



Less Access and More Inequality: Evidence of and Responses to the Housing Affordability Crisis Faced by Young People in Spain's Larger Cities

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Abstract: *The sharp rise in rental prices in the absence of a decommodified housing sector has led to a growing mismatch between the Spanish housing system and households' needs, especially in large cities. This article analyses the impact of recent housing market dynamics on housing access problems faced by young people in Madrid and Barcelona and the implications of Spain's recently approved Right to Housing Law. Empirical evidence suggests that young people are increasingly facing exclusion from access to housing, as well as rising inequality in relation to the process of leaving the parental home, which varies depending on where they live. In this regard, the new Housing Law sets the course towards a more balanced and fair housing system. While it generates controversies and challenges, it also reflects the need for multifaceted and multi-scalar measures to address the current housing emergency, requiring greater cooperation between different levels of government.*

Keywords: housing system, housing affordability; residential inequalities; young people; Spain.



Introduction

One of the most worrying indicators of the growing mismatch between the Spanish housing system and household needs is the housing affordability crisis, which mainly affects disadvantaged social groups, particularly the young.

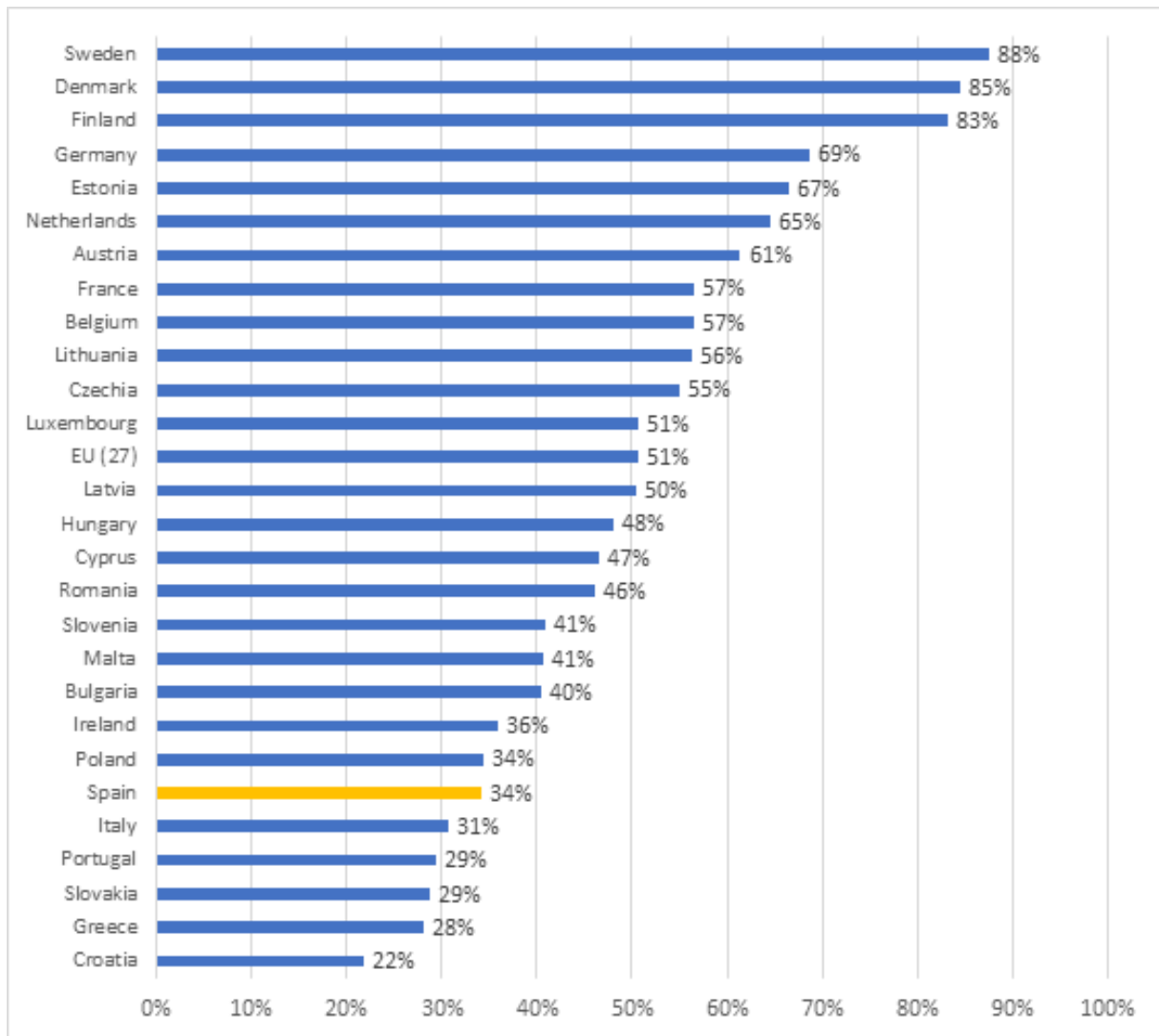
Young people have traditionally relied on the rental market for housing. The strong growth in rental prices, coupled with the increasing difficulty of meeting the conditions to buy a property for purchasing housing, has left this group with few residential options, beyond continuing to live with their parents (Leal Maldonado and Martínez del Olmo 2021; Consejo de la Juventud España 2023). The situation is particularly critical in large cities, as cities are where job opportunities and the greatest population growth are concentrated. To understand and evaluate the scope and severity of the situation, this article analyses how the conditions of access to housing for young people have evolved over time and how these changes are closely connected to recent housing market dynamics. Moreover, it examines the spatial patterns of young people leaving the parental home, a rarely explored issue. For these objectives, Barcelona and Madrid are used as case studies. Finally, the article considers the state's response to this problem, namely the Right to Housing Law it enacted in 2023 and distils from it several lessons learnt that are applicable at the international level.

Spain's housing system: A major barrier to youth housing access

The major obstacles that young people face in accessing affordable, decent housing and attaining residential security and stability not only get in the way of their basic need for shelter but also undermine their chances of achieving their life goals, with severe economic, social, and demographic consequences for the whole of society (De Marco and Sorando 2015; Stone 2018). While several often-interconnected features of Spanish society (failures in the education system, the employment status of young people, cultural factors, etc.) have been put forward as explanations for this long-running structural problem, it has been shown that one of the primary drivers is the housing system (Jurado 2003; Boch 2015; Dewilde 2017; Echaves and Navarro, 2018). This housing system is part of a 'familialistic' welfare regime, also found in other southern European countries, that relies heavily on the family and considers it the institution best suited to meeting the residential needs of its members (Allen et al. 2004; Sarasa 2011; Poggio 2011). The strong promotion of homeownership and the limited role of the state in social housing provision have largely obliged the most disadvantaged groups in society to rely on a meagre, informal, and precarious private rental market (Arbaci 2008; Pareja-Eastway and Sánchez-Martínez 2017). By treating housing as a commodity, the Spanish housing system extends the precariousness faced by many young people in the professional sphere to the residential sphere (Taltavull 2007). This is reflected in their reliance on rental housing but also in their tendency to leave the parental home at a more advanced age than most of their European peers (Domínguez-Pérez et al. 2021; Torres 2023). As Figure 1 shows, Spain has one of the lowest rates of young people living outside the parental home in the European Union (34 percent), alongside several other southern European countries.



Figure 1: Percentage of young people aged 18 to 34 living outside the parental home in EU countries (27), 2022

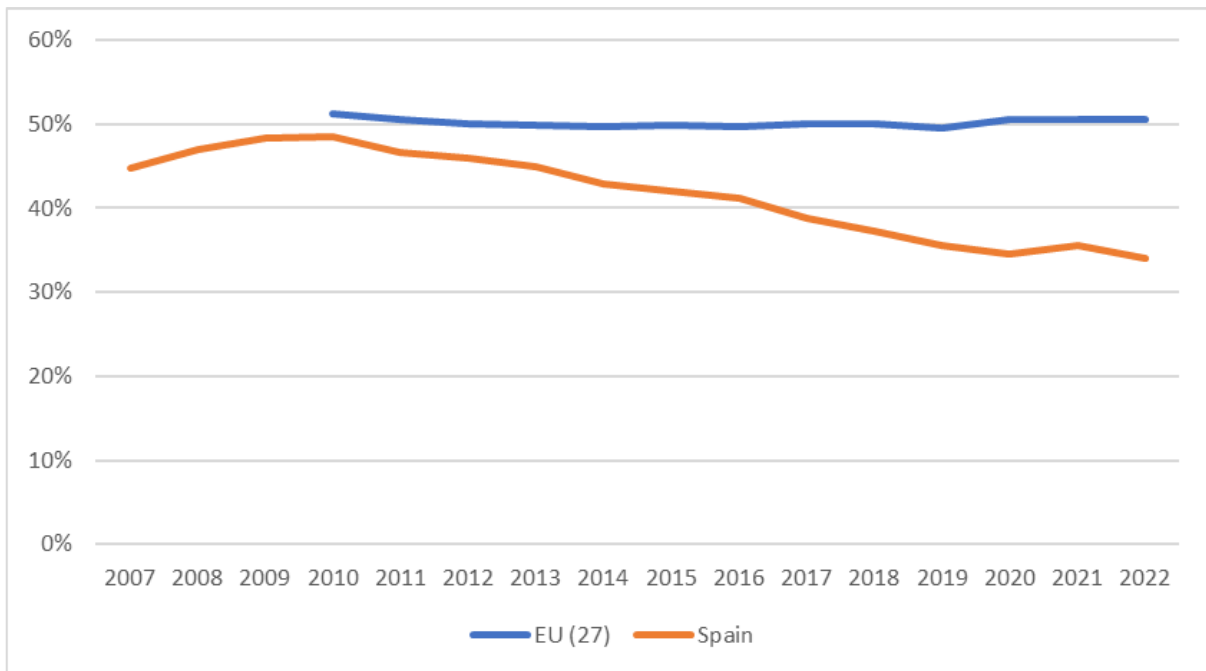


Source: EU-SILC, Eurostat.

In recent years, young people have faced unprecedented difficulties in leaving home, reflecting the incapacity of the country’s inflexible housing system, rooted in homeownership, to respond to a large increase in demand for rental accommodation. This demand has grown particularly quickly since the 2008 financial crisis (Ardura et al. 2021), following a spike in the preceding years driven by the arrival of large numbers of immigrants from outside Spain (Módenes and López-Colas 2014). As this article will show, the low proportion of social housing available to rent, the unchecked growth of holiday rentals, and the slow rate of new residential construction are creating a situation in which rents are rising much faster than salaries, preventing young people from accessing housing and leading to greater precarity. This analysis is supported by the data in Figure 2, which show that since the financial crisis of 2008, the percentage of young people living outside the parental home in Spain has fallen, while the percentage in the EU has on average remained stable.



Figure 2: Evolution of the percentage of young people aged 18 to 34 living outside the parental home in Spain and the European Union (27)



Source: EU-SILC. Eurostat.

Methodology

This article draws on a quantitative analysis of multiple secondary sources of information. It develops a bivariate analysis and presents two key and complementary indicators: rental affordability and the share of young people living with their parents.

Rental affordability: Although it does not consider all the factors conditioning access to housing, rental affordability is a key indicator for measuring the intensity and evolution of housing access difficulties among young people. It reflects, as a percentage, the proportion of an individual’s monthly gross salary that is needed to cover their monthly rent payments and is calculated using the following formula:

$$\text{Rent-to-Income Ratio} = (\text{monthly rent} / \text{monthly gross salary}) * 100$$

To obtain the formula, we used the Encuesta de Estructura Salarial (Earnings Structure Survey) conducted by the Instituto Nacional de Estadística (National Institute of Statistics – INE), as it provides comparable regional information on salary data by age. Regarding rental housing prices, it is important to note the lack of an official source providing annual data based on transactions over a long period of time and with a comprehensive territorial breakdown. Researchers have therefore had to turn to non-official sources, whose analyses are based on asking-price data, to get an overview of the ongoing evolution of rental prices over an extended period and with a territorial breakdown. This article draws on data on rental asking prices from the property portal Idealista, as this site provides the longest perspective on the measure, with data stretching back to 2011, and in some cases even further, and with the most detailed territorial breakdown.¹

¹ This data can be consulted at <https://www.idealista.com/sala-de-prensa/informes-precio-vivienda/alquiler/>.



The share of young people who have moved out of the parental household: The lack of an official source of information providing detailed spatial data on this indicator, below the regional level, has made comparative local analysis difficult and rare. This analysis aims to overcome this obstacle by studying, not without difficulty, the census data of 2011 and 2021. Census results make it possible to cover a period long enough to observe changes in the percentage of young people who have left the parental home and explain how these changes relate to changes in the housing market. The census also allows for a direct comparison to be made between different territories, in this case the municipality of Madrid and the Barcelona Metropolitan Area, as they have similarly sized populations. Using census data, we were able to cross-reference the variables of household composition and the age of household members to identify changes in the share of young people between the ages of 16 and 34 living outside the parental home at the district/neighbourhood level. Nonetheless, the lower representativeness of the 2011 census for small territorial units² determined the level of territorial disaggregation of the data and made it necessary to group several districts together to obtain results. Because the aim was to analyse patterns of inequality, we grouped the districts according to the highest and lowest average per capita income³ using data produced by the INE that are based on personal income tax returns. This provided us with a reliable sample, as the data set is exhaustive.

Table 1: Clusters of districts organised by average per capita income in Madrid (2021)

Municipality of Madrid	
Districts with the highest average per capita income	Retiro
	Salamanca
	Chamartín
	Chamberí
	Moncloa Aravaca
Districts with the lowest average per capita income	Latina
	Carabanchel
	Usera
	Puente de Vallecas
	Villaverde

Source: INE.

² The 2011 census abandoned the exhaustive method of data collection previously used, relying instead on a combination of administrative records and a survey of 12 percent of the population. This methodological change led to a loss of data relating to small territorial units and findings that were less representative of the population (Treviño Mauri and Domingo 2020; Domingo i Valls et al. 2021).

³ Per capita income is obtained, for each household, by dividing the household’s net income by its number of members.



Table 2: Clusters of districts organised by average per capita income in Barcelona (2021)

Metropolitan area of Barcelona	
Districts with the highest average per capita income	Esplugues de Llobregat: districts 4,5,6,7 Barcelona: distritos 2,4,5,6 Sant Cugat del Vallès: districts 1,2,3,5 Sant Just Desvern: districts 1,4 Sant Joan Despí: districts 4,5 Tiana: district 1 Badalona: district 1 Sant Feliu de Llobregat: district 7 Castelldefels: districts 4,5
Districts with lowest average per capita income	Santa Coloma de Gramenet: districts 2,3,4,5,6 Sant Adrià de Besòs: districts 1,2,3,5,6 Hospitalet de Llobregat: districts 2,4,5,6 El Prat de Llobregat: district 4 Badalona: districts 6,7,8,9 Cornellà de Llobregat: districts 4,5,6 Montcada i Reixac: districts 1,2,5,6 Sant Boi de Llobregat: districts 1,5,6 Ripollet: districts 1,2 Sant Vicenç dels Horts: districts 2 Barcelona: districts 1,8 Esplugues de Llobregat: district 10 Sant Joan Despí: district 3 Sant Feliu de Llobregat: districts 2,4,5 Badia del Vallès: district 1

Source: INE.

Findings

The main drivers of the housing affordability crisis affecting young people in large Spanish cities

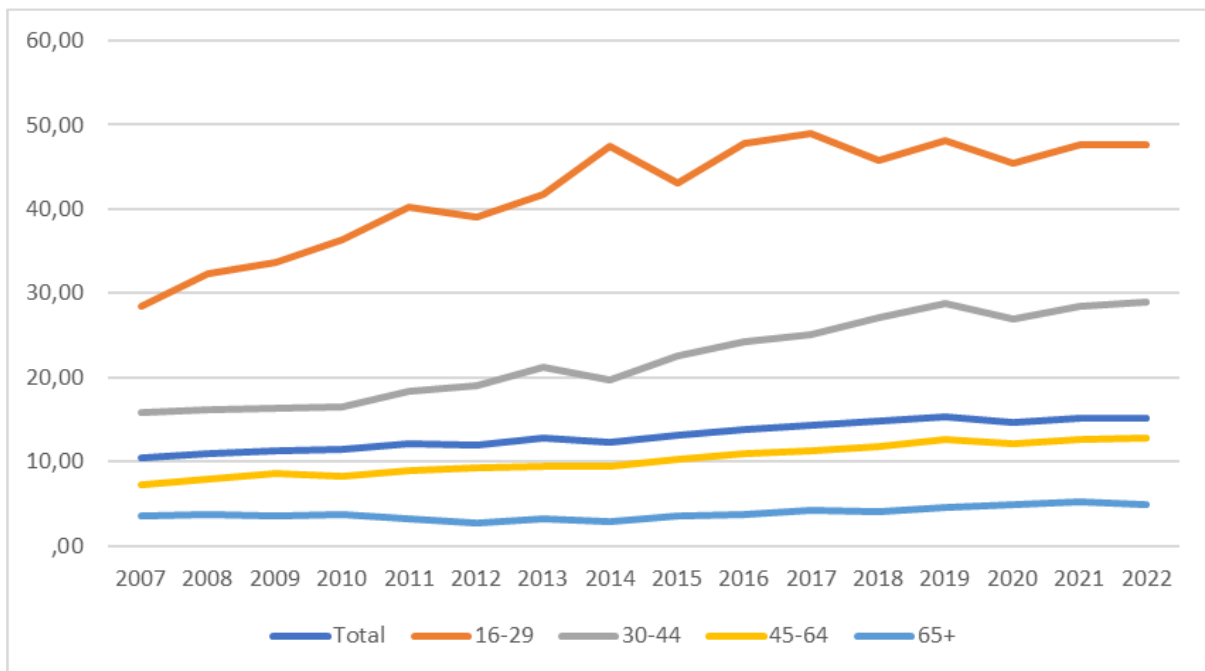
The collapse of the financial system in 2008 resulted in major obstacles to accessing homeownership, marking a turning point in the way the tenancy regime was configured in Spain. On the one hand, it led to a tightening of mortgage conditions and the removal of tax incentives for purchases and, on the other, it contributed to an increase in job insecurity that made it even more difficult to purchase a home. Furthermore, the critical situations experienced by households that could not keep up with their mortgage payments triggered a change in the perception of homeownership: it was no longer so widely considered to be that provides the greatest security and autonomy (Martínez del Olmo 2018).

These events put a brake on homeownership access, and the situation has recently been exacerbated by rising interest rates and high inflation. This has led to unprecedented and growing pressure on the poorly developed rental market through which, at an increasingly late age, young people realise the process of leaving the parental home. As a result, young people have seen their chances of accessing housing become even more limited and renting



housing has become, more than ever before, the only way out for young people wanting to leave the parental home. As Figure 3 shows, since the bubble burst in 2008, the share of households living in rental housing has grown overall, but this growth is much more pronounced among young households.

Figure 3: Evolution of the percentage of households living in rental housing at market prices by age group in Spain



Source: *Encuesta de Condiciones de Vida [Survey on Living Conditions]*, INE, 2022.

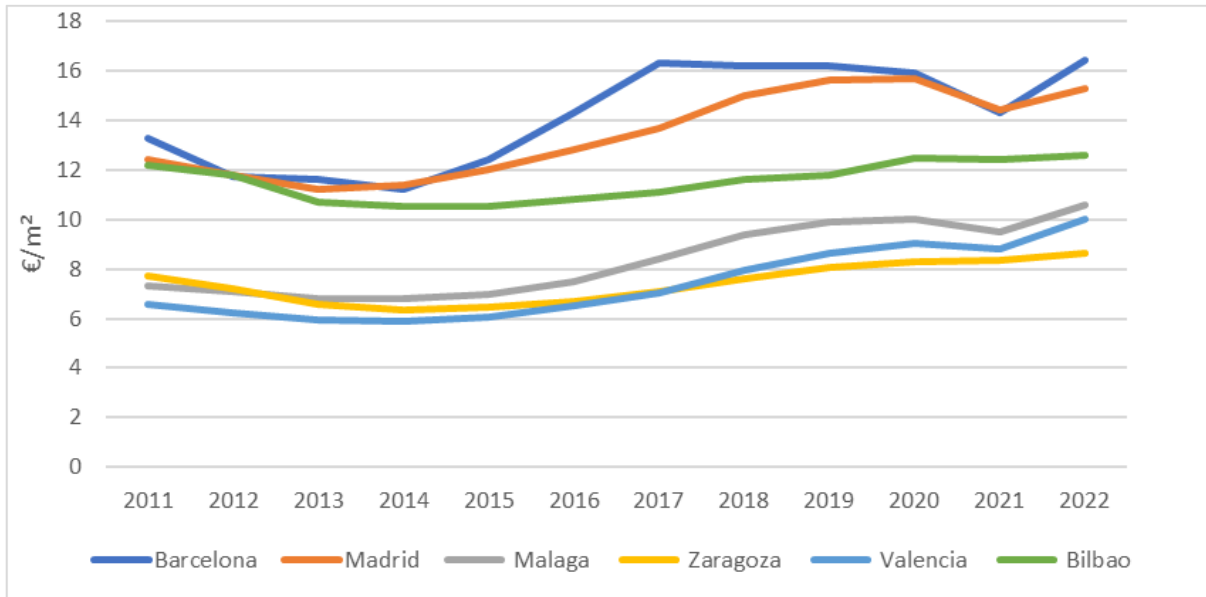
The pressure on the rental market and the subsequent slowdown in the pace of home sales have made rental housing a key target for private investment, especially in large cities, since these are the ones in which the bulk of the rental demand is concentrated, and this market is the most stressed. However, the increase of private investment in rental housing has not led to greater affordability, as prices have continued to rise far faster than salaries. There are several reasons for this, one of which is that the demand for rental housing is high, while investment in the market is insufficient to meet this demand. Additionally, large companies and investment funds increasingly control the rental market, which allows them to set higher prices for profit. The report published by the consulting firm Atlas Real Estate Analytics reveals that in 2022 large companies held only a 4.4 percent share of the rental housing market nationwide. However, this market share rose to 41 percent in Madrid and 44 percent in Barcelona.

In addition, the increasing pressure on the rental market and its harmful impact on housing affordability for young people has been exacerbated by the rise of holiday rentals in large cities (López Rodríguez and De los llanos Matea 2019). The lack of regulation and the high profits promised by holiday rentals have put downward pressure on the already insufficient supply of rental housing, driving up prices (Cabrerizo et al. 2016). Finally, the cost of buying a home has risen due to the current lack of construction, driven in turn by the rising cost of building materials and obstacles to financing such projects.



The unprecedented pressure on the rental market in large cities has resulted in an exponential rise in rental prices since 2014, especially in Madrid and Barcelona, making them the cities that best represent the full scope of the phenomenon.

Figure 4: Evolution of the rental price (€/m²) in Spain’s largest cities



Source: Idealista.

The deep and growing exclusion of young people from access to rental housing

Measurements of rental affordability reflect the scale of the problem that young people face when the market is unable to provide affordable rental housing. The data from 2011 show that young people not only have to deal with an unsustainable level of rental payments but are also significantly disadvantaged compared to other age groups: the younger a person is, the greater the obstacles to accessing rental housing. In Madrid, the rent-to-income ratio for a young person under the age of twenty-five was 84 percent, but this figure fell to 37 percent among those aged fifty-five years and older. Similarly, in Barcelona, the rent-to income ratio for those under the age of twenty-five was 92 percent higher than in Madrid. Like in the capital, the ratio fell with age, reaching 41 percent in the age group of fifty-five years and older.

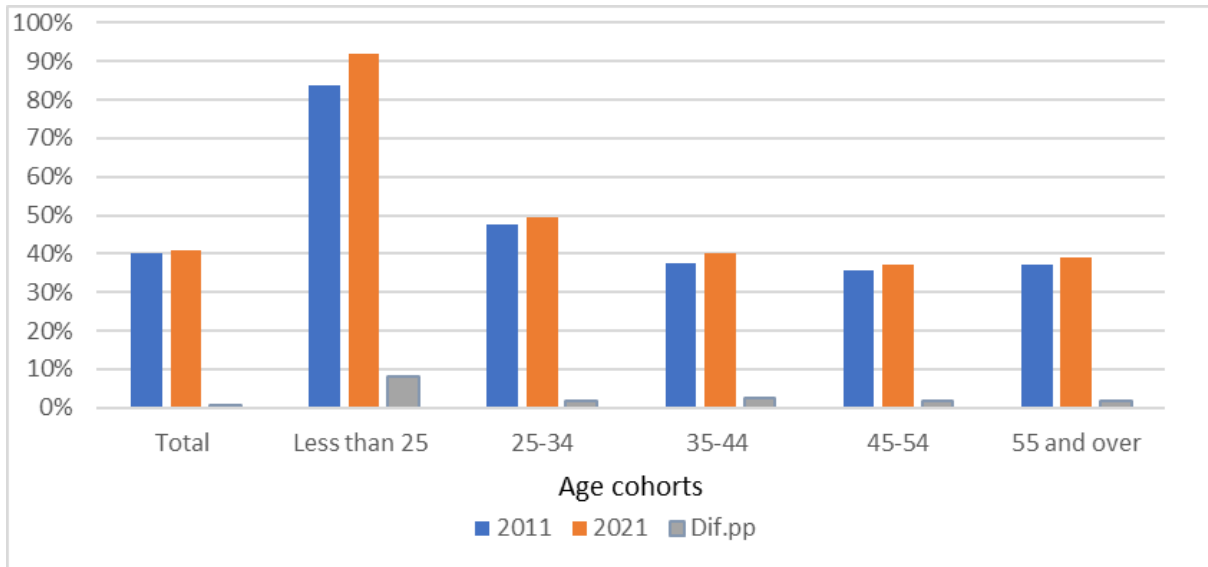
An analysis of the changes between 2011 and 2021 shows that rental housing continued to become ever-less affordable, except for during the slowdown caused by the pandemic. In addition, although there are no updated data on salaries for 2022, the rising trend in rental prices (see Figure 4) suggest that the rent-to-income ratio will continue to rise, both in Madrid and Barcelona. In this regard, young people, especially those under the age of twenty-five, are the most affected group.

In Madrid, the rent-to-income ratio for young people under the age of twenty-five increased by 8 percentage points – from 84 percent to 92 percent – in the period 2011–2021. In all other age groups, the increase did not exceed 2 percentage points. In Barcelona, the slight reduction in the rent-to-income ratio recorded between 2011 and 2021, because of the



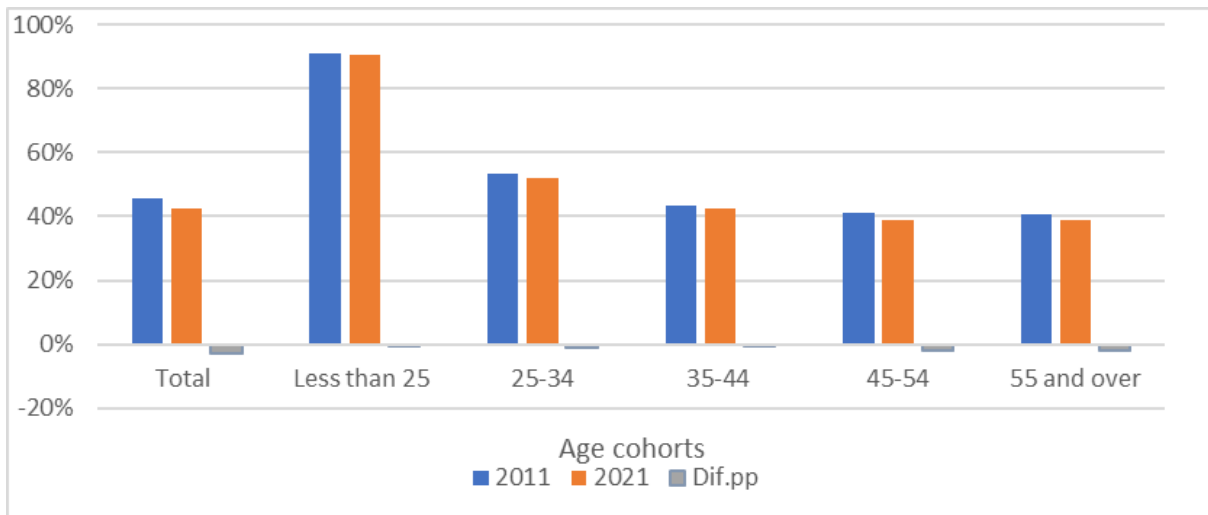
pandemic and the slower recovery of prices, is almost imperceptible among people under the age of twenty-five.

Figure 5: Evolution of the rent-to-income ratio by age in Madrid



Source: *Earnings Structure Survey and Idealista.*

Figure 6: Evolution of the rent-to-income ratio by age in Barcelona



Source: *Earnings Structure Survey and Idealista.*

The impact of the growing exclusion of young people from housing access on patterns of leaving the parental home

The unaffordable conditions hindering access to rental housing are increasingly driving young people out of the housing market. It is therefore essential to ask how housing-access obstacles are affecting patterns of leaving the parental home. In this regard, our analysis of the 2011–2021 period reveals a worrying decline in the percentage of young people who live outside the parental home. In Madrid, the decline was 7 percentage points – from 33 percent



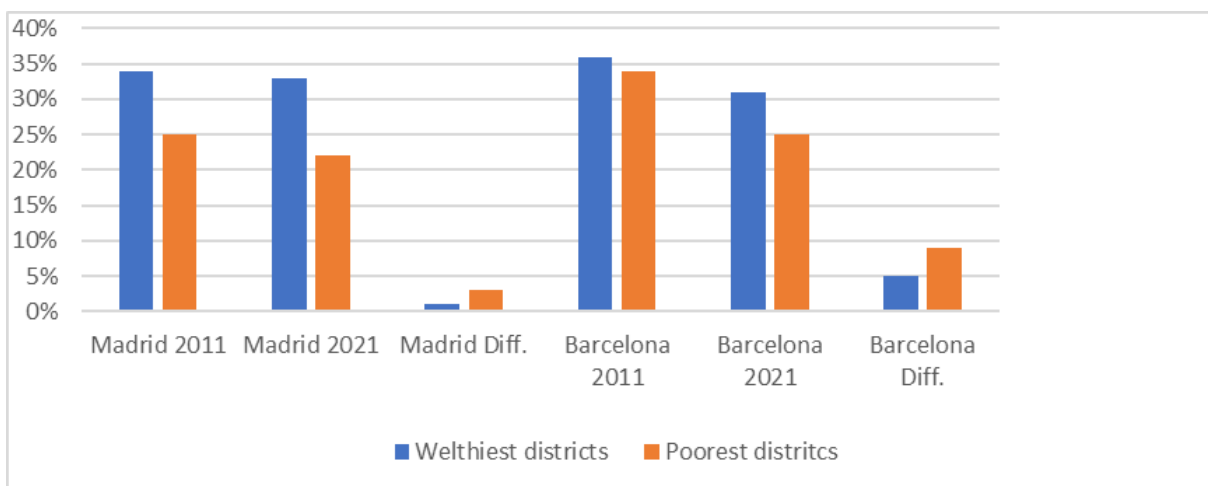
in 2011 to 26 percent in 2021. In the Barcelona Metropolitan Area, although there was a higher percentage of young people who had left the parental home at the start of the period in 2011, at 35 percent, the observed decrease was much sharper, falling to 21 percent by 2021, a drop of 14 percentage points.

Our territorial analysis of the percentage of young people living outside their parents' home also reveals a bleak picture: it confirms that there are significant inequalities that separate young people living in the wealthiest districts from those living in the poorest districts. In addition, the analysis shows that the gap between them is growing, as the percentage fell more sharply among young people in the poorest districts.

In Madrid, 34 percent of young people in the wealthiest districts lived outside their parental home in 2011. By 2021, this figure had only fallen by 1 percentage point, to 33 percent. In contrast, young people in the poorest districts not only started out from a worse situation, as only 25 percent of them lived outside the parental home in 2011, they also saw a greater deterioration in their situation, as the percentage outside the parental home dropped to 22 percent in 2021, a decrease of 3 percentage points.

In Barcelona, the percentage of young people in the wealthiest districts living outside their parents' home fell by a greater margin than in Madrid, from 36 percent in 2011 to 31 percent in 2021, a decrease of 5 percentage points. However, the decrease experienced by young people in the poorest districts was much greater. In 2011, the percentage of young people from these districts living outside the parental home was 34 percent, but by 2021 it had fallen to 25 percent. The gap is thus even greater than in Madrid.

Figure 7: Evolution of the percentage of young people living outside the parental home in the wealthiest and poorest districts of Madrid and Barcelona



Source: *Census 2011–2021, INE.*

Conclusion and discussion

The growing housing-access exclusion of young people and the increasing spatial inequalities among this group when it comes to living outside the parental home are evidence of the Spanish housing system's growing inability to meet the residential needs of the most disadvantaged groups. Aware of the impact of the small size of the social housing



stock and the disproportionate increase in rental prices on access to housing, public authorities are starting to rethink Spain's housing policy.

At the national level, on 24 May 2023, the Right to Housing Law was approved in a bid to meet housing needs and foster greater social balance in the Spanish housing system. The law is above all intended to ensure that affordable, decent housing is available to new households, in either the homeownership market or the rental market.

Although controversial, the commitment in the law to controlling increases in rental prices is especially significant; this may be achieved through incentives to landlords or through limits on rent increases in 'stressed areas' (*zonas tensionadas*). This measure aims not only to address the problems of access to rental housing but also the gentrification processes that widen spatial inequalities in Spanish cities. The law aims to give security to tenants and landlords by providing the means necessary to guarantee the continuity of contracts. The law also seeks to definitively promote the development of a stock of social and affordable rental housing. This measure, which will take time to implement, is accompanied by direct housing subsidies for young people.

However, several challenges mean the application of these recently proposed housing measures in Spain is uncertain. The law provides a legal framework for a fairer housing system, but its implementation depends on the political will of regional governments, many of which disagree with the measures. Additionally, the lack of funding, especially in the case of large cities where the acquisition of land and housing is expensive, could limit the impact of some measures.

The wide range of proposed short- and long-term measures and the challenges that look set to hinder their application demonstrate the complexity of reversing the growing housing affordability crisis and the need for a multi-faceted response from housing policymakers. Measures that intervene in the market, increase the supply of affordable housing, promote the diversity of housing tenure options, and introduce rent subsidies are necessary to promote greater affordability, while a significant amount of social housing stock is being built up at the same time. Likewise, it is crucial to foster greater cooperation between different levels of government, as well as greater collaboration between potential providers of social and affordable housing (public, private, and non-profit entities).



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