

Belgian housing market to see imminent price correction

Belgian house price growth came to a standstill in the second half of 2022. In 2023, the housing market will cool down further. We expect prices to fall by half a percentage point this year. A new ING survey also shows that energy is becoming increasingly important when purchasing a home. Half of Belgians would no longer buy a home with a poor energy score



House price growth stalled in the second half of last year

The largest network of real estate agents, the ERA, last week published its latest price barometer which revealed that property prices increased by only 0.5% in the second half of last year. The index corrects for changes in the quality and location of homes sold and measures the price evolution of similar homes over time. The cooling is expected to continue in the coming months. Rising mortgage rates, in combination with high inflation and the energy crisis, will further slow down the housing market in 2023, according to our analysis.

Half of Belgians would no longer buy a home with a poor energy label

A new ING survey on a representative panel shows that the energy label is becoming increasingly important when purchasing a home. Half of Belgians indicate that they would no longer buy an energy-intensive home. 36% would still purchase, provided there is enough budget left for an energy renovation. For the remaining 15%, the energy label is not a determining factor.

From 1 January 2023, new owners of energy-guzzling homes (with label E or F) in the northern part of Belgium, Flanders, will be obliged to thoroughly renovate their purchased home to at least energy label D within five years of purchase. In addition, high energy prices and sharply increased costs of energy renovations make energy-efficient homes more attractive. Renovation costs in Belgium have risen sharply due to the higher prices of building materials, but also sharply increased wages of construction workers due to automatic wage indexation.

Energy-efficient homes 18% more expensive, but effect has not increased since the start of the energy crisis

There is a significant price difference between homes based on energy efficiency. According to research by ERA and the University of Antwerp, homes with the best energy label A are 18% more expensive than comparable homes with an average energy label D. However, the effect of a better EPC label on the sales price is in line with previous years and has not increased since the energy crisis.

Affordability sharply deteriorated in 2022, but improvement expected

Since the start of the pandemic, Belgian house prices have risen by 18%. This growth, combined with rising mortgage rates, has seriously affected real estate purchasing power. In 2022 alone, purchasing power decreased by approximately 6% due to the rise in interest rates. This also takes into account automatic wage indexation. Due to higher interest rates and prices, the affordability of real estate has deteriorated considerably in recent years.

We expect affordability to improve again in 2023 thanks to below-inflation house price developments and stabilising mortgage rates. As a result, overvaluations will also decrease. ☒ We expect average inflation to fall from an average of 9.6% last year to 5.8%. If house prices fall by 0.5% according to our forecast, this equates to a drop in real prices of more than 6%. This reduces overvaluation and improves affordability.

Demand for mortgage loans at lowest level since 2013

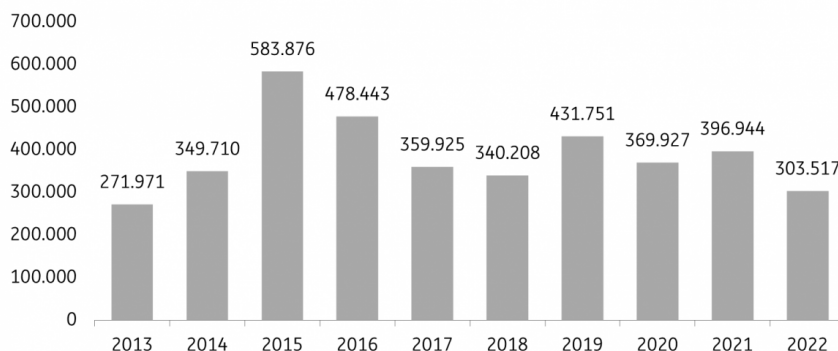
The number of new mortgage loans will fall sharply in 2022. In the first 11 months of the year, the number of new loans was 24% lower than in 2021. It may not be fair to compare this with recent years. 2020 and 2021 were exceptionally strong years due to the real estate boom during the pandemic. 2019 was also a good year due to the abolition of the housing bonus in Flanders. But also compared to 2018, the number of new loans in 2022 was 11% lower. We have to go back to 2013 to find an even weaker year.

The main reason is of course the sharp increase in mortgage interest rates. For example, market

interest rates have risen from 1.4% a year ago to 3.4% at the beginning of 2023 on a 20-year term. However, most of this increase is already behind us. Mortgage rates could still rise at the beginning of the year, but we expect them to stabilise around the current level later this year.

Mortgage production at lowest level since 2013

The number of mortgage loans granted during the first 11 months of each year



Source: NBB

The number of mortgage loans granted during the first 11 months of each year

Outlook for 2023: Slight price correction coming

We expect prices to fall somewhat in the first half of the year but to recover from the summer onwards. For the whole of 2023, we expect house prices to fall mildly by 0.5%. Moreover, the fall will be slightly larger for energy-hungry homes. We expect the price differential based on the EPC score to increase in 2023 for two reasons. On the one hand, higher energy prices and stricter regulations are increasing the popularity of energy-efficient living. On the other hand, it has also become much more expensive to renovate a house.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com