QUID PRO QUO

Exploring the effect of increased rent regulation and and taxation on the investment behaviour of private landlords in the Dutch housing market and the position of private tenants

A thesis submitted to Delft University of Technology for the degree of Master of Science in Architecture, Urbanism and Building Sciences

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TU Delft
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I
Colophon

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II
Abstract

The Netherlands is facing a housing crisis, marked by shortages and escalated prices. The Affordable Rent Bill aims to further regulate the private rental segment and improve the position of middle-income groups dependent on this segment. However, increased rent regulations and the recently introduced taxation measure Tax Plan 2023 decrease profitability for private landlords, sparking concerns about potential divestment from this segment, reducing availability and possibly worsening the position of private tenants and middle income groups. This study explores the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords and the position of private tenants. Utilising inductive logic and a mixed-methods sequential explanatory design, data from Woononderzoek 2021, a survey conducted among private landlords, and the consultation on the Affordable Rent Bill are analysed. Its findings suggest that the accumulation of taxation and rent regulation measures prompt private landlords to divest a great number of dwellings, likely resulting in a decrease in the availability of mid-market rental housing and a negative effect on the position of middle incomes and others dependent on this segment. The study underscores the need for a careful reevaluation of the regulatory framework to achieve the intended positive effect on affordability and availability in the mid-market rental segment.

Keywords - private landlord, rent regulation, taxation, mid-market rental segment, woningwaarderingsstelsel, private rent

III

Preface

This master thesis stands as the pinnacle of my academic journey in the master track Management in the Built Environment at the faculty of Architecture & the Built Environment. Throughout my tenure at this institution, spanning both my bachelor and master, I have gained a wealth of complex, diverse, and, above all, invaluable insights. Trying to weave these insights into the fabric of this thesis has been my primary objective.

This project has not only served as a synthesis of prior knowledge but has also introduced challenges not previously encountered in my academic pursuits. Never before have I dedicated such a substantial amount of time and effort to a singular study project and engaging in empirical research in this form was an entirely new experience for me. It would be an understatement to assert that the process was devoid of challenges. In fact, it has proven to be the most testing undertaking throughout my academic journey.

The motivation to investigate this particular topic has arisen from my interest in housing, the current challenges within the (rental) housing market, and the societal and political debate surrounding it. Specifically, my focus has been on the existing housing stock and private landlords. This interest stems from professional considerations, but also from the growing reliance on the private rental segment among my peers and me. In our milieu, and in many other places across the Randstad and the Netherlands, waiting lists for social housing seem never ending, and the opportunity to become a homeowner seems to be ever more unattainable.

I would like to extend my heartfelt gratitude to my mentors, Peter Boelhouwer and Joris Hoekstra, for their guidance and support throughout the writing and research of this thesis. I am truly grateful for their valuable feedback, the provision of their time and network and their consistent willingness to assist me in my journey.

Additionally, I would like to express special thanks to Arnoud Vlak for establishing the collaboration with Vastgoed Belang, dedicating time to facilitate my research, and patiently addressing my numerous emails. I would also like to extend my appreciation to Vastgoed Belang for granting permission to utilise and publish their research data, as well as providing valuable feedback. This collaboration played a pivotal role in the completion of this research.

Last but not least, I cannot overstate my gratitude to my family, friends and especially Lisa for their unwavering support and assistance throughout this process. I would not have made it this far without their support.

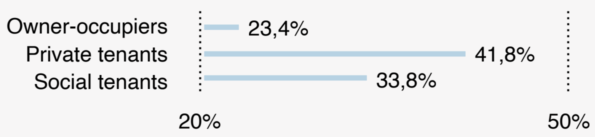
Thank you all and enjoy reading.

IV
Executive summary

Introduction

The Netherlands is currently facing a housing crisis, marked by shortages and escalated prices (Boelhouwer, 2023). Middle-income groups, often including starters, are dependent on the private rental segment, as they are unable to access social housing or purchase their own homes. In this segment, rents have surged, exposing them to a much higher, often deemed unaffordable, housing costs (See Figure 1).

Figure 1 *Total housing costs as a percentage of gross annual income in 4 categories (CBS, 2022)*



To address the challenges faced by middle-income individuals and to prevent their exclusion from living in urban areas, where the housing market is notably overheated, Dutch Minister for Housing and Spatial Planning, Hugo de Jonge, has introduced the Affordable Rent Bill (Volkshuisvesting Nederland, 2023b). The primary objective of this proposal is to enhance both the availability and affordability of rental homes by establishing a more extensive mid-market rental segment (approximately €800 to €1.100 per month as of 2024) (De Jonge, 2022b). To achieve this, a portion of the so called liberalised rental market will be regulated, primarily by exposing it to the Residential Assessment System (Woningwaarderingsstelsel, WWS), which determines a maximum rent based on a qualitative score per dwelling and currently only applies to the non-liberalised segment.

While the proposal improves affordability for tenants, it diminishes profits for investors, such as private landlords, who operate the majority of private rental housing (Geuting et al., 2021; Vastgoed Belang, 2022b). This is further compounded by the introduction of Tax Plan 2023, which has increased the tax burden on rental investments. Studies (e.g., Brounen, 2022; Franke et al., 2023) warn that decreased profitability is likely to compel investors to divest from the mid-market rental segment, subsequently reducing the availability of housing in this category. With demand remaining high and supply diminishing, individuals dependent on this rental segment may find themselves in a weakened position, potentially causing the Affordable Rent Bill to achieve the opposite of its intended goal.

The main aim of this research is to further examine this issue, by exploring the effects of the Affordable Rent Bill and Tax Plan 2023 on investment behaviour of private landlords and the position of (future) private tenants, specifically those of private landlords and with middle incomes.

Approach

This research establishes a comprehensive theoretical framework, addressing existing literature on the subject, and subsequently employs a mixed-method sequential explanatory design to answer multiple sub-questions. Firstly, using the Housing Survey 2021, it maps the characteristics and position of tenants renting from private landlords, examining the extent to which they align with the target group of the Affordable Rent Bill. Subsequently, through a survey distributed among private landlords by Vastgoed Belang, the study explores the characteristics of these investors, as they influence investment behaviour, and investigates their anticipated responses to the aforementioned policy measures. Augmented with responses from private landlords to the public consultation on the Affordable Rent Bill, the justifications for these behaviours are qualitatively studied. Finally, the research explores the potential impact of these assertions on the availability of affordable (mid-market) rental housing. The combined results facilitate the answering of the primary research question, aligning with the main objective of this study.

Quantitative data analysis is carried out using SPSS Statistics software, facilitating statistical analyses such as sample distributions, cross-tabulations, and analysis of variance (ANOVA). Advanced regression techniques are intentionally avoided in this study due to data limitations. For qualitative analysis, Atlas.ti software is utilised, enabling the coding of responses and analysis through Grounded Theory. This approach seeks to develop theories or conceptual frameworks grounded in collected data, rather than being guided by pre-existing theoretical frameworks or hypotheses (Birks & Mills, 2022).

Results: Characteristics of tenants

The results of this study confirm the findings of Whitehead et al. (2016) that households in the private rental segment are typically smaller, younger, employed but with lower incomes (See Figure 2). Additionally, the study supports Boelhouwer's (2023) observation that these households, often comprising starters and middle-income groups, are dependent on the private rental segment due to limited financial capacity (See Figure 3) and exclusion from the social housing market.

Figure 2 *Tenants of private landlords by age (BZK, 2022b)*

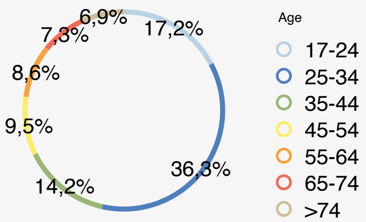
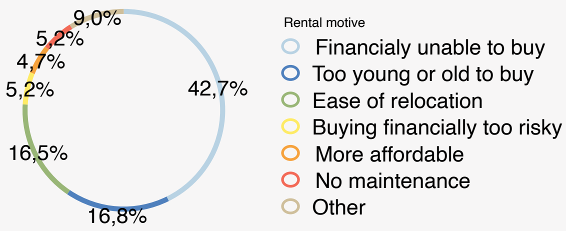


Figure 3 *Tenants of private landlords by rental motive (BZK, 2022b)*



Among tenants with private landlords, the majority constitutes lower income households with unaffordable housing costs, while the Affordable Rent Bill primarily targets middle incomes. However, the lower income group mainly resides in the already regulated segment, and, as described by Boelhouwer (2023), housing associations are expected to focus on low-income households whereas market players are expected to cater to housing for middle and higher incomes. Besides, a majority of the of middle-income group with private landlords also face unaffordable housing costs, as seen in Table 1.

Table 2 *Tenants with private landlords by income and housing cost ratio (BZK, 2022b)*

Employment	Unaffordable rent (>30% housing cost ratio)	Affordable rent (<30% housing cost ratio)
Low-income	81,4%	18,6%
Middle-income	63,2%	36,8%
High-income	30,9%	69,1%

Results: Characteristics of private landlords

Additionally, the results confirm the profile of private landlords outlined by Lennartz et al. (2019), as the segment is characterised by a large amount of individuals, who are most often self-employed, and lease out a small amount of properties to secure a reliable pension and supplementary income, while investors with a large quantity of properties are scarce (See Figure 4). They are mainly (and often exclusively) active in larger municipalities and the liberalised segment, where rents are determined by market dynamics (See Figure 5). As seen in Figure 6, the vast majority uses debt to finance their portfolios, which are taxed in box 3.

Figure 4 *Private landlords by number of rental dwellings (Vastgoed Belang, 2023).*

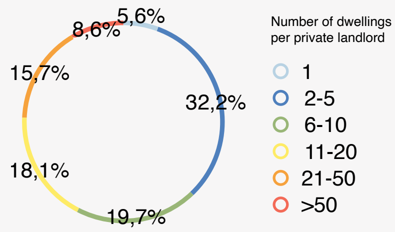


Figure 5 *Private landlords by unliberalised housing ratio (Vastgoed Belang, 2023)*

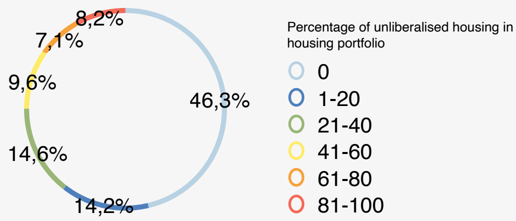
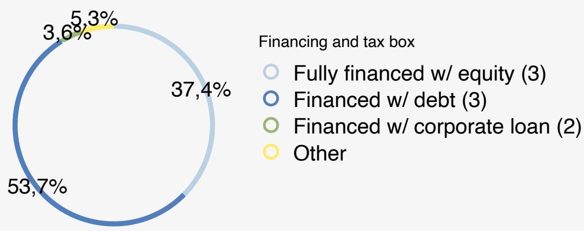


Figure 6 *Private landlords by portfolio financing (Vastgoed Belang, 2023)*



Based on statistical inference, four types of private landlords can be identified. Firstly, self-employed individuals, the most common type, engage in small-scale rental activities for retirement. They have limited landlord experience, rent out fewer properties, use borrowed capital, and face taxation in box 3. This group is comparable to employees who are private landlords, with the latter more likely to have inherited real estate.

Retirees use rental income for their current livelihood, having more experience but not necessarily renting out more properties. In contrast to other types, they usually rely on their own capital. At last, a small group of professional real estate entrepreneurs, constituting a small group, have build larger portfolios over a moderate number of years for their primary aim of generating a substantial direct income. In order to do so they use even more significant amounts of borrow capital and due to the use private limited companies (bv's) they are often taxed in box 2.

Results: Effects on investment behaviour

The results confirm the warnings that in response to the impact of the Affordable Rent Bill and Tax Plan 2023, large numbers of private landlords intent to divest their rental properties. These results are unique in that no other study has published any concrete findings that concerning this prediction. Over half of the surveyed private landlords (53%) indicate that they plan to sell all their complete rental portfolio, and another 16,9% aim to sell a portion, indicating that at least half of the rental properties currently managed by this group are intended to be divested (See Figure 7). As depicted in Figure 8, the majority of selling individuals express a preference for waiting on existing lease contracts rather than opting to buy out tenants.

Figure 7 *Private landlords by response to accumulation of of policy measures (Vastgoed Belang, 2023)*

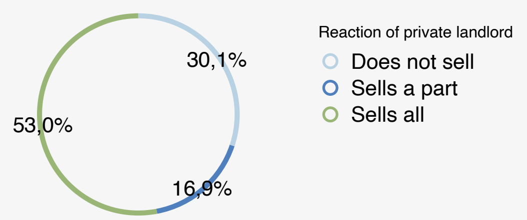
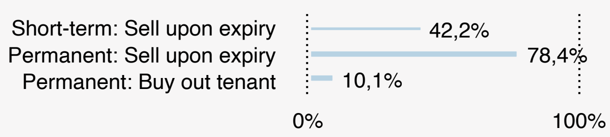


Figure 8 *Selling private landlords by contract type and sales term (Vastgoed Belang, 2023)*



The is response seems to be primarily based on the diminishment of direct returns after the implementation of both measures. However, though for some private landlords business cases become unsustainable, most simply do not accept the remaining returns. They argue the reduced incomes do not outweigh the risk and effort of property rental, or that better returns can be achieved in other markets, such as housing markets abroad. This is also reflected in the following representative quote:

> *If the legal or regulatory environment reduces the return on my investment below what I consider reasonable given the risks, I will have to choose a different investment. This means selling my rental apartments and investing elsewhere.*

Those selling part of their private rental portfolio prioritise the sales of regulated properties while continuing to rent out properties already in the liberalised segment or above the new regulation threshold of 187 WWS points. In some cases, the sale enables them to upgrade other properties above this threshold or acquire properties already in this segment.

The group of private landlords who chooses not to sell, priorities other factors over a higher return. They attach sentimental value to the real estate or their role as private landlords, occasionally have social convictions to persist, or lack trust in alternative options. In addition, part of this group is less affected by the policy measures as they only rent out properties with more than 187 points or are taxed in box 2, as seen in the following quote:

> *Many of my properties are and will remain in the liberalised segment, as they are larger than one hundred square meters and have been renovated with good energy labels. Due to regulations and tax measures, many landlords will sell, reducing the supply. The prices in the (shrinking) private segment can only go up significantly in the coming years.*

The group of private landlords intending to sell more frequently includes individuals who leverage external financing, thereby emphasising the risks associated with higher loan-to-value ratios in conjunction with evolving policy measures, as mentioned by Lennartz et al. (2019) (See Table 3). Considering associations with other personal characteristics, it appears that those engaged in property rental alongside their primary careers are more prone to opt out, whereas larger professional players or those already retired seem less inclined to pursue selling. Additionally, the inclination to sell is less pronounced in smaller municipalities.

Table 3 *Private landlords by response and portfolio financing, X^2 (6, N = 1203) = 16.10, p = .013) (Vastgoed Belang, 2023)*

Response	Equity/Box 3	Debt/Box 3	Corporate loan/Box 2	Other
Does not sell	44,2%	45,3%	4,4%	6,1%
Sells a part	32,5%	57,6%	3,4%	6,4%
Sells all	35,1%	57,2%	3,1%	4,5%
Total	37,4%	53,7%	3,6%	5,3%

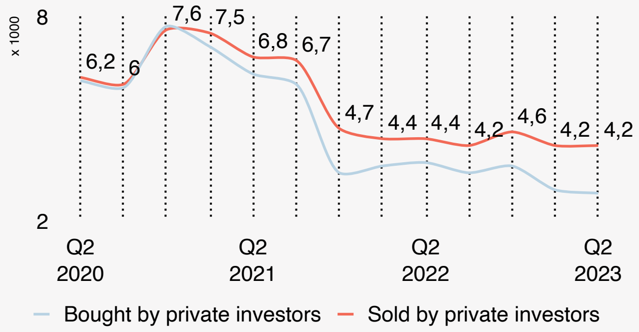
While the focus of private landlords on a reasonably direct return aligns with the statements of Lennartz et al. (2019) and earlier findings, it appears somewhat contradictory to the often-cited motivation of pension accumulation and the long-term vision expressed by most private landlords. Value appreciation is rarely mentioned as a motivation to continue renting despite a lower return, and the majority is unwilling to sacrifice a lower return at present for a direct return at retirement when mortgages are paid off and operational costs are lower.

Furthermore, uncertainty prevails among private landlords regarding the implementation of the Affordable Rent Bill, a factor likely influencing their behaviour. The respondents predominantly elaborate on their intentions in the hypothetical scenario of the Affordable Rent Bill being passed, with some expressing skepticism about the likelihood of its actual enactment. Furthermore, a noteworthy number of private landlords, who presently express no intention to sell, offer additional insights, suggesting that they might contemplate selling at a later stage. This consideration is often contingent on gaining clarity about the specific impacts on their personal circumstances or when the sales market becomes more favourable.

Results: Effects on availability

The uncertainty appears to be reflected in the completed sales by private landlords, as the results show that, despite the anticipated high volume of sales, private landlords have sold very few properties. This is corroborated by various studies (e.g., CBRE, 2023) showing that the anticipated wave of sales has not materialised yet. In fact, the number of sales by private landlords has decreased, as seen in Figure 9. Meanwhile, the number of purchases by landlords has also significantly declined, which has the result that a higher number of properties owned by private landlords is transitioning to owner-occupiers, including first-time buyers. This has heightened pressure on the rental market, stemming from a decrease in the offerings of rental properties (Pararius, 2023a; Pararius, 2023b) and supports Vastgoed Belang's (2022b) assertion that Tax Plan 2023 primarily hampers operational expansion while the combination with the Affordable Rent Bill leads to divestments.

Figure 9 *Sales and acquirements by private investors in the 20 largest municipalities (CBRE, 2023)*



Given the results of this study and the expectations outlined by CBRE (2023) and others, it is highly likely that if the Affordable Rent Bill is passed, a large amount of rental properties operated by private landlords are divested as current lease agreements expire. Considering the predictions of the De Jonge (2022b) and CBRE (2023) the divestments in the private rental segment are expected to tie the expected gains in the more affordable rental segments. Consequently, increases in affordable housing will be limited or nonexistent. The mid-market rental segment may actually decrease, as properties that flow towards the lower segment are sold.

While developers and housing associations have committed to building 100.000 homes by 2030, it seems improbable that this will significantly increase the availability of affordable housing in the rental market, given the anticipated number of sales. Moreover, this commitment appears overly optimistic, especially considering the decreasing number of building permits, as noted by Boelhouwer (2023), and the limiting effects off the Affordable Rent Bill on new construction, as stated by BRINK (2022) and Kholodilin and Kohl (2023). Consequently, it is plausible that, in the long term, the number of affordable (mid-range) rental homes will decrease due to the Affordable Rent Bill, contrary to the law's intended purpose and in line with the statements of various sources (e.g. Geuting et al., 2022; Vastgoed Belang, 2022b).

Conclusion

Examining the effects of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords, particularly the high number of intended sales, it seems unlikely that these policy measures will have a (significant) positive impact on the position of middle-income individuals, as aspired by the Affordable Rent Bill. A small portion of middle-income individuals may potentially be able to purchase a home, but the majority will likely remain dependent on a diminishing private rental segment, where a larger share will exceed the 187-point threshold, leading to rising rental prices due to sustained demand. In such a scenario, middle-income individuals and first-time buyers may be compelled to allocate an even greater portion of their incomes to housing expenses, relocate to areas with lower housing market pressure, or extend their stay with parents.

This paradox arises from the emphasis of the Affordable Rent Bill, where affordability takes precedence, while the focus perhaps should be on availability. Additionally, limited consideration is given to accompanying circumstances, such as a diminished investment climate and increased tax burden due to Tax Plan 2023. In some ways, the Affordable Rent Bill seems to fall short of its objectives because, like tenants paying to have a place to live, it trades one thing for another: affordability at the cost of availability—a quid pro quo.

Discussion

Despite of the expressed intentions of private landlords, commitment to follow through on these statements is not guaranteed. Respondents might have changed their minds, and there is also the possibility that private landlords may exaggerate the effects of policy measures on their investment behaviour, hoping that negative perceptions lead to legislative adjustments or abandonment. Additionally, the research heavily depends on data from the interest group Vastgoed Belang who advocate for private landlords, introducing inherent bias into their perspective. The analysis of the raw data was carried out independently to avoid any influence from Vastgoed Belang. Nonetheless, the results of this analysis were presented to Vastgoed Belang for approval. Acknowledging these limitations, the research results might present a somewhat exaggerated view.

Policy advice

Considering the results of this study and the literature it builds upon, the following policy advice is provided regarding the improvement of issues surrounding middle-income individuals and the private rental market:

1. Implement equal treatment between renting and buying (homeownership-neutral housing policy), fostering an optimal choice and promoting equal opportunities based on income and household composition (Boelhouwer, 2023). This requires a change in the fiscal treatment of both owner-occupied homes and rental income from private investors, including the implementation of a wealth tax based on actual returns to fairly and justly tax private landlords and adhere to the rulings of the Supreme Court (Dusarduijn, 2022).
2. Politically determine affordable housing expenses, specifically for low-income groups in the rental sector. This helps prevent households from falling below the poverty line (Boelhouwer, 2023).
3. Resolve the emerging policy vacuum in the housing market. Currently, none of the three administrative levels can be held accountable for housing issues, leaving no political body taking ultimate responsibility for the final outcome (Boelhouwer, 2023). Introducing a Minister for Housing with substantial financial resources seems essential in this regard.
4. Implement a scheme that ensures affordability and availability in the private rental segment while reasonably enabling investors to facilitate this. This is possibly achievable by amending the Affordable Rent Bill or by taking inspiration from the German system, where investors are enabled to both rent out affordable housing and achieve a reasonable return on investment through financial compensation (Vastgoed Belang, 2022c).
5. Ensure effective enforcement of the Good Landlordship Law to prevent abuse and ensure equal opportunities for all prospective tenants (Vastgoed Belang, 2022c). Additionally, this prevents potential abuse following the implementation of further rent regulations, such as neglected maintenance and the emergence of a black market.
6. Ground housing policy in research and its findings and consider broader contexts, including its effects and interactions, to ensure the desired outcomes are achieved (Kholodilin, 2022; Voigtländer & Whitehead, 2023).

IV

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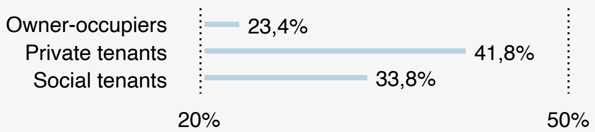
Chapter 1
Introduction

1.1 Research context

The Netherlands is facing a housing crisis, marked by shortages and escalated prices (Boelhouwer, 2023). Initial rents per square meter, as specified in new lease agreements, have surged by nearly 30% since 2013 and new tenants pay an average 10,9% more for liberalised rental dwellings compared to previous occupants (CBS, 2022; CBS, 2023). At the same time, incomes have not seen a corresponding increase. Consequently, tenants in the private rental segment allocate a higher percentage (41,8%) of their disposable income towards housing costs compared to those renting from housing associations (33,8%) or owner-occupiers (23,4%), as illustrated in Figure 1.1 (CBS, 2022).

Figure 1.1 *Total housing costs as a percentage of gross annual income in 4 categories (CBS, 2022)*



Housing in the mid-market rental segment, with monthly rents ranging from approximately €800 to €1.100 (as of 2024), is especially scarce, particularly in urban environments (De Jonge, 2022b). This shortage raises concerns about the positions of middle incomes, who depend on the private rental segment due to exclusion from social housing and credit limitations (Boelhouwer, 2023). In addition, Dutch (demissionary) Minister for Housing and Spatial Planning, De Jonge (2022b), highlights that despite a severe shortage of professionals such as teachers, nurses, and police officers, middle-income groups encounter challenges in securing housing in urban environments, emphasising the importance of maintaining an affordable rental segment to ensure urban accessibility for these groups.

In response, the Ministry of the Interior and Kingdom Relations (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, BZK), led by De Jonge, has introduced the Affordable Rent Bill (Wetvoorstel Betaalbare Huur) (Volkshuisvesting Nederland, 2023b). The introduction is accompanied by the following statement from De Jonge (translated from Dutch by the author):

> *Many tenants pay top dollar for a home that is not worth it at all. Tenants often have no choice and are backed into a corner. Increasingly, homes have become inaccessible for people with middle incomes. With the Affordable Rent Bill, we protect tenants, ensure a fair rental price, and make rents affordable again for people with an ordinary income (Rijksoverheid, 2023).*

Fundamentally, the Affordable Rent Bill expands the Residential Assessment System (Woningwaarderingsstelsel, WWS) to include the mid-market rental segment (De Jonge, 2022b). The WWS utilises a point-based system to evaluate a rental property's quality, considering factors such as size and energy efficiency, where the awarded quality points determine the maximum allowable rent for that particular dwelling (Haffner et al., 2008). Accordingly, the Affordable Rent Bill aims to enhance the availability of affordable rental housing, strengthen tenant protections, promote housing sustainability, and encourage investment in new construction (De Jonge, 2022b; Volkshuisvesting Nederland, 2023b). Additionally, this government intervention is based on the constitutional obligation of the Dutch government to promote sufficient housing opportunities.

1.2 Problem statement and goals

In spite of the intentions of the Affordable Rent Bill, real estate investors are concerned about its conflicting effects on the mid-market rental segment. Research suggests (e.g., DNB, 2022; Geuting et al., 2022; Vastgoed Belang, 2022a) the Affordable Rent Bill could severely harm investor's business cases and therefore discourage new investments in the mid-rental segment and encourage the sale of existing investments.

Among real estate investors, private landlords are especially sceptical, as the proposed rent regulations compound with the Tax Plan 2023 introduced by State Secretary for Tax and Customs Administration van Rij. The act, effective since 2023, raises the fictional return on property to 6,17%, reduces tax deductions for debts, and gradually increases the 'leegwaarderatio' from 67% to 95%, among other things (van Rij, 2022). In consequence, the tax environment for private investors has become considerably less favourable.

Vastgoed Belang (2022a), a prominent association that represents and advocates for private landlords in the Netherlands, has reacted to the proposed set of measures as follows (translated from Dutch by the author):

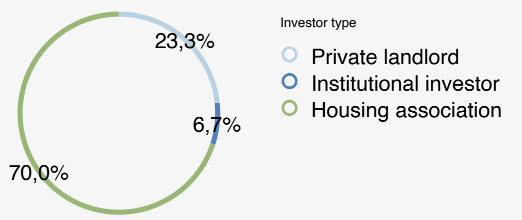
> *Due to the accumulation of measures introduced by both Minister for Housing and Spatial Planning Hugo de Jonge and State Secretary for the Tax and Customs Administration Marnix van Rij, the possibility to invest is being nullified. Meanwhile, the same government expects a lot from landlords in the field of sustainability of housing. The forced regulation in combination with further restrictions on rent increases in the liberalised rental segment jeopardise the achievement of a reasonable return for residential investors. [Tax Plan 2023] itself already eliminates the prospect of positive exploitation for many of the hundreds of thousands of private landlords. If the forced regulation of the mid-market rental segment is added to this, a sharp decline in the number of homes operated by private landlords in the mid-market rental can be expected; a contraction that cannot be compensated by the pace at which new rental homes are being built. Ultimately, this means that the number of dwellings in the mid-market rental segment declines.*

The problem, as articulated by Vastgoed Belang (2022a), can be summarised as follows: Whilst the Affordable Rent Bill aims to make housing more affordable for tenants in the mid-market rental segment, it diminishes profitability for investors. This is exacerbated by Tax Plan 2023, which increases the tax burden on revenue. Decreased profitability is likely to drive investors to divest in the mid-market rental segment, subsequently reducing the availability of housing in this segment. As demand remains high and supply decreases, individuals dependent on this rental segment face a weakened position.

This study aims to further examine this issue, by exploring the effects of the Affordable Rent Bill and Tax Plan 2023 on investment behaviour of private landlords and the position of (future) private tenants, specifically those of private landlords and with middle incomes. Therefore, it encompasses four objectives: (1) detailing the characteristics of tenants with private landlords (2) detailing the characteristics of private landlords in the Dutch housing market, (3) exploring the effects of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords, and (4) exploring the consequences of these policy measures on availability in the mid-market rental segment (See section 3.2 for definitions of relevant terms).

The focus on private landlords, as opposed to other investors, is driven by the reasoning that this group of investors operates the largest amount of private rental properties in the Dutch housing market (See Figure 1.2). Furthermore, housing associations operate under different rent regulations meaning they are minimally affected by the Affordable Rent Bill and though it is possible to study the effects of the Affordable Rent Bill on institutional investors, the author's preference leans toward private landlords, in part due to their significant presence in the rental market. Furthermore, including both types of private investors is not feasible for the scope of this research.

Figure 1.2 *Distribution of Dutch rental stock among investors (Geuting et al., 2021)*



1.3 Relevance

Numerous studies have explored the effects of the proposed rent regulations and taxation measures, including the Affordable Rent Bill and Tax Plan 2023, as outlined in Chapter 2. However, most of studies focus on the effects on investor profitability, whilst limited research has studied subsequent shifts in investment behaviour of private landlords, which details how private landlords (intend to) respond towards these measures.

This research addresses the inequality between private landlords and tenants, particularly concerning proposed rent regulation and taxation measures and caters to those seeking insights into the characteristics and disparities among Dutch private landlords and their tenants, particularly those in the mid-market rental segment. Its social relevance is underscored by the housing market's current challenges in availability, affordability, and quality, affecting all members of society. While the primary focus is on private landlords, mid-market rental tenants, and recent policy measures, the broader significance lies in potential ripple effects on other housing markets and stakeholders. Moreover, due to the interconnected nature of various submarkets in the Dutch housing segment and international housing markets it offers valuable context to other studies.

Additionally, this study is pertinent to the Department of Management in the Built Environment (MBE) as it aligns with their mission to establish a sustainable built environment prioritising the needs of end users and stakeholders. Within these objectives, Graduation Lab Housing Inequality, specifically tackles the escalating global housing inequality, exploring divisions among gentrified and underdeveloped areas, tenants and owners, and younger and older generations. It investigates the manifestations, causes, and potential solutions for this growing housing inequality.

1.4 Research questions

In light of the aim and objectives, as discussed in Section 1.2, this study addresses one main research question and four sub-questions. As the main aim of this study is to explore the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords and the position of (future) private tenants, the following main research question has been formulated:

What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords in the Dutch housing market and the position of private tenants?

The following four sub-questions will be explored through empirical research to address the main research question and fulfil the main aim of this study. Each sub-question respectively aligns with the research objectives detailed in section 1.2.

1. *What are the characteristics of tenants with private landlords in the Netherlands?*
2. *What are the characteristics of private landlords in the Dutch housing market?*
3. *What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords?*
4. *What is the effect of the Affordable Rent Bill and Tax Plan 2023 on availability in the Dutch mid-market rental segment?*

First, a theoretical framework is established which reviews existing literature and theoretical underpinnings. Subsequently, utilising inductive logic and a mixed-methods sequential explanatory design, data from Woononderzoek 2021, a survey conducted among private landlords, and the consultation on the Affordable Rent Bill are analysed to address the four sub-questions which together contribute to answering the main research question.

1.5 Personal study targets

The personal study goals for this research comprise three main components. The first goal is to enhance my competence in conducting scientific research. Scientific research has posed challenges for me due to occasional uncertainty about the process. Writing a thesis and going through the entire research journey, along with the practical implementation of research methods like quantitative data analysis using SPSS and qualitative data analysis using Atlas.ti and Grounded Theory, is expected to provide a deeper understanding and increased confidence in my ability to engage in scientific research.

My second personal study goal is to gain a deeper comprehension of the dynamics and significance of the Dutch privately owned rental market. This interest stems from professional considerations and the growing reliance on the mid-market rental segment among my peers and me. In our region, and in many other places across the Randstad and the Netherlands, social housing waiting lists span several years, making the mid-market rental segment increasingly the most vital option for housing due to the challenges of becoming a homeowner.

My third and final study goal for this thesis is to enjoy the process. While it may seem like a common aspiration, scientific research and paper writing have not typically been activities I have relished. Whether this stems from the choice of research topics, a lack of self-confidence, or other factors, this might be the last time I am compelled to engage in scientific research and write a paper or thesis to fulfil personal objectives. Therefore, I aim to make this experience meaningful. Fortunately, I believe I have chosen a topic I enjoy and will find interesting for an extended period.

Chapter 2
Theoretical framework

2.1 Introduction
The theoretical framework presented in this chapter serves as the foundation for the research, influencing the development of research questions, methodology, and data analysis (Creswell, 2014). It aims to clarify the research problem, pinpoint research gaps, and justify the research, while also aiding in the explanation and interpretation of results. This systematic approach provides a comprehensive understanding of the research problem and its underlying concepts (Miles & Huberman, 1994). The theoretical framework consists of four components: (1) defining relevant terms, (2) reviewing existing literature relevant to the research topic, (3) identifying the research gap, and (4) constructing a conceptual model.

The definition of terms aims to clarify the intended meanings of the author, driven by the importance of precise and consistent terminology for effective communication and clarity (Edmonds & Kennedy, 2017). Clear definitions help readers understand the discussed concepts, enhancing their comprehension of the research's goals, approach, and results. This is particularly crucial in interdisciplinary fields such as the Built Environment, where terms may have different definitions. Therefore, providing precise definitions becomes essential to ensure a shared understanding and to prevent misunderstandings. For instance, the term 'private landlord' exhibits differing definitions, as evident in variations between CBS and the Environmental Planning Agency (PBL) (Lennartz et al., 2019).

Additionally, the literature review systematically examines published research and relevant sources related to the research question, aiming to summarise existing knowledge, identify knowledge gaps, and draw conclusions that guide further research (Creswell, 2014). It aims to identify common themes and trends, providing a comprehensive understanding of the research question.

2.2 Definition of terms
The key terms used in this research are defined as follows (listed in alphabetical order):

Affordability
The challenge faced by every household revolving around the management of expenses associated with their current or potential living arrangement, including non-housing costs, all within the confines of their income (Stone, 2006).

Although the measurement approach for affordability is a subject of discussion in global literature, the widely accepted standard is the housing cost ratio. This ratio is derived from the correlation between household income and housing-related expenses, encompassing mortgage or rent, utilities, taxes, and maintenance. Typically, a housing unit is considered affordable if these costs remain below 30% of a household's annual dispensable income (Heylen, 2019). Acknowledging the limitations of the housing cost ratio and the availability of alternative metrics, this study opts to assess affordability using this housing cost ratio, setting the benchmark at 30%. This aligns with the Affordable Rent Bill, which establishes the same threshold for affordability (De Jonge, 2022b).

Availability
The availability and accessibility of suitable, affordable housing options for individuals or households in search of a place to live. It includes the quantity of housing units in an area, their affordability in relation to household incomes, and the ease with which potential residents can locate and access these units. This definition is derived from the Affordable Rent Bill (De Jonge, 2022b).

Direct return
The return on the operation of real estate, determined by comparing the rental income to the costs, including mortgage payments, property taxes, maintenance, and management fees. A rental property generates positive cash flow as its income exceeds its operational expenses (Cambridge Dictionary, n.d.).

Investment behaviour
The decisions and actions undertaken by individual private landlords in response to specific situations, market conditions, or financial goals. This involves choices such as whether to invest in a specific asset or market, determining the timing and amount of investment, selecting from various investment options, and adapting the investment strategy as required.

This definition is rooted in the principles of behavioural economics, a field exploring the link between psychology and economic decision-making (Ritter, 2003). It contends that human choices, influenced by emotions and distractions, may not always align with economic self-interest. For instance, people often mimic the financial behaviours of the majority, known as herd mentality, evident in phenomena like significant market rallies and sudden sell-offs in the stock market (Devenow & Welch, 1996). The ideas of behavioural economics contrast with conventional economic theory, which assumes consistent rational decision-making and full integration of all available information into the investment process (Ritter, 2003).

Institutional investor
A legal entity engaging in significant real estate investments using third-party capital, often from sources like pension or insurance funds, rather than their own resources. This involves financing entire housing developments or acquiring and managing extensive property portfolios (Lennartz et al., 2019).

Middle income
Encompasses households with an annual income ranging between €40.765 and €56.527 for single-person households and €45.014 and €75.369 for multi-person households. This definition aligns with that of De Jonge (2022a) in the Affordable Rent Bill, however in literature the term middle income actually lacks a clear-cut definition. For instance, CBS intentionally avoids providing a definition for middle income (NOS, 2019). In contrast, the Social and Cultural Planning Office (SCP) states that 60 percent of the Dutch population has a middle income, and the Organisation for Economic Cooperation and Development (OECD) defines it as a net salary ranging from €25.000 to €68.000. Others use a definition starting from the income limit for which no housing allowance is available, around €30.000 (Boelhouwer & Van der Heijden, 2022). Since this study examines the effects of the Affordable Rent Bill, it adheres to the same middle income range.

Mid-market rental segment
The category of rental dwellings with monthly rent prices falling between the current liberalisation threshold of €808,06 per month and 187 quality points, amounting to € 1123,13 per month (as of 2024). This definition aligns with the terminology employed in the Affordable Rent Bill (De Jonge, 2022b).

Position of tenant
The level of power or influence tenants have in relation to landlords or the housing market as a whole. This encompasses factors like availability, affordability, tenant protection levels, and bargaining power in negotiations with landlords or property managers. This definition is derived from tenant position descriptions in the Affordable Rent Bill (De Jonge, 2022b) and from tenant interest organisations, including Nibud (n.d.) and the Woonbond (2014).

Private landlord
A natural person or or legal entity utilising personal and borrowed capital to purchase and operate rental properties. These investments involve the use of their own capital, often supplemented with debt, differ from investing on behalf of others (like institutional investors), and can occur in both regulated and unregulated markets. This definition is derived from Lennartz et al. (2019).

Private tenant
Individuals who rents from a private investor as opposed to a housing association, including prospective tenants. Considering the distribution of the private rental stock among investors and the aims of this study, this definition focuses on private tenants renting from private landlords, instead of those from institutional investors. However, they cannot be entirely treated as two separate groups as they both rely on the private rental segment (Boelhouwer & van der Heijden, 2022).

Total return
Incorporating both direct returns and indirect returns, such as long term value appreciation, this term encapsulates the earnings from an investment over an extended period. It encompasses interest, dividends, and capital gains. Consequently, the measure offers a retrospective view of complete performance (Banton, 2021).

2.3 The Dutch housing crisis

In the last five years, challenges in the Dutch housing market have become a prominent focus on the political agenda and a much debated subject in the media. (Boelhouwer, 2023). According to Boelhouwer (2023) this attention is not unique and is partly due to the diverse roles and functions that housing serves, including its distinction as both consumption and investment.

As stated by Boelhouwer (2023) examining housing through the lens of Maslow's hierarchy of needs reveals its multifaceted nature. Maslow's pyramid starts with fundamental necessities like food and sleep, incorporating housing as a crucial component. Additionally, the subsequent four needs in Maslow's hierarchy—security, social needs, recognition, and self-actualisation (encompassing aspects like morality, creativity, and spontaneity)—are all interconnected with the concept of housing. For instance, the absence of shelter jeopardises existential security, while the choices individuals make in selecting and designing their homes are intricately tied to the pursuit of self-actualisation.

Despite the resulting justifications for the Dutch government to implement effective housing policies, at least in the past decade, a consistent governing approach has been lacking. For instance, as stated by Boelhouwer (2023), the Rutte II cabinet, led by Minister Blok, focussed on a substantial role for private investors, a diminished government presence, expansion of the free rental sector, and reduction of the social rental sector. However, the Rutte IV cabinet led by Minister De Jonge, pursued a completely different trajectory, including a more robust regulatory role for the national government, strengthening of the social rental sector, regulation of the free rental sector, and substantial taxation for private investors.

According to Boelhouwer (2023) the result can be deemed disastrous, as the investment capacity and opportunities of housing corporations have been depleted, while the private rental sector has not gained sufficient momentum. Meanwhile, investments are rapidly declining as the housing market policy was revamped too hastily, putting strain on housing construction production, which is anticipated to further decrease in the coming years.

According to Boelhouwer (2023), the current housing issues can be categorised into the following ten components:

1. Housing shortage.
2. Challenges faced by starters.
3. Unfavourable position of middle incomes.
4. Lack of suitable housing options for the elderly.
5. Affordability issues in the rental sector.
6. Wealth inequality caused by housing.
7. Liveability challenges in neighbourhoods.
8. Lagging quality improvements, especially in the post-war housing stock.
9. Slow sustainability efforts in the housing stock.
10. Foundation issues.

The initial five aspects are closely intertwined, addressing both a quantitative and qualitative deficit in housing, directly affecting the fundamental security of households (Boelhouwer, 2023). The following paragraphs provide a detailed overview of these five issues.

2.3.1 Housing shortage

As per Boelhouwer (2023), the existing housing shortage stands out as the most pressing issue in the housing market and is closely linked to various other housing challenges. The simultaneous increase in population and decrease in housing construction production has led to a substantial housing deficit of 4,8% equivalent to 390.000 homes. Similar shortages have not been observed in the Netherlands since the 1970s and in consequence, there are no housing market regions experiencing a surplus of homes.

Furthermore, several factors suggest that swift improvement is unlikely in the upcoming years (Boelhouwer, 2023). For instance, over the past seven quarters, the number of issued building permits has declined. Moreover, half of the architectural firms are facing a reduction in project numbers, and one-third have had to lay off staff (Geurts & Van Gestel, 2023). Additionally, due to substantial increases in construction costs, high capital market interest rates, and the challenges associated with the Dutch “Stikstofcrisis” (nitrogen crisis), approved housing projects are experiencing delays or are not being realised at all (Boelhouwer, 2023). The anticipated new construction output, influenced by the drop in the number of granted building permits, is expected to be between 50.000 and 60.000 homes in the years 2024 and 2025, strongly contrasting with the government's target of 90.000 homes a year. Boelhouwer (2023) further argues the shortage of homes is evident in various housing market indicators, such as the average waiting times for a social housing and the substantial growth of prices in the private rental segment.

2.3.2 Challenges faced by starters and the unfavourable position of middle incomes

Secondly, due to the substantial increase in property prices and income thresholds in the social rental sector, many middle-income households, including a significant number of starters, face difficulties securing a suitable home in either the rental or ownership market, leaving them in a challenging position (Boelhouwer, 2023).

Notably, this challenge affects significant numbers. If households with incomes starting from 30.000

euros (ineligible for rental subsidies) are also included, the middle-income group comprises almost 2,7 million households.

Furthermore, Boelhouwer (2023) notes that these households face constrained financial capacity, as a reduction in the number of income-supporting subsidies has led to a situation where the net income of tenants with lower middle income are only marginally higher than the income of households earning the minimum wage. Consequently, when these households opts for a rental property in the private sector, their remaining disposable income often falls below that of a tenant with a minimum income in the social rental sector.

Moreover, since the enactment of the Housing Act in 2015, influenced in part by EU regulations, middle-income groups face limited entry into the social rental sector (Boelhouwer, 2023). Housing corporations are mandated to prioritise households with low incomes, while market players are expected to support housing options for middle and higher-income brackets.

Moreover, despite a significant drop in mortgage interest rates from 2013 to 2021, the borrowing capacity of the average dual-income household has slightly diminished in recent years, while higher-income groups have experienced an expansion in their borrowing capacity (Boelhouwer, 2023). Around 2013, dual-income households with a median income fell short by less than €50.000 to secure a mortgage for an average home. However, as of early 2023, this shortfall has surged to a substantial€ 260.000. As a result, middle incomes without substantial personal funds, acquire virtually no home for purchase in major cities.

Moreover, a more pronounced surge in prices is occurring in the new construction market (Boelhouwer, 2023). Amid the Global Financial Crisis, developers largely shifted their focus towards the affordable segment, given the limited demand for higher-priced homes. However, with the recovery of the new construction market since 2018, there has been a transition towards higher price brackets. Consequently, by mid-2023, the average selling price of a new home has climbed to well over €468.000 (NVM/Brainbay, 2023).

2.3.3 Lack of suitable housing options for the elderly

In the upcoming decades, the Netherlands is set to grapple with a notably aging population, largely driven by the advancing age of the baby boomer generation (Boelhouwer, 2023). Over the next twenty years, the percentage of households aged 65 and above is anticipated to rise from approximately 19% to 26%, while the proportion of households aged 80 and above is expected to double. Alongside the imperative of creating housing suitable for the elderly, there is also a considerable surge in the demand for healthcare, raising concerns about an imminent healthcare crisis.

As of 2023, the housing stock is inadequately prepared to meet this future demand. There is a significant shortage of specific housing solutions, such as clustered living arrangements, tailored for the elderly (Boelhouwer, 2023). According to Boelhouwer (2023) this is unfortunate because, through a well-designed housing supply for the elderly, not only can the demand for healthcare be mitigated, but it can also stimulate housing turnover, making residences available for middle incomes and starters. Furthermore, clustered living arrangements, fostering mutual support among the elderly, are likely to result in substantial cost savings in healthcare and welfare budgets.

2.3.4 Affordability issues in the rental sector

Over the past few years, both rental and purchase prices have experienced substantial increases (Boelhouwer, 2023). Coupled with the constrained income growth resulting from the financial crisis of 2008 to 2014, this trend has led to higher living expenses for tenants. Conversely, driven in part by the decrease in mortgage interest rates, the ownership cost ratio has followed a distinctly different trajectory, as it decreased from 19.1% in 2015 to 16,5% in 2021 (BZK, 2022b). As a result, households renting from housing corporations and tenants in the private rental sector face elevated housing cost ratios, ranging from 35,3% to 37,1%. Notably, there are instances in the private rental sector where housing cost ratios exceed 50%.

The highest housing cost ratios are observed among households that recently have relocated, reside in the western and central regions of the Netherlands, and consist of young and single individuals (Boelhouwer, 2023). Although renters in the middle and high-income brackets allocate a smaller proportion of their income to housing (27,7%), this percentage remains considerably higher compared to the net housing cost ratio of homeowners (22,4%).

Several studies affirm the relatively high housing expenses incurred by renters and the difficulties they encounter in meeting their financial needs (Boelhouwer, 2023). Moreover, a report from the National Institute for Budgetary Information (NIBUD), based on CBS figures, conveys the significant message that approximately 24% of renters lack adequate funds after deducting housing expenses to cover essential expenditures, and 54% struggle to meet societal needs (Bos and Verberk, 2021).

In addition, international literature (e.g., Haffner et al., 2014; Whitehead et al., 2016) confirms that the challenges faced by middle-income households in the Netherlands align with broader international trends. Haffner et al. (2016) suggest that after decades of decline, the private rental segment has experienced a resurgence in many European countries, resulting in a decline in owner-occupation. Whitehead et al. (2016) adds that this trend signifies that private renting serves both as a substitute and addition to social renting and arises from limitations in credit access that do not align with actual financial capacity and obstacles in accessing social renting.

Meanwhile, economic shifts have heightened incentives for younger, more mobile households to prefer major cities and university towns while expanding national and international student populations seeking higher education contribute to a rising demand for privately rented housing (Whitehead et al., 2016). Consequently, younger households increasingly opt to rent, aided by a more uncertain environment and a desire for increased flexibility. Accordingly, households in the private rental segment are typically smaller, younger, and employed, but with lower incomes compared to owner-occupiers, whilst private rental housing primarily includes independent housing in concentrated urban areas managed by private landlords (Whitehead et al., 2016).

Whitehead et al. (2016) suggests that the size and role of the private rental segment are shaped by the following key drivers include (1) the regulatory framework of the private rental segment and changes within it, (2) the tax and subsidy framework for the private rental segment and alternative tenures, (3) the economic context influencing decisions, (4) the interplay between economic variables and other incentives, notably the tax framework, (5) barriers to entering other tenures, and lastly, (6) attitudes toward the segment influenced by past experiences, available stock, terms and conditions, and other factors. Thereby, it further highlights the influence of policy measures like the Affordable Rent Bill (driver 1) and Tax Plan 2023 (driver 2) on the segment, investor behaviour, and the position of tenants.

2.4 Rent regulation

While varying across countries and periods, rent regulation fundamentally relies on common principles (Whitehead et al., 2016). Barr (1998) outlines four criteria for achieving economic efficiency: perfect information, perfect competition, complete markets, and no market failures. However, these conditions are usually unmet in the rental market. For instance, perfect information is typically lacking, as landlords often possess superior knowledge about dwelling quality compared to tenants (Haffner et al., 2008). Additionally, ideal competition is frequently absent, especially when landlords wield monopolistic power, particularly when tenants develop attachments to their homes, potentially resulting in rent increases. To address information asymmetry and imperfect competition, rent regulation is implemented to protect tenants. The objective is to strike a balance between the interests of landlords and tenants, recognising that benefits for tenants may disadvantage landlords and potentially discourage private investors from participating in the rental market (Haffner et al., 2008).

2.4.1 Rent regulation in its current context

In the last two decades, renewed interest in rent controls has emerged due to worsening housing affordability and the growing importance of the private rental sector (Voigtländer & Whitehead, 2023). This contrasts with a trend dating back to the 1970s when many countries emphasised deregulation of the private rental market. The focus on the (re)introduction of rent controls has heightened since the Global Financial Crisis, driven by rising market rents and a weakened link between local incomes and rental costs. This has led to increased political pressure to strengthen rent regulation and a growing body of research exploring ways to improve the private rental sector, including better support for low-income tenants.

As highlighted by Voigtländer and Whitehead (2023) this trend has also ignited renewed discourse in the literature on this subject. Central to much of the conversation are distributional concerns, examining the beneficiaries and those adversely affected, both in the immediate response to regulatory changes and over the long term. Furthermore, emphasis is placed on the potential unintended negative consequences of more stringent rent regulations.

For instance, a recent high-quality econometric analysis covering sixteen developed countries over a period of more than a hundred years from 1910 to 2016, strongly suggests that (as economic theory would indicate) rent controls that are in place over long periods negatively affect both new construction and investment in the existing stock—and that the more constraining the regulation in terms of potential returns the greater that negative impact (Kholodilin & Kohl, 2023).

While Kholodilin and Kohl (2023) acknowledge that the observed decreases in supply due to regulation are expected given the extensive scope of their research covering numerous countries over an extended period, they find it particularly intriguing that they identify limited impacts on consumers, such as tenants. As a result, they conclude that the abrupt introduction of regulatory constraints trigger immediate negative supply reactions and negative long term effects.

With a different broader international research on rent regulation spanning from 1972 to 2022, Kholodilin (2022) further emphasises that while rent regulation achieves the immediate goal of lowering rents, it often leads to unintended consequences that counterbalance the desired outcomes. Moreover, the study suggests that policies operate within a comprehensive context which influences outcomes, including other housing policies, such as tenant eviction protection, housing rationing, and allowances and factors like banking, climate, and fiscal policies.

Additionally, there has been recent research conducted on individual rent regulations. For instance, Sagner & Voigtländer (2022), researching the short term impact on rent prices and the supply of new rentals following the short lived introduction of rent caps and freezes in Berlin, found significant reductions in rents but also a very large decline in the supply of new rentals—by around 60% in some parts of the city. These results are corroborated by Hahn et al. (2022) who also observed a decrease of more than half.

This drop in availability was attributed to a notable increase in the conversion of apartments into owner-occupied properties and a decrease in the construction of new dwellings. Accordingly, investors showed a diminished willingness to undertake new investments (Sagner & Voigtländer, 2022). Additionally, unintended consequences were observed in areas not subject to the rent regulation, as the unregulated segment in Berlin witnessed a significant increase in rents, whilst neighbouring cities, including Potsdam, also showed a higher-than-anticipated rise in rents (Hahn et al., 2022).

In addition, in response to Ireland and Scotland reinstating rent controls in high-pressure zones, more broadly enhancing tenure security for tenants, and implementing temporary rent caps in response to escalating market pressures, O'Toole (2023) found that within pressure zones, rent increases have been tempered by 2% to 5%, although they still generally exceed the imposed cap. Moreover, according to O'Toole (2023) pressure zones have been expanded to much larger areas with lower rent pressures, a pattern reminiscent of the situation in Berlin, possibly aiding the support for broader controls.

Meanwhile, other studies have examined the expanding role of the private rental sector in Spain, a market traditionally dominated by owner-occupation, with minimal social rented units and private renting playing a marginal role. For example, Monràs and Montalvo (2023) delve into recent rent regulations introduced by the Catalan Parliament in 2020. These laws imposed restrictions on rent increases within and between tenancies, establishing maximum rent prices. However, akin to the Berlin, the implementation led to both reduced rents and decreased availability (Kholodilin et al., 2022; Monràs & Montalvo, 2023). Despite occasional non-compliance, the portion of housing exceeding the reference price, initially at about 50%, decreased by up to 22%, effectively lowering rental prices by approximately 5%. Nevertheless, at the same time the policy resulted in an approximately 10% decline in the overall rental housing availability (Monràs & Montalvo, 2023).

Pareja-Eastaway and Sánchez-Martínez (2023) contend, after examining various regulatory frameworks in Spain since 1950, ranging from stringent regulation to nearly complete market determination, that implementing rent controls in such a small and insecure sector would likely only benefit a portion of existing tenants. Moreover, it would provide no incentive to increase the supply of rental housing. A closely related concern currently under extensive discussion involves tourist cities like Barcelona, where a significant portion of available rental properties has shifted to short-term lettings, leaving limited housing stock for lower-income tenants. Policies addressing this expanding subsector are currently viewed as the most pressing issue.

A different topic discussed in many of the aforementioned studies concerns the formulation of policy measures (Voigtländer & Whitehead, 2023). Questions are raised about the degree to which the 'how' and 'what' of policy are influenced by evidence, while it is argued that evidence plays a substantial role in both the substantiation and implementation of successful rent regulations policies.

Furthermore, it is emphasised that policymakers should ideally take into account broader contexts, considering various effects and their interactions when formulating governmental policy (Kholodilin, 2022). Especially since, as highlighted by Voigtländer and Whitehead (2023), much has unfolded globally in the past few years, such as Covid pandemic restrictions that were introduced and lifted, and Russia initiating a war against Ukraine. These events have not only prompted societal shifts but have also significantly altered the macroeconomic landscape, influencing housing markets, which may also necessitate the reevaluation of rent regulations.

2.4.2 Rent regulation in the Netherlands and the Affordable Rent Bill

The situation of the Netherlands also aligns with many trends outlined by Voigtländer and Whitehead (2023). For instance, post-World War II, the Dutch government implemented rent control for all rental properties (Haffner et al., 2008). However, a significant change took place in 1989 with the implementation of a liberalisation threshold policy. Leases for dwellings surpassing this threshold were no longer subject to rent regulation. Consequently, a liberalised segment emerged, encompassing properties exceeding this threshold and exempt from rent control.

Currently, this liberalisation threshold is set at €808,06 (Rijksoverheid, n.d.-a). Rents for dwellings below this threshold are subject to two types of rent regulation. Firstly, the annual rent increase across all dwellings is limited to an average increase, which is lower than the maximum allowable rent increase per individual dwelling. This annual increase is also lower than that of the liberalised segment and used to be determined by the inflation rate plus a politically predetermined percentage (Haffner et al., 2008). Due to high inflation rates, this has recently changed to the collective labor agreement wage development plus a politically determined percentage of 1% (Volkshuisvesting Nederland, 2022).

In addition, the unliberalised segment is subject to the Woningwaarderingsstelsel (Residential Assessment System, WWS) which determines a maximum rent price (Haffner et al., 2008). This system assigns quality points to a dwelling based on factors like surface area, energy label, and proximity to amenities, aiming to represent the quality of a dwelling. The total quality points determine the maximum rent price. While the WWS primarily aims to protect tenants from high rents, it also aids landlords in establishing reasonable rent levels (Drentje, 2011).

As demonstrated in in the introduction of this research, the Netherlands is now also following the newer international trends where the emphasis on (re)introducing rent controls has increased, driven by escalating market rents and a weakened connection between local incomes and rental costs (Voigtländer & Whitehead, 2023). Specifically, the Affordable Rent Bill has been proposed, aiming to enhance the position of middle-income individuals in the housing market. The bill strives to achieve four objectives: (1) provide more affordable rental housing, (2) enhance tenant protection, (3) promote sustainability, and (4) encourage ongoing investment in new construction (De Jonge, 2022b). Essentially, the bill suggests an extension of the WWS to the mid-market rental segment. The proposal includes the following eight elements:

Upper limit

The initial measure of the Affordable Rent Bill raises the upper limit of rent regulation to 187 quality points, equivalent to slightly over €1.000 in monthly rent (De Jonge, 2022b). This limit will be annually adjusted for inflation and is projected to reach €1.100 when the regulation takes effect in 2024. The regulation will reclassify rental homes currently in the upper market of the rental segment but of mid-market rental segment quality back to the mid-market rental segment.

Scope

In order to respect property rights, the Affordable Rent Bill applies the new upper limit of rent regulation only to new rental agreements (De Jonge, 2022b). As a result, it will require time for all rental properties with less than 187 quality points to be compliant with the new regulations.

Duration

The duration of the proposed new rent regulations in the Affordable Rent Bill hinges on their effectiveness and necessity and will be periodically assessed. Throughout this period, any potential adverse effects will be closely monitored (De Jonge, 2022b). However, the process for determining the effectiveness and necessity is not elaborated upon.

Modernisation WWS

An update of the WWS transforms the system from its current voluntary status to a mandatory one, compelling landlords to assess their properties with the WWS before entering into a rental agreement (De Jonge, 2022b). This differs from the current system, in which the WWS is only used if requested by tenants through a rent commission. The compulsory system aims to enhance the enforcement of maximum rents and bolster the overall effectiveness of regulation. Landlords who charge excessive rents for regulated category properties will be subject to fines enforced by municipalities.

This aligns with the Good Landlordship Act (Wet goed verhuurderschap), which became effective in July 2023, and reflects the broader effort to enhance tenant rights (Volkshuisvesting Nederland, 2023a). The act empowers municipalities with increased authority to address unwanted behaviour of landlords, including discrimination, intimidation, unreasonable service charges, and excessive deposits. By means of a rental license, municipalities can impose additional requirements on landlords, ensuring fair rent and timely maintenance of living spaces.

Furthermore, by more accurately considering certain qualities such as outdoor space and energy efficiency, the Affordable Rent Bill aims to enhance the quality of newly constructed mid-market rental properties, creating a more significant price gap between dwellings with high and low energy labels (De Jonge, 2022b). This is in line with the Policy Program Accelerating Sustainability Built Environment (Beleidsprogramma versnelling verduurzaming gebouwde omgeving), also introduced by De Jonge (BZK, 2022a). According to this proposal, private landlords will not be allowed to rent out homes with an energy label E, F, or G from 2030 onwards, with the aim of ensuring sustainability efforts.

Annual rent price increase

The annual rent increase in the middle segment will be calculated based on the collective labor agreement wage development + 0.5% (De Jonge, 2022b). While this represents a reduction of half a percent compared to the current calculation, this adjustment does not eliminate the potential for a significant annual rent increase. For instance, in the second quarter of 2023, there was a notable 5,7% increase in collective labor agreement wages, marking the most substantial rise in four decades (CBS, 2023)

Allocations to middle-income households

Additionally, the Affordable Rent Bill aims to empower municipalities to allocate mid-market rental properties to middle-income households (De Jonge, 2022b). Under the provisions of the Housing Act of 2014, municipalities are already empowered with the authority to establish regulations that enable the allocation of mid-market rental homes to individuals with incomes not exceeding a specified middle-income threshold (De Jonge, 2022b). Municipalities can enforce this by necessitating a housing permit for designated categories of residential spaces.

Existing agreements

Implementing the new regulations for both newly constructed and existing buildings simplifies the Affordable Rent Bill, enhancing its clarity for tenants (De Jonge, 2022b). However, De Jonge (2022b) underscores the importance of carefully considering the consequences of this element and avoiding potential delays in ongoing projects. This concern arises because agreements between local municipalities and developers have already been established regarding the number of dwellings within various projects. To address this, a temporary 10% increase in the maximum rent defined by the WWS will be allowed for newly constructed projects completed after January 1, 2024, and for those with construction commenced before January 1, 2025, lasting for a 10-year period (De Jonge, 2023b).

WOZ-cap

Since May 2022, the WWS incorporates a WOZ cap. This cap restricts the contribution of the value of a property in the WWS to 33% of the total points for homes with more than 142 points (De Jonge, 2023b). Especially in cities where the value of homes is higher, the WOZ value significantly contributes to the total WWS value, with one point for every approximately €15,000. In a proposed amendment to the Affordable Rent Bill, De Jonge (2023b) suggests adjusting the cap to 187 points with a limit at 186.

The following example helps explain this measure. Imagine a home theoretically scores 100 WWS points based on the WOZ value and an additional 100 points on other components, totalling 200 WWS points, with half coming from the WOZ value. Under the current WOZ cap, as the home scores more than 142 points, the points attributed to the WOZ value are limited to 33% of the total, resulting in a total of 150 WWS points (50/(50+100)=33%). Under the new proposal, the cap is increased to count from 187 points. However, the same home still theoretically exceeds this (100 points WOZ plus 100 points on other components). The points derived from the WOZ value are still limited to 33% of the total, but instead of the previous 150 points, the adjustment is now limited to 186 points. Therefore, the home receives 186 WWS points.

This adjustment aims to prevents the dwelling from scoring lower compared to a property with 100 points from the WOZ value and 70 points from other components, indicating lower quality according to the WWS, but is not capped since it does not exceed 187 points. Simultaneously, it prevents the capped home from entering the free market segment where it can set its own price.

The Affordable Rent Bill is currently in its legislation process (De Jonge, 2023a). After the Dutch cabinet fell, the Affordable Rent Bill was not labeled as controversial; however, despite the aim of the Parliament to address it, time constraints prevented this possibility before the 2024 election recess. Consequently, De Jonge (2023b) now aims to initiate the bill in July 2024.

However, the Council of State (Raad van State (RVS), 2023), an independent governmental advisory body on legislation and governance and the highest administrative court, expresses uncertainty about whether the Affordable Rent Bill effectively assists individuals seeking housing and whether it genuinely results in an adequate supply of affordable rental homes. Similar to the problem statement in the the introduction of this research, the RVS (2023) perceives a tangible risk that the proposed legislation might lead to the sale of rental properties and a reduction in the construction of new rental homes. As a consequence, the Council is concerned the availability of private rental housing might decrease rather than increase, ultimately failing to benefit those searching for rental homes. Additionally, the RVS (2023) expresses uncertainty about how the management of this risk is being addressed.

In light of these concerns, the RVS (2023) recommends a thorough reassessment of the proposal related to the regulation of mid-market rent, taking into account its broader impact on overall housing policy. The findings of this evaluation are pivotal in determining the effectiveness, suitability, and necessity of the measure. The latter is crucial for justifying any interference with the property rights of landlords and investors. Therefore, the Council of State advises against submitting the proposal to the House of Representatives unless it undergoes modification. This statement suggests a strong possibility of amendments to the Affordable Rent Bill before its actual approval. Additionally, the political landscape appears less receptive towards the Affordable Rent Bill, particularly in light of the outcome of the 2024 elections.

2.4.3 *Perceived effects of the Affordable Rent Bill*

Several studies have explored the potential effects of the Affordable Rent Bill. For instance, BZK and De Jonge (2022b) studied the effects on the distribution of the overall rental stock. Their results indicate the current rental segment comprises 3.071.000 dwellings, as depicted in Table 2.1. 2.440.000 are situated in the unliberalised segment, while 631.000 fall in the liberalised segment. Additionally, within the liberalised segment, 392.000 dwellings have monthly rents under €1.000, while 239.000 have rents above €1.000.

As illustrated in Table 2.2, the implementation of the Affordable Rent Bill causes an expansion of the unliberalised housing stock to 2.548.000 dwellings (De Jonge, 2022b). The mid-market rental segment experiences a rise to 397.000 dwellings, stating a modest increase of 5.000. Meanwhile, the liberalised rental segment contracts to 125.000 dwellings, indicating a decrease of 114.000. Notably, this analysis considers potential tenant mutations but does not account for the later proposed WOZ-cap alteration or any changes in investor behaviour due to the proposed measures.

Table 2.1 *Current distribution of housing stock in Dutch rental segment (De Jonge, 2022b)*

Rental segment	Amount of dwellings
Unliberalised rental segment	2.440.000
Liberalised rental segment <€1.000	392.000
Liberalised rental segment >€1.000	239.000

Table 2.2 *Distribution of housing stock after regulation (incl. mutations compared to the table after WWS was made mandatory) (De Jonge, 2022b)*

Rental segment	Amount of dwellings
Unliberalised rental segment	2.548.000
Mid-market rental segment	397.000
Liberalised rental segment	125.000

Table 2.3 *Distribution of housing stock after regulation (incl. mutations compared to the table after WWS was made mandatory) (De Jonge, 2022b)*

Household type	Rental price		Net housing costs	
	Before	After	Before	After
Low middle income, under 35 years, single-person household	€ 1.018	€ 856	40%	34%
Low middle income, under 35 years, couple without children	€ 1.016	€ 873	33%	28%
High middle income, under 35 years, single-person household	€ 1.079	€ 862	38%	30%
High middle income, under 35 years, couple without kids	€ 993	€ 866	24%	21%

Based on these results, De Jonge (2022b) predicts that over 300.000 dwellings will experience reduced rent, with an average monthly decrease of €190, while middle-income households may see their housing costs decrease by up to 8% (See Table 2.3).

In addition to De Jonge (2022b), other studies (e.g., BRINK, 2022; DNB, 2022; Geuting et al., 2022) have explored the effect of the Affordable Rent Bill and Tax Plan 2023 on private investors, primarily focusing on institutional investors and new construction projects. While some studies consider both the Affordable Rent Bill and Tax Plan 2023, others only examine the effects of the proposed rent regulations.

Geuting et al. (2022) identified a substantial disparity between the current market rent and the rent under the extended WWS, amounting to approximately €180 to €275. This discrepancy could significantly impact the business case of investors, potentially turning it negative. A weakened business case might lead to properties not being acquired or sold. However, Geuting et al. (2022) notes that the impact on the business case is influenced by various factors, including the property's qualities, the investor's profile, the investment plan, and other dynamic market conditions.

According to De Nederlandsche Bank (DNB) (2022), the central bank of the Netherlands, investment returns for investors are expected to decrease due to additional rent regulation. This decline is more pronounced in Amsterdam compared to the national scale. Moreover, DNB (2022) highlights that while further rent regulation enhances accessibility to the mid-market rental segment, it may reduce availability in the long run if investors decide to exit.

Additionally, BRINK (2022) found that 63% of existing dwellings would undergo a reduction in rent prices if the WWS were to be extended, compared to the current market rent. This price decrease would exceed 5% in approximately 42% of the affected dwellings, resulting in a monthly average decline of €134. Additionally, BRINK (2022) notes that extending the WWS has a notably negative impact on new building projects, particularly those with smaller dwellings in areas with a high WOZ value. Consequently, investing in new-build dwellings in the mid-rental segment may no longer be attractive.

Brounen (2022) and Francke (2022) predict a long-term reduction in cash flows, leading to a decrease in the market value of the mid-market rental segment. Institutional investors, who evaluate properties based on discounted cash flows, are expected to face a more significant impact with a longer investment horizon, resulting in diminished market value for new construction and lower residual land value. Consequently, the Affordable Rent Bill is anticipated to reduce availability in the mid-market rental segment, aligning with trends observed internationally. The resulting decline in rents, housing values, and land prices is likely to cause output losses. Additionally, Brounen (2022) and Francke (2022) suggest that heightened rent regulation may compel landlords to cut maintenance or surpass the 187-point cap using extra WWS points.

In the Dutch cities of Utrecht, Zwolle, and Doetinchem, collision tests have explored the effects of regulating the mid-market rental segment on various local parties, including private landlords (De Jonge, 2022b). Although the results regarding private landlords were not deemed representative, as data were only provided by three private landlords, the overall study identified a significant disparity between the current market rent and the rent under the extended WWS. Additionally, investors and developers expressed concerns about the regulation, fearing a potential decrease in the availability of rental housing as a result of investors divesting or ceasing to participate in new building projects (De Jonge, 2022b).

Finally, Francke et al. (2023) suggests that for investors, divesting increasingly results in the highest value in the valuation computation. Therefore, from an economic standpoint, it becomes increasingly appealing for investors to sell a dwelling when the possibility exists. Specifically, the implementation of heightened rent regulation leads to a relatively modest decrease in the market values of impacted dwellings, amounting to just 0,1% (Francke et al., 2023). However, the profit derived from operating these properties will experience a more significant decline, decreasing by 14,6%. Consequently, when a dwelling becomes subject to regulation, it has a substantial impact on the potential rent. The overall potential rent sees a reduction of €871 million, equating to approximately €2.434 per dwelling annually or about €200 per dwelling per month.

2.5 Taxation

In addition to the regulatory framework, taxes and subsidies play a pivotal role in shaping the size and function of the private rental segment (Whitehead et al., 2016). In short, taxes are the primary source of income for governments in modern economies and serve various purposes, including resource allocation, income redistribution, and economic stability (McLure, 2023; Musgrave, 1959). Additionally, two main types of taxes are commonly distinguished: direct and indirect taxes. Generally, a direct tax is one that cannot be transferred by the taxpayer to another party, whereas an indirect tax can be shifted (McLure, 2023). Consequently, income tax falls into the former category, while sales tax exemplifies the latter.

2.5.1 Taxation in the Netherlands

Until 2001, the taxation system in the Netherlands only covered direct capital income (e.g. rent, interest, and dividends) minus the expenses, and after taking the dividend and interest exemptions into account (Dusarduijn, 2022). Additionally, the Dutch legal system differentiated between the source of the capital (which was not taxed) and the income generated from it (which was taxable). Consequently, converting taxed returns (such as dividends and interest) into capital gains was particularly advantageous for tax purposes.

Dusarduijn (2022) suggests that these arrangements weakened the notion of tax fairness and made it seem foolish to pay taxes. The introduction of Box 3 under the Income Tax Act of 2001 aimed to establish a system that would require taxpayers with property to make reasonable tax payments. However, in this act, the actual returns were not considered (Dusarduijn, 2022). Instead, the taxation of "gains from savings and investments" was based on a fictional return, which was determined based on the value of the assets on a specific reference date.

Employing a fictional return offers several advantages, including enhancing legal clarity, reducing the potential for evasion, and ensuring a consistent stream of tax revenues (Dusarduijn, 2022). However, the use of a fictional return also results in the equal treatment of disparate scenarios. Consequently, the Supreme Court stipulates that a fictional tax rate can only be justified if it endeavours to mirror reality. Therefore, until 2017, capital gains tax was calculated based on a 4% fictional return, considered a reasonable approximation of the low-risk return that any owner could expect over an extended period. However, this perspective shifted during the financial crisis when major banks' interest rates on savings sharply declined, nearly reaching zero (Dusarduijn, 2022).

Hence, in 2017, adjustments were made to the system to enhance the alignment of the fictional return with reality (Dusarduijn, 2022). Furthermore, various categories were introduced in Box 3, one addressing assets with a low, 'passive' return and debts, while ‘Class 2’ assets encompassed speculative, high-yield investments such as stocks, bonds, and property. Nevertheless, this approach still fell short of reflecting reality, as neither the actual return nor the specific investment strategies were taken into consideration (Dusarduijn, 2022).

Due to the disparity between actual returns and hypothetical returns, Dutch taxpayers perceived it as unjust to pay taxes based on fictional returns that they frequently did not achieve (Dusarduijn, 2022). Consequently, they initiated legal proceedings with the Supreme Court. On December 24, 2021, the court ruled that the Box 3 system introduced in 2017 violated the European Convention on Human Rights (ECHR).

2.5.2 Tax Plan 2023

In response to the Supreme Court ruling, Tax Plan 2023 has been introduced as a temporary restructuring for Box 3 (Van Rij, 2022). It incorporates four measures that significantly impact private landlords. Firstly, the fictional return in Class 2 of Box 3, which includes property tax, is extended and based on both direct and indirect returns over a more extended period. In 2023, this fictional return is set at 6.17% (See Table 2.4); however, due to recent decreases in economic returns, this is likely to decline in the coming years. Secondly, debts are no longer entirely deductible. Instead, interest has become deductible based on a fictional rate (Van Rij, 2022). This is substantial for private landlords, as a substantial portion of real estate is often funded with debt. Additionally, the amount taxpayers in Box 3 can borrow from their own private companies, a method frequently used by private landlords, will be limited to €700,000 (Van Rij, 2022). Moreover, the 'leegwaarderatio' (vacant value ratio) is adjusted, increasing the taxable value of a rental dwelling in Box 3. This figure was set at 67% but will gradually be increased to 95%, based on third-party research (Van Rij, 2022).

Table 2.4 *Return percentages for types of assets (Rijksoverheid, n.d.-b)*

	2017	2018	2019	2020	2021	2022	2023
(Bank) savings and cash (%)	0,25	0,12	0,08	0,04	0,01	0,00	0,36
Debts (%)	3,43	3,2	3,0	2,74	2,46	2,28	2,57
Investments/ assets (%)	5,39	5,38	5,59	5,28	5,69	5,53	6,17

In 2027, a more permanent restructuring of the capital gains tax system will be introduced (van Rij, 2022). The new Box 3 system will focus on capital gains tax, taking into account real direct income and the actual annual value development of assets in Box 3, rather than fictional returns. The specific details of this restructuring will be determined in the coming years (Dusarduijn, 2022; van Rij, 2022). According to van Rij (2022), the restructuring may take into consideration the increased rent regulations imposed on private landlords by the Affordable Rent Bill.

2.5.3 Effects of Tax Plan 2023

Given the complex nature of taxation, it is challenging to pinpoint precise effects on private landlords, as tax impact depends on varying factors like the loan-to-value ratio of an investment. Nonetheless, Vastgoed Belang (2022b) has conducted scenario calculations to provide insights into the potential effects of the introduced tax measures.

According to Vastgoed Belang (2022b), the net operating result after taxes is expected to diminish for the majority of landlords who have placed their investments in Box 3. This suggests that, after accounting for costs, financing charges, and taxes, the rental income may be insufficient to cover additional expenses related to existing investments and the potential addition of new residential investments. Vastgoed Belang (2022b) further notes that private landlords who have used debt from real estate lenders to finance their investments might face net operational results after tax ranging from nearly zero to clearly negative, depending on their specific circumstances. This implies that, after tax considerations, the operation of their dwellings may no longer yield profits, or additional funds may need to be borrowed to sustain the rental properties.

Table 2.5 and 2.6 show what the effect of the Belastingplan 2023 is on a dwelling operated by a private landlord, based on the scenario calculations of Vastgoed Belang (2022b). Based on these calculations, the tax burden (capital gains tax expressed as the percentage of the net operating result before tax) increases from 27.2% to 54,5%, whilst the net operating result after tax as percentage of gross rent decreases from 50.7% to 31,7%.

Table 2.5 *Application of legislation applicable to 2021 (Vastgoed Belang, 2022b)*

Explanation calculation	Calculation	Outcome
Assets to be allocated to this dwelling for 2021 = 'leegwaarderatio' X WOZ value on 1 January 2021	67% * € 255.000,00	€ 170.850,0(
Fictional return to be attributed to this home for 2021	4,501% * € 170.850,00	€ 7.689,95
Capital gains tax to be paid for this property in 2021	31% * € 7.689,95	€ 2.383,88
Net operating result before tax = property operating res-		€ 8.777,75
Net operating result after tax = net operating result before tax / capital gains tax	€8.777,75 / € 2.383,88	€ 6.393,87

Table 2.6 *Application of the Belastingplan 2023 (Vastgoed Belang, 2022b)*

Explanation calculation	Calculation	Outcome
Assets to be allocated to this dwelling = 'leegwaarderatio' * WOZ value	95% * € 255.000,00	€ 242.250
Fictional return for other assets attributable to this property	6,17% * € 242.250,00	€ 14.946,8
Capital gains tax to be paid for this property in 2021	32% * € 14.946,82	€ 4.782,98
Net operating result before tax = property operating result		€ 8.777,75
Net operating result after tax = net operating result before tax / capital gains tax	€8.777,75 / € 4.782,98	€ 3.994,77

The calculations are based on the increase of the fictional return from 4,5% to 6,17%. Meanwhile, the gross initial yield based on the WOZ value corrected with the 'leegwaarderatio' decreases from 7,4% to 5,2%, whilst the gross initial yield based on the WOZ value remains at 4,9%. The results is that the net operating profit before tax (net operating result before tax/equity attributable to investment) decreases from 5.1% to 3,6%, whilst the net operating profit after tax (net operating result after tax/equity attributable to investment) decreases from 3,7% to 1.7% (Vastgoed Belang, 2022b).

2.6 Private landlords

In a unique study delving into the makeup of the private rental sector and exploring the investment motives and strategies of private landlords, Lennartz et al. (2019) conclude that this diverse group is subject to an incomplete and biased portrayal in the media and political discourse.

The majority of private landlords own a just few properties, with those surpassing fifty being a minority (Lennartz et al., 2019). Exceptionally large landlords, owning over thousand properties, are rare but collectively hold a substantial share of the private rental sector. Engaging in diverse real estate activities, larger landlords acquire entire buildings, allowing them autonomy in decisions regarding maintenance and other matters, including residential, office, and retail spaces.

In addition, private landlords commonly blend personal and external funds for their investments (Lennartz et al., 2019). The financing landscape of private investor ventures has notably changed over time, with the global financial crisis serving as a significant turning point. Those entering the market during or after the crisis more frequently depend on equity as their primary funding source. This shift could be attributed to changes in bank lending practices, or it may reflect a different risk perception among investors who lived through the financial crisis.

Lennartz et al. (2019) state that private landlords typically lack a formalised investment strategy, distinguishing them from institutional investors and corporations. Their decisions are based on a blend of basic knowledge and intuition or experience. Due to the importance of local market understanding, many landlords prefer to stay close to home, concentrating in familiar housing market areas. Notably, private landlords prioritise cash flow or immediate returns, placing less emphasis on indirect returns from property value appreciation (Lennartz et al., 2019).

Furthermore, private landlords meticulously track market rents, often consulting platforms like Pararius or Funda for nearby housing prices or seeking guidance from real estate agents and management companies (Lennartz et al., 2019). Despite historically high prices, particularly in major cities, private landlords are increasingly drawn to the upscale market, targeting educated young adults and expats as primary tenants. Rental apartments exceeding fifty square meters in sought-after city locations typically command leases of at least a thousand euros, therefore surpassing the mid-market rental segment. While larger landlords traditionally include regulated properties in their portfolios out of necessity or as side effect of their larger operations, a small number of private landlords intentionally focus, at least partially, on regulated and mid-range rentals.

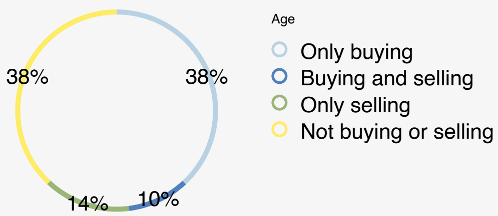
Moreover, according to Lennartz et al. (2019), a significant concern for private landlords is the risk of vacancies. In an effort to minimise this risk, many landlords often opt for rental prices slightly below the "maximum" market rate. This strategy is believed to mitigate potential challenges, including tenant complaints to the rent tribunal or about recurring maintenance issues like leaking faucets, as tenants perceive they are getting a good deal. This challenge is particularly impactful for smaller private landlords, who often manage rental activities alongside regular jobs and independently handle all management and administration, unlike larger investors who commonly outsource such tasks.

Another commonality among most private landlords is their choice of legal structure for investments. The majority favour fiscal investment under Box 3, subjecting their properties to individual wealth tax (Lennartz et al., 2019). Box 1 and private limited companies are seldom used, typically reserved for situations where a group of investors collectively owns and manages a property portfolio.

During Lennartz et al.'s (2019) study, conducted some years prior to the introduction of various policy measures such as self-residence requirements, the WOZ cap, the Good Landlordship Act, and the proposed Affordable Rent Bill, the private rental sector was witnessing a significant revival. The sector was expending, with landlords expressing eagerness to grow their portfolios, suggesting a likely continuation of this trend. Fuelled by a positive economic investment climate and limited alternative opportunities, Lennartz et al. (2019) observed a prevalence of expansion plans over divestment plans among individual private landlords. Moreover, there was little indication from the housing market's demand side that the growth in the private rental sector would subside, due to increased inability of starters becoming owner-occupier.

This is corroborated by the buying and selling intentions of private landlords in the two years following 2019, as seen in Figure 2.1 (Lennartz et al., 2019) . Specifically, 38% planned to exclusively acquire more rental properties, another 38% had no buying or selling plans, 14% intended to both buy and sell, and 10% planned to sell exclusively.

Figure 2.1 *Purchase and sale plans of private landlords for the next two years (Lennartz et al., 2019)*



Nevertheless, Lennartz et al. (2019) anticipate a deceleration in the sector's growth. Reduced access to external financing, attributed to heightened caution among lenders since the crisis, is one contributing factor. Moreover, the expansion of the private segment has resulted in excessive rent increases for liberalised homes, prompting policymakers to consider targeted interventions. However, Lennartz et al. (2019) posit that, depending on the specific measures taken, this might not necessarily hinder development, given the long-term investment perspective of many private investors.

The anticipated impact of the forthcoming changes in Box 3 is also discussed by Lennartz et al. (2019), suggesting that investors, particularly those heavily reliant on external capital for their rental portfolios, might incur increased costs due to these changes. Lennartz et al. (2019) expect the fiscal incentive for less leveraged investments, especially in terms of expansion, to be reduced, whilst emphasising that this does not automatically translate to a contraction of the private rental sector, given the resilience and stability of cash flows and the current absence of better investment alternatives.

Private landlords identify government intervention, both at the national and local levels, as their primary concern (Lennartz et al., 2019). Rather than viewing it as an investment risk, they attribute it to an unpredictable government that frequently introduces new laws and regulations. Individuals adhere to the concept of a 'right to return,' pre-evaluating costs and benefits. Changing the rules midway is considered undesirable and unfair, potentially resulting in lower income than initially expected.

Lennartz et al. (2019) raise a question about the validity of attributing this risk solely to the national government among many private landlords. Nevertheless, some private landlords express concerns that the frequent changes in government policies might prompt them to exit the private rental market in the future. However, whether this will materialise remains uncertain, as previous observations indicate that private landlords seldom opt to sell their entire rental portfolio.

2.7 Research gap

Based on the literature reviewed, an apparent research gap emerges. While existing studies delve into the repercussions of both the Affordable Rent Bill and the Tax Plan 2023, the predominant focus lies on investigating their effects on investor profitability. This concentration creates a void in comprehensive research, neglecting an exploration of how decreased profitability influences the investment behaviour of private landlords and subsequently impacts the position of private tenants, including middle-income households.

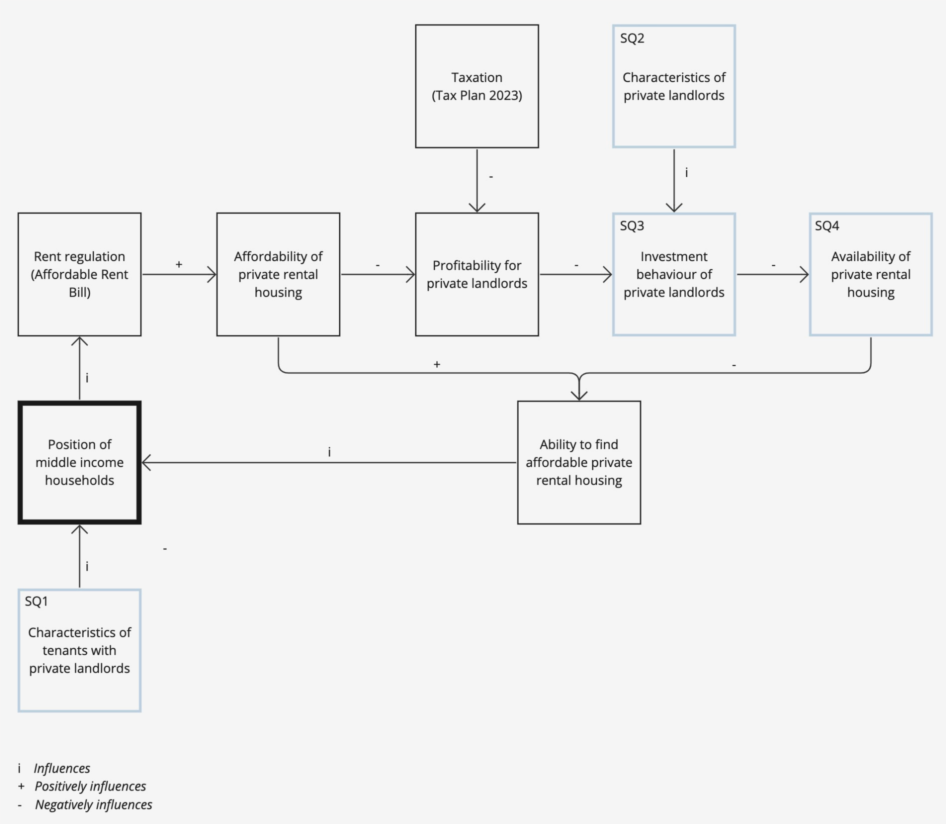
2.8 Conceptual model

The introduction of this work summarised the problem that is the focus of this research as follows:

> *Amidst the housing crisis, those with middle incomes face disproportionate challenges in the housing market. The Affordable Rent Bill is introduced with the objective of enhancing the affordability of rental housing for this demographic. However, it simultaneously diminishes profitability for private landlords and others. This impact is compounded by the consequences of Tax Plan 2023, resulting in a higher percentage of revenue being directed towards taxes. Consequently, the decline in profitability influences the behaviour of investors, who may opt to divest from investments in the mid-market segment. This, in turn, diminishes the availability of housing in that segment. Consequently, rather than improving the position for tenants as intended, the Affordable Rent Bill has the potential to weaken it, given the persistent high demand and diminishing supply in the mid-market segment.*

This problem can be represented in a conceptual model, as depicted in Figure 2.2. The goal of the upcoming chapters is to address this conceptual model and its research gap

Figure 2.2 *Conceptual model*



Chapter 3
Methodology

3.1 Introduction
This chapter presents a systematic approach undertaken to investigate the effects of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords and the position of private tenants. The chosen methodology aims to provide comprehensive insights into the dynamic interplay of regulatory changes, investment behaviour, and the resultant impact on housing affordability and availability.

3.2 Logic of inquiry
In essence, this study aims to predict the effects of increased rent regulation and taxation on the investment behaviour and position of private tenants. Blaikie & Priest (2019) state predictions in research refer to statements about what is expected to occur under specific conditions. However, it is crucial to distinguish predictions from prophecies, as predictions are more restricted, considering what would happen under certain circumstances if specific rules or procedures were to function. The anticipated outcome depends on the operation of particular laws or mechanics under specific circumstances, and prediction involves time. Therefore, the accuracy of predictions is determined by the amount of knowledge available at a given time.

Accordingly, this research employs inductive logic as an approach to making predictions. The purpose of using inductive reasoning is to draw limited generalisations about the distributions of observed or quantified characteristics and phenomena (Blaikie & Priest, 2019). Inductive reasoning is a bottom-up approach to knowledge acquisition, where the researcher uses observations to create an abstraction or description of the phenomenon being studied (Lodico et al., 2010). This type of reasoning typically leads to inductive data collection methods, where the researcher systematically observes the phenomenon, identifies patterns or themes in those observations, and forms generalisations based on the analysis of those themes. Thus, the researcher moves from specific observations to more general statements.

Additionally, this substantiates the use of a "what" question, as studies with the aim to predict, according to Blaikie & Priest (2019), necessitate such questions. These questions are either prescriptive in character or involve comparisons between present-day circumstances, between a present-day circumstance and a previous circumstance, or between a present-day circumstance and a desired or potential future.

3.3 Research method
This research employs a mixed-methods sequential explanatory design, integrating both quantitative and qualitative data collection and analysis in a single study to provide a comprehensive understanding of the research problem, capitalising on the strengths of each method (Ivankova, Creswell & Stick, 2006).

The mixed-methods sequential explanatory design includes two phases: quantitative and qualitative. In the first phase, numeric data is collected and analysed, followed by the collection and analysis of text-based qualitative data in the second phase. The qualitative phase complements and elaborates on the quantitative results, with both phases connected during an intermediate stage. This approach recognises that quantitative data provide a general understanding of the research problem, while subsequent qualitative data offer a deeper exploration of participants' perspectives (Ivankova, Creswell & Stick, 2006).

This design offers simplicity and the capacity to delve deeper into quantitative findings, but demands substantial time and resources for both data collection and analysis (Ivankova, Creswell & Stick, 2006). However, the data collection approach described in the following section partially addresses this drawback.

3.4 Housing survey
To address the four sub-questions, three data sources are utilised. The first source is the Woononderzoek Nederland 2021 (WoON), a substantial national qualitative study conducted every three years by CBS and BZK. The database provides insights into household living conditions, satisfaction, relocation preferences, and housing costs (BZK, 2022b). The most recent WoON survey covers the period from 2018 to 2021.

For the WoON, around 60.000 individuals were surveyed, a sample size which allows for reliable insights at national, provincial, and regional levels (BZK, 2022b). Additionally, the database includes multiple weighting factors facilitating oversampling. For the purpose of this study, extrapolation to the total number of households in the Netherlands is used. Consequently, data from over eight million households is accessible, with a sample of all 549.932 renting from private landlords. This substantial sample provides a realistic and fitting reflection of the target audience while requiring relatively little effort.

To address the first sub-question, "What are the characteristics of tenants with private landlords in the Netherlands?" quantitative data from over half a million households with private landlords undergoes analysis using SPSS Statistics software, known for its expertise in handling complex statistical analysis with large samples. As the goal is to gain a general understanding of tenants with private landlords descriptive statistics, particularly sample distributions, are primarily used in this part of the research, intentionally avoiding advanced regression techniques.

3.5 Member survey

The second data source is a pre-existing quantitative dataset from Vastgoed Belang, the largest association of private landlords in the Netherlands. This dataset originates from a survey conducted in April 2023, encompassing the responses of 1.342 private landlords affiliated with Vastgoed Belang. About 10% of respondents are excluded from the analysis due to factors like incomplete questionnaires and responses from individuals outside the intended audience, such as property managers and realtors.

The member survey honed in on reactions to the Affordable Rent Bill and Tax Plan 2023, with three primary objectives: (1) Investigating the actions taken in response to policy measures, (2) quantitatively mapping practical experience, and (3) illustrating the consequences of the policy measures on the housing market. To achieve this, Vastgoed Belang (2023) opted to use software Survey Monkey for three key reasons: (1) Ensuring response reliability by limiting members to one participation, (2) crafting questions objectively with flexibility, including answer randomisation, and (3) facilitating seamless integration with other software already in use by the association.

The survey encompassed two sections. Firstly, it delved into various personal characteristics of private landlords, such as (1) the composition of their portfolio, including (2) its size and (3) social housing ratio, (4) their employment status, (5) their experience as private landlord, (6) their motives for renting, (7) their financing, and (8) their operational area. Additionally, respondents were questioned about their behaviour in response to the Affordable Rent Bill and Tax Plan 2023, covering aspects like (1) their intention to sell properties, (2) the timeframe for selling, (3) the number of properties to be sold, (4) whether they have already sold properties, and (5) the rationale behind these decisions.

Originally, the plan was to independently create and distribute a survey among the members of Vastgoed Belang. However, Vastgoed Belang had already conducted a comparable study. Consequently, Vastgoed Belang generously shared their research and data, subject to specific conditions. Collaborating with Vastgoed Belang was crucial, as it provided a larger sample size than could be obtained independently. This is particularly significant since reaching private landlords, especially small-scale investors, is challenging due to the absence of a centralised registry in the Netherlands, complicating survey distribution.

The analysis of quantitative data from the member survey is conducted using SPSS Statistics software, mirroring the approach taken with the WoON 2021 data. This analysis aims to answer the second sub-question, "What are the characteristics of private landlords in the Dutch housing market?" and partially address the third sub-question, "What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords?" Descriptive statistics, such as sample distributions, cross-tabulations, and analysis of variance (ANOVA), are employed for this purpose. Again, owing to data limitations, advanced regression techniques are deliberately avoided in this study.

Utilising a 95% confidence interval enhances the significance and reliability of statistical tests by providing a range within which the true value can reasonably be expected to lie. In the analysis of statistical data, considering the expected counts in contingency tables is crucial. Caution is warranted if more than 20% of the expected counts fall below 5, as this may impact the reliability of the results. Similarly, maintaining individual counts above 1 is essential for accurate statistical assessments.

Moreover, a qualitative analysis is applied to one of the questions from the member survey to gain deeper insights into the motivations of private landlords who choose not to sell their properties. Atlas.ti software is utilised for this purpose, offering a valuable toolkit for identifying, coding, and annotating elements within unstructured datasets. Grounded Theory serves as the qualitative research methodology guiding this process.

Grounded Theory is a qualitative research approach that aims to develop theories or conceptual frameworks grounded in collected data, rather than being guided by pre-existing theoretical frameworks or hypotheses (Birks & Mills, 2022). This methodology comprises four essential elements. It starts with (1) open coding, where data is analysed line by line, assigning codes to specific segments to break down the data into smaller units. Following this, (2) axial coding organises the data by identifying relationships between codes and categories, exploring how codes relate and form connections. Subsequently, (3) selective coding involves selecting a core category and integrating other categories around it to form a cohesive theory, often centred on a key concept explaining the main process or phenomenon. Finally, (4) constant comparison is employed throughout the process, continuously comparing new data to existing codes and categories, refining and expanding the emerging theory (Birks & Mills, 2022).

Grounded Theory is a widely adopted qualitative methodology in the social sciences, providing a means for researchers to develop rich, contextually relevant theories that offer insights into complex social phenomena. The overarching goal is to generate theories grounded in the data, with practical implications for understanding and addressing real-world issues. (Birks & Mills, 2022).

3.6 Online consultation

Finally, data is gathered from the implementation process of the Affordable Rent Bill. A public consultation took place from February 2023, to March 2023, yielding a total of 1.343 responses. Despite the online consultation not specifically delving into the Tax Plan 2023, the responses underscore the challenge of separating the impacts of the two policy measures, given the frequent mention of the tax act. The consultation aimed to gather input on two main aspects: (1) background information, encompassing details such as place of residence and occupation, and (2) perspectives on the Affordable Rent Bill.

For the analysis, responses from this online consultation were organised chronologically from the most recent to earliest, employing a systematic sampling method that selects every fifth response. This approach yielded a sample of 276 responses, with 188 originating from private landlords. While the majority of respondents express opinions and predictions concerning the Affordable Rent Bill and Tax Plan 2023 in general, a distinct subset of ninety private landlords provides detailed accounts of how these policies directly impacted their situations and investment behaviour. For further analysis, only these respondents are chosen, as they offer concrete insights into the effects on their individual circumstances. Among them, 84 state their intention to sell, while the remaining six plan to continue renting while implementing other measures.

The use of this data is to further study the qualitative aspects pertaining to the third sub-question, "What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords?". The member survey from Vastgoed Belang, constituting the second dataset, exclusively allows for a qualitative examination of the motivations of private landlords opting to continue in renting without selling properties. In contrast, this third dataset facilitates a qualitative exploration of the motivations behind private landlords who choose to (partially) sell. As a result, it provides a less resource-intensive approach to gaining deeper insights into the motivations influencing specific investment behaviours among private landlords.

The data from the sample is coded and analysed using the same Atlas.ti software and following the principles of Grounded Theory.

3.7 Data management plan

This thesis adheres to the FAIR Data Principles, established to enhance the infrastructure for the reuse of scientific data (Wilkinson et al., 2016). FAIR data is characterised by compliance with the principles of Findability, Accessibility, Interoperability, and Reusability. Consequently, the definitive version of this thesis is accessible on the Delft University of Technology's repository, aligning with the principles of Findability and Accessibility. The repository can be accessed via the URL https://repository.tudelft.nl/. To enhance interoperability, the English language is employed, and the definitions of terminologies used throughout the thesis are comprehensively discussed in section 2.2. The methodology is presented in detail to facilitate the reuse of the study. Additionally, all references are cited in APA format in the cited literature, which is included in part "IV References.”

Chapter 4

Characteristics of tenants with private landlords

4.1 Introduction

The purpose of this brief and focused chapter is to describe the characteristics of tenants leasing from private landlords within the Dutch housing market. Utilising quantitative data sourced from the housing survey WoON 2021, this chapter enables a targeted examination of the demographic served by private landlords. The analysis aims to assess the alignment of these characteristics with the objectives outlined by De Jonge (2022b) and offers a comprehensive insight into the current status of these tenants.

4.2 Results

Out of all respondents in WoON 2021, a substantial 594.932 households are renting from private landlords (BZK, 2022b). In alignment with the research objectives, these nearly 600.000 respondents will be the focal point of analysis and will be subsequently referred to as the respondents. The analysis will center around seven key aspects related to tenants and their standing in the housing market, encompassing (1) municipality size, (2) age, (3) household composition, (4) income, (5) net housing costs, (6) rental motive, (7) satisfaction, and finally, (8) moving aspirations.

Among all respondents, 27,7% are located in the G4 municipalities (Amsterdam, Rotterdam, The Hague, and Utrecht), as illustrated in Figure 4.1 (BZK, 2022b). Additionally, 36,8% reside in other municipalities boasting populations exceeding 100.000 inhabitants. The remaining 35,5% of respondents are distributed across municipalities with lower numbers of inhabitants.

The majority of tenants with private landlords is younger, with 17,2% aged 17 to 24 (See Figure 4.2) (BZK, 2022b). A substantial 36,3%, representing the largest share, falls within the 25 to 34 age group. Furthermore, 14,2% fall within the 35 to 44 age bracket, while 9,5% are aged 45 to 54. Additionally, 8,6% are aged 55 to 64, and both the age groups of 65 to 74 and 75 and older each contribute about 7%. Consequently, less than a third of respondents are older than 44 years.

In addition, almost two-thirds of respondents, or 62,0%, reside in single-person households, while 20,0% live with a partner, as shown in Figure 4.3 (BZK, 2022b). Another 6,6% share a household with non-family members (e.g., friends renting together). Additionally, 8,1% live in households with a couple and children, and 3,3% in households led by a single parent with children. Overall, only 11,4% of households include children

Figure 4.1 *Tenants of private landlords by municipality size (BZK, 2022b)*

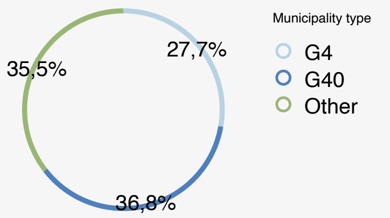


Figure 4.2 *Tenants of private landlords by age (BZK, 2022b)*

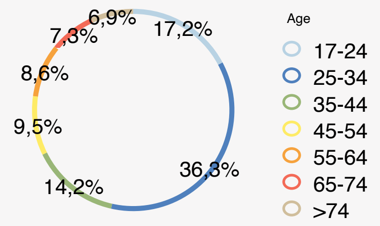
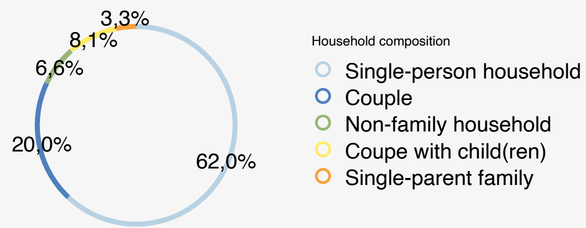
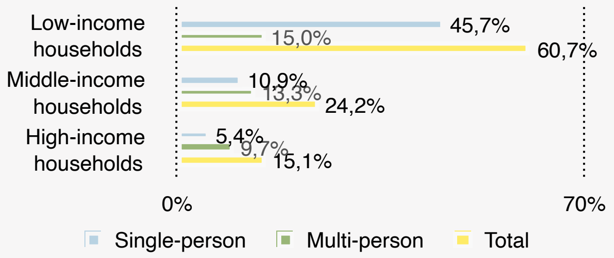


Figure 4.3 *Tenants of private landlords by household composition (BZK, 2022b)*



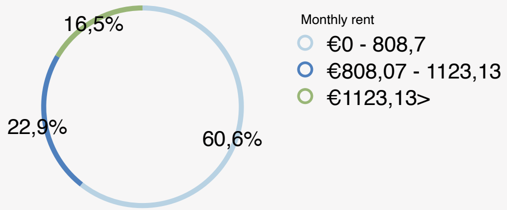
As illustrated in Figure 4.4, only 24,2% of respondents fall within the middle-income bracket (BZK, 2022b). Within this category, 10,9% represent single-person households with a gross income ranging from €40.765 to €56.527. Additionally, 13,3% of respondents belong to multi-person households with a gross income between €45.014 and €75.369. Additionally, over half of the respondents (61%) have low incomes. Specifically, 45,7% belong to single-person households with a gross income below €40.766, while 15% belong to multi-person households with a gross income below €45.015. High incomes account for 15% of respondents, comprising 5% single-person households with incomes exceeding €56.526 and 10% multi-person households with incomes surpassing €75.368.

Figure 4.4 *Tenants with private landlords by income (BZK, 2022b)*



Of the respondents, 60,6% rent in the unliberalised segment with rents up to approximately €800 and a maximum of 142 points. These homes are already regulated, and, according to the affordable rent law, their rents will not fall. Additionally, 22,9% rent in the mid-segment with rents ranging from approximately €800 to €1.100, and 16,5% in the high segment. The rents of these homes can both fall, including those in the current mid-segment transitioning to the lower segment.

Figure 4.6 *Tenants of private landlords by monthly rent (BZK, 2022b)*



As indicated in Table 4.1, the majority of low-income groups (77,6%), predominantly rent in the low segment, as outlined in Table 4.1. While this pattern is also observed to some extent among middle-income individuals (45,6%), a noteworthy proportion from this group opts for rentals in the mid-segment (32,3%) or the high segment (22,1%).

Even though most respondents lease properties in the regulated segment, the average housing cost burden within the sample stands at 41,9%, consistent with CBS's (2022) findings. While this aligns with the overall average for tenants with private landlords, encompassing those renting from institutional investors, it surpasses the average by nearly 10% for tenants in social housing from a housing corporation and by almost 20% for owner-occupiers (CBS, 2022).

Table 4.2 reveals that only a minority of tenants with private landlords reside in affordable housing, as reflected by a housing cost ratio below 30%. Notably, a significant 81,4% of those with low incomes frequently face a housing cost burden exceeding 30%, indicating that their rents are essentially unaffordable. This observation is noteworthy as the Affordable Rent Bill primarily focuses on middle-income groups, yet within this demographic, 36,8%, or nearly double the number of respondents, are paying an affordable rent.

Table 4.1 *Tenants with private landlords by income and monthly rent (BZK, 2022b)*

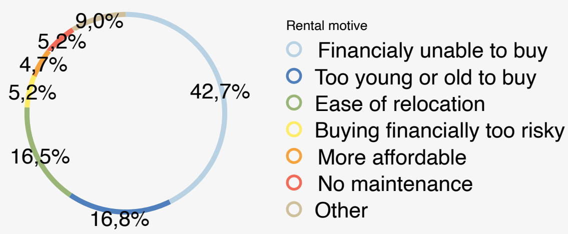
Employment	€0 - 808,07	€808,08 - 1123,13	€1123,13>
Low-income	77,6%	15,1%	7,3%
Middle-income	45,6%	32,3%	22,1%
High-income	30,1%	33,2%	36,7%

Table 4.2 *Tenants with private landlords by income and housing cost ratio (BZK, 2022b)*

Employment	Unaffordable rent (>30% housing cost ratio)	Affordable rent (<30% housing cost ratio)
Low-income	81,4%	18,6%
Middle-income	63,2%	36,8%
High-income	30,9%	69,1%

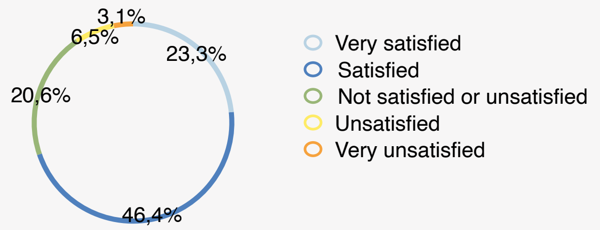
The majority of respondents, 42,7%, cite financial constraints as the primary reason for renting, stating that buying a home is not financially feasible (See Figure 4.5) (BZK, 2022b). Additionally, 16,8% mention being too old or too young to become an owner-occupier, and 16.5% rent for the ease of relocation. Furthermore, 5.2% rent due to the financial risk of homeownership, another 4,7% to save on costs, and an additional 5.2% rent to avoid maintenance concerns. Finally, 9,0% of respondents cite other unspecified reasons for renting.

Figure 4.5 *Tenants of private landlords by rental motive (BZK, 2022b)*



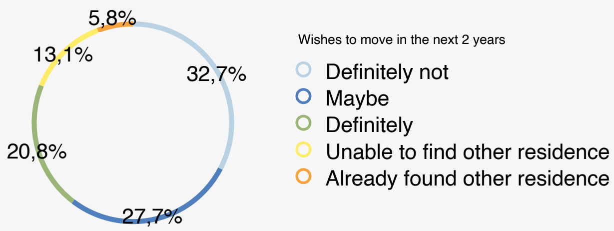
As shown in Figure 4.6, the majority of respondents express satisfaction with their homes (BZK, 2022b). More precisely, 23,3% are very satisfied, 46,4% are satisfied, and an additional 20,6% express neutral feelings—not satisfied but not dissatisfied. Dissatisfaction is represented by 6,5%, with 3,1% being very dissatisfied.

Figure 4.6 *Tenants of private landlords by satisfaction with residence (BZK, 2022b)*



Almost a third of respondents, precisely 32,7%, unequivocally do not intend to move in the next two years, as indicated in Figure 4.7 (BZK, 2022b). A comparable portion, 27,7%, is open to the possibility. Additionally, 20,8% express a definite intention to move in the next two years, while 13,1% express the desire to move but have not found a suitable option. Finally, 5,8% have already secured another residence.

Figure 4.7 *Tenants of private landlords by desire to move within the next two years (BZK, 2022b)*



4.3 Conclusion

The objective of this chapter was to answer the sub-question 'What are the characteristics of tenants with private landlords in the Netherlands?' therewith further examining the current position of tenants with private landlords in the Dutch housing market and assessing the alignment of these traits with the objectives outlined by De Jonge (2022b). The results which are based on data from WoON 2021 suggest the following conclusion.

The data of the WoON 2021 align consistently with the insights from the perspectives from Boelhouwer (2023) and Whitehead et al. (2016). The findings validate Whitehead et al.'s (2016) statement that households in the private rental sector are typically characterised by smaller size, younger age, employment status, but with lower incomes. Furthermore, the research aligns with Boelhouwer's (2023) observation that these households, often composed of starters and middle-income groups, rely on the private rental sector because of constrained financial capacity and exclusion from the social housing market. Given the educational levels and age of the respondents, the results also align with the notion of Whitehead et al. (2016) that an increased demand for private rental housing are fuelled by the search for higher education and increased flexibility of younger populations.

The data from WoON 2021 further shows that among tenants with private landlords, the majority constitutes lower income households with unaffordable housing costs, while the Affordable Rent Bill primarily targets middle incomes. However, the lower income group mainly resides in the already regulated segment, and, as described by Boelhouwer (2023), housing associations are expected to focus on low-income households whereas market players are expected to cater to housing for middle and higher incomes. Besides, a majority of the of middle-income group with private landlords also face unaffordable housing costs, confirming the statement of Boelhouwer (2023) that middle income groups face a challenging position.

The finding that the vast majority of lower income households reside in the unliberalised segment, while middle income groups tend to favour the liberalised segment, underscores that the Affordable Rent Bill primarily benefits its target group—middle incomes. That is because the already regulated segment will not experience any major alternations as a result of the Affordable Rent Bill, while the liberalised segment is subject to further regulation. Nonetheless, almost half of middle incomes reside in the unliberalised segment, unaffected by the legislation. Therefore, while the legislation does primarily assist middle incomes, it only applies to a portion of this group, confirming the findings of Pareja-Eastaway and Sánchez-Martínez (2023) that rent controls often only benefit a portion of tenants and further questioning the effectiveness of the bill.

Notably, despite prevalent costs, most tenants express satisfaction with their homes. However, at the same time most tenants intend to move in the next two years. This inclination could be attributed to the desire for flexibility as stated by Whitehead et al. (2016) or by Boelhouwer's (2023) statement that most middle-income individuals prefer to move to homes below the liberalisation threshold. Moreover, the mutation rate of tenants is pertinent for the following objectives of this research, as it determines when the Affordable Rent Bill takes effect, considering the bill will only apply to new contracts.

Chapter 5
Characteristics of private landlords

5.1 Introduction

This chapter aims to further explore the varying characteristics of private landlords in the Dutch housing market and examine the interconnections among their attributes, therefore studying how the attributes of private landlords have changed over the past years and establishing an outset for following subquestions. For this purpose, data which has been previously collected by means of a survey among private landlords, is analysed and presented. First, descriptive results are presented. Thereafter, the results undergo statistical tests for the purpose of establishing possible relationships between varying characteristics and enabling the exploration of relationships between investment behaviour and attributes in the following sub-question.

5.2 Descriptive attributes

Vastgoed Belang's (2023) survey collected responses from 1.342 members. The vast majority of respondents (98%) are private landlords, whilst a small fraction (2%) does not own any residential real estate. This second group includes property managers, real estate agents, real estate financiers, advisors and commercial landlords who were unable to complete the survey. In total, 1.203 private landlords successfully completed the questionnaire. The subsequent analyses are based on the data provided by these 1.203 respondents.

The survey inquired about seven characteristics. These include (1) *portfolio composition*, referring to the various types of real estate that make up real estate portfolios, including (2) *housing portfolio size*, referring to the number of dwellings in the portfolio, and (3) *unliberalised housing ratio*, adverting to the the percentage of regulated housing in relation to the total number of dwellings, (4) *employment*, referring to the private landlord's personal situation in relation to their occupational status, (5) *experience*, which refers to the duration of their involvement as private landlord, (6) *rental motive*, indicating the underlying motivations respondents have for renting out properties, (7) *portfolio financing*, adverting to the the structures with which their portfolio is financed, and finally (8) *rental area*, referring to the geographic area in which they operate within the housing market, based on municipality size.

5.2.1 Portfolio composition

Out of all respondents, 79,4% rent properties in the liberalised segment (see Figure 5.1). Half (49,5%) of the respondents have holdings in the regulated (non-liberalised) segment, and 28,7% include non-autonomous properties. Additionally, respondents invest in commercial real estate, such as retail spaces (31,8%), offices (14,5%), garages (12,8%), or other commercial real estate (22,4%). A small fraction (1,3%) also lease various types of real estate, primarily comprising vacation homes. Based on these figures, the sample can be divided into two categories, distinguishing between private landlords who only rent out residential properties and private landlords who additionally rent out commercial real estate. Accordingly, half of respondents exclusively rent out dwellings, while the other 50% also lease other types of real estate (see Figure 5.2).

As depicted in Figure 5.3, just 5,1% of respondents rent out a single property, while 65,7% rent more than five properties. In addition, 10,1% of respondents manage over fifty properties, but over half of this group lease less than hundred.

Figure 5.1 *Private landlords by the types of properties they rent out (Vastgoed Belang, 2023).*

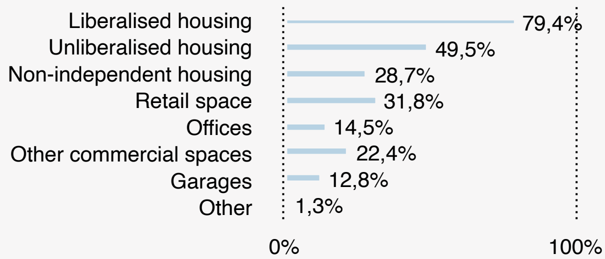


Figure 5.2 *Private landlords by the portfolio composition in two categories (Vastgoed Belang, 2023).*

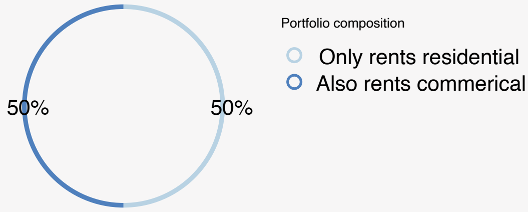
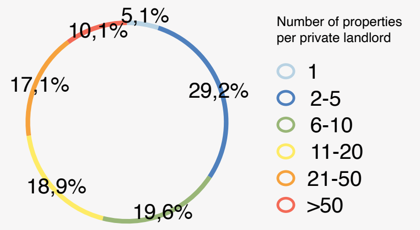


Figure 5.3 *Private landlords by the number of properties they rent out (Vastgoed Belang, 2023).*



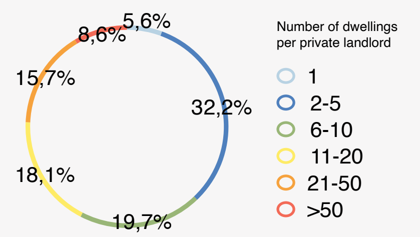
5.2.2 Housing portfolio size

Out of all respondents, 37,8% manage up to five residential properties, with only 5,6% renting a single dwelling and 8,6% leasing over fifty dwellings (See Figure 5.4). Consequently, the distribution of respondents based on the total number of properties and the number of dwellings is remarkably similar. This diversity among private landlords is highlighted in the following two quotes (based on subsequent qualitative analysis, translated from Dutch by the author):

> *My portfolio of approximately hundred dwellings has been created through transformation projects (office to residential) and the acquisition of outdated real estate (in a rented state) from a pension fund. Currently, I rent out about half of the properties as social housing (which has become unprofitable since the new box 3 tax regulation), and I am generating my returns through mid-range rent and the free segment.*

> *I am self-employed, and I have never built up a pension through a company or organisation. Instead, over the past twenty years, I have gradually invested in the real estate market by setting aside money. I now own four [liberalised] apartments that I rent out.*

Figure 5.4 *Private landlords by housing portfolio size (Vastgoed Belang, 2023).*

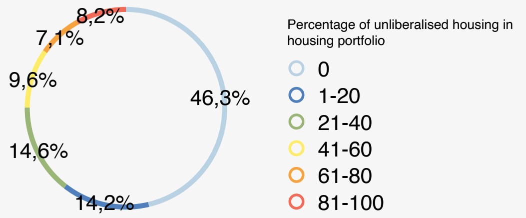


In total, the respondents collectively manage 30.684 dwellings. According to Geuting et al. (2021), all private landlords in the Netherlands rent out 700.000 homes. This means that this sample rents out approximately 4,4% of the total amount of dwellings operated by private landlords.

5.2.3 Unliberalised housing ratio

Based on these figures, the unliberalised housing ratio per individual respondent is established, adverting to the share of regulated housing in each housing portfolio. Nearly half of the respondents (46,3%) do not manage unliberalised housing at all (see Figure 5.6). For 14,2%, up to 20% of their housing portfolio consists of unliberalised housing units. This figure rises to 21-40% for 14,6% of respondents. Another 9,6% rent out 41-60% of their properties as unliberalised housing, while for an additional 15,3%, over 60% of their portfolio is comprised of unliberalised housing units. Of 5,0% of respondents the entire housing portfolio consisting of regulated housing.

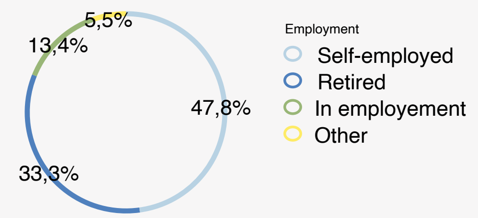
Figure 5.6 *Private landlords by unliberalised housing ratio (Vastgoed Belang, 2023)*



5.2.4 Employment

Most respondents (47,8%) are self-employed, similar to the private landlords quoted earlier (See Figure 5.7). Exactly one-third (33,3%) of respondents are retired, while a relatively small percentage (13,4%) is in employment. Additionally, 5,5% of respondents do not fall into the categories of being self-employed, retired, or employed. Respondents in this group are, for instance, disabled or indicate that they are both self-employed and employed.

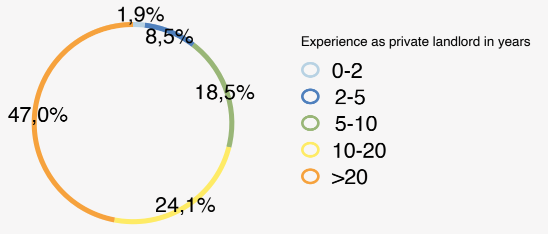
Figure 5.7 *Private landlords by employment (Vastgoed Belang, 2023)*



5.2.5 Experience

Nearly half of the sample (47,0%) has been engaged as private landlord for more than two decades, like one of the earlier quoted respondents and as depicted in Figure 5.8). In addition, 24,1% possess ten to twenty years of experience, while 18,5% have acquired five to ten years of experience in their role as private landlord. A 8,5% share has been active for two to five years, with a mere 1,9% commencing their journey as private landlords within the past two years.

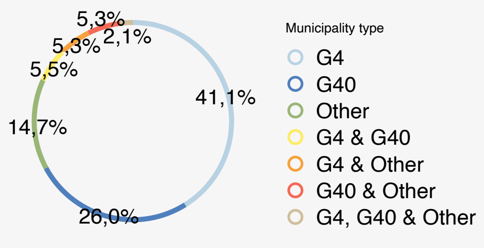
Figure 5.8 *Private landlords by experience (Vastgoed Belang, 2023)*



5.2.6 Rental area

The majority of respondents (41.1%) are active in the G4 municipalities (Amsterdam, Rotterdam, The Hague, and Utrecht), as depicted in Figure 5.10. Additionally, 26,0% of respondents is active in the G40 municipalities (all other municipalities with more than 100,000 residents), and just 14,7% are active in the remaining municipalities. Consequently, 81,8% of respondents are active in a single type of municipality, 16% in two different types of municipalities, and a mere 2,1% in all three categories.

Figure 5.10 *Private landlords by rental area (Vastgoed Belang, 2023)*

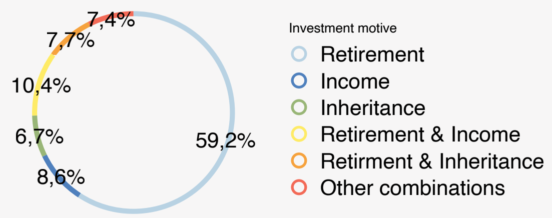


5.2.7 Rental motive

For the vast majority of respondents (59,2%), the motivation to invest in real estate is solely for retirement, while 10,4% mention both retirement and income as investment motive (See Figure 5.11). Furthermore, 8,6% cite income as as motive and 6,7% rent due to inheritance. Additionally, 7,7% have both retirement as inheritance as motive, whilst 7,4% invest for other reasons, while just under 4,% has a different motivation. This includes a wide range of motives, including personal interest, preserving assets for the next generation (children), or societal considerations.

Consequently, at least 77,3% of respondents rent out properties for retirement, similar to the first quoted landlord, while for 19,0%, real estate serves as a revenue model, akin to the second quoted private landlord. In addition, 14,4% of the sample has inherited (part of their) portfolio.

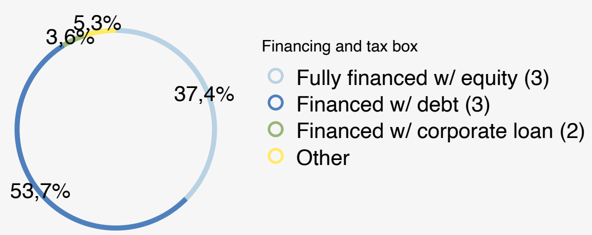
Figure 5.11 *Private landlords by rental motive as single response (Vastgoed Belang, 2023)*



5.2.8 Portfolio financing

Finally, most respondents (53,7%) finance their portfolios with borrowed capital and are taxed under Box 3 (See Figure 5.12). Additionally, 37,4% solely use equity financing but are also taxed in Box 3. A small share of 3,6% finances through corporate loans, taxed in Box 2. The remaining 5,3% use alternative financing methods. Some respondents mentioned utilising diverse financing methods, leading to portions of their portfolios being taxed in both Box 2 and Box 3. Therefore, over 90% of the sample is subject to Box 3 taxation.

Figure 5.12 *Private landlords by portfolio financing (Vastgoed Belang, 2023)*



5.3 Inference

Considering the above-presented results, it is evident that private landlords, despite sharing numerous characteristics, constitute a diverse group. However, cross-referencing various characteristic types through chi-square tests, suggests that several common types of private landlords exist. For this purpose, seven different properties are used, based on their significant for the research and their expected counts.

5.3.1 Employment

As seen Table 5.1, significant associations exist between employment and various other variables, including (1) portfolio composition (X^2 (3, N = 1203) = 29.01, $p < .001$), (2) housing portfolio size (X^2 (15, N = 1176) = 66.05, $p < .001$), (3) experience (X^2 (12, N = 1203) = 171.83, $p < .001$), (4) rental area (X^2 (18, N = 1202) = 30.30, p = .035), (5) portfolio financing (X^2 (9, N = 1203) = 140.15, $p < .001$), and (6) rental motive (X^2 (9, N = 1203) = 79.12, $p < .001$). A statistically significant relationship between employment and unliberalised housing ratio does not exist (X^2 (15, N = 1176) = 21.24, p = .129).

Self-employed respondents (47,8% of respondents) are more likely to operate over twenty dwellings (See Figure 5.13) and are more prone to possess less than twenty years of landlord experience (See Figure 4.14). They often finance their portfolio through borrowed capital, utilising Box 2 or Box 3 tax schemes, or alternative financial arrangements, making them less likely to self-finance entirely (See Table 5.2). Additionally, self-employed respondents are more likely to rent for income as opposed to other employment groups, but still favour retirement as rental motive (See Table 5.3). Furthermore, they are somewhat less likely to operate due to inheritance.

Table 5.1 *Results of Chi-square tests between employment and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Portfolio composition	22.01	p < .001
Housing portfolio size	66.05	p < .001
Unliberalised housing ratio	21.24	p = .129
Experience	171.83	p < .001
Rental area	30.30	p = .035
Rental motive	79.12	p < .001
Portfolio financing	140.15	p < .001

Figure 5.13 *Private landlords by employment and residential portfolio size, X^2 (15, N = 1176) = 66.05, p < .001 (Vastgoed Belang, 2023)*

Figure 5.14 *Private landlords by employment and experience, X^2 (12, N = 1203) = 171.83, p < .001 (Vastgoed Belang, 2023)*

Table 5.2 *Private landlords by employment and portfolio financing, X^2 (9, N = 1203) = 140.15, p < .001 (Vastgoed Belang, 2023)*

Employment	Equity/Box 3	Debt/Box 3	Corporate loan/Box 2	Other
Employed	29,2%	67,1%	1,9%	1,9%
Self-employed	25%	61,2%	5,6%	8,2%
Retired	58,9%	37,2%	1,7%	2,2%
Other	34,8%	56,1%	1,5%	7,6%
Total	37,4%	53,7%	3,6%	5,3%

Table 5.3 *Private landlords by employment and rental motive, X^2 (9, N = 1203) = 79.12, p < .001 (Vastgoed Belang, 2023)*

Employment	Retirement	Inheritence	Income	Other
Employed	65,8%	9,9%	3,1%	21,1%
Self-employed	56,3%	3,7%	13,6%	26,4%
Retired	64,3%	10%	2,5%	23,2%
Other	36,4%	6,1%	15,2%	42,2%
Total	59,2%	6,7%	8,6%	25,5%

Retirees (33,3% of the sample) differ from self-employed individuals by being more likely to diversify their portfolios with commercial real estate, including shops, garages, or other commercial properties, alongside dwellings (See Table 5.4). This group is also more prone to rent up to ten properties (See Figure 5.13) and is most likely to have over twenty years of experience as private landlords (See Figure 5.14). Additionally, retirees more frequently concentrate their operations within a single municipality, typically within the G4 cities or smaller communities (See Figure 5.16). Compared to private landlords with other employments as well as other municipality types, they are most likely to rent in the G4. Notably, retirees are the sole category more inclined to fully self-finance their portfolios, thus minimising their use of alternative financial strategies (See Table 5.2). Additionally, they are most inclined to invest for retirement, and are more inclined, compared to other groups, to rent due to inheritance, as depicted in Table 5.3.

Table 5.4 *Private landlords by employment and portfolio composition, X^2 (3, N = 1203) = 29.01, p < .001 (Vastgoed Belang, 2023)*

Employment	Only residential	Also commercial
Employed	68,9%	31,1%
Self-employed	48,7%	51,3%
Retired	44,1%	55,9%
Other	50%	50%
Total	50%	50%

Table 5.5 *Private landlords by employment and rental area, X^2 (18, N = 1202) = 30.30, p = .035 (Vastgoed Belang, 2023)*

Employment	G4	G40	Other	G4/ G40	G4/ Other	G40/ Other	All
Employed	35,6%	30%	13%	10%	7,5%	1,9%	1,9%
Self-employ..	39,8%	25,6%	14,1%	5,6%	5,7%	6,6%	2,6%
Retired	45,6%	24,9%	16,5%	3,7%	4%	4,5%	0,7%
Other	37,9%	27,3%	13,6%	4,5%	4,5%	7,6%	4,5%
Total	41,1%	26%	14,7%	5,5%	5,3%	5,3%	2%

Employed private landlords (13,4% of respondents) are most inclined to invest in real estate for retirement, surpassing even retirees in this regard (See Table 5.3). They also tend to rent out up to five properties, as depicted in Figure 5.13. Compared to other employment groups, employed landlords have the fewest instances of commercial property alongside their residential holdings (See Table 5.4). They also exhibit shorter tenures as private landlords, surpassing even self-employed individuals in this aspect, as shown in Figure 5.14. Accordingly, they are the only employment group who is not inclined to have over twenty years of experience. Furthermore, employees are more likely to operate in G40 municipalities or across multiple (smaller) municipalities compared to others (See Table 5.5). However, like all other employment groups, most rent out in the G4. Finally, this group is the most prone to financing their portfolio with debt, making them less likely to utilise corporate financing or other methods commonly involving corporate financing, as depicted in Table 5.2.

Additionally, a small group of respondents (5,5%) neither falls into the categories of self-employment, retirement, nor employment. This group is the only group who is not most inclined to rent for retirement. Instead they are more inclined to rent properties as a source of income, and they stand out as the only group with a higher likelihood of investing for various, often simultaneous reasons, such as both retirement and income (See Table 5.3). Additionally, they are more likely to rent out between eleven to twenty properties or two to five, as seen in Figure 5.13. Therefore, unlike other employment status groups, who often have a specific portfolio size, this group is more diverse. This remaining group is also more likely to have over twenty years of experience (See Figure 4.14). However, they do not display significant tendencies regarding renting other types of real estate, the location of their operations, or their portfolio financing, as depicted in Tables 5,2, 5,4, and 5,5. This group's diversity likely stems from the varied backgrounds and goals of its members. The distinct needs of someone with a disability, for instance, may differ from those in this group, encompassing both employed and self-employed individuals.

5.3.2 Experience

When categorising private landlords by their experience in property management, several significant relationships emerge. The relationship between experience and (1) employment status (X^2 (12, N = 1203) = 171.83, p < .001) is established in the previous section (See Figure 5.14). As seen in Table, 5.6 significant relations exist between experience and all other variables, including (2) housing portfolio size (X^2 (15, N = 1176) = 87.23, p < .001), (3) portfolio composition (X2 (3, N = 1203) = 112.34, p < .001), including (4) the share of unliberalised housing (X^2 (15, N = 1176) = 61.26, p < .001), (5) rental area (X^2 (18, N = 1202) = 40.70, p = .002), (6) portfolio financing (X^2 (9, N = 1203) = 62.14, p < .001), and (7) rental motive (X^2 (9, N = 1203) = 45.90, p < .001). The associations with employment and portfolio composition are strongest.

Table 5.6 *Results of Chi-square tests between experience and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	171.83	p < .001
Housing portfolio size	87.23	p < .001
Portfolio composition	112.34	p < .001
Unliberalised housing ratio	61.26	p < .001
Rental area	40.70	p = .002
Portfolio financing	62.41	p < .001
Rental motive	45.99	p < .001

Private landlords with one to five years of experience (10,4% of the sample) are most likely to be employed (See Figure 5.14) Additionally, they are most prone to rent out two to five residential properties (See Figure 5.15), are most likely to focus on residential real estate (See Table 5.7), and rarely include unliberalised housing in their portfolios (See Figure 5.16). Moreover, these inexperienced landlords are most inclined to invest for retirement, also when compared to other experience groups (See Table 5.8). In addition, they most often operate within G40 municipalities, as depicted in Table 5.9. Lastly, this group is more likely to use corporate financing, while being taxed in Box 2 and is most prone to use debt while being taxed in Box 3 (See Table 5.10).

Figure 5.15 *Private landlords by experience and housing portfolio size, X^2 (15, N = 1176) = 87.23, p < .001 (Vastgoed Belang, 2023)*

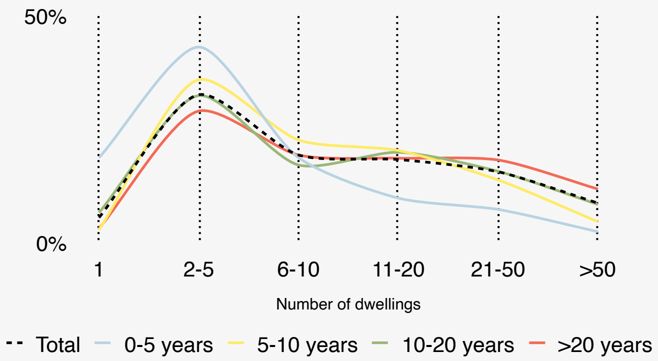


Table 5.7 *Private landlords by experience and portfolio composition, X^2 (3, N = 1203) = 112.34, p < .001 (Vastgoed Belang, 2023)*

Experience in years	Only residential	Also commercial
0-5	73,6%	26,4%
5-10	67,1%	32,9%
10-20	56,6%	43,4%
>20	34,6%	65,4%
Total	50%	50%

Figure 5.16 *Private landlords by experience and unliberalised housing ratio, X^2 (15, N = 1176) = 61.26, p < .001 (Vastgoed Belang, 2023)*

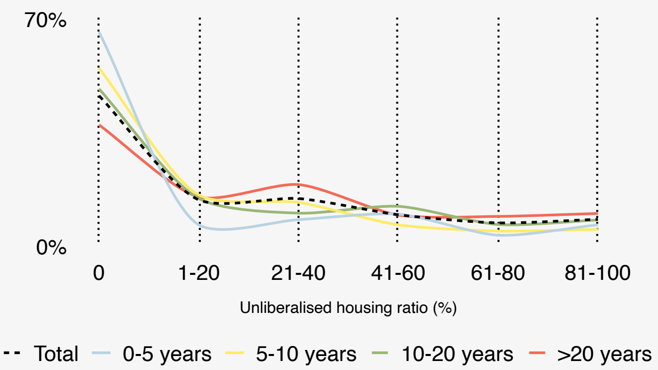


Table 5.8 *Private landlords by experience and rental motive, X^2 (9, N = 1203) = 45.99, p < .001 (Vastgoed Belang, 2023)*

Experience in years	Retirement	Inheritence	Income	Other
0-5	78,9%	3,2%	4,8%	13,6%
5-10	65,3%	5,4%	5,0%	24,3%
10-20	60,3%	3,8%	7,9%	27,9%
>20	51,9%	9,5%	11,1%	27,4%
Total	59,2%	6,7%	8,6%	25,5%

Table 5.9 *Private landlords by experience and rental area, X^2 (18, N = 1202) = 40.70, p = .002 (Vastgoed Belang, 2023)*

Experience in years	G4	G40	Other	G4/ G40	G4/ Other	G40/ Other	All
0-5	28,8%	40,8%	13,6%	5,6%	1,6%	8,8%	0,8%
5-10	39,2%	25,7%	14,4%	8,1%	5,4%	5,0%	2,3%
10-20	40%	22,1%	15,5%	5,9%	8,6%	4,8%	3,1%
>20	45,1%	25%	14,7%	4,2%	4,4%	5%	1,6%
Total	41,4%	26%	14,7%	4,2%	4,4%	5%	2%

Table 5.10 *Private landlords by experience and portfolio financing, X^2 (9, N = 1203) = 62.41, p < .001 (Vastgoed Belang, 2023)*

Experience in years	Equity/Box 3	Debt/Box 3	Corporate loan/Box 2	Other
0-5	20,8%	68%	6,4%	4,8%
5-10	28,4%	64%	3,6%	4,1%
10-20	30,3%	59,3%	3,8%	6,6%
>20	48,2%	43,6%	2,8%	5,3%
Total	37,4%	53,7%	3,6%	5,3%

The group with five to ten years of experience (18,5%) is more likely to be employed or self-employed (See Figure 5.14) Additionally, they are more likely to rent out two to twenty residential properties (See Figure 5.15) and still tends to focus on residential properties rather than other types, as depicted in Table 5.7. They are also more likely to have little or no unliberalised housing in their portfolio (See Figure 5.16). While they exhibit a leaning towards retirement investments, this inclination is less pronounced than in respondents with up to five years of experience as private landlords (See Table 5.8). Additionally, compared to other ways of finance, they are more inclined to employ debt and while being taxed in Box 3 (See Table 5.10) .

Those with ten to twenty years of experience (24,1%) are most inclined to be self-employed and are more prone to be employed. Compared to respondents with fewer properties, this group is more likely to include commercial properties in their rental portfolio (See Table 5.7). However, most just rent out residential properties. Like, the previously mentioned experience groups, these more experienced landlords favour debt while being taxed in Box 3, but to a lesser extent, as depicted in Table 5.10. In addition, when compared to all other experience groups, this group is not more or less likely to own a specific number of housing. Therefore, they follow the general trend, meaning most manage two to five dwellings (See Figure 5.15). This also applies to the share of unliberalised housing in their rental portfolio (See Figure 5.16), their motives for renting (See Table 5.8), and the rental area (See Table 5.9).

Experienced private landlords with over twenty years of experience (47,0%) are more likely to rent out more than twenty properties, as seen in Figure 5.15, as well commercial real estate (See Table 5.7). Additionally, they are most inclined to be retired and more inclined to adhere to the remaining employment group. They typically have over sixty percent unliberalised housing in their portfolio (See Figure 5.14), making them the only experience group which is more likely to exploit more than 50% in the unliberalised segment. Notably, when compared to other experience groups, this group is less likely to rent for retirement and more prone to have one of the other three motives, as depicted in Table 5.8). Still, most experienced landlords invest for their retirement. Furthermore, they tend to focus on the G4 cities but are less inclined to operate in multiple types of municipalities simultaneously (See Table 5.9). Additionally, they primarily finance their portfolio with equity, foregoing other financial arrangements, as seen in Figure 5.10.

Thus, as experience increases, respondents tend to rent more properties with a higher share of unliberalised housing and diversify into other real estate types. Their inclination to invest for retirement decreases while other motivations rise. They increasingly rely solely on equity financing, and interestingly, those with over twenty years of experience are more likely to operate in G4 cities, whereas newcomers prefer G40 municipalities.

5.3.3 Rental motive

Moreover, several significant relationships exist between rental motive and other personal characteristics. These are depicted in Table 5.11. Previous sections discussed the relationship between rental motive and (1) employment (X^2 (9, N = 1203) = 79.12, $p < .001$) (See Table 5.3) and rental motive and (2) experience (X^2 (9, N = 1203) = 45.90, $p < .001$) (See Table 5.8).

Table 5.11 *Results of Chi-square tests between rental motive and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	79.12	p < .001
Experience	45.90	p < .001
Housing portfolio size	130.25	p < .001
Portfolio composition	34.95	p < .001
Unliberalised housing ratio	50.16	p < .001
Rental area	46.70	p < .001
Portfolio financing	75.35	p < .001

Furthermore, associations exist between rental motive and (3) the size of the residential rental portfolio (X^2 (9, N = 1203) = 45.90, $p < .001$), (4) portfolio composition (X^2 (9, N = 1203) = 45.90, $p < .001$), (5) including the share of unliberalised housing (X^2 (9, N = 1203) = 45.90, $p < .001$), (6) rental area, and (7) portfolio financing (X^2 (9, N = 1203) = 45.90, $p < .001$). Hence, all relations are significant.

Respondents investing for retirement (59,2%) are most likely to be employed or retired, although many self-employed landlords also adhere to this motive (See Table 5.3). Additionally, they are somewhat more inclined to have up to five years of experience, as depicted in Table 5.8. As shown in Figure 5.17, this group is most likely to own up to ten dwellings. When compared to landlords with other motives, they are most probable to only lease residential properties (See Table 5.12) and exclude unliberalised housing from their operations (See Figure 5.18). Finally, they somewhat favour borrowed capital while being taxed in Box 3 (See Table 5.13).

Figure 5.17 *Private landlords by rental motive and housing portfolio size, X^2 (15, N = 1176) = 130.25, $p < .001$ (Vastgoed Belang, 2023)*

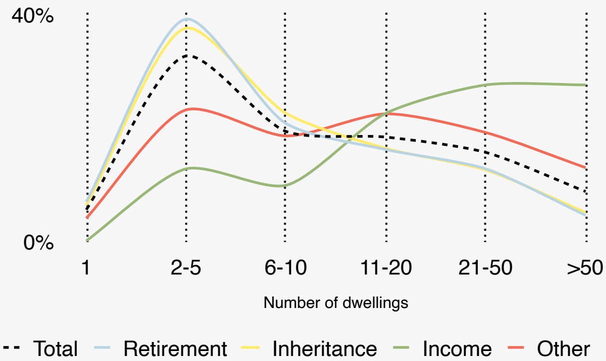


Table 5.12 *Private landlords by rental motive and portfolio composition, X^2 (3, N = 1203) = 34.95, $p < .001$ (Vastgoed Belang, 2023)*

Rental motive	Only residential	Also commercial
Retirement	56%	44%

Inheritance	50,6%	49,4%
Income	29,1%	70,9%
Other	42,7%	57,3%
Total	50%	50%

Figure 5.18 *Private landlords by rental motive and unliberalised housing ratio, X^2 (15, N = 1176) = 50.16, p < .001 (Vastgoed Belang, 2023)*

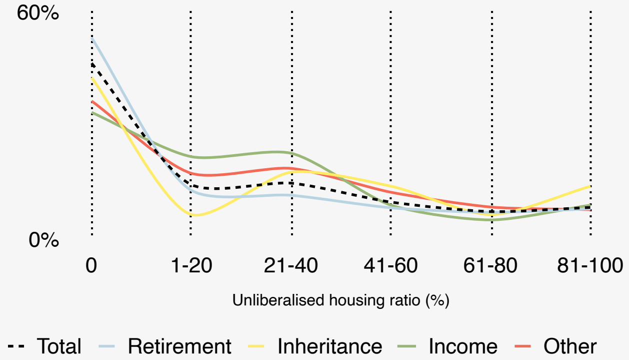


Table 5.13 *Private landlords by rental motive and portfolio financing, X^2 (9, N = 1203) = 75.35, p < .001 (Vastgoed Belang, 2023)*

Rentel motive	Equity/Box 3	Debt/Box 3	Corporate loan/Box 2	Other
Retirement	36,1%	57,9%	2,2%	3,8%
Inheritance	67,9%	25,9%	3,7%	2,5%
Income	23,3%	56,3%	11,7%	8,7%
Other	37,1%	50,5%	3,9%	8,5%
Total	37,4%	53,7%	3,6%	5,3%

The group of respondents who rent out real estate for direct income (8,6%) are more likely to be self employed or adhere to the remaining employment group (See Table 5.3) and have over ten years of experience (See Table 5.0). Moreover, this business orientated group of private landlords is most likely to operate over ten dwellings, as depicted in Figure 5.17. Additionally, they are the most likely to rent out other types of real estate alongside residential properties (See Table 5.12) and are also more probable to have one to forty percent unliberalised housing in their property portfolio, as seen in Figure 5.18. Furthermore, they are more prone to operate exclusively in the G4 cities or in multiple types of municipalities, as depicted in Table 5.14. Finally, when compared to other landlords, this group is are the least likely to use equity to finance their portfolio and most inclined to private to use any sort of borrowed capital (See Table 5.13).

Table 5.14 *Private landlords by rental motive and rental area, X^2 (18, N = 1202) = 46.70, p < .001 (Vastgoed Belang, 2023)*

Rental motive	G4	G40	Other	G4/ G40	G4/ Other	G40/ Other	All
Retirement	40,2%	28,1%	16%	4,5%	4,6%	5,5%	1,1%
Inheritance	60,5%	24,7%	9,9%	3,7%	0%	0%	1,2%
Income	45,6%	15,5%	13,6%	7,8%	5,8%	7,8%	3,9%
Other	36,6%	25,2%	13,4%	7,5%	8,2%	5,6%	3,6%
Total	41,4%	26%	14,7%	5,5%	5,3%	5,3%	2%

Respondents who rent out due to inheritance (6,7% of the sample) are more likely to be retired or employed, like those who rent for retirement (See Table 5.3) and are more probable to have over twenty years of experience (See Table 5.8). Like the previous group of landlords, this group is most inclined to rent up to ten residential properties, as depicted in Figure 5.17. However, they are more likely to include a higher share of unliberalised housing in their operations, as seen in Figure 5.18. Additionally, heirs are the most inclined to out only in the G4 cities by far, rarely operate in multiple types of municipalities (See Table 5.14) and heavily rely on equity for financing, as depicted in Table 5.13. At last, they are indifferent to renting other types of real estate alongside residential properties (See Table 5.12).

Finally, a significant portion of respondents (25% of the sample) engage in private renting for various other reasons, sometimes having multiple motivations, including both retirement investments and income purposes, as well as family or societal reasons. This group is most likely to adhere to the remaining employment group, therefore not adhering to those who are (solely) employed, self-employed or retired, as depicted in Table 5.3. Additionally, they are more probable to have over ten years of experience (See Table, 5.8, are more prone to rent out more than ten dwellings (See Figure 5.17) and are more likely to diversify their portfolio with commercial real estate (See Table 5.12) and unliberalised housing (See Figure 5.16). This group is also somewhat more inclined to operate in multiple types of municipalities simultaneously, as depicted in Table 5.14, and use alternative financial arrangements, which may involve combinations of borrowed capital (Box 3) and corporate financing (Box 2) (See Table 5.13).

5.3.4 Portfolio financing

The preceding sections already delved into associations between portfolio financing and the variables of (1) employment status (X^2 (9, N = 1203) = 140.15, p < .001)

(See Table 5.2), (2) experience (X^2 (9, N = 1203) = 62.41, p < .001) (See Figure 5.10), and (3) rental motive (X^2 (9, N = 1203) = 75.35, p < .001) (See Table 5.13). Table 5.15 shows all relationships between portfolio financing and other characteristics. Additional connections exist between portfolio financing and (4) housing portfolio size (X^2 (15, N = 1176) = 70.56, p < .001) and (5) portfolio composition (X^2 (3, N = 1203) = 8.85, p = .031). However, no significant relationships have been identified between portfolio financing and the variables related to the share of unliberalised housing (X^2 (15, N = 1176) = 23.33, p = .077 and rental area (X^2 (18, N = 1202) = 38.23, p = .004)*.

As discussed in previous sections, respondents with a fully equity-financed portfolio while being taxed in Box 3 (37,4% of the sample) are most likely to be retired (See Table 5.2), to have over twenty years of experience (See Table 5.10) and to rent for retirement purposes (See Table 5.13). Additionally, as depicted in Figure 5.19, they are more inclined to manage ten or fewer dwellings properties, with no significant variance in their likelihood of renting other property types alongside residential ones (See Table 5.16).

Table 5.15 *Results of Chi-square tests between portfolio financing and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	140.15	p < .001
Experience	45.90	p < .001
Rental motive	75.35	p < .001
Housing portfolio size	70.56	p < .001
Portfolio composition	8.85	p < .001
Unliberalised housing ratio	23.33	p = .077
Rental area	38.23	p = .004*

*>20% expected count <5, minimum expected count <1

Figure 5.19 *Private landlords by rental motive and housing portfolio size, X^2 (15, N = 1176) = 70.56, p < .001 (Vastgoed Belang, 2023)*

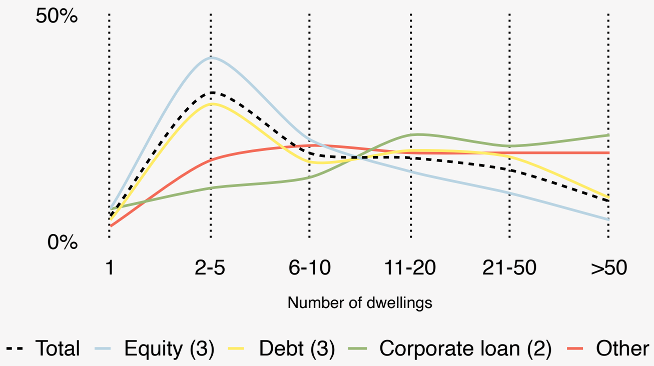


Table 5.16 *Private landlords by portfolio financing and portfolio composition, X^2 (3, N = 1203) = 8.85, p = .031 ((Vastgoed Belang, 2023)*

Rental motive	Only residential	Also commercial
Equity (Box 3)	51,3%	48,7%
Debt (Box 3)	52,2%	48,8%
Corporate loan (2)	39,55	60,5%
Other	34,4%	65,6%
Total	50%	50%

Those who use debt and are taxes in box 3 (53,7% of the sample) are more inclined to be employed or self-employed (See Table 5.2), to have up to twenty years of experience (Seen Table 5.10) and to invest for retirement or income purposes (See Table 5.13). Compared to those using equity, this group is more likely to rent out over ten properties, as seen in Figure 5.19. However, like the equity-financed group, they do not exhibit a significantly different inclination to manage commercial properties alongside residential ones.

Landlords using corporate financing (Box 2) (3,5% of the sample) are most likely to be self-employed (See Table 5.2) and to have income as rental motive (5.13) and are more probable to have up to five years of experience (See Table 5.10). Furthermore, they are are most likely to own over ten dwellings, as depicted in Figure 5.19, and also tend to rent out other types of real estate alongside residential properties (See Table 5.16).

Those using alternative financial arrangements are more prone to be self-employed or adhere to the remaining employment group (See Table 5.2), to have over ten years of experience (See Table 5.10) and to invest for income or other purposes (See Table 5.13). Moreover, they are inclined to manage over five dwellings (See Figure 5.19) and have the highest tendency to include commercial real estate, as seen in Table 5.16.

5.3.5 Rental area

In the preceding sections, significant relationships have been examined between the variable rental area and the variables (1) employment (X^2 (18, N = 1202) = 30.30, p = .035) (See Table 5.5), (2) experience (X^2 (18, N = 1202) = 40.70, p = .002) (See Table 5.9), and (3) rental motive (X^2 (18, N = 1202) = 46.70, p < .001) (See Table 5.14). Additionally, there are significant connections between rental area and the variables (4) housing portfolio size (X^2 (30, N = 1175) = 68.24, p < .001) and (5) portfolio composition (X^2 (6, N = 1202) = 47.21, p <

.001), (6) including unliberalised housing share (X^2 (30, N = 1175) = 98.38, p < .001) (See Table 5.17).

Table 5.17 *Results of Chi-square tests between rental area and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	30.30	p = .035
Experience	40.70	p = .002
Rental motive	46.70	p < .001
Housing portfolio size	68.24	p < .001
Portfolio composition	47.21	p < .001
Unliberalised housing ratio	98.38	p < .001
Portfolio financing	38.23	p = .004*

*>20% expected count <5, minimum expected count <1

Respondents active only in the G4 cities (41,1% of the sample) more likely to be retired (See Table 5.5), to have over twenty years of experience (See Table 5.9) and to operate due to inheritance (See Table 5.14). However, all categories of landlords previously discussed most often solely invest in the G4, except for those with less than five years of experience. This group of private landlords is more inclined to rent up to five dwellings (See Table 5.18) and least probable to diversify their portfolio with commercial real estate.

Table 5.18 *Private landlords by rental area and housing portfolio size,* X^2 *(30, N = 1175) = 68.24, p < .001 (Vastgoed Belang, 2023)*

Municipality type	1 dwelling	2-5 dwellings	6-10 dwellings	11-20 dwellings	21-50 dwellings	>50 dwellings
G4	7,8%	34,5%	19,1%	16,8%	14%	7,8%
G40	5,6%	33,3%	18%	16,3%	17,6%	9,2%
Other	4,1%	40,8%	21,3%	18,3%	10,7%	4,75
G4/G40	1,5%	21,5%	23,1%	26,2%	18,5%	9,2%
G4/Other	0%	30,2%	23,8%	22,2%	17,5%	6,3%
G40/Other	1,6%	16,1%	16,1%	21%	22,6%	22,6%
All	4,3%	4,3%	13%	34,8%	30,4%	13%
Total	5,5%	32,6%	19,35	18,3%	15,7%	8,6%

Table 5.19 *Private landlords by rental area and portfolio composition,* X^2 (6, N = 1202) = 47.21, p < .001 *(Vastgoed Belang, 2023)*

Municipality type	Only residential	Also commercial
G4	58,9%	41,1%
G40	51,8%	48,2%
Other	40,1%	59,9%
G4/G40	47%	53%
G4/Other	32,8%	67,2%
G40/Other	28,1%	71,9%
All	29,2%	70,8%
Total	50%	50%

Individuals exclusively operating in G40 municipalities (26,0% of the sample) are more inclined to be employed (See Table 5.5) and to invest for retirement (See Table 5.14) and are most likely to have les than five years of experience (See Table 5.9). Additionally, this group is somewhat less inclined to rent out unliberalised housing properties, as seen in Table 5.20.

Table 5.20 *Private landlords by rental area and unliberalised housing ratio,* X^2 *(30, N = 1175) = 98.38, p < .001 (Vastgoed Belang, 2023)*

Municipality type	0% unliberal-ised	1-20% unliberal-ised	21-40% unliberal-ised	41-60% unliberal-ised	61-80% unliberal-ised	81-100% unliberal-ised
G4	46,8%	13,1%	15,2%	10,1%	7,8%	7%
G40	53,3%	14,1%	10,8%	8,2%	6,2%	7,5%
Other	44,4%	6,5%	17,2%	5,9%	10,1%	16%
G4/G40	44,6%	15,4%	23,1%	7,7%	1,5%	7,7%
G4/Other	44,4%	12,7%	11,1%	22,2%	7,9%	1,6%
G40/Other	24,2%	35,5%	16,1%	12,9%	1,6%	9,7%
All	26,1%	39,1%	17,4%	4,3%	8,7%	4,3%
Total	46,3%	14,2%	14,6%	9,5%	7,1%	8,3%

Private landlords who only operate in smaller municipalities (14,7% of sample) are more inclined to be retired (See Table 5.5) and invest for retirement (Table 5.14). Additionally, this group is most likely to manage two to ten properties and significantly less likely to manage over twenty, as depicted in Table. 5.18. They are also more prone to diversify their portfolio with commercial real estate (See Table 5.19) and unliberalised housing, as shown in Table 5.20.

Finally, a subgroup (18,2% of respondents) operates in various types of municipalities. They are somewhat more likely to be self-employed (See Table 5.5), to have five to ten years of experience (See Table 5.9) and to operate for income or other reasons (See Table 5.14). Additionally, they are more prone to rent out between ten and fifty dwellings, as depicted in Table 5.18, and are generally inclined to include commercial real estate (See Table 5,19) and a higher share of unliberalised housing, as seen in Table 5.20.

5.3.6 Portfolio composition

Additionally, there are significant connections between the variable portfolio composition and other personal characteristics. In the preceding sections, individual relationships have already been examined between portfolio composition and (1) employment (X^2 (3, N = 1203) = 29.01, p < .001) (See Table 5.4), (2) experience (X2 (3, N = 1203) = 112.34, p < .001) (See Table 5.7), (3) rental motive (X^2 (9, N = 1203) = 45.90, p < .001) (See Table 5.12), (4) portfolio financing (X^2 (3, N = 1203) = 8.85, p = .031) (See Table 5.16), and (5) rental area (X^2 (30, N = 1175) = 98.38, p < .001) (See Table 5.18). There are also significant relationships between portfolio composition and (6) housing portfolio size (X^2 (5, N = 1176) = 100.54, p < .001), and (7) the unliberalised housing ratio (X^2 (5, N = 1176) = 46.95, p < .001) (See Table 5.21)

Table 5.21 *Results of Chi-square tests between portfolio composition and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	29.01	p < .001
Experience	112.34	p < .001
Housing portfolio size	100.54	p < .001
Rental motive	45.90	p < .001
Unliberalised housing ratio	46.95	p < .001
Rental area	98.38	p < .001
Portfolio financing	8.85	p = .0.31

This first relationship is easier to articulate. Respondents who rent out fewer than ten properties are more inclined to exclusively rent out residential units, while those renting out more than ten properties are more likely to have commercial real estate in their portfolio (See Figure 5.20). Additionally, private landlords who exclusively rent out residential units are more likely not to rent out unliberalised housing. Those who do rent out unliberalised housing often have a higher percentage, as depicted in Figure 5.21. However, once portfolios consist mostly of unliberalised housing, this difference disappears.

Figure 5.20 *Private landlords by portfolio composition and housing portfolio size, X^2 (5, N = 1176) = 100.54, p < .001 (Vastgoed Belang, 2023)*

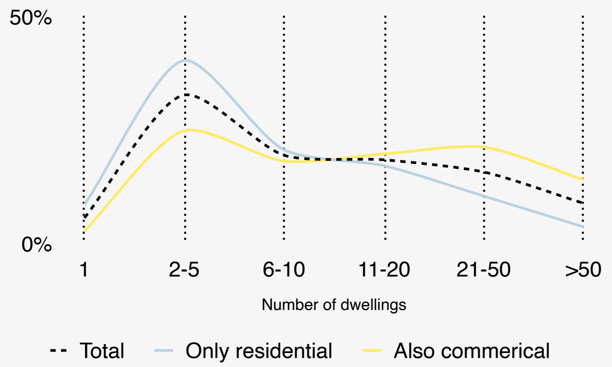
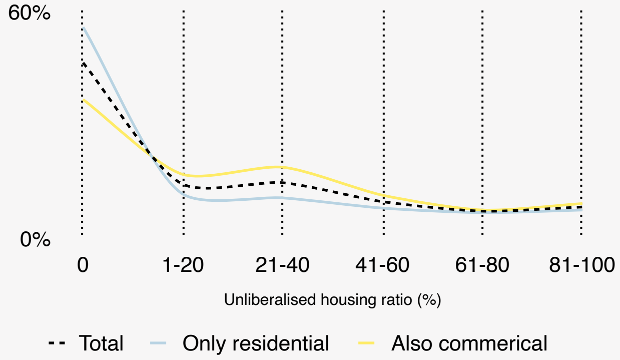


Figure 5.21 *Private landlords by portfolio composition and unliberalised housing ratio, X^2 (5, N = 1176) = 46.95, p < .001 (Vastgoed Belang, 2023)*



5.3.7 Housing portfolio size

Finally, the significant relationship of residential rental portfolio size to other variables can be addressed. Earlier sections covered relationships with other variables including (1) employment status (X^2 (15, N = 1176) = 21.24, p = .129), (2) experience (X^2 (15, N = 1176) = 61.26, p < .001) (See Figure 5.14), (3) rental motive (X^2 (15, N = 1176) = 50.16, p < .001) (See Figure 5.16), (4) portfolio financing (X^2 (15, N = 1176) = 23.33, p = .077), (5) rental area (X^2 (30, N = 1175) = 98.38, p < .001) (See Figure 5.19), and (6) portfolio composition (X^2 (5, N = 1176) = 46.95, p < .001) (See Figure 5.22).

Table 5.22 *Results of Chi-square tests between housing portfolio size and other characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment	21.24	p = .129
Experience	61.26	p < .001
Portfolio composition	46.95	p < .001
Rental motive	50.16	p < .001
Unliberalised housing ratio	249.04	p < .001
Rental area	98.38	p < .001
Portfolio financing	23.33	P = .077

Consequently, only the relationship between residential rental portfolio size and (7) unliberalised housing share remains. As seen in Table 5.23 the relationship between these variables is simple: as a respondent rents more properties, they are more likely to have a larger share of unliberalised housing (X^2 (25, N = 1176) = 249.04, p < .001).

Table 5.23 Private landlords by housing portfolio size and unliberalised housing ratio, X^2 (25, N = 1176) = 249.04, p < .001 (Vastgoed Belang, 2023)

Housing portfolio size	0% unliberal-ised	1-20% unliberal-ised	21-40% unliberal-ised	41-60% unliberal-ised	61-80% unliberal-ised	81-100% unliberal-ised
1	86,2%	0%	0%	0%	0%	13,8%
2-5	66,3%	3,9%	8,9%	7,8%	5%	8,1%
6-10	43,2%	13,2%	16,7%	11,5%	9,3%	6,2%
11-20	33,5%	21,9%	17,7%	9,3%	9,3%	8,4%
21-50	26,1%	26,1%	21,7%	7,6%	8,2%	10,3%
>50	15,7%	26,5%	21,6%	22,5%	7,8%	5,9%
Total	46,3%	14,2%	14,65	9,6%	7,1%	8,2%

5.4 Conclusion

The objective of this chapter was to delve into the diverse characteristics of private landlords in the Dutch housing market and investigate the relationships among these attributes. This exploration aimed to determine whether the attributes of private landlords have undergone changes in recent years, whilst providing an outset for subsequent subquestions. The findings presented in this chapter lead to the following conclusion.

The results from Vastgoed Belang's member survey confirm the profile of private landlords outlined by Lennartz et al. (2019), as the segment is characterised by a large amount of individuals, who are most often self-employed, and lease out a small amount of properties to secure a reliable pension and supplementary income, while investors with a large quantity of properties are scarce. They are mainly (and often exclusively) active in larger municipalities and the liberalised segment, where rents are determined by market dynamics and the vast majority uses debt to finance their portfolios, which are taxed in box 3.

However, the data also show subtle differences with the findings of Lennartz et al. (2019), as it appears that portfolios have expanded in recent years. For instance, in 2019, the amount of private landlords connected to Vastgoed Belang that operates a single dwellings, has reduced by from 10% to 5,6%. Additionally, the results suggest that the average experience of private landlords has increased over the past four years. For instance, in comparison to Lennartz et al. (2019), the proportion of respondents with up to five years of experience as private landlords has halved, while the percentage of those who initiated their journey five to ten years ago has nearly doubled.

Despite private landlords continuing to blend personal and external funds for their investments, as also noted by Lennartz et al. (2019), there appears to be a resurgence in the reliance on external financing. This stands in contrast to earlier findings where, post-financial crisis, private landlords leaned more towards equity as their primary funding source. While previous lending practices led to a greater use of equity, the current attractiveness of debt is likely influenced by favourable interest rates in recent years. Assuming this behaviour also mirrors risk perception, as proposed by Lennartz et al. (2019), the increased use of loans may stem from a diminishing awareness of the consequences of the Global Financial Crisis.

In addition, the results confirms the notion of Lennartz et al. (2019) that even though private landlords share overarching goals and strategies, they are not a homogeneous group. Based on statistical inference, four types of private landlords can be identified. Firstly, self-employed individuals, the most common type, engage in small-scale rental activities for retirement. They have limited landlord experience, rent out fewer properties, use borrowed capital, and face taxation in box 3. This group is comparable to employees who are private landlords, with the latter more likely to have inherited real estate. Retirees use rental income for their current livelihood, having more experience but not necessarily renting out more properties. In contrast to other types, they usually rely on their own capital. At last, a small group of professional real estate entrepreneurs, constituting a small group, have build larger portfolios over a moderate number of years for their primary aim of generating a substantial direct income. In order to do so they use even more significant amounts of borrow capital and due to the use private limited companies (bv's) they are often taxed in box 2.

Chapter 6

Effects of policy measures on investment behaviour

6.1 Introduction

This chapter explores the effects of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords in the Dutch housing market. First, descriptive results on the effects on investment behaviour are presented based on a quantitative data. Consequently, the motives behind these behavioural shifts are explored based on qualitative analysis.

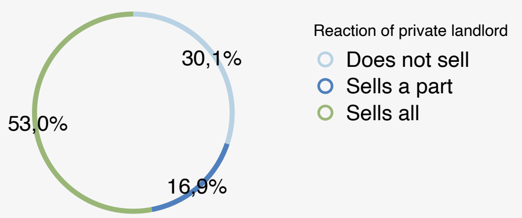
6.2 Behavioural shifts

The following analyses rely on the data provided by the 1.203 respondents who successfully completed the survey. In addition to various questions about personal and portfolio characteristics, members of Vastgoed Belang were asked how they (intend to) respond to the accumulation of the Affordable Rent Bill and Tax Plan 2023. Specifically, respondents were asked (1) whether they will sell dwellings, (2) the timeframe for selling dwellings, (3) how many dwellings they plan to sell, (4) whether they have already sold dwellings, and (5) their primary motive underlying this response.

6.2.1 Response

In response to the Affordable Rent Bill and Tax Plan 2023 of a majority of respondents (53,0%), express their intention to sell all of their rental dwellings, as depicted in Figure 5.1. Furthermore, an additional 16,9% plan to sell dwellings while maintaining some. Meanwhile, just 30,1% state they have no plans to sell any dwellings.

Figure 6.1 *Private landlords by response to accumulation of of policy measures (Vastgoed Belang, 2023)*



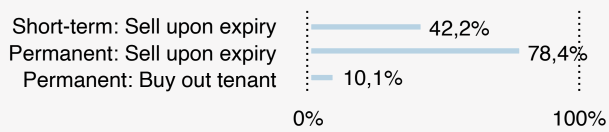
6.2.2 Sales term

The timing of sales is heavily influenced by tenant rent protection, which is contingent on the rental contract type and the timing of the tenant's departure. Indefinite rental agreements have no specified end date and need to be terminated by tenants. In contrast, temporary contracts always have a set end date, up to two years for standalone homes and five years for shared accommodations. The contract ends on this date without the need for termination, though tenants can end it early. In both types, landlords can only terminate the leases for specific reasons, like tenant disturbances or rent arrears (Rijksoverheid, n.d.-c).

When a landlord wants to sell a property before their tenants move out, there are two options. First, they can sell the property with the tenants in place, meaning the new owner takes over the tenants and their current lease agreement (Rijksoverheid, n.d.-c). However, as most buyers are owner-occupiers, most potential buyers are looking for a property they can move into quickly, which makes it harder to sell a tenant-occupied property (Pararius, 2023). This often leads to a lower sale price, especially in the current market where many private landlords are no longer interested in rental properties. Additionally, this year, the transfer tax for non-owner-occupied properties has increased to 10,4%, further increasing this effect (Belastingdienst, 2023; Volkskrant, 2023). Additionally, a landlord can also try to buy out their tenants. In such cases, the landlord and tenant agree on a sum the tenant will receive for leaving the property (Rijksoverheid, n.d.-c). This can sometimes lead to a higher property sale price and a reduced transfer tax.

Out of all respondents planning to sell, 42,2% has temporary leases and plan to sell after the leases expire. Meanwhile, 88,5% have tenants with indefinite leases, of which 78,4% intend to wait for tenants to terminate their contracts before selling (see Figure 5.2). In contrast, 10,1% intend to buy out tenants with indefinite lease agreements.

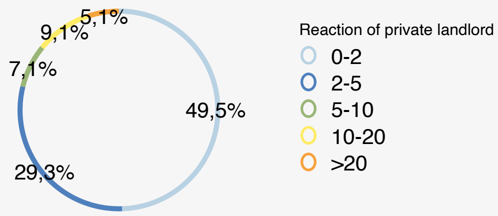
Figure 6.2 *Selling private landlords by contract type and sales term (Vastgoed Belang, 2023)*



6.2.3 Anticipated sales

Among respondents planning to sell some of their dwellings, 49,5% aim to divest up to two properties, as deducted in Figure 5.3. Additionally, 29,3% intend to sell two to five, 7,1% aim sell five to ten, and 9,1% plan to sell ten to twenty dwellings. A mere 5,1% are looking to sell more than twenty dwellings.

Figure 6.3 *Private landlords selling part of their housing portfolio by anticipated sales* (Vastgoed Belang, 2023)



By examining the number of properties that each individual private landlord intends to sell, it is possible to make a conservative estimate of the total number of properties the entire sample plans to sell. Those selling a portion of their portfolio intend to sell at least 635 dwellings, while those intending to sell all their properties own a total of 14.749 dwellings. Consequently, the respondents collectively aim to sell a significant minimum of 50% of their total properties (15.384 out of 30.684).

6.2.4 Finalised sales

Notably, among all respondents intending to sell, a surprisingly low amount of 43 (2,7%) have finalised the sale of at least one property in response to Affordable Rent Act and Tax Plan 2023. Among them, 34 have sold up to two properties, six have sold two to ten dwellings, and two have sold more than ten properties.

6.3 Inference

Based on statistical tests, it is possible to determine associations between the characteristics of private landlords, as presented in Chapter 5, and their response to the Affordable Rent Bill and Tax Plan 2023. Tables 6.1 and 6.2 summarise the results of chi-squared tests and ANOVAs between these variables. These tables reveal significant relationships between action response and (1) portfolio composition X2 (2, N = 1203) = 22.91, $p < .001$), (2) unliberalised housing ratio (X2 (10, N = 1176) = 24.10, $p = .005$), (3) rental area X^2 (12, N = 1202) = 34.15, $p < .001$), (4) rental motive X^2 (14, N = 1203) = 85.23, $p < .001$), and (5) portfolio financing X^2 (6, N = 1203) = 16.10, $p = .013$). However, significant relationships could not be established between response action and the variables employment status X^2 (8, N = 1203) = 9.79, $p = .280$), residential portfolio size (X^2 (10, N = 1176) = 16.51, $p = .086$), and experience (X^2 (8, N = 1203) = 14.07, $p = .080$).

Table 6.1 *Results of Chi-square tests between response and characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Employment status	9.79	p = .280
Portfolio composition	22.91	p < .001
Housing portfolio size	16.51	p = .086
Unliberalised housing ratio	24.10	p = .005
Experience	14.07	p = .080
Rental area	34.15	p < .001
Rental motive	85.23	p < .001
Portfolio financing	16.10	p = .013

Table 6.2 *Results of ANOVA's tests between response and characteristics variables (Vastgoed Belang, 2023)*

Characteristic	Value	Significance
Housing portfolio size	.519	p = .595
Unliberalisede housing ratio	5.01	p = .007

Respondents who do not intend to sell properties in response to the Affordable Rent Bill and Tax Plan 2023 are more likely to rent out only residential properties (See Table 6.3) and have a slightly lower average unliberalised housing ratio, meaning that they exploit relatively less unliberalised housing (See Figure 6.4). Additionally, they are more inclined to operate in municipalities with fewer than 100.000 inhabitants (See Table 6.4). They are also more likely to rent out properties for direct income or because they have inherited (part of) their portfolio, as seen in Table 6.5. Finally, these private landlords are also more inclined to use equity (Box 3) for the financing of their portfolio and less likely to use borrowed capital (Box 3) (See Table 6.6).

This final relationship may stem from the sole usage of equity, leading to lower monthly operational costs and a reduced need for higher rent to achieve a positive return. It could also explain the association with smaller municipalities, where generally lower WOZ values are observed compared to larger cities (source), contributing to lower financing costs. Additionally, private landlords who have inherit real estate might have lower financing costs. At last, those relying on rental income might be compelled to continue renting out homes for their livelihood.

Table 6.3 *Private landlords by response and portfolio composition, X^2 (2, N = 1203) = 22.91, p < .001) (Vastgoed Belang, 2023)*

Response	Only residential	Also commercial
Does not sell	59,4%	40,6%
Sells a part	52,7%	47,3%
Sells all	43,9%	56,1%
Total	50%	50%

Figure 6.4 *Private landlords by response and unliberalised housing ratio, F (2, N = 1173) = 5.01, p = .007) (Vastgoed Belang, 2023)*

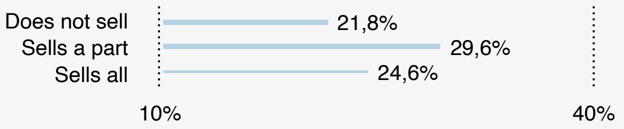


Table 6.4 *Private landlords by response and rental area, X^2 (12, N = 1202) = 34.15, p < .001) (Vastgoed Belang, 2023)*

Response	G4	G40	Other	G4/ G40	G4/ Other	G40/ Other	All
Does not sell	38,2%	27,4%	20,2%	3,3%	3,6%	6,4%	0,8%
Sells a part	37,4%	24,6%	14,3%	10,3%	5,4%	4,9%	3%
Sells all	43,9%	25,7%	11,8%	5,2%	6,3%	4,9%	2,4%
Total	41,4%	26%	14,7%	5,5%	5,3%	5,3%	2%

Table 6.5 *Private landlords by response and rental motive, X^2 (14, N = 1203) = 85.23, p < .001) (Vastgoed Belang, 2023)*

Response	Retirement	Inheritence	Income	Other
Does not sell	51,9%	11,6%	11,9%	24,6%
Sells a part	49,3%	5,9%	3%	41,9%
Sells all	66,5%	4,2%	8,5%	20,8%
Total	59,2%	6,7%	8,6%	25,5%

Table 6.6 *Private landlords by response and portfolio financing, X^2 (6, N = 1203) = 16.10, p = .013) (Vastgoed Belang, 2023)*

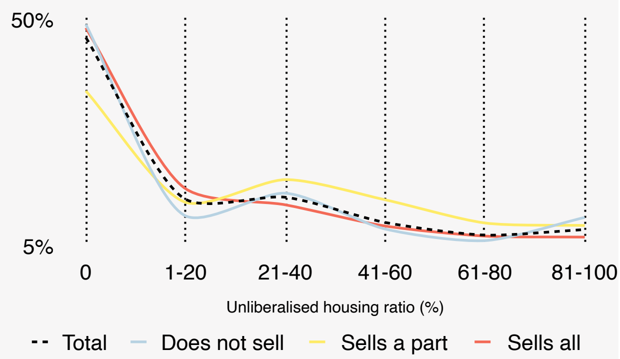
Response	Equity/Box 3	Debt/Box 3	Corporate loan/Box 2	Other
Does not sell	44,2%	45,3%	4,4%	6,1%
Sells a part	32,5%	57,6%	3,4%	6,4%
Sells all	35,1%	57,2%	3,1%	4,5%
Total	37,4%	53,7%	3,6%	5,3%

Respondents selling part of their portfolios in response to the policy measures are notably more likely to have a higher percentage of unliberalised housing in their portfolio, as depicted in Figure 6.5. They are slightly more active in both G40 municipalities and smaller municipalities (Table 6.4). Furthermore, these private landlords are more inclined to have alternative motives for renting out properties (Table 6.5), such as social or hobby-related reasons. Additionally, it is somewhat more likely that they use borrowed capital for portfolio financing, subjecting it to taxation in Box 3. The latter could be explained by the suggestion that financed properties are more likely to incur a negative cash flow, as monthly costs are higher.

Private landlords intending to sell all their rental properties in response to increased rent regulation and taxation are more likely to rent out various types of real estate in addition to homes (Table 6.3). They are also somewhat more likely to rent out in G4 municipalities (Table 6.4) and more frequently invest for retirement (Table 6.5). Furthermore, they less frequently use equity and, like respondents planning to sell some properties, slightly more often rely on borrowed capital.

Similar to landlords selling a portion, this second relationship may be tied to increased costs from financing. The latter connection might be explained by higher WOZ values in the G4 compared to other areas, likely resulting in elevated financing costs and, consequently, higher monthly costs. However, due to the WOZ cap these costs are no longer reflected in the WWS and maximum rent, causing a misalignment between the rental price and the costs of private landlords.

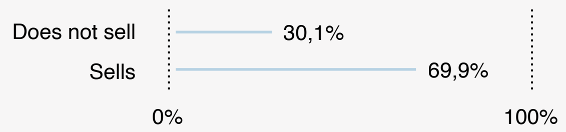
Figure 6.5 *Private landlords by response and unliberalised housing ratio, X^2 (10, N = 1176) = 24.10, p = .005) (Vastgoed Belang, 2023)*



6.4 Substantiation

Based on their responses to the Affordable Rent Bill and Tax Plan 2023, the sample can be divided into two groups: those selling properties and those not selling any properties (See Figure 6.6). Respondents intending to sell were given five potential primary substantiations to choose from. Conversely, those not planning to sell were asked to provide substantiation in an open-ended format.

Figure 6.6 *Private landlords by response in two categories (Vastgoed Belang, 2023)*



6.4.1 Continuing

The consequent 350 open responses have analysed according to Grounded Theory (See Chapter 3.5) and are presented in a code tree (See Appendix 1). These come from Vastgoed Belang's member survey and come from private landlords who indicate that they will not sell homes in response to the Affordable Rent Bill and Tax Plan 2023. Therefore, this analysis represents the most common motivation for the choice to not sell any dwellings and continuing to rent them out.

With 63 mentions, the most frequently named motivation is the willingness to accept a lower return. Many respondents continue renting as long as it provides some profit, often considering it a better investment option as offering a superior return compared to traditional banks and lower risk than stock market investments. As one respondent articulates:

> *There is currently no alternative for released capital upon sale. The return is still positive, but it will significantly decrease if all the measures of this government continue.*

This quote also suggests another common reason – many landlords (46) who continue renting hope or expect policy measures will be adjusted and not turn out as extreme as currently predicted. For example, they anticipate that Tax Plan 2027 will be less severe or that the Affordable Rent Bill may not pass in its current form. Others (33) are still waiting to see the exact impact on their personal situation or exploring the possibilities. One respondent mentions:

> *I am still waiting to see how the situation develops, and I have some hope that things will turn out differently. I'm also contemplating setting up a private limited company (BV), but to be honest, I'm not quite sure what's best for me yet.*

This often aligns with the possibility of selling later. Of the total respondents, 38 express this potential intent. Some adopt a wait-and-see approach, while others believe the current sales market is suboptimal and anticipate better opportunities later.

Additionally, a significant group of 35 respondents state that they do not want to sell the real estate for non-financial reasons, such as sentimental attachment, potential future personal use, or a desire not to displace tenants. This may also explain the significant relationship between the response variable and rental motive, indicating that those who have inherited properties are less likely to sell dwellings. A similar amount of responds (42) state that selling their properties is out of the question for them. Reasons include owning an undivided property where they live or relying on rental income as their sole retirement fund with no viable alternative. For example, a respondent says:

> *We have no choice. If we sell the properties, our retirement provision disappears as well.*

This aligns with the quantitative results, which show that those renting for retirement are more inclined to continue renting all their properties. However, from the respondents' reasoning, it seems there might be a distinction between those already retired and those who are not.

As considered by another respondent from a previous quote, 33 respondents choose alternatives to selling properties. For example, they place their portfolio in a private limited company (BV) to be taxed under Box 2 or upgrade properties to exceed 187 points, often through sustainability improvements. This aligns with another common rationale, the belief that returns in the free segment will increase. As a result, a respondent supports their choice not to sell any properties as follows:

> *Many of my properties are and will remain in the liberalised segment, as they are larger than one hundred square meters and have been renovated with good energy labels. Due to regulations and tax measures, many landlords will sell, reducing the supply. The prices in the (shrinking) private segment can only go up significantly in the coming years.*

This aligns with a significant group of 57 respondents who believe that the policy measures have minimal impact on their investments. For instance, they may not be subject to Box 3 taxation, primarily rent out properties that are already regulated or score more than 187 WWS points, or have low external financing. This rationale is consistent with the quantitative results, which demonstrate that respondents with a higher unliberalised housing ratio are less likely to sell. As evident in the following quote, it also explains the significant relationship between the response variable and portfolio finance, as discussed in the previous section:

Fortunately, we have used little external capital to acquire our real estate. We hope to maintain some return from renting. Additionally, we trust that the value of the real estate will remain, making it a profitable investment in the long term if we decide to sell.

This could also partly explain the link between the response and rental motive. As respondents who have inherited their real estate typically use less external capital, as evidenced by their reasoning. Furthermore, the quantitative results indicate that respondents with a higher ratio of unliberalised rental properties are less likely to sell. At last, this quote hints at the final common reason to keep renting: the assumption that the real estate will, at the very least, continue to yield (indirect) returns in the long term (30 mentions).

6.4.2 Selling

Nevertheless, the majority of the member survey sample (69,9%) believe that selling their rental properties, either completely or partially, is the better option. Out of these respondents, almost half (47,3%) state exploring alternative investment opportunities as the primary motivation to sell homes , as depicted in Figure 6.7. Additionally, a similar proportion cites unsustainable costs as a key factor, with 29,3% referring to fixed (capital) expenses and 16,6% to maintenance costs. Furthermore, 5,1% sell primarily to upgrade other properties above 187 WWS points, and 1,7% cite an inability to meet (re)financing agreements with their bank. Notably, for over half of the respondents, the primary reason for selling is not unsustainable costs but the pursuit of a higher return.

No significant relationships could be established between the primary sales motive and characteristics of private landlords, partly due to unsatisfactory expected counts within the tests. However, a mild relationship exists between the extent to which respondents sell (in full or in part) and their primary reason for selling (X^2 (4, N = 841) = 10.87, p = .028). Private landlords who sell partially are slightly less likely to explore alternative investment opportunities and are somewhat more inclined to sell due to unsustainable (capital) expenses, as illustrated in Table 6.7.

Figure 6.7 *Selling private landlords by primary sales motive (Vastgoed Belang, 2023)*

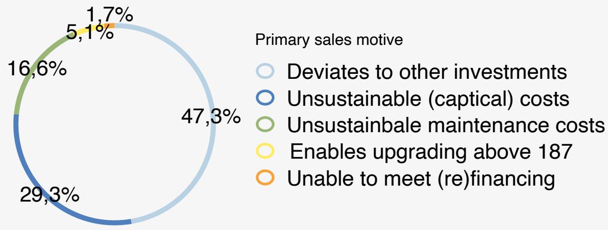


Table 6.7 *Private landlords by response in two categories, X^2 (4, N = 841) = 10.87, p = .028 (Vastgoed Belang, 2023)*

Response	Deviates to other investments	Unsustainable (capital) costs	Unsustainable maintenance costs	Enables upgrading above 187 points	Unable To meet refinancing
Sells a part	38,9%	33%	17,7%	7,4%	3%
Sells all	50%	28,1%	16,3%	4,4%	1,3%
Total	47,3%	29,3%	16,6%	5,1%	1,7%

To gain a qualitative understanding of the substantiations of those selling properties, responses of the online consultation of the Affordable Rent Bill have been qualitatively analysed, as Vastgoed Belang's member survey did not include open ended inquiries about motivations for selling. However, the results (See Appendix 1), align closely with the quantitative results found in the member survey, both in terms of content and the frequency with which they are mentioned.

A significant portion of private landlords responding to the online consultation indicates that their investments are no longer profitable after the introduction of Tax Plan 2023 and the Affordable Rent Bill. Again, the emphasis seems to be on immediate returns, with little consideration for long-term value changes. Accordingly, most respondents find the fixed return set by Tax Plan 2023 unreasonable as they cannot match it with an immediate return, ignoring that the tax considers both direct and indirect returns.

A large part of landlords indicate that they expect the implementation of Tax Plan 2023 and the Affordable Rent Bill will lead to unsustainable operational costs, resulting in a negative return. One respondent states the following (translated from Dutch by the author):

I have two apartments for rental as part of my retirement plan, purchased last year. Therefore, I am dealing with a relatively high mortgage interest rate. If this *regulation becomes law, I will be compelled to sell the properties. Due to changes in the taxation in box 3 and the restrictive measures regarding rent in the mid-range segment, I will incur a negative return in the near future.*

In this case, the emphasis is placed on capital costs. This reasoning is consistent with the previously mentioned notion that higher financing costs lead landlords to opt for buying sooner. What is also noteworthy is that those who are adversely affected by unsustainable financing burdens often invest for their retirement. However, if we consider the types outlined in Chapter 5, this is not surprising, as it was also demonstrated that those investing for their retirement more frequently utilise borrowed capital. Furthermore, a connection can be made to the significant relationship with unliberalised rental housing, as this type—the private landlord investing for retirement and using borrowed capital—has a lower percentage of unliberalised rental properties in their portfolio.

Other operational expenses are also frequently mentioned, such as the HOA contribution, local taxes, agency fees, and maintenance costs. Particularly, the latter is often cited. While some can still afford fixed maintenance costs, a significant portion struggles with long-term maintenance and sustainability expenses. Many respondents note that this could lead private renters to cease maintenance and sustainability efforts to salvage part of their returns, resulting in the deterioration of the rental housing stock and a slowdown in sustainability. A private landlord expresses this concern, stating (as translated from Dutch by the Author):

Because many homes are not profitable to rent due to the new law, deferred maintenance occurs, as maintenance cannot be afforded, or middle-segment homes are sold, resulting in an even greater shortage of those homes for the rental market.

However, stating that exploitation is no longer profitable does not always imply a negative return. It might also signify that the effort or risk is no longer justifiable. Consequently, the threshold at which an investment becomes unprofitable differs from individual to individual. While the (direct) returns often turn negative for the earlier described and quoted landlords, the majority of respondents of the online consultation, like to the quantitative results of the member survey, experience positive returns but consider them not high enough. The subsequent quotes depict how different factors are taken into account when evaluating the ongoing profitability of the investment (translated from Dutch by the author):

This legislative proposal makes the rental of my apartment (my retirement) after work, the stress, expenses, and taxes for me not profitable as an investment, and I will have to look for alternatives.

If the legal or regulatory environment reduces the return on my investment below what I consider reasonable given the risks, I will have to choose a different investment. This means selling my rental apartment and investing elsewhere.

This quote also refers to another commonly cited motivation for selling, namely, the pursuit of higher returns elsewhere. Especially foreign housing markets, both within Europe and on a broader international scale, are frequently often mentioned as an alternative. One of the respondents expresses the following (translated from Dutch by the author):

Wealth that is currently invested in the Netherlands is massively moving abroad. I am doing the same myself. I am transferring my entire portfolio to Curaçao and Dubai, even though I had willingly invested my wealth in the Netherlands to contribute to creating homes! But due to an unreliable government, you have no choice but to leave!

As is made evident from this quote, investing abroad is not only motivated by the potential for higher returns but also due to a diminishing trust in the reliability of the Dutch government. Remarkably often, the objection is made that "the government changes the rules during the game."

In addition, it is mentioned several times that, sometimes with the capital freed up from the sale of other properties, there are plans to upgrade homes beyond the 187 WWS point threshold to remain in the liberalised rental segment. This allows for independent rent determination. Moreover, due to the Affordable Rent Bill, liberalised rental prices appear to be on the rise. A respondent notes (as translated from Dutch by the author):

I will not re-rent the homes that become available now and fall below 187 points. If I can get the homes above 187 points, I will do so (which is almost impossible). If I cannot get the property above 187 points, then I will sell it. I already notice that since the announcement of this regulation, the rent I can demand (for homes above 187 points) is increasing significantly. Potential tenants are offering more money themselves just to secure the property.

Notably, many respondents express a desire to sell, but only a small fraction has actually sold or listed homes for sale. This also corresponds with the Member Survey results, where few homes had been sold.

6.5 Conclusion

The aim of this chapter was to address the subquestion “What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords?”. The findings presented herein, based on the member survey and responses to the online consultation of the Affordable Rent Bill, the following conclusion.

Data from the member survey confirm the warnings (e.g. by Francke et al., 2023; Vastgoed Belang, 2022b) that in response to the impact of the Affordable Rent Bill and Tax Plan 2023, large numbers of private landlords intent to divest their rental properties. These results are unique in that no other study has published any concrete findings concerning this prediction. Over half of the surveyed private landlords (53%) indicate that they plan to sell all their complete rental portfolio, and another 16,9% aim to sell a portion, indicating that at least half of the rental properties currently managed by this group are intended to be divested. This is a stark contrast to the buying and selling plans and expected developments in the private sector a few years earlier, as described by Lennartz et al. (2019).

Additionally, the results of both the member survey and the responses to the online consultation of the Affordable Rent Bill suggest the prevailing choice to sell is primarily based on the diminishment of direct returns after the implementation of both policy measures. However, though for some private landlords business cases become unsustainable, most simply do not accept the remaining returns. They argue the reduced incomes do not outweigh the risk and effort of property rental, or that better returns can be achieved in other markets, such as housing markets abroad. Furthermore, there is a noticeable frequency of references to the unreliability of the Dutch government and the assertion that it should not be allowed to "change the rules of the game during play," a sentiment also noted by Lennartz et al. (2019).

Those selling part of their private rental portfolio prioritise the sales of regulated properties while continuing to rent out properties already in the liberalised segment or above the new regulation threshold of 187 WWS points. In some cases, the sale enables them to upgrade other properties above this threshold or acquire properties already in this segment.

The group of private landlords who chooses not to sell, priorities other factors over a higher return. They attach sentimental value to the real estate or their role as private landlords, occasionally have social convictions to persist, or lack trust in alternative options. In addition, part of this group is less affected by the policy measures as they only rent out properties with more than 187 points or are taxed in box 2.

The group of private landlords intending to sell more frequently includes individuals who leverage external financing, thereby emphasising the risks associated with higher loan-to-value ratios in conjunction with evolving policy measures, as mentioned by Lennartz et al. (2019). Considering associations with other personal characteristics, it appears that those engaged in property rental alongside their primary careers are more prone to opt out, whereas larger professional players or those already retired seem less inclined to pursue selling. Additionally, the inclination to sell is less pronounced in smaller municipalities.

While the focus of private landlords on a reasonably direct return aligns with the statements of Lennartz et al. (2019), it appears somewhat contradictory to the often-cited motivation of pension accumulation and the long-term vision expressed by most private landlords. Value appreciation is rarely mentioned as a motivation to continue renting despite a lower return, and the majority is unwilling to sacrifice a lower return at present for a direct return at retirement when mortgages are paid off and operational costs are lower.

Furthermore, the results suggest uncertainty prevails among private landlords regarding the implementation of the Affordable Rent Bill, a factor likely influencing their behaviour. The respondents predominantly elaborate on their intentions in the hypothetical scenario of the Affordable Rent Bill being passed, with some expressing skepticism about the likelihood of its actual enactment. A noteworthy number of private landlords, who presently express no intention to sell, offer additional insights, suggesting that they might contemplate selling at a later stage. This consideration is often contingent on gaining clarity about the specific impacts on their personal circumstances or when the sales market becomes more favourable.

Based on these results it is challenging to separate the effects of the Affordable Rent Bill and Tax Plan 2023 as it appears that primarily the combination of both measures significantly impacts the business cases. Neither of the measures is individually mentioned as the direct trigger.

Chapter 7

Effects on availability

7.1 Introduction

This chapter aims to examine the impact of policy measures on mid-market rental availability, drawing on findings from preceding chapters and relevant literature emerging during the study.

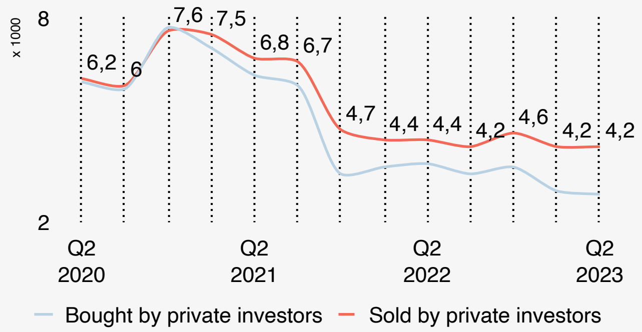
7.2 Sales

The findings in the preceding chapter indicate that a significant number of private landlords are contemplating exiting the market due to the Affordable Rent Bill and its amalgamation with Tax Plan 2023. However, analysis of member survey held in April 2023 reveals minimal property sales among private landlords during that period as a result of the cumulative impact of policy measures. Additionally, responses from the online consultation held in March 2023 suggest a small number of landlords mentioning properties that have already been sold or are currently on the market for sale.

The observation that there has been a limited number of homes sold appears to be supported by additional literature. For instance, De Jonge (2023b) states, based on Kadaster data, that in the first half of 2023, investors (private landlords and institutional investors combined) sold about 13.000 homes and purchased around 8.000. In comparison, the corresponding figures for the first half of 2022 were just under 19.000 homes sold and over 17.000 purchased. This reflects a doubling of the percentage difference between purchases and sales, from 10,5% to 38,5%. Notably, there is a decrease in the absolute number of sales.

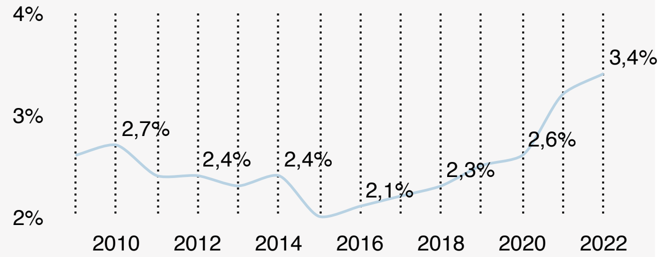
In addition, CBRE (2023) notes, based on Kadaster analysis, that the overall number of homes sold by investors has not seen an increase (See Figure 7.3). Since 2021, private landlords in particular, have been selling fewer properties in the twenty largest municipalities in the Netherlands, while also reducing their purchases from owner-occupiers. Although this combination of trends has led to a gradual decline in the rental housing supply since early 2021, a more pronounced impact is evident in recent months (See Figure 7.1). For example, in Q2 2023, there were 1.316 more homes sold from investors to owner-occupiers than vice versa in the twenty largest municipalities, resulting in a 0.3% decrease in the rental housing supply in these areas.

Figure 7.1 *Sales by investors to owner/occupiers in the 20 largest municipalities (CBRE, 2023)*



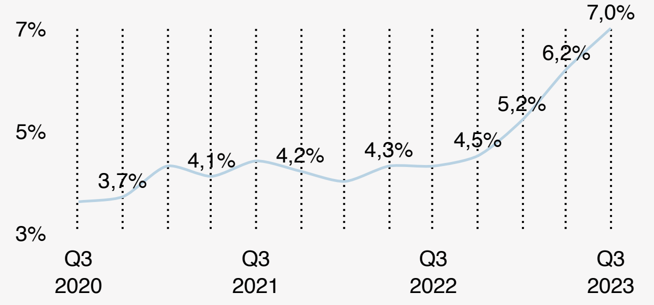
Van den Eerenbeemt (2023) reports, based on data from Kadaster, that in the fourth quarter (Q4) of 2022, an increasing share of sold homes by private landlords already shifted towards owner-occupiers (See Figure 7.2). This shift is most pronounced in G4 municipalities, with 7% of homes transitioning from private landlords to owner-occupiers. Amsterdam leads with over 9%, followed by The Hague with 7.3%. Nationally, this represents almost 3.5% of homes, and throughout 2022, private landlords in major cities sold nearly 1,700 homes to owner-occupiers.

Figure 7.2 *Number of sales by private landlords as a percentage of the total number of sales (van den Eerenbeemt, 2023)*



Furthermore, based on data from Pararius (2023b), the leading independent rental and sales platform in the Netherlands, it appears that the trend identified by van den Eerenbeemt (2023b) of more homes shifting from the rental to the sales market is ongoing. That is because in Q3 2023, 7% of sold homes were from the rental market, compared to 4.3% in Q3 2022 (See Figure 7.3). Although, the figures do not specify how many homes from the sales market are acquired by owner-occupiers, Pararius (2023) notes that "rental homes are sold to owner-occupiers, further reducing the already limited supply in the private segment."

Figure 7.3 *Percentage of homes transitioning from the rental market to owner-occupiers (Pararius, 2023b)*



Although the rental market is contracting, it is challenging to precisely identify its origins. CBRE (2023) suggests that the initial increase in selling rental properties to owner-occupiers since 2021 was due to higher transfer taxes and purchase protections and is currently influenced by Tax Plan 2023 and the Affordable Rent Bill, albeit without detailed justification. This challenge is present in all studies as the exact cause of the decline in purchases and sales is not directly evident from the figures. Insights from the member survey and online consultation indicate that property sell-offs are likely primarily influenced by the implementation of Tax Plan 2023 and the Affordable Rent Bill. However, market conditions, including increased interest rates, also contribute and De Jonge (2022b) notes a customary dynamic in the investor market.

However, CBRE (2023) already observes a reduction in offered rentals, despite the limited increase in the number of sold rental properties. Additionally, Pararius (2023b) reports a 37.7% reduction in the number of rental properties offered on their platform in the third quarter of 2023 compared to the same period the previous year (16,788 homes versus 24,593) (See Figure 7.4). Concurrently, the average responses per rental property are on the rise (Pararius, 2023a). In Q3 2023, a property received an average of 26 responses, marking a 13% decrease from Q3 2022 but a doubling from Q3 2021 (See Figure 7.5). The increased responses are likely associated with the diminished supply, intensifying competition among tenants in the face of a contracting market.

Figure 7.4 *Dwellings made available for new tenants (Pararius, 2023a)*

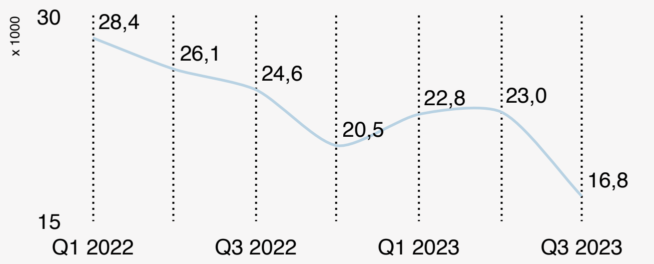
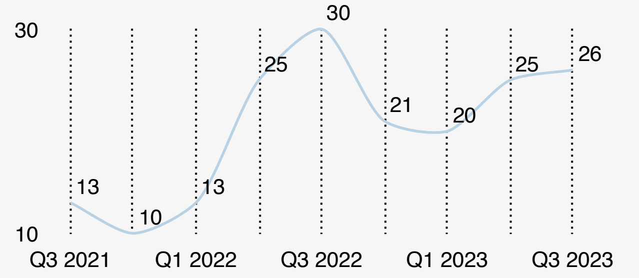


Figure 7.5 *Sales by investors to owner/occupiers in the 20 largest municipalities (CBRE, 2023)*



7.3 Estimates

Although the extent of sales is not consistent with earlier findings, these figures do not guarantee the stability of the rental supply. It seems that the consequences of the Affordable Rent Bill and Tax Plan 2023 emerge gradually, contingent on the application phase of the Affordable Rent Bill and the average tenant mutation rate (CBRE, 2023). Ongoing discussions with landlords suggest that the process is still in its initial stages. Regardless, numerous property owners are contemplating sell-off possibilities.

The member survey and online consultation align with this suggestion, showing that numerous landlords intend to sell properties once the Affordable Rent Bill is enacted and tenants vacate. Accordingly, a very limited number of private landlords have sold properties according to the member survey and respondents in the online consultation more frequently express the intent or necessity to sell when the law takes effect. Furthermore, the anticipated adoption date of the law is increasingly uncertain due to recent advice from the Council of State and current political circumstances. This uncertainty might lead private landlords to adopt a more cautious approach. Some private landlords also mention that the current real estate market for sales is unfavourable, contributing to their decision to wait.

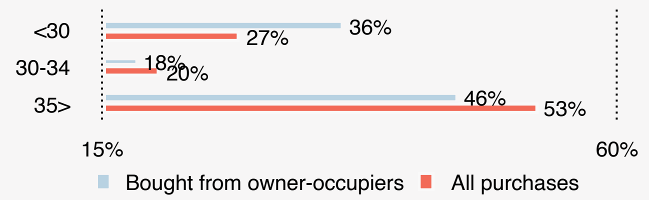
It is worth noting that the turnover rate of tenants significantly impacts the speed of the housing stock reduction, given that a substantial percentage of tenants have indefinite-term leases (Around 80% according to WoON (2021) and about 70% according to the member survey, as detailed in Section 6.2). Additionally, only a marginal share of private landlords express an interest in buying out tenants. While this might slow down the pace at which private landlords sell their properties, it also results in a lower supply of available rental dwellings in the mid-market segment.

CBRE (2023) foresees a reduction of 100.000 mid-market rental homes due to the Affordable Rent Bill, constituting a 13% contraction in the overall liberalised housing stock. Notably, this projection excludes the potential impact of intended fiscal changes. Previously, BZK calculated a modest increase of 5.000 dwellings to just under 400.000 in the mid-market rental segment as a result of the Affordable Rent Bill, without factoring in dwelling sales due to policy measures. However, considering CBRE's projections, landlords are expected to sell almost 100.000 rental homes, leading to a quarter reduction in the mid-market segment as a consequence of the Affordable Rent Bill.

7.4 Decreased availability

The supply of private rentals in the mid-market segment is decreasing and is likely to continue diminishing. This situation offers opportunities for first-time buyers or those looking to move up in the property market. Van den Eerenbeemt (2023), drawing on Kadaster data, notes that a significant portion of these newly available homes is acquired by first-time buyers, constituting 47% of all former rental properties (See Figure 7.4). One advantage for these potential owner-occupiers is the exemption from the 10.4% property transfer tax. While this assists some middle-income individuals, it is not the ultimate goal of the Affordable Rent Bill. Moreover, homeownership is only feasible for a limited group of households in the middle-income bracket.

Figure 7.6 *Percentage of home buyers by age (van den Eerenbeemt, 2023)*



If the availability of an affordable mid-market rental segment is to be maintained or improved, it must come from sources other than private landlords, such as new construction or acquisitions of existing rental stock by institutional investors or housing associations. The aforementioned research, indicating a growing trend of rental properties transitioning to owner-occupied status while the number of sales by landlords hardly increases, suggests that the latter is not happening on a significant scale.

However, both institutional investors and housing associations have committed to delivering 50,000 mid-market rental homes each by 2030, contributing a total of 100.000 homes (De Jonge, 2023). While this could potentially counteract the decline, achieving this goal is uncertain. The decline in granted permits suggests an inadequacy in addressing shortages, given the 13% decrease in the private rental segment (CBRE, 2023). Accordingly, CBRE (2023) also observes a reduction in foreign investments in the Dutch market over the past two years. Foreign pension investors, opting for long-term rental strategies, are now being surpassed in bids by Dutch and locally engaged investors with a sell-off approach. These investors typically remain committed to the portfolio for over 20 years, fully reintegrating it into the private owner-occupied housing market.

Contrary to institutional investors and developers, housing associations show more promising commitment, as indicated by a 15% growth in the real estate under development balance sheet entry (Finance Ideas, 2023). This expansion, fuelled by investments in mid-market rental properties, includes one-third more investment in new mid-market rental homes compared to 2021. The balance sheet entry for "real estate under development" for homes above the unliberalised rent limit increased by a quarter, signalling a rise in the construction of mid-market rental homes. Previous research also suggests an increase in building permits issued for new construction by housing associations (WoningbouwersNL, 2023).

7.5 Conclusion

The purpose of this chapter was to address the subquestion 'What is the impact of the Affordable Rent Bill and Tax Plan 2023 on availability in the Dutch mid-market rental segment?'. The presented results lead to the following conclusion.

The data of the member survey by Vastgoed Belang show that, despite the anticipated high volume of sales, private landlords have sold very few properties. This is corroborated by various studies (e.g., CBRE,

2023) showing that the anticipated wave of sales has not materialised yet. In fact, the number of sales by private landlords has decreased. Meanwhile, the number of purchases by landlords has also significantly declined, which has the result that a higher number of properties owned by private landlords is transitioning to owner-occupiers, including first-time buyers. This has heightened pressure on the rental market, stemming from a decrease in the offerings of rental properties (Pararius, 2023a; Pararius, 2023b) and supports Vastgoed Belang's (2022b) assertion that Tax Plan 2023 primarily hampers operational expansion while the combination with the Affordable Rent Bill leads to divestments.

Given the results of this study and the expectations outlined by CBRE (2023) and others, it is highly likely that if the Affordable Rent Bill is passed, a large amount of rental properties operated by private landlords are divested as current lease agreements expire. This is in line with trends international described in literature (e.g. Kholodilin & Kohl, 2023; Monràs & Montalvo, 2023; Sagner & Voigtländer, 2022) studying the effects of rent regulation, for instance in Berlin and Catalonia (Considering the predictions of the De Jonge (2022b) and CBRE (2023) the divestments in the private rental segment are expected to tie the expected gains in the more affordable rental segments. Consequently, increases in affordable housing will be limited or nonexistent, while the mid-market rental segment may actually decrease, as properties that flow towards the lower segment are sold.

While developers and housing associations have committed to building 100.000 homes by 2030, it seems improbable that this will significantly increase the availability of affordable housing in the rental market, given the large anticipated number of sales. Moreover, this commitment appears overly optimistic, especially considering the decrease in new construction, as noted by Boelhouwer (2023) and Voigtländer and Whitehead, (2023), and the limiting effects off the Affordable Rent Bill on new construction, as stated by BRINK (2022) and Kholodilin and Kohl (2023). Consequently, it is plausible that, in the long term, the number of affordable (midrange) rental homes will decrease due to the Affordable Rent Bill, contrary to the law's intended purpose and in line with the statements of various sources (e.g. Geuting et al., 2022; Vastgoed Belang, 2022b).

Chapter 8
Conclusion

The main aim of this research was to investigate the impact of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords in the Dutch housing market and the position of tenants in the mid-market rental segment. For the purpose of this aim, the study delved into four subquestions, each with its distinct focus: (1) detailing the characteristics of tenants with private landlords (2) detailing the characteristics of private landlords in the Dutch housing market, (3) exploring the effects of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords, and (4) exploring the consequences of these policy measures on availability in the mid-market rental segment. By synthesising the findings from these subquestions, the main research question, "What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords in the Dutch housing market and the position of private tenants?", can be adequately addressed, leading to following conclusions.

The results of subquestion 3, "What is the effect of the Affordable Rent Bill and Tax Plan 2023 on the investment behaviour of private landlords?" confirm the concerns (e.g., by Francke et al., 2023; Vastgoed Belang, 2022b) that, in response to the impact of the Affordable Rent Bill and Tax Plan 2023, private landlords in large numbers intend to divest their rental properties, largely irrespective of their underlying, often varying characteristics or type as outlined in subquestion 2, "What are the characteristics of private landlords in the Dutch housing market?". Over half of the surveyed private landlords (53%) indicate that they plan to sell their entire rental portfolio, and another 16,9% aim to sell a portion. These results are unique in that no other study has published any concrete findings concerning this topic.

The findings from subquestion 4, "What is the effect of the Affordable Rent Bill and Tax Plan 2023 on availability in the Dutch mid-market rental segment?", are consistent with the suggestions (e.g., by DNB, 2022; Vastgoed Belang, 2022b) that the shifts in the investment behaviour of private landlords in response to the Affordable Rent Bill and Tax Plan 2023 result in a reduction of the number of homes managed by private landlords in the private (mid-market) rental segment, that cannot be expected to be offset by the rate of new rental home construction. Consequently, it is probable that, due to the policy measures, the quantity of dwellings in the mid-market rental segment will diminish.

The outcomes of subquestion 1, "What are the characteristics of tenants with private landlords in the Netherlands?" affirm the perspectives of Boelhouwer (2023) and Whitehead et al. (2016), including the notion that individuals with middle incomes, including starters, encounter a particularly challenging position in the housing market. As the supply and availability of rental properties decrease, the ability of middle-income individuals to secure affordable housing further diminishes. Indeed, the reduced supply exerts additional pressure on the remaining liberalised segment, resulting in elevated prices. While homeownership may become a viable option for some within the middle-income bracket, the majority is likely to remain reliant on the rental market due to persistent credit limitations. Consequently, middle-income individuals, ineligible for social housing, will increasingly face the dilemma of paying escalating rents as affordable housing becomes scarcer, despite the fact that a significant portion already grapples with unaffordable housing costs. Alternatively, they may contemplate relocating to areas with less housing market pressure or extending their stays with parents, both of which are undesirable.

Overall, based on the findings of this research, it appears that the Affordable Rent Bill is unlikely to achieve its goal of adding more affordable rental homes and improving the position of middle-income individuals. This observation aligns with the perspectives (e.g., by Kholodilin & Kohl, 2023; Sagner & Voigtländer, 2022) that rent regulations often have secondary effects, which, as Kholodilin (2022) suggests, may sometimes outweigh the positive effects. This paradox, in which the Affordable Rent Bill may actually disadvantage the position of middle incomes, seems to stem from the Affordable Rent Bill's emphasis on affordability over availability, while the focus should perhaps be on the latter. Additionally, limited consideration is given to accompanying circumstances, such as a diminished investment climate and increased tax burden due to Tax Plan 2023. In some ways, the Affordable Rent Bill appears to fall short of its objectives because, akin to tenants paying rent in return for a place to live, it trades one thing for another: affordability at the cost of availability—a *quid pro quo.*

Chapter 9

Discussion

9.1 Introduction

The aim of this chapter is to further interpret the findings of this study, list its implications and limitations, and recommendations for further scientific research.

9.2 Implications

The findings of this research are in line with the theories and insights presented in the literature study on the effects of the Affordable Rent Bill (e.g., DNB, 2022; Geuting et al., 2022; Vastgoed Belang, 2022). This alignment is particularly evident in the recognition that the policy results in a reduced availability of housing in the mid-market rental segment. Furthermore, the results correspond with international research that has retrospectively examined the consequences of rent regulation, as observed in places like Berlin and Catalonia, where such regulation led to a significant decrease in rental supply (e.g., Kholodilin, 2022; Molden, 2023; Monràs & Montalvo, 2023).

Consequently, the data presented in this study provide unique evidence that the Affordable Rent Bill and Tax Plan 2023 will prompt private landlords to alter their investment behaviour by selling regulated properties and investing elsewhere. This, in turn, is anticipated to worsen the situation for tenants in the mid-market rental segment, including middle-income households.

9.3 Limitations

The study has several noteworthy limitations. Firstly, it relies on the statements provided by private landlords. Although these individuals may have expressed certain intentions during the research, it does not guarantee their commitment to follow through on these statements. Respondents might have changed their minds, and there is also the possibility that private landlords may exaggerate the effects of policy measures on their investment behaviour, hoping that negative perceptions lead to legislative adjustments or abandonment.

Moreover, since data collection, the Affordable Rent Bill has undergone some minor adjustments, which could potentially impact the actual behaviour of private landlords.

Additionally, the research heavily depends on data from the interest group Vastgoed Belang. Notably, Vastgoed Belang's primary goal is to advocate for private landlords, introducing inherent bias into their perspective. This bias is evident in one of Vastgoed Belang's survey goals, the data from which is used in this research, specifically aiming to highlight the drastic consequences of the Affordable Rent Bill and Tax Plan 2023 on private landlords and the mid-market segment, steering toward a particular outcome. However, it appears that this had a minimal effect on the conduct and outcomes of the survey and the analysis of the raw data was carried out independently to avoid any influence from Vastgoed Belang. Nonetheless, the results of this analysis were presented to Vastgoed Belang for approval.

Collaborating with Vastgoed Belang was pivotal as it allowed for a more extensive sample size than could be obtained independently. This is particularly significant due to the inherent challenges in reaching private landlords, especially small-scale investors, given the absence of a centralised registry in the Netherlands, which complicates survey distribution, as suggested by Lennartz et al. (2019).

The addition of the online consultation for the Affordable Rent Bill partly addresses these limitations by not only sampling Vastgoed Belang members but also Dutch private landlords overall. Notably, results from Vastgoed Belang's survey align well with those from the online consultation, enhancing overall reliability. However, the online consultation itself introduces sample bias, as private landlords adversely affected or in disagreement with the Affordable Rent Bill and Tax Plan 2023 are more likely to respond than those who agree or are unaffected.

Acknowledging these limitations, the research results might present a somewhat exaggerated view.

9.4 Recommendations

If the Affordable Rent Bill is adopted, further retrospective studies are necessary to investigate the actual consequences of the policy in combination with Tax Plan 2023 on the investment behaviour of private landlords, the availability of affordable (mid-market) rental housing, and the position of tenants in the mid-market segment.

Before that time, conducting in-depth interviews could provide a more current and potentially more insightful understanding of how private landlords anticipate responding to the policy measures. It is also valuable to further examine the behaviour of institutional investors and housing corporations, as they are partially responsible for availability in the mid-market segment and the position of tenants. Additionally, continuously monitoring the selling behaviour of landlords is possible to assess whether their actions align with the findings of this research.

Moreover, exploring the post-implementation experiences and satisfaction levels of tenants within the mid-market segment following the enactment of the Affordable Rent Bill and Tax Plan 2023 would be valuable. It is also essential to evaluate the effects of the proposed or introduced Affordable Rent Bill and Tax Plan 2023 on housing sales prices and rent prices in the liberalised segment. Additionally, conducting a longitudinal study to monitor the evolution of the mid-market rental segment over an extended period will provide insights into how it adapts and responds to the implemented policy measures.

Chapter 10

Policy advice

In light of the findings from this study and the existing literature it draws upon, seven policy recommendations are presented for addressing issues surrounding middle-income individuals and the private rental market. These recommendations are further informed by the proposals "Voluntary regulation of mid-rental" and "Five building blocks for a balanced rental housing market" put forth by Vastgoed Belang, along with insights from Boelhouwer's (2023) essay titled "The housing crisis in the Netherlands; backgrounds and solutions."

First, a series of structural, long-term reforms addressing the challenges surrounding middle incomes and the rental market should be implemented. As highlighted by Boelhouwer (2023), these reforms are fundamental to addressing the current housing issues and are consistent with recommendations put forth over the past two decades by various universities and scientific advisory bodies.

1. To facilitate an informed decision between homeownership and renting, it is prudent for the government to ensure equal treatment across various ownership sectors in the housing market (Boelhouwer, 2023). Beyond fostering comparable opportunities for diverse households based on income and composition, implementing an ownership-neutral housing policy also leads to broader welfare benefits (CPB, 2010). To attain this equilibrium, the government should consider reforming the tax treatment of both owner-occupied residences and rental income from private investors, including the implementation of a wealth tax based on actual returns to fairly and justly tax private landlords and adhere to the rulings of the Supreme Court (Dusarduijn, 2022) and a partial reconsideration of measures introduced or proposed by the Rutte IV cabinet.

2. To address the growing housing cost challenges, it is essential for policymakers to clearly outline what constitutes affordable housing expenses, especially for low-income groups in the rental sector (Boelhouwer, 2023). Developing a robust methodology for determining affordability is imperative to prevent households from slipping below the poverty line.

3. It is crucial to address the existing policy vacuum in the housing market, as currently, none of the three levels of government can be held accountable for housing issues (Boelhouwer, 2023). The decentralisation of policy in the past has left no single political entity responsible for the ultimate outcomes. The introduction of a Minister for Housing, equipped with a substantial budget, seems indispensable in this context. According to Boelhouwer (2023) Minister De Jonge's National Construction and Housing Agenda (Nationale Bouw en Woonagenda), along with the proposed Regulatory Act (Regiewet), provides an excellent starting point that a future cabinet can build upon and refine. Moreover, to ensure the success of the Regulatory Act, it is essential to complement it with enforcement authority in the form of a robust legal framework and sufficient financial resources.

In addition to and in line with these structural, long-term reforms, the following policy measures can address several more urgent and specific issues regarding the position of middle income groups and the private rental market.

4. The results of this study suggest that (at least in the foreseeable future) private landlords are necessary in the provision of homes in the private rental segment.- For these reasons, reconsider the Affordable Rent Bill and implement a scheme that ensures affordability and availability in the private rental segment while reasonably enabling investors to facilitate this. To address this, it is recommended to implement a scheme that ensures affordability and availability in the private rental sector while also reasonably enabling investors to facilitate this. One approach could be to modify the Affordable Rent Bill in its current form, as suggested by the Council of State (2023). This might involve comprehensive regulation of the entire rental segment and a realistic assessment of the value of rental properties. However, this topic warrants further research.

   Alternatively, consideration can be given to the prospect of introducing an entirely different policy, though it is important to note that this would require more time than making adjustments to the Affordable Rent Bill. One concrete possibility is to draw insights from the German system, where investors have the opportunity to both lease out affordable housing and attain a reasonable return on investment through financial compensation (Vastgoed Belang, 2022c).

To provide a bit more context, the German system can be summarised as follows: The system entails that operators of rental properties can voluntarily participate in a program initiated by the relevant state for the production and operation of social rental housing. The properties in this program are subject to conditions formulated by the involved state, including maximum construction costs per square meter, target groups to be housed, maximum rent levels, the maximum annual rent increase, and the period during which the constructed properties must continuously be operated as social rental housing. In return, operators of rental properties receive compensation, during the period in which they must manage the respective properties as social rental housing, in the form of favourable loan conditions from the national bank and/or subsidies from the state, expressed as a lump sum per square meter. Properties not registered by an operator for participation in a program promoting the production and operation of social rental housing are not considered social rental housing and are therefore exempt from rent price regulation and target group requirements for social rental properties. Finally, properties that fall out of the scheme after 10 or 20 years of operation as social rental housing can be rented or sold on the owner-occupier market without rent price or target group binding regulations.

A possible implementation of the German system to address issues in the Netherlands includes the addition of mid-rental housing and existing (rental) properties to the system. In this context, private landlords are encouraged to rent existing properties at a lower price in exchange for security and a performance fee. This is likely results in a greater number of affordable mid-rental properties compared to a sole focus on new construction. Additionally, a affordable mid-segment alongside a social segment potentially better meets the needs of middle-income individuals.

Not only does Germany illustrate that such the system is feasible, but Vastgoed Belang (2022c) also emphasises that in a European perspective, it is customary for investors contributing to public interests through the provision of Services of General Economic Interest (SGEI) to be facilitated.

This system implies that private landlords decide voluntarily whether or not to participate in the program, potentially allowing them to continue determining rent prices based on market forces. As indicated by Vastgoed Belang (2022c), the willingness of property investors to participate in a voluntary regulatory program with compensation depends on whether the compensation is sufficient and whether the conditions for program participation do not exceed its intended purpose. If the compensation is unexpectedly inadequate and/or if the other conditions exceed the program's goals, the willingness of property investors to participate will naturally be low. Vastgoed Belang (2022c) adds that private landlords "in this context also only want to achieve a reasonable operating return."

However, considering the results of this research, the question arises as to what return private landlords consider sufficient. It is clear that, for some, lower returns are not considered acceptable at all, especially when higher returns can be achieved elsewhere, such as in foreign markets.

5. Ensure the effective enforcement of the Good Landlordship Law to prevent abuse and guarantee equal opportunities for all prospective tenants (Vastgoed Belang, 2022c). Only in this way can those taking advantage of the current shortage of rental homes be effectively addressed. Additionally, this measure prevents potential additional abuse that may arise with the implementation of further rent regulations, such as neglected maintenance to maximise profits and the emergence of a black market, where landlords may still demand higher prices, as suggested by some respondents in the qualitative analysis of this study.

6. Last but not least, anchor housing policy in research and its findings and consider broader contexts, including its effects and interactions. As suggested by Kholodilin (2022), evidence plays a substantial role in both the justification and implementation of successful rent regulation policies, while Voigtländer and Whitehead (2023) emphasise that current affairs have not only prompted societal shifts but have also significantly altered the macroeconomic landscape, influencing housing markets, which may necessitate the reevaluation of rent regulations. This is also directed at Minister de Jonge and BZK: Despite the commencement of numerous studies on the potential ramifications of the Affordable Rent Bill, one could question whether the findings have been adequately considered in the bill's formulation.

IV
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Appendix 1

Grounded theory

Reasons for private landlords to not sell as result of the Affordable Rent Bill and Tax Plan 2023 based Vastgoed Belang's (2023) member survey		
First order concepts	*Second order themes*	*Aggregate dimensions*
Investigates possible measures	Delays response	Ceases to respond
Experiences personal consequences		
Hopes for amendment to Affordable Rent Bill	Awaits amendment	
Expects amendment to Affordable Rent Bill		
Awaits implementation of Affordable Rent Bill		
Expects amendment of Tax Plan 2023		
Waits for Tax Plan 2027	Endures transition period	
Aspires to reach Tax Plan 2027		
Waits for better times	Endures lesser times	
Expects better times		
Welcomes benefits for the less affluent	Approves of Affordable Rent Bill	Accepts a lower return
Wishes for employees to live in the city		
Expects return or cashflow to remain positive	Accepts lower yield	
Continues to regard rental dwellings as a solid investment		
Continues to receive sufficient income for living		
Presumes lower risk than other investments		
Expects lower stock returns		
Assumes less risk than at the bank		
Cannot find a better investment alternative		
Prefers wealth diversification		
Acknowledges positive internal rate of return		

Invests for long term		
Has no profit motive		
Considers it sufficient for pension		
Absorbs losses with with liberalised dwellings	Enjoys favourable portfolio structure	Goes unaffected by policy measures
Absorbs losses with commercial properties		
Utilises little to no equity	Enjoys advantageous portfolio financing	
Benefits from favourable financing agreements		
Has no Box 3 investments	Stays unaffected or minimally impacted by Tax Plan 2023	
Holds part of portfolio in B.V. (limited company)		
Only rents commercial properties	Remains unaffected or minimally impacted by the Affordable Rent Bill	
Already charges low rental prices		
Already scores below 142 WWS-points		
Already scores above 187 WWS-points		
Expects that tenants are willing to pay more as result	Directly profits from from measures	Benefits from policy measures
Experiences possibilities to increase liberalised rents as result		
Expects long-term housing price increases	Benefits long term from measures	
Expects higher long term demand as result		
Puts full portfolio in Box 1	Restructures fiscally	Acts upon policy measures
Places full portfolio in B.V. (Box 2)		
Places acquisitions in B.V. (Box 2).		
Enhances energy labels	Increases real estate investments	
Upgrades to above 187 WWS-points.		
Expands real estate portfolio to compensate		
Hopes to reach agreement with tenant	Restructures operationally	
Temporarily suspends rentals but retain properties		

Moderates or halts further sustainability efforts		
Reduces or halts further maintenance		
Increases rents in liberalised segment		
Transitions to short-stay rentals		

Ensures local medical care	Experiences societal duty	Refuses to sell portfolio
Wishes not to abandon tenants		
Desires to self-occupy in the future	Retains for personal or family use	
Wishes to preserve for family use		
Rents currently to own children		
Feels sentimental towards properties	Experiences sentiment	
Operates multi-generational family real estate		
Enjoys letting dwellings		
Dislikes selling real estate	Faces practical issues	
Prefers selling commercial real estate		
Does not want an owners' association (VVE)		
Expects poor selling market	Desires to sell at higher price	
Experiences poor selling circumstances as result of policy measures		

Requires rent as source of income	Faces financial impossibilities	Cannot sell portfolio
Needs dwellings as pension		
Lives in an undivided building	Experiences practical impossibilities	
Cannot buy out tenant		
Partly owns a shared B.V.		

Reasons for private landlords to sell as a result of the Affordable Rent Billa and Tax Plan 2023 based on the online consultation of the Affordable Rent Bill

First order concepts	*Second order themes*	*Aggregate dimensions*
Anticipates rent lower than mortgage	Experiences a negative cash flow	Faces negative returns
Expects Net Operating Costs to be higher than rent income		
Faces negative cash flow before taxes		
Anticipates negative cash flow after taxes		
Expects affordable maintenance and sustainability efforts		
Expects substantial property devaluation	Faces negative total return on investment	
Believes that it will be impossible to recover investments		
Finds new return unreasonable given the risks	Does not accept a lower return	No longer wishes to rent
Cannot offset possible vacancy with a lower return		
Considers the expected return inadequate		
Deems lower return not profitable enough considering the stress and effort		
Believes that the expected return is under unsustainable pressure		
Believes that renting is being made unattractive		
Expects the return is insufficient for retirement		
Finds the government unreliable	No longer trusts legislation	
Considers the political climate regarding housing policies too uncertain		
Believes that you ”should not change the rules during a game”		
Will invest proceeds foreign housing markets	Relocates funds to foreign markets	Transfers investments
Plans on relocating proceeds to foreign countries		
Relocates proceeds to stocks and bonds	Transfers investments to other investment markets	
Allocates funds in more profitable investments		
Upgrades other properties above 187 WWS-points using takings	Shifts to other properties	
Shifts focus towards commercial real estate		