

Belgium

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IN A NUTSHELL

- Real GDP up 6.2%.
- Inflation of 6.6% at the end of 2021.
- Employment rate of 70.3%.
- Median prices up 8.3% for terraced or semi-detached houses and 7% for detached houses.
- Nearly 270,000 mortgages approved in 2021 (excluding refinancing), with a total value of almost EUR 41.5 bn.

MACROECONOMIC OVERVIEW

Despite the alternating periods of tighter and more relaxed measures associated with the pandemic (such as furlough, support measures for companies and the local industry, to name a few), real GDP increased by 6.2%, one of the largest rises since the Second World War. This increase, which meant that Belgium's growth rate was 0.9% higher than the average for the euro zone (5.3%), may be linked in particular to the public support provided to households and businesses during the health crisis.

Domestic demand was the main driver of the recovery, rising by 6.5%. Personal consumption, which is regarded as the first component to recover rose by 6.3%, after falling by 8.2% in 2020. Following the climb in energy prices, inflation reached 6.6% at the end of the year compared with 0.4% in 2020 and 3.2% in 2021.

In addition, the employment rate among people aged 20 to 64 almost recovered to its pre-crisis level, reaching 70.3%.

HOUSING MARKET

The pandemic crisis and the abolition of the "housing bonus" (a regional tax reduction on mortgages to buy, renovate or build a dwelling, in the Flemish region from 1 January 2020), reduced activity in the housing market in 2020. The first three quarters of 2021 were therefore marked by an uptick in the number of transactions of 36.2% compared to the same period of the previous year. In total, the first three quarters of 2021 saw an increase of 9.2% compared to the first three quarters of 2019.

In addition, falling mortgage interest rates, low rates of return on saving accounts and other financial products, which encouraged consumers and investors to invest in real estate, and the rising cost of building materials pushed up house prices. According to the National Bank of Belgium, there was an expansion of the housing stock in 2021, which suggests that the soaring house prices were due to demand-related factors.

The median price for a terrace house or semi-detached house is EUR 235,000 and EUR 337,000 for a detached house. The Brussels-Capital Region is the most expensive, where terraced and semi-detached houses cost on average EUR 455,000. The average price of detached houses is EUR 1.15 mn. The Walloon region is the least expensive with a median price of EUR 165,000 for terraced and semi-detached houses and EUR 273,000 for detached houses. Finally, prices in the Flemish Region fall between these two extremes: terraced and semi-detached houses cost EUR 265,000, detached houses EUR 370,000. Compared to 2020, median prices of closed (or terraced) and semi-closed (or semi-detached) houses have increased by 8.3%, open houses by 7%. (Statbel).

The result was a deterioration in housing affordability.

MORTGAGE MARKET

According to figures from the federation of the Belgian financial sector (Febelfin), mortgage approvals showed a complete recovery from the pandemic, almost equalling the level of the record year 2019.

The number of mortgage applications (excluding those for refinancing) rose by 11.5% compared to 2020, and was barely 0.5% below the record level of 2019. The value of mortgage applications was 19% higher than in 2020, but also higher than in 2019: 410,000 applications were submitted amounting to a total value of more than EUR 71 bn.

In total, nearly 270,000 mortgages were approved in 2021 (excluding refinancing), with a total value of almost EUR 41.5 bn. The number of mortgage approvals thus rose more than 15% compared with 2020, but was nearly 13% lower than the record year 2019. The combined value of these mortgages was 24% higher than in 2020 and barely 0.7% lower than 2019.

Compared to 2020, the increase in the number of mortgages approved occurred across all categories. The most significant increases were for construction loans (+34.5%), home purchase loans (+14%) and home renovation loans (+12.5%). The number of home conversion loans (+1.4%) and mortgages for other purposes (+11%) showed less marked increases.

Comparison with the record year 2019 reveals a more nuanced picture, with a fall in the number of mortgage approvals across all categories. The downturn was around 16.5% for home purchase loans and around 12% for construction loans. For home renovation loans and home conversion loans, the contraction was around 8%.

Compared to 2020, there was also a strong rise in total loan value, to almost the same level as the record year 2019. Compared to 2020, this increase was 44% for construction loans and 19% for home purchase loans. There was an increase of

+7% for home conversion loans and +37% for renovation loans.

In 2021, the number of external refinancing operations (+13%) again rose compared to 2020. Almost 42,500 external refinancing operations were recorded, with a total value of more than EUR 5.5 bn.

In 2021, more than 9 out of 10 borrowers opted for a fixed interest rate or a variable interest rate with an initial 10-year fixed rate.

Following the stricter prudential rules set by the National Bank of Belgium since the end of 2019, an overall improvement in the quality of mortgages is observable: just 9% of new loans for the borrower's own home (excluding first-time buyers) had an LTV ratio of more than 90%, compared to 33% in 2018.

	BELGIUM 2020	BELGIUM 2021	EU 27 2021
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	-5.7	6.2	5.4
Unemployment Rate (LSF), annual average (%) (1)	5.6	6.3	7.0
HICP inflation (%) (1)	0.4	3.2	3.0
HOUSING MARKET			
Owner occupation rate (%) (1)	71.1	71.3	70.0
Gross Fixed Investment in Housing (annual change)(1)	-7.2	8.5	6.6
Building Permits (2015=100) (2)	119.7	125.1	134.0
House Price Index – country (2015=100) (2)	121.1	131.5	145.2*
House Price Index – capital (2015=100) (2)	121.9	126.4	146.1*
Nominal house price growth (%) (2)	1.4	8.6	10.3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	275,378	291,948	6,508,621
Outstanding Residential Loans per capita over 18 (EUR) (2)	29,925	31,618	17,782
Outstanding Residential Loans to disposable income ratio (%) (2)	97.9	100.3	62.8*
Gross residential lending, annual growth (%) (2)	-17.6	26.1	12.2
Typical mortgage rate, annual average (%) (2)	1.6	1.5	2.0

* Please note that this value is the simple average of the available values in 2021.

Sources:

(1) Eurostat

(2) European Mortgage Federation - Hypostat 2022, Statistical Tables.

BELGIUM FACT TABLE

Which entities can issue mortgage loans in your country?

Banks, insurance companies and other types of lenders that have been authorised (licence) or registered by the supervising authority FSMA to grant mortgage credit according to the Belgian law on mortgage credit.

What is the market share of new mortgage issuances between these entities?

Based on the membership of our Association (UPC), representing ca 90% of the total Belgian market, the following market shares can be approximately given in amount:

- Banks: ca 96.2%
- Insurance companies: 1.0%
- Other types of lenders: 2.8%

N.B.: These figures do not take into account the social credit lenders. However, their market share is rather low.

Which entities hold what proportion of outstanding mortgage loans in your country?

The list of mortgage credit lenders and the end-of-year outstanding amount of mortgage loans was published until 2013 on an annual basis by the supervising authority FSMA. This publication has been stopped since then. On the basis of our membership, the following market shares can be approximately given in amount:

- Banks: ca 94.9%
- Insurance companies: 1.3%
- Other types of lenders: 3.8%

What is the typical LTV ratio on residential mortgage loans in your country?

According to the Financial Stability Review issued by the National Bank of Belgium (NBB), the average loan-to-value ratio was about 80% in the period 1996-2006. It dropped to about 65% (and even below that) in the years 2007-2014. However, this average loan-to-value ratio has to be interpreted with caution, as the data are the result of a very wide distribution of loan-to-value ratios at origination. For the first half of 2020 vintage, about 53% of the volume of new mortgage loans was made up of loans with an LTV ratio above 80%. As a consequence of recommendations imposed by the NBB, the share of new mortgage loans with an LTV ratio above 80% has decreased to about 40% in the first half of 2021.

How is the distinction made between loans for residential and non-residential purposes in your country?

Residential purposes means that it is for private housing (consumers).

The Belgian mortgage credit law applies to mortgage credit as funding for acquiring or safeguarding immovable real rights granted to a natural person chiefly acting for a purpose deemed to lie mainly outside the scope of his commercial, professional or crafting activities and having his normal place of residence in Belgium, at the moment when the agreement is being signed:

- either by a lender having his principal place of business or chief residence in Belgium
- or by a lender having his principal place of business or chief residence outside Belgium, provided a special offer or publicity had been made in Belgium before the agreement was signed and the actions needed for signing the agreement have been undertaken by the borrower in Belgium.

What is/are the most common mortgage product(s) in your country?

The most common mortgage credit product is a loan with a term of 20 - 25 years, a fixed interest rate throughout the full loan term and a fixed amount of monthly instalments.

What is the typical/ average maturity for a mortgage in your country?

The median maturity of a mortgage loan at origination is about at 20 years. Since 2007, lenders have continued to tighten customers' access to mortgage loans with long maturities. The percentage of loans granted with a maturity of more than 25 years has plummeted from 23% in 2007 production volumes to only 2% in 2015 and 2016. At the same time, the share of loans with a maturity between 20 and 25 years in mortgage loan vintages remained relatively stable until 2016 while the share of loans with a maturity between 15 and 20 years clearly increased. These trends seem to have influenced the average maturity level of total outstanding stock as from 2013; by the end of 2015, 11% was associated with initial maturities above 25 years, down from 20% in 2012. Whereas in 2016 only 29.0 % of mortgage loans was granted with a maturity of over 20 years, this number rose to almost 40% in 2019. Since then, the market share of new mortgage loans with a maturity of over 20 years remained almost stable at about 40%. However, the number of new mortgage loans with a maturity of over 25 years further decreased.

What is/are the most common ways to fund mortgage lending in your country?

Most funding still comes from deposits. A few major lenders issue covered bonds.

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

The registration duty in **Flanders** changed at the start of 2021. It increased to 12% (coming from 10%) of the purchase price of a dwelling that is not the own and only home as the main residence. For the own and only home as the main residence, this duty is lowered to 3% (coming from 6%) of the purchase price. It only amounts to 1% in case of a deep energetic renovation in the first 5 years after the purchase. Application of an additional reduction of EUR 2,800 in case the purchase price does not exceed EUR 220,000 (EUR 240,000 in the main cities and some cities around Brussels). Moreover, the principle of "portability of registration duties" exists in Flanders: upon the purchase of a new housing property intended to replace the previous principal residence, registration duties up to EUR 12,500 may be "transferred", meaning these duties will not have to be paid a second time. This "portability of registration duties", that applied in Flanders until 2022, is reformed: until 01.01.2024, consumers can choose to apply the new lowered registration duty or still to pay the former (higher) level of registration duty in combination with the portability of registration duties. From 01.01.2024 on, the portability of registration duties will no longer exist.

In **Wallonia**, the registration duty amounts to 12.5% of the purchase price. However, in case of a main residence, the first EUR 20,000 of the purchase price is exempt from registration tax.

In 2022, the registration tax amounts to only 6% on the first slice of EUR 174,000 in case of small properties in some cities and on the first slice of EUR 163,125 in more rural areas. The tax on that slices is even lowered to 5% in case of social mortgage credit.

In the **Brussels region**, the normal registration duty amounts to 12.5% of the purchase price. However, buyers can benefit from an "abattement" (= exemption on which the buyer is not required to pay registration duties) on the first slice of EUR 175,000. This exemption is only applicable to properties of under EUR 500,000 and provided that it concerns the buyer's own and only home as his main residence.

There is also a registration duty on the amount of the mortgage loan covered by a mortgage registration.

What is the level (if any) of government subsidies for house purchases in your country?

Across the regions (Flanders, Wallonia and Brussels) the schemes differ, with each region pursuing its own policy:

Flanders no longer provides a tax reduction. The "housing bonus" system, which allowed the owner of a single house to obtain deductions (40% tax relief) for construction/ purchase/ renovation up to the total amount of EUR 1,520 (and even EUR 2,280 during the first 10 years of the mortgage) has been replaced since 01.01.2020 by a reduction of the registration duty.

In Wallonia, a new system, the so-called "Chèque habitat", applies from 2016 on. More information is available on: http://lamps.wallonie.be/dgo4/site_logement/index.php/aides/aide?aide=chequehabitat

The **Brussels region** also no longer provides a tax reduction. It was replaced by a higher tax relief on registration duties (first slice of EUR 175,000) to buyers purchasing their own and only home as their main residence.

The **federal state** still provides a tax reduction if one buys a second house: a deduction of up to EUR 1,520 (tax relief of 40%) is still possible.