

ACHMEA MORTGAGES

Quarterly Update Q4 2023

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COVER PHOTO: Oostenburg, Amsterdam

1. Summary Q4 2023

Highlights

- Swap interest rates decreased in the fourth quarter for all maturities
- Mortgage rates have decreased for almost all maturities and all risk categories
- Number of mortgage applications shows a decrease compared to 2022, NHG share continues to rise

Company profile

Achmea Mortgages is the asset manager for mortgages within Achmea. Predecessors of Achmea Mortgages have been serving as asset managers for institutional investors for over 60 years. As of the end of 2023, Achmea Mortgages has invested over €29 billion in Dutch mortgages, on behalf of more than 50 pension funds and other (international) institutional investors. The mortgages are provided under the brand names Centraal Beheer Leef hypotheek, Syntrus Achmea Hypotheken, and Attens Hypotheken. Achmea Mortgages asset management focusses on a sustainable future.

www.achmeamortgages.nl

Update

In the fourth quarter, there was a significant decline in swap rates across all maturities, leading to a corresponding decrease in mortgage rates, particularly noticeable in fixed-rate periods ranging from 25 to 60 basis points.

Despite mortgage rates following the downward trend of swap rates, margins increased, especially for longer fixed-rate periods, indicating potential future decreases in margins. Mortgage applications in 2023 declined by 29% compared to 2022, with changes observed in market distribution, particularly an increase in NHG mortgages, while refinancing mortgages doubled in comparison to the previous year.

Outlook

House price declines eased in the first half of 2023, suggesting a possible stabilization, although it's uncertain if this marks a new phase of increases due to the seasonal and volatile nature of house prices.

Factors influencing house prices are showing some positive developments, including a slowdown in the rise of mortgage interest rates and a tight labor market with significant wage increases, which boosts household confidence and purchasing power.

Despite challenges such as limited building permits and potential economic fluctuations, the outlook for house prices remains relatively stable, although sensitive to interest rate changes, with expectations of a modest boost in the housing and mortgage markets following anticipated interest rate decreases in 2024.



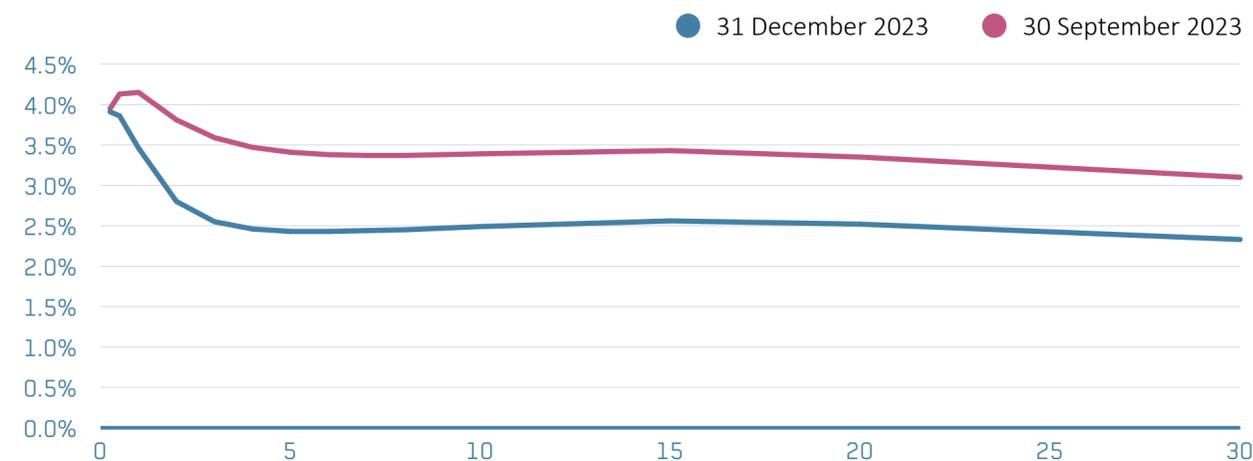
2. Dutch Housing Market Update

INTEREST-RATE MARKET

The swap rate decreased in the fourth quarter across all maturities. The decline was quite significant, exceeding one percent for the two, three, and four-year maturities. Longer maturities also experienced substantial decreases, with a 90 basis points drop for ten years maturity and a 77 basis points drop for thirty years maturity. Only the very short-term interest rates remained unchanged.

The sharp decline in the 2 to 4-year maturities resulted in a slightly more inverted curve in the short part of the curve. Between five and ten years the curve was nearly flat, while for the longest maturities it was slightly inverted.

EURO SWAP CURVE



At the start of the quarter, the market already anticipated that central banks were done with tightening, but due to some better-than-expected inflation figures from both the United States and Europe, this perception changed. Several interest rate cuts for 2024 were priced in. Statements from Federal Reserve Chairman Powell reinforced these expectations. The result was a significant decline in interest rates during the fourth quarter.

European inflation figures dropped below three percent for the first time, compared to the beginning of the third quarter when they were still above five percent. This was partly attributed to a decrease in energy prices, which had risen in the third quarter. However, core inflation, adjusted for volatile food and energy prices, also continued to decline. In Europe, this indicator stood at 3.6% in November (source: Eurostat). While still a bit removed from the 2% target set by the European Central Bank, considering the delayed impact of interest rate changes, it is not surprising that markets began anticipating cuts in 2024 during the fourth quarter. ECB members, including President Lagarde, attempted to temper expectations of interest rate cuts to some extent, but this had little effect.

Mortgage rates and margins

In line with the declining interest rate market, mortgage rates also decreased in the fourth quarter. Similar to developments in the interest rate market, this decline was substantial, ranging from 25 to 60 basis points depending on the fixed-rate-period and risk-category. Shorter fixed-rate-periods experienced a larger decline compared to longer fixed-rate-periods.

The average percentage (based on the top ten providers) for a 10-year fixed-rate mortgage with NHG (National Mortgage Guarantee) decreased by 41 basis points, from 4.19% to 3.78%. The average percentage (based on the top ten providers) for a 30-year fixed-rate mortgage with an LtV (Loan-to-Value) of 100% decreased by 32 basis points, from 4.84% to 4.52%.

The decline in mortgage rates follows that of the underlying swap rates, albeit often with a delay and not always proportionate across all maturities. Mortgage rates decreased less steeply than swap rates in the fourth quarter for all fixed-rate-periods, resulting in higher margins. This effect was most evident for the 30-year fixed-rate-period, with an average margin increase of 57 basis points, and least pronounced in the one-year fixed-rate-period, with an average increase of 23 basis points.

The margin on a 10-year fixed-rate-period NHG mortgage increased from 85 basis points to 134 basis points in the fourth quarter. The margin on a 30-year fixed-rate-period LTV 100% mortgage increased from 156 basis points to 211 basis points. We anticipate that margins for longer fixed-rate-periods will decrease in the coming months.

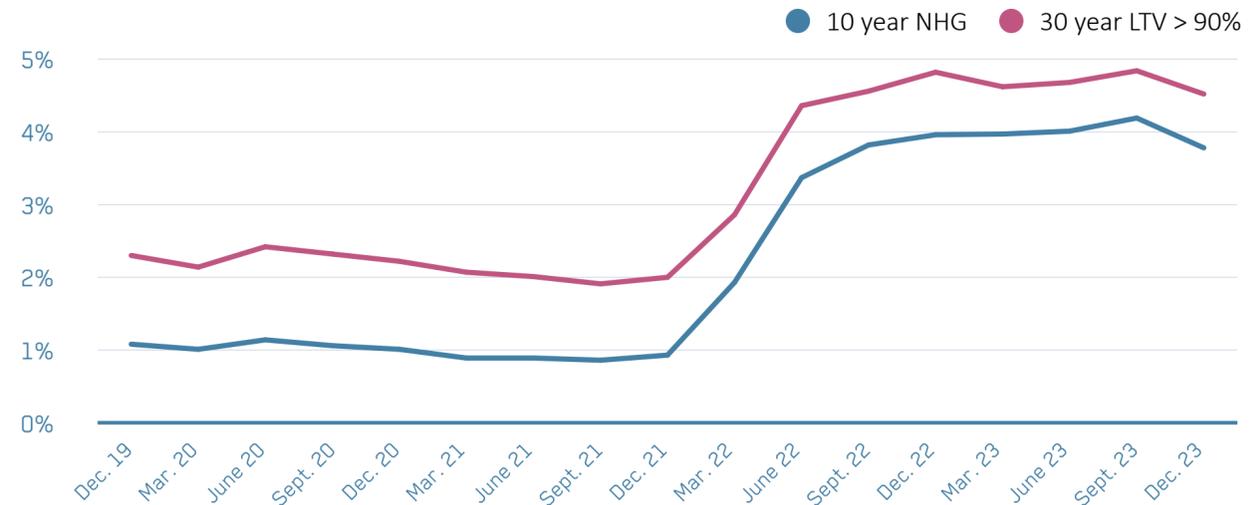
Mortgage rates will move up or down in line with swap rates, but the difference will likely diminish.

Number and distribution of mortgage applications

Mortgage Data Network (HDN) figures shows 368,000 mortgage applications were registered in 2023, a 29% decline compared to 2022 (521,000). The buyers' market (237,000) shows a slightly decrease of 8% compared to 2022. The non-buyer's market showed a year-on-year decline of 50% due to the increased mortgage rate. The distribution has been very proportionate over the year 2023. The fourth quarter shows an average of 31,000 applications each month, the same as Q3 (source: HDN)

The distribution between the type of applicants remained stable in the last quarter of 2023. The first-time buyers constitute, similar to Q3, about 35% of the market. The group 'other' shows a slight increase and those moving up the housing ladder (trader-uppers) lost market share. Compared with 2022 the proportion of NHG mortgages in the buyers' market has increased with 36% to a total of 110,000 applications. Furthermore, HDN reports that about 25% of the applications within the buyers' market has been a refinancing mortgage. The amount has more than doubled to a total of 62,000 applications (2022: 26,000).

MORTGAGES RATES



SPREADS (IN BPS)



Housing prices and average mortgage principal (applications)

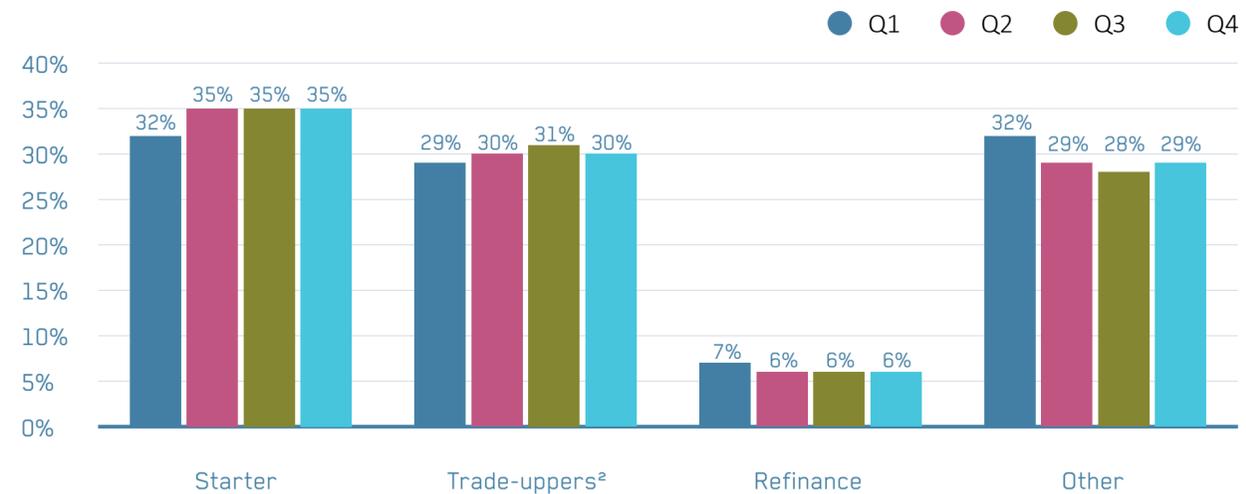
The (mortgage) interest rate shows a big decrease in the fourth quarter, but the housing prices online rose to an amount of € 423,000 (Q3 2023: € 422,000) (source: CBS). Furthermore, there is still a housing shortage and the scarcity indicator remains low according to the NVM¹. The mortgage principal (the amount that the mortgagee wishes to finance) is on average € 252,000 in 2023, which is slightly higher than 2022 (€ 250,000). For buyers' only, the average amount over 2023 decreased to € 333,000 (2022: € 344,000). Among non-buyers, the mortgage principal fell to € 107,000 (2022: € 159,000). This is mainly to the increased share of further advances, which lowers the average mortgage principal.

These figures are averages over both years. Looking solely at the last few quarters, a clear upward trend has been visible in the mortgage principal after a correction in the first quarter. The average mortgage principal at the end of 2023 is € 267,000, about € 6,000 higher as the end of Q3. In the fourth quarter of 2023, the mortgage principal is 7% higher than the fourth quarter of 2022.

Market size of granted mortgages

HDN figures show that around €18.8 billion in mortgages were granted last quarter (Q3 2023: € 18.0 billion). The average mortgage principal of the executed mortgages was € 256,000 (Q3 2023: € 249,000). Compared to the first quarter of 2023 (€ 234,000), the average mortgage principal has increased by 9%. The average mortgage principal of a mortgage granted is a derivative of the average mortgage principal of applications in the previous quarter (see previous paragraph). This is due to the lead time of several months between application and approval.

DISTRIBUTION OF MORTGAGES TYPES



Source: HDN, Syntrus Achmea adaptation (2023)

¹ The scarcity indicator approximates the number of choices that a potential buyer has in the housing market (source: Dutch Association of Real Estate Brokers and Real Estate Experts – NVM). ind.

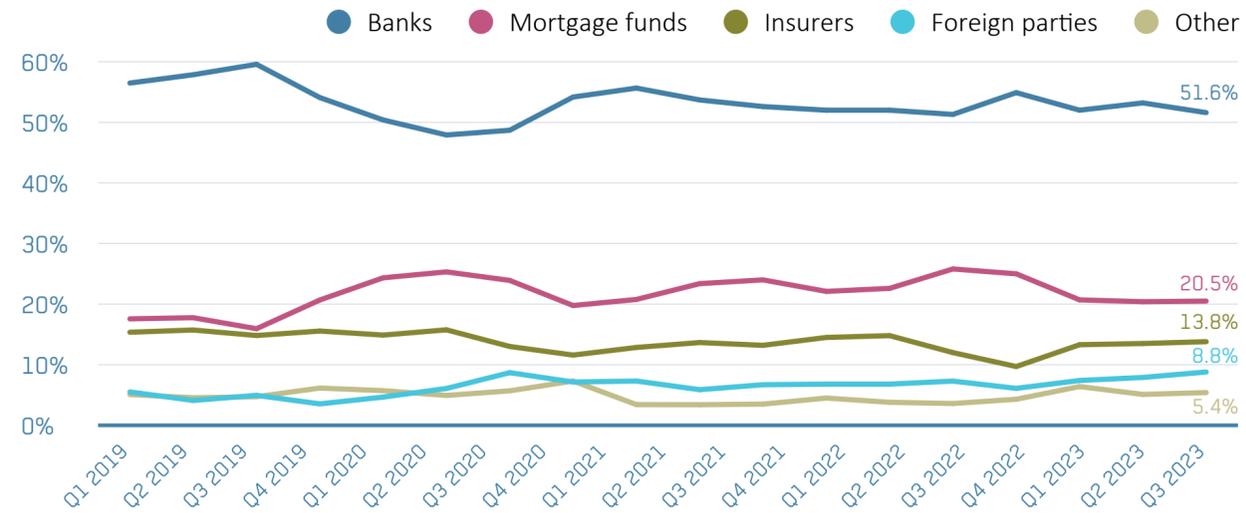
Number of foreclosure sales

At the end of November, the number of foreclosure sales based on a 3-month moving average remains about the same as the previous quarter with an average of 18 per month² (august 2023: 19). From a historical perspective, this number remains low (source: Dutch Land Registry). Unemployment also remains historically low with an average of 3,6%. This limits the chance of a foreclosure, because mortgage lenders can better meet their obligations.

Market share of lenders

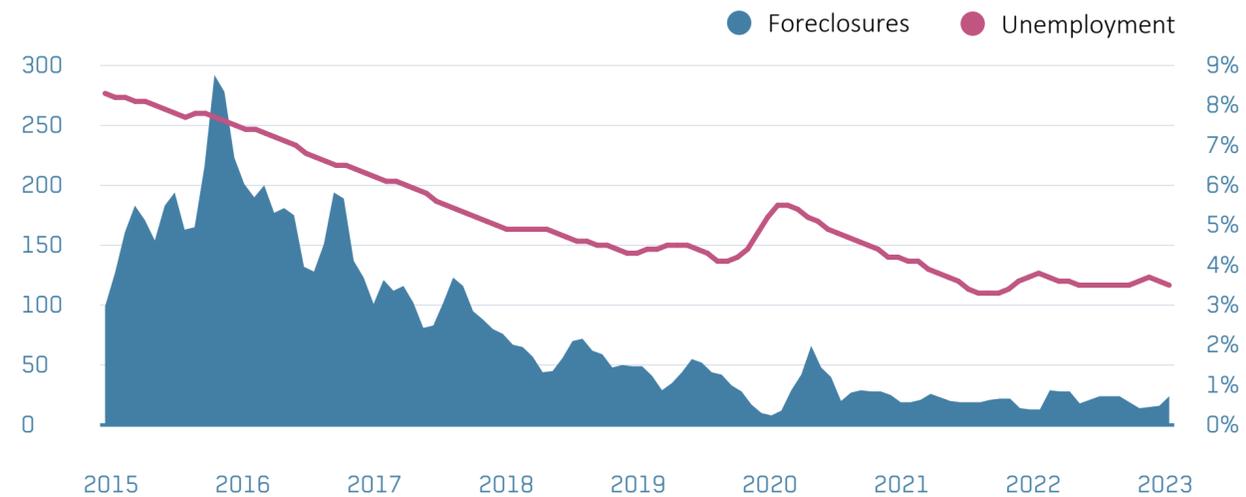
The distribution of mortgage lenders' market shares is slightly changed in third quarter of 2023³. The market share of banks rose with 2.5% to 54.1% (Q2 2023: 51.6%), from which other groups lost market share. The share of the directing parties fell the most by 1.3% to 19.2% (Q2: 20.5%) (source: IG&H).

MARKET SHARE



Source: IG&H (2023)

NUMBER OF FORECLOSURE AUCTIONS (3 MONTH MOVING AVERAGE)



Source: CBC and Dutch Land Registry with Syntrus Achmea edit (2023)

² Land Registry foreclosure sales figures are one month behind.

³ As IG&H's figures are not available until mid-quarter, the figures are one quarter behind.

3. Dutch Housing Market Outlook

HOUSE PRICES RISE AGAIN

House prices rose again in the third quarter, according to figures from the NVM. Compared to the previous quarter, the average transaction price of existing homes was 1.7 percent higher. Now that house prices have risen for the second quarter in a row, the decline - which started at the end of 2022 - seems to be over. The sharp increase in mortgage rates over the past year has now been priced in and is being compensated by rising wages and low unemployment rates. The number of transactions was significantly lower in the third quarter: 18 percent less than a year earlier, 9 percent on a quarterly basis.

Supply fell by 7 percent compared to the second quarter. As a result, the tightness indicator fell again. A potential home buyer now has a choice of 2.6 homes, compared to 2.7 in the previous quarter. New construction prices also rose slightly by 0.3 percent. The NVM figures are based on the average transaction price and provide a rough, but current indication of house price developments. The price index for existing owner-occupied homes from CBS and Land Registry provides a more accurate, but delayed indication. The index for the third quarter is still being calculated, but based on Oxford Economics' expectations it will rise by about 0.5 percent. The Eigen Huis market indicator, which shows consumer confidence in the housing market, rose to 77 points in September (100 is 'neutral' on a scale of 0 to 200).

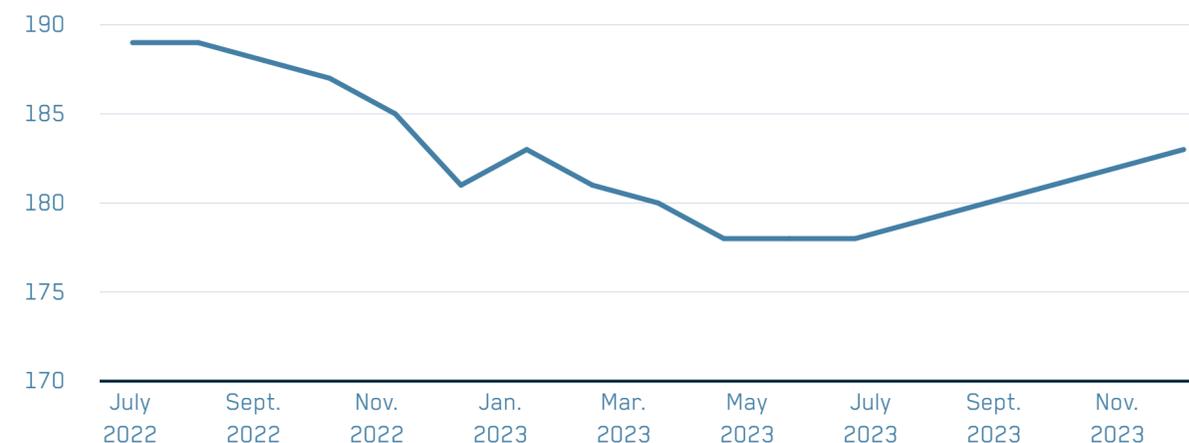
HOME PRICE INDEX

Source: CBS, Achmea Mortgages



HOUSE PRICE DEVELOPMENT

Source: CBS, Achmea Mortgages



4. Mortgage market in numbers

Property name	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
General unemployment ²	3.6%	3.6%	3.5%	3.6%	3.50%
Inflation ²	9.6%	4.4%	5.7%	0.2%	1.20%
Number of originated mortgages ¹	94,482	73,178	77,864	80,820	90,620
Mortgage applications ³	85,182	91,341	92,999	92,744	92,779
Foreclosures ¹	86	54	73	43	72
Price index ¹	129.00	126.8	124.7	126.4	128.6
Energy label known ³	44.2%	54.1%	57.2%	58.3%	58.6%
Energy savings measures ³	11.2%	14.9%	14.7%	13.5%	14.1%

Source: ¹Kadaster, ²CBS, ³HDN



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