

me



Chapter 1:

The Global Housing Crisis

Quick facts

1. Global housing inadequacy has reached unprecedented levels, with billions lacking adequate shelter and nearly half of all households struggling with unaffordable housing costs.
2. Five interlinked forces – unaffordability, displacement, informality, climate risks and declining liveability – now shape the global housing crisis and require coordinated, system-wide action.
3. Rapid urbanization, rising land values, widening inequality, financialization and intensifying climate impacts are deepening housing deficits faster than governments can respond.
4. Climate change is accelerating housing risks worldwide, with escalating hazards destroying homes, driving massive economic losses and disproportionately impacting vulnerable communities.
5. The housing sector is a major global economic engine, generating substantial GDP and employment with the potential to promote inclusive and sustainable urban development.

Policy points

1. Strengthen the social function of housing by ensuring that its economic value does not overshadow its role in promoting well-being, equity and the common good.
2. Embed adequate housing in national development frameworks to advance economic inclusion, health, climate resilience and social cohesion, supporting progress across multiple Sustainable Development Goals.
3. Implement comprehensive housing frameworks that integrate all dimensions of adequacy to build equitable, resilient and sustainable housing systems.
4. Pursue integrated affordability strategies that strengthen land governance, diversify rental and non-market housing, simplify regulatory processes and deploy targeted finance to close persistent affordability gaps.
5. Strengthen informal and community-led housing by securing diverse tenure, upgrading informal settlements and investing in essential infrastructure to create scalable, resilient and inclusive housing pathways.

Adequate housing is essential for the health, well-being and welfare of humanity. Improved housing conditions can save lives, prevent diseases, increase quality of life and reduce poverty,¹ particularly when the housing improvements are targeted at vulnerable groups that live in inadequate housing conditions.² Dwellings that meet standards of housing adequacy are associated with greater life satisfaction³ and higher psychological well-being.⁴ Access to adequate and affordable housing also provides children with consistent learning experiences, without the disruptions that result from involuntary and frequent residential mobility.⁵ In addition, the home is an important source of identity and a sense of belonging.⁶ Through housing use, design and modification, people attach meaning to their lives and communities.⁷

Besides these wide-ranging benefits, housing is also a major contributor to the economy and a driver of wealth and prosperity. Investment in housing is an important source of economic growth and employment,⁸ with the construction sector generating employment in other sectors of the economy through various backward and forward linkages. For instance, sustained investment in housing can lower construction and maintenance costs through economies of scale, catalyzing further growth and stimulating demand for other goods and services linked to housing – thereby providing governments with revenue to generate further development.⁹ Investment in housing can have co-benefits for health and well-being. To take one example, improvements in thermal insulation can enhance health, while lowering costs on energy consumption.¹⁰

In line with international treaties and development agendas (Box 1.1), the World Cities Report 2026 adopts a holistic understanding

of housing: one that goes beyond viewing housing merely as shelter or a collection of physical units. It emphasizes the social function of housing as a foundation for human well-being, community formation,

The World Cities Report 2026 adopts a holistic understanding of housing: one that goes beyond viewing housing merely as shelter or a collection of physical units

and opportunities to thrive. Although this broader perspective is well understood among housing experts, in practice much housing continues to be developed through a narrow, unit-focused lens. This has led to housing built in locations that are removed from employment and activity nodes, with schools, healthcare, recreational and other ancillary facilities taking years to materialize, if at all.¹¹

The progressive realization of the right to adequate housing has long been recognized in international treaties and development agendas, such as the Universal Declaration of Human Rights, the 2030 Agenda for Sustainable Development and the New Urban Agenda (NUA). Housing has also been recognized by the United Nations General Assembly as a key foundation of social development.¹² This rights-based framework provides the foundation for UN-Habitat's own work on housing and underpins the analysis throughout this report. At a tangible level, the adoption of these instruments has been reflected in recent years in a shift in national housing policies in many countries, with a renewed focus on progressive approaches such as in situ upgrading (something discussed in more detail in Chapter 2).



Bikers in Placetas, Cuba © UN-Habitat/Hector Bayona

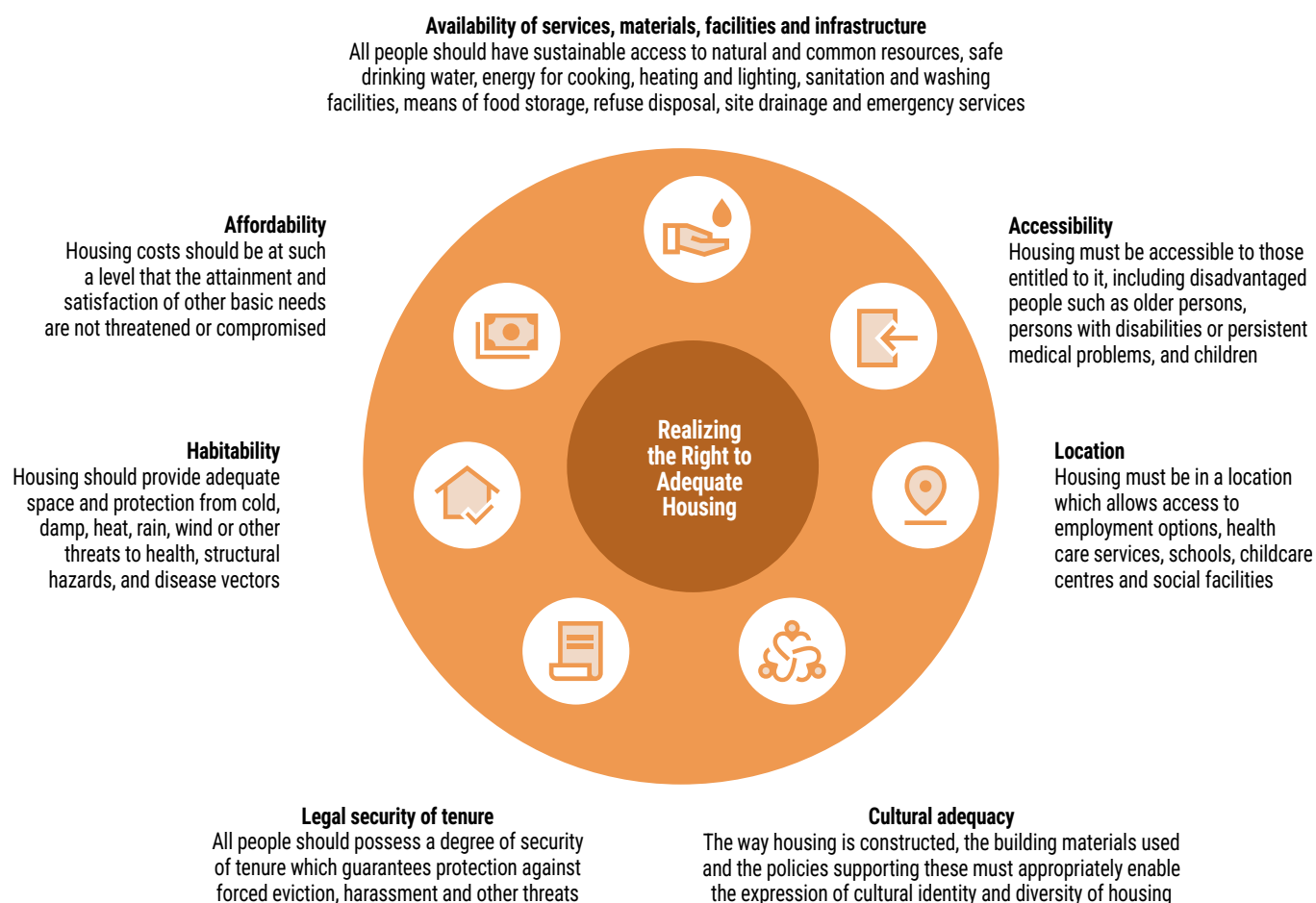
The concept of adequate housing is multidimensional. A key point of reference in realizing the role of housing to drive societal progress are the seven dimensions of adequate housing that have been defined through the United Nations Committee on Economic, Social and Cultural Rights (CESCR): namely, security of tenure, availability of services, affordability, habitability, accessibility, location and cultural adequacy.¹³ The human right to housing is an essential part of the “right to the city”. This report is structured to cover the seven dimensions of adequate housing identified by CESCR, with the additional dimension of environmental sustainability: though not originally included by CESCR, the increased impact of climate change on housing necessitates including it explicitly in the definition of adequate housing (Figure 1.1).¹⁴

This report is also premised on the notion that adequate and affordable housing serves as an enabling condition for accessing a broader range of benefits. A house is more than just a place to live in: it is integral to health, education, economic prosperity and the ability to participate in the community on an equal basis.

As demonstrated repeatedly in this report, the provision of adequate housing is key to inclusive, equitable and sustainable development outcomes. It is integral to seven Sustainable Development Goals (SDGs), including SDG 1 on ending poverty, SDG 6 on clean water and sanitation, SDG 11 on sustainable cities and communities and SDG 13 on climate action. Housing also directly supports progress on six additional SDGs, such as SDG 8 on decent work and economic growth, SDG 10 on reducing inequalities, and SDG 12 on responsible consumption and production.¹⁵

Adequate housing is also essential for realizing the three transformative commitments of the NUA: promoting sustainable urban development for social inclusion and poverty eradication; fostering inclusive and sustainable urban prosperity and opportunities for all; and advancing environmentally sustainable and resilient urban development. Comparing indicators from the Adequate Housing Index¹⁶ and a set of development outcomes that reflect progress toward the SDGs, the close relationship between them is evident (Box 1.1).

Figure 1.1: Dimensions of adequate housing



Source: Adapted by UN-Habitat from CESCR, 1991.

Box 1.1: Correlating the Adequate Housing Index with sustainable outcomes

The Adequate Housing Index provides a standardized framework for assessing housing adequacy across 64 emerging economies, based on seven household-level dimensions: access to improved water, improved sanitation, adequate living space, durable materials and structural quality, security of tenure, access to electricity and access to clean cooking. These dimensions are combined into a single index ranging from 0 to 1, with higher scores indicating greater levels of housing adequacy. The figures below illustrate the relationship between housing adequacy and key development outcomes. With the exception of inequality, housing adequacy shows a strong and consistent association with improved outcomes in income, health, poverty reduction, as well as the prevalence of slums and informal settlements. In particular, as demonstrated in the graphs below, adequate housing correlates directly with a number of key sustainable development targets.

No poverty (SDG 1): Adequate housing is strongly associated with lower levels of poverty, as shown in the graph, underscoring its central role in poverty reduction. Beyond its economic value, adequate housing provides stability, safety, protection and social inclusion, all of which help prevent households from falling into poverty. Access to adequate housing enhances the ability of low-income households to improve living standards and pursue income-generating opportunities. Durable, safe, and climate-resilient housing is also critical for reducing vulnerability to shocks, in line with SDG Target 1.5. Aligning housing provision with social, economic and environmental strategies enables governments and development partners to reduce multidimensional poverty, break cycles of vulnerability and build more inclusive, resilient and equitable urban communities.

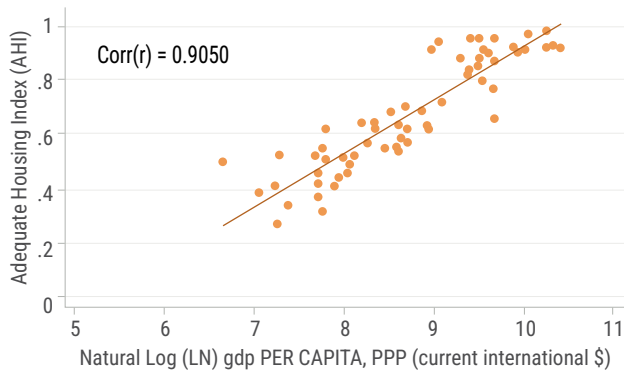
Good health and wellbeing (SDG 3): As shown in the graph, higher housing adequacy is strongly associated with lower under-one and under-five mortality rates, as well as longer life expectancy. Housing conditions that include improved water, sanitation, hygiene and resilient infrastructure significantly reduce exposure to waterborne diseases such as cholera, as well as communicable and non-communicable illnesses linked to unsafe water, pollution and environmental contamination, directly supporting progress toward SDG 3 on ensuring healthy lives. Improving the physical quality of housing through retrofitting older dwellings to reduce indoor air pollution, prevent mould growth and enhance ventilation has been found to lower the risk of respiratory conditions including asthma and allergies. Ensuring more equitable housing access is key to alleviating global health inequalities.

Decent work and economic growth (SDG 8): The figure shows a strong positive correlation (0.91) between adequate housing and income, measured by GDP per capita, consistent with World Bank findings.¹⁷ Improved housing affordability also reduces financial strain on households, enabling greater investment in education, skills development and other essential needs that enhance employability and earning capacity. In addition, the housing sector itself is a significant driver of economic growth, generating employment in construction, real estate and related industries and contributing directly to SDG Targets 8.3 and 8.5. In essence, adequate housing forms a foundation for higher and more stable incomes, supports inclusive and sustained economic growth, and expands access to economic opportunities in line with SDG 8's vision of productive employment and decent work for all.

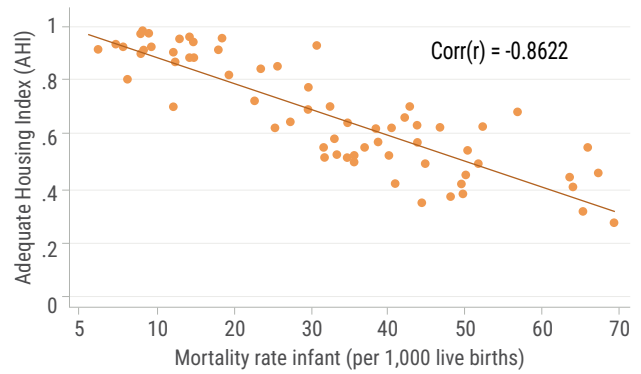
Reduced inequalities (SDG 10): The graph indicates a negative, though not statistically significant, relationship between housing adequacy and inequality, suggesting that better housing conditions are generally associated with lower levels of inequality. Adequate housing can play a key role in reducing disparities, promoting inclusive development and supporting upward mobility. Ensuring access to safe, secure and affordable housing helps mitigate visible forms of inequality, including spatial and social segregation. Providing equitable, non-discriminatory housing opportunities is essential for advancing the goals of SDG 10, particularly Target 10.2, which calls for the social, economic and political inclusion of all.

Sustainable cities and communities (SDG 11): Addressing slums and informal settlements requires a multifaceted strategy that includes expanding access to adequate and affordable housing, upgrading existing settlements, strengthening security of tenure and ensuring reliable access to essential services such as water, sanitation and electricity. Tackling the root causes of housing inadequacy, governments and partners can prevent the formation of new slums and support the development of sustainable, resilient and inclusive cities. These efforts reinforce progress toward multiple SDGs, alongside SDG 11.1: in this way, adequate housing contributes not only to the reduction of slum conditions but also to more resilient and sustainable cities.

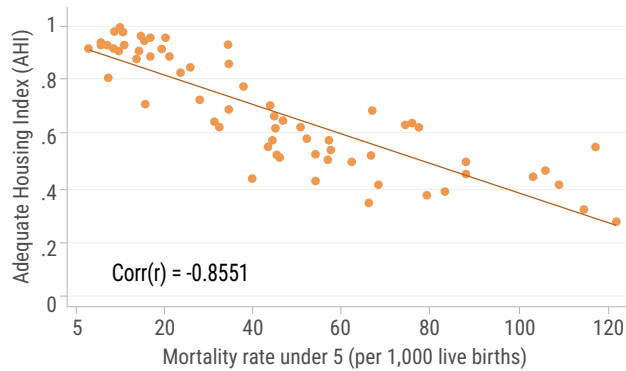
Adequate Housing Index and Natural Log of GDP per Capita
Base Year 2019



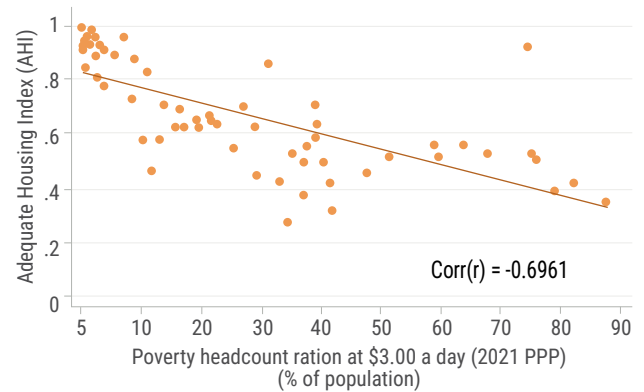
Adequate Housing Index and Infant Mortality Rate
Base Year 2019



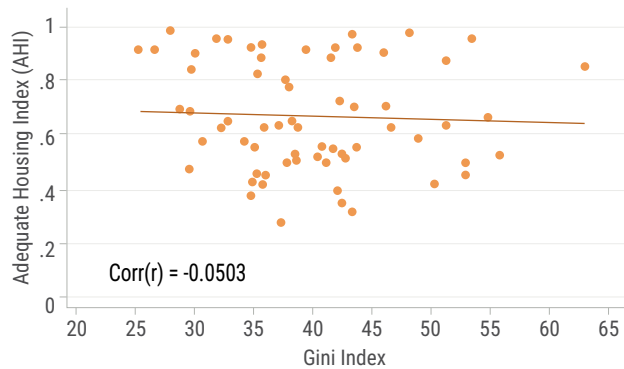
Adequate Housing Index and Under 5 Mortality Rate
Base Year 2019



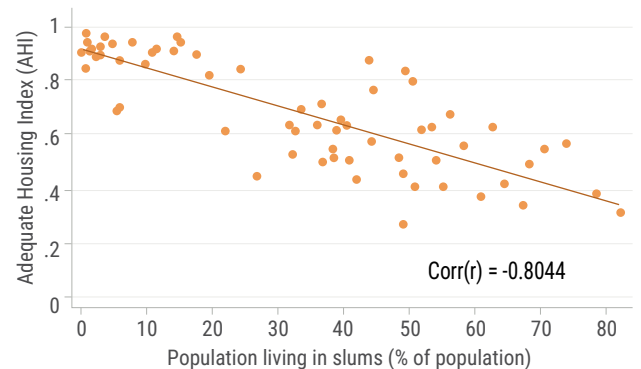
Adequate Housing Index and Poverty headcount ratio (\$3 a day)
Base Year 2019



Adequate Housing Index and Gini Index
Base Year 2019



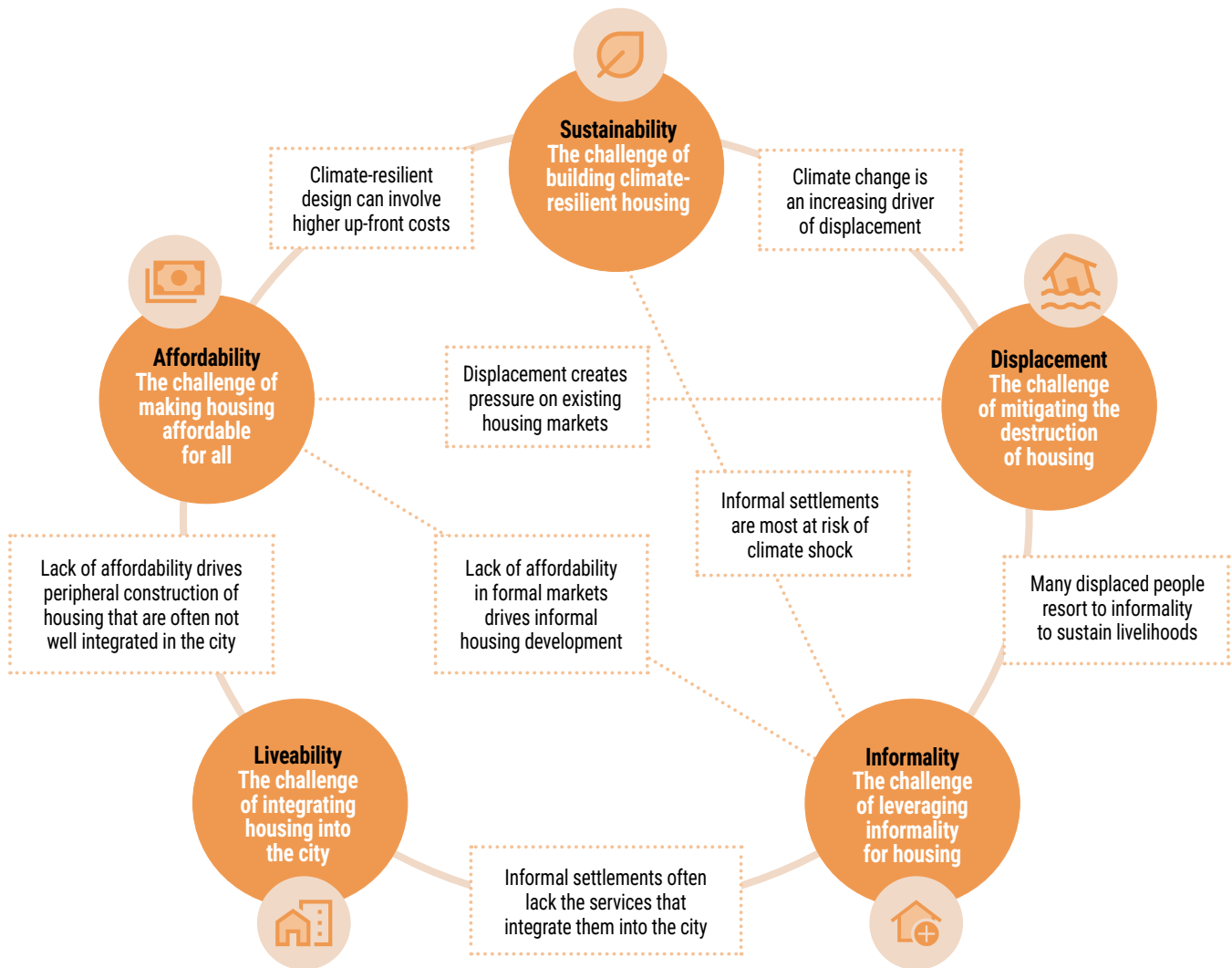
Adequate Housing Index and Population living in slums
Base Year 2019



● AHI (Adequacy Housing Index) — Fitted Values

Source: WorldBank - World Development Indicators databank

Figure 1.2: The different intersecting components of the housing crisis



1.1 Addressing the Global Housing Crisis

Despite the importance of housing, its role as a critical driver of societal progress has not fully been realized. Currently, the world is facing a housing crisis that is more severe than ever before. While the provision of housing has always faced difficulties, especially in urban areas, the past two decades have witnessed rising prices, low supply, massive displacement and limited upgrading, among other issues – all of which have led to severe shortages that have made access to adequate housing one of the intractable challenges of our time. Both developing and developed countries alike are affected by the housing crisis, with urban areas where housing conditions are already strained being disproportionately affected.

This section unpacks the housing crisis in terms of the five main intersecting challenges that emanate from the housing crisis: affordability, displacement, informality, sustainability and liveability (Figure 1.1). These broad-based issues have been identified because they are pervasive across different contexts, have profound impacts on achieving adequate housing across the world, and are critical levers for action.

What becomes clear though from the range of challenges is that there is no single “housing crisis”.¹⁰ Rather, what exists is a series of interconnected pressures and failed systems, explored in more detail in various chapters of this report. What this means is that none of the challenges can be addressed in isolation. The housing crisis is multidimensional, and so the response needs to be multidimensional too: coordinated, cross-cutting research and action on housing is more important than ever (Box 1.2).

The housing crisis is multidimensional, and so the response needs to be multidimensional too

Box 1.2: The Open-ended Intergovernmental Expert Working Group on Adequate Housing for All

In 2023, the UN-Habitat Assembly established the Open-ended Intergovernmental Expert Working Group on Adequate Housing for All (OEWG-H) through resolution 2/7.¹⁹ The Group was mandated to recommend policies that accelerate progress towards universal access to adequate, safe, sustainable and affordable housing; assess global efforts; identify best practices; develop a framework for measuring and reporting on adequacy; and map multilateral and bilateral support. Working under a multi-year roadmap to 2029, the OEWG-H advances thematic work on housing finance, security of tenure, homelessness, social housing and the upgrading of informal settlements. It is also developing a publicly accessible housing knowledge platform to compile disaggregated data, tools and case studies for policymakers. Through this work, the Group provides targeted, actionable recommendations to promote inclusive, safe and affordable living conditions for all.²⁰

1.1.1 The scale of the housing crisis: an overview

Although the language of “crisis” often implies a temporary breakdown that can be corrected by returning to a previous period of effective functioning, the reality is that adequate housing for all has never been achieved at any point in human history. The term “crisis” is therefore used in this report to reflect the unprecedented magnitude and acceleration of housing need, at a time when the population living in slum conditions is now the largest on record and the number of people internally displaced from their homes in 2024 reached its highest level to date.²¹ In reality, these groups are to some extent overlapping and difficult to quantify exactly, but what emerges is a situation where a sizeable proportion of the urban population – in the case of many developing countries and low-income neighbourhoods, the large majority – are living with some degree of housing inadequacy.

People living in *informal settlements and slums* do have housing, but few of the dimensions of adequate housing are met in such neighbourhoods. They face precarious living conditions characterized by inadequate water supply, unsanitary environmental conditions, overcrowded and dilapidated habitation, hazardous location and insecurity of tenure, among other issues. More than 1.1 billion people currently live in informal settlements and slums. The proportion of the urban population living in slums globally has been declining for decades, from 31.2 per cent in 2000 to 24.8 per cent in 2022. However, the absolute numbers are still increasing. Three regions – Central and Southern Asia (334 million), Eastern and South-Eastern Asia (363 million) and Sub-Saharan Africa (265 million) – account for more than 85 per cent of the total population living in informal settlements.²³ Chapter 5 discusses these figures in greater detail. However, *housing inadequacy* extends beyond those without homes or living in informal settlements. Overall, more than 1.6 billion people are affected by some form of housing inadequacy²⁴ – a figure that includes, in addition to those living in informal settlements, another half a billion contending with a range of housing deprivations. Globally, as of 2024 2.2 billion people still lacked safely managed drinking water services, 3.4 billion were without safely managed sanitation services and 1.7 billion did not have basic hygiene services at home.²⁵ As housing without these services is considered inadequate, given its knock-on effects on health and life prospects, at least 3.4 billion people are affected by some form of housing inadequacy across the urban-rural continuum.

In addition, *urban displacement* has created a large and growing population of internally displaced persons (IDPs), refugees and evictees, who face a range of profound challenges, including lack of access to housing. Given the complex nature of the displaced population’s needs, particularly those uprooted by conflict or natural disasters, their situation is often framed as a humanitarian crisis. Yet access to housing – both in terms of immediate shelter and longer-term accommodation that is safe, adequate and affordable – is a crucial challenge for displaced groups and can play a decisive role in determining their long-term well-being and integration. As of the end of 2024, 123.2 million people were displaced globally due to persecution, conflict, violence or human rights violations, more than twice the number recorded a decade before,²⁶ with a further 9.8 million people internally displaced by natural disasters.²⁷

From political instability to climate change, the drivers of displacement have direct implications for the global housing crisis. In addition, according to new research by UN-Habitat undertaken for this report, at least 64 million people were displaced by urban development between 2003 and 2023. This figure highlights the hidden epidemic of evictions, a significant but under-reported form of displacement that is generally excluded from headline figures on global displacement. These issues are discussed in more detail in Chapter 4.



However, housing inadequacy extends beyond those without homes or living in informal settlements

Homelessness – the lack of any form of secure dwelling – remains a widespread problem worldwide, though precise figures on its prevalence are not available. Only 78 countries globally have official data on homelessness, making consistent estimates of its prevalence globally more or less impossible.²⁸ Moreover, definitions overlap with IDPs, evictees and people living in inadequate housing or informal settlements. Drawing on data from the Institute of Global Homelessness, however, the homelessness rates for some large countries indicate the scale of the problem: 21 per 10,000 for China, 13 per 10,000 for India, 20 per 10,000 for the United States (US) and 11 per 10,000 for Brazil.²⁹ Based on a harmonized definition and method, the OECD estimated

that in 2024, over 2 million people in the OECD countries alone were experiencing homelessness each year.³⁰ However, conventional methodologies often undercount certain groups, particularly women, children and young people, Indigenous Peoples, older persons, ethnic minorities and migrants.³¹

In other ways, too, *systemic and historically rooted inequalities* shape access to adequate housing across characteristics such as age, gender, ethnicity, economic status, disability, sexual orientation and migration status. Women and gender-diverse persons continue to face constraints arising from patriarchal property systems.

For example, a World Bank assessment in Sub-Saharan Africa found that fewer than 13 per cent of women aged 20–49 report sole ownership of land, compared with 36 per cent of men.³² Although joint ownership narrows the gap, disparities remain substantial, with long-term implications for intergenerational wellbeing and economic efficiency. Intersecting vulnerabilities also emerge along lines of ethnicity, disability and migration status. In Latin America, 2010 data show that Indigenous populations experience significantly higher rates of inadequate access to sanitation and drinking water than non-Indigenous, non-Afro-descendent groups.³³

Migrants face similar disadvantages: in the EU, homeownership among nationals (73.6 per cent) is more than three times higher than among non-EU citizens (22.9 per cent) and almost double that of citizens from other EU countries (37.0 per cent). Overcrowding is likewise more prevalent among non-EU citizens (33 per cent) than among EU citizens (19.8 per cent) or nationals (13.7 per cent).³⁴

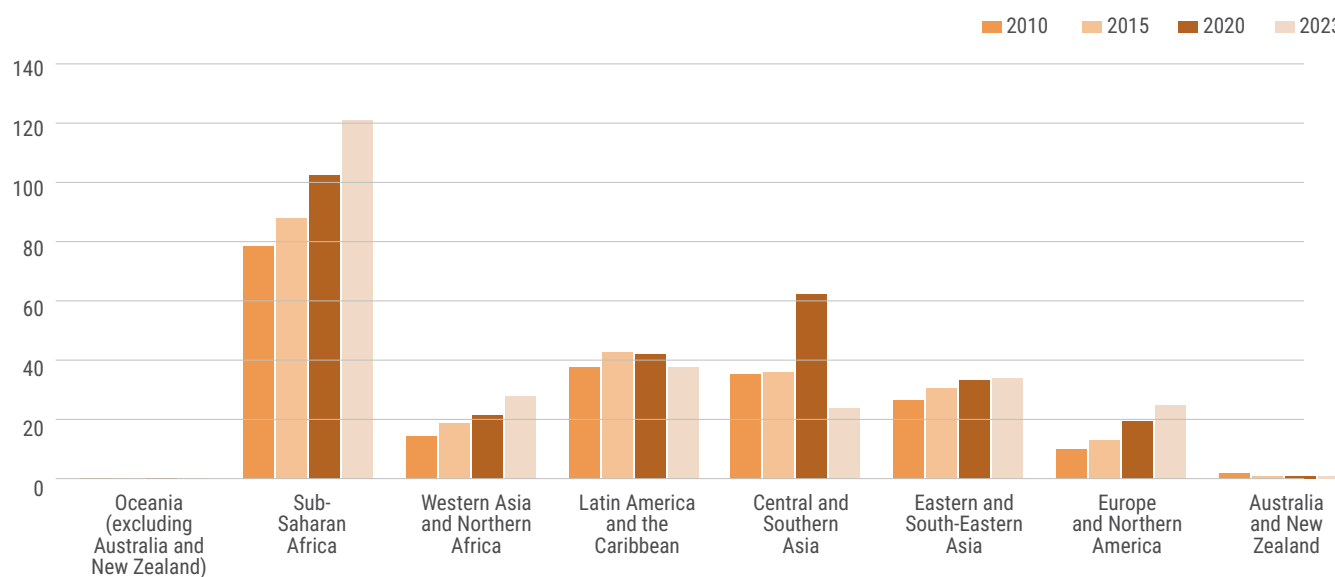
The shortage of housing is a major driver of the global affordability crisis

1.1.2 The affordability challenge: rethinking housing delivery

The last three decades have witnessed an emerging housing affordability crisis, with housing-related expenses rising much faster than income.³⁵ Housing affordability encompasses not only the direct cost of a home, but also the expenses associated with services, infrastructure, insurance and taxes. Households that spend more than 30 per cent of their income on housing are typically considered to be cost-burdened, a situation that UN-Habitat data shows applies to 44 per cent of tenant households worldwide.³⁶ The regions with the highest proportions of households spending more than 30 per cent of their income on rent are Sub-Saharan Africa (55 per cent), Europe and Northern America (50 per cent), and Latin America and the Caribbean (48 per cent).

Between 2010 and 2023, the cost of buying a house rose globally from 9.3 to 11.2 times the average annual income. The regions with the highest price to income ratios in 2023 are Central and Southern Asia (16.8) and Eastern and South-Eastern Asia (17.5).³⁷ These ratios indicate that housing is largely unaffordable for most urban residents and suggest that homes in Asian cities are generally less affordable than those in many developed countries. Hong Kong has frequently ranked as the least affordable housing market in the world.³⁸ Chapter 3 analyzes the affordability crisis and discusses the contextual factors including the effects of the burden of affordability. The shortage of housing is a major driver of the global affordability crisis, as demand continues to outpace supply. As shown in Figure 1.2, the deficit is most acute in Sub-Saharan Africa, where at least 100 million additional housing units are needed to meet current and future household needs.

Figure 1.3: Housing shortage by region (units in millions)



Source: UN-Habitat, 2026a



Simply increasing the number of houses, without addressing underlying issues such as poverty and unemployment, will not result in truly affordable housing

Globally, the estimated shortfall is more than 268.8 million housing units, with the greatest concentration in developing regions.³⁹ This estimate may still understate the true scale of need: the World Bank previously identified a housing deficit of 268 million units across 64 emerging countries, representing 1.26 billion people, suggesting that global figures are likely higher.⁴⁰

Addressing the housing affordability crisis requires examining the entire housing delivery system: how housing is financed, constructed and maintained, as well as the factors that shape supply, including construction costs, regulatory frameworks and land availability. It also involves assessing demand-side pressures such as households' ability to pay, the rapid rise in housing costs relative to income, and broader socioeconomic challenges like poverty, inequality, unemployment, low wages and gaps in social protection policies. This helps identify the key bottlenecks that impede the supply of affordable housing and informs the most effective strategies for reforming housing systems to improve affordability for all groups. Simply increasing the number of houses, without addressing underlying issues such as poverty and unemployment, will not result in truly affordable housing even if construction costs are reduced. This underscores the need for a multipronged approach that combines both demand- and supply-side measures.

1.1.3 Mitigating displacement and its impacts

Displacement is a broad term that captures the multitude of ways people can be affected by conflicts, disasters, eviction, slum clearance, and gentrification, among others. Besides leading to loss of livelihood, assets, health and well-being, conflict and disaster-related displacement pose a challenge to housing. First, as the majority of those displaced through conflicts and disasters do not live in camps,⁴¹ those displaced add pressure on surrounding housing markets and settle land informally in places with an insufficient supply of formal housing. In cities where capacity and resources are already strained, displacement compounds local housing issues, which can lead to tension and hostility. Second, there is the need for reconstruction of housing in conflict- or disaster-affected places for people to return if they so desire.

Displacement has often been addressed primarily from a humanitarian standpoint. Over the past decade, however, there has been growing demand for solutions that move beyond temporary or emergency responses toward more permanent housing options integrated into urban policy. At the same time, there is increasing recognition of the limitations of standardized shelter models: these may meet immediate physical needs, but fail to provide the broader socio-economic support such as access to services, amenities and social welfare programmes that helps displaced people fully integrate into society. A lack of cultural adequacy has also been repeatedly identified as a key recurring issue for emergency housing.⁴² Chapter 4 explores measures that have been taken to address

the trauma and impact of forced eviction and displacement, and how those that are displaced can be best supported through integrated approaches that promote the progressive realization of the right to adequate housing.

1.1.4 Leveraging the potential of informality for housing provision

In many settings, a significant portion of housing is produced informally through processes that are unplanned, unregulated and often in violation of planning or building standards. A common pattern in such contexts is that households first occupy land, then construct their own homes, and only afterward engage with community groups or government authorities to secure infrastructure and planning support. These issues are explored in greater detail in Chapter 5.

Although global data are unavailable, estimates from Mexico, Nepal and Ghana indicate that between 60 and 90 per cent of housing is built incrementally and through self-construction.⁴³ Much of this activity takes place in informal settlements, which in many countries are the norm rather than the exception: in Burkina Faso, Mali and Chad, more than 80 per cent of the urban population lives in such settlements.⁴⁴ Because formal housing is unaffordable and access to formal finance is limited, residents who build incrementally often rely on informal financing sources, including relatives, moneylenders and community-based housing funds.⁴⁵

Informally built housing and neighbourhoods are constantly undergoing self-initiated maintenance, repairs and upgrading

The challenge is that formal urban policy and practice in most cities have struggled to integrate and capitalize on the significant potential of informal housing processes. These informal systems need to be harnessed because they directly produce significant quantities of housing, in the process generating livelihoods that support housing investment. Compared to formal housing systems, they also offer advantages such as greater flexibility, lower costs, stronger community networks and quicker responses to shocks.⁴⁶ Indonesia's Kampung Improvement Programme, for example, built on the strengths of informality by providing serviced plots on which low-income households could construct their own homes through self-help methods. At the same time, it is essential to recognize the limits of what communities can achieve alone: in particular, the need for investment in formal trunk infrastructure and key city-level services. It is equally important to analyse who benefits from informality in each context and the negative impacts informal practices can also produce, including environmental pollution, poorly built housing, political clientelism and land-related criminal networks.

Informally built housing and neighbourhoods are constantly undergoing self-initiated maintenance, repairs and upgrading, even though formal land and housing policies are often poorly aligned with their needs and realities. Informal housing is also widespread in high-income countries, where backyard units, basement apartments, rooftop dwellings, accessory dwelling units and unauthorized subdivisions have become an increasingly important source of low-cost housing.⁴⁷



A local artist installs a newly painted roof in Medellín, Colombia © UN-Habitat/Julius Mwelu

A comprehensive response to the housing crisis must include recognition of informal land tenure and planning regulations that support incremental, in situ upgrading. Informally built homes frequently double as places of work, making housing a productive asset that urban economic development strategies should consider.⁴⁸ However, in many cities, local policies and building codes continue to penalize informality, and much construction takes place under insecure land tenure conditions.⁴⁹ This insecurity limits access to finance and undermines residents' ability to invest in and continually improve their homes. The key question, then, is how policy frameworks can be adapted to harness the strengths of informal practices while preventing the emergence of slum conditions.

1.1.5 Promoting sustainable housing through climate resilience

Climate change is reshaping cities in profound ways, driving more frequent and severe extreme weather events such as floods, heatwaves, wildfires, powerful storms, droughts and other climate shocks.⁵⁰ Achieving climate-resilient housing is one of the world's most urgent challenges. Because housing occupies the largest share of built-up urban land, homes are on the frontline of these impacts.⁵¹ In 2024 alone, natural catastrophes generated an estimated US\$318 billion in global economic losses – most of it uninsured – and technical assessments indicate that disaster-related losses are following a long-term upward trajectory. By 2040, climate hazards could result in the loss of around 167 million homes.⁵²

The Intergovernmental Panel on Climate Change (IPCC) warns that risks to cities, settlements and critical infrastructure will continue to intensify without accelerated adaptation, particularly in rapidly expanding and vulnerable urban areas.⁵³

The building and construction sector is a major driver of global greenhouse gas emissions, accounting for at least 37 per cent of the total.⁵⁴ Housing therefore holds significant potential for reducing emissions. Yet adapting homes and infrastructure to a changing climate presents profound challenges. Climate-related investments such as flood protection have too often prioritized affluent neighbourhoods, leaving vulnerable communities and informal settlements underserved and at greater risk, thereby deepening existing inequalities.⁵⁵ Emerging low-carbon building technologies may not always be cost-effective, and their widespread adoption carries the risk of widening housing disparities. Balancing the higher upfront costs of green design against long-term savings in maintenance, operation and health outcomes remains a key policy challenge.⁵⁶ In this context, investment in housing represents a critical opportunity to advance climate justice and ensure that the benefits of climate action are shared equitably.⁵⁷

Building climate-resilient housing requires reconciling two urgent and sometimes competing imperatives: expanding access to adequate housing at scale, and promoting compact, connected forms of urban development.⁵⁸ Variations in housing density, and in how “compact”

neighbourhoods are planned, can lead to substantial differences in greenhouse gas emissions.⁵⁹ Yet from 1990 to 2014, average urban densities declined, driving urban expansion into natural carbon sinks and contributing to higher emissions from longer commutes.⁶⁰ Conversely, policies designed to protect green areas, such as greenbelts or restrictions on development in flood-prone zones, can unintentionally worsen housing affordability by constraining land supply.⁶¹ The central challenge is whether cities can strike a delicate balance between developing new peripheral land to meet housing needs and containing urban expansion to prevent further environmental degradation.

Addressing the challenge of sustainable housing is not simply a question of how many more homes are needed, but also of where and how they are built. Even without closing the existing housing gap, adapting today's housing stock to withstand the accelerating impacts of the climate crisis is an immense undertaking. This is particularly the case in informal settlements, where strengthening resilience is both urgent and essential, yet must compete with other pressing needs and priorities. Recognizing that no single approach fits all contexts, Chapter 6 examines the policies and interventions needed to scale up the decarbonization of housing in ways that are cost-effective and do not undermine affordability.

1.1.6 The importance of ensuring liveable neighbourhoods

Cities around the world continue to face significant challenges in integrating housing into the broader urban fabric in ways that ensure all residents have access to liveable, well-connected neighbourhoods. Housing is far more than a physical structure: it encompasses a multidimensional package of goods and services, including access to infrastructure, public space, mobility, livelihood opportunities and social networks. Yet, in many contexts, housing delivery has been approached as a series of isolated construction projects focused primarily on the provision of shelter. Insufficient attention to the neighbourhood, environmental, cultural and locational dimensions of housing has often resulted in developments that are physically disconnected from essential services, employment and amenities. This segregation reduces access to opportunities and reinforces spatial inequality.

Urban planning and governance are therefore critical to creating liveable neighbourhoods by ensuring that housing is well located, adequately serviced and embedded within a coherent urban structure. However, in many settings, planning and governance frameworks lack the capacity, tools or institutional alignment required to fulfil this role effectively. When housing is built without walkable public spaces, safe street networks or mass public transport options, residents are pushed into car-dependent patterns of living, with cascading implications for health, safety, affordability and climate resilience. In the most extreme cases, isolated housing projects may remain vacant or underutilized because they fail to meet the practical needs of residents. Ensuring a balanced mix of housing, services and amenities can play a central role not only in improving neighbourhood liveability, but also in easing affordability by optimizing land supply and reducing infrastructure costs.



When housing is built without walkable public spaces, safe street networks or mass public transport options, residents are pushed into car-dependent patterns of living

Creating liveable cities requires authorities to move beyond convening planning processes and instead actively engage communities in decision-making, fostering meaningful collaboration with community organizations, the private sector, neighbourhood associations and individual residents.⁶² Such engagement ensures that planning tools reflect the perspectives and needs of diverse groups, particularly those traditionally marginalized from decision-making processes, such as women, older persons and migrants. Achieving full integration of housing within the city also requires sustained attention to management, maintenance and stewardship so that the social function of housing, its long-term value and its durability can be fully realized. Moreover, inclusive housing systems must adapt to evolving demographic trends, including ageing populations and increasingly multicultural cities. Chapter 7 explores how housing can be effectively integrated into the wider urban fabric to create resilient and liveable neighbourhoods.



Newly constructed residential housing units in Rabat, Morocco
© UN-Habitat / Jacob Ojwang

1.2 Drivers of the Global Housing Crisis

The escalating scale of the global housing crisis must not obscure the deeper, long-term structural forces that have shaped today’s challenges. While the specific barriers to achieving adequate housing vary by country and context, the focus of this section is on the structural, long-term drivers that underpin the global housing crisis. These forces shape housing outcomes across all regions and interact with policy failures, institutional weaknesses and regulatory gaps that compound housing deficits (Figure 1.4). Without addressing these drivers comprehensively and systematically, the global housing crisis will continue to deepen, placing even greater strain on cities and human settlements worldwide.

1.2.1 Urbanization: increasing urban population and rising land prices

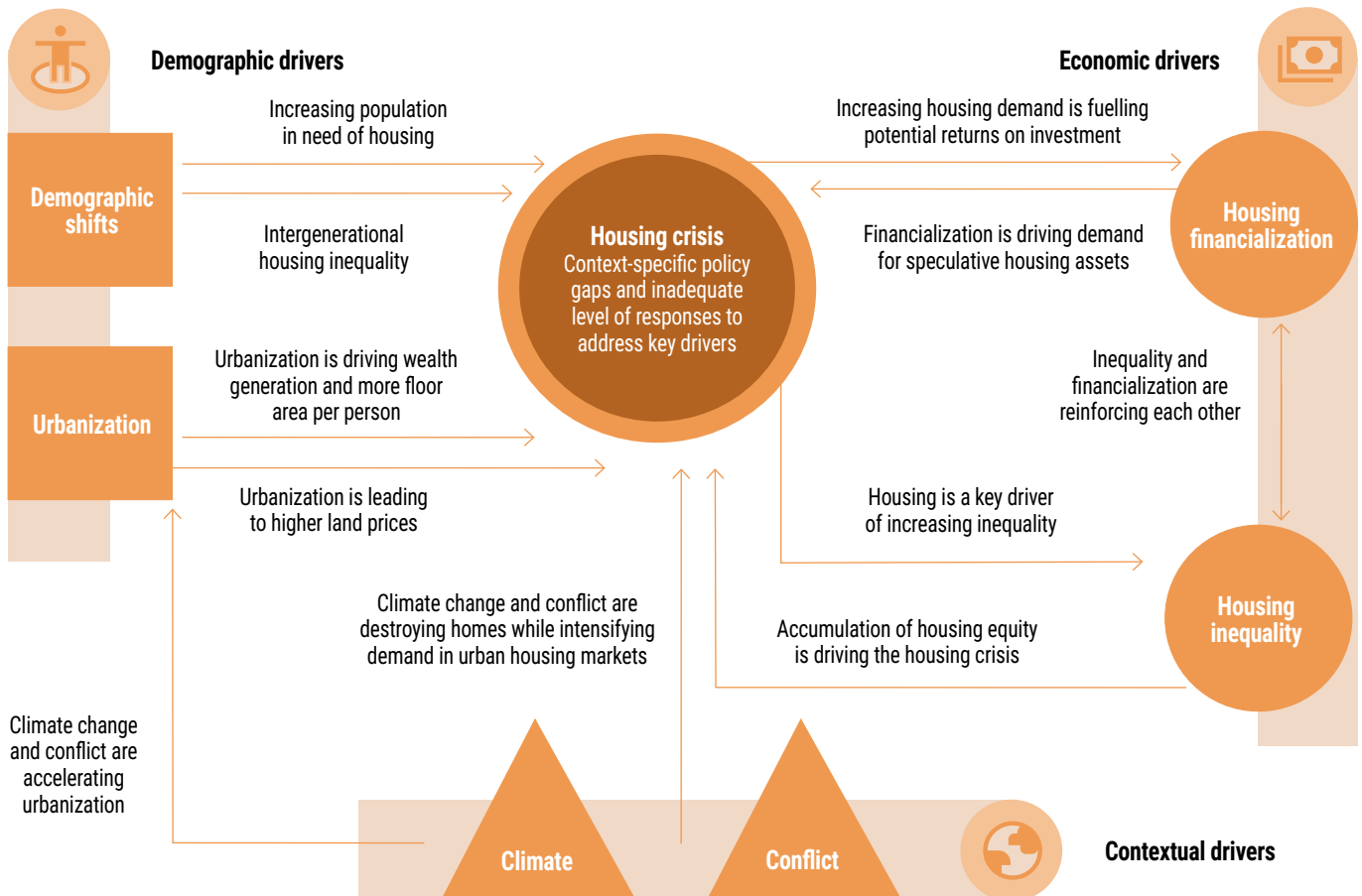
A key driver for the housing crisis is the inability of housing production to keep pace with rising global population, especially in urban areas. Rapid urbanization exerts tremendous pressure on housing and land markets, which is reflected in housing shortages, overcrowded habitation, and the large number of people living in slums and informal settlements. Developing countries have the fastest rate of urbanization,

with an average annual urban growth of 1.7 per cent in less developed regions between 2000 and 2025 compared to 0.3 per cent among more developed regions during the same period.⁶³

Between now and 2050, more than 1.7 billion additional people are expected to reside in urban areas, a total of 6.5 billion.⁶⁴ The implication of this is that future urban growth will take place mainly in the developing regions of Africa and Asia, where the planning systems and public institutions are not currently well-equipped to supply housing at the rate which is needed.

Unplanned urbanization is a key driver for the growth of informal settlements. Without making well-serviced land available at affordable prices, conditions of housing inadequacy are more likely to persist. With the increasing concentration of people living in cities demand is outstripping supply, creating land scarcity and price escalation. In developed countries, rising land prices may account for as much as 80 per cent of the increase in housing prices that has taken place since the 1950s.⁶⁵ In African countries, meanwhile, land prices have been found to be rising much faster than the general price of goods and services, particularly for urban areas.⁶⁶

Figure 1.4: The key drivers of the housing crisis



1.2.2 Increasing housing consumption

Urbanization is not only driving the demand for housing from rural to urban areas, but also generating prosperity.⁶⁷ While increased affluence in cities is a mark of societal progress, it is leading to increased housing consumption that is straining supply. The trend from the available data shows that the amount of housing floor area per person has been rising for decades. In the US, the average house size increased from 154 m² in 1973 to 250 m² in 2015, while at the same time average household size dropped from 3.1 to 2.5 people. This means that the average area per capita almost doubled from 51 m² in 1973 to 98 m² in 2015.⁶⁸ A similar picture emerges for China. In 1956, the average urban inhabitant in China only had 5.7 m² of residential floor area, but by 2020 this figure has increased more than six-fold to 38.6 m² per person.⁶⁹

Unless significant changes are made to the types of available housing, housing consumption per capita is expected to accelerate with an overall trend towards smaller and single-person households. All this extra residential space costs money to be constructed, maintained and climatized, not only increasing the unaffordability of individual housing units, but also contributing to increased greenhouse gas emissions. Even in contexts where real construction costs have not risen significantly, the increase in housing size means costs have still gone up. In the US, the cost of housing per square foot (measured in constant 2010 US\$) remained almost unchanged between 1980 (\$83) and 2015 (\$85).⁷⁰ Yet housing prices have steadily increased in the US in recent years, with inflation-adjusted housing prices around 65 per cent higher in 2023 compared to 2000.⁷¹

In some contexts, changes in housing consumption have been compounded by high or increasing construction costs. Housing construction costs per square meter are lower in China and India, where significant economies of scale exist, than in Chad, Zambia or Ghana, where construction industries and supply chains are less developed.⁷² In African cities, construction costs range between 35 and 71 per cent of the total cost of housing.⁷³ The reliance on imported materials is an important driver of higher construction costs, especially for landlocked countries such as Rwanda, where transport accounts for around 40 per cent of the cost of building materials in the capital Kigali.⁷⁴ It is imperative that developing countries promote local production of building materials through strategies such as import substitution, as is being undertaken by Ethiopia, Rwanda and now Malawi.⁷⁵

1.2.3 Increasing inequality

The contradiction between growing urban prosperity and the persistence of a severe housing crisis reflects the unequal distribution of housing opportunities. While global inequality has remained high for decades, income and wealth inequality within many countries have also increased, intensifying housing deprivation.

Rising property values disproportionately benefit those who already own homes, widening the wealth gap, while growing employment insecurity weakens the economic foundation required for households to access stable housing. At the same time, policy frameworks in many places have reduced support for economically vulnerable groups, often favouring those already securely housed.⁷⁶ The widespread prevalence

of informal settlements is itself a consequence of these structural inequalities. Evidence from the US shows that an increase in inequality is associated with a rise in the number of severely rent-burdened low-income households.⁷⁷ This trend is replicated in Europe, where income inequality is associated with decreased affordability, inferior housing quality and overcrowding for low-income groups.⁷⁸

The housing crisis does not simply result from inequality, however: housing has itself become a key driver of inequality, too. Housing generates disparities through at least two mechanisms. First, owner-occupiers can leverage their homes as collateral to access credit and build additional wealth. Second, well-located housing provides long-term human capital advantages such as access to good schools, employment, transport and services that compound over generations.⁷⁹ Consequently, housing inequalities cascade into broader inequalities in health, education and economic opportunity. Whereas occupation once played a dominant role in shaping life outcomes, homeownership is increasingly emerging as a key determinant of welfare and social mobility.⁸⁰

A major contributor to this dynamic is the intergenerational transmission of housing wealth. Financial assistance from parents or inherited property significantly enhances young adults' access to homeownership, making wealth inequality persist over time. This has produced widening generational divides, as older homeowners have benefited from decades of rising housing values, while younger cohorts face escalating prices and far more restricted access to ownership.⁸¹ Without addressing these underlying inequities, particularly on the demand side, the housing crisis is likely to deepen and extend across future generations.⁸²



Financial assistance from parents or inherited property significantly enhances young adults' access to homeownership, making wealth inequality persist over time

Persistent disparities in access to adequate housing also drive major health inequalities. Poor ventilation, inadequate thermal protection, pest infestation, exposure to toxins and substandard infrastructure all negatively affect physical well-being. Overcrowding heightens the risk of communicable diseases, including tuberculosis, while the COVID-19 pandemic underscored the heightened vulnerability of residents of slums and informal settlements, where inadequate housing facilitated rapid disease transmission. Structural deficiencies in housing also increase risks of injury due to flooding, collapse and unsafe electrical systems. These challenges disproportionately affect vulnerable groups, particularly children living in informal settlements. UNICEF data from 70 countries show that in half of them, urban children in the poorest quintile are at least twice as likely to die before the age of five as those in the richest quintile.⁸³ Limited access to preventive and curative health services, such as immunization, further compounds these risks.



High-rise apartments in Hong Kong, China © Shutterstock

1.2.4 Increasing financialization of housing

A major driver of the global housing crisis is the growing financialization of housing.⁸⁴ Housing is increasingly treated as a financial asset, overshadowing its essential role in providing safe, secure and dignified living spaces for people. This shift has allowed homes and mortgages to be packaged into financial products and traded as investment commodities.⁸⁵ As the Special Rapporteur on the right to adequate housing has noted, this trend has “transformed housing from a fundamental social necessity into an investment tool”, reducing both affordability and accessibility.⁸⁶ In a number of countries, large institutional investors now own a significant share of the housing stock, contributing to rising rents, speculative behaviour and increased pressure on low- and middle-income households.

The financialization of housing accelerated during the 1980s as housing markets were liberalized.⁸⁷ Access to mortgage credit expanded and restrictions on domestic and foreign investment in housing were eased.⁸⁸ Banking deregulation increased the availability of credit, allowing mortgage lending to grow faster than the construction of new homes.⁸⁹ This created feedback loops in which easier access to credit pushed up prices more quickly than supply could respond. In some cases, well intentioned housing subsidies also contributed to price increases by raising purchasing power without expanding supply. Declining interest rates from the 1980s further encouraged investment in real estate, intensifying demand and price growth.⁹⁰

Speculative and poorly regulated credit flows have inflated housing prices in unsustainable ways, often ending in market corrections once price bubbles burst. In contrast, conventional housing finance systems remain inaccessible for large segments of urban households, especially in developing countries. The inability of formal institutions to address the housing needs of most of the population should be a central concern for policymakers. In response, alternative financing approaches have emerged, including microfinance, community-based mechanisms, blended finance and cooperative credit systems. These alternatives are examined in more detail in Chapter 8.

Current affordability challenges stem not only from supply constraints but also from demand-side pressures linked to speculation and investment practices. In many cities, new housing is increasingly designed for higher income groups or investors, leading to substantial numbers of vacant or under-occupied units even as shortages persist for lower income households. In some countries, these units represent 10 to 15 per cent of the total housing stock.⁹¹ This mismatch wastes valuable resources such as land, construction materials, infrastructure and services, while failing to meet urgent housing needs.

Speculative and poorly regulated credit flows have inflated housing prices in unsustainable ways

1.2.5 Rising impact of climate change and conflicts

Climate change and ongoing conflicts are often treated as external pressures rather than core drivers of the housing crisis.⁹² Yet both have become central forces reshaping where and how people live. As the UN Special Rapporteur on the right to adequate housing again notes, “the climate crisis is also a housing crisis.” Climate change contributes directly to housing insecurity by driving displacement, exacerbating rural-to-urban migration, and accelerating unplanned urbanization. The rising cost of adapting existing housing to withstand more frequent and severe climate shocks is placing additional pressure on households and public budgets alike. Recognizing these overlaps, it is increasingly clear that housing and climate policy must be addressed in a coordinated and mutually reinforcing manner.⁹³

Armed conflict is also a major source of housing loss and displacement, with millions forced from their home every year to escape violence. For IDPs and refugees, violations of the right to adequate housing are among the most severe, encompassing loss of homes, land, livelihoods and security. While conflicts may appear localized, their effects extend far beyond conflict zones. Large population movements into cities elsewhere place additional strain on already overstretched housing markets, contributing to higher demand, rising rents and increased informal settlement growth.

Armed conflict is also a major source of housing loss and displacement, with millions forced from their home every year

Of the countries that experienced a rise in the proportion of their urban population living in slums and informal settlements between 2000 and 2020, more than half were either in conflict or transitioning out of it, highlighting the long-term impacts of violence on urban housing outcomes.⁹⁴ Chapters 4 and 6 examine these drivers in greater detail, showing how displacement and climate risks intersect with housing systems and outlining practical strategies to strengthen resilience, expand protection and reduce vulnerability.

1.2.7 The institutional and regulatory environment

Local and context-specific factors, especially institutional and regulatory frameworks, also play a critical role in shaping housing outcomes. Across many settings, a recurring pattern of weak housing and land governance constrains supply and undermines affordability. Restrictive land-use rules, outdated building regulations and zoning practices such as “Not in My Backyard” (NIMBY) opposition often limit where and what types of housing can be built, as is in the case of San Francisco (US).⁹⁵ When these regulations are unrealistically burdensome or poorly designed, they make housing more expensive and disproportionately exclude low-income households.

Efficient and predictable regulatory systems, by contrast, can accelerate the supply of well-located and affordable housing. However, in many countries, complex approval processes, overlapping mandates and lengthy administrative procedures delay development and deter investment.

In some African countries, obtaining a construction permit can take more than 200 days, making land both scarce and costly.⁹⁶ These governance gaps are compounded by widespread insecurity of land tenure – globally, an estimated 1.4 billion people lack legally recognized documentation of their land rights⁹⁷ – as well as the absence of clear national housing policies or weak links between national and local priorities. Such fragmentation produces inconsistent regulations, conflicting objectives and incoherent housing systems.

Regulatory and financial incentives tend to favour high-income housing at the expense of affordable options. Very often, the market prioritizes luxury or investment-oriented developments even where demand from low- and middle-income households is far greater. This mismatch contributes to rising vacancies and under-occupied units, as seen in some “ghost city” developments, while shortages for low-income groups persist. Because these context-specific drivers vary widely across places, addressing the housing crisis requires localized strategies tailored to institutional capacity, land governance conditions and the specific needs of different communities.

1.3 Emerging Housing Trends

This section highlights several key housing trends that have emerged in response to the global housing crisis and sets the foundation for the discussions in the chapters that follow. Although each trend requires its own set of policy responses, they share a common shift away from rigid, institutionalized and one-size-fits-all approaches. Instead, they emphasize more inclusive models that integrate people into society and expand the range of housing options available to different groups.

1.3.1 Trends in housing demography

Responding to an ageing population

A major demographic shift that will intensify over the coming decades is the rapid growth of the older population. People aged 65 and above represent the fastest-growing age group globally, projected to almost double between 2024 and 2054, from 17 to 33 per cent of the population.⁹⁸ This trend makes it increasingly important to ensure that housing and supporting infrastructure are suitable for this demographic trend. As older people typically spend more time at home, the effects of inadequate housing will be felt even more acutely.

In response, many countries are adapting housing to support “ageing in place”, enabling older persons to live independently in their communities for as long as possible. This approach includes modifying existing homes and ensuring access to appropriate services and assistance.⁹⁹ Ageing in place helps prevent or delay disruptive transitions to care facilities, supports autonomy and reduces the risk of social isolation.¹⁰⁰ It also allows older adults to choose whether to remain in their current home, relocate to housing designed for older people, or live with family members.¹⁰¹

Historically, multi-generational households were common, providing social benefits such as shared caregiving and reduced loneliness among older persons. Although such arrangements have declined over the past century, particularly in Western Europe and Northern America, they remain widespread in many regions. In parts of Africa, for example, more than half of older persons live in extended family households.¹⁰² As populations age and housing affordability pressures increase, for young and old alike, multi-generational living may become more prevalent again.

As populations age and housing affordability pressures increase, for young and old alike, multi-generational living may become more prevalent

Inclusive approaches to housing for people with disabilities

An estimated 1.3 billion people, or 16 per cent of the global population, live with significant disabilities.¹⁰³ People with disabilities face major barriers to securing adequate housing, including limited options for where and how they can live. Many people with disabilities remain in the parental home far longer than their peers, or they reside in shared accommodation with communal facilities and support services.¹⁰⁴ Yet accessible housing tailored to their needs is essential for ensuring economic security, health, well-being and independence.¹⁰⁵



A young woman with a disability sits in a wheelchair and eats breakfast at home
© Shutterstock

Traditionally, governments and non-governmental organizations have developed disability-specific housing that often isolates residents from their communities and clusters people with disabilities together. In line with the United Nations Convention on the Rights of Persons with Disabilities, however, disability policy is increasingly shifting away from segregated and institutional models toward “individualized housing” approaches. These approaches give adults with disabilities genuine choice over their living arrangements and enable them to reside in ordinary community settings alongside people without disabilities.¹⁰⁶ This shift away from formal institutions does not exclude collective living models that may be particularly beneficial for some groups such as people with autism or Asperger’s, especially when these arrangements support independence while also encouraging social interaction and engagement with the wider community.

To expand such choices, accessibility principles must be integrated into all housing construction. Accessibility adaptations range from low-cost measures like rails, ramps and entry systems, to major modifications such as lifts or redesigned kitchens and bathrooms. Evidence shows that these adaptations are a cost-effective public investment: they help people avoid hospitalization, ease pressure on caregivers and foster social inclusion.¹⁰⁷ Yet major gaps remain. In the US, for example, fewer than 4 per cent of homes can be considered fully accessible to wheelchair users, with no-step doorways, single-floor living and hallways of a sufficient width.¹⁰⁸ Building public support for inclusive design will require demonstrating that accessibility features benefit not only people with disabilities, but also older adults, children and others who may face mobility or access challenges at different stages of life.

Disability policy is increasingly shifting away from segregated and institutional models toward “individualized housing” approaches

Single-person households

As discussed earlier in this chapter, one major driver of the global housing crisis is the growing amount of space consumed per person. This trend stems from two opposing developments: homes are becoming increasingly larger, while average household size continues to shrink. The increase in single-person households is one dimension of this. The proportion of the world’s population living alone has steadily risen from 23 per cent in 1985 to 28 per cent in 2018, with projections suggesting that by 2050 more than one in three households could consist of a single person.¹⁰⁹ Although regional differences are substantial – ranging from just 2.6 per cent single-person households in Cambodia to 38 per cent in Switzerland – a study across 75 countries found that the rate of single-person households was rising in 53 of them, amounting to more than 70 per cent of those surveyed.¹¹⁰ Responding to these demographic shifts requires not only the construction of more smaller homes, but also the development of housing that can adjust to evolving household configurations. These adaptations are crucial not just for meeting the needs of smaller households, but also for addressing other dimensions of the broader housing crisis.

1.3.2 Trends in housing delivery

The persistent and complex nature of the housing crisis, combined with responses that are slow, small in scale and often still unaffordable, has led to growing interest in more flexible, temporary approaches to housing delivery, occupation and management. This discussion focuses on three adaptive housing solutions: infill housing, flexible housing and temporary housing.

Trends towards more adaptive housing solutions

In this context, infill housing is used as an umbrella term that encompasses secondary and accessory dwelling units, tiny homes, resident-initiated extensions, the restoration of previously habitable units, the subdivision of larger homes, and the conversion of non-residential spaces such as offices into housing units. These forms of development generally help fill gaps in the housing market, particularly for smaller units and for specific population groups. Infill housing often operates in grey areas of existing regulatory frameworks. For instance, secondary units built in backyards are typically smaller and lighter structures, meaning they may face less stringent building codes, fewer requirements for environmental impact assessments, and no need to upgrade local infrastructure.¹¹¹ In some jurisdictions, regulations have been amended to encourage infill, such as by easing land-use restrictions.¹¹² The city of Los Angeles (US), for example, has adopted policies on accessory dwelling units that have broadened where and how these units can be constructed.¹¹³

The housing built today must also be flexible enough to adapt to emerging and future needs. Flexibility is a key strategy in responding to the climate crisis, as housing designed for easy adaptation over time has a lower environmental footprint than carbon-intensive renovations or demolition and reconstruction. Flexible housing can adjust to personal, practical or technological changes, and seeks to empower residents to make modifications both at the design phase and throughout the building's lifespan. This participatory approach strengthens residents' sense of ownership and helps reinforce the idea of the housing unit as a true home.¹¹⁴

Temporary housing refers to all forms of accommodation intended for non-permanent use. Broadly, it includes demountable structures such as emergency shelters and temporary housing that repurposes existing durable buildings, such as the short-term conversion of offices into living spaces.¹¹⁵ While emergency housing is typically deployed in crisis situations, temporary housing plays an important role in addressing homelessness, where transitional solutions are often required: for instance, when a family is evicted and needs immediate, short-term accommodation.

Trends towards community-led housing

Housing policy is increasingly acknowledging community-led housing as a viable alternative model. In this context, community-led housing refers to a wide spectrum of housing approaches characterized by strong community participation such as collaborative housing, co-housing and cooperative housing. These models typically incorporate elements of self-built housing, including greater resident control over the development, management and long-term stewardship of homes, and they may also involve varying levels of support from local governments.

Central to this approach is the use of shared land tenure that moves beyond individual or state ownership, enabling collective land and housing management and fostering urban and architectural design that supports shared everyday spaces.¹¹⁶

Community-led housing has long been an important mode of housing provision across many Asian countries. A well-known example is Thailand's Baan Mankong programme, discussed in detail in Chapter 5, where scale has been achieved through partnerships between government agencies and community-based organizations that make use of land-sharing arrangements. Another widespread form in Asia involves large-scale housing development by village committees located on urban peripheries. As cities expand and incorporate these urban villages, existing systems of shared or collective landownership have enabled the rapid creation of housing for people who are excluded from formal housing markets.¹¹⁷

In Europe and North America, community-led housing is gaining traction as a response to escalating housing unaffordability and the increasing financialization of residential real estate.¹¹⁸ Community land trusts, for example, have become prominent for their model of separating land ownership from home ownership and applying resale restrictions to ensure long-term affordability, maintain community benefit, and reduce displacement pressures.¹¹⁹ A notable trend in these regions is the explicit use of community-led housing to intentionally create new communities. Co-housing developments, for instance, are designed around shared facilities such as communal dining spaces, recreational areas and gardens to encourage interaction and support the formation of diverse, multigenerational communities.¹²⁰



Homes built under Baan Mankong, a low-cost housing program to resettle communities living by canals in Sai Mai district of Bangkok, Thailand
© Rina Chandran/Thomson Reuters Foundation

Community-led housing is gaining traction as a response to escalating housing unaffordability and the increasing financialization of residential real estate

1.3.3 Trends in housing technology

Technology has always played a role in the design, construction and maintenance of housing. However, in recent decades, new and rapidly evolving housing technologies have begun to transform the sector, driving down costs while reducing environmental impacts. Key trends include the growing adoption of modular and prefabricated construction methods, renewed interest in Indigenous building technologies, and the rise of digital tools that support more efficient housing design, construction and management.

Housing modularity and prefabrication

In response to the housing crisis, modular and prefabricated construction methods are being increasingly adopted because they reduce costs through mass production, shorten construction timelines and enhance quality control.¹²¹ These approaches involve manufacturing key components – such as facades, roofs and structural elements – off-site and then transporting them to the development site for final assembly. Off-site fabrication enables greater automation and more consistent quality. Since traditional construction is highly labour-intensive, faster on-site assembly can significantly reduce costs, particularly in countries where labour is expensive.¹²²

However, prefabricated modules remain cost-effective only when the distance between factory and construction site is manageable, meaning they work best within strong, localized economies.¹²³ In addition, modular construction requires substantial up-front investment to establish factories and acquire specialized machinery, potentially limiting the wider adoption of these technologies in developing countries. While modular and prefabricated systems often use concrete – an expensive and carbon-intensive building material – several recent innovations aim to reduce both the cost and environmental footprint of construction. These include replacing steel reinforcement with textile-based alternatives¹²⁴ and using locally sourced binders to lower the clinker-to-cement ratio.¹²⁵

Modular components are also increasingly being integrated with 3D-printing technologies.¹²⁶ Advances in digital design, hybrid building systems and prefabrication have made it possible to use other materials as well, such as modular mass timber systems.¹²⁷ Modular construction has also proven to be a powerful tool for climate adaptation. In the Netherlands, for example, prefabricated insulated wall and roof panels that can be attached directly to existing buildings have accelerated renovation processes and minimized disruption for residents.¹²⁸

Innovative application of traditional technologies

The second trend in housing technology involves a growing appreciation and widespread use of Indigenous, vernacular and traditional construction methods – particularly for their potential to reduce costs and environmental impact.¹²⁹ These approaches rely heavily on bio-based materials such as adobe, rammed earth, clay masonry, sod blocks, thatch and bamboo.¹³⁰ Timber remains the most widely used bio-based material

at scale, often serving as a lower-carbon substitute for concrete and steel, especially in low- and mid-rise housing.¹³¹ These technologies are increasingly recognized for their contributions to the SDGs.¹³²

Their carbon-sequestering properties, biodegradability and low embodied energy make them especially important for climate change mitigation.¹³³ In addition, the localized supply chains linked to these materials create jobs and strengthen community resilience.

Modern technological advances are also helping revive and enhance traditional construction practices. For instance, innovations in producing interlocking stabilized soil blocks have transformed a long-standing technique into a cost-effective, scalable alternative to fired bricks. The ease of deploying this technology has led to wider use in displacement and humanitarian settings.¹³⁴ Both modular and vernacular approaches emphasize design for disassembly and reuse – a strategy shown to reduce embodied energy and embodied carbon by up to 81 per cent and 88 per cent respectively.¹³⁵ However, despite their benefits, bio-based housing technologies still face obstacles, including inconsistent performance standards and regulatory frameworks that have yet to catch up with material innovation.¹³⁶



Modular construction has also proven to be a powerful tool for climate adaptation

Housing digitalization

The third pervasive trend is the increasing digitalization of housing production tools such as Building Information Modelling (BIM), now widely used to optimize building design for low energy consumption.¹³⁷ Digital technologies also play a crucial role in modular housing, where they support the precise design and fabrication of complex connection components, and help reduce waste in prefabrication and modular construction.¹³⁸ However, the most transformative impact of digitalization is likely to be in housing management. Recent advancements, including cloud and mobile computing, digital platforms and automated, data-driven decision-making, are reshaping how housing systems are administered.¹³⁹

In some countries, land registries have been fully digitized, enabling the entire legal process of land sale and transfer to take place online. In Kenya, for example, the Boma Yangu platform uses a digital system that allows residents to register, save and apply for housing. Digitized monitoring of the housing sector can also strengthen decision-making, improving transparency and fairness in the allocation of below-market housing and housing subsidies.¹⁴⁰

Technology is also advancing the development of early warning systems, which are increasingly important for housing resilience. Early warning tools for earthquakes and climate-related disasters are now used to predict and monitor the timing and severity of such events, helping residents protect their homes, secure their belongings and save lives.

Artificial intelligence is also being applied to monitor the financial health of housing markets, providing signals that can help prevent instability. Despite these benefits, the use of digital technologies raises concerns related to privacy, transparency, openness and the potential for increased speculation in housing markets.¹⁴¹ As digital systems make global finance more interconnected, strong regulatory frameworks are needed to ensure that digital housing information is not misused for financial gain.¹⁴²

1.4 Housing and the Economy

Housing plays a transformative role in shaping national economic outcomes. However, the economic importance of housing has perhaps not been sufficiently recognized, with policymakers viewing it as “essentially a social sector deserving minimal attention and advocacy as an instrument for economic development”.¹⁴³

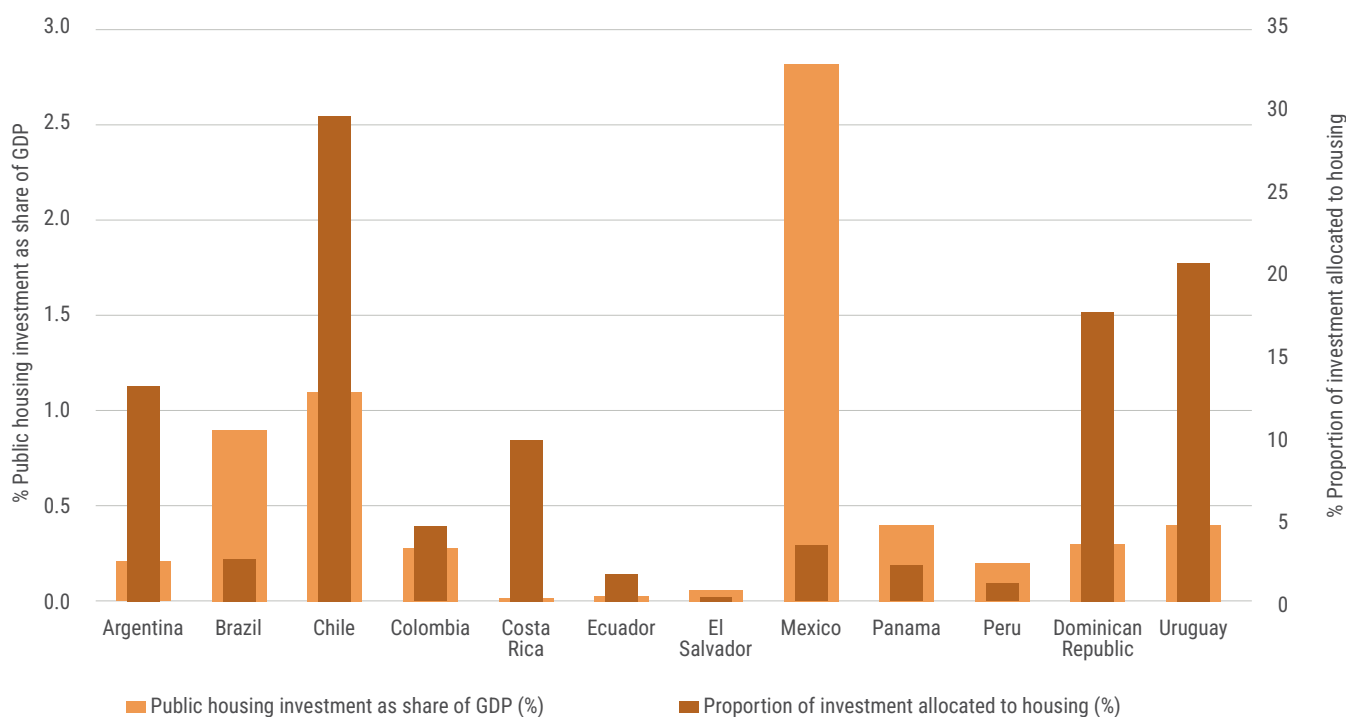
Housing was historically viewed as a “non-productive” investment, having a high capital-output ratio compared to other forms of investment. It was a good or service which called for substantial input but yielded less output, yet competing with other sectors for capital, labour and materials. It was, and often still is, considered as a social expenditure contributing only to consumption, thus attracting labels like “resource-absorber”, “consumer good” and “social overhead”.¹⁴⁴

Widespread investment in housing in developing countries was often rejected as a meaningful development strategy. In Latin America and the Caribbean, despite housing deficits, public investments are below 1 per cent of GDP in several countries (Figure 1.5).¹⁴⁵ Likewise public expenditure is also low in developed regions. In EU countries, for instance, government expenditure on “housing and community amenities” as a share of GDP is about 1.2 per cent.¹⁴⁶

Yet in practice, the housing sector makes a substantial economic contribution. The construction sector is among the largest industries worldwide, accounting for approximately 13 per cent of the global GDP, and providing employment to an estimated 7.7 per cent of working population,¹⁴⁷ which represents around 287 million people.¹⁴⁸ In the US, housing has consistently accounted for 15–18 per cent of GDP.¹⁴⁹ A study covering 11 emerging economies estimates that the combined contribution of housing investment and housing services ranges from 6.9 to 18.5 per cent of GDP, with an average of 13.1 per cent.¹⁵⁰ Analysis of South Africa, Rwanda, Kenya and Nigeria further shows that the gross value added generated by residential construction and rental activities exceeds that of many other sectors.¹⁵¹

However, although housing makes a substantial contribution to national output in many emerging markets and developing economies, its true impact is often underrepresented in official statistics.

Figure 1.5: Public investment in housing in selected countries in the Latin America and the Caribbean region



Source: CAF-Development Bank of Latin America and the Caribbean, & Lincoln Institute of Land Policy, 2024.

This is because the large size of the informal sector leads to the undercounting of capital and labour invested in self-built housing.¹⁵² Informal construction, which may account for up to 80 per cent of residential building activity in developing countries, is frequently undervalued or not fully recorded.¹⁵³

In many African countries, the economic value generated by informal housing is likely greater than that produced by the formal sector. It also consistently delivers more housing units.¹⁵⁴ Yet housing services provided through informal arrangements are commonly overlooked or underestimated. This reflects a broader challenge in capturing the economic significance of informality in GDP measurements, with important implications for national economic indicators.¹⁵⁵

1.4.1 Economic linkages of the housing sector

The economic significance of the housing sector is anchored in its extensive backward and forward linkages across the wider economy. Through these linkages, the sector's demand for key inputs and services is closely connected to its broader role in meeting societal needs, stimulating economic activity and shaping patterns of urban development.¹⁵⁶ These interdependencies mean the economic impact of housing investment is extended well beyond the initial outlay.¹⁵⁷



Informal construction, which may account for up to 80 per cent of residential building activity in developing countries, is frequently undervalued

The economic effects of housing manifest through three channels: direct impacts, arising from investment in residential construction and the employment generated within the sector; indirect impacts, transmitted through the supply chains that provide materials, services and intermediate inputs; and induced impacts, arising from the re-spending of income generated by direct and indirect activities. Evidence from South Asia illustrates the magnitude of these effects, where US\$1 spent in the housing sector can generate up to US\$5 in income.¹⁵⁸

Although internationally comparable data remains limited, available studies underscore the substantial contribution of the housing sector to national economies and employment creation. Cross-country research covering nine emerging market economies indicates that US\$1 million in construction output can create between 43 and 182 jobs through direct and indirect effects.¹⁵⁹ Country-specific evidence aligns with these findings. In India, an additional Rs. 100,000 (1 lakh) in demand for residential construction generates an estimated 2.69 new jobs (2.61 informal and 0.04 formal), rising to 4.06 jobs (3.95 informal and 0.11 formal) when induced effects are included.¹⁶⁰ In the US, construction of a typical single-family home is estimated to support 2.9 jobs, while an average rental apartment generates 1.25 jobs.¹⁶¹ Similarly, in England and Wales (United Kingdom), the house building industry supports an average of 3.4 jobs per dwelling constructed.¹⁶²

The economic gains generated by housing investment vary widely depending on the type of investment, the structure and size of the economy, the scale of construction activity, and a country's level of development. Low-cost housing tends to create more employment than luxury or high-end housing because it relies heavily on locally produced materials and labour-intensive construction methods rather than imported materials, advanced technologies and specialized labour.¹⁶³ Although the use of local building materials can generate substantial backward linkages, which support domestic manufacturing and raw material industries, many developing countries remain heavily reliant on imports. In Africa, imports account for an estimated 60 per cent of construction materials, a level that is difficult to sustain in economies facing significant debt pressures.¹⁶⁴

1.4.2 Housing sector as a generator of employment

The housing sector has a strong capacity for job creation. It is both a major employer and a critical source of income, generating jobs directly through construction activity and indirectly through a wide range of related industries. Direct employment in housing construction engages diverse trades and occupations, and provides an important pathway for workers to acquire and upgrade skills – often through work-based or informal learning – creating opportunities for economic mobility.

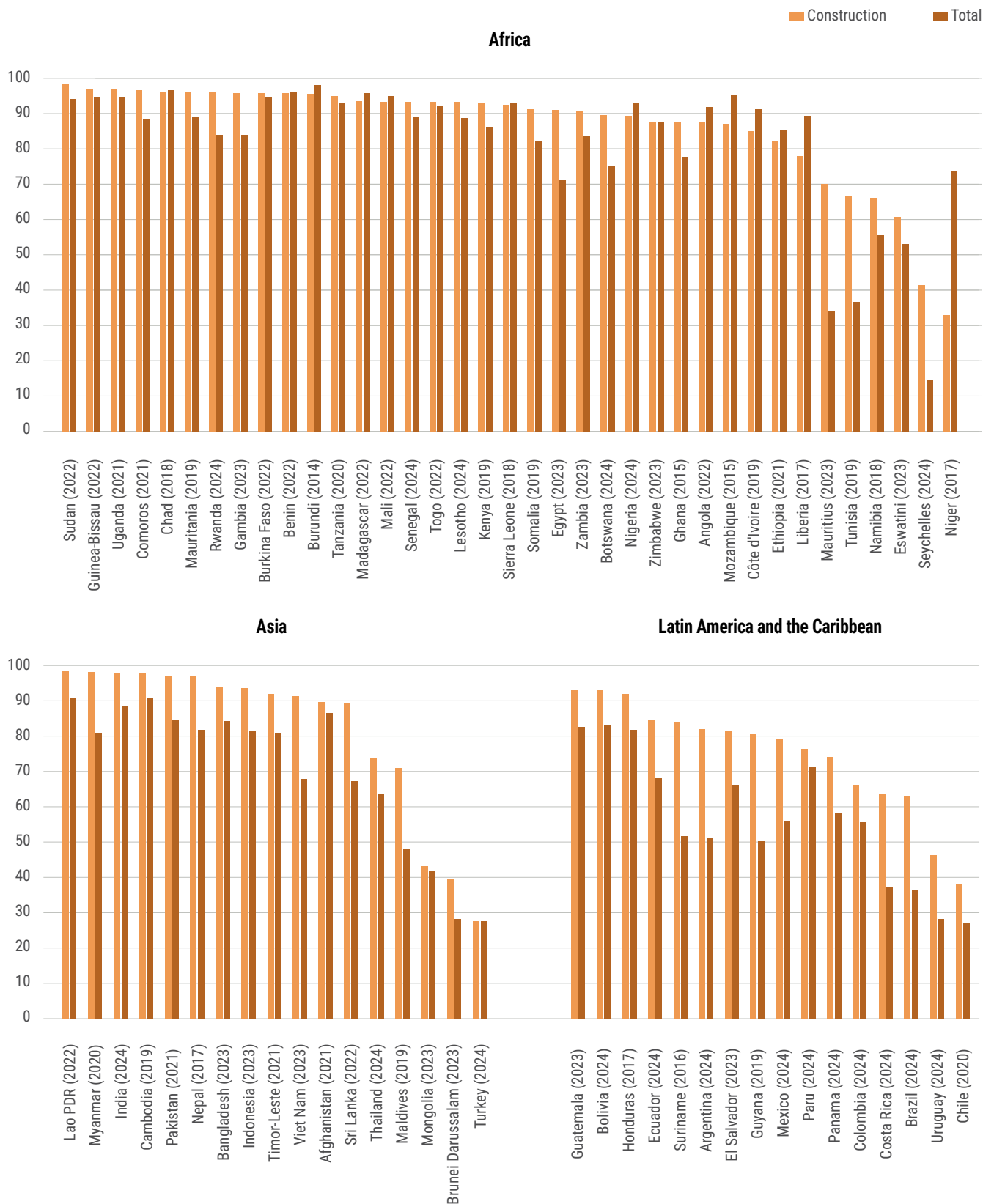
Globally, the construction sector employs over 280 million people.¹⁶⁵ A substantial proportion of these jobs are linked to housing construction. In the US, for example, as of June 2025, an estimated 3.3 million of the 8.3 million people employed in construction were engaged in residential building.¹⁶⁶ In India, the construction sector directly employs 16 per cent of the national labour force, with housing alone accounting for 58 per cent of all construction-related employment.¹⁶⁷

Informal employment dominates the construction sector across developing regions. As illustrated in Figure 1.6, rates of informality are highest in Africa, followed by Asia and Latin America and the Caribbean. In all regions, informal employment in construction exceeds overall informality levels. In Sub-Saharan Africa, the informal economy accounts for between 50 and 80 per cent of GDP.¹⁶⁸ This dominance is dual-edged: while it provides essential “survivalist” economic opportunities, informal employment is often precarious and low-paid.¹⁶⁹ Nonetheless, it plays an indispensable role in housing delivery, as examined in Chapter 5. High levels of informality also have implications for access to housing finance. The prevalence of daily-wage labourers and the lack of documented or stable incomes make it difficult for workers to qualify for formal housing loans, as mortgage providers and lending institutions often avoid lending to low-income informal workers. This issue is further explored in Chapter 8.



The housing sector has a strong capacity for job creation

Figure 1.6: Informal employment rate in developing regions



Source: Data from ILOSTAT

1.4.3 The home as an enabler for income generation

In many low- and middle-income countries, housing serves as an important enabler of income generation through both rental arrangements and home-based enterprises.¹⁷⁰ Subletting, for instance, is a common income-earning use of housing in some African cities.¹⁷¹ However, the expansion of rental use, particularly short-term rentals, has raised concerns about reduced housing supply and declining affordability.¹⁷² In response, several cities, including London (UK), Vienna (Austria), San Francisco and Washington, D.C. (US), have introduced regulations restricting short-term rentals to no more than 90 nights per year. Paris imposes a limit of 120 nights, while Japan applies a nationwide annual cap of 180 days.¹⁷³

Home-based enterprises (HBEs) constitute a significant source of employment. A 2021 study by WIEGO and the ILO estimates that approximately 260 million home-based workers operate globally: of these, most (86 per cent) are in developing and emerging economies (Figure 1.7), with women representing the majority (57 per cent) of home-based workers worldwide.¹⁷⁴ In OECD countries, HBEs account for slightly more than half of all private enterprises,¹⁷⁵ and in several African countries they serve as a critical economic lifeline.¹⁷⁶

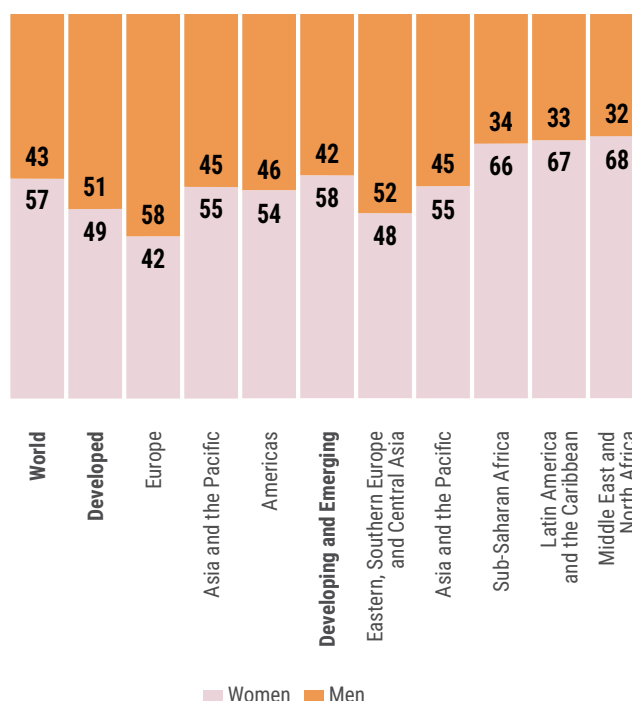
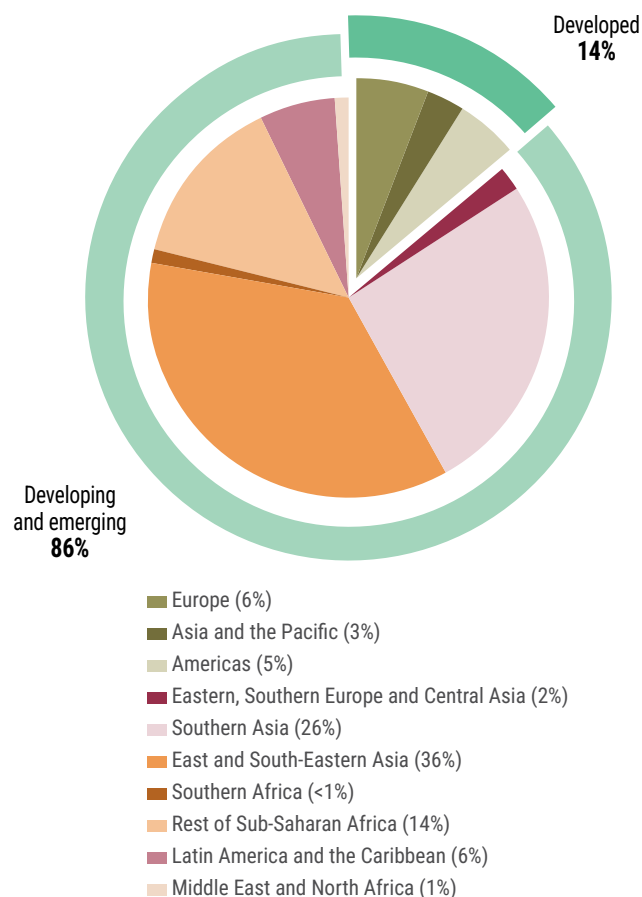
HBEs flourish when housing meets key dimensions of adequacy. Evidence from Khulna, Bangladesh shows that the level of tenure security in informal settlements significantly affects the economic returns generated by HBEs. A lack of secure tenure can hinder enterprise growth, while secure tenure combined with income from HBEs supports self-help housing processes, enabling bottom-up, dweller-led housing consolidation.¹⁷⁷

1.4.4 Housing as a fiscal tool for governments: a stimulus and source of revenue

Although the housing sector is sometimes approached cautiously due to its association with speculative bubbles and episodes of financial instability,¹⁷⁸ it remains a powerful engine of economic activity. Housing generates substantial fiscal revenues for governments: in Jordan, it contributes between 6 and 11 per cent of total government revenue, while in Indonesia it accounts for roughly 8 per cent of national tax receipts.¹⁷⁹ Its strong multiplier effects also make the sector an effective instrument for economic stimulation across a wide range of related industries.

Historical experiences from Japan, Singapore and the Republic of Korea underscore the central role of housing in long-term national development strategies.¹⁸⁰ The sector has also played a leading role in economic recovery, as seen in the US, where residential investment consistently leads the business cycle, being typically the first component to contract and the first to recover.¹⁸¹

Figure 1.7: Distribution of home-based workers by regions



Source: Bonnet et al., 2021.

During previous global crises, governments have frequently used housing investment to stimulate wider economic activity, particularly through construction and allied industries. During the COVID-19 pandemic, several countries – including India, Australia, Canada, France and New Zealand – implemented housing-focused initiatives as part of their fiscal responses. These included A\$6 billion (approximately US\$4.6 billion) for the “Big Housing Build” in the state of Victoria in Australia; C\$1 billion (US\$0.8 billion) for Canada’s Rapid Housing Initiative; and nearly € 3 billion (US\$3.4 billion) in housing investments under France’s France Relance economic recovery plan.¹⁸²

1.4.5 Housing: a cornerstone for wealth accumulation

Housing is one of the most important tangible assets and a central component of national wealth.¹⁸³ Unlike most consumer goods, it is a long-term investment and often the largest purchase individuals make. For many households, home equity is their primary financial asset and main store of wealth. In the US, for example, several years after the 2008 housing market collapse, 81 per cent of adults still viewed homeownership as the best long-term investment.¹⁸⁴ Across OECD countries, owner-occupied housing constitutes roughly half of all household assets – and more than 60 per cent for middle-class households.¹⁸⁵ In many developing countries, homeownership is a major driver of household savings and is widely regarded as essential for financial security and upward mobility. In both developing and developed economies, housing also supports financial intermediation by serving as collateral that enables the creation and expansion of small businesses.

Financialization has expanded the role of housing as an asset class and increased interest from institutional investors. These shifts have contributed to affordability pressures in some contexts, sharpening the tension between housing as an investment and as a basic need and human right. As concerns about speculative activity have grown, so too have calls for more active public measures to manage these impacts and support more inclusive housing outcomes.¹⁸⁶

1.5 Concluding Remarks

The challenges identified in this Report are illuminated with new data and evidence, highlighting their scale, complexity and uneven impacts across regions and population groups. While the housing crisis manifests differently across contexts, its structural drivers, including rapid urbanization, climate risks, widening inequalities, evolving patterns of housing investment and constrained public finances, are global in scope. These forces interact with local regulatory gaps and weak governance frameworks, creating barriers that prevent many households from accessing adequate housing. Together, these forces show that the crisis cannot be resolved through isolated interventions or short-term responses.

- *Lack of access to housing is not only a question of insufficient supply, but also a product of social exclusion and inequality.* Narrow solutions focused only on specific construction targets, without a wider analysis of the specific housing needs and challenges of the most excluded groups, are unlikely to deliver lasting solutions for those currently excluded from the market.
- *Adequate and affordable housing for all is achievable only through coordinated, multilevel action.* National and local governments, the private sector, community actors and development partners each hold critical responsibilities. Ensuring the full participation of every stakeholder, particularly those traditionally left out of housing design and implementation, is therefore key.
- *Effective solutions must recognize housing as a long-term process that spans land acquisition, planning, construction, finance, governance and ongoing maintenance.* As past experiences show, success depends not only on policy design but also on the institutional capacity, political commitment and financing mechanisms required to implement those policies at scale.
- *Housing solutions should be tailored to specific national and local conditions: no “one size fits all” approach exists.* What is needed instead are context-specific, multidimensional approaches that reflect local tenure arrangements, building practices, climate vulnerabilities and market conditions, while remaining aligned with national and global commitments.

Importantly, the World Cities Report 2026 takes stock of the successes and shortcomings in housing policies globally to identify what works and why. By examining decades of housing policies, programmes and community-driven initiatives, the Report distils practical lessons that can guide implementation. It identifies approaches that have delivered durable improvements in affordability, inclusion and resilience, as well as those that failed due to weak institutional capacity, fragmented governance or insufficient engagement with communities.

Drawing on this evidence, this Report provides clear and actionable policy directions to help countries and cities realign housing systems toward greater equity, sustainability and resilience. It emphasizes the need for integrated planning, diversified tenure options, expanded financing tools, strengthened governance and investments that enable climate-resilient, inclusive neighbourhoods. Ultimately, resolving the global housing crisis demands a renewed commitment to housing, both as a human right and a foundation for sustainable urban development.

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People walk along the newly transformed pedestrian-oriented Luthuli Avenue in downtown Nairobi, Kenya © UN-Habitat/Mark Ojal