The incomplete privatization of the Dutch housing market: Exploding house prices versus falling house-building output

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Abstract. This paper addresses the coordination problems in the liberalized housing market in the Netherlands during the 1990–2004 period. In particular, the mismatch between the explosion in house prices and the stagnation in house-building activities during the past six years is under investigation. It is argued that there is still a marked discrepancy between the language used in the policy discourse and the supply and demand situation on the Dutch housing market. One could argue that the Dutch government implemented a double-hearted, incomplete privatization. As a result of the mismatch between actual housing policy and market developments, output is stagnating and the housing shortage is growing sharply. The closing section presents some possible means to overcome these problems.

Key words: housing policy, house prices, housing market, housing production

1. Introduction

During the 1960–1990 period the Dutch housing market was characterized by a delicate interaction between government intervention and market behaviour. Various governments tried wherever possible to liberalize the housing market and reduce housing subsidies. Their efforts were always subject to the condition that house-building should remain at a decent level so as to reduce the housing shortage, which had never been made up completely. Van der Schaar (1987, p. 238), writing of housing policy in the 1970s and 1980s, noted in this context that it was striking how the behaviour of the market cut right across the political rhetoric. The Den Uyl government in 1973, for instance, started out with the aim of building large quantities of
cheap rented housing. Its actual policy had a completely different effect, though: the construction of homes for owner-occupation flourished. Its successor, the Van Agt government, conversely, came into power on a programme with a liberal slant designed to promote home ownership and upward mobility. The severe downturn in the market, however, forced it to adopt a policy diametrically opposed to this, under which unsold homes were even subsidized to turn them into social rented housing. Figure 1 shows house-building over the 1965–1999 period by type of ownership.

It is clear from the figure that house-building policy responds to cyclical fluctuations in a highly anti-cyclical manner. The high output of new homes was achieved by an ingenious (from the administrative point of view) planning and production cycle in which the government set the number, price and ownership structure of new-build housing each year. In this respect the Netherlands differs from a lot of other West European countries, most of which renounced this anti-cyclical house-building policy as far back as the 1970s and have experienced far more ups and downs in output (Boelhouwer and Van der Heijden, 1992).

With the introduction of his Housing in the Nineties white paper (Wonen in de jaren Negentig), the State Secretary, Ennetis Heerma, finally broke with the anti-cyclical policy for the first time since World War II. Market forces, consumer sovereignty and the ending of object subsidies were now at the heart of the government’s policy. Entirely in line with his market-based housing policy, Heerma

![Figure 1. Housing production according to ownership in the Netherlands, 1965–1999. Source: CBS.](image-url)