

Alves, Sónia (Ed.); Andersen, Hans Thor (Ed.); Keunen, Els (Ed.); Vuksanović-Macura, Zlata (Ed.)

Research Report

Social housing opportunities and challenges: Perspectives from Denmark, Germany, Portugal and Serbia

Arbeitsberichte der ARL, No. 40

Provided in Cooperation with:

ARL – Akademie für Raumentwicklung in der Leibniz-Gemeinschaft

Suggested Citation: Alves, Sónia (Ed.); Andersen, Hans Thor (Ed.); Keunen, Els (Ed.); Vuksanović-Macura, Zlata (Ed.) (2026) : Social housing opportunities and challenges: Perspectives from Denmark, Germany, Portugal and Serbia, Arbeitsberichte der ARL, No. 40, ISBN 978-3-88838-449-3, Verlag der ARL - Akademie für Raumentwicklung in der Leibniz-Gemeinschaft, Hannover, <https://doi.org/10.60683/49v1-jz17>

This Version is available at:

<https://hdl.handle.net/10419/337519>

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Arbeitsberichte der ARL 40

SOCIAL HOUSING OPPORTUNITIES AND CHALLENGES

Perspectives from Denmark, Germany, Portugal
and Serbia

Sónia Alves, Hans Thor Andersen, Els Keunen, Zlata Vuksanović-
Macura (eds.)

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This publication is a compilation of national and local reports produced by the DASH team

DASH

Deliver sAfe and Social Housing

Deliver sAfe and Social Housing

D3.2: Report on local housing markets

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www.dashhousing.eu



**Funded by
the European Union**

The project DASH has received funding from the European Union's Horizon research and innovation programme under the Marie Skłodowska-Curie Actions grant agreement No 101086488. Views and opinions expressed are however those of the authors only and do not necessarily reflect those of the European Union or the European Research Executive Agency. Neither the European Union nor the granting authority can be held responsible for them.

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This ARL-Working Paper contains the results of the research project “Deliver Safe and Social Housing” (DASH). The manuscript underwent peer review (external quality control). After the comments from the review were taken into account it was then submitted to the ARL HQ for further processing and publication. Academic responsibility for the articles rests with the authors.

ARL HQ:

WR V “Strategies and Concepts of Spatial Transformation”

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Arbeitsberichte der ARL 40

eISBN 978-3-88838-449-3

eISSN 2193-1283

The PDF version is available at <https://www.arl-net.de/shop> (open Access)

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ISBN 978-3-88838-450-9

ISSN 2193-1542

Printed by: Libri Plureos GmbH, 22763 Hamburg

Published by the ARL – Hanover 2026

ARL – Academy for Territorial Development in the Leibniz Association

Translation and proofreading: K. Thomas

Typesetting and layout: G. Rojahn, A. Zickert

Recommended citation:

Alves, Sónia; Andersen, Hans Thor; Keunen, Els; Vuksanović-Macura, Zlata (eds.) (2026):

Social Housing Opportunities and Challenges – Perspectives from Denmark, Germany, Portugal and Serbia.

Hanover. = Arbeitsberichte der ARL 40.

<https://doi.org/10.60683/49v1-jz17>

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Antje Bruns

FOREWORD: SOCIAL HOUSING IN TIMES OF TRANSFORMATION

Housing has always been fundamental to just and equitable spatial development. Yet today, across Europe and worldwide, we are witnessing the far-reaching consequences of decades of housing market liberalization, shrinking public investment, and the growing commodification of land and homes. The result is a mounting shortage of affordable housing, especially in urban centers where market forces dominate planning agendas. These dynamics challenge the ability of municipalities and national governments to secure housing as a human right and call for renewed debate on the public interest in land use and the social responsibilities of housing policy. This book arrives at a pivotal moment in this ongoing transformation.

The pressures on housing systems are intensifying. Rising land and construction costs, the financialization of housing markets, and the retreat of the public sector from housing provision have all contributed to the scarcity of affordable homes. At the same time, the climate emergency demands a fundamental transformation of our built environment toward low-carbon, climate-resilient, and resource-efficient forms. These developments converge in the housing sector, making it a central arena for questions of distributive and procedural justice.

As societies grapple with the converging challenges of climate change, demographic shifts, infrastructural decline, and growing social inequalities, the role of social housing is being fundamentally redefined. No longer merely a safety net for the most disadvantaged, social housing is increasingly recognized as essential public infrastructure – deeply connected to spatial justice, environmental sustainability, and the provision of public goods. Yet, the uneven distribution of affordable housing in both urban and rural areas perpetuates exclusion, segregation, and displacement. A just approach to spatial development requires embedding the right to adequate housing within broader policies of inclusion and participation.

Integrating social housing into comprehensive territorial strategies has proven effective in correcting spatial disparities, fostering social cohesion, and supporting diverse communities. Such approaches also strengthen local economies and reduce dependence on speculative real estate markets. Spatial planning, as a tool of democratic decision-making and coordinated territorial development, plays a critical role in this context. Social housing must be reimagined by planners, policymakers, researchers, and communities as a proactive driver of spatial transformation – one that helps ensure sustainable and liveable futures for all. This is not just a technical challenge, but a question of political will, imagination, and ethical responsibility.

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Secretary General of the ARL – Academy for Territorial Development in the Leibniz
Association

Sónia Alves, Hans Thor Andersen, Els Keunen, Zlata Vuksanović-Macura

INTRODUCTION

Housing is a crucial part of citizens' lives. The home is more than a physical setting for daily life, and in many ways materializes people's ontological security. The availability of appropriate housing at an affordable price is therefore of major importance if citizens are to achieve higher standards of living and make the most of opportunities in life. Meanwhile, living in sub-standard housing and/or in difficult environments leads to inferior opportunities in life. Thus, housing policies that promote inclusive, affordable and sustainable housing are critical to contribute to a more resilient society, promoting equality and shared prosperity

In the last few decades, however, national housing systems have been challenged in a number of ways: by increasing social inequalities; by changing demographic trends; by changes in lifestyle preferences; and by the retrenchment of welfare policy and the direct provision of public housing. Furthermore – and despite significant local and regional differences – in recent years, many European cities have experienced significant housing crises due to rising prices on the real estate market.

Against this backdrop, the DASH project, conducted by a consortium of 12 beneficiaries and two associated partner organizations from four European countries: Denmark, Germany, Portugal, and Serbia, has defined three primary goals. First, to develop a better understanding of local culture and traditions in housing provision (in administrative, institutional, and financial terms). Second, to produce knowledge about the specific housing regimes of each national and 2nd-tier city (legal frameworks, housing tenure structure, prices and affordability, ownership structures, recent developments, etc.) (figure 1). Third, to promote a discussion within the DASH's network on the transfer of practices across different places, through thematic learning hubs and individual secondments, to generate new ideas about how to promote more sustainable and safer housing.

The main achievements of the project so far have been the integration of knowledge from various disciplines (geography, architecture, sociology, engineering, urban planning, etc.), and between the academic and non-academic sectors (namely researchers, housing authorities, housing associations, private stakeholders, etc.) across four European countries.

This book, entitled *Social Housing Opportunities and Challenges: Perspectives from Denmark, Germany, Portugal and Serbia* is a compilation of the analyses of housing markets in each of the four countries, at both national and local levels. It brings together four country reports, and each follows the same structure, composed of four components, in which the same set of questions is answered:

- > Component 1. Social housing: What are the goals of social housing? What proportion of the total housing stock is social housing? Who can get access to

social housing, and by which procedures and criteria? What is the socio-economic composition of the population living in social housing? Who owns the social housing stock? Who pays for the construction and maintenance of social housing?

- > Component 2. Affordability: How is “affordability” defined in conceptual and operational terms in the country’s social housing system? What mechanisms guarantee that social housing is affordable for households?
- > Component 3. Policy trajectory: What have been the main developments in the recent past (30 years)? What are the current main challenges and developments in the sector? How do you see the future development of the sector?
- > Component 4. Social housing in the selected secondary city: How does the local situation compare with the national characterisation presented above? What have been the main developments in the recent past? What are the current main challenges and developments in the sector, and how do you see the future development of the sector? How do you see the future development of the sector?

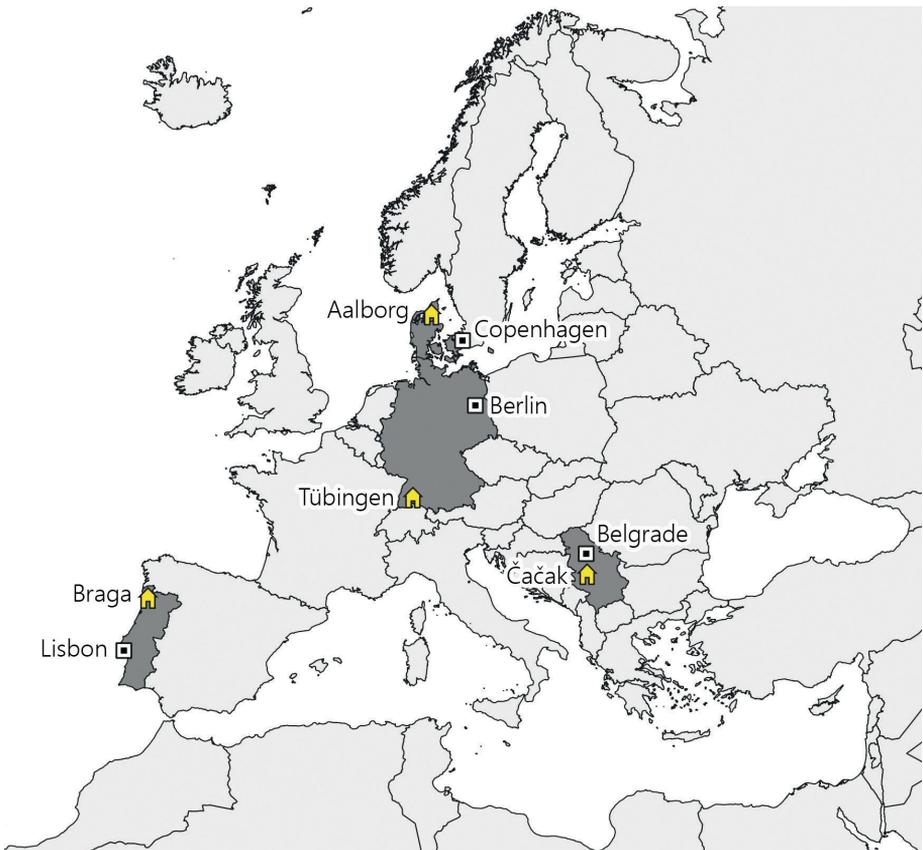


Figure 1: The DASH project participating countries and analysed middle-sized cities. Source: DASH

	Denmark		Aalborg	
	1 January 2025	Change since 2011	1 January 2025	Change since 2011
Population (n. °)	5,992,734	7.8%	224,612	12.8%
Households (n. °)	2,857,302	10.6%	115,895	18.5%
Housing stock (n. °)*	2,852,000	10.8%	115,616	18.9%
Housing tenure composition (% of dwellings used as main residence)				
Owner occupancy	47.6%	-7.85%	39.6%	-13.0%
Private rental	21.1%	37.02	27.3%	32.6%
Non-profit or social rental	19.9%	-3.56%	25.4%	0.0%
Other (e.g. cooperatives)	11.4%	2.51%	7.6%	2.5%
Average rent per m2 (in euros) **	10.7	37.2%	9.33	38.2%

* Dwellings with registered residents (equivalent to main residence);

**Rent per month, nominal prices, non-profit sector. Sources: Statistikbanken (www.statistikbanken.dk: FOLK1A, FAM55N. Bol 101, BOL201) and Landsbyggefondens Huslejestatistik 2025 pba. Landsbyggefondens Huslejeregister.

Table 1: Housing and Demographic Indicators: Denmark and Aalborg

	Germany		Tübingen	
	2022 census	Change since 2011	2022 census	Change since 2011
Population (n. °)	82,798,794	3.1%	90,499	9.7%
Households (n. °)	40,236,008	1.8%	44,059	18.3%
Housing stock (n. °)	43,106,589	3.4%	45,896	16.9%
Housing tenure composition (% of dwellings used as main residence)				
Owner occupancy	43.6%	-3.0%	31.9%	-17.5%
Private rental	56.4%	2.4%	68.1%	11.1%
Average rent per m ² (in euros) *	7.28	18.4%	10.3	N.A.
% of social housing as part of total stock	2.5%	-33.1%	3.1%	N.A.

N.A.: not available; *Average rent exclusive of heating expenses (Kaltmiete). Sources: Statistische Ämter des Bundes und der Länder, 2011; Statistisches Bundesamt, 2024; Statistisches Landesamt Baden-Württemberg, 2011

Table 2: Housing and Demographic Indicators: Germany and Tübingen

	Portugal		Braga	
	2021 census	Change since 2011	2021 census	Change since 2011
Population (n. °)	10,343,066	-2.1%	193,324	6.5%
Households (n. °)	4,149,096	2.6%	72,012	12.5%
Housing stock (n. °)	5,970,677	1.90%	88,623	4.9%
Housing tenure composition (% of dwellings used as main residence)				
Owner occupancy	70.0%	-4.4%	66.8%	-4.5%
Private rental	22.3%	11.9%	26.1%	11.7%
Other	7.7%	12.7%	7.1%	6.6%
Average rent (in euros) *	334.2	42.2%	341.6	56.8%
% of public housing as part of total stock	3.0%	-3.23%	1.2%	-19%

*Rent per month, nominal prices. Source: INE, Census data, 2011 and 2021.

Table 3: Housing and Demographic Indicators: Portugal and Braga

	Serbia		Čačak	
	2022 census	Change since 2011	2022 census	Change since 2011
Population (n. °)	6,647,003	-7.5%	105,612	-8.4%
Households (n. °)	2,589,344	4.1%	40,081	1.7%
Housing stock (n. °)	3,613,352	11.8%	55,028	6.9%
Housing tenure composition (% of dwellings used as main residence)				
Owner occupancy	87.3%	-0.3%	88.1%	-0.6%
Rental (private and public)	6.4%	-4.7%	5.9%	0.4%
Other	6.3%	8.7%	5.9%	5.7%
Average rent per m2 (in euros)	N.A	N.A	N.A	N.A
% of social housing as part of total stock	0.4%	-39.8%	0.4%	-29.4%

N.A.: not available. Source: SORS, Census data (<https://data.stat.gov.rs/?caller=SDBB>: 2022 Census/Population/Households and Families/Dwellings and Buildings; 2011 Census/Population/Households and Families/Dwellings and Buildings), SORS, 2022; 2023.

Table 4: Housing and Demographic Indicators: Serbia and Čačak

The analyses presented in the reports are based on three premises. First, there is significant variation in housing systems and models of provision across countries, and these have changed over time. Change has occurred across multiple dimensions, including the goals pursued, the instruments employed (e.g. regulation, governance) the outcomes achieved, and impacts on costs and the quality of housing. The selection of these four countries was intended to capture the diversity of housing systems and housing regimes that exist in Europe, allowing for a nuanced understanding of how different social, economic, and political structures and circumstances, as well as of ideologies regarding the role of de-commodification in housing access, have shaped policy approaches, housing systems and outcomes between countries and cities. By choosing countries that are at two ends of a spectrum when it comes to the organizing of housing system (Serbia/Portugal and Denmark/Germany), this publication aims to unravel divergence in approaches to social and/or non-profit housing provision and its relative weight within the housing stock. While the political and financial systems have prioritised owner-occupation in Portugal and Serbia, more diverse tenure systems can be seen in Denmark and Germany, where approaches to housing provision aim to tackle tenure segmentation and housing affordability. An overview of tenure structure and demographic data in each country and analysed cities is shown in Tables 1–4.

Second, not only have housing systems/markets changed substantially over time (in terms of tenure and ownership structures, prices and affordability) but housing policy's target population has also become more differentiated (in terms of age, demographics, sources of funding, key providers, etc.). Government intervention in the selected countries varies not only in terms of volume among the above-mentioned needs (e.g. education, health care, social protection, housing, etc.) but also in terms of the purposes and forms that investment takes and the division of responsibilities between the three pillars of the welfare triangle (government, families, and markets). Portugal and Serbia typically represent highly commodified systems that treat housing as a private asset, mortgage-driven homeownership, and minimal social housing. Denmark represents a more de-commodified system, featuring a more resilient public/social rental sector.

Third, most urban growth will take place in middle-sized cities in the next decade, even though much research and attention has focused on large urban agglomerations. The dynamics of these second-tier cities and their local housing markets are less well known, and the need to provide sustainable and affordable housing in these locations is bound to increase. The selection of the four middle-sized cities of Aalborg, Braga, Tübingen and Čačak is justified on multiple grounds, including their economic and demographic significance at the regional level, and the governance opportunities and challenges related to relevant contextual factors, such as growth trends, housing market pressures, exposure to climate risks or resilient strategies. As for methodology, the research employs a mixed-methods approach, combining qualitative and quantitative techniques to provide a comprehensive analysis of the trajectory of housing policy in each country/city. It uses a wide range of literature, legislation, policy documents, statistical data, focus groups, workshops and fieldwork. The local components of the report have been developed in close cooperation with the project's municipal partners, enabling them to provide data and insights that come directly

from the stakeholders involved. In an iterative approach, draft versions of the report were further refined through discussions, comments and feedback from other DASH project members.

The reports, which were completed between November 2023 and November 2024, are the result of a co-creation process involving all DASH members. Apart from drafting the reports, members contributed by providing data, discussing the reports and giving comments and feedback. Contributing organisations are: Institute of Social Sciences, University of Lisbon; Department of the built environment, Aalborg University; Department of International Urbanism and Design at the University of Stuttgart; Geographical Institute “Jovan Cvijić” of the Serbian Academy of Sciences and Arts; Aalborg Municipality; Himmerland Housing Association; Universitätsstadt Tübingen; INWOLE; Braga Municipality; Cooperativa Integral Minga; Domus Social; Gaiurb; City Housing Agency Čačak; and Serbian Urban Planners Association.

These reports are novel in a number of ways. Firstly, with the aim of creating new knowledge, they offer a comprehensive reflection, supported by empirical evidence, on past and emerging innovative approaches to tackle the housing crisis. They provide information on organizational frameworks, ways of working, rules, service processes and practices, and coordination in a sphere of public intervention that has undergone considerable change over time.

By critically analysing these transformations, legacies, recent developments, and challenges, the reports provide a unique multidisciplinary perspective on the evolution and importance of housing policy and implementation. The approach is also novel in its use of an epistemological approach grounded in co-production. This approach fosters a deeper understanding of the historical development of housing systems in each country and their impact on social groups and territories.

Each following a similar structure, the reports offer a simple, accessible and yet informed and comprehensive account of contemporary reality, of the policies that are needed to address current and future housing needs, and of the challenges as well as the measures needed to counteract them. The housing market analyses are presented for each country in alphabetical order, starting with Denmark, followed by Germany, Portugal and Serbia.

Hans Thor Andersen, Rikke Skovgaard Nielsen, Lene Wiell Nordberg,
Sven Buch, Anne Juel Andersen

THE DANISH REPORT



Aalborg / Photo Sónia Alves

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Abstract

The Danish housing sector, which most closely resembles “social housing” in other countries, is the “public housing” sector (although it is privately owned). It is open to anyone who signs up for a waiting list - regardless of income and family circumstances. The sector is also called “non-profit” housing because the homes are rented out for the costs of land purchase, construction and financing, but not for profit to the developer (a housing company). The sector has tenants’ democracy, i.e. tenants have a decisive influence on, for example, renovations and in relation to operations. The sector dominates in some suburbs of Copenhagen, where its share can reach over 50% of the housing stock; nationally, the sector constitutes approx. 20% of all housing. Residualisation is visible with a growing share of vulnerable groups among its tenants – e.g. single people, early retirees, people with an ethnic groups and low-income groups. The result is, among other things, the controversial ‘ghetto law’.

Keywords

Non-profit housing – access for all – residualisation – private but public regulated – rent support to low-income households

1 Characterisation of “social housing” in Denmark

1.1 What are the goals of social housing?

The Danish social housing sector is open to everyone who puts their name on a waiting list (Skovgaard Nielsen & Haagerup 2017; Skovgaard Nielsen et al. 2023). Thus, it is not as such a social housing sector, as it is not only for households in a deprived or disadvantaged situation. Rather, it is a non-profit sector that offers housing for everyone, regardless of financial situation. Applicants are not means-tested, either before they move in or subsequently. Contracts are permanent. For three main reasons, it does make sense to call it social housing. Firstly, because, in an international comparison this sector most closely resembles social housing sectors in other countries. Secondly, because the sector also provides housing for those who are unable to find housing themselves and houses the majority of those with limited options and finances for housing. Private rental housing, which could be considered an alternative for those who cannot afford to buy, is often either expensive (if built after 1991, which means no rent control), hard to get into (if built before 1992 and thus subject to rent control) or, in rural areas in particular, of very poor quality. Thirdly, because over the years the sector has become increasingly marginalised (Blackwell & Bengtsson 2023), making the sector more like a social housing sector than it was originally and ideologically planned to be.

The purpose of social housing in Denmark is “to make suitable housing available to everyone who needs it at a reasonable rent and to give the residents influence over their own living conditions” (Bekendtgørelse af lov om almene boliger m.v. § 5b). The core activities of a social housing organisation are to build, rent out, manage, maintain and modernize social housing. In addition, the individual housing organisations must, when renting, cater to groups who have difficulty in acquiring a suitable home under normal market conditions. Moreover, housing organisations must try to aim at a varied composition of residents.

A municipality has the right to offer one in every four vacant units to citizens who cannot find housing themselves, e.g. people leaving the psychiatric system. In return for this, the municipalities cover 10% of construction and land purchase costs.

1.2 What is the proportion of social housing in relation to the total housing stock? What does this measure include?

A fifth (20,8%) of all dwellings belongs to the social housing sector (2023). All units are for permanent residential use. They are inhabited by 17% of the Danish population (Statistics Denmark, n.d). The measure includes only social housing units (*almene boliger*); no other types of housing are relevant to include, as the only other types of housing with a social aim are institutions e.g. children’s homes, mental hospitals and care homes. Social housing falls into three main categories: family housing, student housing and sheltered housing units for the elderly (accessible units).

1.3 Who can get access to social housing, and by which procedure and criteria?

All citizens have access through signing up on waiting lists for the individual housing organisations, cf. 1.1. Originally, you received an offer for housing when it was your turn in the queue. This is however not the case anymore – at least only with some exceptions. Recent years, in particular since 2018, has introduced limitations for some groups in gaining access to specific social housing areas. Attempts to change the social composition of the most deprived areas towards increased social mix has meant that in some areas people in job or under education are given priority, making the wait longer for those who are not, and in other areas, unemployed people are not able to get housing and thus have to apply elsewhere (Skovgaard Nielsen & Kromhout 2023). All in all, the otherwise simple and equal waiting list system has become more complex and more unequal (Skovgaard Nielsen et al. 2023). This is described further in section 3.3, under the development tendencies in the Danish social housing sector, in particular the tendencies on municipal allocation and the section on increased use of flexible letting.

Generally, the social housing sector still has a strong competitive position in the larger cities, as it provides attractive housing at prices considerably below market value. Consequently, the waiting lists for social housing in the larger cities are long. In rural areas, quite the opposite is true due to low demand, and private landlords are sometimes forced to accept lower rents. However, as social housing rents are cost-based, they do not follow the market, causing empty units and economic challenges for the housing department. It is possible to move within a housing department via an internal waiting list, on which current residents have priority.

1.4 What is the socio-economic composition of the population living in social housing projects?

As described, the social housing sector is accessible for everyone. Therefore, it is per definition not only for those of limited means or in a challenged social or housing position. In comparison to countries with a means-tested sector, it will thus have a less socially deprived profile. However, as also described above, the sector does have a less affluent composition compared to society in general, mirroring a general trend of marginalisation of the social housing sector across the world (Borg, 2019). The sector is the only part of the Danish housing market that takes social considerations into account when allocating vacant housing as it is used by the municipality for aiding those in acute housing needs. Furthermore, the sector offers some of the most affordable units in Denmark, thus offering good quality housing at affordable rates for those of limited means. Thus, the social housing sector houses a growing share of unemployed people, early retirees, and ethnic minorities (Skovgaard Nielsen et al. 2023). At the same time, the Danish taxation rules favour home-owners as interest rates are deducted from income tax. This has been part of producing a clear social split between upper- and middle-class home-owners and working class tenants.

Generally, the following groups are overrepresented in the social housing sector in Denmark: elderly people, people of low income, early retirement pensioners, unemployed people, people of non-Western origin, people with low educational outcome and single households. Of the residents between the ages of 18 and 64, 60% of residents in the social housing sector are in employment while in the population in general, this figure is 78% (4. Quarter 2022) (Statistics Denmark, n.d.).

1.5 Who owns the social housing stock?

The sector is owned by private, independent non-profit housing associations. The housing associations vary greatly in size: the largest have around 20,000 homes, the smallest less than 10. Most associations have housing units in specific parts of the country while only few have units all over the country. The day-to-day operations are in some cases handled by a management company; here, KAB (*Københavns Almene Boligselskab*) and DAB (*Dansk Almennyttigt Boligselskab*) are the largest with 60,000 and 50,000 homes respectively. The 511 housing organisations of Denmark are organised in BL (*Boligselskabernes Landsorganisation*), i.e. the national association of housing associations.

1.6 Who pays for the construction and maintenance of social housing?

The overall principle is that the costs of purchasing land and constructing dwellings is paid by the future residents. Similar with maintenance. However, local governments have the right to dispose of up to 25% of all vacant units to solve social and/or acute housing problems. In return, local governments must finance 10% of the land and construction costs. With the exception of 2% that is covered by tenant deposits, the remainder is borrowed at market conditions, although with state guarantees. This model has generally survived a series of social, economic and political changes in the last fifty years and the sector continues to supply affordable housing.

2 Characterisation of “affordability”

2.1 How is “affordability” defined in conceptual and operational terms in the country’s social housing system?

Rent is not defined as affordable, but “reasonable rent” (§5,1 in Act on social housing). In practice, the basic principle is “cost based” – i.e. rent depends on costs for purchasing land and construction of buildings plus running costs for operating the housing stock. The overall principle behind the non-profit housing organisations was to provide decent and well-maintained dwellings to ordinary people at lowest possible costs. Originally, the housing was organised by labour unions and aimed for members of the working class. The social concerns were introduced in the Social Housing Act, as local and national governments assumed responsibility for providing good housing

for socially vulnerable households. The Act regulates the sector by e.g. defining what non-profit housing is and the different types of non-profit housing, determining the economic rules, and stipulating the role of the resident democracy (Lilius & Skovgaard Nielsen 2024), the rules for rent setting and the allocation rules. Local governments are responsible for provision of housing for vulnerable groups, and the municipalities can fulfil this obligation through the right of assignment for every fourth vacant dwelling in the social housing sector. This right is also stipulated in the Social Housing Act, as are the principles for rent-setting.

The principle of cost-based rents does also mean that rents within the sector vary due to year of construction, location and other local peculiarities. There is then a rent gap between dwellings in older and newer estates. Social housing from the 1950s are often located relatively close to city centres and are attractive due to their location and low rent. In contrast, more recent estates may be located at less attractive localities (e.g. outskirts of larger cities) and financed at market-based costs (no discounts or public support for construction). In particular, building materials and construction-ready land have risen sharply in price in recent years. Moreover, while the social housing sector is competitive in the larger cities (as it does not include a profit), it cannot follow market prices at a declining market. Social housing is thus relatively more expensive in rural areas and smaller towns compared to private rental dwellings. Rising rents and property prices have made the sector attractive in the larger cities. In mid-November 2023 the sector had no vacant family dwellings in the three largest cities of Denmark (Metropolitan Copenhagen, Aarhus and Odense). Aalborg city, the fourth largest city and the case study city for DASH, had only 22 vacant units. Since the social housing sector is the only part of the housing market that is used for housing households with acute housing needs, aiding vulnerable groups is particularly difficult in the larger cities. With just over 100,000 households living in Aalborg, 22 vacant homes do not ensure that the municipality can provide suitable housing for all people in need. Most of the vacant social housing dwellings are found in medium and small towns in Jutland. As the departments are financially independent units, empty units become a substantial, local problem.

2.2 What mechanisms guarantee that social housing is affordable for households?

For those who struggle to pay rent, rent subsidies are available to those of limited financial funds, e.g. low-income families, students and pensioners. Cost-based rents do not guarantee affordability; it depends on the market costs for construction and land. To support low-income households, the social legislation supports low-income groups. This support depends on household size, income as well as the size and costs of the dwelling. One person can at the maximum get support for 65 m², two persons up to 85 m² and for each additional person +20 m². The maximum support is 592 € monthly (2023). These rules apply also to people living in private rentals. People living in cooperatives or owners may also get public support, but this must be paid back when they sell their dwelling.

3 Policy trajectory

3.1 Main developments in the recent past

The social housing sector in Denmark gained substantial importance in the 1930s and in the post-war period, when the sector accounted for close to half of all new construction. Social housing was strongly represented in the big cities but was also built in smaller towns across the country.

With the boom from the late 1950s, private construction grew tremendously in scope; it resulted in the construction of just over 900,000 homes between 1960 and 1985. However, the social housing sector also took part in the growth with new construction of just over 250,000 homes in the same period. The strong economic slowdown from the late 1970s also affected housing construction. Especially the housing construction in the private sector declined sharply (figure 1).

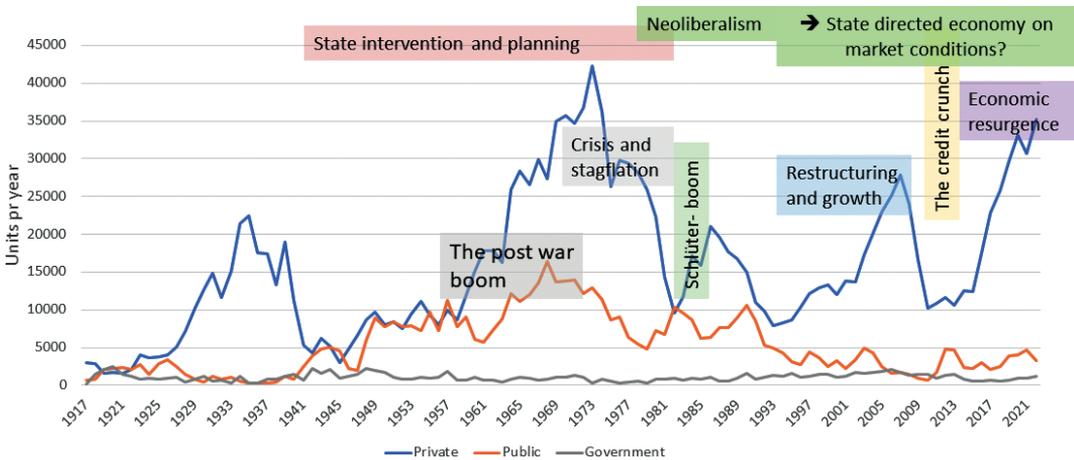


Figure 1: Housing construction in Denmark 1945-2023. Source: Hans Thor Andersen (2023): *Housing in Denmark*. DASH lecture, August 2023. Statistical figures from Danmarks Statistik (BYGV05B).

Through the 1980s and up to the mid-90s, total housing construction fell from approx. 50,000 homes in 1970 to only approx. 15,000 in the early 1990s. The tight fiscal policy in the 1980s meant, among other things, that the favourable rules for tax deductions from interest on private debt were drastically reduced (from approximately up to 70% for high income groups down to 32% for all). In the second half of the 1990s, the new Social Democratic government implemented an expansive fiscal policy that led to an increase in housing construction, although not for the social housing sector. The Liberal-Conservative government that came to power in 2001, tried to copy the British “Right to Buy” policy. It failed as the sector is not publicly owned, but self-owned, in combination with the fact that the income level in the social housing sector is relatively

low and that the rent would rise significantly in the event of a sale. A political compromise meant that tenants, municipalities and housing associations had to agree for a sale to be completed. The result was a very limited sale: less than 50 homes have been sold (out of approx. 592,000).

Several housing units, typically built from the late 1960s onwards, have benefited from large renovation projects financed by the National Building Fund (*Landsbyggefonden*), whose funds have been able to ensure the necessary modernisation (replacement of heating systems, insulation, new kitchen and bathroom facilities). A part of the goal of these renovations have been to make the homes attractive to a wider audience.

The National Building Fund is an independent institution funded by the social housing organisations and established by law. Apart from renovations, the fund supports and develops non-profit housing construction through various grant and loan schemes and funds social initiatives and infrastructure investments. The fund is a cornerstone in the Danish self-financing model. When the mortgage on a specific estate has been paid off after e.g. 30 years, the housing department must continue to pay an amount corresponding to the instalments and the interest on the loan. The revenue then goes to the fund instead. The general spending policy of the National Building Fund is politically decided by the national government through the Social Housing Act and Housing Agreements made in parliament. One example is the extensive physical and social efforts presented in the “parallel societies legislation” that is fully financed by the National Building Fund.

Over the past decades, the social housing sector has struggled with rental difficulties in smaller towns and rural areas, while demand has been clearly greater in the big cities. Demolitions or downscaling of housing units with rental difficulties are co-financed by the National Building Fund. Thus, all in all, the Fund is crucial for securing the construction of new non-profit housing and for financing social and physical initiatives that are crucial for securing that the sector continues to provide good and desirable housing.

3.2 Current main challenges of the social housing sector

Throughout the 1980s, the social housing sector was affected by residualisation, i.e. the sector has increasingly been rejected by ‘ordinary’ people in favour of owner-occupied or co-operative housing. In this way, the sector has come to appear as primarily a form of housing for weak groups, immigrants, low-income households, singles, pensioners, single parents, etc. The families with children that the sector was originally intended for are today typically living in owner-occupied homes. Contributing to this development is the significant upgrading of other forms of housing; the private rental stock in the big cities has been modernized and units built or taken into use after 1/1 1992 are no longer subject to rent control making the private rental sector less available to low-income households. The sale of municipal housing has also reinforced this development. In this way, the social housing sector has effectively become the only sector to take care of the social housing task.

The Danish social housing sector has in recent years been subject to several policy interventions and political changes, which have affected the sector substantially. Below, we present in short five policy changes of recent years with substantial consequences for the sector. They are presented in greater detail in Skovgaard Nielsen et al. (2023). As we write in the paper, these changes: “have had and will continue to have substantial consequences for the development of the sector and that will shape its future. These changes and associated initiatives are essential in order to avoid residualisation of the social housing sector. However, they come at high cost as they effectively cap the availability of affordable housing and further curb housing opportunities for those who already have the most limited opportunities in the market. We will argue that these five changes constitute a threat to the very *raison d’être* of the Danish social housing sector.” (Skovgaard Nielsen et al., 2023, p. 141).

The first change was the physical restructuring of social housing neighbourhoods. Most social housing areas are part of Danish history’s most significant building boom, built with industrialised methods and new, untested materials (Bech-Danielsen 2022). Shortly after construction, the first building damage began to appear. In 1985, a re-prioritisation law allowed the National Building Fund to support the maintenance and restructuring of social housing areas, leading to extensive restructuring efforts in these areas from 1985 until today. The first renovations focused on repairing building damage, which did not solve the fundamental challenges of their often-outdated architecture and physical isolation from the surrounding city. Subsequent efforts introduced social initiatives besides the physical improvements, but the areas remained isolated with social problems. Today, the approach is more strategic, aiming to connect the social housing neighbourhoods with the neighbouring areas by opening them up and creating traffic connections. The aim is to create more attractive neighbourhoods. The years of effort of the physical restructuring have created the basis for the even more drastic approach with the so-called ‘parallel societies legislation’ described below.

The second change is the parallel societies legislation. Since 2018, Denmark has had parallel society legislation, based on a policy suggestion, by the then government, called “One Denmark without Parallel Societies: No Ghettos in 2030” (The Danish Government, 2018). The legislation is aimed at disadvantaged social housing areas with a high concentration of ethnic minorities and socially vulnerable residents, and it is to increase the social mix of the neighbourhoods and physically transform them. The legislation encompasses several policy fields and entails a range of measures. Some of them are radical housing measures regarding structural layout, architecture, ownership and social mix; not least the measure to reduce the proportion of social family housing from 100% to 40% by 2030 through demolition, sale, rebranding (from family to senior or youth accommodation) and the construction of new non-social housing units. This will lead to forced relocation of residents and fewer social housing units for future residents. It can be seen as a vast social housing experiment with substantial consequences for residents and neighbourhoods (Bech-Danielsen et al. 2021; Mechlenborg & Stender 2022).

The third change is a move from 25% to 100% municipal allocation in selected municipalities. Danish municipalities have the right to allocate residents to every fourth available social housing unit in return for paying part of the construction costs. Thus, we have no municipal housing in Denmark, apart from few specialised institutions. The municipal allocation has been, and in most cases continues to be, a tool to secure housing for those in an acute housing need that they cannot solve themselves. However, in some municipalities, recent years has seen a change towards using the tool for steering the resident composition of the different social housing areas of the municipality: “While the purpose of the right to allocate 25% is to secure housing for those who are most vulnerable in the housing market, the purpose of 100% allocation is to redistribute vulnerable and unemployed citizens more thinly” (Skovgaard Nielsen et al., 2023, p.143–144). The tool works by steering who is offered units in a given area, thereby distributing people according to characteristics, in particular employment status. For the unemployed, this negatively affects their own agency in choosing where to live.

The fourth change is increased use of flexible letting. Since 2000, social housing organisations and municipalities have had the opportunity to use the tool of flexible letting to steer the resident composition. Until then, the only criterion for gaining access was how long you had been on the waiting list. Flexible letting made it possible for specific groups of people to jump the queue in specific housing areas (Skovgaard Nielsen & Haagerup, 2017), usually students and people in regular employment. In 2005, combined letting was added to the toolbox; making it possible to refuse units in specific areas to people receiving social benefits, even if it was their turn in the queue. They would then have to be offered a unit in another area. The parallel societies legislation made flexible letting compulsory in certain areas but at the same time, housing associations and municipalities are increasingly using flexible letting in non-deprived areas as well.

The fifth change is the possibility for municipalities to set aside up to 25% social housing in new neighbourhoods, an initiative that deals with new builds to accelerate cities to develop socially sustainable housing with a share of affordable housing. In 2015, a planning tool gave Danish municipalities the right, but not the obligation, to demand that 25% of the housing stock in new neighbourhoods are social housing, regardless of whether the land is privately or municipally owned. The aim was to secure a share of housing targeted at less resourceful residents and prevent a situation where market forces alone dictate housing prices and availability, especially in the largest cities in Denmark, where housing prices are rising. However, only few municipalities have used the tool and not to the full 25%, as the Social Housing Act sets a maximum price for construction costs, which comes under pressure during economic growth when land prices typically rise.

It is remarkable that housing policy in the broadest sense has all but disappeared in favour of a one-sided focus on socially disadvantaged housing areas in the social housing sector. The National Building Fund, by virtue of its size, is politically interesting

and, in combination with the prevailing discourse regarding immigrants, has become the focal point for several political markings and initiatives, the latest of which is the parallel societies legislation. Since the general guidelines for the use of the National Building Fund's funds are made through political negotiations, there is an opportunity to finance extensive interventions in the sector, including the demolition of homes in problem-affected buildings. LBF's funds are thereby used for other purposes than originally intended. In reality, there is a danger that the sector's opportunities to offer housing to vulnerable groups will decrease or partially cease - in combination with less social benefits and rising construction costs, the real supply of housing that vulnerable groups can pay for will be significantly reduced (the older, smaller housing with relatively low rents).

3.3 The future of the social housing sector

Social housing constitutes a relatively large share of the Danish housing market compared to other countries. It is part of the housing sector that makes it possible for less resourceful residents to get a home at a reasonable rent, but it is also a sector under pressure. For instance, the parallel societies legislation introduces drastic measures, such as demolishing social housing to improve social conditions and make neighbourhoods more attractive. However, the initiative reduces the proportion of social housing. This, and the other measures described above, means that the allocation criterion for social housing has become more complex and that unemployed, deprived households will have fewer options in the Danish social housing sector. Furthermore, economic growth and market-oriented developments are challenging the construction of new affordable social housing for everyone. All in all, this leads to a sector undergoing substantial change, due to a range of political and market changes.

The deregulation of rents for newly built homes, which was carried out in the 1990s, has meant a real boom in foreign investment in rental construction in particular. Not only can the landlord set the rent according to the market level, but the expected continued increases in the rental income also result in an increasing property value that can be capitalized on sale. Owner-occupied homes are therefore only being built to a limited extent in the central parts of Copenhagen; with the current rules, a municipality cannot order the owner to build homes with a certain form of ownership. The government would like to change the latter, i.e. to ensure young people the opportunity to become homeowners or ensure a higher proportion of affordable housing.

In recent years, there have been proposals to give young people the opportunity to withdraw parts of their pension or relax the requirements for buyer co-financing. There are also proposals to introduce the possibility of 'shared ownership' (as in Great Britain). Liberal/conservative politicians want the removal of housing taxes and continued deregulation of the housing market, the left is generally a supporter of rent regulation and supports the social housing sector.

The current net movement towards larger cities is expected to continue. A growing number of households is expected, primarily in the form of singles. This points to more smaller homes, particularly in the big cities. It has created a regional disparity in housing costs; the big cities are clearly more expensive than the rest of the country and in distinct rural areas, property values have barely increased in recent decades, compared to an almost explosion in central Copenhagen. Finally, there is a politically expressed desire for more mixed urban districts; so far this seems to mean the conversion of social housing into co-operative or owner-occupied housing.

The social housing sector had its heyday in the period up to the end of the 1980s, after which the sector's expansion has been modest. But it still has an important role in Danish housing policy, namely, to offer affordable housing and aid in solving acute housing problems.

4 Social housing in Aalborg

4.1 How does the local situation compare with the national characterisation presented above?

The proportion of social housing in Aalborg is 26% (2023), slightly higher than the national average of 21% (Statistics Denmark, n.d.). Today, social housing units target different groups such as families, young people, people with disabilities and older people around the city, both in the city centre, in the suburbs and in rural areas within the municipality's borders.

Aalborg is located in northern Jutland, an area with less pressure on the housing market and generally lower housing prices than, for example, the capital area. This means that, in comparison to the capital area, more people of comparatively lower incomes will be able to become homeowners. Thereby, more income groups are allowed the choice of owner-occupied housing, and the social composition of the social housing sector can become less resourceful (as there are fewer people of the middle-classes to pull e.g. the income average upwards). It also means that empty units are an issue in some areas of Aalborg. This is, however, mainly in comparison with the capital region where the pressure on the housing market limits the access to the owner-occupied housing, increasing the demand for social housing to a wider range of income groups and ensuring that no units are empty. In a general comparison, the situation of Aalborg is similar to that of the national situation.

For years, Aalborg Municipality and several housing organisations have determinedly worked on revitalising the municipality's social housing areas and housing stock, which means there are no social housing areas in Aalborg subject to the parallel society legislation. Today, Aalborg East is highlighted as an example of project cooperation between Aalborg Municipality and Himmerland Housing Organisation, transforming a potentially socially vulnerable area into a diverse and attractive residential area through early user involvement and public and private investment.

4.2 What have been the main developments in the recent past (30 years)?

1945–1990: Housing shortage

Social housing construction in Aalborg was prevalent from the end of the Second World War until approximately 1990. It was primarily about combating the housing shortage. The primary target group was nuclear families because many of the private rental homes in the centre of the city were of poor quality – e.g., without a private bath/toilet. Up to approximately 1970, for example, it was only possible to get social housing if you could present a marriage certificate.

Until 1960, the new homes were built as apartments (60-70 m²) in brick buildings – In Vestbyen (Aalborg West), Østbyen “eastern neighbourhood” or centrally in Nørresundby. From the 1960s until the mid-1970s, relatively large multi-story dwellings (100-110 m²) were built as prefabricated buildings (concrete) in the new suburbs like Aalborg East, Grønlandskvarteret, Skalborg, Gug and Løvvangen. Despite their high technical standards, these buildings weren’t generally perceived as attractive, and the problem of social segregation began to arise. From the end of the 1970s, there was a change in building style. The new homes from this period are mainly low-rise/terrace houses (80-100 m²) built in concrete with shell walls. They are still huge developments in addition to the new suburbs, and buildings are being built in upland towns – e.g. Svenstrup, Godthåb, Vodskov and Vester Hassing. These settlements are considerably more popular. In the same period, detached houses are emerging as an achievable alternative to social housing.

1990-2010: Urban renewal and social initiatives

Around 1990, there was a significant change with a substantial slowdown in social housing construction as the urgent housing shortage was solved. The focus shifted to urban renewal in the city centre, and social housing buildings are built as smaller infill projects in that context, often for different target groups with special needs like youth housing, housing for the elderly, nursing homes, and housing for people with disabilities. From approx. 2000, Aalborg saw a further slowdown in both general new construction and urban renewal. Instead, the focus is on renovating the large assembly buildings from the ‘60s and ‘70s and, later, the old departments in East and Westtown from the 1950s. The overall renovation plans unfold after approx. 2010 with major physical transformations and comprehensive social housing plans in Aalborg East, Løvvangen, Grønlandskvarteret and Skalborg.

2010–2020: Youth housing and urban transformation

From approximately 2010, a significant change occurred with a massive effort to build social housing for young people to accelerate the city’s development towards a university and education city of both national and international importance. From 2000 to 2009, there was an increase of approximately 2,000 social housing units. From 2009 to 2019, the increase was about 7,000 homes – primarily for young people. The investment in social housing for young people coincides with the financial crisis, as private construction comes to a standstill. Social housing is then used as an engine for urban development – to, for example, set in motion the transformation of former

industrial areas, e.g., *Godsbanearialet*, *Østre Havn* and *Sprittfabrikken*. Social housing construction has also strengthened the “growth axis” and the Bus Rapid Transport (BRT) Plus Bus approach.

4.3 What are the current main challenges and developments in the sector, and how do you see the future development of the sector?

Trends towards 2030: the mixed city and sustainable construction

Since 2020, there has been a focus on the socially diverse city as a central task for Aalborg Municipality, ensuring room for diversity in all parts of the city. It is centred on guaranteeing cohesion across social divides. The municipality’s social housing strategy focuses on districts with the lowest proportion of social housing – e.g., Midtbyen, Westbyen, Hasseris, Skalborg, Kærby and the University Quarter. The target groups for the new social housing in these areas are families with children (including single parents) and seniors. But there is also an increasing focus on how social housing can contribute to strengthening development in the upland towns, both the larger ones and the smaller urban communities in rural areas.

A demographic development characterised by increasing shares of older people is becoming a prominent theme, leading to requirements for more housing that can match this group and offer them an alternative to living in detached housing. There is a demand for community-oriented housing – something that the social housing sector can offer in the form of new construction and adjustments to the existing housing stock. In the coming years, housing policy is also linked with the need to rethink health efforts and care for older people. Several initiatives will presumably be initiated, where the social housing sector, in collaboration with the municipality, is assigned new areas of responsibility and tasks within this area. Finally, a lot will happen concerning reducing the CO₂ footprint by converting existing buildings and using biogenic materials significantly in new construction.

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Further reading and relevant projects:

- Evaluation of the so-called Danish housing-social masterplans: surveys and interviews with professionals involved in carrying out social initiatives in selected Danish social housing areas. Case studies of three specific projects, visited twice to follow their development. Further description: Skovgaard Nielsen & Larsen 2022 : For all publications from the project, see <https://vbn.aau.dk/da/projects/evaluering-af-landsbyggefondens-boligsociale-indsatser-finansiere>.
- The Danish part of a comparative project on vulnerable neighbourhoods in Belgium, Germany and Denmark, focusing on the link between national and local politics, desk research and interviews with selected actors in vulnerable social housing neighbourhoods. Further description: de Meere et al. 2019.
- The Danish contribution to a research project on housing policies in the European Union, in preparation for the German Council Presidency in the second half of the year 2020, based on desk studies. Further description, see: <https://vbn.aau.dk/da/projects/research-project-on-housing-policies-in-the-european-union>.
- A ten-year evaluation of the physical regeneration of Danish deprived housing areas, focusing on how physical transformation projects affect social life and the area's reputation, interviews with residents and local actors, and analyses of housing prices and media coverage. Further description: Bech-Danielsen 2022; Mechlenborg & Stender 2022; Stender & Nordberg 2022. For all publications from the project, see <https://vbn.aau.dk/da/projects/f%C3%B8geevaluering-af-danske-ghettoomdannelser-for-landsbyggefondens>.

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THE GERMAN REPORT



Note: Germany is a federal republic consisting of 16 Länder or federal states. “State” in this context therefore refers to the regional level. For the national level, “federal republic” is used. Tübingen is located in Baden-Württemberg, which is why this state is sometimes referred to specifically.

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Abstract

This chapter presents an overview of the social housing system in Germany. Unlike in many other contexts, social housing in Germany is conceived as a temporary, market-correcting policy; therefore, the social housing function is limited in time. While partially provided by the state, it is primarily supplied by the private sector. Due to privatisation efforts since the 1990s, the number of social housing units has decreased significantly. Moreover, although social housing rents must be below market level, they are becoming unaffordable due to general market price increases. In addition to social housing, Germany provides a housing allowance to low-income households to help cover rental costs or mortgage repayments. Tübingen, a growing secondary city in south-west Germany, faces similar housing challenges. However, initiatives such as the ‘Tübingen Model’ and strict regulations requiring developers to provide long-term affordable housing, have increased the social housing stock.

Keywords

Social housing – privatization – affordability – housing allowance – Tübingen – Germany

1 Characterisation of “social housing” in Germany

1.1 What are the goals of social housing?

In Germany, social housing subsidies were initially conceived as a programme to ease the dramatic housing shortage after WWII by incentivising private investment into the housing sector. This underlying rationale has not changed to this day. Social housing is still considered as a temporary correction of a failing market that will eventually, through market mechanisms of supply and demand, provide affordable housing for everyone. This is why the development of social housing is set up as a time-restricted public subsidy programme. Unlike other European countries, where social housing stock is usually provided and managed by either the government, government agencies or housing corporations, in Germany, anyone, including public and private developers, cooperatives or individuals can apply for a subsidy or preferential loan to build social housing. Interest-free loans or grants can constitute up to 50% of the investment. As Germany is a federal state, social housing funds are distributed at state level, where each state has established its own framework for subsidy allocation. As a consequence, the amounts of and criteria for accessing funding vary considerably between states. The subsidy programmes encompass both subsidies for the construction of social rental housing and subsidies for owner-occupation.

In the social rental housing programmes, the social housing function is limited in time. This means that in return for receiving subsidised loans, landlords have to rent out their properties at below-market rates and to entitled households during the social housing period only. Before 2001, the social housing function generally lasted only until loans were repaid. Since 2001, this has changed to a predefined duration. In Baden-Württemberg, for example, the length of time that housing is considered social housing will be 10, 15, 25, 30 or 40 years depending on which funding option the landlord selects (Landeswohnraumförderungsgesetz - LWoFG, 2008). After this period, the housing ceases to be considered social housing and the landlord is free to rent to anyone. Moreover, social rents during the social housing period are not guaranteed to be low or affordable. The rent cap that landlords need to observe is only vaguely defined in the federal legislation as “maximum permissible rents below local comparative rents” (§7, WoFG, 2001) and is to be determined further in the subsidy programmes of the states. The percentage below the market rent that landlords must comply with depends on several parameters, such as municipal regulations and the amount of subsidy requested. The social rent usually corresponds to 66% of local comparative (market) rents. With market rents currently rising largely independent from incomes, new-built social housing is becoming increasingly unaffordable for the lowest income groups, especially in larger urban areas (Statistisches Bundesamt, 2023a, 2024a). Since the rents for these units are set in reference to the existing market rent, this leads to the paradoxical situation that social

housing rents are often higher than older housing units that are no longer social housing (Lechevalier Hurard, 2008). This is because rental price increases of older housing units with existing rental contracts are often below the general market rent rise.

The social housing programme targeted at first-time owners is subsidising land acquisition, housing construction and housing acquisition for family households within a defined income range. Income ranges vary according to the differing state subsidy programmes. The maximum income limit for access to this type of funding is generally higher than the income limits to access social rental housing, while households must also have a minimum income to demonstrate bankability. Household wealth is no part of the eligibility assessment. Given the rising construction costs, land prices and interest rates on market loans (Statistisches Bundesamt, 2024b), social housing subsidies targeted at owner-occupiers are increasingly limited to wealthier households due to their available further disposable inherited wealth

1.2 What is the proportion of social housing in relation to the total housing stock? What does this measure include?

Due to the time restriction that a dwelling is considered social housing, the stock of social housing is constantly changing. At its height, around 1987, there were more than 4 million social rental dwellings, representing more than 15% of the total housing stock in what was then West Germany (Kofner, 2017). In 2022, this is down to less than 1.1 million units or 2.5% of the housing stock for Germany as a whole (Bundes-



Figure 1: Decline of number of social housing units in Germany /Source: Compiled by authors, based on data from the German Bundestag, 2018, 2019, 2023

ministerium für Wohnen, Stadtentwicklung und Bauwesen, 2023). The underlying reason is that more housing units are removed from the social housing stock than are being added each year, resulting in a clear downward trend over the years (figure 1).

Since social housing is a matter at federal state level, there are substantial differences in the number of social housing between the different states, as shown in figure 2.

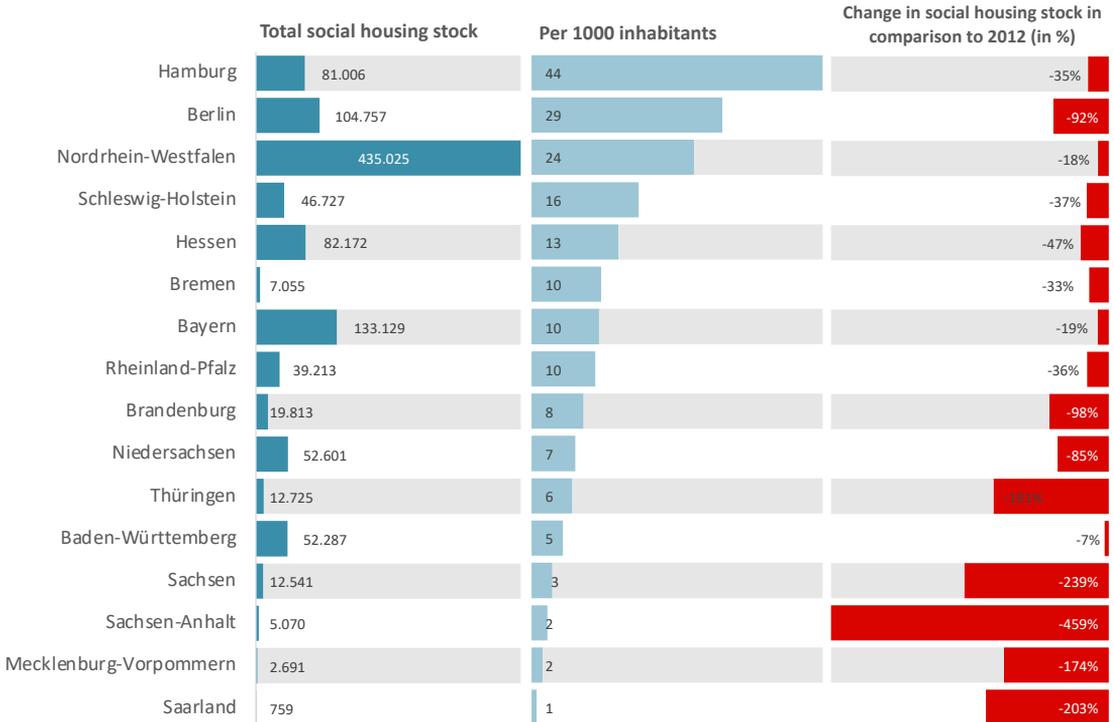


Figure 2: The social housing stock in Germany in 2022, disaggregated by state / Source: Compiled by authors, based on Deutscher Bundestag, 2018, 2023

1.3 Who can get access to social housing, and by which procedure and criteria?

Since 2001, the Housing Promotion Act (WoFG, 2001, §1) specifies that subsidised housing is aimed at “households that are unable to provide themselves with suitable housing on the market”, “particularly [for] low-income households and families and other households with children, single parents, pregnant women, elderly, disabled, homeless and other people in need of help”.

Someone is eligible for social housing if they can present a housing entitlement certificate (*Wohnberechtigungsschein* or *WBS*). This certificate is issued by the

municipalities based on income criteria set out in the housing programmes by the states. Furthermore, the size of the household determines the maximum size of the housing unit that can be accessed (WoFG, 2001, §10). The WBS certificate in itself does not guarantee access to social housing; rather, it is the responsibility of the certificate holder to secure accommodation from the existing stock of social housing units (Sozialplattform, 2021). As the supply of social housing is insufficient to meet the demand, especially in the larger urban areas, it may be difficult to find a social housing unit. Depending on the urgency, certain groups could be given priority to be housed in units where the municipalities have allocation rights. However, unless the households are considered homeless and therefore have the right to be accommodated by the municipalities (generally without lease or tenancy rights), even cases that are considered urgent do not necessarily receive a rental unit.

The WBS certificate is valid for one year. Should the household not have found housing within this period, they will need to reapply for the certificate. However, once the household has found housing, they only need to show the certificate at the start of their tenancy and can thereafter stay indefinitely, even if their income exceeds the maximum threshold. In theory, states could request the payment of a compensation from households who exceed the maximum threshold (WoFG, 2001, §34-37); however, in practice this is only applied by very few states. One reason is that there is a significant bureaucratic burden involved in checking households' incomes. Moreover, governments value that higher income households who decide to stay contribute to the social mix in poorer neighbourhoods.

Generally, landlords providing social housing are free to select their tenants among the entitled households (those in possession of a WBS). An exception is when the municipality draws up a contractual agreement (referred to as *städtebaulicher Vertrag*) which stipulates certain requirements that the investor needs to fulfil. Such agreements often exist between municipalities and municipally-owned housing companies or have been negotiated in the privatisation processes of former municipal or state-owned housing. Requirements may include providing a certain percentage of social housing and/or granting allocation rights for part of the social housing to the municipality. The municipality can then specify either exactly which households these units should be given to – or, more common, gives the landlord a choice of three households, one of which the unit must be allocated to. However, rental units with allocation rights comprise only a fraction of the social rental housing stock. Where no allocation rights exist, landlords often tend to favour households that are on the higher end of the WBS income range.

1.4 What is the socio-economic composition of the population living in social housing projects?

There is no information on the socio-economic composition of the population living in social housing. Eligibility is based on income, but is only assessed during the process of issuing the WBS certificate (see above). Generally, people tend to have lower incomes, but as the income assessment is only done at the time of signing the rental contract, some people might have much higher incomes later on. There are special

programmes and projects for people with particular socio-economic circumstances, such as people with refugee status, former prisoners or former homeless people. These make up a very small percentage of the total social housing stock.

1.5 Who owns the social housing stock?

As elaborated above, social housing subsidies are available to a wide range of housing market actors, ranging from municipal housing companies to private housing companies to financialized housing actors. Over the last decades, significant shifts in the ownership of the social housing stock have occurred, mostly in the direction of privatisation (see policy trajectory section below). According to Kofner (2017, p. 65), “approximately 300,000 social rental dwellings are in the hands of listed housing companies and another 600,000 are owned by private individuals and non-listed private housing companies”, meaning that “three-fifths of the German social housing stock belong to private landlords”. This, together with the shift towards for-profit of social housing provision at the turn of the millennium, demonstrates the market orientation of Germany’s social housing policy over the last decades. Thus, the majority of housing actors consider housing as a commodity. There are, however, a few exceptions to this, namely municipal housing companies and cooperatives, which typically operate under a not-for-profit objective.

Paradoxically, existent municipal and cooperative housing, although not necessarily built with social housing subsidies, tends to be more affordable than newly built social housing. Due to their not-for-profit seeking nature, their rents are often lower than those provided through privatised actors putting social housing on the market at below-market rents. According to data from the 2011 census, 5.8% of residential dwellings were owned by municipalities or municipal housing companies, and a further 0.7% by the states or federal republic. Another 5.2% of the housing stock were owned by housing cooperatives (Statistische Ämter des Bundes und der Länder, 2015). In 2022, residential dwellings owned by municipalities or municipal housing companies have increased to 6.2% of the total housing stock; however, units owned by cooperatives and the states or federal republic have gone down to 5.0% and 0.4% respectively (Statistisches Bundesamt, 2022b).

1.6 Who pays for the construction and maintenance of social housing?

As for the construction of social rental housing, the system of subsidised loans has been elaborated on above. General maintenance is the responsibility of the landlords, with minor repairs to be covered by the tenants.

Social housing in Germany is a funding system accessible to all, which means that there are private owner-occupiers paying for their own housing as well as a very large range of housing providers paying for construction and maintenance of their rental social housing. A large percentage of the rental social housing stock belongs to public or publicly controlled housing companies.

2 Characterisation of “affordability”

2.1 How is “affordability” defined in conceptual and operational terms in the country’s social housing system?

Germany collects data regarding the housing cost overburden as defined by the European Union through the yearly micro-census, which includes the standardised questions of the European Union Statistics on Income and Living Conditions (EU-SILC). In this definition, the housing cost overburden rate is “the percentage of the population living in households where the total housing costs (‘net’ of housing allowances) represent more than 40% of disposable income (‘net’ of housing allowances)” (Eurostat, 2021).

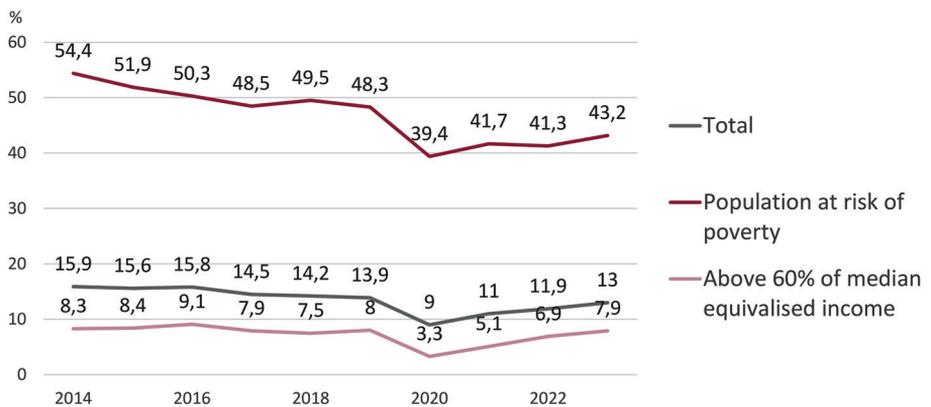


Figure 3: Housing cost overburden rate by poverty status in Germany, EU-SILC survey / Source: Eurostat, 2024

Between 2014 and 2020, the housing cost overburden for the population at risk of poverty decreased slowly, with a noticeable drop in 2020, although it has been rising since then (figure 3, Eurostat, 2024). Housing costs as proportion of disposable household income have also gone up from 21.5% in 2020 to 25.2% in 2023 among the total population and from 42.7% to 43.7% among the population at risk of poverty (Statistisches Bundesamt, 2023f).

The *Bündnis für Wohnen im Land Brandenburg* (Alliance for Housing in the State of Brandenburg) further notes that “a lack of affordability of housing can be assumed especially if, after deducting the rent, there is not a defined absolute minimum amount left as the monthly household budget for living” (Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V. (BBU), 2019). What the Alliance proposes is to consider that after housing costs have been deducted, a minimum amount should be remaining for other household costs, ranging from € 670 for a one-person household to € 1,463 for a four-person household.

2.2 What mechanisms guarantee that social housing is affordable for households?

The main mechanism of making social housing assistance affordable in Germany, as discussed above, is the rent cap (fixing maximum rents) on social housing. However, rent caps are defined at local level in function of average rental prices for the area. Especially in the larger urban areas and more affluent parts of Germany, where rents are increasing rapidly due to population inflows and decreasing housing sizes (OECD, 2018), the rent caps are not necessarily affordable. This is exacerbated due to a shortage of social housing.

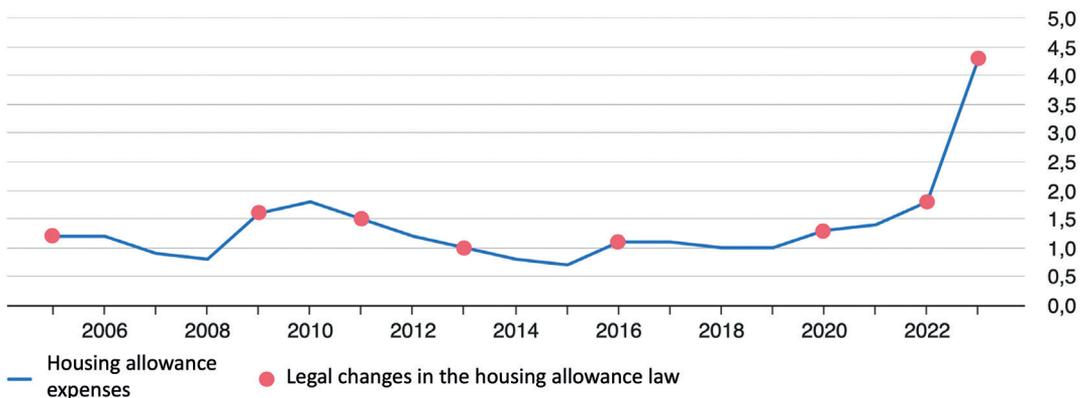
Further measures to control rent increases apply to the entire rental sector, thus also to social rental housing. One measure is a limit imposed on how much landlords can increase rents of existing rental contracts, amounting to maximum 15% over the course of 3 years (Bürgerliches Gesetzbuch (BGB), 2002, § 558). Another is a limit on how much rents can be increased upon re-letting to new tenants: landlords may not charge rents that exceed the local comparative rent by more than 10% (BGB, 2002, § 556d). The caveat for this latter measure, referred to as the *Mietpreisbremse*, is that it only applies if the previous tenant's rent was not already above local comparative rent. The burden of the proof for this is with the new tenant, who would need to sue the landlord. This renders the measure ineffective in practice, since tenants are hesitant to jeopardise the relationship with their landlord.

Another mechanism to assist low-income groups in their housing costs is the housing allowance or *Wohngeld*. This allowance “aims to support those households which would otherwise not be able to find appropriate accommodation on the housing market” (Federal Ministry of the Interior and Community (BMI) [Germany], n.d.). This allowance is available regardless of whether or not the household has access to social housing (Kofner, 2017). It is accessible to tenants, in which case it is called a rent subsidy (*Mietzuschuss*) and to homeowners, to support mortgage repayment and other housing related costs (called *Lastenzuschuss*). This mechanism aligns with the vision of a free housing market, with limited interference by the state.

The local housing allowance authorities (*Wohngeldstelle*) of the municipal, city, district or county administration are responsible for distributing the housing allowance, which is partially funded by the federal government and partially by the federal state. Eligibility for housing allowance is calculated based on the number of household members, the rent or mortgage to be paid and the total income of the household members. Rents should not be above a certain threshold set according to location types. This threshold generally compares to average rental prices. Furthermore, there is a limit in the eligible size of the housing. Those on social assistance are not eligible for the housing allowance as they receive housing benefit through the social welfare system. The application for housing allowance should only take a few weeks, but is complicated. If approved, the allowance is valid for one year

and must be reapplied for each year as long as the household continues to meet the eligibility criteria. This results in a considerable bureaucratic burden, both for the applicant and the responsible authorities.

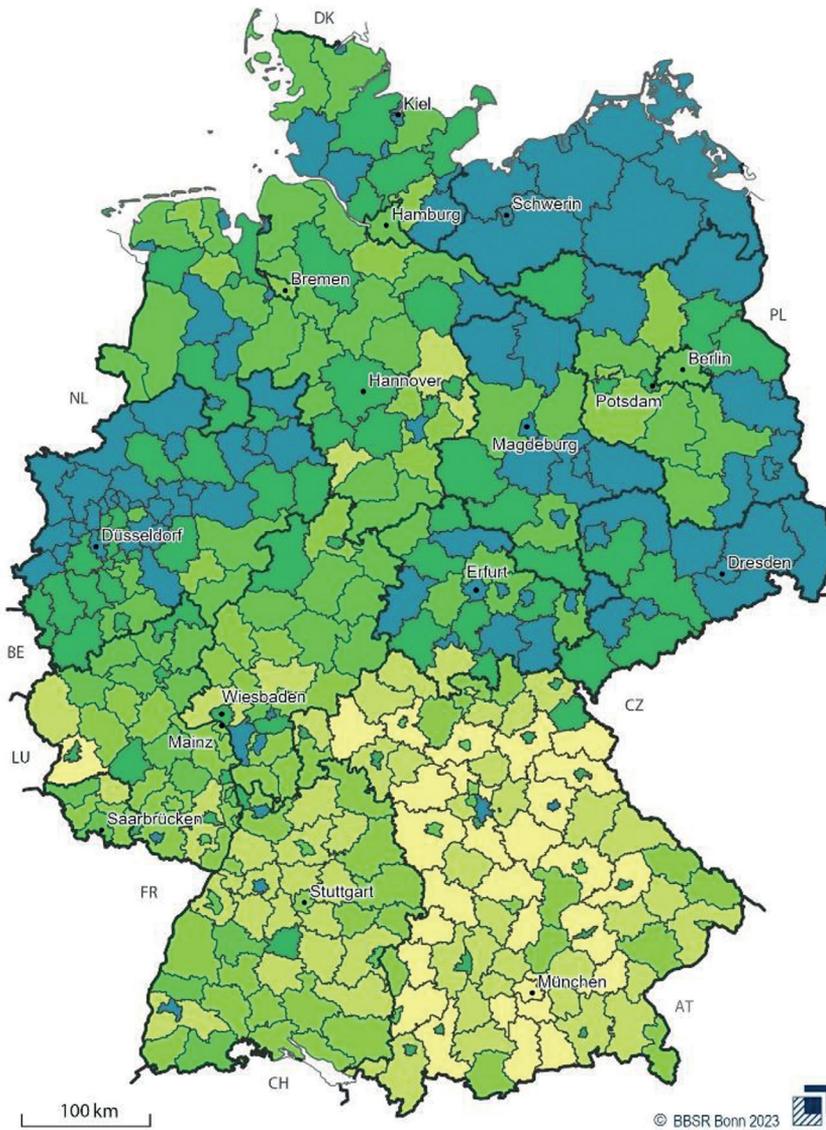
At the end of 2021, around 595,300 households, representing about 1.5% of all households in Germany, received a housing allowance (Statistisches Bundesamt, 2023c). New legislation that came into effect on 1 January 2023 reformed the housing allowance, resulting in a significant increase in the number of households that benefit (1.1 million) (Statistisches Bundesamt, 2023e), and about a doubling in the average amount received, from 180 EUR to 370 EUR. What also changed is that the allowance includes a component for covering the increasing costs of heating and may also cover a climate component, reducing potential rent increases resulting from renovations aimed to make buildings more energy efficient (Presse- und Informationsamt der Bundesregierung, 2023). Due to this reform, the housing allowance expenses by the Federal Republic have increased steeply (figure 4).



2022 and 2023: This includes the heating cost subsidy, which was fully borne by the federal government in accordance with the Heating Cost Subsidy Act of 29 April 2022 (BGBl. I S. 698)

Figure 4: Housing allowance expenses (in billions of EUR) / Source: Statistisches Bundesamt (Destatis), 2024, translated by authors

For those receiving a housing allowance, average income unsurprisingly is low compared to the average salary in Germany, as this is one of the eligibility criteria. Housing allowance beneficiaries' monthly salary is on average 1,057 € against 4,100 € on average for Germany. More than half of the beneficiaries (55%) are single households and more than a quarter (27%) live in Nordrhein-Westfalen. This can be partially explained as it is Germany's most populous state, housing 21% of the total households; yet the amount of housing allowance beneficiaries is also higher than average. Apart from Nordrhein-Westfalen, on average more housing allowance beneficiaries live in former East Germany (a difference of 6% compared to the total



Proportion of households receiving housing allowance in 2021 in %.



Datenbasis: BBSR-Wohnungsmarktbeobachtung;
 Statistisches Bundesamt: Wohngeldstatistik 2021,
 reine Wohngeldhaushalte ohne Heimbewohner;
 Nexiga GmbH: Private Haushalte 2020

Geometrische Grundlage: VG5000 (Kreise),
 Stand 31.12.2021 © GeoBasis-DE/BKG
 Bearbeitung: M.Haake

Figure 5: Proportion of households receiving housing allowance in 2021 in % / Source: Bundesministerium für Wohnen, Stadtentwicklung und Bauwesen, 2023, translated by authors

number of households). Baden-Württemberg, as one of the more affluent states of Germany, has about 3% less beneficiaries than the German average (figure 5) (data of the entire paragraph based on Statistisches Bundesamt, 2023d).

Compared to access to social housing, the housing allowance is more accessible and more people are eligible for it. However, it needs to be controlled through complex systems of rent control to avoid a spiral of rental increases. This can be caused when tenants receiving housing allowance can afford higher rents, leading to landlords increasing the rents further, resulting in the need for higher housing allowances, etc. This control is only partially successful. In Baden-Württemberg, for example, average rents have increased from 7.5 €/m² in 2018 to 8.13 €/m² in 2022 (Statistisches Bundesamt, 2022b). Moreover, these averages hide large differences between rural and urban areas. Rental prices per square meter in Baden-Württemberg are currently highest in Konstanz (15.78 €/m²) and lowest in Sankt Georgen in Schwarzwald (8.01 €/m²) (Miet-check.de, 2024).

3 Policy trajectory

3.1 What have been the main developments in the recent past (30 years)?

In order to understand the recent past, it is helpful to briefly present the rise of the cooperative movement at the turn of the 20th century. During the time of rapid urban expansion and industrial revolution, the first precursors to “social” housing were often built and provided by private factory owners for their workers, or built for state employees such as railway or post office workers. With the rise of worker self-organisation in the 19th and early 20th century, the cooperative movement gained traction and housing cooperatives were first set up by industrial workers associations and state employees. These cooperatives were characterised by collective ownership and a strictly democratic management structure, with one vote per owner of cooperative shares. The German cooperative law enshrining these principles dates back to 1889. It provided both the legal basis for housing cooperative lending and secured specific tax exemptions. In particular, cooperatives profited from the so-called Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz, WGG*), which secured specific tax exemptions for non-profit housing actors. However, workers associations were disbanded during the Third Reich (1933–1945) and cooperative housing management bodies were replaced with national socialist party officials. Existing associations of cooperatives were merged into large regional monopolies with huge administrative bodies.

During the reconstruction period after WWII, East and West Germany set off on vastly different housing policy trajectories. In West Germany, most of the former regional Nazi-run cooperatives called *Neue Heimat* were merged into a cooperative body of the same name. With a revised Non-Profit Housing Act still in operation, the *Neue Heimat* became the main beneficiary of the newly devised social housing subsidy and produced mass housing on a large scale, with over 400,000 new units built until

the 1980s. Policies started to shift after that, largely fuelled by a massive management scandal centred around the *Neue Heimat*. This contributed to the perception of cooperatives as outdated management structures in charge of huge and undesirable housing blocks. Coupled with a decrease in housing demand, this negative image led to the cancellation of the Non-Profit Housing Act and its tax exemptions for housing cooperatives. As a result of the management scandal, the *Neue Heimat* was disbanded and large parts of its housing stock privatised. The wave of privatisation of social housing stock continued even more vigorously in the 1990s. Most of the former state or municipal owned social housing units were sold to private companies and eventually re-sold to financialized housing actors.

Post-war East Germany (GDR), on the other hand, set up an extensive state-run housing development programme, effectively making almost all of the new-built housing stock state-owned “social housing”, to be accessed by all citizens of the GDR, according to need and merit. In 1998, 3 million housing units were in state ownership, with an additional 1.1 million owned by housing cooperatives. Rents were set at an average of 90 pfennig per m² (equivalent to about 0.75 €/m² today). During the reunification process, former state-owned housing initially came into municipal ownership, but due to the way in which former fictitious debts were converted into real debt as part of the reunification process, most municipalities were forced to sell off their housing stock to private companies. In addition, new legislation termed ‘Old Debt Relief Act’ (*Altschuldenhilfegesetz*) forced all housing companies, including cooperatives, to sell 15% of their housing stock.

From 1997-2005, the acquisition of private housing property – basically the opposite of the socialist model – became heavily subsidised through the home ownership allowance (*Eigenheimzulage*). It was not until 2006 that social housing subsidies were revived with the cancellation of the home ownership allowance.

The Federalism Reform of 2006 transferred decision-making competencies on social housing from the national government to the states and municipalities, making the federal republic powerless in the matter. However, this was partially reversed through a 2019 addition in the Constitution which stipulates that “The federal government can grant the States financial aid for investments in the area of social housing by the states and municipalities (municipal associations) that are significant for the state as a whole” (Grundgesetz Für Die Bundesrepublik Deutschland, 2022 art. 104d).

There has been a growing recognition of the difficulties that households face due to the steadily rising cost of living and the tight housing market. The current federal government has therefore established that 400,000 housing units should be built in Germany every year, of which 100,000 would be financed through the social housing subsidised loans. Funding will be increased to “a record 14.5 billion euros” by 2026 and in order to speed up construction, “once housing type approvals have been granted, they will be valid throughout the country, which will ensure the wider use of serial and modular construction” (The Federal Government, 2022). However, the government fell well short of its target in 2022. Only 295,000 units were completed,

among which only 25,000 for social housing (Deutschlandfunk, 2023). Despite social housing subsidies reaching an all-time high today, the social housing stock is in constant decline. The inefficiencies of this system are not currently addressed.

3.2 What are the current main challenges and developments in the sector?

Land is an increasingly scarce commodity. On top of that, one of the measures of Germany's sustainability strategy is to reduce land consumption to a maximum of 30 ha/day by 2030 and 'no net land take' by 2050, further limiting the availability of land (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 2020). The rise in land prices has led to sharp increases in property prices and rents. The proportion of land costs in the cost price of an apartment already exceeds 50% in attractive locations (Bunzel et al., 2017). Especially in growing urban areas, where housing is in high demand because of migration, the increase of single households and the increase of floor space per person, land and housing are becoming an attractive investment for international financial investors, leading to the financialisation of the housing market and encouraging speculation. Even if at the moment the national state seeks to provide more funding for the construction sector to relieve the increasing construction costs, these conditions will continue to make the provision of affordable housing in these areas very challenging. A revision of the social housing subsidy programme in Baden Württemberg in 2015 is aimed at contributing to making investment in social housing economically viable again.

Because the current system of subsidised loans limits the time that housing is considered social housing, there is no durable build-up of a social housing stock. Therefore, social housing continuously needs to be developed to keep up the stock. This is a policy choice, with the underlying idea that the subsidy should only be a temporary correction of the market provision of housing. However, the recent recognition of the need for social housing for low-income and other vulnerable groups shows that this idea does not hold. Higher financing costs due to rising land prices and construction costs result in fewer housing units, making this a very expensive system of social housing provision. The expansion of households eligible for housing allowance and the increase in the allowance itself since the beginning of 2023 (see above) further increase the government's expenses towards making housing more affordable. This increase in spending will have to be balanced through income increasing or spending reduction measures.

Germany has the highest proportion of households renting in the EU, with 53.5% of the population renting their housing unit (Statistisches Bundesamt, 2022a), a number which has been increasing rather than declining in the recent years. Typical for the German housing market is also the large amount of people living in shared accommodation (*Wohngemeinschaft* or *WG*). Mostly comprising of students and young adults, their amount is estimated at around 1.4 million people in 2020, an increase of 18% in comparison to 2010 (WG Match UG, n.d.).

In general, tenants are well protected in the German system. Rental contracts do not have an end date, ending a tenancy agreement by the landlord is only possible when they have good reason to, and rent increases are controlled by law. Thus, the longer a tenant is in a property, the less they pay in comparison to average rental market prices, thereby incentivising them to stay rather than move. Indeed, Kemp and Kofner (2010, p. 394) observe that “residential mobility is relatively low in Germany, something that is both a cause and an effect of the long leases and strong security of tenure”. Turner et al. (2017) refer to research based on the German Socio-Economic Panel Study which found out that “as of 2010, the mean tenancy in Germany is 11 years, and the median tenancy length since 2006 has been approximately six years” (p.13), concluding that “on the one hand, this is evidence of greater stability, on the other, it may reduce labour market flexibility, by making it more difficult for tenants relocating for work to find accommodation” (p.15). With regard to social housing, the moment that social housing ceases to be social, rents can be adjusted to market prices, leading to sometimes hefty rent hikes, although regulations are in place to cushion these increases for existing tenants.

Demographically, Germany’s population is ageing. More than one in four people are aged 60 and over (Statistisches Bundesamt, 2016). Around half of them are owner-occupiers, who are mostly living in one or two-family houses (78%). Elderly tenants, on the contrary, mostly live in an apartment building (79%). Nevertheless, average living space per person among the elderly is almost 1.5 times that of younger households: 60 m² compared to 40 m². This difference is especially apparent among single-person households, who on average have 78 m² of living space compared to 65 m² for younger singles. It is likely that this is an effect of the low residential mobility in Germany, with the Statistical Office noting that “it is relatively rare for older people in Germany to move house: in 2014, almost four million moves beyond municipal boundaries were registered nationwide, of which only 242,000 could be attributed to the generation 65+. Whilst 6% of under 65-year-olds moved to a new place, this rate was just 1% for older people.” (Statistisches Bundesamt, 2016, p. 13). The tightness of the housing market is therefore not necessarily due to a shortage of housing but also to an asymmetry in housing space consumption.

In the social housing sector, the energy transition illustrates the tension between environmental targets and affordability. In order to combat climate change and to reduce dependence on fossil fuels for geopolitical reasons, Germany is increasingly resorting to renewable energy. In 2024, newly installed energy systems should run on at least 65% renewable energy and Germany aims to be fully climate neutral by 2045 (Federal Government, 2023). The costs for this transition will be subsidised and can only partially be recovered through rent increases. As mentioned above, the housing allowance now includes a climate component to offset these costs. While the transition itself is expected to be costly, in the long term, renewable energy sources and energy saving measures could potentially reduce energy costs. In the short run, however, increased energy efficiency standards add to the cost of social housing construction, thereby making it less affordable.

3.3 How do you see the future development of the sector?

Germany's population is stagnating and becoming more diverse. If not for the large influx of migrants, especially from Syria in 2015 and Ukraine in 2022, it would already be reducing (Statistisches Bundesamt, 2023b). This trend is already visible in the eastern and in the more rural parts of Germany, whereas the population of urban areas and in western Germany is still increasing. This also has an age component: it is mostly the youth who are moving from East to West and from the village to the city. Demand for housing is therefore reducing in these shrinking areas while still increasing in areas of population growth. While the demand for housing is likely to stagnate, investments will remain necessary to keep the housing stock adapted to future needs, especially in terms of accessibility, inclusivity and sustainability.

The current housing deficit cannot be solved only by new construction, since affordability due to price inflation is decreasing. This is why the call for reintroducing not-for-profit housing has been growing since 2010. The current government's coalition agreement of 2022 includes this measure, but no law has been drafted yet. Unsurprisingly, this proposal is not supported by the privatised housing companies and there has been little response from the municipal or state-owned companies either. It thus remains to be seen if and when this measure will be reintroduced and what its impact will be.

4 Social housing in Tübingen

Note: data provided below are from Tübingen municipality, unless otherwise specified.

4.1 How does the local situation compare with the national characterisation presented above?

Tübingen is a secondary city located in the State of Baden-Württemberg, in the southwest of Germany. Tübingen's population has been steadily rising, from 83,317 in 2011 to 92,170 in 2021 (figure 6), with a small dip in 2020. This can be explained by a reduced number of students settling in Tübingen due to COVID-19. As a university city, a large share of its population is student – the student population at Tübingen University is 28,000, though not all are resident in the municipality. Most people (around 60%) rent, against around 40% owner-occupiers. Parallel to population growth, the housing stock has equally been increasing. Between 2011 and 2022, almost 4,000 new units have been added to the housing stock, amounting to a total of 43,650 housing units in Tübingen. Of Tübingen's total housing stock in 2022, 1,345 units or about 3.1% are social housing. This is above the national average of 2.5%. Contrary to Germany overall, the majority of these units, about 900 of them, are owned by the municipal housing company, while the rest is owned by a variety of actors.

Demographic development

Demographic development 2011-2021

Number of residents

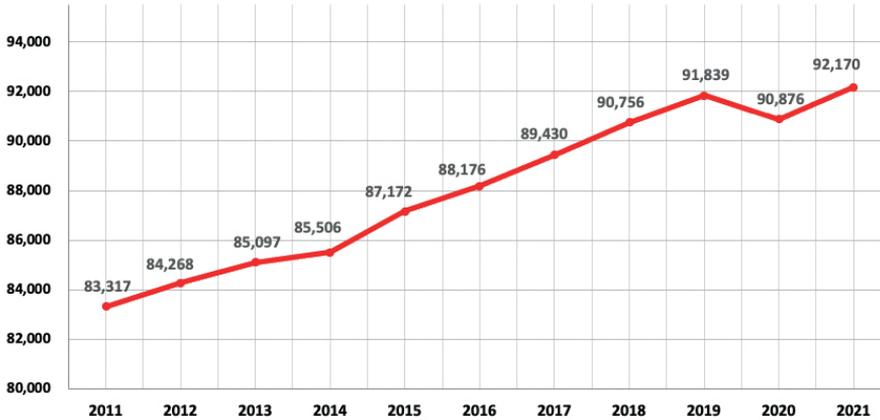


Figure 6: Population growth of Tübingen Universitätsstadt from 2011 to 2021 /Source: Tübingen Universitätsstadt, 2023. Translated by authors

In line with national trends, rental prices are growing sharply, especially in the city centre and newly developed areas in close proximity to the city centre. Average prices have increased from 9.44 €/m² for existing housing units and 11.47 €/m² for new housing units in 2012 to 13.25 €/m² and 15.47 €/m² respectively in 2023, way above the state average. The constant addition of new built units has done little to curb that rise, with rental prices for existing units following the rise in rental prices for new built units. Thus, the local comparative rent index, used to determine maximum rental prices for social housing, has gone from 7.95 €/m² in 2010 to 10.67 €/m² in 2022, an increase of 34% (figures 7 and 8). Therefore, although ever more households need access to social or affordable housing, it is increasingly difficult for the municipality to facilitate its provision.

Rental price development

Development of the average net rents 2010-2018
Net rent in Euro per m²

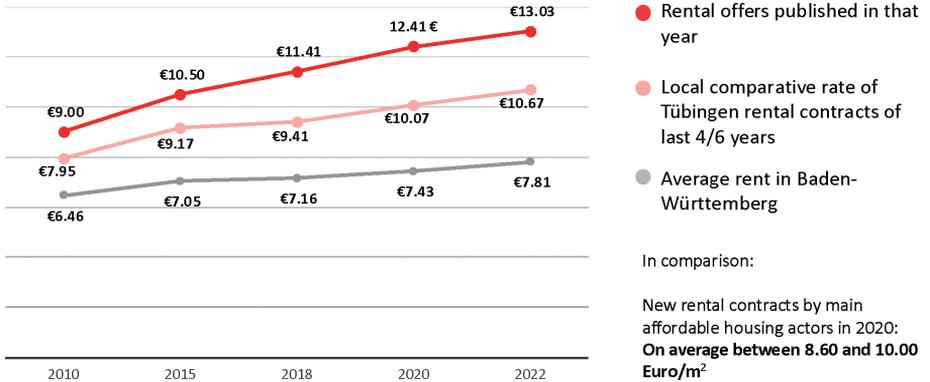


Figure 7: Rental price development: Development of the average net rents 2010-2018. Net rent in Euro per square meter /Source: Universitätsstadt Tübingen, 2023. Translated by authors

Rental price development

Comparison of published rental offers in new builds and existing housing 2012 – 30/06/2023
Net rental price in Euro per m²

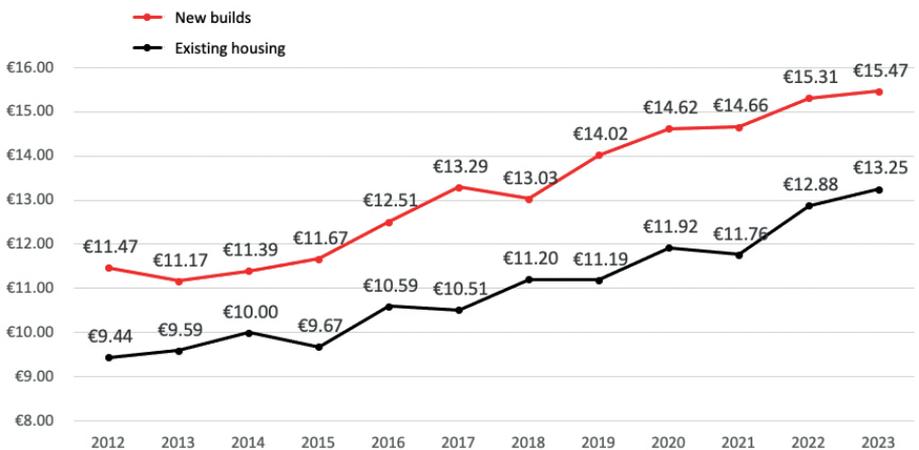


Figure 8: Rental price development: comparison between rents in new and existing buildings 2012–2023. Net rental price in Euro per square meter /Source: Universitätsstadt Tübingen, 2023. Translated by authors

4.2 What have been the main developments in the recent past (30 years)?

In the aftermath of Germany's reunification, French troops withdrew from Tübingen, leaving behind several military barracks. Moreover, several manufacturing companies such as a textile mill were no longer in use. The municipality therefore decided to halt greenfield development and focus on brownfield development. For the redevelopment of these areas, they held on to several development principles: small-scale mixed-use development, high urban density, the integration of old buildings, the inclusion of public and private spaces such as neighbourhood living rooms, and a variable division of plots developed by a variety of actors. This became known as the 'Tübingen Model', in which the municipality acts as developer: it acquires brownfield sites; develops the concept, urban form and development plan; provides the social and technical infrastructure as well as public spaces; manages decontamination and infrastructure development; manages overall development; and finances it by planning gains/plot sales. Plots have fixed prices and projects are chosen using qualitative criteria instead of price competition. These criteria include social and functional diversity, innovative housing concepts, the creation of added value for the neighbourhood and secure financing mechanisms. Private co-housing groups are encouraged to act as owner-builders. They have creative freedom within the development guidelines, are responsible for planning and building, get support from architects and project managers, and are responsible for shared spaces (green courtyards, underground car parks), thereby making them active players in the development of their neighbourhood. This has led to very individual and creative solutions, usually at a cost of 25 to 30% less than buying from a developer. Overall, up to 3000 housing units have been developed in this way.

However, land prices as well as house and apartment prices have risen sharply, making the housing market almost impossible to access for first-time buyers and increasingly difficult for renters even with higher-than average incomes. The municipality has taken measures to ensure a rising percentage of new-built rental housing will remain below market level. It has issued new regulations for developing land. In future housing projects, when municipal land is sold to housing developers, at least one third of the flats will be rental social housing with a social housing duration of at least 30 years, while another third will be rented below market rent as long as it is not owner-occupied. The remaining part cannot be rented out above market rent, as long as it is not owner-occupied. Should the owner-occupied housing be turned into rental housing within a thirty-year period, rent caps of 15% below local comparative rents apply. This way, the municipality guarantees that 90% of flats on former municipal land will have long-term fixed rents. An important criteria for municipal land sales is if developers offer permanently low rents by means of their statutes (such as housing cooperatives and other similar actors). For developers seeking to be granted municipal building rights on private land (i.e. the issuing of a new local development plan), one third of the newly developed housing will have to be social housing with a minimum duration of 30 years. In addition, the municipality is supporting non-profit housing developers such as cooperatives with an intrinsic interest in keeping rents permanently low.

Social housing

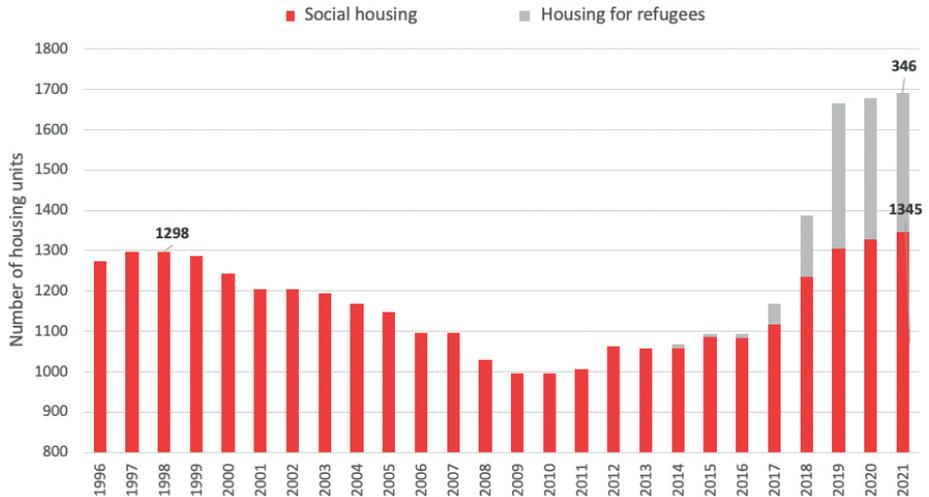


Figure 9: Social housing in Tübingen /Source: Universitätsstadt Tübingen, 2023. Translated by authors

The 2015 revision of the social housing subsidy programme of Baden Württemberg helped to make investment in social housing economically viable again. Since then, the municipal housing company has stepped up its efforts to provide new social housing, having realised more than 220 social housing units by the end of 2023. Spurred by the new municipal regulations, other actors, including some co-housing projects, have also started to develop new social housing, raising the number of social housing - against the national downward trend - from below 1000 units in 2010 to 1345 units in 2021 (figure 9). In addition, a 2015 subsidy programme for refugee housing has been used to construct an additional 346 rent-capped units used for accommodating refugees. Another measure that has been introduced makes it illegal to leave housing vacant for more than 6 months or to rent it out on a short-term (daily) basis, with fines as high as 50.000 euros.

4.3 What are the current main challenges and developments in the secto?

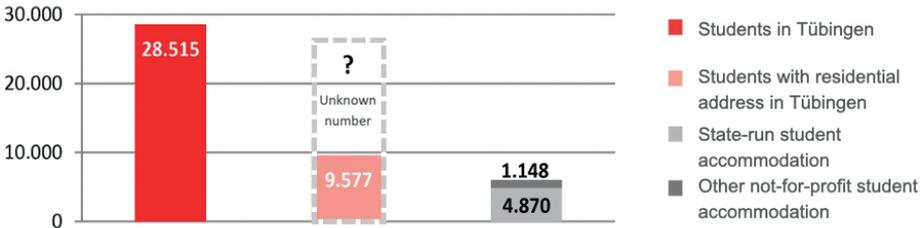
Overall, the cost of living has gone up, which reduces households' purchasing power and increases their risk of having housing cost overburden. Housing demand in Tübingen has not slowed down, with about 7000 new jobs predicted to be eventually created in the growing AI and biotechnology sector. The demand of highly mobile and mostly well-paid employees in this sector contributes to the continuous rise in rental and sales prices within the existing private housing stock.

In addition, the rising number of students also exerts further pressure on the private rental market. When comparing the number of higher education students to the

official student accommodation available (figure 10), it is clear that many students resort to the private market for their accommodation. As it is way more profitable for private landlords to split up larger rental units into individually rented rooms, students on individual rental contracts are outcompeting families in need of housing.

Students vs. Housing units in Tübingen 2017

Number of people and units



Sources: Eberhard Karls-Universität Tübingen, Studierendenwerk Tübingen 2017

Figure 10: Students vs. Housing units in Tübingen in 2017 / Source: Wohnraumbericht 2018, Universitätsstadt Tübingen, 2019. Translated by authors

As shown in figure 11, demand for affordable housing still is considerably higher than supply. The grey bars in figure 11 are the amount of housing entitlement certificates that the municipality has issued each year, allowing the holder to access social housing (see the section on mechanisms of housing affordability above). The red bars represent the number of new rental contracts in social or affordable housing by the main affordable housing actors. While the gap between the two has varied, the shortage of supply has been structural throughout the time period.

As the municipality continues to focus on facilitating the provision of social housing as well as other permanently affordable rental housing units, the rising cost of land, sharp rises in the cost of building materials and construction and especially the high interest rates for building loans severely curtail the possibilities not only for non-profit actors, but also for the municipal housing company to develop new units. As of recently, the municipality has therefore taken to develop its own housing units aimed mainly at young professionals such as kindergarten teachers and carers for the elderly, who have increasing difficulties finding affordable housing. Moreover, municipally owned land is finite, with the remaining parcels of municipal land expected to be fully developed within the next 10–15 years. The options to acquire more land for development are severely limited by both the municipal budget and current legislation stipulating the acquisition of land by municipalities at market prices.

At the same time, like the rest of Germany, Tübingen's population is ageing. The share of elderly people (65+) in Tübingen district (comprising of Tübingen municipality and 14 smaller municipalities) is projected to increase from 18% in 2020 to 24.1% in 2040 (Statistisches Landesamt Baden-Württemberg, 2020). Often, they prefer to stay in

their housing, even after their children have moved out, thereby occupying units that could house a larger family. Place attachment, the costs of moving and an increase of rental price per m² might influence their decision. At the same time, the amount of single person households has been increasing disproportionately (by 5% between 2010 and 2017 as compared to by 1% for couples and by 0.5% for families with children), putting pressure on the housing market for smaller housing units.

Housing need and supply



Figure 11: Housing need and supply in Tübingen /Source: Universitätsstadt Tübingen. 2023. Translated by authors

4.4 How do you see the future development of the sector?

The remaining parcels of municipal land are currently either in development or will be developed in the near future, with the current regulations leading to a further sizable amount of new social and affordable housing units expected to be completed each year. The main share of these units is expected to be developed by the municipal housing company, housing cooperatives and other non-profit actors. However, due to the rising costs of construction mentioned above, current projections might be at risk.

Therefore, the municipality is developing strategies to address affordability in the existing housing stock. With national rent regulation legislation lacking in effectiveness, one strategy is to incentivise private owners to turn their units into social housing

units by facilitating access to an existing, but rarely used, state social rental housing subsidy for existing housing stock. So far, about 50 private housing units have been converted in this way. However, with much more profitable letting options, such as student housing and temporary letting available to private landlords, the overall outcome of this effort remains to be seen.

Another strategy is reducing the need for new-built units and increasing the amount of available family housing by incentivising the older population to move to smaller housing units. New age-adapted housing projects with barrier-free access, as well as elderly care and community components are being facilitated by the municipality in most neighbourhoods and outlying villages. This strategy is expected to also help relieve the current crisis in elderly care, which is projected to become more severe as the population is aging. Other strategies to capture the potentials of the current housing stock are being promoted as well, such as looking into possibilities of sharing, paying reduced rent in exchange for providing assistance to an elderly home owner, and splitting existing larger units into smaller units so the elderly residents can remain in their private home while creating additional affordable units at the same time.

The continued provision of social and long-term affordable housing both in new-built and existing units will certainly help to alleviate some of the most urgent housing needs. Overall though, as long as Tübingen's population continues to grow and housing demand remains high, these measures will not deliver a sufficient amount of social and affordable housing. Generally, the policy measures available at a municipal level are unsuitable to curb the overall trend in rising rents, land and property prices in growing second-tier cities such as Tübingen.

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THE PORTUGUESE REPORT



Braga / Photo Braga Municipality

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Abstract

This chapter examines how Portugal’s housing policy has evolved over recent decades and how this trajectory has shaped the current housing crisis. It explores how core policy concepts – such as social and affordable housing – have been defined and implemented, revealing the logic and limits of the Portuguese housing regime in delivering safe, non-profit housing. By tracing shifts between state intervention and market liberalisation, it shows how policy has remained fragmented and reactive, resulting in a residual, underfunded public sector concentrated in metropolitan areas. Using national data and a case study of Braga, the chapter illustrates persistent structural problems, with a small, ageing social housing stock and mounting affordability pressures. It situates Portugal’s experience within wider European trends of financialisation, territorial inequality, and the erosion of housing as a social right.

Keywords

Housing policy – social and affordable housing – sociospatial inequality – affordability crisis – Portugal

1 Characterisation of “social housing” in Portugal

1.1 What are the goals of social housing?

In Portugal, the universal right to housing is enshrined in Article 65 of the 1976 Constitution. The primary goal of social housing, as defined by Law 81/2014 (December 19) and updated by Law 32/2016 (August 24), is to provide decent housing at a rent level determined by administrative criteria rather than market rates. The regime of “supported rent” (*renda apoiada*) regulates the administration of state-owned housing stock, which includes properties owned by central and local government as well as public companies.

The concept of social rent was first introduced into Portuguese legislation in 1977 (Law 50/77, August 11). At that time, the calculation of social rent was based on the relationship between housing costs and household income, with rent set to fall between 10% and 25% of income. The law also differentiated between “social rent” and “technical rent”. The latter was defined as the rent necessary to recover the total cost of construction over a 50-year period, at an annual interest rate of 7.5%. Under this system, families whose income exceeded three times the national minimum wage were required to pay the technical rent, while families with lower incomes paid the social rent.

In 1993, the regime of supported rent was introduced (Decree-Law 166/1993, May 7). The shift from “social rent” to “supported rent” was more semantic than substantive, as rents in the social housing sector have continued to be calculated based on household income.

The allocation of social housing is based on a classification system that uses a points-based assessment to determine the priority level of applicants. Although specific criteria are established at the municipal level, they generally converge to prioritise families with limited means or those in challenging social or housing situations. For further details, please see sections 1.3 and 1.4.

1.2 What is the proportion of social housing in relation to the total housing stock? What does this measure include?

The lack of a consistent policy trajectory, stable financial resources, and, more often than not, the political willingness to invest in social housing – both at the central and local government levels – has resulted in the limited development of the Portuguese social housing sector. Today, Portugal counts some 123,000 publicly-owned housing units (not all of them social housing), representing 3% of the total housing stock (Census 2021, INE).

This figure has fluctuated slightly over time, reflecting the ups and downs of policymaking. The post-revolutionary period of the late 1970s and the mid-1990s decade stand out as relative peaks in social housing construction. These increases

were primarily driven by efforts to address severe housing crises that had accumulated over the preceding decades. However, these peaks were interspersed with long periods of limited growth or alienation of state-owned housing stock (figure 1 and 2; see also Vilaça & Ferreira, 2018).

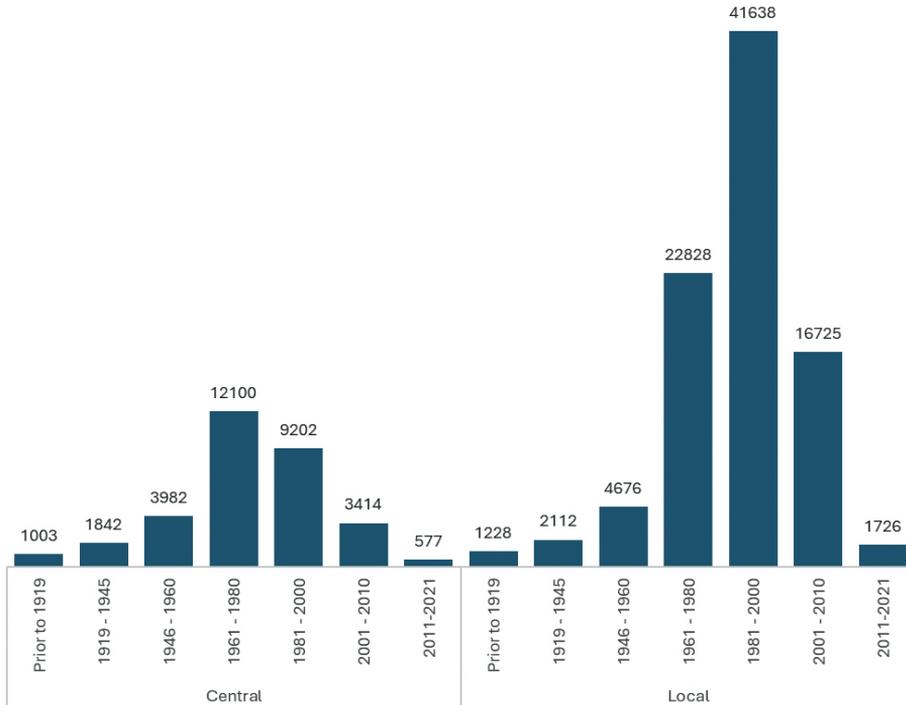


Figure 1: Dwellings used as main residence by year of construction and ownership (n.º), Portugal, 1960-2021 / Source: Census 2021, INE

The uneven distribution of social housing investments in time has been paralleled by the unevenness of its geography. The Portuguese social housing stock thus remains concentrated in larger cities, though there are significant differences among them (figure 2). For instance, in Porto, social housing units account for 14.1% of the total dwellings used as main residences. Of this, 12.2% is owned by the municipality and managed by its housing company, *Domus Social*, while 1.9% is owned by the central government. In contrast, in Lisbon, social housing represents 10.3% of main residences, with 7.7% owned by the municipality and 2.6% by the central government. In smaller cities, as in Braga, the proportion of social housing tends to be lower.

The small percentage of social housing and its geographic concentration can be traced back to the history of housing policy in Portugal. Housing policy has focused, on the one hand, on eradicating shanty towns and squatter settlements that emerged due to the proliferation of informal housing in densely populated areas; on the other hand, on promoting homeownership through subsidised mortgages and tax deductions.

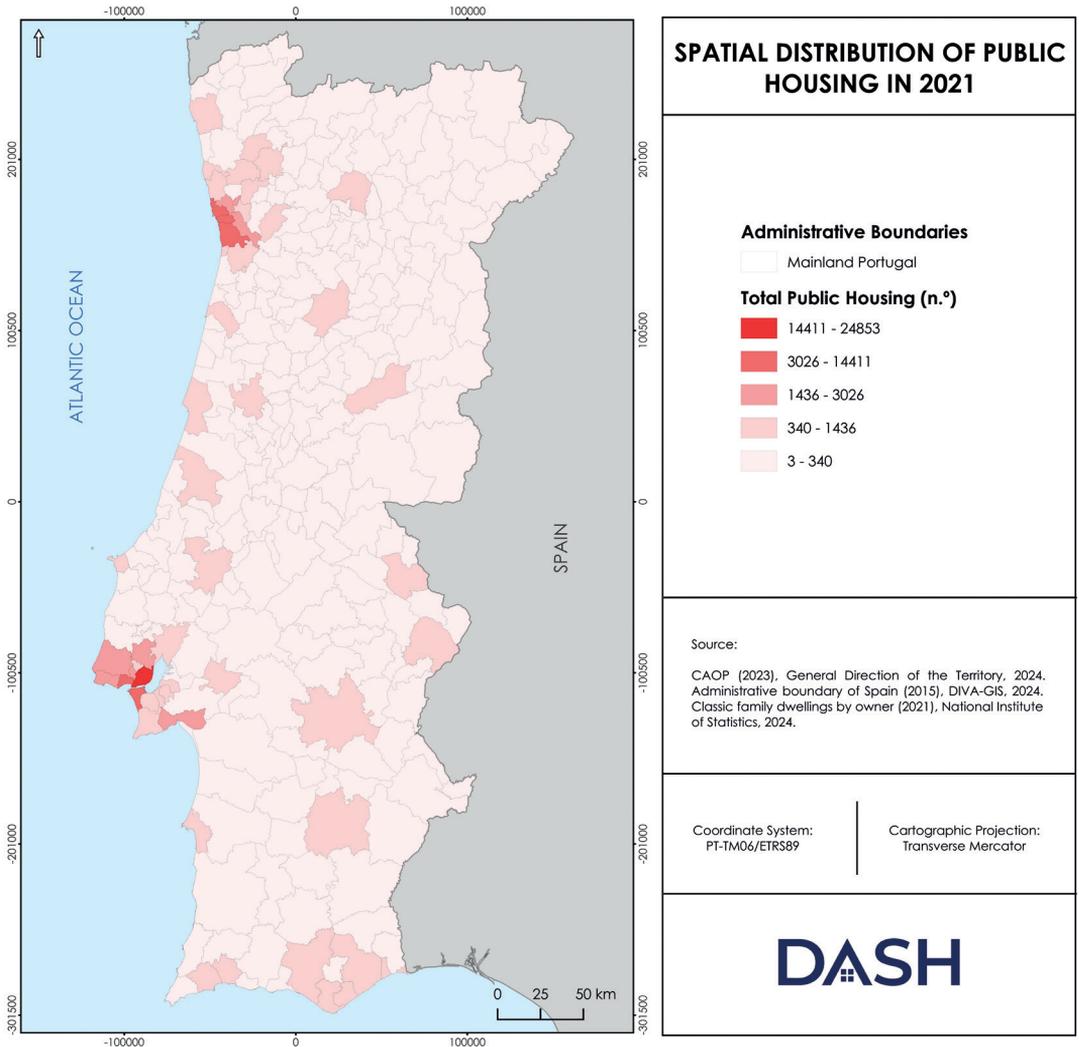


Figure 2: Geographical distribution of the public housing stock, Portugal / Source: Census 2021, INE

Between 1987 and 2011, nearly three-quarters of Portugal’s housing budget was allocated to mortgage subsidies, while only 8.7% was spent on rent subsidies and 17.9% on direct housing provision. This approach to housing policy significantly influenced the country’s economic dynamics, acting as a pathway to homeownership for working- and middle-class households. During this period the volume mortgage loans expanded markedly, from €5 billion in 1990 to €104 billion in 2008, while the population grew by only 10% during the same period. Approximately half of all mortgage contracts signed during this time were supported by the state through subsidised loans and tax deductions (Allegra et al., 2020). This contributed to a notable increase in homeownership rates (see figure 3). By 1991, owner-occupancy

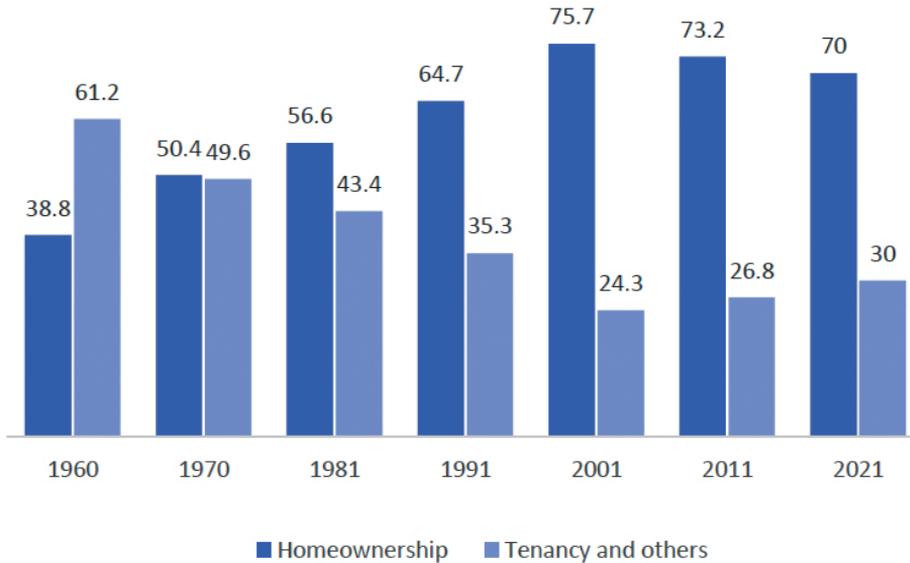


Figure 3: Dwellings used as main residence (%) by tenure status, Portugal, 1960-2021 / Source: Census 1960-2021, INE

had become the dominant tenure in Portugal, accounting for 75.7% of the total housing stock. While this trend spanned all socioeconomic strata, it was most prevalent among households with middle-to-high incomes (Garha & Azevedo, 2021).

Parallel to that (but mobilising far fewer resources) housing policy tried to address the problem of widespread inadequate housing conditions, and did so by focusing in large part on vulnerable populations.

The first public intervention was the so-called Special Rehousing Programme (*Programa Especial de Reajustamento* or PER) (Decree law 163/93, May 7), an emergency programme specifically designed to address the needs of the metropolitan areas of Lisbon and Porto. The programme was designed as an urban clearance initiative aimed at removing the shanties and rehousing the residents of the informal settlements, irrespective of any assessment of the households' income, in new residential facilities (Allegra et al., 2022). This programme typically built new council housing estates on areas where cheap land was available, displacing slum dwellers to areas in the periphery characterised by a lack of infrastructure and reinforcing the segregation of people along lines of class, income and ethnicity (Branco & Alves, 2020).

With the goal of expanding and improving the design of the PER, the programme PROHABITA was created in 2004 (Decree-law 135/2004, June 3). PROHABITA aimed at improving the living conditions of families living in precarious housing. The key aspect of the programme was to provide subsidies to allow a wider range of housing solutions to promote better housing conditions. This could involve, besides construction, to acquire or rehabilitate existing housing units.

The most recent governmental intervention is represented by the First Right programme (*1.º Direito*), launched in 2018 by the national government, and since July 2021 funded by the Recovery and Resilience Plan (PRR) and the Portuguese state with an expected investment of 2.17 million euros until 2026. Similar to PROHABITA, the First Right is available to municipalities across the country, and funds a broad range of interventions and support mechanisms, such as the construction of new buildings, renovation of existing dwellings, acquisition of new buildings, and the leasing of buildings for subleasing.

1.3 Who can get access to social housing, and by which procedure and criteria?

Portuguese law states that any national or foreign citizen with a valid residence permit in Portugal who does not live in decent housing and lacks the means to access adequate housing has the right to social housing. However, due to the limited availability of social housing units, access has, in practice, been generally restricted to a tiny minority of the country's population. Access to social housing is means-tested, and vacant dwellings are typically allocated to applicants facing severe housing problems (e.g., homelessness or living in precarious conditions that do not meet basic health, safety, and comfort standards) and/or those in vulnerable situations (e.g., individuals experiencing domestic violence, living with disabilities, or lacking subsistence means).

1.4 What is the socio-economic composition of the population living in social housing projects?

In Portugal, data on the socio-economic composition of the population living in social housing projects are absent. The only available source of information is Eurostat's EU-SILC, which broadly refers to tenants paying reduced rent and does not precisely correspond to the population living in social housing.

According to EU-SILC, in 2023, 25.9% of these tenants had incomes below 60% of the median equivalised income. Additionally, households with dependent children are over-represented within this type of tenure arrangement, accounting for 16.8%.

A national survey of housing needs, commissioned by the Portuguese parliament in 2017 and conducted in 2018 by the Institute of Housing and Urban Renewal (IHRU) (*Instituto da Habitação e da Reabilitação Urbana*) – a government body responsible for supporting and implementing housing policies – identified 26,000 families living in sub-standard conditions in Portugal, with 74% located in metropolitan areas.

However, more detailed surveys carried out later, as part of local housing strategies, revealed that the number of families living in unsuitable conditions – such as unhealthy and insecure housing, overcrowding, inadequate housing for residents with disabilities or reduced mobility, and homelessness – could be as much as three times higher than the initial estimate.

The scale of housing needs in Portugal has become a growing concern in recent years (figure 4), driven by a combination of factors, including economic disparities, a limited supply of social housing, and rental market pressures, such as high rents in new contracts and a lack of regulation in the short-term rental market. As a result, social inequalities are deepening, particularly among those at the beginning of their housing careers (Azevedo, 2024).

In a more straightforward response to the question of the socioeconomic composition of the population living in social housing projects is that, due to the residual nature of the social housing sector, there is an over-representation of low-income families. This is largely the result of means testing or the prioritisation of specific groups, such as residents of informal settlements who entered the PER programme. Data on social rents for municipal housing, calculated based on household incomes, further illustrate this composition, which is dominated by poverty. For example, in 2023, the average social rent per household in a local authority accommodation was €80 per month in the municipality of Lisbon, €69 per month in the municipality of Porto, and €58 per month in the municipality of Braga.



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Portugal housing crisis: 'I'll have to move back in with mum'

28 May 2023

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Antonio Fernandes

BBC News, Lisbon



Figure 4: BBC piece on protests over Portugal's housing situation /Source: <https://www.bbc.com/news/world-europe-6548590>

1.5 Who owns the social housing stock?

Social housing in Portugal is by and large owned and managed by municipalities or by municipal housing companies, while a small share of this housing stock is owned by the central government and managed by IHRU.

The period between the 1980s and the economic recession in 2007-11 corresponded to an era of stock transfer and alienation of public housing stock in Portugal. Between 1980 and 2007, the IHRU reduced its housing stock from 39,197 to 12,549 units by transferring it to municipalities (42%) and through sales to sitting tenants (26%) (see figure 5). The massive stock transfer to municipalities (16,435 dwellings) and sitting tenants (10,213 dwellings) would have been greater were it not for the municipalities refusing to accept the transference of low-quality housing stock (with an average age of 28 years in 2007) made up of low rents and vulnerable families without the allocation of more resources at the local level.

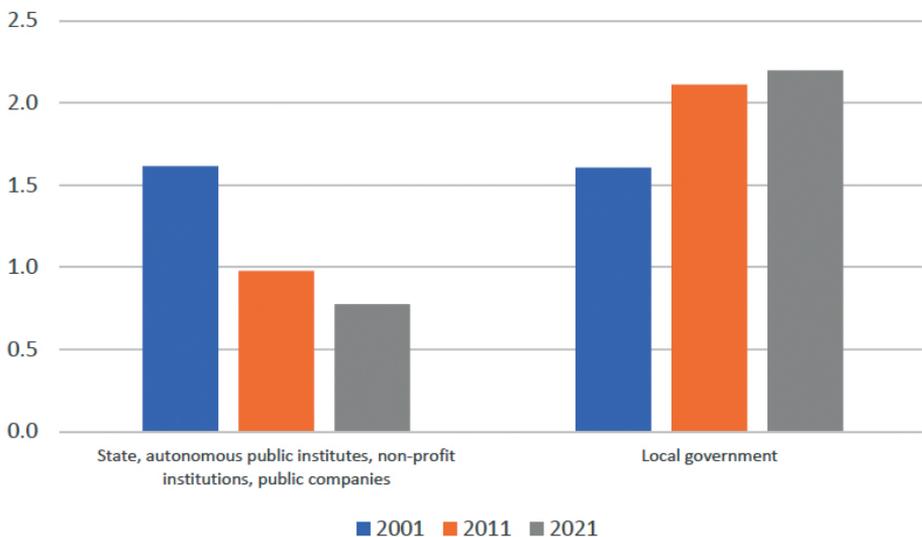


Figure 5: Dwellings by type of public ownership (%), Portugal / Source: INE, Census 2001-2021

During the 1990s, municipalities began transferring the management of housing stocks to dedicated municipal companies. In 1998, a new regulatory regime was established to create a common framework for existing municipal companies, which were given one year to comply with the legislation (Law 58/1998, August 18). For example, BragaHabit and Porto's Domus Social were established in 1999 and 2000, respectively.

1.6 Who pays for the construction and maintenance of social housing?

According to legislation, the competence for housing matters is shared between the national/central government and local authorities. The national government establishes the general framework for the sector, provides funding instruments, sets financial regulations, and issues generic guidelines. Meanwhile, local authorities are responsible for providing land, planning and implementing projects, and managing social housing—either directly or indirectly through public housing companies.

In practice, a division of labour has emerged over time between the national government and the municipalities. While municipalities are responsible for the implementation of housing policy (making all housing policy technically “local”), the national government has been the main provider of funds—a crucial role given that most municipalities lack the necessary financial resources. This funding has supported the major housing programmes of the last 50 years.

The transfer of properties from central state institutions (such as the IHRU) to local authorities, implies that municipalities are responsible for its maintenance. However, their financial capacity to make necessary investments has been limited. Most Portuguese municipalities have faced a relative lack of resources, particularly since the early 2000s. This has created significant financial challenges, not only for the construction of new social housing but also for the maintenance of the existing stock. As a result, many municipalities view social housing as a heavy financial burden, which has limited investments in maintenance and the provision of services to residents. In many cases, this financial strain has even pushed the sale of social housing units.

Figure 6 shows the distribution of public housing stock across the country, divided between municipalities and the central government. It is worth noting that the average national monthly rent for IHRU per household in a social accommodation is €30. In Lisbon, where the Institute owns approximately 2,600 dwellings, the average monthly rent is €76.

To summarise, the established *modus operandi* of the last 30 years has therefore brought a sort of practical division of labour between central and local government, in which the central government has acted as a bank for municipalities, providing funds and (mild) policy guidelines, while the latter have been tasked with the responsibility of providing the land and implementing the projects. Similar arrangements have underlined all the main phases of investment in social housing, for example through the PER, PROHABITA and, today, the First Right.

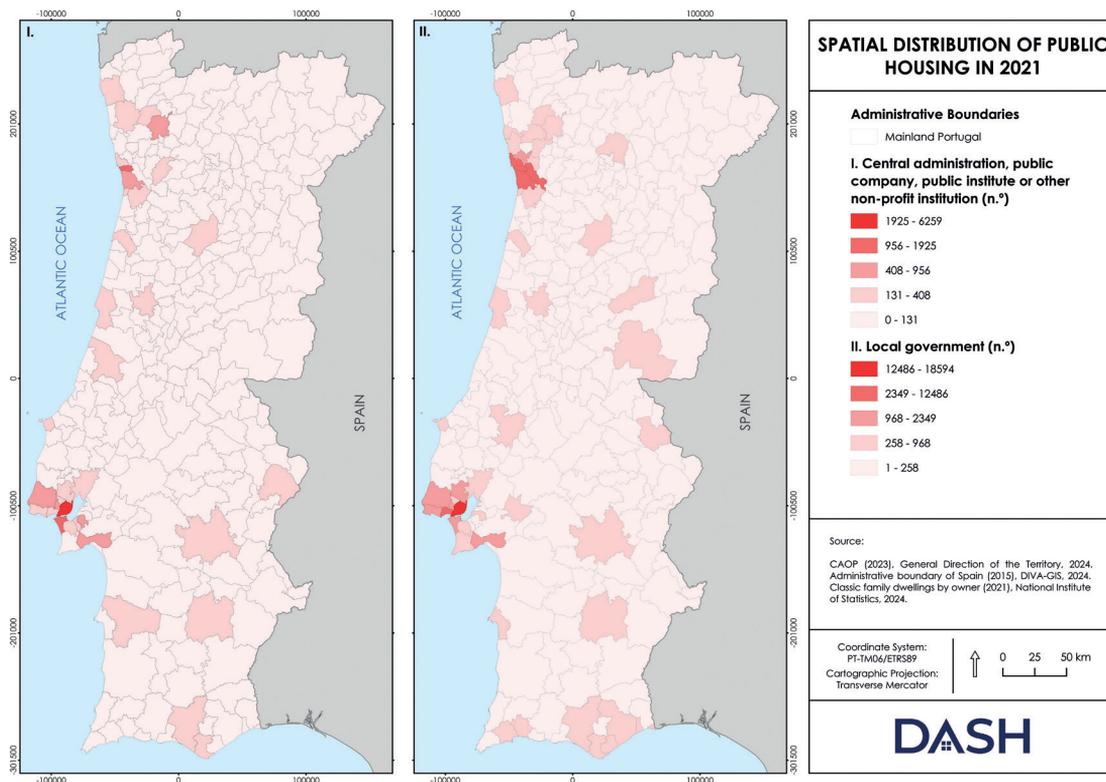


Figure 6: Geographical distribution of the public housing stock according to central and local government ownership, Portugal/Source: Census 2021, INE

2 Characterisation of “affordability”

2.1 How is “affordability” defined in conceptual and operational terms in the country’s social housing system?

The terms “affordability” and “affordable housing” have different meanings, that require thoughtful consideration. “Affordability” refers to the degree to which housing is reasonable priced and accessible to individuals or groups, typically in relation to their financial capacity (for example vis-à-vis households with different levels of earnings). Thus, housing affordability refers to the ability of families to pay for housing (rent or purchase) without excessive financial burden, which is typically measured as the ratio between housing costs and household income. Eurostat uses the housing cost overburden rate to measure the proportion of the population living in households where the total cost of housing exceeds 40% of their equivalised disposable income.

Figure 7 draws on a different indicator—total monthly housing costs per household, adjusted for purchasing power parity across EU countries (in Purchasing Power Standard – PPS)—which does not relate housing costs to income. This measure is used to illustrate that housing costs for tenants have followed a near-continuous upward trajectory since 2008 and remain substantially higher than those paid by homeowners. This is largely, though not exclusively, due to the significant proportion of outright owners—i.e., homeowners without mortgage payments—who face considerably lower housing costs than both mortgage holders and, even more so, tenants.

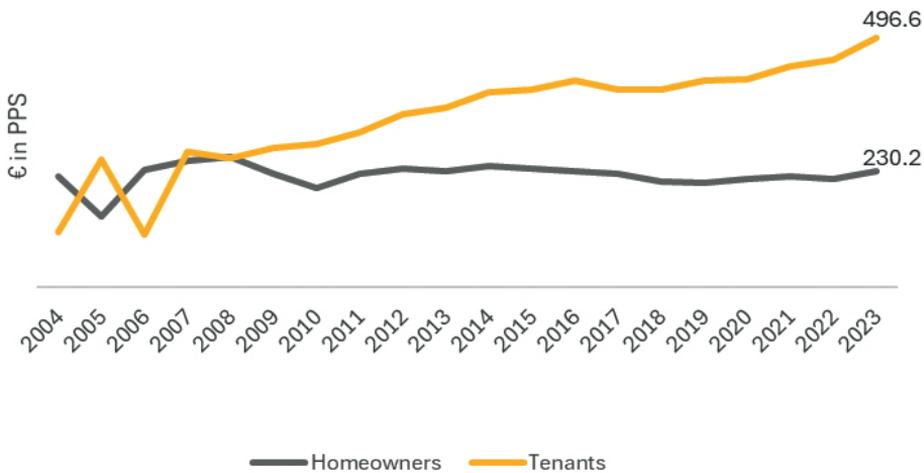


Figure 7: Total monthly housing costs per household in Purchasing Power Standard (PPS), Portugal, 2004–2023. Source: EU-SILC survey [ilc_md03]

As mentioned before, homeownership rates in Portugal are high (70% of the dwellings were owner-occupied in 2021, according to the Census), and more than half of them are outright owners (61.6%). Many of the owners with loans or mortgages have purchased their home before the current housing crisis, and some have benefited from the state-promoted low interest rates during the 1980s and 1990s.

The current housing crisis disproportionately affects those trying to (re-)enter the housing market, either through renting or ownership, as they face rising prices and limited availability. This group, often without prior access to the “housing ladder,” is particularly vulnerable to the lack of affordable housing options.

The concept of “affordable housing” refers to specific measures introduced by local or central governments to facilitate access to housing. For instance, in 2019, the central government launched the Affordable Rental Programme (PAA) [*Programa de*

Arrendamento Acessível], which offers fiscal incentives to increase the supply of rental housing at prices aligned with families' incomes. Under this programme, landlords can place their properties on the rental market at discounted rates for a minimum period of three years in exchange for tax exemptions on the rental income.

Additionally, under the Recovery and Resilience Plan, the government provides loans for public affordable housing, with funding capped at 775 million euros. Eligible housing projects under the PAA must offer rents at up to 80% of market levels within the local area, ensure lease contracts of at least 5 years, and maintain a tenant's affordability ratio – the proportion of household income spent on housing – between 15% and 30%.

While the government defines “affordable rent” as rents set at 80% of the median market price at the district level, with a household effort rate below 35% (Law-Decree 68/2019), academic studies have questioned its effectiveness. Analyses comparing the lower quartile house price to lower quartile earnings or the median house price to median earnings indicate that such rents are not genuinely affordable in many regions of Portugal, particularly in metropolitan areas like Porto and Lisbon, as well as the Algarve (Travasso et al., 2020).

2.2 What mechanisms guarantee that social housing is affordable for households?

In the social housing sector, affordability is ensured through low rents within a system where local public authorities own the housing stock and set rent values based on household income. Available data from 2019 reveal significant variation in social housing rents across municipalities, though rents remain far below market levels. For example, in the municipality of Lisbon, the average rent for social housing units was just €80 per month, with 513 units rented at as little as €4 per month. Beyond the social housing sector, various programmes for “affordable housing” or “affordable rent” have been introduced over the past decades (see Section 2.1).

In recent years, community-led and government-backed initiatives have emerged to promote a new generation of housing cooperatives as a complementary approach to existing affordable housing solutions. Unlike traditional cooperatives – which have not always ensured long-term affordability – these new initiatives focus on innovative collective ownership models. Designed to prevent speculative price increases, these models aim to protect affordability efforts from being rapidly absorbed by the market. While this community-driven approach is increasingly viewed as a sustainable strategy for ensuring perpetual affordability, it has yet to gain significant momentum. In Portugal, interest in developing such models has been growing in recent years. To support their progress and impact, it would be valuable to establish clear criteria to monitor their effectiveness and to differentiate them from other cooperative initiatives that do not prioritise housing affordability.

3 Policy trajectory

3.1 What have been the main developments in the recent past (30 years)?

Like many other southern and eastern European countries (Azevedo, 2016), Portugal's housing sector is largely characterised by high rates of homeownership across all social strata, including significant rates of second homes, a weak and polarised rental market (Alves et al., 2023), a relatively underdeveloped welfare system, and a reliance on family networks and support (Azevedo, 2024). Against this backdrop, and drawing on Allegra et al. (2020), we can outline the key factors and milestones that have shaped the trajectory of the housing sector over the past 30 years.

At the beginning of the 1990s, the country was facing a severe housing crisis – one largely due to the combined effect of the mounting urban pressure on the metropolitan areas of Lisbon and Porto in the previous two decades and of the lack of public investments in the housing sector. This led to the proliferation of informal settlements in the suburban belt of both cities – in 1993, a comprehensive survey in the two metropolitan areas counted some 50,000 households for a total of more than 150,000 residents, many of them black immigrants from the former Portuguese colonies in Africa.

This situation led to the launch of a government “housing package”, of which the PER was the most prominent programme. Thus (and somewhat contrary to the trends prevailing in Western Europe at the time), Portugal embarked on a large-scale, old-fashioned social housing programme that involved the rapid construction of some 50,000 housing units in newly built and often large social housing estates. In fact, since the mid-1990s, scholars, practitioners, and activists have continued to criticize the results of the PER - for the over-concentration of vulnerable populations in new public housing projects, for the lack of services for residents, for the lack of building quality, and on and on.

Since the early 2000s, however, Portugal has been experiencing a “housing drought” (Allegra et al., 2020): with the end of the PER financial transfer from the central state for social housing came *de facto* to a halt, leaving municipalities to fend for themselves at a time when their ability to borrow was substantially reduced by new regulations; at the same time, the subsidised mortgage scheme was withdrawn.

Against the background of declining public investment, several reforms of the housing sector were introduced (both before and after the financial crisis in 2010). The austerity measures imposed on Portugal by the EU, the European Central Bank and the International Monetary Fund included the liberalisation of the rental market (which ended the system of rent control and introduced a simplification of eviction procedures), the introduction of the “Golden Visa” legislation and the “Temporary Resident” permits which included a series of tax benefits to incentivise wealthy foreigners and pensioners to move their residence to Portugal.

Somehow paradoxically, however, it was Portugal's economic recovery after 2014 that sparked the current housing crisis: the boom of the touristic flows into the country and of the industry of short-term rentals, coupled with the progressive financialisation of the housing sector, determined the vertical growth of real estate prices in the areas of Lisbon, Porto, in the seaside destinations of Algarve—and of the country in general.

The crisis has disproportionately affected tenants in the private rental market (Azevedo, 2024) as there is no rent control in Portugal, and therefore new contracts tend to fully reflect the increase in market prices. The crisis has been especially particularly severe for tenants with a precarious economic situation and those in the lower half of the income distribution, as the cost of living (including housing costs) has risen much faster than income. According to Eurofound, whose statistics are based on Eurostat data on total housing costs in PPS (EU-SILC survey), the highest increase in the proportion of renters spending more than 40% of their income on housing costs between 2010 and 2019 was recorded in Portugal (Eurofound, 2023). According to the Housing Barometer in Portugal (Azevedo & Santos, 2023), one in nine people fear losing their current home in the next 5 years. Of those who are afraid, half are worried about a possible increase in rent, while around a quarter fear being evicted by their landlord; a third would have nowhere else to go if this happened.

The rapid escalation of the crisis brought housing issues back to the public discourse and multiplied the calls for a more incisive action on the part of the government. This resulted in the reestablishment of the ministry of Housing (2017) in the launch of the NGPH (2018), and in the approval of the Framework Law for Housing (FLH) (Law 83/2019, September 3).

The NGPH and the FLH wished to introduce several paradigmatic changes in the Portuguese housing system. The NGPH, in particular, set the goal of guaranteeing “universal access to adequate housing” (bringing the quota of public-supported housing unit from 2% to 5% of the total national stock by 2024); of shifting the traditional focus of housing policies (from new construction and homeownership to refurbishment and rent); and of introducing qualitative innovations in the governance of the sector – “from a centralised and sectorial policy, to a model of multilevel, integrated and participatory governance” and “from a reactive to a proactive policy, based on the sharing of data and knowledge and in the monitoring and evaluation of results” (Secretaria de Estado da Habitação, 2017).

Despite the considerable ambitions expressed by the NGPH and the FLH, policy implementation in the following years fell short of the stated goals. This was due to a number of problems, including the lack of sufficient incentives for landlords and municipalities to comply with the various NGPH programmes (and especially the First Right).

The situation changed only with the substantial injection of financial resources provided after the Covid pandemic by the EU-sponsored Recovery and Resilience Plan, under which about 3.2 billion euros were allocated for investments in the housing sector. In addition to being a historical turning point (for the first time EU funds were

allocated to housing policy in Western Europe), this made it possible to increase the funds allocated to the First Right (which received about 1.4 billion euros from the EU out of a total budget of 2.17 billion euros) and to finance 100% of the costs of its operations (Varea Oro et al., 2024).

More Housing (*Mais Habitação*) (Law 56/2023) introduced a broad set of measures to improve access to affordable housing. Among these initiatives is the New Generation of Cooperativism for the Promotion of Affordable Housing (*Nova Geração de Cooperativismo para a Promoção de Habitação Acessível*), designed to promote affordable housing through innovative, non-profit cooperative models based on collective ownership, long-term surface rights, and sustainable, intergenerational designs, supported by municipalities through public land and resources. While pilot projects were announced, no financial solutions have been presented, and no construction has begun, leaving the initiative yet to take concrete shape. Meanwhile, the Prime Minister resigned, leading to early elections and the victory of the current government, which profoundly altered the previously designed measures to focus on support for homeownership and construction.

3.2 What are the current main challenges and developments in the sector?

One of the major challenges facing the housing sector in Portugal is the sharp increases in housing prices over the past years, affecting governments capacity to provide adequate affordable housing to local communities. The possibility of turning long-term rentals into short-term rentals has attracted more investors (foreign and institutional), thus reducing the stock of housing that is accessible to low- and middle-income families. The increasing financialisation of the housing sector, with the penetration of speculative and institutional investors has expanded the disconnection between housing prices and wages across all tenures (Santos, 2024; Whitehead et al., 2023; Tulumello et al., 2020).

In this regard, it is worth noting that Portugal is among the European countries with the highest income inequality, as reflected by a Gini Index score of 33.7 in 2023, compared to the EU average of 29.6 (Eurostat, 2024). Since 1994, the Gini Index in Portugal steady declined, driven by reforms in taxation, the labour market, transfer payments, and the pension system. However, since 2019, this trend has reversed, with the Gini Index showing a sharp increase, indicating a rise in inequality. The number of homeless people has also increased significantly over the last decade. Official data from 2020 indicates that there were 8,107 homeless people in Portugal in that year, but associations and street teams estimate that there are currently 10,773 homeless people, demonstrating the difficulty of access to social housing or housing assistance for those in need. “Housing First” policies for people who are homeless, or about to become so, need to be scaled up.

The percentage of the Portuguese population that spend 40% or more of their household disposable income on housing varies considerably across regions. In tourist

areas international buying capacity and the use of housing for tourism has inflated the price of housing in the metropolitan areas of Lisboa and Porto, as well as in the region of Algarve and the archipelago of Madeira. The case of the Algarve seems furthermore to prove that the focus on housing supply as the main solution to affordability is not credible: in the region, new construction has been directed towards foreign demand, which expresses a far greater purchasing power (Ryan-Collins, 2021). It also shows that the increase in rents and housing prices has exclusionary effects for many families of low- and middle-income, including key workers such as nurses, teachers, and police officers, who can no longer afford to live where they work (Garha & Azevedo, 2025). A recent study revealed that in the Lisbon metropolitan area – home to approximately 2.9 million residents, nearly a third of Portugal’s population – two-thirds of households cannot or would not be able to secure adequate housing within the market in their municipality (Pinho et al., 2022).

The housing crisis in Portugal has disproportionately affected young adults, driven by job insecurity and lower incomes. As a result, many young people are forced to stay longer in their parents’ homes, unable to afford independent housing. This trend is having a negative impact on household formation and fertility rates (Azevedo & Santos, 2023).

Portugal is undergoing significant demographic changes that are impacting its housing sector. The population is aging, average household size is decreasing, and interior regions are experiencing depopulation. At the same time, population density is increasing in the more dynamic urban centers along the Atlantic coast.

Finally, despite the progress made in Portugal in combating discrimination, there are still inequalities in access to housing related to discrimination, which impacts negatively upon families belonging to ethnic minorities. A survey conducted in 2014 by the IHRU estimated that the number of Roma in Portugal is around 37,346 individuals, comprising 9,418 families that live in 9,155 dwellings (Secretaria de Estado para a Cidadania e Igualdade and Alto Comissariado para as Migrações, 2018). About 40% of families (3,012) still live in non-classical housing, for instance, barracks or caravans (Vuksanović-Macura & Alves, 2024).

3.3 How do you see the future development of the sector?

In Portugal, we are currently seeing momentum for more proactive housing policies; this has been evident starting from the second half of the 2010s, when housing issues came back to the limelight. Significant parliamentary and governmental initiatives were launched (the FLH and the NGPH, respectively), and public investment in the housing sector (and social housing specifically) has grown.

The combined impact of these factors has brought some positive results, first and foremost by renewing public activism in the housing sector after a long period of pause – the First Right being the most consequential programme in this respect. This has allowed for mobilising human administrative resources at both central and local

state levels; vastly increased the wealth of information and data about the current housing situation in the country; stopped a process of alienation of the publicly-owned social housing stock; and allowed its long-overdue renovation. It is difficult, however, to judge how this critical mass, which has formed in the last few years, will impact the future development of the sector.

First, while the EU-sponsored PRR has provided a significant injection of financial resources, it has also introduced a heavy workload and a pressing timeline, placing considerable stress on the undersized administrative machinery of both the IHRU and Portuguese municipalities.

Empirical evidence suggests that the urgency of project execution has been shifting municipal priorities, encouraging the adoption of ready-made, quick solutions. This trend risks detracting from the NGPH's original ambition of driving a qualitative paradigmatic shift in the governance of the housing sector—such as fostering greater public participation in decision-making processes and addressing new housing needs resulting from demographic transformations and changes in family structures. Ultimately, inequalities, including housing inequalities, threaten social and territorial cohesion, economic growth, and overall well-being.

Second, statistical evidence (Varea Oro et al., 2024) indicates that the current wave of housing investments has been concentrated in municipalities with greater resources, typically the larger cities along the coastal line, to the detriment of municipalities in other parts of the country. This disparity arises because municipalities do not have equivalent capacities in terms of technical staff, access to information, or even the political will to address housing inadequacies. Indeed, technical resources are unevenly distributed across Portuguese municipalities. As a result, this process risks reinforcing existing inequalities. The government's decision to adopt a performance-based logic (first come, first served) instead of allocating funding based on standard assessments of housing needs has led to perverse distributional outcomes, undermining the goal of reducing social and spatial inequalities. Additionally, it remains unclear how the government plans to address the significant gap between the number of households targeted by the PRR (26,000) and the much higher number of interventions agreed upon under the First Right program, which exceeds 60,000 families – although at the time of writing the government has promised that it will finance intervention on an additional 33,000 housing units in the period 2025-2029 (RCM 129/2024, September 25).

Third, certain vulnerable groups have by and large remained excluded from state intervention. The government itself has acknowledged that its PRR response may not reach those in the most challenging situations (such as communities living in shacks) due to timeline associated with building new housing – launching projects, issuing tenders, and completing construction. Also, although the government has approved the National Strategies for the Integration of Roma Communities, it has not acted to ensure that the core principles of non-discrimination and non-segregation are upheld in the implementation of public policies. All in all, this means that the PRR could inadvertently reinforce existing inequalities rather than alleviate them.

Finally, it remains unclear what resources will sustain Portugal's housing policy once the PRR budget is exhausted. This concern is particularly relevant given the pre-PRR experience, where the implementation of NGPH programs – most notably First Right – was effectively stalled due to the lack of favourable financial conditions offered to municipalities. If Portugal enters another phase of “housing drought,” the political, administrative, and financial capital accumulated in recent years could be jeopardized. Beyond expanding public housing supply, the question arises as to whether the Portuguese government will adopt best practices observed in other countries. These include measures such as restricting foreign buyers from purchasing homes, regulating the short-term rental market for tourism, and implementing inclusionary housing policies (such as Denmark's 25% rule, requiring that new residential constructions include a mix of supported housing, social housing, and regular housing).

4 Social housing in Braga

4.1 Does the local situation compare with the national characterisation presented above?

The total housing stock in Braga, as recorded in the 2021 Census, consists of 88,623 dwellings. The local and central government, autonomous public institutes, non-profit institutions, and public companies own only 1.2%, a figure significantly below the already modest national average of 3%.

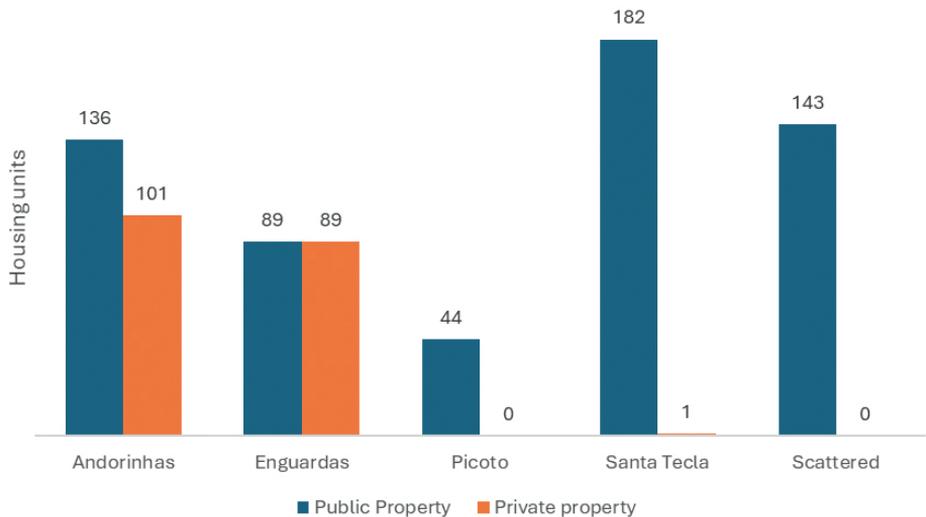


Figure 8: Distribution of Braga's social housing stock by neighbourhood, in 2024 / Source: BragaHabit

The municipality of Braga is responsible of 729 social housing units. While the majority of these are municipally owned (577, or 79.1%), a growing share is constituted by privately-owned units rented by the municipality for subletting as social housing (152, or 20.9%). The majority of social housing beneficiaries in Braga are low-income households, single-parent families, and seniors living alone. Another significant share is constituted by families experiencing social or economic vulnerability, rehoused from inadequate living conditions, such as overcrowding or structural deficiencies in their previous homes. The social housing stock in Braga is primarily concentrated in four neighbourhoods, with additional units dispersed throughout the city (figure 8).

4.2 What have been the main developments in the recent past (30 years)?

The municipality of Braga has experienced population growth since 2001, well above the national and regional levels (figure 9). This growth may be attributed to a positive migration balance, particularly since 2015, which has increased pressure on the housing market, with regard to both rental and purchasing.

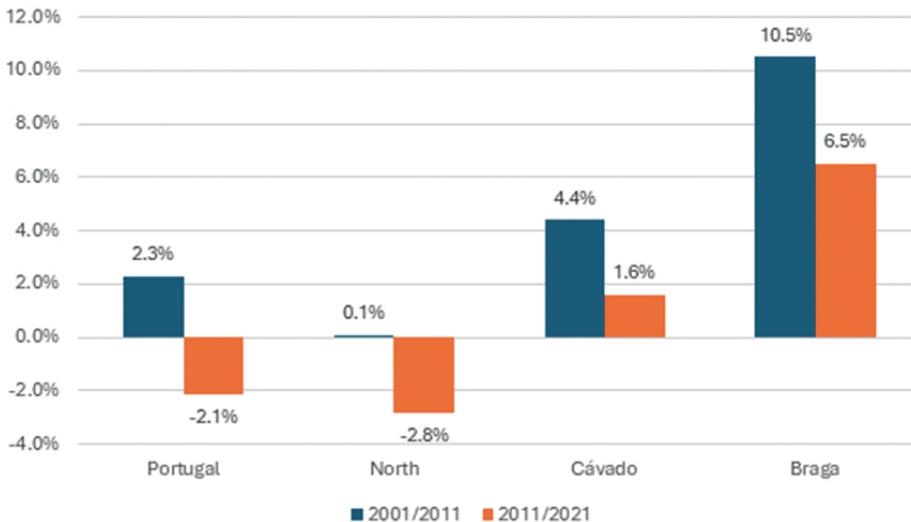


Figure 9: Growth rate of the resident population (%), in Portugal, and selected areas /Source: Census: 2011 e 2021, INE

The increasing demand for housing, combined with limited supply, has highlighted the need for additional social and affordable housing, contrasting with market-driven housing developments. The city's growing appeal to young professionals and families has been fuelled by factors such as economic growth, increased tourism, and relatively lower housing costs compared to Lisbon and Porto. However, the ongoing rise in

housing prices poses challenges for lower-middle-class families, potentially threatening Braga's attractiveness as a more affordable and liveable alternative to Portugal's larger urban centres.

In relation to the housing stock, Braga has a high proportion of aged residential buildings. Specifically, 35.3% of the buildings were constructed prior to 1981, and 10.4% of the total were identified as requiring significant rehabilitation (Census 2021). The majority of dwellings are used as primary residences (81.2% in 2021), however, a significant proportion (8.8%) is vacant, a figure that, while decreasing in the last two decades, remains relatively high.

Braga's social housing is concentrated in four neighbourhoods built between 1974 and 2000: Picoto (figure 10), Andorinhas, Enguardas (figure 11) and Santa Tecla (figure 12), with additional units scattered throughout the city. In the following analysis, we examined the developments that have occurred over the last three decades.

1974–2000: Social housing construction

In the period spanning from the late 1970s to the end of the 1990s, a number of social housing neighbourhoods were constructed in response to the escalating demand for housing from low-income segments of the population. This phenomenon was further exacerbated by the processes of urbanisation and expansion of the city.

The design and implementation of these projects benefited from housing grants and the introduction of new planning instruments, such as the compensatory equalization mechanisms (Basic Law for Spatial Planning Policy, Law 48/98 of August 11, 1998), which enabled the financing of such developments.



Figure 10: Picoto neighbourhood / Photo Braga Municipality

However, the choice to build social housing neighbourhoods in segregated areas, lacking in facilities and infrastructure, contributed to promoting social exclusion, resulting in areas more vulnerable to poverty and exclusion. The poor quality of the construction and the lack of maintenance and rehabilitation policies have resulted in degradation problems over time.



Figure 11: Enguardas neighbourhood /Photo Braga Municipality



Figure 12: Santa Tecla neighbourhood /Photo Braga Municipality

2000–2008: The first years of the municipal housing company and the challenges to urban rehabilitation

Braga's municipal housing company, BragaHabit, was created in 1999 to manage the city social housing stock. BragaHabit's focus was the requalification of run-down social housing estates and the use of housing programmes such as PROHABITA (Decree-Law n.º. 135/2004, June 3) to create housing solutions for low-income families. However, the focus on rehabilitation coincided with the real estate boom of the 2000s, driven by easy access to credit and speculation in the real estate market. Housing prices reached a peak in 2007, but in 2008 the global financial and economic crisis determined their sharp fall.

2008–2017: The challenges of gentrification

After the crisis, the real estate market gradually recovered, but the pressure on the housing market, especially in Braga's historic centre, intensified. This made it more difficult for many middle and low-income families to afford housing in the city centre. Despite the growing focus on the rehabilitation and revitalization of central areas, gentrification created a scenario where social inclusion became a greater challenge.

During this period, several mechanisms were created with the aim of reducing socio-economic disparities and ensuring a more equitable distribution of the benefits and burdens of urban interventions. However, their application was affected by the complexity of the planning processes, including the lack of technical training and of consultation between the agents involved; and to the introduction of stricter planning requirements which contributed to increase the bureaucratic costs and slow down project execution.

2008–2017: The challenges of gentrification

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4.3 What are the current main challenges and developments in the sector, and how do you see the future development of the sector?

In recent years, the municipality of Braga has faced growing pressure in the housing market, evidenced by the significant increase in sale and rental prices, especially in the central and surrounding parishes, which has made access to housing difficult, particularly for middle and low-income families. According to the median rental value per m² of new residential lease contracts, in 2024, in Braga (7.69 euros/m²), renting an 80 m² apartment could easily exceed 600 euros per month. This situation has contributed to drive people away from central areas. The housing market has not been able to respond adequately to the demand for affordable housing; at the same time, however, the public housing sector has struggled to remedy this situation due to the significant financial constraints that the local government is facing.

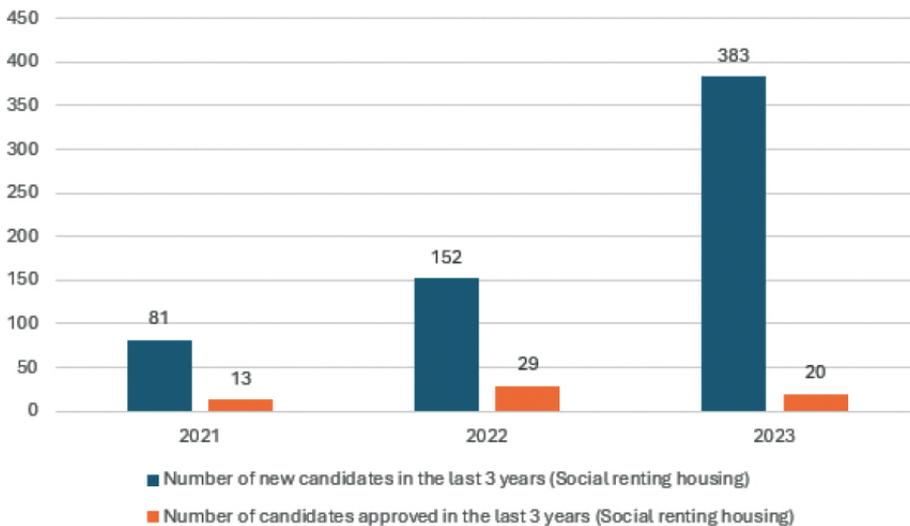


Figure 13: Waiting list for social housing in Braga, in 2021-2023 /Source: BragaHabit

The current challenges are most visible in the evolution of the waiting list for access to social housing in Braga, which recently saw an increase of 373% (from 81 applicants in 2021 to 383 applicants in 2023, see figure 13).

At the same time, many of the city social housing estates are facing significant challenges. Despite efforts from the municipality (for example through the Integrated Action Plan for Disadvantaged Communities, or PAICD [Plano de Ação Integrado para as Comunidades Desfavorecidas]) housing degradation and social stigmatization continue to be persistent problems in the social housing neighbourhoods.

In order to meet these challenges and ensure that the growth of the housing stock follows the demographic dynamics (the city population is expected to pass the 200,000 residents' threshold in the coming decade), the municipality of Braga plans on building more than 700 housing units per year. In the next few years, Braga will invest in the rehabilitation of the existing housing stock (and especially in the Urban Rehabilitation Areas, or ARUs) by mobilising the resources of programmes such as the First Right and the National Fund for the Rehabilitation of Built-Structures [Fundo Nacional para a Reabilitação do Edificado (FNRE)] programme with the goal of improving substandard housing; in a municipal scheme of affordable rent. In this respect, the city sees the involvement of the private sector as a strategic asset in increasing the offer of affordable housing opportunities.

In addition, the implementation of a compensatory equalization system in the Municipal Master Plan (PDM) is essential to redistribute the costs of rehabilitation and infrastructure, ensuring greater equity in urban intervention, as well as making it possible to raise land in return for large subdivision projects, reinforcing the municipality's housing response capacity.

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THE SERBIAN REPORT



Čačak / Photo Dejan Živković

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Abstract

The Serbian case illustrates the complex interplay between post-socialist transformations, market liberalisation, and the retreat of the state from housing provision. Despite a comprehensive legal framework, social housing (redefined in 2016 as “housing support”) remains marginal, representing less than 1% of the total housing stock. Provision is largely project-based, donor-driven, and implemented through under-resourced local administrations. Municipalities largely own and manage the rental segment of social housing, which is designated for vulnerable groups, while ownership-based housing support (characterized by substantial subsidies) principally targets key workers within public sectors. Case study evidence from the city of Čačak reveals systemic fragmentation, institutional dependence on external funding, and persistent affordability gaps. It concludes that a national housing fund, evidence-based policy formulation and monitoring, and stronger vertical and horizontal governance are necessary for more sustainable housing system in Serbia.

Keywords

Housing support – post-socialist transformation – affordability – donor-dependent housing provision – Serbia

1 Characterisation of “social housing” in Serbia

1.1 What are the goals of social housing?

In Serbia, the term “social housing” was used since the early 2000s until the adoption of the Law on Housing and Building Maintenance in 2016, when it changed to “housing support” (see section 3.3.1), while its definition and meaning remain unchanged. Therefore, in this report, “social housing” is used interchangeably with “housing support”. In addition, while a legal framework for housing support exists, its implementation is based on particular housing programmes and projects with limited financial options and funds. Thus, to fully understand the issues, we will analyse the situation in Serbia from both regulatory and practical perspectives.

Type of Housing Programme/ Project	Approximate subsidy per unit	Number of housing units	Eligibility/Targeted population
Purchase of an apartment and acquiring property rights under non-profit conditions	34,000 €/ apartment	8,500	Middle income households (key workers)
Incentive to first-time home buyers to reduce their monthly mortgage payments	7,000-9,000 €/ apartment	20,000	Middle to higher income households
Rental social housing	23,000-34,000 €/ apartment	No data available	Vulnerable and low-income households (refugees, IDPs, social care beneficiaries, Roma, disabled war veterans, etc.)
Purchase or acquisition of property rights without compensation of family (rural) house	10,500 €/ house		
Purchase of apartment or family (rural) house under non-profit conditions.	23,100-27,000 €/ apartment; 18.000 €/house		
Provision of building materials	6,500-8,500 €/ household		

Table 1: Overview of social housing programmes implemented from 2000 to 2020 in Serbia / Source: Authors calculation based on Ristić & Blagojević, 2020; UNHCR & OSCE, 2020; Vuksanović-Macura & Čolić Damjanović, 2016

The Law on Housing and Building Maintenance establishes housing support to be “any form of housing assistance to persons who are unable to fulfil the housing need for themselves and their household under market conditions with their own funds due to social, economic and other reasons” (Law on Housing and Building Maintenance, Article 88). Housing support is stipulated through various housing programmes specified in the regulations. These programmes are categorised into five main types: (1) obtaining ownership of a flat or family house through highly subsidised purchase, i.e. under non-profit conditions; (2) rental housing, including rental social housing and subsidizing the rent for housing units in any form of property; (3) improvement of housing conditions; (4) assistance to legalize a flat or a family house that was built without building permits; (5) emergency housing (Stanovanje, n.d.).

The legislation stipulates that housing support should be available to individuals from various socio-economic backgrounds. However, the approach to determining eligibility criteria and distributing social housing tends to be more targeted. In other words, while the ultimate objective is to offer housing support to a diverse range of people, the emphasis is placed on identifying and prioritizing certain groups, namely low-income individuals, vulnerable populations, and key workers. Although the regulatory framework endorses a universalist approach, the distribution of social housing predominantly targets those with lower incomes, vulnerable communities, and key workers, such as members of the police force, military personnel, and employees within national or local administrations (Table 1).

1.2 What is the proportion of social housing in relation to the total housing stock? What does this measure include?

According to the latest 2022 census, Serbia’s total housing stock comprised 3,613,352 apartments. Of this total, 2,625,711 were occupied indicating that approximately 27% of the housing stock remains temporarily unoccupied or abandoned, being used occasionally for rest and recreation or for activities that are solely conducted there (SORS, 2024). The total housing stock has continued to rise, demonstrating an increase (Table 2 in the Introduction section) of 11.8% between the last two census periods, between 2011 and 2022. At the same time, Serbia is facing depopulation with 6,647,003 inhabitants enumerated in the 2022 census, which is a decline of 7.5% compared to the previous census.

Ownership type	Absolute number	Share (%)
Private ownership	2,595,872	98.86
Public ownership	14,205	0.54
Other types of ownership*	8,226	0.31
Total number of occupied dwellings	2,625,711	100

*Other types of ownership include dwellings that cannot be classified as private or public ownership, such as dwellings in cooperative ownership. Source: the 2022 Census (SORS, 2023).

Table 2: The number of occupied dwellings according to ownership type in 2022

Following the mass privatisation in the mid-1990s, the public housing stock has consistently declined. The 2022 census shows that public housing stock in Serbia is at a minor 0.54% of the total number of occupied dwellings and 0.4% of the total housing stock. Within this percentages, the share of social housing units is even smaller. In accordance with the census methodology, the term “public stock” denotes residential properties that are owned by the Republic of Serbia, autonomous provinces, or local governments (cities and municipalities). This definition includes all apartments that fall under public ownership, which may be employed for a range of functions, including social housing, accommodations for government officials, or leasing to embassies, among other uses.

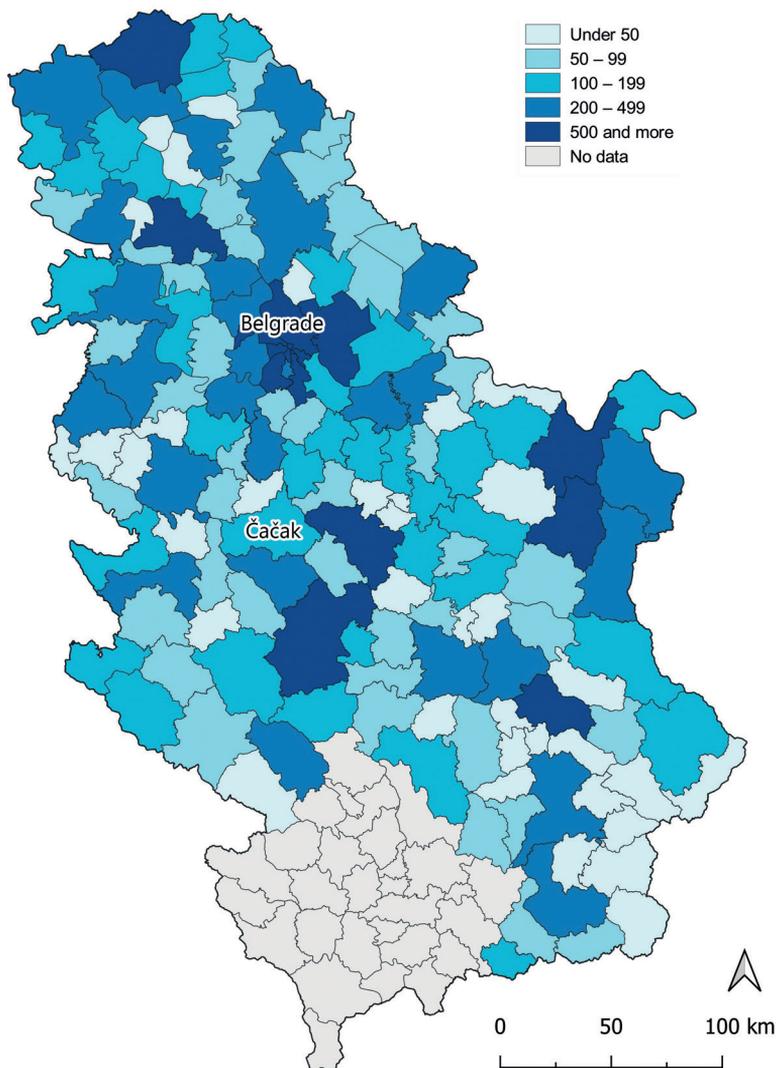


Figure 1: Number of dwellings under public and other types of ownership within municipalities/cities / Source: Adjusted from SORS, 2023, p. 24

The share of ownership of the public housing stock varies between cities and municipalities, as shown in the map (figure 1). However, around one-third of this housing stock is located in Belgrade, the capital, which still represents only about 0.7% of the total number of apartments in the city.

1.3 Who can get access to social housing, and by which procedure and criteria?

According to Article 89 of the Law on Housing and Building Maintenance, individuals who meet the following criteria are eligible for housing support in Serbia: they must be citizens of the Republic of Serbia and be experiencing a housing need. This means that they do not own an apartment or a house in Serbia, or if they own one, it does not meet the requirements of an “appropriate dwelling” defined by the Law. Eligible individuals must also have an insufficient income to meet their housing needs, and the housing needs of their family, under market conditions. The same Article outlines eight groups eligible for housing support, provided they do not have enough financial resources to adequately house themselves and their families or enhance their current housing conditions. The eligible individuals include those experiencing homelessness, victims of domestic violence, individuals receiving cash benefits under social protection laws, veterans and disabled individuals, persons with disabilities, those unable to afford housing under market conditions, as well as individuals with occupations of interest to local government or those identified by public administration bodies (key workers).

The Law (Article 91) establishes income limits that persons must meet to qualify for specific housing support. The law provides instructions for calculating maximum income for households with multiple members and households with individuals with disabilities. Additionally, disability benefits are not considered as income when determining eligibility. It is also possible to establish lower income limits for specific housing support projects. Apart from setting income thresholds, the Law also introduced a correction factor which relates to the type of housing support, average income at a local level (municipality/city) and household structure/size. Defined values of the correction factor for specific housing support are: 1.5 for obtaining ownership; 1.2 for rental housing; 0.5 for the allocation of construction material and receiving assistance for legalizing the apartment/house; and 0.7 for improving the energy properties of the apartment/house.

In practice, the eligibility criteria for housing support may vary depending on the specific housing projects. These criteria usually consider factors such as the particular needs or vulnerabilities (such as health problems), income level and household size. At the level of the specific social housing projects, the allocation criteria are determined by local ordinances and regulations, which can be tailored to meet the preferences of donor organizations that subsidised housing construction. By tailoring the eligibility criteria, the aim is to allocate housing support to certain groups targeted by particular housing projects.

Allocation of social housing apartments is usually done through public calls (Ristić & Blagojević, 2020). According to pre-defined eligibility criteria, local authorities announce a public call to which anyone (individuals and households) can apply, considering themselves eligible. The local administration forms a special Commission responsible for evaluating applications and creating a list of potential beneficiaries. The allocation of apartments is done based on a point-based list and availability of apartments.

1.4 What is the socio-economic composition of the population living in social housing projects?

In general, there are no records and data on the number or the socioeconomic structure of the population living in social housing in Serbia. As mentioned before, social housing is allocated to the population with distinct housing needs; thus primarily targeting vulnerable populations, such as refugees from former Yugoslav republics, internally displaced persons (IDPs), the Roma community, and individuals receiving social care.

In the context of social housing projects accommodating refugees and IDPs, a specific portion of the housing units was designated for the local vulnerable population. The apartments are usually allocated in the ratio of 80% for refugees and IDPs and 20% for local population (Vujošević & Žarković, 2009). This ratio is set mainly as a precondition stipulated in the projects, in order to support the integration of refugees and IDPs and to additionally motivate municipalities to work on their future integration. In several municipalities, the eligibility criteria were extended to encompass additional vulnerable groups, and local authorities also recommended an increase in the proportion of the local population to be included.

Although belonging to the vulnerable population with the most pronounced housing problems, the findings indicate that the participation of the Roma population in social housing is significantly lower compared to other beneficiaries (Vuksanović-Macura, 2012; 2017). Moreover, there is a growing trend of implementing social housing initiatives exclusively for the Roma population, which further exacerbates their segregation. Some actions, such as relocating former residents of informal settlements to newly established clusters of non-residential containers on the outskirts of Belgrade, have faced criticism for being discriminatory (Vuksanović-Macura & Mišković, 2021).

1.5 Who owns the social housing stock?

Social housing is owned by the state, which means the Republic of Serbia, an autonomous province, or a local government. However, social housing in Serbia is primarily owned by local government (city/municipality).

1.6 Who pays for the construction and maintenance of social housing?

The funding of social housing is typically contingent on the specific housing project, often involving a combination of resources from the national budget, local budget, and contributions of donations from the international community (EU, foreign countries, international organizations, etc.) or loans from international development banks (such as European Investment Bank and Council of Europe Development Bank). Additionally, municipalities may provide in-kind contributions such as land from the existing land stock, municipal infrastructure (streets, power, sewer and water supply) and social infrastructure.

The contemporary social housing initiatives in Serbia primarily involve the development of multi-family, multi-story residential buildings designed to accommodate individuals and families facing social vulnerability. These apartments are retained under public ownership and are allocated to tenants at subsidised rental rates or without rental fees, with the obligation to cover utility costs.

The responsibility for maintaining social housing buildings lies with the property owner. In most cases, municipal public companies are entrusted with the upkeep of publicly owned buildings, including social housing. However, if the local administration has established a city housing agency, it assumes the responsibility for managing and maintaining social housing. The duties of the housing agency encompass a range of tasks, from conducting regular inspections and carrying out necessary repairs to overseeing renovations aimed at ensuring safety and improving the quality of living conditions for residents. While local housing agencies are crucial for delivering housing support programmes and executing social housing projects, the number of such agencies in Serbia is relatively low. Since the establishment of the first local housing agencies in 2003, their numbers have fluctuated between 14 and the current eight that are operational. Notably, the city of Čačak is among the few local governments in Serbia that have established a local housing agency.

2 Characterisation of “affordability”

2.1 How is “affordability” defined in conceptual and operational terms in the country’s social housing system?

There is no official definition of affordability in Serbia. The data on the “housing cost overburden rate” are measured within the European Union Statistics on Income and Living Conditions Survey (EU-SILC), conducted in Serbia since 2015. According to this source, the percentage of people living in households where the total costs of housing exceed 40% of their equivalised disposable income decreased from 19.5% to 15.4%, from 2020 to 2023, respectively (figure 2) (Eurostat, 2024a). However, the situation is significantly different and less favourable for persons living in households at risk of poverty (below 60% of median equivalised income), especially as the percentage has remained above 50% for an extended period, since 2015, when this indicator was first measured in Serbia. Although a decline was recorded from 82.7% to 50.7% between 2017 and 2022, the data for 2023 show another concerning increase to 57%.

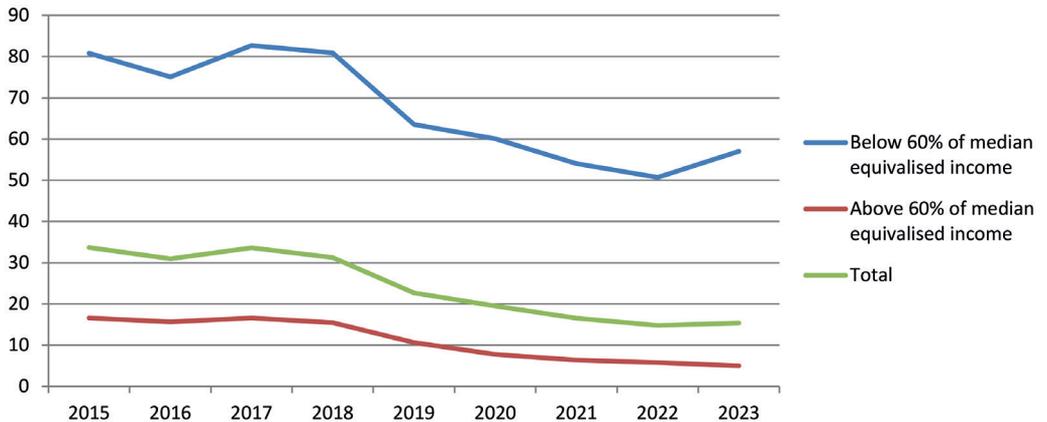


Figure 2: Housing cost overburden rate by poverty status in Serbia (in %) /Source: EU-SILC survey [ilc_lvho07a]. Eurostat, 2024a

The same indicator viewed by income quintile shows a high percentage of the population with the lowest income quintile, from 61.2% to 51.2%, from 2020 to 2022, respectively, in which the total housing costs exceed 40% of their equivalised disposable income (Table 3). The latest available data show an increase in the proportion of the population in the lowest income quintile living in households where the total housing costs exceed 40% of their equivalised disposable income. In Serbia, in 2023, this proportion was 59.9%, which is twice as high as the average for 27 EU countries for the same population category (Eurostat, 2024b).

Quantile/Time	2020	2021	2022	2023
First quintile	61.2	55.9	51.2	59.9
Second quintile	24.8	17.1	14.5	12.8
Third quintile	7.5	6.7	5.4	5.0
Fourth quintile	2.9	2.7	2.7	1.3
Fifth quintile	1.4	0.9	0.5	1.1

Table 3: Housing cost overburden rate by income quintile /Source: EU-SILC survey [ilc_lvho07b]. Eurostat, 2024b

The Draft National Housing Strategy (Ministry of Construction, Transport and Infrastructure, 2020) provides estimates for the average household consumption ratio across different consumption deciles, as well as the thresholds for renting apartment in private market or subsidised rental housing in 2017 (figure 3). The vertical bars on the graph represent the total average household consumption (grey bar), and the average housing consumption (orange bar) in a certain decile of

consumption distributed by height. The light orange line in the graph represents the minimum consumption basket. This amount is added to the average market rent (light grey line) and the value of the average subsidised rent (orange line). As the graph shows, if households were to minimise their living expenses, renting an apartment on the market would be available only to those in the 7th decile and above. For households with the lowest incomes in the first three deciles, neither reducing consumption to the minimum nor adding a relatively modest cash social assistance (used for housing subsidy) ensures access to even the cheapest housing on the market.

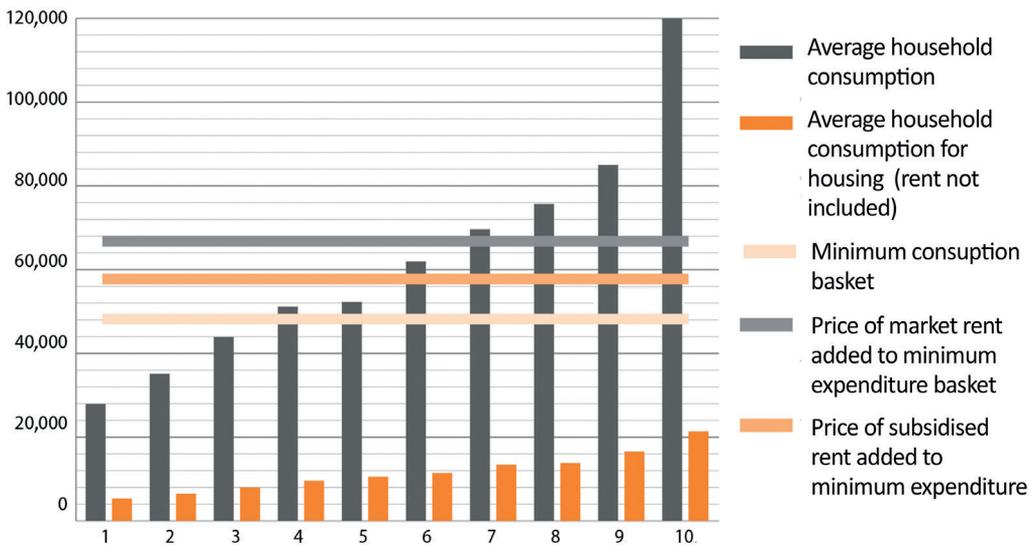


Figure 3: Housing affordability for households with minimal consumptions (x axis—consumption deciles; y axis—consumption in dinars). Note: adapted from Ristić & Blagojević, 2020; Ministry of Construction, Transport and Infrastructure, 2020. Translated by authors

Regarding the private rental sector, available data are very limited, as rental contracts are generally not registered in public registers. Thus, data on the number of apartments for rent is still mostly monitored through census statistics that take place over ten-year periods. However, over the past three decades, private investors have predominantly engaged in the construction of apartments for sale, as residential construction has emerged as a highly lucrative endeavour. In contrast, the development of new rental apartments in the private sector remains almost non-existent, largely due to the sector's lack of appeal to investors. Instead, rental properties are primarily managed by “small” landlords—individuals who possess surplus housing and lease it at market rates.

The sector experienced significant disruptions following the onset of the conflict in Ukraine, particularly due to an influx of emigrants from Russia, which resulted in a dramatic increase in rental prices. An analysis conducted by Eurostat reveals that

rental market trends have witnessed an 18% increase in 2023 compared to 2022 (ISRP & OECD, 2024). Specifically, rental prices for residential properties in Belgrade in 2023 reached approximately €1,950 for three-bedroom apartments, €1,450 for two-bedroom apartments, and €980 for one-bedroom apartments (ISRP & OECD, 2024, p. 5, 7). In contrast, the average net income in Belgrade for the same year was approximately €930 (DevInfo, 2024, p. 4), indicating a substantial affordability gap for residents.

2.2 What mechanisms guarantee that social housing is affordable for households?

The principal approach to ensuring the affordability of social housing is through the establishment of household income thresholds as prescribed by legislation, as discussed above. These thresholds are designed to ensure that specific forms of housing support remain financially accessible to eligible residents. However, the existing social housing framework, which offers leased apartments, lacks adequate accessibility for low-income households, as they encounter challenges in meeting rent and utility expenses.

There is a lack of well-established housing subsidy mechanisms at the national level. Temporary interventions by local governments, such as cash assistance, fail to provide a long-term solution to the underlying issues faced by vulnerable households. Specifically, local administrations or social care centres may offer this financial support to assist with outstanding rent or utility bills, effectively addressing the immediate problem of arrears. However, such measures do not contribute to a sustainable resolution of the broader issues at play (Ćurčić & Marković, 2021).

3 Policy trajectory

3.1 What have been the main developments in the recent past (30 years)?

From the decades following World War II until the early 1990s, housing in Serbia was considered a matter of public interest, a general social right and obligation, as well as a component of the welfare society of the socialist Yugoslavia (of which Serbia was one of the federal republics). During the socialist era (1945–1991) and after the split from the Soviet Union (in 1948), Yugoslavia developed the concept of “societal property”, whose principles were embodied in the generation of societal surplus value. In contemporary terms, societal property aligns more closely with the notion of “common” rather than “public” property. The concept of “societal property” was interlinked with the concept of “self-management” socialism, which demonstrated the state’s effort to systematically decentralize and distribute power (Aruri et al., 2024). Housing policy relied on the concept of multi-family housing and mass housing construction with defined institutional and financial mechanisms, where the state, local governments, social and state enterprises, and housing cooperatives played a

significant role. The legislation established the operationalisation framework for the principle that the entire society was responsible for providing housing to all the citizens (Marčetić, 2020). However, housing provision catered to specific population segments (mainly persons in positions of political leadership but also workers with higher levels of education) through organised construction. Tenants had a right to “permanently use an apartment” with the inheritance right. Before its privatization, socially-owned housing stock made up 23% of the total housing stock in Serbia (SORS, 1991). At the same time, a significant number of individuals, whether legally or illegally, constructed their homes (Vuksanović-Macura & Macura, 2018; Zeković et al., 2020), contributing to uncontrolled urban expansion in many cities characterised by suburbanisation and urban sprawl.

The mass privatization in the mid-1990s led to a remarkable transformation, with nearly 97% of the housing stock becoming privately owned at that time. The transition from public to private housing also occurred in the former socialist countries of Eastern and Central Europe, which commenced the transition process in 1989. The specificities of Serbia were the breakup of Yugoslavia, wars, deep socio-economic crisis, hyperinflation (Petrović, 200), and intensive migrations (Kokotović Kanazir et al., 2016). In this context, the once-socialist concept of housing as a public good and a part of the welfare state was replaced by a market-driven approach, where profit and individual ownership took precedence. Data from the latest 2022 census show a further decrease in publicly owned dwellings, reaching an incredibly low share of 0.54% in the total number of occupied housing (SORS, 2023).

The mass privatization also had implications on the provision of affordable housing for low-income and other vulnerable population. Housing provision for vulnerable households in Serbia dates back to the mid-1990s. It relates to the initiatives developed to solve the housing problems of a large number of refugees from Croatia and Bosnia and Herzegovina (around 600.000 people, which was 10% of the Serbian population at that time (CRMRS, n.d.a). Apartments were mainly built from donors’ funds (RHP, 2024). The Commissariat for Refugees of the Republic of Serbia was the leading implementing partner. Starting from 2000, housing projects were also extended to IDPs from Kosovo¹ (around 200.000 people) (CRMRS, n.d.b). Up to 2010, about 10,000 housing units were provided to refugees and IDPs, throughout Serbia (Government of the Republic of Serbia, 2024). In the beginning, apartments were mainly owned by the Commissariat for Refugees, while beneficiaries had occupancy rights, often without paying any housing costs or utility bills. The amendments to the Law on Refugees (adopted in 2010) allowed purchasing these housing units under favourable conditions, and occupancy rights were quickly transformed to property ownership.

In the mid-2000s, Serbia began to develop mechanisms and instruments to introduce the social housing system as state support for households that, for social and economic reasons, could not secure an apartment on the market. The Law on Social Housing

1 All references to Kosovo in this paper should be understood to be in the context of United Nations Security Council Resolution No. 1244 (1999).

was adopted in 2009, followed by the Social Housing Strategy with an action plan for its implementation (adopted in 2012) and several bylaws that elaborate on certain aspects in more detail. However, despite a relatively well-developed legal and strategic framework, implementing planned and adopted measures was very slow and fragmented. The enactment of the Law on Housing and Building Maintenance in 2016 led to the discontinuation of the Law on Social Housing. Additionally, the term “housing support” was adopted in place of “social housing”, although the underlying concept remained largely unchanged.

3.2 What are the current main challenges and developments in the sector?

It is an established reality that public housing in Serbia has been continually diminishing. Following the privatization of the housing stock in the mid-1990s, successive censuses have consistently documented a reduction in the public housing supply in Serbia. The shift of housing policy towards owner-occupied housing has resulted in a marked decline in the availability of social (public) housing units. Additionally, local governments (cities and municipalities) are endeavouring to divest themselves of their existing housing stock due to challenges related to maintenance and administration.

Mass privatization has resulted in significant challenges related to the maintenance of the housing stock, as individual owners have made minimal investments in the upkeep of apartments and buildings (Mojović, 2009). This trend leads to the amortization of the housing stock, a decrease in the value of capital, and the endangerment of people’s lives and health. The low energy efficiency of buildings remains a widespread issue (Lević et al., 2023), and the use of alternative energy sources is still limited despite the potential for their implementation (Doljak & Stanojević, 2017). The 2016 Law on Housing and Building Maintenance established regulations for maintaining and managing the housing stock. Although it has led to better management and maintenance of newly constructed buildings, its application to older structures remains limited.

The state has taken steps to improve housing affordability for a broader segment of the population. The 2005 Law on Mortgage introduced housing loans, while the establishment of the National Corporation for Insuring Housing Loans in 2006 provided insurance for approved mortgages —making them more affordable for borrowers (citizens) and less risky for lenders and commercial banks. As a result, the volume of subsidised loans has steadily increased and now constitutes the majority of all housing loans, while households with mid-higher income are those eligible. Despite these improved conditions for purchasing homes, affordability remains a significant challenge for many citizens. Namely, based on the most recent data from 2017, it was determined that an apartment could be purchased outright with 10.5 average annual incomes or with a loan requiring 14 annual incomes (Ministry of Construction, Transport and Infrastructure (2020). Young people struggle to afford housing due to high unemployment and high costs.

The general issue concerning vulnerable social groups is the lack of adequate housing in relation to the significant housing needs. This issue stems from both the insufficient housing provision by the state and the challenges faced in addressing housing demands within a market framework. Although Serbia has a legal framework for housing, the execution of these laws is often fragmented and reliant on sporadic ad-hoc housing initiatives. Moreover, social housing is not prioritised by either national or local governmental authorities. This lack of emphasis on housing policy is reflected in both regulatory measures and practical implementations.

In accordance with Serbian housing regulations, the responsibility for addressing (social) housing matters, such as site provision, construction, and upkeep lies with local governments, at the city and municipality levels. However, these local entities face financial constraints due to limited budgets, which restrict their ability to allocate substantial resources to the housing sector. Nevertheless, the institutional framework regarding the provision and delivery of social housing in Serbia is underdeveloped at both national and local levels.

There is no national fund for social housing, and the central government does not provide monetary support to implement housing programmes at the local level. Consequently, social housing initiatives are typically carried out through various housing projects, while funding is largely based on donations and loans from international development banks. In addition, social housing tenants from vulnerable groups often have problems paying rent and other housing costs.

3.3 How do you see the future development of the sector?

In Serbia, there are two opposite trends: the diminishing availability of publicly owned apartments (social housing) and the growing prevalence of households experiencing housing deprivation, as well as housing insufficiency and energy poverty. This trend will remain in the near future.

Due to the financial difficulties, many (current) owners who acquired apartments during the intensive privatisation of societal housing stock (in the 1990s) face problems in maintaining shared spaces and buildings, as well as their apartments. As these owners grapple with financial constraints, communal areas such as hallways, stairwells, and building structures fall into disrepair. This not only diminishes the overall aesthetic of the properties but also poses safety concerns for residents.

The phenomenon of housing financialization is expected to intensify in the real estate market, leading to a rise in the number of vacant apartments. This trend will be particularly evident in Belgrade, the capital city. However, smaller and medium-sized cities, grappling with population decline and shrinkage (Miljanović et al., 2022; Filipović et al., 2016), will also experience similar processes of financialization and vacancy as residents increasingly view housing construction as a means of investment rather than traditional savings in banks.

At the moment, only NGOs and civil society play a role in driving initiatives in addressing (social) housing issues (Aruri et al., 2024). Within the political landscape, only one parliamentary political party, currently in the opposition, prioritises the housing matter. Their efforts are directed towards establishing social housing options for the most impoverished individuals/households. However, the primary focus of their housing programme revolves around regulating the private rental sector, with a specific emphasis on catering to the middle and lower-middle socioeconomic classes.

Creating a national housing fund would serve as a dedicated financial resource to support the development and maintenance of social housing. This fund would ensure a steady influx of funds to construct new housing units and upgrade the existing ones, thereby meeting the growing demand for affordable homes. As enshrined in legislation, implementing comprehensive housing programmes is crucial to guaranteeing equitable access to housing for vulnerable populations.

The researches in Serbia's housing sector have been significantly limited. In order to accurately evaluate the requirements of the extent and nature of social housing, it is imperative to possess reliable and comprehensive data. Consequently, heightened scholarly and research community involvement within this domain is needed.

4 Social housing in Čačak

4.1 How does the local situation compare with the national characterisation presented above?

The city of Čačak, situated in the western region of Serbia, is located approximately 150 km southwest of the capital city, Belgrade. It represents the periphery of the capital's urban system, that is, the centre of the daily urban system at the national level (Filipović et al., 2022). Čačak is a regional centre with significant population activity compared to its surroundings (Panić et al., 2022). However, the latest census conducted in 2022 enumerated a population of 105,612 residents, indicating a decline of approximately 10,000 people compared to the previous census. This decline is primarily attributed to the wider administrative area of the city, while the population within the urban core has remained relatively stable during the observed period (figure 4).

Despite the population stagnation in the urban area, the housing stock has increased by approximately 4,000 new units between the last two censuses (2011 and 2022), primarily in the private sector and central city zones. The 2022 census revealed that there was the total of 55,028 apartments in Čačak, out of which 40,766 were occupied. Construction firms engaged in residential developments have been acquiring and subsequently demolishing old family homes in the city centre, replacing them with multi-family residential buildings. This trend results from the commodification of housing, with key buyers often being individuals who have previously worked (or currently work) abroad or some wealthy parents from nearby settlements purchasing property for their children studying in Čačak. This partially accounts for the notably high number of unoccupied apartments in the city.

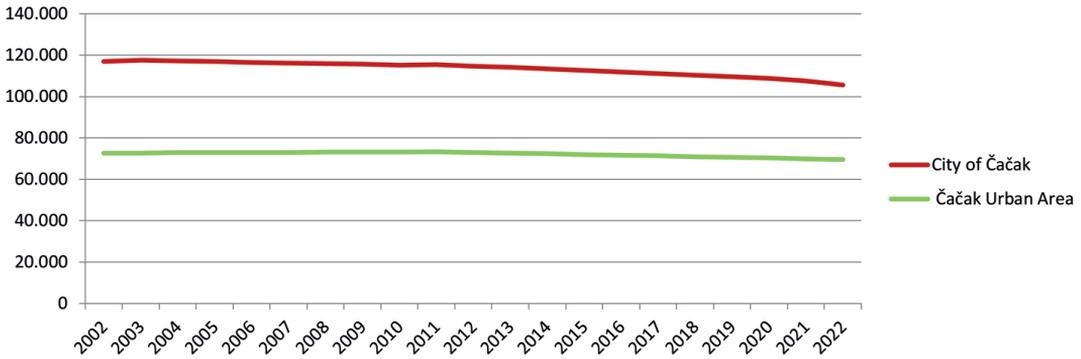


Figure 4: Population growth of Čačak from 2002 to 2022 / Source: SORS, 2023

According to the 2022 census, a significant majority of households in Čačak, up to 89%, own their own apartments, while 6% rent them. The remaining 5% live in a relative's dwelling and also pay rent, which may sometimes be below market rate. However, the current state of the apartment market in Čačak reveals a significant discrepancy between supply and demand, particularly concerning both the quantity and composition of available apartments, as well as the affordability.

4.2 What have been the main developments in the recent past (30 years)?

As in Serbia, the housing stock was privatised in the mid-1990s. It is noteworthy to mention that in Čačak, the percentage of apartments under public ownership was 1.13% in 2002, which increased to 1.31% by the next census. However, subsequent privatization between the 2011 and 2022 census led to a new decline in publicly owned apartments. Notably, the 2022 census identified 215 apartments under public ownership, accounting for 0.53% of the total occupied apartments in Čačak, mirroring the national average.

According to the records from the City Housing Agency (CHA), there were 217 social housing units owned by the city of Čačak in 2024. Social housing stock is primarily concentrated in four locations – *Košutnjak*, *Mikronaselje*, *Ljubić Kej*, and *Obrež 1 and 2* – all well integrated into surroundings (figures 5 and 6). They were mainly constructed through the particular housing projects implemented as partnerships between the state, the local government, and foreign donors. The land for construction and communal infrastructure was provided by the city of Čačak, while the City Housing Agency was responsible for organising construction. The main donors, who subsidised construction works, were the Government of the Republic of Italy (ten buildings in *Košutnjak* and reconstruction in *Mikronaselje* neighbourhoods), the Government of Japan (two buildings in *Košutnjak* neighbourhood), the Regional Housing Programme (*Ljubić Kej* neighbourhood) (RHP, 2024), and the European Union (*Obrež 2*

neighbourhood) (EU SHAI, 2024). The city of Čačak funded the construction of one building in *Košutnjak* neighbourhood, while the Republic of Serbia secured funds for buildings in *Obrež 1* through a loan from the European Development Bank. In addition, a small number of social housing units have been inherited from the previously socially owned housing stock. These units are spread across the city and are inhabited by the most vulnerable low-income households.

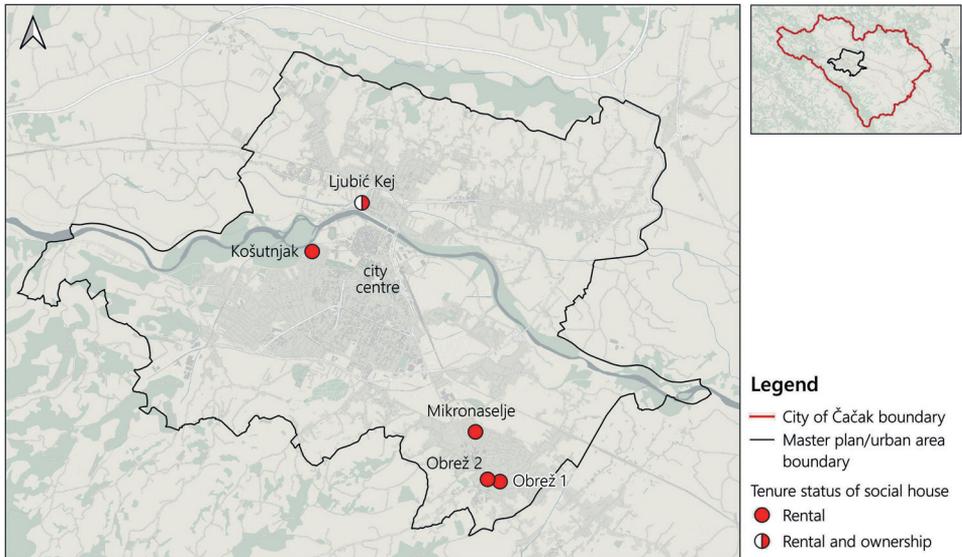


Figure 5: Locations of social housing buildings in Čačak / Source: CHA Čačak; drawing: Dejan Doljak

The City Housing Agency is responsible for overseeing the maintenance and management of buildings and apartments, which includes establishing contracts with tenants and collecting rents. The social housing apartments are used in accordance with a fixed-term lease agreement, while tenants are responsible for paying rent and bills for utility services, electricity or gas (Table 5). The rent calculation typically encompasses the amounts allocated for management and maintenance costs, insurance against common risks, asset depreciation, property tax, and the repayment of annuities for loans or municipal financial contributions. The rent price is different for each neighbourhood due to various rules of each housing project and levels of subsidies for construction. Depending on the location and size of the apartment, monthly housing costs, including electricity and gas, range from €140 to €280 per household. Although subsidised and significantly below market rates, these housing costs often strain the budgets of low-income tenants, leading to delays in payments and arrears. To address this issue, some tenants may receive subsidies from the city or social welfare services to help cover their housing expenses.



Figure 6: Social housing buildings in Čačak, neighbourhoods Obrež 1 (above, left), Obrež 2 (above, right), Košutnjak (below, left), and Ljubić Kej (below, right) / Photo: Zlata Vuksanović-Macura and CHA Čačak

The opportunity to purchase apartments at significantly subsidised prices (about 443 €/m², which is 50% of the construction price) is exclusively available in the *Ljubić Kej* neighbourhood. These apartments are allocated to former refugees from Croatia and Bosnia and Herzegovina. Out of 25 apartments 24 are currently in the process of ownership acquisition.

Social housing units are allocated according to criteria set by specific housing project. Eligibility requirements are determined by households' socio-economic vulnerability and housing conditions. The majority of social housing tenants in Čačak are former refugees from Croatia and Bosnia and Herzegovina (table 6). Another significant group is families experiencing multiple vulnerabilities and receiving social care support.

Neighbourhood	Year of construction	Number of apartments	Range of apartments size (m ²)	Rent rice range in 2024 (€/m ²)	Expenses for utility services* (€/month)
Košutnjak	2006	102	20-55	1.16-1.37	110-196
Mikronaselje	2009	20	19-45	0.15-1.01	60-90
Obrež 1	2018	24	75	75.60**	around 180
Obrež 2	2023	12	19-45	0.15-1.01	60-90
Ljubić Kej	2023	25	22-55	0.96	93-213

*including electricity and gas costs; **€/month.

Table 5: Characteristics and distribution of social housing in Čačak by neighbourhood /Source: City Housing Agency Čačak

Social housing units are allocated according to criteria set by specific housing project. Eligibility requirements are determined by households' socio-economic vulnerability and housing conditions. The majority of social housing tenants in Čačak are former refugees from Croatia and Bosnia and Herzegovina (table 6). Another significant group is families experiencing multiple vulnerabilities and receiving social care support.

Population accommodated in social housing	Number of apartments	Percentage (%)
Former refugees (from Croatia and Bosnia and Herzegovina)	86	39.6
Beneficiaries of social care support with multiple vulnerability	41	18.9
Single patents	25	11.5
Persons with disabilities	25	11.5
Roma	20	9.2
Right holders in the area of veteran and disability protection	12	5.5
Victims of domestic violence	8	3.7
Total	217	100

Table 6: Socio-economic composition of the population in social housing apartments in Čačak /Source: City Housing Agency Čačak

4.3 What are the current main challenges and developments in the sector?

Regarding the institutional framework of social housing, the City Housing Agency in Čačak was established in 2005 as a local mechanism responsible for the development and oversight of housing policy implementation, housing support programmes, and the provision of social housing to vulnerable groups. The City Housing Agency is entrusted with the task of acquiring, administering, and leasing residential units within the realm of social housing. It is also responsible for overseeing and facilitating the construction of social housing or apartments to be transacted under non-profit conditions. Additionally, the Agency is responsible for monitoring the utilization and maintenance of social housing, ensuring the collection of rent, and compliance with obligations outlined in non-profit sales contracts. With its experience in implementing various housing programmes, the Agency has successfully catered to different beneficiaries through diverse distribution and organization schemes (tables 5 and 6).

Currently, the main challenges in social housing in Čačak relate to a notable prevalence of substantial debts existing among individual tenants residing in social housing. This owes to two primary factors: firstly, the tenants' low-income levels, and secondly, the deliberate refusal of some tenants to settle their debts as a means of protest, driven by their desire to attain ownership of the apartments they currently inhabit. Consequently, the legal proceedings addressing these cases become intricate and contentious. Namely, tenants residing in social housing express a desire to acquire ownership of their dwellings through more advantageous purchase terms or even without compensation, taking into account the duration of their residency. This perspective has implications for the consistency of rent payments and the effectiveness of debt collection.

Insufficient data exist regarding housing needs in Čačak. Nevertheless, the housing issue stands as a prominent challenge for the residents of Čačak. Notably, during routine citizen consultations with the mayor and municipal administration, approximately 85% of attendees have expressed concerns regarding the absence of suitable housing or inadequate living conditions.

4.4 How do you see the future development of the sector?

A pronounced mismatch between housing needs and the available supply continues to characterise the housing situation in the city of Čačak. Although the pace of residential construction has increased in recent years, the newly built housing units are largely priced beyond the reach of a significant portion of the population. This affordability gap is especially severe for younger residents, many of whom are entering the housing market for the first time as well as for single-person households whose incomes are often insufficient to meet high market-based housing costs. The housing difficulties faced by the elderly remain unresolved, and these challenges are expected to intensify in light of the projected population declines. The pressing need for social housing is anticipated to escalate further in the near future.

Despite the clear and growing need, particularly for affordable and social housing, local institutional and financial capacities remain insufficient to respond adequately. The allocation of funds for new social housing construction in the city of Čačak is absent from the municipal budget, and there is no direct financial support from higher levels of government for this purpose. As a result, the burden of initiating new social housing projects falls almost entirely on the City Housing Agency, which is compelled to seek external funding, primarily through international donors and development agencies. This ad hoc and donor-dependent approach undermines long-term planning and sustainability. To address the current and forthcoming challenges, the establishment of a national housing fund, along with the continual provision of new social housing and the enforcement of legally mandated housing programmes and support, are deemed essential.

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<https://doi.org/10.1016/j.cities.2019.102548>

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CONCLUSION

In the last ten years we have all been reminded of the importance of housing policy as a key field for public intervention. On the one side, a reminder of the importance of social housing has come in the form of a widespread housing crisis that has hit so many European countries and cities. This crisis has assumed different local shapes, blending old and new problems – but has also developed against the background of decades of divestment from the social housing sector. On the other side, the importance of housing policy in our social and collective life has been recognized in many key policy documents published in the last ten years (from the 2030 Agenda for Sustainable Development, the New Urban Agenda, to EU’s Urban Agenda and European Pillar of Social Rights), as well as by the renewed attention paid by the governments of EU member states.

The DASH project is thus addressing a pressing policy issue by investigating the mechanisms of provision of affordable housing opportunities in four countries/cities. The first phase of the project, whose findings are presented in this report, has already produced interesting insights emerging from the comparison between the four case studies.

One concept, multiple realities: social housing in context

DASH’s primary focus is affordable and social housing. The notion of “social housing” identifies here a diverse set of state-backed channels through which low-income and/or vulnerable households can access housing opportunities.

Social housing is thus a complex field of public intervention rather than a single policy object. From the point of view of policy design, public action in the field can range from direct provision of public housing to a variety of public-private arrangements; from housing subsidies to legislation on rent regulation, or housing cooperatives; and so forth. The distinctive features and performance of a national social housing system should also be considered in the light of the broader context of the country, such as the peculiarities of its history, welfare system, legal and administrative tradition, and so forth.

The DASH report offers ample testimony of the “context-specific” nature of social housing. In each of the countries examined, the local system has different overall goals, operates in a peculiar institutional environment, and adopts a distinctive mix of policy tools.

Simply comparing the size of national social housing stock, for example, offers a snapshot into the overall performance and underlying goals of the system. At the two extremes sit Denmark, with a social housing stock amounting to the 20,8% of the total, and Serbia, with a meagre 0.5% – in Germany and Portugal the figures are 2.5% and

2%, respectively. Such a stark contrast is representative of a range of different orientations as to the overall goals of the system. The Danish system is considerably more geared toward a universalistic approach, and the fact that social housing is widespread also means that a more diverse population live in social housing. On the opposite side, in countries such as Serbia and Portugal, social housing is reserved for the most vulnerable strata of the population; indeed, in Serbia social housing is often built ad hoc in order to accommodate the needs of specific groups such as war veterans and refugees. Germany sits in an intermediate position, balancing the relatively small size of a social housing stock (which has been shrinking for the last 30 years) with a more widespread system of rental control and housing subsidies.

It would be impossible to understand the characteristic features of each national system without taking into account the impact of path dependencies and contingent events on its historical trajectory. The Danish system has for example enjoyed a degree of relative stability, building over time a considerable social housing stock that has remained by and large intact – across a period in which other European countries were dismantling their own and undergoing phases of broader, turbulent political and institutional change. This is what happened in Germany after the reunification of East and West Germany. In Serbia, it happened in an even more dramatic fashion, as the fall of socialism and the dissolution of the former Yugoslavia (which brought the privatization of the once-prevalent public housing stock) was exacerbated by two wars (in 1991-1995 and 1999) whose effects are still felt in the country today. In Portugal, the current housing crisis (and policymaking initiatives) has its roots in the real estate and tourism boom that have marked the path of economic recovery of the country after the economic crisis of 2010-2013.

These disparate historical trajectories have produced a great variety of models. Indeed, it could even be argued that, in purely conceptual terms, the Danish system is not offering social housing at all. It is in fact by and large based on non-profit housing associations (rather than on the existence of a publicly-owned housing stock), which offer housing “to everyone who puts their name on a waiting list”, and is willing to pay a cost-based rent (i.e. independently of any assessment of the applicant’s income). Still, it makes sense to understand the Danish housing associations as “social housing”, because the system hinges on the legal and financial guarantees provided by the state through the National Building Fund (*Landsbyggefonden*). And since housing associations are also contributing to the Danish welfare system (for example: a percentage of their vacant housing units can be used by public authorities to address the needs of the local population), it also fulfils the same function of more classic systems of social housing provision – that is, it offers housing opportunities to low-income and vulnerable households. The four countries, more broadly, differ in remarkable ways as to the models of ownership of the housing stock. As mentioned above, most of Denmark’s social housing is owned by housing associations; in Portugal and Serbia, it is by and large property of public authorities; in Germany, a large portion of the stock is owned by private landlords who receive subsidised loans for housing construction from the state in exchange for renting their property at below market rates.

Affordability is a key concept for social housing – to work properly, a social housing system must produce housing solutions that are “affordable”, i.e. catering to those segments of the population that cannot access the housing market. However, each country has its own concept of “affordability” as applied to social housing, as well as different ways to implement it. In Portugal, for example, affordability is “in-built” in the system: households’ rents are income-based and heavily subsidized by public authorities, meaning that social rents depend on incomes and are always way below market value. On the contrary, in Denmark and Serbia, the value of the rent depends exclusively on construction and maintenance costs, while in Germany affordability is calculated as a percentage of market values. As a result, in these three countries, social housing can be quite unaffordable, as construction/maintenance costs or current market values can translate into rents which are high relative to the household’s income. This is precisely where the broader welfare system (more generous in Denmark and Germany than it is in Serbia) steps in by offering subsidies to those who are struggling to pay rent.

This last comparative insight is yet another reminder of the complexity of housing systems. While housing affordability can of course be measured statistically (e.g. through reference to indexes such as the Housing Cost Overburden Rate calculated by EU-SILC), what ultimately matters is not so much considering any single parameter (e.g. the affordability of your rent), but rather examining the overall set of conditions that make the system work (for example, the presence/absence of housing subsidies). Any policy-oriented discussion of housing affordability should thus necessarily encompass factors that can seem to have little to do with social housing per se. In Portugal, for example, public support to homeownership has represented the main channel for providing affordable housing opportunities to a vast segment of the population between the 1980s and the early 2000s, when far more money has been spent to subsidize mortgages than for social housing provision or housing subsidies. Serbia has also experienced a similar trajectory with the privatization of social housing after the fall of the socialist system; indeed, Serbia’s rate of homeownership even exceeds Portugal’s.

Common challenges

Despite the differences in their historical, legal, and administrative trajectories, the four countries share in many ways a common set of challenges. The first has to do with the task of finding a match between the existing social housing stock and the population that it is supposed to serve. The human geography of Europe (its demography, economics, technological infrastructure) has changed considerably in the last three decades. These slow but steady transformations have had an impact on the housing system: their net result is often that the built structure and the location of social housing stock does not necessarily correspond to the current needs of the population. Over the last 30 years, Europe has experienced considerable immigration flows and its population has overall become more mobile; since housing cannot be moved around easily, this has often resulted in the emergence of territorial imbalances in terms of demand and offer of affordable housing opportunities. Moreover, accommodating a population consisting of smaller households and which is rapidly aging inevitably means intervening in the built structure of (social) housing, as well as on the range of

services offered to the resident population. This is most evident in the experience of certain urban contexts, such as Tübingen, Aalborg and Braga, which have experienced (by virtue of the employment, educational, or lifestyle opportunities they offered) an inflow of new population in the form of new permanent or temporary residents, such as tourists and the so-called “digital nomads”.

A second common challenge is represented by another recent Europe-wide trend: against a long-term trajectory of deregulation of rental housing, the costs of housing provision have risen in recent years across all the components of the final price (land; building, which also increasingly includes the costs for energy-efficient renovations; and credit). Adding to this broader trend, the cases examined present specific issues that complicate the financing of social housing policy. Local governments in Serbia and Portugal, for example, are traditionally constrained by their lack of resources, so that they depend on national authorities (or, in the case of Serbia, on international donors) to finance projects; indeed, Serbian local authorities are still in the process of alienating the existing public housing stock because of the lack of resources to maintain it – this has also been the case of Portugal, at least until very recently. The overall dynamics of rising inflation, on the other side, have reduced households’ purchasing power and thus increased the risk of housing cost overburden. Once again, this trend is sometimes compounded by the local dynamics: cities like Braga or Tübingen, have seen an influx of resource-rich people who are outbidding incumbent residents in the local housing market.

Whatever the similarities among the trends affecting the four cases, not all challenges are equivalent. In Denmark (an outlier in many respects among the four cases), the challenge is about finding the best way to tweak a system that is traditionally efficient, rich in terms of resources, and caters to the housing needs of a considerable portion of the population. Despite important differences between them, Germany, Portugal, and Serbia are facing more severe and structural problems, for example in relation to the lack of an adequate offer of social housing opportunities vis-à-vis an increasing demand; their inability in sustaining a durable build-up in the sector to expand the offer of affordable housing over time; and the existence of severe local housing crises due to the growth of real estate prices.

Social housing and policymaking

Against this background, the examination of the policy debate in the four cases shows very different starting lines and overall directions. In this respect, it is worth remembering that the social housing sector, because of its nature, is at the centre of many debates that go beyond housing policy per se – touching on issues such as immigration and multiculturalism; poverty and social stigma; crime and security; and so forth. Once again, the local “politics of housing” around these issues represents yet another contextual element that should be acknowledged as a key component of housing policymaking.

In recent years, a lively debate has developed in Denmark on how to preserve the traditional features of the local system, that is, providing quality housing options for everyone and maintaining the social diversity that has historically been a defining trait

of the local social housing system. This debate has produced quite a lot of policy initiatives (some of which controversial, as the case of the “parallel societies legislation” shows), whose impact should be carefully observed in the next few years. In Serbia, on the contrary, the political debate seems to be lagging: housing issues are the focus of a growing number of civil society initiatives, but no major political actor appears to be listing these matters among its priorities.

Germany and Portugal are in a sort of intermediate position in this respect. The German government has recently recognized the scale and severity of housing issues in the country: it has expanded financial assistance to vulnerable households and plans to increase the social housing stock. However, it is still early to tell whether or not these interventions will prove successful; indeed, increasing subsidies can trigger further inflationary effect on the housing market, and so far the expansion of housing supply has lagged behind government’s wishes and forecasts. The Portuguese government and parliament have enacted new legislation (the so-called New Generation of Housing Policies and the Framework Law for Housing, in 2018 and 2019 respectively) promising a paradigmatic shift in housing policy, with the goal of transitioning toward a more universalistic system and modernising the governance of the sector. As a matter of fact, the post-pandemic influx of EU resources via the Recovery and Resilience Plan has provided housing policy with significant financial means for the first time in two decades. However, right now it is difficult to understand if the current investments will bring significant results in terms of the overall increase of social housing stock, and whether this increase will be sustained as EU resources dry up.

At the local level, realities are often different from the national level. Although partially tied by national policy, municipalities have some room to experiment and implement their own policies. This has resulted in various innovative strategies to provide affordable housing. For example, Tübingen developed the ‘Tübingen model’ for the redevelopment of brownfield sites, in which the municipality acts as developer and encourages not-for-profit actors to develop projects that are chosen based on qualitative criteria instead of price competition. Aalborg has taken an integrated approach to urban planning by combining social housing construction with the rollout of a Bus Rapid Transit system. Braga is planning to roll out a municipal scheme of affordable rent in cooperation with the private sector. And Čačak established the City Housing Agency twenty years ago to develop and oversee housing policy implementation, support programmes and social housing provision, even if a lack of funding is undermining its long-term planning and sustainability.

A European momentum for affordable housing policy?

As we have noted, many of the trends and challenges faced by the four countries/cities reflect those experienced by other countries and cities in Europe. The heterogeneity of cases, on the other hand, reflects the heterogeneity of the continent – both across different countries, and across different regions or urban contexts in the same country.

In the EU governance framework, the responsibility for housing policy has historically resided with member states, although the EU has always exerted an indirect influence over national housing policies. Examples include EU regulations on competition, public procurement, and technical standards in the internal market; the overall “Europeanization” of administrative systems and policy paradigms; and finally, budgetary restrictions and austerity measures on the finances of member states).

In retrospect, however, the last two decades seem to have witnessed a progressive expansion of the EU’s direct role in the housing sector. In 2004, the EU’s Structural Funds were used for the first time for housing investments in the then-new member states of Eastern Europe. The so-called Juncker plan (European Fund for Strategic Investment, 2015-2017) represented the first EU-wide, substantial financial instrument for housing investments; it was followed by the post-pandemic EU recovery package (Next Generation EU, 2021-2026), which made available significant resources for housing policy to countries such as Belgium, Spain, Italy, and Portugal (the latter having received some €3.2bn). The combination of different factors (the deepening crisis in access to housing; growing environmental concerns; and the COVID-19 pandemic) has finally led to the unprecedented step of the appointment (2024) of an EU Commissioner for Energy and Housing commissioner, tasked with developing a European Affordable Housing Plan. This shift, we should add, can have ramifications beyond the EU per se: Serbia, for example, is currently a candidate country for European Union membership; and has received in last two decades significant EU funds (primarily through the Instrument for Pre-Accession Assistance, IPA) for the construction of social housing.

DASH’s methodological approach, which is founded on a comparative/co-productive practice, is designed to make the most, in analytical terms, of this dialectic between shared challenges and local heterogeneity inherent to the provision of affordable social housing; at the same time, in policy terms, it functions as a platform of inter-sectoral peer-learning across countries and scales. Projects like DASH thus offer a valuable platform to think about affordable housing in Europe and hopefully make a positive contribution to policymaking at the local, national and European level at a critical junction of its trajectory.

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ABSTRACT

Social housing opportunities and challenges

In recent decades, European housing systems have faced significant challenges, including rising socioeconomic inequalities, demographic shifts, welfare cuts, the financialization of housing markets, and ongoing affordability crises. The Delivering Safe and Social Housing (DASH) project, carried out by a consortium of institutions from Denmark, Germany, Portugal, and Serbia, explores these issues by comparing national social and affordable housing regimes and approaches and practices in medium-sized cities (Aalborg, Tübingen, Braga, and Čačak). This publication aims to highlight both the structural differences and similarities in providing social and affordable housing opportunities. The findings reveal the notable diversity of European housing systems. Denmark's universalist, association-based model contrasts with Serbia's residual, ad hoc approach; Germany blends limited social housing with broader rent controls, while Portugal has traditionally focused on homeownership, but it now recognises the need for a regulated, publicly owned rental sector serving low- and middle-income families. These paths, influenced by factors such as post-socialist privatisation, economic crises, or welfare reforms, show how social housing remains highly dependent on context. Nonetheless, common issues remain: matching housing supply with changing demographics and mobility; financing provision under fiscal constraints and increasing construction costs; and tackling urban pressures from gentrification, tourism, and migration. Policy debates include Denmark's contested "parallel societies" laws, Portugal's EU-funded reforms, Germany's efforts to increase supply amid inflation risks, and Serbia's limited political focus on housing. At the local level, innovative municipal strategies present promising options. At a time when European focus on affordability is renewed, this publication demonstrates how diverse histories, institutional frameworks, and local initiatives come together around the urgent need to secure social housing as a key element of fair and sustainable urban growth.

Keywords

Social housing – affordability – housing policy – international comparative analysis – Europe

In recent decades, European housing systems have faced significant challenges, including rising socioeconomic inequalities, demographic shifts, welfare cuts, the financialization of housing markets, and ongoing affordability crises. The Delivering Safe and Social Housing (DASH) project, carried out by a consortium of institutions from Denmark, Germany, Portugal, and Serbia, explores these issues by comparing national social and affordable housing regimes and approaches and practices in medium-sized cities (Aalborg, Tübingen, Braga, and Čačak). This publication aims to highlight both the structural differences and similarities in providing social and affordable housing opportunities. The findings reveal the notable diversity of European housing systems. Denmark's universalist, association-based model contrasts with Serbia's residual, ad hoc approach; Germany blends limited social housing with broader rent controls, while Portugal has traditionally focused on homeownership, but it now recognises the need for a regulated, publicly owned rental sector serving low- and middle-income families. These paths, influenced by factors such as post-socialist privatisation, economic crises, or welfare reforms, show how social housing remains highly dependent on context. Nonetheless, common issues remain: matching housing supply with changing demographics and mobility; financing provision under fiscal constraints and increasing construction costs; and tackling urban pressures from gentrification, tourism, and migration. Policy debates include Denmark's contested "parallel societies" laws, Portugal's EU-funded reforms, Germany's efforts to increase supply amid inflation risks, and Serbia's limited political focus on housing. At the local level, innovative municipal strategies present promising options. At a time when European focus on affordability is renewed, this publication demonstrates how diverse histories, institutional frameworks, and local initiatives come together around the urgent need to secure social housing as a key element of fair and sustainable urban growth.



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eISBN 978-3-88838-449-3 · ISBN 978-3-88838-450-9

