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GENERATION Y AS STARTER IN THE DUTCH HOUSING MARKET EXPECTATIONS, BOTTLENECKS AND POSSIBLE SOLUTIONS UNIVERSITY OF TWENTE - MASTER THESIS

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PREFACE

This thesis finally concludes my study Construction Management & Engineering and was unfortunately hindered by some obstacles that led to a slight delay in the overall process. However, if the beaten path doesn't get you there, then take the road that does. This detour actually resulted in the discovery of an important problem in the Dutch housing market, which made it very interesting to dig deeper into this issue. I therefore hope that the problem that is highlighted in this thesis will not go unnoticed.

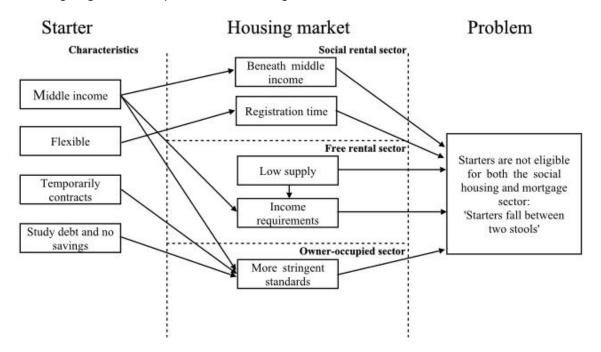
I would like to thank my supervisors for the amount of feedback I received. Great appreciation to Joop Halman for keeping me on track and providing guidance in structuring the report; to Hans Voortdijk for his valuable and analytical feedback; to Maya Daneva for her knowledge in setting up the focus groups; and Peter Fraanje for the initial input and feedback.

I would also like to thank Elfride for her help with recruiting the members of KIVI and setting up the focus groups, which took a lot of effort and patience. In addition, I would like to thank all the participants of the focus groups and the housing corporations that were interviewed.

Lastly, I want to give thanks to my family, friends and girlfriend for giving me the support in times I needed it most.

SUMMARY

For starters it is an increasing problem in the Netherlands to buy or rent a home. These problems vary from regulations set by the government to the inherent situation of starter. The current starter is usually characterized by having a middle income, temporarily working contracts, a possible study debt and being flexible. In connection to the housing market in the Netherlands, which is represented by three housing segments, the characteristics of starters result in certain difficulties. The main problem that arises is that starters are not eligible for both the social housing and mortgage sector: 'starters fall between two stools'. The problems that starters face in each of the housing segments are presented in the figure below.



The objective of this research is to identify the housing expectations of starters, together with the bottlenecks that hinder these expectations and identify possible solutions to eliminate these bottlenecks.

The structure of this research is, therefore, derived from the objective. Literature review was conducted in order to discover the expectations and factors that influence homeownership of Generation Y. These findings gave new ground for investigating the current situation in the Netherlands. Focus groups located in different parts of the Netherlands and consisting of members of KIVI the Royal Netherlands Society of Engineers and employees of the mortgagor Obvion were then used to identify the expectations of starters in the Netherlands, together with the problems they face in the housing market. These problems were then presented to actors on the housing market by means of semi-structured interviews. Interviews were held with two housing corporations and the association of housing corporation to get an overview of the problems in the rental segment. Subsequently input from conferences and reports regarding this issue were used to get a comprehensive view on the bottlenecks that

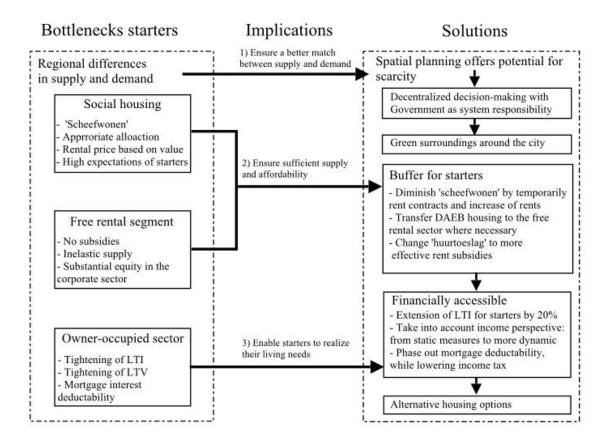
starters face in the Dutch housing market. The information that is used from conferences is based on the conference 'EIB jaarcongres 2017'. The following actors gave their view on the housing market policies: CEO of EIB, Stef Blok (Minister for Housing), and representatives from the political parties VVD, Groenlinks, D'66, PvdA, CDA. Lastly, propositions stemming from political parties and solutions presented by institutions created the framework for possible solutions to eliminate the aforementioned bottlenecks.

The housing expectations of starters were distinguished in attributes of the house, location and ownership. Comfort, proper accessibility and a feeling with regard to the appearance and neighbourhood were the main findings in this section. In addition to these expectations, the bottlenecks that they faced gave ground for the sequential parts of this research.

The main conclusion in the bottlenecks was recognized as starters being the victim of the highly regulated housing market in the Netherlands. These regulations encompass unfair subsidies and fiscal incentives, controls of the housing supply through stringent spatial planning and rent regulations. Collectively, these interventions exclude starters from the housing ladder and limit starters in realizing their living needs. Three implications derive from the mentioned bottlenecks: (1) ensure a better match between supply and demand though spatial planning, (2) ensure sufficient supply and affordability in the rental segment, and (3) enable starters to realize their living needs in the owner-occupied sector.

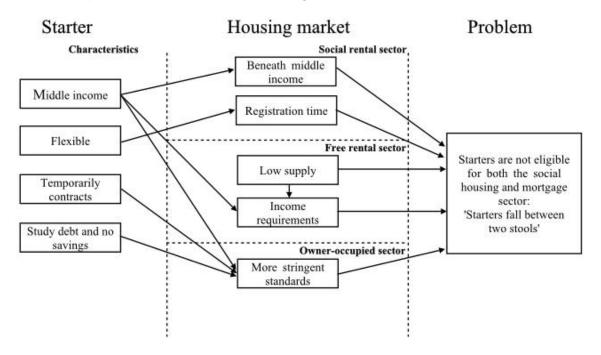
Solutions presented by the institutions focused mainly on creating a bigger middle rental segment by means of transferring quality social housing to the free rental sector where necessary. This could be done by creating a greater middle segment through administrative or legal separation of corporation properties based on housing quality in terms of WOZ-value and home appraisal. The problems in owner-occupied sector could for example be addressed by an extension of either the financing or funding for starters to obtain a mortgage more easily.

The housing market requires a profound change in policies to create a stable and healthy housing market in which there exists a fair distribution of opportunities for entry, starting with the accessibility and affordability for starters in all of the housing segments. This research has therefore mapped the bottlenecks and relevant possible solutions, together with a diagnosis in order to address the problem that is present in the current housing market in the Netherlands. The figure representing the bottlenecks and implications that derive from these bottlenecks is combined with the possible solutions that best suit the given problems.



SAMENVATTING

Het is in Nederland voor starters steeds moeilijker om een huis te huren of kopen. Dit komt door zowel de regels die zijn opgesteld door de overheid en de lastige situatie waarin de starter zich bevindt. De huidige starter heeft over het algemeen een modaal inkomen, een tijdelijk contract, een studieschuld en is vaak genoodzaakt om flexibel te zijn. In combinatie met de karakteristieken van de verschillende segmenten in de woningmarkt, komt de starter een aantal problemen tegen. Het voornaamste probleem dat zich voordoet, is dat starters niet in aanmerking komen voor een sociale huurwoning of een hypotheek voor een koopwoning. Starters vallen als het ware tussen wal en schip. Onderstaand een overzicht van de eigenschappen van de huidige starter in relatie met de eigenschappen van de verschillende segmenten in de woningmarkt, die samen het probleem schetsen voor de huidige starter.



Het doel van dit onderzoek is om de woonwensen van starters te identificeren en de problemen die starters tegenkomen in kaart te brengen om vervolgens passende oplossingen te vinden.

De opzet van dit onderzoek is afgeleid van het doel, en is daarom onderverdeeld in de woonwensen, problemen en mogelijke oplossingen. Er is begonnen met een literatuuronderzoek die de woonwensen van generatie Y beschrijft en de factoren die invloed hebben op de woonkeuzes van deze generatie. Deze bevindingen gaven vervolgens handvaten om de huidige situatie in Nederland te onderzoeken. Om de woonwensen te identificeren is er gebruik gemaakt van zogeheten focus groepen in verschillende delen van Nederland. In deze focus groepen zaten leden van KIVI, het Koninklijke Instituut Van Ingenieurs en werknemers van de hypotheker Obvion. Alleen starters van tussen de 25 en 35 jaar mochten deelnemen aan deze focus groep sessies. Naast de woonwensen, kwamen tijdens deze focusgroep sessies ook de

problemen die starters tegenkomen aan het licht. Deze problemen zijn vervolgens weer voorgelegd aan spelers op de woningmarkt. Interviews zijn gehouden met de woningbouwcorporatie 'de Woonplaats, 'Domijn' en de verenigng van woningcorporaties 'AEDES' om te verifiëren of deze problemen bevestigd worden in het huur segment. Daarnaast is er gebruik gemaakt van kennis die is opgedaan tijdens conferenties en kennis uit rapporten van verschillende instanties. De waardevolle informatie werd verkregen van een conferentie die gehouden werd door het EIB en dat als jaarcongres plaatsvond begin 2017. De spelers die hun visie gaven op de huidige woningmarkt waren achtereenvolgend: Taco van Hoek (CEO van het EIB), Stef Blok (Minister van wonen) en vertegenwoordigers van de politieke partijen VVD, Groenlinks, D66, PVda en CDA. Als laatste zijn de voorstellen van politieke partijen op het gebied van oplossingen voor de woningmarkt bij elkaar gebracht en geëvalueerd.

De woonwensen van starters zijn te onderscheiden in drie verschillende thema's: de kenmerken van het huis, locatie, en het bezitten van een huis. Een goed comfort, bereikbaarheid en een bepaald gevoel met betrekking tot de uitstraling van het huis en de buurt waarin het huis zich bevindt, bleken de belangrijkste bevindingen. Naast de woonwensen, kwamen ook de problemen die starters tegenkomen aan bod. De conclusie die kon worden getrokken over de problemen in de huidige woningmarket met betrekking tot starters, was dat starters het slachtoffer zijn geworden van de sterk gereguleerde woningmarkt in Nederland. Deze regels betreffen: de omvangrijke subsidies en fiscale prikkels, een gecontroleerde woningvoorraad door strenge ruimtelijke ordening en bestaande huurregelingen. Samen zorgen deze regels ervoor dat starters het lastig hebben om de woningmarkt te betreden en daardoor hun woonwensen niet kunnen realiseren. Er zijn drie implicaties die hier uit volgen: (1) zorg voor een betere aansluiting tussen vraag en aanbood aan de hand van ruimtelijke ordening, (2) zorg voor voldoende aanbod en betaalbaarheid in het huursegment, en (3) zorg dat starters hun woonwensen kunnen realiseren in de koopsector.

De oplossingen die zijn aangedragen door de verschillende instanties zijn voornamelijk gericht op het vergroten van het middensegment in de huursector door middel van het overbrengen van kwalitatief hoogstaande sociale huurwoningen naar het vrije segment waar nodig. Dit zou kunnen plaatsvinden door een groter middensegment te creëren met het splitsen van de administratieve of juridische scheiding van het corporatie bezit gebaseerd op de woning kwaliteit, op basis van de WOZ-waarde of het woningwaarderingsstelsel. De problemen in de koopsector zouden bijvoorbeeld aangepakt kunnen worden door een verruiming van de financiering voor starters om makkelijker een hypotheek te krijgen.

De woningmarkt vraagt om een nieuwe aanpak qua beleid om een stabiele en gezonde woningmarkt te krijgen in Nederland, met een eerlijke verdeling van toetredingsmogelijkheden tot de woningmarkt. Een begin moet gemaakt worden bij de toegankelijkheid en betaalbaarheid voor starters in alle segmenten van de woningmarkt. De onderstaande figuur laat zien welke oplossingen het beste passen bij de implicaties en problemen uit één van de voorgaande afbeeldingen.

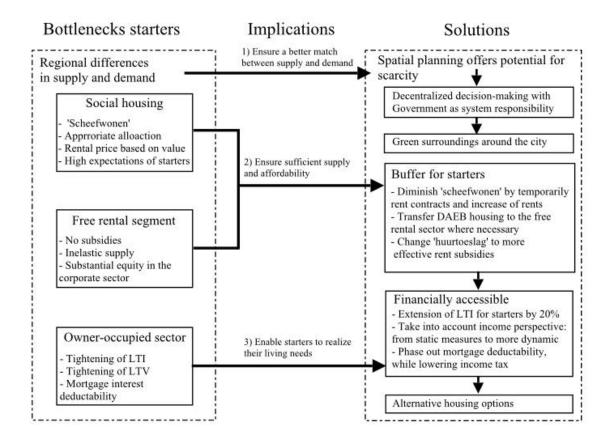


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1 INTRODUCTION, PROBLEM DEFINITION AND METHOD

The home is extremely important. It is a place of shelter, in which occupants invest in a number of ways including physical, psychological, social and financial (Craig, Laing, & Edge, 2000). Therefore it is necessary to build houses according to customer needs and wants. Starting from the 1990s, mass customization was considered appropriate for the house-building industry in the UK. Since then a number of studies have confirmed that there exists an opportunity to enhance customer satisfaction and increase market penetration if houses are to meet expectation and needs of clients more closely (Barlow, Childerhouse, Gann, Hong-Minh, & Naim, 2003).

Studies have shown that homeownership has many benefits to individuals and communities. Some of which are: better mental and physical health, and higher civic engagement and social involvement (Xu, et al. 2015). However, despite the centrality of homeownership to households' abilities to secure their own future welfare, young people are being excluded from accessing the housing ladder with research highlighting a declining rate of entry into owner-occupation amongst the under-thirties (McKee, 2012). Research in European countries has shown that a majority of young households are now delaying homeownership until well into their thirties because of lengthening educational careers, high youth unemployment, increasing levels of debt, restricted access to state welfare benefits and changes in household formation (McKee, 2012).

1.1 Definition of terms

Social housing sector: Housing offered by housing corporations, meant to aid the lower income of society and is determined by the liberalisation threshold.

Free rental sector: Rental housing above the liberalisation threshold, usually private properties.

Owner-occupied sector: Largest housing segment, housing which is usually acquired by means of mortgages

Scheefwonen: Tenants that do not belong in the social housing segment based on their annual income.

Huurtoeslag: Rent subsidies meant to aid the lower incomes of the society, and are only given for rents below the liberalisation threshold.

Mortgage interest deductibility: Favourable tax income for homeowners.

Starter: Household in the early stage of its lifecycle that enters the housing market in either the rental segment or the owner-occupied sector.

1.2 Acronyms

LTV Loan to Value LTI Loan to Income

PBL Planbureau voor Leefomgeving
EIB Economisch Instituut voor de Bouw

BZK Ministerie van Binnenlandse Zaken en Koninkrijkrelaties

FG Focus Group

KIVI Koninklijk Instituut Van Ingenieurs

1.3 Problem description

For starters it is an increasing problem in the Netherlands to buy or rent a home. The problems that starters face have different backgrounds, varying from regulations to the inherent situation of a starter. The most important problems are as follows. Firstly, due to the economic crisis, the government introduced new regulations for the housing market that affect the minimum financial requirements. These regulations considering the owner-occupied sector and social rental sector have become significantly more stringent. Since starters have not been able to build up a sufficient financial capital, these regulations have negative consequences for starters, for example because banks and other financial institutions are less willing to provide a mortgage to this specific group. Starters are usually in the early stages of their career meaning they have to deal with temporarily contracts and middle-income wages, which do not comply with the stringent standards for mortgages in the owner-occupied sector.

Secondly, taking the middle income in mind they are also not eligible for the social rental sector, and even when they do, every supplement that is supported by the government does not count for them. Together with the new regulation 'assigning appropriate' for housing corporations, starters are not able to benefit from the concessions in the social rental sector.

Lastly, as a result of a highly regulated housing market in the Netherlands, the supply in the free rental sector, especially in high dense areas, has become very low. A conclusion that can be drawn from the above situation is that starters are in a position in which they cannot benefit from both the supplements in the social rental sector or owner-occupied sector, together with the low supply in the free rental sector. It is very hard for starters to enter the housing market, which ultimately results in welfare losses.

Starter

The current starters in the housing market are considered "Generation Y" as they are born in the period 1981 and 2000. They grew up in a time of immense and fast-paced change including virtually full employment opportunities for women, dual-income households as the standards, a wide array of family types seen as normal, significant respect for ethnic and cultural diversity including a heightened social awareness, and computers at homes and schools (Williams & Page, 2011).

The following characteristics of the current starters have an influence on their ability to enter the housing ladder: middle income or low income, flexible, temporarily contracts, study debts and no savings.

The current starters usually have a **middle income** or **low income** when they just finished their study career and enter the job market. Additionally, as they are in their starting phase, starters face **temporarily contracts** due to new regulations and job opportunities that emerge in locations all over the Netherlands, which often requires them to be **flexible**. Lastly, as starters just finished their study career they often have a significant amount of **study debt and no savings**.

Housing market

The housing market in the Netherlands consists of three sectors, two of which are being facilitated by the government; the social rental sector, the free rental sector, and the owner-occupied sector. The housing market is divided in 36,6%, 5,9%, and 57,5% respectively. The lowest sector is called the social rental sector and is meant to aid the lower incomes of society. The social rental sector requires an income **beneath the middle income** and is usually determined by **registration time** or lottery. The social rental sector is facilitated by housing corporations, which are subject to strict regulations.

The second sector is the free rental sector, which is not facilitated by the government. Only houses that are above the liberalisation boundary (rental price of €710,68 or higher) are considered part of the free rental sector. With only 5,9% of the total housing market, the free rental sector market has a considerably **low supply** compared to the other sectors. Due to this low supply, houses that are being rented by corporations usually ask for **income requirements**.

The last and greatest sector of the housing market is the owner-occupied sector. Due to the ambitions of the government to create a stable owner-occupied sector, **more stringent standards** apply to this sector. This has resulted in an LTV (loan to value) of only 101% and strict income requirements, i.e. LTE (loan to earn).

Figure 2 illustrates all of the characteristics of the starter together with the characteristics of the housing market and how this influences each other.

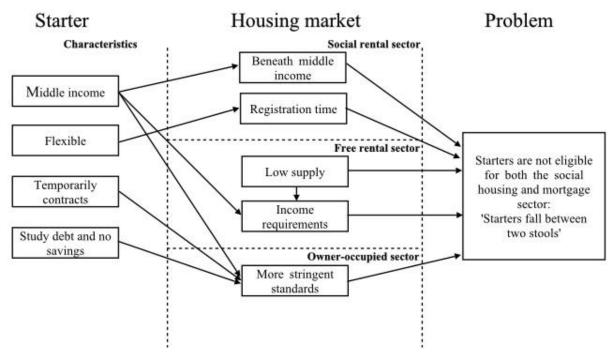


FIGURE 1. ILLUSTRATION OF THE PROBLEMS THAT STARTERS ARE FACING IN EACH OF THE SECTORS OF THE HOUSING MARKET

The problem that arises can be formulated as:

Starters are not eligible for both the social housing and mortgage sector: 'Starters fall between two stools'.

1.3.1 Research objective

The research objective is twofold, one being the objective *of* the research and the other the objective *in* the research. The objective of the research is the external objective that can only be achieved with this research and is about using the knowledge obtained from this research.

The internal objective, is the objective in this research and is about obtaining the direct knowledge resulting from this research.

The objective of this research is meant to deal with the problem definition described in the problem analysis. The objective of this research is:

To make sure that starters are able to enter the housing market and to prevent welfare losses.

The objective in this research is to get a thorough understanding of the housing expectations of starters and how these expectations cannot be fulfilled. The objective in the research is:

To identify the housing expectations of starters, together with the bottlenecks that hinder these expectations and identify possible solutions for these bottlenecks.

1.3.2 Research question

The research question is a reflection of the objective and can be formulated as follows:

What are the housing expectations of starters, together with the bottlenecks that hinder these expectations and what are possible solutions to eliminate these bottlenecks?

1.3.3 Research sub-questions

The research questions can be divided into three interconnected parts; **A)** the housing expectations of starters, **B)** the aspects that hinder these expectations and **C)** and possible solutions respectively. Each part of the research question is then answered by using sub-questions. Every sub question with its corresponding part can be found below.

A. Housing expectations:

- a.1 What is known about Generation Y in the Netherlands?
- a.2 What are the expectations of Generation Y towards housing?
- a.3 What are the needs and requirements of Generation Y towards housing?

B. Bottlenecks:

- b.1 What are the factors that are influencing the housing decisions of Generation Y?
- b.2 What are the problems that Generation Y is facing in the housing market?
- b.3 How do these problems have an influence on the housing wishes and vice versa?

C. Possible solutions:

- c.1 What are the perspectives of the major actors in the housing market with regard to the given problem?
- c.2 Which possible solutions are being given by several institutions?
- c.3 Which possible solutions suit best the given problem in the housing market?

1.3.4 Research scope

When conducting a research a trade-off between relevance and feasibility has to be made in order to have a research that is both contributing and doable in the time span that is set for the research. Each of the research questions addresses Generation Y, but are specifically focused on people of Generation Y that are in the stage of their lifecycle of entering the housing market; the 'starters'...

1.4 Research methodology

The research will be conducted in three phases. Each phase is required to answer the main research question. The first phase is the literature study, which is the theoretical foundation of this research. The second phase is by means of an empirical field study and the last phase concerns the analysis and conclusions in which all the parts will be integrated.

An illustration of the research design can be found in figure 3.

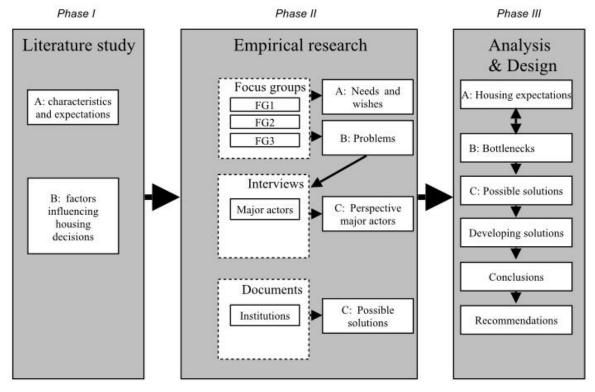


FIGURE 2. RESEARCH DESIGN

Table 1 showcases the research sub-questions, categorised in each phase of the research and each part of the research questions.

TABLE 1. RESEARCH SUB-QUESTIONS CATEGORISED IN EACH PHASE

	Literature	Empirical research	Analysis and design
Housing expectations	a.1 What is known about Generation Y in the Netherlands? a.2 What are the expectations of Generation Y towards housing?	a.3 What are the needs and requirements of Generation Y towards housing?	
Bottlenecks	b.1 What are the factors that are influencing the housing decisions of Generation Y?	b.2 What are the problems that Generation Y is facing in the housing market?	b.3 How do these problems have an influence on the housing expectations and vice versa?
Possible solutions		c.1 What are the perspectives of the major actors in the housing markets with regard to the given problem? c.2 Which possible solutions are being given by several institutions?	c.3 Which possible solutions best suit the given problem in the housing market?

1.4.1 Phase I: Literature review

The literature review acts as a foundation for part A: Housing expectations and B: Bottlenecks. It creates a theoretical framework which is used to compare with the current practice.

Google Scholar was used doing a global search into the database of articles containing Generation Y and housing expectations. By using the information of the questions, a more detailed search was conducted in Scopus and Web of Science. Keywords in different combinations and different terms of Generation Y such as Millennials, Echo Boomers and Net Generation were used to optimise the hits in the databases. This resulted eventually in only a few hits in both databases and ultimately getting the same results. As no new viewpoints were encountered, it was reasonably accepted that the critical parts of the literature were found (Leedy, 2013).

1.4.2 Phase II: Empirical research

Three tools are used to answer the research questions of the empirical part, being: focus groups, interviews and documents.

Focus Groups

In order to answer the research questions a.3 'What are the needs and requirements of Generation Y towards housing?' and b.2 'What are the problems that Generation Y is facing in the housing market?' a focus group method is used as the first tool in the empirical research. Why this method and why the use of focus groups is chosen are briefly explained in the next paragraph.

A focus group is an informal discussion among a group of selected individuals about a particular topic (Wilkinson, 2004). The primary aim of a focus group is to describe and understand meanings and interpretations of a select group of people to gain an understanding on a specific issue from the perspective of participants of the group (Liamputtong, 2009). The reason that this method was chosen for this research is that the focus group method is an 'ideal' approach for examining the stories, experiences, points of beliefs, needs and concerns of individuals. The method is especially valuable for permitting the participants to develop their own questions and framework as well as to seek their own needs and concerns in their own words and own terms.

Process of conducting focus groups

The process of conducting focus groups consists of three phases: planning the study, conducting the interviews, and analysing and reporting.

The purpose of the focus group was to answer the research questions *a.3* and *b.3*. The questions are linked to Generation Y and their attitude towards housing, which means that the target audience had to consist of people that are considered Generation Y and who are in the life cycle phase of entering the housing ladder.

Since there are regional differences, each focus group had to be located in different parts of the Netherlands. Moreover, composing a group with highly different characteristics will decrease the quality of data (Liamputtong, 2010), i.e. the group had to be homogenous. Secondly the scope of this research is on starters that have a middle income, which is usually the case for higher professional education graduates or higher. Moreover, in light of the focus group being homogenous and being able to give a thorough explanation in terms of expectations, the first audience that was targeted were Engineers. The first two focus groups, therefore, consisted of members of KIVI the Royal Netherlands Society of Engineers located in the east and west of the Netherlands. This engineering society has approximately 10.000 members with a background in Engineering. The participants where then recruited based on three characteristics, their age, their living location and whether they considered themselves a starter in the housing market. The first two focus groups consisted of participants with the same background and age, with only the location as a different factor. To contrast the first two focus groups, it was chosen to select participants with a different background when recruiting for the third focus group. The last focus group was. therefore, held in the south of the Netherlands with employees of a mortgagor called Obvion. The participants were again selected based on their age, location and position in the housing market, with the additional knowledge of mortgages in the Netherlands. The last focus group could therefore act as an 'expert' group.

Generation Y is considered to be the group of people that is born between 1981 and 2000, i.e. between the age of 16 and 35. However, to narrow the sample and to have the highest relevance, each participant was selected in the age range of 25 to 35, as s this was considered the age range wherein people either start looking for a house, looking to step up on the housing ladder or have already experienced entering the housing ladder.

After the target audience was selected and the invitations were sent, the questions were created in line with the research sub-question.

Each question was open ended, which allowed the respondents to determine the nature of the answer. Subsequently, the focus group session was focused by providing sufficient background information and by presenting the questions in a context based on the literature review.

An overview of the focus group questions can be found in Appendix 1.1.

Each focus group was recorded and transcribed in order to make a short summary, which was in turn, used for respondent validation.

Interviews

The second part of the empirical research consisted of conducting interviews to answer the research question c.1 'What are the perspectives of the major actors in the housing market with regard to the given problem?'

The housing market is shaped by a lot of actors with different interests. Therefore, it was important to map the different perspectives of each actor. Interviews in the form of semi-structured interviews were held with housing corporations, de Woonplaats, Domijn, AEDES, and conferences that addressed the housing market policies were visited to capture these perspectives. Semi-structured interviews are guided conversations rather than structured interviews (Yin, 2009), this allowed the respondents to fully explain their perspective and pinpoint the problems they thought were relevant. The interview protocol can be found in Appendix 2.1. Moreover, with the last elections, it was also interesting to investigate the policies that political parties had in mind to tackle the current problems in the housing market.

Documents

The last part of the empirical research will answer the research questions c.2 'Which possible solutions are being given by several institutions?'

Several institutions are aware of the problems in the housing market, and just like there are different perspectives, different possible solutions are being given. Institutions such as Econimisch Instituut voor de bouw (EIB), Planbureau voor de Leefomgeving (PLB) and the association for housing corporations (Aedes), have presented several possible solutions. Each solution will be looked at and analysed in its context. A collection of possible solutions is then drawn and categorised for each context and taken to the next phase of the research.

1.4.3 Phase III: Data analysis and conclusions

Data analysis consists of examining, categorising, tabulating, or otherwise combining the evidence, to address the initial propositions of a study (Yin, 1984). Data retrieved from each tool in the empirical research had to be analysed in a specific way.

The analysis starts by analysing the data of each tool used and ends with combining the data and connecting the parts **A**, **B** and **C**.

All the focus groups were recorded and transcribed in Atlas. Everything was then categorised in a certain theme, which was provided by the literature or a direct answer to one of the research sub-questions. Moreover, the analysis process also involves consideration of words, tone, context, nonverbal, internal consistency, frequency, extensiveness and big ideas, which in turn asked for data reduction strategies for the transcribed parts.

Interviews were also recorded and transcribed in Atlas. Due to the semi-structured nature of the interviews, it was important to put the perspectives in a certain context and to categorise the perspectives in each of the parts.

The same structure and context were then used to map the policies of different political parties to compare it with the other perspectives.

The last tool used was by means of documents provided by several institutions. By combining all the knowledge of the different parts, housing wishes, bottlenecks and possible solutions, an overall analysis could be done to determine which solutions best suit the given problem.

Based on this analysis, conclusions were drawn to come up with recommendations for the different actors in the housing market to make sure that the objective of the research can be reached.

1.4.4 Development of possible solutions

The last part consists of the development of possible solutions. After combining the three interconnected parts, housing wishes, bottlenecks and possible solutions, the discussion will be developed in which an outline is created pertaining the solutions that suit best the given problem in the housing market.

1.5 Reading guide

The first chapter introduces the research, describes the problem and explains the research methodology that will be used to collect and analyse data. The second chapter is by means of a literature review, which gives ground for the study. Chapter three, four and five give insights into the expectations, bottlenecks and possible solutions respectively. The last chapters contain the discussion of results, limitations, recommendations and conclusion.

2 LITERATURE REVIEW

The literature review is used to answer the first two sub-questions set in this research. By using the literature to answer the sub-questions, an image can be created in which the current knowledge is addressed, discussions pertaining to this subject are highlighted and where the need for more research is supported. The literature review will, therefore, provide a solid basis on which the research can be carried out. The following three questions are used to delimitate the literature review:

- a.1 What is known about Generation Y in the Netherlands?
- a.2 What are the expectations of Generation Y towards housing?
- b.1 What are the factors that are influencing the housing decisions of Generation Y?

2.1 Introduction

The selection and purchase of a new home is likely to be the single, largest capital investment a person undertakes in his/her lifetime; and next to marriage and divorce, it is considered to be one of the most stressful events in life (Callaghan, 2014). Housebuilders should maintain high levels of customer satisfaction to ensure an easy transaction. Therefore, housebuilders need to identify and understand buyers' needs in order to improve their service level (Callaghan, 2014). Moreover, in light of buying a house, Generation Y may be experiencing greater disruptions than previous generations because they have the highest rate of unemployment, a tighter credit market, and larger student loan debts. Hence, it is important for researchers, practitioners, and policymakers to understand the housing decisions of Generation Y (Xu, Johnson, Bartholomae, O'Neill, & Gutter, 2015). Bruce and Kelly (2013) also suggest that there is a need for more research into Generation Y, first home buyers in general, housing preference, choice and affordability.

In the present literature review, the factors that are influencing the housing decisions and the expectations of Generation Y towards housing are investigated.

2.2 Generation Y

'A generation refers to a cohort of people born within a span of time in which the trends, technologies and events experienced in their formative years have significantly shaped them.' (McCrindle 2006)

Generation Y are the children of Generation X and the baby boomers generation. Most of Generation Y are born in a smaller family and have relatively affluent parents (Beer, Faulkner, & Gabriel, 2006). They are socialised in a digital world and are technically literate (Man Li, 2015). Moreover, people of Generation Y are independent, inquire immediate feedback, thrive on challenging work and hate micromanagement (Martin, 2005). The above-mentioned characteristics are just some of the allegations that are being said about this Generation Y. Throughout a literature study, it was discovered that there are many different opinions about Generation Y with researchers having multiple outcomes and different results. It is even believed that one cannot make a single definition about a whole generation as there are many factors that are of influence within a generation, such as their nationality, sex, and economic welfare. Therefore, the following sub-question is set: What is known about Generation Y in the Netherlands? In 2014, a research was conducted in the Netherlands called the 'Marja van der Werf debat' (Elzinga et al., 2014), which investigated the housing wishes of youth in the age

range of 16-30 years old. In this study, the following observations were made about Generation Y:

- They are masters in connectivity, as they grew up with technology and are constantly connected with other people.
- Generation Y faces way more choices compared with their previous generations, which also makes room for more opportunities.
- Generation Y is more flexible, not in particularly in regards to their personality, but because they have new shorter contracts and because of the previous conclusion which stated that they have more opportunities. And are therefore willing to move to places where they think they see the best opportunity for their personal development.
- Generation Y is aware of a need for necessary change, which means they put a big emphasis on sustainability.
- Due to their connectivity and knowledge that is available through online databases, Generation Y is usually empowered.
- Some other conclusions that are being drawn about Generation Y are:
- Generation Y uses social media to express their voice.
- Generation Y has less to spend than their previous generation the baby boomers.
- Owning a house is being delayed, Generation Y prefers to rent a house instead.
- The average age of marriage for men and women is respectively 33,5 years and 31 years.

2.3 Expectations of Generation Y towards housing

What are the expectations of Generation Y towards housing?

There was not much literature available about the expectations of Generation Y towards housing, as most of the literature was only about the attitude towards homeownership of this generation. It is therefore that the results of a research conducted in Australia, that was backed up by literature, are used to answer the before mentioned sub question. Despite the national context of this research, with different geographical and cultural factors, the results will be used as a framework to examine the housing expectations of Generation Y in the Netherlands. Bruce and Kelly (2013) divided the major attitudes and expectations of Generation Y towards housing into five areas: socialising and entertaining, the creation of an identity, location and family, the creation of a home and high expectations.

Socialising and entertaining

Socialising and entertaining was one of the strongest attitudes expressed by Generation Y, as they expressed that a home to be a space to entertain and socialise was considered very important. For example in the observation phase of the research done by Bruce et al. (2013), the fact that the bedrooms were upstairs separated from the entertaining areas, making it ideal to invite social relations, was rated very high. It was moreover shown that the strongest desires for their first home were for rooms meant for entertainment purpose. These results are in line with the view of Easthope that researchers must look beyond the functional nature of housing and incorporate social relations in order to truly understand housing (Easthope, 2004).

Creation of an identity

Individuals and households see the place in which they live as central to their sense of identity (Clapham, 2010). In the research by Bruce and Kelly a house was expressed as more than just the provision of shelter and monetary value by Generation Y, a house allowed them to create and enhance their identity and personality. This is supported by (Dowling & Mee, 2007) who indicate that a home is a place of belonging, intimacy, security, relationship and selfhood. Generation Y considers a house to be an extension of their personality and a place to construct an identity. The primary function of a house was described as a 'place to call your own', 'somewhere to be yourself' and 'somewhere to feel safe and do your own thing'. Personal development was also shown to be an important aspect of Generation Y, a fact supported by the literature.

Location and family

Moving on to location and family. The location of a house is usually a very detriment factor, where participants of the research by Bruce and Kelly believed that society makes judgements of them based on the location of their home and that career advancement is linked to the image their house location had. Generation Y also believes that the location of a home affects the owner's personality. Some examples of the statements derived from the research by Bruce and Kelly were, 'a house affects your personality' and 'important to have a house in a good location to advance in my career and get respect at work'. Bruce and Kelly suggest that Generation Y their self-confidence and possibly even self-worth is linked to a home. Moreover, Generation Y is a dynamic generation and likes to live close to their jobs and facilities, not to mention the increasing costs in transportation.

The creation of a home

Just as was described in part of factors influencing the housing decisions of Generation Y, the data of the research carried out by Bruce et al, indicated that the creation of a family was related to home ownership by Generation Y. Generation Y believed that it was natural to own a home in order to be able to create a family and that with their current affordability they would not be able to buy a house that would meet their family needs in the future. This is supported by multiple studies where a link exists between the desire to purchase a property and family lifecycle (Merlo & McDonald, 2002). All the participants in the study done by Bruce and Kelly, for example, believed that they would be in a relationship before they bought a house because they would have to have a dual income to meet the high repayments of a home they desire. More research has provided evidence that the existence of dual income in a household was one of the factors associated with home ownership(Bruce & Kelly, 2013).

High expectations

Generation Y has high expectations of their first home and is able to clearly detail the specifications of the house they desire, despite the fact that most of Generation Y have undertaken limited housing research. As was described in the previous areas, they have high expectations with regard to creating an environment that is able to create friends, family and personal identities. Bruce et al, therefore conclude that these clear expectations are not surprising due to the huge emphasis Generation Y places on their lives and because they believe owning a house will have a severe impact on their lives. Moreover, some research suggested that Generation Y is willing to make sacrifices and drop their high expectations if that would make them able to enter the world of homeownership. However, research data of Bruce et al. suggested that while they are willing to lower their high expectations, they are willing to do so to a relatively small

degree. Which means that their high expectations do not change after all and that they would rather have significant levels of debt to buy a house that would meet their expectations(Bruce & Kelly, 2013).

2.4 Factors that influence the housing decisions of Generation Y

Home equity, the value of a home minus the amount owed on the mortgage, typically constitutes a family's greatest financial asset and share net worth and is fundamental to building wealth (Mishel, Bivens, Gould, & Shierholz; Riley & Quercia, as cited in Xu, et al. 2015)

Studies have shown that homeownership has many benefits to individuals and communities. Some of which are: better mental and physical health, and higher civic engagement and social involvement (Xu. et al. 2015). However, despite the centrality of homeownership to households' abilities to secure their own future welfare, young people are being excluded from accessing the housing ladder with research highlighting a declining rate of entry into owner-occupation amongst the under-thirties (McKee, 2012). Research in European countries has shown that a majority of young households are now delaying homeownership until well into their thirties because of lengthening educational careers, high youth unemployment, increasing levels of debt, restricted access to state welfare benefits and changes in household formation(McKee, 2012). The aim of this section is therefore to answer the following sub-question: What are the factors that are influencing the housing decisions of Generation Y? The housing decision-making process is sensitive to a lot of factors, such as liquidity constraints, financial market imperfections and individual and household characteristics. These factors also have different impacts in every country, it is, therefore, important to take a global perspective. To create a framework to examine the housing decisions of Generation Y, a structure will be used wherein the external and internal factors are described that are influencing the housing decisions of Generation Y.

External factors

The first external factor that will be discussed is *mortgage credit availability*. Due to the Great Recession, money lenders tightened the mortgage standards, which made it, in turn, difficult for Generation Y to obtain credit to buy a home given their weaker financial standing (Drew, 2015). This means that the current housing market is characterised by higher mortgage default rates, higher foreclosure rates, fewer mortgages being originated and greater difficulty qualifying for a mortgage (Xu, et al. 2015). With these conditions, it is possible that a part of Generation Y has to postpone homeownership and the life cycle events that are often coupled to homeownership such as, marriage and parenthood. However, some economists say that by limiting how much Generation Y borrow for a mortgage, Generation Y might become more financially stable and accumulate more wealth in the long term (Emmons & Noeth, 2014).

Some other external factors that affect homeownership, but are hard to address in detail with a connection to Generation Y due to their unpredictable nature and different in a global perspective are; access to state welfare benefits, population growth, strong immigration and housing policies (Man Li, 2015).

Internal factors

The first internal factor that is negatively impacting upon homeownership among Generation Y is the *student loan debt*. Studies have shown that student loan debt is negatively associated with homeownership (Brown, Haughwout, Lee, Scally, & van der Klaauw, 2015; Cho, Xu, & Kiss, 2015; Houle & Berger, 2014; Shand, 2007). Especially

in the Netherlands, where a new loan system has been introduced for students, the average student debt is expected to rise with another 6000 to 9000 euro(*Aflossing studieschuld bij leenstelsel*, 2013). The rationale for why rising student loan debt is discouraging home buying is that people of Generation Y are either avoiding homeownership, because they do not wish to take on additional debt, or they are unable to get approval for a mortgage due to their high debt loads and poor credit scores (Xu, et al., 2015). Other researchers have, however, argued that student loan debt affects only the timing of homeownership, instead of the decision to purchase a home or not.

Another factor that is influencing the housing decisions of Generation Y is about the *housing and family decisions*. Studies have shown that family and housing decisions are linked with family events. For example, marriage, divorce and childbearing are linked with events such as home purchase and moving. (Xu, et al., 2015). Compared to other generations, people of Generation Y have a greater likelihood of singlehood and typically defer marriage and parenthood, which have an effect on their housing decisions. Several studies have shown a relationship between marital formation and housing decisions, where first-time homeownership is more likely among individuals who form households or families. (Holland, 2012). Evidence shows that dual incomes, as a greater resource, makes homeownership more affordable and accessible. (Hendershott, Ong, Wood, & Flatau, 2009).

Studies have also shown an association between homeownership and marital stability, where homeownership reduces the chance of divorce among couples. This is because such an investment goes along with a commitment to marriage as well as the financial stability that is connected with marriage (Holland, 2012). Other studies have linked the transition to parenthood with the housing market. Once homeownership was achieved, there was a greater likelihood of having a child among German and Dutch couples (Mulder, 2006). Evidence from several countries has shown that childbearing is better facilitated when the mortgage market supports smaller down payments, lower interest rates, and a longer period to pay off the loan (Xu, et al. 2015). The rental market has also been related to childbearing, with affordable rental markets encouraging younger childbearing (Mulder, 2006). Other internal factors affecting Generation Y their homeownership are high youth unemployment, economic downturn and parents as homeowners.

To conclude the factors that are affecting generation Y their homeownership, the perspective of Generation Y is taken, to see which factors they think are important. A study carried out by Man Li (2015), compared Generation X and Y's demand for homeownership in Hong Kong. It was found that Generation Y put more weight on affordability such as income, job stability, transportation, the comfortableness of the present housing unit and family needs, where Generation X considers price more important in comparison to income, future residential unit's price and the price of the housing unit at present. Moreover, Generation Y revealed that marriage was the second most important factor as they were close to the age of marriage or they were planning for their marriage. This is in line with the above-mentioned factors in housing and family decisions.

2.5 Conclusion

When trying to answer the first research sub-question, *What is known about Generation Y in the Netherlands?* It became evident that there are different opinions about this generation and that one single definition cannot be made of Generation Y. However, it seems that the current housing supply does not meet the expectations of Generation Y and more research is needed to understand the housing wishes of this generation.

In answering the second research sub-question, *What are the expectations of Generation Y towards housing?*

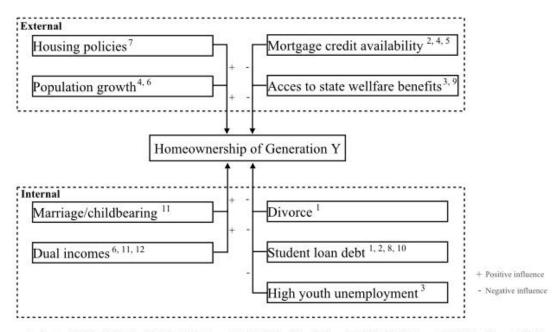
It was found that in Australia housing is a medium for Generation Y to express and create their identity. This identity encompasses the development of personality, socialisation, creation of family and development of career. Secondly, Generation Y has high expectations of their first home purchase, despite their scarce knowledge of housing. Generation Y also have high expectations of themselves, resulting in higher expectations of their house. They have a strong belief that they can get what they want and are willing to wait until they have what it takes to purchase a home that fully satisfies their high expectations. It is suggested that these high expectations are impacting negatively on Generation Y their perception of housing affordability. Which is interesting as affordability was, in a research done by Man Li (2015), seen as the most important factor affecting generation Y their homeownership. So the connection between affordability and high housing expectations of Generation Y is worth looking at. The research that was done by Bruce and Kelly (2013) also supports evidence that expectations are a major influence on purchase decisions and that social forces are acknowledged by Generation Y as an influence on their purchase decisions. Which means that social pressures and norms influence the expectations of Generation Y and that their expectations, in turn, will affect the housing purchase decisions of Generation

The third research sub-question that was set for this literature review was as follows: What are the factors that are influencing the housing decisions of Generation Y? The following main factors that are influencing the housing decisions of Generation Y can be concluded.

First, *mortgage accessibility* is a key constraint to homeownership for Generation Y. When mortgage lending criteria have become more stringent and a sizeable down-payment is required, it will affect younger people who have had less time to save money. However, these conditions will select the more financially prepared part of Generation Y into homeownership, and their financial stability and wealth accumulation may be enhanced. Second, high *student loan debt* among people of Generation Y blocks the transition from renters to owners. Firstly this is because these high student loan debt may disqualify Generation Y when applying for a mortgage loan. Secondly, when people of Generation Y already have such a student loan debt, it may discourage them to take another debt which comes along with home ownership. In addition, potential home-buyers who have a student loan are likely to delay their purchase rather than giving up homeownership.

Lastly, housing and family decisions are interlinked. Family events, such as marriage, childbearing and divorce are related to home purchase and moving. These family events usually speed up the transition to homeownership. Because social studies have found that homeownership can provide a suitable and positive environment for family transitions.

Other factors that might have an impact on housing decisions of Generation Y are access to state welfare benefits, population growth, strong immigration and housing policies (external) and high youth unemployment, economic downturn and parents as homeowners (internal). An overview of these factors can be found in Figure 3.



Xu, et al. (2015).
 Mc Kee (2015).
 Clapham, et al. (2010).
 Mace & Kagachi (2009).
 Mueller, et al. (2009).
 Lamont (2008).
 Wood, et al. (2006).
 Andrew (2010).
 Man Li (2015).
 Brown, et al. (2015).
 Holland (2012).
 Hendershott, et al. (2009).

FIGURE 3. MODEL SHOWCASING THE FACTORS THAT INFLUENCE HOMEOWNERSHIP OF GENERATION Y BASED ON THE LITERATURE

To end the conclusion, a brief summary will follow to see where this thesis fits in the literature. One thing that most papers on housing expectations have in common is that housebuilders often overestimate their own abilities of understanding the expectations of their buyers and underestimate their buyers' needs. It highlights a need for housebuilders to actively undertake more research relating to the views and opinions of their customers. For example, the research by Bruce and Kelly (2013) implies that there is a huge potential for the construction industry to use the information about Generation Y to build houses that will suit this group with specific desires of what a house should look and feel like and with expectations that differ to the generations before them. Producing housing that suits this group's requirements and expectations would be particularly beneficial to companies due to the size of Generation Y. In addition to the academic literature, some housing trends of Generation Y have been found in non-scientific publications. These housing trends suggest that Generation Y has different expectations when buying a house. Some of these are, for example, less maintenance, open floor plans, comfort, eco-friendly homes and connectivity. Although the he validity of these trends is questionable, it is worth keeping these in mind when investigating the expectations of Generation Y towards housing.

3 HOUSING EXPECTATIONS

This chapter is the empirical part of the housing expectations chapter. Focus group sessions were conducted to answer the following research sub-question a.3 What are the needs and requirements of Generation Y towards housing? Some themes that were found in the literature are used as a framework, which was also addressed during each session.

3.1 Results from the Focus groups

A total of three focus groups were conducted and each was located in different parts of the Netherlands as described in the method section. Each focus group was asked the same questions, which can be found in Appendix 1.1. All sessions were recorded and transcribed in order to analyse the data.

The results of each focus group are first addressed per focus group on the topic of this chapter and then finally compared and contrasted.

3.1.1 Insights from the first focus group

The first focus group consisted of a mixture of men and women who all live in or nearby Enschede. They were all member of KIVI the Dutch Engineering Society and were all working at the moment that the focus group was conducted

Most of the participants of the first focus group were renting either a house or apartment due to temporarily working contracts and the uncertainty of willing or being able to stay in this part of the Netherlands. Only two of the participants owned a house. The reasons for buying a house were: permanent working contract, social life and rent exceeding the price of a mortgage.

TABLE 2: PARTICIPANTS FOCUS GROUP 1

Participants	Living status	Reasons
Participant 1	Renting with another person	Temporarily working contract, location of work
Participant 2	Renting with another person	Temporarily uncertainty, will buy a house when either one of the contracts becomes permanent
Participant 3	Renting with another person	Buying a house was not an option after just finishing studies
Participant 4	Owning a house	Permanent working contract and social life
Participant 5	Renting alone	Uncertainty of willing to stay in Twente
Participant 6	Owning an apartment with another person	Rent exceeding the price of a mortgage

Through Atlas codes were applied to each of the three transcripts of the focus groups. After analysing the codes three themes became visible, which were present in all of the focus groups.

The results of questions that focused on the housing expectations are, therefore, divided into three themes: 'house', 'location' and 'ownership'. The theme house focuses on the product attributes of the house itself and its performance, e.g. its appearance or facilities in the house. The theme location is focused on where the house is located, e.g. its demographic characteristics or neighbourhood. The theme 'ownership' is a result of reasons why the participants would want to either 'own' or rent a house.

House

Comfort

Comfort was seen as the most important aspect of the house by the participants of the first group. They all agreed that the house should offer comfort. The term comfort was considered the indoor climate of the house, i.e. it should be well insulated to maintain proper comfort. One of the participants put it as follows:

'Very simple, indoors a different climate than outdoors.'

Safe

Moreover, 'feeling safe' was also expressed by some of the participants as part of comfort. This participant indicated that feeling secure is a very important part for a house to offer comfort. Specifically was mentioned that a safe neighbourhood in relative terms of crimes and thefts was an important indicator for the participant to feel comfortable in a house.

Low maintenance

The choice for buying a house or moving to another newer apartment was usually motivated by the wish for less maintenance. A benefit of renting was in this case that maintenance is usually outsourced by an association of owners. Examples that were being given by the participants were about elements of the house that require less maintenance such as synthetic window frameworks. A comment of one of the participants about the need for low maintenance:

'I just want it to be good, without the need to worry about demolishing pipes because of their bad condition. Or badly insulated, so you have to put double glass into it again. Or finding asbestos and lose money to have it removed.'

This quote indicates that starters may not be willing to invest time and money in the maintenance of their house. Instead, this might also indicate that starters are willing to pay more for the initial price of their house on the condition that major maintenance is taken care of for the coming years.

Sustainable is 'nice to have'

Some of the participants said that sustainability seemed to be important for them as it was required for a better environment and for example energy neutral to be independent in terms of energy supply. However, when it came to aspects of the house, the majority actually agreed that sustainability was not the first priority when looking for a house or apartment. The additional costs for sustainable features when buying a house were

seen as the detriment factor when participants were weighing their priorities. It was only seen as a 'nice to have'. Below a participant responds to his view on sustainability:

'I think that sustainability is usually a later step. I think that it is important for everyone to live in a safe neighbourhood and to have the basic requirements. And then, only when you like it and you're into it, you start taking sustainability steps.'

Floor plans

Firstly, something that was really desired by the participants was to have flexible floor plans. They found that there are a lot of floor plans which are not logically constructed. Secondly, flexible floor plans would offer them to change it to their future needs, such as getting children or another change in needs as for example a business office in one of the rooms. Lastly, a separation of privacy and social was a basic requirement. This is shown by the following comment:

'Nowadays you have these houses where the bedroom is openly connected to the hall without any door, which I really think is terrible. I can't stand the idea that people can just walk in and out of your bedroom without hearing the opening of any door.'

Location

The location of the house or apartment was also seen as one of the most important factors. A number of subthemes were found when participants were talking about the location of the house.

Accessibility

When talking about location, accessibility was addressed as an important factor for the participants as they expressed that the journey to their work location and vice versa should be the most convenient as possible. With good accessibility, they meant either the ability to cycle to their work location, fast access to public transport or the possibility to park their car near their home. One of the participants that put a high emphasis on accessibility said:

'Parking is also important to me, and to be near the highway. Accessibility. The labour market is changing continuously, so you don't want to be remotely located where it takes you a long time before you can access the highway. Then a nearby station is indeed a requirement. For example, some houses at the Singel do not have parking facilities, I would be totally annoyed if you arrive home late at night, you are tired and then you still need to find a parking spot, which would not work for me.'

An example that was given of a location that offers good accessibility was the new neighbourhood in the Bornsche Maten, as it offers great access to the highway and public transport, some tranquillity, and greenery. The amount of young households in this neighbourhood is relatively high, which supports the argument of one of the participants.

Neighbourhood

Another aspect of location that was required was a good neighbourhood. The participants had the opinion that they want to feel safe in the neighbourhood, to have

little disturbance and have enough facilities nearby. They want to 'feel at home'. Which makes it hard to address this aspect, as it is a mere feeling which cannot be measured. Subsequently, even though the house would meet most of the requirements, this 'feeling' eventually makes or breaks the decision. This was represented by one of the participants:

'You need to feel comfortable in your neighbourhood. When I was looking for a house, everyone was telling me it also needs to feel good, when I thought it should just meet my list of requirements. But when you have seen a couple of houses which meet these requirements, then somehow you still don't feel comfortable with it.'

Ownership

All the participants agreed that 'living' is something that costs money, be it either renting or buying. However, they do think that owning is financially more attractive and they consider it as an investment for the future. So, because of the financial perspective all of the participants wanted to own a house eventually.

3.1.2 Insights from the second focus group

The second focus group consisted of engineers working and living around The Hague. They were all currently renting, except one participant who chose to live away from the big city. The reasons for renting were temporarily working contracts and a low supply of owner-occupied houses in the high-density areas.

Participants	Living status	Reasons
Participant 1	Renting alone	Temporarily working contract
Participant 2	Renting with another person	Hard to get a mortgage for a house in Amsterdam
Participant 3	Owning a house with another person	Mortgage monthly costs same as renting costs
Participant 4	Renting alone	Temporarily working contract
Participant 5	Renting with another person	Still need to finish studies

House

Comfort

The second group expressed comfort as being able to take a hot shower after work. Even a cold house wouldn't be a problem, as long as the shower would be warm. Some participants found it more important to live in the city than have an exceptional comfort, as it was something you get used to the way you live.

Low maintenance

When buying a house all the participants would preferably choose a newly built house, as it would mean the lowest amount of maintenance and they didn't feel like hiring a person to fix it. The participants realize that maintenance would not be a problem if they chose to rent, however in combination with other arguments, they do not prefer to rent.

Sustainable

Some of the participants mentioned that sustainability is an important issue for them in general. However, in regards to buying a house, sustainability became less important. The main argument to make it less important in this context is that a house is already very expensive, meaning affordability was a more detriment factor. For example, the participants indicated that the energy label was less of their concerns in the context of sustainability. The only argument for an improved energy label would be the monthly costs that could be reduced by better insulation. This is not related to the sustainability-mind-set, but rather a financial argument. One participant describes this as follows:

'No, I think there are already so many factors related to the purchase of a house, that if I finally find a house, and they mention that every brick took 700 kilos of coal, then that would be totally fine for me.'

Facilities and luxury

The minimal requirements of a house expressed by the participants were clearly about having good sanitary facilities. Having a proper bathroom was also part of a minimum of comfort. Most of the participants experienced that when a house was very old, the biggest irritation was not having a normal functioning bathroom. One of the participants shared his experience:

'When you're in the shower and the heater stops working, it makes you very unhappy. Especially in the long run and when it happens three times a week.'

Subsequently, some of the participants chose to pay more to have a bit more luxury, for example, bigger kitchen, separated toilet and bathroom, less noise disturbance, and more space.

Lastly, bigger outdoor space was also seen as a next step on the housing ladder, as it offers a better environment for social activities.

Connectivity

As most of the participants were engineers, they had a high preference for having a good connectivity. Meaning that there should be enough network cables available in the house, which was often not the case. This perspective was seen in the following participant's response:

'The funny thing is that all options in a newly built house will bring additional costs. Everything is possible, but for every modification you will get a bill from the contractor. If I would go for a newly built house, then I would definitely pay extra to have network cables distributed all over the house, as I don't want to do that myself.'

Moreover, being able to see all data such as electricity and gas use would be another 'nice thing to have'. These experiences indicate that starters may value modern options and consider spending extra money on these options in order to enjoy the comfort it brings.

Location

Accessibility

The location and how you're connected to the public transport was seen as very important by the participants. Also, parking is an issue in highly dense areas such as The Hague, so a participant paid more to have access to a parking garage as he wouldn't want to walk a long distance after coming back from work.

Ownership

Affordable mortgage houses in the Randstad are very scarce, which was often the motivation why participants were renting. The option of owning a house was constantly crossing their mind as it would in most cases mean lower monthly costs. However, because there is a low supply in the Randstad, they still wouldn't leave the high dense area to be able to own a house. Subsequently, even though they know that the monthly costs would be lower, the uncertainty of the price, due to fluctuations that is related to owning a house was seen as a high risk, which they would only take when in possession of certain factors such as a permanent contract.

3.1.3 Insights from the third focus group

The third focus group took place in the south part of the Netherlands, at Obvion Hypotheken in Heerlen. The group consisted of coincidently only women who were all working for Obvion and all in the search for a house.

TABLE 4: PARTICIPANTS	FOCUS GROUP 3

Participants	Living status	Reasons
Participant 1	Renting with another person	Flexibility, uncertain about location
Participant 2	Renting with another person	Low supply for starters in preferred location
Participant 3	Renting with another person	Choice for buying a house is difficult
Participant 4	Renting with another person	Low supply in preferred location

Comfort

Comfort was in this case defined as sufficient daylight entering the house. All participants agreed that daylight is the most important factor and as something they wouldn't be able to change. Daylight was important for them as it would otherwise make them feel depressive. This is reflected by one of the participants:

'It needs to have enough natural daylight. That is my main requirement. It already makes me depressive if it's only slightly darker, so there needs to be sufficient daylight.'

Low maintenance

Most of the participants were used to modern apartments which had low maintenance and a good quality with regard to moisture resistance, energy label and insulation. This even meant for one of the participants that a very old house would not be an option:

'I have lived for years in an old mansion in Maastricht, and then I intended to never live in such an old house again. Because of the many moisture problems and walls falling apart when you try to attach something.'

Sustainable

Sustainability was seen as something extra, something that would be the first thing to cancel when making concessions. Affordability first, sustainability later. The following comment was given:

'If I have to make a choice then sustainability wouldn't be important. It would be the first thing to let down.'

The only reason why participants would look at sustainability is that it would mean lower monthly costs. However, if this could be achieved in non-sustainable ways, then that wasn't considered a problem.

Facilities and luxury

One of the most important requirements was to have the 'social' and 'privacy' divided. This meant that for example the bathroom could in no way be located on the ground floor. This was illustrated by one of the respondents:

'I don't want to walk half naked through the house to get to my bathroom. I just don't think it's convenient. I want to have my clothing, my bed and my bathroom close together. When I leave my bed I want to enter the bathroom immediately.'

As for the social part, the participants wanted to have a 'place to live', a room which can offer enough space for family and friends. For example, an open kitchen which allowed them to have interaction. One of the participants said the following:

'I just want to have a house in which we can be together and cook together during Christmas. I know it only happens once a year, but still it is very important to me.'

Appearance

One aspect that was frequently mentioned by the group was about the appearance of the house. They all had different opinions about the appearance, such as a house with character, old elements, a house that differentiates itself from the rest, symmetric windows. However, they all agreed on the fact that it had a huge impact on their decision. If the appearance would not feel good, the house would definitely score lower compared to a house that does feel good. A participant reflected this as follows:

'If I do not like it from the outside, it is going to be very unlikely that I am going to like the inside of the house. There is an interrelation that affects how you feel about the house.'

High expectations

Most of the participants had very clear expectations of what kind of house they would want to have and where it should be located. They were even willing to spend most of their income to get the house they want, even though their partner had a different opinion. This difference between, in this case, women and their male partner, was illustrated by one of the participants:

'He is not really interested in what it looks like, only the practical part. I have both the practical requirements and aesthetic aspect part.'

Location

The participants of the third group put a very big emphasis on the location. They all wouldn't want to live in Heerlen for example, even though the house itself would meet their requirements. They had a certain image and feeling connected to cities which guided their decision. A participant explained this with the following comment:

'I have a friend that lives in Roermond, who is originally from Maastricht. She has bought a very nice house which meets all her requirements, even a nice neighbourhood. But somehow she misses Maastricht, and this hinders her to feel happy. While she knows that she cannot afford the same in Maastricht, the feeling doesn't fade away. It illustrates how location can be very important.'

Neighbourhood

The neighbourhood was also an important factor of location for the participants. A nice neighbourhood with enough activity and in presence of a nice ambience, were examples given by the participants. Again, this was also based on a feeling they get when seeing the neighbourhood. And just like the appearance of the house, the neighbourhood had a very big impact on their housing expectations. One of the participants that experienced this puts it as follows:

'I find it important that the house looks beautiful and that the street is nice. Because lately we have been searching for several houses and when we drive by to take a look, and we don't like the outside, we don't even make an appointment for a preview. And everything doesn't have to be perfect, but the ambience has to get on with what I want, and if that isn't right then I don't even bother looking.'

Ownership

All of the participants eventually wanted to own a house, even though it would, in their case, result in higher monthly costs. The reasons for owning a house were that it becomes something of their own, so they are able to change it to their taste because a rented house will never completely meet the requirements. Moreover, from a financial aspect, they felt the need to build their own capital as it is currently hard to save up with the low-interest rates.

3.1.4 Comparing and contrasting the results across the groups

Numerous subthemes were found throughout the focus groups, some of which were present in all of the focus group sessions and some of which were unique for each focus group. In this section, the results of each focus group are compared and contrasted that were connected to one of the three main themes. Lastly, the characteristics of the focus group are elaborated on to showcase the differences between focus groups.

House

During the focus group sessions, it became clear that everyone puts a high emphasis on *comfort*. Comfort has a different definition for each participant, such as the indoor

climate and natural daylight. However, they all agree that comfort is the basic requirement the house has to offer, as it is the primary function of a house. Secondly, low *maintenance* was considered a major incentive to buy a newly built house. None of the participants felt the urge to invest time and money in the maintenance of the house and it would therefore be worth the investment to maintain low maintenance.

The third factor that was present in all of the focus groups was the similarity in the thoughts on *sustainability* in the context of purchasing a house. Affordability of the house was seen as more important, and the only driver to invest in sustainability was from a financial perspective, which contradicts the theory that Generation Y puts a high emphasis on sustainability.

In contrasting the results of the focus groups, the first focus groups expressed their expectations towards future needs, which could for example be adjusted through *flexible floor plans*. The other two focus groups emphasized the separation of the social and private part of the house, in which the private part should offer comfort as in sanitary facilities and the social part functions as a medium for interaction with friends and family. Lastly, there exists a difference in the housing expectations between men and women. Where men only put an emphasis on the specifications of a house, women tend to let their feeling influence their judgement towards housing. Even if the specifications of the house would meet their requirements, the right 'feeling' with regard to the appearance or neighbourhood is eventually the detriment factor.

Location

The location of the house was by every participant of the focus group considered as an important factor and this factor would guide their decision towards housing. However, the sub factors that make the location important differed per focus group. The first two focus groups put a very high emphasize on the accessibility of the location, as they expressed that having a convenient journey to their work location is of high importance. Examples of annoying factors were in relation to restricted abilities of parking and access to public transport. The third focus group had a really strong feeling towards the location of their home, where their self-confidence and possibly even self-worth is linked to the location of their home.

Ownership

One thing that the three focus groups had in common was their expectation of eventually owning a home. Several incentives were mentioned as to why home ownership seemed important to them. Most of these incentives were related to financial factors pertaining to homeownership. Especially focus group 1 and 2 expressed their need for homeownership from a financial perspective.

Focus group comparison

The themes were present throughout all of the focus groups, and the expectations were not really differing from each other. However, the emphasis did differ per focus group. In this sense, a distinction could be seen in some of the characteristics of the focus groups, such as location and gender. Taking a look at the regional differences, the focus group that had members living in a very high density area, had lower expectations with regard to the attributes of the house, rather they preferred location above housing attributes. An example showcasing this difference, is for example comfort. The focus group living in the high density were in terms of comfort pleased with having proper shower facilities, where the other two focus groups, living in a more regional area, had a

broader perspective with regard to comfort. In addition, the difference in gender also plays a pivotal role. In this research men tend to have rather practical expectations and are led by the expectations of women. As one male participants described it:

'I would have wanted an old house, which was renovated from the inside and required some work on the outside. However, my wife wanted a newly built house, so I had to take my loss and accept the requirements of my wife.'

Lastly, women put a high emphasis of feeling safe and comfortable in their neighbourhood. The results of the focus group showcase a substantial difference in housing expectations between men and women.

TABLE 5: COMPARING THEMES ACROSS THE FOCUS GROUPS

Themes	Subthemes	Focus group 1	Focus group 2	Focus group 3
House	Comfort	Proper indoor climate and feeling safe, seen as most important	Having proper shower facilities to offer comfort after work	Sufficient natural daylight entering the house considered most important factor
	Maintenance	Low maintenance, motivation to move to a newer house	Preferred new house with lowest maintenance as possible	Low maintenance as a standard
	Sustainability	'A nice thing to have'. Initial costs are more important than sustainability	Affordability is more important, energy label doesn't matter	The first thing to let down. Affordability more important
	Floor plans	Flexible floor plans to change it to future needs	-	-
	Facilities and Luxury	-	Separated toilet and bathroom, big kitchen and outdoor space	Private and social space separated, big social room to offer space to family and friends
	Appearance	-	-	Appearance of the house has a huge impact on their housing expectations
Location	Accessibility	Ability to bike to their work location, fast access to public transport, and the possibility to park their car near their home	Access to public transport, limited ability to park in highly dense areas	-
	Neighbourhood	To feel safe in the neighbourhood, enough facilities and little noise disturbance		Nice ambiance and activities, based on a feeling
Ownership	-	Financially attractive Seen as an investment	Eventually financially more attractive, but not possible due to low supply in owner-occupied sector	Becomes something of their own to change it to their taste Build up own capital

4 BOTTLENECKS

The objective of the previous chapter was to discover the housing expectations of Generation Y towards housing. During each focus group session that was held to discover these housing expectations, some problems arose that were actually hindering the ability to fulfil these housing expectations. Subsequently, in the literature review, a number of factors that are influencing the housing decisions of Generation Y were also found and summarised into a model.

Following the results of the focus group, the problem was presented to major actors to observe their view on the given problem. In this chapter three research sub-questions are addressed, being b.2 What are the problems that Generation Y is facing in the housing market?, b.3 How do these problems have an influence on the housing wishes and vice versa?, and c.1 What are the perspectives of the major actors in the housing market with regard to the given problem?

4.1 Results from the focus groups

This section tries to answer the following research sub-question b.2 What are the problems that Generation Y is facing in the housing market?

4.1.1 Insights from the first focus group

There appears to be a problem for current starters in the housing markets, as one of the participants stated:

'At the moment it is rather impractical for our type of human being, there is a limited supply of affordable housing between the social rental sector and the free rental sector. Especially if you have just graduated from the University.'

Even the free rental sector requires a permanent contract, which is considered strange. When someone has just graduated from University, there is no company that will offer a permanent working contract, which would mean that a just graduated person is not able to acquire a home.

Secondly, the current generation that is studying is building up a student debt, which will be taken into account when applying for a mortgage. Thus, it becomes nearly impossible for this group to buy a house, while a proper circulation in the housing market would be desirable.

Moreover, one of the participants addressed the existing difference between the view on rental price and mortgage. He had benefited from bonuses during his previous job, which was taken into account when calculating the rental price, while his study debt was ignored. Now for the mortgage it was the other way around, bonuses were ignored and his study debt was being accounted for. Lastly, this difference in rental price and mortgage also exists in the monthly costs. One can have monthly expenses for a rental house that are substantially higher than they would be when having a mortgage. However, somehow it is still impossible to acquire a mortgage for the same price or even lower than the monthly expenses of a dwelling in the rental sector. Of course, there are certain risks related to a mortgage, but there appears to be an odd difference in the consideration of rental and mortgage costs.

4.1.2 Insights from the second focus group

The first problem that was mentioned in the second focus group was about the arrangements for starters. As a starter in the housing market, you earn too much to apply for the social housing sector or any subsidies with regard to the rental market, but the starting salary will not cover a mortgage. Secondly, there are rules that apply to the free rental market sector in The Hague, such as 4.5 times the monthly rent as required income, which in most cases results in the obligation to live together, where the second income only counts for 50 percent. Moreover, there appears to be some kind of network involved in the private sector in this area, as people with either connections or a lot of money are being favoured in the rental market.

The effect of not being able to enter the housing market as a starter is illustrated by one of the participants with the following term:

'Boomerang: After finishing your studies you will be removed from your student house after six months and you have to return to your parental home, because you cannot find anything to rent.'

Additionally, apart from the restricted access to the rental market, the supply of affordable housing in the owner-occupied sector in this part of the Netherlands does not meet the high demand.

4.1.3 Insights from the third focus group

In the third focus group, all the participants were aiming to own a house. The first hindering aspect that they mentioned was about the limited supply in the owner-occupied sector for starters. The choices in the owner-occupied segment are usually limited to two options. One is the purchase of a house of approximately 200.000 euros, which has to be renovated and requires a lot of money to invest in, money which isn't present due to student debts or high monthly costs in the rental sector. The second option is a newly constructed house which requires no further maintenance, but costs 300.000 euros and is too expensive for starters. Moreover, the initiative to construct a private house in the owner-occupied sector is also not an option for starters anymore, as (1) the financing that is needed will not be provided, and (2) there is a lack of building ground which increases the costs.

Subsequently, it would be desired to use one's capital to change a house to your own taste. However, with the current low loan-to-value, the capital is already required to finance the purchase of the house.

Eventually, the participants of the third focus group admitted that they are actually having a luxury problem in comparison with the housing market in the west region.

4.2 Results from the interviews, conferences and reports

Because of the difficulties that starters face on the Dutch housing market several interviews were held, conferences were visited and reports were looked at to receive a broad perspective on these issues. Interviews were held with 'de Woonplaats', 'Domijn' and 'AEDES' to get an overview of the problems in the rental segment. The information that is used from conferences in this chapter is based on the conference 'EIB jaarcongres 2017'. The following actors gave their view on the housing market policies: CEO of EIB, Stef Blok (Minister for Housing), and representatives from the political parties VVD, Groenlinks, D'66, PvdA, CDA. The reports came from AEDES, EIB and 'Planbureau voor Leefomgeving'.

Based on these interviews, conferences and reports, all the bottlenecks that starters face in the Dutch housing market and which emerge in each of the segments of the housing market, being the social rental sector, free rental sector, and owner-occupied sector are presented below. Lastly a paragraph 'regional differences' was added as it applies to all the segments of the housing market.

4.2.1 Social housing segment

The rental housing market in the Netherlands is dominated by the regulated social housing segment. More than 85 percent of all tenants rent a dwelling from a social housing corporation. With a total of 3.3 million dwellings in the rental segment, this means that 2.8 million dwellings are covered by the social housing segment (CBS, 2017). These housing corporations are non-profit organisations that have to act on a commercial basis, but are required to use their profits for the provision of good and affordable housing. There are some problems considering the social rental sector, which in turn, have consequences for starters on the Dutch housing market.

'scheefwonen'

It would seem that with the high percentage of social housing in the Netherlands there isn't a problem for starters in this sector. However, the social housing segment suffers from the phenomenon 'scheefwonen'.

The current system lacks appropriate incentives to ensure that people who live in social housing and see their income increase move on, this results in the so-called 'scheefwonen'. This 'scheefwonen' reduces the ability for starters who are in need of affordable housing. While income eligibility for social housing is checked upon entry, it is not monitored subsequently. As a result, the social rent remains unchanged even if household income subsequently exceeds the ceiling for initial entry. Existing tenants are thus favoured over new households and movers, which leads to regressive distribution effects and enhanced social segregation

Appropriate allocation

Recently the government has implemented a new regulation considering the social housing segment. This new regulation is called appropriate allocation and its main goal is to lower the number of subsidies given in this segment. So for example, when a household has an annual income of 15.000 euros, they're only allowed to apply for a dwelling with a monthly rent of 586 euros. Housing corporations understand the rationale behind this new regulation; however, it has new problems as a result. Especially starters with an annual income of 30.000 euros, which is just below the middle income, and are considered the highest class in the social housing segment, are at a disadvantage when applying for a dwelling. It would seem fair that a person with an income of 30.000 euros is able to afford a more expensive dwelling than a household with an annual income of 15.000, but looking at the actual net expenses there seems to be a mismatch. This mismatch can be represented with the following example provided by a housing corporation. A household with an annual income of 15.000 is not only in favour of the lower-priced dwellings in the social housing segment, but they can also benefit from subsidies provided by the government, such as subsidies for the rent (huurtoeslag), care and exemptions from municipal taxes. On the other hand, a household with an annual income of 30.000 can only apply for the higher priced dwellings and is not eligible for the before mentioned subsidies. In conclusion, due to appropriate allocation, the monthly net expenses as a percentage of the income are significantly higher for a household with an annual income of 30.000 than lower

incomes. Table 6 showcases this difference with a simple example. Note that exemptions from municipal taxes were left out as these differ per region. However, it would even result in a more favourable outcome for the lower income. Moreover, some expenses such as energy costs were considered equal and therefore left out of the equation.

TABLE 6. CALCULATION EXAMPLE OF HOUSING COSTS COMPARED TO DISPOSABLE INCOME

Expenses(annual)	Annual income €15000	Annual income €30000
Income tax	- €5482,50	- €11390,80
Tax credit	+ €2254,-	+ €2254,-
Disposable income	+ €11771,50	+ €20863,24
Rental price	- €6840,-	- €8160,-
Rent subsidies	+ €3660,-	+ €1536,-
Care allowance	+ €1056,-	0
Total housing costs	- €2124	- €6624
Housing costs as a percentage of	- 18%	- 32%
disposable income		

Rental price based on value instead of monthly expenses

One of the housing corporations emphasised the incomplete calculation of rental prices, where the calculation of the rental price is only determined based on the value of the dwelling, without considering the actual monthly expenses such as the energy costs. So for example, housing corporations may offer a low-quality dwelling with high energy costs in the social housing segment, as the rental price is below the liberalisation ceiling. However, they cannot offer a high-quality dwelling that is energy efficient with zero energy costs as it falls in the free rental segment, while the monthly expenses are actually the same. In this sense, together with the property tax, housing corporations are not encouraged to build higher quality housing since they wouldn't be able to put this kind of housing in their social housing segment.

High expectations of starters

Another phenomenon that was presented by one of the housing corporations was the high expectations of starters. They addressed this phenomenal by explaining that starters in the social segment sometimes have unreasonable requirements in the context of housing attributes. According to one of the housing corporations, starters need to understand that everything comes with a price. An example that was given by one of the housing corporations:

'I notice that when starters are able to get a dwelling in the social housing segment, they don't understand it is a 'second-hand' dwelling'. People have lived there and the kitchen is used, you will have to paint the walls, put new wall-paper and new carpeting. Starters act totally surprised when they face this. They would rather get a newly built dwelling, which is completely ready to live in.'

Consequences:

Starters that are in need of affordable housing are not able to enter the social housing segment due to a substantial amount of 'scheefwoners' that benefit from explicit subsidies and therefore have no incentives to move. Secondly, starters that have a below middle income will be affected by appropriate allocation as the rental price covers a significant percentage of their net income. There exists a wrong assesment in the consideration of distribution within the social housing segment. Subsequently, the assesment of rental prices in the social housing segment results in discouraging housing corporations to build energy neutral and comfortable housing, which is actually desirable from a macro and micro perspective. Lastly, high expectations of starters in the social segment result in unreasonable requirements and, in turn, refusal of available housing.

4.2.2 Free rental sector

The free rental sector represents a mere 5,9% of the total housing stock, which comes down to approximately only 500.000 dwellings, thus limiting its capacity to buffer as an alternative to the regulated social housing segment and owner-occupied segment for starters in the Dutch housing market.

There are three main causes for the dysfunction of the Dutch housing market. These are the implicit and explicit subsidies in the social rented sector and the owner-occupied sector, the inelastic supply, and substantial equity in the corporate sector.

Subsidies in other segments

The middle segment or free rental market is the only sector in which tenants cannot benefit from subsidies provided by the government. In contrast, tenants in the social housing sector are provided with subsidies such as the 'huurtoeslag', and homeowners are favoured with generous mortgage interest deductibility. Moreover, private providers in the free rental market also have to deal with a certain amount of competition with housing corporations, as there are the so-called 'scheefwoners' in the social housing sector. These 'scheefwoners' are benefiting from the subsidies in the corporate sector, and have, in turn, no incentives to move to the free rental market.

Inelastic supply

Secondly, the free rental sector is suffering from an inelastic supply. Especially in high-density areas, there appears to be a shortage of rental housing in the middle segment. The inelastic supply is mainly a result of the stringent spatial planning and plan capacity. The government has played a pivotal role by creating scarcity through the cancellation of subsidies for municipalities, with rising land prices as a result. This, in turn, affected the housing prices of which private landlords were not able to charge it to their tenants, because of rental price regulations and competition. Especially private providers which have to show a return on investment are suffering from this effect, which often means that they put their assets for sale instead of keeping them in the rental segment.

Substantial equity in the corporate sector

Lastly, private investors face a competition with housing corporations, as housing corporations do not require a return on assets. Housing corporations, on their side, keep rents well below the maximum rent level and substantially below market level, especially in urban areas. This gap between the largely regulated social rental prices in the social

housing segment and the unregulated sale prices have driven a wedge between the rental and the property market that is hard to bridge for many households.

Consequences:

As a result of these bottlenecks on the free rental market the middle segment plays only a limited role. However, a larger affordable and well-accessible middle segment can be of great value to many households and therefore help starters. For example, due to the absence of a middle segment in the rental sector, households can now choose only between renting a dwelling in the social housing segment or, when their income exceeds the ceiling for this segment, the purchase of a home. This limited option also leads to the fact that households' consumption does not necessarily correspond to their residential preferences. As a result, there are households that live in a dwelling in the social housing segment that would actually like to rent a slightly larger rental home, and there are households in the owner occupied sector who would actually prefer to rent. This mismatch leads to welfare losses. The limited ability to choose also leads to more vulnerable housing market regions. Especially in high density regions accessibility for starters in housing market is often limited. In addition, due to the lack of alternatives in the rental sector, starters are often forced to enter the owner-occupied sector, which may lead to substantial capital risks.

4.2.3 Owner-occupied sector

The owner-occupied sector represents the largest sector in the Dutch housing market and consists of 4.46 million houses.

Due to the economic crisis, the government has done some substantial interventions in the owner-occupied sector in the context of mortgage credit availability. Some of which are the tightening of loan to income and loan to value.

Tightening of loan to income (LTI)

The loan to income (LTI) is the maximum amount of mortgage a household can receive based on their income. This LTI is calculated by the Nibud.

In line with the more stringent regulations considering the owner-occupied sector, is the further limitation of credit space, i.e. LTI. Lately, the LTI has been lowered from five times the annual income to four times the annual income. This means that starters that want to enter the owner-occupied sector face a decrease in LTI of 25 percent. Subsequently this has led to starters delaying their desired homeownership and a reduced flow in the housing market.

Tightening of loan to value (LTV)

The maximum amount a potential buyer can borrow relative to the value of the house is called the Loan-to-Value (LTV). Due to the fact that one could finance the transaction costs in the mortgage, the LTV was often over a 100%. Since 2011, honorary and LTV limit in the code of conduct has been applied for mortgage financing and in 2012 the government decided to set the LTV at 106%, with a further annual decrease of 1 percentage to the point of 100% in 2018. Further tightening of the LTV Standard will in particular have effects for starters in the housing market, because many existing homeowners have already built up sufficient capital in their own homes or have built up a surplus value. Many moving starters leave a social housing or a rental house in the free sector when they move to houses in the owner-occupied sector. Lowering the LTV thus leads to less flow from dwellings in the social housing and free rental segment. Research shows that two thirds of starters in the housing market have insufficient

savings to pay the transaction costs, let alone a contribution to the purchase of the house itself (Bijlsma, 2012).

Mortgage interest deductibility

Mortgage interest deductibility is a favourable tax treatment of home ownership in the owner-occupied sector. The bias in the tax system towards home ownership also results in a substantial redistribution of wealth between income categories. One reason for this is that the mortgage interest deductibility tax relief takes the form of a deduction against the highest marginal income tax bracket. It is thus worth more to high-income earners, since buying is relatively attractive compared to renting for higher income groups, especially given the under-supply of rental housing for people above the threshold income level for social housing. However, starters are not able to benefit from this favourable tax treatment as they aren't able to access home ownership due to the tightening of both the LTI and LTV

Consequences:

The tightening of the LTI and LTV are done in order to mitigate financial risks in the owner-occupied sector. However, lowering the LTI and LTV affects starters in the housing market as they haven't been able to build up a sufficient financial capital. Moreover, the actual risks are meant to be mitigated have nothing to do with the position of starters, as the risks of not being able to pay the mortgage are connected to sudden live events such as divorces and unemployment. Especially starters who have just graduated have favourable income perspectives, which are not taken into account in the calculation of the LTI and LTV.

Moreover, favourable tax treatment of home ownership has underpinned significant increases in house prices relative to disposable income, thus reducing living standards, and has led to a tax-financed redistribution of wealth from those buying houses to those who own houses. Reducing or abolishing this subsidy would lead to lower house prices and would benefit starters in the housing market at the expense of present owners.

4.2.4 Regional differences

What became really clear during both the interviews and conferences is that there is not one housing market in the Netherlands. Regional differences are becoming bigger than before. In this sense, it is not only about the housing stock itself, but also about the supply and demand in each region. These regional differences are fed by developments in the field of infrastructural, geographical and economic factors. This means that the problems that starters are suffering from on the Dutch housing market outlined in each housing segment differ per region and suggests that one strict housing policy is not able to function well, as there is simply not one housing market. The 'Nederlandse Vereniging van Makelaars en Taxateurs (NVM) describes three regional differences: very dynamic markets, balanced markets, and less dynamic markets. An overview of these regional differences is shown in Figure 4

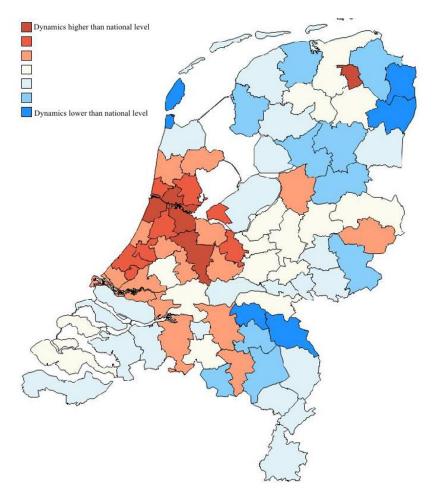


FIGURE 4: DYNAMIC HOUSING MARKETS REPRESENTING REGIONAL DIFFERENCES (NVM, 2016)

Low planning capacity and stringent spatial planning do not contribute to these regional differences, where high market dynamics are in desperate need of facilitation of more housing supply.

Consequences

It is of great importance to understand and to confirm these regional differences as some housing policies could have the opposite effect in different regions. As one interviewee said: 'Rules are made *in* and *for* the west'. For example, the low supply of free rental housing in the west is actually not a problem in the area of Twente, where housing corporations have plenty of supply in that segment. Forcing more free rental housing in this region could have a detrimental effect.

4.3 Conclusion

The housing market in the Netherlands has been shaped by policy interventions and incentives originally aimed at providing affordable good quality housing to low income classes and at stimulating home ownership. The range of interventions encompasses direct and indirect subsidies and fiscal incentives (such as the 'huurtoeslag' and mortgage interest deductibility), controls of the supply of housing through zoning restrictions (stringent spatial planning) and rent regulations and financial guarantees. Collectively, some of these interventions have become costly and inefficient in achieving their aims. Instead, starters are being excluded from the housing ladder and face substantial difficulties when fulfilling their living needs. In conclusion, possible solutions are needed in each housing segment in order for starters to access the housing market. Three implications derive from these bottlenecks: (1) ensure a better match between supply and demand through spatial planning, (2) ensure sufficient supply and affordability in the rental segment, and (3) enable starters to realize their living needs in the owner-occupied sector. An overview can be seen in figure 6.

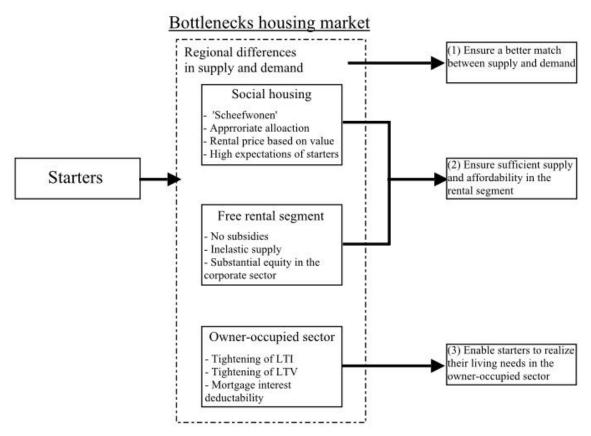


FIGURE 5. REPRESENTATION OF THE BOTTLENECKS AND IMPLICIATIONS FOR STARTERS IN THE DUTCH HOUSING MARKET

5 POSSIBLE SOLUTIONS

In the previous chapters an overview of housing expectations and bottlenecks was created to better understand the dynamics of the Dutch housing market. This chapter aims at investigating possible solutions that could help starters in the Dutch housing market. This chapter starts by reviewing the housing policies by political parties and is followed by a presentation of possible solutions that are relevant for starters in the housing market, as proposed by several institutions. These possible solutions are categorized in the rental segment and the owner occupied sector. The proposed solutions are marked with the abbreviations of the institutions: Economisch Instituut voor de Bouw (EIB) and Planbureau voor Leefomgeving (PBL). In addition, a section pertaining to spatial planning has been added as it covers solutions for both housing segments.

5.1 Housing policies presented by political parties

This section showcases the housing policies presented by political parties, where possible solutions are being proposed in order to create a proper functioning housing market.

Political party	Rental market	Owner-occupied sector
VVD	Increase property tax to stimulate sales of rental housing, in turn for less income tax Lower liberalisation boundary to 600 euros to increase middle segment supply Change income boundary of social housing to modal salary	Consider income perspective and periodic income
PVDA	Use property tax to build affordable rental housing and newly built homes Regionalize income boundary for social housing to cope with regional differences Rental quota instead of the regular subsidies, maximum rental prices	Justified tax system, cap mortgage interest deductibility at 500.000 euros
SP	Reform property tax into investment in new construction of housing, lowering of rental prices, and sustainability Change income boundary of social housing to 1,5 times modal salary Annual increase of rental prices cannot exceed inflation	Equality in the rental sector and owner-occupied sector by creating 'living subsidies' instead of the existing subsidies and mortgage interest deductibility Cap mortgage interest deductibility at 350.000 euros

CDA	Lower property tax, if used to invest in sustainability Increase rent based on annual income test to counteract 'scheefwonen' Increase supply of middle segment by lowering ground pricing for this kind of housing Support housing corporations	Support starters by providing a starter loan and stimulate 'bouwsparen'
D66	Reform property tax into investment in new construction of housing, transformation and extension Appropriate allocation based on both energy costs and rental costs. More space for regional differences	Decrease mortgage interest deductibility Lower notional rental value for owners-occupiers
Groenlinks	Reform property tax into investment in new construction of housing, sustainability, and affordable housing	Shorten fiscal subsidies Decrease mortgage interest deductibility
PVV	No proposition	No proposition

It is clear that the majority of the views being presented in the agendas from the political parties focus mainly on the rental market, whereas only a small amount is considering the owner-occupied sector.

5.2 Spatial planning: ensure a better match between supply and demand

5.2.1 Spatial planning in green surroundings around the city (EIB)

The powerful recovery on the housing market has not only brought benefits. The rise in demand also raises tensions in the housing market, which in some regions was already present before the economic crisis, where starters struggle to access the housing market. Scarcity results in an increase in prices, adversely affects the diversity of supply and impedes the flow on the housing market. Adequate and varied supply in the housing market is therefore of great importance to almost all public goals in the housing market. The government plays a pivotal role in this area through spatial planning, as spatial planning determines the framework within the parties of new housing can act. Spatial planning is usually aimed at the inner city area and restricted in the green surroundings around the city. However, as figure 7 shows, just like in the center zone, the green surroundings around the city are often seen as attractive living areas. especially for young households. A solution lies within the spatial planning of this area. The challenge is to, in addition to the protection of nature and unique landscapes, where housing is considered socially unsuitable and not necessary, to undertake a substantive spatial policy for pastures around the cities. In fact, only a limited area is needed and the challenge is to develop beautiful, green residential areas where, for example, living and recreation can go together. In this way, increasing scarcity can be avoided and various housing market goals, such as accommodation of starters can be better achieved.

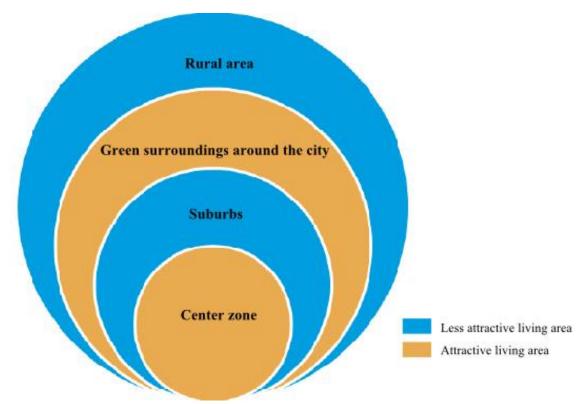


FIGURE 6. FOUR TYPES OF LIVING ENVIRONMENTS WITH CORRESPONDING ATTRACTIVENESS (EIB, 2017)

5.3 Rental segment: ensure sufficient supply and affordability

5.3.1 Greater middle segment through construction of new housing (PBL)

This solution aims at increasing the supply of housing in the middle rental segment through construction of new housing. In this case, there is no change in the housing stock of the social housing segment. The rationale of this solution is to increase the financial attractiveness of investing in the middle segment of the rental market by (1) lowering the liberalization threshold, (2) allowing subsidies above the current threshold, (3) liberalization of all rental properties of private property investors, (4) allowing tax subsidies of private property investors in the middle segment, and (5) replacing market test for housing corporations with tenders. Due to the reduction of the liberalization threshold, a smaller part of the rental sector will fall under the property tax. This will benefit the return on investment of homeowners and will still stimulate investments in the cheaper middle segment. The liberalization of all rental properties of private property investors also adds that regulated rental properties will be exempt from property taxes. The advantage of introducing both measures is that the sale of potentially liberalized properties that corporations still rent to investors in the regulated sectors becomes more attractive to investors. A third measure that makes the investment more financially attractive is tax subsidy of private property investors. Fiscal subsidization enables private investors to offer more value on building land and therefore better compete with developers in the purchasing sector. However, this can have a potentially negative effect on the pricing of building land as there is a scarcity in the planning capacity. By offering more space in the spatial planning this negative effect can be partly diminished.

In addition to increasing the attractiveness of investing in the middle segment of the rental market, the government can also take measures to improve the process of investment. For example, the government can simplify the procedures for new construction by replacing the mandatory market test with a tender for simultaneous registration of housing corporations and market participants. In this manner, new housing for the middle segment can be realized faster, which offers potential for the downward supply on demand.

5.3.2 Greater middle segment through administrative separation of corporation properties based on housing quality (PBL)

The measures of this solution are aimed at encouraging the creation of a larger middle segment by using the existing property of housing corporations. This is achieved in line with (1) allowing subsidies above the current threshold and (2) separation of DAEB and non-DAEB based on housing quality. The DAEB is the Diensten van Algemeen Economisch Belang, or Services of General Economic Interest. Hence, the DAEB is considered the social housing segment, with housing below the liberalisation threshold. Dwellings that housing corporations rent above the liberalisation threshold are considered non-DAEB. These measures restrict the demand for social housing, and increase demand for rental housing in the mid-range, while at the same time increasing supply in the middle segment. The supply of the middle segment is increased by the measure that organizes the separations between DAEB and non-DAEB based on the quality of the property. In the Housing Act 2015, the actual rent price constitutes the dividing line between DAEB and non-DAEB. Because housing corporations in their price policy focus on lower income households, they often charge lower rental prices for their properties. On average, housing corporations ask 72 percent of the maximum rental prices they may ask according to the property valuation system (Aedes 2016). The administrative separation of the corporation housing stock based on the quality of housing will change the basis for this separation. In this case, the rent will not function as the guide, but the quality of the home measured by the home appraisal system or WOZ value instead. In this way, a large part of the housing stock in the social housing segment that is of such good quality can be exploited in the middle segment.

5.3.3 Greater middle segment through legal separation of corporation properties based on housing quality (PBL)

This solution is based on (1) allowing subsidies above the current threshold and (2) legal separation based on housing quality.

The operation of this package of measures is similar to that of the previous thinking: because housing corporations can no longer retain homes of a certain quality in the DAEB part of the property, there will be a part of housing stock that can be offered in the middle segment. This measure functions by placing these houses in a so-called separate company, of which the housing corporation is the only shareholder. The net asset value of the houses that are being separated will thus remain socially bound in the housing corporation. The properties to be located in the so-called separate company do not necessarily have to be put in the middle segment, comparable to the case of administrative separation. The houses that are released will, therefore, be available for the regulated segment, if necessary. Performance agreements between housing corporations, municipalities and tenant representatives can be extended, as long as the housing corporation has a major interest in the separated company. The allocation of non-DAEB houses in housing companies offers two advantages over the administrative

separation of the DAEB and non-DAEB portfolio. The first advantage is the ability to create economies of scale by combining non-DAEB portfolios of various housing corporations in a housing company. The second advantage of legal divestment is the ability to allow third parties to participate in the equity of the housing companies after approval by the minister. As soon as third parties join the housing companies, part of the risk-bearing ability that the corporations have taken in their houses are released. Housing corporations can, in turn, invest these releases in their DAEB inventory.

5.3.4 More effective rent subsidies (EIB)

There is a simpler and more efficient system for the rent subsidies without changing the fundamentals of the system. Instead of the current systems, a uniform rate could apply throughout the rental price to the current limit or threshold. In line with the current budget, this would amount to a uniform rate of 33%. The tenant will then receive €1,- for every €3,- of the rental price for a maximum rental price of 600 euros. A major advantage of this solution is that households always pay a substantial contribution for extra quality, and vice versa, if they are willing to settle for less quality, they receive the financial benefit of this choice. Thus, there remains a connection between receiving and paying in the rental segment, which is important for the functioning of the flow on the rental market.

Owner-occupied sector: enable starters to realize their living needs

5.3.5 Extension of LTI by 20% for starters (EIB)

A simple and effective measure is to increase the LTI for starters by a factor of 1.2. Starters are then able to increase their loan by 20% at a given income. The implication is that if starters are allowed to borrow 20% more, only a limited proportion of starters will adapt their behaviour to buy faster or require better living quality.

5.3.6 Broad implementation of starters loan (EIB)

In response to the tightening of the LTI, a very simple tool to increase the available credit for starters in the owner-occupied sector is the implementation of a starter's loan. By increasing the available credit, starters will no longer need to postpone their purchase in the owner-occupied sector. Starter's loans are already being provided by several municipalities, but require a broader implementation to increase the access of starters in the owner-occupied sector. It is important to note that the starter's loan is not financially more attractive, but it allows starters to enter the owner-occupied sector in an earlier stage.

5.3.7 Adjustment of paying off mortgage 50% redemption free 50% annuity (EIB)

The obligation to pay off the mortgage within the grace period has a negative effect on the amount of loan starters can receive. Consequently, this makes starters realize their actual living needs. However, by changing the composition of paying off the mortgage to 50 percent redemption free and 50 percent annuity, the financing burden will remain the same as meant in the LTI, but the available credit for starters will increase by 15 percent.

6 DISCUSSION, CONTRIBUTIONS, IMPLICATIONS AND LIMITATIONS

This section elaborates on the results and possible solutions. Firstly, the results of housing expectations are discussed. Secondly, the propositions of the political parties are reviewed to see which propositions are of added value in the context of mitigating the bottlenecks for starters in the Dutch housing market. Additionally, an overall view is created that combines the given solutions and concludes which solutions suits best the given problem presented in this research.

6.1 Housing expectations

The focus groups results indicate that the housing expectations of Generation Y haven't really changed over time as comfort, low maintenance and location are still considered the main important factors related to the expectations of a home. However, it was said that Generation Y puts a high emphasis on sustainability. This research shows that this factor is only seen as a 'nice thing to have' or to take into consideration when it comes to the purchase of a house, because sustainable features are considered additional as costs that starters are not willing to pay. Moreover, apart from the specifications such as comfort and low maintenance, the focus groups revealed an additional factor that has an impact on the housing expectations of Generation Y. This additional factor is the feeling, which in particularly in this research women have in regard to the appearance and neighbourhood of the house. This first impression had a huge impact on their housing expectations and was even seen as a determining factor. It suggests that developers and real estate agencies should investigate as to how this factor can be analysed in order to manage this 'feeling' and create environments that meet these expectations.

6.2 Perspectives of political parties

The proposals concerning the rental market differ per political party and have each a different effect on the housing issues for starters. Some political parties want to have a smaller social housing segment and counteract 'scheefwonen' by using temporarily rent contracts. The use of temporarily contracts could help in reducing the misuse of the social housing segment and thereby increasing the ability for starters to enter this segment. Other parties are even willing to extend the social housing segment. But in light of the future developments in demand, where starters are in need of affordable housing in the free rental segment and owner-occupied sector, this measure would have a detrimental effect. With regard to the supply of housing in the middle segment, political parties are aiming at creating a bigger supply through the construction of new housing in this segment. This proposal will only have an effect for starters in the long-run and also depends on spatial planning policies. It is discussed that there is actually not a lack of stock of quality housing in this segment, but this stock is now located in the social housing segment and offered by housing corporations. It would then be wise to liberalise the part of the housing stock that is now located in the social housing segment in regions where a bigger middle segment is desired.

In terms of affordability, some parties want to limit the annual increase of rental prices and some even want to lower the rental prices. This would have a direct positive effect on the affordability for starters. However, it is not clear as to how the lowering of rental prices will be achieved, nor the effect it will have on the market dynamics of the housing market.

In contrast to the rental segment, only a few proposals concerning the affordability in the owner-occupied sector are presented, while the owner-occupied sector is actually an important sector considering the bottlenecks that starters face in this sector. Only the VVD is aiming at taking the income perspective and periodic income into account. However, this was also present in previous political agendas and have still not led to more accessible standards for starters in this sector with regard to the LTV and LTI. The CDA wants to help starters by providing a starter's loan. A starter's loan is not financially more attractive, it just helps starters to enter the housing market more early which means that this is a direct positive effect on the accessibility for starters. D66 is willing to cut the transfer tax, which is also a favourable measure for starters in light of the financing of a home.

6.3 Spatial planning offers potential for scarcity

Partly as a result of the economic crisis, the production of new housing slowed down. As of 2020 a desired housing stock is projected at 8.090.000 houses by the BZK (2016), while the current housing stock in 2017 is set at 7.693.801 (CBS, 2017). The prognosis by the BZK (2016), as seen in figure 7, also shows that the current rate of supply will not meet the desired housing stock. This means that a substantial level of housing production is required to meet the housing demand in the Netherlands. It also important to note that it is not only about meeting the numbers of housing demand, but to construct sufficient housing that suits the expectations with respect to quality and location.

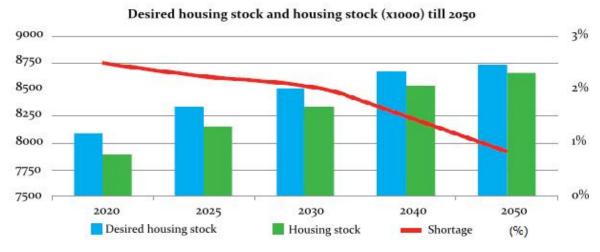


FIGURE 7. PROGNOSIS HOUSING STOCK (BZK, 2016)

A potential solution lies within the spatial planning policies. The proposed solution to use more green surroundings around the city as an area to construct new housing offers great potential to address the scarcity in housing for starters. It is important to note that in order to address the scarcity, it is not only about creating enough supply, but to create enough supply in housing that is actually attractive for- and expected by starters. The

location is, as confirmed by this research, still an important factor with regard to the housing expectations of starters. A proper example of a fruitful construction in green surroundings around the city was already given during the focus groups, where the Bornsche Maten in Twente is considered an attractive living area for young households.

Lastly, in order to address the regional differences, a view on housing policies should be discussed. Ideally, housing policies are decentralised but with the government as a central support for the system in which regions can act. For example, the government could stimulate new construction by lowering the price of building ground. This will, in turn, create incentives for developers and real estate agencies to construct new housing in both segments. Decentralisation is then required to speed-up the decision-making process, which is often seen as a boundary when it comes to the development phase of construction. The pricing of building ground is another complicated issue in the housing market in the Netherlands but goes beyond the scope of this research.

6.4 Rental segment as a buffer for starters

The main function of the rental segment for starters should be to act as a buffer between housing segments. In this sense, the rental segment would ideally offer starters either the flexibility they desire or a buffer to secure their financial capability before stepping up on the housing ladder.

There appears to be a disagreement on the housing supply and affordability in the rental segment. Some focus on a bigger middle segment in the free rental sector and some want to increase the supply in the social housing segment. In the context of the results in this research and the objective of this research, the most important factor that needs to be considered is the actual need of housing in each region. First, a bigger social housing segment doesn't seem to be necessary, as the problem with 'low' supply in this segment is mainly created due to 'scheefwonen'. Second, some solutions as proposed by the PBL offer interesting possibilities to create a more stable rental market in which quality housing is mainly liberalised by reducing the stock of the social housing segment and transferring it to the free rental segment. However, this will only work in combination with tackling the 'scheefwonen' issue, as one housing corporation in Enschede actually addressed the fact that they have enough housing to offer in the middle segment. 'Scheefwonen' could be reduced by using temporarily contracts as proposed by political parties, however, new problems arise when tenants have to move out and there isn't sufficient supply of housing in the free rental segment. Another mechanism that could aid in reducing the amount of 'Scheefwonen' is by means of an increase in rental price based on their income. When this rental price is closer to the rental price in the free segments, scheefwoners have more incentives to move to the free rental segment.

Another issue that has to be tackled is the affordability in the rental segment for starters. The middle segment or free rental market is the only sector in which tenants cannot benefit from subsidies provided by the government. Whereas tenants in the social housing sector are provided with subsidies such as the 'huurtoeslag', and where homeowners are favoured with a generous mortgage interest deductibility. This research argues that either both the segments favour subsidies or to completely diminish the subsidies and only aid the lower incomes of society. Especially for starters, it would be fairer to have a uniform policy regarding the subsidies in the housing segment. Two options can be looked at, which is (1) provide living subsidies in the free rental segment, which would result in higher total governmental costs, and (2) phase out

the mortgage interest deductibility and lower the income tax in return, to equalize the favourable tax income in different segments of the housing market.

By increasing the supply in the rental segment, while diminishing the 'scheefwoners', equalizing the housing segments and creating a more market oriented rental segment, starters will have a better option to enter the rental segment when desired and be able to create more financial capital if they were to move to the owner-occupied sector.

6.5 Owner-occupied sector more financially accessible for starters

The main problem for starters in the owner-occupied sector is that they are not able to receive a mortgage conform to their living needs. The rationale behind the tightening of the LTV and LTI is understandable, as it creates a more stable financial position. However, this research argues that these measures are restricting starters to access the owner-occupied sector and only benefits present owners.

Solutions can either be sought in the allowance of subsidies for the purchase moment by the government or to ease the measures with regard to obtaining a mortgage.

Some political parties and the EIB proposed the use of either starters loans or diminishing the transfer tax for starters.

This solution lies mainly with a better funding for starters to enter the owner-occupied sector. Only the housing prices and the national mortgage debt will remain high. Additionally these starters loans are to be given by municipalities, which means that performance of the loans differ per scope and are costly for municipalities. These loans are actually nothing else than extra room for starters in the financing part for compensating the strict measures.

Moving on to the strict measures, being the LTV and LTI, these measures only take into account the moment of acquiring a mortgage, without looking at the career perspective and these measures do not actually protect these starters, as the main problems with mortgages are coupled to life events. A simple solution is to take the income perspective into account and ease the measures for acquiring a mortgage for these starters so that they can get a wider reach in owner-occupied sector. The main benefit of easing the measures with regard to applying for a mortgage, is that it increases the freedom of choice for in particular starters in the Dutch housing market and enables them to better meet their living needs. This is by all means primarily a prosperity argument.

6.6 Alternative housing options

Lastly, in light of temporarily contracts and flexibility it might be interesting to look for new forms of living contracts such as leasing. Lease options could especially be interesting for starters that expect a certain quality but are, because of the early stages of their career, not able to acquire these homes due to a low supply in the free rental sector and strict measures with regard to mortgages. Another benefit of leasing could be that it covers the total monthly costs, as mortgage borrowers only look at the initial costs and not the operational costs.

6.7 Overview of possible solutions for bottlenecks starters

Figure 8 showcases all the before mentioned solutions in this chapter which are meant to eliminate the bottlenecks that arose in chapter 4. It also shows the relation between solutions. Proper spatial planning will reduce scarcity in all of the housing segments and if the rental sector can act as a buffer it will also aid in creating a more financially accessible owner-occupied sector for starters.

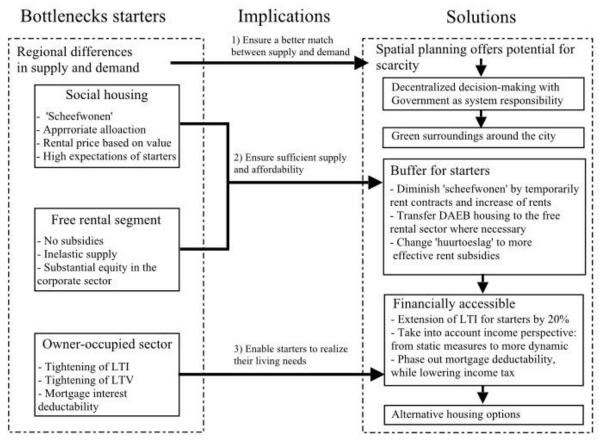


FIGURE 8. OVERVIEW OF THE BOTTLENECKS OF STARTERS WITH POSSIBLE SOLUTIONS

Implementation of the presented possible solutions can take on different forms, in terms of implementation time and the effect of the implementation. Some possible solutions could be implemented instantly such as the extension of LTI for starters and taking into account the income perspective. This example has a short implementation time, a huge effect for starters that want to realize their living needs and only a possible small negative effect on the prices of housing in the owner-occupied sector. In contrast, phasing out the mortgage deductibility requires great care and thoughtful implementation, as the effect of fast implementation can be very unexpected. Transferring DAEB housing to the free rental sector where necessary has to be also done in a rather smooth way, taking in mind the regional differences and actual housing demand. Collaboration between housing corporations, investors and municipalities is necessary in this stage. Moreover, spatial planning offers a great potential for the scarcity in all of the housing segments, but the implementation takes time, meaning the actual effect will only be visible in the long term. The challenge is, thus, to speed up the

decision making in this process in order to address the current scarcity in the housing market.

6.8 Contributions

This research has shed a light on the expectations and bottlenecks of starters on the housing market. The housing expectations of participants in this research have confirmed some of the already known requirements in the housing market and revealed some contradictions in light of sustainability and new factors such as the 'feeling' that has a huge impact on their first impression. In addition to these expectations, the research revealed a huge gap in between the housing segments due to the highly regulated housing market in the Netherlands. Especially starters are suffering from the highly regulated housing market and are restricted in entering the desired housing segment. This research has given an overview of possible solutions as proposed by several institutions, and ultimately an advice that suits best the before mentioned problem for starters in the Dutch housing market.

6.9 Implications

The first implication is that it is still important to consider the expectations of people that are entering the housing market in all of the segments. Sustainability was in this research not seen as an important factor by the participants, while the government has set ambitions to, especially for new housing, construct housing that is very energy efficient. It implicates that the focus should not only be on constructing energy efficient housing but to create housing that offers mainly comfort. Because even though innovations have been implemented in the housebuilding industry with regard to sustainability, comfort and welfare seem to get lost in this process as there are still many residential disappointments among residents in the Netherlands. Some of these are: noise disturbance, cold draughts, energy costs, moisture, bad ventilation, maintenance sensitivity, insecurity, poor accessibility, and limited flexibility/adaptability(VACpunt wonen). All of these hinder the living satisfactions of the residents in the Netherlands.

Secondly, the findings in the focus groups confirm the problems for starters in the current housing market, where especially starters are the current victims of the highly regulated housing market in the Netherlands. Solutions are needed to address these problems as it will be better, not only from a prosperity view but also for a proper flow to create a healthy housing market.

6.10 Limitations

This study has some limitations and offers potential for further research into this area of the housing market. Firstly, the focus groups that were conducted consisted of highly educated starters and were only by means of participants that live in or nearby Twente, The Hague and Heerlen. It would be interesting to conduct more field research with different kinds of starters and highlight more regions in order to understand the housing expectations of generation Y in the Netherlands, and in turn, the bottlenecks that are faced in each region as there exists a regional difference in housing dynamics.

7 CONCLUSION & RECOMMENDATIONS

7.1 Conclusion

Throughout this research, all of the sub-questions have been answered, which all combined give an answer to the main research question. This section gives an answer to the main research question: What are the housing expectations of starters, together with the bottlenecks that hinder these expectations and what are possible solutions to eliminate these bottlenecks?

Housing expectations of starters

The current starters in the Netherlands belong to Generation Y as 87% of the starters in the Netherlands are of the age of 34 or younger (BZK, 2016).

The housing expectations of these starters can be categorized into three main themes: the attributes of the house, location and home ownership. With respect to the attributes of the house, it was found that it should mainly offer comfort in terms of climate, daylight entering the house and shelter. In addition to comfort, having low maintenance was also seen as important. All of which are in line with the literature. Except for sustainable attributes, which were not considered important when it came to the purchase of a house.

The second theme location had a high influence on their housing decisions. First, accessibility was important as starters are in the starting phase of their career. The performance of accessibility was by means of parking ability and having proper infrastructure such as access to public transport.

Lastly, starters have an expectation of eventually owning a home. This was mainly from a financial perspective and the feeling of having a place that actually belongs to them.

Bottlenecks

In addition to the literature, where researchers have pinpointed several factors that influence home ownership among Generation Y, it was found that starters have become the victims of the highly regulated housing market in the Netherlands. These regulations were originally aimed at providing affordable housing for the low incomes and stimulating homeownership. Participants of this research confirmed the problem by addressing the fact that there is a limited *affordable* supply for starters between the social rental sector and social housing sector, which is even worse in areas where there is scarcity.

First, there is a scarcity of housing in highly attractive living areas as a result of stringent spatial planning, which, in turn, has a negative effect on all of the housing segments in terms of affordability and supply.

Secondly, due to the scarcity access to the free rental sector for starters has become limited because the free rental sector suffers from inelastic supply, unfair distribution of subsidies and substantial equity in the corporate sector.

Lastly, starters are unable to realize their living needs in the owner-occupied sector due to more stringent standards for acquiring a mortgage, such as the tightening of the LTV and LTI. In addition, the mortgage interest deductibility only favours present homeowners and high incomes.

Possible solutions

Three implications derive from the bottlenecks: (1) ensure a better match between supply and demand through spatial planning, (2) ensure sufficient supply and affordability in the rental segment, and (3) enable starters to realize their living needs in the owner-occupied sector.

One solution to address the scarcity in attractive living areas is to change the spatial planning with respect to the green surroundings around the city as these offer great potential to create attractive living environments.

By increasing the supply in the rental segment where necessary via transferring DEAB housing to the free rental segment, while diminishing 'scheefwonen' through temporarily rent contracts and rent increase in the social housing segment, which ultimately creates a more market oriented rental segment, starters will have a better option to enter the rental segment when desired and be able to create more financial capital if they were to move to the owner-occupied sector.

Solutions for the owner-occupied sector encompass a broader implementation of starter loans and removing the transfer tax for starters. Moreover, easing the measures for starters pertaining to acquiring a mortgage by, for example increasing the LTI by 20% will help starters to enable their living needs.

7.2 Recommendations

The conclusion has given an overview of the expectations of starters, the bottlenecks that they face and possible solutions to eliminate these bottlenecks. This section aims at presenting recommendations for the actors on the Dutch housing market. The first part consists of recommendations in general, followed by recommendations for developers, real estate and house builders, and lastly recommendations for the government and municipalities.

Recommendations in general

First of all, the housing market in the Netherlands is by all means a very important sector from a public, private and prosperity view. And is, therefore, characterised by a lot of different actors. To have a healthy housing market, and in particularly to solve the issues that current starters face, it is advised that all these actors collaborate in some way in order to address these problems and come up with fruitful solutions. Collaboration between private, public and most importantly starters, will lead to a greater understanding of the problems and the creation of solutions that actually serve its purpose by meeting expectations and public goals. Collaboration can for example take place in each of the three main housing segments, with a mutual understanding of the function of each housing segment. Housing corporations are already responsible for the social housing, in which they collaborate with municipalities to understand the housing demand in each region. The same could be done for the free rental sector, in which the function of this sector is addressed and housing corporation collaborate with investors and municipalities to create a healthy 'middle' segment. The government, in turn, needs to create incentives for investors to invest in this segment, which will lead to a desired supply of housing in this segment. Lastly, banks and the government need to address the opportunities and threats in the owner-occupied sector. The borrowing of mortgages requires a rather dynamic approach instead of the current static view. Ultimately having associations representing all of the public and private interests in each of the housing segments, like AEDES the association of housing corporations in the social housing segment, could lead to a greater understanding of the housing market in

the Netherlands and, therefore, result in a more healthy housing market in the long term.

Recommendations for developers, real estate and house builders

This research supports evidence that expectations have a major influence on purchase decisions of a house. House builders are recommended to build housing conform the expectations of starters, of which comfort is still the utmost important factor. More research into 'comfort' and feedback from the clients will lead to a greater understanding of what makes a home comfortable, which can then be translated into specifications of a house. The use of focus groups, as used in this research, could possibly be fruitful for housebuilders as it appeared to be an ideal approach for examining the stories, experiences, points of beliefs and needs of starters. Subsequently, it became evident that there's more than just the specifications of the house and the geographic location the house is situated in. This research discovered that there is a certain 'feeling' coupled to the image of the house and the neighbourhood. This feeling also had a huge influence on their purchase decisions, which makes it highly recommendable for developers and real estate agencies to discover how this feeling is actually constructed by the clients and to understand the effect it has on their purchase decisions.

Recommendations for the government and municipalities

In favour of the public interest, government and municipalities are required to create policies that create a healthy housing market. The current housing market is highly regulated, which was originally aimed at helping the lower incomes of society and to stimulate homeownership. However, this has actually led to a problem that starters have limited access to an affordable rental or owner-occupied segment. Thus, the government and municipalities have to create new policies that will aid starters in accessing the desired housing segment.

Firstly, the government and municipalities need to address the scarcity in all layers of the housing market. Spatial planning offers potential to address this scarcity. It is however required to get an understanding of the match between supply and demand, and most important the meaning of the demand in terms of quality and comfort. Green surroundings around the city is an example of a fruitful location that is confirmed as an attractive living area. Secondly, the government needs to look into the function of the rental segment for starters, where there exists a fiscal gap between the facilitated social housing segment through subsidies and the owner-occupied sector in which present homeowners are favoured with a mortgage interest deductibility. To help starters in this segment, new ways of offering fiscal help in this segment is required. Lastly, it is important to enlarge the reach of starters in the owner-occupied sector. The current measures restrict starters in realizing their living needs. By taking into account the income perspective of highly educated starters, solutions can be sought in the area of expansion of the current restrictions upon entry or compensation by means of a starters loan. In conclusion, the current housing market requires solutions to create a stable and healthy housing market for starters in which there exists a fair distribution of opportunities for entry, starting with the accessibility and affordability for starters in all of the housing segments.

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APPENDICES

1 APPENDIX FOCUS GROUP

1.1 Focus group Interview

Doelen:

Het bespreken van de problemen die generatie y tegenkomt bij het zoeken van een woning

Het in kaart brengen van de woonwensen van generatie Y.

Vragen tijdens de focusgroups:

Korte introductievraag: Wat is uw naam en wat is uw huidige woonsituatie (koop/huur/samenwonend)? Bedenk nu hoe u aan uw huidige woning bent gekomen, hoe hebt u dit ervaren?

Overgangsvragen (droomvraag)

1. We beginnen met een droomvraag: Hoe ziet uw ideale woning/manier van wonen eruit?

(doorvragen wat, waarom, hoe?) Hoe komen we tot deze ideale woning? (Backcasting)

Kernvragen

- 2. Wat verwacht u van een woning?
- 3. Wat zijn de minimale eisen waar een woning aan moet voldoen?
- 4. Wat zou wenselijk zijn bij/in een woning?
- 5. Welke van de genoemde eisen zijn het belangrijkste?

Eindvragen

- 6. Zou u het liefst willen huren, kopen of een andere woonvorm (denk aan: all-in, delen,leasen)?
- 7. Wat zijn de problemen die je tegenkomt bij het zoeken van een woning?
- 8. Laten we samenvatten wat er is besproken in vraag 2 t/m 5, is deze samenvatting compleet?

Hoe denken jullie over de volgende trends?

- Domotica (smart homes) (bijvoorbeeld: klimaatregeling, comfort, beveiliging)
- Duurzaamheid (energiezuinig etc.)
- Weinig onderhoud
- Vrij indeelbare plattegronden
- Connectiviteit (Internet, social media)
- Online shopping → pakketjes

Objectives:

To discuss the problems that Generation faces when looking for a house To map the housing wishes of Generation Y

Questions during the focus groups

Introductory question: Do you have your own home, if so, do you rent or own one?

Transition Questions

- 1. What are the problems that you encounter when you look for a house?
- 2. Would you rather rent, own or another way of living? (e.g. all-in, sharing)

Key Questions

- 3. What do you expect from a home?
- 4. What are the requirements that a home must meet?
- 5. What would be desirable in a home?
- 6. Which of the mentioned requirements are the most important?

Ending Questions

- 7. What do you think about the following trends?
 - Domotics
 - Sustainability (energy savings)
 - Less maintenance
 - Open floor plans
 - Connectivity (internet, social media)
- 8. Let's summarize the key points of our discussion, does this summary sound complete?

2 APPENDIX INTERVIEW

2.1 Interview protocol

Interview

Probleem:

Starters verdienen te veel voor sociale huursector en komen niet in aanmerking voor een hypotheek door strenge normen. Aanbod in de vrije huur sector is schaars, waardoor de prijzen hoog zijn en vrijesectorverhuurders soms ook hoge inkomenseisen stellen.

Starters vallen tussen wal en schip.

- 1. Herkent u dit probleem of is er naar uw mening geen sprake van een probleem voor starters op de woningmarkt?
- 2. Wat zijn volgens u de oorzaken van dit probleem en welke partijen zijn daarvoor verantwoordelijk?
- 3. Wat zijn volgens u de wensen van starters op de woningmarkt?
- 4. Wat zijn de belemmeringen voor starters op de woningmarkt en hoe staat dit in verhouding met hun wensen?
- 5. Wat zou er anders moeten op de woningmarkt om dit probleem aan te pakken(oplossingsrichtingen)?
- 6. Hoe ziet de ideale woningmarkt er in de toekomst uit?