

Vesteda Market Watch

Q1 2020



7.0

Housing Market Indicator

The Housing Market Indicator (HMI) fell to 7.0 in the first quarter compared to 7.4 in the fourth quarter of 2019. The exact implications of the COVID-19 crisis on the housing market are not yet clear, however the decrease of the HMI indicates that market conditions are getting tougher.

The COVID-19 crisis has a major impact on both individual citizens and businesses in the Netherlands. Some early signs of the possible impact on the Dutch economy are already visible. GDP was 0.5 percent down relative to Q1 2019, consumer confidence has plummeted in April to -22 and unemployment increased by 15%.

Figures for the reporting quarter on the housing market do not yet or hardly reflect the effects of the coronavirus outbreak. For the time being, we see little negative impact on the price level of owner-occupied and rental homes. Strong demand seems to lay a firm price foundation for mid segment rental homes.

However, there are signs that consumers increasingly take a wait and see approach when it comes to large expenses. The declining GDP and rising unemployment will undeniably influence the housing market but in what way is still uncertain.

Consumers

5.6

Economy

6.3

Sustainability

6.9

Housing

9.1



Housing Market Indicator
overall score, actual per Q1 2020



Economy 6.3

Economic growth 3.8

- According to the first estimate, GDP was 0.5 percent down relative to Q1 2019 and even declined by 1.7% compared to Q4 2019. Year-on-year contraction was mainly due to lower household consumption and to stock movements. In Q1 2020, Dutch consumers spent 1.3 percent less than one year previously.
- CPB Netherlands Bureau for Economic Policy Analysis uses four scenarios to outline the possible economic impact of the coronavirus in 2020 and 2021. All scenarios result in recession, with GDP declining between 1.2% and 7.7% in 2020.

Source: Statistics Netherlands

Unemployment 9.0

- In April, 314 thousand people were unemployed which is 3.4 percent of the labour force. In March the unemployment rate was 2.9 percent. This is the largest monthly increase in the unemployment rate since 2003.
- The number of unemployment benefits rose sharply in April, to 292 thousand. This is an increase of 16.7%. The number of unemployment benefits increased by 13.5% relative to April 2019.

Source: Statistics Netherlands

Inflation 6.0

- In April, inflation reached a level of 1.2%. This is the lowest level in the last 2 years and approximately 15 basis points lower than the average inflation level in 2019.

Source: Statistics Netherlands



Housing 9.1

Market liquidity 10.0

- In the first quarter of 2020 the market liquidity is 0.27, which means it is at a historical low.
- However, the reports on the current market situation offer different perspectives. On the one hand, we see consumers being more cautious when it comes to doing large expenses which is reflected by a (small) increase in sales. On the other hand, the number of homes put up for sale during the lockdown is more than 3% higher than a year ago.

Source: Calcasa

Rental prices 8.6

The increase of rental property prices in the Netherlands seems to flatten off a bit. Looking at the 3-year development the pace of the increase in rental prices is lower than in the previous quarters.

Source: Calcasa

Transaction prices 8.5

- House prices stayed the same during the last 3 months. The number of transactions even increased in March. In the first three months of this year, 51,579 dwellings were sold. This is an increase of almost 9 percent relative to the same period in 2019. It is clear that these figures do not yet reflect the effect of the COVID-19 crisis.
- On average, a house in the Netherlands costs 326,000 euros.

Source: Statistics Netherland



Sustainability 6.9

Energy label 6.3

- At the end of 2018, 33% of all Dutch homes with an energy label had been registered with an A or B label and 30% had been assigned a C label. Combined, A, B and C labels accounted for 63% of all homes registered with labels.
- The total of 63% of A, B and C labels in 2018 was an improvement on the 60% registered in 2017.
- At the same time, this does mean that energy performance is still lagging in almost 40% of Dutch homes with a registered label. Taking into account that buildings are responsible for approximately 40% of energy consumption and 36% of CO2 emissions, accelerating the renovation of existing buildings has the potential to result in significant energy savings and significantly lower CO2 emissions.

Source: Energy Performance of Buildings Directive / Netherlands Enterprise Agency

Green energy 6.9

- 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. This is nearly the same as last year's score.
- The positive GRESB score shows 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 of real estate investment funds. The benchmark rates environmental management practices and their implementation.

Source: GRESB



Consumers 5.6

Consumer confidence 2.5

- Consumer confidence has plummeted in April on account of the COVID-19 crisis. The consumer confidence indicator stands at -22, down from -2 in March. This is the largest decline ever measured.
- Consumers are substantially more negative about the economic situation than they were in the previous month. The component indicator Economic climate has deteriorated from -8 in March to -31 in April. Never before have consumers been as negative about the economic climate in the next twelve months as in April.

Source: Statistics Netherlands

Affordability 7.4

- In the first quarter of 2020 the affordability improved which is reflected by the score of 7.4.
- This improvement is mainly caused by the slight increase in supply and the remaining low mortgage interest rate.

Source: Calcasa

Satisfaction 6.8

- The annual benchmark rose by zero point one to a score of 6.8 in 2019. It's the first time in three years that the overall score of the benchmark has changed.
- The score of 6.8 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 decent quality.

Source: IVBN/CustomEyes

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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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