DYNAMIC CREDIT

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Contents

Dutch Housing Market Update 2024-Q3

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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 and investing in Dutch mortgages.

"Over the past year, demand for energy-efficiency improvements has significantly declined, driven largely by policy changes. We expect this slowdown to be temporary, with corrective actions likely as the 2030 climate goals are legislated. Furthermore, policy measures aimed at reducing the appeal of the private rental sector for investors are having a growing impact. Dutch Central Bank President Klaas Knot has called on the government to reconsider the Affordable Rent Act. The Minister of Housing and Spatial Planning, has expressed genuine concern about the challenges facing the rental market. She is set to provide the House with an updated outlook on the rental market at the start of 2025."

Jasper Koops,
Head of Portfolio Management

1. Executive Summary

The Dutch housing market: House prices continued to rise, with a YoY increase of 11.1% and a QoQ increase of 3.7% in 2024-Q3, marking the fifth consecutive quarter of price growth. Property transactions rose by 12.9% QoQ and 15.3% YoY, for a total of 54,000.

Housing price expectations: Forecasts for 2024 and 2025 were revised upwards to 10.65% and 8.05%, respectively. These optimistic expectations are supported by wage growth, declining mortgage rates, and a persistent housing shortage.

Housing shortage: The STOER program aims to address the housing shortage with streamlined regulations, parallel planning, and adaptive reuse initiatives, targeting 100,000 new homes annually. Despite a 20% YoY increase in building permits through August 2024, new construction completions in H1 2024 declined by 4% YoY, falling short of ambitious targets.

Affordability update: Despite recent wage growth, housing affordability for first-time buyers remains tight with only a slight improvement from 2022. Competition from existing homeowners with home equity and lower interest rates continues to disadvantage new buyers.

Affordable Rent Act: This act, introduced in July 2024, remains a point of debate as DNB has recommended adjustments, citing reduced rental supply. The policy has reportedly prompted smaller landlords to exit the market, affecting rental housing availability.

Rates and spreads: Mortgage interest rates fell across all fixed-rate periods in 2024-Q3, with notable decreases in shorter-term segments. In addition, spreads widened due to decreasing Euro swap rates, maintaining some volatility observed in previous quarters.

Sustainability: Demand for sustainability measures such as solar panels, heat pumps, and insulation declined, attributed to phased-out subsidies and regulatory changes. The NVDE reports a 44% decrease in heat pump demand and a 53% drop in solar panels, potentially impacting future sustainability workforce availability.

Mortgage originations: The third quarter saw an increase in mortgage inscriptions, totaling approximately EUR 37 billion, up by 15% QoQ. HDN recorded a 22.4% YoY increase in mortgage offer requests, with the portability option growing in popularity as interest rates remain elevated.

Funding update: Two RMBS deals were issued in 2024-Q3, totaling EUR 989 million. Covered bond issuance for the quarter reached EUR 1.9 billion, while spreads on both RMBS and covered bonds widened after the summer.

Consumer confidence: Consumer confidence declined slightly in October, reflecting moderate concerns about major purchases and economic conditions compared to 2023 levels.

Macro update: Inflation stabilized, with a slight decline to 3.5% in September. The ECB reduced interest rates by 25 bps in September and again in October, responding to easing inflation and economic slowdown. Unemployment held steady at 3.7%, while bankruptcies continued to rise, with a 40% increase YoY.

2. Dutch Housing Market Update

Current News and mortgage market developments

Prinsjesdag

On the third Tuesday of September, known as Prinsjesdag (or Prince's Day the Dutch government traditionally presents its plans and budget for the coming year. Although there was no major news, some updates will impact the housing market and consumer purchasing power.

The government reaffirmed its goal of building 100,000 new homes annually until 2030, with 290,000 of these designated for elderly residents. EUR 5 billion has been allocated to achieve these targets, though no concrete steps were communicated beyond a focus on better utilizing existing buildings. Starting in 2025, the transfer tax exemption for first-time homebuyers up to the age of 35 will increase from EUR 510,000 to EUR 525,000, and the transfer tax rate for non-residential properties and secondary residences will be reduced from 10.4% to 8% as of 2026.

A modest increase in purchasing power is expected, which should strengthen homeowners' financial stability, although it will vary across different groups. Aditionally, further details on Prinsjesdag developments related to sustainability can be found on page 29 of this quarterly update.

Affordability standards

In the Netherlands affordability standards are set in law ("Tijdelijke regeling hypothecair krediet") and are updated on an annual basis. Changes per 1 January, 2025 are limited, with the most notable changes listed below[1]:

- **Flexible income:** in case a borrower did not have a fixed income in one or more of the last three years, but did have at least 12 months of income, lenders can use the borrower's current income for underwriting purposes. This is allowed if an assessment confirms that the current income is considered stable, replacing the need to consider prior year's income and a prognosis of future income. The option to use the average income over the last three years remains.

- **Student loans:** lenders must use the (theoretical) payment obligations using the consumer's remaining student loan balance, current interest rate, and remaining term when actual payments are (temporarily) lower, such as when no repayment amount is due, the consumer is using a grace period, or the payment obligation is reduced due to income testing. This adjustment is intended to prevent consumers from borrowing more than they should due to temporarily lower payments on their student loan.

- **Maximum debt-to-income ratios:** will be adjusted in line with the advice of the NIBUD, the National Institute for Family Finance Information.

1 Overheid.nl - Wijzigingsregeling hypothecair krediet 2025

Mortgage originations

The Dutch land registry ("Kadaster") reports on the total inscription amount for mortgage loans in the Netherlands, providing insight in the total mortgage origination balance in the Netherlands. Yearly mortgage originations steadily increased in the period 2014 till 2021. However, from the second half of 2022 a decrease in origination volumes was observed as the mortgage market environment changed substantially due to rising interest rates. These higher interest rates caused refinancing origination volume to shrink to nearly zero.

At the end of the third quarter of 2024, mortgage inscriptions totaled EUR 96 billion as shown in Figure 1 below. The third quarter of 2024 accounted for approximately EUR 37 billion mortgage inscriptions compared to EUR 32 billion in the second quarter -an increase of approximately 15%. This increase of mortgage inscriptions in the third quarter was caused by both an increase in the number of applications (9%) and an increase in the average amount of mortgage inscriptions (5%)[1].

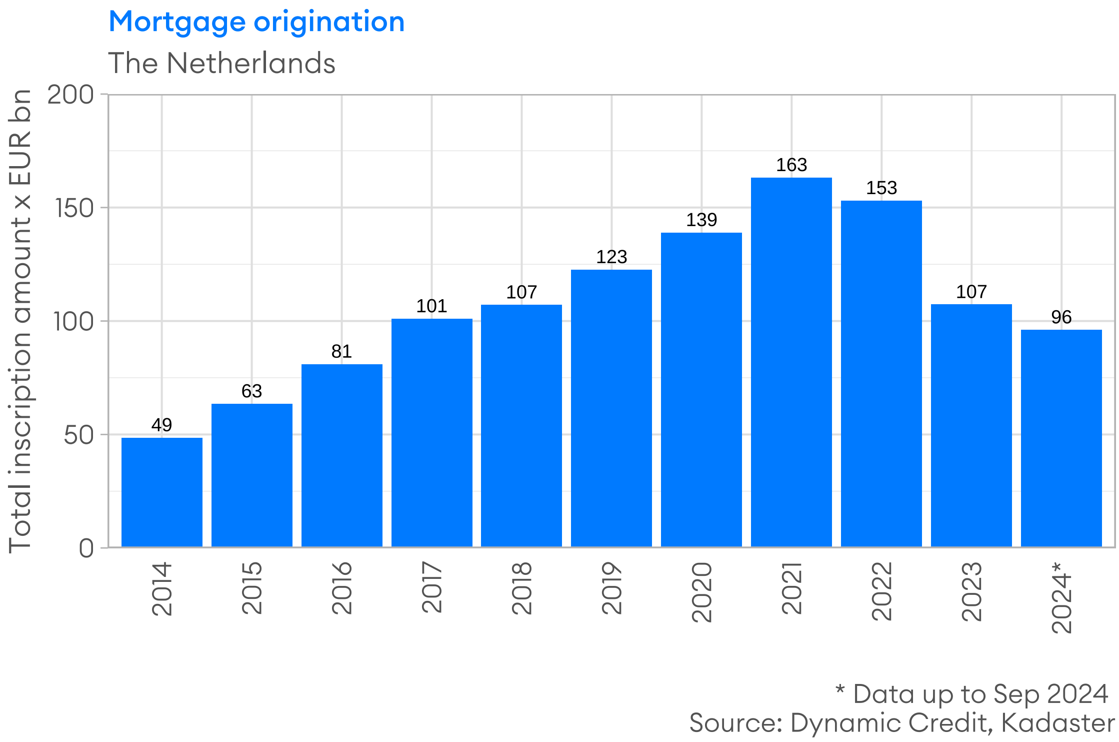


Figure 1: The graph above shows the total amount of mortgage inscriptions in the Netherlands per year sourced from the Dutch land registry ("Kadaster") up to and including 2024-09.

1 Kadaster - Vastgoed dashboard

Update Overview of the Housing Shortage

STOER program

The Dutch government is intensifying efforts to address the housing shortage by increasing annual construction to 100,000 homes. Minister of Housing and Spatial Planning Mona Keijzer announced a series of measures aimed at reducing regulatory hurdles and accelerating development[1]. These measures include the removal of contradictory regulations through the STOER program, the adoption of parallel planning, and maximizing the use of existing buildings through initiatives like conversion and space optimization. A "Yes, unless" rule is also being introduced to streamline approvals, with EUR 600,000 allocated to enhance municipalities' capacity to execute these plans.

Although these initiatives are well-intentioned and may improve housing supply, they may face practical challenges.

Cautious change in trend for building permits[2]

A key indicator of future new property construction is the number of building permits issued. The Dutch Central Bureau of Statistics (CBS) reported that 43,765 building permits were issued in the first eight months of 2024. This marks an increase of 20% versus the same period last year, but is still 12% below the same period in the year 2021, which is the year with the highest number of building permits since the start of the dataset in 2012.

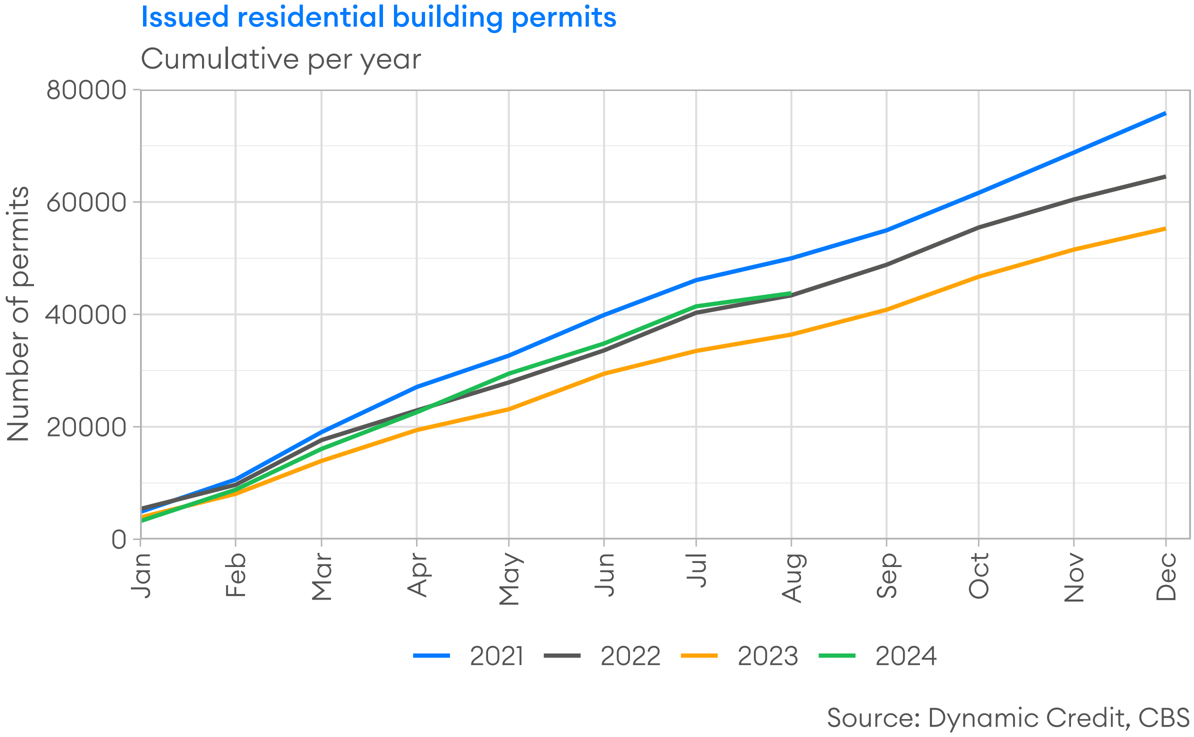


Figure 2: The figure above displays the cumulative issued residential building permits in the Netherlands per year over the period 2021-2024 as of October 2024. Source: CBS, Dynamic Credit.

1 [Rijksoverheid.nl - Sneller naar 100.000 woningen per jaar]
2 [CBS - Construction and housing]

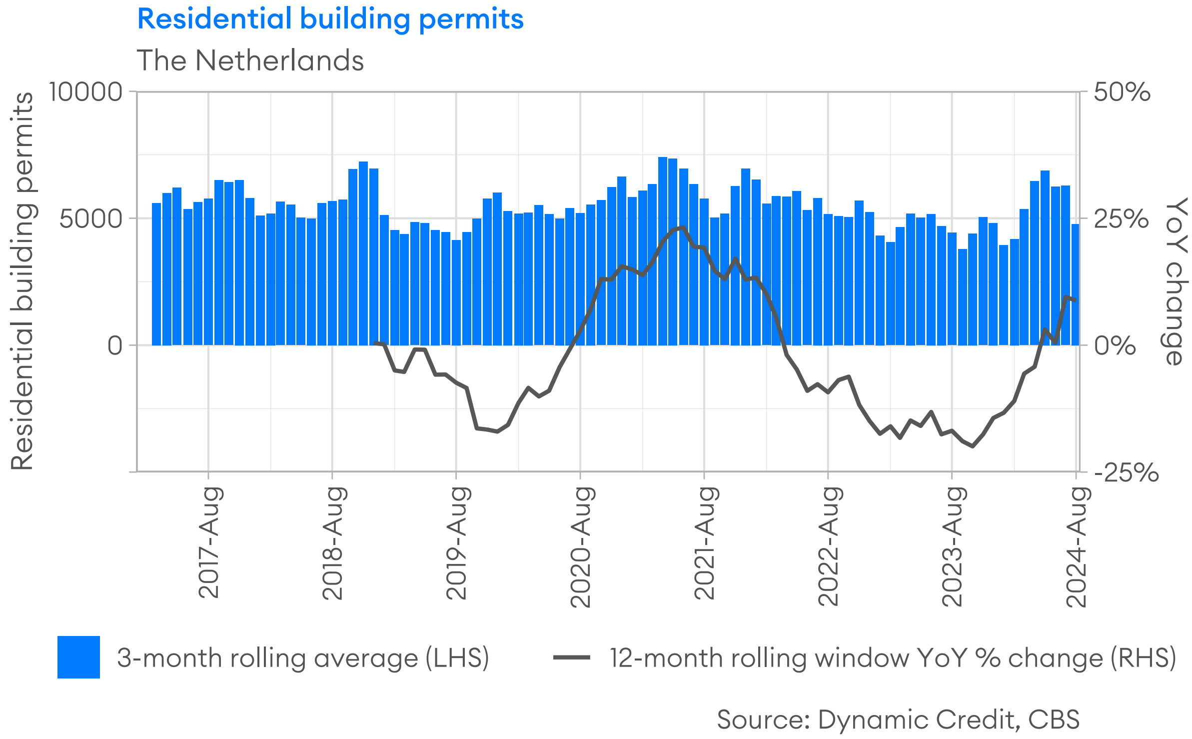


Figure 3: Number of issued building permits as of August 2024 and the percentual YoY change in the number of issued building permits excluding transformations i.e., repurposing office spaces to residential homes. Source: CBS, Dynamic Credit.

New Construction

In the first half of 2024, 32,691 new housing units were completed, according to CBS data. This marks a decrease of nearly 4% compared to the same period in 2023 and around 9% from 2022. Other changes to the housing stock–such as demolitions, transformations, and corrections–roughly net to zero, underscoring a trend that falls short of the ambitious targets set to accelerate new construction.

Offer volumes

Hypotheken Data Netwerk ("HDN", a provider of infrastructure for mortgage loan requests) recorded[1] approximately 116,000 mortgage offer requests in total in 2024-Q3. This represents a 22.4% increase compared to the 95,000 requests recorded a year earlier and is in line with the previous quarter (2024-Q2), when 120,000 mortgage offer requests were recorded. Of these, 75,000 requests were home purchases, representing a 19.9% YoY increase. The average mortgage offer amount related to purchases totaled EUR 362,000, 7.2% higher than in 2023-Q3. The average amount of own funds required for a home purchase remained relatively stable at EUR 41,000. Lastly, the number of mortgage offers utilizing the portability option increased by 25.5%, from 17,000 in 2023-Q3 to 21,000 in 2024-Q3. The popularity of the portability option has surged due to the elevated interest rate environment over the past two years.

House prices and property sales

As of 2024-Q3, housing prices increased by 3.7% QoQ and 11.1% YoY. CBS reports[2] on house price developments in the Netherlands using the Dutch House Price Index ("HPI"), which reflects price developments based on purchase agreements as registered by the Dutch land registry. The index reached 140.4 per 2024-Q3, marking the fifth consecutive quarterly increase from 2023-Q3, when the index stood at 126.4. Property transactions totaled approximately 54,000 in 2024-Q3, an increase of 12.9% QoQ and 15.3% YoY. This total represents the highest number of quarterly property transactions since 2021-Q3, as can be seen in Figure 4 below.

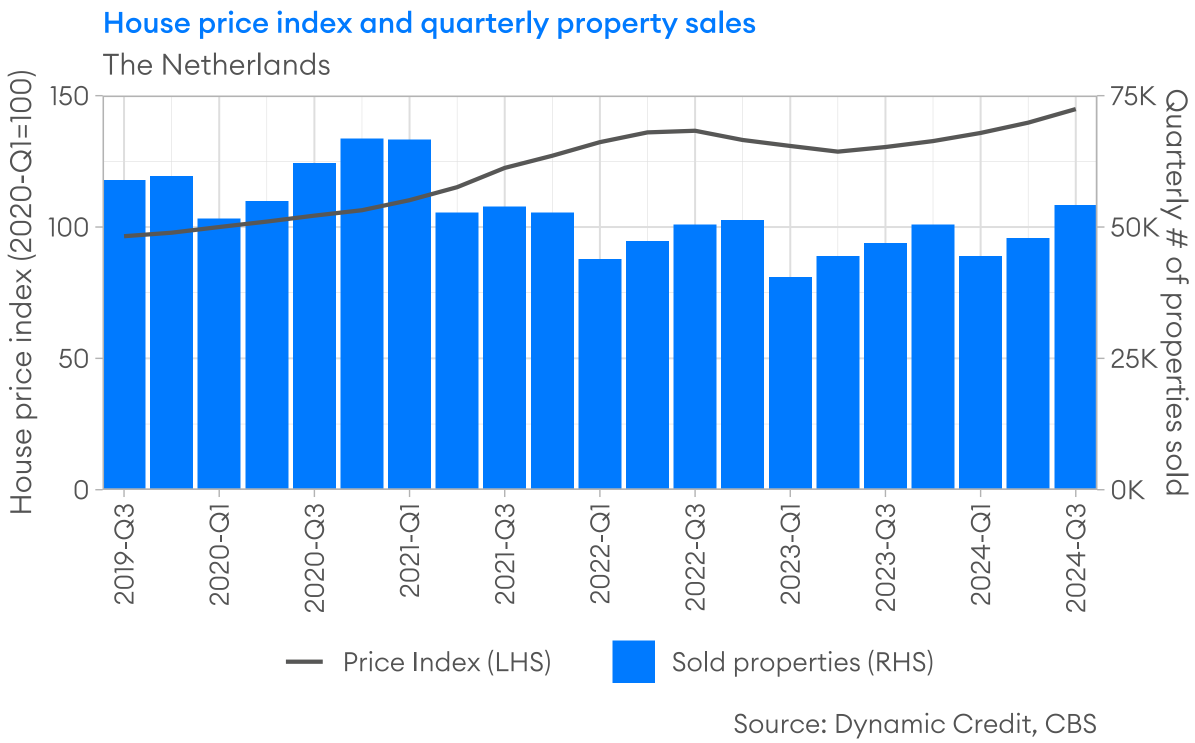


Figure 4: House Price Index of the Netherlands ("HPI") (2020-Q1 = 100) and monthly property sales. HPI until 2024-Q3. Source: CBS, Dynamic Credit.

1 HDN - Kwartaaloverzicht 2024 – Q3
2 CBS - Prices of owner-occupied dwellings

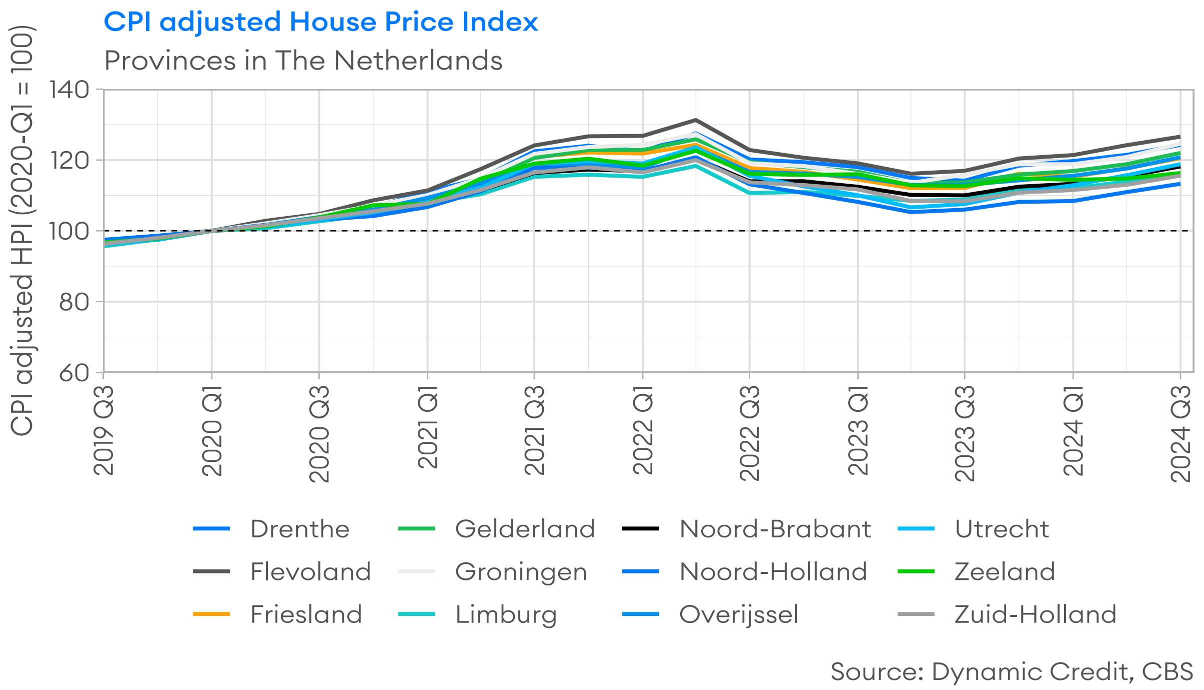


Figure 5: CPI Adjusted House price index per province in the Netherlands up to and including 2024-Q3 (2020-Q1=100). Source: CBS, Dynamic Credit.

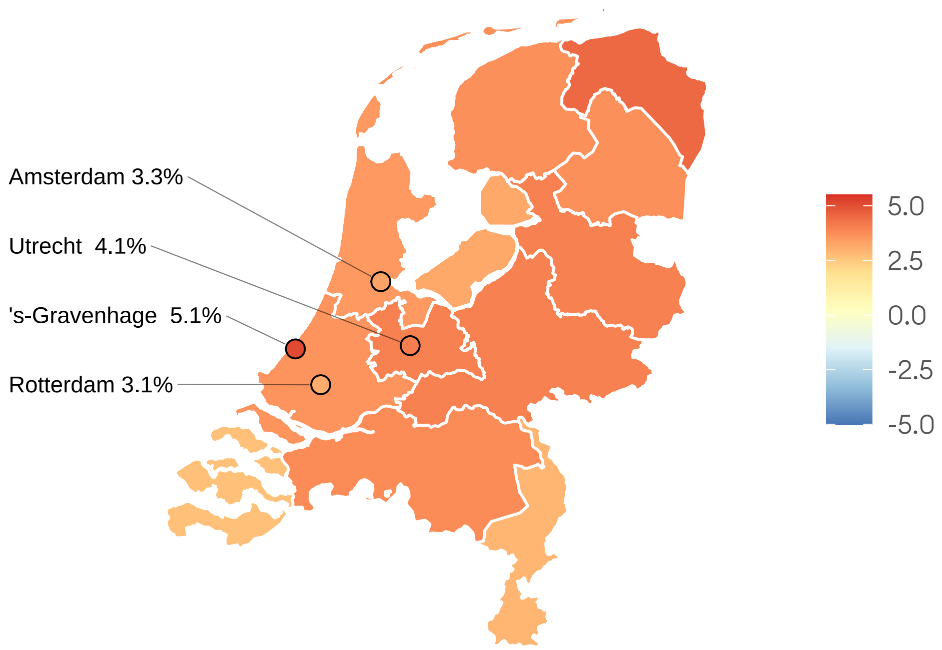
Regional differences

Table 2 displayed below provides more granular data on housing price and property transaction developments for the Dutch provinces and several municipalities as of 2024-Q3. Housing prices rose across all provinces and municipalities. Among provinces, Groningen saw the highest quarterly increase in housing prices, up 4.5% QoQ. Compared to the same period a year earlier, housing prices in the province of Utrecht increased by 14.4%, while in the municipality of Utrecht, prices rose even more significantly, at 18.4% YoY. Flevoland experienced the largest percentage increase in property transactions (+25.1% QoQ). However, when looking at the actual number of properties sold during the quarter, Flevoland accounts for a relatively small share of total property transactions (around 2.82%). In contrast, nearly 40% of total property transactions in 2024-Q3 occurred in Noord- and Zuid-Holland. The four municipalities included in the table below accounted for 15.83% of total property transactions.

Area	Type	HPI (2020=100)	YoY Price %	QoQ Price %	Properties Sold in Quarter	QoQ Properties Sold %	YoY Properties Sold %
Nederland	Country	140.4	11.1	3.7	54,147	12.9	15.3
Amsterdam	Municipality	131.1	10.1	3.3	3,397	29.7	20.8
's-Gravenhage	Municipality	134.7	9.9	5.1	1,925	17.5	22.2
Rotterdam	Municipality	134.3	8.9	3.1	1,893	15.7	34.8
Utrecht	Municipality	142.3	18.4	4.1	1,356	25.8	21.2
Groningen	Province	147.5	11.3	4.5	1,753	16.9	20.5
Friesland	Province	143.5	11.3	3.7	1,891	10.1	11.6
Drenthe	Province	147.7	12.7	3.7	1,581	7.7	7.5
Overijssel	Province	143.7	10.6	4.0	3,260	5.0	14.3
Flevoland	Province	148.9	12.0	3.2	1,525	25.1	18.4
Gelderland	Province	145.3	11.1	4.0	6,043	10.2	14.2
Utrecht	Province	142.1	14.4	4.0	4,385	15.2	14.9
Noord-Holland	Province	135.6	10.6	3.5	10,164	20.8	19.0
Zuid-Holland	Province	137.8	10.4	3.6	11,221	12.1	14.0
Zeeland	Province	138.1	6.9	2.7	1,337	2.8	16.8
Noord-Brabant	Province	141.2	11.2	3.8	7,839	10.4	16.3
Limburg	Province	138.7	10.0	2.9	3,148	11.9	12.0

Table 1: House Price Index of the Netherlands ("HPI") (2020-Q1 = 100) and number of property sales changes in Dutch provinces and major municipalities 2024-Q3 Source: CBS, Dynamic Credit.

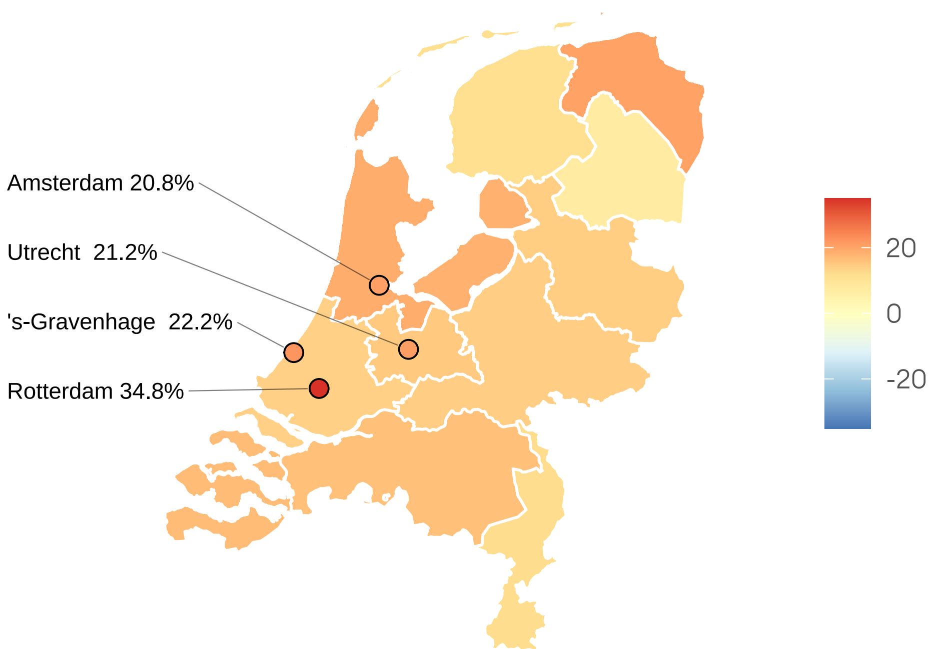
House Price Index QoQ change



Source: Dynamic Credit, CBS (2024 Q3)

Figure 6: Dutch House Price Index QoQ change in percentages, 2024-Q3.

Number of sold properties YoY change



Source: Dynamic Credit, CBS (2024 Q3)

Figure 7: Sold properties YoY change in percentages, 2024-Q3.

Expected house price and property sales developments

During the third quarter of 2024, financial institutions released multiple forecasts for the Dutch housing market. Compared to 2024-Q2, the average forecasted house price development for 2024 was revised upwards by approximately 3 percentage points to 10.65%, while the average expected price increase for 2025 doubled to 8.05%. Previously, in 2024-Q2, financial institutions anticipated a "front-loaded" trend in housing prices, with a larger share of the price development occurring in 2024 rather than in 2025. Now, the total expected price growth has substantially increased. This upward revision in forecasted housing prices is attributed to factors similar to those identified last quarter: strong wage growth, declining capital market rates (and consequently lower mortgage rates that enhance borrowing capacity) on the demand side and a persistent housing shortage on the supply side. For a comprehensive view of how expectations have evolved over recent quarters, refer to Figure 8 displayed below, which shows that housing prices have increased much more in 2024 than previously expected. The next paragraph provides further details on the forecast specifics.

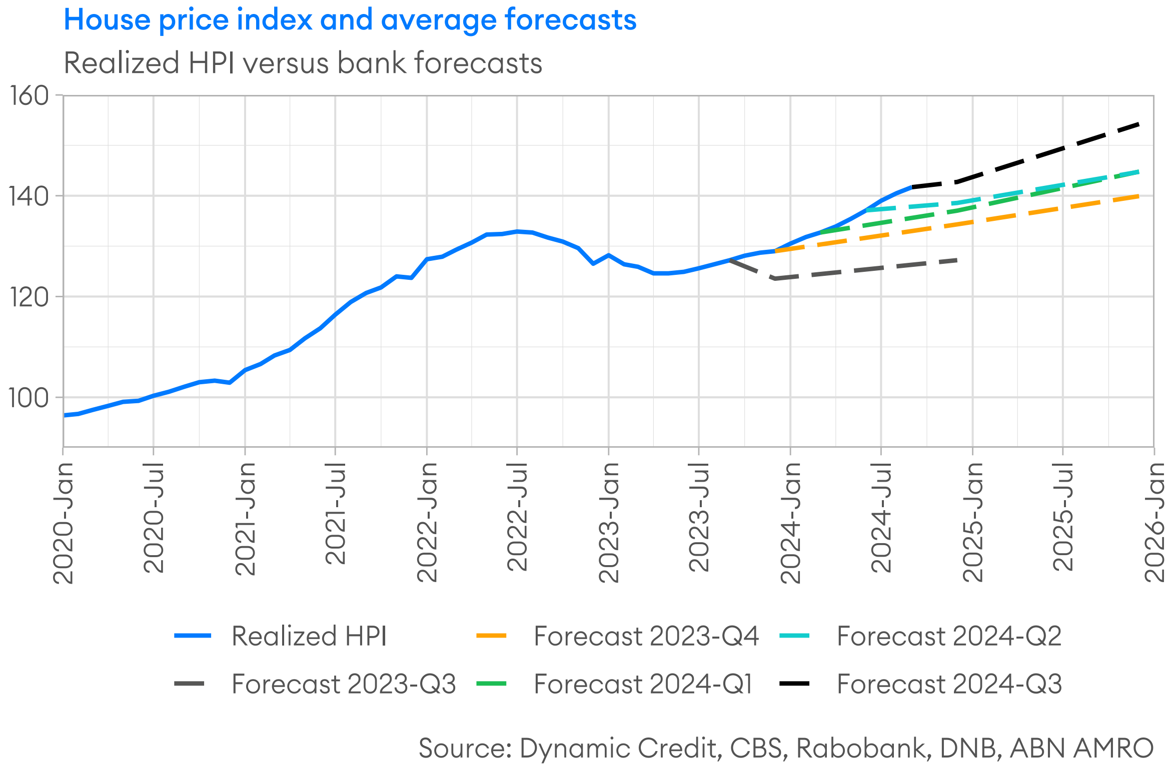


Figure 8: Realized house price index and average house price forecasts made at different points in time as of 2024-Q3. Source: Dynamic Credit, CBS, Rabobank, DNB, ABN AMRO, ING and Fitch.

Housing market forecast insights

Rabobank expects[1] Dutch housing prices to increase by an average of 9.1% in 2024 and 10.7% in 2025 (compared to its earlier forecasts of 6.7% and 5.2%, respectively, as of 2024-Q2). This expectation is primarily driven by projected wage growth and stable interest rates, which Rabobank believes will enhance household borrowing capacity and support higher house prices. Rabobank's revision from its 2024-Q2 forecast is not due to adjusted expectations for capital market interest rates, the economic climate or unemployment. Rather, it reflects their anticipated larger impact from the ongoing housing shortage on house prices. ABN AMRO similarly expects[2] housing prices to rise by 8.5% in 2024 and 7% in 2025 (up from 7.5% and 5% as of 2024-Q2), attributing much of this to anticipated wage increases in a tight labor market. Meanwhile, ING expects a 12% increase in 2024 followed by 5.5% in 2025, citing the continued housing shortage among other factors. ING[3] also anticipates a self-reinforcing effect in housing prices, as the share of homebuyers (as reported by VEH) that expect prices to rise next year has increased, potentially motivating homebuyers to bid higher now.

1 Rabobank - Housing Market Quarterly Report
2 ABN AMRO - Woningmarktmonitor oktober 2024
3 ING - Huizenprijzen stijgen flink en toenemende trasnacties

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CBS Consumer confidence

Statistics Netherlands ("CBS") tracks consumer confidence by assessing Dutch consumers' views and expectations on various topics, including the general economic environment, personal financial situations, and willingness to make purchases. This indicator is measured in percentage points of negative or positive responses and can range from -100 to 100, with 0 indicating an equal number of positive and negative responses.

In October 2024[1], consumer confidence in the Netherlands experienced a slight decline, dropping to -22 from the year's high point of -21 recorded in April and September. This slight decrease could be explained by a minor deterioration in the climate for significant purchases MoM. Consumer confidence has been in the -24 to -21 range since the March this year, a major improvement compared to the same period in 2023 when it ranged from -40 to -37.

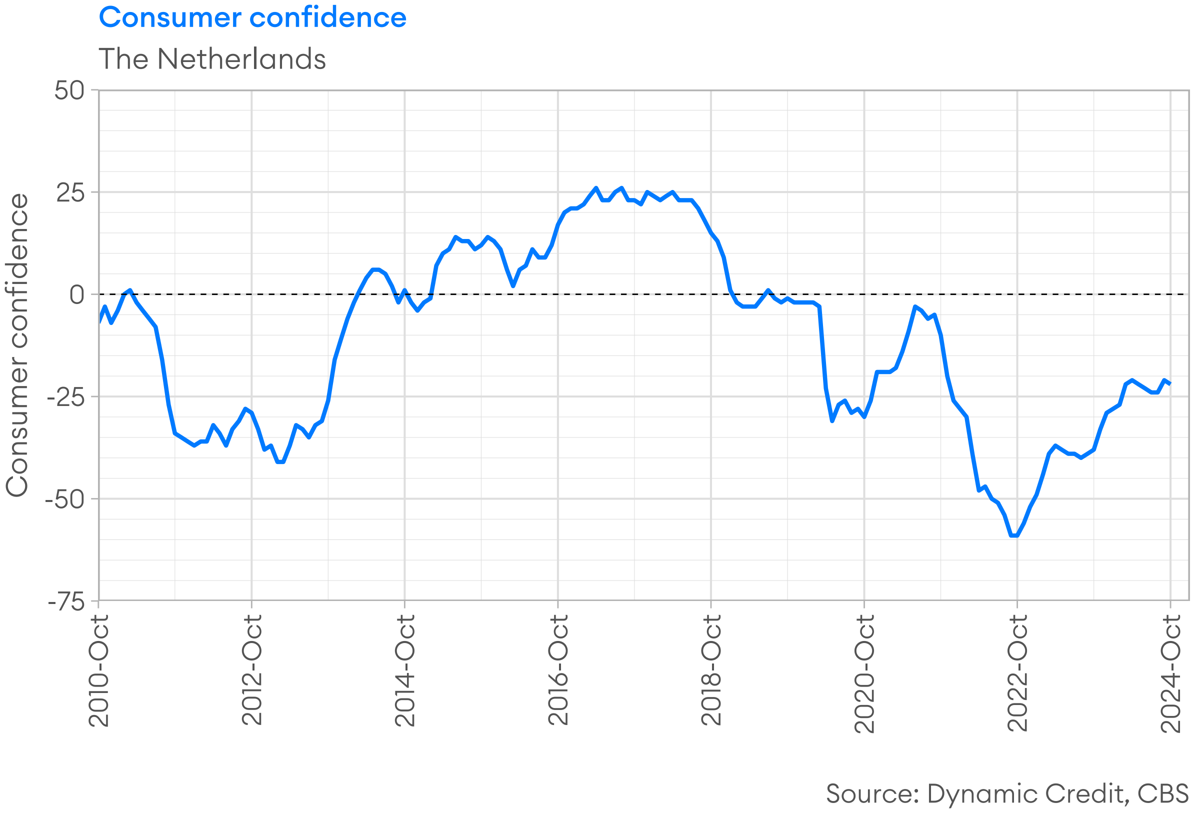

Figure 9: CBS total consumer confidence in the Netherlands as of October 2024.

1 CBS - Consumenten fractie negatiever in oktober

CBS household consumption

According to Statistics Netherlands ("CBS")[1], in August 2024, household consumption increased by 0.7% YoY after adjusting for price changes. Specifically, there was a 2.7% increase in the consumption of durable goods, with higher purchases of clothing, shoes, home items, and electrical appliances. There was also a notable 2% rise in the consumption of other goods, such as energy and personal care items. Conversely, households spent 1.6% less on food and beverages. Additionally, households consumed 0.5% more services, with increased spending primarily on transport and communication. However, when adjusted for price changes, there was a decline in expenditures on hospitality, recreation, and cultural services compared to the previous year. Spending on services constitutes more than half of the total domestic consumption expenditures by households.

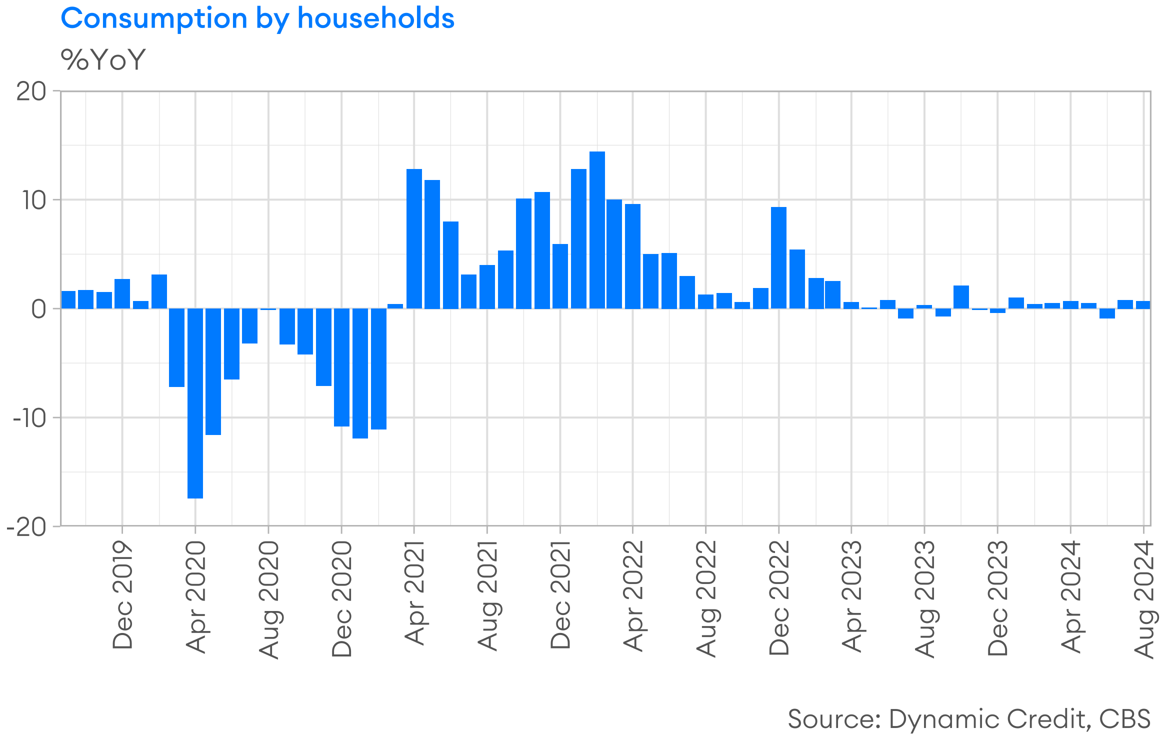

Figure 10: Percentual YoY domestic household consumption in the Netherlands adjusted for price changes up until Augustus 2024.

1 CBS - Consumptie huishoudens groeit met bijna 1 procent in augustus

NHG

Stichting Waarborgfonds Eigen Woningen ("WEW"), a central, privatized entity, is responsible for the administration and granting of the Nationale Hypotheek Garantie ("NHG Guarantee"). The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs of mortgage loans. Irrespective of scheduled repayments and prepayments made on a mortgage loan, the NHG Guarantee is reduced on a monthly basis by an amount equal to the principal repayment part of the monthly instalment, as if the 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.

Increased cost limit

The cost limit for eligibility to the NHG Guarantee will increase to EUR 450,000 on January 1, 2025, a rise of EUR 15,000 or 3.44% from the 2024 limit of EUR 435,000. The cost limit changes annually in line with a pre-agreed method that follows house price developments over a longer period, as shown in Figure 11. House prices increased with 11.4% YoY in September so the increase in cost limit will not be sufficient to offset recent house price increases. To encourage sustainability, extra borrowing capacity is available;with energy-saving measures, the NHG limit rises to EUR 477,000.

The NHG limit for mobile homes will also increase from EUR 166,000 to EUR 172,000, and to EUR 182,320 with energy-saving improvements. It is unknown whether any lenders in the Netherlands offer mortgage loans for mobile homes.

Additionally, the one-off NHG Guarantee premium, paid by the borrower upfront, will decrease from 0.6% to 0.4% of the loan amount.

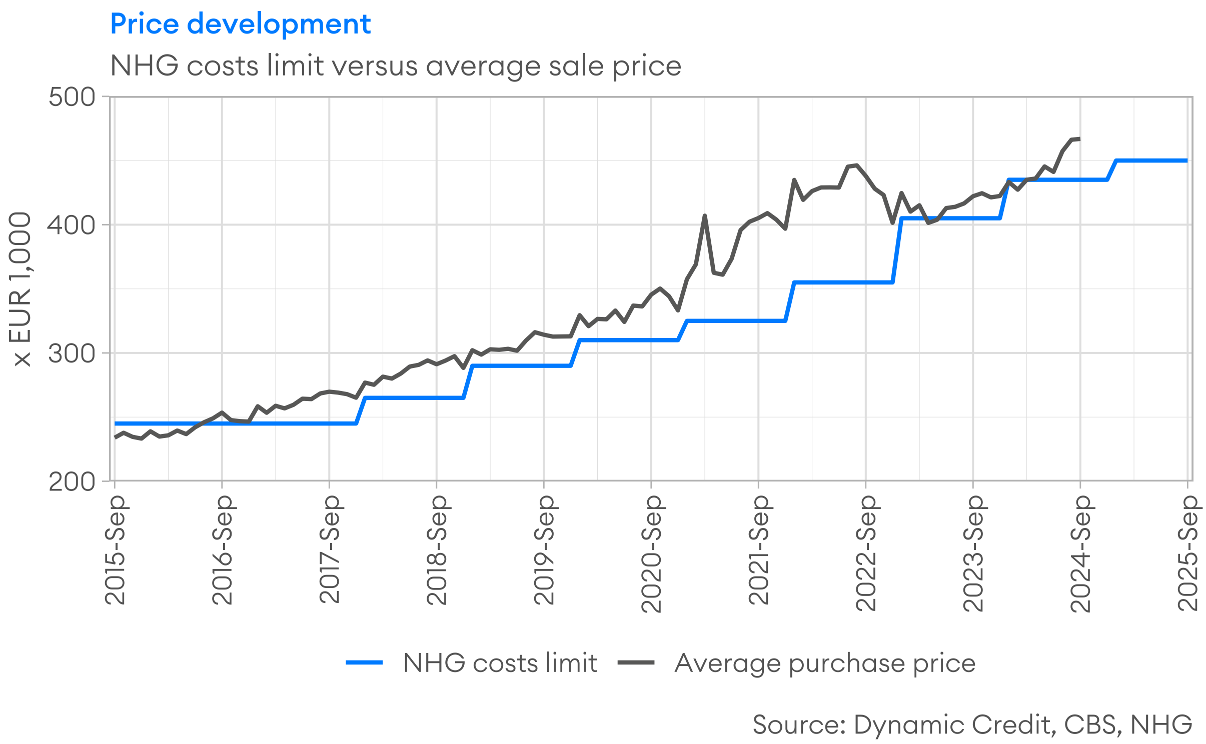

Figure 11: The figure shows the historic development of the NHG cost limit and the average purchase price throughout time in the Netherlands, per October 2024.

New NHG guarantees

According to HDN[1], 40,813 loans with an NHG guarantee were offered for a total of EUR 10.3 billion in 2024-Q3 (compared to EUR 7.9 billion in 2023-Q3). The number of applications and the total volume are more or less similar to 2024-Q2. The 2024-Q3 volume corresponds to an NHG market share of 32.3% in terms of mortgage loan balance (compared to 33% in 2023-Q3).

Please refer to Figure 12 for a graphic description.

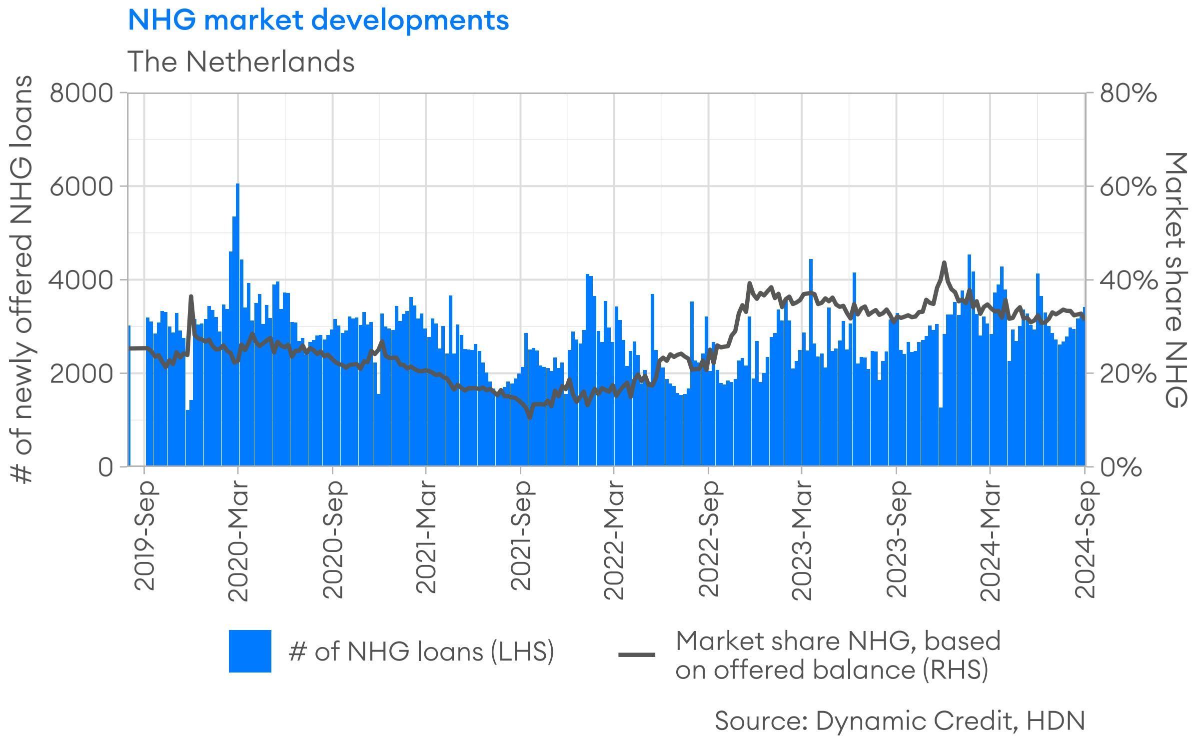

Figure 12: Number of new NHG guarantees and market share of NHG loans as a percentage of total originated balance through time. The x-axis refers to year and month.

Loss declarations[2]

In the second quarter no loss declarations were paid out under the NHG guarantee. WEW observes that there is generally sufficient home equity to avoid residual debt after a (forced) sale.

The amount guaranteed by WEW (the total outstanding balance of mortgages with an NHG guarantee) is approximately EUR 205 billion. This is set against an (estimated) total collateral value of over EUR 416 billion. The capital ratio, defined as the available capital as a percentage of the amount guaranteed by WEW, equals 0.83%.

1 HDN - Kwartaaloverzicht 2024–Q3
2 NHG - Kwartaalcijfers 2e kwartaal 2024

3. Owner-Occupied Mortgages

Mortgage interest rate and spread developments

Mortgage interest rates

During 2024-Q3, mortgage interest rates declined across all fixed-rate-period and LTV segments, with an average decrease of 22 bps QoQ. Notably, shorter fixed-rate-period segments (5Y and 10Y) saw a relatively larger decline than longer segments (20Y and 30Y), with decreases of 28 bps and 17 bps, respectively. Compared to the same period a year earlier, mortgage interest rates dropped by an average of 65 bps. However, in October, the decline in rates slowed as Euro swap rates picked up again, limiting further decreases. The relevant macroeconomic factors are discussed in more detail in section 6 of this quarterly update.

The table below contains an overview of the interest rate development for the respective risk classes and fixed rate periods.

Mortgage rate development for average of top 6 mortgage rates								
Fixed rate period	Risk class	2023-09-30	2024-06-30	2024-09-30	2024-10-24	QoQ	YoY	QtD
5-year	NHG	4.07%	3.66%	3.34%	3.33%	-0.32%	-0.74%	-0.01%
	60% LTMV (non-NHG)	4.12%	3.75%	3.42%	3.39%	-0.33%	-0.70%	-0.03%
	80% LTMV (non-NHG)	4.28%	3.84%	3.54%	3.50%	-0.30%	-0.74%	-0.04%
	100% LTMV (non-NHG)	4.54%	3.95%	3.65%	3.60%	-0.30%	-0.89%	-0.04%
10-year	NHG	4.18%	3.75%	3.43%	3.41%	-0.32%	-0.75%	-0.03%
	60% LTMV (non-NHG)	4.21%	3.85%	3.63%	3.56%	-0.22%	-0.58%	-0.06%
	80% LTMV (non-NHG)	4.36%	3.96%	3.75%	3.70%	-0.21%	-0.61%	-0.05%
	100% LTMV (non-NHG)	4.59%	4.14%	3.90%	3.85%	-0.24%	-0.69%	-0.05%
20-year	NHG	4.33%	3.96%	3.68%	3.65%	-0.28%	-0.64%	-0.04%
	60% LTMV (non-NHG)	4.42%	4.02%	3.82%	3.79%	-0.20%	-0.61%	-0.03%
	80% LTMV (non-NHG)	4.55%	4.10%	3.95%	3.89%	-0.15%	-0.59%	-0.06%
	100% LTMV (non-NHG)	4.76%	4.27%	4.11%	4.06%	-0.17%	-0.66%	-0.05%
30-year	NHG	4.38%	4.06%	3.88%	3.89%	-0.17%	-0.50%	0.01%
	60% LTMV (non-NHG)	4.45%	4.04%	3.90%	3.86%	-0.14%	-0.55%	-0.04%
	80% LTMV (non-NHG)	4.57%	4.14%	4.02%	3.96%	-0.12%	-0.55%	-0.06%
	100% LTMV (non-NHG)	4.75%	4.29%	4.19%	4.16%	-0.11%	-0.56%	-0.02%

Table 2: Average top-6 mortgage rates (excluding action rates) for mortgage loans with different fixed rate periods for four risk classes. Source: Dynamic Credit, Hypotheekbond. Reference date is 2024-10-24.

Mortgage spreads[1]

Mortgage spreads widened substantially during 2024-Q3. On average, spreads were 27 bps higher QoQ and 41 bps higher YoY, respectively. However, as discussed in the previous paragraph, mortgage spreads tightened in October due to rising Euro swap rates, decreasing by an average of 11 bps. It's important to note that these figures represent snapshots of specific moments, and mortgage spreads remain volatile when analyzed on a weekly basis. For an overview of Dutch mortgage spread developments over time, please refer to Figure 13 below. Two noteworthy observations are that spreads were elevated throughout 2024-Q3, and although volatility persists, spreads appear more stable compared to fluctuations observed in 2022.

1 The EUSWxV3 swap is used, which uses quarterly resets and the floating leg is 3-month EURIBOR.

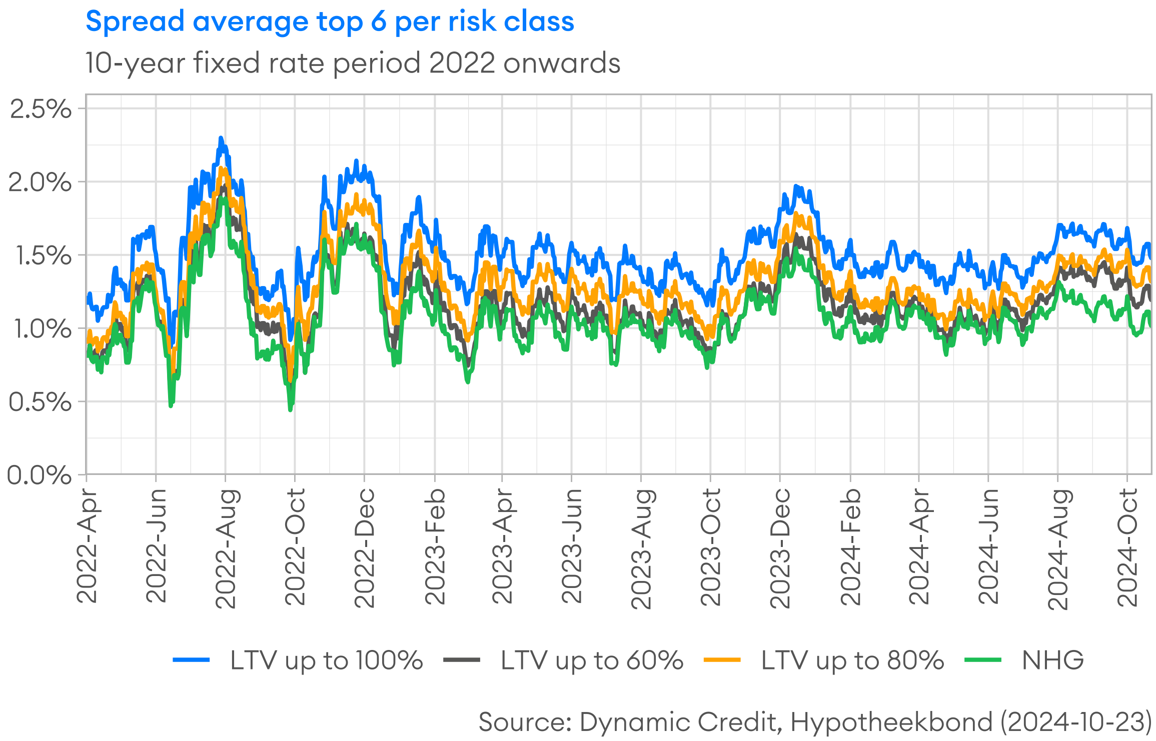

Figure 13 : Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 10-year fixed rate period for four risk classes up to and including October 2024.

For a broader overview of the spread developments, see Table 3 displayed below. In addition, the information should be interpreted as 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	2023-09-30	2024-06-30	2024-09-30	2024-10-24	QoQ	YoY	Qtd
5-year	NHG	0.72%	0.82%	1.16%	1.08%	0.34%	0.44%	-0.07%
	60% LTV (non-NHG)	0.76%	0.91%	1.24%	1.14%	0.33%	0.48%	-0.10%
	80% LTV (non-NHG)	0.92%	1.00%	1.36%	1.26%	0.36%	0.44%	-0.11%
	100% LTV (non-NHG)	1.18%	1.11%	1.47%	1.36%	0.36%	0.29%	-0.11%
10-year	NHG	0.83%	0.95%	1.14%	1.03%	0.18%	0.31%	-0.11%
	60% LTV (non-NHG)	0.86%	1.05%	1.33%	1.19%	0.28%	0.47%	-0.14%
	80% LTV (non-NHG)	1.01%	1.16%	1.46%	1.33%	0.30%	0.44%	-0.13%
	100% LTV (non-NHG)	1.24%	1.35%	1.61%	1.48%	0.26%	0.36%	-0.13%
20-year	NHG	0.87%	1.11%	1.23%	1.13%	0.13%	0.36%	-0.11%
	60% LTV (non-NHG)	0.97%	1.16%	1.37%	1.27%	0.21%	0.40%	-0.10%
	80% LTV (non-NHG)	1.09%	1.25%	1.51%	1.37%	0.26%	0.42%	-0.13%
	100% LTV (non-NHG)	1.31%	1.42%	1.67%	1.55%	0.25%	0.35%	-0.12%
30-year	NHG	0.91%	1.20%	1.41%	1.34%	0.21%	0.50%	-0.07%
	60% LTV (non-NHG)	0.98%	1.18%	1.43%	1.31%	0.25%	0.44%	-0.11%
	80% LTV (non-NHG)	1.10%	1.28%	1.54%	1.41%	0.27%	0.44%	-0.13%
	100% LTV (non-NHG)	1.28%	1.43%	1.72%	1.62%	0.28%	0.43%	-0.09%

Table 3: Spread of the average top-6 mortgage rates (excluding action rates) over duration matched swap rates for four risk classes. Source: Dynamic Credit, Hypotheekbond. Reference date is 2024-10-24.

Affordability Update

In recent years, housing prices have largely increased due to falling interest rates and a growing shortage of homes. After a brief decline in housing prices at the end of 2022 and the beginning of 2023, prices have significantly risen again in recent months. On a positive note, wages have increased more sharply over the past two years due to higher inflation, positively impacting affordability. In previous years, Dynamic Credit has frequently reported on developments in housing affordability for consumers. Below, we present the outcomes of this analysis from two perspectives.

Perspective of first-time buyers over time

The first analysis examines the perspective of a first-time buyer looking to purchase a home in a specific year and compares affordability across different years. This analysis considers several factors, including housing prices, mortgage interest rates, income development, and tax changes (such as mortgage interest rate deduction and home ownership taxes).

Although there has been some improvement in the last two years, mainly due to rising wages, the recovery in affordability is limited.

In the analysis, the index starts with a value of 100 in the base year, 2008. Mainly due to falling housing prices, the affordability index increased to 144 by 2013, making it relatively easier for first-time buyers to purchase a home. After this, the trend reversed, and the affordability index began to decline. As mortgage interest rates started to drop substantially after 2013, housing prices continued to rise. By 2021, the index had decreased to 93. Due to sharply rising inflation, mortgage interest rates increased significantly in 2022, compounding the effect of substantial housing price increases from previous years. Therefore, in 2022, the index reached its lowest point of 79. In 2023, while interest rates remained roughly stable, wage growth started to accelerate. This rising wage trend continued into 2024, and mortgage rates also began to fall. Despite ongoing housing price increases in 2024, the affordability index increased slightly over the past two years to 83.

Overall, it has become increasingly difficult for first-time buyers to find an affordable home over the past decade. Although there has been some improvement in the last two years, mainly due to rising wages, the recovery in affordability is limited and with house price increases in the double digits, there is no immediate reason for a substantial recovery of this affordability.

Competition between first-time buyers and existing homeowners

Another factor complicating the home-buying process for first-time buyers is competition with bidders who already own a home. With significant equity and often the possibility to carry forward the low interest rate on their existing mortgage, this enables consumers who own a home to make higher bids. Table 4 displayed on the next page provides various scenarios illustrating affordability for different types of buyers. The calculations assume buyers are purchasing a home priced at EUR 750,000 in 2024 and distinguish between those who already own a home and those who do not. The average housing prices for the initial year of purchase, as provided by CBS[1], are used in the calculations.

1 CBS - Bestaande koopwoningen; verkoopprijzen prijsindex

The first row of the table shows that buyers who purchased a home in 2018 at the average property value in that year have accumulated over EUR 218,000 in home equity by 2024. The outstanding mortgage balance has decreased over the years, and the average interest rate at the time was 2.40%, which is carried over to the new property. The additional required financing amounts to EUR 283,000, which must be secured at the current market rates. As a result, the monthly costs total EUR 2,006. For consumers that bought their first home in subsequent years monthly costs increased due to rising housing prices, resulting in less developed home equity to contribute to the new home's purchase in 2024. In 2022, monthly costs amount to EUR 2,525, a notable EUR 519 higher compared to 2018 buyers. For those without an existing property, monthly costs are the highest with EUR 2.732, as seen in the last row. Without home equity to contribute and no existing mortgage with a lower interest rate to carry over, monthly costs for this category peak. The difference in costs can quickly reach several hundred euros compared to buyers who already own a home. While a purchase price of EUR 750,000 may be high for many first-time buyers, similar difficulties apply to homes with lower purchase prices. This analysis underscores that the market has not become easier for first-time buyers.

Year of purchase first house	Home Equity	Outstanding balance (old mortgage)	Interest rate (old mortgage)	New mortgage balance required	WA Interest rate (incl. ported mortgage)	Total monthly net payment
2018	€ 218,909	€ 247,981	2.40%	€ 283,110	3.17%	€ 2,007
2019	€ 203,916	€ 262,974	2.00%	€ 283,110	2.95%	€ 2,048
2020	€ 174,214	€ 292,676	1.84%	€ 283,110	2.82%	€ 2,119
2021	€ 120,060	€ 346,830	1.65%	€ 283,110	2.63%	€ 2,265
2022	€ 59,290	€ 407,600	4.32%	€ 283,110	3.84%	€ 2,525
2023	€ 64,797	€ 402,093	4.13%	€ 283,110	3.84%	€ 2,506
First-time buyer	-	-	-	€ 750,000	3.84%	€ 2,733

Table 4: The table above contains various financing scenarios displaying housing affordability in the Netherlands through time. Source: Dynamic Credit, CBS. Reference date is October, 2024.

4. Funding Update

RMBS

In the third quarter of 2024 two new RMBS deals were issued for a total of EUR 989 million, of which EUR 955 million has been publicly placed. Spreads on senior RMBS notes have increased after summer to 46 bps by mid-October, up from 36 bps in July.

In the paragraphs below information is provided on these new issues.

Tulip Mortgage Funding 2024-1

In September 2024, Tulip Mortgage Funding 2024-1 was issued with loans originated by Tulpenhuis 1, a residential mortgage lender in the Netherlands. The pool amounts to a total of EUR 462 million. The A, B and C notes were placed publicly. The pool has a weighted average CLTV of 61.2%, a seasoning of 54 months, and the average loan size is EUR 237,000. Additionally, 0.61% of the pool balance has the benefit of an NHG guarantee.

Candidade Financing 2024-1

In September 2024, Candidade Financing 2024-1 was issued with loans originated by Lloyds Bank. The total pool amounts to EUR 521 million. The Class A notes have been placed publicly, while the Class B and C notes have been retained. The pool has a weighted average CLTV of 73.1%, a seasoning of 18 months, and interest-only loans constitute 20.9% of the pool balance. The average loan size is EUR 211,000. Lastly, 65.4% of the pool balance has the benefit of an NHG guarantee.

Covered bonds

Total covered bond issuance for the third quarter (up to 8 October) was EUR 1.9 billion, bringing the total to EUR 10.8 billion. Most of the issuance volume can be attributed to ABN, with a sizable issue of EUR 1.25 billion. Between July and the beginning September spreads have been around 32 bps, then increased to 38 bps by mid-October.

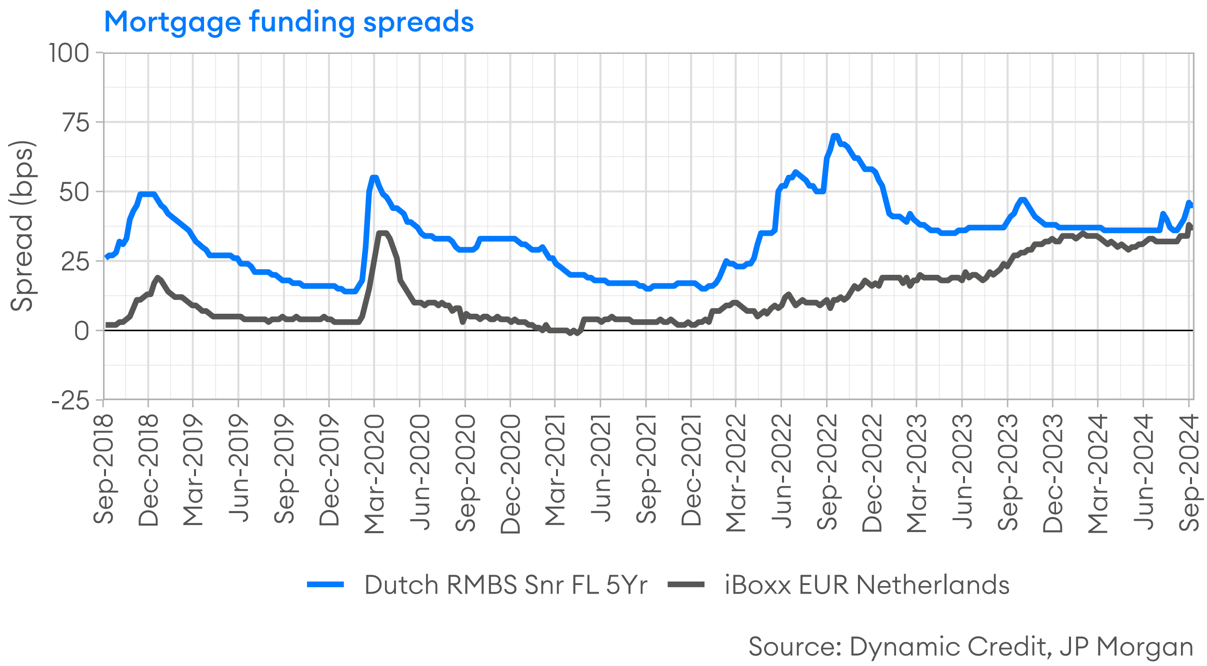

Figure 14: RMBS spread refers to indicative mid spread (DM) for representative generic RMBS bonds. iBoxx EUR Netherlands spread refers to spread versus mid swap rates. The data is as of 2024-Q3.

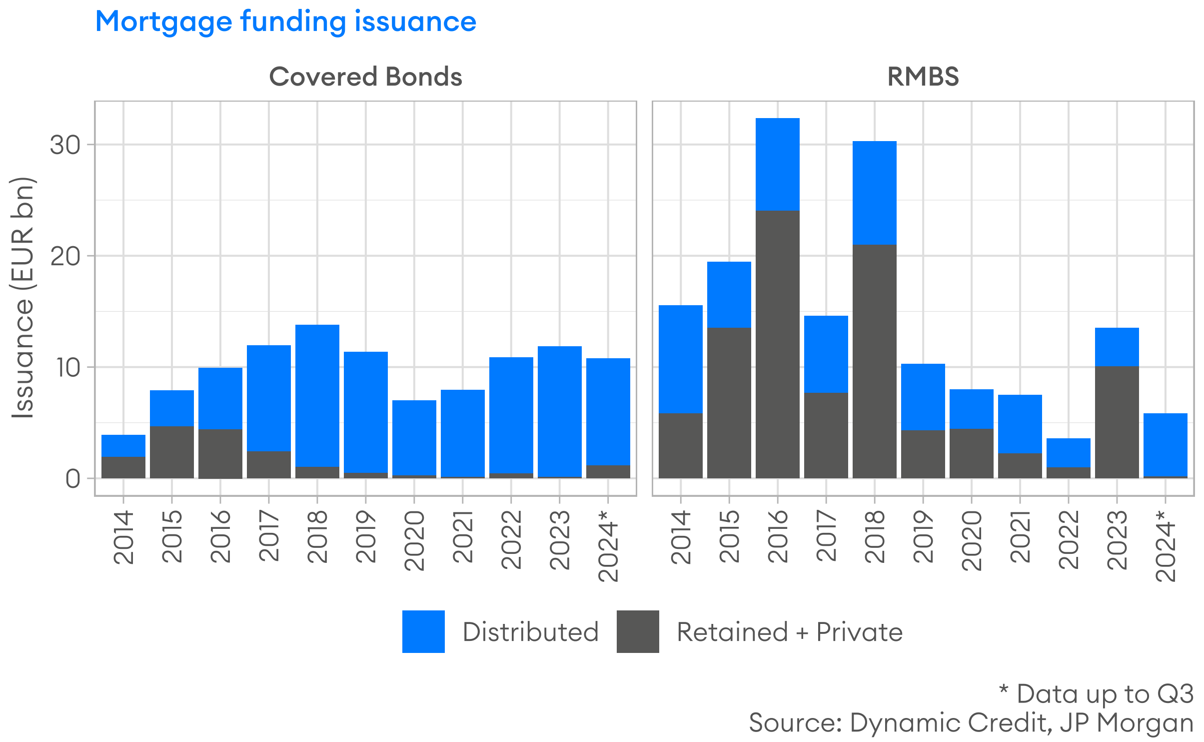

Figure 15: Issuance of Dutch RMBS and covered bonds. The data is as of 2024-Q3.

Dutch RMBS market: Priced Dutch prime RMBS and BTL deals

Date	Issuer	Series	Seller	Class	Euro Amount	Life	FXFL	Sprd	DM	Benchmark	M	SP	F	DBR	Retained	Comments
2024-09-27	Tulip Mortgage Funding BV	2024-1	Tulpenhuis 1	A	438	4.8	FL	57		3 Mo. Euribor			AAA	AAA	N	EUR 462mm; WA CLTV 61.2%; WA
				B	10	5.5	FL	105		3 Mo. Euribor			AA-	AAH	N	Seasoning 54m; NHG 0.61%; Avg
				C	7	5.5	FL	155		3 Mo. Euribor			A-	AL	N	Loan EUR 237K
				D	3		FX						NR	NR	Y	
				E	5		FX						NR	NR	Y	
				X	0		FX						NR	NR	Y	
				R	0		FX						NR	NR	Y	
2024-09-20	Candide Financing BV	2024-1	Lloyds TSB	A	500	4.8	FL	50			Aaa		AAA		N	EUR 521mm; WA CLTV 73.1%; WA
				B	21		FX				NR		NR		Y	Seasoning 18m; IO Loans 20.9%;
				C	5		FX				NR		NR		Y	Avg loan size EUR 211K; NHG 65.4%;

Table 5: Priced Dutch RMBS and BTL Deals in 2024-Q3. Source: Dynamic Credit, JP Morgan.

5. Buy-to-let Mortgages

Buy-to-let news and market developments

Eres portfolio transaction[1]

Canadian real estate investor Eres appears to have shifted strategy after previously failing to sell almost 6,900 Dutch rental homes in one transaction. Instead of an all-in-one transaction, Eres is selling its portfolio in parts, with Dutch real estate investors Rubens Capital Partners (RCP) and Vivet being the first two buyers (see previous edition of this quarterly report).

The Canadian real estate investor is once again on the brink of a significant divestment, for nearly 3,000 Dutch properties for EUR 695 million to a consortium of investors led by U.S.-based TPG Angelo Gordon. The deal, set to close early next year, also includes Stadium Capital Partners (SCP) from the Netherlands and Canada's Dream Unlimited. Should the latest deal proceed, Eres will still have a portfolio of 3,100 homes in the Netherlands.

According to SCP founder Richard Stolle, the consortium of buyers intends to employ a hybrid strategy of long-term rentals and selective selling upon tenant turnover (uitponden). SCP will leverage its local market expertise to manage the portfolio, focusing on sustainability and compliance with rental regulations. Eres aims to bolster its liquidity and repay EUR 421 million in outstanding mortgage debt, mitigating the effects of rising interest rates on its revolving credit facilities and imminent mortgage maturities. Under pressure from shareholders to enhance financial health, the Dutch Financial Times calculates that Eres will reduce its debt ratio from 56.2% as of June 2023 to a range of 33%-35% with this transaction.

Affordable Rent Act ("Wet betaalbare huur")

***DNB*[2]**

Dutch Central Bank President Klaas Knot has urged the government to roll back the Affordable Rent Act ("Wet betaalbare huur"). According to Knot, the supply of rental homes has sharply decreased since its implementation in July, while rental prices have increased. He mentions that the number of available rental homes in the private sector is 38% lower this quarter compared to a year ago.

Primarily smaller landlords are selling their rental properties, influenced not only by the Affordable Rent Act but also by stricter tax regulations and municipal purchase protection. On the other hand, he noted that large investors are generally holding onto their rental properties for now, but are less likely to focus on mid-market rental homes in new construction projects– essential for the housing market's fluidity. These homes are in high demand among young people and low-income earners, who already struggle to find housing.

***Minister of housing*[3]**

On 18 October, the Minister of Housing and Spatial Planning, Mona Keijzer, informed the House of Representatives about the developments and implications of the Affordable Rent Act. The letter contained limited new or controversial information and mostly set the stage for the rental market now and the foreseeable future.

One of the most notable changes in tone compared to her predecessor washer genuine concern about the state of the rental market. She notes that there is concern among private landlords about the cumulative impact of the Affordable Rent Act, fiscal policies, and interest rates, leading some to consider selling their properties. This was dismissed by the previous Minister as greed. Recent media reports indicate significant changes in the rental market, which the Minister takes seriously. Meanwhile data from Kadaster (up to 1 July 2024, so lagging) shows that the stock of rental properties from private landlords remains stable, with a 9.3% share of the rental market. To alleviate some of the pressure on the market, the transfer tax will be reduced to 8% (now 10.4%) starting from 1 January 2026. And the asset tax ("box 3") system, set to be introduced in 2027, will tax landlords based on actual returns.

1 FD - Canadese vastgoedbelegger verkoopt Nederlandse huurwoningen
2 Nu.nl - DNB-president Klaas Knot roept kabinet op huurwet terug te draaien
3 Rijksoverheid.nl - Kamerbrief stand van zaken Wet betaalbare huur

DYNAMIC

Kadaster[1]

Kadaster reports that as of July 2024, investors[2] owned 9.3% of the total housing stock in the Netherlands. The share of homes owned by private investors decreased from 4% in July 2023, to 3.8% a year later, returning to the same level as July 2022. Meanwhile, corporate investors added nearly 15,000 homes to their portfolios between 2023 and 2024, increasing their share from 5.4% to 5.5%, primarily driven by their active role in housing construction.

Between 2015 and 2020, investors were net buyers of homes, purchasing more properties than they sold. Since 2021, this trend has reversed, with investors selling more homes each quarter than they acquire. In 2024, investors made both more purchases and more sales than a year earlier.

In the second quarter, investors collectively sold 12,000 homes, marking a substantial increase of 2,450 homes compared to the previous quarter and 4,780 more than in the same period in 2023. Corporate investors sold 70% more homes than last year, while private investors sold 62% more. Overall, in 2024-Q2, investors purchased about 5,600 properties, resulting in net sales to 6,400.

Investors were notably more active in the four largest cities (G4) – Amsterdam, Rotterdam, The Hague, and Utrecht – than in the rest of the Netherlands. In these cities, corporate investors purchased 11% of all homes sold, compared to 6% outside the G4. Private investors also showed more activity in the G4, buying 3% of the purchased homes there versus 2% in other areas. This trend continued in sales activity: corporate investors sold 16% of their properties within the G4 and 10% outside these cities, while private investors sold 15% of their properties in the G4 and 7% elsewhere.

Rent developments[3]

Pararius reports that, as of the third quarter of 2024, the national average rental price in the unregulated sector is now EUR 19.28 per square meter per month, marking a YoY increase of 7.4%. During this quarter, the number of available properties in the unregulated sector has decreased by 37.6% YoY.

In 2024-Q2, the average square meter price of rental properties in the free sector decreased in three out of the five major cities (G4 plus Eindhoven – G5) in the Netherlands compared to the same quarter last year. In Eindhoven, the square meter price decreased by 3% to EUR 17.65, which is the only city within the G5 below the national average of EUR 19.28. In Amsterdam, the average square meter price decreased by 1.7%, resulting in new tenants paying EUR 26.96 per square meter per month. The largest percentage increases were in The Hague (+6.4%) and Rotterdam (+10%), where new tenants paid EUR 20.44 and EUR 20.93 per square meter per month, respectively. In Utrecht, the square meter price decreased by 0.2% to EUR 20.32. The primary reason for the decrease in the average square meter price is probably the shift towards renting larger properties. The data indicates that the average size of rented properties increased from 77 square meters in 2023- Q3 to 85 square meters in 2024-Q3. Larger properties generally have a lower rent per square meter compared to smaller units, which can bring down the overall average.

In the third quarter of 2024, a total of 12,368 homes became available for new renters in the Netherlands, which is a decrease of 37.6% compared to the same period a year earlier, and a significant drop from previous years.

In the third quarter of 2024, the percentage of homes offered for sale that have originated from the rental market increased to 9%, up from 7.4% in the second quarter. The rise in former rental properties being put up for sale has contributed to the reduction in the supply of rental properties in the unregulated sector over the years. Note that these numbers are based on the rental properties that have been offered on Pararius previously, and the actual number could be higher when considering rental properties that have never been listed on Pararius.

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1 Kadaster - Investeerders 2e kwartaal 2024: investeerders kochten en verkochten meer

2 *Defined by Kadaster as private investors with 3 or more properties where they do not live, or corporate investors that own real estate but excluding housing corporation and government*

3 Pararius - Huurmarkt volledig uit balans

Rate and spread developments

During 2024-Q3, buy-to-let mortgage interest rates declined, on average by 18 bps. In October, mortgage interest rates for buy-to-let remained relatively unchanged. However, buy-to- let mortgage spreads widened substantially during the quarter, averaging an increase of 44 bps. In general, buy-to-let mortgage rates are relatively sticky compared to the owner-occupied market due to factors such as fewer market participants and a smaller market in general. In October, buy-to-let mortgage spreads decreased (except for the 1Y segments) due to increased Euro swap rates and unchanged mortgage rates. Please refer to Table 6 below for a more detailed overview of the buy-to-let mortgage rate and spread developments.

2024-Q3 saw decreasing buy-to-let rates and widening spreads.

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											
		BTL rates					Spreads				
Fixed rate period	LTV	2024-06-30	2024-09-30	2024-10-24	QoQ	QtD	2024-06-30	2024-09-30	2024-10-24	QoQ	QtD
1-year	50%	5.75%	5.46%	5.44%	-0.29%	-0.02%	2.39%	2.97%	3.04%	0.58%	0.07%
	60%	5.83%	5.56%	5.55%	-0.27%	-0.01%	2.47%	3.07%	3.15%	0.60%	0.08%
	70%	5.87%	5.59%	5.59%	-0.28%	0.00%	2.50%	3.10%	3.19%	0.60%	0.09%
	80%	5.93%	5.75%	5.70%	-0.18%	-0.05%	2.57%	3.26%	3.30%	0.69%	0.04%
	90%	5.80%	5.70%	5.70%	-0.10%	0.00%	2.44%	3.21%	3.30%	0.77%	0.09%
5-year	50%	5.17%	4.94%	4.92%	-0.23%	-0.02%	2.32%	2.77%	2.68%	0.45%	-0.09%
	60%	5.28%	5.05%	5.00%	-0.23%	-0.05%	2.43%	2.88%	2.76%	0.45%	-0.12%
	70%	5.31%	5.09%	5.04%	-0.22%	-0.05%	2.47%	2.91%	2.80%	0.44%	-0.11%
	80%	5.27%	5.06%	4.98%	-0.21%	-0.08%	2.42%	2.88%	2.74%	0.46%	-0.14%
	90%	5.50%	5.40%	5.40%	-0.10%	0.00%	2.65%	3.22%	3.16%	0.57%	-0.06%
10-year	50%	5.23%	4.99%	4.98%	-0.24%	-0.01%	2.44%	2.71%	2.62%	0.27%	-0.09%
	60%	5.37%	5.13%	5.12%	-0.24%	-0.01%	2.58%	2.85%	2.76%	0.27%	-0.09%
	70%	5.40%	5.16%	5.15%	-0.24%	-0.01%	2.61%	2.88%	2.79%	0.27%	-0.09%
	80%	5.36%	5.15%	5.12%	-0.21%	-0.03%	2.57%	2.87%	2.76%	0.30%	-0.11%
	90%	5.60%	5.50%	5.50%	-0.10%	0.00%	2.81%	3.22%	3.15%	0.41%	-0.07%
20-year	50%	5.56%	5.41%	5.40%	-0.15%	-0.01%	2.72%	2.99%	2.91%	0.27%	-0.08%
	60%	5.68%	5.53%	5.53%	-0.15%	0.00%	2.84%	3.12%	3.05%	0.28%	-0.07%
	70%	5.73%	5.58%	5.58%	-0.15%	0.00%	2.89%	3.17%	3.10%	0.28%	-0.07%
	80%	5.63%	5.58%	5.58%	-0.05%	0.00%	2.79%	3.17%	3.10%	0.38%	-0.07%
	90%	5.85%	5.85%	5.85%	0.00%	0.00%	3.01%	3.45%	3.37%	0.44%	-0.08%

Table 6: Interest rate and spread development for buy-to-let rates in the Netherlands. Source: Dynamic Credit, Hypotheekbond. Reference date is 2024-10-24. Note that the overview shows rates for consumer buy-to-let products, it excludes products that are targeted to professionals.

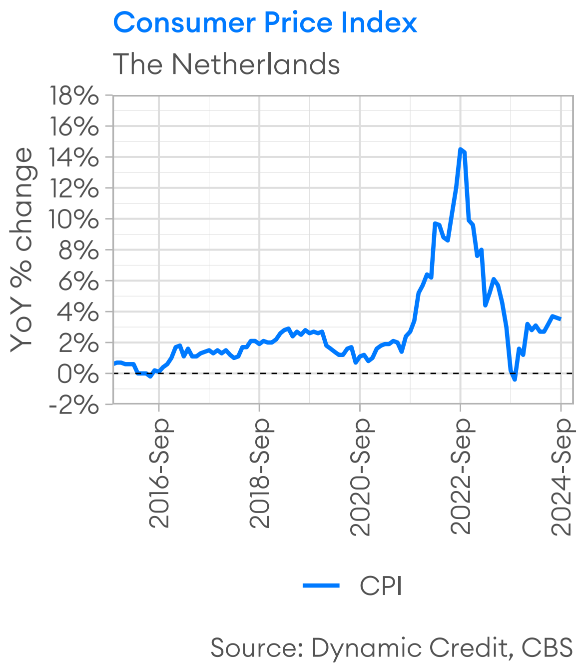
6. Macro update

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

Inflation and Harmonized Index of Consumer Prices[1]

In September 2024, the prices of consumer goods and services in the Netherlands, as measured by the Consumer Price Index ("CPI"), were up 3.5% YoY, a slight decrease from 3.6% in August 2024. This continues the moderate inflation observed since June and represents a notable uptick compared to the first half of the year. Motor fuel prices were 11.3% lower than a year earlier, which negatively impacted the inflation rate. Clothing prices rose by 2.1% YoY in September, a notable shift considering that clothing prices were 3.5% lower in August 2023. This highlights a transition from a deflationary trend to an inflationary one within this category. The most important drivers to inflation remain housing, water and energy; miscellaneous goods and services; and alcohol and tobacco.

The Harmonized Index of Consumer Prices ("HICP") for the Netherlands was 3.3% in September, the same level as in August. Meanwhile, Eurozone inflation decreased from 2.2% in August to 1.8% in September 2024. For a CPI and HICP developments over time please consider Figure 16 below.



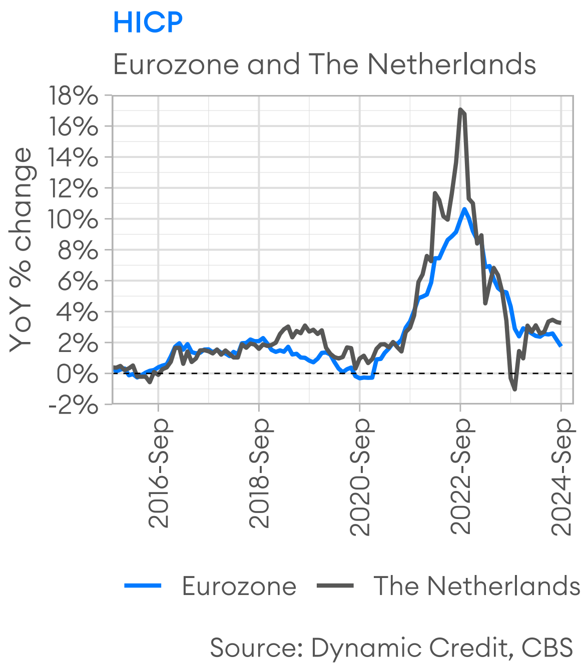


Figure 16: The consumer price Index in the Netherlands (left) and the Harmonized Index of Consumer Prices ("HICP") (right) both as of September 2024.

Monetary policy[2]

In its monetary policy meeting on 18 July 20243, the Governing Council decided to keep the three key ECB interest rates unchanged due to a mixed inflation outlook, characterized by stable or decreasing measures of underlying inflation and the buffering effect of profits on high wage growth. The deposit facility rate remained at 3.75%, the main refinancing operations rate at 4.25%, and the marginal lending facility rate at 4.5%.

In its monetary policy meeting on 12 September 2024, the Governing Council decided to lower the deposit facility rate by 25 bps and set the spread between the deposit facility rate and main refinancing operations to 15 bps (the spread between main refinancing operations and the marginal lending facility remained intact at 25 bps). Easing labor cost pressures and subdued economic activity necessitated a moderation in monetary policy restriction. The deposit facility rate was decreased to 3.5%, the main refinancing operations rate to 3.65%, and the marginal lending facility rate to 3.9%.

1 CBS - Inflatie daalt naar 3,5 procent in september
2 ECB - Press releases monetary policy decisions

In its monetary policy meeting on 17 October 2024, the Governing Council lowered all three key interest rates by 25 bps, driven by strong signs of a progressing disinflationary process and downside surprises in economic activity indicators. Consequently, the deposit facility rate was decreased to 3.25%, the main refinancing operations rate to 3.4%, and the marginal lending facility rate to 3.65%.

The Eurosystem will continue reducing the pandemic emergency purchase programme ("PEPP") portfolio by EUR 7.5 billion per month on average and plans to discontinue reinvestments under the program by the end of 2024. Despite this wind-down, the Governing Council will maintain flexibility in reinvesting redemptions to counter any risks to the monetary policy transmission mechanism related to the pandemic.

Economic Growth

In September 2024, CBS released its report on the economic growth in the Netherlands[1]. According to the CBS final estimate, the Dutch economy grew by 1% QoQ in 2024-Q2. The growth is primarily attributed to increased goods exports and higher government spending. Compared to the same period a year earlier, a growth rate of 0.8% was observed. Please consider Figure 17 below for the historical YoY change in Dutch GDP.

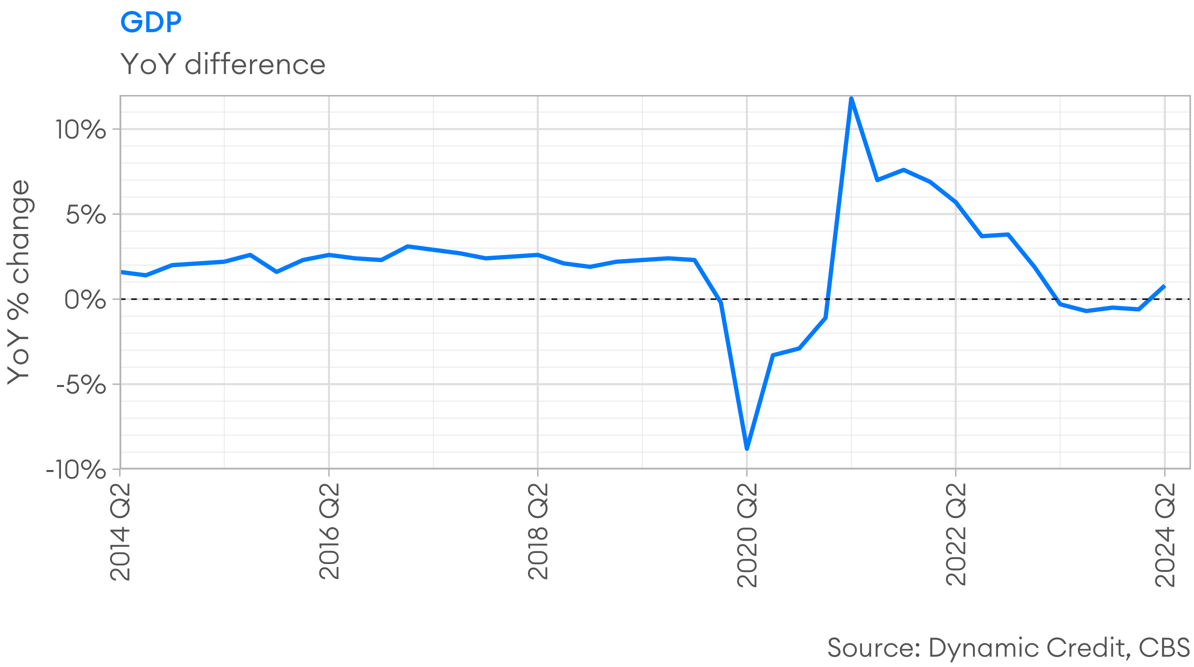


Figure 17: YoY GDP growth in The Netherlands as of 2024-Q2.

1 [CBS - Economie groeit in tweede kwartaal 2024 met 1 procent]

Unemployment

The latest report by CBS[1] shows that the Dutch unemployment rate was 3.7% in both August and September 2024, with 377,000 and 374,000 people aged 15 to 74 years unemployed, respectively

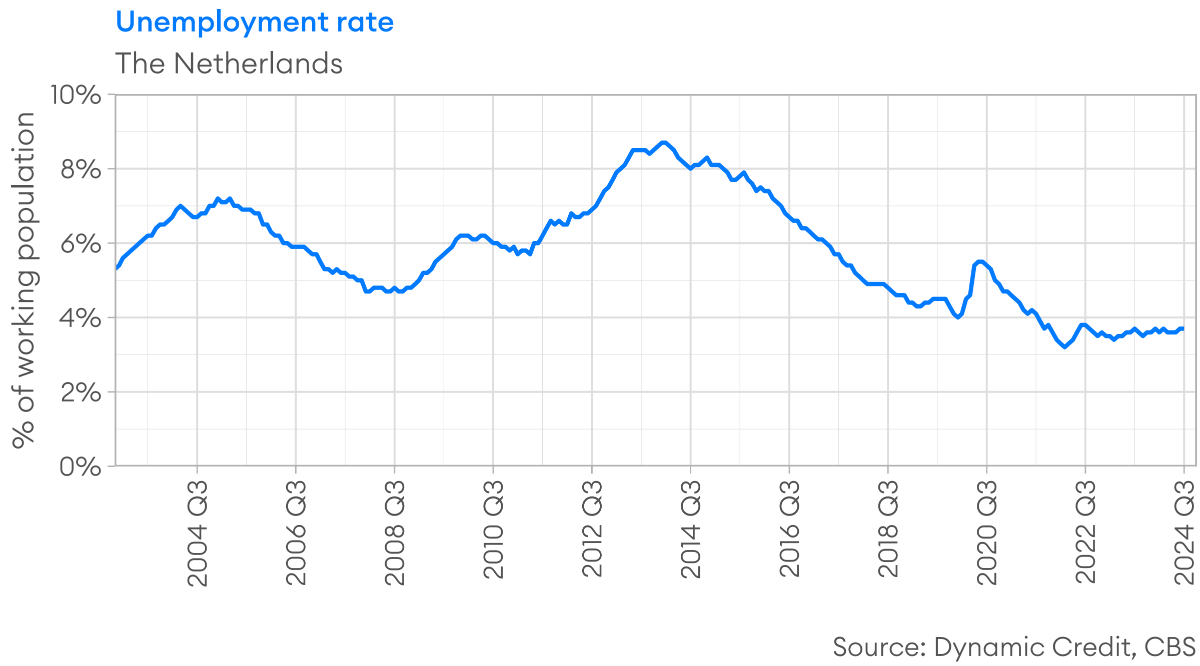


Figure 18: Unemployment rate in The Netherlands as of September 2024

Bankruptcies

The number of bankruptcies rose to 362, indicating an 11% increase over September, reports CBS[2]. An overall increase in bankruptcies of 40% has been observed in the first three quarters of 2024 as compared the same period in 2023.

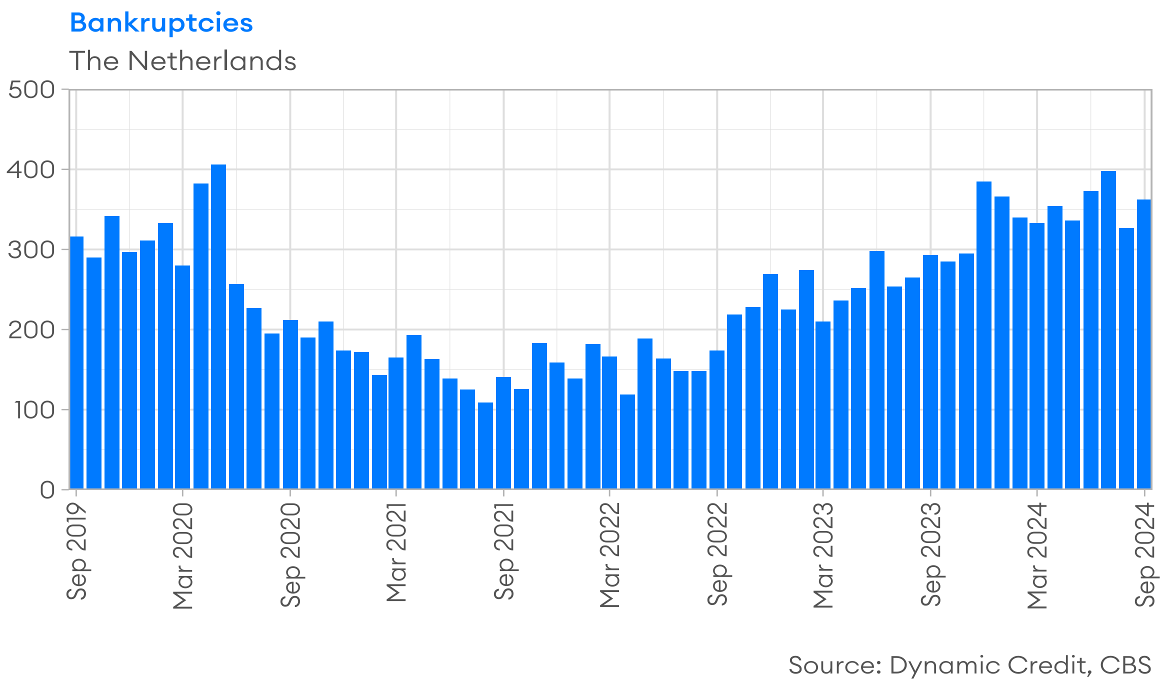


Figure 19: Monthly bankruptcies in The Netherlands as of September 2024.

1 [CBS - Lichte toename aantal werklozen]
2 [CBS - Meer faillissementen in september]

7. Sustainability Update

Sustainability news & developments

Decline in demand for sustainability measures

Installers of solar panels, heat pumps, and insulation services have experienced a sharp decline in consumer demand this year. This downturn comes at a critical time, as the urgency to accelerate efforts to meet the 2030 climate goals has only intensified. Recent estimates suggest that the feasibility of achieving these targets now stands at a mere 5%[1]. The Dutch Association for Sustainable Energy ("NVDE") has reported a significant drop in the demand for sustainability measures in the first three quarters of 2024 compared to the same period in 2023[2]. The decrease in demand varies across different measures, but remains substantial. For instance, the demand for heat pumps has plummeted by 44%, while floor insulation has seen a drop of 50%. The decline is even more pronounced for solar panels (53%) and cavity wall insulation (70%).

Several factors contribute to this decline. The planned phasing out of the net metering scheme in 2027 and uncertainties regarding feed-in tariffs have negatively impacted the solar panel sector. For heat pumps, the relaxation of norms and reductions in both gas taxes and subsidies have been detrimental. Insulation services face additional challenges due to bat presence, requiring thorough and costly inspections before any work can commence.

The NVDE fears that the declining demand will lead to a loss of specialized personnel to other sectors, further complicating future sustainability efforts. A recent NVDE survey among installers revealed that 1 in 10 fears bankruptcy in the upcoming year, while 4 in 10 expect to lay off staff. NVDE suggests that reductions in energy taxes, estimated to result in a EUR 1.8 billion drop in tax revenue by 2030, could be redirected to make homes eligible for the energy emergency fund more sustainable, potentially providing an additional EUR 15,000 per household. They emphasize the need for long-term, stable policy incentives to encourage the adoption of energy-saving measures.

Significant increase in energy label submissions

Observing the trend in mortgage applications, as reported by HDN[3], that included an energy label, there has been a significant increase starting from 2022-Q1[4]. This surge aligns with the implementation of mandatory energy labelling for the sale, rental, or delivery of properties. The percentage of applications including an energy label rose from less than 40% at the beginning of 2022 to over 90% by the end of 2024-Q3.

In the past quarter, out of all applications submitted via the HDN Platform, 92.2% included an energy label. Impressively, this figure reached a full 100% for buyers. However, within the non-buyers' market, the option to indicate 'no energy label available' is still being utilized. This data underscores the effectiveness of regulatory mandates in driving compliance and highlights the growing importance of energy efficiency in property transactions.

Decline in financing energy-saving measures among buyers

Notably, the past quarter has seen a decrease in the financing of energy-saving measures by buyers, both in absolute terms and as a percentage of total mortgage applications. This is in line with the declining demand for sustainability measures seen by installers. HDN reports that the percentage dropped from 16.1% in Q2 to 13.6% in Q3. This decline is particularly significant among NHG (National Mortgage Guarantee) applications. Although 17.6% of these applications included financing for energy-saving measures, which is still above average, it represents a notable decrease from the 20.6% recorded in 2024-Q2. Conversely, non-buyers have increased their use of financing for energy-saving measures compared to a year ago, especially among properties with lower energy labels. This trend indicates a shifting dynamic in the adoption of sustainable

1 NOS - Hoogstonwaarschijnlijk dat Nederland CO2-doel haalt
2 NOS - Vraag naar zonnepanelen, warmtepompen en isolatie daalt hard
3 HDN - Kwartaaloverzicht 2024 - Q3
4 VEH - Energielabel aanvragen voor woningen

Changes in subsidies 2025

On Prinsjesdag (Prince's Day) in September, the Dutch government traditionally presents its plans and budget for the coming year. While there were no groundbreaking announcements this year, there were some notable updates concerning energy consumption and sustainable housing[1].

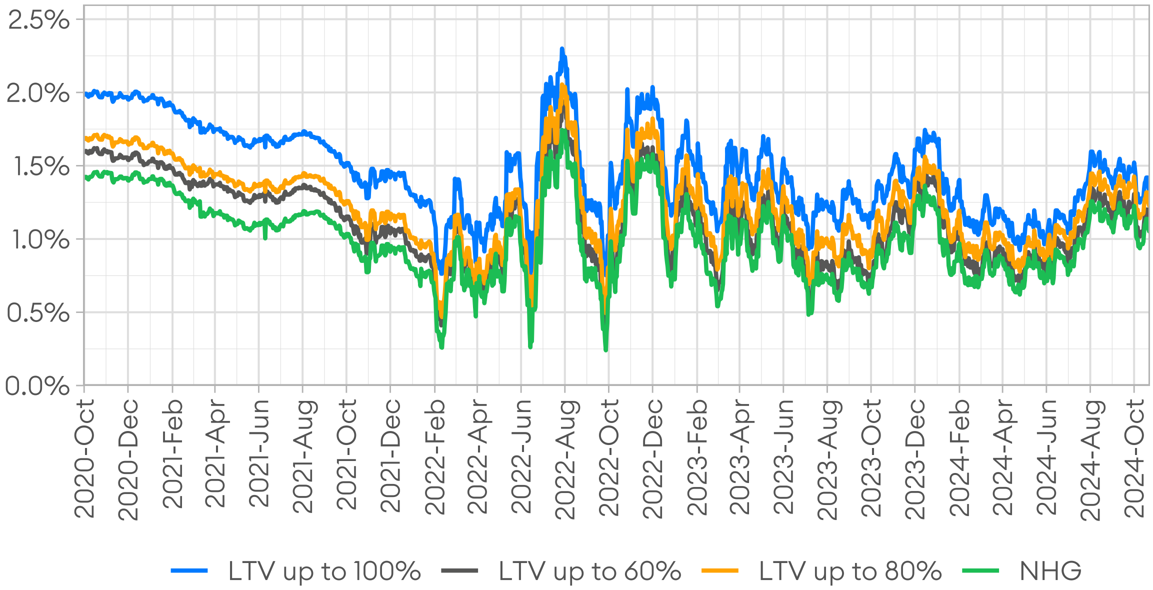
Energy costs are expected to decrease as the government plans to lower electricity taxes. Subsidies for home insulation will see an increase, accompanied by more accessible eligibility criteria. Conversely, subsidies for heat pumps will be reduced in 2025. Additionally, the net metering scheme, which allows solar panel owners to sell surplus energy back to the grid at favorable rates, will be gradually phased out by 2027, creating a financial setback for homeowners with solar installations.

1 VEH - Dit verandert er na Prinsjesdag

Appendix

Spread average top 6 per risk class

5-year fixed rate period

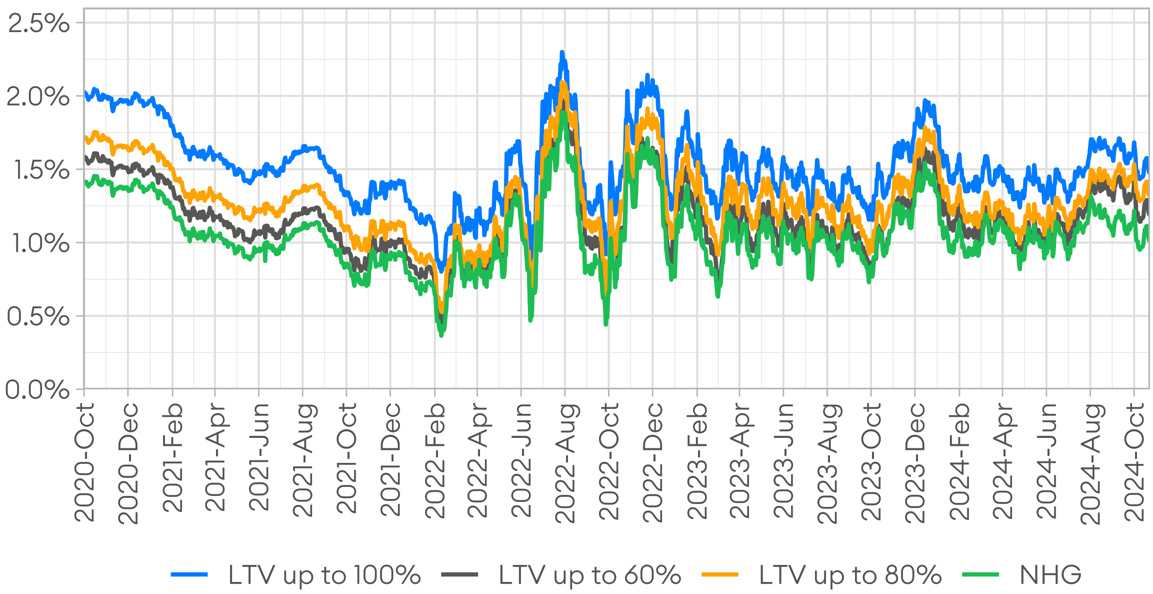


Source: Dynamic Credit, Hypotheekbond (2024-10-23)

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 October 2024.

Spread average top 6 per risk class

10-year fixed rate period



Source: Dynamic Credit, Hypotheekbond (2024-10-23)

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 October 2024.

Spread average top 6 per risk class

20-year fixed rate period

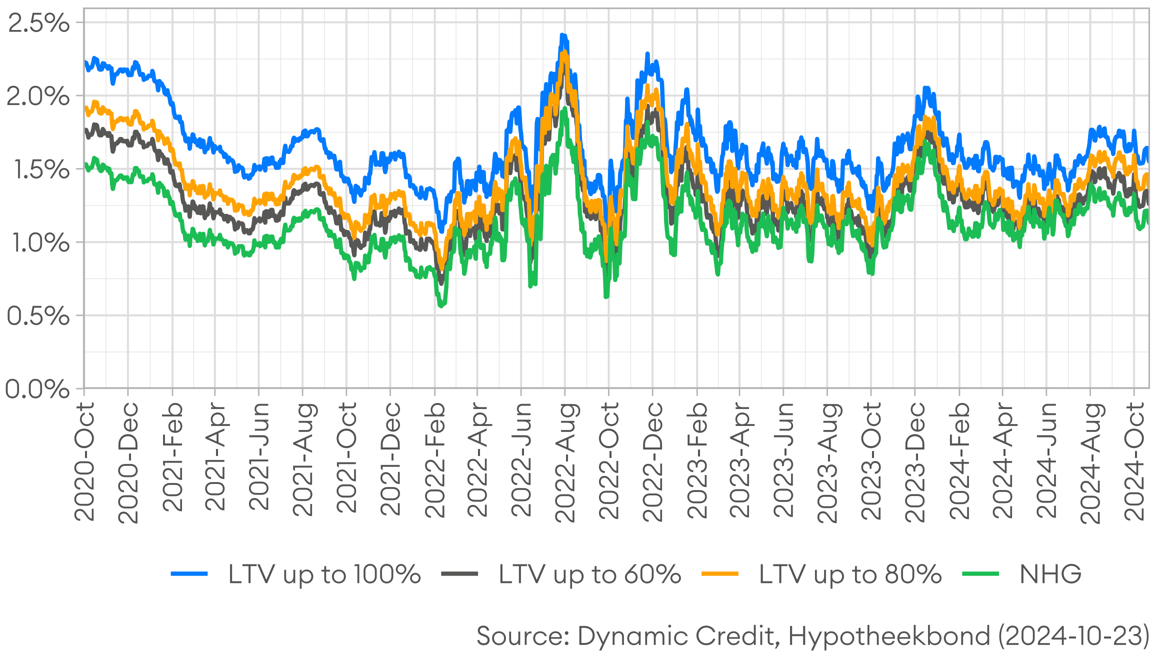


Figure A3: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 20-year fixed rate period for four risk classes. Up to and including October 2024.

Spread average top 6 per risk class

30-year fixed rate period

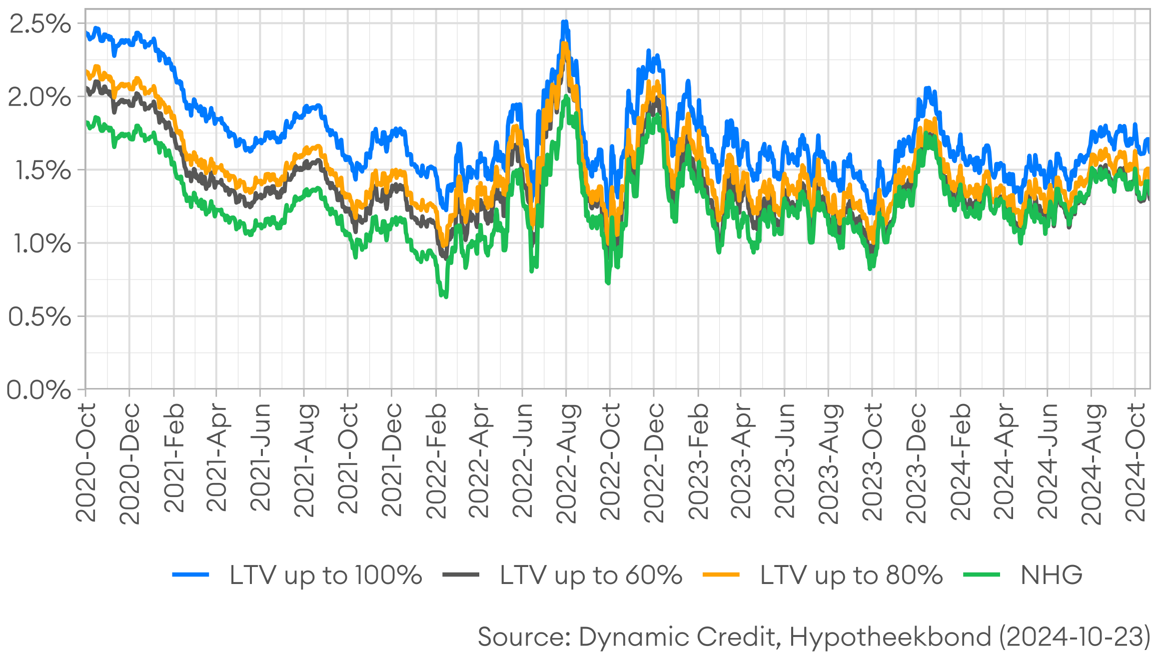


Figure A4: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 30-year fixed rate period for four risk classes. Up to and including October 2024.

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