

Press release

Contact: Isabel Box
Title: Marketing & Communications Manager
Tel: +32 (0)2 302 25 51
Mobile: +32 (0)485 31 79 63
Email: ibox@deloitte.com

Belgium's real estate industry stable but set to deteriorate within the next year

Belgium currently stands strong but a looming recession is cause for concern

Brussels, 29 September 2022 – Deloitte issued the eleventh edition of the Deloitte Property Index analysing and comparing residential property markets in 23 countries in Europe and beyond. Although Belgium is one of the most affordable countries in Europe, a plethora of crises are likely to impact the market.

Overall, the market in Belgium is relatively stable and one of the best performers in terms of home affordability. However, given rising costs and pressure from suppliers, real estate prices are set to increase, making transaction prices higher, which would in turn decrease Belgium's home affordability and push its citizens towards the rental market.

Belgium ranks as number 3 of the most affordable countries in Europe, but a price increase is foreseen in the coming years.

Home affordability, or "affordable housing" as it's more commonly known, is a trending topic. Home affordability can be measured as a multiple of average gross annual salaries against the cost of buying a new 70 sqm apartment.

Belgian citizens who would like to purchase such an apartment would have to put aside 4.5 times their average annual gross salaries. Belgium is thus one of the most affordable housing countries in Europe, only more expensive than Norway and Ireland. The most expensive country for citizens to buy a house in Europe is the Czech Republic where they need to save 13.3 times their average gross annual salary.

Unfortunately, due to increased interest rates and an overall grim economic situation, this home affordability is only projected to deteriorate in the second half of 2022 and in all of 2023. This is pushing more and more households to the rental market, which will likely increase in the coming years.

"The European housing market has been facing some challenges in the last months: In addition to the war in Ukraine, European countries have faced rapid increases in the energy costs, construction materials prices, and labour costs. All that affected the average Transaction prices, which went up for new dwellings in all European countries, with the exception of Spain, Latvia and Slovenia. Especially Hungary has seen a big increase of the transaction prices of new dwellings, with a growth of 21,51% compared to last year. Prices in Belgium have increased by almost 7%, getting to an average of 2,871€/sqm, which remains on the lower side of other neighbouring European countries. The most expensive country is the UK with an average of 4,905€/sqm", says Kris Peetermans MRICS, Head of Real Estate Valuations & Advisory at Deloitte.

Belgian rental market maintains a steady growth

On a European level, Paris has been leading the pack with 29.10 EUR/sqm/month, followed by Oslo (26.6 EUR/sqm/month), London (25.1 EUR/sqm/month) and Amsterdam (22.5 EUR/sqm/month).

In comparison, the rental prices of Belgian cities remain more average.

Brussels is the most expensive city to rent in in Belgium, with a price of 14.1 EUR/sqm, followed by Antwerp (11.93 EUR/sqm) and Ghent (10.03 EUR/sqm). With the increasing construction costs and more strict sustainability requirements, rental prices are projected to rise in the coming years, which might lead to a similar trend as in the transaction sector.

Sustainability (ESG) is at the top of Belgium's mind with a lot of new projects in the pipeline, but the completion rate of these projects is stagnating.

"Sustainability will be a big focus point for the Belgian housing market in the coming years", says Danny Stas, Real Estate Industry Leader at Deloitte. "With the energy prices that are increasing, the looming recession and the efforts that need to be made regarding sustainability, consumers expect their houses to match certain ESG standards, which they aren't at the moment: a major part of Belgium's housing stock can be considered outdated."

Developers are adjusting to this issue by redeveloping and constructing new homes and offices, but supply chain issues along with the rising cost of construction materials is halting the pipeline.

Belgium has nearly one dwelling per two citizens (488,8 dwellings per 1.000 citizens). It is currently busy developing and redeveloping with an additional 5.01 initiated dwellings per 1,000 citizens in the pipeline, which represents an increase of 21.3% since 2020. However, it has completed 12.86% fewer dwellings than the previous year and is one of Europe's worst countries in terms of completed dwellings today.

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