

1 April 2021

**MORNINGSTAR** | **DBRS**

# Dutch Housing Market and Residential Mortgage Backed Securities

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# Overview

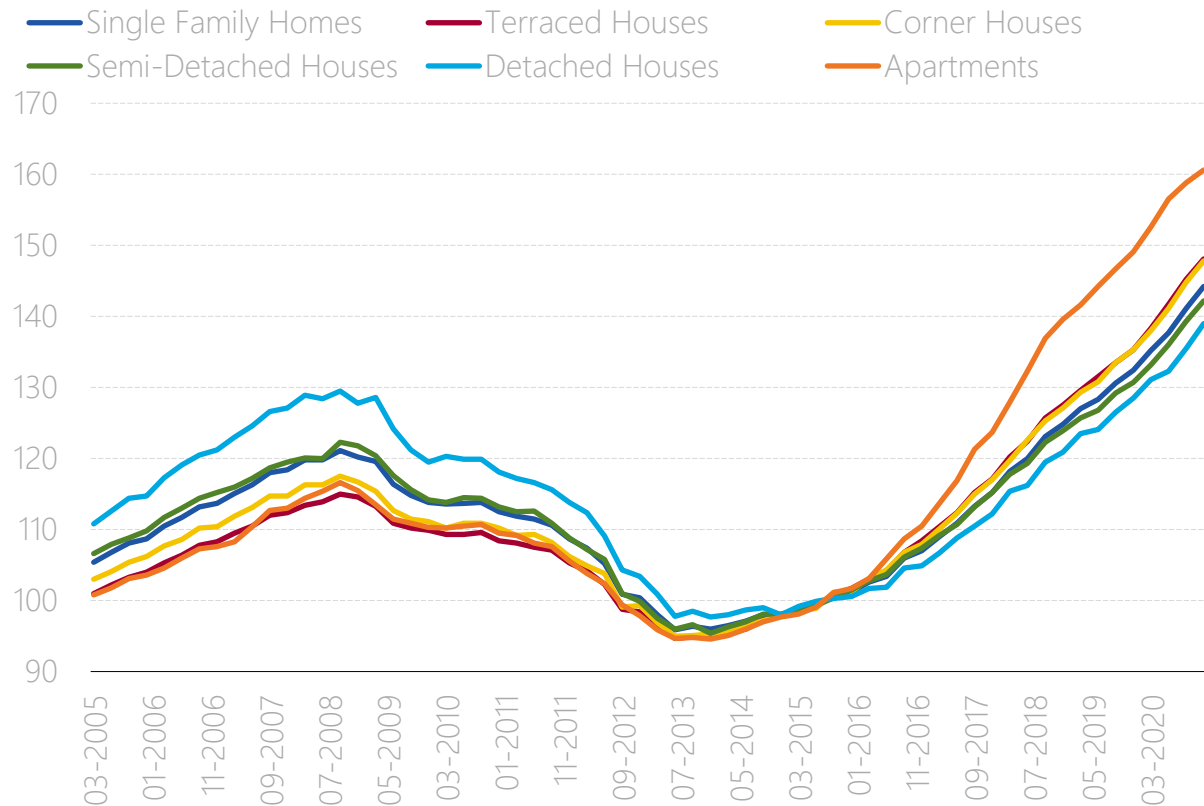
## Housing:

- A Strong Market
  - House Prices Continue to Grow
  - Supply Remains Limited
  - Lending Volumes Steady

## Performance:

- Steady Support
  - Employment Levels Supportive
  - Issuance Increase?
  - Positive Mortgage Performance

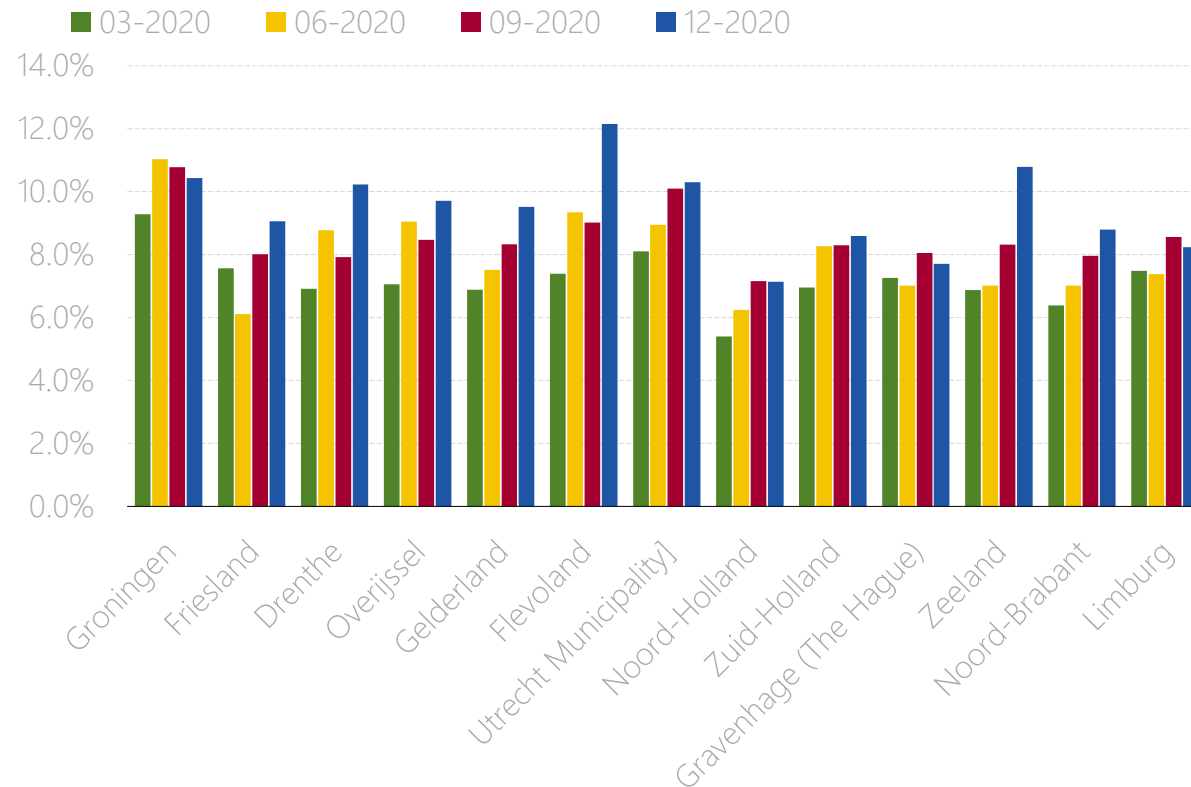
# Housing Market – Apartment Market Squeezed Higher



Source: Haver Analytics and DBRS Morningstar

- Reversal of Appreciation of Detached Housing pre-GFC
- Urban Demand driving Apartment Pricing Upwards
- Overall, all Markets Continue to Perform
  - Risk of Overheating

# House Prices – What COVID-19 Pandemic?



- Growth in Dutch Housing markets did not lose a step at onset of pandemic
- If anything, growth accelerated
- No region left out of growth
  - Groningen, Flevoland, and Utrecht broadly outperforming
  - Noord-Holland at the low end of growth

Source: Haver Analytics and DBRS Morningstar

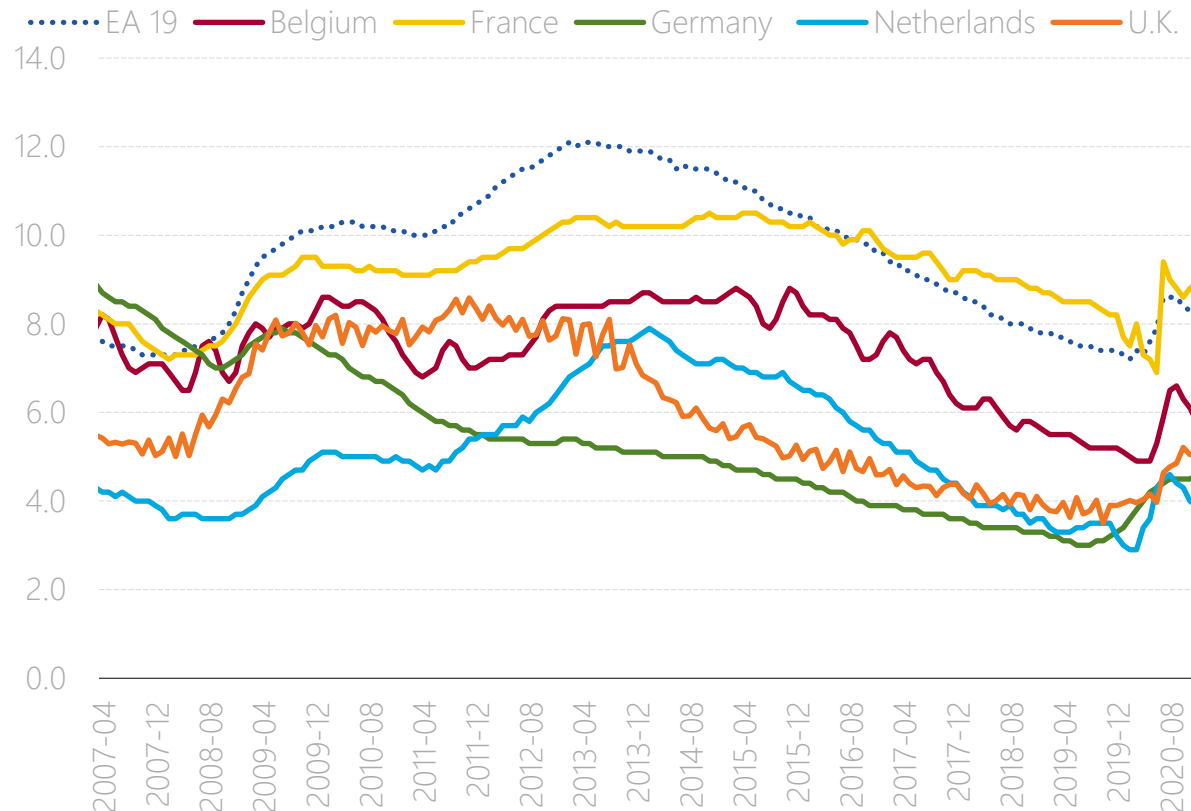
# Recent Property Tax Changes

	Till end 2020	From 2021
Residential first-time home buyers (18-35 years)	2%	0%
Residential (the buyer will use it as their residence)	2%	2%
Investors in residential real estate	2%	8%
Commercial real estate	6%	8%

Source: Dutch Government and DBRS Morningstar

- Tax changes favour first time buyers over investors
- Short term:
  - Less activity from investors
- Longer term:
  - BTL still expected to remain growing part of market

# Unemployment – Surge and Slight Recovery

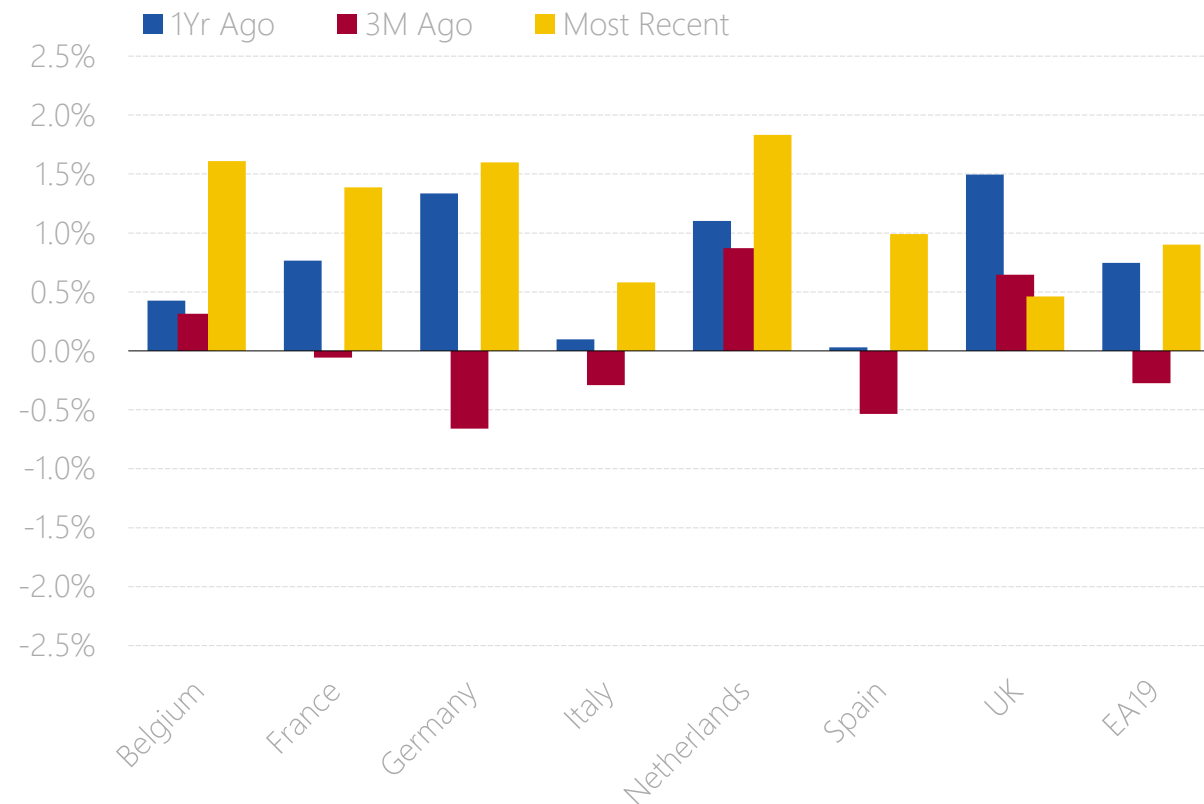


- Spike in unemployment after all time lows
- Have recovered some of unemployment
- Overall, levels remain low on historical basis
- Levels are also low on comparative basis

Source: Haver Analytics and DBRS Morningstar

# Inflation Ticking Higher

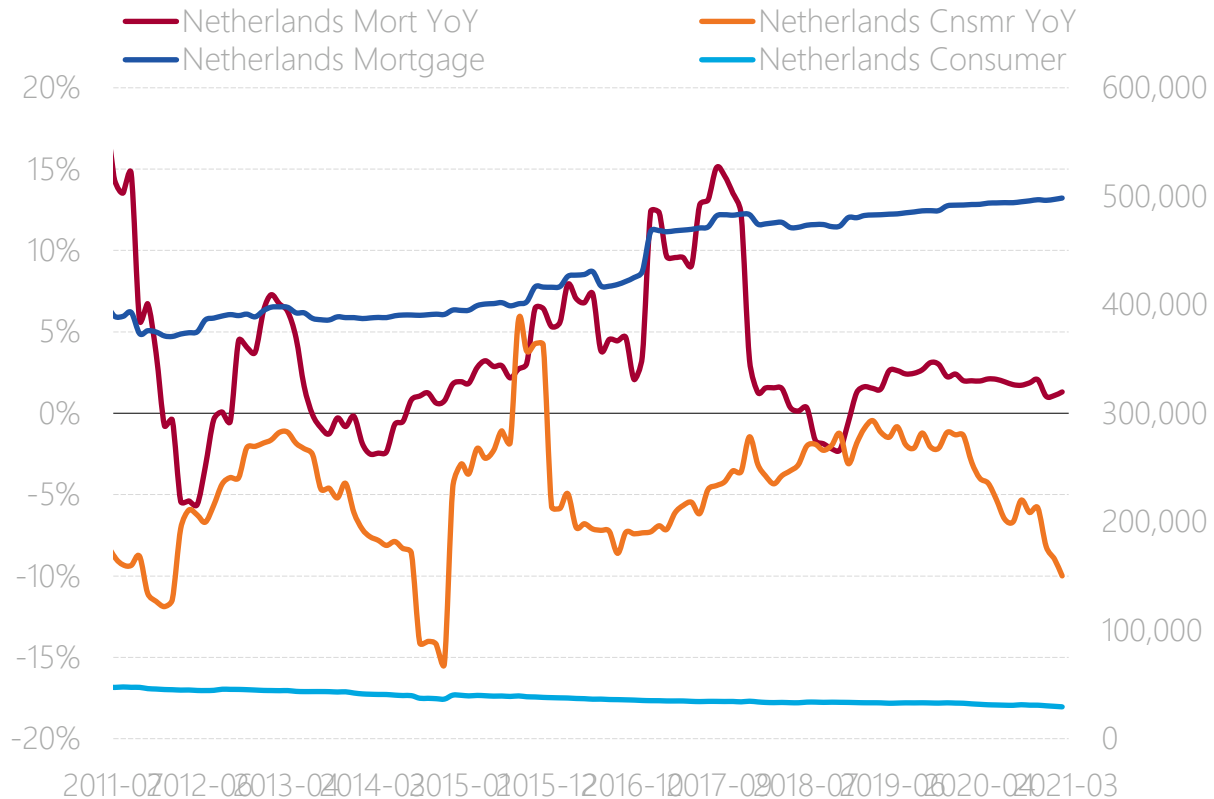
## Inflation Rates



- Inflation levels at high end of European markets
  - However, not yet at a concerning level

Source: Haver Analytics and DBRS Morningstar

# Mortgage Lending

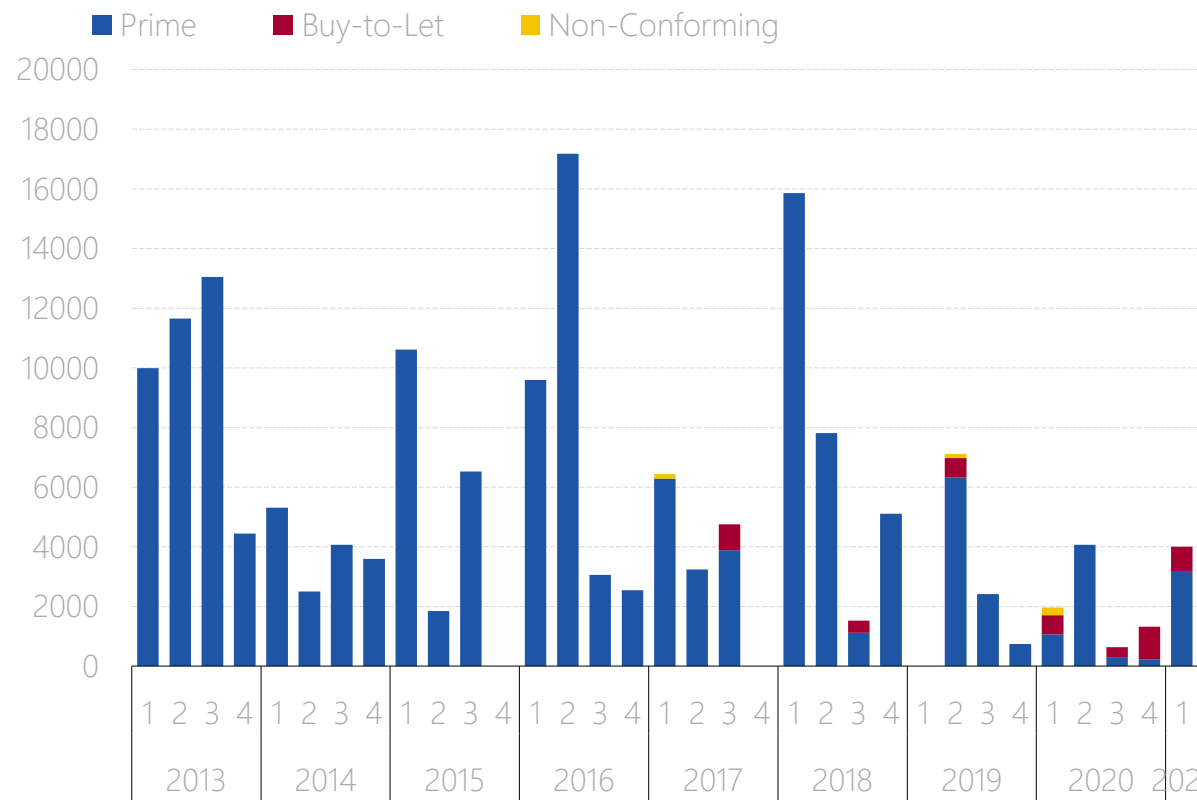


Source: Haver Analytics and DBRS Morningstar

- Lending growth continues
- Low level of growth year over year, but positive
- Consumer borrowing has been in decline for several years



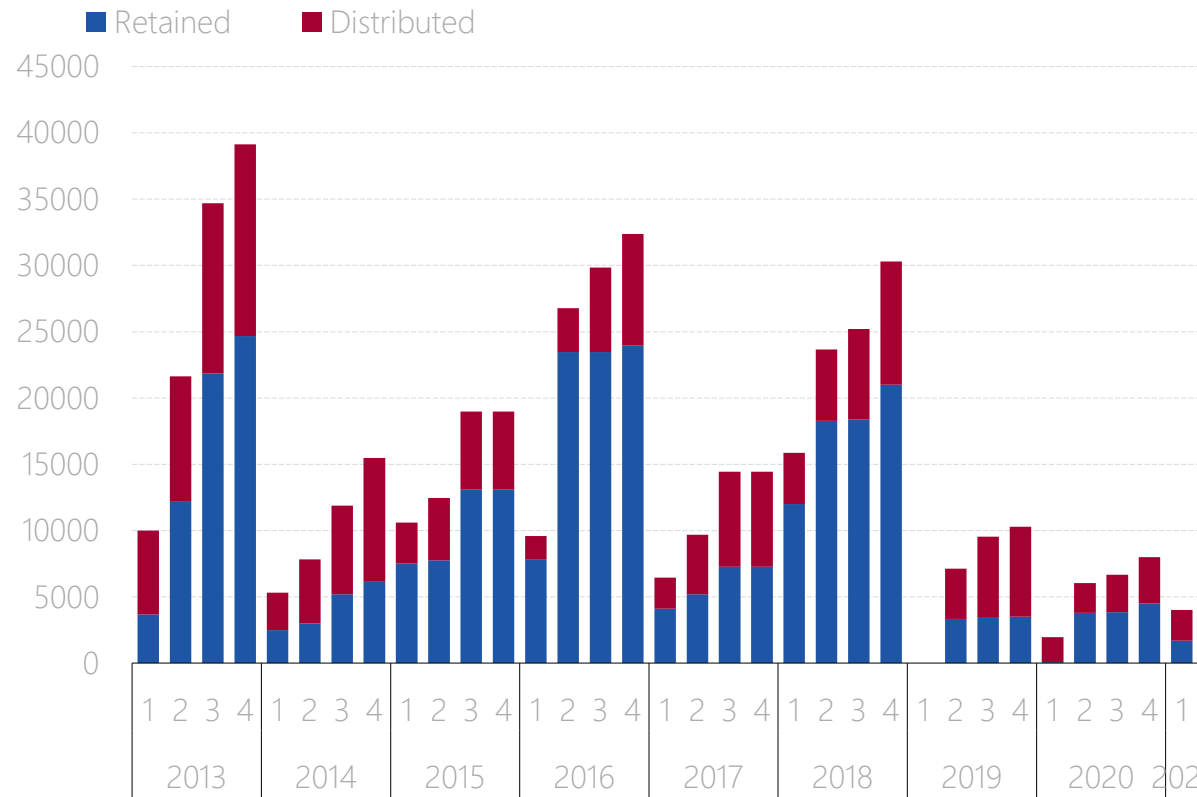
# Issuance – New Products Increasing Part of Market



- Large quarterly volumes decline
- Emergence of non-prime RMBS transactions
  - First BTL in 2017
  - First non-conforming in 2020

Source: ConceptABS, SCI and DBRS Morningstar

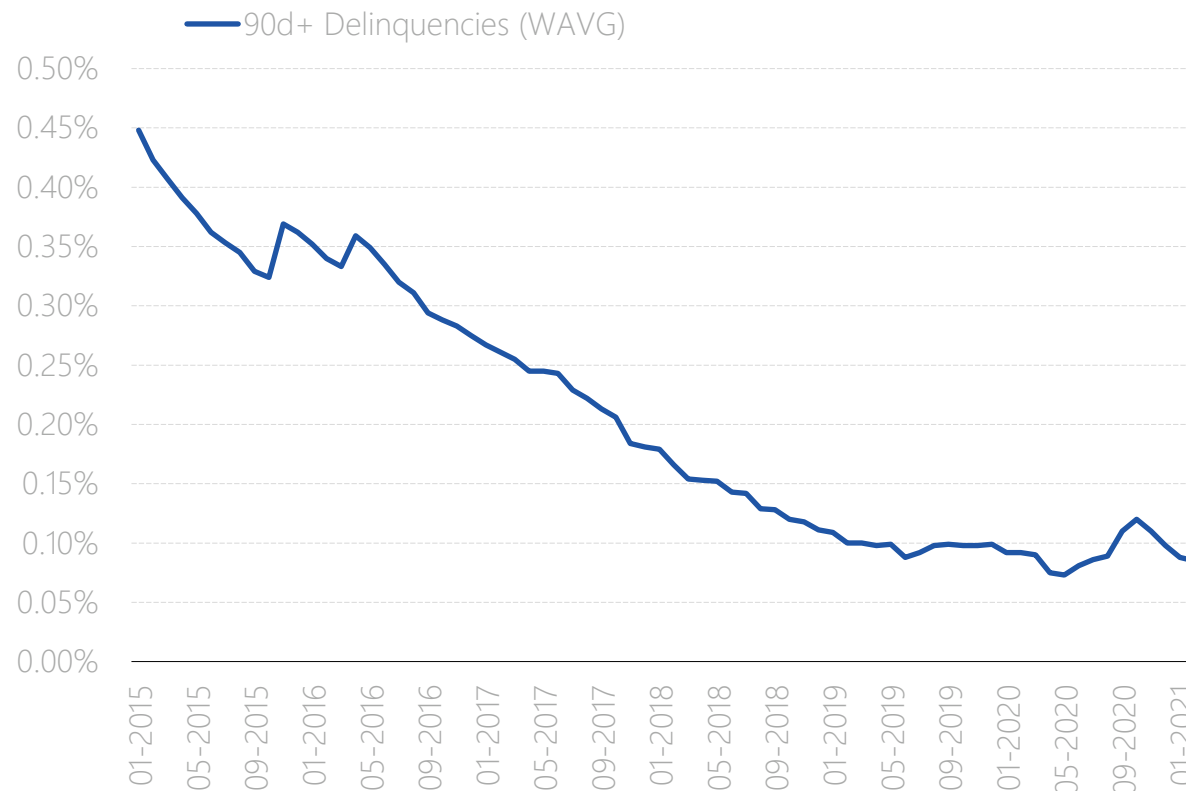
# Issuance – Distributed Coming back, but Retained Still High %



Source: ConceptABS, SCI and DBRS Morningstar

- Overall volumes have declined since 2018
- Retained issuance remains a high proportion
  - Tendency to just place senior notes and use ECB facilities
- Strong Q1 2021

# Performance Remains Strong



Source: Investor Reports and DBRS Morningstar

- Delinquency levels remain low
- Despite slight uptick in 2020, remain at low levels
- Risk of rise with potentially increasing unemployment
- Comparatively strong performance

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## Summary

- Dutch Housing and Mortgage Market are in a strong position
  - Low Unemployment
  - Low Rates
  - Positive House Prices
- Risks:
  - Potential overheating
  - Increasing unemployment
  - Rising levels of inflation

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# Thank You!

Questions?

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