DUTCH MUNICIPALITIES AND THE QUALITY OF THE OWNER-OCCUPIED HOUSING STOCK

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ABSTRACT

Owners are responsible to maintain their own dwellings in an adequate manner. In practice however all kinds of constraints occur. Lack of financial means and insufficient (technical or practical) knowledge are the most important barriers. Because the quality of owner-occupied housing exceeds the individual interest; there are also general concerns to consider. Qualitative seriously substandard owner occupied dwellings can have negative effects on streets and neighbourhood. That is why Dutch municipalities pay more and more attention to the quality of the private housing sector. They observe that the physical quality of parts of the older owner-occupied stock is far from satisfying and partly seriously substandard. Apart from the maintenance situation, energy saving is an important other reason for municipalities to show an interest in the private housing sector, because of its large energy saving potential. Municipalities are coping with the question if and (if yes) how they can kill these two birds (quality and energy improvement) with one stone. On the basis of studies in several municipalities the question will be answered how municipalities can effectively intervene to improve the (physical and energetic) quality of owner-occupied housing.

Keywords: Energy saving, housing quality, maintenance, policy instruments, private housing stock.

INTRODUCTION

Private ownership includes both houses occupied by home owners as well as houses that are rented out on the private housing market. Given the (small) size of the private rented sector in the Netherlands this paper focusses on the Dutch owner-occupied sector. During the last decades this housing sector has increased considerably. In the 1970’s and 1980’s the parts of the pre-war private housing stock were renovated with state funding and subsidy programs on a large scale. The principal view of the central government from the late 1990’s on is that home-owners themselves are responsible for the quality of their dwellings. Governmental support in general is not necessary. For a growing number of municipalities however the quality of the private housing sector has again become a matter of concern during the last years. The main reason is the poor maintenance situation in some parts of the private stock. Municipalities also look at the private owned housing stock because it has an enormous potential for realizing energy saving goals. The underlying idea is that tackling maintenance problems can go hand in hand with improving the energy performance.

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Methodology
Within this context a research project was started (together with seven municipalities in the Netherlands) with as main questions: “What is the quality of the owner-occupied sector and How can local municipalities act to improve the quality of this housing stock”? A multi method research approach was used in the project. Via desk research and in-depth interviews the extent of the problem and the (cost) effectiveness of the policies in each municipality were described and analysed. To get insight in the overall situation in the private housing stock a questionnaire was developed that was answered by almost 3,800 home-owners (Meijer, 2013). We recently finished an evaluative research project for the city of The Hague regarding their policy on the quality of the private housing stock. The insights of that research are also incorporated in this paper.

The paper starts with a sketch of the context: the size of the owner-occupied housing stock and its general maintenance situation. Subsequently the ‘problem spots’ and their history are described and the way’s municipalities try to intervene to improve the situation is analysed. The paper ends with a discussion and concluding sections in which the best way to move forward is being described.

THE OWNER-OCCUPIED SECTOR

Size, age and dwelling type
Table 1 gives an overview of the developments in the Dutch housing stock over the last forty years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner-occupied</th>
<th>Social Rented</th>
<th>Private Rented</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>35%</td>
<td>37%</td>
<td>28%</td>
<td>100%</td>
</tr>
<tr>
<td>1980</td>
<td>41%</td>
<td>38%</td>
<td>21%</td>
<td>100%</td>
</tr>
<tr>
<td>1990</td>
<td>45%</td>
<td>39%</td>
<td>16%</td>
<td>100%</td>
</tr>
<tr>
<td>2000</td>
<td>52%</td>
<td>36%</td>
<td>12%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>59%</td>
<td>32%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>60%</td>
<td>31%</td>
<td>9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1. Development of the housing stock by tenure in % (source: ABF Research Syswov 2014)

Until some decades ago the importance of the Dutch owner-occupied sector lagged behind those in neighbouring European countries. In the meantime this situation has changed. The last decades (up until the recent economic recession) showed a remarkable growth of the sector. In the last forty years owner-occupation grew from some 35% up to 60% at present. The private rental sector declined from 28% to less than 9%. The growth of the owner-occupied part has been the combined result of a strong absolute as well as relative increase of new construction (the lion share of newly built housing construction has been owner–occupied) and of the selling out of rented dwellings. In the same period the production of rented dwellings dropped while demolition of social rented dwellings showed a steady increase.

The owner-occupied stock consists predominantly (83%) of single-family housing. In the social rental housing stock single-family houses (44%) and multifamily houses (56%) are represented more proportionally.

Although the owner-occupied stock is relatively young, the Dutch housing stock is ageing. After the mass construction following WW II the addition of new dwellings...
has now dropped to (far) less than 1% annually. In 1973 almost 60 per cent of the housing stock was less than 25 years old. In 2010 this percentage has changed to 30. The local differences of the owner-occupied sector (in terms of size, age and housing type) are vast. In the larger municipal areas the relative importance the owner-occupied sector is far lower than the Dutch average. In these larger municipalities multifamily housing also has a larger relative significance. In the municipalities that participate in this research project 40% to 50% of the housing stock is owned by the occupiers. In some of them (e.g. The Hague and Schiedam) a large part of the owner-occupied stock is pre-war and is situated in multifamily houses.

**Maintenance situation**

In general home-owners are perfectly able to maintain the quality of their dwellings (e.g. Meijer et al, 2009, AFB Research, 2010). The vast majority of owner-occupiers award their dwelling with satisfactory up to excellent marks. This applies as well to state of repair of the exterior and interior of the dwelling, the ease of use and comfort of the dwelling as the living conditions (residential area). This appraisal is based on the owners own opinion. This could of course produce a biased picture. The judgment of an owner results does not always corresponds with the actual state of repair.

Owner-occupiers are quite active maintaining their dwellings. Only a small fraction of the owner-occupiers indicate that although (major) repairs or maintenance activities were necessary, nothing has been done. The lion share of owner-occupiers seems to maintain their dwellings in an adequate way. Maintenance activities have been carried out in more than three quarters of the dwellings (over a period of 2 years). The most efforts are aimed at the exterior of the dwelling (especially exterior paint- and woodwork). A lot of work is also done inside the house (repainting, repapering and retiling and improvements of toilets, bathrooms and kitchens). Installation and insulation jobs occur relatively the least. In most cases the central heating boiler is being replaced.

The most important reason to carry out maintenance work (and this applies to exterior and interior repair as well as to insulation and installation work) is because the building component was worn-out or had broken down. Other important reasons to repair the exterior of the dwelling is prolonging its lifespan and increasing its value. Work inside the dwelling is further predominantly done to increase ease of use and comfort. Reduction of energy use is an important additional reason for carrying out installation and insulation work.

On average a Dutch home-owner spends almost € 4,800 annually to maintain, repair and improve his dwelling (Vereniging Eigen Huis, 2011). Compared with the average value of an owner-occupied dwelling (€ 263,000) this is quite a substantial expenditure.

**PROBLEM SPOTS**

Nonetheless the overall positive situation there are some serious and persistent ‘problem spots’, where the owners are not able (or willing) to invest in maintenance and repair. Local authorities are confronted with these spots where the physical quality is far from satisfying and partly seriously substandard. With regard to the
causes a broad distinction can be made. In the first place there is the actual fact that some dwellings have maintenance backlogs, or have foundation problems, or have a poor energetic performance. Then there are all sorts of circumstances that could negatively affect the quality of the sector further. These could include the (non) functioning of Associations of Apartment Owners or the sale of cheap rented dwellings to tenants who have insufficient financial means to improve and maintain there new acquired property. On top of that there are external factors that generally affect the quality of (private) housing. The economic recession and a housing market that has come to a standstill influences (amongst others) investments in housing and housing quality. The ageing population is an issue of a different sort but can also influence the maintenance behaviour of owner occupiers. One has to keep in mind that these factors and circumstances even though they are incomparable, can strengthen one another. Below we elaborate on some of the most important ingredients sketched above.

**Maintenance problems**
The quality backlog appears to be relatively sizeable in pre-war (single-family) dwellings in smaller municipalities and in multifamily houses (built before 1945 and in the period 1945-1970) which predominantly are located in larger municipalities (Meijer and Thomsen. 2006). These two segments need attention in terms of improving the physical quality. The (pre-war) single family houses can be found in relative sparsely populated areas, where the economy is shrinking. In these areas the demand for owner-occupied houses is low or almost absent. Under these circumstances the current owners are not prepared - but more important often not financially able - to invest in the upkeep of their dwellings. The houses that already are in a bad state of repair deteriorate further. The maintenance backlogs in pre-war and early post-war multifamily housing in the larger municipalities are caused by a combination of several factors.

In the recent past many apartments have been individually sold (by housing associations or private investors) to the renters. The (initial) quality of these dwellings was adequate at its best and the income of most of the buyers was low. Owners of apartments in multifamily houses are jointly responsible (in Associations of Apartment Owners) for maintaining their complex. Especially in pre-war complexes with low income owners this system does not function adequately. This means: no co-operation between the owners, no proper communal management, no meetings to plan future maintenance and no reserve fund for common repairs and maintenance.

The relative growth of elderly homeowners could influence the maintenance quality of the Dutch owner-occupied stock in the near future further. The population is getting older and owner-occupiers stay far longer in their dwellings. This fact only makes it necessary to adapt dwellings for these groups of occupants. Moreover they are reluctant or find it more and more difficult to invest in the maintenance of their dwelling.

The current economic crisis also has a negative effect on housing quality. The value of owner-occupied housing is declining and average incomes are falling off. In 2011 for more than 1million home owners the value of the dwelling was lower than the
outstanding fiscal mortgage debt (CBS, 2013). Although the situation is improving, for many homeowners it is still not attractive (or sometimes impossible) to invest in their dwelling.

**Weak foundations**

Of an entirely different order are problems with rotten wooden pile foundations. An estimated 750,000 dwellings (especially in the western parts) in the Netherlands are built on a wooden pile foundation. The number of residential buildings with (hidden or acute) foundation problems has been estimated at about 200,000 up to 250,000. This could be doubled in the coming decades if no adequate measures are taken. At least half of these will have to be provided with a new foundation. The repair costs vary from € 45,000 up to € 60,000. Many owner-occupiers face (and probably will face) this problem. These are expenses they can impossibly afford. Help and support (from authorities and or housing associations) is needed to tackle the problems.

**Poor energy performance**

The national government and municipalities have established ambitious goals to improve the energy performance of the Dutch housing sector. In the owner-occupied sector the potential for energy saving is huge (Meijer et al, 2009). Our survey shows that more than 60% of the owner-occupiers believe that it is quite feasible to lower the energy use (either by taking measures or by changing behaviour). Around 25% up to 30% has the opinion that more energy saving is not possible and the remaining 10% has no idea. Research on a national scale (WoON, 2012) shows that more than half of the owner occupied stock (two million dwellings) has an Energy label less than D (A being the highest and G being the lowest). The energetic backlog is especially manifest in the pre-war and early post war dwellings. This illustrates the fact that in the field of energy saving still a lot can be gained in the private housing stock.

**MUNICIPAL POLICIES**

From 1901 on (the year the first Housing Act came into force in the Netherlands) local authorities have a statutory duty to monitor the state of repair of the housing stock. As stated in the introduction the quality of private housing became a political issue on a national level. In the 1970’s and 1980’s extensive maintenance backlogs in the pre-war owner-occupied sector were improved with government funding. Until the year 2000 the quality of the Dutch Housing stock was monitored with 5 yearly qualitative housing surveys. The last survey (held in 2000) showed that the Dutch owner-occupied stock in general was in a relatively good state. This was the sign for the national government to end its active involvement in the owner-occupied housing sector.

Because of the persistent ‘problem spots’ within the private housing stock local authorities however saw the last decade more and more reasons to intervene in the private owner stock. This was partly prompted by their statutory role to supervise housing quality. Their wish to bring the liveability of their neighbourhoods and the improvement of the socio-economic strength and potential of their municipality on a
higher level, were probably more important reasons to intervene. A row of dilapidated owner-occupied houses in a street could have serious negative effects on the neighbourhood. The existence of these neighbourhoods could even hinder the economic potential of the municipality as a whole. Besides the maintenance quality backlogs ambitious energy saving goals set both on a local as national level made municipalities look at the (private) housing sector.

Policy instruments
In many cases local authorities just aimed at one result and offered for instance a subsidy scheme for energy saving measures. Generally this ad hoc ‘policy’ lasted until the subsidy budget ran out. The municipalities in our research project however have tried to develop a connected set of policy instruments to tackle the problems mentioned above. In some cases these instruments were focussed on specific goals like solving problems encountered by the Association of Apartment Owners or focussed on certain types of repair (e.g. the foundations or on energy saving measures). In all cases the policies were aimed at trying to get ‘combined results’. For instance policies to restore foundations include measurements to improve the energy performance of the dwelling (e.g. insulating the ground floor). The main results of the case study research:

- Instruments focussing on informing, supporting advising and guiding owner occupiers can give the owners a substantial push in the right direction. An excellent example of this is the Information Counter for Associations of Apartment Owners in The Hague. Since the opening late 2008 the Information Counter has advised and activated 3,250 Associations of Apartment Owners (with more than 21,000 apartments). The result is that these apartment owners are on speaking terms with each other and can make plans to carry out maintenance on the common parts of their complex (e.g. roof, façade, etc.).

- Experience shows further that policy instruments that offer a mix of approaches that are focussed on a concrete housing block, street or area generally also are effective. The specific mix of instruments depends of course on the local situation. The general idea is to combine the carrot with the stick. On the one hand owners are ‘tempted’ with municipal support and guiding, often related with small financial incentives and/or low rented loaning schemes. At the same time pressure is brought on the owners in case they are not sensitive for the temptation strategy: if they do not comply a summons will be issued to repair the house. In for instance the municipality of Schiedam more than 4,000 private dwellings have been improved (roughly between 2003 and 2012) with a policy mix of loans, guidance and support.

- Not in all cases a mix of information and guidance and small financial incentives will do the trick. This is obviously the case when there are severe problems with the foundation of a dwelling. In view of the necessary investments and the financial position of some of the owners, substantial financial support is necessary. The municipalities in our research project that encountered these problems developed a mix of instruments (inspections, personal support and guidance, subsidies, loans) with financial back up from the central government funding. Hundreds of dwellings were improved. In the near future financial funding from the central government will come to an end although the problems
are not solved. Municipalities want to proceed with a policy with emphasis on facilitating the owners. The results of these policies have yet to be seen.

DISCUSSION
The case studies gave insight in the main results of municipal policies to intervene in the quality of the private housing stock. In general these instruments are aimed at stimulating the owners through a combination of communication and financial incentives. The case studies showed also that the act of policy making is underdeveloped by most municipalities. It should start with the fundamental question why a municipality should invest public money in the maintenance of private dwellings. The reasons municipalities formulate are mentioned before, but a proper justification is often missing. In most cases goals are mentioned like the renovation of a certain number of dwellings, but a financial assessment is almost never made (e.g. the investments of this amount of money in the private housing sector brings in benefits which are worth a certain amount). Once the decision is made to develop a policy municipalities seldom follow consecutively and consequently all the steps to come to a proper policy: identification of the actual problem, determination why they should solve it, the formulation of an approach and the exact policy goals and allocation of financial and personal capacity and a proper evaluation of the policy afterwards. The latter makes it not always easy to draw rock-hard conclusions on the efficiency and effectiveness of the municipal policy instruments.

On the basis of our case studies we mingled all ingredients to make a policy decision and a conveniently arranged policy approach in a simple matrix that gives an overview of the ‘playing field’. These insights can of course be derived from every solid handbook on policy analyses, but it appears in practice that not many municipalities use these handbooks.

<table>
<thead>
<tr>
<th>Maintenance quality- Energy Quality</th>
<th>Assessment</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>G</td>
<td></td>
</tr>
<tr>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P</td>
<td></td>
<td></td>
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<tr>
<td>Sufficient</td>
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<td>Poor</td>
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<td>S</td>
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<td>P</td>
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<td></td>
</tr>
</tbody>
</table>

It starts on the left top side with a definition of the concrete problems the municipality wants to be solved. The above matrix takes the two issues energy quality and maintenance quality as point of departure because these are the issues
many municipalities focus on. Other issues like ‘making dwellings proof for lasting a lifetime’ can of course be added. The matrix shows that choices made at the beginning define the line of policy that is going to be developed. Most municipalities combine energy and maintenance issues. One has to realize that this makes sense only to a certain level. Not in all cases it is fruitful and remunerative to try to improve the energy performance. For example in old private housing where maintenance is years overdue and with owners with low incomes and no money to spend. A small improvement in the energy performance in these dwellings will take an enormous (personal and financial) effort. It could be far wiser to focus on dwellings that have not serious maintenance backlogs, but have a large potential for energy saving (and often are occupied with owners with a more stable financial position). So what must be made clear from the beginning is that energy saving goals and maintenance goals should be distinguished and quantified separately.

Keeping that in mind the usefulness and necessity of developing a policy should be determined. It should be made clear what the problems are, how sizeable they are and how they can be tackled in a coherent way. This means that as adequate and quantitative as possible insight has to be gained in the problems. These problems have a certain size and are spread over the city and are sometimes concentrated in certain streets. The owners of the dwellings involved all have their own definition and interpretation of the problems as the municipality sees them. For a municipality it is important to have insight in the type of owners they are dealing with, when formulating an approach. That is of course once the municipality has assessed if they should be involved in solving the problem. Metaphorically speaking the municipality has to decide what their role will be on the ‘playing field’ (arbitrator, caretaker or even teammate)? In reality the roles will be defined in terms as initiator and facilitator on one end of the spectrum to maintainer or enforcer on the other end. Once these choices are made a concrete approach can be drawn up (with unambiguous and measurable goals) and a clear organizational and financial embedding in the municipal organization. Important part of the latter is to organize the approach/policies in such way that makes it clear who the tasks and responsibilities are divided and how progress and results are being reported and monitored. In the end this makes an evaluation of the policy instruments a much more straightforward job.

CONCLUSION
The last decades the owner-occupied stock has undergone a notable growth. From the 1980’s on owner-occupation grew from some 40% up to 60% at present. Although the owner-occupied stock is still young, the ageing process is continuing rapidly. The average Dutch home-owner is quite satisfied with his dwelling. In general owner-occupiers seem perfectly able to maintain their properties in an adequate manner without any help. The overall quality condition of the owner-occupied stock is as such not a convincing reason for the introduction of generic instruments and incentives. Nonetheless there are ‘problem spots’ for which some municipalities have developed policy instruments. The paper analyses the
effectiveness of these instruments and advocates a more systematic policy approach. Main goal for the future is – under the principle that prevention is better than cure - to take care that that current quality backlogs do not spread further.

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