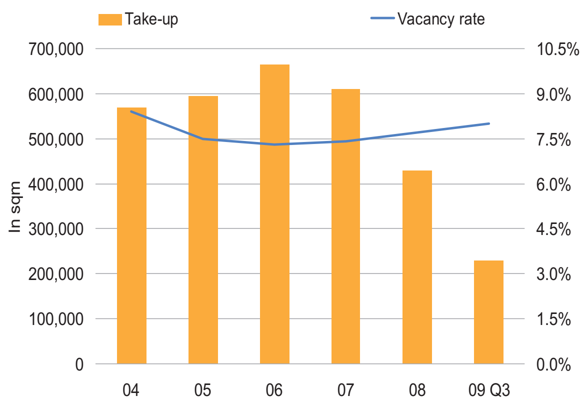
The Netherlands retail market

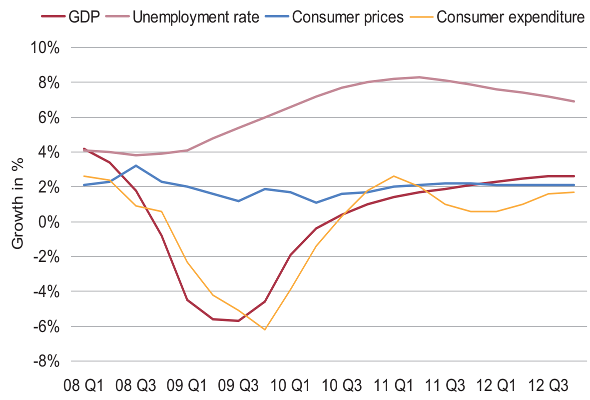
Autumn 2009

Take-up and vacancy rate



Source: Vastgoedmarkt / Property NL / Savills Research

Forecast key economic indicators



Source: Oxford Economics

"The retail market is facing challenging times with low sales and short term forecasts not being positive. These are the times where the good retailers will prove themselves. The same goes for the property market: transactions are low and interest is mainly focused on prime locations. For investors with capital this market does offer interesting possibilities."

Jan Peter Hebly (Managing Director - retail department)

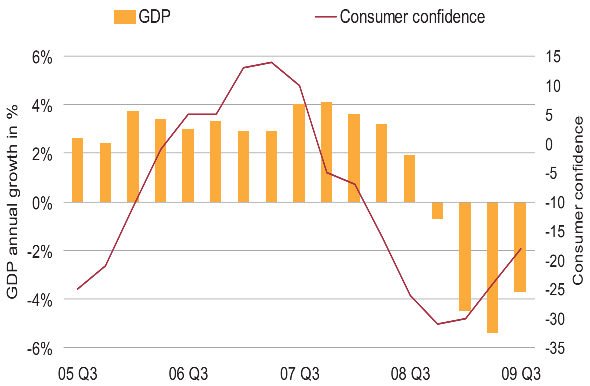
- After a steep slide the Dutch economy has hit the bottom of it's cycle. Recovery will however take time due to the global nature of the recession.
- During 2009 just over 400,000 sqm of shopping area was added to the stock and in 2010 this will even be more. Many projects in the pipeline for coming years are being postponed or cancelled.
- Take-up in the first three quarters of this year is 230,000 sqm, which is significantly less than the 430,000 sqm in 2008. Still, over 2009 a number of new entries to the retail market boosted take-up.
- Large investment transactions were scarce in 2009, limiting the total amount of investments to €730 million so far.
- Yields have readjusted to the market situation during 2008 and yields for prime retail have now stablised currently stable.
- The number of leasing transactions will be limited during 2010 and 2011 and pick up again in 2012 when the economic recovery is underway.
- For retail investors with access to capital, now is the right time to (re)enter the Dutch retail market. Capital prices have been readjusted and positions should be taken before the economic recovery.

Economy and letting market

Economy

Currently the Dutch economy is hitting the bottom of its cycle. Key economic indicators show negative figures, but seem to be stabilizing. During the past year the GDP dropped from +3,2% in Q2 2008 to -5,4% in Q2 2009. In Q3 the figures are slightly better with a rate of -3,7% compared to the same quarter last year and the expectations for 2010 are that economic growth could show positive figures again. The labour market remained quite resilient up to now. Although the number of job vacancies is decreasing fast, unemployment is only slowly on a rise: up from 3.9% to 5.1% during the last 12 months. This is partly to do with the specific governmental actions preventing unnecessary unemployment and partly to students entering new courses instead of the labour market. Consumer confidence has been negative for two years and is fluctuating between -20 and -30, while purchasing power for this year is still positive (+1.75%).

GDP growth and consumer confidence



Source: CBS

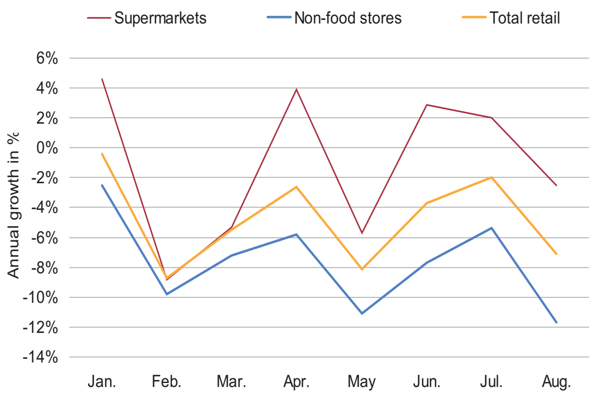
Letting Market

Consumer demand

Since the start of the year private consumption has decreased strongly and this is clearly visible in the spending in stores. Overall sales growth shows a -5% figure, while sales for durable and DIY goods are more than 10% lower than last year. Despite the economic headwind supermarkets do remain able to keep sales on a stable level, but also for them growth is currently below trend.

There is one sales channel that shows positive growth figures: the sales via internet. Total online consumer spending for both products and services grew by 19% to €2.7 billion. Spending on products grew slightly more (20%) than spending on services (17%). This is in sharp contrast with the in-store sales.

2009 Retail sales growth



Source: CBS

Retailer demand

Retailer demand is tightly linked to the economic situation and specifically so to consumer spending. It is therefore logical that overall retailer demand has weakened. Up till Q3 2009 take-up is 230,000 sqm, which was significantly less than the 430,000 of 2008. Due to the lower demand the vacancy rates have increased over the year to around 8% at the moment. Vacancy can mainly be seen at secondary sites. Prime locations do not show any vacancy, albeit retailer demand is lower also here.

The lower demand does offer possibilities for chains and brands wanting to enter the Dutch market or wanting to strengthen their portfolio. Formulas like United Nude, In Fine, Sephora, French Connection, Koton, New Look, Primark and Brandnew Store opened their first Dutch store in the last 12 months.

Within the food market the bid by supermarket chain Jumbo, currently operating 128 supermarkets, to take over the 300 supermarkets of Super de Boer should shake up this market significantly. This acquisition would make Jumbo the second largest supermarket chain in the Netherlands.

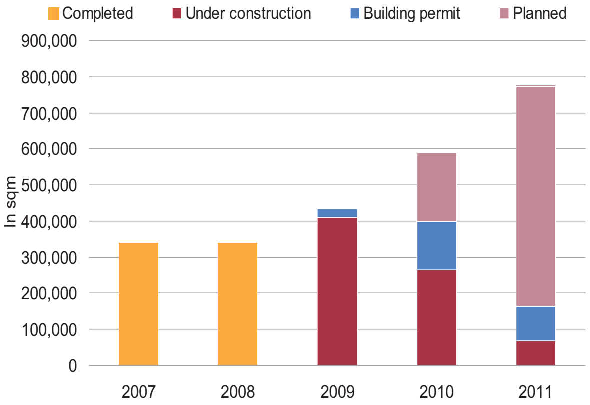
Retail property developments

Retail developments under construction or very close to construction start will generally be realized. It is however clear that future developments are under serious strain. Currently around 400,000 sqm of planned developments for upcoming years have been cancelled while the rest are likely to be realized later than planned. Secondly the amount of new projects being added to the pipeline has decreased by around one third compared to last year. All in all it seems likely that starting 2010 a drop in new completions will be seen.

The focus of owners and developers seems to be shifting towards preserving and upgrading existing retail locations. Financing these redevelopments can however prove difficult.

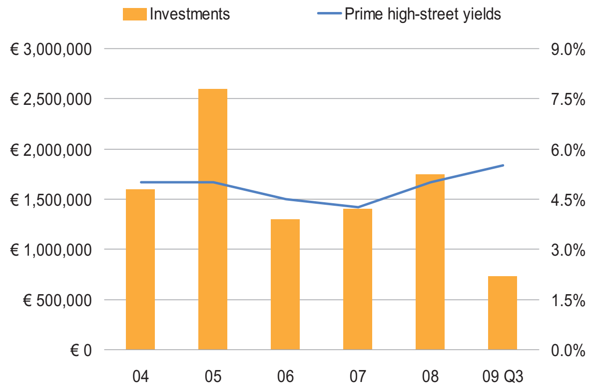
Investment and outlook

Retail development



Source: Neprom

Investment and yields



Source: Vastgoedmarkt / Property NL / Savills Research

Rental values

After a period in which the rents have been going up by 3-4% per year, the increase came to a halt in 2008. During 2009 the trend is downwards for a large part of the retail landscape. Only on prime high street locations rents remain stable, although here incentives are increasing. Highest rents are found in the Kalverstraat in Amsterdam, with prime rents up to €2,500 per sq m per year. Cities with prime rents up to or over €1,500 per sq m per year include Arnhem, Maastricht, Rotterdam, Den Haag and Utrecht.

Key money has decreased significantly on prime locations and is non-existent anymore for secondary property. On secondary sites rent decreases of 5-10% can be seen.

Investment

Retail investments peaked in 2008 to €1.75 billion due to some large portfolios being sold. The credit crunch and subsequent economic recession has however had a large effect in investments and especially limiting large deals. The largest investment deal in 2009 was the €67 million sale of part of the new shopping center Wisselplein in Lelystad. During 2009 only one deal over €50 million was registered in the retail market. Overall retail investments in the first three quarters of 2009 add up to €730 million. During the year also a number of local shopping centers were sold, including Veenendaal-Oost, Zoetermeer-Rokkeveen, Zwolle-Aalanden en Bergen op Zoom-De Parade.

Yields

During 2008 initial yields for the major high streets have increased by 125 basis points to 5.5%. In 2009 this yield remained stable. On secondary locations yields are around 7.0% to 7.5% and still under upward pressure. In shopping centers prime yields are now 6.5% while at retail warehouses they are around 8,0%.

Major investment deals 2009

Address	Price in €m	Seller	Buyer
Lelystad - Wisselplein	66.9	Fortis Vastgoed Ontwikkeling	BPF Bouwinvest
Vreeburg portfolio	45.0	Vreeburg beheer	Private investors
Portfolio Unibail-Rodamco	45.0	Unibail-Rodamco	Investore
SC Veenendaal-Oost	30.0	Latei Participaties, Van Elst Vastgoed and De Smalle Akker	De Hoge Dennen
Bergen op Zoom - De Parade	n/a	Unibail-Rodamco	BPF Bouwinvest

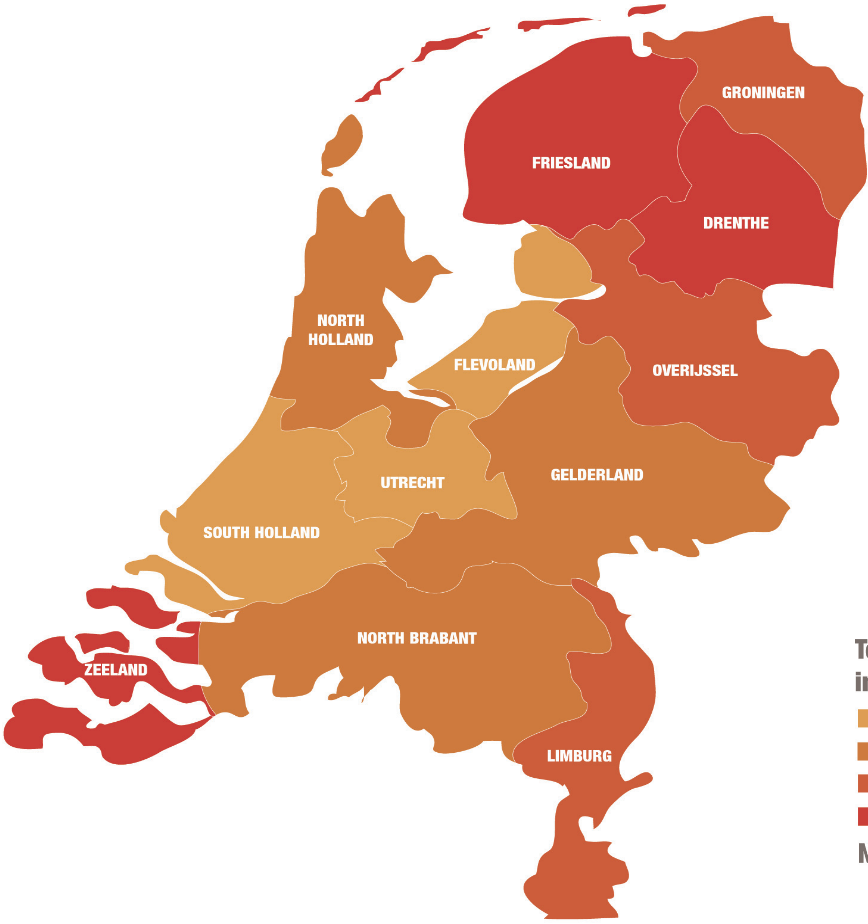
Source: Vastgoedmarkt / PropertyNL / Savills Research.

Outlook

The short term outlook will remain closely linked to the current recession. GDP growth is negative, household spending is low, unemployment is growing and consumer confidence is low, albeit less so than in previous months. As a consequence retail sales in 2009 and 2010 are and will be lower than in previous years. Increases in retail sales are expected from 2011 on since by then the economic outlook will be significantly better. Following this increase in consumer demand the occupier demand will start growing also and a significant increase in take-up can be expected in 2012. For investors with access to capital now is the right time to invest in the Dutch retail market. Capital prices have been readjusted and positions should be taken before the economic recovery. For the retail investment market as a whole we estimate that 2011 will start showing significantly larger volumes.

The Netherlands retail market

Retail density map



Total retail density in sqm / 1,000 inhab.

- 1,350 - 1,499 sqm
- 1,500 - 1,699 sqm
- 1,700 - 1,809 sqm
- > 1,810 sqm

Netherlands average: 1,588 sqm




Jan Peter Hebly
Managing Director
+31 20 301 2000
j.hebly@savills.nl

Tjerk van Kuppeveld
Managing Director
+31 20 301 2000
t.vankuppeveld@savills.nl

Jeroen Jansen
Research Netherlands
+31 20 301 2094
j.jansen@savills.nl

Lydia Brissy
European Research
+44 20 7016 3776
lbrissy@savills.com

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 180 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. A unique combination of sector knowledge and entrepreneurial flair give clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation backed up with excellent negotiating skills. Savills chooses to focus on a defined set of clients, therefore offering a premium service to organisations with whom we share a common goal. Savills takes a long-term view to real estate and works hard to invest in long term and strategic relationships and is synonymous with a high quality service offering and a premium brand.

This bulletin is for general informative purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research. (c) Savills Ltd November 2009

Savills Research

savills.com/research

savills