## Focus

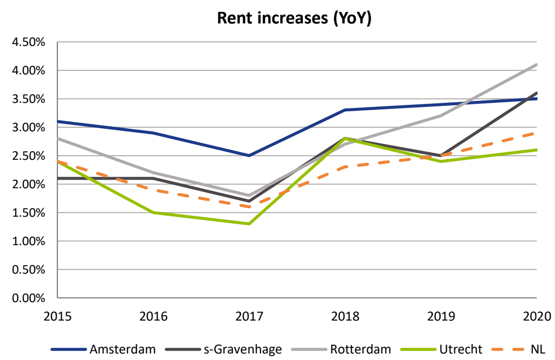
Rents in both the private and the social rental sector rose between 1.3% and 4.1% per year in Amsterdam, Rotterdam, Utrecht and The Hague in the period 2015-2020, generally above the national average (see chart). In mid-January this year, the housing councillors of these cities therefore indicated that they were diligently looking for more tools to counteract poor maintenance and exorbitant rent increases. But what is the cause of this problem? And are the desired means sufficient?

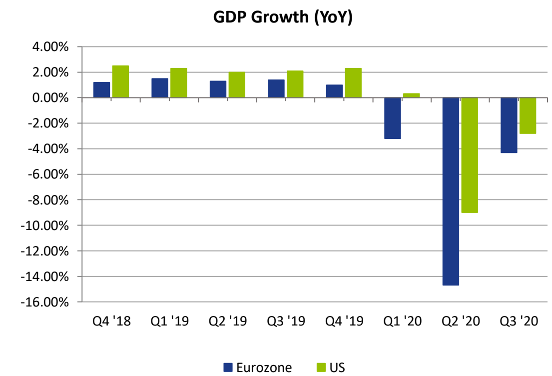
A major reason for these rent increases is the buyout of real estate by investors. This drives up the price for individuals to purchase housing, forcing some to continue renting. In addition to the fact that demand has increased, supply is also lagging behind. There are external explanations for this, such as the nitrogen crisis and the credit crisis of 2008. The latter has ensured that the Netherlands still does not have the number of construction workers and construction companies as before 2008, resulting in delays, higher construction costs and less new construction. In addition, housing corporations are also unable to meet the need for affordable rental housing. They do not have sufficient room for investments, with the “verhuurdersheffing” being one of the culprits.

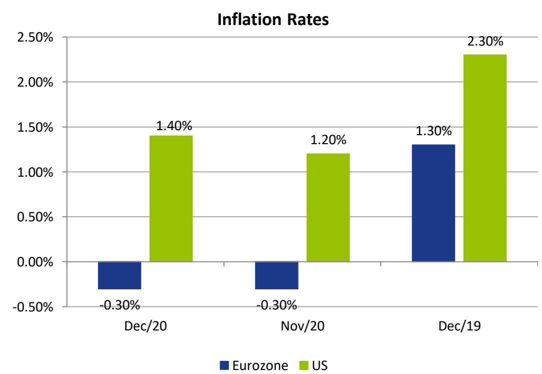
To combat rising rental costs, Minister Ollongren introduced a bill for internet consultation at the end of 2020, to address the excesses on the housing market. Part of this is the "opkoopbescherming", this would allow municipalities to prohibit the buyout of homes by investors for the next three years in neighbourhoods where there is scarcity. According to the housing councillors, this is too little, as municipalities need three years to set up the civil services to appoint such neighbourhoods. Municipalities did pull out other, older regulations. They introduced an anti-speculation clause and a self-occupancy obligation was also frequently used. The anti-speculation clause establishes a maximum sale price on a house and the self-occupancy obligation obliges buyers to actually live in the house themselves for a certain period of time. Both regulations aim to keep out investors, but both have shortcomings. For this reason, the housing councillors want more powers. Among other things, they are experimenting with a rental permit, which would allow cities to set requirements for rental behaviour and rent increases. In addition, there is a proposal to set the maximum rent increase at 1% plus inflation for both the free sector and social housing, and a broadening of the “opkoopbescherming” is being considered.

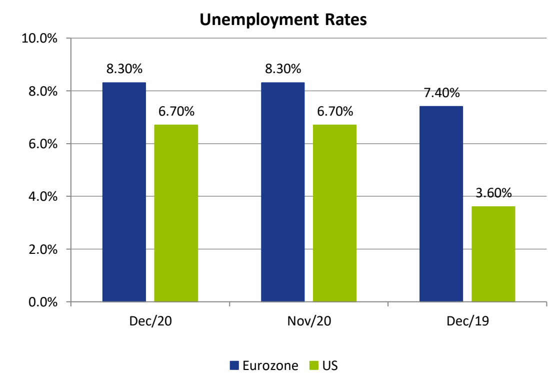
However, the question is whether the measures are going to have the desired effect. In Berlin, for example, a rent freeze has been instituted in 2020. The number of available rental houses has fallen by almost 40%, while other major German cities have not seen a decline. In addition, several German cities already have the problem that tenants are afraid of not obtaining a house. The current Dutch regulations also do not provide an option to counteract the rent increase at occupancy change, which can be as high as 9.6%.

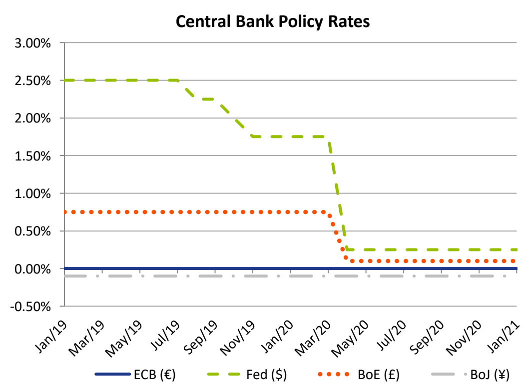
Thus, the desired regulations may also backfire. Time will tell whether the desired measures will have the desired effects. Until then, rising rents and tightness in the housing market seem to continue.




| Country Ratings | S&P | Moody's | Fitch |
|---|---|---|---|
| Netherlands | AAA | Aaa | AAA |
| Germany | AAA | Aaa | AAA |
| France | AA | Aa2 | AA |
| United Kingdom | AA | Aa3 | AA- |
| Russia | BBB- | Baa3 | BBB |
| United States | AA+ | Aaa | AAA |
| Japan | A+ | A1 | A |
| China | A+ | A1 | A+ |
| Australia | AAA | Aaa | AAA |

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## Review & preview

Joe Biden and Kamala Harris were sworn in as new President and Vice President of the United States in Washington D.C. January 20, 2021. In his first address as president, Joe Biden said, "We've learned again that democracy is precious, democracy is fragile – and at this hour, my friends, democracy has prevailed." Just before his inauguration, the president announced a USD 1,900 billion additional relief plan to both pump money into the economy and contain the coronavirus pandemic. Biden's "American Rescue Plan" is intended, among other things, to increase the minimum wage and the existing support checks. Biden will ask Congress, which is controlled by the democrats again after 6 years, to approve this plan.

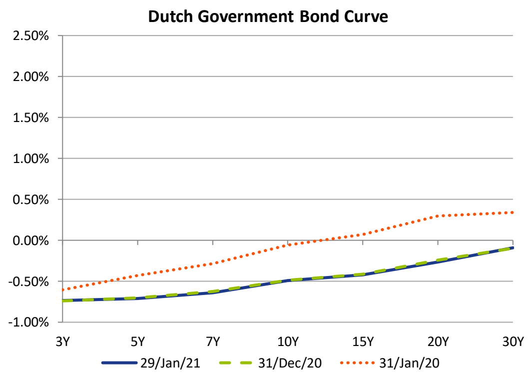
Consumer confidence in the eurozone decreased further in January 2021 compared to December 2020. The index was -15.5 in January 2021, from -13.9 a month earlier. This follows from figures published by the European Commission on Thursday. US consumer confidence in the economy slightly increased in January compared to a month earlier according to the announcement of market researcher Conference Board. The indicator recorded a level of 89.3 in January against a revised level of 87.1 in December. Economists had initially anticipated a level of 89.

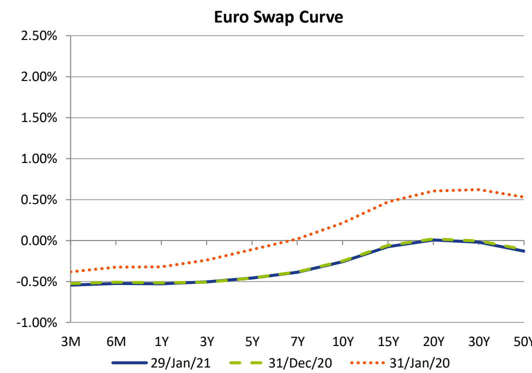
The European Central Bank (ECB) decided to leave its monetary policy unchanged. For the time being, these measures are sufficient to maintain financing conditions for businesses and households, but the ECB is ready to adjust its policy if necessary. The Federal Reserve (Fed) also kept interest rates and the bond-buying programme unchanged. According to the Fed, the pace of recovery in economic activity and employment has slowed in recent months, especially in the sectors hit hardest by the pandemic.

The ECB will keep a close eye on credit risks at banks in the coming period. News agency Bloomberg reports this based on information from insiders. The regulator is trying to find out whether banks can withstand a possible wave of defaults due to the corona crisis. The banks have already set aside significant amounts for loans that may not be repaid. The ECB is nevertheless concerned whether banks account for these credit risks sufficiently. The sector has entered the pandemic with high capital and liquidity buffers and may be robust, but underlying it is vulnerable, according to the International Monetary Fund (IMF). The profitability of the banks is under pressure mainly because of the continuing downward pressure on interest rates. According to the IMF, this could lead to European banks being unable or unwilling to provide loans in the coming quarters, for fear of credit losses and further declining interest margins.

## Agenda

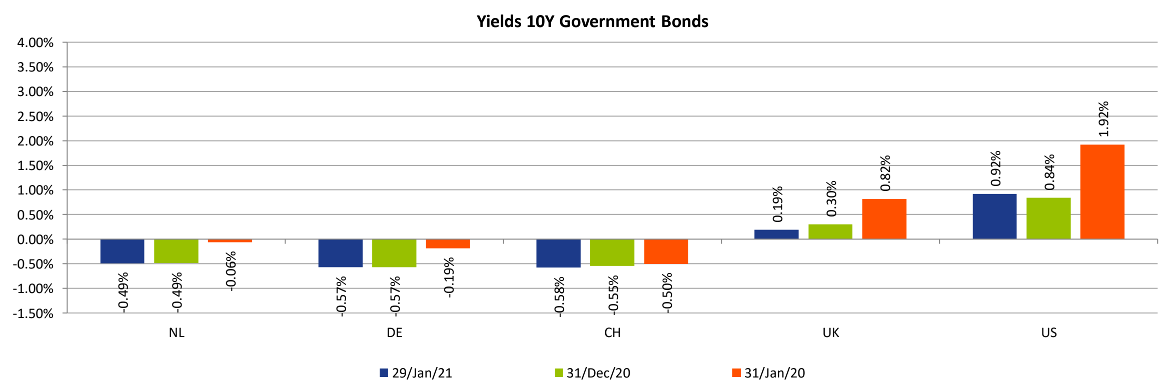
| | |
|---|---|
| 4 februari | Interest rate decision BoE |
| 11 februari | Inflation Netherlands |
| 17 februari | Inflation United Kingdom |
| 23 februari | Inflation Eurozone |




| Bank Ratings | S&P | Moody's | Fitch |
|---|---|---|---|
| Rabobank | A+ | Aa3 | A+ |
| ING Bank | A+ | Aa3 | AA- |
| ABN AMRO | A | A1 | A |
| BNG Bank | AAA | Aaa | AAA |
| NWB Bank | AAA | Aaa | n.a. |
| Deutsche Bank | BBB+ | A3 | BBB |
| BNP Paribas | A+ | Aa3 | AA- |
| Barclays Bank | A | A1 | A+ |
| Credit Suisse Int. | A+ | Aa3 | A |

| Currencies | 29/Jan/21 | 31/Dec/20 | 31/Jan/20 |
|---|---|---|---|
| EUR/USD | 1.222 | 1.193 | 1.121 |
| EUR/GBP | 0.894 | 0.895 | 0.846 |
| EUR/CHF | 1.081 | 1.084 | 1.086 |
| EUR/JPY | 126.180 | 124.415 | 121.765 |
| EUR/DKK | 7.442 | 7.443 | 7.471 |
| EUR/SEK | 10.050 | 10.228 | 10.501 |
| EUR/CAD | 1.555 | 1.551 | 1.457 |
| EUR/AUD | 1.588 | 1.624 | 1.597 |
| EUR/CNY | 7.977 | 7.846 | 7.807 |

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