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## Double-digit growth expected for Dutch house prices in 2021

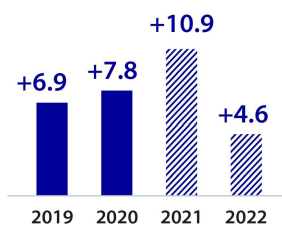
Dutch Housing Market Quarterly  
Stefan Groot and Nic Vrieselaar

- House prices grew extremely fast in the first four months of the year. By April 2021 they were 11.5 percent higher than April 2020
- The improved economic outlook and factors pushing up prices lead us to expect overall average house price growth of 10.9 percent in 2021
- We anticipate an average further rise of 4.6 percent in 2022
- In the first four months of this year, the volume of residential properties sold rose by almost 22 percent compared to the same period last year
- The share of sales to under-35s rocketed due to the (in part temporary) abolition of stamp duty for this age cohort but dropped again in April
- For full-year 2021, we expect to see around 234,000 transactions, only slightly down on last year's total. For 2022, we anticipate that sales will fall to 218,000

## Double-digit growth expected for Dutch house prices in 2021

### Price forecast

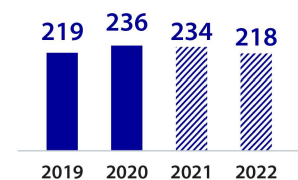
Expected price increase of owner-occupied homes (%)



/// = RaboResearch forecast

### Sales forecast

Expected number of transactions (x1,000)



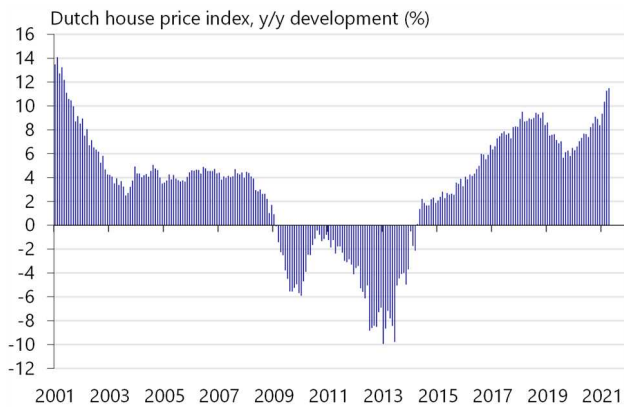
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Source: RaboResearch

## Record price rises

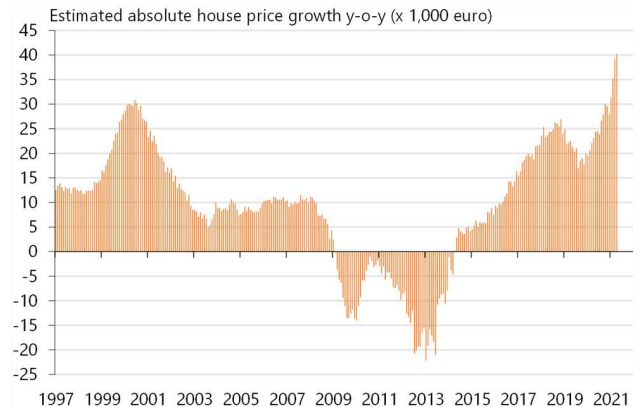
The price of existing homes grew faster in the past few months than at any time in the past 20 years (see Figure 1). House prices were 11.5 percent higher in April 2021 than in April 2020. In the late 1990s and early 2000s, the percentage house price growth was even higher. In terms of the money that actually changes hands, the price rises seen in the past few months are probably unprecedented in the Dutch owner-occupied property market (see Figure 2). In the space of a year, the average price of residential property has risen by approximately EUR 40,000.

**Figure 1: Strongest house price growth since 2001**



Source: Statistics Netherlands (CBS), Dutch Land Registry

**Figure 2: Record rise in house prices expressed in euros**



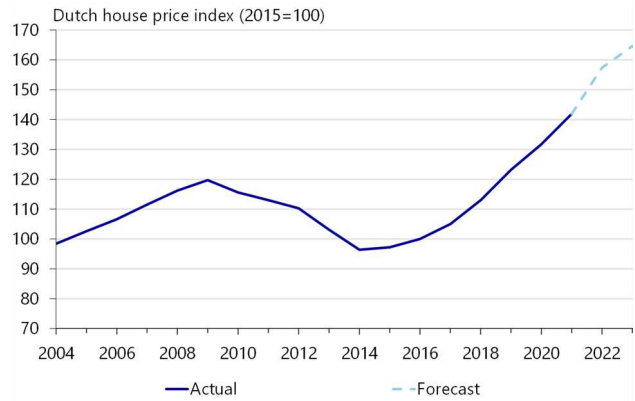
Source: Statistics Netherlands (CBS), Dutch Land Registry, RaboResearch Note: year-on-year trend of the [monthly housing price index ] times the 12-month average sales price.

## Annual house price growth of 10.9% expected

This year we expect overall average house price growth of 10.9 percent compared to 2020, meaning that people will pay an average of EUR 36,000 more for their home than last year. The acceleration in house price growth in 2021 will clearly outstrip levels in 2019 (+6.9 percent) and 2020 (+7.8 percent). Double-digit price growth is expected throughout this year, for the first time since 2001. House price growth is likely to cool to around 4.6 percent next year.

For 2021 and 2022 this represents an upward revision from our previous quarterly forecast, when we anticipated +8 percent and +4 percent, respectively. The Dutch housing market clearly picked up momentum since 2020, especially in the past quarter. While the main factors driving up prices were the partial abolition of stamp duty and the relaxation of lending criteria, the improved macroeconomic outlook is also having an effect. The Dutch economy is proving to be more robust than expected. Unemployment continued to fall in the past few months and looks set to rise more slowly than anticipated.

**Figure 3: House price growth expected to slow in 2022**



Source: Statistics Netherlands (CBS), Dutch Land Registry, RaboResearch

Another factor underpinning our upward revision to the forecasts is the fact that the extreme shortage of properties for sale and the fast turnaround times are feeding the FOMO fever (fear of missing out). All of which prompts buyers to bid even more aggressively so as not to miss the boat. The supply shortage means that properties are often sold in a sealed bid process. The idea is to set a comparatively low listing price to attract as many interested parties as possible and evoke a bidding war, thereby fuelling the upward price momentum already inherent in a tight housing market. These market conditions also limit the options for second or third-time buyers to make their next move. The tendency to put their plans on hold only serves to exacerbate the shortage of properties for sale.

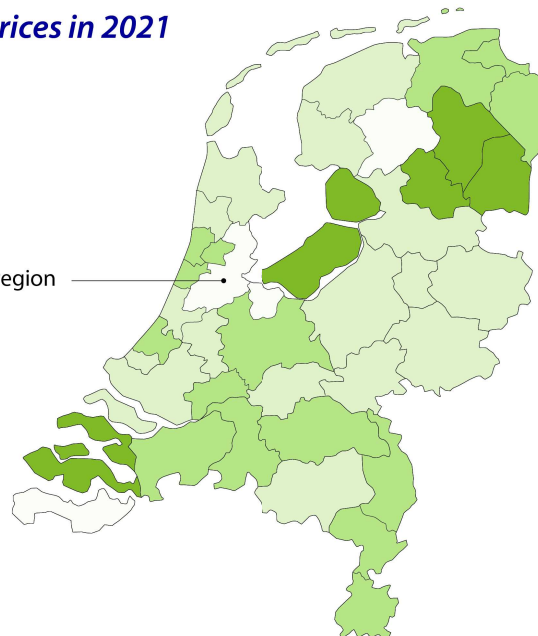
**Figure 4: Expected price rise per NUTS 3 region in 2021**

**Expected rise in house prices in 2021**

In percentages

- >12
- 11 to 12
- 10 to 11
- ≤10

Greater Amsterdam region

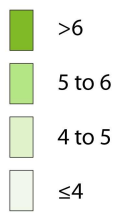


Source: RaboResearch

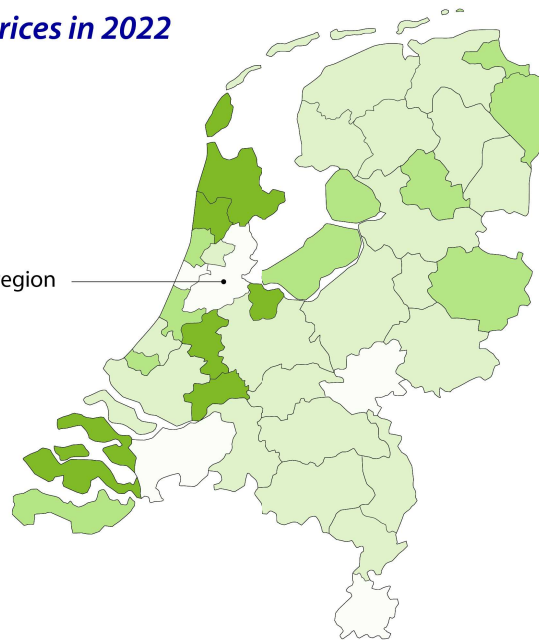
**Figure 5: Expected price rise per NUTS 3 region in 2022**

*Expected rise in house prices in 2022*

In percentages



Greater Amsterdam region



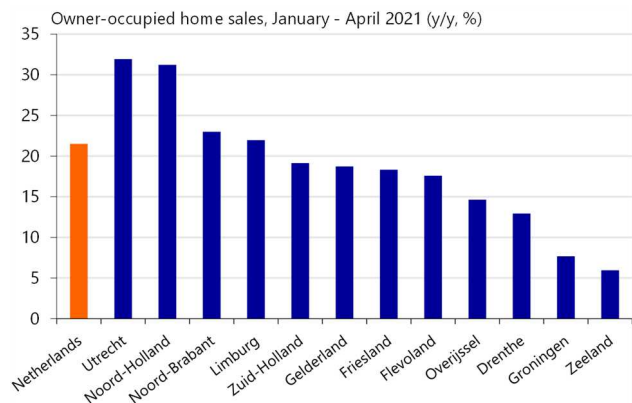
Source: RaboResearch

## Sales boom prompted by changes to stamp duty

A record 66,627 residential properties changed hands in the first quarter of 2021, a rise of 29% compared to Q1 2020. Although in April sales volumes returned to levels comparable to 2020, sales transactions in the first four months of this year reached record highs. The provinces of Utrecht and Noord-Holland outstripped other regions for the number of properties sold (see Figure 6).

The main driver of this sales boom appears to be the temporary exemption from stamp duty for buyers aged under-35. From April 2021 this age cohort once again became eligible for transfer tax on property transactions above a price threshold of EUR 400,000. The downside to a threshold exemption like this (where the entire exemption is lost above a certain threshold) is the major impact it has on buyer behaviour.<sup>[1]</sup> If a property costs just 1 euro more than the maximum purchase price that qualifies for a first-time buyer tax exemption, the effect is to suddenly raise the price of the property by 2 percent.

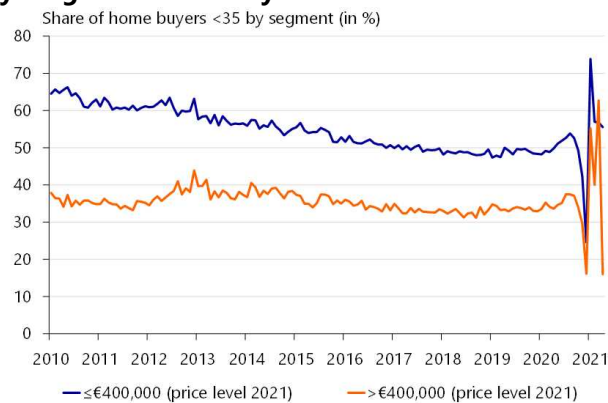
**Figure 6: 22 percent more properties sold in first four months**



Source: Dutch Land Registry

As we predicted, many young adults who exchanged contracts on a property in the second half of 2020 did indeed decide to delay completion until early 2021 to qualify for exemption from stamp duty. In January, almost 75 percent of properties priced up to EUR 400,000 were sold to householders under 35 (see Figure 7). Although the share of this age cohort in the lower-priced segment has dropped again, it is still slightly higher than in mid-2020. For properties priced above EUR 400,000 there are many examples of young adult buyers not only delaying completion until 2021 but also accelerating the process in the first quarter to meet the 1 April deadline. Their share in this segment fell from 63 percent in March to just 16 percent in April, a level significantly lower than in mid-2020.

**Figure 7: Strong peaks and troughs in share of young adult homebuyers**



Source: RaboResearch, based on Dutch Land Registry microdata Note: the price categories are in constant prices and therefore comparable over time

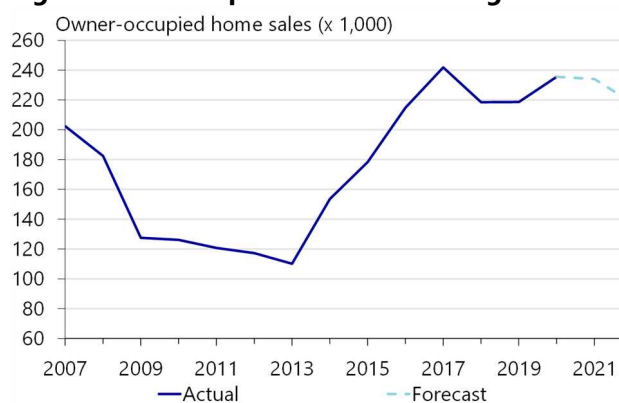
The impact of the changing stamp duty is also reflected in the average price paid by buyers in the under-35 age group, which fluctuated around EUR 300,000 in 2020 (based on an analysis of microdata from the Dutch Land Registry). Following slight increases in January and February this year, the average price paid by under-35s peaked at EUR 404,000 in March. In April this figure fell back to EUR 304,000.

## High sales volumes expected in 2021, weakening into 2022

Based on the high volume of transactions in the first months of the year, we are revising our sales forecasts upwards for the full year. We expect 234,000 existing owner-occupied properties to change hands in 2021 (see Figure 8). This is fractionally lower than last year's total of 236,000 properties sold (-0.6 percent y-o-y). For 2022 we anticipate a total of 218,000 properties sold (-7.1 percent y-o-y).

While demand for owner-occupied homes remains high, the shortage of existing and new build homes is expected to wreak havoc in the second half of this year and into next year. In fact, the NVM (Dutch Association of Real Estate Brokers) recorded just 24,500 properties for sale midway through the first quarter of 2021, which is 42 percent fewer than in the same period in 2020. The fact that some buyers brought forward their completion dates to benefit from the stamp duty exemption probably played a role here. The greatest reduction was in the number of detached and semi-detached homes for sale. In other words, the sharpest drop in supply was in the higher price categories, indicating that this is probably to some extent temporary.

**Figure 8: Sales expected to hit a ceiling**



Source: Statistics Netherlands (CBS), Dutch Land Registry, RaboResearch

But there is a risk that the drop in supply will discourage owner-occupiers from putting their property on the market, meaning that we are unlikely to see strong recovery in supply in the short term. In this seller's market, buyers face the biggest challenges, whether they are first-time buyers or owner-occupiers seeking a new home. The difficulty of finding a property is further exacerbated by the fact that homes in the higher price ranges have been snapped up by buyers wanting to take advantage of the temporary exemption from stamp duty. All

of which could subdue sales.

We do however expect that the end of the decline in housing supply is in sight since the number of homes for sale seems to approach the lowest point that is reasonably possible. For the last year, the average time it takes to sell the most popular property categories (such as apartments and terrace houses) has been stable at just over three weeks. Even if all categories of property were to be sold at this rate, at any given time there would be between 15,000 and 20,000 properties for sale (given the transaction volume of around 20,000 per month). This point was pretty much reached by mid-February 2021 when the NVM estimated that there were 24,500 residential properties for sale in the Netherlands. Another year with a large decline in housing supply is thus unlikely.

## Footnote

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[1] The expectation is that the annual indexation of stamp duty tax relief (based on the average rise in assessed house prices) will once again fuel peaks and troughs in the number of transactions in the final quarter of 2021 and the first quarter of 2022. An alternative design for first-time buyers' tax relief which would cause less market disturbance would be to grant exemption from stamp duty on the first EUR 400,000 of the purchase price and apply a sliding scale tax rate above that threshold. This would also be fairer to young people buying a property priced slightly above the threshold.

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