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HOUSING IN THE NETHER- LANDS

1. INTRODUCTION

Housing policy in the Netherlands is an interesting example of how a traditionally (especially post World War Two) well-organised national structure of providing affordable and adequate housing has dealt with the transformations brought about by the neo-liberal wind of the past two decades. It has to be said at the outset that, because of this strong structure, speculation has almost totally been eliminated in the Dutch system. So this paper is not about housing in a post-speculative society but about how the Netherlands has continued to avoid speculation in housing even after the quite radical withdrawal of the public sector from this structure since the 90's. The totality of the housing system has withstood these quite profound changes and the recent financial crisis reasonably well, the social housing sector more than the owner-occupancy sector, which has felt the impact not only of the gross irresponsibility of the financial sector but also of the short-sightedness of the major political parties who put short-term electoral gain before sensible policies.

2. A BRIEF BACKGROUND

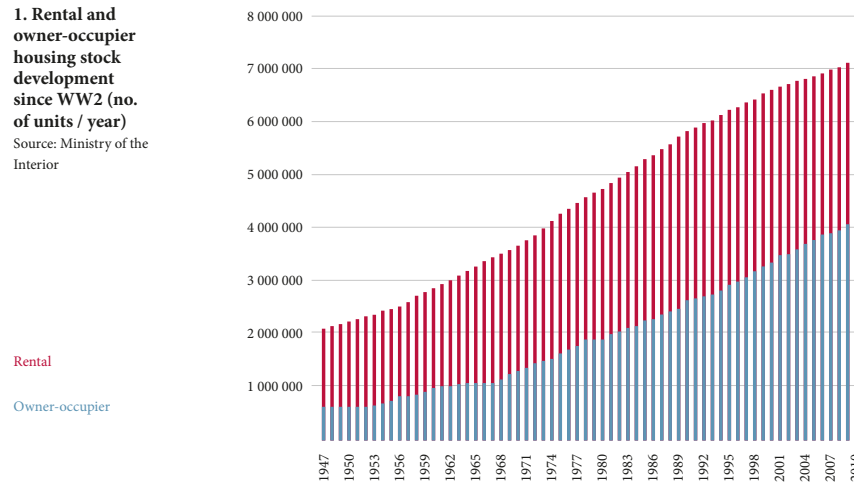
Why has the Netherlands been able to build up such a solid and resilient social housing system?

To begin with, it is a small, densely populated country with a rapid population growth: 9 million inhabitants in 1945; 16.7 million today. Such density and growth, together with the huge post-war housing shortage and the steady economic development of the 50's and 60's, were conducive to establishing a centralised system of housing policy and supply, subsidies and quite strict land use planning. A broad social sector of subsidised rental housing was established, covering 34% of the housing stock, largely run by quite powerful but very socially-conscious housing associations.

This strong social rental sector retained its importance throughout the period of rapid economic growth from the mid-70's onwards, when owner-occupation was encouraged by government and has been responsible for most of the growth of the housing stock since (Fig. 1).

1. Rental and owner-occupier housing stock development since WW2 (no. of units / year)

Source: Ministry of the Interior



The current (2010) situation is summed up in Fig 2.

2. Housing stock in the Netherlands 2010

Ownership	Amount	%
Social rental sector	2.359.000	34%
Private rental sector	517.000	7%
Rent total	2.876.000	41%
Owner-occupied sector	4.120.000	59%
Total housing stock	6.996.000	100%

3. THE RENTAL SECTOR

So the Netherlands has traditionally a strong social rental sector with considerable government intervention, which reached its excessive subsidy peak in the heyday of socialism in the late 70's / early 80's, but has been retained after demolishing those excesses and adapting to the many neo-liberal reforms since then.

There is still an extensive regulation and support of the rental sector by central government.

There is a scheme of Individual Rent Benefit in which the Dutch government supports 30% of the households in the social rental sector with direct income supports (€2 billion per year)

The maximum rent for all rental homes up to €650 is regulated, based on 'objective characteristics' (size, amenities, environment etc.). However, contrary to the owner-occupier market, where location is a major factor in determining price, this is not a major factor in determining the level of rent.

The national government also sets a maximum on the annual increase of rent for all rental homes up to €650 per month. If the annual income of the tenants is > €43,000, this maximum is 4% above inflation; if the annual income of the tenants is €33-43,000, this is 2% above inflation.

There is an independent rent tribunal for arbitration between the landlord (mostly housing associations) and tenant.

4. HOUSING ASSOCIATIONS

There is still a dominant position for housing associations in the social sector. It is still hard for private investors to enter the rental market on any large scale.

In 2010 there were 418 housing associations owning 2.4 million dwellings, about 80% of all rental dwellings in the Netherlands. The associations vary greatly in size, some are very local, some more regional, even national (Fig. 3.), but most own around 1000 – 10.000 units.

Since 1945, housing associations have played a central role in fighting the housing shortage, providing decent, affordable housing for the lower incomes and generally implementing a solid social housing policy in the Netherlands. With the increased standard of

living in the last 20 years, they have not only invested in maintaining affordable housing, but also in a better quality of the housing stock and quality of the living environment in the surrounding neighbourhoods.

Before 1995, housing associations were so dependent on government financing and so heavily monitored by government that they were in reality semi-public institutions

After 1995, with the neo-liberal wind, the housing associations became limited profit companies, but by law obliged to spend the benefits on housing. This privatisation and the abolition of the subsidy excesses of the socialist era end-70's/early 80's, were the main reason for the rapid reduction of direct government financing of social housing (Fig 4.)

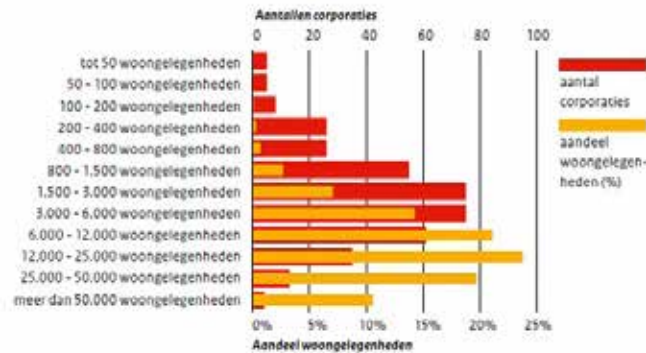
There are nonetheless still several public financial back-up facilities for housing associations. Their investments are backed up by the Social Housing Guarantee Fund (WSW), which guarantees €85 billion in loans. Also the Dutch Municipal Bank provides them loans with below-market interest rates.

There is also the Central Housing Fund (CFV) which supervises the financial comings and goings of the associations.

5. OWNER-OCCUPANCY

Government intervention in stimulating owner occupancy from the mid-70's has been as far-reaching as in the rental sector. There is Mortgage Tax Deductibility (MTD) for all home-owners. On average now 40% of all mortgage interest paid is tax deductible at the rate of income tax you pay (so the percentage increases with income.) The 'cost' for the Dutch state is €14 billion per year in 'lost' tax revenue. Usage of MTD has grown fast over the past 20 years especially with middle incomes as income tax rates are 42% - 52%, which represents a considerable tax reduction. This figure would be even higher were

grootteklasse	aantal corporaties	aantal woongelagenheden	aandeel woongelagenheden (%)
tot 50 woongelagenheden	5	169	0,01%
50 - 100 woongelagenheden	5	370	0,02%
100 - 200 woongelagenheden	8	1.213	0,05%
200 - 400 woongelagenheden	26	7.003	0,30%
400 - 800 woongelagenheden	26	15.870	0,68%
800 - 1.500 woongelagenheden	55	61.677	2,66%
1.500 - 3.000 woongelagenheden	75	162.659	7,01%
3.000 - 6.000 woongelagenheden	75	329.723	14,21%
6.000 - 12.000 woongelagenheden	61	488.632	21,06%
12.000 - 25.000 woongelagenheden	35	550.371	23,73%
25.000 - 50.000 woongelagenheden	13	456.783	19,69%
meer dan 50.000 woongelagenheden	4	245.299	10,57%
Totaal	388	2.319.778	100%



3. Number and size of housing associations

Source: Ministry of the Interior

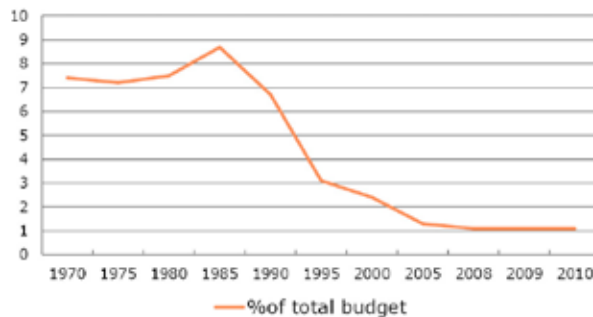
Grootteklasse = size category

Aantal woongelagenheden = number of units

Aantal corporaties = number of associations

Aandeel woongelagenheden = % total units

Direct government spending on housing by the state



4. Direct government spending on housing by the State

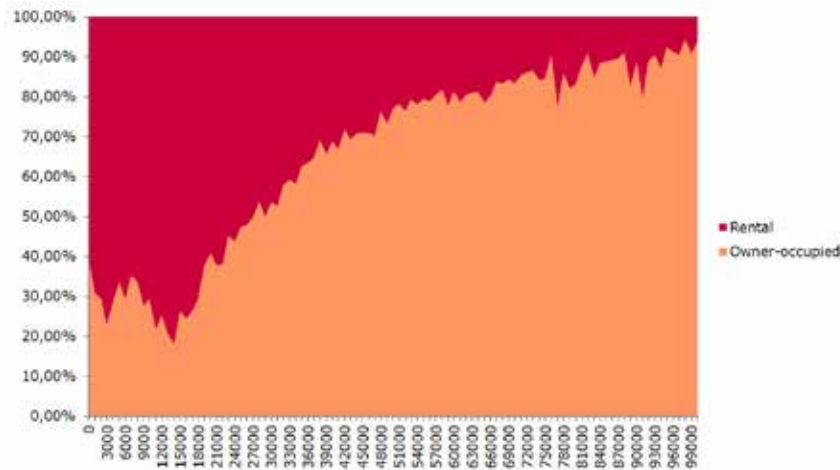
Source: Ministry of the Interior

it not for the 'home tax' on the value of the home (€2.2 billion in revenue) and the 'transfer tax', for years at 6% of the house price of existing houses at purchase, which brought in a similar figure. This latter tax was a major obstacle to mobility, deterring people from moving to better homes when they could afford it, and has now at last been lowered to 2%.

As well as this generous 100% tax rebate on mortgage interest, there is also the national mortgage guarantee backed by the 'Homeownership Guarantee Fund' (WEW), home loans for first-time buyers and the possibility to buy (social) rental dwellings. The consequence is one of the highest rates of private debt in the whole of Europe: €644 billion in mortgages, which is slightly more than the total Dutch GDP! The financial risks for consumers, banks and government were considerable, but it is only now, some 5 years after the financial crisis hit, that political parties have woken up to the fact that the longer-term financial health of the country is more important than short-term electoral gain and they have started to take action.

5. The segregated housing market: low incomes/rental; middle & higher incomes/ownership

Source: Ministry of the Interior



The middle incomes have gained the most from these measures, which has led to a clear distinction in the housing market between lower incomes (rental) and middle incomes (owner-occupancy) (Fig. 5). With the high levels of immigration in the 80's and 90's, this 'segregation' in many towns and cities also now has an ethnic dimension.

6. THE CRISIS AND BEYOND

Having exerted an increasing influence for some 20 years before, the neo-liberal wind suddenly became a heavy gale in 2008 with the economic and financial crisis. This manifested itself in an almost total shut down of the owner occupiers' housing market. House prices are down on average by some 18% (Fig. 6), mobility is down by a third, with people not moving unless absolutely necessary. About 1.7 million people now own a house that is worth less than the mortgage debt on the house. This is after three decades of growth, rising prices and over generous mortgage lending. The combination of banks now sitting on their money and applying strict conditions for mortgage lending, and the many young people who cannot get jobs or jobs with reasonable terms which can convince the banks to lend, means there is also a structural problem for starters to buy their first house.

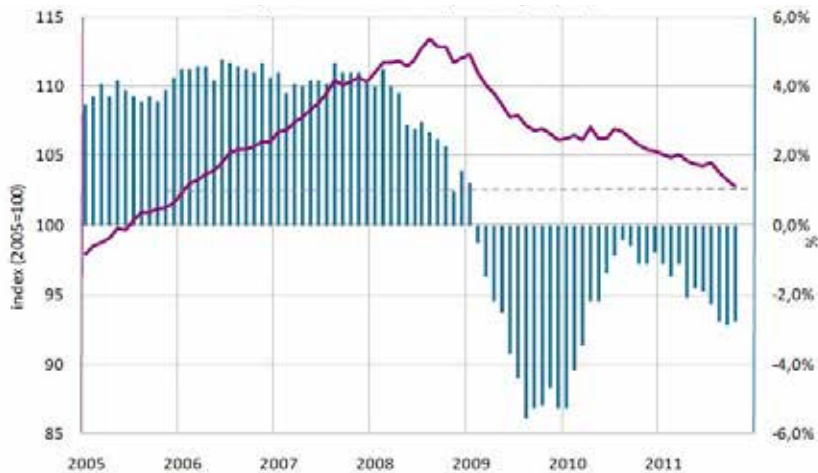
The crisis hit hard because the main political parties had refused, for short-term electoral gain, in the course of those 20 odd years to reduce the 100% mortgage interest tax rebate and the 6% transfer tax on mobility, despite a growing number of housing experts warning that these fiscal measures would create severe problems in the longer term.

The rental sector has been relatively unaffected, due to its extensive regulation.

The present government is now attempting to restore confidence in the housing market.

At last, the first small limitations in mortgage tax deductibility have been introduced. The transfer tax on mobility has now been permanently fixed at 2% instead of 6%. Stricter rules for mortgage financing have been introduced (e.g. no more 100% mortgages without a down payment) in order to make a start to lower the debt burden and reduce the financial risks for consumers, banks and government.

is where to build. The Netherlands is already having to deal with population decline in the south-east and north-east. In the longer term, this challenge will get greater. The prognosis is that the population of the Netherlands and the number of households will start to level out in the 2030's at about 17.4 million, some 0.7 million more than the present, and start to decline in the 2040's, unless there is once again a new wave of considerable immigration like in the 80's and 90s, which is at this moment politically unthinkable. If this stationary to declining population does occur, then there will also be a strong regional differentiation between areas of decline and continued demographic growth, with large areas of the south, east and north decreasing in population and the west continuing to increase.



6. House price decline since the crisis: price index of existing houses

Source: Ministry of the Interior / Central Bureau for Statistics



It is too early to see what the impact of the present government's measures will be on the housing market, but the structural reforms will necessarily take about 10-20 years before having their full impact. How the market evolves will depend on when and to what extent the Netherlands returns to economic growth, but at least the crisis has forced the politicians to introduce the reforms that should have been taken many years ago. Now it is time for the banks to be induced to act in a more socially responsible way.

It is estimated that there will be a need for some 500.000 new households in the next 10 years, due to continuing population growth and a further splitting of households due to divorce, ageing and new social forms. A big challenge

7. CONCLUSIONS

It is interesting to note that housing has always been in the political front line. It has been impacted by excesses when the political wind has blown too hard to the left or to the right and hopefully will come out of the present crisis in a more depoliticised form, where sensible, pragmatic policies with a solid longer-term foresight take priority over political philosophies and short-term electoral gain. Nevertheless, the Netherlands has built up a strong system. It has been shaken and stirred by the present crisis, but its foundations, especially in the social sector for the lower incomes, have stood firm. In the recent transformation, the housing associations have retained their central position, but their adaptation has not been easy.

Property speculators have suffered from the present crisis, as indeed have many municipalities, but more from the collapse of the office market, than from new housing development. The continued fiscal reforms of the owner-occupancy market, which have only just started,

the housing supply catch-up, and planning for de-growth are the main challenges ahead. However, we should also not lose sight of the necessity to deal with other aspects of the housing challenge, such as the improvement of eco-efficiency and the introduction of more flexible, open design.

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1. This paper is based on a presentation to EUSS that was kindly given by my colleague then at the Ministry of the Interior, Rik de Boer. The opinions are mine and If there are any factual mistakes, they are mine as well.