

Housing Advisory Board recommendations to the European Commission

2025

Disclaimer:

These independent policy recommendations do not reflect the views of or bind the European Commission in preparing the European Affordable Housing Plan.

Introduction

The European Housing Advisory Board was established in June 2025 with a one-year mandate to assist the European Commission in producing an Affordable Housing Plan. The Board is made up of fifteen volunteers with various backgrounds in housing research, education, finance, and public provision.

This report is timed to help inform the Affordable Housing Plan that the Commission is due to publish before the end of this year. It should also complement the work being done by the special European Parliament Committee on the Housing Crisis and by the European Council on the same issue. The importance of the Plan can be seen from the fact that some thirteen thousand European citizens have made a submission to the public consultation process.

How we define housing affordability is a complex issue. Different problems and needs arise between and within each country. Local decision making is central to meeting our housing needs, but there are common problems and opportunities where greater European co-ordination, support and guidance can help.

In drafting this report, the board agreed we need a paradigm shift, so that housing is seen as essential social as well as economic infrastructure. That means recognising adequate housing as a foundational pillar that societies depend on, similar to transportation networks, energy grids, or water supply. This perspective requires a shift in how the European Union, governments, planners, builders, and investors understand, prioritise, and support housing.

Adequate housing is essential for wellbeing and human dignity as well as for resilient, competitive and thriving societies. People's needs must be met throughout all stages of life, including the growing needs of ageing populations and those with disabilities who require specialised care settings. We need sufficient housing stock to meet the needs of the most vulnerable and to house the homeless. It is only then by definition that we will know that we are able to deliver housing for all. That should be the benchmark for this upcoming generation, who increasingly find themselves locked out from what the previous generation took for granted, the ability to live, work and raise a family in the same neighbourhoods they themselves grew up in.

Getting housing policy right is not simply a numbers game, where success is defined by the number of new units built or what the list price or monthly rent is. We believe in the importance of using qualitative as well as quantitative measures to define affordability. Improving the character of communities and the quality of our homes is just as vital, as it also promotes our health and wellbeing and the effective and inclusive organisation of society.

Sustainable densification of our towns and cities can be achieved by re-activation of under-used spaces and the renovation and reuse of existing buildings, so we do not just rely on building out

new developments, especially if they add to urban sprawl. The regeneration and densification of existing neighbourhoods is the best way of improving our housing supply and making the most of other existing public infrastructure. Access to affordable, well-located housing should enable people to live, work and raise a family, while living close to education and work opportunities, which enables labour mobility and also helps employers attract and retain a stable workforce.

While we recommend to increase the supply of housing by improving the use of the existing buildings, it is clear there will still be the need for large scale new home construction, especially in our cities, to close both the affordability and supply gap. This will require increased investment in both new social and private housing developments, which should now be complemented by a major expansion in ‘Cost Rental’ affordable housing projects.

This is a housing model which has been in place in some countries for many decades, but which is only now being rolled out in other countries, often in conjunction with support from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and Council of Europe Development Bank (CEB). It should have a major role in addressing the affordable housing crisis because rents are set to cover the actual costs of providing and maintaining the housing, rather than generating a market-rate or speculative profit.

Delivery of the green transition can help us fulfil these affordable housing goals. The retrofitting of buildings for greater energy efficiency, the advancement of sustainable transport solutions, the greening of residential areas and the promotion of circularity in waste and water management systems are all complementary and not in competition with the resources we need to provide for new construction. These activities will improve the quality of our lives, enhance the long-term value of our homes, and reduce the everyday running costs of living within them.

We especially need to improve public transport and communications links in rural areas so people across regions can access jobs, services, and opportunities. One of the contradictions we are seeing is that while housing is becoming increasingly unaffordable in certain urban areas, at the same time some rural communities are suffering from depopulation and very low house prices. We must look for solutions that enhance the relevance and attractiveness of living outside the cities to decrease the demand pressure on the urban housing markets.

One of the best ways of developing our rural economy will be the expansion of a new modern construction industry, which is ideally suited to rural locations, where affordable housing, renewable power, water supply and raw materials are more readily available. Fabricating building components off site and installing them in a modular fashion is one of the best ways of reducing construction costs and improving the quality of new and renovated buildings. The concept is increasingly proven across Europe, but the demand levels for such new technologies now need to be scaled up if we are to get the real productivity gains that are possible. This new industry should be central to Europe’s industrial and competitiveness strategy as well as our training and labour market initiatives.

The creation of a public housing savings fund could help raise the necessary finance along with housing bonds, where interest rates are kept low by the State and the Europe Union, helping to reduce the risk of default or failed developments. We need to move away from a short term ‘financialisation’ model where housing is seen as a speculative investment attracting capital gains, to a financing model which thinks in a fifty-year time frame at least.

There are 75 recommendations set out in this report. These have come from the working groups that were established by the advisory board to consider six questions about the housing crisis. The response to each question makes up the body of this short report and are preceded by a short introductory chapter, outlining some of the main characteristics of the affordable housing crisis.

The greater the political consensus behind the direction we are taking, and the sooner we start implementing the recommendations, the easier it will be to raise the necessary funding and improve the understanding and regulation of where we go from here.

Such a consensus could start with the involvement of citizens and local communities in finding solutions and is needed in local and national government as well as at the European Level. The draft report from the Special Parliamentary Committee on the Housing Crisis acknowledged this reality when it called for ‘a multi-level governance approach based on tailor-made housing policies, recognising that a ‘one-size-fits-all’ principle has no place in this context, thus respecting the specificities of each EU housing market’. Similarly, President Von Der Leyen said in her State of the Union address in Strasbourg this September ‘it will be a European effort, anchored in local realities.’

Members of the Affordable Housing Advisory Board intend to use the remaining term of their mandate to engage in the ongoing debate at local, national and European level, to try and promote such consensus. We appreciate the engagement we have had with various stakeholders to date and look forward to the wider debate that is likely to take place after the Commission, Parliament and Council progress their own thinking and initiatives.

Summary

The following ten points summarise some of the key messages coming from the work of the Housing Advisory Board:

1. We need a paradigm shift, so housing is seen as essential social as well as economic infrastructure and discourage the ‘financialisation’ of housing, where it is valued as a speculative asset rather than someone’s long term home.
2. We should define ‘affordability’ not just by the upfront cost or rental rates but by measuring lifetime running costs, the quality and energy efficiency of the building and the vibrancy and health of the neighbourhood and local community.
3. Ending homelessness by adopting a ‘housing first’ policy is the best way of guaranteeing we have the supply to meet all our housing needs, especially for the younger generation, the elderly and those with disabilities. Taxing short term rental agreements can help fund this strategy.
4. We shouldn’t just rely on new buildings for more housing supply, particularly if it brings urban sprawl. The focus should first be on the efficient use of existing buildings and on urban regeneration, aware of the need to provide a social mix and avoid displacement in each area.
5. We need to speed up planning processes to help bring down construction costs but not abandon good planning principles and practice, which would only cost us more in the end.
6. Expanding new ‘Cost Rental’ affordable housing solutions is the best way of providing new supply, especially if it brings in large amounts of ‘patient capital’ which accepts a low but predictable, long-term return.
7. We should not abandon the green transition in addressing the housing crisis, because improvements to our buildings, transport systems and local environments will all improve the quality and long-term affordability of our housing systems.
8. Expansion in the demand for new Modern Means of Construction (MMC), using modular, pre-fabricated, and offsite components is the best way of lowering building costs and presents a huge innovation and productivity opportunity for the European manufacturing industries.
9. While housing in some cities is becoming prohibitively expensive, in other – often rural – areas, it is becoming increasingly abandoned and undervalued. We can address that imbalance by investing in infrastructure which helps people to return to rural areas, towns and villages.
10. The lack of common, transparent and timely data on every aspect of our housing system is a real weakness in our policy approach and an area where a new European Housing Platform can play a vital coordinating role.

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What is the current reality in affordable housing across Europe?

The affordability of housing depends on a wide variety of factors.

According to Eurostat data, house prices increased by 55.4% and rents by 26.7% between 2010 and 2024 across the EU, with some Member States experiencing price increases exceeding 200%. These increases far outpace wage growth, with low-income households now in many cases spending nearly 40% of their income on housing costs. Currently there are different definitions for affordability across Europe, and there are States who do not even use this term. The UN definition measures housing as being unaffordable when it requires more than a quarter of net household revenue to cover mortgage or rental payments.

However, family needs and living costs differ. Affordability should be about more than access to housing. Therefore, income cannot be the only criteria. The definition should also contain criteria such as security of tenure, affordability of transportation and public services, suitability, avoiding overcrowding, lowering living costs, paying bills, improving energy efficiency and providing access to green spaces and infrastructure for children.

The financialisation of housing is undermining the public good.

The rise of real estate investment trusts, mortgage securitisation, and global investors has transformed housing from a social good into a profit-driven asset, particularly in major cities and popular tourist areas.

Such an investment lead approach can weaken the link between house prices and local wage growth, whereby house prices rise independently of local economic fundamentals, creating structural imbalances that fuel social exclusion and expose households to severe risks.

While individual speculative purchases contribute to market pressure, systemic problems arise where developers and investment funds leave housing vacant, prioritising capital appreciation over occupancy. The real income is not from rent but rather from buying and selling over time and the purpose of doing this is to keep one's savings safe. This leads to housing units that are not occupied but also not available for renting or buying, lowering supply.

Gentrification presents real challenges for some urban areas.

The extent and exact form differ, but gentrification is a challenge for many urban areas, leading to high pressure on the housing market, increased prices and increased competition. While gentrification can have positive consequences, in particular in its early stages – such as regeneration and increased tax revenues, that can benefit the city as a whole – major challenges arise as gentrification intensifies.

Urban projects aiming at improving the quality of cities often fail to consider the social costs of the urban poor that will not be able to pay the rent. Often these projects lead to evictions, renovations, displacements and relocation, resulting in segregation. Gentrification prevents the urban poor from benefiting from the improvement of the urban infrastructures, pushing them out of the cities or towards unsuitable, overcrowded and unaffordable housing situations and even homelessness.

While urban regeneration is necessary to ensure that cities and neighbourhoods do not become dilapidated, measures are needed to ensure the continued availability of units for those with limited means and options in the housing market, including protection against displacement. Such displacement is increasingly providing a challenge for keyworkers and the middle-classes in being able to afford decent housing, particularly in major cities. However, this should not remove the focus from those with the most limited means, including those who are homeless, not least due to the major consequences for children of growing up in unstable housing situations.

Younger generations are being disadvantaged by the housing crisis.

Intergenerational inequality is growing in many areas, where wealth is increasing for older generations already on the housing market, while younger generations face severe barriers in getting access to their own home. Nearly half of Europeans aged 18-34 still live with their parents, often not by choice but due to affordability constraints. Young people living independently face housing affordability stress at twice the rate of older cohorts. For young people on median wages entering urban housing markets, certain areas have no units that could be considered affordable.

Intergenerational inequality can also become an increased class inequality between those whose parents are able to assist in gaining access to the housing market and those whose parents cannot as they do not have the financial capacity to provide similar support.

The quality of housing depends on the neighbourhood it belongs to.

Increasing the number of affordable housing units is often discussed without considering the larger context of the neighbourhood that these units are part of. It is essential to broaden the discussion on affordability to include local services and amenities, green spaces, sporting and children's facilities, as well as ensuring that everyone feels at home, safe and welcome in their own local community.

Being able to afford the home should also mean being able to afford the prices of services and amenities in the area. Regeneration of areas needs to be well planned and include improvement of the space between buildings to ensure the whole neighbourhood improves at the same time and the whole community benefits.

The quality of a neighbourhood is dependent on the nature of its public spaces as well as the design of individual buildings. Ensuring the aesthetic quality of both can be key to providing spatial integrity in the regeneration of existing areas and is our collective responsibility, fundamental to creating well-designed and healthy communities.

Solutions must go beyond building new housing units

While there is a lack of affordable housing in Europe which will require new construction, it is essential that this is not the sole nor the main solution to meeting housing demand. Vacant housing, serving speculative purposes, represents untapped potential for bringing units back into use, to increase existing supply.

The European Investment Bank estimates that housing supply in 2025 will meet only 50% of annual demand for new units, yet simultaneously, significant housing and commercial building stock remains unoccupied and underutilised. District renovation approaches that bring vacant homes back into use will also improve neighbourhood quality and increase housing supply.

There is an urban-rural divide as cities become more expensive, while some rural areas decline.

The affordability challenge is unevenly distributed with major urban areas facing urgent supply shortages while rural areas struggle with depopulation and vacant units. Financialisation diverts investment away from less profitable rural markets where returns are lower, resulting in chronic underinvestment that compounds socio-economic decline and housing stock deterioration. This dual dynamic risks deepening territorial inequalities.

Question 1: How do we meet everyone's housing needs?

1. Start by putting an end to homelessness

The long-term goal should be to establish permanent housing solutions and minimise the need for temporary housing. The European Union has already affirmed a collective ambition to end homelessness by 2030 through the Lisbon Declaration under the European Platform on Combatting Homelessness (EPOCH). It was the first EU policy initiative specifically targeting housing exclusion, committing institutions, Member States and stakeholders to collaborate to end homelessness and to making significant progress towards this goal by 2030. Since its creation was formalised with the signing of the Lisbon Declaration in 2021, EPOCH has gradually been put into operation.

The Platform does not yet have all the resources it needs to achieve its ambitions, but its governance and working methods are already in place. A series of activities have been launched in three distinct areas: evidence, learning and funding. However, much remains to be done to ensure that it becomes a real catalyst in the fight against housing exclusion.

2. Scale up the Housing First (HF) approach

The Housing First approach should be scaled up as the default pathway for people experiencing chronic or recurrent homelessness, reflecting the evidence that immediate access to housing, combined with flexible and person-centred support, yields superior housing retention and health outcomes.

A credible strategy to end homelessness and housing exclusion must be accompanied by a financing plan that covers both capital expenditure and the recurrent operational costs of tenancy sustainment. In the next Multiannual Financial Framework (MFF), at least three percent of ESF+ should be earmarked for homelessness and housing exclusion, with eligibility explicitly extended to operating costs such as case management, accompaniment, and mediation.

EPOCH must be able to rely on effective mobilisation tools. During the 2021-2027 term, cohesion funds could support projects to combat homelessness, but the funds were difficult to access on the ground. The European Commission should set a specific fund, dedicated to combating homelessness and housing exclusion. This fund would be under the auspices of the European Commission and managed by EPOCH to monitor and capitalise projects. This fund could be financed by dedicated resources specifically allocated to combating housing exclusion, drawn from a solidarity contribution from tourist rental platforms.

As part of the pan-European investment platform for affordable and sustainable housing, the Commission, the EIB and other implementing partners should mobilise investments to (re)house home-

less people. These investments must be accompanied by support measures, such as training, technical assistance, and research. The large-scale roll-out of the Housing First model involves a significant transformation of the homeless support sector, requiring major capacity building on the ground.

3. Establish EU comprehensive standards and guidelines in homelessness development projects

Within the pan-European investment platform, a commitment to combating homelessness could take the form of an obligation for housing project developers to include a percentage of very low-cost housing for people in poor housing conditions. This criterion could be considered by the EIB during project evaluation and monitoring phases.

Homelessness covers a range of situations. For some, lack of housing is the main problem and thus, getting access to housing would ‘solve’ their situation. For others, homelessness is linked to other issues such as substance abuse and mental illness. For them, housing is not enough. The Commission, in collaboration with EPOCH partners, should issue practice guidance based on the HF principles describing low-threshold access, trauma informed and gender-responsive modalities, migration-competent services, and robust outcome measurement. Adherence to this guidance should be established as an eligibility criterion for EU co-financing of homelessness-related services to ensure fidelity and comparability.

To guarantee standardised conditions for all people experiencing homelessness, we should develop minimum quality standards for accommodation and support services for homeless people.

4. Integrate homelessness into the social score card

Integration with the European Semester should culminate in the addition of a homelessness indicator to the Social Scoreboard. Country Reports should track Member State roadmaps, no-net-loss compliance for social and public stock, and progress on inclusion thresholds. Where persistent gaps are identified, the Commission should issue targeted guidance and consider linking specific EU funding conditionalities to remedial action plans, developed with national and local authorities.

5. Adopt Member State governance frameworks with regard to Homelessness

The European Commission should propose, and the Council should adopt by 2026, a Recommendation on Homelessness that transforms the Lisbon Declaration into a governance framework at national level and a plan for European-level action to support and monitor progress. Each Member

State would submit a 2030 roadmap with statutory prevention obligations, defined service pathways for specific population groups, including children, care-leavers, survivors of domestic and gender-based violence, and people exiting health, care, or penal institutions. There should be explicit supply commitments linked to local housing strategies. Annual public reporting would ensure transparency and facilitate comparative learning through EPOCH. The recommendation should be tightly coupled with the European Semester so that progress and gaps are reflected in Country Reports and, where appropriate, in Country-Specific recommendations.

6. Take a charge from short-term rentals to help fund homelessness services

EU instruments should be complemented with targeted rent regulation, land-use policies, and tenancy protections. STR data can support enforcement and fair contributions where tourist rentals distort housing markets. Current STR rules rely on self-declaration, creating options to bypass registration. Regulation must become mandatory across all Member States, with platforms held liable for illegal listings. Data collection should cover all platform-based rentals, including medium-term offers. Platforms, which pay little or no tax in Europe, should make a solidarity contribution to combat homelessness and housing exclusion.

7. Social housing provision should be a cornerstone of the Affordable Housing strategy

The share of social housing units, including non-profit, municipal, and public housing, differs substantially across Europe. For some countries, the lack of such housing is a major challenge that decreases the affordable housing units available. However, even in countries where the share of such units is substantial, there is a lack of protection of social housing. The continued construction and protection of existing social housing is essential to create a rent-rise protected rental sector.

According to Protocol 26 of the Treaty on the Functioning of the European Union, affordable and decent housing constitutes a service of general economic interest (SGEI) and should be based on nationally, regionally, or locally entrusted missions. However, current EU State aid rules often constrain Member States' ability to invest adequately in social housing. Reforming the SGEI package and State aid framework is necessary to enable broader, fairer access to public and affordable housing .

There are, however, substantial differences between EU countries in numbers, models and target groups, so policies or strategies need to be locally adaptable. Social housing in its various forms should not be seen as the only way to increase the supply of affordable housing, however it is a significant part of the solution.

8. Strengthen social rental agencies

To mobilise private stock at social rents, an EU framework for Social Rental Agencies could be established. The framework could include examples of tenancy and landlord contracts, quality management protocols, and access to EU-level rent-guarantee/support and light-rehabilitation finance, complemented by targeted capacity building services. This approach reduces vacancy risk for owners, stabilises tenants by providing predictable rents and support, and enables rapid scaling of scattered-site housing suitable for Housing First caseloads. It is not an alternative to public social housing but can be an important complement.

9. Amend State aid rules to help with housing provision

Within the ongoing update process on State aid and Services of General Economic Interest (SGEI), the decision must target housing for households that are unable to find accommodation, including key workers in this situation.

The objective is twofold, to allow municipalities, public, non-profit and cooperative providers, and Social Rental Agencies to serve a broad segment of low- and middle-income households, in line with housing needs and the goals of housing policies, while ring-fencing minimum shares for the most vulnerable to avoid dilution of the social mandate.

Clear entrustment acts, proportional compensation rules, and over-compensation controls would preserve competition neutrality. Where mixed-income models are used, cross-subsidisation should be documented ex ante to ensure that deeply affordable homes are expanded rather than displaced.

Housing produced with State aid must follow strict rules concerning target groups, price levels and durations. Profits shall be limited as part of the surpluses shall be re-invested in housing rather than distributed to investors, with strict limitations on the potential to transfer assets from affordable housing frameworks to free market housing.

Member States should define inclusion thresholds that dedicate a minimum proportion of new supported dwellings to vulnerable and extremely low-income households, calibrated through ex ante impact assessments to avoid concentrated poverty or segregation. These thresholds should be complemented by EU-backed rent guarantee instruments and portable subsidies that de-risk leasing from private owners to municipalities, social providers, and Social Rental Agencies. EU financing should include a long-term ‘no net loss’ condition on social and public stock, reinforced by rights of first refusal or repurchase options for local authorities in the event of disposals or Public Private Partnership (PPP) structures.

10. Define minimum quality standards for decent housing

The Commission should issue clear recommendations on minimum decent housing standards to increase consistency across the Union. The guidance should address habitability, adequate space

and overcrowding thresholds, accessibility for persons with disabilities and older residents, indoor air quality and dampness, and energy performance. Compliance should be a condition for EU support, and national Energy Performance in Buildings Directive (EPBD) renovation plans should explicitly prioritise the worst-performing dwellings occupied by low-income households. Temporary accommodation and shelter should likewise be subject to quality standards, coupled with clear transitions to Housing First or other permanent housing-led solutions.

11. Target certain communities who have difficulty meeting their housing needs

While housing difficulties affect a large proportion of European citizens, certain groups are particularly affected, including young people, exiles, LGBTQI+ people, people belonging to ethnic minorities, people with disabilities, single-parent families and those at risk of poverty.. These groups must receive special attention from institutions and Member States. It should be noted that the risk of exclusion from housing is also linked to precariousness in the employment sector. The European Commission must therefore reiterate the importance of investing in welfare policies and encourage social transfers.

To ensure a clear regulatory framework for housing, an anti-discrimination directive on access to housing should be introduced. This directive would establish a clear framework for Member States and banks to protect households from discrimination in access to the rental market and bank credit. Equality bodies should be resourced to conduct proactive testing in rental markets, and administrative data should be used to monitor outcomes for groups protected under the Racial Equality Directive and under the Directive 2004/113/EC on equal treatment between women and men in the access to and supply of goods and services.

Local authorities must provide decent reception areas close to services as a form of accommodation, in their own right for “travellers” and ‘gypsies’, respecting their way of life and combating all forms of discrimination.

12. Insure minimum protection for tenants

The European Commission should initiate a discussion on minimum standards for the rental market. Rental accommodation should, at a minimum, not pose a threat to the health and safety of tenants (for example, access to daylight) and should provide basic amenities (water, electricity, accessible toilets). Homelessness prevention should be made into a statutory obligation within national legal frameworks. Early warning protocols should mandate data-informed referrals from courts, utility providers, and landlords when rent or energy arrears emerge, enabling mediation, debt advice, and temporary support before a tenancy fails.

Housing counselling and measures to address non-take-up of benefits should be institutionalised, while portable rent subsidies should support geographic mobility and reduce frictional vacancies. For people leaving institutions, guaranteed move-on arrangements, formalised through inter-ministerial agreements, should ensure that discharge directly into homelessness is eliminated.

The Social Climate Fund and the European Social Fund Plus (ESF+) provide immediate financing vehicles for this preventive infrastructure. Eviction safeguards are integral to rights protection. EU guidance should set minimum notice periods, require documented mediation attempts, and oblige the offer of suitable alternative accommodation where children or vulnerable adults are involved. In parallel, Member States should decriminalise rough sleeping and guarantee unconditional access to emergency accommodation in line with human dignity and EPSR commitments.

Renovation-driven evictions should be prohibited in projects benefiting from EU funding, and tenant protection protocols should be required for energy retrofits to prevent displacement during EPBD aligned works.

13. Insure adequate accommodation for those who seek and obtain international protection

Access to adequate accommodation and housing for people who seek and obtain international protection within the EU should be at the heart of reception policies. However, the Pact on Migration and Asylum, which was finally adopted on 14 May 2024, does not address these issues in any way. Large numbers of asylum seekers and refugees are currently living in total destitution or in appalling conditions. The EU and its Member States must ensure that reception conditions are in line with international law.

14. Support people living in informal settlements and slums

A significant proportion of the European population are forced to live in places such as slums, squats, caravans or makeshift shelters, that are unfit for habitation. Often deprived of access to running water, electricity or sanitation systems, these people live in extremely precarious conditions that expose them to serious health risks.

Precarious living conditions complicate both access to healthcare for families and schooling for children. EU funds must be available for both construction of alternative homes, both on sight, if there is the possibility of formalising the informal settlements and elsewhere, if this is not an option. Local authorities should also provide such residents with mid- and long-term social services when they are needed.

15. Guarantee the right to freedom of movement

Freedom of movement is a fundamental right in Europe. However, 20 years after the adoption of the Directive on the freedom of movement, this right is being violated by some Member States, in particular when it comes to mobile workers, who are often in precarious situations and come from Eastern Europe. The destination countries of these workers should include explicit measures to improve housing quality for them in their multi-year housing plans and to include the most vulnerable ones in the public housing policies available for local citizens.

16. Provide proper student accommodation

Member States should consider accommodation and/or rental solutions that allow all students to complete their university studies without the pressure of high rent prices. Student dorms, which are the responsibility of universities, have proved to be an insufficient solution in relation to the need for housing support. Local authorities often benefit from having universities in their communities and could play a supporting role in providing student accommodation. Such public housing for young people built with public money must remain State property and be used for young people who cannot access the free rental market.

17. Protect vulnerable households from energy disconnections

Disconnections for vulnerable customers from energy and water supplies should be prohibited, with arrears-resolution protocols financed through Social Climate Fund and implemented by regulated suppliers under supervision of national regulators.

18. Provide specialised housing for older persons and individuals with specific support needs

Specialised housing solutions, including assisted living for elderly and persons with disabilities, and affordable student accommodation, should be developed as integral parts of inclusive, accessible, and affordable communities, ensuring independence, social participation, and equal access to opportunity across all life stages. Such multi generation models of housing can provide support for people with special needs in mixed communities.

Elderly people become increasingly vulnerable as their independence declines over time, highlighting the need for suitable housing and living conditions. Loneliness, more harmful to health than smoking, is a widespread concern among older adults. Across Europe, concepts for housing, community, and care are continually being developed and improved, informed by experience and ongoing learning. These new models support ageing ‘in the right place’ rather than simply ageing in place. Support for these kinds of elderly and intergenerational living models enhances wellbeing, reduces care costs, and promotes more efficient use of existing housing stock.

Suitable accommodation is essential for enabling people with disabilities to live independently and participate in community life. Without dedicated services, people with disabilities are forced to remain with their families or be referred to specialised medical and social institutions. Access to housing, as well as to emergency accommodation facilities adapted for people with disabilities and elderly people who are losing their independence, must be a priority for Member States. To this end, Member States should grant them specific assistance, produce a minimum number of adapted homes per year, and include home adaptations in renovation assistance.

Question 2. How can our planning system assist with housing development?

19. Housing construction is not helped by deregulating planning, but by improving planning

When housing development operates without effective mechanisms to capture values gained through planning, there are no inherent incentives for developers to sell or rent at affordable prices, regardless of how much housing is produced. Liberalising planning regulations in the hope of increasing construction volumes will therefore not guarantee more affordable housing. Instead, weakening spatial planning can undermine the quality of the built environment and produce neighbourhoods with high long-term costs for public infrastructure and services.

Cities are characterised by high land prices which, exacerbated by speculative pressures, often drive housing development to peri-urban areas. If not managed by effective spatial planning authorities and robust public land value capture instruments, urban sprawl is the result. The costs of this mode of urbanisation are well-recognised: environmental damage, car-dependency, socio-spatial segregation, and inefficient provision of public infrastructure and services. Strong planning institutions can ensure that urbanisation is affordable, by limiting speculative pressures on property prices and preventing socio-spatial segregation.

20. Support fundamental reforms of land governance systems

As a result of diverse historical trajectories, competences and mechanisms for spatial planning, spatial governance and land policy differ between Member States. However, all planning and land policy systems will benefit from improvements to their capacity to proactively use land policy tools to deliver affordable housing in a high-quality built environment.

In some Member States, land use planning, land policy and housing policy are closely integrated. Public authorities and agencies have the competence and capacity to proactively acquire land dedicated to affordable housing development. Spatial plans can explicitly integrate affordable housing objectives into overarching planning aims, with land readjustment mechanisms being used to efficiently parcel land for urban development projects. In such systems, costs are more equally distributed between public authorities and developers. In other Member States, these systems are fragmented, leading to stalled plans, high land costs and planning gain flowing to landowners and for-profit developers. In these cases, public investment in affordable housing is inefficient and ineffective.

The EU should therefore support fundamental reforms to land governance systems in these States. Knowledge sharing, training and capacity for authorities tasked with spatial planning, must be a part of EU coordination mechanisms for housing policy. Such coordination plans should link housing investment and institutional reforms that allow for better planning and value capture.

21. Adopt land value capture policy tools across Europe

When public land value capture policies are limited, the high value of urban land incentivises land speculation. This reduces land affordability and, in turn, obstructs public and other limited-profit housing providers from developing affordable housing projects. This dynamic can be seen across Europe, affecting the ability of governments to ensure land availability for affordable housing. At the same time, a range of mechanisms and instruments have been proven to be effective in international practice to shift the balance. These tools should be widely adopted across Europe in legislation and practice, with the EU assisting Member States in capacity building and policy coordination.

22. Introduce inclusionary zoning mechanisms

Inclusionary zoning allows spatial planning to require privately built housing developments to dedicate a portion of constructed units to affordable housing. Units may be transferred to entities providing regulated affordable housing with limited returns, or developers may be obliged to lease them at defined below-market rents. Density bonuses can also be used when feasible and aligned with broader spatial planning objectives. In this way, commercial real estate activity and land market dynamics work in favour, rather than against, affordable housing provision, and without the need for large public investment. Inclusionary zoning mechanisms should be introduced or enabled through relevant legislation in Member States, regions and cities where they do not already exist.

23. Stimulate proactive public land management and establish public land banks

Member States should establish and strengthen entities tasked with strategically managing national public land and buildings. These entities could acquire land and buildings (both brownfield and greenfield) across the country and pool it for development. Land banks then release these assets to public and other limited-profit housing providers to build regulated affordable housing. Land can be gifted, sold or leased to affordable housing developers. The latter two options permit revenue to be reinvested into acquiring new assets through a revolving fund structure, with leases presenting opportunities for long-term, stable investments into limited-profit rental housing. Where appropriate, commercial activities can be mixed in to cross-subsidise the public acquisitions.

24. Ensure land servicing costs are shared between public authorities and developers

Developer obligations remain underused in some Member States, despite their ability to ensure infrastructure and service provision in newly built areas. Developer obligations are in-kind or monetary contributions imposed on private developers to fund public goods such as roads, green infrastructure or public buildings. Member States should be supported in introducing or reforming these regulations to ensure that public costs of for-profit developments are internalised in the plan. They can also level the playing field between for-profit and affordable housing providers. A similar outcome can be achieved through fiscal measures (e.g. planning gain and betterment taxes) that seek to capture value increases for service provision.

25. Strengthen land readjustment tools for affordable housing development

Many spatial development plans across Europe stall due to the inability of public bodies to mandate the readjustment of existing fragmented land ownership patterns. Affordable housing development often occurs on individual, disjointed plots, missing the opportunities for sustainable urban development and economies of scale. One way to overcome these problems is through land readjustment. This involves a redrawing of property lines and need not entail compulsory purchase. Landowners retain land proportional to their original size or value shares – with some land subtracted to provide for public infrastructure, but benefit from increased land values due to the new, more favourable configuration. When land readjustment is undertaken with public land in combination with rezoning, it greatly enhances the capability of public authorities to prepare land for affordable housing. Therefore, competences and capacities of public bodies for land readjustment must be strengthened where they are weak or absent.

26. Enhance public sector capacity for complex urban regeneration projects

Well-structured interaction between the public and private sector is vital to delivering complex urban regeneration projects. The capacity of the public sector to interact with private actors in a transparent and proactive way is very limited in some Member States and should be significantly enhanced. Additionally, public-private partnerships (PPPs) can play a valuable role in delivering affordable housing as a part of complex urban regeneration projects, as well as when public authorities face constraints such as limited institutional capacity, lacking financial resources, or unavailability of publicly owned land.

However, housing PPPs must be designed to ensure long-term value for money, transparency and alignment with public policy objectives like the provision of affordable, high-quality housing. Various PPP models – such as availability-payment PPPs, concession PPPs, or joint ventures – must be matched to national or local market conditions and project requirements. The EU and authorities at national and local levels should invest in building public sector capacity to prepare, procure, and manage large-scale urban regeneration projects, including capacities for interactions

with the private sector, training in PPP contract management, risk allocation, and long-term monitoring.

27. Establish urban design and sustainability requirements for affordable housing projects

EU and other public funding and financing for planned affordable housing construction developments should be made conditional on high urban-design quality and environmental and social sustainability. Plans should contain an assessment of the needs for infrastructure, services and amenities of the target groups of residents. Especially in large-scale projects, plans should also try to achieve a social mix by incorporating different building typologies, such as varying apartment sizes, co-housing arrangements, and diverse building types, and by planning for different target groups of residents. Where applicable, this can be achieved by combining market, affordable, and social housing within a single neighbourhood, with the aim of preventing socio-spatial segregation. The New European Bauhaus Initiative (NEB) could be involved in creating guidelines and assessment tools.

28. Designate stressed housing market areas and implement countermeasures

Many neighbourhoods, towns, and rural areas across Europe experience acute housing pressures, often driven by speculative investment in residential real estate or related to tourism. Planning authorities should systematically collect and analyse the available data to identify and designate stressed housing market areas, using indicators such as rapid increases in housing prices, high in- or out-migration, and the prevalence of short-term rentals. Once identified, these areas should become the focus of targeted policy interventions: for example, revising spatial plans to include inclusionary zoning, implementing rent control measures, prioritising public sector acquisition of land and housing, and the taxation or restriction of short-term rental registrations. Investments by affordable housing providers should also be prioritised in these zones. The overarching goal is to protect communities from displacement and segregation and safeguard the social fabric of cities, towns and villages.

29. Promote compact urbanisation

Planning systems must ensure that affordable housing is well-located with sufficient public infrastructure, services and green infrastructure. Planning institutions must have the capacity to direct affordable housing development towards appropriate locations to prevent urban sprawl and its associated costs. Upzoning within built-up areas or supporting infill development, when combined with land value capture tools, such as inclusionary zoning and density bonuses, can increase the availability of affordable housing and improve the efficiency of public infrastructure provision.

However, this densification must be managed to avoid negative social and environmental consequences. Public land value capture tools can help to ensure that densification includes affordable housing as well as sufficient public and green spaces, infrastructure and local services.

30. Support polycentric urbanisation and transit-oriented development

Whereas urban sprawl is the result of poorly controlled, scattered and car-dependent development, polycentric urbanisation clusters development around public transport hubs, such as metro and railway stations. This approach, related to the concept of transit-oriented development (TOD) can take advantage of the availability of land for affordable housing development in peri-urban areas, while avoiding the negative externalities of sprawl. It should strive to include different social groups (including young people, families and the elderly). EU assistance should be provided to overcome situations where public authorities in Member States and regions face barriers, such as policy silos between spatial planning and transport policy.

31. Encourage effective permitting for affordable housing and integrated urban development

All spatial planning systems in Member States deal in some capacity with licensing and permitting of construction. Some of these systems are more oriented towards legal certainty, with a reliance on binding zoning plans and detailed ex ante requirements for developers, while others are more oriented towards flexibility, with the use of indicative spatial plans and regulatory discretion. Neither system is perfect. However, in the current debate, deregulation (i.e. more flexibility) is usually offered as the solution to stagnating affordable housing construction. However, just as important is the uncertainty caused by discretionary decisions, unclear timelines, unpredictable outcomes of assessments required too late in the process, and policy silos between authorities responsible for spatial planning and infrastructure provision.

Better planning, not less planning, will produce more effective permitting. Everyone can benefit from the introduction of clearer permitting procedures. Similarly, everyone will benefit from better coordination between authorities responsible for spatial planning, heritage preservation, infrastructure provision, environmental protection and the integration of their requirements into a logical, transparent planning procedure.

32. Incentivise better balanced regional and rural development in National Plans.

The stimulation of market demand for housing in rural areas and towns and villages will have multiple benefits such as increasing the use of existing public assets such as schools, health centres and retail and other outlets in those areas and a reversal of the decline in cultural and community

activities that come when an area suffers from population decline. A further benefit is that it can help reduce the housing pressure on more popular urban areas, which are suffering from exorbitant price rises,

The measures that could help stimulate such a virtuous circle of development could include public investment in rural broadband and digital hub centres to incentive remote working and new enterprise centres. Investment in rural public transport systems also has a vital role to play, both by better connecting towns and villages to their rural hinterland and to provide better connections to regional cities for those who have to make long-distance commutes.

33. Improve zoning and permitting of short-term rentals

In many cities, the expansion of short-term tourism rentals has reduced housing availability and increased rents. However, not all Member States have legal frameworks that allow for effective regulation, and in some cases, local governments lack the authority to issue permits or enforce restrictions. The European Commission should support Member States in regulating short-term rentals through permitting systems, zoning, and monitoring tools. These regulations should consider the impacts of short-term rentals with regards to their spatial distribution and relation with areas of housing affordability stress, the scale and profit regime of landlords, the contribution to local development, the carrying capacity of the site, and other relevant indicators.

Question 3. How do we ensure both affordable housing and the meeting of our climate targets?

34. Stick with the Fit for 55 agenda, which will help improve our housing

The successful delivery of the European ‘Fit for 55’ climate agenda will bring more affordable and better quality housing for all our people. The impact of higher building standards and the successful roll out of a renovation wave for existing buildings will lead to lower running costs and better health outcomes for everyone. The ‘electrification of everything’ and the introduction of more efficient appliances and heating and cooling systems will similarly lower costs for homeowners and make Europe a leader in the clean industrial revolution and in new construction technologies.

Implementing the recommendations of the Draghi report to integrate European electricity markets and strengthen European Capital markets offers similar potential to lower energy costs and provide the finance needed for the transition. It will give us energy independence and reduce our vulnerability to volatile fossil fuel prices that we cannot control. The transition will also help protect us from the weather extremes that are already here, which present a real threat to our homes.

35. Affordability should be defined by the lifetime cost of buildings

Affordability must consider all running and maintenance costs, not just purchase or rental prices. The concept of affordable housing should be based on a whole life-cycle approach so that the full costs of buildings are reflected in a systematic way.

Highly efficient buildings shelter their occupants from exposure to energy price fluctuations. They have lower peak load demands, enabling reduced grid capacity and related grid and transmission costs. Improved energy efficiency of buildings resulted in significant savings between 2000 and 2023. Without these improvements, final energy consumption would have been 29% higher in 2023, leading to an increase in the average energy bill by €540 in 2023.

36. Promote greener buildings and neighbourhoods to bring health benefits

One in four Europeans live in buildings with indoor air quality below national standards. Buildings with good health performance indicators such as good indoor air quality, sufficient daylight etc. provide health benefits and reduce wider societal and healthcare costs. Equally important is educating residents to use energy wisely at home, fostering a culture of awareness and shared responsibility for sustainable living.

37. Prioritise the retrofitting of existing buildings

Europe's buildings are at the crossroads of achieving social objectives, economic development and innovation in the construction sector, and energy security goals. While most buildings are privately owned, they are nevertheless part of the public infrastructure. It is therefore in the public interest that public funding is used for attractive and effective financial instruments, which provide strong incentives for private and institutional investors to invest in building upgrades, while ensuring affordability of homes.

Both public and private funding instruments should incentivise investors to take a long-term perspective, and reward them for creating societal benefits through renovation investments. By integrating design for adaptability and climate-responsive features, these approaches allow buildings to evolve with changing environmental and social conditions, reducing both retrofit costs and vulnerability to climate impacts. Embedding such scalable, flexible models in housing policy can accelerate the transition toward affordable, low-carbon, and resilient living environments.

By using modular solutions and aggregating large numbers of homes, we can reduce costs and develop a new renovation sector which is complementary and not in competition with the new build construction sector. By using adaptable and incremental design strategies, we can further close the housing affordability gap, while enhancing climate resilience.

38. The Renovation Wave must support a just transition

In achieving the European renovation wave, it is vital that those on lower incomes and in vulnerable housing situations are given the first priority. Local authorities will have a leading role in the retrofitting of social housing, but additional funding mechanisms will be required if we are to provide the scale of finance needed to assist those on low incomes and in vulnerable housing situations. Such support should be particularly targeted for those living in the least efficient buildings which incur the worst health outcomes and highest levels of energy poverty. It must enable support for the most vulnerable households in their renovation projects. This requires support before, during and after the project. One-stop shops at a local level should be set up to meet this need.

Revenues from the extension of the Emissions Trading system going into the new Social Climate fund will assist in providing financial support to meet this need but will definitely not meet the scale of funding required. It will be important to promote new ways of raising revenue to assist national and local Governments and households in making sure the just transition is delivered.

The renovation and retrofitting of buildings should not be used as a reason for evicting people from their homes, which would only worsen the homelessness crisis.

39. Streamline but do not undermine good regulation

Permitting and planning systems need to be streamlined as delays in getting approvals are a significant factor in higher renovation and building costs. However, the need to accelerate our planning and administrative processes should not be a reason to undo the ‘fit for 55’ legislative measures that have been approved in recent years.

Delivery of the Energy Performance of Buildings Directive (EPBD) is vital, especially for improving the older building stock. The requirement for Member States to develop transition pathways to increase the energy performance of residential buildings, provides an opportunity to embed affordability mechanisms in these pathways.

40. District heating, renewable heating/cooling and energy storage will play a vital role

District heating systems are effective but challenging to retrofit; local authorities should be encouraged to identify waste heat sources that could meet local residential needs and where that is not possible to encourage the deployment of new 5th generation district heating systems.

Heat pumps are a proven technology which can deliver significant efficiency gains and help lower domestic energy costs. They work best in well-insulated buildings and where there is an appropriate differential between electricity and gas prices.

Solar power and home batteries can reduce electricity bills and the need for investment in the electricity distribution grid. Energy regulators should promote flexible pricing and innovative digital systems to optimise their use and help protect the resilience of the electricity grid

41. Make sure we invest in better local environments for higher density areas

Higher density housing brings environmental gains but it has to be accompanied by good design and maintenance of the local environment, so that such neighbourhoods are attractive, safe and healthy to live within. Climate-responsive design uses greenery for shading, passive solar gains, and wind management, ensuring comfort and energy efficiency. It includes site support systems and community facilities that enhance social interaction. By introducing biodiversity and native planting, we can improve the local microclimate and enhance ecological value. Frameworks such as LEED for Neighbourhood Development (LEED-ND) and the Living Community Challenge (LCC) provide measurable criteria to guide these strategies, linking environmental performance and social wellbeing with high-quality, resilient urban density.

Good local planning supports shorter journeys, green spaces, and community cohesion. Sensitivity to public space design for walkable connections can be achieved by creating continuous, human-scaled street networks with safe crossings, active ground floors and shaded, well-lit pedestrian routes that encourage everyday movement. Integrating mixed-use edges, clear wayfinding, and

accessible links to public transport and green infrastructure ensures that mobility, comfort, and social interaction are seamlessly woven into the neighbourhood fabric.

The reallocation of street space for walking, cycling, and public transport makes for much more attractive neighbourhoods and more effective transport systems. Car sharing models can help reduce the need for on-street parking and provide space for the greening of local streets and for active travel. The conversion of streets in this way can sometimes prove contentious because the benefits take time to be seen. Local authorities can overcome such opposition by allowing for the temporary introduction of measures so that local communities can see how they work in practice, before they are finally agreed.

42. Optimise the use of existing property assets to enhance housing supply

Policymakers should create opportunities to discourage vacant or underused spaces and encourage individuals living in large homes to move to smaller, more suitable dwellings, thereby freeing up larger units for families. Developing attractive and well-designed housing options for older residents, who often occupy spacious homes, can incentivize them to ‘right-size’ and make those larger homes available to households in need.

43. Increase the levels of stored carbon in our buildings

The development of new modular and modern construction methods should be accompanied by the increased use of building materials which store carbon, such as cross laminated timber and other wood and natural fibre products. We will also need to switch to steel and cement components with a lower emission factor and reduce demolition waste by the recycling and reuse of materials.

Site-specific design should prioritise local resources within regional supply chains, thereby reducing transport emissions and strengthening local economies. Construction components such as steel, gravel, and timber can be reused, while waste streams like wood chips or reeds can be reprocessed into new building materials.

Embedding circular practices in construction, lowers environmental impact and fosters innovation opportunities. The promotion of low carbon technologies should be included in the funding criteria for new housing development and in innovation and enterprise support grants for the construction sector.

44. Deal with climate change and the more extreme weather that is already inevitable

Europe is warming at double the speed of the global average. A recent study estimated that 24,400 people across 854 European cities and urban centres died from heat-related causes between June

and August 2025. Even if we meet all our emissions reductions targets we know we must prepare our homes for the extreme heat, sea level rise, flooding and drought conditions that will be an inevitable consequence of the pollution that has already been put into our atmosphere.

Most of the EU's buildings were constructed without thermal comfort standards and are therefore not designed to manage increasing temperatures. Buildings which are resilient against climate change impacts, such as heat waves, provide better shelter for their occupants and reduce economic losses associated with extreme weather events.

Advances in air conditioning technology can provide some protection against the higher temperatures that are to come and must be regulated to maximise efficiency and electricity grid stability, which will also lower the running costs. Low-tech solutions, such as the systematic integration of shutters or configurations that promote natural ventilation should be sought and incorporated into renovation plans, so as not to exacerbate issues related to energy use.

Our planning system will also have to take into account future weather, flooding and sea level predictions, so we do not build homes in the wrong place in a climate changing world.

Question 4. What skills and supply chains will we need?

45. Promote innovation in the construction industry to increase productivity

A coordinated approach combining administrative simplification, modern construction methods, skills development, innovative business models, and efficient use of existing assets is essential to accelerate affordable housing delivery in Europe.

For new housing policies to be effective, the cost of housing must be kept under control. This makes productivity and efficiency in the construction sector a central issue. In recent years, the hybridization of manufacturing and construction has led to new technological processes, known as the modern methods of construction, (MMC) for use in both new construction and renovation. It is essential to promote and incentivise such process innovations, while also addressing materials and project characteristics that ensure quality of life and well-being for all social groups.

The construction industry is known as one of the least innovative industrial sectors. However, so-called modern methods of construction are increasingly emerging. Industrialised construction refers to a streamlined approach to designing, producing, and assembling building components, primarily in a factory setting. This approach aims to improve efficiency in the construction process while minimising waste and reducing costs. Modular construction is a process in which a building is assembled from factory-produced sections, known as modules. These modules are manufactured in a controlled off-site environment, fully finished, and then transported to the final site for assembly.

46. Leverage mass customisation in construction to help productivity and lower costs

The key characteristics of these MMC are factory-based production, scalability, and high precision. These are methods of building with high potential to combine sustainability and low costs. Moreover, “mass customisation” is a way to balance efficiency with meeting consumer needs. This includes standardised modules in combination with customisable finishes and layouts.

Modern methods of construction can also be applied to the reuse of existing building stock, enabling the regeneration of housing that would otherwise be obsolete and energy inefficient. In such cases, the modernisation process can be financed, fully or in part, through the savings generated for owners or tenants. This approach achieves a dual objective: supporting households that would otherwise lack the resources to renovate their homes, while contributing to the environmental targets set by the European Union.

47. Coordinate and expand the demand for Modern Methods of Construction (MMC)

The ability to fully leverage the opportunities offered by modern construction methods and the emerging construction industry requires a new regulatory framework between public administrations and private operators. Without a radical shift in this direction, the development of the potential inherent in this field of innovation is at risk.

It is necessary to support the development of actors, whether private, mixed-capital, or third-sector entities capable of facilitating the adoption of Modern Methods of Construction, by adapting these new production models to the specific economic and legal frameworks of each EU Member State.

Public authorities often promote the construction of new housing assuming production models that are now obsolete and inefficient. It is necessary to encourage, across EU Member States, forms of public procurement capable of fully integrating and capturing the value embedded in the innovation brought by Modern Methods of Construction.

Architects and engineers must also consciously leverage new technologies in the design phase to achieve high architectural and urban quality while also benefiting from the cost reductions enabled by MMC. It is essential to encourage, both in public design competitions and in tenders launched by private operators, projects and technical solutions that are consistent with the principles and technologies of Modern Methods of Construction.

48. Experiment with new renovation business models

One of the main weaknesses in the construction sector lies in the limited effectiveness of current business models, particularly in the field of building renovation. New business models should leverage the value generated by energy cost savings as a financial lever to support the renovation of obsolete and energy-inefficient housing. Several models currently under development across Europe can be promoted and scaled up to help guide the sector's evolution.

49. Coordinate the markets for demolition waste

The circular economy in the construction sector should be supported through platforms that enable the trading of elements and materials recovered from the demolition of existing buildings. The development of dedicated marketplaces across EU Member States must be encouraged in order to maximise the participation of operators in this type of exchange, while simultaneously minimising the use of energy and resources for new construction activities.

50. Fund the education and training of workers in Modern Methods of Construction

The construction sector needs new skills at all levels in order to effectively promote innovative and efficient housing policies. Not only must construction companies be able to innovate their

production processes, but all actors along the value chain must be equipped to meet this systemic challenge. Workers' skills need to align with new off-site production processes. Architects and engineers must acquire competencies that maximise the long-term value of new interventions, while addressing the environmental challenges posed by climate change; and administrations, finally, must deploy advanced tools to engage more effectively with the private sector.

Technological change must be fully integrated into vocational schools and training programmes for construction workers. This transformation can significantly boost productivity while making the sector more attractive, which is particularly important at a time when it struggles to draw in young people and skilled talent.

In European universities, the curricula still devote very limited space to the design and execution of possibilities offered by modern construction methods. For a sector aiming at renewed productivity and efficiency, it is essential to promote these new forms of production within architecture and engineering programmes.

51. Fund better competence in assessing the financing and wider impacts of projects

Public authorities should strengthen financial literacy in housing project evaluation. Public officials should be able to analyse housing project finances through basic pro forma and cash flow models. Training should cover how different mixes of debt, equity, and public support, such as loans, grants, tax incentives, or guarantees, affect project feasibility and returns. This will help administrations assess the real funding needs of projects and use subsidies more effectively.

Public authorities managing housing programmes often also struggle to evaluate projects across economic, social, and environmental dimensions simultaneously. Developing practical assessment tools could help administrations make more informed choices when comparing competing alternatives.

Question 5. How can we fund Affordable Housing Development?

52. Set clear investment principles for long-term affordability and social safeguards

To ensure that new funding mechanisms deliver lasting social value, affordable housing finance must be guided by clear investment principles. While public investment should be at the core of affordable housing policies, we strongly support cooperation between the private and public sectors and recognise that private capital needs to receive a healthy and competitive return in order to be allocated into affordable housing. However, the following principles and others outlined in the next sections must be respected to avoid financialisation, a risk that is especially applicable for the integration of private equity in owning affordable housing stock.

Clear and strict national regulatory frameworks should be established and audited by national agencies supported by EU level oversight to establish and maintain trust and transparency. Within these frameworks, affordability must be ensured in the long run with speculative exits avoided, and ownership transfers regulated to ensure that assets stay in the system. Revolving fund structures should be instituted across the value chain to enable ongoing capital recycling. Target beneficiaries shall follow a broad, but balanced and inclusive approach to ensure socio-economic mixing of a wider population within buildings, while reducing tenant risk.

Integrating social housing into private affordable housing investment should be pursued, either by setting minimum quotas with sufficient guarantees to cover rental risks and costs, or by setting clear financial incentives. Additionally, housing affordability should be seen holistically, being not only the rent, but the costs over the total building lifecycle or external costs on the environment, and must include energy efficiency, grid upgrades and digital infrastructure to create resilient and sustainable communities.

53. Utilise existing financial instruments for fast impact — InvestEU

To accelerate affordable housing supply, new development and renovation before the next Multi-annual Financial Framework, the European Commission should establish a Transitional Emergency Facility (2026–2028) within InvestEU's existing operational architecture, leveraging EIB Group and the numerous implementing partners, governance structures, and proven processes. This grant-focused mechanism would operate under the joint framework of InvestEU's Social Investment and Sustainable Infrastructure Policy Windows, financing construction and the related enabling infrastructure: land servicing, transit links, and climate resilience measures, in accordance with the Energy Union 2025 priorities . The Facility should be implemented by the EIB Group as primary (75%) InvestEU partner, together with the international financial institutions (IFIs) and

National Promotional Banks and Institutions (NPBIs) as co-implementers, aiming to mobilise substantial investment through high leverage ratios, including national co-financing and private capital.

The Facility could offer two delivery tracks: a City Fast-Track enabling direct access for municipalities, municipal housing companies, and limited-profit providers with proven capacity; and an Intermediated Track via NPBIs and national housing agencies for regions with weaker local implementation capacity. Eligible financing products should include capital expenditure gap grants for land servicing, brownfield remediation, common areas, and affordability lock-in mechanisms.

The financing products could also include conversion grants for repurposing vacant office, retail, or public buildings into housing; deep renovation grants combining energy retrofitting with accessibility and safety upgrades; infrastructure add-ons for district heating, renewable energy, and active mobility connections; and technical assistance for project preparation, standardised designs, and permitting support. All grants shall be blended with loans from implementing partners, national and municipal co-financing, and private capital, using standard InvestEU terms to minimise administrative complexity.

54. Promote the cost rental affordable housing model across Europe

The cost-based rental housing model should be further strengthened as the preferred investment structure to increase the stock of affordable housing. Under the cost-based rental housing model, rent is calculated on the basis of the actual costs of housing provision (acquiring, constructing, financing, operating, and maintaining the asset). The model should incorporate a revolving structure where certain rent surpluses are added to capital reserves, which can be later used for refurbishments or new investments, while building up long-term equity. More importantly, this model sets pre-defined, capped returns which can be distributed to shareholders regardless of their legal form. The model imposes strict limitations on repurposing and ownership transfers, ensuring that the assets stay in the system for a long-time, ideally in perpetuity. These principles ensure long-term affordability and help eliminate the possibility of speculation, which is particularly relevant for integrating private equity investors.

By limiting the transfer of shares and capping dividends, cost-based limited-profit housing becomes similar to a bond with constant, perpetual dividend yields for equity investors. For this limited-profit model to attract private investors, public authorities need to further provide financial incentives such as tax exemptions and grants. In general, the capital stack should be composed of public grants, public or private equity contributions, and subsidised debt financing.

European standardisation, oversight, and facilitating knowledge of transfer between authorities for cost-based housing provision are desirable. Still, financial and legal structures including the cap on returns must remain adaptable to national economic conditions, financial market standards,

maturity levels, and investor's asset class demand, with dividends potentially linked to macroeconomic indicators and indexed to inflation to maintain investor's appeal.

55. Use demand-side subsidies to target vulnerable groups in supply-side subsidised investments

Well-intentioned measures such as housing vouchers and the Help-To-Buy program in supply-inelastic markets end up worsening affordability by increasing housing prices and benefiting landlords and the banking sector. To avoid the inflationary effect, demand-based subsidies could be implemented in specific areas in conjunction with price controls and subsidies to housing supply.

In the newly supported affordable housing supply, governments should support landlords and housing providers – whether institutional, private, public, or non-profit – in offering housing to the most vulnerable groups. To implement this, we propose de-risking rental arrangements, strengthening the role and capacity of social rental agencies, and deploying demand-side tools such as rent vouchers, exclusively for vulnerable households and for a limited time period.

Crucially, these measures must operate within housing units with regulated rent increases. In this context, some Social Rental Agencies across Europe have started to become investment managers themselves – a trend which should also be supported through dedicated financial tools, as a good example that combines supply-side subsidised investments with demand-side support for the most vulnerable people.

56. Assess the potential for a distinct regulatory treatment of affordable housing on capital markets

To mobilise institutional investors, regulated affordable housing should be positioned as a separate, impact-oriented real estate asset class, through differentiated regulatory treatment and incentives that are not available for conventional real estate investments, including those aligned with ESG criteria. Such treatment shall include assessing tailored risk-weighted asset (RWA) rules, within the Capital Requirements Regulation (CRR) and BASEL standards for equity and debt investments of banks, as well as ensuring and incentivising insurers and pension funds to put affordable housing assets and securities in their capital pools through Solvency adjustments. A stronger integration of the social objectives of affordable housing investments within the EU Taxonomy, CSRD and Sustainable Finance Disclosure Regulation (SFDR) would also enhance transparency and facilitate institutional investors to report such activities in non-financial disclosures.

57. Introduce a European Affordable Housing Investment Fund

The European Commission should support the creation of a pan-European Affordable Housing Investment Fund (AHIF), initially seeded and/or co-structured by the EIB other international financial institutions or a major asset manager. The fund should mobilise institutional capital and household savings with additional contributions from other IFIs, to create a scalable EU-wide housing investment platform, investing equity and debt in different Member States into diversified forms of strictly regulated affordable housing, including relevant supporting infrastructures. This vehicle shall be supported by a potential first-loss tranche from public bodies or similar guarantees and shall follow a diversified investment approach that embeds strict safeguards to ensure social impact and financial resilience in the investment activities, to attract large scale, long-term capital into affordable housing.

Investment priorities may lie in the development and rehabilitation of affordable housing within strong frameworks, ideally through limited-profit housing associations with robust governance. It can involve affordable housing bonds, acquisition of affordable housing debt portfolios from IFIs, commercial banks or national promotional banks, land acquisition for affordable housing projects, a pan-European community land trust to close funding gaps; and affordable and social housing infrastructure funds.

58. Introduce a European Affordable Housing Savings Account

Another tool to mobilise capital would be the creation of an EU-wide savings account dedicated to affordable housing, modelled on France's *Livret A* and *Livret de Développement Durable et Solidaire* (LDDS) schemes. Such accounts would unlock a vast pool of household savings by offering citizens a safe, liquid, and socially impactful place to deposit funds, with clear EU-level rules on eligible uses.

Deposits would be channelled to the European Affordable Housing Fund (or an ETF version), allowing small savers to invest alongside institutions, and earn stable, low-yield returns with measurable social impact. Proceeds would be earmarked for affordable and social housing, under a harmonised regulatory framework enabling cross-border participation and strengthening public trust.

59. Encourage the development of affordable housing bonds

Building on the success of green and social bonds, special financial intermediaries or dedicated housing banks, cities, Member states, public housing institutions or affordable housing actors should issue affordable housing bonds. EU-level standards would enhance transparency and measurable outcomes. To enhance credit quality, issuers and debtors might be pooled across regions and projects, creating geographic portfolio diversification, which can be further supported by multi-tier co-guaranteeing mechanisms.

European examples show that well-structured vehicles can also enable smaller projects to access relatively cheap funding on capital markets. Public guarantees or anchor investments might support success, but in many cases clear tax and fiscal incentives supported by thoughtful structuring might be sufficient to raise large-scale capital from investors. These long-maturity, low-yield instruments could attract Environmental, Social and Governance (ESG) focused investors including pension funds and insurers but also retail investors, and could spread housing costs over decades.

60. Encourage the ECB to review collateral ratings for affordable housing securities

The European Central Bank (ECB) should assess whether affordable housing securities can have preferential collateral treatment compared to other securities. We suggest conducting research to understand whether affordable housing securities carry lower systemic risk, similar to climate factors, and whether increasing the supply of affordable housing contribute to aspects aligned with ECBs mandate such as price, financial or macroeconomic stability. Demonstrating such causal effects might allow the ECB to justify preferential treatment in the form of reduced collateral haircuts or first-best rating eligibility for affordable housing securities.

61. Utilise financial instruments to streamline and catalyse financing

The EU and Member States should establish financial instruments that combine non-repayable grant components from EU funds or national budgets with repayable finance from investors such as the EIB Group, other IFIs, NPBI or commercial banks. These instruments enable Managing Authorities, national, regional, or, in some cases local public bodies responsible for the management and implementation of EU-funded programmes - to offer diverse financial products to affordable housing developers as final recipients. Financial products could include long-term loans, portfolio guarantees, and equity or quasi-equity investments.

By blending grant support (such as interest rate subsidies, capital grants, or technical assistance) with repayable finance, these structures address the core challenge of affordable housing: to keep substantial upfront development costs, paired with the need to keep rents permanently affordable for target populations. These tools would improve the risk-return profile for institutional investors and developers, maximise crowding-in of private capital, and enable structures that catalyse affordable housing investment across Member States. All financial instruments must embed strict eligibility criteria and social safeguards, including country specifics and national rules.

62. Strengthen the use of blended finance to attract private capital

Current EU-level investment practices rely heavily on providing capital that shares risk and returns equally with private investors, particularly for equity investments. While this ensures alignment,

it does not sufficiently de-risk low-yielding affordable housing projects or attract private capital at scale. To unlock a systemic impact, EU instruments should adopt more flexible equity-based approaches and risk-layering mechanisms using blended finance, where public funds take a higher risk or accept lower returns. These tools would improve the risk-return profile for institutional investors and developers, maximise crowding-in of private capital, and enable blended finance structures, that catalyse affordable housing investment across Member States.

63. Ensure clarity for the balance sheet classification for public housing investments

The treatment of public investment in affordable housing under fiscal rules should be assessed and further specified. Currently, when governments support affordable housing providers, there is a lack of clarity if, or under what conditions, capital investments are part of the public balance sheets under ESA 2010 rules. This discourages Member States from investing in housing, especially when they are under pressure to reduce debt under the EU regulations. To fix this, the EU should revise ESA 2010 to ensure that housing providers with independent operations and financial sustainability are not classified as part of the government sector. Eurostat and DG ECFIN should provide guidelines on enabling off-balance sheet treatment.

64. Designate Tax Increment Financing (TIF) districts for housing

Municipalities should designate special zones where future property tax increases of new affordable housing developments are discounted and injected to developers in the form of a grant. Municipal grants could be financed by issuing municipal bonds, with repayment sourced from the rising tax base that new housing developments regenerate for the municipality. A developer's access to TIFs funding must be tied to affordability conditions, such as below-market rents for long periods of 30-50 years and could be complementary to other European funding programs.

65. We will need new 'own resources' within the European Union to help deliver the Affordable Housing Plan

We will have to raise significant public finance as well as private capital to deliver the Affordable Housing plan. New investment in social and affordable housing and support for the recommendations outlined in this report will require additional public investment, at a time when many countries are stretched in meeting their existing and new financial commitments. If we are to properly address the housing crisis then we will need to raise new revenue streams to cover that gap.

The creation of the Social Climate Fund, which will be funded by the expansion of the Emissions Trading Scheme and the arrival of revenue streams from the Cross Border Adjustment Mechanism, will help in this regard but the likely revenues are not going to meet all our needs. We support

therefore the European Union diversifying and strengthening its 'own resources' in the next multi-annual financial framework to supplement national housing budgets, involving the possible introduction of charges on financial transactions, digital services, corporate profits or fossil fuel companies.

66. Changes to the tax system at a national or local level can also help deliver better housing outcomes

Taxation issues are primarily an issue for national governments but the Union could encourage changes to such systems, to help deliver more sustainable and affordable housing systems. Member States' approaches to housing and land taxation should be reevaluated in an integral and evidence-based manner, considering specific national and local housing and welfare systems. Housing and land taxation reforms should have the objectives of ensuring fairer redistributive effects, countering financialisation and speculation, and stimulating affordable housing investments and sustainable urbanisation. Reforms of taxes should be enacted to limit housing price inflation caused by speculation and financialisation. Land taxation should be employed to sustainably manage the public costs of urban development resulting from investments into infrastructure and public services, reduce speculative pressures on land values, and facilitate affordable housing investments.

In particular consideration should be given at a national level to the introduction of 'Site Value' taxes, which are calculated on the underlying value of land and which incentivise more compact development. Taxes on zoned but underdeveloped land and on derelict sites could also discourage land hoarding and promote urban regeneration. Similarly changes to inheritance tax rules could ensure that some of the capital gains which arise from increasing property values, can be redirected to provide public finance to support more affordable housing supply.

Question 6. How can we coordinate European, national and local efforts?

67. Create an Affordable Housing Coordination Hub

While the European Commission has established a Housing Task Force to help deliver the new Affordable Housing Action Plan, a permanently resourced, cross-DG authority structure is needed to act as a central, coordination hub. This Housing Coordination Hub (HCH) should serve as the operational core in the delivery of the forthcoming European Affordable Housing Plan, ensuring coherence across policy implementation, funding, and implementation. It should build on the experience of the Housing Task Force while being elevated to a cross-DG entity housed within the Secretariat-General (SG) office, reporting jointly to the President's Group on the Affordable Housing Plan and to the Commissioner for Energy and Housing, Dan Jørgensen.

It should be tasked to coordinate across DGs and address the current fragmented approach to housing-related policy and funding. The Housing Coordination Hub would hold regular, monthly technical meetings with national and local partners and provide corresponding reports to the Parliament and Council. Based on these meetings, the coordination mechanism could issue annual progress reports, ensuring consistency, avoiding duplication, and speeding up decision-making. The Hub will also help connect to the EIB Housing Action Plan as an enabling instrument.

68. Agree Joint Housing Implementation Plans

The current efforts for housing across different levels of government are highly fragmented. Some of these efforts remain only as strategies, or mere announcements and do not deliver actual projects. A mechanism is needed to help put ideas into action and to get things done.

Joint Housing Implementation Plans (JHIPs) should become the cornerstone of EU-national-local coordination. Each JIHP will be designed as four-year plans, agreed upon by the European Commission, national ministries, and a representative group of cities and regions. These plans will align specific housing targets, key reforms (especially streamlining permitting), funding sources, and monitoring frameworks. By creating a shared plan, JHIPs will help put into action the idea of multi-level governance, turning EU goals into real actions at the national and local levels, moving us past just having strategies.

69. Recognise local authorities as important delivery partners for affordable housing

Local authorities should be recognised as direct implementation partners in the programming of EU grants and financial instruments. They should have the ability to access funds directly, as their proximity to housing challenges, established relationships with local housing providers, and proven capacity for agile project implementation make them essential partners in rapid delivery of

affordable housing. Technical assistance, knowledge-sharing, and analytical tools should be made available at EU level, to help authorities systematically assess needs, develop integrated housing strategies, and plan interventions for maximum impact.

70. Ensure institutional capacity in all Member States

The success of long-term affordable housing investments depends not only on sound investment principles but also on the strength of housing organisations and public authorities across Europe. Member States should reinforce their existing non-profit and public housing providers, building on national specificities and established strengths and simultaneously strengthening the internal capacities to negotiate with private entities on an eye-to-eye level.

In many regions, institutional capacity is weak. Intermediate housing models such as cost rental or non-profit affordable housing are largely absent, leaving provision limited to residual municipal housing or homeownership. This gap hinders the ability of these regions to absorb and deploy EU-level funding effectively. EU funding should include mandatory allocations for technical support and capacity building of housing organisations and public authorities, with the goal to make housing organisations the backbone of resilient affordable housing systems.

The EU should fund technical-assistance hubs to prepare cost-rent models, and procurement frameworks. The EU should invest resources in strengthening municipal capacity such as financial literacy, land policy tools, contract management, and long-term monitoring, to ensure that cities can negotiate balanced partnerships and enforce public-interest outcomes.

71. Find balance between current residents and future housing needs

Planning applications for new housing developments often face opposition from local residents who fear that new infill development will adversely affect their neighbourhood and their existing property values. Local politicians are naturally attentive to the interests of such constituents and therefore lack the incentive for dealing with drawn out and restrictive planning approaches. The interests of those looking for future accommodation are less tangible and therefore do not receive similar support when it comes to considering individual planning applications or new development plans. In other cases, the exact opposite takes place: politicians are eager to introduce new residents in low-income social housing areas, disregarding the interests of the existing residents to cater to the desired in-movers.

The Housing platform recommended in this report could provide a mechanism for assessing the level of support at local authority levels in providing for future housing needs of different types of residents. Local authorities who are seen to be willing and capable in providing for both a high quality local environment and for future housing needs, striving to integrate the interests of current

and potential future residents, should be supported as much as possible in any funding or other support that will hopefully arise from the new European Affordable Housing Action Plan.

72. Align EU-funding with local housing needs and evidence-based strategies

Effective housing policy requires that funding decisions across Europe are grounded in a clear understanding of local housing needs and challenges, supported by robust strategic planning instruments at both national and local levels. The European Commission, through the policy coordination mechanism and guided by Country-Specific Recommendations (CSRs), should ensure that resources for affordable housing are directed primarily to stressed housing market areas, which should be designated using transparent, evidence-based criteria that identify acute shortages, high-cost burdens, or pronounced social exclusion risks. To facilitate this approach, the Commission should support and, where needed, reinforce the capacity of Member States and cities to collect, analyse, and report granular data on local housing conditions. Technical assistance, knowledge-sharing, and analytical tools should be made available at EU level to help authorities systematically assess needs, develop integrated housing strategies, and plan interventions for maximum impact.

73. Enforce reliable and comparable data collection on homelessness

By 2027, projects financed with EU funds in the homelessness field should use the ETHOS Light classification for eligibility, reporting, and evaluation. By 2028, reporting should extend to broader categories of housing exclusion where policy-relevant.

Eurostat, in collaboration with national statistical institutes, should develop templates to capture eviction filings, orders, and outcomes, enabling the monitoring of prevention effectiveness and early identification of localised stress. The evidence stream within EPOCH should be scaled into an EU Homelessness and Housing Exclusion Data Hub that aggregates city counts, links administrative records across shelter, social services, health, justice, and housing systems in compliance with personal data confidentiality standards and ensures the right to receive assistance services anonymously, with published outcomes. An independent advisory board with representation from cities, service providers, academia, and lived-experience experts should oversee methodology and reporting.

74. Establish A Multi-Level Housing Platform to standardise monitoring and reporting

Currently, there is a lack of consistent, up-to-date data and no single system for sharing existing figures or what works across different countries in respect of housing. The recent Draft Report issued by the European Parliament on 15/09/2025 by the Special Committee on the Housing Crisis

in the European Union, states that “...more data on the housing situation and needs in the Member States is essential”.

The Multi-Level Housing Platform would be a digital and institutional space that brings together EU, national, and local stakeholders. It would collect data, such as housing starts, affordability metrics, and homelessness rates, as well as gather and share best practices, including models for selecting tenants and how to run a social rental agency.

The platform would also be the main way to share information with the public, allowing citizens and investors to see how things are progressing. EU-wide KPIs should be defined to track factors like permit times, the number of housing units available by price range and type, reduction numbers for homelessness, the number of student beds available, and other metrics for annual reporting and verification.

An Annual European Housing Report should be produced using the data from the Housing Platform, with shared live dashboards on affordability, permits, housing completions, short-term rentals, and social impact metrics.

Implementation could include quarterly online forums and an annual EU Housing Summit, where policymakers can align their strategies, solve problems, and sound-off on new ideas. The wealth of data from the Housing Platform would serve to shape policies and inform discussions within the Housing Coordination Hub and the Joint Housing Implementation Plans.

75. Facilitate mutual learning and best practice sharing within the Affordable Housing Platform

The ambition is to join forces and innovate affordable housing solutions in Europe by also sharing knowledge. The housing environment is complex and changing in many ways, with many strategies and concepts proposed in this report. Too often, the same wheel is being reinvented in different places, leaving significant room for evaluations of new strategies and mutual learning from experiences. The Platform would facilitate mutual learning opportunities for stakeholders at national, regional and local levels by sharing experiences in the following areas:

- Providing housing for special groups: Housing First, Elderly homes, student housing, intergenerational concepts
- Enhancing social and affordable housing models: housing associations, housing cooperatives, Social Rental Agencies and community land trusts
- Implementing local policies/strategies: land policy tools, regulating short-term rentals, effective permitting, allocation models, tax and subsidy systems

- Regenerating buildings and neighbourhoods: retrofitting programs, energy poverty strategies, building transformations, densification and optimising existing space strategies
- Making demand and supply meet: modular construction and renovation, mass customisation, markets for demolition waste
- Implementing funding for affordable housing: cost rental models, issuing affordable housing bonds, public private partnerships
- Developing local monitoring systems on: housing needs, housing affordability, homelessness, housing production, vacant buildings, short-term rentals, and social impact metrics

This platform would be an important source of joint learning on implementing affordable housing strategies and concepts across Member States. The platform should be developed with support of the Commission and in alignment with knowledge organisations, such as the European Network for Housing Research, Housing Europe, the European Forum for Living and already existing platforms such as Housing Solutions Platform.

20/11/2025

List of the members of the Housing Advisory Board

- **Mr Eamon Ryan**, Former Irish Minister for the Environment, Climate and Communications and for Transport (2020-2025)

- **Mr Carlos Moedas**, Mayor of Lisbon, former European Commissioner

Then in alphabetical order:

- **Ms Sarah Coupechoux**, Head of the Europe Mission at the “Fondation pour le logement des défavorisés”

- **Ms Marja Elsinga**, Professor on Housing Institutions & Governance at the Delft University of Technology

- **Ms Patrycja Haupt**, Associate Professor at the Chair of Housing Environment, Faculty of Architecture at the Cracow University of Technology

- **Ms Ivana KaturiĆ**, Director of Urbanex, Assistant Professor at the University of Rijeka

- **Ms Vicky Kefalas**, Member of Invest EU Investment Committee, Member of the European Innovation Council (EIC) Board, Member of the European Institute of Innovation & Technology (EIT) Governing Board

- **Mr Raphael Lehmann**, Impact Investment Manager at Erste Social Finance Holding

- **Mr Ezio Micelli**, Professor of Real Estate Economics at the Università Iuav di Venezia

- **Ms Teija Ojankoski**, CEO of Y-Säätiö (Y-Foundation) in Finland

- **Mr Jaime Pérez Luque**, Full Professor of Real Estate at ESCP Business School and Director of the Institute of Real Estate Finance and Management

- **Mr Oliver Rapf**, Executive Director of Buildings Performance Institute Europe (BPIE)

- **Ms Rikke Skovgaard Nielsen**, Senior researcher at Department of the Built Environment, University of Aalborg
- **Ms Irina Zamfirescu**, Academic lecturer at the Faculty of Sociology and Social Work of University of Bucharest
- **Mr Matthew Zerafa**, Chief Executive Officer at the Malta Housing Authority