The owner-occupied market in the Netherlands

By Hugo Priemus

The owner-occupied market in the Netherlands has followed anything but a uniform trend in the past 20 years. The tempestuous development of the owner-occupied market in recent years has been described and analysed by many authors: Van Beuzekom et al., 1980; Engberts and Happel, 1980; De Groot et al., 1980; Van Dongen et al., 1982, 1983; Hartog et al., 1981; Zwinkel's, 1980; Van de Schaar, 1987; Kersloot and Dieleman, 1988.

In the period 1947-1985 the proportion of owner-occupied dwellings increased from 28% to 42%. This increase was spectacular especially in the second half of the sixties and the first half of the seventies. In the period 1947-1967 an average of 6,000-7,000 rented dwellings in the stock were converted annually into owner-occupied ones. In the period 1967-1975 this proportion was much higher: 24,000 to 30,000 conversions per year (Van der Schaar, 1987, p 309).

In new construction the proportion of houses for sale increased from 10% in 1948 to more than 60% in 1979 (Fig. 1). This growth was not completely linear. There were also periods (e.g. after 1955 and after 1963) in which the percentage of owner-occupied dwellings in new construction declined, but viewed in the somewhat longer term the growth of the owner-occupied sector in this period is patently obvious.

House prices fluctuated violently in the period after 1965. Fig. 2 (opposite) shows us the trend of the indices (1965 = 100) of purchase prices of single-family houses with vacant possession, compared with those of contract wages and building costs.

In the period 1965-1973 purchase prices still reasonably paralleled the development of building costs. Both variables grew in this period by nearly 30%. In 1973 the first oil crisis broke out. As a result, wages and building costs came to a standstill, whereas inflation increased further. Real estate was then regarded as the protection par excellence against erosion of capital as a result of inflation.

TOWARDS greater stability in the Dutch owner-occupied market: that is the theme of this paper. In the first part we look back, analysing some recent developments in that market. In doing so we devote attention to the background to these developments and above all to the role of financing and government policy on that point. This analysis forms the starting point for an outline of the trends to be expected in the years to come. We consider the policy that the Memorandum on Housing in the Nineties by the Dutch State Secretary, Heerma, has in store for the owner-occupied sector. We make a number of comments on the intended policy, in which we emphasise the need to promote a certain stability in the housing and housebuilding markets. By giving the housebuilding programme in the social sector a task-setting character and by building buffer mechanisms into the subsidy technique for both rented and owner-occupied dwellings, a contribution can be made to a stable development in the housing and housebuilding markets. Finally, in contrast to the Heerma norm — of 55% owner-occupied dwellings in the year 2000 — we introduce the Priemus norm: the height of equilibrium, viz. 50% owner-occupied and 50% rented dwellings.

Fig. 1. Number of completed dwellings for sale and their proportion of total building production, 1948-1987
The very pronounced drop in sales prices continued until 1983, after which these prices remained at a low level compared with the indices of wages and building costs. The situation at the beginning of the seventies has thus returned in recent years.

Table 1 shows the price trend of dwellings for sale in relation to inflation in the period 1975-1988. We see the greatest price increases in 1976 and 1977. The period 1979-1982 displays a considerable real fall in price. Van Herwijnen (1988) remarks that the average dwelling price in 1987 should have been £168,600 if inflation had been consistently followed since 1975. In reality the average price in 1987 was £153,300. However, if we compare two other years, it can be demonstrated that the growth of house prices exceeds inflation. It is therefore justified to conclude that a house of one's own does maintain its value in the long term, but that in the short term inflation and prices of owner-occupied dwellings may differ considerably.

The expansion of the owner-occupied sector until 1978 is connected

<table>
<thead>
<tr>
<th>Year</th>
<th>Average prices (£1,000)</th>
<th>Inflation (%)</th>
<th>Real increase in value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>102.6</td>
<td>10.2</td>
<td>-</td>
</tr>
<tr>
<td>1976</td>
<td>131.9</td>
<td>8.8</td>
<td>+19.8</td>
</tr>
<tr>
<td>1977</td>
<td>184.2</td>
<td>6.4</td>
<td>+33.3</td>
</tr>
<tr>
<td>1978</td>
<td>198.6</td>
<td>4.1</td>
<td>+3.8</td>
</tr>
<tr>
<td>1979</td>
<td>187.3</td>
<td>4.2</td>
<td>-10.1</td>
</tr>
<tr>
<td>1980</td>
<td>171.1</td>
<td>6.5</td>
<td>-15.1</td>
</tr>
<tr>
<td>1981</td>
<td>153.5</td>
<td>6.7</td>
<td>-17.0</td>
</tr>
<tr>
<td>1982</td>
<td>138.1</td>
<td>6.0</td>
<td>-16.0</td>
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<td>1983</td>
<td>142.1</td>
<td>2.7</td>
<td>+0.2</td>
</tr>
<tr>
<td>1984</td>
<td>139.6</td>
<td>3.3</td>
<td>-5.1</td>
</tr>
<tr>
<td>1985</td>
<td>140.1</td>
<td>2.2</td>
<td>-1.8</td>
</tr>
<tr>
<td>1986</td>
<td>147.2</td>
<td>0.2</td>
<td>+4.9</td>
</tr>
<tr>
<td>1987</td>
<td>153.3</td>
<td>-1.1(^a)</td>
<td>+5.2</td>
</tr>
<tr>
<td>1988</td>
<td>159.8(^b)</td>
<td>0.9</td>
<td>+3.3(^b)</td>
</tr>
</tbody>
</table>

Source: NVM.
\(^a\): First six months.
\(^b\): Second quarter of 1988 compared with second quarter of 1987.

Fig 2. Indices (1965 = 100) of the purchase prices of single-family houses with vacant possession, building costs and contracts wages, 1965-1985

From then on the demand for dwellings for sale soared. In the period 1973-1978 the expansion of the supply could not keep up with this increase in demand. The result was that the prices in the real estate market shot up, sometimes by 20-30% a year. In 1965 2% plus of the housing stock was offered annually on the housing market. By 1971 this proportion had risen to 2.7%, and by 1976 to 4.1%. In the seventies speculative transactions probably contributed to the overheating of the owner-occupied market.

After 1979 an exceptional development occurred. As a result of the second oil crisis in 1978 the Netherlands sank into an unprecedented economic slump. Unemployment rose quickly, incomes fell and the Government's financing deficit rapidly increased. The mortgage rate was high and the consumers' expectations for the future were sombre. Many newly built houses for sale remained empty. The proportion of houses for sale in the new construction programme tumbled from over 60% in 1979 to less than 30% in 1982. Since then a clear recovery has taken place.

The supply of dwellings for sale in the stock declined quickly again after 1978 and by 1981 had already returned to its old level (2.4%). Prices fell strongly after 1978 and caused great problems for owner-occupiers, property development companies and mortgage banks. Between 1972 and 1978 registrations of new mortgages had quadrupled; thereafter these numbers declined to less than half.
by Van der Schaar (1987, p 314) with a number of factors:
a. Demographic factors: the first-time appearance on the housing market of a large group of young people forming part of the post-war birth bulge.
b. The strong income growth and the expectation of a continuing increase. Income expectations are of great importance to the decision whether or not to buy a house.
c. Closely connected with income expectations is consumer confidence (Van den Brink et al., 1988; Gianotten et al., 1987; Van Raay and Van Wijk, 1985).
d. The high inflation and the attraction of an inflation-proof investment.
e. The interest rate falling since 1974 supplied an additional incentive until 1978. The real interest rate had been low since 1971.
f. The abolition of credit control by the Netherlands Bank in 1972.

The slump in the owner-occupied sector after 1978 is attributable to the following factors:
a. The strong increase in unemployment and insecurity of one's economic position. In addition, the falling purchasing power, the unfavourable income expectations and the waning consumer confidence played a major role.
b. Interest rates reached a very high level after 1978, as a result of which capital charges rose to great heights.
c. Property prices fell and the selling risk for owner-occupiers increased.
d. Compulsory selling-up increased, because more and more owner-occupiers had difficulties in meeting payments. Mortgage terms became stricter. Owner-occupiers became alarmed.
e. Partly as a result of the standstill in the labour market, mobility in the housing market decreased. The demand for houses for sale fell.

Financing of home ownership
Every year there is a turnover of some 18,500 million in funds for financing in the owner-occupied sector. Of this, some 16,000 million consists of mortgage loans.

According to internal calculations by the Vereniging Eigen Huis, in the period 1984-1986 there was a turnover of some 6,000 million guilders in mortgages in new construction, and a further almost 10,000 million guilders in the stock (Van Herwijnen, 1988). Yet another 2,400 million guilders for the purchase of owner-occupied homes was financed in another way.

For the developments in the owner-occupied sector the links with the capital market are of very great importance. Capital market developments determine the financing possibilities. In this connection the development of the mortgage rate is of decisive importance.

Fig. 3 illustrates the trend of the mortgage rate since 1956.

Table 2 (opposite) shows the trend of the mortgage rate alongside the rent trend in the same period: 1966-1988.

In the development of the mortgage rate we see a reflection of the above-mentioned effects of the oil crisis of 1973 and that of 1978. In 1974 the rate shot up to more than 11% on average. Thereafter the mortgage rate quickly recovered to 8-9% in the period 1976-1978. The consequences of the second oil crisis were more drastic. After 1978 unemployment increased quickly, the financing deficit soared and incomes fell for several years. For three years (1980-1982) the mortgage rate then averaged double figures on an annual basis. Since 1982 the mortgage rate has been falling. The question, of course, remains whether this fall will continue in the years to come or whether a new increase will become apparent.

The comparison with the rent trend in the same period is interesting. The rent trend was high in 1966 and 1967 and in the period 1975-1978 (inflation). Above all since 1982 the rent trend has been falling steadily, to not more than 2% in 1986 and 1987. In 1988 and 1989 a 3% rent trend has been adhered to. The housing costs reports by the Housing Ministry show that the development of housing costs for tenants and that for owner-occupiers display entirely individual dynamics.

The consequences of changes in
Table 2. Development of rent trend and mortgage rate (%), 1966-88

<table>
<thead>
<tr>
<th>Year</th>
<th>Rent trend %</th>
<th>Rate</th>
<th>Mortgage rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>10</td>
<td>1.7</td>
<td>7.70</td>
</tr>
<tr>
<td>1967</td>
<td>10</td>
<td>1.7</td>
<td>7.25</td>
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<td>1968</td>
<td>4</td>
<td>1.4</td>
<td>7.31</td>
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<td>1969</td>
<td>6</td>
<td>1.4</td>
<td>8.42</td>
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<td>1970</td>
<td>6</td>
<td>1.7</td>
<td>9.44</td>
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<td>1971</td>
<td>7</td>
<td>1.4</td>
<td>9.05</td>
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<tr>
<td>1972</td>
<td>6</td>
<td>1.4</td>
<td>8.43</td>
</tr>
<tr>
<td>1973</td>
<td>6</td>
<td>1.4</td>
<td>8.91</td>
</tr>
<tr>
<td>1974</td>
<td>6</td>
<td>1.4</td>
<td>11.23</td>
</tr>
<tr>
<td>1975</td>
<td>8</td>
<td>1.4</td>
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<td>1976</td>
<td>8</td>
<td>1.4</td>
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<td>1.4</td>
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<td>7</td>
<td>1.7</td>
<td>8.61</td>
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<td>1979</td>
<td>7</td>
<td>1.7</td>
<td>9.13</td>
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<td>1980</td>
<td>6</td>
<td>1.7</td>
<td>11.39</td>
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<td>1981</td>
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<td>12.71</td>
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<td>6 (4)</td>
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<td>1984</td>
<td>3</td>
<td>1.7</td>
<td>8.99</td>
</tr>
<tr>
<td>1985</td>
<td>3</td>
<td>1.7</td>
<td>8.36</td>
</tr>
<tr>
<td>1986</td>
<td>2</td>
<td>1.7</td>
<td>7.26</td>
</tr>
<tr>
<td>1987</td>
<td>2</td>
<td>1.7</td>
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</tr>
<tr>
<td>1988</td>
<td>3</td>
<td>1.7</td>
<td>7.12</td>
</tr>
</tbody>
</table>

Source: VROM/DNB.

The mortgage rate are partly compensated for by changes in real estate prices. Roughly speaking, it is true to say that real estate prices in the owner-occupied sector rise as the mortgage rate falls, and that the prices of owner-occupied dwellings fall if the mortgage rate rises.

The lenders of money on the mortgage market reacted creatively to the upsetting rise in the mortgage rate after 1978.

After a considerable time in which the annuity mortgage, the level repayment mortgage and the endowment mortgage had been the only forms, the crisis in the owner-occupied market induced the mortgagees to come forward with some forms of mortgage directed towards stabilisation of capital charges (Dijkman and Dreuning, 1963; Kool, 1984; Van Herwijnen, 1988). The PGGM pension fund presented the "wage-proof" mortgage. The Bouwfonds Nederlandse Gemeenten propagated the "interest rest" mortgage. Other forms to appear were the deposit mortgage, the stable interest mortgage, the Roparco mortgage and the free mortgage.

The Association of Owner-Occupiers, Vereniging Eigen Huis, is remarkably enthusiastic about the Saving mortgage. However, it greatly depends on individual circumstances as to which type of mortgage is the most favourable one. The variety of types of mortgage loan is to be applauded and contrasts sharply with the uniform way in which up to now loans have been granted in the subsidised rented sector.

For the consumer the mortgage market by no means offers the solution to all his problems. The relation between a mortgage loan and the market value of the mortgaged property is in many cases highly unfavourable for the occupants. A mortgage loan can in general be given up to about 75% of the foreclosure value of the dwelling to be purchased. This foreclosure value is in general 80% of the value of the real estate with vacant possession in private sale. The buyer of a house must therefore manage to finance a considerable amount of the purchase sum himself without the cover of a first mortgage. No wonder people with a low income will not be in a hurry to buy a home these days.

The so-called Arbitrating Bodies, which advise local authorities on giving municipal guarantees, apply norms that establish a relation between gross annual income and the maximum permitted gross monthly mortgage charge.

The following relation is established (Van Herwijnen, 1988):

At a given mortgage rate the maximum borrowing capacity can be determined per income category. The borrowing capacity is an important factor in establishing the size of the demand for dwellings for sale and the price of these dwellings. The income determines the maximum loan, given the mortgage rate, and the maximum loan is connected with the purchase price. In this way income and purchase price are closely connected.

The Heerma Memorandum and the owner-occupier

The current government means well by the owner occupier. One of the priorities in government policy for the nineties is the "promotion of home ownership" (Heerma, 1988, p 76). More than before, policy is directed towards making investments in housebuilding more attractive, even without extensive public support being necessary. It is expected that the demand for owner-occupied dwellings will increase accordingly as the real disposable income of households grows.

Under the heading "Promotion of home ownership" (p 79) the State Secretary reports that the rents of more expensive dwellings will be liberalised and that a firm trend rent policy will be followed. As a result, the members of the public with considerable purchasing power will concentrate more on the free sector, notably the owner-occupied sector. Here the State Secretary is therefore remarkably clear: by worsening the situation in the rented sector for tenants, home ownership is promoted. This theme returns with regard to the proposed encouragement of the sale of housing association dwellings to the occupants. Here the promotion of the owner-occupied sector proceeds directly at the expense of the social rented sector.

In the owner-occupied sector itself the Heerma Memorandum does not in fact offer new positive incentives. The premium B sector has meanwhile been done away with, in the wake of the Oort Commission for tax reform the rateable value is to be increased considerably, the premium A scheme has not improved and the suggestion to reduce the...
transfer tax on housing sales is mentioned in such a whisper in the Heerma Memorandum that the other members of the Cabinet probably did not hear this pronouncement. I quote (p 83): "By and large, the tax aspect is outside the scope of this memorandum. Consequently, no proposals for amendment of broad outlines are made."

If the future for home ownership looks rosy, that is not the result of a direct, positively encouraging policy in that respect, but of the favourable economic prospects, the increased consumer confidence (1980 = index 65; 1987 = index 99; 1988 = index 102), the reasonably favourable mortgage rate and the systematic way in which the rented sector is in danger of being stricken by increased housing costs and erosion of legal protection.

The policy for the promotion of home ownership, as unfolded in the Heerma Memorandum, consists of four parts (p 145):
1. generic measures in rent and subsidy policy, making purchase of a dwelling more attractive;
2. specific subsidisation of owner-occupied dwellings for the lower-income groups;
3. aid with financing;
4. the sale of rented dwellings.

According to the Heerma Memorandum the owner-occupied sector in the year 2000 will comprise more than 50% of the stock if economic growth steadily continues at 23%. This percentage is based on the preferences gauged in 1986; a further shift in demand in the direction of the owner-occupied sector may be expected in the nineties, the Heerma Memorandum states. For 2000 a target of 55% is mentioned. "The expansion of the owner-occupied sector will (.) above all be to the benefit of the higher-income categories," the Memorandum says (p 145). This conclusion agrees with the results of the 1985/1986 Housebuilding Survey and with the following table published by Kersloot and Dieleman (1988), taken from the 1985 Collective Banks Survey.

The table shows the percentage of owner-occupied dwellings for each income group.

- **Net income (guilders per month)**
  - Up to 1,400
  - 1,400-2,200
  - 2,200-3,600
  - More than 3,600

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Number of Households (×1,000)</th>
<th>Owner-Occupied Dwellings</th>
<th>Rented Dwellings</th>
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</thead>
<tbody>
<tr>
<td>Up to 1,400</td>
<td>1,010</td>
<td>18</td>
<td>82</td>
</tr>
<tr>
<td>1,400-2,200</td>
<td>1,757</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>2,200-3,600</td>
<td>1,644</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>More than 3,600</td>
<td>763</td>
<td>66</td>
<td>34</td>
</tr>
</tbody>
</table>

Total: 5,374 43 57

The mortgage guarantee in its existing form is maintained for the time being, now that the creation of an Intermunicipal Risk Fund proves unattainable. An evaluation study of the mortgage guarantee is announced, whereby for the future a combination is envisaged of saving in advance (whether or not with a fiscal incentive), the granting of premiums and the provision of guarantees.

On the one hand, the State Secretary wishes to make home ownership more accessible to the lower-income categories by lowering the maximum income limit in the premium A sector. On the other hand he wants to restrict risks to the government from mortgage guarantees, _inter alia_, by more stringent standards of the Arbitrating Bodies. On balance the position of the lower-paid in the owner-occupied sector is not improved. The combination of low income and home ownership remains a precarious one, because the risks of a rise in the mortgage rate, capital risks and selling risks are not limited and cannot really be borne well by low-income categories.

Not only will social rented dwellings be sold; it is expected that more and more private rented dwellings will also be affected. Above all, when dwellings in blocks of flats are involved, this may lead to complicated management situations. In such cases Associations of Owner Occupiers, which often lead a sorry existence in practice, are obligatory (Van Weesep, 1986). Experiments and information activities in this field are announced, but the prospect of concrete policy measures is not held out.

It is striking that the Heerma Memorandum does not alter the fact that in the Housing Ministry sphere aid to owner-occupiers is strongly directed towards new construction.
The following situation remains in force:

new construction: fairly considerable centrally allocated Housing Ministry subsidies, notably in the period A; and

dwelling improvement: no central government involvement; in some cases fairly considerable local government subsidies, paid out of the municipal urban renewal fund;

stock (purchase and management) apart from aid with the disposal of dwellings with a dynamic cost price rent by housing associations, no subsidies.

More strongly than in the rented sector Housing Ministry premiums in the owner-occupied sector are above all building subsidies, which it is becoming increasingly difficult to justify theoretically.

Towards greater stability in the housing market

For the years to come it seems that an increase in the demand for a home of one’s own may be expected. Partly on account of demographic factors, unemployment will gradually decrease in the nineties. A modest growth of national income is expected. Moreover, the expectation is that the interest rate will not rise spectacularly. Because interest in general proves to be a quantity that is hardly predictable, if at all, the predictions with regard to it must be taken with a pinch of salt. Precisely on this point surprises may manifest themselves.

The owner-occupied sector can be made to grow by a greater proportion of owner-occupied dwellings in new constructions and by a greater number of transactions converting rented dwellings into owner-occupied stock. It seems that a new wave of division into apartments may be expected in the stock, although the management of mixed blocks is accompanied by great problems. Partly through the planned decrease in the proportion of social rented dwellings and the reti-

cent attitude of investors, an increasing percentage of owner-occupied dwellings may be expected in the new construction programme, irrespective of the political colour of forthcoming cabinets.

If we try to picture the development of home ownership in the nineties, then, just as in preceding decades, market development will probably be more of a determinant than policy development.

If the purchasing power of households, in conformity with the assumptions of the Heerma Memorandum, grows in real terms by 1% per year, and if the capital market interest rate remains about 7%, the circumstances are favourable to a structural expansion of home ownership. If fiscal aid to owner-occupiers, apart from a sharp increase in rateable value, is maintained, everything in the garden is lovely. As the result of a highly restrictive policy in the rented sector, the pressure on the owner-occupied sector might become too great on occasion. At the present time excessive price increases in the owner-occupied sector are still absent, because of the fact that the free sector has been given a clear field and in this sector all production records are now being broken. By sale of rented dwellings the price-increasing effect of the growth of demand in the somewhat less expensive parts of the stock can be curbed to some extent.

However, the question is whether the development of purchasing power and the trend of the mortgage rate will be as favourable and as stable as the Heerma Memorandum assumes. It seems more obvious to assume that economic fluctuations will occur in the nineties as well. Anticyclical programming of social rented dwellings is no longer available. Housebuilding programming is no longer task-setting, but only indicative. Housing associations are faced with increasing interest risks and will become subject to the same considerations as promoters in the market sector. In the social rented sector a procyclical discontinuity in the nineties must be feared, which may considerably intensify the ups and downs in the owner-occupied sector. This introduces a new source of unrest into the Housing Ministry’s budget.

The period 1975-1988 was characterised by extreme differences in the field of regulation between the rented and the owner-occupied sector. In the rented sector rises in the interest rate were almost automatically compensated for by a great increase in the building subsidies. Here the central government bore the risk of setbacks on the capital market almost entirely alone. Landlords and tenants were almost completely safeguarded against these threats. In the owner-occupied market the premiums were in fact adjusted somewhat if the interest rate increased, but in general the cost increases as a result of a rise in the mortgage rate were borne almost entirely by the owner-occupier.

The combination of these two systems led to an unstable equilibrium between buying and renting. If the interest rate rose strongly, the demand shifted from buying to renting and the Housing Ministry budget was disproportionately burdened by an increase in the number of rented dwellings in new construction and an increase in the building subsidies per dwelling. If the interest rate fell strongly, the demand shifted from renting to buying. The prices in the owner-occupied market rose and the market had every chance of becoming overheated after a few years. The purchase premiums were often adapted too late and inadequately to the falling interest rate.

For the years to come there is a need for subsidy schemes in the owner-occupied, and rented sectors to be designed in such a way that a contribution is made to a more balanced treatment of tenant and buyer and a more stable development in the housing market and...
housebuilding market is promoted. The principle of a desirable subsidy system is simple.

If the interest rate rises, part of the additional costs in the rented sector should be borne by the tenant and/or the landlord. With the introduction of the Standard Costs System on 1 January, 1988 and the announced net-present-value method, steps are being taken in this direction in the social rented sector. The way in which the net-present-value method is being designed probably introduces too many risks in the social rented sector. The building subsidy scheme will be less of an open-ended scheme in the nineties than previously.

It may, incidentally, be that as a result expenditure on housing allowances becomes less controllable. Through the higher interest rate the demand for rented dwellings (ceteris paribus) is checked somewhat. As a result the controllability of the building subsidy expenditure increases somewhat for the central government. In the owner-occupied sector the premiums would have to be raised somewhat in the event of a rise in the interest rate, in such a way that the additional costs are borne partly by the central government and partly by the occupant. In this way the drop in demand in the owner-occupied market as a result of the rise in interest rate is somewhat mitigated. The equilibrium in the choice between buying or renting is not too strongly tilted in the direction of the rented sector in the event of a rise in the interest rate.

If the interest rate falls, the premiums in the owner-occupied sector should go down, so that not only the owner-occupier but also the government profits from this decrease in cost. In the rented sector the building subsidies decrease, in such a way that both the government and the tenant receive the benefits of the fall in interest rate. In this way a fall in the interest rate is prevented from disturbing the equilibrium too greatly in the direction of the owner-occupied sector.

The system outlined damps down fluctuations in demand as a result of changes in the interest rate. If the interest rate rises, the government stimulates both the owner-occupied and the rented sector with additional subsidies. If the interest rate falls, the government mitigates the demand encouraging effect by reducing the subsidies in both sectors. Accordingly, as buffer mechanisms are also incorporated in the mortgage forms and if possible the types of loan in the rented sector ("wage-proof", "interest-rest"), the financing can also contribute to the stabilisation of the housing market and the housebuilding market.

In the years to come the housing market will exhibit more chance of destabilisation through the withdrawal of the government than in the recent past. Precisely the owner-occupied market demands a limitation of risks and a prospect of stability. It is to be hoped that by adjustments to the subsidy system in the owner-occupied and rented sector the government makes a contribution to this stability and that the financiers also try to limit the mortgage by the modes of their credit.

The fact that State Secretary Heerma cannot guarantee any continuity in building is regrettable but understandable. However, the housebuilding programming now being presented is not worthy of the name. Serious consideration will have to be given to making the programmes in the social sector task-setting, and for the rest a certain (partial) compensation will have to
be offered in the financial aid to the market sector for possible setbacks. In that way overheating of the owner-occupied sector, a danger that is now very real for the nineties, can be avoided.

A balanced and pluriform situation in the housing market is most fostered in Dutch conditions if, in conformity with the preferences now gauged, a fifty-fifty ratio between buying and renting on the housing market is aimed at. Such a ratio allows both the owner-occupied sector of the rented sector to prosper. A sound rented sector is essential to public housing. A flourishing owner-occupied sector is equally of great importance to the housing market. It is fruitless if political factions and pressure groups keep on setting the owner-occupied and the rented sector against one another and advocate facilities for the one sector at the expense of developments in the other sector. A flourishing owner-occupied sector can contribute to the promotion of housing only if the rented sector prospers too.

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