

Rental policy in the Netherlands

From oppression to stimulation of the private rental sector

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Content

1. Dutch rent regulation strongly connected to political economy and position of the social rental sector.

Three phases:

- Demographic expansion and flourishing of social rental sector (1945-1985)
- Retreating government and autonomous social rental landlords (1985-2012)
- Reregulation and residualization of the social rental sector (2012 – nowadays)

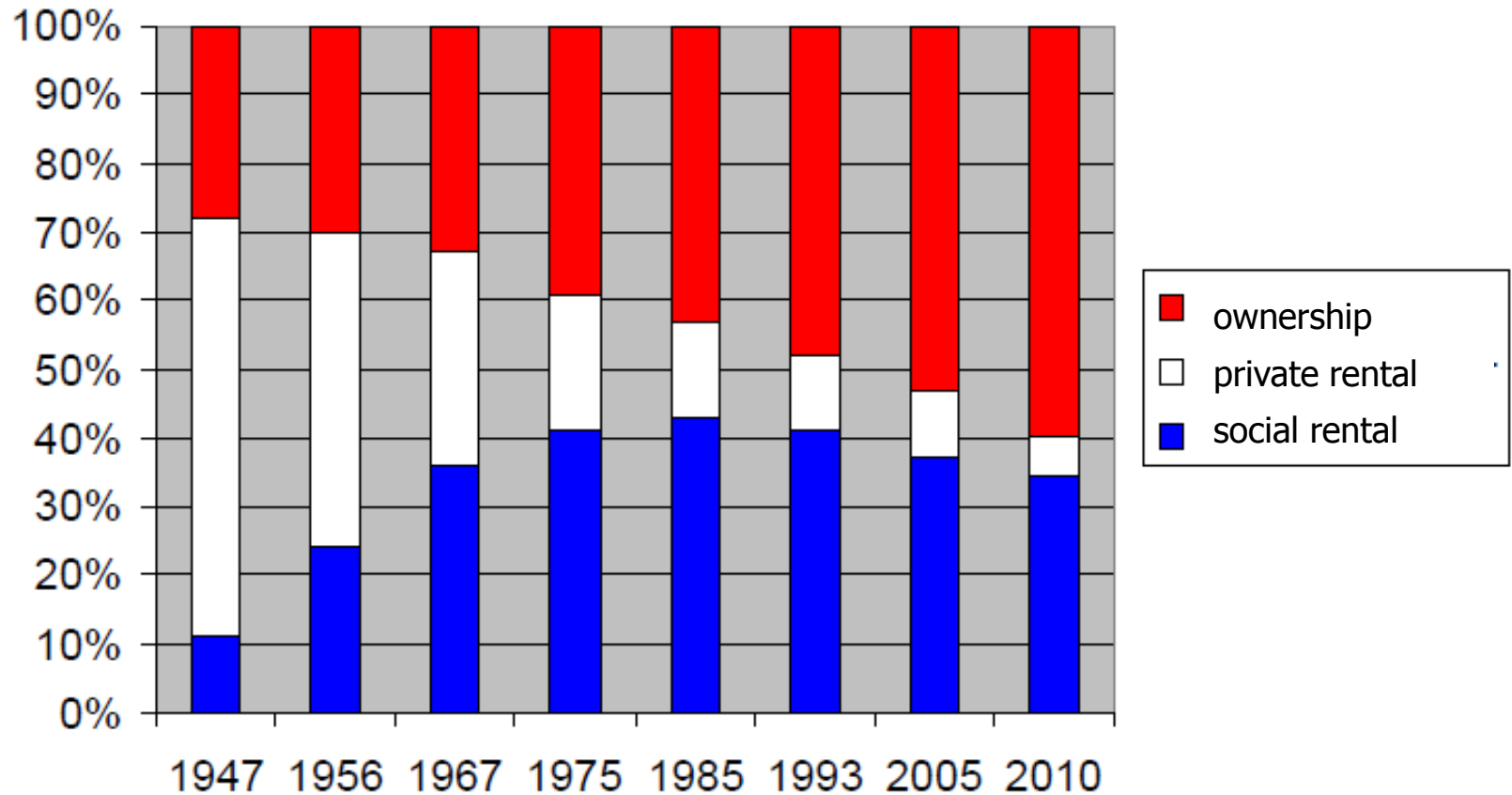
2. Dutch rent regulation: the basics of the current system

3. Conclusion and points for discussion

Phase 1: demographic expansion and flourishing of the social rental sector

- Large housing shortages after the end of the second World War (strong demographic growth, influence of war)
- The Netherlands chose to combat these challenges by large-scale subsidization of the social rental sector
- Between 1950 and 1985, the state controlled housing associations strongly contributed to housing production
- Many subsidized social rental dwellings were built in order to ease the housing shortage
- Strict rent regulation as part of economic policy (keeping the incomes at a competitive level, keeping inflation low)
- Private rental landlords massively leave the rental sector
- Spatial planning: 'bundled deconcentration'

Tenure distribution NL 1947-2010



Source: constructed by Marja Elsinga on the basis of data van Dutch National Statistical agency (CBS)

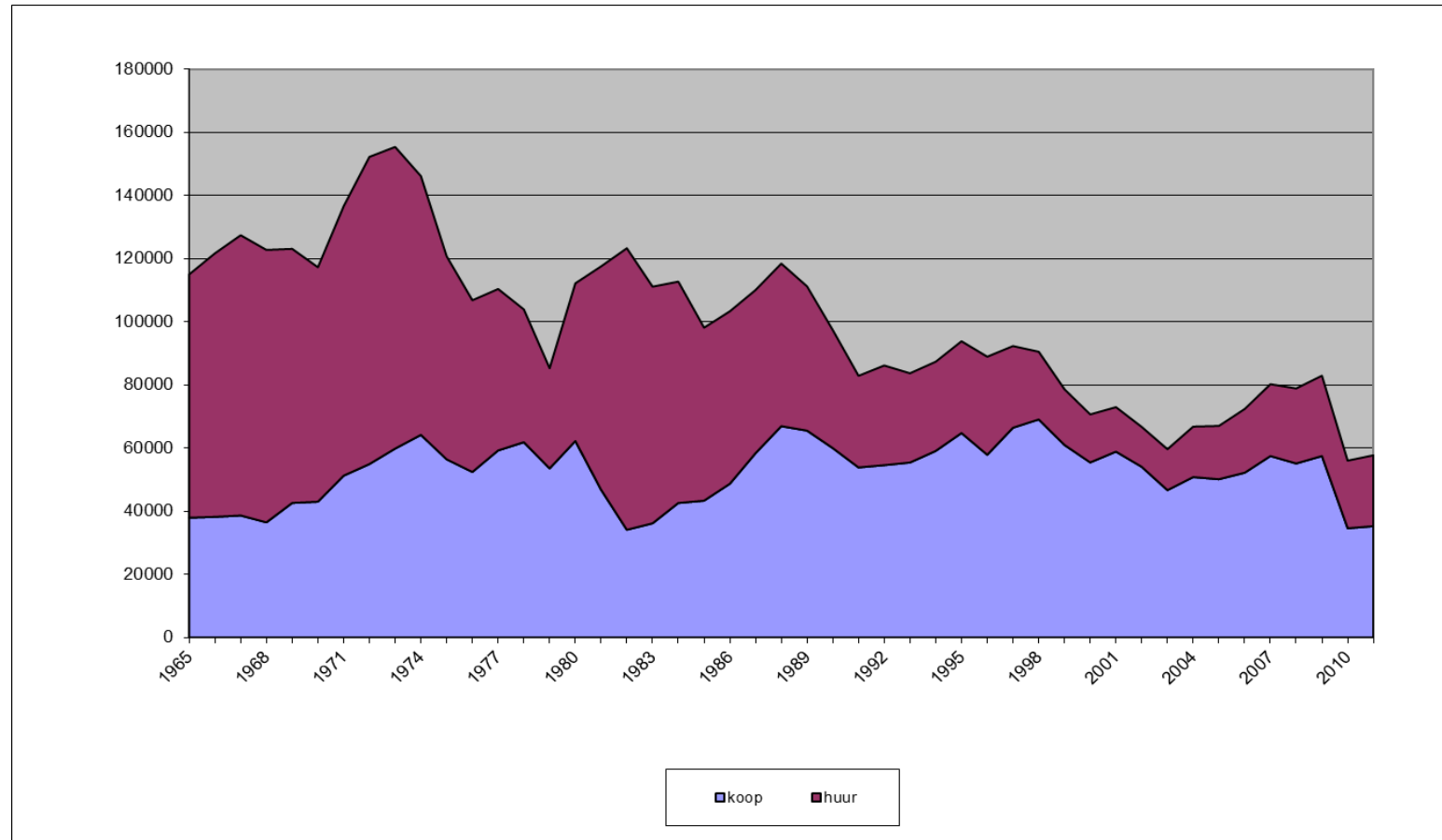
An example of bundled deconcentration: Zoetermeer



Another example: Almere



Housing production 1965-2011



Source: National Statistical Office (CBS)

Phase 2: Retreating government and autonomous social rental landlords (1985-2012)

From the 1980's and onwards a paradigm change takes place in Dutch housing policy:

- Social housing was one of the first policy fields to be decentralised by the state in the late 1980s and the 1990s
- Gradual decrease of object subsidies, housing allowance becomes more important
- In 1995, the government remitted outstanding loans to housing associations in exchange for the abolishment of future subsidies
- Since, then housing associations have a high level of operational and financial autonomy
- Partial liberalization of the rent regulation (1989)
- Explicit stimulation of home ownership sector
- Spatial planning: building next to the cities (VINEX)

Vinex locations



Dutch social housing after 2000

- Financial position of housing associations improved (low interest rate, house price increases, relative easing of rent regulation)
- Housing associations broaden their activities: neighborhood regeneration, home ownership dwellings, public-purpose buildings
- Management costs and salaries also increase
- Various cases of fraud and mismanagement cause public and political indignation
- Central government was not able to reregulate the sector as a result of many government changes

Scandals in Dutch social rental housing



Parliamentary enquiry (2013/2014)



- Some directors of housing associations lack a 'moral compass' and were too ambitious. In several cases, this led to fraud and corruption.
- Tasks of the housing associations were not clearly defined.
- External and internal supervision insufficiently developed.
- There was too much money available and investment risks were insufficiently perceived, also because they were backed by the government. This led to a so-called 'moral hazard'.

Phase 3 Reregulation and residualization of Dutch social housing

New Housing Law (July 1, 2015)

- Housing associations have to focus on their core tasks: building and managing affordable dwellings for lower-income groups. All other activities should be transferred to commercial organizations or separated from the core tasks in a distinct administrative or juridical entity.
- Stronger state supervision and creation of a new supervisory body, related to the ministry of housing
- Fit and proper test for directors and supervisors
- More influence for municipalities and tenants: yearly performance agreements

Stricter housing allocation rules

Since 2011: 90% of the vacant social rental dwellings has to be allocated to a household belonging to the target group of the housing associations (40% households with the lowest incomes)

Since 2016: passend toewijzen (fit housing allocation): within the social rental sector, households with the lowest incomes should be housed in the dwellings with the lowest rents in order to minimize expenses on housing allowance.

Landlord levy and income dependent rent increases

Landlord levy and income dependent rent increases

Since 2013, housing associations have to pay a so-called landlord levy to the government.

The total amount of this levy is 1,8 billion Euro in 2017

In order to be able to pay this levy, the housing associations have carried through relatively high rent increases, particularly for households that don't belong to their target group: income-dependent rent increases

Annual rent increase in 2016

Maximum average rent increase (*huursom*) for social rental landlords: 1% (inflation + 0,4%)

Maximum rent increase differs between income groups:

- 2,1 percent for households with an income < 34.678 euro
- 2,6 percent for households with an income between 34.678 and 44.360 euro
- 4,6 percent for households with an income above 44.360 euro

Private rental landlords are **not** bound to the maximum average rent increase of 1%. The maximum rent increase they can ask is dependent on the income of the tenants.

The role of rent regulation in the last few years

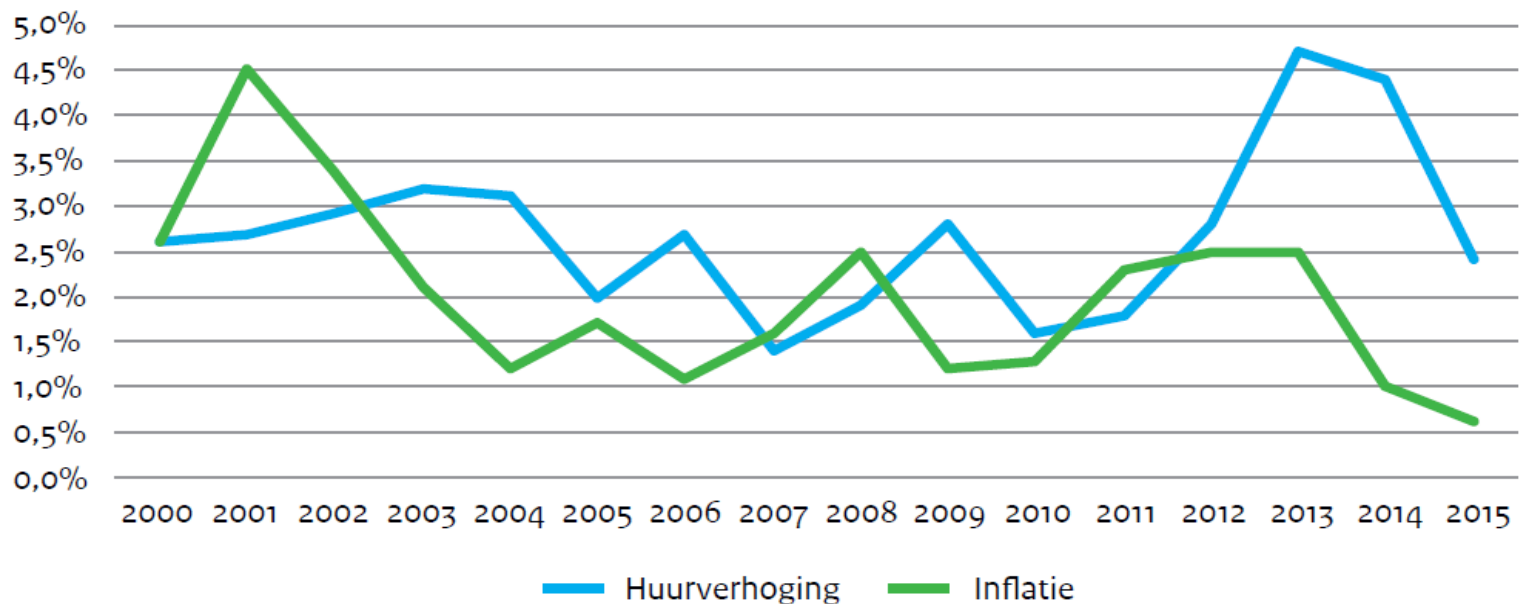
In the new housing policies, rent regulation serves the following goals:

- Enable landlords to pay the Landlord Levy
- Diminish the share of middle and higher income households in the social rental sector
- Further develop the private rental sector

=> And what about enhancing housing affordability?

Annual rent increase and inflation, 2000-2015

Huurverhoging en inflatie, 2000-2015



Source: Wonen in cijfers 2016

Affordability problems for tenants

	2009	2012	2015
Average yearly disposable income	€ 27.100	€ 25.700	€ 24.800
Average monthly rent	€ 433	€ 459	€ 499
Rent to monthly income	21.3%	23.8%	26.7%
Total housing costs to monthly income	31.4%	33.9%	36.0%

Shortage of social rental dwellings

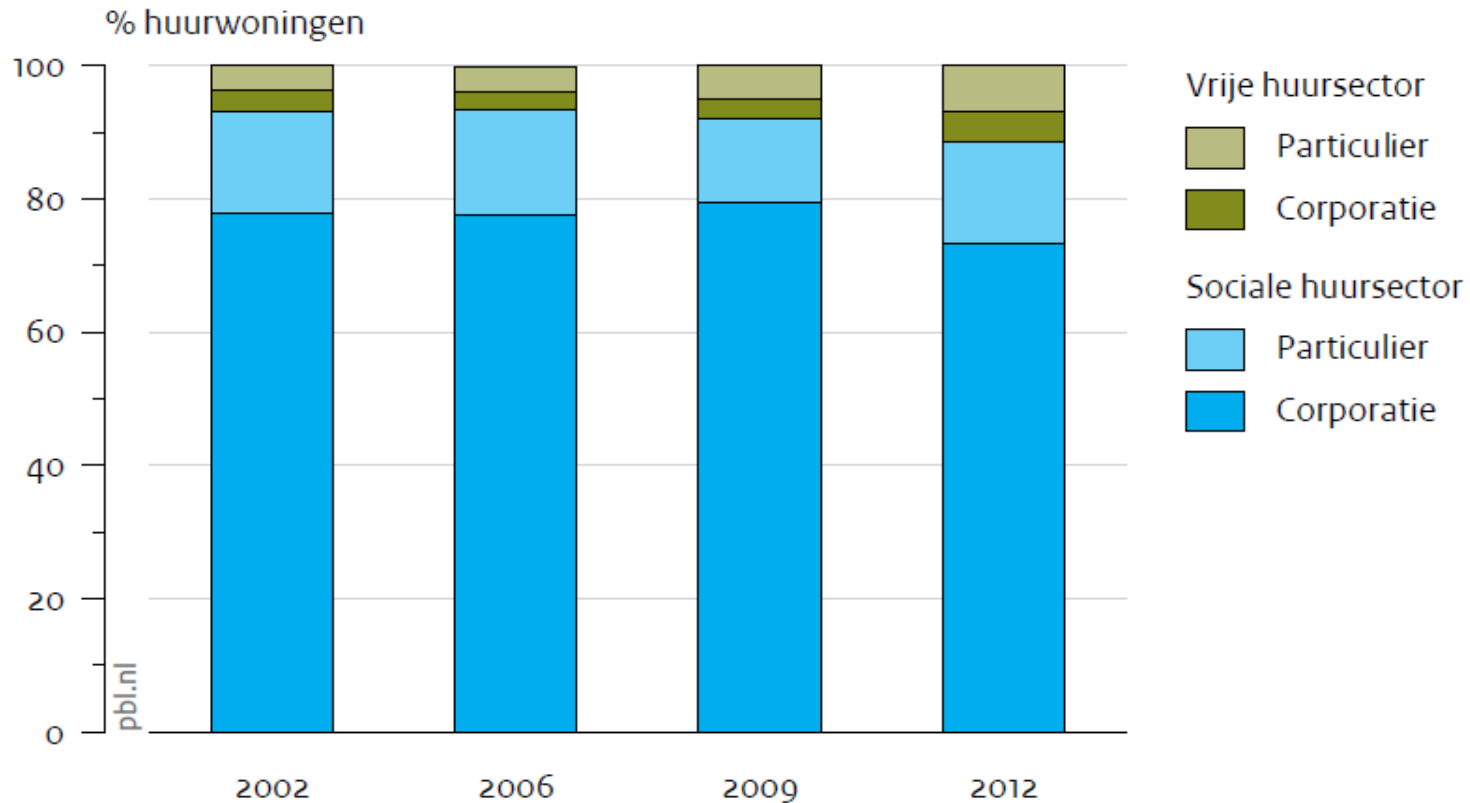
	2009	2010	2011	2012	2013	2014
Newly built social rental dwellings	30,400	28,600	28,600	25,600	29,900	17,200
Social rental dwellings bought	4,400	2,200	2,800	2,700	800	1,400
Dwellings sold	-13,400	-15,500	-18,100	-14,700	-16,700	-22,900
Dwellings demolished	-15,800	-13,100	-11,900	-10,400	-9,800	-9,700
Mutations in social rental dwelling stock	5,600	2,200	1,400	3,200	4,200	-14,000

The current rent regulation system

Specific in a number of ways:

- Same regulation for both social and private rental landlords (although this has recently changed somewhat)
- Difference between 'heavy' and 'very light' rent regulation on the basis of the rental price (limit 710,68 Euro in 2016)
- In the heavily regulated segment, the yearly rent increase but also the rent setting are regulated.
- Tenant security is strong across the board.

Segmentation of the Dutch rental market



Bron: WBO 2002; WoON vanaf 2006; bewerking PBL

Rent regulation in the heavily regulated segment

- Maximum rent is based on the quality of the dwelling (points system)
- Yearly rent increase is regulated by the central government (political decision)
- Tenant security: rental contracts of an indefinite nature
- So-called rental committees (*huurcommissies*) are there to settle disputes

Rent regulation in the heavily regulated segment – rent setting by points system

Dwelling gets quality points for the following aspects:

- Surface area
- Availability of heating
- Energy performance
- Size and equipment of the kitchen
- Availability of toilet, shower, bath etc...
- Surface area of the garden/balcony
- Cadastral value of the dwelling (on average 25% of the total number of points) (since 2015)
- Special situations (monuments, dwelling for handicapped people)

=> Maximum is 250 points (1255,62 Euro)

=> Dwellings with 145 points or more (712,83 Euro) may be 'liberalized' if they become vacant

Rent regulation in the heavily regulated segment – yearly rent increase

- Every year this is decided by the national government: increase starts at July 1.
- Usually there is some relation with the inflation
- Since 2013: income dependent rent increase: households who don't belong to the target group of the housing associations may get a higher rent increase than other households

Tenant security

Standard: contract with an indefinite term

A landlord may only terminate the contract if one of the following reasons applies:

- If the tenant does not behave as a good tenant (in case of severe rent arrears or nuisance)
- If the landlord urgently needs the dwelling for him/herself (and even then only under certain conditions)
- If the landlord wants to demolish or drastically renovate the dwelling (again, only under certain conditions)

=> Recently temporary rental contracts have been possible for specific groups (students, young people)

Rental committees (*huurcommissies*)

- The rental committee is an independent organization that settles disputes between tenants and landlords with regard to maintenance, rental price and service costs.
- The rental committee consists of representatives from both the tenant and the landlord sector, and is chaired by an independent chairman.
- Tenants who think their rental price or their rent increase is unfair can ask the rental committee to settle the dispute.

Rent regulation in the lightly regulated rental segment

- This regulation applies to dwellings with at least 145 quality points that have a rental price higher than 710,68 Euro.
- Rents may be set freely.
- Yearly rent increase may be set freely
- Tenant security is the same as in the heavily regulated segments: contract with an indefinite term are the norm.

An evaluation of the Dutch rent regulation

	Advantages	Disadvantages
Rent setting with quality points system	Give clarity to consumers	Distorts the free market
Yearly rent increase by political decision	Adaptability	Insecurity for both tenants and landlords, no long term perspective

Points for discussion

- What should be the motivation for rent regulation: is it only about protecting tenants or may the rent regulation system also serve other housing policy goals?
- Is it desirable to regulate the rent setting? If so, should the rent setting be based on market circumstances or on the objective quality of the dwelling?
- What should be the basis for the yearly rent increase that is allowed. Should this be based on political considerations or an a long fixed agreement?
- Is rent regulation less desirable in the higher rental segment than in the lower rental segment?

Questions

