

Nicolas Bernard

The impact of the European Union on real estate in Brussels: between stereotype and underestimate

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Summary

What is the impact of the presence of European institutions on the real estate market in Brussels and its outskirts? Although the question may not be taboo, it is certainly an awkward one. If we blame the European Union for having too great an influence on the housing prices in Brussels, we risk being accused of populism (and insensitivity to the precious contribution made by the EU to the capital city). On the other hand, if we refuse to recognise any correlation, we are accused of being out of touch with reality. As regards the direct impact, this effect is both limited in geographic terms and confined to a certain segment of the built-up area. However, the concentration of EU staff in the affluent neighbourhoods of the capital and in the higher property categories does have indirect effects on the other sectors. As these prosperous areas gradually become financially inaccessible, the demand turns to slightly less exclusive areas — both nearby and further away — which, in turn, experience a rise in prices, and so on. Furthermore, the danger probably also lies in the gentrification caused by the Europeans despite themselves, as they settle in certain run-down neighbourhoods in the city centre. Needless to say, the issue is complex.

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A long-forgotten issue

Most of the time, the impact of the presence of the European Union on real estate in Brussels is considered from the perspective of urbanism and land-use management. Although the challenges are considerable from this point of view (in terms of integration into the man-made environment in particular), the question of the influence of European civil servants on housing *prices* also deserves to be examined in depth, which authors have perhaps avoided out of fear of being accused of demagoguery.

More generally, this sort of question never arose — or almost never — before the creation of an autonomous Brussels Region, which would finally be in control of its own destiny. For more than 30 years (from 1957 to 1989, year of the institutional advent of the Brussels Region), the fate of the capital was in the hands of the federal state. Obsessed with the necessity for Belgium to maintain its high position in Europe and to honour the privilege of accommodating the European institutions,¹ the central authorities have shown little concern about the repercussions of the presence of the European Union on the quality of life of the inhabitants of Brussels.² Although the federal state negotiated the advantageous conditions of the EU's arrival in the capital, the Brussels Region is responsible for most of the costs. Compensations do exist, which ease the effects of mortmain in particular (which, among others, immunise the European buildings against additional municipal tax within the framework of property tax). However, from the viewpoint of urban costs in the broad sense, generated by the European presence in Brussels, these compensations, often paid with a delay, remain decidedly insufficient (if only because the retrocession of the mortmain has its ceiling fixed at 72%). As we can see, for a long time, Brussels was the accommodator of Europe through the intervention of the federal state, which was eager to see the EU settled in the capital as quickly as possible. The situation has changed since, however, and a sensitivity characteristic of the city has emerged in the meantime.

¹ Cf. C. HEIN, "The polycentric and capitalistic capital of Europe", *Brussels Studies*, n°2, 18 December 2006.

² See E. LAGROU, "Europe, bienvenue à Bruxelles !", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ? European Brussels. Whose capital ? Whose city ?*, under the direction of C. Hein, Brussels, ISACF - La Cambre et La Lettre volée, 2006, p. 175.

Within this context, we shall now examine our main question: has the establishment and development of European institutions in Brussels had an effect on the housing market in the capital? Although the impact of the European Union on the real estate market in Brussels is partly due to a recognised empirical reality, this problem is also partly based on fantasy. It is difficult in any case to maintain that Europe has no inflationary effect on the Brussels real estate market when EU authorities recognise this themselves. "The concentration of all the buildings used by the EU institutions within the European quarter has a direct impact on rents and purchase prices," admits the European Commission, which warned in 2003 that: "If the cost of real estate has been stable in recent years, in relation to the occupied surface area, this is probably a situation of the past. Several economic and/or technical indices indicate an upward pressure on prices in the European quarter."³ "It is probably in the area of housing that the gap between the revenues of Europeans and the other inhabitants of Brussels is most noticeable," confirms the King Baudouin Foundation. "In the European quarter as well as in the rest of the city and even outside the city, the marked presence of well-paid Europeans leads to significant increases in prices on the rental and real estate market."⁴ The Brussels-Europe Liaison Office also agrees: "The presence of European institutions plays a role in the explosion in prices, but it should not be exaggerated."⁵ The issue now consists in evaluating this influence more or less precisely.

This attempt to clarify does however carry certain risks from a methodological point of view. The statistical data in this area are incomplete and, when they exist, lack methodicalness. The objective pursued by this article consists in mentioning and linking the different studies — of a heterogeneous nature⁶ — in an attempt to objectivise a situation which is all too often haloed, whilst refuting certain generally accepted ideas along the way.

"Overflow" effects and demographic context

A particularly interesting element which is not sufficiently underlined in the issue of Europe's influence on real estate in Brussels resides in the fact that the presence of EU civil servants does not only concern the traditional neighbourhoods of their choosing (the south and southeast of the city). As these neighbourhoods have gradually become congested, the EU staff have begun to move to areas of the city centre which are still affordable and which often have remarkable value in terms of heritage and architecture. For those who are willing to undertake renovation works, this seems quite promising. The number of "privileged" foreigners (Germans, Dutch,

³ Communication from the Commission on buildings policy and infrastructures in Brussels, Brussels, 10 December 2003, COM(2003) 755 final, p. 4.

⁴ Report of the roundtables organised in 2005 by the King Baudouin Foundation on the theme of the setting up of Europe in Brussels.

⁵ Cf. Y. GALL, *Bruxelles, Région-Capitale pour 450 millions de citoyens*, Brussels-Europe Liaison Office, December 2004, pp. 9 and 10.

⁶ Official documents exist alongside the standpoints of associations, national studies cohabit with European sources, research articles are compared with sectoral reports and, finally, quantitative works intersect with more qualitative works.

Luxembourgers, etc.) doubled on average between 1981 and 1999 in the central neighbourhoods of the city said to be "undergoing renovation".⁷ On the one hand, one must admit that the willingness of Europeans to live in the city (which is much more pronounced than it is among Belgian civil servants for example, as we shall see) has the beneficial effect of impelling true strategies of urban rehabilitation and repopulation which have allowed certain neighbourhoods to be revived.⁸ On the other hand, through the proven effect of gentrification,⁹ these unplanned urban rehabilitation operations lead to an increase in the overall level of prices in the area (rents, businesses). The original inhabitants who are generally not rich enough to stay become "foreigners" in their own neighbourhood and are gradually forced to leave.¹⁰ This phenomenon does not necessarily displease the municipalities which, rather than being glad to see well-off taxpayers settle in their neighbourhoods (as the collections from the taxes of civil servants, save property tax, go directly to the European Union¹¹), view this phenomenon as a means of increasing the social mix and, moreover, property value. Jean-Louis Genard summarises the challenge, by calling for "aggressive policies for opening up areas, which will not force low-income populations to live in the most run-down urban areas".¹²

On a strictly demographic level, a significant growth in the number of European civil servants should be pointed out. The main reason for this is the widening of the European Union from 25 to 27 members and the reinforcement of Brussels' status as the capital of Europe.¹³ More generally, in the light of its global population, Brussels is becoming home to more EU nationals — who may or may not work for EU institutions — than before (in relative figures): currently, 53% of foreigners in Brussels

⁷ Cf. Chr. VANDERMOTTEN, "La présence européenne à Bruxelles et l'évolution socio-démographique", *Bruxelles et l'Europe*, under the direction of R. De Groef *et al.*, Brussels, Larcier, 2008 (forthcoming).

⁸ Chr. KESTELOOT, "Brussel, van Belgische naar globale stad", *Bruxelles, l'européenne. Regards croisés sur une région capitale. Brussel, hart van Europa. Een verkennende blik op een kapitale regio*, under the direction of M. Dumoulin, Louvain-la-Neuve and Brussels, European Studies Institute at the Université catholique de Louvain and Tempora, 2001.

⁹ See M. VAN CRIEKINGEN, "What is happening to Brussels' inner-city neighbourhoods? Selective migration from areas undergoing gentrification", *Brussels Studies*, n°1, 12 December 2006.

¹⁰ The original inhabitants of these neighbourhoods are not only forced to move but, increasingly, are also forced to leave the Brussels Region which, overall, has become too expensive for them. They therefore move to mostly outlying areas which are still affordable, such as Hainaut, at the expense of a painful separation from their informal network of solidarity and mutual aid, which is essential for these people.

¹¹ Cf. art. 12, par. 2, of Protocol n°7 on the privileges and immunities of the European Union.

¹² J.-L. GENARD, "Quelle identité pour Bruxelles ?", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ? European Brussels*, *op. cit.*, p. 272. See also Chr. KESTELOOT *et al.*, "La dimension spatiale de la pauvreté à Bruxelles. Indicateurs, causes et stratégies locales de lutte contre la pauvreté", *20 ans CPAS. Vers une actualisation du projet de société*, under the direction of J. Vrancken, L. Carton *et al.*, Brussels and Leuven, Joint Community Commission of the Brussels-Capital Region and Acco, 1998, pp. 123-129.

¹³ The widening of the EU to 25 member states brought 4,000 new European civil servants (*cf.* Y. GALL, *op. cit.*, p. 11).

come from a country in the European Union, compared with 46% in 1991.¹⁴ At the same time, the capital is growing (the global population of Brussels, all nationalities included, increased from 948,000 to 1,048,998 inhabitants between 1996 and 2008¹⁵). However, a large part of this demographic development is attributable to extra-European immigration,¹⁶ which makes the general increase in the ratio of Europeans in the capital all the more remarkable, as they represent close to one sixth (16%) of the electorate for the municipal elections.¹⁷ It is clear, in any event, that the impressive increase in the number of people in Brussels will only put further "strain" on a housing market which, as we shall see, has been marked by a near stagnation in the availability of public housing for the past decade.

Of course, one might object that European civil servants represent less than 3% of the global population of Brussels,¹⁸ i.e. 30,656 employees (of which 22,657 are permanent). It should, however, be pointed out that this computation does not take account of a series of related functions (trainees, temporary staff, auxiliary agents, freelance interpreters, etc), which would otherwise bring this ratio up to more than 4% (an increase by almost half). Furthermore, the "Eurocrats" in Brussels carry along in their wake an impressive quantity of lobbies, regional delegations and press services, which, with respect to the volume of European civil servants strictly speaking, almost doubles the number of people directly related to the presence of EU institutions (from 30,000 to 55,000).¹⁹ Certain people even refer to Brussels as the "world lobbying capital".²⁰ Finally, the *families* (spouse/partner and children) of all these individuals should be added. In total, the number of employees of EU institutions and satellite organisations in the population of Brussels, families included, reaches 105,000, i.e. approximately 10%. And not less than a third of this share is Belgian (this ratio falls to 21% for civil servants in the strict sense).²¹ Be that as it may, in terms of purchasing power (which, after all, is what counts most in analysing the impact of Europe on the housing market), this minority is weighty for its demographic size. This critical mass is certainly capable of raising prices within a precise segment of the real estate market in Brussels.

¹⁴ Th. EGGERICKX and N. PERRIN, "La population européenne à Bruxelles. Sa répartition spatiale et ses caractéristiques démographiques à l'aube du troisième millénaire", *Bruxelles, l'européenne. Regards croisés sur une région capitale, op. cit.*, p. 120.

¹⁵ Source: SPF Economy 2008.

¹⁶ Cf. the *Brussels International Development Plan* - Final report, 31 August 2007, p. 71.

¹⁷ As past experience has shown, their participation in these elections is far from being a natural tendency.

¹⁸ See Y. CONRAD, "Les fonctionnaires européens et leur famille à Bruxelles", *Bruxelles, l'européenne. Regards croisés sur une région capitale, op. cit.*, p. 138.

¹⁹ Source: Brussels-Europe Liaison Office, 2006.

²⁰ No less than 226 offices (165 regions, 17 local and sub-regional authorities, 26 networks of local and sub-regional authorities and 18 representations of private stakeholders) are confirmed in total by the Brussels-Capital Region (cf. M. HUYSSEUNE and Th. JANS, "Brussels as the capital of a Europe of the regions?", *Brussels Studies*, n°16, 25 February 2008, pp. 1 and 10).

²¹ In this paragraph, the figures which are not accompanied by a specific reference were taken from the work entitled *Bruxelles en Europe, l'Europe à Bruxelles, op. cit.*, p. 115.

The urbanistic past of Europe in Brussels makes it a suitable scapegoat

Nevertheless, the theory which establishes an automatic correlation between the presence of Europeans in Brussels and high rents and purchase prices is supported in particular by the fact that the urbanistic past of Europe in the capital does not plead in its favour. There is an automatic mistrust of EU institutions, which is rooted in the strategy of intensive and unplanned urbanisation (marked by a lack of scale with respect to the surrounding built-up area²²) which deeply transformed the European quarter and soon turned the area into what certain people refer to as a "Eurocrat ghetto". Devoted solely to the service sector (at a rate of 90% according to Marie-Laure Roggemans, in charge of relations between the Brussels-Capital Region and the European institutions²³), this blind spot tends to be self-contained and endogenous. Thus, the European infrastructures "lead to a fundamental restructuring of certain neighbourhoods, which are eventually abandoned by the original inhabitants of Brussels," observes Serge Christiane.²⁴ The population dropped by 70% between 1970 and 2001 in certain sectors of the "administrative area"²⁵ despite the subdivision of many single-family dwellings (those which escaped demolition) into flats. The Brussels Region as a whole (at the very least the middle- and upper-class neighbourhoods) was affected by the phenomenon of urban exodus. It is nonetheless clear that the rampant development of the service sector in the European quarter would not retain the inhabitants tempted by periurbanisation. In the Léopold quarter, the surface area devoted to administrative activities increased more than tenfold between 1960 and 2001.²⁶ In the same area, the space occupied by retailers, restaurants, hotels and other businesses dropped by two thirds between 1960 and 1981, whilst during the same period, half of the surface area for housing disappeared. Today, in total, close to 30%²⁷ of office spaces in the Brussels Region — 12.3 million m² in all — are occupied by the European Union and its satellites.²⁸ And the movement is not about to end, as the Vice-President of the European Commission (Siim Kallas) has announced a need for an additional 700,000 m² of office space over the next ten years.²⁹

²² A true "mismatch", according to the term used by an author (G. BAETEN, "The Europeanization of Brussels and the Urbanization of Europe. Hybridizing the City: Empowerment and Disempowerment in the EU District", *European Urban and Regional Studies*, 2001, vol. 8, n°2, pp. 117-128).

²³ *Bruxelles en Europe, l'Europe à Bruxelles*, op. cit., p. 43.

²⁴ S. CHRISTIANE, "Bruxelles, une ville européenne", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ?*, op. cit., p. 193.

²⁵ Cf. J. GILISSEN, "Le Quartier européen est aussi un quartier habité !", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ?*, op. cit., p. 237.

²⁶ Y. GALL, op. cit., p. 7.

²⁷ *Bruxelles en Europe, l'Europe à Bruxelles*, op. cit., p. 36.

²⁸ As regards the EU institutions themselves (1,600,000 m² of office space in total), the European Commission monopolises half of the surface area (in 61 buildings), compared with one quarter for the European Parliament and another quarter for the Council of Ministers.

²⁹ *Bruxelles en Europe, l'Europe à Bruxelles*, op. cit., p. 51.

In this respect, one may speak of a true "specificity" as regards Brussels. The complexity of the situation in the Belgian capital is largely due to the fact that, contrary to the other European poles of Luxembourg and Strasbourg, the EU infrastructures are located in the heart of the city rather than on a "campus" on the outskirts, specifically devoted to this purpose.³⁰ In a territory covering one square kilometre (including only the central European quarter), various new urban networks are superposed. This former residential area contains the ferment of the "dystopic" city denounced by some; a city turned upside down in the organisation of its different areas.³¹ And yet, real estate developers are the first to recognise that the value of a neighbourhood will inevitably decline if this monofunctionality is not broken.³² This does not take into account the relatively poor architectural value of buildings in the European quarter³³ which, combined with the absence of cultural spaces or museums dedicated to the European Union, is hardly inclined towards an identification with the inhabitants or their symbolic appropriation of the European reality. However, the "damage" — in terms of the eviction of inhabitants — caused by this EU real estate policy is less severe than that caused by the Manhattan project in the north of the city centre, for example. Nevertheless, a mythology and scapegoat were born.³⁴

Europe suffers visibly from a major lack of image — justified or not — among the inhabitants of Brussels, which tends to overshadow the various positive contributions of the EU, in terms of employment in particular,³⁵ even though these positive effects are not distributed evenly.³⁶ It should also be mentioned that the political authorities in Belgium and Brussels have been somewhat involved in the construction of this negative image given to Europe. Let us point out that the EU institutions were built by private developers on land which was once essentially *public*; land which the authorities could have assigned to housing, at least in part, instead of

³⁰ Cf. C. HEIN, "Brussels and the headquarter cities of the European Union", *Change. Brussels Capital of Europe*, under the direction of J. Claisse and L. Knopes, Brussels, Prisme Éditions, 2004, pp. 114-120.

³¹ G. BAETEN, "Clichés of Urban Doom: The dystopian Politics of Metaphors for Unequal City - A View from Brussels", *International Journal of Urban and Regional Research*, volume 25, March 2001, pp. 1-9.

³² Cf. H. SIMONS, "Bruxelles, capitale humaine et culturelle de l'Europe", *Etopia*, November 2006.

³³ See in particular L. KROLL, "Bruxelles et l'Europe", *Etopia*, February 2008.

³⁴ The feeling is heightened by a sense of jealousy when the inhabitants of Brussels see that it is easier for European civil servants to live in the beautiful neighbourhoods of the capital due to their financial means, which are significantly higher than average.

³⁵ In total, 92,000 jobs in Brussels are directly (civil servants and staff in the official representations) or indirectly (journalists, lobbies, European schools, business tourism, hotels, restaurants, etc.) generated by the presence of international institutions in the capital, i.e. more than one out of eight jobs (12.7%). Cf. Chr. VANDERMOTTEN (dir.), *Impact socio-économique de la présence des institutions de l'Union européenne et des autres institutions internationales en Région de Bruxelles-Capitale*, ULB (IGEAT), March 2007.

³⁶ Cf. in particular É. CHRISTIAENS, "Rich Europe in poor Brussels", *Bruxelles en mouvements*, n°195-196, 22 November 2007, pp. 6-8.

selling it.³⁷ At the very least, a land-use clause binding the buyers should accompany each alienation of this type, which has not always been done in the past. In the European quarter, the public authorities have therefore "created artificial and very strong pressure on real estate," states Benoît Moritz.³⁸ Those with land-use control have a special responsibility in the current situation. In a 2003 official resolution, the Brussels Parliament solemnly declared that "the development options for the European quarter come within the remit of the regional authorities", but one is forced to recognise the fact that this praiseworthy voluntarism has sometimes failed to materialise.³⁹

Let us point out, incidentally, the sensitive issue of responsibilities in the area of urbanism taken on by Europe in compensation for the construction of offices (in particular the European Parliament and its extensions), which were supposed to result in the production of housing. The problem, in reality, is many-sided. Firstly, a significant share of the surface area promised has simply not been realised or even planned (up to a quarter according to ARAU). The offices have been built, but in certain areas the planned housing units have not. Furthermore, these buildings are sometimes luxury hotel infrastructures. And when the so-called residential buildings are constructed, they are sometimes small luxury units clearly intended to be occupied by workers in transit rather than by long-term residents. Finally, instead of concentrating the housing (in the Maelbeek valley, for example), it would appear sensible to *spread* it out, in the administrative areas as well, in order to minimise mono-functionality.

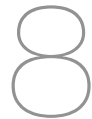
In any event, the declared will of the public authorities (reaffirmed *ad nauseam*) to introduce a mix of housing in a European quarter devoted entirely to offices did not resist facts and practices for very long, as the Regional Land-use Designation Plan of 2001, classifying a large part of the European quarter as an "administrative area", confirms the essentially service-based function of the area. It should not, however, be too difficult to reintroduce housing in these areas dedicated to the service sector, since certain office surfaces were obtained precisely from the sometimes illegal subdivision of single-family dwellings, which could be used once again for their initial purpose.

Furthermore, to the extent that speculation often rhymes with desertion and property vacancy, it is appropriate to question the efforts made by the authorities to end the plague and rehabilitate the empty buildings which still mar the European quarter. Alas, with respect to the built-up area only, the municipalities concerned never made use of public management law, for example, which would allow them to take possession — for a limited duration — of a vacant building in view of returning it to the rental network, after possible repairs (covered in part by a regional interim financing

³⁷ Take, for example, the Van Maerlant block, former property of the Belgian state, or the Comines-Froissart block, which once belonged to the Brussels Region – both recently sold.

³⁸ See B. MORITZ, "OmbudsPlanMédiateur : une nouvelle chance pour le quartier européen ?", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ?*, *op. cit.*, p. 212.

³⁹ *Resolution concerning the setting up of European institutions in Brussels* adopted by the Brussels Parliament on 21 February 2003 (n°A-403/1 - 2002/2003).



fund).⁴⁰ They did not mobilise the federal requisition law either, which more or less serves the same purpose.⁴¹ And let us not forget to mention the taxes on deserted buildings, whose levying is clearly not always a priority for the municipality concerned. As regards the vacant lots, they "are always the object of speculations, which prevents major housing projects from being developed", recognises the City of Brussels in its Municipal Development Plan.⁴² As a consequence of this land speculation combined with the lack of diligence on behalf of public authorities, when the inhabitants of the European quarter or adjacent areas are not faced with endless worksites, they must endure vacant lots and other eyesores.

In this rather sullen context, let us mention, however, that the Brussels Region, together with the European Commission and the City of Brussels, launched a vast town-planning competition on 10 April 2008 intended to give the European quarter a more human face, with works beginning in 2011.

The locations chosen by Europeans

Outside Brussels

In order to evaluate the influence of Europeans on the cost of real estate in Brussels, it is also important to examine which locations they choose to live in. In this respect, it is important to note that approximately one third of European civil servants (28%⁴³ or 35%⁴⁴ according to the source) live outside the Brussels Region, mainly in the bordering municipalities, either in Flanders (Wezembeek-Oppem, Rhode-Saint-Genèse, etc) or in Wallonia (Waterloo, Lasne, etc). More specifically, the Flemish Region, with its municipalities close to the capital, is especially popular, attracting two to three times more Europeans (21% or 24% according to the same sources respectively) than the Walloon Region (7% or 11%).

However, this ratio of periurban Europeans – established in 2001 – has been fluctuating constantly for the past ten years at least. In 1994 for example, almost one civil servant out of two (45%) opted for a residence outside Brussels;⁴⁵ this figure fell to 37% just four years later.⁴⁶ The reason for this is that it is increasingly difficult to reach the city and that there have been positive efforts to revitalise the city centre

⁴⁰ See articles 18-22 of the Brussels Housing Code introduced by the Brussels Parliament order of 17 July 2003.

⁴¹ Cf. article 134bis of the new municipal law introduced by the law of 12 January 1993 containing an emergency programme for a society showing more solidarity.

⁴² See the "Complément à la situation existante" devoted to the northeast neighbourhood, p. 1.

⁴³ Y. CONRAD, *op. cit.*, p. 138.

⁴⁴ IRIS CONSULTING, *L'impact socio-économique des institutions européennes et internationales dans la Région de Bruxelles-Capitale*, Brussels, 2001 update.

⁴⁵ Cf. MENS EN RUIJTE, *De sociaal-economische impact van de Europese en internationale instellingen te Brussel*, Brussels, 1994.

⁴⁶ Cf. MENS EN RUIJTE, *De sociaal-economische impact van de Europese en internationale instellingen te Brussel*, Brussels, 1998.

(which has had the effect of restoring the choice of Brussels as a viable and lasting place of residence in the eyes of newcomers).

As a comparison, it should also be mentioned that European civil servants seem to appreciate the capital more than their Belgian colleagues, because the vast majority of Belgian staff at the EU institutions, who account for more than one fifth (21%) of the global share of the European civil service, choose to live outside the Brussels Region (61%).⁴⁷ As mentioned above, this proportion is double that of Europeans (between 28% and 35%).

...in Brussels

Furthermore, can it be maintained that the Europeans are responsible for the widespread explosion in prices in the capital, to the extent that the EU civil servants are not distributed in a uniform manner throughout Brussels? The answer is finely shaded. It is true that a study conducted in 2000 revealed that Europeans (civil servants and others) residing in the capital were found essentially in the south, south-east and east of the city.⁴⁸ Another study conducted one year later confirmed that Ixelles and Saint-Gilles had the most EU nationals, followed by the municipalities of Brussels, Etterbeek, Forest, Uccle, Woluwé-Saint-Pierre and Woluwé-Saint-Lambert.⁴⁹ A study conducted in 1998 focusing specifically on the 30,500 European *civil servants* (Commission, Council and Parliament) who represent between 16%⁵⁰ and 19%⁵¹ of all European Union nationals in Brussels, showed that they are concentrated especially in Etterbeek (immediately next to their workplaces) and in the two Woluwés.⁵² And, concerning *permanent* civil servants in particular, a study conducted in 2004 gives a more precise idea of their order of preference: Brussels, Ixelles, Etterbeek, Woluwé-Saint-Lambert and Woluwé-Saint-Pierre.⁵³

On the other hand, however, the locations preferred by Europeans should not lead one to believe that these different geographic sectors are impermeable. In the same way that the owner and rental submarkets are closely related (the buyer generally wishes to recoup costs by means of rental), the dynamics of the real estate market do not end at the borders of a municipality. This is why the observed price increases

⁴⁷ P. WUNSCH, "L'impact socio-économique de la présence européenne à Bruxelles", *Bruxelles, l'euro-péenne. Regards croisés sur une région capitale*, *op. cit.*, p. 176.

⁴⁸ Centre de recherche urbaine (CRU), Institut de gestion de l'environnement et d'aménagement du territoire (IGEAT) and Laboratoire de méthodologie du traitement des données (LMTD), *Typologie socio-économique et urbanistique des territoires bruxellois*, Brussels, 2000 (study conducted at the request of the Brussels State Secretary in charge of land-use planning).

⁴⁹ Study by the Institut national des statistiques, conducted by the Applied Demography Study Group at the Université catholique de Louvain, 2001.

⁵⁰ IRIS CONSULTING, *L'impact socio-économique des institutions européennes et internationales dans la Région de Bruxelles-Capitale*, Brussels, 1998 (study conducted at the request of the Brussels Minister in charge of Economy and Finances).

⁵¹ Source: Brussels-Europe Liaison Office, 2006.

⁵² European Commission and Iris Consulting, 1998.

⁵³ Y. GALL, *op. cit.*, p. 25.

in upmarket neighbourhoods often have repercussions in nearby areas, via a "domino effect" with no regard for municipal boundaries. The prices inflated by European civil servants in a limited number of neighbourhoods force potential owners – who have less money but who are just as determined to buy – to turn to areas which are slightly less expensive (and not necessarily adjacent), thus contributing to an increase in prices, and so on.⁵⁴ In order to duly evaluate the influence of Europe on real estate in Brussels, it is necessary for this significant "contagious" effect (between different sub-segments of the entire area) to take into account not only the direct impact of the European Union on acquisition costs but also its *indirect* impact. As an indirect consequence, those who cannot afford upmarket housing turn to mid-market housing, causing its value to rise.

And, at the very least, the definite inflationary effects observed in the municipalities preferred by European civil servants must be acknowledged. "Gradually, the concentration will be created by a snowball effect," explains Yann Gall. "In their search for housing, the new European civil servants arriving in Brussels were naturally directed towards these same areas via internal relations and the EU housing service. The rental costs rose at the same time as the demand, soon creating areas which were reserved for a certain social category."⁵⁵

Generally speaking, the place of residence of Europeans in Brussels is far from fixed. They develop residential strategies which, over time, tend to reduce the importance of living in proximity to the workplace.⁵⁶ Although on arrival in Brussels the EU civil servants aspire to the European quarter, they soon leave it for greener and more residential areas, or simply decide to live outside the city (in Flemish Brabant and Walloon Brabant), in the same spirit. In this respect, the Europeans are hardly different from the inhabitants of Brussels who also seek a single-family house with a garden, in a quieter environment with clean air, as soon as their standard of living increases significantly. Apart from their level of income, the profile of the original inhabitants of Brussels (size and age of household) is much closer to Europeans than to non-European immigrants living in Europe for example, who are much younger (close to ten years younger on average) and whose nuclear family is much larger.⁵⁷ The latest sociological trends, however, show that there are more and more younger as well as female European staff members.⁵⁸

⁵⁴ In the same way, the substantial increase in the selling prices of flats observed in recent years is explained mainly by a shift in the aspirations of potential buyers. Confronted with the explosion in prices, they have no choice but to swap their desire for a single-family house for a more realistic objective, consisting in buying a "simple" flat. In order to own their homes despite everything, they are forced to "modify their dreams".

⁵⁵ Y. GALL, *op. cit.*, p. 28.

⁵⁶ J. CAILLIEZ, "L'Union européenne à Bruxelles à travers le regard de fonctionnaires britanniques : analyse de cartes mentales", *Bruxelles l'Européenne. Capitale de qui ? Ville de qui ?*, *op. cit.*, p. 59.

⁵⁷ Th. EGGERICKX and N. PERRIN, "La population européenne à Bruxelles. Sa répartition spatiale et ses caractéristiques démographiques à l'aube du troisième millénaire", *Bruxelles, l'européenne. Regards croisés sur une région capitale*, *op. cit.*, pp. 123-130.

⁵⁸ *Bruxelles en Europe, l'Europe à Bruxelles*, *op. cit.*, p. 115.

External causes of the increase in rents

As regards the observed increase in residential rents in Brussels (which cannot be denied⁵⁹), it is clear that the phenomenon is not only caused by the presence of Europeans in Brussels. *External* motives must also be taken into consideration. Let us begin by mentioning the true explosion in acquisition costs⁶⁰ (partly due to the drop in mortgage rates, which loses all benefit). The cost of construction has also risen in recent years (more expensive materials and labour). And, for reasons related to a return on investment, most of the time owners base the amount of the rent on the acquisition cost. Another factor worth mentioning is the increase in the housing demand over the past ten years, which is related to family break-ups⁶¹ as well as to the growth in the global population of Brussels (117,000 more inhabitants since 1996, as mentioned above), and not to a return to the city of the middle classes who had left to live in the outskirts, for example, and who still live there.⁶² Finally, the decreasing rental offer accessible to people with a modest income must also be pointed out (a decrease which, to a certain extent, is attributable to the reinforcement of quality requirements related to housing rentals⁶³). Therefore, "the evolution in the costs of new and existing housing is not directly related to the widening of the European Union", as observed in the 2003 study by C.L.I.-Stadim — admittedly conducted by stakeholders in the world of real estate.⁶⁴

At any rate, the capital was gaining inhabitants and at the same time was growing poorer (or at least the number of underprivileged people was increasing),⁶⁵ which made the low-income households even more sensitive to the increases in rents, and as a result, reinforced the need for public housing. The public housing offer is stagnating dangerously. Between 1997 and 2006, only 19 public housing units per year

⁵⁹ Cf. M.-L. DE KEERSMAECKER, "Des loyers en constante évolution", *SLRB info*, n°51-52, July-December 2007, p. 19 and N. BERNARD, "Le fardeau des loyers en Région bruxelloise", *Humanisme & solidarité*, n°9, April 2008, pp. 25-28.

⁶⁰ Between 1999 and 2003, the price of flats rose by 41%, whilst house prices increased by a similar amount (40%) between 1998 and 2003. Cf. Ph. JANSSENS and P. DE WAEL, *1953-2003 : 50 années de marché immobilier en Belgique. Où l'histoire nourrit l'avenir*, Brussels, Roularta books, 2005, pp. 111 and 113.

⁶¹ There has been a steady increase in the number of isolated people in Brussels (where one out of two households is composed of one person), whereas the number of single-parent families has tended to multiply (+ 56% over the past 20 years), particularly among people with the lowest incomes. Cf. Fr. NOËL and J. DAWANCE-GOOSSENS, *Offre et demande de grands logements en Région de Bruxelles-Capitale*, Study conducted at the request of the Brussels-Capital Region Housing Advisory Council, November 2004, pp. 3 and 33.

⁶² Cf. Chr. VANDERMOTTEN, "La présence européenne à Bruxelles et l'évolution socio-démographique", *op. cit.*

⁶³ See art. 4-17 of the Brussels Housing Code of 17 July 2003.

⁶⁴ Cf. C.L.I.-STADIM, *Évolution et perspectives de l'offre et de la demande de logements dans la Région de Bruxelles-Capitale*, study requested by Willem Draps, former State Secretary of the Brussels-Capital Region in charge of Land-use Planning, Heritage and Urban Renovation, Brussels, October 2003, p. 19.

⁶⁵ Cf. the 2007 edition of the *Rapport sur l'état de la pauvreté en Région de Bruxelles-Capitale*.

were built on average in Brussels,⁶⁶ which is highly inadequate given the steadily growing social need. This situation, in fact, is ample proof that the inflationary effects caused by the presence of Europeans in Brussels – which is not necessarily widespread – have left scars on the inhabitants with the lowest incomes (whose room for manoeuvre from a financial viewpoint is limited or non-existent), whilst at the same time the public authorities struggled to offset or curb the rise in rents.

Pressure on rental prices and the strategies of local investors

In summary, the influence of Europeans on residential real estate appears to exist on both the rental market as well as on the ownership market, at least at first. When they arrive in Brussels, the majority of EU civil servants prefer rental to ownership (be it a flat or a house), which is confirmed unanimously by estate agents.⁶⁷ In fact, it is only after a period of approximately ten years, once they feel they will probably stay in Belgium (indeed, "many Europeans stay for only a short while in Brussels", confirms Yann Gall⁶⁸), that EU civil servants take the decision to become home owners. At that moment, the access to property is considerable: in total, more than 50% of Europeans own their home,⁶⁹ whereas this proportion reaches 42-43% for the average inhabitants of Brussels.⁷⁰ In all cases (rental or ownership), flats are favoured over houses, and existing buildings over new ones. In any event, the prevalence of the tendency of Europeans to rent at the beginning of their stay in Brussels does not exclude the simultaneous pressure on acquisition costs exerted by EU staff who are already settled; logically, the time-lag was reduced gradually (or rather, relativised), as EU civil servants settled in the capital.

Therefore, if the first Europeans contributed to the real estate boom, it is because they were willing to accept prohibitive rents rather than because they were in a rush to buy their homes. This taste for luxury flats appears to be a thing of the past, however, and the civil servants of today do not seem to be willing to make the same financial sacrifices as their elders (even though the rents paid today by "Eurocrats" are still considerably higher than the average rent).

Finally, it appears that the connection between the presence of Europeans in Brussels and the high residential prices must also be attributed to local stakeholders themselves (owners, developers, etc). Through speculation, they anticipate and cause the prices to rise. Admittedly, these strategies – of a financial nature – obtain "clients" from the EU institutions, but the fact remains nonetheless that the aforementioned stakeholders, intending to take full advantage of the arrival of EU staff to "win the jackpot", thus push this segment of the market upwards somewhat

⁶⁶ Cf. P. DE DECKER and J. LAUREYS, "Le marché du logement se polarise-t-il à Bruxelles et en Wallonie ?", *Échos log.*, 2007, n°1, pp. 1-16.

⁶⁷ Cf. C.L.I.-STADIM, *op. cit.*, p. 17.

⁶⁸ Y. GALL, *op. cit.*, p. 18.

⁶⁹ Y. CONRAD, "Les fonctionnaires européens et leur famille à Bruxelles", *Bruxelles, l'euro-péenne. Regards croisés sur une région capitale*, *op. cit.*, p. 140.

⁷⁰ See N. BERNARD, *Repenser le droit au logement en fonction des plus démunis. Un essai d'évaluation législative*, Brussels, Bruylant, 2006, pp. 715-720.

artificially. The rise in real estate prices "does not only create victims", as it "allows owners and estate agents to reap substantial benefits".⁷¹ This is nothing more than a normal and purely rational application of the law of the market, but it is also useful to underline the harmful effects this may have on the development of an urban area such as the European quarter. In this respect, the words of the Head of the Representation of the European Commission in Belgium are particularly eloquent. "The developers take us for a cash cow," bemoans Willy Hélin, who fights against those who raise prices "well beyond what is considered usual practice in Brussels".⁷² Carlo Luyckx, Director of the Brussels-Europe Liaison Office, does not hesitate to speak of a "true uneasiness among Europeans. Some of them had been living here for ten or twenty years when they suddenly became the scapegoats of the inhabitants of Brussels who were being evicted by their landlords, whereas the speculation had above all been created by Belgians".⁷³ Similarly, let us mention once again that certain owners whose properties were next to the European areas soon became aware of the profits they could make by dividing a building into many flats intended for single civil servants in transit; these flats together were more profitable than a single-family house. Although, in conclusion, the Brussels-Europe Liaison Office study confirms the existence of a substantial increase in real estate prices, it points out that it is not "attributable exclusively" to European civil servants.⁷⁴

What about the future?

At this point in our discussion, we should draw attention to a notable change of attitude on behalf of European institutions over the past few years. We are at a turning point in the stormy relations between Brussels and the EU infrastructures located in the city. At the same time that the Belgian capital became interested in Europe (since it achieved institutional autonomy), it became aware of the impact it was having on the real estate market in the city.⁷⁵ This reflection led to the drafting of a founding document in 2003 by the European Commission, entitled *Communication from the Commission on buildings policy and infrastructures in Brussels*. "Reconciling the wishes of local residents", "rational development of the European quarter", "encouraging a mix of office space, shops and housing": these were some of the new key ideas promoted by the EU authorities.⁷⁶ The authorities considered relocating part of their activities outside the European quarter as well as the Beaulieu-Auderghem and Genève-Evere poles (the Schaarbeek-Josaphat site has been on the agenda for 20 years). Moreover, they have already launched their projects, as the European Commission's Directorate General for Research just settled

⁷¹ Y. GALL, *op. cit.*, p. 10.

⁷² *Bruxelles en Europe, l'Europe à Bruxelles*, *op. cit.*, p. 51.

⁷³ *Ibidem*, p. 121.

⁷⁴ Y. GALL, *op. cit.*, pp. 9 and 10.

⁷⁵ See in particular S. FRANÇOIS, "Quel avenir pour la vitrine européenne de Bruxelles ?", *Bruxelles en mouvements*, 7 December 2006, n°117, p. 5.

⁷⁶ Communication from the Commission on buildings policy and infrastructures in Brussels, Brussels, 10 December 2003, COM(2003) 755 final, pp. 4 and 5.

in the north of the city — which is a first — at the same time as DG Education in the Madou Plaza. This movement will thus have "the advantage of curbing the upward pressure on the level of rents and purchase prices", according to the Commission.⁷⁷ Finally, the master plan for the reorganisation of the European quarter, a major instrument in urban planning adopted by the Brussels government on 24 April 2008, reiterates the will to achieve a social mix. A stimulating philosophical shift is thus on its way, at least on paper. The administrative macro-structures which crush the neighbourhood with their monofunctional mass seem to have made room for mixed complexes (offices/housing/businesses/nearby facilities) opened out to their environment.⁷⁸ However, the size of the EU buildings will not decrease. On the contrary, in a pursuit of optimum density, plans are being considered to give them "free rein": from now on they must have a minimum surface area of 50,000 m². Moreover, the Commission has publicly announced its intention to "rationalise" its real estate portfolio, by limiting the number of its buildings in Brussels in particular. The few recent relocations will therefore not prevent the Léopold quarter from reinforcing its calling in the service sector, as the European Commission intends to treble its surface area in the neighbourhood (from 170,000 to 400,000 m², distributed mainly along the Rue de la Loi).

European comparison and the role of the state

Although one might object to the influence of Europe on prices in Brussels, the city remains – in particular as regards residential real estate – one of the least expensive capitals in Europe, on both the acquisition⁷⁹ and rental⁸⁰ markets (despite a rise in prices in recent years which was admittedly more pronounced than in other cities in the European Union⁸¹). We should bear in mind, however, that at the same time, Brussels remains one of the only cities in Europe where rental prices are not regulated, and where there is no direct financial assistance offered to tenants in difficulty. In this context, the public authorities have a fundamental role to play. And that is where the shoe pinches: a very low proportion of public housing (only 8% of the global built-up area), a low current production of public housing (the best means to reduce the pressure on the housing market is to build affordable housing and thus

⁷⁷ *Ibidem*, p. 15.

⁷⁸ In addition to the 400,000 m² of new offices (to be located along the Rue de la Loi), there are plans to create 180,000 m² of housing units in the European quarter. For once, may these admirable promises be kept and come to something quickly.

⁷⁹ The prices in Brussels are lower than in Paris, London, Rome, Madrid, Vienna, Copenhagen, Helsinki, Dublin, Luxembourg, Amsterdam and Stockholm, for example (Cf. ERA IMMOBILIER, *Le marché européen de la transaction immobilière. Enquête 2006*, p. 33). This observation is confirmed more often for flats than for single-family houses (see the *2005 Annual Report* of the European Council of Real Estate Professions, p. 10).

⁸⁰ Only Vienna, Copenhagen and Helsinki (for houses) and Vienna and Berlin (for flats) are less expensive than Brussels in this respect (see the *2005 Annual Report* of the European Council of Real Estate Professions, p. 12).

⁸¹ ROYAL INSTITUTION OF CHARTERED SURVEYORS, *European Housing Review 2005*, pp. 6 and 34-35

widen the offer), no restrictions on private rentals (at least when the initial lease is signed),⁸² an absence of global rent allowances to strengthen the "purchasing power" of tenants,⁸³ a lack of financial or tax incentives for owners who wish to rent their property (be it for regulated or non-regulated rental prices), etc.

It would be out of place for the Brussels authorities to hide behind the convenient argument that "it is Europe's fault" to conceal their own shortcomings. Moreover, as we sometimes tend to overlook, Brussels is home to other international organisations (5,000 additional employees in all), such as NATO, which is welcoming new member states as well. Be that as it may, "the gradual arrival of several thousands of civil servants over several years, from 2004, will cause an increased housing demand in the Brussels Region", acknowledges the second Regional Development Plan, which also states that "the housing offer in the Brussels Region should be able to meet demands, without creating major tensions on the market". In a word, the Region must "anticipate an explosion in rental or purchase prices".⁸⁴ Therefore, one cannot say that the regional authorities have taken adequate measures to ease the situation on the rental market. Admittedly, a project exists to build 1,000 housing units in Etterbeek in the European quarter, but Marie-Laure Roggemans acknowledges that "the real estate prices are so high that it is hard to imagine creating public housing there".⁸⁵ In fact, as long as measures — although sluggish — of this type are not taken to lessen the impact of the European presence on the residential real estate market in Brussels — which must not be overestimated or underestimated — the commitments of the authorities in favour of a greater social mix will ring hollow and remain a purely self-referential slogan or simple lip service. "In a scenario of this type, it appears difficult to reconcile the international and social functions of the city: the pursuit of internationalisation will only favour greater polarisation, an increase in rents, etc," warns the King Baudouin Foundation.⁸⁶

⁸² See in particular N. BERNARD, "Huit propositions pour un encadrement praticable et équilibré des loyers", *Échos log.*, 2006, n°1, pp. 1-13.

⁸³ Cf. among others N. BERNARD, "L'allocation-loyer (couplée à un conventionnement des loyers) : non pas la panacée, mais un remède directement opérationnel pour atténuer la crise du logement", *Échos log.*, 2006, n°3.

⁸⁴ See the Brussels-Capital Region government order of 12 September 2002 adopting the Regional Development Plan, *M.B.*, 15 October 2002, City Project, Priority 10, point 3.2.

⁸⁵ *Bruxelles en Europe, l'Europe à Bruxelles*, op. cit., p. 56.

⁸⁶ Report of the roundtables organised in 2005 by the King Baudouin Foundation on the theme of the setting up of Europe in Brussels.

Conclusion

Europe's hold over real estate prices in Brussels is a significant reality. As regards the direct impact, this effect is both limited in geographic terms and confined to a certain segment of the built-up area. However, the concentration of EU staff in the affluent neighbourhoods of the capital and in the higher property categories does have *indirect* effects on the other sectors. As these prosperous areas gradually become financially inaccessible, the demand turns to slightly less exclusive areas — both nearby and further away — which, in turn, experience a rise in prices, and so on. Furthermore, the danger probably also lies in the gentrification caused by the Europeans despite themselves, as they settle in certain run-down neighbourhoods in the city centre.

Although it has an unquestionably beneficial effect on the economy and the international influence of Brussels, Europe also has a certain impact on the real estate in the capital. This impact must not be exaggerated, nor must it be underestimated. In any event, it is inflated by the unplanned urbanisation which has accompanied the development of the European quarter and which thus gives Europe a very negative image: by definition, it is guilty of all offences. And yet, safety nets exist to counter these inflationary effects (taxation of capital revenue, restrictions on rents, anti-speculative measures, rent allowances, increase in the amount of public housing, etc). By implementing at least some of these measures, the public authorities — federal or regional, according to their remit — would do more than bring relief to the finances of low-income households (thus helping to keep them in the region); they would restore opportunely the tattered pact between the inhabitants, the city and the EU institutions located there. It is a question of necessity for social cohesion and truly democratic and popular support for the European project.