

Balancing affordability and sustainability to address the housing crisis: Proposals from SMEs and craft trades in the construction sector

Main Proposals

- Align the Next Multiannual Financial Framework with EU priorities for buildings and housing
- Ensure a predictable and simplified regulatory framework to enable investment
- Enhance local municipalities' capacity to leverage EU funds
- Boost local public-private partnerships to unlock activity and private financing for housing
- Place the existing building stock at the heart of long-term financial mechanisms for housing
- Support a human-centric and market-driven approach to industrialisation in construction
- Address the structural workforce and skills shortages in construction to deliver housing

General Remarks

The European Builders Confederation (EBC) welcomes the prioritization of the housing shortage challenge by the European institutions. The creation of a dedicated Task Force on Housing within the European Commission and a Special Committee in the European Parliament are concrete signs of this commitment. EBC also commends the European Investment Bank (EIB) and the Commission for jointly developing a pan-European investment platform for affordable and sustainable housing. This initiative is reinforced by the EIB 2024–2027 Strategic Roadmap, which positions affordable, energy-efficient housing as a cornerstone of Europe's social infrastructure. However, for any tangible and impactful change, it will be essential to convince Member States to take action, and even more so regional and local public authorities, given the responsibilities of each.

Across the European Union, the real estate market is characterised by the widespread culture of property ownership. In 2023, over two-thirds of people in the EU lived in households owning their home¹. This means that the possibility of carrying out renovation works, whether to improve energy efficiency, seismic safety or overall housing quality, is directly subjected to the financial resources available. In 2023, 47 million EU citizens were unable to afford to heat their homes, while approximately 1 in 10 spent more than 40% of their disposable income on housing and related costs². Economic and financial conditions are therefore decisive in enabling renovation works that would otherwise be unaffordable, particularly in owner-occupied housing.

¹ ["Housing in Europe – 2024 edition", Eurostat \(2024\)](#)

² ["Housing and living conditions in Europe," Eurostat \(2024\)](#)

Similarly, for new construction, public and private investment is equally critical. The purchase of land and the initiation of construction activities are significantly limited by a household's or small investor's capacity to obtain adequate financing. High land prices, rising interest rates, strict loan conditions, and disruptions in the construction supply chain make it increasingly difficult for both professionals and prospective homeowners—especially young people and families—to build new assets. For the residential market, without affordable and accessible financial tools tailored to individual buyers, the ambition to construct new housing remains out of reach for a large part of the population.

Additionally, it is regularly documented that construction and renovation activity in the residential sector have been declining or strongly challenged in many EU Member States³. With 94% of all construction companies being micro-enterprises, they represent indispensable actors of change for any housing strategy. Mostly active at local level, these companies are pivotal for local economies, employing local workers, preserving local know-how, and delivering projects with high social and territorial value.

In this context, EBC supports the willingness of a coordinated response at the European scale to address the shortage of housing, while balancing the need to make housing more affordable and more sustainable at the same time.

Policy Recommendations

A coherent policy and financial framework that empowers local actors is crucial to deliver more sustainable buildings, address the housing crisis, and support energy affordability, while supporting the overall competitiveness of the EU. In view of the announced European Affordable Housing Plan and the European Strategy for Housing Construction announced by the European Commission, EBC proposes the following initial recommendations to maximise the impact of actions at European, national and local level:

Align the Next Multiannual Financial Framework with EU priorities for buildings and housing

A long-term commitment in the EU budget is needed to ensure continued support for construction and renovation, more affordable housing, and SME participation beyond 2027. However, EBC also stresses that the 2025 mid-term review of cohesion policy must be fully leveraged now, not only to double affordable housing investments but to ensure that pre-financing and 100% EU co-financing rates accelerate local delivery.

- Encourage Member States to act immediately to optimise the use of existing programme allocations, making the Mid-Term Review of the Cohesion policy as critical as future MFF reform.
- Institutionalise housing investment within Cohesion policy beyond 2027 and the MFF to provide secure funding streams for housing renovation and SME involvement.

³ 98th Euroconstruct Country report (2024) or European Construction Sector Observatory

- Benchmark housing, construction and renovation in the next MFF to provide long-term funding streams, aligning with the Renovation Wave's outlook for 2050 and housing affordability goals.
- Ensure that financial and administrative frameworks at EU level are tailored to the scale and operational models of local municipalities and local SMEs, avoiding mechanisms designed exclusively for large enterprises or financial actors.

Ensure a predictable and simplified regulatory framework to enable investment

A clear and streamlined regulatory environment is essential to enable local actors, including SMEs, to invest in people's skills, more sustainable products or digital tools, to then deliver housing units that are both more affordable and more sustainable. In addition to predictability, EBC calls for administrative reforms that reduce complexity and cost for construction actors at local level. Avoiding the layering of additional complexities from EU legislation into local frameworks, implementing the "only once" and "think small first" principles, is crucial. Additionally, the EIB's commitment to housing must therefore be explored in order to strengthen long-term investment conditions at both public and private level.

At EU level

- Maintain long-term EU regulatory stability to enable Member states to focus on the simplification of the regulatory and administrative framework, which will in turn enable local authorities and property owners to invest in construction and renovation works and SMEs to plan with confidence.
- Align the EIB platform and strategies with the operational realities of SMEs and local construction actors, as the EIB roadmap includes a pilot originate-to-distribute model combining long-term financing, advisory services, and standardised tools to scale up renovation and construction.
- Explore how the EIB could alleviate the impact of national and local taxes on the final costs of construction and renovation projects, as often taxes represent a high percentage of the final price.
- Explore how the EIB could improve direct financing instruments for municipalities to build and renovate social and rental housing, including shortening the depreciation period for rental housing investments to incentivize private investment.

At national and local levels

- Reduce to the strict minimum administrative steps for building permits and renovation permits at local level, by digitalising processes after consultation of local construction companies' representatives.
- Simplify local zoning regulations and prioritise the release of land for housing development to combat cost inflation from land scarcity.
- Reform national and local land-use planning to unlock more land for development and faster processes, including brownfield conversion into residential areas.

- Adapt urban planning policies to make better use of existing land, by encouraging the adaptability and repurposing of buildings and allowing extensions.
- Establish national and local support mechanisms to help SMEs cope with price volatility in energy⁴, materials and labour to limit the impact on the final price of the project.
- Allow maximum room for pioneering, experimental or flexible housing solutions through local regulatory sandboxes allowing businesses to test and experiment with new, innovative, and local products or services.
- Explore alternative schemes to costly legal action as solutions for issues related to permitting at local level.
- Prevent that the principle of silence from public authorities, when there are legal time limits to respond, results in legal uncertainty and a lack of predictability for economic operators.
- Clarify the framework of safety standards, regulations and procedures applying to construction and renovation projects at local level to avoid unexpected indirect costs.

Enhance local municipalities' capacity to leverage EU funds

Local authorities are critical enablers of construction and renovation projects, thus also of affordable and sustainable housing. Strengthening their internal capacity and ability to identify, access, and deploy EU funds effectively will maximise impact at the local level. At the same time, a stable framework for collaboration with the local private sector is essential to maximise resources and efficiency in the construction, renovation and management of affordable housing units and sustainable buildings and homes.

At EU level

- Develop a user-friendly mapping of relevant EU funding instruments (e.g. ERDF, Cohesion Fund, RRF, InvestEU) for housing-related initiatives available for public and private local actors.
- Create an EU-level guide to help municipalities combine different funds effectively.
- Support through EU financial instruments, national and local capacity-building programs for local authorities on:
 - Long-term quality and affordability assessments
 - Strategic project selection between renovation and new construction

⁴ "[Position on the Action Plan for Affordable Energy](#)", SMEunited (2025): SMEs face structural challenges from volatile energy prices, high network costs, and increasing compliance obligations. In early 2023, electricity costs reached a peak price for SMEs, while network charges alone constituted over 20% of their energy bills.

- Blended financing design and optimisation
- Developing public-private partnerships to deliver more sustainable and affordable housing
- Investing in climate-resilient infrastructure to face extreme weather conditions

At national level

- Streamline and standardise financial assistance from the national level for municipalities.
- Create or reinforce local public assistance desks for administrative procedures and ensure the coordination in a national portal for urban planning.
- Finance attractiveness campaigns targeting urban planners and potential public procurers to reinforce the human resources of local authorities.
- Establish a single digital point of contact for submitting authorisation applications and create a digital project certificate.

At local level

- Streamline and digitalise public inquiries to broaden accessibility, simplify their process and potentially ease complaint management.
- Explore the potential of Artificial intelligence to speed up administrative duties and avoid redundant processes in smaller local authorities.
- Explore the potential of Artificial intelligence to streamline permitting procedures, especially at municipal level, and expand digital permitting tools tailored for small operators.

Boost local public-private partnerships to unlock activity and private financing for housing

EBC supports a whole-of-society approach to delivering housing solutions, where SMEs work in close coordination with local authorities, financial sector, property owners, developers, and civil society actors. Strengthening the role of SMEs within these partnerships can ensure efficient delivery, high local impact, and social value, particularly in view of the general ageing of the European population and the desire to live in urban or semi-urban areas.

At EU level

- Adapt and simplify public procurement rules to enable an increased SME participation in local tenders for housing and renovation projects.

- Encourage public-private partnerships that channel EU funds toward sustainable and affordable housing initiatives at local level.
- Foment tax incentives for property developers, homeowners, construction companies and final buyers if the work is carried out to create economic, social or environmental added-value at local level.
- Promote pilot projects where SMEs apply energy efficiency and circular economy principles to housing projects to increase replicability potential, as in the Affordable Housing Initiative.
- Closely monitor developments in co-ownership and cohabitation patterns at national level, given that statistically nearly half of European citizens live in apartments⁵, to identify support schemes beneficial for both landlords and tenants.

At national and local levels

- Develop local public-private partnerships at local level to identify ways to accelerate the process of building affordable housing on public land.
- Develop a direct dialogue between local authorities and private landowners to enable pilot projects aiming at mobilising private land for the construction of affordable rental housing or employee housing.
- Reform local administrative procedures entailing indirect costs that increase the final price of constructions and renovation projects after thorough consultation of the local ecosystem.
- Prioritise funding models that embed SMEs into the delivery chains of affordable housing projects, to reinforce the local economy and employment.
- Facilitate SME collaboration through simplified frameworks such as temporary groupings or consortia of small companies, especially for small-scale projects, whether in the public and private sector.

Place the existing building stock at the heart of long-term financial mechanisms for housing

It is estimated that 85–95% of today's building stock will still be standing in 2050, with around 75–80% currently considered energy inefficient.⁶ How to exploit this built legacy, particularly through renovation and repurposing, is therefore a major challenge. At the same time, the framework to improve the energy performance of buildings and accelerate the decarbonisation of the built environment is in motion⁷, with

⁵ [“Housing in Europe – 2024 edition”, Eurostat \(2024\)](#)

⁶ [“Decarbonising buildings: heating and cooling emissions in the EU,” European Environment Agency \(2023\)](#)

⁷ Energy Performance of Buildings Directive, Energy Efficiency Directive, Renewable Energy Directive, Construction Products Regulation

energy efficiency upgrades of all scales being a cornerstone of long-term financing schemes to reach sustainable housing affordability. It is essential to send a clear signal to private and public investors and stakeholders that renovation, particularly energy renovation, is a major long-term financial asset alongside new construction projects.

At EU level

- Engage in high-level dialogue between European institutions, Member States and the banking sector for a joint declaration on the benefits of investing in the renovation and energy renovation of existing buildings.
- Foment the repurposing of unused private and public assets of the existing building stock as part of the solution to housing shortages.⁸
- Leverage EU financial instruments to support low-interest, long-term loans for construction and renovation projects bringing a demonstrated environmental, social or economic added-value at local level.
- Ensure the Social Climate Fund can be activated for renovation and energy-efficient renovation projects.

At national and local levels

- Introduce reliable long-term tax incentives and fiscal tools for both homebuyers and renters to lower construction and renovation costs and increase homeownership accessibility.
- Reduce the tax burden on housing purchases and administrative procedures until the asset is built or renovated to support financial sustainability.
- Develop and spread state-guaranteed financial instruments for loans and mortgages, especially for young people who take out a loan to purchase an already existing property, with the possibility to increase such subsidy if the family grows within 5 to 10 years.
- Support blended finance models to cover budget gaps not addressed by mortgages or incentives for both new built and renovation projects.
- Promote credit assignment mechanisms and invoice discounting for renovation projects.
- Guarantee accessible credit and de-risking instruments for SMEs to engage in larger scale retrofitting without liquidity constraints, avoiding exclusive reliance on institutional-scale financing.

⁸ ["Vacant real estate: Seizing the opportunity to find affordable housing solutions in Europe", FENTSA \(2016\)](#)

Support a human-centric and market-driven approach to industrialisation in construction

Low productivity and insufficient innovation in the construction sector are often identified as key barriers to cost-effective housing delivery. If industrialised construction methods are integrated in a way that complements traditional practices and enables SME participation, they help partially address labour shortages and increase productivity. For instance, although off-site construction does not inherently lead to reduced costs⁹, modular and prefabricated building methods are experiencing a revival to offer an additional solution to the global housing crisis. However, industrialisation must not be promoted as the only way forward, even more so considering its limits for renovation, energy renovation, or conversion projects involving existing buildings. A resilient construction sector must balance innovation with local embeddedness and social value.

At EU level

- Ensure EU funding programs and policies support both industrialised and traditional construction methods, acknowledging regional diversity and SME strengths.
- Emphasise that industrialisation, including modular and offsite construction, is only partially part of the solution to address demographic decline and labour shortages and not a silver bullet.
- Not consider off-site construction as an industrial technical solution only, as a number of craft construction companies already carry out off-site construction in trades related to wood, metal and stone.
- Boost the role of European standards as a support to streamline construction process and indirectly reduce the price of construction and renovation projects.
- Channel EU funds for research in construction on the adaptation of existing assets with extensions to alleviate the need of extra land and reduce the cost of works.

At national and local levels

- Develop local catalogues of affordable housing designs that follow local regulations and urban planning specifications, taking into account the different urban and rural settings where the projects will be, to speed up the process of designing and building affordable housing through a certain standardisation of plans, construction elements and specifications.
- Support a tailor-made serial approach in construction and renovation projects as a means to increase productivity and reduce costs.
- Encourage localised off-site construction by promoting prefabrication closer to building sites, to reduce environmental impact and preserve regional/local economic activity.

⁹ [“Modern methods of construction in housing” Letter, Built Environment Committee, House of Lords \(2024\)](#)

- Offer incentives for SMEs to adopt circular methods and innovative materials, without forcing a transition away from traditional construction skills.
- Safeguard SME expertise by ensuring that industrialised approaches do not exclude artisan businesses from key roles in project execution, protecting local know-how.
- Provide financial and technical assistance to boost SMEs' uptake of digital tools, modular construction elements, and prefabrication methods, ensuring local adaptability and cost-efficiency.

Address the structural workforce and skills shortages in construction to deliver housing

Without a sufficient and competent construction workforce, including new entrepreneurs, skilled workers, and innovators entering the sector, no housing strategy can succeed. As for the decarbonisation of the EU building stock, Europe's ambition for affordable and sustainable housing will remain theoretical unless the construction and renovation sectors have the operational means to deliver on-site. SMEs, rooted in local communities and providers of local jobs, are key actors in enabling this capacity across territories.

At EU level

- Ensure that industrialisation and digitalisation do not prevail in a narrative disregarding traditional building knowledge and craftsmanship to avoid mislead talent difficult to attract or retain in the sector.
- Facilitate the use of EU funds dedicated to activities promoting careers in construction and renovation at national and local, showcasing the sector's contribution to the economy, societal challenges and the green and digital transitions.
- Facilitate the use of EU funds to develop or expand access to specialised training in energy-efficient buildings and circular construction renovation techniques at national and local level.

At national and local levels

- Elevate the status of national and local vocational education and training by investing in programmes that highlight its equal value to academic paths.
- Stimulate SME-led apprenticeship schemes to build long-term construction capacity rooted in local territories.
- Support the efforts of employers to provide quality housing opportunities to migrant talent to increase the attractiveness of the sector.
- Support knowledge transfer between neighbouring localities to ensure local SMEs can replicate best practices in sustainable housing adapted to their geography and environment.

About EBC

Established in 1990, the European Builders Confederation (EBC) is the European professional organisation representing micro, small and medium-sized enterprises (SMEs) and crafts in the construction sector. Recognised as a European sectoral social partner, EBC is part of the employers' delegation in the European sectoral social dialogue for construction.

EBC is a member of SMEunited, the European association of SMEs, and founding partner of Small Business Standards (SBS), the European association representing SMEs in standardisation.

With around 3 million enterprises and a total direct workforce of 15 million, the construction sector is of vital importance to the European economy and society, contributing around 10% to the GDP of the European Union. 99.9% of the European construction sector is composed of SMEs, with 94% of all companies being micro enterprises, active mostly at the local, regional, and national level.