

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 amounts EUR 935.9 billion in Q4 2025¹. As percentage of GDP however, the mortgage debt ratio amounts 79.4% compared to 107.3% in Q3 2012.

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.

¹ 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*³

The pace at which house prices are rising slowed further in January. Existing owner-occupied homes were on average 5.4% more expensive than a year ago (Chart 3). This continues a trend that has been visible since the end of 2024 – when price growth peaked at 11.9%. On average, home buyers paid about EUR 25,000 more for an average owner-occupied house in January than those who bought a comparable house a year earlier.

The fact that house prices are no longer rising so quickly cannot be seen in isolation from the fact that investors are selling more and more rental properties. Over the whole of 2025, investors sold no fewer than 36,000 rental homes to owner-occupiers. This means that this part of the supply accounts for more than 15% of the total number of owner-occupied homes purchased. The extra supply relieves the pressure on the owner-occupied housing market, which explains the flattening rise in house prices.

House price developments showed strong regional differences last year. Regions in part of the north and east of the Netherlands experienced relatively strong price growth, ranging from 8.9% in southwest Friesland to 11.5% in east Groningen and Delfzijl and the surrounding area. In the more western regions, house prices rose less rapidly. In Greater Amsterdam, price growth even remained at 4.3%, far below the national price growth of 8.6%. Other regions with below-average house price growth can be found near Amsterdam, but also in south Limburg and Zeeland. In the latter region, houses are relatively cheap and price growth is lagging behind compared to many other regions.

This development – less rapidly rising prices in the most expensive regions of the Netherlands and more rapidly rising prices in regions on the (especially north-eastern) edges of the Netherlands – means a certain degree of regional convergence in house prices. The fact that regions have recently been growing closer together is also evident from the median price paid by home buyers. This is a better indicator than the (more commonly reported) average sales price because, especially in Amsterdam, a relatively limited number of transactions of very expensive houses pulls the average up considerably. The median selling price is insensitive to such outliers. At the end of 2025, home buyers in Amsterdam paid an average of approximately EUR 537,000 for an owner-occupied home; about EUR 173,000 more than in the periphery of the Netherlands. A year earlier, the price difference was EUR 199,000.

Despite the slowdown in price growth, the market is still very tight. The fact that house prices continue to rise despite the extra supply illustrates how great the underlying scarcity still is. For the time being, the market seems to be able to absorb the increased supply well. According to NVM's shortage indicator, prospective home buyers have slightly more homes to choose from than in 2021, but still a lot less than in 2022 and 2023, when the housing market temporarily cooled in the wake of rising interest rates. The housing shortage calculated by ABF & Capital Value also still points to a major shortage: according to them, we will have a shortage of no less than 410,000 homes in 2026; about 4.8% of the housing stock.

From February 2025 until February 2026, approximately 239,000 existing owner-occupied homes changed hands; this is just under 30,000 more than one year earlier. The pace at which the number of sales is increasing has weakened somewhat in recent months. This may be an indication that we are slowly but surely heading towards the peak of the current high number of transactions. The development of the number of house transactions – just like the development of house prices – is one-to-one related to the wave of sales of ex-rental properties.

In the past two years, the influx of ex-rental homes to the owner-occupied sector has relieved the pressure on the owner-occupied housing market. Although the increase in this extra supply has been levelling off for some time, the number of homes that investors sell to homeowners on balance is still increasing. In total, on balance, 36,000 homes will have been sold by investors to owner-occupiers in 2025, with investors selling almost ten times as many homes to owner-occupiers than they were buying.

An important part of the wave of sales are homes owned by private investors. These are usually rented out under a temporary contract. The new rental policy came into effect on July 1, 2024, and temporary rental contracts were usually not allowed to last longer than two years. This part of the supply is likely to largely dry up after the summer of 2026. Larger commercial landlords relatively often offer a rental contract for an indefinite period and will only proceed with the sale after the tenant has left. As a result, investors are likely to continue to sell homes to homeowners for a longer period of time – historically speaking, a relatively large number.

Newly built houses are adding extra supply. Much construction started in recent years, and we assume that considerably more new homes will be completed this year than in the past two years. New construction has been under pressure since 2022 due to a combination of short-term factors (rising interest rates) and structural challenges. In the past three years, fewer and fewer homes were added due to new construction and other forms of housing construction (CBS, 2025). In both 2024 and 2025, the new construction counter even remained stuck at around 69,000 homes. As a result, the policy goal of 100,000 homes per year, which has also been identified as an important priority by the new cabinet, has become increasingly out of sight.

Just under 217,000 homes are currently in the pipeline. Of these, no fewer than 96,500 homes are already under construction. We have not seen such a high number since the start of the CBS data series. By comparison, in the first quarter of 2024, the counter stood at about 76,000 homes under construction. At the same time, the ceiling in the number of construction starts seems to have been reached. In the wake of the higher number of construction starts, more new homes have been completed since the autumn of 2025. This is also what you would expect based on the number of housing permits issued. Two years ago, this number was clearly on the rise. And this usually means more new-build homes completed about two years later.

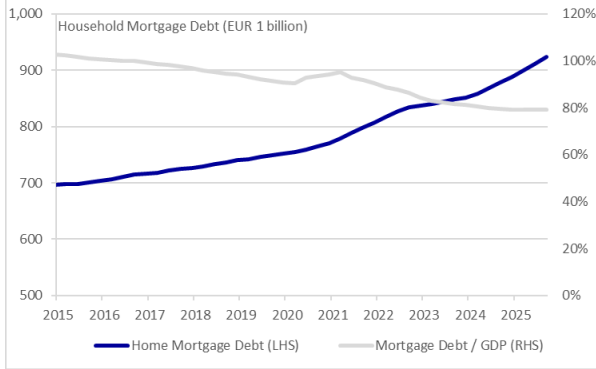
Forced sales

Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates². 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 82 forced sales by auction in Q1 2026 (0.12% of total number of sales over a 12 month period).

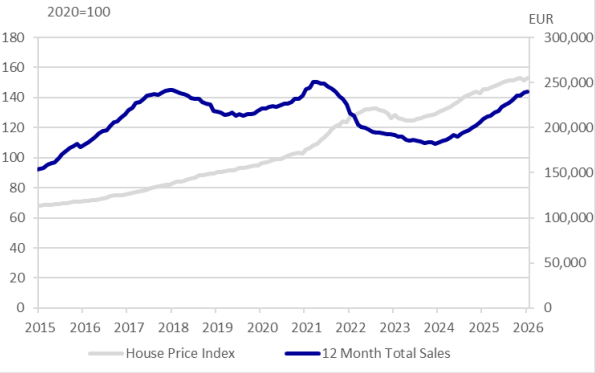
³ Rabobank Housing market quarterly of 12 March 2026

Chart 1: Total mortgage debt



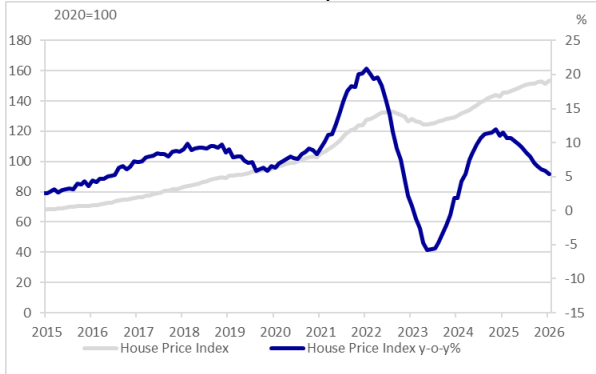
Sources: Statistics Netherlands, Rabobank

Chart 2: Sales



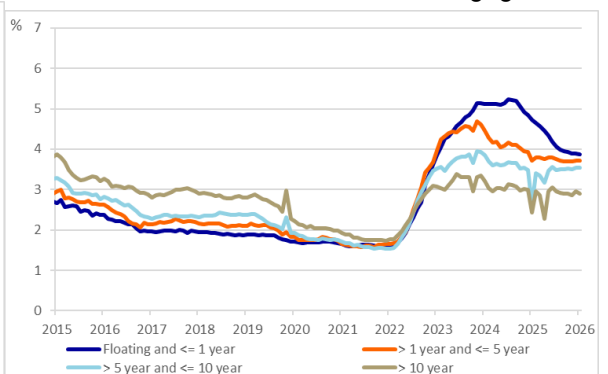
Sources: Dutch Land Registry (Kadaster), Statistics Netherlands (CBS)

Chart 3: Price index development



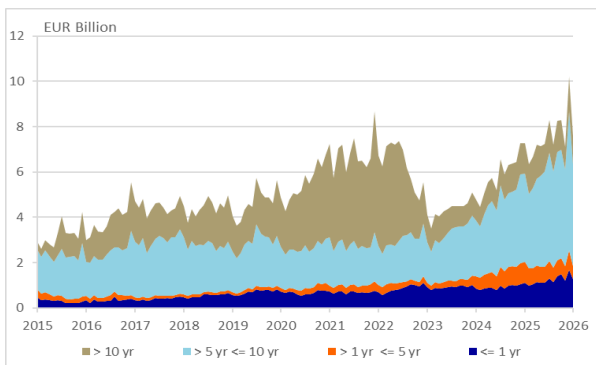
Sources: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



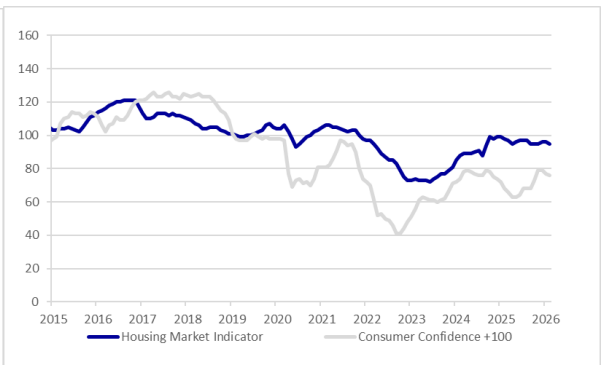
Source: Dutch Central Bank

Chart 5: New mortgages by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Sources: Statistics Netherlands, OTB TU Delft and VEH