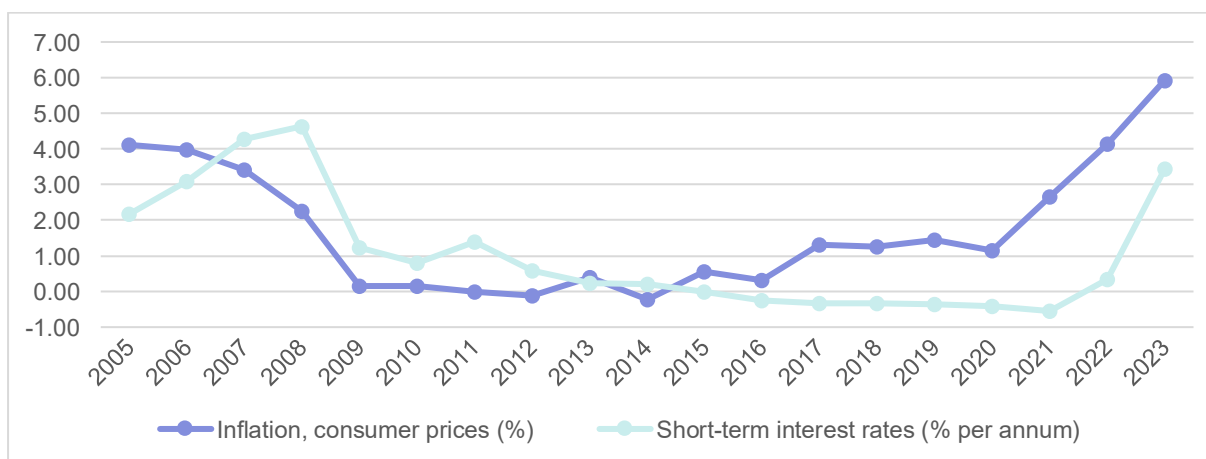


Figure ES3. Inflation (consumer prices %) and Short-term interest rates (% per annum) in Spain 2005-2023. Source: own elaboration on EU-SILC database

1.1.2 Socio-economic and Demographic Trends

Spain’s socio-economic and demographic landscape further complicates housing affordability. Population trends reveal an aging demographic, with a rising percentage of individuals over 65 years old. This shift places additional pressure on the housing market, as the aging population may require specialized housing or support services that the current market lacks. Elderly individuals, particularly those in rural or less economically vibrant regions, may struggle to maintain adequate housing standards. The increased demand for age-appropriate and affordable housing reflects the need for housing policies that address demographic realities, which are currently unmet by Spain’s housing supply. That said, from a housing affordability standpoint, a larger proportion of senior residents own their own, which is often paid-off, in comparison with younger residents and families, which does provide them with greater financial stability.

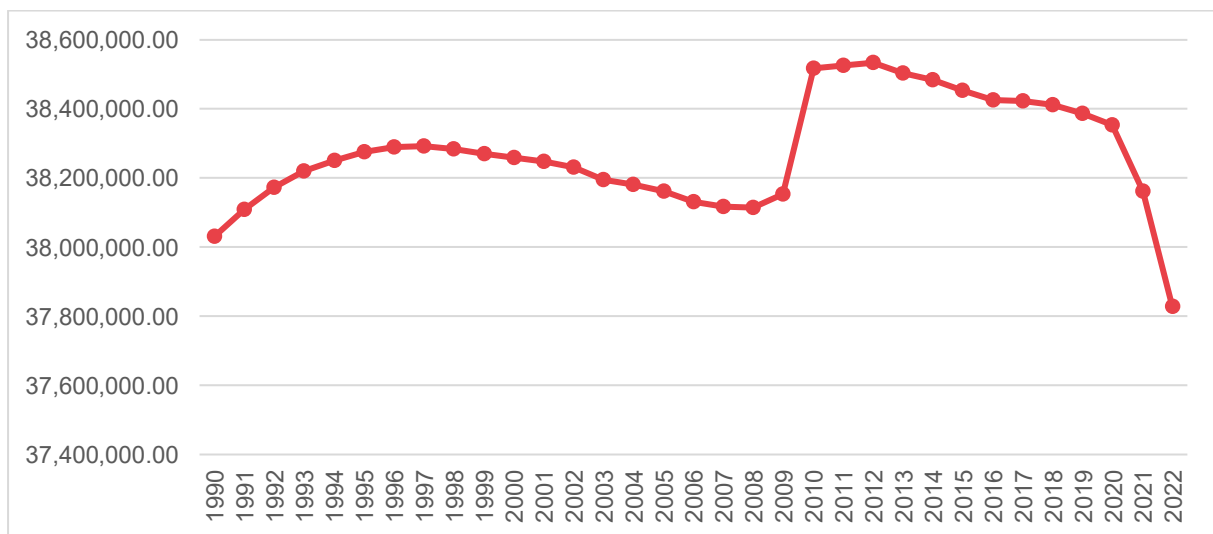


Figure ES4. Total population in Spain 1990-2022. Source: own elaboration on EU-SILC database

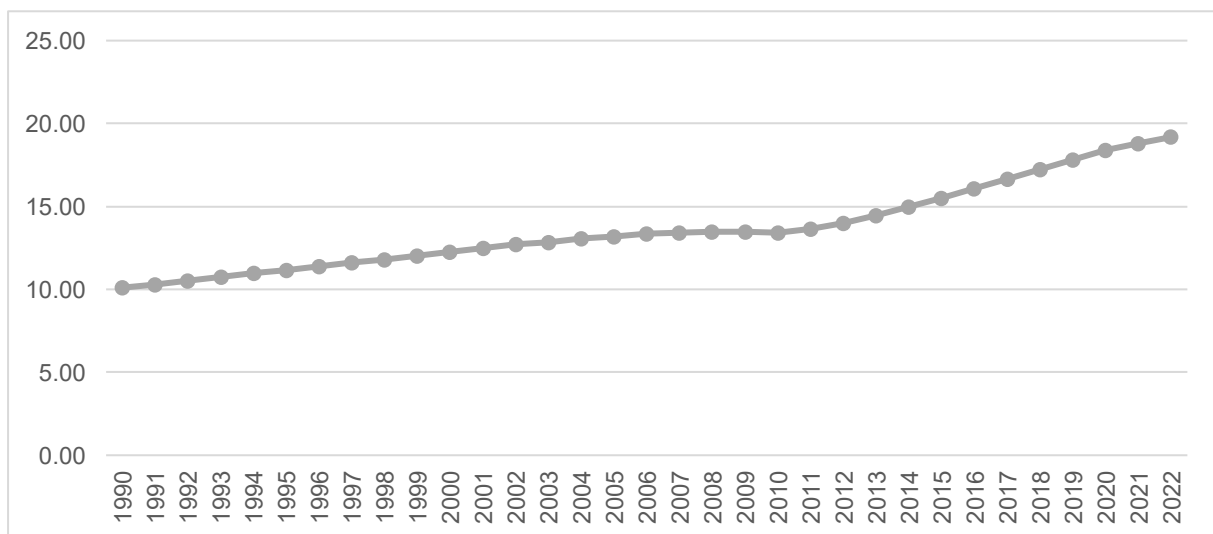


Figure ES5. Share of population in Spain 65 years or over 1990-2022. Source: own elaboration on EU-SILC database

Additionally, figures ES06 and ES07 highlight the variation in housing cost burdens based on economic activity, showing that economically inactive groups, such as the unemployed and students, face substantial housing affordability challenges. For example, students were spending close to 28% of their disposable income on housing costs in 2020. Unemployed individuals, represented by the highest housing cost burden across all income groups, consistently spend a disproportionate share of their income on housing. This reflects a systemic issue where limited income or irregular earnings restrict economically inactive individuals' ability to secure affordable housing. The data also indicates that students, another economically vulnerable group, experience similar financial strain, suggesting that housing affordability challenges are deeply rooted in Spain's economic structure and employment patterns.

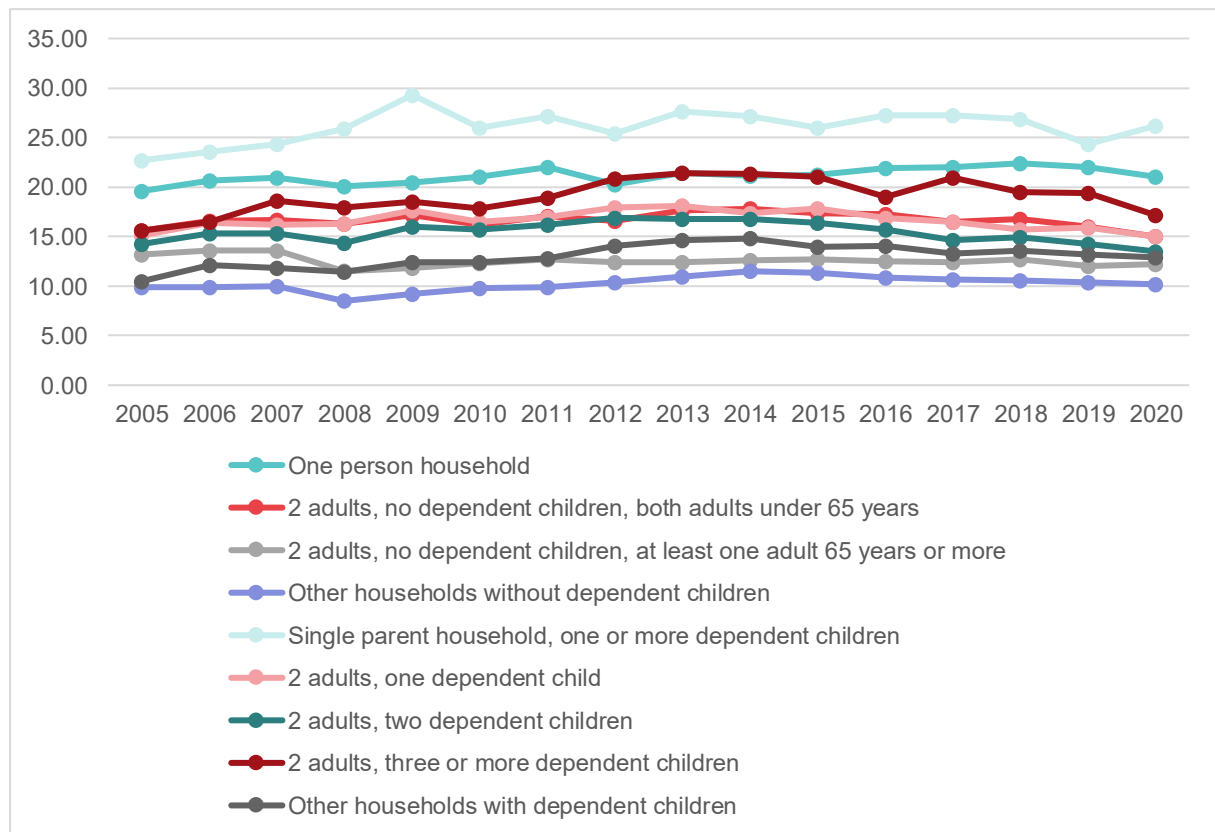


Figure ES06. Share of total housing costs in total disposable income by household type. Source: own elaboration on EU-SILC database

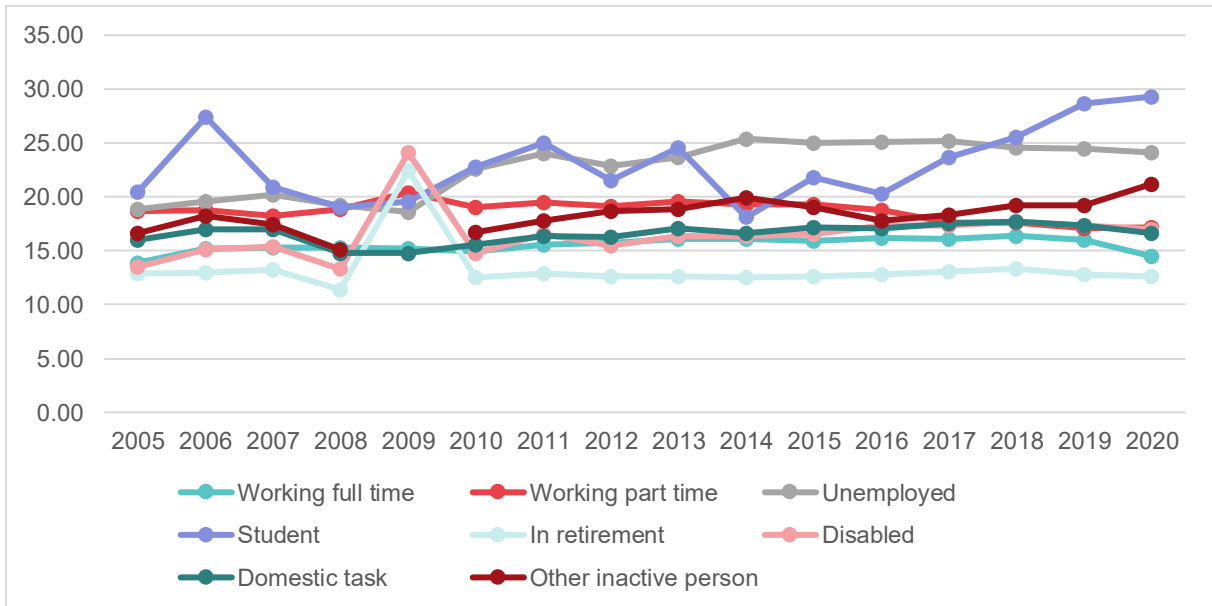


Figure ES07. Share of total housing costs in total disposable income by self-defined economic status. Source: own elaboration on EU-SILC database

For immigrants, particularly non-EU immigrants, the data from figures ES08 and ES09 illustrate a pronounced affordability gap. Individuals born outside the EU consistently report higher housing cost burdens relative to income, averaging around 30% of their disposable income in housing costs, significantly higher than the approximately 20% reported by those born in the same country. This underscores the financial precarity of this group within Spain. Non-EU immigrants also tended to represent the highest share of mortgage abuses and foreclosures during and after the 2008 crisis (Garcia-Lamarca, 2022). Non-EU immigrants often face barriers such as lower-paying jobs or restricted access to housing support, further exacerbating housing inequality. This demographic pattern highlights the intersection of immigration status and housing affordability, indicating a need for policies that support affordable housing access for foreign-born residents.

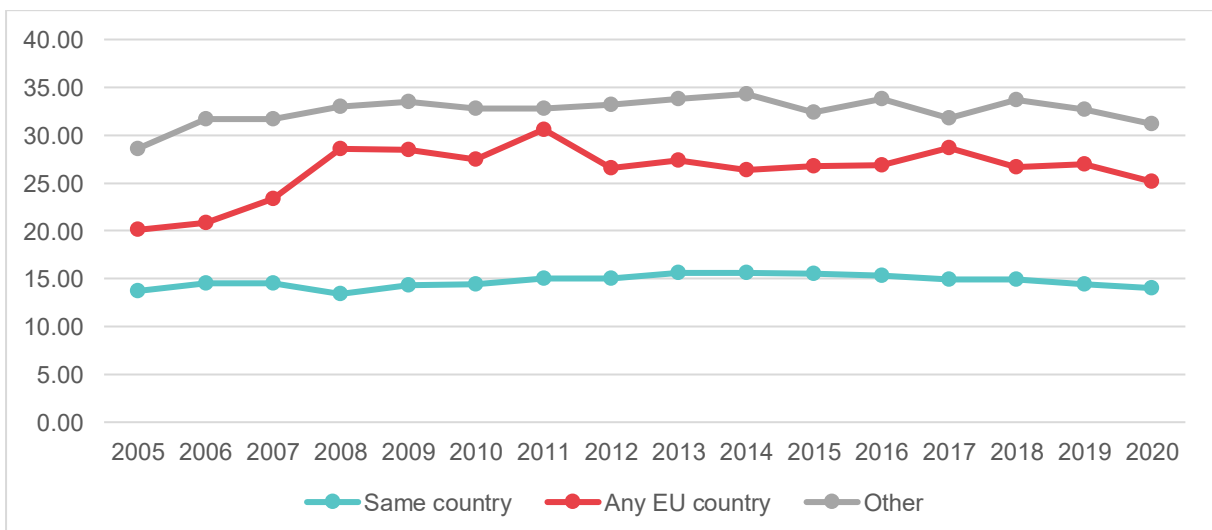


Figure ES08. Share of total housing costs in total disposable income by country of birth. Source: own elaboration on EU-SILC database

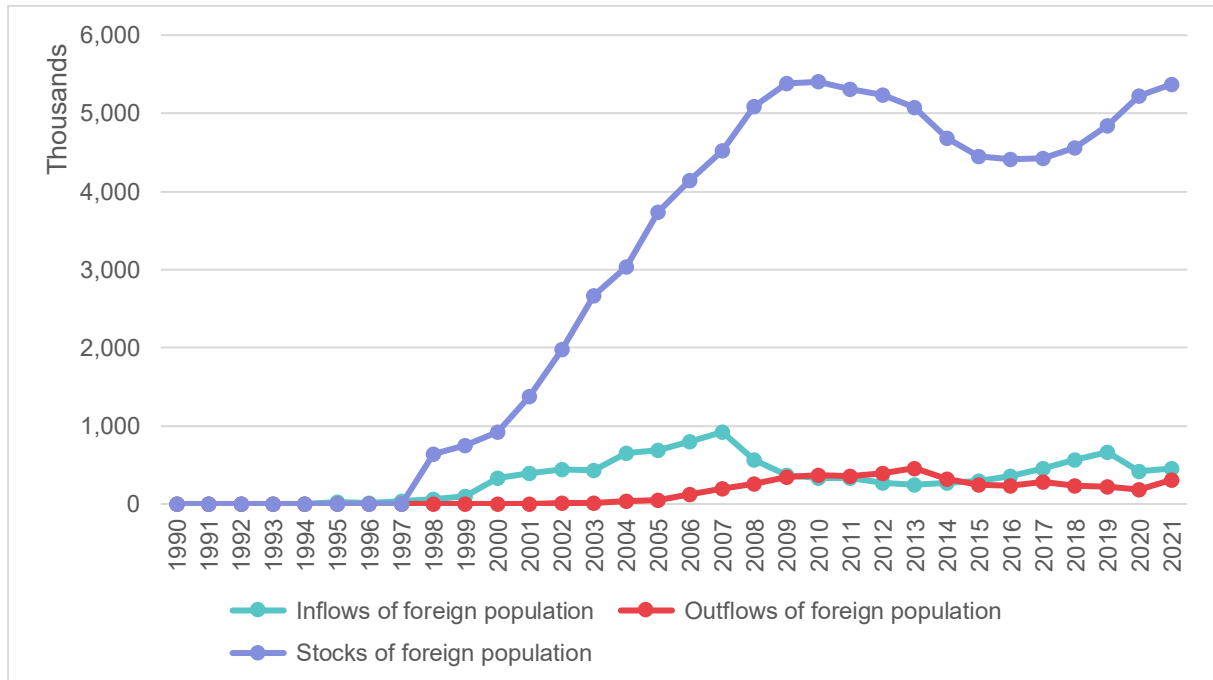


Figure ES09. Foreign born population in Spain 1990-2021. Source: own elaboration on EU-SILC database

1.1.3 Environmental and Energy Trends

The environmental dimension of housing inequality in Spain primarily concerns energy efficiency and the associated costs, which are particularly burdensome for low-income households. Data shows that a consistently high percentage of households report being unable to keep their homes adequately warm (close to 20%). This issue reflects broader energy inefficiencies in Spain’s housing stock, particularly within older, poorly insulated buildings common in both urban and rural areas. Rising energy prices compound this problem, creating a significant financial burden for low-income households who must allocate a substantial portion of their income toward heating their homes.

One of the most vocal social groups against energy poverty, the Alliance against Energy Poverty (APE), has highlighted that Spain currently has one of the highest rates (28%), if not the highest, of energy poverty in the EU. This rate has doubled since 2018 despite recent support policies such as subsidies for energy bills or “minimum vital supply,” which prevents electricity cuts to vulnerable households. As part of its campaigns, it is calling for negotiations with large utility companies to help cancel the debt of the most vulnerable households.

Energy poverty and housing inequality are further exacerbated by the regional variations in housing and environmental conditions. Figure ES10 illustrates that smaller apartment buildings, particularly those with fewer than 10 dwellings, bear the highest share of housing costs (close to 18% throughout Spain) in relation to disposable income. This trend likely reflects higher energy expenditures for tenants in these buildings, who are more exposed to inefficiencies and may face higher per-unit energy costs than those in larger or more modern buildings.

Spain's commitment to environmental sustainability, outlined in the National Energy and Climate Plan (2021-2030), highlights the importance of addressing energy poverty through improved housing insulation and energy-efficient retrofitting. For example, the Plan aims at achieving energy efficiency improvements between 2021 and 2030 for 1.2M homes through thermal envelopes and for another 300,000 homes for the renovation of thermal heating and Domestic Hot Water installations). Most of those homes are meant to receive the funding of NextGeneration subsidies.

The financial strain is exacerbated by rising utility and energy costs. The cost of heating, combined with rising energy prices, places an additional burden on households, particularly those in older, less energy-efficient buildings. This trend is especially concerning for renters, who may lack the authority or resources to invest in energy-saving upgrades. Energy inefficiency not only increases monthly expenses but also has adverse effects on comfort and health, adding another layer of inequality for those living in substandard rental properties.

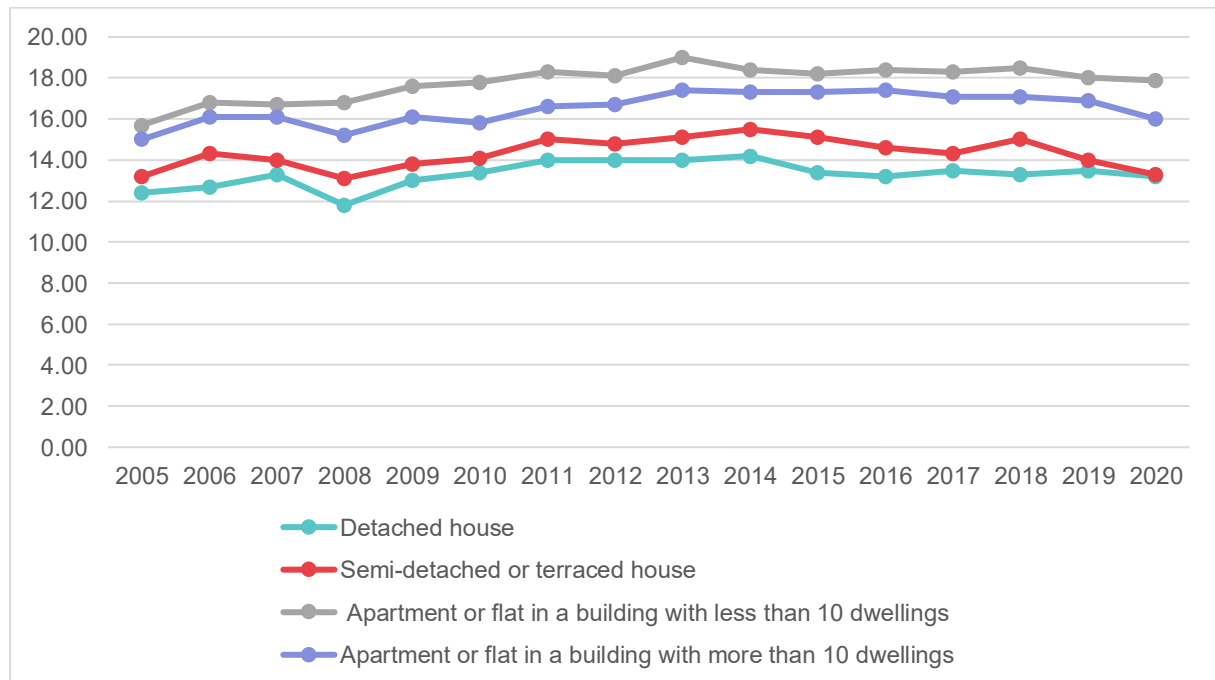


Figure ES10. Share of total housing costs in total disposable income. Source: own elaboration on EU-SILC database

However, implementation remains slow due to the complexity of the application and implementation process, particularly for low-income households most affected by energy inefficiency and working-class residents, who tend to live in large buildings with many neighbors and encounter technical and bureaucratic burdens to move the process forward. Without adequate financial and technical support from architects and municipal technicians, these households are likely to continue facing disproportionate energy costs, reinforcing existing inequalities. As energy costs rise, the disparity between those who can afford energy-efficient housing and those who cannot widens, creating a pressing need for targeted environmental policies that address both affordability and sustainability.

Gas and electricity prices for household consumers (Figures ES12 and ES13) show a **steady increase** from 2007, with a sharp spike around 2022, reflecting external energy crises and inflation. These rising prices disproportionately affect lower-income households, who spend a larger share of their income on energy, exacerbating energy poverty. Meanwhile, the **disaggregated energy consumption data** (Figure ES11) indicates that energy use for basic needs like **space heating** and **water heating** has remained stable, while total household energy consumption has declined slightly, likely due to economic constraints. As energy prices surge, vulnerable households may reduce energy usage, leading to inadequate heating or lighting, worsening living conditions. Combined, these trends highlight the **growing energy burden** for lower-income households, underscoring how housing inequality is compounded by energy affordability issues in Spain.

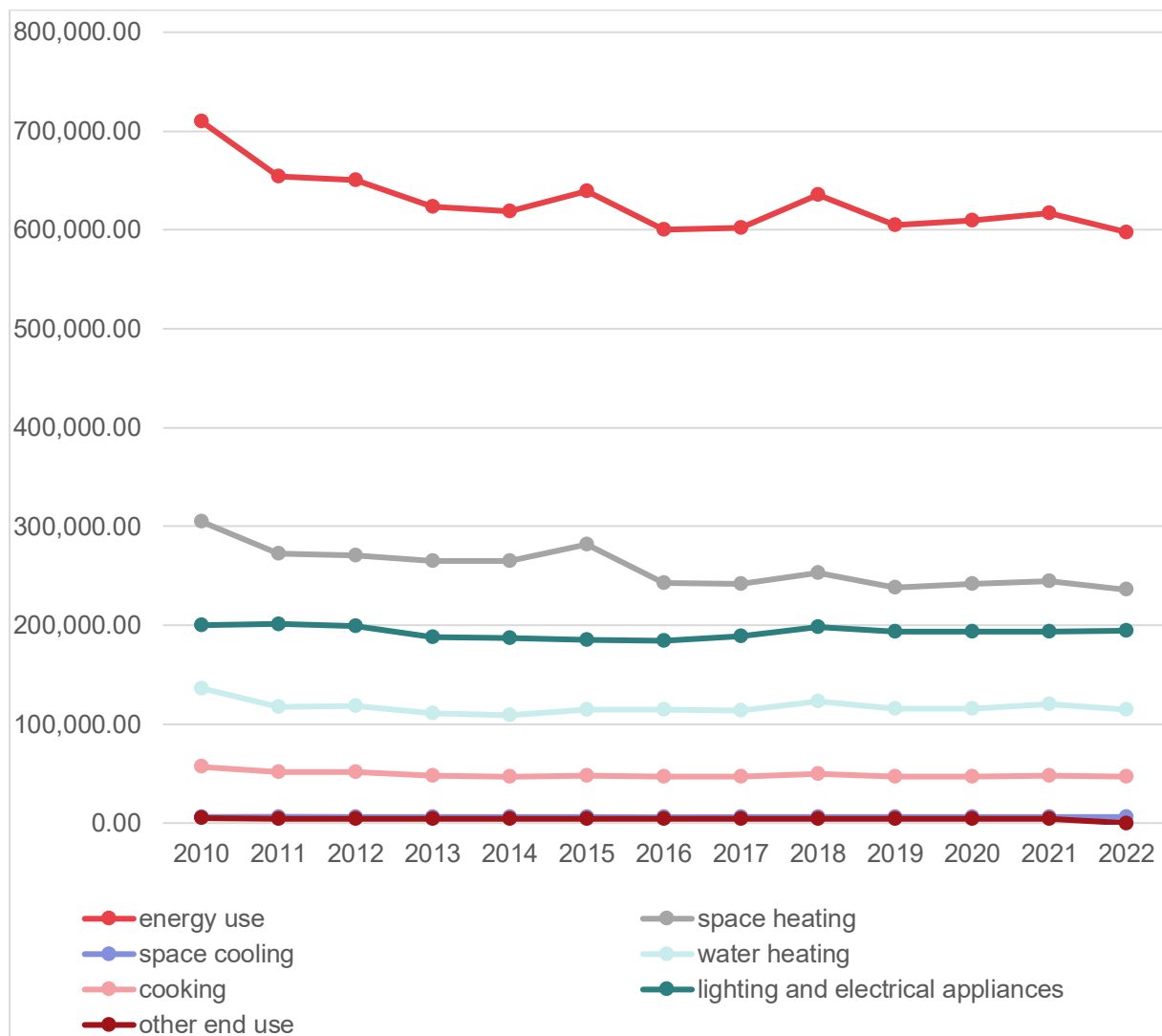


Figure ES11. Disaggregated final energy consumption in households - quantities, Terajoule. Source: own elaboration on EU-SILC data

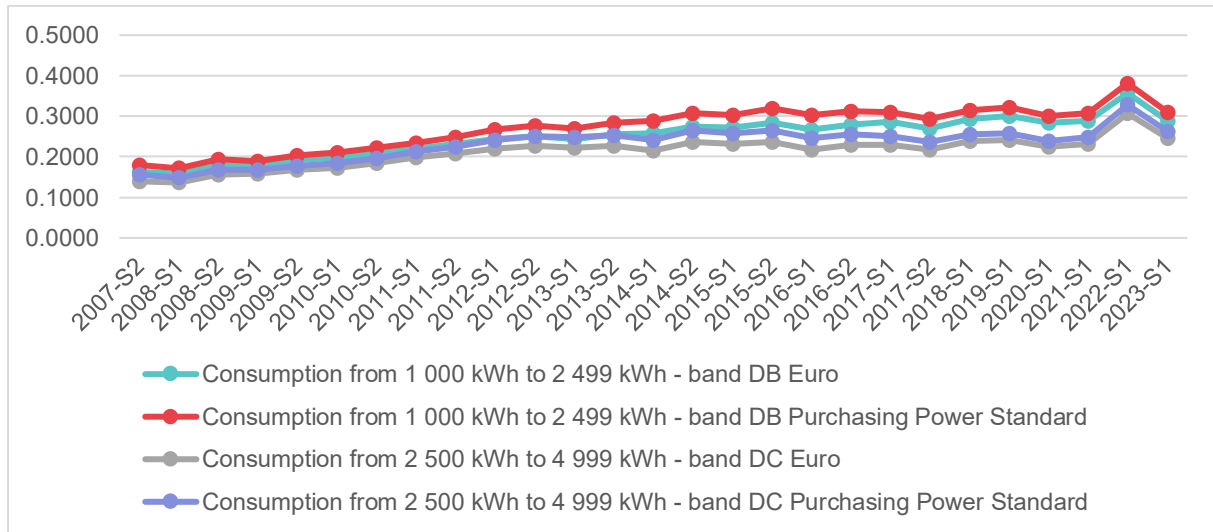


Figure ES12. Electricity prices for household consumers - bi-annual data (from 2007 onwards). Source: own elaboration on EU-SILC data

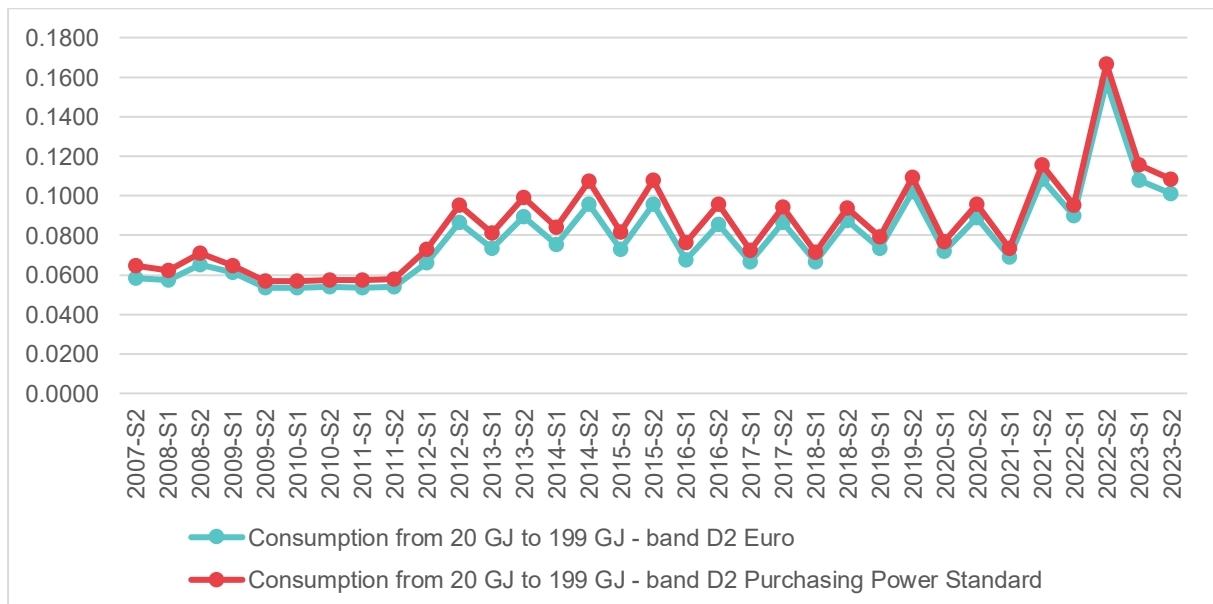


Figure ES13. Gas prices for household consumers – biannual data (from 2007 onwards). Source: own elaboration on EU-SILC data

In summary, the data in this section reveals that economic volatility, demographic pressures, and environmental inefficiencies contribute to a complex web of housing inequalities in Spain. Macroeconomic conditions, as evidenced by trends in mortgage arrears and the financial burden of housing costs, illustrate how economic instability translates into housing precarity, particularly for vulnerable groups such as the unemployed, students, and non-EU immigrants. Meanwhile, demographic aging and regional disparities intensify demand for affordable, accessible housing that meets diverse needs. Finally, energy inefficiency within Spain’s aging housing stock continues to drive up costs, highlighting the environmental dimension of housing inequality. Addressing these intertwined factors requires policies that promote economic resilience, demographic inclusivity, and energy efficiency to ensure equitable access to housing across Spain’s diverse population.

1.2 Housing Sector

1.2.1 Housing Stock Development and Tenure Structure

The structure of Spain's housing sector is defined by its evolving housing stock, shifting tenure preferences, and increasingly prohibitive costs. These elements together have shaped a sector where access to housing is stratified by socioeconomic status, regional disparities, and the financial viability of homeownership versus renting. This section examines these issues by assessing housing stock trends, tenure patterns, and the escalating expenses that characterize Spain's housing market.

Historically, Spain's housing stock development has been influenced by policies that encourage homeownership. Tax incentives, accessible mortgage options, and cultural preferences for ownership contributed to homeownership rates nearing 75% by the end of the 20th century (Naredo, 2010). However, Spain's housing landscape has changed drastically since then, with a marked shift toward rental markets, particularly among younger populations and in urban centers, although only 18.7% are reported to be renters as of 2023 (Idealista, 2024). The data in Figure ES14., which examines housing cost burdens by tenure type, highlights a critical divide: market-rate tenants consistently face the highest financial burden compared to homeowners and to those in subsidized or reduced-rent accommodations. For example, as of 2020 tenants or sub-tenants in the traditional market reported spending 37% of their disposable income on housing costs. This trend reflects the growing difficulty of securing affordable rental options, especially in Spain's urban areas where demand often exceeds supply.

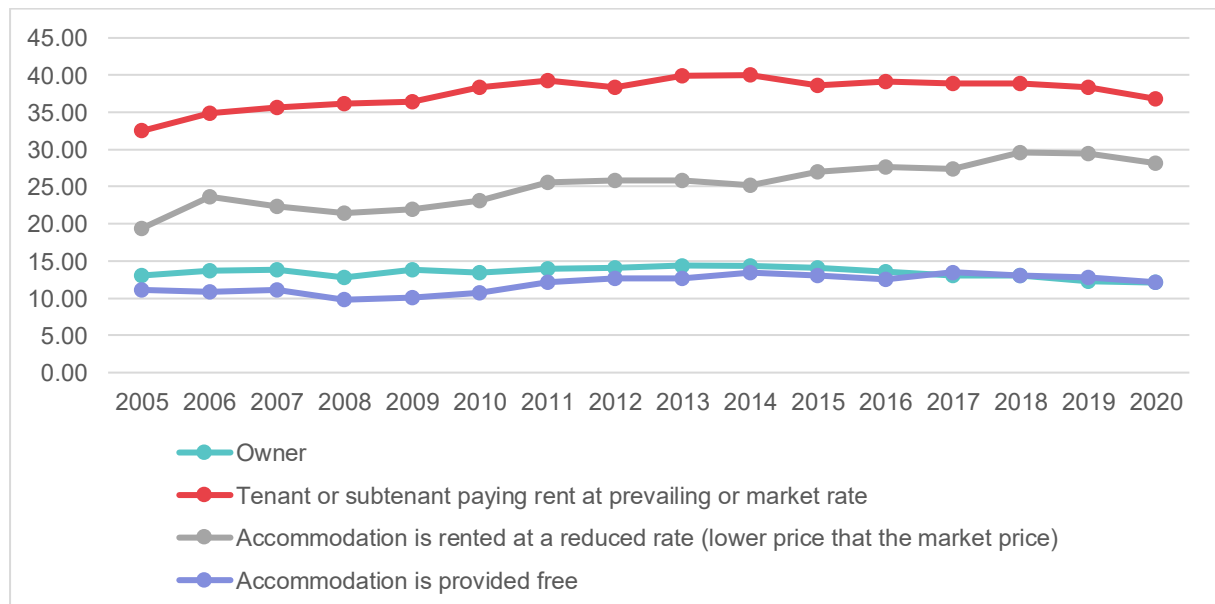


Figure ES14. Share of total housing costs in total disposable income by tenure status. Source: own elaboration on EU-SILC data

The shift toward renting is largely a consequence of rising property values and limited access to affordable financing, which prevent many young adults and low-income households from pursuing homeownership. Renting, however, is not always a viable alternative due to the rapid

escalation in rental costs. Figure ES15. underscores the perception of housing costs as a “heavy burden” among Spanish households (up to 45% of them) particularly in recent years. Renters, especially those paying market rates, are significantly more likely to report feeling financially strained by their housing expenses. The data reveals that the heavy burden of rental costs is felt across different demographics, suggesting that rental market conditions have created widespread affordability challenges that are no longer limited to the most economically disadvantaged.

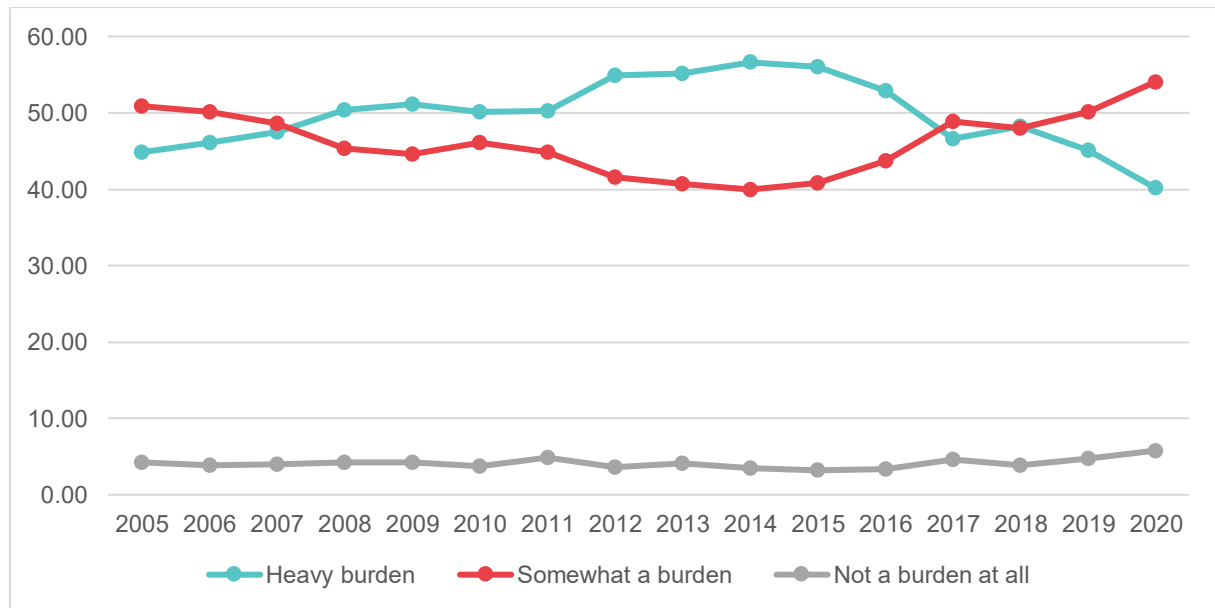


Figure ES15. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Housing stock availability has not kept pace with these shifting demands. The legacy of over-construction prior to the 2008 financial crisis left Spain with a surplus of vacant properties, yet many of these homes remain in locations with low demand or lack of adequate infrastructure, rendering them unsuitable for the rising urban demand. Urban centres, particularly in regions like Madrid and Barcelona, experience the opposite problem: high demand and inadequate affordable housing supply, which fuels price inflation. In addition, according to the City of Barcelona, in 2019 there were 10,052 empty homes, 1.2% of the total, further compounding the problem of lack of inadequate supply. In 2023, statistics from the National Statistics Office (INE) reported up to 9% of all units being empty in Barcelona (Instituto Nacional de Estadística, 2023).

Figure ES16 shows that the majority of households in Spain have consistently been homeowners, although this share has been slightly declining from 2007 to 2023. The rental sector, by contrast, has seen a gradual increase over the same period. This shift signifies a growing reliance on rental housing, likely due to economic barriers preventing homeownership, such as stagnant wages, precarious employment, and rising property prices. The increase in rentals could also point to younger generations being disproportionately unable to access ownership, widening generational inequalities in housing.

Figure ES17 breaks down tenure types in greater detail. While the proportion of households owning property outright (without a mortgage) remains significant, it has remained relatively stable or slightly declined. In contrast, "owner with mortgage" has been gradually decreasing since 2010, reflecting reduced access to mortgages, especially after the financial crisis. Meanwhile, private rentals have steadily increased, signaling greater reliance on this tenure type. Subsidized rentals and other tenure types remain a very small share, underscoring the insufficient availability of social housing to support vulnerable populations. These trends exacerbate housing inequality, as lower-income households struggle to access affordable housing in a system dominated by ownership and a limited rental supply, particularly subsidized options.

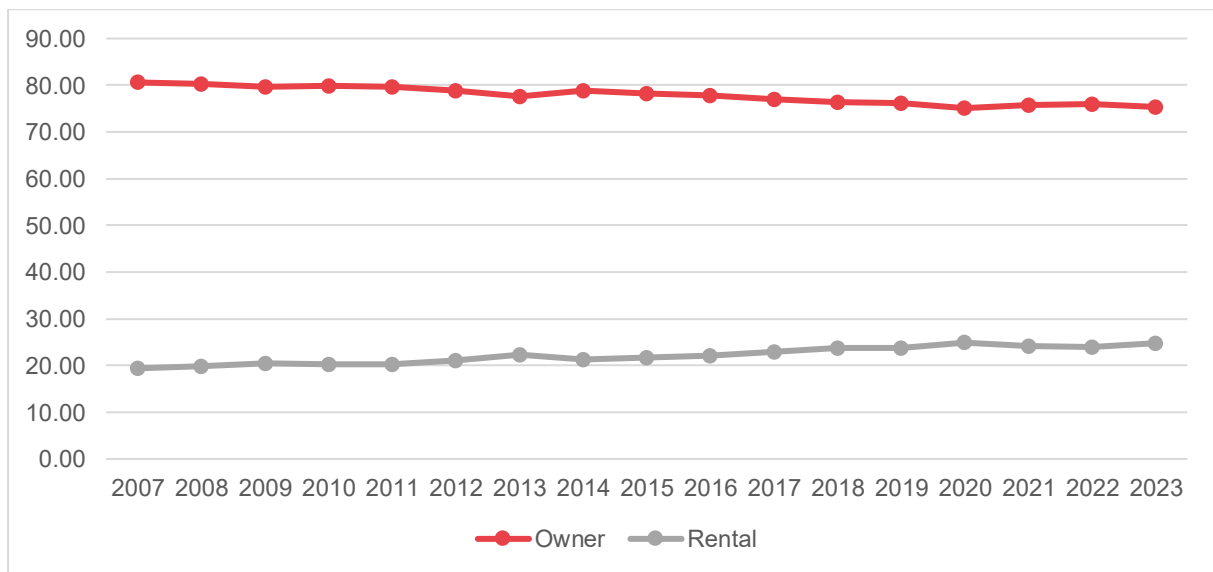


Figure ES16. Tenure structure and its changes: Social vs. private (%). Source: own elaboration on EU-SILC database

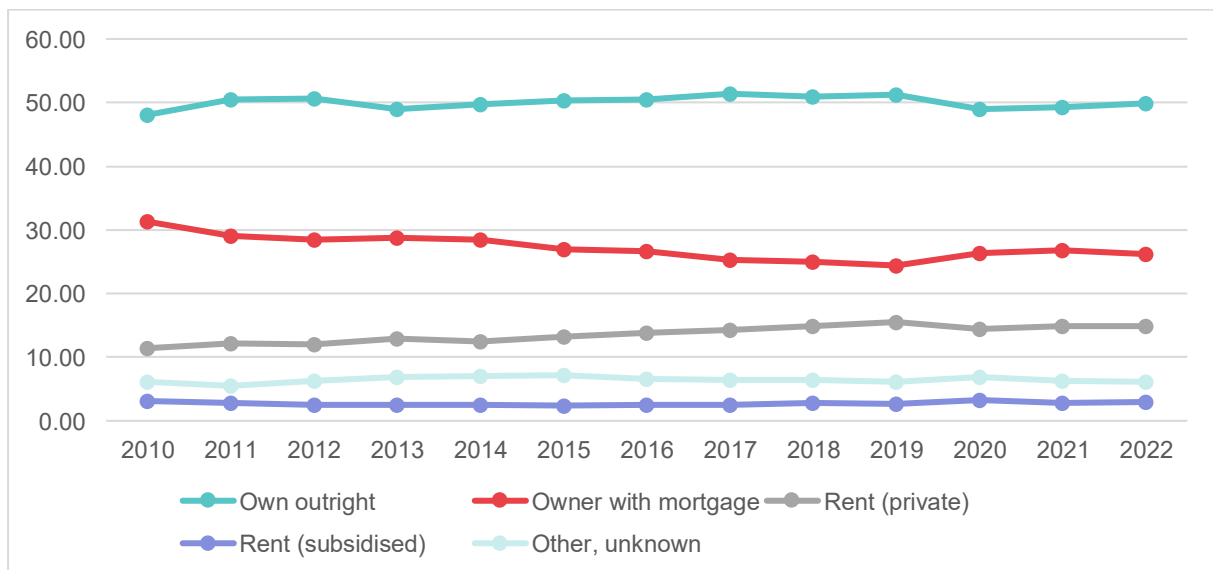


Figure ES17. Share of households in different tenure types (%). Source: own elaboration on EU-SILC database

The data in figure ES18 reveals a sharp rise in construction starting in the mid-1990s, peaking around 2006-2007. This corresponds to Spain's housing boom, driven by speculative investments, easy access to credit, and strong demand. However, the rapid decline that followed during the 2008 financial crisis reflects the bursting of the housing bubble, which left many unfinished projects, vacant homes, and a surplus of housing stock that failed to address real housing needs, particularly for lower-income households.

The aftermath of the 2008 crisis saw construction plummet to historically low levels, exacerbating housing inequalities. The lack of new affordable housing development during the recovery period (2010–2020) meant that housing became increasingly inaccessible to vulnerable groups, especially in urban areas where demand remained high. While construction activity has shown a modest recovery in recent years, it has not reached pre-crisis levels, signaling a structural shift. This imbalance highlights how housing supply in Spain has been historically misaligned with societal needs, prioritizing speculative over inclusive housing development. As a result, inequality persists, with significant portions of the population unable to afford either ownership or rental housing, leading to a worsening affordability crisis.

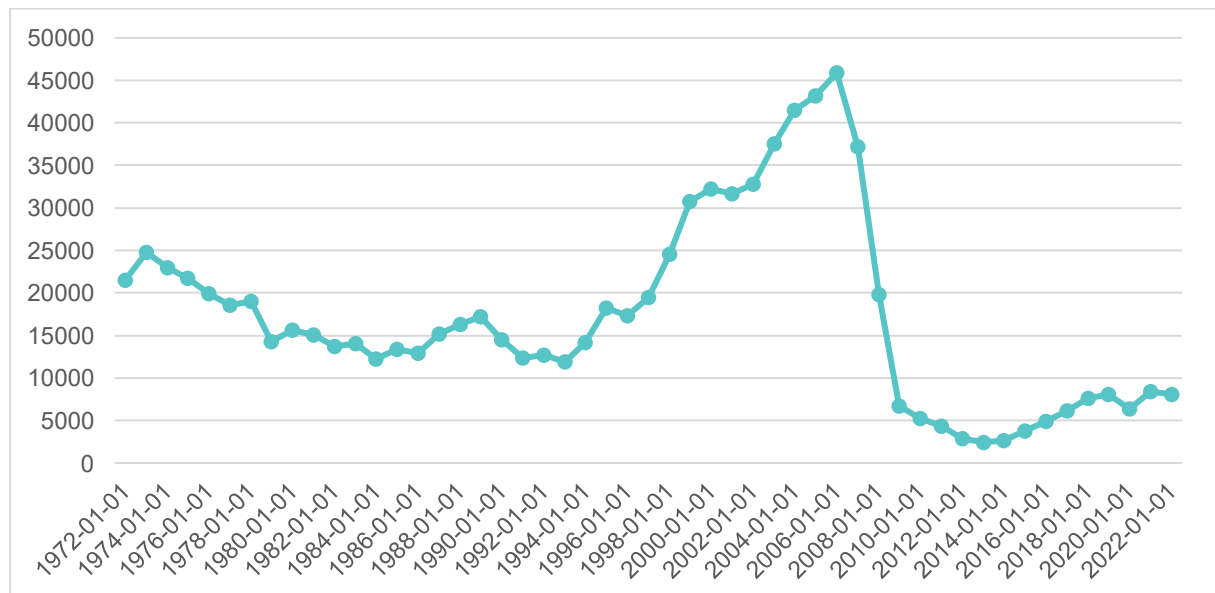


Figure ES18. Construction: Dwellings and Residential Buildings: Total for Spain. Source: Organization for Economic Co-operation and Development

1.2.2 Housing Expenses

The escalating financial burden of housing costs in Spain is a defining factor in the inequality within the housing sector. This trend peaked between 2008 and 2014, coinciding with the financial crisis, and although it has since improved slightly, a large portion of households continue to struggle with housing affordability. This financial strain is especially pronounced in metropolitan areas where rental prices have surged in recent years, driven by a combination of high demand, short-term rental markets, and the slow recovery of the construction sector.

The disparity in housing costs across different tenure types is also evident in figure ES14, which shows that market-rate renters consistently bear the highest housing cost burden

relative to their income. This burden is in stark contrast to homeowners and those in reduced-rate accommodations, whose housing expenses are more manageable relative to their disposable income. Market-rate renters in Spain face a structural disadvantage in the housing market due to the lack of affordable rental units, minimal tenant protections, and limited social housing availability. This disparity indicates that Spain’s rental market conditions are particularly onerous for lower-income households, who are often confined to market-rate rentals due to limited access to ownership or reduced-rate housing options.

Another element driving up costs is the influence of short-term rentals and tourism-driven demand in certain regions. Major cities like Barcelona, Málaga, Palma de Mallorca, and Madrid have seen a sharp increase in property prices and rental rates as properties are repurposed for short-term rental markets, catering to tourists rather than residents. This “touristification” phenomenon not only reduces the availability of long-term rental units but also artificially inflates housing prices, making it difficult for locals to compete. The financial burden on tenants in these urban hubs is thus further intensified by external market forces, which prioritize profitability over affordability.

Figures ES19, ES20, and ES21 (below) revealing growing housing inequality in Spain. The real house price index (ES19) shows a sharp rise between 2000 and 2007, peaking during the housing bubble, followed by a decline after the 2008 financial crisis. However, prices have been recovering steadily since 2015, indicating renewed affordability challenges. Meanwhile, rental prices (ES20) have consistently increased, particularly since 2017, with both monthly and annual averages (ES21) showing accelerated growth. This steady rental inflation, combined with increasing property values, suggests that access to housing is becoming more difficult, especially for low- and middle-income households who cannot afford to buy homes or are increasingly burdened by rising rents. Together, these trends highlight widening disparities in housing affordability and access in Spain.

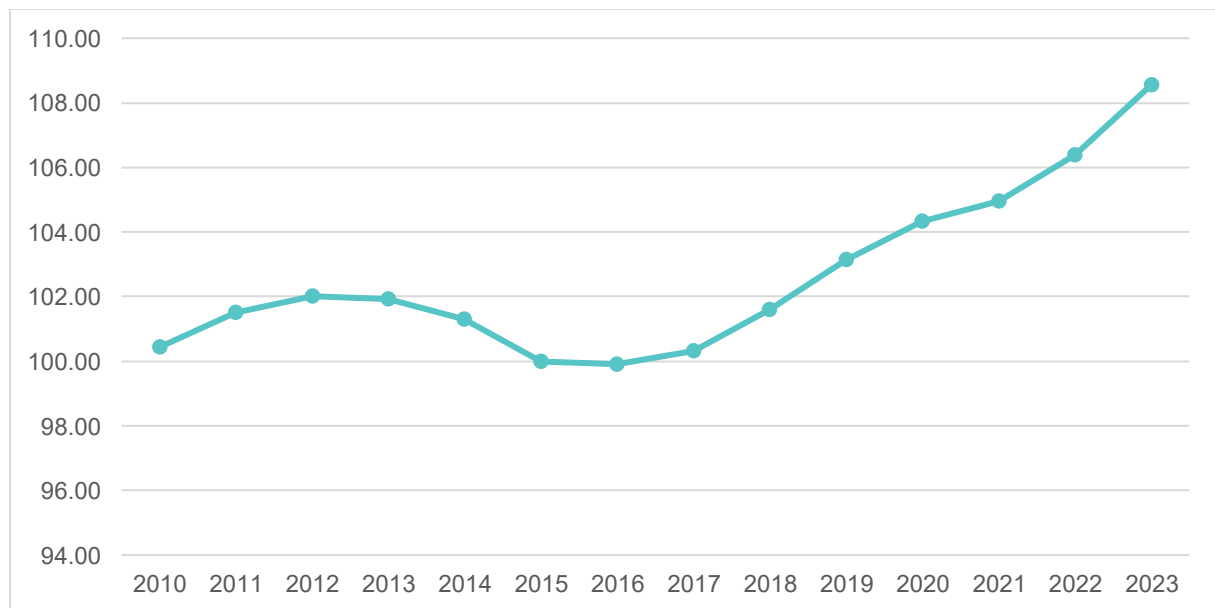


Figure ES19. Actual rentals for housing index: annual average index (2015=100). Source: own elaboration on EU-SILC database

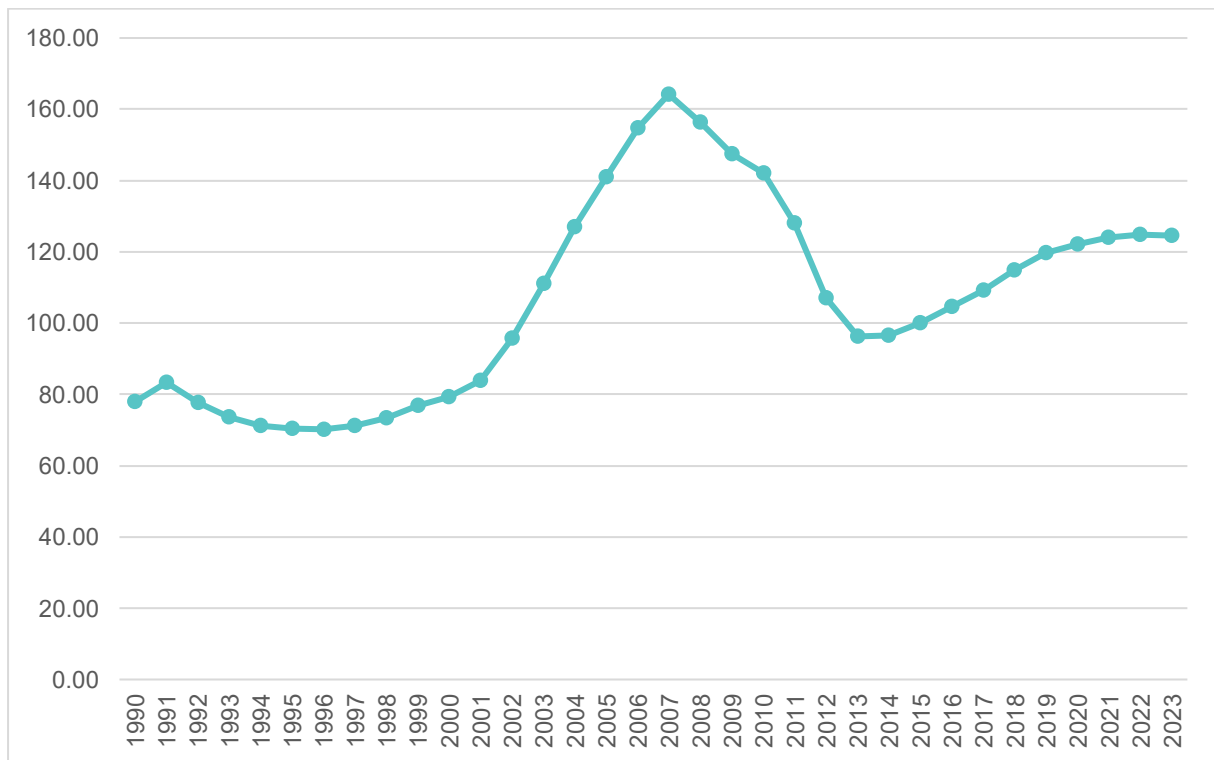


Figure ES20. Real house price indices (2015=100). Source: own elaboration on EU-SILC database

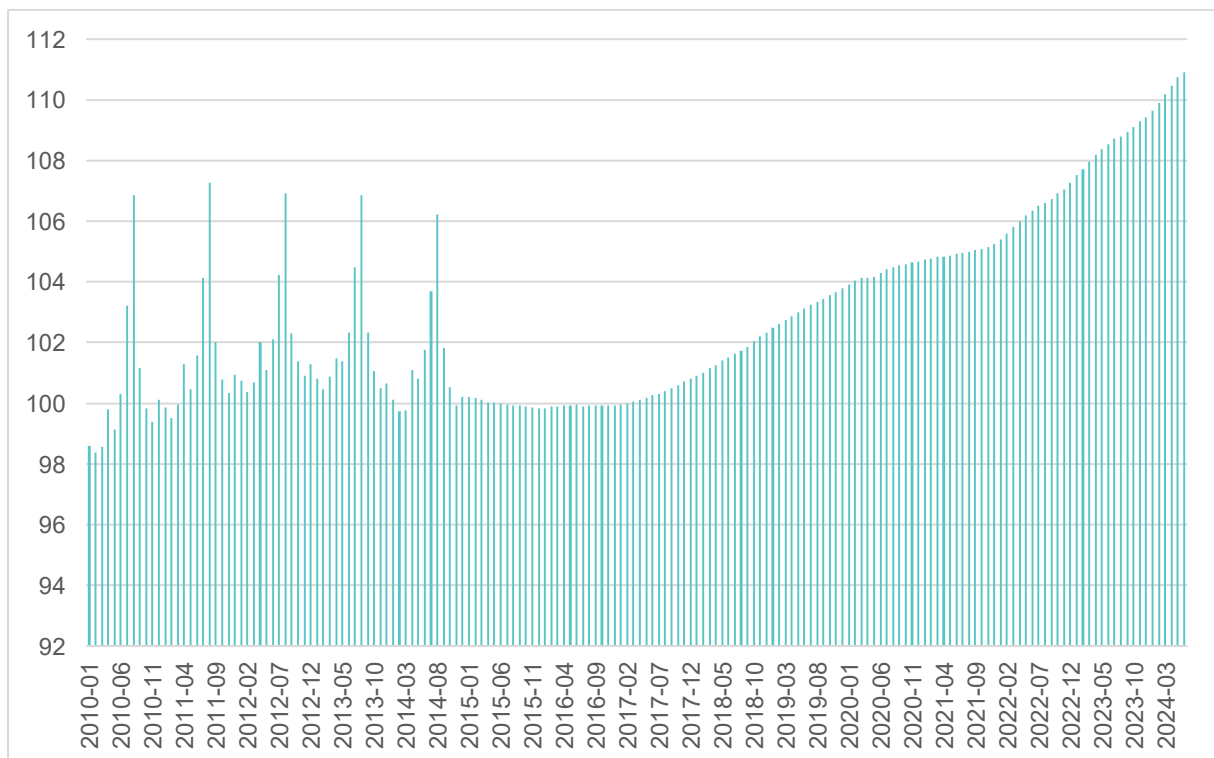


Figure ES21. Actual rentals for housing index, (2015=100 (monthly)). Source: own elaboration on EU-SILC database

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

2.1 Housing and Neighbourhood Quality

Housing inequality in Spain extends beyond the cost of housing to include the quality of housing and the neighborhood environment. Quality disparities often manifest in poor housing conditions, lack of access to essential infrastructure and poor transport connectivity, and heightened exposure to environmental hazards. These issues are especially acute in lower-income neighborhoods and disproportionately impact immigrants, the elderly, and low-income families. This section explores the diverse factors contributing to housing quality inequality and highlights the pressing need for policies that address both housing quality and neighborhood conditions.

Housing quality is a significant aspect of housing inequality in Spain, where the age of housing stock and lack of investment in maintenance have led to deteriorating conditions in many areas. Figures ES 22-25 shed light on these quality challenges by illustrating a range of common housing issues, including inadequate heating, dampness, poor ventilation, and poor natural lighting.

Furthermore, figures ES22-25 highlight that pollution, grime, and other environmental issues are significant concerns in many neighborhoods, underscoring the connection between housing quality and environmental health. Pollution levels, particularly in urban areas (figure ES23), contribute to poorer air quality and negatively affect residents' health. The data suggest that these issues are more common in economically disadvantaged neighborhoods, where inadequate waste management, lack of green spaces, and industrial pollution are frequent problems. For example, in 2020, around 23% residents reported living in units that were too dark. These environmental disparities underscore a broader issue of spatial inequality, where poorer neighborhoods not only face inferior housing conditions but also contend with substandard environmental quality that further diminishes their quality of life.

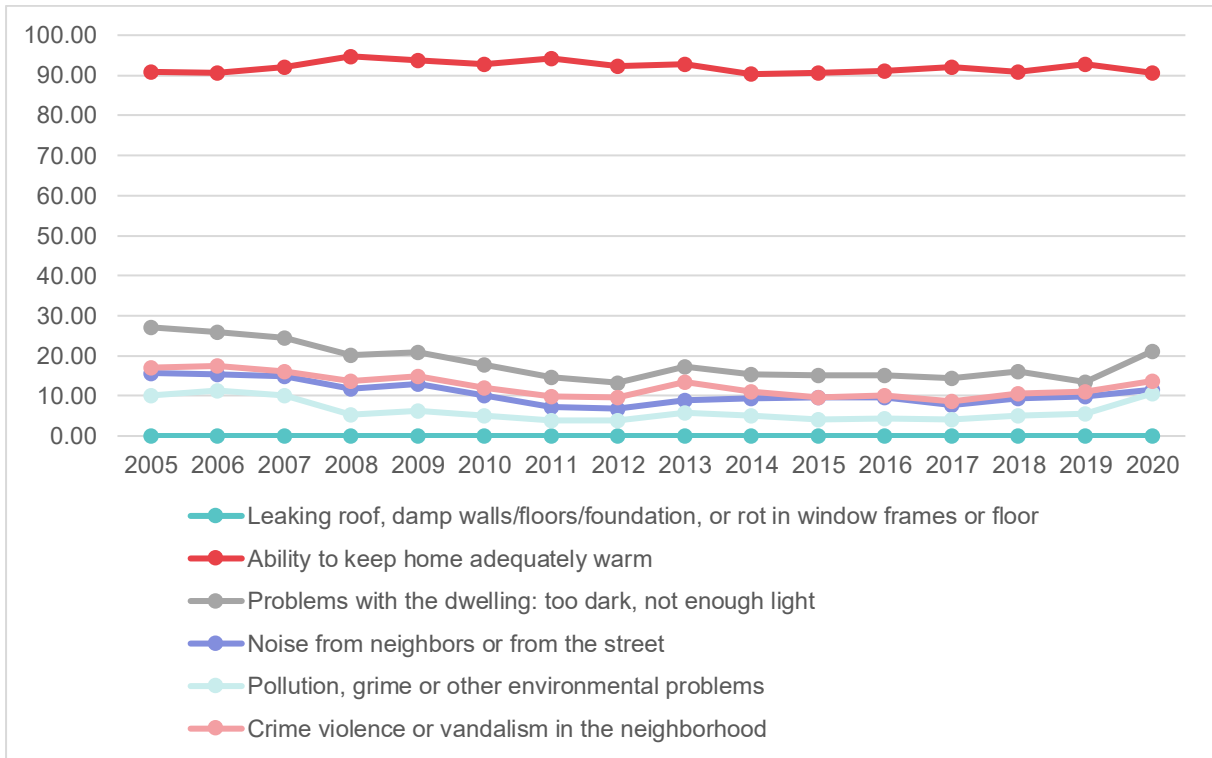


Figure ES22. Share of positive answers on housing and neighborhood quality (Country Level).
Source: own elaboration of EU-SILC database

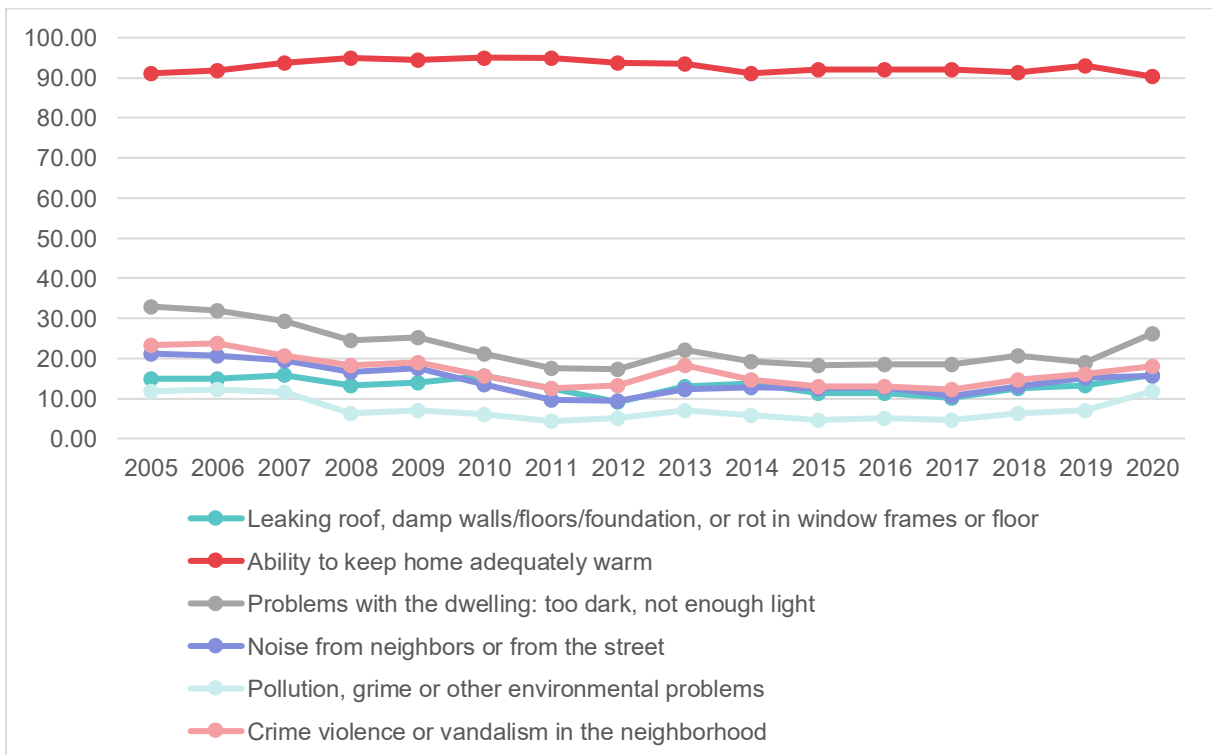


Figure ES23. Share of positive answers on housing and neighborhood quality (densely populated area). Source: own elaboration of EU-SILC database

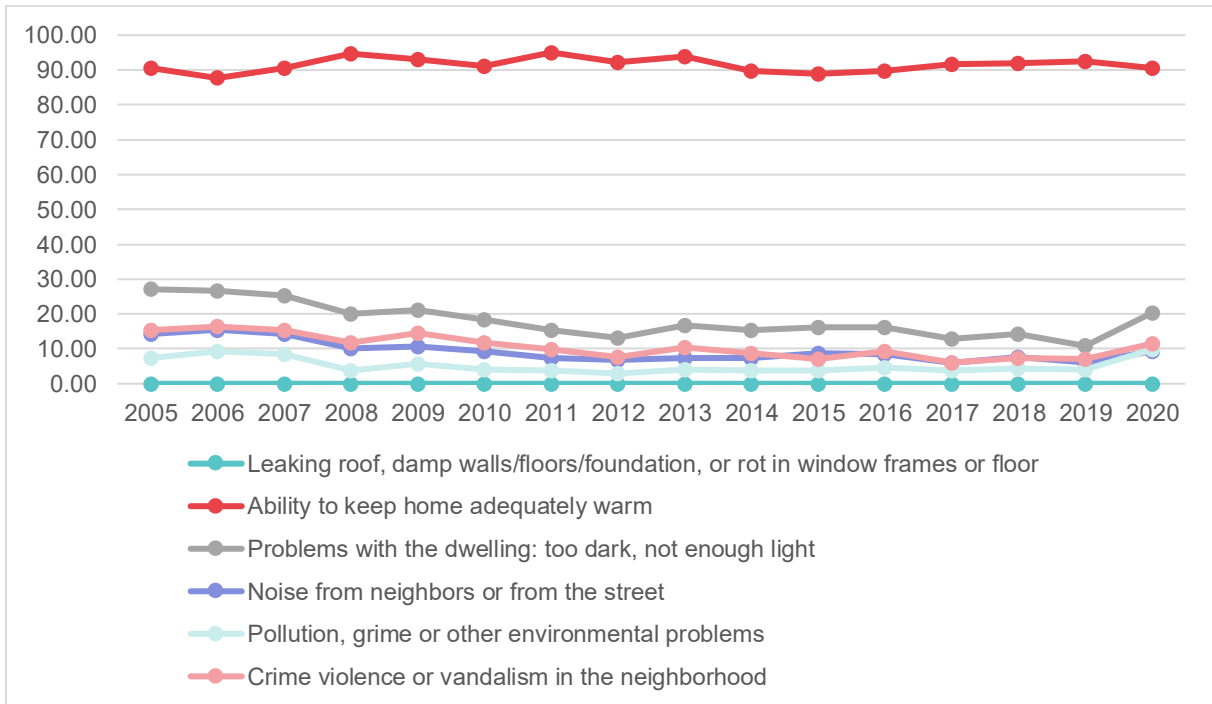


Figure ES24. Share of positive answers on housing and neighborhood quality (intermediate area).
Source: own elaboration of EU-SILC database

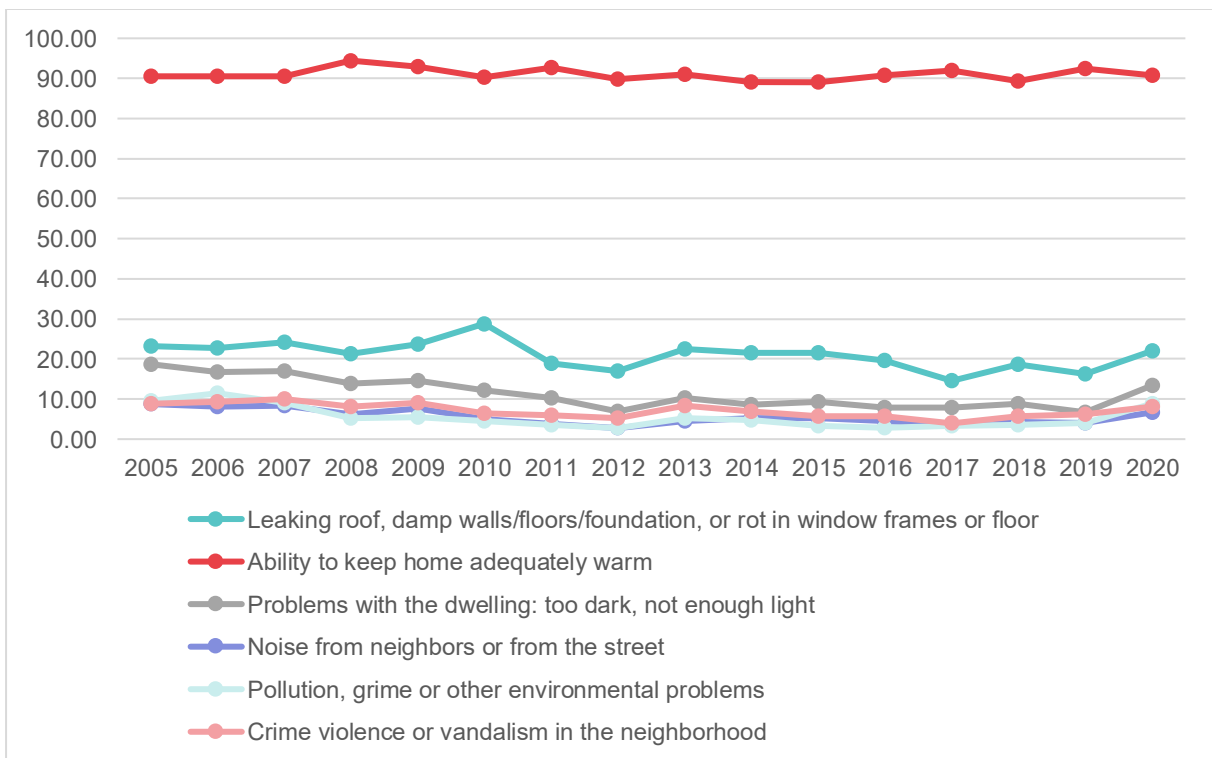


Figure ES25. Share of positive answers on housing and neighborhood quality (thinly populated area).
Source: own elaboration of EU-SILC database

Noise, dampness, and structural issues, such as leaks or rotting, also feature prominently in figures 20-23. Leaking roofs, dampness or rot was reported in close to 22% of the units. These problems have remained relatively stable over time, reflecting the chronic underinvestment in housing maintenance and the limited resources available to low-income tenants for repairs. Deteriorating conditions are particularly challenging for tenants, who often lack the authority to initiate significant repairs or improvements without the landlord's involvement. For homeowners, especially elderly and low-income individuals, maintenance costs can be prohibitively high, leaving them in substandard conditions. This lack of agency exacerbates housing quality issues, highlighting the need for policies that ensure both renters and low-income homeowners can access quality housing. Migrant groups also lack the political power or express fears to report poor living conditions.

The increase in complaints about insufficient natural lighting around 2020 may reflect a shift in how people value housing conditions, likely influenced by the COVID-19 pandemic and the increased amount of time people spend at home. Poor lighting and lack of access to daylight are not only inconvenient but also impact mental health and well-being, making these quality issues even more pressing. This trend underscores the importance of designing housing that prioritizes health and well-being, especially in light of recent experiences that have brought housing quality into sharper focus.

Neighborhood quality is closely linked to housing quality, as the surrounding environment and available amenities greatly impact residents' overall living conditions. Wealthier neighborhoods in Spain benefit from better infrastructure, public transportation, green spaces, and access to essential services such as healthcare and education. Conversely, lower-income neighborhoods, which often have higher immigrant populations and more elderly residents, are marked by poorer infrastructure, fewer amenities, and limited access to public services. Figure ES24, which shows levels of overcrowding by urbanization level, indicates that densely populated urban areas report the highest rates of overcrowding. This trend points to a significant quality-of-life issue for residents in urban neighborhoods, where space constraints exacerbate the challenges posed by poor infrastructure and lack of access to resources.

Overcrowding, as illustrated in Figure ES26, is more prevalent in Spain's densely populated urban centers, which are often characterized by older housing stock with smaller living spaces and darker streets. The share of residents reporting housing overcrowding reaches a bit more than 5% in 2020. For lower-income households, the high cost of housing forces more people into shared or cramped accommodations, leading to higher occupancy rates and overcrowded conditions. This spatial inequality reflects a pattern where economically disadvantaged families are often forced into inadequate and overcrowded housing due to limited options in the rental market. Overcrowding not only reduces privacy but can also contribute to physical and mental health issues, as well as limit residents' ability to perform essential daily activities comfortably.

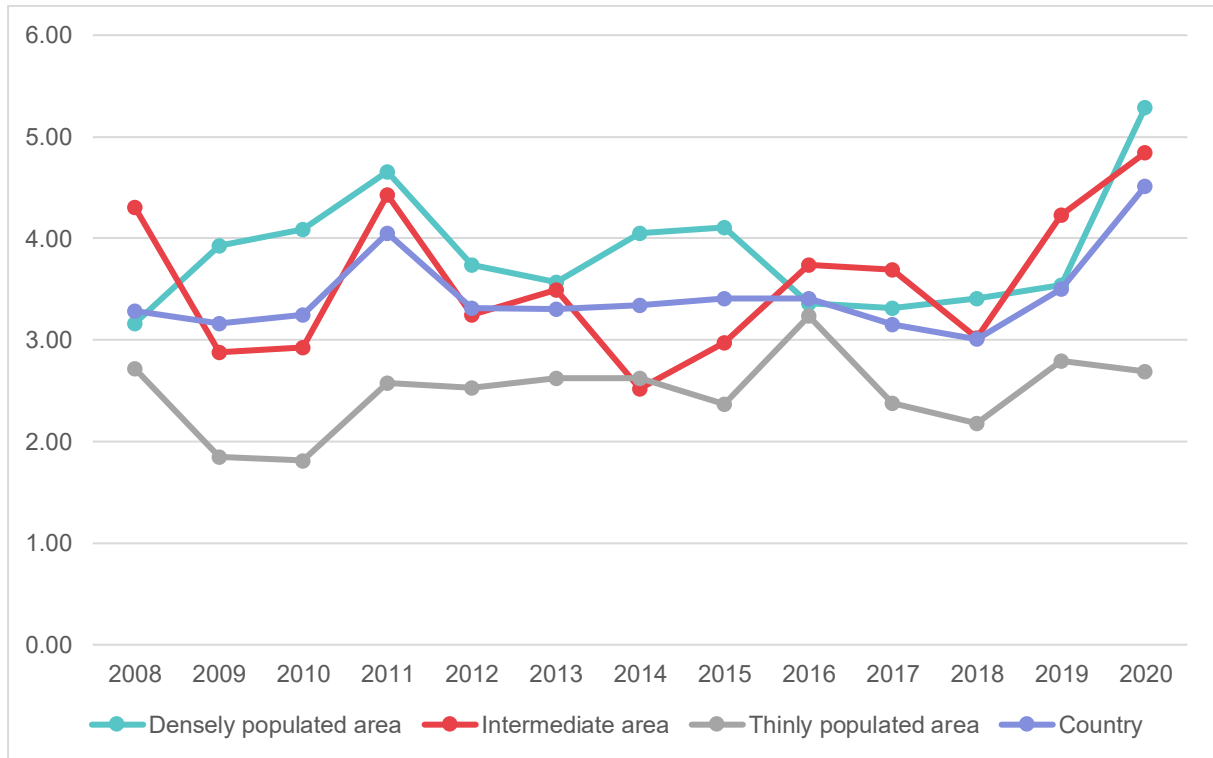


Figure ES26. Share of positive answers on housing overcrowding. Source: own elaboration of EU-SILC database

Pollution and crime are other major neighborhood quality issues highlighted by figures 22-25, with economically disadvantaged areas disproportionately affected by both. High pollution levels are common in lower-income neighborhoods located near industrial zones or major roads, where air quality is compromised, affecting residents' health over time. Crime rates, while stable, are perceived as a greater concern in poorer neighborhoods, where lack of investment in safety infrastructure, street lighting, and law enforcement presence contributes to a sense of insecurity. These figures show that close to 18% of all respondents responded perceiving crime around them. This perception of insecurity is particularly challenging for immigrant and minority communities, who may already feel marginalized due to socioeconomic and cultural factors. Addressing these neighborhood disparities is critical for fostering safer, healthier communities where residents can feel secure and supported.

Environmental conditions in disadvantaged neighborhoods create additional challenges for residents, particularly those related to housing energy efficiency and exposure to environmental hazards. Many older buildings in Spain lack proper insulation, as highlighted in figures ES 22-25, which reflects the prevalence of heating issues. This energy inefficiency drives up utility costs, as poorly insulated buildings require more energy to maintain comfortable temperatures. Furthermore, inadequate insulation exacerbates indoor air quality problems, as cold or damp conditions can promote mold growth and increase the risk of respiratory illnesses, impacting residents' health over time. Neighborhood conditions also play a role in health outcomes, with residents in lower-income neighborhoods facing greater exposure to pollution, overcrowding, and inadequate sanitation.

2.2 Housing costs

Housing affordability remains one of the most pressing issues in Spain’s housing sector, as escalating housing costs continue to outpace income growth for many households. The burden of these costs falls disproportionately on certain groups, including renters, immigrants, and economically inactive individuals, making housing affordability a significant driver of housing inequality. The analysis reveals a complex interplay between economic conditions, demographic characteristics, and regional factors that intensify affordability challenges for Spain’s most vulnerable populations.

Housing costs, as a share of disposable income, represent a substantial burden for many households in Spain. Figure ES27 provides insight into how households perceive these costs, showing that a large portion of respondents view housing expenses as a “heavy burden.” This perception peaked between 2008 and 2014, coinciding with the financial crisis, when many households faced severe economic strain. Although this burden has since eased slightly, a significant share of the population still finds housing costs to be financially overwhelming. The persistence of this burden reflects the structural challenges within Spain’s housing market, where rising property values and rental rates consistently outpace wage growth.

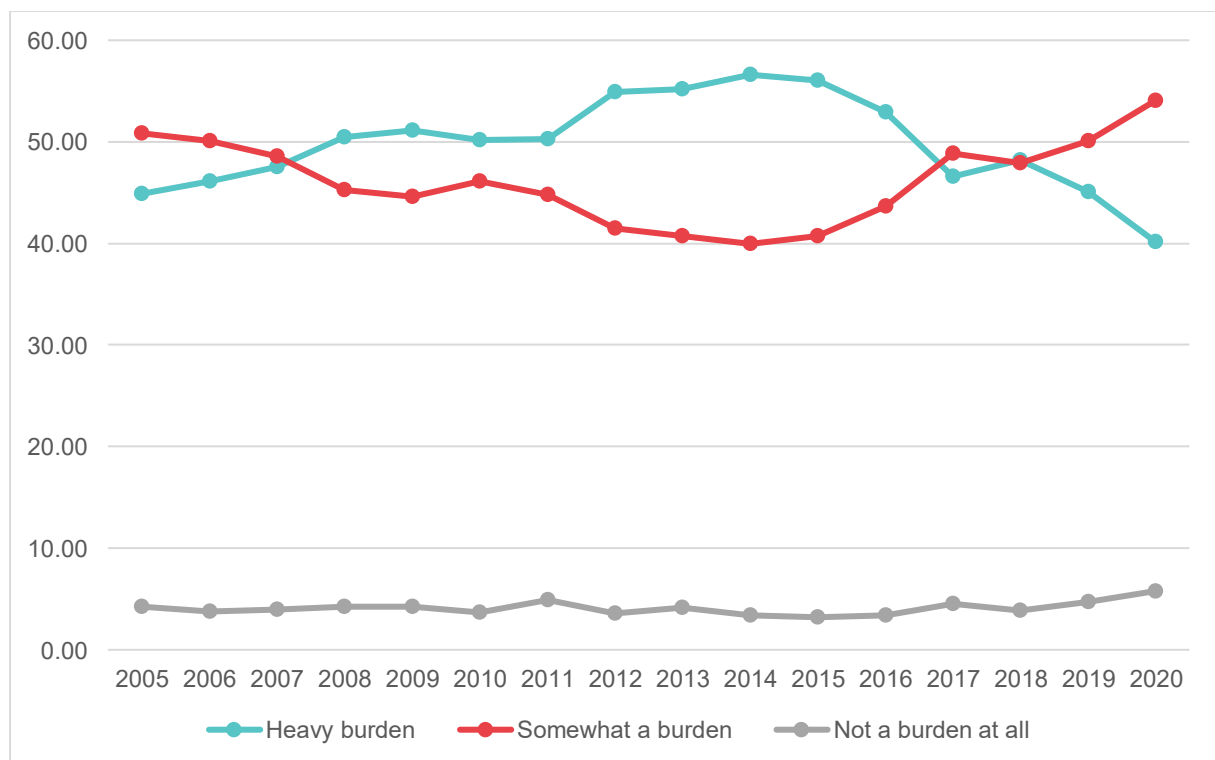


Figure ES27. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Economically vulnerable groups bear the brunt of these affordability challenges. Figure ES28 highlights the variation in housing costs by self-defined economic status, showing that unemployed individuals, students, and part-time workers face the highest housing cost burdens relative to their income. This finding suggests that economic insecurity directly translates into housing precarity, as these groups lack the financial stability to manage high

housing expenses. For students, limited income from part-time work often leaves them with little choice but to allocate a substantial portion of their budget to housing. For the unemployed, the lack of steady income makes housing costs a formidable barrier, contributing to their vulnerability and limiting access to adequate housing.

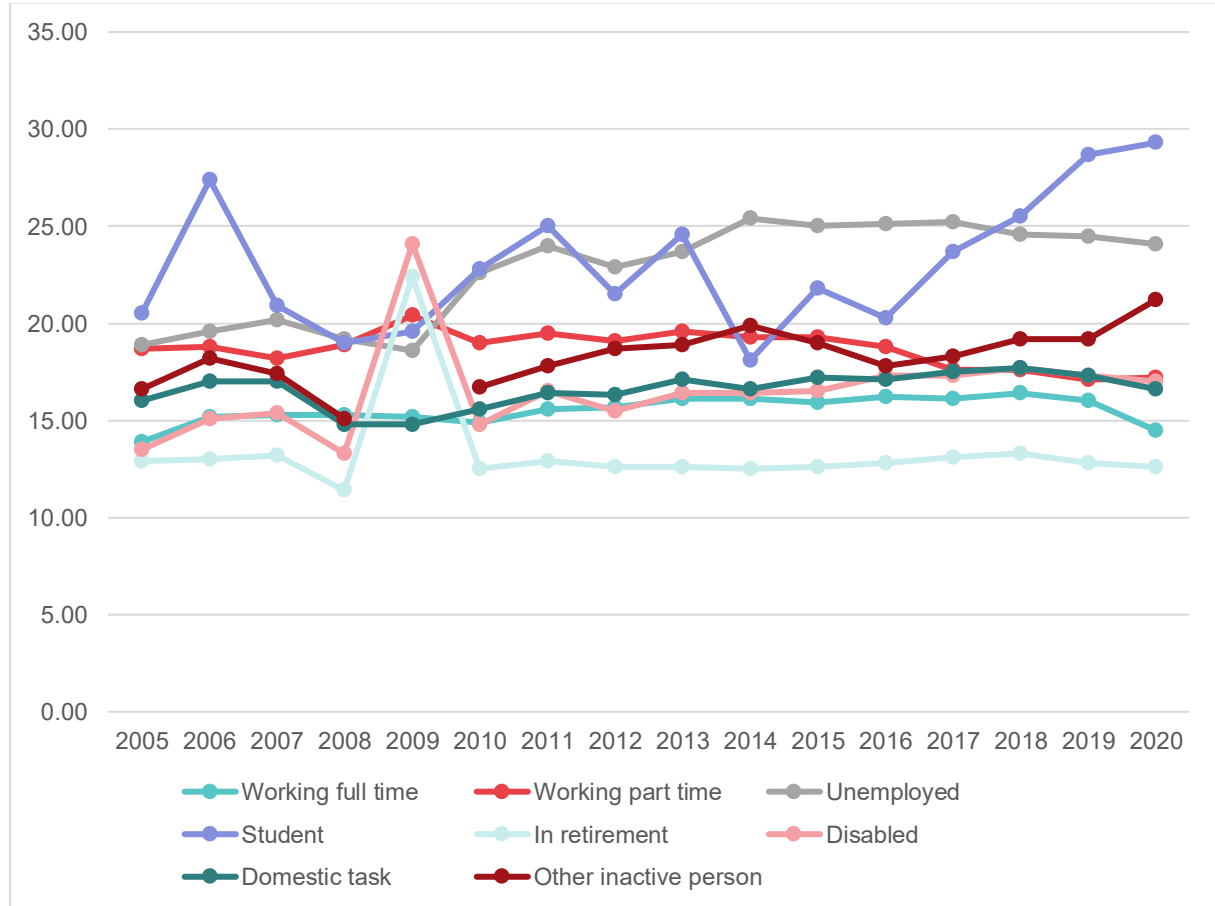


Figure ES28. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Figure ES29 highlights the distribution of housing cost burdens across NUTS 1 regions, showing that certain regions, particularly in urbanized and economically developed areas, have higher housing cost burdens. Major metropolitan centers like Madrid and Barcelona exemplify this trend, where limited affordable housing stock and high demand inflate both rental and property prices. These regions, which are economic hubs with abundant job opportunities, attract both domestic and international migrants, intensifying demand for housing. However, the supply of affordable housing has not kept pace, creating affordability challenges that disproportionately affect lower-income residents.

Rural regions, by contrast, face different affordability challenges. While housing costs are generally lower in rural areas, limited infrastructure, employment opportunities, and public services present their own set of obstacles. The lack of investment in rural housing stock results in poorer quality homes, which may require additional maintenance or energy costs. Additionally, depopulation trends in rural areas mean that some regions have excess housing stock but few residents, creating a mismatch between available properties and potential

demand. Addressing regional disparities in housing costs thus requires a balanced policy approach that encourages urban affordability while fostering rural development to prevent depopulation.

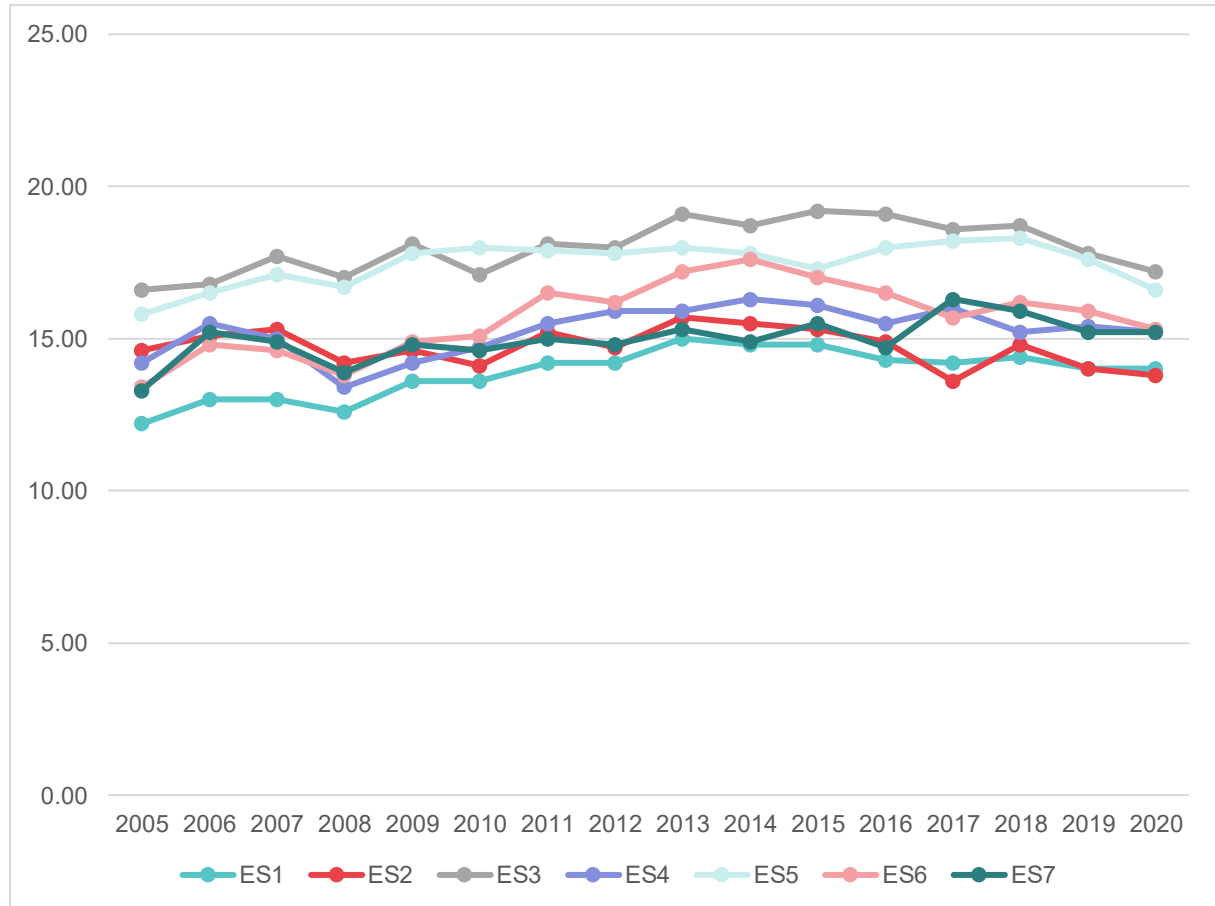


Figure ES29. Share of total housing costs in total disposable income by NUTS 1 areas. Source: own elaboration on EU-SILC database

Urbanization level also plays a crucial role in determining housing costs, as evidenced by Figure ES30. Densely populated areas consistently show the highest housing cost burden, highlighting the urban-rural divide in housing affordability. The data indicates that densely populated urban areas, where demand is high, experience the most significant affordability challenges. Intermediate areas have slightly lower housing costs, while thinly populated areas (often rural) show the lowest cost burden relative to income. This pattern underscores the concentrated nature of housing cost pressures in urban centers, where limited space, high demand, and speculative investment contribute to inflated prices. The urban-rural divide in housing costs also reflects broader socio-economic inequalities, where low-income individuals often cannot afford to live in high-cost urban centers, limiting their access to employment and social mobility opportunities.

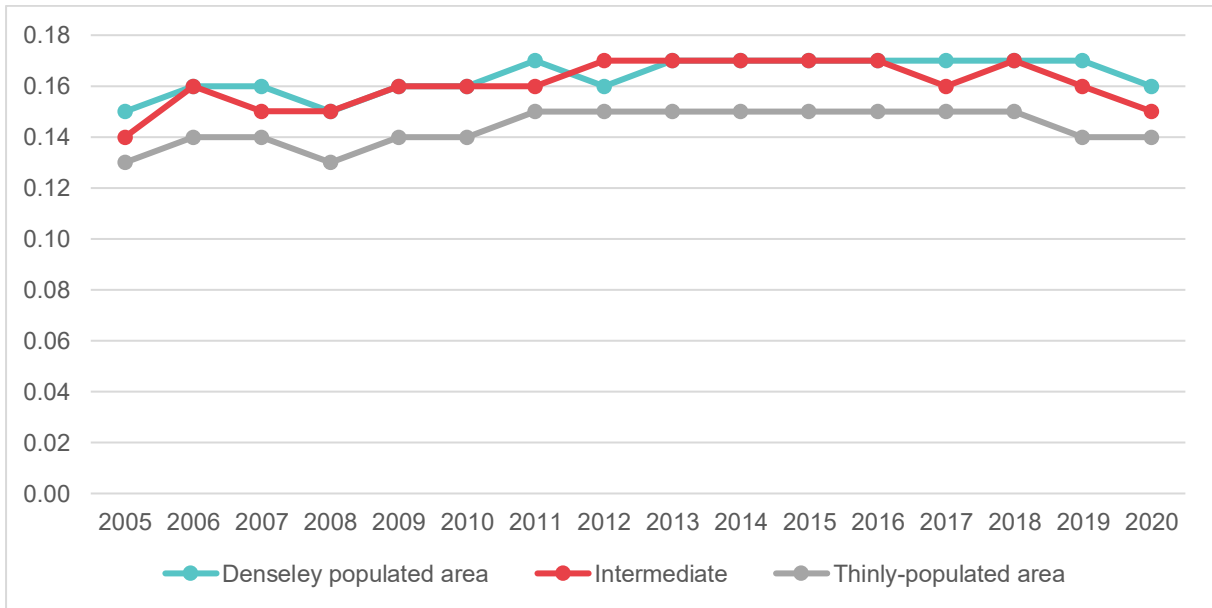


Figure ES30. Share of total housing costs in total disposable income by urbanization level. Source: own elaboration on EU-SILC database

Overcrowding remains a key indicator of housing affordability issues, as households unable to afford larger or better-quality dwellings are forced into smaller, more crowded spaces. Figure ES31 shows the average number of persons per room, revealing that households with fewer rooms experience higher occupancy rates, particularly among low-income families in urban areas. Overcrowding is a direct consequence of the high cost of housing, as economically constrained households have limited options and must maximize space within smaller apartments. This trend not only impacts living conditions but also exacerbates mental health issues, reduces privacy, and affects the overall quality of life.

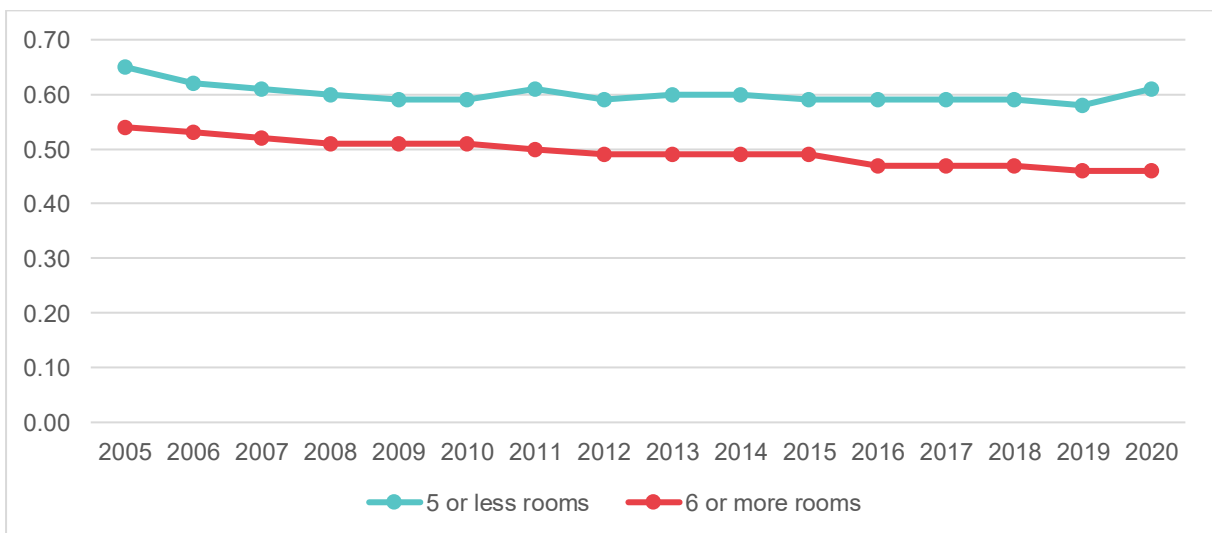


Figure ES31. Number of persons per room. Source: own elaboration on EU-SILC database*

* In the EU-SILC database, the number of rooms in a dwelling is coded up to 5 rooms, while apartments with more than 5 rooms are coded as 6 or more. Therefore, the value in the '6 and more rooms' column is only indicative (the occupancy rate indicator is calculated for 6 rooms in each case).

This figure indicates that space constraints are particularly pronounced in urban centers, where high housing costs and limited availability of affordable units force families into smaller dwellings. For lower-income households, the high cost of housing in urban areas means that overcrowding is often unavoidable. This issue highlights the need for housing policies that expand access to affordable, spacious housing, especially in urban centers where the demand is greatest.

The data also underscore the impact of economic crises on housing affordability. Figure ES01 shows that mortgage arrears spiked around 2014, reaching approximately 11-12% as a consequence of the 2008 financial crisis. This trend reflects the economic distress experienced by many households, who struggled to meet mortgage obligations during the recession. Although the arrears rate stabilized post-crisis, this period exposed the vulnerabilities of Spain’s housing finance system and the precarious nature of homeownership for many households. The reliance on mortgages, combined with high property prices, leaves homeowners susceptible to financial shocks, suggesting a need for policies that support mortgage relief or payment deferrals during economic downturns.

Additionally, figure ES32 reflects that housing costs were perceived as a particularly heavy burden during the financial crisis years, a trend that only marginally improved in the following years. The COVID-19 pandemic introduced new affordability challenges, as economic instability led to income reductions and increased financial strain for many households. While mortgage arrears did not spike as dramatically as during the 2008 crisis, renters, particularly those in market-rate units, faced significant financial challenges. This recent crisis underscores the need for policies that support both homeowners and renters in times of economic distress, such as housing assistance programs, rental subsidies, or emergency relief funds.

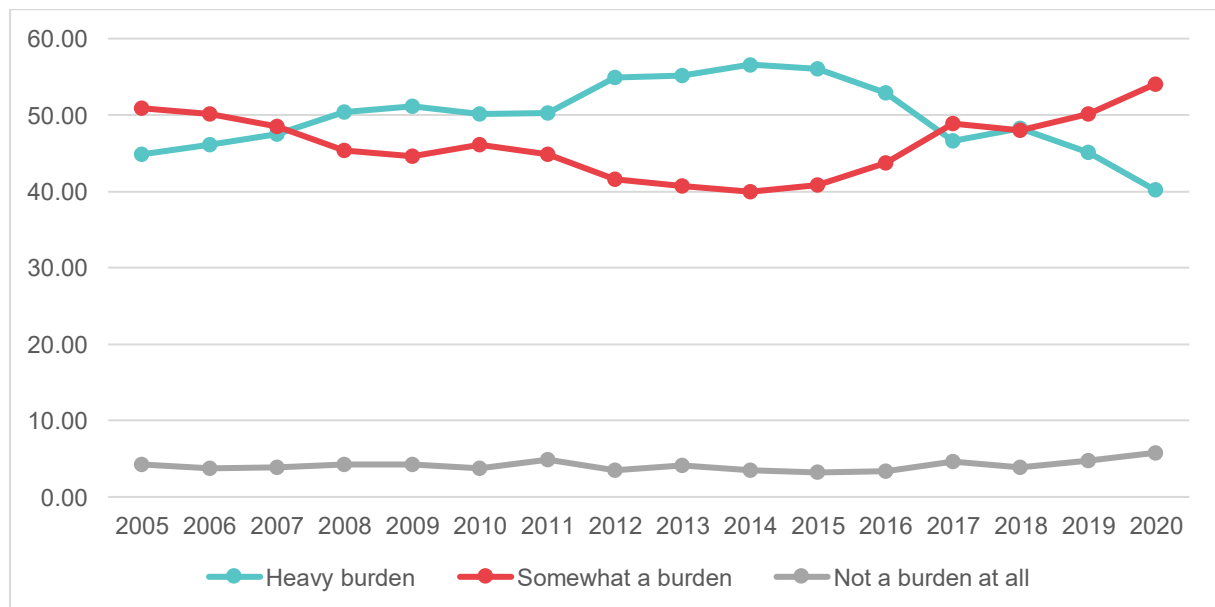


Figure ES32. Self-perceived financial burden of total housing costs. Source: own elaboration on EU-SILC database

Income and educational attainment are key determinants in housing costs, influencing not only the type of housing individuals can afford but also the quality of their living environment. Figure

ES33 shows that individuals with only post-secondary education face the highest housing cost burdens as a percentage of income (approximately 20%) followed closely by those with upper and lower secondary education levels (approximately 18%-19%). This trend highlights the financial precarity faced by lower-educated groups, who often have limited earning potential and thus face higher relative housing costs. In contrast, those with tertiary education experience the lowest cost burdens (approximately 15%-16%), likely due to higher average earnings that enable them to access more affordable or higher-quality housing options.

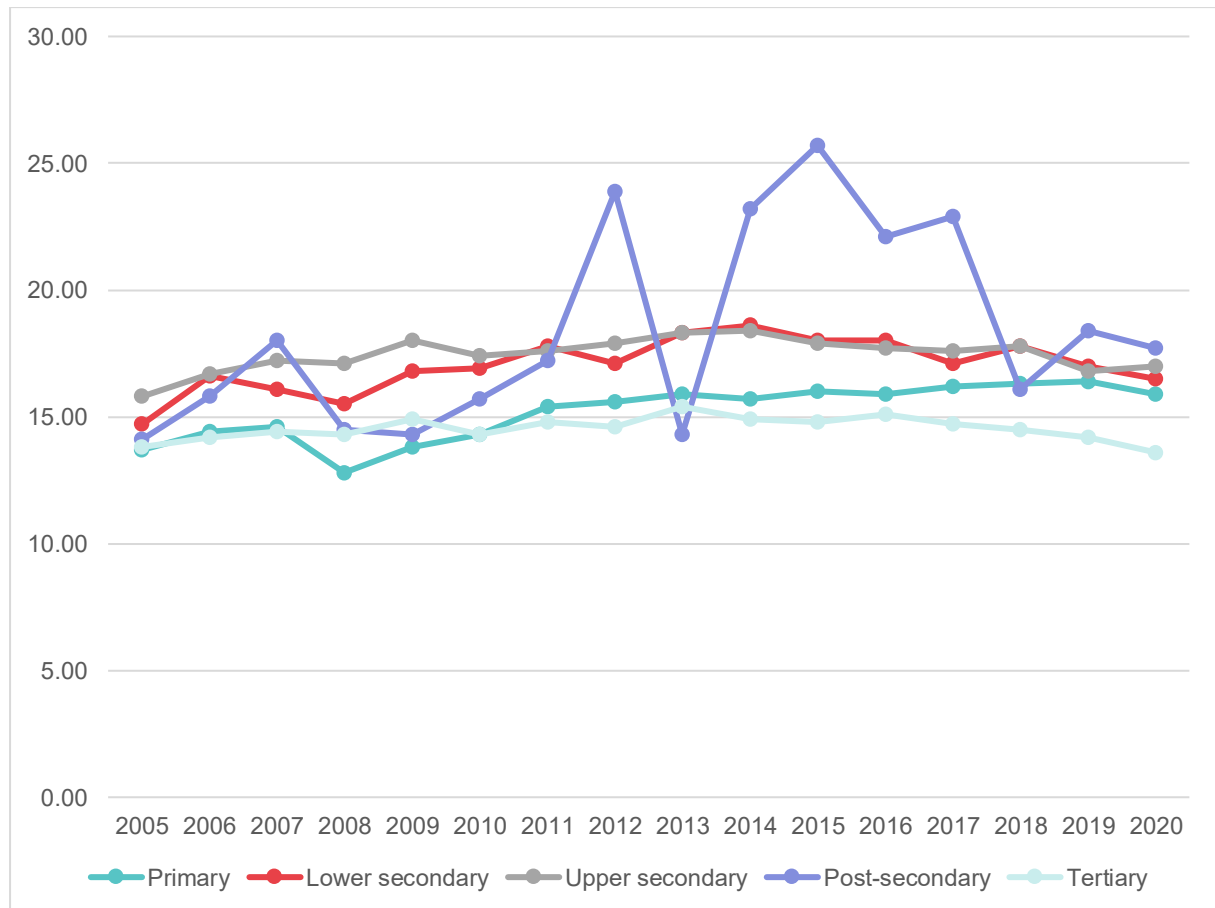


Figure ES33. Share of total housing costs in total disposable income by educational attainment level. Source: own elaboration on EU-SILC database

The relationship between education and housing affordability underscores broader socio-economic inequalities, where individuals with fewer educational qualifications are more vulnerable to financial strain. Lower-educated individuals are more likely to work in low-wage or unstable jobs, which restricts their ability to secure quality housing. This segmentation based on educational attainment also affects access to homeownership, as lower-income groups are less likely to qualify for mortgage financing or afford the down payments required to purchase property. Consequently, low-educated individuals are often confined to the rental market, where high costs further exacerbate their financial vulnerability.

Household composition is another key factor that influences housing access and affordability. Figure ES34 (approximately 30% for single-parent households and 25%-28% for larger families), highlights the disparities in housing costs across different household types, showing

that single-parent households and larger families with multiple dependent children bear the highest housing cost burdens. Single-parent households, which often rely on a single income, face unique affordability challenges as they are forced to allocate a larger share of their income to housing. For families with multiple children, the high cost of larger dwellings makes finding adequate housing particularly challenging, especially in urban areas where spacious units are limited and expensive.

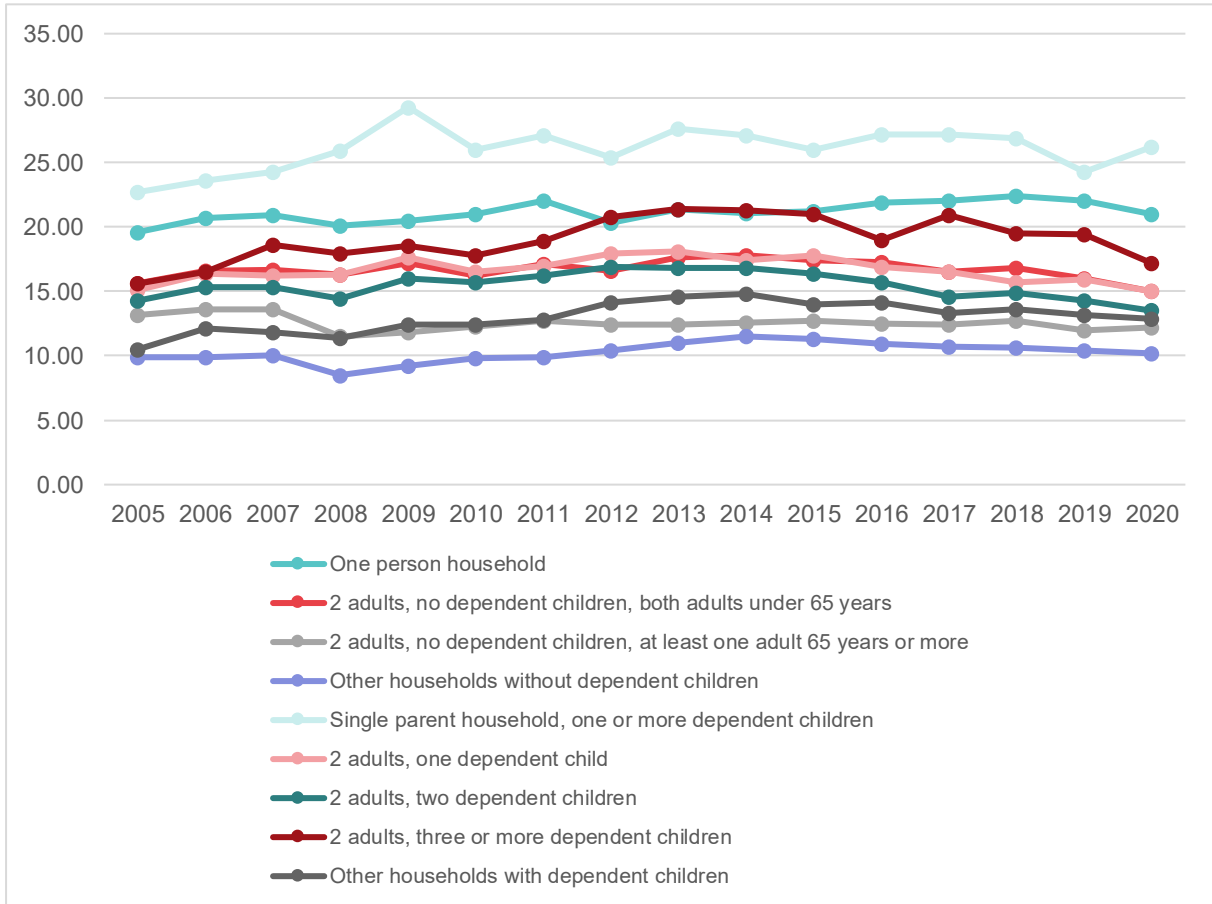


Figure ES34. Share of total housing costs in total disposable income by household type. Source: own elaboration on EU-SILC database

This segmentation based on household composition reveals structural inequalities in Spain's housing market, where family structure directly impacts financial stability and housing access. Single-parent households, for instance, are disproportionately affected by housing cost burdens, which limit their ability to afford quality housing and expose them to substandard living conditions. Large families, meanwhile, face crowding issues and may have to compromise on location or amenities to secure affordable housing. The segmentation by household composition underscores the need for housing policies that cater to diverse family structures, including subsidies for single-parent families and larger affordable housing units for multi-child families.

Figure ES35 further illustrates the segmentation based on urbanization level, showing that densely populated urban areas experience the highest housing cost burdens. The data reveal that housing costs are particularly challenging in dense urban areas, where demand outstrips

supply and speculative investment inflates prices. Intermediate and thinly populated areas show relatively lower housing costs, indicating a less competitive housing market. However, rural residents may face limited housing options, as new developments are often prioritized in urban centers. This urban-rural divide highlights the need for regionally tailored housing policies that address affordability in cities while supporting infrastructure development in rural areas.

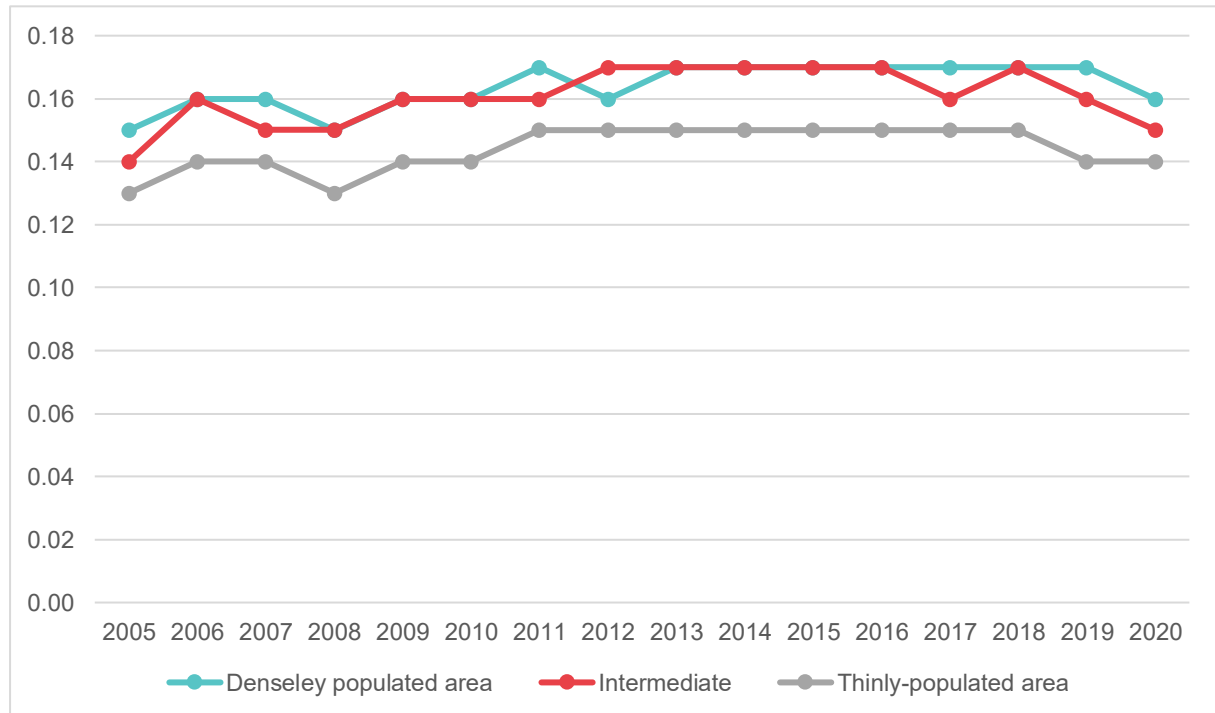


Figure ES35. Share of total housing costs in total disposable income by urbanization level. Source: own elaboration on EU-SILC database

2.3 Housing segmentation

The ownership structure in Spain is segmented by region, with higher rates of homeownership in rural areas where property prices are lower, but employment opportunities are fewer. In urban centers, however, limited affordable housing stock pushes individuals toward the rental market, creating a structural divide between rural ownership and urban rental. This regional division in tenure preferences and availability of affordable housing reinforces economic and social divides, as lower-income households often face trade-offs between affordable homeownership in rural areas or costly rentals in urban centers. Figure ES29 (above) highlights this regional disparity, showing that housing cost burdens vary significantly across Spain’s regions. For example, in 2020, the share of housing costs as a percentage of total disposable income was highest in ES6 (Madrid), exceeding 15%, reflecting the economic pressure in urbanized and prosperous areas. In contrast, rural regions like ES1 (Northwest Spain) consistently displayed lower housing cost burdens, averaging around 12% over the years, demonstrating the affordability but also the economic challenges associated with these areas. These variations underscore the socio-economic divide across Spain's regions, shaped by the interplay between housing markets and regional economic conditions.

The slow recovery of the construction sector post-2008 has further hindered the development of affordable housing. While there has been some progress, new constructions have not kept pace with demand, particularly in high-density urban areas. This lag contributes to price inflation as demand outstrips supply, leaving many households struggling to find affordable options. Additionally, Spain's emphasis on homeownership over rental development and overall structure of social housing in Spain (see Introduction) has led to a chronic, limited public rental housing sector, compounding affordability issues for those unable to buy property. Public housing projects have seen sporadic development, but they remain insufficient to meet demand, particularly among low-income families, immigrants, and young adults. Without substantial investment in public housing, the current structure continues to exclude large segments of the population from affordable housing access. According to analyses from the Spain's Affordable Housing Observatory reported by bank portals, the stock of affordable social housing accounted for only 2.5% of the total housing stock as of 2019 against an EU15 European average of 15% for the same year (Solventis, n.d.) This poses a significant challenge to Spain's Housing Act approved in 2023, whose target is to increase the proportion of social housing in municipalities with a strained housing market by 20% over the next 20 years.

Figures ES 36-39 below show a significant dominance of homeownership across all types of areas (thinly populated, intermediate, and densely populated), reflecting Spain's long-standing emphasis on ownership over rental housing. In thinly populated areas, ownership is notably higher, exceeding 80%, while rental housing at market rates and reduced rates is minimal. In contrast, densely populated areas exhibit slightly higher shares of rental housing, suggesting urban areas have more diversified housing options, likely due to higher housing costs and economic pressures. This segmentation reflects an urban-rural divide, where ownership is often the only affordable or viable option in rural areas, while urban areas show a more nuanced distribution driven by labor markets and population mobility.

Moreover, the persistence of market-rate rentals in densely and intermediate areas underscores growing affordability challenges, as renting remains costly and access to reduced-rate or free accommodations is minimal. The charts also point to a systemic lack of affordable rental housing, exacerbating inequality for lower-income households that cannot afford ownership. While densely populated areas have more rental housing opportunities, these tend to be concentrated among higher earners, leaving lower-income groups vulnerable to housing insecurity. Meanwhile, rural areas' high ownership rates may mask hidden inequalities, as housing quality or maintenance may be poorer compared to urban areas. Overall, the data indicates that housing inequality in Spain is shaped by both geographic segmentation and tenure type, with urban areas facing cost-driven disparities and rural areas experiencing limited rental alternatives.



Figure ES36. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Country Level). Source: own elaboration on EU-SILC database

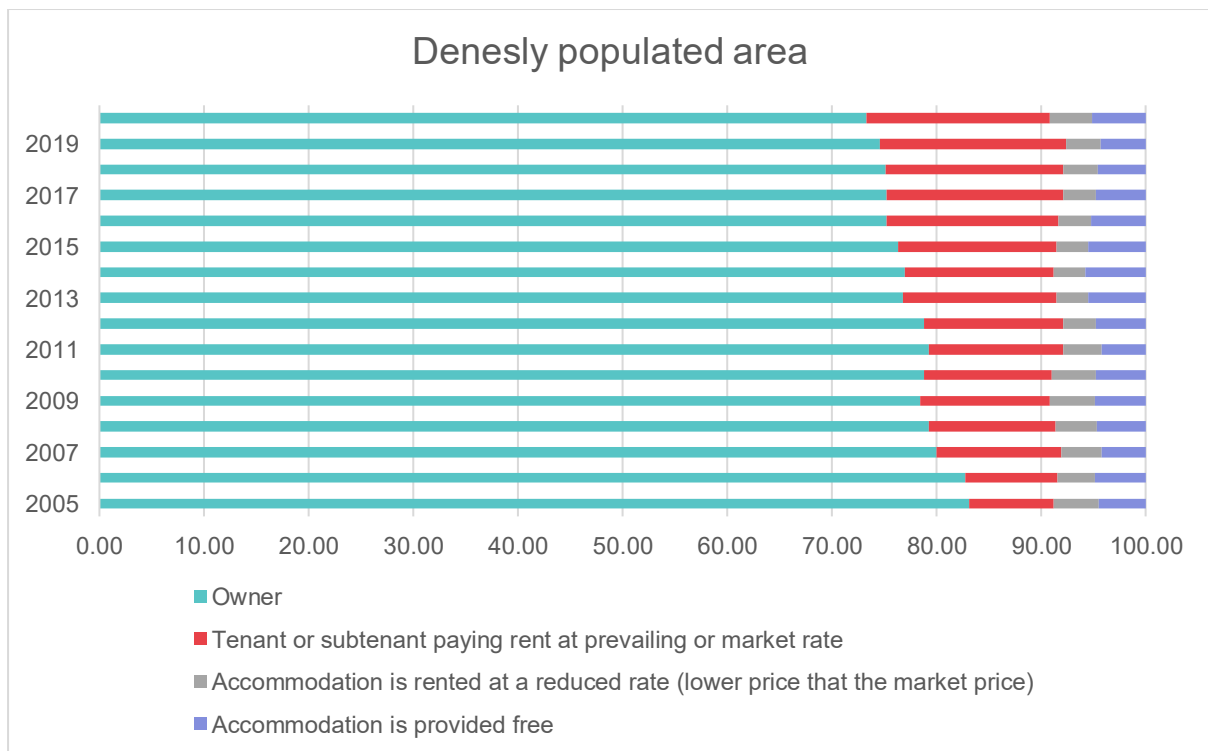


Figure ES37. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Densely Populated Areas). Source: own elaboration on EU-SILC database

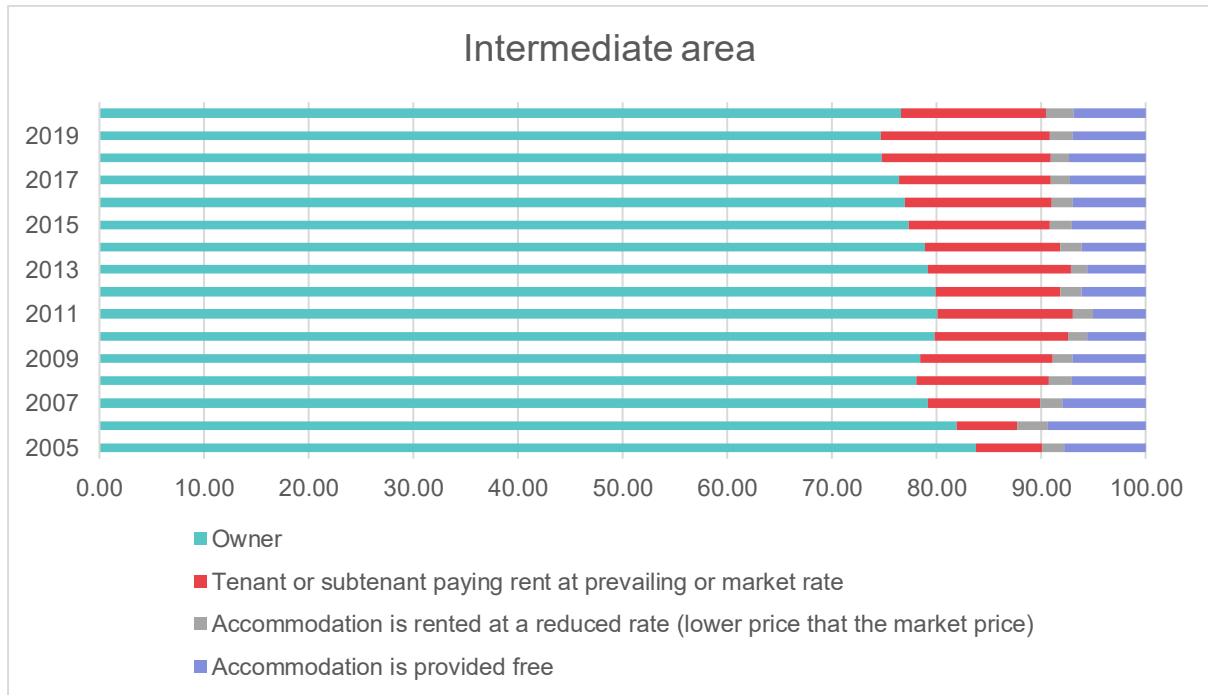


Figure ES38. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Intermediate Areas). Source: own elaboration on EU-SILC data

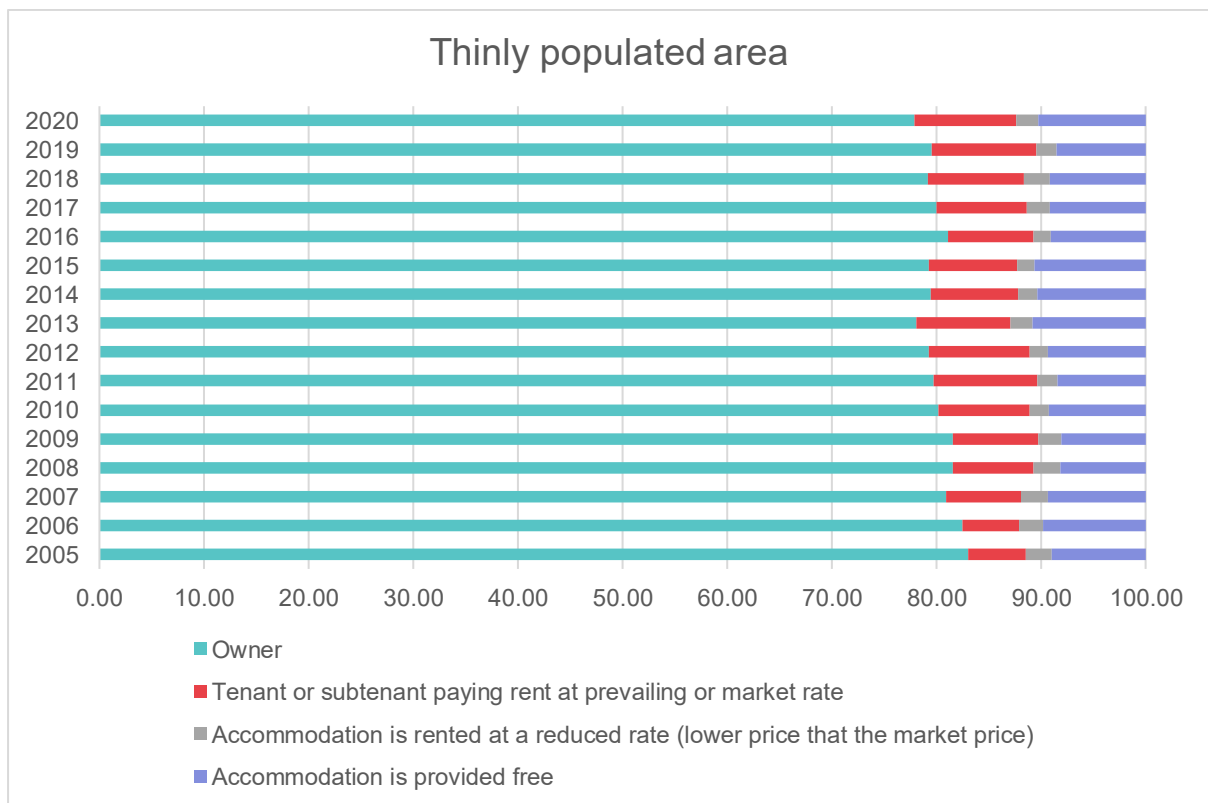


Figure ES39. Housing Tenure Distribution in Spain (2005–2020): Ownership vs Rental Patterns (Thinly Populated Areas). Source: own elaboration on EU-SILC data

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