

# Amsterdam's buy-to-let ban unlikely to 'substantially affect pricing' on its own

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**Local Government analysis:** With Amsterdam drawing up plans to ban the rental of newly-built houses, David Smith, partner at Anthony Gold, discusses the likely impact of the legislation on house prices in the Dutch capital, including possible unintended consequences. Smith also considers challenges in the UK housing market and whether similar UK legislation would help alleviate them.

**With Amsterdam considering banning the rental of newly-built houses on city land, do you believe that this will have the intended result of easing house prices in the Dutch capital?**

House prices in Amsterdam have been on an upwards spiral for some time. This has been driven by a number of factors including the increasing popularity of Airbnb and short letting to ever-growing numbers of tourists. A deal between the city and Airbnb was reached in 2016 to help with the collection of city tax and prevent homes being let for too many nights, but a further agreement on better co-operation over enforcement was not reached in 2019. With that failure, further action by the city was probably inevitable.

How much this alters house prices depends on what volume of stock it represents. Amsterdam, like many historic cities, has a great deal of its housing made up of older stock which often enjoys some form of protected status, especially in the centre. The new restrictions only apply to new buildings and only where that occurs on land previously owned by the city and released for that purpose. Therefore, in terms of the overall stock, this measure is likely to affect a relatively small percentage of homes and so is not likely, on its own, to substantially affect pricing.

The other measures being taken at the same time may be more effective. Amsterdam is stepping up its enforcement action against unlawful sub-letting of socially rented property which may result in more of these properties coming back to the market, thus reducing demand. There is also to be a further crackdown on short letting, with a new national registration scheme and much tougher penalties which will include seeking to confiscate the profits made. These may make the use of properties for short letting much less attractive to investors who may exit the market freeing up these properties for homeowner purchase.

**Will there be any unintended consequences of the legislation for the Dutch housing market or more generally? How difficult will the legislation be to enforce?**

There are substantial difficulties in this process. First, the legislation may be open to challenge. It only applies to some new building and restricts the rights of purchasers to do what they want with their own property. That may lead to a challenge on the basis that the restriction is unreasonable. Second, there may be any number of valid reasons for people to buy a restricted property and then to want to let it for a short period. The letting market in most countries originally grew from people wanting to let out their own property for a short period while they were not using it themselves and, to some extent, a thriving lettings sector ensures efficient use of property, which might otherwise stand empty. There is a risk that in seeking to drive out investors Amsterdam will also hurt its own citizens. Finally, developers rely on early off-plan purchases by investors to help them pay back the cost of land acquisition at an early stage and move

forward on their developments. Restricting this may make those developments harder to finance.

Enforcement is always difficult. As with short letting, the difficulty here will be in catching the use quickly enough and then obtaining evidence to pursue enforcement from an occupier who will probably have left already and not be terribly interested in assisting.

**What challenges is the UK housing market currently facing and are they similar to those faced in Amsterdam? Would similar legislation to that being considered in Amsterdam help alleviate rising house prices in the UK? What would be the challenges of implementing this in the UK?**

Parts of the UK housing market also face difficulties with investors being able to outbid individuals for houses and so similar legislation may be of interest. However, legislation is not really required. Local planning authorities have the power to impose such restrictions on new build developments already. In fact, such restrictions have been used extensively in the past. For example, the 'agricultural tie'—a restriction requiring a property to only be used for an agricultural worker—was applied to many rural cottages during parts of the 20th century. There is no reason that a similar 'rental tie' could not be applied to developments.

However, the same problems would arise here as in the Netherlands. Many people will buy a house to live in but then want to rent it for a short time while they live or work elsewhere. In our increasingly mobile economy limiting this would be risky and counter-productive. Additionally, developers in the UK, even more than in the Netherlands, are very reliant on speculation by investors who will buy at an early stage for a discount to fund their land acquisition and pay back some of their borrowing. Loss of that investment would severely curtail development activity and reduce supply of new houses for all tenures. It might be possible to restrict a percentage of such properties and this might be a more workable solution, but developers are still likely to be unhappy about this.

As in the Netherlands enforcement will be a key difficulty. Even more so in England and Wales, as enforcement of planning breaches is a matter for local authorities, who are already struggling with lack of resources. In addition, planning breaches really require two episodes for effective prosecution. Usually, the initial breach leads to a planning enforcement notice being served and, if that is then breached, prosecution follows. This doubles the work involved in obtaining a prosecution against a person determined to breach the rules.

**What proposals is the UK government considering with regards to addressing these challenges, and how effective do you think these proposals will be?**

The government has relatively little appetite to do much about this issue. Not least, because they are very reliant on large developers who they perceive as being the answer to housing shortages and will be wary of upsetting them. Wales has banned the use of right to buy for social housing which was believed to be a means of transferring some property from the social to the rented sector. However, this has not been replicated. The London Mayor has considered the use of planning restrictions to prevent new build homes being left empty, but there appears to have been little action in this area. There is no suggestion that he has gone so far as to consider a restriction on letting.

*Interviewed by Tom Inchley*

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