



HOUSING AFFORDABILITY

Housing affordability in Europe: Long-term implications and lessons for Spain

The European experience shows that rent controls and demand subsidies often produce short-term relief at the cost of long-term distortions. In Spain, structural supply shortages and a weak social housing stock continue to drive rising prices and declining access.

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Abstract [1]: Since the mid-2010s, housing affordability has re-emerged as a central policy challenge across Europe, including in Spain, with rents in large Spanish cities rising by 50–70% in nominal terms between 2015 and 2025. Comparative evidence indicates that widely used policy instruments, such as rent controls and demand-side subsidies, tend to reduce supply or translate into higher prices when housing construction is inelastic, while large-scale social housing models have stabilised markets only under specific institutional and historical conditions that are difficult to

replicate. Spain's structural weakness lies in its historically ownership-focused model and the automatic expiration of protection on subsidised housing, which has left a social rental stock of just 1.5–2% of total housing, far below the EU average. At the same time, homeownership among 30- to 34-year-olds has fallen by more than 20 percentage points since 2002, emphasizing the intergenerational dimension of the problem. Spain's effort to improve housing accessibility, the 2023 Right to Housing Law, follows the European pattern of short-term relief combined with

risks of reduced formal rental supply. The accumulated evidence suggests that sustained affordability ultimately depends on expanding effective supply through more flexible zoning, faster licensing and greater legal certainty for tenants and landlords.

Introduction: Housing as a long-term problem

Housing returned to the center of the European economic and political debate in the second decade of this century. After the collapse of the bubble in 2007-2008, many countries expected prices to normalize. This was not the case. Since the mid-2010s, and with particular virulence after the pandemic, rental and purchase prices have reached historic highs in most European capitals. In Spain, rents in large cities rose by 50-70% in nominal terms between 2015 and 2025, with real increases far outstripping wages, according to data from the Bank of Spain and the INE.

The political response has often been excessively short-term and demand-focused. Governments have deployed rent controls, subsidies for young tenants, purchase vouchers, and emergency housing laws, which in many cases share a worrying characteristic: they produce short-term effects that diverge sharply from their long-term consequences. This article examines comparative evidence on the main housing policies implemented in Europe since 2000, analyzes the Spanish case, and draws lessons for the design of a more effective and sustainable housing policy.

The European landscape: Diversity of models and convergence of problems

The common root: Regulation that reduces private supply

Before examining policy responses, it is important to identify the underlying cause of

the affordability crisis. In the vast majority of European cities with high prices, the common denominator is not financial speculation—as was the case in 2008—but rather a chronic shortage of new housing (Ezquiaga, 2024). This shortage is not accidental: it is the direct result of restrictive urban planning regulations, slow and fragmented licensing processes, excessive heritage protections, and, in many cases, price controls that discourage private rental construction. Any policy that ignores this structural blockage of private supply is surely doomed to failure, regardless of how many subsidies are allocated to demand or how many price controls are imposed.

Rent controls: Apparent relief, documented adverse effects

Second-generation rent controls have experienced a notable resurgence in Europe since 2015. Germany introduced the *Mietpreisbremse* that year; France reintroduced the *encadrement des loyers* in Paris in 2019; Berlin trialed a complete freeze (*Mietendeckel*) between 2020 and 2021, which was declared unconstitutional; Spain passed its Law on the Right to Housing in 2023 with a regime of tensioned areas.

The empirical evidence is now considerably stronger than it was a decade ago. Kholodilin's (2024) review of more than 200 empirical studies concludes that controls generate a wide range of adverse effects. The most relevant finding is the "spillover effect": when only part of the housing stock is regulated, free-market rents tend to rise as a result of the reduction in available supply in the regulated segment. Mense *et al.* (2022) document this mechanism in the German case: the *Mietpreisbremse* reduced rents in affected contracts but generated a robust and statistically significant increase in rents in the free segment. The case of Berlin's *Mietendeckel* is even more instructive: when the Federal Constitutional

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Court overturned the law, prices rebounded immediately, demonstrating that the effect had been purely temporary.

In the long term, Kholodilin and Kohl (2023) analyze data from 16 countries for the period 1910-2016 and find that more restrictive rental market regulations are associated with lower residential investment and less housing construction. Controls are not simply ineffective: they reduce available supply, penalize tenant mobility, encourage fraud, and divert political attention from the reforms that are really needed.

Social housing: The case of Vienna and its limitations

At the opposite end of the spectrum are large-scale social housing models. Vienna is the most cited example: around 50% of the Viennese population lives in subsidized housing. What distinguishes the Viennese model is not only its scale, but also its permanence: the municipal housing stock is not sold or deregulated over time. Friesenecker and Kazepov (2021) document the stabilizing effect that this housing stock has on the Viennese private market as a whole. However, the Viennese model is under increasing strain and is difficult to export. Its conditions—more than a century of political continuity, stable financing through a payroll tax, and a civic culture of high institutional trust—do not exist in other European countries. Moreover, the model itself is now facing problems of “golden handcuffs” (tenants with no incentive to move), use by high-income households, and reduced labor mobility.

The Dutch case illustrates the risks: with the largest proportional stock of social housing in Europe (historically above 30%), in 2015 it had to restrict access due to an EU resolution. The result was “forced residualization,” waiting lists of 8-15 years in Amsterdam, and a rise in the private rental market of more than 65% between 2015 and 2023.

Demand subsidies: Adverse effects

Direct rental subsidies are a widespread instrument in Europe. Their advantage is flexibility; their structural weakness is that, in markets with inelastic supply, they tend to be capitalized in prices. The French *Cour des Comptes* has repeatedly documented that a significant portion of the aid is transferred to landlords in the form of higher rents. A system of demand-side subsidies in a market with inelastic supply is, in part, equivalent to a transfer of public resources to the landlord sector.

The Spanish case: From a culture of ownership to a generation of renters

The roots of the model

To understand housing policies in 21st-century Spain, it is essential to understand the specificity of the inherited model. Spain did not build a significant social rental housing stock in the post-war decades. The Franco regime actively promoted private ownership, and this orientation was maintained during the Transition and in the successive democratic decades. The central instrument was Officially Protected Housing (VPO in its Spanish initials): subsidized and mainly intended for purchase, but with temporary protection.

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After a period of between 10 and 30 years, VPOs are automatically incorporated into the free market. This unique mechanism means that the protected stock is consumed as it is created. The cumulative result is that in 2025 Spain had a social rental housing stock of only 1.5-2% of the total housing stock, compared to an EU-27 average of 10.5%. Spain has invested decades of public resources in a system that, far from creating a permanent stock of affordable housing, feeds the free market with housing that is automatically disqualified.

The tenant generation

One of the most significant and least discussed consequences of Spanish housing policies over the last quarter-century is their intergenerational distributional impact. Salas-Rojo (2024) documents a major structural change: the home ownership rate among 30- to 34-year-olds has fallen by more than 20 percentage points between 2002 and 2022. At the same time, the proportion of households over the age of 70 with a second home grew from 30% to 50% over the same period. In 2022, 65.9% of young people aged 18 to 34 still lived in the family home, compared to 53% in 2008. This phenomenon has economic consequences beyond equity: it delays the formation of households, reduces geographic and labor mobility, concentrates housing risk in the private rental market, and generates political pressure on instruments—price controls, rent subsidies—whose long-term effectiveness is limited (see Torres, 2022 and 2023; and González Simón, 2025).

The Right to Housing Act (2023): An initial assessment

Law 12/2023 was created to try to address accessibility issues but has been controversial. Its most debated provisions are the regime for areas with a strained residential market and the extension of tenants' rights. Two years after its entry into force, the assessment is that the law has had an asymmetrical and generally negative impact on the territory. The most significant systemic risk is that it replicates the pattern already documented elsewhere: apparent short-term relief for some existing tenants, a real reduction in the formal rental supply, upward pressure on unregulated segments, and a shift in investment towards

other uses such as sale, tourist rentals, or vacant housing.

The study by Pérez García (2025) on Catalonia, which already had previous regional regulation, finds that regulation is associated with a reduction in price growth only in the short term, but also with a significant drop in the number of formal rental contracts. Furthermore, the law does not address the underlying problem at all: the shortage of housing. It does not simplify licensing, free up land, reduce administrative barriers, or offer legal certainty to developers. Without a parallel and sustained expansion of supply, price regulation will not solve anything: it will simply redistribute the shortage in a more opaque way.

Lessons from comparative evidence

The mistake of short-termism

Perhaps the most general lesson that emerges from the literature is that the long-term effects of housing policies systematically diverge from their short-term effects, and often run counter to the intended ones. Demand subsidies improve individual beneficiaries' access in the short term, but they are capitalized into prices and are fiscally unsustainable without a corresponding increase in supply. Rent controls ease the burden on current tenants, but reduce the supply available to future tenants. Any intervention that makes a good cheaper without increasing its supply creates scarcity at some point in the chain.

The Spanish structural flaw: Automatic vulnerability

Spain needs a thorough review of the VPO paradigm. Paradoxically, the more VPO is built, the more the permanent affordable housing deficit increases, because automatic disprotection exceeds new production. The lesson from the Viennese model is not that Spain should replicate it—which would probably not be feasible—but that any affordable housing model requires a housing stock that does not disappear over time. That stock does not have to be public: the experience of Japan, Switzerland, and the Netherlands shows that it is possible to keep

prices down by combining agile regulation, fast licensing processes, flexible zoning, and competitive private markets.

Tourist housing: An overblown debate

One of the most heated—and possibly most exaggerated—debates is that of tourist accommodation. The available evidence suggests that this phenomenon acts as an amplifying factor in certain very specific neighborhoods or cities, but it can hardly explain on its own a shortage problem that affects virtually all large European urban areas. From an economic point of view, taxing the activity through additional tourist taxes has limited effects on the permanent residential supply: in markets with high tourist demand, these costs tend to be passed on to prices or marginally reduce activity without freeing up significant stock for traditional rental. If the objective is to protect the residential stock, the most effective tools are not fiscal but regulatory: limiting the granting of new licenses, reviewing existing ones, and redefining urban planning criteria that distinguish between residential and economic land use. Without a substantial increase in total supply, focusing the debate on tourist housing runs the risk of becoming a convenient substitute for more structural reforms.

The generally ignored alternative: Freeing up private supply

The Spanish debate on housing suffers from a persistent bias toward regulatory and redistributive intervention and an almost total absence of discussion on how to increase supply. There is no discussion of why so few new homes are being built, why licensing processes take years, why developable land is so scarce in large cities, or why a developer who wants to build affordable rentals faces a regulatory maze that makes the project unviable. International experience shows

that countries that have managed to contain housing prices without resorting to massive social housing projects have done so through three complementary instruments: flexible zoning that allows for densification and changes in use in response to demand; fast and predictable administrative processes for building permits and changes in use; and legal certainty for landlords and tenants that encourages long and stable contracts. None of these three elements is present in Spain. While the public debate focuses on expropriating empty flats or capping rents, Spanish cities continue to have urban planning regulations from the 1970s, licensing processes that take two years, and a legal framework for renting that changes with each legislative session.

The extended version of this research includes a detailed comparative table (Table 3) with specific lessons for Spanish policy (https://www.funcas.es/documentos_trabajo/politicas-de-vivienda-en-europa-efectos-a-largo-plazo-y-lecciones-para-espana/).

Conclusions

The empirical evidence accumulated on European housing policies in the 21st century allows us to draw conclusions that transcend the ideological controversies in which this debate often becomes entrenched:

The first is that the long-term effects of housing policies are systematically different—and often opposite—to their short-term effects. This means that the political evaluation of these measures, which tends to focus on immediate effects, is structurally biased towards overvaluing instruments that provide temporary relief at the cost of exacerbating the underlying problem.

The second is that the only factor common to all housing markets that have managed to

“ Countries that have contained housing prices without large-scale social housing programmes have relied on flexible zoning, faster permitting, and legal certainty in rental markets. ”

contain prices since the financial crisis, and in the long term, is the relative abundance of supply. Spain has failed on both fronts: it has no significant social housing stock and does not facilitate private sector construction on the necessary scale.

The third is that the Spanish case is particularly worrying. A historical model based on subsidized home ownership with temporary protection has, after significant public investment over decades, left a social rental housing stock of barely 2% of the total.

Spain now has an advantage it did not have in 2008: it knows where the problem lies. Quite simply, there is a shortage of housing in cities where there are jobs. Solving this problem does not require inventing complex institutional models or importing solutions from other countries with very different histories. It requires something much more prosaic: freeing up land, speeding up licensing, providing legal certainty, and letting construction happen. Without supply, no housing policy will work. With sufficient supply, many of the interventions currently under discussion would no longer be necessary.

Notes

[1] This article is an abridged version of a more extensive study by the same author for Funcas: https://www.funcas.es/documentos_trabajo/politicas-de-vivienda-en-europa-efectos-a-largo-plazo-y-lecciones-para-espana/. The full version includes detailed comparative tables showing the types of housing policy instruments, a chronology of Spanish policies, and a comparative empirical evaluation.

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