

savills

Logistics Market



update



Logistics Market Update

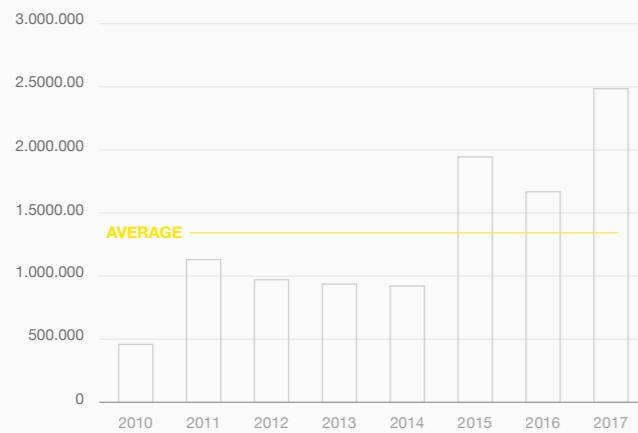
In this logistics update Savills briefly turns to 2017 before setting out the trends and developments within the Dutch logistics market followed by a brief comparison to other key European logistics markets.

The year 2017

The economic upswing continues to thrive in the Netherlands with a GDP growth of 3.1% YoY in 2017. Export and retail turnover grew by 5.5% and 4.2% respectively. The retail turnover growth was the largest in eleven years, mostly driven by the e-commerce growth of 19.5%. (source: CBS)

GRAPH: TAKE-UP LOGISTICS STOCK NETHERLANDS

Take-up reaching all time high of 2.5 million sq m in 2017



Occupier market

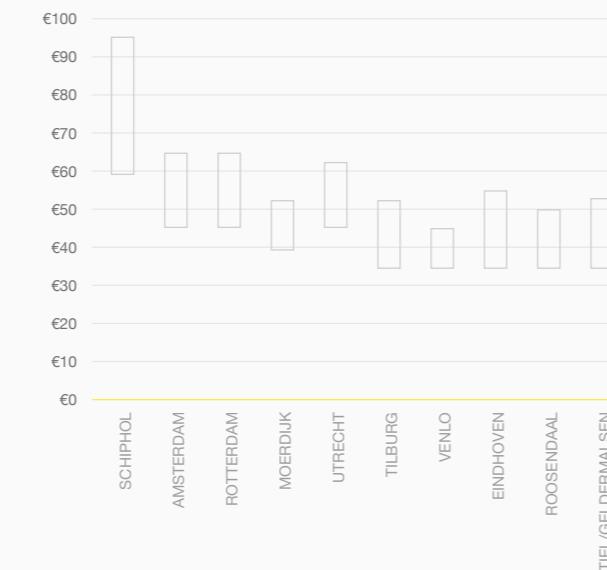
The strong economic climate of the Netherlands stimulates the occupier market.

Take-up in the logistics market in 2017 stood at 2,5 million sq m which is 49% higher compared to 2016. This is the highest take-up ever recorded in the Netherlands with a large share of e-commerce related businesses. The largest new occupier transactions were both by

Due to the growth of the main economic drivers for the logistics market, the logistics stock is expanding. In 2017, the logistics stock comprised 30.6 million sq m, which is 6.5% larger than in 2016. With continuous speculative and built-to-suit developments, the stock will further expand in the near future.

GRAPH: RENT LOGISTICS PROPERTIES NETHERLANDS

Rent range on prime locations is comparable, Schiphol exceptional peak



German retailer Lidl, leasing approximately 70,000 sq m in Venlo and approximately 60,000 sq m in Roosendaal.

Rents for logistics real estate have remained - and are expected to remain - stable throughout the Dutch market. The only exceptions are Utrecht and Rotterdam, where rents are expected to slightly rise, due to limited brown- and greenfield locations and low vacancy levels.

In addition part of the existing stock in these hubs is (being) upgraded to meet modern standards. The relatively high amount of new developments in the remaining hubs is relieving some of the pressure on these occupier markets, keeping the rents stable.

The Dutch logistics market from an international perspective

The global trend of internationalisation of the real estate market is also reflected in the logistics sector. Cross-border investment into the Dutch logistics property market represented the vast majority of the total investment volume. In order to measure the current performance and determine the future growth potential of the Dutch logistics market, Savills compared the most important fundamentals of the UK, German, French and Dutch logistics market.

| GRAPH: LOGISTICS MARKET FUNDAMENTALS OF 2017 INTERNATIONALLY COMPARED | NL | UK | DE | FR |
|---|----------------|----------------|-----------------|----------------|
| TAKE-UP | 2,494,444 SQ M | 2,297,011 SQ M | 5,340,000 SQ M* | 3,577,000 SQ M |
| TAKE-UP VERSUS STOCK | 8.2% | 5.2% | 1.9% | N.A. |
| PERCENTAGE LOGISTICS OF TOTAL INVESTMENT VOLUME | 7.6% | 8.2% | 14.8% | 12% |
| PRIME RENTS | € 95 | € 185 | € 82 | € 45 |
| PRIME YIELDS | 4.85% | 4.50% | 4.70%** | 5.00% |

Take-up versus stock

The table above shows a relatively large take-up compared to the total stock in the Netherlands. As the share of take-up in 2016 was 5.9%, this indicates a growth of interest among occupiers which stimulates the maturing process of the market. The share of take-up compared to the total stock in other countries has remained stable, which indicates occupier demand in the Netherlands is growing faster than in the UK and Germany, which are more established markets.

Investment volumes

The significant growth of the logistics investment volume in the Netherlands is stronger compared to the other countries. However, the share of logistics compared to the total investment volume is the smallest in the Netherlands with 7.6%. We expect this is in an upward trend as new developments continue to be brought to the market and investors are willing to pay more to beat the competition.

Rents

Within the researched countries, prime rents for logistics real estate have remained stable in the past few years. The UK stands out with a prime rent of € 185 per sq m per year due to the high demand,

predominantly by Amazon, and the limited supply of quality product. We don't expect the rents in the Netherlands to follow the trend of the exceptionally high UK rent prices, as the Dutch market still offers sufficient opportunity for new developments which keeps the rents fairly stable.

Yields

Investor interest has been pushing yields downwards across all countries. Prime yields appear reasonably comparable, compressing towards 4.5 – 5%, but if you look more closely at the yield development it shows the yields in the UK have reached this level since 2014 and Germany since 2016, while the French and Dutch market are still maturing. We expect these markets to mature in line with the UK and German market, leaving room for further compression.

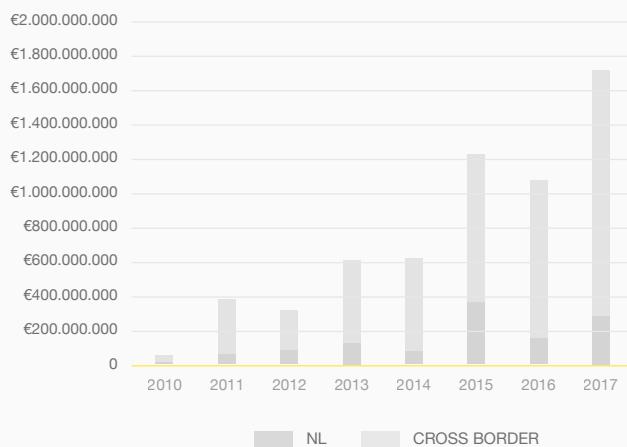
When we look at the fundamentals, we can conclude that the Dutch logistics market has matured over the last years. It has become a stable sector for investors, but we expect further room for growth. Based on the fundamentals of the other countries, the UK seems to have the most matured logistics market. The performance of Germany is currently most comparable to the Netherlands even though the market is much larger (approximately 11 times larger). France shows signs of a less mature market compared to the other countries

"With the German and Dutch logistics markets being comparable, in terms of infrastructure, ports, etc., we foresee prime yields to tighten up to the level of current German yields."

- Douglas van Oers

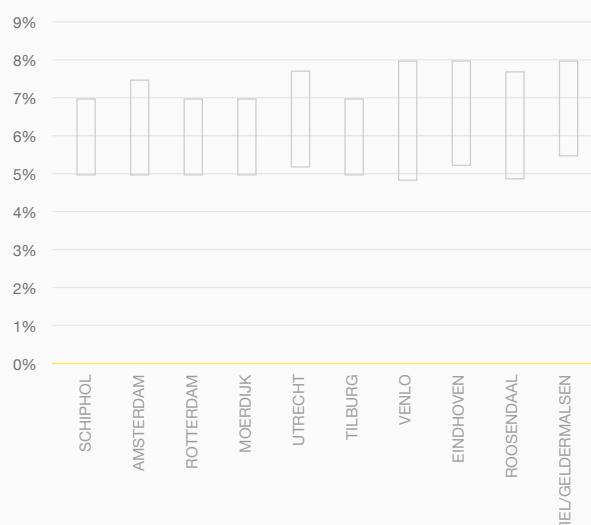
GRAPH: LOGISTICS INVESTMENT VOLUME

2017 investment volumes will be hard to beat



GRAPH: YIELDS

Yield range on prime locations converging; volume and tenant prevail over location



Investment market

Due to the rising demand on the occupier market, investors are also still drawn to the Dutch logistics market. The total investment volume in 2017 reached a record of € 1.7 billion compared to € 1.08 billion in 2016 (+58.3%). The largest recent transactions are CBRE global investors purchasing a portfolio of 8 logistics assets totalling 260,000 sq m across the Netherlands and Real I.S. purchasing a two-phased new built-to-suit development for DHL in Wijchen.

The share of cross border investments has been rising rapidly over the past few years with just over 50% in 2010 to 83% in 2017. As a result of the continuous increasing investor interest, yields have been compressing significantly. We expect these yields to further compress in 2018.

“Cross border activity soared in 2017 with 83% of the total volume of investment into the logistics sector being snapped up by foreign capital.”

- Niek Poppelaars

Want to know more?

call us at +31 (0) 20 301 2000



Douglas van Oers
Logistics & Industrial
douglas.vanoers@savills.nl
+31 (0) 20 301 2058



Niek Poppelaars
Logistics & Industrial
niek.poppelaars@savills.nl
+31 (0) 20 301 2086



Amy Bulthuis
Savills Valuations
amy.bulthuis@savills.nl
+31 (0) 20 301 2020



Hobie Smit
Research & Consultancy
hobie.smit@savills.nl
+31 (0) 20 301 2000

Savills plc 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 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. 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 content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.