



Dutch Buy-to-Let Market Update Build Finance

JANUARY 2024

Table of contents

1. EXECUTIVE SUMMARY	3
2. HOUSING MARKET	4
2.1 HOUSE PRICES	4
2.2 DEVELOPMENTS RENTAL MARKET	4
2.3 EXPECTATIONS HOUSE PRICES	6
2.4 DISTRIBUTION OF HOUSING STOCK	6
POLITICAL DEVELOPMENTS	7
2.5 RENTAL POINTS SYSTEM	7
2.6 NEW CONSTRUCTIONS	8
3. INTEREST RATES	9
3.1 HISTORICAL DEVELOPMENT: 5 YEAR DUTCH GOVERNMENT BOND YIELD	9
3.2 BUY-TO-LET LENDING	10
APPENDIX: GLOSSARY	11
SOURCES	12
GET IN TOUCH WITH US TODAY	13

1. Executive summary

In this market update we argue that the Dutch buy-to-let market remains remarkably stable from a credit perspective. Especially if you compare this to the negative news flow surrounding upcoming regulation to protect tenants. Indicators show very low arrears, increasing rents and rental shortages, house prices that are expected to increase again, and the expectation that upcoming combination of regulatory measures will be less harsh than initially expected. Loan volumes should begin to increase further at these lower interest rates, mostly driven by refinancings.

After many years of strong price increases, housing prices for owner-occupied dwellings in the Netherlands have declined 2.3% year-on-year as per October 2023. For both 2024 and 2025, it is forecasted that housing prices will rise by 4.5%. These prices serve as a proxy for buy-to-let properties, however we have seen reduced activity in transactions resulting in larger discounts for buy-to-let properties versus owner-occupied properties. Regarding the Dutch rental housing market, it has turned out that more and more private real estate investors decide to sell their rental homes instead of renting them out. This is a result of more tightened governmental measures imposed for landlords. When more and more investors sell their rental homes to private owner-occupiers, this leads to a further decrease of the supply of rental homes in the private sector. In addition, there is an overall upward trend of the average rental price (per square meter) throughout the entire Netherlands.

The Minister of Housing has made adaptations to his plan regarding regulation of the mid-rental segment, after the Council of State expressed their criticism about the original form of the proposed law. The first adaptation is a 10% mark up on the maximum rent levels of properties that will be constructed within the next two years. The second adaptation is softening the effect of the WOZ-cap on rent levels. As soon as the Dutch Parliament agrees to the final law, the law can come into force as per 1 July 2024 at the earliest. As of December 2023, Aedes reported that housing corporations have realized only roughly half of the intended 30,000 houses. According to the organization, the urgency on the housing crisis has not yet been met by appropriate measures.

During Q4-2023, the 5 year Dutch government bond yield has started to decline, as the Fed and the ECB seem to be close to the end of their rate hiking cycle. This is good news for the mortgage interest rates, which follow the Dutch government bond yield with some delay.

We introduce data from S&P highlighting delinquencies and prepayments that we will update in future Market Updates. Total delinquencies for Dutch BTL transactions are still very low at 0.4%, and prepayments are coming down to 6,9%.

More detailed information can be found in our report and of course we are happy to answer any questions you may have.

2. Housing market

2.1 House prices

From price monitoring by Statistics Netherlands (CBS) and the Netherlands' Land Registry, it appeared that in October 2023 prices of owner-occupied dwellings were 2.3% lower than in October 2023 ¹. This decline has come after years of strong price increases and seems to have stabilized. This can be observed in Figure 1 below. Moreover, the average transaction price of existing owner-occupied dwellings equals €424,521 as of October 2023 ².

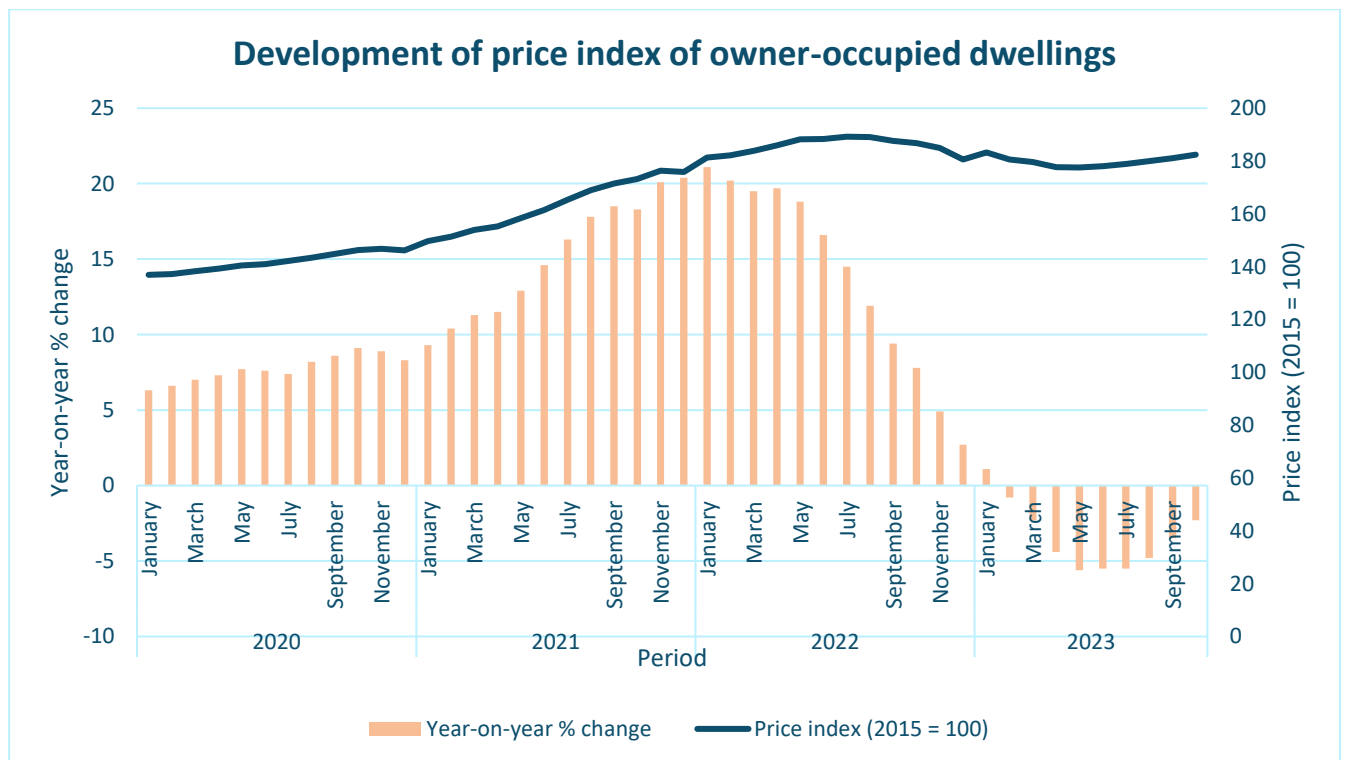


Figure 1: Development of price index of owner-occupied dwellings in the Netherlands (Source: CBS & Kadaster)

2.2 Developments rental market

During Q3 2023, 7% of the supply of owner-occupied homes came from former rental homes ³. Shifts from rental homes to owner-occupied homes were measured by analysing the houses that were offered for sale during the period between Q4 2019 and Q3 2023. Such a shift is defined as a home that have previously been registered as a rental home in Pararius' database, but has eventually been offered for sale on the Pararius platform. From Figure 2 below, it turns out that the share of owner-occupied homes that came from the rental market varied between 3 and 4.5% for a long period of time. However, as of Q4 2022, this percentage started to increase rapidly. Research conducted by Pararius also demonstrates this change of pattern: it appears that more and more private real estate investors decide to sell their rental homes instead of renting them out.

The supply of rental homes in the private sector experiences a further decline, mainly because renting out homes has become less attractive as a result of stricter governmental measures for landlords. In that case rental homes are sold to private owner-occupiers which in turn leads to a further decrease of the supply of rental homes in the private sector.

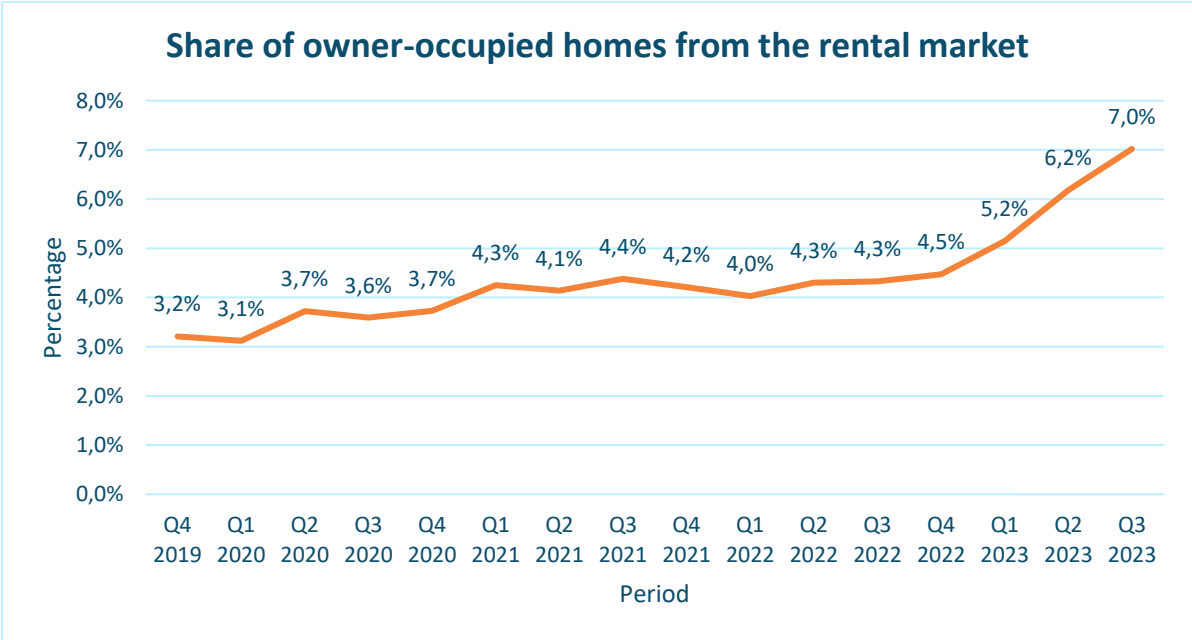


Figure 2: Share of owner-occupied homes from the rental market (Source: Pararius).

Regarding rental prices in The Netherlands, it has turned out from Pararius research that the rental prices per square meter in in the G5 cities (i.e., Amsterdam, Utrecht, Rotterdam, Eindhoven, The Hague) exceed the national average ³. In Q3 2023 this boiled down to €17.77 per square meter per month. This is 5.2% more when compared to Q3 2022. In Figure 3 below, one can observe an overall upwards trend of the average rental price (per square meter) throughout the entire Netherlands, apart from some fluctuations during the past three years.

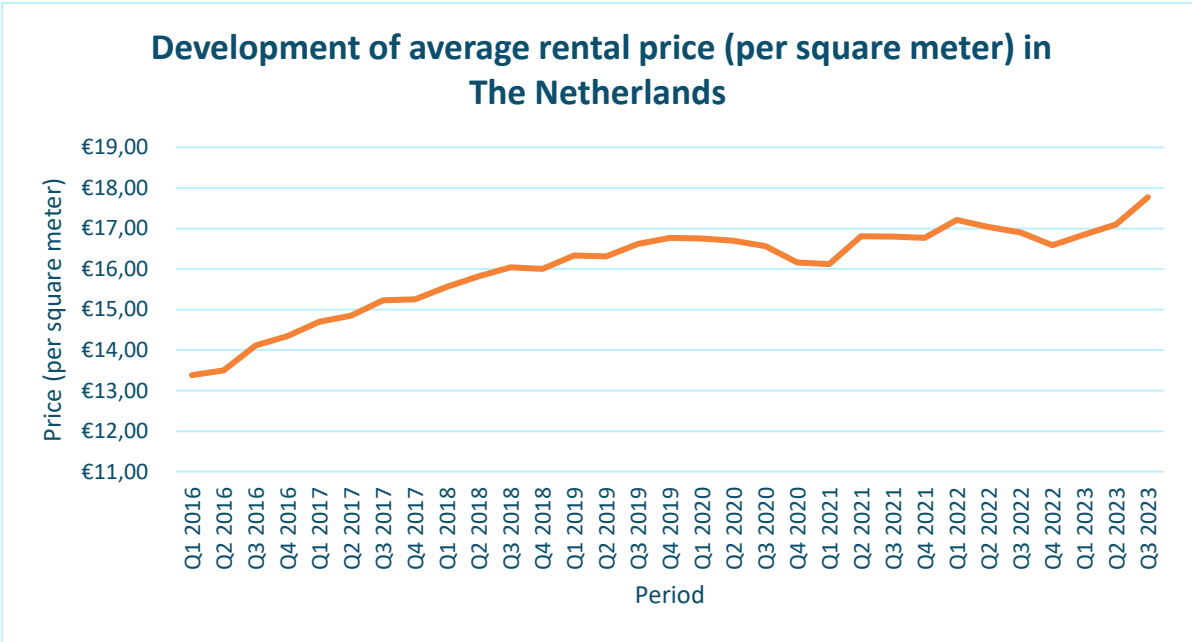


Figure 3: Development of average rental price (per square meter) in The Netherlands (Source: Pararius).

2.3 Expectations house prices

According to research conducted by Rabobank, house prices are expected to rise again during 2024⁴. This can be explained by increased borrowing capacity of Dutch households next year in combination with a housing stock that is lagging behind. The increased borrowing capacity can in turn be explained by the relatively strong (nominal) increase in incomes in response to high rates of inflation. This year, price levels of existing owner-occupied homes are expected to end up 2.8% lower than in 2022. However, for both 2024 and 2025, it is forecasted that price levels will rise by 4.5%. As such, price levels of existing owner-occupied homes will soon be comparable to price levels during the peak of the Dutch housing market in 2022.

2.4 Distribution of housing stock

Based on research conducted by Capital Value, the distribution of the Dutch housing stock at the start of 2023 can be summarized according to Figure 4 below⁵. To this end, Capital Value also consulted several other sources such as Prospective Information (dPi) about housing corporations, annual reports from institutional investors, and relevant data from Statistics Netherlands.

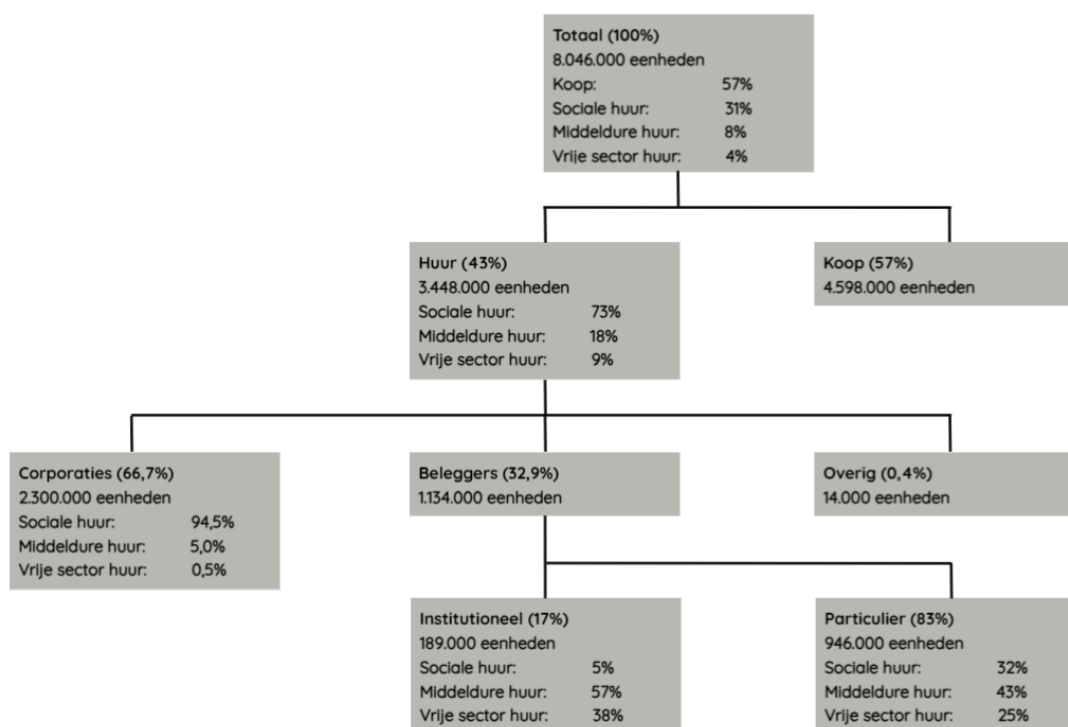


Figure 4: Distribution of the Dutch housing stock at the start of 2023 (Source: Capital Value, CBS).

From Figure 4 above, it becomes clear that from the Dutch rental housing market, roughly two thirds is owned by housing corporations and one third by investors. The buy-to-let investors are mainly active in the latter group. The target group of Build in turn is active in the segment of private investors, owning roughly 1 million rental properties in total.

Political developments

2.5 Rental points system

During the year 2022, the Dutch minister of Housing and Spatial Planning Hugo de Jonge introduced plans to regulate the mid-rental segment, in order to prevent tenants in this segment from paying excessive rental prices. The regulation boils down to extending the housing valuation system from 142 to 186 rental points. More specifically, newly rented homes that have up to 186 points, could then be rented for at most €1100 per month ⁶. As of now, only the rental houses that have up to 142 points are regulated. The law of regulating the mid-rental segment (“Wet Betaalbare huur” in Dutch) was initially planned to come into effect as per 1 July 2024. However, this plan has become uncertain, due to the fall of the government. The minister still wants to realise the regulation of the mid-rental segment, however, this has led to strong criticism among private investors. Earlier this year, there were already signs that private investors would sell their properties when their rental prices would be subject to the new regulation.

Recently, Hugo de Jonge has made adaptations to this plans mentioned above ⁷, after the Council of State expressed their criticism about the original form of the proposed law ⁸. The rationale is to meet the needs of investors who are willing to invest in new construction projects in the mid-rental segment, or are willing to make the housing stock more sustainable. The first adaptation is a 10% mark up on the maximum rent levels of properties that will be constructed within the next two years. More specifically, this includes properties that are planned to be constructed after entry into force of the Hugo de Jonge’s new proposal and before 2026. This mark-up was initially set to 5% but institutional investors and project developers unified in the IVBN and NEPROM warned that this percentage would be too low.

The second adaptation is softening the effect of the WOZ-cap on the rent levels. As of May last year, the WOZ property value was allowed to count for at most 33% in the calculation of rental points for a private sector rental property. An important caveat of this original regulation is that rental properties that end up above 186 points, for example after making it more sustainable, will suddenly face a substantial drop in points. The minister now aims to support landlords by allowing them to still maintain the maximum rent level of €1,100, in case the property value declines below 186 points as a result of the WOZ cap. However, according to VNG (association of Dutch municipalities), this results in an adverse effect on rental prices in the larger cities. Landlords in the larger cities, where the rental prices per square meter are already high, then have room to ask the maximum rental prices for ‘poorer quality’ properties. These are just the properties that are currently affordable among people with a middle income.

Hugo de Jonge will make the adaptations above, while the proposed law is still being handled by the Council of State. He expects to send his adaptations to the House of Representatives at the beginning of 2024, so during the formation of the new government. As soon as the Dutch Parliament agrees, the final law can come into force as per 1 July 2024 at the earliest.

2.6 New constructions

As of December 2023, Aedes reported that housing corporations have realized only roughly half of the intended 30,000 new houses per year ⁹. This is due to lack of building land and delays in zoning plans and permit applications. According to Aedes, more than 60% of the corporations have insufficient building land available for new construction projects. In addition, delays in zoning plans, permit applications, and objections from third parties have also led to delays in new construction projects. There are currently 181,000 properties in the preliminary planning phase. To this end, Aedes has urged the Dutch Government to take more control in the construction of new properties. According to the organization, the urgency on the housing crisis has not yet been met by appropriate measures.



Generally speaking, the construction of new houses in the Netherlands appears to be more difficult than expected. The Dutch Government assumed that roughly 900,000 extra houses should be constructed up to 2030. However, from calculations performed by ABF research, this number should be increased to 981,000 houses ¹⁰. Especially in the Dutch "Randstad" more houses should be constructed, as the population in this area will grow quickly in the upcoming years. The additional expected population growth will mainly be caused by migration. In addition to refugees granted asylum, labour migrants and foreign students are in need of homes as well. The Dutch Government has fallen a few months ago, since government parties could not come to an agreement regarding migration regulations. After the formation of the new government, it will probably become more clear which rules and regulations will be implemented regarding migration to the Netherlands, which is currently expected to include stricter migration rules. As soon as this becomes more clear, this will result into a better estimation of the Dutch housing shortage in the upcoming years.

3. Interest rates

3.1 Historical development: 5 year Dutch government bond yield

The 5 year Dutch government bond yield is an important indicator in financial markets, as it helps to determine how actual and expected changes in the policy interest rate feed through to a broad range of interest rates in the economy ¹¹. The 5 year Dutch government bond yield is therefore an important measure for, amongst others, buy-to-let mortgage interest rates. At Figure 5 below, one can observe the historical development of this bond yield during the period 2010-2023 ¹².

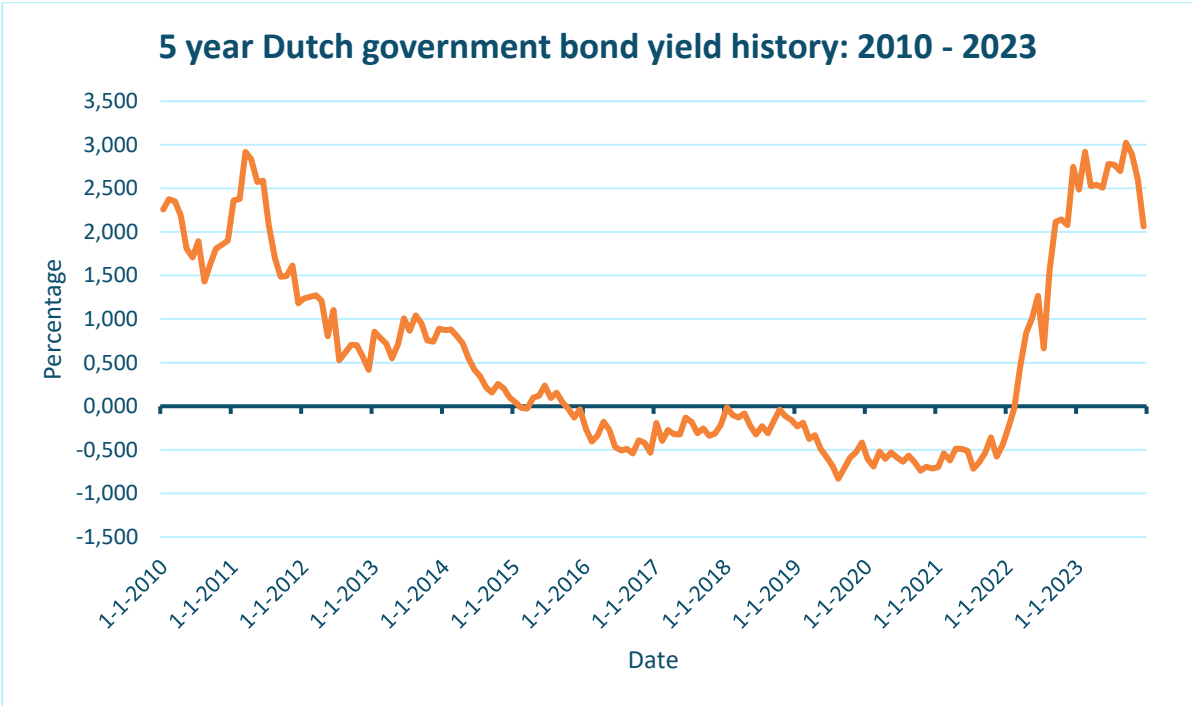


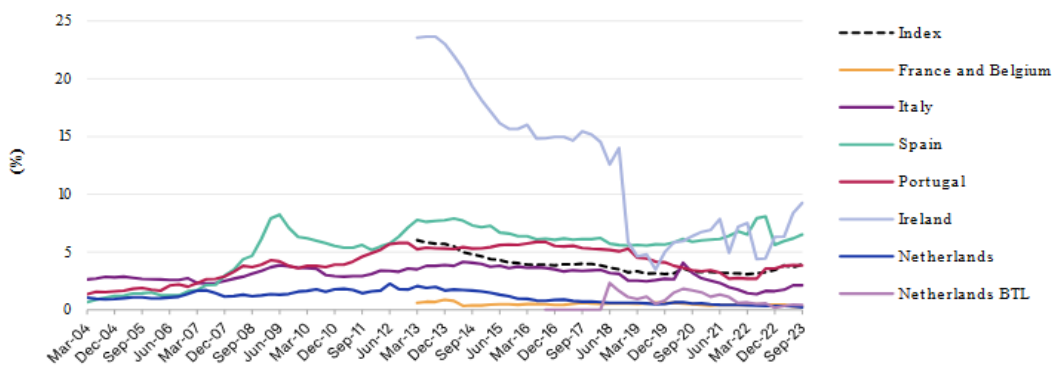
Figure 5: Historical development of 5 year Dutch government bond yield: 2010 – 2023 (Source: Investing.com)

From the figure above, it can be seen that the 5 year Dutch government bond yield has followed a general downward trend in recent years. In fact, from about mid-2016 to the end of 2021, government bond yields have fallen to historically low levels that have been below zero. The 5 year Dutch government bond yield started rising again from January 2022 on the back of concerns about sharply rising inflation and expectations from the market that the ECB would respond. However, during Q4 2023, the bond yield has started to decline. This is a result of the expected absence of further increases in short-term interest rates by the Fed and the ECB. Moreover, the inflation rate in the United States has ended up lower than expected, which in turn has a positive effect on the Dutch government bond yield ¹³. This is good news for the mortgage interest rates, which usually follow the bond yield with some delay.

3.2 Buy-to-let lending

Standard and Poors monitors the Dutch buy-to-let segment, comprised of 17 BTL RMBS transactions from the following originators: Domivest, RNHB, NESTR, De Nederlandse and Casarion ¹⁴. It compares the performance to owner occupied RMBS transactions (Netherlands in the graphs). We highlighted two relevant graphs. The below graph shows the total delinquencies for Dutch BTL at a low level of 0.4% in Q3 2023 versus 0.2% for Dutch RMBS. S&P notes the following: "Quarter-on-quarter total delinquency movements were minimal for most jurisdictions, with France/ Belgium, Italy, Netherlands, including buy-to-let, Portugal and UK prime showing stability or minor improvements. Deteriorations are visible in UK BTL, UK non-conforming, Spain and Ireland. Although sectors demonstrating resilience to date will likely continue to do so, overall, we believe the credit performance of mortgage collateral backing European RMBS will likely deteriorate in Q4 2023 and into 2024."

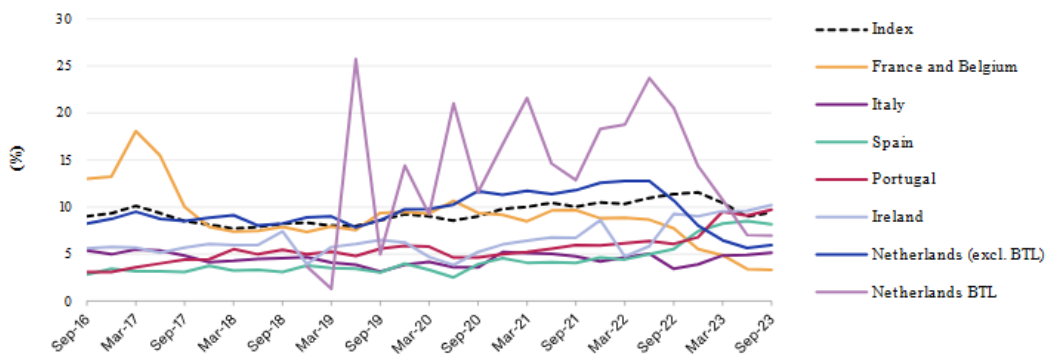
Total delinquencies
By country



BTL--Buy-to-let. Source: S&P Global Ratings.
Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

And the below graph shows the prepayment rate, which was 6.9% in Q3 2023 for Dutch BTL versus 5.9% for Dutch RMBS. Dutch RMBS prepayment rates were lower historically than Dutch BTL due to mortgage portability features that are not included in Dutch BTL loans. These rates have come down from more elevated levels in recent years as the higher interest rates make prepayments less attractive for borrowers.

Prepayment rate
By country



BTL--Buy-to-let.
Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

Source: European RMBS Index Report Q3 2023

Appendix: Glossary

TERM	DEFINITION
ABF	Research institution that supports decision-making within clients through provision of statistical information, consultancy, software and research.
Aedes	The national organization promoting the interests of practically every social housing association in the Netherlands, on all possible fronts.
Capital Value	Specialist and market leader on the Dutch residential investment market, providing transaction, valuation, consultancy and asset management services.
Federal Reserve System (Fed)	The central bank of the United States.
IVBN (Vereniging van Institutionele Beleggers in Vastgoed)	Association of institutional property investors in the Netherlands that aims to promote the investment climate for real estate in the Netherlands.
Ministry of Housing and Spatial Planning	Dutch ministry responsible for policies on public housing, and the housing of national government agencies.
NEPROM (Vereniging van Nederlandse Projectontwikkeling Maatschappijen)	Association of Dutch project development companies that aims to promote cooperation between the government and developers in the realization of real estate projects.
Pararius	The largest independent website for rental properties in the Netherlands.
Statistics Netherlands (CBS)	Dutch Central Bureau of Statistics.
The Netherlands' Cadastre (Kadaster)	Land Registry and Mapping Agency: collects and registers administrative and spatial data on property and the rights involved.
VNG (Vereniging van Nederlandse Gemeenten)	Association of Dutch municipalities that aims to unite the strengths of municipalities and to collectively act in the interest of local governments and its residents.

Sources

- ¹ [Woningmarkt \(cbs.nl\)](#)
- ² [StatLine - Bestaande koopwoningen; verkoopprijzen prijsindex 2015=100 \(cbs.nl\)](#)
- ³ [Steeds meer huuraanbod verdwijnt naar de koopmarkt \(pararius.nl\)](#)
- ⁴ [Huizenprijzen volgend jaar terug op niveau zomer 2022 - Rabobank](#)
- ⁵ [1. Woningmarkt en regelgeving | De Woningbeleggingsmarkt in Beeld - Capital Value](#)
- ⁶ [Wet betaalbare huur | Home | Volkshuisvesting Nederland](#)
- ⁷ [De Jonge versoepelt huurplafond voor nieuwbouw en verduurzaming \(fd.nl\)](#)
- ⁸ [Wet betaalbare huur. - Raad van State](#)
- ⁹ [Corporaties realiseren helft van beoogde 30.000 woningen per jaar - Vastgoedjournaal.nl](#)
- ¹⁰ [Woningbouwopgave stijgt naar 981.000 tot en met 2030 | Nieuwsbericht | Rijksoverheid.nl](#)
- ¹¹ [Interest Rate - Definition, Data & Forecasts - FocusEconomics \(focus-economics.com\)](#)
- ¹² [Nederland 5 jaar Obligatie Historische Gegevens - Investing.com](#)
- ¹³ [Hypotheekrente zet dalende trend in | Geld | Telegraaf.nl](#)
- ¹⁴ [European RMBS Index Report Q3 2023 | S&P Global Ratings \(spglobal.com\)](#)

Get in touch with us today

Are you interested in investing in secured Dutch Real Estate loans?

Contact our Chief Investment Officer:



Jeroen Spoor

Chief Investment Officer

T: +316 45 93 88 87

E: Jeroen.spoor@build-finance.nl

Are you interested in our lending offering for Dutch Real Estate?

Contact our Relationship Manager:



Kelly Oude Meijers

Relationship Manager

T: +316 15 90 30 01

E: Kelly.oudemeijers@build-finance.nl

באש

JANUARY 2024: MARKET UPDATE BUILD FINANCE