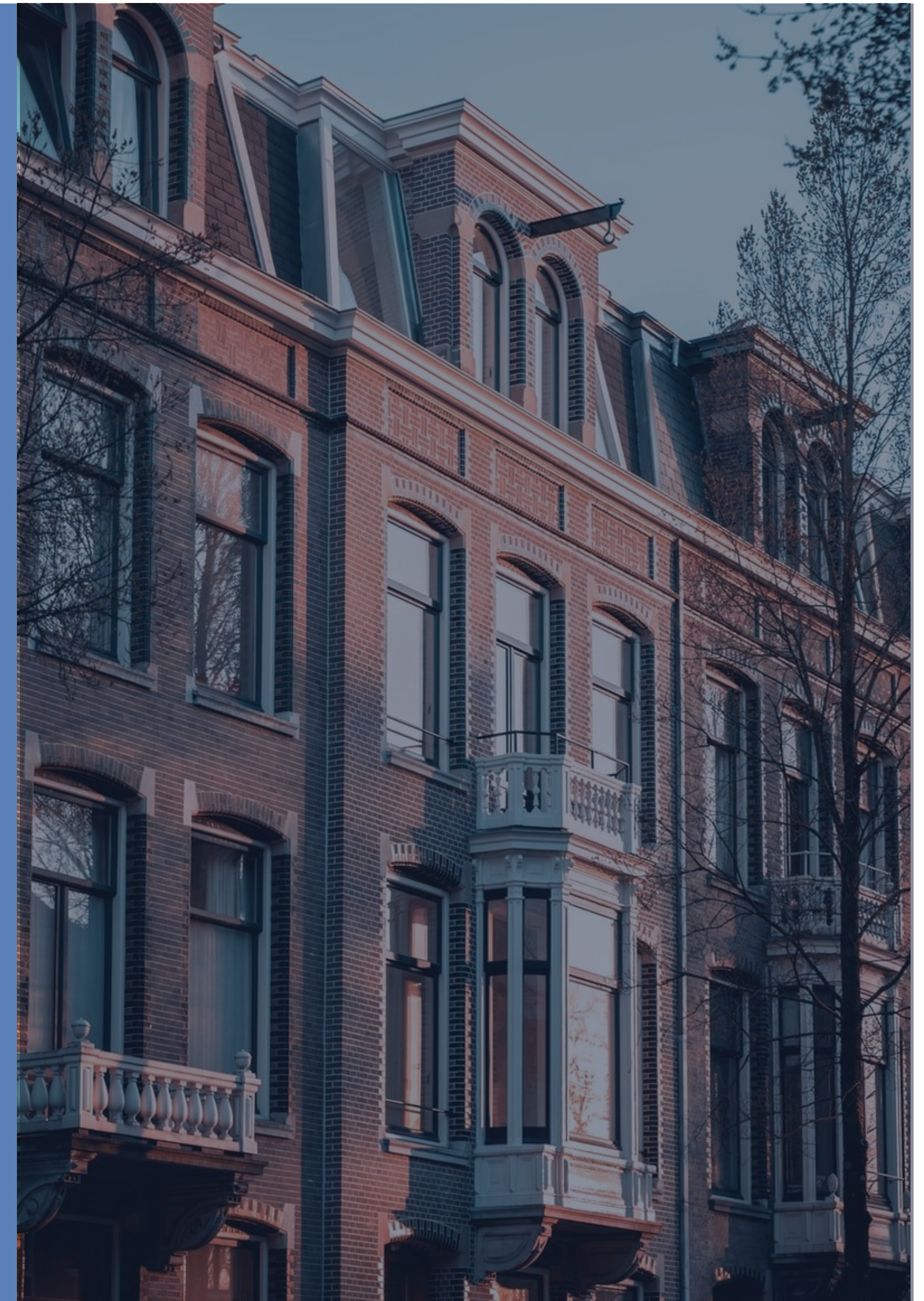


Exploring the effects of increased rent regulation and taxation on the investment behaviour of private landlords and the position of private tenants

MSc graduation thesis

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Track: Management in the Built Environment

Graduation lab: Housing Inequality

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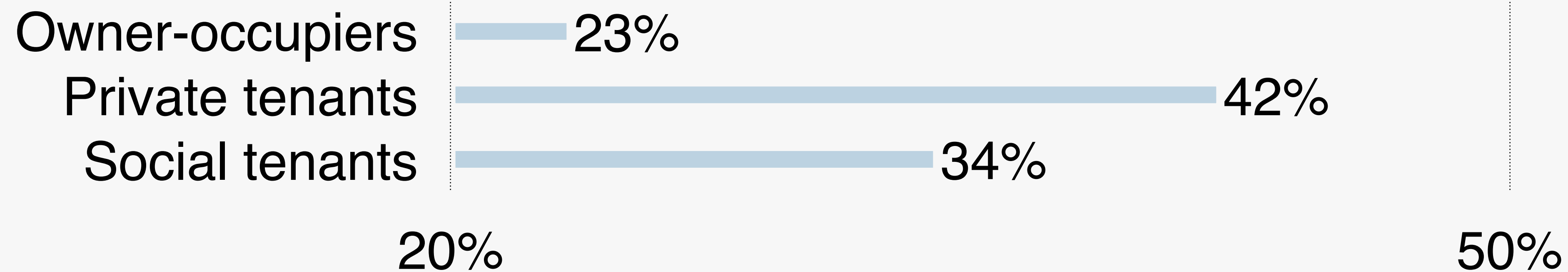
Research context

NOS Nieuws • Dinsdag, 05:00

Huren in de vrije sector stijgen in een jaar tijd met 8,5 procent

- Housing crisis
- Middle incomes dependent on private rental segment
- Unaffordable housing costs

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



Research context

- Minister De Jonge aims to improve position of middle income groups
- Affordable Rent Bill (Wet Betaalbare Huur, ARB)
- Should increase affordability private rental segment
- More mid-market rental housing (ca. €800 - €1.100 per month)

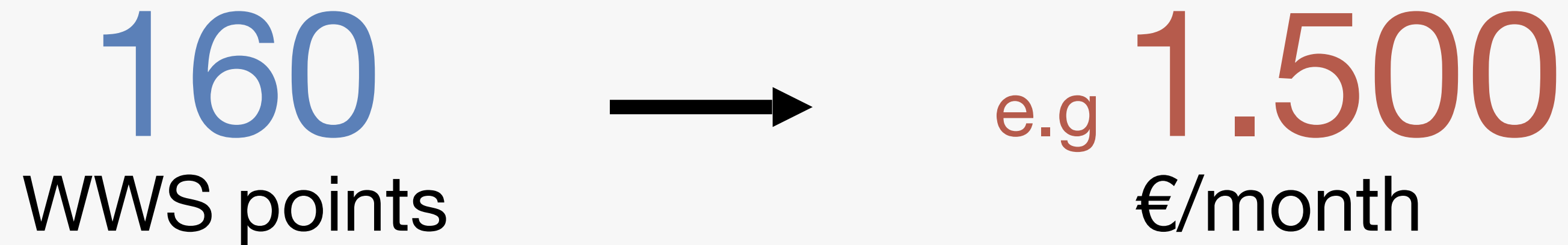
Affordable Rent Bill (ARB)

- Expose more private rental housing to Woningwaarderingstelsel
 - Increase threshold from 142 points to 187 points for new rental agreements

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Figure 2 Affordable Rent Bill's strategy



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Figure 2 Affordable Rent Bill's strategy

160
WWS points



e.g. 1.000



± 1.000
€/month

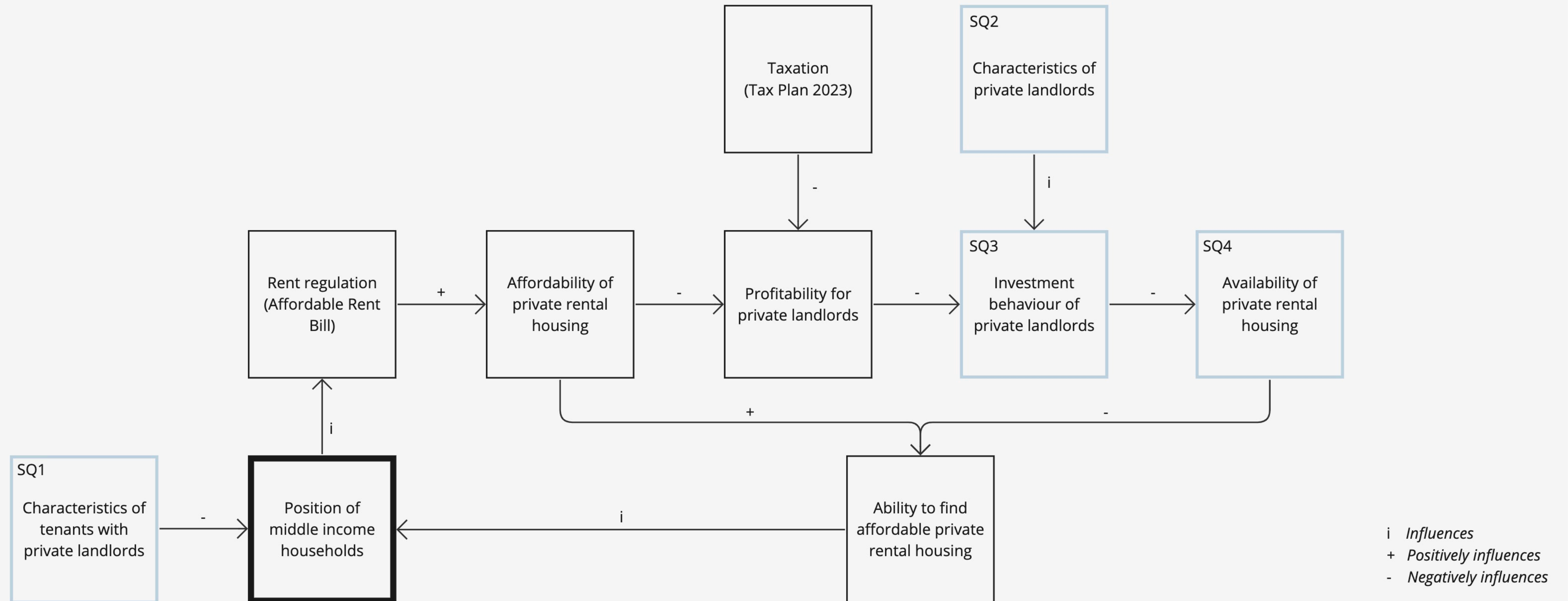


Research problem

- Private landlords unhappy
- Plan decreases profits
- Compounds with increased taxation (Belastingplan 2023, TP'23)
- Studies warn for divestments of to be regulated homes
- Possibly worsens position of middle-income households

Conceptual model

Figure 3 Conceptual model



Research aim and approach

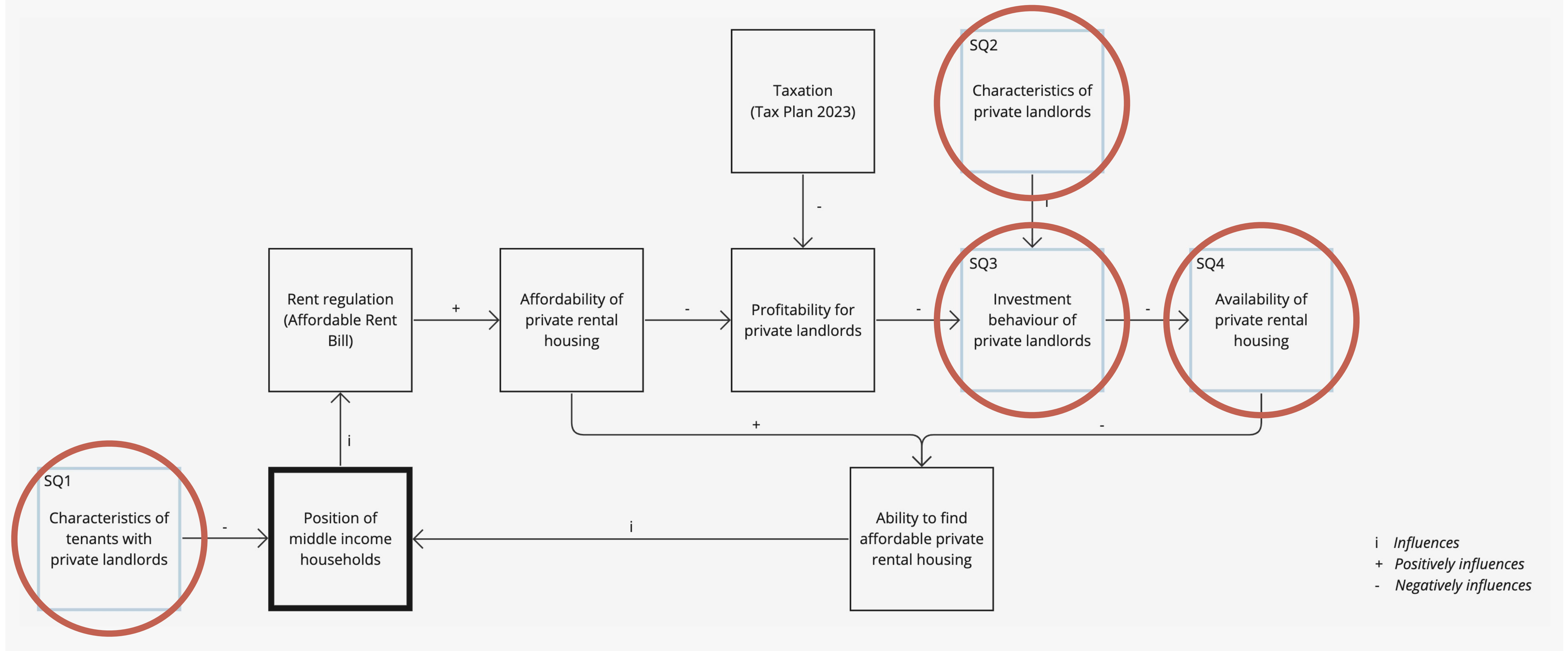
- Further explore this issue
- Answer main research question
- Mixed method approach
 - Four subquestions

Figure 4 *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?”

Conceptual model

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1. Characteristics of private tenants

- National housing survey WoON 2021
- 594.932 households renting from private landlord
- Smaller and younger
- Employed, but lower income

1. Characteristics of private tenants

- Middle incomes and starters
- Dependent on private rental segment
- Unaffordable housing costs

Table 1 *Tenants with private landlords by income and housing cost ratio (BZK, 2022b)*

Employment	Share of total	Lives in regulated private segment	Unaffordable rent (Housing cost ratio >30%)
Low-income	61%	78%	81%
Middle-income	24%	46%	63%
High-income	15%	30%	31%

2. Characteristics of private landlords

- 1.203 private landlords from Vastgoed Belang
- Most invest in smaller number of housing despite slight increase
- Majority invest for retirement (self-employed)

Figure 5 Private landlords by rental motive single response (Vastgoed Belang, 2023)

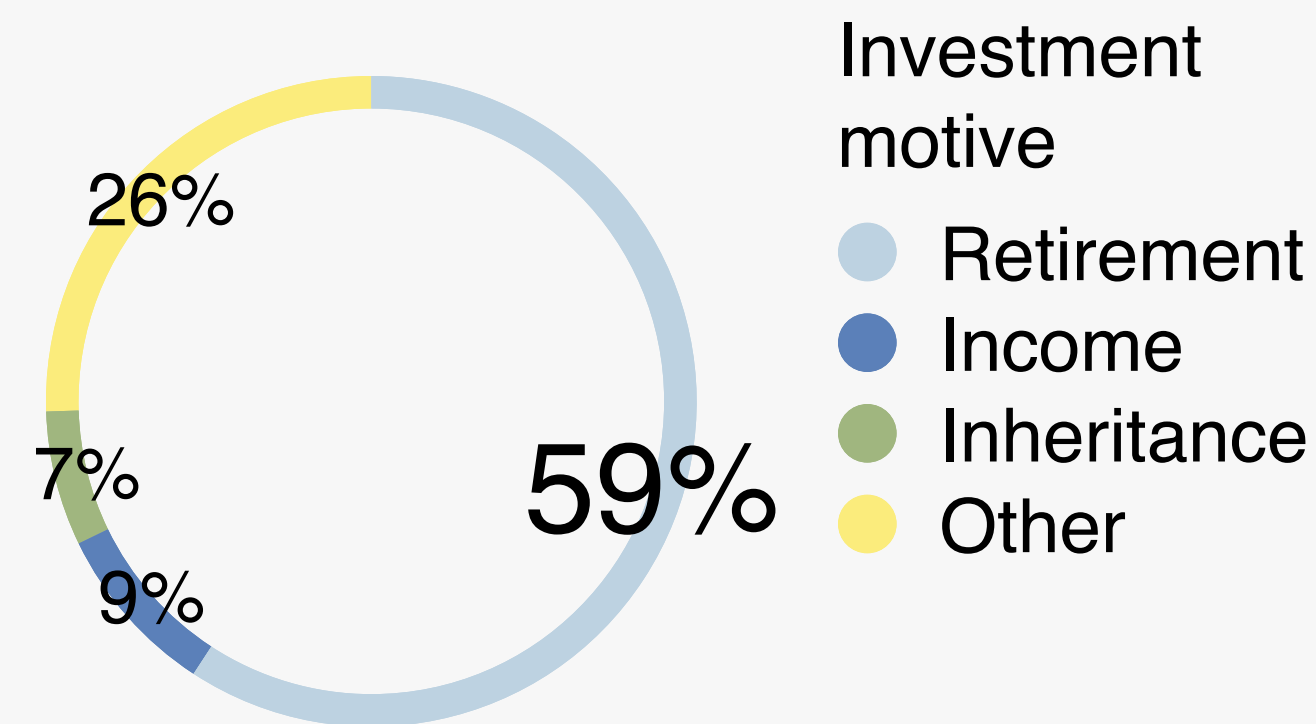
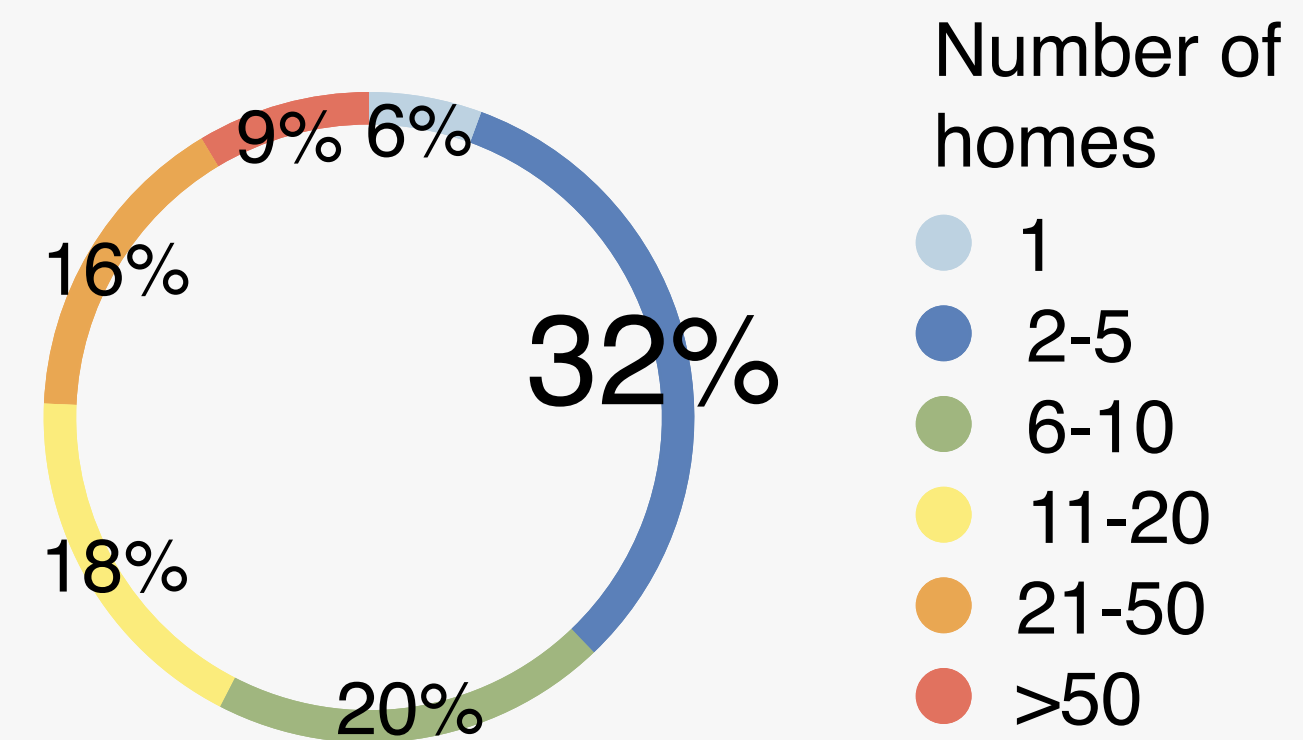


Figure 6 Private landlords by housing portfolio size (Vastgoed Belang, 2023)



2. Characteristics of private landlords

- Bias for unregulated housing in larger municipalities
- Increase in the use of debt (e.g., mortgage, hypotheek)
 - Increases risk of unprofitability

Figure 7 Private landlords by unliberalised housing ratio (Vastgoed Belang, 2023)

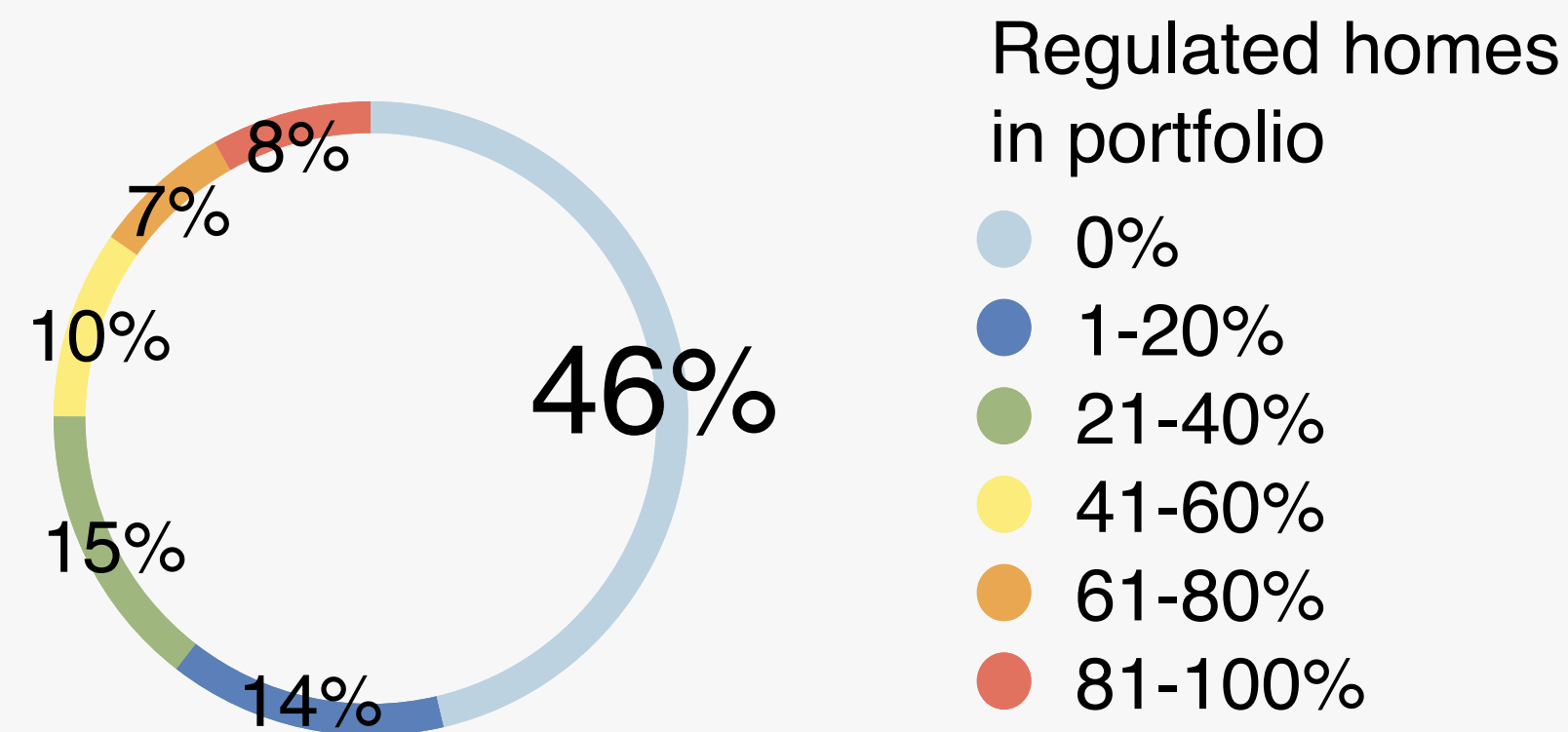
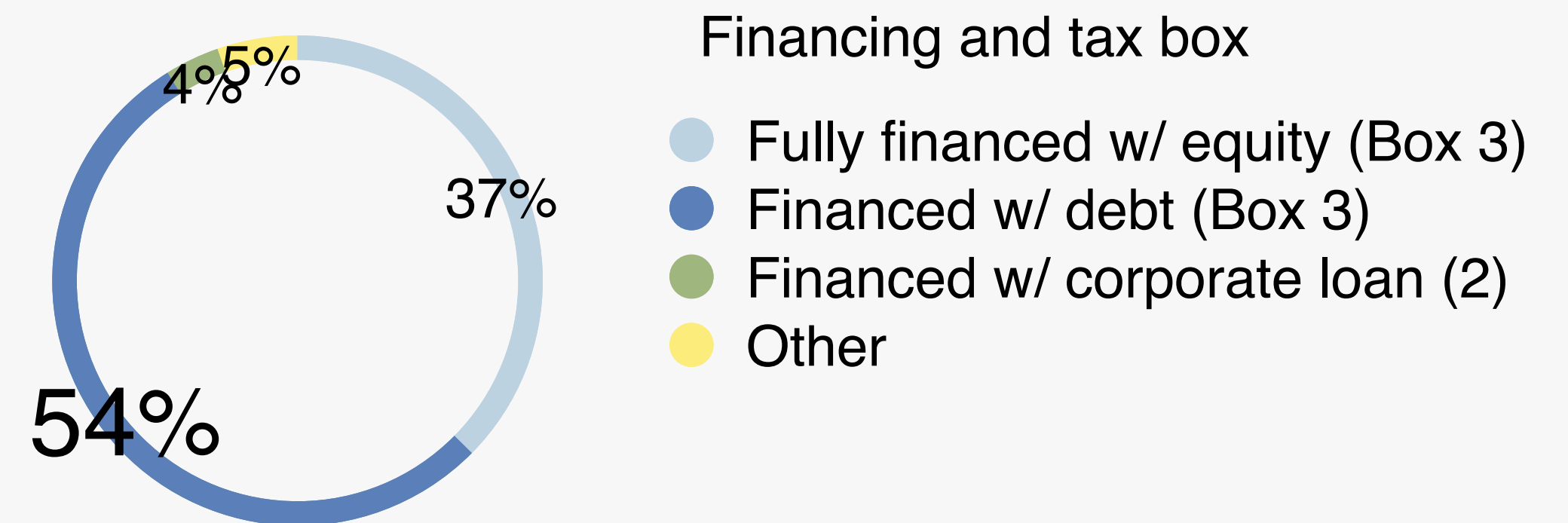


Figure 8 Private landlords by portfolio financing (Vastgoed Belang, 2023)



3. Effects of ARB and TP'23 on behaviour

- Majority intends to sell (all) their rental homes
- 15.000 homes intended to be sold (50% of sample)
- Majority to be sold when current tenants leave

Figure 9 Private landlords by response to accumulation of of policy measures (Vastgoed Belang, 2023)

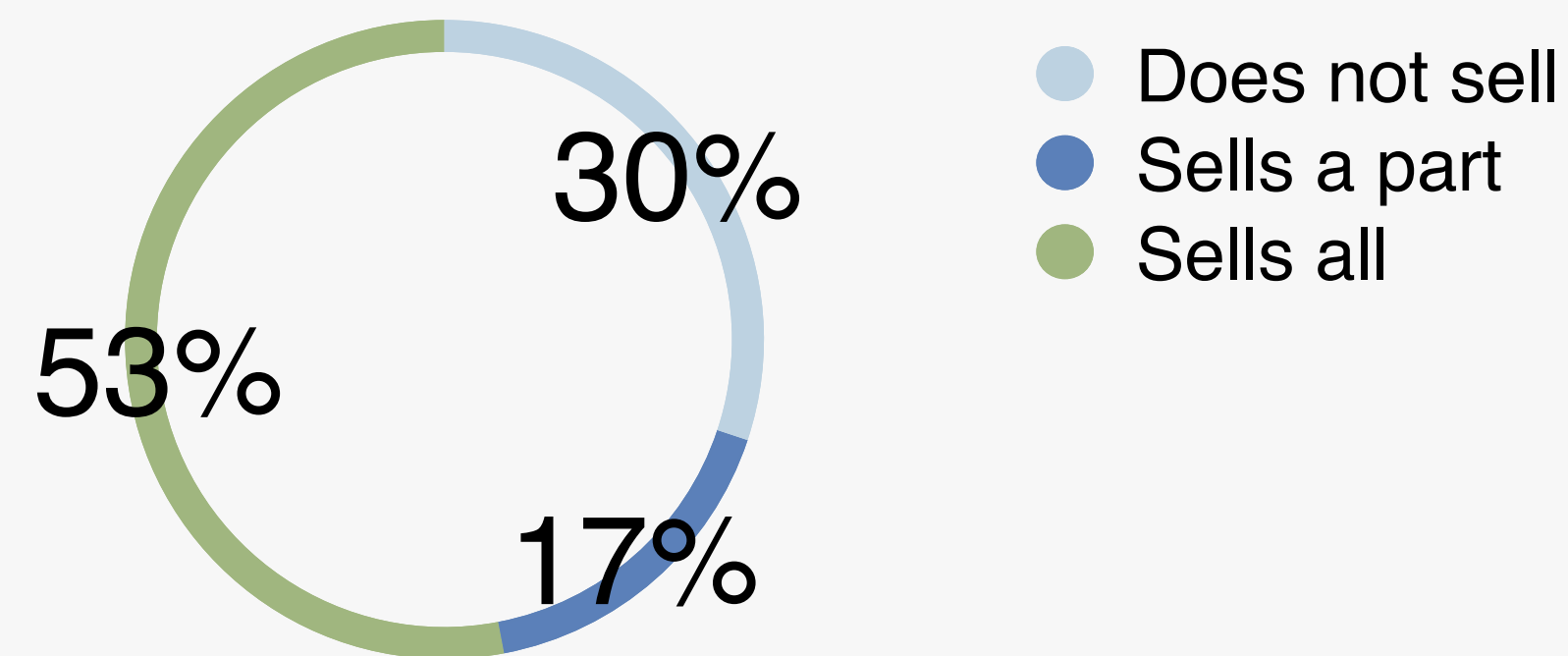
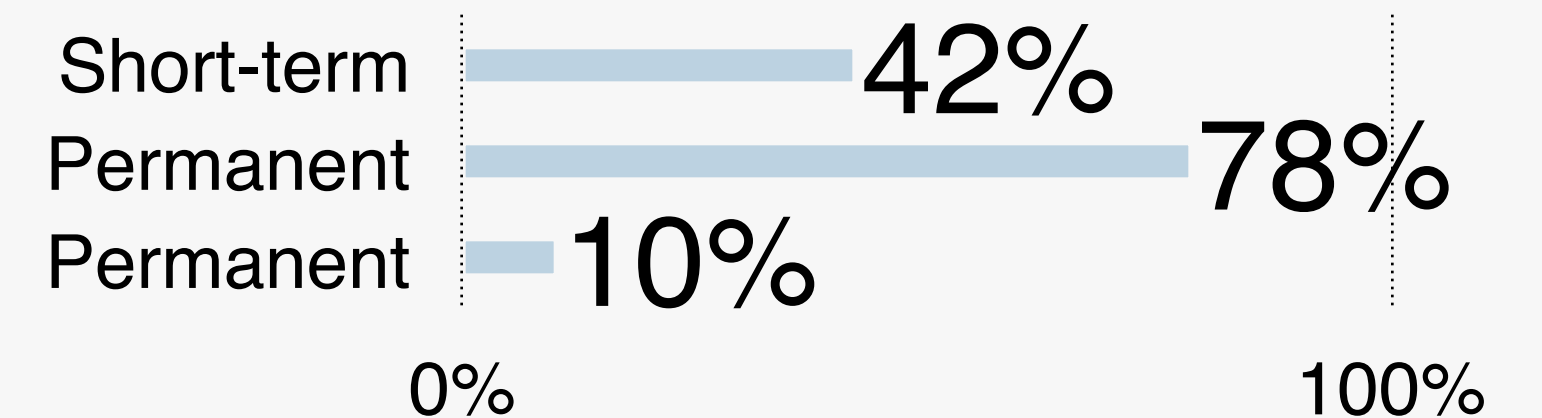


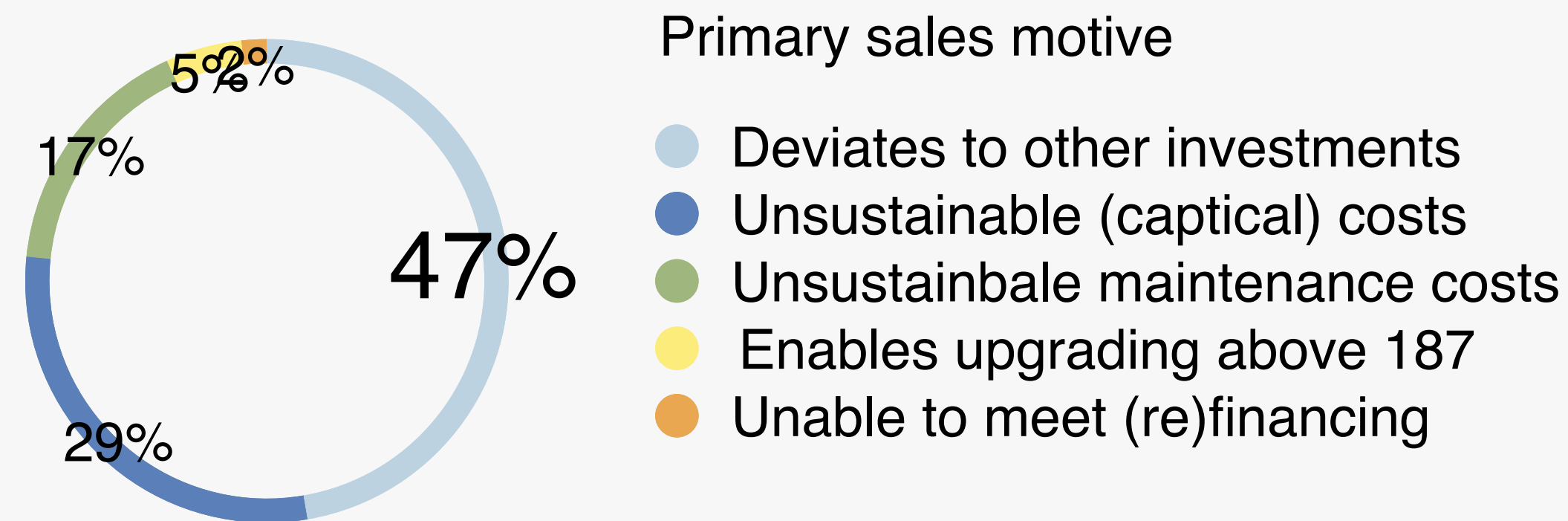
Figure 10 Selling private landlords by contract type and sales term (Vastgoed Belang, 2023)



3. Effects of ARB and TP'23 on behaviour

- Majority unsatisfied with diminishing returns
- Expect better returns in other markets (abroad)
- Large emphasis on direct returns

Figure 11 Selling private landlords by primary sales motive (Vastgoed Belang, 2023)



“The [policies] reduce the return on my investment below what I consider reasonable given the risks”

3. Effects of ARB and TP'23 on behaviour

- Most of those who do not intent to sell prioritise other factors
 - e.g., sentimental or social values, no trust in alternative investments
- Some are less affected by measures
 - e.g., more WWS points, less debt

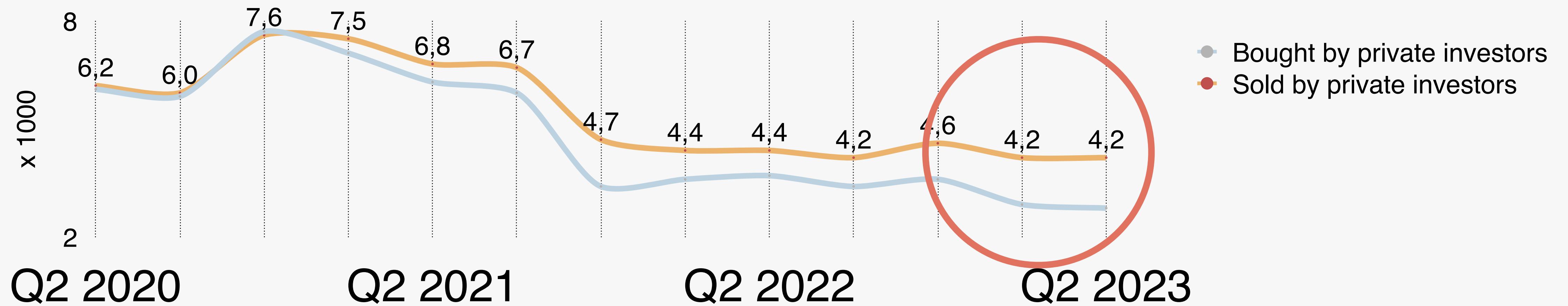
“There is currently no alternative for released capital upon sale. The return is still positive, but it will significantly decrease”

“Many of my properties remain in the unregulated segment ... , [their rents] can only go up significantly in the coming years.”

4. Effects of ARB and TP'23 on availability

- Sales have not yet materialised
- In fact, number of sales by private landlords has decreased
- Purchases by private landlords have also decreased

Figure 12 Sales and acquisitions by private investors in the 20 largest municipalities (CBRE, 2023)



4. Effects of ARB and TP'23 on availability

- If Affordable Rent Bill is implemented sales are highly likely
- CBRE (2023) expects loss of 100.000 private rental dwellings
 - 16% loss in higher and mid-market segment
 - Equivalent to the increase of more affordable housing that was anticipated
- Unlikely to be compensated by new construction
- Probably no increase of affordable private (mid-market) rental housing, decrease in overall segment

Conclusion

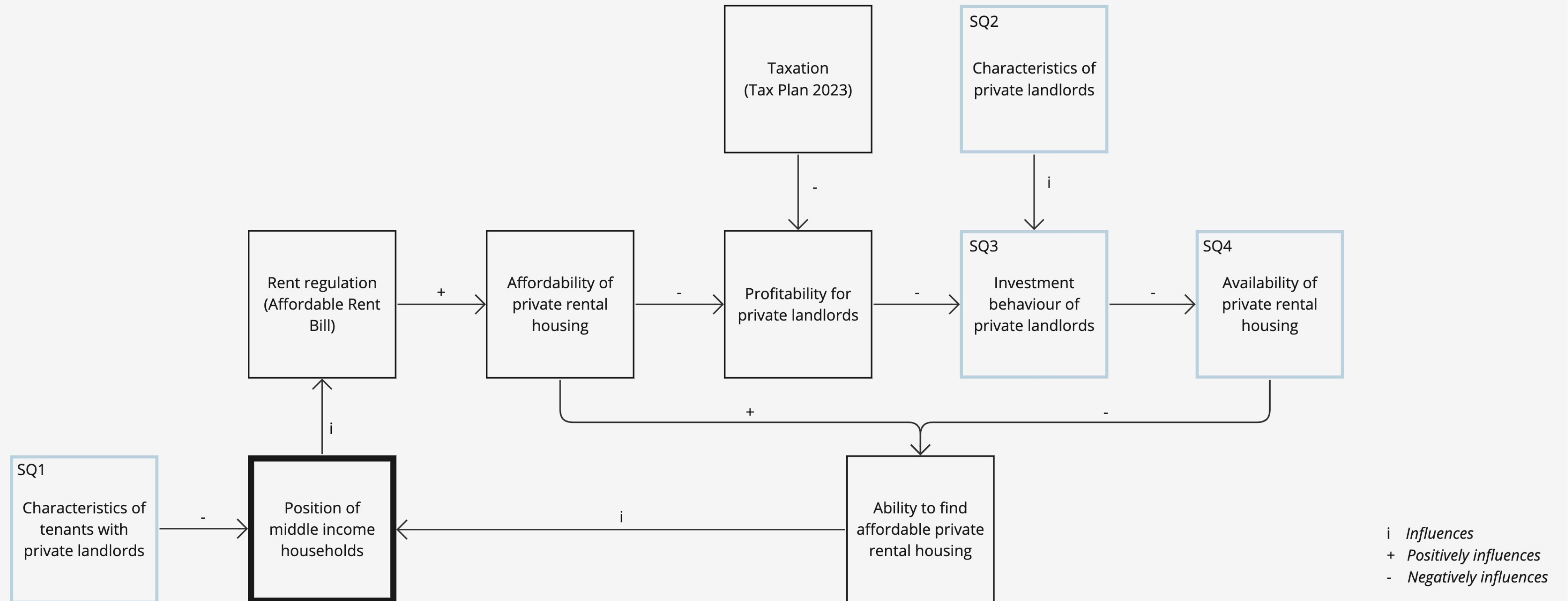
- Tax Plan 2023 limits further expansion
- ARB motivates majority of private landlords to sell majority of homes
- Likely decrease in higher and mid-market rental housing
- Position of middle income-groups unlikely to increase, probably even worsens

Figure 4 *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?”

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Policy advice

- Implement scheme that ensures affordability and availability, by enabling private landlords to facilitate this
 - Amendment of Affordable Rent Bill
 - Completely different proposal e.g., German system

