

# ACHMEA MORTGAGES

Quarterly Update Q3 2024

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# 1. Summary Q3 2024

## Highlights

- In the third quarter of this year all swap rates decreased.
- In line with the decline in swap rates, all mortgage rates decreased during the third quarter.
- The mortgage principal slightly increased to €275,000 (previous quarter: €268,000).
- The number of foreclosures increased to 21 per month (previous quarter: 20).

## Company profile

Achmea Mortgages is the mortgage asset manager within Achmea, holding an AIFMD license. With a history of over 60 years, Achmea Mortgages has been managing assets for institutional investors. By the end of 2023, Achmea Mortgages manages over €29 billion in Dutch mortgages on behalf of more than 50 pension funds and other institutional investors under the brand names Centraal Beheer Leef hypotheek, Syntrus Achmea Hypotheken, and Attens Hypotheken. We do this jointly with Achmea Bank and Centraal Beheer, enabling homeowners' needs for carefree living, across all our brands and products.

## Update

This quarter was marked by a decline in swap rates across all maturities. Rate cuts by central banks contributed to a sharp decrease, particularly in short-term maturities, with the 2-year swap rate falling by more than 90 basis points. Longer-term rates also declined, albeit to a lesser extent. The 30-year rate dropped by 27 basis points over the quarter.

In line with lower swap rates this quarter, mortgage rates also fell across all fixed-rate periods. On average, rates dropped by 30 basis points, though this varied significantly depending on the fixed-rate period and risk category.

Mortgage rates declined less sharply than the underlying swap rates, resulting in higher credit spreads. After two quarters of lower credit spreads, spreads are now higher than the average of the past three years.

According to Mortgage Data Network ([HDN](#)) about 116,000 mortgage loan applications were registered in this quarter of 2024, a slight decrease compared to the previous quarter (-3%). Mortgage applications increased with 25% in Q3 2024 compared to the Q3 2023.

Mortgage applications are roughly 27% higher in 2024 compared to 2023. This is in line with a recovery in the housing market leading to a higher turnover in the housing market.

## Outlook

- Higher turnover in the mortgage market is expected for 2024 in line with increased activity in the housing market. We expect a turnover of €100 billion for 2024 up from €80 billion in 2023.
- House prices continued to rise in the 3rd quarter. As mortgage rates have stabilized and wages have increased substantially, the affordability has improved. Given the positive outlook for the economy, low unemployment rate and limited supply of new constructions, a further rise in house prices is expected going forward.
- The economy seems to have stabilized in 2024, however, unemployment is expected to remain low and thus resulting in limited credit risk in 2024. Looking forward, we expect a similar macro-economic environment in 2025.

# 2. Mortgage Market Update

## INTEREST-RATE MARKET

This quarter was marked by a decline in swap rates across all maturities.

Rate cuts by central banks contributed to a sharp decrease, particularly in short-term maturities, with the 2-year swap rate falling by more than 90 basis points. Longer-term rates also declined, albeit to a lesser extent. The 30-year rate dropped by 27 basis points over the quarter.

One consequence of this was that the slope of the 5- to 15-year segment steepened, with rates now rising by 25 basis points, returning this part of the curve to its typical upward slope. However, the overall curve remains inverted.

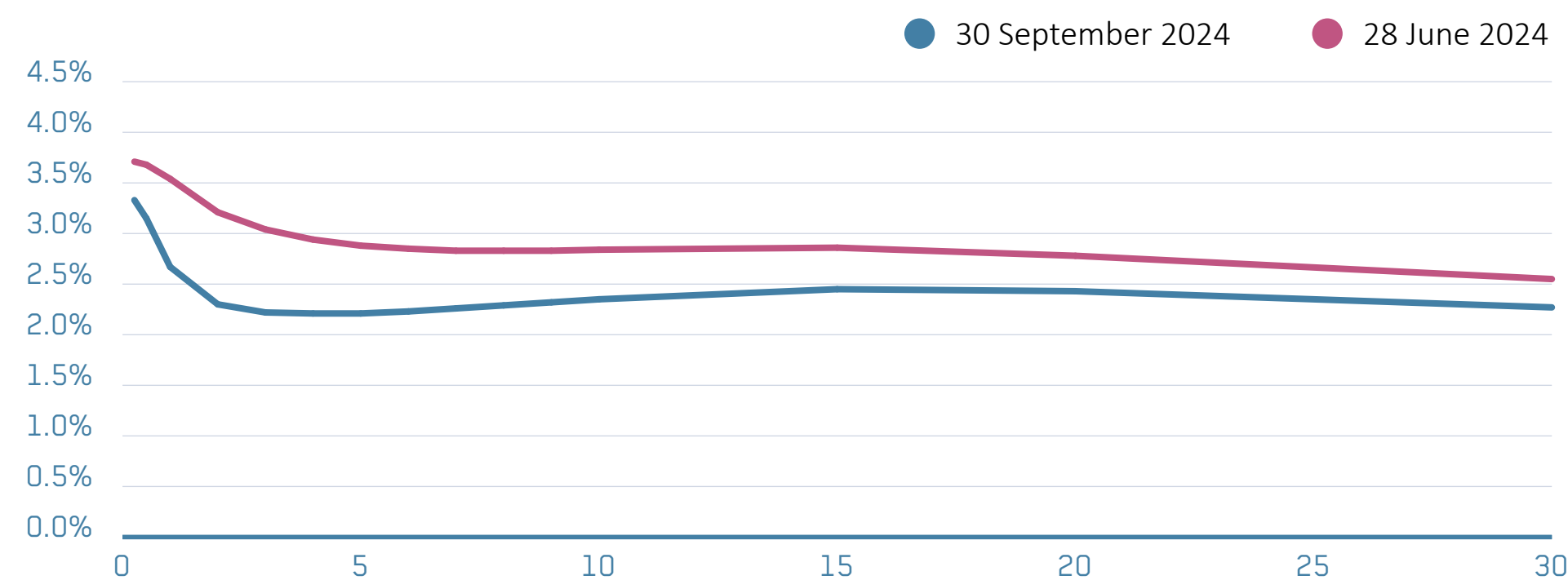
The significant decline in market rates was primarily driven by central banks. The Fed implemented its first rate cut in years, a direct reduction of 50 basis points. This move was prompted by falling inflation, which is returning to acceptable levels, and signs of an economic slowdown. Although these factors were known, many market participants had expected a 25 basis point cut.

Similarly, the European Central Bank reduced the deposit rate from 3.75% to 3.5% in September. Preliminary inflation figures for the eurozone showed 2.2% for September, slightly above the 2% target. Core inflation in Europe, adjusted for volatile food and energy prices, dropped to 2.7% (source: Eurostat).

However, the ECB's rate cut was not anticipated by everyone, as ECB members had downplayed expectations after the first reduction in June. This suggests that the ECB is shifting its focus from fighting inflation to supporting the European economy, with forecasts increasingly pointing to weakening growth. As a result, market participants have adjusted their expectations, leading to lower rates, even for longer maturities.

### EURO SWAP CURVE

Source: Achmea Mortgages



### Mortgage rates and margins

With the decline in swap rates this quarter, mortgage rates also fell across all fixed-rate periods. On average, rates dropped by 30 basis points, though this varied significantly depending on the fixed-rate period and risk category. Mortgage rates for 1- and 2-year terms saw the steepest decline, averaging 46 basis points, while 30-year fixed-rate period experienced the smallest decrease, with an average drop of 13 basis points.

The average rate (based on the top 10 providers) for a 10-year fixed-rate mortgage with NHG decreased by 32 basis points, from 3.76% to 3.44%. Similarly, the average rate (based on the top 10 providers) for a 30-year fixed-rate mortgage with an LTV of 100% fell by 13 basis points, from 4.36% to 4.23%. Mortgage rates followed the decline in underlying swap rates, though, as often happens in the mortgage market, with some delay and not uniformly across all fixed-rate periods.

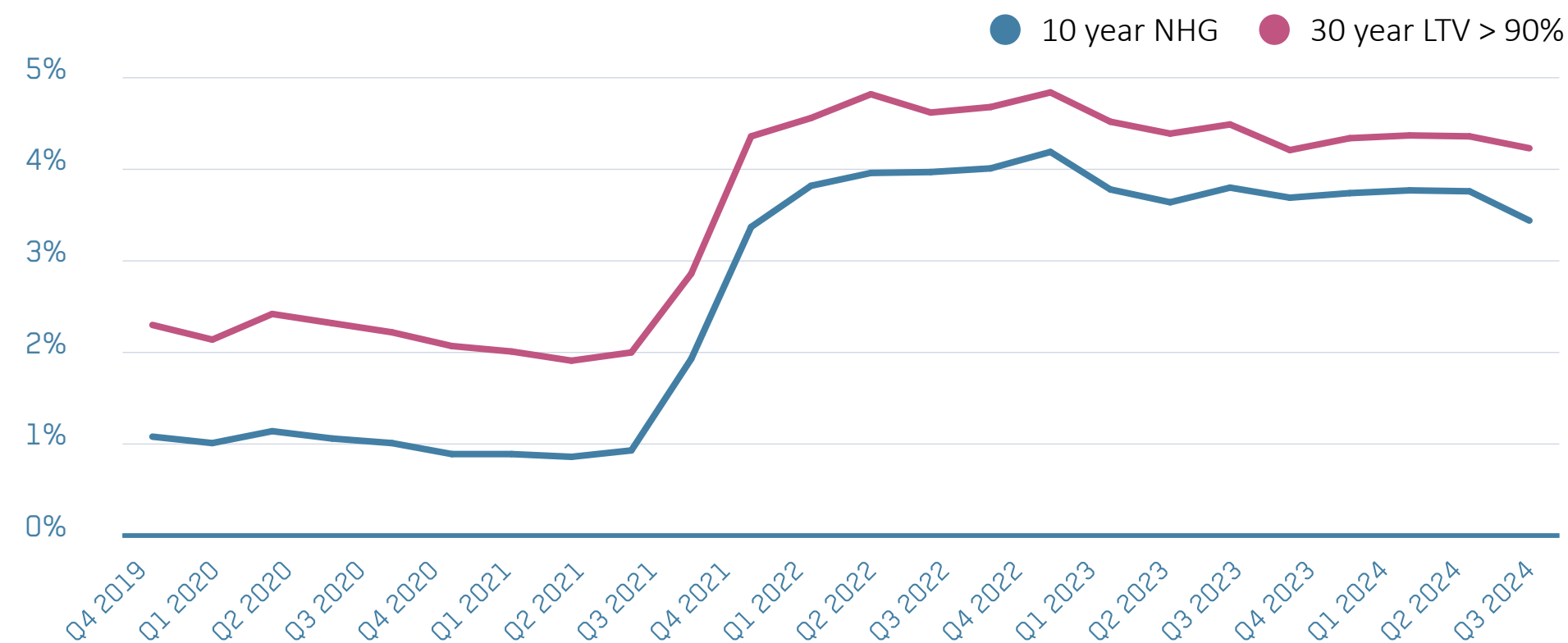
As previously mentioned, mortgage rates declined less sharply than the underlying swap rates, resulting in increased margins. After two quarters of shrinking margins, they have now risen above the average of the past three years.

The margin on a 10-year fixed-rate NHG mortgage increased during the quarter from 96 basis points to 117 basis points. The margin on a 30-year fixed-rate mortgage with an LTV of 100% increased from 163 basis points to 195 basis points.

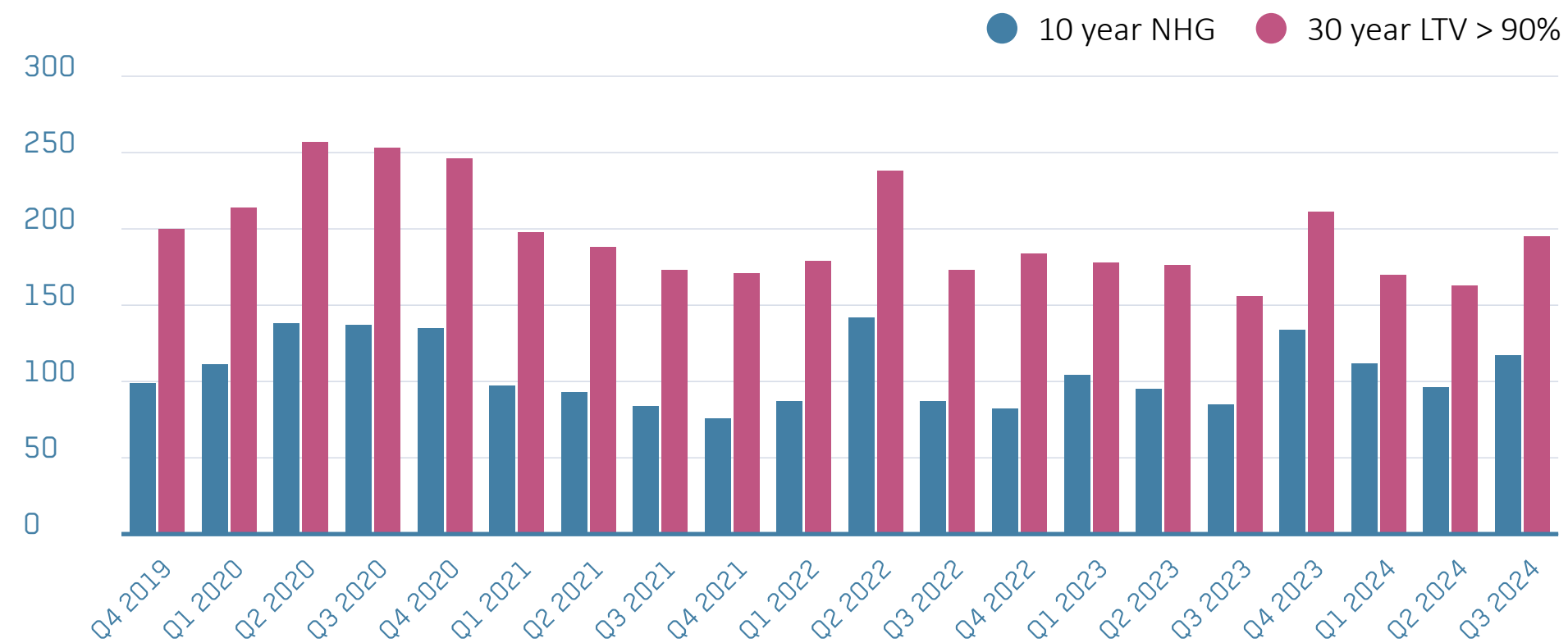
Margins have now recovered to slightly above the average of recent years. In case of a further rapid decline in swap rates, margins could increase further, but ultimately, we expect margins to decrease somewhat in the coming months. Mortgage rates will then move up or down in line with swap rates, but the gap will narrow.

#### MORTGAGES RATES

Source: Achmea Mortgages



#### SPREADS (IN BPS)



### Number and distribution of mortgage loan requests

According to Mortgage Data Network (HDN) about 116,000 mortgage loan applications were registered this quarter of 2024, a slight decrease compared to the previous quarter (-3%).

Within the total number of mortgage loan applications, about 75,000 can be assigned to the buyer’s market (starter and trade-uppers). In the non-buyer’s market (refinances and other) the number of requests are just over 41,000. The relative distribution of the groups remained almost the same compared to last year, with starters being the largest group (34%).

### Development of mortgage loan principal (requests)

The average mortgage loan principal for buyers, the amount that the mortgagee wishes to finance, increased slightly to €362,000 in this quarter compared the previous quarter (€361,000).

The value of the underlying house that is to be mortgaged in the buyers’ market increased to €494,000 this quarter. An increase of 9% compared to the third quarter of 2023 and almost 1.5% compared to the previous quarter.

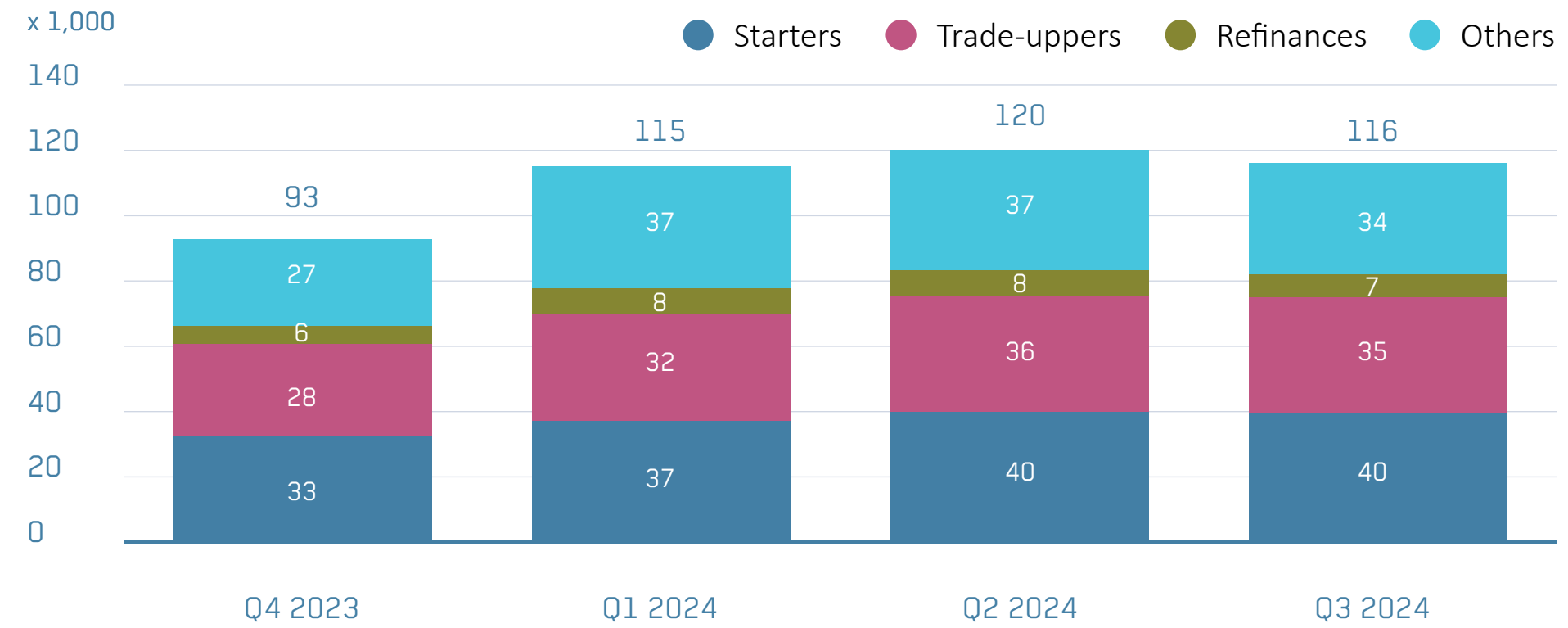
This growing market value of houses in the buyers’ market can be attributed to rising wages combined with declining mortgage rates and a tight housing market. It is expected that this market value will continue to rise in the fourth quarter as well.

The non-buyers market has a similar increase of the average mortgage loan principal. The average loan principal of non-buyers increased to €116,000 this quarter. This is an increase of 7% compared to the third quarter last year and 2% compared to the previous quarter.

The total mortgage loan principal averaged at around €275,000 this quarter. This is an increase of 2% compared to the previous quarter.

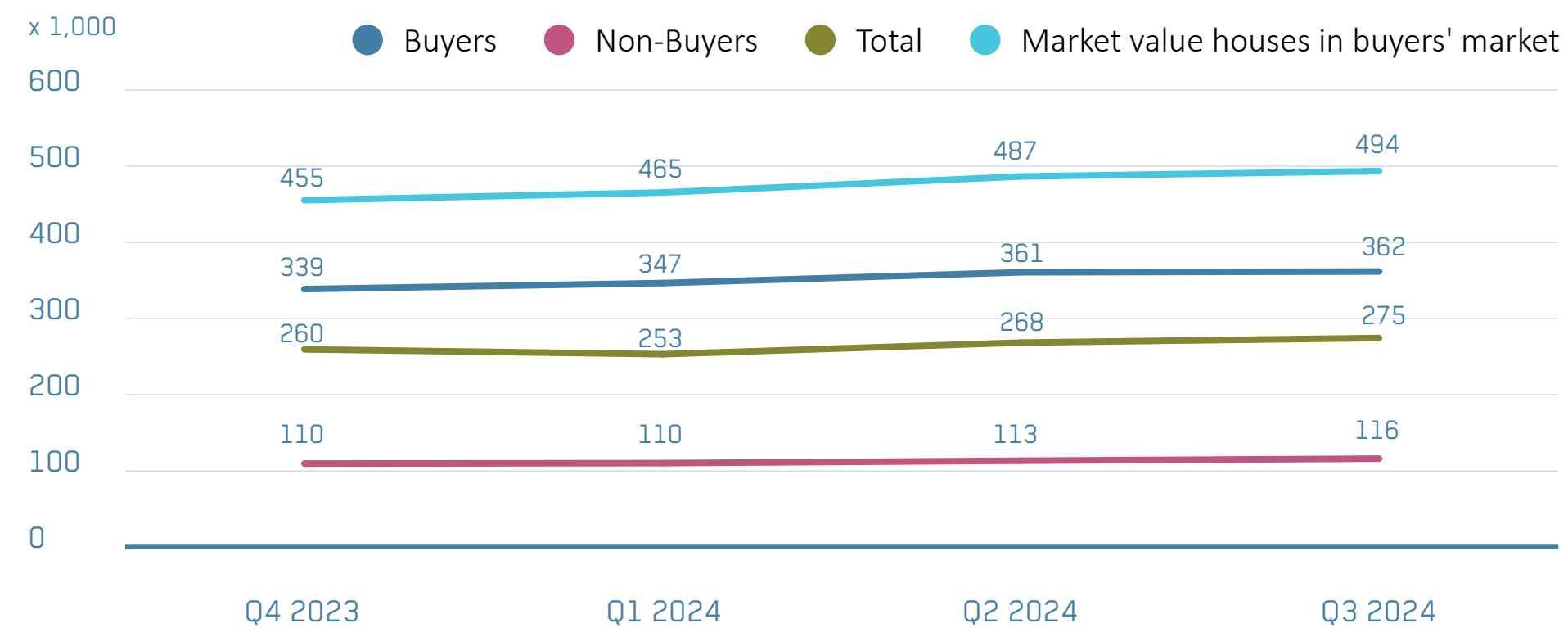
### DISTRIBUTION OF MORTGAGES TYPES

Source: HDN, Achmea Mortgages adaptation (2024)



### MORTGAGE LOAN PRINCIPAL AND MARKET VALUE HOUSES

Source: HDN, Achmea Mortgages adaptation (2024)



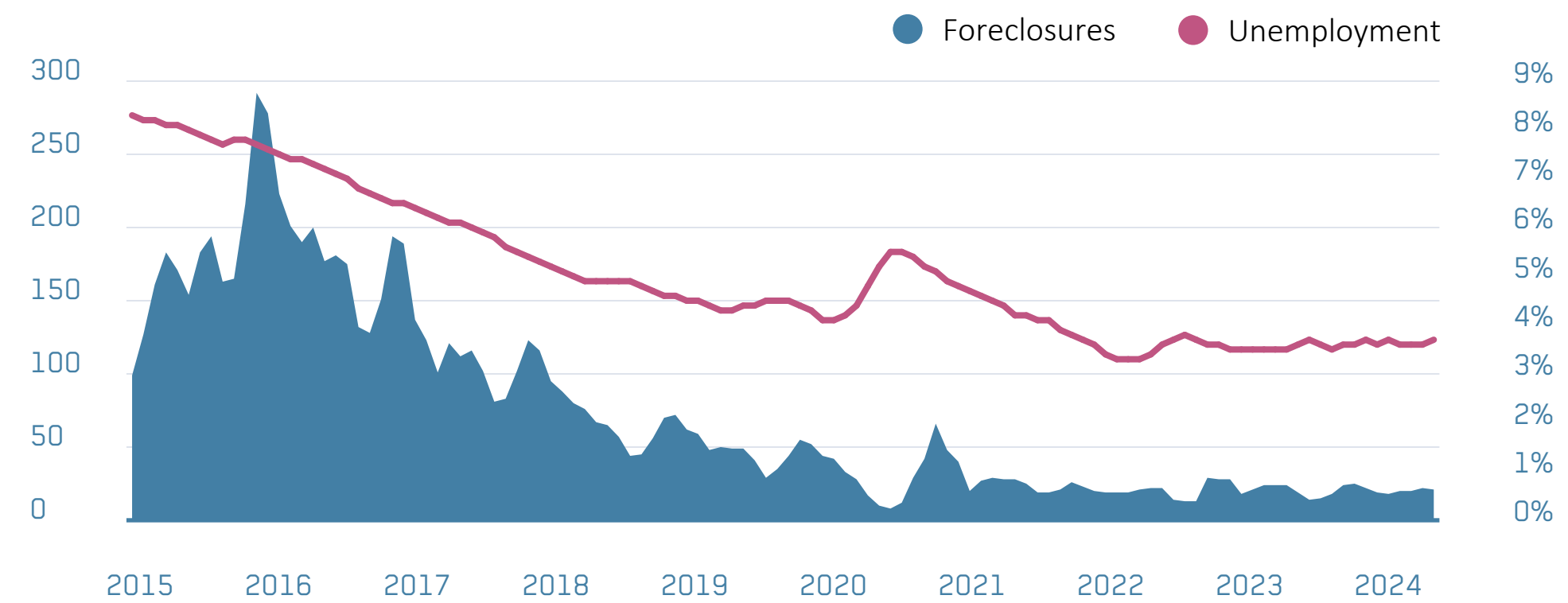
## Market size of granted mortgage loans

HDN figures show that around €23.9 billion in mortgage loans were granted this quarter. This is an increase of almost 14% compared to the previous quarter (€21.0 billion). The average mortgage principal of the granted mortgages this quarter increased to €272,000 (previous quarter: €252,000). This principal amount follows the average mortgage loan principal of an application (previous paragraph) with some delay due to a lead time of several months between the application and the passing of a mortgage loan.

## Number of foreclosure sales and unemployment rate

At the end of August, the number of foreclosure sales, based on a 3-month moving average, increased slightly to 21 per month<sup>1</sup> (May 2024: 20). From a historical perspective, this number remains very low. The unemployment rate also remains low with an average of 3.6% (source: CBS). This limits the chance of a foreclosure, because mortgagees are better able to meet their obligations.

NUMBER OF FORECLOSURE AUCTIONS (3 MONTH MOVING AVERAGE)



Source: CBS and Dutch Land Registry with Achmea Mortgages edit (2024)

<sup>1</sup> Land Registry foreclosure sales figures are one month behind.

# 3. Housing Market Update

## STRONG PERFORMANCE IN THE HOUSING MARKET

The Dutch housing market continues to perform well, as evidenced by recent figures from the Dutch Association of Realtors (NVM). In the third quarter of 2024, house prices increased by 0.4 percent compared to the second quarter. Compared to the same quarter last year, prices have risen by 12.3 percent.

The number of transactions is also positive, with a 1 percent increase compared to the second quarter and a 10.9 percent increase year-over-year. This results in the highest number of homes sold in a single quarter in nearly four years. This is noteworthy, as historically, home sales tend to decline significantly during the summer vacation period.

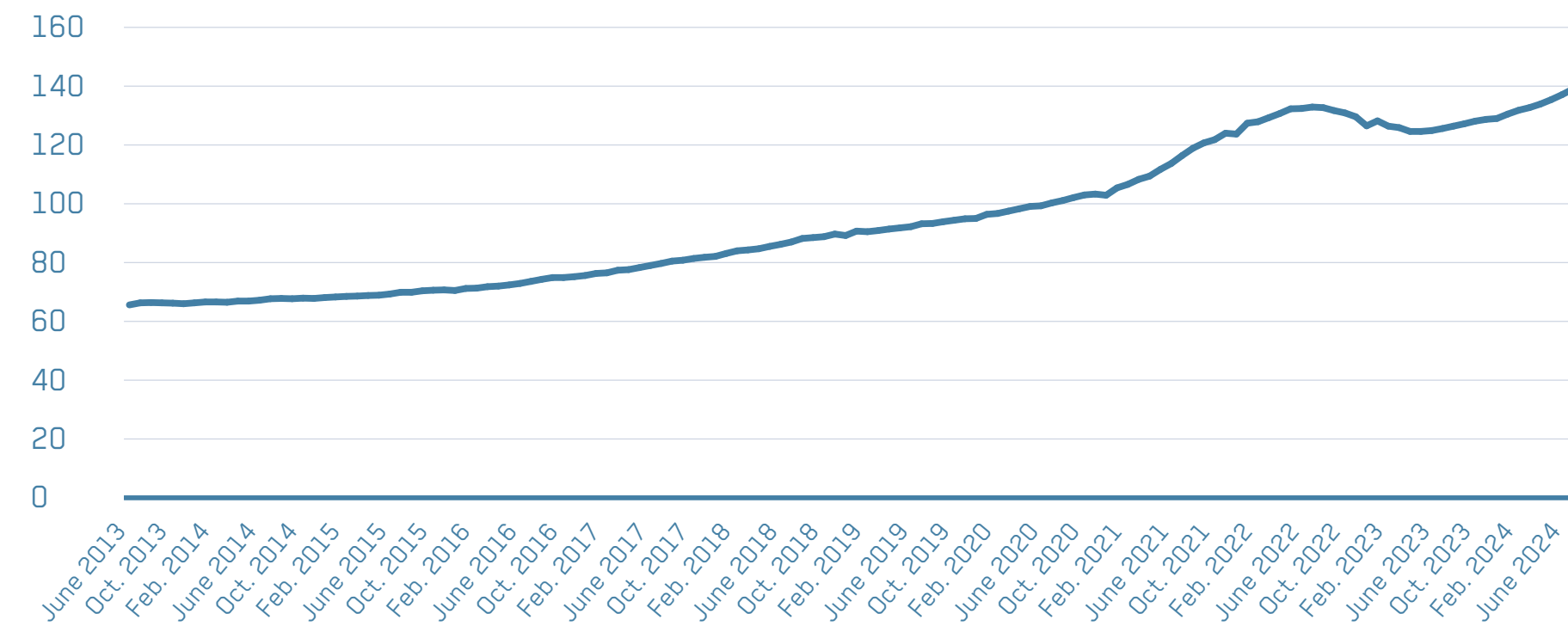
On the other hand, the supply of homes decreased by 2 percent in the past quarter. This decline is further confirmed by the scarcity indicator, which shows that a potential homebuyer now has an average of 2.1 homes to choose from, compared to 2.6 homes a year ago.

The NVM figures, based on the average transaction price, provide a rough but current indication of housing price development. For a more accurate but delayed indication, we can refer to the Price Index of Existing Owner-Occupied Homes (PBK) from CBS and Kadaster, which shows an increase of 3.4 percent in the third quarter (quarter on quarter), with an annual increase of more than 11 percent (year on year).

Additionally, the Eigen Huis market indicator, which measures consumer confidence in the housing market, has been steadily rising since 2023. In June 2024, this indicator further increased to 90 points, the highest level since July 2022 (where 100 is considered 'neutral' on a scale of 0 to 200). These data points indicate a strong and resilient housing market, despite the challenges present in the broader economy.

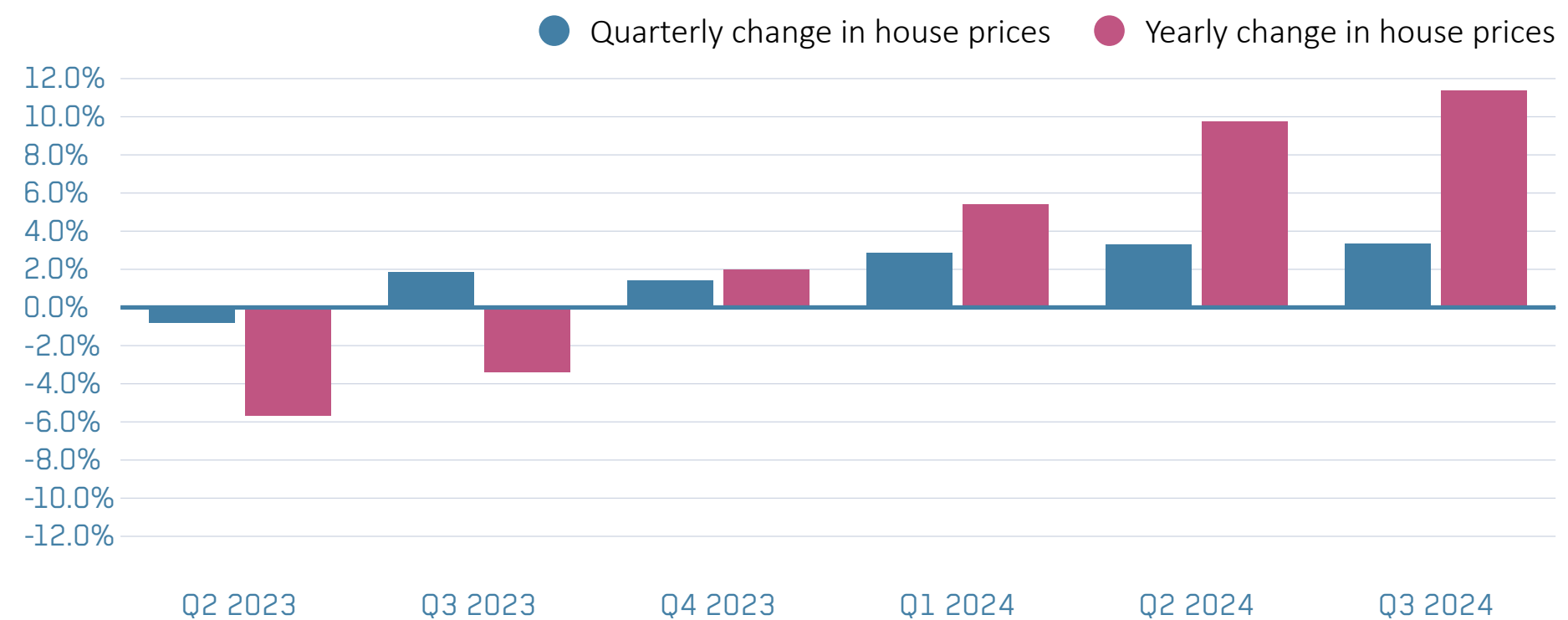
### HOME PRICE INDEX

Source: CBS, Achmea Mortgages



### HOUSE PRICE CHANGE

Source: CBS, Achmea Mortgages





# 4. Achmea Mortgages ESG Strategy

## Introduction

As a dedicated asset manager, Achmea Mortgages views it as a core mission to assist institutional clients in achieving stable financial returns while also promoting sustainability. We understand that our clients have an increasing need for mortgage portfolios with high societal value. Therefore, ESG plays a central role in our investment vision: investing with purpose forms the foundation, with attention to people, the environment, and society.

Achmea Mortgages is part of Achmea. Achmea's purpose is "Sustainable Living Together": an inclusive society where everyone participates and lives pleasantly and healthily together. Achmea Mortgages contributes to this by offering responsible, green mortgage products to Dutch consumers. We go further by providing practical assistance with sustainability, for example, through the Climate Store. In this way, we also meet the needs of our institutional clients.

We observe that our institutional clients are increasingly confronted with societal issues. Additionally, they face growing regulatory requirements and obligations, such as reporting standards. As an experienced investment partner, Achmea Mortgages is committed to optimally supporting clients in these areas and providing tailored solutions for ESG needs. Our management of various mortgage labels, each with its own approach to ESG strategy, is advantageous for clients, who benefit from the diverse experiences of each label. At the same time, we maintain our overall ESG strategy as a manager. We aim to streamline operations for our clients wherever possible and collaborate closely with them, ultimately aiming to have a significant societal impact through mortgage investments.

## Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) represent the global societal agenda for governments, businesses, and investors. Consisting of 17 development objectives, underpinned by 169 specific targets, the SDGs primarily target the governments of the UN's 193 member states, while also encouraging businesses to contribute to these goals. Many of our institutional clients support one or more SDGs, and we strive to align with these goals where possible within our organization, investment products and employees. In the coming years, we aim to contribute to the following themes, which are closely linked to the SDGs:

- We finance the energy transition, for example with green loans part, thereby assisting our consumers in making their homes more sustainable. In doing so, we contribute to a resilient living environment, also for future generations.
- We consider it part of our responsibility to contribute to information provision and education aimed at improving the financial literacy, opportunities for sustainability and access to climate adaptation measures among our consumers. We believe this contributes to societal equality of opportunity.
- For our mortgage portfolios and our own operations, we aim to contribute to minimizing greenhouse gas emissions as much as possible and encourage consumers to reduce their emissions. We achieve this with innovation like the climate store but also by actively supporting consumers in making their homes more sustainable.

These objectives align with SDG10: Reduced Inequality, SDG 11: Sustainable Cities and Communities, and SDG 13: Climate Action.



The following table shows how these themes align with the SDGs and includes some concrete measures that have been taken for the fund.

### Financing the Energy transition



We finance the energy transition, thereby assisting our consumers in making their homes more sustainable.

- Encouraging energy-saving measures by providing financing up to 106% LTV in combination with a discount for a maximum of 25k.
- Informing consumers on how to improve energy efficiency and providing ways to implement these measures.
- Offering financial incentives for consumers, such as interest rate discounts and vouchers, to actually motivate them to make their home more sustainable.

### Information & Education



We consider it part of our responsibility to contribute to information provision and education aimed at improving the financial literacy, opportunities for sustainability and access to climate adaptation measures among our consumers.

- Our internal special service team aims to assist mortgage holders in difficulty, offering support such as job and budget coaching.
- We work with mortgage holders facing payment difficulties to resolve these issues. This may include restructuring the loan, interest rate averaging, etc.
- Mortgage holders who have reached retirement age and have a low LTV mortgage are informed about options to increase their mortgage as a way to supplement their pension.
- We inform all mortgage holders about the options available to repay their mortgage loans.
- Our employees offer guest lectures on finance at schools.

### Minimize greenhouse gas emissions



We aim to contribute to minimizing greenhouse gas emissions as much as possible and encourage consumers to reduce their emissions.

- Through 'Duurzaam Woongemak', we inform and support consumers in making their homes more sustainable, thereby reducing CO<sub>2</sub> emissions.
- In terms of reporting, we work with grid operators, Calcasa, and the CAS to obtain the necessary data. This enables us to make timely adjustments and take additional measures if needed.
- As Manager, Achmea Mortgages aims for fully climate-neutral operations by 2030, and climate neutral portfolios by 2050.

# 5. Mortgage Market in Numbers

Indicator	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
General unemployment <sup>2</sup>	3.6%	3.5%	3.6%	3.6%	3.7%
Inflation <sup>2</sup>	0.2%	1.2%	3.1%	3.2%	3.5%
Number of originated mortgages <sup>3</sup>	80,82	90,62	78,605	91,058	99,549
Mortgage applications <sup>3</sup>	92,744	92,779	115,108	120,228	116,052
Foreclosures <sup>1</sup>	43	72	56	60	50
Price index (2020=100) <sup>1</sup>	127.2	129.0	132.7	137.1	141.7
Energy label known <sup>3</sup>	58.3%	58.6%	87.6%	90.3%	92.2%
Energy savings measures <sup>3</sup>	13.5%	14.1%	16.8%	16.1%	13.6%

Source: <sup>1</sup>Kadaster, <sup>2</sup>CBS, <sup>3</sup>HDN



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