

# ONE MILLION LOW-RENT

According to the participants in this year's Nieuwspoort debate, the housing market is only a market in name. This has everything to do with the dominant position of the Dutch government. The state regulates rent levels and keeps them artificially low, provides generous subsidies to low-income tenants, and furthermore demands a 6% 'conveyance tax' when tenants decide to move to an owner-occupied home. The results are extremely limited circulation, 'scheefwonen' low-building production and outrageous price levels. Newcomers to the housing market cannot afford to buy their own home and the waiting list for rental homes can be as much as eight years. What needs to be done and who needs to do it?

By Dick Groenendijk

Ten board members of various leading property developers, constructors and investment firms pulled up a chair to talk with prominent poli-

tician Adri Duivesteijn, main spokesman on this topic for the PvdA in the Dutch parliament. Chairman Kees Koedijk, Professor of Financial

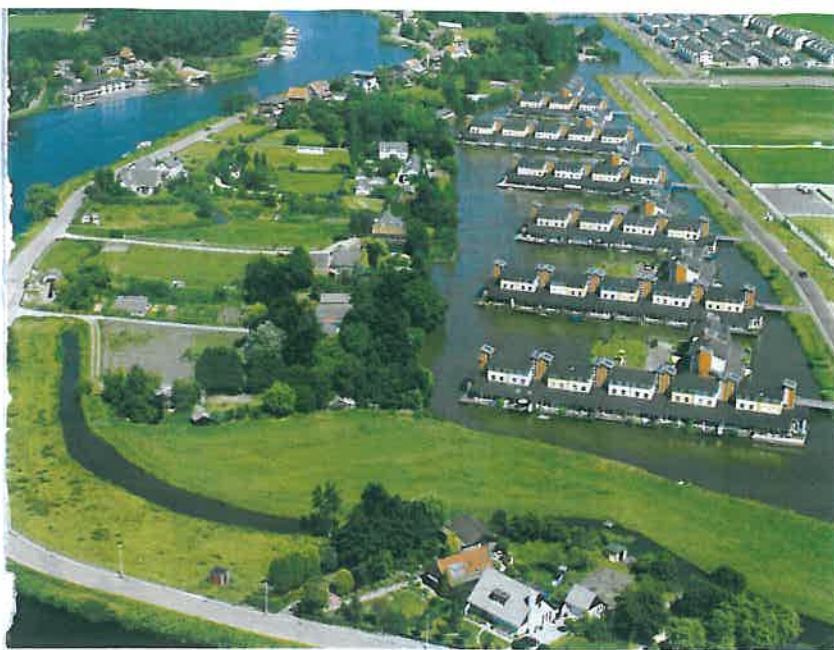


Peter Ruigrok (AM) middle: "If you invest in neighborhoods, it usually results in dynamism."



Management at Erasmus University Rotterdam, sets the ball rolling: "Mr. Duivesteijn, what do you think about the idea of simply abolishing the conveyance tax, since no one really remembers why it was introduced in the first place? This would allow things to start moving again in the housing market, and would particularly benefit the newcomers to the market."

**Statement 1:** Conveyance tax is not an unassailable institute. A macro-approach would be better than ad hoc policies. Adri Duivesteijn (PvdA): "The conveyance tax isn't sacred. We could abolish it, but this



*Residential area near Rotterdam.*

transport over water and a healthy water system.

"Bringing water back into the city center is a good approach to solving water issues," says State Secretary Schultz van Haegen. "Furthermore, its presence nearby raises our consciousness of actually living in a huge delta. Unfortunately, there isn't one solution that works in each case. We are required to develop tailored solutions, which necessitates good collaboration between the municipality, developers and the water board."



*embankments and town houses.*

A fine example is the project Rotterdam Waterstad 2035, which offers a realistic view of a feasible and acceptable solution for water issues in this major international seaport. Schultz van Haegen explains, "What attracts me to Rotterdam Waterstad 2035, is the fact that water management organizations and spatial planners joined forces to investigate how the necessary large-scale construction can be combined with a further improvement of Rotterdam's urban development. They reached the interesting conclusion that Rotterdam's water issues form a 'trump card' in terms of town planning." Taking water issues into consideration in inner-city redevelopment projects should become as natural as planning an area's parking facilities. This too was a very complicated affair a mere 20 years ago, and not always elaborated satisfactorily. It is now a standard element of a location's operation. <<

*With the kind collaboration of Real Estate Magazine/Eric Harms.*



**HRH Prince Willem-Alexander**

In the field of water management, the Netherlands has a very prominent expert at its disposal, in the figure of HRH Prince Willem-Alexander, the country's future king. The prince is an honorary member of the World Commission on Water for the 21st Century and patron of the Global Water Partnership.



**Melanie Schultz van Haegen (VVD)**  
State Secretary of Transport, Public Works and Water Management.

- Member of the Leiden City Council, April 1994-May 2002
- Researcher and Advisor, B&A Groep, based in The Hague, 1995-1997
- Senior Advisor, B&A Groep, based in The Hague, 1997-1999
- Alderman for Economic Affairs, Land Issues, Tourism and Parking and Communication in the Leiden City Council, October 12, 1999-July 22, 2002
- State Secretary of Transport and Public Works (responsible for air traffic, water, shipping and environmental legislation pertaining to shipping and the Royal Dutch Meteorological Institute KNMI), as of July 22, 2002
- Member of the lower House of the Dutch Parliament, January 30, 2003-May 27, 2003

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# HOMES ON THE MARKET



PHOTO: ERIC BAKKER



"Conveyance tax isn't sacred."



"Bring a million social homes on the market."



"Abolish the conveyance tax."

would have its financial consequences for the government. The alternative of taxing 'scheefwonen' (the current situation where a large portion of social

housing is occupied by high-income tenants – ed.) would be a risky venture in my opinion. It could well lead to the undesirable development that people >>



Huib Smeets (Vesteda) 3th from left: "New quality homes will eventually be subleased too. At double the original rent."



## PARTICIPANTS IN THE NIEUWSPOORT DEBATE

- 1 Chairman: Professor Kees Koedijk, Erasmus University Rotterdam
- 2 Friso de Zeeuw, Bouwfonds MAB Ontwikkeling
- 3 Pieter Wetselaar, Rabo Vastgoed
- 4 Carel de Reus, Johan Matser Projectontwikkeling
- 5 Peter Ruigrok, AM
- 6 Lex Pouw, Ymere
- 7 Adri Duivesteijn, Partij van de Arbeid
- 8 René Scherpenisse, Stuurgroep Experimenten Volkshuisvesting
- 9 Dietmar Werner, Volker Wessels Vastgoed
- 10 Menno Maas, AMVEST
- 11 Huib Smeets, Vesteda
- 12 Jan Willem van den Bos, Meeüs
- 13 Marinus Dijkman, (initiator), Editor-in-Chief, Europe Real Estate Publishers



Adri Duivesteijn (PvdA) middle: "We could abolish the conveyance tax, but this would have financial consequences for the government. The alternative of taxing 'wrong use' (social housing occupied by high-income tenants) would be a risky venture."

decide to move out of certain neighborhoods. If you start taxing higher-income earners living in relatively cheap accommodation, they will move to other areas where they get a better standard of living for the same money. This undermines the social differentiation that is so important for the standard of living in the inner cities. By solving one problem, you create a new one. That is why I advocate a broader approach. Take a close look at conveyance tax, a possible taxation of rent/income discrepancy and the deduction of



Menno Maas (AMVEST): "No circulation, waiting lists and 'wrong use' all require a macro approach, rather than ad hoc policies."

mortgage interest, but also look at their interrelationship. You can do this within the context of a general revision of the tax system." Menno Maas (AMVEST): "We currently have a gridlock situation in the housing market. No circulation, waiting lists, 'wrong use', etc. These are all interrelated issues that cannot be addressed with ad hoc policies, but require a macro-approach. In the Netherlands, we have the absurd situation where higher-income groups are subsidized via the system of mortgage interest tax deduction, the middle-income earners benefit from 'wrong use', and low-income earners receive rent subsidy. These artificial constructions prevent the housing market from actually functioning as a market." Huub Smeets (Vesteda): "It is strange that newcomers are not served by the current housing market. The Netherlands has 2.5 million homes in the social housing sector. If one relates this figure to the number of people receiving rent subsidy – the people in the lowest income groups, for whom this type of home is ultimately intended – there are a million low-rent

homes too many. A million homes in the social sector that are occupied by people who are fully able to pay for something else. They initially started in one of these homes, have since built a career, but continue to live cheaply. As a result newcomers cannot find an affordable home. That can't be the intention! Simply taxing 'wrong use' is not the only solution to this situation; one needs to take additional measures. Crack down on illegal subletting for instance. This problem should not be underestimated. In Amsterdam, in particular, people move, but keep their cheap rental home and rent it out for a considerably higher rent. And with regard to social differentiation – let's focus on creating a more varied range in the old city neighborhoods so that people can develop a housing career in their own neighborhood."

**Statement 2:** Create a large-scale social housing market and prevent subsidized subletting!  
René Scherpenisse (SEV): "We have approx. 2.5 million low-level rental homes in the



Netherlands, with an average rent of €350, and 3 million owner-occupied homes with an average price of €219,000. There is hardly anything available between these two extremes. This means that a large portion of the Dutch population, with a household income of some €30,000-€50,000, isn't really served by the current market. The solution to this problem is in the hands of the housing corporations. In my view, this surplus of a million social housing units is eligible for sale on the market. With a few extra measures you can put these homes within reach of people who can't buy a home on the regular market. This makes it possible to create a large-scale social housing market for prospective homeowners."

Friso de Zeeuw (Bouwfonds MAB Ontwikkeling): "In the Netherlands, we intensively stimulate the demand for homes with a system of subsidies and tax deductions, while little is done to improve the supply side. There has been tension in this situation for many years now. But I believe that people are now in the right frame of mind to



*Carel de Reus (Johan Matser):  
"An entrepreneurial government  
could easily give new impetus to the  
development of the housing market."*

make a big move forwards. We shouldn't think up a whole new series of support measures, but rather address the underlying issue – supply. And this means production and comprehensive reform of the Dutch system of support measures and taxes."

Lex Pouw (Ymere): "A lot of the discussion surrounding the price-making process and demand support will evaporate if we were able to stimulate production. This is the pivotal issue, in my opinion. I don't see the point of targeting the 'wrong use' problem. This will only lead to complicated debates, without any systematic outcome. It is vital to disconnect this issue from the necessity to build. Because we need to build! And this also applies for the social sector, where the housing stock is relatively old – at least 30% of these homes are ripe for replacement. In order to execute our housing responsibilities as a corporation, we definitely need to focus on improving quality. And this can only be done by means of new construction."

Smeets: "It's impossible to maintain that you still need new construction with the enormous existing buffer of social rental housing. Mark my words – those new quality homes will eventually be subleased too, at double the original rent. And I also fail to understand why you apparently don't have a problem with the fact that people with a decent income can continue to stay on unhindered in a subsidized home."

Pouw: "What's wrong with someone opting for low living expenses and accepting lesser quality in the process?"

Carel de Reus (Johan Matser Projectontwikkeling): "Many people who live below their means wouldn't mind moving to



*Pieter Wetselaar (Rabo Vastgoed):  
"If you promote demand in a market with  
insufficient supply, it will have zero effect."*

better-quality accommodation. But as builders we haven't developed these better homes. We will have to put a great deal of work into amending this situation. And it would be good if the government made another billion or so available to make moving up the housing ladder an attractive prospect from a financial point of view. This shouldn't be a problem, because the extra 30,000 homes that we should start building each year would result in some €3.5 billion in revenue. With a bit of persuasion, an entrepreneurial government could easily give new impetus to the development of the housing market."

Peter Ruigrok (AM): "We are currently involved in the restructuring of some 15 ageing postwar neighborhoods. The people living in these neighborhoods generally want to stay there or want to return after restructuring. Even if that means having to pay a realistic market price for their home. In my opinion, there's no reason to fear that people with more disposable income will move away from these neighborhoods. On the contrary, if you invest in these neighborhoods, it usually results in a great deal of dynamism." >>>



Carel de Reus (Johan Matser) middle: "Continuing building is the only solution for getting out of the current deadlock. Otherwise you get the situation where parties who have the money to invest in the housing stock will start investing abroad."

**Statement 3:** Stimulating demand in the current market has no effect. The housing corporations are sitting tight on their property. The answer is to focus on the supply side – more production.

Pieter Wetselaar (Rabo Vastgoed): "At the moment, particularly in the sector targeting newcomers, it is really a case of increasing the offer rather than stimulating demand. If you promote demand in a market with insufficient supply, it will have zero effect. It will merely be a waste of taxpayers' money. And as far as the offer



Lex Pouw (Ymere): "Make work of production! We need to sell more, but trading privately-owned homes is still a different matter than producing them."

is concerned, it is definitely not the case that all newcomers in the housing market want a single-family home in the suburbs. A large percentage opts for small units in the city center. We will be realizing a number of projects geared towards this situation."

Jan-Willem van den Bos (Meeûs): "We recently commissioned a study of the demand for living accommodation in each of the Dutch regions. This survey showed that there is indeed a considerable demand for living space in and around the inner-city areas. Both in the rental and the privately-owned sectors. The offer will also have to be expanded in the middle and higher segments of the market." Duivesteijn: "I am convinced that many people who are now living too cheaply would like to buy their social rental home. But in many cases this simply isn't possible, because the corporations are holding on to their property and are insufficiently prepared to dispose of these units. This situation must be addressed. By bringing a significant portion of these social homes to the owner-occupied market, you take the pressure off the

market and avoid the price being driven up further. And we need production – particularly by the corporations, and especially in a period of recession."

Scherpenisse: "If you really want to achieve results with such a transformation of the social housing stock, you need to offer the homes at an attractive price, in other words below what the market would ask. Taking account of the balance sheet value, this could be a fairly cost-neutral measure for the corporation involved. And make no mistake, the ethnic middle class in the cities would rather buy than rent. For them, buying a home is a value in itself because it allows you to build up capital."

Pouw: "The nice thing about property is that you are allowed to make your own decisions about it. After all, would you go around forcing a homeowner to sell his house? So why should a corporation? And – on top of that – for less than the market price? For 50 years, government policy has made a mess of the rental market. Should we now do the same thing to the owner-occupied market and the price-making process? Make work of

production! We need to sell more, but trading privately-owned homes is still a different matter than producing them."

Duivesteijn: "What is creating this tension in the housing market? And how can you achieve a breakthrough? These are issues that we need to give fundamental thought to. And corporations need to approach it on the basis of their social responsibility, which gives them a whole other perspective than a private owner or a commercial landlord." De Zeeuw: "You are giving the buyers a little financial present, but what are the alternatives for the corporations to bring the housing market in the large cities back into balance?"

Pouw: "There is an intense debate going on in Amsterdam at the moment about the allocation system, which stifles development. The same applies to the rent level policy. What should you expect if you are in fact offering homes at too low a price? But the most important issue is new construction. This is something that we really have to work on."

Scherpenisse: "But what are you doing for the large group of people with an income between €25,000 and €50,000, who come just short of being able to buy a home? You let them stay put in social housing. That costs money, a lot of money in fact. After all, these are subsidized homes."

Pouw: "The government's rent level policy forces us to charge a low rent. This is where the fundamental problem lies."

Smeets: "Which doesn't dismiss the fact that we simply haven't built enough homes in the Netherlands. Even during the boom of the 1990s we didn't do enough. It isn't even so much a case of making anticyclical investments – we have to keep building

on a cyclical basis, even when we are going through a slump as we are at present."

**Statement 4:** *The key is to continue building (anti)cyclically. Housing production has to return to the level of 100,000 units per year.*

De Reus: "It's the only solution for getting out of the current deadlock. And then it could still take another 10 to 20 years. If we can't establish some sort of continuity, you will get the situation where parties who have the money to invest in the housing stock will start investing abroad. This is already going on."

De Zeeuw: "Let's not be too pessimistic. It's clear that building production is on the rise. It's a slow development, but it is taking place."

De Reus: "Even if we can step up the annual production to 100,000 homes – although we're currently way below this figure (70,000 in 2005 – ed.) – this still won't suffice to make up the difference. On the contrary – at that level the backlog will still continue to grow."

De Zeeuw: "What a load of non-



*Friso de Zeeuw (Bouwfonds MAB): "Let's not get too grim. Building production is on the rise. It's a slow development, but it is taking place."*

sense. Dutch contractors aren't even able to deal with these volumes. They could take on 80,000 at the most. And such a figure emphatically includes a portion of fairly simple, cheap homes for newcomers."

De Reus: "I recognize the problems faced by newcomers, but you can only solve the current problems by adopting a long-term policy. This means building selectively, and building homes of high-quality." ➤



*Huub Smeets (Vesteda) middle: "We have to keep building on a cyclical basis, even when we are going through a slump. Even during the boom of the 1990s we didn't do enough. We simply haven't built enough homes in the Netherlands."*





*Marinus Dijkman (Europe Real Estate Publishers) is the initiator of the yearly Holland Real Estate housing debate in Nieuwspoort, The Hague.*

Dietmar Werner (Volker Wessels Vastgoed): "Even 100,000 new homes is a negligible figure when compared to the Netherlands' total housing stock. If you really want to get things moving in the housing market, you will need to focus on structural change: the large-scale sale of rental homes to people who want to buy them. And a policy that makes it possible to charge a cost-effective rent for a home."

*Statement 5: The Dutch population is ageing. How should the construction community respond to this development? Will the future bring special locations for senior citizens or even complete cities geared towards this age group? Would this make sense?* Wetselaar: "I don't think so. One of the characteristic features of Dutch society is that people, whether they are old or not, prefer to stay close to their old neighborhood – within a radius of some 10 km or so. Relocating to a completely different region, as people do in the US for instance – Florida, California – is by no means common here. And we also don't believe that a Sun City would get off the ground.

A sunny neighborhood or a sunny street reserved for senior citizens – perhaps. But that's about it."

Koedijk: "But what are these senior citizens actually asking for?"

Wetselaar: "Senior citizens are very liberated, particularly in the owner-occupied market. They definitely do not want to be addressed on the basis of their age or care requirements. They want a normal living environment – perhaps an apartment – that offers the possibility of home automation. A lot can already be done in terms of technology. Even existing apartments can be equipped with home automation without too much effort. The location is another important factor: senior citizens prefer to be located close to facilities. This is something that municipalities should take more account of in their urban development policies. Affluent senior citizens would like to invest in their city, but they need to be provided with the opportunity to do so."

Smeets: "People do not want to live in a complex solely populated by senior citizens – let alone a city. 75% of the over-65 age group aims to live in the (inner)city in their golden years. In time, this will create a problem for the Vinex locations (large-scale residential developments in the periphery of existing urban centers – ed.). People will stay there after reaching 65, but it is highly unlikely that these locations will still suit the needs of the over-75 age group." Scherpenisse: "When discussing senior citizens, they always seem to be presented as a homogeneous group. Obviously, they are not. There are definitely senior citizens that prefer to live in a special complex with a range of facilities at close hand. But such an environment would drive

other pensioners mad. As soon as the weather permits it, they take to the road and drive the camper to Spain for the winter... Such different lifestyles cannot be served by a single concept." Maas: "We should also classify senior citizens in different age categories. At present, investors, developers, corporations and politicians primarily target the 55 to 70-year-olds, as they are easily served as a group. But the following age group – the over-75s – is often left to waste away in nursing homes and homes for the elderly that do not meet modern requirements. We also need to invest in these people. We have developed the Lekker Leven (Pleasant Living) concept for both age groups, which entails carefree living with regard to security, facilities and tailored care. Residents can choose from a range of convenience facilities, for instance a shopping service."

De Reus: "You are still offering these facilities within the context of hardware. I believe this will



*Ten board members of various leading property talk with politician Adri Duivesteijn about the*



no longer be necessary in the future. The market will establish the linkups with care systems and convenience facilities. Let's focus on providing differentiated, quality homes."

Smeets: "Providing custom solutions is the key issue. In the owner-occupied and higher-level rental sectors this won't pose that much of a problem. But I do worry about the senior citizens who depend on the housing corporations."

Pouw: "New construction is a very important issue for the housing corporations. A significant portion of our housing stock was built before the Second World War. They are generally apartments that are accessed by staircases – in other words without an elevator, so not suitable for senior citizens. This problem can only be solved by building new homes. And we are paying close attention to differentiation. Increasingly, we are focusing on developing accommodation for small-scale communities of senior citizens."

**Statement 6: Senior citizens are the newcomers of the future. How do you avoid the development of a catastrophe when this target group dominates the market in 10 to 15 years?**

Duivesteijn: "The problem currently faced by newcomers to the housing market – of not being able to find anything suitable – will also present itself in the near future to the elderly. And this will become particularly apparent in the case of senior citizens with limited financial resources. There are quite a few examples of successful housing projects that target the over-65 age group. But the problem is quantity – the numbers involved are formidable. We have definitely failed to develop an answer to this issue of mass volume."

De Zeeuw: "I expect the most good will come from stair lifts and other relatively simple solutions that make existing single-family units suitable for senior citizens with mobility problems."

Scherpenisse: "For years, SEV has been involved in adaptable con-



*Dietmar Werner (Volker Wessels): "Take additional requirements into account, so that seniors can stay in their present homes longer."*

struction. The blueprints are on the table. In order to realize adaptations, you will need to equip new homes from the outset with features like straight stairways, wide doorways, spacious toilets, etc. Unfortunately, many of these features fail to be realized in practice because such design features obviously take up more floor space." Werner: "Yet this is where the challenge lies. To take additional requirements into account, so that senior citizens can stay on for longer in their present home." Duivesteijn: "And in addition, work must be done on the entire surrounding infrastructure and the local service level. This is hardly given any structural thought in current government policy."

Scherpenisse: "In the case of the generation following the over-55 age group, this care issue plays a major role. The relation with care institutes is of prime importance. What we need to move towards, is a situation where both the housing corporations and commercial developers work in conjunction with the care institutes to deliver care in normal residential complexes that can replace nursing home care." <<



*developers, constructors, housing corporations and investment firms pulled up a chair to Dutch housing market.*