

## Buy a house in the Netherlands



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If you want to buy a house in the Netherlands, it is wise to get as much information in advance so that you can compare the advantages and disadvantages of buying a house versus renting a house.

Buying versus renting a house is a common dilemma which you, as a foreign worker, have to deal with. You will need to take many factors into consideration, like length of the stay in the Netherlands and the amount of rent you have to pay, before deciding if buying a house is the best option.

What are the advantages and disadvantages of buying and renting?

### Buying

| Advantage   | Disadvantage   |
|---|--|
| In the long term it is usually cheaper to buy, because the monthly payments are often considerably lower than rent. | You are fully responsible for the maintenance of your home.      |
| Through house renovations you can customize the house to your needs.  | You have a big financial commitment.                             |
| You are building an equity.   | Selling a house normally takes longer than the rent termination. |
| You can make a profit if house prices increase.   | You can incur a loss if house prices decrease.                   |

### Renting

| Advantage  | Disadvantage   |
|--|--|
| Contracts can end in a short time, you are flexible.         | The rent price normally goes up every year.                          |
| Repairs and maintenance are for the account of the landlord. | You have no influence on the implementation and layout of the house. |
| Tenants often receive extensive rent protection.             | You are only paying, you do not build up.                            |

As an example we created a case below to show you the difference in monthly costs between living in a house that you rent and a house that you buy, in addition we calculated the total advantage after 8 years:

### **Buying 75m<sup>2</sup> apartment**

Mr. and Mrs. da Silva are living in the Netherlands for two years. At the moment, they rent an apartment for € 1.750, - per month excluding water, gas and electricity. The house is in Amsterdam and has a living area 75m<sup>2</sup>. They would like to live in the Netherlands for the next 8 years. Therefore, they have started looking into buying a house.

They have seen an apartment for which the asking price is € 350.000, -. There is also a Company of Owners (VVE) contribution of € 125 per month.

To buy the house, they would require a total amount of € 365.000, which includes all additional costs. The banks are willing to provide finance mortgage for the sum of € 353.000. The interest rate is 2,0% per year and is fixed for 8 years. In 30 years the mortgage is fully paid off.

The monthly amount including interest and repayment is € 1.306.

They receive each month € 150 back from the Belastingdienst (tax services) as reimbursement of the paid mortgage interest.

The family da Silva would like to know if it is financially better for them to buy this house instead of the current rental house. Both houses are similar looking at m<sup>2</sup> and location.

### Expenses owner of a house

#### **Mortgage**

|                                 |         |                |
|---------------------------------|---------|----------------|
| Interest and repayment mortgage | € 1.306 |                |
| Tax refund                      | - € 150 |                |
| <b>Total mortgage expenses</b>  |         | <b>€ 1.156</b> |

#### ***Additional costs***

|                                 |       |                |
|---------------------------------|-------|----------------|
| Water, gas and electricity      | € 150 |                |
| Municipal charges               | € 60  |                |
| House insurance                 | € 20  |                |
| VVE monthly amount              | € 125 |                |
| <b>Total additional costs</b>   |       | <b>€ 355</b>   |
| <b>Total expenses per month</b> |       | <b>€ 1.511</b> |

### Expenses renting a house

#### **Rent**

|              |  |         |
|--------------|--|---------|
| Monthly rent |  | € 1.750 |
|--------------|--|---------|

#### ***Additional costs***

|                            |       |  |
|----------------------------|-------|--|
| Water, gas and electricity | € 150 |  |
|----------------------------|-------|--|

|                                 |  |                |
|---------------------------------|--|----------------|
| <b>Total expenses per month</b> |  | <b>€ 1.900</b> |
|---------------------------------|--|----------------|

The monthly savings are € 389. Over a period of 8 years this is € 37.344.

When the house is sold after 8 years the mortgage is € 278.877.

If the house will be sold for € 350.000 there is € 71.123 extra money coming to your account.

#### **Advantage buying instead of renting after 8 years**

|                        |                     |
|------------------------|---------------------|
| Total monthly savings  | € 37.344, -         |
| Repayment mortgage     | € 71.123, -         |
| <b>Total advantage</b> | <b>€ 108.467, -</b> |

## **Caution!**

Only when you are selling the house, you can calculate if you have had an advantage by buying a house.

If the house drops in value for more than 31% then there will be no financial advantage in this situation between rent and sale in 8 years. Looking at the current housing market this is unlikely.

In this example it is wise for the family da Silva to buy a house instead of renting. Given the huge financial advantage that they have in the period of 8 years, they have done a good investment by buying the house. By buying the house they also avoid annual rent increases.

## **Contact**

Are you interested in buying a house in the Netherlands?

Please contact us so we can advise you.

We can guide you throughout the process of buying a house and to arrange the mortgage.



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