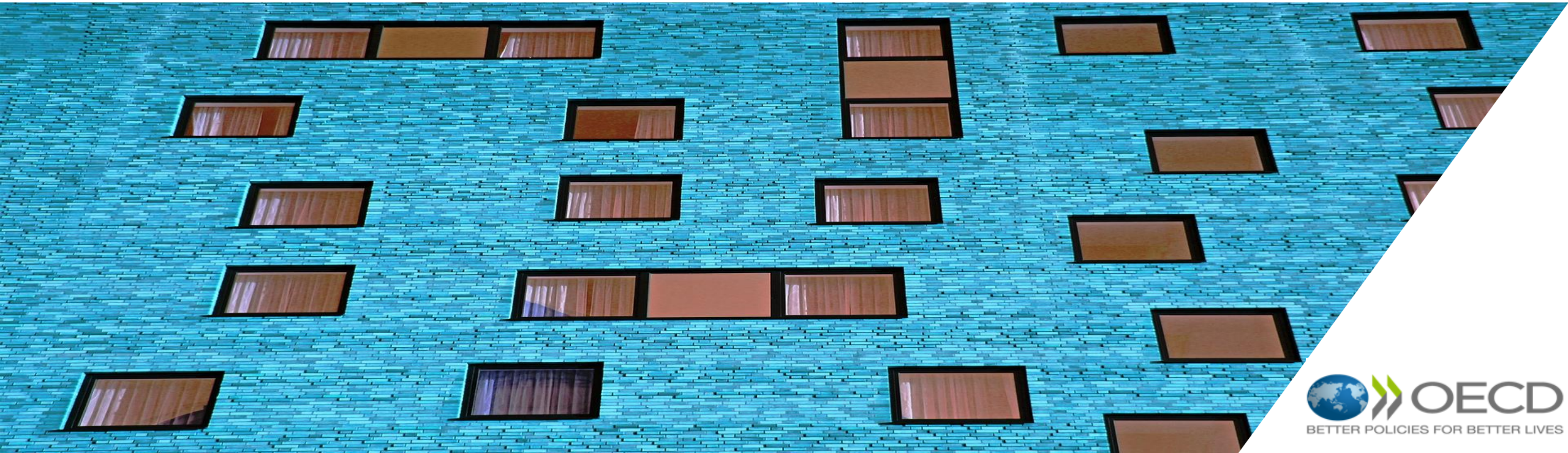




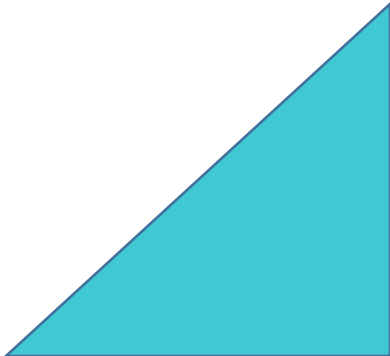
Insights for Flanders' housing market from the OECD Housing Policy Toolkit

Luiz de Mello, Director, OECD Economics Department
Housing and Heritage Commission of the Flemish Parliament
Brussels, 29 September 2022



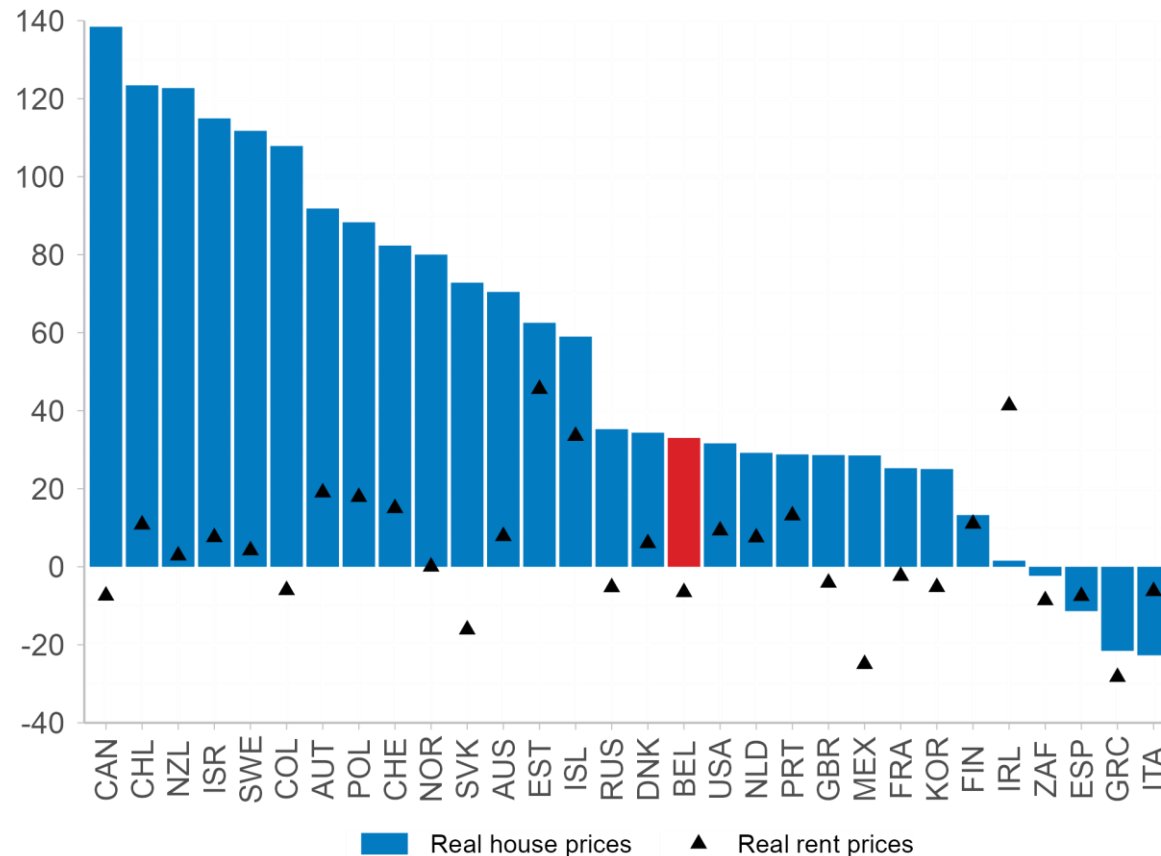


Setting the scene



House prices have risen in Belgium over the past two decades but by less than in many OECD countries

Real house prices and rents, percentage change since 2005

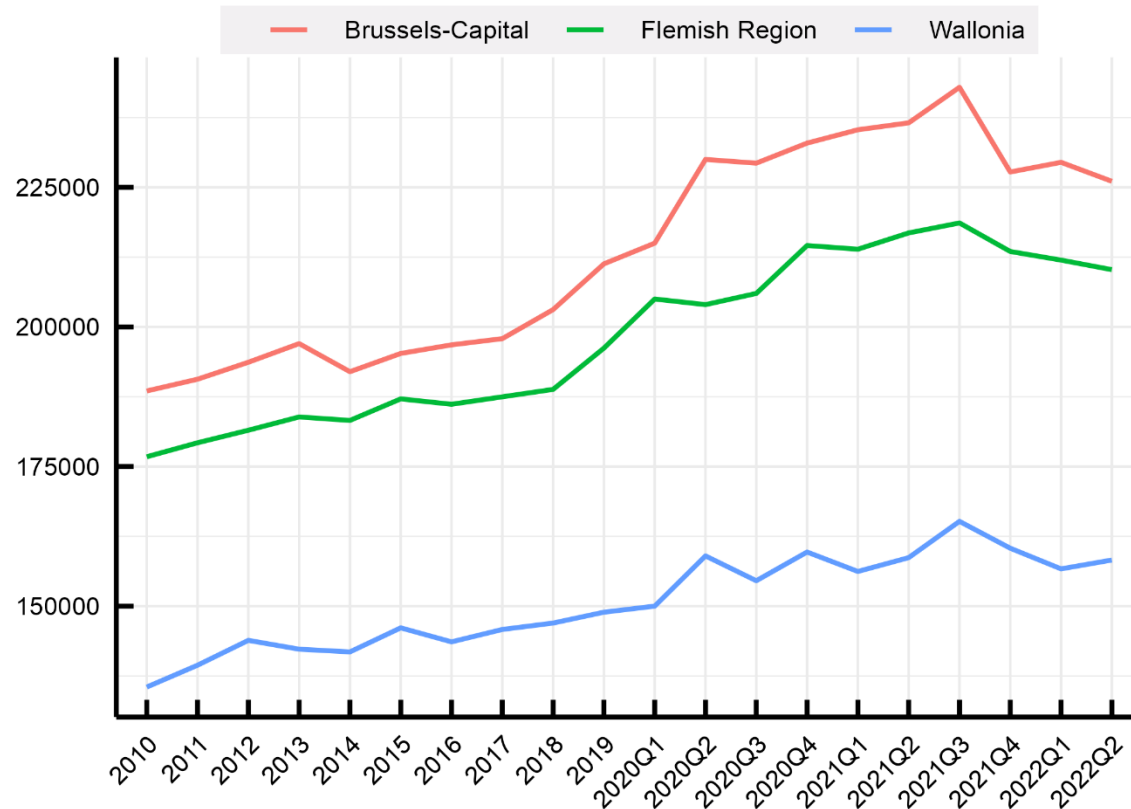


Note: the end point is 2022Q2 for CAN and USA, 2022Q1 for other countries except AUS, AUT, CHL, NZL (2021Q4) and COL and RUS (2021Q3).

Source: September 2022 update of Figure 1.1 in [Brick by Brick: Building Better Housing Policies](#), OECD (2021).

House prices in the Flemish region have been rising faster than consumer prices until recently

Median real house prices by region
expressed in 2020 euros

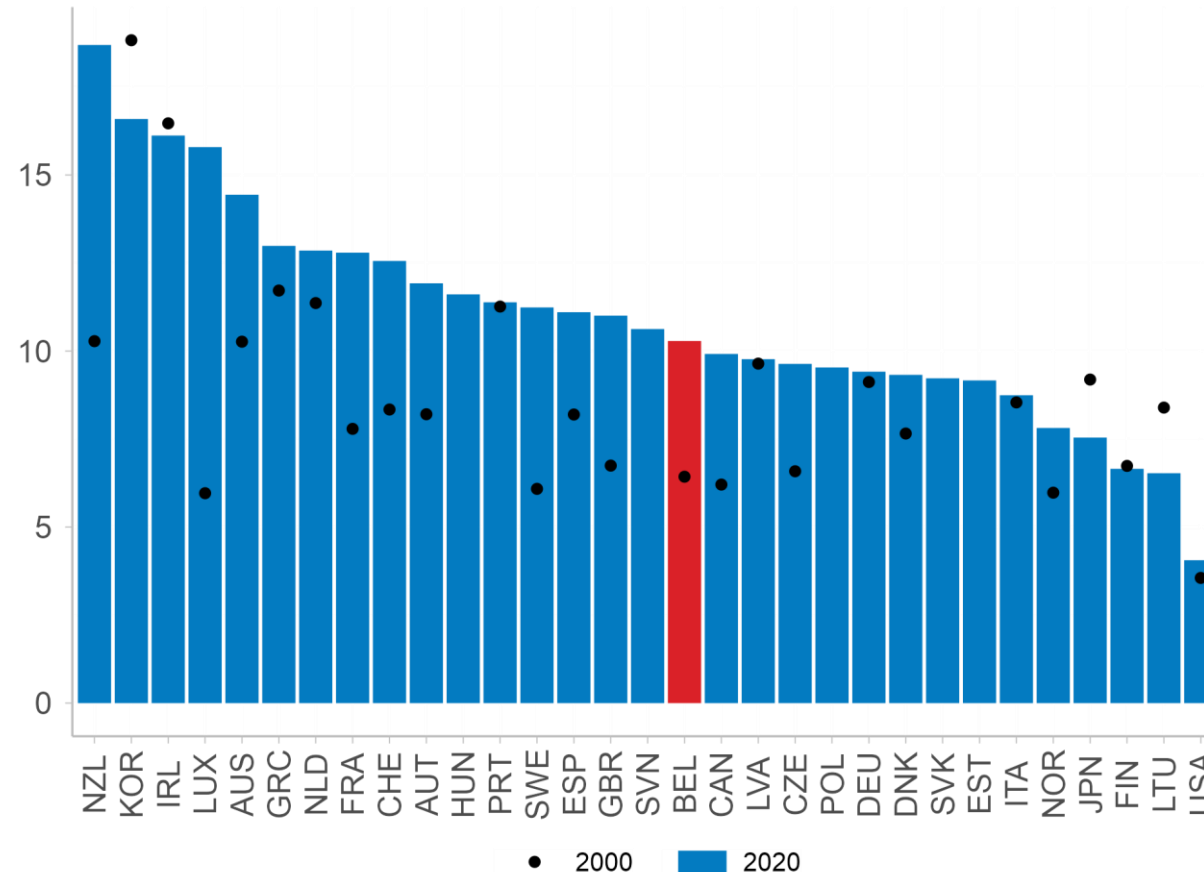


Note: nominal house prices are deflated by Belgium's consumer price index reindexed to 2020Q1=1

Source: Statbel statistics and OECD calculations

An average 100m² house is worth 10 years of average household income in Belgium

Number of years over which cumulated average household disposable income equals the average price of a 100m² dwelling

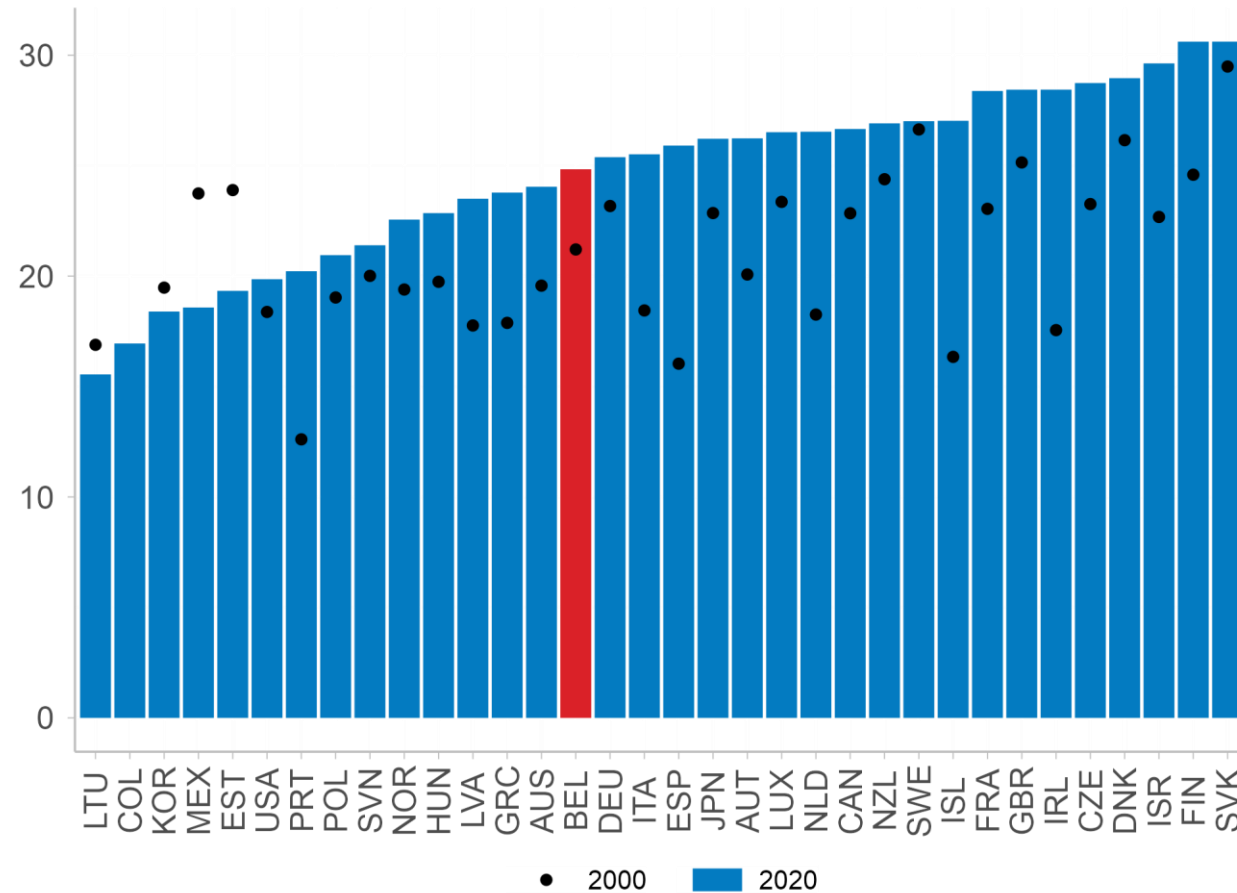


Note: The choice of a fixed-size (100m²) dwelling is made to ease cross-country comparisons

Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021), using data from Bricongne et al. (2019) and OECD National Accounts.

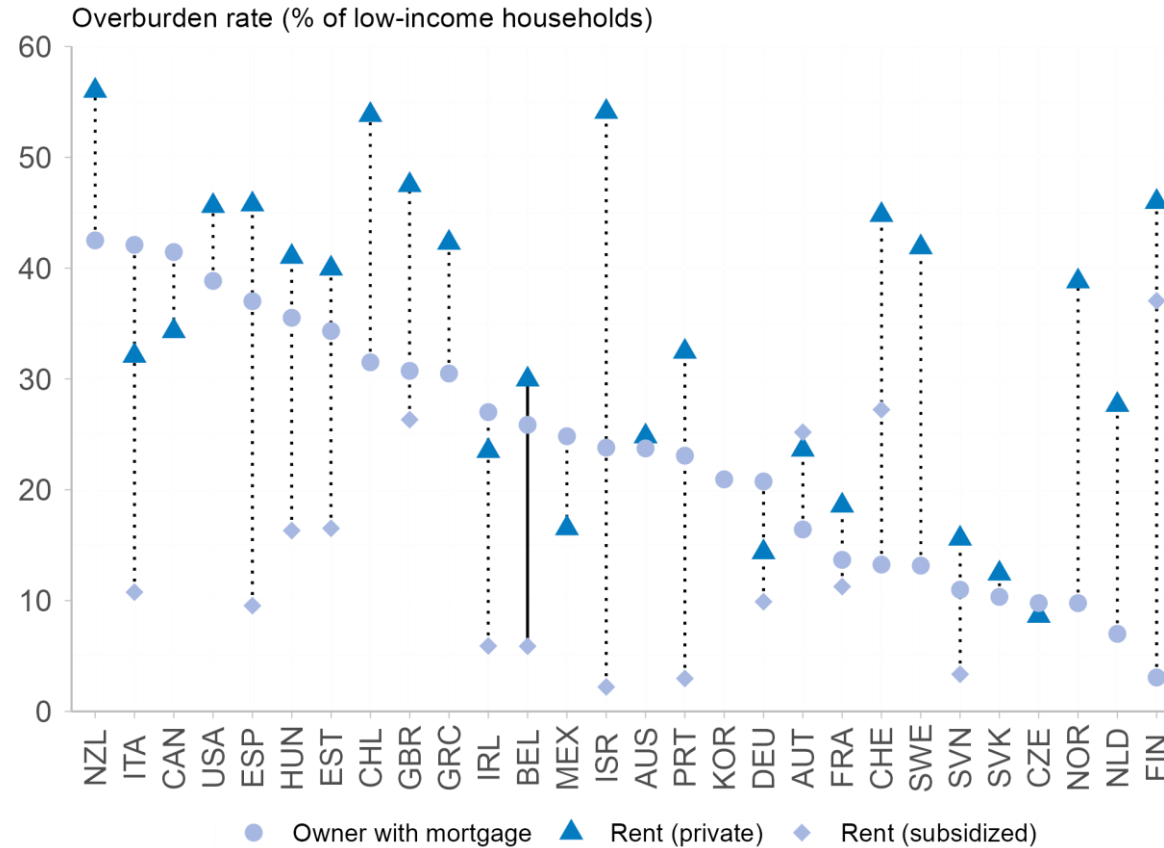
>> Housing is absorbing a rising share of consumption

Percentage share of housing expenditure in household final consumption



Low-income social groups are particularly challenged

Percentage share of low-income households overburdened with housing costs, 2019



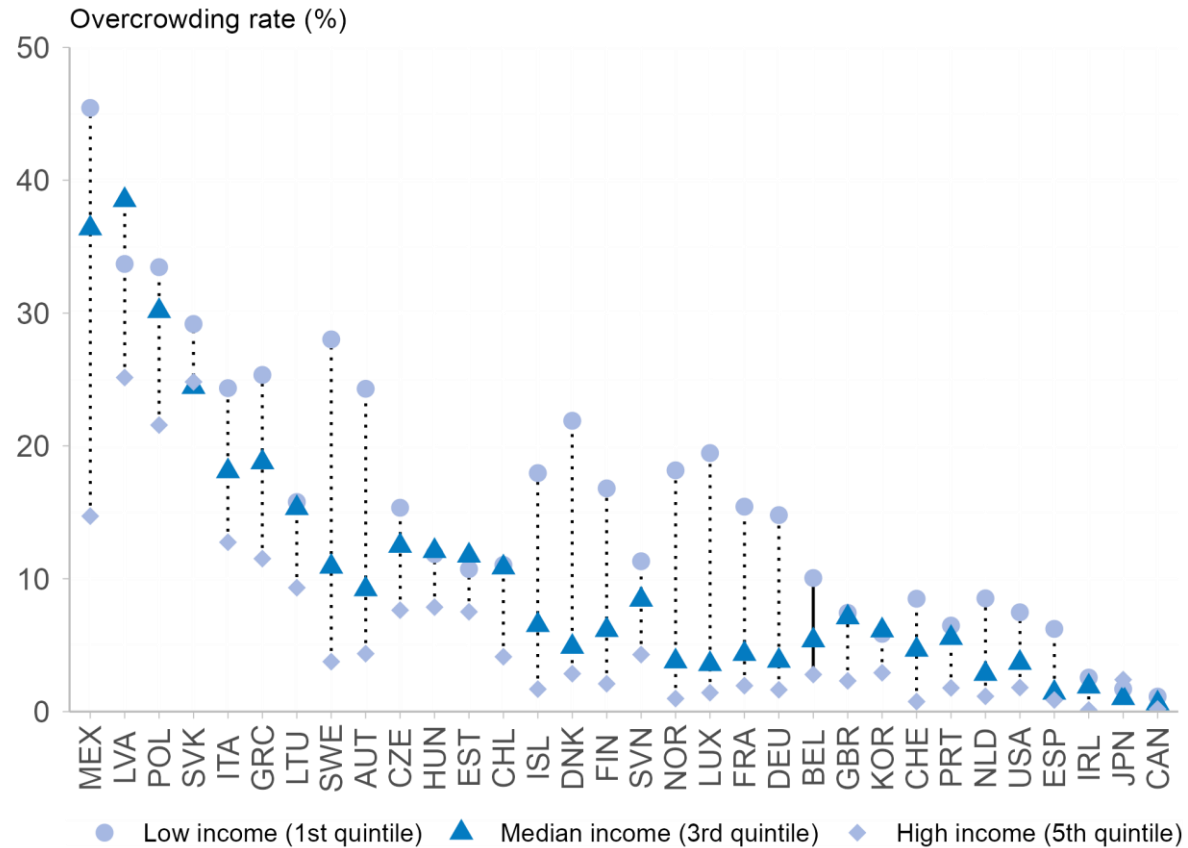
Note: A household is considered overburdened with housing costs when these absorb more than 40% of their disposable income. Low-income households are defined as the bottom income quintile of the disposable income distribution.

Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



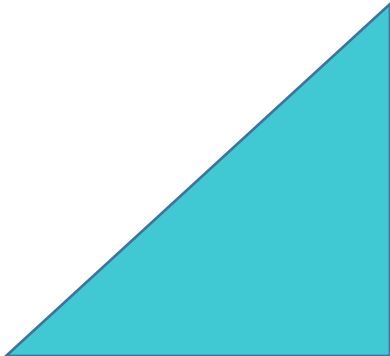
Rising costs also affect living conditions

Share of overcrowded households,
by quintiles of the income distribution, 2018 or latest year





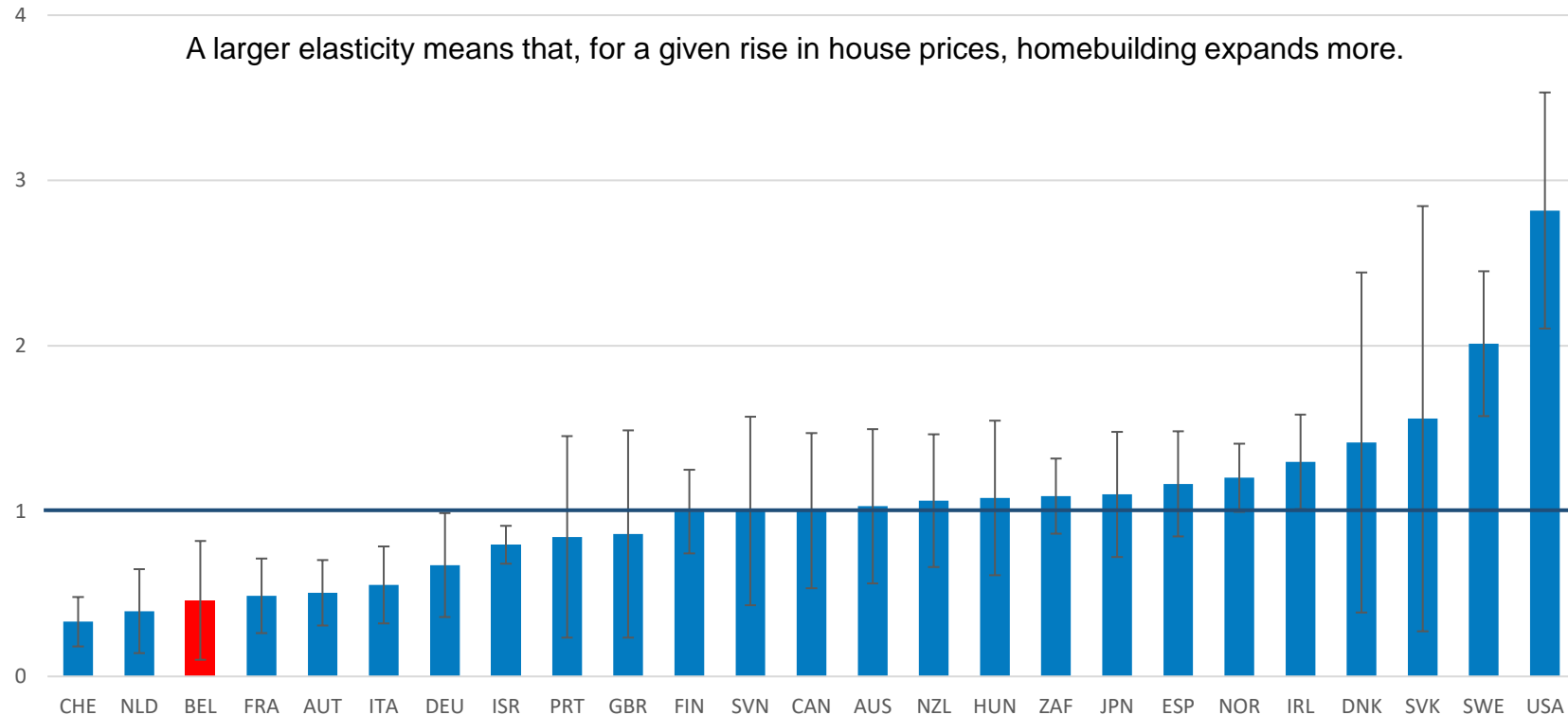
Driving forces behind rising housing costs





Housing costs rise where supply fails to keep up with demand

Estimated housing supply elasticities



Source: [OECD Economic Surveys: Israel](#), 2020, based on [How responsive are housing markets in OECD Countries? National level estimates](#), OECD, 2019.



What drives housing demand and supply?

Demand side	Supply side
Demographics	Land-use regulation
Household income	Land availability, particularly in urban areas
Policy bias towards home ownership	Rent control
Effective taxation of housing assets and property	Real construction costs
Real interest rates	

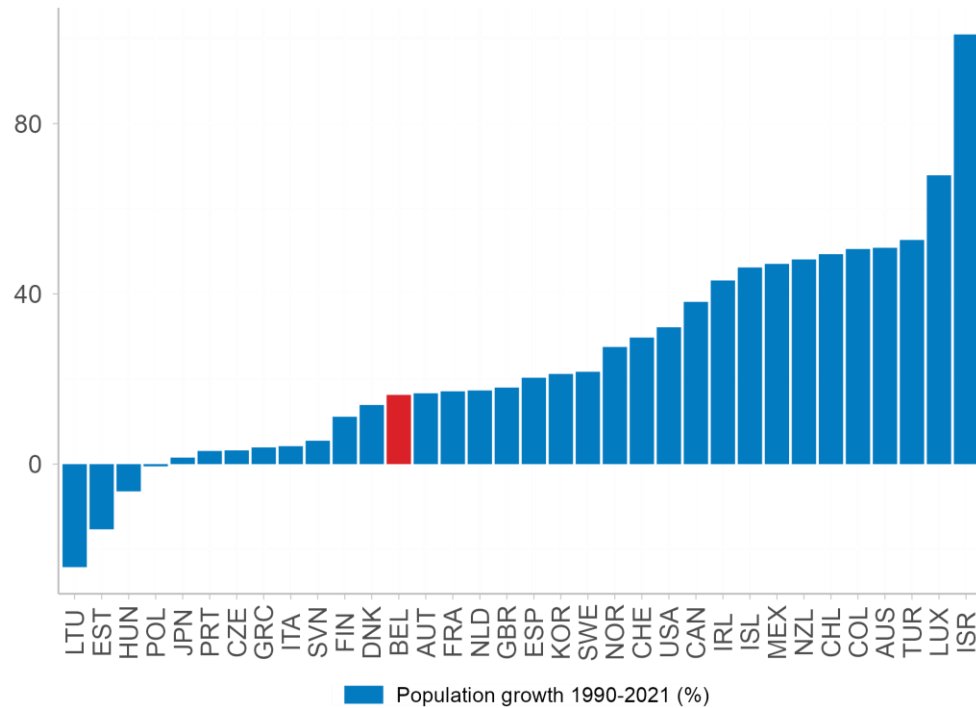
Note: The findings are based on empirical analysis of the experience of 21 OECD countries over 1980-2017.

Source: [How responsive are housing markets in OECD Countries? National level estimates](#), OECD, 2019, and [The Future of Housing: Policy Scenarios](#), OECD, 2020.

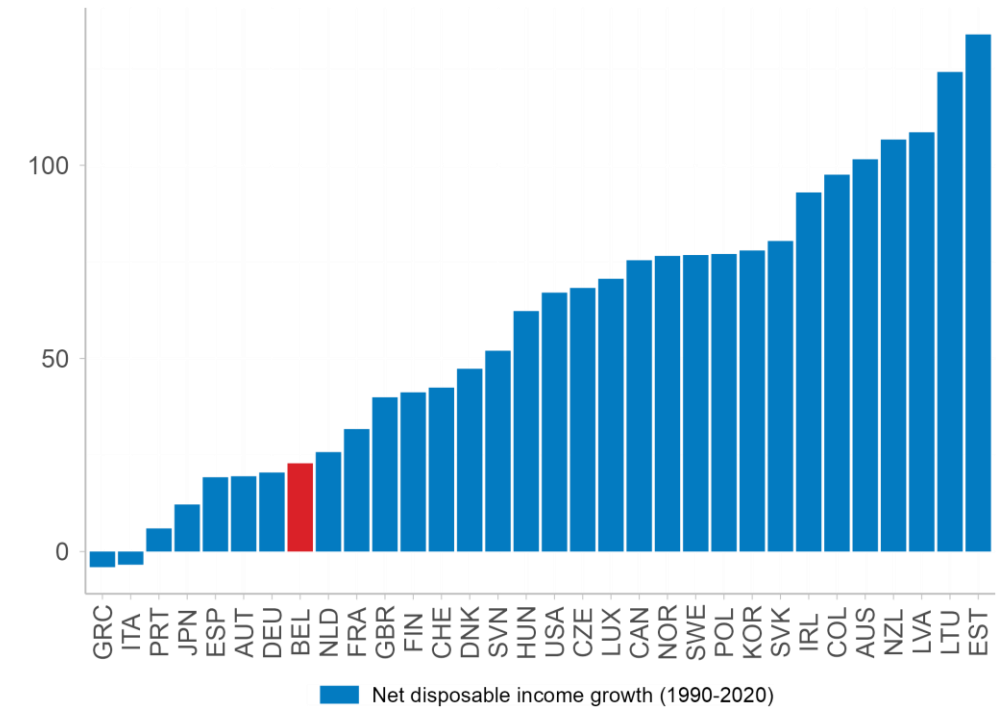


Demand: demographic and income growth have been relatively muted in Belgium

population growth (%)



Net disposable income growth (%)

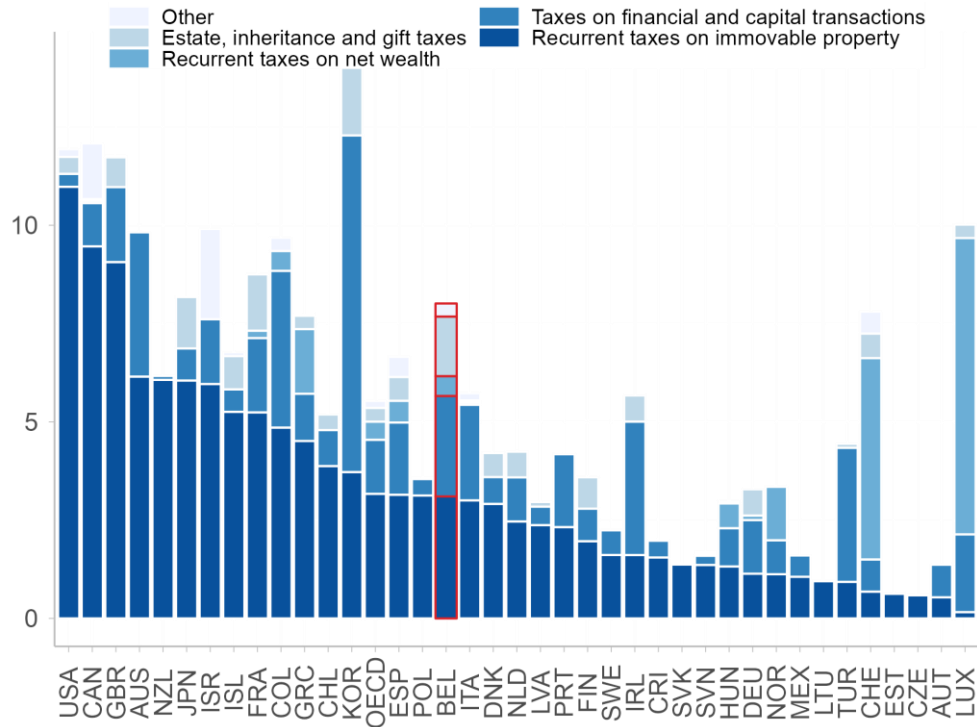




Demand: tax settings favour owner-occupied housing

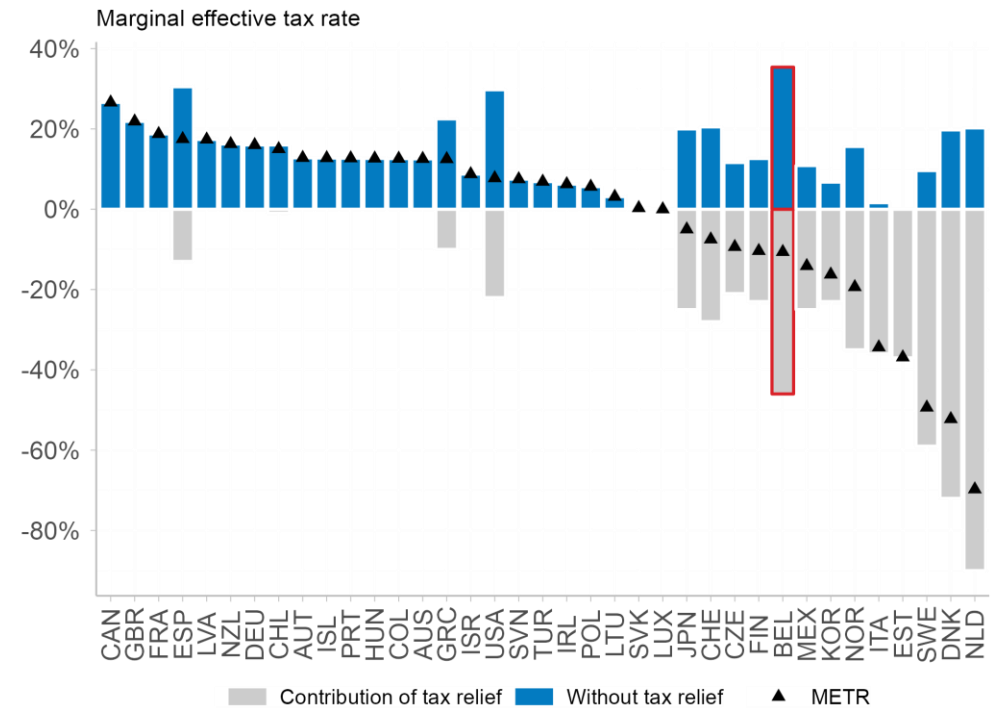
Belgium relies substantially on property taxes...

Share of property tax in total tax receipts, 2021



...but high mortgage interest relief and capital deduction strongly favour home ownership

Estimates for the tax system as of 2016

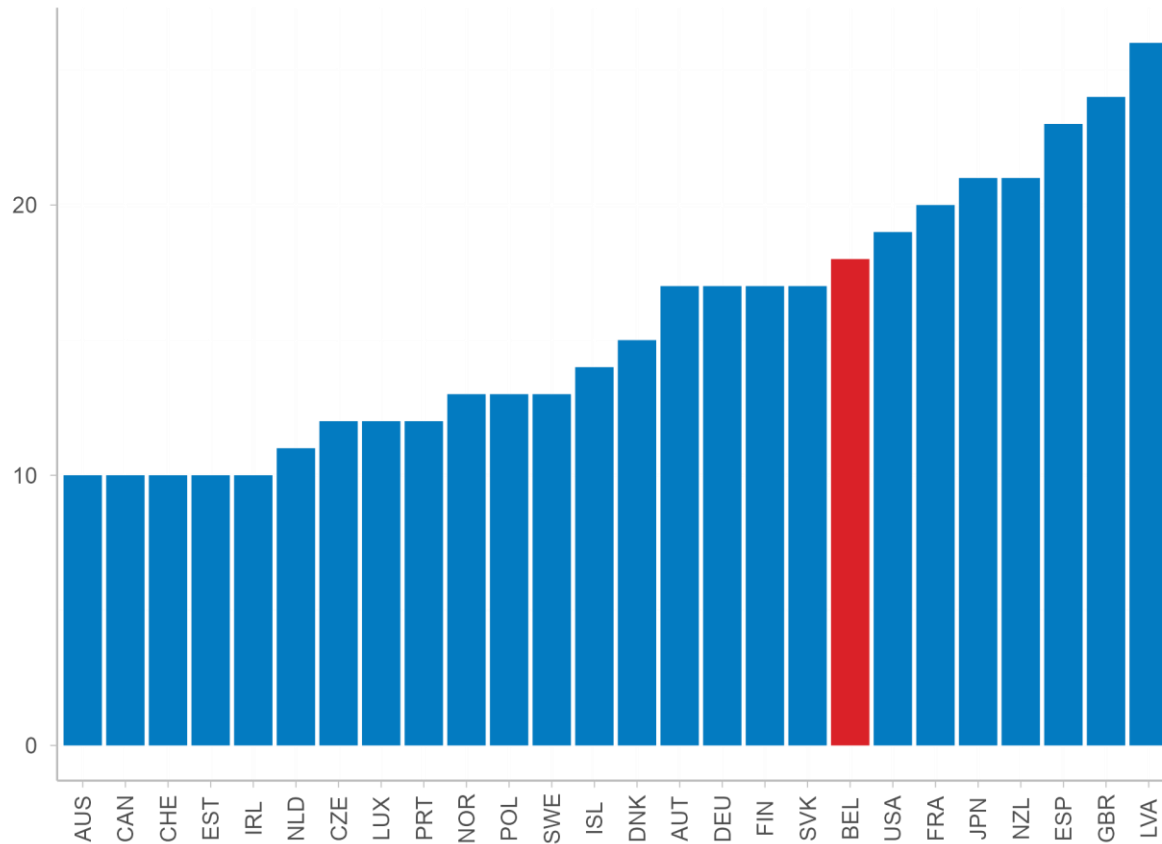


Source: [Housing Taxation in OECD Countries](#), OECD, 2022.

Source: [Measuring effective taxation of housing](#), OECD, 2022.

Supply: land-use planning: avoid overlap and NIMBY

Land-use governance indicator



The *land-use governance indicator*

High values signal potential inefficiencies due to:

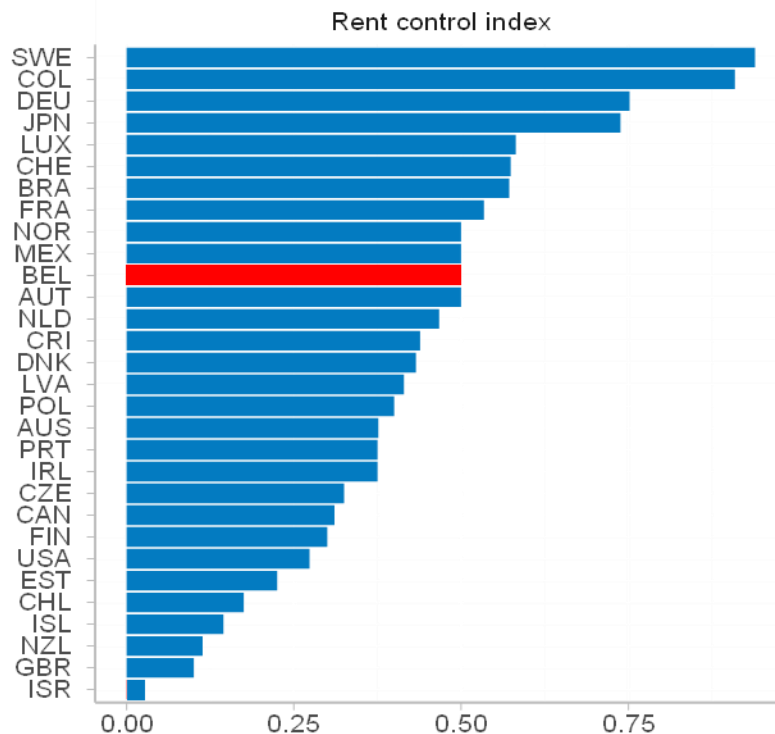
Overlap in responsibility between different levels of government

Land-use decisions are taken at a too local level → NIMBYism

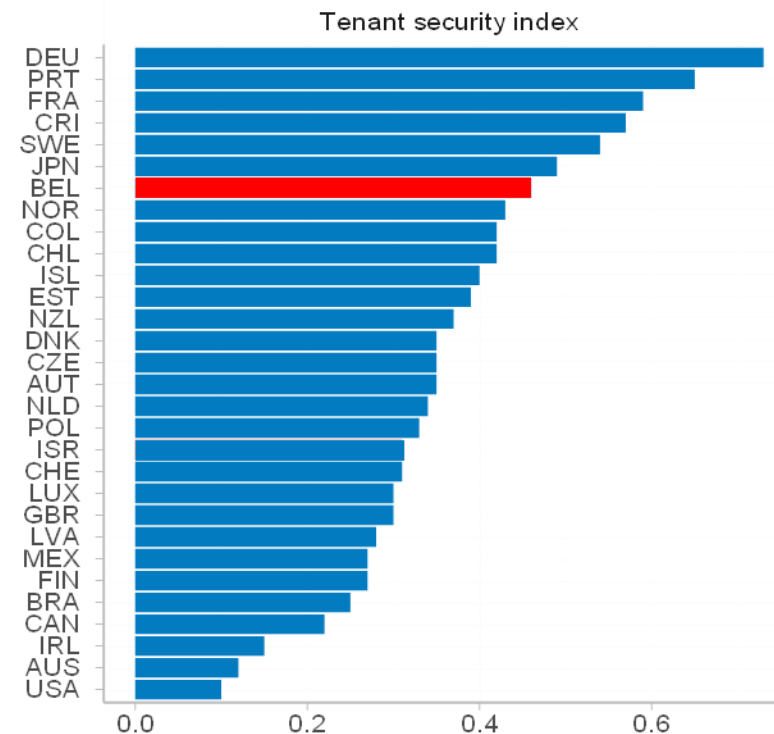


Supply: rental market regulations are relatively restrictive

Rent control is tight in Belgium
(a low number implies flexibility)



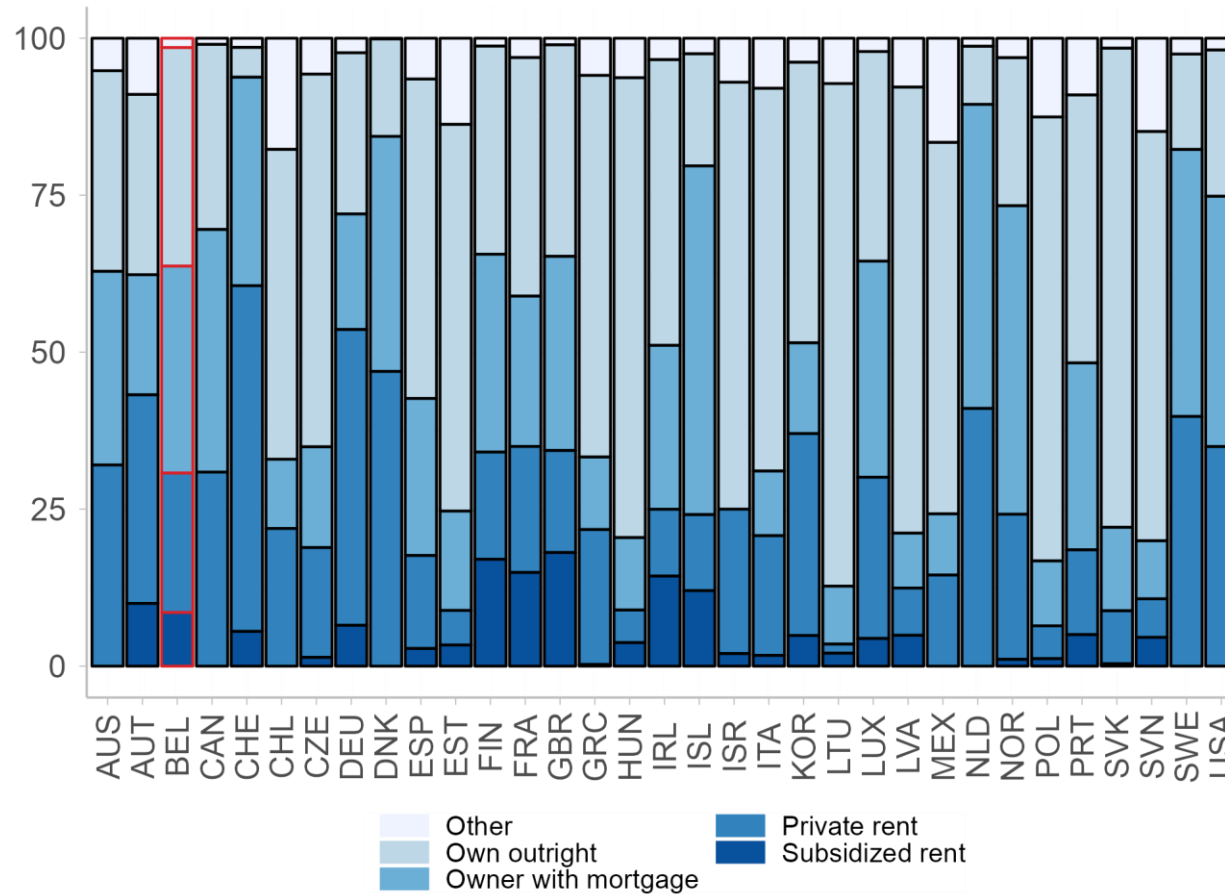
Landlord-tenant relation regulations are slightly tilted towards tenants





Belgium has small social and private rental markets

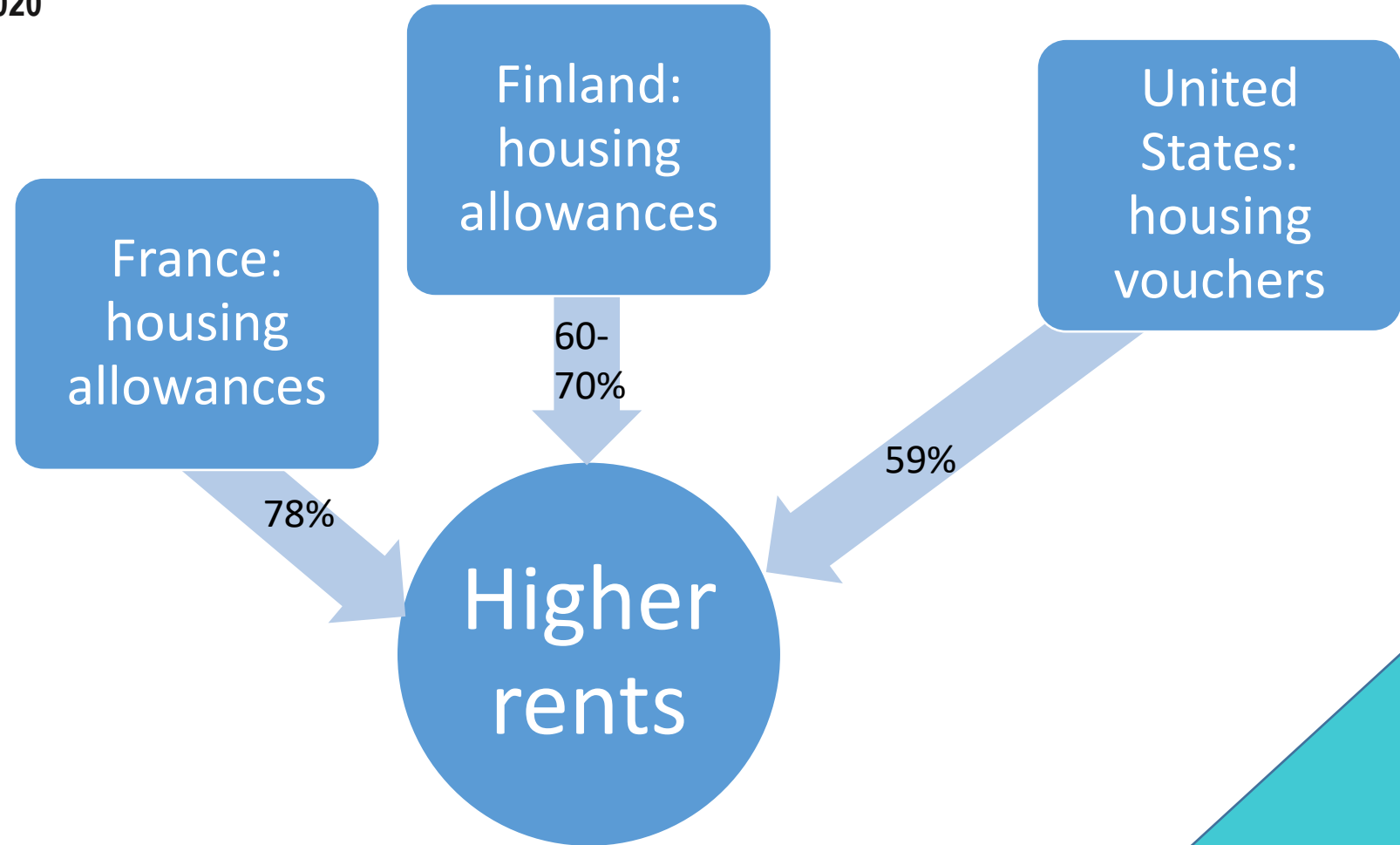
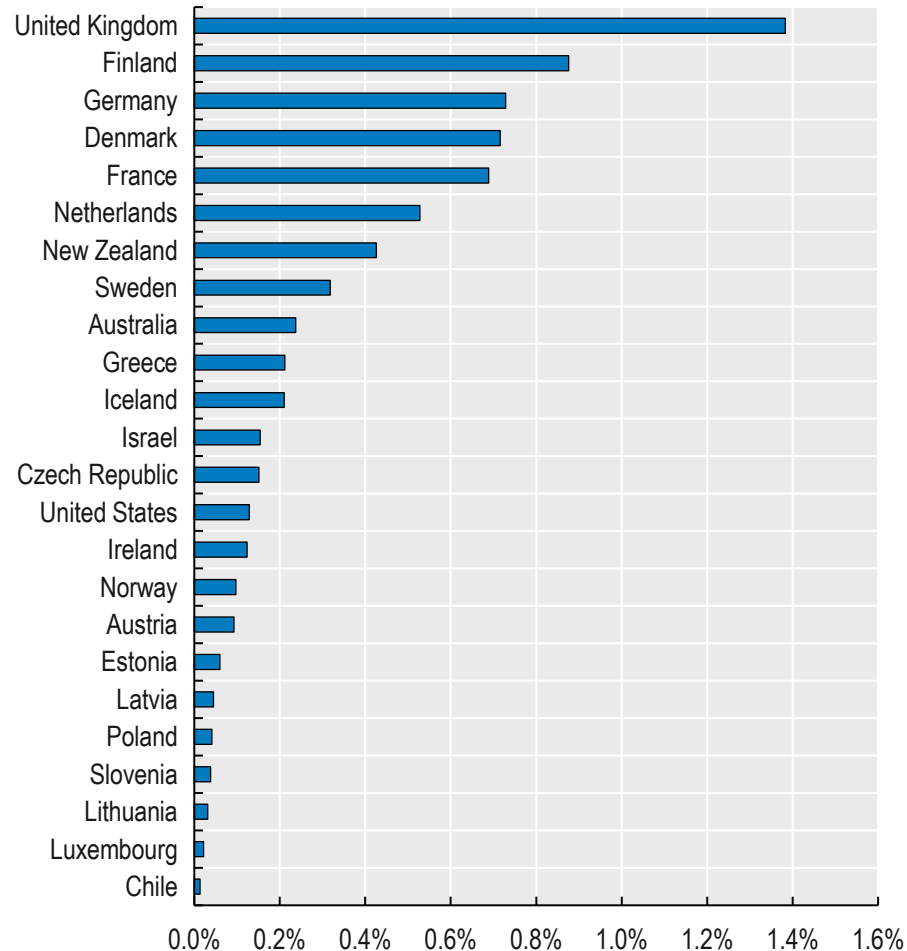
Housing tenure distribution, 2018, percentages





Demand-centric rental-market policies can be very expensive and often involve large deadweight costs

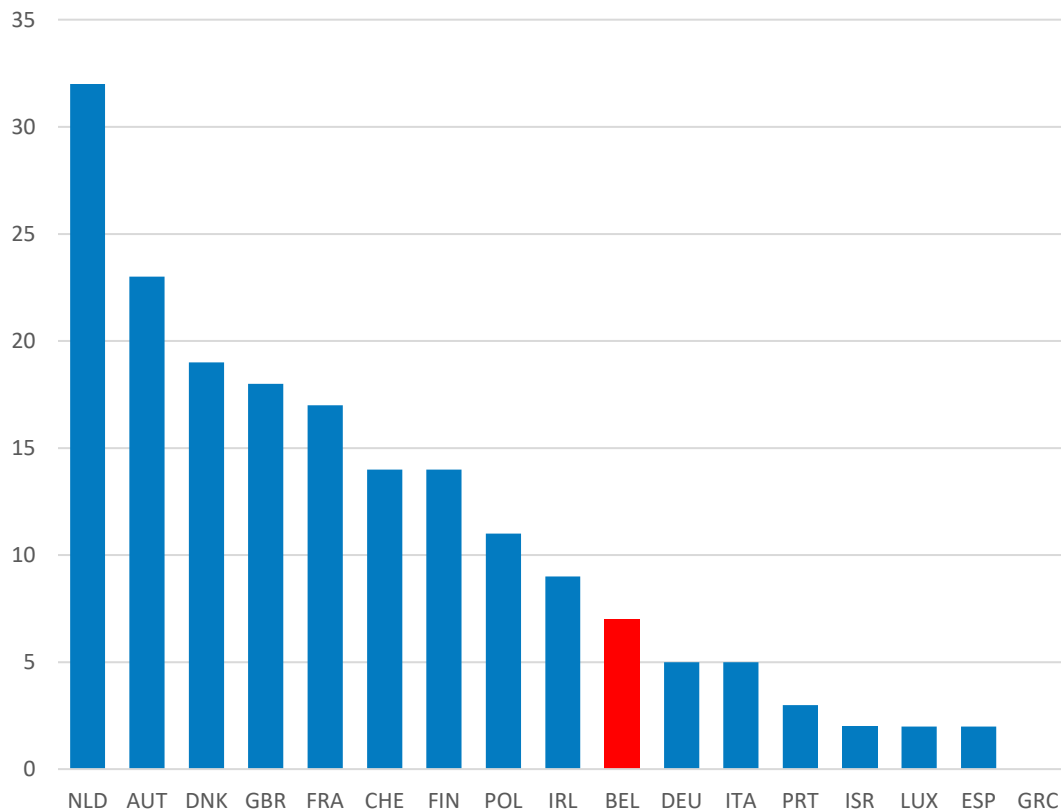
Public spending on housing allowances, % of GDP, 2020





Supply-focussed policies have yielded better long-term results for affordable rentals

Social rental dwellings, % of homes, 2020



Source: [OECD Economic Surveys: Israel](#), 2020.

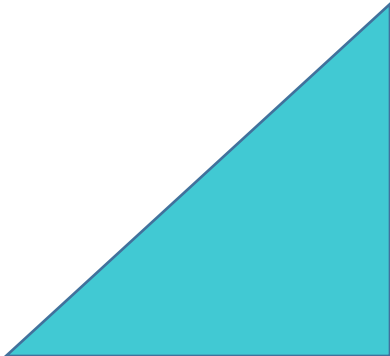
Examples

- **Austria, Denmark and the Netherlands:** Housing associations funded by:
 - Special tax treatment (special non-profit or limited-profit status)
 - Long-term loans often involving public guarantees
 - Reinvested own equity
- **Slovak Republic:** Revolving Fund
- **Latvia** is developing a housing fund with [OECD advice](#)
- **Germany's** coalition agreement plans to expand social housing through non-profit associations with new tax incentives and investment subsidies.

Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



The effects of the pandemic on housing demand

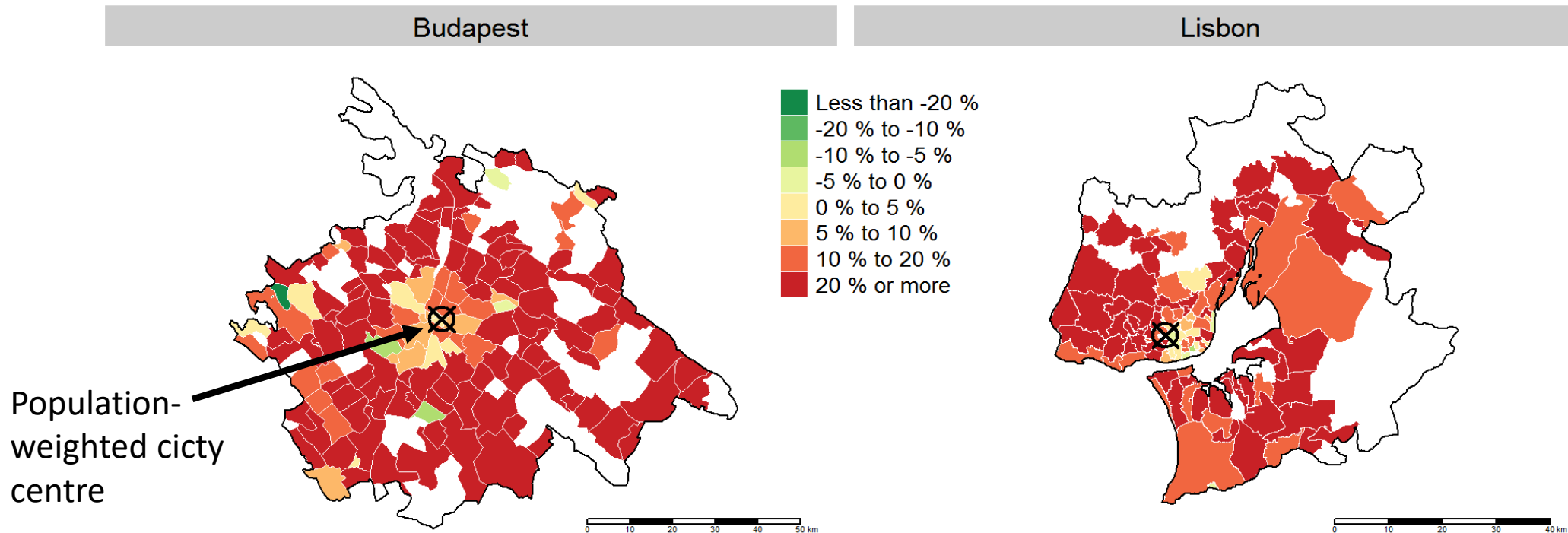




Is the “geography of housing” changing due to working from home?

House prices have tended to rise more in the peripheries than the centres of large urban areas

Changes in prices per square meter, mid-2019 to mid-2021



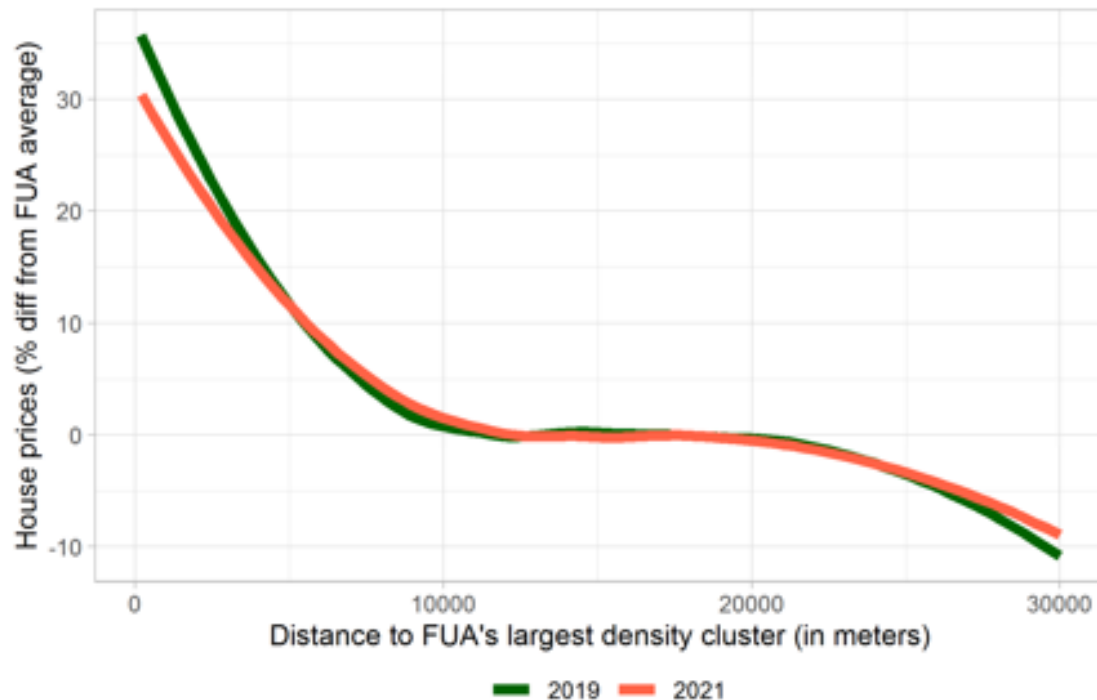
This reshaping of demand magnifies the benefits of flexible supply, deep rental markets, low transaction taxes and costs.

Source: [Changes in the geography housing demand after the onset of COVID-19: First results from large metropolitan areas in 13 OECD countries](#), OECD, 2022, using provided by Confidencial Imobiliario, Portugal, and the Hungarian Central Statistical Office.



International experience points to a change in habits in large urban areas (>1.5M), with implications for demand and prices

The link between house prices and distance to the city centre has flattened in large urban areas



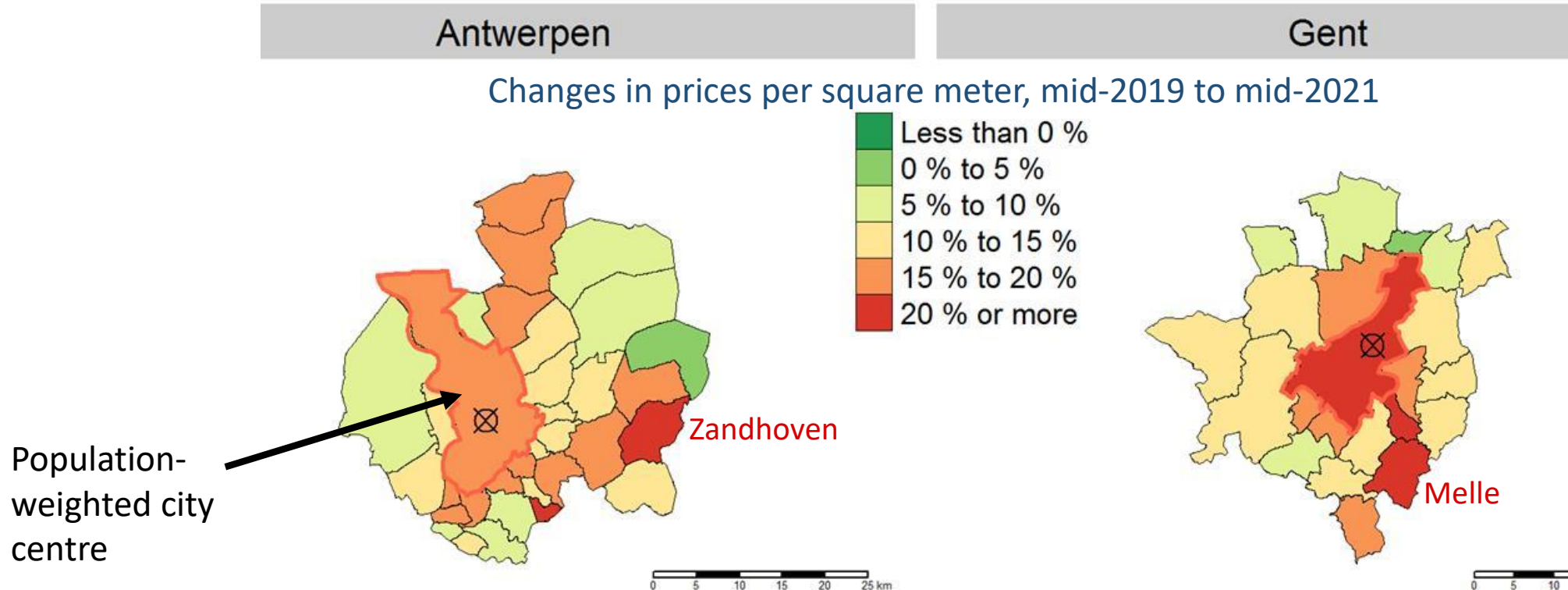
This reshaping of demand magnifies the benefits of flexible supply, deep rental markets, low transaction taxes and costs.

This change has been stronger in large urban areas with:

- Larger centre-periphery price differentials pre COVID-19
- Little green space in city centres and much of it in the periphery
- No big drop in the quality of internet access when moving away to the periphery
- Larger population or higher density
- More restrictive containment measures during the pandemic

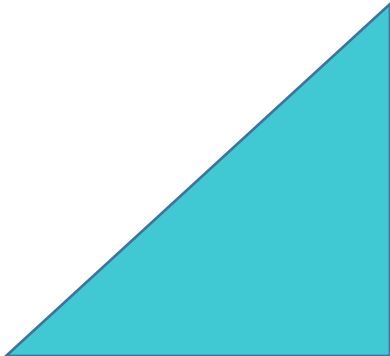


Demand shifts to outer areas have been more localised in Flemish cities



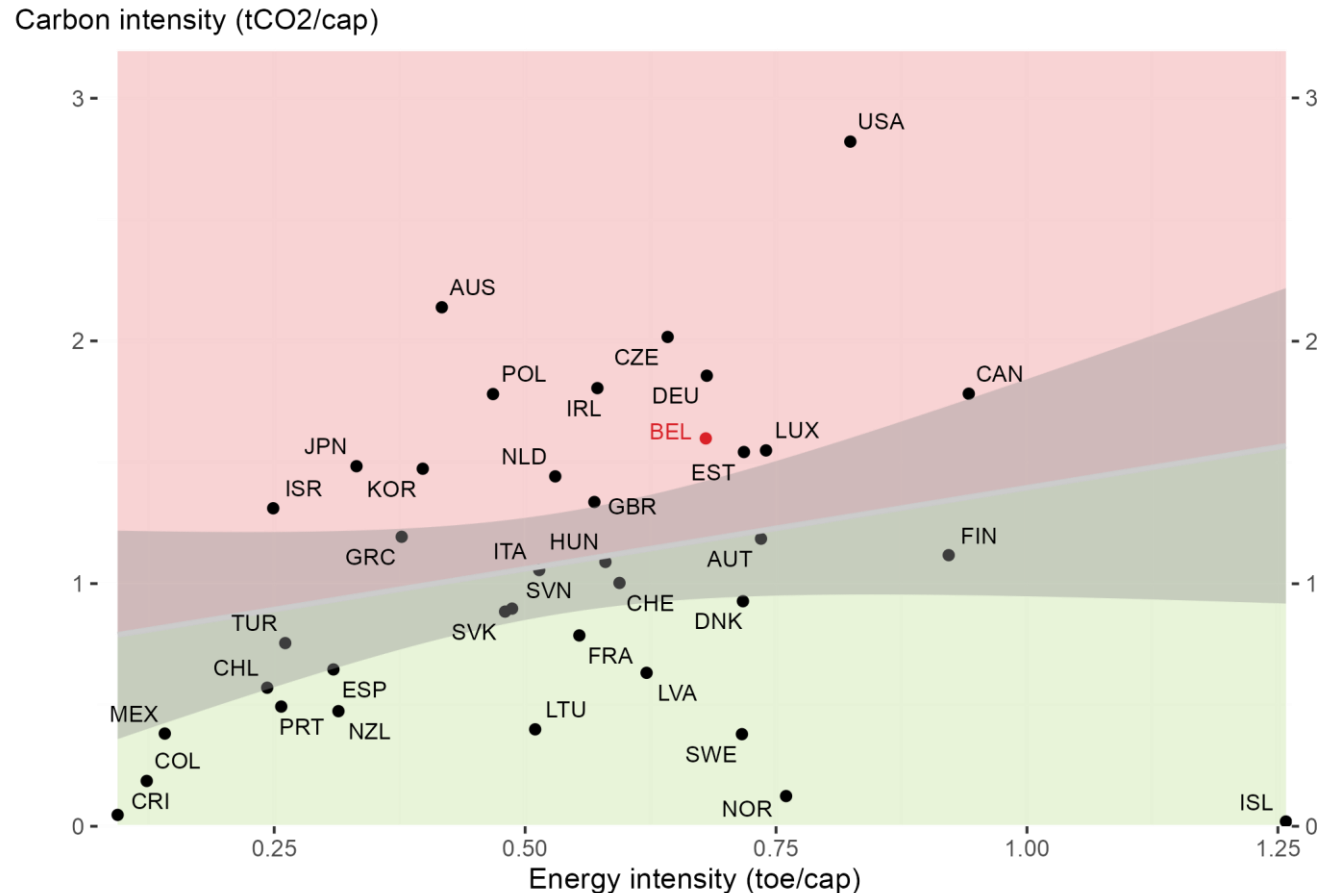


A final word on an important issue:
the environmental transition of housing



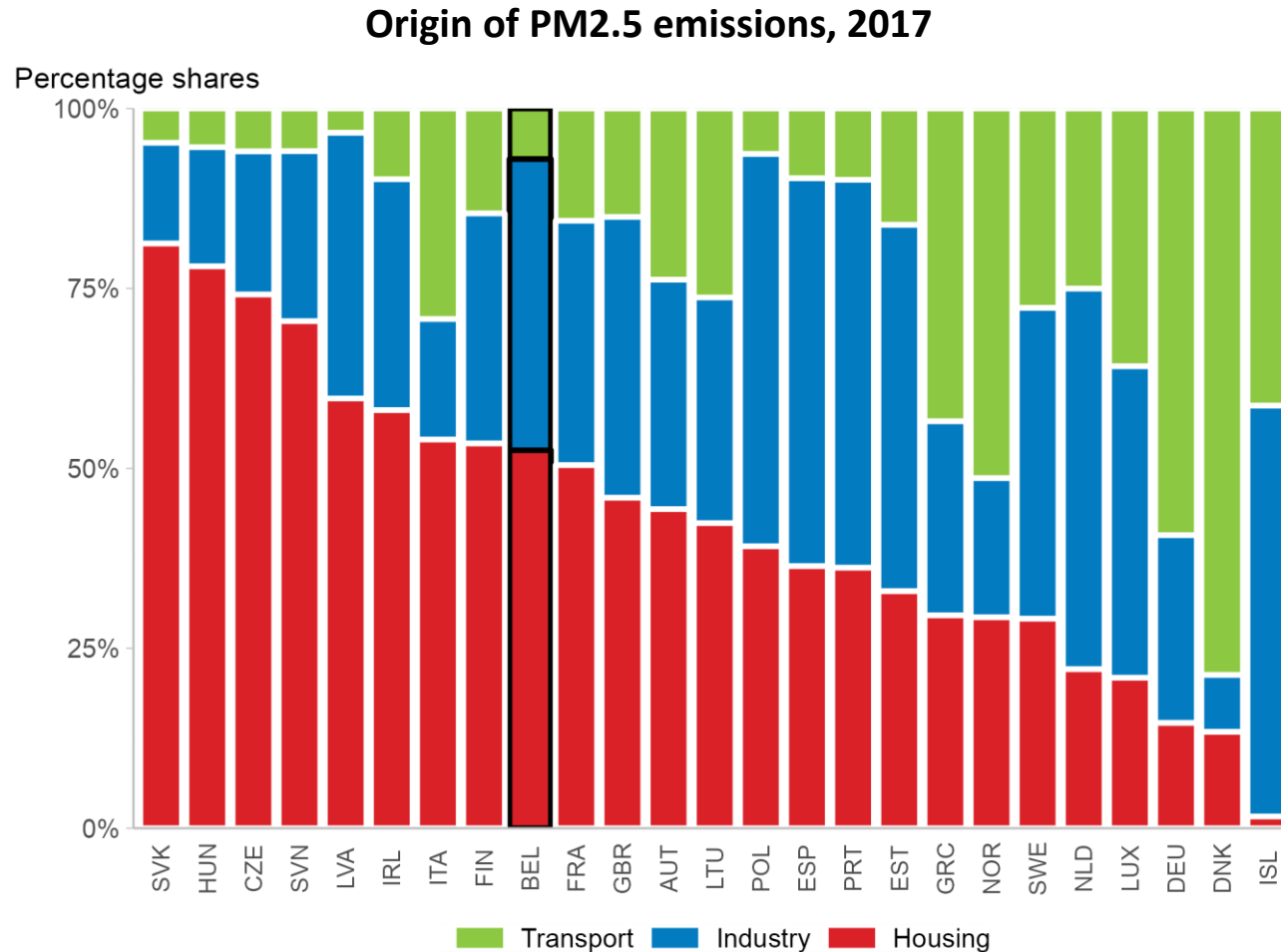


Both the carbon content of energy generation and the energy intensity of housing matter for sustainability



Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).

Decarbonising would also reduce particulate-matter emissions from housing, which are large in Belgium

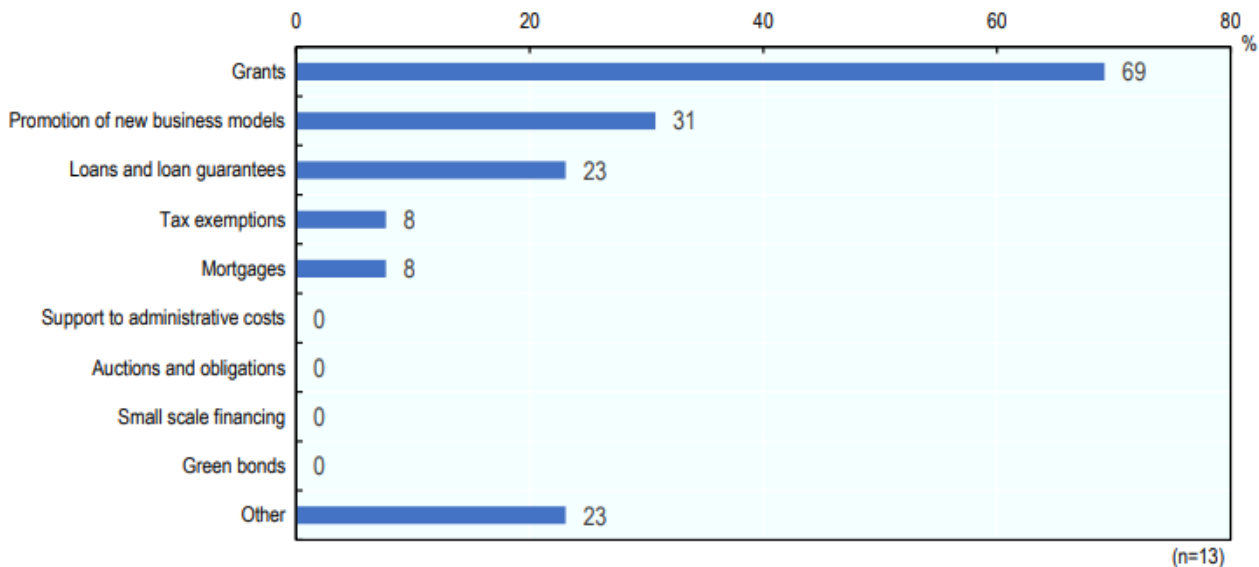


Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).

>> Decarbonising housing usually requires strong policy interventions...

Cities and regions rely heavily on subsidies in their decarbonisation strategies

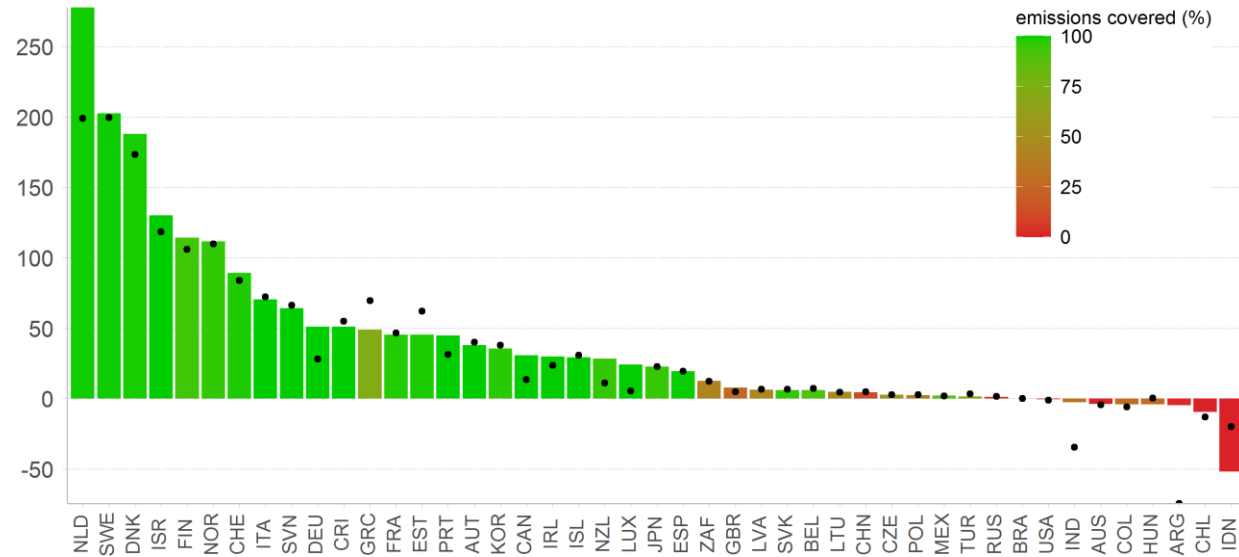
Percentage of surveyed regional and city authorities using the instrument



Source: [Decarbonising Buildings in Cities and Regions](#), OECD, 2022.

Belgium under-prices building sector CO2 emissions

Net effective carbon rates (EUR/tCO₂)

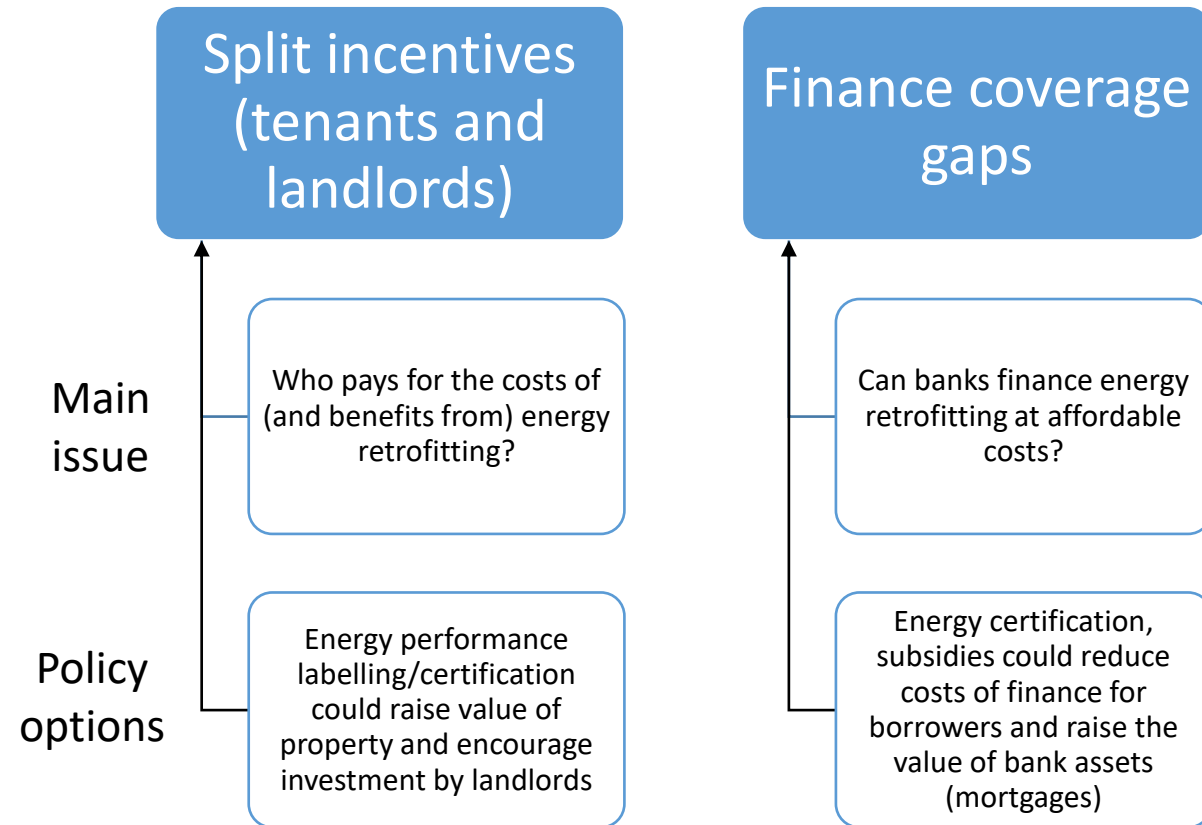


Note: The height of the bars refers to net effective carbon rates in 2021, while the black dots denote net effective carbon rates in 2018. The colour of the bars indicates the share of emissions covered in 2021.

Source: *Taxing Energy Use*, OECD, 2022, forthcoming.



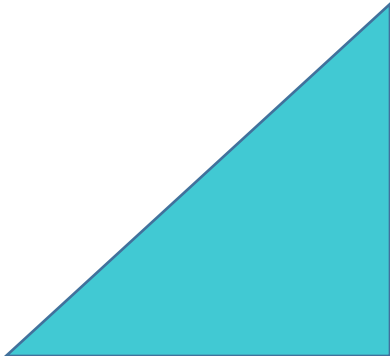
...including addressing the problem of split incentives between tenants and owners and finance coverage gaps



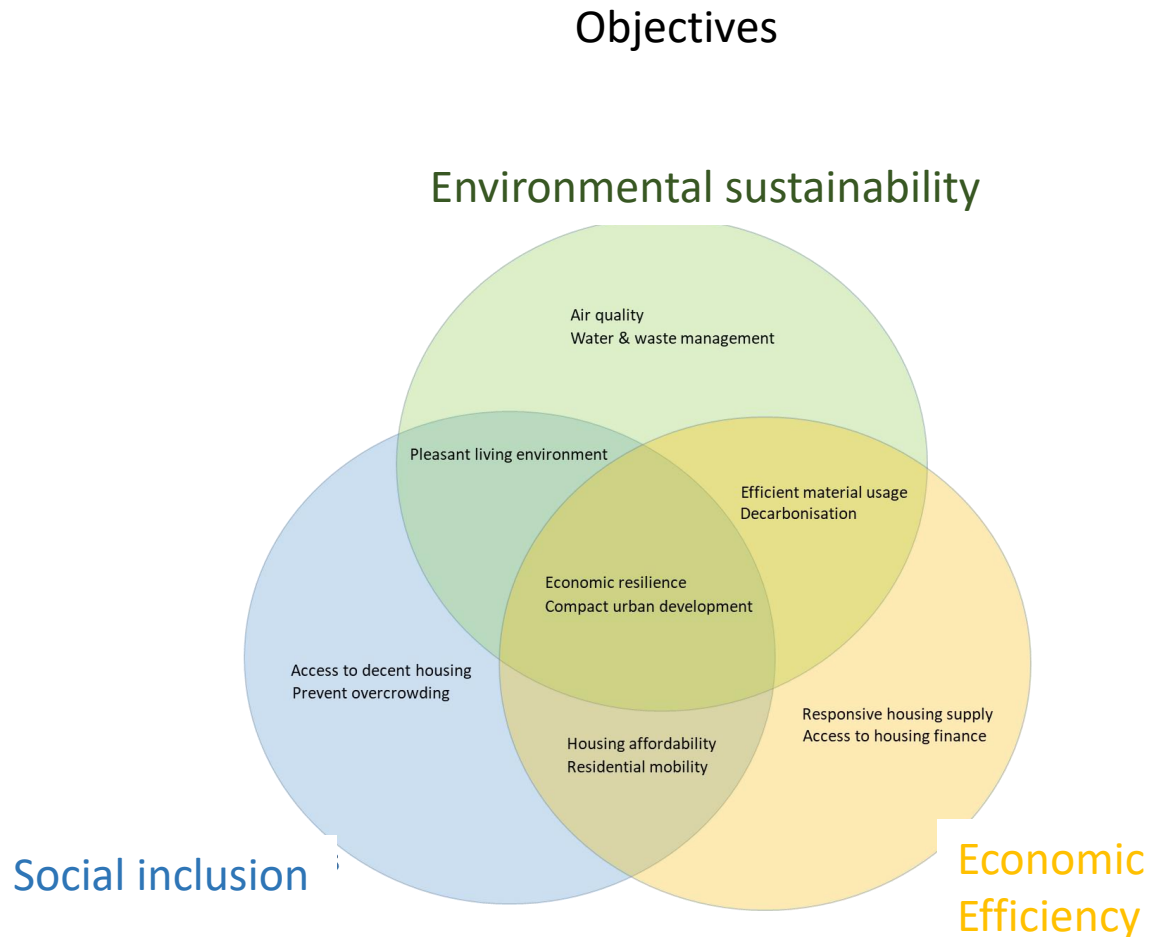
Source: de Mello (forthcoming), "Real Estate in a Post-Pandemic World: How can Policies Make Housing More Environmentally Sustainable and Affordable."



What is the OECD doing to support governments in this area?



>> The OECD Housing Policy Toolkit looks at these issues jointly



Policy levers

Land use regulation

Building codes

Taxes:

- Property
- Income
- Capital gains

Housing finance

Public expenditure

Decentralisation

Social housing expenditure

Energy efficiency subsidies

Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



Visit www.oecd.org/housing/policy-toolkit



HOUSING

The OECD Housing Project

Decent, affordable housing is essential for people's well-being and for a sustainable and inclusive economy.

Housing cuts across nearly all areas of economic and social policy, from income and wealth to inequality, labour mobility, environmental sustainability, land use and economic resilience. And housing policy is developed and implemented across all levels of government, from local and regional authorities to national ministries.

The OECD Housing Project is helping countries to enhance the effectiveness of their housing policies and strategies and to improve the well-being of their citizens. Its databases are an essential resource to help make housing sustainable, inclusive and efficient.



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