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 958.5 billion in Q2 2026[1]. As percentage of GDP however, the mortgage debt ratio amounts 80% 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 and 10.4% for non-residential buildings.

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. Mortgage loans including an interest-only loan part were the norm until 2013, and even today,

[1] Statistics Netherlands, household data.

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 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 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 increased geopolitical uncertainty has not yet resulted in a turnaround in the housing market. Meanwhile, the housing market statistics – which measure developments with some delay – give a first impression of the impact of the conflict in the Middle East. Although the rate at which house prices are rising is slowing down, no trend break is visible in the price index of existing owner-occupied homes. The price growth of existing owner-occupied homes has been gradually declining since the spring of 2025. In recent months, this decline was not faster than at the beginning of 2026. Seasonally-adjusted house prices continue to rise by about 0.3% per month. House prices were 3.9% higher in July 2026

than in the same month a year earlier. Although it is difficult to distinguish the consequences of the conflict from the contribution of other factors, the impact seems limited.

The number of transactions also remains high: in the twelve months up to and including July 2026, more than 245,000 owner-occupied homes changed hands. The high number of homes put up for sale, including many ex-rental homes, is the main driving force. So, although the housing market is cooling down, there is no question of a market correction. There are several possible explanations for the so far mild effect on the housing market. For example, the interest rate increase is relatively small, especially compared to the period after the energy crisis. The economic impact also seems to be smaller than previously thought. The still large underlying housing scarcity probably also plays an important role.

In the past four quarters, a total of 39,000 rental homes were sold to owner-occupiers; slightly below the four-quarter sum in the first quarter 2026. The number of sales is therefore still at a very high level, although the ceiling now seems to have been reached. Especially among private landlords the number of sales falls slightly. However, institutional residential investors have actually started to sell more rental properties in recent quarters.

Due to the still great underlying housing shortage, most houses that come on the market are sold quickly. The extra supply is therefore also pushing up the number of home sales. In the past twelve months, almost 246,000 houses were given a new owner, which is almost a record. Only in the spring of 2021 there were slightly more housing transactions: no fewer than 250,000 homes were sold. Historically, many apartments have changed hands recently.

Year-on-year, about 9% more houses have been sold in the past twelve months than a year ago. The period of double-digit growth now seems to be over. In the past year, growth in the apartment segment in particular fell back, which fits in with the picture that the wave of sales has reached a ceiling

Over the past three years, the number of new-build homes completed has steadily declined. There are currently almost 234,000 homes in the pipeline. A very large number of them – about 46% – are actually under construction. In addition, municipalities have been issuing more building permits for new-build homes since the beginning of 2026. In May, the twelve-month counter stood at no less than 96,000 permits. In the past eleven years, such a high number has never been seen. However, this increase gives a distorted picture of the actual development of construction activity, because builders have brought forward permit applications in connection with changing policy.

The recent increase in the number of housing permits issued seems to be related to the fact that from 1 July 2026, small-scale users (which includes requests to connect new-build houses to the grid) will also be put on the waiting list for new electricity connections if there is grid congestion. It seems that some municipalities and developers wanted to get ahead of this change and therefore accelerated the process by recording those as permitted before permits were final.
It is therefore uncertain when the housing plans and building permits issued will result in completed homes. In addition to grid congestion, other factors also play a role here. For example, some of the housing plans – also for 2027 – are soft. The share of soft plans will continue to increase towards 2030. And even hard plans are not always realized in the planned year, ABF Research notes. Housing bottlenecks such as grid congestion, nitrogen problems, objection and appeal procedures and rising construction costs can all throw a spanner in the works. The research institute points to a wave of plans that repeatedly push back a year. And in recent years, CBS statistics have also shown a growing gap between the number of building permits issued and the number of homes completed.

In addition, sales of new-build homes have been declining for some time. Based on the number of completion guarantees issued, about 9.3% fewer new-build homes were sold in the first seven months of 2026 than in the same period in 2025. Because the sale of new-build homes is falling due to a drop in demand, more and more new homes are for sale. According to the NVM, this mainly concerns new-

build apartments. It notes high demand for ground-level housing, while the focus on new construction has increasingly shifted to apartments in recent years. This assumed mismatch between supply and demand poses a risk to the saleability of new-build owner-occupied homes.

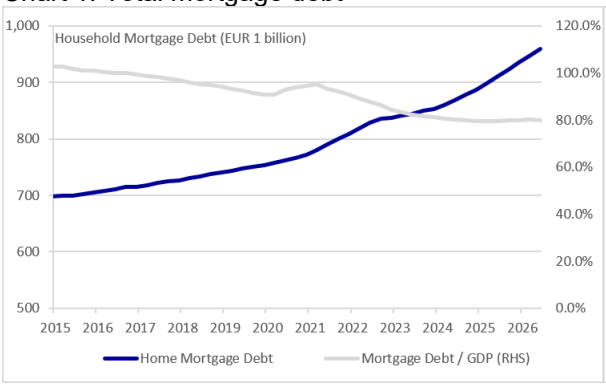
Forced sales

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.

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 83 forced sales by auction in Q2 2026 (0.11% of total number of sales over a 12 month period).

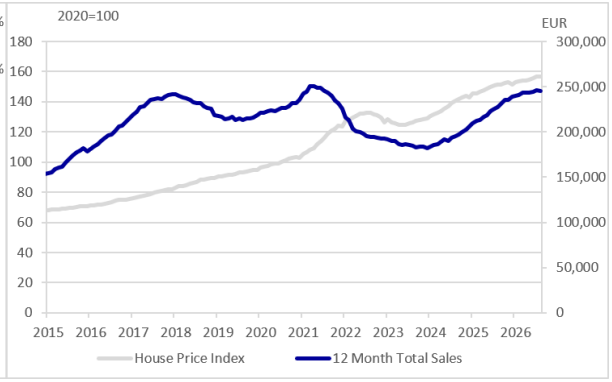
[3] Rabobank Housing market quarterly of 16 September 2026

Chart 1: Total mortgage debt



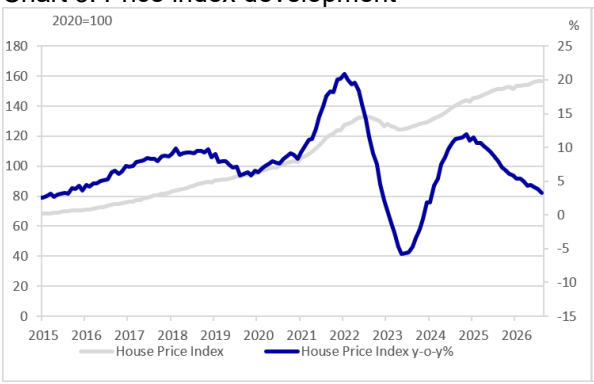
Sources: Statistics Netherlands, Rabobank

Chart 2: Sales



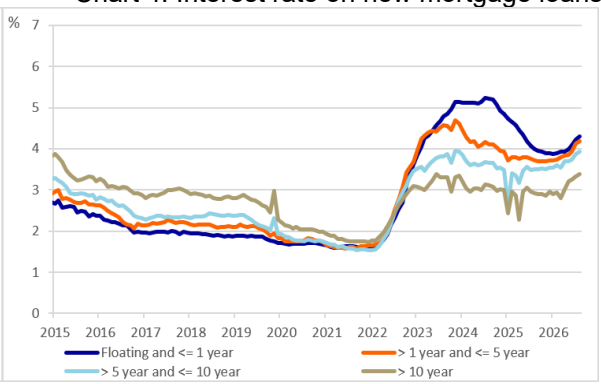
Sources: Dutch Land Registry (Kadaster), Statistics Netherlands (CBS)

Chart 3: Price index development



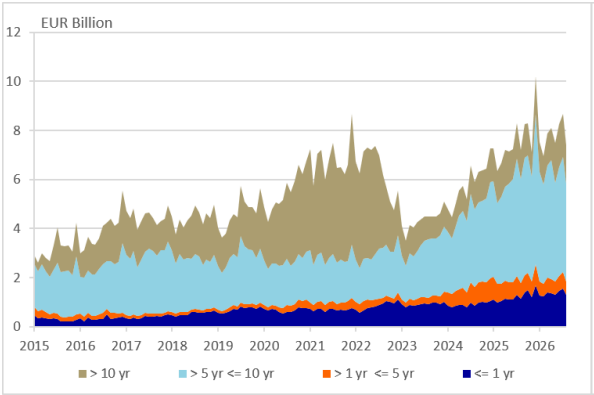
Sources: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



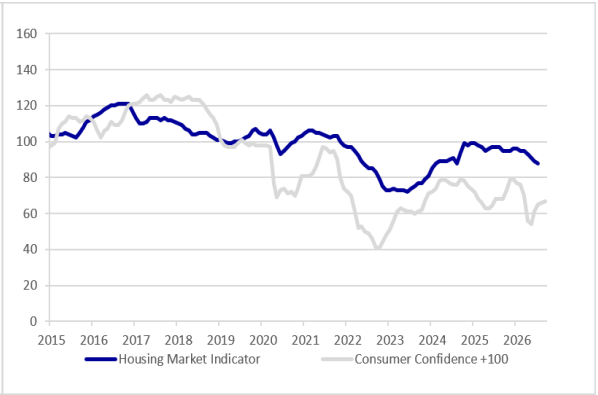
Source: Dutch Central Bank

Chart 5: New mortgages by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Sources: Statistics Netherlands, OTB TU Delft and VEH