

## **Dutch residential mortgage market**

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 924.2 billion in Q3 2025<sup>1</sup>. This represents a rise of EUR 46 billion compared to Q3 2024. As percentage of GDP however, the mortgage debt ratio declined to 79.3% compared to 107.3% in Q2 2010.

### *Tax system*

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for partial deductibility of mortgage interest payments from taxable income. Historically, this has resulted in various deferred amortisation mortgage products, most importantly the use of interest-only loan parts.

Since 1 January 2013, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013 ('old' mortgage), have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations can still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility. For both new and 'old' mortgages, mortgage interest relief is limited to a maximum of 30 years.

A second reform imposed in 2013 was to reduce the tax deductibility by gradually lowering the maximum deduction percentage annually until 2023, at which point it was set equal to the second-highest tax bracket of box 1. As a result, the highest tax rate against which the mortgage interest may be deducted is 37.56% in 2026.

There are several housing-related taxes which are linked to the fiscal appraisal value ("WOZ") of the house, both imposed on the national and local level. Moreover, a transfer tax of 2% is due when a house is acquired for owner-occupation. From 2021, first time house buyers aged between 18 and 35 years will no longer pay any transfer tax. This exemption only applies to houses sold for 555,000 euros or less (2026) and can only be applied once. In 2026, a transfer tax of 8% is due upon transfer of houses which are not owner-occupied (compared to 10.4% in all other cases).

Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

### *Loan products*

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

Firstly, the "classical" Dutch mortgage product is an annuity loan. And had become the norm again since 2013 due to its tax treatment.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century.

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<sup>1</sup> Statistics Netherlands, household data.

Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan originations.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles from before 2013. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical ‘old’ (pre-2013) Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. In recent years, there was a strong bias to longer term fixings (20-30 years) but since Q2 2022 10 year fixings have rapidly increased in popularity as the sharply increased mortgage rates drove borrowers to seek lower mortgage payments by going for shorter fixings. Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

#### *Underwriting criteria*

Most of the Dutch underwriting standards follow from special underwriting legislation (“Tijdelijke regeling hypotheek krediet”). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% or 106% when financing energy saving measures. The new government has indicated not to lower the maximum LTV further. LTI limits are set according to a table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending. Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

#### *Recent developments in the Dutch housing market <sup>3</sup>*

For almost a year now, house price growth has clearly been slowing (see Chart 3). At the beginning of 2025, we were seeing double-digit growth rates, but by October, existing owner-occupied homes were “only” 6.6% more expensive than in the same month in 2024. The slowdown in price growth can be partially explained by the increase in supply: more houses are on the market because landlords are selling their properties.

There are also signs that demand is coming under slightly more pressure, possibly because affordability is tightening. For the first time in twelve years, we see a decline in purchase intent among house hunters. And the Funda purchase intent index has also shown a slight downward trend for five quarters in a row. That said, underlying demand for owner-occupied homes still appears strong. Despite the extra supply, homes are selling at about the same rate as in 2024. Broker association NVM still classifies the market as very tight; there is no real cooling.

The housing market is a confidence-driven market: people's confidence in the future value development of homes plays an important role in market dynamics. Nevertheless, geopolitical (and the associated economic) uncertainty does not appear to have a significant or lasting impact on confidence in the housing market (see Chart 6). Although consumer confidence remains low despite a recent uptick, the market indicator of the Dutch homeowners association (Vereniging Eigen Huis) is almost neutral. This likely relates to strong wage growth and a tight labour market. While people have less confidence in the economy, their confidence in their own (current and future) financial situation has remained much more positive.

Developments in the mortgage market also provide insight into the state of the housing market. Since the introduction of mandatory repayments and the cap on the maximum mortgage debt at 100% of the collateral value, the increase in total mortgage debt has clearly lagged behind the rise in house prices. Recently, we have seen the total mortgage debt continue to grow, even as house price growth levels off. This is, however, easily explained by the increase in home purchases by first-time buyers, a group that borrows relatively more compared to the purchase price. At present, there are no indications that the rise in house prices is credit-driven – and therefore potentially unsustainable.

After the sharp decline in home sales between May 2021 and January 2024, the number of owner-occupied homes sold has rebounded strongly since 2024. In October, nearly 22,000 existing owner-occupied homes changed hands, an increase of 20.5% compared to a year earlier. In the first ten months of 2025, more than 193,000 existing owner-occupied homes were sold, almost 29,000 more than in the same period in 2024.

The increase in home sales is directly related to the sell-off wave. Over the past four quarters, on balance, some 34,000 rental properties moved from residential investors to the owner-occupied sector. The fact that landlords are selling their properties in large numbers suggests that selling these homes yields more than future rental income and expected price appreciation. According to SEO (2025) the mid-range rent regulation (via the Affordable Rent Act) has had a major impact on the investment climate. For private landlords, lower average rental income is compounded by higher tax pressure in Box 3. To limit this tax burden, the notional rate (currently 5.88%) will not rise to 7.78% next year but will instead increase to 6%. Likewise, the planned reduction of the tax-free allowance will not go ahead. However, it remains unclear whether – and to what extent – these adjustments will curb the sell-off wave.

Due to the sell-off wave, far more homes are for sale than in 2024 (The market still seems to be absorbing the extra supply well. In the first three quarters of 2025, homes have generally sold almost as quickly as during the same period in 2024. The average time on the market (including homes not yet sold) has also barely changed.

The sell-off wave is hitting hardest in (and around) the largest cities in the Randstad, and outside the Randstad also in typical college towns. This is clearly reflected in home sales. For example, in the first nine months of 2025, more than 30% more homes were sold in Amsterdam, Rotterdam, and The Hague compared to the average number of home sales in the first nine months of 2020 through 2023, when the sell-off wave had not yet gained momentum. Outside the Randstad, cities such as Nijmegen, Arnhem, and Maastricht recorded a solid increase in sales. And in municipalities near major Randstad cities – such as Leiden, Rijswijk, Delft, Ouder-Amstel, and Castricum – many more homes were sold.

An important question is to what extent the wave of investor sell-offs has improved the affordability of owner-occupied homes for first-time buyers. The fact that home prices are still rising faster than incomes and the maximum borrowing capacity implies that overall affordability has continued to deteriorate. At the same time, former rental properties are on average cheaper than homes that were not sold off by landlords. This is because they tend to be smaller and often have a poorer energy rating. People who bought a home from a residential investor paid an average of EUR 384,000 in the third quarter of 2025. That is almost EUR 130,000 less than what buyers pay when purchasing from an owner-occupant.

Although these former rental homes are somewhat cheaper, households under 35 renting in the mid- or high-end segment often cannot finance these properties based solely on household income. In 2023, they could finance an estimated 255,000 on average – more than 120,000 euros less than the average sales price of a former rental home. This mismatch is also evident from data on the buyers of these properties: They typically have significantly higher incomes than the tenants who would otherwise have lived in these homes. So, housing affordability remains a problem.

Increasing housing production remains a key goal of housing policy. However, in recent years, the target of adding 100,000 homes annually has consistently not been met. Last year, for example, only 82,000 homes were added to the housing stock. While there are a large number of new homes in the pipeline – an average of about 205,000 over the past twelve months – it is often not possible to begin construction in the short term. For some of the houses in the pipeline, permits are not yet final, and lengthy objection and appeal procedures may still be underway.

Recently, municipalities have begun issuing more permits for new homes again. This usually signals an increase in completed new homes a few years later. However, in recent years, completions have been slow. Over the past five years, new housing production has fluctuated around 72,000 homes per year. Since 2023, the number of completed new homes has even declined somewhat. As more homes are under construction, this suggests delays during the building process. Figures of WoningBouwersNL also indicate signs of stagnation in the sale of new-build homes. The twelve-month total for new-build home sales has remained stuck at just under 34,000 homes for seven consecutive months.

#### *Forced sales*

Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates<sup>2</sup>. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn post financial crisis was increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

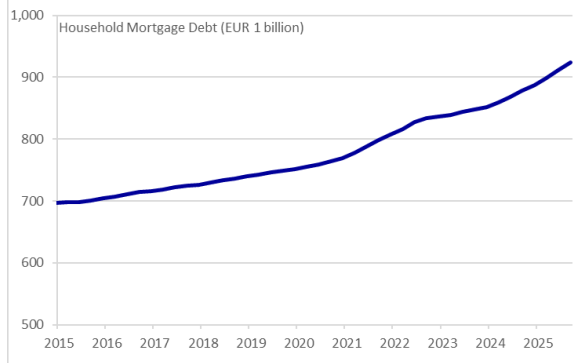
For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. The Land Registry recorded 50 forced sales by auction in Q3 2025 (0.12% of total number of sales over a 12 month period).

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<sup>2</sup> Comparison of Moody's RMBS index delinquency data.

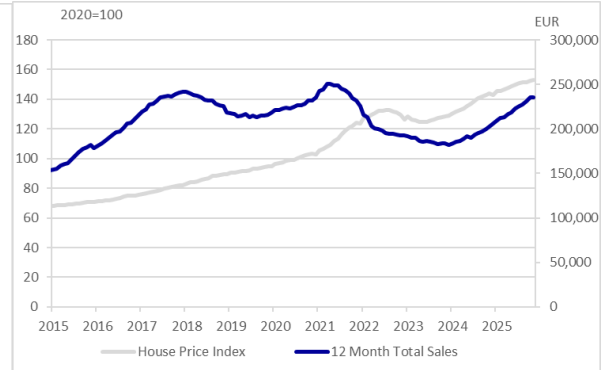
<sup>3</sup> Rabobank Housing market quarterly of 17 December 2025

Chart 1: Total mortgage debt



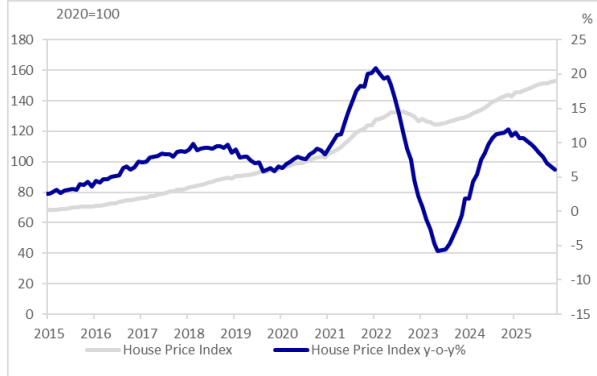
Sources: Statistics Netherlands, Rabobank

Chart 2: Sales



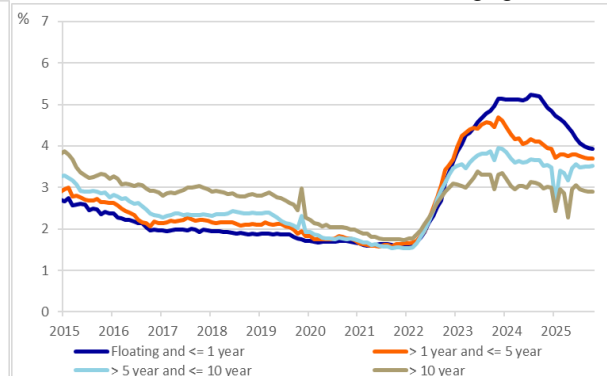
Sources: Dutch Land Registry (Kadaster), Statistics Netherlands (CBS)

Chart 3: Price index development



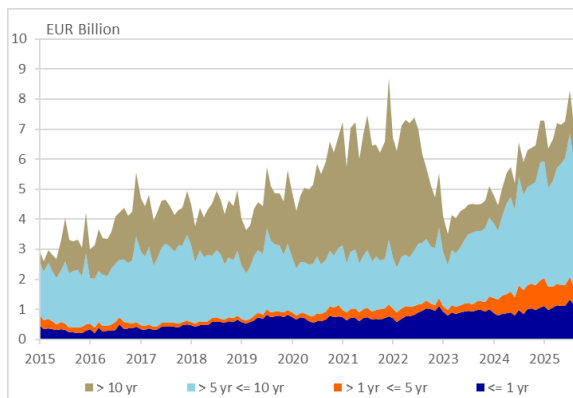
Sources: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



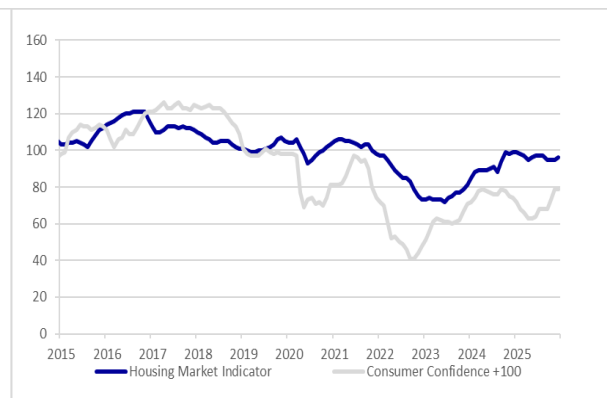
Source: Dutch Central Bank

Chart 5: New mortgages by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Sources: Statistics Netherlands, OTB TU Delft and VEH