The Netherlands

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MACROECONOMIC OVERVIEW

In 2016, the economy expanded at the fastest pace since 2007. According to data from Statistics Netherlands (CBS), real GDP rose by 2.2%. The increase was primarily driven by domestic demand. Helped by a stronger labour market, private consumption increased by 1.7% compared to the previous year. Gross fixed capital formation surged 4.8%, largely on the back of residential investment (+19%), and public spending posted the strongest increase since 2010. Next to domestic factors, net exports contributed positively too, adding 0.2 percentage points to GDP growth.

In terms of sectors, commercial services were the main growth driver. Particularly retail and temporary employment agencies provided a strong growth stimulus. Manufacturing and construction output rose too, but the energy sector was negatively impacted by the government's decision to further lower the maximum allowed gas production. The decline in energy production shaved off almost 0.2 pps of GDP in 2016.

Rising output levels induced businesses to hire more people. Employment (total hours worked) expanded by 2% in 2016. The unemployment rate declined from 6.9% in 2015 to 6.0% in 2016. Wage growth picked up too, but modestly, which indicates that the economy was still running below potential. Moderate wage growth and falling energy prices helped to keep inflation low. The inflation rate (as measured by the Consumer Price Index) was 0.1 in 2016. Core inflation fell from 1.2% to 0.8%.

The government budget balance returned to a surplus; the first since 2008. From -2.1% in 2015, the fiscal balance improved to +0.4% in 2016. Increased economic activity boosted tax income, while a rebate from the EU helped to lower expenditures. Excluding interest payments, the surplus was 1.8%. Falling gas revenues prevented the primary deficit from improving further. Government debt was 62.3% of GDP at the end of 2016.

HOUSING AND MORTGAGE MARKETS

HOUSING MARKET

In 2016 the number of housing completions rose by 13% to nearly 55,000, after reaching a low point in 2014 at around 44,000 dwellings and is catching up with the housing needs of the country. The number of households has grown by 56,000 in 2016 and is expected to grow the next years by 70,000 units per year.

The number of housing transactions increased in 2016 by 21% to 215,000. The post crisis effect has worn off. The amount of housing transactions in 2016 surpassed the amount in 2007. Together with the transactions also the house prices rose by 5.1% in 2016. Among the Dutch regions, the Amsterdam area stands out with an increase in house prices of 13.5%.

MORTGAGE MARKET

The main driver in the current mortgage market is low interest rates. Therefore new long term mortgages are more affordable and refinancing with a lower interest is a popular practice. 75% of the new contracts had a fixed term longer than 5 years, whereas in 2013 only 36% choose a contract with more than 5 years fixed.

The maximum LTV has been lowered another 1% to 102%. Starting in 2013, the maximum LTV has been lowered each year by 1%. This gradual reduction will continue until 2018 when it will reach 100%.

Also since the start of 2013, new mortgages have to be repaid in full after 30 years and at least on an annuity basis in order to be eligible for tax deductibility. Deductibility stays intact for existing mortgages. However the maximum interest deductibility rate will decrease. In 2013, the maximum tax rate was 52%. Each year since January 2013, the maximum interest deductibility rate will decrease by 0.5% until it reaches 42%.

The near future for the Dutch housing market looks positive in the following respects:

- a growing economy and a positive consumer confidence
- improvement in affordability as a result of historically low mortgage rates
- reduced legislative uncertainty as there is confidence that the government is not going to take new structural measures in relation to the housing and mortgage markets.

	NETHERLANDS 2015	NETHERLANDS 2016	EU 28 2016
Real GDP growth (%) (1)	2.0	2.2	1.9
Unemployment Rate (LSF), annual average (%) (1)	6.9	6	8.5
HICP inflation (%) (1)	0.2	0.1	0.3
Outstanding Residential Loans (mn EUR) (2)	656,015	664,416	6,981,540
Outstanding Residential Loans per capita over 18 (EUR) (2)	48,696	48,989	16,838
Outstanding Residential Loans to disposable income ratio (%) (2)	200.5	198.6	n/a
Gross residential lending, annual growth (%) (2)	27.8	60.8	3.2
Typical mortgage rate, annual average (%) (2)	2.9	2.6	2.6
Owner occupation rate (%) (1)	67.0	67.8	n/a**
Nominal house price growth (%) (2)	2.9	5.0	4.6

* Please note that this value is the simple average of the typical interest rate of the EU 28 countries
** Please note that for the EU this data has a one year lag. For the latest available data please refer to statistical table 10.

Sources:
(1) Eurostat
(2) European Mortgage Federation - Hypostat 2017, Statistical Tables.

NETHERLANDS FACT TABLE

Entities which can issue mortgage loans:	Mortgages are mostly being issued by banks and insurance companies. But also the government, municipalities, companies in general and private persons may issue mortgages. However, for professional issuing of mortgages a company needs a licence from the Netherlands Authority for the Financial Markets. There are strict regulations for licence holders to protect the consumer.
The market share of the mortgage issuances:	In 2014: 63% banks; 25% insurance companies; 12% other (i.e.: state, municipalities, private persons).
Proportion of outstanding mortgage loans of the mortgage issuances:	62% banks; 29% special purpose vehicles; 7% insurance companies; 2% other.
Typical LTV ratio on residential mortgage loans:	Unknown; max LTV in 2014 is 104%, drops in steps of 1 percent point to 100% in 2018.
Any distinction made between residential and non-residential loans:	A mortgage is registered at the Kadaster (Land Registry and Mapping Agency). There is registered whether a piece of land or object is mend for residential purposes.
Most common mortgage product(s):	Annuity and interest-only.
Typical maturity of a mortgage:	7 years
Most common way to fund mortgage lending:	Not available
Level of costs associated with a house purchase:	2% taxes; 4% other transaction cost (i.e. notary; real estate agent; taxation).
The level (if any) of government subsidies for house purchases:	There is a guarantee fund, the Nationale Hypotheek Garantie (NHG). For mortgages lower than EUR 265,000 and certain conditions, the NHG guarantees the payback of the remaining mortgage debt in case of foreclosure (again at certain conditions).