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Workshop 21 - Home Ownership and Welfare Developments

Responsibility of owner-occupiers for the technical quality of their house

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Abstract

The Dutch government is stimulating homeownership, which has led to an increasing number of owner-occupiers. Owner-occupiers now occupy 56% of the Dutch houses. In the past years, the Dutch Ministry of Housing, Spatial Planning and the Environment (VROM) has subsidised and actively cooperated in the improvement of the quality of the private housing stock. Market parties and owner-occupiers have also invested in the private housing stock. The average structural quality has improved strongly and the total amount of repair costs has decreased. Therefore, the attention of the Dutch government is no longer focused on the quality of the private housing stock. At the same time there are still parts of the private housing stock where the structural quality needs attention. The Dutch Minister of VROM emphasises the responsibility of the owner-occupier for the structural quality of his own house. Less building regulations and better enforcement should support this policy. The government has diminished financial support for homeowners. This paper describes the research design for a PhD project on how owner-occupiers can be facilitated to bear this responsibility for the quality of the house, the reasons for this research and earlier research on this subject.

1. Introduction

In the past years, the Dutch Ministry of VROM has subsidised and actively cooperated in the improvement of the quality of the private housing stock. These investments were mainly focused on counteracting the bad structural condition of the housing stock due to maintenance arrears. State subsidies and tax benefits stimulated owner-occupiers to improve the structural quality of parts of their houses. On local scale, projects were focused on larger areas where the structural condition of the private houses was seriously deteriorated. Owner-occupiers invested a lot in their houses and market parties have cooperated in the renewal of blocks of buildings with private apartments.

The past years the average structural quality has improved strongly and the total amount of repair costs has decreased. Therefore, the attention of the Dutch government is no longer focused on the quality of the private housing stock. The Dutch Minister of VROM emphasises the responsibility of the owner-occupier for the quality of his own house (VROM, 2005). The government focuses on

advice and counselling on issues like maintaining the conditions of gas and electric installations and ventilation. The government has diminished financial support for homeowners. At the same time there are still parts of the private housing stock where the structural quality needs attention.

For the future, it is important to prevent large-scale maintenance arrears to prevent the deterioration of living conditions in neighbourhoods. Therefore, next to the removing of the existing arrears, maintaining the quality of the private housing stock remains an important issue. Improving the quality of the private housing stock is also important for the connection of supply and demand in the housing market.

Owner-occupiers now occupy 56% of the Dutch houses. The Dutch government is stimulating homeownership, which has led to an increasing number of owner-occupiers. The quality of the private housing stock therefore will be increasingly important. The ageing population and the need for sustainability will influence the demand for quality in the private housing stock.

The starting point of the PhD project described in this paper, is the responsibility of the owner-occupier for the quality of his house. This responsibility is not new, but mutual relations in society have changed. The role of the government has also changed, the current national government emphasises the responsibility of owner-occupiers. Commercial parties initiate and actively cooperate in urban renewal projects. The PhD research will be focused on instruments for maintaining and improving the quality of the house, to facilitate the responsibility of owner-occupiers. This paper will describe the reasons for the PhD project, the results of earlier research on the development of a concept of an instrument for owner-occupiers, focused on insight in the quality of houses, and the proposal for the PhD project.

This paper is divided in five sections. First, a description of the Dutch private housing stock, recent developments and a basic inventory of instruments focused on owner-occupiers states the context of the PhD project. Second, the role and tasks of the owner-occupier are explained. Third, earlier research on the development of an instrument for transparency is presented and evaluated. Fourth, the research design for the PhD project is set out that takes the responsibility of the owner-occupier for the quality of his house as a starting point. Fifth, there is a short paragraph of conclusions. The objective of the project is to determine what owner-occupiers need to maintain the quality of their house. And to provide insight in the effectiveness and efficiency of existing instruments focused on owner-occupiers. The focus will be on the technical part of improving the quality of the house.

2. Context

The Dutch private housing stock consists of owner-occupied houses, private rent houses, second houses, private rent apartments, owned-occupied apartments and apartment buildings with mixed ownership: owner-occupied apartments and private rent apartments. The research project focuses on owner-occupied houses and apartments.

The Dutch private housing stock is old, ageing and steadily increasing in size. Based on the current replacement speed through demolition followed by new construction, an average house should have a lifespan of 350 to 500 years (Thomsen, 2002). Even with a substantial expansion of the total

amount of replacements there will remain a demand for a very long lifespan. Therefore, the maintenance of the existing private housing stock is at least as important as the construction of new houses and expanding lifespan measures are inevitably (Meijer and Thomsen, 2006). There are two different forms of maintenance or improvement to distinguish: cooperative and individual. Concerning the cooperative approach, a condominium association usually coordinates the maintenance. A condominium association is obliged in private condominiums in the Netherlands. All homeowners are members of the association that has the objective to maintain the quality of the building. A fund for maintenance is monthly filled with contribution of each homeowner in the building. Sometimes, the condominium association hires a professional organisation to plan maintenance and to guard the funds.

At this moment (ABF research, 2005) private parties own almost two-third of the Dutch housing stock: homeowners 56% and landlords 10%. The share of the private rent sector is getting smaller and the share of owner-occupiers is increasing. Next to the important difference between private rental houses and homeownership, there are important differences (as regard to housing quality and possible quality improvement) between single-family houses and apartment buildings and between building periods (typology, construction methods etc.). These differences will be taken into account during the project. The project focuses on owner-occupiers. The private rental sector is relatively small (table 1) and has two very different faces: homeowners who own one or a few houses who let their buildings and large investors. Recent research shows that the biggest investments are to be made in pre-war single-family houses, pre-war private rental houses and early post-war single-family houses (Thomsen and Meijer, 2006).

Table 1: The Dutch housing stock, ownership and building period

	Total		Home-ownership		Social housing		Private rental	
		%		%		%		%
Pre-war %	1.487.893	21,7	902.006	23,3	281.396	12,2	304.491	44,6
1946-1970	1.952.230	28,4	856.404	22,2	929.579	40,2	166.249	24,4
1971-1990	2.307.546	33,6	1.286.013	33,3	864.472	37,4	157.061	23,0
After 1990	1.114.321	16,2	821.435	21,2	238.160	10,3	54.726	8,0
TOTAL	6.861.990	100	3.865.857	100	2.313.607	100	682.526	100

Source: ABF research 2005

Table 2: The Dutch private housing stock, ownership and typology

	Home-ownership		Social Housing		Private rental	
		%		%		%
Single family houses	3.390.909	87,7	1.201.633	51,9	290.779	42,6
Apartments	474.948	12,3	1.111.974	48,1	391.747	57,4
TOTAL	3.865.857	100	2.313.607	100	682.256	100

Instruments focused on owner-occupiers in the Netherlands

For homeowners, it is important to know what the quality of their (future) house is, among others for determining the right price, to determine if the quality of the house meets legal requirements, if the house meets the wishes and demands of the buyer and to estimate the required amount of maintenance or improvement necessary. There are several organisations for data registration of houses, for example the cadastre for legal information and the municipality for registration of the address and owner of a building. Aspects concerning the quality of each separate house are not registered. In 2009, a registration of addresses, owners and legal information about buildings will be available in a digital database, administered by the local government. Then, homeowners or buyers have to appeal to only one authority to achieve available information about a house. This can be the basis for the uniform registration of building data concerning quality.

The homeowner is bound by government regulations. He is obliged to keep the structural condition at a minimum level according to the Building Decree. The most important public law requirements regarding the safety, health, energy efficiency and usability of buildings are set in the Building Decree. The Building Decree is originally focused on the construction of new buildings, but there is also a section for existing houses. If the homeowner changes something in the dwelling, like an extension or changing the façade, the homeowner is obliged to report this change and in some cases he needs a building permit from the municipality. Several other laws impose specific quality requirements, as those specified in the Gas Act for gas installations. The implementation of the European Energy Performance Building Directive (EPBD) in the Netherlands in 2007 obliges homeowners to submit an Energy Performance Certificate when selling the house.

Private law concerns agreements between two private parties, for example the buying and selling of a house, like the obligation to provide information when selling a house. There are all kinds of private law certificates and quality marks for providing the security for buyers that houses have a certain quality. However, the real meaning of those instruments is not always clear. The Dutch Minister of VROM wants the market to provide a uniform inspection method for houses.

3. Owner-occupier

The owner-occupier is obviously, both owner and occupier of his house. As a homeowner, he can be compared with an investor. The house is a capital-intensive good and therefore not without risk. The homeowner will have to estimate the costs and benefits for a very long period of time (Van der Schaar, 1991). The costs are interest charges, maintenance, depreciation etc. The benefit is the increase in price (Elsinga, 2001). This explains why homeowners are not always interested in investing in their house when it is situated in a degenerated area. The benefits will maybe not make up for the costs because the house price is largely determined by the appreciation of the surroundings. Therefore external effects influence the investment behaviour of homeowners. Research has shown

(Meijer & Thomsen, 2006) that the reason that owner-occupiers don't maintain the quality of the house is not a lack of financial means.

The occupier can be compared with a consumer. Even though a dwelling cannot be seen as a simple consumer good (Priemus, 2000), the occupier will also invest in his house when he gains no profit from it. For example, comfort can be very important for the occupier. Kitchens and bathrooms are parts of the house often adapted by occupiers, even though it is seldom compensated in a price-rise.

The cycle of consuming consists of orientation, purchase, use and disposal. For making choices during each stage consumers use different sources for information: neutral sources like the government or consumer interest organizations, commercial sources like advertising and social sources like friends (Antonides & Van Raaij, 2002). Research in the Netherlands shows that concerning energy-saving measures in the Netherlands, the information from suppliers has more effect on the investment behaviour of owner-occupiers than neutral information by the government (Hoekstra, 2003). In every choice during the consumer cycle there are several risks seen by consumers: physical risks, financial risks, social risks and time related risks (Antonides & Van Raaij, 2002). For example, if you don't guard the structural condition of your house, eventually moisture or draught can cause health problems. Or, if you want to purchase a house, the amount of time necessary for maintenance, can influence your decision.

Recent developments

The most recent memorandum of the Dutch Ministry of VROM about the policy for the next years (VROM, 2000), focuses on owner-occupiers as consumers. Freedom of choice by giving them authority is one of the main objectives in the memorandum. They state that this authority should be achieved by stimulating consumer interest organizations, the development of a uniform inspection method by market parties and transparency of the housing market. By putting the responsibility for developing a uniform inspection method and for providing transparency in the hands of market parties, there is a risk that the information for owner-occupiers will not completely be independent. The objective of market parties is making profit and therefore they will firstly be interested in stimulating investments by owner-occupiers. The effects on society by improving the structural condition of houses are not their main objective.

The two different faces of the owner-occupier, the homeowner and the consumer, are used in this research for literature study and a theoretical basis. After defining the interests of both consumer and homeowners to maintain and improve the quality of the house, hypotheses can be made about instruments that could facilitate their responsibility for maintaining and improving the quality of the house.

4. Earlier approach to develop an instrument for transparency

The Dutch Consultation Platform Building Legislation (OPB) is a typical exponent of the Dutch 'polder model'. This platform consists of representatives of all parties within the building sector and functions

as an advisory board for the Minister of VROM who is responsible for the building regulations. The platform discusses the future development of the Dutch system of building regulations (Meijer, 2002). At the end of 2000 the platform presented its vision for the future of building regulations in the memorandum 'To a transparent users market' (naar een transparante gebruikersmarkt, OPB, 2000). The platform stated that building regulations for quality development are mainly focused on new houses, while the yearly production of new houses scarcely adds anything to the existing housing stock. The OPB suggested that a research on a set of instruments focused on the existing stock should be done. Starting point was the fact that the owner-occupier is responsible for the quality of his house and building regulations should facilitate the owner to guard and improve the quality. The OPB proposed the introduction of the concept of a building file. This building file should describe the quality condition of buildings and would function as a maintenance manual. The file should play a role especially at the moment of buying or selling the house. An important additional argument for this concept was that the necessity for the government to guard the quality of new built houses would decrease. Once the quality of the housing stock is transparent, the functioning of the market would make sure that a part of the current quality regulations are met (especially the regulations for comfort from the Building Decree).

The concept of the building file consisted of four boxes of information. The first box contains general information about the building like address, owner and building type. The cadastre already gathers this type of information. The second and third boxes contain information to provide the necessary insight in the actual quality. The second box describes the structural condition of the building, which would have to be inspected and assessed according to all public regulations of the Building Decree. The third box contains supplementary private law information such as installations, functional quality, lay out of a dwelling, environmental sustainability and facilities in the neighbourhood. This box functions as a selection guide and quality reference for consumers. The last, voluntary, fourth box contains a user and maintenance guide for keeping the house in a good state of repair (OPB, 2003).

With a building file, transparency concerning the quality of dwellings could be given for homeowner and consumer. The responsibility of owner-occupiers would be facilitated and the consumer might have profit from fewer costs around the transaction of his house. Many EU-countries develop instruments that register quality aspects. Spain, Germany, England and Italy have instruments that resemble the Dutch concept for a building file (Bos & Meijer, 2004b). The attention of many countries is more and more focused on a set of instruments for the existing stock. Because of the European EPBD the instruments are mainly focused on the energetic quality of the housing stock.

Recently, a few members of the OPB rejected the concept of the building file after a presentation of the results of research on this concept and a final discussion. It would cost too much effort for homeowners, it would be a financial burden for them and some members were opposed to the obligatory character. Nevertheless, the reasons and objectives to develop the concept of the building file are still existent. There is still need for transparency and information about the quality of

houses. The local government digitally registers information about houses, such as legal information. This database can be a useful steppingstone for further development of the concept. And though the concept of the building file doesn't have support of the whole OPB, it can be examined for further research on instruments to improve the quality of the private housing stock.

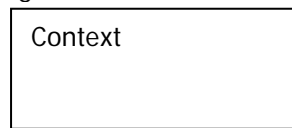
5. Research design

The responsibility of the owner-occupier for the quality of his house is the starting point for this PhD project. The main objective is to find out how this responsibility can be facilitated. The government has diminished financial support for homeowners. The instruments for facilitating the responsibility of owner-occupiers for the quality of their house will be determined by research on the needs and interests of owner-occupiers. The focus will be on the technical part of improving the quality of the house. The problem definition is: what do owner-occupiers need for maintaining and improving the quality of their house? The objective is to provide an insight in the owner-occupiers' need for improving the quality of their houses. And based on that need to provide an insight in the effectiveness and efficiency of existing instruments.

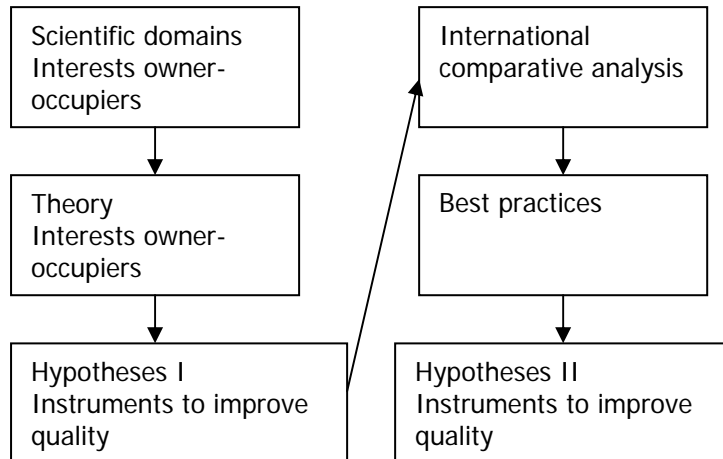
A describing research will explain the context of this research: the social developments, the policy of the government and an inventory of instruments. A categorization of instruments and approaches for improving quality will be distilled from theoretical studies. An exploring research will be done on theoretical notions about the interests of owner-occupiers to maintain or improve the quality of their house. A comparative analysis of instruments in other countries and best practices will be made. Based on these notions and the analysis, hypotheses can be made about instruments that could be used to improve the quality of the housing stock. An empirical research will be done to check the hypotheses through a poll for the needs of owner-occupiers, for example to check if owner-occupiers really need extra instruments. The results of this empirical research can be used to evaluate the existing instruments. A design will be made for an improved model of instruments for facilitating owner-occupiers in maintaining and improving the quality of the housing stock.

Conceptual model

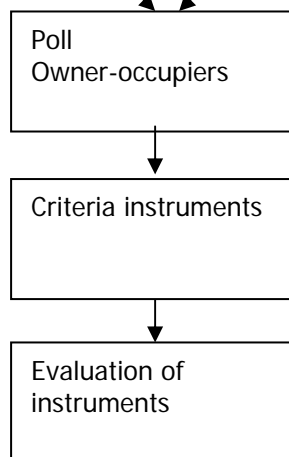
Describing research



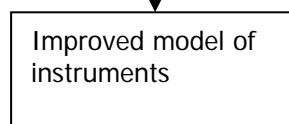
Exploring research



Empirical research



Design



6. Conclusions

There are several reasons to start a research on instruments that focus on maintaining or improving the quality of the private housing stock: the importance of maintaining the quality of the private housing stock for living conditions in neighbourhoods and the importance of the improvement of the quality for the connection of supply and demand. The owner-occupier is responsible for keeping his house in a good state of repair. Owner-occupiers have different interests to improve the quality of their house; they are both consumer and investor. Both consumer and investor can profit from insight in the quality of the house: to plan maintenance, to determine the value of the house and to determine if the house satisfies their demands. The research will be focused on instruments that facilitate the owner-occupier to maintain or improve the quality of the house.

7. Literature

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