

Belgium

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IN A NUTSHELL

- Average inflation rate: 9.6% (End 22: 10.3%)
- Slowdown in credit demand from Q4 2022
- More than 250,000 new mortgages originated (excluding refinancing) for EUR 42.8 bn

MACROECONOMIC OVERVIEW

With the political conflict in the Ukraine and the rapid growth of energy prices, inflation in Belgium reached 10.3%, the highest since 1970. GDP growth was 3.1% half that of 2021.

The unemployment rate continued to fall until the end of 2022, when an increase in short-term unemployment took place. The use of temporary employment also decreased throughout the year.

The high inflation has been mitigated by a principle that is unique in Europe, through an automatic indexation of salaries if the rate of inflation exceeds the pivot index (fixed at 2%). This has a significant impact on companies' wage costs.

High inflation, rising consumer prices and rising interest rates in Q4 2022, have reduced the number of credit applications with interest rates rapidly doubling, impacting consumer borrowing capacity.

The energy crisis has raised awareness and motivated consumers to invest in their homes to make them more energy efficient and reduce their energy bills. Property investments increased by 2.1%.

HOUSING MARKET

House prices declined by 2%, according to the Federation of Notaries. Real estate activity was 7.1% lower in the second half of the year than in the first half.

The real estate market in the Flemish region is more constrained than in the other two regions for properties with a bad EPB certificate, worse than EPB D Label (with a consumption of less than 400 kWh/M²/year). New buyers of these properties must get at least an EPB D label within 5 years. This constraint does not yet apply to the Walloon and Brussels region.

The rise in interest rates in the last quarter of 2022 has also had an impact on the property market, with the ability to repay and borrow reduced.

According to the Federation of Notaries, the average price of a house rose by 8.2% (to EUR 348,064) in Flanders, by 6.9% in Brussels (EUR 576,576) and by 5.7% in Wallonia (EUR 235,615). Adjusting for inflation, there was a decrease in all 3 regions: -4.3% in Wallonia, -3.1% in Brussels and -1.8% in Flanders.

The average price of a flat was EUR 260,300 (+3.6% compared to 2021), adjusted for inflation, this represents a price decrease of 6.4%, or EUR 16,000.

The importance of EPB labels has been confirmed in 2022 and has an impact on real estate transactions. Properties with a label worse than D, with a consumption if more than 400 kWh/M²/year, are less attractive in contrast to 2021.

MORTGAGE MARKET

According to the figures of the Belgian federation of the financial sector (Febelfin), almost 255,000 new loans were made (excluding external refinancing) for an amount of EUR 42.8 bn. This was a decrease, in number, of 5.1% but an increase, in amount, of 3.1% compared to 2021.

The number of credits for "purchase" and "purchase + transformation" increased by 3.6% and 6.9% respectively. The "construction" purpose decreased by 7.5%. This decline can be explained by the rise in prices for construction materials.

There were 353,127 mortgage loan applications for an amount of EUR 63.5 bn (excluding refinancings), a decrease of 13.9% in number and 10.8% in value compared to 2021. This decrease was accentuated during the last quarter with a drop of almost 25% due to rising interest rates and inflation.

The average amount of a construction loan stabilised at around EUR 214,000 in the fourth quarter, an increase of around EUR 45,000 (+26.8%) since the beginning of 2019 and the pre-pandemic level.

The average amount of a home purchase loan fell slightly in the fourth quarter of 2022, to around EUR 194,000. Again, this represents an increase of EUR 34,000 (+21.5 %) compared with the start of 2019, so in less than four years.

The average size of a renovation loans rose most, from EUR 54,500 at the start of 2019 to almost EUR 70,500 (+29%) at the end of 2022. An increase of some EUR 16,000 in less than 4 years.

In the fourth quarter of 2022, the cost of buying a home, including renovation, fell relatively significantly to around EUR 191,000.

External refinancing in 2022 fell considerably by 43.2% in number and 41.9% in amount, another effect of the rise in interest rates.

In 2022, nearly 86% of borrowers opted for a fixed interest rate and nearly 6% for a variable interest rate with an initial 10-year fixed rate.

With the energy crisis in 2022, the importance of the energy performance of the assets as guarantees for the credit portfolios of banks is more than ever in the focus of attention and is an important element in the decision to grant mortgage loans.

	BELGIUM 2021	BELGIUM 2022	EU 27 2022
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	6.3	3.2	3.5
Unemployment Rate (LSF), annual average (%) (1)	6.3	5.6	6.2
HICP inflation (%) (1)	3.2	10.3	9.2
HOUSING MARKET			
Owner occupation rate (%) (1)	71.3	72.5	69.1
Gross Fixed Investment in Housing (annual change)(1)	8.5	0.6	1.5
Building Permits (2015=100) (2)	124.8	111.7	125.8
House Price Index – country (2015=100) (2)	131.5	142.7	164.6*
House Price Index – capital (2015=100) (2)	126.4	n/a	163.8*
Nominal house price growth (%) (2)	8.6	8.5	10.6*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	291,948	308,579	6,743,197
Outstanding Residential Loans per capita over 18 (EUR) (2)	31,618	33,218	18,433
Outstanding Residential Loans to disposable income ratio (%) (2)	100.3	97.4	71.5
Gross residential lending, annual growth (%) (2)	26.1	-13.1	-6.5
Typical mortgage rate, annual average (%) (2)	1.5	2.1	3.1

* Please note that this value is the simple average of the available values in 2022.

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2023, 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 approximatively given in amount:

- Banks: ca 95.7%
- Insurance companies: 0.9%
- Other types of lenders: 3.4%

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 approximatively given in amount:

- Banks: ca 95.9%
- Insurance companies: 1.3%
- Other types of lenders: 2.8%

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 2021. In the first half of 2022, the share of new mortgage loans with an LTV higher than 80% again increased. Average LTV-0 was at 73%, compared to 71% in 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%. In the first half of 2022, market share of new mortgage loans with a maturity of 20 to 25 years increased to about 47%. The part of loans with a maturity of >25 years, however, remained stable.

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 2022. 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 13,000 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 2023, the registration tax amounts to only 6% on the first slice of EUR ± 178,000 in case of small properties in some cities and on the first slice of EUR ± 167,000 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 200,000**. This exemption is only applicable to properties of under **EUR 600,000** and provided that it concerns the buyer's own and only home as his main residence. An additional "abattement" of EUR 25,000 per energy label category is possible if the energy class of the purchased home improves by at least 2 energy label categories in the first 5 years after the purchase.

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://lampspw.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 200,000**) 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.