

# Housing market and policy

Strategic Foresight – driver 5

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# Definition

The housing market refers to crucial dimensions such as affordability, availability, and quality of accommodation. Affordability scrutinises the economic feasibility of housing options for residents, while availability gauges the adequacy of housing stock to meet demand, and quality assesses the overall standard of residential structures.

Housing policies encompass regulatory frameworks and initiatives aimed at addressing housing challenges. This includes measures related to social housing, designed to ensure that citizens have access to decent and affordable homes.

The interplay between these elements is fundamental, as effective housing policies can influence market dynamics and vice versa, ultimately shaping the overall housing landscape in the EU.

The state of the housing market and housing policies in the European Union can exert significant influence on the EU labour market. A well-functioning and affordable housing market contributes to labour market flexibility by enabling workers to relocate more easily in response to job opportunities. Adequate housing availability ensures that individuals are not constrained by geographical limitations when seeking employment, fostering a more dynamic and efficient labour market. Additionally, housing affordability directly impacts the disposable income of workers, affecting their purchasing power and overall economic well-being. Housing policies, such as social housing programmes, can enhance workforce stability by providing a safety net for individuals facing housing challenges. Moreover, housing policies that promote sustainable and inclusive urban development can contribute to the creation of vibrant, job-rich communities.

# Developments to date

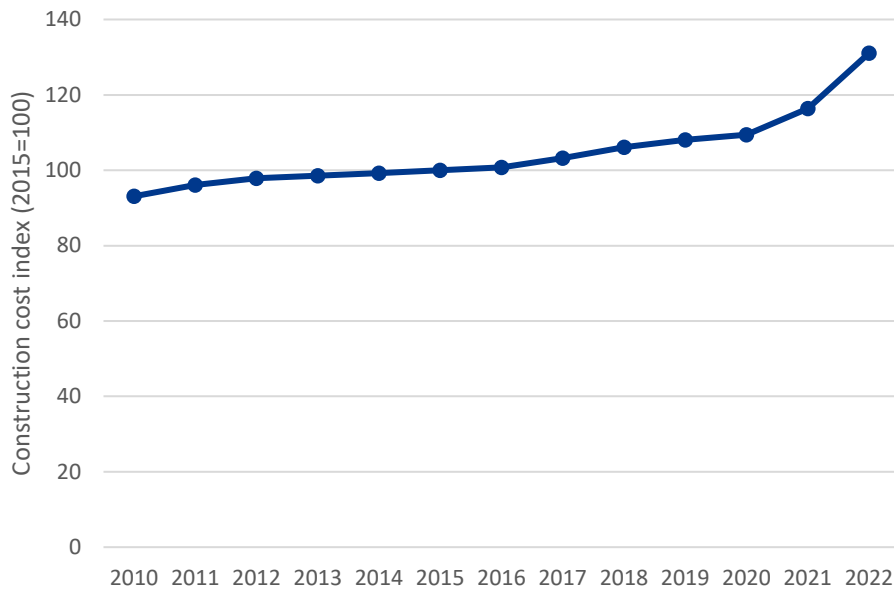
The European Social Charter is the only legally binding European instrument that contains a provision specifically and exclusively addressing the right to housing. Article 31 urges Member States to take the necessary legal, financial and operational means to ensure the realisation of this right. Unavailability of adequate and affordable housing can negatively impact a person's quality of life, by putting financial pressure on owners and tenants, but also impacting on their mental and physical health (Eurofound, 2016; WHO, 2018).

Over the past decade, the quality of the housing market in Europe has experienced a gradual decline, affecting both homeowners and renters: on one hand, housing availability has shrunk, while prices (both for buying and renting) have increased. The widening gap between income and housing costs, as well as general living costs, has been an ongoing concern for years, and recent disruptive events such as the COVID-19 pandemic and the Russian aggressions in Ukraine have only exacerbated these challenges (Housing Europe, 2023). The pandemic, in particular, has underscored the imperative to reconsider spatial planning and housing design to align with evolving citizen expectations regarding functionality and quality of life (Nice declaration, 2022). During the pandemic, the significance of housing amenities and surroundings gained prominence, especially as telework became increasingly prevalent, transforming homes into dual-purpose spaces. Teleworkers, in particular, began prioritising a reliable internet connection, ample workspace, serene environments, and access to green spaces (Eurofound, 2023). Unfortunately, the COVID-19 crisis has not only emphasised these housing needs but has also deepened existing disparities in access to affordable and sustainable housing across certain Member States. It has also pushed a greater number of individuals across the EU into situations of housing cost overburden, further exacerbating economic inequalities and impeding professional mobility (Nice Declaration, 2022).

The Russian aggressions in Ukraine compounded the challenges faced by Europe with simultaneous refugee and energy crises. These added pressures, along with the lingering repercussions of the pandemic, have heightened longstanding concerns regarding housing affordability (Housing Europe, 2023; Eurofound, 2023). The combined

impact of these factors not only presents immediate hurdles for housing accessibility but also acts as a hindrance to overall economic growth. This hindrance is evident in its restrictions on mobility and the diminishing appeal of regions undergoing economic transformation (Nice Declaration, 2022), as is the case for traditional coal-mining regions. Furthermore, the scarcity of housing at affordable prices is predicted to surpass all expectations. The aftermath of the pandemic and the war has triggered a substantial surge in inflation across Europe, adversely affecting the cost of construction and renovation, as detailed in the findings of Housing Europe in 2023. This escalating inflation further exacerbates the challenge of providing housing that is both affordable and accessible. Between 2010 and 2022, the construction cost index in Europe increased by 40.8%. The index shows the development of costs incurred by contractors to carry out the construction process. The construction cost index shows the price developments of production factors (material and labour costs) used in the construction industry. The index rose progressively over time, with a sharp increase in 2021 (Figure 1). The index rose in all Member States (for which data are available<sup>1</sup>), but with considerable variations across countries. The index grew the most in central-European Member States: Bulgaria (+103.3%), Romania (+97.4%), Hungary (+88.4%; data up to 2021), Latvia (+76.6%) and Lithuania (+74.7%) (see Figure 2).

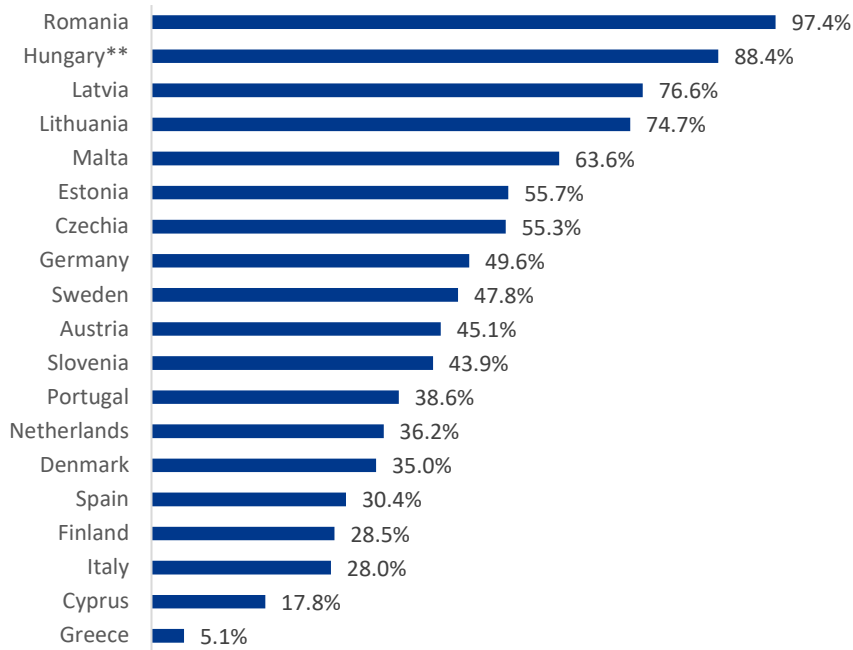
Figure 1 Construction cost index in the EU, 2010 – 2022 (2015=100)



Source: Eurostat

<sup>1</sup> Data are missing for: Belgium, Ireland, France, Croatia, Luxembourg, Poland and Slovakia.

Figure 2 Construction cost index by Member State\*, 2010-2022 (2015=100)



Source: Eurostat

\*Data are missing for: Belgium, Ireland, France, Croatia, Luxembourg, Poland and Slovakia

\*\* Data for Hungary are up to 2021

Consequently, the prevailing circumstances do not favour the attainment of an adequate level of affordable housebuilding. On the supply side, constraints stem from the elevated cost of borrowing, witnessing a twofold or threefold increase compared to a year ago, and a surge in material costs, averaging at 20% higher across the EU within the past year.

Simultaneously, the demand side is characterised by an unprecedented surge in the number of individuals on waiting lists for social housing, primarily due to the market's inability to provide affordable homes, as reported by Housing Europe in 2023. Public, cooperative, and social housing providers are faced with a three-sided challenge when developing new construction and renovation projects, that often generate important trade-offs.

- Availability: the capacity to meet the growing demand for affordable and good quality housing
- Affordability: producing homes that are aligned with the financial means of the people in needed
- Quality: this criterion is now increasingly linked to sustainability, in an effort to provide green homes that are energy efficient and that do not contribute to environmental harm

Overall, social housing policies vary significantly among Member States due to differences in historical contexts, economic conditions, and governance structures. Furthermore, social housing policies are under the direct responsibility of national governments, which explains why there is no unified EU-wide social housing policy. That said, the EU provides funding through various programmes that can support housing initiatives, including social housing projects. For instance, to tackle challenges on the demand side, several countries have utilised EU resources from the Resilience and Recovery Facility, offering housing providers an unparalleled funding opportunity in a context characterised by high uncertainty (Housing Europe, 2023).

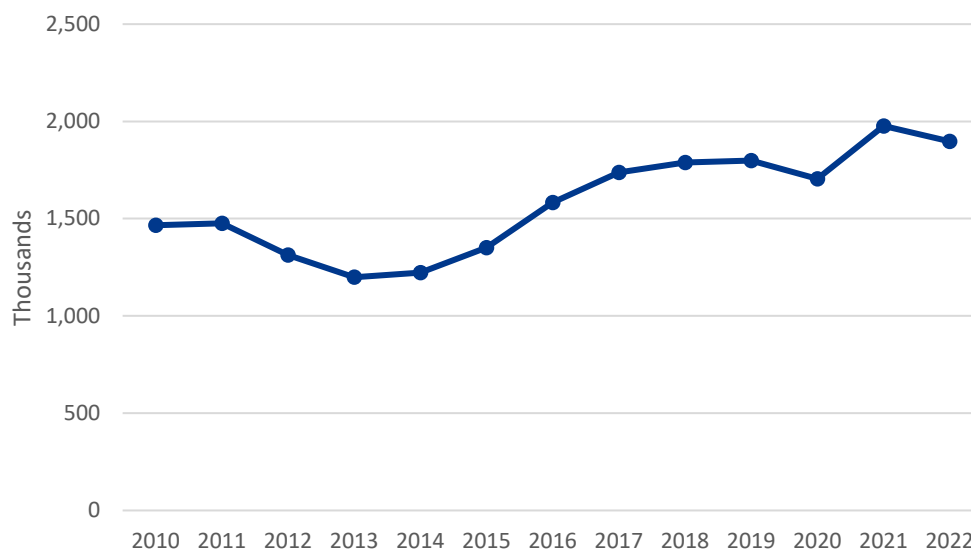
Some countries have a tradition of strong public or non-profit housing providers that play a significant role in the provision of affordable housing. These providers may receive government support to offer affordable rental units. Many EU countries use housing allowances or rent subsidies to support individuals and families with low incomes. These financial aids are often designed to help people access housing in the private rental market. This was the case,

for instance, during the COVID-19 pandemic. Importantly, there is a growing emphasis on making social housing more sustainable and energy-efficient. Some EU countries have implemented policies to improve the environmental performance of social housing units, such as the creation of energy communities (Housing Europe, 2023).

## Availability

Housing availability is one of three key elements that determines the overall conditions of the EU housing market. One way to assess whether the housing market is expanding is to consider the number of building permits issued over time (see Figure 3). Overall, in the EU between 2010 and 2022 a 29% increase in the number of building permits issued was recorded. The number of permits increased in 23 Member States, and it decreased only in four of them. The highest increase over the 2010-2022 period was observed in Bulgaria (276.6%), Estonia (161.5%) and Malta (118.2%). The sharpest decline over the same period was registered in Italy (-45.3%).

Figure 3 Number of building permits for residential buildings, 2010-2022

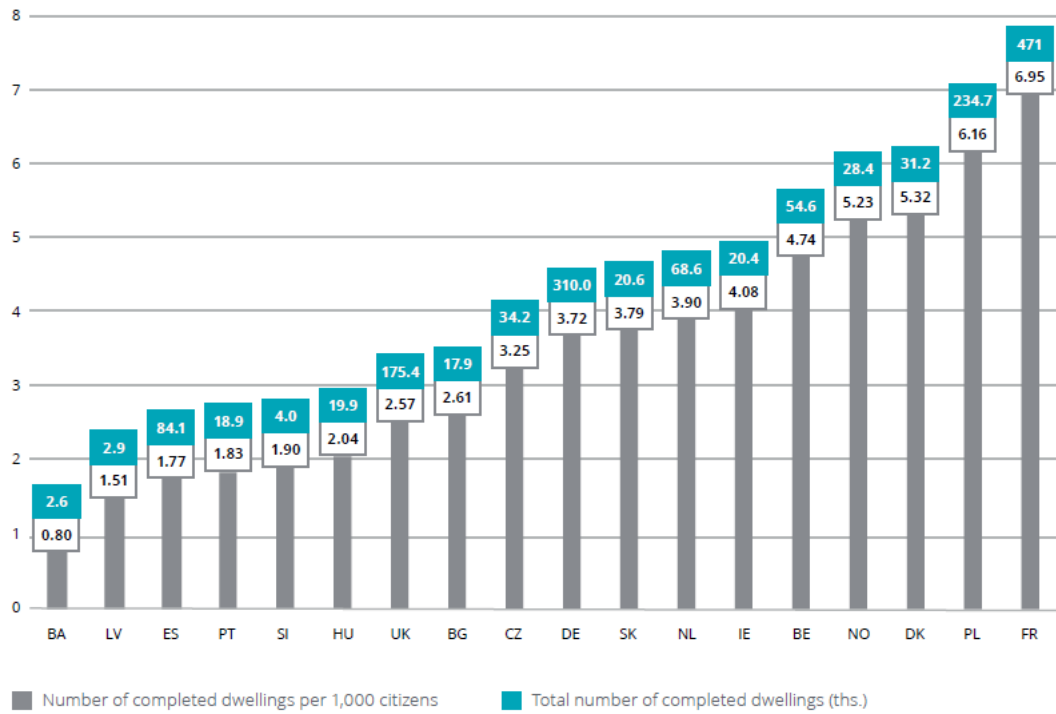


Source: Eurostat

A comparison with population trends in the EU can also shed light on whether the number of building permits being issued for residential buildings is adequate to respond to population needs. While the number of permits increased by 29.5% in the EU from 2010 to 2022, the overall EU population only increased by 1.4% over the same period. Interestingly, at the national level, there is a mismatch between trends in the number of permits issued and population dynamics. For instance in Bulgaria, where the building permits increased by 276.6% over the period, population decreased by 7.9%. On the contrary, while the number of permits issued decreased by 31.5% in Cyprus, the population in the country increased by 10.4% in the period 2010-2022.

Based on the data presented above, it is difficult to derive concrete findings pertaining to the availability of housing in the EU. Additional indicators, such as the housing development intensity in the residential markets can provide insights on housing availability in the EU. The indicator presents the number of completed dwellings per 1,000 citizens in a country. According to a survey conducted by Deloitte in 2022, four countries, namely Latvia, Spain, Portugal, and Slovenia, reported fewer than two completed apartments per 1,000 citizens in 2021. In contrast, France emerged as the European leader in dwelling completions with 6.95 dwellings per 1,000 citizens, followed by Poland with 6.16. In terms of absolute numbers, France maintained its strong position by completing 471,000 dwellings in 2021, leading ahead of Germany (310,000 dwellings) and Poland (234,700 dwellings).

Figure 4 Housing development intensity – number of completed dwellings per 1,000 citizens, 2021<sup>2</sup>

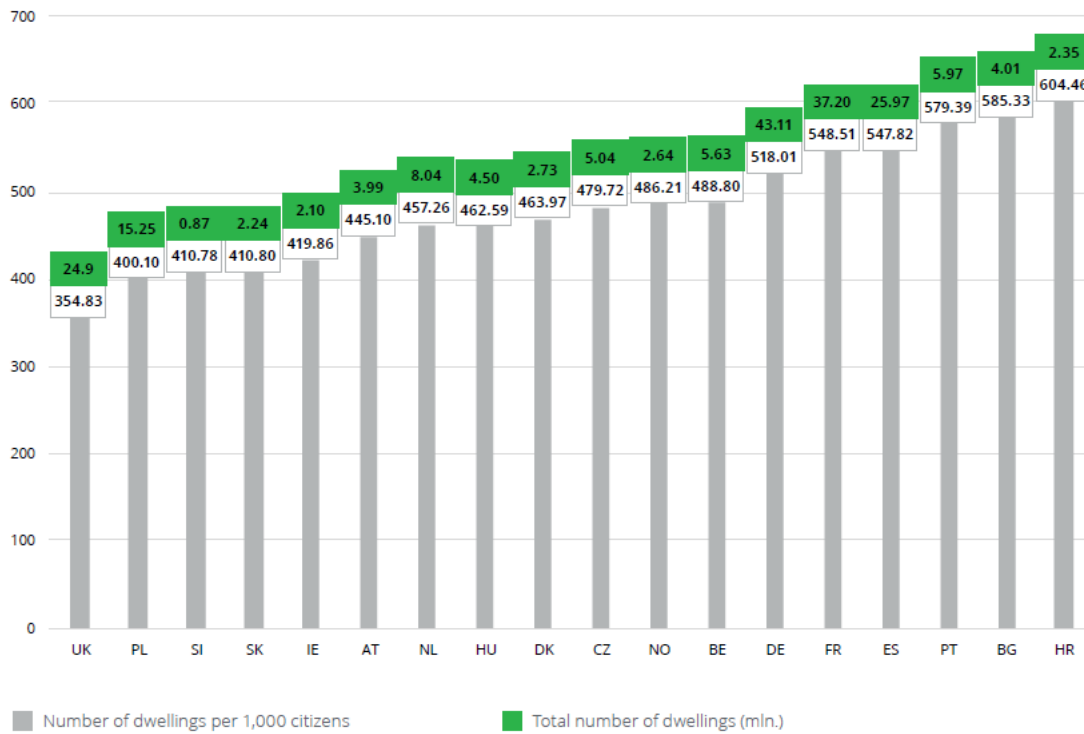


Source: Deloitte (2022)

In addition to considering the number of building permits and completed dwellings, the overall size of the housing stock is often regarded as a crucial indicator of the quality of life and economic development in European countries. According to the Deloitte survey in 2022, Croatia had the largest housing stock, with 604 dwellings per 1,000 citizens in 2021, followed by Bulgaria (585 dwellings per 1,000 citizens) and Portugal (579 dwellings per 1,000 citizens). Germany consistently recorded the highest total number of dwellings in its housing stock, surpassing 43.1 million units. Conversely, six participating countries—the United Kingdom, Poland, Slovenia, Slovakia, Ireland, and Austria—all reported less than 450 dwellings in stock per 1,000 citizens. France secured the second-largest housing stock with approximately 3.2 million dwellings, accompanied by Spain (26 million), the United Kingdom (24.9 million), and Poland (15.3 million). In contrast, Slovenia had the smallest housing stock, totaling 0.87 million dwellings. The Property Index for this year revealed that the average size of the housing stock across the surveyed countries is 461 dwellings per 1,000 citizens, with 11 out of 18 European nations exhibiting an above-average housing stock size.

<sup>2</sup> Data reported was collected by individual Deloitte offices in the participating countries.

Figure 5 Housing stock – number of dwellings per 1,000 citizens<sup>3</sup>



Source: Deloitte (2022)

## Affordability

Unaffordable housing is a matter of great concern in the EU. It leads to homelessness, housing insecurity, financial strain and inadequate housing. It also prevents young people from leaving their parental home. These problems affect people's health and well-being, embody unequal living conditions and opportunities, and result in increased healthcare costs, reduced productivity and environmental damage (Eurofound, 2023).

Housing affordability is increasingly becoming a pressing concern, particularly in urban areas across Europe, where property costs are outpacing people's incomes (Eurocities, 2023). Essential workers, including healthcare professionals, teachers, and social workers, face heightened challenges in securing affordable and suitable housing in major European cities. Despite their pivotal role in delivering face-to-face services, especially during the COVID-19 pandemic, many of these essential workers contend with relatively low wages. The confluence of busy and stressful working lives, compounded by the current inflationary trends, soaring food and energy costs, and a continuous uptick in rents, places them under substantial financial pressure. To find housing that is relatively affordable, many individuals are compelled to relocate far from their workplace, essential services, and social support networks, further exacerbating both financial and social strains (Eurocities, 2023).

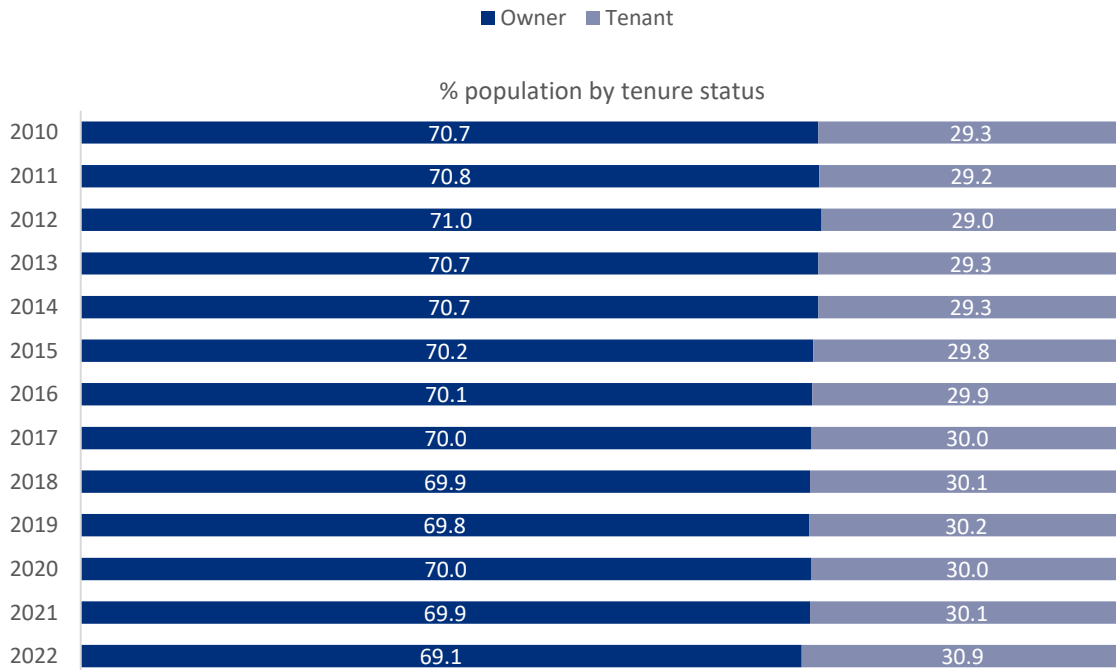
Tenants in the private market bear the brunt of the challenges. Homeowners, on average, enjoy higher incomes and encounter fewer housing-related issues (Eurofound, 2023). Conversely, residents in social and affordable housing find some relief in their budgets due to lower rents, particularly in high-demand urban areas, providing them with more financial resources. However, a significant proportion (46%) of tenants in the private market are at risk of needing to vacate their residences in the next three months (with respect to when they were interviewed) due to affordability concerns, coupled with reported challenges in poor energy efficiency compared to other tenure types (Eurofound, 2023).

<sup>3</sup> Data reported was collected by individual Deloitte offices in the participating countries.



In 2022, in the EU 69.1 % of the population lived in a household owning their home, while the remaining 30.9 % lived in rented housing (see Figure 6).

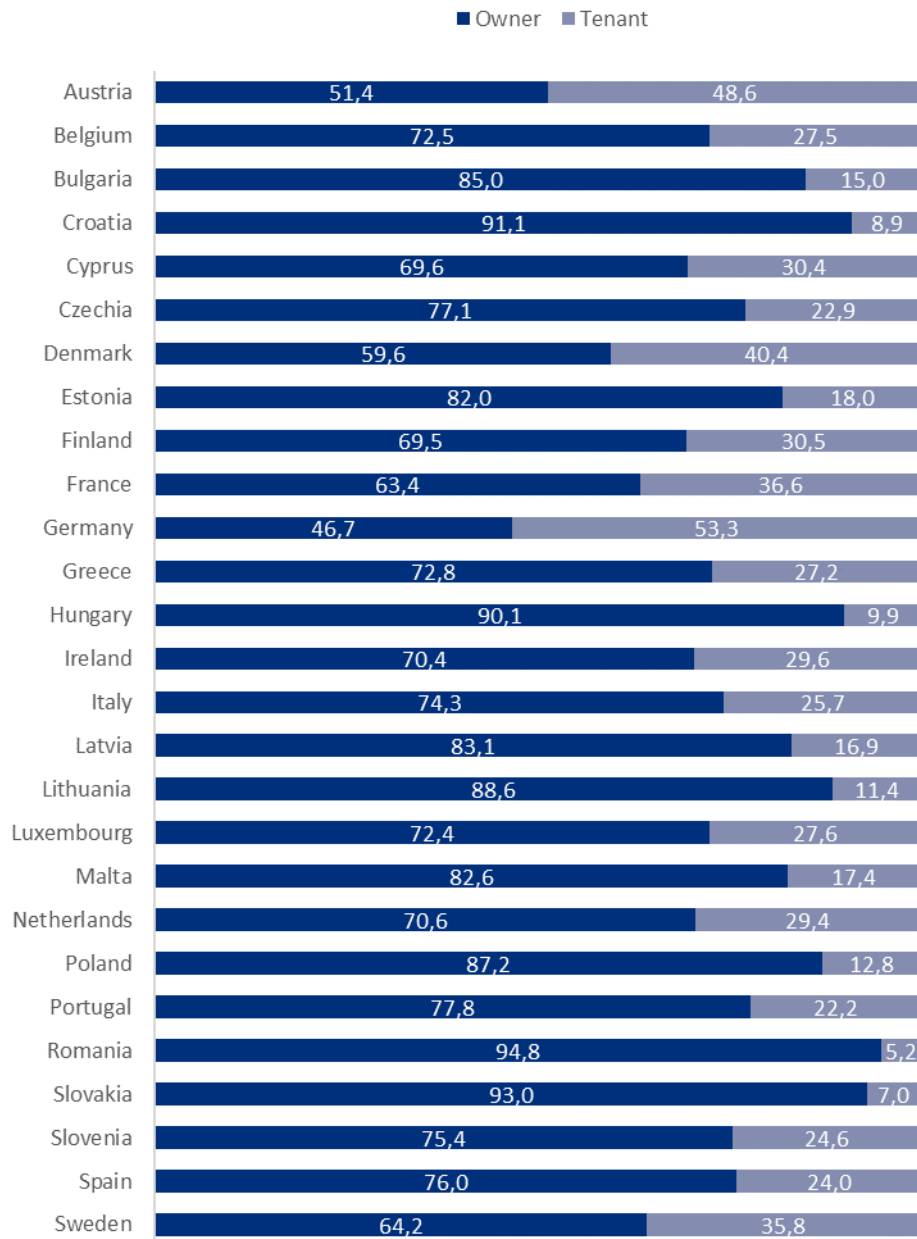
Figure 6 Distribution of population by tenure status, 2010 – 2022 (%)



Source: Eurostat

Being an owner or a tenant differs significantly among the Member States. The highest shares of ownership were observed in Romania (94.8% of the population lived in a household owning their home), Slovakia (93%), Hungary (92 %) and Croatia (91.1%). In all Member States, except Germany, owning was more common. In Germany, renting was slightly more usual with 53.3% of the population being tenants. Austria (48.6%) and Denmark (40.4%) followed (Figure 7).

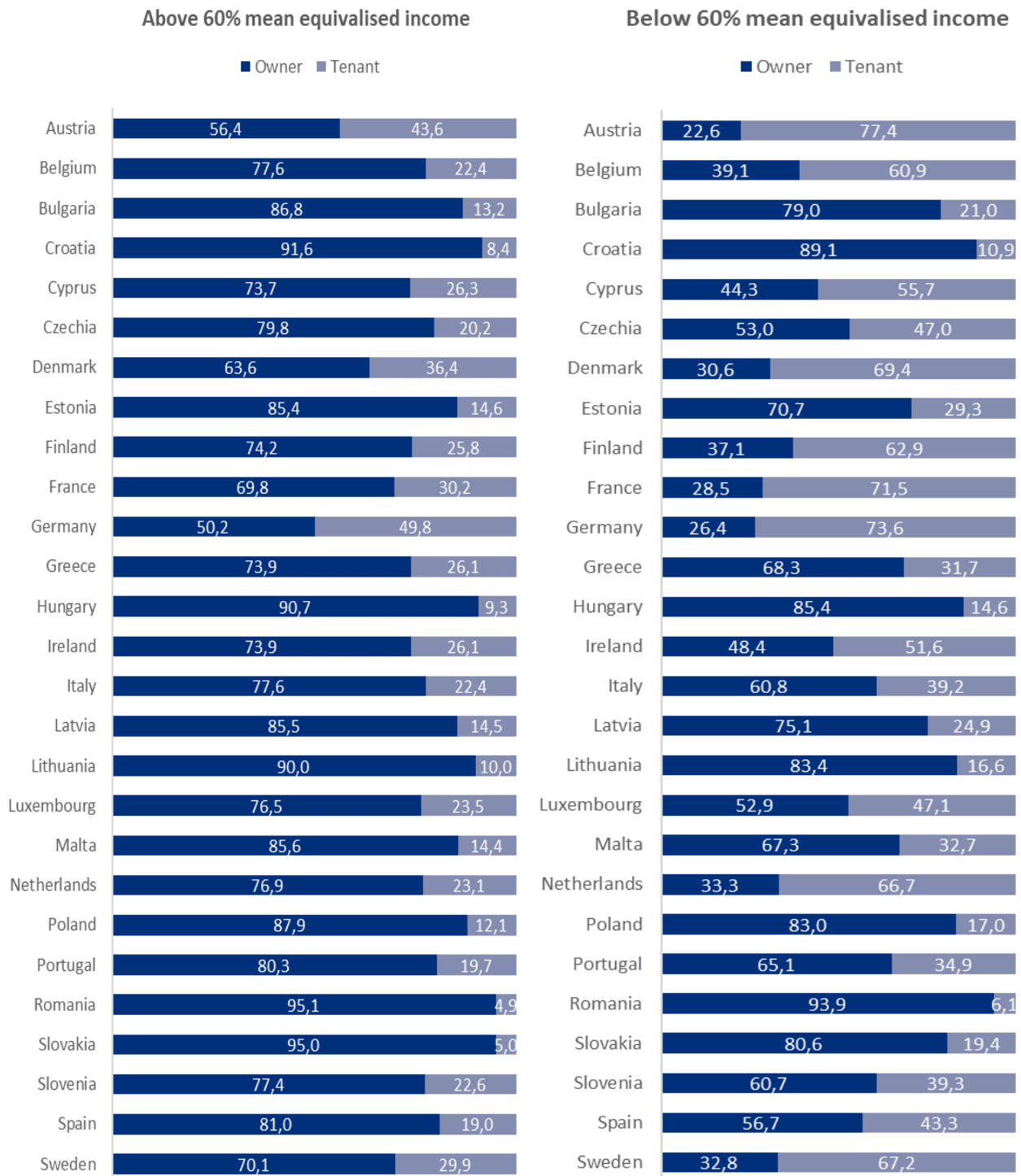
Figure 7 Distribution of population by tenure status, by Member State, 2022 (%)



Source: Eurostat

However, the above hides differences. In particular, splitting the population by income group (above and below the 60% median equivalised income) reveals stark differences (see Figure 8). In the majority of Member States the share of owners - compared to tenants - is higher among those above the 60% mean equivalised income. This is to be expected, as more people in higher income groups have the financial resources to afford purchasing a house. However, what is interesting to note is that while in some Member States there is no stark distinction between the two income groups in terms of tenure status, in others the split is remarkable. For instance, in Denmark 63.6% of those in the higher income category are homeowners. In the lower income category, less than one third of the people (30.6%) own a dwelling.

Figure 8 Distribution of population by tenure status, by income group and Member State, 2022 (%)

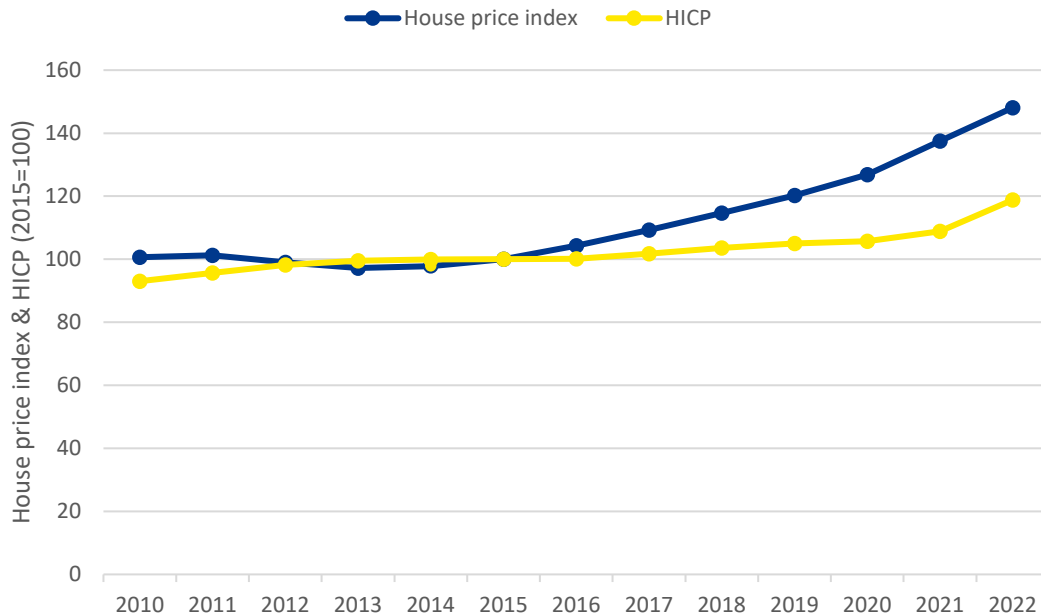


Source: Eurostat

Looking at the trend of house prices between 2010 and 2022, there has been a steady upwards trend since 2013 with particularly large increases between 2015 and 2022 (Figure 10). In total, there was an increase of 47.2% between 2010 and 2022. There were increases in 24 Member States and decreases in two (data for Greece not available) over this period. The largest increases were observed in Estonia (+192.3%), Hungary (+171.6%), Luxembourg (+135.3%), Lithuania (+131.7%), Latvia (+129%) and Czechia (+126.2%), while decreases were registered in Italy (-9.5%) and Cyprus (-4.6%). Over the same period, the harmonised index of consumer prices (HICP) – measuring inflation – grew by 27.7%. This price growth in the housing market outpacing the general increase in the cost of goods and services

indicates a strong demand in housing, relative to its supply (i.e.: limited availability) and raises concerns about affordability, particularly for first-time buyers or individuals with limited incomes.

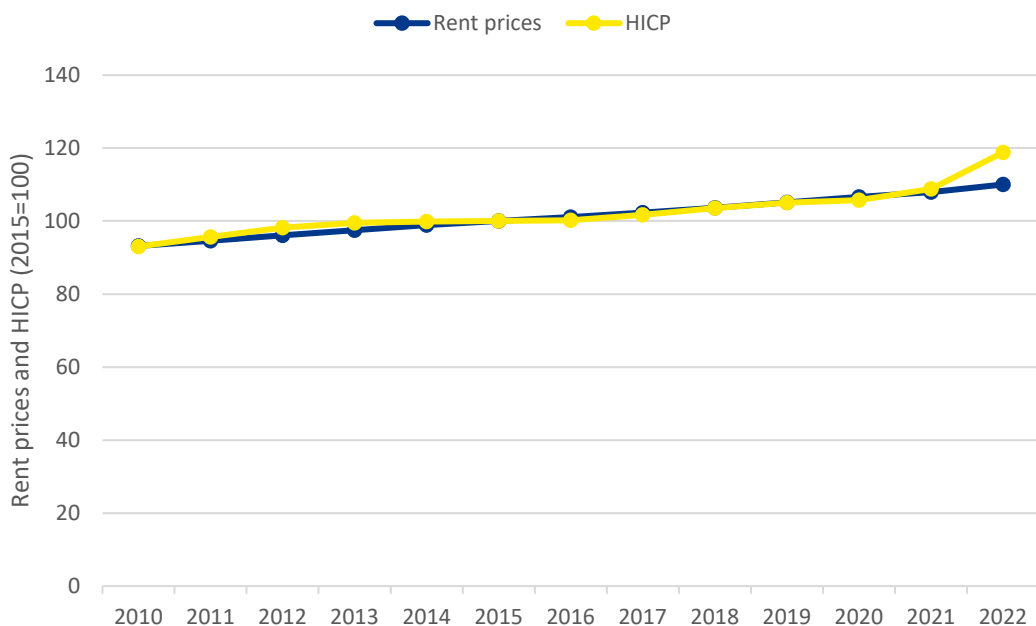
Figure 9 Housing prices in the EU, 2010 – 2022 (2015=100)



Source: Eurostat

There has been a steady increase of rents in the EU between 2010 and 2022 – in total 18.1% during the whole period (Figure 11). There was an increase in 26 Member States and a decrease in one. The largest increases were registered in Estonia (+210.2%), Lithuania (+144.3%) and Ireland (+84.1%), while decreases were observed in Greece (-24.1%). Contrary to housing prices, rent prices increased less than inflation over the period 2010 – 2022. This indicates that affordability of housing for renters in real terms, especially when compared to the general cost of living, slightly improved over the period.

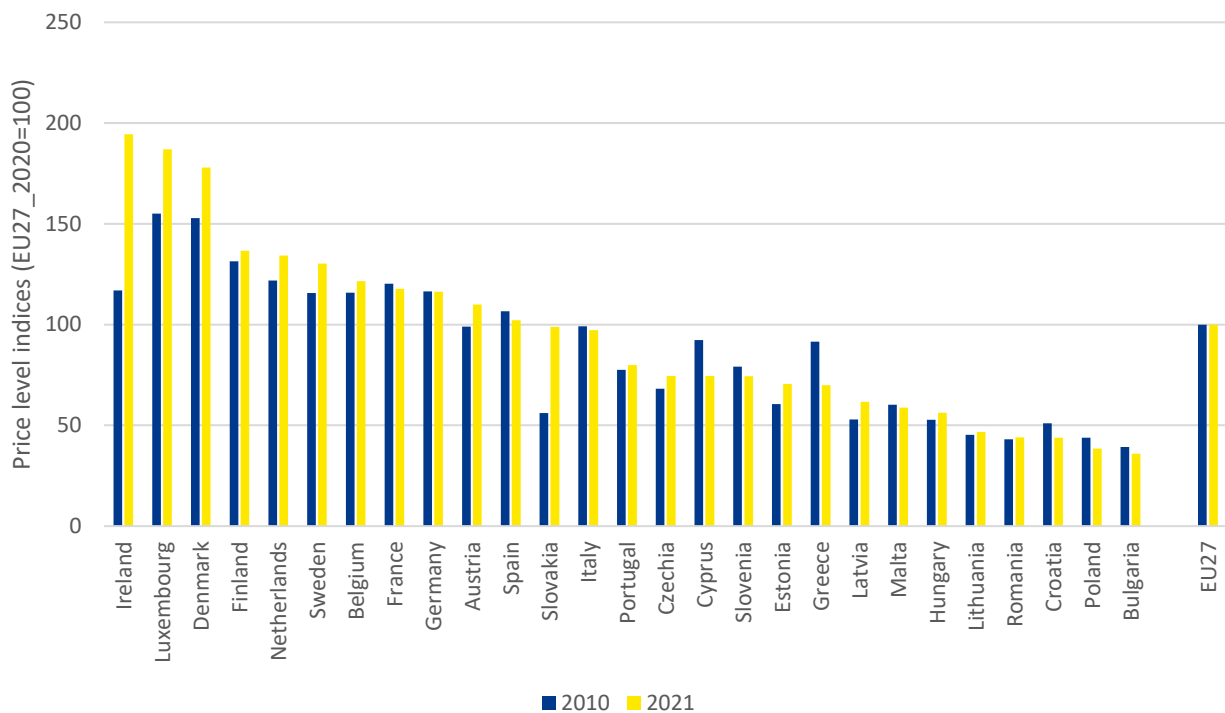
Figure 10 Rents in the EU, 2010 – 2022 (2015=100)



Source: Eurostat

Housing expenditures for utilities (water, electricity, gas, and other fuels) vary significantly among Member States in comparison to the EU average. In 2021, the highest housing costs relative to the EU average were identified in Ireland (94% above the EU average), Luxembourg (87% above), and Denmark (78% above). Conversely, the lowest costs were recorded in Bulgaria (64% below the EU average) and Poland (62% below) (see Figure 11). Analysing the changes from 2010 to 2021, housing price levels compared to the EU average increased in 16 Member States and decreased in 11. Notably, Ireland experienced the most substantial increase, rising from 17% above to 94% above the EU average, while Slovakia witnessed a shift from 44% below to 1% below the EU average. In contrast, Greece saw the most considerable decrease, declining from 8% below to 30% below the EU average, and Cyprus decreased from 8% below to 26% below.

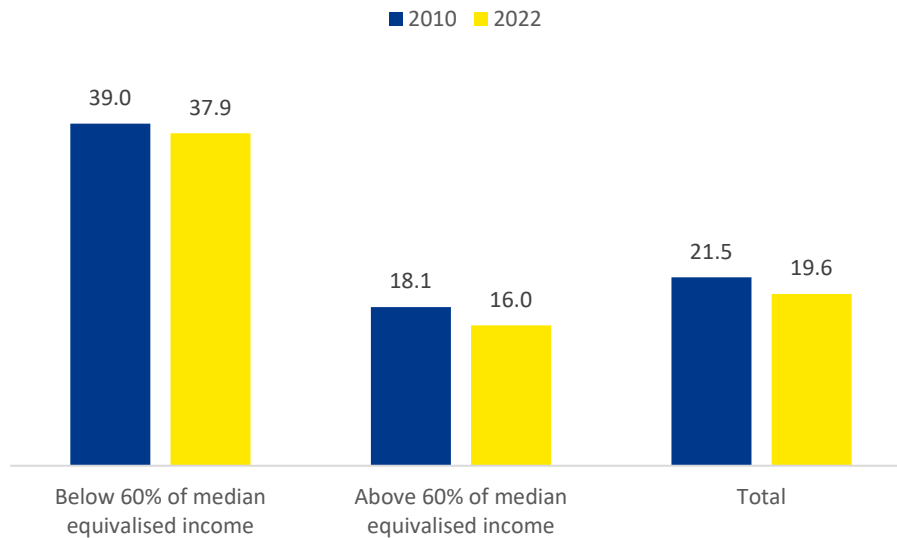
Figure 11 Price levels for housing, 2010 and 2021, EU27\_2020=100 (%)



Source: Eurostat

One way of seeing whether housing is affordable is by the share of housing cost in total disposable income. On average in the EU in 2022, 19.6% of disposable income was dedicated to housing costs. This differed among the Member States, with the highest shares in Greece (34.2 %), Denmark (25.4%) and the Germany (24.5%). Looking at those having a disposable income of below 60% of the national median income, people who could be considered as at risk of poverty, the share of housing in disposable income was 37.9% on average in the EU. On the other hand, for those having a disposable income of above 60% of the median income, the share amounted to 16% in 2022. This represents a minor improvement compared to 2010 (Figure 12).

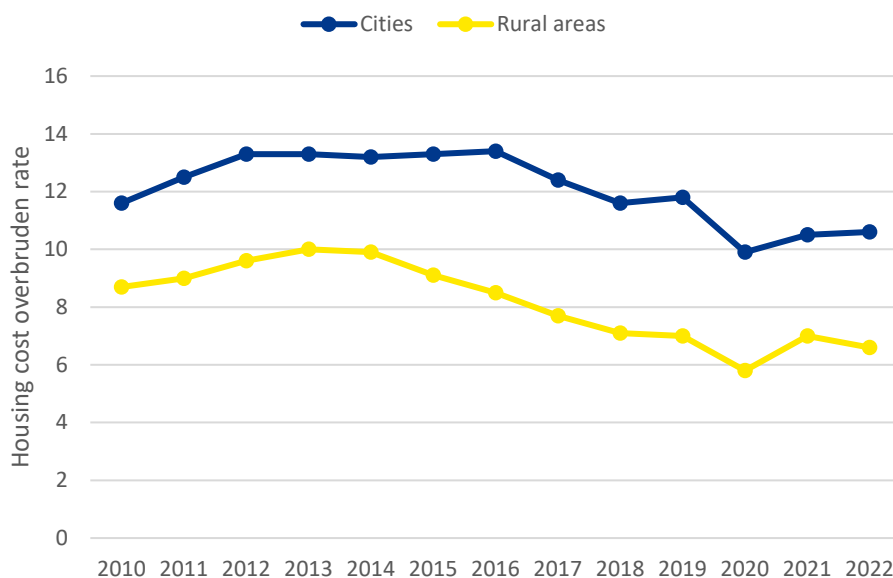
Figure 12 Housing costs in disposable income, by income group (%), 2010 – 2022



Source: Eurostat

Another way to look at whether housing is affordable is to consider the housing cost overburden rate, which shows the share of the population living in a household where total housing costs represent more than 40% of disposable income. In the EU in 2022, 10.6% of the population in cities lived in such a household, while the corresponding rate for rural areas was 6.6%. The housing cost overburden was higher in cities than in rural areas in all Member States, except the Netherlands, Hungary, Cyprus and Slovakia. The highest housing cost overburden rates in cities were observed in Greece (27.3%), Denmark (22.5%) and Luxembourg (13.1%), while in rural areas they were highest in Greece (24.2%), Bulgaria (18.1%) and Luxembourg (17%) (see Figure 13).

Figure 13 Housing cost overburden rate in the EU, cities vs rural areas, 2010 – 2022 (%)

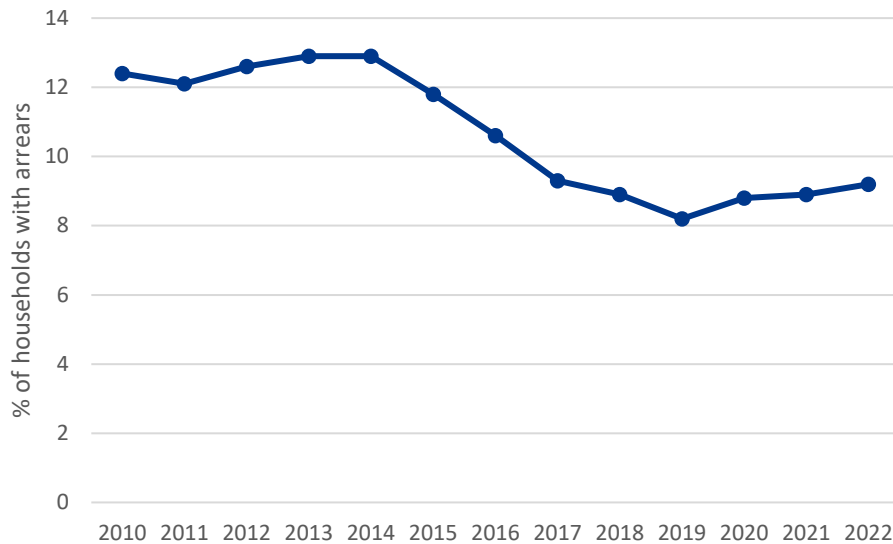


Source: Eurostat

Arrears on mortgage, rent or utility bills is another indication that housing costs could be too high. Despite the fact that house prices and rents have increased during the period 2010 to 2021, the share of people living in households with arrears on mortgage, rent or utility bills in the EU has decreased from 12.4% in 2010 to 9.2% in 2022. The shares have decreased in 22 Member States and increased in five. In 2022, the largest shares were observed in Greece

(45.5%), Bulgaria (19.9%), Romania (18.4%), Croatia (15.7%) and Ireland (13.9%) and the smallest in Czechia (2.7%), the Netherlands (2.9%), Belgium (4.2%) and Austria (4.7%) (Figure 14).

Figure 54 Arrears (mortgage or rent, utility bills or hire purchase) in the EU, 2010-2022 (%)



Source: Eurostat

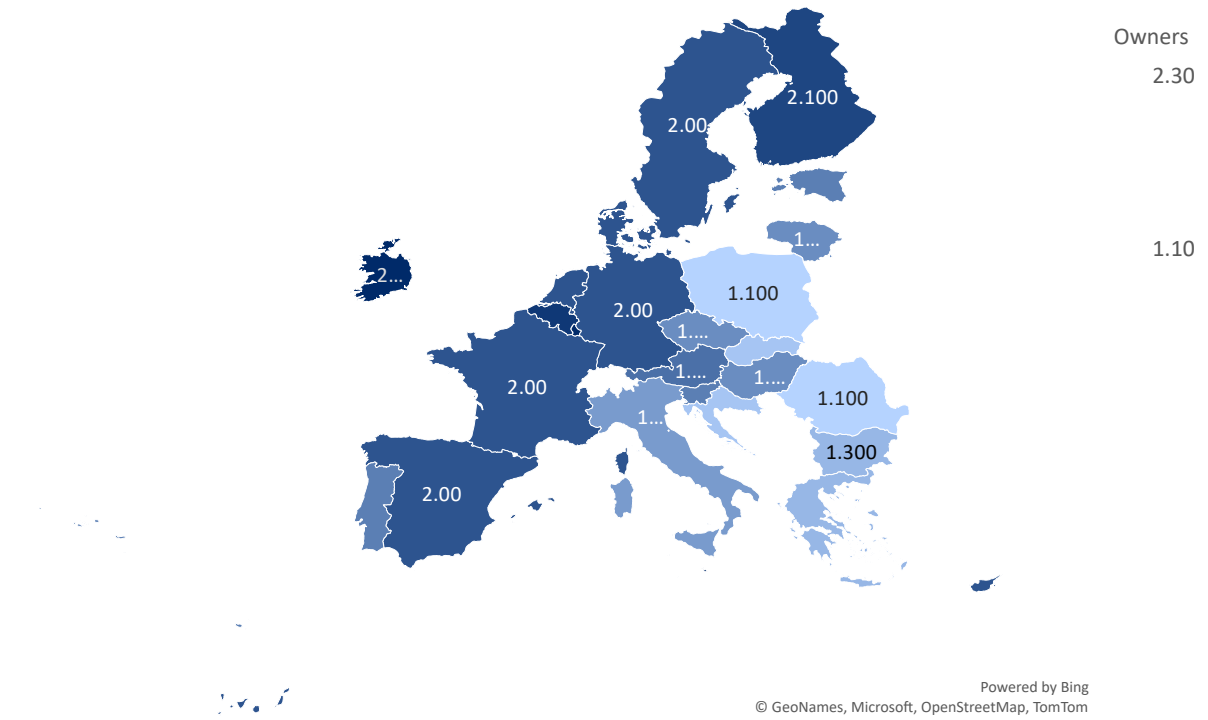
## Quality

Different aspects contribute to the quality of housing (or lack thereof). These range from its size (which can be assessed from different standpoints), safety, overcrowding, the ability to keep the house warm in winter or cool in summer, the lack of toilet and shower or the presence of a leaking roof (among other things), clean spaces, electricity. Insufficient space within housing emerges as a critical factor adversely affecting health and overall well-being. This limitation can contribute to the development of mental health issues and increase the risk of infectious diseases. Furthermore, a dearth of comfort, characterised by suboptimal furniture or layout, unpleasing aesthetics, inadequate lighting, unfavourable locations necessitating long commutes, absence of access to outdoor spaces like a balcony, terrace, or garden, and inadequate sound insulation can also serve as catalysts for health-related problems or directly diminish the quality of life (Eurofound, 2023).

The size of housing can be measured as the average number of rooms per person: there were on average 1.6 rooms per person in the EU in 2022 (this has not changed compared to 2010). Among the Member States<sup>4</sup>, the largest number was recorded in Malta (2.3 rooms per person), followed by Luxembourg (2.2 rooms), Belgium, Ireland and the Netherlands (all 2.1 rooms). At the other end of the scale were Poland, Romania and Slovakia (1.1 rooms) Croatia (1.2 rooms) and Greece (1.3 rooms). As discussed, housing conditions are generally poorer for those who rent in the private market, compared to owners (see Figure 15 and Figure 16). In fact, on average the housing size of tenants is smaller than that of homeowners. Only two exceptions are found: Malta, where owners and tenants have on average 2.3 rooms per person, and the Netherlands, where tenants have on average 2.3 rooms per person as opposed to 2 rooms per person in the case of homeowners.

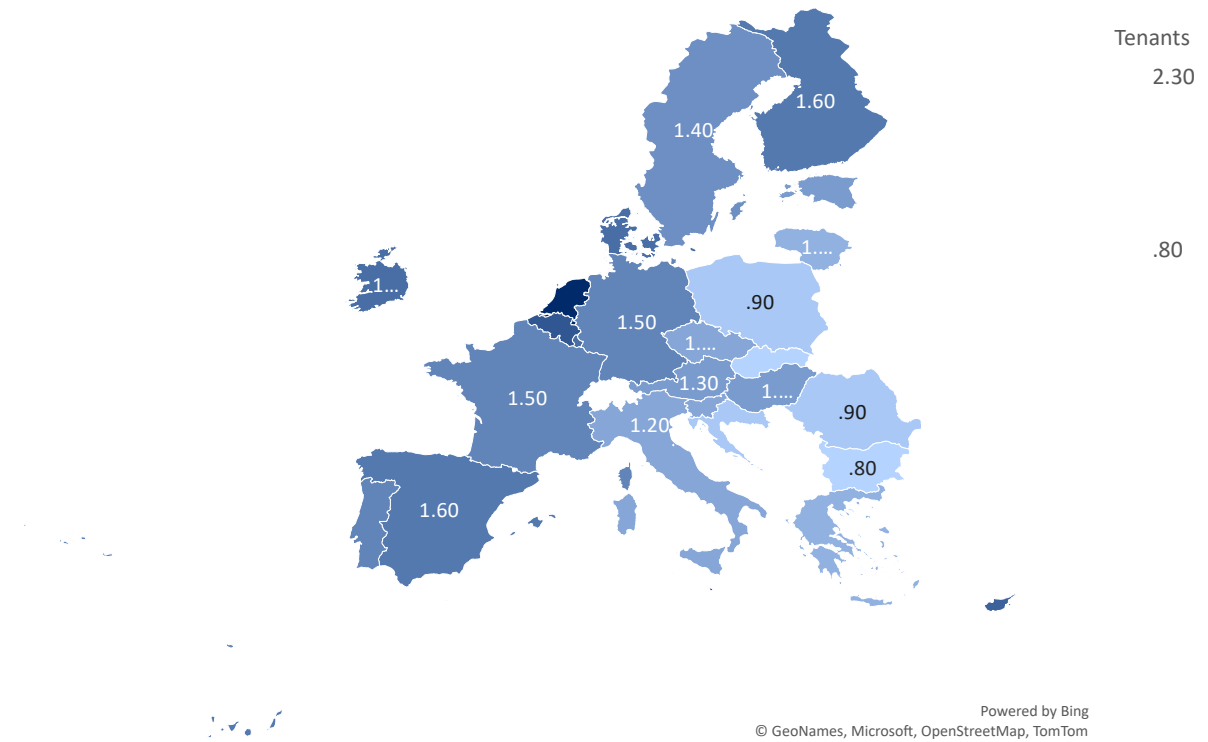
<sup>4</sup> 2022 data for Latvia are missing

Figure 15 Average rooms per person among homeowners, 2022



Source: Eurostat

Figure 16 Average rooms per person among tenants, 2022



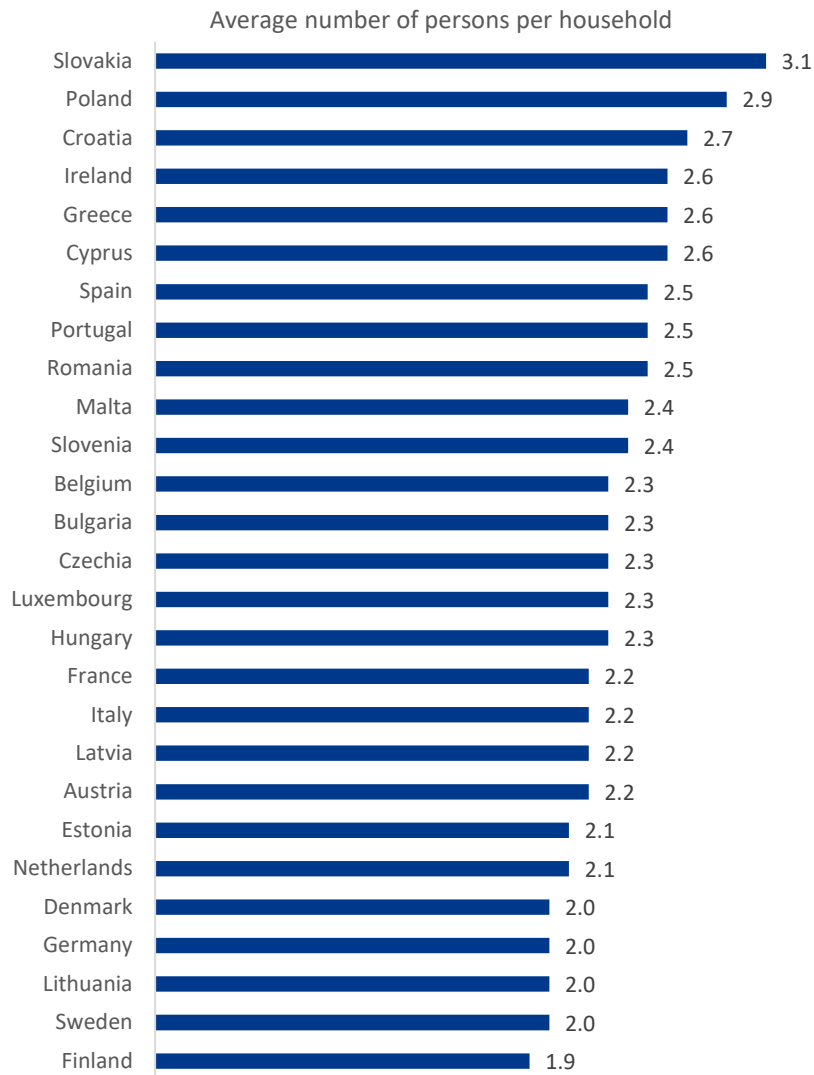
Source: Eurostat

A related indicator to assess housing size is the number of persons per household. There were on average 2.3 persons per household in the EU in 2022. The number has barely changed since 2010, when the average number of persons



per household was 2.4. However, in 2022, there were some variations: household size ranged from 3.1 persons in Slovakia, 2.9 in Poland and 2.7 in Croatia down to 1.9 persons in Finland, 2 persons in Denmark, Germany, Lithuania and Sweden (see Figure 17).

Figure 17 Average household size, 2022



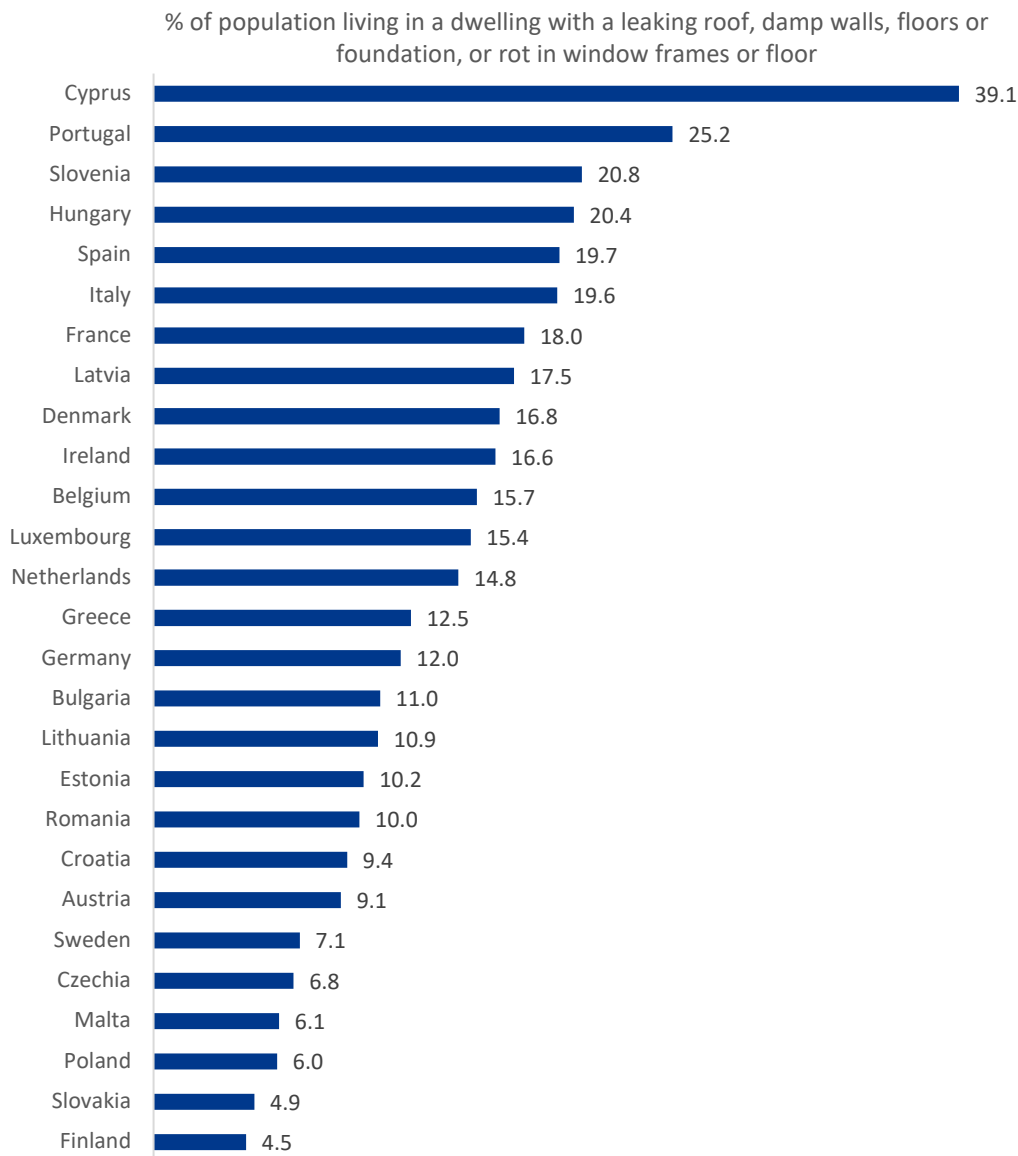
Source: Eurostat

There are additional ways to assess the quality of housing. One such way is to investigate the EU population living in overcrowded homes. In the EU in 2022, 16.8% of the population lived in overcrowded homes. This corresponds to a 12% increase compared to 2010, when the average overcrowding rate in the EU was 19.1%. Nevertheless, this hides strong variations across Member States over the same period. In fact, the overcrowding rate increased between 2010 and 2022 in 11 Member States, and it decreased in 16 countries. Among the countries where the increase between 2010 and 2022 was the sharpest, we find Germany (+54.9%), Belgium (+47.6%) and the Netherlands (+45%).

The EU-SILC also provides information on the total population – in the EU and in individual Member States – living in poor quality dwellings, i.e. with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor. In the EU, 14.8% of the population lived in such dwellings in 2021 (latest year data are available). This represents a slight improvement compared to 2010, when 16.3% of the EU population lived in poor conditions (-9.2%). Between 2010 and 2020 (latest year data are available for individual Member States) the situation worsened in five Member States: Denmark (+110%), France (+44%), Ireland (+31,7%), Cyprus (+30.3%) and Portugal (+15.1%). In 2020, the

highest share of population living in inadequate dwellings was found in Cyprus (39.1%), followed by Portugal (25.2%), Slovenia (20.8%), Hungary (20.4%) and Spain (19.7%) (Figure 18).

Figure 18 Total population (%) living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor, 2020



Source: Eurostat

Decomposing the data by income group (below and above 60% mean equivalised income) reveals further differences. Over the period 2010-2020, the situation for people below 60% of median equivalised income worsened in seven Member States, compared to people above 60% of median equivalised income, for whom the situation worsened in five Member States. From the table below, it is worth noting that:

- Only in two countries – Ireland and Cyprus – the situation worsened for both income groups. Furthermore, in both countries, the situation worsened considerably more for those in the lower income group. This may have resulted in growing inequalities, putting additional economic pressure on the most vulnerable groups, and potentially also lowering their quality of life from a social and health standpoint.
- For countries where the situation only worsened for people in the lower income group, this may have also resulted in increased inequalities (economic, social, health).

- For the three countries where the situation worsened only for those in the higher income group, this may have resulted in lower inequalities, as those who were better off saw their quality of life decrease (social, health status) and potentially their economic pressure increase. Yet, the reduction of inequalities brought about a decrease in living standards of better of income groups is not desirable. Instead, upward convergence of lower income groups towards better living standards would be ideal.

*Table 1 Change in the proportion of population living in inadequate dwellings per income group, 2010 – 2020*

Below 60%	Above 60%
Ireland +75.2%	Denmark +122.2%
Cyprus +37.1%	France +43.4%
Slovakia +21.2%	Cyprus +29.1%
Luxembourg +20.9%	Ireland +22.7%
Sweden +6.5%	Portugal + 16.1%
Finland +4.7%	
Netherlands +3.6%	

Source: Eurostat

Focusing exclusively on the lower income group in 2020, the highest portion of the population living in unsuitable housing was found in Cyprus, where almost half of the population (49.5%) lived in poor conditions. Cyprus was followed by Hungary (38.4%), and Portugal (36.4%).

## Future perspectives

Apart from ongoing shocks (COVID-19, war in Ukraine, resulting inflation) – whose impacts may endure in the short and medium term – the housing landscape in Europe faces sustained influence from enduring shifts in energy consumption and production due to the green transition, amplified digitalisation, and the ageing of European societies (Eurofound, 2023).

As discussed, the escalating challenges of housing affordability and their associated distributional consequences carry significant economic and social ramifications. This is particularly evident in the diminished ability of the workforce to migrate towards high-skilled jobs, typically concentrated in metropolitan areas where housing affordability is a pronounced challenge. A decline in housing affordability can impede the movement of labour towards more developed and productive regions. Valuable workers may opt to relocate to less dynamic areas where the trade-off between lower wages and reduced housing costs is perceived as advantageous (Hsieh and Moretti, 2015). This gradual shift can lead to labour shortages in rapidly advancing regions, detrimentally impacting economic growth, innovation, and productivity. While the origins of this phenomenon may be rooted in regional conditions, its consequences extend beyond national borders to encompass the whole EU (Frayne C., et al., 2022).

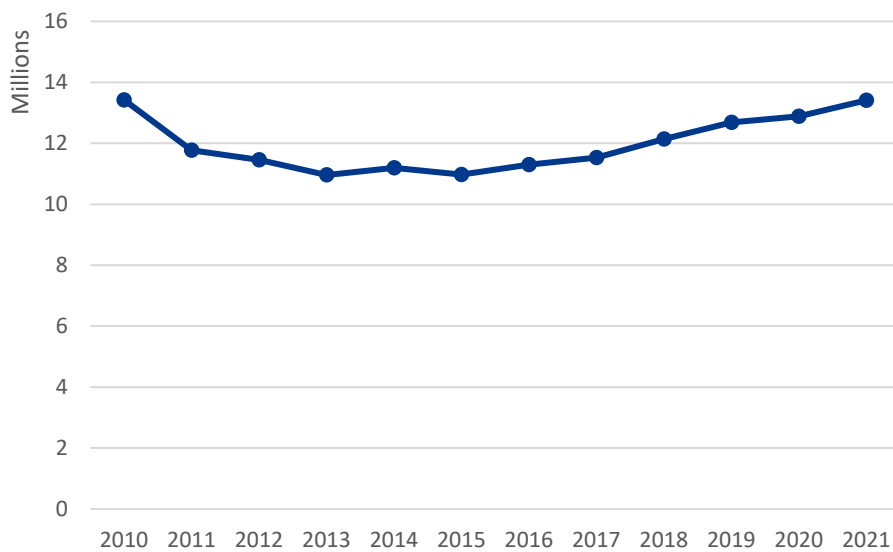
The gradual deterioration of the European housing market over the past decade and the anticipated challenges of the future have spurred renewed efforts and investments from Member States. In a landmark development, housing Ministers convened in 2022 for an informal EU housing ministerial meeting, culminating in the Nice Declaration, a commitment to enhancing homes in the EU (Housing Europe, 2022). This comprehensive strategy, endorsed by all 27 Member States, emphasises increased long-term investment in social, cooperative, and public housing, a just energy transition, and inclusive Next-Generation neighbourhoods (Eurocities, 2022).

The Nice meeting signifies a pivotal moment in the EU's dedication to ensuring adequate and affordable housing. The agreement includes plans for regular meetings among ministers responsible for housing and annual gatherings of the European focal points responsible for housing to fortify affordable, sustainable, and inclusive housing in Europe. Additionally, Member States have called on the European Commission to conduct a comparative study on the diverse mechanisms in place in the EU to mitigate the escalation of rents and housing sale prices (Nice declaration, 2022). These tangible commitments suggest a heightened focus on housing in the EU political agenda in the years ahead.

In this context, the construction sector plays a pivotal role. The Renovation Wave Strategy for Europe aims to double renovation rates in the EU, breaking down barriers to energy and resource-efficient renovation and enhancing reuse and recycling. By 2030, as reported in the Renovation Wave Strategy, the construction sector could witness 35 million renovated buildings and up to 160,000 additional green jobs (Housing Europe, 2023). The sector's ability to provide a sufficient number of affordable and high-quality homes, through both new supply and renovation, will be a decisive factor in the long term (Housing Europe, 2023). However, aside from escalating construction costs (refer back to Figure 1), a shortage of skilled labour and supply chain issues pose significant challenges to new construction and renovation projects.

In 2021, approximately 13.4 million people were employed in the EU construction sector, roughly 6.6% of the EU27 workforce. The past decade in the construction sector has seen a gradual recovery in employment (see Figure 19).

Figure 19 Employment in construction, 2010 – 2022



Source: Eurostat

However, the future outlook for construction employment is anticipated to contract by 1.3% from 2021 to 2035, compared to the broader economy's 3.4% decrease (Cedefop, n.d.a). Replacement demands are poised to be significant during this period due to individuals exiting the sector, often through retirement or other reasons. Despite an overall employment reduction of 182,000, there will be a necessity to find replacements, at least partially, for those leaving the sector. To gauge the magnitude of this demand, examining the building and related trades workers occupation, crucial to the sector, is insightful. From 2021 to 2035, employment in this occupation is expected to increase by 113,000. However, a substantial 4,420,000 individuals are projected to leave the occupation for various reasons, indicating a net requirement to recruit an additional 4,533,000 people to fill the occupation. In essence, nearly half of the workforce expected in the occupation by 2035 will need to be recruited (see Table 2).

Table 2 Projected future labour demands for building and related trade workers, 2021-2035

Building and related trades workers (NACE 71)	Employment levels (thousands)				Change 2021 – 2035 (thousands)		
	2021	2025	2030	2035	Net change	Replacement demand	Total requirement
	8,003	8,052	8,058	8,116	113	4,420	4,533

Source: Cedefop Skill Forecasts

# Hypotheses about the future

## H1: Persistent unaffordability and unavailability of housing

Up to 2030, the housing market will maintain its current challenging state, characterised by both unaffordability and limited availability of housing.

The persistent unaffordability of housing is expected to disproportionately affect low- and middle-income earners, hindering their ability to secure suitable accommodation. Additionally, the escalating costs of living associated with high housing prices may force individuals to allocate more of their income to housing expenses, leaving less disposable income for other necessities, such as education, healthcare, and leisure activities.

Metropolitan areas are likely to bear the brunt of unaffordability, with housing markets in major cities becoming increasingly exclusive.

Moreover, the unavailability of affordable housing may impact labour mobility, constraining workers' ability to relocate for job opportunities.

## H2: Increased availability of housing

Up to the year 2030, there is a modest improvement in the current state of the housing market. While increased housing availability is observed, affordability remains a persistent challenge, although to a lesser extent.

Although more housing options are available, their cost may still be prohibitive for a significant portion of the workforce.

## H3: Social housing policies and renovation wave

Up to the year 2030, the current challenges in the housing market undergo a significant transformation. A wave of renovations and new constructions contributes to a substantial increase in housing availability, while well-crafted social housing policies successfully restore affordability.

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