ESTONIA

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Table 1: Ownership structure of dwellings, [Country] ([Year])

Ownership type	Number of dwellings	Percentage
Rental	59,615	10.7
- of which: *social housing*	~7,500	1.3
Owner-occupiers	423,431	76.0
Other / Unknown	74,100	13.3
Total (Occupied)	**557,146**	

Source: Author's estimates; based on Statistics Estonia – Housing Census 2021; OECD Affordable Housing Database. Notes: Municipalities may also own other rental properties, but they are not officially allocated as "social" housing. As such, the stock of municipally-owned homes is larger than the stock of social housing, though reliable figures on the overall number of municipal dwellings are not available.

Brief historical overview

Before the Soviet occupation, Estonia had a mix of urban mid-density apartments and rural single-family homes. The housing market was diverse, with both privately owned and rental properties. There is little record of early forms of social housing, and in any case the general housing model was heavily skewed towards private ownership.[1]

During the Soviet era (1940-1991), the state controlled most of the housing stock, with about two-thirds of housing belonging to the state by the end of the period (44% in rural and 72% in urban areas).[2] This was achieved both through the building of new housing–primarily multi-family apartment buildings–as well as through the forced nationalisation of some privately owned housing.

State-subsidised rental units were prevalent, particularly in large prefabricated housing estates. These estates were built to address the housing needs of the growing urban population and featured more modern amenities and high rent subsidies. The construction of these estates was part of a broader Soviet policy to provide housing for the working class, and they became a dominant feature of the housing market in cities like Tallinn. However, allocations were often corrupt, with various 'elites' benefitting from allocations to more attractive parts of the public housing stock, leading to social segregation.[3]

After regaining independence in 1991, Estonia began a rapid transition to a market economy. This included the mass privatisation of publicly owned housing. This was done more quickly and to a greater extent than in most comparable post-socialist states.[4] By 2002, privately owned housing had grown to 96% of the national stock, compared to 36% before the market reforms.

The privatisation process was extensive, with housing estates in Tallinn reaching near 100% privatisation rates. This shift led to a highly residualised social housing sector, with only about 1% of the total housing stock remaining as publicly-owned rental housing. While this mass privatisation was largely ideological (i.e., a desire to go against the previous policy of public control of housing), it was also pragmatic. Many of the homes being privatised were of low quality, and in need of refurbishment. Privatisation shifted this cost from the state to private households.[5]

In the present day, social housing in Estonia remains a very small part of the national stock of dwellings, at around 1%. Most public policies are geared towards supporting ownership, with some rental subsidies also provided. At the

[1] Kährik, A., & Kõre, J. (2012). Estonia: residualization of social housing and the new programs. *In Social housing in transition countries* (pp. 163-179). Routledge.

[2] *Ibid.*

[3] *Ibid.*

[4] Lux, M. (2003). Housing policy: An end or a new beginning?. Budapest: Local Government Institute.

[5] Housing Europe (2021).The Sale of Social and Public Housing in Europe.

same time, the relatively few homes that municipalities do own are not necessarily always synonymous with "social" housing.[6]

What is meant by social housing?

There is no official definition of social housing in Estonia. However, it is broadly held to be a rental property provided by a municipal authority to a household that is unable to meet their own housing needs on the private market.[7]

However, municipalities have a broad autonomy to define the conditions for access, and the target groups for housing programmes. At the same time, homes that are owned by cities are not necessarily only offered as social housing. Indeed, some cities will use their stock of residential properties to meet other public policy ambitions, such as housing key workers.

Financing and supports

The operating cost of the municipality-owned social housing stock is financed from each respective municipal budget. In addition, it is also the responsibility of local governments to provide rent subsidies to eligible households.

Since 2017, Estonian municipalities have been able to apply for earmarked state subsidies covering up to 50% of eligible construction or rehabilitation costs to provide both social (i.e., low-income) and municipal (e.g., key worker) housing. This is given in the form of a grant.[8] Assessment of applications and the dispersal of funds is largely handled by the public financial institution, KredEx (*detailed below*).

In terms of the balance of financing, this should be covered from municipal budgets. However, the reality is that many municipalities lack both the funds and expertise to develop new housing projects. As such, there have been attempts to develop partnerships with private actors; primarily private housing developers. This sees municipalities providing some of the funds, with private developers sourcing the balance, and building out projects. Homes would then be offered at below-market rents.

However, such efforts to develop public private partnerships have led to mixed results.[9] For example, a number of schemes have either not been able to be completed, or once completed have struggled to cover their costs of provision on an annual basis (e.g., as a result of the low rents charged to tenants, or rising interest rates).

In Estonia, mortgage debt is typically at variable interest rates, based on the 6-month Euribor rate, plus a fixed margin of a few percent. After spending many years in negative territory, the 6-month Euribor rate rose to over 4% in November 2023. It has mostly held in a range of 2.2-2.6% in the early part of 2025.[10]

Accessing social housing

Detail the eligibility criteria, waiting list arrangements, and allocation processes. Note any requirements (income thresholds, residency, employment status) and comment on how well the system reaches those most in need.

As already noted, there is a strong degree of municipal autonomy on the issue of defining local social housing programmes.

For example, in the City of Tallinn, which owned 4,875 residential properties at the start of 2025[11]–making it the largest individual municipal housing owner–there are two broad categories of municipally provided housing.

- **Social housing (*Sotsiaaleluruum*) –** housing is provided to a city resident in need of assistance who cannot secure a place to live due to their socio-economic situation or disability.
- **Municipal housing (*Munitsipaaleluruum*) –** provided to key workers needed by the

[6] Housing Europe (2021).The Sale of Social and Public Housing in Europe.

[7] OECD (2022). PH4.3 Key characteristics of social rental housing

[8] Valk-Siska, V. (2023). Estonian Housing Policy on the Threshold of a Relaunch. Tallinn: Maja.

[9] Aaspõllu, H. (2024, July 28). State rental buildings not cost-effective in Estonia. ERR News.

[10] Based on ECB data: https://data.ecb.europa.eu/data/datasets/FM/FM.M.U2.EUR.RT.MM.EURIBOR6MD_.HSTA

[11] See : https://www.tallinn.ee/et/tallinna-linna-eluruumide-kasutusse-andmine-alates-1-maist-2024

city[12] or as temporary housing to people whose housing has become unusable as a result of an extraordinary event, e.g., fire or an accident. Until 2024, these homes were also available specifically under a programme to support "young families" ('*noore pere*').

Eligibility to access social housing in Tallinn, and in Estonian municipalities more generally, is based on a needs assessment conducted by the local 'Social Welfare Department' (*Sotsiaalhoolekande osakonda*). Social housing is provided for a period of three years, after which a new needs assessment will be required to see if the tenant is still eligible.[13] Municipal housing is also provided on a three-year contract basis, with the possibility for renewal at the end of the period.

In the case of Tallinn, the 'need' for social housing is assessed based on factors like the adequacy of the current dwelling (i.e., size and quality), number of dependents, any health issues, length of time on the waiting list, and income.[14] However, Tallinn is just one case, and each municipality is entitled to set their own criteria.

However, it is generally true that municipalities in Estonia do not set strict income limits for access to social housing, instead taking a more holistic approach; i.e., a case by case needs-based approach. Indeed, under § 41 of the Social Welfare Act ("sotsiaalhoolekande seadus"), municipalities must offer social housing to anyone who — "due to their socio-economic situation, is unable to secure suitable accommodation for themselves and their family". Thus, eligibility is not strictly defined, nor are any income limits.

The rent paid for social housing is determined locally. It is typically based on the cost of provision, though utility value can also be considered.[15] As such, the rent is independent of the income of the tenant. For example, the City of Tallinn publishes a list of all rents charged in its residential properties each year, so that prospective tenants can understand the costs in advance.[16]

Service delivery

As already discussed, many municipalities struggle to develop new social housing projects 'in house'. Thus, there have been some efforts to try and co-opt the resources of private actors via PPP-type schemes. However, results of such efforts suggest there is work to be done to refine this approach. The larger cities, especially Tallinn and Tartu, which have greater staff and financial resources can develop their own housing projects.

In terms of land, the most common approach is to develop new social housing on sites that are already publicly owned. Should a municipality need to acquire private land, the cost would have to be borne from its own budget.

Integration with social policy

Given the very small size of the social housing stock in Estonia, it is understandably difficult for it to have a very significant impact on broader social policy ambitions. Indeed, the sector is primarily geared towards providing rolling medium-term contracts (3-5 years) to households with the highest assessed need.

Broader housing policy in Estonia is focused on supporting households to become owners, via institutions like KredEx. As such, we can judge that the implicit objective is to make access to this tenure as accessible as possible.

There is currently no national strategy for tackling homelessness or meeting the housing needs of the most vulnerable in Estonia, with

[12] The Estonian term is "*linnale vajalik töötaja*". The full list of such employees is outlined in the § 2 of the Tallinn City Government Regulation No. 17 22.02.2010 https://oigusaktid.tallinn.ee/?id=3001&aktid=116625&fd=1&q_sort=elex_akt.akt_vkp

[13] See : https://www.raadiku.ee/et/sotsiaaleluruumi-uurilepingu-pikendamine

[14] See: https://oigusaktid.tallinn.ee/?id=3001&aktid=116625&fd=1&q_sort=elex_akt.akt_vkp

[15] OECD (2022). PH4.3 Key characteristics of social rental housing

[16] The current list of rents is available at: https://teele.tallinn.ee/documents/134984/view#preview

such households relying on shelters, or social housing when it is available.

For households who struggle to meet their needs outside the social housing sector, the state provides housing allowances (*eluasemetoetust*). In the specific case of Tallinn, the city authorities provide a special "counselling" service aimed at helping households to access market housing. A small subsidy can also be paid, to help with things like the cost of a rental deposit.[17]

CASE STUDY / KEY POLICY FEATURE

KredEx was established by the Estonian Ministry of Economic Affairs and Communications in 2001. It plays a crucial role in the residential housing sector, particularly in promoting energy efficiency and the renovation of apartment buildings. Established as a foundation, KredEx operates independently and is governed by private law, managing and allocating financial resources to support access to mortgage finance (i.e., via guarantees), and energy efficiency projects in residential buildings. This is in addition to its role is managing the dispersal of public grants for social and municipal housing.

One of the primary roles of KredEx in the residential housing sector is the administration of the "Apartment Building Renovation Loan Programme". This programme provides revolving project finance to multi-family apartment building owners and others that aim to improve the energy performance and living conditions of their homes. The programme offers a combination of grants and preferential loans, as well as loan guarantees, to support energy renovation works, with the goal of achieving substantial energy savings and reducing energy consumption.

For those renovating a home in targeted rural areas, where vacancy is a growing problem, the amount of the loan guarantee is up to 80% of the outstanding principal amount of the loan, but not more than €80,000. In 2021, Estonian banks issued €1.78bn in mortgage loans, of which the volume of loans with a KredEx guarantee was €504m, or 28%.[18]

One of the main recipients of KredEx loan guarantees is the cooperative housing sector. As the majority of Estonians live in multi-family dwellings, most residents are obliged by law to form themselves into housing cooperatives. This ensures that there are clear structures for decision making, including in terms of the renovation and maintenance of the common areas of buildings. There are altogether about 23,000 housing cooperatives (also sometimes referred to as 'apartment associations') in Estonia, whose membership accounts for about 70% of the population.[19]

KredEx provides loan guarantees to these housing cooperatives as a single legal entity, which allows their individual members to pool repayments and potential risk with their neighbours in order to deliver better quality and more attractive housing, and at a lower cost of finance.[20]

The impact of KredEx – along with the effectiveness of the housing cooperative movement and other government schemes – is clear. For example, while 30% of Estonian's lived in sub-standard housing in 2004, this number had fallen to around 10% by 2023.[21] This is below the EU average of 16%. For low-income households (i.e., below 60% of median household income), the impact is even more pronounced; with sub-standard housing falling from 40% to 15%, versus an EU average of 24%.

[17] See : https://www.tallinn.ee/en/services/provision-dwelling

[18] Housing Europe (2023). Delivering on housing in Ireland – A European policy perspective.

[19] Housing Europe (2025). Housing Cooperatives in Europe.

[20] See : https://ekyl.ee/en/2021/11/07/estonia-kredex-a-deep-renovation-model-for-europe/

[21] Eurostat [ilc_mdho01]

Conclusions

Over the past century, Estonia's housing system has undergone a dramatic transformation—from a diverse mix of private-owner and rental dwellings before World War II, through near-complete state ownership during the Soviet era, to an almost fully privatised market today. The rapid post-1991 privatisation effectively dismantled the social housing sector, leaving municipally owned social housing at barely one percent of the total stock. This shift reflected both ideological commitments to market liberalisation and a pragmatic avoidance of future state liabilities for building renovations and ongoing maintenance.

In the contemporary context, social housing remains residualised and small in scale. Municipalities retain broad discretion over allocations, tenure terms, rent levels and target groups—resulting in local variations in programme design. A generally fixed-term tenancy model, underpinned by case-by-case assessments of need, dwelling adequacy and household vulnerability, illustrates the sector's general role of 'transitory' relief for those unable to obtain private-market housing.

Ultimately, Estonia faces a two-fold challenge: replenishing and professionalising its limited social housing stock to meet the needs of the most vulnerable, while sustaining a market-oriented framework that promotes ownership. However, the strong support for the cooperative housing sector, via legislative and finance guarantee frameworks, has clearly been effective in terms of modernising the national housing stock, and supporting collective decision making in housing. This may be a good practice for other countries in Europe with similar building typologies to consider.