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**COMMISSION STAFF WORKING DOCUMENT**

***Accompanying the document***

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**On the Tenth Report on economic, social and territorial cohesion**

**Chapter 2.4 Urbanisation and housing**

{COM(2026) 966 final}

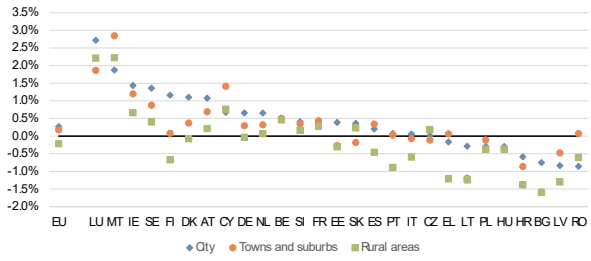
# Chapter 2.4
# Urbanisation and housing

## 2.4.1. Urbanisation: opportunities and challenges

Urban areas in the EU are diverse, ranging from small towns to large metropolitan areas and from dense city centres to quieter suburbs. Despite these differences, a clear pattern emerges: cities are more productive than other areas, and they are growing. This brings important benefits for the EU competitiveness and its citizens' quality of life, but it also creates pressure, especially on housing.

In 2021, 39% of the EU population lived in around 700 cities, another 36% in 9 000 towns and suburbs, and 25% in rural areas. Between 2011 and 2021, the population share living in cities rose by 0.6 percentage points and in towns and suburbs by 0.2 percentage points, while the share living in rural areas fell by 0.8 percentage points (Figure 2.4.1). This trend is expected to continue. By 2050, cities are projected to account for 41% of the EU population and towns and suburbs for 37%, while the rural share is expected to decline to 22%. Cities also have a larger share of working-age people, while rural areas tend to have an older population.

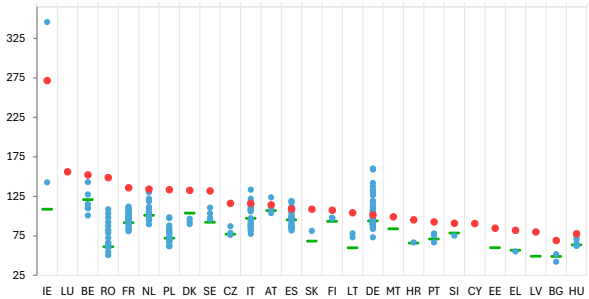
*Figure 2.4.1:* Population change by degree of urbanisation, 2011-2021




*Source:* DG REGIO calculations on Eurostat Census Hub data

Cities stand out economically. Metropolitan regions account for 59% of the EU population, but they host 63% of employment and generate 68% of EU GDP. Capital metropolitan regions are especially productive, generating 23% of EU GDP with only 16% of the population. In most Member States, the capital region is the most productive part of the country, and other metropolitan regions also tend to perform better than non-metropolitan regions (Figure 2.4.2). One reason is that cities concentrate innovation and highly-skilled workers. Among people aged 25 to 64, 45% of city residents have a university degree, compared with 31% in towns and suburbs and 26% in rural areas.

*Figure 2.4.2:* GVA in PPS per person employed per metropolitan regions and non-metropolitan regions, 2024




*Note:* red dots: capitals; blue dots: other metropolitan regions; green dash: non-metropolitan regions. NUTS 2024 metropolitan classification.

*Source:* ARDECO

Importantly, the geography of economic growth has become increasingly varied in both Member States that joined the EU before 2004 (EU14) and those that joined the EU since 2004 (EU13). Since 2000, GDP per capita growth has, on average, been higher in EU13 Member States than in EU14 ones, supporting economic convergence. Capital metropolitan regions are the main engine of this growth in most EU13 Member States. In turn, metropolitan regions without a national capital expand more slowly than those with a capital in EU14 Member States and at a similar pace in EU13 ones. As for non-metropolitan areas, they are falling behind metropolitan regions in EU13 Member States, reflecting

*Table 2.4.1:* GDP per capita growth, by metro region typology and selected periods

| GDP per capita growth | | 2000-2008 | 2008-2013 | 2013-2023 | 2000-2023 |
|---|---|---|---|---|---|
| Capital metro regions | EU27 | 2.1 | -0.3 | 1.8 | 1.4 |
| Other metro regions | | 1.4 | -0.5 | 1.4 | 1.0 |
| Non-metro regions | | 1.8 | -0.3 | 1.5 | 1.2 |
| Capital metro regions | EU14 | 1.4 | -0.5 | 1.5 | 1.0 |
| Other metro regions | | 1.1 | -0.7 | 1.1 | 0.7 |
| Non metro regions | | 1.3 | -0.5 | 1.1 | 0.8 |
| Capital metro regions | EU13 | 5.8 | 0.0 | 3.2 | 3.4 |
| Other metro regions | | 4.9 | 1.3 | 3.6 | 3.5 |
| Non-metro regions | | 4.4 | 0.8 | 3.3 | 3.1 |

*Source:* JRC based on ARDECO

stronger urban-driven growth, but they outpace non-capital metropolitan areas, in EU14 Member States, albeit both with low growth rates (Table 2.4.1). This divergence shows that growth patterns are evolving differently across the EU and across types of regions and highlight the need for place-based approaches to face identified challenges.

The socio-economic picture in cities is more mixed. At EU level in 2025, employment rates and the share of people at risk of poverty or social exclusion were broadly similar across cities, towns and suburbs, and rural areas. However, this varies across Member States. In eastern and southern Member States, city residents tend to have higher employment and lower poverty risk than rural residents. In north-western Member States, the opposite is more common. This means that although cities are generally more productive and often offer a higher quality of life, these advantages do not translate into the same socio-economic outcomes everywhere.

Stronger economic performance is one reason cities remain attractive places to live. Recent European Commission research on social progress in cities and rural areas in the EU (De Dominicis et al., 2025) shows that cities bring together jobs and a wider range of opportunities. It also indicates that cities perform well in terms of access to education, healthcare and other essential services, making them attractive locations for people to live and work. Nonetheless, this attractiveness also creates problems: concentrating people and activities in a limited space can, without mitigating measures, lead to congestion and increased demand for housing.

As we will see in the section 2.4.2., housing quality and affordability represent major challenges across the EU but especially in urban areas. The lack of affordable housing is seen as an immediate and urgent problem in EU cities by 51% of respondents to a 2025 Eurobarometer survey([79]), higher than any other concern. In particular, people living in cities are more likely to face high housing costs. In 2025, 9.5% of them spent more than 40% of their income on housing, compared with 5.4% in rural areas([80]). City residents also spent a smaller share of their consumption on energy: 5% in 2020, compared with 7% in rural areas . However, this does not necessarily mean that homes in cities are more energy efficient. In 2023, the share of people living in homes that are not comfortably warm in winter was higher in cities (19.1%) than in rural

([79]) Eurobarometer (2025), Flash Eurobarometer 561 – Public opinion on urban challenges and investment in cities Report, March-April 2025: fl_561_report_en.pdf.

([80]) Source: Eurostat, (online data code: ilc_lvho07d)

areas (16.3%)([81]). In addition, in 2023, 23.2% of the city population lived in a dwelling with energy efficiency improvements in the previous five years, compared with 30.1% in rural areas([82]).

Overall, EU cities continue to grow and remain the main centres of productivity and innovation. Yet, the very factors that drive their success also create pressures, with housing being, in particular, one of the clearest examples of the costs of urban growth.

## 2.4.2. Housing affordability

As highlighted in the Commission's European affordable housing plan, nominal house prices across the EU rose by over 65% between 2013 and 2025, outpacing growth in household incomes by about 10pp([83]). Newly signed rents have also become much more expensive, leading to a severe housing affordability crisis([84]). At the same time, investment in expanding housing supply has fallen sharply. New supply has struggled to keep pace with changing demand, because of high construction costs, lack of innovation, shortages of skilled workers, and burdensome administrative procedures. Residential building permits have dropped by 22% since 2021, and the existing housing stock is not fully utilised, with around 20% of dwellings remaining unoccupied.

The main factor driving housing prices up faster than incomes, and thereby worsening affordability problems, is the mismatch between rapidly growing demand and much slower growth in supply, particularly in cities and metropolitan areas. Making housing more affordable is one of the key policy priorities outlined in the 2026 European Semester. The spring 2026 Communication (European Commission, 2026a) recalls the European affordable housing plan, adopted in December 2025, which envisages various measures to address the underlying causes of the housing crisis, and complements the over EUR 40 billion mobilised under the current MFF to support affordable and sustainable housing efforts.

### 2.4.2.1. Housing is expensive in urban and capital regions but affordability is also an issue in poorer intermediate regions

Housing affordability varies greatly across regions. Regional income tends to be positively correlated with house prices, but affordability depends on the balance between income and prices. As a result, affordability may be an issue despite high incomes if prices are very high. Conversely if prices are very low households in poorer regions may afford adequate dwellings even with lower disposable income.

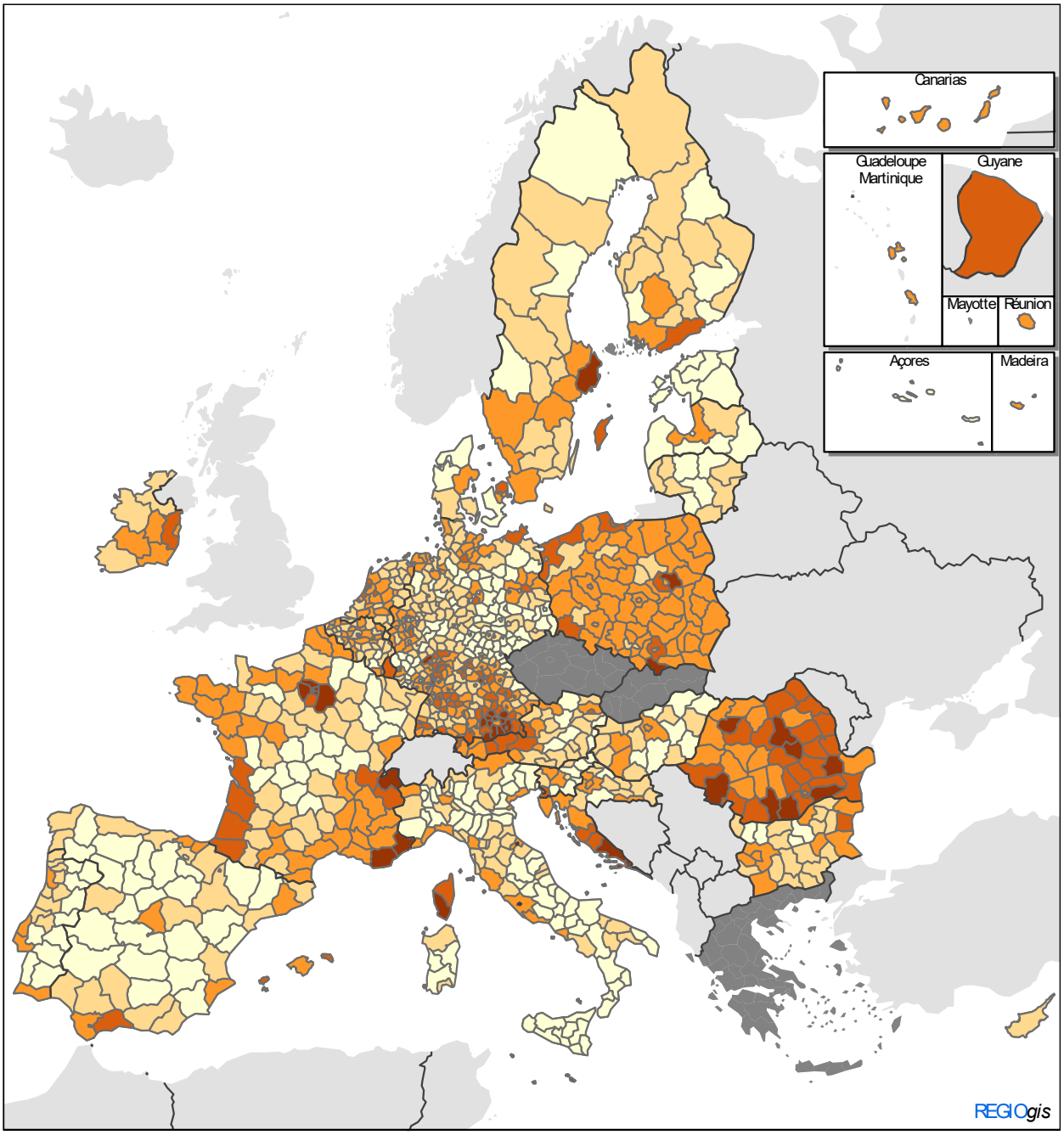
In Member States where data is available, the price-to-income indicator shows that, , affordability is an issue in particular in wealthier capital regions, in other major economic centres (e.g. southern Germany), in areas with high tourism influxes (such as costal and mountain areas in France or some coastal areas in Portugal and Spain) (Map 2.4.1). However, this is also the case in relatively poorer areas of Poland and Romania. This is highlighted on the 2026 European Semester spring Communication, which states than "severe housing shortages particularly in urban areas and touristic regions" (European Commission, 2026a).

([81]) Source: Eurostat, (online data code: ilc_lvhe12)

([82]) Source: Eurostat, (online data code: ilc_lvhe09)

([83]) Eurostat [prc_hpi_a; nasa_10_nf_tr]

([84]) It should be noted that, despite the sharp growth in new rents, average rents increased by just under 20% over the same period.




Map 2.4.1: Price-to-income ratio by NUTS3 region

< 7
7 - 10
10 - 15
15 - 20
> 20
No Data

Years: 2018 – BG, HR, MT, RO; 2020 – DE, AT; 2021 – EE, LT, SI; 2022 – IE, ES, FR, HU, NL (except 2019 for NL310, NL332, NL333, NL337, NL33A, NL33B, NL33C), PL, PT, FI, SE; 2023 – BE (except 2019 for BE221, BE222, BE321, BE322, BE324, BE 325, BE326, BE327), DK, IT, CY, LV, LU

Note: The price-to-income ratio is calculated as the average annual price for 100 m2 divided by GDP per capita.

Source : REGIO elaboration on ECFIN Mapadomo

0 500 km

Administrative boundaries: © EuroGeographics, © OpenStreetMap contributors – Eurostat/GISCO

Recent data allow to analyse affordability([85]) separately in the sales and rental markets([86]). It shows that predominantly urban regions display the worst indicators of affordability for both sales and rental markets. Affordability in the sales market is higher in intermediate regions than in rural regions, while the opposite is true in rental markets. However, the differences are not very pronounced (Table 2.4.2).

*Table 2.4.2:* Affordability by type of NUTS 3 region

| | ra_m2 | sa_m2 |
|---|---|---|
| predominantly urban | 45.3 | 73.5 |
| intermediate | 60.1 | 87.3 |
| predominantly rural | 67.9 | 82.6 |
| | | |
| predominantly urban | 45.3 | 73.5 |
| intermediate, close to a city | 60.1 | 84.9 |
| intermediate, remote | 59.8 | 129.7 |
| predominantly rural, close to a city | 67.4 | 82.1 |
| predominantly rural, remote | 69.2 | 84.1 |
| | | |
| metro capital | 43.3 | 54.5 |
| metro non-capital | 51.7 | 72.4 |
| non-metro | 64.5 | 97.4 |

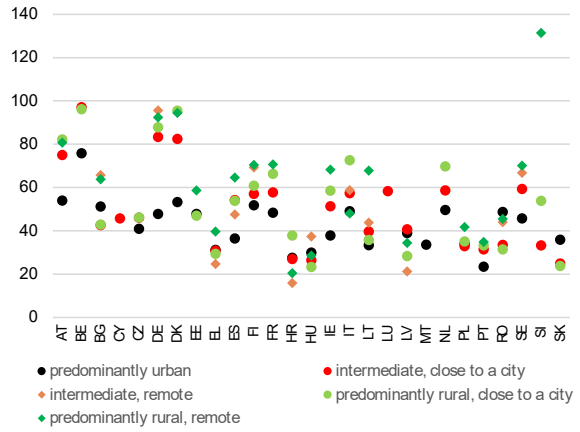
*Note:* ra_m2: square metres that can be rented using 1/3 of disposable income; sa_m2: square metres that can be bought via mortgage using 1/3 of disposable income

*Source:* DG REGIO calculations on ESPON data (sa_m2 adjusted by JRC with DG ECFIN data), 2024. Price and affordability averages weighted on number of listings.

A more nuanced picture is obtained when looking at remoteness from cities. Predominantly urban regions remain those in which prices are highest. Here, affordability issues are the most acute. A partial exception is intermediate remote regions, where rental markets are the least affordable after urban regions, but sales markets are on the contrary the most affordable. This is caused by a combination of low incomes but lower sale prices and shallow rental markets. Within predominantly rural regions, households in regions closer to cities have higher income and can thus afford larger dwellings than households in remote regions despite higher sale prices. In remote areas, therefore, lower sales prices do not always lead to substantially higher affordability, since income is generally lower([87]).

This picture is, however, not uniform across Member States. While urban regions are those under the strongest stress in most countries, affordability is a bigger issue in rural regions than in urban ones in some eastern and southern Member States, where lower prices in rural regions are offset by lower income (Figure 2.4.3 and 2.4.5).

*Figure 2.4.3:* Number of square metres that can be rented with a third of disposable income



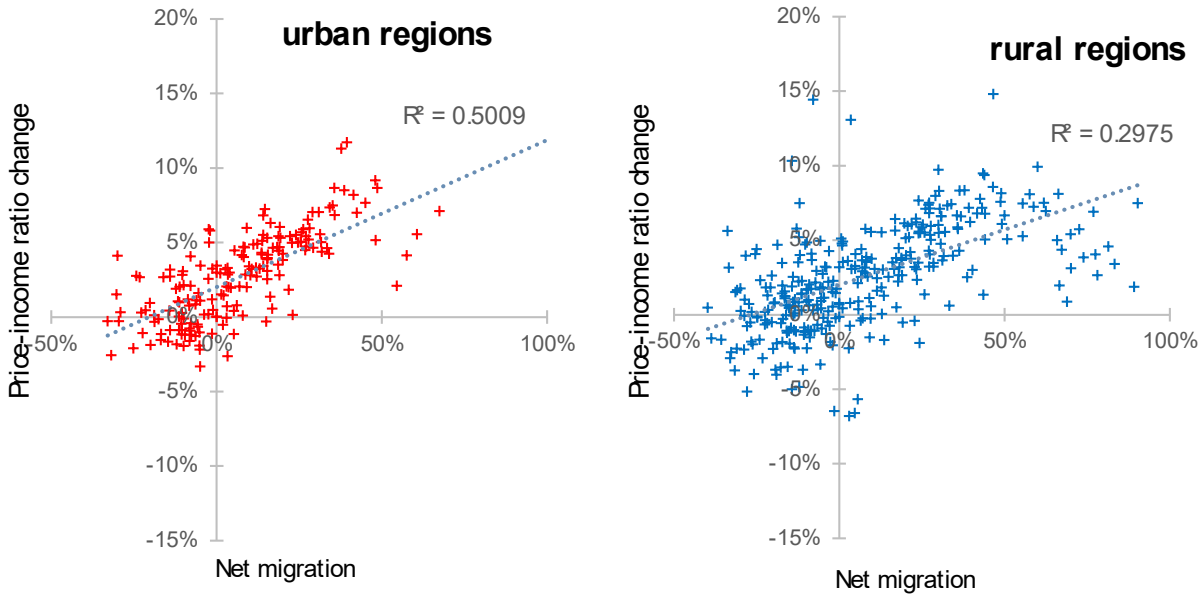

*Source:* DG REGIO calculations on ESPON data

([85]) In this section we measure affordability as the number of square meters that a household can rent or purchase via mortgage spending a third of its household income (HOUSE4ALL)

([86]) Data not available for outermost regions and few Greek islands

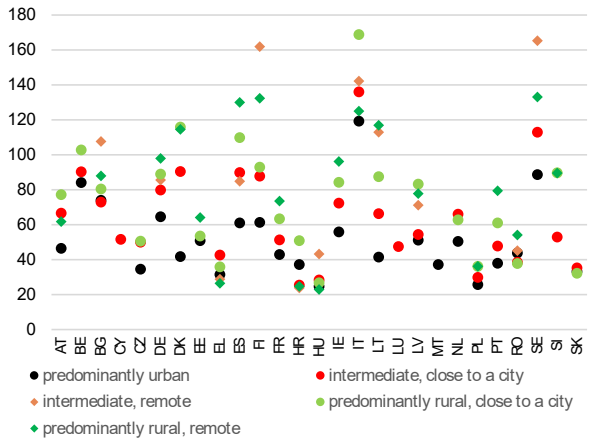
([87]) Overall, the findings suggest that, on average across the EU, sales affordability tends to be higher than renting. However, direct comparisons between the two indicators have to be done with caution as the total financial effort to buy a dwelling via a mortgage, in terms of access to financing and mortgage duration, can be very different from the payment of a rent. A full analysis of sales affordability would have to differentiate between the presence and length of mortgages, the absence of which could lead to an overestimation of the affordability of purchasing a property.

*Figure 2.4.4:* Change in price-income ratio vs net migration in urban and rural regions NUTS3 regions, 2012-2019




*Source:* Eurostat, DG ECFIN (Mapadomo), DG REGIO calculations

*Figure 2.4.5:* Number of square metres that can be bought with a third of disposable income




*Source:* DG REGIO calculations on ESPON data (adjusted by JRC and DG ECFIN)

## 2.4.2.2. Demand and supply. Population growth, tourism, and housing stock

As discussed above, housing affordability issues often arises from the slow reaction of supply to increasing demand. This is especially the case in urban areas (OECD, 2021). Housing demand is affected mainly by household income and wealth, interest rates, population growth (in particular into cities), changes in family structure, taxation and public subsidies, financialisation and tourism (European Commission, 2025k) (Cousin et al., 2025). Some of these factors can be quite volatile compared to the sluggish reaction of supply – especially in some cities (Glaeser and Gyourko, 2018). Restrictive regulation, slow building permits, constraints on the construction sector, skills shortages and the cost of land are among the main factors hampering housing supply flexibility.

On the demand side, the major driver of housing prices is population growth in specific areas. Housing affordability is correlated more strongly to net migration([88]) than to natural population growth. This is not surprising, since natural population change is relatively stable so to a certain degree predictable, while migration may be more variable over relatively short periods of time. This can be attributed to international migrants moving to urban regions, as well as inter-regional migration by

([88]) The "net migration" indicator used in this section is, according to Eurostat's definition, the difference between total population change and natural change in a given NUTS 3 region. This includes statistical adjustments as well as the net mobility of nationals and others between NUTS 3 regions of the same country.

nationals and others already resident in the country. Moreover, migration may be more difficult to absorb if newcomers locate in urban regions. Indeed, the link between net migration and housing affordability is stronger in urban regions (Figure 2.4.4) and net migration was slightly higher in urban than in rural regions. A possible reason for this is that urban regions are growing faster in the EU, so there is less slack in terms of unoccupied dwellings, or empty rooms in occupied dwellings, to absorb the increase in demand, and it is often more difficult to build especially in land-constrained cities (Saiz, 2010). These points are discussed under supply below.

Tourism is also a major driver of house prices. LAU level analysis shows that being a coastal territory, as well as population size, density, and net population growth are correlated with lower housing affordability. Tourism intensity was found to be correlated with lower affordability both at LAU and NUTS 3 level, with the effect being stronger in regions with high tourism intensity. This suggests that tourism impacts affordability only above a certain degree of intensity. These findings are in line with recent studies relating tourism and higher housing prices (Batista et al., 2025) (Mikulić et al., 2021) which identify this phenomenon only in specific areas where tourism is particularly intense.

On the supply side, data gathered by the World Bank on building permitting times for 12 Member States([89])shows stark differences in delivery time for cities within the same country. The longest times are often observed in places where demand pressures are strongest, such as capital cities (Sofia, Prague, Dublin, Bratislava), major national economic centres (Milan) or touristic outlets (Heraklion, Palma de Mallorca, Split) (Table 2.4.3). This is crucial as the responsiveness of supply in cities can impact strongly the way their housing market responds to economic growth (Glaeser and Gottlieb, 2009).

*Table 2.4.3:* Average building permitting times (in days) in 12 Member States

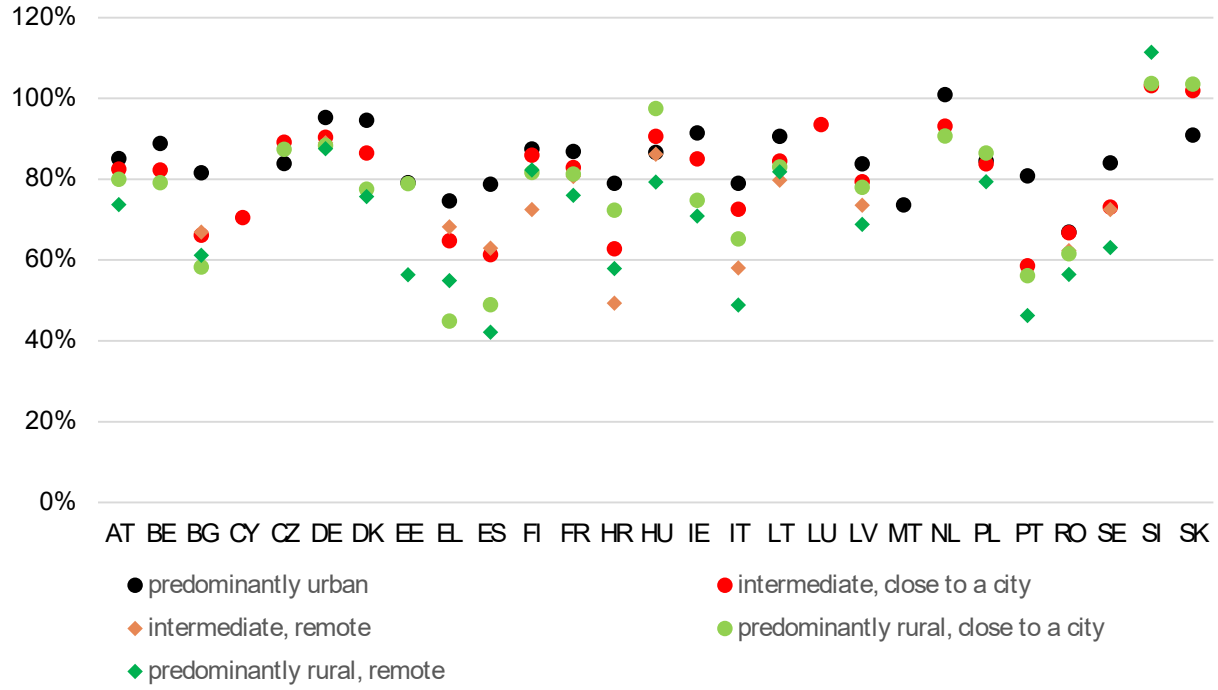
| Member State | Minimum mentioned | Maximum mentioned |
|---|---|---|
| Bulgaria | 92 (Plovdiv) | 103 (Sofia) |
| Greece | 73 (Larissa) | 120 (Heraklion) |
| Hungary | 76 (Gyor) | 122 (Szeged) |
| Italy | 100 (Cagliari) | 220 (Milan, Naples) |
| Croatia | 120 (Varazdin) | 345 (Split) |
| Ireland | 288 (Cork) | 379 (Dublin) |
| Romania | 53 (Oradea) | 382 (Iasi) |
| Poland | 156 (Katowice) | 488 (Kielce) |
| Czechia | 177 (Olomuc) | 495 (Prague) |
| Portugal | 273 (Funchal) | 548 (Coimbra) |
| Spain | 128 (Gijón) | 553 (Palma de Mallorca) |
| Slovakia | 286 (Presov) | 626 (Bratislava) |

*Source:* World Bank subnational B-ready database

The local mismatch between supply and demand is the main cause of house price pressures. At the aggregate level, there are enough dwellings. According to analysis carried by the European Commission's Joint Research Centre (Balouktsi et al., 2026), the EU's total housing stock is currently (and projected to be) on average to exceed the number of households. Mismatches between stronger demand and weaker supply occurred in about one third of NUTS 3 regions, mostly in areas with strong population pressures, such as metropolitan areas. In 2020, the ratio between the number of households and the number of dwellings were on average higher in predominantly urban regions and in regions close to cities (compared to remote ones). Using available Mapadomo data, between 2010 and 2024 the overall number of dwellings has on average increased faster than the number of private households. However, analysis at regional level shows that the ratio between households and dwellings increased between 2010 and 2024 in about 36% of regions, and in particular in regions that are predominantly urban (38%) or intermediate and close to city (37%), putting pressure on affordability in these regions. A shorter-term perspective, which includes regions with no data for 2010, shows that between 2020 and 2024 the household-to-dwellings ratio

([89]) https://www.worldbank.org/en/regulatoryefficiency/eu-reports

*Figure 2.4.6:* Ratio between households and number of dwellings by type of region, 2020




*Source:* DG REGIO calculations on JRC data

worsened for almost half of predominantly urban regions (44%) and most metropolitan capital regions (51%). These results tend to confirm that affordability issues observed in predominantly urban regions, in those close to cities, and in particular in capital metropolitan areas, are due to an insufficient response of supply to demand pressures (Figure 2.4.6).

Unoccupied dwellings, often used as secondary homes, reduce the available supply for households. Even though the share of unoccupied dwellings is on average higher in rural than in urban areas, the correlation between the share of unoccupied dwellings and housing prices is stronger in cities (Batista et al., 2025). These findings highlight that the presence of unoccupied dwellings intensifies the pressure on housing prices and affordability especially in areas with strong demand.

*Box 2.4.1:* Addressing sources of rigidity in the supply of housing in Europe

Housing supply responds inadequately to demand, particularly in productive urban areas. Demographic trends imply demand for at least 2.1 million additional dwellings in 2026 and 2.0 million in 2027, adding to the shortfall accumulated over the past decade. At the same time, permit-based estimates suggest construction will meet only around three quarters of annual demand – an average gap of at least 0.5 million dwellings per year and potentially 2.2 million cumulatively by 2030. This rigidity in the housing supply results in rapidly rising housing costs, a poor-quality and energy-inefficient housing stock, overcrowding and widening intergenerational inequalities. Around 8% of EU households are housing-cost overburdened, with much higher shares among market-rate tenants, the young and vulnerable groups. Increasing housing funding without tackling supply-side rigidities would mainly push prices and rents higher, while imposing substantial fiscal costs.

Limited construction capacity and weak productivity constrain housing supply. Residential construction costs rose by 48% between 2015 and 2025, 12 percentage points above the growth in consumer prices (HICP) during the same period. The sector is labour-intensive, faces persistent skills shortages([1]) and has recorded a decline of roughly 15% in labour productivity since 2000([2]). Moreover, more than 90% of EU construction firms are SMEs, while fragmented standards, localised supply chains and concentrated input markets limit economies of scale. Over the past few years, higher input and financing costs and weak demand have placed further pressure on the sector.

Enhancing the adoption of key technologies in construction would contribute to higher productivity. Building information modelling (BIM), digital permitting and collaboration tools can reduce errors and delays, while prefabrication, modular production, robotics and selected 3D-printing uses can standardise components, reduce waste and automate repetitive or hazardous work. EIBIS firm-level estimates associate advanced digital adoption with productivity gains of up to 15%. Yet fewer than 60% of construction firms use such technologies, compared with almost 80% economy-wide, and only around one quarter report innovation. Commercial adoption requires a stable pipeline of projects, specialised skills and sufficient financial capacity to make investment viable.

Many binding constraints on housing delivery arise at the local level. According to the EIB Municipalities Survey 2024–2025, local investment is limited by lengthy regulatory processes, financing constraints and shortages of technical expertise. Permitting delays, limited municipal capacity, weak stakeholder coordination, shortages of serviced land and uncertain timelines can also reduce the pipeline of viable housing projects and raise development costs, with knock-on effects on prices and rents. The ability to expand the housing supply determines whether public support translates into more affordable homes for the average household. Promoting the use of vacant stock, converting and using brownfield sites, and reallocate land for social and affordable housing can help expand supply in high-pressure locations where land is scarce and housing costs are high.

Relaxing housing constraints can have sizeable effects on the aggregate economy. In fast-growing cities and metropolitan regions, housing supply often adjusts inadequately to population and job growth, while high rents absorb part of the wage premium that would otherwise attract workers. This constrains access to opportunities, reduces labour mobility and contributes to the misallocation of workers and skills across regions. It aggravates recruitment difficulties – particularly for essential and often public sector workers – and limits firms' expansion, agglomeration benefits, knowledge spillovers and specialisation effects, which are at the heart of innovation activity and regional productivity (Ganong and Shoag, 2017; Saks, 2008; Eliasson and Westerlund, 2024; Glaeser and Gyourko, 2018). Additional housing near employment centres facilitates relocation, while affordable housing along reliable transport corridors makes commuting viable, widening labour pools and access to better-paid work. A stylised spatial model (EIB, 2026) can help to illustrate the economy-wide gains from easing these constraints([3]). It identifies 10% of EU regions under

([1]) Illustrated in EIB Investment Survey (EIBIS) results available since 2016 or in the business surveys of construction managers published by the European Commission (DG ECFIN).
([2]) A similar trend has been observed in many developed countries around the world.
([3]) For a further description of the model and data used for its estimation see Chiara and Raab (2026).

*(Continued on the next page)*

*Box (continued)*

the greatest housing pressure and simulates a substantial fall in housing costs relative to wages([4]). Addressing the lack of housing affordability in high-productivity locations would raise EU GDP by as much as 1.7% over the medium term and reduce wage inequality by about 1.5%, with larger gains where regional productivity differences are wide and housing affordability is weak.

Place-based strategies should adapt instruments to local constraints. While high-pressure urban labour markets might need serviced-land mobilisation, predictable permitting, municipal technical capacity, infrastructure and appropriate density or conversion, well-connected surrounding areas could gain from integrated housing, transport and land-use planning. By contrast, weaker-demand areas may benefit more from renovation, repurposing and better use of existing stock. Harmonised performance-based standards, workforce training, digital permitting and stable procurement pipelines can help SMEs invest in BIM and off-site production and enable innovative suppliers to scale. Social and affordable housing anchored near jobs and services would allow workers and households excluded from market housing share in the gains. Combining supply, connectivity and targeted affordability measures can improve well-being, labour-market matching and competitiveness without merely adding demand to constrained markets.

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([4]) The impact of reducing housing shortages is assessed through two scenarios: one for the EU as a whole (allowing labour mobility across Member States), and one at the level of individual Member States, restricting mobility to movements within national borders.

## 2.4.3. Housing cost pressures and quality from the perspective of EU households

EU-SILC survey-based measures of households' economic strain show that financial pressure related to housing costs is felt most strongly in cities and in poorer regions, mirroring affordability issues reported above. In addition, EU-SILC data makes it possible to examine housing cost overburden and quality issues by socio-economic groups (Ozdemir and Koukoufikis, 2025), with inequalities intersecting with regional and territorial differences.

### 2.4.3.1. Housing cost pressure on households' finances

The housing cost overburden rate([90]) is defined as the percentage of the population living in a household where the total housing costs represent more than 40% of the total disposable household income (net of housing allowances in both cases). The housing cost overburden can shed light on the impact on households' finances of other types of costs (e.g. utilities: water, electricity, gas or heating) that are not included in ratios calculated solely on transaction prices and income. The housing cost overburden rate stood at 7.6% in the EU

([90]) For a full definition of this indicator, see https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/2138.pdf.

in 2025, 4 p.p. lower than the peak in 2013 (11.6%). Overburden is especially a city issue, reaching 9.5% in cities and, to a lesser extent, affects towns and suburbs and rural areas, where it stands at 7.0% and 5.4% respectively([91]). In all Member States except Bulgaria, and Croatia, a higher housing cost overburden rate is recorded in cities (or in towns and suburbs in Cyprus, Lithuania and Malta) compared to rural areas. Since 2007, it has increased in cities in 15 out of 25 Member States where comparison is possible. Within countries, capital regions (such as Praha, Budapest, Stockholm and Bruxelles-Capitale) tend to record the largest increases since 2021([92]). At the same time, variation across space partially reflects differences in tenure structure. A high share of households with arrears (mortgage/rent, utility bills or hire purchase) points to ongoing financial stress especially in poorer Member States, with capital regions often more affected than national averages. It also reflects the recent cost-of-living and energy crisis, with deterioration in 2023–24 and only partial recovery in 2025([93]).

EU averages mask important differences across tenure types (Hick, Pomati and Stephens, 2025), where tenants tend to be in a disadvantaged position compared to owners. The housing cost overburden rate was higher for renters than for homeowners in all territorial types and recent time periods([94]). Analysis of EU-SILC microdata shows that while the housing cost overburden rate improved on average in the EU, the gap between renters and homeowners increased([95]). The gap is especially acute in Greece, Romania, Denmark, Norway and the Netherlands, a signal of the residualisation of the rental market among lower-income groups in some countries and of high housing costs in tight rental markets in others. The housing cost overburden for renters has worsened in all types of territories since 2007, while it has improved for homeowners (in particular those with no mortgage). A Theil decomposition of housing costs shows however that the between-area component generally accounts for less than 10% of housing cost inequality for the total population and around 15% for renters. This suggests that most variation in housing costs occurs within areas rather than between them. The neighbourhood dimension is a crucial factor in shaping housing outcomes and reinforcing inequalities (Ioannides and Ngai, 2025).

The disadvantaged position of renters affects especially young people, who are less likely to be homeowners than older people or than previous cohorts, and increasingly grappling with rent overburden (Ciccolini et al., 2025) ([96]). This in turn worsens inequalities and social tensions. Renting difficulties can also impact a relevant share of middle-class households (second, third and fourth income quintile) in some Member States. Households are more affected in cities in western Member States and in rural areas in central-eastern and southern countries, with very high values for all types of territories in Greece. The results are in line with and build on the findings of (Gielens, Seo and Dewilde, 2025), who identify housing precariousness mainly among renters in eastern and southern Europe, but also, and more severely, in fewer instances in north-western Europe.

([91]) Source: Eurostat, (online data code: ilc_lvho07d)

([92]) Source: Eurostat, (online data code: ilc_lvho07_r)

([93]) Source: Eurostat, (online data code: ilc_mdes05_r)

([94]) Source: Eurostat, (online data code: ilc_lvho07c)

([95]) These results hold also when adding mortgage principal repayments to homeowners' costs, although differences between homeowners and renters become more narrow. For this type of comparison: (Ciccolini et al., 2025) (Filauro and De Franceschi, 2027).

([96]) Rent overburden is measured by the authors as the share of total cohort population (including homeowners) for which rent represents more than 33% of disposable income.

People born outside of the EU often experience higher housing cost overburden than native households, especially in capital regions (Prague, Berlin, Madrid, Paris) and in southern and parts of eastern Member States.

The provision of social housing can supply homes at below-market rents for people who would otherwise struggle to find housing and therefore improve affordability for more vulnerable people, especially in high-demand cities. Even if comparable data in the EU is scarce due to the absence of a common definition of social housing, analysis shows that the share of households in social housing is declining as a consequence of commodification and privatisation (Dewilde and Waitkus, 2023). Using rents at a reduced rate in EU-SILC microdata (Filauro and De Franceschi, 2027) as a proxy for social housing, it is possible to observe that within Member States the shares are higher in capitals and in highly urbanised regions. However, where regional data are available, the provision of rents at reduced rates is above 10%([97]) of households in only a few regions (Bruxelles-Capitale, Westösterreich, Helsinki, Etelä-Suomi).

### 2.4.3.2.Overcrowding and severe housing deprivation

Financial pressure on households can also give rise to overcrowding, a form of housing exclusion where households may need to accept shared and smaller living space([98]). Overcrowding remains a significant housing quality challenge in the EU, affecting in 2025 around 16.8% of the population. It is a more pressing issue in cities in all Member States except for Cyprus, Greece and Hungary, affecting 20.4% of people in cities (with peaks above 40% for Latvian, Romanian and Bulgarian households), compared with 14.8% in towns and suburbs and 14.2% in rural areas([99]). This marks a shift from 2010([100]), when overcrowding was higher in rural areas (24.3%) than in cities (20.3%) and towns/suburbs (12.3%), in line with the higher pressure on affordability observed in urban areas and regions. Since 2007([101]), overcrowding has dropped in cities in central-eastern countries (Hungary, Slovakia, Romania, Bulgaria, Poland and the Baltic States), while it has worsened in those of some northern and western countries (Belgium, Germany, Sweden and Finland). Overcrowding remains however high in the rural areas of several countries, exceeding a quarter of the population living in these areas in Greece, Croatia, Latvia, Poland, Romania and Slovakia.

([97]) The OECD estimates that social housing represents about 8% of the total housing stock in the EU and considers that social housing sectors are moderately sized when they account for at least 10% of the housing stock: https://webfs.oecd.org/Els-com/Affordable_Housing_Database/PH4-2-Social-rental-housing-stock.pdf.

([98]) For a full definition of this indicator, see https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/2137.pdf?v=5512134834073069

([99]) Source: Eurostat, (online data code: ilc_lvho05d)

([100]) Estimated figures.

([101]) Results should be interpreted with caution due to breaks in the time series for some Member States.

*Box 2.4.2:* Policy implications and EU proposed action

The European Affordable Housing Plan proposes a broad set of actions to make housing more affordable, increase supply and better support the people and places under the greatest pressure. It combines measures at EU level with encouragement for Member States, regions and cities to act, with particular attention to areas where housing shortages and high costs are most severe:

- Increase housing supply by supporting faster construction and renovation, promoting innovation in the construction sector, addressing skills shortages, and simplifying planning, permitting and other administrative procedures.
- Use existing housing stock better by encouraging renovation and repurposing of buildings, reducing unnecessary demolitions, bringing vacant dwellings back into use, and addressing the impact of short-term rentals where they reduce long-term housing availability.
- Mobilise more public and private investment through EU funding, a new Pan-European Investment Platform, stronger involvement of the European Investment Bank and national promotional banks, and support for innovative financing models.
- Make public support easier through revised State aid rules, allowing Member States to support affordable housing more easily.
- Address pressure in stressed areas, especially cities and tourist destinations, including through a new legislative initiative on short-term rentals. In September 2026, the Commission proposed the Affordable Housing Act to support Member States and cities address housing affordability and availability in areas facing the greatest pressures.
- Support structural reforms in Member States on planning, taxation, land use, digitalisation and housing market data, including through the European Semester and technical support.
- Support vulnerable persons in precarious housing situations and prevent and address homelessness through a Council Recommendation on fighting housing exclusion. The Commission proposal for a Council Recommendation on fighting housing exclusion, adopted in May 2026 as part of the first EU Anti-Poverty Strategy, aims to support the design, implementation and improvement of national, regional and/or local strategic frameworks to prevent and address housing exclusion, including homelessness, based on person-centred, housing-led and integrated policies.
- Mobilise new investment in social housing and housing-led solutions for people experiencing homelessness by establishing a dedicated workstream within the Pan-European Investment Platform, including potential cooperation initiatives with philanthropic organisations and private actors to expand financial and in-kind support.
- Strengthen cooperation across levels of government through a new European Housing Alliance and an EU Housing Summit in 2026, to improve coordination and share good practice between the EU, Member States, regions, cities and stakeholders.

Housing quality is also measured with the severe housing deprivation indicator([102]), which in 2023 affected 4.0% of EU population and is on average higher in cities (4.9%) than in rural areas (3.5%)([103]). This represents a change compared to the situation in the 2010s

([102]) Severe housing deprivation rate is defined as the percentage of population living in the dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures. Housing deprivation is a measure of poor amenities and is calculated by referring to those households with a leaking roof, no bath/shower and no indoor toilet, or a dwelling considered too dark.

([103]) Source: Eurostat, (online data code: ilc_mdho06d)

when rates were higher in rural areas (peak of 6.8% in 2014) than in cities (5.3% in the same year). This indicator is above 10% in cities in Latvia and Austria and about 8% in cities in France and Greece. Croatia, Estonia, Hungary, Slovakia, Romania and Bulgaria are exceptions, with deprivation higher in rural areas. Overall, housing deprivation follows an East–West divide, but with marked within-country differences (for example, Ile-de-France and some regions in Poland and Italy).

Eurostat data from 2023 shows that severe housing deprivation disproportionately affects tenants, particularly those renting at reduced price or free in cities (10.6% compared to 4.5% in rural areas). In contrast, severe housing deprivation affects a tiny minority of homeowners with a mortgage (2.3% in cities, 1.0% in rural areas)([104]).

Analysis from EU-SILC microdata shows that housing deprivation([105]) is more prevalent among households headed by younger people([106]), with a geographically mixed pattern. However, in some regions housing deprivation is higher among households headed by older people (e.g. Sicily, Sardinia, Corsica, several Spanish regions, and certain Eastern regions). This may reflect the fact that only younger adults who can afford to establish independent households leave the parental home, resulting in better economic conditions and lower deprivation than higher-age households. In most other regions, however, households headed by younger people live in more deprived housing, particularly in Germany, north-western Italy, and Greece.

Severe housing deprivation remains closely linked to income vulnerability. In 2023, 9.9% of people living below the poverty threshold experienced severe housing deprivation, well above the EU average (4.0%)([107]). As expected, analysis from EU-SILC microdata also shows that lowest-income renting households experience more housing deprivation than higher income groups. This is particularly relevant since the private rental market is often the only option available to low-income groups entering the housing market (Dewilde and Waitkus, 2023), in a context of decreasing homeownership and social renting (Dewilde and Haffner, 2022). The magnitude of inequalities varies both across and within countries. Eastern Member States, already experiencing higher housing deprivation overall, also show a pronounced disadvantage for lower-income households, with particularly severe gaps in Romania and Bulgaria. However, some western regions also display large inequalities across income groups, including in Austria, France, and Navarra in Spain.

By looking at housing cost overburden and deprivation together, it is possible to identify how housing issues show up, whether as households struggling to make ends meet due to high housing costs, living in poor-quality dwellings, or both. Map 2.4.2 shows that on the one hand housing deprivation is combined with low housing cost overburden in regions of central-eastern and some southern Member States, and in some French regions including the capital. On the other hand, high housing cost overburden rates are combined with low deprivation in some north-western Member States (Germany, Denmark, southern Sweden, some regions in Czechia, plus Catalonia, and Provence-Alpes-Côte d'Azur). In Greece, northern Bulgaria, eastern Hungary, some

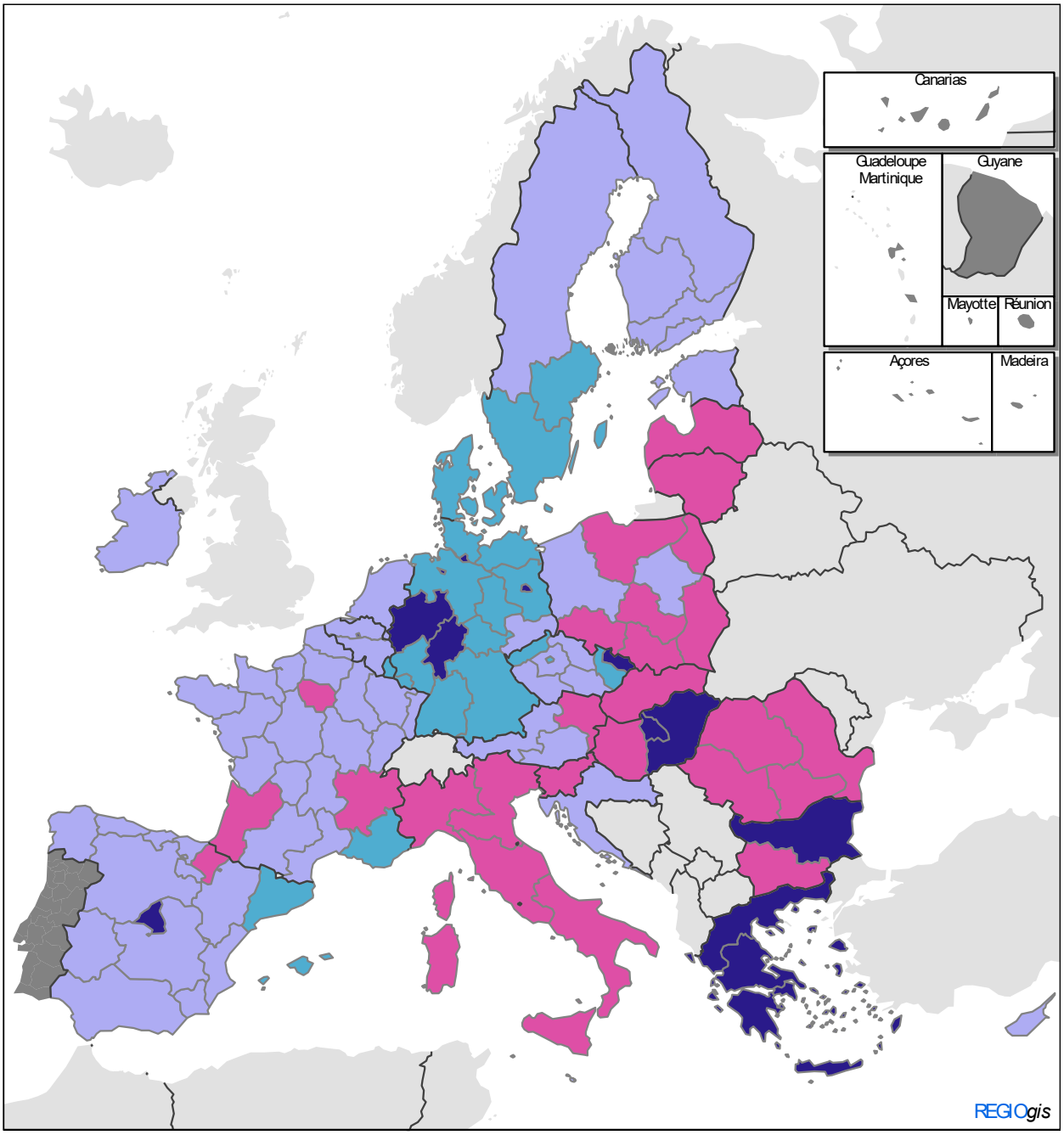
([104]) Source: Eurostat, (online data code: ilc_mdho06c)

([105]) In this paragraph and in the remaining part of this section, "housing deprivation" is calculated from EU-SILC microdata and is defined as overcrowding combined with at least one dwelling-quality problem: leaking roof or dwelling too dark. It deviates slightly from Eurostat's definition of "severe housing deprivation" due to data constraints at subnational level (Filauro and De Franceschi, 2027).

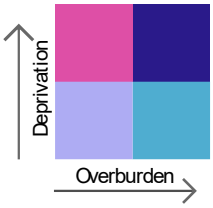
([106]) Below age 40, analysis restricted to two-adult households for sample reasons.

([107]) Source: Eurostat, (online data code: ilc_mdho06a)

regions in western Germany, Berlin and Madrid, high housing cost overburden is combined with high deprivation, suggesting that housing issues have a strong impact on both households' financial standing and dwellings' quality.




Map 2.4.2: Housing overburden rate and deprivation, 2023 - 2024




No Data

Note : "High" and "Low" are in relation to the EU average (8,5% for the housing cost overburden rate and 3,5% for the deprivation rate). Deprivation is defined as overcrowded and poor quality dwellings

Source : DG REGIO calculations on the basis of EU-SILC microdata

0 500 km

Administrative boundaries: © EuroGeographics, © OpenStreetMap contributors – Eurostat/GISCO

Scarcity of affordable housing of good quality can have repercussions on regional migration, as people from more disadvantaged groups (i.e. young people, migrants from outside the

EU) would have low chances to find housing in areas with employment opportunities, and in particular in cities. When housing costs outpace income, workers are forced to cut spending, increase commuting times, or relocate, all of which can have a negative impact on economic efficiency and productivity. This can represent a drag on social and labour mobility, and an obstacle to tap human capital and improve productivity (Hsieh and Moretti, 2019) (Causa and Pichelmann, 2020) (OECD, 2021).

### 2.4.4. Conclusions

Cities continue to attract people because they concentrate jobs, innovation and services, and they remain the most productive parts of the economy. This makes them attractive, especially for working-age and highly educated people. But the same factors that support urban success also increase competition for limited space, adding to congestion and pushing up housing demand.

Across the EU, house prices have risen much faster than incomes in recent years, with housing supply failing to expand quickly enough to keep pace with demand. As a result, affordability problems are generally most acute in cities, especially in capital metropolitan regions and other major economic and tourist centres. Overcrowding, severe housing deprivation and financial stress linked to housing costs are also more visible in urban areas. At the same time, the picture is not uniform. In several eastern and southern regions, housing cost pressure and quality are also serious concerns in rural and intermediate regions, often because incomes are low rather than because prices are especially high. Also, some rural areas in poorer Member States still face important quality gaps. The evidence therefore points to a dual challenge: in some places the main issue is access to affordable housing, while in others it is the quality of the housing stock. In many regions both problems overlap.

Cities are a fundamental engine of growth in the EU, but housing often represents a factor that can leave their full potential untapped. Guaranteeing that supply adequately responds to demand pressure is therefore crucial to harness the growth potential of cities and urban areas. Moreover, certain groups (i.e. young people, those with low-income, migrants from non-EU countries) are more affected by housing costs and quality issues, in particular in the rental market. Cutting them off from access to urban areas reduces labour mobility and is a missed opportunity to ensure all workers can contribute to cities' economic growth. Addressing these trends will require place-sensitive action that increases and improves supply especially where demand is strongest, and supports the groups and territories under the greatest pressure. This action should address identified bottlenecks and persistent challenges. The 2026 European Semester spring Communication (European Commission, 2026a) points to key areas such as the need to simplify and accelerate planning and permitting procedures and strengthen multi-level governance. The importance of securing affordable housing for promoting economic and social cohesion is evidenced by the high number of CSRs adopted in 2026 targeting housing challenges. The CSRs call for increasing the supply in high-demand territories, notably capital regions (for instance Denmark, Latvia) as well as for social and affordable housing (for instance Cyprus, Greece, Ireland). Moreover, they touch on concrete reforms that are necessary for unlocking further housing capacity or better matching local needs (Section 3.3 - Subnational reforms). Examples include Portugal ("Strengthen coordination and governance of housing policy, together with integrated urban, spatial and transport planning") and Ireland ("Continue to tackle capacity constraints in the residential construction sector by improving access to infrastructure, land management, planning, financing conditions, labour supply and

construction methods. Strengthen local authorities' capacities to deliver on housing projects") (Council of the European Union, 2026).