Netherlands Market in Minutes
Investments towards € 13 bln by year-end

December 2016

Growing economy

The Dutch economy grew by 2.4% yoy in Q3 2016, substantially higher than the EU average (1.8%) and surrounding countries (Germany 1.7%, Belgium 1.2%; UK 2.3% and France 1.1%).

In October 2016 unemployment was down to 5.6%, while house prices increased 5.6% yoy. This resulted in a further increase in consumer confidence and spending (+0.9%). As exports grew by 4.6% in Q3 2016 business and producer confidence also rose substantially.

CPB set the forecasts for economic growth at a positive 2.1% for both 2016 and 2017.

Offices

As a result of the economic growth and the positive forecasts occupier market activity increased. Companies increasingly aim at high-quality office space at lively, mixed use locations as they want be able to attract new talent and to retain their existing personnel. Within many companies the HR department has an increasing say in location decisions, as opposed to the past when this decision mainly fell to the CFO.

The Savills 'What Workers Want' report from earlier this year supports this claim and additionally indicates that office workers prefer to get to the office by bike, prefer to work at lively locations, but do not prefer to work within an open floor plan.

Office investments currently stand well over € 5.0 billion, compared to € 3.8 billion in the full year 2015 and are dictated by portfolio transactions (Anbang, Transit, Zenith, Credit Suisse and many others), by large single asset transactions in the major cities (De Rotterdam, Monarch II, Piet Hein Buildings, Hour Glass, TomTom HQ, Booking HQ), by Dutch institutional asset managers restructuring their portfolios and by opportunistic investors, such as Blackstone and Lone Star, seizing market opportunities to sell (part of) the assets they bought in the past few years.

Specifically for the dynamic office market the temporary transfer tax relief, in which the property transfer tax for properties purchased between 1 September 2012 through 1 January 2015 and sold within 36 months only accounts for the capital gain, will end at 1 January 2018 and is thus likely to drive sales in the forthcoming year.

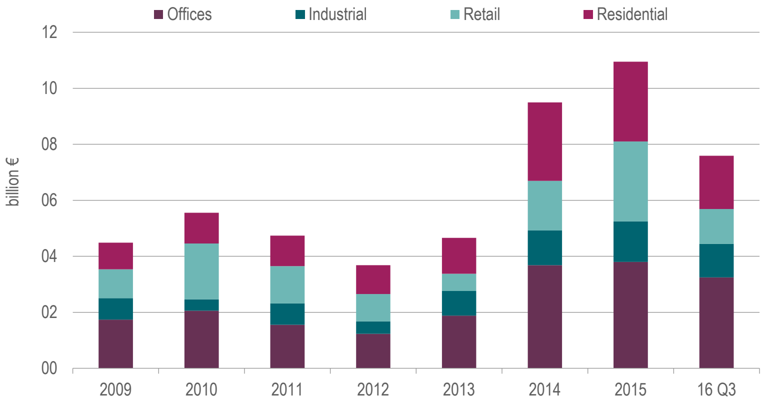
Logistics

Logistics investor demand is at an unprecedented high, resulting in an investment volume of more than € 800 million by the end of Q3 2016, or 28% up yoy. Investor interest can also be witnessed in the steady contraction of the logistics yields. While gross initial yields stood at 5.75% in Q3 2016, currently deals are being negotiated with a GIY around 5.3%-5.4%.

This increase is very much backed by the fast growth in online sales and the need for modern distribution centres (including EDC's) to cope with this demand. Demand originates from online retailers, multi-channel retailers (often increasing their online presence), manufacturers and third party logistics.

New developments are spread across the Netherlands, with a focus around Schiphol and Noord-Brabant/Limburg. Savills witnesses new logistics developments to sometimes have even lower rents then existing centres. One of the reasons behind this is that lessees with a good grasp of the property market are well aware of the yield trend and the profits investors can make on logistics centres. These lessees use this knowledge to negotiate while negotiating rents and incentives.

GRAPH 1
Investment volume by sector:
Already close to € 8 bln invested in Q1-Q3 2016



Graph source: Savills

Retail

Driven by the gaps recently left in high streets by department store chain V&D and a number of other retailers, retailer activity actually increased in 2016. Expanding retailers like Hudson's Bay, Topshelf, Primark and Decathlon opened stores at the former V&D sites and Hudson's Bay alone will at year-end be responsible for over 200,000 sqm of take-up. By the end of Q3 2016 take-up figures reached 650,000 sqm, already close to the 755,000 sqm for the full year 2015.

Investor demand for the retail sector remained high, showing in low yields in all market segments. The lack of good quality assets however, kept the total investment volume at around € 1.8 billion currently, compared to € 2.85 billion in the full year 2015.

Residential

The residential market is getting tighter by the day. New housing developments are by far not enough to fulfill demand from the growing number of households (+720,000 until 2040) and this divide is even more obvious in the large (student) cities where demand is high already. In this respect Amsterdam shows the most extreme figures within the Netherlands with house prices up 22.2% yoy and a municipality doing everything to speed up new residential developments.

"Companies are using the positive economic environment to move to locations better suiting the needs of their (future) employees."
Wouter Stevens, Netherlands Agency

Investor interest increased further and developers increasingly sell to investors as the return on residential complexes as an investment product is higher than when sold to owner-occupiers. As a result the investment volume reached close to € 1.9 billion by the end of Q3 2016, a fair share of this volume concerning new developments.

It seems very likely that 2016 will outperform last year's total of € 2.85 billion. As investor interest remains large and fundamentals strong, Savills expects a further contraction of yields in 2017.

Alternatives

In 2016 more than 8,200 student housing units were realised (or are still under construction) and investments in this sector reached over € 410 million so far in 2016, up from € 350 last year. Major investor in 2016 has been Xior, securing 6 sites in the Netherlands for a total of around € 110 mio. As the focus of investors increasingly shifts towards alternative investments, Savills expects investment volumes in these market segments to increase further.

Care is also increasing its status as alternative investment category, both in care homes and in medical centres, very much based on the substantial growth of people over 80 years in the Netherlands. While reluctance from healthcare institutions to sell the real estate remains, in 2016 international investors Aedifica, Cofinimmo and Catella, as well as Dutch investors Syntrus Achmea, Habion, Amvest, Estate Capital and Bouwinvest were able to increase their share in this market.

Outlook

The forecasted growth of the economy in 2017 will positively affect the Dutch property market, both for occupiers and investors. Liquidity is high and provides opportunities for both buyers and sellers. Investors who bought in the crisis are able to get good returns and make way for new entrants investing in Dutch property in search of a safe haven in a stable international market.

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