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Urbanisation After the Megacity: Small Cities, Housing Systems and the New Geography of Growth

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Abstract

Urbanisation is often discussed through the image of the megacity, but the empirical centre of gravity of urban growth has moved elsewhere. This article examines what the most recent global evidence reveals about where urbanisation is happening, in what forms, and with what consequences. It reports a comparative secondary analysis of the 2025 revision of the World Urbanization Prospects, which for the first time applies a harmonised Degree of Urbanisation classification, together with the 2026 World Cities Report and the 2026 SDG 11 Global Report. Five findings emerge. First, cities now contain 45 per cent of the world's population, up from 20 per cent in 1950, while towns account for 36 per cent and rural areas for 19 per cent. Second, the megacity is the exception rather than the rule: of roughly 12,000 cities, 81 per cent have fewer than 250,000 inhabitants and only 33 have ten million or more. Third, future growth is highly concentrated: of a projected 986 million additional city dwellers by 2050, more than half will be added in seven countries. Fourth, urbanisation is not uniform in direction - more than 3,000 cities recorded population decline between 2015 and 2025. Fifth, the housing system is the binding constraint: informal-settlement populations rose to over 1.16 billion in 2024 while the proportion of urban residents living in such settlements has barely moved since 2015, and the global housing deficit grew from 251 to 288 million units. The article argues that the analytical and policy unit should be the settlement system - cities, towns and rural areas together - rather than the large city alone, and that housing, land and infrastructure capacity rather than migration management determine whether urbanisation delivers productivity or backlog.

Keywords: urbanisation, cities, towns, megacities, informal settlements, housing affordability, urban governance, degree of urbanisation, climate resilience, secondary cities

1. Introduction

Urbanisation is one of the defining transformations of the modern period. In 1950, one in five of the world's 2.5 billion people lived in a city. In 2025, cities are home to 45 per cent of a global population of 8.2 billion, while towns contain a further 36 per cent and rural areas 19 per cent (United Nations, 2025). The scale of the shift is matched by its speed: most of the growth projected between now and 2050 - two-thirds of it - will occur in cities, with most of the remainder in towns.

Public and policy discussion of this transformation continues to be organised around the megacity. The number of urban areas with ten million inhabitants or more has quadrupled from eight in 1975 to 33 in 2025 and is projected to reach 37 by 2050, with Jakarta, Dhaka and Tokyo at the head of the ranking (United Nations, 2025). These figures are real and consequential. But they are also misleading as a guide to where urbanisation is actually happening. Of the roughly 12,000 cities identified in the 2025 revision, 96 per cent have fewer than one million inhabitants and 81 per cent have fewer than 250,000; the majority of the world's city dwellers live in small and medium-sized cities, and many of the fastest-growing settlements are precisely these (United Nations, 2025).

Two further features of the contemporary picture complicate the conventional story. Urbanisation is not uniform in direction: more than 3,000 cities experienced population decline between 2015 and 2025, most of them small and over a third of them in China, so that contraction is as much a planning problem as expansion (United Nations, 2025). And the housing system is failing to keep pace: the number of people living in slums or informal settlements rose to more than 1.16 billion in 2024, with over 130 million added since 2015, while the share of the urban population living in such settlements has fallen only marginally since 2015 (UN-Habitat, 2026a). The global housing deficit grew from 251 million units in 2010 to 288 million in 2023, and up to 3.4 billion people

are estimated to lack access to adequate housing (UN-Habitat, 2026b).

This article asks three questions. Where is urbanisation occurring, and how much does the answer depend on how settlement is measured? What forms of urbanisation are growing, and which are stagnating or shrinking? And what determines whether urbanisation produces productivity and inclusion or backlog and exclusion? It makes three contributions: an integration of the classical and critical urban traditions into a single framework (Figure 1); an assembly of the newest global evidence, which materially revises the picture; and an argument that the unit of analysis and policy should be the settlement system rather than the large city.

Section 2 reviews the literature. Section 3 describes the comparative secondary analysis. Section 4 presents findings. Section 5 discusses implications, and Section 6 concludes.

2. Literature Review

2.1 Classical Urban Theory: From Urbanism to Agglomeration

The sociological tradition began by asking what the city does to the people in it. Wirth (1938) argued that size, density and heterogeneity produce a distinctive way of life characterised by segmental relationships, formal control and anomie; Simmel (1950) had earlier described the psychological adaptations - reserve, blasé attitude, intellectualisation - through which individuals protect themselves against the intensity of metropolitan stimulation. The Chicago School treated the city as an ecological system in which competition for space produced ordered patterns of land use and residential differentiation (Park & Burgess, 1925).

The economic tradition asked a different question - why cities exist - and answered it with increasing returns. Agglomeration economies operate through sharing of indivisible infrastructure, matching between workers and firms, and learning (Duranton & Puga, 2004), and the formalisation of increasing returns in a spatial setting explained how small initial advantages can become self-reinforcing (Krugman, 1991; Fujita et al., 1999). Glaeser (2011) made the productivity case in its strongest form, arguing that cities raise output not despite their density but because of it, and that proximity accelerates the diffusion of ideas.

A second family of arguments concerns what makes particular cities thrive. Jacobs (1961) argued that urban vitality depends on fine-grained mixed use, short blocks, dense networks of everyday contact and the presence of older buildings, and that the orthodoxies of mid-century planning destroyed precisely the conditions that made districts work. Florida (2002) proposed that the decisive factor in contemporary urban success is the concentration of a creative class, and that cities compete by offering tolerance and amenity rather than by offering employment alone - a thesis that has been enormously influential and extensively criticised for conflating correlation with cause. Sassen (2001) shifted the scale of analysis upwards, arguing that globalisation has produced a small number of command-and-control centres whose advanced producer services coordinate a worldwide economy, generating within them a distinctive combination of high earnings and sharp polarisation. Moretti (2012) supplied the labour-market counterpart, showing that innovation clusters generate multiplier employment locally while leaving other places behind, so that urban success and regional divergence are two aspects of one process.

A third strand proposed that cities scale in law-like ways. Empirical work on urban scaling finds that many urban indicators follow power-law relationships with population size, with socio-economic outputs increasing super-linearly and infrastructure requirements increasing sub-linearly, implying both increasing returns to size and increasing intensity of social interaction (Bettencourt, 2007; Bettencourt & West, 2010). The scaling literature supplies a useful caution: because both benefits and costs scale with size, growth is neither unambiguously good nor unambiguously bad.

2.2 Migration, Dualism and the Economics of Urbanisation

Development economics supplied the mechanism by which rural-urban transfer occurs. Lewis (1954) modelled development as the transfer of labour from a subsistence sector with zero marginal productivity to a modern sector where it is productive. Harris and Todaro (1970) explained why migration continues despite urban unemployment: migrants respond to expected rather than actual wages, so that job-creation programmes in cities can increase unemployment by raising expected returns to migration. The implication - that urban employment policy alone cannot manage urbanisation - remains influential.

A large subsequent literature qualified the dualist picture. Rural-urban migration is now understood as one component of complex household strategies involving circular movement, remittances and risk diversification rather than a one-way transfer. Natural increase within cities, and the reclassification of settlements as they cross administrative thresholds, account for a substantial and often underestimated share of measured urban growth. The 2025 revision of the global estimates gives these components unusual prominence by adopting a consistent

geospatial definition rather than national administrative categories (United Nations, 2025).

2.3 Ordinary Cities, Planetary Urbanisation and the Critique of the Northern Model

A critical tradition argues that urban theory has been built from an unrepresentative sample. Robinson (2006) objected to the division of the urban world into 'advanced' cities that generate theory and 'developing' cities that supply cases, and argued for a comparative approach that treats all cities as ordinary. Roy (2009) described the contemporary metropolitan condition in the global South as one in which informality is not a residual but a constitutive mode of urbanisation, produced by the state as much as by the market. Brenner and Schmid (2015) pushed the argument furthest, proposing 'planetary urbanisation' in which the urban condition has extended beyond any bounded settlement, making the city/countryside distinction analytically obsolete.

The planetary thesis is contested, but its practical implication is widely accepted: urban processes operate across territories that include towns, peri-urban areas and resource hinterlands, and policies that address only administratively defined cities will miss much of what is happening. The 2025 global estimates support this reading empirically by showing that towns remain the most common settlement type in 71 countries and that rural areas are still the most common in 62 (United Nations, 2025).

2.4 Informality, Land and Housing

Housing and land are where urbanisation is most visibly failing. Davis (2006) described a planet of slums produced by the combination of rural displacement and urban policies that criminalise rather than accommodate informal settlement. UN-Habitat's (2003) earlier work established the measurement basis for tracking slum prevalence, and subsequent research has documented the mechanisms: land markets that price out lower-income households, tenure systems that exclude them, and infrastructure investment that follows formal settlements rather than leading them.

Recent institutional evidence sharpens the diagnosis. Between 2010 and 2023, the global price-to-income ratio rose from 9.3 to 11.2, and around 44 per cent of households globally now spend more than 30 per cent of income on housing (UN-Habitat, 2026a, 2026b). The crisis is not adequately described as a shortage of units: vacant, under-occupied and poorly located dwellings coexist with overcrowding and homelessness, which makes it a question of allocation, affordability and location as much as of supply (UN-Habitat, 2026a).

2.5 Cities, Climate and the Built Environment

Cities are central to both the causes and the consequences of climate change. Buildings and construction account for around 37 per cent of global greenhouse gas emissions, with housing alone responsible for an estimated 17 to 21 per cent, and around 60 per cent of the buildings expected to exist in 2050 have yet to be built (UN-Habitat, 2026b). This makes the coming decades a decisive window: the urban form adopted now locks in emissions and vulnerability for generations. Projections of urban land expansion reinforce the point, with substantial losses of natural habitat and agricultural land expected under business-as-usual scenarios (Seto et al., 2012).

Adaptation is as consequential as mitigation, and it is unequally distributed. Climate-related hazards could destroy nearly 167 million homes by 2040, and low-income and informal settlements face the greatest risk with the weakest adaptive capacity (UN-Habitat, 2026b). Yet housing and informal settlements remain marginal in national climate planning: an analysis of nationally determined contributions found that only 21 per cent of countries demonstrate high-level commitment to housing within them, while 61 per cent show no or minimal commitment, and only 16 of 194 contributions mention informal settlements at all (Habitat for Humanity, 2024).

A final classical theme concerns who the city is for. Lefebvre (1996) formulated the right to the city as a claim to participate in the production of urban space rather than merely to consume what is built, a formulation that reframes housing, public space and infrastructure as questions of political agency rather than of technical provision. Harvey (2008) extended the argument, treating urbanisation as a process through which surplus capital is absorbed, with the consequence that urban form follows investment cycles at least as much as it follows planning. In practical terms the implication is that the question of how much land is made available, where and on what tenure - the subject of comparative work on making room for a planet of cities (Angel et al., 2011) - is among the most consequential determinants of whether urbanisation is inclusive.

2.6 Gaps

Three gaps motivate the present study. First, theory and measurement have drifted apart: much urban theory assumes bounded, administratively defined cities, while the best available global measurement now describes a continuum of settlements. Second, the literature remains organised around large cities despite evidence that most urban residents live elsewhere. Third, the housing literature and the urbanisation literature are largely separate,

even though housing capacity is the most immediate determinant of whether urbanisation produces inclusion or backlog.

Table 1 summarises the traditions reviewed above against the question each privileges, the mechanism it proposes and the level at which it operates. Arranged this way, the traditions look less like competing theories of one object and more like accounts of different elements of one system - a reading that supports the integrative framework proposed below.

Table 1. Traditions of urban thought

Tradition	Privileged question	Proposed mechanism	Level
Urban sociology (Simmel, 1950; Wirth, 1938; Park and Burgess, 1925)	What does the city do to social life?	Size, density and heterogeneity reshape interaction	Individual and community
Urban economics (Krugman, 1991; Fujita et al., 1999; Duranton and Puga, 2004)	Why do cities exist and grow?	Increasing returns; sharing, matching and learning	Firm and labour market
Urban scaling (Bettencourt, 2007; Bettencourt and West, 2010)	How do urban properties vary with size?	Power-law scaling of outputs and infrastructure	City system
Development economics (Lewis, 1954; Harris and Todaro, 1970)	Why does migration continue despite unemployment?	Expected wages; structural transformation	National economy
Critical urban theory (Robinson, 2006; Roy, 2009; Brenner and Schmid, 2015)	Whose cities generate theory, and what counts as urban?	Informality as a mode of urbanisation; extended urbanisation	Global and comparative
Housing and land (Davis, 2006; UN-Habitat, 2003; Angel et al., 2011)	Why does urbanisation produce informality?	Land markets, tenure systems and state practice	Household and settlement

Figure 1 sets out the framework used in the remainder of the article. Drivers - migration, natural increase, reclassification and displacement - produce distinct urban forms: megacities, small and medium-sized cities, towns and peri-urban settlements, and informal settlements. Mechanisms - agglomeration, land and housing markets, infrastructure provision and governance capacity - determine outcomes in productivity, inequality, emissions and fiscal capacity. Outcomes feed back into drivers by reshaping migration incentives, land values and state capacity.

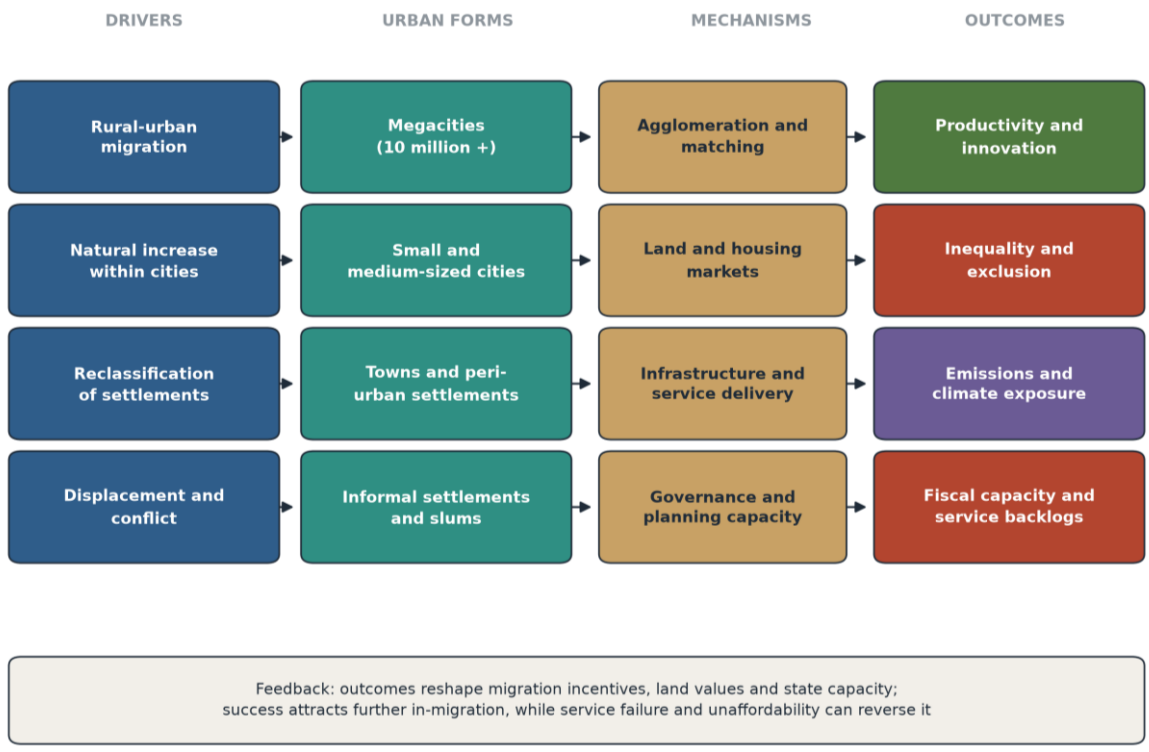


Figure 1. A framework for urbanization: drivers, urban forms, mechanisms and outcomes

3. Method

3.1 Design and Evidence Base

The study is a comparative secondary analysis. Because the phenomena of interest - the distribution of population across settlement types, the trajectories of individual cities, and the capacity of housing systems - are measured by different instruments at different scales, a secondary design was chosen in preference to primary data collection. The design has three components: (a) reconstruction of the global distribution of population across settlement types from the 2025 revision of the World Urbanization Prospects; (b) reconstruction of housing and informality indicators from UN-Habitat's 2026 reporting; and (c) synthesis of recent comparative evidence on urban trajectories and policy capacity. The design is explanatory rather than confirmatory, and no causal estimates are claimed beyond those reported by the primary sources.

Sources were eligible if they (i) reported original global or comparative data on urbanisation, settlements or housing; (ii) were published in 2020 or later with priority to 2023-2026; (iii) documented methodology; and (iv) were available in English. Table 2 summarises the principal sources. Two features of the corpus shape interpretation. The 2025 revision introduces a new classification, so its figures are not directly comparable with earlier editions - a point of genuine importance rather than a technical footnote. And the housing indicators, while global in scope, rest on national definitions of informality that vary considerably.

Table 2. Principal evidence base

Source	Year	Design and coverage	Contribution
United Nations, World Urbanization Prospects 2025	2025	Global; 237 countries and areas, more than 12,000 cities; Degree of Urbanisation classification	Settlement-type shares, city size distribution, growth concentration, shrinkage (Sections 4.1-4.3)
United Nations news release on WUP 2025	2025	Institutional summary of the revision	Headline figures and policy framing (Section 4.1)
UN-Habitat, SDG 11 Global Report 2026	2026	Global synthesis of SDG 11 indicators	Slum population and prevalence, affordability (Sections 4.4, 4.5)
UN-Habitat, World Cities Report 2026	2026	Global report on the housing crisis	Housing deficit, adequacy, emissions, investment need (Sections 4.4, 5.2)
Habitat for Humanity	2024	Analysis of 194 nationally determined contributions	Housing and informality in climate planning (Section 5.3)
OECD	2025	Cross-national analysis of infrastructure and productive development	Fiscal and investment constraints on urban development (Section 4.4)
World Bank	2025	Regional human development assessment for the Middle East and North Africa	Fiscal pressure on human development spending in urbanising middle-income systems (Section 5.3)
UNHCR	2026	Global refugee statistics	Displacement as an urban phenomenon (Section 4.4)
European Commission, Ninth Cohesion Report	2024	Regional analysis for the European Union	Territorial disparities and place-based investment (Section 5.4)
ISTAT	2026	National demographic indicators for Italy	Household contraction in a mature urban system (Section 4.3)

3.2 Procedures and Limitations

Two procedures were applied. For the settlement reconstruction, reported shares and counts were assembled by indicator and plotted at the level of aggregation used by the source; no composite index was constructed, because the sources differ in unit and coverage. For the housing synthesis, indicators were compared across the two UN-Habitat 2026 reports where they overlapped and discrepancies were noted rather than reconciled, since they reflect different definitions and reference years.

Four limitations should be stated plainly. The 2025 revision's change of methodology means that its figures cannot be compared directly with earlier editions, so no trend can be constructed from the revision alone; the 1950 comparison reported in Figure 2 is the source's own recalculation on a consistent basis. Projections to 2050 rest on assumptions about fertility, mortality and migration that are themselves uncertain. Informality is measured inconsistently across countries. And the analysis cannot distinguish the contribution of reclassification from that of genuine demographic change at the level of individual cities.

4. Findings

4.1 A New Measurement Produces a Different Picture

The first finding is that how urbanisation is measured changes what is seen. The 2025 revision of the World Urbanization Prospects is the first to apply the Degree of Urbanisation, a harmonised geospatial classification that distinguishes three settlement types along a continuum - cities, towns and semi-dense areas, and rural areas - rather than relying on national administrative definitions (United Nations, 2025). On that basis, cities contain 45 per cent of the world's population, towns 36 per cent and rural areas 19 per cent. The corresponding shares in

1950 were 20, 40 and 40 per cent. Figure 2 presents the shift.

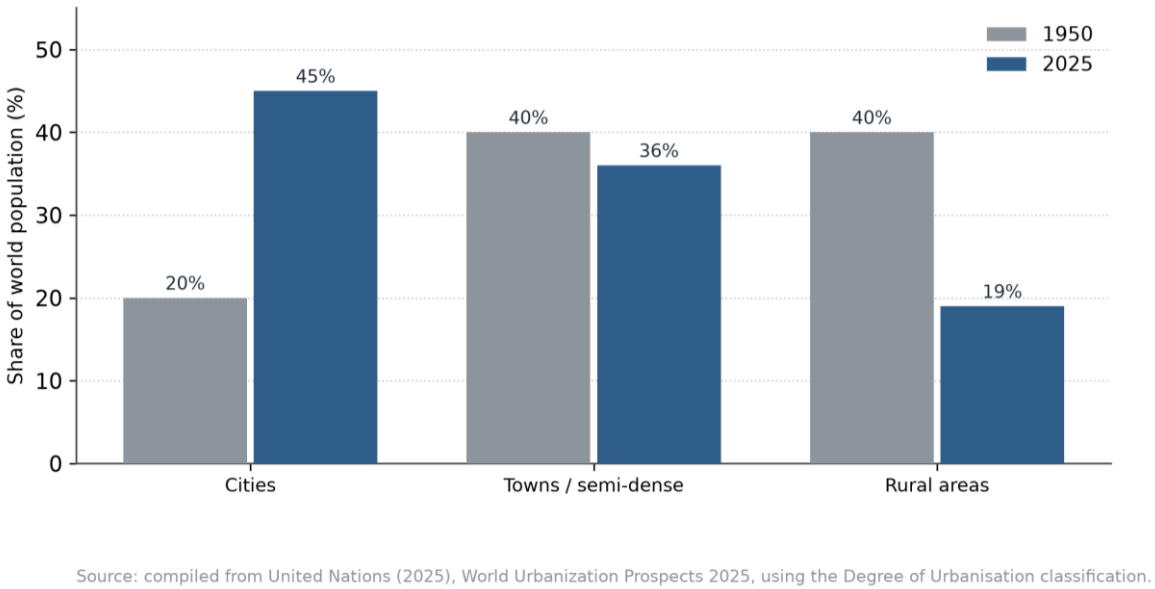


Figure 2. World population by settlement type, 1950 and 2025

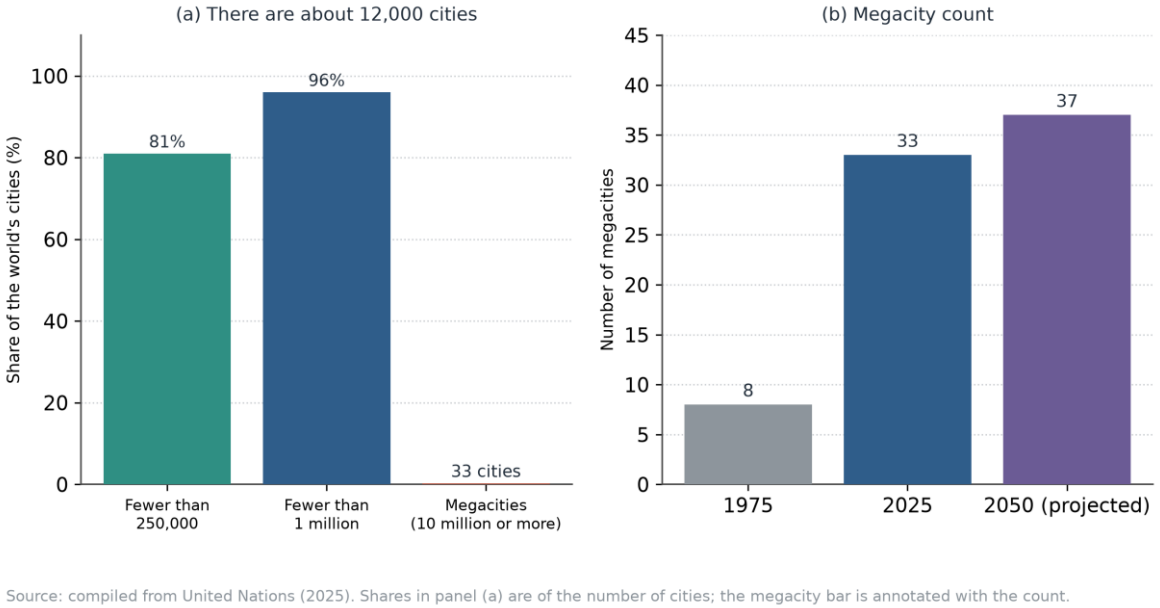
Three consequences follow. First, urbanisation is more widespread than national statistics suggest: many settlements that national definitions classify as rural meet the geospatial criteria for cities or towns, which means that service planning based on administrative categories systematically underestimates urban demand. Second, towns are not a residual category: they are the most common settlement type in 71 countries as different as Germany, India, Uganda and the United States, and they perform connective functions - services, local economies, links between rural areas and cities - that policy rarely recognises. Third, the rural population is projected to peak in the 2040s and then decline, with sub-Saharan Africa the only region where rural populations continue to grow significantly.

The reclassification also has direct consequences for service planning, since schools, clinics and transport are allocated on the basis of settlement categories. International monitoring of education provision repeatedly shows that the fastest-growing settlements are those where school capacity, teacher supply and safe transport lag furthest behind demand, and that school leadership is among the strongest determinants of whether rapidly growing institutions cope (UNESCO, 2024); young people themselves identify service access and participation as the measure of whether their settlements work (UNESCO, 2026).

The measurement point has a practical corollary that deserves emphasis. Because the classification determines which places are recognised as urban, it also determines which places receive urban investment. A change in measurement is therefore not a technical adjustment but a redistribution of eligibility - which is why the adoption of a harmonised definition matters more than the specific numbers it produces.

4.2 The Megacity Is the Exception

The second finding concerns scale. Of roughly 12,000 cities worldwide in 2025, 96 per cent have fewer than one million inhabitants and 81 per cent have fewer than 250,000; only 33 have ten million or more (United Nations, 2025). The majority of the world's city residents therefore live in settlements far smaller than those that dominate research and public imagination, and the fastest-growing settlements are disproportionately these smaller cities, particularly in sub-Saharan Africa and Central and Southern Asia. Figure 3 presents the distribution.



Source: compiled from United Nations (2025). Shares in panel (a) are of the number of cities; the megacity bar is annotated with the count.

Figure 3. The size distribution of the world's cities

The significance is practical as well as descriptive. The 2025 revision notes that smaller cities often lack the planning capacity and resources to manage growth sustainably, and specifically require support for basic services and land-use management (United Nations, 2025). This inverts the usual policy sequence, in which capacity is assumed to exist in large cities and to be absent in small ones. Precisely because small cities are numerous, growing quickly and thinly resourced, they constitute the largest unaddressed planning problem in global urbanisation.

The policy implication is specific and uncomfortable. Because growth is concentrated in settlements with little planning capacity, the interventions that matter are not those that make large cities more competitive but those that give small and medium-sized cities the ability to plan at all: cadastral mapping, land-use frameworks, basic service standards, and access to finance for infrastructure. Recent comparative work on regional and urban indicators points in the same direction, emphasising that the productivity gap between leading and lagging places within countries is now a larger policy problem than the gap between countries (OECD, 2025). This is a capacity agenda rather than a megacity agenda, and it is largely absent from the institutional architecture of urban policy.

The megacity figures remain important but should be read correctly. Jakarta is now the world's most populous city with nearly 42 million residents, followed by Dhaka with close to 40 million and Tokyo with 33 million; Cairo is the only non-Asian city in the top ten, and 19 of the 33 megacities are in Asia (United Nations, 2025). These settlements concentrate risk - to infrastructure failure, to heat, to sea-level rise - to an exceptional degree, and they will continue to absorb large absolute increases. But they are 33 places, not the pattern.

4.3 Growth Is Concentrated, and Contraction Is Widespread

The third finding is that urban growth is geographically concentrated to a remarkable degree. The world's city population is projected to increase by 986 million between 2025 and 2050, and more than half of that increase will occur in seven countries: India, Nigeria, Pakistan, the Democratic Republic of the Congo, Egypt, Bangladesh and Ethiopia, which together are expected to add more than 500 million city residents (United Nations, 2025). Figure 4 presents the concentration. Whether the Sustainable Development Goals are met depends substantially on the capacity of a handful of states to manage urban expansion.

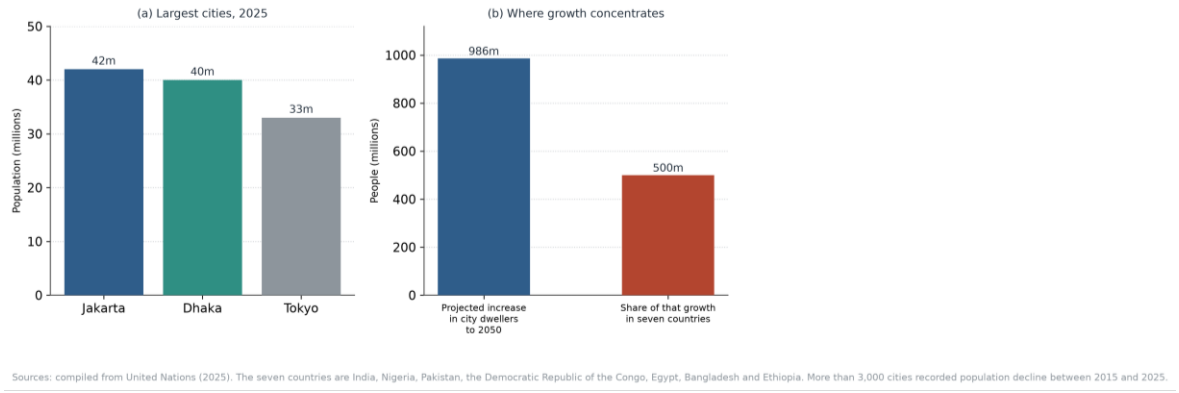


Figure 4. Divergent urban trajectories

The fourth finding is that growth is not universal. More than 3,000 cities recorded population decline between 2015 and 2025, most with fewer than 250,000 inhabitants, over a third of them in China and 17 per cent in India (United Nations, 2025). Shrinkage creates a different planning problem: how to maintain services, infrastructure and fiscal viability with a smaller and often older population. Evidence from mature urban systems illustrates the form it takes - in Italy, single-person households have risen to 37.1 per cent of the total while couples with children have fallen to 28.4 per cent, reducing average household size and changing the demand for housing and services within existing urban footprints (ISTAT, 2026).

The coexistence of rapid growth in some places and sustained contraction in others means that a single national urban policy is unlikely to fit. Expansion requires serviced land, transport and school capacity; contraction requires maintenance strategies, repurposing of vacant stock and the protection of service access for a dispersed population. Policies designed for the first are largely irrelevant to the second.

The two trajectories also interact. Shrinkage and growth are frequently connected by the same migration flows, so that declining towns and expanding cities are two ends of one movement rather than separate phenomena. Policies addressed only to the growing end therefore tend to accelerate the declining end, because the investment that follows growth withdraws from places that are losing population precisely when their remaining residents most need service continuity. A settlement-system approach would treat the paired trajectories as one object: planning for where people are going and for the places they leave, with explicit decisions about which services must be maintained regardless of threshold and which can be consolidated without abandoning residents.

4.4 The Housing System as the Binding Constraint

The fifth finding is that housing is where urbanisation is failing. The number of people living in slums or informal settlements reached over 1.16 billion in 2024, with more than 130 million added since 2015 - nearly double the 70 million added during the preceding decade (UN-Habitat, 2026a). Meanwhile the share of the urban population living in such settlements has declined only marginally, from 25.3 per cent in 2015 to 24.8 per cent in 2024, having fallen from 30.6 per cent in 2000. Figure 5 presents the divergence between rising absolute numbers and stubborn proportions.

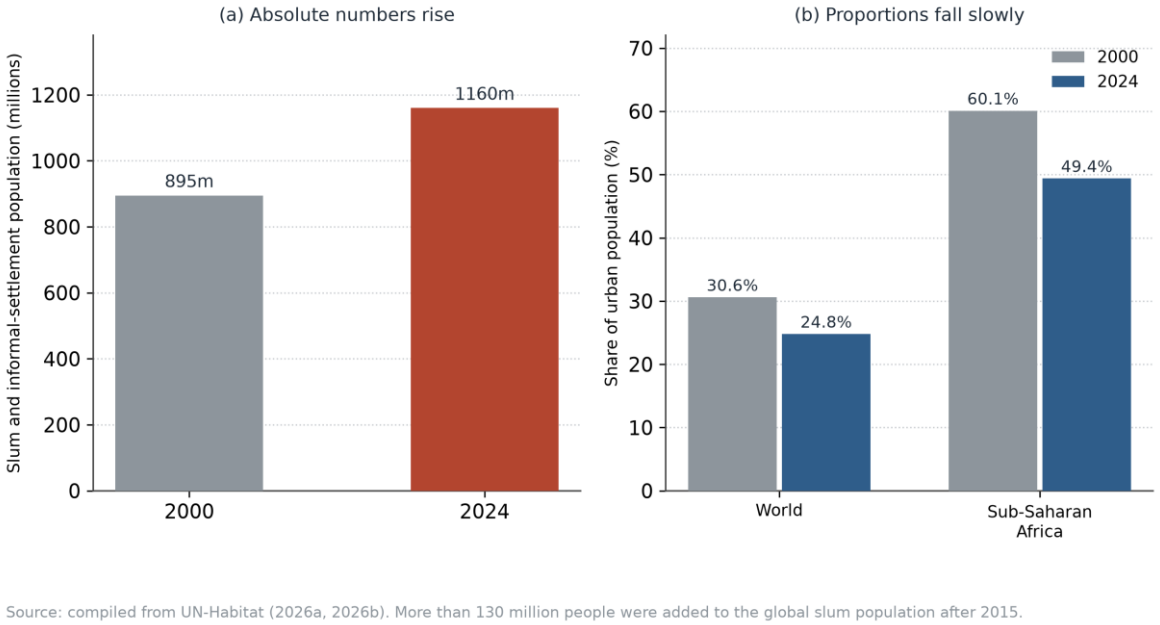


Figure 5. Informal settlements: rising numbers, stubborn proportions

The interpretation offered by the source is the correct one: housing conditions and service access have improved for some residents, but the improvements have not kept pace with the scale and speed of urban population growth (UN-Habitat, 2026a). Regional detail confirms that proportional improvement and absolute deterioration occur together: in sub-Saharan Africa the share of urban residents in slums fell from 60.1 per cent in 2000 to 49.4 per cent in 2024, while the region recorded the largest absolute increase of any region, adding more than 56 million people to slums in a single decade.

Three associated indicators complete the picture. Affordability has deteriorated measurably, with the global price-to-income ratio rising from 9.3 to 11.2 between 2010 and 2023 and around 44 per cent of households spending more than 30 per cent of income on housing (UN-Habitat, 2026a, 2026b). The quantitative deficit has grown, from 251 million units in 2010 to 288 million in 2023, with up to 3.4 billion people estimated to lack access to adequate housing (UN-Habitat, 2026b). And the crisis is compounded by displacement: over 123 million people were forcibly displaced by the end of 2024, with informal settlements rather than camps absorbing most displaced populations in urban areas (UN-Habitat, 2026b; UNHCR, 2026).

Displacement deserves separate attention because it converts a housing problem into an urban governance problem. Where displaced populations settle in cities rather than camps, they enter informal markets for land and shelter with no tenure security and limited access to services, and host communities absorb the pressure (UNHCR, 2026; UNICEF, 2026). The resulting settlements are often indistinguishable from those produced by economic migration, which means that humanitarian and development responses must be joined rather than run in parallel. Recent assessments of emergency education and child provision in the Middle East and North Africa document exactly this pattern, with urban areas absorbing displacement at a scale that camp-based models were never designed to serve (UNICEF, 2026).

The diagnosis matters for the remedy. Because vacant, under-occupied and poorly located units coexist with overcrowding, the problem is not purely one of construction volume; it is one of allocation, tenure security, location and affordability. That is why the recent institutional evidence emphasises recognition, upgrading and tenure rather than clearance, and why national programmes that map informal settlements, register them and link recognition to service provision produce different outcomes from those that remove them (UN-Habitat, 2026a).

4.5 The Settlement System as the Object of Policy

Table 3 brings the findings together against the elements of the framework. The synthesis they support is that contemporary urbanisation is characterised by a mismatch between the scale at which growth occurs and the scale at which capacity exists. Growth is concentrated in small and medium-sized cities in a small number of countries, precisely where planning capacity, fiscal resources and housing systems are thinnest, while the

institutional apparatus of urban policy remains oriented towards large cities in high-capacity states.

Table 3. Findings by element of the framework

Framework element	Finding	Principal evidence	Confidence
Settlement distribution	Cities 45 per cent, towns 36 per cent, rural 19 per cent; measurement change reveals wider urbanisation than national statistics suggest	United Nations (2025)	High
City size	Most city residents live in settlements below one million; megacities number 33 of roughly 12,000 cities	United Nations (2025)	High
Growth concentration	986 million additional city dwellers by 2050; over half in seven countries	United Nations (2025)	High (projection)
Divergent trajectories	More than 3,000 cities shrank between 2015 and 2025; household contraction in mature systems	United Nations (2025); ISTAT (2026)	Moderate
Housing and informality	Over 1.16 billion in informal settlements; proportions barely moved; deficit 288 million units	UN-Habitat (2026a, 2026b)	High
Climate and housing	Housing accounts for 17-21 per cent of emissions; only 21 per cent of countries prioritise housing in climate plans	UN-Habitat (2026b); Habitat for Humanity (2024)	Moderate

4.6 Synthesis

The findings can be restated as a single proposition: urbanisation is now occurring at a scale and in a form that the institutions built to manage it were not designed for. Growth is concentrated in small and medium-sized settlements in a small number of countries; those settlements have the least planning capacity; housing systems in those places convert growth into informality rather than into adequate shelter; and a substantial number of settlements are contracting under policy frameworks that recognise only expansion. Each element is individually well documented in the sources reviewed here. Their combination is what produces the distinctive character of contemporary urbanisation, and it is the combination, rather than any single element, that policy must address.

Restating the object of policy in this way has a measurable implication. If towns and small cities are included in the unit of analysis, the population whose settlements require planned investment is substantially larger than the population of recognised cities, and the share of that population served by institutions with planning capacity is correspondingly smaller. The gap between the two is the practical definition of the urban challenge of the next quarter-century.

The investment requirement implied by these findings deserves explicit statement, because it is frequently omitted from urban policy discussion. Providing basic infrastructure and services in settlements that are growing by hundreds of millions of residents requires sustained capital spending well beyond current levels, and the places that need it most have the least access to finance. Comparative assessments of infrastructure investment find that the returns to well-selected projects are high, but that fiscal constraints, debt service and uncertain external finance prevent them from being undertaken (OECD, 2025). The binding constraint is therefore not the availability of worthwhile projects but the availability of patient capital at the scale of the settlement system - which makes municipal finance, land-value capture and national transfer design central urban policy instruments rather than technical afterthoughts.

5. Discussion

5.1 Rethinking the Unit of Analysis

The findings support a change in the unit of analysis and policy. The city, and especially the large city, has been treated as the natural object of urban study and the natural recipient of urban investment. The evidence reviewed here indicates that this object captures a minority of urban residents and a small share of urban growth. The alternative is the settlement system: cities, towns and rural areas considered as one interconnected set, with policy addressed to the relationships between them rather than to one category in isolation. This is the framing the United Nations itself adopts in presenting the 2025 revision, arguing that sustainable development depends on planning cities, towns and rural areas together to ease pressure on large cities (United Nations, 2025).

The change has distributional consequences. Towns perform connective functions and are the most common settlement type in a large number of countries, yet they are rarely recognised in urban policy or in the allocation of urban finance. Recognising them would shift resources towards places currently invisible in the categories through which investment is distributed.

A second consequence concerns comparability. Because the classification determines which places count as urban, and because national definitions continue to differ from the harmonised standard, countries effectively hold two urban populations: the one used for national administration and the one used for international comparison. Where these diverge substantially, planning based on the former will systematically under-provide for settlements that the latter recognises, while international reporting will attribute deficits to places that national systems do not treat as urban at all. Reconciling the two is unglamorous but consequential, and it is a prerequisite for any comparative assessment of whether urbanisation is being managed well.

5.2 Housing as Urban Policy

If housing is the binding constraint, then housing policy is urban policy, and three implications follow. First, the objective should be the housing system rather than the housing unit: tenure security, affordability, location and service connection matter at least as much as construction volume, and deficits in these dimensions are what produce informality. Second, in-situ upgrading should be the default rather than the exception, since clearance destroys assets, networks and access to livelihood without adding net supply; the evidence assembled in the 2026 reporting points consistently towards recognition, mapping and upgrading (UN-Habitat, 2026a). Third, the financial requirement is large and should be stated: estimates suggest that more than three trillion United States dollars annually through 2030 is needed for adequate, affordable housing globally, with only a quarter of eligible applicants currently securing housing loans (UN-Habitat, 2026b).

Two cautions are necessary. Expanding supply through low-wage, insecure construction employment can relocate rather than reduce deprivation, so employment conditions in the sector require attention alongside output. And homeownership-centred policy is inadequate: rental housing, cooperatives and community-led provision are the tenures through which most lower-income urban residents actually access housing, and policy that treats ownership as the norm will systematically mis-serve them.

5.3 Planning Under Fiscal Constraint

A further implication concerns capacity. The places where growth is concentrated are, in most cases, places with limited fiscal space. Regional evidence underscores the point: in African economies, infrastructure and fiscal capacity rather than demand are identified as the binding constraint on development, with debt service absorbing a large multiple of infrastructure spending (OECD, 2025); in the Middle East and North Africa, several middle-income systems have experienced real-term declines in per-capita human development spending as population growth and inflation outrun nominal budgets (World Bank, 2025); and in Latin America, public spending on productive development policies remains far below the OECD average (OECD, 2025). Urban policy that assumes the fiscal capacity of high-income states will not transfer.

Climate assessment reinforces the urgency and the financing logic. The synthesis of the sixth assessment cycle identifies urban systems as a domain where mitigation and adaptation intersect most directly, with urban form, building efficiency and material choices determining a large share of the emissions trajectory while simultaneously determining exposure to heat, flooding and sea-level rise (IPCC, 2023). Because the same decisions drive both, investment framed as adaptation often delivers mitigation and vice versa - which is a stronger case for integrated urban climate finance than the separate funding streams currently used.

This makes sequencing decisive. Where capacity is limited, the highest-return interventions are those that shape urban form before it is built: land-use planning, serviced land, rights of way for transport, and the protection of hazardous land from settlement. Retrofitting informality is far more expensive than anticipating it, and the

window for anticipation is open now because around 60 per cent of the buildings expected to exist in 2050 have yet to be built (UN-Habitat, 2026b).

5.4 The Social Infrastructure of Urban Growth

Urbanisation is frequently assessed in physical and economic terms, but the evidence assembled elsewhere suggests that social infrastructure is what determines whether density produces cohesion or strain. Large-scale work on social connection identifies disconnection as a health risk of comparable magnitude to established behavioural risks, with urban anonymity, household contraction and weak local institutions among its drivers (WHO, 2025). Education systems are the principal public institution through which newcomers are incorporated, yet in conflict-affected and rapidly urbanising settings the institutional pathways that would support equity and citizenship are frequently blocked by political gridlock (Akar, 2024), and families respond by sorting themselves in ways that deepen segregation (Al Khalili, 2025). Where digital provision substitutes for physical services the substitution is uneven: technology can extend reach, but its benefits depend on infrastructure and institutional capacity that are themselves unevenly distributed (Eljai et al., 2025). Employment quality matters as much as employment quantity, with informal and insecure work the modal urban experience in much of the world (ILO, 2025), while survey evidence from rapidly urbanising regions shows publics combining strong local attachments with deep dissatisfaction about the institutions that serve them (Arab Barometer, 2025). A city that grows without these institutions grows without the capacity to absorb its own growth.

5.5 Practical Implications

Five implications follow for practitioners and policymakers.

- Plan settlement systems, not cities alone: towns and peri-urban areas absorb a large share of growth and perform connective functions that policy should recognise and finance.
- Direct capacity towards small and medium-sized cities, where most growth occurs and where planning resources are thinnest.
- Make in-situ upgrading the default response to informality, with mapping, registration and tenure security preceding physical investment.
- Use the construction window: because most of the 2050 building stock is yet to be built, land-use and building-standard decisions taken now determine emissions and vulnerability for generations.
- Plan for contraction as well as expansion: maintenance, repurposing and service-access strategies are required in the thousands of cities whose populations are falling.

6. Conclusions

Urbanisation continues, but its centre of gravity has moved. The evidence assembled here shows that cities now contain 45 per cent of the world's population, that the great majority of city residents live in settlements of fewer than one million people, that projected growth is concentrated in seven countries, that several thousand cities are shrinking, and that the housing system is failing to convert urban growth into adequate shelter - with more than 1.16 billion people in informal settlements and a deficit of 288 million units. The megacity remains important but is not the pattern.

The article's central argument is that urbanisation should be analysed and governed as a settlement system rather than as a set of large cities, and that housing - not migration management and not city-level competitiveness - is the binding constraint on whether urbanisation delivers productivity or backlog. Both claims follow from the same observation: growth is occurring where capacity is thinnest, and the institutions that would build that capacity were designed for a different geography of urbanisation.

A final observation concerns the politics of urban policy. Because urbanisation concentrates people, it also concentrates political weight, and the places where growth is fastest are frequently those with the least influence over national resource allocation. Recognising towns and small cities as objects of policy is therefore not only a technical correction but a distributional one: it determines whether public investment follows population or follows existing administrative privilege. The evidence reviewed here suggests that, at present, it largely follows the latter.

Both the synthesis and the argument are offered with the limitations stated in Section 3.2: the 2025 revision's new methodology breaks comparability with earlier editions, projections rest on uncertain demographic assumptions, informality is measured inconsistently across countries, and reclassification cannot be separated from demographic change at the level of individual cities. The most valuable next investment is therefore not another global projection but comparable, repeated, sub-national measurement of housing conditions, service

access and land-use change in the small and medium-sized cities where most of the world's urban future will be decided.

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