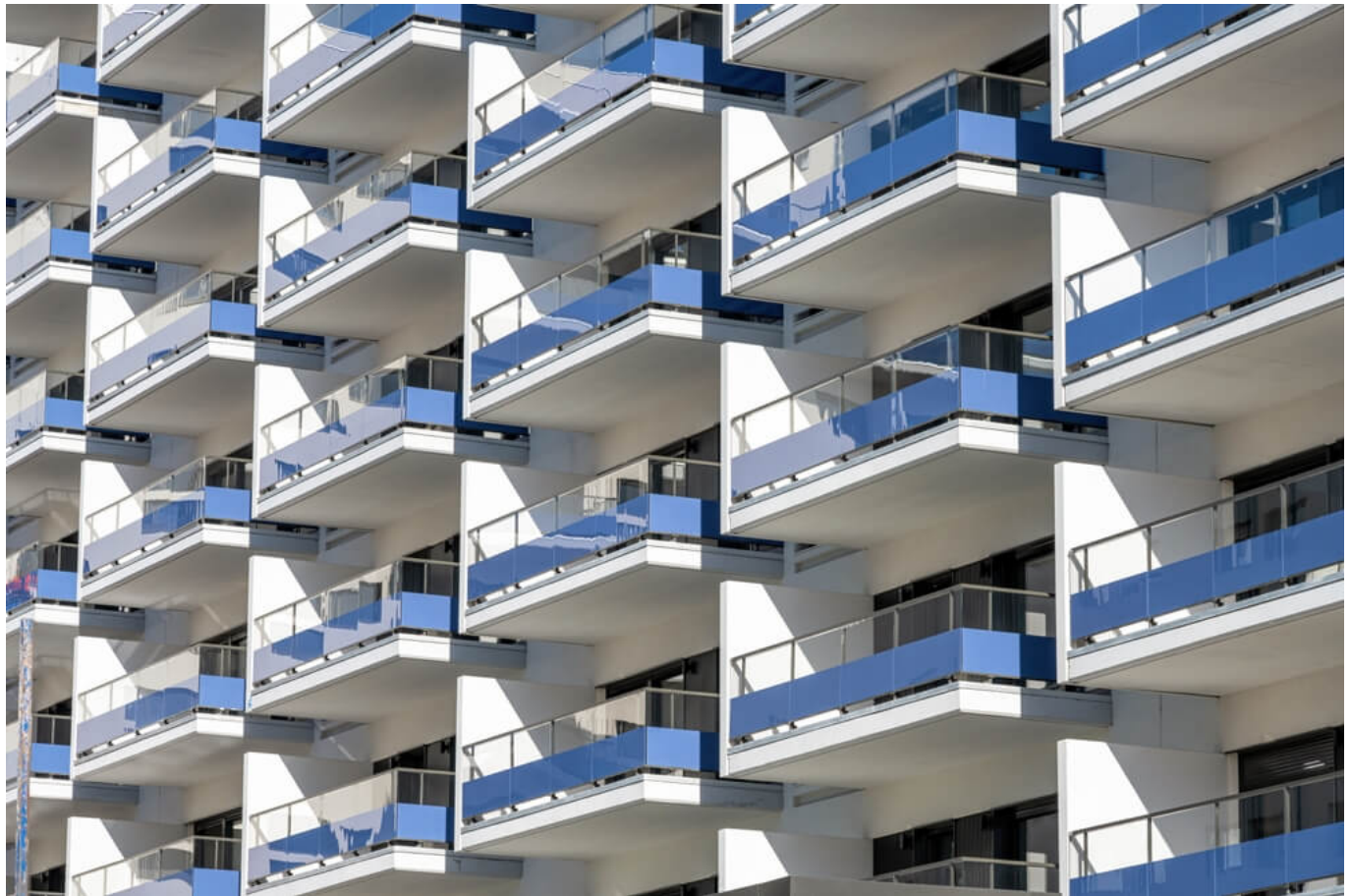




By: **Daniel Lacalle**

Europe is regulating its rental homes out of existence



From Barcelona to Berlin, and from Amsterdam to Dublin, rent caps and ever heavier state intervention have barely protected sitting tenants while shrinking supply, deterring construction and pushing housing out of reach for everyone else.

Europe has a housing affordability crisis, and most of its governments have chosen the same answer.

They cap rents, freeze increases, extend tenancies, slow down evictions, tax landlords more heavily and threaten investors with expropriation or punitive rules.

The stated intention is to protect tenants. The result has been fewer homes to rent, less construction and higher prices.

The scale of the problem is enormous. Between 2010 and the second quarter of 2025, **house prices in the European Union** rose by 60.5% and rents by 28.8%.

Prices continued to rise in 2026, up 4.7% year on year in the second quarter, and rents increased in every single member state, in most cases by more than the CPI.

The **European Commission** estimates that the Union needs more than two million new homes a year, around 650,000 more than the 1.6 million it currently builds, which implies roughly €153 billion of additional investment every year.

That money will not come from public budgets already strained by record debt and deficits. It must come from investors, developers and small landlords, precisely the agents that government interventionism and rent controls drive away.

The evidence of the damage inflicted by rent control is overwhelming. Konstantin Kholodilin of **DIW Berlin** reviewed 112 published empirical studies covering six decades in a comprehensive survey of the literature.

Controls lower rents in the relatively few

regulated units, which explains their political appeal.

However, the studies consistently find a significant reduction in the supply of homes, less new construction, much higher rents in the uncontrolled segment, deteriorating quality and lower mobility.

The best known quasi-experimental study, on San Francisco, found that landlords subject to rent control cut their rental supply by 15%, which raised rents across the whole city by 5.1%. Europe has spent the last decade reproducing these results in real time.

Spain, the laboratory of failure

Spain is the clearest case. The 2023 Housing Law introduced rent caps in so-called stressed areas, made the eviction of non-paying tenants impossible and more uncertain and sent owners a clear signal that the state would side against them.

The number of long-term rental homes advertised fell from 902,000 in 2018 to 510,000 in 2025, a 44% collapse.

In Barcelona listings plunged 83%, from 114,000 to 20,000. Meanwhile, asking rents rose 45% in five years.

The rental observatory of Fundación Alquiler Seguro estimates that the stock of homes offered for rent shrank from about 813,850 in 2023 to 660,993 in the second quarter of 2026.

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Official Incasòl data show that average rents on new contracts in controlled municipalities fell by a modest 1.3% between early 2024 and the first quarter of 2026, yet the number of

contracts signed dropped by 18.6%, from 34,495 to 28,079.

In Barcelona, 22,881 leases were signed in the first nine months of 2025, almost 25% below the ten-year average and nearly half the 2021 level, while open-market asking rents rose by more than 12% in a year and by around 13% since controls began.

The underlying shortage continues to widen. The **Bank of Spain** estimates a cumulative deficit of about 750,000 homes between 2021 and 2025, with fewer than 92,000 homes completed in 2025 against 240,000 new households, and warns that the gap could exceed one million by 2028.

Berlin and the lasting cost of regulatory risk

Berlin ran the purest experiment. Its 2020 Mietendeckel froze, and in some cases cut, rents on apartments built before 2014 until the Federal Constitutional Court struck it down in April 2021.

The Ifo Institute found that the supply of rental apartments fell by up to 60% and remained at that depressed level after the cap was abolished, while rents in the unregulated segment rose about five percentage points faster than in other large German cities.

A new **Ifo study** published in August 2026, based on 2.3 million rental listings in the fourteen largest German cities, shows that the damage continued after the law.

Once regulatory risk is priced in, it does not vanish when a court overturns a law

From 2023 onwards, asking rents in Berlin were 10% to 15% above the level expected without the cap and the expropriation debate, and construction and renovation fell dramatically, especially among large providers.

Once regulatory risk is priced in, it does not vanish when a court overturns a law.

Germany completed only 206,600 buildings in 2025, 18% fewer than in 2024 and the lowest figure since 2012, while 760,700 approved homes remained unbuilt.

Higher interest rates and construction costs explain part of that slump. However, investors deciding whether to build also weigh a national rent freeze, tighter tenancy rules and the recurring threat of expropriation in the capital. Capital flies.

The Netherlands sells off its rental stock

The Netherlands extended its points-based rent regulation to the mid-market segment with the Affordable Rent Act of July 2024, while raising the Box 3 tax burden on rental property.

Investors responded by selling. According to the Land Registry, **investors sold** 65,000 rental homes into the owner-occupied market last year, the private rental sector shrank to 752,000 homes, barely 9% of the housing stock, and in the four largest cities a third of all homes sold had previously been rentals, according to DutchNews.

The European Commission's own 2026 country assessment notes that investor disincentives persist and that the private rental segment continues to shrink.

Ireland and Scotland learn the hard way

Ireland introduced Rent Pressure Zones in 2016 to cap annual increases. A decade later, rents are 81% higher than ten years ago and 75% above the Celtic Tiger peak, and only 2,374 homes were available to rent nationwide on 1 May 2026, compared with more than 4,000 at any given time before the pandemic.

Scotland froze rents in September 2022 and kept a cap on in-tenancy increases until April 2025.

Build-to-rent homes under construction fell by 26% year on year in the first quarter of 2025, from 2,545 to 1,896, and then fell again to 2,101 in the second quarter, 15% below a year earlier, while 11,103 build-to-rent homes remained stuck in planning.

Stockholm and Paris show the endgame

Sweden shows where permanent control leads. First-hand rents in Stockholm are set through collective negotiation rather than the market, and the result is rationing by queue.

At the end of 2025, 894,592 people were registered with the **Stockholm housing agency**, which allocated just 20,861 homes during the year, after an average wait of nine years, rising to 12.4 years for apartments in the city.

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Paris has combined rent caps with a ban on letting homes with the lowest energy rating since January 2025, with further bans scheduled for 2028 and 2034.

In April 2025, the volume of rental listings in Paris was a quarter lower than before Covid, a single advert attracted an average of 743 applications in September 2025, and the median wait for social housing had risen to 28.3 months, up from 21.5 months in 2018.

Learn from the experience or repeat it

The pattern across Europe is consistent. Rent controls transfer wealth from future tenants to

current ones and finance that transfer by destroying supply.



Rent controls transfer wealth from future tenants to current ones and finance that transfer by destroying supply - Daniel Lacalle

Every new cap, extension of tenancy rights or threat of expropriation raises the risk premium investors demand, delays construction and pushes owners towards selling, short-term lets or leaving homes empty.

The young, migrants, and low-income families – the people these policies claim to help – are the ones left outside.

The solution is the opposite of what most governments have done. Europe needs to release buildable land, approve permits in months rather than years, cut the taxes that make up more than 30% of the price of every new home and guarantee legal certainty and the swift enforcement of contracts.

Vulnerable households should be supported through transparent, budget-funded housing allowances and a permanent social housing stock, rather than by shifting the cost onto private owners.

The Netherlands, Ireland and Scotland are already rolling back parts of their interventions because the data left them no choice.

The rest of Europe can learn from their experience or repeat it. Prices fall when supply rises, and supply rises only when building and renting homes is legally secure and

economically worthwhile.