Dutch Housing Market Quarterly

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Economic Research Department

Contents

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Introduction and summary

Second-hand house prices declined further during the third quarter of 2012. The drop was 3.7% compared to the second quarter and did not come as a surprise. The underlying causes are the lack of confidence and limited options among buyers, while competition between vendors remains as keen as ever. However, asking prices are declining only very gradually, because many vendors are not under any great pressure to sell. The possibility of debt overhang also makes vendors reluctant to lower their asking price. As long as this mismatch between demand and supply remains, prices will continue to fall and sales numbers will be low. There will be no meaningful change in this situation for the coming year and a half. However, we do expect to see a temporary surge in sales numbers in the fourth quarter of 2012. This is because buyers will want to avail of the existing tax system. Overall, prices for existing homes are expected to decline by an average of 6% in 2012.

The policy measures adopted for both the non-rental and rental sectors are considered welcome reforms for the overall housing market. While the compromises reached mean that optimal reform will not be achieved, there will be a more level playing field between the social rental sector and the private non-rental sector. The proposed housing market measures, together with general austerity plans, are expected to lead to downward pressure on house prices in 2013. In the first place, the cutbacks will result in a decline in purchasing power and hence reduced borrowing capacity. This means households will have less money to spend on buying a house. Secondly, the specific housing market regulations will put extra downward pressure on households' disposable incomes. From 1 January 2013, new mortgage holders will be obliged to redeem their mortgages on an annuity basis if they are to be eligible for mortgage interest relief. This will result in higher monthly costs and lower borrowing capacity. These factors will be partly offset by the fact that from 2013 residual debt will become eligible for mortgage interest relief. On balance, we expect to see existing house prices drop by some 7% in 2013, although there will be differences according to market segment and region. Indeed, more than half of this price drop has already been realised in 2012.

In the third quarter, a total of 22,978 homes changed hands - down 25.3% on the same period a year ago. The drop can chiefly be attributed to the prevailing uncertainty at the start of the year concerning the rate of transfer tax after 1 July 2012. Both buyers and vendors had a strong incentive to complete the transfer before that deadline. Thus, the rise in sales numbers in the second quarter was totally at the expense of the third quarter. We will probably see a rebound in the fourth quarter, because of the above-cited fiscal policy. On balance, a total of 118,000 house transactions can be expected for 2012. Because of the new housing market measures, the number of sales will decline next year, and will likely amount to 110,000.

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Price Development

Acceleration in decline of selling prices

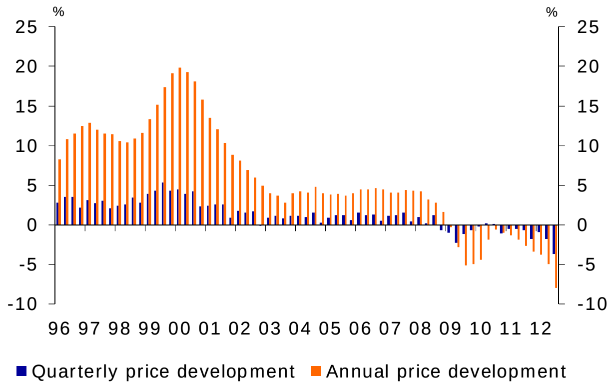
In the third quarter of 2012 selling prices of second-hand houses declined faster than in the previous period. According to the Existing homes price index (PBK-index) of Statistics Netherlands (CBS), the price drop amounted to 3.7% quarter-on-quarter. On an annual basis, prices fell by 8.0% (Figure 1). While it is no surprise that prices declined further in the third quarter, the extent of the drop is remarkable. It is the most rapid price decline registered since the start of the index in 1995. Altogether, prices have fallen 15.6% since the peak in the third quarter of 2008 (Figure 2). Corrected for inflation, this amounts to 20.8%. The average nominal house price has now fallen to the level of 2004 - and in real terms to the level of 2000.

Expectations

By the end of 2012 prices of existing houses are expected to have dropped by over 6%. Most of this decline (5.9%) has already taken place (Figure 3). During the last quarter of this year, prices will fall further, due to the ongoing mismatch between demand and supply on the housing market. Buyers are neither able nor willing to pay the current asking price, and competition between vendors remains keen.

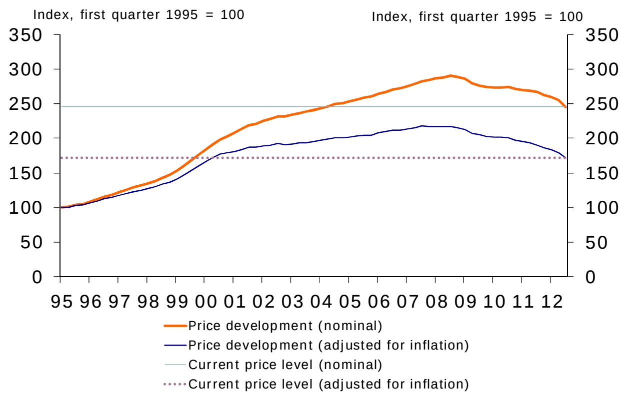
In 2013 second-hand house prices will come under further pressure. For next year, we expect to see the pace of decline to pick up somewhat. However, it should be pointed out that more than half of next year's price drop will already have taken place in 2012 thanks to the so-called carry-over effect (Figure 3). There are various reasons for the further price decline. First, demand for non-rental housing in 2013 will be significantly outweighed by supply. Buyers will remain cautious, owing to economic uncertainty and austerity measures. The decline in purchasing power and rising unemployment will add to the downward pressure on house prices.

Figure 1: More rapid price decline



Source: Statistics Netherlands

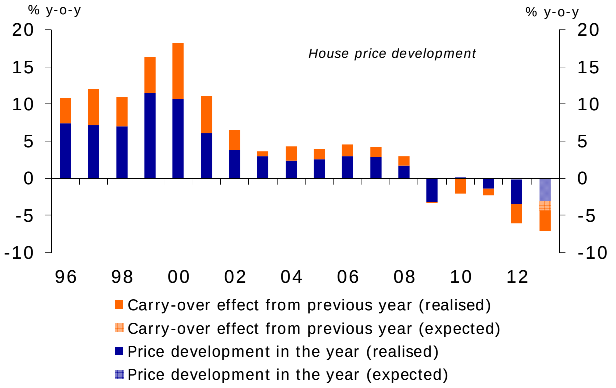
Figure 2: House prices in levels



Source: Statistics Netherlands

Together with the projected rise in cost of living, this will lead to a reduction in the household borrowing capacity of 7.5% on average, not accounting for income and mortgage interest rate growth. Assuming income growth of 2%, the decline would be some 3%.

Figure 3: Expected price development[1]



Source: Statistics Netherlands, Rabobank

Specific housing market regulations contained in the coalition agreement will have an additional downward effect on prices. The long-term cumulative effect of these measures is estimated at between -7% and -12%[2]. A price correction has probably already occurred since the announcement of the Spring Agreement. However, the extent of this effect cannot be calculated. Part of the price drop will only materialise after 2013, as some of the measures contained in the coalition agreement will be phased in over a prolonged period. Nonetheless, the bulk of the price decline will take place in 2013. This is because of the relatively large impact of the Spring Agreement, affecting a large number of people, especially first-time buyers. For this group, the monthly costs of servicing a mortgage will be considerably higher. The same will apply to those selling on who top up their mortgage.

The ongoing (policy-related) uncertainty combined with declining borrowing capacity is expected to result in a price drop of about 7% in 2013. Some 4% of this will already have taken place in 2012, due to the carry-over effect. There are downward risks attached to this forecast. These include factors related to economic uncertainty as well as policy-related uncertainty. Finally, house price development may vary considerably according to region and market segment.

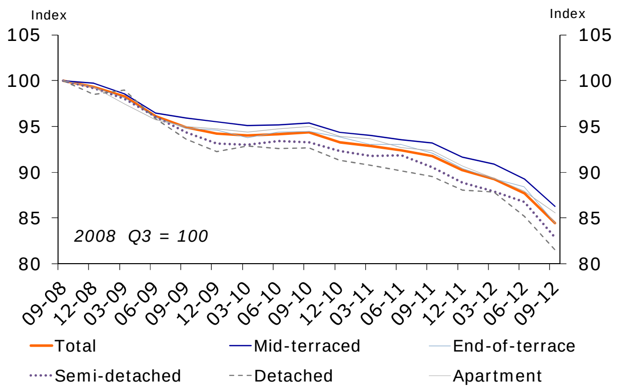
[1] A carry-over effect arises when the value at the end of the year is higher or lower than the average of that year. Consequently, if the value does not change in the following year, the average will be higher or lower than in the preceding year – even though prices have remained constant in the year in question. In 2011 prices declined at the end of the year, which mean the December value was lower than average. Thus a negative carry-over effect arose.
[2] Based on: CPB (2012) “Short-term Forecasts, June 2012", The Dutch economy up to 2017, including the coalition agreement 2013;DNB (2012) The expected effect of the housing market measures contained in the 2013 coalition agreement, 12 July 2012; CPB (2012) Analysis of the economic effects of the coalition agreement on fiscal policy, 29 October 2012.

Price Development

Long term view

Historically, mortgage interest rates play an important part in price development. In recent years interest rates have been fairly stable, and historically relatively low. For next year we assume approximately the same level of mortgage interest rates. However, if interest rates should rise, this would lead to reduced borrowing capacity and downward pressure on house prices. This could be the case, for example, as a result of developments in the euro crisis. A solution to the euro crisis could lead to reduced demand for safe-haven investments, such as Dutch mortgages. This development would push up interest rates. But an escalation of the crisis could also lead to a rise in interest rates in the core eurozone countries.

Figure 4: Price development by segment



Source: Statistics Netherlands

The supply of newly built homes also plays an important role in price formation. Construction output has been considerably below pre-crisis levels for some years. Even then output was scarcely sufficient to keep up with demand from the growing number of households. With the current low level of building output, the fundamental shortage of housing is growing. In the long term, this will be an important factor in the bottoming out of prices.

Regions and market segments

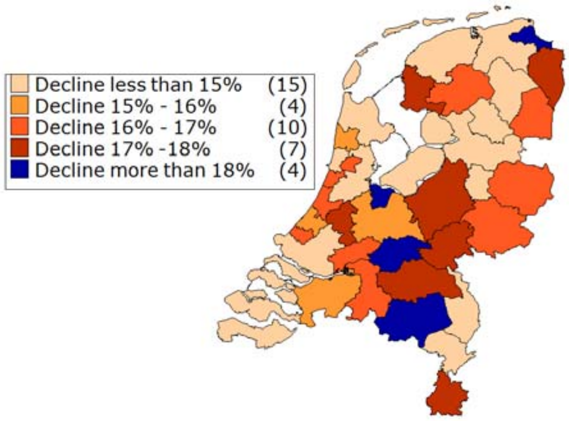
The extent of the house price decline since the peak in 2008 varies by market segment and by region. Prices for mid-terrace houses have fallen by 13.7%, whereas detached houses are now 18.5% cheaper than four years ago (Figure 4). It is not surprising that the most expensive price bracket is the hardest hit. Prices for more expensive houses always react more strongly, in times of both rising and falling prices. One reason is that falling demand becomes more pronounced accordingly as the houses become more expensive. This is because both first time buyers and those selling on are confronted with uncertainties, which reduces the willingness to trade up. At the same time, those selling on have more options than first time buyers: they already have a house and have the option of staying put and perhaps extending their home. Lack of demand among this group is further exacerbated by the fact that some will be left with residual debt after selling their house. As a result, they don't budge.

Not only is there considerable variation in house prices according to market segment, there are great differences between regions. Prices have declined over four years by 20.5% in Zuidwest-Gelderland, compared to only 5.1% in Zeeuws-Vlaanderen (Figure 5). These differences can partly be explained by demographic factors, such as the composition and development of the number of households. The profile of the housing supply in a region can also play an important role. For instance, house prices will fall relatively faster in regions with higher average house prices.

Other indicators

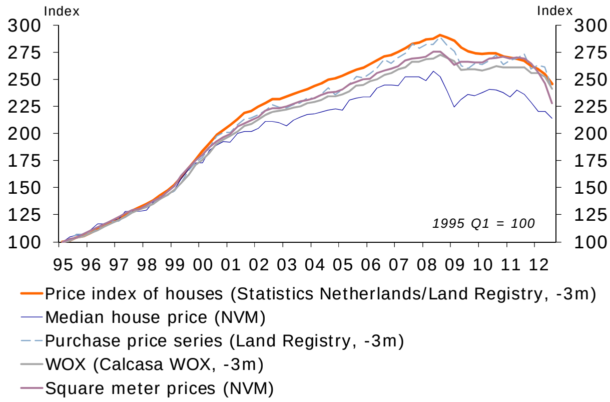
Besides the PBK-index, Statistics Netherlands (CBS) also publishes the average selling price of second-hand houses. In the third quarter of 2012, the average transaction price was 215,795 euro, 8.0% lower than the previous quarter. This was the largest ever quarterly change - in either direction - in this series. The disadvantage of the series is that it makes no correction for house type or location (region). Consequently, the relative increase in apartment sales (cheaper segment) has influenced the average selling price negatively. The series published by the NVM (Netherlands Association of Real Estate Agents) likewise takes no account of compositional effects. However, its advantage is that price development is based on (provisional) sales agreements, which means this series predates both CBS series by three months. In the third quarter, NVM's median house price was 209,000 euro, a drop of 2.8% quarter-on-quarter (Figure 6).

Figure 5: Regional House Prices



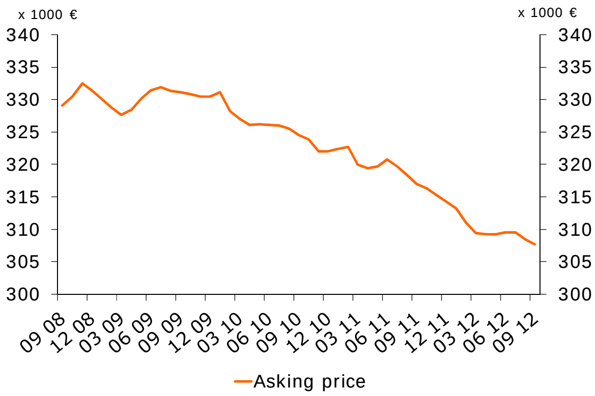
Source: Statistics Netherlands

Figure 6: Various indicators



Source: Statistics Netherlands, NVM & Calcasa Wox

Figure 7: Asking prices slightly lower

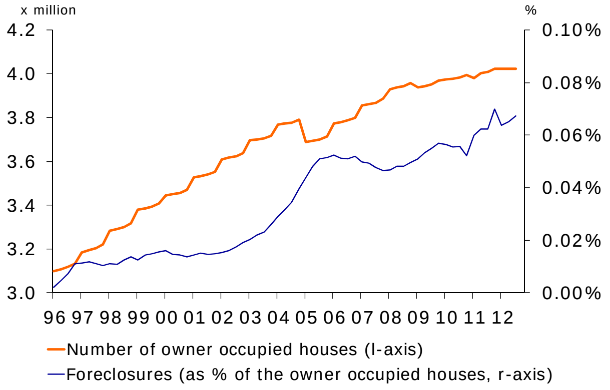


Source: Huizenzoeker.nl

Asking prices

In contrast to the drop in selling prices, the average asking price has scarcely declined in the past quarter (Figure 7). Although this can be partly attributed to compositional effects, it also shows that vendors are not in any rush to sell their houses. This is also reflected in the figures on payment arrears or forced sales, which shows only a limited number of households in this situation (Figure 8). Although the number of households with payment difficulties is rising, as a percentage of the total number of home-owners it is still very low by international comparison. A major reason for this is the fact that unemployment has increased to only a limited extent in recent years. However, debt overhang is also a factor. Households who might possibly be left with residual debt after selling their house are reluctant to lower their asking price and will do so only in a piecemeal fashion. Negative equity makes it more difficult to sell on. The proposed measure by the new cabinet to allow residual debt to be deducted for tax purposes should offer some relief to this encumbered group.

Figure 8: Forced sales stable

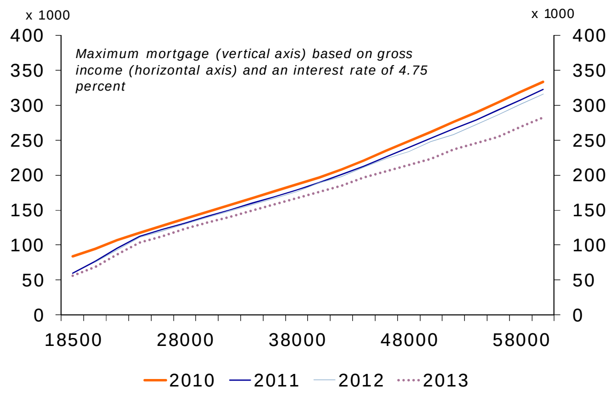


Source: Land Registry, Statistics Netherlands

Declining purchasing power as a result of the coalition agreement…

Next year, very little growth is expected in the Dutch economy, and economic growth will remain minimal in the following years.[3] Important reasons are deleveraging in Europe, including fiscal consolidation in the Netherlands. This will have a knock-on downward effect on purchasing power and will push unemployment up further. As a logical consequence, buyers will have less money to spend on purchasing a house.

Figure 9: Further decline in borrowing capacity



Source: National Institute for Family Finance Information (NIBUD)

… leading to declining borrowing capacity

The maximum borrowing capacity of households is determined by mortgage rates, income level and proportion of income that people need to serve their mortgage debt. Living costs are subtracted from income, and what is left over is available for servicing a mortgage. This means that the proportion of income for servicing a mortgage declines according as living costs rise. Living costs rise every year, which means that borrowing capacity will also decline automatically if mortgage rates and income remain unchanged. The government's proposed fiscal consolidation will put additional pressure on purses, leaving even less money available for spending on accommodation. According to data from Nibud (National Institute for Family Finance Information), assuming unchanged mortgage rates and income level, borrowing capacity will decline by 7.5% next year (Figure 9). The reference rate, used for calculating the maximum borrowing capacity, remained the same in the fourth quarter of 2012 at 5.4%.

Policy clarification still awaited

The lack of confidence in the housing market has been fuelled for some time by uncertainty about the future of mortgage interest relief. There were genuine fears that this tax facility would be (further) curtailed. However, the new cabinet has succeeded in getting over this hurdle. Together with the measures for the rental sector, reforms have commenced that should lead to a better functioning housing market in the long term. Nonetheless not all buyers' doubts have been removed. Doubts remain about the legal viability of the Spring Agreement and the coalition agreement.[4] In particular, there is uncertainty whether the distinction between new and existing mortgages for a 30 year period will stand up in court. Moreover there are fears that the rate applicable for mortgage interest relief could be reduced if the economic situation deteriorates.

[3] Rabobank (2012) "Visie op 2013 'Wennen aan lagere groei'" [Outlook 2013: Lower Growth is the new Reality], 13 November 2012

[4] CPB (2012) "Analyse economische effecten financieel kader Regeerakkoord", [Analysis of the economic effects of fiscal policy], 29 October 2012.

In addition, the difference in how new mortgages from 1 January 2013 are treated for tax purposes compared to existing mortgages will hamper movement on the property market for a number of years to come.

Spring Agreement and its extension in the coalition agreement

The Spring Agreement contained the first steps towards reform of the housing market. The second Rutte cabinet has adopted these measures in their entirety. In the Spring Agreement it was decided that new mortgages taken out after 1 January 2013 would have to be repaid on an annuity basis over a maximum of 30 years in order to be eligible for mortgage interest relief. Other important measures are that the loan-to-value ratio for new mortgages will be incrementally reduced during the coming six years to 100% (currently 106%), and that the reduction of stamp duty (transfer tax) to 2% will be made permanent.

Existing mortgages will be honoured, in that they can be continued if moving house. For a while it was thought that mortgages covered by the NHG guarantee (national mortgage guarantee fund) would be an exception to this.[5] However, the Minister for Housing has informed the Lower House of Parliament that existing NHG mortgages would be respected. However, the NHG premium will be raised to 0.85% of the mortgage amount from 1 January 2013.

With regard to the social housing sector, it was agreed by both the first Rutte government and the Spring Agreement that rents would be made income dependent. In the social housing sector a rent increase of 1% plus inflation was already permitted for households with an income between € 33,000 and € 43,000 lag. For incomes over € 43,000 a rent increase of 5% plus inflation was allowed.

Measures from the coalition agreement

The coalition agreement between the VVD (liberals) and PvdA (labour) expands on the Spring Agreement. First, the maximum eligible rate for mortgage interest relief will be reduced annually from 2014 by 0.5%, to 38% by 2041. On a de facto basis, this means that there will be an incremental change only for households that deduct interest payments for tax purposes at the highest rate. Secondly, households with debt overhang may deduct their payments for tax purposes temporarily and under specific conditions for a maximum of 10 years. Thirdly, the favourable lending facility for first-time buyers under the Stichting Volkshuisvesting Nederland (Dutch Housing Foundation) will be expanded.

In the social housing sector, the maximum permitted rent increase is raised further. For households with an income up to € 33,000 a rent increase of 1.5% plus inflation is permitted. For incomes up to € 43,000 a further 1% is permitted, and for incomes over 43,000 it is 6.5% plus inflation. For all households, this represents an increase of 1.5%

[5] NHG (2012), "VOORWAARDEN & NORMEN – wijzigingen per 1 januari 2013"

vis à vis the Spring Agreement. Lower income households are compensated for this rise by an increased rental allowance.

The method of determining the maximum rent for social housing is to be greatly simplified by using a system based on 4.5% of the official (WOZ) value of the house instead of the current complex points system. It is as yet unclear whether these measures apply to all social housing tenants or only to the housing associations.

Appraisal of the Spring Agreement

There have been three major criticisms of the Spring Agreement:

- a distinction is made between new and existing mortgages;
- there is a limited incentive for households to pay off an existing mortgage;
- the lack of an integrated approach to all sectors of the housing market.

Coalition agreement partly on the right path…

Some of the above criticism has also been levelled at the coalition agreement. However, most of what it contains remains in place. The coalition agreement has gone further in meeting demand for an integrated approach by tackling so-called 'scheefwonen'. This is when households remain in social housing, even though their income has exceeded the original threshold for eligibility. While important measures have been taken to combat this, their effect will only be felt in the longer term. The planned rent increases are too low to turn this unfair situation around in the near term. In the longer term, the measures taken in the rental sector will lead to a better functioning housing market.

With the reduction of the rate at which mortgage interest may be deducted for tax purposes, households with an existing mortgage will have a somewhat greater incentive to pay off their mortgage. However, this incentive is insufficiently strong to have an effect in the short term. The reductions are very gradual and are spread out over a very long period. The process will be very drawn out and the subject is therefore unlikely to be off the political agenda definitively. Furthermore, the measure has no effect on households whose highest marginal tax rate is 42%.

In addition, the fact that residual debt will be eligible for mortgage interest relief for 10 years means households with debt overhang will be less likely to incur payment difficulties. This may possibly ease movement on the property ladder.

…but doesn't fully resolve the problems

A distinction between new and existing cases remains in place. Mortgages taken out before 1 January 2013 are not subject to compulsory redemption, even if the mortgage-holders move house. And if both existing and new cases are fully paid off within 30 years, there is still a discrepancy. This is because existing mortgages can be paid off within 30 years by means of a savings deposit mortgage. New cases, by contrast, have to be redeemed by means of an annuity scheme. For the latter group, the costs of full redemption will be some 15% higher.

The consequence of this discrepancy is that there will be no level playing field for a thirty year period between existing and new mortgage-holders on the housing market. First-time buyers in particular, who play an important part in movement on the property ladder, will be at a relative disadvantage on account of these measures for the next three decades. Indeed there may be question marks over the legality of this unequal treatment. It is highly likely that the legal viability of the measures will be tested in court. Households that don't want to fully redeem their mortgage and yet wish to make use of mortgage interest relief will have to take out a mortgage before 1 January. They will also still be able to avail of a savings deposit mortgage before that date, which means their net mortgage servicing costs thanks to mortgage deductibility will be about 15% lower than for an annuity based mortgage. On the other hand, a disadvantage of buying a house now is that it may go down in value after 1 January 2013.

Reluctance of first-time buyers understandable

Potential buyers will put off buying a house if they expect prices to drop further. This particularly applies to first-time buyers. The same goes for those selling on, if they expect that their current house will fall less in value than the house they want to buy. Because people in this group are already home-owners, the effect is expected to be less pronounced for them.

Obstacles to buying

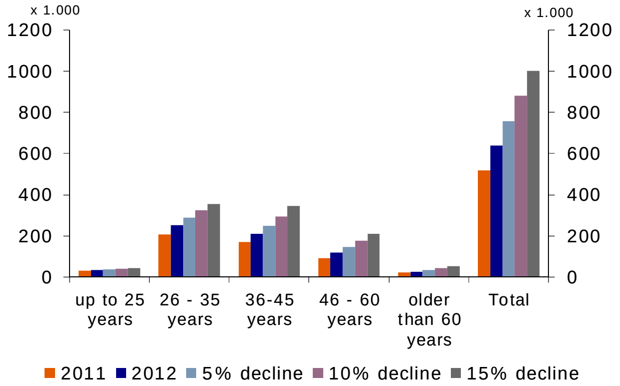
In practice, both first-time buyers and those selling on are hampered by a number of factors. Borrowing capacity for first-time buyers with good earning prospects were already curtailed last year by the introduction of the code of ethics for mortgage financing.[6] Some existing home-owners are hampered by the burden of residual debt, since this is treated as consumer credit. Up to and including 2012, consumer credit was not deductable for tax purposes, leading to higher costs, while the mortgage sum remained unchanged. This also significantly reduces borrowing capacity.

From 1 January 2013, some of these roadblocks will be removed. The interest on residual debt after a house sale will also be eligible for mortgage interest relief from that date. This will have a positive effect of movement along the property ladder. In the first place, the costs of servicing the mortgage will decline, but there will also be less pressure on borrowing capacity. This will give vendors greater leeway to reduce their asking price, which should push up sales numbers.

[6] The effect of this is likely to be limited as factors including falling prices mean that affordability has not deteriorated. See M.T. van der Molen (2012), Aanschaffen woning is gemakkelijker [Buying a house now easier], Rabobank Themabericht 2012/01.

This measure is very welcome as the number of those with debt overhang is growing exponentially. Currently, there are some 640,000 households in negative equity. If house prices decline by another 5 percent, the number of those with residual debt after selling their house would rise to 750.000[7] (Figure 10).

Figure 10: No. of households with residual debt



Source: Commissie Dijkhuizen "Naar een activerender belastingstelsel" [Toward a more activating tax system]

Finally, in times of declining prices, the costs attached to purchasing a house cannot be earned back, which means households will want to avoid incurring these costs too often. They achieve this by buying a house that enables them to skip a rung on the property ladder, i.e. by staying put for longer.

[7] Calculations in Tables and Figure based on Schilder & Conijn (2012) "Restschuld in Nederland: omvang en consequenties." *[Debt overhang in the Netherlands: size and consequences]* Note: this analysis does not take account of other assets of households, not linked to the mortgage.

Considerable decline in transaction numbers

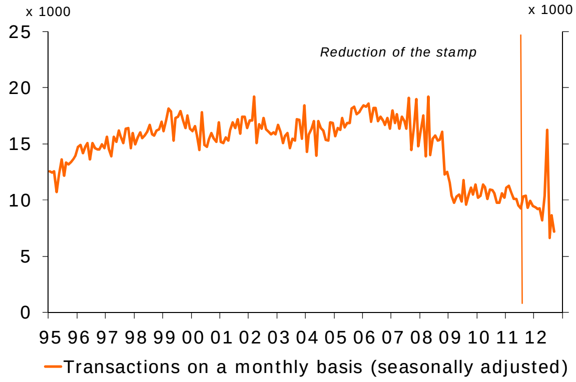
In the third quarter of 2012, 22,978 homes exchanged hands. By comparison with the second quarter, when 34,628 contracts were exchanged, this is a decline of 33.6%. The year-on-year drop amounts to 25.3%. The decline can be almost entirely attributed to uncertainty in the early months of the year about the rate of transfer tax (stamp duty) after 1 July 2012. This uncertainty gave buyers a strong incentive to complete the purchase agreement before the 1st of July. Transfers that normally might have taken place in the third quarter were brought forward to the second quarter. As a result, May and June were exceptionally good months, whereas July through September performed relatively poorly (Figure 11).

By adding up the number of transactions in the second and third quarters, we can average out these distortions. During this period, a total of 57,606 contracts were exchanged compared to 60,301 in the same period a year ago. This represents a drop of 4.5%, considerably less than the 25.3% decline in the third quarter. Nonetheless, the overall trend is negative.

NVM: scarcely any rise in house sales

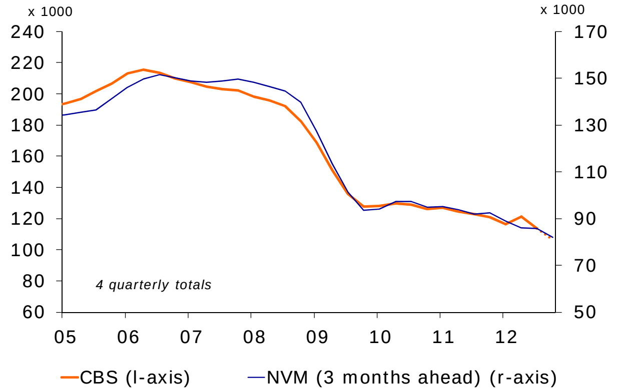
The usual transition period between 'sale agreed' and transfer of ownership is three months. Thus the NVM data contain an important indicator for the number of transfers expected in the following quarter. In the third quarter, NVM estate agents oversaw a total of 18,664 sale agreements. Based on a market share of 75%, this would mean some 25,000 transactions took place in the entire market. Compared to a year ago, the number of provisional sale agreements has declined by 17.2%.

Figure 11: Strong rise in transactions



Source: Statistics Netherlands, Data Processing Rabobank

Figure 12: Trend also negative



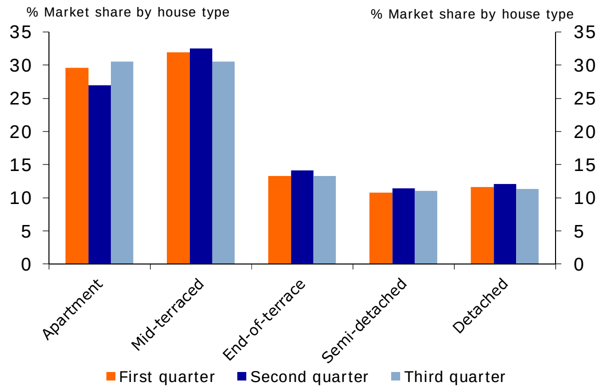
Source: Statistics Netherlands, NVM

Fewer transactions

Conclusion: resurgence was merely temporary

As expected, the resurgence during the second quarter was a temporary blip. There was no rise in the number of buyers on the market. Buyers and vendors merely completed the exchange of contracts sooner than usual. On an annual basis, to date 113,637 houses have exchanged hands, which is 45% less than was the norm four years ago (Figure 12).

Figure 13: Market share of segments



Source: Statistics Netherlands

Differences between segments

The decline in the number of transfers is not equally distributed across the various market segments. The number of apartments sold, for instance, declined by 20.5% compared to a year ago. The drop was greatest for mid-terrace houses: over 29%. The other three groups - semi-detached, end-of-terrace and detached houses - showed declines varying from 24% to 26%. The relatively stronger performance of apartments is also reflected in the market share of this segment which rose from 27.0% in the second quarter to 30.6% in the third quarter (Figure 13).

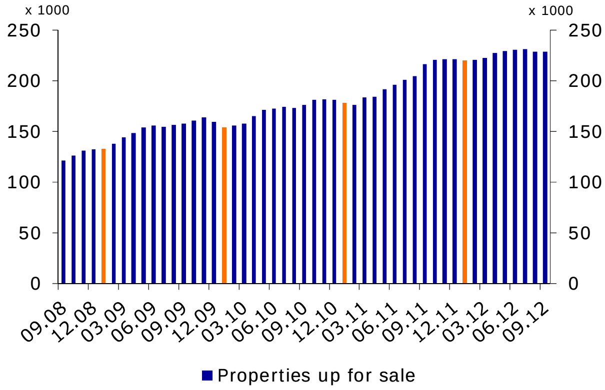
Supply remains ample

Supply as large as ever

From July through September, the number of houses for sale remained stable. Currently, there are over 228,000 homes on the market (Figure 14). The drop in annual sales numbers to 113,637 meant that for the first time, the supply of houses for sale was twice as large as the annual number of houses sold. This underlines the fact that there is no sign of any recovery.

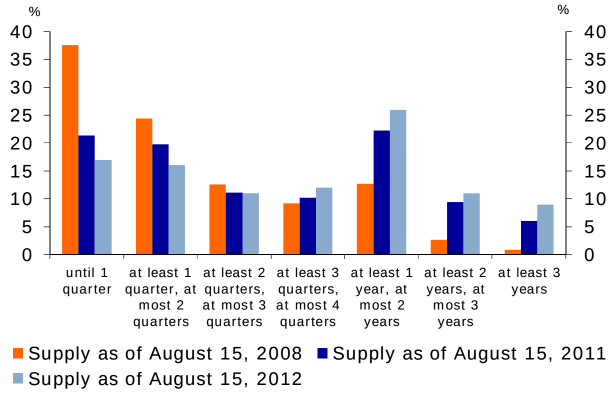
During the third quarter of 2012 it took an average of 336 days for a house to sell - 28 days longer than in the previous quarter. Altogether, the selling period is 96 days longer than two years ago. This is shown in Figure 15. Since the beginning of the crisis, the percentage of homes on the market for longer than a year has risen from 16.2% to 46% of the total sale stock. In this regard, there are considerable differences between house types. The average duration on the market for a mid-terrace house is 286 days, whereas detached houses now take an average of 415 days to sell.

Figure 14: Supply ample, but stable



Source: Huizenzoeker.nl

Figure 15: Houses taking longer to sell



Source: NVM

Sales expectations

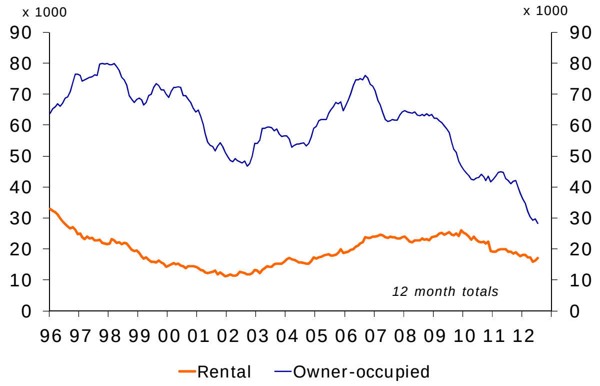
Expected number of sales

The number of sales registered in the fourth quarter of 2012 is likely to be higher than in the same period a year ago. The reason is that from 1 January 2013, new mortgages will have to be repaid on an annuity basis to be eligible for mortgage interest relief. Households that wish to avail of the current tax regime will have to close the deal before that deadline. The same is true if they want to continue to avail of a savings deposit mortgage, for instance, or prefer not to redeem their mortgage fully. On balance, the number of sales completed in 2012 is expected to amount to 118,000.

In 2013 the number of transactions will decline further. Firstly, there will be a drop in sales in the first quarter due to the frontloading of the last quarter of 2012. Secondly, the decline in disposable income and borrowing capacity, assuming current prices, will lead to a further decline in demand, while competition between vendors will remain keen. The additional price drop arising from the introduction of measures under the Spring Agreement and the coalition agreement will further widen the gap between asking price and bids. This will increase the difficulties in closing a sale. Part of the negative effect will be mitigated by the fact that residual debt will now be eligible for mortgage interest relief. This will alleviate the costs of servicing residual debt, giving vendors more scope for selling on. It also makes it more likely the asking price will be reduced. On balance we expect to see about 110,000 houses change hands in 2013.

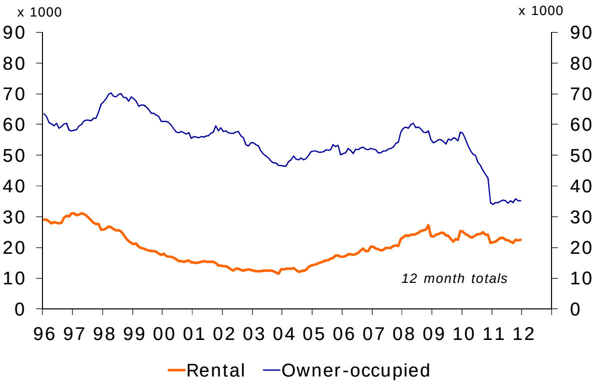
Graphs

Permits for new construction



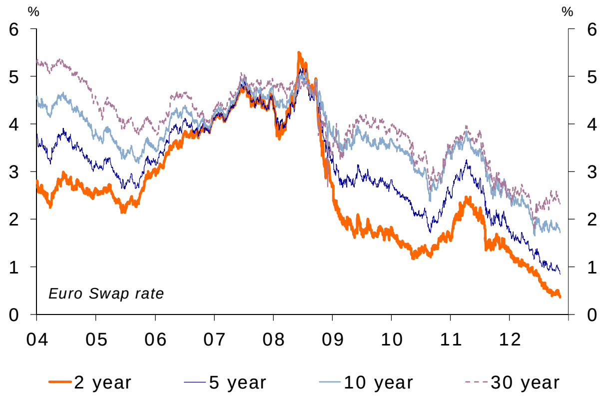
Source: Statistics Netherlands

Building output



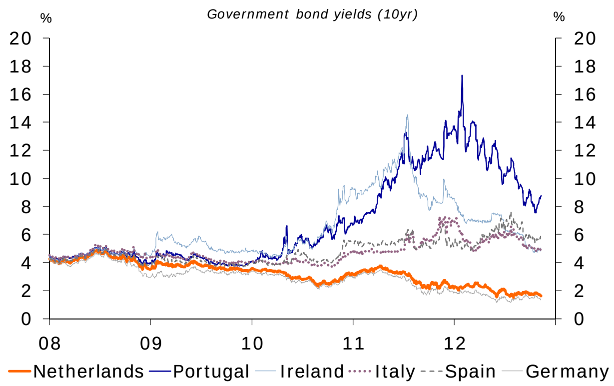
Source: Statistics Netherlands

Swap rate



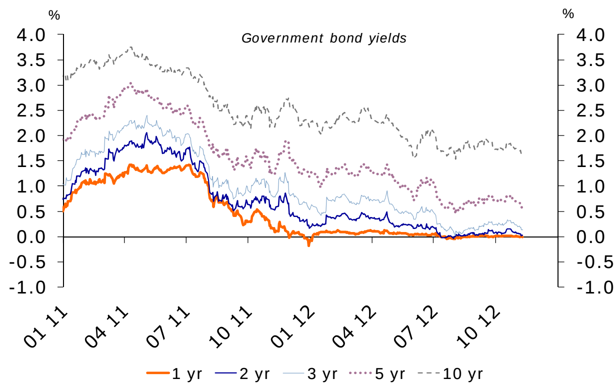
Source: Reuters EcoWin

Capital market: various countries



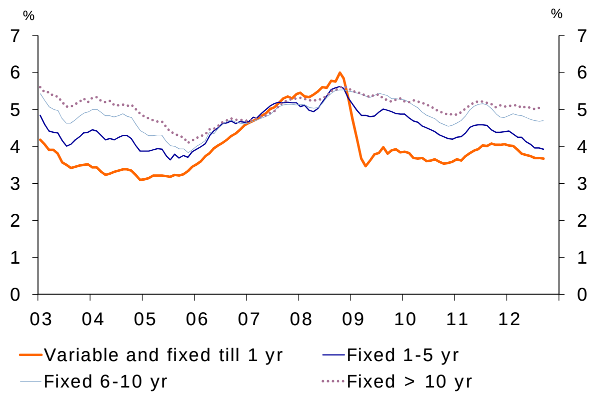
Source: Reuters EcoWin

Capital market: Dutch govt. bonds by maturity



Source: Reuters EcoWin

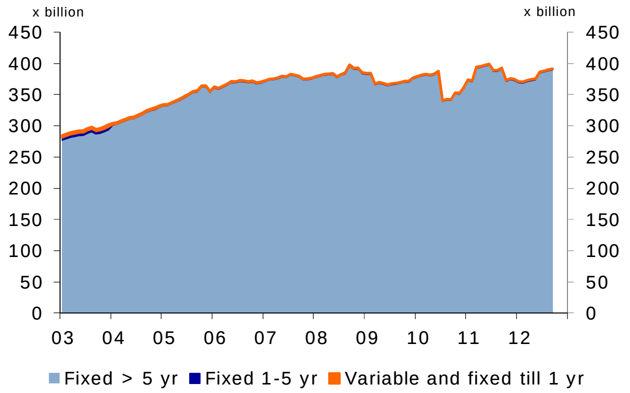
Mortgage interest on new contracts by maturity



Source: Dutch Central Bank

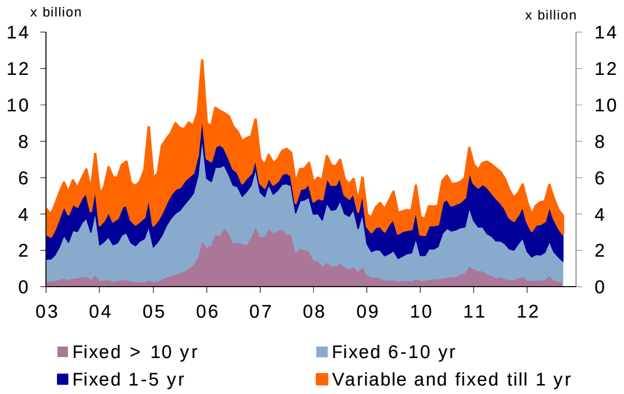
Graphs

Volume of existing mortgage debt by maturity



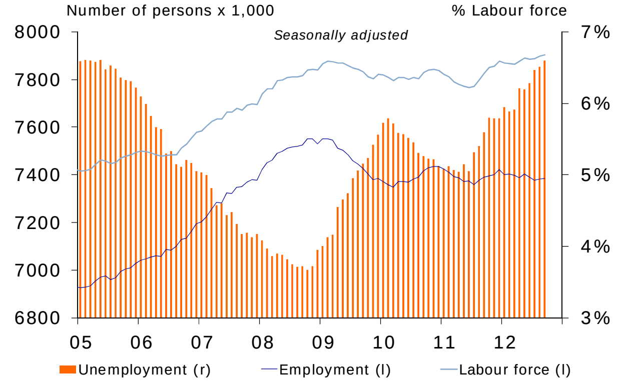
Source: Dutch Central Bank

Volume of new mortgage debt by maturity



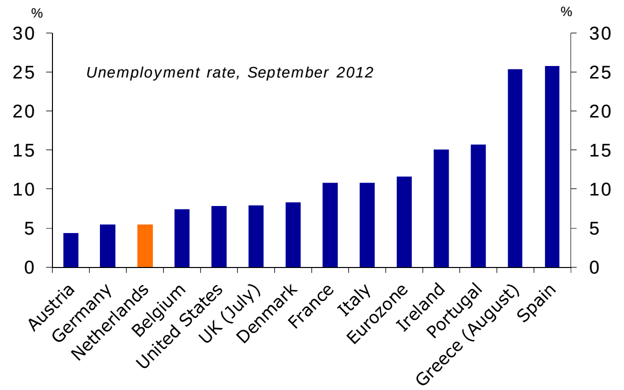
Source: Dutch Central Bank

Unemployment in the Netherlands



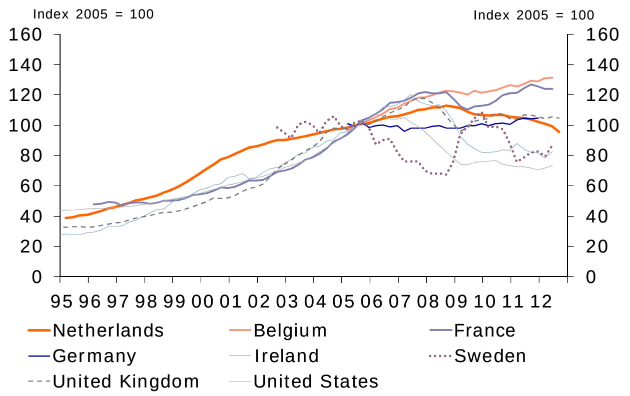
Source: Statistics Netherlands

International comparison of unemployment



Source: Eurostat

International price development



Source: Reuters EcoWin

Economic outlook

	2011	*2012*	*2013*
Year-on-year change in %			
Gross Domestic Product	1.1	-½	¼
Private consumption	-1.0	-1	-¼
Government expenditures	0.1	-¼	-1
Private investment	8.9	-2¼	2
Exports of goods and services	3.9	4½	4
Imports of goods and services	3.6	3½	3¼
Consumer price index	2.4	2½	2
Unemployment (% labour force)	4.4	5¼	5¾
Government budget (% GDP)	-5.1	-3.7	-2.7
Government debt (% GDP)	65.5	71.4	71.9
Current account balance (% GDP)	6¾	7¼	7

Source: Statistics Netherlands, Rabobank

Key data

House prices

Year-on-year change (%)	2010	2011	2012 [a]	2013 [a]
NVM (median house price)	3.2	-1.9	-7.5	-6.0
Land Registry (purchase prices)	0.3	0.3	-6.5	-9.0
Statistics Netherlands/Land Registry	-2.0	-2.3	-6.0	-7.0
CALCASA WOX	-0.3	-0.2	-5.0	-7.5

Numbers

x 1,000	2010	2011	2012 [a]	2013 [a]
Sales transactions	126	121	118	110
New housing completions (rental and sale)	56	58	52	42

Numbers

	2010	2011	2012 [a]	2013 [a]
Involuntary sales	2,086	2,811	-	-

Key economic data (November 2012)

	2010	2011	2012 [a]	2013 [a]
GDP (volume growth in %)	1.7	1.1	-½	¼
Inflation (%)	1.3	2.4	2¼	2
Unemployment (%)	3.7	4.4	5¼	5¾

Interest rate [b]

Level (%)	12 November 2012	+3m [c]	+12m [c]
3-month eurozone	0.19	0.17	0.38
10-year euro swap	1.68	2.00	2.50
Mortgage interest rate. 5-10 years fixed[d]	4.69[d]		

[a] Rabobank forecasts
[b] Forecast by Financial Markets Research, Rabobank International
[c] 3-month outlook and 12-month outlook, respectively
[d] Monthly average for September 2012 – Dutch Central Bank

Colophon

The Dutch Housing Market Quarterly is a publication of the Economic Research Department (ERD) of Rabobank Nederland. The view presented in this publication has been based on data from sources we consider to be reliable. Among others, these include Reuters EcoWin, Land Registry, NVM, DNB, CPB, Statistics Netherlands and huizenzoeker.nl.

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