

Sorry for cross-posting!

New Year's card and photo-essay about the complex issue of affordable housing

Dear Friend,

As a sociologist, I like to analyse trade-offs, especially situations in which one (good) idea creates many externalities, side effects affecting other important aspects.

To improve the affordability of housing is certainly a good idea, most people would vote for it. However, the devil is in the details: it matters a lot how this positive aim is planned to be achieved. In my photo essay I raise a few aspects which I think everyone has to address if they really want to achieve positive changes in this matter.

I hope I have raised your interest and that you will read the attachment!

Please do not hesitate to send me your remarks about what you have read. I am also interested in your examples and experiences. Please send your remarks in separate mail (not by replying to this mail) to tosics@mri.hu You are free to send this essay to your friends but please do not publish it anywhere.

Otherwise, of course, I wish you a Happy New Year – 2026 should at least not be worse than 2025 was!

Iván

PS Allow me to call your attention to my personal website, where my earlier photo essays are also available, along with many more materials: <https://tosics.eu/>

TO BUILD OR NOT TO BUILD...?

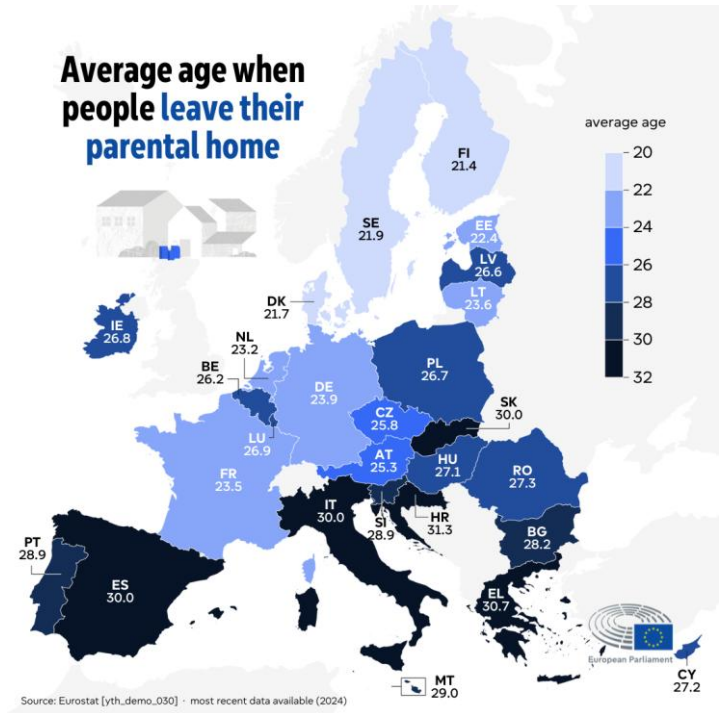
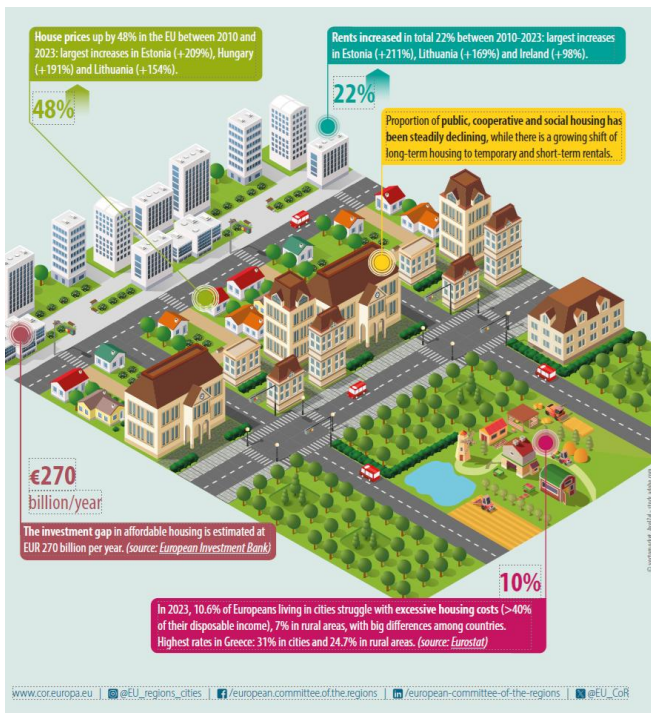
Affordable housing dilemmas

New Year's card and photo-essay by Iván Tosics

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It is well known that housing (un)affordability has become, within a few years, one of the most serious problems in cities in Europe (and beyond). In a non-professional way this can be phrased as follows: cities are no longer able to house all the professions which would be important for the city – essential workers are more or less „out-priced” from the housing market and are forced to commute to their workplaces from further away. The financial facts are well summarized in the chart below (COR, 2025). An additional measure of the housing crisis is the high age at which people leave their parental home (EP, 2025)



As a reaction to the housing crisis in many countries calculations were done on the size of the overall unmet housing needs. According to Housing Europe France requires 518,000 homes annually (of which 198,000 social), Germany at least 400,000 yearly (of which 140,000 social), the Netherlands nearly 1 million by 2031, and Sweden over 500,000 by 2033 (Housing Europe, 2025).

Due to these alarming figures, politicians are reacting to the worsening housing conditions. In recent years, large-scale national new house building programmes were announced, such as the Irish government housing plan to build 300,000 new homes between 2025 and 2030, or the Dutch plan to erect 1 million new homes within a decade.

Most local leaders have similar views: according to the Eurocities Mayors Survey (Eurocities, 2025) every second city identified its most important priority the need to increase the supply of affordable housing, emphasising that demand continues to outstrip supply, and that without large-scale interventions, housing costs will remain out of reach for a growing share of residents.

Thus, recently the dominating view both on the national and local level, is that the housing affordability problem is rooted in the fact that the supply of housing is lagging far behind rising demand, so the solution can only be massive new housing construction. The following analysis calls attention to the dangers of this one-sided view which might create as many problems as solutions.

1. Critical analysis of the present concepts and solutions for housing affordability

Housing (un)affordability is a complex issue which might be the result of many factors and their interplay might differ country by country. In the following we raise some fundamental questions which have to be addressed before launching any large new housing construction programmes.

Is the shortage of housing the only/main reason for housing unaffordability?

The statement that housing is unaffordable because of shortage of housing might be true in some cities but in many others housing is very expensive even if no shortage exists at all. A prime example of this is Budapest, where housing prices grew very fast in the last decade despite the fact that there is no shortage of housing and not even the population is increasing. The largest house price increases between 2010 and 2023 among EU countries were observed in Estonia (+209%), Hungary (+191%) and Lithuania (+154%). In neither of these cases can the steep price increase be explained with shortage of housing, as the population of Estonia is fluctuating while Hungary and Lithuania are shrinking countries.

Is it sure that massive new housing construction leads to housing becoming more affordable?

The statement that more housing will improve housing affordability for everyone is not true in general. There are many reasons for that. One is that new housing is usually very expensive, only affordable for middle- and higher income families, which use this opportunity to improve their housing conditions, increasing their housing consumption. An analysis of Zürich shows that in newly built buildings there is a 21.2% increase in living space per room, while the occupancy density (persons/m²) is declining, proving that expensive new housing is further improving the housing conditions of the rich buyers, instead of offering affordable space for the less well-off families (Lutz-Kauer-Kaufmann, 2023).

Also the indirect affordability effect of new housing through the filtering mechanism is doubtful: although the previous homes of those moving into newly built ones become available on relatively lower prices, these flats are often grabbed by families moving from outside to the local housing market or families which split up, thus the vacancy chains rarely reach those at the bottom of the housing market.

In less regulated housing markets and/or in case of very high demand quite often speculation becomes dominant and large parts of the newly built housing stock does not enter the housing market. An extreme case for this kind of financialisation of housing can again be found in Budapest, where half of the newly built units are bought by foreigners, buying up these units as investment (keeping it empty or using as Airbnb). There is also a case known in Budapest where half of the newly built units of a 300 flat housing estate were bought up by one private investor who only sells a few units per year, waiting for the further increase of real estate prices.

Are there any externalities of large-scale new housing construction programmes?

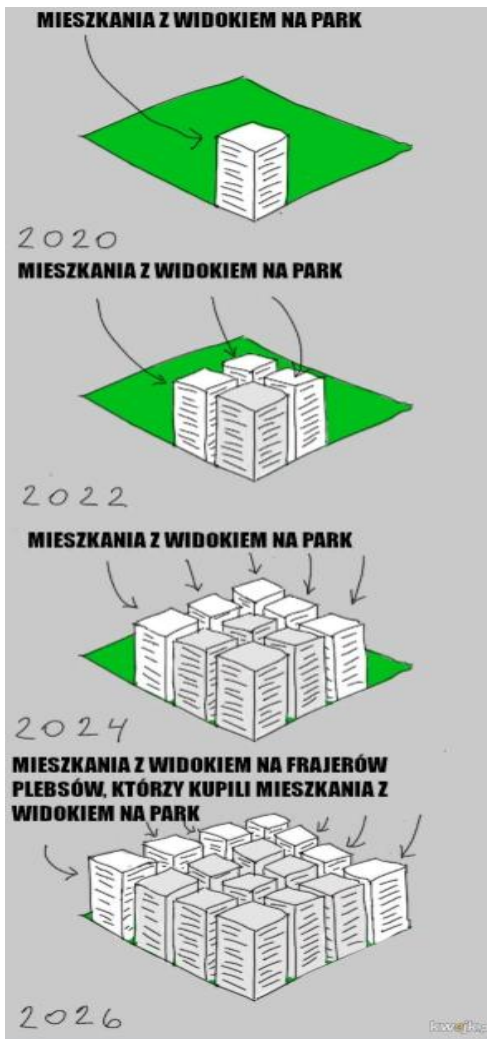
Even if large new housing construction programmes might lead to the easing of affordability problems in some cities, the potential externalities of concentrated building activities have to be carefully examined.

Environmental externalities of mass new housing constructions

The mass construction of new housing always creates huge environmental challenges. One of the recent examples is the new Dutch programme for 1 million new homes the government wants to build. The idea is to establish ten new cities, not linked to existing urban settlements. In this case there is a clear conflict with the EU principle for "No Net Land Take by 2050" meaning any new land converted for urban/artificial use must be balanced by restoring or freeing up equivalent land.

In many countries the government plays only an indirect role, subsidising the construction of new housing estates built by private developers. Poland and Hungary are prime examples for that strategy, leading to many environmental problems in the lack of binding environmental and social regulations on the activities of developers. The new estates are often built in greenfield locations, with very high density, while lacking the necessary transport and other public infrastructure.

The following two images illustrate these points. The [first chart](#) shows a cartoon about flats advertised with park view, which, however, turn into something very different as the construction of the estate goes on: new residents hoping for park view, get instead only views of other residents who thought they were buying park-view homes. The second chart (Budapest, Marina part housing estate, photo by András Ekés) illustrates well the enormous density of such estates.



Social externalities of mass new housing constructions

In some countries there are plans for new housing built in targeted way for families with limited financial means. The left-wing government of Spain will spend 1.3 billion euros of EU funds over the next 10 years on industrial projects to build badly-needed social housing amid soaring property prices and rents. The plan is to offer some 15,000 new homes per year, cutting construction times by up to 60%, and reducing an estimated shortage of 600,000 homes (Reuters, 2025).

The complexity of the housing topic can well be illustrated with earlier examples of such good-willing direct state development programmes. Large scale, concentrated housing construction for lower income people can easily lead to the creation of segregated areas with increasing intensity of social problems – as the case of the Swedish one million housing programme demonstrated. This massive, state-led housing initiative from 1965-1974, achieved the construction of one million affordable, modern homes in a decade to solve a severe housing shortage, using standardized, rapid pre-fabricated concrete industrial construction in large apartment blocks. However, this programme left a legacy of monotonous architecture and huge social challenges in isolated suburbs with unemployment, crime and stigma.

All these cases show that large-scale programmes for new housing construction have to be accompanied with careful regulations, increasing the chances that new housing at least partly strengthens affordability directly or indirectly and controlling for the unwanted environmental and social externalities of new construction.

2. Alternative approaches to the housing affordability problem

If only concentrating on new construction of housing, other problems of the existing housing system, which are linked to the issue of housing affordability, are easily disregarded.

The FEANTSA (2025) analysis revealed that according to Census 2021 data, over 47.5 million homes, nearly 20% of the total EU dwelling stock, stand empty. Although this data includes second homes, which are generally not available for long-term residential use, vacant units constitute important reserves. Their activating through taxation and/or retrofitting might be an important alternative to new housing construction in improving the housing situation in certain countries.

EUROSTAT (2024) data show that in the EU in 2023 a third of the population lived in under-occupied homes, i.e. in too large units for the needs of the household living in it. The classic cause of under-occupation is older individuals or couples remaining in their home after their children have grown up and left. In 2023, the highest shares of under-occupied homes were recorded in Cyprus (71.3%), Malta (69.2%) and Ireland (66.0%) – the latter is one of the countries which recently announced a huge new housing construction programme.

In my [2018 New Year's card](#) I was dealing with housing financialisation. As a response to my photo-essay I have got the following remark from one of my Dutch friends, Peter Nientied: „Some people who rent a house from a housing corporation, put their apartment on AirBnB and live with friends or outside the city themselves. AirBnB promotes 'people's capitalism'. But it is more – some investors buy a block of apartments, and put all apartments on AirBnB.”

What is the message of the above listed problems (vacancies, under-used properties, housing not used for housing purposes) for our thinking on the housing affordability problem, to find solutions as alternatives to mass housing construction?

In fact, there are many alternatives existing to new housing construction, which aim to increase the efficiency and the affordability of the housing system.

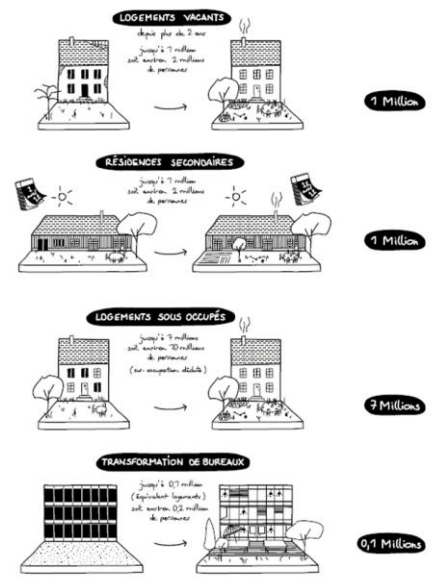
On the one hand other types of physical interventions than new construction are possible, concentrating on the existing housing stock: densification of buildings (see the Israeli chart below), and changing the current use of buildings (see the chart of Philippe Bihouix below).

TAMA 38 is an innovative program for upgrading, strengthening and densifying existing housing in Israeli cities. Local governments are entitled to provide additional building rights to apartment owners in multi-family buildings, who sign an agreement with a developer to update their old residences and add new apartments (and residents), while adding also an elevator and parking places. (Persov-Carmon, 2015)

Philippe Bihouix is a leading thinker in environmentally conscious development, stating that “To build better, we will have no other choice but to build less” (Bihouix, 2024). In the chart below on the right he shows a calculation how many units could be turned into housing in France and suggests that all these options should be explored before deciding for any large-scale programme to build new housing.



Plate 12: A condominium renovation project under National Outline Plan 38 (Tama 38) in Israel before (left) and after (right) renovation (Source; Hanani, 2015).



On the other hand, as alternative to new construction, regulatory interventions are also possible: mobilizing the reserves for housing (vacant units, under-used houses, housing not used for housing purposes) through taxation and subsidised retrofitting programmes. Furthermore, rethinking of financial subsidies (both on supply and demand side) are also needed to avoid the marketisation of the subsidies.

The Eurocities Mayors Survey (Eurocities, 2025) shows that only a minority of cities has plans of going beyond supply-side solutions and cracking down on speculative real estate practices, or targeting vacant investment properties, to free up more housing for residents.

3. More radical views towards more equal housing systems

Although not dominant recently (yet), there is a growing literature on more radical views, emphasizing that not only affordability problems of the poorer strata of society should be considered but also the over-consumption of the rich and the inequalities in housing consumption in general.

Such views are usually linked to the concerns regarding the over-exploitation of the finite resources of the world. Post-growth and degrowth thinkers argue that after a certain point of wealth, life satisfaction starts to decrease. In their opinion it is necessary to redistribute the existing material goods – for example, a value-based progressive real estate tax would be justified and would also give resources for policies to help the poor, satisfying justice arguments. Beyond sufficiency (referring to what is essential for people’s everyday life) there are also many other concepts and tools under discussion, such as solidary modes of living, limitations of commercial banks to create money through real estate business, strict regulations of real estate markets to avoid land to become subject of speculation (e.g. through leaseholder system), and so on.

Although work is going on regarding the principles and tools of such approaches, decisions depend on politicians. Currently there are little chances that such radical views become a strong movement with concrete manifestations.

4. What is the EU addressing from all these issues?

The EU was from the beginning on very restrained regarding housing which was considered first and foremost as national competence – not least because of the complexity of housing issues and the large variety of situations and regulations across the Member States. Recently, however, as a reaction to the growing problems and increasing political importance of housing, the EU came out first time ever with a position, directly addressing housing issues.

The European Affordable Housing Plan is a new EU-level strategy launched in late 2025 to support Member States in addressing widespread housing unaffordability:

- Designed to increase the supply of affordable, sustainable and quality housing across the EU and support national housing strategies.
- Includes mobilising investment (e.g., €43 billion already committed) and creating a Pan-European Investment Platform with the European Investment Bank to fund projects.
- Focuses on boosting new builds, triggering investment, tackling short-term rentals in stressed areas, and assisting vulnerable groups (students, low-income households, homeless).
- The Commission is also planning revised State aid rules so that countries can support social and affordable housing more easily.

This summary shows that the EU addresses the housing affordability problem mainly from the supply side, helping the Member States in their efforts to build new housing with financial support and removing some legal constraints. The EU is not able and not willing to address the more difficult regulatory and politically delicate issues of housing. It is clear that the EU plan doesn't replace national programmes but provides framework support and coordinated financing.

Epilogue

Under present circumstances it is very good that housing is again becoming the matter of public policy making – this is a big step forward compared to the last two-three decades when the general view was that the market should handle housing problems (except for the poorest population groups). It is now time to rethink again the role of the state and the different levels of the governance system in housing policy. Recently national and local politicians are announcing ambitious new housing policies and programmes, mainly in the context to expand the housing stock with new construction.

As it was shown in this brief essay, however, such strategies can be questioned from many sides. In order to avoid the potential pitfalls, politicians should not forget to consult housing experts, launching open discussions about the ambitious political ideas, before the first large scale housing estates are built up.

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