

INDUSTRIES & MARKETS

# Housing shortage worldwide

Trend report



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# Causes of the housing shortage and how it can be fixed

## Executive summary

In countries all over the world, from the United States to the United Kingdom, Germany, and Australia, there have been headlines about the housing crisis and the millions of missing homes. Meanwhile, governments have created ambitious plans to increase the number of homes built every year and bring down housing costs.

There are several reasons for the rise in home prices, including not having enough new housing in areas of high demand, as well as inflation and rising interest rates making it more expensive to get a mortgage.

In the early 2010s, the supply and demand of housing in major economies seemed to be aligned to a certain extent. However, in the past few years, the number of new households formed has been growing at a faster rate than the number of units added to the housing stock.

- This housing gap has been increasing in cities such as New York, Toronto, Madrid and their corresponding metropolitan areas. In the metro area of Toronto, for instance, there were roughly 213,600 less new homes completed than families formed between 2016 and 2022. This adds pressure to the housing market and causes prices to continue rising.

- Homebuilders and real estate developers are facing serious challenges, such as delays, labor shortages, rising costs, economic uncertainty, financial constraints, and overregulation. These costs and potential pitfalls disincentivize investment and slow the reaction time of the market, even when there is demand for more housing.
- Many governments have set goals to increase the number of homes built in the next few years. There has also been renewed focus on housing policies, with which they can contain prices, help households afford to buy or rent a home, and boost residential construction.

This report gives an in-depth look at the housing shortage and its effects on the affordability crisis, with a special focus on the U.S., Canada, the UK, Germany, France, Spain and Australia. The first two chapters explore the dimensions of the problem. After that, the focus shifts toward the challenges that the industry is facing, the reasons why more homes are not being built, and the policies that governments are using to solve the housing crisis.



01

# The global state of the housing market

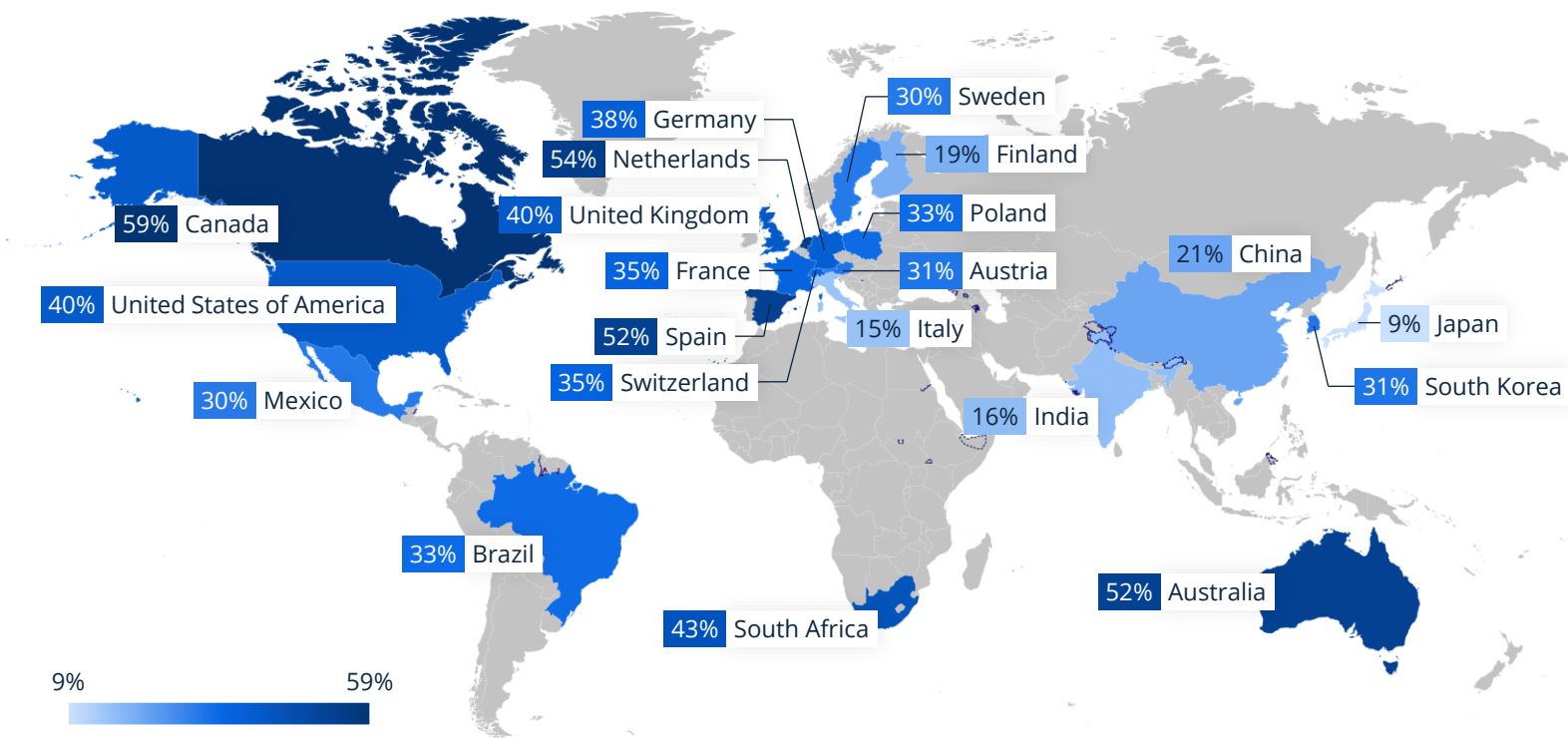
- Major challenges to the housing market
- How to measure the housing shortage
- Countries with the worst housing shortage



# Canadians are the most concerned about housing

Main challenges in the housing market

Share of residents in selected countries who think housing is among the biggest issues in their country in 2024



Housing affordability and the housing shortage are perceived as a challenge all over the world. In Canada, the Netherlands, Spain, and Australia, over half of respondents thought this was one of the main issues in their country.

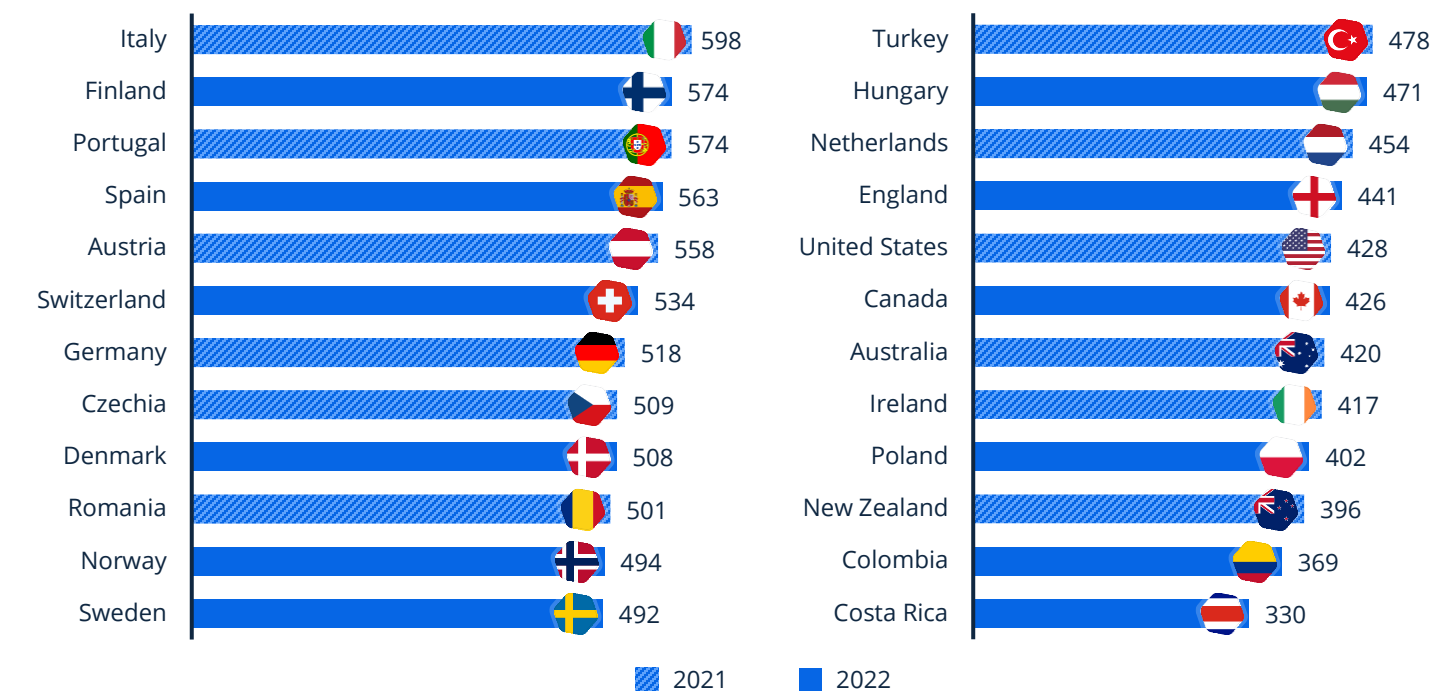
From within the industry, 59 percent of mortgage industry professionals in the U.S. placed the housing stock and supply among the three biggest risks to the single-family home mortgage sector in 2023, with that number rising to 64 percent a year later.

Those problems are in fact two sides of the same coin. In cities with a growing population, more people will be trying to purchase the homes available, which consequently causes prices to rise if supply does not grow sufficiently. Thus, solving the housing shortage is a prerequisite to tackling the affordability problem.

# Costa Rica and Columbia had the least housing relative to their population

But how is housing supply measured?

Existing housing units per 1,000 inhabitants in 2021 or 2022 worldwide, by country



Southern European countries like Italy, Portugal, and Spain had a lot of housing units per capita. However, touristic countries may need to have more housing as many people have second homes or book short-term rentals.

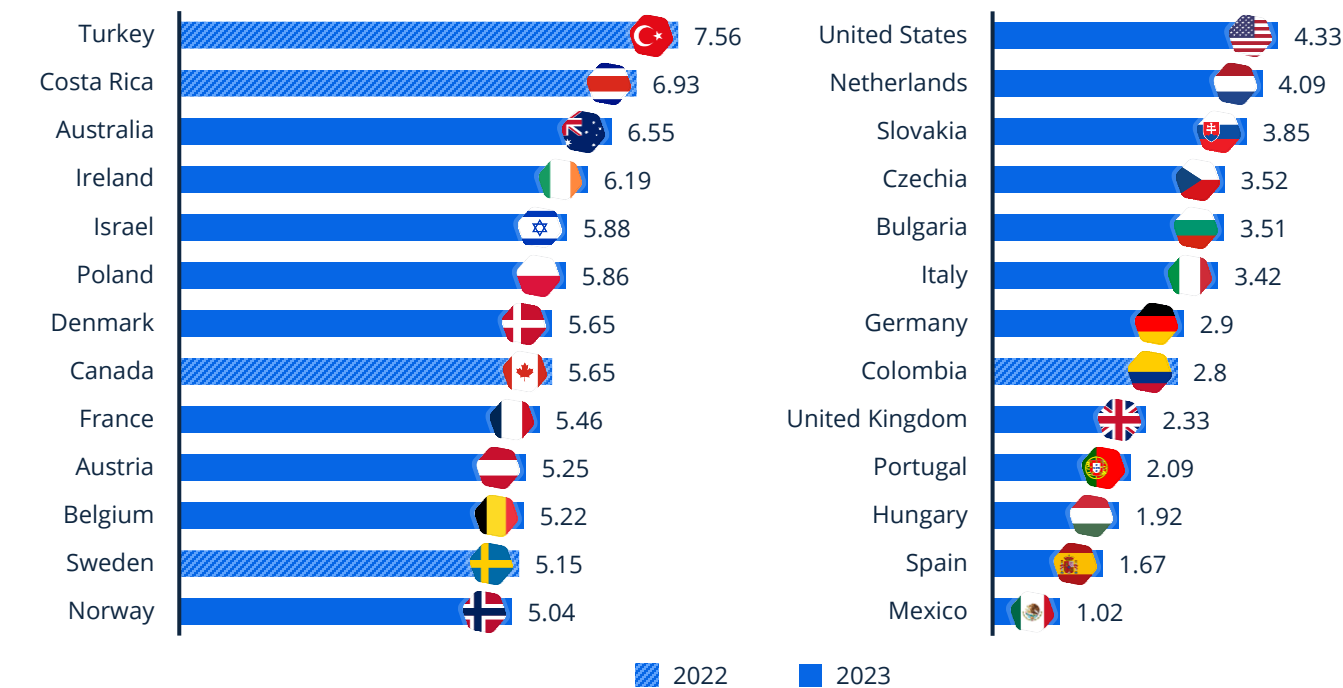
Social demographics, such as the size of families and their dynamics, also affect the housing shortage. Given that the average Spaniard does not leave their parental home until after the age of 30, compared to Finns who do so at around 21, the shortage might be different in each country even if they have a similar number of homes per capita.

Due to these factors, there is no exact measure of how many units are missing from the housing stock. A healthy housing market needs to have a surplus of housing so that people can move, sell, and buy homes.

# Mexico and Spain had the lowest rate of completions

Which countries are the most affected by the housing shortage?

Housing units completed per 1,000 residents in 2022 and 2023 worldwide, by country



While Australia had a relatively low number of existing homes per capita (see previous page), it was among the countries with the highest number of housing completions. Meanwhile, the opposite was the case for Spain.

In some developing economies, the challenge was not so much the supply of homes, but having adequate housing with access to water, sanitation, enough living space, and clean cooking. Studies show that Botswana, Madagascar, Ethiopia, and the Democratic Republic of the Congo were some of the countries with the highest number of inadequate homes per capita.

Given the different nature of those challenges, this report is only focused on the housing shortage in developed countries. The second chapter examines which housing markets show signs of stress, while the chapters after that look at the causes of the housing shortage, and policy solutions to the problem.



02

# The housing gap in major markets

- United States
- Canada
- United Kingdom
- Germany
- France
- Spain
- Australia



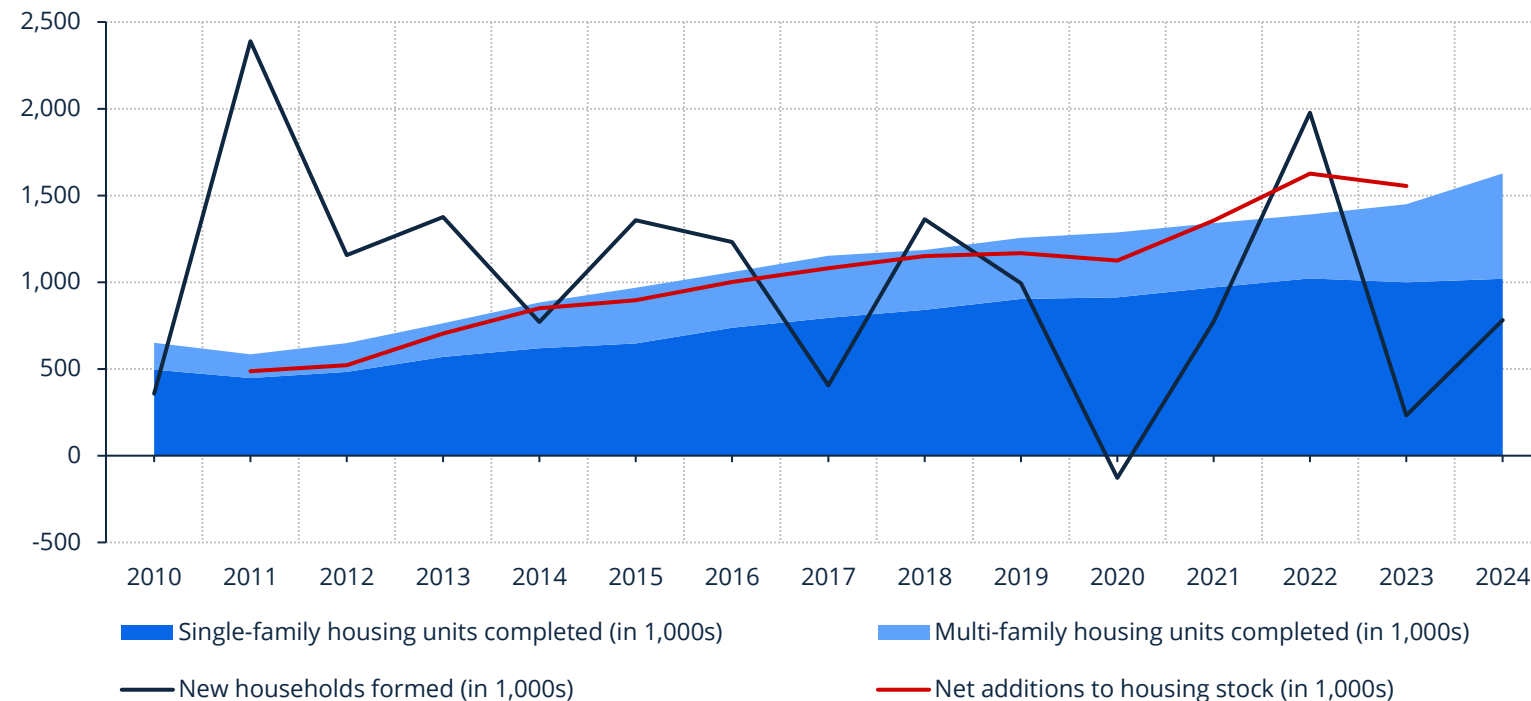


# Supply catching up in the United States

More new homes than households formed



## Private housing completed, housing stock added, and new households formed in the U.S., from 2010 to 2024



Between 2011 and 2016, there were 3.82 million fewer units added to the housing stock than households formed in the U.S., resulting in a housing shortage. However, the net number of homes added increased after that, with 3.44 million more units than new households added between 2017 and 2023.

That may suggest that there were nearly enough homes built. But in order not to have housing scarcity, it is also necessary that developers build the type of housing that is demanded and that they do it in the right location.

Nearly 30 percent of all the homes completed since 2012 were multi-family units. But only 20 percent of the population in the U.S. lived in multi-family housing. That number was significantly lower in some states, which could suggest that not enough single-family houses were being built.

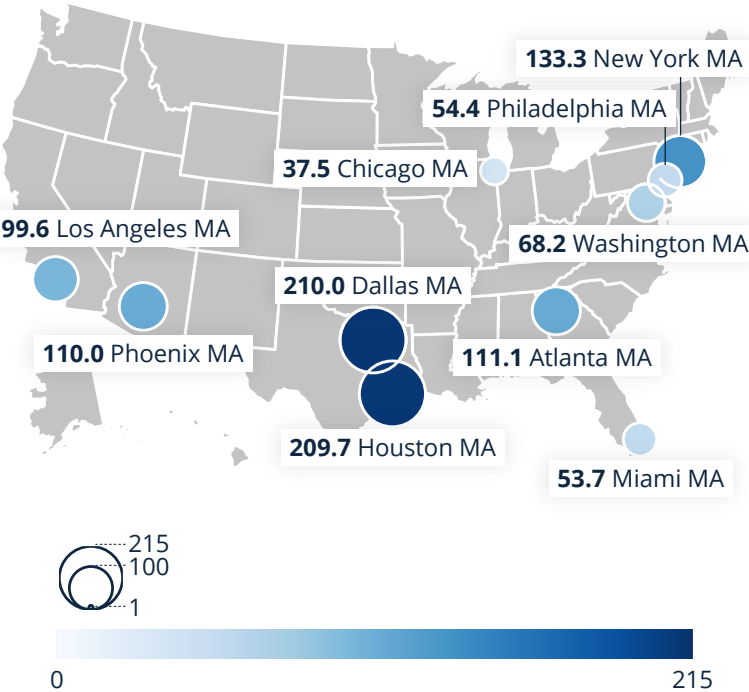


# Housing supply increases at very different speeds across U.S. cities

Comparing the supply and demand of housing in the different metropolitan areas of the United States

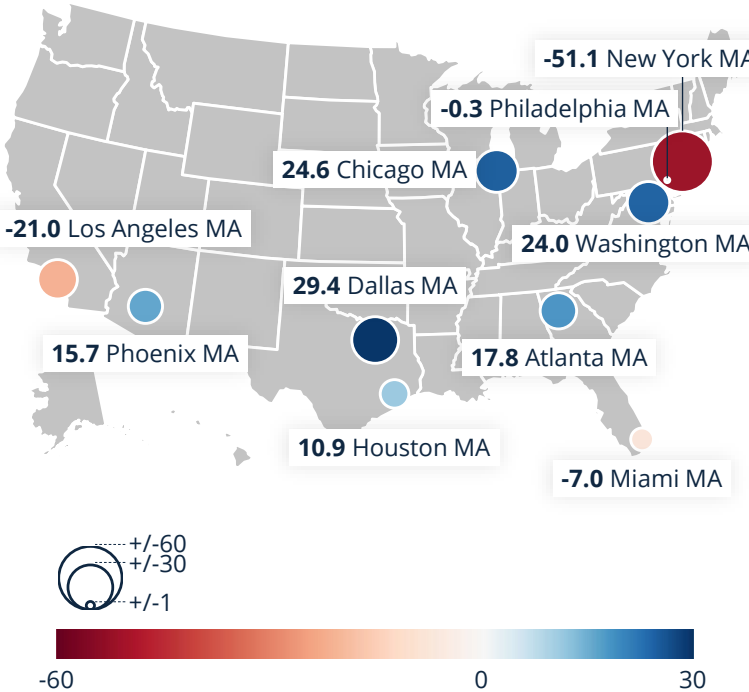
## Texas housing stock growing the fastest

Units added to the U.S. housing stock, from 2021 to 2023  
(in 1,000s)



## New York's supply and demand was mismatched

Net additions: housing stock minus new households in the U.S.  
in 2022 and 2023 (in 1,000s)



There were big disparities in the number of homes added to the housing stock in different cities. In fact, the number of new housing units in the metro of either Dallas or Houston area was nearly seven times higher than that of Chicago. Austin was another metro area in Texas with a rapidly growing housing stock, with roughly 42,900 housing units added in 2023. Despite strong population growth, Texan cities have managed to keep on top of housing demand.

Meanwhile, Chicago was one of the metro areas with the least net additions to its housing stock, but its supply and demand were not mismatched because its population has been decreasing in recent years and its number of households barely increased in the past two years. However, the metropolitan areas of New York, Los Angeles, Philadelphia, and Miami did not have enough new housing to meet demand from the increasing number of households.

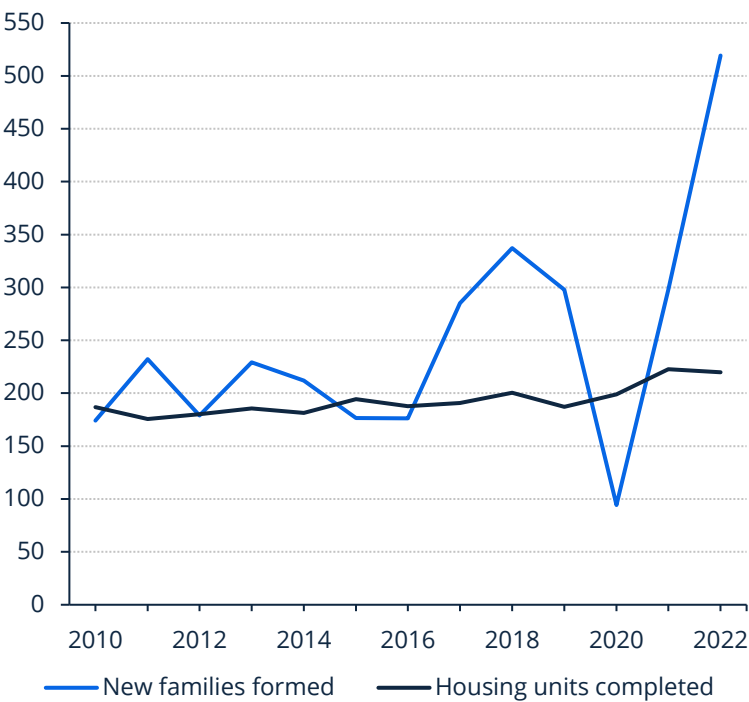
10 **Notes:** (1) United States; 2021 to 2023; (2) United States; 2022 to 2023; MA stands for metropolitan area, with the data referring not only to the city itself but to other cities in its metro area, such as Newark and Jersey City in the case of New York, Long Beach and Anaheim in the case of Los Angeles, and Pasadena and The Woodlands in the case of Houston  
**Sources:** (1) (2) Statista; US Census Bureau; [ID: 1499151](#); [ID: 1499311](#); Text: US Census Bureau; [ID: 815178](#); [ID: 815172](#); Bureau of Labor Statistics; US Census Bureau; [ID: 206367](#); Statista



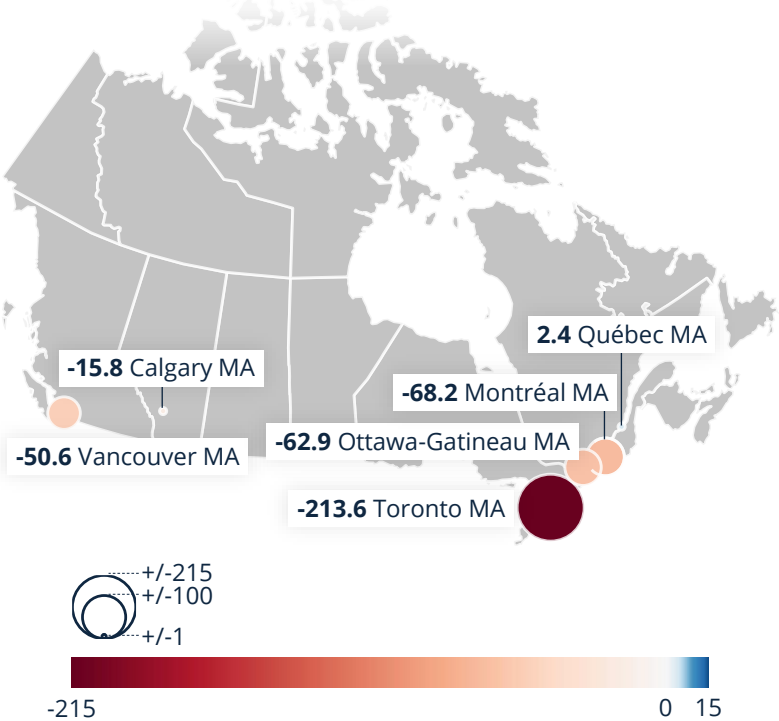
# Nearly a decade of mismatch in Canada's housing supply and demand

Toronto had the worst housing shortage

Housing completions and households formed in Canada, from 2010 to 2022 (in 1,000s)



Housing units completed minus new families formed in Canada, from 2016 to 2022, by metro area (in 1,000s)



The number of homes completed, and new families formed in Canada remained mostly on par until 2016, after which the number of new families rose quickly. This kicked off a series of significant disparities between 2017 and 2020, as well as in 2021 and 2022.

The metro area of Toronto had the largest housing gap in Canada, with roughly 213,600 fewer homes built than new families formed between 2016 and 2022. That housing gap was noticeably bigger than the one in the New York metro area in 2022 and 2023 (see previous page).

Ottawa-Gatineau, Montreal, and Vancouver also built fewer homes than needed. Some smaller cities, particularly in Ontario, had shortages too. At the other end of the spectrum, Québec and Edmonton fared much better, as their metro areas were the only ones with no housing gap during that period.

11 Notes: (1) Canada; 2010 to 2022; (2) Canada; 2016 to 2022; MA stands for metropolitan area

Sources: (1) (2) StatCan; Statista; [ID: 1496622](#); [ID: 1496569](#); Text: StatCan; Statista; [ID: 1496569](#)

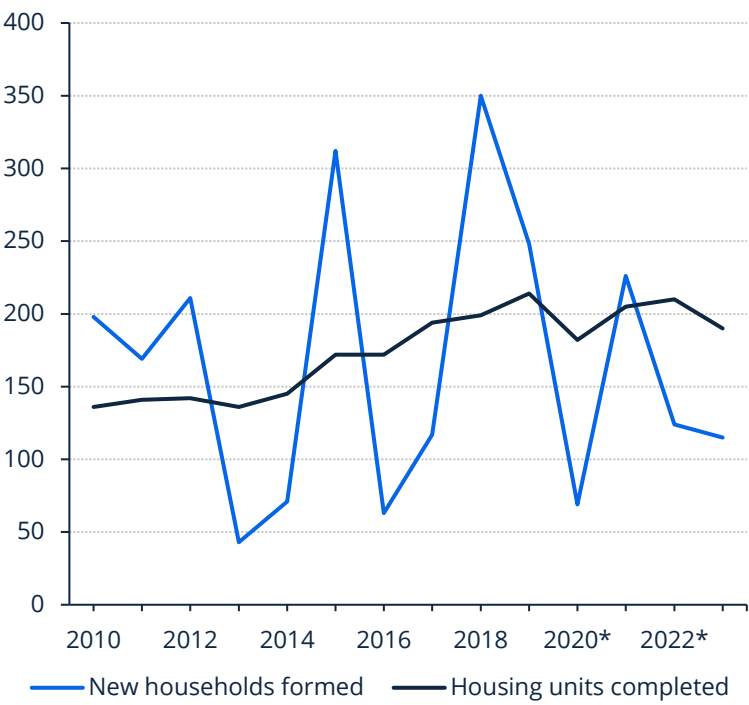




# Supply keeping up in the UK, but some cities do not fare well

Liverpool had among the lowest new housing per capita

Housing completions and households formed in the UK, from 2010 to 2023 (in 1,000s)



Net housing additions per 1,000s dwellings in England 2023



Despite peaks in 2015 and 2018 when the number of new households sharply increased, the number of housing completions in the UK has kept up with the demand.

Nevertheless, there are significant differences among cities. In 2023, Liverpool had one of the lowest rates of new houses added to its stock, at 4.3 for every 1,000 already existing dwellings, whereas London added 9.4 homes per 1,000 units, over twice the volume of Liverpool. Greater Manchester also added housing to its stock at a faster rate than other cities.

Whether those cities had housing shortages depends on the number of households formed. For example, the population in Greater Manchester increased by 9.8 percent between 2011 and 2023, but the housing stock only rose by 8.34 percent. That could suggest that there were not enough homes built during that period.

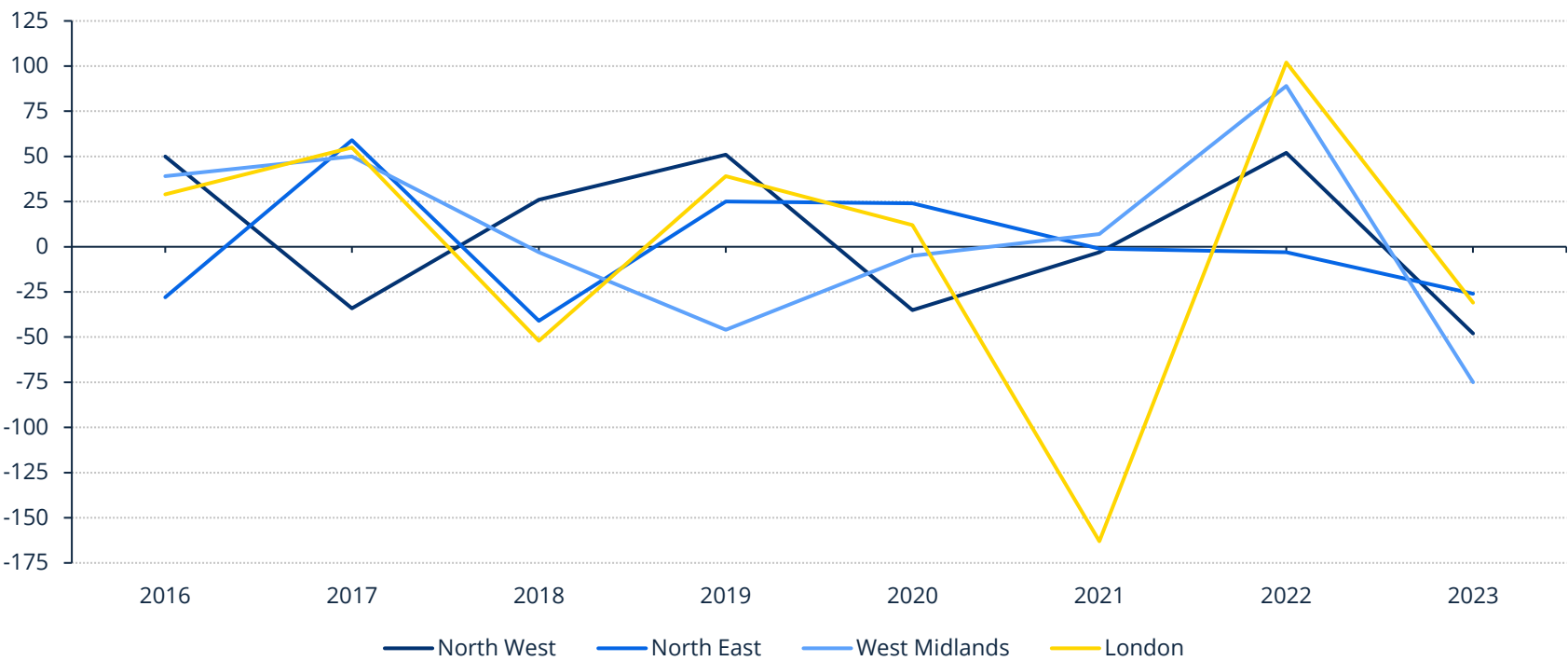
12 Notes: (1) United Kingdom; 2010 to 2023; \*Completion figures for those years refer to financial years; (2) United Kingdom; 2023

Sources: (1) Office for National Statistics (UK); Statista; [ID: 1496686](#); (2) GOV.UK; [ID: 1496129](#); Text: Office for National Statistics (UK); [ID: 1289252](#); GOV.UK; [ID: 1560274](#)

# London and Glasgow had large housing gaps

Comparing the supply and demand of housing in cities across the United Kingdom

Housing units added to the stock minus new households formed in selected English regions, from 2016 to 2023 (in 1,000s)



Despite having added housing to its stock at a faster rate than other English cities, London did not build enough housing in 2018, 2021, and 2023. That resulted in a total difference of 93,000 fewer homes built than households formed in London since 2016.

North East England and the West Midlands did not see enough homes built after 2018 either, while North West England, the region of Liverpool and Manchester, had more new homes than households formed.

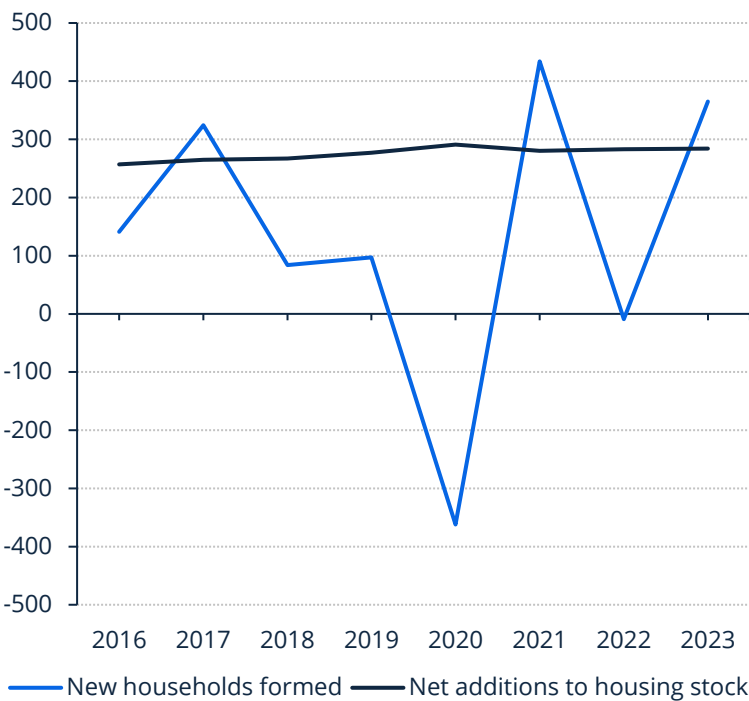
In Scotland, Glasgow had, in total, 3,847 fewer homes built than households formed since 2018. Edinburgh built enough housing until 2021, but it had a gap of 2,359 homes in 2022 and 2023.



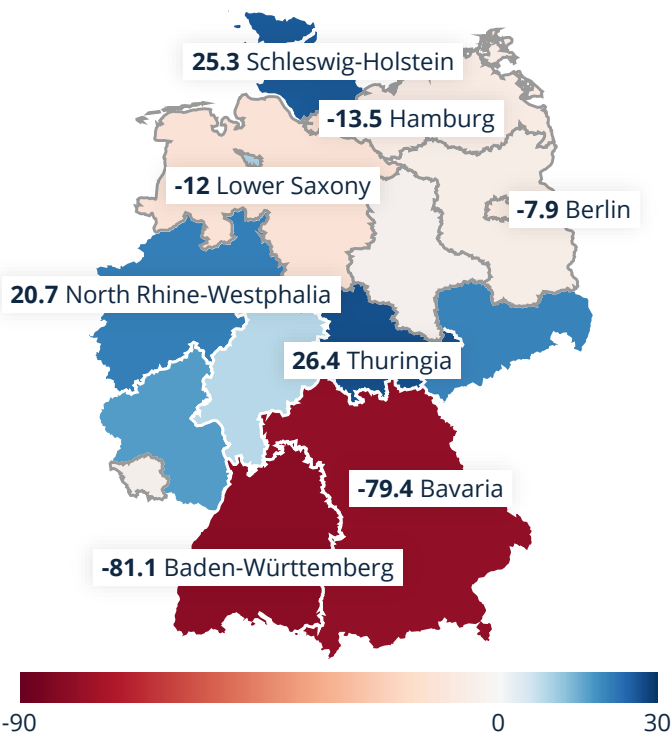
# Southern Germany had severe housing supply problems

Baden-Württemberg and Bavaria fared the worst

Households formed and housing stock added in Germany, from 2016 to 2023 (in 1,000s)



Net additions to housing stock minus new households in Germany from 2022 to 2023 (in 1,000s)



Between 2016 and 2023, there were 1,130 more homes added to the housing stock than new households formed in Germany. Only in 2017, 2021, and 2023 there was a housing gap.

Most of central Germany, Bremen, and Schleswig-Holstein did not have a housing gap in 2022 and 2023. Meanwhile, Hamburg, Lower Saxony and Berlin had fewer new homes than households formed during those years.

The largest housing gaps by far could be found in the southern states. Nevertheless, both regions had more new homes than households formed from 2018 to 2021, which makes up for the low figures of the past couple of years.

In general, the housing shortage in Germany was not as severe as in Canada and the UK, even though the situation worsened in some states in 2022 and 2023.

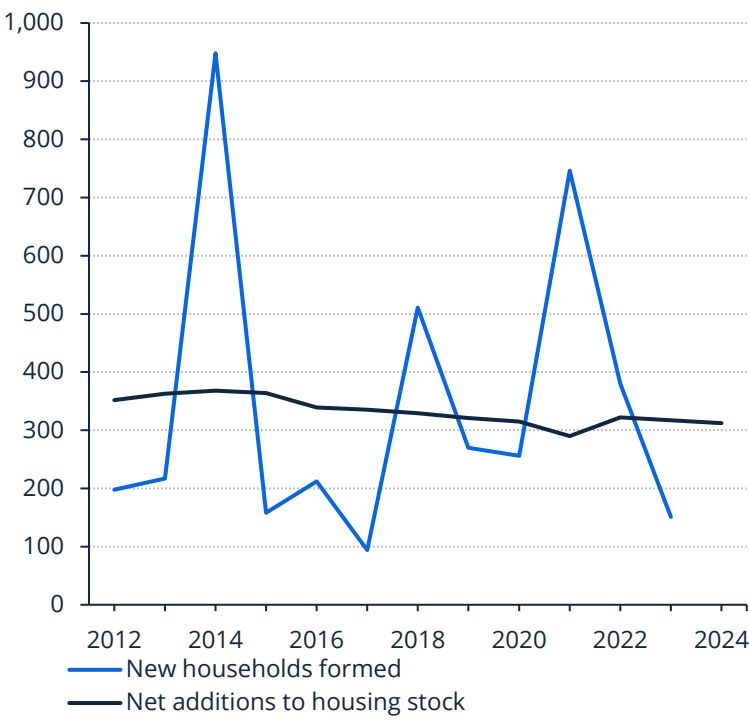




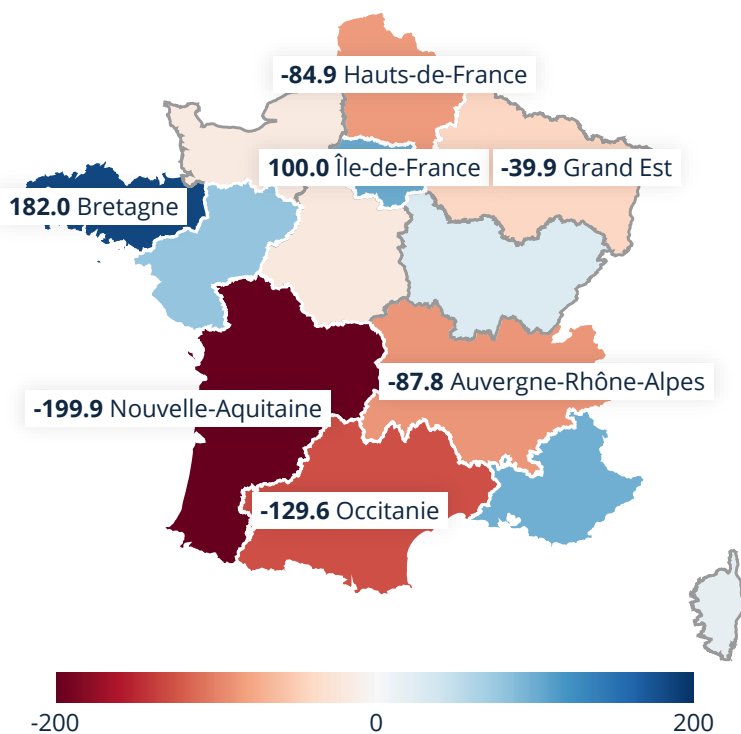
# Nouvelle-Aquitaine had the largest housing gap

Comparing the supply and demand of housing in France

Households formed and housing stock added in France, from 2012 to 2024 (in 1,000s)



Housing starts minus new households in France, from 2018 to 2023 (in 1,000s)



In France, housing construction has mostly kept up with demand during the past decade, except for a few years when the number of new households formed rose sharply.

Île-de-France, which is the region that includes Paris and its surroundings, had roughly 100,000 more housing starts than new households formed between 2018 and 2023. The capital region, therefore, did not seem to have any housing scarcity.

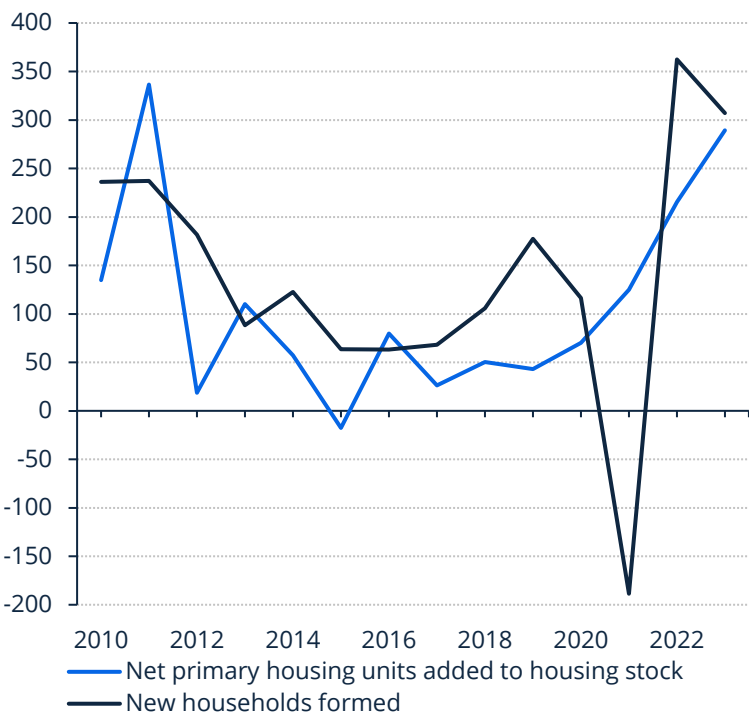
However, several regions, particularly in the north and south of France, did show signs of housing shortage. Between 2018 and 2023, there were 199,900 fewer housing starts than families formed in Nouvelle-Aquitaine, with that negative difference being 129,600 in Occitanie. Although the housing gap was not so large in Normandy, the region had fewer housing starts than families formed every year since 2021.



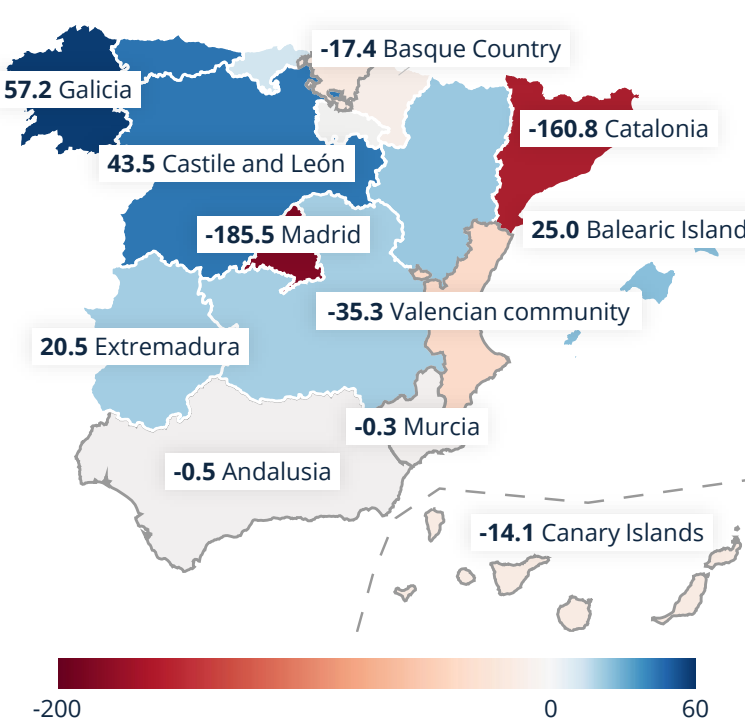
# Madrid and Catalonia fared the worst

Spain needs more housing for its permanent residents

Households formed and housing stock added in Spain, from 2010 to 2023 (in 1,000s)



Primary housing added to stock minus households formed in Spain from 2015 to 2023 (in 1,000s)



As Spain is a highly touristic country, the volume of new housing added to the overall housing stock also reflects secondary homes and short-term rentals, so may not be a clear indicator of a potential housing shortage.

If only primary housing is considered, the picture looks quite different. Since 2010, there have only been four years in which the number of new primary housing surpassed that of new households formed.

Between 2015 and 2023, there were roughly 185,530 fewer primary homes added to the housing stock than families formed in Madrid. Meanwhile, that shortage amounted to 160,820 in Catalonia. Valencia, the Basque Country, and the Canary Islands had smaller shortages in primary housing built since 2015.

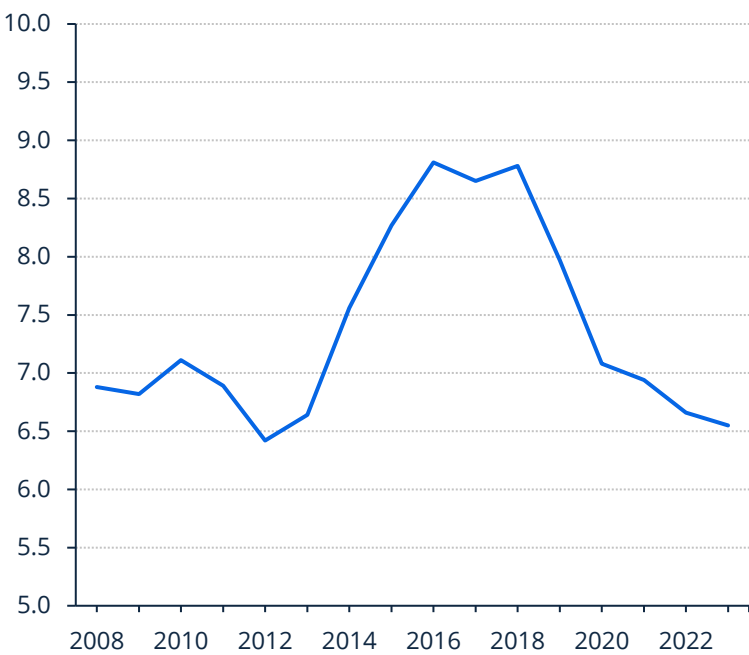
With a similar population, the metro area of Toronto was one of the few cities with a bigger shortage than the region of Madrid.



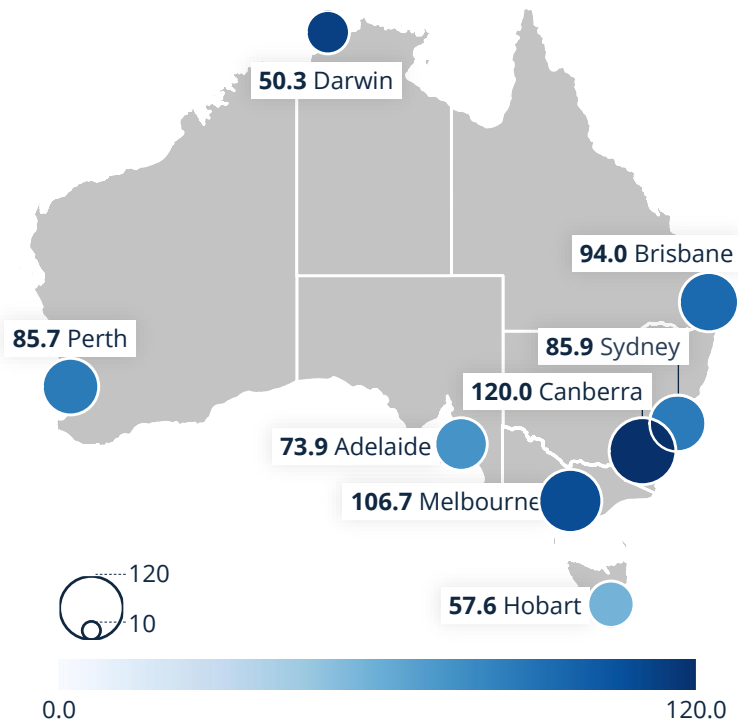
# Not enough housing completions in Australia

Homebuilders struggle to meet ambitious government targets

Housing units completed per 1,000 residents in Australia, from 2008 to 2023



Housing units approved per 1,000 residents in Australia, from 2014 to 2023



As there were no figures showing the number of households in Australia, it was not possible to know the exact difference between homes needed and homes delivered.

However, the number of housing units completed for every 1,000 residents fell sharply after 2018 and has not since recovered.

The overall housing construction figures were far from the government's target of building 1.2 million well-located homes between mid-2024 and mid-2029.

On average, 240,000 new homes would be needed every year from 2024 to 2029 to reach the government's goal. Since 2021, however, there have been less than 180,000 homes finished per year. Construction starts were even lower in FY 2023 and 2024, and though forecasts describe a sharp rise after that, they would still be short of meeting the goals.



03

# Causes of the housing shortage

- Construction delays
- Main challenges in Europe
- Main challenges in the U.S., Canada, and Australia
- Regulatory constraints

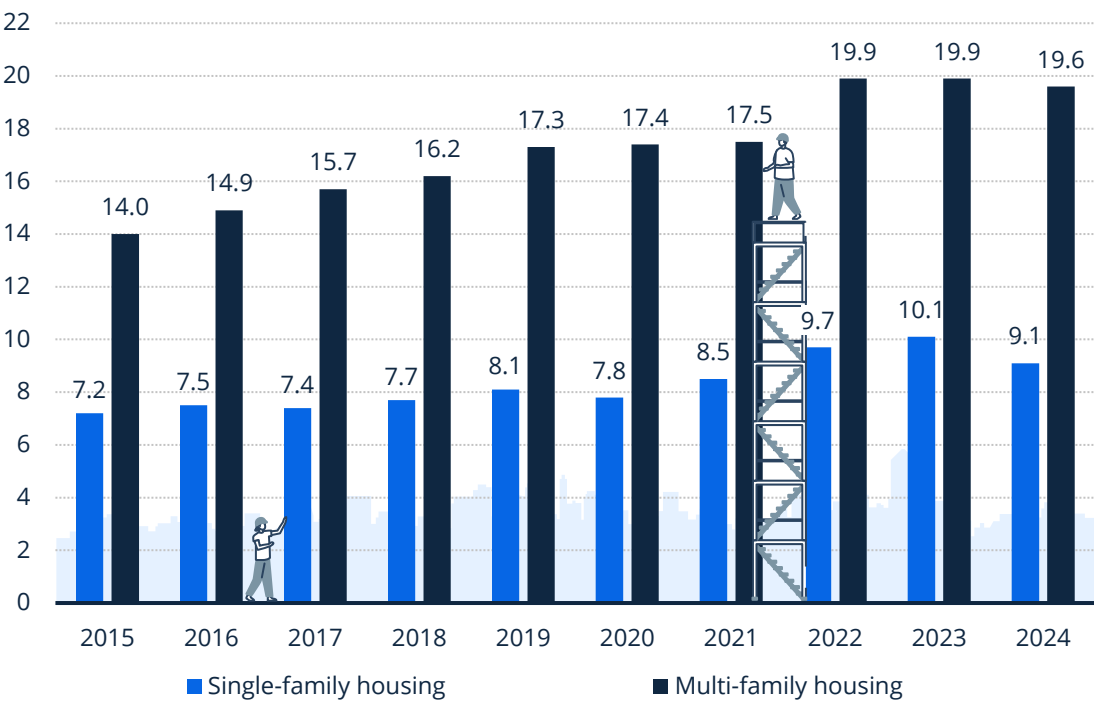




# Construction projects keep taking longer

Labor shortages, rising costs, and supply problems among causes for delays

Number of months from permit to housing completion in the U.S.



There are several factors that explain why homebuilders and developers are not building enough homes, such as costs, risks of new projects being too high, and uncertain profit margins.

Another of those challenges is delays, which not only slow the reaction time of the industry to any changes in the demand for housing but also lead to higher costs, which discourages further construction.

Delays can be caused by labor shortages, supply problems, financing problems, accidents, bad weather, and other reasons, but they have increased in recent years. From 2015 to 2024, the number of months that passed from the issuance of the average building permit to the completion of that home increased by 40 percent for multi-family homes and by 26 percent for single-family homes. That was despite construction times improving in 2024.

Meanwhile, building an apartment in Australia took over a year longer in FY 2023/24 than in 2014/15. That was an increase of 56 percent, while the construction time of a house in Australia from approval to completion rose by over 48 percent during the same period.

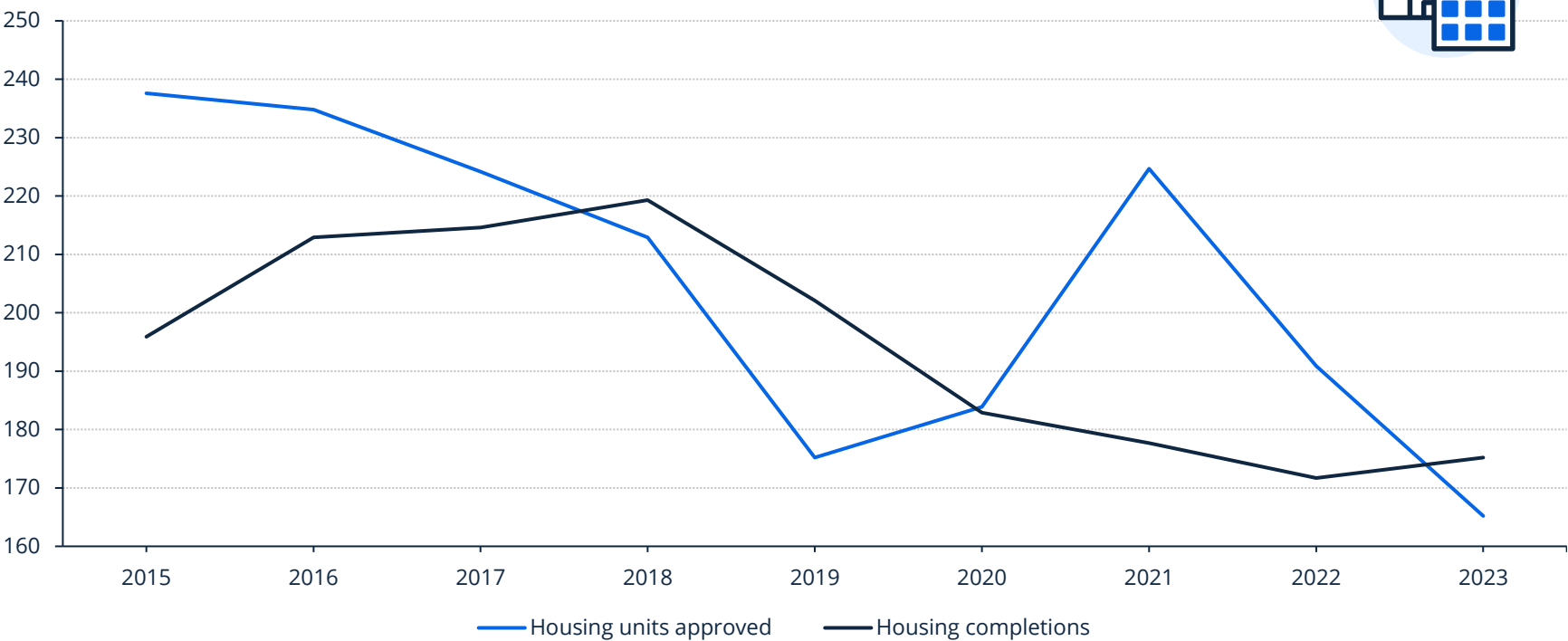
Furthermore, those figures do not include the time it takes to get a building permit, which is another issue often mentioned as a cause for delays. All these issues have also caused delays in the UK, Germany and other European countries.



# Construction delays slow reaction times

It takes longer to react to market signals

Housing construction permits issued and housing completions in Australia, from 2015 to 2023



Comparing the number of housing units in each construction stage can also show the slow reaction time of the industry.

In 2021, there was a peak in the number of homes approved and started in Australia. However, it was not until 2023 that housing completions started increasing slightly, and even then, they were still at a much lower level than in previous years.

That suggests that a certain share of the projects started in 2021 and 2022 were still under construction years later. Therefore, even if measures to boost the housing supply were applied, it would still take some time for that to be noticeable in the real estate market.





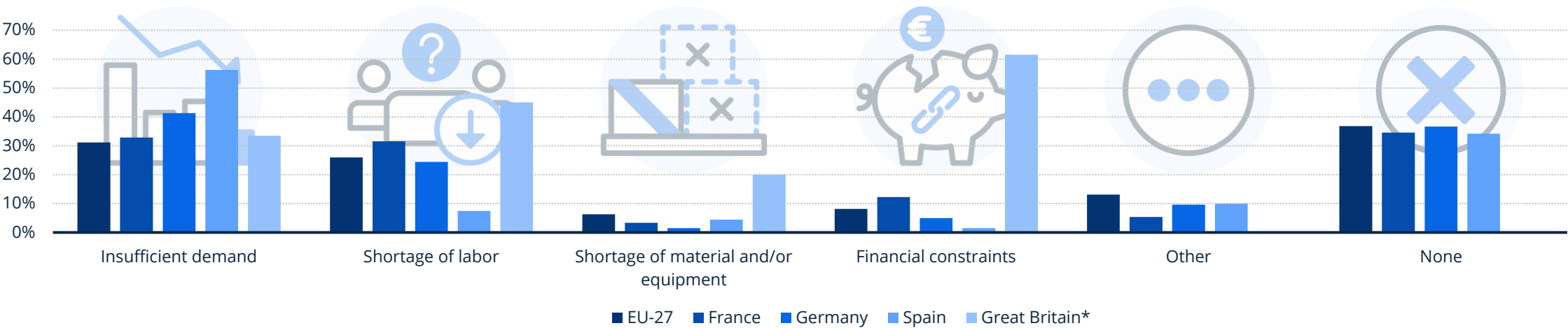
# What are the main factors limiting construction?

European construction companies did not perceive enough demand

Despite many cities experiencing housing shortages, insufficient demand was listed as the main factor limiting construction activities in Europe. These figures refer to the construction sector as a whole. But in general, contractors not getting enough projects could be a signal that these construction challenges are undermining confidence among developers, as costs and risks make returns more uncertain.

The labor shortage was also restricting the activities of construction companies in most European countries, but not in Spain. Meanwhile, financial constraints were the biggest challenge in Great Britain, which was not a notable issue in the EU. Over half of UK construction firms also mentioned planning and regulation as a constraint.

Share of construction companies whose activities were limited by the following factors, in selected EU countries 2024

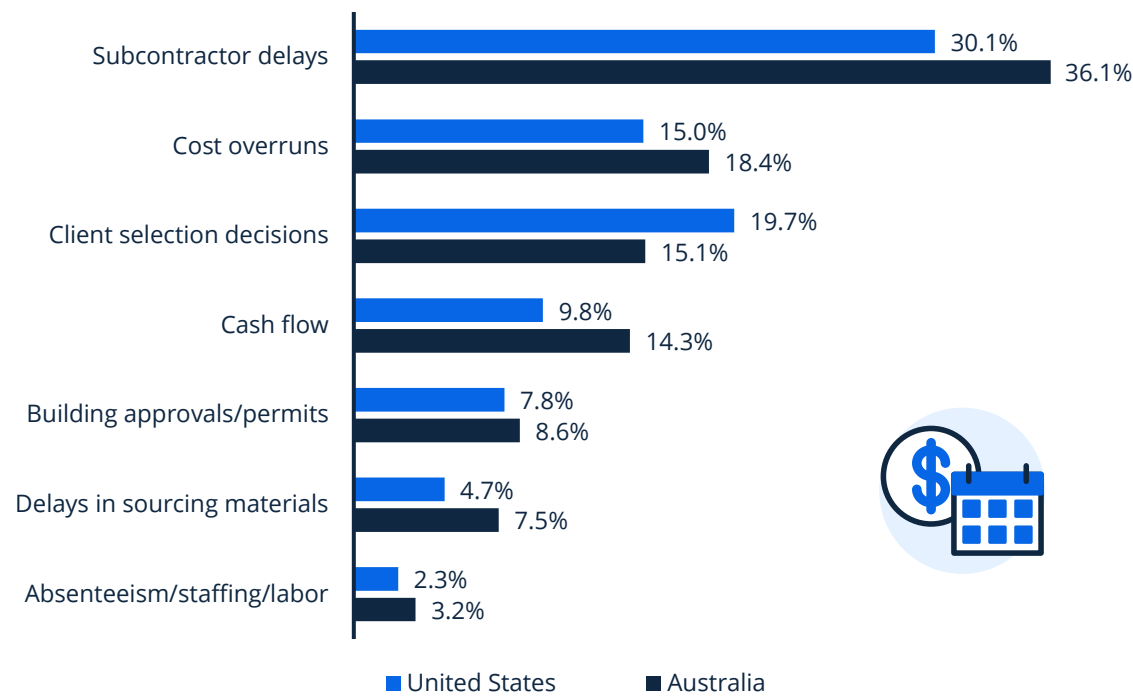


# Delays and costs among the main challenges



Subcontractor delays the main challenge for Australian and U.S. builders

Share of homebuilders reporting the following as their biggest challenge in 2023



As discussed on page 19, delays are a major problem for construction projects. Homebuilders in Australia and the United States echoed this, mentioning subcontractor delays as their main point of stress.

Bureaucracy, changing demands of the client, and budgeting problems also play a role. In fact, 15 percent of homebuilders in the United States mentioned cost overruns as their main challenge, with this figure rising to 18.4 percent in Australia.

Toward the end of 2024, nearly 43 percent of construction companies in Canada expected the rising cost of inputs to be a problem; between 30 and 38 percent of them were also concerned about rising interest rates, the cost of insurance, and transportation costs.

Few homebuilders in Australia or the U.S. mentioned labor-related problems as their main concern, but 32 percent of Canadian construction firms expected labor shortage and recruiting skilled workers to be an issue in the short term.

Along with financing problems, building approvals and permits were also a point of concern in the U.S. and Australia. However, only 9.7 percent of construction companies in Canada mentioned regulatory issues as a problem.

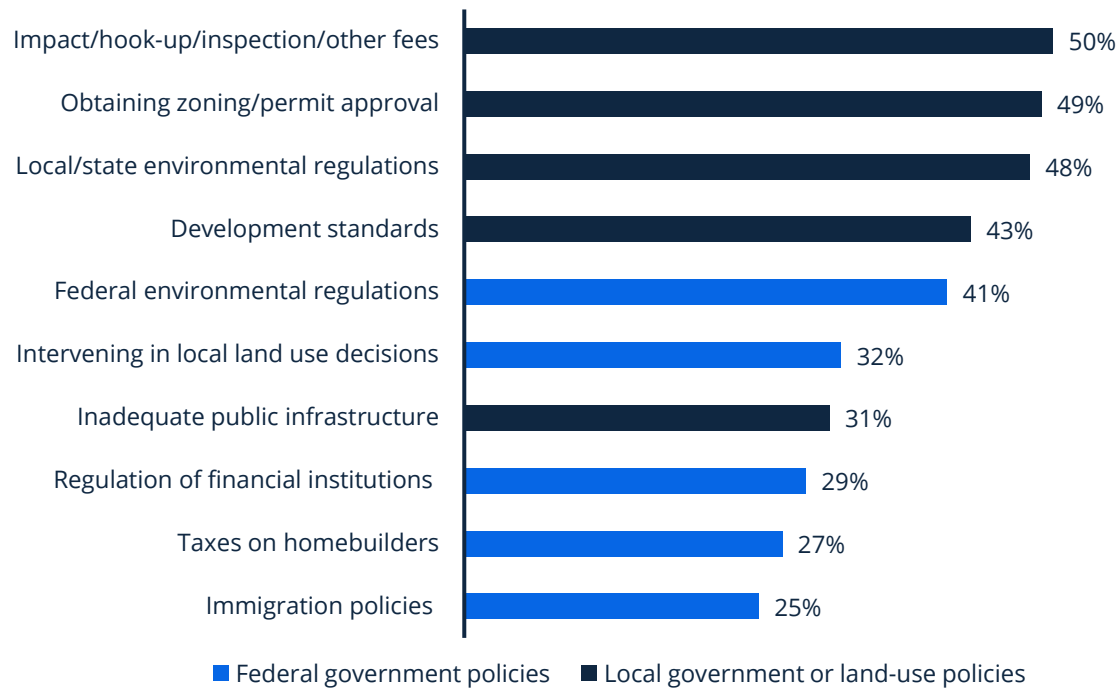




# Can regulations constrain housing supply?

Fees and zoning among the most contested policies by homebuilders

Share of U.S. homebuilders with these policies among their most significant problems in 2023



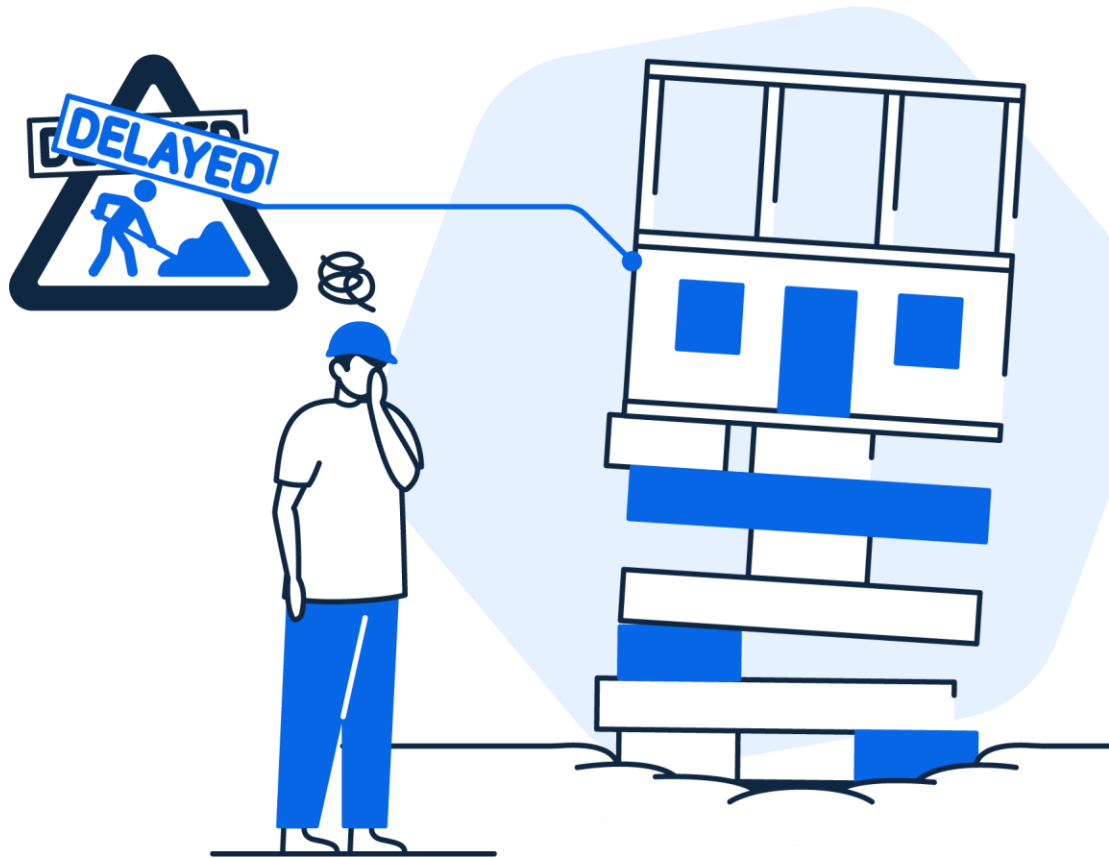
In line with the concerns about construction costs described on page 22, half of homebuilders in the U.S. complained about the fees that need to be paid to local authorities to hook up to utilities, for home inspections, and other purposes.

Zoning laws and obtaining permits also ranked highly, as they can similarly increase costs and reduce the elasticity of the housing market. That means that homebuilders and developers will react slower to market trends because regulation increases marginal costs.

Regulations often put constraints on home building for the common good, ensuring the safety of buildings and that construction is not damaging the environment. But these policies can also negatively affect housing supply. In fact, local, state, and federal environmental regulations were among the policies that homebuilders found most problematic in 2023.

Other reports have also looked at how overregulating can constrain supply in Europe. However, policies are necessary to ensure the safety of structures and the workers that build them, to reduce the environmental impact and hazards of construction projects, and to avoid buildings being constructed next to each other for uses that are not compatible, such as having a factory next to a residential area.

# There is no single root cause of the housing deficit



The housing shortage is a multifaceted problem that affects different countries and cities in different ways, but there are some commonalities.

In recent years, the global construction industry has faced challenges, such as rising costs and material shortages, but also long-term problems such as labor shortages and delays in the approval of housing permits. As shown on page 23, zoning and permit approvals were one of the policy areas that homebuilders complained about the most.

All these challenges do not only negatively affect the readiness of developers to build more homes, as they produce an environment in which completing projects is more difficult and costly, but they also lengthen their completion time. The figures on page 19 show that building multi-family homes in the U.S. took nearly half a year longer in 2022 than in 2015, with the situation being even worse in Australia.

Those figures only refer to how long it takes for a project to be completed after its permit is issued, however. This suggests that the preparations for construction projects are cumbersome even before the first worker has set foot on the construction site.



04

## Solutions to housing affordability problems

- House prices on the rise
- Types of housing policy
- Support for homebuyers
- Housing allowances
- Rent controls



# Help consumers or boost housing supply?

## Types of housing policy



Two key approaches to tackling the problems in the housing market include:

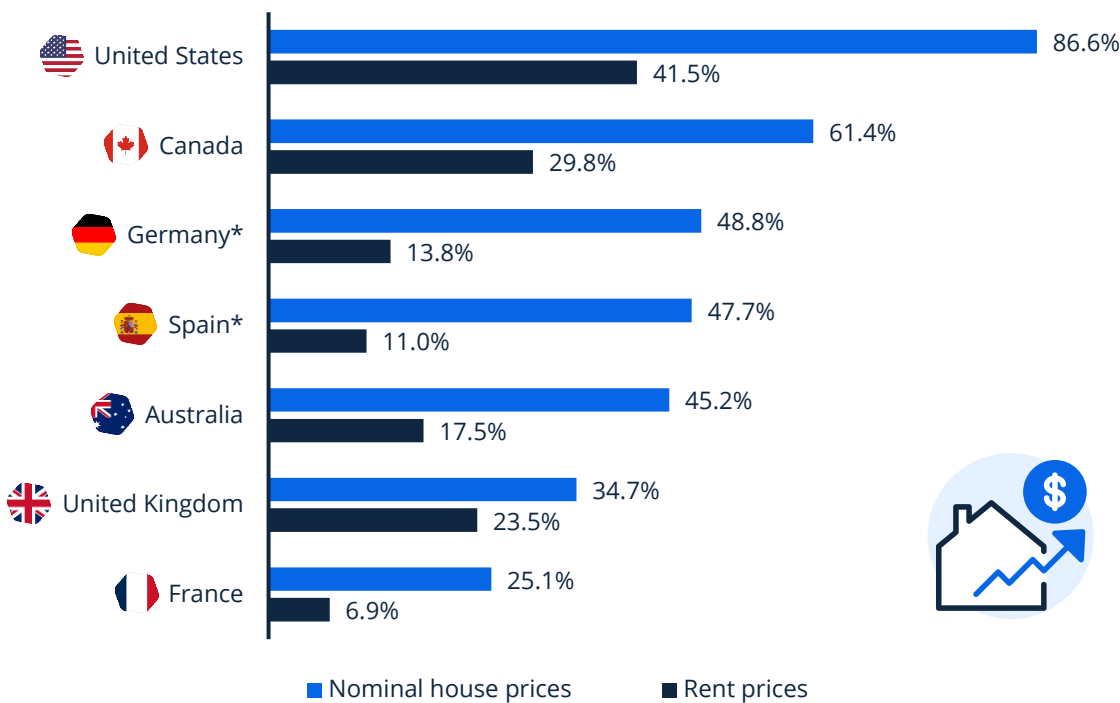
- **Demand-side policies:** These tend to focus on the real estate market and are aimed at controlling prices, assisting people in buying their homes, or providing subsidies to vulnerable groups so that they can cover housing costs. However, by facilitating more people to enter the housing market without expanding the supply, demand-side policies can worsen housing affordability.
- **Supply-side policies:** These have the goal of increasing the number of homes available. That can either be achieved by promoting private construction or by building public housing (see chapter 5). Nevertheless, some of these policies have also received criticism. Supply-side subsidies, such as the Low-Income Housing Tax Credit in the United States, which is a tax incentive given to companies to build or rehabilitate affordable housing, tend to be partly absorbed by developers. However, these types of measures are more effective at increasing the housing stock, and some studies have also found them more effective at cooling down home prices.

There are, nevertheless, some policies that do not fit neatly into these categories. An example would be the restrictions on foreign investment in residential real estate in Australia or the taxes on vacant homes in Vancouver and British Columbia, which work to ensure that homes are not used for speculation and left empty.

# House prices soared in the last decade

House prices, housing shortages, and how to solve them

Growth rate of house and rent prices from 2016 to 2024, by country



The housing shortage has not only made it more difficult to find housing but has also had a negative effect on prices. Over the past decade, house prices have been rising almost every year in most Western economies.

The annual growth rates of house prices peaked in 2021. But, in general, they have risen a lot in the past decade, growing by over 45 percent in Australia from 2016 and 2024, and by nearly 87 percent in the United States. Rents have been growing at a somewhat slower rate but have also been a cause for concern.

House prices have also risen rapidly in other countries such as New Zealand, Mexico, Chile, Poland, Hungary, and Portugal. Although the context is different in each country and region, there has been a focus on what policies may help contain prices.

There are two main ways to tackle the problems in the housing market. One is to focus directly on prices by ensuring that everyone can afford to buy or rent a home. The other is to boost the supply of homes. This would not just make it easier to find a home but also help stabilize prices, as housing shortages are believed to be one of the major causes of the rise in home prices.



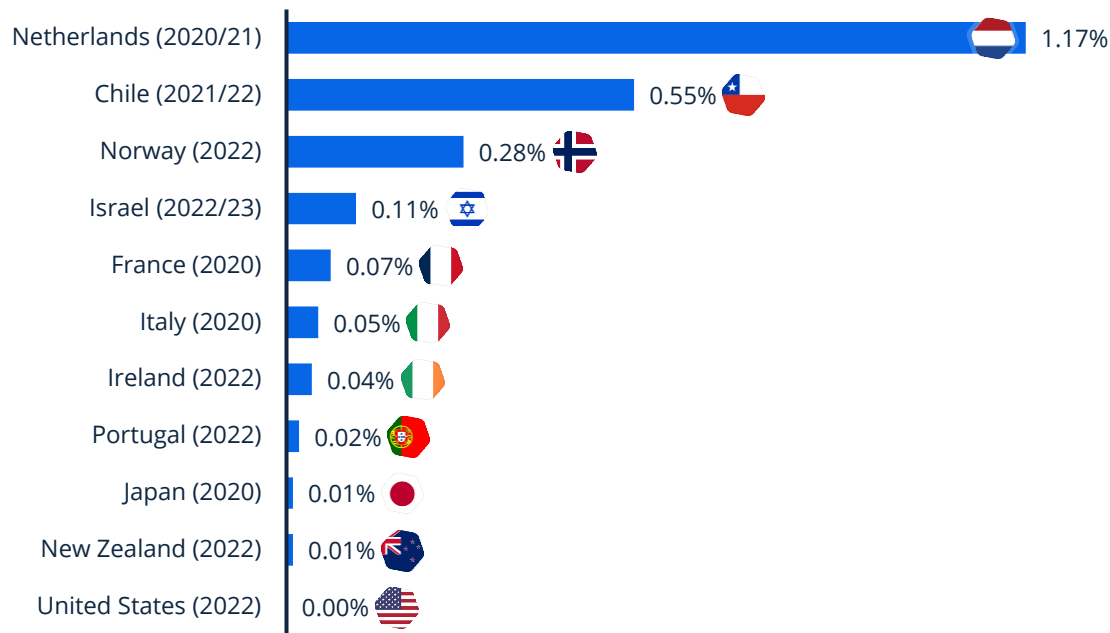
27 | Notes: Worldwide; 2016 to 2024; \*Nominal house price figures for Germany and Spain show the growth rate from 2015 to 2023.

Sources: OECD; Statista; ID: 1535840; Text: Bank for International Settlements; ID: 1498383; ID: 1498358; ID: 1498443; ID: 1074411

# Which government supports homebuyers the most?

The Netherlands is among the countries with the most homebuyer support

Public spending on support to homebuyers as a share of GDP, from 2020 to 2023



Subsidies and other policies supporting homebuyers are among the most popular demand-side housing policies. The extent to which these policies are applied varies significantly from country to country.

Using figures for 2020 and 2021, it was estimated that public spending on measures promoting homeownership in the Netherlands amounted to 1.17 percent of its gross domestic product (GDP). Incentives include the ability to deduct mortgages and other costs related to the acquisition of a home from income tax, while first-time buyers under 35 are exempt from paying transfer tax.

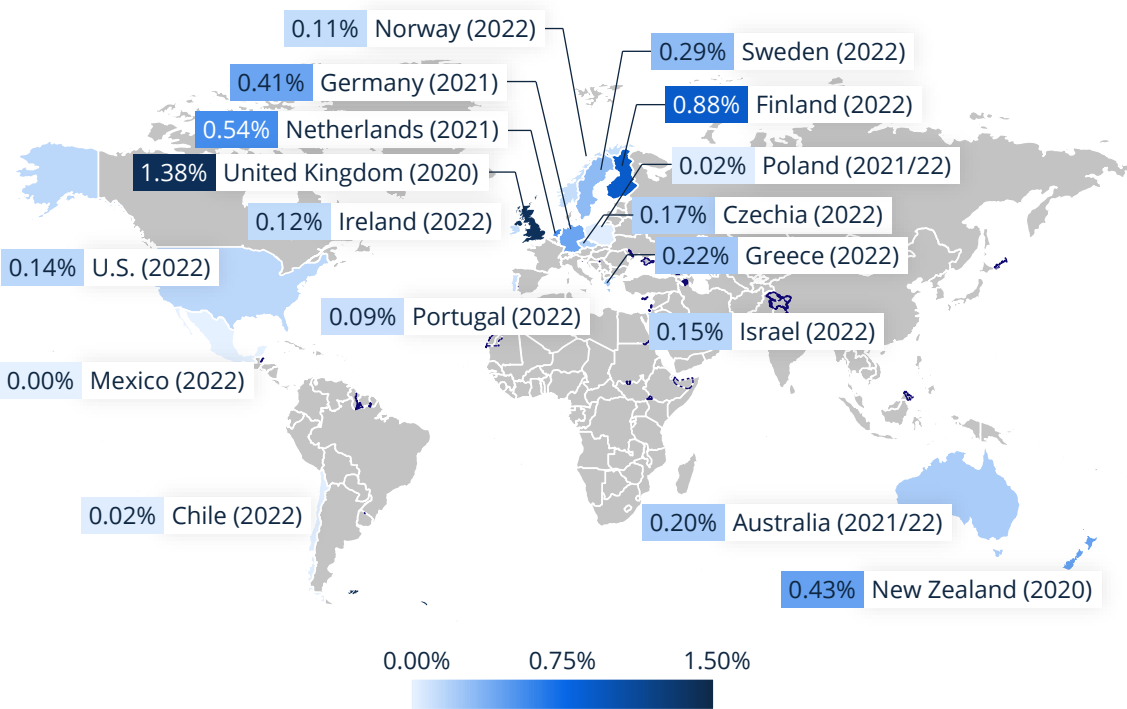
In France, there are public interest-free loans for first-time buyers and low-income households. Germany has house savings bonus' for low-income households saving to purchase a home, grants helping families with children to buy or build a home, and subsidized loans for the purchase or construction of a home.

The UK and Canada also have schemes to help certain groups build or buy a home or to save to purchase one. In Australia, the home guarantee scheme helps first-time buyers and single parents by guaranteeing up to 15 percent of the house value. Eligible first-time buyers can also get grants of up to 10,000 Australian dollars to buy new homes in some states or benefit from saving schemes.

# European countries provide most housing allowances

UK government spent 1.4 percent of its GDP on housing allowances

Public spending on housing allowances as share of GDP, from 2019 to 2022



Housing allowances are another popular measure used by governments to help struggling households pay their rent or other housing costs, such as utility bills or mortgage payments.

The UK was among the countries with the most public spending on housing allowances. In 2022/23, the UK government spent 15.58 billion British pounds on housing benefits and 41.94 billion British pounds on universal credit, which can also be used for other living costs in addition to housing.

Finland, France, and the Netherlands also had several housing allowance programs. Meanwhile, Australia counts on the Commonwealth Rent Assistance and Rent Choice to support its low-income households, as well as other policies such as bond loans and rental grants.

In 2022, the United States spent less on housing allowances than the countries mentioned above. But families with very or extremely low incomes can benefit from the housing choice vouchers, which are financed by the federal government and can be used to pay rent, or on some occasions, mortgages. There are also project-based vouchers that can be used for home construction or rehabilitation.

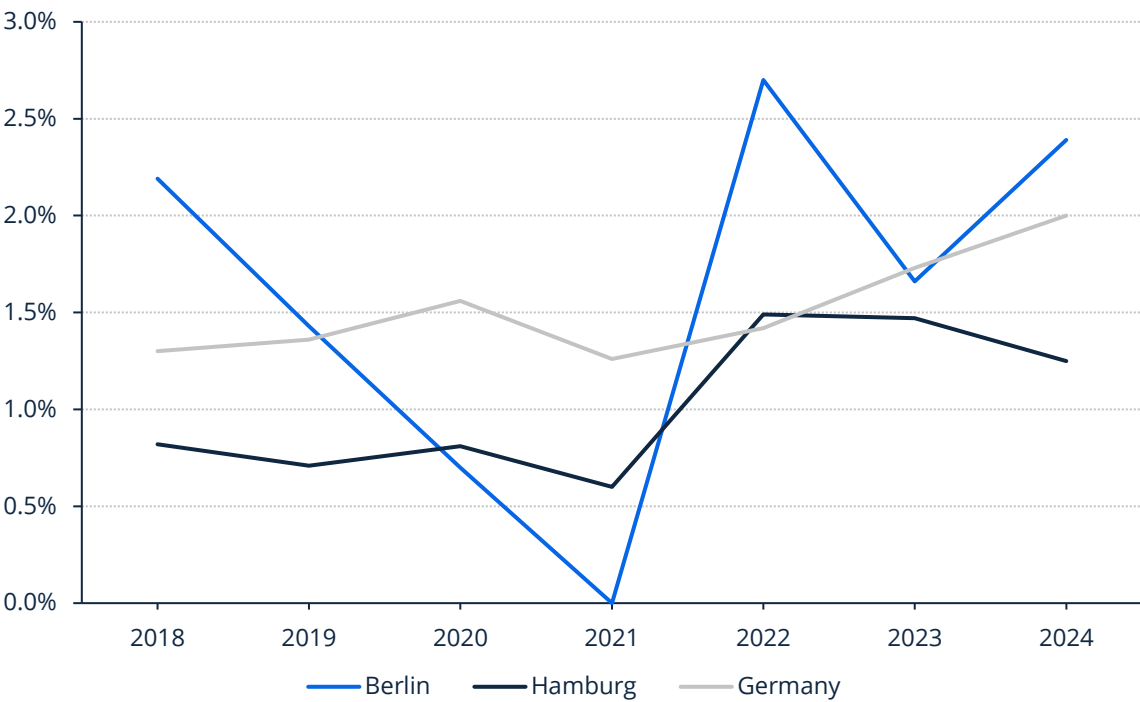




# Rent controls: effective, but with side effects

Regulation in Berlin stopped rent growth until 2021

Growth of net rents exc. heating costs in Germany, from 2018 to 2024



Some governments have also tried to directly manage the affordability crisis through rent controls. These policies usually put a limit on how much landlords can increase rents by.

In Australia and Canada, rent controls only apply to affordable housing, while in Brazil, Chile, and Colombia, rent controls are tied to the consumer price index. In the U.S., some rent controls are applied to a subset of housing stock in a few major cities. France, Spain, and Germany also have some kind of rent controls.

Germany has had a limit on rent increases in areas with a stressed housing market since 2015. But the “Mietendeckel,” a much more restrictive measure in Berlin, entered into force in late February 2020.

Consequently, the growth of rents in Berlin continued to slow down that year, while the overall growth rate of rents in Germany grew slightly. In 2021, rents in Berlin remained frozen, but as the rental cap was declared unconstitutional in April 2021, allowing rents to be raised again from January 2022 onwards, they sharply rose again that year.

These measures prevent rents from rising too much, but they can lead to fewer rental houses being offered and tend to disincentivize landlords and developers.

05











# How to boost the housing supply

- Government targets
- Policy overview
- Social housing
- Public housing construction
- The role of local authorities and non-profits



# Canada has the most ambitious housing target

Governments' home construction targets

Country	Target in million housing units	By year
 Canada	<div><div></div></div> 3.50	2030
 England	<div><div></div></div> 1.50	Mid-2029
 Australia	<div><div></div></div> 1.20	Mid-2029
 Mexico	<div><div></div></div> 1.00	-
 Ireland	<div><div></div></div> 0.30	2030
 Chile	<div><div></div></div> 0.26	March 2026
 France	<div><div></div></div> 0.50	Per year
 Germany	<div><div></div></div> 0.40	Per year
 Netherlands	<div><div></div></div> 0.10	Per year
 Scotland	<div><div></div></div> 0.11	Affordable homes by 2032

The demand-side measures described in chapter 4 can help people access housing and therefore have their place in any government policy toolkit. However, except for rent controls, they do not tackle affordability problems head-on, as they do not reduce prices for the population at large. In fact, there is some evidence in the scientific literature that those measures, which expand the demand for housing by helping people pay for it, can drive home prices and rents up.

Meanwhile, rent controls come with their own set of problems, as seen on page 30. It is for that reason that some countries also opt for supply-side policies to increase the housing stock and the supply of social housing. This is intended to relieve the real estate market from stress and make housing more affordable.

Countries all over the world currently have ambitious targets for the construction of more housing in the next few years. Canada has the ambitious goal of building 3.5 million additional homes by 2030. While a report by the French government recognized the need of building half a million homes every year, Germany had an even clearer objective of building 400,000 homes per year. But in 2023, the year in which that plan was published, there were less than 300,000 homes built in Germany, and in 2024, there were just 216,000 homes approved, meaning Germany is, so far, falling behind its target. As seen on page 17, Australia was not on track to meet its goals either.

# Investment, financial incentives, or regulation?

Policies available to boost the housing supply



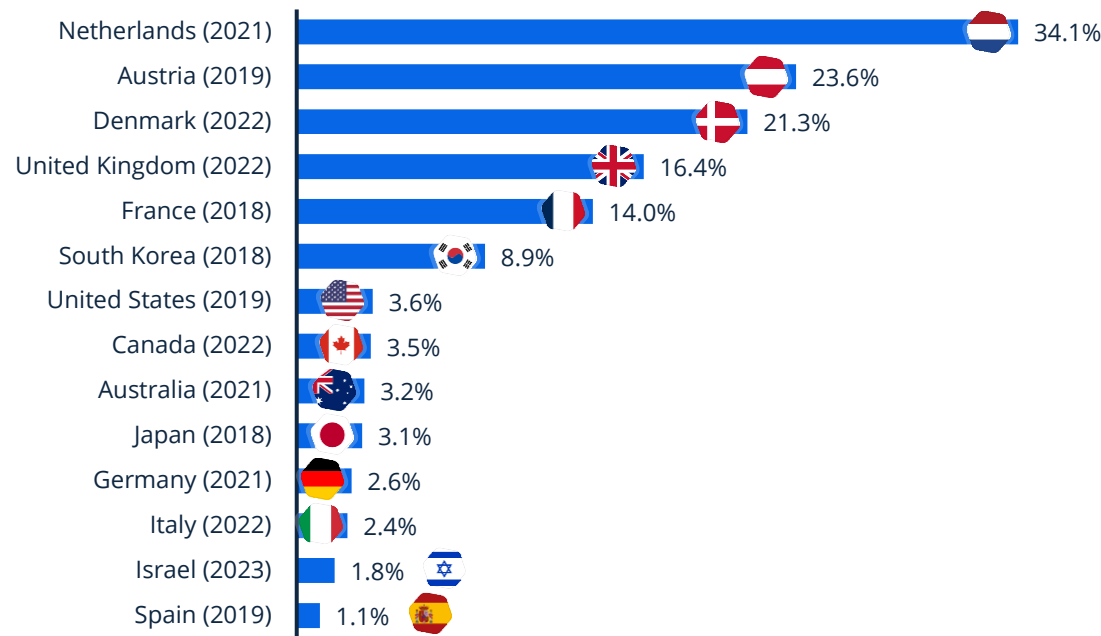
Governments can help increase the housing stock through several measures:

- They can provide new **social and public housing** by financing projects, participating in them directly through public corporations, or collaborating and working with private and not-for-profit organizations.
- By offering **financial incentives** in the form of tax credits and grants to developers and homebuilders.
- **Loosening regulation** can indirectly boost supply.
  - Inclusionary zoning in planning ordinances requires builders to include affordable housing in their housing projects. These measures can require a share of the housing units to be affordable; they sometimes allow developers to pay a fee instead, or they can be voluntary and offer incentives.
  - Simplifying regulation and removing barriers in the approval of permits can encourage developers. This can be achieved by reducing bureaucracy, changing zoning laws to allow greater housing density, or accepting online permit applications. New York State has also eased regulations on the conversion of commercial real estate into housing.
- **Other policy areas**, such as trade, have a direct effect on material shortages and rising material costs, while migration policy has an impact on the labor shortage.

# Social housing is not always managed by the government

The Netherlands had the most housing for social rental

Social rental housing as a share of total housing stock, by country



Social rental housing in the Netherlands made up 34 percent of all the housing stock, with over 80 percent of that social housing being provided by cooperatives, housing associations, and other non- or limited-profit organizations.

Those organizations also provided over half of all social housing in the UK, Austria, and France, which were also among the countries with the most social housing, amounting to 16 to 24 percent of their total housing stock.

In France, housing at a moderate rent, also known as HLM, can be financed by the central government, by local authorities, or by the “caisse des dépôts et consignations” – a public financial institution that finances housing projects at below-market rates. However, the projects themselves can be carried out by private companies or cooperatives.

Spain did not have as much social housing, but it can be built directly by the state or by private organizations that receive a public subsidy. In both cases, those units are subject to the same conditions and can be sold or rented to low-income families.

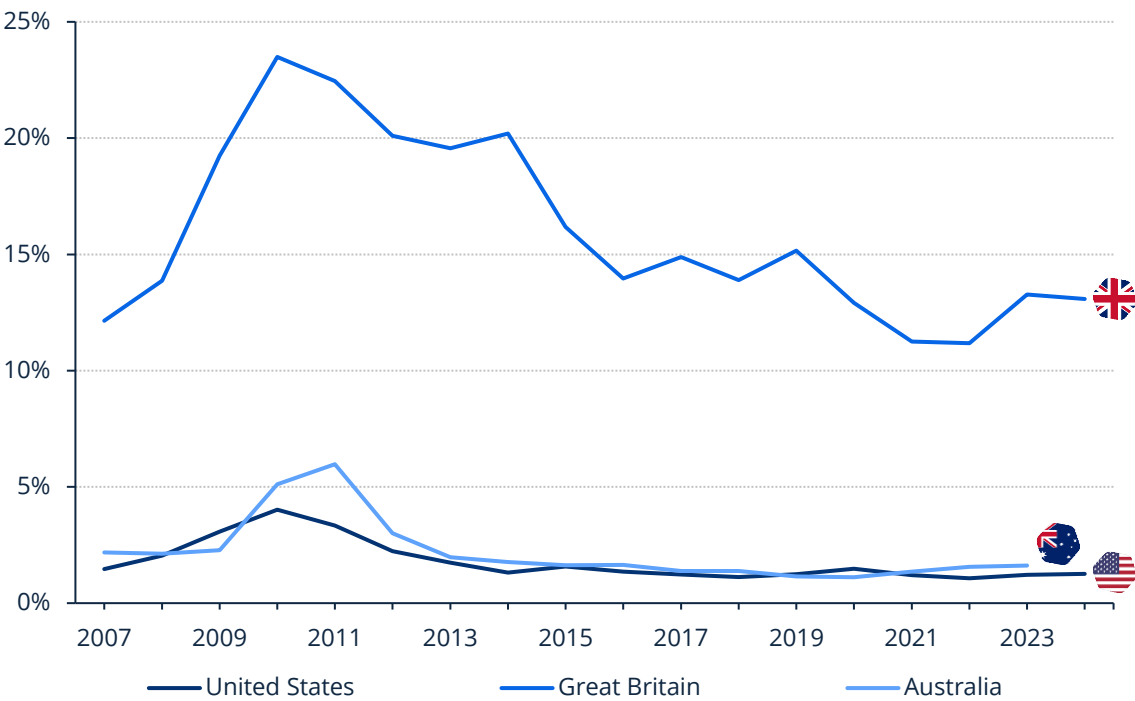
Thus, although social housing is regulated by the state and can be publicly financed, there are several parties involved in the construction of social housing.



# Limited public housing spending in the U.S. and Australia

Great Britain built much more public housing than the U.S. or Australia

Public residential construction as a share of total residential construction



Between one and four percent of spending on residential construction projects in the U.S. in recent years went on publicly owned projects. Public housing is usually managed by the public housing authority (PHA), with over 1.59 million Americans living in housing managed by PHAs as of November 2024.

The Canadian government has several programs to finance affordable housing in collaboration with regional and local governments, non-profits, and the private sector. Public housing programs function similarly in Australia, where 1.6 percent of all residential construction spending in 2023 came from the public sector.

To meet the targets described on page 32, along with other proposals and reforms, the Australian and Canadian governments plan to increase funding for public housing.

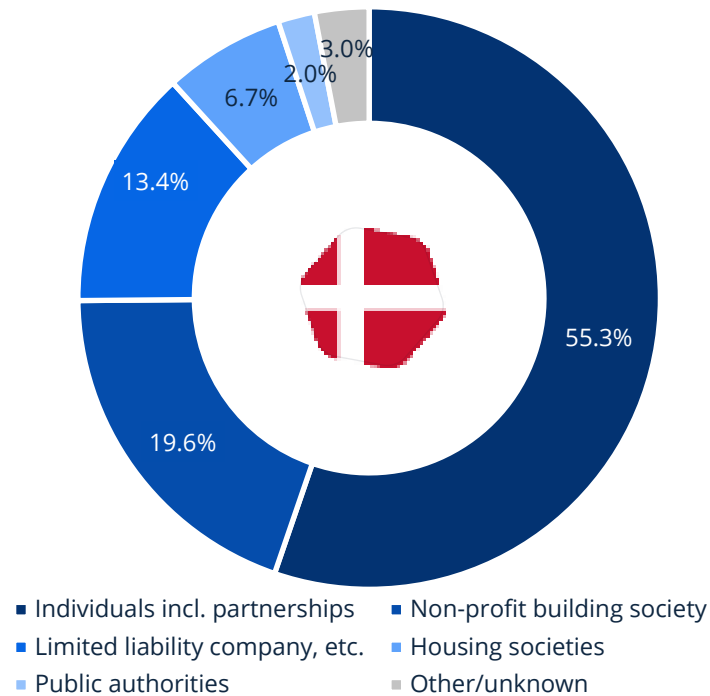
Public spending in Great Britain consistently made up a significant share of all housing construction. However, part of that difference is explained by the source categorizing projects for housing associations as public construction. In fact, just 2.2 percent of housing completions in 2023 were by local authorities, with housing associations making up 21.8 percent. In other words, the UK has much more social housing than other countries thanks to its non-profit sector.

35 | **Notes:** United States; Great Britain; Australia; 2007 to 2024; data for Australia also includes repair and maintenance activities, while data for the UK just refers to the value of output of new housing construction by housing associations or by the public sector  
**Sources:** Australian Bureau of Statistics; Statista; [ID: 1536087](#); US Census Bureau; Statista; [ID: 238506](#); Office for National Statistics (UK); Statista; [ID: 1536119](#); Text: US Department of Housing and Urban Development; Office for National Statistics (UK); [ID: 746101](#)

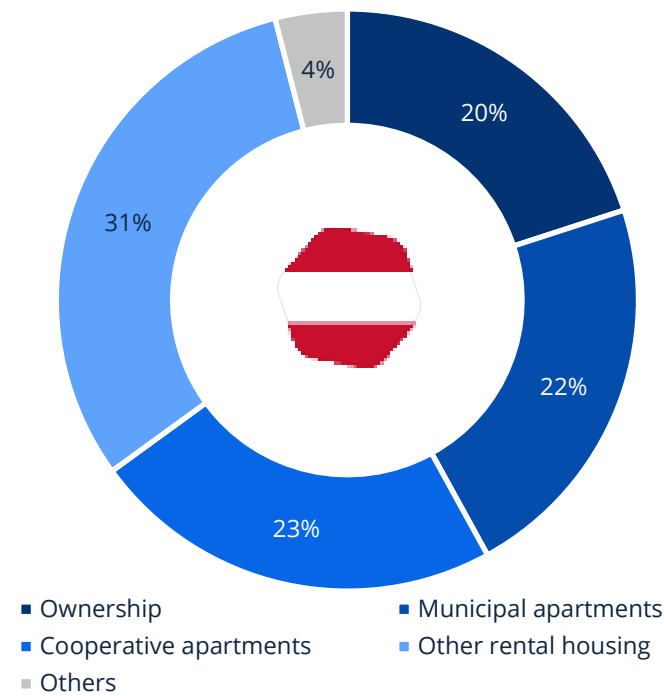
# Affordable housing for the middle class

The role of non-profit organizations in the housing stock of Austria and Denmark

**Distribution of the housing stock in Denmark 2024, by tenure**



**Distribution of households in Vienna 2023, by housing types**



In most countries, housing built by the public sector or by non-profits is predominantly destined for low-income earners. However, in Austria and Denmark, housing built by housing associations, cooperatives, or local authorities is just another option to rent.

Over 26 percent of the housing stock in Denmark as of 2024 was owned by non-profit building societies and housing societies. Meanwhile, in Copenhagen, those organizations owned 47.2 percent of the housing stock.

Meanwhile, nearly a quarter of households in Austria lived in apartments that belonged to local authorities or cooperatives. Those figures were significantly higher in the capital, with 45 percent of households in Vienna living in those types of apartments.

In Germany, non-profits also provide housing for all, but they do not have such a strong presence.

# The state of the housing shortage

## Key takeaways

### Size of the housing deficit

- It is not possible to determine the mismatch between housing supply and demand, but the market is under stress in cities all over the world.
- The severity of the housing shortage can also vary a lot across cities within the same country.
- New York, Toronto, Madrid, and southern Germany had the largest housing gaps in recent years.



### Causes of housing shortage

- Construction delays have increased in the past few years.
- Labor and material shortages, along with rising costs, are important challenges in several major markets.
- These and other challenges increase total costs and developer uncertainty, which can lead to fewer homes being built.



### Demand-side policies

- Housing allowances and subsidies to homebuyers help more households access housing, but they do not tackle the underlying causes of the housing crisis.
- Rent controls can slow or stop price growth, but if they are too restrictive, they may disincentivize new home construction or cause homes to go off the rental market.



### Supply-side policies

- Governments can boost housing construction through regulation, financial incentives, and funding.
- The public sector and non-profits are key providers of social housing for low-income earners all over the world.
- Local government and non-profits could play a bigger role by offering affordable housing for the middle class.



# Glossary

## **Housing gap**

The difference between the supply of housing and the demand for it. This describes a situation in which there is insufficient housing.

## **Housing shortage**

The lack of enough housing to meet the demand for homes for all households in the area.

## **Housing supply**

The amount of housing available in the market.

## **Demand-side policies**

Public policies that seek to increase the demand in certain markets or that help certain groups of people afford certain goods.

## **Supply-side policies**

Public policies that seek to boost the supply of certain goods or services.

## **Housing allowances**

A public policy through which a government gives money to vulnerable groups to help them with their housing costs.

## **Cooperatives or housing associations**

Associations or non-profit organizations that own real estate that they rent to households, usually at affordable prices. Cooperatives are owned by their members.

# Sources

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Australian Bureau of Statistics  
Australian Housing and Urban Research Institute  
Bank for International Settlements  
Berliner Mietverein  
Bureau of Labor Statistics  
Canada Mortgage and Housing Corporation  
Council of Europe  
CRS  
Department of the Treasury (Australia)  
Deloitte  
European Commission  
Eurostat  
Eye on Housing  
Fannie Mae  
Forbes  
GOV.UK

Housing Australia  
ifo Institut  
Immowelt  
INE (Spain)  
Insee  
KfW  
Master Builders Australia  
Ministère de l'Économie et des Finances  
Ministerio de Transporte, Movilidad y Agenda Urbana  
NAB (Australia)  
National Association of Home Builders  
National Records of Scotland  
New York State Government  
OECD  
Office for National Statistics (UK)  
Registro Único de Vivienda (Mexico)  
Royal Institution of Chartered Surveyors

ScienceDirect  
Springer Nature Link  
StatCan  
Statista  
Statistics Denmark  
Statistik Austria  
Statistisches Bundesamt  
Tax Policy Center  
TU Darmstadt  
Urban Institute  
US Census Bureau  
US Department of Housing and Urban Development  
Verband der Privaten Bausparkassen  
World Bank  
World Economic Forum



# Further reading

If you would like to know more about this topic and related topics, check out our recommendations below:

INDUSTRIES & MARKETS

Residential housing worldwide

2025

statista

[Link](#)

INDUSTRIES & MARKETS

Residential housing in the United States

2025

statista

[Link](#)

INDUSTRIES & MARKETS

Residential real estate in Europe

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# Author



**Fernando de Querol Cumbrera**

Research Expert

[fernando.de-querol@statista.com](mailto:fernando.de-querol@statista.com)

Fernando de Querol Cumbrera is a research expert working on financial services and real estate topics. At Statista, he has specialized in the construction industry, as well as savings, debt, loans, and leasing. He has also co-written a trend report on environmental sustainability in the building sector for Statista.