

# Vesteda Market Watch

Q3 2020



6.2

# Housing Market Indicator

The Housing Market Indicator of Q3 2020 dropped significantly to 6.2, from 7.0 in Q2. The effects of the Covid-19 pandemic became clearly visible this quarter.

The COVID-19 pandemic is a shock of unprecedented intensity and severity. The challenges facing all parts of the economy in dealing with the economic, humanitarian and social consequences of this crisis are historic. Although there is a huge amount of uncertainty on the exact (economic) impact, the economic effects in the first half of 2020 were very serious. And the effects will presumably reach far beyond the current year. There will be a delayed impact in the form of unemployment and bankruptcies. In what way, the changes to our economy induced by the pandemic are not only temporary, but structural, is hard to say. This will crucially depend on the effect of the economic policies implemented in response to the coronavirus pandemic and the duration of the pandemic.

The current impact on the Dutch economy mainly caused the decrease of the HMI. GDP declined massively, inflation is low, unemployment is rising and consumer confidence remains well below zero.

The impact on the Dutch housing market is much less dramatic than the impact on the economy, so far. House prices are still increasing and the transaction rate is still high. The rental market is also still in good shape, despite a slight increase in vacancy in the high-end segment. Strong demand, limited supply and low interest rates seems to lay a firm foundation.

## Consumers

5.2

## Economy

4.2

## Sustainability

6.8

## Housing

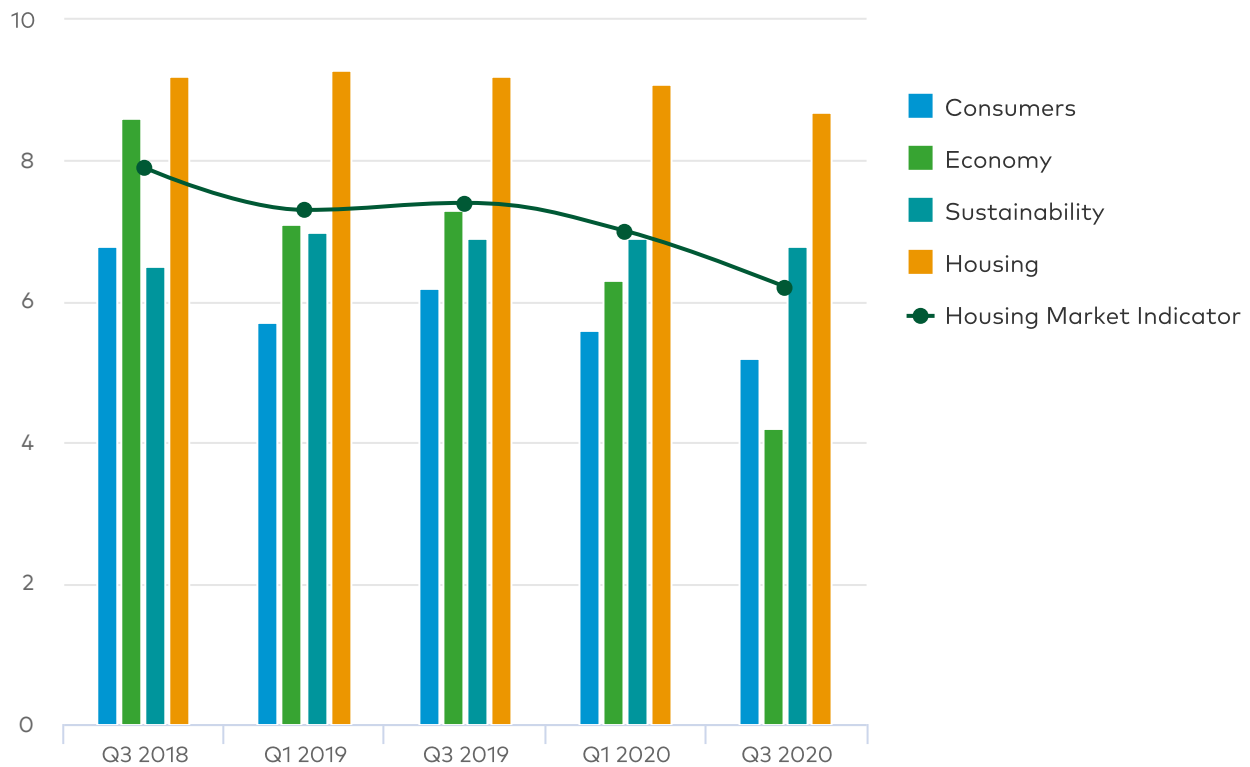
8.7



**Housing Market Indicator**  
overall score, actual per Q3 2020

Please visit [www.vestedamarketwatch.com](http://www.vestedamarketwatch.com)  
for more information on the Housing Market Indicator

## Q3 2018 - Q3 2020



## Explanation

The Housing Market Indicator of Q3 2020 dropped significantly to 6.2, from 7.0 in Q2. The effects of the Covid-19 pandemic became clearly visible this quarter.

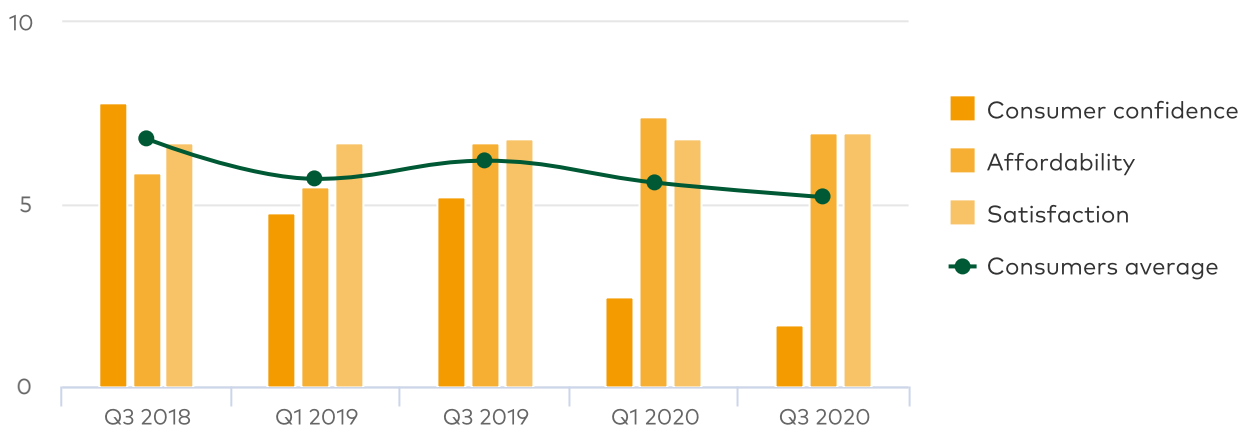
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# Consumers 5.2

## Q3 2018 - Q3 2020



### Consumer confidence 1.7

- Consumer confidence has plummeted in April on account of the COVID-19 crisis and remained low since then. The consumer confidence indicator stands at -28, down from -2 in March.
- The troubled economic situation is the main cause of people being more negative than positive. Historically the current consumer confidence is among the lowest ever.

Source: Statistics Netherlands

### Affordability 7.0

- The affordability of housing in The Netherlands stayed fairly stable in the last quarters and only slightly decreased to a score of 7.0.
- Although prices have risen, the mortgage interest rate remains low and confidence in the housing market is still here.

Source: Calcasa

### Satisfaction 7.0

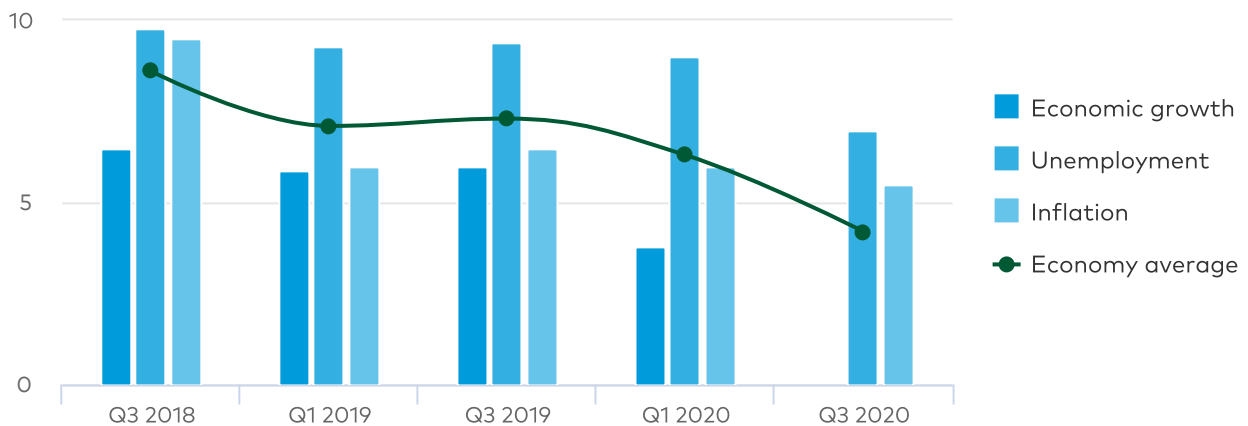
- The annual benchmark rose by 20 basis points to a score of 7.0 in 2020. It's the second time in four years that the overall score of the benchmark has improved. Evidently, tenants valued the efforts of their landlord in these difficult and uncertain times.
- The score of 7.0 is the actual score the tenants gave Dutch institutional investors for their services. Tenants of free-market homes pay a fair amount of rent and therefore expect something in return. This score means institutional investors are offering good homes and service.

Source: IVBN/CustomEyes



# Economy 4.2

## Q3 2018 - Q3 2020



### Economic growth 0.0

- Year-on-year, GDP declined by 9.4 percent in Q2 (Q3 is not available yet). This is the largest decline in 25 years.
- The year-on-year contraction was mainly due to lower household consumption, but investments in fixed assets and the trade balance declined as well.
- In September CPB Netherlands Bureau for Economic Policy Analysis estimated a basis scenario of 5% GDP declining in 2020, followed up by 3% increase in 2021. CPB also estimates a second scenario based on a second wave of the COVID-19 virus, with GDP declining by 6.1% in 2020 and -2.8% in 2021.

Source: Statistics Netherlands

### Unemployment 7.0

- In September 2020, there were 413 thousand unemployed, equivalent to 4.4 percent of the labour force. In March the unemployment rate was 2.9 percent which means the unemployment rate rose sharply in the first months of the COVID-19 crisis.
- However, unemployment declined compared to August and the increase seen in recent months has levelled off. This is possibly caused by the economic rescue package of the Dutch government.

Source: Statistics Netherlands



## Inflation 5.5

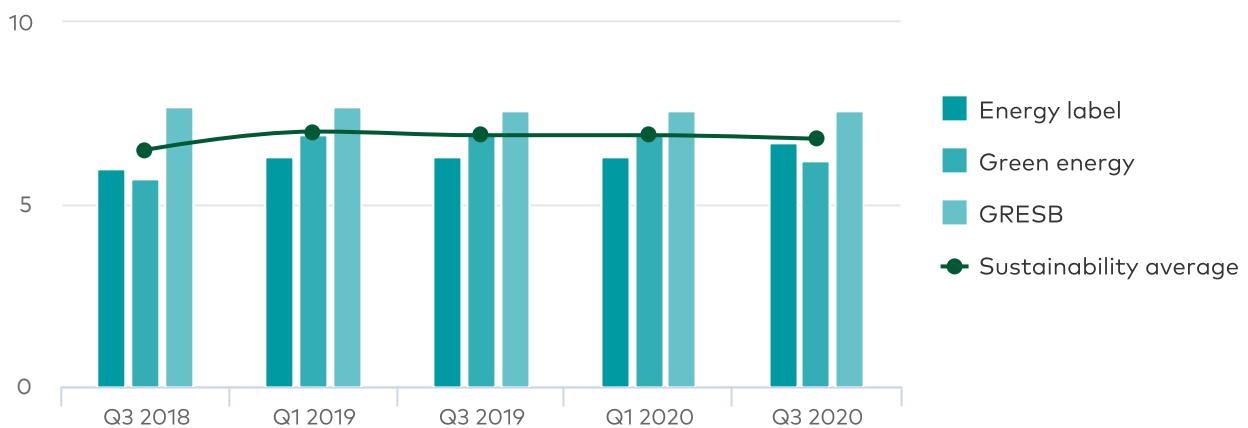
- Statistics Netherlands (CBS) reports that the consumer price index (CPI) was 1.1 percent higher in September than in the same month last year. In August, prices of consumer goods and services were up by 0.7 percent year-on-year. The inflation in Q3 is at its lowest level for 2 years.
- The inflation rate in the eurozone declined from -0.2 percent in August to -0.3 percent in September. Inflation has been higher in the Netherlands than in the eurozone every month since December 2018.

Source: Statistics Netherlands



# Sustainability 6.8

## Q3 2018 - Q3 2020



### Energy label 6.7

- At the end of 2019, 39% of all Dutch homes with an energy label had been registered with an A or B label and 28% had been assigned a C label. Combined, A, B and C labels accounted for 67% of all homes registered with labels.
- The total of 67% of A, B and C labels in 2019 was an improvement on the 63% registered in 2018. At the same time, this does mean that energy performance is still lagging in more than 30% of Dutch homes with a registered label.

Source: Energy Performance of Buildings Directive / Netherlands Enterprise Agency

### Green energy 6.2

- Greenhouse gas emissions are falling sharply. Not only due to the corona measures, but also due to an increase of solar and wind energy. With the current Corona measures, it will be 4.5 Megatons less CO2 in 2020. This is mainly due to less traffic on the road, lower electricity demand and companies that produce less.
- However, these (partly temporary) positive developments are not enough to meet the European climate goals.

Source: Statistics Netherlands



### **GRESB 7.6**

- Dutch non-listed residential companies scored a total of 76 points on average in 2019 (the scores of 2020 are not yet available). Since institutional investors are devoting considerable attention to sustainability issues, we expect an increase of this score in 2020.
- The Global Real Estate Sustainability Benchmark (GRESB) is a tool used to compare the sustainability of real estate investment funds. The benchmark rates environmental management practices and their implementation.

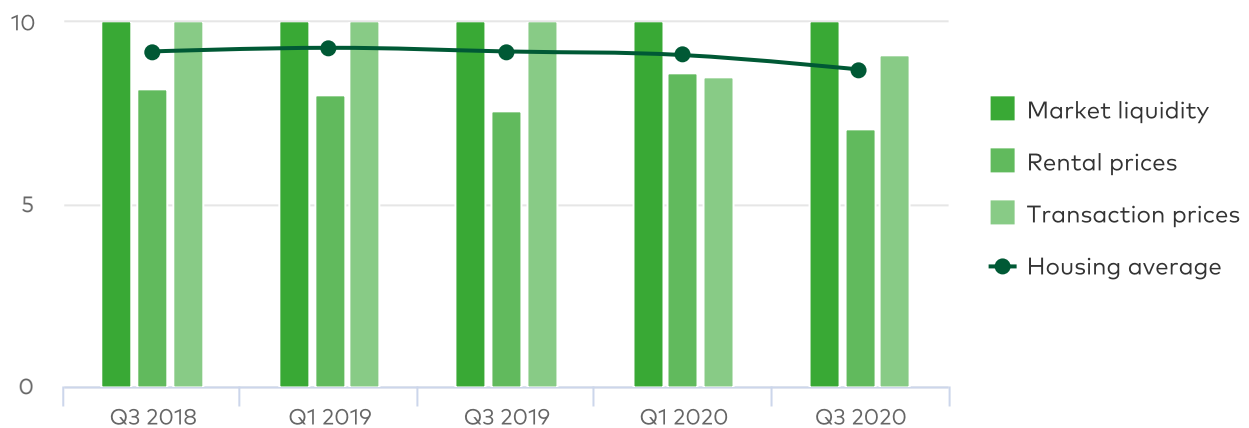
Source: GRESB





# Housing 8.7

## Q3 2018 - Q3 2020



### Market liquidity 10.0

- In the third quarter of 2020 the market liquidity is 0.25, which means it is still at a historical low.
- The reports on the current market situation offer different perspectives. However, the low market liquidity shows the ongoing pressure on the Dutch housing market. It is hard to predict how it will evolve in the upcoming year but there are no signs of a declining housing market yet.

Source: Calcasa

### Rental prices 7.1

- The rental prices in the Netherlands are still increasing, strong demand and limited supply seems to lay a firm price foundation. However, looking at the 3-year development of rental prices the increase seems to flatten off a bit. Particularly in the high-end segment, we see prices levelling off and vacancy rates increasing slightly.

Source: Calcasa

### Transaction prices 9.1

- Remarkably, house prices continued to rise in the last 3 months. Prices have even increased at a faster rate than in the previous year. It is clear that these figures do not (yet) reflect any possible effect caused by the COVID-19 crisis. Strong demand, limited supply and low interest rates seems to lay a firm price foundation.
- On average, a house in the Netherlands costs € 345,000 in Q3 2020.

Source: Statistics Netherlands

## Publication

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## 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.

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