

Shrinking supply of rental housing further constraints students in need of housing

Viewpoint

Nederland



Introduction

Following the annual student housing monitor, both Kences and the Ministry of Spatial Planning and Housing concluded in recent weeks that the relative shortage of student housing will decrease in the coming years. Because more student housing will be added, and the demand from students will only increase slightly, they argued that the shortage will decrease. At the same time, very negative reporting about the room shortage also appeared in September. For example, it appears that more students see their rental contracts ended, often because landlords are selling the property on the owner-occupier market. This reality for students stands in stark contrast to the positive image that is being painted by the ministry.

The assumptions about the room shortage ignore the fact that a significant proportion of students living away from home do not live in student accommodation, but in regular rental properties. In recent years, various government measures have made renting out homes, and in particular (student) rooms, a lot less attractive - resulting in a shrinking rental supply. Students compete with workers in this increasingly tight market, which means that they are more often at a disadvantage when it comes to these scarce rental properties. Although more student rooms will be added, it is expected that the supply on the regular market will decrease to such an extent that the housing situation for Dutch students will actually worsen in the coming years.

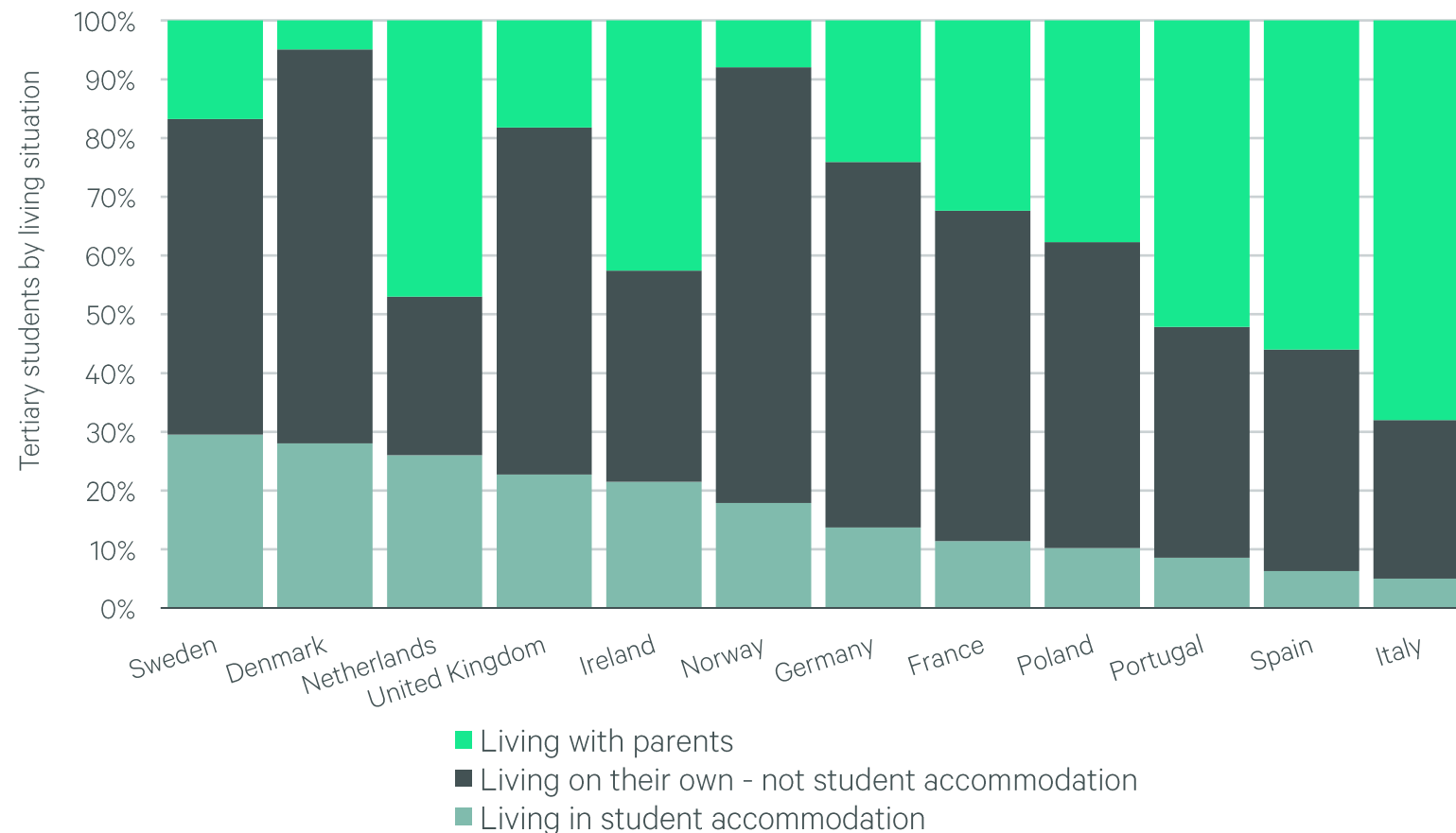


Number of Dutch students still living at home relatively large in a European perspective

Although the prevailing image in the Netherlands is that Dutch students quickly leave the nest, it appears that from a European perspective the share of students living away from home is not that high. Just over half of Dutch students live on their own, while this is considerably higher in Scandinavian countries. In addition, the Netherlands has seen a downward trend in the share of students living away from home for a long time, partly due to the abolition of the basic grant and the resulting restriction of students' spending power and higher housing costs.

This year there has been a small increase due to the reintroduction of the basic grant, which gives more students the financial means to rent a room or studio. However, given the shortage of regulated student accommodation and the relatively high rents in the private rental market, moving out remains an expensive affair for students. However, because the relative distances in the Netherlands are small, the need for Dutch students to move out is less.

Housing situation of students in tertiary education by country



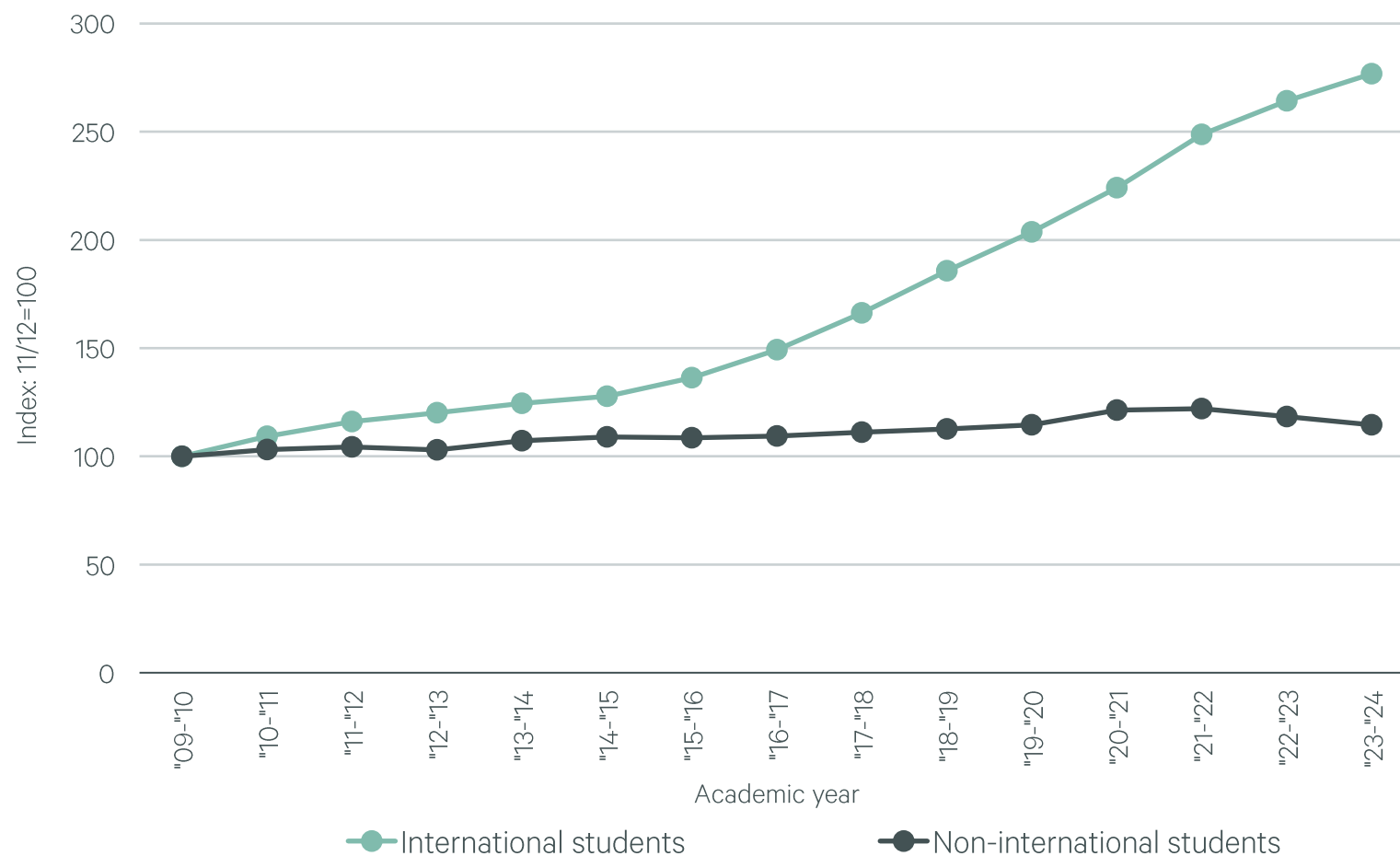
Source : CBRE Research, Eurostudent , HESA Student Records 2021/22, Kences, edited by CBRE Research

In recent times, the total number of students in the Netherlands has increased significantly, while the supply has lagged behind. Part of the increase is due to a growth in the number of Dutch students, but the considerable influx of international students in particular has boosted the numbers. 13.7% of students studying in the Netherlands now come from abroad, while this was 7.7% ten years ago. These international students also put a lot of pressure on the housing market due to the immediate need for housing, while this can be postponed more easily for Dutch students.

13.7%

of students studying in the Netherlands now come from abroad

Growth in the number of international and Dutch students at Dutch higher education institutions



Source: CBS, edited by CBRE Research

Finding the right balance between facilitating the knowledge economy and the influx of foreign students

The government has indicated that, partly because of the additional pressure on the housing market from international students, it wants to put a brake on the influx of foreign students to Dutch courses. For example, it wants to make it possible for universities to set a numerus fixus on certain courses for foreign students, and to reduce the number of English-language courses.

In the short term, this could provide relief for the student housing market – after all, a drop in the number of foreign students to pre-2021 levels could theoretically solve the current shortage of 23,000 homes. However, there are risks to this approach that could jeopardize the broader economy and prosperity in the Netherlands.

There is a risk that this will hamper the much-needed inflow of well-educated employees for companies. The government has therefore been promised to monitor closely that for essential sectors such as healthcare and technology, the restrictions on the number of international students will not apply or will apply to a lesser extent. However, it remains to be seen whether it will be possible to steer this in a targeted manner.

Moreover, the question is whether universities that have to implement the restrictions will make extensive use of the new legal tools. They still benefit so much from international students, both financially and from an academic perspective, that they would shoot themselves in the foot with a smaller influx.



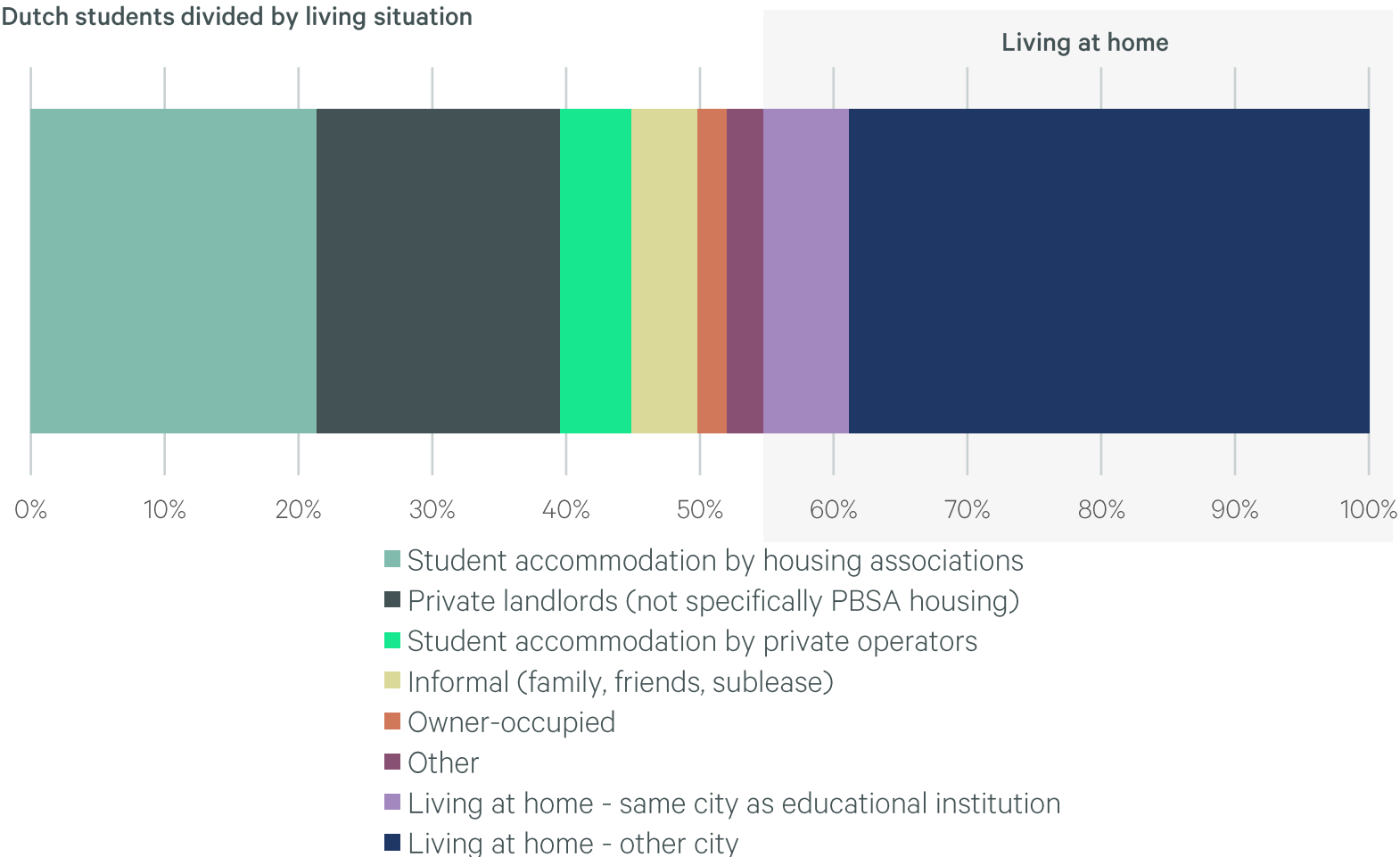
33% of students that live on their own based in 'regular' rental accommodation - and the supply is declining sharply

As previously stated, slightly more than half of the students in the Netherlands live on their own. The type of housing among these students is diverse, but the majority live in student accommodation from private or public landlords. A significant number also live with private landlords, but not in homes that are specifically intended for students. This type of housing in particular has a greater chance of disappearing from the supply in the long term, making this category of housing an increasingly less obvious option for students.

These homes, often rented by smaller private investors, are sensitive to fiscal measures such as the stricter box-3 regime. But also the stricter requirements for renting out rooms and the expansion of the regulated mid-segment can severely affect the rental income of landlords. These are often the homes – partly due to the abolition of temporary rental contracts – that are now mostly sold by private investors on the owner-occupied housing market.

In addition, the tightness of the rental market plays a role, which causes ever higher rents. While this often already causes affordability problems for workers, the inaccessibility of the rental market increases even more for students, who are still at the bottom of the housing ladder.

Dutch students divided by living situation



Source : CBRE Research, CBS, Kences, edited by CBRE Research

New construction pipeline must more than double to address student housing shortage

The extent to which the student housing shortage will increase depends on future demand, the pipeline of student housing and the potential impact of large-scale sales of current student housing on the owner-occupied housing market. In the largest student cities, the expected increase in the current pipeline of new student housing, the future housing demand among students and the decrease in regular rental supply, the shortage will remain virtually the same. Only when the new construction pipeline is doubled will the shortage decrease significantly, although still insufficient to eliminate the shortages.



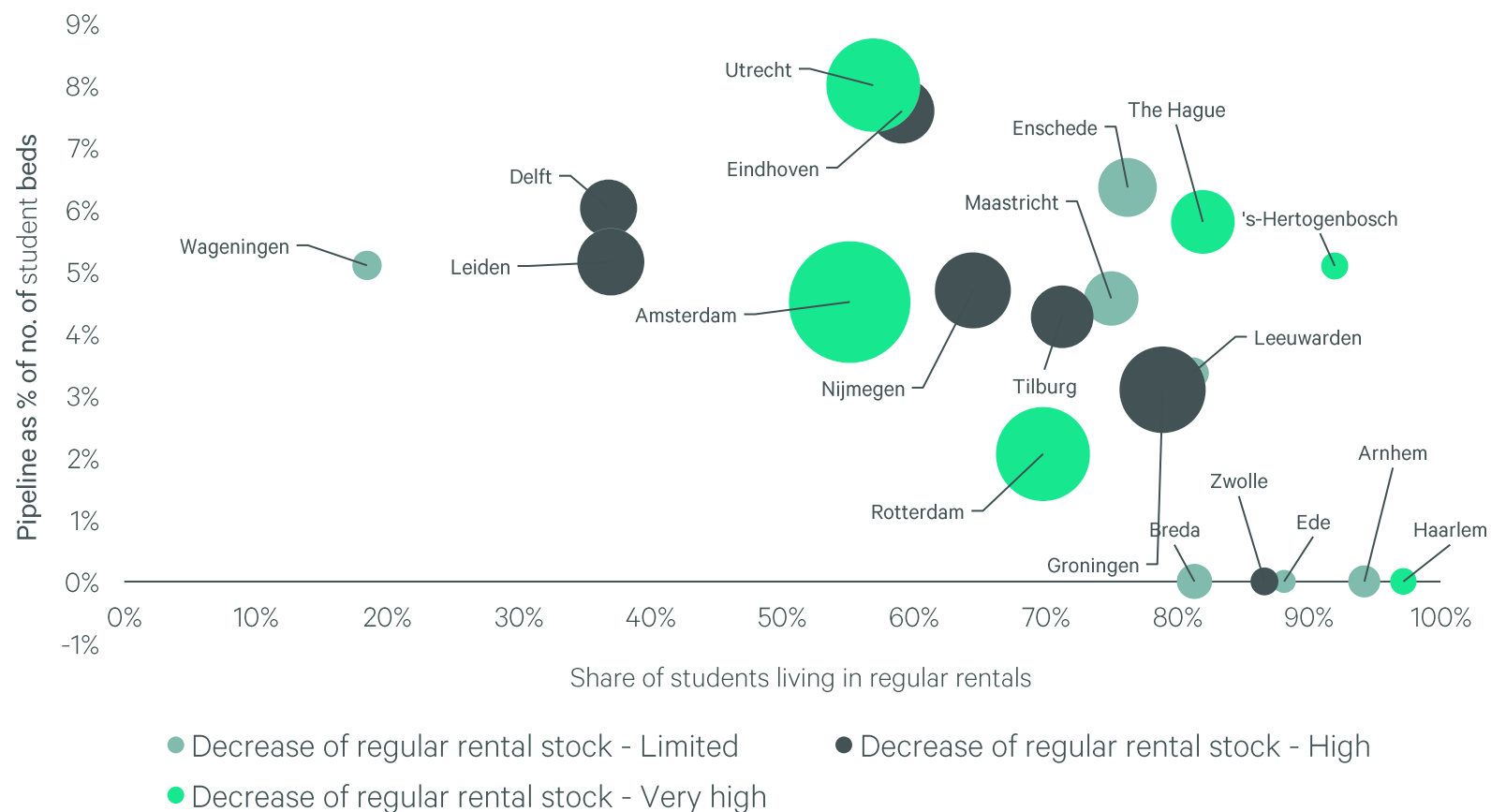
Focusing on the large student cities, it appears that a large share of students rent in the private “regular” rental sector. Combining this share with the future pipeline and the impact of recent measures on rental income, it is easy to identify which cities are at risk of an increasing housing shortage for students.

Most student cities, except for Delft and Leiden, have a high dependency on students for regular rental housing. If we also look at the pipeline of new student housing across the student cities, this is much more limited in some cities than in others. For example, Eindhoven and Utrecht have a comparable relative development pipeline, but the shortage will most likely grow more in Utrecht, because the impact of fiscal and government measures will be greater in this city.

In cities such as Amsterdam, Haarlem, Zwolle, Groningen, Tilburg and Rotterdam, the combination of factors will most likely increase the housing shortage, given the limited pipeline, the shrinking regular supply and the large group of students who are currently dependent on it.

In Enschede there is also a large number of students living in the regular rental sector, but there will be less privatization of rental properties on the owner-occupied housing market due to the limited impact of rental measures. After all, the rental prices here are more in line with what may be asked based on the WWS points system after regulation.

20 largest Dutch student cities by future pipeline of student housing and student dependence on regular rental housing stock



Source : CBRE Research, CBS, Kences, edited by CBRE Research

Significant supply stimulus needed to solve shortages

Despite the efforts of various parties to build more student housing, the shortage of student housing will likely not decrease due to the loss of supply in the regular rental sector. The main solution from the government; namely the focus on landlords, seems to be ineffective as it is doubtful whether this form of housing is sought by students and whether it will yield a substantial number of living places. In addition, measures such as “topping up” and transformations are often based on very optimistic scenarios, while in practice the transformation of offices into homes is regularly delayed and suitable locations are becoming increasingly scarce. Apart from that, the financial feasibility of this is questionable in many locations, also in view of the introduced regulation. The current student housing deal therefore falls short when the loss of supply from the regular rental market is taken into account.

Removing impediments for renting or building student housing crucial.

In order to effectively tackle the shortage and facilitate the construction of student rooms, it is first of all of great importance to revise the WWS for non-independent housing, as the current business case is often not profitable due to the outdated rents. Furthermore, building more rental housing across the rental market can reduce the overall pressure on the scarce supply, so that students do not have to compete with workers who are preferred by landlords. Moreover, students are ideal tenants for temporary or flexible locations. It is essential to remove barriers to setting up these types of locations, such as NIMBY objections. In short, without effective and realistic measures that promote the supply of student housing, the shortage of student housing will continue to grow.



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