



Housing: The European Challenge

A Manifesto for Decent Affordable Housing in the EU
Background note

About Build Europe

Build Europe is the umbrella organisation of national federations of developers and house builders in the EU.

In Europe, Build Europe's Members are responsible for:

- More than 800,000 jobs
- 10% of EU GDP
- More than 60% of residential market development

Our Mission

Access to decent, affordable housing is essential for all Europeans. Housing's rising costs have increased social pressures and inequalities. In the last few years, Brexit, COVID, and the Ukrainian war further weakened access to affordable housing solutions for millions of families . Build Europe, backed by its members' vast experience, aims to address these challenges. We're dedicated to ensuring everyone has access to affordable housing.

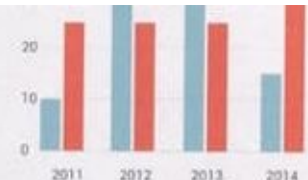
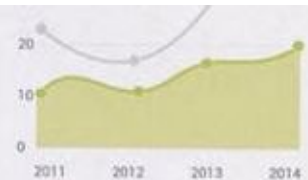
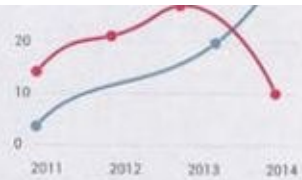
Housing Affordability: Why a Manifesto?

Housing quality and affordability are central to the aspirations of EU citizens.

As real estate prices evolve, a significant chunk of income is directed towards housing, leading to social stress. A decent living standard is a universal expectation, and affordable housing is key to fostering an inclusive society. Drawing from our extensive experience across Europe, in housing and office building development, our insights stem from both policy interactions and engagements with millions seeking housing solutions, especially in times of crisis, when housing becomes the most important space for families and individuals.

We provide not just opinions, but solutions cultivated from a profession responsible for over 60% of Europe's housing construction. This Manifesto offers insights into the current European housing challenges. It presents actionable proposals, underscored by best practices across Europe, answering a crucial question: How can we ensure housing meets both citizens' needs and their budgetary constraints?

Andreas Ibel, President of Build Europe



Sparkline Charts

Line Chart



Bar Chart



Pie Chart



Easy Pie Chart



Part 1 - State of play

Is There a Housing Crisis in the EU?



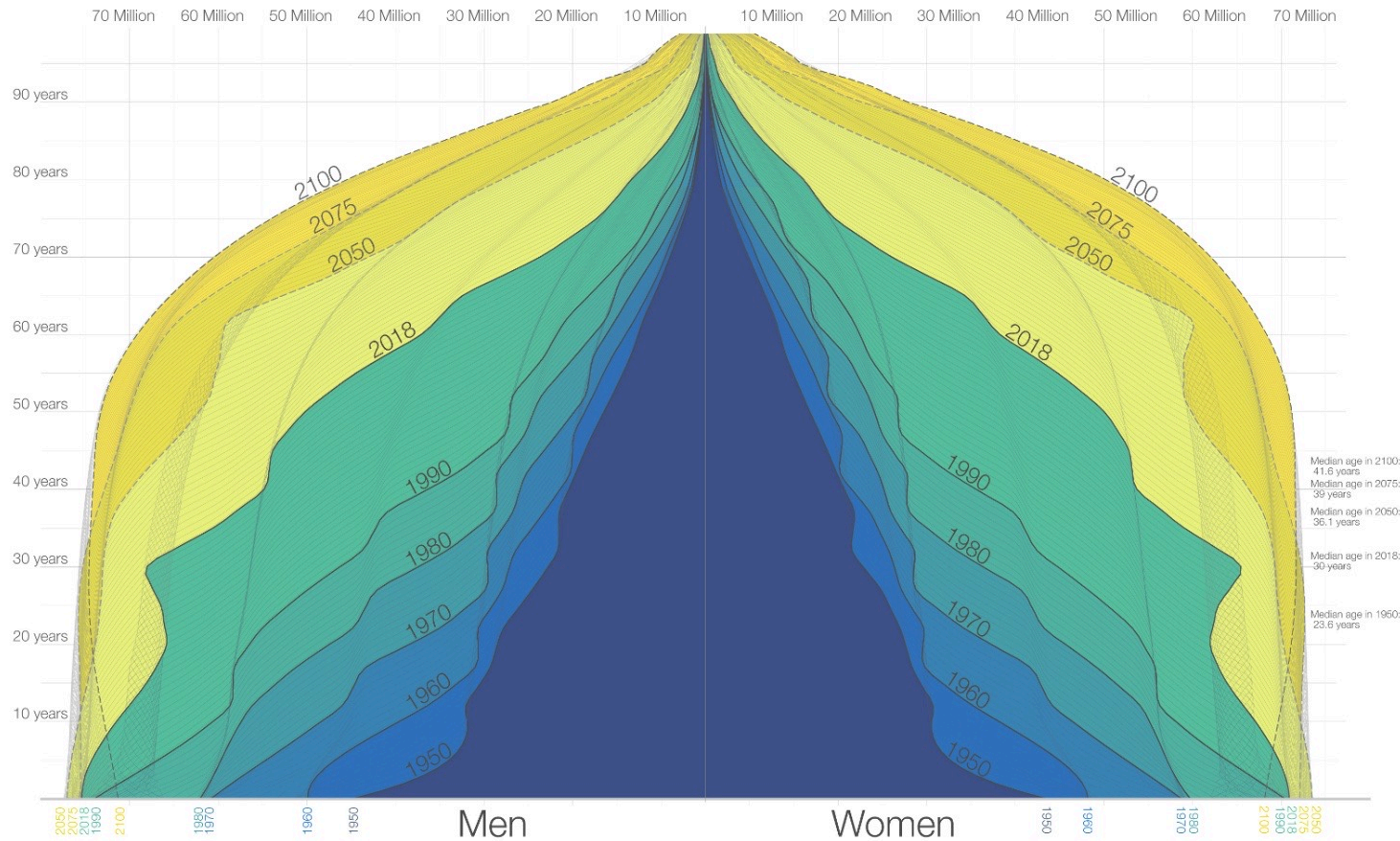
"Europe is imploding as it struggles to find solutions to its massive housing crisis. In Germany, the projected housing shortage is expected to reach 700,000 by 2025. It is the **worst housing crisis** the country has seen **in 20 years**. In the Netherlands, about 845,000 homes need to be built by 2030 to meet the country's demand... **All across the European Union, an increasing number of people are struggling to find a roof over their heads"**

*"How Europe's housing crisis impacts migrants",
Info Migrants, May 2023*

The Need for Housing: Why?

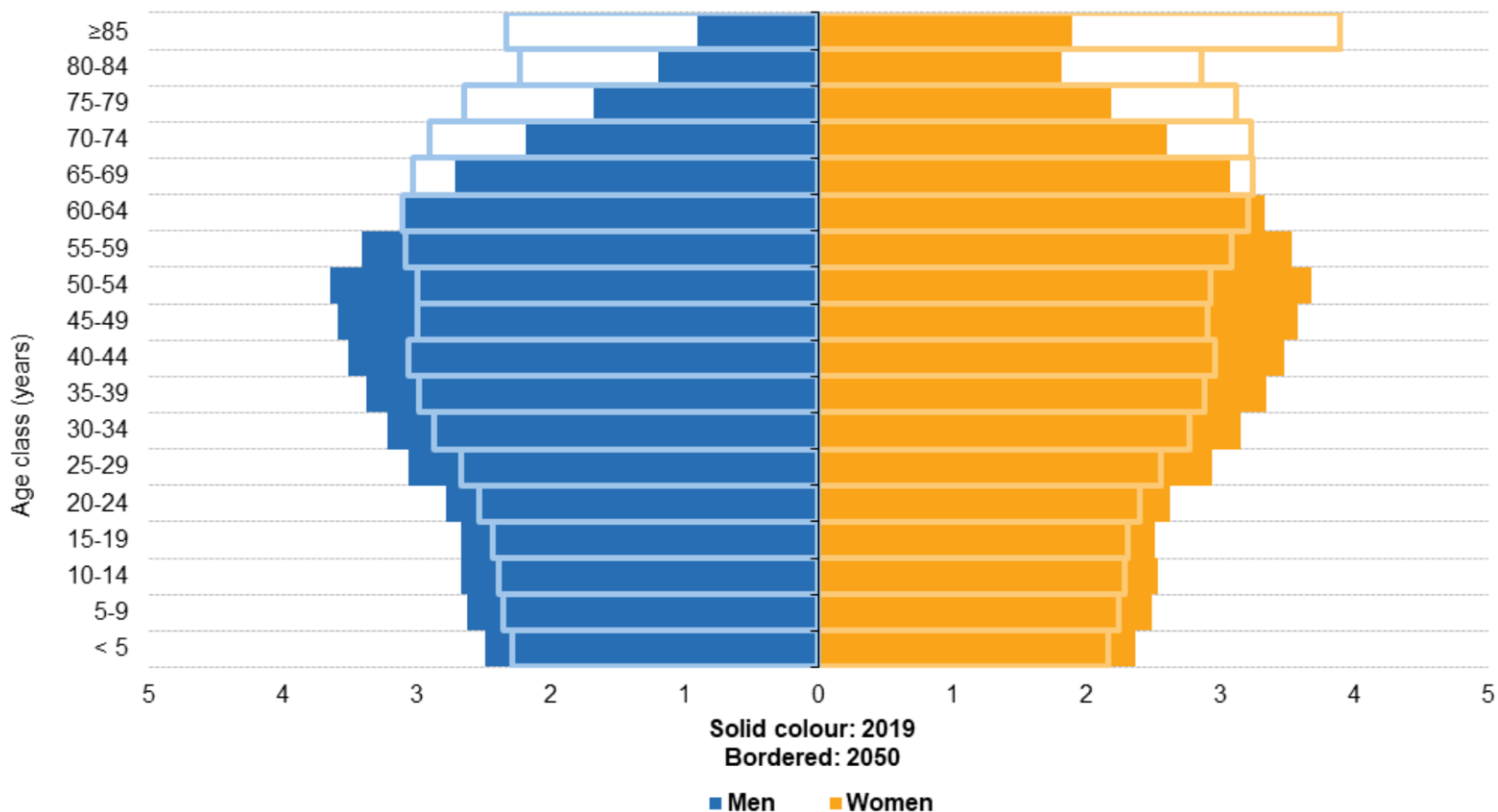
- Increase of the European population
- The continuous increase of our ageing population
- Rising migration flows, including relocations due to war, poverty, and climate change
- The concentration of people in large cities and dense urban areas

The Demography of World Population (1950 - 2100)



Population pyramids, EU-27, 2019 and 2050

(% share of total population)



The **EU population** is projected **to increase** from 446.7 million in 2022 and peak **at 453.3 million in 2026**.

The **median age in the EU-27** is projected **to increase by 4.5 years between 2019 and 2050**, to reach 48.2 years. Number of **people aged 80 years** and over projected **to rise to 64.0 million** in EU by 2100

Housing shortage intensifies
with **rising European**
immigration, up 18% in 2021.
Furthermore, **around six million**
Ukrainian refugees were
registered across Europe **as of July**
2023



Is Housing
Affordable and
Financially
Accessible?

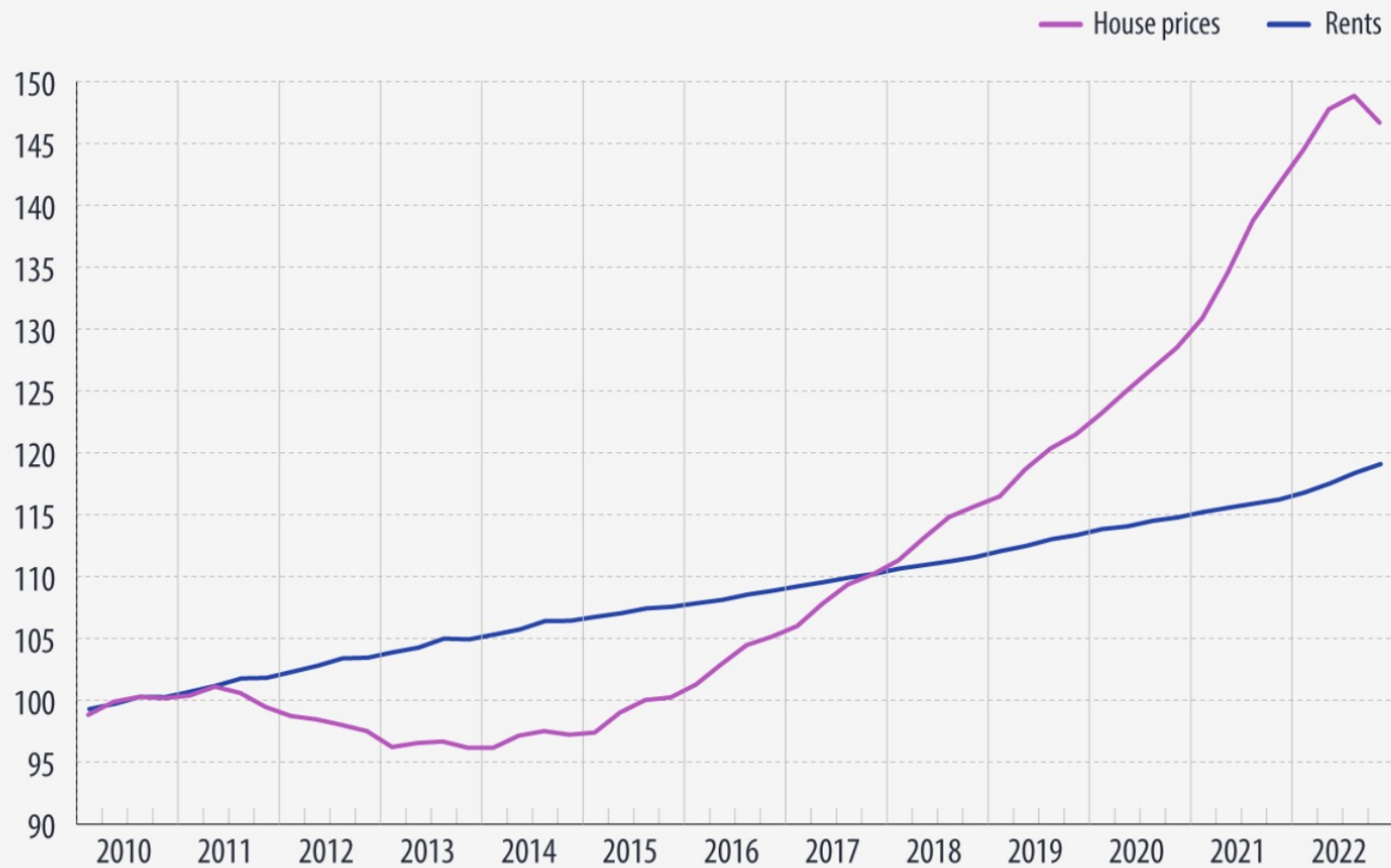
No, it's not.

Generally, in the last decade, the **price of housing has risen more than wages**

1. Evolution of Housing Prices in the EU

House prices and rents, EU

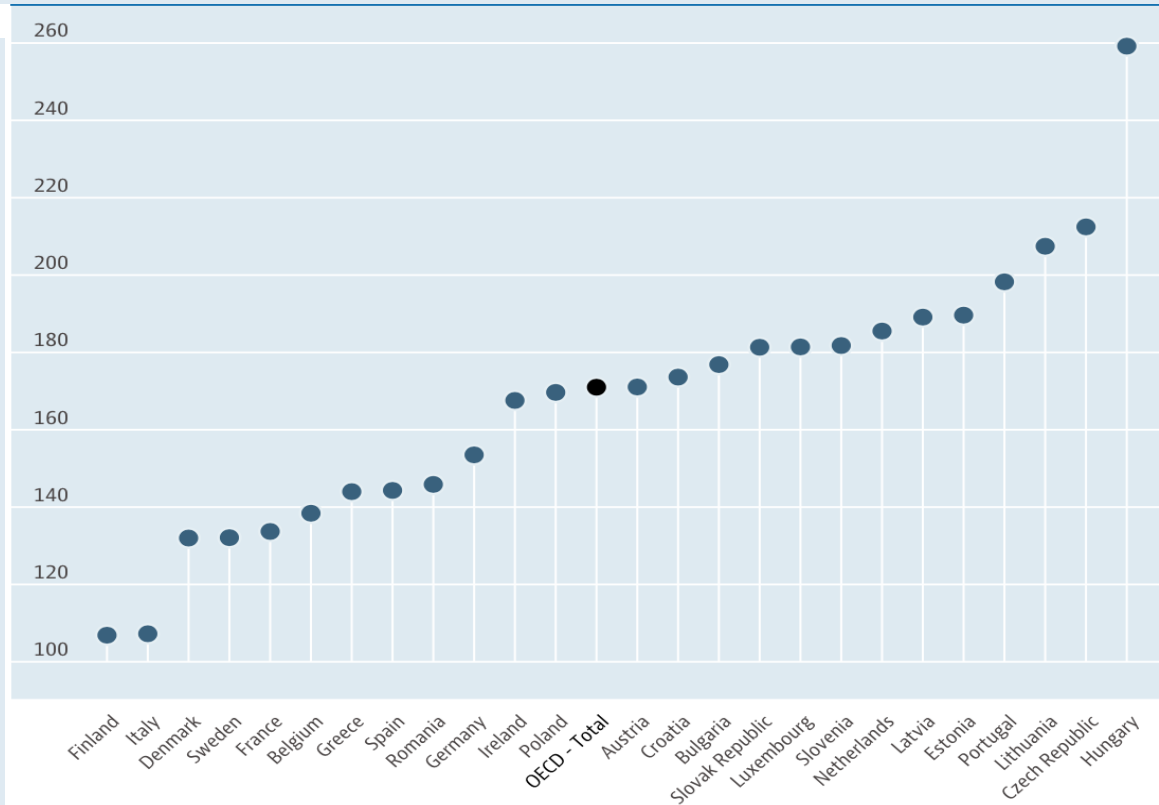
Index levels (2010 = 100), Q1 2010 - Q4 2022



Housing Prices in the EU (2023)

Nominal house prices 2015=100, Q1 2023*

● Nominal house prices



*The nominal house price index covers the sales of newly-built and existing dwellings, following the recommendations from the RPPI (Residential Property Prices Indices) manual

*Data sourced from [OECD](https://www.oecd.org/)

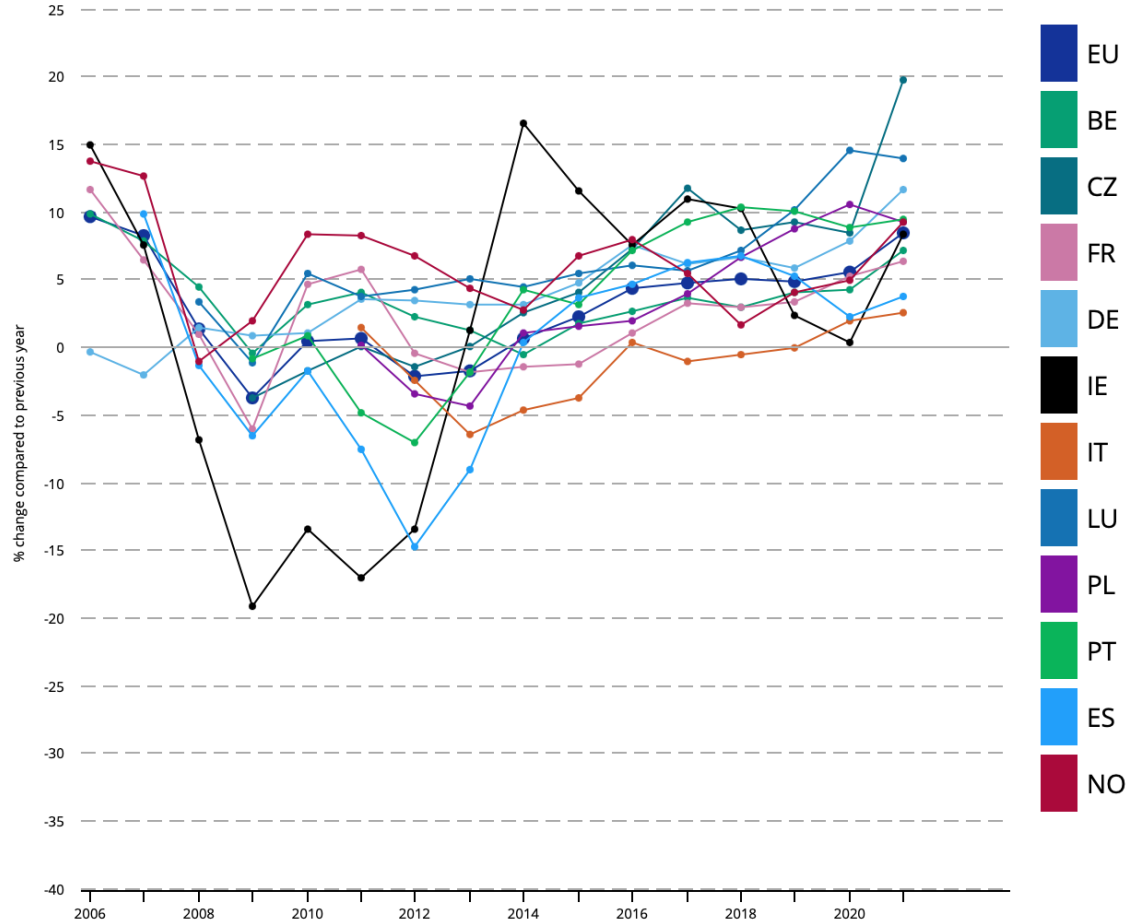
From 2010 until Q4 2022, house prices increased by 49% and rents by 18%.

In Q3 2022, in the EU, house prices went up by 7.4% and rents by 2.1% compared with the Q3 2021

When comparing the fourth quarter of 2022 with 2010, **house prices increased in 24 EU countries** (and decreased in 3)

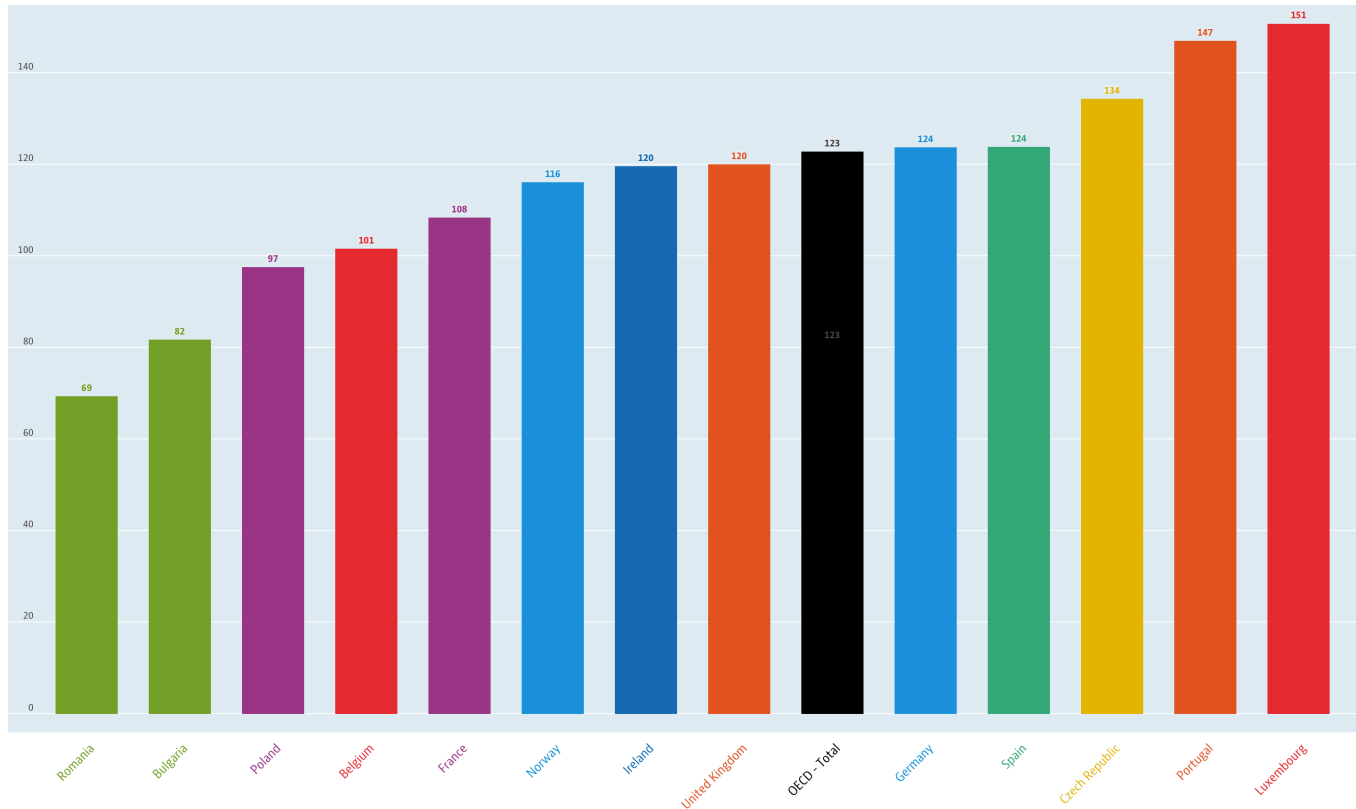
They more than doubled in certain countries, such as Estonia (+199%), Hungary (+174%), Lithuania (+142%), Luxembourg (+136%), Latvia (+133%), Austria (+126%) and Czechia (+125%)

House prices in the EU (2006-2021)



2. Evolution of Income

Price-to-Income Ratio in Build Europe's countries* (Q2 2021-Q4 2022)

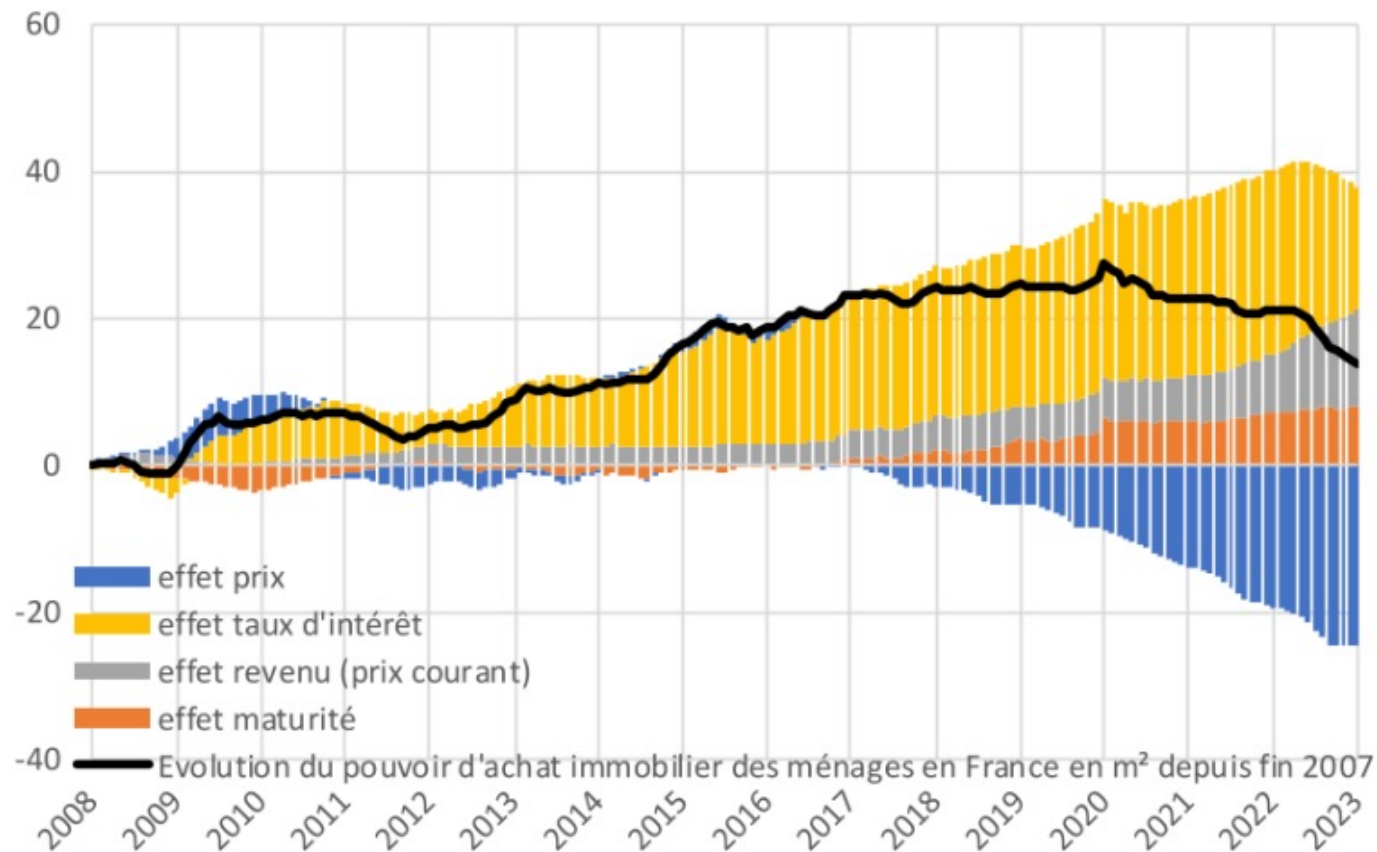


Price-to-income ratio is the ratio between the price of a median home to that of the median annual household income in a particular area or country . This ratio is used to measure the affordability of housing in a certain country

*Price to income ratio, 2015=100

**Data from OECD

Cumulative evolution of property purchasing power since January 2008 in France (in %)



Source : calculs Banque de France. Dernier point : mars 2023.

3. Urbanisation

Home Purchase Affordability in Main European Cities (2021)

Lowest

1. Limerick (4.3)
2. Cork (5.6)
3. The Hague (5.7)
4. Nicosia (5.8)
5. Antwerp (5.9)
6. Aalborg (6.1)
- Rotterdam (6.1)
8. Groningen (6.3)
- Marseille (6.3)
10. Ankara (6.5)
- Eindhoven (6.5)
- Padua (6.5)

Highest

1. Moscow (21.6)
2. Cascais (21.4)
3. Paris (20.5)
4. Belgrade (19.6)
5. Split (19.3)
6. Zadar (19.2)
7. Lisbon (18.7)
8. Gdansk (18.6)
9. Prague (18.0)
10. St Petersburg (17.8)

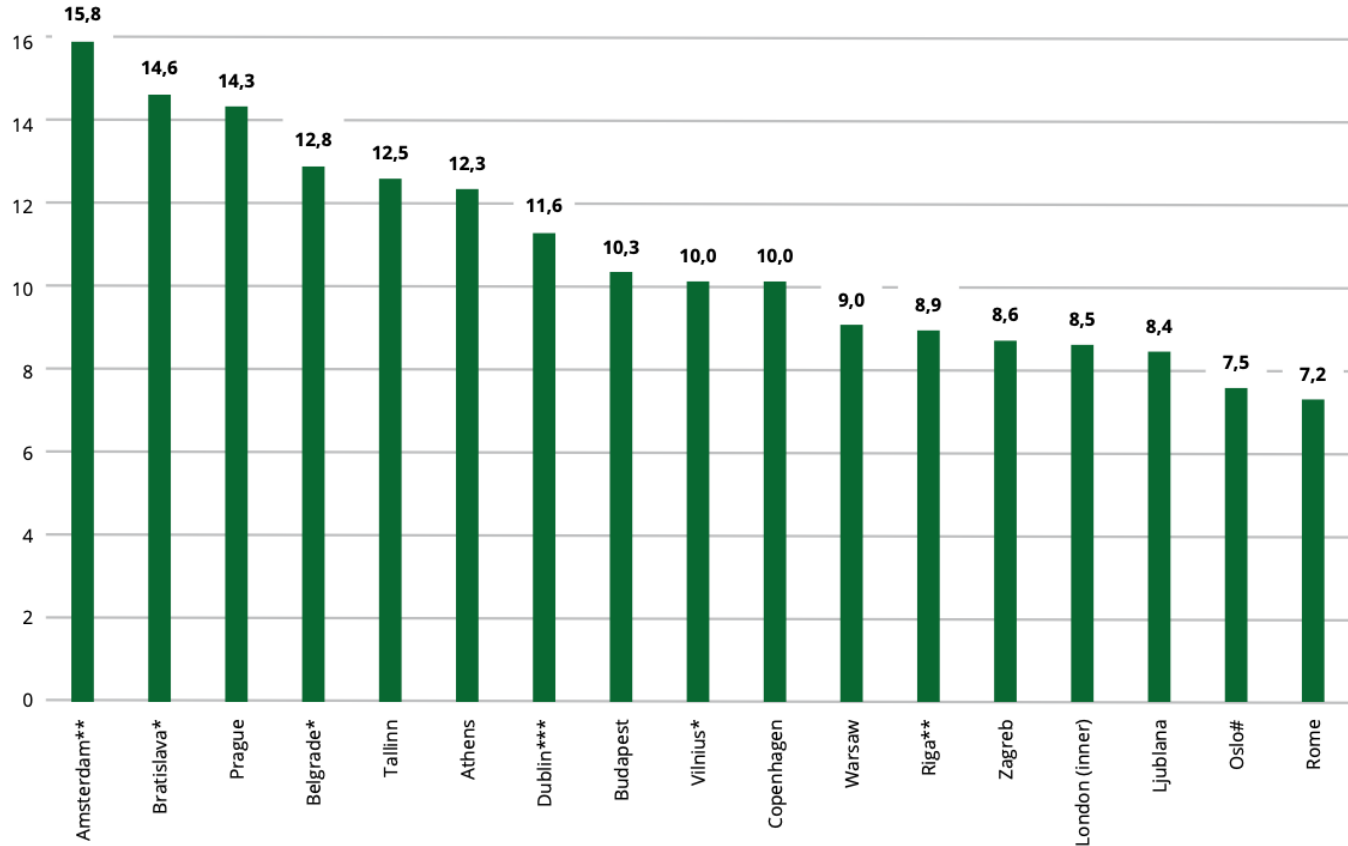
Price of median apartment (in years of median local family income)



*Data from Numbeo and Landgeist

Affordability of Own Housing by City

Gross annual salaries for a standardised new dwelling



* - bid price

** - older dwelling

*** - 120 sqm

- detached houses

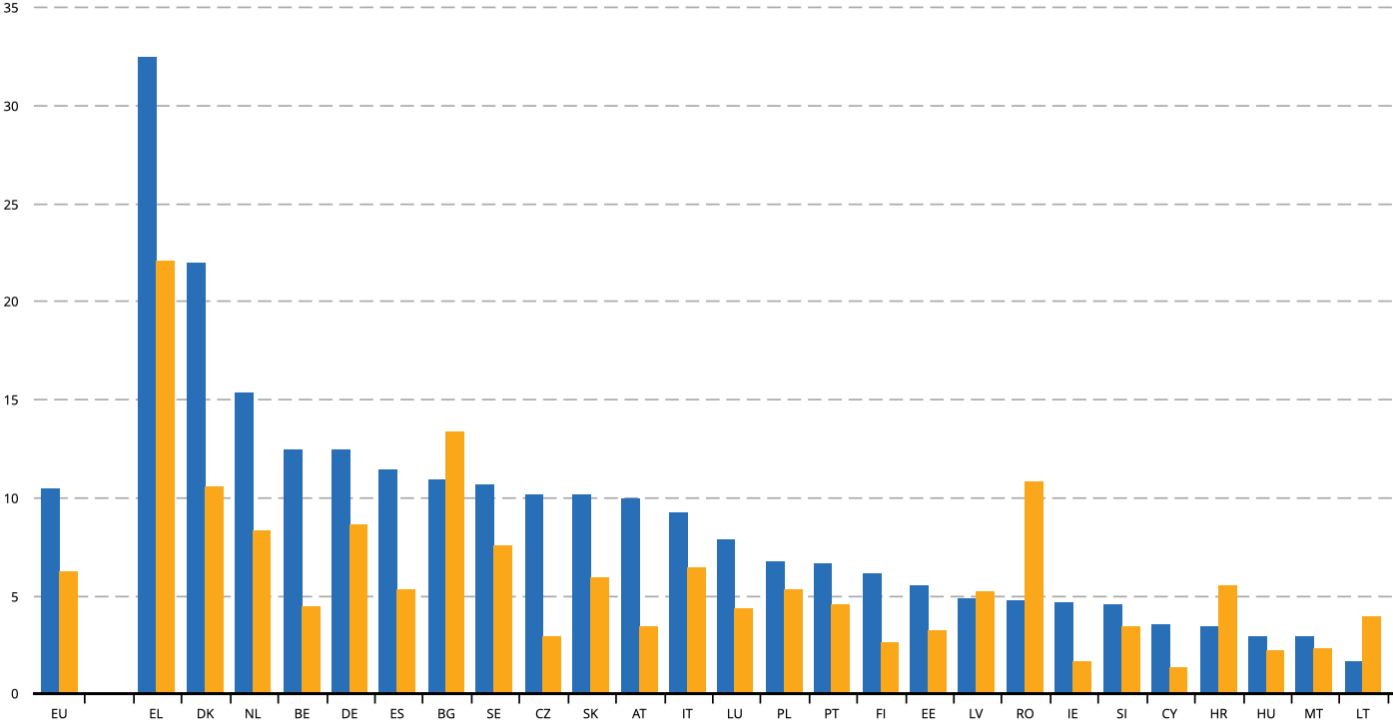
Average Cost of an Apartment in G7 EU Countries (by most expensive and second most expensive cities per country)

Country	City	Cost in euros per square meter
France	Paris	Q1 2021: 10,300 €
		Q1 2022: 10,310 €
	Lyon	Q1 2021: 5,000 €
		Q1 2022: 5,360 €
Germany	Munich	Q1 2021: 9,300 €
		Q1 2022: 10,400 €
	Frankfurt	Q1 2021: 6,900 €
		Q1 2022: 7,700 €
Italy	Milan	Q1 2021: 4,511 €
		Q1 2022: 4,650 €
	Rome	Q1 2021: 2,920 €
		Q1 2022: 2,990 €
United Kingdom	London	Q1 2021: 15,430 €
		Q1 2022: 13,750 €
	Manchester	Q1 2021: 3,930 €
		Q1 2022: 4,810 €

4. Housing cost overburden

Housing cost overburden: cities and rural areas (2021)

(in %)



Cities Rural areas

*Data sourced from Eurostat

Part 2 -
Why Is This
Happening



Housing Affordability Crisis: Challenges in the EU

1. Increase in **construction costs**
2. The **lack of buildable land** at affordable prices
3. Rising **interest rates**
4. Weight of **taxation**
5. **Reduced housing supply** despite a growing population
6. **Insufficient** increase in **household income**



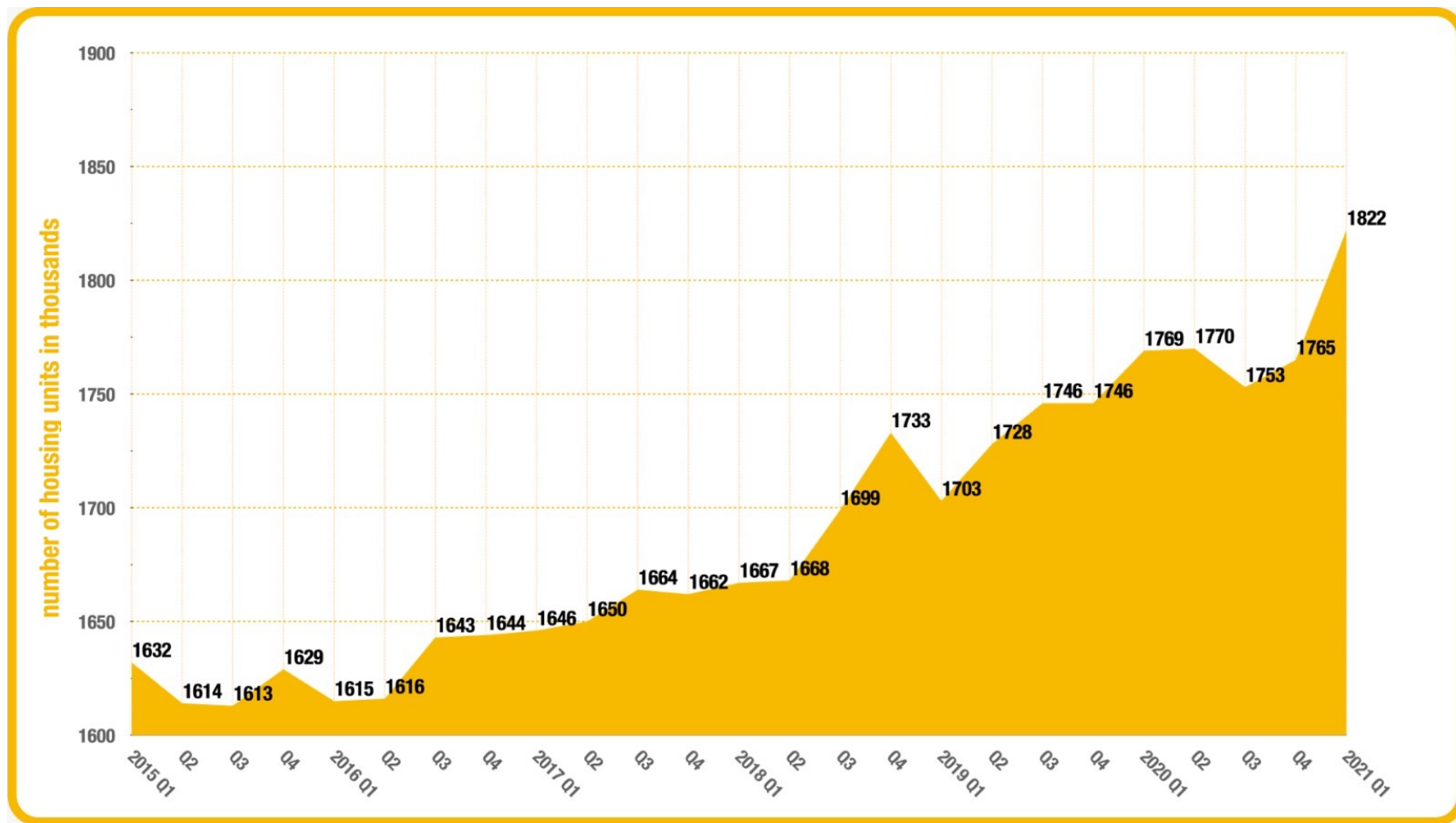
1. Increased Construction Costs

The cost of construction has increased due to:

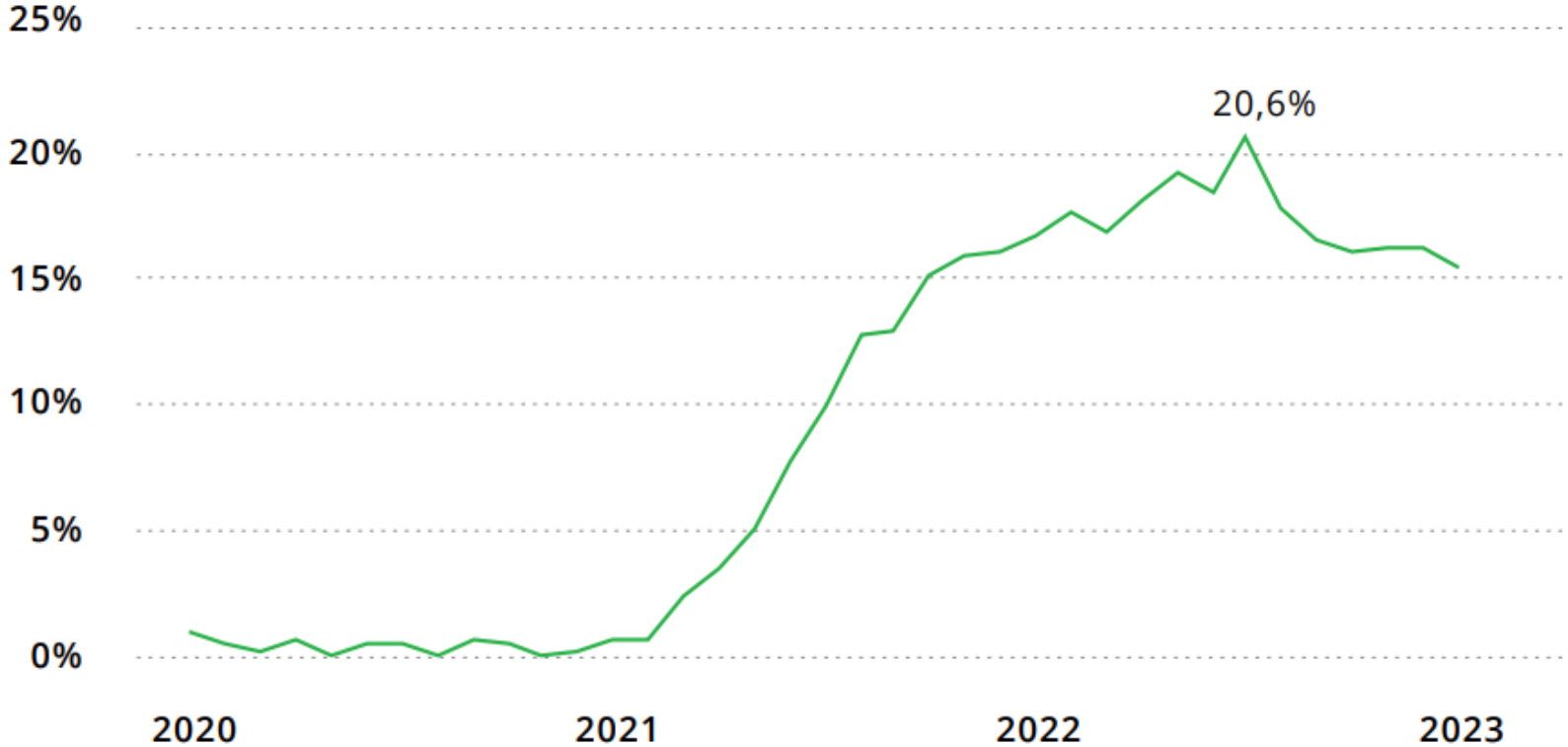
- **Overregulation** (particular environmental regulation)
- The **increase in the price of materials and, correlatively, of labour**, in an attempt to correct the effects of inflation



Housing Construction Cost Index in France from Q1 2015 to Q1 2021

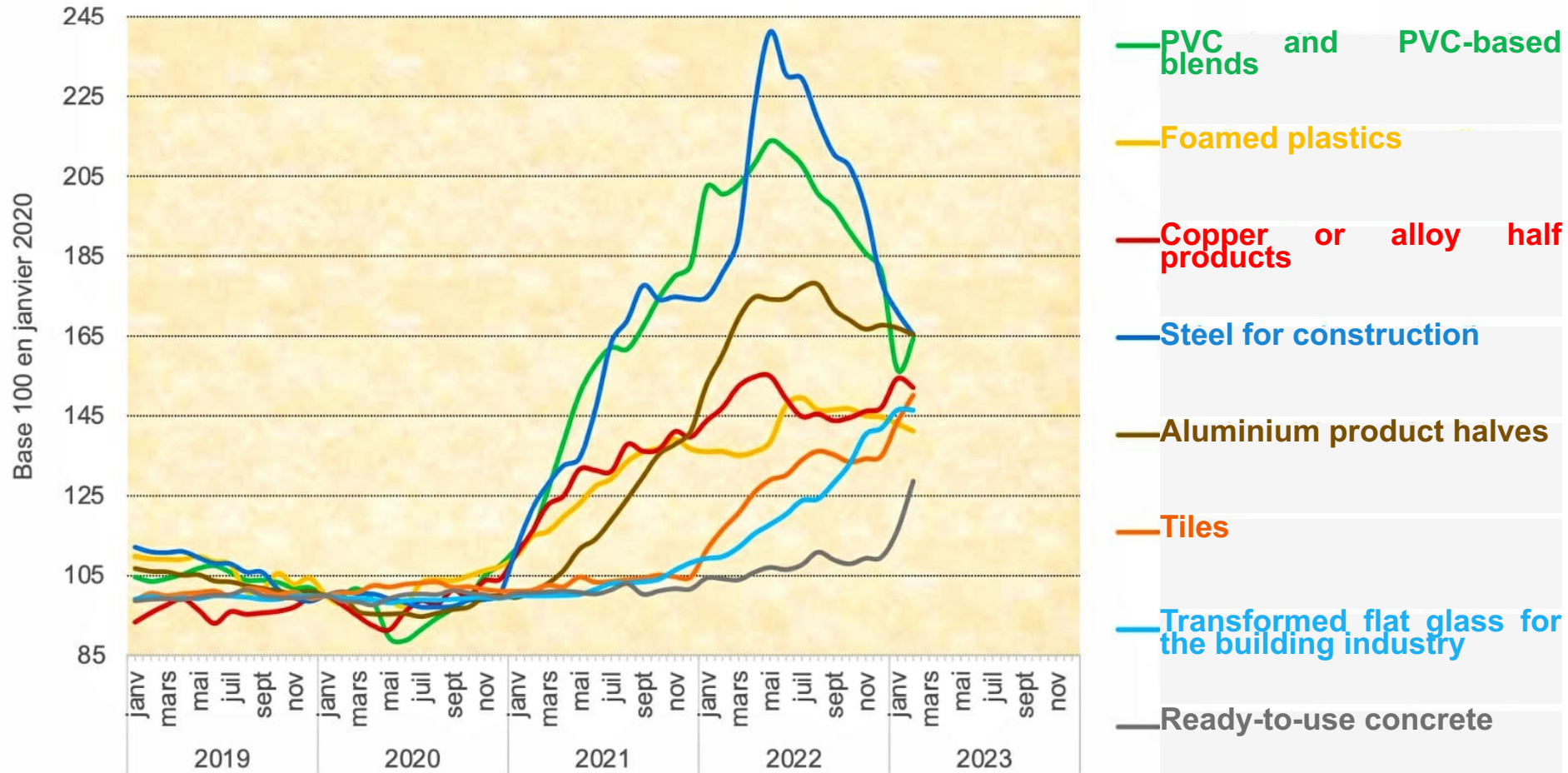


Construction Materials Cost Index in Ireland from 2020 to 2023



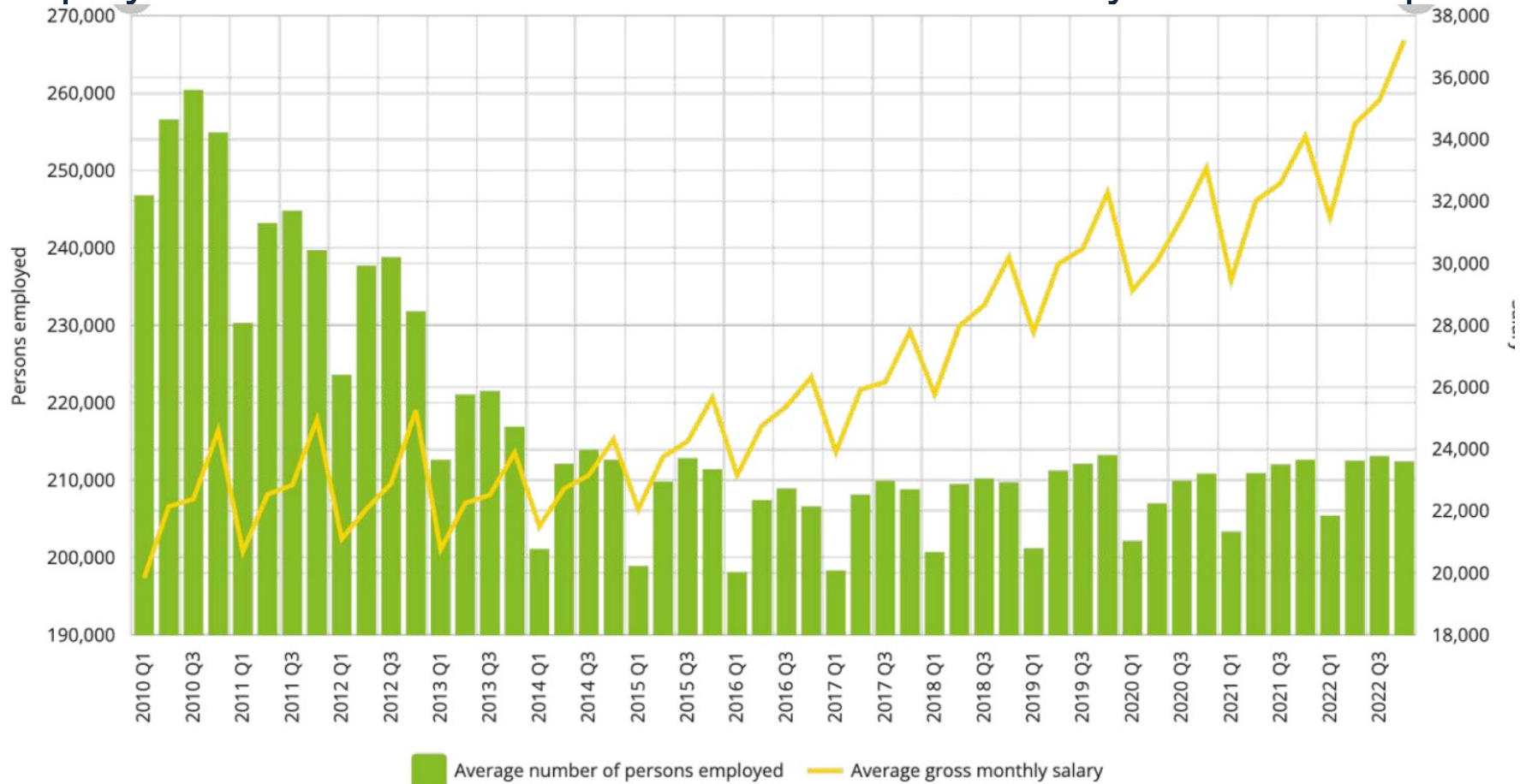
*Source: CSO Data as reported within the Deloitte (2023) "Crane Survey".

Price of Construction Materials in France (2019-2023)



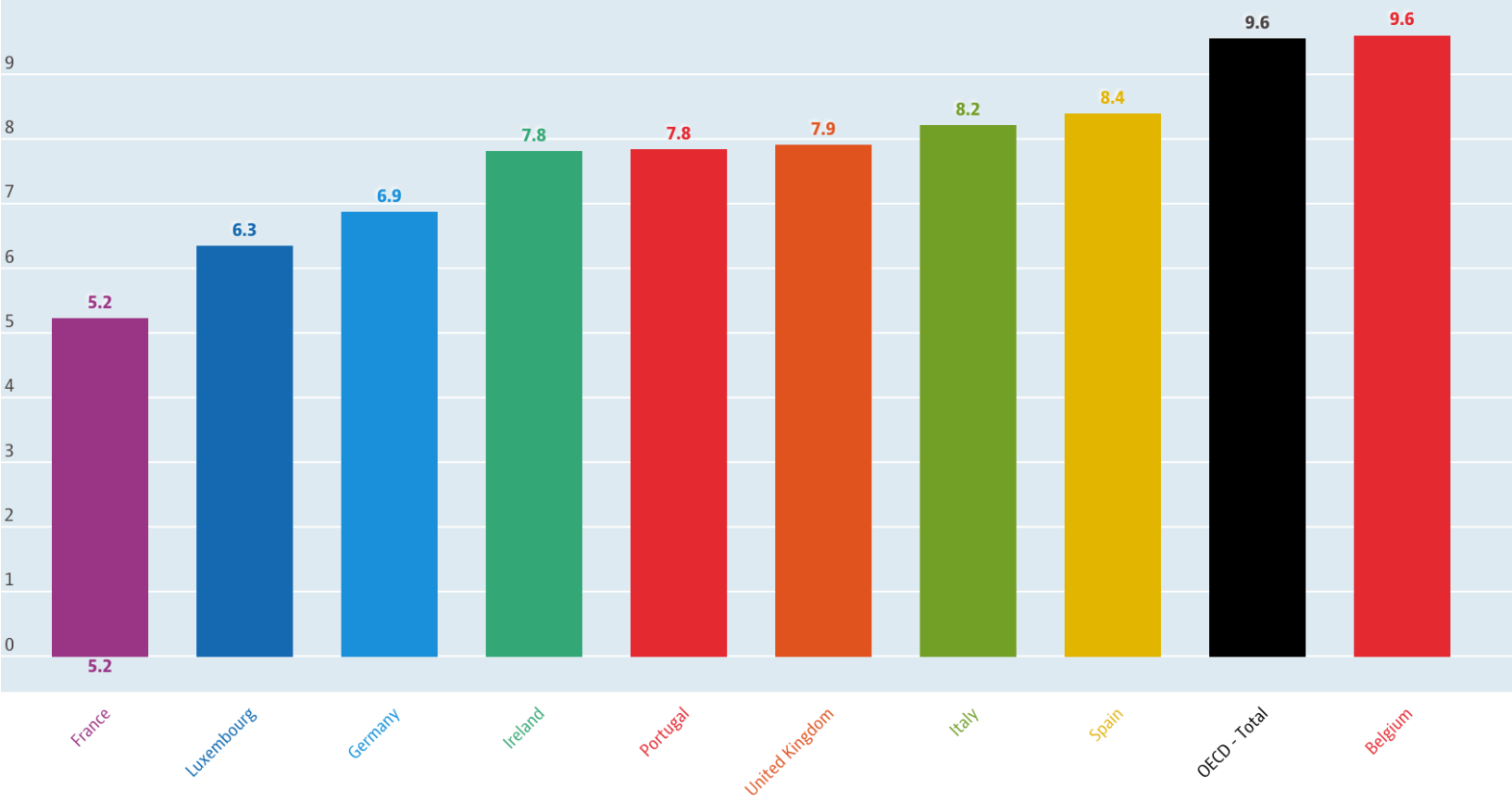
*Source: Insee

Employment and Salaries in the Construction Industry in Czech Republic



*Source: Deloitte, Czech Statistic Office, Czech National Bank, Czech Government, Czech Ministry of Regional Development

Annual Inflation in selected Build Europe's countries (2022)



*Source: OECD

2. Increased land prices

- The **availability of land** suitable for housing development **is limited**.
- Many countries have already adopted measures to **counteract soil artificialisation** and **favour reuse of urban** and industrial **wastelands**
- The policy of **rebuilding the city on itself** increase the price of urban land



Affordable **land prices** are essential,
as they **account for between 20%**
and 50% of property prices.

Reducing buildable land increases
housing prices

In 2015, “*almost 75% of land in the EU was used for agriculture and forestry, while **only 2,9% was used for residential housing***”

Sustainable Urbanisation and land-use Practices In European Regions, European Spatial Planning Observation Network

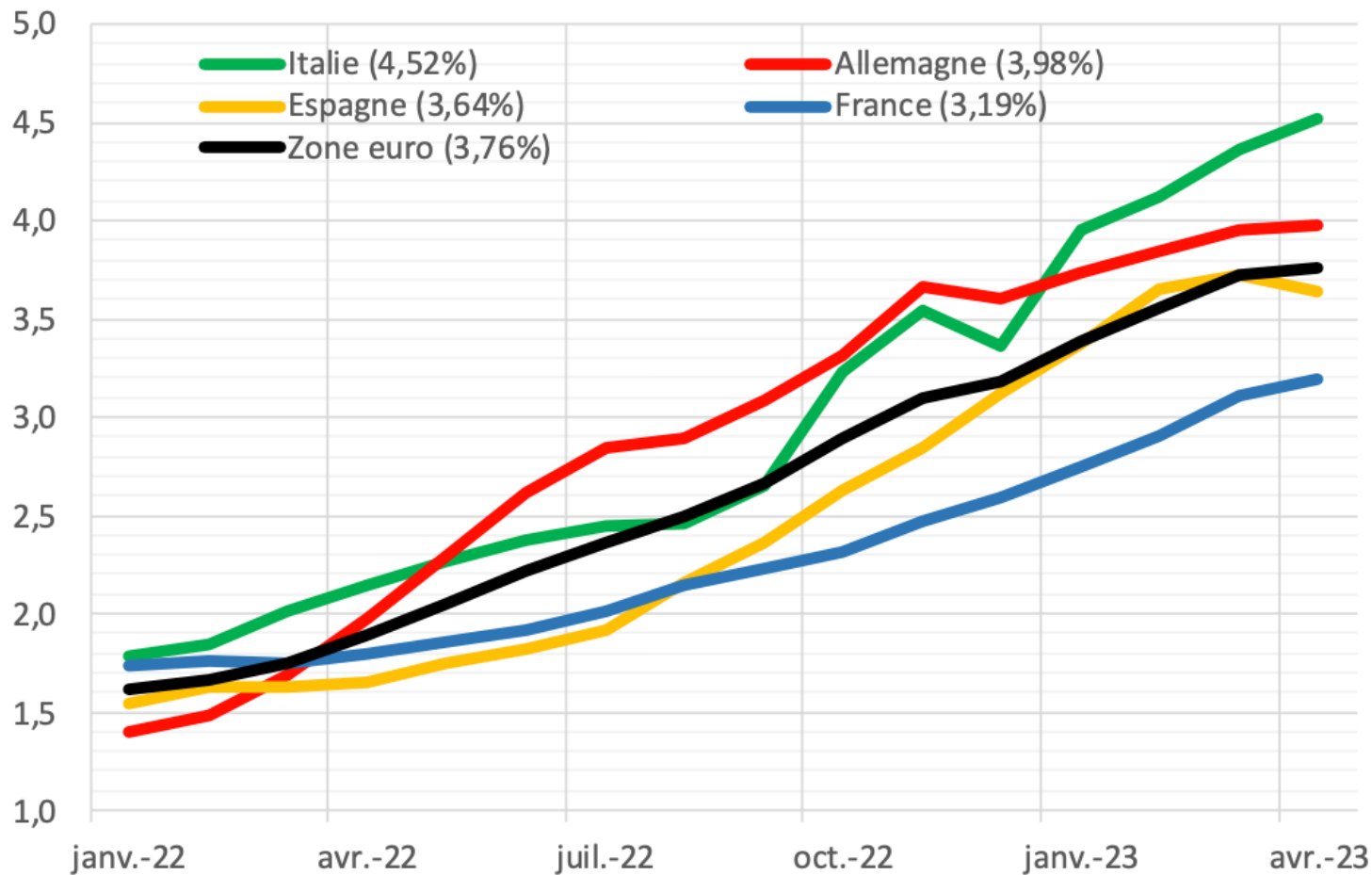
3. Increased Interest Rates

The impact of high interest rates on:

- **Buyers:** 1% rise in interest rates corresponds to an 8% loss in housing purchasing power
- **Developers:** Rising interest rates increase housing production costs

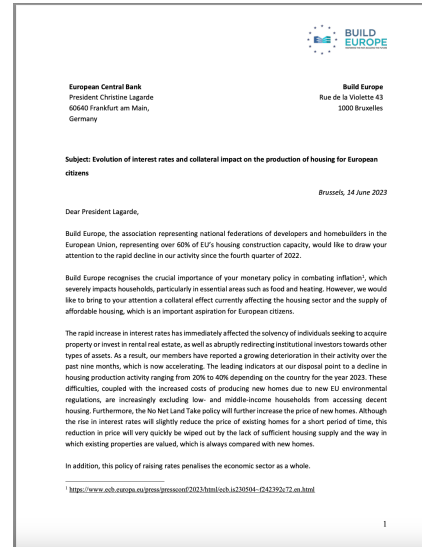


Interest rates on new housing loans (annual, in %)



High Interest Rates Make Housing Less Affordable

- In the EU, the rapid increase in **interest rates** has immediately affected the **solvency of individuals seeking to acquire housing** or invest in rental real estate
- On 14 June 2023, **Build Europe contacted the European Central Bank** to share its analysis and concerns over the decline in the housing production due to high interest rates



Build Europe alerted President of ECB Christine Lagarde about the danger for housing affordability if interest rates were increased

“The leading indicators at our disposal point to a decline in housing production activity ranging from 20% to 40% depending on the country for the year 2023. These difficulties, coupled with the increased costs of producing new homes due to new EU environmental regulations, are increasingly excluding low- and middle-income households from accessing decent housing”

4. High Taxation – Impact on Housing Affordability in the G7

Country	Average House Price*	Gross National Income per capita*	Average income tax rate**	Net Income	Indicative estimation of the number years for housing purchase (calculated on net wages, without additional expenses)
Canada	229,667.90 \$	42,610 \$	33%	28,249 \$	8 years and 2 months
France	296,295.70 \$	38,530 \$	45%	21,192 \$	14 years
Germany	381,631.00 \$	45,620 \$	45%	25,091 \$	15 years and 3 month
Italy	404,800.60 \$	35,540 \$	43%	20,259 \$	20 years
Japan	368,830.40 \$	37,790 \$	51%*	18,517 \$	19 years and 11 months
UK	275,515.20 \$	38,160 \$	45%	20,988 \$	13 years and 1 month
US	146,200.00 \$	53,750 \$	37%	33,862 \$	4 years and 4 months

In countries with higher taxes, housing prices are also higher

*Data sourced from [Towergate Insurance](#)

**Data sourced from [Trading Economics](#) and [KPMG](#)

High taxation can slow down housing activity and **result in lower tax income.**

Conversely, **reduced taxes can** promote economic activity in the residential construction and housing sector and possibly **increase tax revenues.**

Reducing taxes on transactions, land transfer, and VAT for new homes would benefit individual households, the broader community, and the environment.

Lowering taxes directly supports housing affordability for all

5. Reduced housing supply despite a growing population

Even if additional housing does not always cause a drop in prices, **insufficient housing always results in an increase of housing prices**



Dwellings built in Germany by year of construction

	New dwellings built (in thousands)	
Germany	Between 1991 and 2010	From 2011 to 2018
	6,736	1,250

Between 1991 and 2010, Germany averaged over 350 thousand new dwellings annually. However, from 2011 to 2018, this number decreased to under 180 thousand !

Press release - 16 June 2023

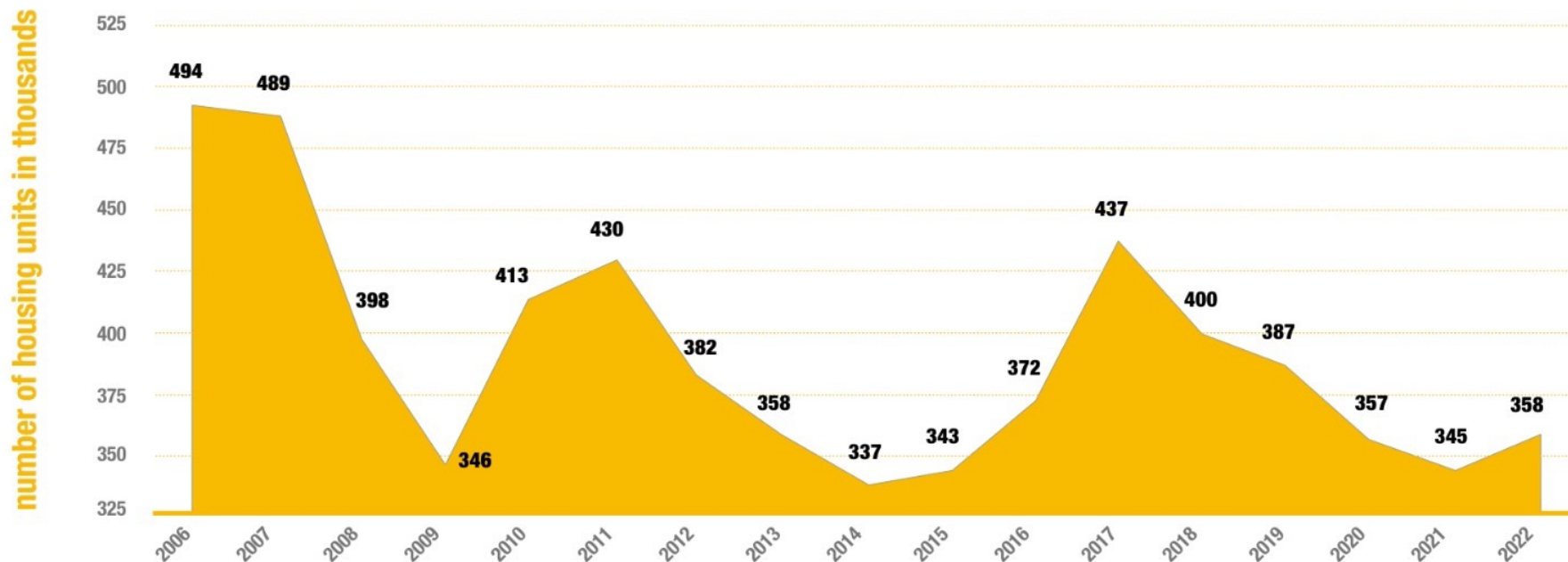
Significantly Fewer New Dwellings in Germany by 2025

*“The ifo Institute expects a **drastic decline in residential construction in Germany.***

*According to the Institute’s calculations, **around 245,000 dwellings will be completed in new residential buildings in 2023, with another 210,000 to follow next year but only around 175,000 in 2025.** Together with the other completions, **only about 200,000 housing units will be built in 2025.***

The German government’s target, however, is 400,000”

Housing Production in France from 2006 to 2022 (in thousands)



The Causes of the EU Housing Affordability Crisis in a Nutshell



Rising construction costs

Construction costs have been rising all across the EU



Interest rates and taxation

Rising mortgage rates make it difficult for low-income households to secure financing for housing, which is often taxed throughout its lifetime: production, sale, ownership, lease, and transfer



Reduced housing supply

The increase in population has not been accompanied by a directly proportional increase of housing supply



Increased land prices

People tend to move to big cities, where the availability of land suitable for housing development is limited, leading to a shortage of housing supply in urban areas



Insufficient income growth

Wages did not increase as fast as housing prices

The European housing crisis is a complex issue with many contributing factors. It is important to understand the general causes of this general phenomenon in order to develop effective country-specific solutions across the EU

A hand holding a white marker with a red tip is drawing a path on a sheet of graph paper. The path is a series of red lines forming a zig-zag pattern with several rectangular loops. The graph paper is surrounded by numerous crumpled pieces of white paper, suggesting a process of trial and error or iteration. The background is dark, making the white paper and the red path stand out.

Part 3 - Pathways to success

Creating Sustainable Affordable Housing Supply: Intervene on the Whole Housing Chain

1. Land

2. Financing

3. Public Policies

4. Operators

1. Land



The EU must develop a plan to **build enough housing** to meet the needs of the population. For this reason, it is necessary to:

- **Develop planning policies** at the level of each State, Region, or Metropolitan area **to meet housing needs**
- **Control the execution** of planning projects
- **Accelerate the implementation of projects** with a rapid processing of contentious appeals and a reduction in the time taken to process building permits, in particular **through digitalisation**
- Initiate a **policy of increasing building density** in line with the environmental policy of reducing land artificialisation, and reclaim underdeveloped land - e.g. commercial zones

Additionally, we need to consider that the **lack of housing penalises also employment and the economy**

ATTENTION: The No Net Land Take By 2050 objective will penalise the development of small and medium-sized towns and cities

2. Financing

- **Mobilise both public and private resources** to facilitate the growth of affordable housing supply
- **Encourage private investment** in affordable housing. Private landlords have an economic role that must be recognised and encouraged
- Develop **financial engineering** to reduce the cost of housing for households (e.g. separation of land and buildings, Help-To-Buy scheme, etc.) or find **other sources of housing finance** (tokenisation, etc.)
- **Help households** financially, in particular for **first-time buyers of ecologically efficient new housing**





3. Public Policies

- **Planning the territory:** we need to adopt a forward-thinking mindset and cultivate a comprehensive EU strategy encompassing employment, housing, education, transportation, and other vital aspects.
- **Investing in infrastructure** to enhance the appeal of medium-sized towns, where property expenses and costs are comparatively lower, is crucial in countering the exclusionary trend of *metropolisation*, which marginalises households with modest and average incomes
- **Taxation: lower taxes, reduce the financial burden on salaried labour, and encourage 'green' investment**
- **Financial policy: interest rate policy in line with current economic parameters**
- **Deregulate responsibly and avoid introduction of additional excessive rules**

“We are implementing what we have decided, but we must stop adding to it. The risk we run is, basically, of being the best performers in terms of regulation and the worst performers in terms of financing”

[Emmanuel Macron, President of France, 11 May 2023](#)



4. The operators

- It is essential to **federate the public and private actors around affordable housing**. Thus, both public and private operators should be able to **develop a supply of both affordable and social housing** - under the same conditions, constraints, and advantages - to put a roof on our citizens' head

A close-up photograph of several people's hands clasped together in a circle, symbolizing unity and support. The hands are wearing various colored knitted sleeves: red, orange, teal, blue, and brown. One hand has a ring on the ring finger. The background is blurred, focusing attention on the hands.

Part 4 - Our proposals

Our Policy Objectives for the EU

- Build Enough Housing

If housing prices solely depended on supply and demand, building densely would decrease costs. However, factors like location desirability, job availability, and nearby essential services impact prices. While increased housing doesn't always lower costs, scarcity raises them.

- Build Housing That Is Affordable

Housing shouldn't strain household budgets. Consequently, two approaches for Member States and public authorities emerge: enhance borrowing capacity for households and reduce property prices and rents. Current trends focus on building in high-demand areas. However, land in urban and metropolitan regions is limited and costly due to demographic pressures. A paradigm shift is essential.

- Build Quality Housing in Line with Citizens' Needs

Following lockdowns where homes became spaces for work, living, and studying, it's crucial for citizens to have homes tailored to their spatial needs. The top priority should be promoting thoughtful urban planning that fosters sustainable densification, respecting residents' evolving requirements. A harmonious blend of modern, ergonomic housing design and community restructuring is essential.

Our Policy Solutions for the EU (1)

- Assist Households, Particularly First-Time Buyers, in Affording Eco-Friendly Housing

To boost the proportion of houses that offer exceptional comfort, design, and environmental efficiency.

Green houses need to be affordable for most, not just a select few. Promoting broad access to these eco-friendly buildings and financially incentivising deep renovation operations is vital for societal and environmental health. Additionally, to tackle public sector constraints, EU authorities should urge countries to embrace private financing and operators.

- Mobilise Both Public and Private Resources to Facilitate the Growth of A Housing Supply That Is Affordable

To foster innovative housing solutions.

The EU must encourage private investment in affordable rental properties and promote financial tools that decrease housing costs, such as land and building separation, Help-To-Buy schemes, and housing finance alternatives, like tokenisation.

- Make Medium-Sized Cities More Attractive

To move demand to areas surrounding large cities and create a new urban development model.

We must develop our territory and invest in equipment, infrastructure, education, and technology in the medium-sized cities, where land and property values are more affordable, in order to strengthen their attractiveness and their vitality in the long run.

- Build New Smart and Green Cities

To create the towns of the future environmentally-friendly and reduced environmental footprint.

Building sustainable cities, close to existing infrastructures, notably with an environmental vision, would allow to build in an affordable way, according to the new aspirations and expectations of the citizens but also of the community.

Our Policy Solutions for the EU (2)

- Urging Member States to Speed Up Projects and Reduce Red Tape

To reduce waiting times and administrative costs for citizens looking for new homes.

Speeding up building permits for residential and urban projects alleviates housing shortages, offering citizens more sustainable and energy-efficient homes at lower costs. Since 32% of administrative burdens stem from national governments over-implementing EU rules. Member States should reduce extraneous regulations.

- Designate an EU Commissioner in Charge of Town and Country Planning and Construction

To initiate a long-term reflection and programming on European country planning.

It could guide investment policies and regulatory objectives.

- Create a European Observatory Body and Introduce Affordability Checks

To formulate policies based on the current housing state of the housing play.

Using Member States' statistics and data, the Observatory could draw up country-specific recommendations and work with Member States to lay down the necessary measures to establish a system of housing affordability checks on the basis of essential parameters and indicators such as household income, composition, and living including access to decent housing.

To ensure the preservation of our planet, **developers and homebuilders** strive to **create housing that combines exceptional comfort**, design, and **environmental performance**.

Our environmental commitment

While acknowledging our industry's greenhouse gas emissions, we have already taken steps to:

- give preference to **short distribution channels**
- develop the **use of new materials**, such as wood and natural insulation
- undertake **deep renovation** operations and **demolition/reconstruction activities**
- incorporating **nature into residential and development projects**, as well as into the urban landscape, and develop new projects on **urban wastelands**
- **reuse materials** when economically viable

Our social commitment

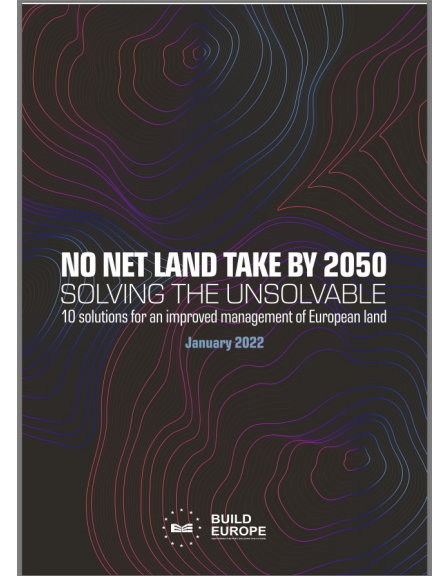
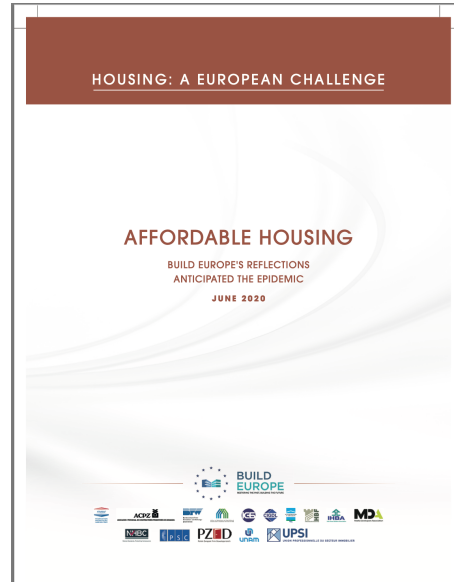
We are aware of the **social role** we play in **providing a service essential to our communities.**

We are therefore **fully committed to developing a housing supply that is affordable**, as we believe that it is entirely possible to **reconcile housing affordability with the environmental policy.**

All we need is for EU policy-makers to **give us the means to do so**, by considering the 4 pathways and policy solutions we have developed

We hope that the upcoming **2024 European elections** will prioritise **solutions** that support developers and homebuilders in **providing EU citizens with a supply of decent housing that is affordable**

Build Europe' Publications



Build Europe's publications were designed to inform and advise policymakers on how to implement legislation without endangering housing affordability

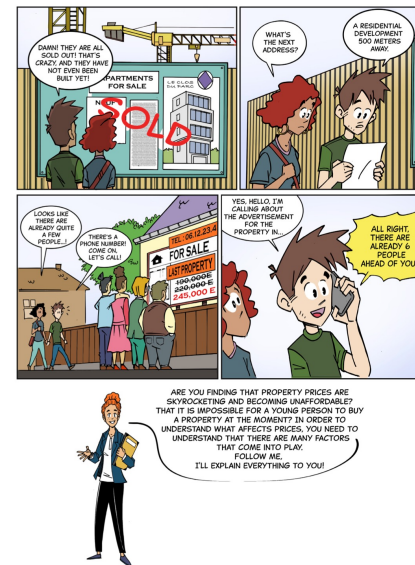
New houses are the greenest option on the residential market. It is therefore crucial to provide citizens with homes with the lowest environmental impact. Access to new housing and buildable land must be incentivised and properly financed to radically decrease housing stock's emissions while guaranteeing sufficient housing supply for all!

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www.buildeurope.net



March 2022



2

Build Europe invites you to read its comic book, designed to simplify the complex macroeconomic factors contributing to the housing crisis, making it accessible to policymakers and the general public

