Dutch residential mortgage market

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 911.6 billion in Q2 2025[1]. This represents a rise of EUR 43.6 billion compared to Q2 2024.

Tax system
The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for partial deductibility of mortgage interest payments from taxable income. Historically, this has resulted in various deferred amortisation mortgage products, most importantly the use of interest-only loan parts.

Since 1 January 2013, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

A second reform imposed in 2013 was to reduce the tax deductibility by gradually lowering the maximum deduction percentage. As a result, the highest tax rate against which the mortgage interest may be deducted is 37.48% in 2025. This is a slight increase compared to 2024 due to the introduction of an additional income tax bracket which is slightly higher than the lowest income tax bracket. Mortgage interest can be deducted from income in the second tax bracket in 2025.

There are several housing-related taxes which are linked to the fiscal appraisal value ("WOZ") of the house, both imposed on the national and local level. Moreover, a transfer tax of 2% is due when a house is acquired for owner-occupation. From 2021, house buyers aged between 18 and 35 years will no longer pay any transfer tax. From. This exemption only applies to houses sold for 525,000 euros or less (2025) and can only be applied once. In 2025, a transfer tax of 8% is due upon transfer of houses which are not owner-occupied (compared to 10.4% in 2023 and 2024).

Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

Loan products
The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

Firstly, the "classical" Dutch mortgage product is an annuity loan. Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan originations.

[1] Statistics Netherlands, household data.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between five and 15 years. Rate term fixings differ by vintage, however. In recent years, there was a strong bias to longer term fixings (20-30 years) but since Q2 2022 10 year fixings have rapidly increased in popularity as the sharply increased mortgage rates drove borrowers to seek lower mortgage payments by going for shorter fixings. Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

Underwriting criteria

Most of the Dutch underwriting standards follow from special underwriting legislation ("Tijdelijke regeling hypothecair krediet"). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% or 106% when financing energy saving measures. The new government has indicated not to lower the maximum LTV further. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation "NIBUD" and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending. Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

Recent developments in the Dutch housing market [3]

The supply of owner-occupied homes has recently seen a considerable increase. This is mainly due to investors selling their rental properties (the so-called "sell-off wave") because of the deteriorated investment climate: Initial monthly rents have been capped by the Affordable Rent Act, and housing investments are taxed more heavily. Despite this, house prices have risen sharply in the first half of 2025. Existing owner-occupied homes were 7.9% more expensive in than in the same month a year ago. The sharp increase in prices implies that the demand for housing has risen faster than the supply in the past year. The increase in demand is related to both wage growth and population growth. It is also conceivable that some people are no longer looking for housing in the rental sector, but actively looking for a home to buy instead. After all, the supply in the rental sector is drying up rapidly as a result of the changing investment climate.

Although prices are still rising at a historically high rate, this growth rate slows down since November of last year. The declining growth rate can be explained by the increase in supply and by the (at least nationally) declining affordability of owner-occupied homes. Since the beginning of 2024, the price index of existing owner-occupied homes by Statistics Netherlands has once again risen significantly faster than wages, despite the price-depressing effect of the wave of sales. Former rental properties are generally cheaper than the average owner-occupied home sold (according to the Kadaster), slightly reducing the average transaction price.

Especially outside the Randstad, houses have become considerably more expensive in recent years. In various regions in Groningen and Drenthe, existing owner-occupied homes were on average more than 16% more expensive in the second quarter of 2025 than during the previous house price peak in 2022 . In the frontrunner region of Delfzijl and the surrounding area, existing owner-occupied homes were up to about 20% more expensive than in 2022.
Regions in the west of the country are experiencing more subdued price growth. This is probably related to the sale of former rental properties. These sales are happening especially rapidly in the Randstad (according to the NVM), and this extra supply slows down price growth locally. The city of Utrecht is the odd one out. Although many former rental properties are also being sold in this city, a relatively strong price increase has been recorded in recent quarters. Not only in comparison with the Netherlands as a whole, but also with the three other largest Dutch cities: Amsterdam, Rotterdam, and The Hague.

In the first seven months of this year, more than 130,000 existing owner-occupied homes changed hands. This is about 19,000 more than in the same period last year. Landlords – especially private landlords – are increasingly selling their rental properties to people who are going to live in these houses as owner-occupiers. In other words, they are selling to “ordinary” buyers. The latest figures from the Dutch Land Registry show that in the second quarter of 2025, residential investors sold no fewer than 7,350 rental homes on the owner-occupied housing market, more than double the number of two years ago. Housing investors who buy existing owner-occupied homes to then rent out have become rare: The current *buy-to-let* numbers are dwarfed by the numbers we saw until 2021, and are only a fraction of the flow in the opposite direction. The wave of sales is partly related to the increased regulation in the mid-rental segment (the Affordable Rent Act), the fact that temporary rental contracts are no longer allowed, the tax treatment of private rental properties in box 3, and the increased interest rates.

The number of new owner-occupied homes to be built has recently stabilized somewhat. In the past twelve months, just under 34,000 newly built owner-occupied homes were sold. The level of the end of 2021 is therefore still far from sight: In that period, over 39,400 of these homes were sold (WoningBouwers.nl). There also seems to be a mismatch between supply and demand in the sale of newly built homes. New construction has a strong focus on inner-city construction and affordability requirements. In line with this, there is a lot more supply of small apartments. But the sale of these newly built apartments is faltering. Homes in this segment may be experiencing competition from the wave of rental home sales, as a result of which a relatively large number of apartments in the lower price segments is also becoming available. In other market segments, the appeal and selling potential of newly built homes is higher.

Moreover, the pace at which new homes are completed is slower than the pace at which new permits are issued. As a result, more and more homes are in the pipeline: Almost twice as many as 10 years ago. These are licensed homes where construction has sometimes already started. Since the end of 2023, the number of homes under construction has clearly been increasing. As soon as these homes are completed, they should disappear from the pipeline. But this process does not seem to be going very smoothly, given the downward trend in the number of new homes completed.

Another CBS statistic suggests that homes are being built at a somewhat slower pace. The number of homes that started construction at least two years ago has risen sharply over the past two years. The number of homes of which construction started less than two years ago has also increased, but less in percentage terms. The implication is that a number of generally positive trends – in addition to the number of homes in the pipeline, order books at construction companies have also been showing an upward trend for some time – are not indicative of more short-term residential construction in the current market.

Forced sales

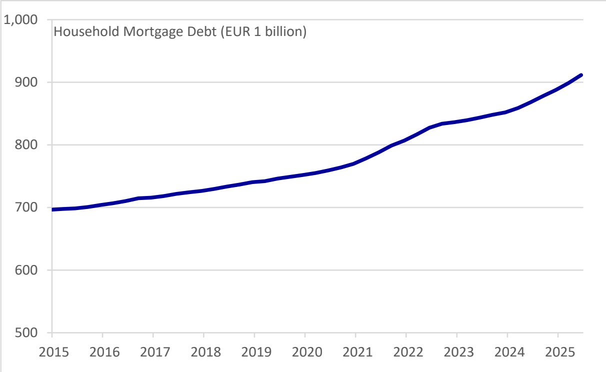
Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates[2]. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn post financial crisis was increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. The Land Registry recorded 82 forced sales by auction in Q2 2025 (0.12% of total number of sales over a 12 month period).

[2] Comparison of Moody's RMBS index delinquency data.

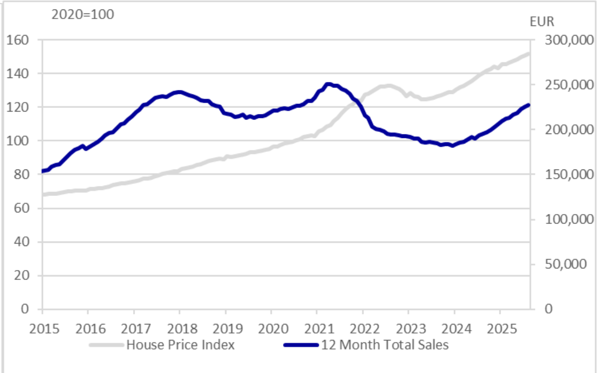
[3] Rabobank Housing market quarterly of 19 September 2025

Chart 1: Total mortgage debt



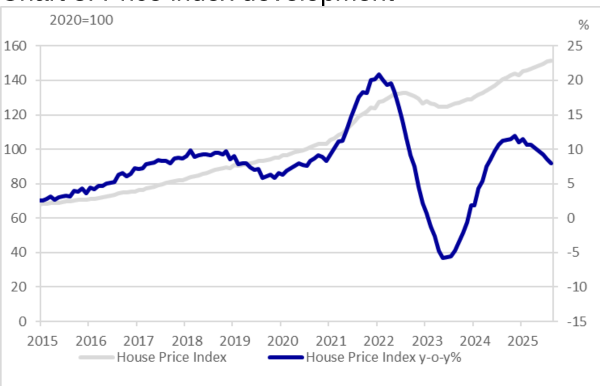
Sources: Statistics Netherlands, Rabobank

Chart 2: Sales



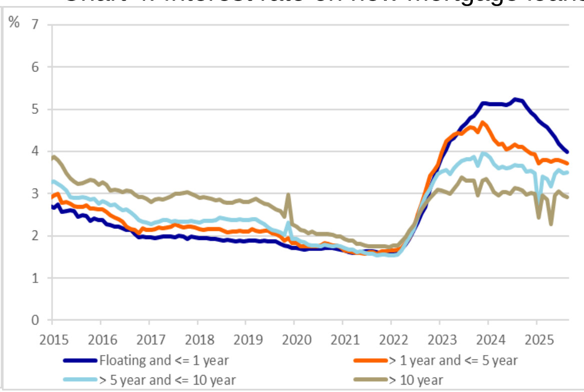
Sources: Dutch Land Registry (Kadaster), Statistics Netherlands (CBS)

Chart 3: Price index development



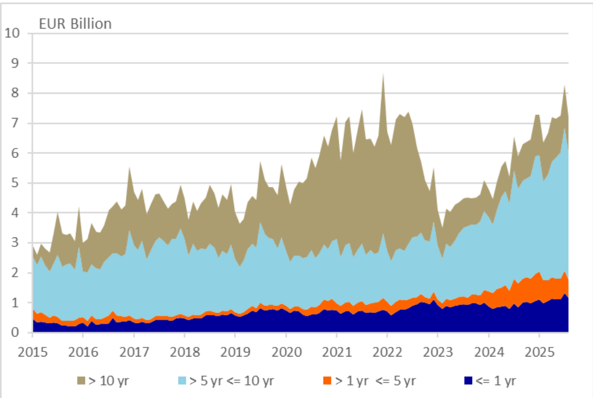
Sources: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



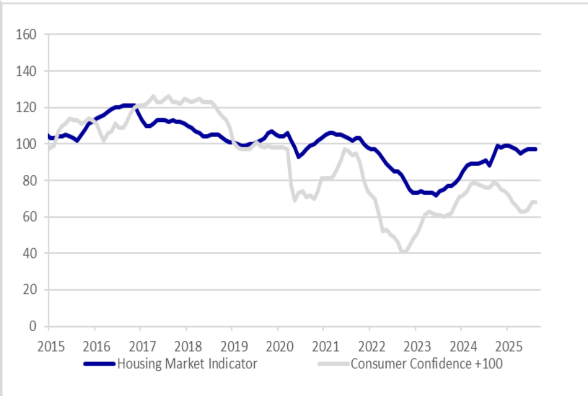
Source: Dutch Central Bank

Chart 5: New mortgages by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Sources: Statistics Netherlands, OTB TU Delft and VEH