Across Europe, the financial sector has pushed up house prices. It's a political timebomb

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Housing lies at the heart of surging political disfranchisement across mainland Europe. Housing has become a primary engine of inequality, reinforcing divisions between the asset-haves and have-nots. But not everyone is suffering. At the same time it is robbing normal people of a comfortable and dignified life, the housing crisis is lining the pockets of a small number of individuals and institutions. Across Europe in recent decades the same story has unfolded: power has shifted to those who profit from housing, and away from those who live in it.

The most striking manifestation of this shift is the large-scale ownership and control of homes by financial institutions, particularly since the 2008 global financial crisis. In 2023, $1.7tn of global real estate was managed by institutional investors such as private equity firms, insurance companies, hedge funds, banks and pension funds, up from $385bn in 2008. These actors consider Europe's housing a particularly lucrative and secure "asset class". Purchases of residential property in the euro area by institutional investors tripled over the past decade.

The scale of institutional ownership in certain places is staggering. In Ireland, nearly half of all units delivered since 2017 were purchased by investment funds. In the four largest Dutch cities, a quarter of homes for sale in recent years were purchased by investors.

When the aim is to make money from housing it can mean only one thing: prices go up. As Leilani Farha, a former UN special rapporteur, points out, investment funds have a "fiduciary duty" to maximise returns to shareholders, which often include the pension funds on which ordinary people rely. They therefore do all they can to increase prices and reduce expenditure, including via "renoviction" (using refurbishment as an excuse to hike rents), under-maintenance and the introduction of punitive fees.

[...]As power has shifted to investors and speculators, and governments have become ever more reliant on them, so it has been withdrawn from residents. In order to incentivise or "de-risk" private investment, governments across Europe have weakened tenant protections, slashed planning regulations and building standards, and offered special subsidies, grants and tax breaks for entities such as real estate investment trusts. One group in particular has borne the brunt of this: renters. Renters have seen their rents skyrocket, living conditions deteriorate and their security undermined.

Powerful financial actors have done a great job at framing themselves as the solution to, rather than the cause of, the prevailing crisis. They have incessantly pushed the now-dominant narrative that more real estate investment is a good thing because it will increase the supply of much-needed homes. The thing is, institutional investors aren't really into producing housing. It is directly against their interests to significantly increase supply.

Where corporate capital does produce new homes, they will of course be maximally profitable. Common Wealth, a thinktank focusing on ownership, found that the private equity-backed build-to-rent sector, which accounts for 30% of new homes in London, caters predominantly to high-earning single people. These overpriced corporate appendages are a stark reminder of the market's inability to deliver homes that fit the needs and incomes of most people.

In the coming years, housing will occupy centre stage in European politics. Now is the time for fundamental structural changes that reclaim homes from the jaws of finance, re-empower residents and reinstate housing as a core priority for public provision.