



POSITION PAPER

# RICS Position on the Future of Affordable Housing in Europe

Recommendations for delivering affordable and sustainable homes



# Position Paper on the Future of Affordable Housing in Europe

RICS (the Royal Institution of Chartered Surveyors) is the leading global organisation for professionals in property, land, construction and related sustainability issues. As part of our role, we help to set, maintain and regulate standards, as well as providing impartial advice to governments and policymakers.

To ensure that our members can provide the quality of advice and level of integrity required by the market, RICS qualifications are only awarded to individuals who meet the most rigorous requirements for both education and experience and who are prepared to maintain high standards in the public interest.

## Introduction

Housing plays a key role not only as an asset class but as a critical factor shaping economies, societies and wellbeing. The housing market is shaped by many factors including price dynamics, geographical, demography, climate conditions, price fluctuation and is filled complexities and challenges, particularly in regions where supply fails to meet growing demand leading to an inefficient allocation of housing where many people are forced into living situations that do not meet their needs.

A key part of the housing problem lies in the quality and distribution of existing housing stock. In many regions, much of the available housing is old and of low quality, while newer developments are often concentrated in limited areas or priced beyond the reach of average households. Additional pressures arise from the high cost of construction and land, the cyclical nature of lending and credit markets, and the low diversification of housing types, which varies across countries. Together, these factors exacerbate inequalities and constrain access to suitable, affordable housing for growing populations.

The nature of occupancy, rented, owned, varies from country to country in Europe. In 2023, 69% of the population living in EU households, owned their home, while the remaining 31% lived in rented housing. In all EU countries, except Germany, owning was more common. In Germany, renting was somewhat more usual with 52% of the population being tenants. Austria (46%) and

Denmark (40%) followed<sup>1</sup>. To add another layer of difficulty, the housing market currently lacks a unified approach between social and climate objectives, which risk leaving people in difficulty, and lowering the quality of home. In 2023, 8.8% of the EU population spent 40% or more of their household disposable income on housing. The highest rates were in Greece (28.5%), Denmark (15.4%), the lowest in Cyprus (2.6%) and Slovenia (3.7%). In 2023, 91.2% of people not at risk of poverty were satisfied with their homes, compared with 83.7% of at-risk-of-poverty people<sup>2</sup>.

At the same time, the climate crisis demands urgent and systematic action to ensure that neither of the two is left on their own. Addressing this problem requires a holistic approach, increasingly recognizing the importance of bringing together public and private entities through more flexible urban planning regulations, streamlined public and private financial blending, and thus more effective public-private partnerships, especially for hydraulic projects that benefit everyone.

RICS professionals across the construction and real estate sector, approach the European housing challenge with a focus on societal benefit, long-term sustainability, and efficient use of existing resources. This paper has been developed with support of more than 20 members across Europe working in many different sectors to showcase how the solution to the housing crisis is not only in new, higher quality construction, but also reusing and repurposing existing stock. The affordable housing plan, whilst a driver for economic growth, must take into consideration both environmental and social aspects that serve people and places.

## Our Recommendations:

### 1. Definitions:

Differences in how key terms are understood, such as “affordable housing” or “housing need”, lead to inconsistent data, uneven implementation, and limited comparability across countries. By establishing consistent and shared definitions, policymakers can ensure that recommendations are applied consistently, outcomes are measured reliably and are comparable across Member States.

Therefore, we recommend:

1. Develop a **European housing data observatory** under the EU Building Stock Observatory to gather information on tenure (ownership vs. rental), affordability levels, types of housing, demographic needs and renovation rates. Having comprehensive and comparable data is

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<sup>1</sup> Housing in Europe – 2024 edition - Interactive publications - Eurostat

<sup>2</sup> Housing in Europe – 2024 edition - Interactive publications - Eurostat

essential to design effective strategies, guide investment decisions, and ensure that actions at the national, regional, and local levels are based on real needs.

2. **Establishing clear definitions and parameters:** affordable housing and social housing are often used interchangeably, yet they are two different markets.
  - Social housing: publicly owned or backed, with rents tied to vulnerable groups and long-term leases, often accompanied by political difficulties around enforcement (e.g. rent delinquency).
  - Affordable housing: usually targeted at middle-income households, often linked to developer obligations or subsidy schemes.
  - New housing forms, such as co-living, micro-living, and student housing, further complicate the picture. In some cases, developers use regulatory loopholes (e.g. in Poland, private student housing must meet hotel regulations, including extra staircases) because clear definitions don't exist.
3. Definition should be developed using a European framework of definitions for affordable housing, while **allowing for local adaptation and linked to public policy criteria**. Affordability should be measured relatively, based on household income, rather than using absolute thresholds (e.g. what is “affordable” in Norway is not the same in Portugal). A universal framework with local flavour would help create a common language for investment and policy without ignoring context. Debate between European-wide definitions vs. localised frameworks (income levels, climate, market conditions).

## 2. Standards

The International Cost Management Standard (ICMS)<sup>3</sup> and the RICS Whole Life Carbon Assessment (WLCA)<sup>4</sup> provide essential standards for consistent and transparent evaluation of construction costs and energy and carbon performance. ICMS supports comparability of project life cycle costs across markets, enabling policymakers and developers to assess value for money and promote accountability. Meanwhile, the WLCA framework offers a structured approach to measuring energy use and carbon emissions throughout a building's life cycle, from material production to end-of-life. Aligning these two standards enhances the ability to balance economic and environmental objectives in housing delivery.

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<sup>3</sup> International Cost Management Standard | International standards and data for a global construction industry

<sup>4</sup> Whole life carbon assessment (WLCA) for the built environment

Complementing these frameworks, the International Property Measurement Standards (IPMS)<sup>5</sup> provide a consistent methodology for measuring floor areas and property sizes, ensuring comparability of housing units and supporting accurate assessment of supply, quality, and usability.

Reliable, transparent valuation is critical to mobilising capital for affordable housing. RICS Global Valuation Standards<sup>6</sup> (also known as the “Red Book”) could provide internationally recognised guidance on property and land valuation which would help in promoting consistency and accountability.

RICS is committed to developing globally recognised standards for assessing housing quality and safety. For example, the RICS Home Survey Standard<sup>7</sup>, developed in the UK, provides a benchmark that is increasingly referenced internationally.

Therefore, we recommend:

1. **Adopting ICMS and WLCA** as complementary frameworks within national housing and infrastructure strategies. Embedding these standards in procurement, planning, and reporting processes would improve data consistency, support carbon reduction targets, and strengthen evidence-based investment decisions across the housing sector.
2. Promoting adoption of internationally recognized standards such as the **RICS Global Valuation Standards** to provide the foundation of trust and consistency, turning it from a fragmented challenge into an investable, scalable opportunity.

### 3. Financing and Investment Mechanisms

Financing remains one of the most significant barriers to delivering affordable housing. Across Europe, both public and private actors face constraints that limit investment capacity and create uncertainty. Developers often struggle with limited access to capital and long project timelines, while investors face risks linked to regulatory instability and low, long-term returns. Public authorities, in turn, operate under fiscal pressures and limited borrowing capacity. Addressing these challenges requires a stable, multi-level financial framework that combines predictability,

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<sup>5</sup> The Standard | International Property Measurement Standards (IPMS)

<sup>6</sup> RICS Valuation - Global Standards Red Book

<sup>7</sup> RICS Home survey standard

innovation, and alignment with broader social and environmental goals. A coherent approach, linking EU-backed subsidy schemes, green finance instruments, and risk-sharing mechanisms, can help mobilize capital and improve affordability. It is also important to fit finance type for the needs. Today, the decision on the type of product (house for sale, house to let etc.) is made by the developer and often there is no incentive to serve the societal needs.

Therefore, we recommend:

1. **Establish a stable subsidy scheme**, to reduce uncertainty, suggesting a long-term EU framework. Such predictability would help developers and financiers plan projects with confidence and reduce uncertainty. This could also incentives developers to build more rental buildings, or to renovate the existing stock.
2. **Expand green financing instruments**, such as loans and bonds, to align environmental and social goals at EU level to support retrofitting and renovations, lowering long-term maintenance costs while improving sustainability. The Energy Efficient Mortgage (EEM)<sup>8</sup> Label provides a practical example of such an instrument, offering transparent financing for energy-efficient buildings and supporting the EU's sustainability and social objectives.
3. **Introduce risk-sharing mechanisms, tax incentives, and predictable exit pathways** to encourage private sector investment in rental-based affordable housing models.
4. **Reinforce legal obligations for developers to allocate a proportion of units as affordable housing**, ensuring that housing reaches vulnerable populations as well as middle-income groups.
5. **Offer long-term, low-cost loans to reduce financial barriers** for developers and public authorities delivering affordable housing.
6. **Create incentives for private-public partnerships** to encourage collaboration between developers and public schemes and increase the delivery of social housing.
7. **Fund social management of housing with public funds** or with funds derived from portions of the rent generated. Social management is crucial to minimizing conflicts and, above all, delinquencies, which subsequently lead to the unsustainability of mortgages granted by public entities and, above all, the creation of ghettos that generate further social inequalities.
8. **Build an integrated system at the regional/intermediate level where both grants and debt financing** (e.g., EIB and CEB) can reach local municipalities or banks with concessional rates and without additional interest charges.

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<sup>8</sup> EEM Label

In addition to supporting developers, the EU should explore measures that make home ownership more accessible for consumers. This could include encouraging easier-to-secure mortgage options, such as 95% loan-to-value mortgages, and introducing first-time buyer schemes.

#### 4. Sustainability and Innovation

Delivering housing that is both affordable and sustainable is a central policy challenge. Retrofitting and repurposing existing buildings can offer solutions, though experience shows that converting offices into housing often produces medium-to high-end units rather than affordable homes, due to high complexity and cost.

For example, Brussels offers a great example of this, having transformed over 1.5 million m<sup>2</sup> of office space into housing in the past 25 years. While successful for medium- to high-end housing, this approach has rarely produced affordable units due to the complexity and cost of conversions (new water lines, compliance upgrades, etc.). Only 3–4 projects out of hundreds resulted in affordable housing. While the principle of reconversion has not yet become a major source of affordable housing, mainly due to higher costs, there is significant potential for its future contribution. Further efforts, such as developing comprehensive inventories, practical guides, and clear guidelines, could support and scale up these transformation processes, helping reconversion and adaptive reuse become more effective tools for affordable housing in the future. Therefore, emphasis should be placed on innovation in housing typologies, construction methods, and regulatory adaptation to enable affordable and sustainable housing simultaneously:

- **Micro-living and co-living** models can offer affordability, but scaling them remains difficult, and regulations are often outdated or restrictive.
- **Modular construction and prefabrication** (using timber, CLT, and other modern methods) offer potential for reducing costs but require renewed acceptance after failed experiments in the 1970s–80s.
- **Architectural innovation** (smaller units, shared facilities) can address affordability, provided regulations adapt to allow flexibility.

Balancing new construction and existing stock is essential for delivering affordable and sustainable housing. For new construction, the main cost drivers are land acquisition and

building costs, meaning that solutions must focus on efficient land use, streamlined permitting processes, and modern construction methods such as modular or prefabricated housing.

**Modern Methods of Construction (MMC)** has been seen as an innovative solution to new housing delivery, but many MMC developers and manufacturers have struggled to establish themselves in the market or closed. High set-up costs and logistics of storage and delivery, while beneficial for delivery, require a large volume of orders to become financially viable – which in turn, relies on having a strong pipeline of approved applications.

Optimizing these factors can reduce upfront costs and improve speed of delivery<sup>9</sup>, while ensuring energy efficiency, low energy costs, and long-term sustainability. However, in most of the Europe's housing stock, estimated at 85%, is already built, and retrofitting or upgrading these buildings is necessary to meet both affordability and climate goals. While investment in renovation inevitably raises costs, targeted subsidies, and incentives can balance these expenses, ensuring homes are both affordable to occupy and environmentally responsible. Retrofitting and adaptive reuse also offer the opportunity to preserve cultural and architectural heritage, reduce embodied carbon compared to new builds, and make better use of underutilized urban space, particularly in post-Covid contexts where office vacancies have increased.

Therefore, we recommend:

1. **Combine affordability with sustainability goals** by linking financial support and incentives to green building requirements, ensuring homes are affordable to buy and to run.
2. **Prioritize renovation and adaptive reuse of existing stock**, including vacant office buildings, while recognizing risks such as substandard units or overcrowding, and ensure professional oversight and resident well-being are maintained.
3. Promote **innovative housing typologies**, such as micro-living, co-living, modular construction, and prefabrication using timber, CLT, or other low-carbon materials, while updating regulations, zoning, and building codes to allow flexibility. Micro-living should meet minimum design standards, including adequate spacing and lighting requirements, to ensure liveability and comfort.

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<sup>9</sup> Similar approaches are already being implemented in the healthcare sector through [Sustainable Hospital - building a better future](#) which streamline design and construction to lower costs and enhance long-term outcomes.

4. **Balance new construction and retrofitting strategies**, new construction should optimize land use and construction efficiency, whereas existing stock retrofits require subsidies or incentives to maintain affordability and sustainability.
5. **Promoting the reconversion of obsolete buildings** (offices and other functions) into affordable housing and occupation of vacant buildings, as part of a broader effort to optimize the existing built stock, supported by developing comprehensive inventories, practical guides, and clear guidelines, could help make reconversion and adaptive reuse more effective tools for affordable housing in the future.
6. **Reduce construction waste and lower whole-life carbon (WLC)** by supporting material reuse, design for disassembly, and policies shifting from demolition to regeneration.
7. **Lower energy bills**, at building level, energy renovations can lower energy demand by up to 80% and improved living conditions for European households.

## 5. Regulatory Environment and Permitting

Across Europe, planning and permitting delays are consistently cited as a major barrier to delivering affordable housing. In Germany, developers report that even after securing permits, projects can be halted if environmental issues arise, such as the discovery of protected species, creating unpredictability that increases costs and discourages investment. Similar challenges occur elsewhere, including understaffed public administrations and shifting national regulations that slow zoning and approval processes. These delays not only increase financial risk for developers but also reduce the overall pace of housing delivery.

Trapped properties, such as many homes in Greece, cannot legally enter the market due to outdated planning or legal issues, though ongoing reforms aim to resolve these constraints. Hungary offers a positive example, with expedited permitting, reduced VAT, and simplified zoning changes for developments meeting affordability thresholds, although these measures primarily benefit ownership rather than rental models. Overall, inefficient permitting systems and rigid planning rules hinder housing solutions, limit the reuse of vacant buildings, and exacerbate affordability pressures, highlighting the need for coordinated reforms across public administrations.

Therefore, we recommend:

1. **Streamline planning processes** that still uphold environmental and community safeguards.
2. **Implement fast-track permitting processes** for projects that meet affordability criteria to reduce risk, lower carrying costs, and encourage private investment.
3. **Simplify and standardize approval steps** across all relevant authorities, improve staffing and digitalization of planning offices, and provide clear guidance to developers to reduce uncertainty and delays.
4. Introduce mechanisms to **allow conversion of underutilized or vacant buildings into housing more easily**, particularly for affordable rental units, while ensuring compliance with environmental and heritage protections.
5. **Use public land strategically** to support affordable housing development, prioritizing parcels that can be rapidly brought to market and linking land allocation to affordability requirements.
6. **Encourage balanced policies that support both ownership and rental models**, ensuring fast-track or incentive schemes do not disproportionately favour one tenure over the other.
7. **Define social housing as an urban planning standard** and then deregulate it by removing the burdens and standards to be implemented or paid to public entities.
8. **Form of public support for initiatives with subsidized financing**, if the margins resulting from the development of social housing combined with free-market housing are insufficient, with limits on its use and intended only for public housing for permanent rental.
9. **Develop joint-up approach to infrastructure investment** with an emphasis on the need to integrate housing, transport, energy and digital infrastructure to ensure that decisions are future-proof and centered around community needs. A holistic perspective is key to delivering sustainable growth and resilience in this area.

## 6. Labour Force and Skills

Labour shortages in the construction sector were identified as a critical challenge. Both skilled and unskilled labour are in short supply, raising costs and slowing delivery. An EU-level retraining programmes, as well as harmonised standards for vocational education, could create a more mobile and flexible workforce. Without addressing the labour gap, even innovative financing and permitting reforms will not translate into faster or cheaper delivery.

Therefore, we recommend:

1. Implement **EU-wide retraining programmes** to upskill workers in construction and retrofit
2. **Recognise foreign qualifications** to allow skilled migration into the construction sector.
3. **Develop harmonised EU-level standards for vocational training** to address shortages of both skilled and unskilled labour and improve workforce mobility.

## 7. Market Pressures and Speculation

Across Europe, several market pressures and speculative behaviours reduce housing affordability and limit access for first-time buyers and lower-income households. Speculative buying and flipping, where investors purchase units off-plan and resell them before completion for higher prices, drives up costs in many countries. Short-term rentals reduce the long-term rental supply in urban centres, while underutilised or vacant properties prevent homes from reaching the market. Key examples include:

- Greece (Golden Visa): Initially pushed up property prices in popular areas, prompting adjustments such as raising minimum investment thresholds and banning Golden Visa homes from short-term rentals.
- Vienna (Rent Caps): Maintain long-term affordability but can limit investment in climate upgrades, particularly in older gas-heated buildings.
- Poland (Mortgage Costs): High interest rates restrict young people's access to housing, with proposals to replace WIBOR and require banks to offer more affordable loans.

These cases illustrate how different market distortions, speculative investment, short-term rentals, rent caps, and financial barriers, interact to constrain housing affordability.

Therefore, we recommend:

1. **Use targeted mortgage schemes**, like "Spiti Mou," to improve access for first-time buyers, particularly young people.
2. **Regulate or tax short-term rental platforms**, such as Airbnb, to protect long-term rental supply in urban areas.
3. **Adjust mortgage regulations and interest rate frameworks**, as in Poland, to ensure banks offer more affordable loans to expand access to housing.

4. **Introduce a property tax** that increases and is scaled according to the length of time an apartment remains vacant. Conversely, create incentives to help owners (especially older ones) renovate their homes and reintroduce them to the rental market.
5. Recognise that each market distortion requires **distinct policy measures** to avoid conflating issues and designing ineffective interventions.

## 8. Land, Construction Costs, and Supply

Land and construction costs play a central role in determining housing affordability, with the dominant factor varying by context: in some areas, land scarcity drives prices, while in others, construction costs are the main constraint. Municipalities can play a stronger role in managing land availability, using public land strategically to support affordable housing.

Improving efficiency and competitiveness in the construction sector is essential, with modern methods such as prefabrication and modular construction offering potential solutions. Increasing the supply of new market-rate housing may indirectly make existing stock more affordable through the “filtering effect,” though this is a gradual process and does not address immediate demand. For short-term affordability, subsidies and tax incentives remain essential.

Key examples include:

- Greece, Social Antiparochi (Koinoniki Antiparochi): The government allocates state-owned land to developers who are required to build affordable homes for locals. The initiative is still in the early planning stage and has not yet been implemented, but it represents an important policy direction toward expanding affordable housing.
- Poland, Senior Lease Programs: The Polish Parliament is considering bills to help seniors secure housing: one allows municipalities to purchase an apartment from a senior and rent it back to them indefinitely, while another proposes two parallel lease agreements without transferring ownership. Both aim to meet the housing needs of people aged 60+, with rules on lease continuity and subletting to others on waiting lists.

Therefore, we recommend:

1. **Focus on reducing construction costs through prefabrication**, modular construction, and modern architectural solutions, ensuring these methods are applied efficiently and updated from older models.

2. **Increase the supply of market-rate housing** to generate a long-term filtering effect that frees up existing stock for affordable housing.
3. **Maintain subsidies**, tax incentives, or other financial support mechanisms to address immediate affordability needs, bridging the gap between market-rate and affordable construction costs.
4. **Use municipal and state-owned land strategically** to facilitate affordable housing developments, as illustrated by Greece's Social Antiparochi scheme.
5. **Introduce systems similar to the community land trusts** of Northern Europe to separate land from buildings, thus maintaining control of the land and preventing long-term speculation. The community land trust, preferably public, retains ownership of the land.
6. **Implement targeted programs for specific populations**, such as Poland's senior lease initiatives, to meet housing needs while making effective use of existing stock.
7. **Make it easier for municipalities to ensure lands for housing.**
8. **Evaluate the potentials of municipalities close to bigger cities with empty housing.** In some cases, some infrastructural development or change in transportation may help to serve some housing needs with existing RRE.

## Conclusion

Affordable housing in Europe faces a complex set of interrelated challenges, including financing constraints, regulatory barriers, labour shortages, market distortions, sustainability pressures, and high land and construction costs.

Addressing these issues requires a comprehensive, coordinated approach that balances short-term affordability with long-term sustainability.

We remain committed to providing the full support and expertise of the RICS community, particularly regarding economic assessments, financial sustainability, construction cost estimates, and the social and economic impacts of affordable housing in European cities. The need for a pan-European framework for financing social housing in the coming years will be supported by RICS professionals to define the right balance between profit and social housing, in keeping with the ethos that have always characterized our institution.

## Delivering confidence

We are RICS. As a member-led chartered professional body working in the public interest, we uphold the highest technical and ethical standards.

We inspire professionalism, advance knowledge and support our members across global markets to make an effective contribution for the benefit of society. We independently regulate our members in the management of land, real estate, construction and infrastructure. Our work with others supports their professional practice and pioneers a natural and built environment that is sustainable, resilient and inclusive for all.

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