

# Heterogeneous effects of declining property transfer taxes in the Netherlands

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**Abstract.** After the global financial crisis, many housing markets became dysfunctional. In 2011, the Dutch government decided to decrease the property transfer tax from six to two percent to stimulate the owner-occupied housing market. It is well documented that taxes levied on the sale of purchase of a house decrease the number of sales and housing prices. However, it is little studied whether these effects are general for the whole housing market. This study investigates the heterogeneous effects of the declining property transfer taxes on the number of sales and house prices. Our data show that the tax decline caused higher number of sales and housing prices for lower quality houses compared to higher quality houses. These results are strengthened if we compare regions with population growth and regions with population decline. This suggests that the property tax decline has immediate policy implications. The associated welfare gains are mostly transferred to lower quality housing markets and shrinking areas.

**Key words:** property transfer tax, residential housing markets, differences-in-differences.

**JEL classifications:** R21, R38