

Analysis of public spending to improve the residential rental market

Lorenzo Chinchilla-Mira

LORENZO.CHINCHILLA@UA.ES

Rosario Mateu-García

ROSARIO.MATEU@UA.ES

DPTO. ECONOMÍA APLICADA Y POLÍTICA ECONÓMICA. UNIVERSIDAD DE ALICANTE

Abstract

The residential rental housing market in Spain has been affected by the lack of housing supply and the increase in average rents. For this reason, public administrations have allocated public resources and other instruments in an attempt to influence this market. However, despite the efforts and initiatives undertaken, the objectives set out in the programs approved in public budgets have not been achieved. This has occurred for several reasons, among which stands out the systematic use of regulations and applicable legislation to compensate for the lack of resources allocated to this policy. Rather than being effective, past experiences have shown the inefficiency of these regulations, particularly in relation to rent control. Additionally, the subsidies and financial aid derived from programmatic and financial instruments intended to benefit either landlords or tenants—have led to an increase in rental values. When combined with the implementation of measures aimed at reducing tax benefits, this has resulted in a rise in tax revenue. Therefore, a responsible debate on housing policy must be undertaken.

Keywords: Housing policy, rental market, public spending.

1. Introduction

This paper presents a descriptive analysis of public spending and the instruments used by housing policy during the period 2008–2025 to achieve its objectives in the residential rental market—namely, increasing the supply of rental housing and containing average rental prices to improve housing accessibility in Spain.

Following the Global Financial Crisis (GFC), housing policy abandoned measures related to homeownership and redirected its regulatory efforts and public spending toward rental housing as the preferred tenure system to address housing accessibility issues, particularly among the most disadvantaged social groups (Van-Halen, 2016). This shift is reflected in the objectives and programs of the State Housing Plans approved since 2013 by the central government and the Autonomous Communities (CC.AA.) under the common tax regime (all except the Basque Country and Navarre), which, among other goals, aimed to intervene in the rental market to improve the housing stock and contain rent prices.

Among the tools used by Spanish authorities, regulatory legislation has prevailed. The existing literature highlights critical perspectives based on national and international experiences (Marsh et al., 2022), warning of the unintended consequences of regulatory initiatives such as rent control in the rental market (Gómez, 2023; Harrington et al., 2023; Kholodilin & Kohl, 2023; Pareja & Sánchez, 2022).

Another notable intervention mechanism is public spending through grants and subsidies (Blanco et al., 2024; López, 2019), although some authors have raised concerns about potential negative externalities in this area (Ferri & Herranz, 2023; Gómez, 2023), and empirical evidence suggests that such subsidies may be passed on to rent prices in a context of high demand and rigid supply, as is the case in Spain's residential rental market (Banco de España, 2024; Valverde, 2024).

Given the above, this paper analyzes the use of different instruments and public resources dedicated to this policy, aiming to provide information for decision-making by political authorities.

Thus, the article contributes to the ongoing debate on improving housing accessibility in Spain.

The paper is structured into five sections. Following the introduction, the second section describes the instrumental framework of the adopted initiatives, including regulatory, fiscal, programmatic, and financial measures. The third section reviews the use of public resources included in the General State Budgets. After these descriptions, a brief reflection and recommendations are presented, and the fifth and final section offers conclusions based on the analysis in the previous sections, which are deemed necessary to foster the debate on this policy.

2. Housing Policy Instruments

The implementation of housing policy involves the use of various instruments, which, whether applied individually or simultaneously, should enable the achievement of the objectives set for any public policy. To facilitate the required analysis, Table 1 lists the instruments under study, which will be detailed in the following sections.

Table 1: Summary of Housing Policy Instruments Aimed at the Rental Market.

INSTRUMENTS	DEFINITION
Regulatory	Binding legal regulations of direct application: - Civil Code - Urban Leasehold Law - Law on the Right to Housing
Programmatic	General State Budget: Access to Housing and Construction Promotion - Program 261N: Promotion, administration, and assistance for rehabilitation and access to housing (State Housing Plans) - Other programs (Youth Rental Bonus)
Financial	General State Budget: Access to Housing and Building Promotion - Next Generation EU Funds: Resilience and Recovery Mechanism (Recovery, Transformation, and Resilience Plan)
Tax	Tax relief for tenants and homeowners

Source: *Own elaboration.*

Normative or regulatory instruments consist of binding legal rules with direct applicability. It is common for the State, as the creator of such regulations, to enact them with the intention of intervening in specific issues, such as rent control in the rental market (Arruñada, 2022; Collado et al., 2021; Fuente, 2023; Harrington et al., 2023; Marsh et al., 2022).

On the other hand, programmatic measures establish concrete actions based on the political strategy that determines specific objectives, resource allocation, and their validity over a set period. Financial instruments are usually linked to programmatic ones and are used to economically stimulate public and private activity through financial support (Independent Authority for Fiscal Responsibility (AIReF), 2023).

Finally, fiscal policy instruments aim to incentivize and improve the income of individuals and legal entities, seeking to make rental investments attractive. However, this comes at the cost of reduced tax revenue (AIReF, 2020).

2.1. Normative instruments for residential rental housing policy

Following Constitutional Court Ruling 152/1988, which outlined the distribution of competencies between the State and the Autonomous Communities (CC.AA.), the latter assumed the design, coordination, and management of programmatic and financial instruments established in the State Housing Plans (PEV) through collaboration agreements between different Public Administrations (AA.PP.) and financial entities. Meanwhile, the State issued legislation as an economic policy instrument aimed at intervening in, regulating, and organizing all aspects of housing policy, through binding legal norms applied directly.

It is important to exclude from these instruments any legislation used to legitimize the development of other related programmatic and financial instruments, such as the approval of agreements between CC.AA. and the State, accompanied by the allocation of budgetary resources for each PEV.

Regarding the rental housing market, the current reference regulations at the national level include the Royal Decree of July 24, 1889, which enacted the Civil Code, Law 29/1994 of November 24 on Urban Leases (LAU), and Law 12/2023 of May 24 on the Right to Housing.

The first regulation appears in the Civil Code under Title VI “On the lease contract”, specifically Articles 1546 to 1582 in Chapter II “On rural and urban property leases”. These provisions govern leases and aspects not covered by the LAU and offer a broader perspective on various implications and conditions related to renting.

The current LAU, Law 29/1994 of November 24, on Urban Leases, had its first legislative reference in Decree 4104/1964 of December 24. It has undergone numerous amendments, the most recent being Law 4/2013 of June 4, on measures to make the housing rental market more flexible and to promote it, which, among other things, establishes the general framework for conditions in lease agreements; and Royal Decree-law 7/2019 of March 1, on urgent measures in housing and rental matters. This decree not only modified several articles of Law 29/1994, but in its first additional provision it expressly mentions the “Redirection of the State Housing Plan, which should exclusively support housing under rental tenure”. Additionally, its second additional provision establishes the State System of Rental Price Reference Indexes (SERPAVI), which would later serve as a benchmark for rent control.

Lastly, Law 12/2023 of May 24 on the Right to Housing is directly related to the implementation of Spain’s Recovery, Transformation, and Resilience Plan (PRTR), stemming from the Recovery and Resilience Mechanism (MRR), and more specifically, with milestone C2.R3 “Housing Law”, listed as number 22 in Annex B.2. concerning non-reimbursable financial aid of the Council’s Implementing Decision of June 16, 2021, approving the PRTR. In addition to including programmatic and financial measures, one of the objectives of this law is to contain rent increases, which it addresses through the regulation and control of average rental prices in stressed areas.

The application of Law 12/2023 regarding rent control required the publication in the Official State Gazette (BOE) of the municipalities that each Autonomous Community considered as “stressed residential

market areas”, where the Reference Rental Price Index of the State System for Rental Price Reference (SERPAVI) would be applied.

Among all the Autonomous Communities, only the Generalitat of Catalonia published in the first quarter of 2024 a list of 140 municipalities, later updated in October 2024. The rest voluntarily chose not to designate their stressed areas. Their decision was based on arguments that such regulations might have adverse effects contrary to their intended purpose. International experiences suggest that, although effective in the short term within the regulated segment, these measures could raise rents in the unregulated market, leading to medium-term practical difficulties in implementation and supply response. Thus, they could ultimately hinder solutions to the rental housing market’s problems. Therefore, this decision rendered the nationwide application of this law ineffective.

2.2. Programmatic and financial instruments used in housing policy in Spain

Since the enactment of the “Royal Decree 1932/1991 of December 20 on financing measures for protected housing actions under the 1992–1995 Plan”, following the 1988 Constitutional Court Ruling, and for six consecutive PEVs, the programs saw little change (Gómez, 2023; Van-Halen, 2016). Public resources primarily focused on promoting the construction of new protected housing for ownership and rental, seen as both savings and investment, as well as a way to stimulate the construction sector (Castaño, 2012).

In 2007, the Basic Youth Emancipation Income (RBE) was approved to facilitate young people’s emancipation, boost labor mobility, and stimulate the rental market. It consisted of direct subsidies to cover rent for one’s habitual and permanent residence. The program was repealed on January 1, 2012. That year, the aid amount was reduced from €210 to €147 for those whose rights had been recognized or who had applied before that date, and was available until they turned 30 or had received it for its full four-year term.

Between 1992 and 2012, in terms of direct rental subsidies, only this RBE program, approved in late 2007 and active from 2008 to 2012, showed positive results. This was both in terms of the number of young

beneficiaries and the increased probability of emancipation linked to income rise (Aparicio & Oppedisano, 2012). Nevertheless, the program faced complaints and criticism, particularly over its cancellation and delays in disbursing the aid, due to limited credit availability for new applications and coordination issues between CC.AA. and the State during application processing (Ombudsman, 2013).

Despite the RBE, Spain showed a clear lack of initiative in developing the private and social rental markets (Castaño, 2012), until a turning point in 2013. That year, income tax deductions for home purchases were eliminated for buyers who acquired their main residence after January 1, 2013. Likewise, programs under PEVs aimed at homeownership acquisition were discontinued, redirecting resources toward promoting the residential rental housing market through the enactment of “Royal Decree 233/2013 of April 5 regulating the State Plan for the Promotion of Housing Rentals, Building Renovation, and Urban Regeneration and Renewal, 2013–2016” (PEV 2013–2016). The title itself served as a declaration of intent.

The 2013–2016 PEV established eight programs, two of which were aimed at the rental market. One was a rental assistance program intended to facilitate access to and retention of rental housing for economically disadvantaged groups. It required beneficiaries’ income not to exceed three times the IPREM and monthly rent to be €600 or less. A second rental-focused program aimed to promote a stock of protected rental housing, creating a public rental housing stock on publicly owned land or buildings, with a surface area not exceeding 90 m², intended for rotation or protected use.

The 2018–2021 State Housing Plan (PEV) seeks to give new momentum to the promotion of rental or leasehold housing, whether through public or private initiatives. Of the initial nine programs, which were later expanded due to the COVID-19 crisis, four were aimed at providing rental assistance.

Lastly, the current State Plan for Access to Housing 2022–2025, which comprises 13 programs, includes four that offer direct assistance to tenants, with special attention to certain vulnerable groups, and another five aimed at boosting the supply of rental housing by increasing the public housing stock and promoting the development of affordable or social rental housing.

Table 2: Programs directly related to the residential rental housing market under the PEV 1992–2025.

STATE HOUSING PLANS (SHP)	PROGRAMS TO BOOST SUPPLY	PROGRAMS TO STIMULATE DEMAND
SHP 1992 - 2012	<ul style="list-style-type: none"> • Newly built social housing for rent • Co-financing of publicly promoted social housing for rent • Renovation of rental housing • Purchase of used rental housing • Aid for owners of unsubsidized rental housing 	<ul style="list-style-type: none"> • Basic Emancipation Income (2008-2012) • Tenant Assistance
SHP 2013-2016 (Prórroga 2017)	<ul style="list-style-type: none"> • Promotion of public rental housing stock 	<ul style="list-style-type: none"> • Housing rental assistance
SHP 2018-2021	<ul style="list-style-type: none"> • Promotion of rental housing stock • Promotion of housing for seniors and people with disabilities (rental or transfer of use) 	<ul style="list-style-type: none"> • Rental assistance • Assistance for people facing eviction or foreclosure from their primary residence • Assistance for young people (under 35 years old)

Analysis of public spending to improve the residential...

STATE HOUSING PLANS (SHP)	PROGRAMS TO BOOST SUPPLY	PROGRAMS TO STIMULATE DEMAND
SHP 2022-2025	<ul style="list-style-type: none"> • Increase in the public housing stock • Promotion of housing for seniors or people with disabilities • Promotion of temporary accommodation, cohousing models, intergenerational housing, and similar modalities. • Provision of SAREB and public entity housing for rental as social housing. • Promotion of making available to autonomous communities and city councils free housing for rental as affordable or social housing. • Assistance with the payment of rental income protection insurance. 	<ul style="list-style-type: none"> • Youth Rental Bonus • Rental assistance • Assistance for victims of gender-based violence, people facing eviction from their primary residence, the homeless, and other particularly vulnerable people • Assistance for tenants in situations of sudden vulnerability • Assistance for young people and to help address the demographic challenge

Source: Own elaboration

From Table 2, it can be seen how, over time, the number of programs related to rental housing within each State Housing Plan (PEV) has increased, becoming increasingly specific in defining the target beneficiaries of the aid, with particular attention to distinguishing among groups considered to face greater accessibility challenges. This segmentation allows for the allocation of a budget to each identified issue, with access conditions tailored and differentiated according to the various groups. In this way, the aim is to ensure both

the availability and appropriate allocation of resources based on a better assessment of the beneficiaries.

Therefore, for each program in each PEV, the granting of aid is subject to the fulfillment of a series of requirements established by the regulations for both public and private beneficiaries. Personal, family, and income characteristics affect the intensity and amount of aid that may be granted, whether in the form of loans, subsidies, or grants.

On the other hand, it is important to consider that a greater number of programs necessarily leads to an increase in the bureaucratic and administrative management of the entire PEV. In accordance with Law 39/2015 of October 1, on the Common Administrative Procedure of Public Administrations, each Autonomous Community must publish the corresponding call for each program in its Official Journal, establishing a specific application period during which potential beneficiaries may voluntarily—rather than automatically—submit their application and the required documentation. This process initiates a case file that may lead to all kinds of requests for documentation, clarifications, or appeals, ending with either the approval or denial of the requested aid, often after several months or even years of processing.

2.3. Details of Financial Instruments for Boosting the Supply of Residential Rental Housing in the PEV 2022–2025

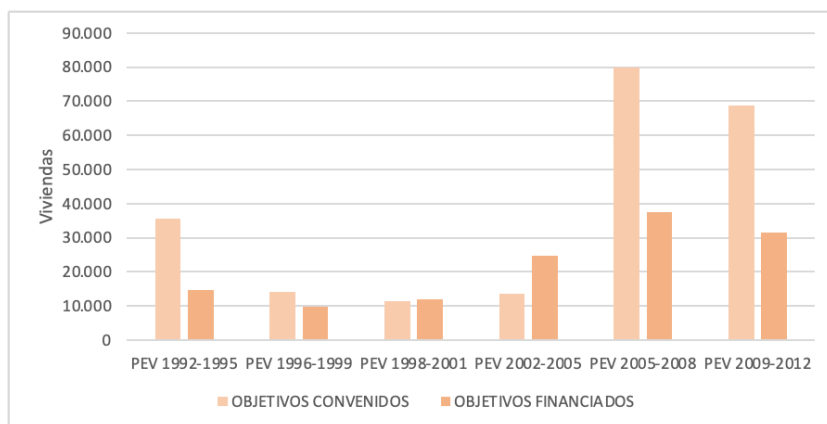
Public sector financial instruments are used as countercyclical tools to stimulate supply during periods of credit constraints, as well as to address structural market failures (AIReF, 2023).

With the approval of the European Recovery and Resilience Mechanism (RRM) funds under the Next Generation EU (NGEU) through the Recovery, Transformation and Resilience Plan (PRTR) (Government of Spain, 2023), special emphasis is placed on financing the initiatives included in Component 2, titled “Implementation of the Spanish Urban Agenda – Urban Rehabilitation and Regeneration Plan”. Among its financial instruments are C02.I02, “Program for the construction of social rental housing in energy-efficient buildings”, and C02.I07, “ICO loan line for the promotion of social housing”,

which aim to increase the stock of social or affordable rental housing through rehabilitation and new construction programs (Government of Spain, 2023). In Spanish regulations, these measures are applied through Program 6 of Royal Decree 853/2021 of October 5, which regulates aid programs for residential rehabilitation and social housing under the PRTR.

Regarding the market failures these financial instruments aim to correct—as noted in the Component 2 Addendum of the PRTR (Government of Spain, 2023)—on one hand, there has been insufficient private financing for the development of rental housing, and on the other, there is a need to ensure the full implementation of government-approved subsidies. This is particularly to avoid repeating what occurred during the 1992–2012 period, when initiatives focused on boosting the supply of subsidized rental housing under the PEV, using this type of financial instrument, fell significantly short of expectations, achieving less than 60% of the set objectives, as shown in the following chart.

Figure 1: Fulfillment of Objectives within the PEV for the Construction of Subsidized Rental Housing, 1992–2012.

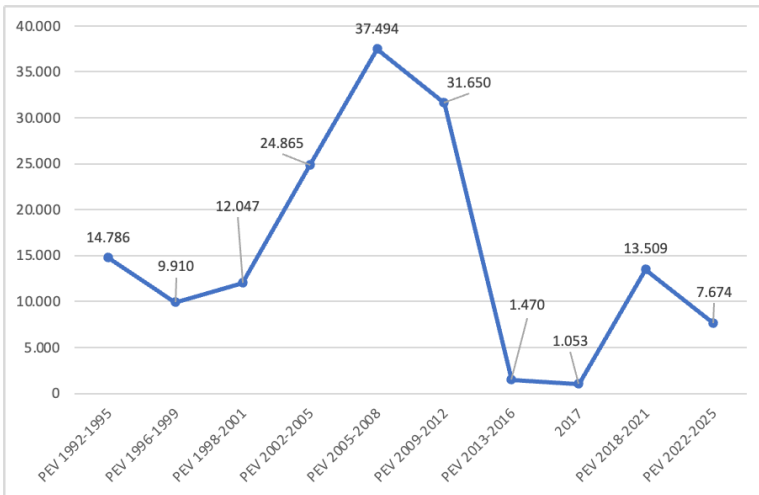


Source: Van Halen, 2016

If the results during the 1992–2012 period had already fallen short of expectations, then during the 2013–2023 period, the construction of subsidized rental housing became nearly symbolic. Although the State Housing Plans (PEVs) continued to include programs aimed at

boosting supply—and even with the arrival of NGEU funds starting in 2021—the reality is that their impact on construction levels was negligible, accounting for only 2.6% of all newly built housing, both market-rate and subsidized. This highlights their inability to influence the supply of residential rental housing, let alone rental prices.

Figure 2: Newly Built Subsidized Housing Intended for Rental, 1992–2023.



Source: Ministry of Transport and Sustainable Mobility (MTMS)

Note: Data from the 2022–2025 State Housing Plan (PEV) available up to 2023.

2.4. Fiscal Instruments

Tax benefits are amounts not collected by the State and left in the hands of the beneficiaries through the use of fiscal policy tools aimed at achieving specific economic and social goals. These tools operate via reductions, deductions, and rebates that create incentives or improve the income of beneficiaries (Independent Authority for Fiscal Responsibility—AIReF, 2020). In the case of the rental market, they have been used both on the demand side (with reductions for landlords) and the supply side (with deductions for tenants).

Regarding fiscal tools to promote supply, Law 35/2006, of November 28, on Personal Income Tax (IRPF), in Article 23.2,

established a reduction for income generated from renting real estate intended for housing. This provision has been amended four times since its approval. Originally, it allowed for a 50% general reduction on rental income, which increased to 100% if the tenant was between 18 and 35 years old and had net earned income exceeding the IPREM (Public Indicator of Multiple Effect Income) in the tax year.

The first amendment, effective January 1, 2011, increased the general reduction to 60% and lowered the maximum tenant age to 30 years.

The second amendment, effective January 1, 2015, maintained only the general 60% reduction, eliminating the extra benefit for young tenants.

The third amendment, effective July 11, 2021, specified that the 60% reduction would only apply to positive net rental income declared voluntarily by the taxpayer before the start of a data verification, limited audit, or tax inspection process involving such income.

The most recent amendment—Law 12/2023, of May 24, on the Right to Housing—currently governs the tax treatment of rental income. It is directly related to the implementation of Spain’s Recovery, Transformation, and Resilience Plan (PRTR), stemming from the Recovery and Resilience Mechanism (RRM), and more specifically with milestone C2.R3 “Housing Law”, listed as item 22 in Annex B.2. of the Council Implementing Decision of June 16, 2021 approving the PRTR.

Among the goals of this law is to contain rent increases, and it includes both programmatic and financial measures. It stands out for regulating rents in stressed housing markets, setting the following reduction percentages:

90% reduction for new rental contracts in stressed residential areas, where the initial rent has been reduced by more than 5% compared to the previous rent for the same unit, adjusted for any annual rent updates under the previous contract.

70% reduction if the taxpayer rents the dwelling for the first time in a stressed area and the tenant is aged 18–35, or if the tenant is a public administration or nonprofit organization using the unit for social housing below the threshold set in the national housing plan, or

to house individuals in economic vulnerability, or if the unit is part of a public housing program limiting rent levels.

60% reduction if the unit underwent rehabilitation completed within the two years prior to signing the lease.

A 50% general reduction in all other cases, maintaining the requirement that no verification or inspection process has been initiated.

To benefit from these reductions under the IRPF, just like with rent control measures, each Autonomous Community (CC.AA.) must designate the municipalities in “stressed residential markets.” As noted, only the Generalitat of Catalonia published such a list (140 municipalities, Q1 2024), while the rest of the regions chose not to, effectively nullifying the law’s national application and reducing general fiscal benefits from 60% (prior to the law) to 50% for eligible landlords.

Reducing the IRPF tax base is aimed at boosting housing supply. An increase in beneficiaries suggests a growing rental supply, which in turn caused a nearly proportional rise in fiscal benefits, albeit with a decline and later stabilization of the average benefit per taxpayer, as seen in the previous table. However, per Article 45 of the IRPF Law, subsidies received by tenants are not tax-exempt, being classified as capital gains for tax purposes. Meanwhile, landlords declare rental income, applying the relevant reduction, and both tenants and landlords see an increase in their general tax base, meaning the State recovers part of the granted subsidies and benefits.

The reduction of tax benefits related to rental demand is due to Article One, Paragraph 48 of Law 26/2014, which repealed Article 68.7 of the IRPF Law. That article had regulated the deduction for renting a primary residence, but was repealed for contracts signed after January 1, 2015, leaving no national-level deduction for tenants, with only regional deductions available at the discretion of each CC.AA.

For legal entities (companies) that own rental housing:

Article 10.3 of Law 27/2014, of November 27, on Corporate Income Tax (IS), stipulates that subsidies must be recorded as income directly allocated to net equity and reported in the profit and loss statement.

Articles 48 and 49 of the same law govern corporate tax deductions for entities renting eight or more units for at least three years. Initially, these entities were eligible for an 85% tax deduction, which was later reduced to 40% under Law 22/2021, of December 28 (General State Budget for 2022).

Despite this reduction, the strong increase in qualifying entities shows the momentum of the rental housing market. These entities must formally notify the tax authorities in order to claim the benefit.

Table 3: Details of Tax Benefits Obtained in 2013 and 2023 Related to Residential Rental Housing.

	Reduction in the owner's personal income tax base		
	Millions of euros	Beneficiaries	Euros/Beneficiary
2013	463,07	976.843	474,05
2023	716,61	2.033.555	352,39
	Deduction for renting a habitual residence in the tenant's state personal income tax (IRPF)		
	Millions of euros	Beneficiaries	Euros/Beneficiary
2013	140,83	722.299	194,97
2023	29,74	147.690	201,37
	Bonus on the full IS tax rate for entities		
	Millions of euros	Beneficiaries	Euros/Beneficiary
2013	20,23	449	45.055,68
2023	29,09	1.509	19.277,67

Source: *Tax Benefits Report*.

Summary

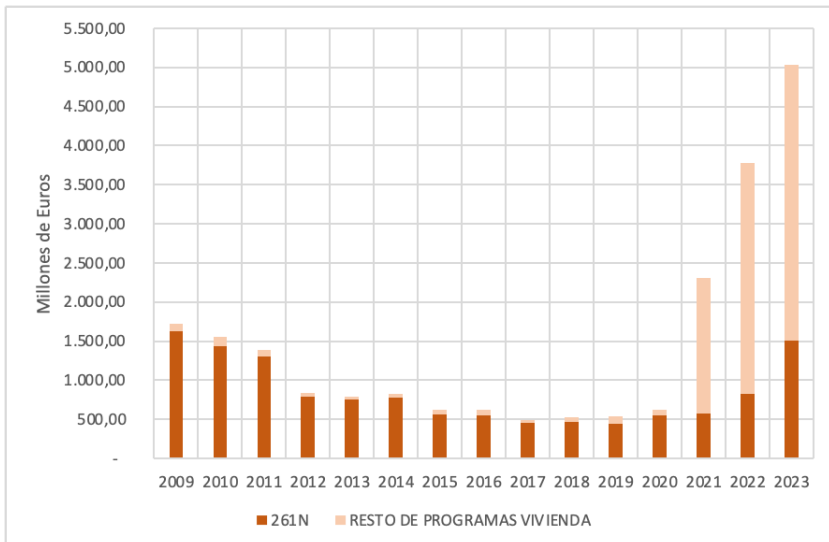
The fiscal incentives aimed at boosting supply and stimulating demand in the residential rental market during the analyzed period have mostly declined. For instance, the reduction in the taxable base for property owners decreased from 60% in 2023 to 50% in 2024, and the tax rebate on the corporate income tax for entities engaged in rental activities dropped from 85% in 2021 to 40% in 2022. In some cases, such as state-level deductions for tenants, they even disappeared completely in 2015.

As previously noted, the reduction in tax benefits results in higher tax revenue for the State. Combined with the increase in rental income for property owners and capital gains for tenants, housing policy has increasingly become a revenue-driven policy.

3. Instruments Aimed at Influencing the Rental Market in the General State Budget

Housing policy in Spain, within the framework of the General State Budget (PGE), is referred to as “Access to Housing and Promotion of Building.” According to the program classification indicating how public spending is allocated, the most budget-relevant component of housing policy is Program 261N, titled “Promotion, Administration and Assistance for Rehabilitation and Access to Housing.” In fact, as shown in Figure 3, it can be stated that until the approval of the Next Generation EU (NGEU) Funds in 2021, Program 261N accounted for over 90% of the national funds allocated each year to promote and implement housing policy in Spain. This program includes the subsidies and grants outlined in the State Housing Plans (PEV) for each Autonomous Community (CC.AA.), which include assistance related to residential rental housing.

Figure 3: Evolution of the Housing Policy Budget in Spain, 2009–2023.



Source: *Economic and Financial Report. General State Budget (PGE)*

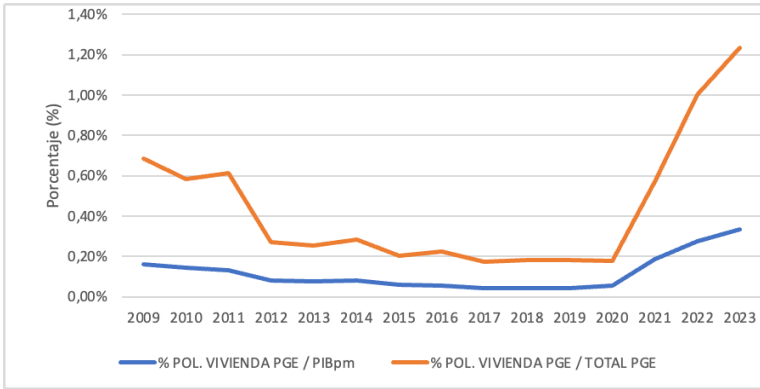
However, there has been a strong and continued decline in Program 261N, initially coinciding with the Global Financial Crisis (GFC) and the sovereign debt crisis. It did not recover despite positive signs in the Spanish economy from 2014 onwards, reaching its lowest levels between 2018 and 2020.

According to the 2021-2024 Stability Program Update (Ministry of Economic Affairs and Digital Transformation, 2024), starting in 2021, after the COVID-19 crisis, the government's optimistic forecasts led to a more than 20% increase in public spending in the PGE - 2021 compared to the previous year (Sanz & Romero, 2021). From that moment, a rapid growth trajectory for housing policy began between 2021 and 2023, reaching a volume of domestic resources higher than those available ten years earlier, although not yet reaching the levels seen prior to the GFC.

At the same time, in 2021, the European funds from the Resilience and Recovery Mechanism (MRR), part of the NGEU Funds, were approved through the Recovery, Transformation, and Resilience Plan (PRTR) (Government of Spain, 2023). These funds came to represent 75% of the housing policy budget for the period 2021-2023. In the case of housing policy, they are part of Component 2, titled "Implementation of the Spanish Urban Agenda - Housing Rehabilitation and Urban Regeneration Plan."

Regarding the representation of the budget allocated to housing policy, as shown in Figure 4, for the period 2009-2023, both the limited relevance of public resources allocated to this policy and the decline in its relative weight are evident, even taking into account the effect of the NGEU Funds.

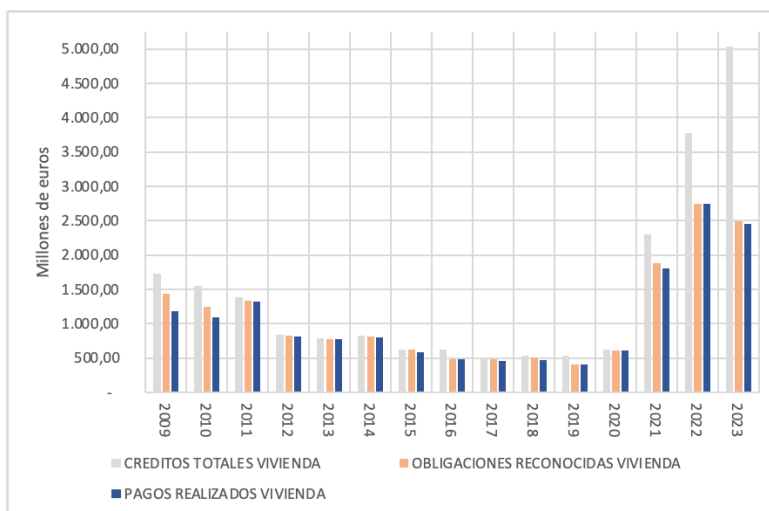
Figure 4: Evolution of the Relative Weight of Resources Used in Housing Policy as a Percentage of GDP and Total PGE.



Source: *Economic and Financial Report. General State Budget (PGE)*

Regarding budget execution, the following Figure shows the difference between total credits, meaning the initial resources for this policy, including modifications, for each budget period, the recognized obligations within the fiscal year itself, and the payments made to meet these obligations, both for the same period and for previous years. It should be noted that for the years 2009 to 2023, both the obligations and payments have been lower than the total credits, generating numerous uncovered credits, even for the years with the highest volume.

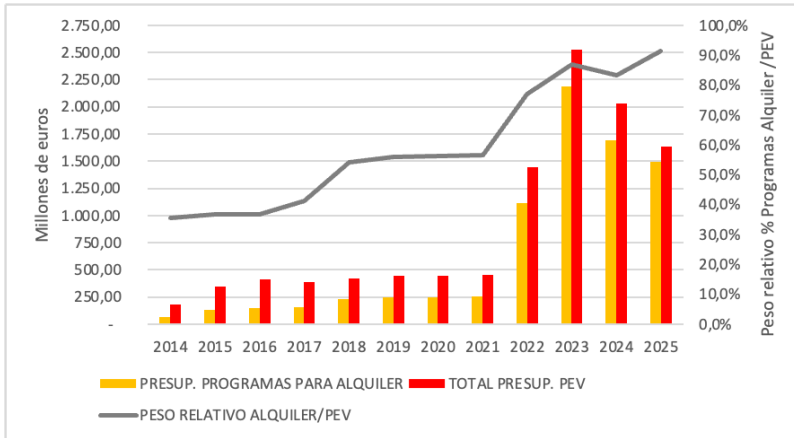
Figure 5: Evolution of Budget Execution for Housing Policy.



Source: *General Intervention of the State Administration. National Accounting Office.*

Regarding public resources specifically aimed at influencing the development of the residential rental market, these are integrated into the programs approved in the State Housing Plans (PEV) signed through agreements between the State and each of the Autonomous Communities (CC.AA.) of the common fiscal regime. According to the data provided in Figure 6, the relative weight of programs directed at rental housing represented 35% of the total PEV budgets in 2014. By 2018, this figure had already exceeded 50%, and for 2025, it is expected to surpass 95%, showing the high level of importance these programs have acquired for policymakers in the PEV.

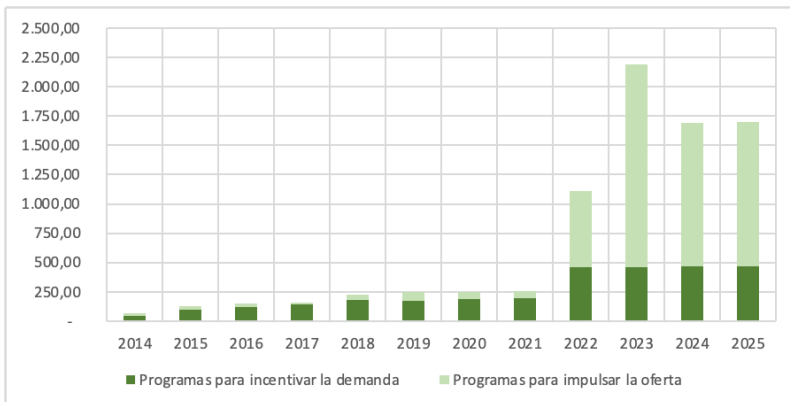
Figure 6: PEV and Programs Directed at the Rental Market.



Source: *Agreements Signed Between Public Administrations.*

As shown in Figure 7, between 2014 and 2021, these programs focused on incentivizing demand, with their budget increasing by €200 million annually starting in 2022 due to the implementation of the Young Rent Voucher. From 2022 onwards, driven by the NGEU Funds, the programs aimed at boosting supply receive the highest budget allocations, intended for initiatives to increase the stock of rental housing.

Figure 7: Budgets for Specific Residential Rental Programs in the PEV.



Source: *Agreements Signed Between Public Administrations.*

The financing for residential rental programs aimed at stimulating demand with own funds, aside from the impact of the Young Rent Voucher and NGEU Funds, has far exceeded the funds allocated to programs aimed at boosting supply. For the period analyzed (2014-2025), a total of €2,202.60 million was allocated to demand subsidies compared to €881.39 million for supply programs.

In this context, the increase in rents for tenants through subsidies and grants inevitably leads to higher rents in the rental market, as noted by various authors (Andersson & Söderberg, 2012; Chapelle et al., 2019; Collinson & Ganong, 2018; Eriksen & Ross, 2015; Grislain & Trevien, 2022; Sayag & Zussman, 2020). This suggests that the use of these resources may have been counterproductive to the objectives set in all the PEVs, which aimed for affordable rental housing.

4. Recommendations

Based on the analysis of the implementation of the aforementioned instruments, several proposals can be made to improve their effectiveness in stimulating demand and boosting supply in the rental housing market.

Legislative changes are necessary to flexibilize the residential rental market by modifying certain laws, such as the Urban Leases Law to avoid limiting the duration of contracts, the Civil Procedure Law to prioritize eviction and precarious possession lawsuits to provide greater legal security to property owners, or the Right to Housing Law to eliminate rent controls and improve access to tax benefits.

Direct subsidies from programs aimed at stimulating demand should be eliminated, as increasing tenants' income pressures prices upward, as discussed earlier.

To stimulate supply, bureaucratic and administrative management in General Urban Planning Plans (PGOUs) could be facilitated, enabling a more agile land liberalization policy with all guarantees of compliance with current legislation, promoting the construction of social housing for rent and improving social housing classification for developers, including agreements with property owners.

Regarding taxation, reductions and bonuses for property owners could be increased, and to benefit vulnerable groups, these measures could be linked to tenants' income levels.

5. Conclusions

The following conclusions provide reflections and comments on the analysis in order to contribute to the debate on the measures adopted to stimulate the rental housing market in Spain.

Coordination between the Autonomous Communities (CC. AA.) and the State is essential, as it conditions the management and development of the instruments to be applied. Due to the distribution of competencies, the CC.AA. must implement the regulatory and programmatic instruments approved by the State Administration. However, bureaucratic and administrative burdens have not always been handled with perfect coordination regarding the application and appropriateness of programs and regulations, such as budgetary and management disorganization for certain subsidies or the approval of regulations that are not implemented, such as the lack of full implementation of Law 12/2023 across the entire common fiscal regime territory.

Related to the previous paragraph, the rental market lacks automatic mechanisms to increase the supply of residential rental housing. Existing instruments, such as regulatory and fiscal measures, have not helped improve the situation. For example, Law 12/2023 has had very limited territorial effects on rent control. Although it may be effective in the short term to curb the rise in average rental prices, it could reduce the supply of housing in “tensioned residential market areas” because property owners and developers may not be willing to accept the conditions imposed on new contracts under the law. Despite the fiscal benefits in this law, they do not seem to influence the decisions of the involved parties on their own.

Increasing the stock of social rental housing is a key objective that will be boosted by NGEU funds through financial instruments via public-private collaboration. However, the dynamics of public budgets with own funds in the last decade have not shown a favorable

trend. In fact, the approval of legislation to regulate the rental market has been a recurring mechanism due to the evident lack of public resources, and it is also necessary to ensure the legal security of both property owners and tenants.

The evident lack of public resources has not only been significant but has also been exacerbated by the failure to fully implement the State Budgets (PGE) regarding spending all the total credits approved for housing policy. As a result, annual opportunities to fully develop this policy have been lost, particularly in budget years with higher volumes of approved credits.

Programmatic and fiscal instruments aimed at improving tenants' income have provided new ways for property owners to increase rents up to the limits set by subsidy calls and the requirements established in contracts with tenants. The beneficiaries of these subsidies, such as the Young Rent Voucher, are driven to sign new contracts. This situation benefits the State fiscally, as property owners report higher incomes, and tenants report capital gains for tax purposes, as they are required to file income tax returns due to receiving subsidies. In a context of reduced fiscal benefits, this results in higher public revenues through taxation.

It is important to note that some of the instruments employed have been replicated and maintained over time, despite contributing to outcomes contrary to those desired by political authorities in the approved PEVs. This calls for a deep reconsideration of the programs and instruments used to ensure their utility.

This article has highlighted the most significant aspects of housing policy instruments in residential rental matters, showing a series of behaviors and initiatives that, far from fulfilling their objectives, may have negatively impacted the development of this market, which aims to ensure affordable access to housing. Instead, the market has evolved with rising rents and reduced supply.

6. Bibliography

- [1] Andersson, R., & Söderberg, B. (2012). Elimination of rent control in the Swedish rental housing market: Why and how? *Journal of Housing Research*, 21, 159–181. 10.1080/10835547.2012.12092062

- [2] Aparicio, A., & Oppedisano, V. (2012). Fostering the emancipation of young people: Evidence from a spanish rental subsidy. (Nº. 6651). Institute for the Study of Labor (IZA). <https://docs.iza.org/dp6651.pdf>
- [3] Arruñada, B. (2022). Comentario a las nuevas regulaciones del alquiler. *Revista Del Instituto De Estudios Económicos*, (3), 129–145. <https://documentos.fedea.net/pubs/ap/2022/ap2022-12.pdf>
- [4] Autoridad Independiente de Responsabilidad Fiscal (AIREF). (2019). Evaluación de estrategia y procedimiento de subvenciones. Autoridad Independiente de Responsabilidad Fiscal (AIREF). <https://www.airef.es/es/estudios/estudio-evaluacion-estrategia-procedimiento-subvenciones/>
- [5] Autoridad Independiente de Responsabilidad Fiscal (AIREF). (2020). Beneficios fiscales. Autoridad Independiente de Responsabilidad Fiscal (AIREF). <https://www.airef.es/es/estudios/estudio-beneficios-fiscales/>
- [6] Autoridad Independiente de Responsabilidad Fiscal (AIREF). (2023). Instrumentos financieros del sector público para el apoyo a sectores productivos de la economía española. Autoridad Independiente de Responsabilidad Fiscal (AIREF). <https://www.airef.es/es/estudios/estudio-instrumentos-financieros-del-sector-publico-para-el-apoyo-a-sectores-productivos-de-la-economia-espanola/>
- [7] Banco de España (2024). Capítulo 4. el mercado de la vivienda en España: Evolución reciente, riesgos y problemas de accesibilidad. Informe anual 2023 (pp. 230–300). Banco de España.
- [8] Blanco Miguel, P., Borrego Alés, Y., & Chaves-Montero, A. (2024). Plan estatal para el acceso a la vivienda 2022-2025: Análisis de las estrategias contempladas para la reducción de la exclusión residencial. Paper presented at the IX Congreso De La Red Española De Política Social (2023), Palma de Mallorca. 145–151. <https://dialnet.unirioja.es/servlet/articulo?codigo=9648821>
- [9] Castaño Martínez, M. S. (2012). La eficacia de la política de la vivienda en España. *Información Comercial Española, ICE: Revista De Economía*, (867), 7–22. <https://revistasice.com/index.php/ICE/article/view/1521/1521>
- [10] Chapelle, G., Wasmer, E., & Bono, P. (2019). Spatial misallocation and rent controls. *AEA Papers and Proceedings*, 109, 389–92. 10.1257/pandp.20191024
- [11] Collado, N., Martínez, A., & Galindo, J. (2021). ¿Servirá la nueva ley de vivienda para mejorar el alquiler en España? (Nº. 32). <https://www.esade.edu/ecpol/es/publicaciones/servira-la-nueva-ley-de-vivienda-para-mejorar-el-alquiler-en-espana-2/>
- [12] Collinson, R., & Ganong, P. (2018). How do changes in housing voucher design affect rent and neighborhood quality? *American Economic Journal: Economic Policy*, 10(2), 62–89. 10.1257/pol.20150176
- [13] Eriksen, M. D., & Ross, A. (2015). Housing vouchers and the price of rental housing. *American Economic Journal: Economic Policy*, 7(3), 154–176. 10.1257/pol.20130064
- [14] Ferri Carreres, J., & Herranz Baez, F. (2023). Building on fiscal policy: Government consumption and the residential sector when helping hurts. *Documentos De Trabajo (FEDEA)*, (1), 1–65. <https://fedea.net/building-on-fiscal-policy-government-consumption-and-the-residential-sector-when-helping-hurts/>
- [15] Fuente, A. d. l. (2023). Notas sobre el proyecto de ley de vivienda. *Fedea Economy Notes*, 2023(12), 8. <https://documentos.fedea.net/pubs/ap/2023/ap2023-12.pdf>

- [16] Gobierno de España. (2023). Plan de recuperación, transformación y resiliencia. componente 2. implementación de la agenda urbana española: Plan de rehabilitación y regeneración urbana. Ministerio de Hacienda y Función Pública. <https://planderecuperacion.gob.es/>
- [17] Gómez López, E. (2023). Desmontando las políticas públicas en el sector de la vivienda en la España del siglo XXI: Una perspectiva de las externalidades negativas que pueden llegar a tener las ayudas. *Revista Procesos De Mercado*, XX(1º 2023), 363–390. 10.52195/pm.v20i1.859
- [18] Grislain-Letrémy, C., & Trevien, C. (2022). The long-term impact of housing subsidies on the rental sector: The french example. (Nº. wp886).Banque de France. <https://publications.banque-france.fr/sites/default/files/medias/documents/wp886.pdf>
- [19] Harrington, N., Gibb, K., Smith, B., & Marsh, A. (2023). The impact of regulatory reform on the private rented sector. UK Collaborative Centre for Housing Evidence (CaCHE). <https://housingevidence.ac.uk/publications/the-impact-of-regulatory-reform-on-the-private-rented-sector/>
- [20] Kholodilin, K. A., & Kohl, S. (2023). Do rent controls and other tenancy regulations affect new construction? some answers from long-run historical evidence. *International Journal of Housing Policy*, 23(4), 671–691. 10.1080/19491247.2022.2164398
- [21] López García, M. A. (2019). Vivienda y política pública: Objetivos e instrumentos. Documentos De Trabajo (FEDEA), (7), 1–266. <https://documentos.fedea.net/pubs/dt/2019/dt2019-07.pdf>
- [22] Marsh, A., Gibb, K., & Soaita, A. M. (2022). Rent regulation: Unpacking the debates. *International Journal of Housing Policy*, 23(4), 734–757. 10.1080/19491247.2022.2089079
- [23] Ministerio de Asuntos Económicos y Transformación Digital. (2024). Programa de estabilidad 2021-2024. https://transparencia.gob.es/servicios-buscador/contenido/planesprogramas.htm?id=PLANESPROGRAMAS_1250&lang=es
- [24] Pareja Eastaway, M., & Sánchez Martínez, M. T. (2015). El sistema de vivienda en españa y el papel de las políticas: ¿Qué falta por resolver? *Cuadernos Económicos De ICE*, (90), 149–174. 10.32796/cice.2015.90.6111
- [25] Pareja-Eastaway, M., & Sánchez-Martínez, T. (2022). Private rented market in spain: Can regulation solve the problem? *International Journal of Housing Policy*, 23(4), 758–782. 10.1080/19491247.2022.2089080
- [26] Sayag, D., & Zussman, N. (2020). Who benefits from rental assistance? evidence from a natural experiment. *Regional Science and Urban Economics*, 80, 103395. 10.1016/j.regsciurbeco.2018.09.002
- [27] Taltavull de La Paz, P., Pérez Sánchez, R., Juárez Tàrraga, F., Norman Mora, E., & Su, Z. (2023). Synchronisation among short-term rental markets, comovements and cycles in 39 european cities. *Cities*, 134, 104148. 10.1016/j.cities.2022.104148
- [28] Valverde, S. C. (2024). Mercado inmobiliario y política de la vivienda en españa (1ª ed.). Fundación de las Cajas de Ahorros (FUNCAS).
- [29] Van-Halen Rodríguez, J. (2016). La política de la vivienda en españa: Una aproximación histórica <https://dialnet.unirioja.es/servlet/tesis?codigo=127404>

