

Maintaining an Efficient and Equitable Housing Market in Belgium

2015 OECD Economic Survey

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Studiedag “Naar een meer kosteneffectief woonbeleid”

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Maintaining an Efficient and Equitable Housing Market in Belgium

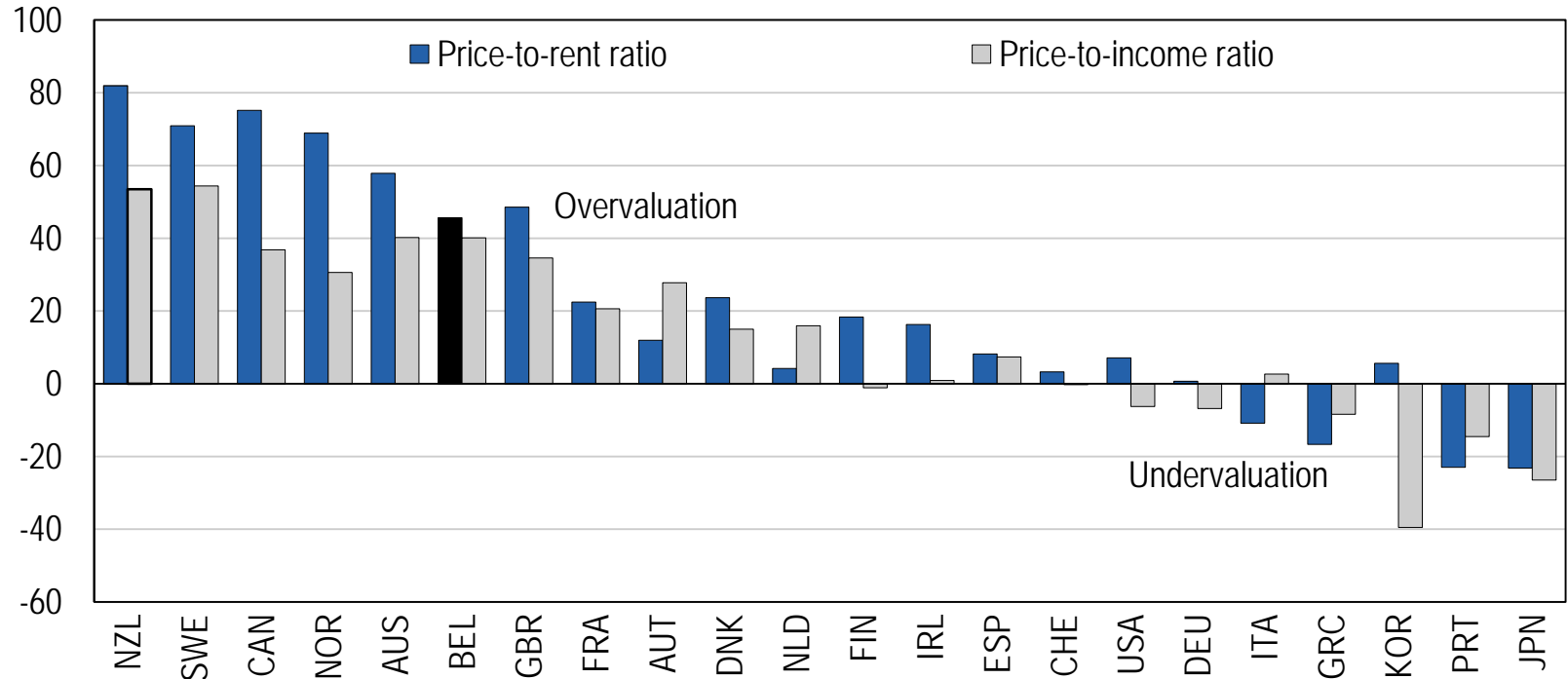
- This presentation provides an overview of the housing market chapter of the [2015 OECD Economic Survey of Belgium](#)
 - Findings
 - Recommendations
 - (Some updated charts)

- Related OECD studies
 - Chapters of other countries, e.g. Switzerland ([2016](#))
 - Project “Housing and the economy” ([2011](#))
 - Specific studies:
 - Household investment in energy efficiency and renewable energy ([2015](#))
 - Private rental sector ([2014](#))
 - Property taxation ([2015](#), [2014](#))

Findings

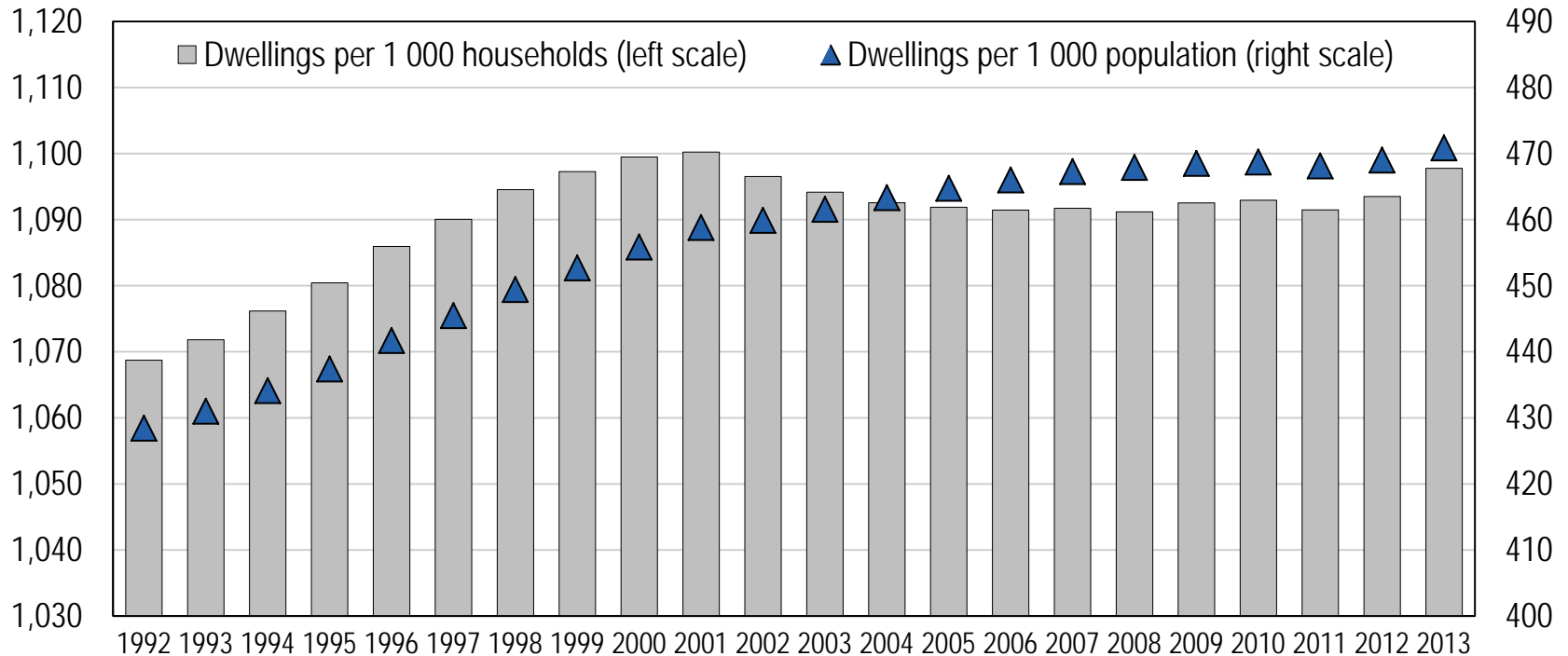
1. Valuation of the housing market
2. Housing affordability
3. Adequacy of the housing stock
4. Residential mobility

Some indicators point to a large overvaluation of the housing market



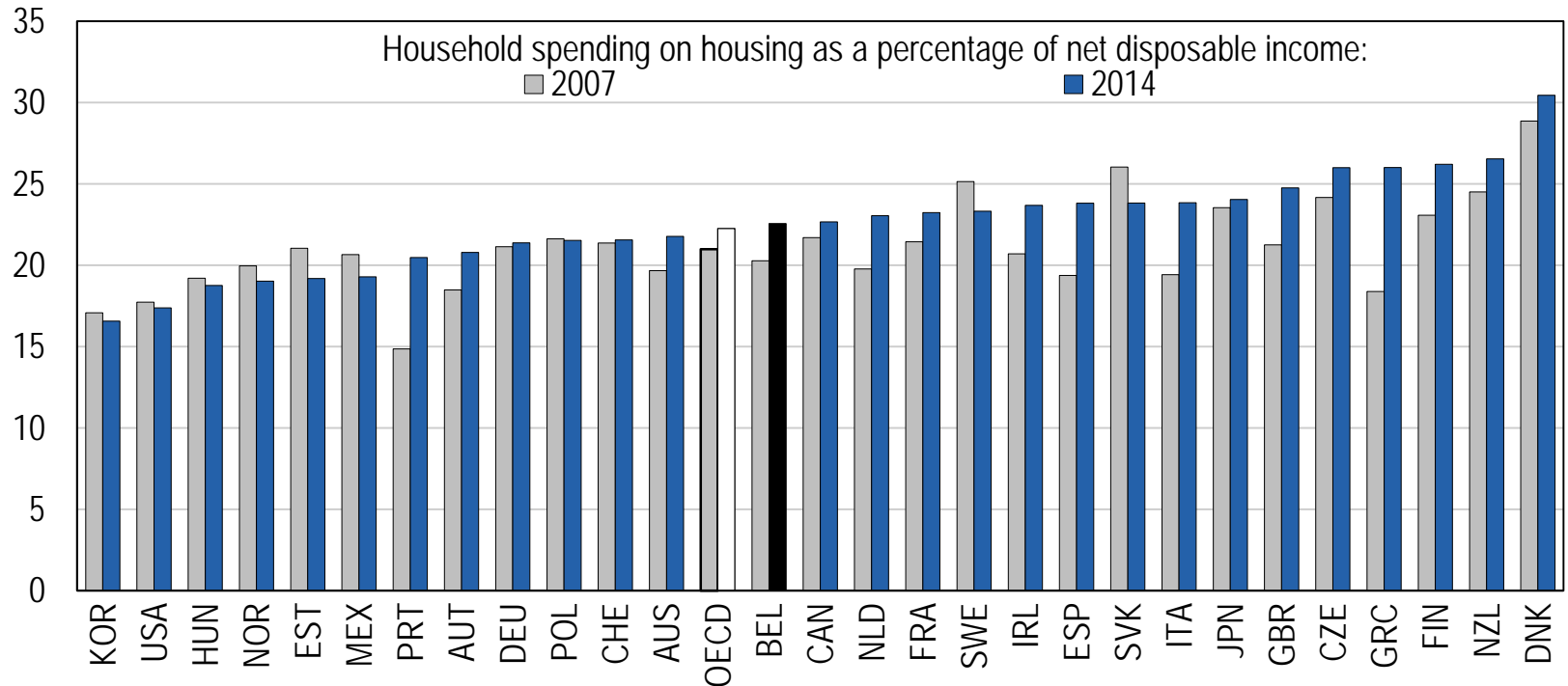
- Traditional measures suggest large overvaluation
- However, overvaluation is more moderate when accounting for lenient financing conditions
 - Changes in conditions, including fiscal treatment of housing, may have important effect on house prices

Housing stock evolved broadly in line with demand



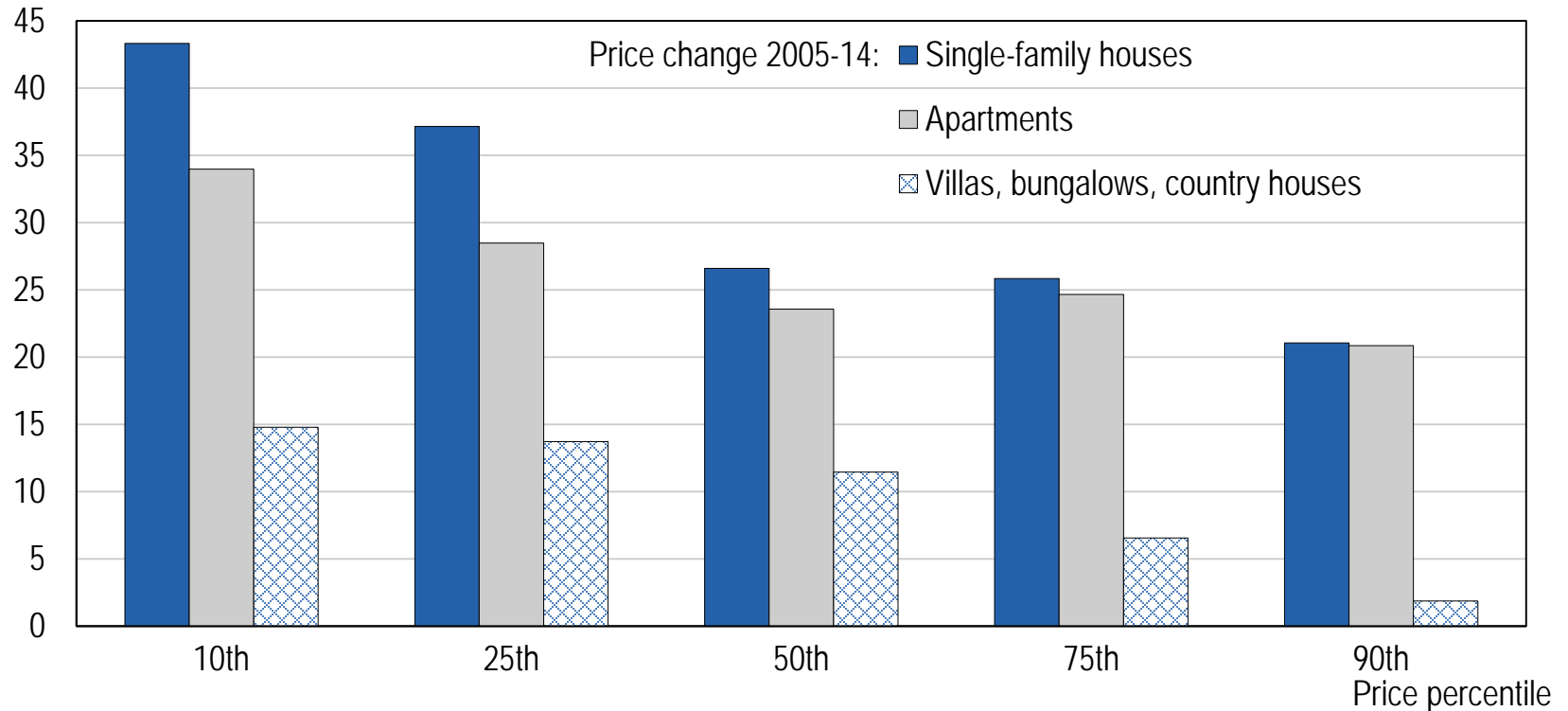
- Steady supply of new housing has been able to meet increased demand
 - House price increase is more related to demand factors than structural undersupply

Spending on housing increased slightly, but remains close to the OECD-average



- Average affordability of housing only decreased slightly despite the steep increase in property prices, because
 - no effect for existing owners and
 - impact for first-time buyers cushioned by falling interest rates and longer repayment periods

Price of cheaper houses has increased most

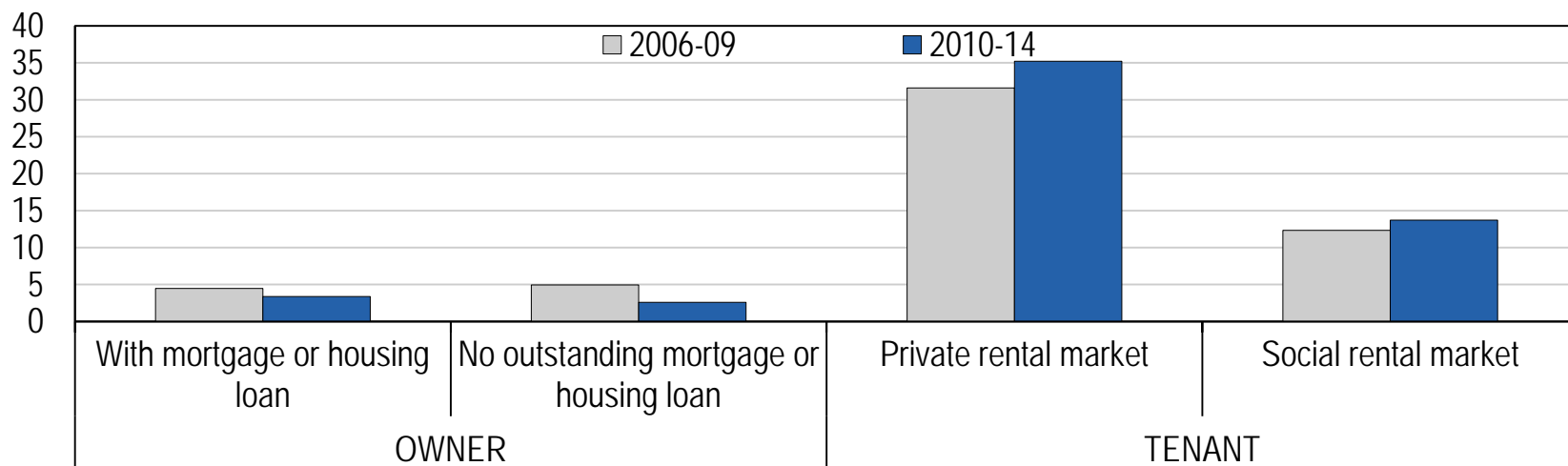


- Price increases have been uneven across market segments, reflecting
 - changing housing preferences and
 - inelastic housing supply

Housing cost overburden is high for low-income groups and tenants

Share of households overburdened by housing costs

Income quintile (2014)	First (bottom 20%)	Second	Third	Fourth	Fifth (top 20%)
BEL	35.7	10.1	3.4	1.0	0.4
EU28	34.6	11.3	5.2	2.8	1.5
FRA	17.8	5.1	1.9	0.8	0.2
DEU	44.4	16.5	8.9	6.1	3.9
NLD	35.3	15.9	10.4	7.0	5.4



- Income differences between tenures increased
- Social housing shortages led to worse price-quality ratio at the lower end of the private rental market

Adequacy of the housing stock is challenged by rising and changing demand

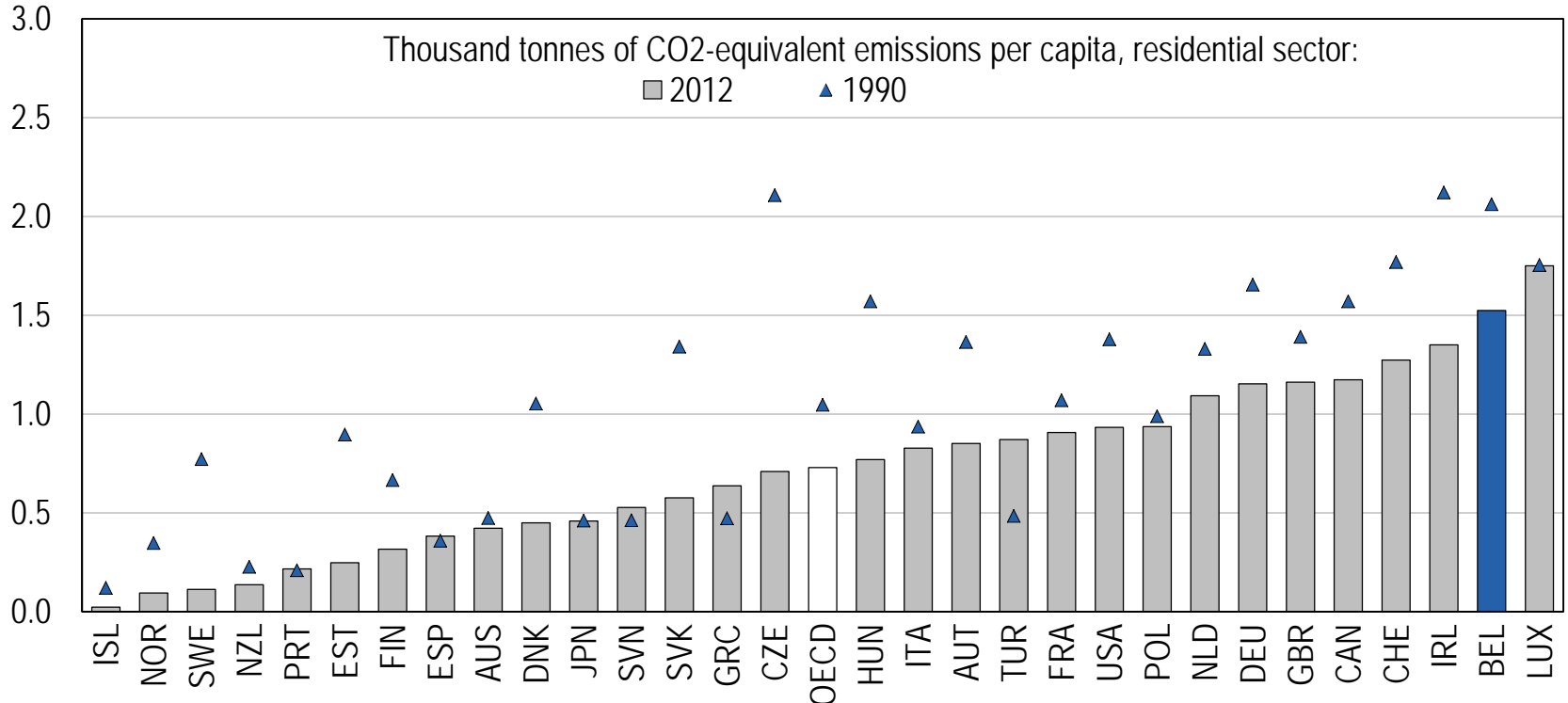
- Demand for housing will continue to grow

Projected change 2013-30

	Belgium	Brussels	Flanders	Wallonia
Population (% growth)	7	10	6	8
Households (% growth)	11	9	11	13
Households (thousand)	540	50	284	206

- Nowadays 65% of households consist of one or two people, up from 58% in 1990
- The share of apartments is low by international standards, both in the country as a whole and in cities
 - Construction of apartments has now surpassed that of single-family houses

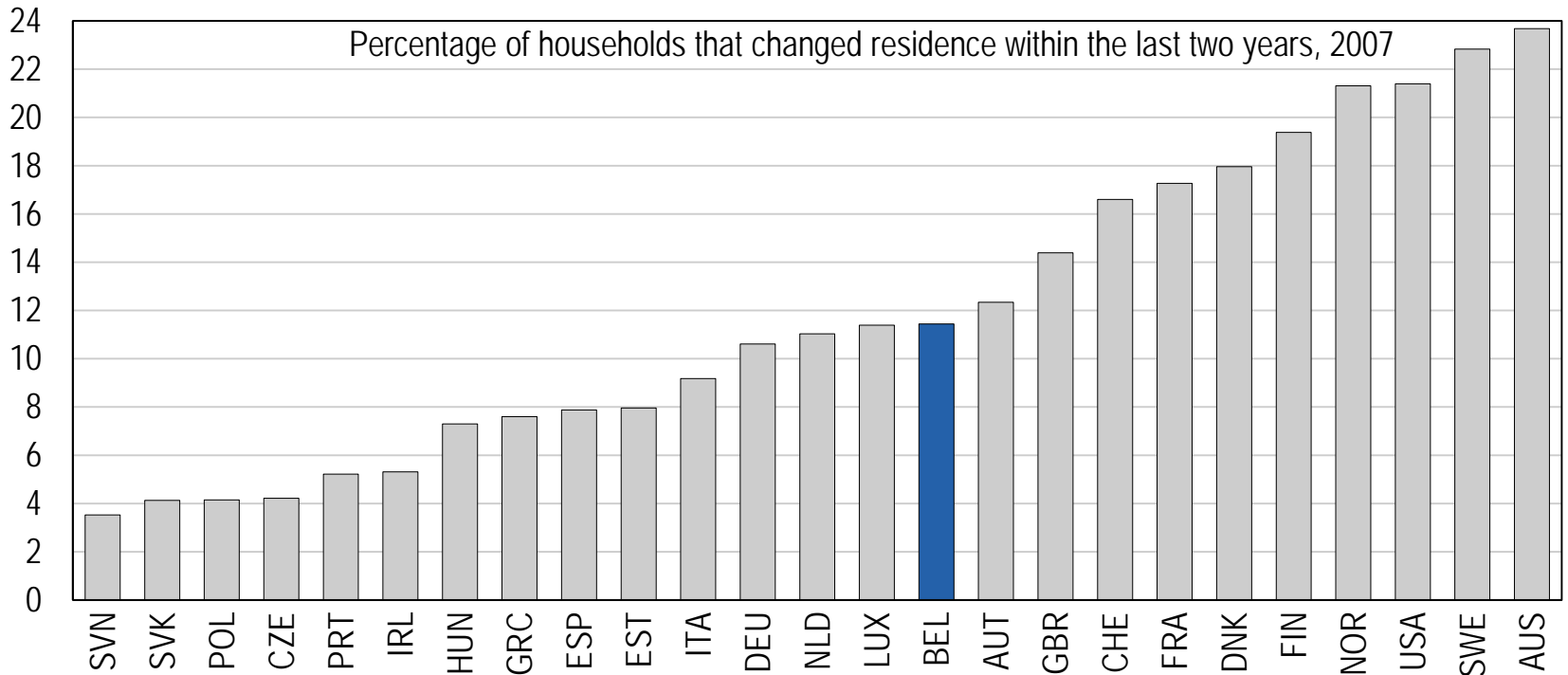
Housing stock has low energy efficiency



- Housing stock is in overall good condition, but its energy efficiency is low, reflecting
 - the relatively old age of the dwelling stock,
 - the many large and detached houses and
 - the lesser physical state of private rental housing

Residential mobility is mediocre

4. Residential mobility



- Few people move houses due to
 - the relatively small size of Belgium and its linguistically homogenous zones (but Denmark!) and
 - widespread homeownership (among the highest in the OECD)

Mediocre residential mobility has several negative effects

- Longer home-work distances cause
 - congestion and
 - greenhouse gas emissions
- Being reluctant to move for getting a good job can cause labour market inefficiencies as
 - people might take jobs below their level of education and experience and
 - jobseekers who cannot find suitable jobs in their neighbourhood might prefer to remain unemployed

Recommendations

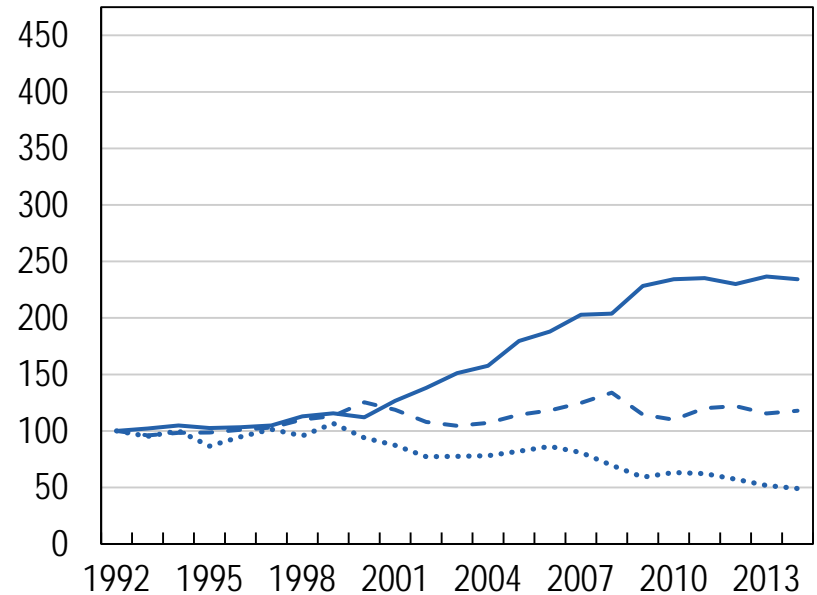
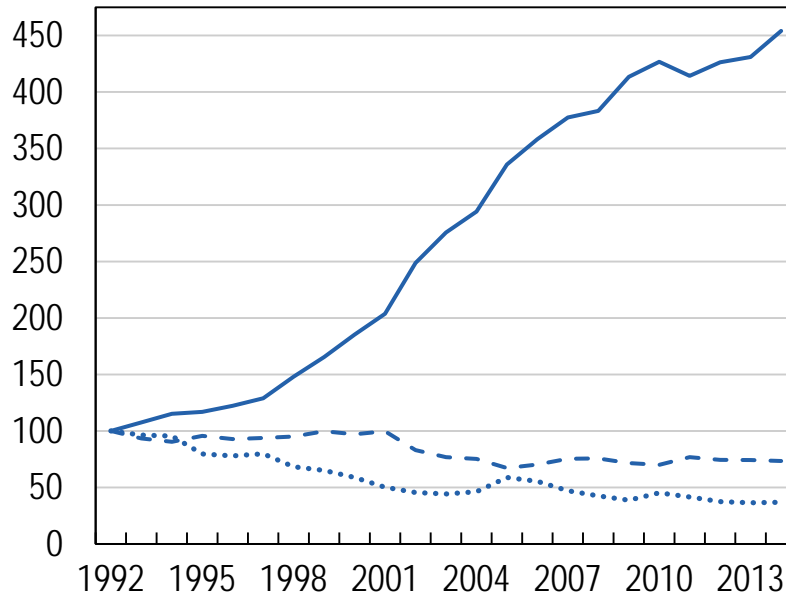
1. Policies to limit risks posed by the overvalued housing market
2. Policies to meet the rising demand for housing and improve the housing stock
3. Policies to improve the functioning of the rental market
4. Policies to make the housing market more dynamic and the private rental market more attractive

Moving towards fiscal neutrality and maintaining healthy mortgage lending

- Take advantage of the current low interest rates to gradually remove the tax deductibility of interest and capital repayments on mortgage loans
- Impose maximum limits on loan-to-value and debt-service-to-income ratios for new mortgage lending when appropriate in view of housing market dynamics

Meeting the rising demand for housing

— Real price per square metre - - - Average size Number of sales



- Increase urban building densities by re-designating land and converting non-residential buildings, further easing restrictions on the construction of denser buildings, and increasing the costs of keeping urban land and buildings unused

Improving the housing stock

- Address disincentives for renovations related to the disproportionate increase in property taxes – in particular for energy-efficiency improvements
- Allow rent increases during a contractual period when justified by energy-efficiency improvements
- Offer targeted loans for renovations to cash-constrained landlords, possibly guaranteed by the dwelling

Increasing support for renters from vulnerable groups

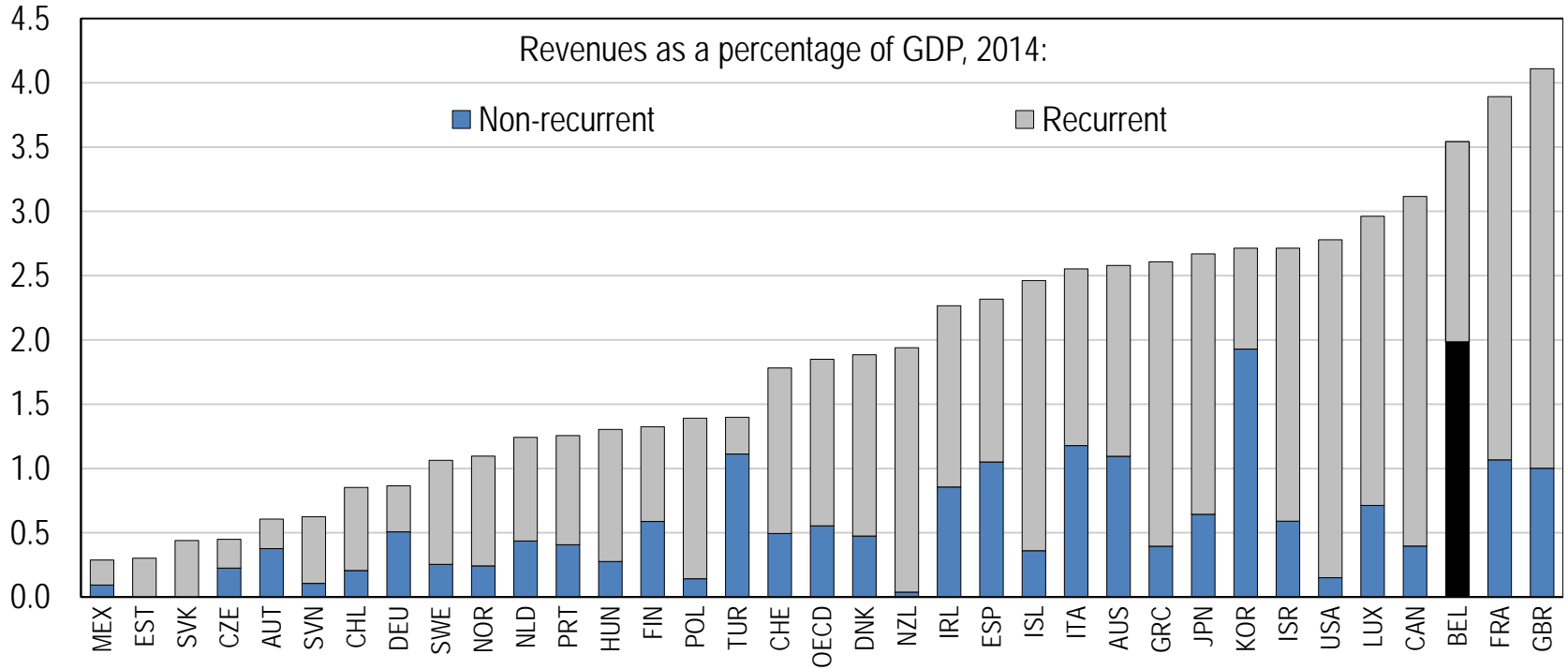
- Expand regional rental allowance schemes for low-income tenants renting on the private market. Make the allowance portable and dependent on local median rents
- Increase pressure on real estate agents to adopt a binding code that bans discrimination and step up random checks to avoid that discrimination moves to later stages of the rental process

Raising the supply of social rental housing

- Increase subsidies for social rental agencies and make publicly-owned plots available for construction of affordable housing, notably by the private sector
- Stimulate higher occupation turnover of social rental housing by a stronger enforcement of contractual eligibility requirements and the abolition of open-ended contracts
- Focus on rental housing instead of selling newly constructed social housing at discounted prices

Increasing the efficiency of housing taxation and residential mobility

4. Make housing market more dynamic



- Tilt housing taxation towards recurrent taxes and away from transaction taxes. Reduce transaction taxes through lower rates instead of increasing abatements and expanding portability of previously-paid taxes

Updating the tax base

- Update the federal cadastre, financed through a cost-sharing agreement between government levels, or set up regional cadastres
- Review taxation of rental income to avoid negative effects on the supply of rental housing from an update of the federal cadastre