Dutch Housing Market Quarterly

May 2011

Economic Research Department

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Introduction and summary

The residential property market is still showing no sign of recovery. In the first quarter of 2011, the average house price in the Netherlands fell by 0.5% compared to the previous quarter. This means house prices are currently 1.2% lower than a year ago.

Despite a flurry of activity in the first two months of this year, the number of houses sold in the first quarter of 2011 was up by only 2.2% compared to the same quarter in previous year. This can be attributed to a sharp fall back in the number of house sales in March. This month-on-month pattern clearly reflects the effects of recent policy measures (the series is characterised by a lag of two to three months): The recovery in January and February was due to clarification of the new government's policy on mortgage interest tax relief. There was also an extra incentive for house buyers to buy a house before 1 January, the deadline for the new, lower financing burden scale of Nibud (National Institute for Family Finance Information).The lower scale means households on the same income and interest rate as a year ago may now borrow 3% to 4% less. Consequently, the number of transactions showed a decline in March.

For 2011 and 2012 we expect to see a further drop in house prices by 2% and 2½%, respectively. This is inevitable in view of the rising number of houses for sale from an already high level. In April there were over 184,000 residential properties on the market. At the same time, affordability is under pressure. The reduction of the financing burden scale means households can raise less money, and the scale is expected to be lowered further from 1 January 2012. The effect of this will be exacerbated by a gradual rise in interest rates. Accordingly, the oversupply of houses on the one hand and the reduced scope for financing on the other hand means that there is a mismatch between demand and supply at the current level of house prices. We therefore expect to see the average house price decline further during the course of the year, as (some) vendors find themselves under growing pressure to drop their price in order to sell. Total house sales will amount to some 130,000 this year, rising to 135,000 next year.

Forced sales rose slightly during the first quarter, but from an international perspective are still very low. Likewise, the percentage of mortgage arrears is low by international standards. This can be attributed to sound mortgage lending practices, low unemployment, a good social security system and a high level of payment morality in Dutch society.

In both 2011 and 2012, the construction sector will continue to be undermined by stagnation on the housing market. In view of the relatively low number of building permits issued, construction output is unlikely to rise above 55,000 and 52,000 completions respectively.

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Existing homes market

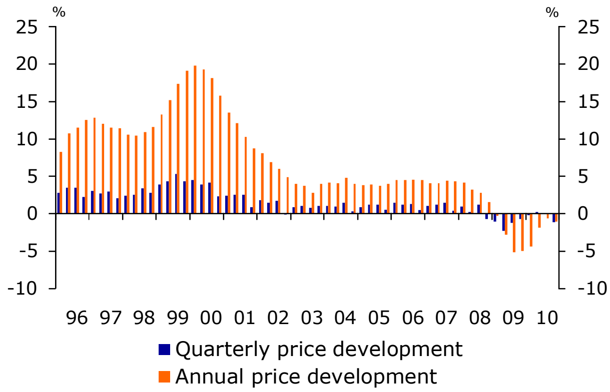
Downward trend continues

The slide in house prices seen in the fourth quarter of 2010 continued into the first quarter of 2011. The existing homes price index (PBK) of Statistics Netherlands/Land Registry dropped by 0.5% compared to the last quarter of 2010. This compares to a drop of 1.1% (q-o-q) in the last quarter of 2010. House prices are currently 1.2% lower than a year ago (figure 1). This second successive quarterly drop would appear to imply that the stabilisation of prices in the period from late 2009 to mid-2010 was merely temporary.

The price drop as well as the increase in house sales (see next section) in the first quarter of 2011 did not come as a surprise. The decision by the Rutte Cabinet to leave the mortgage interest relief facility unchanged gave potential buyers more courage to enter the market. There was also an extra incentive for buyers to make their move before 1 January 2011, as they could then still avail of the old Nibud financing burden scale. Vendors too may have been motivated by this situation to compromise on price somewhat, in view of the anticipated reduced opportunities for buyers after this period.

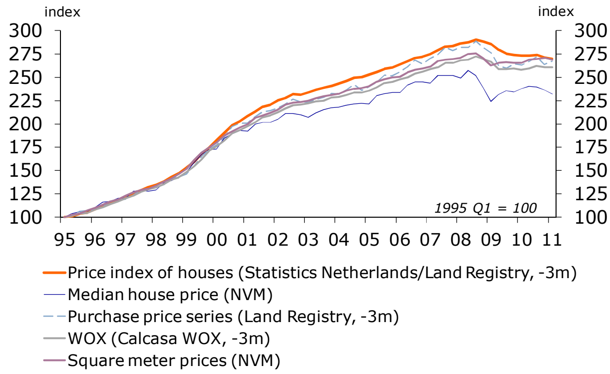
Second-hand house prices (existing homes) are expected to decline by 2% in 2011 and by 2½% in 2012. This means that for the remainder of 2011 house prices will drop by a further 1½%. The main reason for the drop is because demand for houses at the current price level will remain lower than in the preceding period. The reduction in the Nibud financing burden scale from 1 January 2011 means there is mismatch between financing scope and the current level of house prices. It's not so much that people don't want to move house, it is that they are not able to do so.

Figure 1: Further drop in prices



Source: Statistics Netherlands

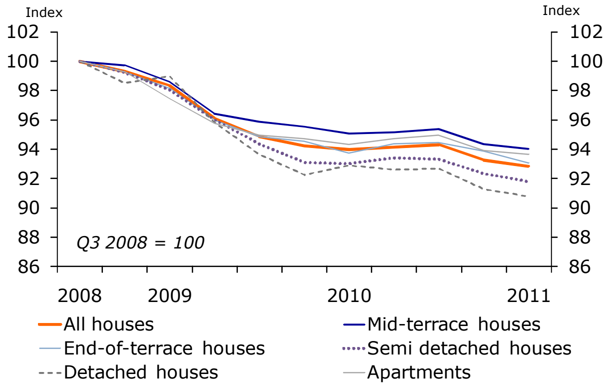
Figure 2: A mixed bag



Source: Statistics Netherlands, NVM, Calcasa, Land Reg.

In addition, if the code of conduct is adhered to, the monthly repayments will be higher for those households who previously would have opted for mortgages of over 50% interest-only. This is because in these cases from 1 August 2011 new mortgages have to be redeemed to less than 50% of the purchase value of the house in a period of 30 years. Mortgages taken out before 1 August will be exempted from this measure. Likewise, households whose mortgage period expires after 1 August will be exempted. These households will be permitted to remortgage their home according to the old rule (see also last quarter's Housing Market Quarterly). Added to this is the expectation that the financing burden scale will be further tightened from 1 January 2012, which will mean a further reduction to the maximum permitted NHG-guaranteed mortgage. This will put further downward pressure on both house prices and transaction numbers in 2012.

Figure 3: Price development by house type



Source: Statistics Netherlands

In addition to the PBK-index there are other indicators for measuring price development. However, these do not give a unequivocal picture (figure 2). The Land Registry's purchase price series registered a rise of 1.4% in the first quarter of 2011, whereas the median house price series of the NVM (Dutch Association of Real Estate Brokers) recorded a drop of 1.7% on a quarterly basis. Neither series corrects for the type of house that is sold. During a period when relatively more expensive houses are sold, the impression is given that prices are rising, and vice versa; the reason being that price development is determined on the basis of current transaction numbers. When expensive houses are over-represented in house sales compared to a 'normal' period, the average transaction price shows a rise, as does the price trend. However, the advantage of the NVM-series is that it contains more up-to-date information, because the transactions are registered at the time of sale. Nonetheless, since the PBK-index corrects for house type and region, this series has our preference, although we have to accept the disadvantage that it does not contain the most recent information.

Based on the PBK-index it would appear that a drop in house prices has taken place across the board (figure 3). In both the cheaper price bracket (mid-terrace houses and apartments) and in the more expensive price bracket (detached and semi-detached houses) prices fell in the first quarter, dropping within a -0.3% to -0.9% bandwidth compared to the previous quarter.

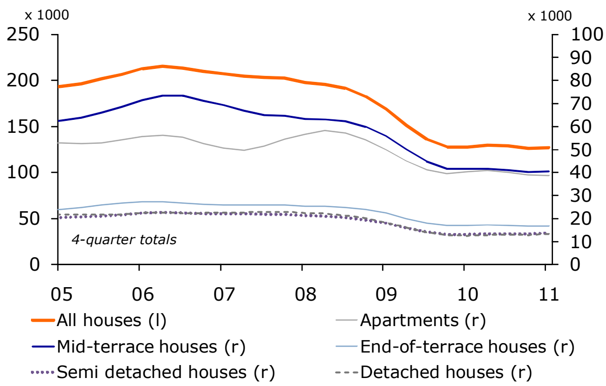
With the exception of end-of-terrace houses, the quarterly drop was less marked for all other house types compared to the previous quarter. Figure 3 also shows the decline in house prices that has taken place since the top of the market: on average 7.2%. However, there is a clear difference between price brackets. The more expensive houses show a relatively greater price drop of 8% to 9%, whereas house prices in the less expensive bracket have fallen by an average of 6% to 7% since the start of the crisis.

A brief flurry of activity

Since late 2009 the number of transactions (12-month totals) has fluctuated between 126,000 and 130,000 (figure 4). In the last quarter of 2010 the lower limit was almost breached, with only 126,127 houses sold. This rose to 126,740 in the first quarter of this year, with 28,358 houses changing hands – a rise of 2.2% compared to a year ago. The bulk of the activity took place in the months of January and February, when transactions were up by 8.6% and 7.5% on last year. In March the numbers had dropped by 6.4% year-on-year.

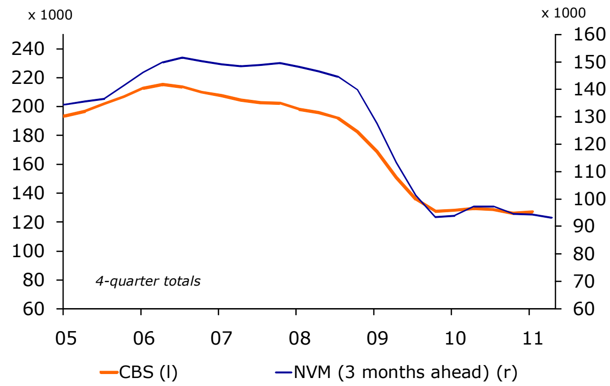
Because there is a lag of two to three months on average between a sale agreement and actual registration of the sale, the numbers from the first quarter reflect sales that were concluded in the period from October to December last year. The slump in March indicates that the flurry of activity following the installation of the new cabinet was short lived. The decline also reflects the start of the effect of the new policy measures that were implemented from 1 January (see next section: More houses on the market and taking longer to sell).

Figure 4: Transaction numbers remain low



Source: Statistics Netherlands

Figure 5: Difference between CBS and NVM



Source: Statistics Netherlands, NVM

This picture is confirmed by the number of sales registered by NVM estate agents in the first quarter of 2011 (figure 5) which show a drop of 1.4% compared to the previous quarter, on a 12 month basis.

The temporary rise in the number of transactions is not equally distributed across the board. In the more expensive price bracket (detached and semi-detached houses), 10% to 11% more houses changed hands compared to a year ago. In the cheaper segment of the market (terraced houses and apartments), the percentage varied from -3 to +3%.

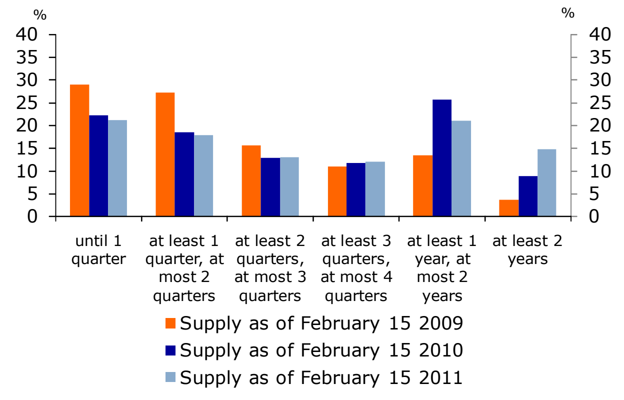
More houses on the market and taking longer to sell
From November to February the number of houses on the market declined slightly each month. However, in March there were 7,438 more houses for sale and in April a further 292, putting the total number of houses on the market in April at over 184,000 (figure 6). This is the highest number since September 2008. These numbers tell only part of the story. Homeowners who would like to move house are reluctant to put their house up for sale on account of falling prices and low sales figures. The number of houses that are not put on the market can be estimated at 100.000. This is based on current and former transaction numbers (third quarter of 2008), minus the rise in the number of houses for sale.

Meanwhile, not only are there more houses for sale, they remain on the market for longer. According to the NVM a house takes on average 268 days to sell – nearly nine months. In the previous quarter, the period was 250 days. The length of time varies considerably according to house type.

Figure 6: More houses on the market ...

Source: Huizenzoeker.nl

Figure 7: ... and for longer



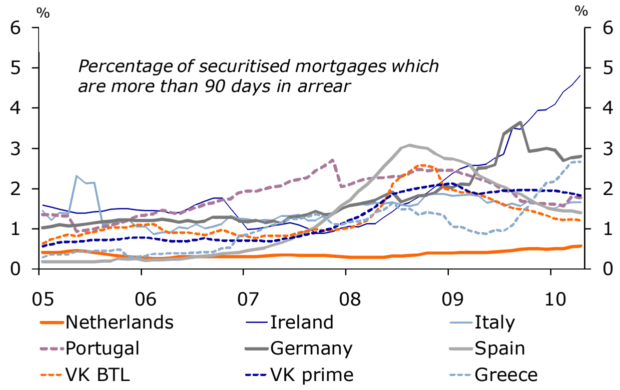
Source: NVM

Mid-terrace houses remain for sale for an average of 212 days, compared to 355 days for detached houses. The increase in turnover time is reflected in the growing number of homes on the market for longer than two years. This group now represents nearly 15% of houses for sale, compared to just over 4% two years ago (figure 7).
In absolute numbers this percentage accounts for over 25,000 residential properties. If these vendors have already purchased a house and moved in, their monthly costs will rise further from 1 January 2012. This is because vendors who put their house on the market in 2008 will no longer be able to avail of double mortgage tax relief from next year. It makes no difference what month in 2008 the house was put up for sale. For those whose old house is vacant because they have moved into the new home, a similar principle applies. In their case too, double mortgage tax relief had been extended from two years to three years. In other words, a large group of homeowners will simultaneously experience a financial incentive to drop the asking price of their house. We can expect to see the effect of this reflected in the figures for 2012.

Outlook for 2011 and 2012
In the short term, imminent restrictive measures will provide an additional incentive for both vendors and house-buyers to agree on a sale. We already saw this effect in the New Year, with the introduction of Nibud's new financing burden scale. A similar effect can be expected around 1 August, when the new repayment scheme comes into effect.

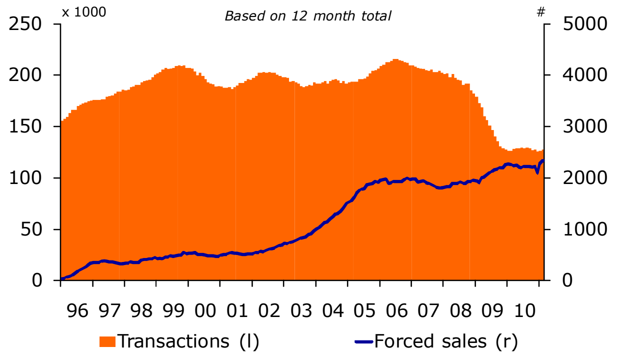
[3] Fitch Ratings (2011). EMEA RMBS Q410 Update: Generally Stable, Pockets of Poor Performance Persist

Figure 8: The Dutch are reliable payers



Source: Fitch (2011)[3]

Figure 9: Forced sales up slightly



Source: Statistics Netherlands/ Land Registry

Moreover, pressure will mount on vendors with double mortgage tax relief to sell by the end of the year, if their house has been on the market since before 1 January 2009.

The temporary boost to demand caused by the introduction of new policy measures will not be sufficient to push up house prices. The extra demand is dwarfed by the volume of supply. In fact, in the long term, the policy measures will exert downward pressure on prices, especially once the temporary extra demand has abated. This effect will be exacerbated by rising interest rates (see later in this Quarterly). Purchasing power will also be under pressure in the coming years, leading to the expectation that the financing burden scale will be further tightened. House prices can therefore be expected to drop in 2011 and in 2012 by 2% and 2½% respectively.

On balance, transaction numbers in 2011 will continue to hover around current levels. In 2012 house sales will increase slightly, with more vendors prepared to drop their asking price in order to sell, given the large supply of houses on the market. The dampening effect of the new policy measures, with current homeowners on up to 50% interest-only mortgages more reluctant to move house, carries little weight against the large volume of supply. On balance, total transactions will amount to 130,000 and 135,000 respectively for this year and next.

Forced Sales

In the first quarter of there were 819 forced sales. This compares to 523 for the same period last year. The rise occurred chiefly in the months of January and February, with the numbers much higher than the same period a year ago. By international standards, the percentage of Dutch households in mortgage payment arrears is low (figure 8). The number of forced sales is also comparatively low, at 2,382 (figure 9). The SEO economic research organisation (2011)[4] confirms that the number of households in payment difficulties in the Netherlands is low and the problems usually have mainly 'external' causes such as divorce or unemployment as opposed to excessively high mortgage debt as such.

[4] SEO (2011). Publieke belangen en hypotheekregulering [Public interest and mortgage regulation]

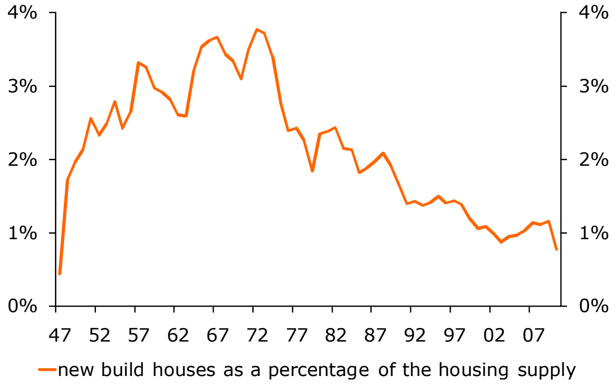
New construction

According to Statistics Netherlands, last year saw the number of new housing completions reach its lowest point since 1952. In 2010 56,000 new homes were completed; in 1952 the total was just over 54,000. And as a percentage of the housing supply, the number of completions reached a historic low not seen since 1947 (figure 10). This contrasts sharply with 2009 when almost 83,000 housing units were completed. The decline in completions was most marked in the non-rental sector (down by almost 40%), but even rental home completions declined considerably (by nearly 16%).

In 2010 just over 61,000 building permits were issued for new housing. This represents a steep drop compared to 2009, with the decline most marked in the rental sector (over 25%). In the non-rental sector, issuance fell by almost 11%. In 2011, the ongoing limited activity on the housing market will ensure that new housing output will probably only match that of 2010, with an estimated 55,000 completions. Based on the number of building permits issued in 2010, new completions are likely to be lower still in 2012, reaching only 52,000.

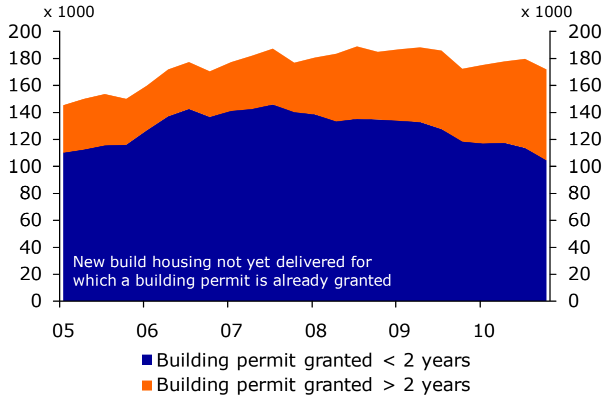
The number of yet uncompleted new houses, for which a building permit has been issued, is also declining. In the fourth quarter of 2010, this number was virtually equal to that of 2009, but was well down on the last three months of 2008 (by over 7%). The decline is most marked for cases where the building permit was issued no more than two years earlier (figure 11). Conversely, there is a rise in the number of as yet uncompleted houses for which permits were issued more than two years ago. It would appear that relatively new building projects are more likely to be completed, whereas older projects are being mothballed.

Figure 10: Housing completions at rock bottom



Source: Statistics Netherlands

Figure 11: Older building projects put on ice



Source: Statistics Netherlands

Interest Rate Development

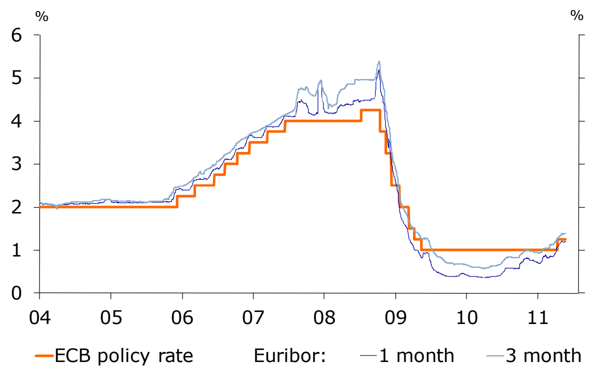
ECB takes a first step

In early April the ECB raised its policy rate by 0.25% point, after having kept interest rates at a historically low level for almost two years (figure 12). Thus the ECB was the first central bank of the major developed economies to raise interest rates. A major factor underpinning this move was the risk that recent price rises, driven by rising commodity prices, would lead to second-round effects in price and wage development in the eurozone and hence to widespread inflationary pressure in the medium term. In April, the annual rise in consumer prices in the eurozone reached 2.8%, chiefly fuelled by higher commodity prices. Our expectation is that the rise in the policy rate in April will not be a once-off. Since the current level is still exceptionally low, further normalisation of interest rates cannot be ruled out, with a projected rate of 2% likely within the space of a year. Despite the continued dependence on liquidity facilities, particularly among banks in the eurozone periphery, we can expect the ECB to take further steps in the autumn towards normalisation of its liquidity policy.

European debt problems still an issue

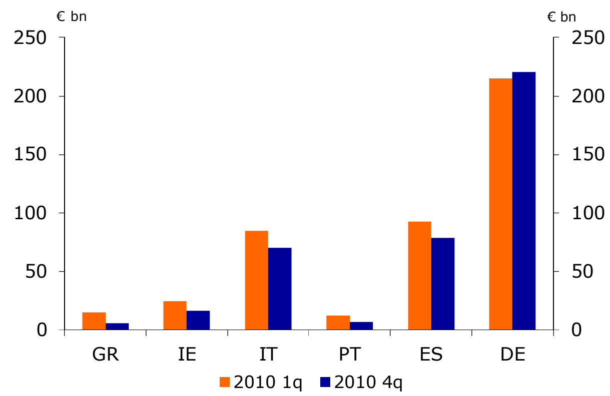
The European debt crisis is far from over yet. After Greece and Ireland, Portugal is now the third EMU member state to have to resort to seeking financial support from the EU. The financial markets have also been dominated by ongoing concerns about possible restructuring of the Greek government debt. The fear is that because of the interconnectedness of the eurozone, other peripheral countries will be affected, with the possibility of serious repercussions for European banking and the entire financial system. Although the Greek debt situation is unsustainable in the long term, debt restructuring would currently be problematic, precisely on account of the feared ripple effect.

Figure 12: ECB raises its policy rate



Source: Reuters EcoWin

Figure 13: Safe haven investments

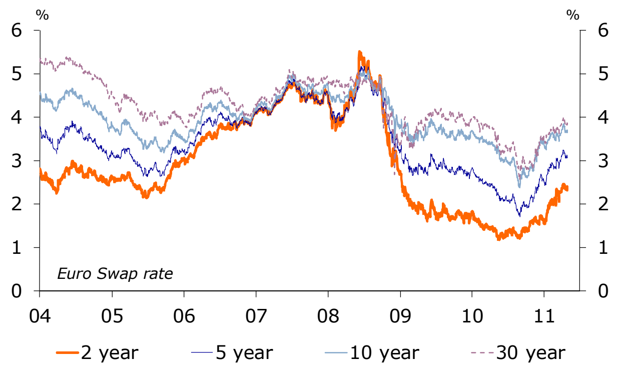


Source: DNB

Against this background, investors have fled to the safer haven of government bonds from Germany and to a lesser extent the Netherlands, which has pushed up the interest rate differential between the peripheral countries and Germany. Figure 13 shows total investment by the Dutch financial sector in six eurozone countries in the first and last quarters of 2010. Investments in countries such as Greece, Portugal and Ireland were already comparatively small in the beginning of the year. By the last quarter they had declined further, while investment in Germany had increased. According to Dutch Central Bank, this development is largely the result of a shift in investment portfolios, indicating a flight to safer options. Thanks to ECB policy rate rises and ongoing economic recovery, we expect capital market interest rates to rise further (figure 14). Furthermore, it is likely that despite growing public resistance, and in the absence of a better alternative, the stronger eurozone countries will be unable to avoid being presented with a large part of the bill for the current debt problems in the EU periphery. This will ultimately increase the upward pressure on the 10-year euro swap rate.

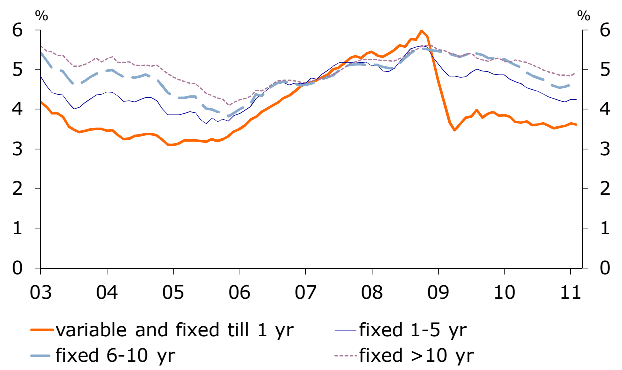
In view of the developments on the money and capital markets, a steady rise in mortgage rates can be expected during the course of this year. Since the autumn of 2010, both the average variable mortgage rates and fixed term rates have risen slightly. In particular, rates with a fixed term of between five and ten years have risen somewhat more sharply. Despite a slight rise, average mortgage rates scarcely differ from the pre-crisis period and remain well below the peak of autumn 2008 (figure 15).

Figure 14: Upward movement on capital market



Source: Reuters EcoWin

Figure 15: Slight rise in mortgage rates



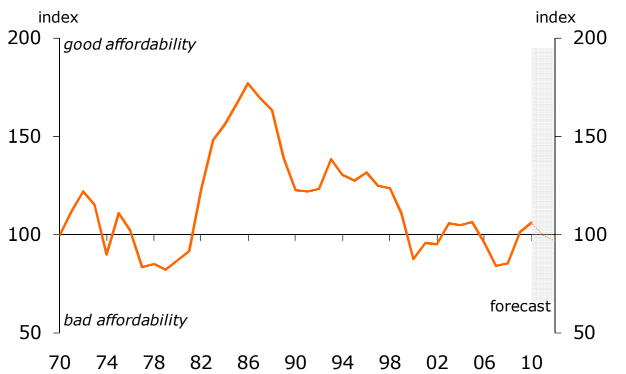
Source: DNB

Affordability

The Rabobank affordability index is a measure of the affordability of purchasing an average house for a household with an average income in the Netherlands. It is essentially a snapshot, which means it does not take account of any changes in, for instance, the income situation as a result of unemployment. If the affordability index is 100, this means that for an average household income and an average priced house, the gross monthly burden is 30% of gross income. If the affordability index exceeds 100, then the gross monthly burden is less than 30% of gross income, and vice versa.

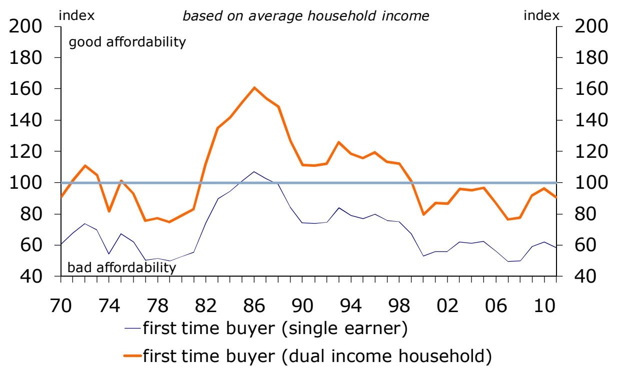
For 2011 the index is expected to amount to 102. For dual income households, this means they will spend less than 30% of their gross income on home repayments, although this will be more than in 2010 (figure 16). However, the index does not account for fixed costs other than house-related costs. The rise in other fixed chargers resulting from an increase in pension and health care premiums in 2011 leaves less room for spending on a house than the index might imply. This is evident from the Nibud financing burden scale, which was adjusted downward from 1 January 2011. In 2012 there is likely to be further tightening of the scale, although disposable income is expected to be somewhat higher next year. On the other hand, interest rates are likely to rise, keeping affordability under continuing pressure in 2012.
First time buyers in particular (110% financing) still have great difficulty gaining a foothold on the property ladder. For dual income households in this category, the affordability index amounts to 93 in 2011 (figure 17). Single income households with an average income encounter the greatest difficulty. For them, the affordability index is just over 60. This means that they will have to spend over half their income on financing their home, which makes purchasing a house without any personal capital virtually impossible for this group.

Figure 16: Spending on home financing stable in 2011



Source: CPB, CBS/Land Registry, Reuters EcoWin, Rabobank

Figure 17: Very difficult to enter the market



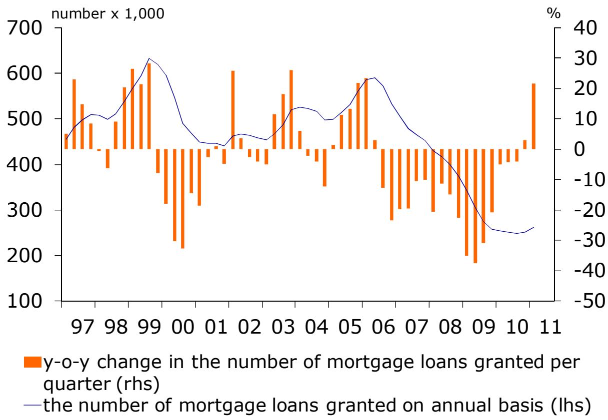
Source: CPB, CBS/Land Registry, Reuters EcoWin, Rabobank

Temporary surge in mortgage lending

According to Land Registry data, 64,500 mortgages were issued in the first three months of 2011 - almost a quarter more than in the same period a year ago (figure 18). This year-on-year rise is hardly surprising, given that the number of mortgages issued in the first quarter of last year hit the lowest point since spring 1992. Besides, the numbers for the first quarter of this year reflect mortgages registered between October and December of last year, because mortgages are recorded by the Land Registry with a lag of a few months. The surge reflects the decision by house buyers to bring their mortgage agreement forward ahead of the deadline for the introduction of more stringent requirements for a NHG-guaranteed mortgage and the tightening of the Nibud financing burden scale in 2011. The date on which a mortgage is tendered determines which NHG criteria will apply - thus leading to a sharp increase in mortgage registrations in the last months of 2010.

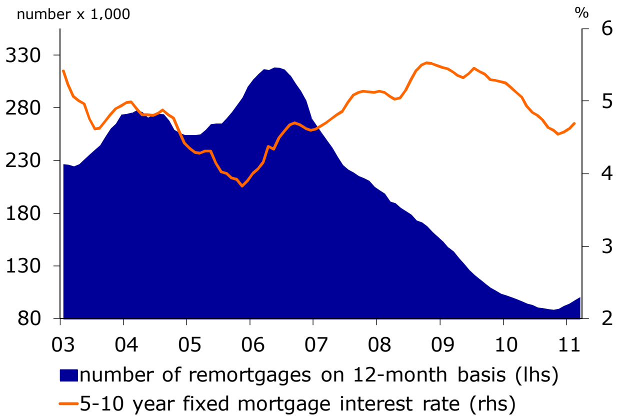
In our view the recovery on the mortgage market is temporary in nature. A major reason for this is that potential house buyers will shortly be confronted with measures designed to limit credit. The adjustment to the Nibud financing burden scale means that potential house buyers, particularly first-time buyers will be able to borrow less than previously, even with the same income and unchanged interest rates. Furthermore, the tightening of requirements for mortgage lending by the Financial Markets Authority which will take effect in August this year, will lead to higher monthly costs for house buyers who might previously have opted for a 100% interest-only mortgage. This will make it more difficult for first-time buyers to raise financing, while current homeowners (with a more than 50% interest-only mortgage) will be less inclined to trade up. Additionally, we are seeing fewer refinancing mortgages due to higher interest rates, making premature refinancing no longer attractive (figure 19).

Figure 18: Temporary surge in mortgage lending



Source: Land Registry, Rabobank

Figure 19: Higher interest rates a deterrent to refinancing

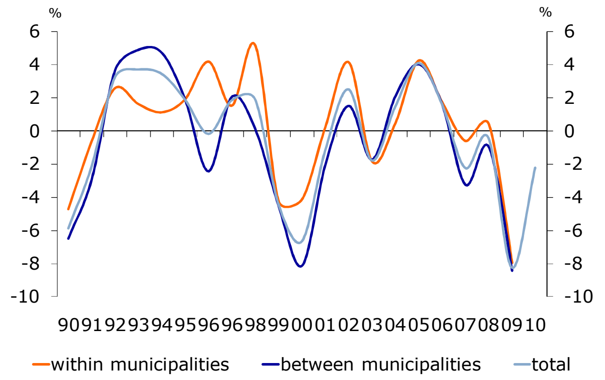


Source: DNB, Land Registry, Rabobank

Housing market regions

There is no single Dutch housing market as such. Demand for houses varies according to the life stage of the house seeker, and nor is the housing supply homogeneous. Furthermore, housing markets differ from one region to another. This section of the Quarterly examines developments that have taken place in the various regional housing markets in the latter decades, and particularly since the recent crisis. We have found that not only are there different regional markets, but the size of these markets changes over time.

Figure 20: Relocation trends in the Netherlands vis à vis population size 1990-2010



Source: CBS, data processing: Rabobank

Trends in relocation

During the past two decades, on average 10% of Dutch people moved house annually. Parallel to developments in the economic cycle, the 'mobility' of the population has shown considerable divergence in different periods. Both the 1990s and the first decade of this century saw vigorous growth in the number of relocations. This period was followed by a number of years of fluctuating growth or stagnation. Finally, we see two years of sharp decline in the number of relocations, which means the 1990s and the 2000's are two distinct periods with comparable development on the Dutch housing market (see figure 20). In terms of duration and consequences for the number of relocations, the financial and economic crisis of recent years is comparable to the downturns that occurred around 1990 and 2000.

Regional housing markets

Where moving house is concerned, the *size* of the municipalities and the *distance* between them play an important role. The number of relocations between two places declines according as the distance between them increases. Indeed, 60% of house removals take place within the same municipality. In 25% of cases, the move is made to a different municipality but within the same province; and in only 15% of cases is there a move to another province. Moreover, the bigger the municipality, the larger its share of total relocations in the Netherlands. The impact of the factors *distance* and *size* on relocations means that housing markets can develop around regional centres. The distance determines the size of the housing market region, while the size determines which municipality is the regional centre. In these regional housing markets supply and demand factors interact. We define a municipality as a housing market centre on the basis of its share in relocations countrywide.

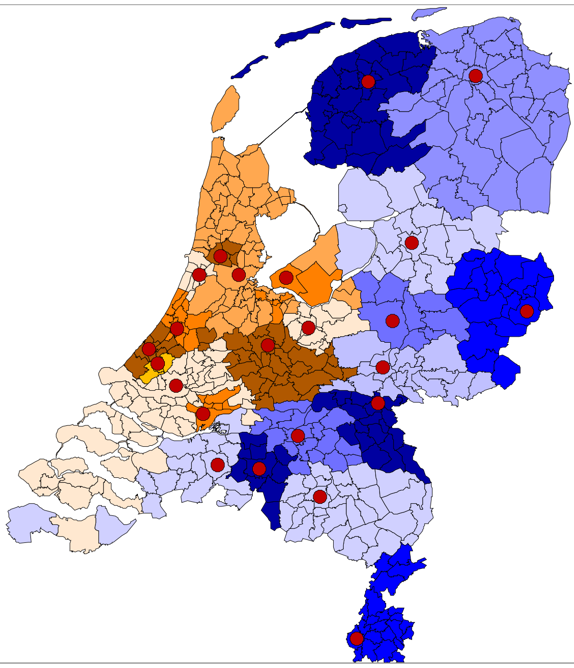
The more stringently this criterion is applied, with a municipality having to show a high share to qualify, the smaller the number of municipalities defined as housing market regions. However, regional attachment increases accordingly. This regional attachment is the share of relocations from and to the municipalities within the same region. Thus the housing market region increases in homogeneity. However, the question is, do these housing market regions remain homogeneous over time, or do they change in size?

Wide range of regional housing markets

Figure 21 shows the housing markets that can be distinguished for the 1990s. Based on the criterion that the housing market centres accounted for an average of 0.75% of total relocations, we identify 23 housing market regions, with an average regional attachment of 80% for that period. These regions vary considerably in terms of geographical size, population and regional attachment. Geographical size varies considerably according to the competitive pressure exerted by other centres. This competition is keener if other centres are larger or are located close by. If competition is weak, a housing market region becomes large; the opposite is also the case. The regions of Groningen, Amsterdam and Rotterdam are by far the largest housing market regions in the Netherlands, accounting for 15%, 12% and 11% respectively of the country's surface area. Groningen is centrally located in the region that comprises a large portion of the north of the country.

Figure 21: Housing market regions 1990-1999.

The colours indicate the geographic borders of the various housing market regions



Source: ABF-Research; data processing: Rabobank

Amsterdam and Rotterdam experience competition from other centres in the Randstad urban belt, but little from centres elsewhere. These urban centres are therefore very a-centric in their housing market regions.

Keen competition with each other means that the other housing market regions in the Randstad urban belt –The Hague, Haarlem, Leiden and Dordrecht are relatively small. Thanks to the population density in nearby environs and the sheer size of the urban sprawl, Amsterdam and Rotterdam are by far the largest centres in terms of inhabitants. In the 1990s Amsterdam had a population of 2.1 million and Rotterdam had 1.9 million. The regions surrounding the other two large cities in the Randstad – The Hague and Utrecht - were considerably smaller with around 900,000 inhabitants, even behind Groningen and Eindhoven with 1.1 million and 1 million inhabitants respectively. With regard to regional attachment, Maastricht was easily the leader at 87%, followed by the regions near the major cities. These regions experienced few relocations to or from the rest of the country. The cities of Delft and Almere had a lower level of attachment (68%), and Utrecht was also relatively open, with an attachment percentage of 77%.

Randstad dominant in shifts within regional housing markets

Figure 22 displays the housing market regions for the first decade of this century, according to the same criteria. In many respects the housing markets of the 'noughties' differ from those of the 1990s. The Randstad urban belt was dominant in upheavals that took place in the regional housing markets. This implies that competition between the markets in the Randstad is relatively strong. Firstly, the rapid growth in recent decades of the municipalities of Haarlemmermeer and Zoetermeer led a share of relocations that qualified these towns as independent housing markets. Accordingly they were no longer viewed as part of the regions of Amsterdam and The Hague respectively. Conversely, Delft lost its position as independent housing market region. In contrast to Haarlemmermeer and Zoetermeer, Delft did not undergo large-scale expansion in recent decades, and was therefore superseded by these other municipalities in terms of share in relocations. The former Delft region has now been subsumed into the region of The Hague.

Additionally, a number of shifts took place because housing market centres underwent different development in terms of their attractiveness. On balance, Amsterdam and Rotterdam lost out in this respect, whereas Utrecht gained ground. Amsterdam lost ground in the Veluwe area and Rotterdam lost influence to Utrecht in the green centre of the country. However, Amsterdam gained influence in Het Gooi at the expense of Almere, while also yielding some ground to Lelystad in this area. In the province of Zeeland, Rotterdam had to yield ground to the city of Breda (Noord-Brabant).

The development of large new housing projects in Utrecht and Breda may have played a part in consolidating the position of these housing market centres. The city of ’s-Hertogenbosch conceded some of its influence in Oost-Brabant to Eindhoven; Leeuwarden likewise lost influence to Groningen. This latter region gained most from the shifts in the regional housing markets in the past twenty years, recording the highest growth for both surface area and population. The housing market region of Groningen accounted for about one fifth of the Dutch total in the 2000s, consolidating its position as third largest population centre.

Reasons for shifts in regional housing markets
Shifts in regional housing markets arise on account of changes in the relocation patterns to and from municipalities. Factors related to the demand or supply side of the housing market often underpin these changes. On the supply side, the availability of housing may be an important factor. For instance, a municipality with a lot of newly built houses may be more of a draw than a place where the housing stock has stagnated. On the demand side, the age profile of the population is significant. Younger people move house considerably more often, they move much further away and for different reasons compared to older people. A community with an ageing population therefore occupies a different position in a housing market region than a ‘young’ municipality.

The impact of these factors is clearly visible in municipalities that transitioned from one housing market to another between the 1990s and the 2000s, as occurred in Oost-Brabant, Het Gooi and southern Friesland.

Oost-Brabant
In the 1990s, the towns of Veghel, Uden and Boekel in Oost-Brabant (Eastern Brabant) were strongly orientated towards the city of ’s-Hertogenbosch. However, in the 2000s, fewer households moved from Uden and Boekel to ’s-Hertogenbosch, while the popularity of Eindhoven grew. From Veghel, relocations to both cities increased, but the rise was greater for Eindhoven (+40%) than for ’s-Hertogenbosch (+16%). The expansion of the housing stock in both cities does not appear to be the main reason. In both Eindhoven and ’s-Hertogenbosch the housing stock increased by virtually the same amount in both periods. However, in Uden and Veghel the growth of the housing stock was less marked in the 2000s than in the 1990s. This is illustrated by the fact that both municipalities went from having a slightly positive to a slightly negative relocation balance. This was mainly due to an increase in the number of people aged 25 to 35 who relocated. In addition, the travelling time between these towns and the city of Eindhoven was reduced after the construction of the A50 motorway. Thus the position of Eindhoven improved as a living and working destination for inhabitants of Veghel, Uden and Boekel, while the road connection (N279) between these three municipalities and ’s-Hertogenbosch remained the same.

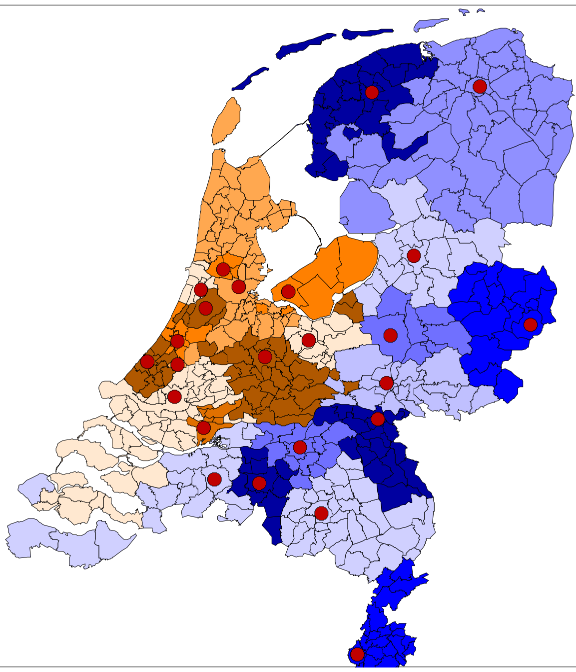
Het Gooi

From the 1980s Almere has played an important role in attracting house seekers from the villages of Het Gooi. However, this attraction has diminished considerably during the past decade. Instead, Amsterdam has taken over as the leading housing market for the municipalities of Bussum and Hilversum. Relocations from Bussum to Almere have declined by 28% and from Hilversum by 22%. This compares with an increase in relocations to Amsterdam from Bussum of 26% and of 16% from Hilversum. The reason for this shift can be found in the changing age profile of the people moving house: relatively more in the 35-44 year age group and fewer in the 15-34 year age group. As a rule, the older age group has more financial scope and therefore greater opportunities for access to the more expensive Amsterdam housing market. Another important factor could be that the wave of new housing construction in Almere declined sharply after 2000 (from an average of 2,850 to 1,800 new completions annually).

Southern Friesland

Very different factors were at play in the shift of five Friesian municipalities – Lemsterland, Achtkarspelen, Skarsterlân, Weststellingwerf and Wymbritseradiel – to the housing market region of Groningen. During the past decade just as many houses were built in Leeuwarden as in the 1990s, but significantly fewer in Groningen. The reason that Groningen gained in importance in southern Friesland vis à vis Leeuwarden is due to the orientation of the smaller centres towards which this part of the province was primarily drawn:

Figure 22: Housing Market Regions 2000-2009.



Source: ABF-Research; data processing: Rabobank

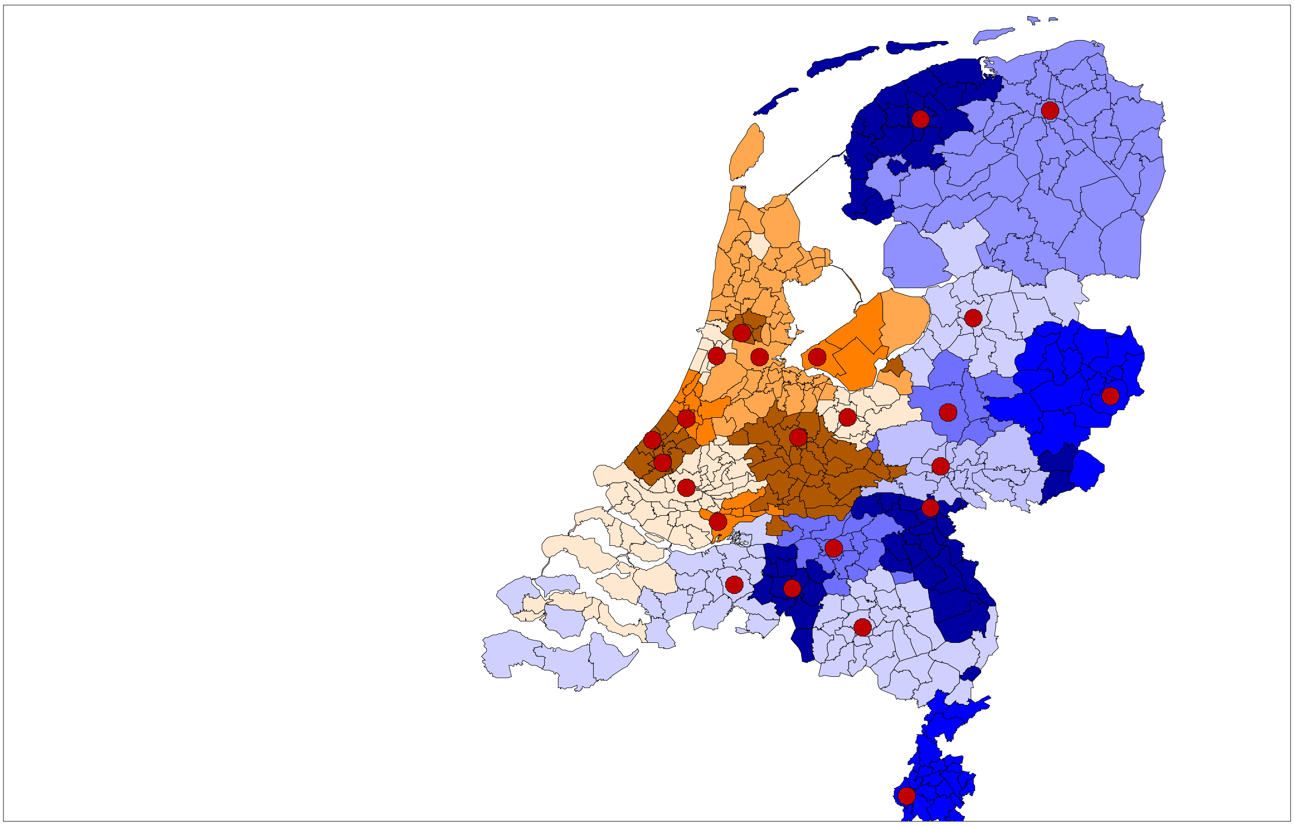
the towns of Drachten and Sneek. From 2000 these centres were increasingly orientated towards Groningen and took their hinterland with them. Particularly in municipalities with small absolute numbers of relocations, a slight change in migration patterns can quickly lead to a shift in housing market region.

The effect of the crisis

Additionally, market sentiment can play a role in changes to a housing market region. With the current slump in the residential property market, the percentage of young adults involved in relocations has increased as a result of a decline in the number of families and older people moving house[5]. Migration patterns in the Netherlands now appear to be determined more than usual by students and young people leaving home. Housing market centres that draw these groups are gaining ground at the expense of other centres. Nijmegen is a case in point, and to a lesser extent Groningen and Eindhoven (figure 23). Conversely, Zoetermeer and Haarlemmermeer have lost their lately acquired status as independent housing market regions following the decline in relocations in recent years. Besides The Hague and Amsterdam, the cities of Leiden and Haarlem have been the beneficiaries of this development.

[5] CBS Webmagazine (2010). Veel minder gezinnen verhuisd [Sharp decline in families moving house]

Figure 23: Housing Market Regions 2008-2009



Source: ABF-Research; data processing: Rabobank

Conclusion

The Dutch housing market is both a local and regional phenomenon. The bulk of relocations take place within a small geographical area, often within the same municipality. Relocations to another municipality are generally orientated towards a clearly defined housing market centre. However, the housing market regions are not fixed entities, they are subject to change. The rise of new population centres can lead to the emergence of new regions, as in the case of Zoetermeer and Haarlemmermeer. And the (relative) decline of centres, such as Delft, may result in the shrinkage or disappearance of housing market regions. Moreover, housing market regions may undergo change, depending on the competitiveness of their centres. In the past decade, the cities of Almere, Rotterdam and Leeuwarden lost ground to Amsterdam, Breda and Groningen. The development of a housing market region appears to depend more on the profile of the house seekers and the attractiveness of the centre as such, rather than on the size of house-building projects.

Key figures

House Prices

Year-on-year change (%)	2009	2010	2011 [a]	2012 [a]
NVM (median house price)	-7.1	3.1	-3½	-3
Land Registry (purchase price)	-6.4	0.3	-1	-3
Statistics Netherlands/ Land Registry (PBK)	-3.3	-2.0	-2	-2½
CALCASA WOX	-3.3	-0.3	-1	-2½

Totals

x 1000	2009	2010	2011 [a]	2012 [a]
Sales transactions	128	126	130	135
Newly built homes	83	56	55	52

Totals

	2009	2010	2011	2012
Enforced Sales	2,256	2,086		

Key economic figures (March 2011)

	2009	2010	2011 [a]	2012 [a]
GDP (growth, %)	-3.9	1.7	1¾	1½
Inflation (%)	1.2	1.3	1¾	1¾
Unemployment (%)	4.8	5.4	5	5

Rabobank affordability index

	2009	2010	2011 [a]	2012 [a]
Affordability index [b]	98	106	102	99

Interest rates [c]

Level (%)	13 May 2011	+3m [d]	+12m [d]
3-month Eurozone	1.42	1.70	2.40
10-year Euroswap	3.46	3.60	4.05
Mortgage interest rate, 5-10 year fixed[e]	4.69		

[a] Rabobank Outlook
[b] The Rabobank affordability index is calculated based on the average property price (Land Registry) and average household income (Statistics Netherlands). An annuity mortgage is used with a duration of 30 years and a forced sale value of 80 percent of the market value, and a monthly expense quota of 30 percent. An affordability index greater than 100 indicates that the average house is reasonably affordable. An affordability index below 100 indicates that an average property is not reasonably affordable without injecting personal capital.
[c] Forecasts by Financial Markets Research, Rabobank International
[d] Outlook for +3 and +12 months respectively
[e] February 2011 monthly average, DNB

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 and Statistics Netherlands.

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