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## House prices expected to rise by 28 percent in 2021 and 2022

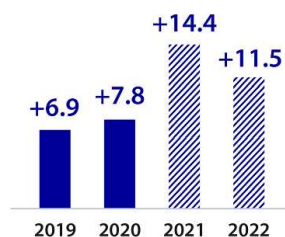
Dutch Housing Market Quarterly  
Stefan Groot and Nic Vrieselaar

- Dutch house prices rose faster this summer than in the spring. In July owner-occupied houses were on average 16.3 percent more expensive than a year ago
- House prices are expected to be 14.4 percent higher this year than in 2020 due to the low interest rate, favorable economic outlook and price-inflationary factors
- House price growth is highest in Flevoland and lowest in Amsterdam
- House prices are expected to climb by 11.5 percent next year
- In the period January to July the volume of house sales was over 7 percent higher than in the same period last year
- Since Dutch residents under the age of 35 no longer have to pay stamp duty on homes of up to EUR 400,000, they account for a slightly larger proportion of house purchases, but the increase is small
- We expect to see around 231,000 transactions in total for the whole of 2021, slightly down on last year. We expect that house purchases will drop to 211,000 in 2022

### Double-digit house price growth in both 2021 and 2022

#### Price forecast

Expected price increase of owner-occupied homes (%)

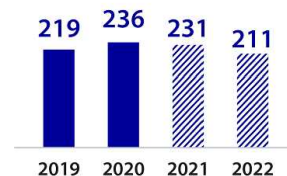


▨ = RaboResearch forecast



#### Sales forecast

Expected number of transactions (x1,000)

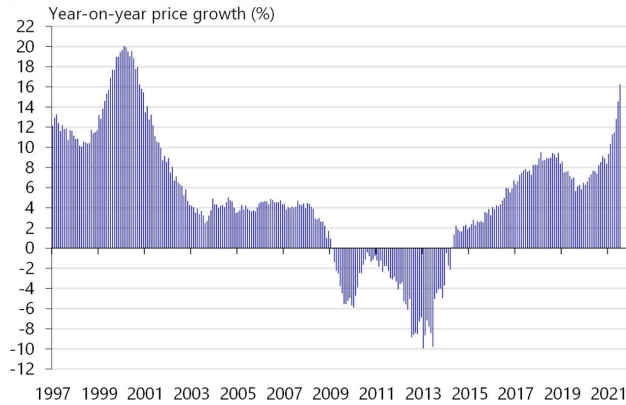


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Source: RaboResearch

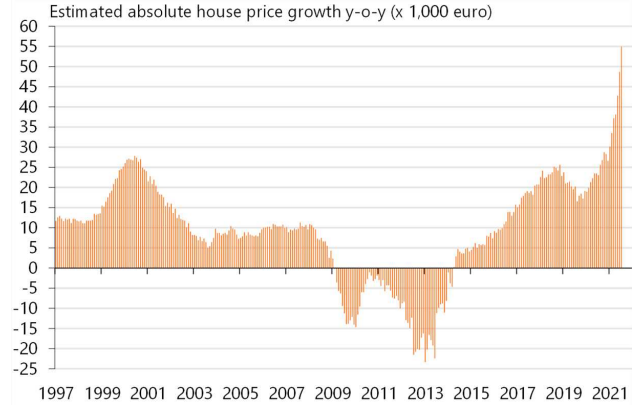
The rate at which house prices are climbing has taken off this year. In the first five months of this year alone, the price of an average owner-occupied house rose faster than in the whole of 2020. Since then it has climbed further to 16.3 percent year-on-year (y-o-y) in July (see Figure 1). Relatively, that was the biggest increase since 2000; in euros it is again probably the fastest price rise ever seen in the Dutch housing market. It means that in just a year's time an average house is estimated to have become around EUR 55,000 more expensive (see Figure 2).

**Figure 1: Strong acceleration in house price growth**



Source: Statistics Netherlands (CBS), Dutch Land Registry (Kadaster)

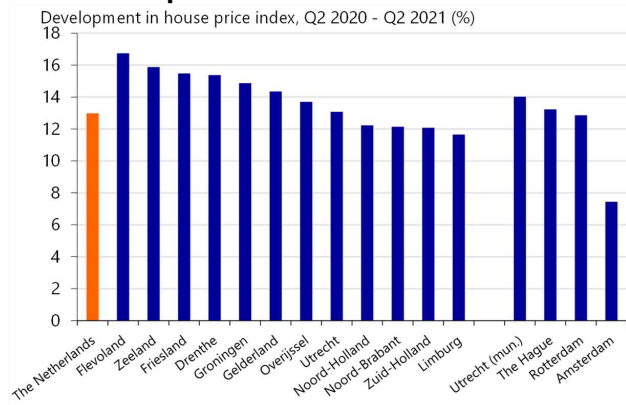
**Figure 2: EUR 50k more expensive in a year's time**



Source: Statistics Netherlands (CBS), Dutch Land Registry (Kadaster), RaboResearch

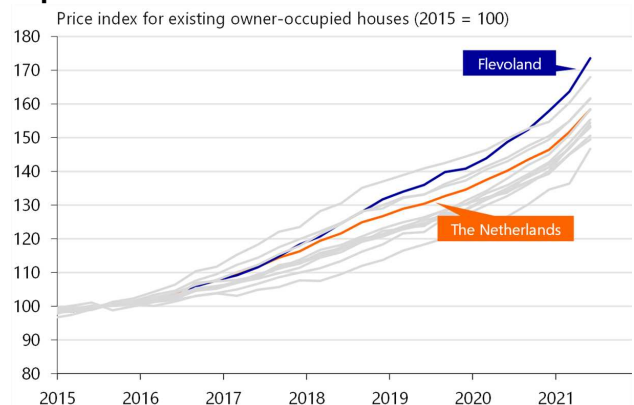
Flevoland has taken the lead again: between the second quarter last year and the second quarter this year, prices there shot up by 16.7 percent (Figure 3). This province, where for instance [many people from Amsterdam](#) (in Dutch only) buy a house, has seen the cost of owner-occupied houses rise more quickly than elsewhere in the Netherlands for a number of years now. In five years' time the price has risen by almost 69 percent, compared to just under 53 percent on average for the Netherlands as a whole (see Figure 4). Limburg saw the lowest price rises in the second quarter, but nonetheless with double-digit growth figures.

**Figure 3: No province showed price growth of less than 10 percent**



Source: Statistics Netherlands (CBS), Dutch Land Registry (Kadaster)

**Figure 4: Flevoland becoming rapidly more expensive**



Source: Statistics Netherlands (CBS), Dutch Land Registry (Kadaster), RaboResearch

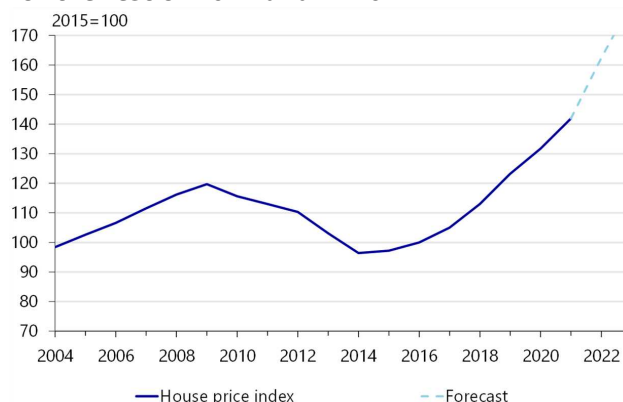
## House prices to rise 14.4 percent this year

In [our June forecast](#) we still expected that house prices would increase by just under 11 percent this year, followed by a further increase of 4.6 percent in 2022. But since then, house price increases have further

accelerated. In addition, the Dutch economy is rebounding from the coronavirus pandemic more quickly than expected and [the employment outlook](#) has further improved in the past few months. The capital market rates, which affect mortgage interest rates, have also remained low for longer than was forecast in June.

We have therefore revised our price forecast significantly upwards. We expect that house prices will be 14.4 percent higher on average this year than in 2020. This growth is almost twice as fast as in 2020, when prices rose by 7.8 percent on average. Price growth will probably remain high next year too, when house prices are expected to rise by another 11.5 percent. Altogether this means that the sale price of an average house is likely to have risen by 28 percent - more than EUR 90,000 – in a period of just two years. The outlook for first-time buyers is bleak because an increase of EUR 90,000 means that even at the current low interest rates, a buyer taking out a mortgage for this amount will have to pay around EUR 300 more gross per month for 30 years. In other words, even a short delay in buying a house (or being able to buy a house) has an impact for decades to come on a household's financial headroom after paying their fixed costs.

**Figure 5: Price growth will continue to be high for the rest of 2021 and in 2022**



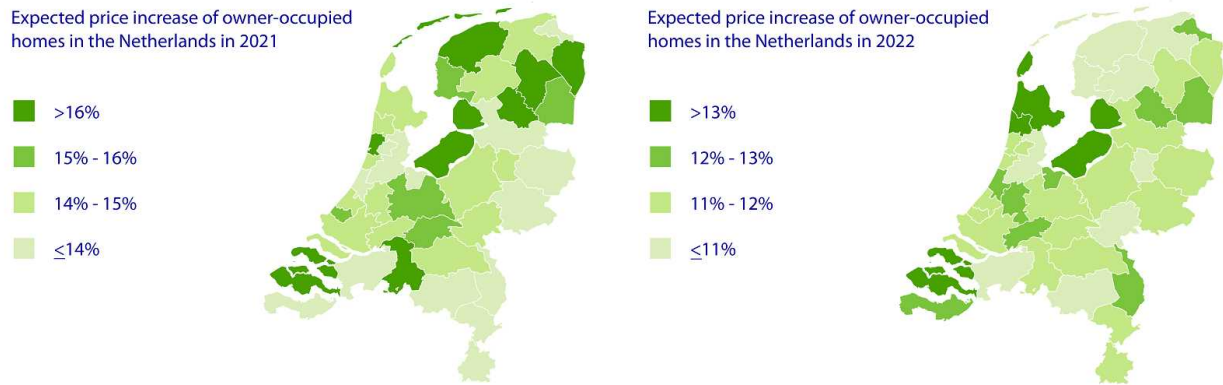
Source: Statistics Netherlands (CBS), Dutch Land Registry (Kadaster), RaboResearch

## Price rises of up to 20 percent in some regions this year

We expect to see major house price increases in all regions, with some noticeable regional peaks (Figure 6). Flevoland tops the list and is expected to continue to hold its lead for the rest of this year and next year. We have assumed an increase of 20 percent this year, with another 15 percent on top of that next year. We forecast rapid house price growth in many regions in the north-east of the Netherlands too, for example, in the COROP (NUTS-3) region of Oost-Groningen (+18 percent). In previous years the price growth there was less than the national average but the area is now catching up. The smallest increase we see this year is in Greater Amsterdam, although the increase there is still 12 percent.

The fact that the fastest growth in prices is in regions where the price level is still somewhat lower, is closely related to the high price level in the most sought-after regions where house prices have already risen steeply. The accessibility of owner-occupied houses is therefore under pressure in these regions, causing households to look for alternatives. We expect this trend to continue. Therefore, in terms of price growth, Amsterdam is again expected to bring up the rear next year and Flevoland take the lead again. We expect house prices to rise further in all regions next year.

**Figure 6: Forecast increase in house prices per COROP region in 2021 (left) and 2022 (right)**



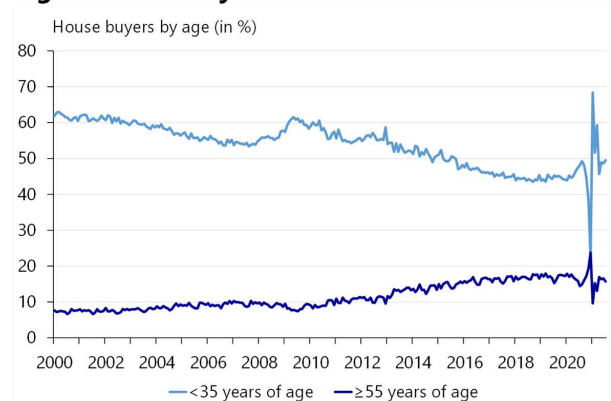
Source: RaboResearch

## First-time buyers bought more houses over the past year

The abolition of the stamp duty for house buyers under the age of 35 and the temporary nature of this measure for houses in excess of EUR 400,000 resulted in [significant peaks and troughs](#) in the number of transactions over the past year. Young house buyers delayed the purchase of an own home in the autumn of 2020 until after the start of the new year. Just after the introduction of the measure little could be said about its effect on the opportunities for first-time buyers. Although we saw their share rise sharply after the turn of the year, this came on the heels of a huge drop in the share of buyers under 35 at the end of 2020.

We are now starting to see more clearly how this measure has worked out on balance. In the 12 months from August 2020 to July 2021 the share of young house buyers was 47.8 percent, while in the same 12 months prior to that it had been 45.4 percent. In the last three months the share of under 35s has hovered around 49 percent (see Figure 7). The share of young house buyers in the total number of houses sold is therefore still slightly higher than it was before the measure was announced. Because the stamp duty for young people has been (fully or partly) abolished while for investors it has been increased to 8 percent, it would appear that first-time buyers are having slightly more success in making the closing offer. It remains to be seen whether under 35s will continue to benefit from this in the future. While the position of young house buyers relative to investors may have improved, young adults also have to compete with one another to get hold of scarce properties. As a result, the extra room for manoeuvre they have gained to be able to bid on a house has turned into a significant increase in house prices.

**Figure 7: Share of young house buyers remains higher than last year**

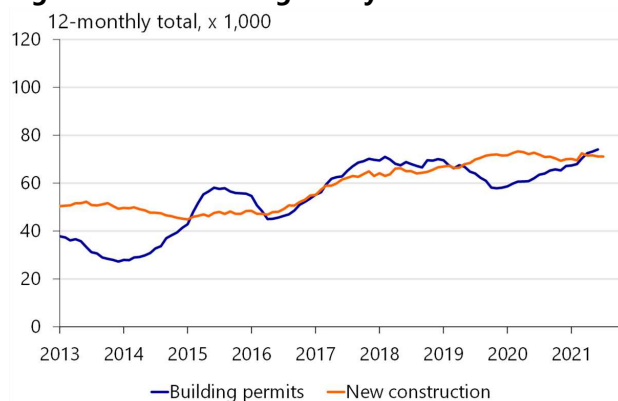


Source: RaboResearch, based on Dutch Land Registry microdata

## More new housing being built, but growth remains modest

Without additional housing the position of first-time buyers will remain difficult, and the level of newbuild home construction is still not keeping pace with the numbers needed to meet the housing shortage. There are increasing calls to build 100,000 new homes per year. In the last 12 months for which data is available (until June 2021), a total of 74,000 building permits were issued (Figure 8). While the number of building permits issued since mid-2019 shows an upward trend, it is still not much higher than the numbers for 2018 and 2018. In addition, there is a delay between issuing the permit and delivering actual homes, so it will probably be some years before an upturn in permits results in more housing.

**Figure 8: New housing slowly on the increase**

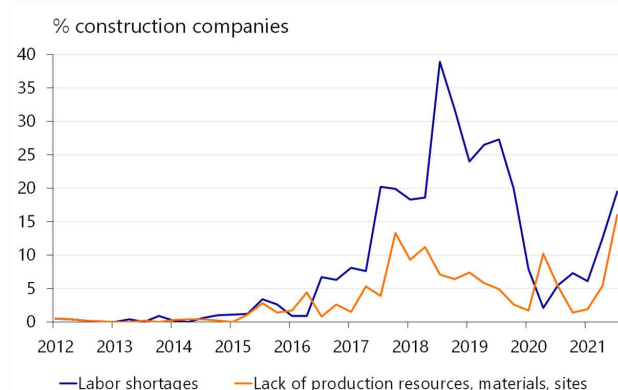


Source: Statistics Netherlands (CBS)

The Netherlands has high ambitions when it comes to house building but it seems to be difficult to achieve them in practice. Various problems have caused delays in recent years (such as the nitrogen question, the PFAS crisis and the coronavirus pandemic). Plus, capacity in the construction sector is now much less than it was before the crisis of 2008–2013.

Although the increase in housing production is still modest, the percentage of companies in the construction and building materials industries facing production problems (due to labor shortages and the lack of production resources, materials and space) is rapidly rising again (Figure 9 and Figure 10). The shortages in the building materials industry are already similar to those seen at the peak in 2018/2019. The production per employee in the construction sector will therefore have to increase significantly if 100,000 homes are to be built each year. This requires the use of more labor-saving techniques. For example, through greater use of 'pre-fab' in which houses are partly pre-assembled in a factory. Streamlining the municipal building regulations could help to increase the use of such production techniques.

**Figure 9: Production bottlenecks are again rising fast**



Source: Statistics Netherlands (CBS)

**Figure 10: Building materials industry experiencing as many bottlenecks as in 2018**



Source: Statistics Netherlands (CBS)

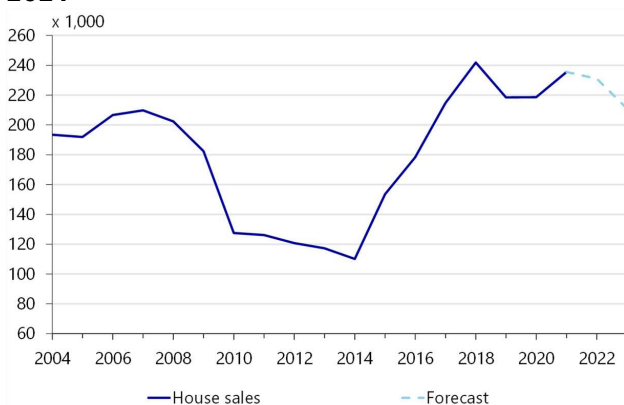
The limited availability of sites on which to build and the mounting number of conditions to be met to be allowed to build (in areas such as aesthetics, spatial quality, parking and sustainability), constitute another obstacle to meeting the shortfall in housing demand. Resistance can be reduced by making it financially more attractive for municipalities and their citizens to allow new housing construction. In this way it will become easier to find sites where homes can be built.

# Many house sales in 2021, drop in 2022

Due to the policy on stamp duty, many of this year's transactions for owner-occupied housing had been postponed until after the start of the new year. Although we expect the number of transactions to fall somewhat over time due to the supply drying up, this policy will still result in a relatively large number of transactions this year. It is expected that 231,000 owner-occupied homes will change hands this year (see Figure 11). This is slightly less (-1.8 percent y-o-y) than in 2020, when 236,000 owner-occupied houses were sold. We expect to see 211,000 transactions (-8.9 percent y-o-y) in 2022.

The demand for housing remains high, as shown by the continuing and rapid increases in house prices. The falling number of sales should therefore not be seen as evidence of a cooling housing market. The decline can be entirely attributed to the drying up of supply (see Figure 12). The number of houses for sale declined even further over the past year from a level that was already historically low. Across the entire market, according to the Dutch Association of Real Estate Brokers (NVM), only [22,500](#) (in Dutch only) homes were on sale in the second quarter of 2021.

**Figure 11: Sales expected to reach their ceiling in 2021**



Source: Statistics Netherlands (CBS), RaboResearch

**Figure 12: Supply of owner-occupied houses drying up**



Source: Dutch Association of Real Estate Brokers (NVM)

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