

Press Release

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Belgium has the second highest number of mortgages per capita, despite challenges in housing affordability

Deloitte Property Index 2024: Belgian real estate market remains robust amid European interest rate challenges

Brussels, September 20, 2024 – Today, Deloitte published the Property Index 2024, an annual report analysing developments in residential real estate markets in 24 countries. The report shows that the real estate market in Europe is facing major challenges, including rising interest rates and inflation, which are putting pressure on both the mortgage market and housing prices. Belgium also faces major challenges, but it is notable that mortgage activity and housing demand have remained relatively high. Moreover, Belgium experienced the greatest increase in new home construction among the countries surveyed. Housing affordability also remains stable, showing that income increases are somewhat keeping pace with rising real estate prices.

Belgium has the second highest number of mortgages per capita

The mortgage market in Belgium remains robust. In 2023, for example, 187,516 mortgages were taken out with a total volume of €30.8 billion. This gives Belgium the second highest per capita mortgage activity [1] of any country surveyed. Although countries such as France and Spain have a higher absolute volume of mortgages, per capita activity is higher in Belgium. Only the Netherlands does better with a mortgage volume of €107.2 billion and 332,482 mortgages, thus our northern neighbours have the highest number of mortgages per inhabitant.

In terms of mortgage rates, Belgium is among the countries with the lowest interest rates in Europe. The average mortgage rate is 3.3%, which is lower than in most European markets. Bulgaria (2.6%) and Spain (3.1%) are the only countries where interest rates are even slightly lower. In comparison, mortgage rates are soaring in Poland at 8.08% and 7.4% in Hungary. This makes it relatively attractive to buy a home in Belgium, which continues to support housing demand.

"Rising interest rates in Europe have had a significant impact on mortgage markets in 2023, making mortgages less affordable for many potential buyers. This is especially true for first-time buyers, who are less likely to purchase a home due to increased costs. Many homeowners are now opting for fixed-rate mortgages to avoid future increases, which is slowing market activity and potentially slowing the rise in real estate prices," said **Cédric Van Meerbeeck, Head of Real Estate Insights & Valuations at Deloitte.**

Belgium has the largest increase in new home construction

According to the Property Index 2024, Belgium experienced the strongest growth in new housing construction per capita of all the European countries in 2023. The number of residential buildings built per 1,000 inhabitants increased by 14.3%, a rate matched only by Bulgaria, which saw a similar growth rate of 14.1%.

This growth contrasts sharply with the situation in other European countries, where construction activity declined significantly. In France, the number of completed homes fell by 22.6%, while Germany and Denmark recorded a decline of 12.5%. The United Kingdom (-11.0%) and Hungary (-10.1%) also saw declines in completed residential buildings.

“Although the growth in Belgium is a positive sign, potential delays in construction activity are expected in the coming months. This is attributed to a decline in approved building permits, declining consumer confidence and tighter financing conditions for developers,” said **Danny Stas, Real Estate Sector Leader at Deloitte.**

New home prices are rising in Belgium while falling in neighboring countries

The substantial increase in new home construction is not resulting in a drop in prices for the time being. Indeed, by 2023, prices for new-build homes in Belgium have risen by an average of 3.4%, bringing the average transaction price to €3,207 per square meter. In major cities such as Brussels and Antwerp, price increases are even more pronounced, with a 10% increase. Thus, average purchase prices in Brussels and Antwerp are around €4,300 per square meter, and almost €3,800 per square meter in Ghent.

This price increase in Belgium is in line with the broader European trend, where increases were observed in 15 of the 24 countries surveyed. What is striking is that in neighboring countries, prices have not increased or have even decreased. For example, prices in the Netherlands rose by only 0.9% to an average price at €4,266 per square meter. In France, the average transaction price was €4,538 per square meter, down 2.2% from the previous year. Germany recorded an average price of €4,700 per square meter, also down 2.1%.

Housing affordability in Belgium remains stable

In Belgium, a household must set aside an average of 7.9 times their gross annual salary to purchase a new 70-square-meter home. This places Belgium squarely in the middle of the European rankings, meaning that buying a home in Belgium is reasonably affordable compared to in other countries. In the Netherlands and the Czech Republic, for example, households need to save 15.1 times and 13.3 times of annual salaries respectively to buy a comparable home. Compared to last year, housing affordability in Belgium remains stable. This suggests that income increases are somewhat keeping pace with rising property prices. This is a positive sign for the Belgian market, especially compared to other markets where affordability has deteriorated dramatically.

“Despite this relatively favourable position, housing affordability remains an increasingly pressing issue in Belgium, especially in Brussels, where nearly 40% of the population is at risk of poverty or social exclusion. Moreover, more than 60,000 households are on the waiting list for social and affordable housing. In addition, the imbalance between supply and demand has led to a sharp increase in rents, further worsening the affordability of rental housing. Especially in large cities such as Brussels and Antwerp, rents have risen significantly. In Brussels, rents increased by 8.6%, above the inflation level, with average monthly rents exceeding €1,200 for apartments, around €800 for studios and €1,850 for semi-detached buildings”, concluded **Cédric Van Meerbeek.**

Link to the full report: www.deloitte.com/be/property-index

[1] World Bank Open Data, data.worldbank.org/indicator/SP.POP.TOTL.

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