Dutch Living Outlook 2025-2027

Bouwinvest Real Estate Investors

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Executive summary

Living market

- The first signs of recovery were noted in early 2024, with yields stabilising and capital values rising.
- A significant issue remains the increasing shortage of homes. The Affordable Rent Act has contributed to rising rental prices amid a shift towards owner-occupied housing and a reduced supply of rental properties.
- Sub-sectors such as Purpose-Built Student Accommodation (PBSA), senior housing and intramural/private care offer significant investment opportunities due to demographic changes and a lack of variety within the housing stock.

Economy, policy and capital markets

- Supported by an improved economic outlook, a recovery in the real estate market is becoming increasingly evident as interest rates decline and property values stabilise.
- The new government intends to accelerate housing market growth, despite challenging investment conditions.
- The Netherlands remains a prime destination, with 2025 poised to offer an attractive entry point for investments in Dutch real estate.

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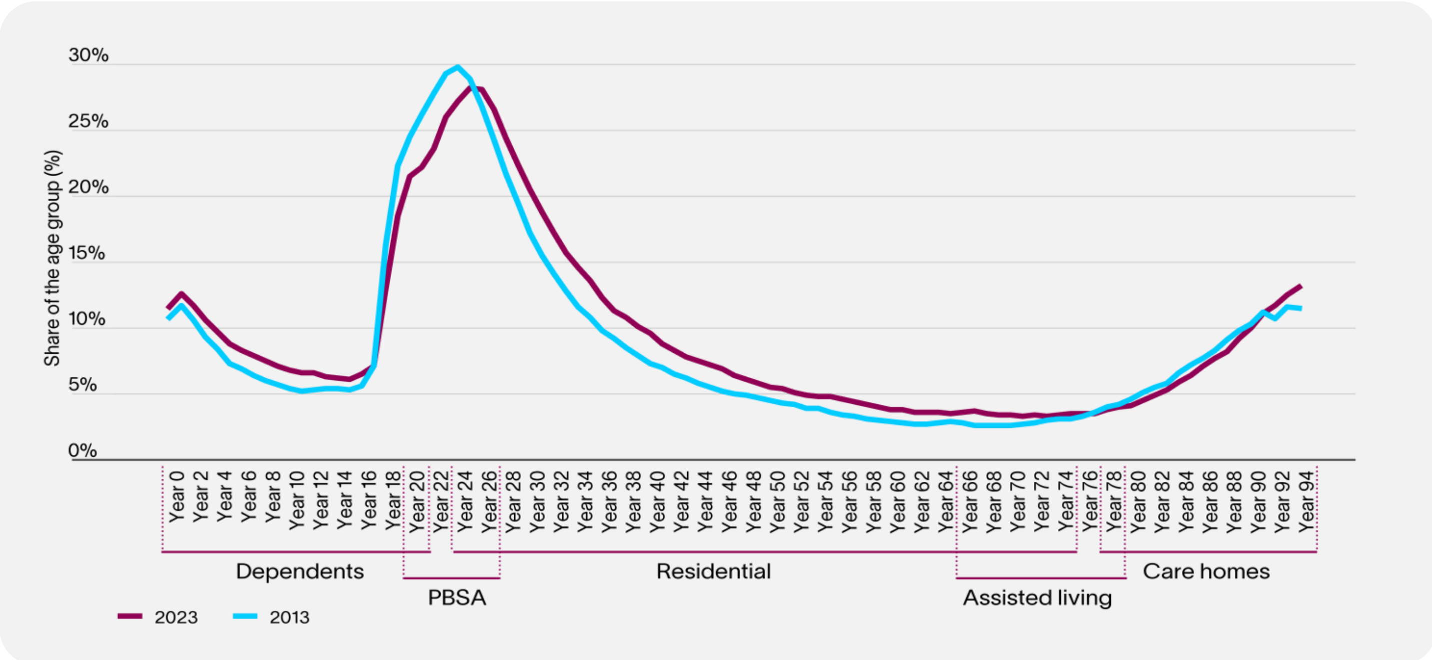
Introduction: Outlook 2025-2027 for the Dutch living market

The housing crisis extends beyond a mere shortage of homes. Another significant issue is the lack of variety in the housing stock, which disrupts the flow of tenants and poses an equally serious challenge.

Each demographic group has unique housing needs, ranging from students to seniors, from short stay to long stay. Different segments within the housing sector can address these diverse requirements. However, the current housing supply lacks sufficient variety, forcing many people to settle for options that do not meet their specific needs or financial situations. This creates a bottleneck to housing market mobility as significant life events are delayed, such as first-time independent living, or later life retirement living, as shown in figure 1. In this Outlook, we identify every segment of the housing journey shown in figure 1. By identifying which demographic groups have the largest supply and demand gaps, both now and in the future, we can offer a clear framework for potential investment opportunities at every stage of the housing journey.

Figure 1: Share of people who moved home, in terms of age; a visualisation of the housing journey in 2013 vs 2023



Source: CBS, Bouwinvest Research (2024)

Stakeholders in the residential and healthcare investment market have been seeking price equilibrium due to the sharp rise in interest rates over the last two years. Additionally, many institutional investors have been in standby mode due to the uncertainty surrounding the Affordable Rent Act and the pending Rent indexation court case. Some investors have chosen not to wait. For instance, many small private investors have sold their assets on the owner-occupier market, while some larger parties have turned their back on their investment activities in the Netherlands (such as Patrizia and Capreit) or switched to a unit-sales strategy (including Heimstaden).

For now, the rise in interest rates seems to have come to an end, and the Affordable Rent Act has been in effect since 1 July 2024. Meanwhile, the end-users in the housing market have not been idle, due to the persistent demand and increasing housing shortages. This resulted in an unprecedented strong recovery of the owner-occupier market in the second quarter of 2024, while market rents in the rental sector continued to increase. In both instances, market prices have been fueled by higher wages.

Outlook 2025-2027

The demographic outlook provides broad and plentiful investment opportunities for the entire living segment. This belief is mainly underpinned by current and future housing shortages, which we expect to increase by 36,000 homes to approximately 436,000 in 2026 (5.4% of the total supply). In the short term, the development of market values will therefore be mainly influenced by demand from end users. Our expectation is that these end users will continue to push the boundaries of affordability, partly due to the housing shortage and fueled by further wage increases. This will drive prices in both the rental and owner-occupied segments to new heights in the coming years, especially in the overflow areas around major cities.

While we expect limited interest rate reductions, leaving little room for yield compression, we do see potential for yield compression in living segments that are currently underdeveloped, and which show above-average growth potential, offering an attractive risk-return profile, like PBSA, assisted living and private care. Additionally, taking into account mean reversion, we identify opportunities for above-average value growth and yield compression in urban areas such as Amsterdam, which have seen relative strong depreciation over the past two years.

Market trends defining the Dutch living sector

A wide range of trends are impacting the Dutch living sector. While each sub-segment within the living sector has its unique characteristics, there are also overarching trends that affect the entire sector. Three of these are highlighted below. In addition, the living segment shows relative resilience in the face of economic turbulence, but is also influenced by short-term developments such as inflation and interest rates, the general investment climate in the Netherlands and even the sentiment regarding investments in the living sector (more about this in the investment chapter).

Strong demographic fundamentals

The demographic fundamentals are strong in every living segment. In general, the number of households will rise by 885,600 in the period to 2038, growing to 9.3 million from 8.4 million, a 10.5% increase. Single-person households, both young and old, will account for 70% of this growth.

The number of residents aged 75 and older is rapidly increasing, with a 47% rise over fifteen years, adding 799,000 people. This age group has relatively high care needs and many face mobility limitations, leading to a sharp increase in demand for care and assisted living.

The Randstad region's share of the Netherlands' total population is currently 42.6% and continues to grow. According to the Primos 2024 forecast, this share will rise to 44.2% by 2039.

Availability and affordability

Given the rising demand for housing, the issues of availability and affordability are becoming increasingly prominent. Our latest forecast indicates that the housing shortage will grow by 36,000 homes over the next two years, reaching approximately 436,000 homes.

This shortage is likely to drive up prices in both the owner-occupier and rental markets, further straining the attainability of housing for a number of groups. The affordability gap (p.13) is growing across the Netherlands, particularly in larger cities, highlighting the urgent need for investments in new-build developments.

A similar trend is evident in private care, where operators are providing more affordable services aimed at middle-income individuals.

Policy and regulations

The housing market's social issues have sparked a significant political push for intervention, creating uncertainty among investors. Some examples of recent or future policies:

The most notable example is the Affordable Rent Act, implemented on 1 July 2024. While this law was introduced with good intentions and includes several positive aspects, it also has its drawbacks, such as the selling of rental properties on the owner-occupier market.

The basic grant was reinstated in the'23-'24 academic year, to improve students' financial positions, helping them to make rent payments but also increasing demand. Additionally, the government plans to limit international student inflow by reducing English-taught programmes.

To boost the residential investment market, the real estate transfer tax will be reduced to 8% from 10.4% starting 1 January 2026. Bouwinvest expects this to have only a modest impact.

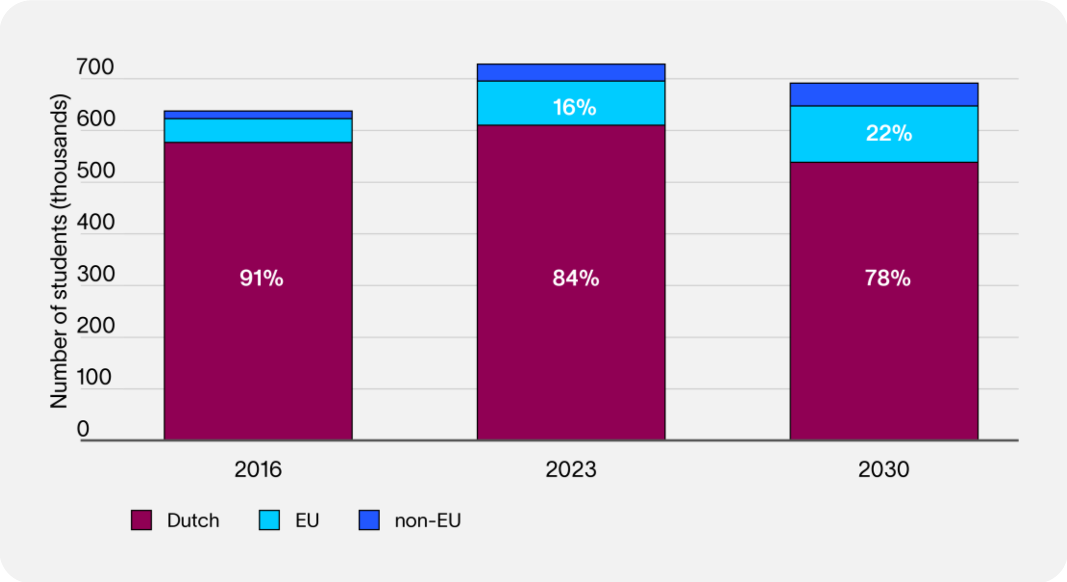
PBSA
Demand for PBSA is expected to increase coming years

The Dutch student population (domestic and international students combined) increased by 14.2% in the period 2016 to 2023. Currently more than 727,000 students are attending higher education. Looking at future expectations, data shows that the total number of higher education students will moderately decline by 5.0% in the period to 2030 (figure 2), However, Bouwinvest expects demand for PBSA to increase in the coming years, due to the internationalization of education and increasing student mobility.

According to the most recent statistics from UNESCO, on a global level 6.4 million students studied abroad in 2021, a number that has increased consistently since 2002 (except during Covid-19). European countries like the Netherlands have shown above-average growth of international students, while housing for these students by (private) PBSA providers is still far from adequate to serve demand. Within Europe, the share of international students in the Netherlands is relatively high (NL: 16.2% vs EU: 8.5%), mostly because of the high quality of education, number of available English-taught programmes, the reasonable costs of tuition and liveability in the Netherlands.

Currently, 118,300 international students are attending higher education in the Netherlands, compared to 60,500 in 2016 (+95.4%). Bouwinvest expects the demand for PBSA to continue to increase due to a continuing strong influx of international students, both EU and non-EU. The latest forecast shows that the number of international students will increase to 153,000 (+29.7%) in 2030 (figure 2).

Figure 2: Number of domestic and international students in the Netherlands



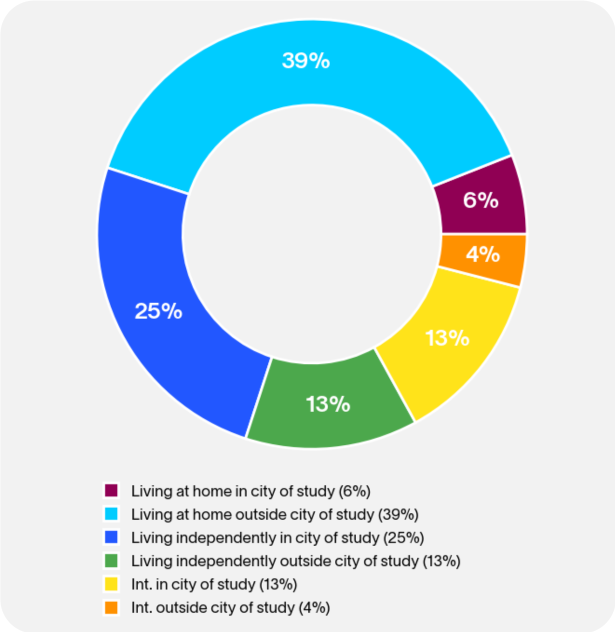
Source: Ministry of Education, Culture and Science (2024)

In the '23-'24 academic year, 404,800 students (including international students) are living in a form of student housing (55% of the total student population (figure 3). The number of students that want to live in student housing is much higher at 437,200 students, a mismatch of 32,400 beds.

For 44% of domestic students living at home, the affordability of housing is the main reason not to leave home. In addition, 20% of students living at home indicate that there is no housing available and 22% have no desire to leave home.

The basic grant (basisbeurs) was reinstated at the start of the '23-'24 academic year, with the aim of improving the financial position of students. The allowance is € 274 per month for students living away from home and € 110 for students living at home. The basic grant can make it easier for students to move away from their parents, as they have greater spending power than before. As new supply is lagging, Bouwinvest expects this increased spending power to drive greater demand for student housing among domestic students, resulting in a rise in market rents.

Figure 3: Living situation of the student population



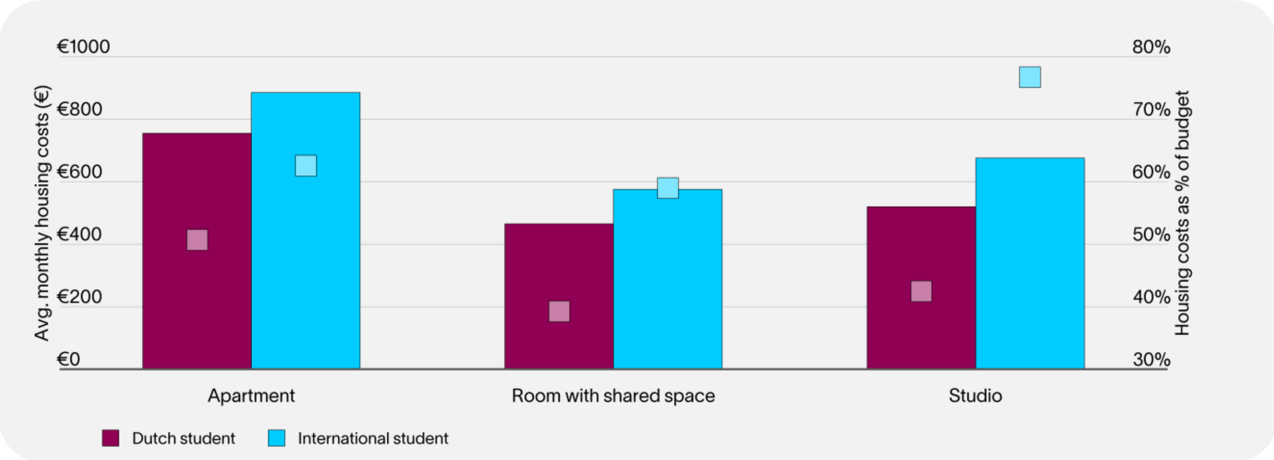
Source: Kences (2024)

PBSA
PBSA in the Netherlands is an underdeveloped niche in a very transparent and mature living sector

International students are a special group, as almost all these students have an undisputed housing need, whereas domestic students have the option to stay with their parents. International students generally do not have a network in the Netherlands and are therefore even more dependent on (private) PBSA operators than their Dutch peers. Also, they typically lease for a pre-defined and short period of time, for which they typically pay up front in full with limited price sensitivity. The number of international students will increase by approximately 34,700 in the period to 2030. This will push demand, especially for private PBSA, to new heights.

International students on average spend more on housing costs than their Dutch counterparts (figure 4). This is because international students generally go for fully furnished accommodation, sometimes with a number of services included, and because they are only living in the city temporarily and are therefore willing and able to spend more of their income on housing.

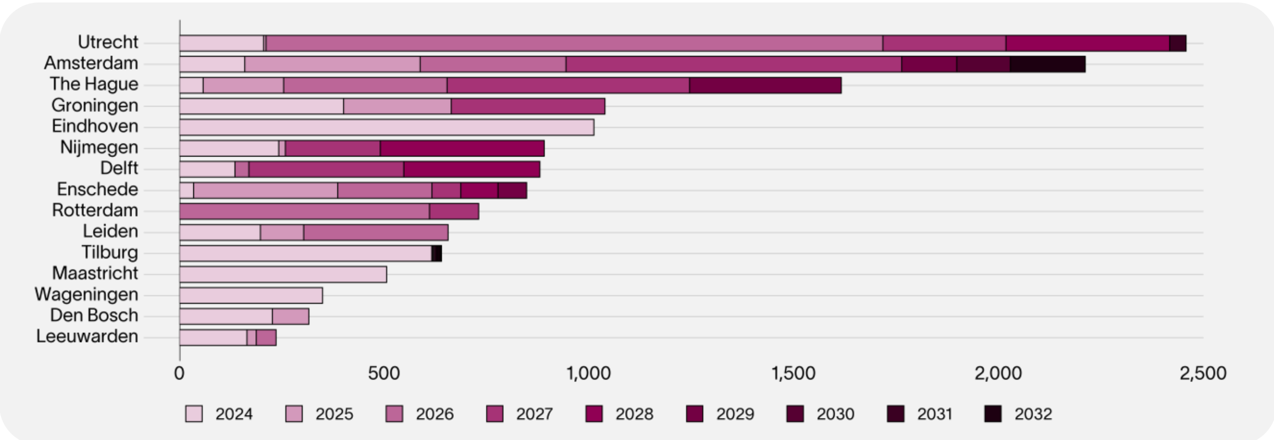
Figure 4: Average monthly housing cost compared to percentage of total monthly budget



Source: Kences, edited by Bouwinvest Research (2024)

Currently, there is a supply and demand mismatch of roughly 32,400 student beds. We expect this mismatch to increase in the coming years due to a limited development pipeline and increasing demand for student housing from both domestic students, due to growth in spending power, and international students, due the forecast growth of 34,700 international students in the period to 2030. Data shows that the current development pipeline consists of only 14,300 residential units specifically intended for students. These beds will be completed in the 20 student cities in the period 2024 to 2032 (figure 5) and will be operated by both private and social PBSA operators. Bouwinvest therefore expects the mismatch on the PBSA market to only increase.

Figure 5: Development pipeline per city by number of beds



Source: Kences (2024)

Private-PBSA in the Netherlands is currently an underdeveloped niche in a very transparent and mature residential market. In total, private PBSA operators currently have slightly less than 30,000 beds in operation in 30 different cities across the Netherlands. This means that only 3.9% of students live in private PBSA, while social PBSA providers service 21.5% of the total student population.

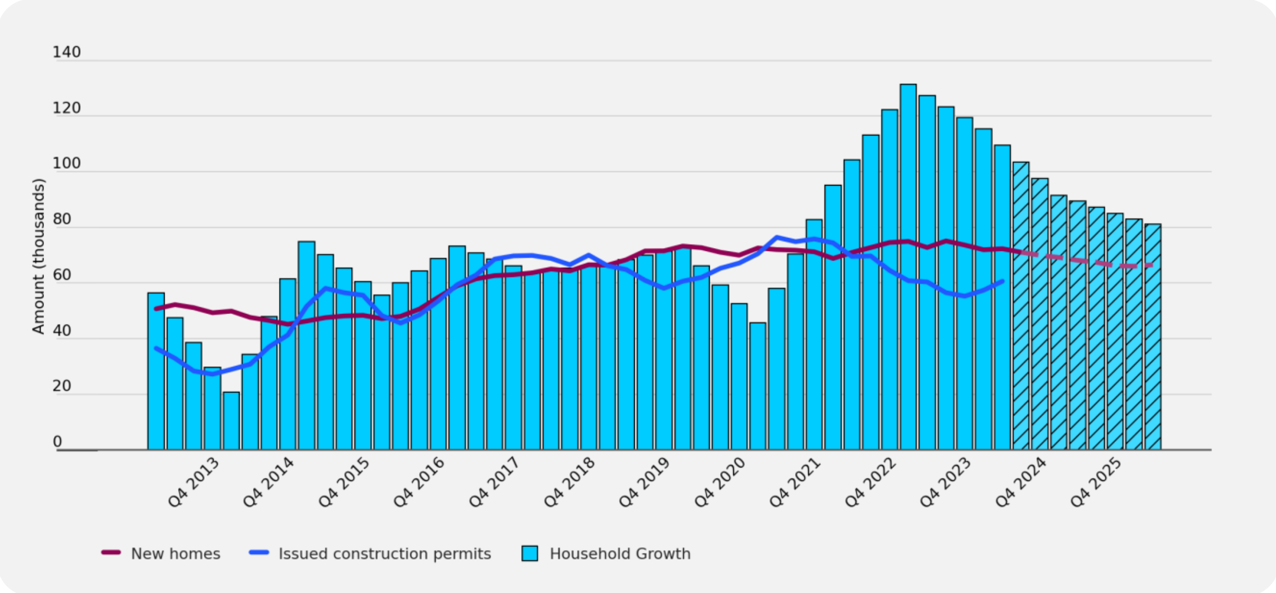
PBSA also shows a strong performance, with occupancy rates of around 99%, above-average rental growth and strong reversionary potential due to relatively short-term leases. Furthermore, this segment has proven to be less sensitive to economic cycles, but is also partly restrained by rental regulation. Taking all of this into account, Bouwinvest expects this niche within the living sector to see growing investor appetite and higher investment volumes in the coming years, due to its attractive risk-return profile.

Residential
The housing shortage will increase by 36,000 up to 2026

The current government aims to build 100,000 homes annually in the period to 2030 to tackle the housing shortage. Issued building permits are a good indicator of whether this goal is being met. In the second quarter of this year, 18,800 building permits for new homes were issued, the highest number since the end of 2021. This represents a 21% increase compared to the same quarter last year. While this is a positive step towards addressing the housing shortage, it is unfortunately not sufficient.

Our forecasts show that the number of households will continue to outpace the number of newly built homes over the next two years. The number of households is expected to grow annually by 85,000, while our forecast predicts that only 67,000 newly built homes will be added to the current housing stock per year in the same period. Consequently, we expect the housing shortage, currently at 400,500, to increase by approximately 36,000 homes in the next two years. This will result in an even stronger upward price pressure in both the rental and owner-occupier markets.

Figure 6: 12-month running sum of household growth and newly built homes

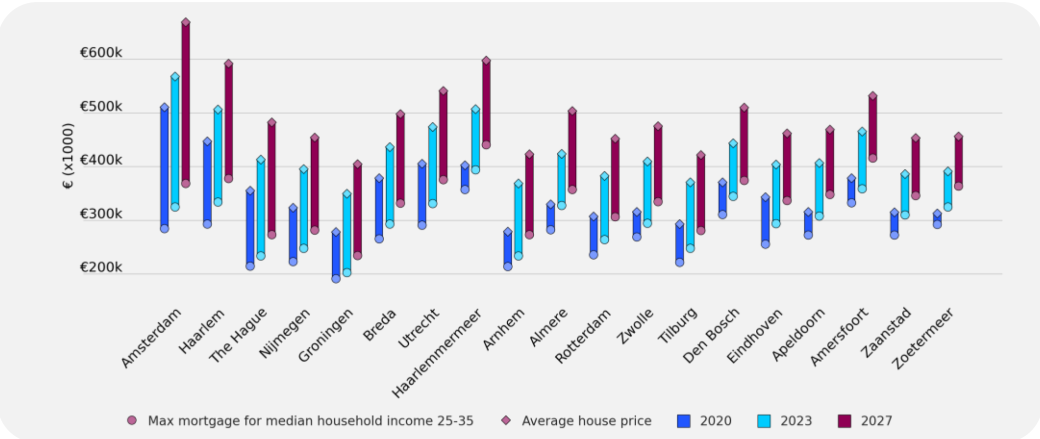


Source: Bouwinvest Research, CBS, ABF Research (2024)

The affordability gap highlights which cities have the least accessible housing markets for first-time entrants, these mainly being young households. In these cities, young households are more dependent on the rental market. Therefore, these areas also present significant investment opportunities for new-build developments servicing this target group.

Over the past three years, the affordability gap for first-time buyers has worsened across the Netherlands. Although purchasing power has improved since 2020, average transaction prices have increased at an even faster pace. Traditionally, cities like Amsterdam have the largest gap, but the most significant relative growth has been seen in smaller cities that were previously more affordable. Bouwinvest predicts that this gap will continue to widen in these cities. These markets present significant opportunities for new developments, for both owner-occupier and rental homes, that cater to the diverse needs and budgets of different life stages (fit-for-purpose). These opportunities include smaller apartments in convenient locations targeting a younger demographic.

Figure 7: The affordability gap for first-time buyers, 2020-2023 & forecast 2027



Explainer:
The affordability gap determines the maximum mortgage amount based on the average income of households aged 25-35 (CBS) per municipality using the Nibud norms. This maximum mortgage is then compared to average local transaction prices. The difference between these two values defines the affordability gap.

Source: CBS, NIBUD, Oxford Economics, Bouwinvest Research (2024)

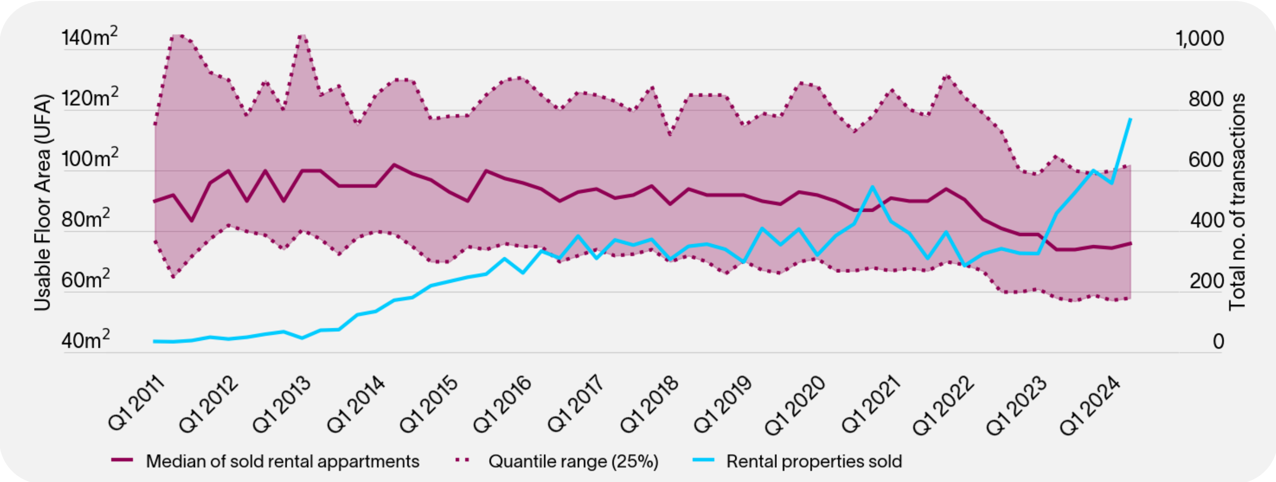
Residential
Affordable Rent Act drives up rental prices amid shift to owner-occupied housing

The social issues within the housing market have ignited a significant political intervention, exemplified by the Affordable Rent Act implemented on 1 July 2024. This law was introduced with good intentions and includes several positive aspects, but it also has a number of drawbacks. Since its announcement in early 2021, there has been a noticeable increase in rental properties being converted to the owner-occupied market (figure 8). This shift is largely driven by small investors concerned about the profitability of their investments, a trend that has gained even more momentum since the start of 2023.

This conversion will lead to a reduced supply of rental properties on the market. Notably, the affected properties are primarily located in larger cities and tend to be relatively small in size (figure 8), making them attractive to starters and young professionals at the beginning of their housing journey. On the other hand, the law has significantly limited the possibility of excessive rents, where price and quality are not proportionate. Additionally, it provides clarity and a level playing field for investors, especially for those focused on new-build developments.

One consequence of this wave of property sell-offs is an increase in rental market prices due to a lack of supply. The increase in stock from newly constructed rental properties is also limited. Therefore, most significant growth is anticipated in rental homes that are just above the points limit. Additionally, the rental supply is becoming less varied, as (smaller) properties with fewer points become less widely available.

Figure 8: Number of rental properties sold and average usable floor area (UFA)

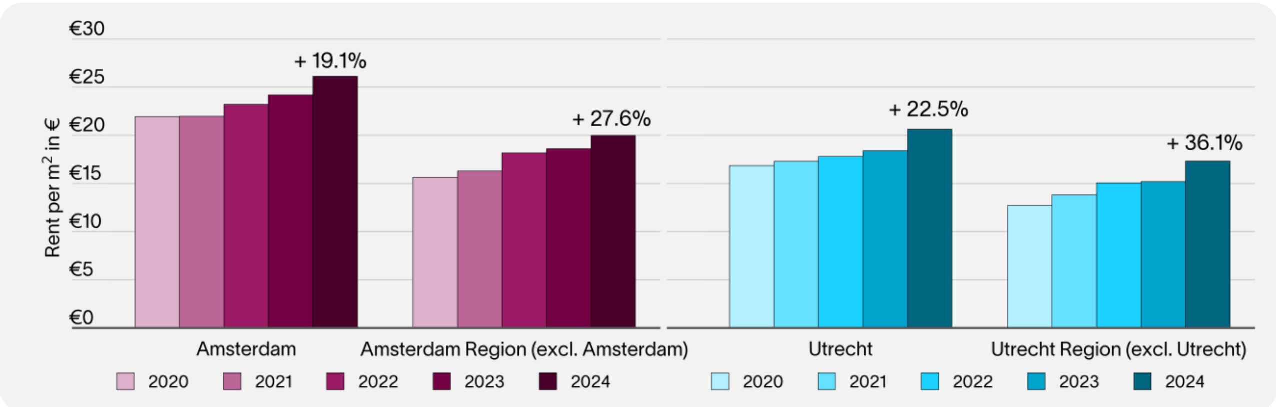


Source: Watson+Holmes, Bouwinvest Research (2024)

The pressure on the rental housing market continues to increase , especially in large cities. Due to a shortage of supply and relatively high prices, more and more households are moving to suburban areas around these cities, leading to above-average price increases in these regions (figure 9). Bouwinvest expects this trend to continue in the coming years due to the ongoing pressure.

The housing stock in these municipalities is gradually evolving. Compared to large cities, suburban areas typically offer larger rental homes, partly due to the higher availability of single-family houses. However, the average living space is now starting to decline, with the introduction of smaller apartments, which are particularly appealing to smaller households, such as young professionals. Suburban areas account for between 16% and 30% of rental transactions in urban regions, and we expect this share to rise, partly because these areas often present more development opportunities.

Figure 9: Development of rent per m2 in Amsterdam region and Utrecht region



Source: Watson+Holmes, Calcasa, edited by Bouwinvest Research (2024)

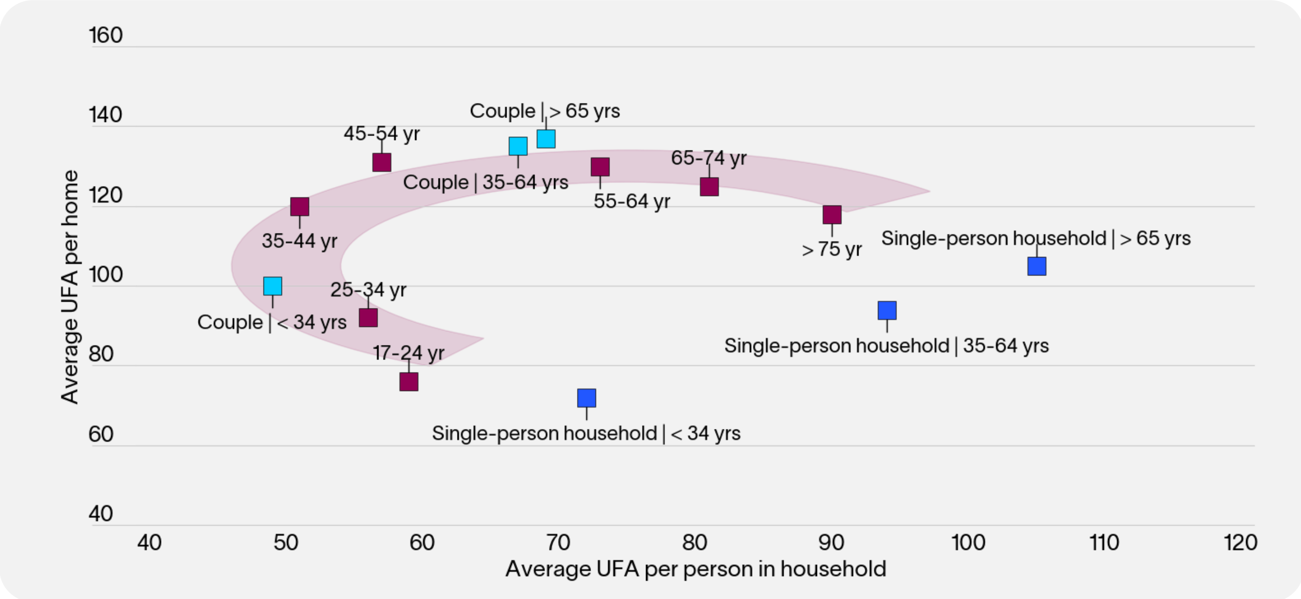
Senior housing: Assisted living
A robust and high-quality assisted living sector is essential for the living sector

In the Netherlands, assisted living refers to clustered independent housing designed for elderly people or individuals with or without disabilities who might now or in the future need assistance with daily activities or light care at home but do not require the intensive 24-hours medical and nursing care, like that as provided in nursing homes. These facilities offer a blend of independent living, support and community concepts.

The assisted living segment complements both the regular residential segment and the (private and intramural) nursing home care segment. When elderly individuals move to this type of housing, they make traditional homes available for younger households. Furthermore, by maintaining independent living for a longer period in assisted living facilities, they help to alleviate the demand for both intramural and private nursing home care. A high-quality and substantial assisted living segment is key to helping to stimulate the much-needed flow on the Dutch housing market and help relieve the rapidly increasing pressure on the nursing home care sector.

However, it is challenging to tempt this age group of elderly households to move to forms of assisted living communities. It is therefore essential to have a clear understanding of the current living conditions, housing needs, and motivations of the elderly age group.

Figure 10: Average usable floor area (UFA) in square meter per age group, per person and per household



Source: WoON, edited by Bouwinvest Research (2021)

Although the elderly segment of 65 and above is not homogenous, in general, elderly households still enjoy relatively more living space compared to other age groups (figure 10). According to WoON 2021 research, individuals aged 65 and above have an average of 81 to 90 square meters per person. This is largely because they tend to live in single-family houses and no longer need to share their space with children or, in some cases, a partner.

Motives for moving vary greatly depending on the phase of life and age and therefore also between the different groups of elderly households. For example, younger seniors are less motivated to move for health reasons than older elderly groups, whose reason for moving increases with age. For over one in five households aged 65 and older that have relocated in recent years, health or the need for care was the primary reason for moving (table 1).

While 'inadequacy of the previous home' is a significant factor for all age groups, for elderly households it typically means seeking single-floor and step-free homes to accommodate their physical needs. For the assisted living segment to be successful, these requirements, in turn, must be translated into tailor-made concepts.

Table 1: Households moved, by age and main reason for moving

	< 34 years	35-64 years	> 65 years
Other reason	18%	32%	27%
Health / need for care	1%	3%	22%
Inadequacy previous home	14%	15%	14%
Closer to family	4%	6%	12%
Previous living environment	4%	11%	10%
Financial reasons	5%	7%	8%
Divorce / end of relationship	5%	11%	3%
Marriage/cohabitation	16%	6%	1%
Work	9%	7%	0%
Study	6%	1%	0%
Will live independently	19%	2%	0%

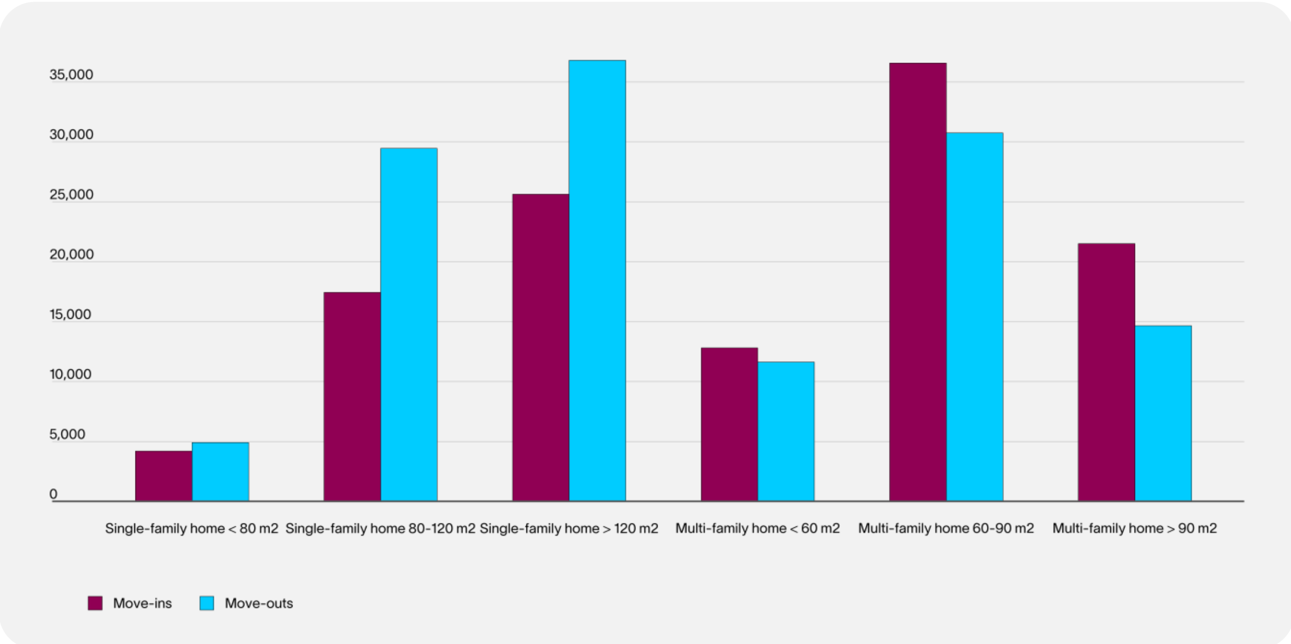
Source: WoON (2021)

Senior housing: Assisted living
It is about wanting to move to assisted living rather than needing to move

Available relocation data suggest a trend of older households moving from larger single-family homes to smaller multi-family homes (figure 11). Single-family homes across all size ranges show negative net change, while multi-family homes, particularly those between 60-90 m^2, show a positive net change. This pattern reflects a preference among older households for more manageable living spaces, improved accessibility and reduced maintenance demands.

While a recent study by the Economic Institute for Construction and Housing (EIB, 2024) found no absolute shortage of step-free or accessible housing, much of the available supply in this category does not appear to meet the specific needs and preferences of the elderly. Among those aged 65 and over, 25%-29% cite the lack of housing in their desired neighbourhood as a reason for not moving, while 12%-16% report difficulties in finding suitable options. Additionally, affordability is often a concern for 13%-21% of this age group (WoOn 2021). This is linked to the relatively low current housing costs for people over 65, largely due to mostly paid-off mortgages. Many elderly people are therefore hesitant to move, highlighting the need for more senior-friendly housing to encourage relocation and free up family homes. This presents both a challenge and an opportunity for the assisted living sector. Unlike other housing segments, the elderly age group often faces the decision of moving to an assisted living community as a choice, rather than out of necessity.

Figure 11: Relocations of households of 55 years and older by type of home and surface area



Source: Lokale Monitor Wonen (2022)

Many elderly people are therefore hesitant to move, highlighting the need for more senior-friendly housing to encourage relocation and free up family homes. This presents both a challenge and an opportunity for the assisted living sector. Unlike other housing segments, the elderly age group often faces the decision of moving to an assisted living community as a choice, rather than out of necessity.

Research studies conducted by organisations such as Companen (2020), Vereniging Eigen Huis (2021), WoOn (2022) and Platform31 (2023), reveal that seniors are more willing to move if their new homes meet specific requirements. Key factors include easy accessibility for the elderly and home care providers, high-quality new construction that ensures low maintenance and good sustainability, as well as proximity to essential amenities like supermarkets, healthcare facilities, and public transport. Moreover, seniors see a secure, community-oriented living environment as important, as they typically prefer to stay near their current homes to maintain social connections. Relocating closer to family, such as children or grandchildren, is also regarded as a viable option. These elements play a crucial role in the decision-making process for seniors considering a move. Tailoring assisted living concepts to individual needs and promoting community engagement can increase a development's appeal, encouraging seniors to view assisted living as a supportive and enriching option, rather than a mandatory transition.

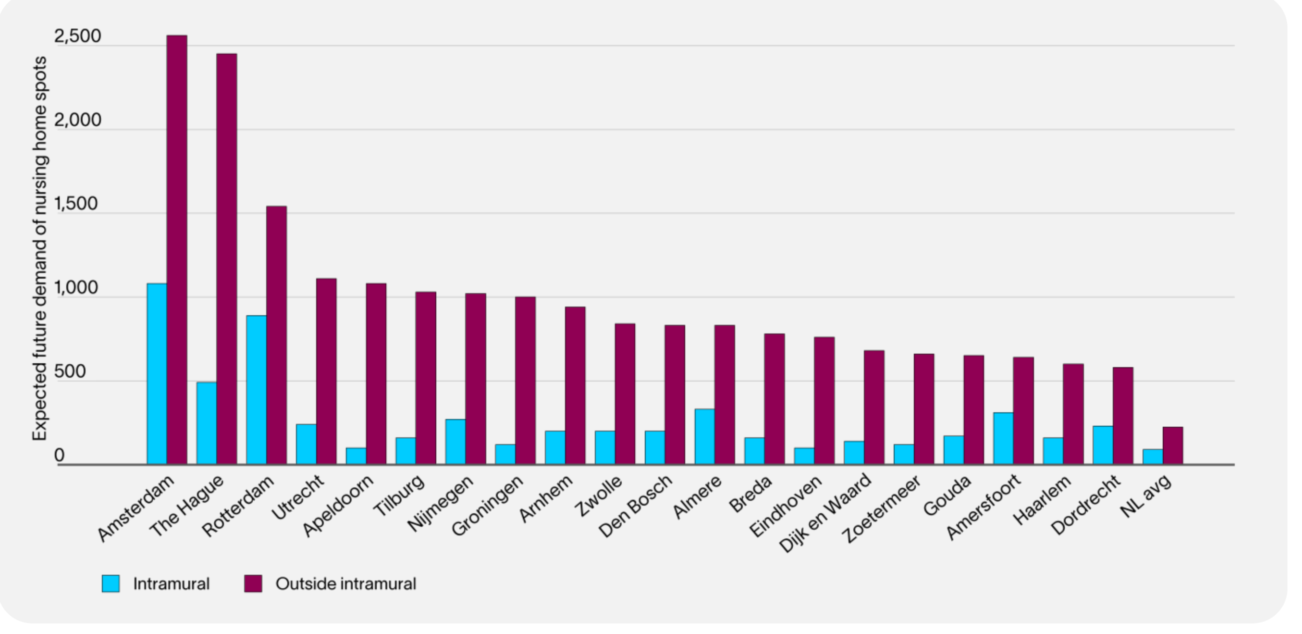
Several assisted living projects are already helping older individuals to live independently for longer in suitable homes. These initiatives often emphasise social cohesion, fostering a sense of community and reducing loneliness, which supports residents and postpones their need for care. However, these housing concepts are currently being implemented on a relatively limited scale, especially considering the Dutch government's goal of building 290,000 clustered senior homes by 2030. Collaboration among municipalities, developers, and investors is crucial to stimulate the construction of senior housing and alleviate pressure on both the healthcare and housing markets, particularly since these homes can also be used as regular rental homes, reducing risk.

Intramural and private nursing care homes
Ongoing separation of living and care

The Dutch elderly care and housing landscape is projected to see a significant transformation over the next 15 years. The rapidly ageing population is expected to result in an increase of 106,400 elderly individuals needing nursing home care by 2040 (ABF Research, 2024). Of these, nearly three-quarters, or 75,810 seniors, will be unable to secure a spot in a traditional institutional nursing home, leading to a substantial shortage (ABF Research, 2024). While this shortage is a nationwide issue, its impact varies geographically, with the most significant deficits occurring in the Randstad region and the North Brabant and Arnhem-Nijmegen regions. Amsterdam is expected to face the largest shortfall, with a projected deficit of 2,550 nursing home spots by 2040 (figure 12).

This trend necessitates a fundamental shift in elderly nursing home care. The trend of separating living and care has already gained significant momentum in the Netherlands since the introduction of the Long-term Care Act (Wlz) in 2015. Later government policies have been aimed at limiting the number of intramural nursing home placements to 130,000, encouraging new initiatives for elderly nursing care outside traditional nursing homes and the emergence of private nursing care facilities to fill the void.

Figure 12: Municipalities with the highest shortage of nursing home spots in 2040



Source: ABF Research, *edited by Bouwinvest Research* (2024)

As a result, the number of private nursing care homes has surged, doubling from approximately 291 in 2018 to around 618 by 2023. In particular, the last few years have seen significant growth as the private nursing care sector shifted from being solely an upmarket nursing care segment to a more price-diverse one, leading to increasingly blurred distinctions between private and traditional intramural care.

Private nursing care facilities differentiate themselves by separating accommodation and service costs—such as meals and laundry—from care expenses covered by the Personal Budget (PGB) or of Full package at home (VPT), while also providing more personalised care in a home-like setting. Additionally, the private nursing care segment has shifted from focusing primarily on high-income individuals to also accommodating middle-income and lower-income elderly populations, thereby meeting the growing demand for nursing home care. Despite its relatively rapid growth, the private nursing care sector remains quite small, with an estimated total of around 13,000 beds in the Netherlands. Given the previously reported estimated shortage of over 75,000 nursing home beds outside traditional intramural care facilities, this presents opportunities for further expansion of the private nursing care sector.

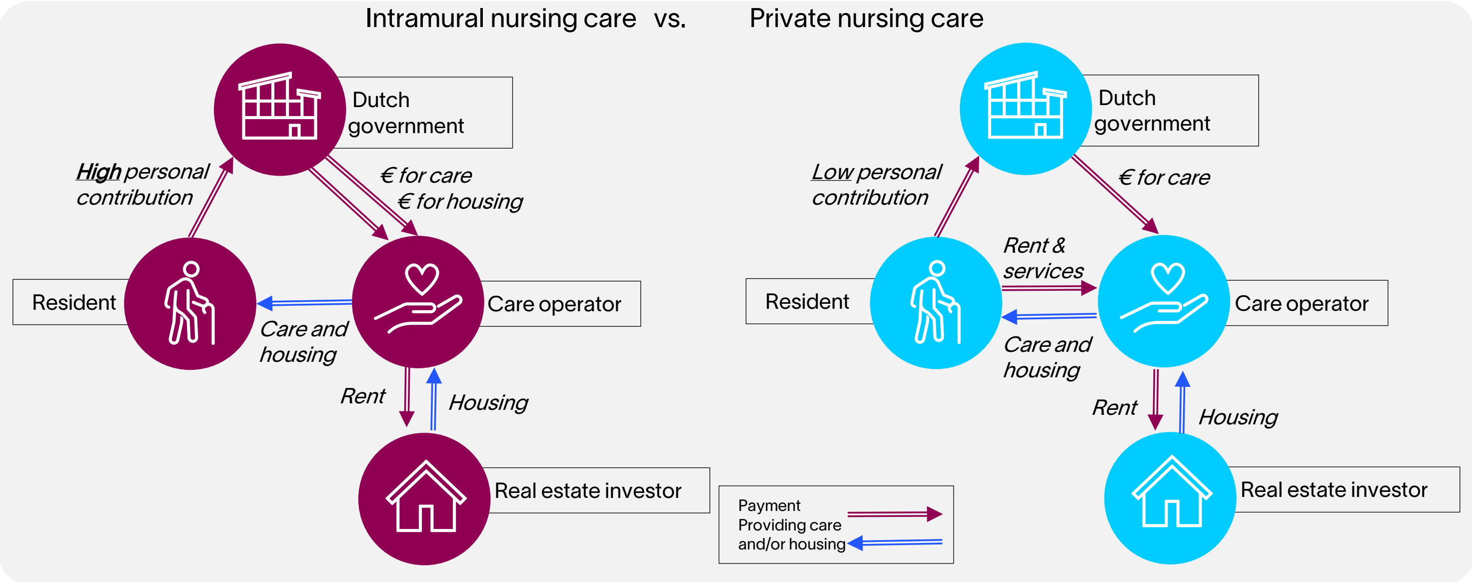
The intramural nursing care segment, which provides traditional institutional care, is much larger with a capacity of approximately 130,000 beds. Intramural care homes are under increasing pressure. Societal and political involvement, along with legislation, creates a safety net for these facilities, but challenges persist. Shortages of nursing staff and cost-conscious management, driven by rising labour costs and tightening budgets, have strained operators' business models. In 2022, the government announced that it would not facilitate any net expansion of intramural nursing beds, as policies aim to encourage elderly individuals to live independently for longer. Consequently, the intramural care real estate segment is expected to face more limited investment opportunities for new builds, with most prospects lying in the sale, new-build and leaseback of existing, relatively old building stock.

Intramural and private nursing care homes
A less distinct difference between the two segments

Despite its challenges, intramural nursing care homes are still considered an attractive investment segment in the long term. However, it now presents an increased risk profile compared to previous assessments, due to uncertainties regarding policy direction and financing for this segment. In contrast, the private nursing care segment continues to innovate and adapt, addressing the qualitative demands of an ageing population seeking diverse, flexible, and high-quality care options. Also, these concept are seen as more attractive working environments by care workers.

As mentioned before, the distinction between private and intramural nursing care is becoming increasingly blurred, as both sectors now provide homes for 24-hour nursing care for the elderly. Traditional intramural nursing care is evolving towards more home-like models based on VPT care funding, while private nursing care concepts are diversifying, moving towards lower price segments and larger-scale models. Given the anticipated shortage of nursing home beds and the limited availability of current beds, new investments in nursing home beds within the still modest private nursing care sector are essential, offering opportunities for investors who are looking for a somewhat higher risk-return profile compared to regular housing.

Figure 13: Financing streams for private and intramural nursing home care in the Netherlands



Source: Bouwinvest Research (2024)

The differences between intramural nursing care and private nursing care in the Netherlands have become less distinct due to several trends:

Separation of financing living and care: Since this policy's introduction, elderly people with moderate care needs are encouraged to live independently, with care provided separately. This created room for new concepts for living and care.

Lower personal contributions for independent living: Elderly people living independently and paying for their own housing now benefit from lower personal contributions for care, reducing the financial burden and making non-institutional care more accessible.

Affordable private nursing care options: Private nursing care providers are increasingly offering more affordable services, targeting middle-income individuals. These options often allow for Long-term care act (Wlz) financed care packages (Full Package at home (VPT) and Modular Package at Home (MPT)), similar to the flexibility seen in publicly funded care at home.

Quality and Personalisation: Both intramural and private nursing care models have improved in terms of personalisation and quality. Government reforms have enhanced care quality in public institutions, while private providers are offering more tailored, affordable services.

Intramural nursing care and private nursing care (see also figure 13)

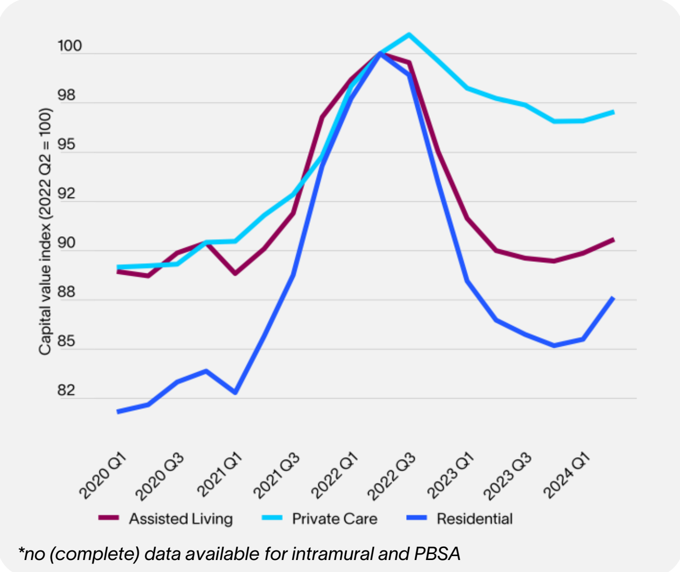
Intramural nursing care (or intramural care) *in the Netherlands refers to nursing home care provided in an institutional setting. This type of care is designed for individuals who require continuous (24-hour) medical supervision and support, often due to chronic illnesses such as dementia, disabilities, or severe (mental) health conditions. In intramural care institutions, housing and care costs are integrated and financed from the Long-term care act (Wlz) and often lead to a high income-dependent personal contribution.*

Private nursing care (or private care) *provides housing, (24-hour) care and services for elderly people with care needs who cannot or no longer wish to live independently. With private nursing care, residents pay for their own housing costs and care is mostly reimbursed from the Wlz in the form of Full package at home (VPT), for which a lower income-related personal contribution applies.*

Investor view Dutch living sector
Demand from end-user will drive market values

In 2022, residential investments faced a turning point as capital values declined sharply due to significant interest rate hikes and economic turmoil. This downward trend continued throughout 2023, reaching its lowest point by the year's end. By then, residential market values had dropped by 14.8%, assisted living by 10.5%, and private care by a moderate 3.4% (figure 14). The first signs of recovery were seen in early 2024, when yields began to stabilise and capital values started to rise again, mainly driven by a continued strong demand from the end-users in the various living segments.

Figure 14: Capital value development for assisted living, private care and residential (Index 100 = Q2 2022)*



**no (complete) data available for intramural and PBSA*

Source: MSCI, edited by Bouwinvest Research (2024)

During this period, investor activity remained modest while stakeholders were looking for price equilibrium, resulting in investment volumes far below the historical average (StiVad). The only segment within the living sector that saw a steep increase in investor activity was private care. Private care therefore also represents the largest volume of healthcare investments in the recent period. Over the past few years, healthcare investments have been dominated by investments in assisted living, which has a much lower yield profile compared to private care. This explains why average yields for healthcare have risen over the past year, while yields for residential have remained stable (figure 15).

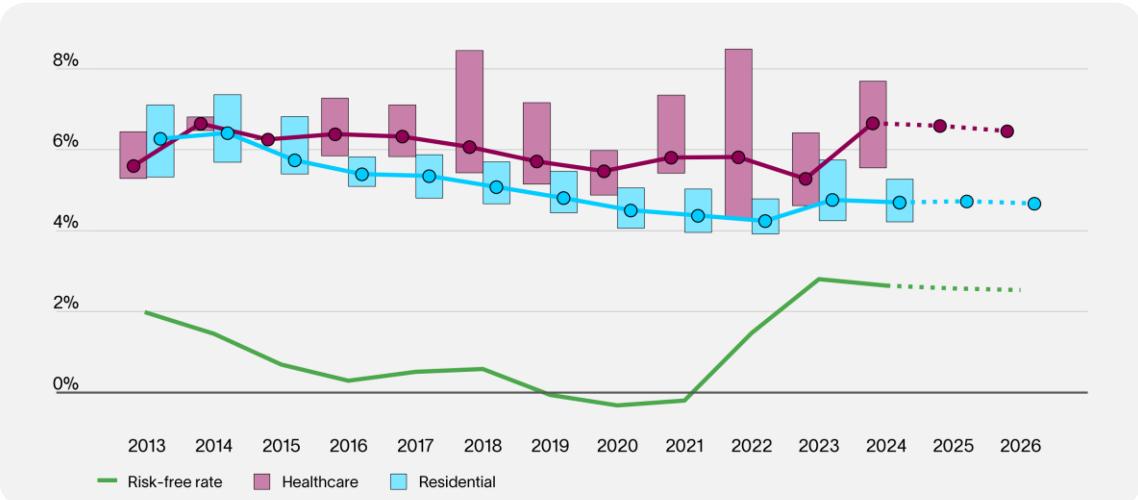
For the coming period, we expect limited interest rate reductions, leaving little room for yield compression (figure 15). But we do see potential for yield compression in certain living segments that are currently underdeveloped, that show above-average growth potential and therefore offer an attractive risk-return profile, such as PBSA and private care.

Additionally, taking into account mean reversion, we identify opportunities for above-average value growth and yield compression in urban areas such as Amsterdam, which have experienced relatively strong depreciation over the past two years. We also see investment potential in the overflow areas around major cities. In these regions, we expect above-average rental growth in the near future due to an increased influx of residents from the larger cities who are struggling to find a home appropriate to their financial position.

The real estate investment climate in the Netherlands has been negatively impacted in recent years due to rental regulations and inconsistent policies, although living remains internationally one of the most sought-after investment segments for real estate (INREV). To partially restore this climate, the government plans to reduce the transfer tax for residential investments from 10.4% to 8%, effective January 1, 2026. Bouwinvest anticipates that this measure will have only a limited effect on investment activity. Moreover, we expect a decrease in investment activity initially, as the tax reduction will not take effect until 2026.

The sale of individual former rental housing units remains an attractive strategy due to the significant value development in the owner-occupied market. Despite being a lengthy process and highly dependent on turnover rates. Investors with a sell-off strategy are expected to remain the most likely buyers of rented housing complexes. Bouwinvest expects this strategy, and the market fundamentals to continue to drive market values within the sector.

Figure 15: GIY development per year for healthcare and residential investments and forecast 2025-2026



Source: StiVad, Bouwinvest Research (2024)

Dutch Living Outlook 2025-2027

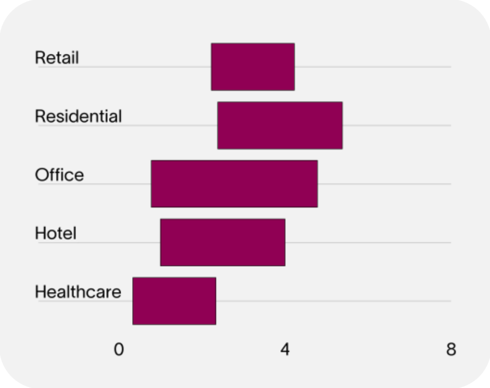
Economy, policy and capital markets

De Werf, Amsterdam

Markets moving back into positive territory again

The outlook for the Dutch real estate investment market has improved when compared with the past few years. Real estate markets are reaching the bottom and specific segments, such as the residential market, are seeing a recovery. Now that interest rates have peaked, most of the declines in real estate values are a thing of the past. The Netherlands is one of the first markets to show signs of recovery, which offers attractive investment opportunities from a tactical perspective.

Figure 16: Baseline forecast average annual capital growth (%, 2025-2027)



Source: Bouwinvest Research (2024)

Key trends and expectations Dutch real estate markets

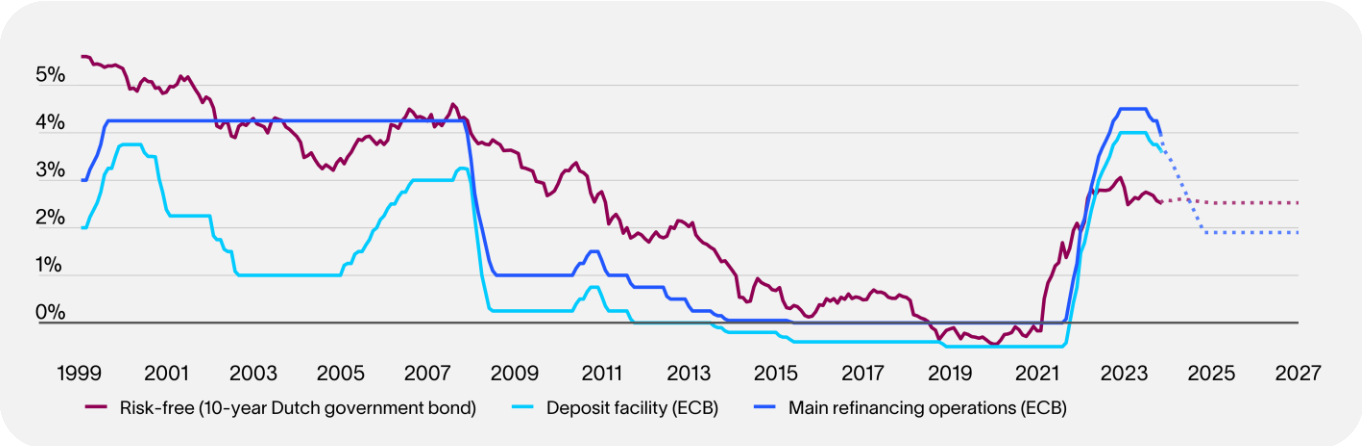
- The Dutch real estate market is bottoming out, which provides opportunities from a tactical perspective.
- Economic perspectives are moderate with inflation and interest rates back in calmer waters.
- Favourable fundamentals remain in place and support the recovery of the real estate market.
- The new government intends to promote residential construction to reduce the housing shortage.
- Average annual capital growth (in core markets) for the period 2025-2027 is expected to be in the range from 1% to 4.5% in our base scenario.

Inflation and interest rates are navigating towards stabilisation

Sharp interest rate increases were the main cause of the slump in real estate markets, and these have been a pivotal tool in managing the economy's response to inflation and economic fluctuations. Inflation has been a significant concern over the past few years, driven by a combination of supply chain disruptions, rising energy prices, and increased consumer demand as economies reopened post-pandemic. Core inflation in the Netherlands, and elsewhere in Europe, is easing gradually and more slowly than previously anticipated, supported by robust wage growth. Dutch inflation appears to be more stubborn then elsewhere in the eurozone. The 2% inflation target is not expected to be reached before 2026.

The European Central Bank (ECB) has tightened its monetary policy in recent years, and (policy) interest rates increased substantially. Interest rates have now peaked, as the ECB has recently reduced policy interest rates three times from 4.0% to 3.25%. However, the effects of these rate cuts will take time to materialise in real estate markets. The favourable development of inflation, combined with a weaker-than-expected recovery in the eurozone economy, increases the likelihood of additional rate cuts.
Since the substantial increases of rates in recent years, policy rates currently stand significantly above risk-free interest rates, with gaps reaching up to 100 basis points. This occurrence is unprecedented in the last 25 years, making the current situation unique. Expected future reductions in policy rates are already reflected in current risk-free rates. It is anticipated that these risk-free rates, as well as the swap rates that are important for the real estate market, will remain relatively stable in the coming period.

Figure 17: Reverse gap between risk-free and policy interest rates expected to evaporate thanks to stabilising risk-free rates



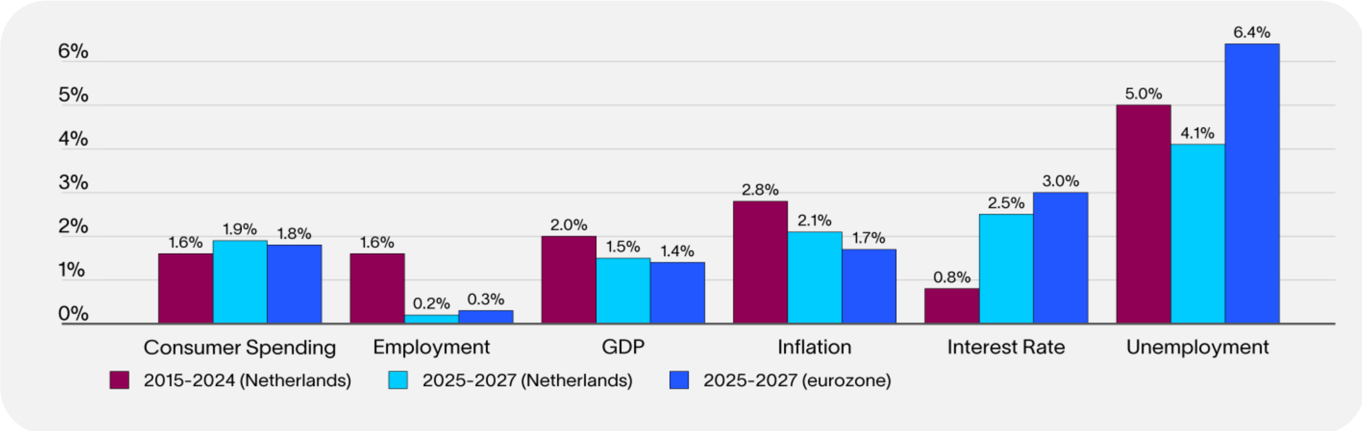
Source: ECB, Oxford Economics, edited Bouwinvest Research (2024)

The Dutch economy has navigated a complex landscape in recent years, marked by labour market tightness, productivity challenges, inflationary pressures, and a new government. External risks, including geopolitical tensions, global trade fluctuations, and downturns at key trading partners, have significantly impacted economic performance. Additionally, high pandemic-era inventory levels threaten future production and growth, resulting in declining consumer and producer confidence and marginal economic growth. Although (geo)political risks remain around the corner, economic growth is forecast to accelerate, with average growth rates set to be higher than in other eurozone countries.

Despite rising wages driven by higher inflation, Dutch households remain cautious in their spending, particularly on durable goods. Savings rates have increased compared to pre-pandemic levels, likely due to higher interest rates on long-term deposits and ongoing economic uncertainties and geopolitical tensions.

The labour market is expected to stay exceptionally tight, although sectors such as agriculture, industry, and construction are experiencing stagnation or declining employment. Wage growth is anticipated to stabilise but remain high, with collective labour agreement wage growth projections exceeding 4% this year and next.

Figure 18: Moderate expectations for the Dutch economy, but better positioned than other eurozone countries



Source: Oxford Economics, edited by Bouwinvest Research (2024)

New government intends to accelerate new construction housing market

The Dutch government recently presented its policy programme, in which it emphasises the importance of housing security for citizens. Consequently, housing is one of the four core pillars of this government and other real estate categories are not addressed in this programme.
The government has marked out high rents and house prices as one of the causes of growing inequality in the Netherlands. Earlier this year, we saw the approval of the Affordable Rent Act, which extends the regulated rental market to the mid-rental segment. The major proposed measures related to the real estate market are shown in the box below.

Major proposed real estate-related measures under the new government policy

- The government plans to address migration to ease the pressure on the existing housing market.
- For new construction, the government aims to reduce regulatory pressure and accelerate procedures, evaluating the accumulation of local regulations.
- A significant part of the government's plans is the financial support for municipalities through a new realisation incentive.
- In order to stimulate (cross-border) investments, the real estate transfer tax rate for residential investment properties will be reduced to 8% as per 1 January 2026, while that for other sectors will remain at 10.4%.
- On the other hand, the maximum interest deduction in corporate tax will be increased to 25% from 20% of adjusted profit. The threshold of € 1 million will expire for real estate entities with rented real estate.

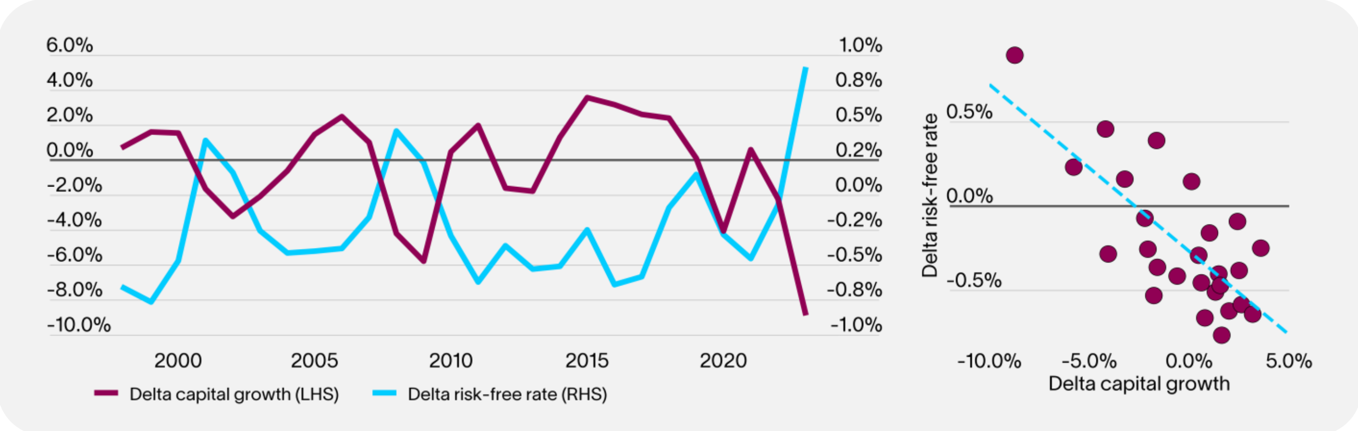
Moving forward, the Dutch government intends to address the housing shortage by tackling issues around the current grid and nitrogen problems. The combination of intended measures creates a new window of opportunity, especially in the residential market. The underwriting of investments has improved and become more secure on multiple fronts.

‘Economic outlook, bolstered by stable interest rates and positive trends in GDP and wage growth, provides a solid foundation for the revival of the real estate market.’

Rental growth primary driver of upward revaluations

The real estate market's road to recovery is highly dependent on these factors and the way the economy is forecast to recover from the recent period of high inflation. In our view, the expected stable risk-free rate creates little room for yield compression in the coming period.

Figure 19: Strong relationship between capital growth and risk-free rates for Dutch real estate (1998-2023)



Source: MSCI, Oxford Economics, edited by Bouwinvest Research (2024)

Historically, interest rate changes are a major driver of real estate capital growth. A substantial part of value changes can be attributed to deviations in the risk-free rate. The other major factor is rental growth. Since minor changes in risk-free rates are expected in the medium term, rental growth will be the main driver of capital growth. Shortages in the living sector are pushing market rental growth to higher levels and are a positive contributor to asset value growth. The ongoing impact of e-commerce and working-from-home on the retail and office segments fuels our expectation of more modest rental growth. Recovery on the Dutch real estate markets is expected to be bifurcated, with commercial segments lagging the living sectors.

Investor appetite for real estate investments has been hesitant over the past few years. Global fundraising for new products remains at low levels according to Realfin, with the living and diversified sectors the most in favour. Niche segments such as student housing and data centres are also able to attract fresh capital, as investors try to benefit from the J-curve effect. The recent strong performances on the global equities markets have taken allocations to real estate in mixed asset portfolios back into normal territory. This could give investors more room for real estate investments, which could be supported by the current good entry point in the market.

Despite the prevailing risks and challenges, the Netherlands remains a prime destination for global real estate investments. The country consistently ranks highly in indices measuring transparency, corruption, market size, liquidity, and overall attractiveness. Coupled with a moderate yet positive economic and demographic outlook, these fundamentals provide a robust foundation for real estate investments in the Netherlands. The year 2025 has the potential to be a particularly attractive year for such ventures.

'The year 2025 is poised to become an exceptionally attractive vintage year for investments in Dutch real estate.'

Reach out for more detailed insights

Please contact us for more information

General contact details

Postbus 56045
1040 AA Amsterdam

+31 (0)20 677 16 00
info@bouwinvest.nl

Jeroen Beimer
Head of Research
+31651364928
j.beimer@bouwinvest.nl

George Theuvenet
Business Development Director
+31653316074
g.theuvenet@bouwinvest.nl