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 898.8 billion in Q1 2025[1]. This represents a rise of EUR 40 billion compared to Q1 2024.

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, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations 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.

A second reform imposed in 2013 was to reduce the tax deductibility by gradually lowering the maximum deduction percentage. As a result, the highest tax rate against which the mortgage interest may be deducted is 37.48% in 2025. This is a slight increase compared to 2024 due to the introduction of an additional income tax bracket which is slightly higher than the lowest income tax bracket. Mortgage interest can be deducted from income in the second tax bracket in 2025.

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, house buyers aged between 18 and 35 years will no longer pay any transfer tax. From. This exemption only applies to houses sold for 525,000 euros or less (2025) and can only be applied once. In 2025, a transfer tax of 8% is due upon transfer of houses which are not owner-occupied (compared to 10.4% in 2023 and 2024).

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. 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. 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.

[1] Statistics Netherlands, household data.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. 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 very 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 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 five 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 hypothecair 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 fixed 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 [3]

The fact that the demand for owner-occupied houses still far exceeds their supply is evident from recent housing figures. In April, the latest month for which figures are available, home prices were 0.7% higher than a month earlier, and more than 10% higher than a year earlier. This made it the tenth consecutive month with a double YOY growth rate. The same is not true of the largest cities. In Amsterdam, house prices actually fell slightly in the first quarter compared to the previous quarter. This was also the case in the last quarter of 2024. As a result, houses in the capital are now just over 3% more expensive than during the previous peak in 2022, while houses throughout the Netherlands are on average 10% more expensive than in the third quarter of 2022. House prices in The Hague and Rotterdam are also closer to the previous peak than on average in the Netherlands. Presumably this is due to the sale of rental housing by private investors. Whereas previously they bought many houses to rent out precisely in the large (student) cities, thus contributing to the rapid house price increases in those cities, they are now offering these houses for sale again. For example, many more houses were for sale in major cities in recent months than a year earlier. This combination of more supply and less demand seems to have a strong price-pressing effect locally.

In recent years, the ability to buy a home on two modal annual incomes has disappeared rapidly. This is because home prices have risen faster than the amount people can borrow based on their income.
A median household income, the amount in which one half of households earn more and the other half earn less, has been insufficient to buy a median-priced owner-occupied home since 2018. By 2023, with such an income, you could only finance one in three homes that were sold that year.

Even households with an income of twice modal, which puts them among the 35% highest-earning households, have limited choices (based on a 4% mortgage interest rate). A median household income appears to be insufficient in all regions to finance the median-priced owner-occupied home. Households in Greater Amsterdam and the Haarlem Agglomeration appear to be the worst off. In 2024, households with median household incomes for those regions could finance barely 6% of homes sold in that year. Urban regions like Utrecht, The Hague, Arnhem-Nijmegen and Rijnmond fared slightly better, but even there about four out of five homes sold are out of reach of households with median household incomes. Regions where the situation is even slightly better are found mainly outside the Randstad, such as in Friesland, Limburg and Zeeland.

More than 17% more homes were sold in the first four months of this year than a year earlier. This rebound is driven by the sale of former rental properties. Especially in the large (student) cities, where buy-to-let investors were previously very active, the so-called buyout wave led to a sharp increase in the number of houses for sale. In the first five months of the year, the five largest municipalities had more than 30% more houses for sale on average than a year earlier Without this additional supply, house prices would probably have risen more sharply. All the more so because, according to NVM figures, former private homes are on average of lower quality, causing a composition effect for which the existing house price index does not fully correct. So the house price figures now reported may underestimate the actual rise in house prices, especially in places where many former rental properties are sold.

Housing construction can provide additional supply of existing owner-occupied housing. But it doesn't look like housing construction is going to take off anytime soon. There are still many homes in the pipeline, but municipalities have been issuing fewer permits for new homes lately. That is usually a harbinger for new construction, albeit the decline is usually less sharp than the permit dip. For a long time, sales of newly built homes for sale were on the rise. But now their sales seem to be stabilizing slightly.
Right now, downside risks dominate. In addition to nitrogen issues and grid congestion issues, the Kaderrichtlijn Water (Water Framework Directive) may further complicate housing construction starting in 2027. Housing construction is also plagued by structural bottlenecks, including a lack of building sites, slow processes and red numbers

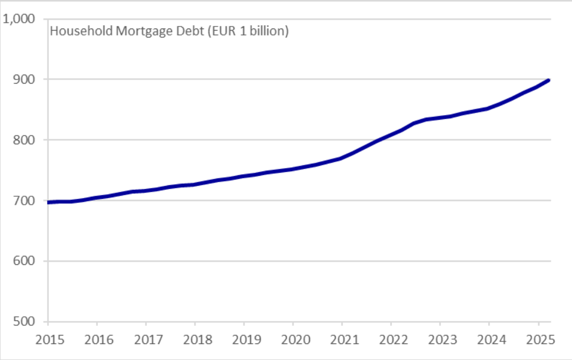
Forced sales
Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates[2]. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn post financial crisis was 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.

[2] Comparison of Moody's RMBS index delinquency data.

[3] Rabobank Housing market quarterly of 18 June 2025

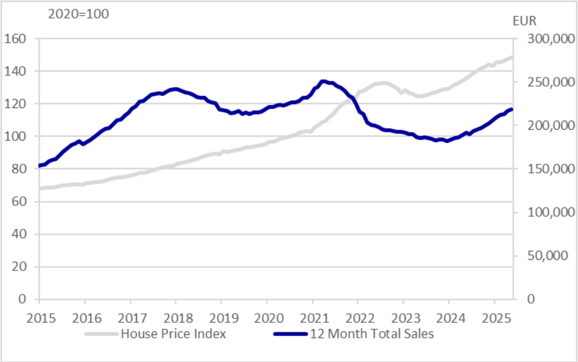
For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. The Land Registry recorded 76 forced sales by auction in Q4 2024 (0.12% of total number of sales over a 12 month period).

Chart 1: Total mortgage debt



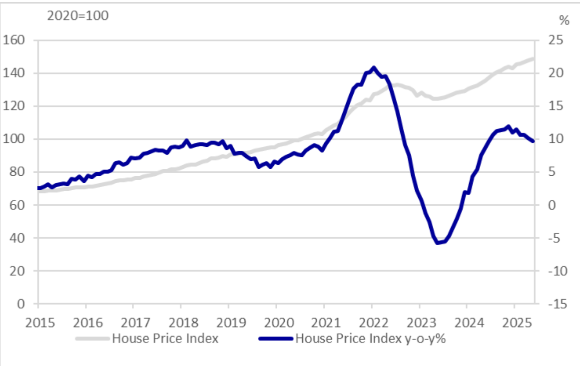
Sources: Statistics Netherlands, Rabobank

Chart 2: Sales



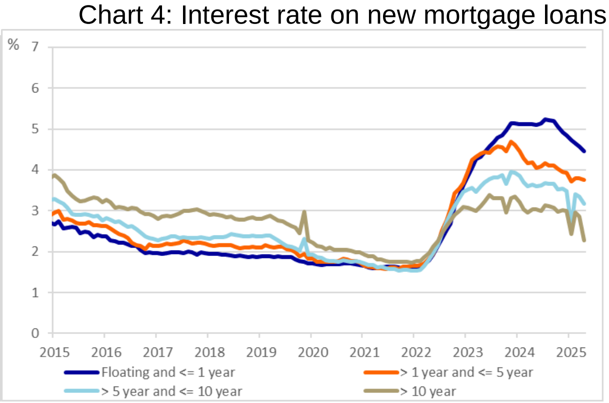
Sources: Dutch Land Registry (Kadaster), Statistics Netherlands (CBS)

Chart 3: Price index development



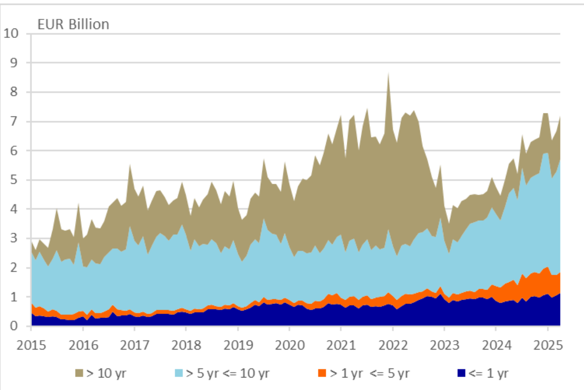
Sources: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



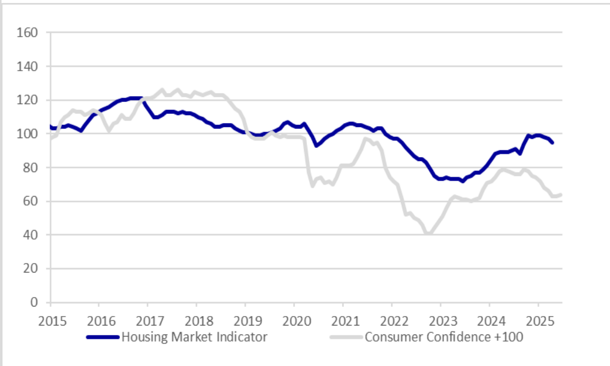
Source: Dutch Central Bank

Chart 5: New mortgages by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Sources: Statistics Netherlands, OTB TU Delft and VEH