



# Chapter 3:

## The Housing Affordability Crisis

### *Quick facts*

1. As of 2023, the global house price-to-income ratio rose from 9.3 in 2010 to 11.2 in 2023, reflecting a broad decline in affordability, especially concentrated in Eastern and South-Eastern Asia.
2. As of 2023, 44 per cent of tenant households worldwide were spending more than 30 per cent of their income on rent, with levels particularly high in Sub-Saharan Africa.
3. Global housing shortages rose from 201 million units in 2010 to 269 million units in 2023: though the gaps are now reducing in some regions, the backlog has continued to grow.
4. Countries with higher income inequality report higher rents, more overcrowding and deeper affordability declines, especially among low-income households.
5. Nearly one-quarter of adults across 108 countries fear losing their land or housing rights, with insecurity growing fastest among renters and young adults.

### *Policy points*

1. Treat housing affordability as a long-term development priority and integrate it into national economic, social and urban strategies, supported by multi-year financing and coordinated cross-government action.
2. Expand affordable housing supply through structural reforms in land management, planning systems, permitting processes and infrastructure provision.
3. Strengthen policies that support vulnerable and low-income groups, including renters, informal sector workers, migrants, young adults and female-headed households.
4. Establish adequate safeguards to ensure that the growing role of financial investment in housing does not drive prices beyond the reach of households.
5. Build strong housing institutions, coordinated planning frameworks and participatory governance systems to support sustainable, inclusive and accountable delivery of affordable housing.

Access to affordable and adequate housing is fundamental to overall well-being. As outlined in Chapter 1, adequate housing is associated with lower levels of poverty, improved physical and mental health, social inclusion, upward mobility and substantial economic activity. However, the rising cost of housing in nearly every region of the world remains a persistent challenge for households – whether renting, attempting to buy a home or managing mortgage payments. In recent years, rising housing costs have far outstripped any gains in household incomes, meaning that housing is even less affordable now than it was prior to the 2007–2008 global financial crisis.<sup>1</sup>

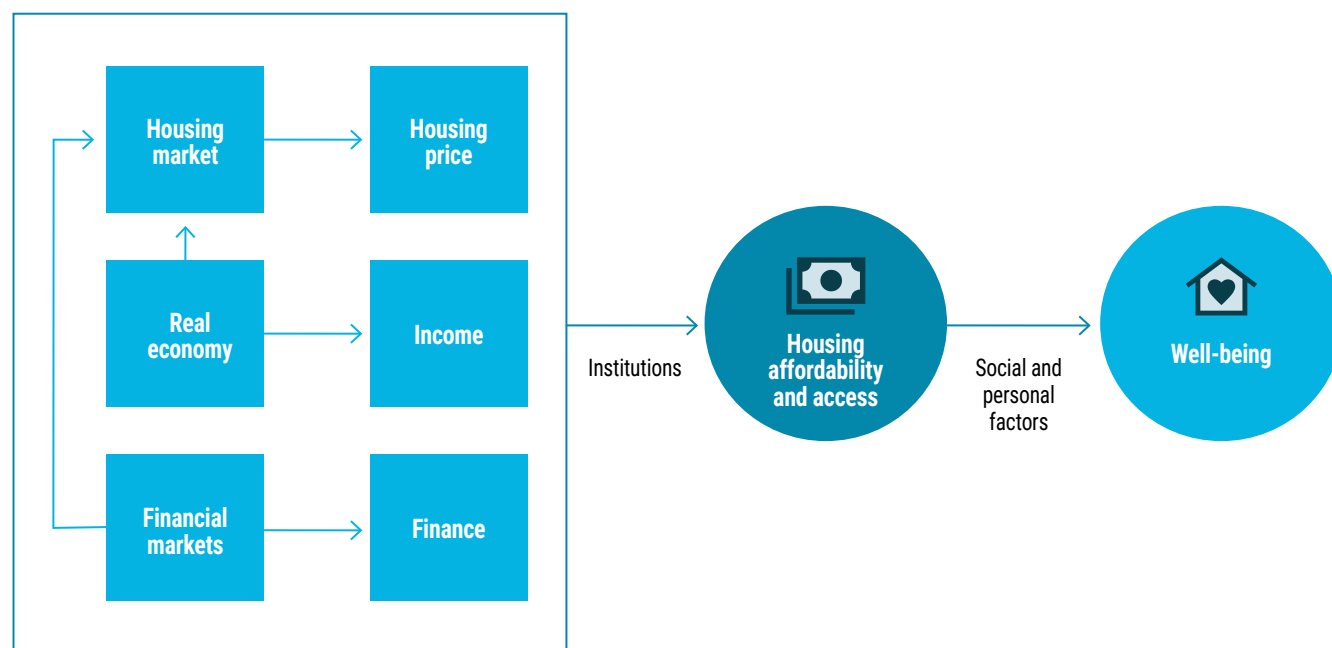
Rapid urbanization and demographic change are compounding affordability pressures across regions. Smaller households, an increasing number of older renters and high-income inequality further increase demand and deepen burdens for low-income renters. These combined pressures keep housing markets tight across diverse regions, with the burden falling disproportionately on tenants, young people and female-headed households, new migrants and visible minorities, among others.

This chapter provides an overview of the housing affordability crisis, drawing on available data and published research. Although the current affordability crisis is a global phenomenon, it remains essential to reflect regional diversity and contextual nuance throughout the analysis. The chapter assesses the current state of affordability, the contextual factors driving cost increases, and the implications of these challenges.

The chapter also examines the broader effects of housing unaffordability on well-being, opportunities and life outcomes, including:

- An initial overview of the framework linking housing affordability to well-being, as well as prevailing definitions and measurement approaches (Section 3.1).
- An examination of current unaffordability trends in both the homeowner and rental sectors, with a particular focus on the most affected regions (Section 3.2).
- An analysis of the primary drivers of rising housing costs, both those linked to demand (such as urban growth, income inequality and property speculation) and supply (such as construction costs, public housing stock and land availability) (Section 3.3).
- An exploration of the impacts on individuals and communities, from homelessness and informal settlement growth to the denial of basic expenditures such as food and healthcare (Section 3.4).
- A summary of key policy responses to reduce demand-side barriers (for example, targeted subsidies) and support affordable supply (including public housing programmes), aided by innovative financial, planning and participatory approaches (Section 3.5).
- Concluding remarks, drawing on the findings of the chapter (Section 3.6).

**Figure 3.1: Framework for housing affordability and well-being**



Source: Tiwari and Shukla, 2024

### 3.1 Defining Housing Affordability

Housing affordability refers to a household's ability to secure adequate housing without placing undue pressure on its income or compromising overall living standards. It reflects the balance between housing costs such as rent, mortgage repayments, utilities, insurance and other ownership-related expenses and household income, ensuring that sufficient resources remain for essential non-housing needs including food, health care, education and transport.<sup>2</sup> This section outlines a general framework for understanding housing affordability and presents a baseline metric for measuring and monitoring affordability levels across different regions.

#### 3.1.1 Framework for housing affordability

The framework linking housing and well-being (Figure 3.1) shows how conditions in housing markets, the real economy and financial markets jointly shape the key components of affordability – house prices, household incomes and access to mortgage finance. Housing prices reflect the interaction of supply and demand, influenced by macroeconomic trends, financial market settings and institutional arrangements:

- On the *supply side*, construction costs depend on wider economic activity and cost pressures, while lending conditions are determined by interest rates, liquidity and credit standards. Planning regulations shape land availability and the pace of new development: rigid land-use rules, such as restrictive density limits, can constrain supply.
- On the *demand side*, urbanization, demographic change, household preferences, purchasing power (including access to funds for home purchase) and investor activity in rental markets all contribute to price formation.

Affordability is also shaped by employment and income growth in the real economy, alongside financial market conditions that determine the cost and availability of mortgage credit. Interest rates, liquidity and the behaviour of banks and non-bank lenders directly affect borrowing terms. Institutional contexts vary widely across countries and influence both household income potential and the types of housing finance available. Fiscal policy affects taxation and disposable income, while welfare policy determines the extent of public support for affordable housing. Land administration systems vary widely across cities and play a central role in shaping housing outcomes. Overall, then, affordability emerges from the interplay of prices, incomes, and the cost and availability of finance.

**Land administration systems vary widely across cities and play a central role in shaping housing outcomes**

#### 3.1.2 Measuring housing affordability

While housing unaffordability covers a wide spectrum of challenges, a common benchmark is when costs exceed 30 per cent of gross income, particularly for lower-income households. While widely used, this ratio does not fully capture variations in housing quality, differences in household composition, or location-specific and tenure-related cost

structures. Affordability is typically assessed for three groups – renters, existing homeowners and prospective buyers – with each facing distinct pressures:

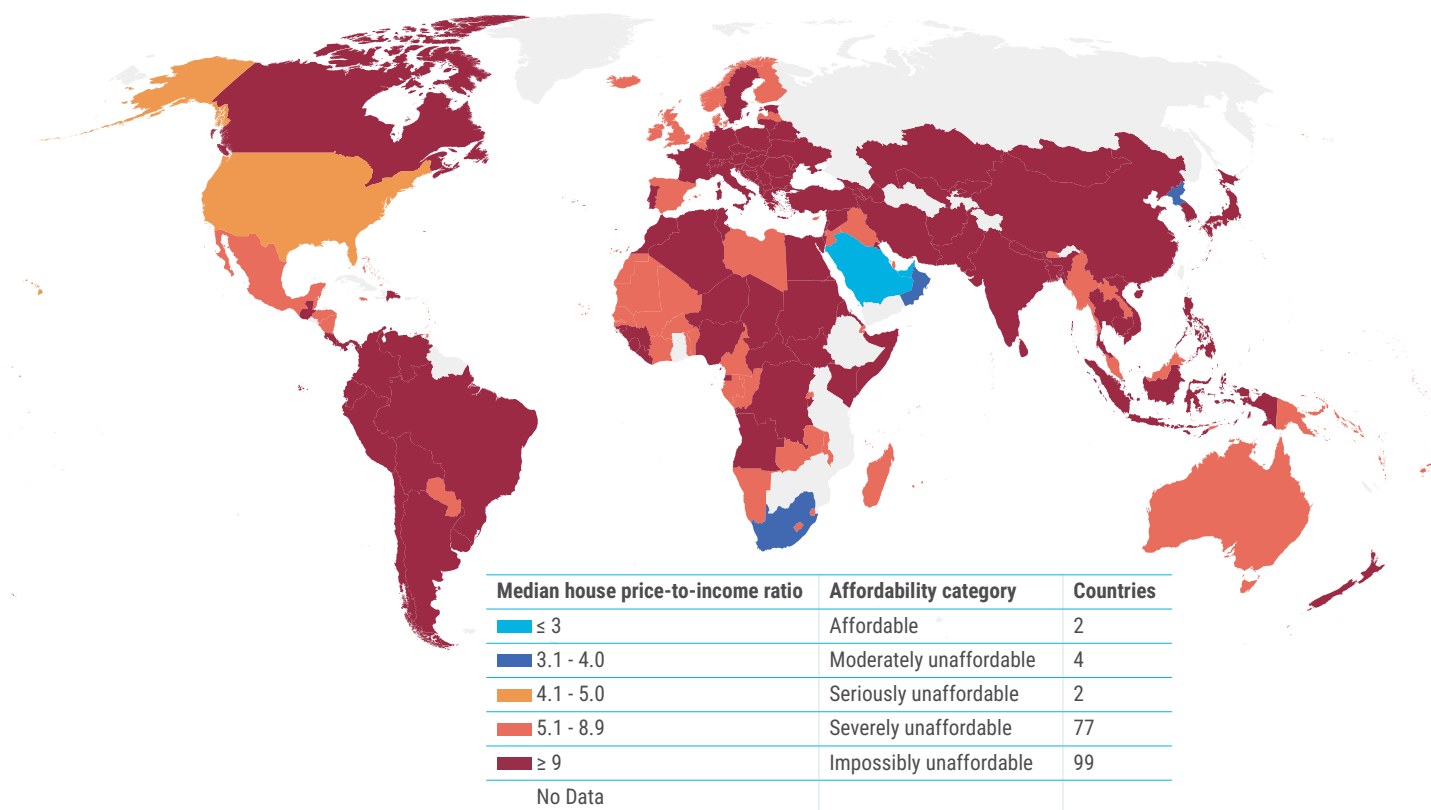
- Among *renters*, affordability is evaluated by the share of income devoted to rent, with households considered cost-burdened when rent exceeds 30 per cent of income and severely burdened at 50 per cent.
- For *homeowners*, the focus is on ongoing housing costs, especially mortgage repayments, as well as taxes and insurance: stress arises when these exceed the 30 per cent threshold.
- For *prospective buyers*, purchase affordability is usually measured using the house price-to-income ratio: a dwelling is considered affordable when the median house price is no more than three times the median household income, while ratios above five indicate severe unaffordability.<sup>3</sup>

While useful for their simplicity and comparability, these ratio-based indicators have notable limitations.<sup>4</sup> Measures such as price-to-income and rent-to-income ratios do not fully capture policy interventions, shifts in borrower composition or the range of household choices across income groups. For example, increases in headline ratios may coexist with targeted assistance enabling lower-income households to purchase below-median-priced homes, while rent burdens among higher-income households may reflect preferences for location or quality rather than financial stress. More refined benchmarks, such as the 30/40 rule, which applies the 30 per cent affordability threshold to the lowest 40 per cent of income earners, help identify vulnerable households. However, they still mask important differences across households and do not account for variations in local living costs.<sup>5</sup>

**Housing affordability challenges remain pervasive across the world. Globally, average price-to-income ratios have risen from 9.3 in 2010 to 11.2 in 2023**

To address these gaps, complementary approaches focus more directly on welfare and financial conditions. Residual-income methods assess whether households have sufficient income left after meeting housing costs to cover basic needs, offering a conceptually stronger link to living standards despite practical challenges in defining normative budgets across contexts.<sup>6</sup>

Similarly, financing-adjusted indicators capture the interaction of house prices, household incomes and borrowing costs, providing a clearer picture of affordability, especially during periods of monetary tightening.<sup>7</sup> Together, these approaches enhance the interpretation of the ratio-based benchmarks used in this chapter, helping distinguish between nominal price pressures and genuine constraints on household well-being.

**Figure 3.2: Global ownership affordability**

Source: UN-Habitat, 2026a.

## 3.2 Trends in Housing Affordability

This section examines global and regional trends in housing affordability for both owners and renters, drawing primarily on UN-Habitat's Global Urban Indicators Database and complemented by international sources. It highlights where affordability has worsened or improved, the structural and market factors driving these shifts, and the differing patterns that emerge across regions.

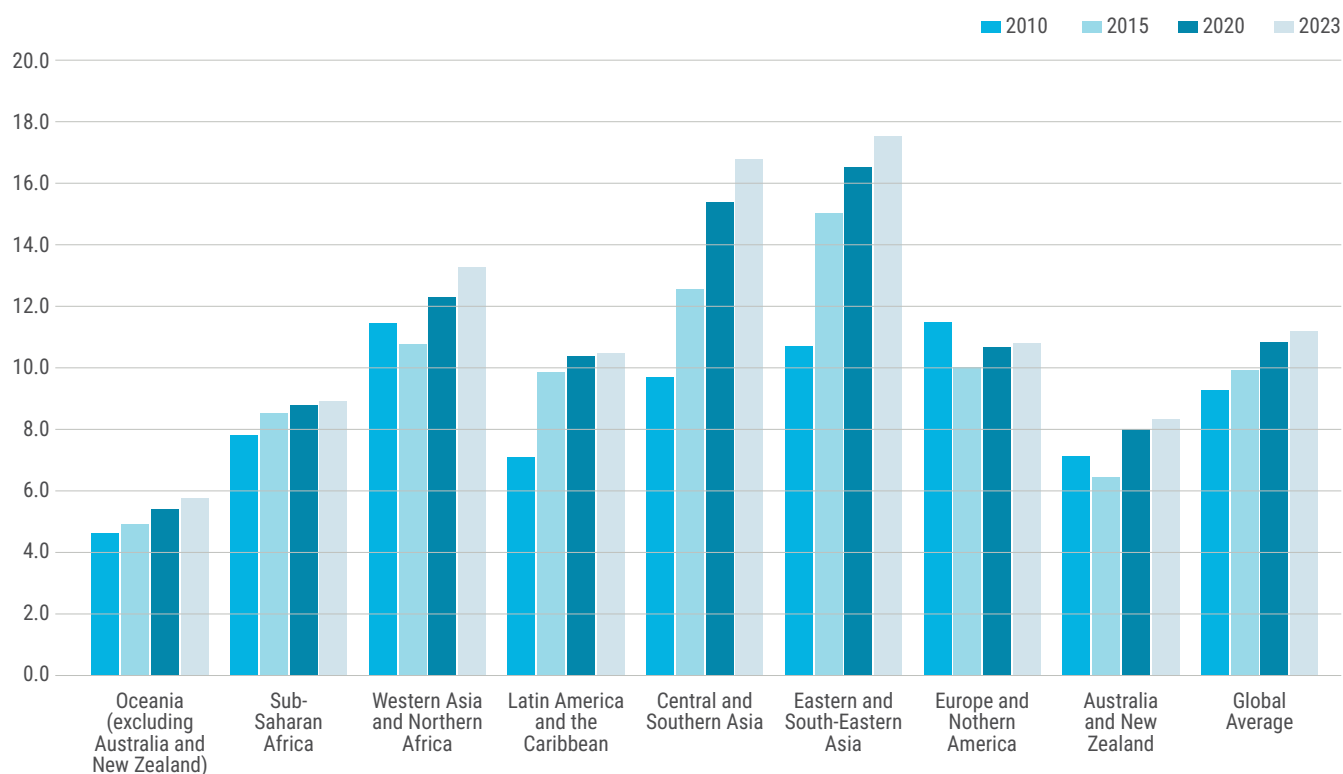
### 3.2.1 Ownership affordability

Housing affordability challenges remain pervasive across the world, with most countries experiencing housing markets that are “seriously”, “severely” or even “impossibly” unaffordable. As illustrated in Figure 3.2, nearly 96 per cent of countries fall into one of these categories, reflecting a widening misalignment between housing prices and household incomes. Globally, average price-to-income ratios have risen from 9.3 in 2010 to 11.2 in 2023. In more than half of all countries, the price-to-income ratio exceeds 9, meaning that a median-income household would require over nine years of income to purchase a median-priced home – the margin for being classified as impossibly unaffordable. Only two countries (Saudi Arabia and the United Arab Emirates) record price-to-income ratios below 3, the threshold commonly associated with broadly affordable conditions.<sup>8</sup> Against this backdrop, this section examines recent trends in ownership affordability, focusing on the regions where pressures have intensified markedly.

- *Central and Southern Asia has seen the sharpest relative rise in price-to-income ratios of any region – an increase of 73 per cent between 2010 (9.7) and 2023 (16.8) – driven by significant urban and population growth.*
- *Eastern and South-Eastern Asia has the highest price-to-income ratio (17.5) of any region, up from 10.7 in 2010, accelerated by speculative investment and high construction costs.*
- *Sub-Saharan Africa falls within the range of severely unaffordable housing, with a price-to-income ratio of 8.9. In some countries, ratios are two to three times higher, further constrained by the exclusion of most poor urban households from formal housing finance.*

#### **Central and Southern Asia**

Ownership affordability in Central and Southern Asia has deteriorated substantially over the past decade, with the region now recording some of the highest price-to-income ratios globally. By 2023, households typically required 16.8 years of income to purchase a median-priced home, reflecting deep structural pressures on housing systems.<sup>9</sup> Rapid urbanization and sustained demographic growth have intensified competition for serviced land, while construction costs have escalated due to rising material prices and infrastructure bottlenecks.

**Figure 3.3: Median house price-to-income ratio**

Source: UN-Habitat, 2026a

The situation has been further aggravated by the tendency for developers to focus on housing for more affluent households at the expense of low-income buyers, as in India (Box 3.1). The region demonstrates how rapid economic and demographic transformation, coupled with institutional and financial constraints, has intensified ownership affordability pressures and limited opportunities for inclusive homeownership.

### **Eastern and South-Eastern Asia**

Eastern and South-Eastern Asia remains one of the least affordable regions for homeownership, with price-to-income ratios among the highest globally. In 2023, median households required 17.5 years of income to purchase a typical home.<sup>10</sup> This reflects structural characteristics unique to the region: highly concentrated urban populations, significant speculative demand, limited land supply and housing systems that treat property as a primary vehicle for wealth accumulation.

Across the wider region, rapid urbanization has outpaced the expansion of serviced land and infrastructure, contributing to land-price inflation and long approval timelines for new housing development. Rising construction and financing costs have reinforced these pressures, while speculative investment has created additional upward momentum in markets that already suffer from tight supply, such as China (Box 3.2).

### **Box 3.1: Limited mortgage access and prioritization of high-end housing in India**

In India, these pressures are clearly visible in the shifting structure of new supply: in the country's eight largest cities, the affordable housing segment declined from 52 per cent of new builds in 2018 to just 17 per cent in 2025, as developers increasingly prioritized mid- and high-end units where profit margins are higher. Affordability constraints are particularly acute in India's largest metropolitan areas. Mumbai and Delhi record price-to-income ratios of 14.3 and 10.1, levels that place formal homeownership far beyond the reach of households earning median incomes. Only a small minority of households have access to formal mortgage finance, which restricts pathways to ownership and forces many families to rely on savings, informal borrowing or extended family networks. While cities such as Ahmedabad (5.1), Chennai (5.1) and Kolkata (5.8) exhibit lower ratios, their affordability is undermined by a significant shortfall in supply. The supply-to-demand ratio for affordable housing across India's eight largest cities dropped from 1.05 in 2019 to 0.36 in 2025, indicating that even "less unaffordable" cities face widening shortages.

Source: Haidar, 2025; Knight Frank, 2025; Magicbricks, 2024.

These factors have entrenched severe affordability constraints across the region, particularly in large metropolitan centres where aspiring homeowners face some of the most challenging conditions globally.

### Box 3.2: China's overheated housing market

The dynamics of exclusionary speculative development are especially visible in China, where Beijing, Shanghai and Shenzhen consistently rank among the world's most unaffordable housing markets. In these cities, constrained land supply, strong investor participation and rapid economic growth have driven persistent price escalation. Hong Kong exemplifies these extreme affordability pressures.

With a price-to-income ratio of 23.4 in 2024, according to the Urban Land Institute, it remains one of the world's least affordable housing markets. Although this marks a slight improvement from 26.5 in 2022, housing remains classified as "impossibly unaffordable", largely due to the city's extreme land scarcity, of which only one-quarter is developed, with the remainder primarily designated as protected country parks.

Source: Hong Kong Environment and Ecology Bureau, n.d.; Hong Kong Business, 2025

### Sub-Saharan Africa

Sub-Saharan Africa faces persistent homeownership affordability challenges. Regional price-to-income ratios rose from 7.8 in 2010 to 8.9 in 2023, placing much of the region within the "severely unaffordable" threshold.<sup>11</sup> These figures mask even greater pressures in individual countries: Ethiopia (26.4), Nigeria (28.2) and Kenya (16) exhibit extreme ratios that make formal homeownership unattainable for the vast majority of households.<sup>12</sup> Independent estimates show even higher values, including projections in Ethiopia (47) and Cameroon (46.7) that imply households would need almost five decades of income to purchase an entry-level home.<sup>13</sup>

Structural constraints lie at the heart of these affordability challenges. In most countries, the cost of formal housing far exceeds average household incomes due to high land prices, expensive construction inputs, limited infrastructure and fragmented land-administration systems. Cross-country analysis by the World Bank shows that mortgage markets in most Sub-Saharan African countries remain shallow, with mortgage-to-GDP ratios typically well below 5 per cent. Only a small number of upper-middle-income countries exceed this level.<sup>14</sup>

This limits the ability of developers to deliver large-scale, lower-cost housing. In Nigeria, for instance, even the cheapest private sector house available as of 2020 – at a cost of US\$8,040 – is still out of reach for around a third (32 per cent) of urban households, a powerful reminder of the entrenched affordability divide.<sup>15</sup> The region also faces substantial

housing deficits driven by rapid population growth and urbanization. Estimated shortages include 28 million units in Nigeria, 19.5 million in Egypt, and millions more in Ethiopia, Kenya, Tanzania and South Africa.<sup>16</sup>

### 3.2.2 Rental affordability

Figure 3.4 shows marked variation in rental affordability across world regions, with many low- and middle-income areas recording high or very high rent-to-income ratios, often above 50 per cent. Substantial differences are also evident within Asia, Europe and Northern America: these regions contain both cities with relatively manageable rental costs and others where households face severe burdens due to tight housing markets, income disparities, limited rental supply or restricted access to social or affordable housing. National averages often obscure these contrasts: a country classified as broadly affordable may still contain cities with acute rental stress, while some high-burden countries include pockets of more moderate conditions.

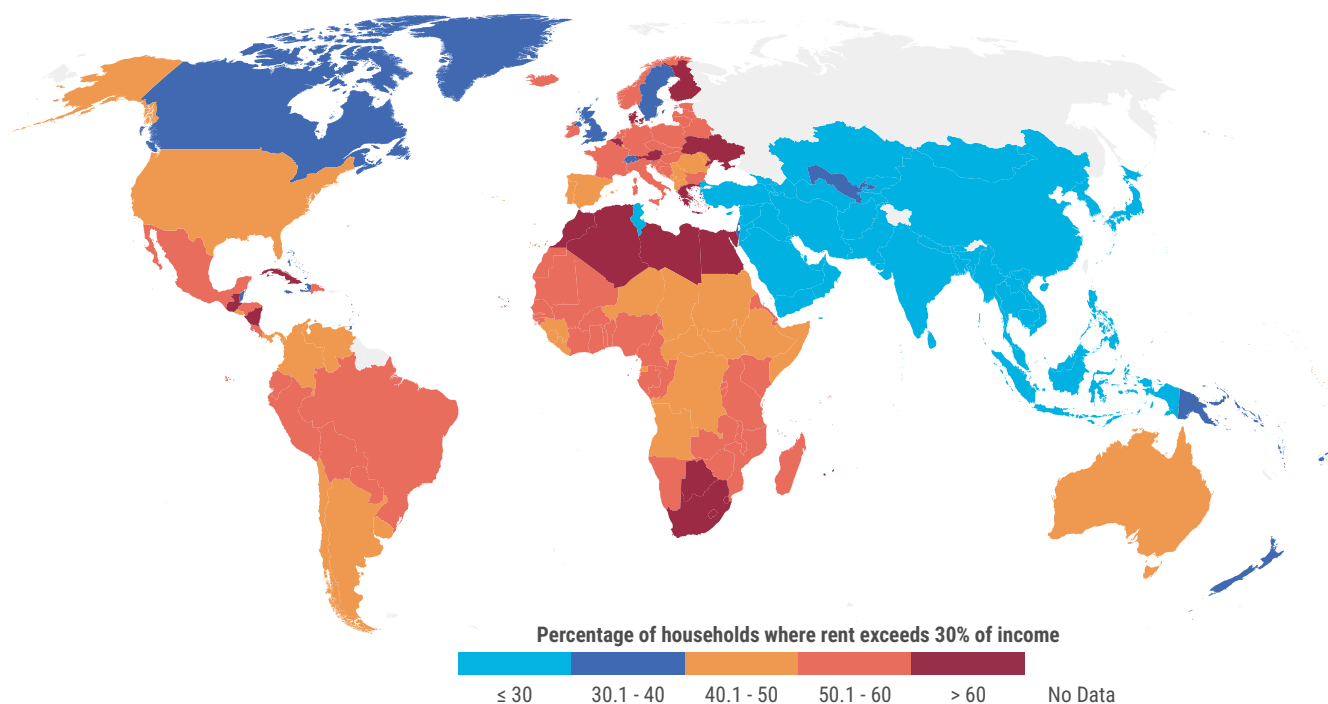
At the global level, though the proportion has fallen slightly in recent years, 44 per cent of tenant households are currently spending more than 30 per cent of their income on rent. Though unaffordability levels worldwide have fallen slightly since 2010, the picture varies significantly between regions, with Oceania, Western Asia and Northern Africa, Central and South Asia, Eastern and South-Eastern Asia, and Australia and New Zealand all reporting rises during this period.<sup>17</sup> This section examines rental affordability trends in the regions where rent burdens are most severe and persistent:

- In *Sub-Saharan Africa*, the rate of rental unaffordability is the highest in the world (55 per cent), driven by low and irregular incomes, limited formal rental supply and widespread informality.
- In *Latin America and the Caribbean*, almost half (48 per cent) of rental households are unaffordable, a situation underpinned by high land and construction costs, shallow mortgage markets and the slow growth of formal rental options.
- In *Europe and Northern America*, one in two (50 per cent) rental households are struggling with unaffordability, the product of tight housing markets and rising development costs.

Focusing on these regions allows the analysis to capture both the depth of rental stress in lower-income contexts and the growing pressures evident in higher-income settings too. In all three regions, despite slight reductions in recent years, the rental burden falls most heavily on low-income households, underscoring the need for policies that expand affordable rental supply and strengthen tenant protections.



Rental burden falls most heavily on low-income households

**Figure 3.4: Global rental affordability, 2023**

Source: UN-Habitat, 2026a

### **Sub-Saharan Africa**

Rental affordability in Sub-Saharan Africa remains severely constrained, with many urban households facing rent-to-income ratios that exceed standard affordability thresholds. These challenges are rooted in a combination of low and often irregular household incomes, limited formal rental supply and rapidly expanding urban populations. Sub-Saharan Africa is urbanizing faster than any other world region, adding millions of new urban residents each year and placing immense pressure on already strained housing systems.

Because formal rental options are limited, most households rely on informal rental arrangements, including units in unplanned settlements, backyard structures and shared compounds. Informal rentals dominate the urban housing landscape in many cities where rental markets operate largely outside regulatory frameworks. This informality persists because obtaining formal housing remains prohibitively expensive, with high development costs, infrastructure gaps and cumbersome regulatory procedures.

These systemic constraints create a profound mismatch between incomes and market prices, which pushes the majority of lower-income renters into informal housing, where the rent-to-income ratio may still be high despite significantly lower construction standards. Consequently, rental unaffordability becomes both a symptom and a driver of deeper structural weaknesses, reinforcing reliance on unregulated markets and limiting access to adequate, well-located housing. Rapid urbanization, along with limited formal supply and high barriers to formal housing finance, ensure that rental affordability remains one of the most persistent and intensifying housing challenges across Sub-Saharan Africa.

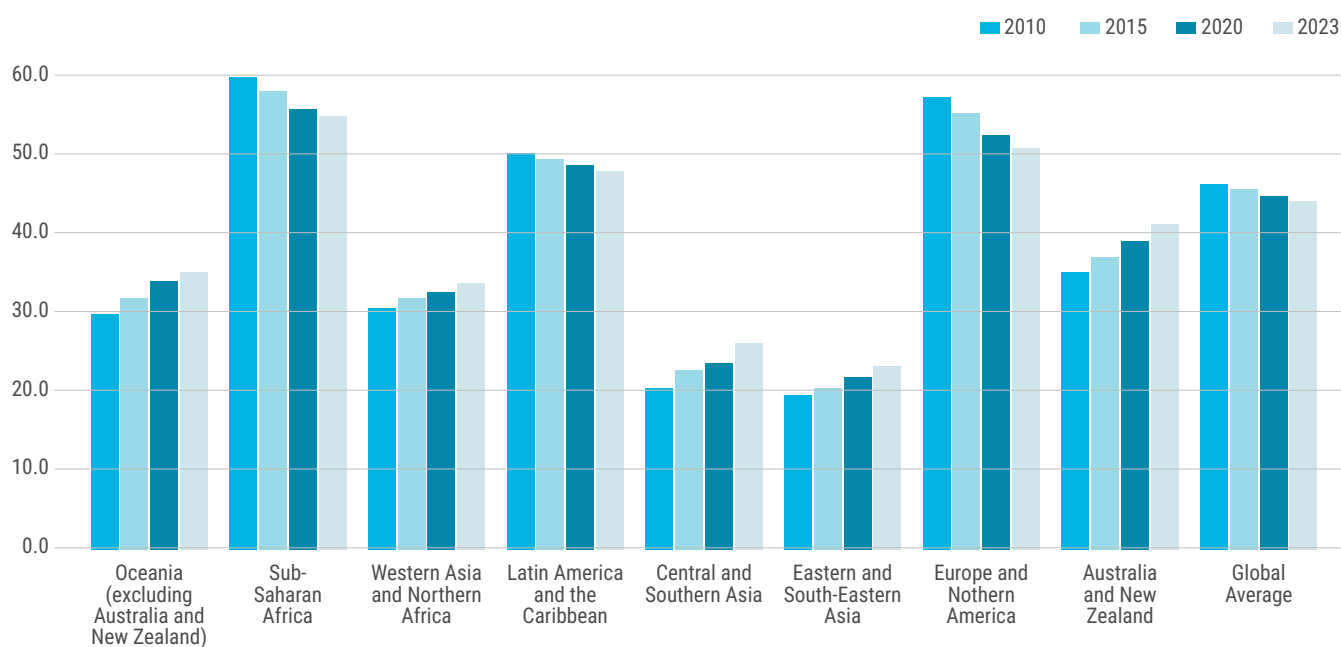
### **Latin America and the Caribbean**

Rental affordability pressures remain high across Latin America and the Caribbean, with more than half of renters in many countries spending over 30 per cent of their income on housing costs. These pressures reflect long-standing structural factors, including widespread informality in labour and housing markets, limited availability of formal and affordable rental options, and high land and construction costs that push rents beyond the reach of low- and middle-income households. In several major urban centres, rapid population growth has increased competition for limited rental stock, further raising costs and intensifying affordability challenges.<sup>18</sup>

The pressures of affordability are particularly acute in metropolitan areas where formal rental supply remains constrained and new housing construction is both expensive and slow to materialize. Research indicates that land prices in many cities have doubled every 6 to 10 years, a trend that significantly inflates development costs and contributes to higher rents.<sup>19</sup> Mortgage market depth remains limited, averaging around 8 per cent of GDP, which restricts households' ability to move from renting to homeownership and keeps a large share of the population reliant on rental markets.<sup>20</sup>

**The pressures of affordability are particularly acute in metropolitan areas where formal rental supply remains constrained**

Tenants in informal housing often face overcrowded or substandard housing, limited tenure security and higher housing costs relative to income. Weak regulatory enforcement and fragmented land use systems

**Figure 3.5: Rental unaffordability levels by region, 2010–23**

Source: UN-Habitat, 2026a

restrict the development of affordable, well-located rental housing. These constraints place a disproportionate burden on low-income households, who must devote a significant share of their income to rent, leaving fewer resources for essential needs such as food, transportation, healthcare and education.

Without targeted interventions that expand formal rental options, reduce development costs and strengthen regulatory frameworks, rental burdens are likely to remain high, particularly for low-income households. Addressing these constraints will be essential for improving equitable access to adequate, affordable rental housing across the region.

### Europe and Northern America

Rental affordability patterns in Europe and Northern America show a mix of gradual improvement and enduring pressures, with the overall rent burden declining but still above 50 per cent. The share of rent-burdened households fell from approximately 57 per cent in 2010 to 50.4 per cent in 2023.

This moderate decline reflects steady improvements in several European countries where the rent burden reduced during this period, including Albania (from 60 to 45 per cent), Ireland (from 65 to 50 per cent), Spain (from 50 to 43 per cent) and the United Kingdom (UK) (from 45 to 38 per cent).<sup>21</sup> Despite this progress, the regional average remains high, indicating that a substantial portion of households still allocate more than half of their income to rent.

In the US, one in two renter households (50 per cent) – a total of 22.4 million – were cost burdened in 2022, including 12.1 million households (27 per cent of renters) who were severely cost burdened, spending more

than half of their income on housing.<sup>22</sup> These high burden levels point to structural constraints in rental markets, including limited housing supply, rising land and construction costs, and a shortage of affordable rental options. Rental burdens fall unevenly across population groups, with minority and low-income households often facing the greatest strain. In the US, 57 per cent of Black renters and 53 per cent of Hispanic renters were cost-burdened in 2022, compared with 46 per cent of white renters.<sup>23</sup>

These disparities highlight enduring inequalities in access to affordable, secure and well-located rental housing. Restrictive zoning and land use regulations, rising development costs and high interest rates continue to constrain new rental construction, further tightening markets in many metropolitan areas and deepening affordability challenges for vulnerable households.

### 3.3 Drivers of Housing Unaffordability

Housing unaffordability is shaped by conditions across the domains in Figure 3.1: the housing market, the real economy, financial markets including institutions. This section will explore both demand- and supply-side factors in housing unaffordability:

- On the *demand side*, house prices reflect urbanization, demographic change, household preferences and investment activity, while employment, productivity and wage growth determine households' ability to pay. Financial markets influence access to credit and mortgage costs.

- On the *supply side*, construction activity, input costs and developers' responsiveness affect the delivery of affordable units. Institutional factors, including fiscal policy, land use planning, zoning and land administration systems, determine how easily land is converted for housing and how quickly new supply can be delivered.

### 3.3.1 Demand-side factors

Demand for housing is shaped by how people form households, decide where to live, and access finance. Rapid urbanization and shifting demographics – such as smaller and single-person households, ageing populations or growing youth cohorts – can increase the number of potential buyers, even when overall population growth slows. Investor activity also adds pressure, as purchases motivated by rental income, inflation protection or wealth storage can push demand beyond what end-users alone would generate. Expectations matter, too: when people anticipate rising prices, they are more likely to buy sooner, adding momentum to price growth. These pressures intensify when credit is readily available or borrowing costs fall, enabling more households and investors to bid for limited housing stock. Together, these forces raise demand faster than supply can adjust, contributing to affordability challenges even before supply-side constraints are taken into account.

#### **Urbanization and demographic change**

Global patterns of urbanization and demographic change are exerting growing pressure on housing systems, intensifying affordability challenges in regions already grappling with limited supply and structural constraints. Although the pace of urban population growth has slowed in most world regions, Sub-Saharan Africa stands out in this regard, with cities and towns expanding at three times the global urban growth rate, making it the fastest-urbanizing region worldwide. Rapid urbanization is also evident in Western Asia and Northern Africa (where urban areas are growing at 1.71 times the global average) and in Central and Southern Asia (where growth is 1.2 times the global rate).<sup>24</sup> These elevated rates of city expansion closely align with rising housing affordability pressures.

A moderate positive correlation (0.51) between the pace of urban growth and the share of households facing housing cost overburden highlights how rapidly expanding cities are more likely to experience acute affordability challenges. This reflects a fundamental policy tension: urbanization is progressing faster than housing systems can adjust, resulting in a widening gap between demand and supply. As cities grow, demand for well-located housing increases more quickly than serviced land and new unit production, pushing prices upward and intensifying cost burdens. To address these pressures, governments must prioritize forward-looking land use planning, ensure the timely release and servicing of developable land, and scale up affordable housing delivery in line with demographic trends.

Urbanization alone does not determine affordability outcomes. Countries with similar rates of urban growth often show very different levels of housing cost burden, reflecting differences in how effectively their housing systems can respond. Where planning, land management and housing finance frameworks function well, supply can adjust and moderate rising demand.

In weaker systems with limited serviced land, however, restrictive regulations or underdeveloped rental markets, affordability pressures can remain high even when urban growth is modest.

Alongside urbanization, demographic change has become a major and increasingly independent driver of housing demand. The shift toward smaller household sizes and population ageing has increased the number of households seeking housing, even in regions where overall population growth has slowed. By accelerating household formation faster than population growth, these trends place sustained pressure on housing systems. Table 3.1 summarizes percentage point changes in key housing affordability indicators and major dimensions of demographic change across regions between 2010 and 2020. Across most regions, rising median house price-to-income ratios coincide with growth in smaller household types and an increasing share of households headed by older persons. These patterns indicate a structural tightening of housing markets, as demand for housing units has outpaced population growth alone.

Latin America and the Caribbean and East and South-Eastern Asia are particularly affected. In both regions, large increases in price-to-income ratios occur alongside strong growth in one- and small-household types, indicating that changes in household composition have amplified affordability pressures. These trends reflect persistent supply constraints and highlight the need for more diversified housing strategies, including greater provision of smaller units, affordable rental housing and mid-income ownership options.

In Central and Southern Asia, affordability pressures intensified most strongly. Rapid population ageing coincides with rising rent unaffordability, underscoring the growing importance of age-responsive housing policies. Expanding social rental housing, strengthening tenant protections, and promoting housing designs that support ageing in place will be critical to addressing these challenges.

By contrast, Sub-Saharan Africa shows more moderate increases in price-to-income ratios alongside a decline in rent unaffordability. However, continued growth in single-parent households points to emerging affordability risks for vulnerable groups, particularly where housing supply remains constrained by limited serviced land, weak housing finance systems and regulatory bottlenecks. These patterns highlight the need for foundational reforms to strengthen planning frameworks, land management, and tenure diversification.



**Global patterns of urbanization and demographic change are exerting growing pressure on housing systems**

**Table 3.1. Percentage point changes in housing affordability indicators and demographic change, 2010–2020**

Region	Median house price-to-income ratio	Rent exceeds 30 percent of income	1- and 2–3-person households	Households headed by persons aged 65+	One-person households	Couple-only households	Single parent with children
Oceania (excludes Australia and New Zealand)	1.0	4.0	2.9	3.7	0.3	1.4	0.5
Sub-Saharan Africa	0.3	-4.0	0.6	-0.4	0.6	-0.3	1.1
Western Asia and Northern Africa	-4.7	-1.8	2.6	1.6	0.6	1.0	-0.8
Latin America and the Caribbean	6.2	-4.1	5.5	2.2	2.4	1.4	0.8
Central and Southern Asia	2.1	4.0	1.8	5.5	-2.0	0.4	1.4
Eastern and South-eastern Asia	6.0	3.3	2.9	3.5	1.5	1.3	0.0
Northern America and Europe	0.6	2.9	1.7	0.6	1.3	-2.3	-0.3
World	2.2	1.1	2.0	2.9	-0.1	0.2	0.7

Source: Calculated from UN DESA, 2022a; 2022b and UN-Habitat, 2026a

Western Asia and Northern Africa stands out as the only region to record a decline in median price-to-income ratios over the period, reflecting the effects of long-standing state-led housing programmes. Large-scale public investment, such as Algeria's delivery of millions of housing units since the late 1990s, demonstrates that sustained public intervention can help moderate affordability pressures associated with demographic change.<sup>25</sup>

Across all regions, the growing share of households headed by older persons highlights ageing as an increasingly important determinant of housing demand, while the widespread shift toward smaller household sizes underscores the limits of relying on population growth alone to anticipate future housing needs. As Table 3.1 shows, demographic change is reshaping housing demand in ways that often intensify affordability pressures. Addressing these challenges requires housing policies aligned with demographic realities and coordinated across land, planning, social protection, and housing finance systems.

### **Income inequality**

Income inequality is a significant driver of housing unaffordability across world regions. As inequality widens, a greater share of income becomes concentrated among higher-income households, increasing demand for well-located housing and raising prices in both rental and ownership

markets. At the same time, slower income growth among low-income households heightens difficulties in meeting rising housing costs, resulting in higher rates of housing cost overburden.<sup>26</sup>

The positive correlation between the Gini coefficient and housing cost overburden is 0.54, indicating that countries with higher levels of inequality tend to experience greater rent burden, though this can be offset to some extent by other factors such as the presence of a large public housing stock (Box 3.3). Inequality interacts with limited housing supply responsiveness, rapid urban growth and institutional constraints, reinforcing affordability pressures, with renters being particularly exposed. In low-vacancy markets such as the US, constrained supply combined with widening income disparities has contributed to rising rents and overcrowding, a broader pattern observed across regions where inequality is strongly linked to worsening affordability for low-income renters and homeowners.<sup>27</sup>

Inequality trends vary significantly across countries and regions. Table 3.2 shows that between 2010 and 2023, income inequality increased in 82 countries (44 per cent), while 98 countries (53 per cent) recorded declines.

### Box 3.3: Social housing as a buffer against the effects of rising inequality

In Northern America and Europe, as shown in Table 3.2, far more countries (27) experienced rising inequality between 2010 and 2023, yet housing cost burdens fell in several cases. This reflects the moderating effect of well-established social housing systems (a point discussed further in Section 3.3.2). Public or cooperative housing makes up 20 to 30 per cent of the housing stock in Austria, Denmark and the Netherlands, for example, far exceeding the European Union (EU) average of just 6–7 per cent. These large and stable stocks help to moderate affordability pressures through active municipal involvement, strong non-profit housing associations and sustained public investment. Nevertheless, rising inequality signals increasing vulnerability to future affordability pressures as market rents continue to rise.

Source: European Commission, n.d.; UN-Habitat, 2026a

In Sub-Saharan Africa, despite inequality reducing in recent years in the majority of countries, unaffordability is already severe and countries with higher levels of inequality such as South Africa, Botswana, Namibia and Eswatini record some of the highest rent-burden rates, often above 60 per cent.<sup>28</sup> A similar pattern is seen in Latin America and the Caribbean, where highly unequal countries including Brazil, Colombia, Guatemala and Nicaragua report that more than half of households face rental unaffordability.

### The growing share of households headed by older persons highlights ageing as an increasingly important determinant of housing demand

#### Access to housing finance

Access to housing finance remains highly uneven across regions, reinforcing the broader finding that conventional mortgage systems exclude most households worldwide, especially low-income and informally employed groups.<sup>29</sup> Although mortgage penetration has increased modestly over the past decade, deep structural disparities persist.

**Table 3.2: Income inequality trends by region, based on Gini coefficients, 2010–2023**

Region	Falling	Rising	No trend
Oceania (excludes Australia and New Zealand)	1	10	0
Sub-Saharan Africa	31	15	1
Western Asia and Northern Africa	9	11	4
Latin America and the Caribbean	24	5	0
Central Asia and Southern Asia	7	7	0
Eastern Asia and South-Eastern Asia	8	6	0
Northern America and Europe	17	27	0
Australia and New Zealand	1	1	0
World	98	82	5

Source: World Inequality Lab, n.d.

- In Sub-Saharan Africa, Central and Southern Asia, and parts of Eastern and South-Eastern Europe, mortgage penetration remains in the single digits to low-30 per cent range.<sup>30</sup> High informality, incomplete land titling and underwriting practices that depend on stable, documented incomes continue to prevent lower-income households from accessing formal mortgage markets.
- In Latin America and the Caribbean, penetration has reached 30 to 40 per cent in some markets, yet access remains constrained by high land and infrastructure costs, rising construction prices and persistent informality.<sup>31</sup> These factors suppress effective mortgage demand despite the expansion of lending instruments, mirroring the affordability challenges highlighted and demonstrating that deeper mortgage markets do not necessarily translate into inclusive access.
- Mortgage access remains relatively high in several developed economies, but recent trends point to increasing differentiation across developed markets. The share of eligible households that successfully obtain a mortgage or housing loan has remained broadly stable in the US, at 77 per cent in 2010 and rising slightly to 78 per cent in 2023. A similar pattern is observed in Canada, where success rates increased from 75 per cent in 2010 to 78 per cent in 2023, reflecting sustained access to housing finance in these mature systems. By contrast, Australia and New Zealand have experienced a

gradual tightening of mortgage access from very high pre-pandemic levels. In Australia, mortgage penetration declined from 85 per cent in 2010 to 80 per cent in 2023, while in New Zealand it fell from 70 per cent to 63 per cent over the same period. These trends reflect tighter macroprudential regulations aimed at curbing household debt and reducing systemic financial risk.<sup>32</sup>

As it stands, mortgage access remains far too limited to enable broad entry into adequate housing. As Chapter 8 shows, most low-income households will remain excluded unless accessible, pro-poor financial alternatives to conventional mortgages are provided. Expanding access requires stronger mortgage markets plus complementary tools such as incremental finance, rental housing finance and lower land and infrastructure costs.

### Financialization of housing

Financialization refers to the increasing involvement of financial actors, investment instruments and large pools of capital in housing and land markets. It reflects broader shifts in global capital flows and evolving real estate finance models, rather than a single uniform process.<sup>33</sup> Across regions, institutions such as mortgage lenders, private equity funds and corporate landlords have expanded their participation in rental and ownership markets, often seeking long-term income streams and asset appreciation.<sup>34</sup> The effects of these trends vary considerably depending on local market conditions, regulation and supply capacity.

**Table 3.3: Financialization in practice: country mechanisms and outcomes**

Country/mechanism	Observed outcomes
<b>Canada (Ottawa)</b> Corporate landlords acquiring older rental stock	Demolitions, evictions and racialized displacement: community organizing secured no-displacement commitments, though gentrification pressures persisted
<b>Portugal (Lisbon)</b> Foreign capital and SIGIs; rental market liberalization	Significant house price inflation as investor demand increased: affordability did not keep pace.
<b>South Africa</b> Mortgage expansion and microfinance collateralization	High arrears, foreclosures and debt burdens; emergence of mortgage boycotts.
<b>Brazil and Puerto Rico (US)</b> Regularization linked to exploitative mortgages; post-disaster redevelopment	Displacement and evictions; Community Land Trusts improved tenure security but challenges remained.
<b>China (Shanghai)</b> Rental platforms offering peer-to-peer rental loans	Platform bankruptcies left tenants liable; evictions and financial losses.
<b>Botswana, Kenya, Namibia, Zambia</b> Limited mortgage eligibility (~17%).	Widening wealth disparities; intensified exclusion from serviced land and formal housing.
<b>Honduras, Nigeria, India</b> Redevelopment and tourism-driven land pressures	Forced evictions, cultural loss, clearance of informal settlements.
<b>Malaysia</b> Cagamas securitization expanding asset-backed issuance	Increased household leverage and systemic exposure.

Note: Selected examples are illustrative and not exhaustive.

Source: Crosby, 2024 (Canada); Mendes & Tulumello, 2024 (Portugal); Bond, 2024 (South Africa); Algoed, 2025 (Brazil and Puerto Rico); Chen et al., 2022 (China); Farha, 2017 (Botswana, Kenya, Namibia, Zambia, Honduras, Nigeria, India, Malaysia).

Financialization typically interacts with existing structural challenges rather than driving outcomes on its own. In markets where supply is limited, incomes are informal or tenant protections are weak, increased capital flows can intensify competition for well-located housing and contribute to price increases or redevelopment pressures.<sup>35</sup> In contrast, in well-regulated environments with stronger planning and management systems, investment has supported new construction, the upgrading of older units and the expansion of professionally managed rental housing. This reinforces the fact that institutional capacity and regulatory safeguards largely determine how financialization affects housing outcomes.

Without appropriate protections or regulations, the effects of financialization can be devastating. Table 3.3 summarizes selected cases from different regions and shows three recurring patterns:

- First, *large-scale acquisitions that influence rent trajectories*: for instance, the purchase by a real estate firm of low-income housing in Ottawa, Canada, to generate significant returns through gentrification, evictions and rent hikes.<sup>36</sup>
- Second, *regulatory gaps that allow speculative redevelopment or create displacement pressures*: for instance, the influx of foreign investment into Lisbon's (Portugal) housing market.<sup>37</sup>
- Third, *financial products that raise leverage in markets with limited social safeguards*: for instance, the use of asset-light "rental loans" in Chinese cities.<sup>38</sup>

These impacts tend to be most significant where supply remains constrained and institutional frameworks are weak.<sup>39</sup> In some settings, portfolio acquisitions and redevelopment strategies have been linked to higher rents or increased eviction risks. In other cases, financial innovations such as securitization platforms or rental loan products have created new funding channels for lenders and developers, although these benefits have not always improved access for low-income households.

Overall, financialization can either intensify or moderate affordability pressures depending on the broader governance context. Where capital grows faster than supply capacity and social protections, affordability and tenure security often decline for low-income households. On the other hand, where institutions direct investment toward serviced land provision, community-supported tenure models, enforceable tenant protections and diversified housing finance, the risks are reduced and the benefits are more widely distributed.



**Financialization can either intensify or moderate affordability pressures depending on the broader governance context**

### 3.3.2 Supply-side factors

In many parts of the world, the supply of new housing has not kept pace with population growth. Global housing shortages have been widening, increasing from 201.2 million units in 2010 to 268.8 million in 2023.<sup>40</sup> While housing shortages have fallen from a peak of 280.3 million in 2020, thanks to an uptick in construction in Latin America and the Caribbean and Central and Southern Asia, many regions have seen the gap increase further during this time. In Europe and Northern America, for instance, affordable housing shortages increased by more than a quarter from 9.9 million in 2020 to 24.8 million in 2023.<sup>41</sup>

In many regions, tighter financial conditions, rising construction costs, and heightened economic uncertainty slowed housing development after 2020. As shown in Table 3.4, although global housing stock growth exceeded population growth, largely driven by a strong surge in construction in Latin America and the Caribbean, this pattern was not universal. In several regions, including Europe and Northern America, Western Asia and North Africa, and Oceania, housing supply growth lagged behind population growth.

#### In many parts of the world, the supply of new housing has not kept pace with population growth

These shortfalls have intensified affordability pressures for low- and middle-income households by contributing to rising rents and housing prices. A combination of factors underlies the construction slowdown observed in these regions.

- Rising interest rates and stricter lending criteria limited access to finance for both developers and households.
- Higher construction costs also reduced the number of new developments proceeding, slowing the expansion of formal housing supply. While renovation and energy-efficiency programmes, including EU initiatives to improve building performance, helped sustain retrofit activity, they were insufficient to offset the broader decline in new residential construction.<sup>42</sup>
- In rapidly growing cities, limited serviced land and reliance on incremental or informal construction continue to restrict the supply of well-located and adequately serviced homes. As a result, even where overall stock grew at a rate similar to population, shortages persisted in high demand locations, reinforcing affordability pressures.

Despite persistent housing shortages, global vacancy rates remain in the low-teens,<sup>43</sup> underscoring the complexity of housing market dynamics. Vacancy rates alone provide limited insight, as vacant units may reflect seasonal use, structural decline, or misalignments between the location, quality or price of available housing and household needs. Interpreting vacancy levels therefore requires careful consideration of unit characteristics, market segments and patterns of household formation

**Table 3.4: Ratio of housing stock growth to population growth**

Region	2010-2015	2015-2020	2020-2023
Oceania (excludes Australia and New Zealand)	0.8	3.1	0.7
Sub-Saharan Africa	1.1	1.0	1.1
Western Asia and Northern Africa	0.2	0.6	0.4
Latin America and the Caribbean	1.3	1.8	7.0
Central Asia and Southern Asia	1.5	1.2	1.6
Eastern Asia and South-Eastern Asia	3.0	3.4	0.9
Northern America and Europe	2.5	2.4	0.5
Australia and New Zealand	0.9	1.3	1.4
World	1.4	1.3	1.8

Source: UN-Habitat, 2026a

These dynamics underscore that housing supply does not automatically adjust to demographic or economic pressures. Ensuring an adequate, well-located and affordable supply requires coordinated action: aligning land use and transport planning with housing delivery, using counter-cyclical finance to stabilize production, streamlining regulatory processes without weakening standards and leveraging public investment to crowd in private capital. When these elements work together, housing systems can expand supply more sustainably across income groups.

Experiences from different countries show that public programmes can help stabilize delivery during difficult periods. In Brazil, for example, the 2023 relaunch of Minha Casa, Minha Vida reactivated stalled works and increased contracting volumes, providing support during a period of tightening financial conditions.<sup>44</sup> Where governments mobilized counter-cyclical financing, expanded subsidies or reactivated stalled projects, the housing sector remained more resilient despite adverse market conditions.<sup>45</sup>

#### **Public and social housing in transition**

Subsidized housing remains an important policy tool for expanding access to adequate and affordable housing, particularly for low-income and vulnerable households. At the global level, however, no consolidated estimate exists of the share of households living in subsidized or social housing, reflecting substantial differences in national definitions, tenure structures, and the availability and comparability of data.<sup>46</sup> While subsidized and public housing remains a critical component of many

national housing systems, it serves only a limited share of households and, in many countries, has declined steadily since the 1980s amid a broader shift toward market-led delivery models and demand-side subsidies such as housing allowances and homeownership support.<sup>47</sup> Within OECD countries, social and public rental housing accounts on average for between 3 and 7 per cent of the housing stock, although crosscountry variation is substantial.<sup>48</sup>

A small number of countries, notably Austria, Denmark, France, and the Netherlands, stand out for maintaining large nonmarket rental sectors, in some cases housing between 15 and 30 per cent of households.<sup>49</sup> These systems are underpinned by longterm public investment, robust legal and regulatory frameworks, and close integration with urban planning, landuse regulation, and infrastructure provision. In such contexts, subsidized housing operates as a core component of the housing system rather than as a residual safety net.<sup>50</sup>

- *In North America, affordable housing provision has relied heavily on municipal housing entities and regulated nonprofit providers, supported by largescale federal financing mechanisms.* In the US, the LowIncome Housing Tax Credit (LIHTC) programme has served as the primary tool for affordable rental housing production, financing an estimated 3.7 to 4 million homes between 1987 and 2023.<sup>51</sup> In Canada, sustained supplyside investment under the National Housing Strategy has similarly expanded and preserved affordable housing stock, with federal commitments exceeding \$76 billion as of 31 December 2025 and supporting nearly 196,000 new housing units as well as the preservation of more than 359,000 community housing units, underscoring the capacity of longterm public investment to address affordability gaps in highcost markets where market delivery alone has been insufficient.<sup>52</sup>

**Limited serviced land and reliance on incremental or informal construction continue to restrict the supply of well-located and adequately serviced homes**

- *In Eastern and South-Eastern Asia, state intervention has produced some of the world's most extensive public housing systems.* Singapore's Housing and Development Board provides public housing to close to 80 per cent of households,<sup>53</sup> while China, Japan and the Republic of Korea each operate broad housing support systems that combine subsidized rental housing, price-controlled ownership programmes, and publicly supported housing finance, together reaching around 30 per cent of households in aggregate.<sup>54</sup> In India, the national Pradhan Mantri Awas Yojana (PMAY) programme expanded subsidized housing from 0.3 per cent of households in 2010 to 7 per cent in 2023.<sup>55</sup>
- *In Western Asia and Northern Africa, large-scale public delivery models have also shaped outcomes.* Türkiye's Mass Housing Administration (TOKİ) has delivered more than 1 million affordable units over two decades using public land, cross-subsidy models and long-term planning.<sup>56</sup>
- *In Sub-Saharan Africa, public and social housing remain limited in scale.* Governments have launched various programmes, including Ethiopia's Integrated Housing Development Programme and Cameroon's public housing and serviced plot schemes, as well as subsidy programmes in Mali, Mauritius, Senegal and Djibouti. However, high construction costs, limited fiscal space, weak targeting and affordability constraints have prevented these programmes from serving low-income groups effectively.<sup>57</sup>

Since the 1980s, however, many high-income countries have reduced direct public investment in housing. Policies such as the UK's Right to Buy, the downsizing of US public housing and the shift toward market-based subsidies in parts of Europe have contributed to shrinking public stock. Across OECD countries, public capital investment in housing fell from 0.17 per cent of GDP in 2001 to 0.06 per cent in 2018, increasing reliance on markets to meet demand.<sup>58</sup>

The limited scale of public and social housing, combined with fiscal constraints and greater reliance on market delivery, has left low-income households increasingly exposed to rising land and construction costs. Without renewed, well-targeted public investment supported by strong regulatory frameworks and mechanisms that attract responsible private capital, public and social housing will struggle to ease affordability pressures.

### **Cost-driven constraints on housing supply**

Rising input and transaction costs impose significant supply-side constraints that reduce both the volume and affordability of new housing delivery. Operating through the construction process and systems of property-related taxes and fees, these pressures erode project viability, narrow already tight margins, and ultimately raise prices for both new and existing homes.

Construction costs have become a persistent driver of housing unaffordability. Sharp increases in the prices of materials, labour, equipment, site preparation, and infrastructure have raised per-unit development costs, compounded by global supply-chain disruptions,

### **Many high-income countries have reduced direct public investment in housing**

material price inflation, and labour shortages. In the US, construction material costs have risen by more than 40 per cent since the COVID-19 pandemic, with tariff measures alone adding an estimated US\$ 10,900 to the cost of a new single-family home.<sup>59</sup>

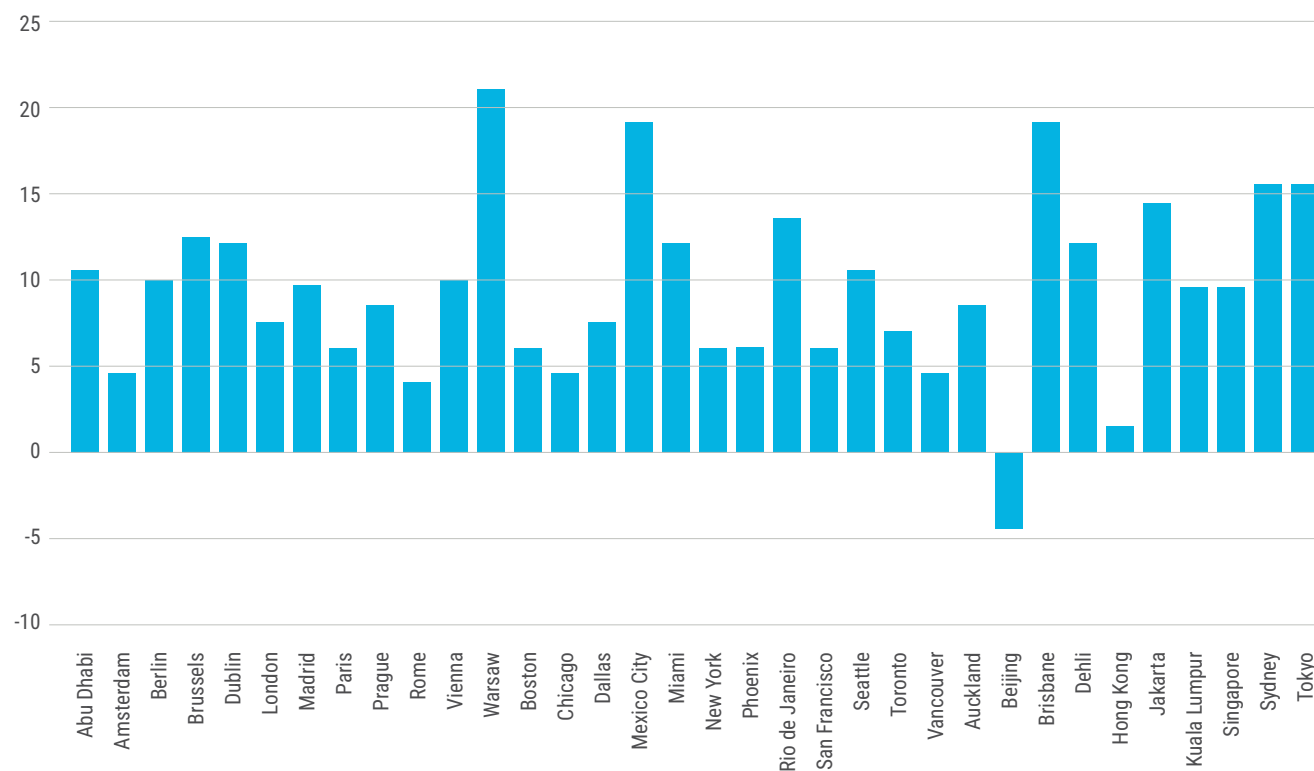
As costs rise, affordable and mid-market projects become less viable, leading developers to delay, scale back or cancel planned schemes. This slows new supply, increases pressure on existing stock, and intensifies price growth that disproportionately affects low- and middle-income households. Figure 3.6 illustrates this pattern, showing significant construction cost increases between 2020 and 2025 across major global cities. These cost escalations constrain housing supply through higher prices and reduced output, delaying delivery and limiting overall supply.

Transaction costs, including taxes and fees linked to buying, holding, renting, and selling property, represent a significant but often overlooked supply-side constraint. These costs shape investment incentives, affect household mobility, and influence participation in formal housing markets. Globally, average burdens include a 2 per cent property transfer tax, a 0.8 per cent annual property tax, a 13.5 per cent rental income tax and a 7.2 per cent capital gains tax, alongside typical transaction costs of 6.6 per cent for buyers and 3.3 per cent for sellers.<sup>60</sup>

While low transfer and annual property taxes can support ownership in some regions, their effects are often offset by high rental income and capital gains taxes that deter investment in rental housing. Sub-Saharan Africa, for example, combines very low transfer and property taxes with high rental income and capital gains taxes, while Australia and New Zealand apply rental income tax rates of up to 32 per cent despite moderate property-based taxation. In much of Latin America and Central and Southern Asia, barriers stem less from taxation than from high non-tax costs, such as administrative charges, commissions and transaction fees, which weigh most heavily on first-time buyers and lower-income households.

Alongside rising construction costs, these transaction-related frictions raise upfront costs, discourage investment, reduce household mobility and slow turnover of existing stock, tightening housing supply and deepening affordability pressures. Addressing these constraints requires measures that improve productivity and reduce risk, including modern construction technologies, digital procurement, streamlined planning and approvals, predictable building codes, improved risk allocation, and blended finance instruments to support affordable and mid-market housing delivery.

### **Construction costs have become a persistent driver of housing unaffordability**

**Figure 3.6: Construction-cost inflation in major cities, 2020–2025**

Source: Arcadis, 2020, 2025

### Land, regulation and the cost of urban expansion

Access to buildable, serviced land is central to housing affordability. When cities fail to expand serviced areas in line with demand or apply restrictive planning rules, land scarcity pushes development outward and reinforces sprawl. Over the past five decades, urban land areas have expanded faster than population, particularly in Africa and Asia, reflecting increasingly land-intensive development.<sup>61</sup>

Affordability outcomes vary by context. While low-density fringe development can reduce land costs per unit, these gains are often offset by higher lifetime expenses, including longer commutes, higher transport costs and self-provision of services where infrastructure lags. Evidence from the US shows that modest density increases may raise housing costs initially but generate larger reductions in transport costs relative to income, improving combined housing and transport affordability.<sup>62</sup> Poorly managed expansion therefore risks shifting costs onto households rather than lowering them.

Land use regulations shape these outcomes. Minimum lot sizes, single-use zoning, and low height or floor-area limits restrict well-located housing supply, push growth to the fringe, and raise central-area prices. In contrast, planned and phased expansion supported by trunk infrastructure and serviced plots enables more compact and affordable growth with better access to jobs and services.

**Table 3.5: Average time to obtain a construction permit**

Region	Average days
Oceania	53.9
Sub-Saharan Africa	45.0
Western Asia and Northern Africa	84.1
Latin America and the Caribbean	75.4
Central Asia and Southern Asia	51.0
Eastern Asia and South-eastern Asia	28.0
Europe and North America	101.4
World	65.6

Source: World Bank, n.d. -a

Administrative delays further increase costs. In the US, each additional month of permitting delay raises construction costs by around 1 per cent.<sup>63</sup> Approval times vary widely across regions, with Europe and Northern America recording the longest averages (Table 3.5). Streamlined approvals with predictable standards reduce uncertainty and improve the feasibility of affordable and mid-market housing.

Equity concerns are paramount. When serviced land is scarce or expansion poorly managed, low-income households are often displaced to informal or peripheral areas, facing higher transport costs, weaker services, and greater exposure to climate and health risks.

Embedding affordability objectives in both infill and expansion strategies is therefore essential to avoid shifting housing and access costs onto vulnerable groups.

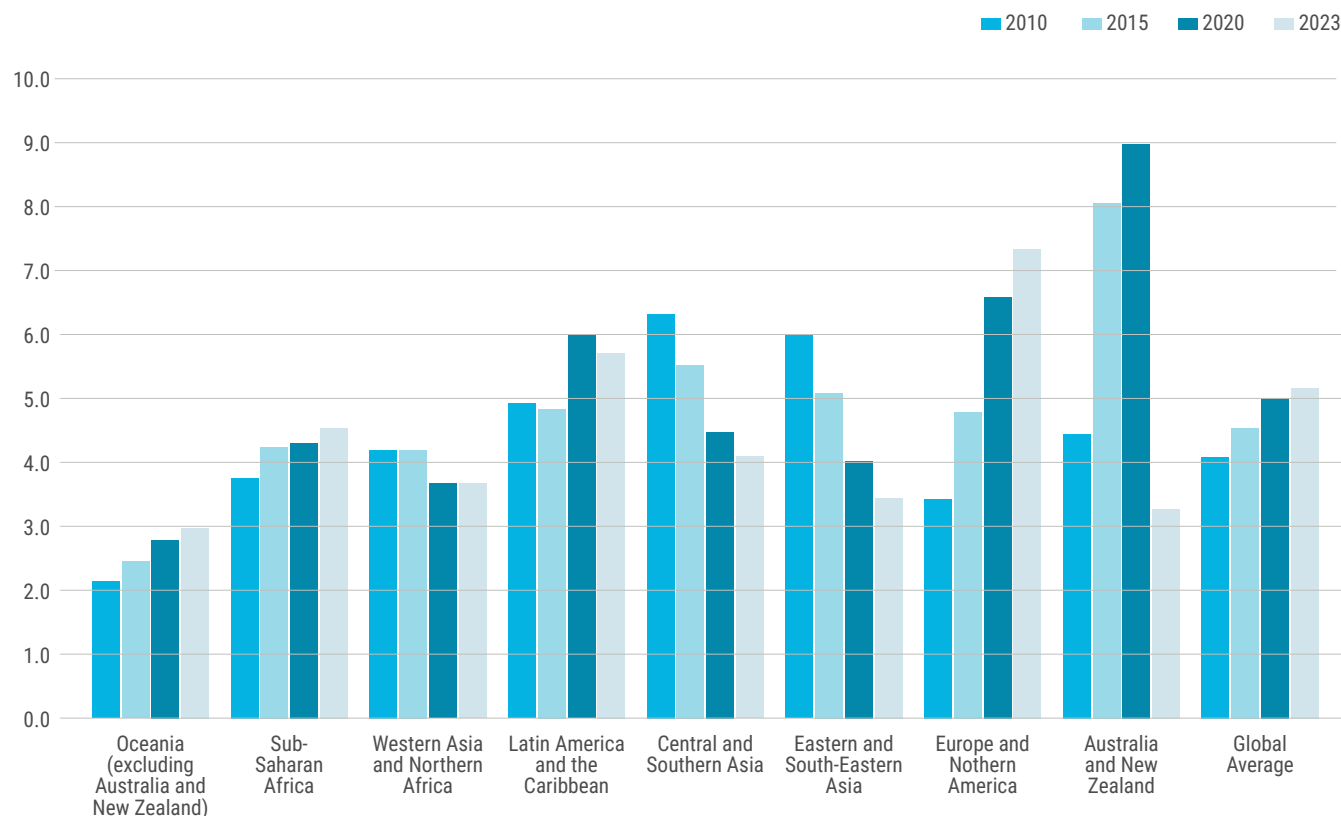
Overall, affordability depends not only on construction and finance, but also on how cities manage land supply, regulate building form and administer approvals. When these systems align, cities can accommodate growth at a lower total cost to households. When they do not, they risk reinforcing a cycle of sprawl, high travel costs, delayed supply and rising prices.

### Price and rent dynamics: drivers and affordability implications

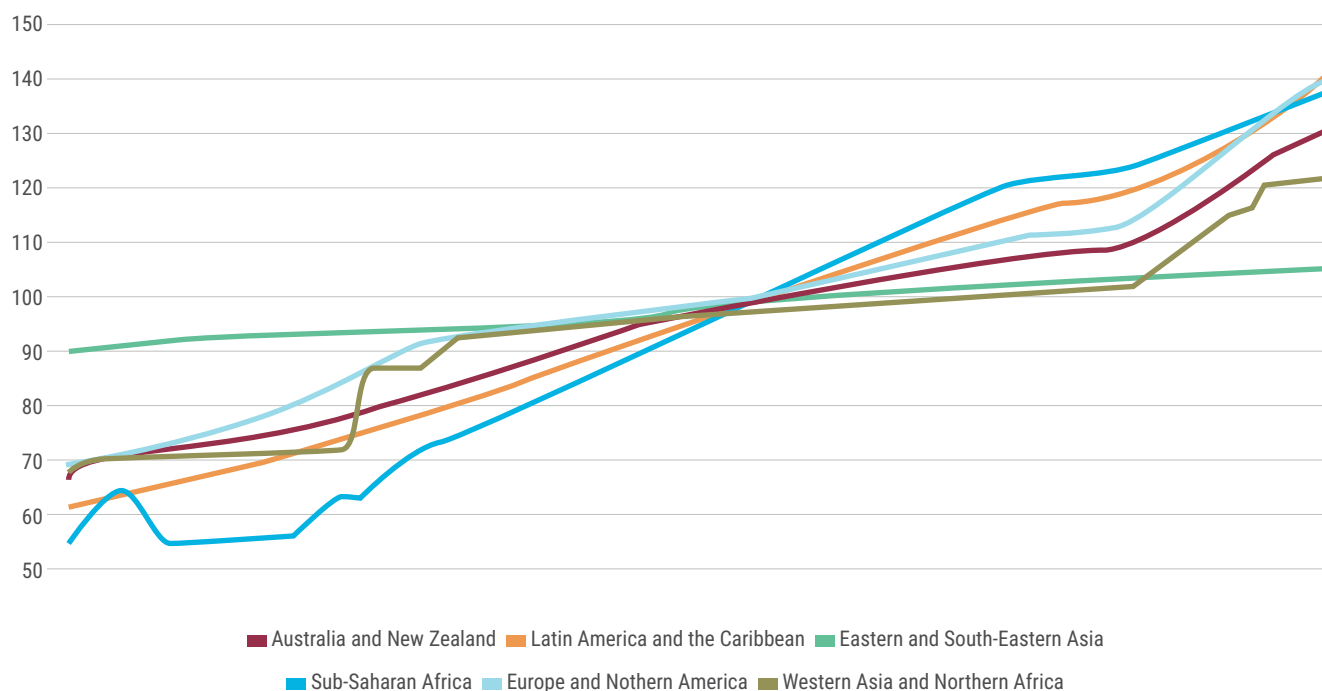
Housing prices and rents have increased across most regions over the past decade, reflecting a persistent gap between demand and supply. Figures 3.7 and 3.8 illustrate both the scale and timing of these shifts. Figure 3.7 shows that nominal house prices have risen substantially since 2010, with several regions experiencing sustained appreciation through 2023. While the pace of growth varies by region and over time, the overall pattern points to long-standing supply constraints relative to population growth, household formation, and demographic change. These trends signal mounting affordability pressures in ownership markets, particularly where housing delivery has not kept pace with urban expansion and the growing demand for well-located housing.

Figure 3.8 shows a sustained increase in rents across regions over the period 2010–2025, reflected in steadily rising rent index levels. Rather than abrupt or short-term spikes, the pattern points to gradual and broad-based rent growth, indicating continued upward pressure in rental markets. While the pace of increase varies across regions, rents have continued to rise in both real and nominal terms, reinforcing affordability challenges for renters.

**Figure 3.7: House value appreciation (%)**



Source: UN-Habitat, 2026a

**Figure 3.8: Rent index by region, 2002–2025**

Source: Global Property Guide, n.d

This long-term trend reflects strong demand interacting with limited expansion of rental supply, rising construction and financing costs, and demographic and urbanization-driven pressures, particularly where new rental stock has not kept pace with household formation.

These trends point to tightening conditions in both ownership and rental markets, driven by persistent supply constraints, rising costs, and demand increasingly shaped by urbanization, demographic change and inequality. Addressing these pressures requires policy responses that strengthen housing supply elasticity across tenures, including faster land servicing, more predictable planning and approval processes, and support for cost-efficient housing delivery.

### 3.4 Impacts of Housing Unaffordability on Households and Cities

Housing unaffordability affects much more than shelter. When housing costs take a larger share of income, households reduce spending on food, health care, education and transport, or accept smaller, lower-quality homes in less accessible areas. Persistent unaffordability increases risks of homelessness, overcrowding, unsafe or informal housing, and limits the ability to move closer to jobs. Over time, these pressures compound,

deepening inequality and constraining economic and social mobility. They also erode social cohesion and place increasing strain on urban systems. The following sections examine how these impacts vary across population groups and regions, and the consequences for households and cities.

#### 3.4.1 Immediate housing outcomes

Housing unaffordability first becomes visible through its most direct and immediate effects on where and how people live. Rising costs, declining rental affordability, and limited access to adequate shelter manifest in homelessness, overcrowding, informal housing and insecure tenure. These outcomes reflect the most acute pressures households face when markets and policy systems fail to supply affordable, adequate and secure homes.

##### **Homelessness, overcrowding and exclusion**

Housing unaffordability is increasingly reflected in homelessness, overcrowding and other forms of exclusion. Rising housing costs intersect with conflict, climate shocks, displacement and uneven social protection systems, producing distinct regional patterns of housing deprivation. Measurement remains difficult because definitions and datasets vary, yet available evidence indicates that the number of households at risk is rising.<sup>64</sup> Rates of homelessness differ sharply across regions, with some

areas reporting levels several times higher than others. Although data are not fully comparable, they consistently show elevated rates in Sub-Saharan Africa, Latin America and the Caribbean, Western Asia and Northern Africa, and parts of Oceania.<sup>65</sup>

Within OECD countries, city-level trends highlight the role of rental markets: where rents have grown slowly, homelessness has tended to fall, while rapid rent increases are closely associated with rising homelessness.<sup>66</sup> Regional dynamics shape these outcomes in different ways. In Western Asia and Northern Africa, conflict, occupation and the destruction of housing stock directly drive displacement and homelessness.

In Sub-Saharan Africa, extreme poverty, rapid urbanization and recurrent violence heighten vulnerability amid limited formal low-cost housing. Latin America and the Caribbean experience high inequality and macroeconomic instability, which translate quickly into evictions and expanded informal settlements. In South Asia, informal labor markets, rural-urban migration and recurring disasters sustain chronic housing precarity.

Overcrowding remains another widespread manifestation of unaffordability. Rates have declined modestly at the global level but remain highest in Sub-Saharan Africa, Western Asia and Northern Africa, and parts of Latin America and the Caribbean.<sup>67</sup> Some regions with historically lower overcrowding levels, including Australia and New Zealand, have seen recent increases, indicating that affordability pressures are affecting a broader share of the population.<sup>68</sup>

Affordability pressures affect people differently at different stages of their lives. Older adults, even those who own their homes outright, face rising utility costs and, in some places, high property taxes: this can strain fixed or limited incomes and push low-income older households toward housing insecurity. Climate and disaster risks compound these pressures by destroying homes, causing repeated displacement and deepening vulnerability for households already struggling with high housing costs.

Homelessness, overcrowding and related forms of exclusion signal wider pressures on economic security, social inclusion and urban resilience. Evidence shows that tighter rental markets and rising rents are associated with higher levels of homelessness, while integrated strategies that combine short-term assistance, expanded rental stock and rights-based “Housing First” programming – as demonstrated in Finland (Box 3.4) can reduce these pressures.<sup>69</sup>



**Housing unaffordability is increasingly reflected in homelessness, overcrowding and other forms of exclusion**

### Box 3.4: Finland’s “Housing First” approach to homelessness

Finland is widely regarded as a global pioneer of the Housing First approach, adopted as national policy in 2008 to eradicate long-term homelessness. The strategy reframes housing as a human right, guaranteeing access to permanent, self-contained homes without preconditions such as sobriety or treatment compliance. Through coordinated action between the state, municipalities, social service agencies and non-profit housing providers, Finland converted most of its traditional shelters and hostels into affordable rental units. Eligible persons – experiencing homelessness for over a year or with recurring episodes in the last three years – receive tenancy agreements and pay rent to cover operating costs.

The results speak for themselves: between 2008 and 2022, the number of people experiencing long-term homelessness fell by 68 per cent. This success is attributed to sustained political commitment, a strong supply of subsidized rental housing and integrated support services delivered by municipal welfare agencies and organizations. In particular, the Y-Foundation plays a pivotal role managing the Housing First Development Network, with an emphasis on knowledge sharing, collaboration and solutions that extend beyond the provision of accommodation to providing social support and integration.

*Source: Rojas Morales, 2024.*



Väinölä supported social housing unit in Espoo, Finland. © Y-Foundation (Y-Säätiö)

### **Informal settlements and housing affordability**

Informality is closely linked to insecure tenure, as households priced out of formal markets often move into areas with limited legal protections. When housing costs exceed what low-income families can afford, many turn to settlements where land use, construction practices and tenure arrangements fall outside formal regulation.

More than 1.1 billion people now live in informal settlements worldwide, with Sub-Saharan Africa recording the highest urban share. In contrast, parts of Central and Southern Asia have seen gradual declines in the proportion of their urban populations living in informal settlements due to large-scale upgrading and formalization. These experiences show that targeted investment can expand access to adequate housing, even as demand continues to grow. Trends since 2010 show that informality is highly responsive to policy interventions and wider economic conditions. During the 2010s, many regions saw reductions in informal settlement populations as upgrading programmes, expanded serviced land and stronger tenure security took effect. After 2020, however, pandemic-related income losses, construction disruptions and broader economic shocks reversed these gains in several regions, pushing more households into informal arrangements.

### **Unaffordability increasingly forces households to redirect income away from basic needs in order to meet rising housing costs**

Informality is also closely associated with lower housing quality and climate vulnerability. Globally, only about three-quarters of dwellings are built with durable materials, and this figure is significantly lower in regions where informal housing predominates.<sup>70</sup> The overlap between informal tenure and non-durable construction exposes households to heightened structural, environmental and safety risks. As noted in Chapter 6, housing delivered outside formal systems is less likely to incorporate hazard-resistant design, regulated construction methods or resilient materials, leaving residents disproportionately vulnerable to extreme weather events and other climate-related hazards. Unaffordability therefore increases reliance on informal settlements while amplifying structural and environmental risks.

#### **3.4.2 Economic and social consequences for households**

Beyond immediate housing conditions, unaffordability reshapes household budgets, well-being and day-to-day decision-making. As housing costs consume a growing share of income, families confront difficult trade-offs that affect every aspect of their lives. These economic pressures intersect with social and demographic dynamics, deepening vulnerability across the life course.

#### **Crowding out of essential expenditures**

Housing unaffordability increasingly forces households to redirect income away from basic needs in order to meet rising housing costs. This effect is most pronounced among low-income renters, residents of informal settlements, single-parent households, young adults and older persons living on fixed incomes.

As rents, service charges and utility costs rise faster than wages, families reduce spending on food, healthcare, education and transport, deepening socio-economic inequality and reinforcing cycles of vulnerability.<sup>71</sup>

Household expenditure data from OECD countries show that spending on housing, water, electricity, gas and other fuels ranges from around 11 per cent of income to nearly 30 per cent.<sup>72</sup> While such levels may be manageable for middle-income households, they impose a far heavier burden on low-income families. As housing costs rise, households are left with diminishing income for essential consumption. In Belgium, for example, increases in housing expenditure between 2011 and 2021 were accompanied by a proportional decline in food spending, illustrating the crowding-out effect.<sup>73</sup>

Similar dynamics are evident in developing countries. Evidence from Benin shows that modest increases in essential expenditures, such as out-of-pocket health spending, lead to significant reductions in food and education consumption.<sup>74</sup> In Nigeria, even small increases in healthcare costs reduce household spending on higher-quality food and cooking fuel among poor households.<sup>75</sup> Transport-related trade-offs further intensify the burden. Across cities in Sub-Saharan Africa, rising housing costs near employment centres are pushing low-income households into peri-urban or informal areas, increasing commuting distances and mobility costs while limiting access to jobs, childcare and health facilities.<sup>76</sup>

Life-course impacts are also evident. Older adults face rising utility and maintenance costs in ageing homes, while young adults delay forming independent households to avoid compromising essential consumption. At the macro level, rising fiscal pressures in many low-income countries have constrained public spending on health, education and social protection, shifting additional costs onto households already confronted by rising housing expenses.<sup>77</sup>

#### **Housing costs and employment constraints**

Closer proximity to employment centres improves labour market participation and wage outcomes, yet rapidly escalating housing costs increasingly prevent workers from living near job opportunities. In many large cities, the mismatch between where jobs are located and where affordable housing is available has widened. In Sydney (Australia), for example, more than 251,000 jobs are located in the central area but only about 11,000 workers reside there, and a large share of low-income households spend over 30 per cent of their income on rent.<sup>78</sup> Workers displaced to the periphery face longer commutes and weaker access to secure employment, with lower-cost housing compensating for only a fraction of the disadvantage created by distance.

Similar pressures are evident across developing countries. In Viet Nam's major cities, property prices reaching 20 to 25 times the average annual household income have made formal housing near employment centres unattainable, pushing many workers into low-quality fringe accommodation or poorer neighbourhoods with limited job prospects.<sup>79</sup>

### **Rapidly escalating housing costs increasingly prevent workers from living near job opportunities**



A grandma babysitting her granddaughter © Shutterstock

Rural migrants, especially young people, often face intense financial pressure and rely on informal or precarious work as a result. Comparable patterns appear in Africa, where young migrants to Kampala (Uganda) often depend on informal work and social networks to access low-paid, insecure jobs.<sup>80</sup> In Latin America, living in cheaper peripheral settlements increases commuting times and reduces job access, with evidence from Montevideo (Uruguay) linking lower job accessibility to higher unemployment risk.<sup>81</sup>

Housing unaffordability has pronounced gender and generational effects. In several Chinese cities, rising housing prices have pushed women from low-income households into low-paid employment to supplement family income. These high housing costs also prompt many young people to enter the labour market earlier or work longer hours, while in higher-income countries similar pressures more often delay household formation among young adults.<sup>82</sup> In many developing contexts, those unable to secure formal housing often move into informal settlements, where affordability comes at the cost of weaker services, limited mobility and fewer economic opportunities.

### **Housing affordability and human development**

Housing affordability has far-reaching implications for human development, affecting health, education, well-being and long-term life chances. When housing costs absorb a large share of income, households reduce spending on essentials such as food, preventive healthcare, and learning materials. Cross-country data show that housing, water, energy and related costs now account for the largest share of household consumption in many economies, leaving less for other basic needs.<sup>83</sup>

### **Box 3.5: The disproportionate impacts of housing unaffordability on young adults**

The effects of housing unaffordability are especially pronounced for children and young adults, shaping life prospects in multiple ways. Unaffordable or unstable housing disrupts education, as frequent moves, overcrowding, and housing insecurity reduce study time and school attendance, with lasting consequences. Cross-country evidence shows a negative relationship between housing cost burdens and educational attainment, consistent with wider findings that affordability pressures constrain investment in learning.

In many high-cost urban markets, rising housing costs have also weakened young adults' ability to form independent households. In Canada, sharp rent increases in cities such as Toronto and Vancouver have coincided with declining household formation among 25- to 29-year-olds, while cities with more moderate rents, including Quebec City and Montreal, show more stable patterns. Similar pressures are evident across Europe, where nearly one-third of adults aged 25 to 34 live in the parental home, reflecting historically high levels of co-residence as housing costs rise and affordable options remain limited.

In developing contexts, affordability constraints influence broader life-course transitions. In South Africa, young, educated women increasingly delay marriage until financial stability and adequate housing can be secured. Across East, South-East and South Asia, high living costs are linked to later marriage and postponed fertility, while in Latin American and African cities limited affordable housing near employment centres pushes young adults to peripheral or informal settlements, where weaker services and longer commutes make early household formation less feasible.

Across diverse contexts, housing affordability pressures are reshaping the timing of key life transitions, from leaving the parental home to marriage and family formation, as rising housing costs increasingly outpace the resources needed to establish stable independent households.

*Source: Eurofound, 202; Lauster & von Bergmann, 2025; Maharaj & Shangase, 2020; The Lancet Regional Health – Western Pacific, 2025; Migliore et al., 2024; Nature Cities, 2025; WHO, 2025.*

These impacts are unevenly distributed. Older persons, low-income households, migrants, women and informal settlement residents face disproportionate pressures that shape life trajectories and reinforce intergenerational inequalities. Housing unaffordability influences household formation, mobility, education and demographic outcomes. For children and young adults, the effects can be especially pronounced, contributing to delayed transitions to adulthood and postponed parenthood, even in high-income settings (Box 3.5).

These patterns show that housing affordability is not only a living standards issue but also a structural determinant of human development. Addressing affordability is therefore essential to improving health outcomes, sustaining learning, and expanding life opportunities across diverse national and regional contexts.

### 3.4.3 Wider urban and societal impacts

At the city and societal level, widespread unaffordability contributes to spatial segregation, weakened social cohesion and reduced urban resilience. As housing pressures intensify, cities face rising tenure insecurity, political discontent, social fragmentation, economic instability and vulnerability to climate shocks. These broader impacts demonstrate that housing unaffordability is not only a household challenge, but also a structural urban and governance issue.

**23 per cent of adults globally or about 1.1 billion people feel insecure about their land or housing rights**

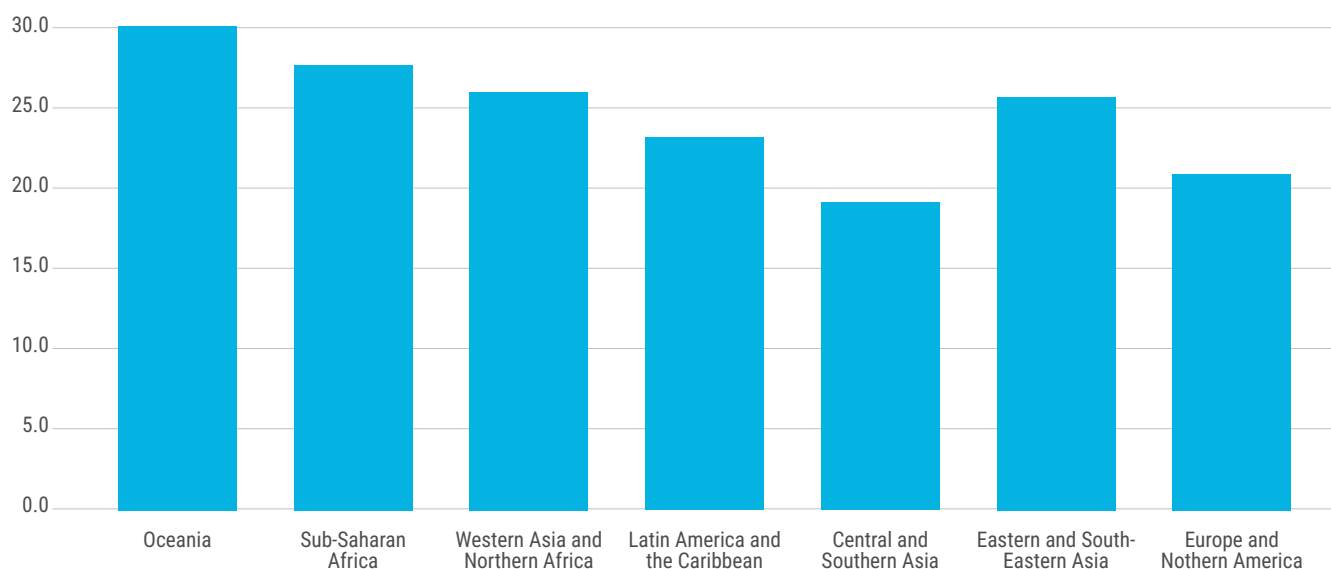
### Insecure property rights

Secure tenure plays a central role in fostering stability, personal identity, and well-being. Beyond its legal status, having a home where one feels safe provides a stable base that allows individuals to plan, build daily routines, exercise autonomy, and sustain family and community life.<sup>84</sup> When property rights are uncertain, these psychological and social foundations weaken, reducing residents' confidence in their place within the city and discouraging investment in their homes and neighbourhoods.

Affordability pressures have become a major source of tenure insecurity. The organization Prindex reveals that 23 per cent of adults globally, or about 1.1 billion, people feel insecure about their land or housing rights.<sup>85</sup> Rising housing costs and difficulties meeting rent or mortgage payments are now among the most frequently cited reasons for fearing displacement or eviction.<sup>86</sup> This marks a shift from traditional drivers of insecurity such as weak legal systems or land disputes. There are, however, significant regional disparities, as shown in Figure 3.9 Perceived tenure insecurity is highest in Oceania and Sub-Saharan Africa, but it has also increased in North America and Europe, East and South-East Asia, and Latin America and the Caribbean, showing that insecurity is no longer concentrated in fragile or low-income settings.

Despite progress in formal titling and rental documentation, many households continue to fear displacement, highlighting persistent gaps between legal rights and lived experience. Affordability pressures and financial vulnerability play a central role in shaping perceived tenure security. Younger adults, particularly those under 24, report the

**Figure 3.9: Percentage of respondents who feel insecure about land and property, 2024**



Source: Prindex, n.d.

highest insecurity due to reliance on rental markets and precarious employment.<sup>87</sup> However, in some contexts older adults also experience elevated insecurity,<sup>88</sup> underscoring how perceptions of tenure risk vary by tenure type, housing system design and broader economic conditions.

### **Social disruption and urban fragmentation**

Housing unaffordability is increasingly recognized as a structural driver of economic insecurity, social fragmentation and urban disruption, with implications that extend beyond housing markets alone. As housing costs rise faster than incomes, growing numbers of households face financial strain, insecure tenure and reduced access to adequate shelter. These pressures undermine material stability, constrain spending on health, education and nutrition, disrupt labour participation, and weaken community ties. They also erode trust in public institutions when governments are perceived as unable to expand affordable supply or regulate speculative markets,<sup>89</sup> contributing over time to widening socio-economic divides and more fragmented urban landscapes.

The impacts of housing stress are unevenly distributed. Younger renters, who are increasingly excluded from homeownership, often experience the greatest frustration,<sup>90</sup> deepening intergenerational divides as older homeowners retain substantial housing wealth.<sup>91</sup> In many contexts, these pressures have been linked to declining confidence in public institutions, rising protest mobilization, and growing support for anti-establishment politics.

In rapidly urbanizing regions, similar dynamics operate through different channels. Chronic underinvestment in affordable housing and weak tenure systems push large segments of the population into informal or peripheral settlements characterized by insecurity, limited services and long commutes. Financial vulnerability, informal land markets and exposure to climate-related hazards such as flooding and extreme heat further amplify instability, reinforcing spatial inequality and heightening the risk of social unrest.

Failing to resolve these shortcomings leaves housing systems ill-equipped to support social stability and institutional legitimacy. Responding effectively requires expanding affordable housing supply, diversifying rental options and strengthening tenant protections, upgrading informal settlements, and investing in climate-resilient infrastructure to restore material security and reduce the fragmentation associated with unmet housing needs.



**Improving housing affordability requires coordinated action across policy areas rather than isolated measures**

## **3.5 Affordable Housing Strategies**

Improving housing affordability requires coordinated action across policy areas rather than isolated measures. Governments at national and subnational levels can support households, increase well-located affordable supply, mobilize long-term investment and strengthen the planning and institutional systems that shape land and housing markets. Although the right policy mix varies with factors such as urbanization pressures, land availability, credit conditions, regulations and fiscal capacity, effective responses rely on collaboration among public authorities, private developers, financial institutions and communities. This section sets out the main policy directions on demand support, supply expansion, financing reform and institutional strengthening, including discussions of how these strategies operate in different contexts.

### **3.5.1 Demand-side measures to improve affordability**

Housing affordability pressures often arise from a gap between household incomes and market prices, especially for renters and first-time buyers. Demand-side measures help narrow this gap by supplementing post-housing income, easing deposit and credit constraints, and enabling access to formal finance. Their effectiveness depends on targeting, fiscal sustainability, administrative capacity and alignment with supply conditions.

Demand-side measures work best as part of a coherent housing strategy. Well-targeted assistance can ease affordability pressures, improve mobility and expand access to formal housing while limiting inflationary effects. Table 3.6 outlines the range of instruments countries use, from rent allowances and employer support schemes to flexible payment models and community-based approaches. When designed in line with supply conditions and planning reforms, these measures can improve household well-being, support mobility and expand access to formal housing without generating price inflation. Countries use different instruments depending on their market and institutional context:

- *In high-income settings with developed rental sectors, entitlement-based allowances can stabilize post-rent incomes and support mobility.* The Netherlands reduces administrative barriers through automatic rent rebates,<sup>92</sup> while the Republic of Korea links an income-tested housing benefit with public housing supply to limit rent capitalization. Where rental support is not an entitlement, as in the US Housing Choice Voucher Program, long waiting lists can limit overall impact, despite the programme's demonstrated role in enabling moves to lower-segregation neighbourhoods.<sup>93</sup>
- *Where access to mortgage finance is limited, demand-side policies focus on improving credit access and reducing deposit requirements.* Employer-based programmes in South Africa combine grants, matched savings and advice to help low-income workers enter mortgage markets.<sup>94</sup> Mandatory long-term savings systems, such as Singapore's Central Provident Fund tied to Housing Development Board flats, show how structured savings can extend homeownership opportunities.<sup>95</sup>

**Table 3.6: Demand-side measures to support affordable housing**

Measure	Content	Purpose	Case
Flexible payment modes	Cash, pay-as-you-go, rent-to-buy options	Builds effective demand; targets informal renters and self-builders	Casa Real (Mozambique)
Cash housing allowance	Entitlement-based rent rebate	Maintains minimum post-rent income; mobility support	Housing allowance (Netherlands)
Employer housing assistance	Employer grants and matched savings	Improves mortgage access for indebted workers	PPC (South Africa)
Mandatory savings	CPF withdrawals for HDB flats	Supports homeownership; resettles informal households	CPF-HDB (Singapore)
Community cost-sharing	Microfinance contributions for upgrading	Builds ownership; reduces subsidy needs	Ahmedabad SNP (India)
Needs-based housing benefit	Income-tested rent support	Targets lowest-income renters	Housing benefit (Republic of Korea)
Means-tested rent assistance	Local rent rebates/allowances	Ensures post-housing income adequacy	Housing benefit (UK)
Rent vouchers	Non-entitlement housing vouchers	Improves mobility; reduces rent burden	HCV program (US)

Source: Nkhonjera, 2020 (Mozambique); Colburn, 2021 (Netherlands, UK and US); Gordon, 2016 (South Africa); Phang & Helble, 2016 (Singapore); Patel et al., 2013 (India); Kim & Park, 2016 (Republic of Korea); Biscontini, 2025 (US)

- In low- and middle-income contexts with high informality, flexible payment mechanisms expand effective demand.* Pay-as-you-go, rent-to-buy and other staged-payment options, such as Casa Real in Mozambique, allow informal-income households to transition gradually into formal housing.<sup>96</sup> Community cost-sharing approaches, including the Slum Networking Project in Ahmedabad, India, demonstrate how microfinance contributions and in situ upgrading strengthen ownership and reduce public subsidy needs.<sup>97</sup>
- In fast-growing cities with extensive informal housing, incremental and self-build approaches activate local labour and household resources.* Cape Town's (South Africa) backyard rental units and Mozambique's Casa Real starter-home model show how flexible payment modes, expandable designs and clearer titling frameworks can enable low-income households to enter formal housing systems over time.<sup>98</sup> These approaches align housing investment with income trajectories and reduce entry barriers.
- Where supply deficits are large and land markets constrained, state-backed developers remain central.* Türkiye's mass housing programmes, Japan's Urban Renaissance Agency and Singapore's Housing Development Board demonstrate how sustained state intervention, land assembly, long-term financing and standardized construction can deliver housing at scale, including in renewal and disaster-prone areas.<sup>99</sup>
- In middle-income countries with large informal settlements, in situ upgrading and community-led models combine fiscal prudence with social inclusion.* India's urban housing programmes use beneficiary-led construction, redevelopment partnerships and credit-linked subsidies to expand supply across tenure types. Kenya's KENSUP and Pakistan's Orangi Pilot Project show how multi-stakeholder or community-driven upgrading can improve living conditions where full redevelopment is financially or politically challenging.<sup>100</sup>

### 3.5.2 Supply-side measures

Persistent housing unaffordability is often rooted in structural supply constraints. When well-located and serviced housing fails to keep pace with demographic change, urbanization and income shifts, prices and rents rise. Supply-side measures therefore focus on expanding the volume, diversity and durability of housing stock while reducing delivery costs. The appropriate mix of approaches depends on fiscal capacity, institutional strength, land availability and market conditions. Countries use a wide range of tools to expand affordable supply, as shown in Table 3.7:

- In settings with limited public resources but active private sectors, mixed-income development and cross-subsidy models can leverage market demand to finance affordability.* Kenya's Karibu Homes illustrates how higher-priced units can help fund lower-cost housing and basic infrastructure when supported by density bonuses, inclusionary requirements and streamlined approvals.

**Table 3.7: Supply-side measures to support affordable housing**

Measure	Content	Description	Case
Non-profit affordable rental	Funding for social housing	50,000-unit target; design innovation	NRAS (Australia)
Incremental micro-development	Backyard units	Local labour; regulatory delays	Cape Town (South Africa)
Incremental housing model	Expandable starter homes	Flexible payment modes; serviced plots	Casa Real (Mozambique)
Self-development/PPP upgrading	BLC, AHP, ISSR, CLSS	12 million houses sanctioned; multi-instrument	PMAY-U (India)
Large-scale public rental	State-led public housing	5-Year Plans since 1966	URA (Japan)
Low-density gated community	Mixed typologies	Cross-subsidy finances low-cost units	Karibu Homes (Kenya)
Multi-stakeholder slum improvement	Permanent rehousing + services	Training, green spaces	KENSUP (Kenya)

Source: Shukla et al., 2022 (Australia); Spiropoulos, 2019 (South Africa); Nkhonjera, 2020 (Mozambique); Ministry of Housing and Urban Affairs, 2025. (India); Centre for Living, 2024 (Japan); Ruparel & Shah, 2019 (Kenya); Republic of Kenya, n.d. (Kenya); Hasan, 2019 (Pakistan); Phang & Helble, 2016 (Singapore)

**Table 3.8: Financing mechanisms to support affordable housing**

Measure	Content	Description	Case
Gov-backed bonds	Long-tenor public-backed bonds	For community housing providers	AHBA Australia
Tax offsets	Offsets state payments	Affordable housing development	NRAS Australia
Mortgage securitization	Commercial MBS investment	Finances multifamily assets	Freddie Mac K-Deal
Cement block banking	Incremental purchase of blocks	Hedges inflation; supports self-build	Gambia
10-year tax credits	Investors buy credits for equity	Reduces project debt; affordability	LIHTC, US
Starter mortgages	Small flexible loans	Commercial viability via seed capital	Casa Real, Mozambique
Mortgage guarantees	70–80 per cent gov-backed guarantees	Supports irregular-income buyers	FOGARIM, Morocco
Lease-to-own finance	Low-interest long-term payments	Backed by housing levy	NHDF TPS, Kenya
Community-led financing	Self-financed upgrading	Low-cost sanitation/housing	Orangi, Pakistan
BFH voucher	Non-repayable subsidy	Supports purchase/construction	BFH, Peru
CPF withdrawals	Savings for mortgages and fees	Supports mass homeownership	CPF–HDB Singapore

Source: Shukla et al., 2023 (Australia); LSEG, 2022 (Freddie Mac); Hatfield, 2016 (Gambia); Keightley, 2025 (US); Nkhonjera, 2020 (Mozambique); Tagma, 2016 (Morocco); Gitonga, 2023 (Kenya); Hasan, 2019 (Pakistan); Calderón, 2013 (Peru); Phang & Helble, 2016 (Singapore)

Across all contexts, effective supply-side reform depends on improving land access, removing regulatory bottleneck, sequencing infrastructure and strengthening institutional capacity. Without these enabling conditions, even well-designed financial incentives or subsidies have limited impact.

### 3.5.3 Implementation bottlenecks

Conventional housing finance reaches only a small share of the global population, meaning that affordability depends heavily on how capital is mobilized, structured and allocated within the housing system. Finance determines who can obtain mortgages, how rental supply is funded, the cost and tenor of borrowing, and whether affordable housing can scale sustainably.

In many countries, constraints arise not only from land or demand, but from limited long-term capital, weak risk-sharing mechanisms and shallow secondary markets. Table 3.8 outlines a range of instruments across mortgage markets, rental finance, structured products and community-based mechanisms. Governments can expand affordable housing finance through three broad strategies:

- *Reducing lender risk:* for instance, credit guarantees, such as Morocco's FOGARIM, lower lender risk and expand access for buyers with irregular incomes.<sup>101</sup>

- *Mobilizing institutional and long-term capital:* structured finance instruments, including Australia's Affordable Housing Bond Aggregator and Freddie Mac's K-Deal platform (primarily in the US), pool assets and attract long-term capital into rental supply.<sup>102</sup> Provident fund systems such as Singapore's CPF and Kenya's Tenant Purchase Scheme also mobilize domestic savings to support homeownership.<sup>103</sup>
- *Designing tailored instruments for informal and low-income households:* tax incentives like the US Low-Income Housing Tax Credit reduce project debt and enable lower rents.<sup>104</sup> In contexts where formal mortgage systems are less developed, incremental finance and community-based models help fill the gap, as seen in Gambia's cement block banking and Pakistan's Orangi Project.

These tools can reduce credit barriers, attract long-tenor capital and support mixed-income and informal-income households. Their effectiveness depends on strong governance and alignment with supply-side pipelines. Across settings, well-designed financing mechanisms should lower borrowing costs, extend loan tenors, improve risk-sharing and align capital flows with long-term supply. These systems must be embedded within sound macroprudential oversight to avoid price inflation and ensure that expanded credit supports affordability rather than undermining it.

**Table 3.9: Planning and community institutions to support affordable housing**

Measure	Content	Description	Case
Participatory slum upgrading	Resident participation in planning	Improves inclusion, ownership	Favela-Bairro, Brazil
Multi-stakeholder collaboration	Gov-UN-NGO-community	Training, rehousing, greening	KENSUP, Kenya
Street-led participatory upgrading	Community-led street layout and service planning	Uses streets as the framework for infrastructure delivery	Participatory Development Programme, Boulaq al-Dakrou, Egypt
Neighbourhood restructuring through street reconfiguration	Reblocking, street consolidation, assisted self-help housing	Improves accessibility, drainage, and infrastructure	PMBB Neighbourhood Improvement Programme, Bissau, Guinea-Bissau
Street-based upgrading linked to tenure security	Road widening, plot adjustment, service provision	Enables infrastructure delivery and long-term tenure arrangements	Ghousia Colony Regularisation, Karachi, Pakistan
Community-led street upgrading at city scale	Collective reblocking and street improvement	Supports large-scale, bottom-up upgrading and citywide integration of informal settlements	Baan Mankong Programme, Thailand

Source: Magalhães & Villarosa, 2012 (Brazil); Republic of Kenya, n.d. (Kenya); UN-Habitat, 2012a (Egypt, Guinea Bissau, Pakistan and Thailand)

### 3.5.4 Planning and community institutions

Housing affordability depends heavily on how planning systems and community institutions manage land, infrastructure and participation. Many drivers of unaffordability, including land scarcity, regulatory delays and weak coordination, stem from shortcomings in these systems. Strengthening planning institutions and embedding meaningful community involvement can lower delivery costs, improve legitimacy and support more durable affordability outcomes.

Table 3.9 shows how diverse planning and community institutional arrangements, including participatory upgrading, multi-stakeholder collaboration and street-led approaches to restructuring, tenure security and citywide upgrading, support affordable housing by linking infrastructure provision, inclusion and incremental development:

- *Participatory upgrading is an effective approach in informal settlements with insecure tenure.* Brazil's Favela-Bairro programme shows how involving residents in planning and implementation can improve infrastructure, upgrade housing and support regularization while strengthening social inclusion and reducing long-term redevelopment costs.<sup>105</sup> Governments aiming to replicate such models can formalize participatory processes, link tenure regularization with service delivery, and build municipal capacity for incremental upgrading.
- *Multi-stakeholder arrangements are especially important where affordability intersects with infrastructure deficits and social vulnerability.* Kenya's KENSUP illustrates how coordinated engagement can mobilize technical expertise, generate employment opportunities, improve services and support rehousing, helping reduce fragmentation and strengthen accountability.
- *Street-led participatory upgrading provides a practical pathway for improving access and services in dense informal settlements without large-scale displacement.* In Egypt, streets served as the organizing framework for infrastructure provision, walkability, safety and social control, enabling incremental and inclusive upgrading.<sup>106</sup>
- *Neighbourhood restructuring through street reconfiguration has been particularly effective in contexts where poor access and drainage restrict service delivery.* The PMBB programme in Guinea-Bissau illustrates how reblocking and consolidating street networks can free space for infrastructure, improve environmental conditions, and enable assisted self-help housing with partial cost recovery.<sup>107</sup>
- *Street-based upgrading linked to tenure security can advance both infrastructure delivery and legal inclusion.* In Pakistan's Ghouseia Colony, road widening and plot reconfiguration enabled service installation while securing long-term tenure, encouraging household investment and gradual formalization.<sup>108</sup>
- *Community-led street upgrading at city scale highlights the potential for mainstreaming street-based approaches within national housing strategies.* Thailand's Baan Mankong programme demonstrates how infrastructure subsidies and collective planning can support upgrading and urban integration across more than 200 cities.<sup>109</sup>



Street view of Khan el-Khalili market in Cairo, Egypt. © Shutterstock

These approaches illustrate how planning and community institutions can expand affordable housing through incremental, inclusive and scalable upgrading. Street-led planning emerges as a flexible instrument linking infrastructure, tenure security and community participation across diverse contexts. Embedding such approaches within housing, land and urban development policies can reduce displacement, improve access to services and lower delivery costs. Strengthening participatory frameworks, coordinating stakeholders and aligning street investments with housing strategies are therefore central to advancing affordable housing and long-term urban integration.

### 3.6 Concluding Remarks

Housing affordability has become a deep-rooted, multidimensional challenge that cannot be addressed through short market cycles or incremental policy responses. It intersects with inequality, rapid urbanization, demographic shifts, evolving investment trends and institutional limitations. These dynamics reinforce the need to treat housing not only as a market commodity, but as a human right and a foundation of social and economic development. The key lessons from this chapter are as follows:

- *First, housing outcomes mirror broader economic and social trends.* Wage stagnation, insecure employment, population ageing and smaller household sizes intensify affordability pressures, particularly in fast-growing cities. When housing policies are disconnected from employment, social protection and integrated spatial planning, their impact is limited. Low-income households are especially affected through rising costs, overcrowding, informality and insecure tenure. Embedding housing within national development and poverty-reduction strategies is therefore essential.
- *Second, affordability problems arise from both supply constraints and limited household purchasing power.* In many regions, housing supply has failed to keep pace with population growth and household formation, while construction and transaction costs remain high. Rigid planning frameworks, lengthy approval processes and weak land use management restrict access to serviced, well-located land. Countries that pair sustained investment in social and affordable housing with stronger planning institutions and more efficient regulation have been more successful in expanding supply and easing pressure.
- *Third, shifting investment patterns shape affordability and access.* Increased involvement by large-scale investors and new financing models can drive prices upward when investment outpaces local incomes and housing supply. Finance-driven approaches alone have limits. Policymakers must introduce safeguards to keep housing accessible, including oversight of investor activity and financial instruments that support long-term affordability through social, rental and nonprofit housing.
- *Fourth, conventional affordability indicators are necessary but insufficient.* Price-to-income and rent-to-income ratios do not capture housing quality, location, access to services, transport costs or tenure security. A people-centred approach asks whether housing enables health, education, livelihoods and social participation. This requires tracking indicators such as overcrowding, informality, homelessness, tenure security, accessibility and perceived adequacy.
- *Fifth, effective responses balance demand-side support with strong supply-side action.* Allowances, subsidies and savings schemes are critical for low-income renters and first-time buyers, but in the absence of adequate supply they can fuel price increases. Their effectiveness is greatest when combined with efforts to expand affordable housing, diversify options and lower construction and transaction costs.
- *Finally, sustained progress depends on coordinated action across sectors and levels of government.* Experiences with community-led upgrading, mixed-income developments and public-private-community partnerships show that outcomes improve when local knowledge and resident participation shape planning and delivery. Advancing affordability requires long-term political commitment, predictable financing and accountable governance to strengthen housing systems over time.

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109. UN-Habitat, 2012a.