

Vesteda Market Watch

Q1 2022



5.9

Housing Market Indicator

The Housing Market Indicator of Q1 2022 dropped significantly to 5.9, from 7.3 in Q3 2021. The decrease of the HMI is mainly caused by the massive increase in inflation and negative consumer confidence.

The consumer side of the HMI is under pressure. Confidence among Dutch consumers has deteriorated in the first quarter of 2022. While the coronavirus no longer dominates our daily lives, it has been replaced by the war in Ukraine which now impacts the economy and sentiment among consumers. The consumer confidence indicator stands at -39 in March, down from -30 in February. Consumers are mainly gloomier about the next twelve months. Affordability also continues to decline and contributed to the drop of the HMI.

The sharp increase in inflation had a downward effect on the economic driver of the HMI. Energy currently makes a significant contribution to overall inflation. In March, the consumer price index (CPI) was 9.7 percent higher than in the same month last year. On the other side we observe positive developments; economic growth continues, and the unemployment rate is still very low.

The sustainability score increased, to 6.2 from 5.3 in Q3 2021 which is mainly caused by the decrease of CO₂-emissions. Last year the level of CO₂-emissions have been very volatile due to effects of the pandemic, especially less traffic and industrial activity caused by the lockdowns.

The score on the housing driver remains high, but it slightly decreased to a score of 8.2, coming from 8.7. Price levels on the owner-occupier market are still rising and the housing market remains tight, which is indicated by low supply-demand ratios.

Consumers

3.2

Economy

6.0

Sustainability

6.2

Housing

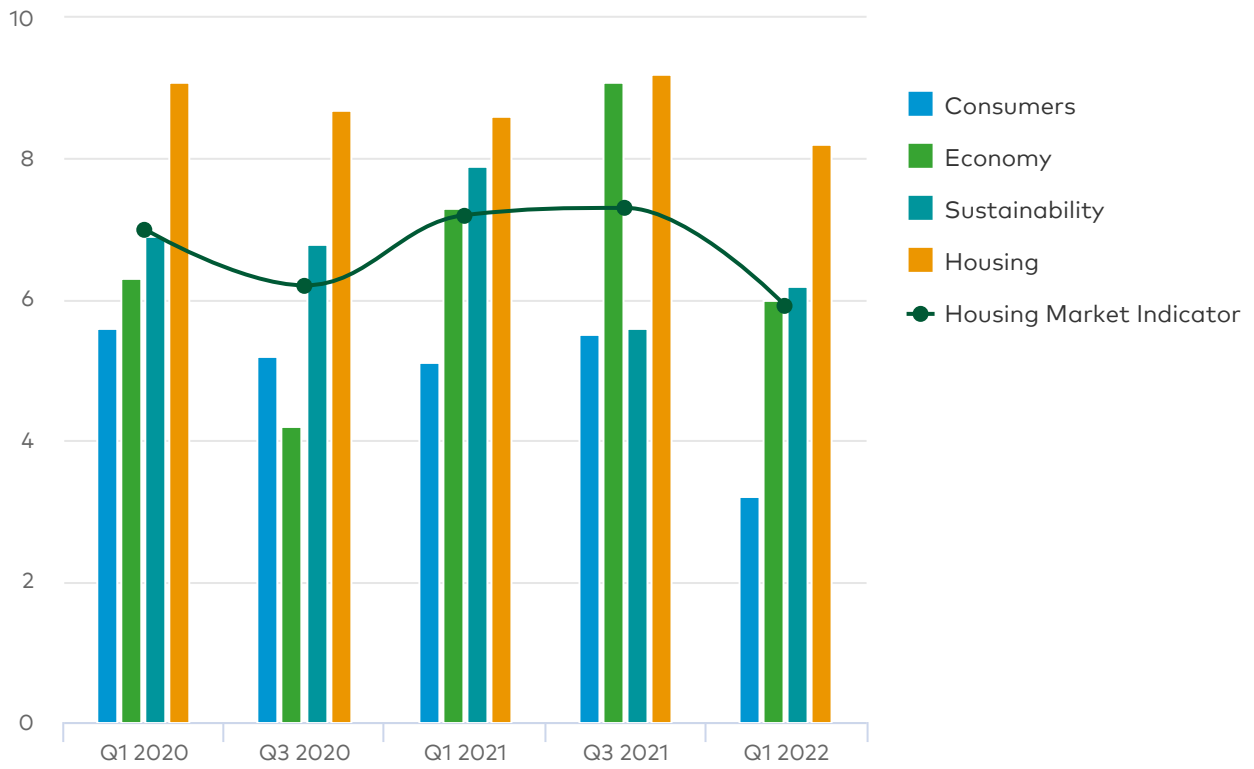
8.2



Housing Market Indicator
overall score, actual per Q1 2022

Please visit www.vestedamarketwatch.com
for more information on the Housing Market Indicator

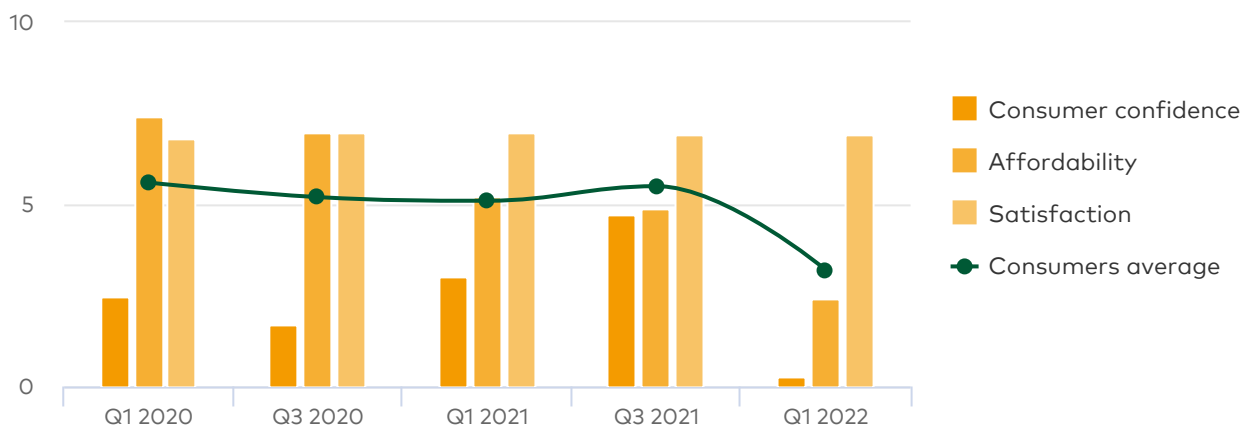
Q1 2020 - Q1 2022





Consumers 3.2

Q1 2020 - Q1 2022



Consumer confidence 0.3

- Consumer confidence is nearly at an all-time low. The consumer confidence indicator stands at -39 in March, down from -30 in February. For the sixth month in a row consumers were more negative than in the previous month. The current consumer confidence level is far below the average over the past two decades (-8). The war in Ukraine obviously plays an important role in the Dutch consumer confidence. Consumers are mainly gloomier about the next twelve months.

Source: Statistics Netherlands

Affordability 2.4

- The driver for the affordability of housing in The Netherlands keeps declining to a score of 2.4 in the last quarter of 2021.
- Price levels on the owner-occupier and rental market are still rising and the enormous scarcity continues. The sharp increase in cost of energy will also 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

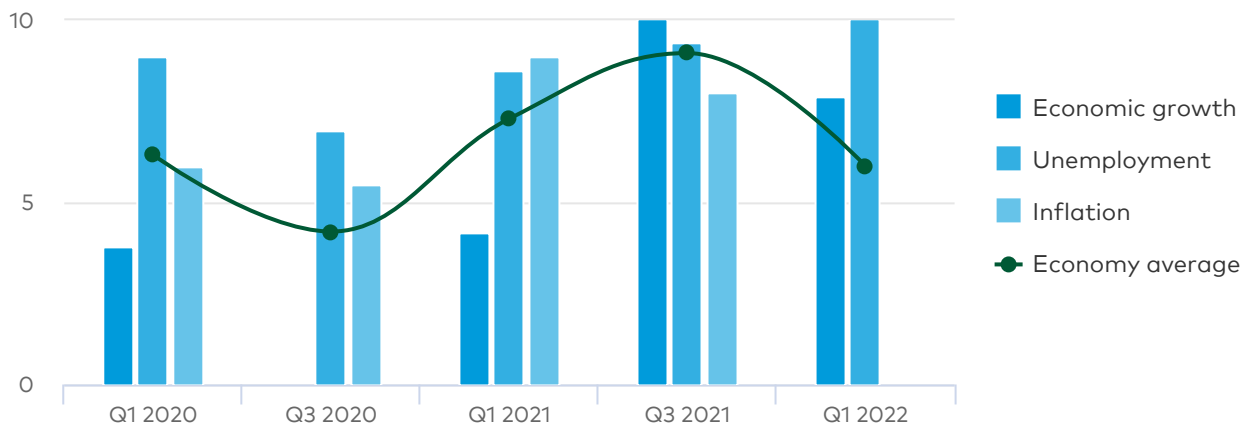
- The annual benchmark dropped by 10 basis points to a score of 6.9 in 2021. The score of 6.9 is the actual score the tenants gave Dutch institutional investors for their services. It's the first time in five years that the overall score of the benchmark has slightly dropped (7.0 in 2020). This small change might be caused by the influence of Covid-19, people being more at home and as a result, they experience inconveniences more frequently.

Source: IVBN/Customeyes



Economy 6.0

Q1 2020 - Q1 2022



Economic growth 7.9

- The driver for Economic growth stands well at 7.9 in Q4 2021. Gross domestic product (GDP) increased by 1.0 percent in Q4 2021 relative to the previous quarter. Growth in Q4 was largely due to increased public consumption, investments and the trade balance.
- GDP growth in Q4 2021 relative to Q4 2020 amounted to 6.5 percent. With the release of data on Q4, the provisional annual growth rate over 2021 has become available. GDP increased with 5.0 percent year on year in 2021.

Source: Statistics Netherlands

Unemployment 10.0

- The unemployment rate is historical low and therefore gets the maximum score of 10.0. In the period December through February, unemployment declined by an average of 8 thousand per month. This resulted in 336 thousand unemployed in February 2022, i.e. 3.4 percent of the total Dutch labour force.

Source: Statistics Netherlands



Inflation 0.0

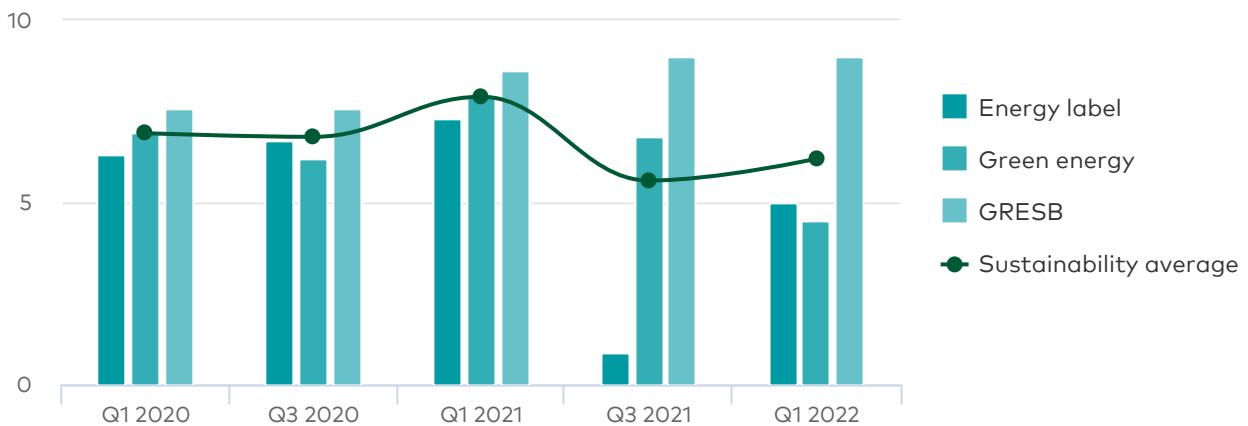
- In March 2022 the consumer price index (CPI) was 9.7 percent higher than in the same month last year. The sharp increase in inflation had significant impact on the economic driver of the HMI. The massive increase in inflation is mainly caused by the price development of energy. The inflation in March is the highest since May 1976.
- Aside from energy, the price development of motor fuels and food had an upward effect on the inflation rate. The price increase of motor fuels amounted to 36.5 percent relative to March 2021.
- The Dutch government has taken (temporary) measures to curb the rise in energy costs for consumers. Tax rates on fuel and electricity has been reduced. Despite energy tax reduction, the year-on-year price rise of energy increased.
- *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. According to the European HICP, consumer goods and services in the Netherlands were 11.9 percent more expensive in March than in the same month last year.

Source: Statistics Netherlands



Sustainability 6.2

Q1 2020 - Q1 2022



CO2 emissions 5.0

- The driver for CO2 emissions increased to 5.0 in Q4 2021, from 0.9 in Q3 of 2021. Last year the level of CO2 emissions have been very volatile due to effects of the pandemic. Months with a lockdown had far fewer emissions than normal periods..
- However, in 2021, greenhouse gas (GHG) emissions showed a year-on-year increase of 2.1 percent. This means that the sharp reduction of emissions in 2020 did not continue. That year saw a decline of 8.8 percent. The increase in 2021 is mainly due to higher natural gas consumption in the built environment. And in the first half of 2021 it was colder than a year earlier.

Source: Statistics Netherlands

Renewable electricity 4.5

- The growth of the use of renewable electricity continued but at a lower pace than in Q3 2021. However, 2021 was a good year regarding the use of renewable energy sources. Production of renewable energy rose by 22 percent year on year, while production from fossil sources fell by 11 percent. Last year, 33 percent of total electricity production came from renewable sources.
- In 2021, solar power increased by 30 percent, wind power by 17 percent and production from biomass by 23 percent. The higher electricity production from renewable sources is largely due to an increased capacity for solar (from 11.0 GW in 2020 to 14.3 GW in 2021) and wind energy production (from 6.6 GW in 2020 to 7.8 GW in 2021).

Source: Statistics Netherlands



GRESB 9.0

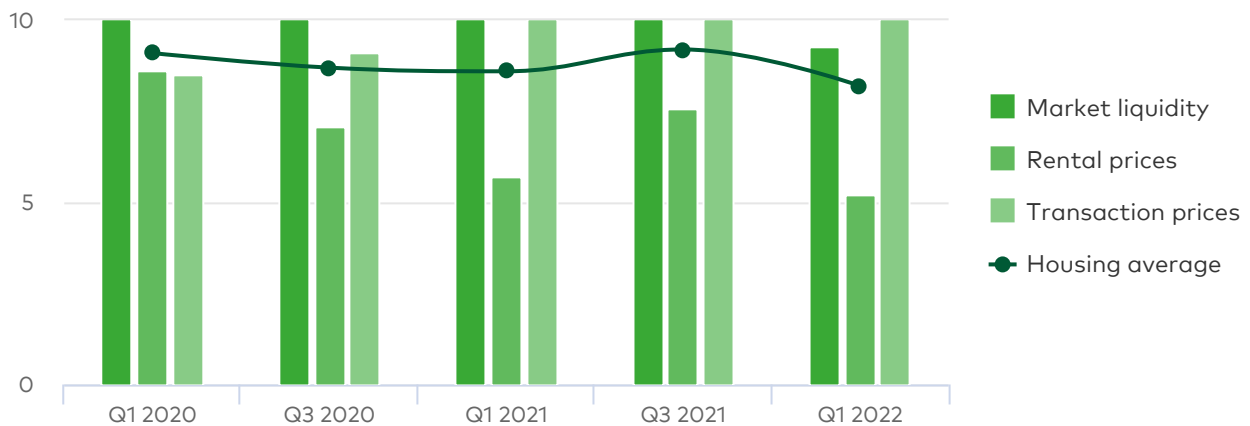
- The Dutch non-listed residential companies scored a total of 90 points on average in 2021. This high score reflects the fact that institutional investors are devoting considerable attention to sustainability issues.
- The Global Real Estate Sustainability Benchmark (GRESB) is a tool used to compare the sustainability scores of real estate investment funds. The benchmark rates environmental management practices and their implementation.

Source: GRESB



Housing 8.2

Q1 2020 - Q1 2022



Market liquidity 9.3

- The housing market remains tight, which is indicated by low supply-demand ratios. In the last quarter of 2021 the market liquidity scored 9.3. The low market liquidity shows the ongoing pressure on the Dutch housing market.

Source: Calcasa

Rental prices 5.2

- Price levels on the rental market are still high, mainly as a result of the enormous scarcity. Although, the increase is not as sharp compared to the market of owner occupied homes, 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 10.0

- The driver transaction prices gets a maximum score of 10.0. Price levels on the owner-occupier market are still rising. In March, owner-occupied homes (excluding new constructions) were on average 19.5 percent more expensive than in the same month last year. In the first quarter of this year, altogether 43,923 homes have changed owners. This is over 34 percent less than in the same period in 2021.
- In the first months of 2022, the mortgage interest rate rose sharply. The interest rate rose from 1.20% in January for the lowest 20-year fixed mortgage rate to over 2.5% at the end of Q1 2022. There is no visible effect on house price development yet, but this may follow as market circumstances change and/or mortgage rates rise further.

Source: Statistics Netherlands, [hypotheek-rentetarieven.nl](https://www.hypotheek-rentetarieven.nl)

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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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