

## ON SHAKY GROUNDS: THE CASE FOR THE PRIVATIZATION OF THE PUBLIC HOUSING SECTOR IN THE NETHERLANDS\*

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### Introduction

The sale of public housing is one of the issues that reappears regularly on the housing agenda. In the early 1980s, the issue seemed less urgent. The housing associations, the non-profit organizations that own and manage the Dutch public housing stock, had become less eager to promote home ownership by selling their properties, as rent increases and inflating construction costs made the shortage of low-rent housing more compelling. Tenants were less eager to buy after the collapse of house prices demonstrated the volatility of real estate values. The price fall also discredited the most powerful argument in favor of the sale: the launching of low-income households on the path to capital accumulation. But the outspoken intention of the national government to promote home ownership (Ministerie van VROM, 1983), combined with the general call for privatization in fields of government activity, rekindled the debate. Nevertheless, the proposal to sell substantial numbers to ease the government austerity package in the spring of 1988 (Tweede Kamerfractie VVD, 1988), and the subsequent inclusion of a program to sell 10,000 dwellings annually in the memorandum on housing policies for the 1990s (Ministerie van VROM, 1988) came somewhat as a surprise.

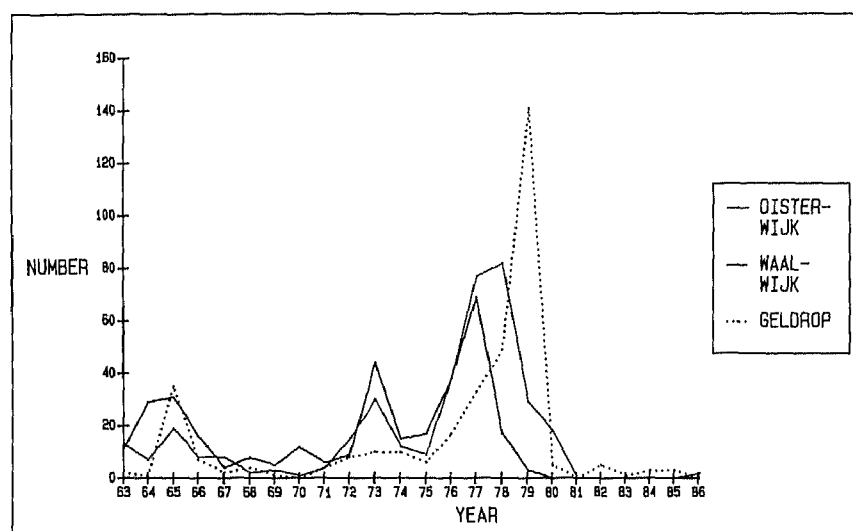
The first 1988 proposal to boost the number of public dwellings to be sold to tenants was voiced by the more conservative of the two government parties in the lower house of parliament (Tweede Kamerfractie VVD, 1988). This party has been successful in keeping the sale of public housing on the political agenda since it became a member of the government coalition in the mid-1970s. The right to buy was even agreed upon in the government program in 1977, but the under-secretary for housing of the government at that moment failed to implement this part of the agreement. The eventual implementation of this proposal, albeit on a somewhat more modest scale, seems assured, given the inclusion of a sales program in the housing policy memorandum and the wide appeal of the principle of privatization. It is widely assumed that privatization showers benefits on all those who are involved, of which the financial economies seem to exert the most appeal. It is also assumed that the sale of public housing to sitting tenants will help create a more equitable housing system, since the present situation is depicted as one fraught with abuses, the consequence of it having been corrupted by government intervention.

The opponents of the sale of public housing pointed to various negative effects; these opponents include tenant organizations and the housing asso-

ciations. However, they did not make a strong case against this form of privatization, since they used the same arguments against tenure conversion as in the past. Chances are, therefore, that the bickering between proponents and opponents once more will remain inconclusive.

In this paper, we present empirical evidence of short-term and long-term consequences of the sale of public housing from a recent investigation. Based on the results of this and other evaluation studies of tenure conversions, some consequences of the sale of a large number of public housing dwellings may be spelled out. Our investigation focused on the effects of the sales in one small and two middle-sized towns (Geldrop, Oisterwijk and Waalwijk) in the southern province of Noord-Brabant (Boelhouwer, 1988). In these towns, relatively many dwellings (varying from 11 percent to 22 percent of all public housing units constructed) had been sold to tenants in the past, in the late 1960s as well as in the late 1970s. Officials of the municipal housing authorities and representatives of the local housing associations were interviewed to ascertain their viewpoints and experiences and to be able to understand the evolution of the local housing situation. This was followed by a survey of 300 owners of former public housing rental units and of a control group of 300 renters from the same or similar complexes. Eventually, a follow-up survey was carried out among 44 former buyers, who had in the meantime resold the homes they had bought as sitting tenants.

FIGURE 1. The volume of the sale of public housing 1960 - 1986, in Oisterwijk, Waalwijk and Geldrop.



	Population (1-1-1986)	Population (1-1-1987)	Housing stock (1-1-1987)
Geldrop	26,051	25,837	10,245
Oisterwijk	17,486	17,725	6,075
Waalwijk	28,581	28,587	9,479

Even though our research was limited to one small and two middle-sized towns, there is no reason to assume that the consequences of the sale cannot be generalized. The results in the three towns were very similar; the houses sold elsewhere in The Netherlands in the past are predominantly of the same type as those of our investigation, and the (small) towns where they are located are similar to those we studied. It must be emphasized, however, that the evaluation is retrospective and that the results of the sale of public housing can be vastly different if the sale takes place under different housing market conditions or program stipulations. The financial consequences for the buyers depend on the financing conditions and the program rules at the moment of the sale, not on the localities; if the rules change, the consequences can be fundamentally different. The social consequences are largely influenced by the characteristics of the neighbourhoods. The impact on the financial situation and the management options of the selling housing association depends mostly on the characteristics of their portfolio and on how many and which dwellings are sold. The same is true for the impact of the sales on the local housing market. Nevertheless, conclusions regarding the impact of a very large number of conversions can be tentatively reached given the large proportion of sales of the local public stock in our research. We cannot be definite about the effects of the sale of types of dwellings other than the standard single-family home. Inferences, however, can be made also with respect to this, based in part on the research results of conversions of private-sector rental housing.

In this paper, we first discuss the details of the official proposal of the sales program in the housing memorandum and the arguments used in parliament earlier in 1988 in defence of the plea for privatization. We shall then present our evidence on current negative repercussions and potential hazards. In doing so, we shall first deal with the financial consequences for the various parties involved. The assumed benefits for the state underlie the renewed effort to create a substantial amount of conversion. Others have shown that the balance for the state depends mostly on creative book-keeping. **At the individual level, we show that while some buyers benefit in the long run, others are less fortunate. In the short-run all buyers have to pay more for their housing.** Subsequently, we shall discuss the possible effects on the housing market position of the lowest-income groups. Supporters of the sales insist that their position as renters will not be affected by the sales; we have found indications that this assumption may be overly optimistic. This is an important issue, since the public sector was designed to cater for their housing needs, which had been badly neglected by the private sector. In the third section of the analysis, we focus on the effects on the built environment and the local community. It is at this point that the benefits of privatization are supposed to carry most weight, as better management and increased involvement in the local community are assumed to boost the quality of the older housing stock and to help reverse the decline of the older post-war neighbourhoods (Schuyt, 1987). In the concluding section we shall weigh the arguments for and against the sales of public housing and reach a verdict, cautioning those who intend to push for a major expansion of the sales program to be aware of the many pitfalls on their path.

#### **In defense of privatization of the public housing stock**

The plea to sell public housing is based largely on the desire to expand the owner-occupier sector to a target of 55 percent by the year 2000; currently approximately 43 percent of the Dutch housing stock is owner-occupied (Mi-

**TABLE 1.** Renters in The Netherlands who are willing to buy their house, by age and income, percentages.

Age (years)	%	Net monthly household income (guilders)	%
under 25	9	lower than 1,750	6
25 - 29	15	1,750 - 2,500	16
30 - 34	23	2,500 - 3,500	23
35 - 39	25	3,500 and more	24
40 - 44	22		
45 - 49	16		
50 - 54	33		
55 - 59	9		
60 - 64	6		
65+	2		

Source: Ministerie van VROM, 1988, p. 155.

nisterie van VROM, 1988). It is pointed out that ownership puts the tenant in charge of his housing situation. Directly related is the argument that owner-occupied dwellings are better cared for and that the growth of this sector will boost the quality of the housing stock. The conversion of public rental housing is expected to reduce the financial obligations of the Ministry of Housing. The financial interests of the buyer do play a role in the argument that home ownership is a very practical form of capital accumulation. The existing demand for ownership also plays a role. Recent results of the national housing needs survey are quoted to show that the un-met demand for owner-occupied housing increased between 1981 and 1985, while the shortage of rental accommodation declined. It is further asserted that many renters would like to own their dwelling and would even be prepared to pay higher monthly housing costs to see their desire fulfilled (Tweede Kamerfractie VVD, 1988).

These arguments may have merit some, but do not necessarily support the case for the sale of existing rental dwellings; many of these goals could also be achieved by building inexpensive housing for sale to low-income groups. The scheme to sell existing public housing hinges on the relative ease of making the step to home ownership when a renter can buy the dwelling he or she occupies. High transfer costs (mostly for moving and furnishing) are thereby avoided; the household does not have to leave the familiar home and neighbourhood; and all home improvements made during the tenure as a renter can be retained. In addition, the house can be bought at the discounted value of a tenanted property. It remains to be seen, however, whether all renters have the same easy access to ownership. The restrictions on the higher-income renters are not significant; the current proposal would only disqualify them from buying if their home belongs to the least expensive part of the public rental stock (Ministerie van VROM, 1988). Most restrictions apply to low-income renters, who will find it difficult to pass the screening by the financial institutions that determine whether the prospective buyer qualifies for a mortgage loan.

It is assumed that the sale of some 10,000 dwellings annually will not have negative effects on the housing opportunities of the remaining renters. Whether or not this is a realistic assumption remains to be seen. Low-cost

housing will be converted and cannot be replaced. The rents of new buildings will be increased substantially as a result of new ways to calculate initial rents and the shift to construction of more up-market dwellings. On balance there will be a significant decline of the inexpensive and moderately priced public rental sector as a result of the proposals. Nevertheless, the government claims that it is not abandoning its responsibility to house the low-income groups; yet the warnings of increasing polarization have not been heeded either.

In the memorandum on housing policy (Ministerie van VROM, 1988) the financial benefits are in fact the only grounds on which to argue for the sale of public housing. The renters who buy will benefit from all the financial advantages of home ownership, including mortgage interest relief and (untaxed) capital gains or (less likely) losses. The housing associations can pocket the positive difference between book value and (discounted) market value to feed their reserves. These can then be used in the future to pay for renovations. Consequently, the quality of the remaining older rental stock is supposed to improve. The national government is expected to gain because the sale terminates the need for operating subsidies and individual rent-help payments. But the memorandum recognizes that the positive financial outcome is not guaranteed in all cases; indeed, dwellings built since 1976 with ballooning loans can only be sold if the national government fills the large gap between the (high) book value and the (lower) market value (Ministerie van VROM, 1988).

The earlier parliamentary proposal reviews various arguments against the sale of public housing and finds them wanting. According to the sponsors of the proposal, there is no evidence to suggest that future renters will suffer or that the management of the remaining stock would become more difficult. Neither do the proponents of the plan fear the social differences that may emerge between the sectors and within the neighbourhoods. This is seen as a matter of interpretation and its significance is denied by discussing it as a matter of ideology (Tweede Kamerfractie VVD, 1988). Likewise, the housing policy memorandum seems to attach little importance to the warnings that the sale of public housing may have negative housing effects. Nevertheless, our data show some consequences of even the limited sales in the past that may be rather damaging should the program be implemented to its fullest extent.

#### **The case of the plaintiffs**

##### **Financial consequences of the sale of public housing**

In the current debate on the merits of the sale of public housing, the financial consequences are central. The proponents of the program have always stressed that the tenants are given an opportunity to become owner-occupiers at a very reasonable price and that the housing associations and the national government can realize a profit (Nierstrasz, 1983). But will there be profits for all parties involved?

Our interviews with the representatives of the housing associations brought to light that their profits in the past have been limited. In part this was because the cash subsidy given to the buyer (on top of the discount on the market value) was taken from the payment to the associations. In addition, the average price of the sold dwellings was rather low, only 52,000 guilders. After subtracting the subsidy payment to the buyer and the repayment of the construction loan to the government, the net result averaged from 5,000 to 10,000 guilders per dwelling (Boelhouwer, 1988). However small, the profits were important to help finance badly needed renovations

of other properties for which the reserves were insufficient. The need to find money for such investment may indeed force the associations to co-operate in schemes to sell off part of their property in the future (Boelhouwer and Van Weesep, 1987).

The financial consequences for the national government were not quantified in our research, but a few observations based on other sources also suggest this to be a wobbly pillar under the privatization policy. In fact, the Ministry of Housing itself presented calculations in its memorandum on home ownership (Ministerie van VROM, 1983) showing that only the transaction itself yields a positive outcome for the state, due to the transfer tax. This disappointing financial result for the government is reiterated in the new memorandum, which points out that the one-time positive yield is easily negated by the loss of income from interest payments and repayment of the principal during many subsequent years; balancing costs and income over the entire loan period shows no profit (Ministerie van VROM, 1988). Other calculations that show that also the state reaps financial benefits, only taking into account the direct flow of money as a result of the repayments of the loans by the housing associations. Since the state had to borrow this money on the capital market it cannot use the repayments to finance other activities. Such allocation of the money would result in future financial strains when the loans need to be repaid.

All other assumed financial benefits to the state are irrelevant. The buyers typically did not receive large sums of rent-help when they were renters; the remaining operating subsidies on the older properties are also small. Conversely, the state will forego a large amount of income as the result of the tax credit on mortgage interest payments. The cash value of this arrangement can amount to 25,000 to 30,000 guilders per sold dwelling (Boelhouwer, 1988).

The financial consequences for the buyers depend on the balance of increased monthly housing costs and (uncertain) long-term capital gains. Our investigation showed that invariably the buyers saw their monthly housing costs increase, on average by about 200 guilders net per month in the first year. In the long term, the difference with the rents of comparable dwellings tends to decrease as a result of the annual rent increases, but the buyers'

**TABLE 2.** The monthly rent prior to and the monthly housing costs following the acquisition of a public housing rental unit, percentages (rent excludes utilities and includes mortgage tax reduction and housing allowances).

Rent paid before buying	Housing expenditures after buying (in guilders)					N
	Less than 100	101-150	151-250	251-400	401 and more	
Less than 100	14	3	2	5	8	79
100 - 150	4	1	2	4	2	33
151 - 250	7	1	5	17	12	13
251 - 400	3	0	1	3	5	27
400 and more	0	0	0	0	1	3
Total N	70	12	26	72	67	247

Source: Survey.

monthly costs would remain higher than those of renters. On average, the difference in net monthly housing costs between renters and owner-occupiers of similar dwellings was still about 100 guilders after five to fifteen years.

The picture alters dramatically, however, when the capital gains are entered into the equation. When all relevant factors are taken into account, someone who bought a dwelling in 1970 would on average have saved 23,000 guilders by 1988 compared to the renter of a similar dwelling; the sitting tenant who bought in 1979 would gain up to 36,000 guilders over a renter who would take occupancy in that year (Boelhouwer and Van Weesep, 1988). Admittedly, the calculations are based on averages and on estimates of the relevant income and expenses, but they do show that the buyer can reap significant benefits from capital gains on the discounted value paid when purchasing.

The supporters of the sale of public housing claim that the purchase by a tenant of a public rental dwelling is in fact a long-term investment that eventually results in a large profit to be used to go up-market. But our data show that this is not guaranteed. In this respect, the 44 households in the follow-up investigation proved to be heterogeneous. Some had indeed moved up-market (the 'new buyers'), but approximately half of the group had returned to the rental sector ('new renters'). Many of the latter group had been forced into making this decision, mostly because they could no longer bear the higher costs of home ownership. They should not have bought their dwelling; often they had been tempted to do so by enthusiastic proponents of the sale of public housing.

By age distribution and household characteristics the groups of 'new renters' and 'new buyers' were virtually identical to the original buyers group. But their socio-economic positions differed sharply. Those who had moved up-market had clearly the highest incomes, while those who had slipped back into the rental sector had the lowest incomes of all groups in the investigation. Clearly, the purchase of a dwelling, even if subsidized, is not a wise decision for those with the weakest socio-economic positions: low-income households, welfare recipients, those with a high chance of becoming unemployed. They run the risk of remaining indebted to the mortgagor after an interlude as homeowners.

#### **The position of the remaining tenants**

The opponents of the sale of public rental housing are particularly worried that the conversion takes the dwellings permanently out of reach of low-income groups (NCIV, 1978; NWR, 1983; Hamersma and Krijnen, 1983). These negative effects are further compounded by the shrinkage of the public sector, which reduces the housing opportunities for the remaining renter population. The supporters of conversion, however, argue that these effects are not serious; they point out that the most attractive dwellings are generally not available anyhow because of the extremely low mobility rate of the occupants. If tenants are so satisfied with their dwelling that they are willing to buy it, then without that option they would certainly stay as renters of the house. The effect is the same as that of sale: the most attractive dwellings in the public rental stock are not available (Priemus, 1978).

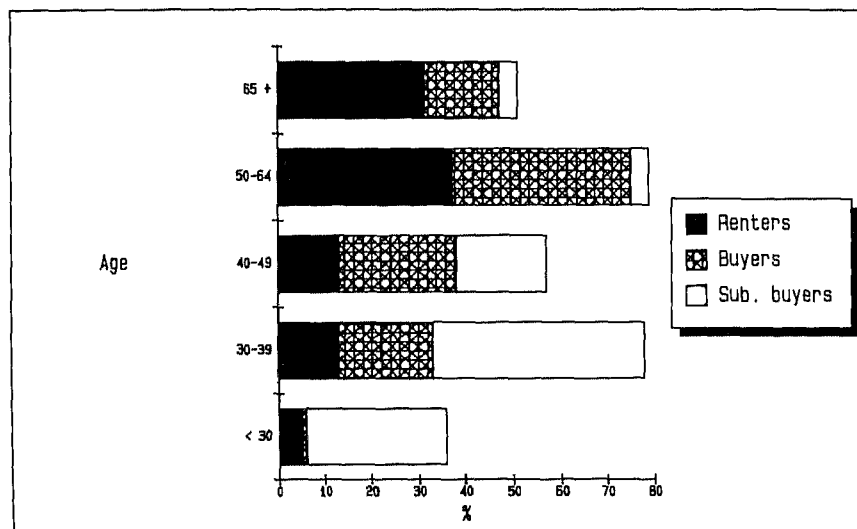
These assertions were tested in our investigation. We looked into short-term and long-term effects. Among the short-term effects, we should be able to notice the possible selectivity of the purchaser group: it would lead to a different composition of the buyers and the remaining renter groups. The long-term effects deal with the succession issue: how many and which buyers resold their dwelling, and how do subsequent buyers differ from the

other two groups? It allowed us to check the assertion that the converted dwellings will be forever lost to low-income groups.

It is evident that not all tenants are equally likely to buy their dwelling. Not everyone was given the opportunity, and when they are allowed to buy, not everyone is equally likely to take advantage of the offer. Consequently, owner-occupiers and renters do differ; among the buyers, the age groups of 30 through 64 are over-represented, while younger households and the elderly are more than proportionately represented among the renters. The younger renters of today have seldom had a chance to buy their dwelling. At the time of the sale, the differences among the renters who bought and those who did not were even larger. Older households generally hesitate to make long-term commitments. Partly this is related to their lower income, partly it is a matter of expectations and outlook on life. Often they cannot obtain the necessary loans or they might even be barred from the program. Thus, a disparity among the two groups develops almost instantly. However, the difference among the groups can be influenced by the terms of the program. Depending on the transfer rules and the amount of subsidy, some success in tempting older persons and low-income households to buy can be achieved. However, this is not to their advantage in the long run. As we argued above, they run financial risks and may in the end lose whatever investments they made.

In socio-economic terms, the selectivity is reinforced. The average income of the renters is lower than that of the buyers (based on class averages, the renters' average net monthly household income was 1,733 guilders, that of the buyers 2,026 guilders). Also the proportion of the renters with a minimum income or less (36 percent) is much higher than that of the buyers (16 percent). The income differences reflect differences in level of education and occupation.

FIGURE 2. The age of the head of the household, percentages.





Although the renters were selected from the same or similar complexes as the buyers, the characteristics of their dwellings vary. The occupants of the somewhat older but attractive single-family homes proved to be most prone to buy. This corresponds with the terms of the latest proposal. The sale of these dwellings is a boon to the public sector because the necessary discount to make the conversion attractive is small and there are profit opportunities. In addition, because of the evidently low mobility among rate, especially the occupants of this type of housing, the short-term effects on the availability of desirable single-family homes are limited. The long-term effects, however, are all the more serious. The most attractive dwellings are typically sold in each complex. In addition, since no multi-family buildings have been included in the program, the remaining public sector stock is increasingly composed of less attractive housing, a trend which cannot be adequately compensated by new construction.

Another long-term effect follows from the process of resale. On the one hand, the assumed low mobility rate was immediately apparent in our investigation. In only 20 percent of the selected homes did we find a 'subsequent buyer', an owner who had not previously rented the dwelling. On the other hand, it was equally obvious that when the dwellings were resold, they were taken permanently out of reach of the lower-income groups. The subsequent buyers were typically different from both the renters and the original buyers: they were younger than the previous owners, their households were smaller, and their incomes were higher. Many of them would not have qualified to rent a similar home in the public sector because of their income level. Obviously, the differences between the renters and the owner-occupiers as a whole were aggravated because of this succession process.

#### **The quality of the housing stock and of the neighbourhoods**

There is mixed evidence regarding the claim that the sale of public housing will lead to an improvement, or at least result in a stabilization of the declining quality of the housing stock and the neighbourhoods. Some observers are of the opinion that the maintenance and improvement activities of owner-occupiers will make a large contribution to the future quality of the post-war neighbourhoods (Schuyt, 1987). Others have voiced their pessimism. They are afraid that the owner-occupiers lack the expertise and the financial resources to keep their dwellings in good shape. In addition, they point to possible negative effects of fragmented properties on the management practices of the housing associations (NCIV, 1978; NWR, 1983).

The results of our research show both sides in the debate to be partly justified. A number of housing associations indicated that they have been hindered in their management of complexes from which dwellings had been sold. It is not always entirely impossible to get the owner-occupiers to co-operate in a complex-wide maintenance or renovation operation, but the procedures are generally drawn out and require a lot of input from the program directors. The problem is more serious than the situation in which a renter refuses to co-operate, because the owner-occupier will eventually have to be able to pay for his share of the expenditure. In order to avoid such difficulties, some housing associations are still willing to sell dwellings from complexes that are already partly converted, even though they are against conversion in general. The problems associated with the fragmentation of ownership would certainly be compounded if renters were granted the right to buy; further fragmentation would then be assured. The cost of maintenance of the remaining public rental stock would increase and this could lead to a general deterioration of quality in the post-war housing stock. The fear

that such problems would occur underlies the present policy not to allow renters in multi-family structures to buy.

On the other hand, the fear that owner-occupiers would not command the resources necessary for good maintenance is not borne out by the data. Even a cursory inspection of the neighbourhoods from which many dwellings are sold shows many signs of activity. The converted dwellings are often easily recognized because of the use of tropical hardwoods for doors and windows frames. Individuality is expressed in the color of paintwork and various embellishments on the exterior. But also inside their homes the owner-occupiers have proved their activity. They attended to more aspects of their dwellings (on average 10.1) than the renters (4.6) and their advantage remains even if the activities of the housing associations are entered into the comparison. In addition, we established that the owner-occupiers engage not only in 'cosmetics improvement' but also invest in structural repairs and major improvements. Many have had central heating systems installed (46 percent), have added a shower (51 percent), have renovated plaster and/or tile walls (48 percent) and renovated window and door frames (46 percent). Often at least part of the work was carried out by the owner himself, with or without the help of relatives or friends, which led to a major reduction of costs.

The cohesion of the local community is strongly determined by the attitude of the various population categories with respect to each other and the interaction among them. In that sense, few changes seems to result from

TABLE 3. Improvements and maintenance, percentages.

maintenance	renters	buyers	subseq. buyers
floor	30	44	43
ceiling	34	53	43
walls inside	32	27	28
plaster/tile walls	45	48	43
window/door frame	19	46	46
doors inside	24	38	35
gas pipe	14	34	34
water pipe	14	33	36
central heating	-	46	28
geyser/boiler	13	38	36
enlarge living room	26	44	22
enlarge kitchen	8	37	18
enlarge bedrooms	1	16	10
shower	30	51	40
bath	11	30	21
toilet	27	41	29
barn/garage	17	36	41
painting	8	40	53
insulation floors	4	12	11
insulation walls	5	18	19
insulation roof	6	22	33
double glass	9	36	27

Source: Survey.

(- = not asked)



the conversion in the short term. In spite of the differences among the renters and the owner-occupiers observed above, the two groups are rather similar. Only the arrival of the subsequent buyers causes change, but even then there is no reason to expect social upheaval. The differences in age and socio-economic status are not so large as to disrupt the social fabric of the neighbourhood. But differences in attitudes have been noted, and in some cases these have led to conflicts. Many owner-occupiers contended that more sales were necessary to safeguard the 'future quality' of the neighbourhood; they were particularly afraid of a slow decline in social status through the allocation of rental dwellings to ethnic minorities or others with a low social status. But due to the low residential mobility rates, concrete indicators of the occurrence of such processes were not encountered in our investigation. The renters, on the other hand, expressed their dissatisfaction with the improvements and embellishments on the part of the owner-occupiers; to some at least, the results were disturbing to their sense of neatness and order.

The differences in the social behavior of renters and owner-occupiers were established by differentiating among the attachment to the neighbourhood expressed by the respondents and the pattern of actual contacts. Few differences among the tenure groups emerged from this analysis: renters and owner-occupiers expressed equally strong attachment to the neighbourhood. Even the subsequent buyers felt themselves to be emotionally involved. Corresponding to the results of an unrelated investigation (Maas, 1983), the owner-occupiers maintain more contacts with their neighbours, albeit that the differences are slight. (The average number of monthly 'contacts' in our investigation was 3.0 for renters and 3.3 for owner-occupiers.) The general impression of residential satisfaction among both tenure groups is expressed by their low residential mobility rate (Boelhouwer and Van Weesep, 1989).

Slowly the neighbourhoods are changing with respect to their population composition. The arrival of a new population of renters and of subsequent buyers leads to a measure of rejuvenation. The population is also becoming more mixed. Until now, the social polarization between the rental and the owner-occupier sectors observed in Britain as a consequence of the sale of public housing (Forrest, 1986) has not occurred in the Dutch case. It would seem that this has been avoided because the number of converted dwellings has so far remained relatively small, both in absolute and in relative terms. But the decline of the most attractive part of the public rental sector as a result of the conversion noted in our study area can spell trouble in the future, if the program is expanded significantly.

#### **The verdict: an appeal for severe restraint**

The present government views the sale of public housing to be a good vehicle to promote home ownership among low-income groups; at the same time, a boost of the sales can help the non-profit housing associations to remain solvent. The government therefore intends to remove existing obstacles to sale. These include the high debt levels of recently built dwellings of which the construction was financed by means of ballooning loans. Profits from the sale of some dwellings will thereby be used to facilitate the sale of others. The total number of public housing units to be converted annually is planned to increase to 10,000 annually (representing an annual decrease of 0.3% in the rental housing stock).

The investigation we carried out shows that the sale of public housing does not always provide all the anticipated benefits. Not all sitting tenants have been able to realize their desire to buy, and indeed, many do not aspire

to become homeowners. Since these differences correspond to age and income, the groups of renters and homeowners differ from the start. The differences become accentuated over time, as some low-income buyers slide back into the rental sector and subsequent buyers of higher socio-economic status fill the dwellings that are resold. Because the better dwellings are converted, there is some marginalization of the rental sector, where the most attractive dwellings (low-rent single-family homes) cannot be newly produced. As a consequence, the housing associations have experienced some difficulty in continuing to provide renters with suitable housing. They have also found it difficult at times to manage complexes from which some dwellings were sold. However, the fear that the buyers would not be able to maintain their dwelling to the appropriate standards was not borne out by the investigation.

Some of the present drawbacks are clearly related to current program specifications. With deeper subsidies, the price might come closer to what renters are willing to pay and lower-income groups might be drawn into the owner-occupier class. When quality or state of repair no longer determine whether or not a dwelling can be sold, the sale could become less selective. Consequently, the buyers group will be more diverse than in the past. Since home ownership in itself does not determine social behavior - it only indicates a taxonomic and not a substantive collective (Barlow and Duncan, 1988) - the few positive effects we noticed as a result of the conversion may not materialize in the future. Nor should we expect that the tendencies of marginalization of the rental sector will be reversed: on the contrary, the remaining renter population may become even more marginal.

As the number of conversions grows, so will the troubles of the housing associations. In spite of new construction, they will not be able to replenish the pool of the most attractive housing from which the sales are drawn. The shortage of low-cost single-family homes in particular will become a hindrance to proper housing allocation and the implementation of a filtering policy. The goal of 10,000 dwellings to be sold annually may not seem to be a large number against the backdrop of the construction of 30,000 to 40,000 rental units in the public sector per year. However, when the sales are predominantly of a specific type or price, or are concentrated geographically, major shortages may result. The planned removal of the need to obtain the permission of the municipal administration prior to the sale is especially unfortunate from this perspective, since it removes the need to demonstrate that local imbalances will not result from the intended sale.

The implied lifting of the exclusion of multi-family property from the sales program can also create problems. Under the present program, no major problems with deferred maintenance and repairs have emerged. However, the conversion of multi-family property to condominium complexes can further complicate maintenance issues to the point where problems will show up. The management of the common elements, and indeed the poor functioning of the condominium associations in converted structures, have been found to be major problems (Van Weesep, 1986). There are indications that these problems are compounded in low-income condominiums (Werczberger and Ginsberg, 1988). The expressed hope that the selling associations may retain some responsibility for maintenance and upkeep after the sale of some or all of the units in a complex may very well be frustrated by the compelling reality of low-incomes and lack of perceived common interests among the owners.

By removing existing obstacles, the sale of public housing may very well increase, given the observed demand among renters to buy their home

(Ministerie van VROM, 1988). It may indeed help to alleviate some imbalances in the current housing distribution, of which the presence of higher-income groups among public housing tenants seems to be a pressing one. But a vigorous promotion of the sales may cause new problems to emerge, similar to those occurring in Britain in the wake of the sale of council houses: 'The intervention leaves the state with the unresolved problem of those who do not buy, as well as with the growing problems of a shortage of adequate council housing, growing numbers on waiting lists and a rapidly deteriorating remaining stock of dwellings' (Stubbs, 1988). The gains in some areas will then certainly be negated by the losses in others.

#### Footnote

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