Vesteda Market Watch

Q1 2023

5.5

Housing Market Indicator

The Housing Market Indicator increased slightly from a 5.4 in Q4 2022 to a 5.5* in Q1 2023. The overall market sentiment remains negative.

In this quarter, the consumers quadrant showed an increase in confidence (+1.4) due to consumers being less pessimistic about the economy.

Furthermore, the economy and sustainability quadrants showed a slight increase in score due to economic growth and reduction in household carbon emissions.

On the downside, the score on the housing quadrant is slightly lower, mainly due to a decline in transaction prices on the housing market (-2.4).
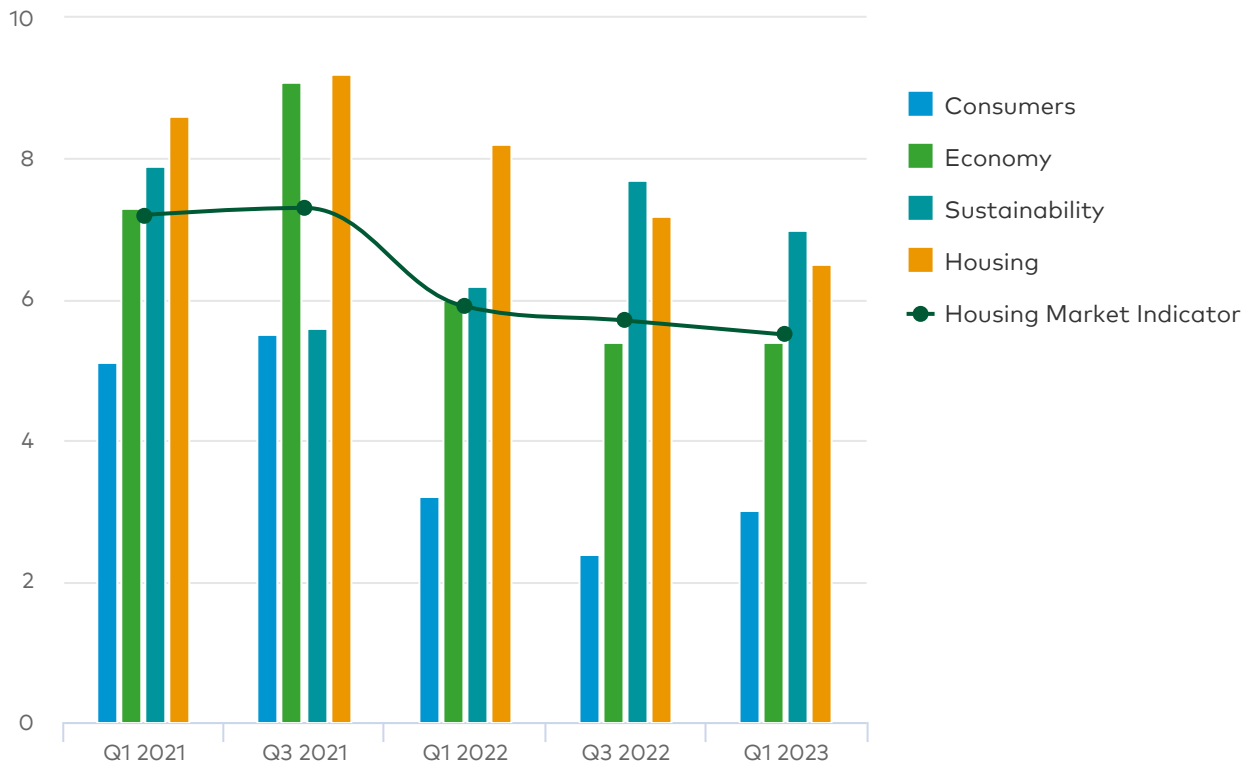
Consumers

3.0

Economy

5.4

5.5

Sustainability

7.0

Housing Market Indicator
overall score, actual per Q1 2023

Housing

6.5

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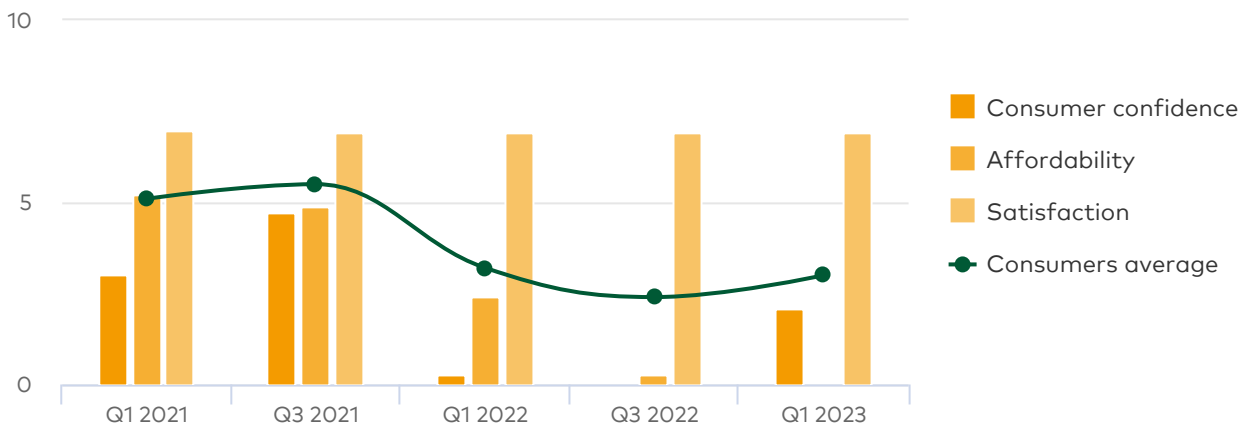for more information on the Housing Market Indicator

Q1 2021 - Q1 2023

Consumers 3.0

Q1 2021 - Q1 2023

Consumer confidence 2.1

For the fifth consecutive month, consumers are less pessimistic than they were in the previous month. However, consumer confidence is still low. This led to a 2.1 score on consumer confidence in the first quarter of 2023.

In March, it stands at -39, up from -44 in February. Consumers are less pessimistic about the economic situation, and willingness to buy is also less negative. At -39, the consumer confidence indicator in March is positioned well below its long-term average over the past two decades (-10).

Source: Statistics Netherlands

Affordability 0.0

Following the all-time low in the second half of 2022, the affordability score has not improved .The housing shortage is large and the affordability of housing in the Netherlands remains under pressure.

The rise in interest rates has been a major factor in causing prices of owner-occupied houses to fall over the past six months. At the same time, the rise in interest rates has worsened the maximum loan capacity of home seekers, especially for first-time buyers. Overall, both prices of owner occupied houses and houses for the rental market are still high and the enormous scarcity continues. Furthermore, the high costs of energy remains to have an impact on the affordability of housing, especially when the rise in salaries lags behind the increased cost levels. Affordability of housing remains high on the political agenda.

Source: Calcasa

Satisfaction 6.9

The annual benchmark remains stable with a score of 6.9 in 2022, the same as last year. The score of 6.9 is the actual score the tenants gave Dutch institutional investors for their services. Tenants are mainly satisfied with their housing and living environment, and a point of attention is the handling of complaints.

Source: IVBN/Customeyes

Economy 5.4

Q1 2021 - Q1 2023
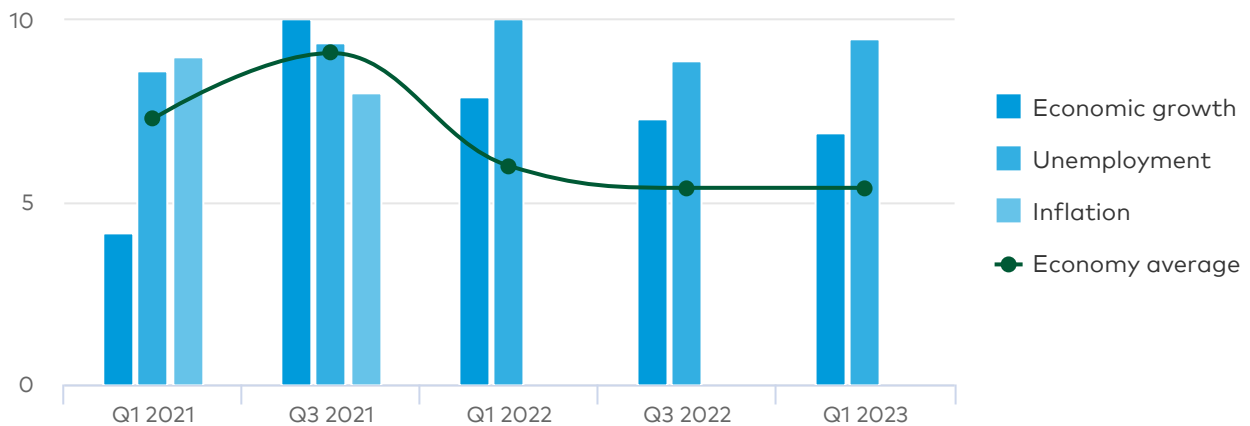
Economic growth 6.9

The score regarding the economic growth increases to a 6.9 compared to 2022 Q3. The Gross domestic product (GDP) increased by 0.6 percent in Q4 2022 (GDP figures lag by a quarter) relative to Q3.

It is notable that, despite all the macro economic uncertainties, there is still economic growth. The GDP grew by 4.5 percent in Q4 2022 relative to Q4 2021. Household consumption contributed the most to the growth.

The growth in Q4 was broad-based, with public consumption and household consumption making the largest contributions. Especially spendings on services such as accommodation and food services, recreation and culture increased.

Source: Statistics Netherlands

Unemployment 9.5

The score on unemployment rate increased from a 8.9 to a 9.5. In the period December through February, unemployment declined by an average of 3 thousand per month. This resulted in 356 thousand unemployed in February 2023, i.e. 3.5 percent of the total Dutch labour force. This means that the unemployment rate was lower than six months previously but still higher than in April 2022, when the lowest level was measured as of 2003.

Source: Statistics Netherlands

Inflation 0.0

The consumer price index (CPI) was 4.4 percent higher than in the same month of last year. The inflation is declining massively compared to last year but remains high compared to the average of the past decades. The increase in inflation is currently mainly due to the price developments of clothing and food. Energy price increases are still a substantial contributor to inflation, although to a lesser extent than last year.

*In the Netherlands the CPI is the main standard for measuring inflation. The main conceptual difference between the CPI and the HICP for the Netherlands is that, unlike the CPI, the HICP does not take into account the costs of homeownership. In the Dutch CPI, these costs are calculated based on developments in rental property prices.

Source: Statistics Netherlands

Sustainability 7.0

Q1 2021 - Q1 2023
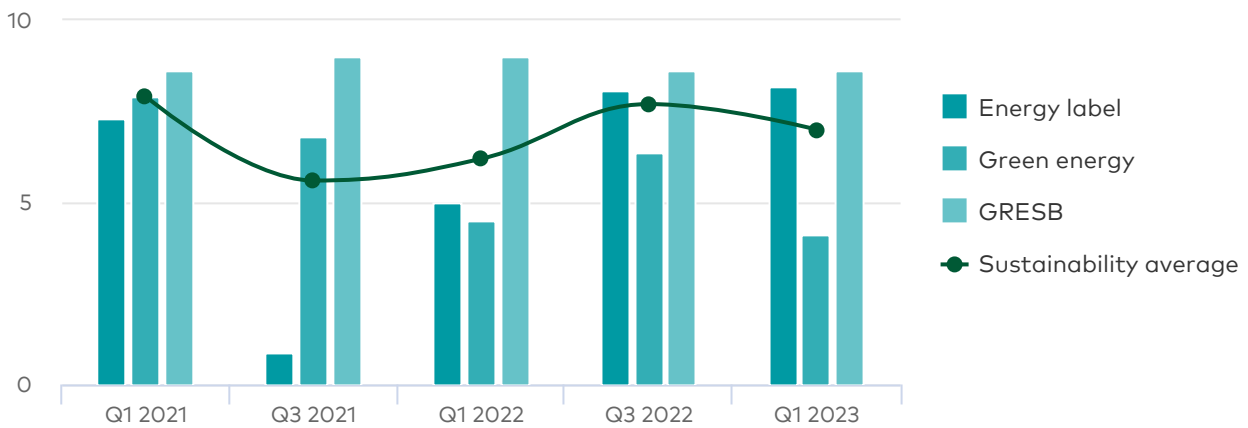
CO2 emissions 8.2

The score for CO2 emissions (8.2) is back to approximately the same level as in the third quarter of 2022. It is too early to conclude whether this trend will continue since emissions were higher in the previous quarter.

The greenhouse gas emission, in the fourth quarter in 2022 (data for 2023 is not yet available), was 9 percent lower than the year before. This was due to higher natural gas prices, substantial cuts were made in the consumption of natural gas and the weather was milder than the year before. As a result less natural gas was used throughout the year.

Source: Statistics Netherlands

Renewable electricity 4.1

The increased use of renewable electricity continued, albeit at a slower pace compared to the previous quarter. The production of electricity from renewable sources rose by 20 percent in the last quarter of 2022 compared to previous year.

Solar power production increased by 54 percent, while wind power production was up by 17 percent. This was largely related to increased capacity and more favourable weather conditions.

Source: Statistics Netherlands

GRESB 8.6

The Dutch non-listed residential companies scored a total of 86 points on average in 2022. This high score reflects the fact that institutional investors are devoting considerable attention to sustainability issues.
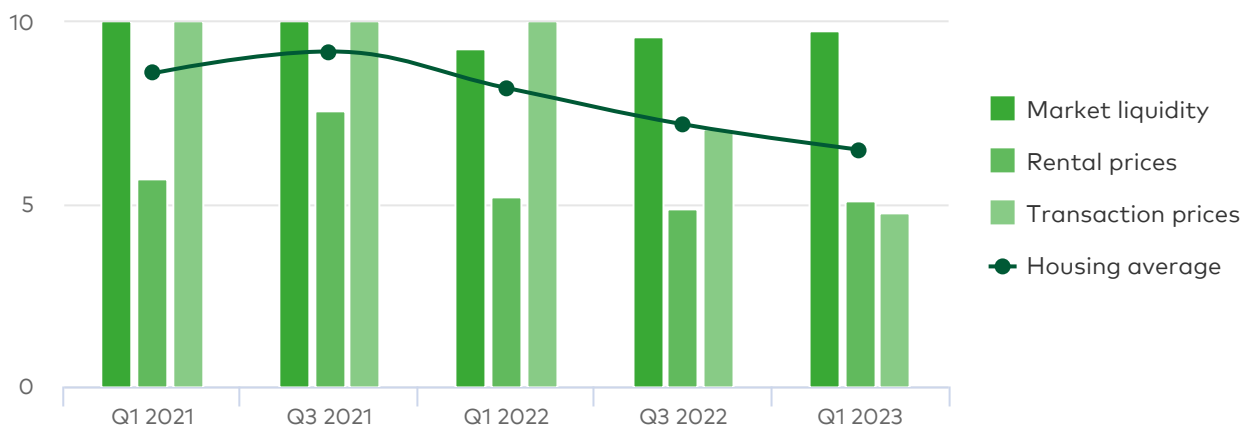
The Global Real Estate Sustainability Benchmark (GRESB) is a tool used to compare the sustainability scores of real estate investment funds. The benchmark rates environmental management practices and their implementation.

Source: GRESB

Housing **6.5**

Q1 2021 - Q1 2023

Market liquidity **9.8**
The housing market remains tight, which is indicated by low supply-demand ratios. In the fourth quarter of 2022 the market liquidity scored a 9.8. The low market liquidity shows the ongoing pressure on the Dutch housing market.

Source: Calcasa

Rental prices **5.1**
Price levels on the rental market are still high, mainly as a result of the enormous scarcity. Although, the increase is below previous quarters, affordability of housing remains under pressure for some households. This applies mainly to home seekers in the lower- and mid-market segment.

Source: Calcasa

Transaction prices **4.8**
The driver transaction prices dropped to a 4.8. Prices of owner-occupied dwellings were lower year on year for the first time since April 2014.

Furthermore, In the first two months of this year, altogether 24.984 houses were sold. This represents a decrease of over 11 percent relative to the same period in 2022.

Source: Statistics Netherlands, NVM

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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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