

# The Dutch Housing Crisis: increasing social unrest while the incremental measures taken are insufficient

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*The Netherlands faces a severe housing crisis. The critical shortage of affordable housing is resulting in social exclusion and increasing economic inequality. The underlying problems are numerous and complex. The previous government took incremental measures, but did not provide a definitive solution. The new government, in place since January 2022, has announced several new measures.*



## Description

In September and October 2021, two major housing protests took place in Amsterdam and Rotterdam (NOS, 2021). Protestors called upon the government to take immediate action to combat the problematic access to affordable housing which is causing social exclusion, social unrest and increasing economic inequality between homeowners and renters (DNB, 2021).

The Netherlands faces a major shortage of housing, of 279,000 units in June 2021, which is expected to increase to 316,700 in 2024 (ABF Research, 2021). This is primarily caused by an increasing number of households (as a result of smaller household size). The new government aims to have 100,000 additional units built annually.

Home prices rose by 75.8% between 2015 and December 2021 (CBS, 2022). This trend is driven by several factors, including low interest rates, the housing shortage and fiscal policy (including mortgage interest deduction). The soaring housing prices make it impossible for many (primarily young) people to buy their own home, especially in urban areas (de Groot and Vrieselaar, 2019). This is further exacerbated by investors purchasing 25% of the housing on the market in the largest four cities. The previous government took several measures to promote access to the housing market. These included, in 2021, lowering the tax on housing transactions for young buyers (< 35 years) and increasing it for investors. However, these measures seem to primarily have caused housing prices to increase (DNB, 2021). Also, since 2022 municipalities can

designate areas in which there is a housing shortage, and prevent investors from buying dwellings to let in these areas. This means that newly bought properties cannot be let out during the first four years.

Housing associations provide affordable social housing (monthly rent up to €720) for people with low annual incomes (up to €40,765 for single persons in 2022). However, various factors, including not only the insufficient supply but also the persistence in social housing of tenants who no longer meet the qualifying criteria but remain due to a lack of affordable housing (*scheefhuurders*) have led to a social housing shortage. This is resulting in waiting lists of often between 7 and 10 years (17 years in some municipalities). Housing associations have for some time now had insufficient funds to build more social housing, as a result of a “landlord levy” (*verhuurderheffing*) imposed on them since 2013 (ABF Research, 2021). The new government plans to abolish this levy and set binding targets for housing associations to speed up the construction of new social housing (Coalition agreement, 2021).

As a result of increasing housing prices and limited availability of social housing, many people have to rent their dwelling on the private, non-regulated rental market. However, the supply in this segment is limited to 14% of the total housing market in the Netherlands, which has led to rent increases, especially in urban areas. This situation (increasing rent and increasing housing prices), combined with the fact that homeowners still with a mortgage benefit from tax-deductible mortgage interest, has resulted in an increasing wealth difference between renters and homeowners (DNB, 2021). In 2020, the

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previous government capped rent increases in the private sector to the rate of inflation plus 1%. However, when tenants change, landlords are free to increase the rents beyond this limit.

## Outlook and commentary

The current housing crisis is in large part the result of factors that are not (entirely) controlled by the government or cannot be addressed under one single legislature. These factors include insufficient investment in construction in the last decade, demographic developments and historically low global interest rates. Hence, there is no simple solution to this crisis. Within these constraints, the government is faced with the challenge of how to curb volatility on the housing market and to ensure fair and broad access to housing for all citizens.

Between 2012 and 2017 the government had a dedicated minister for housing. This responsibility was then transferred to the Minister of the Interior and Kingdom Relations, who stated in 2021 that solving the housing crisis required a dedicated minister. The new government has recreated the post of minister for housing as of 2022 and has placed solving the housing crisis high on the political agenda.

Building more (affordable) housing requires not only more investment in construction, but also designation of sufficient building locations. Politicians at the regional level are currently often unable to decide where to build. Space in the urbanised “Randstad-area” (a

conurbation consisting primarily of the four largest Dutch cities [Amsterdam, Rotterdam, The Hague and Utrecht] and their surrounding areas) is limited, and there are other competing policy goals such as preserving nature and generating solar and wind energy. Some political parties propose letting the minister overrule local politicians by designating building locations (EIB, 2021).

The Dutch Central Bank has suggested four measures to “fix” the housing market (in addition to building more [affordable] housing) (DNB, 2021): a) increase the availability of private sector rental housing to provide an affordable alternative to social housing (which is inaccessible for many people); b) limit mortgages to 90% of the housing price (currently 100%) so as to curb increasing housing prices; c) require homeowners to pay property taxes on their real estate as well as on their savings and investments; and d) abolish or reduce the exemption for parents allowing them to donate up to €100,000 tax-free to their children for the purchase of a dwelling, so as to create more equality on the housing market. The new government has included measure (d) in their coalition agreement.

## Further reading

CBS, [Prijstijging koopwoningen 20.4% in december](#) [Home prices increased by 20.4% in December], 24-01-2022.

de Groot, C. and Vrieselaar, N. (2019). [Huizenbezit onder jonge middeninkomens duikt omlaag](#). Utrecht: Rabobank/Raboresearch. [Homeownership among young middle-income earners plummets].

[Omzien naar elkaar, vooruitkijken naar de toekomst. Coalitieakkoord 2021-2025](#) [Coalition agreement 2021–2025].

DNB (2021) [Vier ingrediënten voor een evenwichtiger woningmarkt](#). [Four ingredients for a more balanced housing market].

EIB (2021) [Verkiezingsprogramma's tegen het licht: de woningmarkt](#) [Analysis of election manifestos].

ABF Research (2021), [Vooruitzichten bevolking, huishoudens en woningmarkt: prognose en scenario's 2021-2035](#). [Prognosis and scenarios on population, households and housing 2021-2035].

Letters to parliament from the Minister of the Interior and Kingdom Relations:

- 17-9-2020 (Housing market measures);
- 6-11-2020 (Housing market measures to improve affordability for renters and invest in liveability);
- 9-6-2021 (Update on construction of housing).

NOS, [Woonprotest in Amsterdam](#) [Housing protest in Amsterdam], 12-11-2021

NOS, [Ollongren pleit voor aparte minister voor wonen](#) [Minister Ollongren calls for dedicated minister for housing], 24-11-2021.

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