

## Belgian property prices 5.9% higher than last year

Belgian house prices rose 1.3% in the second quarter from the first. We expect the property market to weaken further in the second half of the year, although a severe price correction is very unlikely. We expect house prices to rise 5.5% in 2022 and stagnate in 2023



### Belgian house prices up another 1.3% in the second quarter

House prices increased by 1.3% compared to the first quarter of the year, according to Statbel figures released today. Compared with the same period last year, house prices rose by 5.9%. Price growth for new dwellings (+ 2.6% QoQ) was higher than for existing dwellings (+1.0% QoQ), probably driven by the sharp increase in the prices of building materials and better energy efficiency of new buildings.

### House prices likely to weaken in second half of year

However, we expect house prices to slightly cool in the second half of the year. Rising mortgage rates are reducing the borrowing capacity of potential buyers. For instance, mortgage rates on a 20-year maturity have already doubled this year from 1.4% at the beginning of the year to almost 3%. Moreover, we do not think the peak has been reached yet. Mortgage rates are likely to edge

slightly higher over the coming months.

Moreover, recessionary fears are increasing. ECB rate hikes could slow down the economy, which is already suffering from supply bottlenecks and reduced gas supplies. And the ongoing uncertainty related to the war may cause homebuyers to postpone their purchase decisions. Belgian consumer confidence fell significantly in September, to its lowest level since 1985. Households are increasingly worried about high inflation and energy prices which will slow house price growth.

## **But the chances of a sharp price correction are very small**

On the other hand, a severe price correction in the Belgian property market is very unlikely. Belgian house prices have risen less sharply during the pandemic compared with other European countries. In addition, Belgian purchasing power is holding up much better thanks to the automatic wage indexation. According to the Federal Planning Bureau, the purchasing power of Belgian families will only fall by 0.1% this year and rise again by 0.7% next year, which will support the housing market.

We expect house prices to rise 5.5% in 2022 and stagnate in 2023.