Cross-border Housing Markets – Evidence from the ESPON HOUSE4ALL project

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With freedom of movement in the European Union and one third of Europeans living in border areas, housing markets don't stop at national borders but are influenced by the housing and labour markets of neighbouring countries. This has the potential to give rise to affordability issues, since different levels of supply and demand, different costs of living and access to services, different regional income levels, and different transaction costs can lead to disparities in cross-border housing markets. In many European border regions housing markets are highly integrated, in particular in metropolitan border regions, where the border functions as a resource (Sohn, 2015).

As the affordability crisis is increasing across Europe, policy making is paying attention to the implications of housing costs. This paper addresses the question of cross-border housing by drawing on the results from the ESPON HOUSE4ALL project (Sielker et al., 2025). Thereby, the paper aims to first present the current house prices in European border regions, both in terms of rental and sales. Second, the paper discusses opportunities for developing cross-border housing market indicators as exemplified in the ESPON HOUSE4ALL Luxembourg case study (Dorner et al., 2025), and in four case studies in the framework of ESPON BIG DATA: Cross-border housing markets in Europe (Sielker et al., 2022). In this study, we operate under the definition for cross-border housing markets offered by Sielker et al. (2022) who define cross-border housing markets as: "A housing market in which a critical mass of activity has led to a minimum integration where households work and live on different sides of a border. As a consequence, the distribution of jobs and residences across a border form new functional relations." This definition underlines the importance of a minimum of integration, and therefore accessibility into the territory of the other state, to speak of a cross-border market. This is because there needs to be allowance for the prospect of accessibility, and the proximity of the job market of the neighbouring nation near international borders.

The paper first presents the advertised sales price per m^2 in border regions and discusses affordability maps of the ESPON HOUSE4ALL project in more depth, before focussing on the results of case study of Luxembourg's borders.

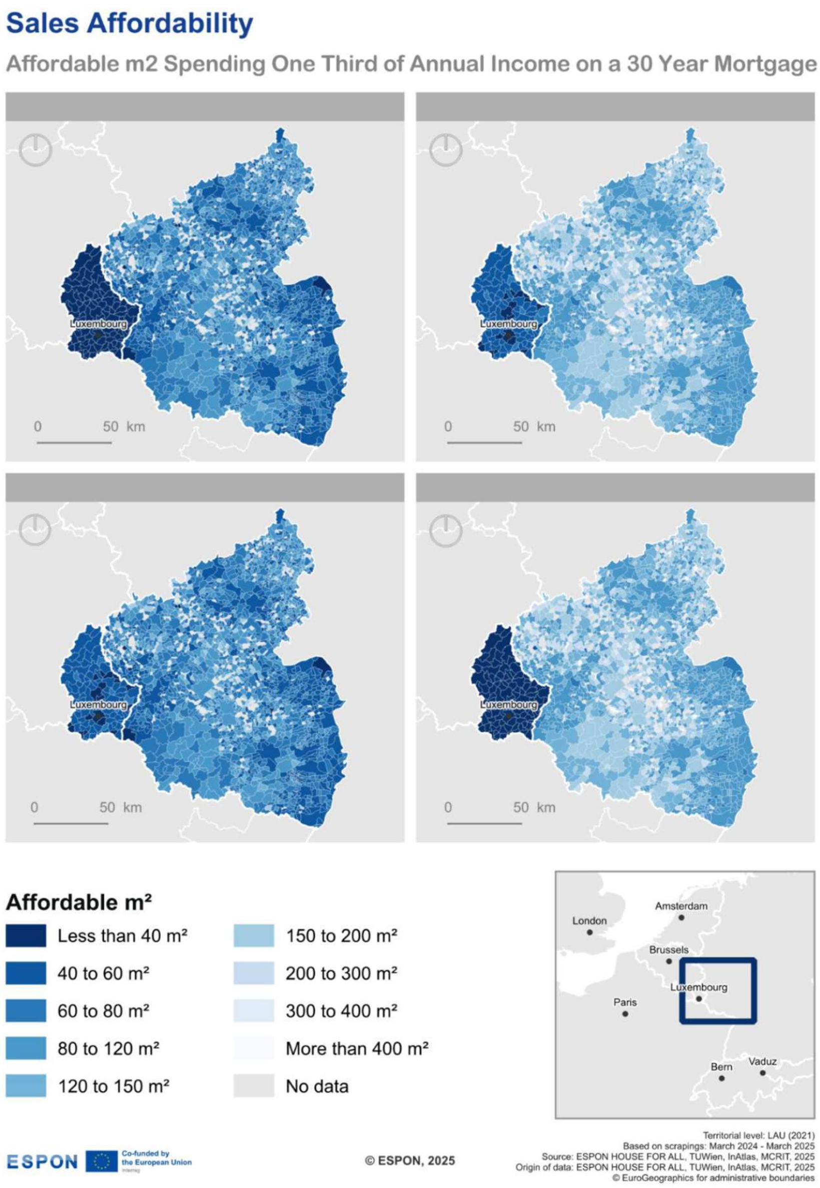
Secondly, the paper presents the Luxembourg case study, discussing affordability in a cross-border context. Luxembourg is a small yet influential country that serves as an international financial centre and the headquarters of European institutions. Furthermore, it has a high share of the labour force commuting from surrounding countries. With the highest wages in the European Union, housing costs in Luxembourg are significantly higher in comparison to its neighbouring countries.

Looking at housing costs in the Greater Region, we see a stark difference between Luxembourg and its neighbouring countries. It becomes apparent that median sales prices per square meter in Luxembourg are around three times the amount in comparison to the neighbouring countries. While Belgium exhibits a fairly similar median sales price to Germany (BE: 2115 € per m^2; DE: 2590 € per m^2), the range of sales prices are far greater in Germany with the highest outlier (Battenberg (Pfalz) with 49955 € per m^2) approaching Luxembourg price level (7094 € per m^2). While some outliers in France reach Luxembourg price levels, buying real estate property is, on average, the cheapest in France (median with 1793 € per m^2).

While the difference between rental prices is slightly lower, Luxembourg, with 20.3 € per m^2 median rents are still around double the rent of the neighbouring countries. With median rental prices between 8.6 € per m^2 in Belgium and 10.7 € per m^2 in Germany, average rents in Belgium, France and Germany are similar, though with different ranges. While Belgian areas display more homogeneous housing costs between 4.8 € and 13.3 € per m^2, rents in Germany (between 5.8 € and 40.8 € per m^2) and France areas (between 4.3 € and 20.7 € per m^2) are spread much broader.

The project then tests cross-border housing market indicators as developed in the ESPON BIG DATA: Cross-border housing markets in Europe project. To give the example of the German-Luxembourgish border: By analysing affordability on a Luxembourgish and German income, as well as on each side of the border with its own local income, and with the income of the other state on the other side of the border (see Map 1), the study shows the relative differences of affordability, and attractiveness for the border to be used as resource in housing markets.

Map 1: Sales Affordability Germany - Luxembourg



Comparing housing affordability on a local income to housing affordability whilst operating on a Luxembourg income, we find strong spillover effects from the Luxembourg housing market. This results in significantly fewer square meters affordable to local workers in comparison to workers operating on a Luxembourg income. Whilst effects on the Belgian housing market are fairly weak, housing affordability in both the French and German border regions is more strongly impacted by spillover effects from Luxembourg. Especially the rental market at the French-Luxembourg border can be characterised by affordability issues arising through spillover effects from the Luxembourg housing market.

While Luxembourg is working together with its neighbouring countries on many different levels of policy and cross-border integration, so far, there is no official cooperation between the countries when it comes to housing policies and planning. Luxembourg's borders, therefore, bring together housing markets that are in some cases very different from one another.

In revisiting the ESPON HOUSE4ALL European data and the Luxembourg case study, the paper contributes to a better understanding of cross-border housing markets by showcasing the price differences at European border regions.

References

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