HOUSING AFFORDABILITY BEYOND SUBSIDY:

STRUCTURAL SOLUTIONS TO EUROPE'S HOUSING CRISIS

DELIVER SAFE AND SOCIAL HOUSING (DASH) INTERNATIONAL CONFERENCE

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GERALD KOESSL

AUSTRIAN FEDERATION OF LIMITED-PROFIT HOUSING ASSOCIATIONS

Europe‘s plan to tackle the housing crisis



STUDY
Requested by the HOUS Special Committee

European Parliament

Housing speculation in the EU

Corporate landlords, real estate trusts, abusive speculative behaviour and impacts on prices and transactions

Policy Department for Transport, Employment and Social Affairs
Directorate-General for Cohesion, Agriculture and Social Policies (CASP)
Authors: Manuel B. AALBERS, Felix BÖHMER, Rodrigo FERNANDEZ
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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

The European Affordable Housing Plan

{SWD(2025) 1053 final}

“The Commission estimates that the EU will need more than two million homes per year to match the current demand. This means adding about 650,000 homes per year to the 1.6 million built currently. Delivering those extra housing units would cost about EUR 150 billion annually.” (EU Affordable Housing Plan)

Blind spots in EU housing policy

- **Supply alone, no provider logic:** More supply is assumed to fix the crisis, but who can guarantee long-term affordability is left unasked.
- **Social/affordable housing as a safety net rather than a market shaping instrument:** low-income households remain target group, rent setting in relation to incomes, (e.g. SGEI Decision)
- **Market prices as the benchmark:** “Market” means profit-maximising prices (SGEI Decision, ESA 2010), and policy measures themselves reference them (e.g. “below market” in the Affordable Housing Act).
- **Missing piece:** The actual cost of housing to providers
- **Result:** There are no structural solutions, and subsidies are used inefficiently. Price regulation expires (after 20 years under the SGEI Decision), so affordable stock keeps eroding and loses its price-dampening effect on the market.
- **What is needed?** Making full use of non-/limited-profit providers -> they can be the structural solution!

Empirical evidence from Austria:

- What are the affordability effects of housing providers and what is the role of housing subsidies?
- How do subsidies operate in a cost-rent system?
- How can affordbility be achieved beyond the effects of subsidies?

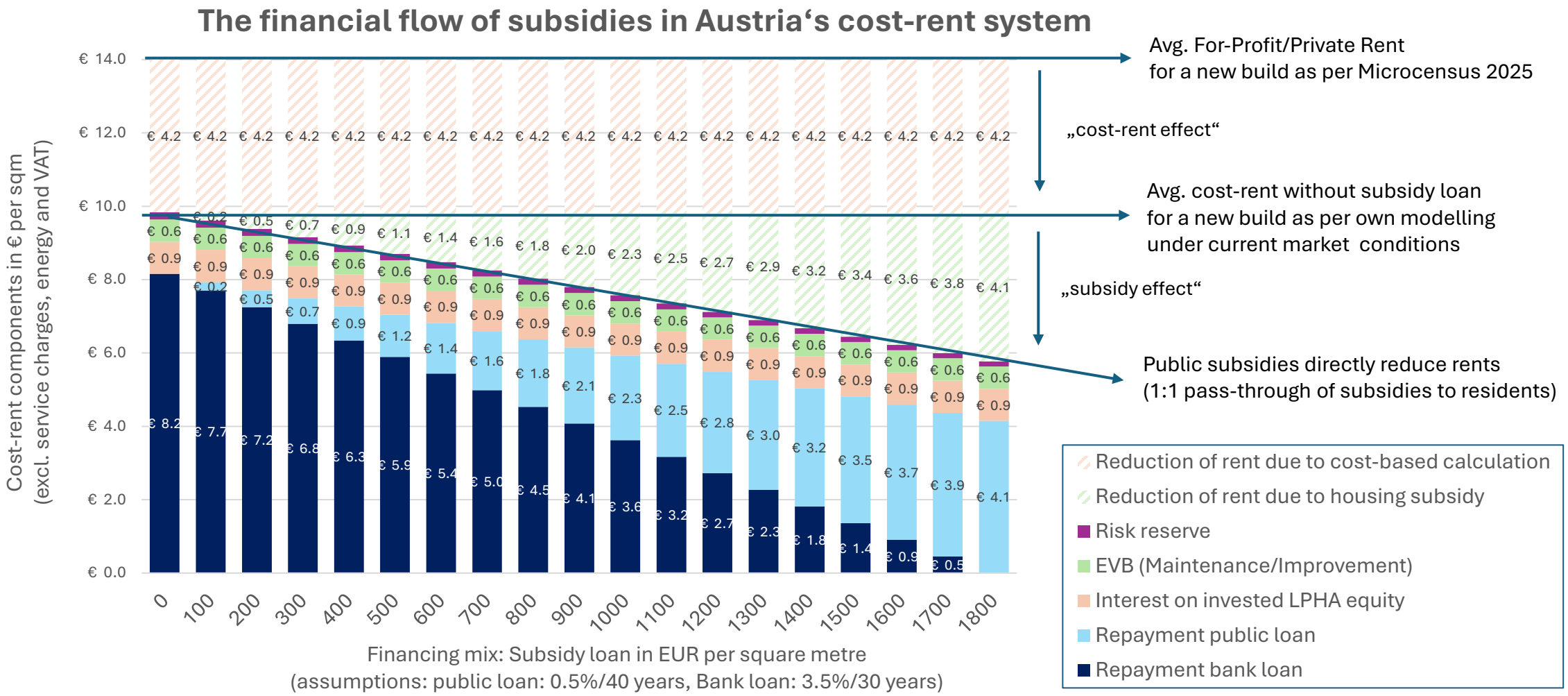
Understanding providers of affordable housing

Housing providers (actors)	Housing subsidies (financing)
Limited-Profit Housing Associations (LPHA) (Gemeinnützige Bauvereinigungen)	Various types: loans, grants, taxation (not in AT)
Varied ownership structure: cooperatives, limited liability companies	Open to all housing providers and private individuals
Indepdent, private organisations	Administered by regional government
During loan repayment: cost-based rent calculation with clearly defined cost-components After loans repayment: base-rent instead of loan repayments -> surplus generation for reinvestment	Conditionality as a housing policy tool (income limits, ecological criteria, maximum construction costs, etc.)
Broad financing mix: bank loans, subsidy loans, equity of providers, tenant down payments. LPHA can build without subsidies and still offer cost-based rents.	Sourced via returns from outstanding loans and housing tax (1% of salaried incomes)

What does the cost rent consist of?

Cost rent component	Explanation
1) Repayment of debt: 1a) bank loans (e.g. 3.5% / 30 years) 1b) public loans (e.g. 0.5% / 40 years)	Public loans may reduce cost-rent due to their lower interest rate and longer maturity
2) Interest on invested LPHA equity	A maximum of 3.5% interest can be charged in the cost-rent (surplus element to build up equity for reinvestment)
3) Maintenance and Improvement Fund (EVB)	Saves up money for renovation work for each building (no cross-subsidisation between buildings). Defined in the Limited-Profit Housing Act and increases with the CPI annually. Level is set by building age (0.61 to 2.41 EUR/m2/month)
4) Risk reserve	Maximum of 2% based on sum of figures 1-3
5) Service charges	Building related costs (e.g. common areas, lift, insurance) and public fees (e.g. rubbish collection)
6) VAT	10% on rents

Using public funding efficiently: in a cost-rent system financial **benefits are passed on 1:1 to tenants** and are not „absorbed“ by the organisation



Options for financing to reduce cost-based rent by €1

1 +€400–500/m² low-interest / long-term subsidised loan

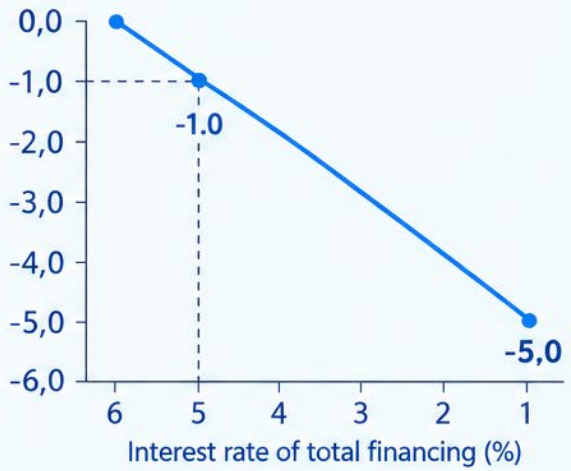


Reduction in cost-based rent by approx. €1/m²

Additional low-interest funding reduces the annuity and therefore the cost-based rent.

2 Reduce the interest rate by 1 percentage point (total financing)

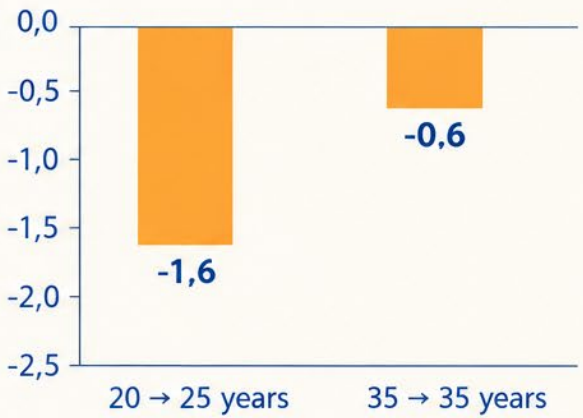
Effect on cost-based rent (€/m²)



The effect is relatively linear.

3 Longer loan term (+5 years) (total financing)

Effect on cost-based rent (€/m²)

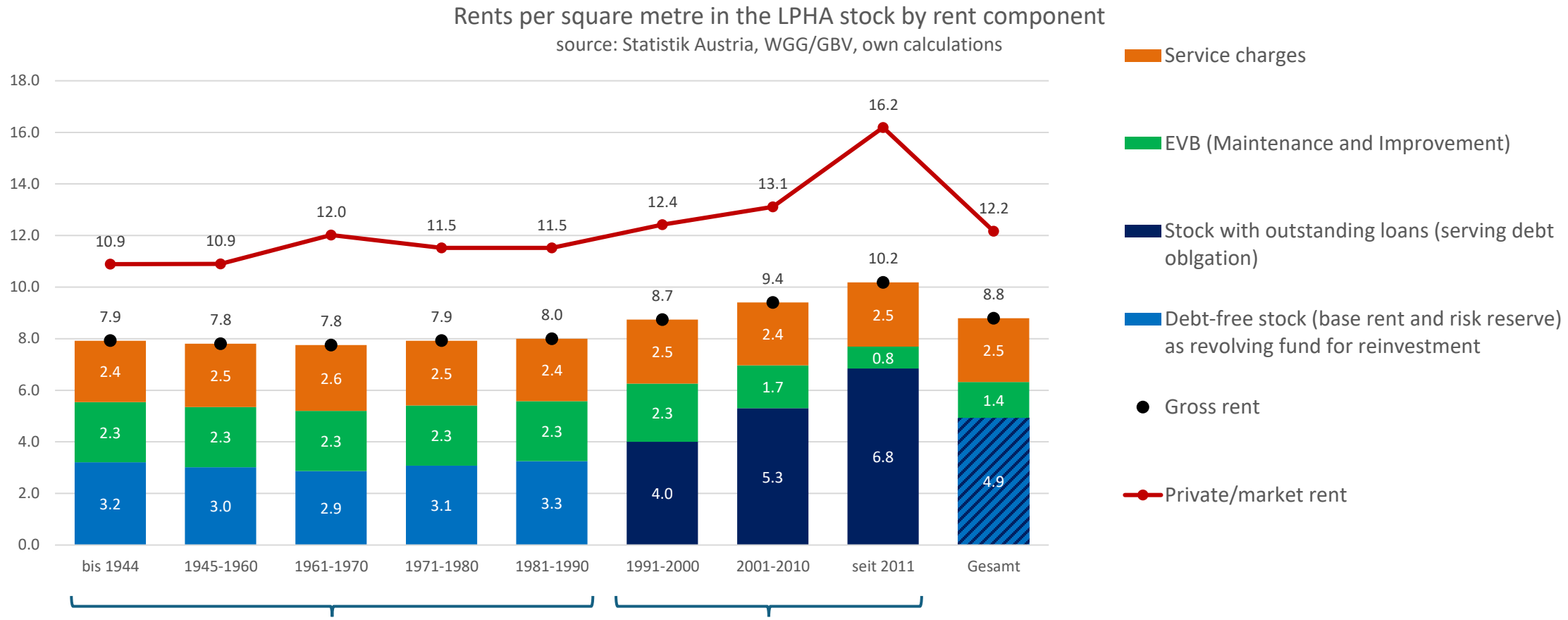


The effect is stronger with short loan terms than with already long terms (20–25: -1.6 €/m²; 35–35: -0.6 €/m²).

In some federal states, the housing subsidy loan term is already very long!

All three levers can — depending on the initial situation — help reduce cost-based rent by around €1 per m².

Affordability beyond subsidy:
the older housing stock as **the quiet engine of affordability**



Debt-free stock: subsidy regulation no longer applies (ca. 40% of LPHA stock), ca.280,000 homes)

Stock with outstanding loans: subsidy regulation may apply (ca. 60% of LPHA stock) ca. 420,000 homes)

Affordability of cost-rents by type of cost-rent and income percentile

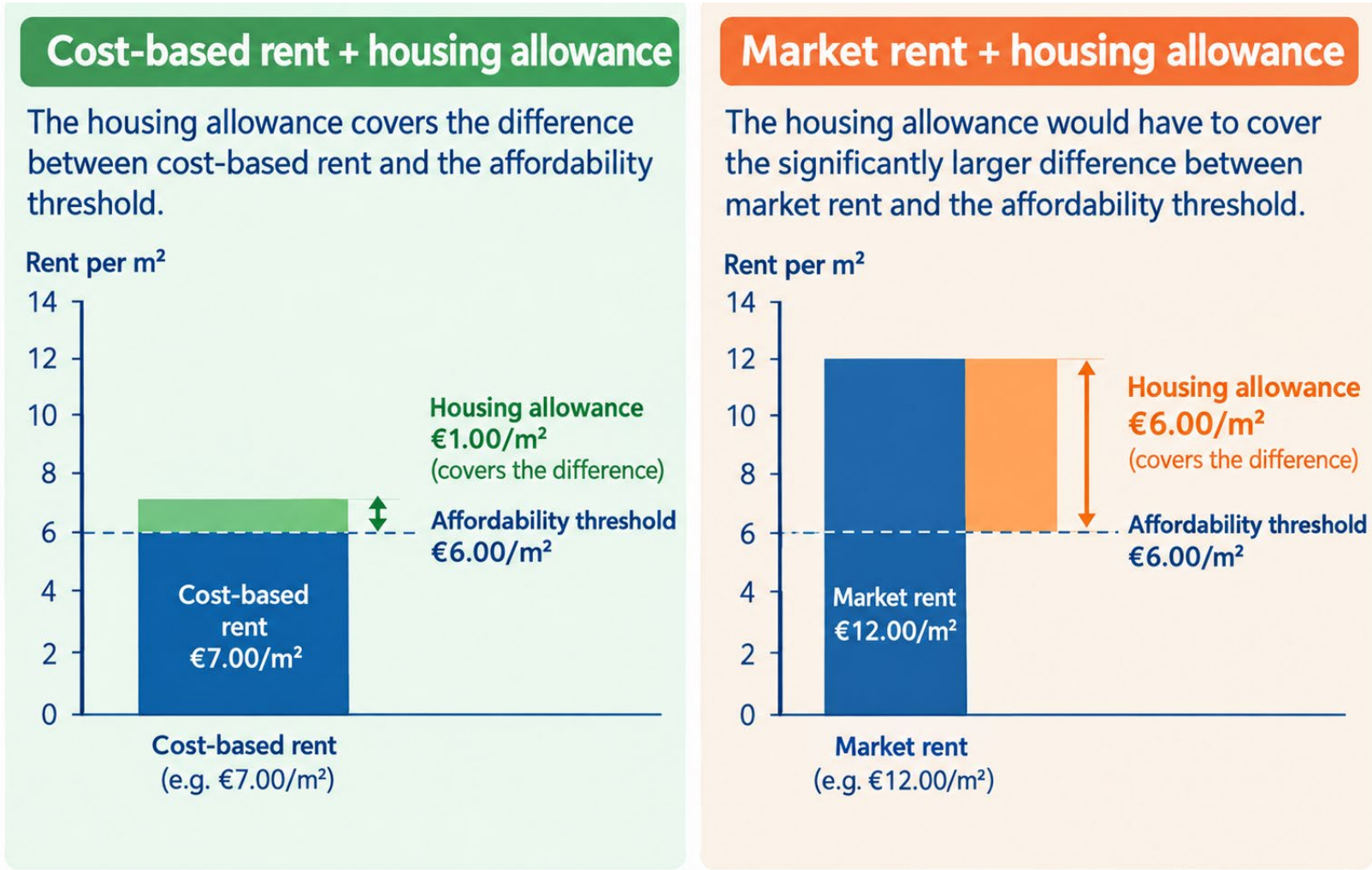
(assumptions/sources: 70sqm flat, cost-rents modelled under current market conditions, disposable household income (EU-SILC 2025)

	Percentile 10	Percentile 20	Percentile 30	Percentile 40	Percentile 50 (Median)	Percentile 60	Percentile 70	Percentile 80	Percentile 90
Cost-rent (0% subsidy), new build	56%	40%	32%	27%	23%	20%	17%	15%	12%
Cost-rent: 40% subsidy-loan (1.000€/m2), new build	46%	33%	26%	22%	19%	17%	14%	12%	10%
Cost/base-rent (pre-1990 buildings)	38%	27%	22%	18%	16%	14%	12%	10%	8%
For-Profit, new build	75%	53%	42%	36%	31%	27%	23%	20%	16%

Cost-rents: a price signal that saves public money

- **Price signal:** Cost-rents show the actual cost of housing and dampen prices in the wider market (WIFO 2023, 2026)
- **Subsidy benchmark:** Use cost-rents as the basis for object subsidies (new build, renovation) and subject subsidies (to individuals). Benchmarking against market prices is very expensive for public budgets
- **Housing allowances:** Supporting a household in a low-to-moderate cost-rent dwelling is far cheaper than in an expensive private rental, and it avoids the risk of allowances inflating rents

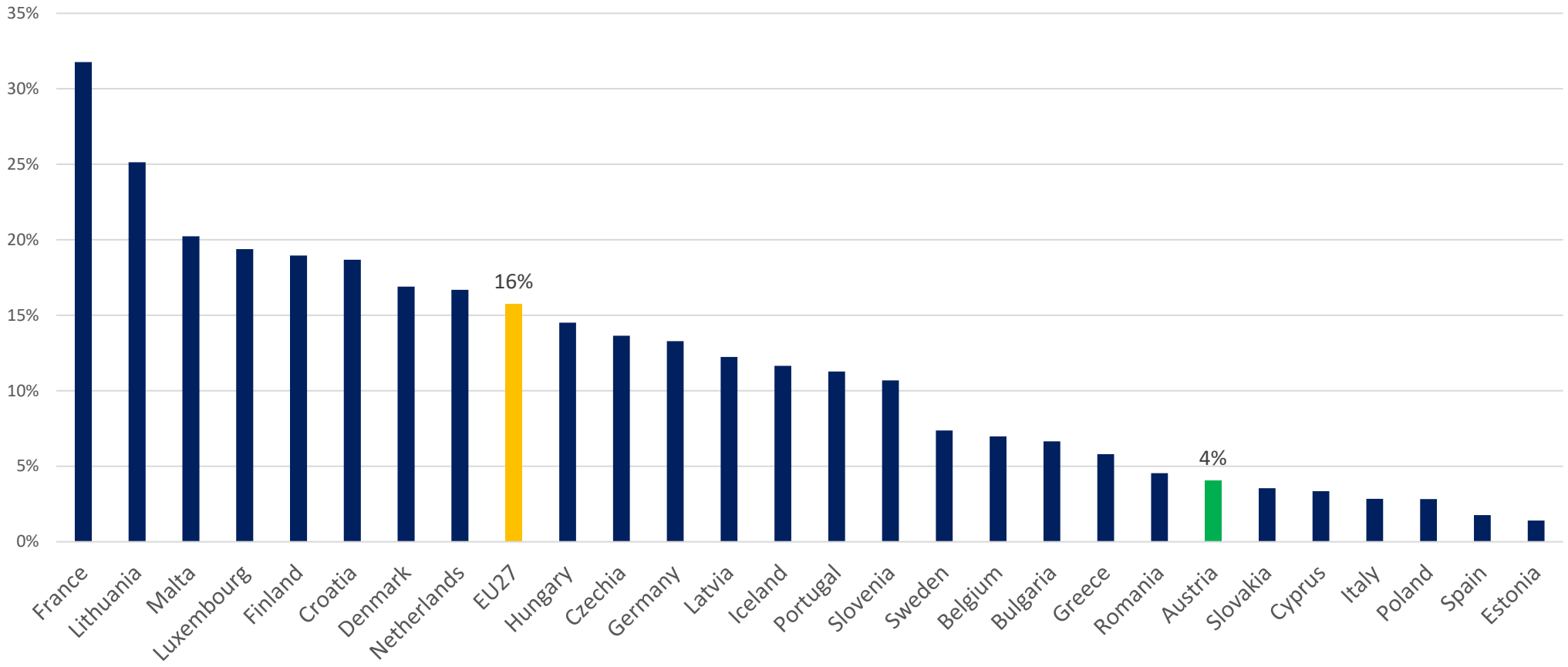
Efficiency of public spending via a cost-rent system: housing allowances



A lack of affordable housing is costly to the public purse

Proportion of total household expenditure on rent covered by housing allowances/ benefits

Sources: Eurostat, COFOG and COICOP, 2022 (latest available aggregate data)Note: COICOP data are based on the consumer survey, which is not conducted annually. Due to a data issue, Ireland is not included



The economic impacts of limited-profit / cost-based housing (new/updated study 2026)

Direct effects of limited-profit housing (on LPHA tenants)	Indirekt effects of limited-profit housing (on rest of the housing market)
Better affordability in LPHA homes has measurable economic impact	The LPHA stock exercises a price-dampening effect on the wider housing market
Cost-rent advantage for comparable property ca. 3.4 EUR/m2 -> aggregated for all LPHA tenants this amounts to 1.9 bn EUR per year	The higher the share of cost-rent housing, the higher the price dampening effect
Effects: Increased purchasing power Increased tax revenues for the state (VAT on rents is 10%, VAT on consumer goods is 20%) Lower public spend on housing allowances Higher imports (many consumer goods are produced abroad)	Effects: A 10 percenage point increase in cost-rent housing leads to a reduction in market rents of about 30 Cents/m2 -> critical mass is around 50% in the rental market. Effect becomes stronger then.
Both effects are only possible because of the structural effects of limited-profit housing (which does not expire after subsidy regulations expire.	

Lessons for EU-policymaking: What makes a housing system resilient?

- The type of provider matters: What are successful framework conditions for housing providers?
- Is provider equity build up for reinvestment possible?
- Are surpluses recycled in the system? Attention to financial circuits and leakage of public resources
- Are public funds used efficiently in the long-term? What happens after subsidy regulations expire?

Thank you for your attention!

Gerald Koessl

gkoessl@gbv.at