



Movement in the Market

Economic growth continues

The Dutch economy grew by 3.3% YoY in 2017 Q2. This quarter showed an exceptionally hard growth compared to 2017 Q1 (+1.5%). Only twice this century has a QoQ growth been this high. The economy has been growing for 13 consecutive quarters. The fundamentals are as follows: government investments -8.1%; household consumption +2.4%; exports +4.6% and private investments +6.7%.

The unemployment rate has dropped to 4.3% in August from 5.4% in the same month a year ago. The unemployment rate has not been this low since 2008. House prices increased by 9.0% in 2017 Q2 and the national average house price (€ 258,000) is at an all time high.

Producer confidence stands at +15.9 in 2017 Q3 (+15.5 in Q2), which means the trend of growth beyond pre-crisis level continues. The consumer confidence stood at +23 in the beginning of September 2017. According to the CPB, the economy is expected to grow 2.5% in 2018, outperforming the average Eurozone growth rate of 1.8%.

Shifting interest in sectors and locations

The occupier market is still profiting from the growing economy. However, take-up volumes have not significantly outperformed take-up levels from previous years. Take-up in retail and offices are not performing as well as the logistic market which has shown a significant growth so far in 2017. With just over 2 million sq m absorbed in 2017 so far, logistics are expected to reach a record total take-up volume in 2017. The provinces of Noord-Brabant and Zuid-Holland account for more than half of the total take-up in logistics and remain attractive due to their strategic locations. The total industrial market reached a take-up of 4.23 million sq m in the first three quarters of 2017 compared to the 4.12 million take-up during the same period in 2016 (+2.7%).

The take-up volume in the retail market reached 628,900 sq m in the first three quarters of 2017, which is down 32.2% compared to the same period in 2016 (926,900 sq m). The take-up volume in 2016 was exceptionally high due to leases of Hudson's Bay and Topshelf in former V&D locations and therefore, distorts the figures slightly. Compared to 2016 take-up in the first three quarters of 2017 is higher. Large transactions, such as DIY-stores and large supermarkets are driving the take-up volume. Due to these transactions, the total take-up volume in 2017 will likely surpass the average annual take-up volume.

Take-up in the occupiers office market reached 1.55 million in the first three quarters of 2017. In the same period of 2016, the take-up reached 1.86 million (-16.7%). The lower take-up volume most likely occurred due to the low availability on prime locations. Most transactions are still done in the G4 cities. Especially in Amsterdam, prime locations such as the South Axis and the city centre are starting to get overheated due to the lack of availability. There is however movement in the market. Non-prime locations are profiting due to the shortage of space on the prime locations. Areas such as Amsterdam Southeast and Teleport-Sloterdijk become more popular. Also other cities like Utrecht and The Hague taking advantage of the lack of availability in Amsterdam.

Continued yield compression creating an active market

The Dutch investment market in the four most dominant sectors (offices, industrial, retail and residential) reached an investment volume of € 13.1bn in the first three quarters of 2017 compared to € 12.4bn in the same period in 2016. Investments in commercial real estate are showing significant growth, while investments in residential real estate are stable so far.

The industrial investment market reached a total volume of € 2.6bn in the first three quarters of 2017 compared to € 1.4bn in the same period in 2016. Investment into logistics represent a large share of the total commercial investment volume; approximately €1.3bn has been invested in this sector so far in 2017. This is significantly higher than the logistics investment volume of in first three quarters of 2016 (+33%). This increased transaction volume has affected the gross prime yields which have contracted significantly to approximately 5.1%.

The retail investment volume increased from € 1.2bn in 2016 to € 1.9bn in the first three quarters of 2017. Due to the purchase of a retail portfolio by Lone Star for € 208m and several other large transactions, the total investment has already exceeded 2016's full year volume. Gross prime yields for high street retail has decreased to 3.5%.

Investors on the Dutch office market have been 8.8% more active in the first three quarters of 2017 compared to previous year. With just over € 6.3bn, the office market is set to break records regarding investment volumes. The largest transaction is Dream Global REIT acquiring Merin to enter the Dutch market, for a purchase price of € 622m.

While new players are gaining exposure on the Dutch investment market, most transactions are done by cross-border investors (approximately 65%). Gross prime yields have further contracted to 4.00%

Compared to 2016, the residential investment volume has been 25.6% lower in 2017 (€ 2.3bn in 2017 so far). The investment volume has been on a rise over the last few years and 2017 has yet to catch-up. Regarding student housing, the investment volume is comparable to the volume from previous years with the exception of 2016 in which Xior Student Housing bought a significant number of units. Prime yields on the residential market have remained stable and currently stands at 4.15%.

Movement in the market in sectors and locations

The 2017 investment volume is already approaching last year's total volume. Due to the growing economy and international investor interest remaining high, rents will continue to be pushed up and yields will contract further. While offices in Amsterdam are still making up most of the total investment volume, Savills expects investors to shift to other investment opportunities. This movement in the market is seen in types of assets as well as locations. Opportunities will be found outside Amsterdam and outside the Randstad.

The logistics market will keep gaining more interest which will result in further increasing take-up and investment volumes. Savills expects rents in prime locations such as Zuid-Holland, Noord-Brabant and Limburg to remain stable or increase slightly, furthermore there is still room for a mild further contraction of yields.

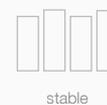
Savills expects the retail market to remain stable and while yields have seen a slight contraction during 2017, rents have remained unchanged.

The undiminished interest in Dutch offices provides a rising investment volume due to higher purchase prices. While the prime products are scarce and yields contract, secondary products will get more attractive to sell. Savills expects a flattening rise in the investment volume which is not only driving by prime but also by secondary assets. Office rents on prime locations are still on the rise and locations, such as Amsterdam South Axis and the city centre have seen rents reaching € 400 per sq m/ year. While this is at a record high, Savills expects these rents to rise even further due to scarcity of product.

While the total residential investment volume has been relatively low in the first three quarters, Savills expect that it is the calm before the storm. Expected large portfolio deals will likely push up the total investment volume for 2017 which will exceed the volume of 2016. Student housing is a maturing niche market. While this market is still in development and limited in size, Savills is positive about the future and the investment volumes will likely rise significantly before year end.



Economy



Take-up



Rents



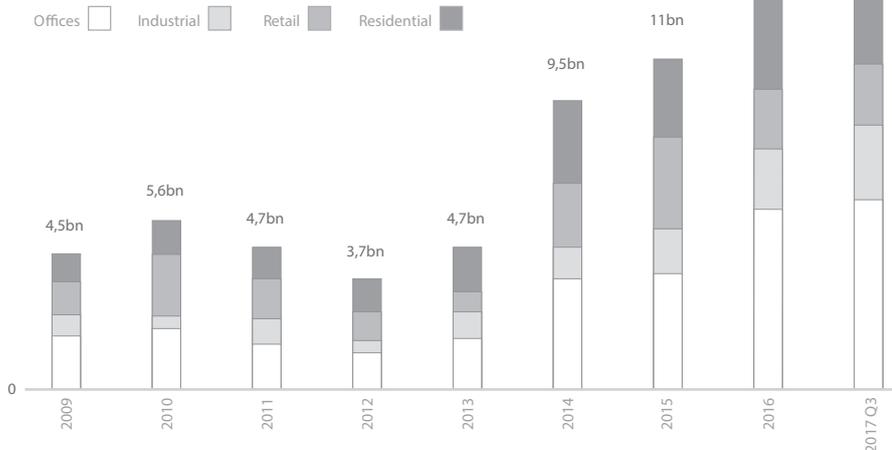
Investment Volume



Yields

GRAPH: INVESTMENT VOLUME NETHERLANDS

Another record-breaking year



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