

Vesteda Market Watch

Q3 2019



7.4

Housing Market Indicator

The housing market indicator haven't changed much for the third quarter in a row. This implies the market is in balance. However, when looking at the drivers of the HMI we can see a different picture. The Dutch housing market can still be characterised as a seller's market. Housing prices are in some regions flattening off but the prices in general are rising faster than the long-term average inflation rate.

This situation is influenced by high demand and low supply caused by historic low mortgage rate, low construction numbers, a favourable economic situation, etc. The Nitrogen Crisis, which is a result of not meeting the European regulatory requirements on this matter, leads to even more pressure on the supply.

On the other hand, there are some signs of the housing market moving into a lower gear. Homes are sitting on the market for a longer period. The economic growth is slowing down. And despite the fact consumer confidence hardly changed, the overall opinion of the Dutch consumer on the economic climate as well as their willingness to buy have deteriorated slightly. It is not sure how these developments will evolve but domestic economic risks have become more prominent.

Another important factor which will be of influence is climate change. The built environment has a major impact on greenhouse gas emissions and the changing climate. The attention of Dutch institutional investors on this matter is reflected in the GRESB score of 7.6 of all Dutch non-listed residential funds. At the same time, the overall developments in the Netherlands on sustainability issues remain limited and will need to be speeded up in the coming years if the country is to achieve its climate goals.

Consumers

6.2

Economy

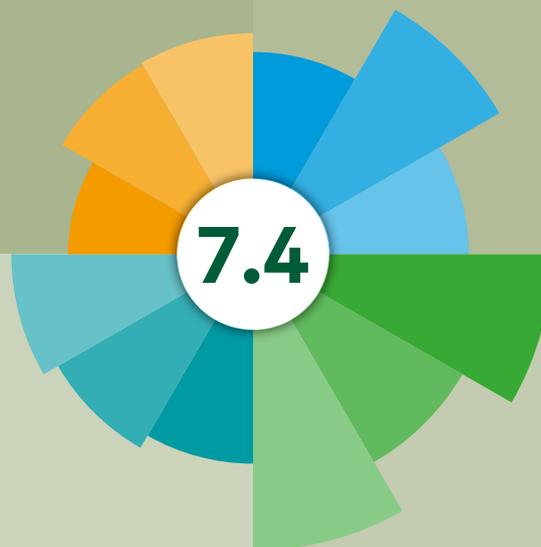
7.3

Sustainability

6.9

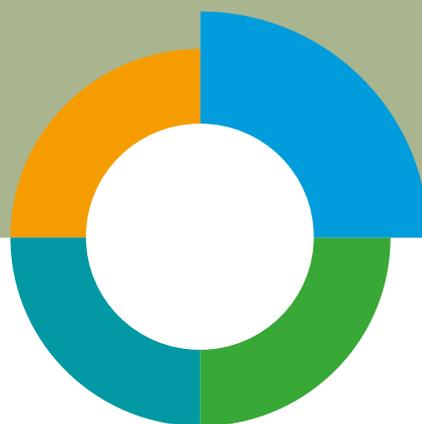
Housing

9.2



Housing Market Indicator
overall score, actual per Q3 2019

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



Economy 7.3

Economic growth 6.0

- Economic growth, measured in change of GDP, came in at 1.8% in Q3 2019. This is a small increase, compared to the 1.7% in Q2 2019. The increase in GDP is mainly due to household consumption and investments in fixed assets.
- According to the most recent estimate conducted by Statistics Netherlands (CBS), the growth rate for the upcoming quarters is adjusted downwards. This is mainly caused by a decrease in the trade balance.

Source: Statistics Netherlands

Unemployment 9.4

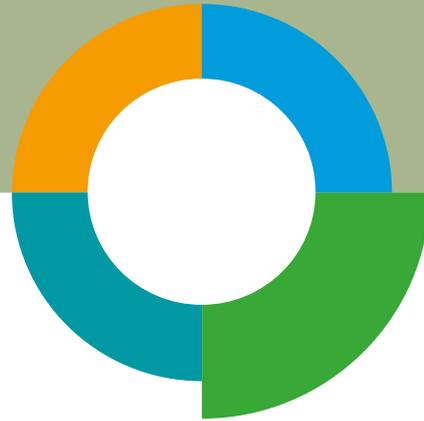
- Unemployment in The Netherlands is slightly higher in the 3rd quarter compared to the 2nd quarter.
- This is mainly driven by a higher job loss and the fact that the unemployed people are less likely to find a new job. However, the unemployment rate is still close to the historic low.

Source: Statistics Netherlands

Inflation 6.5

- With an average of 2.7% in Q3, the inflation is still on the high side. In the previous quarter we assumed the high inflation number to be temporarily, but we are not yet seeing inflation flattening off.
- Inflation in The Netherlands is also relatively high looked at in an international context. Compared with the rest of the European countries where the average is at 1.4%.

Source: Statistics Netherlands



Housing 9.2

Market liquidity 10.0

- In the third quarter of this year the market liquidity is 0.3, which means it is at a historical low. However, this is the first quarter in 5 years without a decrease compared to the previous quarter.
- The market liquidity is the ratio between the supply and the annual sales.

Source: Calcasa

Rental prices 7.6

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 10.0

- The house prices in The Netherlands are again higher than in the previous quarter. This continuing house price increase has a downside as well. Affordability is under pressure in some cities for lower and middle-income households.
- This affordability issue and the lack of adequate housing supply, results in a decrease of the number of housing transactions.
- On average, a new-build home in the Netherlands costs 369,000 euros.

Source: Calcasa



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

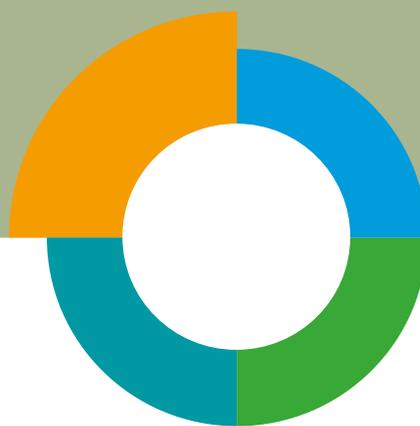
- In 2018, overall energy consumption in the Netherlands stood at 3,100 Petajoules (PJ), around 50 PJ less than the previous year.
- This decline was due in particular to lower consumption of coal: 40 PJ less than in 2017. The use of other energy sources remained more or less the same.
- Fossil fuels still accounted for 90% of total energy consumption, which was a reduction of 2% compared to 2017. The remaining 10% was generated from renewable (green) energy sources, nuclear energy, waste and imported electricity.

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 6.2

Consumer confidence 5.2

- Consumer confidence hardly changes and stays around 0 for the third consecutive quarter. The overall opinion of the Dutch consumer on the economic climate as well as their willingness to buy have deteriorated slightly.
- Consumer confidence reached an all-time high in January 2000 (+36) and an all-time low in March 2013 (-41).

Source: Statistics Netherlands

Affordability 6.7

- The score of 6.7 indicates the housing market became a bit more affordable compared to Q2 (6.3). This is a favourable development for homeseekers wanting to move.
- The increased affordability is mainly caused by the low mortgage interest rates.
- Local differences in affordability between cities and regions remain unadjusted.

Source: Calcasa

Satisfaction 6.8

- The annual benchmark rose by zero point one to a score of 6.8. It's the first time in three years that the overall score of the benchmark has changed.
- However, there is still room for improvement. While tenants rate the homes themselves and the surrounding areas above average, there are several areas of potential improvement on the customer service front.

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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