

# Affordable housing: a route to a fair deal between generations

**RECOMMENDATIONS FROM THE EYL40 HOUSING LAB**

May 2026

This report is part of Friends of Europe's European Young Leaders (EYL40) programme. Written by Bianca Maria Pirvu, it is based on the outcomes of the EYL40 Housing Lab, convened as part of the European Young Leaders Brussels Seminar 2026, and reflects discussions held under the sole responsibility of Friends of Europe. The author and participants contributed in their personal capacities, and their views do not necessarily reflect those of the institutions they represent, nor of the Friends of Europe board of trustees, its members or partners.

Reproduction in whole or in part is permitted, provided that full credit is given to Friends of Europe and that any such reproduction, whether in whole or in part, is not sold unless incorporated in other works.

# Introduction

Social housing provision has been neglected for over two decades. Young citizens across Europe are now bearing the consequences of governments' lack of foresight and consideration of the socio-economic impact of such a downward shift. This shift has created an imbalance of opportunity for younger generations that older generations were able to benefit from. Access to housing has always been an indicator of personal and financial stability and growth. In the current context of unaffordable housing, it is now a clear indicator of lower social mobility.

Housing acts as one of the foundational determinants of social mobility, functioning as both an economic springboard and a barrier. The quality, location and tenure of housing serve as indicators not only of an individual's accumulated wealth but also their access to education, employment and social networks. Rising house prices are already having visible consequences, reducing homeownership among young people and entrenching the intergenerational transfer of housing wealth.

Housing access and affordability have become one of the defining tests of intergenerational fairness in Europe. Soaring costs, limited supply and stagnant wages are delaying young people's independence and reshaping where they live, work and build their futures.

Across the six EU member states surveyed for Voices for Choices 2026 (V4C 2026), the latest study by Debating Europe, Friends of Europe's citizen engagement unit, young Europeans aged 18 to 35 rank housing as one of

their top concerns for their future. Already, 31% spend more than 40% of their monthly income on housing. The impact reaches far beyond household budgets: 81% say housing costs determine where they live, 75% say they shape career choices, and 66% say housing has influenced a decision about having children<sup>1</sup>.

This report looks at the housing crisis through the lens of younger generations and what these findings tell us about their confidence in the future. Housing affordability is not only shaping personal choices; it is also becoming a question of trust in public institutions and democracy. If young people feel locked out of stability, opportunity and belonging, this has consequences not only for national societies but also for the European project, which is built on shared prosperity, mobility and cohesion.

This report draws on the work of the European Young Leaders (EYL40) Housing Lab, convened during the European Young Leaders Seminar in May 2026 in Brussels. Friends of Europe's EYL40 programme brings together emerging leaders from across politics, business, culture, civil society, local government, and academia to translate their collective expertise into concrete, policy-relevant proposals. The Housing: a fair deal between generations Lab brought this diverse group into structured dialogue with expert practitioners and policymakers with the aim of moving from problem diagnosis to actionable recommendations.

## This report would not have been possible without the contributions of

**Irene Tinagli**, Chair of the European Parliament Special Committee on the Housing Crisis in the European Union  
**Matthew Baldwin**, European Commission Deputy Director-General for Energy and Head of the Task Force on Housing  
**Ian Catlow**, Head of London's European Office  
**Marek Hattas**, Mayor of Nitra, Slovakia  
**Benedek Javor**, Head of the Representation of Budapest to the EU  
**Stanley Kwong**, Head of Sustainable Investing at KKR Europe

**Fergus McCullough**, Co-Founder of Progress Ireland  
**Sam Rosenzweig**, Co-founder of CoBHa (Coopérative Bruxelloise d'Habitat)  
**Edit Lakatos**, Policy Officer at the European Commission Task Force on Housing  
And **The John S. Latsis Public Benefit Foundation** for its generous support to the European Young Leaders programme.

# Priorities to tackle the housing crisis

Europe's housing crisis cannot be solved by any single actor. Success will require coordinated action from European institutions, national governments, local authorities, investors, developers and civil society.

The Housing Lab identified a wide range of practical tools

already being used across Europe. The priority now is to scale, adapt and finance the models that are increasingly providing a solution to housing pressures, with the urgency that Europe's younger generations increasingly demand.

## KEY RECOMMENDATIONS

### PRIORITY 1 – Reform the rules

The regulatory frameworks governing housing markets at EU, national and municipal level are actively limiting what policymakers can do. The most urgent priority is to revise EU state aid rules to enable public investment in affordable housing beyond the strictly social housing category. Beyond that, establishing a common EU definition of housing stress areas, enforcing the EU's Short-Term Rental Regulation, introducing fiscal tools to return vacant and underused properties to the residential market and giving cities greater regulatory flexibility would collectively remove significant barriers to progress.

### PRIORITY 2 – Unlock alternative and community-based capital

Public budgets alone cannot meet Europe's housing investment needs. EU institutions and member states should develop a stronger social investment framework for housing, drawing on tools such as dormant asset legislation, social impact bonds and social metrics within sustainable finance frameworks. Developing a social taxonomy for housing investment, equivalent to what exists for climate, would help direct institutional capital toward affordable and social housing at scale.

### PRIORITY 3 – Reduce speculative pressures and expand affordable ownership models

Housing is a foundational element of our communities and our democracy. European and

national policymakers should support the expansion of community land trusts, housing cooperatives and rent-to-own schemes that keep housing affordable over the long term and provide pathways to ownership that are not solely reserved to those who inherit wealth. Together, these models structurally limit the conditions under which housing can be traded speculatively.

### PRIORITY 4 – Building more and unlocking existing stock

Europe must increase housing supply while making better use of buildings that already exist. Mandating inclusionary zoning for large developments, converting vacant offices and disused public buildings, prioritising renovation of the worst-performing stock and supporting temporary use models can all expand affordable housing faster. Targeted EU initiatives can also address the specific housing needs of mobile young people.

### PRIORITY 5 – Share what works

Many effective housing solutions already exist across Europe but remain too fragmented to travel. The EU should support a practical database of successful municipal housing policies, designed especially for smaller and medium-sized cities that often lack the capacity to identify and adapt proven models on their own.

# PRIORITY 1. Reform the rules

Regulation shapes what is possible in housing markets, and across EU, national and municipal levels, the current rules are falling short. The lab identified several concrete changes that would give policymakers, cities and investors significantly more room to act.

**EU state aid** rules represent one of the most significant structural obstacles. Currently, public investment in housing is only clearly permitted for strictly defined social housing. This leaves the large and growing category of intermediate affordable housing, which serves households who cannot access the market but do not qualify for traditional social housing, in a legal grey area. While representatives of the European Commission highlighted that a revision of these rules is under way, participants emphasised the urgency of ensuring it explicitly enables a broader range of public housing investment.

The absence of a **common EU legal definition of a 'housing stress area'** was identified as a significant gap. Several member states already operate frameworks for stressed housing markets, but each does so differently, using different criteria and triggering different policy responses. A shared definition would enable cross-country comparison and the identification of best practices, and would create the legal basis for differentiated responses, allowing cities and regions in genuine crisis to access stronger regulatory tools than those available in stable markets.

**Short-term rental platforms** have removed significant numbers of properties from residential housing markets across Europe. While regulating them is not a solution for the housing crisis on its own, it is a necessary step to help return housing units to long-term use and ease pressure on residential housing supply in many European cities. The EU's Short-Term Rental Regulation<sup>2</sup> coming into force in May 2026 now requires hosts to register on a pan-European database and platforms to share booking data with authorities monthly. Whether this delivers on its promise will depend on consistent enforcement and on ensuring that local authorities have the capacity and resources to act on the data they receive.

Regulatory solutions are also necessary to address the wider stock of empty and underused properties sitting outside the residential market across Europe. Participants discussed Spain's 45% **tax on properties left unoccupied for most of the year** as a concrete model worth replicating, particularly in cities where demand for short-term and holiday accommodation has pushed residential properties out of reach. The instrument works on two levels: it generates revenue for local authorities and creates a direct financial disincentive to speculative property accumulation. Applied more broadly across Europe, fiscal tools of this kind could both release housing supply and generate resources for social housing investment.

Participants stressed the need to give cities more regulatory flexibility to respond to local housing market conditions. The lab heard from city representatives that municipal governments often face national or EU-level constraints that prevent them from adopting the tools best suited to their specific contexts.

## Recommendations

- Give cities greater regulatory flexibility to respond to local housing market conditions.
- Revise EU state aid rules to enable public investment in affordable housing beyond the strictly social housing category.
- Establish an EU-level legal definition of 'housing stress areas', enabling cross-country comparison and differentiated policy responses.
- Ensure consistent enforcement of the EU's Short-Term Rental Regulation and give local authorities the capacity and resources to act on the data they receive.
- Develop fiscal tools that discourage speculative property accumulation and incentivise the return of vacant homes to the residential market.

## PRIORITY 2. Unlock alternative and community-based capital

Europe faces a housing investment gap that neither public budgets nor private markets have been able to fill alone. With an estimated shortfall of more than two million housing units across the continent, the scale of the challenge requires thinking beyond conventional financing. The lab explored a range of models that have successfully mobilised capital for social purposes elsewhere and discussed what it would take to replicate them at scale.

The UK's **dormant assets legislation** offers one of the most successful examples of mobilising inert capital for social investment. Under the Dormant Bank and Building Society Accounts Act 2008, funds sitting unclaimed in bank accounts for more than 15 years are transferred to a Reclaim Fund and redirected toward social and environmental causes at minimal cost to the public budget. The Reclaim Fund includes a reserve to ensure that account holders who come forward later can still reclaim their money. In 2012 this funded the establishment of Better Society Capital as the world's first social investment institution of its kind, capitalised with £400 million from dormant accounts and a further £200 million from the UK's four largest high street banks. Across EU member states, dormant assets on a similar scale remain untouched. The UK model offers a ready-made blueprint for member states looking to do the same.

**Social impact bonds** (SIBs) were also identified as a financing structure with real potential for housing. Rather than governments funding social interventions upfront, private investors provide the capital and are repaid with a return only if measurable outcomes are achieved, transferring the risk of failure from the public sector to private capital. The model has already proven itself in other policy fields, most notably in criminal justice. The world's first social impact bond was launched at Peterborough prison, UK in 2010 and saw 17 investors contributing £5 million to fund rehabilitation support for short-sentenced prisoners. The programme reduced reoffending by 9% (exceeding the Ministry of Justice's 7.5% target) and investors received their capital back with a return of just over 3% per year. Applying the

same model to housing would create a similar alignment of incentives since investors only profit if the social intervention works, creating a shared interest between capital and community that conventional financing instruments lack.

Yet voices from the investment community highlighted a structural financing issue: private capital exists, while the frameworks needed to direct it toward social housing do not. Over the past decade, sustainable finance has fundamentally reshaped where institutional money flows by creating incentives that reward green investment and price in environmental risk. No equivalent exists for social investment in housing. Displacement, gentrification and community breakdown are not factored into investment returns. Moreover, investors who do engage with social housing face reputational risks – from evictions or from public opposition to institutional ownership of social infrastructure – that green investment simply does not carry. Developing a social taxonomy for housing investment, equivalent to what exists for climate, would be one of the most consequential steps European policymakers could take to unlock private capital for social housing at scale.

### Recommendations

- Develop dormant asset legislation across EU member states to mobilise inert capital for social investment, including housing.
- Pilot social impact bond mechanisms for housing, adapting the payment-by-results model to measurable social housing outcomes.
- Develop a social taxonomy for housing investment within EU sustainable finance frameworks, creating social metrics equivalent to those that have redirected institutional capital toward green investment.

## PRIORITY 3. Reduce speculative pressures and expand affordable ownership models

Participants agreed that the housing crisis is, in significant part, a consequence of treating housing as a financial asset rather than a social good. When housing stock circulates as investment capital, management becomes disconnected from communities, allowing properties to deteriorate and prices to be driven by financial returns, rather than the needs of those they serve. The contradictory incentives within the housing market have led to a failure that the market itself is unable to solve.

Participants were clear that market corrections are not enough to reverse this dynamic and that institutional and regulatory responses are needed. Three models emerged as compelling solutions to structurally limit the conditions under which housing can be traded speculatively.

**Community Land Trusts** offer a solution to land appreciation, one of the root causes of housing inflation. Under this model, a trust acquires land and holds it permanently outside the market. Residents and developers can only trade the buildings on the land, which depreciate over time. As land is the primary driver of price increases in most European cities, removing it from speculative circulation structurally caps long-term housing costs. In Vienna, around 60% of residents live in some form of community housing. The Réno-solidaire model in Brussels is another compelling example, combining land trust ownership with a financing mechanism that allows low-income homeowners to fund renovation, ensuring the building is upgraded while remaining permanently affordable. Recommendations

**Housing cooperatives** are a non-market ownership model that has achieved real scale in Zurich, where 18% of the housing market consists of cooperative housing. Properties are owned collectively and rent is cost-based, covering operational costs and loan repayments rather than generating profit. Members who move on must sell their shares back to the cooperative at cost, preventing housing from re-entering the speculative market. Support

from local and national governments – through land, soft loans or preferential financing – has been essential to the model's success. The broader Swiss and German cooperative traditions demonstrate that pooling capital to build affordable housing without creating investable assets is both feasible and replicable.

A third model involves **rent-to-own schemes** in which residents purchase social housing in instalments, with a **legal prohibition on selling until all payments are complete**. This prevents early resale from pushing subsidised homes back into the speculative market, while still offering a genuine path to stable, long-term tenure. Representatives from Kosovo described this as part of their government's response to the severe housing shortage that followed the 1998 to 1999 war. More broadly, participants identified rent-to-own schemes as a promising but underused instrument for younger people unable to afford a down payment. V4C 2026 data shows that 50% of young Europeans have received or expect to receive financial support from their families to access housing. For those without access to family safety nets, rent-to-own offers a gradual path into ownership and ensures that access to housing is not reserved to those who inherit wealth.

### Recommendations

- Scale Community Land Trust models across Europe, with EU-level support to remove barriers to their establishment and replication.
- Expand cooperative housing models across member states, including through the creation of appropriate legal structures where these do not yet exist.
- Support the development and piloting of rent-to-own schemes for young people as a targeted intergenerational fairness instrument.

## PRIORITY 4. Building more and unlocking existing stock

Solving Europe's housing shortage requires action on multiple fronts simultaneously. With an estimated shortfall of more than two million units across Europe, the crisis cannot be resolved by redistribution or optimisation alone and requires a substantial increase in housing supply. At the same time, Europe has a large stock of empty, underused and poorly maintained buildings that could be brought back into residential use far more quickly than new development allows. In cities where pressure is most acute, temporary solutions have a legitimate role to play while longer-term supply catches up.

**Inclusionary zoning** addresses a core limitation of supply-side policy, as simply building more units will not necessarily ensure accessibility for those affected by the housing crisis. This model requires that developers include a percentage of affordable or social housing units as a condition of receiving planning permission for large projects, generating social housing supply without direct public expenditure. Several European cities have already implemented variations of the model. In Brussels, large developments are required to include a social housing contribution. In Kosovo, private developers applying for building permits must transfer a portion of square metres to the municipality for social housing. Vienna goes furthest, combining the affordable housing requirement with infrastructure obligations that ensure new development is genuinely integrated into the city rather than creating isolated enclaves.

**Repurposing large and underutilised resources in Europe's existing built environment** – such as empty offices, disused school buildings and vacant properties held by public institutions – offers a route to expanding housing supply that is often faster and less politically complicated than new construction. In Groningen, the city addressed acute student housing shortages by converting empty office buildings into student accommodation. Several other Dutch cities have installed purpose-built container housing on unused urban land to accommodate growing numbers of international students. In Budapest, former school buildings have been converted into social housing units through renovation programmes funded in part by EU energy efficiency investment. City representatives highlighted the broader opportunity of renovating the worst-performing buildings

in Europe's existing stock as one of the most cost-effective routes to expanding affordable housing supply and tackling energy poverty simultaneously.

In cities where pressure is most acute, **temporary use models** offer a pragmatic bridge while longer-term supply catches up. In some Dutch university cities, housing shortages have become so severe that students are advised not to begin their studies unless they have already secured accommodation. This has led to the development of formal frameworks allowing empty properties to be used for temporary residential purposes, with residents occupying vacant buildings at little or no cost in exchange for maintaining them.

Finally, participants welcomed two **EU-level initiatives specifically targeting housing for mobile young people**, a dimension of the crisis that receives insufficient policy attention. Under Erasmus+, the European Commission is developing a housing pilot scheme for mobile students from disadvantaged backgrounds which is expected to launch in 2027 and would make housing support part of the EU's flagship mobility programme for the first time. Separately, the Commission and the European Investment Bank (EIB) are assessing the feasibility of a guarantee scheme that would reduce or eliminate the need for a security deposit for students and trainees. This would address one of the most immediate practical barriers young people face when moving to a new city for education or work.

### Recommendations

- Scale Community Land Trust models across Europe, with EU-level support to remove barriers to their establishment and replication.
- Expand cooperative housing models across member states, including through the creation of appropriate legal structures where these do not yet exist.
- Support the development and piloting of rent-to-own schemes for young people as a targeted intergenerational fairness instrument.

## PRIORITY 5. Share what works

Smaller and medium-sized cities across Europe are managing housing pressures that frequently exceed their institutional capacity. Faced with sudden population growth, rising demand and limited resources, many municipalities are developing housing responses largely from scratch, without access to a systematic knowledge base or the research capacity to build one. Proven instruments and governance models have been developed and tested in cities across Europe and are simply not being transmitted effectively to the places that need them most.

City representatives in the lab described the absence of a reliable infrastructure for sharing good practice. An EU-level directory of good municipal housing practices would give smaller cities a practical starting point that does not require significant research capacity to use. Unlike academic publications or policy reports, such a resource would need to be designed with implementation in mind and catalogue what has worked, where, under what conditions and at what cost.

### Recommendation

- Establish an EU-level database of good municipal housing practices, specifically designed to serve medium and smaller municipalities with limited research capacity.

# Conclusion

Over the last years, housing has moved from the margins of European policy to its centre, driven by a cost-of-living crisis that can no longer be ignored. Data from Debating Europe's Voices for Choices 2026 survey found that 66% of young Europeans say housing influences how they vote, underlying the extent to which affordability is now linked to confidence in public institutions.

The message from the EYL40 Housing Lab is clear: housing is becoming a test of whether Europe can still offer stability, opportunity and a fair deal to the generation that will carry the European project forward.

The discussions showed that while housing supply matters, building more homes alone will not solve the problem. The challenge also lies in how housing has come to function in European economies as a financial asset whose value is driven by speculation, with too little room for the needs of the communities who live in it. Addressing this dynamic requires changing the rules of ownership, investment and regulation, alongside increasing supply.

The Lab highlighted that many of the tools needed already exist. The models discussed in this report – from community land trusts and housing cooperatives to inclusionary zoning and dormant asset legislation – are not untested proposals but working approaches, developed and refined in cities across Europe, that have demonstrably improved access to housing. The challenge is to adapt and scale them where they are most needed.

The scale of investment required can be met neither by public budgets nor by private markets alone. The most promising approaches discussed in the lab are hybrid models that align public and private incentives and that demonstrate what is possible when capital is directed toward social outcomes. Developing the EU-level architecture to support and scale these approaches is among the most consequential steps European policymakers could take.

European institutions, national governments, cities, investors, developers and civil society all have a role to play in reducing speculative pressure, mobilising capital for social outcomes, empowering local authorities and ensuring that housing policy supports both affordability and democratic trust.

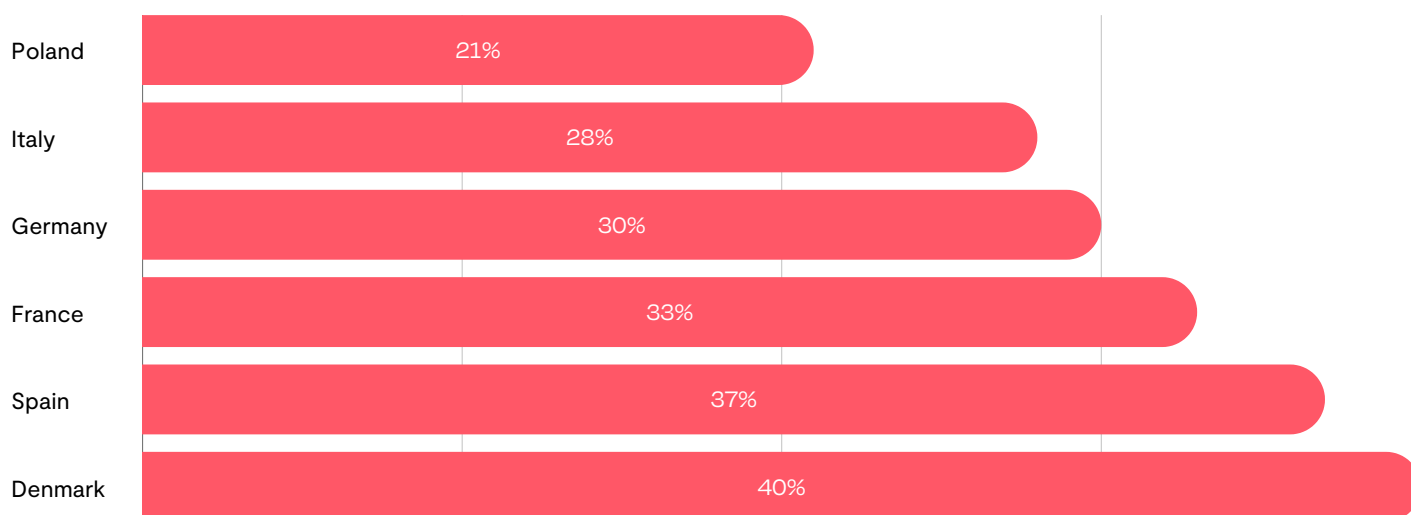
For the European Union, the stakes are high. A project built on mobility, cohesion and shared prosperity cannot afford a generation that feels locked out of stability and opportunity. Addressing housing is therefore not only a social policy priority; it is part of renewing confidence in Europe's ability to deliver.

# What do Europeans think?

Proportion of respondents allocating more than 40% of monthly income to housing

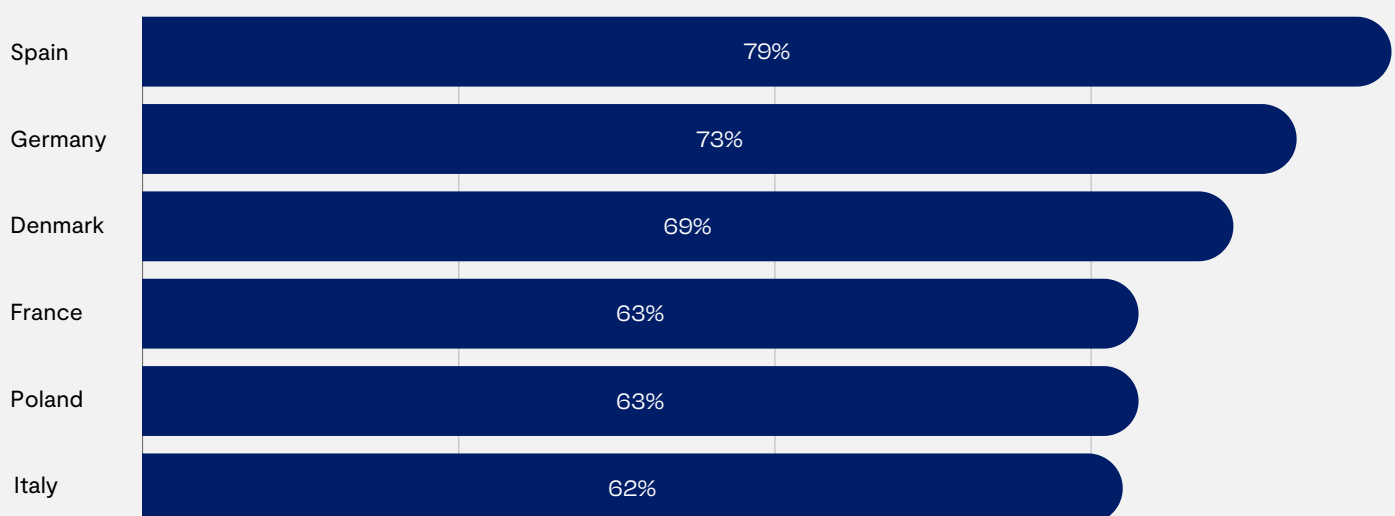
50%

say they have or will receive financial support from their family for housing



## Housing influences how young Europeans vote

% saying housing influences the political party they support 'a lot' or 'somewhat'



**ONE MESSAGE →** In every country surveyed, housing matters politically for more than 60% of young people, and for almost 80% in Spain

## **Friends of Europe**

Connect. Debate. Change.

eyl40@friendsofeurope.org  
friendsofeurope.org

---

Friends of Europe is a leading think-tank that connects people, stimulates debate and triggers change to create a more inclusive, sustainable and forward-looking Europe.

