

Making the housing market transparent with Land Registry data: the role of buy-to-let in the Dutch housing market

Marion PLEGT

Frank HARLEMAN

Key words: Housing market, Buy-to-let, Transfer tax, Transparency

SUMMARY

Low mortgage interest rates, combined with housing prices that kept rising continuously since 2015 in an investor-friendly environment have attracted investors to purchase houses and let them to households (buy-to-let) in the Netherlands. This limited the opportunities for first-time buyers, while also driving up house prices. Statistics from Kadaster (the Dutch Land Registry) provided factual substantiation for the widely reported role of investors (buy-to-let) in the housing market. In this article, we discuss how we transform registration data of ownership into useful insights about the role of buy-to-let in the Dutch housing market, determining that buy-to-let increased from 7% in 2015 to 9% in 2020. We then discuss the decisions the Dutch government made based on this information: in 2021 they increased the transfer tax for investors, while abolishing it for first-time buyers. Furthermore, based on (our) data, local governments were able to impose an obligation of self-occupancy or implemented policies that prevented investors from buying houses (buy-to-let-protection). When the government increased transfer taxes, buy-to-let market share fell to 5% in 2021. Local governments, imposing buy-to-let-protection in 2022, managed to reduce buy-to-let even more in favor of first-time buyers.

Making the Housing Market Transparent with Land Registry Data: the Role of Buy-To-Let in the Dutch Housing Market (12037)

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FIG Working Week 2023

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Orlando, Florida, USA, 28 May–1 June 2023

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1. Introduction

Since 2012, the number of houses owned by investors in the Netherlands has increased. This is an inversion of the developments the Dutch housing market experienced in the years before that, when we experienced a decrease of rental houses owned by investors, and an increase of owner-occupied houses (Haffner, 2020). The causes for this increase are multiple, interlinked and refer to both demand and supply: 1) the insufficient supply of appropriate housing, 2) housing prices increased, making it more difficult to purchase a house, especially for first time buyers, 3) that restricted social-housing reduced the share of social-rental houses, and restricted access to these houses to the lowest-income groups, 4) homeownership has been restricted by lowered maximum mortgages and stricter employment criteria during the credit crunch in the years before, 5) the Dutch government actively approaching (foreign) investors with information about opportunities on the Dutch housing market and 6) low interest rates, which made property an interesting investment (Boelhouwer, 2017; Boelhouwer, 2020; Christophers, 2021; Hochstenbach, 2022; Hochstenbach & Ronald, 2020; van Gent & Hochstenbach, 2020).

The private-rental sector has long been considered a solution for those that earn too much for social rent, but too little to purchase a house. However, in recent years, the Dutch government, the Dutch population, and media have become more critical of investors and buy-to-let. Criticisms include but are not limited to rents being unreasonably high, properties improperly being cared for, reducing chances for first-time buyers, multiple property ownership increasing social inequality, decay of neighbourhoods with many rental properties and a decrease of social cohesion.

Local municipalities as well as the national government have responded to these criticisms by exploring possibilities to limit the buy-to-let possibilities for investors on the housing market. These adapted policies had to be founded on reliable data, provided by Kadaster (The Netherlands' Cadastre, Land Registry and Mapping Agency). Kadaster collects and registers administrative and spatial data on property and the rights involved in the Netherlands.

In this article, we will set forth the opportunities of data collected by Kadaster and the possibilities created by linking it with various other datasets. We describe the current situation on the Dutch housing market and the political debate regarding investors and buy-to-let. We illustrate the societal relevance of information on buy-to-let, based on data registered and enriched by Kadaster, and discuss policy changes and their effects to reduce and control buy-to-let. We use Rotterdam to present the effects of policy changes on buy-to-let.

2. Kadaster turns registration data into housing data

Kadaster collects and registers administrative and spatial data on property and property rights in The Netherlands. The official transfer of property takes place at the notary. The buyer and seller of the property sign the deed, and the notary files the deed with Kadaster. The deed

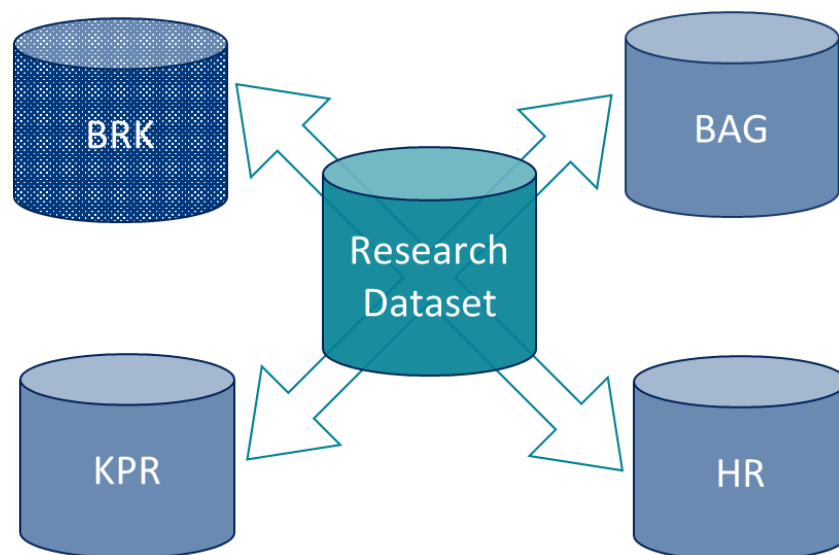
contains information on both buyer and seller, such as name, date and place of birth and current address for persons and registered address for companies, as well as information on the plot, such as the size, location and exact name of the plot, and whether or not the plot has been built upon, and if so, the official use of that building. Furthermore, the deed also contains the price of the purchase, and states, if applicable, any limiting rights, such as ground lease.

Based on these deeds, Kadaster knows which plot is owned by which person or entity. This system of data-registration is called the Basisregistratie Kadaster (BRK – Registration Kadaster).

For our research, we enrich the data of the Basisregistratie Kadaster (BRK) with a couple of other datasets, as shown in Figure 1, resulting in the Research dataset:

- Basisregistratie Adressen en Gebouwen (BAG – Registration of Addresses and Buildings). The BAG belongs to the Dutch municipalities and is administered by Kadaster. The BAG contains both administrative and spatial information on the location of all buildings and addresses in the Netherlands, as well as certain characteristics of these buildings.
- Kadaster PersoonsRegistratie (KPR) – Kadaster Registration of personal data of homeowners. Personal data will be checked with BRP (Official Register of personal data of residents in the Netherlands, which belongs to municipalities). It contains information about residence (address), date of birth, and nationality.
- Handelsregister (HR – Registration of companies and legal entities). It contains data of organisations that participate in economic transactions. It contains names, contact details, branch data and officials and authorized signatories. The HR belongs to the Kamer van Koophandel (Chamber of Commerce).

Figure 1. The dataset for this research is a combination of 4 different databases



The combination of BRK and BAG was established in 2012. Spatially and administratively combining the BRK and the BAG allows us to see which buildings fall on what plots, therefore showing which buildings belong to whom. Based on this combination of BRK-BAG, we now have both the characteristics of the (former) owner from the deed, as well as the characteristics of the building from the BAG. These include the use(s) and size of the building, for houses the type of house, such as apartment or terraced house, and the year the building was built.

In the years that followed we further enriched our data with several indications, such as ‘first-time buyer’. Our systems assign a unique number to every person or entity that buys a house. Based on this unique personal number, an indication that shows whether or not someone is a first-time buyer was developed. Based on the same unique number, we are able to identify whether or not the buying or selling party is a (private) investor. If they at that specific point in time own more than two houses, they are assigned the label ‘investor’. Based on the information about the legal entity from the deed, we differentiate between private investors and commercial investors. Having information about both the buyer and the seller allows us to correctly identify a transaction as buy-to-buy, buy-to-let, let-buy, and let-to-let.

Data from KPR and HR helps in connecting the correct number to the correct person or entity. Furthermore, KPR shows, after checking with BRP, at which address a person is registered with the government. In the case of private investors, this allows us to determine at which of their properties they live. Lastly, by applying a list of all housing associations in the Netherlands, we are able to determine which companies are in fact (social) housing associations and therefore not investors.

All our efforts have resulted into two datasets that we use regularly:

- Housing stock: contains detailed information about houses and their owners at the end of each quarter since 2018.
- Housing market transactions: contains information about transactions, including those of (private) investors since 2009.

Both are updated several times a year. We continuously and retroactively update our datasets.

Both datasets contain a characterization of owner (stock) or buyer/seller (transactions). We group the houses as owned by:

- Owner-buyer: Home owned by a private individual (natural person) of which we know that the home in question is also the address where one is registered. In transactions someone who has previously owned another home.
- First-time buyer: In transactions a private individual (natural person) who appears for the first time in the Land Registry as owner - i.e. a private individual who buys a home for the first time to live in it.
- Second home: Home owned by a private individual who owns a total of two homes and where the person is not registered as resident.
- Private investor: The home is owned by a natural person (private) who owns 3 or more homes and is not registered in the relevant home.
- Commercial investor: The home is owned by a non-natural person who owns a home.
- Housing corporation: House owned by a housing association.

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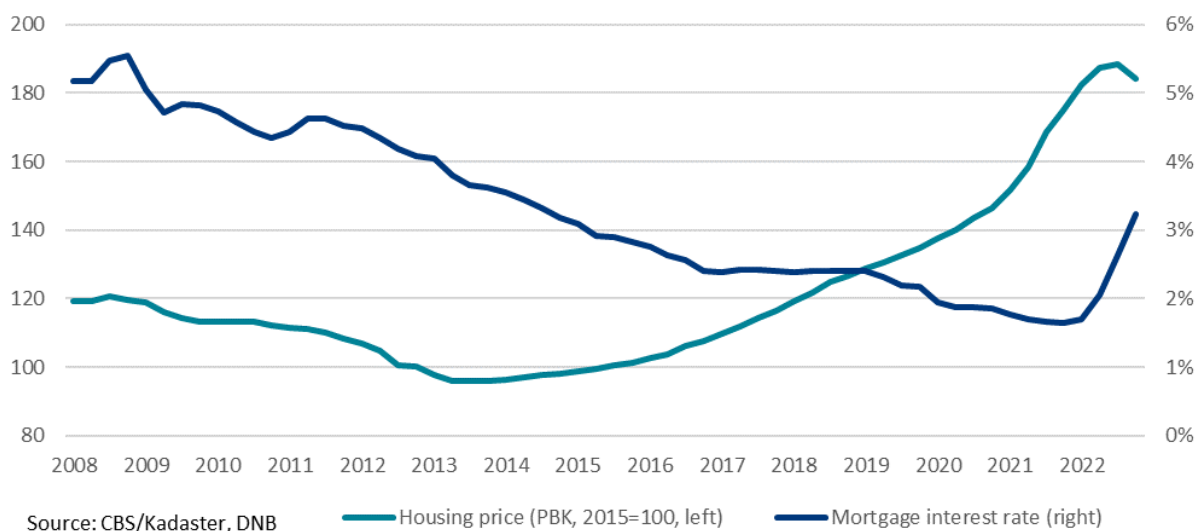
3. Current Dutch housing market

We show how we use this enriched dataset to study buy-to-let in the Dutch housing market. As touched upon in the introduction, the number of houses owned by investors in the Netherlands has increased in recent years, which is an inversion of the developments the Dutch housing market experienced in the years before that.

At the end of the Global Financial Crisis, back in 2013, housing prices in the Netherlands had decreased by 21.5%. Demand for owner-occupied houses had decreased in the years before, with more than a million households experiencing a potential residual debt and the number of houses for sale more than doubling in a period of 5 years' time.

The European Central Bank started stimulating economies by a monetary policy of lowering interest rates. Subsequently, mortgage interest rates also decreased, starting a period with an increasing demand for housing, as well as increasing housing prices. Since 2015, housing prices have almost doubled, as shown in Figure 2.

Figure 2. Housing prices and mortgage interest rate in the Netherlands, 2008-2022



Due to several reasons at that time, the private rental sector increasingly became a serious alternative for home seekers. First, stricter norms for mortgages made buying a house more difficult for first-time buyers making the rental sector an alternative. Secondly, during the crisis period, housing associations were forced to reduce their rental housing stock and sell it to investors. Moreover, demographic transitions played a role, with young adults living at home or on their own for a longer time and more young adults pursuing studies for a longer time, meaning they are not yet in a stage to 'settle down and buy a house'. Furthermore, especially in cities, the increase of migrants and international knowledge workers cause a higher demand for rental housing (Hochstenbach & Ronald, 2020). Simultaneously with these developments, housing has become more of an investment opportunity since the economic crisis, especially

considering the low interest rates and fading returns on other types of investment (Christophers, 2021; Hochstenbach & Ronald, 2020).

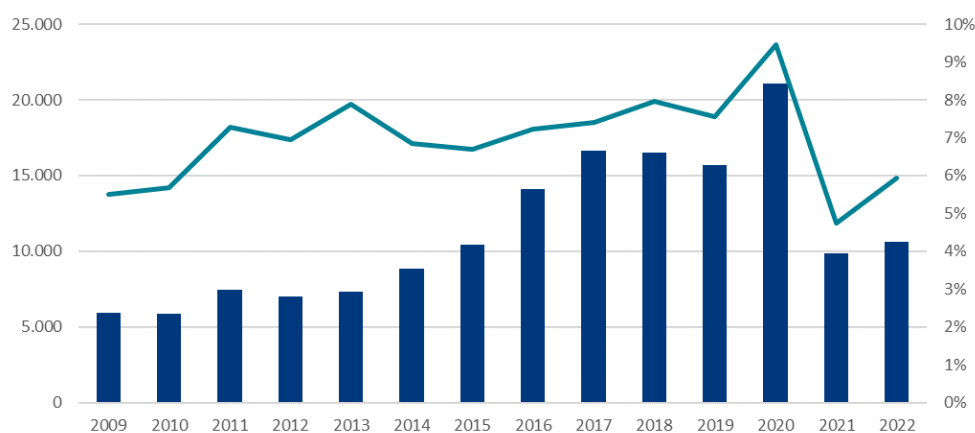
This is where investors, that buy houses to let, come into play on the supply side. Low interest rates and increasing housing prices made investing in houses popular. Besides, in the years before, the Dutch Minister for Housing had actively invited investors all over the world to invest in the Dutch housing market: affordable houses with good returns. He also took measures that increased the popularity of the private rental sector: middle-income households were no longer eligible for social housing and housing associations had to pay the ‘verhuurderheffing’, a levy to be paid when owning more than 50 social houses with the underlying aim of reducing the stock of social rental housing. These measures made the private rental sector interesting as an investment, and investors started to turn social houses into private rental houses.

Various sources agree that buy-to-let has increased in the Netherlands since the financial crisis. However, it is very difficult to find clear numbers to determine the exact increase. Haffner (2020) discusses several articles and concludes: “the numbers that are available, suggest that among the houses owned by investors, the segment let for ‘market rent’ is increasing.” That statement, *the numbers that are available*, touches upon the exact issue that Kadaster has been trying to tackle by combining various datasets and supplying transparent data. Without reliable information, informed decisions cannot be made, nor can effective policies be implemented.

4. Buy-to-let first-time buyers and differential transfer taxes

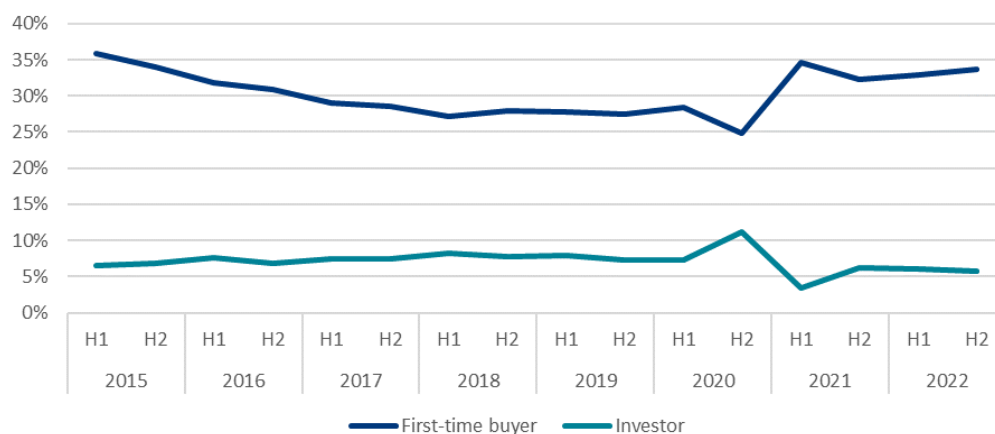
As mentioned, investing in real estate and buy-to-let became more attractive after the financial crisis due to low interest rates and investor friendly politics. From 2015 on, the investors’ share in housing transactions, with the house previously being owner-occupied, rose from 7% to 9% in 2020. This reduced chances to buy a house for first-time buyers. During 2020, the Dutch government introduced new legislation: per 2021, the transfer tax for investors increased to 8%, while abolishing this tax for first-time buyers younger than 35. This resulted in a decrease of buy-to-let transactions to 5%, as shown in Figure 3. Furthermore, various local governments imposed an obligation of self-occupancy or implemented policies that prevented investors from buying houses (buy-to-let protection). While this did not result in a further decrease of buy-to-let transactions nationwide, it did in municipalities that implemented buy-to-let-protection.

Figure 3. Absolute number (bar) and market share (line) of buy-to-let transactions in the Netherlands, 2009-2022.



While buy-to-let increased, first-time buyers share decreased, which we show in Figure 4. Buy-to-let is not the only reason for the decreasing share of first-time buyers; other causes, such as general market circumstances, were discussed in the introduction. However, by abolishing the transfer tax for first-time buyers, and increasing it for investors, the government tried to level the playing field. Results for 2021 and 2022 show that measures were successful: first-time buyers share increased from 27% in 2019/2020 to 33% in 2021/2022. Figure 4 also clearly shows investors and first-time buyers anticipating the new legislation in the last months of 2020, with first-time buyers delaying their purchase to the first half of 2021, whereas investors moved up their purchases.

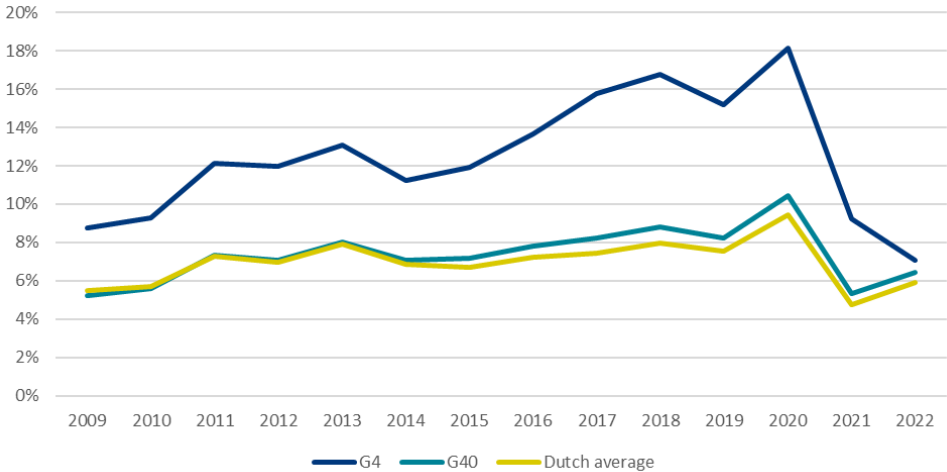
Figure 4. Development of market share of first-time buyers and investors per half year, 2015-2022.



The increase of buy-to-let was not spread evenly throughout the country. It has been on the rise especially in the large cities in the west of the country, as well as in student cities throughout the other regions. Historically, buy-to-let has always been highest in the four largest cities in the Netherlands, combined into the G4. The next 40 cities, called the G40, have on average a slightly higher degree of buy-to-let than the Dutch average, as can be seen in **Error! Reference source not found.** These differences have several causes, as can be derived from our data.

Investors tend to buy more apartments, which in the Netherlands can mainly be found in (larger) cities. Furthermore, there is a focus on smaller, often older – but not too old, we love our houses from the 30’s – houses, that can be bought for a lower price. To complicate matters, within larger (student) cities, large houses that can be converted into several studios are popular as well. These differences, with regards to policy measures, once again show the importance of reliable data on a local level.

Figure 5 Development of buy-to-let in 4 largest cities (G4), next 40 largest cities (G40) and Dutch average.

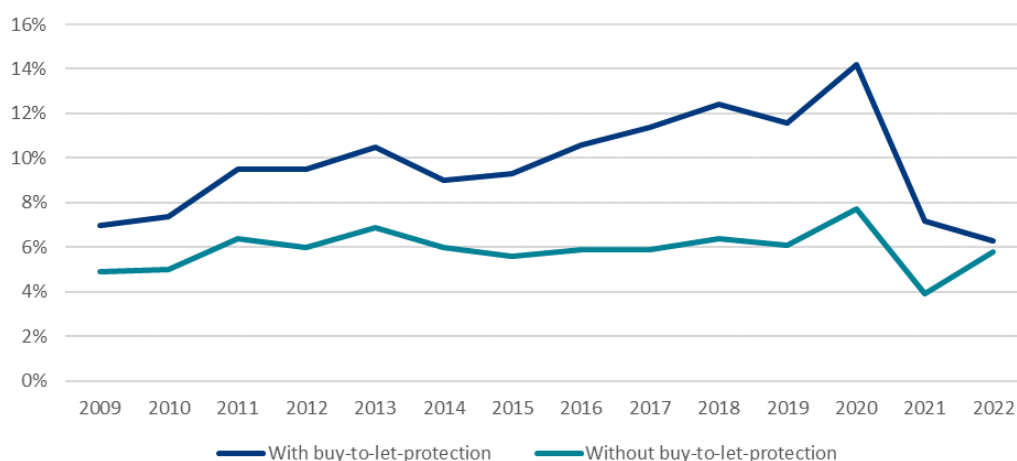


5. Measures taken by local government: the case of Rotterdam

These regional differences emphasize the need for reliable regional information and regional measures; and even on a regional level, the differences between neighbourhoods have the potential to be striking. Therefore, since 2022 and in addition to national tax measures, local governments have been allowed to impose an obligation of self-occupancy or implement policies that prevent investors from buying houses:owner-occupied houses cannot be bought with the intention to rent them out anymore. The official name for this regulation is ‘opkoopbescherming’, we will refer to it as buy-to-let-protection. In 27 municipalities, mostly large ones, buy-to-let-protection was introduced in 2022. Sometimes, the measure took effect at the start of 2022, but in most of the municipalities, the buy-to-let-protection was implemented somewhere during 2022. Generally, the measure only applied to ‘affordable’ houses.

Figure 6 shows that in municipalities with buy-to-let-protection, investor's share decreased from 7.2% in 2021 to 6.3% in 2022 mainly due to buy-to-let-protection. In municipalities without buy-to-let-protection, investor's share increased from 3.9% in 2021 to 5.8% in 2022. We illustrate these the effects of buy-to-let protection by discussing developments for the city of Rotterdam as a whole and for different neighbourhoods.

Figure 6 Development of investor's share in regions with and without buy-to-let protection



Rotterdam is one of the biggest cities of the Netherlands with one of the largest ports in the world. It has become extremely popular in recent years and was even named one of the top cities in the world by Lonely Planet back in 2016. This popularity came with a booming housing market. The Rotterdam housing stock turned out to be attractive for investors: a lot of older apartments for a relatively low price.

Figure 7 shows an increase of private investor's share in Rotterdam from 13% in 2015 to 20% in 2020. Due to the increased transfer tax, private investor's share dropped in 2021 to 11%. In 2022, Rotterdam imposed buy-to-let-protection in 16 different Rotterdam neighbourhoods

Figure 7 Development of investor's share in Rotterdam versus Netherlands, 2015-2022

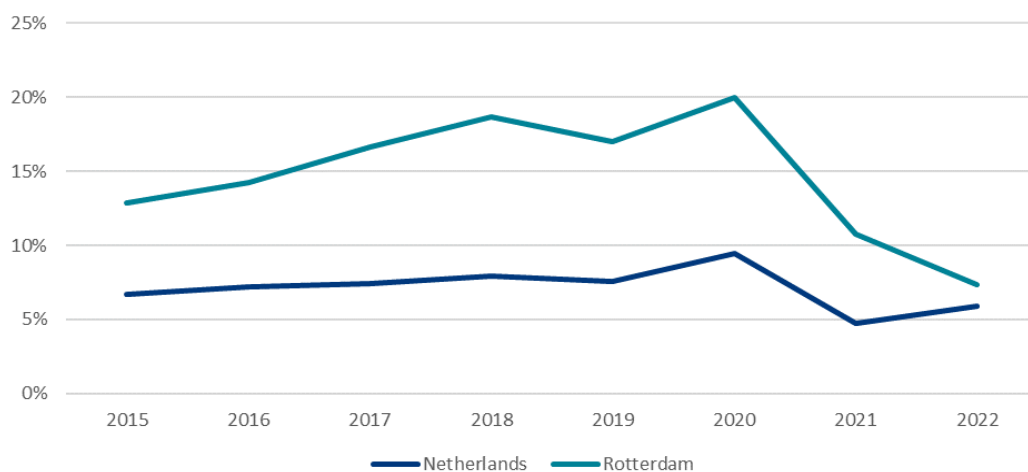


Table 1 shows the results of the increase of the transfer tax in 2021, followed by the buy-to-let-protection for the 16 neighbourhoods in 2022. The tax measures imposed by the national government resulted in a decline of buy-to-let in all neighbourhoods, both with and without protection. The buy-to-let-protection for neighbourhoods that took effect in 2022 yields different results between neighbourhoods: a further decline of buy-to-let from 17% to 6% in

neighbourhoods with protection, and a small increase of investor’s share from 7 to 8% in those without. One of the main objectives, to give first-time buyers a better chance to buy a house, has been achieved: their share has increased in neighbourhoods with buy-to-let-protection to 45% in 2022.

Table 1 Share of first-time buyers and investor’s in transactions of houses in Rotterdam in neighbourhoods with and without buy-to-let-protection, 2020 - 2022

	Investor		First-time buyer	
	With protection	Without protection	With protection	Without protection
2020	29%	15%	24%	26%
2021	17%	7%	37%	34%
2022	6%	8%	45%	34%

6. Conclusion

Statistics from Kadaster provide factual substantiation for the role of investors (buy-to-let) in the Dutch housing market. These statistics proved to be relevant for policy makers. Based on information about buy-to-let and first-time buyers, the national government increased the transfer tax for investors in 2021, while abolishing it for first-time buyers, and local governments imposed an obligation of self-occupancy or implemented policies that prevented investors from buying houses (buy-to-let-protection). With these measures both national and local governments managed to reduce buy-to-let in favor of first-time buyers.

7. Discussion

One of the issues that comes up when conducting research on investors’ share is the reliability of results. When can we trust the data? And more fundamental: why is Kadaster doing this kind of research, since not all information is derived directly from the deed?

Kadaster is a key player in the Dutch real estate market. There are a lot of opportunities to combine data with other sources and to gain valuable insights. Kadaster is the only party in the Netherlands that has access to all necessary data to unravel investors’ share in the housing market, as this type of personal data is considered sensitive information, which therefore cannot be shared with other parties.

The reliability of the data has improved over the years. The first results were considered to be indications. Based on the feedback of stakeholders and by comparing our data with other sources, improvements were made. Furthermore, the rich data registered by Kadaster is used ever more optimally to get to reliable results and every new improvement is tested elaborately by examining deeds. Considering the societal importance and rarity of our data, we choose to utilize it, while emphasizing its limitations and continuing to look for ways to further improve our information. And we share our insights to help both in the Netherlands and all over the world.

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CONTACTS

Drs. Frank Harleman

Kadaster (Dutch Land Registry)

Hofstraat 110

Apeldoorn

NETHERLANDS

Tel. +316 – 311 312 71

Email: frank.harleman@kadaster.nl

Web site: www.kadaster.nl

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