



SUBURBIA PRESENTS

**THE FORGOTTEN DRIVER OF
THE DUTCH HOUSE PRICE
BOOM**

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Summary

House prices in The Netherlands have increased. In big cities, this increase is even sharper as demand for metropolitan housing increases. On the other hand, the number of houses sold per month has decreased in all big four cities after the financial crisis. After it hit a decade-high by the end of 2012 and beginning of 2013, the number of houses sold today has experienced a sharp decrease in all Dutch cities. This report shows that the supply of houses has an immediate negative effect on the asking price as it increases the bargaining power of home-owners.

Introduction

The Dutch housing market is under pressure. Housing prices have experienced a continuous increase since an ever-low point after the financial crisis. Amsterdam noticed the highest increase in house prices among the big cities, but other cities also faced a significant growth. The reasons for this surge are numerous. At first, with a decrease in the supply of new houses, the overall supply of houses has decreased. On the demand side, low mortgage rates have made buying a house attractive as most buyers profit from overbidding once and paying low mortgage repayment for the rest of their loan. This excess demand has pushed overbidding to an all-time high, especially in urban areas like the big cities in Randstad. House price increases are detrimental on consumption capability and on urban housing affordability. As houses become more expensive, fewer people will be affording the high prices.

Variables that affect housing prices are not usually as volatile as prices. However, the supply and demand forces have an immediate effect on the price. For example, supply shortages that are much bigger in big cities move at an opposite trend to increases in house prices. Keeping demand constant, shortage in the supply gives sellers a higher bargaining power on their asking price. Looking at this data more frequently is not only helpful to observe the evolution of houses sold or prices per house/square meter but also to analyse a potential relationship between supply and asking price.

Data Insights

The following table gives details on the asking price per average house in The Netherlands in May 2018 and its percentage change as compared to April 2018:

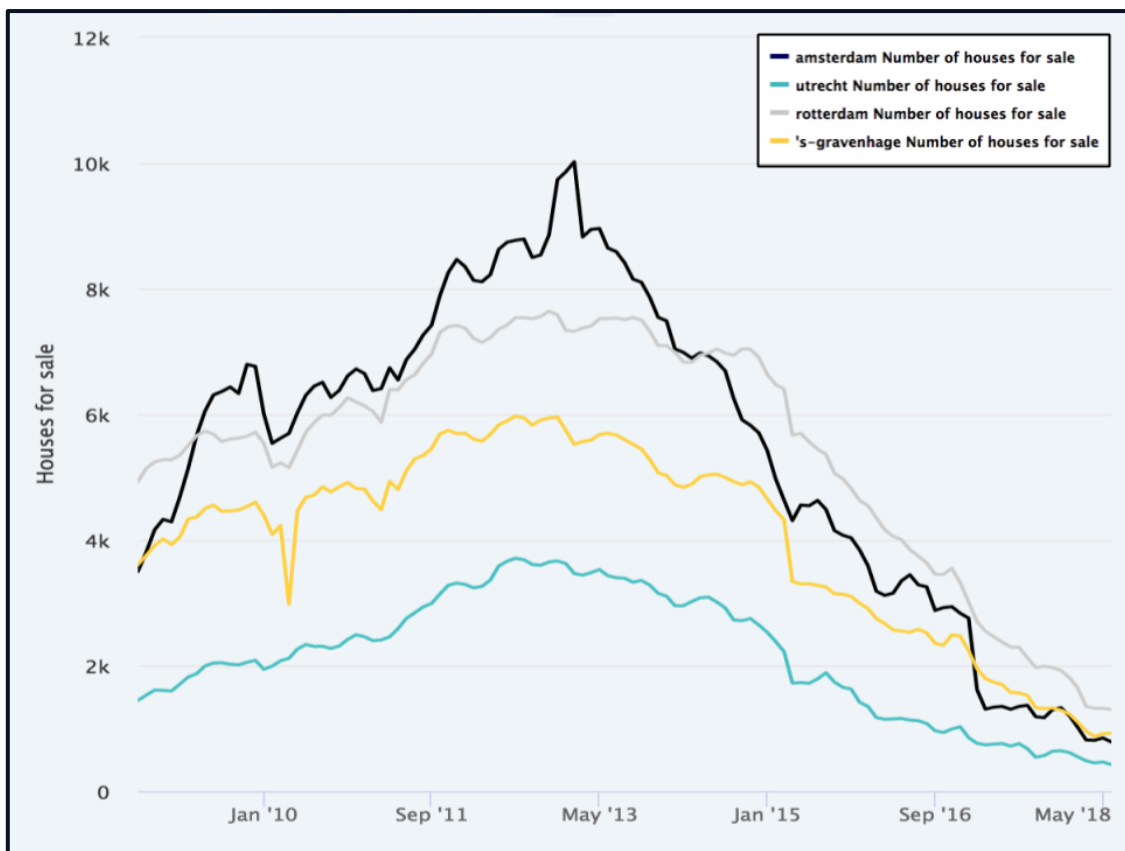
Median Asking Price	€286.948	+2.84%
Average Asking Price	€375.793	+2.06%
Average Asking Price/square meter	€2.501	+1.33%

Huizenzoeker (June 2018)



As shown in Figure 1 below, the number of houses sold per month has decreased in all big four cities after the financial crisis. After it hit a decade-high by the end of 2012 and beginning of 2013, the number of houses sold today has experienced a decrease of 70% (Utrecht) to 96% (Amsterdam). If we assume that demand keeps at the same levels, a more suitable supply of housing is needed to overcome the problem of price increase.

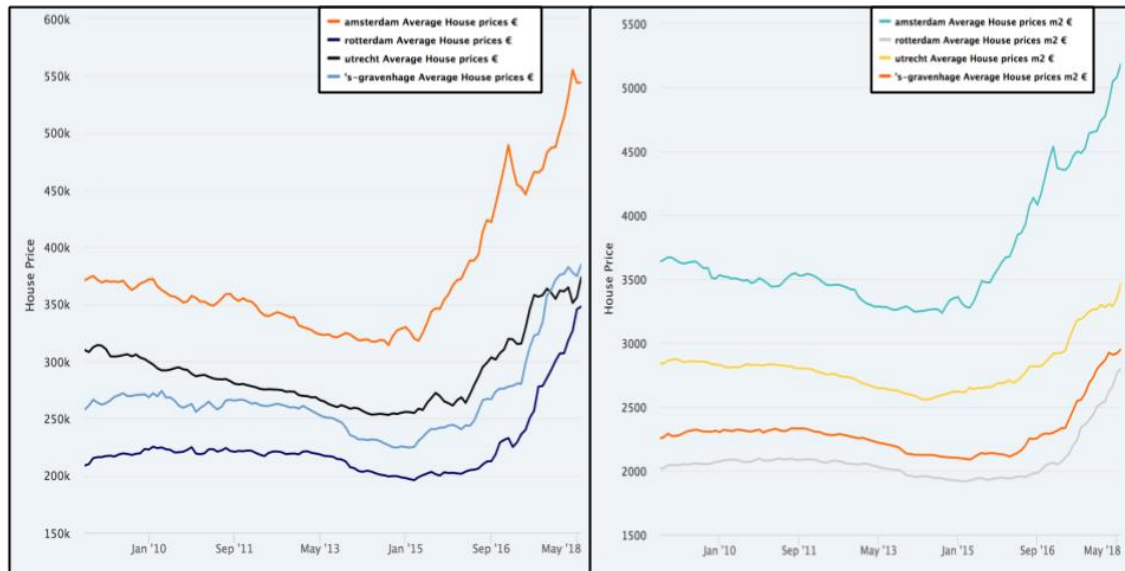
Figure 1



If we look at Figure 2, when compared to January 2013 when houses sold were at its highest record, prices per square meter have increased with 55% in Amsterdam, 31% in The Hague, 29% in Utrecht and 36% in Rotterdam. When compared to January 2013 when houses sold were at its highest record, average prices per house have increased with 65% in Amsterdam, 48% in The Hague, 38% in Utrecht and 57% in Rotterdam.



Figure 2



Conclusion

As interest rates are attractively low, demand to live in metropolitan areas has been increasing and house prices have surged. Additionally, there is a shortage in new houses being built and it is granting home-owners greater bargaining power on their pricing strategy. In the case of the real-estate market, when demand is high, supply has become a dominant driver on prices in The Netherlands.

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