Ministry of Infrastructure
and Water Management

New forms of car availability

Scope and societal effects of private lease and car subscriptions

Netherlands Institute for Transport Policy Analysis | KiM

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Summary

Some 4.5% of Dutch people have at least one private lease car in the household, with particularly high rates among the over 65s. With a share of just 0.1%, car subscriptions are still rare. These new forms of car availability are primarily replacing car ownership, and their use by people who have never had a car remains limited. Private lease enables more people to get a new car instead of a used one, giving a boost to electrification and encouraging the adoption of driver-assistance systems that aim to improve traffic safety.

After more than a decade of rapid growth, the pace of growth in private lease has now declined significantly, and strong growth would appear unlikely in the years ahead. Very few Dutch people have plans to switch to private lease or a car subscription in the next five years, and only a small proportion of the population would save money compared to car ownership by switching. People who are switching are doing so mainly because they prefer to pay for a car on a monthly basis rather than in a single one-off payment or because car ownership is too inconvenient and involves unpredictable costs.

Research from other countries suggests that leasing arrangements can increase the risk of problematic debt within households, although there are currently no signs of this happening in the Netherlands. Whether a switch to private lease would result in more or actually less car usage is also still unknown. For central government, it can be useful to monitor the trends in private lease and car subscriptions. Since private lease and car subscriptions often tend to work with new (hybrid) electric cars, providers are sensitive to changes in tax policy and policy relating to subsidies for electric vehicles.

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1 New forms of car availability in the Netherlands

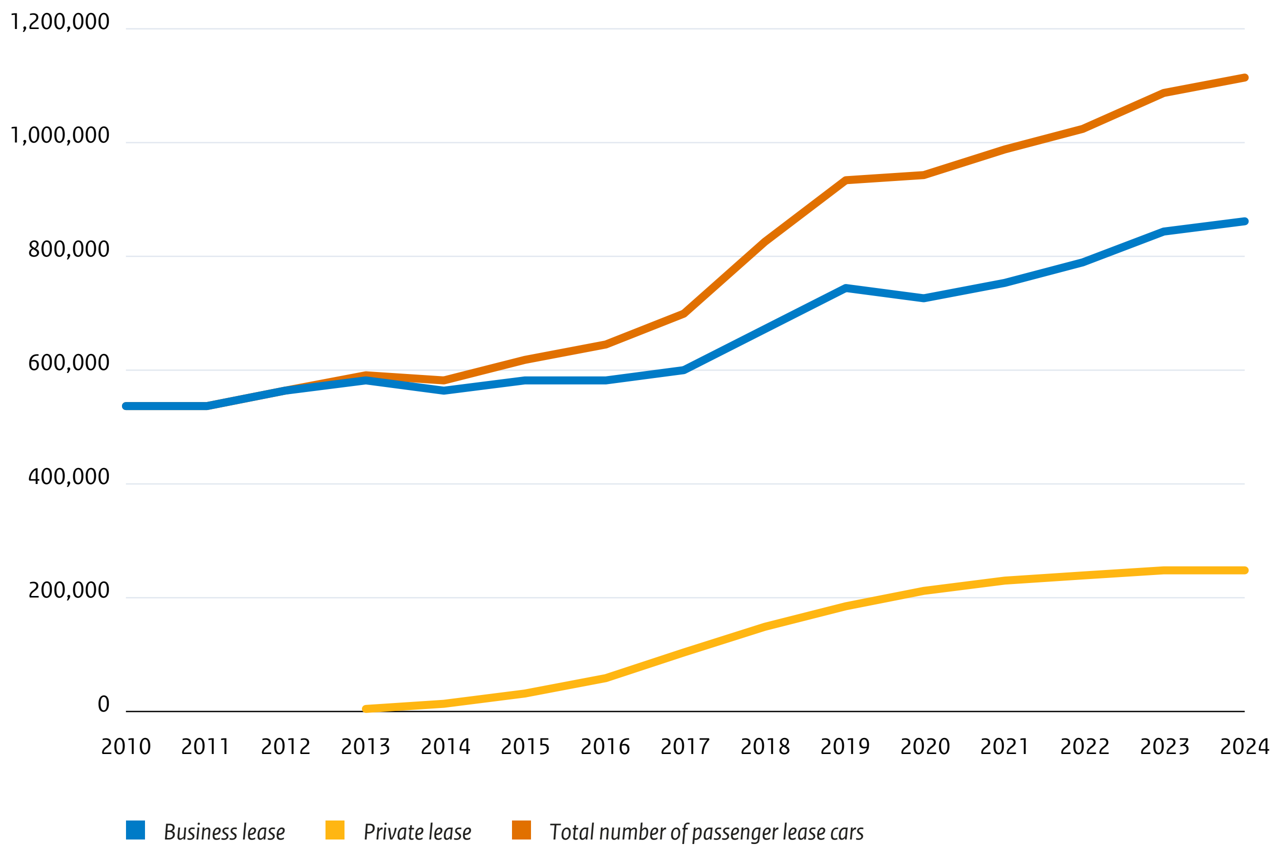
Flexible alternatives to ownership

Introduced in the Netherlands in 2013, private lease now accounts for a quarter of a million cars. Car subscriptions emerged a few years later in 2021 and now account for an estimated 10,000 vehicles. These new forms of car availability offer an alternative to car ownership on the one hand and car sharing and car rental on the other.

Figure 1 | Forms of car availability

Ownership					Use
Owned	Private lease	Car Subscription	Car sharing	Car rental	Informal car sharing

Figure 2 | Trend in business and private lease for passenger vehicles (Source: VNA)



Monthly payments

Private lease differs from private ownership because vehicle ownership remains with the fleet management company, which takes it back at the end of a pre-arranged period (usually 4 to 6 years). A car subscription is actually a long-term hire car that the user can return on a monthly basis (possibly after the expiry of an initial fixed period of less than 12 months). In both cases, the user does not have to pay for the car's full value upfront, but only the estimated monthly depreciation of the vehicle, plus any additional costs. These arrangements allow access to a vehicle for people who are either unable or unwilling to pay a large amount upfront. In the Netherlands, the cost of car insurance, repair and maintenance are almost always included in the monthly price.

Fewer risks and less inconvenience

The emergence of private lease and car subscriptions can partly be attributed to a consumer preference for monthly payments and the desire to avoid the (unexpected) costs and inconvenience of maintenance, purchase and sale. In addition, technological changes in the automotive sector (electrification, introduction of ADAS systems) and the associated uncertainties around residual values and risks of a bad purchase are also key factors that make private lease and car subscriptions attractive to consumers.

Alternative to business lease?

The structural increase in working from home since the COVID-19 pandemic may be one reason why some employees may no longer wish or be allowed to get a business lease car and are discovering private lease as an alternative for that reason. Of those with a private lease car, 7.1% previously had a business lease car.

2 Societal effects

Newer, safer cars

Private lease and car subscriptions enable people to have a more expensive car than they could afford using their own money only. As a result, new cars are now in reach for people who would otherwise only have had the option of a used car. This helps to renew the car fleet, accelerating the wider use of ADAS systems, intended to improve traffic safety.

Facilitates electrification, in particular hybrid vehicles

More specifically, private lease also enables people to have an electric car, thereby reducing carbon emissions caused by car use. Currently, electric vehicles are relatively expensive to buy. In a survey conducted by the Dutch Association of EV Drivers (Vereniging Elektrische Rijders), 63% of people said they would not have opted for an electric car if private lease had not been available. In the case of private lease cars, the proportion of electric vehicles is significantly higher than in the average Dutch fleet, but lower than for new private cars. However, the proportion of hybrid cars is highest for private lease cars.

Figure 3 | Share of private lease cars per year by engine type *(Source: VNA, RVO-Revnext)*

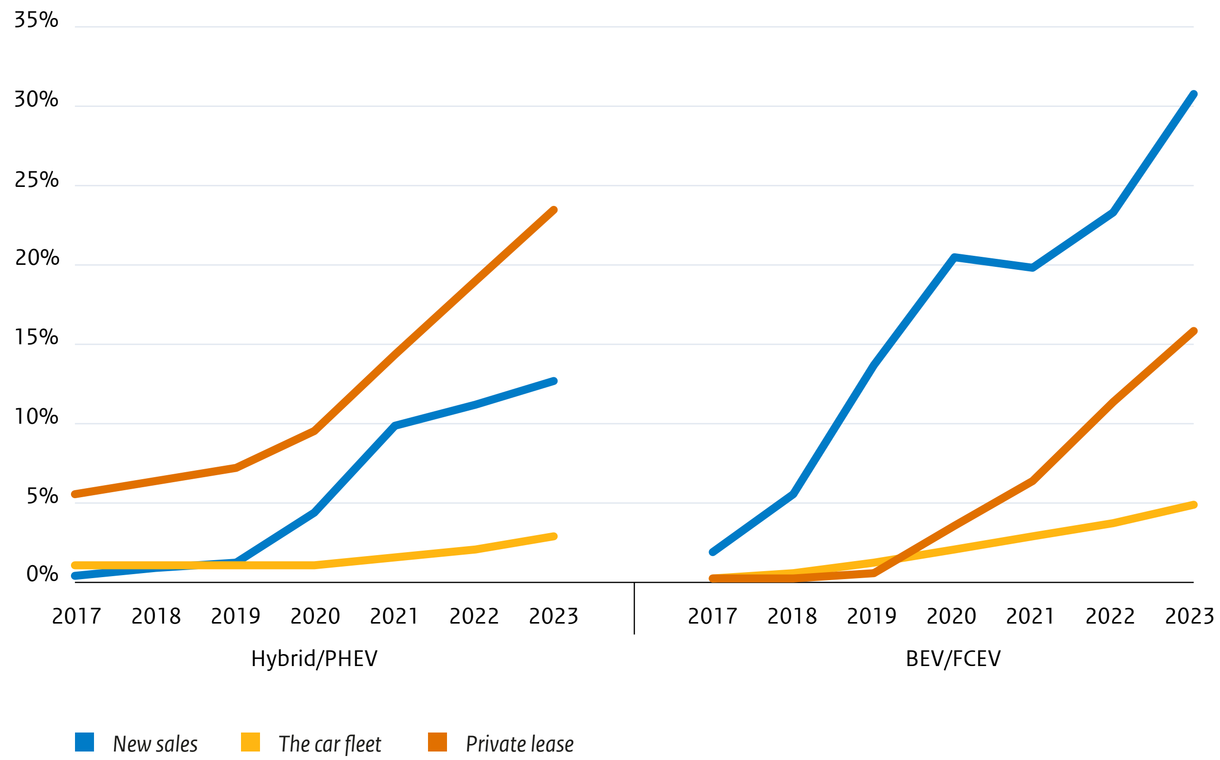
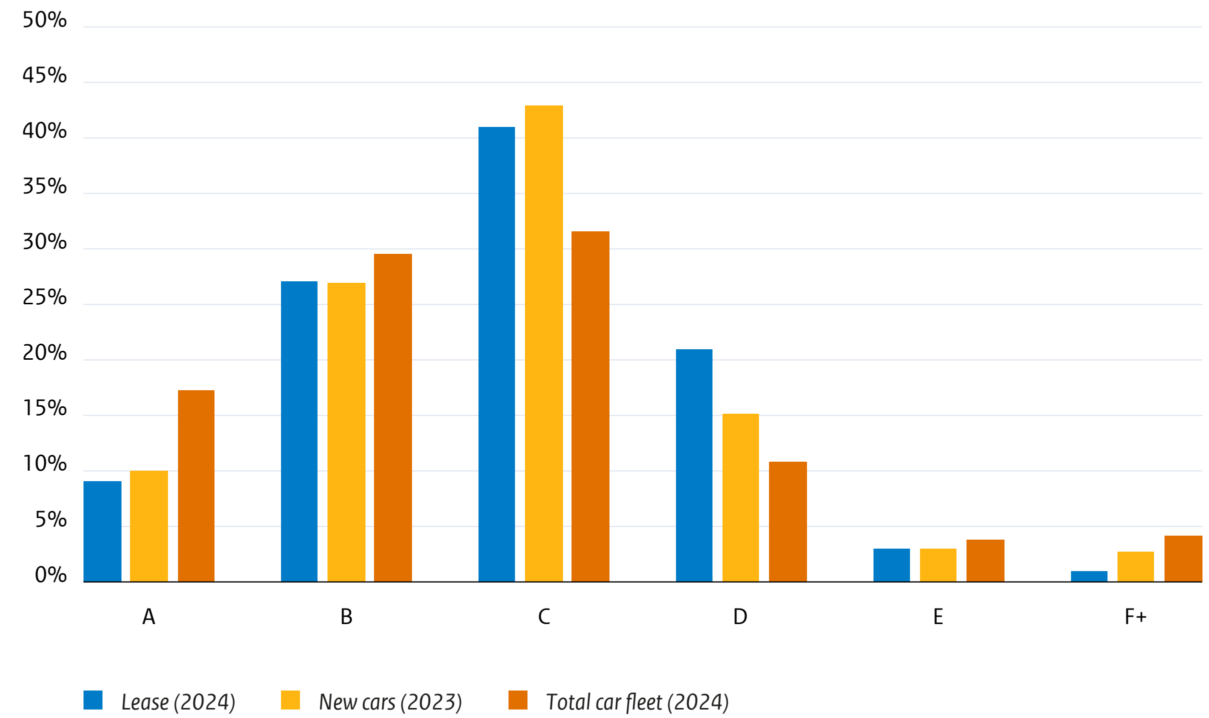


Figure 4 | Lease cars, new cars and total car fleet by car segment 2023/2024

(Source: NVA (lease) and Rai-Bovag (new cars and total car fleet))

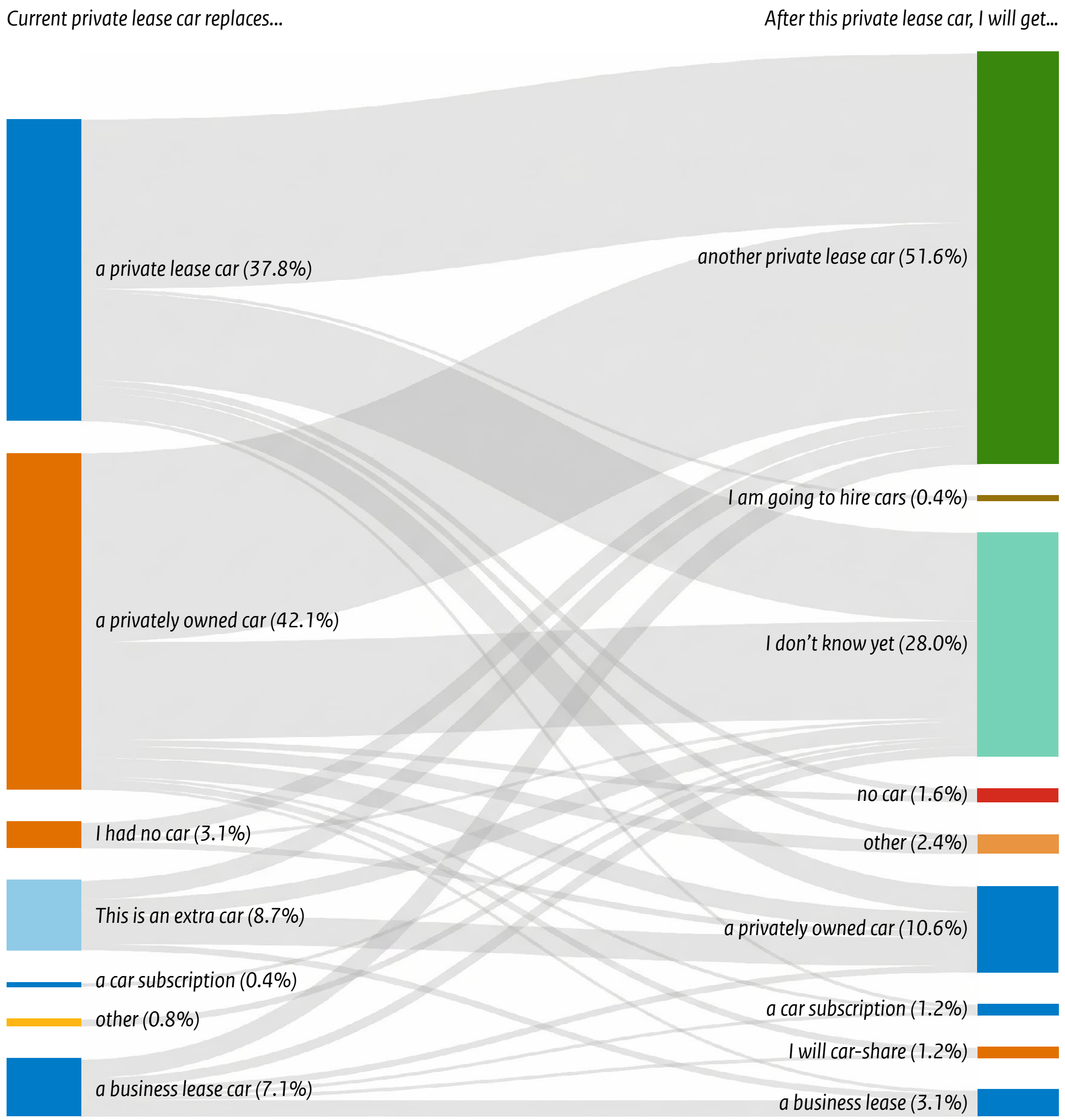


Private lease also allows people to choose a more expensive car than they could have afforded if they bought it privately. In general, lease cars (both commercial and private) are more likely to be in the mid-market segments and less likely to be compact A-segment cars, although this does not differ significantly from new cars in general. We cannot determine from the available data whether this also specifically applies to private lease.

Primarily replacing private ownership, few additional cars

Private lease and car subscriptions have the potential both to increase and decrease the overall car fleet and therefore also to lead to higher or lower use of raw materials and available space. They can remove the barriers (financial or otherwise) to having a car, as a result of which people who previously had no car are now choosing to have one. Conversely, they also make it easier to dispose of a car, as a result of which households that make little use of their car may be less inclined to keep it. As a whole, private lease is mainly replacing private ownership rather than leading people to get additional cars. Based on this, it is not possible to estimate the effect on the overall fleet size, but it does not appear to be boosting it.

Figure 5 | Current private lease or car subscription users: what did they have before and what are they likely to do when the current contract expires *(Source: LRO, adapted by KiM)*



More selective use of cars?

The rise in private lease and car subscriptions could result in more selective use of cars because it incentivises a reduction in annual mileage (to a greater extent than car ownership). If people agree a lower annual mileage when starting the contract, this results in immediate monthly savings and if they then nevertheless exceed this annual mileage, it leads to substantial additional charges. Conversely, people can also agree a high annual mileage and as a result increase their mileage (in order to use up their mileage) compared to how much they would have driven in a privately owned car. However, we do not have the data available to answer this question.

No evidence of problematic debt

Finally, research from the United Kingdom suggests that leasing arrangements can result in an increase in problematic debt for households because they could enable people to get a car that they actually cannot afford. We were unable to find any evidence of this for the Netherlands.

3 Who is the user?

4.5% of adults have private lease, 0.1% has a car subscription

In 2023, 4.5% of Dutch adults had at least one private lease car in the household and around 0.1% had a car subscription. 60% of the people with private lease have no other type of car within the household, whereas 31% combine it with a private car. There is also a smaller group of people who combine private lease with business lease or a company car.

Figure 6 | Access to different forms of car availability within Dutch households *(Source: LRO, adapted by KiM)*

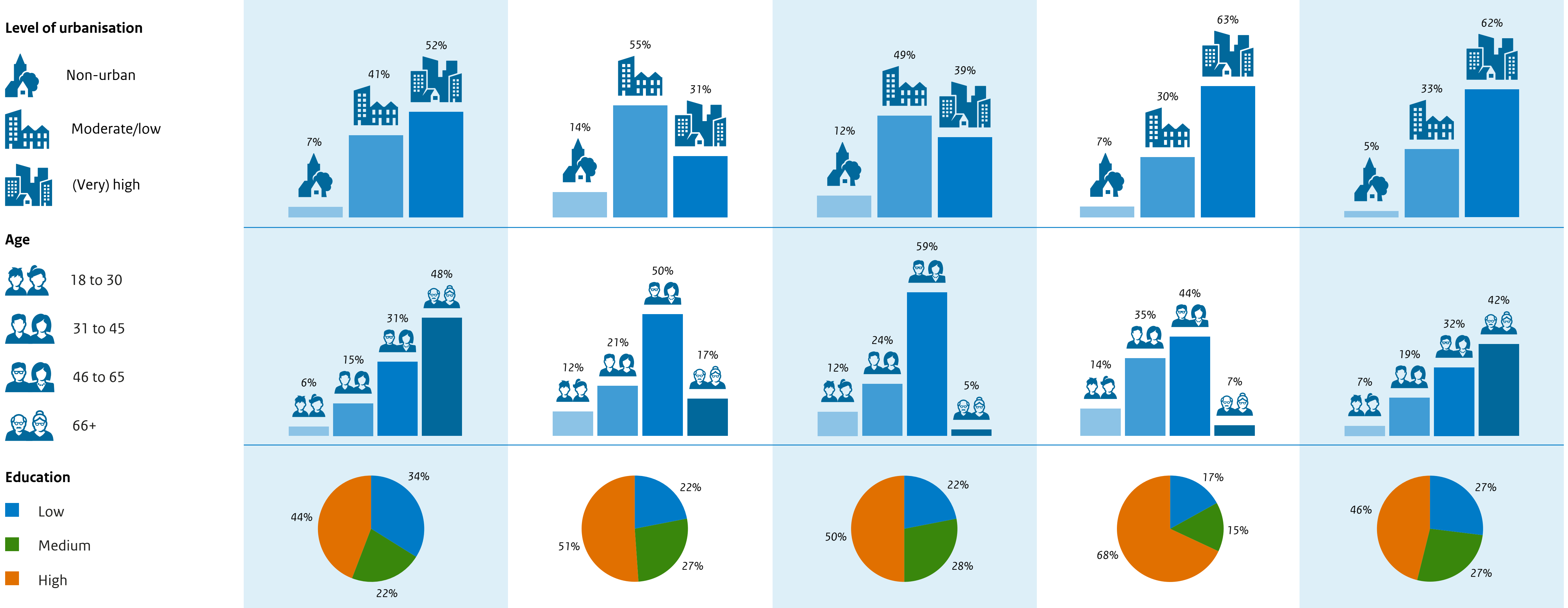
	Share of Dutch population (%)
Private ownership	78.6
Private lease	4.5
Car subscription	0.1
Business lease	4.8
Company vehicle	6.0
Company van	3.0
Other	0.6

Elderly overrepresented

The use of private lease is remarkably prevalent among people over the age of 65 and particularly among people in urban areas, multiple-person households and working people. If we look specifically at households with (almost) exclusively private lease vehicles, they are relatively more likely to live in urban areas. However, the age range hardly differs from households without private lease with a similar number of cars (a group in which the over-65s are also heavily overrepresented). Households with relatively large numbers of cars who sometimes combine car ownership with private lease live in less urban areas and are relatively young.

Figure 7 | Car availability combinations and associated background characteristics *(Source: LRO, adapted by KiM)*

	1 Single car owners	2 Multiple car owners and private lease users	3 Multiple car owners and business lease users	4 Single car business lease users	5 Single car private lease users
Share of Dutch population (%)	67	18	8	4	3
Average car ownership	1.1	2.2	2.2	1.2	1.1
Share of ownership (%)	100	100	99	0	0
Share of private lease (%)	0	8	1	7	99
Share of business lease (%)	0	0	94	97	0



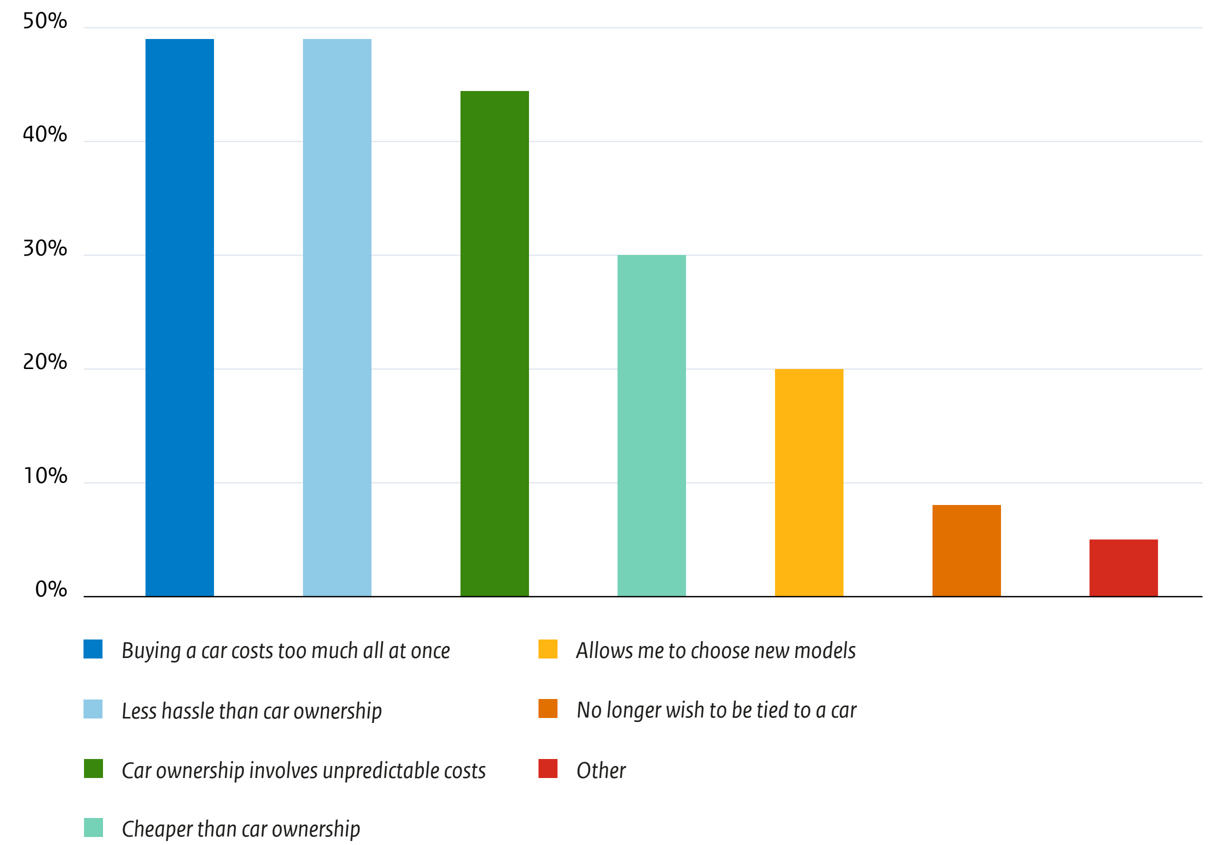
Private lease users see car ownership differently

Private lease users have different attitudes to car ownership than people who own their vehicles. They are more likely to prefer to pay for products monthly rather than in a single payment; they have a stronger preference for new cars; ownership matters less to them; and they are more likely to feel that maintaining a car is too much hassle.

Preference for monthly payments and less inconvenience

If we specifically ask people with private lease for their reasons, they generally say that it costs too much to pay for a car upfront, that costs are unpredictable and that private lease is less inconvenient. A fifth of private lease users see it as a way of being able to drive new cars, and fewer than 10% want to avoid the feeling of being stuck with one car for too long.

Figure 8 | Why did you (or someone in your household) opt for a private lease car rather than buying a car? (N=212) *(Source: LRO, adapted by KiM)*



4 Anticipated growth

Rapid growth appears to be over

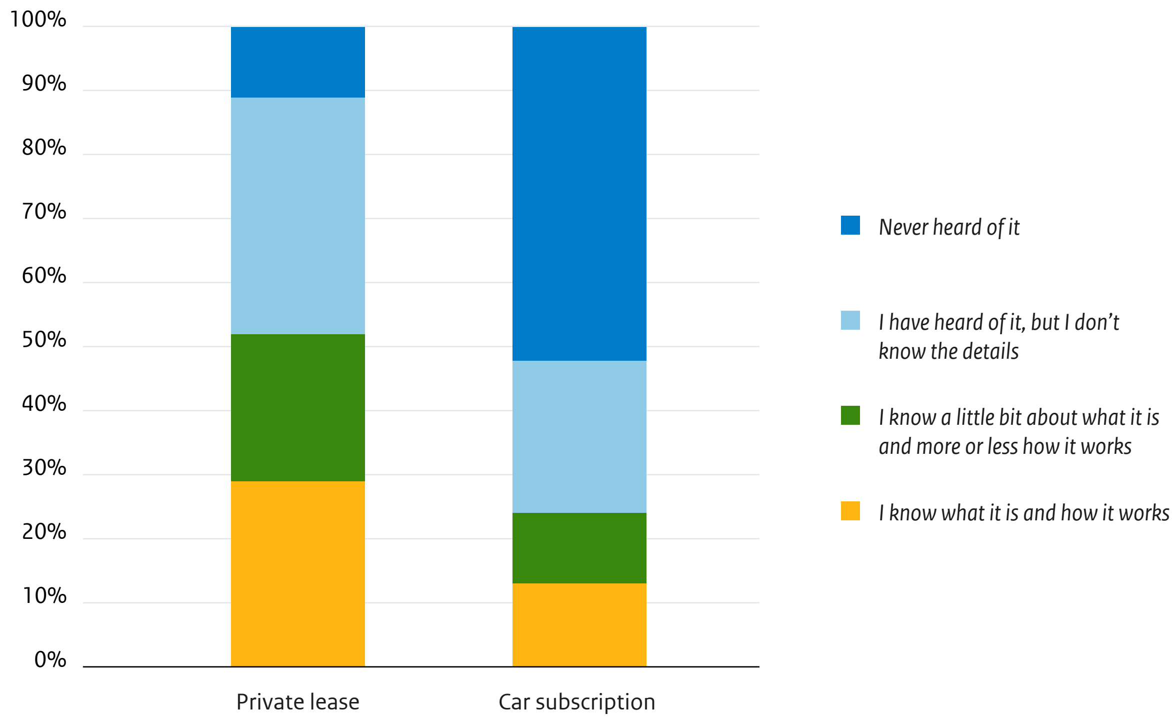
In recent years, growth has slowed down, especially for private lease. A key factor in this was the high interest rate (following a long period of low interest rates) because this made offering private lease more expensive. The uncertainty about the residual value of electric cars, partly caused by changes in policy on subsidies, is also making it less attractive to offer private lease. Unexpectedly low residual values for electric cars currently end up costing money for many providers of private lease who are unable to pass this on in their prices.

High awareness, low intention

Almost 90% of adult Dutch people have at least heard of private lease, but only 3% of people who currently have no private lease say they are likely to get a private lease vehicle within the next five years. For car subscriptions, both awareness (around 50%) and intention (less than 2%) are lower. 60% of people state that they definitely do not plan to take either of the products in the next five years and the others will probably not or do not know.

Figure 9 | Awareness of private lease and car subscriptions

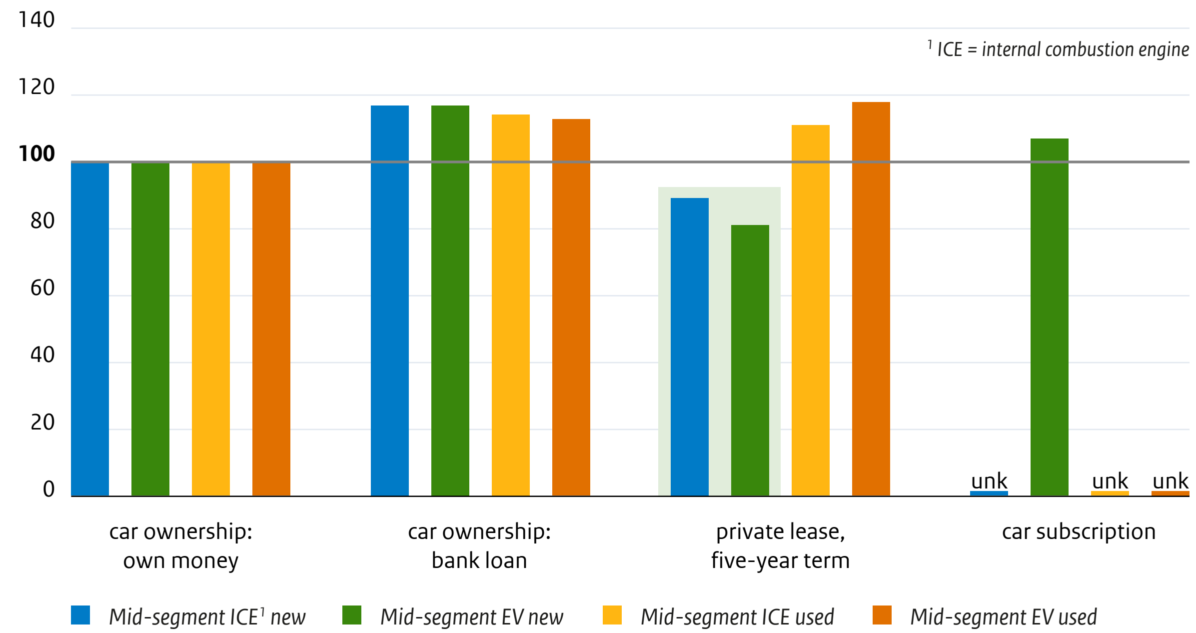
(Source: LRO, adapted by KiM)



Cheaper for some groups only

Private lease currently represents a cost saving compared to private ownership for a relatively small proportion of Dutch people. Based on this, only limited further growth in private lease can be expected. Private lease is cheaper than car ownership for people who wish to drive a new car. Of all car purchases made in 2023, 3.3% involved a private individual purchasing a new car.

Figure 10 | Relative cumulative costs over a 5-year period at 10,000 km/year, with car ownership costs based on own savings = 100



Opportunities for pre-owned vehicle lease?

For used cars, offering them through private lease does not yet appear to be competitive in terms of pricing, but this is still a developing market and the residual values and maintenance costs remain an uncertain factor for electric cars. In the longer term, electrification has the potential to boost pre-owned vehicle lease because electric vehicles are expected to have a gradually increasing lifespan with limited maintenance costs.

Car subscriptions a niche market for now

As things stand, car subscriptions are a relatively expensive product that will likely remain limited to specific user groups who need a car for a short time only and are willing to pay for flexibility.

5 Options for policy

Monitor trends

The rise in private lease and car subscriptions touches indirectly on various Ministry of Infrastructure & Water Management objectives. It may affect the size, characteristics and use of the fleet, and therefore also congestion, emissions, use of raw materials, infrastructure footprint and use of safety systems (ADAS). Private lease now makes up a substantial proportion of the Dutch car fleet and continues to increase in size (although the pace of growth has now slowed). There is therefore clearly a need to monitor the trends.

Stable taxation regime and subsidy schemes

Private lease in particular is playing an important role in reducing the age of the car fleet and boosting electrification. This could justify an examination of the extent to which central government policy instruments can affect the development of private lease. Although central government has no direct policy instruments that encourage or deter private lease, central government policy could indirectly affect the development of private lease. Subsidies and taxation schemes for electric vehicles have responded to the anticipated growth in private lease and car subscriptions. It will be particularly important to have a stable and predictable taxation regime in order to ensure that the risks for providers of these products can be managed.

Insurance based on driving licence

One specific option under discussion that affects providers is the idea of linking insurance to the driving licence rather than the vehicle registration. Basing insurance on vehicle registration, as is currently the case, places users of private lease and car subscriptions at risk of losing their no-claims bonuses.

Acknowledgements

Methodology

For this study, interviews were conducted with experts and stakeholders from the automotive sector. In addition, a nationwide representative sample was conducted at the end of 2023 via the National Traveller Survey (Landelijk Reizigersonderzoek), with questions about private lease and car subscriptions. The data was analysed using regression analysis to identify the characteristics and attitudes of people with private lease. Latent cluster analysis was also used to achieve a segmentation of people with private lease (by car ownership and combinations of lease and ownership) and people without private lease (by car ownership and socio-demographic characteristics).

Background report

For more information on the method used and the results, please consult the background report which can be downloaded via the website www.kimnet.nl.

Witte, J.J., Huang, B. (2025), New forms of car availability, Scope and societal effects of private lease and car subscriptions. Background report. The Hague: Netherlands Institute for Transport Policy Analysis.

Publication details

This is a publication of the Netherlands Institute for Transport Policy Analysis (KiM), part of the Ministry of Infrastructure and Water Management

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P.O. Box 20901 | 2500 EX The Hague
www.rijksoverheid.nl/ienw

ISBN: 978-90-8902-330-8
Date: december 2025
Publication number: KiM-25-A012

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Design:
Netherlands Institute for Transport Policy Analysis (KiM)

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