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Workshop on housing affordability

Challenges and priorities for improving housing affordability in the region of the United Nations Economic Commission for Europe: Executive summary

Note by the Real Estate Management Advisory Group

Summary

The present document has been prepared further to the agreement by the Committee on Urban Development, Housing and Land Management at its eighty-fourth session (Geneva, 4–6 October 2024), to conduct a survey of Economic Commission for Europe (ECE) member States on “Improving Housing Affordability and Climate-Neutrality in the ECE Region” as a follow-up to the 2020–2021 survey. It has been prepared by the ECE Real Estate Management Advisory Group in consultation with the Chair of the Committee Bureau and with support from the secretariat. The document is submitted according to A/78/6 (Section 20) and ECE/HBP/219, para. 31(b).

The document summarizes the main outcomes of the 2024 survey and a subsequent study on housing affordability conducted by the Advisory Group. It also includes quantitative data from 32 ECE member States to support these outcomes.

Aside from highlighting key challenges identified, the document presents policy recommendations and good practices for improving housing affordability.

The document will inform discussions at the workshop on housing affordability held during the Committee session. The Committee is invited to take note of the information provided.



I. Introduction

1. This document summarizes the results of an online survey on housing affordability in the United Nations Economic Commission for Europe (ECE) region conducted in January and February 2024 by the ECE Real Estate Market Advisory Group for Sustainable, Climate-Neutral and Energy-Efficient Buildings and Cities (the Advisory Group). The survey and the subsequent study were undertaken as agreed by the Committee on Urban Development, Housing and Land Management (the Committee), at its eighty-fourth session (Geneva, 4–6 October 2024),¹ as a follow-up to the survey of 2020-2021. The survey's aim was to help understand the evolution of housing affordability in different countries, subnational regions and cities and the causes of the affordability problem. The survey questionnaire was designed to identify whether the lack of affordable housing was perceived as a severe problem and to identify initiatives and best practices to address the problem in the ECE region.
2. The survey was shared with 282 representatives of governments, cities and non-profit organizations. 56 qualified responses from, in total, 28 ECE member States² were received (20.2% response rate).
3. In addition to the survey outcomes, the document draws from statistical data from Eurostat³ on 32⁴ (of the 56) ECE member States (representing 57% coverage) (see section IX below), with 16 of these States being also among the survey respondents. These statistics contain evidence on construction and affordability of housing as well as home-owner rates for different household types in each country. The brief statistical overview is provided to complement the results of the survey and to quantify the level of unaffordability in different countries.
4. The general results from the questionnaire provide a comprehensive understanding of how the respondents identify and conceptualize the housing affordability problem, highlighting the complexity and the multidimensional character of the issue. The respondents predominantly focused on the most pressing aspects of housing affordability observed within their respective territories. Survey findings were corroborated by statistical data effectively quantifying housing affordability and revealing the existence of significant heterogeneity in the housing markets of different countries.

II. Survey insights and scope

5. The survey targeted the following four types of institutions: public (governments), non-profit organizations (agencies of public institutions), private institutions and academia. The responses were predominantly from public organizations (69.6%) with non-profit organizations representing 16.1%, private institutions 12.5% and academia 1.8% of the respondents. The survey focused on the three areas that corresponded to the expertise of the responding institutions, namely: housing tenure and housing affordability; transparency of housing laws and policy; and urban and spatial planning.
6. The broad spectrum of the respondents' institutions show that housing covers a large variety of areas and aspects, including regulation, construction, finance, planning, housing related social services and the management of social housing. Specifically, 55.4% of respondents focused on housing policy and regulation, 50% on urban planning, 46.4% on housing construction or renovation, and 35.7% on land administration aspects. Areas with

¹ ECE/HBP/219, para. 31(b).

² Albania, Andorra, Austria, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Czech Republic, Estonia, Finland, France, Georgia, Greece, Italy, Latvia, Montenegro, North Macedonia, Norway, Poland, Republic of Moldova, Russian Federation, Slovak Republic, Spain, Switzerland, Türkiye, United Kingdom of Great Britain and Northern Ireland, Ukraine and the United States of America.

³ <https://ec.europa.eu/eurostat/data>.

⁴ Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland.

relatively lower focus by the respondents included housing finance (30.4%), social housing management (33.9%), and the provision of social services (25%).

7. Nearly half of the respondents highlighted other crucial areas related to housing, including data collection and research, environmental protection, taxation, public health, and reconstruction. The diverse expertise that the respondents indicated having, suggests that the outcomes of the survey build on a robust knowledge base in the fields of housing affordability, urban resilience, urban planning, and land use administration.

8. The survey indicated that multiple measures or tools were used to identify the housing affordability problem and its scope: 60.4% of respondents focused on market observation, commonly using key economic indicators such as income levels (50.9%) and unemployment trends (32.1%). Other complementary information sources used included, for example, the number of households seeking housing support (54.7% of respondents)

9. The survey highlights the importance of monitoring housing affordability by developing, in cooperation with relevant ministries, initiatives for data exchange, compiling specific existing information related to housing market. The establishment of a centralized 'observer' service to coordinate data collection across countries would be an effective tool for tracking housing affordability issues more accurately.

III. Challenges of affordable housing

10. Housing affordability challenges were evaluated through a series of questions regarding different market features, to which 75% of respondents provided insights. The main challenges reported can be summarized as follows:

(a) Tenancy structure: Some countries were characterized by an important home ownership rate versus a small rental market. Such tenancy structures were often identified as a source of lack of affordability for new households that are frequently in search of rental units;

(b) Supply and demand imbalance: The survey pointed to a source of the market imbalance observed in many countries, namely that the housing supply does not respond to demand flows. The lack of new housing creates a supply constraint, while the demand continues to significantly increase. The survey also indicated that some regions face a shortage of housing units, which leads to unaffordable housing for both rent and ownership. Scarcity in both rental and ownership markets contribute to the affordability challenge, and the increase in the number of households due, for example, to demographic growth or migration, contributes to the lack of housing units;

(c) Regulatory constraints: Some regions face challenges due to limited legal and regulatory frameworks supporting affordable housing initiatives, involving, for example, restrictive definitions of social housing eligibility and limited support for disadvantaged or socially less advantaged groups. Challenges related to illegal occupation of public housing assets, poor regulation in the rental sector, and the need for legal improvements to enhance rental affordability were also flagged. The lack of (sufficient) regulatory frameworks for rental housing, which is common in countries where homeownership is dominant, exacerbate the difficulties for certain demographics, such as young or lower-income individuals, to afford housing;

(d) Income disparity and rising costs: Most respondents indicate that economic growth, unequal income distribution, and rising living and refurbishing costs worsen housing affordability. Low and middle-income groups struggle to afford housing, due to inflation, high construction costs and insufficient funding for state housing programs. Additionally, increasing costs of construction, land, energy, and taxes contribute to the higher property prices, both rental and owned. Although financing constraints were not directly identified, respondents highlighted that a lack of affordable mortgages and stringent lending standards limited access to homeownership for lower-income individuals;

(e) The spatial dimension: The affordability issues have a spatial dimension. Most responses (55.4%), particularly representatives from public institution, highlighted housing

affordability related concerns primarily within major cities and urban areas. At the same time, a significant portion (35.7%) of respondents identified the problem as being widespread across the entire country. These variations may be attributed to country-specific differences, institutional factors or the impact of recent economic shocks. (A detailed analysis of affordability issues at regional and urban levels would provide further clarifications).

IV. Causes and consequences of the lack of housing affordability

11. Respondents to the survey described in detail the challenges related to housing affordability in their respective countries or cities. They indicated that market distortions exacerbated housing affordability issues in many countries and suggested strategies for designing policy measures to support a better market allocation.

12. Key causes of the increasing unaffordability of housing that the survey highlighted included the following:

(a) Changes in the structure of the demand: Increase in the demand for housing is due to population growth, an increase in household mobility and labour immigration. High housing prices, fuelled by inflation and strong demand, raise living costs by increasing the ratio of housing costs to income, thereby affecting affordability. Decreasing real household income leading to inability of covering housing costs further exacerbates affordability issues;

(b) Shortages in supply: There are significant shortages in the supply of affordable housing, driven by low construction levels during the last decade, a lack of land or rental housing supply and low housing investment leading to poor maintenance and an ageing stock. Finance is scarce, with limited financial support for renters and stringent lending standards hindering affordable and social housing construction, coupled with decreasing financial flows and expensive finance due to rising interest rates. Renovation shortages are also prevalent, with a lack of funds leading to scarce renovation of housing stock and high maintenance costs that are unaffordable for mainly middle-income households.

13. The consequences of housing affordability flagged by the survey included “market distortion effects” that are clustered as follows:

(a) The need for legal security in the rental market, for example to prevent illegal occupation of public housing;

(b) The absence of affordable housing within cities leads to the need to seek housing in inconvenient locations and endure long commutes. It also forces, in particular, lower-wage workers out of urban areas, which, in turn, reduces the available labour force. Emerging socioeconomic effects related to high housing costs include delayed departure of young people from their parental homes; and middle-income groups losing access to the housing market, leading to a “housing poverty process”. Such a process is characterized by the burden of housing costs that causes households to fall below the poverty line; as well as the existence of “price-quality gaps” and a “housing price incentive paradox”. The paradox is that landlords lack motivation to renovate rental properties because the strong demand for housing keeps rents high regardless of improvements. This results in rental markets with low-quality housing but high rents. The proliferation of short-term rentals is also factor that further reduces the availability of housing for low-income dwellers.

14. The survey respondents identified several needs for addressing housing affordability problems that included the following:

(a) The development of clearer conceptual and methodological frameworks that refer to adequate housing as a human right, in accordance with article 25 (1) of the Universal

Declaration of Human Rights⁵ article 11(1) of the International Covenant on Economic Social and Cultural Rights,⁶ and clarify which households are protected by housing regulations;⁷

(b) Solutions for affordable housing that address the needs of informal settlers who are unable to afford market rental prices; and involve the development of new concepts for sustainable human-centric housing;

(c) Advancements in the use of electronic tools for social housing set-ups and the development of data sets to monitor housing affordability problems effectively.

15. Given that the issues outlined in para. 14 above are common to several ECE member States, understanding their scale and dimension is crucial. Responses to the survey highlight that housing affordability challenges vary by region, with some areas experiencing severe housing affordability related- problems, while others have little or none of them. Analysing the scale and regional impact is, therefore, essential for defining effective policy measures.

V. Specific tenancy effects

16. The survey collected respondents' perceptions of the causes of the worsening housing affordability situation for households for each of the two main tenancy types: ownership and rent.

17. Observations regarding unaffordability in the field of the ownership tenancy included the following:

(a) The responding private sector representatives expressed concerns primarily about land-related issues, such as regulatory challenges, lack of coordination, inefficiencies in permit management processes and lack of transparency in the administrative system;

(b) Most responding representatives of the public sector indicated challenges in the effective management and regulation of land development. They identified the lack of funding, the low energy efficiency of buildings, the lack of political attention to urban development, and the lack of intersectoral coordination as key concerns;

(c) As general comments, respondents highlighted vulnerabilities of urban systems to disruptive shocks, inefficient land use (favouring sprawl over compact development) and the underutilization of the existing housing stock;

(d) Respondents from non-profit institutions highlighted insufficient regulation for the provision of affordable housing, lack of funding, low energy efficiency and the lack of intersectoral coordination between national, regional, and local authorities.

18. Responding public and private sector representatives perceived the affordability challenges in the housing rental market to be not as significant as those in the field of housing ownership. However, the causes of the existing challenges as outlined in para. 17 above, were relevant also for the rental market.

VI. Recommended instruments for addressing housing affordability challenges

19. The present section summarizes existing instruments that the respondents to the survey deemed to be the most relevant for addressing housing affordability problems. According to the responses, legislation stands out as the most essential and commonly utilized tool, with 83.9% of the respondents referring to its use. Legislation is complemented

⁵ General Assembly resolution 217 A (III) of 10 December 1948.

⁶ Adopted by General Assembly resolution 2200A (XXI) of 16 December 1966.

⁷ See for example, the Services of General Economic Interest package adopted by the European Commission in 2012, available at https://competition-policy.ec.europa.eu/state-aid/legislation/sgei_en.

by the use of other key tools, including policy instruments, (67.9% of the respondents); strategies and programmes (66.1% of respondents); and projects, (39.3% of respondents).

20. The survey also collected information about planned or future legislation, policy initiatives, instruments, strategies, programmes, and projects to support housing affordability in each of the respective countries or cities of the respondents. Types of planned policy tools and initiatives are summarized below as follows:

(a) **Supply-support policy tools:** These planned policy initiatives include energy and climate-related plans, building renovation strategies and plans to improve social and municipal housing instruments for better accessibility. These tools also focus on: providing affordable housing through housing construction and the development of affordability indicators; addressing issues related to unfinished buildings and homelessness; implementing urban master plans to support housing policies with financial support and regeneration of public assets; providing land plots for housing construction; and facilitating the return of empty apartments into the market;

(b) **Demand-support policy tools:** The related planned initiatives involve offering low-interest loans for home purchases and subsidies for restoring empty dwellings, providing support for young homebuyers, and enhancing e-mortgage services;

(c) **Legislation and regulations:** The planned legislative and regulatory measures listed included the introduction of new housing affordability laws and strategies, along with a support programmes for single-family rental homes. They also encompassed housing laws, laws on social housing, basic principles of housing policy, comprehensive housing policy frameworks, national strategies for housing and changes to existing housing laws, a white paper on housing policy to the legislative body, resources related to property transactions and rental housing, and enacting legislation and implementing programmes to address housing affordability and assistance.

VII. Best practices for addressing housing affordability

21. The questionnaire collected 18 examples of practical experience considered by the respondents as representing best practices for addressing housing affordability problems. A brief description of each of the best practice case can be found in Table 1 below. They fall under four main areas: housing finance (30.8%), access and availability of land for housing construction and renovation (26.9%), housing governance and regulation (21.2%) and environmental sustainability for housing (13.5%). Most of the reported good practice examples were implemented at the national level (50%), with local initiatives accounting for 28.1 %, and regional best practices totaling 15.6%. Additionally, a smaller proportion of best practices provided (6.3%) were cross-border or involved multiple countries.

Table 1

A summary of reported best practices for addressing housing affordability

	<i>Respondent's affiliation</i>	<i>Country</i>	<i>Summary of the best practice reported</i>	<i>Further description and/or link for more information</i>
1	City of Vienna	Austria	The city of Vienna amended its Building Code in 2018 to include a "Subsidized Housing" zoning category. In these zones, two thirds of the usable floor space for housing must be allocated to subsidized dwellings.	
2	Quebec Wood Export Bureau	Canada	1. Major investment in new affordable housing development 2. Implementation of modern offsite industrialiser construction technique	More information available at: www.cmhc-schl.gc.ca

	<i>Respondent's affiliation</i>	<i>Country</i>	<i>Summary of the best practice reported</i>	<i>Further description and/or link for more information</i>
3	Ministry of Physical Planning, Construction and State Assets	Croatia	Croatia offers several support models, including the Stimulated Social Housing Programme with 9,000 apartments built, a subsidized housing loan programme for young people benefiting 34,000 families, and the Inter-sectoral Cooperation Programme for families in need in assisted areas.	The subsidization of housing loans programme received 4,739 applications between 29 March 2021 and 14 May 2021. The average loan is EUR 75,000 with a 22-year repayment period and an effective interest rate of 2.17%. The programme aims to support young families and demographic reconstruction by providing favourable loan conditions, with an extension of subsidies for additional children or disabilities.
4	Tallinn Property Department	Estonia	State regulated guarantee for bank loans to buy homes.	
5	Ministry of the Environment	Finland	The state can grant guarantees for loans to build rental housing, with a maximum period of 30 years; additional interest subsidy loans granted in 2009 and 2010.	
6	International consultant on architecture and urban development (Paris)	France	Cooperative housing construction initiatives.	A cooperative housing project initiated by 11 families in the Paris suburbs offers housing at 3-4 times lower cost than buying a ready-made one, fostering a strong community.
7	Tbilisi City Hall	Georgia	Tbilisi City Hall has projects to assist those affected by unfinished constructions and accommodate homeless families by purchasing and distributing real estate.	Tbilisi City Hall has a project to accommodate homeless citizens, aiming to improve safety and satisfaction for over 400 individuals through financial, human, and time resources, using official letters and government ordinances.
8	Municipal Heritage Department of Rome (<i>Assessorato Patrimonio Comune di Roma</i>)	Italy	An innovative programme for urban regeneration of municipally owned buildings, focusing on quality of living and public interest activities.	The project regenerates public property to create affordable homes while preserving communities. It involves local administration, national government and universities, benefiting over 400 fragile families, using national and European Union funds.

	<i>Respondent's affiliation</i>	<i>Country</i>	<i>Summary of the best practice reported</i>	<i>Further description and/or link for more information</i>
9	Ministry of Economy of Republic of Latvia	Latvia	Guarantees bank loans for families with children, with a subsidy to reduce the first payment. The guarantee and subsidy amounts depend on the number of children and energy efficiency of the home.	The Housing Guarantee Programme in Latvia provides guarantees ranging from 5% to 30% of the loan amount, depending on the number of children, with additional increases for energy-efficient homes. Since its implementation, the programme has supported around 25,000 families and involves a total investment of EUR 1.9 billion.
10	City of Podgorica	Montenegro	Implemented in cooperation with the Development Bank of the Council of Europe, this project has helped 1,500 families resolve housing issues with subsidies on mortgage interest rates	A social housing project for medium- and lower-income citizens has provided housing solutions for 1,552 families through four phases. The project offers favourable loan conditions, including a fixed interest rate of 2.99% and discounts on notary services.
11	Ministry of Local Government and Regional Development	Norway	The Norwegian State Housing Bank is the most important institution for implementing Housing policy in Norway.	Website: https://husbanken.no/english/
12	Ministry of Economic Development and Technology	Poland	Investments in energy-efficient housing for low- and average-income households.	Under the Polish National Recovery and Resilience Plan, investments aim to increase energy-efficient housing for low- and average-income households. The programme supports municipal housing, training and shelters, targeting a 20% reduction in energy consumption compared to new building standards.
13	Slovakia	Slovakia	Introduced in 1998, the national programme supports municipalities in financing social rental housing and related infrastructure, managed by the Ministry of Transport of the Slovak Republic and co-financed by the State Housing Development Fund.	The programme supports municipalities in financing social rental housing through subsidies and long-term low-interest loans. It targets low-income households and has created almost 50,000 new social dwellings across Slovakia.

	<i>Respondent's affiliation</i>	<i>Country</i>	<i>Summary of the best practice reported</i>	<i>Further description and/or link for more information</i>
14	Academia (<i>Colegio de registradores</i>)	Spain	Housing policy is managed by autonomous communities of Spain, with the Autonomous Community of the Basque Country being an example of good practices. Notable local examples include Zaragoza and Vivienda.	In Spain, housing policy is the responsibility of its autonomous communities. Among the 17 existing communities, the Basque Country stands out as an example of good practices. They have maintained a consistent and socially focused policy over time, avoiding changes in legislative approach. At the local level, the cases of Zaragoza and Vivienda are noteworthy.
15	Academia (Polytechnic University of Valencia)	Spain	A regional strategy to diagnose potential dwellings that could be reactivated to host new generations or new inhabitants in depopulated rural areas.	“Arrel” is an innovative strategy to reactivate housing in depopulated rural areas in the Valencian Community, aiming to address demographic challenges by utilizing underused housing stock.
16	Housing Development Administration	Türkiye	The Housing Development Administration, with its rapid housing production practices aims to meet 5%-10% of the housing needs of Turkey.	The Turkish Government's programme, managed by the Housing Development Administration, started constructing 1,324,392 housing units across 81 cities and 5,897 construction sites from 2003 to February 2024.
17	Co-housing Ukraine	Ukraine	Preferential state housing programmes of the State Youth Housing Agency	Using State and local budgets along with international assistance, the agency has provided housing for 43,000 families, including large families, internally displaced persons, military personnel and those in need of better housing conditions.
18	Department of Housing and Urban Development	United States	Provides federal tax credits to developers of affordable rental housing, ensuring affordability for at least 15 years and limited to families earning less than 60% of the median income.	

VIII. Implementation of best practices: Challenges, lessons learned and recommendations

22. When asked to identify challenges faced in implementing the best practices for addressing housing affordability problems (see Table 1 above), the respondents highlighted the following:

(a) Economic and financial barriers: Housing costs have soared due to inflation, significantly reducing purchasing power and making it particularly challenging for young people to afford deposits for housing loans. The homeless also face long waits for housing, often leading to dissatisfaction;

(b) Construction and legal challenges: Delays in construction timelines arise, compounded by the need to relocate families during projects and the difficulty in securing additional funding for necessary programme enhancements;

(c) Administrative and coordination complexity: Managing applications and verifying eligibility involves intricate coordination with multiple stakeholders, such as banks and notaries. Differing priorities among implementing partners, including government and financial institutions, complicate matters;

(d) Monitoring and evaluation efforts: Developing robust monitoring and evaluation frameworks to assess the impacts of housing subsidies requires significant expertise and resources, including to ensure any adjustment of programmes to meet goals effectively;

(e) Outreach and inclusion challenges: Ensuring that housing subsidies reach those in most need without excluding other vulnerable groups is challenging, especially in areas with limited financial services or information;

(f) Financing and funding issues: The programme must ensure adequate national funds for co-financing municipal investments and comply with the “Do No Significant Harm”⁸ principles.

23. Over time, best practices have evolved to focus on key issues such as:

(a) Flexibility in the implementation and adaptability of goals to the household needs;

(b) Mortgage guarantee as a means to support access to the housing market.

24. Based on lessons learned from the best practice examples provided, the following recommendations to further enhance their successful implementation were put forward:

(a) Funding and financial resources: Increase the involvement of local bodies, allocate a higher portion of the national budget, allocate more financial resources for accommodating homeless people, attract more international donors, ensure appropriate levels of available funds, and link initiatives to specific funding sources;

(b) Housing accessibility and guarantees: Revise and increase guarantee amounts for families purchasing homes outside the capital region and for energy-efficient dwellings and develop more instruments to make housing accessible for young people;

(c) Communication and involvement: Improve communication with the population for projects;

(d) Construction methods and housing systems: Accelerate the use of modern offsite industrialized construction methods and focus on cooperative housing construction to counteract the negative impacts of developers on housing affordability and human-centricity;

⁸ “Do No Significant Harm” means not supporting or carrying out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of article 17 of European Union Regulation 2020/852.

(e) Legal and procedural improvements: Unify the control of all legal procedures for property transactions to facilitate financing and accessibility;

(f) Permanent initiative and continuous credit line: Implement a project as a permanent initiative with a continuous credit line, in cooperation with the donor;

(g) Guidance: Provide clear guidance to meet the “Do No Significant Harm” principle.

25. The following key recommendations were set forth to help policymakers from other countries that would wish to adapt or replicate the best practices to promote affordable housing:

(a) Prioritize risk assessment and project scale: Policymakers should conduct thorough risk assessments and understand the scale of housing projects to ensure their successful implementation. Monitoring overall satisfaction and checking specifically the satisfaction of families with the space are crucial aspects to consider;

(b) Encourage diversity in properties: Selecting properties to encourage diversity is essential for fostering inclusive communities;

(c) Utilize housing guarantee programmes for demographic improvement: Housing guarantee programmes can positively impact demographics by improving affordability and supporting young families to raise more children;

(d) Conduct research and involve key stakeholders: Conducting research on housing needs and involving key stakeholders in the design and implementation process is critical. This includes government agencies, financial institutions, developers, community organizations and potential beneficiaries;

(e) Prioritize equity and accessibility: Ensure that housing initiatives prioritize equity and accessibility by targeting assistance to those most in need, such as low-income households and vulnerable populations;

(f) Monitor and evaluate: Establishing robust monitoring and evaluation mechanisms is crucial for tracking progress and impact over time. Regular assessments help identify areas for improvement and inform policy decisions;

(g) Develop public awareness campaigns: Implementing comprehensive public campaigns and outreach strategies can help inform potential beneficiaries about housing projects, eligibility criteria and the application process;

(h) Integrate energy efficiency: Housing support programmes should integrate energy efficiency components to address climate challenges and achieve synergy effects;

(i) Learn from past lessons: Learning from past experiences, such as ensuring stable budgets, setting optimal subsidy-to-loan ratios, maintaining long-term local visions, and having appropriate legal frameworks is crucial for sustainability and success of the housing affordability initiatives;

(j) Importance of financing for social housing: Finding financing to subsidize social housing is a critical aspect of housing initiatives.

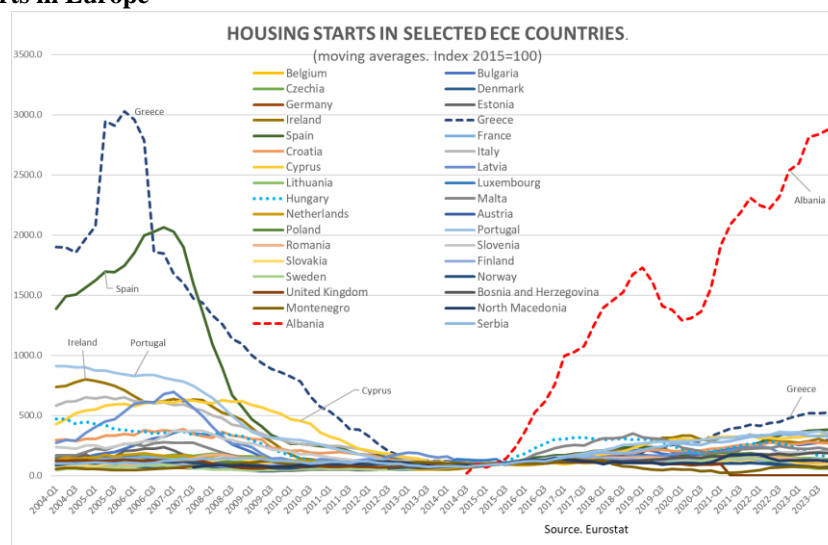
IX. Evidence from the European Union member countries: housing affordability data

26. This section provides a concise summary of affordability ratio estimates for 32 European countries drawing on Eurostat statistical data. Adding that data aims to support the perceptions gathered through the questionnaire and offer detailed insights into affordability conditions, highlighting the urgency for interventions. The data presented includes the evolution of new housing supply, the housing tenancy structure and affordability ratios by country and tenancy.

27. The perception of a housing shortage is supported by the evolution of new housing building over time. The dynamics shown in the figure that follows suggest a significant

decline in housebuilding over the past decade in many countries, reinforcing the perception of insufficient housing supply in both social and private markets.

Figure
Housing Starts in Europe



28. Housing tenancy is heterogeneous in the ECE member States covered by the data from Eurostat, with nine countries exhibiting high ownership rates (over 80%) (See Table 2 below). Meanwhile, twelve countries have very small rental markets (both public and private), with rental rates below 10% in most cases, and nine of these countries have rates lower than 5%. Additionally, six countries have a significant number of households living in housing provided for free, accounting for more than 10% of households. This phenomenon is particularly notable in Poland and Cyprus, where the free housing options effectively reduce the rental market share.

Table 2
Tenancy structure in 32 selected ECE countries (percentage of total households)
(Average 2008-2020)

Country	Owner (% of total households)	Tenant or subtenant paying rent at prevailing or market rate (% of total households)	Accommodation is rented at a reduced rate (lower than market price) (% of total households)	Accommodation is provided free (% of total households)
Austria	49.9	31.9	10.2	8.0
Belgium	66.7	23.1	8.5	1.7
Bulgaria	84.4	2.6	1.6	11.4
Switzerland	38.9	54.8	4.9	1.4
Cyprus	65.1	14.6	1.0	19.3
Czechia	75.1	12.7	7.8	4.3
Germany	44.6	46.3	6.3	2.9
Denmark	55.7	42.4	1.9	0.1
Estonia	80.4	4.3	3.2	12.0
Spain	78.6	12.0	2.9	6.4
Finland	66.2	14.7	18.1	1.1
France	59.9	20.4	16.2	3.5
Greece	72.7	20.9	0.8	5.6
Croatia	89.7	1.9	1.5	6.9
Hungary	87.3	4.0	3.5	5.2

Ireland	72.7	11.3	14.2	1.8
Iceland	75.4	12.4	10.0	2.2
Italy	71.7	14.9	4.2	9.2
Lithuania	90.5	1.5	1.6	6.4
Luxembourg	68.3	24.6	4.4	2.7
Latvia	80.7	7.7	5.5	6.1
Malta	76.9	4.8	13.4	4.9
Netherlands	56.9	42.4	0.0	0.7
Norway	76.6	16.5	3.6	3.4
Poland	74.1	4.2	1.4	20.3
Portugal	73.3	12.4	5.9	8.5
Romania	96.2	1.3	0.8	1.7
Serbia	81.5	3.5	0.7	14.3
Sweden	59.9	39.3	0.5	0.3
Slovenia	76.7	5.7	3.7	13.9
Slovak Republic	89.1	8.5	1.0	1.5
United Kingdom of Great Britain and Northern Ireland	66.3	15.7	16.8	1.2
Average	65.3	22.1	7.3	5.2

Source: EU-Silc, Eurostat, 2004-2020

29. The lack of affordability mainly affects medium- and low-income families, as highlighted by the calculation of the Housing Stress ratio, measuring households with an income falling within the bottom 40% of the income distribution (see second and fourth columns of Table 3 below). According to the data, on average, households spend 25.67% of their disposable income on housing costs (excluding heating, electricity, and other facilities costs) (see Table 4 below). Households living below the poverty line spend as much as 42.85% of their disposable income on housing costs. This financial strain significantly impacts specific types of households, such as elderly couples and single-parent households, demonstrating that low income is a critical factor for dealing with housing affordability issues.

Table 3
Housing affordability ratios (average for 32 countries)

(%)	All households		Households under poverty line	
	Housing Cost/Household income	30/40 - Housing Stress	Housing Cost/Household income	30/40 - Housing Stress
Average	25.67	34.67	42,85	44,02
one person household	31.72	35.13	48.13	48.13
2 adults no dependent children, both adults under 65 years	22.03	34.82	44.44	44.44
2 adults, no dependant children, at least one adult 65 years or more	20.74	26.37	34.69	34.69
single parent household, one or more dependent children	29.53	34.42	39.83	40.32
2 adults with dependent children	21.67	35.99	35.81	38.28
other households with dependent children	17.83	36.23	33.46	37.73

Source: EU-Silc, Eurostat, 2004-2020 and own estimations

Table 4
Affordability ratios by country in 2020

	<i>All households</i>		<i>Households under poverty line**</i>	
	Housing costs/household income	Housing stress	Housing costs/household income	
	%	%	%	
Austria	21.45	30.59	40.6	
Belgium	24.29	34.66	50.9	
Bulgaria	20.06	33.49	55.4	
Switzerland	26.63	38.00	22.0	
Cyprus	22.28	28.44	48.6	
Czechia	15.21	20.29	33.7	
Germany	21.93	29.10	44.4	
Denmark	30.60	37.77	33.4	
Estonia	27.14	44.63	60.0	
Spain	25.10	39.91	46.2	
Finland	25.20	36.50	19.5	
France	23.93	31.69	59.1	
Greece	28.12	41.74	53.8	
Croatia	20.22	26.87	35.5	
Hungary	19.16	31.16	40.1	
Ireland	19.38	24.25	36.8	
Iceland	51.58	49.14	68.8	
Italy	26.23	40.69	65.1	
Lithuania	13.86	23.61	37.3	
Luxembourg	62.02	55.15	96.0	
Latvia	13.23	18.40	57.1	
Malta	17.48	24.71	42.2	
Netherlands	30.54	38.22	26.2	
Norway	27.37	37.36	38.4	
Poland	20.76	33.16	23.5	
Portugal	19.17	28.66	33.2	
Romania	19.90	29.85	84.8	
Serbia	22.96	37.35	87.7	
Sweden	24.90	37.40	35.9	
Slovenia	17.14	23.31	35.6	
Slovak Republic	18.14	25.43	30.8	
United Kingdom of Great Britain and Northern Ireland	28.18	43.75	42.2	

Source. Own calculations based on EU-Silc microdataset, Eurostat

*For Iceland and UK, the ratios are for 2018 and for Italy and Germany, the ratios are for 2019

** Housing Stress ratios are the same for households under poverty line. Romania and Serbia ratios under poverty line corresponds to 2019.

30. Table 5 below summarizes the value of affordability ratios by tenancy. The data is based on the self-declared survey, where homeowners report the amount of interest paid on their mortgage or credit received for home purchase, along with the amount of principal repaid. Similarly, tenants report the amount paid in rent. On average, the data shows that the

primary affordability problem is in the rental market, with ratios exceeding 30% on the right side of the income distribution.

Table 5
Cost to income ratio by tenure type

	Housing Cost/Household income		HS_30/40 Housing Stress Ratio	
	Mean		Mean	Median
%				
Owner	22,31		37,33	30,45
Tenant or subtenant paying rent at 28,01 prevailing or market rate			36,07	30,81
Accommodation is rented at a reduced rate (lower price than market price)	23,95		29,82	26,04

Source: EU-Silc, Eurostat, 2004–2020 and own estimations

31. The scope and effects of affordability issues vary significantly across countries. “Western European” countries, in particular, are experiencing larger cost-to-income ratios for tenants due to strong pressures on the rental market. This issue may not have been adequately identified in the questionnaire responses, likely due to the geographical distribution of the respondents.

VI. Conclusions

32. The survey and the subsequent study reveal a widespread recognition of the housing affordability crisis in the ECE region, driven by tenancy imbalances, supply shortages, regulatory constraints and economic factors like income disparity and rising costs.

33. The survey, predominantly involving respondents from public organizations, highlighted a strong focus on housing policy, legislation and regulation, urban planning and social housing management as means to combat the housing problem. The need for robust monitoring through market observation and public statistics was also emphasized.

34. Key challenges include limited rental markets in some countries, supply-demand imbalances and high economic costs, with major cities and urban areas being most affected by housing unaffordability. Primary drivers of unaffordability are high demand, increasing prices, income growth that lags behind inflation and housing stock shortages, leading to market distortions such as illegal occupation and high commuting costs.

35. Tools such as legislation, policies, strategies, and national/local projects are being mobilized to tackle these housing affordability issues. Related best practices provided focused on housing finance, land availability, governance, and sustainability. Implementation challenges cited include financial barriers, construction delays, administrative complexity, and financing issues.

36. Based on lessons learned, to improve housing affordability and ensure sustainable and inclusive housing for all in the ECE region, it is recommended that policymakers enhance monitoring and data collection, reform policies and regulations, increase financial support for those most in need, foster collaboration between relevant agencies, prioritize equity and inclusion, and integrate sustainability into housing solutions. Additionally, they should ensure sufficient construction in the affordable housing segment and simultaneously develop supporting infrastructure such as schools, transportation, etc.

Annex

Summary of best practices

1. In Canada, particularly in Quebec, a major investment in new affordable housing development and the implementation of modern offsite industrialized construction techniques are highlighted as best practices. Detailed information can be found at www.cmhc-schl.gc.ca. Challenges faced included time constraints and financial limitations, exacerbated by post-COVID recovery, inflation, and a shortage of construction workers. To enhance success, accelerating the use of modern offsite industrialized construction is recommended, with a focus on increased investment and technological advancements.

2. In Croatia, the Ministry of Physical Planning, Construction, and State Assets is focused on providing housing assistance to young families through several support models. These include the Stimulated Social Housing Programme, which has built nearly 9,000 apartments; the subsidisation of housing loans for young people, benefiting over 34,000 families; and the Intersectoral Cooperation Programme offering favourable rental conditions in assisted areas. In 2021, the sixth call for subsidised housing loan applications saw 4,739 submissions, with 4,599 approved. The average loan amount was EUR 75,000, with a 22-year repayment period, and an average interest rate of 2.17%. The programme aims to promote demographic growth, urban regeneration and reduce youth emigration, offering subsidies that cover from 30% to 51% of loan amounts, based on location development indices. Since 2017, approximately HRK 430 million (around EUR 57 million) in subsidies have been approved. The yearly applications and approvals have shown a steady increase, demonstrating the program's growing impact and reach. Major challenges include rising housing market prices and the impact of inflation on purchasing power. Fourteen banks participated in the program, offering interest rates between 2.09% and 3.50%. Eligibility was open to citizens under 45 without an apartment or house, for properties costing up to EUR 1,500 per square meter or loans up to EUR 100,000, with repayment periods of at least 15 years.

3. In Estonia, the Tallinn Property Department offers a state-regulated guarantee for bank loans to help young people purchase homes, assisting those who often lack the necessary funds for housing loan deposits, thus making home ownership more accessible. The program could be improved by introducing more instruments to further enhance accessibility for young people. It is recommended that the system remain simple, easy to understand, and apply, ensuring that it is user-friendly and effectively meets the needs of its target demographic.

4. In France, a Paris-based international consultant on architecture and urban development highlights cooperative housing construction as a best practice. A specific example involves a city block in the suburbs of Paris where a group of friends (11 families) initiated a project using personal savings and a low-cost loan to create housing for ownership and rental. This approach resulted in housing costs being approximately three to four times lower than purchasing ready-made homes, and it fostered a strong sense of community. However, the construction period was longer compared to conventional methods. The cooperative model's sustainability is supported by the collective problem-solving approach, where any issue faced by one household is addressed jointly by all cooperative members. The practice suggests that the role of developers, often a factor in unaffordable housing prices and loss of human-centric design, may diminish. Therefore, improving the cooperative housing construction system could be a significant focus, particularly in mid-sized cities, towns and settlements.

5. In Tbilisi, Georgia, the City Hall runs two significant projects: "Unfinished Constructions" and "Accommodate Homeless Families." The first project helps individuals who were deceived by construction companies by treating all affected people equally and ensuring they have a fair chance to receive assistance. The second project involves the City Hall purchasing real estate to gradually provide housing for homeless families based on

citizen applications. Challenges include the need for homeless individuals to wait for housing, which can lead to dissatisfaction. The projects have evolved based on the needs and wishes of the population. For greater success, the "Unfinished Constructions" project could benefit from increased communication with the public, while the "Accommodate Homeless Families" project requires more financial resources to meet the housing needs of more individuals.

6. In Rome, Italy, the Assessorato Patrimonio Comune di Roma runs the innovative "Program for the Quality of Living", which finances urban regeneration projects for municipal buildings. These buildings, often previously occupied in socially beneficial ways without criminal activity, are transformed into affordable and efficient homes while preserving existing communities. The program aims to regenerate public property, create new housing and maintain social ties involving local administration, inhabitants, the national government and universities, with over 400 fragile families benefiting from national and European funds. The primary challenge is relocating families during the renovation work. The project has not undergone any changes so far, and the work is progressing well towards its conclusion. To enhance success, it is recommended to select properties that encourage social diversity.

7. In Latvia, the Ministry of Economy supports families with children through two key housing programs. The first provides a bank loan guarantee for families with regular income but insufficient savings for a down payment, covering up to EUR 250,000. The second, Subsidy Balsts, offers one-time financial support of EUR 8,000 to EUR 10,000, increasing by EUR 2,000 for energy-efficient homes. Guarantees range from 5% to 30% of the loan amount, with caps based on the number of children, and a 10-year repayment period. These programs have provided EUR 200 million in guarantees, supporting EUR 1.9 billion in real estate investments and benefiting around 25,000 families. The Subsidy Balsts program alone has helped over 1,200 families, with public spending totalling EUR 10 million. Challenges include securing additional funding for program enhancements. In 2022, approximately 40% of new mortgages included a guarantee, indicating the program's growing popularity. To further boost lending, especially in regions outside the capital, it is recommended to increase guarantee amounts per child and for energy-efficient homes. The housing guarantee program aims not only to improve housing affordability but also to support young families and positively impact the country's demographics.

8. In Montenegro, the Ministry of Spatial Planning, Urbanism, and State Property has implemented the "Project 1000+" in cooperation with the Development Bank of the Council of Europe, which has successfully resolved housing issues for 1,552 families over four phases. This social housing project targets citizens with medium and lower incomes, providing subsidies on mortgage interest rates to make homeownership more accessible. Key components include fixed interest rates of 2.99%, optional down payments, low loan processing fees and extended repayment periods. The program also offers a 50% discount on notary services and allows the purchase of both new and existing apartments that meet energy efficiency standards. The project's structure involves coordination between multiple stakeholders, including government bodies, financial institutions and the Notary Chamber of Montenegro. The main challenges faced include managing the complex administrative processes, verifying eligibility criteria and ensuring effective coordination among stakeholders. The project has evolved by adapting its phases to better meet the needs of users, particularly priority target groups. The goal is to transform the project into a permanent initiative with a continuous credit line, rather than dividing it into phases. To further enhance the program, it is recommended to conduct housing needs research, involve key stakeholders in the design and implementation process, and ensure equity and accessibility for low-income and vulnerable populations. Additionally, establishing robust monitoring and evaluation mechanisms, along with a comprehensive public outreach strategy, will help track progress and inform potential beneficiaries about the project and its benefits.

9. In Poland, the Ministry of Economic Development and Technology is spearheading investments in energy-efficient housing for low- and average-income households under the Polish National Recovery and Resilience Plan. The objective is to increase the supply of energy-efficient housing that those households cannot afford on the private market. The program supports the construction of low-emission multi-apartment residential buildings

utilizing renewable energy sources such as photovoltaic panels and solar collectors, with energy consumption targeted to be 20% lower than the minimum energy performance standards. The initiative also includes municipal housing stock, training and assisted living facilities, shelters for the homeless and temporary accommodations. Beneficiaries include social housing associations, and other social housing investors who can apply for support through municipalities. The program offers substantial financial support, covering 25% of project costs for moderate-income households (up to 60% with additional funding) and 15% for low-income households (up to 95% with additional funding). The investments must adhere to the "Do No Significant Harm" principle. Additionally, grants are available for the renovation of municipal dwellings for those at risk of energy poverty and for renewable energy installations in new buildings, covering 30% and 50% of the costs, respectively. The initiative is ongoing, with final results expected in 2026. Challenges include ensuring adequate co-financing from national funds and meeting the "Do No Significant Harm" requirements. The program's success hinges on maintaining sufficient funding levels and providing clear guidance for compliance with energy efficiency standards. Policymakers are advised to integrate energy efficiency components into housing support programs to address both housing affordability and climate challenges effectively, achieving a synergistic impact.

10. In Slovakia, the Ministry of Transport manages the Programme of Housing Development, introduced in 1998, to support housing construction, particularly social rental housing, through subsidies and low-interest loans from the State Housing Development Fund. This initiative targets municipalities, city districts, and non-profit organizations, aiming to increase public rental housing availability for low-income households. The program has enabled the construction of nearly 50,000 new social dwellings across Slovakia. Eligibility for social housing is primarily determined by income levels, with provisions for households with disabilities, single parents, and those providing essential services. The program has been utilized by over 1,000 municipalities, with funding sourced from the state budget and municipal resources. Key outcomes include a significant increase in social housing stock, with almost 50,000 new social dwellings and innovative financing through a combination of subsidies and loans covering 100% of acquisition costs. Despite stable foundational targets and conditions, the program adapts to economic changes, such as construction cost increases. Challenges include ensuring rental affordability for vulnerable groups. The program's success hinges on stable budget allocations, interest from local bodies and higher state budget allocations. Lessons learned emphasize the importance of a stable budget, optimal subsidy-loan ratios, long-term local housing development visions, continuity of strategic plans irrespective of political cycles, and the availability of land for housing construction.

11. In Spain, housing policy is managed by the autonomous communities. Among the 17 regions, the Autonomous Community of the Basque Country stands out as an example of best practices due to its consistent and socially oriented housing policies that have remained stable over time. Locally, Zaragoza is also noted for its effective housing practices. Detailed information can be found at [Euskadi's urban planning website](#). The main challenges faced include scarce land for new constructions and contaminated areas. Trends have evolved to provide better consumer knowledge, with property registers now including information on energy efficiency, potential soil contamination and CO₂ absorption projects, along with traditional data on ownership and property charges. It is also recommended to include information on architectural barriers. To enhance housing practices, it would be beneficial to unify the control of all legal procedures for buying and renting properties within the property registers. That institution plays a key role in guaranteeing property rights, facilitating financing and increasing user knowledge and accessibility. Successful best practices hinge on two key elements: a robust legal institution that consolidates all housing and rental information, and a sensible, socially-invested legal framework that is maintained over time.

12. As another best practice in Spain, the Polytechnic University of the Autonomous Community of Valencia has introduced the "Arrel initiative", a regional strategy to identify and reactivate potential dwellings for new generations or new inhabitants in depopulated rural areas. This innovative approach addresses the demographic challenge by meeting housing demands to stabilize populations in those areas. Data highlights the urgency, with rural inhabitants dropping from 43% in 1960 to less than 20% today, and 172 out of 542 municipalities in the Valencian Autonomous Community (Spain) showing an ageing index above 250%. The strategy involves thorough visits to municipalities in the territories covered

by the Valencian Anti Depopulation Agenda (AVANT Agenda) to assess underused housing stock. The Arrel digital platform facilitates communication and acts as a contact point between these municipalities and potential residents, allowing users to find suitable municipalities based on their preferences, viewable in mosaic and map formats. Challenges include the vast number of houses to analyse. Success has grown as more case studies emerge, and the initiative is linked to specific funding. Promoting dialogue and awareness is crucial, emphasizing that it is possible to stabilize populations in rural areas. For more information, visit [Arrel's website](#).

13. In Turkey, the Housing Development Administration aims to meet 5%-10% of the country's housing needs through its rapid housing production practices. Under the Turkish Government's "planned urbanization and housing production" program from 2003 to February 2024, that Administration has initiated the construction of 1,324,392 housing units across 81 cities and 5,897 construction sites. The Administration faces challenges in securing financing for its projects. Approximately 87% of the Administration's project portfolio consists of social housing projects, with the remaining 13% based on revenue-sharing projects to raise funds. Securing adequate financing to subsidize social housing is crucial for the continued success of these initiatives.

14. In Ukraine, the State Youth Housing Agency runs preferential state housing programs through the State Fund for Youth Housing Construction, providing housing for 43,000 families. These programs target large families, internally displaced persons (IDPs), military personnel and those needing improved housing conditions. Funding comes from state and local budgets as well as international assistance, offering affordable mortgages where the state covers 30% of housing costs and individuals pay the remaining 70%. Challenges include the limited availability of funds. The program has expanded to include more eligible participants and introduced transparent, publicly known queues. To enhance the program's success, attracting more international donors is recommended.
