



NEW REGULATIONS FOR MID-PRICED RENTAL HOMES AND HOUSING EVALUATION SYSTEM EFFECTIVE FROM 1-1-2024

Minister De Jonge's letter to Parliament regarding the envisaged regulation of the mid-priced rental segment and the modernisation of the housing evaluation system was published on 9 December. According to this letter, the proposed measures are based on four pillars: protection of tenants, sufficient affordable homes, willingness to invest, and promotion of sustainability. The minister intends to submit the proposal for consultation in early 2023 and to implement the regulations as of 1 January 2024. Find out more about what the proposed changes mean for you in this factsheet.

REGULATION OF MID-PRICED RENTAL HOMES

1. RENT CEILING AND EFFECTIVE DATE

From 1-1-2024 onwards, homes with housing evaluation points (WWS points) up to 187 may be let for the maximum permitted rent based on the Housing Evaluation System (WWS). The maximum threshold of 187 points currently corresponds to a maximum monthly rent of € 1.026,71. For current rental contracts, the new regulation will only take effect after the first change of tenant. The regulation shall remain in effect for as long as scarcity in the housing market persists; the indicators of said scarcity will be specified as the legislative proposal is worked out.

2. INDEXATION OF RENT

The Housing Evaluation System (WWS) rent table corresponding to WWS point scores is indexed every year on 1 July based on the CPI. This means that the current WWS rent table will be indexed on 1 July 2023, prior to the effective date of the new regulations on 1-1-2024. The initial rent for homes in the mid-priced rental segment will therefore follow the inflation rate. With an expected CPI of approximately 10% over 2022, this means that the rent ceiling for the new mid-priced rental segment will amount to €1,130 at 187 points as from 1 July 2023.

The rental prices of outstanding rental contracts in the new mid-priced rental segment will be indexed annually based on the collective employment agreement (CAO) wage development + 0.5%. Note that the rent may under no circumstances exceed the rent ceiling as determined by the WWS rent table.

3. ALLOCATION TO MIDDLE-INCOME HOUSEHOLDS

In order to enable the allocation of mid-priced rental homes to middle-income households, the Housing Allocation Act of 2014 provides the option for municipal authorities to set rules. When setting such rules, municipalities must follow the definitions of middle-incomes as applied in the rules for income-related rent increase. Whether and how to exercise this option is at the municipalities' discretion. The central government's definition of high and low middle incomes is as follows:

Income limits for middle incomes (price level 1 July 2022)

Middle incomes	Single-person households	Multi-person households
Low middle incomes	€ 40,765 - € 47,948	€ 45,014 - € 55,486
High middle incomes	€ 47,948 - € 56,527	€ 55,486 - € 75,369

Source: Rijksoverheid.nl

4. MANDATORY STATUS OF THE HOUSING EVALUATION SYSTEM

In the current system, the rent ceiling as determined by the WWS is enforceable: a tenant must contact the Rent Assessment Committee or go to court in order to be awarded a lower rent. In the new system, third parties may also take enforcement action in this regard. This way, the rent ceilings will become mandatory in both the regulated and future mid-priced rental sectors.

LOCAL NEW BUILD AGREEMENTS

Various municipalities have made agreements with developers about the number of new homes within projects that must fall in the regulated and mid-priced segments, and how many homes fall into the non-regulated segment. The proposed national regulations will partially or entirely affect such agreements, and may also affect the business cases of new-build homes. The minister wishes to discuss with municipalities and developers what implications this principle has for projects for which local agreements have already been made, and will take the results of these discussions into account in the consultation version of the legislative proposal.

THE HOUSING EVALUATION SYSTEM AS OF 1 JANUARY 2024

1. NEW VALUATION OF ENERGY LABELS

Energy labels will have a stronger impact in the new system, due to the introduction of point deductions for the labels E, F and G and bonus points for label A and higher. The increased valuation of the most sustainable labels will contribute to the feasibility of new-build projects and encourage improvement of the existing stock's sustainability. The table below presents the proposed changes for homes with a usable floor area greater than 40 sqm.

Label	Now		Proposed	
	Single-family	Multi-family	Single-family	Multi-family
A++++	52	48	62	58
A+++	48	44	57	53
A++	44	40	52	48
A+	40	36	47	43
A	36	32	40	36
B	32	28	32	28
C	22	15	22	15
D	14	11	14	11
E	8	5	-1	-1
F	4	1	-5	-5
G	0	0	-10	-10

2. WOZ CAP FROM 187 WWS POINTS

At present, the WOZ value (Valuation of Immovable Property Act) for homes with a total WWS point score of more than 141 may not count for more than 33% of the total WWS point score. In the new system, this cap will be raised to 187 WWS points. The practical implication of this is that the WOZ value of homes with less than 187 points will be fully counted, but landlords will not be allowed to count more than 33% of the WOZ value for homes with 187 or more points.

3. MORE POINTS FOR OUTDOOR SPACE

Individual outdoor spaces are currently valued at 2 points up to 25 sqm. Outdoor spaces of such size are uncommon, especially for multi-family homes. A graduated scale with 5 sqm. increments will therefore be introduced to all outdoor spaces (see table below). This will ensure a better valuation in the new Housing Valuation System of the quality of outdoor spaces and the pleasurable living conditions they create.

Outdoor space (sqm.)	Number of points
0 - 5	2
5 - 10	4
10 - 15	6
15 - 20	7.5
20 - 25	9
> 25	10 - 15

4. TEMPORARY 5% MARK-UP FOR PROJECTS CURRENTLY UNDER CONSTRUCTION AND PLANNED NEW PROJECTS

Projects that are currently already under construction or will commence construction in the coming years are based on the current Housing Valuation System (WWS), not on the proposed regulations and the new WWS. In view of this, the new WWS rent may be marked up by 5% for a period of 10 years after the completion of homes with a WWS point total of 142 up to 187. This mark-up applies to projects whose construction starts before 1-1-2025 and which are completed after 1-1-2024. Projects completed before 1-1-2024 may be rented out according to the current WWS and (in the case of homes with a point total of 142 - 187) will only become subject to the new WWS after the first change of tenant.

MID-PRICED RENTAL HOMES REGULATION STATUS

The proposals in the letter to Parliament of 9 December have yet to be adopted by the Dutch Parliament and may therefore be subject to change.

WHAT ARE THE CONSEQUENCES FOR YOU?

Do you want us to calculate the consequences of the new regulation for your existing homes or new-build projects?

Capital Value has developed various models to calculate the (potential) effects of the proposed regulations for existing homes and new-build projects in combination with the new Housing Valuation System (WWS). Based on an extensive analysis, we can advise you on optimisation and/or sustainability measures to minimise the effects of the new regulations.

For more information, please contact



Marijn Snijders

Managing Director

m.snijders@capitalvalue.nl

+31 30 72 71 700



Arjan Peerboom

Director Transactions

a.peerboom@capitalvalue.nl

+31 6 57 92 81 75



Thijs Konijnendijk

Head of Research

t.konijnendijk@capitalvalue.nl

+31 6 58 91 33 80

**CAPITAL
VALUE.**
Residential Real Estate Services

Capital Value
Maliebaan 85
3581 CG Utrecht
The Netherlands
info@capitalvalue.nl
+31 30 72 71 700