BRIDGING THE AFFORDABILITY GAP

An exploratory study into the potential enhancement of the Dutch intermediate housing sector

P5 Presentation
Vicky van den Bos
January 31, 2020
INTRO

• what do you think the average house costs in: Rotterdam?
INTRO

• what do you think the average house costs in: **Rotterdam**?

<table>
<thead>
<tr>
<th></th>
<th>rent</th>
<th>owner-occupied (new)</th>
<th>owner-occupied (existing)</th>
</tr>
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<tbody>
<tr>
<td>84 m2</td>
<td>100 m2</td>
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* apartments
• what do you think the average house costs in: Rotterdam?

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<td>84 m2</td>
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<tr>
<td>€ 1.366 p/m</td>
<td>€ 497.450 von</td>
<td>€ 284.763 k.k.</td>
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* apartments
INTRO

• what do you think the average house costs in: Naaldwijk?
INTRO

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<th>rent</th>
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<tr>
<td>94 m2</td>
<td>155 m2</td>
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* grondgebonden
INTRO

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<td>126 m²</td>
</tr>
<tr>
<td>€ 1,146 p/m</td>
<td>€ 446,066 von</td>
<td>€ 366,069 k.k.</td>
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PART 01.

research set-up
PROBLEM STATEMENT

social housing sector  |  ‘full price’ housing sector
PROBLEM STATEMENT

social housing sector

rent: € 737,14
income: € 39.055

‘full price’ housing sector
PROBLEM STATEMENT

• economy is doing really well
• housing shortage in general
• so .. housing prices rise ..
PROBLEM STATEMENT

social housing sector

rent: € 737,14
income: € 39,055

‘full price’ housing sector
PROBLEM STATEMENT

social housing sector  "affordability gap"  ‘full price’ housing sector

rent: € 737.14
income: € 39,055
PROBLEM STATEMENT

lower segment | middle segment | higher segment

lower incomes | middle incomes | higher incomes
**PROBLEM STATEMENT**

- **social housing sector**
- "affordability gap"
- ‘full price’ housing sector

- lower incomes
- middle incomes
- higher incomes

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- income: € 39,055
PROBLEM STATEMENT

social housing sector

"affordability gap"

‘full price’ housing sector

lower incomes

middle incomes

higher incomes

rent: € 737,14
income: € 39.055

rent: € 1,000
income: € 54.750*

* based on 1.5x annual average income
PROBLEM STATEMENT

social housing sector | "affordability gap" | ‘full price’ housing sector

intermediate tenures
• are offered by housing associations
• but .. since change of Housing Act 2015 more difficult (due to DAEB/niet-DAEB division)
PROBLEM STATEMENT

- “affordability gap” is growing
- main provider of intermediate tenures is limited in its options to do so
- why?
RESEARCH AIM

• to gain more insights in the concept of intermediate housing tenures and its characteristics;
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• to understand the context in which Dutch intermediate tenures have been, and can be, developed, mainly by studying the development of former Dutch intermediate tenures;
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• to gain more insights in the **concept** of intermediate housing tenures and its **characteristics**;

• to understand the **context** in which Dutch intermediate tenures have been, and can be, developed, mainly by studying the development of former Dutch intermediate tenures;

• to explore the **potential enhancement** of the Dutch intermediate housing sector, in order to stimulate the **provision** of such tenures.
RESEARCH AIM

• to gain more insights in the concept of intermediate housing tenures and its characteristics;

• to understand the context in which Dutch intermediate tenures have been, and can be, developed, mainly by studying the development of former Dutch intermediate tenures;

• to explore the potential enhancement of the Dutch intermediate housing sector, in order to stimulate the provision of such tenures.

• the purpose of these intermediate tenures should be to ensure affordability and accessibility of housing for middle-income households.
RESEARCH QUESTIONS

“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”
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“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”

• sub-research questions:

1. How can intermediate housing tenures be characterized?
“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”

• sub-research questions:

1. How can intermediate housing tenures be characterized?

2. How did Dutch intermediate housing tenures develop throughout the years?
RESEARCH QUESTIONS

“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”

• sub-research questions:

1. How can intermediate housing tenures be characterized?

2. How did Dutch intermediate housing tenures develop throughout the years?

3. What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?
RESEARCH QUESTIONS

“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?"

• sub-research questions:

4. Based on the lessons learned from former Dutch intermediate housing tenures, which recommendations could be formulated for the enhancement of the current Dutch intermediate housing sector?
RESEARCH QUESTIONS

“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”

• sub-research questions:

4. Based on the lessons learned from former Dutch intermediate housing tenures, which recommendations could be formulated for the enhancement of the current Dutch intermediate housing sector?

5. How do professionals reflect on these recommendations?
RESEARCH FRAMEWORK

Literature study
- Problem formulation
- Intermediate housing tenure characterisation
- History and development of Dutch intermediate housing tenures
- Lessons learned from Dutch intermediate housing tenures

Empirical study
- Formulating recommendations for improvement

Recommendations
- Reflection on recommendations
- Conclusion
- Discussion
- Research recommendations

Validation
- Feedback
PART 02.

results
RESULTS

• How can intermediate housing tenures be characterized?
RESULTS

• *How can intermediate housing tenures be characterized?*

• Definition:
  - Are a means to provide affordable housing;
  - Distinguishes itself from conventional renting and homeownership by the differing property rights

(Elzinga et al., 2015)
RESULTS

• How can intermediate housing tenures be characterized?

- social housing sector
- lower incomes
- “affordability gap”
- middle incomes
- ‘full price’ housing sector
- higher incomes

intro | problem statement | aim | research questions | research framework | results | conclusion | discussion | what’s next?
• How can intermediate housing tenures be characterized?
• How can intermediate housing tenures be characterized?
RESULTS

• How can intermediate housing tenures be characterized?

social housing sector  |  intermediate tenures  |  ‘full price’ housing sector
financial products
housing cooperatives
• How can intermediate housing tenures be characterized?
• How can intermediate housing tenures be characterized?

- social housing sector
  - intermediate tenures
  - financial products
  - housing cooperatives
  - partnerships for affordable housing
  - affordable housing (rent & owner-occupied)

- ‘full price’ housing sector
RESULTS

How can intermediate housing tenures be characterized?
• How can intermediate housing tenures be characterized?
• How did Dutch intermediate housing tenures develop throughout the years?
RESULTS

• How did Dutch intermediate housing tenures develop throughout the years?
RESULTS

• *How did Dutch intermediate housing tenures develop throughout the years?*

**Fair Value Model (FVM)**

Koopstart  € 240.000

+ Discount 20%
• *How did Dutch intermediate housing tenures develop throughout the years?*

**Fair Value Model (FVM)**

<table>
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<tr>
<td>+ Discount 20%</td>
<td>- Discount 20%</td>
</tr>
<tr>
<td>Value increase</td>
<td>+</td>
</tr>
<tr>
<td>Share of value increase: 30%</td>
<td>-</td>
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20% x 1.5 = 30%
• How did Dutch intermediate housing tenures develop throughout the years?
RESULTS

• How did Dutch intermediate housing tenures develop throughout the years?
RESULTS

• What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?
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role of the municipality

- often prioritise social housing
- more active role
- different levels ‘active’
- mindset / attitude
RESULTS

• What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?

role of the municipality
- often prioritise social housing
- more active role
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provision by housing associations
- influence Housing Act 2015
- balance sheet obligation
- including in core activities (DAEB) again > might help
RESULTS

• What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?

**provision by commercial developers**
- only as part of larger development
- only one-time affordability products
RESULTS

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<th>context of provision intermediate tenures</th>
<th>institutions have (negative) influence</th>
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<tr>
<td></td>
<td>economic upturns: hard to reach target group</td>
</tr>
<tr>
<td></td>
<td>users and providers not united &gt; no advocacy group</td>
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<tr>
<td></td>
<td>track records: proof</td>
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RESULTS

• What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?

potential of (new) intermediate tenures
- combining renting & capital accumulation
- housing cooperatives
RESULTS

• What lessons can be learned from the development of former Dutch intermediate housing tenures and their contexts?

| potential of (new) intermediate tenures | combining renting & capital accumulation |
| housing cooperatives |

| unaffordability of housing in middle segment | not enough supply |
| unequal fiscal treatment |
| segmentation / regulation lower segment |
| change of Housing Act > rechange it? |
RESULTS

• Based on the lessons learned from former Dutch intermediate housing tenures, which recommendations could be formulated for the enhancement of the current Dutch intermediate housing sector?

• How do professionals reflect on these recommendations?
RESULTS
PART 03.

conclusion
CONCLUSION

“What does the Dutch intermediate housing sector look like, and what measures can be taken to enhance the context in which intermediate tenures are operated, to stimulate the provision of these tenures as affordable housing solutions?”
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

01. Municipalities are urged to take a more active role in the provision of intermediate tenures, ranging from facilitative to active measures, to stimulate the supply of affordable housing in their municipality.
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

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Facilitative
- performance agreements with HA’s
- ‘doelgroepenverordening’
- include in land-use plan
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Semi-active
- collaborate with developers, e.g.:
  - 50/50 share in ground exploit.
  - developer develops + realizes, municipality operates
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Active
- municipal Ltd.
- create own tenures
CONCLUSION

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• benefits:
  - exemplary role;
  - balance between the segments;
  - maintain keyworkers;
  - insights in local housing market;
  - control long-term affordability.
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

02. The Dutch national government should implement an affordable housing policy that requires municipalities to identify the problem and the urgency in their municipality, and to come up with a plan on how to solve the problem the coming years.
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1st year
- map and identify the local housing need and urgency

2nd year
- come up with a plan to respond to the identified problem with concrete solutions
CONCLUSION

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• unfamiliarity > need for a campaign?

• bigger picture: housing policy of government
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

03. Set up an advocacy group that represents the interests of the users of intermediate tenures, as a subdivision of a larger, existing advocacy group, and keep track records of all intermediate tenures provided.
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subdivision of Vereniging Eigen Huis
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join forces: current knowledge institutes (OpMaat, Woonlab?)
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- subdivision of Vereniging Eigen Huis
- join forces: current knowledge institutes (OpMaat, Woonlab?)
- provide proof: track records
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

04. In addition to the current available intermediate tenures, also focus on creating a new intermediate tenure that combines renting with capital accumulation, to decrease the financial difference between renting and owning.
CONCLUSION

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- e.g. renting and in year X option to buy
- e.g. renting, with monthly ‘purchase’ of total purchase price
CONCLUSION

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CONCLUSION

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Other recommendations

- rethink the balance sheet obligation for buy-back arrangements
- let the VAT and ‘transfer tax’ cap correspond to the NHG-limit
- housing cooperatives as alternative
- rethink the ‘landlord tax’ (verhuurderheffing)
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

Which organisation could provide intermediate tenures?
CONCLUSION

• “What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

Which organisation could provide intermediate tenures?

- housing associations: DAEB or housing associations: separate or subsidiary company for niet-DAEB
- commercial market parties
- new provider: PPP-structure
CONCLUSION

“What does the Dutch intermediate housing sector look like, and what measures can be taken to improve the sector and stimulate the provision of intermediate tenures, to ensure more affordable housing for middle-income households?”

Which organisation could provide intermediate tenures?

- housing associations: DAEB
  or
  housing associations: separate or subsidiary company for niet-DAEB
  + / -

- commercial market parties
  + / -

- new provider: PPP-structure
  + / -
PART 04.
discussion
DISCUSSION

- problem part of a bigger context?
- result of lacking housing policy?
DISCUSSION

• problem part of a bigger context?
• result of lacking housing policy?

![Diagram](image-url)

- social housing sector
- "affordability gap"
- ‘full price’ housing sector
- lower incomes
- middle incomes
- higher incomes
DISCUSSION

• problem part of a bigger context?
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DISCUSSION

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DISCUSSION

- problem part of a bigger context?
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[Diagram showing the social housing sector, housing allowance (huurtoeslag), 'full price' housing sector, mortgage interest deductibility.]

* in case of owner-occupied housing
• problem part of a bigger context?
• result of lacking housing policy?

social housing sector

housing allowance *(huurtoeslag)*

? *in case of owner-occupied housing

‘full price’

housing sector*

mortgage interest

deductibility*
DISCUSSION

• new housing policy needed that suits current and future context?
DISCUSSION

• new housing policy needed that suits current and future context?
DISCUSSION

• new housing policy needed that suits current and future context?

social housing sector

permanent affordable supply

‘full price’ housing sector
PART 05.

what’s next?
WHAT’S NEXT?

• blogpost / article in (real estate) magazine?

• discuss results with research participants

• work on housing affordability in 2020!
  - at PROVADA!
WHAT’S NEXT?

social housing sector

‘full price’ housing sector

what’s next?
THANK YOU!

any questions?