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Brief study on the European housing market: rising rents despite diverse regulatory approaches

The strained situation in housing markets is not a uniquely German phenomenon: a new brief study conducted by the independent bulwiengesa GmbH on behalf of Berlin Hyp shows that rents have continued to rise in all European metropolitan regions examined since 2020, regardless of whether the markets are heavily regulated or comparatively liberal in structure.

- **Rents are rising in all metropolitan areas examined - despite very different regulatory systems**
- **Regulation does not eliminate housing shortages**
- **A dual approach is required: significant expansion of new construction combined with location-specific regulation**
  Key levers: faster approval processes, additional building land, and the conversion of suitable existing properties

Rising rents across Europe – regardless of the system
The brief study compares housing markets in Germany, Poland, France, the Netherlands, Spain, Denmark and the United Kingdom. The findings show that rents in metropolitan regions have risen noticeably since 2020, both in highly regulated markets with rent brakes, rent caps or points-based systems and in more liberal systems with lower levels of intervention.

The underlying trend is similar everywhere: demand for housing is growing, while new construction and building permits are falling short of what is needed. This is leading to strained housing markets and sharp rent increases, or already very high rent levels, in almost all of the major urban areas examined.

Different starting points – same structural problem
The markets differ significantly in terms of home ownership rates, regulatory intensity and housing deficits:

- Germany: home ownership rate of 47%; a large rental housing market that is relevant to broad sections of the population; instruments such as the rent brake and cap on rent increases, alongside a marked shortage of supply in many metropolitan regions.
- Poland: home ownership rate of 87%; estimated housing deficit of around 1.5 million homes; landlord-friendly regulation with short notice periods and frequent scope for rent adjustments.
- Spain: home ownership rate of 74%; shortages also present in metropolitan areas; partial limits on rent increases and housing-policy interventions, which have nevertheless not broken the trend of rising rents.
- Netherlands: extensive points-based system that keeps many homes

under rent control while also creating incentives to sell units; estimated deficit of around 400,000 homes.
- France: heavily concentrated on Paris; there, the rental level remained largely stable at a very high level due to strict regulation. However, the fundamental problems – high demand and limited supply – persist. At the same time, incentives to invest in the rental housing market are declining.
- Denmark: strained market, particularly in Copenhagen; traditionally strong social housing sector, yet limited supply in sought-after locations.
- United Kingdom: London as an extreme case, with a housing emergency and very high rents; regulation is currently being developed further towards stronger tenant protection.

Despite these differences, the markets share a structural problem: political regulation cannot compensate for the shortage of supply. It acts on an insufficient housing stock, shaped by too little construction activity, demographic trends and processes of urban concentration.

Three key findings from the European comparison
The study reaches three key conclusions in its comparison of the countries:

1. **Rising rents across all systems**
Both tightly regulated markets with rent brakes, rent caps or points-based systems and more liberal systems with lower levels of intervention are facing rising rents and strained housing markets.

2. **Regulation has side effects on supply**
Interventions in rent-setting can provide short-term relief for tenants but often lead to side effects on the supply side, for example through postponed or reduced investment, lower levels of new construction, or the withdrawal of homes from the rental market, such as through conversion or alternative uses.

3. **Uncertainty for investors exacerbates scarcity**
Frequent changes in direction and complex rent-regulation models undermine planning and investment certainty. This can slow new construction, modernisation and energy-efficiency refurbishments, and may even worsen the housing shortage over the long term.

Location-specific regulation and increased supply as the way forward
The brief study concludes that while regulation remains necessary, it is not sufficient on its own to solve the structural problems in Europe's housing markets. What is needed is a dual approach:

- **Make regulation evidence-based**: Rather than introducing ever more isolated interventions in rent-setting, instruments are needed that are regularly evaluated and adjusted where necessary. Their impact on new construction, existing stock, rent levels, social structure and the investment climate should be reviewed transparently and incorporated into the further development of regulation.

- **Significantly expand housing supply**: Key measures include accelerating and simplifying planning approval procedures, designating additional building land in growth regions, and providing stronger support for the conversion of suitable existing properties for residential use. This would enable more efficient use of existing building stock and create additional housing, particularly in inner-city locations.

"The brief study confirms what we have been observing in financing practice for years: housing is in short supply in many European metropolitan areas and is increasingly becoming a constraint for broad sections of the population. Regulation can provide short-term relief, but without sufficient new construction and a reliable investment environment, it cannot create a sustainable solution," says Sascha Klaus, CEO of Berlin Hyp. "A future-proof regulatory framework should aim to strike a balanced relationship between tenant protection, the functioning of markets and the expansion of housing supply," Klaus concludes.

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