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Dutch Housing Market Update 2021 Q4

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Dynamic Credit originates and manages tailored portfolios of Dutch residential and consumer BTL mortgage loans for institutional investors in an easy, cost-efficient and transparent way. As always, we welcome the opportunity to discuss the housing market or investing in Dutch mortgages.



"The Rutte-IV government was sworn in and aims to accelerate housing construction to 100,000 homes per year up to 2030, partly to be accomplished by the abolition of the landlord ("verhuurderheffing") for associations. Also, the levy housing role of Minister of Housing and Spatial Planning has returned.

Furthermore, a lack of supply of housing has resulted in a decrease of property sales by 21% in 2021 versus 2020 and resulted in another house price increase record, with a 19.6% YoY increase in 2021-Q4. Also, spreads are still under pressure due to increasing swap rates, but mortgage rates have been increasing: the average increase in 2021-Q4 was 6 bps and 4 bps in the first three weeks of January. Further increases are expected."

Jasper Koops,
Head of Portfolio Management

1. Executive Summary

Coalition agreement: 10th of January marks the start of the new Rutte-IV government. To address the housing shortage, the government aims to accelerate housing construction over the next decade.

Consumer confidence: consumer confidence decreased in 2021-Q4. According to recent publications, 75% of Dutch consumers observe current market buying conditions as ‘unfavorable’.

House prices: the Dutch House Price Index increased with 3.9% in 2021-Q4 and 19.6% YoY, surpassing the previous YoY record of 17.5% in 2021-Q3.

Property sales: the number of properties sold in 2021-Q4 was close to 53,000, a decrease of 21% YoY.

Housing prices forecasts: the market consensus forecast for house prices for 2022 is an increase of 12.5%, with the stagnating housing supply as the key driver. Property sales are expected to decrease by 10% to 15% in 2022.

Refinancing segment: The number of offers in the refinancing segment increased by more than 28%, making it larger than the market for purchases.

NHG: the NHG market share decreased in comparison to last year. In terms of mortgage loans balance, a market share of 13.7% is comprised of NHG. Loss declarations decreased by 60%.

Interest rate developments: interest rates for owner-occupied mortgages increased in 2021-Q4, whereas buy-to-let interest rates remained unchanged.

Spread developments: spreads continued to decrease by on average 7 bps as swap rates increased more than mortgage interest rates.

RMBS activity: in the last quarter of 2021, two RMBS deals and one BTL deal were distributed. The total 2021 distributed Dutch RMBS issuance is EUR 1.7 billion higher compared to 2020.

BTL Purchase restrictions: Per 1st of January 2022 the purchase protection (“opkoopbescherming”) has entered into force. This legislation allows municipalities to prohibit letting out of properties which are purchased after a certain date without a permit. The prohibition applies up to [four] years after the transfer.

Inflation: Prices in the eurozone were 5% higher compared to a year earlier.

Unemployment: The unemployment rate reached its lowest level in Q4 due to the very strong labor market.

2. Dutch Housing Market Update

Challenges for the new government

On 10 January 2022, the new Rutte-IV government was sworn in, almost 10 months after the elections were being held. The new coalition is formed by the same four parties as the previous one: VVD, D66, CDA and Christenunie. The shared goals and objectives for the upcoming government term are laid down in a coalition agreement, which includes themes such as combating climate change, improving health care, increasing equality of opportunity and the housing market¹.

Housing market

According to research agency ABF² the Netherlands was facing a housing shortage of no less than 279,000 homes in 2021, which amounted to 3.5% of the entire housing stock. This deficit is expected to increase further in the coming years if no additional measures are taken. To reduce the shortage, the government aims to accelerate housing construction to 100,000 homes per year up to 2030. The aim is for two-thirds of these homes to consist of affordable rental homes and owner-occupied homes up to the NHG limit (currently at EUR 355,000). This should partly be accomplished by the abolition of the landlord levy (“verhuurderheffing”) for housing associations, which mainly focus on building and managing social housing. By abolishing this levy more funding will become available for the construction of new homes by these associations. To ensure good accessibility of the to be constructed homes, the government also pledged to make EUR 7.5 billion available over the next ten years for infrastructure. In addition, there will again be a Minister of Housing and Spatial Planning, a role that was abolished in 2010. The minister will make performance agreements with municipalities and provinces and, together with these parties, will supervise the designation of housing sites.

Homeowners

In recent years, a number of demand-stimulating measures, such as abolishing transfer tax for certain target groups or increasing the percentage of a second income that can be included in a mortgage application have been taken. In a market with excess demand, such measures generally result in price increases instead of better affordability of homes or increased access to the housing market.

The coalition agreement states that it is the intention to look at the current outstanding balance of student debts, instead of the higher original amount of the debt. It will also be made easier for seniors to make use of the take-out equity that is locked up in their home. On the other hand, the tax exempted gift of EUR 100,000 to purchase real estate or repay the mortgage loan will be abolished as of 2024. Despite the fact that the DNB³ has advised that the maximum loan-to-value for a mortgage should be gradually reduced from 100% to 90%, the government has decided not to reduce this in the next four years. Also the abolishment of interest rate deductibility will not be accelerated.

1 [Coalitieakkoord 2021-2025](#)

2 [ABF Research - Het statistisch woningtekort nader uitgelegd](#)

3 [DNB - Onze hoge hypotheekschulden – risico's en oplossingen](#)

Pressure on landlords

The new government also has a number of measures in mind that will make private letting less attractive, in addition to several recent measures such as raising the transfer tax rate and introducing purchase protection. First of all, the transfer tax for non-owner-occupied real estate will be further increased to 9% by 2023, while it has already been increased from 2% to 8% last year. In addition, rental income will be taxed heavier in box 3 (income from savings and investments). As of 2025, income from this category is anticipated to be taxed based on realized return instead of the current wealth tax. In anticipation of this, the vacant value ratio (“leegwaarderatio”) will be abolished in 2023. This ratio reduces the fiscal value of the property on which tax needs to be paid to the tax authorities.

Energy transition

In addition to objectives specifically aimed at the housing market, there are also climate-related objectives that have an effect on the housing market. To achieve the target of climate neutrality in 2050, the target of a 49% reduction in 2030 has been further sharpened to 55%. The reduction targets have also been adjusted upwards for the following years. For the housing market, the government wants to focus mainly on better insulating homes. The plan is to approach people actively and a start will be made with the worst insulated houses, whereby support will be offered to households with a low and middle income. Landlords of poorly insulated homes will also be encouraged to become more sustainable through providing incentives and setting standards, whereby poorly insulated homes may no longer be rented out in the long term. It will also be made easier for owners’ associations (“VvE”) and home owners to become more sustainable.

Challenges

The ambitious plans of the new government, however, are also accompanied by uncertainties and challenges. For example, it is unclear whether, and if so which, powers the new minister of Housing and Spatial Planning will have compared to the previous minister in order to accelerate the pace at which houses will be constructed. Another challenge is the availability of sufficient workers in the construction sector. As indicated last year by the planning office for the living environment (“Planbureau voor de Leefomgeving”)¹, there is a shortage of workers in this sector. This issue is not addressed in the coalition agreement. Just before the coalition agreement was published, the Delta Programme Commissioner² expressed his concerns that climate adaptation is currently hardly taken into account in choosing new locations to build. For example, more than 800,000 homes are planned in locations that are vulnerable to flooding, waterlogging, ground subsidence, but also drought and heat. All in all, there are plenty of uncertainties and challenges that the government will have to address.

1 [Planbureau voor de Leefomgeving: Wonen na de verkiezingen](#)

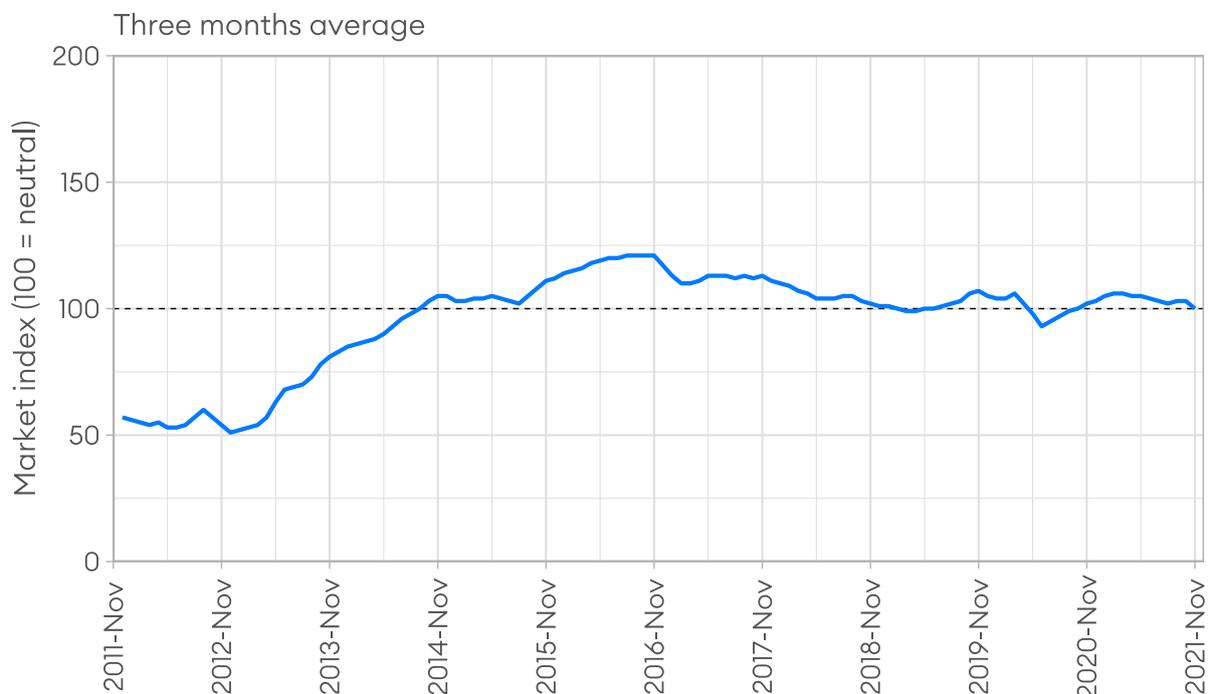
2 [Delta Commissaris: Briefadvies Deltacommissaris woningbouw en klimaatadaptatie](#)

Consumer confidence

Vereniging Eigen Huis (“VEH”) measures consumer confidence in the Dutch housing market every month based on questions about topics such as interest rates, housing prices and the general housing market. The results of the different segments then form the market indicator. The indicator can take values ranging from 0 to 200, 100 indicating a neutral value with higher values indicating positive consumer sentiment and lower values indicating the contrary.

After the dip in the second quarter of 2020, an upward trend was observed in the second half of 2020 that lasted till the beginning of 2021. This period of recovery was followed by a mild downward trend in the second and third quarter of 2021, which was driven by less favorable buying conditions. In the final quarter of 2021, the trend continued as consumer confidence dropped with 3 index points and ended at a neutral value of 100.

Vereniging Eigen Huis Market Indicator



Source: Dynamic Credit, Vereniging Eigen Huis

Figure 1: Vereniging Eigen Huis Market Indicator. As of November 2021.

According to the most recent publication of VEH¹, when asked about current buying conditions, 75% of Dutch consumers replied that they observe current market buying conditions as ‘unfavorable’, whereas in Q2 2021 this was estimated to be 45%. In addition, the majority of consumers are concerned about current housing market conditions. Respondents’ primary concerns² are the unfavorable conditions for first-time buyers, investors’ buy-to-let appetite, in addition to the tight housing supply and increasing prices. Correspondingly, 86% of consumers expect the housing prices to increase further. When asked about mortgage rate expectations, four in ten consumers expect mortgage rates to increase.

1 [Vereniging Eigen Huis - Marktindicator](#)

2 [Vereniging Eigen Huis - Consumentenvertrouwen in woningmarkt zakt weg](#)

House prices and property sales

The Dutch House Price Index (“HPI”) increased with 3.9% in 2021-Q4 and with 19.6% YoY, surpassing the previous YoY record increase of 17.5% in 2021-Q3. The number of properties transferred in 2021-Q4 is close to 53,000, which translates into a 2% decrease QoQ and a 21% decrease YoY.

With respect to the dispersion of property sales among provinces we observe double digit YoY decreases across all Dutch provinces. The largest decrease occurred in Zeeland, where the number of dwellings sold decreased by 29.2% YoY. The smallest decrease occurred in Zuid-Holland, which saw the number of properties sold decrease by 13.5% YoY.

To recapitulate, HPI increased by 19.6% and property sales decreased by 21% in the calendar year 2021. This HPI increase is much higher than the average original and adjusted forecasts of 7.75% and 11% as predicted by Rabobank, ABN AMRO and DNB in 2021-Q2. In addition, the realized change in properties sold diverged substantially from forecasts for 2021. Rabobank and ABN AMRO forecasted decreases in property sales of 0.6% and 10% respectively for 2021.



Source: Dynamic Credit, CBS

Figure 2: House price Index of the Netherlands (“HPI”) (2008-Q3 = 100) and monthly property sales. HPI until December 2021. Source: CBS, Dynamic Credit.

Expected house property sales developments

Now that 2021 is over, several financial institutions share their outlook for 2022. Rabobank¹ and ABN AMRO² expect the HPI to increase by approximately 12.5% in 2022. Whilst not as strong as 2022, the growth in HPI is expected to persist, primarily driven by stagnating housing supply as low interest rates are already priced in housing prices. Furthermore, Rabobank and ABN AMRO predict a continuation of the downward trend in property sales with decreases of 15% and 10% for 2022 respectively.

Moreover, Fitch³ shares its outlook on the Dutch housing market for 2022. HPI is expected to increase by 10% to 12% claiming that, “the lack of suitable properties remains a key driver of home prices”. The outlook on 3-months and above arrears remains stable even though government support to mitigate the impact of the COVID-19 pandemic has largely ended. Fitch primarily attributes the stability in arrears to low unemployment, swift economic recovery, robust consumer savings and strict underwriting standards.

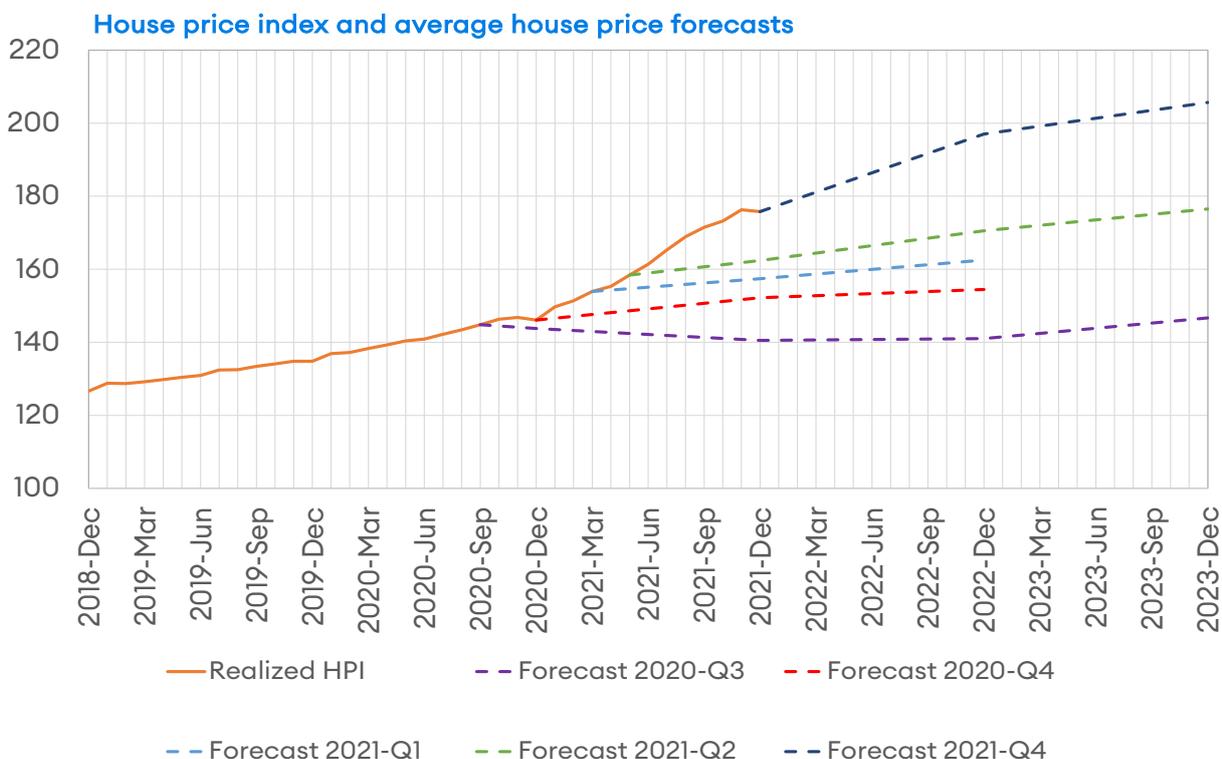


Figure 3: House price index and average house price forecasts made in different quarters. Source: Dynamic Credit, CBS, Rabo, DNB, ABN.

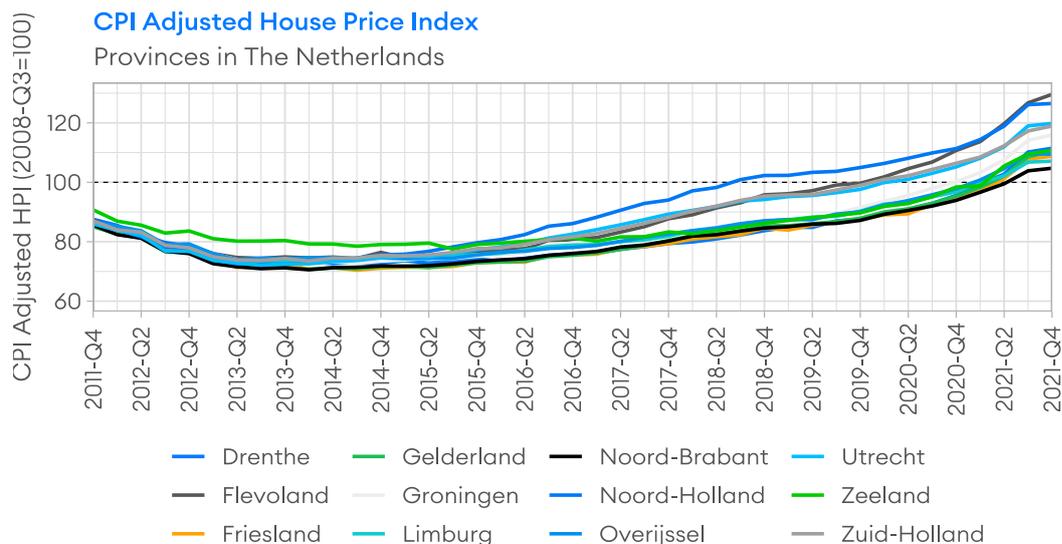
1 [Rabobank - Piek prijsgroei bereikt, maar afkoeling huizenmarkt lijkt nog ver weg](#)
 2 [ABN AMRO - Woningmarktmonitor januari 2022](#)
 3 [Fitch Ratings - Global Housing and Mortgage Outlook 2022](#)

Purchase versus refinances

Hypotheek Data Netwerk (“HDN”, a provider of infrastructure for mortgage loan requests) reported a total of 563,000 mortgage offers for 2021, an increase of 5.1% with respect to 2020. The number of offers for purchases totaled 265,000 a decrease of 12.6% compared to a year earlier. The number of offers in the refinancing segment increased to 297,000, which translates to an increase of 28.3% compared to 2020 making the refinancing market larger than the purchasing market for the first time according to HDN¹.

Area	Type	HPI (2008-Q3=100)	CPI adjusted HPI (2008-Q3=100)	YoY Price %	QoQ Price %	# Sold in quarter	YoY Sold %	QoQ Sold %
Nederland	Country	145.2	115.0	19.6	3.9	52,798	-21	-2
Friesland	Province	137.3	108.8	21.4	3.8	1,934	-24.4	0.4
Groningen	Province	146.5	116.0	22.4	4.6	1,814	-21.0	3.5
Zeeland	Province	139.8	110.7	18.9	4.0	1,392	-29.2	-2.5
Drenthe	Province	140.7	111.5	23.3	4.1	1,600	-24.6	-5.1
Overijssel	Province	138.2	109.5	18.3	2.8	3,310	-23.6	0.9
Flevoland	Province	163.7	129.6	23.8	5.2	1,552	-15.1	-3.5
Zuid-Holland	Province	150.2	118.9	18.1	4.3	11,653	-13.5	1.3
Gelderland	Province	139.5	110.5	22.4	4.7	5,731	-24.2	-2.1
Utrecht	Province	151.3	119.8	20.3	3.6	4,044	-19.9	-6.0
Limburg	Province	135.3	107.1	17.0	3.2	3,319	-21.4	-2.3
Noord-Holland	Province	159.8	126.5	20.1	3.2	8,509	-22.5	-3.2
Noord-Brabant	Province	132.3	104.7	17.9	3.8	7,940	-23.8	-4.8
Utrecht	Municipality	185.1	146.6	20.6	2.8	1,101	-21.1	-2.1
Amsterdam	Municipality	181.1	143.4	17.5	1.1	2,584	-16.6	4.0
's-Gravenhage	Municipality	165.0	130.7	17.9	2.9	1,816	-20.9	11.8
Rotterdam	Municipality	181.1	143.4	17.7	4.7	1,931	-9.5	22.0

Table 1: House prices and number of property sales changes in Dutch provinces and major municipalities 2021-Q4. Source: CBS.

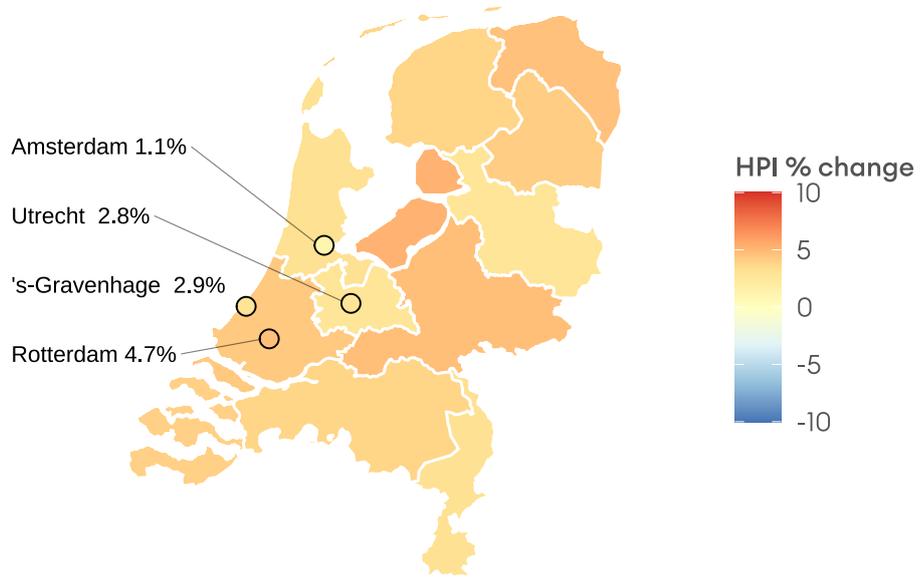


Source: Dynamic Credit, CBS

Figure 4: CPI Adjusted House price index of provinces in the Netherlands (2008-Q3=100). The data is indexed as of 2008-Q3 because this marks the pre-crisis high for the unadjusted House Price Index.

1 [HDN - Jaar- en Kwartaaloverzichten HDN](#)

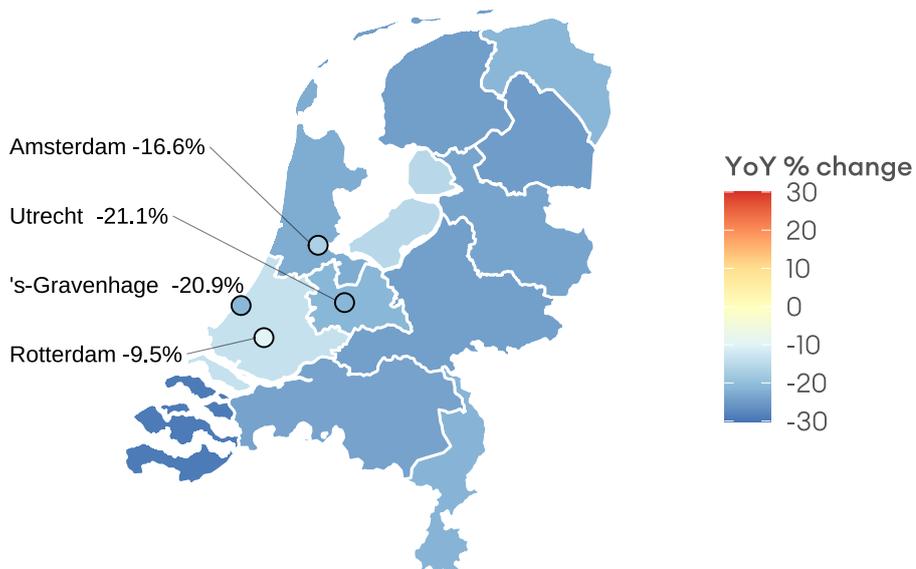
House Price Index QoQ change



Source: Dynamic Credit, CBS

Figure 5: Dutch House Price Index QoQ % change. 2021-Q4.

Number of sold properties YoY change



Source: Dynamic Credit, CBS

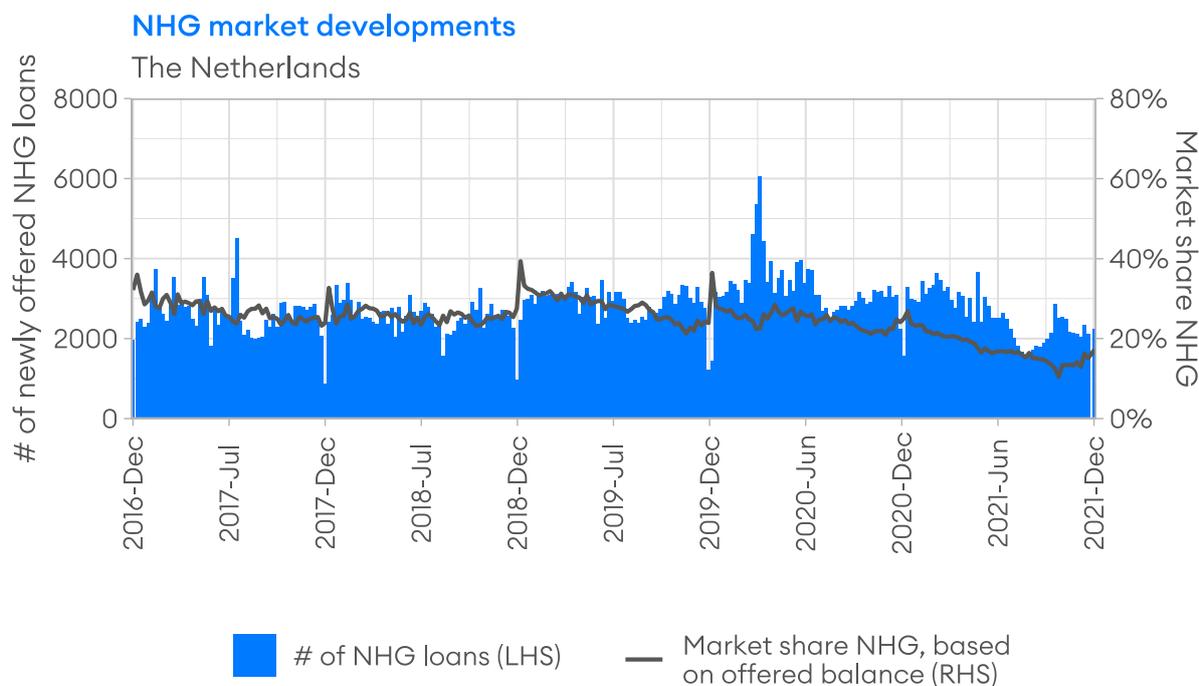
Figure 6: Sold properties YoY % change. 2021-Q4.

NHG

Stichting Waarborgfonds Eigen Woningen (“WEW”), a central, privatised entity, has been responsible for the administration and granting of the Nationale Hypotheek Garantie (“NHG”). The NHG guarantee covers the outstanding principal, accrued unpaid interest and disposal costs of mortgage loans. Irrespective of scheduled repayments or prepayments made on a mortgage loan, the amount covered under the NHG guarantee is reduced on a monthly basis by an amount which is equal to the principal repayment part of the monthly instalment as if such mortgage loan were to be repaid on a thirty year annuity basis. Financial support from the Dutch government is formalized in a backstop agreement, under which the State is responsible for providing interest-free loans in case of need.

New NHG guarantees

Data from HDN shows that over 2021-Q4, almost 30,000 NHG loans with a total balance of EUR 5.8 billion were offered through its network (EUR 7.7 billion in 2020-Q4). This corresponds to an NHG market share of 13.7% in terms of mortgage loans balance, which is in line with the decreasing trend of the NHG market share over the last years (in 2020-Q4 the NHG market share was 22.3%).



Source: Dynamic Credit, HDN

Figure 7: Number of new NHG guarantees and market share of NHG loans as a percentage of total originated balance through time. The x-axis refers to year and month.

Loss declarations¹

The number of loss declarations submitted to WEW decreased with more than 60% from 21 in 2020-Q3 to 8 in 2021-Q3. The low amount of loss declarations submitted, is attributed by WEW to increases in house prices. The NHG pay-out ratio of processed declarations decreased to 72.5% in 2021-Q3 (was 90.6% in 2020-Q3) and due to the low number of loss declarations this percentage becomes more volatile. In the current market environment of steeply increasing house prices only exceptional cases lead to a loss after foreclosure, in that situation WEW does not pay-out (completely) because errors are made in the (application) process of the loan. The average payout amounted to EUR 16,000 in 2021-Q3. This is equal to the amount in 2020-Q3.

3. Owner-Occupied Mortgages

Interest rate developments

Across all major risk classes and fixed rate periods, the top six most competitive rates rose on average 6 bps from the end of 2021-Q3 to the end of 2021-Q4. The increase was strong for almost all risk classes and fixed rate periods, only the 30-year NHG rate remained unchanged. After quarter-end, interest rates remained in an upward trend and increased by on average 4 bps in the first 3 weeks of January 2022. Compared to previous year, interest rates are on average 14 bps lower. The 30-year fixed rate period high LTV loans show the largest decrease compared to last year.

Rates rose in 2021-Q4 across almost all segments

For an overview of the evolution of mortgage rates, see Table 3 below.

Mortgage rate development for average of top 6 mortgage rates								
Fixed rate period	Risk class	2020-12-31	2021-09-30	2021-12-31	2022-01-24	QoQ	YoY	QtD
10-year	NHG	1.00%	0.84%	0.92%	0.97%	0.08%	-0.09%	0.05%
	60% LTV (non-NHG)	1.11%	0.94%	1.00%	1.07%	0.06%	-0.11%	0.07%
	80% LTV (non-NHG)	1.26%	1.09%	1.11%	1.15%	0.02%	-0.15%	0.04%
	100% LTV (non-NHG)	1.58%	1.32%	1.39%	1.41%	0.07%	-0.19%	0.02%
20-year	NHG	1.26%	1.18%	1.22%	1.28%	0.04%	-0.03%	0.05%
	60% LTV (non-NHG)	1.49%	1.33%	1.41%	1.48%	0.08%	-0.08%	0.06%
	80% LTV (non-NHG)	1.61%	1.45%	1.53%	1.58%	0.08%	-0.08%	0.05%
	100% LTV (non-NHG)	1.94%	1.69%	1.78%	1.81%	0.09%	-0.16%	0.03%
30-year	NHG	1.59%	1.40%	1.41%	1.44%	0.00%	-0.18%	0.04%
	60% LTV (non-NHG)	1.80%	1.56%	1.63%	1.65%	0.07%	-0.17%	0.02%
	80% LTV (non-NHG)	1.90%	1.65%	1.73%	1.76%	0.07%	-0.18%	0.04%
	100% LTV (non-NHG)	2.22%	1.90%	1.98%	2.00%	0.08%	-0.24%	0.02%

Table 3: Average top-6 mortgage rates (excluding action rates) for mortgage loans with different fixed rate periods for four risk classes. Source: Dynamic Credit, Hypotheekbond.

Spread developments¹

In 2021-Q4 mortgage spreads continued to decrease across all major fixed rate periods as swap rates increased more than mortgage interest rates. Last quarter, the average spread decrease across major fixed rate periods and risk classes was 7 bps. The average decrease was most pronounced for NHG (-9 bps) and 10-year fixed rate period loans (-10 bps). After quarter-end, swap rates continued to rise, however more or less in parallel with mortgage rates. In comparison with 2020-Q4, spreads dropped significantly and are now on average 71 bps lower. The drop is even larger for high LTV and 30-year fixed rate period loans.

Mortgage spreads continued to decrease in 2021-Q4 by on average 7 basis points

For an overview of the evolution of mortgage spreads, see Table 4 below.

The information in the table below and the graphs in the Appendix can be interpreted as a representative gross spread for newly originated Dutch residential mortgage loans over time.

Spread development for average of top 6 mortgage rates								
Fixed rate period	Risk class	2020-12-31	2021-09-30	2021-12-31	2022-01-24	QoQ	YoY	QtD
10-year	NHG	1.38%	0.83%	0.75%	0.73%	-0.08%	-0.63%	-0.03%
	60% LTV (non-NHG)	1.49%	0.94%	0.84%	0.83%	-0.10%	-0.66%	-0.01%
	80% LTV (non-NHG)	1.65%	1.09%	0.95%	0.91%	-0.14%	-0.70%	-0.04%
	100% LTV (non-NHG)	1.97%	1.32%	1.23%	1.18%	-0.09%	-0.73%	-0.06%
20-year	NHG	1.43%	0.89%	0.82%	0.82%	-0.07%	-0.61%	0.01%
	60% LTV (non-NHG)	1.67%	1.05%	1.01%	1.03%	-0.04%	-0.66%	0.02%
	80% LTV (non-NHG)	1.80%	1.17%	1.13%	1.13%	-0.04%	-0.67%	0.01%
	100% LTV (non-NHG)	2.13%	1.41%	1.39%	1.37%	-0.03%	-0.75%	-0.02%
30-year	NHG	1.73%	1.05%	0.95%	0.95%	-0.11%	-0.78%	0.00%
	60% LTV (non-NHG)	1.94%	1.21%	1.17%	1.16%	-0.04%	-0.77%	-0.01%
	80% LTV (non-NHG)	2.05%	1.31%	1.27%	1.27%	-0.04%	-0.77%	0.00%
	100% LTV (non-NHG)	2.37%	1.57%	1.54%	1.52%	-0.03%	-0.84%	-0.02%

Table 4: Average top-6 mortgage rates (excluding action rates) for mortgage loans with different fixed rate periods for four risk classes.

4. Funding Update

RMBS

In the last quarter of 2021, two RMBS deals and one BTL deal were distributed. The total distributed Dutch RMBS issuance in the fourth quarter was around EUR 1 billion. This brings the total distributed issuance to EUR 5.2 billion, which is EUR 1.7 billion more than 2020 but still lower compared to the years before. Retained issuance in 2021 was close to EUR 2.3 billion, which is only half the amount of 2020. The spread of Dutch RMBS senior AAA paper remained relatively flat over the quarter ending on 15 bps on the 21st of January.

The total 2021 distributed Dutch RMBS issuance is EUR 1.7 billion higher compared to 2020.

One of the two RMBS deals was already included in our previous quarterly report, which is EDML Series 2021-1 with seller Elan Woninghypotheke and Goldman Sachs and ING as joint lead managers. The deal is structured with the aim to be STS compliant. The total deal amounted to EUR 518 million with EUR 492 million class A notes. The rest of the notes ranged from class B to RS. All notes were priced at 3m Euribor. The issue spread of the class A notes was 60 bps and of the class B to C notes is respectively 75 bps and 500 bps. The class A notes were sold above par at 101.16 which led to a discount margin of 33 bps. The loans are coming from two previous securitizations (EDML 2018-2 and DCDML 2016-1) and the originator's banking book. The current loan to value is 85.9% and the pool has a seasoning of 43 months on average. The pool consists of 37.5% interest-only loans while self-employed amount to 7.1% of total.

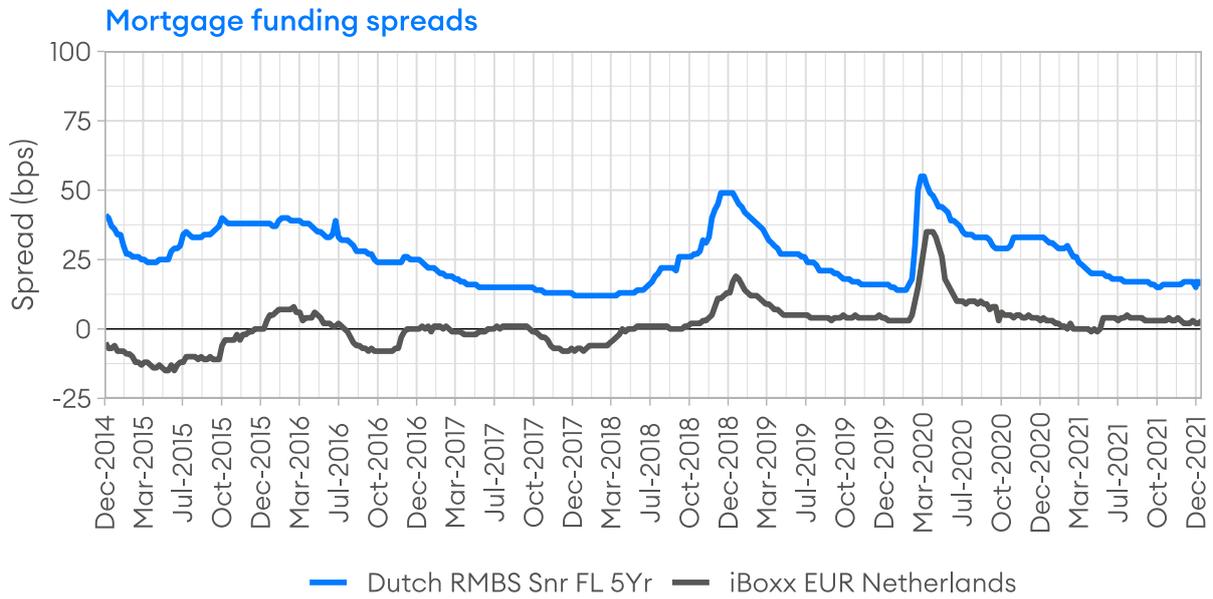
The other RMBS deal that took place in the fourth quarter was Candide Financing series 2021-1 with Lloyds TSB as the seller. The size of the deal was EUR 518 million, with the greater part in class A notes. The remaining notes were class B and C, but those were retained. The issue spread of the class A notes was 70 bps. The class A notes were sold above par at 101.99 which led to a discount margin of 59 bps. The average seasoning of the loans was 40 months, with a loan-to-value ratio of 74.5% and 16.4% interest-only loans.

BTL

In January 2022, the BTL deal that was issued was Jubilee Place Series 3. The deal is sponsored by three Dutch lenders (Tulp Group, DMS/Nestr and Casarion). The classes range from A to R, with issue spreads ranging from 85 bps for the AAA rated class to 550 bps for the lowest rated Ca/B-class. The class A notes were sold above par at 100.46. The pool was sized at EUR 314 million, with over a thousand loans. The seasoning of the pool is 4 months, the loan to value ratio is 72.5% and the percentage of interest-only loans is high with 53%.

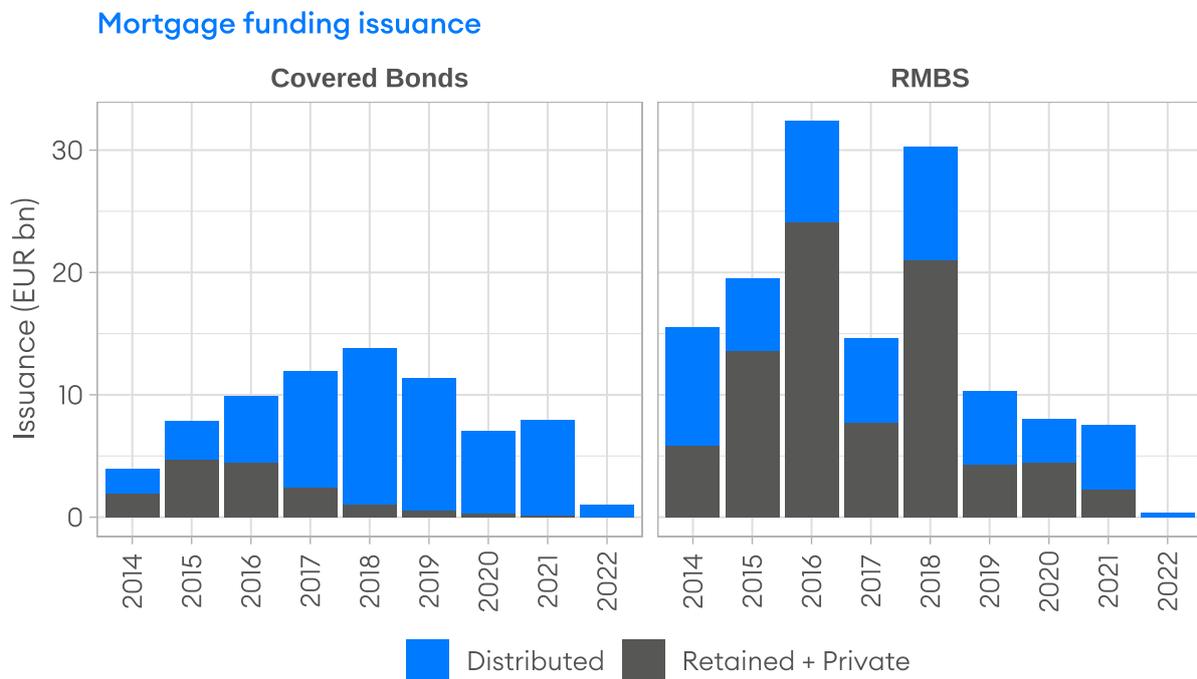
Covered Bonds

In the last quarter of 2021, over EUR 3 billion was issued, for a total of EUR 7.8 billion in 2021. This is approximately EUR 1 billion more compared to 2020. The spread (iBoxx EUR Netherlands) remained relatively stable throughout the quarter and ended at 3 bps on the 18th of January.



Source: Dynamic Credit, JP Morgan

Figure 11: RMBS spread refers to indicative mid spread (DM) for representative generic RMBS bonds. iBoxx EUR Netherlands spread refers to spread versus mid swap rates. The data is as of 2021-Q4.



Source: Dynamic Credit, JP Morgan

Figure 12: Issuance of Dutch RMBS and covered bonds. The data is as of 2021-Q4.

Dutch RMBS market: Priced Dutch prime RMBS and BTL deals

Date	Issuer	Serfes	Seller	Class	Euro Amount	Life	FXFL	Spread	Benchmark	M	SP	F	DBR	Retained	Comments
15-Oct-21	EDMVL BV		Elan Woninghypotheeken	A	492	4.2	FL	60 3 Mo. Euribor	Aaa		AAA		N	RMBS; EUR 518mm;	
				B	7	5.1	FL	75	Aa3		AA+		N	WA Seasoning 43m;	
				C	9	5.1	FL	100	A2		A+		N	WA CLTV 85.9%; IO	
				D	4	5.1	FL	145	Baa2		A		N	Loans 37.5%; Self-	
				E	4	5.1	FL	240	Ba1		BB+		N	employed 7.1%	
				F	3	5.1	FL	500					N		
				RS	40		FX						N		
10-Nov-21	Candide Financing	2021-1	Lloyds TSB	A	500	5.0	FL	70 3 Mo. Euribor			AAA		N	RMBS; EUR	
				B	23	6.6	FX					Y	522.5mm; WA		
				C	4		FX					Y	Seasoning 40m; WA CLTV 74.5%; IO Loans 16.4%; Self Employed 7.5%		
14-Jan-22	Jubilee Place BV	3	Multiple Dutch Lenders (Tulp Group, DMS and Casarion)	A	287.69000	3.5	FL	85 3 Mo. Euribor	Aaa		AAA		N	BTL; EUR 314mm;	
				B	18.85000	5.0	FL	110 3 Mo. Euribor	Aa3		AA		N	814 Obligors; WA	
				C	10.66000	5.0	FL	160 3 Mo. Euribor	A2		A		N	CLTV 72.46%; WA	
				D	7.38000	5.0	FL	200 3 Mo. Euribor	Baa3		BBB		N	Seasoning 3.99m;	
				E	3.28000	5.0	FL	210 3 Mo. Euribor	Ba3		BB+		N	IO Loans 53.09%	
				X1	13.11000		FL	300 3 Mo. Euribor	B1		B-		N		
				X2	3.28000		FL	550 3 Mo. Euribor	Ca		B-		N		
				R	2.00000		FX						N		

Table 5: Priced Dutch RMBS en BTL Deals in 2021-Q4. Source: Dynamic Credit, JP Morgan

5. Buy-to-let Mortgages

Purchase Protection

Per the 1st of January 2022 the purchase protection (opkoopbescherming) has entered into force¹. This legislation allows municipalities to prohibit letting out of properties which are purchased after a certain date without a permit. The prohibition applies up to four years after the transfer date. The intent of the legislation is to reduce the inflow into the rental market of properties that would otherwise be available for starters or middle incomes. The protection does not apply to properties that are already rented out for a period of at least six months prior to the transfer date.

There are three cases in which municipalities will have to grant a rental permit: i) when the property is rented out to first or second degree family, ii) when the dwelling is part of a commercial building, or iii) in case the property is rented out for a period up to twelve months if the owner has lived in the property for at least twelve months.

According to a survey by the Volkskrant, a Dutch newspaper, one third of the surveyed municipalities are considering to apply purchase protection in their municipalities. Most of the largest municipalities are expected to apply the purchase protection during the course of 2022 or have already done so. Table 6 provides an overview of the measures that the ten largest municipalities are taking. These municipalities cover around 20% of the Dutch population. The property value is in this context the value that is used for the immovable property taxes calculation (“WOZ waarde”). In the current market conditions this value typically lags the market value.

Municipality	Which properties	When	Population
Amsterdam	Entire municipality, properties up to EUR 512K	City council will decide in February 2022	883,487
Rotterdam	16 neighbourhoods, up to EUR 355K	1 st of January 2022	655,418
Den Haag	Entire municipality, properties up to EUR 355K	1 st of March 2022, subject to approval by the city council	553,277
Utrecht	Entire municipality, properties up to EUR 440K	Mid March 2022, subject to approval by the city council	361,966
Eindhoven	Entire municipality, up to EUR 350K	Spring 2022	238,376
Groningen	Entire municipality, up to EUR 305.5K	1 st of March 2022, subject to approval by the city council	235,287
Tilburg	Entire municipality, up to EUR 325K	Spring 2022	224,368
Almere	Entire municipality, up to EUR 355K	subject to approval by the city council	217,707
Breda	No plan outline available yet		184,762
Nijmegen	Entire municipality, up to EUR 350K	Early 2022	179,181

Figure 13: Overview of plans for the purchase protection in the 10 largest municipalities in the Netherlands. Source: Various websites maintained by the municipalities.

Rental Prices

Pararius, an online rental property broker, reports¹ that the average rental price per square meter has increased by 5.3% in 2021-Q4 versus the same quarter a year earlier. This is the largest YoY increase since 2021-Q4.

The increase follows on four quarters of rental price decreases caused by the COVID-19 pandemic. Especially outside the Randstad area price increases have been prominent: Flevoland (+9,2%), Groningen (+8,4%), Gelderland (+6,5%) and Noord-Brabant (+6,7%). In Noord-Holland and Zuid-Holland rental prices increased by 1.7% and 2.7% respectively. Absolute price differences between provinces remain pronounced, in Noord-Holland the average monthly rental price is now EUR 20.84 per square meter while in Gelderland it costs EUR 12.44. The most affordable rental properties are in Drenthe, where a tenant pays on average EUR 9.82 per square meter.

In Amsterdam, Rotterdam, The Hague, Eindhoven, and Utrecht prices have increased YoY. Pararius explains the price increase in Amsterdam by two factors, first the return of expats has led to an increase in demand and second, more apartments are taken out of the long-stay market and returned to the short-stay market as tourism picks up again now the pandemic seems under control. The effect of the latter is even dampened as in Amsterdam Airbnb reports a supply reduction of 75% following registration of short-term rental properties becoming mandatory in April 2021.

Rate and spread development

Dynamic Credit launched its consumer buy-to-let platform in the Netherlands in 2019. Besides the unique feature of offering borrowers an LTV of 90%, the product also sets itself apart by offering a 30-year fixed rate period.

In the fourth quarter of 2021, interest rates remained flat on average compared to last quarter. Interest rates dropped slightly in the 1-year fixed rate period and increased for the lower LTV's in the 20- and 30-year fixed rate period. In the first weeks of 2022, interest rates started to increase especially in the lower LTV segments across all fixed rate periods.

Buy-to-let spreads continued to decrease with on average 14 bps (owner-occupied: 7 bps) QoQ, as swaps rates increased significantly and interest rates remained flat. However, note that the spread for consumer buy-to-let remains generous at quarter end.

Rates remained flat and spreads fell in 2021-Q4 across most segments.

It should be noted that Dynamic Credit is the only active lender in the high LTV (>85%) segment.

Market rate and spread development for consumer buy-to-let rates									
Fixed rate period	LTV	BTL rates				Spreads			
		2021-09-30	2022-01-24	2022-01-24	QoQ	2021-09-30	2022-01-24	2022-01-24	QoQ
1-year	50%	2.11%	2.10%	2.13%	-0.01%	2.61%	2.55%	2.54%	-0.06%
	60%	2.20%	2.20%	2.23%	0.00%	2.70%	2.64%	2.65%	-0.06%
	70%	2.24%	2.23%	2.27%	-0.01%	2.74%	2.67%	2.68%	-0.07%
	80%	2.66%	2.61%	2.61%	-0.05%	3.16%	3.05%	3.02%	-0.11%
	90%	3.30%	3.30%	3.30%	0.00%	3.80%	3.75%	3.72%	-0.05%
5-year	50%	2.18%	2.18%	2.23%	0.00%	2.45%	2.23%	2.22%	-0.22%
	60%	2.27%	2.28%	2.33%	0.01%	2.55%	2.33%	2.32%	-0.22%
	70%	2.31%	2.30%	2.35%	-0.01%	2.58%	2.36%	2.35%	-0.22%
	80%	2.83%	2.81%	2.83%	-0.02%	3.11%	2.87%	2.82%	-0.24%
	90%	3.30%	3.30%	3.30%	0.00%	3.58%	3.36%	3.30%	-0.22%
10-year	50%	2.26%	2.29%	2.38%	0.03%	2.28%	2.15%	2.16%	-0.13%
	60%	2.35%	2.38%	2.46%	0.03%	2.36%	2.24%	2.24%	-0.12%
	70%	2.39%	2.42%	2.49%	0.03%	2.40%	2.28%	2.28%	-0.12%
	80%	2.92%	2.91%	2.93%	-0.01%	2.95%	2.77%	2.73%	-0.18%
	90%	3.45%	3.45%	3.45%	0.00%	3.49%	3.32%	3.25%	-0.17%
20-year	50%	2.70%	2.73%	2.79%	0.03%	2.46%	2.36%	2.37%	-0.10%
	60%	2.80%	2.83%	2.89%	0.03%	2.56%	2.46%	2.47%	-0.10%
	70%	2.84%	2.88%	2.94%	0.04%	2.60%	2.51%	2.53%	-0.09%
	80%	3.23%	3.22%	3.25%	-0.01%	3.01%	2.86%	2.84%	-0.15%
	90%	3.60%	3.60%	3.60%	0.00%	3.39%	3.25%	3.20%	-0.14%

Table 6: Interest rate and spread development for consumer buy-to-let rates in the Netherlands. Source: Dynamic Credit, Hypotheekbond.

6. News

The following sections provide an update on the (macro)economic environment.

Macroeconomic update¹

The global economy is still on the path of recovery. However, in December 2021 the growth outlook for the global economy has been revised downwards by the Eurosystem staff mainly due to rising commodity prices and persisting supply chain bottlenecks as a consequence of strict lockdown and quarantine measures taken in some parts of the world in response to the spread of COVID-19. These bottlenecks are expected to ease in 2022 and 2023. The key risk factor affecting these projections remains the course (out) of the COVID-19 pandemic. In the eurozone, economic activity slowed in the last quarter of 2021 which is likely to be extended into 2022. Economic output is still expected to exceed pre-pandemic levels in the first quarter of 2022. The Eurosystem staff projections expect annual GDP growth of 5.1% in 2021, gradually decreasing to 1.6% in 2024.

Eurozone inflation increased to 5% in December.

Inflation is probably the most discussed topic at the moment. In December, prices in the eurozone, measured by the harmonized index of consumer prices (“HICP”)², were 5% higher than a year earlier and the expectation is that inflation will remain above 2% for most of 2022. The biggest contributors to the increase in December are ‘transportation’ and ‘housing, electricity, gas and fuel’. Within the eurozone inflation rates vary widely, with inflation of 12% in Estonia and only 2.6% in Malta. The significant differential within the eurozone is mainly caused by energy prices, the dependency on fossil fuels and the type of energy contracts consumers typically have. At 6.4%, inflation in the Netherlands was above the eurozone average, with the same components as the main drivers.

Monetary Update³

As economic recovery is expected to continue, despite a slowdown in the near term, the reduction in net asset purchases will continue over the coming quarters. However, the Governing Council judged in the December meeting that monetary accommodation remains necessary for inflation to stabilize at the target rate of 2% over the medium term.

Asset purchases under the Pandemic emergency purchase programme (“PEPP”) will continue at a lower pace during the first quarter of 2022 and net asset purchases will be ceased at the end of March 2022, which has always been the intended end date. In case the pandemic causes negative shocks, there is still the possibility to resume net purchases under the PEPP. The horizon for reinvestments under PEPP was extended during the meeting to at least the end of 2024. The Governing Council announced that net purchases under the Asset Purchase Programme (“APP”) will be continued for as long as necessary to support the accommodative stance of the interest rate policy and net purchases will end only shortly before raising the ECB interest rates.

The interest rates refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50%. The expectation is that these rates will remain at its current levels until inflation reaches 2% at the end of the projection horizon.

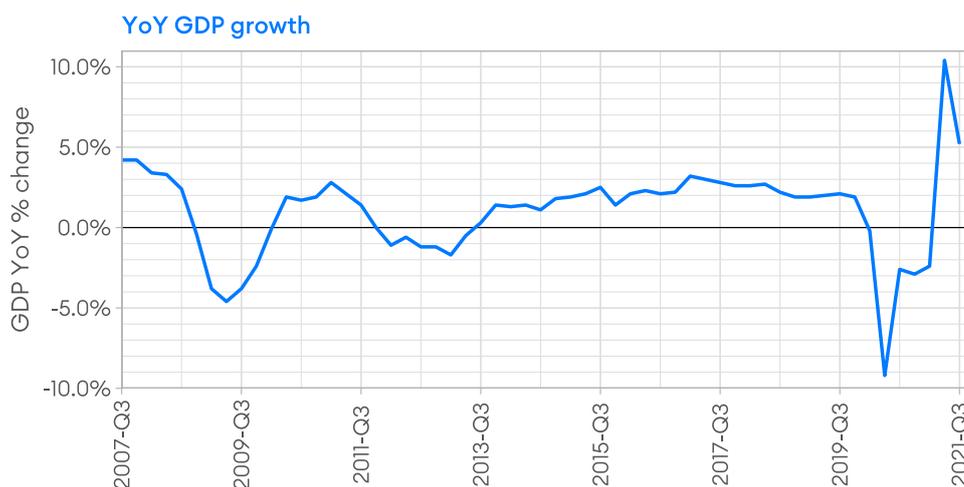
1 [ECB Economic Bulletin, December 2021](#)

2 [ECB Measuring inflation](#)

3 [ECB: Monetary policy decisions, 16 December 2021](#)

Dutch GDP estimates and household consumption

In the third quarter of 2021 the Dutch gross domestic product increased by 2.1% QoQ¹ (GDP is published with a 1.5-month lag by the Central Bureau of Statistics), while the YoY increase was 5.2%. Relative to 2020 Q3, household consumption and the trade balance contributed the most to the big increase, but also investments and public consumption had a positive effect.

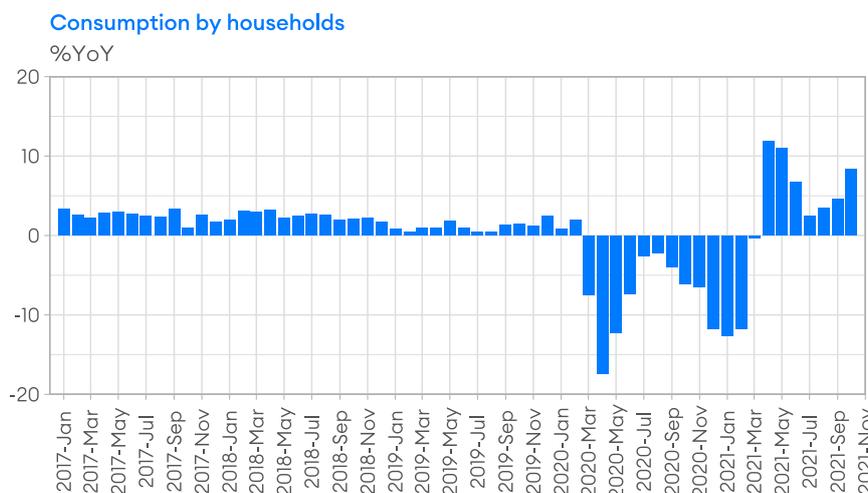


Source: Dynamic Credit, CBS

Figure 14: YoY GDP growth in The Netherlands as of Q3 2021.

Household consumption increased by 8.7%² in November compared to a year earlier. This is the seventh consecutive month that this indicator increases, as measures related to the coronavirus were stricter in most months of 2020 compared to 2021. But, also compared to November 2019 spending was 1.6% higher in November 2021.

The sharp increase in November can be mainly attributed to an increase of 14.2% in spending on services, such as visits to hairdressers and restaurants, as these were closed for almost the entire month in 2020. Spending on services accounts for over half of total consumer expenditure. The other categories, such as durable goods, food and energy also increased relative to a year earlier.



Source: Dynamic Credit, CBS

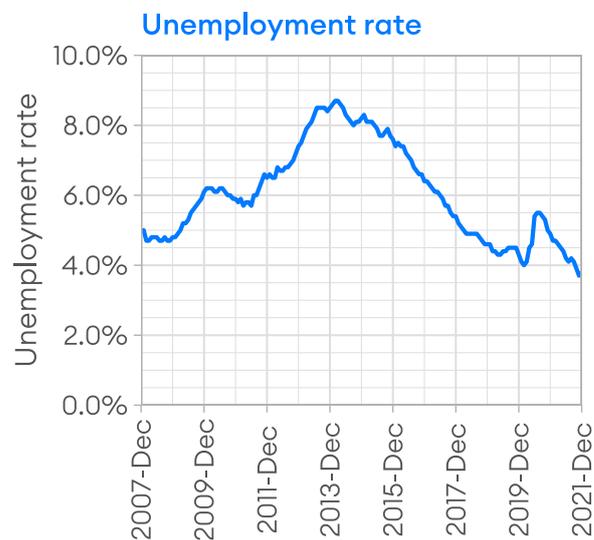
Figure 15: YoY change in consumption by Household in The Netherlands as of November 2021.

1 [Economic growth of 2.1 percent in Q3 2021](#)
 2 [CBS - Household consumption 8.7 percent up in November](#)

Unemployment¹

As of December 2021, following EU regulation, Statistics Netherlands (“CBS”) adjusted the measurement methodology to estimate the labor force and the number of unemployed. The new methodology results in both more unemployed and employed persons. Consequently, the divergence between unemployed and number of unemployment (“WW”) benefits increased, as the estimation of WW did not change.

With this new methodology, the unemployment rate fell substantially over 2021 from 5% to 3.8% in December. The unemployment rate reached its lowest level in November (3.7%) due to the very strong labor market. In addition, the number of WW benefits dropped during last quarter by 16,000 to a total of 192,000, although the number increased slightly in December which is most likely a consequence of the introduction of tighter lockdown measures.



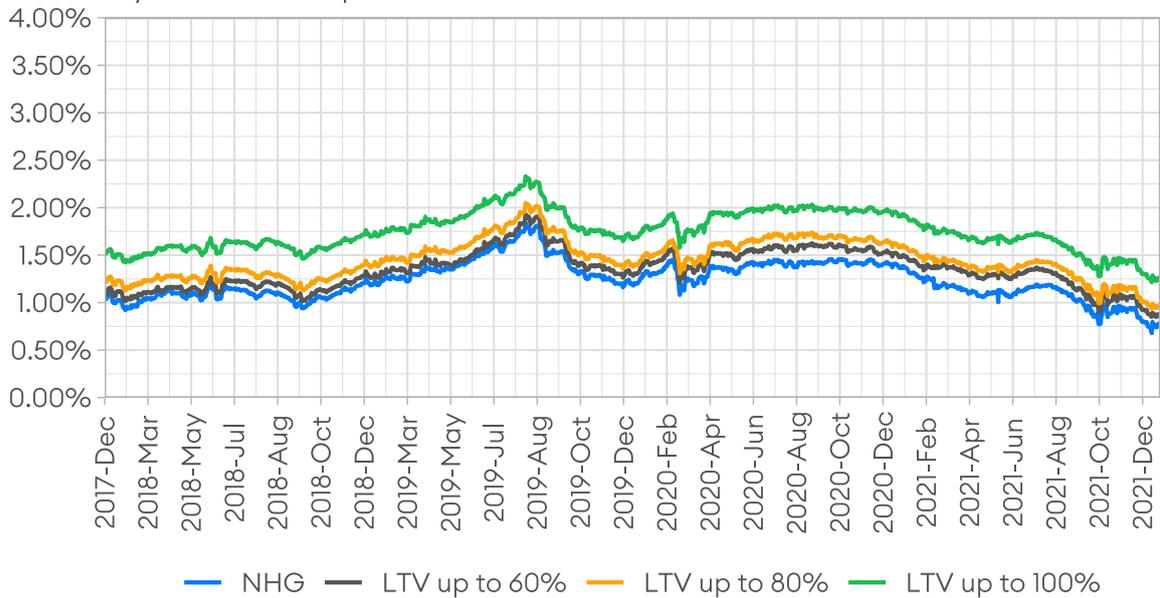
Source: Dynamic Credit, CBS

Figure 16: Unemployment rate in The Netherlands as of December 2021.

Appendix

Spread average top 6 per risk class

5-year fixed rate period

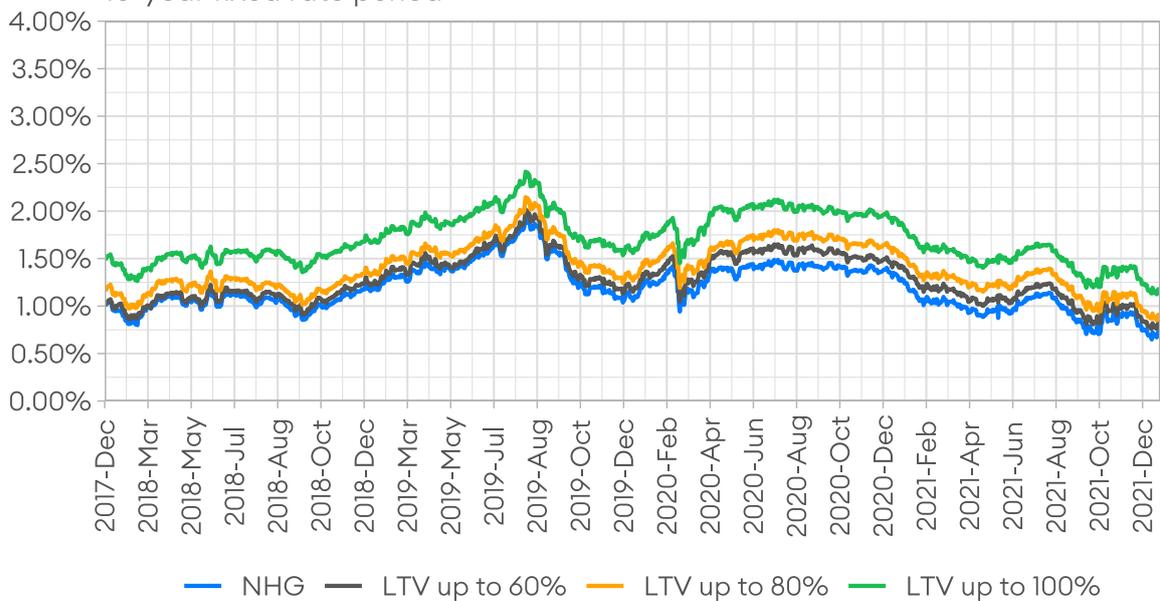


Source: Dynamic Credit, Hypotheekbond

Figure A1: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 5-year fixed rate period for four risk classes. Up to and including 24/01/2022.

Spread average top 6 per risk class

10-year fixed rate period

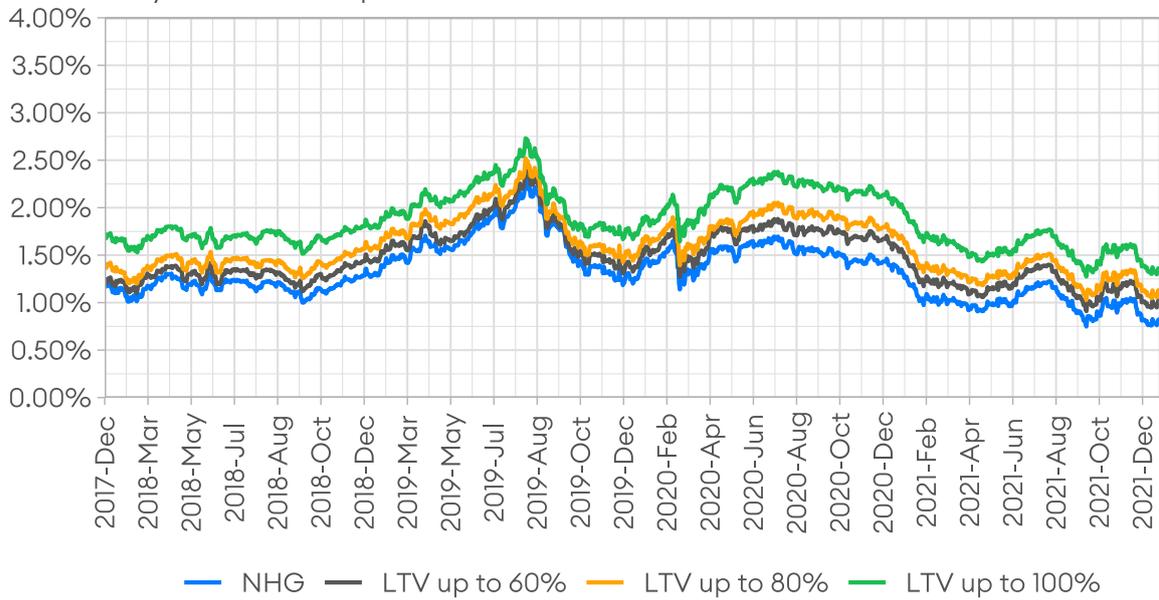


Source: Dynamic Credit, Hypotheekbond

Figure A2: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 10-year fixed rate period for four risk classes. Up to and including 24/01/2022.

Spread average top 6 per risk class

20-year fixed rate period

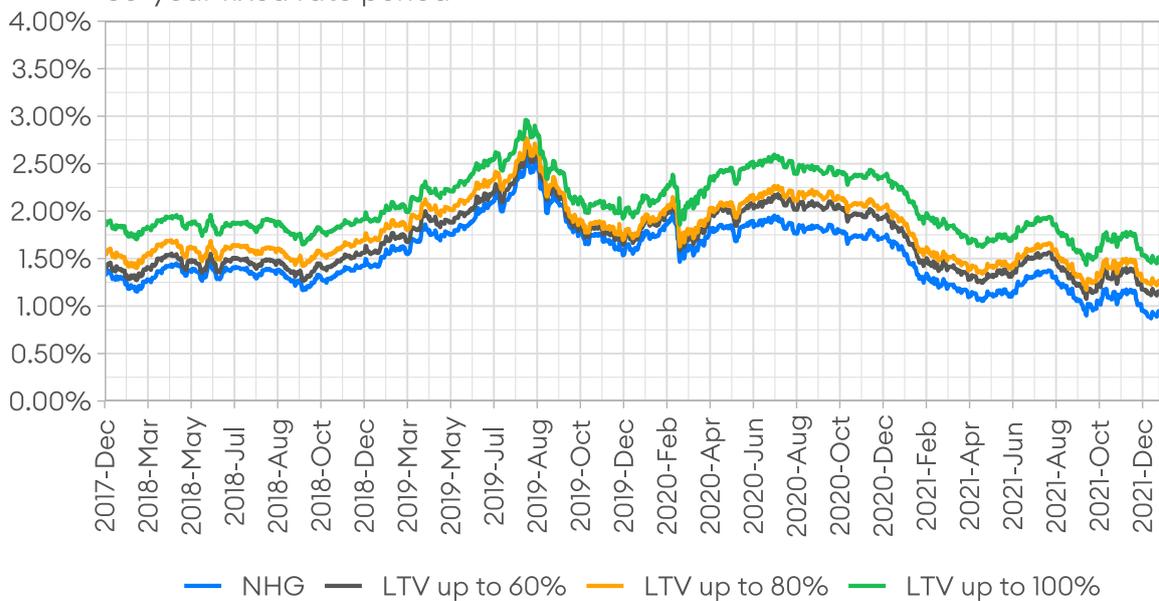


Source: Dynamic Credit, Hypotheekbond

Figure A3: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 20-year fixed rate period for four risk classes. Up to and including 24/01/2022.

Spread average top 6 per risk class

30-year fixed rate period



Source: Dynamic Credit, Hypotheekbond

Figure A4: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 30-year fixed rate period for four risk classes. Up to and including 24/01/2022.

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Revealing Opportunities.

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