Generations in search of a home:

demographic shifts and the housing gap across Europe

(blind version)

1. Introduction

The European housing crisis is increasingly becoming the primary driver of intergenerational inequality on the continent. Faced with rising rents, persistent inflation, and tightened lending criteria in Europe, an unprecedented paradox is emerging. Although in many respects European countries have historically recorded high levels of wealth, the distribution of capital, particularly housing capital, is highly uneven. While the older generation (the so-called Boomers) often owns mortgage-free property, benefiting from its historic increase in value, younger generations (Gen Z, Millennials) are entering adulthood amid chronic shortages and drastically high costs.

The central thesis of this article is that the housing gap does not affect society evenly, but acts as a systemic mechanism for redistributing capital from young to older people. Since housing is no longer a guaranteed reward for work, it has become a powerful generational barrier delaying key life and demographic decisions for young adults. This Extended Abstract presents the theoretical and empirical assumptions of a study analysing the availability and affordability of housing for young adults (aged 18–34) compared with the population aged 65 and over.

2. Literature review and theoretical framework

The phenomenon of young people being excluded from the property market is increasingly discussed in the literature through the prism of a concept that could be called Generation Rent, describing a population “trapped” in an unstable and costly private rental sector. To fully understand the diversity of this phenomenon in Europe, the study was based on the housing regimes paradigm [Flynn, L.B., Montalbano, G., 2023].

G. Esping-Andersen's classic typologies of welfare states [Esping-Andersen, G., 1990] are the starting point for the theory of housing regimes. However, as J. Kemeny notes (2001), housing is a wobbly pillar of the welfare state, unlike education or healthcare, due to its dominant private-market share. In his approach, Kemeny divides markets into dualistic (in which the public sector is marginalised and private ownership is favoured) and unitary (in which the social and private rental markets compete on equal terms). From the point of view of intergenerational inequality, Kemeny's observation on housing costs over the life cycle is key: private ownership concentrates costs in the early stages of life (saving for a down payment, paying off high mortgage instalments), while reducing them to almost zero in old age, when mortgage debt is eroded by inflation. This system naturally redistributes household income from young to old. This leads to the so-called 'huge trade-off'. In countries with high rates of private ownership, the costs of supporting the elderly are offset by low housing costs, which influence government policy and make it difficult for young people to enter the market.

The study also integrates the perspective of Varieties of Residential Capitalism (VoRC) [Schwartz, H., and L. Seabrooke. 2008], which focuses on the processes of housing financialisation that lead to growing socio-economic inequalities, including class and intergenerational inequalities. In addition, Southern European regimes (familial) regimes, where weak state intervention means that access to housing depends on intra-family transfers, and Central and Eastern European (post-socialist) regimes, are characterised by a “super-ownership trap” following the privatisation of public resources.

From a macro-social perspective, housing is also considered here as a social determinant of health and fertility. Research indicates that difficulties in becoming independent generate the phenomenon of waithood (being trapped in prolonged youth), which directly translates into a delay in family formation and a decline in fertility on the continent [Stephens, M., 2016].

3. Methodology

The analysis is comparative and based on quantitative data from the Eurostat database covering European Union member states. The dependent and independent variables in the study are age indicators, in particular: Housing Cost Overburden Rate, divided by age cohort (18–34 years vs 65+), Average age of leaving the parental household, and Overcrowding Rate.

To ensure the reliability of international comparisons across variables of different specificities, data were standardised using the Z-score method (where the mean is zero and the standard deviation is one). This procedure allows for the impact of scale differences to be offset and for the relative positions of countries to be identified. Based on these standardised indicators, clustering was performed, dividing Europe into four main model regimes, which allows for a precise reference to the theory of housing regimes.

4. Research hypotheses

Focusing on barriers to market entry and their intergenerational dimension, three main research hypotheses were formulated:

- **H1 (Affordability)** - In countries with the highest degree of population ageing, younger generations (the 18–34 age cohort) experience a disproportionately higher housing cost burden than older generations (the 65+ age cohort). It is predicted that older generations benefit from a kind of "property pension" (no loans, low historical cost base). At the same time, young people face extremely high market rates that are inadequate for their incomes.

- **H2 (Demographic Bottleneck)** - There is a strong positive correlation between the shortage of affordable housing and the average age at which young people leave their family home. The housing gap is not just a matter of comfort; it also acts as a demographic brake, determining the pace at which young adults become independent. It is predicted that in many countries, the phenomenon of living with parents until the age of 30 is less a cultural choice and much more a brutal result of a lack of market alternatives.

- **H3 (The Hypothesis of Structural Inequality and the Erosion of Meritocracy):** In countries characterised by high rates of private ownership and a chronic lack of a developed social rental sector, the housing gap radically exacerbates intergenerational wealth transmission. In these systems, access to stable housing becomes dependent primarily on family capital rather than income from work.

The hypotheses formulated situate the housing gap within a broader discourse on the structural determinants of socio-economic inequalities. Verification of these assumptions allows us to interpret contemporary real estate markets not so much as an area of neutral supply shortages, but rather as a hidden mechanism of capital redistribution and accumulation, systematically favouring wealth transfers at the expense of income from gainful employment.

Furthermore, the adopted perspective emphasises the role of housing as a critical factor in shaping demographic conditions that disrupt standard life-cycle trajectories. Limited access to living space is no longer just an indicator of economic prosperity. However, it has become a key variable in explaining the delayed transition to adulthood and disruptions in macro-social family-formation processes.

In summary, the proposed research approach suggests that without intervention in the current form of housing regimes - especially those heavily based on private ownership - these systems will continue to generate permanent barriers to social mobility and perpetuate progressive intergenerational polarisation.

5. Preliminary results and analysis

Verification of hypotheses using clustering based on the Synthetic Housing Gap Index (SHGI) enables the identification of clear structural contrasts across Europe. Empirical analysis breaks down traditional geographical divisions, showing that countries tend to cluster around systemic models of resource allocation and market barriers. The EU average for the age of leaving home is currently around 26.4 years. For the overcrowding index, around 17%, but the data is highly heterogeneous across the four identified regime clusters:

- **The "Structural Crisis" cluster (Greece, Slovakia, Romania, Croatia)**: This regime is characterised by the highest SHGI values (>0.75), which indicates a comprehensive failure of the housing system. In these countries (e.g., Croatia), the housing gap is self-perpetuating: the lack of a well-developed rental sector leaves private ownership as the only route to security. However, high entry costs lead to significant demographic delay (confirming H2). Young adults often remain in their family home until the age of 30, resulting in drastic overcrowding in these countries.

- **Cluster "Entry Barriers and Ownership Traps" (Bulgaria, Latvia, Poland, Hungary, Italy, Lithuania)**: This cluster reveals a complex form of housing insecurity and is a perfect example of the "Simpson's Paradox" (omitted variable bias) in housing research [Armstrong, Z., Wattenberg, M., 2014]. Statistically, the housing cost burden appears low here, creating an illusion of affordability. In reality, the negative Z-score for affordability does not reflect a healthy market, but rather the exclusion of young people: since young adults are unable to rent or buy their own home, they do not appear in the statistics as burdened by rent or mortgage payments. Their gap is spatial and demographic in nature - they remain trapped in overcrowded family homes. This confirms hypothesis H3 about the vicious circle of systems based solely on ownership supported by family wealth.

- **Transitional/Market Shock Cluster (Spain, Portugal, Czech Republic, Denmark, Slovenia, Estonia)**: These countries are characterised by dynamic, highly commoditised markets, often linked to global financial flows. The housing gap here is purely economic (confirmation of H1). The system "provides" independence and relatively good spatial quality (young people become independent at an age close to the average), but at the cost of a severe price-to-income mismatch. Young adults here bear a heavy financial burden, and these markets are highly vulnerable to demand shocks and price bubbles.

- **Mobility and Accessibility Cluster (including the Netherlands, Sweden, France, Germany, Austria, and Finland)**: This is the European benchmark (High-Mobility Profile), in which countries effectively manage the housing transition of young adults. Thanks to a balanced cost environment and a diverse, fluid ownership structure, young people quickly achieve independence without exposing themselves to extreme overcrowding or financial ruin. The key institutional requirement that unlocks the demographic bottleneck here is an efficient "unitary/integrated" system in which the secure rental sector (including social housing) provides a viable and competitive alternative to private ownership.

6. Discussion

When comparing these data, differences in the process of entering adulthood across Europe are clearly visible. The fact that a young Dane becomes independent in terms of housing and space on average 9 years earlier than a young Croat or Italian is not only the result of differences in cultural norms. It is a direct consequence of different resource allocation regimes and market support.

The available data strongly support the youth tax hypothesis. The housing gap acts as a systemic transfer, whereby the financial resources earned by people at the beginning of their professional careers are used to pay high rents or rising instalments imposed by macroeconomic conditions, effectively generating rental income for the older generation. Referring to T. Piketty's (2014) theory of a return to a rentier society, the study's results confirm H3: there is a progressive erosion of housing meritocracy. We are seeing a return to a situation where it is not hard work (income level in the labour market) but "grandparents' wills" and wealth transfers (inheritance of status) that largely determine whether a young citizen will have access to decent housing.

Demographically, the consequences of these disparities are alarming for government decision-makers. Treating housing almost exclusively as an instrument for multiplying capital for the wealthy (owners) comes at the expense of the vitality of the entire youngest generation. The bottleneck mechanism results in a drastic postponement of the formation of new families. If the European gap is not bridged, Europe will enter a deeper spiral of depopulation and economic stagnation due to the limited professional mobility of a generation stuck at home. As noted in earlier works (e.g., Kemeny, J., 2001), the lack of state involvement in stimulating unitary and social rental markets undermines other areas of the welfare state, including the pension and health systems.

7. Conclusions and recommendations

An analysis of European indicators unequivocally confirms the hypotheses put forward (H1-H3). Housing deficits are currently highly asymmetrical and intergenerational. This crisis is not just about a "lack of four walls", but is a revolutionary reconfiguration of the economic opportunities of EU citizens to the detriment of young adults.

To prevent permanent marginalisation, a radical paradigm shift in public policy is recommended. Housing interventions should take the form of dedicated measures (generational-blind policy should give way to targeted strategies). Systemic changes are necessary: massive public investment in social housing (both for rent and cheap "starter flats") with the exclusion of market speculation, progressive taxation of vacant properties to stimulate supply, and the creation of start-ups and mechanisms for the preferential allocation of housing to the youngest cohorts, protecting them from market competition for space with the financially privileged older generation.

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