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The uncoupling of house prices and mortgage debt: towards wealth-driven housing market dynamics

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ABSTRACT

Mortgage credit has been central in fuelling housing market dynamics in many countries. While mortgage debt and house price increases used to go hand in hand, we see an uncoupling post-global financial crisis, with relative mortgage debts decreasing while house prices are increasing at unprecedented rates. This article scrutinises this uncoupling, contributing in three ways. First, we argue it is representative of how *debt*-driven housing dynamics have been supplemented by *wealth*-driven ones: while mortgage debt remains crucial, it has stagnated, and increased wealth investments have fuelled a new round of price increases. Second, we explore key examples of wealth-driven housing dynamics: the increase in private landlordism (buy-to-let), older homeowners reinvesting accumulated housing wealth and intergenerational house purchases. Third, we demonstrate that these dynamics are associated with increasing fractures along the lines of class, age and place, particularly benefiting affluent and older insiders while advancing uneven development. We base our arguments on an empirical analysis of the Netherlands, a country with a highly financialised owner-occupied market boasting one of the highest mortgage-debt-to-GDP ratios in the world, but our arguments have wider relevance. We conclude that current dynamics point to a new era of house price rentierism.

KEYWORDS: Housing; financialisation; wealth; rentierism; spatial inequality; the Netherlands

Introduction

The last few decades have seen the massive expansion of mortgage credit in many countries. In part, this has been a result of the goals of many governments to expand mortgaged homeownership access to wider segments of the population (Forrest & Hirayama, 2015; Ronald, 2008), but it has equally been a result of the power of finance to expand its sway on

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other domains of the economy and life more generally (Aalbers, 2008). The expansion of mortgage credit is typically seen as a key indicator of housing financialisation, which can broadly be defined as 'the increasing dominance of financial actors, markets, practices, measurements, and narratives at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households' (Aalbers, 2016, p. 2). The liberalisation and expansion of mortgage markets have integrated fixed and local housing into liquid and global financial markets (Gotham, 2009), allowing global flows of capital to spill into real estate. Evidence suggests that this has been a major driver of house price increases across countries (Andrews et al., 2011; Ryan-Collins et al., 2017; Stiglitz, 2012), while it did preciously little to broaden homeownership access (Arundel & Ronald, 2021; Kohl, 2018). In other words, mortgages facilitated the homeownership dreams of governments and households alike, but, while homeownership rates increased only slightly, price increases—over time—have made homeownership less rather than more accessible.

Following the global—or North Atlantic—financial crisis (GFC) and accompanying housing market crash, governments imposed stricter mortgage lending practices, e.g., through lower maximum mortgages and stricter income and employment criteria (Forrest & Hirayama, 2015; Dotti Sani & Acciai, 2018). The idea was that this would prevent the formation of a new housing bubble driven by risky lending practices. If expanding mortgage markets were central in driving house price increases, one may expect that such restrictions would translate into structurally lower price levels. This was, however, not the case. House prices in many countries have rapidly increased in recent years, despite restricted mortgage lending. This brings us to a fork in the road: if mortgaged debt is no longer the prime driver of house price increases, what is the key driver of price increases today?

This article zooms in on this uncoupling between house prices and mortgage debt. While, in previous decades, the push for mortgaged homeownership was central in keeping both housing and financial markets going (Aalbers et al., 2021), in the post-GFC landscape, this debt-driven model finds itself increasingly saturated. Ownership rates have decreased or stagnated in many countries and mortgage lending has been restricted. High and increasing levels of mortgage debt appeared unattainable and had to be supplemented by the investment of private assets, in different forms, to maintain high and increasing prices. While cyclical conditions of an economic bust were central in exposing this saturation, they triggered structural political–economic transformations.

Our case in this article is the Netherlands, which has one of the highest mortgage-debt-to-GDP ratios in the world. We argue that the Netherlands is a critical case to understand the limits of debt-driven housing dynamics in the face of unsustainably high levels of mortgage debt. Our argument may be especially relevant for other countries with financialised housing

markets and high mortgage debt, although, in the long run, it may also be for other countries on a trajectory of increasing indebtedness. We do not propose a binary opposition between mortgage debt and the investment of private assets here. That would be a false dichotomy since the two coexist and work cumulatively. Rather, we show that, as mortgage debt stagnates or declines, private wealth becomes more important. Even if the trends we describe do not represent a complete overhaul, they still amount to a major transformation of the contemporary political economy of housing. The central argument of this article, then, is that we are seeing a shift from *debt*-driven towards *wealth*-driven housing dynamics at the limits of mortgage debt.

We further explain the post-GFC shift from debt-driven to wealth-driven housing dynamics by drawing on three concrete examples: (1) the ascendance of buy-to-let (BTL) landlordism; (2) the increasing dominance of current owners over starter households; and (3) the increase in state-sponsored intergenerational house purchases. These represent examples of the investment of private wealth in the housing market, *supplementing* rather than *replacing* mortgage debt to fuel a new round of house price increases. We illustrate how these new wealth-driven dynamics in many ways exacerbate social divides, particularly along the lines of age and class. Additionally, these wealth-driven dynamics come with a highly uneven geography, privileging investments in already burgeoning urban centres, thereby amplifying spatial polarisation.

This article is structured as follows: the theoretical section contextualises the proposed shift from debt-driven to wealth-driven housing dynamics in contemporary literatures on housing financialisation, wealth accumulation and increasing socio-spatial divides. The subsequent section provides a brief data and case description, before empirically demonstrating shifting housing dynamics in the case of the Netherlands. Finally, by way of conclusion, we distil some key analytical points from our study that have a broader resonance.

Literature

Expanding mortgaged homeownership

The period from the second half of the twentieth century up until the early 2000s was one of rapid homeownership expansion across many countries and housing systems. Owner-occupancy became the majority tenure in the Netherlands in 1998, eventually rising to 57% of the housing stock in 2010 and remaining stable since (Musterd, 2014). The promotion of homeownership constituted a key political project, reflecting a pervasive ideology (Ronald, 2008) that associates ownership with household financial independency and autonomy, presumably allowing governments to cut back on welfare state expenses (Doling & Ronald, 2010; Kemeny, 2005). It also reflects a wider ideology of private property, not just because housing

is central in capitalist accumulation but also because housing is central in the ideological and political reproduction of capital (Aalbers & Christophers, 2014). Homeownership would further encourage virtuous ideals pertaining to good citizenship and responsible behaviour while, during the late twentieth century, social democratic parties in particular supported it as a means to enable the upward socio-economic mobility of their working-class electorate. The ideology of homeownership translated into the social normalisation, and financial and fiscal stimulation, of the tenure.

The decades-long expansion of owner-occupancy was enabled by granting ever more people access to ever more mortgage credit against ever more lenient conditions. Already in the 1980s, but especially during the 1990s and 2000s, total mortgage debt mushroomed in many countries (Fernandez & Aalbers, 2016). In particular, mortgage debt increased in market-liberal countries such as the United Kingdom and the United States, which have a mostly commodified housing stock, as well as more corporatist countries such as Denmark and the Netherlands where a substantial decommodified housing stock exists along market-based distribution. Both types rely heavily on mortgage loans for homeownership and such loans are often securitised, i.e., resold in global capital markets. These countries have housing systems where housing is not only seen as a consumption good but also as a vehicle for wealth accumulation, resulting in greater wealth inequalities between property owners and tenants (Schwartz & Seabrooke, 2008). Yet, mortgage debt increased in most countries and across housing systems, including in the more familial, southern European countries and the Global South (Fernandez & Aalbers, 2020). This underscores the wide but uneven spatial spread of mortgage-driven housing financialisation across countries and housing systems.

While mortgages, to a certain extent, are an important instrument in smoothing homeownership access, the extremely rapid expansion of mortgage debt has contributed to the rapid increase of house prices. This is the outcome of a very liquid, or elastic, financial market penetrating a very viscous, or inelastic, housing market. Ryan-Collins and colleagues (2017) have dubbed this the 'house-price finance feedback cycle', echoing the idea that '[t]he boom in the housing market provided the fuel for the boom in the mortgage market, and vice versa' (Aalbers, 2008, p. 158). Especially at higher levels of homeownership and debt, further increases in mortgage credit tend to drive up house prices (Kohl, 2018). Although housing shortages and supply-side constraints certainly contribute to price increases (e.g., Saiz, 2010), decades of mortgage credit expansion have been central in driving up house prices (Andrews et al., 2011). This is especially the case for more inelastic housing markets, where supply is less responsive to demand (Favara & Imbs, 2015). However, even in countries with more elastic housing markets, where new construction outpaces household growth, we see rising house prices, which result primarily from low interest rates and

expanding mortgage credit (Hoekstra & Vakili-Zad, 2011; Kelly, 2009; Reusens, 2022).

Already in the run-up to the GFC, house price increases reduced the accessibility and affordability of homeownership, leading to a notable drop in overall homeownership in countries such as the United Kingdom, the United States and Australia. In these countries, homeownership rates went down from around 70% pre-GFC to below 65% 10 years later (Ryan-Collins, 2019, p. 19). In the Netherlands, overall homeownership rates saw stagnation at a lower level, with around 57% of households owning their house. Following the GFC and the housing market crash, many governments reduced mortgage lending, lowering maximum loan-to-value (LTV) and loan-to-income (LTI) ratios and enforcing stricter requirements. This led to a drop in ownership rates amongst typically highly leveraged buyers such as young starter and lower/middle income households (Flynn, 2020; Hochstenbach & Arundel, 2021) while it benefitted wealthier and generally older housing market insiders (Forrest & Hirayama, 2015). The promises of mortgaged homeownership being widespread and asset-equalising have increasingly been proven to be false (Arundel & Ronald, 2021).

It is key to realise that the ideal of homeownership is essentially the ideal of *outright* homeownership. Indeed, the social construction of the homeownership ideal is based on the normalisation of outright homeownership, although this became rarer at the peak of debt-driven housing financialisation in many high-income countries. The 'lived experience of homeownership' was typically one of debt and disconnected from the 'social project of homeownership' (Forrest & Hirayama, 2015). Mortgaged homeownership appeared to be invented in order to spread homeownership, but it became a facilitator of financial markets, thereby undermining its integrative and stabilising dimensions (Forrest & Hirayama, 2018). Under debt-based housing financialisation, it became ever more challenging to become an outright owner and, for large parts of the population, the promise of rent-free and mortgage-free living slipped out of reach (Fikse & Aalbers, 2021).

At the individual or household level, the expansion of mortgage credit has played a central role in constituting financialised investor subjects (Watson, 2010). For many, indebtedness has become the norm for gaining access to the basic necessity that is housing (also Lazzarato, 2012). Subsequently, individuals are encouraged to behave like calculative investors, using mortgage debt to strategically invest in the housing market, for the purpose of accumulating housing wealth to augment stagnant wages or secure a future pension (Doling & Ronald, 2010). This creates 'mortgaged lives', which entails that individuals structure life courses and residential trajectories according to investment rationales (García-Lamarca & Kaika, 2016). These trajectories are subsequently rendered uncertain based on the performance of global financial markets (Damhuis & Van Gent, 2022; Watson, 2010). This trend has been described as part of a model of 'privatized Keynesianism' or 'house price Keynesianism' (Crouch,

2009; Watson, 2010), which is 'both a way to fuel the economy by propping up consumption and to 'compensate' labour for decades of negligible or even negative real income growth' (Aalbers, 2017, p. 546). It also implies that housing investor subjects (Langley, 2008) did not just come about but were 'pursued in housing policy reform and its discourses' (Stirling et al., 2023, p. 15).

Financialisation of rental housing

While mortgaged homeownership has received most attention in studies of housing financialisation, in recent years, a burgeoning literature has studied and theorised the emerging financialisation of rental housing (e.g., August & Walks, 2018; Byrne, 2020; Fields, 2015; Nethercote, 2020; Wijburg et al., 2018). In a wide range of countries, private rental housing markets have returned to growth from the 2000s onwards, often after decades of continuous decline and even the predicted obsoletion of the tenure. It is important to understand that private rental's revival consists of the advance of different types of landlords. On the one hand, there are small-scale investors who are sometimes referred to as 'mom and pop investors' but who are increasingly referred to as BTL investors (Aalbers et al., 2021; Hochstenbach, 2022a; Kemp, 2015). On the other hand, there is a range of more large-scale and sometimes international real estate investors, including Real Estate Investment Trusts (REITs), private equity funds such as Blackstone (Beswick et al., 2016; Fields, 2018; Waldron, 2018), and build-to-rent investments in new and often up-scale developments (Brill & Durrant, 2021; Nethercote, 2020).

Historically low interest rates, reduced yields on other types of assets and large volumes of available capital have increased rental housing's investment appeal (Aalbers et al., 2021; Fields, 2018). Furthermore, the market-oriented rental reforms have typically favoured landlords while undermining tenant protection. This is combined with a growing demand for private rental housing, especially in popular cities. However, for many tenants, private rent is not exactly the tenure of choice but rather of constraint as growing numbers of households are excluded from owner-occupancy—which is increasingly costly—and social rent—which is residualising (Hochstenbach & Ronald, 2020; Hoekstra, 2017). These trends have resulted in rental real estate being increasingly perceived as 'just another asset class' by potential investors (Van Loon & Aalbers, 2017) and figured prominently in financial accumulation strategies of both firms and households (Adkins et al., 2020; Fields, 2018), rendering tenants the 'unwilling subjects of financialization' (Fields, 2017).

Private rental reinvestment is often taken simply as a continuation of housing financialisation, with rental housing being incorporated in domestic and global capital flows and subjected to more financial logics. In this article, we further develop this argument, claiming it is part of a more fundamental transformation in housing financialisation in which

wealth-driven dynamics come to play a greater role relative to debt dynamics. Here, it should be acknowledged that REITs and private equity funds tend to work with a combination of equity and debt. Yet, even though residential REITs tend to be far more indebted than other firms listed on the stock exchange (Aalbers et al., 2023), they are far less leveraged than the median homeowner. The same goes for small-scale BTL landlords; they may take on debts to acquire rental property but, as we will show, do so to a lesser extent than typical owner–occupants.

To be sure, we do not argue we are witnessing a complete overhaul of housing dynamics. Instead, we see a more gradual trend with wealth dynamics becoming increasingly important. More precisely, these wealth dynamics do not *replace* but rather *augment* debt dynamics, with the latter remaining crucial in contemporary housing markets. Indeed, one could argue that the shift to wealth-based dynamics is caused by the debt-driven financialisation of housing and that debt-based and wealth-based dynamics add to each other. Wealth dynamics take the form of the increased investment of non-mortgage capital, i.e., private wealth and assets. However, even if these trends are playing out gradually and are cumulative, we do argue they amount to a major transformation in the political economy of housing.

Wealth inequality

An important backdrop to this transformation is the increase in wealth inequality, as documented by Thomas Piketty (2014). Piketty famously argued that the rates of return on capital are outstripping those on labour—summarised in the formula $R > G$—resulting in growing stocks of capital concentrating in the upper echelons of society, which consolidates economic, political and cultural power. Scholars have subsequently argued that housing plays a central role in this dynamic of increasing wealth inequality (Arundel, 2017; Smith et al., 2022) and is 'an engine of inequality' (Fikse & Aalbers, 2021, p. 13). The distribution of housing wealth is highly unequal, even if not as extreme when compared to other assets (Appleyard & Rowlingson, 2010, Arundel & Ronald, 2021). The housing market represents *the* site for wealth accumulation for most upper-middle and high-income households. While middle and lower-middle income groups may also be able to buy property, they are more likely to find themselves in precarious ownership in those parts of the stock where accumulation prospects are limited or even absent (see Wind et al., 2017). The accumulation potential in itself does not represent a natural given; instead, 'Piketty's R > G scheme is a political creation rather than an economic law' (Fernandez & Aalbers, 2017, p. 155). In the field of housing, this is clearly evidenced by the continuous political and electoral support for both homeownership and high and increasing house prices (Ansell, 2014).

In terms of housing, this trend implies we are increasingly living in an asset-based, rather than a debt-based, society (Adkins et al., 2020, cf.

Lazzarato, 2012) where one's wealth position determines housing access. That is, the possession of substantial stocks of capital is increasingly a prerequisite to buy into certain housing segments or buy housing *at all*. Assets not only became more vital in a direct sense—to make a down payment or outbid competitors on a tight market—but also in a broader sense: they shape the economic position and security that, in the post-GFC environment, have become more crucial in gaining access to credit. Forrest and Hirayama (2015) have termed this the shift from 'subprime' to 'prime' lending. Here, lending is more skewed towards those households that also mobilise their assets. The possession of wealth, or assets, has thus become an important enabler of subsequent debt dynamics. Or, in other words, assets and wealth are mutually enabling for those who have access and mutually constraining for those who lack it.

When the rate of return on capital outpaces that on labour—i.e., R > G—there is more potential and appetite for property-led regimes of financial accumulation (Fernandez & Aalbers, 2017; Fields, 2018). This appetite is not simply fed by ideologies, the *zeitgeist* or economic laws such as R > G but is also shaped by monetary policies and, in particular, low interest rates. Risk-averse investors can put their money in a savings account or buy government bonds, stocks in blue chip companies or real estate. Due to low interest rates, the first two have been relatively unattractive and have fuelled the demand for low-risk real estate assets (Fernandez & Aalbers, 2016).

Despite the GFC, investment in real estate is still, by and large, considered to be low risk. Prior to the GFC, this appetite for real estate fed the demand for mortgage-backed securities (which, again in a way, was a wealth-based dynamic enabling a debt-based one). However, in recent years, REITs and other real estate funds have replaced or at least complemented mortgages as the darlings of investors: publicly listed REITs hold nearly $4 trillion in assets worldwide (EPRA, 2020), while the market capitalisation of the 15 largest residential REITs has increased almost tenfold between 2008 and 2019 (Aalbers et al., 2023). Large, risk-averse investors such as pension funds have been especially keen to invest indirectly in rental housing (Van Loon & Aalbers, 2017) because the rate of return is unmatched in the current low interest rate environment. Likewise, many (upper) middle-class households have also increased rental housing investment. They generally consider interest rates on savings too low, while stocks and other alternative investments are perceived as too risky (Garboden, 2021; Ronald & Kadi, 2018).

This links back to David Harvey's theory on capital switching (1982), in which over-accumulated capital is not reinvested in the productive economy but rather in real estate, or the built environment—i.e., switched from the primary to the secondary circuit of capital. The investment function of real estate increases when the prospective surge in property values is stronger and (equally) profitable investments elsewhere in the economy dry up. Although there are a range of factors explaining higher property

and rental prices, it is important to note that capital switching—and therefore price increases—have also been activated by new financial arrangements, such as securitisation and REITs, that have facilitated capital switching to the built environment (Gotham, 2006, 2009). In major cities across the world, it is no longer an exception that property prices increase by more than an average worker's salary in a single year (Ryan-Collins & Murray, 2021).

There is thus a self-reinforcing, almost tautological mechanism where assets are increasingly a *necessary prerequisite* in the housing market but where housing is also the *prime means* to acquire these very same assets. Indeed, housing drives wealth, which, in return, drives housing. A string of recent publications has therefore suggested that housing position is not only the outcome of economic inequalities, essentially rooted in labour relations (as Saunders already noted in 1984), but is increasingly constitutive of economic opportunities and class position. Housing equity is increasingly skewed in terms of income, with the top 10% 'securing 39, 45 and 53 per cent of unmortgaged home equity' in, respectively, the United Kingdom, Australia and the United States (Smith et al., 2022: 15). Adkins and colleagues (2020) argue that house price increases increasingly drive inequality and therefore suggest a class scheme based on property ownership, although they do not refer to the idea of 'housing classes' (Rex & Moore, 1967), which was foundational to the interdisciplinary field of housing studies. The central divide in their class scheme is between those who do own housing assets and those who do not, with multiple property owners at the top of their scheme. In a similar vein, Forrest and Hirayama (2018) proposed a class scheme with accumulating real estate families at the top and perpetual renters at the bottom. We argue that the growing importance of housing assets in class formation and demarcation is part of the fundamental shift from debt-driven to wealth-driven housing dynamics.

A note on data and methods

This article investigates the uncoupling of mortgage debt and house prices, gives emblematic examples of the turn towards wealth-driven dynamics and unravels its consequences. We combine a political–economic analysis of structural housing transformations over the past 20–30 years with a microlevel analysis to precisely chart patterns, trends and outcomes.

The presented data are derived from secondary (quantitative) sources. Some of the data are drawn from previous studies by the authors. Other aggregate housing and population data were collected from Statistics Netherlands (CBS) and subsequently analysed. The Dutch land registry agency Kadaster provided detailed (non-public) information on house purchases, specifically the number of BTL purchases. We also draw on their official publications. Data on mortgage debt was collected from the European Mortgage Federation (EMF).

Drawing on data from different sources raises questions of compatibility. Different sources may use somewhat different definitions, operationalisations and classifications. Data may also pertain to different years and time periods. For the purpose of our study, these matters of compatibility are not an issue. Here, we are not so much interested in microlevel associations but rather in meso-level or macrolevel associations regarding patterns and trends. Although our analysis covers a 20- to 30-year period, we pay specific attention to the post-GFC period in which wealth-driven dynamics became more pronounced. For reasons of data availability as well as 'too early to call', our analysis provides little insight into potential effects of the Covid-19 pandemic or of the geopolitical and economic destabilisation emerging from the war in Ukraine.

Results

In this section, we first present a periodisation of development in the Dutch housing and mortgage markets since the 1990s. We describe a period of debt-driven housing dynamics that lasted till 2008; a crisis and adjustment period between 2008 and 2013, when the Dutch debt-led housing bubble inflated; and a period starting in 2013, when wealth-driven dynamics came to supplement debt-driven dynamics. Following this periodisation, we present three key trends that are emblematic of the new reality: the increase in BTL house purchases; the dominance of current owners (insiders) over new and aspiring homeowners (outsiders); and the increasing importance of intergenerational financial support in home buying. Finally, we discuss the emerging fault lines in terms of age, class, tenure and location.

Uncoupling over time

During the 1990s and early 2000s, mortgage lending expanded as part of efforts to enable more people to buy a home. LTI and LTV rates expanded while increasingly risky products, such as interest-only loans, were allowed onto the market. In 1993, just 4% of Dutch mortgages were interest-only, but, by the mid-2000s, this number had increased to almost half of all mortgages (Loomans & Kaika, 2021). On top of that, so-called *combihypotheken* were introduced; these new mortgage products mixed elements of interest-only with adjustable rate and annuity-based mortgages. Such mixed mortgages supposedly catered to a household's specific conditions but were, in practice, another way in which high-risk mortgages were introduced to the Dutch housing market. Average LTV ratios surpassed 100%, meaning that households took out loans larger than the assessed value of their homes, thereby speculating on future house price gains. In addition, during the 1990s, banks began to take into account the second income within a household where previously they had not, thereby further

inflating the mortgage bubble. Controlled for income, in 1999, an average household could borrow 86% more than they could in 1994 (DNB, 2000). This widening of mortgage loan conditions continued in the early 2000s. Even though amortisation did not come to a full stop, it became less important in relative terms as more and more mortgage capital was pumped into the housing market. It is no surprise that levels of mortgage debt spiralled upwards, from 55% of the GDP in 1999 to around 105% in 2009. The Netherlands became the country with the highest mortgage-debt-to-GDP ratio in the world (Figure 1), although it has been surpassed by Sweden in the meantime. The Netherlands developed a housing system that combines a relatively large social rental stock (largely built-up during the post-WWII decades) with a highly financialised owner-occupied market.

Homeownership rates increased steadily, from 45% in 1990 to 53% in 2000 and 57% in 2008. This was not only facilitated through mortgage credit and a sustained period of low interest rates but also through the fiscal subsidisation of homeownership. While the Dutch tax system already boasted a mortgage-interest tax-deductibility scheme, state expenses on it doubled in the 1990s (Ministry of VROM, 2001). This fiscal subsidy further increased demand for homeownership. The explicit prioritisation of homeownership was part of an ideological project promoting homeownership as superior to renting (Van Gent, 2010). Increasing mortgage debt and fiscal subsidisation translated into higher house prices. The debt-fed house price bubble was so significant that the central bank of the Netherlands, De Nederlandsche Bank (DNB), estimated that half of the economic growth in the 1994–1999 period was due to home equity rather than to 'real'

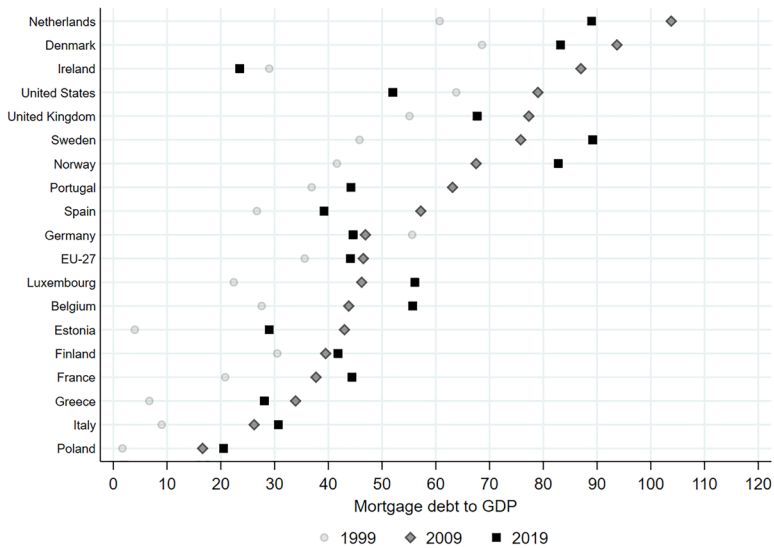

Figure 1. Mortgage debt relative to GDP (as %) in selected countries, sorted by 2009 levels. Source: EMF 2010, 2020.

growth of the economy (DNB, 2000). This set in motion a feedback cycle in which higher prices necessitated households to take out larger loans, which contributed to further price increases. Mean Dutch house prices, corrected for inflation, increased from around 160,000 euros in 1996 to 307,000 euros in 2008 (Figure 2). In this period, the increase in house prices was largely fuelled by debt but also aided by relatively low interest rates that enabled people to take on more mortgage debt.

In the years 2008–2013, the Netherlands witnessed a slowly deflating housing bubble, i.e., a prolonged period of house price decreases. Prices first dropped following the GFC, which may have looked pale in comparison to Southern Europe but represented a deep recession in the Netherlands nevertheless. Subsequently, as the GFC exposed the systemic risks of excessive mortgage lending, the Dutch government took measures to restrict lending practices by enforcing stricter eligibility criteria, discontinuing interest-only mortgages and gradually lowering maximum loan capacity. These measures restricted credit access and further suppressed house prices (Boelhouwer, 2017; Rouwendal & Petrat, 2022), demonstrating how these are shaped by credit supply. Mean house prices dropped by roughly 25% during this period, bottoming out at 233,000 euros in 2013. Around a third of Dutch homeowners were consequently confronted with negative equity, which did not so much lead to foreclosures (in part because employment figures never fell as much and recovered more quickly) but limited and postponed residential mobility

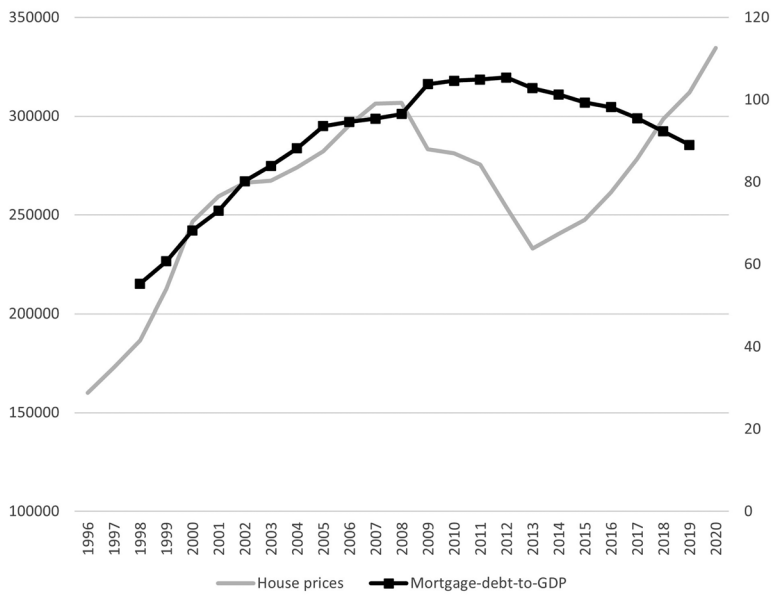

Figure 2. Mortgage-debt-to-GDP in the Netherlands (right y-axis) and mean house prices in euros corrected for inflation (left y-axis). Source: EMF 2010, 2020; Statistics Netherlands 2021d).

(Damhuis & Van Gent, 2022). Contrary to some Anglophone and other countries, homeownership rates did not decrease but rather stabilised around 57% over the 2010–2020 period. Despite restrictive measures, mortgage debt did not decrease but plateaued at around 105% of GDP during this period and only began to drop post-2013 (Figure 2). In this adjustment period, house prices decreased substantially while homeownership rates and mortgage debt stagnated.

After 2013, the housing market picked up again with prices increasing at an unprecedented speed and reaching new heights. They increased from 233,000 euros in 2013 to 370,000 euros in the first half of 2021. Most notably, these rapid price increases came about in a period during which the Dutch government reduced fiscal support for homeownership. Mortgage-interest tax-deductibility was capped and state expenses on the scheme dropped by one-third (also due to decreasing interest rates) from around 14 billion euros in 2011 to 9 billion euros in 2020. The effects of the tax-deductibility cap were cushioned by the historically low interest rates of this period. The government also introduced an LTV cap: whereas LTV ratios of 120% were common before 2009, these were gradually reduced to, first, 105% in 2013 and then eventually to 100% in 2018. Although this was still high internationally speaking, the Netherlands was no longer an outlier in terms of LTV. At the same time, the national government pursued measures fuelling the housing market. It lowered the stamp duty from 6% to 2%, first as a temporary measure in 2011 and then permanently in 2013, allowing house purchasers to spend more capital on housing itself. It also increased the maximum LTI by (gradually) counting the second income more heavily.

The total volume of mortgage debt remained rather stable during this period. It slightly dropped from 730 billion euros in 2013 to 697 billion in 2016, before somewhat increasing again to 716 billion in 2019 (Statistics Netherlands, 2021a). However, mortgage debt per homeowner went down in this period. Likewise, the mortgage-debt-to-GDP ratio decreased from 105% in 2012 to 89% in 2019 (Figure 2). Other countries with relatively high levels of mortgage debt, such as Denmark, Ireland and the United States, saw similar post-GFC decreases, while countries that started off from lower ratios saw an increase in indebtedness (Figure 1). While the GFC was central in exposing the risks of excessive mortgage lending, the subsequent tightening of mortgage lending and the shift to wealth dynamics were more than a cyclical economic response. Both during the GFC bust period (2008–2013) and the boom that followed (2014 onwards), relative mortgage debts declined. The crisis has triggered structural political–economic transformations in which wealth dynamics have become more prominent.

We have thus arrived at a period of uncoupling: house prices have reached new record heights while relative levels of mortgage debt have come down. This uncoupling between mortgage debt and house prices is illustrative of a wider shift from debt-driven to wealth-driven housing

dynamics. This shift certainly does not render debts obsolete, as the figures above clearly demonstrate. Instead, as debt dynamics stagnate, wealth dynamics have become more prominent, building on, or supplementing, the debt-based model. In the next subsection, we illustrate this shift by drawing on three key examples of contemporary wealth-driven housing dynamics.

Wealth-driven dynamics

A first illustration of the new wealth-driven housing market is the sharp increase in BTL house purchases post-GFC. Buyers include a mix of both small players owning just one rental apartment to professional actors owning vast portfolios. Actors also include both private individuals and registered firms. Data from the Dutch land registry bureau Kadaster show that BTL purchases by firms represented some 6% of all house purchases in 2009 (Figure 3). By 2019, this share had increased to 8%. These firms include global corporate landlords such as Blackstone, which has entered the Dutch housing market in recent years by buying up housing blocks in Amsterdam and Rotterdam. Vonovia, the world's largest landlord, has announced more than once it is planning to expand in the Netherlands, while other German-based landlords such as Patrizia and LaSalle have already done so in recent years by buying up thousands of social rental units formerly owned by housing associations (Aalbers et al. 2017; Hochstenbach 2022b). Overall, such large (foreign) corporate landlords remain as of yet relatively small actors in the Netherlands and mostly restrict their activities to the larger cities. They have, however, been making gains in the Netherlands and their financial position allows them to rapidly expand their portfolios (Fernandez et al., 2022).

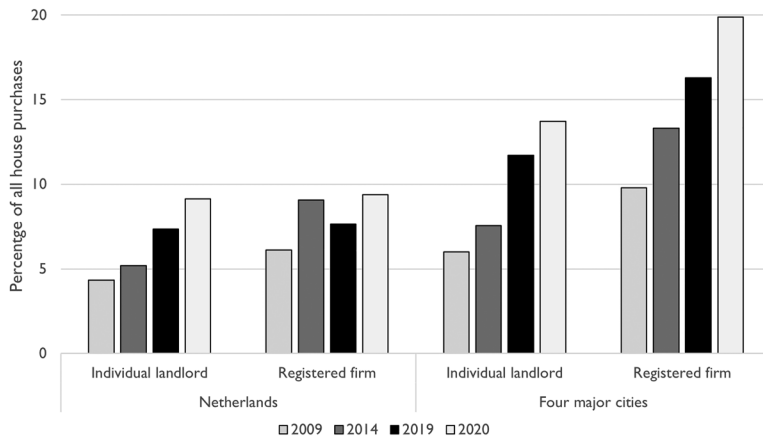

Figure 3. Share of buy-to-let purchases in the Netherlands and the four major cities (Amsterdam, Rotterdam, The Hague and Utrecht) by individuals and firms. Source: Data provided by Kadaster.

The share of BTL purchases from private individuals increased from 4% to over 7% during the 2009–2019 period. Although the vast majority of these landlords own one or two rental units, they are typically highly affluent (Hochstenbach, 2022a). In the four largest cities (Amsterdam, Rotterdam, The Hague and Utrecht), the share of BTL purchases by firms increased from 10% to 16% between 2009 and 2019, while the share of BTL purchases by individuals doubled from 6% to 12%. Taken together, landlords thus accounted for 28% of all house purchases in 2019 in the major cities. BTL shares were even higher in 2020, but this latest increase is not representative of a structural trend. Rather, at the end of 2020, investors rushed to buy to avoid a new stamp duty land tax for investors (but not homeowners) that came into effect on 1 January 2021.

We thus find notable increases in the share of BTL purchases over the 2009–2020 period. By 2019, they made up 15% of all purchases nationally and 28% in the largest cities. It is important to acknowledge that landlords not only buy but also sell property, both amongst each other and to owner–occupiers. Net effects on ownership and rental rates are thus smaller than these figures suggest. All these transactions do, however, contribute to the same dynamic of increasing rent levels as cheaper rental properties are typically offloaded and new tenancies are typically higher rent. Furthermore, the figures above only pertain to BTL. Another dynamic is that of *keep-to-let*, where households move house but keep hold of their property to rent it out. Although data is scarce, the Dutch land registry (Kadaster, 2021) estimates that keep-to-let contributed to the conversion of 62,000 owner-occupied units into private rental units between 2010 and 2020.

As highlighted in the literature section, a key aspect here is the sharp drop in interest rates to around 1–2%. This may sound as good news to prospective homeowners as borrowing becomes relatively cheaper. However, lower interests drive up house prices (Demary, 2010). One key reason is precisely that mortgage lending becomes relatively cheaper, allowing households to take on larger debts at similar costs. This is a debt dynamic. Another key reason is that low interest rates erode yields on other perceived low-risk asset classes, pushing both institutional investors and affluent individuals to shift their capital towards residential real estate, especially rental housing, where yields are the product of both rental income and prospective house price appreciation. This is a wealth dynamic that is reflected by the increasing numbers of BTL purchases by a diverse range of actors.

These financial dynamics interact with the policy-driven liberalisation of the Dutch rental sector. A string of measures has allowed landlords to increase rents and work with short-term leases (Aalbers et al., 2021). At the same time, restricted access to both social rental housing and homeownership ascertain continued residential demand—albeit often out of constraint—for rental housing. This demand, reduced tenant protection

and increased landlord power have fuelled investors' appetite for the private-rental sector (PRS).

The increase in BTL purchases has, along with new construction (build-to-let), driven the overall growth of private renting. After decades of decline, the private rental share increased nationally from 11.7% in 2012 to 13.9% in 2021. This may seem a modest increase, but over 250,000 private rental units were added to the housing stock over this period, with the tenure growing from 850,000 to 1.1 million units. The PRS accounted for almost 44% of housing stock growth nationally. In the major cities, 85% of total housing stock growth over this period took place in the PRS, and PRS accounted for more than 60% of growth in university towns (Hochstenbach, 2022b; Hochstenbach et al., 2021).

BTL purchases have channelled both domestic and international capital towards the Dutch housing market. While the Dutch market for BTL mortgages has boomed in recent years, the vast majority of purchases is unmortgaged. This was the case for 61% of all BTL purchases in 2016 (Van der Harst & De Vries, 2017). Where BTL purchases were mortgage-fuelled, LTV ratios typically remained comparatively low, thus requiring large down payments (Kadaster, 2022). Hence, we see here the injection of household and corporate wealth into the Dutch housing stock, which is used by investors to outbid and outcompete other prospective homebuyers, especially prospective first-time homebuyers.

A second example of wealth-driven dynamics becoming more important is the increasing dominance of current owners over first-time buyers. Data from Kadaster show that the number of purchases by current owners increased from 55,000 in 2009 to 124,000 in 2019. The number of purchases by first-time buyers increased from 58,000 to 69,000. The overall increase in purchases can be attributed primarily to the housing market bust and boom, but what is important here is how the balance has shifted in favour of current owners. As a percentage of *all* house purchases, current owners' share increased from 31% to 41%, while that of first-time buyers went down from 33% to 23%. The total here also includes many other types of buyers such as BTL investors. If we only look at purchases by prospective homeowners, the share of current owners increased from around 50% in 2009 to 64% in 2019. Starters thus lost ground, with their share going down from 50% to 36%. In other words: for many households, homeownership will either be delayed or called off.

First-time buyers are typically much more leveraged than current owners. Due to a lack of assets, they can make smaller down payments and need to take out larger mortgages. Conversely, current owners typically do not only possess more savings but can also draw on accumulated housing wealth to outbid and outcompete starters on the housing market (Neuteboom & Brounen, 2011). Mortgage data for 2021 show average LTV ratios of 92% amongst first-time buyers compared to 86% amongst current owners moving house (Kadaster, 2022). Another aspect here is that, as current owners move house, interest-only mortgages—which were popular

before the GFC but have since been restricted—gradually phase out, reducing total debt. Most extremely, in 2016, 13% of current owners bought a new house without a mortgage at all, compared to only 6% amongst starters (Van der Harst & De Vries, 2017). In total, some 17% of *all* (by investors, current owners and starters) house purchases that year were without a mortgage. In 2008, this figure stood substantially lower at 11%, denoting a trend where wealth-driven purchases supplement debt-driven purchases.

What is more, land registry data shows that LTV ratios decreased for current owners, first-time buyers and BTL investors alike over the 2019–2022 period (Kadaster, 2022). This implies increasing wealth investments—in both absolute and relative terms—during a period of rapid house price increases. This trend underscores that stagnating debt dynamics and burgeoning wealth dynamics were not simply a period effect of an economic and housing bust but appear to be more structural.

The increasing dominance of current owners over first-time buyers represents the rising importance of wealth over debt. Forrest and Hirayama (2015) described this as a shift from highly indebted subprime buyers towards high-income, securely employed and wealthy prime households. Yet, it should be recognised that, in the Dutch context, this latter group still takes on relatively large mortgage loans. While aggregate trends point towards a shift from debt to wealth dynamics, at the individual or household level, we see a stronger cumulative effect: wealth is mobilised in addition to mortgage debt in efforts to trump other prospective buyers.

A third example is the increasing importance of intergenerational financial support as the current generation of young adults increasingly struggles to buy due to employment insecurity, stagnant wages, more stringent mortgage lending and, of course, rising house prices. Estimates differ but, in 2019, up to a third of first-time buyers in the Netherlands received parental financial assistance (Donat, 2019). The number of young adults relying on such assistance increased by more than 30% over a five-year period (Julen, 2020). Especially in hot market areas, such support is increasingly necessary to compete with older and more wealthy owners and BTL investors. Intergenerational support is encouraged by the Dutch government. In 2013, it introduced a measure to allow the tax-free transfer of up to 100,000 euros for house purchases. Initially a temporary measure to boost housing investments in times of crisis, its popularity led to a reintroduction in 2017. Although the measure was primarily aimed at parents financially supporting their children, other support relations were also allowed as long as recipients were aged between 18 and 40. In 2013, the then state secretary of finance, Frans Weekers, said it would allow 'sugar aunties' to support prospective buyers. In popular discourse, the 100,000 euros tax free came to be known as the '100 grand jubilation' (*jubelton*).

Over the 2013–2018 period, parents used the tax-free support option almost 200,000 times to help their children buy a house, pumping a total

amount of 12 billion euros into the housing market. An additional 23,000 transfers worth 1.2 billion euros were transferred from non-parents to young buyers, often family members (our calculations, based on Statistics Netherlands, 2021b). Late 2021, the national government decided to scrap the tax break in an attempt to cool the housing market and reduce inequalities. Moreover, the tax-free measure was just one of the ways in which parents could financially support their children. Parents can also lend money to their children or purchase housing themselves to rent it to their offspring. Aside from its social consequences—which we will explore next—an effect of these forms of intergenerational support has been increasing house prices. In some places, these effects are particularly pronounced. Intergenerational financial support is overrepresented in gentrifying neighbourhoods in high-priced cities (Hochstenbach & Boterman, 2017; Van Gent et al., 2023). Finally, the state also took a string of measures to increase young adults' purchase power. For example, as per 2021, the Dutch government exempts young first-time buyers from the 2% stamp duty. However, instead of improving young adults' housing opportunities, it will simply tempt them to spend more on housing itself. Again, the exemption represents an additional flow of capital into the housing stock.

Dividing lines

While mortgage expansion was central in driving house price increases pre-GFC, wealth investments have since become more central, allowing house prices to rise to new record heights. Wealth dynamics drive an increasing polarisation in homeownership access, particularly along the lines of age and class but also of place. Young and low-income households especially struggle to buy a house as they typically lack the assets that are necessary to compete on the contemporary wealth-driven market. Age and class intersect here. Although overall homeownership rates stagnated, they dropped from 22% to 14% amongst low-income young adults between 2011 and 2018 (Figure 4). Amongst other young adults, ownership rates also dropped but at a much slower rate. Similarly, mid-aged households on a low income saw a decrease in homeownership, while this was not the case for their more affluent peers. Further analysis shows that young adult homeownership decreased across most Dutch municipalities, although the strongest relative decreases were in the largest cities (Hochstenbach & Arundel, 2021). Those young adults who do still buy a first house increasingly have to take out high-risk mortgages, with high LTI ratios and monthly expenses, to compete on the wealth-driven housing market, as the DNB warned late 2021 (DNB, 2021). This underscores that debt dynamics have not simply disappeared from the scene but are rather supplemented by wealth dynamics, and unevenly so.

As the inequality in homeownership attainment increases, so does the inequality between owners and non-owners. Mean housing expenses amongst homeowners decreased from 32.5% of net income in 2012 to

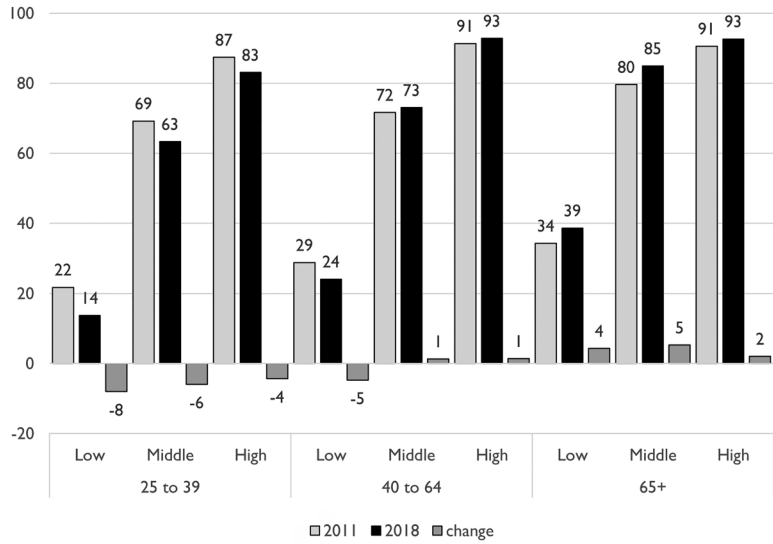

Figure 4. Homeownership rates by age and income group in 2011 and 2018, and percentage-point change. Note: percentage-point change may not add up to 2011 and 2018 rates due to rounding. Source: Data adapted from Hochstenbach & Arundel (2021).[1]

29% in 2018, while they increased from 36.2% to 38.1% amongst tenants (Statistics Netherlands, 2019). In 2018, 14% of Dutch tenants faced problematically high housing cost burdens, compared to only 7% in 2009 and 5% in 2002 (PBL, 2020). Decreasing burdens amongst homeowners were driven by the extremely low interest rates, a key feature of the current wealth dynamics. The increase amongst tenants has been enabled by housing policies promoting PRS liberalisation, which were followed by rent increases, in particular for new lettings. Another effect is that the share of young adults in their 20s living in their parental home has increased from 30% in 2000, to 32% in 2010 and 38% in 2020 (Statistics Netherlands, 2021c). In the PRS, young adults on average spent almost half of their monthly income on rent in 2018, and are increasingly confronted with temporary rental arrangements ever since short-term leases were introduced on a large scale in 2016 (Huisman, 2020).

Apart from divergent trends in housing cost burdens, a stark and widening wealth gap between owners and tenants exists. In 2020, homeowners, constituting 58% of all households, collectively possessed 95% of total household net wealth (including both housing and other wealth). The 42% renter households had to make do with the remaining 5%. In 2008, 91% of total wealth was in the hands of owners compared to 9% in those of tenants, underscoring that wealth disparities have increased over time (Hochstenbach, 2022b).

The distribution of housing wealth is highly unequal. In 2020, 40% of net housing wealth (housing value minus mortgage debt) was in the hands of the 10% richest Dutch households (slightly higher than in the

United Kingdom [Smith et al., 2022]) and a total of 84% of net housing wealth was owned by the top 30%. At the same time, the bottom half of the distribution—including both tenants and marginal owners—did not possess any housing wealth (Statistics Netherlands, 2021a, calculations in Hochstenbach, 2022b). While it is certainly true that other assets are even more unequally distributed (Smith, 2008), these figures underscore that housing mostly facilitates wealth accumulation amongst upper and upper-middle income households, entrenching patterns of inequality.

These figures accentuate stark inequalities between owners and tenants. Of course, these patterns obscure significant diversity within either group. There are both marginal owners and affluent tenants. Homeowners' wealth accumulation potential is based on the timing, conditions and location of purchase. Furthermore, recent years have seen the rapid expansion of up-market rentals in urban centres aimed at an affluent clientele that does not (yet) seek to buy. The promise of mortgaged homeownership was that it would enable ever larger segments of the population to buy. After a period of rapid homeownership expansion, it has stopped to deliver. Ownership rates have stagnated, while tenure-based inequalities are on the rise. Indeed, the investment of mortgage credit and private wealth has inflated house prices, making insiders increasingly wealthy while excluding outsiders (Arundel & Ronald, 2021).

Wealth dynamics have also driven an increase in spatial inequalities. This is no coincidence. Both private and corporate wealth is channelled particularly into the hottest markets. As we have shown, BTL purchases are strongly overrepresented in major cities as well as university towns. Within these cities, BTL is most pronounced in popular central areas. Intergenerational financial support is similarly geared towards gentrifying urban locations, not in the least because these are often the locations where the young recipients of support desire to live. High pressures on urban housing markets further encourage overbidding, demanding prospective buyers to bring in larger sums of capital. This can be conceptualised as the closing of urban rent gaps, some of which recently opened due to the financialisation and liberalisation of rental housing (Aalbers, 2019; Teresa, 2019).

Current wealth dynamics thus contribute to uneven development, amplifying divides between popular urban housing markets and areas that are lagging behind. While the 2013–2020 period saw strong house price increases across the Netherlands, they particularly exploded in urban areas. National-level (inflation-corrected) house prices increased by 44% between 2013 and 2020, from 233,000 euros to 334,000 euros (see Figure 2). However, in Amsterdam, mean sale prices increased by 82% from 280,000 euros in 2013 to 511,000 euros in 2020. In the other large cities, Rotterdam, The Hague and Utrecht, sale prices increased by 62%, 51% and 60% respectively. Within these cities, house prices have increased at an even faster rate in central neighbourhoods. These spatially uneven developments have led to increasing spatial housing market polarisation at various spatial

scales (Hochstenbach & Arundel, 2020). Levels of polarisation between burgeoning cities and struggling peripheries, as well as the neighbourhood-level spatial inequalities within Dutch cities, have recently increased. The spatially selective investment of capital thus contributes to a multi-scalar increase in inequalities.

The political limits to wealth-based housing dynamics

During 2021 and 2022, the Dutch government introduced a string of measures that influenced wealth dynamics. These measures need to be viewed against a backdrop of increasing public protests against the escalating housing crisis. For one, the Dutch government decided to scrap the *jubelton*—the 100,000 euro tax-free intergenerational transfer—by 2024 as the instrument was increasingly criticised for driving up house prices and reproducing class privilege.

Furthermore, as more and more households struggle to find an affordable place to live, national and local politics have taken some measures in recent years to limit BTL purchases. In 2021, the Dutch government cancelled stamp duty for first-time buyers while raising it from 2% to 8% and, eventually, even 10.4% for BTL investors. It also introduced a new law allowing local governments to ban BTL altogether from designated neighbourhoods or even the entire municipality. In early 2022, the municipalities of major cities, including Amsterdam and Rotterdam, have enacted this law to ban BTL purchases from a sizeable chunk of their housing stock. For example, the municipality of Amsterdam has banned investors to buy up real estate with an assessed value below 512,000 euros, rendering roughly 60% of the city's housing stock off limits. Finally, national government has decided to regulate rents also for middle-income units, starting in 2024, limiting rental revenues for landlords. These measures need to be considered in light of the homeownership ideal drifting out of reach for growing segments of the middle class.

These measures may somewhat dampen wealth dynamics as they seek to reduce BTL purchases and abolish tax breaks for intergenerational wealth transfers while encouraging highly leveraged starter households. Geopolitical and economic uncertainty following the Ukraine war may further shock housing markets, e.g., due to record inflation levels and hiking interest rates. As of late 2022, house prices have begun to decrease in the Netherlands. We do, however, not expect a fundamental break with the shift towards wealth dynamics described in this section. Key ingredients, including stark wealth inequalities, generational and class divides and housing's function as an asset class, have not been challenged.

Conclusion

The mortgage market has been—and in many countries continues to be—mobilised to promote the political and ideological project of

homeownership. However, mortgage debt has not simply been used to enable homeownership, it has also been mobilised to 'create' wealth for some property owners as well as the financial sector. In that sense, debt has had a double meaning of leveraging households and simultaneously fuelling the economy at large. In many countries, mortgage debt has been responsible for the continued rise of housing prices in the 1990s and early 2000s, but this could not go on forever. The limits to mortgage growth became visible during the GFC: higher LTVs and LTIs to an ever-expanding group of households also meant bringing in more risk. Governments in countries such as the Netherlands—a former champion of mortgage debt—subsequently intervened to limit the growth of mortgage debt.

Yet, during the years of debt-driven housing dynamics, many homeowners were able to expand their equity and—besides the obvious advantages of having more wealth—this became even more important when the debt-driven model was running out of steam in the aftermath of the GFC. Equity came to supplement debt as wealthy households were able to, first, buy up additional properties that were subsequently rented out and, second, support family members in getting access to homeownership. However, private assets did not simply replace debt. New wealth-driven dynamics unfold on top of previous debt-driven ones. Access to homeownership is increasingly becoming a product of *the cumulative effects of debt and wealth*.

We have provided three examples to illustrate the trend from debt-driven to more wealth-driven housing dynamics: the growth in BTL purchases, the increasing dominance of current owners mobilising accumulated wealth over typically highly leveraged starters and the increasing importance of intergenerational support. Obviously, these are by no means new phenomena, nor have they taken over the entire housing market in recent years. The trends we described here illustrate that wealth is becoming more important in driving housing dynamics but not necessarily at the expense of debt. Households and investors alike typically use both equity (wealth) and loans (debt) to buy houses, but this allows them to outcompete households who primarily rely on debt. In other words: debt continues to be crucial, but it is wealth that is king. Therefore, even if the shifts we describe are not absolute, they amount to a major transformation in the contemporary political economy of housing. Furthermore, we have established a relative uncoupling between mortgage debts and house prices at the *macrolevel*. At the *microlevel*, however, despite lower LTI and LTV levels, in absolute terms households may need to take on increasingly large and problematic debts in combination with wealth investments to be able to match house price increases (Bezemer & Schoenmaker, 2021). Studies from other, mostly Anglophone countries, which we have cited above, suggest that these trends are not unique to the Netherlands and play out in other countries as well, although the drivers and effects are more variegated than universal or exclusive.

This means that old fault lines that run through the housing market are becoming more visible. For the Netherlands, we can distinguish between six wealth-based dynamics and, although several of these dynamics have been exposed in other countries, it remains an empirical challenge to see to what extent these can be witnessed in other countries as well: (1) first buyers are becoming even more leveraged than current owners; (2) low-income homeownership rates are dropping; (3) young households, especially those who cannot rely on intergenerational support, are both less likely to become homeowners and more likely to live in the parental home; (4) young households are increasingly dependent on intergenerational financial support to eventually become homeowners; (5) housing assets are even more unequally distributed across space than under debt-based dynamics; and (6) house price developments have become even more detached from income and ever more related to global liquidity, thereby increasing systemic risks. We here see the workings of a self-reinforcing mechanism where assets are increasingly a *necessary prerequisite* on the housing market, but where housing is also the *prime means* to acquire these very same assets—a Catch-22 situation if you do not own either.

Are we witnessing the end of the financialisation of housing? Not exactly. Although the financialisation of homeowners through mortgage debt is stabilising and even decreasing slightly on the macrolevel, new homeowners—in particular when they are young and have low/moderate incomes—continue to be heavily indebted and even see rising LTI rates, suggesting that financialisation through household debt is here to stay. At the same time, we see the financialisation of rental housing. Prospective owners dropping out of the homeownership market are being replaced by the PRS, and a significant and increasing part of that sector is being financialised as well. Both affluent households and (global) corporate players have turned to rental property as part of their investment strategies. Financialisation through mortgage markets and household debt is being supplemented by the financialisation of rental housing. Or, in other words, house price Keynesianism (Watson, 2010) is supplemented by house price rentierism.

As argued, we consider the Netherlands a critical case to understand the limits of the debt-driven model of financialisation. Our findings are, then, most likely partially applicable to other highly financialised housing systems where the limits of the debt-driven model are being tested. We expect other countries where levels of mortgage indebtedness are plateauing to see similar shifts to wealth-driven dynamics. Consider the Australian case, where private investments and rentierism feed off, and contribute to, asset-price inflation and increasing housing wealth inequality (Adkins et al., 2020; Ryan-Collins & Murray, 2021; Smith et al., 2022). Our analysis helps understanding the emergence of new types of investors, actors and house purchases, conceptualising these not as a radical break from previous debt-driven models but rather as a logical next step, building on, and thereby extending, the previous debt-driven model.

The GFC has not diminished the investment value and potential of the housing market. To the contrary, in a time of stagnating economic growth and low interest rates, the risk-weighted rate of return on housing investment is unmatched, which has increased the appetite for real estate of households with savings and professional investors alike. In addition, the re-regulation of rental markets has typically favoured landlords while undermining tenant protection. At the same time, while BTL investors outbid first-time buyers, they also create their own demand: households priced out of homeownership by equity-rich current homeowners and landlords often have no other option than to rent from these same landlords, which, in turn, further increases the investment potential of housing, especially in areas with high house and rental prices. More than debt-driven dynamics, wealth-driven dynamics are self-reinforcing.

The rise of the BTL and PRS alongside the importance of (multigenerational) housing equity at the expense of homeownership and the importance of mortgage debt represents a break in housing trends. However, to some extent, the 'new normal' is not unlike the period prior to the rise of homeownership and mortgage markets. Contrary to many national discourses that emphasise the historical embeddedness of some sort of 'homebred' homeownership ideal, majority homeownership, and certainly homeownership for the masses, is a relatively recent phenomenon in most countries. The PRS used to be the dominant form of tenure since the industrial revolution, especially in cities, and homeownership used to be something of the upper and, in some countries, upper-middle classes, enabled by equity, especially as a result of intergenerational transfers. The shift from debt-driven to wealth-driven housing dynamics implies that the pendulum has started to swing back and that we have now entered another era of house price rentierism.

Note

1. Analyses are at the household level, taking the age of the household main earner. Gross household income is used. The 40% poorest households in the Netherlands are classified as low income, while the 20% richest households are classified as high income.

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