

# Vesteda Market Watch

Q1 2021



7.2

# Housing Market Indicator

The Housing Market Indicator of Q1 2021 recovers to 7.2, from 6.7 in Q3 2020; the Dutch economic rescue package seems to work.

The increase of the HMI is mainly caused by the economic drivers: inflation picking up again to 1.8% and the unemployment rate being very low at 3.6%. For the time being, the current lockdown appears to have a lower impact on large parts of the Dutch economy than last year's lockdown.

Since the beginning of this year two out of three sustainability drivers are changed. Energy label has been replaced by CO2 emissions and green energy became renewable electricity. The drivers are strongly linked with each other but are updated more often.

CO2 emissions dropped massively in the last year. A large part of the decline can be attributed to lower coal consumption in the electricity sector and less transport movement and less traffic caused by the Covid-19 crisis. The production of renewable energy increased enormously. The increase in wind energy is related to the expansion of two large wind farms. Wind energy accounted for the largest share of renewable electricity generation.

Meanwhile, the housing market remains in full swing. Price levels on the owner-occupier and rental market are still rising, mainly as a result of the enormous scarcity. Only the high rental segment is showing an easing trend on the demand side.

## Consumers

5.1

## Economy

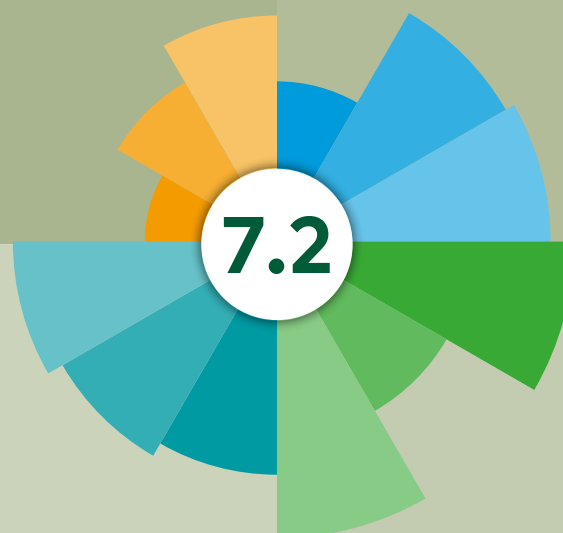
7.3

## Sustainability

7.9

## Housing

8.6



**Housing Market Indicator**  
overall score, actual per Q1 2021

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

## Q1 2019 - Q1 2021



## Explanation

The Housing Market Indicator of Q1 2021 recovered to 7.2, coming from 6.7 in Q3 2020. This score is approximately at the same level as before the Covid-19 pandemic. It seems like we are back on the right track again.

However, looking at the different drivers and the data behind these drivers there are still some challenges to recover fully from the effects of the pandemic. There are some important factors of which it is uncertain how they will develop in the near future.

The increase of the HMI is mainly caused by the economic drivers: inflation picking up and the unemployment rate being very low. These numbers might be troubled because of the influence of the Dutch economic rescue package. Consumer confidence is still well below zero and affordability is getting a bigger issue caused by lower levels of income growth and continuing house price increases.

The sustainability drivers also show an increase caused by dropped CO2 emissions and enormously increased production of renewable energy due to the expansion of two large wind farms. This production will last after the pandemic, but it is uncertain whether the decrease in CO2 emissions will keep on when the economy will get back in full swing again.

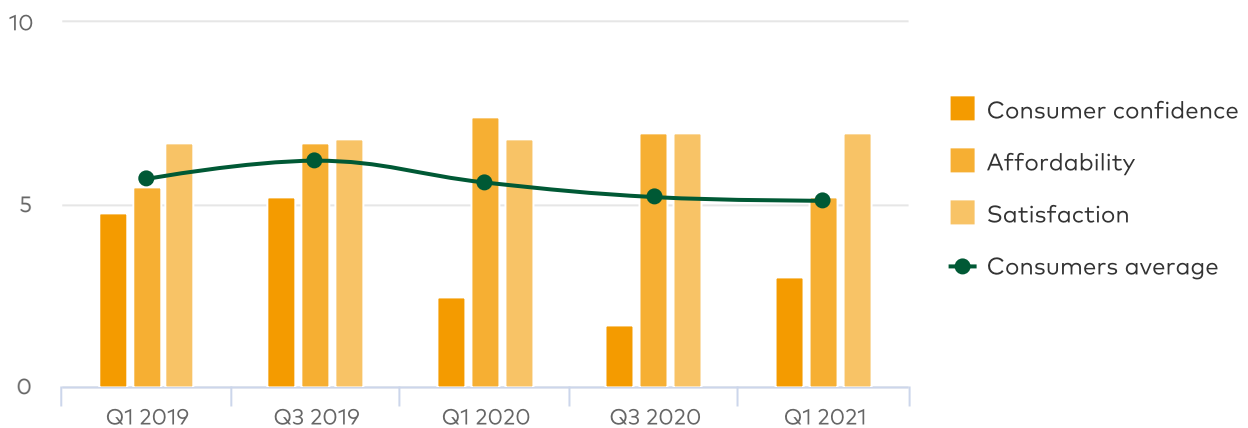
Meanwhile, there are no disturbing signs on the housing market. Price levels on the owner-occupier and rental market are still rising. Only the high rental segment is showing an easing trend on the demand side.





# Consumers 5.1

## Q1 2019 - Q1 2021



### Consumer confidence 3.0

- Consumer confidence hardly changed. In March, confidence among Dutch consumers remains -18, virtually the same as in the previous month. This is mainly related to their opinion on the economic situation in the previous 12 months.

Source: Statistics Netherlands

### Affordability 5.2

- The driver for the affordability of housing in The Netherlands decreased from 6.2 in the last quarter of 2020 to a score of 5.2 in the first quarter of 2021.
- Price levels on the owner-occupier and rental market are still rising and the enormous scarcity still continues. Affordability of housing remains high on the political agenda.

Source: Calcasa

### Satisfaction 7.0

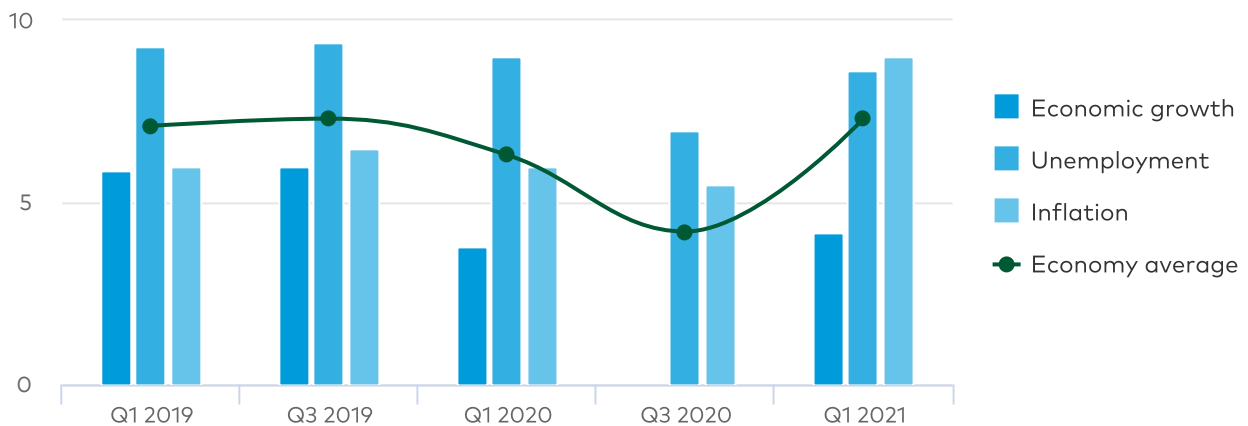
- The annual benchmark rose by 20 basis points to a score of 7.0 in 2020. It's the second time in four years that the overall score of the benchmark has improved. Evidently, tenants valued the efforts of their landlord in these difficult and uncertain times.
- The score of 7.0 is the actual score the 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 7.3

## Q1 2019 - Q1 2021



### Economic growth 4.2

- Gross domestic product (GDP) decreased by 0.1 percent in Q4 2020 relative to the previous quarter. This is mainly caused by declining household consumption. Increased investments cushioned the economic contraction. In Q3 2020 the GDP grew 7.8 percent relative to Q2 2020. However, the growth in the third quarter did not compensate the decline in the first two quarters. Year-on-Year, the GDP growth rate in Q4 2020 was -2.8 percent.
- For the time being, the current lockdown appears to have a lower impact on large parts of the Dutch economy than last year’s lockdown and the Dutch economic rescue package seems to work.

Source: Statistics Netherlands

### Unemployment 8.6

- In February 2021, there were 340 thousand unemployed. Just as in January, this is equivalent to 3.6 percent of the labour force. From December 2020 through February 2021, unemployment fell by an average of 13 thousand per month. Between March and August 2020, the unemployment rate rose from 2.9 to 4.6 percent. This is mainly caused by the economic rescue package of the Dutch government.

Source: Statistics Netherlands



## Inflation 9.0

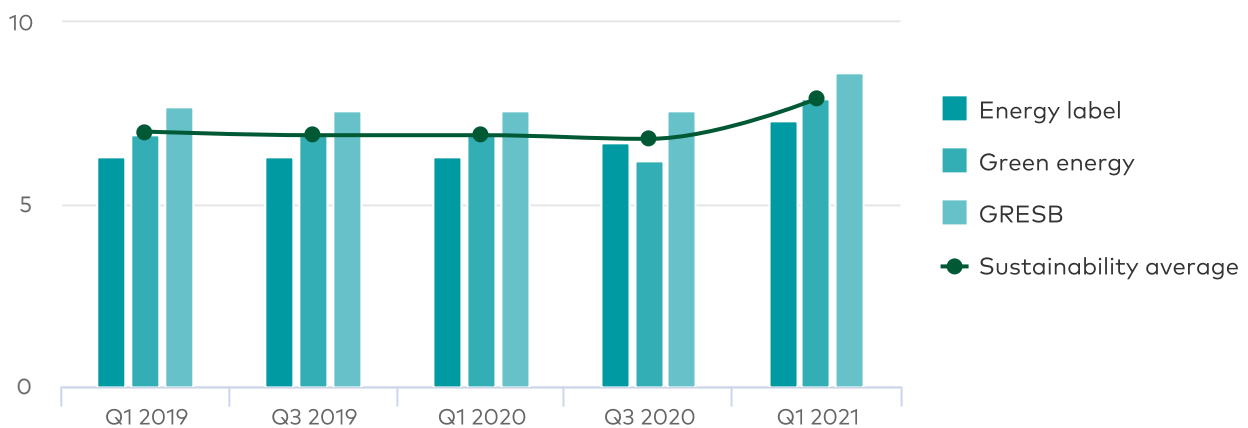
- The consumer price index (CPI) was 1.9 percent higher in March than in the same month last year. The inflation rate stood at 1.8 percent in February. The increase in inflation is mainly due to the price development of motor fuels, energy and clothing. The coronavirus crisis has significantly changed consumers' spending patterns. The change in consumption pattern will affect inflation in 2021.

Source: Statistics Netherlands



# Sustainability 7.9

## Q1 2019 - Q1 2021



## Renewable electricity 7.3

- In 2020, electricity production from renewable sources increased massively. More than one-quarter of Dutch electricity consumption last year came from renewable sources. This was only 18 percent one year previously, as shown by provisional figures released by Statistics Netherlands.
- Wind turbines accounted for the largest share of renewable electricity generation, namely 45 percent ; biomass accounted for 29 percent and solar power for 26 percent. The increase in wind energy is related to the expansion of two large wind farms off the coast of Zeeland province near Borssele.

Source: Statistics Netherlands

## CO2 emissions 7.9

- CO2 emissions are falling sharply. CO2 emissions were even down by 10 percent year-on-year. A large part of the decline can be attributed to lower coal consumption in the electricity sector and less transport movement and less traffic caused by the Covid-19 crisis.

Source: Statistics Netherlands

**GRESB 8.6**

- 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.

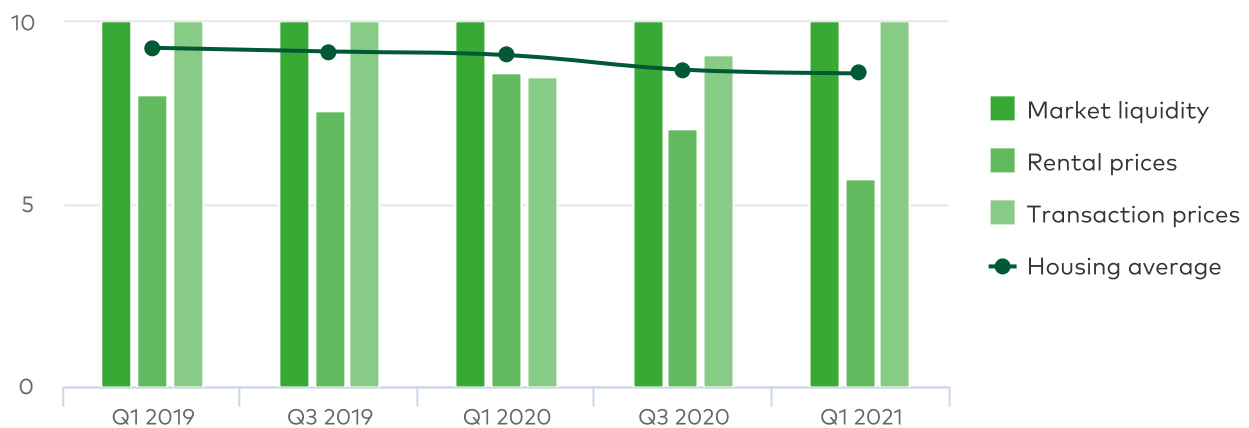
Source: GRESB





# Housing 8.6

## Q1 2019 - Q1 2021



### Market liquidity 10.0

- In the first quarter of 2021 the market liquidity scored a 10.0, which means it is still historical low.
- The low market liquidity shows the ongoing pressure on the Dutch housing market. There is not much to choose from for homeseekers in the Netherlands. There are no signs of a declining housing market yet.

Source: Calcasa

### Rental prices 5.7

- Price levels on the rental market are still rising, mainly as a result of the enormous scarcity. However the increase is not as sharp compared to the market of owner occupied homes. This is mainly caused by the high rental segment in which an easing trend on the demand side occurs. Due to Covid-19 crisis there are fewer expats and households in the high rental segment take less risks.

Source: Calcasa

### Transaction prices 10.0

- Price levels on the owner-occupier market are still rising, mainly as a result of the enormous scarcity and low interest rates. On average, a house in the Netherlands costs € 345,000.
- In February 2021, owner-occupied dwellings (excluding new constructions) were on average 10.4 percent more expensive than in the same month last year, representing the largest increase in nearly two decades.

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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