

# The Netherlands

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## IN A NUTSHELL

- The economy stagnated with a 0.1% GDP growth y-o-y (after 4.3% in 2022).
- House prices decreased by 1.9% y-o-y but increased by 1.7% q-o-q in Q4.
- Inflation remained evaluated at 4.1%, wages also increased.
- The maximum mortgage is now linked to the energy label.

## MACROECONOMIC OVERVIEW

The economy went into recession in the first three quarters but returned to growth in Q4. Overall annual growth was positive (0.1%). The contraction was driven by household consumption, inventory reductions, and especially exports. Global rebalancing from goods to services after the pandemic goods boom caused a decline in world trade in goods. Dutch exports suffered from this, and from an imposed reduction in gas production and weak demand from the Eurozone due to high energy prices.

Consumers purchased less due to high inflation, primarily in energy and food prices. As income growth, which was supported by accelerating contractual wages, low unemployment and government assistance for low-income households caught up with inflation, consumption increased in H2.

Although inflation remained high at 4.1%, it decreased significantly during the year due to lower energy prices.

The travel industry, machinery industry, oil industry, culture and recreation, and hospitality sectors all expanded whilst mining and quarrying, manufacturers of building materials, plastics, chemicals, textiles, and temporary job agencies experienced the largest contraction. The number of bankruptcies increased but remained below historic averages. Business investment initially expanded due to long lead times, but the recession and global outlook caused investment contraction in H2.

In July, the government resigned due to disagreements over migration restrictions. Despite this some policies continued to be implemented generating growth in sectors such as public administration, education, and health care. Public investment expanded, and public consumption ended up as the main contributor to GDP growth.

## LOOKING AHEAD

Given that no new government has been formed yet, policies remain uncertain. Despite this, it is reasonable to assume that fiscal policy will remain expansionary supporting growth of GDP and wages and supporting employment. Economic growth is expected to remain below normal in 2024 at with 0.7%. High labour cost increases will lead to some (but limited) cooling of the labour market. With increasing reluctance to hire, bankruptcies, deferred tax repayment by inviable businesses, unemployment is expected to rise from the current very

low levels. Wage increases are expected to slow but will still be considerable due to continued labour market tightness. Wage increases which averaged just below 6% provide further upward pressure to house prices.

## HOUSING MARKETS

In May, existing owner-occupied homes were 6.2% cheaper than the market peak in 2022 but by October the difference had shrunk to minus 3.6%. In Q4 prices rose in almost all regions, recouping most of the 6.2% price decline between the summer of 2022 and the spring of 2023.

The return of price rises is due to improved affordability, in particular for owner-occupied houses. There are few houses for sale, an increased number of viewings per property and less new construction.

Despite the significant impact of rising interest rates on affordability and on confidence and expectations about the owner-occupied housing market, fears in 2022 for a major market correction did not materialize.

In addition to wage growth, the borrowing capacity of single people (with an annual income of at least EUR 28,000) will increase due to the expanded borrowing options. They will be able to borrow an additional EUR 16,000 from next year.

The maximum permitted mortgage for a home will become more dependent on the energy label in 2024. Anyone who buys an energy-efficient home will be able to borrow more money in 2024, amounting up to EUR 50,000.

Because of the above factors it is anticipated that home prices will average 6.2% higher in 2024 than in 2023.

Fewer existing homes were sold, the number of transactions declined 5.5%. Just over 182,000 existing homes were sold in 2023, significantly less than in the previous five years when the average was 218,000.

## MORTGAGE MARKETS

Total Outstanding Residential Mortgage Lending at the end of 2023 was EUR 826,157 mn, up by 1.5% y-o-y. Gross residential lending decreased by 30% to EUR 107,240 mn. The average mortgage interest rate (weighted) at the end of 2023 was 3.84%, up from 3.29% in Q4 2022. Variable interest rates (fixed for up to 1 year) averaged 5.07%, while long-term fixed (10 years or more) were 3.3%. 68% of new mortgages had an initial fixed rate for over 5 years, while 22% had a variable rate.

## MORTGAGE FUNDING

The mortgage lending landscape is diverse. New originations came from banks, third-party originators, insurers, foreign parties and others. Banks use various

sources of funding but depend heavily on customer deposits (over 60% on average) followed by wholesale funding such as secured and unsecured debt. Wholesale funding was slightly higher due to some (early) TLTRO replacement despite continued strong growth in deposits, tightening credit conditions and a slowing housing market reducing funding needs. Covered bonds remain the preferred wholesale funding tool for mortgage portfolios due to favourable funding costs and the good asset-liability match whilst securitisation is generally not used. At the end of 2023, Dutch banks' total amount of outstanding mortgage-backed covered bonds equalled EUR 212,057 mn, but issuance declined from EUR 37,956 mn in 2022 to 20,125 mn in 2023.

For non-banks, mortgage funding is diverse. Insurers invest for their own book whilst third-party originators are typically funded by institutional investors. Meanwhile, a number of small, non-bank lenders are funded by a combination of bank warehouse facilities, whole loan funding and Prime RMBS, though the latter saw a substantial increase in 2023 by 275% from 2022, which was marked by market disruptions and widespread levels in 2022.

	THE NETHERLANDS 2022	THE NETHERLANDS 2023	EU 27 2023
<b>MACROECONOMIC VARIABLES</b>			
Real GDP growth (%) (1)	4.3	0.1	0.4
Unemployment Rate (LSF), annual average (%) (1)	3.5	3.6	6.1
HICP inflation (%) (1)	11.6	4.1	6.4
<b>HOUSING MARKET</b>			
Owner occupation rate (%) (1)	70.6	70.2	69.2
Gross Fixed Investment in Housing (annual change) (1)	1.0	-1.3	-3.1
Building Permits (2015=100) (2)	116.0	0.0	94.0
House Price Index - country (2015=100) (2)	186.8	183.3	170.2*
House Price Index - capital (2015=100) (2)	200.2	190.2	165.1*
Nominal house price growth (%) (2)	13.6	-1.9	3*
<b>MORTGAGE MARKET</b>			
Outstanding Residential Loans (mn EUR) (2)	813,300	826,157	6,782,375
Outstanding Residential Loans per capita over Total Population (EUR) (2)	46,235	46,384	15,114
Outstanding Residential Loans to disposable income ratio (%) (1) (2)	167.3	154.7	71.3
Gross residential lending, annual growth (%) (2)	-5.6	-30.4	-26.6
Typical mortgage rate, annual average (%) (2)	2.4	3.7	4.7

\* Please note that this value is a simple average of the available values in 2023.

Sources:

(1) Eurostat.

(2) European Mortgage Federation - Hypostat 2024, Statistical Tables.

## THE NETHERLANDS FACT TABLE

Explanation: Answers to the following questions will be used to construct information charts and a small table to be included in every country report in Hypostat. The idea is that these aspects do not vary on a continuous basis and will (probably) remain mostly true for a long period of time. Their accuracy should be checked every year, but there will be no need to update them with new data every year as is the case for the statistical tables. Please provide answers to the following questions in the boxes below, trying to be as concise and to the point as possible:

**Which entities can issue mortgage loans in your country?**

Mortgages are mostly being issued by banks and insurance companies. But also, the government, municipalities, companies in general and private persons may issue mortgages. However, for professional issuing of mortgages a company needs a license from the Netherlands Authority for Financial Markets. There are strict regulations for license holders to protect the consumer.

**What is the market share of new mortgage issuances between these entities?**

Not available.

**Which entities hold what proportion of outstanding mortgage loans in your country?**

Not available.

**What is the typical LTV ratio on residential mortgage loans in your country?**

Maximum LTV in 2022 is 100% (106% when financing energy saving measures). The average LTV for all new mortgage applications at HDN in 2022 was 55.4%, and 75.9% for house purchase mortgage loans.

**How is the distinction made between loans for residential and non-residential purposes in your country?**

A mortgage is registered at the Kadaster (Land Registry and Mapping Agency). At the time of registration of the mortgage, it must be specified whether a piece of land or object is meant for residential purposes.

**What is/are the most common mortgage product(s) in your country?**

Annuity and interest-only.

**What is the typical/average maturity for a mortgage in your country?**

30 years.

**What is/are the most common ways to fund mortgage lending in your country?**

Deposits and wholesale funding.

**What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?**

2% taxes; 4% other transaction costs (i.e. notary; real estate agent; taxation).

**What is the level (if any) of government subsidies for house purchases in your country?**

There is a guarantee fund, the Nationale Hypotheek Garantie (NHG). For mortgages lower than EUR 355,000 and meeting certain conditions, the NHG guarantees the repayment of the remaining mortgage debt in case of foreclosure (again subject to certain conditions).