Housing affordability: Approaches to measurement and key data insights
Background paper

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1. Measuring affordable housing

For many people in Europe right now their biggest challenge is finding and/or affording a home. At the heart of this crisis is a chronic undersupply of affordable housing. Among other factors, rapid urbanisation, demographic change and financialisation – that is, the treatment of housing as a commodity, produced and traded for investment and wealth accumulation purposes – have fuelled demand and resulted in soaring property prices and rents in many areas. In parallel with these trends, there has been a decline in the stock of social housing, owing to reduced public investment in some countries and the sale of social housing units to tenants (European Economic and Social Committee, 2024). For people on low incomes, it can be difficult, and sometimes impossible, to achieve homeownership or afford the private rental market. The social rental sector – often the go-to in such cases – is not always a viable option, owing to limited supply and long waiting lists.

Housing affordability problems cast a long shadow. They impact a household's budget, leaving less money to pay for other essentials, including food, healthcare and childcare. Problematic housing costs also reduce a household's ability to save for emergencies, for retirement and for opportunities such as higher education (Anacker, 2019). Furthermore, they may affect people's overall well-being and undermine their sense of belonging and security (Gentili & Hoekstra, 2025). Despite the importance of housing affordability, however, there is considerable debate regarding how to define and measure it.

That housing affordability is a problem across the EU is widely acknowledged, including at the highest levels. In July 2024, European Commission President Ursula von der Leyen noted that 'Europe faces a housing crisis, with people of all ages and families of all sizes affected. Prices and rents are soaring. People are struggling to find affordable homes.'[1] Housing was subsequently included, for the first time, as a distinct part of a commissioner's portfolio. This crisis of housing affordability is not borne out by official statistics, however. The EU average housing cost overburden rate, an indicator that will be discussed in the next section, declined from 10.1% in 2017 to 8.2% in 2024 – a downward trend that would seem to contradict the general perception of rising housing unaffordability. As discussed by Eurofound (2025), this indicator has been characterised by upward convergence – improving on aggregate across the EU and with disparities between Member States narrowing. Other research has confirmed that, while the situation has not deteriorated on aggregate, affordability problems have become much worse for certain groups (Hick et al., 2024). This points to a need to consider how we measure housing affordability across Member States and over time, and how we can identify which groups are most vulnerable to rising house prices and rents.

To this end, this paper begins by presenting an overview of various housing affordability metrics, highlighting some of their strengths and limitations and noting in which contexts they may be more appropriate to use. It points to where data are available or lacking for computing these metrics and highlights which ones can be computed across Member States using the data currently available. The next section of the paper charts the evolution of housing costs over recent decades before going on to discuss current housing affordability challenges. The final section summarises the findings and proposes key questions for discussion.

1.1 An overview of housing affordability metrics

An overview of the five most prominent approaches to measuring housing affordability, and their respective advantages and limitations, is provided by the OECD (2021). This overview states from the outset that

> *There is no international consensus on how to define or measure housing affordability, and no single measure fully captures the range of concerns around the ability of households to secure decent housing in an appropriate location for an acceptable price.*
>
> (OECD, 2021)

The first approach is the **ratio of house or rental prices to income**, measured at the country level. This is a useful metric for tracking affordability broadly over time or across countries. If prices/rents are increasing at a faster rate than incomes, this suggests that housing is becoming less affordable. It is, however, too aggregate a metric to capture what is happening at the household level.

The second metric is the r**atio of housing expenditure to income**. Because this ratio is calculated at the household level, it paints a more detailed picture of which types of households are spending relatively more or less of their income on housing costs, thus facilitating the identification of vulnerable groups. However, it may not be appropriate for aggregate cross-country comparisons, as it fails to account for such factors as the structure of the housing market and the quality of the housing stock. Often, specific thresholds are applied to this ratio. For example, a threshold of 30% is

1 See https://housing.ec.europa.eu/index_en.

sometimes considered ‘affordable’, whereas at an expenditure-to-income ratio of 40%, a household may be considered ‘overburdened’. Indeed, the **housing cost overburden rate** is an indicator used in the Social Scoreboard of the European Pillar of Social Rights to identify the percentage of households in each Member State that spend more than 40% of their disposable income on housing. A problem with such thresholds is that they are somewhat arbitrary. Moreover, the implications of spending more than 40% of income on housing are highly dependent on where in a country’s income distribution a household may fall. Low-income households may feel overburdened with housing costs at a much lower expenditure-to-income ratio, especially when expenditure on non-housing essentials, such as healthcare and childcare, are taken into account. One way of addressing this is to adopt the **‘30/40’ indicator** of housing affordability stress, which is a more nuanced measure for identifying vulnerable groups. According to this metric, a household is likely to experience housing affordability stress if it spends more than 30% of disposable income on housing costs and is in the bottom 40% of the national income distribution (AHURI, 2019). Using this indicator to conduct cross-country comparisons comes with some of the same drawbacks as the housing cost overburden rate, however, in that it doesn’t account for the structure of the housing market, the quality of the housing stock or the provision of public services.

The third type of measure is the **residual income** approach. This measures the income that a household has left after paying for housing and assesses whether it is sufficient to maintain a certain standard of living. For example, the ‘housing hardship’ indicator used in Canada is based on this approach and measures the impact of housing costs on a household’s ability to purchase necessities. While this measure does have features that make it more appropriate for cross-country comparisons, it involves calculating the minimum household income needed for non-housing expenses. This calculation is not straightforward and requires significant data collection. Moreover, much like the thresholds for housing affordability, this measure suffers from arbitrariness.

The OECD (2021) also proposes using **housing quality** as an indicator of housing affordability, noting that it can be used to assess what households are paying for. However, in the framework used by Eurofound (2023; forthcoming), the quality of a person’s housing is considered a *consequence* of affordable housing, rather than a way to measure housing affordability. If a person is unable to afford housing that is of adequate size or quality, they may have no choice but to live in inadequate accommodation. Measures of housing inadequacy include overcrowding and deprivation, such as the presence of leaks, dampness or rot.

Finally, the OECD (2021) notes that **subjective measures** of housing affordability can be used to complement the more objective measures outlined above. It is important to note, however, that the two might not necessarily align. For example, Eurofound (forthcoming) reveals that younger people spend the highest proportion of their disposable income on housing but are less likely than older age groups to report that housing costs are a heavy or very heavy financial burden. In terms of cross-country analysis, such perception-based measures may not always be accurate, as what is considered ‘affordable’ will likely vary across countries. For within-country analysis, however, they are a useful way of identifying vulnerable groups.

1.2 Practical implications of measuring housing affordability

At EU level, comparable cross-country data already exist for several of the metrics discussed in section 1.1. For example, data are available to compute the rather aggregate metric of affordability resulting from the house-price-to-income ratio. Indeed, Eurostat now provides a standardised house-price-to-income index for the owner-occupied sector that follows the evolution of house price to income over time. No such measures have been developed for the rental sector, however. Data needed to calculate the housing-cost-to-income ratio are available from the EU Survey of Income and Living Conditions (EU-SILC) and are used to compute the aggregate housing cost overburden rate. In addition, data relating to the housing-cost-to-income ratio can be combined with income distribution data to compute the 30/40 indicator of housing affordability stress.

It is not possible to measure housing affordability across Member States via the more detailed residual income approach using data from EU-SILC. Doing so would require matching the latter with national household budget surveys – a significant statistical exercise.[2]

Objective data on housing quality are also lacking; however, metrics regarding the housing overcrowding rate and subjective measures of housing deprivation are available for all Member States. Finally, perceptions of housing affordability are captured via the ‘financial burden of the total housing cost’ variable that is included in the three-year rolling module in EU-SILC, most recently in the 2023 edition of the survey.

2 A description of an approach to such an exercise is discussed in Serafino and Tonkin (2017).

2. Housing affordability in the EU

As discussed in the previous section, there is currently no perfect metric of housing affordability across the EU. However, the data available do facilitate analysis of some important trends and identification of vulnerable groups within Member States.

2.1 Evolution of housing costs

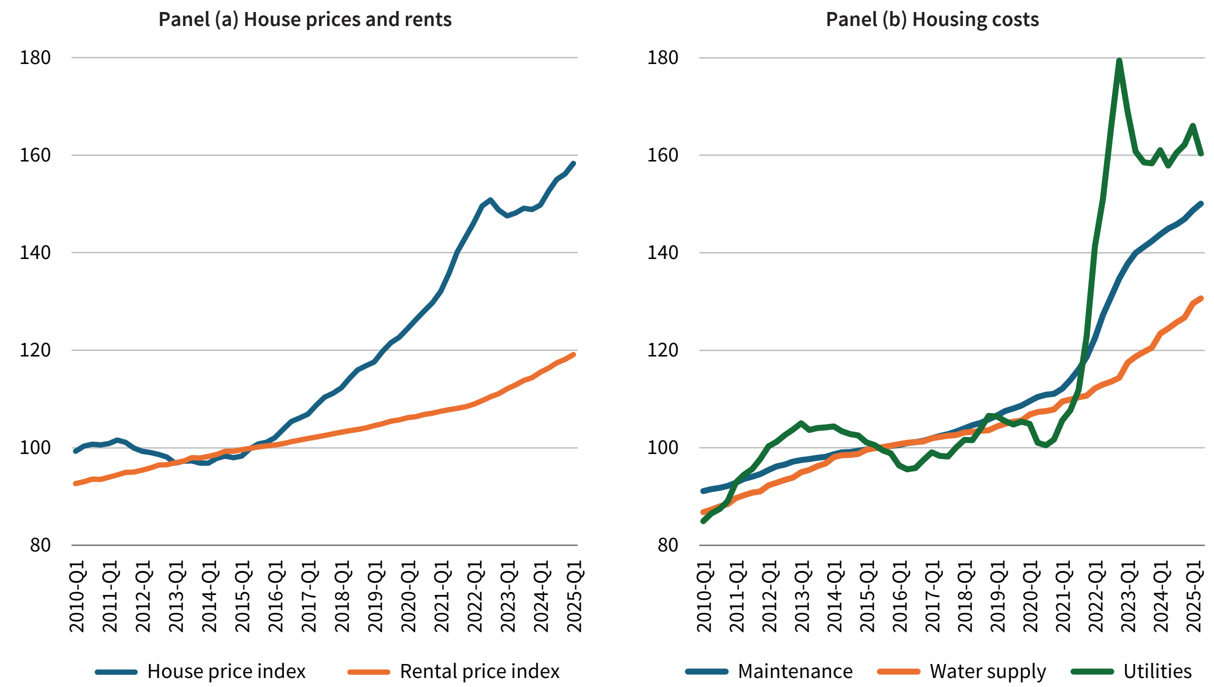
The concept of housing affordability relates to the evolution of both housing costs and households' income. Between 2010 and 2024, house prices increased by 55.4% on average across Europe. In the same period, rents increased by an average of 26.7%. These trends are illustrated in Figure 1 (panel (a)) below. Country-level statistics show that in some Member States, house prices more than tripled in the same period. Moreover, as discussed in Eurofound (2023; forthcoming), the largest price increases have occurred mainly in capital cities, urban areas where employment opportunities are concentrated and popular tourist destinations.

Factors on both the demand and supply sides are causing increases in house prices and rental rates. On the demand side, prices are being driven by changing demographic trends, including increasing life expectancy and healthy ageing, positive net migration and the rise of one-person households. Moreover, urbanisation means that demand is increasing in some areas but falling in others, putting added pressure on house prices in cities and suburbs. Demand is also driven by investors and by the tourism industry. The role of the former in the housing market has increased rapidly in the EU in recent years, influencing both demand and supply, as investors acquire part of the housing stock and become housing providers (ECB, 2023).

The supply of housing, meanwhile, is limited by the finite amount of land, as well as geographical features and existing population density. Use of land is also regulated by zoning and planning laws, which restrict where, when and how housing can be built and which can be slow in responding to increasing demand. Housing supply is also influenced by the availability and cost of construction materials and specialised workers. Construction depends on complex, interconnected and energy-intensive global supply chains for materials such as steel, cement, wood and chemicals. Construction activity in the EU declined dramatically in 2020 due to the COVID pandemic and only returned to pre-pandemic levels in late 2021. Underinvestment in construction persists – it is estimated that in 2025, the supply of housing in the EU will meet just 50% of the annual demand for additional housing units (EIB, 2025).

For households, costs relating to housing, such as dwelling maintenance and repair costs, water supply and services and utilities, have also increased since 2010 (Figure 1, panel (b)), with particularly steep rises observed since early 2022. In terms of the drivers, the Russian war of aggression on Ukraine has played a key role, as have labour shortages and increases in the cost of raw materials.

Figure 1: Trends in house prices, rental rates and associated housing costs, EU-27, 2010–2025 (indexed, Q1 2015=100)



Source: *Eurostat, Quarterly house price index [prc_hpi_q]; Eurostat, Harmonised index of consumer prices [prc_hicp_midx].*

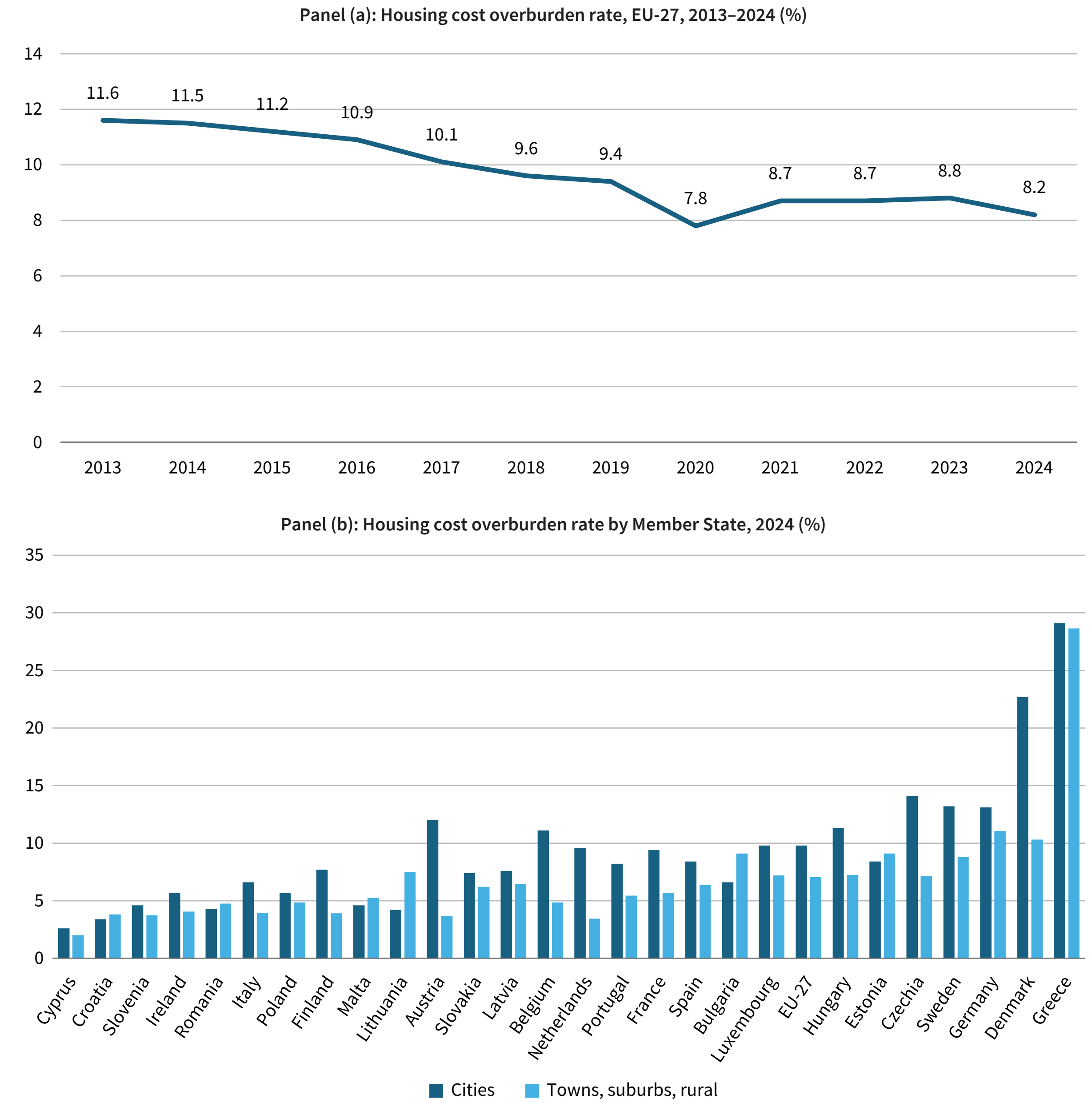
2.2 From housing costs to housing affordability

In recent decades, the relationship between the costs of housing and incomes has diverged in the metropolitan areas of many Western countries (Anacker, 2019), increasing housing affordability challenges for some groups.

As noted in section 1.2, with the data currently available, it is not possible to assess the affordability of housing in Europe using the residual income approach. However, some important insights can be gained by considering the ratio of housing costs to income for different groups. The previously discussed **housing cost overburden rate** and the **30/40 indicator of housing affordability stress**, while not perfect metrics, do provide some insights into where housing affordability concerns are most pressing, especially when considering statistics beyond the aggregate country level.

As noted above, despite the commonly held view that housing affordability challenges are widespread across Europe, Figure 2 (panel (a)) shows that the housing cost overburden rate has generally been trending downwards over time, although this downward trend has been less consistent between 2020 and 2024. Figure 2 (panel (b)) illustrates the situation across

Figure 2: Housing cost overburden rate



Notes: *The housing cost overburden rate represents the proportion of the population spending more than 40% of their disposable income (net of housing allowances) on housing costs. Data in panel (b) are sorted, from lowest to highest, according to the housing cost overburden rate at Member State level. The categories 'towns and suburbs' and 'rural areas' were combined for ease of display.*
Source: *Eurostat, Quarterly house price index [prc_hpi_q]; Eurostat, Harmonised index of consumer prices [prc_hicp_midx].*

Member States and by degree of urbanisation. The Member States where the housing cost overburden rate is highest are Greece, Denmark and Germany. In some countries, there is a significant rural–urban divide in housing affordability struggles, with those living in cities being much more likely to be overburdened with housing costs. In Austria, Belgium, the Netherlands and Denmark, the rate of housing cost overburden in cities is more than twice that in less densely populated areas.

As discussed previously, one of the shortcomings of the housing cost overburden rate as a metric is that the threshold of 40% is somewhat arbitrary, yet the more straightforward housing-cost-to-income ratio reveals a similar pattern, with housing being particularly expensive relative to income in Denmark and Greece. At an aggregate country level, however, the mean ratio of housing cost to income can – much like the housing cost overburden rate – be misleading. The average statistics fail to show the enormous variation between regions and between socioeconomic groups. For all Member States, the mean value is higher than the median, indicating that there are some households with ratios of housing costs to income that far exceed the average level.[3]

One important dimension where the average ratio fails to capture the reality of different groups is tenure. Across all Member States, renters spend more of their income than owner-occupiers on housing. The challenging situation faced by tenants renting on the private market is also highlighted by Eurofound (2023; forthcoming) and Hick et al. (2024). The proportion of income spent on housing also depends on other characteristics of the household. In general, the data show that this proportion is higher for households without dependent children (23%) than those with dependent children (19%). While households with dependent children have, on average, lower levels of housing costs relative to their incomes, there is one important exception: single-parent households. This group spends significantly more income on housing (27%).[4]

Households that are at risk of poverty or social exclusion (AROPE) also spend significantly more of their income on housing costs. On average across the EU, households that are classified as AROPE spend 35% of their income on housing, compared with 17% for non-AROPE households. This is even though AROPE households are much more likely to be renting at a reduced price or living rent-free: 18% of AROPE households are in this tenure category compared with 8% of non-AROPE households. Data suggest that AROPE households that are living in reduced-price rental or rent-free accommodation continue to struggle with housing affordability, as they spend 33% of their income on housing. Indeed, 28% of such households remain overburdened with housing costs.

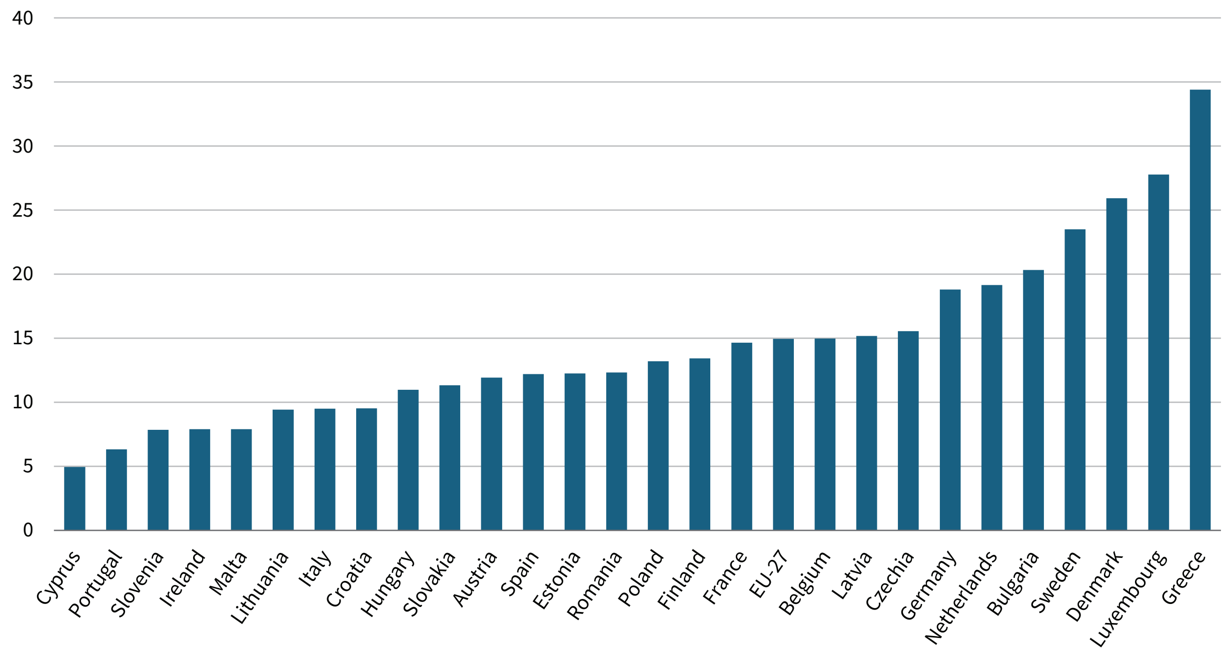
Considering that housing affordability concerns are most pressing at lower levels of income, **the 30/40 indicator of housing affordability stress**, presented in Figure 3, provides some valuable insights that are not captured by the housing cost overburden rate. Across the EU, 14% of households experience affordability stress according to this metric. It also suggests that tenants face particular challenges, as 31% of those renting at the market rate and 25% renting at reduced rates face housing affordability stress.

Other groups that are revealed by this metric to be particularly vulnerable are single-person and single-parent households. These two groups face housing affordability stress at approximately twice the rate of the average household. Those living in cities experience housing affordability stress at greater rates than those living in towns and suburbs or rural areas (17% versus approximately 13%). Young people living independently of their parents face housing affordability stress at twice the rate of older cohorts (28% of those aged 18–29 versus 14% of those aged 30 or older). The challenges that young people face, especially those looking for accommodation in Europe’s urban centres and popular tourist destinations, are presented in much greater detail in Eurofound (forthcoming). Indeed, this report highlights that for a young person on a median wage entering the housing market (either the sales or rental segments), there are certain areas where none of the properties currently on offer could be considered affordable.

3 Statistics based on author’s analysis of microdata from EU-SILC.

4 Eurofound (forthcoming) highlights that, in addition to affordability problems, single-parent households face higher levels of housing insecurity and tend to live in dwellings of lower quality.

Figure 3: The 30/40 indicator of housing stress, EU-27 (%)



Notes: *The data are ordered from left to right based on the lowest-to-highest aggregate percentage of the population who spend more than 30% of income on housing and are in the bottom 40% of the national income distribution.*
Source: *Author's calculations from EU-SILC microdata.*

3. Conclusions and questions for discussion

Historically, affordable housing has been synonymous with social housing. However, as problems related to housing affordability spread up the income distribution, the concept of affordable housing is now often considered in the context of housing costs relative to income.

With the data currently available, it is possible to compute various metrics of housing affordability. These include the housing cost overburden rate (a headline indicator of the European Pillar of Social Rights), the housing-cost-to-income ratio and the 30/40 indicator of housing affordability stress. The challenge with computing any of these metrics at the Member State level is that the averages fail to capture the difficulties faced by certain population groups. For example, large differences emerge when these metrics are disaggregated by tenure, with renters facing much greater affordability problems. Other groups, including single-parent households and those at risk of poverty or social exclusion (AROPE), also face housing affordability challenges that are far greater than those suggested by the average figures.

This poses several questions for discussion. For example, given the data currently available, how can housing affordability challenges across Member States be captured? Considering the downward trend in the housing cost overburden rate (Figure 2 (a)), what metrics available at the EU level capture current housing affordability challenges? At what threshold can housing costs be considered unaffordable, and how should this vary across the income distribution? Is there a way to measure housing affordability that also takes into account the quality of dwellings? There is much room for discussion given the contradiction between the downward trend in the aggregate housing cost overburden rate and the widely held view that housing is becoming increasingly unaffordable for many households across Europe.

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