

Rabo economists present theme report on the Dutch housing market:

'DUTCH HOUSING MARKET IS NOT A HOUSE OF CARDS'

Rabobank does not foresee a 'bubble' in Dutch house prices. The current difficulties in the U.S. housing market have led a few pessimists to express the opinion that the Dutch housing market is starting to experience the same problem. 'Housing markets have a highly national orientation and this is also clearly the case in the Netherlands,' says Rabo economist Martijn de Jong-Tennekes. 'The level of involvement of the national government is so high in the Netherlands that international comparisons without a national context are of little use.' Rabobank is consequently maintaining the forecast that house prices will rise by 4.25 percent and 3.25 percent in 2007 and 2008 respectively.

While the Dutch population has a relatively high level of lending, the majority of loans are taken out to finance the purchase of a home. This is because it is financially attractive to finance a home with borrowed capital in the Netherlands. This is due in part to the home mortgage interest deduction and the rise of first-time homebuyer mortgages. The introduction of the supplementary loan scheme has also made paying off a house less attractive.

The Dutch population has an even higher level of 'savings' capital. Net capital (adjusted for debt) rose again in 2006 and 2007. This means Dutch families on average have an extremely healthy balance sheet. Dutch house prices contribute to this financial health. The increased range of financing possibilities and the continuing housing shortage have enabled the continued rise in house prices, even during periods of lower economic growth.

The Dutch economy is currently moving forward at full force. While the capital market interest rate may rise again in 2008, the structural housing shortage and the lagging production of new housing will continue to drive up house prices further next year. Dutch households have also increasingly opted for long fixed-interest periods since 2005. As a result they are still benefiting from the relatively low interest rates of the recent past and will continue to do so in the years ahead. Dutch families are consequently relatively well protected against short-term interest rate changes.

For questions: Rabobank Group Press Information Office
René Loman, tel. 030 216 26 22 or e-mail: r.loman@rn.rabobank.nl