

First-time homebuyers in the Netherlands

Insights and experiences in pursuing
and securing homeownership



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Introduction

Problem statement

Housing shortage



390,000

Housing shortage in 2023
(VolkshuisvestingNederland, 2023)

Problem statement

Development average selling price

€93,750

Average selling price in 1995

€222,706

Average selling price in 2005

€416,153

Average selling price in 2023

(CBS, 2024)

Problem statement

Double-income household

€72,000

Median income in 2023

€339,000

Maximum mortgage in 2023

40.0%

Entry chance first-time homebuyers in 2023

(DeHypothecker, 2023; Calcasa, 2023)

Problem statement

Single-income household

€41,500

Median income in 2023

€171,000

Maximum mortgage in 2023

3.4%

Entry chance first-time homebuyers in 2023

(DeHypothecker, 2023; Calcasa, 2023)

“

People closest to the problem are
closest to the solution but furthest
from power and resources

- Glenn E. Martin

”

02

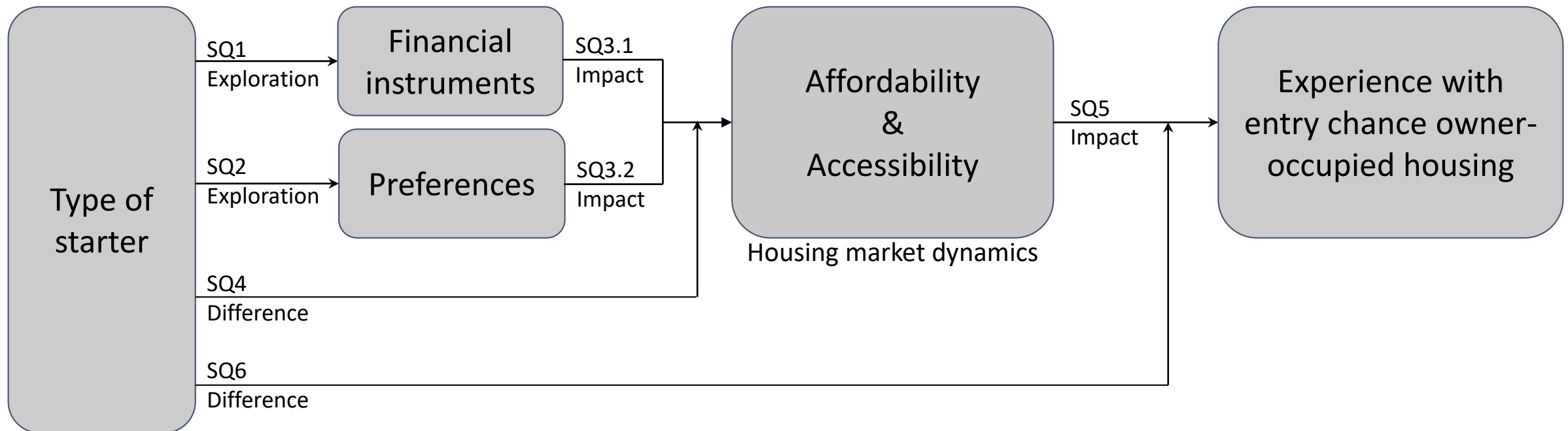
Research framework and methodology

Main question and aim

What lessons can be learned from the experiences of recent and potential first-time homebuyers to improve the prospects of homeownership in the Dutch housing market?

Exploring the experiences of recent and potential first-time homebuyers

Conceptual model



Sub-questions

1. What are the considerations of recent and potential first-time homebuyers regarding financial instruments?
2. What are the considerations of recent and potential first-time homebuyers regarding preferences?
- 3.1 What effect do considerations regarding financial instruments have on housing market dynamics?
- 3.2 What effect do considerations regarding preferences have on housing market dynamics?
4. To what extent does the effect of financial instruments and preferences on housing market dynamics vary among recent and potential first-time homebuyers?
5. What effect do housing market dynamics have on the experience with entry chances of owner-occupied housing?
6. To what extent does the effect of housing market dynamics on experience with entry chances of owner-occupied housing vary among recent and potential first-time homebuyers?

Research method

Phase 1



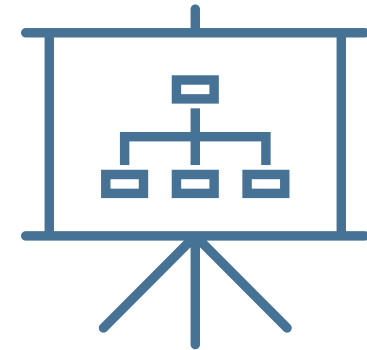
Literature and data
review

Phase 2



Empirical data
collection

Phase 3



Data analysis

03

Theoretical research

Type of homebuyer

Different types of homebuyers

Recent first-time homebuyer:

Individuals/households who have successfully purchased their first owner-occupied house from the year 2020 onwards.

Potential first-time homebuyer:

Individuals/households who are currently actively engaged in the pursuit of purchasing their first owner-occupied house.

Financial instruments

Different types of financial instruments

Purchase instruments:

Provide homes below market value with deferred payments.

Land lease instruments:

Provide the right to occupy a house on leased land, with an annual fee for land use.

Rent-to-own instruments:

Provide options where rent payments contribute towards homeownership.

Financing instruments:

Provide additional loans often with favorable terms.

Preferences

Types of preferences

Stated preferences

Disclosed by individuals, gathered through questionnaires or interviews.

Revealed preferences

Inferred from actual choices made by consumers when purchasing a home.

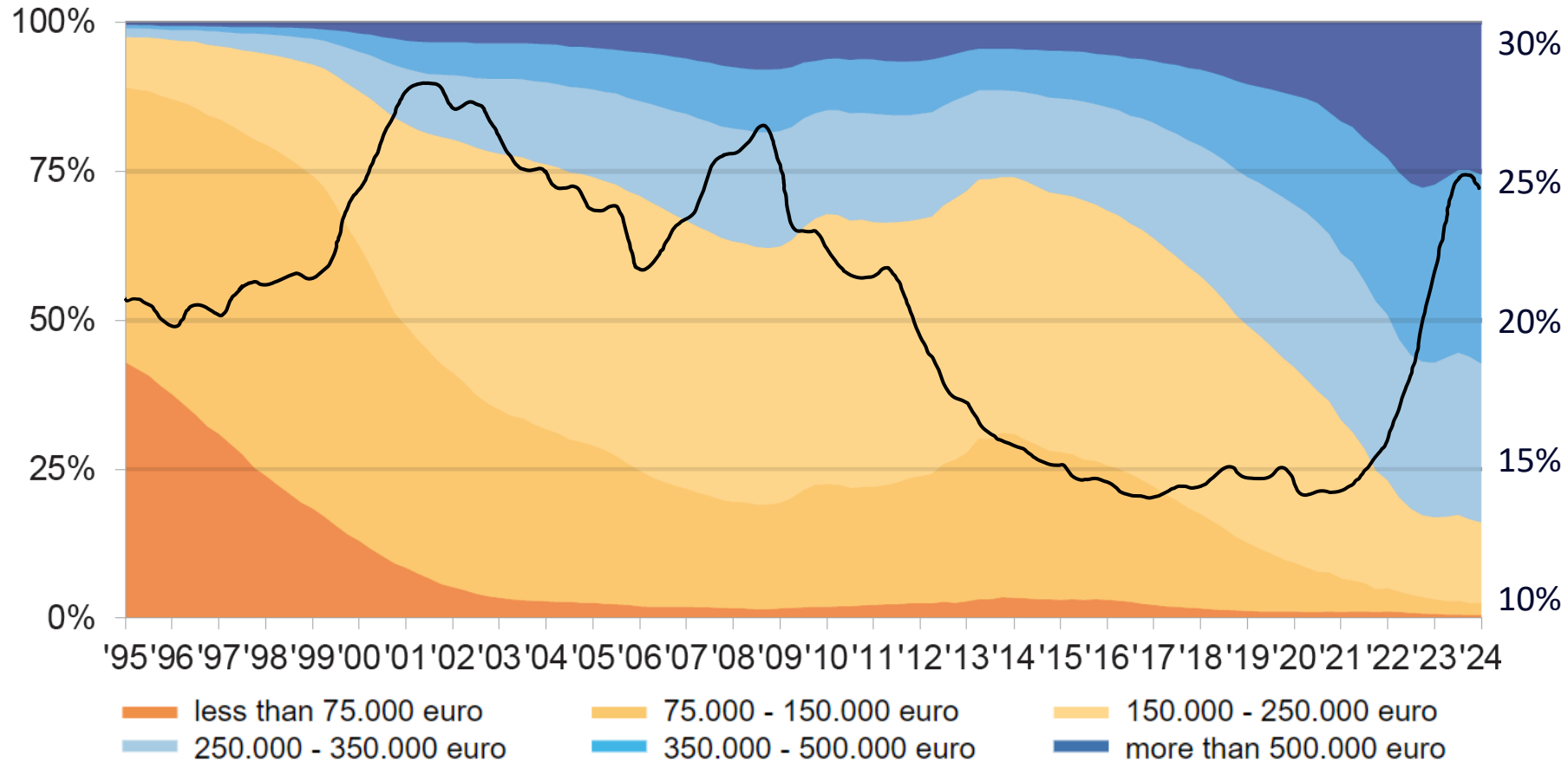
Stated preferences may not always predict actual behavior

Year of construction	Recent first-time homebuyers	Potential first-time homebuyers
Before 1945	22%	20%
1945-1989	46%	22%
1990-2009	16%	26%
2010 and onwards	16%	32%

Actual versus desired construction year of homes for recent and potential first-time homebuyers
(Own table based on WoON, 2021)

Affordability

Historical data



Left axis distribution of transactions by price range

Right axis (black line) net monthly income spent on net housing costs

Accessibility

Types of accessibility

Information accessibility

Refers to the ease of obtaining and comprehending market information.

- Of the first-time homebuyers **88%** do not fully understand purchase agreements.
- Financial pressure leads **40%** to avoid asking for help, and **46%** to rush into agreements due to market pressures.

Financial accessibility

Refers to the economic feasibility of acquiring a home.

- Future income prospects are factored into mortgage assessments for older home-buyers nearing retirement age.
- Young homebuyers however, who typically see their earnings increase over time, are not given the same consideration.

Entry chance

Entry chances for first-time homebuyers

Chances

Dual-income households could afford 40.0% of the available homes.

Single-income individuals could only manage to afford 3.4% of the available homes.

Budget revisions

Nearly **60%** of first-time homebuyers have increased their financial plans to cope with competitive market conditions.

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Empirical research

Interviews

Financial instruments

Preferences



Affordability

Interviews

Accessibility

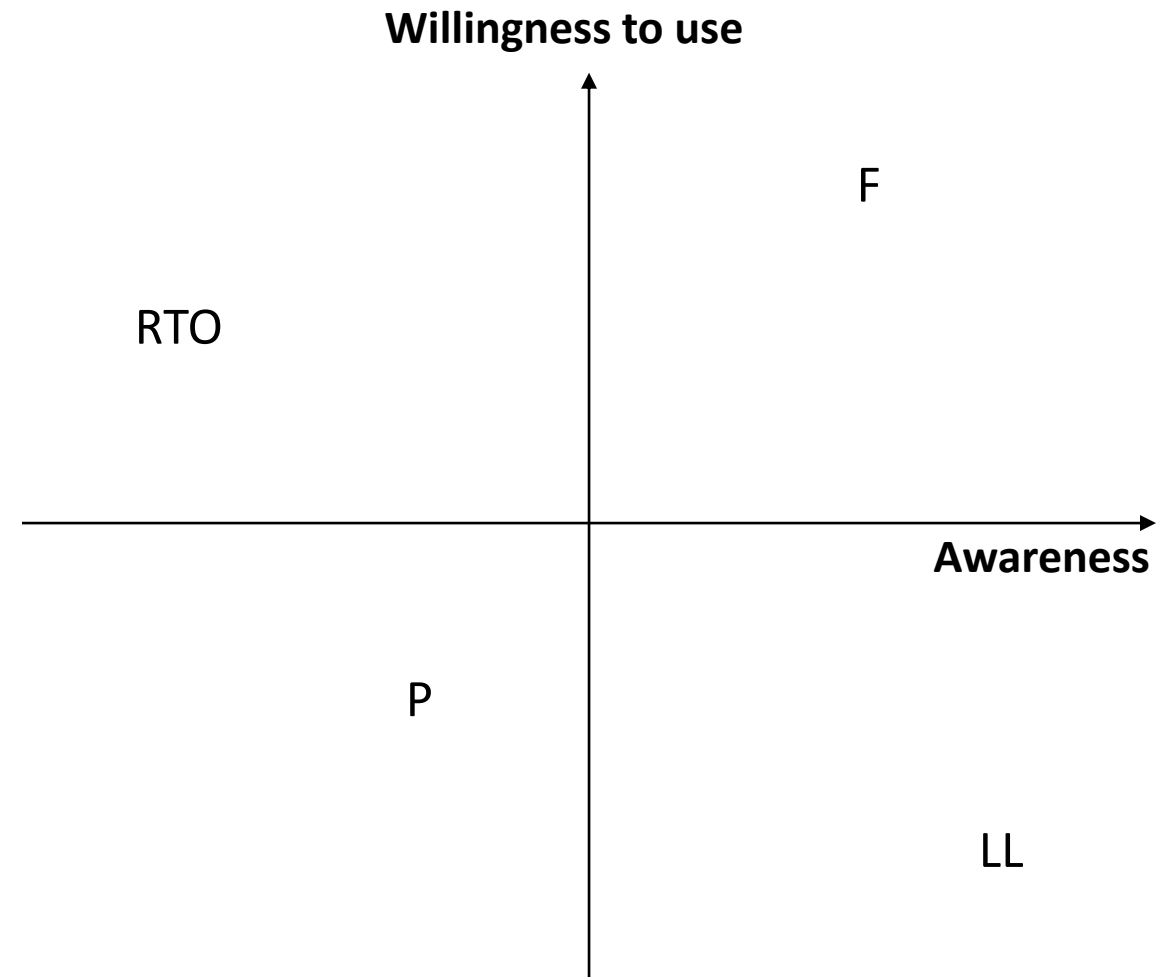
Entry chance

Financial instruments

Relatively most to least favorite

1. Financing instruments (F)
2. Rent-to-own instruments (RTO)
3. Purchase instruments (P)
4. Land lease instruments (LL)

The willingness to use an instrument depended on both its applicability and the necessary compromises.



Preferences

Relatively most to least important preference

1. Moving motive
2. Search area
3. House condition
4. House characteristics

The willingness to compromise is mainly influenced by the current living situation. Those living with parents were more open to making compromises.

We wanted a single-family home in Hazerswoude, but due to limited availability and affordability, we compromised on both the housing type and location to avoid waiting for another two years to move out.

Laura & Partner (23&23)
Recent homebuyer



Affordability

Barriers:

- High initial down payment
- High monthly costs
- Overbidding issues
- Financial inequality

Evaluation:

- Increased limited affordability for single-income households and young people at the start of their career.

Everyone was overbidding. That made it very difficult. The question was not if you had to bid the asking price but how much you had to bid over it. Without overbidding, you would not make it.

Emma (23)
Recent homebuyer




Accessibility

Barriers:

- Need for daily monitoring
- Selection criteria financial instruments
- High pressure from selling agents

Evaluation:

- Low accessibility due to houses being sold quick, low access to financial instruments, and selling agents putting pressure on first-time homebuyers.



I received a phone call and was suddenly asked to make a new bid without a structural inspection, and I had to decide within 30 minutes. I went into a complete panic because I had never bought a house before and had never experienced anything like this.

Femke & Partner (26&31)
Recent homebuyer

Entry chance

Barriers:

- Limited capital
- Lack of thorough preparation
- Unrealistic expectations

Evaluation:

- There is a limited entry chance, however entering the market is not seen as impossible.

When I compare the market to a few years ago, when my brother bought a house, for example, I would have rated it an 8, or maybe a 7. Now, I would rate it a 5 or 6, so significantly lower.

Michael (26)
Potential homebuyer

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Conclusion

Main-question

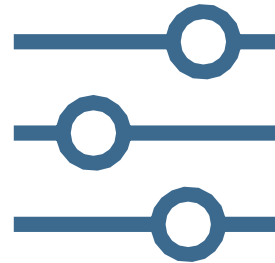
What lessons can be learned from the experiences of recent and potential first-time homebuyers to improve the prospects of homeownership in the Dutch housing market?

Main-question

Financial instruments



Misconception and lack
of knowledge



Person bound



Risk and uncertainty

Main-question

Preferences



State of home



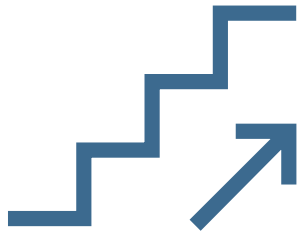
Location



Living situation

Main-question

Affordability



Rising prices



Overbidding



Financial inequality

Main-question

Accessibility



Daily monitoring the
market



Limited access financial
instruments



High pressure from
selling agents

Discussion



Longstanding flaws in
housing policies

(Boelhouwer, 2020; Boelhouwer &
Schiffer, 2019)



Social and economic
inequalities

(Boelhouwer, 2020)



Declining success rate
for starters

(Aerts, 2022)



Falling between
two stools

(Muisers, 2023)

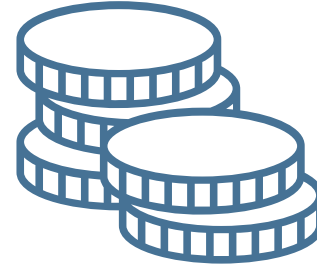
Discussion



Misconception and
lack of knowledge on
financial instruments



Living situation
influences
compromises on
preferences



Rising prices and
overbidding making it
more unaffordable



Selling agents puts
homebuyers in
unwanted positions
and drives prices up

Limitations



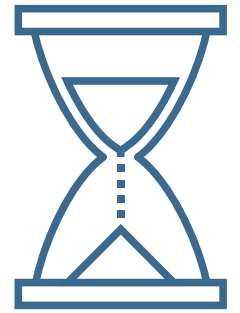
Limited interview
duration



Response bias



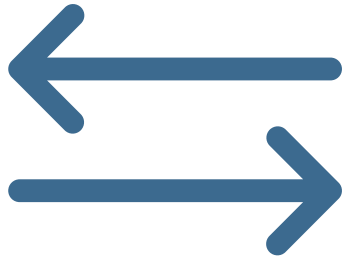
Interpretive errors



Time-bound data

Recommendations

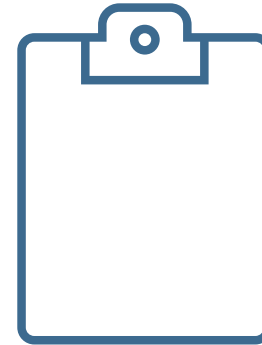
Future research



Evaluate financial
instruments



Study impact of selling
agents



Conduct large-scale
survey

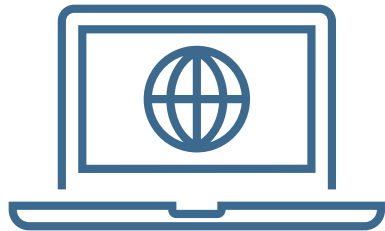
Recommendations

Practice and policy

Short-term



Increase awareness of financial instruments

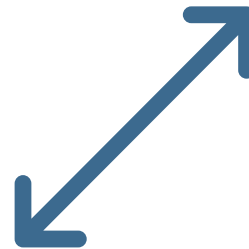


Create an online portal

Medium-term



Make professional help more accessible



Expand support programs

Long-term



Establish ethical guidelines



Regulate overbidding

Questions



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Appendix

Financial instruments

Purchase instruments

Awareness:

- Low level of awareness

Considerations:

- Shared value development
- Buyback obligations
- Selection criteria
- Ownership
- Location & characteristics of house

Evaluation:

- Although the low awareness, the instrument is considered a good alternative to lower the barrier to homeownership when assistance is needed, but it often requires compromises, making it moderately attractive.

I looked into purchase instruments and this instrument prioritizes certain groups that I do not belong to, which places me at the bottom of the list and makes it a very long shot.

Michael (26)
Potential homebuyer

Financial instruments

Land lease instruments

Awareness:

- High level of awareness

Considerations:

- Ownership
- Renewal term
- Future certainty
- Impact on mortgage
- Location & characteristics of house

Evaluation:

- Although the high awareness, the instrument is considered undesirable due to uncertainties involved, making it not attractive.

When we came to the mortgage advisor, he advised to never buy a property with a leasehold on it, so I have actually assumed not to do so. To be honest, I did not delve into what the disadvantages or advantages of leasehold could be.

Sophie & Partner (28&38)

Potential homebuyer



Financial instruments

Rent-to-own instruments

Awareness:

- No awareness

Considerations:

- Discount
- Buyback time
- Location & characteristics of the house
- Monthly payments
- Agreement

Evaluation:

- Despite the lack of awareness, the gradual path to ownership and minimal major consequences, making it reasonably attractive.

I was unaware of its existence, but I find it quite interesting. It offers a bit of an advantage and is a beautiful construction in itself. It certainly provides many opportunities for first-time homebuyers.

Pien & Partner (22&23)

Potential homebuyer

Financial instruments

Financing instruments

Awareness:

- High level of awareness and usage

Considerations:

- Monthly costs
- Total mortgage amount
- Financial flexibility
- Family relation
- Location (starter loan)

Evaluation:

- The high level of awareness and frequent usage can be attributed to its broad applicability and the relatively minimal compromises required, making it a highly attractive.

The starter loan added 30,000 to our budget. Which is a significant amount that you do not just have lying around. What I especially like is that you do not have to repay it immediately and do not accrue interest right away.

Nova & Partner (24&26)

Recent homebuyer

Preferences

Moving motive

Considerations:

- Living independently
- Investing in the future
- More cost-effective than renting
- Building equity instead of paying rent
- High costs in the rental market
- Ineligibility for social housing

Evaluation:

The common theme is prioritizing home ownership for its long-term financial benefits, future investment potential, and desire for independence.

Initially, I began by exploring rental houses and similar options, but I quickly realized that the rent being asked is higher than the mortgage costs would be. Further, my income bracket disqualifies me from social housing, ruling out that option.

Michael (26)
Potential homebuyer

Preferences

Search area

Considerations:

- Proximity to work
- Proximity to personal network
- Availability financial instruments

Evaluation:

- Search area is often not compromised on, even though broadening it could reduce the duration of the search.

When determining the preferred location to live, we initially focused on one area. I think we only started considering other locations quite late in the process. Because we opened up to multiple locations so late, we likely missed out on some houses last year

Sophie & Partner (28&38)
Potential homebuyer

Preferences

Condition of the home

Considerations:

- Age of homes
- Ready-to-move-in
- Overall costs (including possible renovation)

Evaluation:

- There is high demand for ready-to-move-in houses, while few people consider minor renovations, which are often associated with high costs that limit the overall affordability.

Of the apartments I viewed, several were dismissed immediately due to their poor condition, such as unusable bathrooms and non-functional kitchens. The additional renovation costs exceeded my budget, so I wrote them off.

Michael (26)
Potential homebuyer

Preferences

Characteristic of the home

Considerations:

- Number of rooms
- Size of house
- Size of garden
- Type of home
- Maintenance

Evaluation:

- Specific needs are important for homebuyers, prolonging the search. Most compromises are on house size, garden, and number of rooms, although most prefer not to do so.

Ideally, I wanted a single-family home. The apartment we now live in is not suitable long-term. Buying a house, renovating, and living there long-term was the goal. This apartment would not accommodate children.

Laura & Partner (23&23)
Recent homebuyer

Sub-question 1

What are the considerations of recent and potential first-time homebuyers regarding financial instruments?

Main considerations:

- Ownership
- Financial stability
- Future certainty
- Location & characteristics of house

Most to least favourable instrument:

1. Financing instruments
2. Rent-to-own instruments
3. Purchase instruments
4. Land lease instruments

In an ideal scenario, I would be the sole owner of everything and not use any instruments that compromises my preferences. However, the world is not ideal, so I would not rule it out.

Britney & Partner (21&22)
Potential homebuyer

Sub-question 2

What are the considerations of recent and potential first-time homebuyers regarding preferences?

Main considerations:

- Independence
- Investment for the future
- Overall costs
- Ready-to-move-in home
- Proximity to personal network / work

Evaluation:

- Little to no compromise on main considerations, but rather on size of house, garden, and number of rooms.

We did not compromise on our housing preferences, which was why we spent a long time searching. We really wanted to have a big garden and green surroundings.

Amber & Partner (32&36)
Recent homebuyer



Sub-question 3.1

What effect do the considerations regarding financial instruments have on housing market dynamics (affordability and accessibility)?

Main effects:

- Decrease/increase monthly costs
- Lower the initial down payment
- Decrease maximum mortgage
- Limit/broaden accessibility due to applicability

With a starter loan or a family mortgage, you have a loan on top of a loan. As first-time buyers, you need to consider how much you are willing to take on, because depending on the terms, it can further increase your monthly expenses.

Laura & Partner (23&23)
Recent homebuyer

Sub-question 3.2

What effect do the considerations regarding preferences have on housing market dynamics (affordability and accessibility)?

Main effects:

- Increase/decrease financial risks
- Making compromises enhances affordability and accessibility
- Specific needs decrease both affordability and accessibility
- High demand for ready-to-move-in houses drives up competition and reduces affordability

After a relation of six years together, we had to decide whether to wait two more years for a single-family home or compromise to a multi-family home to enhance the affordability.

Laura & Partner (23&23)
Recent homebuyer

Sub-question 4

To what extent does the effect of financial instruments and preferences on housing market dynamics (affordability and accessibility) vary among recent and potential first-time homebuyers?

- Wider willingness to compromise among recent first-time homebuyers
- Recent first-time homebuyers had less specific preferences
- Wider utilization of financial support among recent first-time homebuyers

Sub-question 5

What effect do the housing market dynamics (affordability and accessibility) have on the experience with entry chance of owner-occupied housing?

Main effects

- Overbidding necessity, reduces entry chances by increasing financial pressure and pushing beyond budgets
- Competitive market environment decreases entry chances due to quick sales and limited viewing opportunities.
- Selling agents' tactics, reduces entry chances by adding pressure to overbid and put in specific conditions.

It's really frustrating because you're there trying your best to make a good impression, and then the selling agent doesn't take you seriously. That's very disappointing and quite tough to deal with.

Pien & Partner (23&23)
Potential homebuyer

Sub-question 6

To what extent does the effect of housing market dynamics (affordability and accessibility) on experience with entry chance of owner-occupied housing vary among recent and potential first-time homebuyers?

- Less need for overbidding among recent first-time homebuyers
- Lower amounts of overbidding for recent first-time homebuyers
- Access to silent sales for recent first-time homebuyers