

Vesteda Market Watch

Q1 2018



7.6

Housing Market Indicator

The Housing Market Indicator in the first quarter of 2018 hits a level of 7.6. This score clearly reflects the positive situation on the Dutch housing market. The index is mainly driven by economic developments and the situation on the housing market. Solid economic growth, low unemployment numbers and above-average price developments are the main drivers. The lack of supply versus the increasing Dutch population puts more and more pressure on the housing market.

Furthermore, we see positive developments from a consumer-perspective. Consumer confidence is high and customer satisfaction is developing in the right direction. However, affordability for consumers in the housing market is a subject of concern. Though historically and on a national level it seems there is not much going on yet, there is an increasing number of households running out of housing options in the larger cities. This applies particularly to households in the lower part of the middle-income class.

Another area of concern is the sustainability. Albeit the score is a reasonable 6,2, developments in the Netherlands on this matter remain limited. It is true that the share of 'green' energy that we use is increasing and the performance on energy labels and GRESB scores are also improving, the pace at which this is happening is still low. We wonder whether the measures taken by the government, large companies and the consumer will be sufficient to trigger the so needed acceleration.

Consumers

7.5

Economy

7.1

Housing

9.5

Sustainability

6.2



Housing Market Indicator
overall score, actual per Q1 2018



Consumers 7.5

Consumer confidence 8.6

Consumer confidence is on a high level for over a year now. It has fluctuated between +23 and +26 and stands at +25 in April 2018. The mood among Dutch consumers is very positive which means there is a considerable willingness to buy. Historically, the consumer confidence indicator is significantly above its long-term average over the past two decades (-3). The indicator reached an all-time high in January 2000 (+36) and an all-time low in March 2013 (-41).

Source: Statistics Netherlands

Affordability 6.8

Where some people refer to the current situation on the housing market as a housing bubble, others say it's still in balance given the low mortgage rents and high household income. Fact is that house prices are increasing at a higher pace than income growth and mortgage rents are slowly rising. This situation puts more pressure on affordability of housing. The score of 6,8 is 0,8 less than in the previous quarter which proves affordability is becoming an area of concern. It should be noted that this score relates to the affordability of a mortgage loan, however this development can also be seen in the rental market where the housing cost to income ratio increases.

Source: Calcasa

Satisfaction 7.1

Customer satisfaction is high on the agenda of many institutional investors. Tenants of free-market homes pay a decent amount of rent and therefore expect something in return. Given the score of 7.1, which reflects the performance of institutional investors from a tenant's point of view, decent quality is offered. However, there is more to be gained. Whereas the home itself and the surroundings are rated above average, there are several points to improve regarding the customer service.

Source: IVBN/CustomEyes



Economy 7.1

Economic growth 7.1

The economy is gathering steam. The economic growth, measured in GDP, has increased in the first half of 2017 to a solid 3.3%. This is the largest growth since the beginning of 2008 and the fourth consecutive year of growth. Although, the growth in recent months was slightly lower (2.8% in Q1 2018), it's still a robust increase of the GDP. The CPB (Netherlands Bureau for Economic Policy Analysis) predicts a continuation of the current economic growth levels in the upcoming years.

Source: Statistics Netherlands

Unemployment 9.3

Unemployment has been rapidly decreasing since early 2014 and reached a level of 3,9% in the first quarter of 2018. This means the labor force in The Netherlands exists of almost 9 million people and only 400,000 people are unemployed. In principle, this is a positive development, but the downside is that significant shortages of personnel occur in certain sectors such as the construction sector. This puts a brake on the housing construction and therefore it effects the housing market.

Source: Statistics Netherlands

Inflation 5.0

Inflation has increased in the last two years. In this period inflation touched a level between 1.5% and 2.5% which is generally regarded as a healthy level. However, there are strong fluctuations which indicates a rather fragile increase of price levels. In the first quarter of 2018 inflation even fell from 1.5% to 1%. Current inflation is primarily driven by an increase in energy prices, although price developments on the housing market are also a strong driver. As consumer spending's are growing, it's just a matter of time until inflation will rise again.

Source: Statistics Netherlands



Housing 9.5

Market liquidity 10.0

It's no secret the housing market is tightening as demand increases and there is lack of (suitable) supply. Following this trend, the market liquidity reached a historically low of 0,4 which exceeds the record of 0,45 in 2007. The supply has decreased in recent years to an actual number approximately 125,000 homes for sale. At the same time, there have never been sold these much individual houses as in the first quarter of 2018. This is good news for people selling a house, however, homeseekers don't have many options left to choose from.

Source: Calcasa

Rental prices 8.5

The prices of free-market rental homes are not as volatile as the price-development of owner-occupied homes. However, there is a connection between them. When prices of homes for sale are increasing, rental homes will become relatively cheap. This opens the door to higher prices of free-market rental homes, although it will always be within tight contractual limits. The Calcasa free market rental index reached a level of €1240 per month in the first quarter of 2018 which is an increase of 15.2% on a 3-years base. It must be noted that these numbers include furnished homes, meaning rental price-developments of unfurnished homes from institutional investors are more moderate.

Source: Calcasa

Transaction prices 10.0

House prices are rising at an accelerating pace in the Netherlands, mainly due to strong demand, combined with lack of adequate housing supply in the market. Low interest rates on mortgages is also a strong driver. House prices rose 9% on an annual basis from 265,000 to 289,000 in spring 2018. This price is an all-time high and beats the former record of 262,000 in 2008.

Source: Calcasa



Sustainability 6.2

Energy label 6.0

Buildings are responsible for approximately 40% of energy consumption and 36% of CO₂ emissions. Therefore, more renovation of existing buildings has the potential to lead to significant energy savings and lowering CO₂ emissions. The energy performance of Dutch residential buildings is measured according to the Energy Performance of Buildings standards. This standard comes down to a ranking from label A to G, where A is the most energy efficient. Currently, about 43% of the Dutch homes are registered with an energy label. At the end of 2017 29% of all Dutch homes with an energy label are registered with an A or B label and 31% is listed with a C label. Together, the A, B and C labels represent more than half of all registered labels. At the same time, this means that energy performance is still lagging behind in 40% of Dutch homes.

Source: Energy Performance of Buildings Directive / Netherlands Enterprise Agency

Green energy 5.7

In 2017, total energy consumption in the Netherlands was more or less equal to the consumption in 2016. Compared to 1990, energy consumption increased by nearly 10%. On the other hand, consumption per capita dropped by almost 5%. An important contributing factor is the increasingly efficient use of energy sources over the years. The building environment plays an important role in this improvement, because central heating boilers have become increasingly economical and new buildings have better insulation. In 2017, fossil fuels accounted for 92% of total energy consumption, which is approximately the same as in the previous year. The remaining 8 percent was generated from renewable (green) energy sources, nuclear energy, waste and imported electric current. Unless, we are moving in the right direction, there is still a long road ahead to reach the levels which are agreed upon with other European countries.

Source: Statistics Netherlands

GRESB 7.0

Since 2010, the Global Real Estate Sustainability Benchmark (GRESB) has provided a tool to compare the sustainability of property investment funds. The benchmark rates environmental management practices and their implementation. Dutch non-listed residential companies scored a total of 70 points on average in 2017. This upturn of 3 points compared to 2016 follows the steady year-on-year improvement as shown in recent years.

Source: GRESB

Publication

Publisher

Vesteda Investment Management B.V., Amsterdam

Design

Cascade – visuele communicatie, Amsterdam

Photography

Corné Bastiaansen, Hilversum

Realisation

F19 Digital Reporting, Eindhoven

Copyright

The photographs, figures and all the other content in this site are subject to copyright and intellectual property of Vesteda. It is not allowed to copy any pictures, figures or other content. Please contact Vesteda if you have any questions regarding the use of the information and/or figures and pictures as displayed in the Vesteda Market Watch.

Housing Market Indicator: Technical explanation

The Housing Market Indicator (HMI) is an objective indicator of the current market situation, developed by Vesteda. The HMI provides a quick overview of the Dutch housing market from a residential investors perspective. The HMI is updated twice a year.

The HMI is made of 12 key determinants. These 'drivers' are divided into 4 different quadrants with 3 drivers per quadrant. The 12 drivers are scores on a scale from 1 to 10, based on the best available data. The data on most drivers has been placed in historical perspective, whereas the historical lower and upper limits were determined as the maximum range. Only on the drivers GRESB and customer satisfaction the actual scores are used. The average of the scores on the 12 drivers was then used to calculate a final score. The indicator only contains historical data, predictions are not included in the HMI.

As the manager of the largest residential fund in the Netherlands, Vesteda believes it is important to increase the knowledge on the Dutch residential investment market and to promote transparency. With the Housing Market Indicator, Vesteda therefore offers more insight into current market developments on the Dutch housing market.

Disclaimer

Information contained in this Market Watch has been prepared for informational purposes only and is not intended to convey or constitute legal, tax and/or investment advice and is not a substitute for obtaining appropriate advice from a qualified advisor. You should not act or refrain from acting upon any such information without first seeking appropriate professional advice on the particular facts and circumstances at issue. The information presented in this Market Watch is provided "as is" without representation or warranty of any kind. We do not represent or warrant that such information is or will be always up-to-date, complete, or accurate. Any representation or warranty that might be otherwise implied is expressly disclaimed. We are not liable to you or others, in any way or for any damages of any kind, arising from this Market Watch, or your access to or use of or reliance on the information contained herein.

www.vestedamarketwatch.com

