

Country-Specific Legislation and Practice

Country Chapter



The Netherlands

Introduction

One of the guiding principles of TEGoVA is to promote consistency of standard definitions of value and approaches to valuation trans-Europe. The publication of European Valuation Standards (EVS) provides the state, investors, the financial industry, valuers and their clients with a common benchmark which can be consistently applied, irrespective of the location of a real estate asset.

Whereas harmonisation of valuation standards enable recognised bases of valuation to be reported, the preparation and publication of a valuation must also respect client need, national legislation and custom. Customary differences, particularly in respect of valuation methodology, may result from the requirements of statute or regulation.

This Country Chapter illustrates differences that currently exist across Europe. The Country Chapters are not intended to provide definitive advice. The text that follows has been provided by TEGoVA Member Associations (TMAs) to outline country-specific legislation and practice.

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The Netherlands

Professional bodies represented on TEGoVA:

- **NEDERLANDSE VERENIGING VAN MAKELAARS EN TAXATEURS IN ONROERENDE GOEDEREN (NVM)**
Dutch Association of Real Estate Brokers and Real Estate Experts
- **VastgoedPRO**
Association of Real Estate Agents and Valuers of the Netherlands
- **VBO MAKELAAR**
Dutch Association of Real Estate Agents and Valuers
- **WAARDERINGSKAMER**
The Netherlands Council for Real Estate Assessment

Real Estate Market in the Netherlands

Residential market

The Netherlands residential market consists of approximately 7.5 million dwellings. Of these 4.5 million are occupied by its owner. A little over 3 million dwellings are rented. Almost 2.5 million of those are social housing. The Netherlands traditionally have a an extensive social housing sector, with almost 30% of the residential properties being rented in this sector.

The renting sector in general is heavily regulated and tenants enjoy much protection. The government has set up a system to determine the maximum allowed level of rent. If this maximum is under a certain level (in 2016: 710.68 per month) the annual increase in rent as well as the maximum rent is bound to rules. Above this level rent price is a market price.

For owner occupied houses there is an open market. Transfer of real estate needs the notary office. Ownership and sales prices are also registered by the Cadastre and publicly available. The residential property market is also very open because of the extensive use of internet with a few national providers giving access to all real estate agents as well as to individuals. All supply of residential property on the market is presented including a large number of pictures.

Interest paid on mortgages can be deducted from Income Tax, but the allowed period for this deduction is now limited to 30 years with also a decrease in deduction over this period. Most home-owners start with a mortgage loan for the full amount of the sales price.

Non-residential market

The non-residential market consists of over 1.1 million properties. Of those, 16% is industrial real estate. The retail with 27 million square meters contributes for 10% of the total number of properties. Offices form approximately 8% of the total number of properties with 50 million square meters. There are about 8% agricultural properties. The majority of real estate is sold and rented without many limitations. For the renting of retail properties, the law gives binding rules on rental contracts.

Valuation

Basis of Value and Main Customer Groups requesting Valuation Services

Generally for every type of real estate the basis of value is the market value. This market value is used also for finance purposes and for financial reporting. The generally used definition of market value in the Netherlands is based on a translation of the international definition as laid down in EVS / IVS. This translation has been approved by the majority of stakeholder associations and representatives of the government.

For residential buildings most valuations are done as a requirement for a mortgage loan. Most banks and other financiers request a valuation provided by a certified valuer whose valuation report is validated by an independent validation institute. Social housing associations are obliged to report the market value of every dwelling as let property. Owners of commercial properties request for a periodical revaluation of their property for their financial reporting. Investors use valuations to make investment decisions.

Methods applied for the Calculation of Market value

For the valuation of residential properties, the commonly used method to estimate the market value is the method of comparison. In valuation reports used for mortgage loans, the comparison must be made clear in the report. Sales prices for this comparison are available for all valuers and these valuers also make use of valuation models. For the valuation of agricultural real estate a special form of the *net initial yield method* (in Dutch: SAR-methode) has been developed in 2014. The valuation of commercial real estate is mostly done using the gross or net yield method, the discounted cash flow method or a method of the capitalisation of market rent.

Valuation for taxation and other government use

The Netherlands has a special Act For Real Estate Assessment (in Dutch: Wet WOZ) that obliges municipalities to make an annual assessment of the market value of all properties. This assessment is used for taxation by different levels of government and also for some other formal uses.

For this assessment all residential properties are estimated on market value based on sales comparison. Commercial property is valued using a method of capitalizing the market rental value. The valuation of non-commercial non-residential properties for taxation is done using a method of depreciated replacement costs.

Valuation profession

Background

Historically a large part of the valuers was also involved in the brokerage business. Less have a background in surveying or in the financial sector or the accounting sector. Until 2001 valuers were publicly appointed by a court. After 2001 the title was no longer protected and regulation was left over to valuers associations. These organisations set up different registers for valuers. In 2015 two public bodies, the Netherlands Central Bank and the Netherlands Authority for the Financial Markets, took the lead in combining the different registers into one centralised register. The Netherlands Register for Real Estate Valuers (in Dutch: Nederlands Register Vastgoed Taxateurs) was established in 2015, and came into force in 2016. The register consists of four sections, each with their own specific minimal educational requirements. There is a section for residential valuers, for rural and agricultural valuers, for commercial valuers and a section for valuers specialized in the valuation in the context of the Act of Real Estate Assessment (the so called WOZ-value).

Codes of conduct and internal jurisdiction

The central register for valuers (NRVT) hosts valuers from different professional associations, who each have their own professional rules and codes of conduct. Yet, the central valuers register also has developed a general code of conduct that are binding for every valuer. Besides this general code, each section of the register has its own specific regulations and professional rules. Violation of the code of conduct, the professional rules or other regulations is punishable by a warning, suspension, a fine or expulsion. The register has formed an independent disciplinary committee to deal with complaints submitted by consumers, stakeholders or by the board of the register itself regarding to a registered valuer.

Recognised European Valuers and TEGoVA Residential Valuers

Valuers who are a member of NVM, VBO or VastgoedPro are eligible for obtaining the REV or TRV title, because these three associations are TEGoVA Awarding Member Associations (AMA). The assessment of valuers applying for the REV or TRV title is done by a joint organisation under the name of *TEGoVA Netherlands*.

Code of Measuring Practice

The commonly used basis for measuring real property is the standard 'NEN 2580'. This standard gives four standards for measuring floor area and two standards for measuring building volume. For market and valuation purposes the size of residential properties is

measured using the standard for the usable floor area (in Dutch: gebruiksoppervlakte). For the usable floor area of dwellings there is a simple measuring instruction based on NEN 2580, composed by the four TEGoVA members from the Netherlands. The floor area of Office buildings and retail is measured according to the standard for rentable floor area (in Dutch: verhuurbaar vloeroppervlakte). The government has registered the usable floor area of every property in a base register that is publicly available on the internet. This floor area is also measured on the basis of the NEN 2580 standard.

Taxation

The value of a property is used for levying a number of taxes in the Netherlands. The most direct form of property tax is levied by municipalities. There are different rates for residential property and for non-residential property. The rates for this tax differ per municipality but on average are for residential properties between 0.1 and 0.2% of market value.

The base for this municipal tax and other property taxes is the value based on the Act for Real Estate Assessment (Wet WOZ). For the majority of properties, municipalities use computer assisted mass appraisal. Rules for valuation are laid down by law and guidelines. Underlying regulations are made by the Netherlands Council for Real Estate Assessment. The annual valuation is also used by other governments. For example in the calculation of the maximum allowed level of rent, but also for the inheritance tax and for the corporation tax.