

# How do Germany's housing costs compare with the rest of the EU?

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Author: Martin Müller, phone +49 69 7431-3944, martin.mueller@kfw.de

Compared with other EU countries, Germans spend a lot of money on housing. However, almost one third of private households, including many low earners, do not see their housing costs as a financial burden. The share of German households that perceive their housing costs as a heavy burden is much lower, at 13%. By comparison, more than half of households in Greece, Poland, Italy and Spain see their budgets severely strained by housing costs. On the other hand, there are countries in which significantly more low earners do not see their housing costs as a burden. Most of them are in Denmark and Sweden.

The most likely reason Germans do not see housing as a higher cost burden is the fact that they have more income at their disposal after paying for housing than households in most other EU states. Specifically, in only four EU countries is the median disposable income after housing costs significantly higher than in Germany. These are Austria, France, Luxembourg and Malta. The relatively high housing costs of Germans and the relatively low perceived burden are therefore probably due first and foremost to Germany's high standard of living. Another possibility is that Germans have a particular preference for high-quality living and an attitude about the cost of having it that contributes to higher life satisfaction.

## Housing costs in Germany are relatively high...

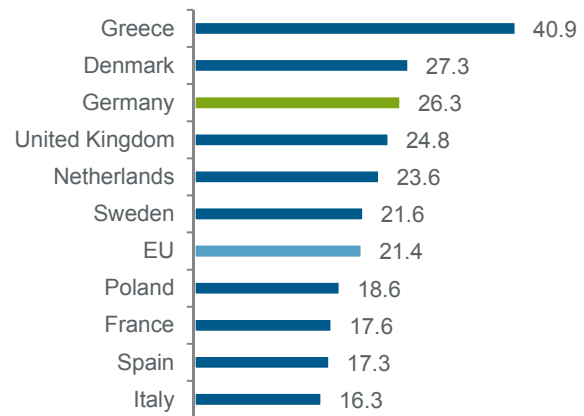
According to the EU-SILC survey, housing costs for tenants and owner-occupiers **averaged 26.3% of disposable household income** in the year 2017 (Figure 1)<sup>1</sup>. In the European Union, only Bulgarians, Danes and, above all, Greeks spent a higher proportion of income on housing.

## ...but relatively few see them as a burden

Despite the relatively high housing costs, the proportion of households that perceived their housing costs as a financial burden was below the EU average in 2018. In particular, **only 13.1% of surveyed households in Germany responded that they saw their housing costs as a heavy financial burden** (Figure 2). Across the entire EU, significantly more households – 31% – saw these costs as a heavy burden. In Greece and Poland, in fact more than half of households regarded their housing costs as a heavy burden.

**Figure 1: Housing costs in relation to disposable income**

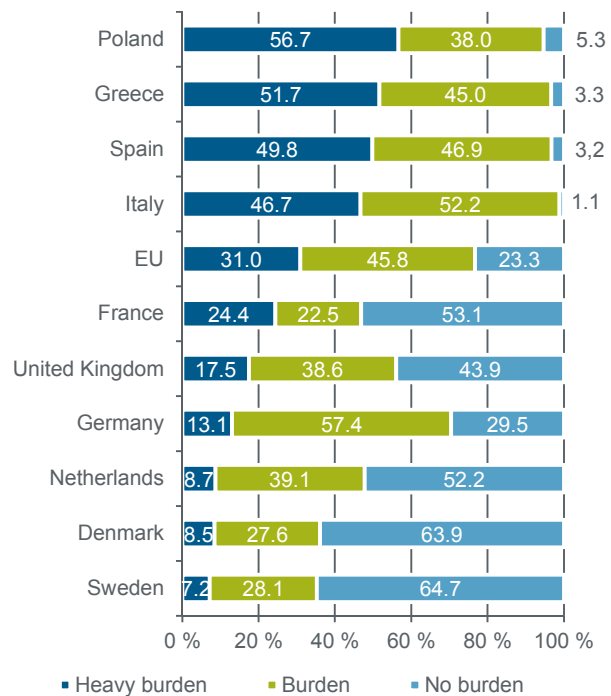
Percentage of disposable income, 2017 or 2018



Source: Eurostat, EU-SILC.

**Figure 2: Germans regard their housing costs as less of a burden than EU residents overall**

Percentage of all surveyed households, 2017 or 2018



Source: Eurostat, EU-SILC.

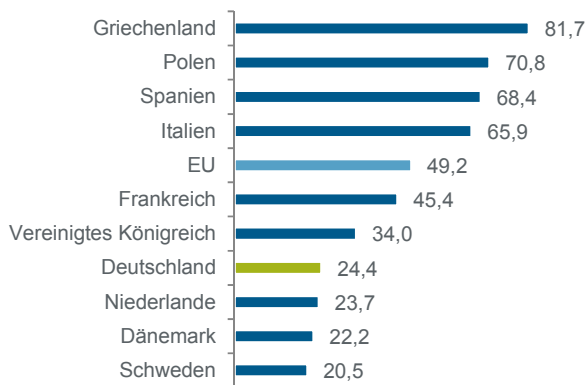
**Low earners in Germany also include relatively few who see a heavy burden**

Of the **low earners in households in Germany** that earn less than 60% of the median income, **24.4% perceived their housing costs as a heavy financial burden** (Figure 3).

Here as well, the proportion across the entire EU is a significantly higher 49.2%. In Greece, housing costs were perceived as a heavy burden by 81.7% of low earners, the highest percentage in the EU.

**Figure 3: Only a portion of low earners see their housing costs as a heavy burden**

Households with a weighted net income of less than 60% of the median that see their housing costs as a **heavy financial burden**. Share of all households below this income threshold in per cent, 2017 or 2018



Source: Eurostat, EU-SILC.

**Many low earners do not perceive their housing costs as a burden, especially in Denmark and Sweden**

**Almost 30% of Germans see no financial burden at all in their housing costs. Among the low earners, that percentage is 24.0%** (Figure 4). Thus, compared with the rest of the EU, a relatively high number of low earners in Germany do not see their housing costs as a burden. However, there are countries in which even substantially more low earners do not see themselves as being under stress from housing costs. This is primarily the case in Denmark and Sweden.

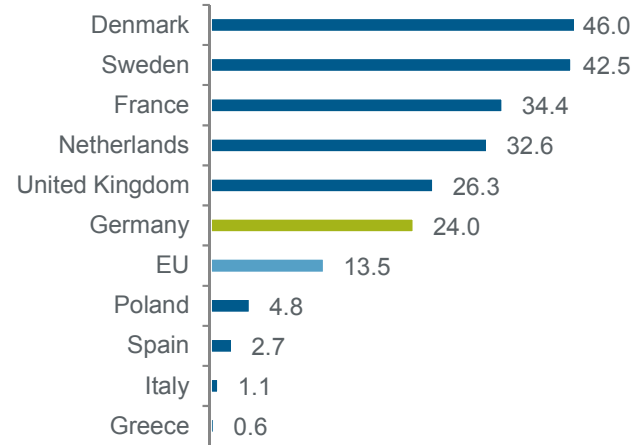
**Germans can afford to pay relatively high housing costs**

Why do nearly one third of Germans feel financially unburdened by housing costs even though they spend a relatively high share of their income on housing? A major reason for this is probably **that Germans can generally afford to spend more on housing because of their relatively high incomes**. This becomes clear when we deduct housing costs from disposable income (Figure 5). In only four of the 28 EU countries are incomes after housing costs (median values adjusted for purchasing power) significantly higher than in Germany, namely in Austria, France, Luxembourg and Malta.

In the case of low earners, it is important to take into account that part or all of the housing costs are often paid for by a third party. In Germany, some 3.8 million households (9% of all households) receive housing assistance (including housing allowance) to meet their housing costs.<sup>2</sup>

**Figure 4: Many low earners also do not see their housing costs as a burden**

Households with a weighted net income of less than 60% of the median\* that **do not** see their housing costs as a **financial burden**. Share of all surveyed households below this income threshold in per cent, 2017 or 2018

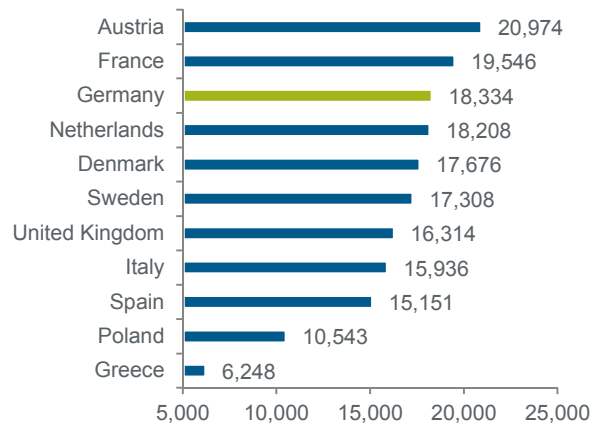


\*Based on the median need-weighted per-capita net income (net equivalent income) of private households. For Germany, the median income in 2018 was EUR 23,744, 60% of which was EUR 14,246.

Source: Eurostat, EU-SILC.

**Figure 5: Even after deducting housing costs, Germans are among the most prosperous EU inhabitants**

Disposable median incomes (weighted per-capita incomes) after housing costs of private households in purchasing power standards, 2017 or 2018



Source: Eurostat, EU-SILC, own calculations

It must also be taken into account that households were asked for a subjective assessment of their costs. Many people may not see their rental payments or home ownership costs as a burden but as reasonable payment for their unit or house and adapt their consumer desires to their household budget. If they are not deprived of essentials, such an attitude can contribute to greater life satisfaction. After all, a place of residence is ultimately a consumer good and all consumption comes with opportunity costs. Viewed negatively, any consumption could thus be regarded as a burden.

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<sup>1</sup> Under this survey, housing costs are rents including ancillary costs and, for owner-occupiers costs of maintenance and repairs, utilities (natural gas, water supply, sewerage, waste disposal etc.), mortgage interest payments, insurance premiums, public services and taxes.

<sup>2</sup> Arentz, O. (2018): Situation und Perspektiven der sozialen Wohnraumförderung in Deutschland, Stellungnahme anlässlich des öffentlichen Fachgesprächs des Ausschusses für Bau, Wohnen, Stadtentwicklung und Kommunen des Deutschen Bundestags, Institut für Wirtschaftspolitik an der Universität zu Köln, (*Situation and perspectives of social housing support in Germany, statement on the occasion of the public round table of the Permanent Committee on Building, Housing, Urban Development and Local Government, Institute for Economic Policy at the University of Cologne* – our title translation, in German only), <https://www.bundestag.de/resource/blob/572358/09803e765cd7ec610a2aa172ba987010/Stellungnahme-SV-Oliver-Arentz-data.pdf>.