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# The EU Affordable Housing Plan:

## Challenges and Opportunities for Romania

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Daniela Panica



## Policy Paper Title

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The EU Affordable Housing Plan: Challenges and Opportunities for Romania

## A study by

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Energy Policy Group (EPG)  
Icoanei 93, Bucharest, Romania  
[www.epg-thinktank.org](http://www.epg-thinktank.org), [office@epg-thinktank.org](mailto:office@epg-thinktank.org)

## About EPG

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EPG is an independent, non-profit think tank focused on energy and climate policy in Romania and the European Union. Founded in 2014, EPG operates as a policy research institute primarily financed through competitive grants, philanthropic organisations and, to a limited extent, private sector projects. EPG aims to promote an evidence-based dialogue on how to balance decarbonisation, economic competitiveness and social fairness, engaging decision-makers, industry, and the public.

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## Key findings

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The European Affordable Housing Plan (AHP) is the EU's first coordinated policy response to the housing affordability crisis, yet its application to Romania reveals significant gaps between the plan's ambitions and the country's specific realities and needs.

Romania's housing challenges are shaped by a distinct post-communist trajectory: despite holding one of the highest homeownership rates in the EU (95.6%), the country simultaneously suffers from severe overcrowding, an aging and energy-inefficient building stock, high construction costs, and deep rural poverty. These structural conditions mean that several of the AHP's core mechanisms are unlikely to produce long-term, feasible outcomes in Romania without meaningful adaptation.

Where the AHP works for Romania: the plan's emphasis on housing renovation and construction sector capacity building aligns well with Romania's most urgent needs, given that the majority of its residential buildings date from the communist era and require extensive upgrading. The AHP's recognition of vulnerable groups – including young people, essential workers, students, and low-income tenants – also creates a formal basis for Member States to embed these categories in national housing legislation.

Where the AHP falls short for Romania: four key gaps stand out. First, the absence of a common EU-level definition of affordable housing undermines policy coherence and cross-country comparability. Second, the plan's identification of housing-vulnerable groups is incomplete, without including ethnic minorities and people with different immigration statuses, groups that face acute housing discrimination in Romania, particularly Roma communities in segregated or informal settlements. Third, rural areas, home to nearly half of Romania's population, receive only marginal attention, despite facing compounded challenges of poverty, deteriorating housing quality, and limited access to basic services. Fourth, the plan's reliance on new construction as a primary solution is potentially counterproductive for Romania, where high building costs and stringent EU decarbonisation standards make large-scale construction programmes financially unfeasible for most municipalities.

## Mesaje cheie

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Planul European pentru Locuințe Accesibile reprezintă primul răspuns de politică publică coordonat al UE la criza accesibilității locuințelor, însă aplicarea sa în România evidențiază lacune semnificative între ambițiile planului și realitățile și nevoile specifice ale țării.

Provocările din sectorul locuințelor din România sunt modelate de o traiectorie post-comunistă distinctă: deși deține una dintre cele mai ridicate rate de proprietate asupra locuinței din UE (95.6%), țara se confruntă simultan cu supraaglomerare severă, un fond locativ îmbătrânit și ineficient energetic, costuri ridicate de construcție și o sărăcie rurală profundă. Aceste condiții structurale indică faptul că mai multe dintre mecanismele de bază ale planului au șanse reduse să producă rezultate fezabile pe termen lung în România fără adaptări semnificative.

Unde planul funcționează pentru România: accentul planului pe renovarea locuințelor și dezvoltarea capacității sectorului de construcții se aliniază bine cu nevoile cele mai urgente ale României, dat fiind că majoritatea clădirilor rezidențiale datează din era comunistă și necesită modernizări ample. Recunoașterea de către plan a grupurilor vulnerabile – inclusiv tineri, lucrători esențiali, studenți și chiriași cu venituri reduse – creează, de asemenea, o bază formală pentru ca Statele Membre să încorporeze aceste categorii în legislația națională privind locuințele.

Unde planul nu răspunde nevoilor României: în primul rând, absența unei definiții comune la nivel european cu privire la locuințe accesibile reduce coerența politicilor publice și fundamentarea unor răspunsuri adaptate contextului național, atât în România, cât și în alte State Membre. În al doilea rând, identificarea grupurilor vulnerabile în ceea ce privește locuirea este incompletă, omițându-se minoritățile etnice și persoanele vulnerabile cu statut de imigrant, cât și alte grupuri ce se confruntă cu discriminare în ceea ce privește accesul la locuire în România, în special comunitățile de romi din așezări segregate sau informale. În al treilea rând, zonele rurale, unde locuiește aproape jumătate din populația României, primesc o atenție marginală, în ciuda provocărilor cumulate reprezentate de sărăcie, calitatea scăzută a locuirii și locuințelor, precum și de accesul limitat la servicii de bază. În al patrulea rând, dependența planului de construcțiile noi ca soluție principală poate fi contraproductivă pentru România, unde costurile ridicate de construcție, precum și standardele stricte de decarbonizare ale UE fac ca planurile de construcție la scară largă să fie financiar inaccesibile pentru majoritatea municipalităților.

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## Introduction

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The Affordable Housing Plan (AHP) is the European Union's first coordinated attempt to address rising housing costs across Member States. Rather than creating a single EU housing policy (which largely remains a national competence), the AHP focuses on mobilizing EU-level tools to increase supply, affordability, and protection for vulnerable groups.

The plan proposes a range of solutions, focusing on pressures in the rental market, a low number of affordable housing units, and the impact of short-term rentals on affordability, while also addressing the housing needs of vulnerable groups. However, the plan is insufficiently nuanced, with a clear imprint of Western European specificities. As a result, it does not properly address the housing challenges faced by non-Western Member States.

Between 2013 and 2024, nominal house prices across the EU increased by more than 60%, faster than household income. Average rents climbed by around 20%, and new tenancies have become prohibitively expensive. Investments in housing supply markedly declined over the last decade. Supply has not kept up with demand, because of high construction costs, slow innovation in construction materials and methods, slow adoption of digitalisation, shortages of skilled labour, excessive regulatory and complicated legislative frameworks for building codes, land-use and zoning policies. Residential building permits have fallen by 22% since 2021, and the existing housing stock is underutilised, with around 20% of dwellings being vacant<sup>1</sup>.

In this context, the AHP aims to provide guidance for Member States on how to address housing affordability and which key areas to prioritise. The plan is structured around four pillars of action: boosting housing supply, mobilizing investment, enabling immediate support while advancing structural reforms, and supporting those most affected by the housing crisis. It also foresees new legislation on short-term rentals as part of a broader AHP, and the mobilisation of new investments under both the current and the next Multiannual Financial Framework (MFF). Taken together, these priorities outline an EU-level approach to housing policy and are intended to serve as guiding principles for Member States in shaping their own strategies for housing affordability<sup>2</sup>. However, many of the plan's priorities fail to reflect the specific housing realities and structural challenges faced especially in Central and Eastern Europe (CEE).

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<sup>1</sup> The Affordable Housing Plan (AHP). SWD(2025) 1053 final, European Commission (2025).

<sup>2</sup> European Commission. 2025. "Commission Takes Action for More Affordable Housing across Europe." Text. European Commission - European Commission, December 16. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_3048](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_3048).

# The Affordable Housing Plan and its Objectives

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Adopted by the European Commission in December 2025, the European Affordable Housing Plan (AHP) is the EU's first comprehensive response to the housing and living crises. Between 2013 and 2024, house prices across the EU rose by over 60%, far more than income growth, while residential building permits have fallen by 22% since 2021. As a result, the Commission estimates that the EU needs more than two million homes per year to meet current demand, roughly 650,000 more than are being built today.

To address the underlying issues which have contributed to the housing crisis, the AHP laid out four pillars of proposed solutions, each targeting a different dimension of the problem:

## Boosting Supply

The AHP's most immediate concern is the chronic undersupply of housing. This shortage has been caused, throughout the EU, by low productivity, insufficient scale and capacity, and high costs in the construction and renovation industry, as well as a lack of skilled labour. Numerous and complex rules at all levels of governance create additional delays and costs. To address this, the Commission proposes to: 1) strengthen the construction sector through innovation as well as capacity building for the construction labour force; 2) mapping out relevant EU-level legislation in order to understand its impact on housing supply and affordability, and providing support to Member States in the effective implementation of EU rules through knowledge sharing; 3) reduce living costs for Europeans while maintaining high living standards through renovations, the implementation of energy communities and the regeneration of neighbourhoods.

Alongside new construction, the plan stresses making better use of the existing building stock: renovating inefficient buildings, repurposing underused ones, and bringing vacant properties back into use. A housing simplification package is planned for 2027, targeting the layers of planning, zoning and permitting rules that drive up costs and slow down delivery.

## Mobilising Investment

The AHP acknowledges that public budgets alone cannot tackle the housing investment gap. As a result, this pillar proposes a new Pan-European Investment Platform for affordable and sustainable housing, designed to pool public and private resources and give investors and project developers access to financing opportunities and best practices.

Specifically, the Commission aims to unlock an additional €10 billion in investment through InvestEU in 2026–2027, alongside at least €1.5 billion already proposed by Member States through Cohesion Fund reprogramming. National and regional promotional banks have committed to investing €375 billion in social, affordable and sustainable housing by 2029. Crucially, the Commission has also revised State aid rules to allow Member States to support affordable housing projects, especially for those mentioned as being housing-vulnerable: for example, essential workers, low- and middle-income households, students and persons with disabilities.

## **Enabling Immediate Support while Driving Reforms**

This pillar addresses the growing tension between short-term rentals and long-term housing availability. The rapid growth of platforms like Airbnb (nearly 93% between 2018 and 2024) has, in some areas, effectively removed housing stock from the residential market. The Commission plans to propose a new legislative initiative on short-term rentals, forming part of a broader Affordable Housing Act (expected in late 2026), giving local authorities clearer and more proportionate tools to regulate the sector in areas under housing stress.

The plan also tackles speculation, committing to an analysis of housing price dynamics and speculative investment patterns by late 2026, alongside measures to increase transparency in property ownership and transactions. Longer-term structural reforms on taxation, land availability, urban density and rural connectivity are to be guided through the European Semester, with the Commission issuing targeted recommendations to Member States.

## **Supporting the Most Affected**

The plan gives particular attention to groups hit hardest by the housing crisis. For young people and students, it proposes a pilot scheme under Erasmus+ to expand affordable housing for mobile students from disadvantaged backgrounds, and is exploring a guarantee scheme to eliminate or reduce the need for rental security deposits.

On homelessness, which affects over one million people in the EU, including 400,000 children, the Commission will propose a council recommendation on fighting housing exclusion, promoting housing-first approaches and integrated support services. Energy poverty is also addressed, with protections for vulnerable households planned as part of a Citizens Energy Package in 2026.

## The Plan’s Implications for Romania

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As the AHP combines a variety of structural reforms, financial mobilisation tools, regulatory adjustments, and social safeguards to achieve its objective, it is important to acknowledge the implications of these plans for Romania.

Historically, Romania has followed a distinct trajectory in terms of housing development and residential space, shaped by patterns similar to those observed in other former communist countries in CEE. Today, the country has one of the highest homeownership rates in the EU with 95.6% of Romanians being homeowners<sup>3</sup>, along with the lowest built areas per inhabitant (Bucharest has 34.65 m<sup>2</sup>/inhabitant)<sup>4</sup>. This in turn sets the types of problems which Romania faces in terms of housing affordability and quality. They can include disproportionately high energy costs relative to income, poor housing quality, particularly in aging buildings from the communist era that need extensive renovation, and limited municipal capacity to finance large-scale residential upgrades<sup>5</sup>. There is also a pressing need for stricter enforcement of building standards and improved regulatory oversight<sup>6</sup>.

Against this backdrop, AHP’s focus on affordability, while also considering the needs of vulnerable groups, offers grounds for localised interventions to address the challenges faced by these populations. However, it addresses affordability through mechanisms that may not translate into actionable or robust outcomes for Romania.

### Strong Outcomes for Romania

A stronger emphasis on housing renovations as well as on capacity building in the construction sector. Romania’s building stock is relatively old and in serious need of renovation, with most buildings constructed between 1960 and 1989. Additionally, 31% of the building stock is older than 1961<sup>7</sup>. Residential buildings account for 90% of the total building stock, with single-family homes being by far the most prevalent<sup>8</sup>. There is an urgent need to renovate Romania’s residential housing stock, address the shortage of skilled labour in the construction sector, and identify viable funding solutions for these renovations. The Plan

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<sup>3</sup>European Commission. Eurostat. 2024. Housing in Europe. Publications Office. <https://data.europa.eu/doi/10.2785/5544429>.

<sup>4</sup> European Commission-Joint Research. 2025. “Built-up Area per Capita - Indicators - Cities | Cities in the World, 1950 to 2100.” <https://territorial.ec.europa.eu/>.

<sup>5</sup> Lazarescu, Luminita-Mirela, and Daniela Liliana Diacon. 2020. “A Comparative Analysis of the Housing Affordability in Romania and the European Union from the Perspective of the Housing Costs.” Book Chapters-LUMEN Proceedings 13: 93–104., Șoaită, Adriana Mihaela, and Caroline Dewilde. 2021. “Housing Stratification in Romania: Mapping a Decade of Change.” *Journal of Housing and the Built Environment* 36 (3): 1055–76. <https://doi.org/10.1007/s10901-020-09788-8>.

<sup>6</sup> Friedrich-Ebert-Stiftung Romania. 2025. “The Housing Problem in Romania: 1 in 10 Romanians Live in Extremely Poor Housing Conditions, and Most Families with Children Live in Overcrowded Homes.” October 28. <https://romania.fes.de/e/the-housing-problem-in-romania-1-in-10-romanians-live-in-extremely-poor-housing-conditions-and-most-families-with-children-live-in-overcrowded-homes.html>.

<sup>7</sup> OAR. 2020. Studiu profesional despre calitatea locuirii. <https://oar.archi/buna-practica/calitatea-locuirii/studiu-profesional-despre-calitatea-locuirii/>.

<sup>8</sup> Institutul Național al Patrimoniului. 2023. “Metodologia de intervenție pentru abordarea non-invazivă.” Patrimoniul.ro, February 28. <https://patrimoniul.ro/ro/newses/lhh7qrfghbopa>.

<sup>8</sup> EPG. 2024. National Baseline Assessment on Underperforming Renovations Romania. OUR-CEE (Overcoming Underperforming Renovation in Central and Eastern Europe).

clearly addresses these priorities under its second pillar, particularly through the mobilisation of new investments within the upcoming MFF through InvestEU and the Social Climate Fund.

Increased recognition of vulnerable groups in housing policy. The AHP brings an important contribution by identifying vulnerable groups within the current housing context. It points to young people, students and apprentices, essential workers (such as healthcare staff, care professionals, teachers, and emergency service personnel), homeless individuals, and low-income tenants as those most affected by rising housing costs. With the explicit recognition of these groups, the Plan creates an opportunity for Member States to formally acknowledge and define them in their own national legislation.

### **Weak Outcomes for Romania**

Lack of a common definition for affordable housing. Affordable housing has proven a difficult concept to define, as it includes multiple dimensions related not only to cost, but also to quality of life and overall wellbeing of the individuals. As a result, affordable housing should not merely refer to housing that is financially accessible; it should also include housing quality, suitability for the occupants' needs, and support for health, safety, and social inclusion. Without a common baseline of what counts as affordable housing at EU level, defining at national level what counts as affordable housing could prove very challenging as Member States face diverse forms of housing inequality and affordability pressures, and some lack the institutional capacity to do so.

Currently, certain related concepts, such as energy poverty, are defined and measured, for example, by assessing heating costs as a share of household income. However, a more comprehensive framework that considers the combined costs of rent or mortgage payments, housing-related taxes, utilities, transportation, and access to essential services, all in relation to household income, would provide a more adequate assessment. Clearer standards would provide a more coherent basis for policymaking, as well as comparability across Member States.

Insufficient targeting for housing-vulnerable groups. While the AHP broadly identifies vulnerable groups (such as students, young people, and essential workers), it does not adequately mention a more comprehensive range of groups that require targeted housing support. The plan fails to recognise two of the most critical factors affecting housing accessibility and discrimination: race and immigration status. Belonging to a racial minority or having a different immigration profile can significantly limit access to housing and add to vulnerability and instability. In Romania, for example, Roma communities often experience the worst housing conditions and the highest levels of vulnerability. Many live in segregated neighbourhoods or informal settlements, frequently in unsafe and inadequate conditions<sup>9</sup>.

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<sup>9</sup> Rezeanu, Cătălina-Ionela. 2015. "The Quality of Housing in Four Roma Communities Living on the Periphery of Făgăraş City, Romania: Differences in Perception between Roma and Romanians." *Calitatea Vieții* 26 (3): 214–36., Huszka, Beáta, and Lilla Farkas. 2025. "The Roma's Right to Housing in Romania: The Efficiency of Legal versus Policy Interventions." *Journal of Contemporary Central and Eastern Europe* 0 (0): 1–24. <https://doi.org/10.1080/25739638.2025.2577360>.

The impact of housing shortages in rural areas receives insufficient attention. The plan focuses on challenges that are more specific to urban areas, only marginally acknowledging issues specific to rural regions. This imbalance is significant in the case of Romania, where approximately 47% of the population is rural. Moreover, most residential buildings in Romania are single-family homes in rural communities<sup>10</sup>. Therefore, rural areas in Romania face distinct challenges related to both housing affordability and housing quality. These areas generally have more limited access to essential services and often lack the financial resources to support renovation or improvement works. Furthermore, the rural population is considerably more vulnerable to poverty, with poverty rates estimated to be three times higher than in urban areas<sup>11</sup>.

Competing objectives of building decarbonisation and affordable housing. The AHP places emphasis on new construction and expansion of social housing as key solutions to housing unaffordability and rising housing demand, without adequately considering the corresponding financial constraints.

Romania has some of the highest construction costs in the EU for new residential buildings<sup>12</sup>. EU building policies place energy efficiency at the forefront of the climate agenda, requiring Member States to meet stringent standards for renovations and new constructions alike. For new buildings, the Zero Emissions Buildings (ZEB) standard introduced by the Energy Performance of Buildings Directive (EPBD) recast is expected to increase upfront costs, driven by the green premium on low-carbon materials and the greater need for specialised services from architects, engineers, and construction firms. Consequently, a social housing strategy that relies primarily on new construction, as envisaged by the Plan, may be financially unfeasible for many Romanian municipalities.

Acknowledging overcrowding as an aspect of the housing crisis. Overcrowding is one of the main pressing issues in Romania when it comes to housing conditions and affordability, because of the lack of affordable housing for vulnerable groups, including children and young people<sup>13</sup>. In this context, the AHP promotes intergenerational living as a solution for the lack of available housing for students and young people. While intergenerational living can foster integration and mutual support, it appears insufficient as a solution for overcrowding in Romania, where many families already live intergenerationally because of unaffordable housing, especially for low-income households<sup>14</sup>.

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<sup>10</sup> Ene, Irina and Andrei Iorgulescu. 2025. JustReno: Baseline Assessment Report for Romania. The Association for Promoting Energy Efficiency in Buildings - ROENEF. <https://www.bpie.eu/publication/justreno-baseline-assessment-building-stock-romania/>.

<sup>11</sup> Brumă, Ioan Sebastian, and Codrin Dinu Vasiliu. 2021. *Provocări rurale contemporane – Studii de agro-economie și antropologie rurală*. Presa Universitară Clujeană.

<sup>12</sup> Eurostat. 2024. "Construction Cost of New Residential Buildings." Eurostat. <https://doi.org/10.2908/TEIIS510>.

<sup>13</sup> Friedrich-Ebert-Stiftung Romania. 2025. "The Housing Problem in Romania: 1 in 10 Romanians Live in Extremely Poor Housing Conditions, and Most Families with Children Live in Overcrowded Homes."

<sup>14</sup> Druța, Oana, and Richard Ronald. 2018. "Intergenerational Support for Autonomous Living in a Post-Socialist Housing Market: Homes, Meanings and Practices." *Housing Studies* 33 (2): 299–316. <https://doi.org/10.1080/02673037.2017.1280141>.

## Conclusions and Recommendations

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Overall, the AHP presents several relevant preliminary solutions for combating unaffordable housing, with ambitious plans to build new homes for vulnerable individuals. However, it overlooks that, due to their distinct historical pathways and economic development models across the EU, housing challenges vary significantly. Romania, for instance, has one of the highest rates of homeownership in the EU, yet it still faces serious affordability issues. At the same time, the country also faces more specific challenges, such as widespread overcrowding, diverse vulnerable groups with distinct needs, significant rural depopulation and poverty, and high construction costs for new housing. Accordingly, the plan could have benefited from several improvements:

First, the AHP would benefit from a more clearly defined approach to housing affordability, which could better support Member States. It could establish a common definition of affordable housing or outline specific objectives aimed at addressing housing vulnerability among vulnerable groups.

Second, the plan should provide a clearer framework for identifying vulnerable groups with regard to housing, while explicitly acknowledging ethnic background and immigration status as factors influencing access to affordable housing.

Third, for Member States that do not primarily require large-scale new construction, the plan could place less emphasis on building new units and instead prioritise renovation and conversion of existing buildings into social housing or student housing.

Finally, it should more explicitly recognise the specific challenges faced by rural communities, including limited access to social services, insufficient funding for renovations, and a lack of basic amenities.

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