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## Housing shortage continues to drive up house prices

Dutch Housing Market Quarterly  
Carola de Groot and Nic Vrieselaar

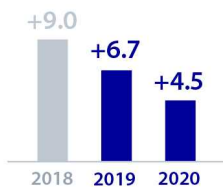
- Thanks to an upturn in the third quarter, the number of house sales so far is only slightly lower than in 2018
- The number of sales this year is expected to reach around 215,000, and we anticipate 210,000 sales in 2020
- House prices rose by 7.1 percent in the first nine months of 2019, so not as strongly as in 2018
- House price rises are not levelling off as fast as expected, due to lower mortgage interest rates and the persistent housing shortage
- Homes will be on average 6.7 percent more expensive this year than in 2018. For 2020 we anticipate a rise in house prices of 4.5 percent

## Housing shortage leads to steeper price increase

Dutch Housing Market Quarterly - November 2019

### Price forecast

Expected price increase of owner-occupied homes (%). Number for 2018 is permanent

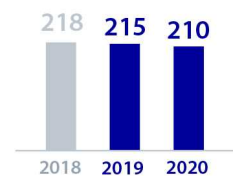


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### Sales forecast

Expected number of transactions (x1,000). Number for 2018 is permanent



Source: RaboResearch

## Sales slightly up again

**Figure 1: Sales on the up almost everywhere**

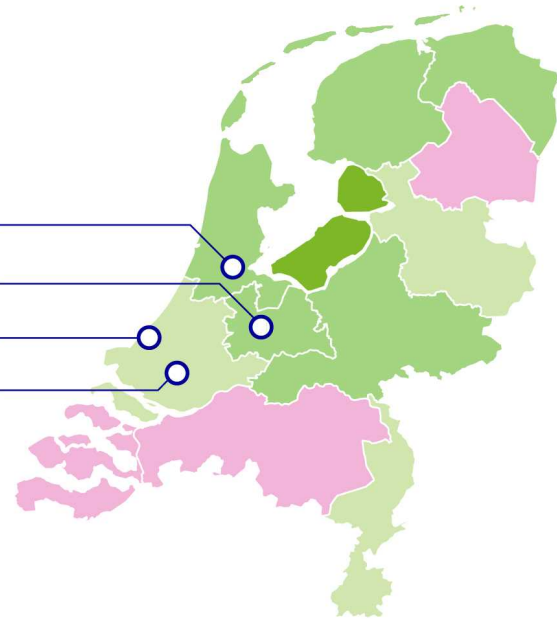
Trends in house sales between third quarter of 2018 and 2019 (%)

**Provinces**

- 4% to 0%
- 0% to 4%
- 4% to 8%
- 8% or more

**Cities**

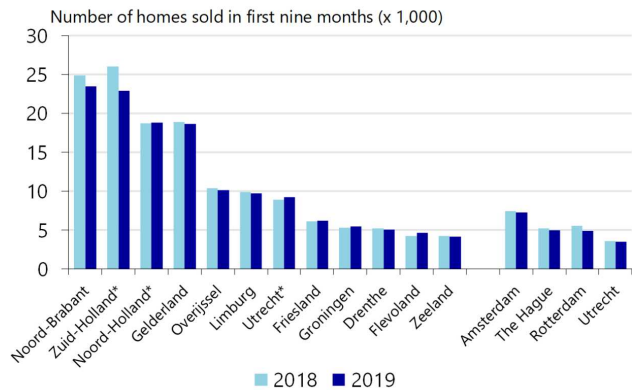
- Amsterdam + 4.2%
- Utrecht - 4.3%
- The Hague + 2.9%
- Rotterdam - 5.4%



Source: CBS, Land Registry

For the first time in eighteen months, the downward trend in sale numbers has been broken. Around 59,000 existing owner-occupied homes were sold in the third quarter, 3.5 percent more than in the same period of 2018. In Flevoland, the number of sales actually shot up by 19 percent year-on-year (see Figure 1). This province has also seen more houses being sold this year so far, compared to the first nine months of 2018. The same is also true of the provinces of Noord-Holland (excluding Amsterdam), Utrecht (excluding the city of Utrecht), Friesland and Groningen (see Figure 2). This may be to do with the relatively stable supply of homes, which fell less sharply from 2018 to 2019 than from 2017 to 2018 (see Figure 3). At a national level, so far the number of house sales is slightly below that of the first nine months of 2018.

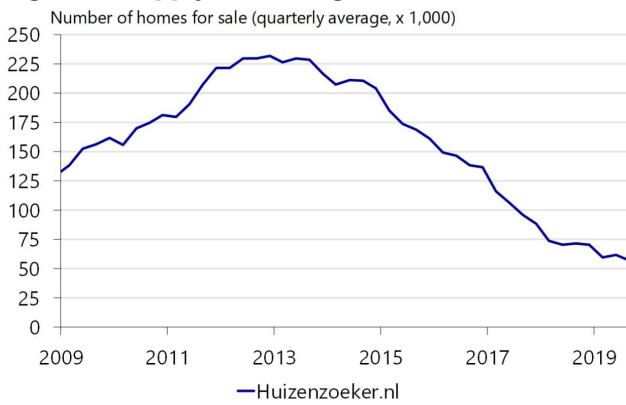
**Figure 2: 2019 not very different to 2018**



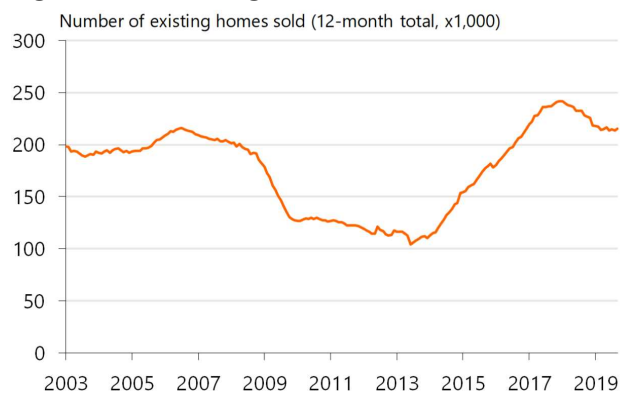
Note: \*The above figure does not include the cities of Amsterdam, Rotterdam, The Hague and Utrecht in the provinces of Noord-Holland, Zuid-Holland and Utrecht  
 Source: CBS, Land Registry, processed by RaboResearch

The slight upturn in the moving twelve-month total, shown in Figure 4, actually points to a tentative stabilization of the number of sales at around 215,000 homes. Such a stabilization would not be unusual, because before 2008 the number of sales had also been relatively stable for a long time, when it fluctuated around the 200,000 sales mark. Since then, however, both the number of households and the stock of owner-occupied homes has risen.

**Figure 3: Supply not falling so fast**

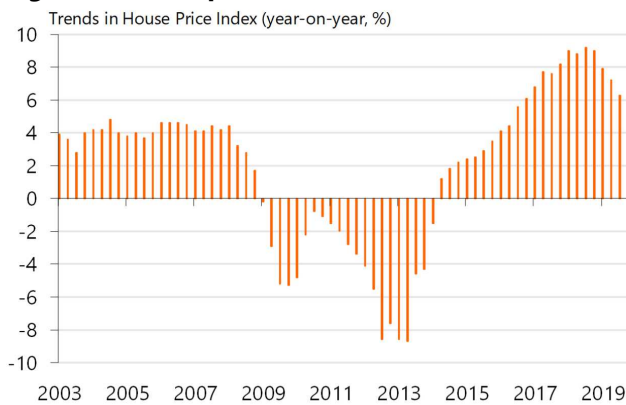


**Figure 4: Not falling further**



## Price rises continue to level off

**Figure 5: Lower price rises**



The number of sales *fell* less sharply than in earlier quarters, while house prices in fact *rose* more slowly (see Figure 5). Between July and September, houses were on average 6.3 percent more expensive than a year earlier, the fourth quarter in a row with lower rises. In Amsterdam, price rises even fell to 3.8 percent, the lowest rate of increase since 2014 (see Figure 6). Despite this slowdown, house prices are still rising a little faster than we had expected [at the start of this year](#). The average price rise between January and September was 7.1 percent.

**Figure 6: Significant slowdown particularly in Amsterdam**

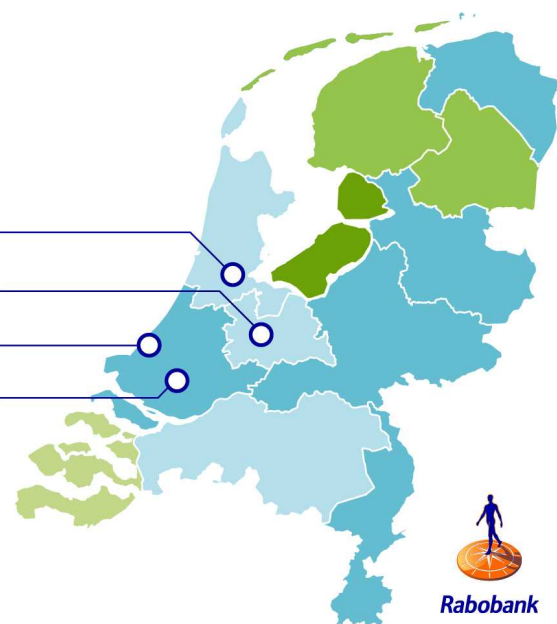
Trends in house prices between third quarter of 2018 and 2019 (%)

**Provinces**

- 6% or less
- 6% to 7%
- 7% to 8%
- 8% to 9%
- 9% or more

**Cities**

- Amsterdam + 3.8%
- Utrecht + 8.5%
- The Hague + 6.6%
- Rotterdam + 5.6%

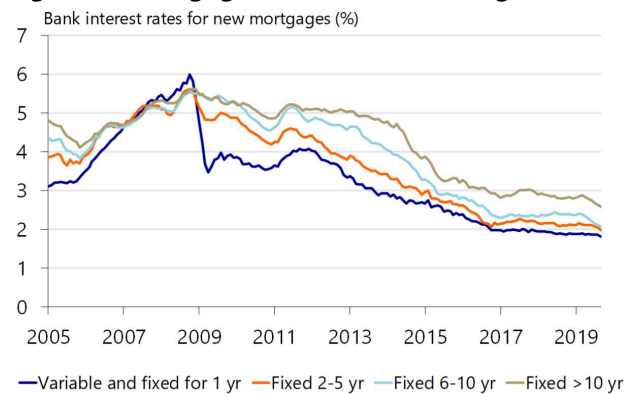


Source: CBS, Land Registry

This is partly due to the fact that unemployment is slightly lower and more people in the Netherlands [are in regular employment](#), which may have driven up the demand for owner-occupied homes further. Furthermore, mortgage interest rates have fallen significantly since the spring, following more than a year of little movement (see Figure 7). Lower interest rates allow homebuyers to borrow more and so offer more for a house. This means that the fall in interest rates enables a household earning one and a half times the average wage to obtain a mortgage that is [roughly 7,000 euros](#) higher. But since homes are still scarce, these extra euros quickly lead to even higher house prices.

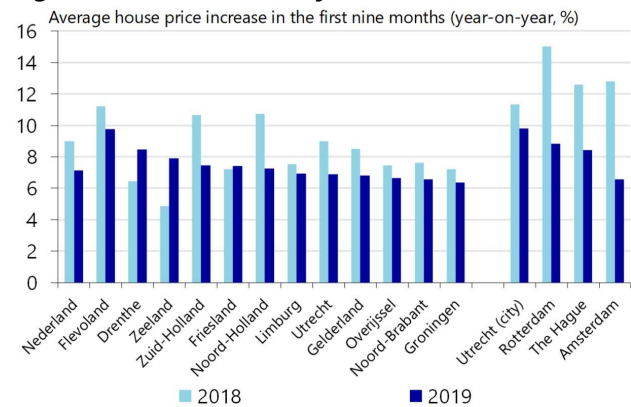
The trend of slower price rises is not so marked everywhere in the country: in Drenthe, Zeeland and Friesland, prices in fact rose more sharply than in the first nine months of last year (see Figure 8). Price rises in these provinces are still lower than in Flevoland, where prices rose the fastest for the sixth quarter in a row. So far this year, owner-occupied homes there are 9.8% more expensive than in the first nine months of 2018. In this newest province, house prices, not adjusted for inflation, are now more than 17 percent higher than during the last peak in 2008. Only in Noord-Holland is the gap between the last and the current price peak even wider, with prices more than 22 percent higher than in 2008. Both provinces are therefore among the regions with the most acute housing shortages.

**Figure 7: Mortgage interest rates falling further**



Source: DNB

**Figure 8: Not lower everywhere**



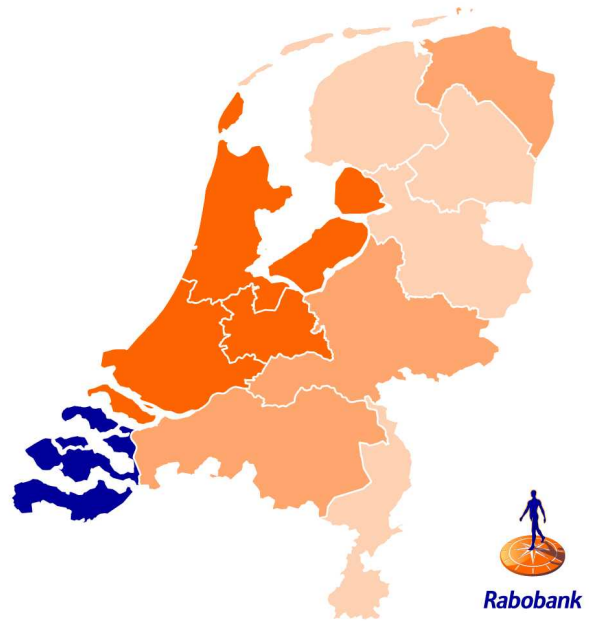
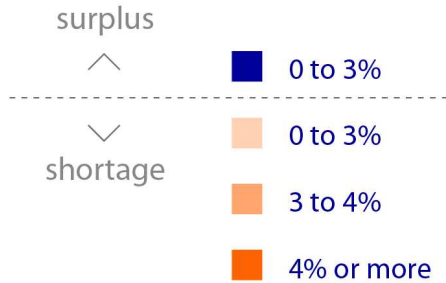
Source: Statistics Netherlands, Land Registry, processed by RaboResearch

## In the spotlight: shortage of almost 300,000 homes

According to ABF Research, at the start of this year there was a shortfall of some 294,000 homes – 3.8 percent of the total housing stock – in the Netherlands to meet the estimated housing need. This housing need is determined by the number of households with occupants aged 25 years or older who have an alternative form of housing, such as sharing a house with someone with whom they do not have a cohabiting relationship, and the forecast growth in the number of households. Statistics Netherlands expect the number of households in 2019 to rise by 83,000, which will bring the number of households in the Netherlands to more than 8 million for the first time. The housing shortage has [intensified since the housing market crisis](#). But compared to the post-war reconstruction period, the current housing shortage is still relatively small.

**Figure 9: Acute shortage in Flevoland too**

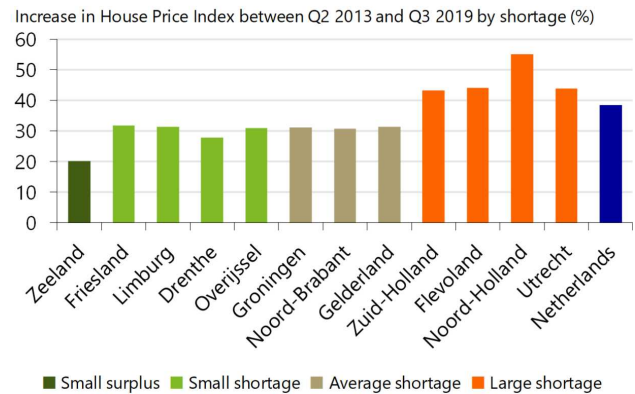
Housing shortage or surplus  
(% of housing stock, 2019)



Source: ABF Research (Primos forecast)

The shortage is particularly severe in the Randstad (including Flevoland): in this region there is a shortfall of around 179,000 homes to meet the calculated housing need. There is also a housing shortage in those parts of the country furthest from the Randstad, but this is not so acute (see Figure 9). In Zeeland there is even a small surplus of homes. These are the provinces where the number of households will not grow so fast, according to the [Regional Household Forecast of Statistics Netherlands and PBL](#). For example, in Zeeland around 3,000 households are expected to be added between 2020 and 2025, a growth of 1.7 percent. In contrast, Flevoland can expect 11,200 extra households by 2025, some 6.3 percent more than in 2020.

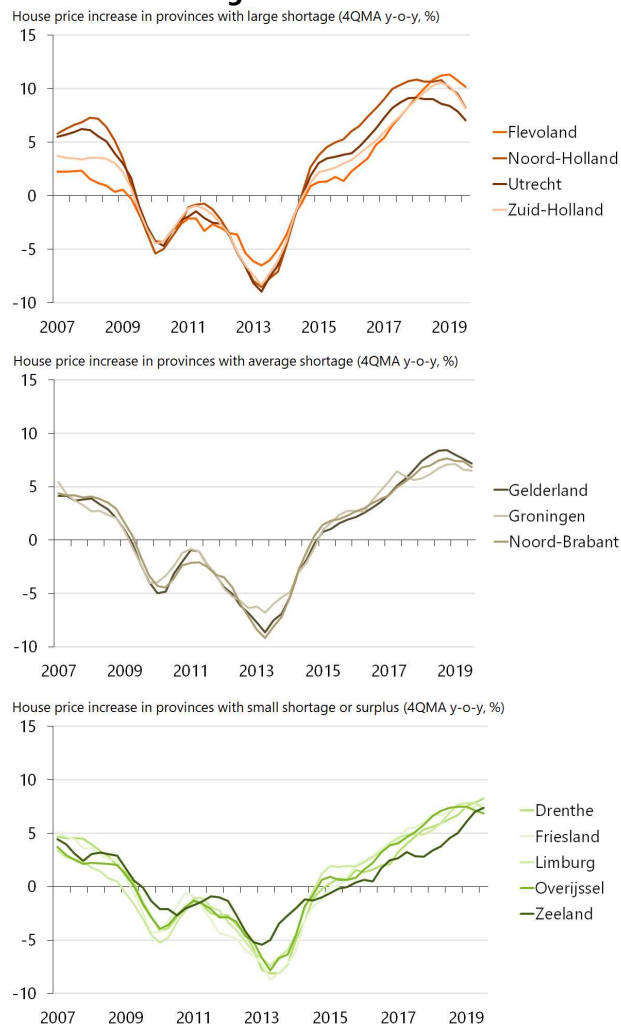
**Figure 10: Houses more expensive particularly in provinces with an acute housing shortage**



Source: Statistics Netherlands /Land Registry, ABF Research, processed by RaboResearch

The acute housing shortage is one of the main reasons why house prices in the Netherlands have risen so fast. Provinces with a severe shortage have seen house prices rise the most sharply in the past few years (see Figure 10). In Flevoland and Utrecht, for example, existing owner-occupied homes have become 44 percent more expensive between the second quarter of 2013 - the low point of the housing market crisis - and the third quarter of 2019. In provinces with less acute housing shortages, house prices have risen by about 30 percent. In the more relaxed market in Zeeland, house prices have risen by 'only' 20 percent. This difference in the rate of growth has meant that the gap between the [most expensive and the cheapest province](#) has widened considerably in recent years. Now, house buyers are paying on average 183,000 euros more for a house in Noord-Holland than for a house in the province of Groningen.

**Figure 11: House prices peaking later in regions with small shortage**



Note: it is still uncertain whether the peak in house price growth has now been reached in Zeeland, Drenthe and Friesland. This will only become clearer in the next quarter. In Friesland the price growth peaked in the fourth quarter of 2018, and following a short dip continued to rise again. Source: Statistics Netherlands, Land Registry, processed by RaboResearch

Throughout the country, the year-on-year rises in house prices peaked in the fourth quarter of 2018.<sup>[1]</sup> In two of the four provinces with an acute housing shortage, Noord-Holland and Utrecht, this growth peaked three quarters earlier (Figure 11). In provinces with a small housing shortage, house price growth generally levelled off later. For Zeeland, Drenthe and Friesland, it is even uncertain whether the peak has actually been reached. This is not because the price recovery took hold later in provinces with a small housing shortage, because in ten of the twelve provinces, the low point of the housing crisis was in the second quarter of 2013. In the case of Zeeland, it simply took almost two years before there was any actual rise in prices.<sup>[2]</sup> This may also explain why the rate at which prices are rising in this province has not yet flattened out.

## Nitrogen problem slowing down house-building

The housing shortage does not appear to be lessening very quickly. During the first three quarters of this year, only slightly more new homes were added to the housing stock compared to the same period in 2018, partly

due to a lack of construction workers and building sites. Another complicating factor emerged in July: the PFAS Action Framework (*PFAS-handelingskader*). The soil has been found to contain excessive concentrations of poly- and perfluoroalkyl substances in many more places than initially thought. In order to find out what are safe concentrations, and to prevent the substances from being spread in the meantime, it was decided first of all that a kilo of dry soil should not be moved if it contains more than [0.1 micrograms of PFAS](#), the smallest value at which the substances [can be detected](#). This order has meant that many projects, particularly in infrastructure, are temporarily at a standstill so that the soil can be tested.

What's more, the house-building industry was already dealt a blow when the Council of State, the highest administrative court in the country, ruled [at the end of May](#) that the Dutch approach to reduce nitrogen emissions, the *Programma Aanpak Stikstof* (PAS), was not fit for purpose. Projects where nitrogen is released must now demonstrate beforehand how they will compensate for these emissions. That is something that cannot always be achieved quickly. Therefore, the number of building permits being issued is falling sharply. In August this year, no more than 2,900 permits were issued, 1,800 fewer than a year earlier. This brought the number of permits issued in that month to the same level as during the crisis. During the past twelve months, the total number of permits issued has so far also been much lower than last year (see Figure 12).

**Figure 12: Number of building permits issued falling fast**



Note: Statistics Netherlands revised the series of building permits with effect from 2013

Source: Statistics Netherlands, processed by RaboResearch

The government hopes to be able to provide some clarity soon on whether new, more relaxed threshold values can be applied for both the [poly- and perfluoroalkyl substances](#) and the [nitrogen emissions](#) so that the construction industry can get moving again, but it is unclear at present whether these thresholds can indeed be relaxed, and if so when. Furthermore, the coalition government, in addition to the [rescue plan for the housing market](#) announced on Budget Day (*Prinsjesdag*), is making [500 million euros](#) available to reduce nitrogen deposition. The money is meant among others to lower the maximum speed on motorways, which should clear up 'nitrogen space' for construction.

## Shortages and low interest rates continue to drive up prices, sales stabilizing

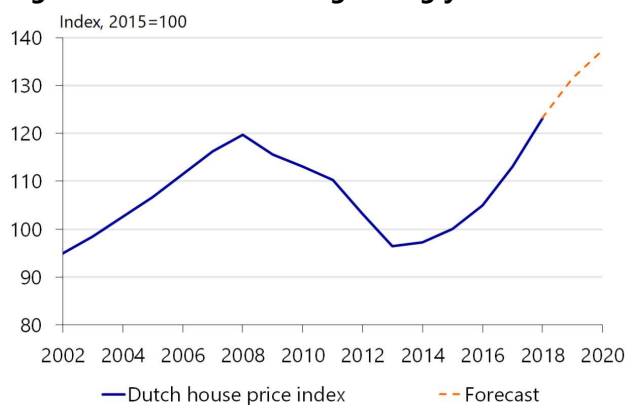
Regardless, the substantial drop in building permits issued this year will mean that the number of new homes added to the housing stock in the coming years is estimated to be thousands lower. That means not just that new-builds will be scarcer in these years, but also that fewer existing homes will be put up for sale, as their owners will be unable to move into new homes.

The Dutch housing market will therefore be characterized by a housing shortage for some time yet, one reason why we are adjusting our house price forecast for 2020 upwards from 4.0 to 4.5 percent. Not only is the housing supply tight, but there is still a huge demand for owner-occupied homes. This demand is driven, amongst other things, by a lack of [affordable alternatives](#) in the rented sector, [rising household incomes](#) and sharply falling mortgage interest rates, which also means that buyers can borrow more.<sup>[3]</sup> All the more so because the budget institute Nibud advises stretching [borrowing levels for two-income households](#) slightly next year; advice that the government usually follows.

This year too, the upward pressure on prices will be higher than we had anticipated. Previously we had assumed [price rises of around 6.0 percent](#). But as described in this Housing Market Quarterly, the rate of increase in the first nine months of the year was so high, at 7.1 percent, that the total average price rise this year is likely to work out at 6.7 percent (Figure 13). This means that an average owner-occupied home in the Netherlands will be 19,000 euros more expensive in one year's time.

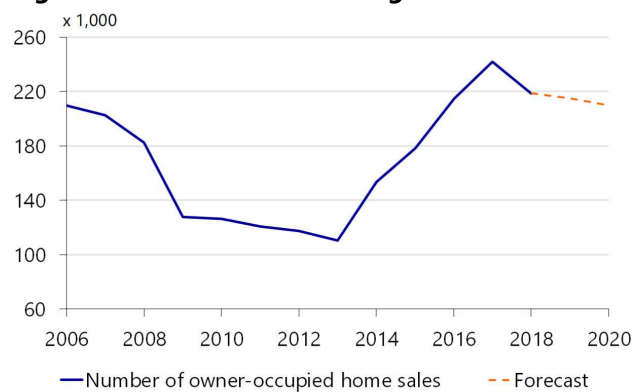
Thanks to the upturn in the number of sales in the third quarter, the end result for this year will also be slightly higher than we had expected. In [our previous Dutch Housing Market Quarterly](#) we were still anticipating that the number of sales would stabilize at around 205,000 transactions, but the moving twelve-month total has already been sitting for some time at a higher level. We expect that the total will settle at 215,000 transactions at the end of 2019. For 2020, we expect a modest fall in the number of sales, partly caused by problems in the construction industry which is hampering movement in the housing market. We expect to see around 210,000 house sales.

**Figure 13: Prices still rising strongly**



Source: Statistics Netherlands, Land Registry, forecast RaboResearch

**Figure 14: Fall in sales levelling off**



Source: Land Registry, forecast RaboResearch

## Key figures



### *Economic indicators for the Netherlands*

	2017	2018	2019 <sup>P</sup>	2020 <sup>P</sup>
GDP (growth, %)	2.9	2.6	1.7	1.4
Inflation (%)	1.3	1.6	2.6	1.5
Unemployment (% of labour force)	4.9	3.8	3.4	3.6

<sup>P</sup>Rabobank forecasts

### *House prices*

<i>Quarter-on-quarter (%)</i>	2018Q4	2019Q1	2019Q2	2019Q3
Mean sales price (Land Registry)	0.4	2.8	0.4	3.5
Housing Price Index (Statistics Netherlands/Land Registry)	1.5	1.7	1.1	1.8
WOX (Calcasa)	1.0	2.2	0.9	-

### *Sales of existing owner-occupied houses*

	2018Q4	2019Q1	2019Q2	2019Q3
Houses sold (Land Registry)	56,410	47,431	52,506	58,935
Forced auctions (Land Registry)	0.4	0.4	0.3	0.1

### *Building permits issued (twelve-month rolling total)*

	2018Q4	2019Q1	2019Q2	2019Q3
Houses (Statistics Netherlands)	69,666	67,764	66,161	-

### *Mortgage interest rates on new loans (Dutch Central Bank)*

<i>Quarter averages (%)</i>	2018Q4	2019Q1	2019Q2	2019Q3
Maturity <= 1 year	1.87	1.88	1.87	1.84
2-5 year	2.10	2.12	2.11	2.04
6-10 year	2.38	2.39	2.27	2.11
> 10 year	2.81	2.84	2.78	2.63

## Footnotes

[1] This looked at the four-quarterly moving average of the year-on-year price trend.

[2] In Zeeland, house prices fell in the first quarter of 2013 by an average of 5.43 percent. In the years that followed, until the fourth quarter of 2015, house prices continued to fall, although more slowly. Since the fourth quarter of 2015 there has been positive house price growth. This moment had already been reached in eight of the twelve provinces in the fourth quarter of 2014.

[3] Households that will not see a rise in their income next year can however expect to see lower mortgage repayments. [According to the NIBUD](#), this will apply to households with a gross annual income in excess of 40,000 euros.

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## Colophon

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Text contributors:

Carola de Groot and Nic Vrieselaar

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Author(s)

**Carola de Groot**

RaboResearch Netherlands

☎ +31 6 8317 6813

✉ [Carola.de.Groot@rabobank.nl](mailto:Carola.de.Groot@rabobank.nl)

**Nic Vrieselaar**

RaboResearch Netherlands

☎ +31 6 2216 2257

✉ [Nic.Vrieselaar@rabobank.nl](mailto:Nic.Vrieselaar@rabobank.nl)