

## Press release

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## Deloitte Property Index Overview of European Residential Markets

**Property sale prices rise in Brussels, but fall in Ghent**

**Deloitte Property Index outlines the main trends in European residential property markets**

**Brussels, 19 July, 2017 – Belgian residential property prices have more than doubled in the past 15 years in nominal terms, although growth has slowed significantly since 2011. Residential property prices rose slightly in 2016, by 1.1%. Prices rose in Brussels (+2.7%) and Antwerp (+0.50%) but fell in Ghent (-3.2%). This is according to the Deloitte Property Index, an annual analysis of the European residential property market. Property rental returns in Belgium are around the European average.**

The sixth edition of the annual Deloitte Property Index compares the residential property markets in Europe. The report analyses the factors that influence the development of residential markets and compares prices in a number of European countries and cities.

### **Returns highest in Denmark and lowest in the London inner city**

This year, the Property Index examined the returns on leasing residential property. Europe's largest rental market is Germany, where 54% of all households rent their home. In Belgium that figure is 24%, which is in line with the percentages in the Netherlands, France and the United Kingdom. The most attractive cities to invest in in terms of rental yields are in Denmark, Poland and Hungary. The cities analysed in those countries showed yields ranging between 6 and 8 per cent. The lowest yields are in inner London (2.0%), followed by Paris (2.8%) and Vienna (2.8%). Returns in the Belgian cities of Brussels (4.2%), Antwerp (4.5%) and Ghent (4.3%) tend to be around the average for large European cities.

### **Average selling prices for homes in Belgium rose slightly, by 1.1%**

Home prices rose in all of the countries surveyed, except for the United Kingdom (-9.0%) and Italy (-1.5%). The market that performed least well was London, which can be attributed to the depreciation of the pound as a result of Brexit. Strongest growth observed was in Slovenia, where prices climbed by a good 26.5%, followed by Denmark (+10.8%), Poland (+9.7%) and Hungary (+9.7%). The prices in Spain and France have increased by 4,4% and 1,4% respectively.

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Frédéric Sohet, Real Estate & Construction Industry Leader, Deloitte Belgium: *"The Belgian property market continues to show good fundamentals and is strongly supported by the appetite shown by small investors –*

*plus the scarcity of land to build on. We are not seeing any oversupply and the financial position of Belgian families remains robust. We expect the moderate rise in house prices in Belgium to be sustained into the future, in line with inflation. The Belgian residential property market remains stable and also performed well during the years of the financial crisis."*

### **Homes most affordable in Belgium, Germany and the Netherlands**

The Deloitte Property Index study measures the affordability of homes in each country, using the number of years of pre-tax pay required to purchase a standard new-build home (70 m<sup>2</sup>). With a ratio of 5.3, Belgium is one of the countries where homes are the most affordable, along with Germany and the Netherlands. However, these statistics need to be put into perspective in view of the big difference between gross and net pay in Belgium as the result of relatively high taxes on earnings. The least affordable homes can be found in the Czech Republic (11 years of pre-tax pay) and the United Kingdom (10 years).

### **The debt burden of Belgian families among the average for Europe**

The debt burden of families (the ratio of mortgage debt in relation to the disposable income of families) is one of the factors that determines the growth in house prices. The Deloitte study shows that Belgian families are not accumulating too high a debt burden. In Belgium, the ratio of total mortgage debt against total disposable income is 88%. That is higher than in Germany (67%), but much lower than in the Netherlands (193%), Denmark (175%) and the United Kingdom (104%).

### **Belgian housing market distinguished by healthy fundamentals**

The risk of a severe price correction in Belgium remains limited because the Belgian residential property market can count on good fundamentals. The greatest risks for the housing market in the medium term are still rises in interest rates and changes in property taxation. An interest rate hike is probable. The average interest rate in Belgium in 2016 was 2.1%. Changes to property taxes are more difficult to predict. The current government is working on a tax shift designed to lower employment taxes. It is not clear how this will affect the property market in the years ahead. Various fiscal changes have been introduced in recent years, pointing to an end in the tendency of governments to offer tax breaks to encourage owning your own home. Another factor to take into account are the tougher capital requirements that the National Bank will impose on banks for loans where the amount lent is higher than 80% of the value of the property.

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### **Deloitte in Belgium**

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