

# Housing Market Quarterly: House prices heading back to summer 2022 levels

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*Owner-occupied homes are now almost as (un)affordable as they were in early 2022. For 2024, we expect home prices to match the 2022 peak and the number of sales to reach their lowest point.*

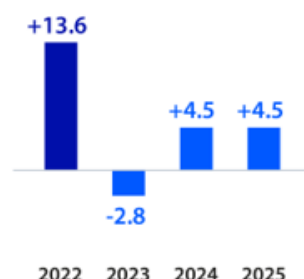
## Summary

- Due to the drop in house prices and because homebuyers can get higher maximum mortgages in the wake of rising incomes, owner-occupied homes are now almost as (un)affordable as they were in early 2022.
- Because households can borrow even more next year, while supply remains tight, we expect prices to continue to rise. This year, prices of existing owner-occupied homes are still expected to be 2.8% lower than in 2022. In both 2024 and 2025, we expect prices to rise by 4.5%.
- This means that next year, the prices of existing owner-occupied homes will be back to the level of the housing market peak in 2022.
- By Q3 2023, 56% of owner-occupied homes were within the financial reach of households with two modal annual incomes, up 47% from the same time last year. At the beginning of 2022, before interest rates began to rise, the share was 59%.
- The fact that we are seeing home prices rise again at similar levels of affordability to the peak of the market – despite declining confidence in the housing market – is an important indication that owner-occupied homes are not overvalued, nor were they overvalued prior to the 2022 interest rate hikes.
- The sharpest decline in sales is behind us and we expect the number of sales to bottom out in 2024. For 2023, we expect 183,000 sales, followed by 180,000 transactions in 2024. For 2025, we anticipate 184,000 sales.

## Dutch housing market quickly recovers from decline

### Price forecast

Expected house price development (%)

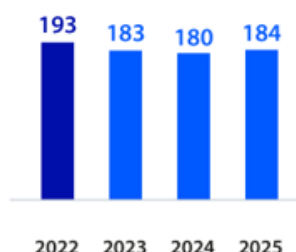


■ = RaboResearch forecast



### Sales forecast

Expected number of transactions (x 1,000)



Source: RaboResearch

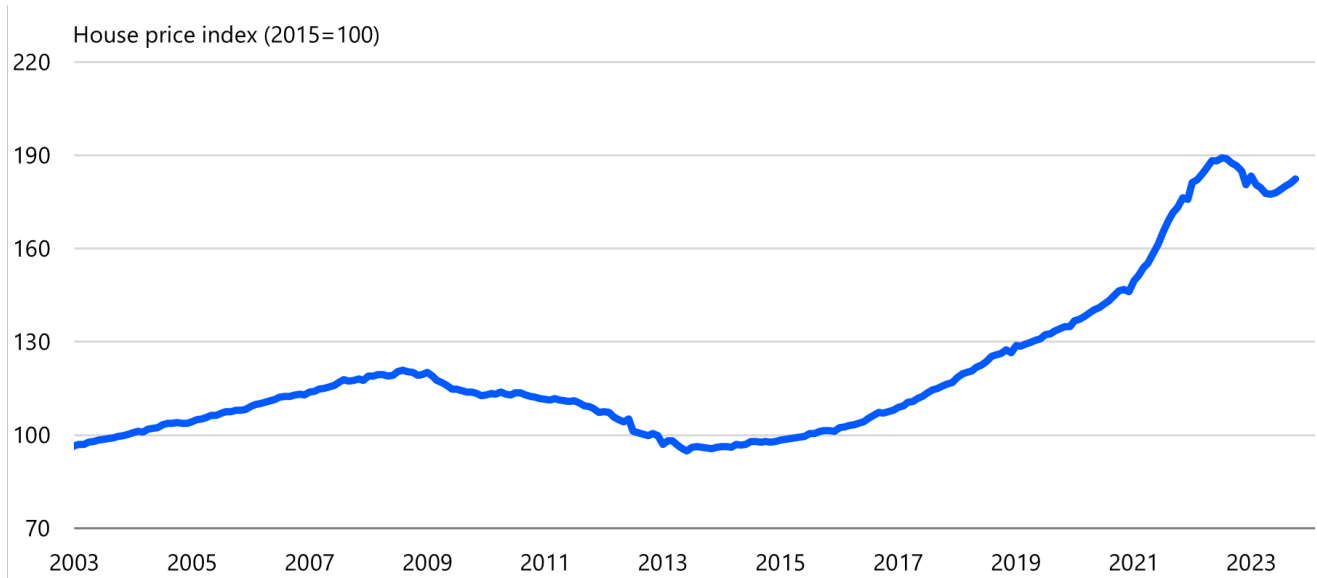
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## House price dips are over

After a year of declining prices, house prices started rising again in the summer of 2023 (see figure 1). In May of this year, existing owner-occupied homes were still 6.2% cheaper than at the market peak in 2022. But by October – the most recent month for which figures are available – the difference had shrunk to minus 3.6%.

The fact that house prices are on the rise again has everything to do with the rapidly improving affordability this year. As a result, the demand for owner-occupied houses is now clearly picking up again. Market parties have seen the number of viewings (in Dutch) per house increase in recent months. At the same time, there are still few houses for sale (and the trend is declining; see section 'Fewer homes sold, but not everywhere'). And that puts upward pressure on house prices. Due to the decline in new construction, this trend is likely to continue in the coming years. Less new construction means more scarcity.

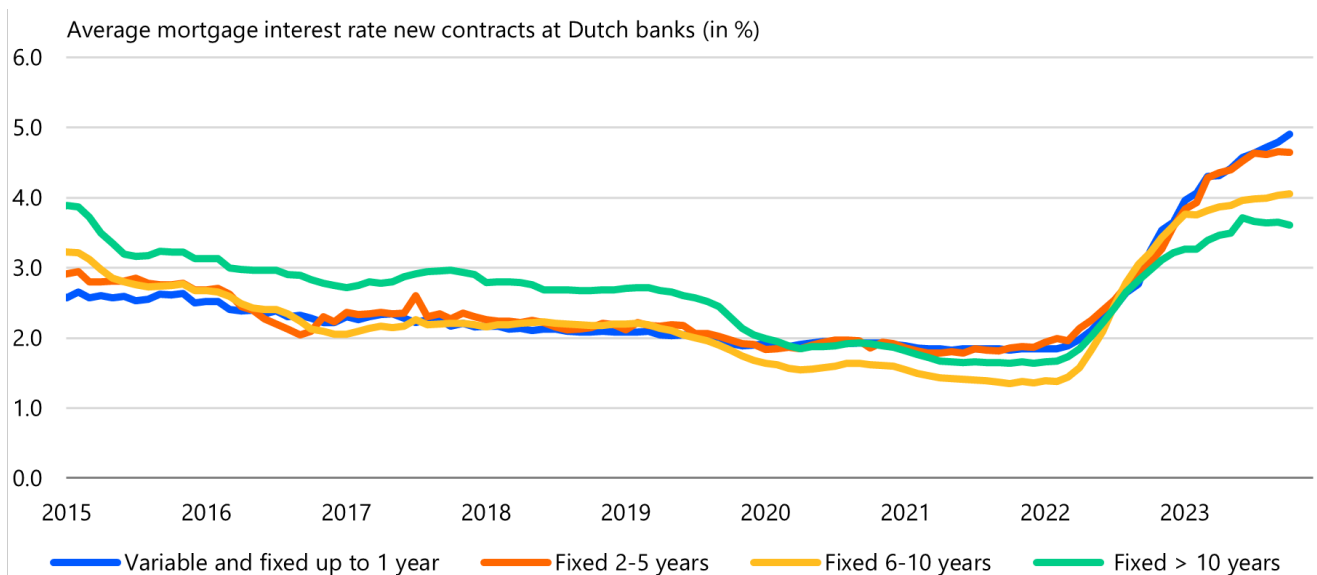
Figure 1: Recovery of house prices is underway



Source: Statistics Netherlands/Kadaster

Affordability has improved partly because existing owner-occupied houses have become cheaper. But also, because households can borrow somewhat more for a house as a result of the relatively robust (nominal) income growth in response to high inflation. Assuming an interest rate of 4.7%, a household with two modal yearly incomes could borrow almost EUR 24,000 more this year than last year (see figure 6). And while last year we saw mortgage interest rates skyrocket, this year they have risen only slightly and seem much more stable (see figure 2).

Figure 2: Interest rate increase flattens out



Note: The figure represents mortgage rates in deeds that pass at the notary, and thus measures interest rates with a slight delay. Source: DNB

## *Home buyers have significantly more options again*

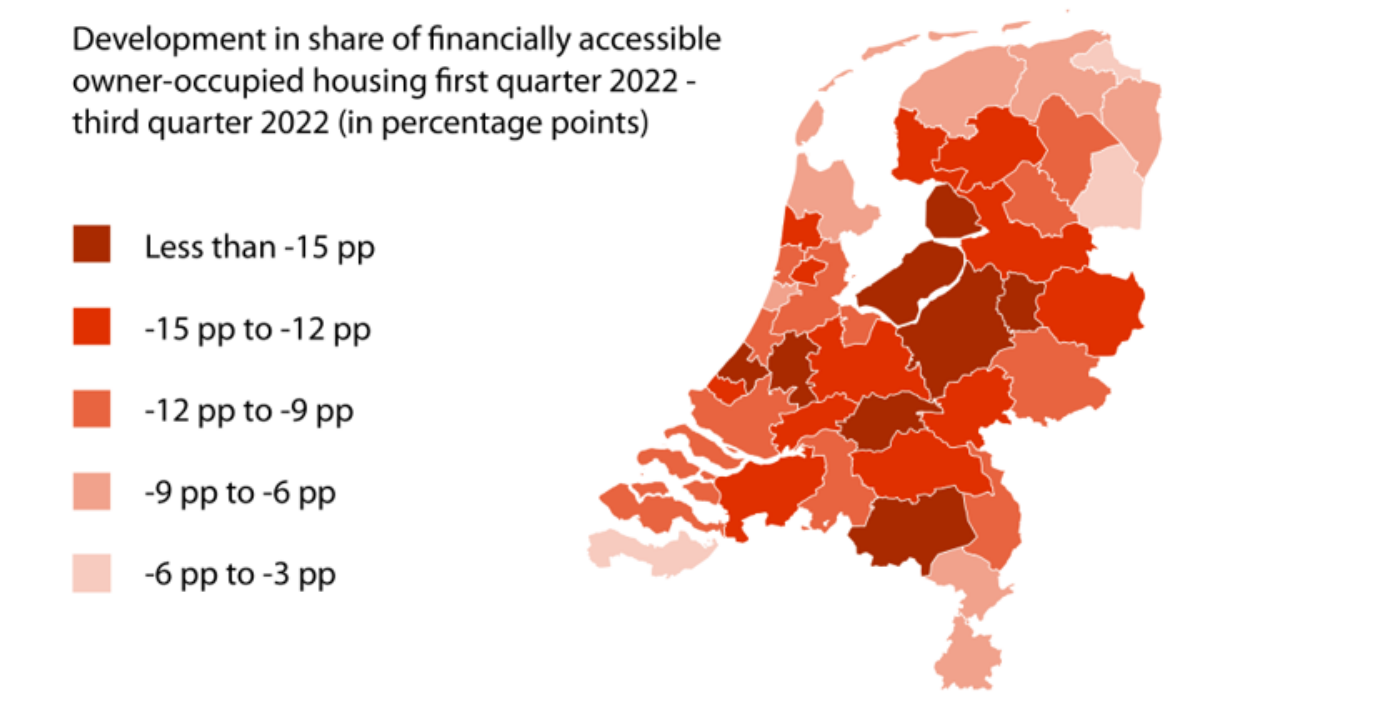
Due to the drop in house prices and because homebuyers can get higher maximum mortgages, owner-occupied homes are now almost as (un)affordable as they were in early 2022.

Of the houses that changed hands in Q1 2022 (for which the preliminary sales contract had often been signed in the period before the rise in interest rates), about 59% were financially accessible to households with two modal yearly incomes. In relatively expensive regions, this share is of course much lower. For example, in early 2022, only a mere 29% of all homes sold in the Greater Amsterdam region and the Haarlem agglomeration were financially accessible to households with two modal yearly incomes. In contrast, at least 70% of all owner-occupied houses sold in the less expensive northern regions of the Netherlands and in the regions of Zeeland and Limburg, were generally within the financial reach of this group. It should be noted, however, that the proportion of households earning at least twice the modal yearly income is higher in the Randstad area – where the four largest Dutch cities are located – than in the peripheral regions.

However, throughout 2022, prospective homebuyers saw homeownership opportunities disappear as mortgage rates rose sharply in a relatively short period of time, while home prices initially continued to rise. Based on a 4% interest rate, by Q3 2022, an average of only 47% of owner-occupied homes sold were still within financial reach of a household with two modal yearly incomes. In some regions, the share fell by 15 percentage points or more, including the Veluwe region, other regions in the province of Gelderland and The Hague (see figure 3). In Flevoland, the share was even more than 17 percentage points lower in Q3 2022.

In the north and in the periphery of the Netherlands, and in Amsterdam and the surrounding area, affordability deteriorated less sharply. In the north and in the periphery, this is presumably because affordability is less of a problem in these regions. Houses here tend to be much cheaper, which means that even if mortgage rates rise, a large part of the owner-occupied housing supply will still be within reach. The fact that financial accessibility has not dropped as sharply in the relatively expensive regions in and around Amsterdam is because most houses there were already unaffordable for a household with two modal yearly incomes even before interest rates started to rise.

Figure 3: Development in share of financially accessible owner-occupied housing Q1 2022–Q3 2022

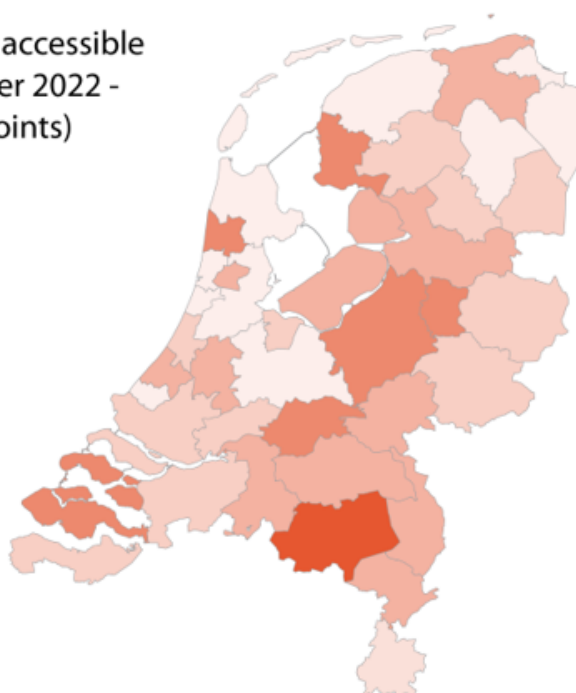


Note: The figure shows change in percentage points in the share of existing owner-occupied homes sold that are financially accessible to households with two modal yearly incomes. The calculations for Q1 2022 are based on a mortgage rate of 1.5%; and those for Q3 2022 on a mortgage rate of 4%. Source: Nibud, CPB, microdata Kadaster

Starting in the summer of 2022, prices of existing owner-occupied homes began to fall in response to higher interest rates. Combined with the higher maximum mortgage, by Q3 2023, at a mortgage rate of 4.7%, 56% of all owner-occupied homes were again within financial reach of households with two modal yearly incomes (see figure 4). In 10 regions, the share of financially accessible owner-occupied homes was almost at, or even slightly above, the level of early 2022. In some regions, however, the share is still significantly lower, including in Southwest Overijssel, Southwest Gelderland, and in Southeast North Brabant.

Figure 4: Development in share of financially accessible owner-occupied housing Q1 2022–Q3 2023

Development in share of financially accessible owner-occupied housing first quarter 2022 - third quarter 2023 (in percentage points)



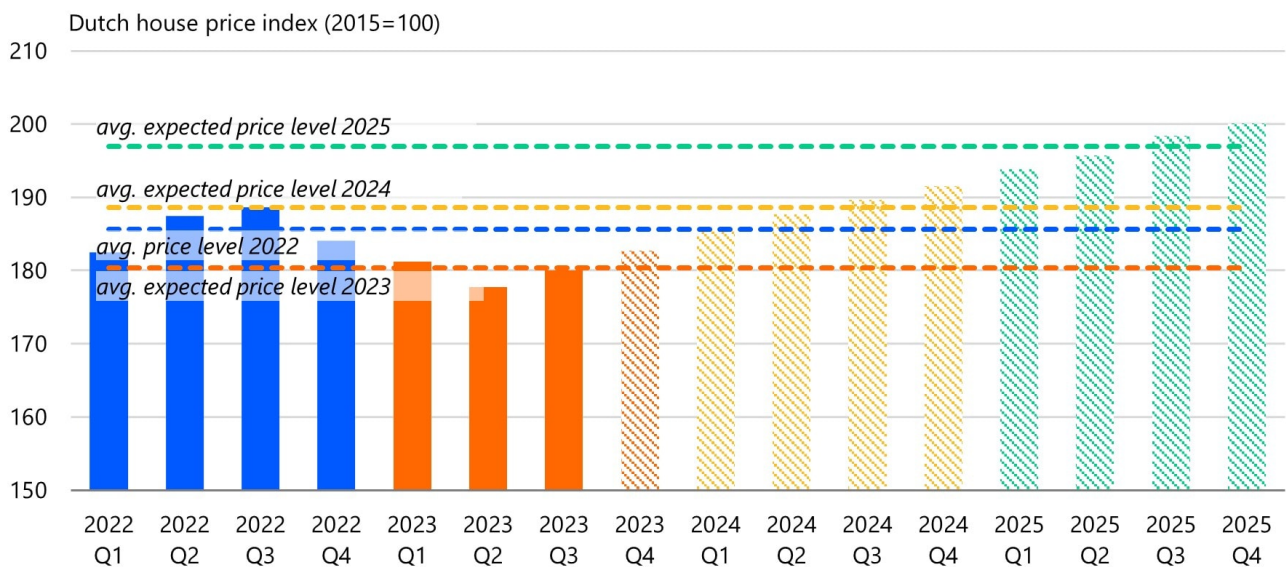
Note: The figure shows change in percentage points in the share of existing owner-occupied homes sold that are financially accessible to households with two modal yearly incomes. The calculations for Q1 2022 are based on a mortgage rate of 1.5%; and those for Q3 2023 on a mortgage rate of 4.7%. Source: Nibud, CPB, microdata Kadaster

## *House price recovery to continue next year*

We expect house prices to rise further next year, as households will be able to borrow more, while the housing market is expected to remain tight. The economic picture is not one of exuberance, but we do not expect this to lead to a drop in demand in the housing market. Although house prices have been gradually picking up since the summer, we expect them to fall by 2.8% in 2023 as a whole. This declining annual figure is the result of price declines that occurred earlier in the year (see figure 5). For both 2024 and 2025, we anticipate house prices to increase by 4.5%. Next year, the average price of existing owner-occupied homes will be back to the level of the housing market peak in 2022.

Compared with our previous house price estimate, we have revised our forecast upward. This is because house prices are picking up even more strongly than we had previously expected. Although we had anticipated a rapid improvement in the affordability of owner-occupied homes, the housing market is responding more quickly than we had expected. In previous periods of cooling in the housing market, such as the period from 2008 to 2013, there was more of a lag between the recovery in the number of transactions and the recovery in price levels.

Figure 5: Next year we expect house prices to match the 2022 peak



Source: Statistics Netherlands/Kadaster, RaboResearch

Next year, homebuyers will be able to borrow more, allowing them to bid more on a house than this year. This is related to the expected collective wage increases of approximately 6%, followed by 4.5% in 2025. The Central Planning Bureau (CPB) (in Dutch) expects the gross modal yearly income to reach EUR 41,500 this year and EUR 44,000 in 2024, up from EUR 39,000 in 2022.

Of course, the amounts people can borrow for a house based on their income also depends on mortgage rates. Previously, we expected capital market interest rates to fall a bit next year, but we now expect them to be only slightly lower on average next year (and also in 2025) than this year. If mortgage rates are also only slightly below this year's levels – we forecast an average mortgage rate of 4.6% in 2024 – we expect that households with two modal yearly incomes will be able to borrow about EUR 22,000 more in 2024 than this year. Compared to early 2022, when mortgage rates were at their lowest, homebuyers with two modal incomes can borrow about EUR 10,000 more next year (see figure 6). The downward effect of higher mortgage rates on the maximum mortgage will therefore be fully offset by higher wage growth next year.

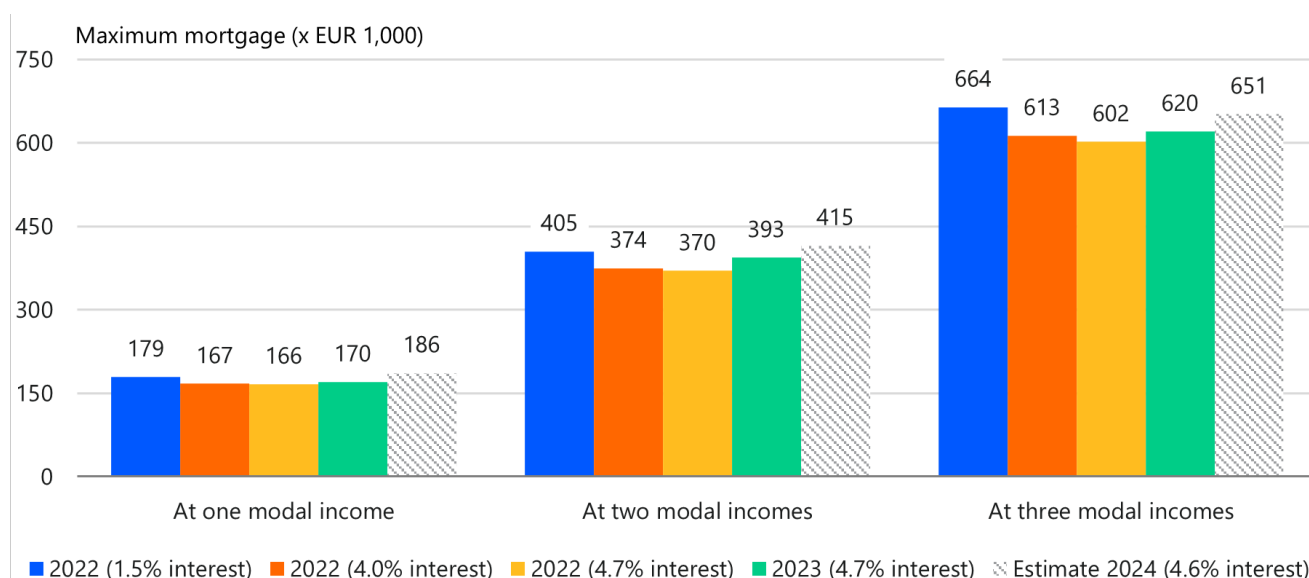
Beside the wage growth, the borrowing capacity of singles (with an annual income of at least EUR 28,000) will increase more due to the expanded borrowing options. They will be able to borrow an additional EUR 16,000 from next year. As a result, the demand for housing is expected to increase slightly, since 20% of all homebuyers (after moving) are single (WoON 2021).



Although unemployment is expected to rise somewhat in the coming years, from 3.6% this year to 4.5% in 2025, we do not expect this to result in a noticeable drop in demand in the owner-occupied housing market. In fact, employment remains high by historical standards.

At the same time, the housing market seems to remain tight. Recently, housing supply has fallen further, both in the owner-occupied sector and in the private rented sector. And given the developments in residential construction (see section "After sales dip in 2024, number of transactions expected to recover"), it does not look like many people will be moving into new-build homes, so supply isn't expected to pick up much in the foreseeable future. Combined with all the demand-boosting developments, this results in higher house prices.

Figure 6: Homebuyers will be able to borrow more next year than in early 2022



Note: One modal yearly income is based on a single-income household. Two modal yearly incomes is based on dual-income households with two equal incomes. Three modal yearly incomes is based on dual-earner households where the lowest earner has one modal yearly income. As of 2024, the maximum mortgage will depend on the energy label. For 2024, we used the average of the maximum mortgage for homes with energy labels A/B and C/D. Source: Nibud Financing Burden Standards, CPB, RaboResearch

## Price recovery in most regions

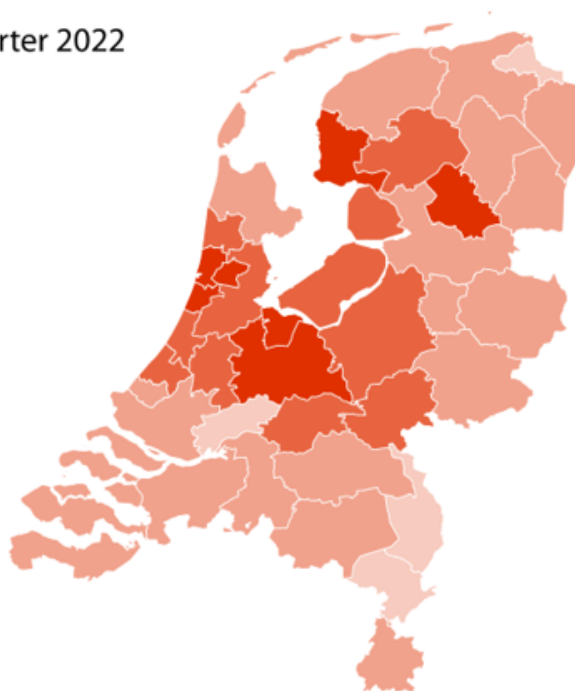
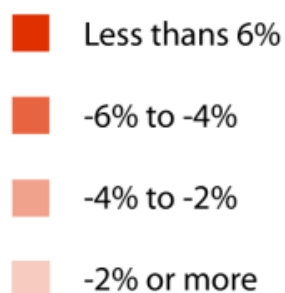
In the majority of regions, the house price index peaked in the summer of 2022 and has since fallen. Compared to a year ago, when the market peaked, prices have fallen slightly more sharply in regions in the northern Randstad (see figure 7). Exactly the regions where homebuyers are worst off in terms of affordability. With a price drop of about 9%, existing owner-occupied houses are much cheaper than a year ago, especially in the Zaanstreek region and the Gooi en Vechtstreek region. The area where prices fell relatively hard has expanded a bit and now stretches as far as Arnhem/Nijmegen. A number of regions in the north of the Netherlands also saw house prices fall quite sharply.



In Q3, the vast majority of regions saw prices recover somewhat from the previous quarter. Only three regions still recorded a (slight) decline in house prices. Among the top six regions with relatively strong house price growth in Q3 are Amsterdam and Utrecht; regions that previously experienced relatively strong price falls.

Figure 7: House price development Q3 2022 – Q3 2023

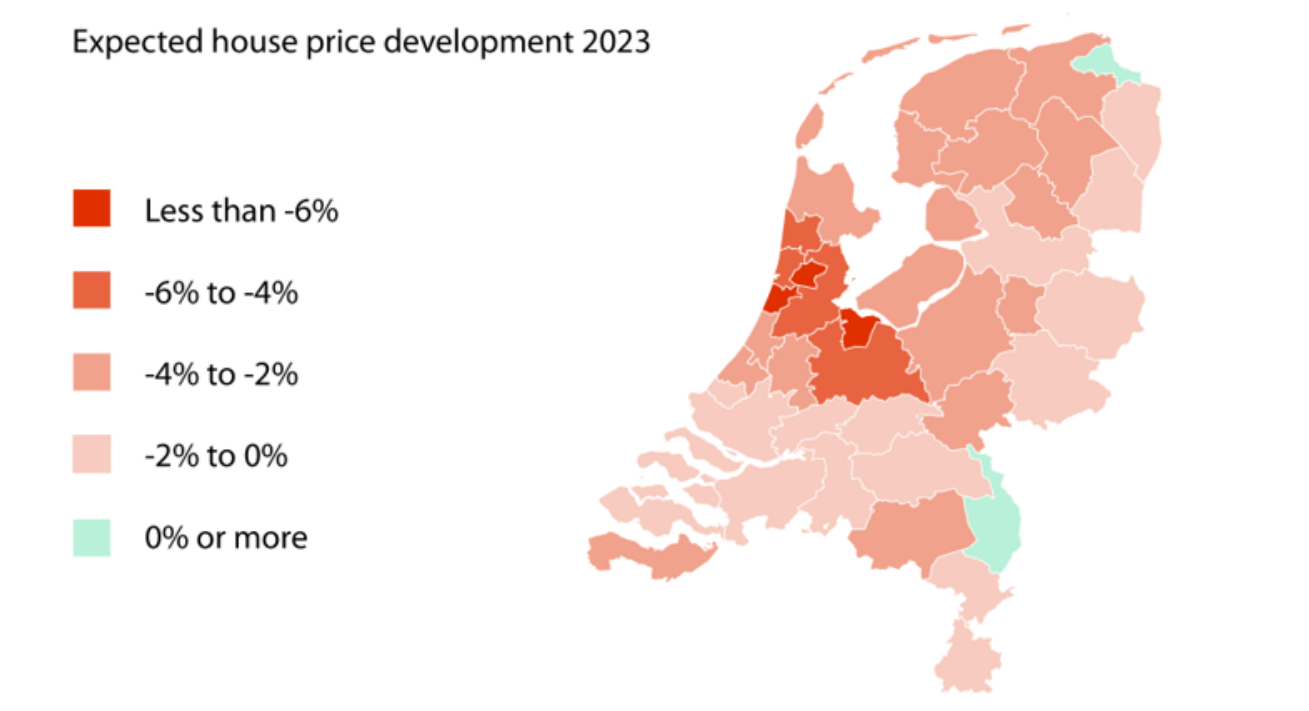
House price development third quarter 2022  
- third quarter 2023



Source: Statistics Netherlands, Kadaster, edited by RaboResearch

For the whole of 2023, we expect house prices to fall the most on average in the northern Randstad regions (see figure 8). In the Zaanstreek, the Haarlem agglomeration and the Gooi and Vecht region, existing owner-occupied houses are expected to be 7% cheaper on average this year than last. In the periphery of the Netherlands, the anticipated price decline is much lower, mostly between 1% to 2%. In two regions, Delfzijl and surrounding area, and North Limburg, existing owner-occupied houses are even expected to be slightly more expensive on average than last year.

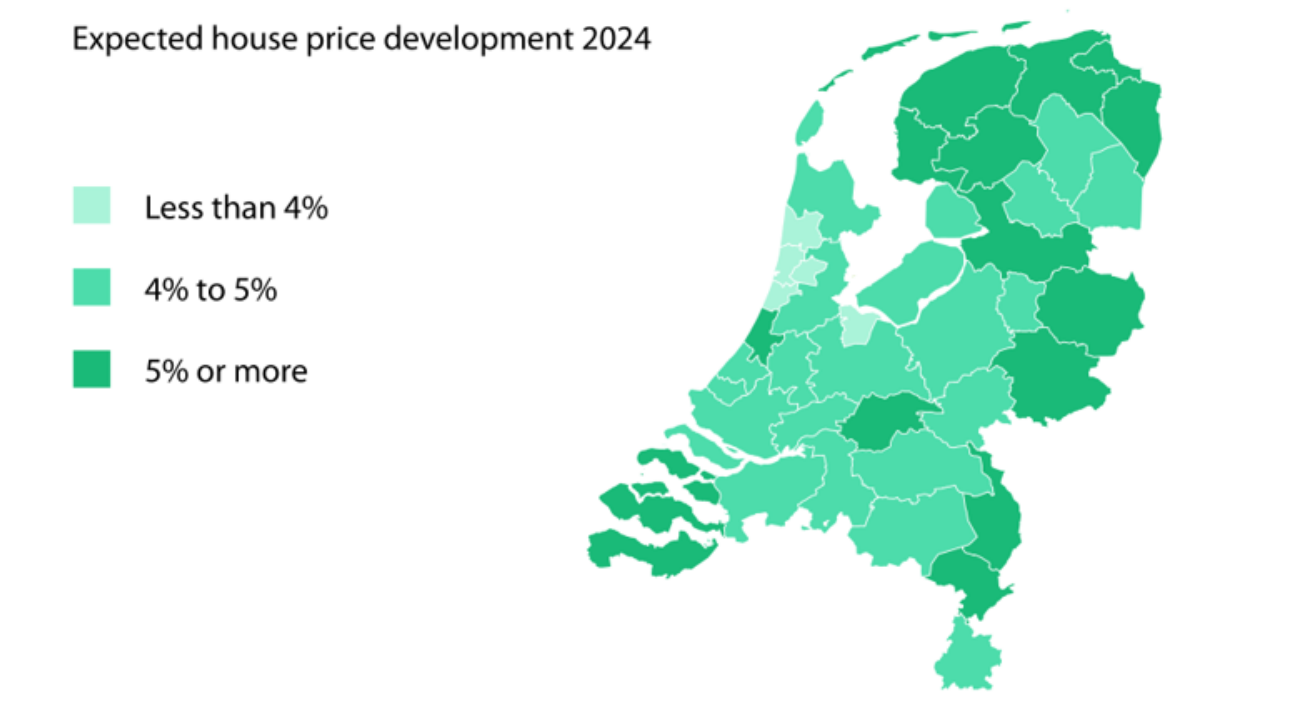
Figure 8: Sharpest house price decline this year expected in Utrecht and Amsterdam and surrounding areas



Source: RaboResearch

We expect to see house prices rise again sharply next year in all regions (see figure 9). We foresee the strongest increase in house prices in the regions Overig Groningen (which includes the city of Groningen) and Overig Zeeland. In these regions, according to our estimate, prices will rise by 6% next year. At the bottom of the list is the Zaanstreek region, but here too prices are expected to rise by 3%. The overall picture is that the housing market in the regions that until recently showed the strongest decline in house prices has quickly turned toward slight price increases that are more in line with the national average. As a result, the regional disparity in our 2024 forecast is much less pronounced than in our 2023 forecast and for 2023 so far.

Figure 9: Significant increase in house prices expected in all regions in 2024



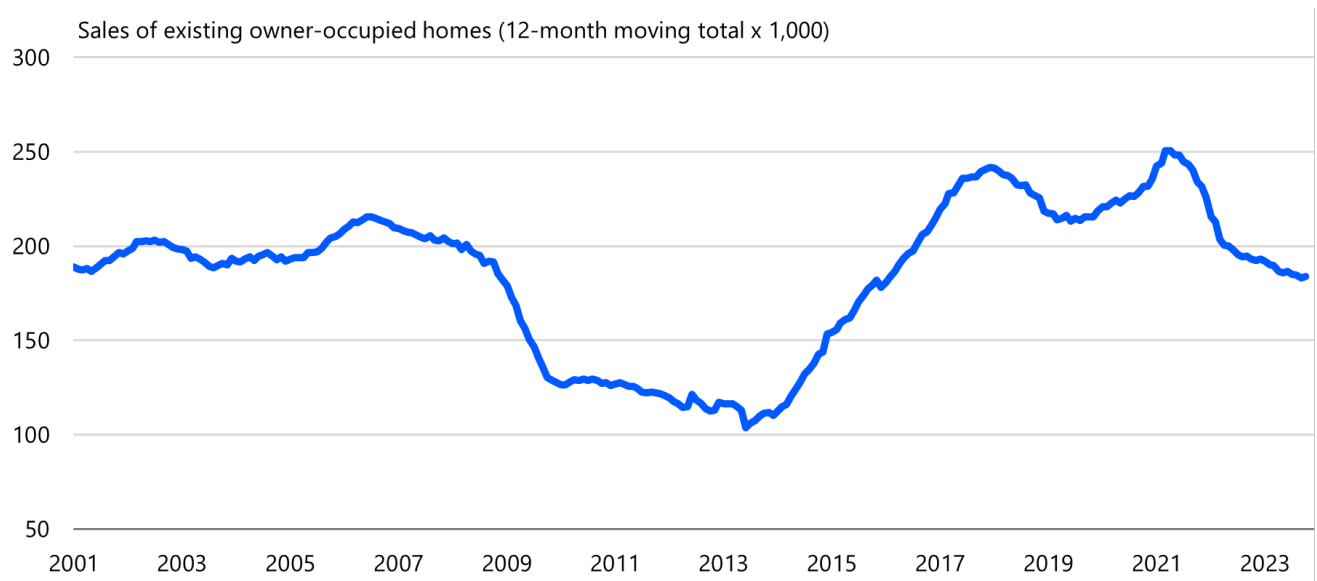
Source: RaboResearch

### *Fewer homes sold, but not everywhere*

Nearly 147,600 existing owner-occupied houses changed hands in the first ten months of this year, down roughly 6% from a year earlier. Although the sharpest drop in sales seems to be behind us – sales fell particularly sharply between mid-2021 and mid-2022 – the number of transactions is still on a slow but steady decline (see figure 10).

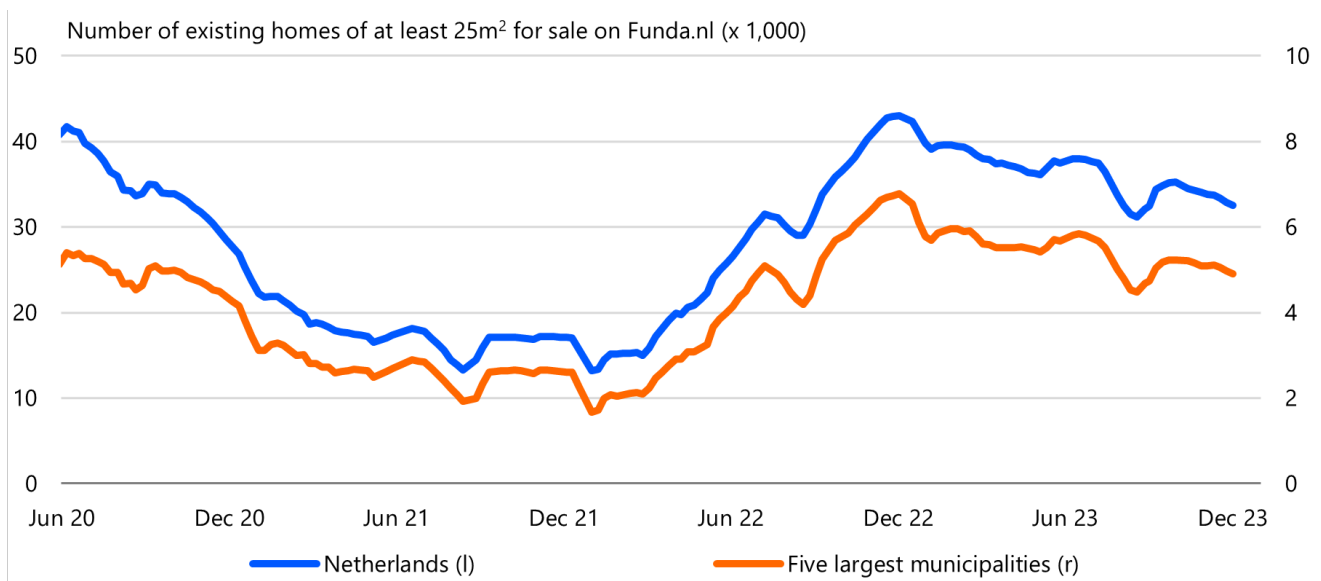
In our view, the relatively low number of existing owner-occupied homes being sold is not so much related to prospective homebuyers dropping out (because demand is picking up), but more to the lack of supply (see figure 11). On average, there were some 21% fewer houses for sale in the Netherlands in November than in the same month last year. Real estate brokers association NVM (in Dutch) attributes this to the fact that fewer people put their homes up for sale. Presumably this is also because it is often no longer possible for people to move up on the property ladder taking advantage of a lower interest rate when moving house in order to live in a larger or more attractive home for the same monthly cost.

Figure 10: Sales decline begins to flatten out



Source: Statistics Netherlands/Kadaster

Figure 11: Fewer options available



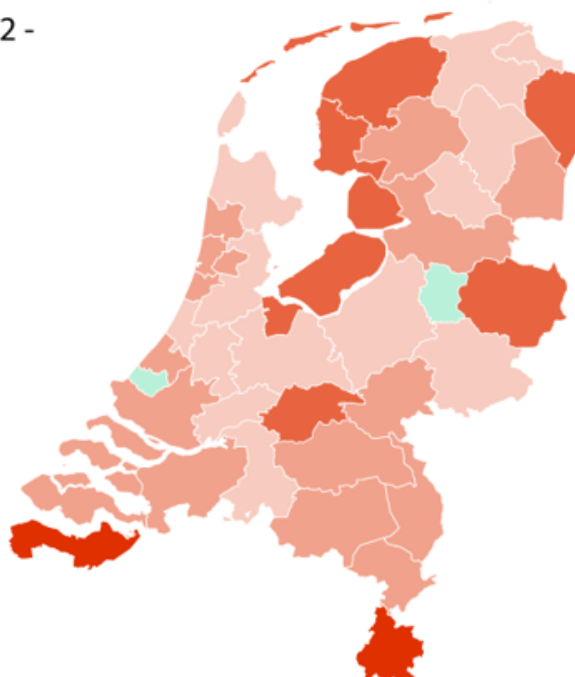
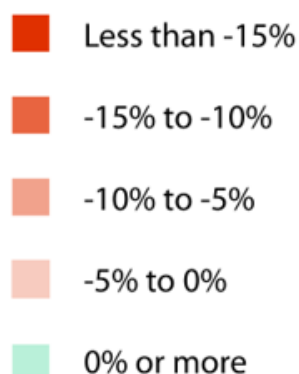
Source: funda.nl, RaboResearch

If we look at the first nine months of this year, we see large differences in the rate at which the number of sales declined compared to the same period a year ago. In some regions in the north of the Netherlands, such as in North Friesland and in East Groningen, the drop is substantial, at almost 14%. In Delfzijl and the surrounding area and in the Overig Groningen region, the decline was limited to about 4%. The relatively limited drop in sales in the regions of Utrecht and Greater Amsterdam and surrounding area is also striking. These are relatively expensive regions where affordability has been under pressure for years. At the same time, these are also the regions where prices have fallen somewhat faster. This may

explain why the drop in the number of sales has been less pronounced in these regions.

Figure 12: Sales in first nine months of 2023 compared to first nine months of 2022

Home sales first nine months of 2022 -  
first nine months of 2023



Source: Statistics Netherlands, Kadaster, edited by RaboResearch

## *Number of transactions expected to recover after sales dip in 2024*

We expect 183,000 sales of existing owner-occupied homes this year, followed by 180,000 in 2024. We forecast 184,000 transactions in 2025. Our expectations for this year and next have been revised upward, as we previously expected 180,000 transactions in 2023 and 170,000 transactions in 2024. After 2024, the number of homes sold is expected to pick up again.

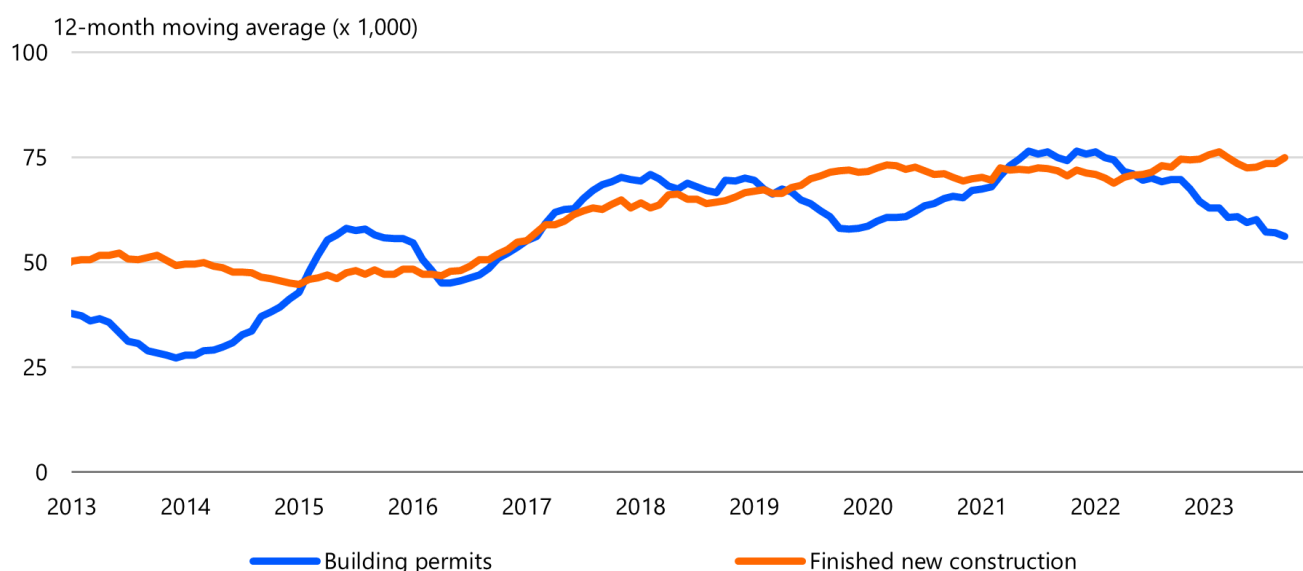
This large adjustment (especially for 2024) is related to the increasing demand for existing owner-occupied homes and new-build properties. As prospective homebuyers are able to borrow more, new construction projects will eventually get off the ground more quickly. Likewise, the number of owner-occupied homes that have yet to be built has also risen slightly in recent months. And the more new construction, the more people are likely to move out of the existing housing stock. More homeowners will put their homes up for sale to buy a new-build house. In this sense, new construction and existing construction are interdependent.

Nevertheless, we foresee a dip in the number of transactions of existing owner-occupied houses by 2024. This expectation is related to developments in new construction. In fact, the number of building permits

issued continues to decline stubbornly (see figure 13). In the first nine months of this year, municipalities issued just under 40,500 building permits for new-build homes, some 26% fewer than in the first nine months of 2021, when the number of new-build permits issued was still relatively high. On the other hand, the number of new-build homes completed has remained fairly stable in recent years. Only 90,000 houses (in Dutch) were added to the housing supply last year, and outgoing housing minister De Jonge expects this figure to be reached again this year. Moreover, in recent months we have seen a small recovery in the number of new-build homes sold (see figure 14).

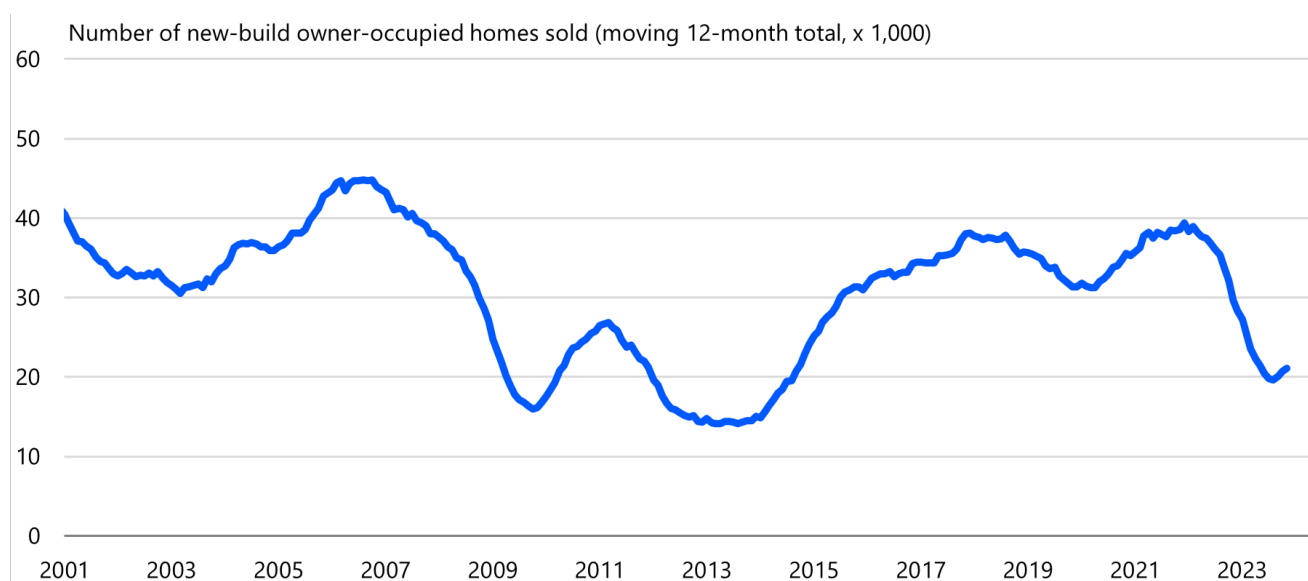
However, one swallow does not make a summer. In the first eleven months of this year, sales of new-build owner-occupied homes were down by more than 7,200 units from the same period last year (-28%). Market reports (in Dutch) underscore that a sharp drop in new-build construction output must be taken into account next year.

Figure 13: Number of permits for housing construction continues to fall



Source: Statistics Netherlands, edited by RaboResearch

Figure 14: Sales of new-build owner-occupied homes sharply down



Source: WoningBouwersNL

## *Housing market better balanced than a few years ago*

In 2021 and early 2022, several institutions warned of the risk of a bubble forming in the Dutch housing market, including DNB (in Dutch) and the European Systemic Risk Board. Similarly, the housing bubble indicator developed by the Federal Reserve Bank of Dallas showed that the sharp increase in house prices – which peaked with a year-on-year price increase of 21.1% in January 2021 – was not justified by the development of fundamentals (see figure 15). A score above the 95% critical value shown in the figure means that there is a 95% probability that the housing market is strained and that house prices are not in line with the development of macroeconomic variables such as incomes, inflation and interest rates.

At about the same time, however, researchers at the Delft University of Technology (in Dutch) pointed out the limitations of commonly used models for analyzing the housing market, as they do not always adequately take into account the restrictive Dutch spatial planning act and the effect of interest rates. According to an analysis by these researchers, there was *no* speculative bubble in the housing market at all in 2021, and – given low interest rates – house prices were even below the long-run equilibrium at that time.

Two years ago, we concluded that it was impossible to say whether a bubble was forming in the Dutch housing market at that time. Meanwhile, there is growing evidence that the market was overheating in 2021, but there was no housing bubble. Confidence in the housing market has fallen sharply (in Dutch) since 2021, and households' expectations have also become much more pessimistic about future price

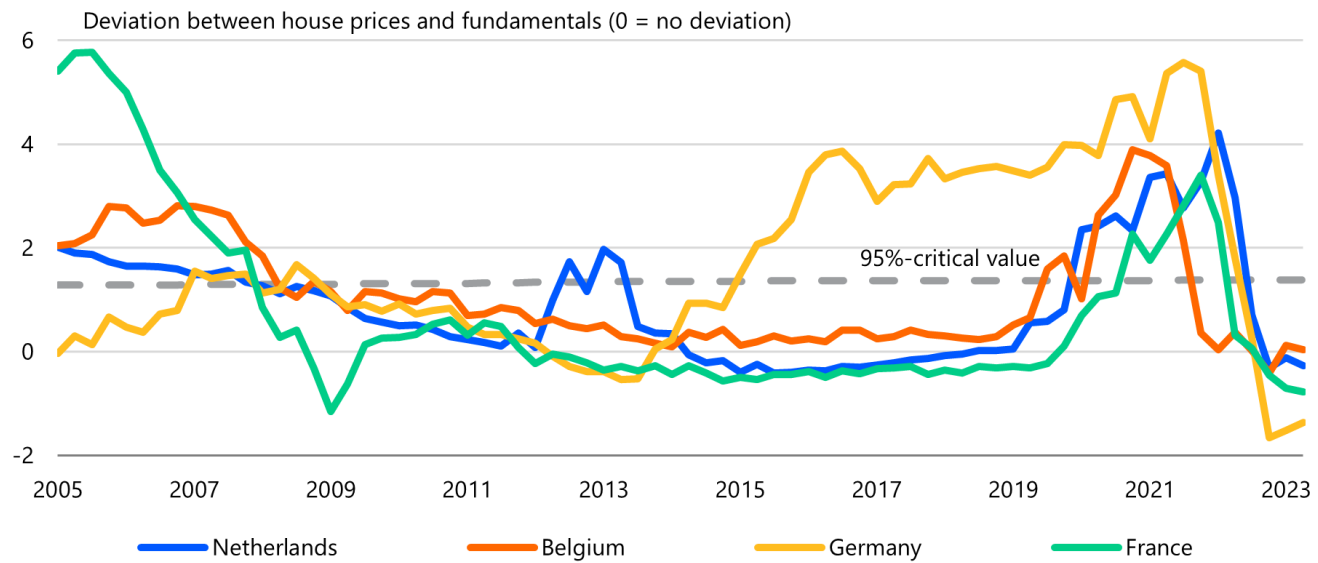


developments. The sharp rise in mortgage rates is putting pressure on the affordability of owner-occupied housing, and between July 2022 and May 2023, home prices fell by 6.2%.

Despite the significant impact of rising interest rates on affordability and on confidence and expectations about the owner-occupied housing market, fears for a major market correction have not materialized. Moreover, since the summer, we have seen the housing market rebound more and more clearly. The development of fundamentals may well explain this. In fact, the real net mortgage cost of the average owner-occupied home (if fully financed by a mortgage) is now back to where it was at the end of 2021 (see figure 16). The net real disposable incomes of households are a few percent higher than at the end of 2021 (in Dutch), due to increased wages and more hours worked, and as we saw in the section “House price recovery to continue next year,” borrowing space has also recovered. The fact that we are now seeing price increases for owner-occupied homes at similar levels of affordability and borrowing space – despite the decline in the housing market – is an important indication that homes are not overvalued. Also, the Federal Reserve Bank of Dallas’ bubble indicator is now close to neutral.

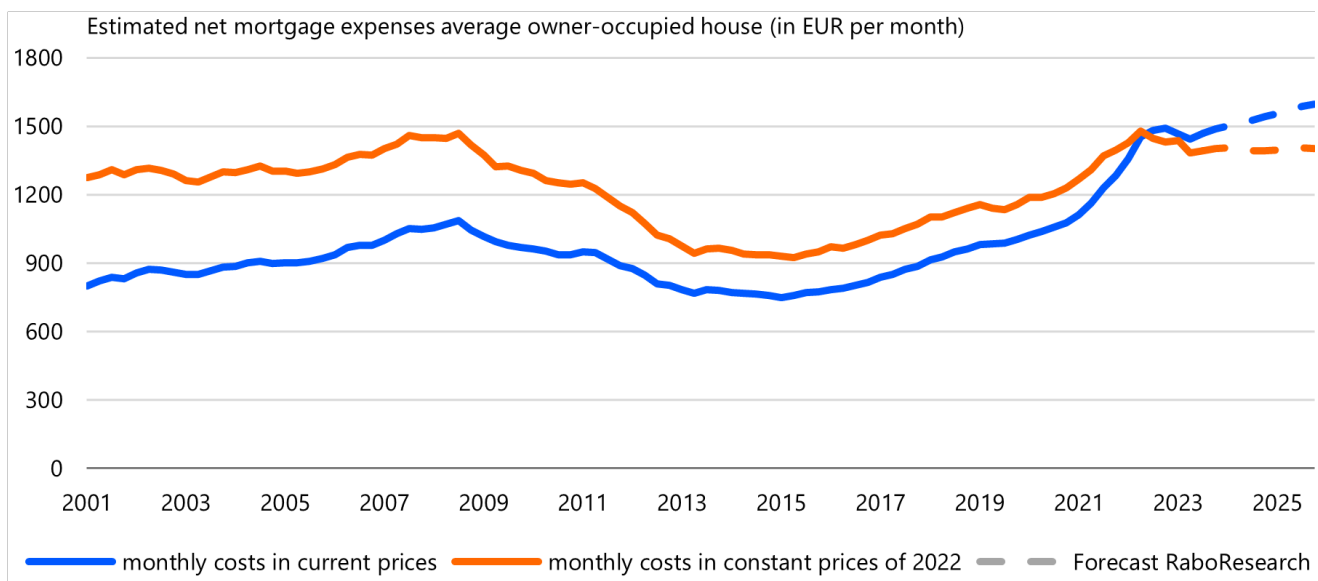
The fact that the market does not appear to be overvalued, despite high price levels, is inextricably linked to the very tight housing market. ABF Research estimates that the major housing shortage will persist at least until after 2030 (in Dutch). If it is possible to significantly reduce the housing shortage in the long term, this will lead to a lower price level compared to a situation in which the housing shortage continues. This does not necessarily have to be accompanied by a fall in the price of owner-occupied housing, because nominal house prices also rise in the long run by an average of around 3% per year (in Dutch) due to inflation and increases in real household incomes. This also allows the market to ease through a period of stagnant home prices.

Figure 15: Signs of housing bubble greatly diminished



Source: Federal Reserve Bank of Dallas

Figure 16: Owner-occupied homes in 2023-2025 about as affordable as in late 2021



Note: Refers to net mortgage costs in the first year after taking out a mortgage. By monthly costs in current prices, we mean monthly costs without correction for inflation. The monthly costs in constant 2022 prices are the monthly costs after correction for inflation. In this case, the monthly costs from the past have been increased based on the harmonized consumer price index of Statistics Netherlands, in order to take into account the fact that a euro was worth more in the past than it is worth today. Source: Statistics Netherlands, RaboResearch

## Source

<https://www.rabobank.com/knowledge/d011405997-housing-market-quarterly-house-prices-heading-back-to-summer-2022-levels>