

# What actions could be taken to reconcile “No Net Land Take” (NNLT) and housing affordability?





*This document was produced in the framework of the 2024 Belgian Presidency of the Council of the European Union in terms of territorial cohesion, whose priority was to reduce artificialisation, limit urban sprawl and soil sealing. It is based on an analysis of the scientific literature as well as on exchanges that took place during the first semester of 2024 at three major events organised by the Belgian Presidency of the Council on territorial cohesion: the meeting of the Network of National Cohesion Contact Points (NTCCP) held in Namur, the ESPON seminar organised in Mons and the meeting of the Directors General on Territorial Cohesion (DGTC) held at the end of June in Brussels.*

*The implementation of the “No net land take” target (NNLT) put forward by the European Commission (2011 & 2023) raises various political and operational issues. At a time of growing concerns about housing affordability (OECD, 2021), one of those issues relates to the potential impact of NNLT on European housing markets.*

*The effective implementation of NNLT will curtail the opportunity for new housing developments on greenfield land. Without appropriate support in public policy, this impact on housing supply might lead to a surge in housing prices.*

*To clarify this issue, it is essential to shed light on two main questions:*

- What are the suspected effects of land supply limitation on housing markets?*
- What public policies need to be improved to limit the suspected impacts on these markets?*

*This document is structured in three sections. In the first section, the issue of the current housing affordability crisis is introduced. In the second section, the available literature to evaluate the potential impact of applying the NNLT target on housing affordability is analysed. Finally, in section three, the role of public policies in countering these expected impacts is discussed. This last section includes a reflection on the need for further research that will help in the implementation of the required public policies.*



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## Key findings

### THE DIAGNOSIS: HOW TO EXPLAIN THE HOUSING AFFORDABILITY CRISIS?

1. The fact that European households are, on average, dedicating an increasing share of their budget to housing is one of the main symptoms of the housing affordability crisis: from 22% in 1999 to 32% in 2020 (unweighted average for 25 EU countries).
2. The current housing affordability crisis results from structural evolutions (with an increase in housing prices since the end of World War II) as well as from an unfavourable economic climate in terms of both mortgage rates and construction costs.
3. On the social dimension of the housing affordability crisis: there is an increasing proportion of the population facing disproportionate housing costs.
4. On the territorial dimension of the housing affordability crisis: high prices and high budgetary efforts for households are spatially concentrated in both the major metropolitan areas and the major touristic areas. This double phenomenon of spatial concentration is likely to persist.
5. On the land dimension of the housing affordability crisis: the rise in housing prices is the result of a structural rise in land prices (or land rents) rather than a rise in technical construction costs.
6. Spatial planning research on the relationships between housing prices and land supply does not lead to straightforward conclusions. This is because the way spatial planning systems impact the housing markets is much context dependent.
7. More generally, the mechanisms behind the housing affordability crisis are very much context dependent. They depend on the supply-demand ratio which is much influenced by both multi-level and multi-sectoral public policies.
8. The combination of limited land supply and a neoliberal policy exacerbates the housing affordability problem. Without policies specifically addressing housing affordability, strict policies to reduce land supply lead to more social problems.
9. The NNLT objective will be easier to achieve where the remaining land potential within the artificial areas is more important: greater opportunities for infill developments as well as for the construction in gardens.
10. Three distinct issues must be addressed by renewed and more active public policies: *supply inelasticity*, *social inequality* and *territorial disparities*.
11. Comprehensive practices based on more active and integrated policies can reconcile the seemingly conflicting goals of land sobriety and housing affordability.

## WHAT ACTIONS COULD BE TAKEN TO RECONCILIATE NNLT AND HOUSING AFFORDABILITY?

1. There is a need to develop more - active and integrated policies, with the ambition to create a new alliance between environment, spatial planning, housing, and taxation.
2. Active policy concerning the issue of supply inelasticity: various actions should be taken to profit from multiple potential supplies: industrial wastelands, empty buildings, destruction-reconstruction, infill developments, gardens, under-occupied housing.
3. Active policy concerning the issue of social inequality: housing affordability instruments should be better mobilised to tackle the issue. The financing of such instruments could be facilitated through land value capture techniques (inclusionary zoning, surface right, community land trust...).
4. Active policy concerning the issue of territorial disparities: spatial planning policies should be reinforced to support the development of small and medium-sized cities and, in parallel, housing policies should be reinforced to better control the impact of both secondary residences and online platforms for renting tourist accommodation.
5. In terms of strategic planning, the regular development of strategic frameworks could be useful to limit conflicts, reduce transaction costs (i.e., the various financial and time-related costs associated with development operations), and therefore, accelerate procedures related to territorial planning systems.
6. There is no one-size-fits-all solution in such a complex issue as the relationships between housing and planning. Tailor-made solutions should be conceived depending on local configurations.
7. As a final point, it is essential to highlight the need to promote new research that will contribute to the recommendation of the implementation of more active and integrated public policies.



# Definitions

## Artificial areas

Following the CORINE land cover nomenclature, artificial areas are mainly occupied by: 1. urban fabrics; 2. industrial, commercial, and transport units; 3. mine, dump and construction sites and 4. artificial non-agricultural vegetated areas.

## Compact city

A compact city is a relatively high-density, mixed-use city, based on an efficient public transport system and dimensions that encourage walking and cycling. It is often seen as a guarantee of sustainable urban development.

## Housing affordability

Housing affordability broadly refers to the cost of housing services – both for renters and owner occupiers – relative to a given individual's or household's disposable income.

## Land take

Land take can be generally defined as the transformation of natural and semi-natural areas (including agricultural and forest land, gardens, and parks) into artificial surfaces.

## Price elasticity of (housing) supply

The price elasticity of (housing) supply is a measure used in economics to show the responsiveness (or elasticity) of the quantity supplied of a good or service (housing) to a change in its price. Price elasticity of supply, in application, is the percentage change of the quantity supplied resulting from a 1% change in price.

## Spatial planning

Spatial planning can be defined as the coordination of practices and policies affecting spatial organisation.

## Spatial planning system

The set of institutions that are used to promote preferred spatial and urban forms, to allocate rights of development and to mediate competition over the use of land and property.



# 1. The housing affordability crisis

## 1.1. Increasing expenditures devoted to housing

One primary symptom of the housing affordability crisis is that, on average, European households spend an increasing share of their budget on housing. Table 1 illustrates this phenomenon. It outlines the evolution for 25 EU countries over the 1999-2020 period. During this period, the share of expenditures devoted to housing has significantly increased from 22% in 1999 to 32% in 2020 (unweighted average).

**Table 1: Share of expenditures devoted to housing (25 EU countries)**

Source: EUROSTAT, 2024. Retrieved from:

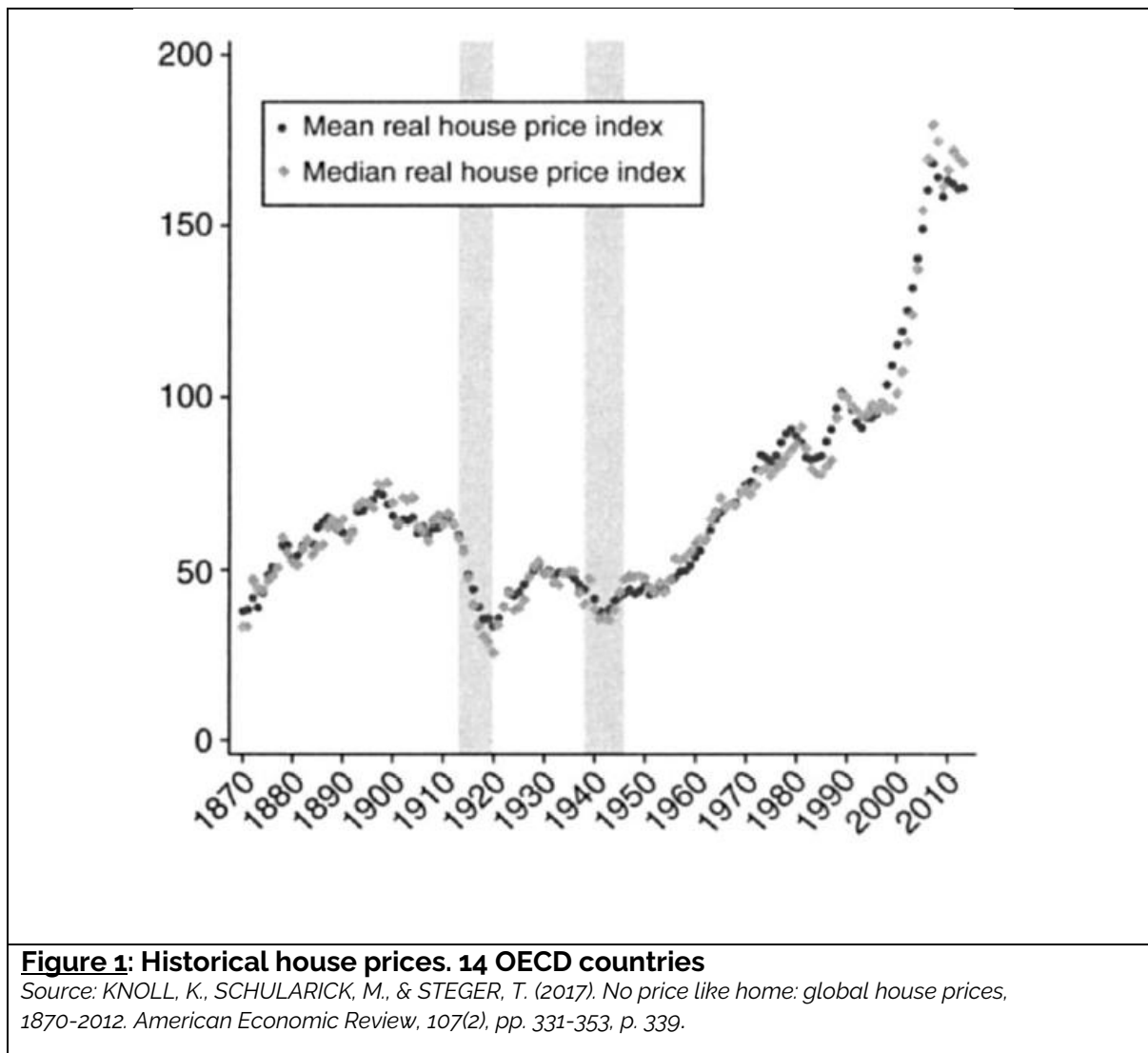
[https://ec.europa.eu/eurostat/databrowser/view/hbs\\_str\\_t211/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/hbs_str_t211/default/table?lang=en)

COUNTRY	1999	2005	2010	2015	2020
Austria	23,9%	22,3%	23,8%	26,1%	24,4%
Belgium	26,2%	25,3%	26,7%	28,7%	31,8%
Bulgaria	13,8%	34,7%	37,2%	33,2%	34,6%
Cyprus	19,8%	21,6%	26,6%	25,5%	25,5%
Czechia	17,5%	20,1%	22,7%	22,3%	24,3%
Denmark	28,4%	29,9%	31,2%	32,2%	33,5%
Estonia	18,0%	29,9%	29,4%	27,2%	32,8%
Finland	28,1%	27,2%	26,7%	31,5%	
France	27,7%	26,3%	26,8%	28,9%	28,9%
Germany	31,3%	29,6%	30,3%	32,3%	31,4%
Greece	21,9%	24,0%	27,5%	28,0%	32,3%
Hongary	20,0%	19,4%	39,3%	37,0%	49,2%
Ireland	27,3%	23,4%	27,7%	31,7%	
Italy	24,7%		32,3%	35,4%	37,7%
Latvia	17,7%	17,1%	23,5%	23,7%	24,7%
Lithuania	12,9%	18,9%	28,5%	33,4%	33,5%
Luxembourg	27,4%	30,1%	33,8%	34,9%	35,1%
Netherlands	26,7%	25,6%	28,6%	30,4%	30,7%
Poland	19,1%	31,5%	32,7%	34,0%	32,7%
Portugal	19,8%	26,6%	29,2%	31,9%	
Romania	13,0%	15,6%	36,0%	35,4%	32,7%
Slovakia	15,8%	30,4%	33,8%	31,6%	33,4%
Slovenia	10,7%	23,0%	29,8%	26,4%	24,3%
Spain	27,5%	30,3%	30,0%	31,8%	35,6%
Sweden	26,8%	29,6%	33,1%	32,1%	
Unweighted average	21,8%	25,5%	29,9%	30,6%	31,9%

The direct consequence of the general increase in the share of expenditures devoted to housing is the increasing proportion of the population facing disproportionate housing costs. Low-income households have long faced this challenge, while a growing share of the middle class also faces affordability issues (OECD, 2021). Besides its social dimension, the housing affordability crisis has a territorial dimension: finding decent accommodations at reasonable prices is particularly difficult in capitals and large cities (Pittini, 2012).

## 1.2. Increasing expenditures because of increasing housing prices

The general increase in the share of expenditures devoted to housing directly results from the overall rise in housing prices. The research developed by Knoll et al. (2017) shows that this increase in housing prices is structural and long-standing. Based on data gathered for 14 OECD countries for the period 1870-2012 (Figure 1), this research showed that the increasing trend started as early as the 1950s.



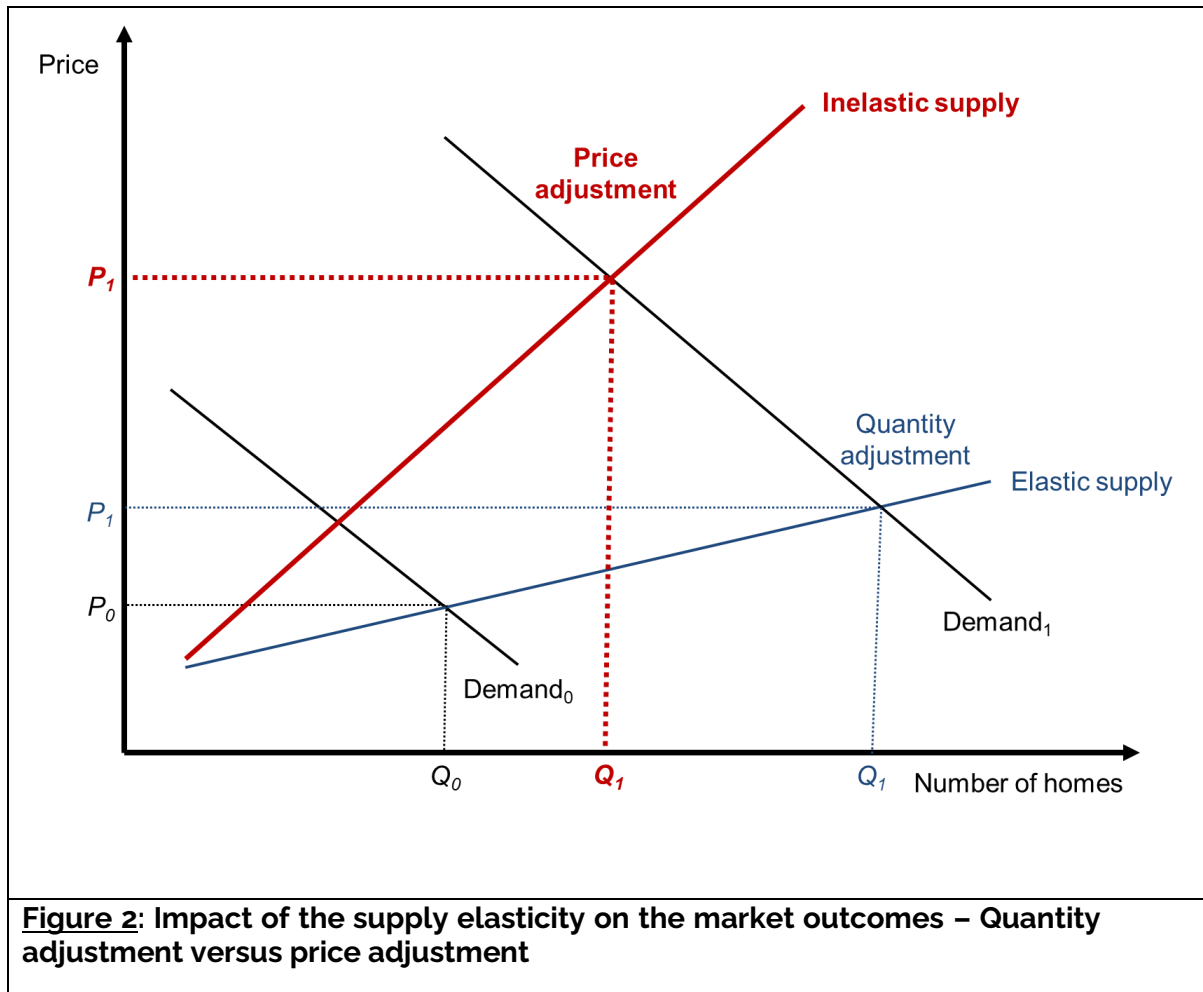
The economic literature on the rise of housing prices highlights the crucial role of the price elasticity of housing supply (Cavailhes, 2018) (see above the list of definitions). Since the 1950s, there has been a substantial increase in demand due to various factors: the growth in population, the trend toward a smaller household size and the growth in income after inflation. During the last decades, the financialisation of housing – i.e. the increasing dependence of housing on finance – and an important reduction of mortgage rates also played a major role in the strengthening of demand (Aalbers, 2016).

Unfortunately, the construction sector has not sufficiently responded to the increase in demand because it is inelastic. Consequently, the market adjustment led to a structural increase in housing prices rather than in housing supply (see Figure 2).

Various reasons can explain the weak reactivity of the construction sector. It can result from geographical constraints that limit the developable land for housing. It can also result from Malthusian land use regulations or from land policies incapable of limiting the retention of landowners. As denounced by the property industry, the weak reactivity of the construction sector can also be explained by the fact that building permits are becoming less and less accessible (Build Europe, 2022).

The analysis of the housing affordability crisis suggests that two sets of problems must be distinguished. The first relates to the construction sector's weak reactivity (or inelasticity). From this perspective, in the area of housing policy, a general idea is to strengthen the effective supply to limit the growth in average prices. In parallel, the second set of problems relates to the inequality problem, as an improved reactivity of the markets may not be sufficient to meet the needs of the low incomes. Here, the general idea is to increase the financial help for disadvantaged socio-economic groups.

As mentioned above, the increase in housing prices is structural and ancient. In parallel, it must be acknowledged that the last years – with the COVID-19 pandemic and the war in Ukraine – have been marked by negative evolutions in terms of both high inflation and increasing mortgage rates. There is no doubt that those evolutions have tended to exacerbate an already difficult situation.



### 1.3. Increasing housing prices because of increasing land prices

Real estate has the particularity of corresponding to the combination of two assets of different natures: land, a non-reproducible natural resource, and the (technically reproducible) built structure. Therefore, it is appropriate to divide the explanatory variables into these two categories to analyse the formation of real estate prices.

When commenting on the upward trend in housing prices, the property and construction industry often denounces the evolution of construction costs, particularly the evolution of the energy standards to which they are subject (Build Europe, 2022; Bavay, 2017). However, Bavay (2017), who studied this topic in France, could not find evidence that the standards imposed on builders significantly explain the upward trend in residential real estate values.

By contrast, the research mentioned above by Knoll et al. (2017) on 14 OECD countries has shown that the increase in housing prices is first and foremost the result of the rise in land prices:

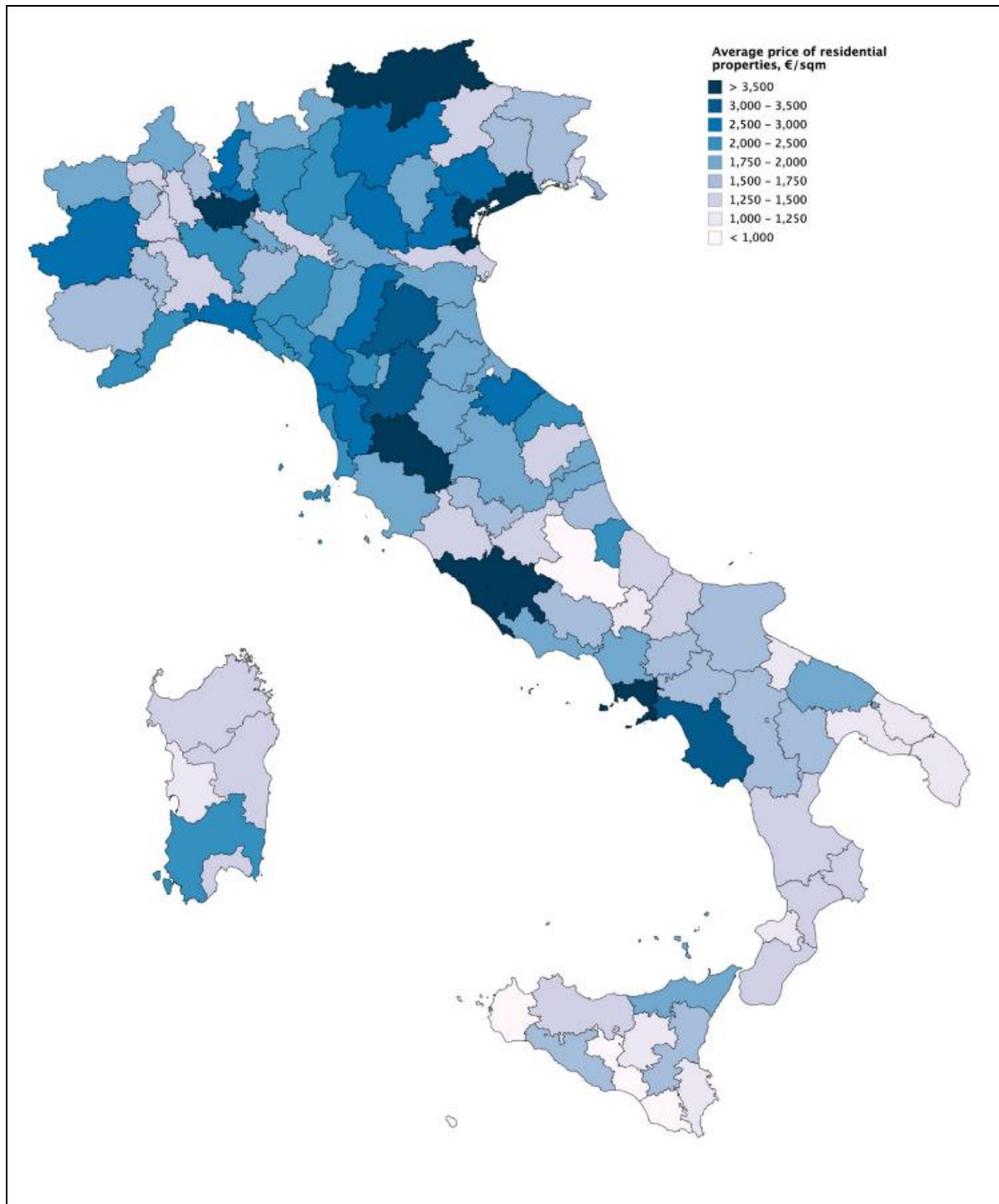
“the overall result is striking: 84 percent of the rise in house prices during 1950 to 2012 can be attributed to rising land prices” (p. 348).

This is an important finding to take into account when considering how public policies for affordable housing should be conceived (see below the proposal to develop inclusionary zoning).

## **1.4. A heterogeneous geography of housing prices**

As mentioned above, the housing affordability crisis has a territorial as well as a social dimension. This is due to a high spatial heterogeneity in land and property values across Europe, between countries, and within countries. A general configuration that can be found in most European countries is a concentration of demand – and therefore of high prices and costs – in the major metropolitan areas as well as in the major touristic areas.

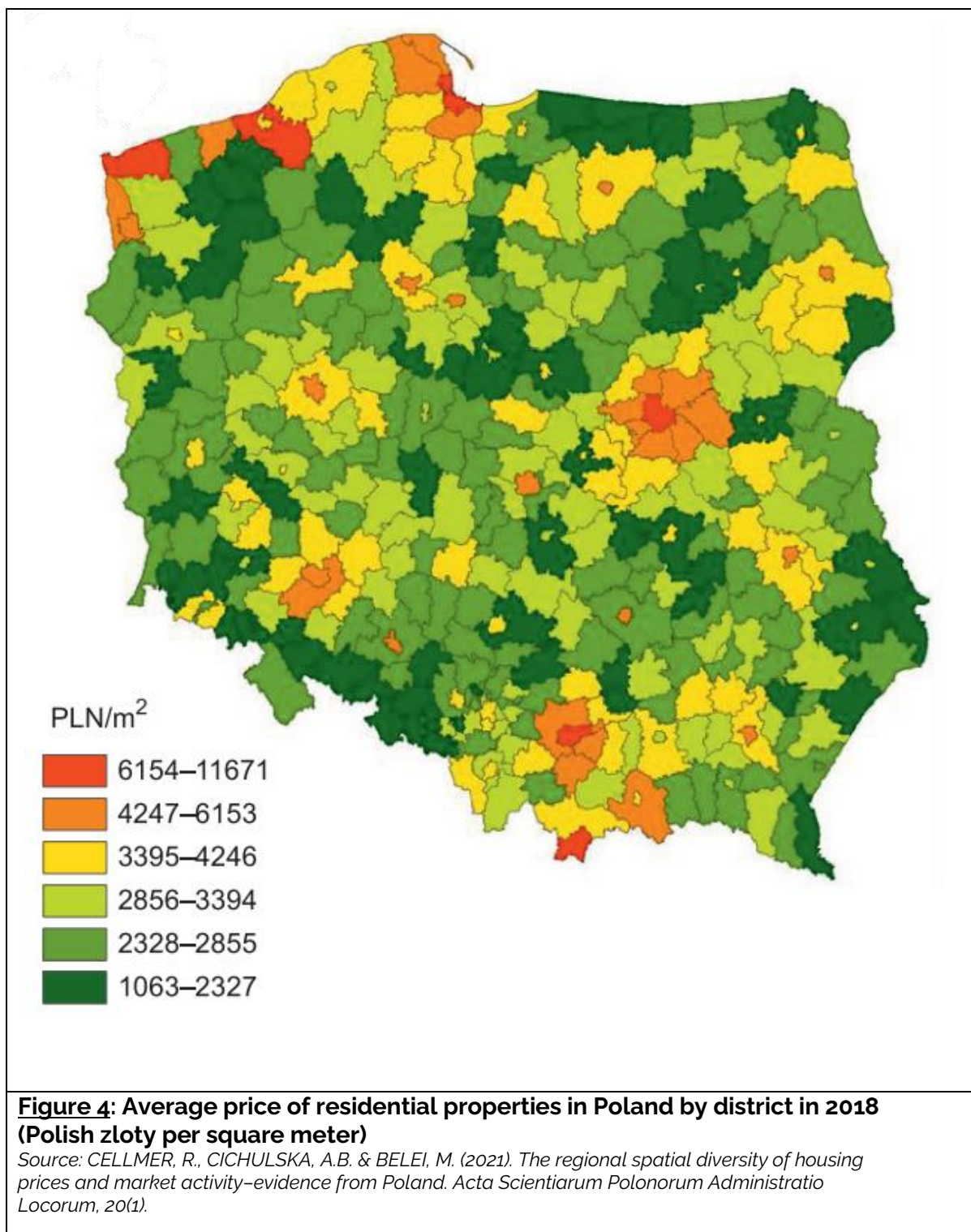
This observation can be illustrated in Figure 3 and Figure 4, with the exemplary cases of Italy and Poland. Figure 3 shows the average prices of residential properties in Italy by province. It illustrates that the most expensive provinces are metropolitan and/or touristic (Rome, Milan, Naples, Bolzano...). The same applies to Poland, with notably high prices in and around Warsaw and Krakow as well as in the Tatra mountains (Zakopane) and along the western part of the Baltic Sea.



**Figure 3: Average price of residential properties in Italy by province in 2020 (€ per square meter)**

Source: PELIZZA, M. & SCHENK-HOPPE, K.R. (2020). Pricing defaulted Italian mortgages. *Journal of Risk and Financial Management*, 13(1), 31. Initial source: <https://www.mapchart.net/italy.html>





## **2. What could be the impact of NNLT on housing affordability?**

### **2.1. A complex and context dependent issue**

As mentioned in the introduction, the effective implementation of the NNLT target will limit the possibility of developing new housing projects on non-artificialised land. Therefore, the effective implementation of the NNLT target could lead to an increase in housing prices through a limitation in the housing supply. However, the literature review shows that the issue is much more complex. Indeed, spatial planning research on the relationships between housing prices and the limitation of land supply does not lead to straightforward conclusions.

As the functioning of the planning systems varies widely, the way they impact the housing markets is very much context dependent. In parallel, the mechanisms behind the formation of market prices also depend on other elements which are also context dependent. The local, regional but also national market values depend on the supply-demand ratio influenced by planning practices and constraints, but also by both multi-level and multi-sectoral public policies in various domains such as taxation, public housing, mobility.

Addison et al. (2013) have produced a comprehensive literature review on the impact of smart growth policies on housing affordability in the USA. Two significant lessons can be drawn from it. The first one is that many smart growth initiatives based on strong zoning practices have led to the inflation of housing costs, thereby reducing affordability for low and moderate incomes. The second significant lesson is that, despite the challenges, comprehensive practices based on more integrated policies could reconcile the seemingly conflicting goals of land sobriety and housing affordability:

*"The success of an integration of affordability in smart growth policy will require diligent application of data to study market trends, innovative practices from the planning area, and cooperation across governments, as well as between private and public sectors. With successful implementation of these concepts and formulation of new strategies, the goals of balanced growth and housing equity may be effectively recognised"* (Addison et al., 2013, p. 221).

A recent and detailed report prepared by French NGOs (Fondation Abbé Pierre and Fondation Nature et Homme, 2024) goes in the same direction as Addison et al. (2013) about the possibility of reconciling NNLT and housing affordability. The title of this report is explicit: *"Réussir le ZAN tout en réduisant le mal-logement, c'est possible !"*. This title can be translated as follows: *"Achieving NNLT while reducing poor housing: this is possible!"*.

## **2.2. The application of the compact city paradigm**

In Europe, the most extensive body of literature on the impact of planning constraints on housing prices can be found in countries in which, since the 1990s, the application of the compact city paradigm has significantly limited the availability of greenfield land. These countries include Norway and the United Kingdom. While these two countries appear to be successful when it relates to the spatial objective of the limitation of urban sprawl (Næss et al., 2011; Bibby et al., 2020a, 2020b), they also appear to be unsuccessful when it relates to housing affordability for the low incomes.

Between World War II and the 1980s, Norway developed significant housing interventionism. This policy was based on strict price regulations and the construction of a large stock of affordable housing (Sandlie and Gulbrandsen, 2017). From the 1980s onwards, the neoliberal turn strongly impacted the housing policy in Norway. Housing prices have been deregulated, and many municipal properties have been sold to private companies. The municipal housing stock in Norway is now residual, and Oslo lacks a public housing sector (Nordahl, 2014; Cavicchia, 2021). In Norway, applying conjointly the compact city paradigm and the liberalisation of markets seems to be the origin of a severe accentuation of social and spatial polarisations, particularly in Oslo (Andersen and Skrede, 2017; Cavicchia, 2021).

The same combination of limited land supply and market deregulation has been observed in the United Kingdom. In this country, from the 1950s onwards, one of the main objectives of the spatial planning system has been to contain urban areas. Nonetheless, until the early 1980s, house prices remained relatively stable due to the construction of a substantial supply of social housing. While strengthening its policy to limit urban sprawl, the government reversed its strategy and increasingly relied on the private sector to provide housing. Despite the mitigating effect of the pre-existing supply of affordable social housing, the limited land supply coupled with a continued increase in demand, supported by population growth and shrinking household sizes, has led to a significant increase in housing prices (Bibby et al., 2020a, 2020b). Cuts in social benefits, combined with a deregulation of the private rented sector, further exacerbated housing affordability problems for low-income populations (Stephens and Stephenson, 2016).

In the light of both the British and Norwegian situations and the US literature review by Addison et al. (2013), it becomes evident that the combination of limited land supply and a neoliberal policy exacerbates the affordability problem. The research supports the hypothesis that, without policies specifically addressing housing affordability, strict policies to reduce land supply lead to a surge in social problems.

## **2.3. A heterogeneous geography of the impact of NNLT**

As seen above, a heterogeneous geography of housing demand has led to a heterogeneous geography of housing prices. The same point can be made for the potential impact of NNLT. In fact, the impact of NNLT is likely to be more pronounced in markets already experiencing significant pressure due to high demand and/or limited effective supply.

Concerning the demand side, Eurostat statistics on regional population projections<sup>1</sup> show that the spatial concentration of population within the metropolitan areas is set to continue in the coming decades. In this perspective, the spatial concentration of high prices and costs in these areas is also likely to persist.

On the supply side, considering the NNLT issue implies differentiating land take on the one hand and soil sealing on the other (Decoville & Feltgen, 2023). This differentiation is considered in Figure 5, which shows the proportion of sealed surfaces within artificial areas. This figure combines the Corine Land Cover Backbone shapefile (for artificial surfaces) with the High Resolution Layer of Imperviousness Density.

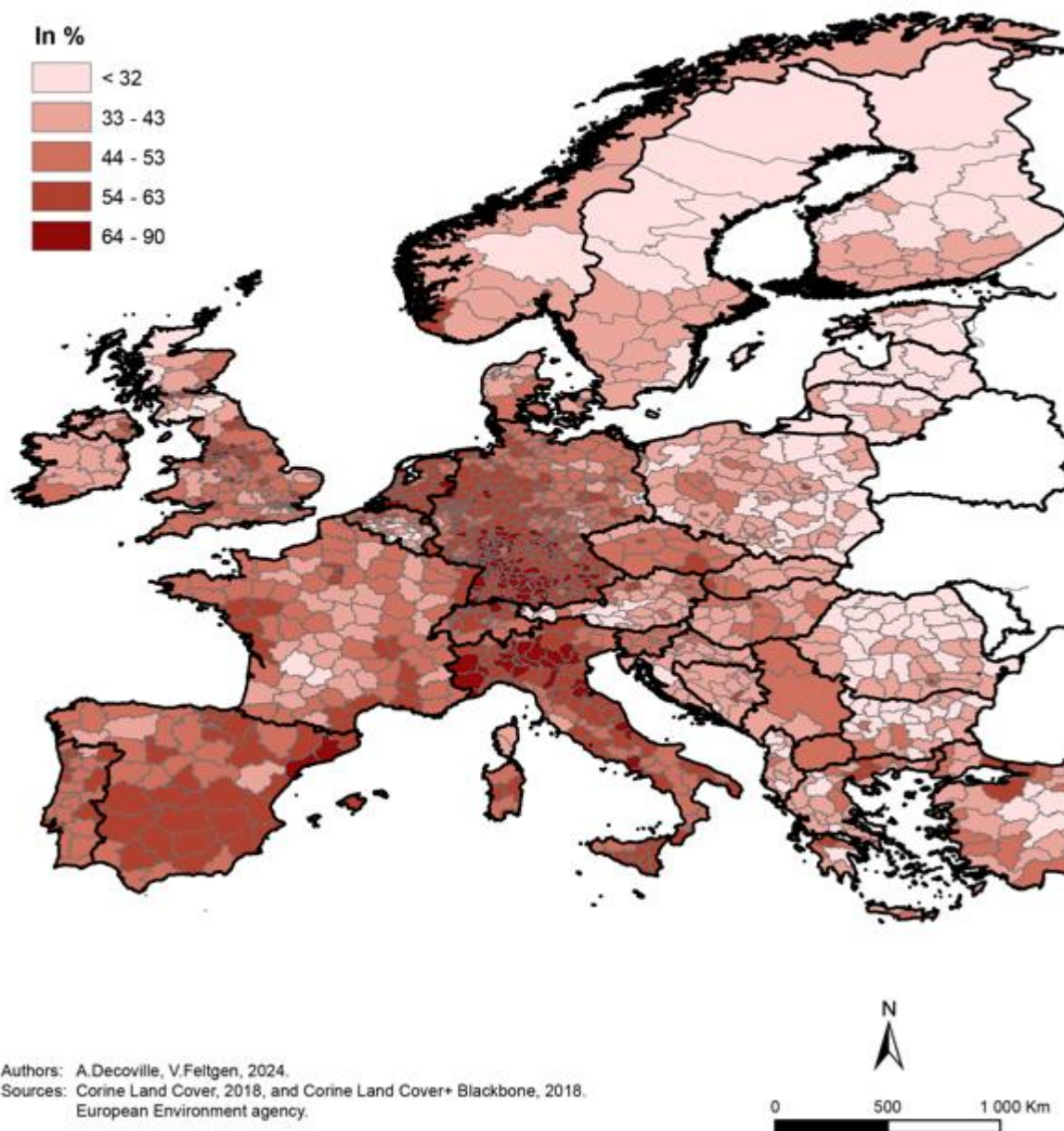
The proportion of sealed surfaces within artificial areas varies widely across Europe. From a physical point of view, the NNLT objective will be easier to achieve where the remaining land potential within the artificial areas is more important (for instance in Wallonia). In concrete terms, an important land potential within the artificial areas means greater opportunities for infill developments between pre-existing constructions, as well as greater opportunities for the construction of gardens.

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<sup>1</sup> Source : [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Projected\\_percentage\\_change\\_of\\_the\\_population\\_by\\_NUTS\\_2\\_regions\\_2015%E2%80%9350\\_\(%C2%B9\)\\_\(%25\)\\_RYB2016.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Projected_percentage_change_of_the_population_by_NUTS_2_regions_2015%E2%80%9350_(%C2%B9)_(%25)_RYB2016.png)



# **Rates of soil sealing within the artificial areas in the different NUTS 3 territories in Europe, in 2018**



**Figure 5: Rates of soil sealing within the artificial areas in 2018**

Source: A. Decoville and V. Feltgen, working document.

### **3. What actions could be taken to reconcile NNLT and housing affordability?**

#### **3.1. Housing affordability: a growing societal and political challenge**

The right to decent housing for every European citizen is a major societal and political objective. This is illustrated by Principle 19 of the European Pillar of Social Rights on assistance for the homeless, as well as by the Geneva UN Charter on Sustainable Housing. This document was endorsed by the United Nations Economic Commission for Europe (UNECE) in 2015, to support member States as they seek to ensure access to decent, adequate, affordable, and healthy housing for all.

As the housing affordability crisis escalated during the last years, various European documents have outlined the growing awareness. In particular, let's highlight the following documents:

- The European Parliament Resolution of January 2021: « Decent and affordable housing for all », which highlights the need for a new approach to market forces (European Parliament, 2021).
- The Gijón Declaration of November 2023, which expresses the desire of the relevant ministers to promote inclusive, sustainable and affordable housing (Spanish Presidency of the Council of the European Union, 2023).
- The Brussels Declaration of European Mayors of January 2024, whose first priority is to promote affordable, qualitative and sustainable housing (Belgian Presidency of the Council of the European Union, 2024a).
- The Liège Declaration of March 2024, the general objective of which is to increase the supply of affordable, social, collaborative and cooperative housing (Belgian Presidency of the Council of the European Union, 2024b).
- The opinion of the European Committee of the Regions of 18 April 2024: « Smart, sustainable and affordable housing as a tool for local authorities to face multiple challenges », which warns on the impact of excessive housing costs and calls for financial support and the development of initiatives to promote affordable housing (European Committee of the Regions, 2024).

### **3.2. Towards more integrated policies: a new alliance between environment, spatial planning, housing, and taxation**

It is essential to highlight the need to develop more integrated policies, with the proposal to create a new alliance between environment, spatial planning, housing, and taxation.

The justification of this new alliance is twofold. Firstly, it is worth pointing out that environmental reasons justify the NNLT target, with the prime objective to better protect soil ecosystem services and increase soil health. In this perspective, the ability to meet environmental ambitions will depend on the ability of our planning systems to meet the NNLT target.

Secondly, it should also be pointed out that reconciling the spatial objective of NNLT and the social objective of housing affordability implies the use of instruments that require ad hoc coordination between spatial planners on the one hand and organisations active in housing and taxation on the other.

### **3.3. Towards an interventionist and social paradigm**

The literature review did not identify contexts in which very restrictive policies on greenfield building land have been accompanied by an interventionist and social paradigm in terms of housing policy. However, based on the above, the contours of such a paradigm can be sketched. In particular, the following three issues must be simultaneously considered:

- that of the inelasticity of supply, for which measures to strengthen the effective supply are necessary, thus making it possible to reduce average prices at the level of the markets;
- that of social inequality, since in the face of growing socio-economic disparities, the market alone is less and less sufficient to ensure affordable housing for the less advantaged;
- that of the spatial disparities, with the aim to limit the spatial concentration of the crisis within the major metropolitan areas and the major touristic areas.

### **3.4. Towards more active policies**

In a liberalised market context, it seems unlikely to adequately address the exacerbation of housing affordability issues caused by the limitation of non-artificialised land supply if policy instruments to promote affordable housing are poorly developed. However, there is no doubt that implementing a policy to limit land take remains necessary, particularly for major environmental reasons.

To reconcile the environmental dimension of the NNLT target and the social dimension of access to affordable and quality housing, more active public policies must be developed, with the ambition to better respond to the three problems of inelasticity of supply, growing socio-economic inequalities and spatial concentration of high prices.

It is important to mention that there is no one-size-fits-all solution to such a complex issue as the relationships between housing and planning. Tailor-made solutions to the housing affordability crisis should therefore be conceived depending on local configurations. It is also important to mention that the success of the required active policies will depend on the level of expertise, information system (access to quality data) in order to understand market trends.

### **3.4.1. The supply side and the issue of supply inelasticity**

While greater responsiveness in housing supply does not necessarily solve everything (McClure et al., 2017, p. 200), it is still a way to limit market tensions. This involves various actions to profit from multiple potentials, such as industrial wastelands, empty housing, or empty office spaces. It also involves more active land policies to support densification through destruction-reconstruction, infill developments, or the construction of gardens. Due to the aging of the population, more active policies to limit the phenomenon of under-occupied housing are also a matter of interest.

The construction sector commonly puts forward the predictability of planning decision related to building permits. In this perspective, a regular provision of strategic master plans can be considered as an essential element for improving the responsiveness of supply. This would indeed allow private construction actors to better apprehend the spatial planning objectives and, therefore, to limit the time necessary to obtain all the required approvals (Debrunner and Hartmann, 2020).

### **3.4.2. The price side and the issue of social inequality**

Housing affordability instruments should be better mobilised to tackle the inequality issue. The financing of such instruments could be facilitated through land value capture techniques (OECD/Lincoln Institute of Land Policy, PKU-Lincoln Institute Center, 2022; Halleux et al., 2022) aiming to take profit of the structural increase in land prices previously commented (see above subsection 1.3).

One principal instrument of land value capture is inclusionary zoning. In a construction project, inclusionary zoning takes the form of an obligation for the developer to include a given proportion of housing that will be sold or rented at price levels below market prices. This practice, often acknowledged for its effectiveness, not only produces affordable housing but also spatially distributes population groups, thereby avoiding excessive segregation (McClure et al., 2017, p.190; Debrunner and Hartmann, 2020; Cavicchia, 2021).

Another potentially useful instrument is the surface rights (for instance, through a ground lease), which separates the ownership of the land from the buildings. The use of surface rights can be very useful in terms of housing affordability, as it allows low-income populations to avoid land costs, which have risen sharply in recent decades. Notably, the horizontal separation of the property and the use of surface rights is a key feature of the community land trust model.



### **3.4.3. The demand side and the issue of spatial disparities**

More active policies could also be considered concerning the demand side. As mentioned above, in Europe one can observe a general configuration with a concentration of high demand and high prices in the major metropolitan areas and the major touristic areas. In that respect, something needs to be done on the demand side, with spatial planning policies aiming to limit metropolisation and to support polycentrism and the development of small and medium-sized cities.

In parallel, more active policies should also be developed to better control the impact of tourism on access to housing. In this regard, it would be necessary to find new means should be found to limit the impact of both secondary residences and online platforms for renting tourist accommodation.

## **3.5. For a future research agenda**

As a final point, it is important to develop a reflection for a new research agenda that will help in the implementation of the more active and more integrated public policies. This reflection is based on the literature review as well as on the events organised in the context of the Belgian Presidency of the Council of the European Union. In particular, the Network of Territorial Cohesion Contact Points (NTCCP) held in April 2024 and the ESPON seminar held in June 2024, have allowed to confront the main conclusions to the opinion of major European experts in the domain.

### **3.5.1. New research on the diagnosis**

A first research topic to further develop relates to the need for more clarity on the causes of the housing affordability crisis. Indeed, it must be humbly acknowledged that it is not possible to exhaustively explain this structural and problematic rise in residential property values. As developed above, the mainstream economic literature on the subject put forward the issue of supply (in)elasticity (Figure 2). New research is needed on this important topic (especially on planning constraints), but new research is also needed to document the impact of both neoliberal policy and the financialisation of housing. Beyond the intellectual interest of an accurate diagnosis, evaluating the relative weight of the different explanatory factors could have major operational implications.

Another research topic to develop relates to the fact that housing presents the particularity to combine land with a built structure. Key research has shown that, over the long term, the rise in housing prices is first and foremost the result of the rise in land prices. However, at a time of high inflation and increasing mortgage rates, this conclusion should be carefully reevaluated. Here also, there are important operational implications, as a housing policy aiming to solve inflation in land values must differ from a housing policy aiming to solve inflation in technical costs.

### **3.5.2. New research on the instruments**

New research is needed on the diagnosis, but new research on the possible measures is also required to allow the operationalisation of the recommended active policies. Throughout Europe, in various national, regional and local contexts, there is a variety of interventions that contribute to reconcile housing affordability and land sobriety. Those interventions should be better analysed to evaluate their effectiveness as well as their applicability to other contexts.

A particular attention should be focused on the effective interventions that enable to activate and profit from multiple potential housing supplies: industrial wastelands, empty buildings, destruction-reconstruction, infill developments, gardens, under-occupied housing... As previously mentioned, a better activation of those kinds of supply should limit the growth in average market prices.

Similarly, a particular interest should be given to evaluate land value capture instruments such as inclusionary zoning, surface right and community land trust. Having more robust knowledge of those instruments should allow to limit the financial efforts of the disadvantaged socio-economic groups.



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