Netherlands Market in Minutes
Record investment volumes ahead

December 2013

Economy is growing and confidence is up

The 0.1% growth of GDP in 2013Q3 is a prelude to the economic recovery in 2014 and 2015. The increase is driven by exports and private investments, while government investments and especially households spending still remain well behind.

Regarding households there are a number of key indicators showing a positive trend. House prices have stopped falling, the pension coverage rate has significantly increased and the unemployment rate is slightly decreasing. This has already led to a steep improvement in consumer expectations regarding the overall economic development in the next twelve months and thus to a strong increase in consumer confidence. It will however still take time for this sentiment to reflect in increasing consumer spending.

The confidence of the purchasing managers increased substantially over the past 6 months, backed by a significant increase in the number of orders received, and stands at 56.8, the highest figure since April 2011 (source: NEVI).

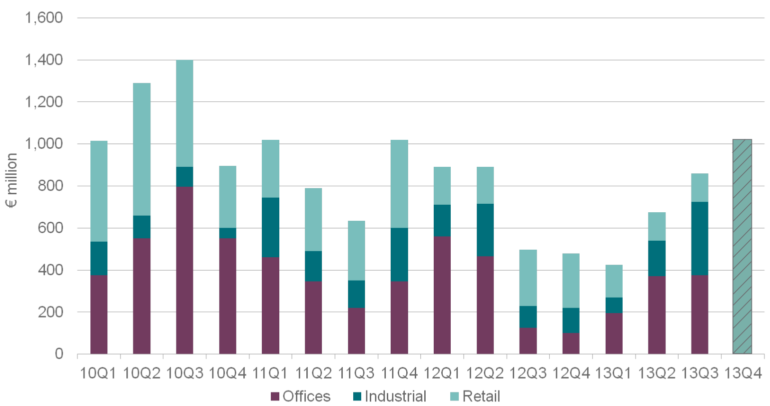
Occupier market: increasing take-up but no recovery yet

By year-end the occupier market will total around 3.5 million sq m, which is a 5-10% increase compared to last year. However, we do have to keep in mind that 2012 was the worst year since the start of the crisis and talking about a recovering occupier market is therefore simply too early.

The take-up volume in the office market is forecasted to total between 1.0 and 1.1 million sq m by year-end, which is around 15-20% lower than last year and the lowest volume in 10 years. Transactions that still took place were increasingly concentrated in the Randstad and especially Amsterdam.

GRAPH 1

Investment volume Netherlands by sector: 2013Q4 forecasted to show largest volume since 2010



Graph source: Savills

The share of Amsterdam in the total transaction volume has increased from 13.2% in 2009 to 18.0% in 2011 and a whopping 23.5% in 2013.

The retail market will show an increase, by around 10-15% in take-up volume to around 325,000 sq m, in particular due to a strong second half of 2013. In addition to the acquisition of a number of Bijenkorf department store locations by Primark, other major fashion retailers like Zara, Bershka, H&M and Marks & Spencer leased large inner-city units, often within redevelopment schemes. Next, budget and batch retailers provide for a substantial share in transactions.

While new retail schemes are generally inner-city redevelopments, new industrial properties mainly concern large, high quality, greenfield logistic developments. The high standards set by logistic operators will continue to drive developments as well as transaction volume in 2014. The year-end total will be over 2.0 million sq m and around 15-20% larger than last year's take-up.

Portfolio deals and private capital driving investment volumes up

In previous Market in Minutes reports we pinpointed the recovery of the investment market. While in the first months of 2013 the actual number of transactions started to increase substantially, in the months following also the actual volumes went up considerably. Driving forces behind this growth are the general increase of capital flowing towards property markets, a currently very competitive price level of Dutch properties (both for prime and for value-add/

opportunistic properties) and owners willing to dispose of (non-core) assets in order to clean up their balance sheets.

The total volume of investments in office, industrial and retail is rising daily, as a very substantial number of transactions are currently under offer. Just within the office market, the 8 largest single assets currently under offer total close to € 700 million. To this we can add a number of large single industrial and retail assets, as well as various portfolios (multi-let light industrial, logistics, retail and residential). Some of these assets are expected to be transacted still this year, while many others will likely follow through in 2014Q1. This will likely result in the largest investment volumes recorded since 2010, when Unibail-Rodamco was divesting their porfolio and driving volumes up.

"The assets currently under offer will give a major boost to the investment volumes."
Clive Pritchard, Netherlands Investments

It is noteworthy that this increase is apparent in almost all sectors and all quality segments. At the prime segment the strong performance of the individual assets, combined with an internationally competitive price level, is cause for continued and even increasing interest from institutional investors. For each of the prime office properties currently under offer, there are ten potential buyers, while just a year ago three would be the maximum. The prime office segment remains the territory of German investors, as this weeks purchases at the Amsterdam South Axis of both the new NautaDutilh office by HIH and the Symphony Offices by Deka Immobilien illustrate.

Regarding the value-add and the opportunistic segments, smaller office assets are generally purchased by private investors for price levels (well) below € 500 per sq m. The pricing is attractive and with their knowledge of the local markets these investors expect to realise a better performance. Larger assets and portfolios are mainly prey for private equity backed investors. They originate either from central-Europe (PPF, Delin, APF) or from countries that are well-known for their share of risk-prone investors, such as the UK and USA.

Apart from these traditional sectors, Savills also notices an ever increasing interest in hotel investments, mainly in Amsterdam (six transactions, including the Pulitzer Hotel and the Krasnapolsky Hotel). Finally residential investments remain consistently on the rise, the recent purchase of a 965 unit residential portfolio by Quadrigo for around € 95 million being one of the largest deals of 2013.

Outlook

At the occupier side Savills forecasts the 2014 transaction volume to be very similar to previous years. With GDP growing at a very moderate level, occupiers will remain cautious.

TABLE 1

Properties currently under offer

Area	Property type	#	€
Amsterdam	Offices	5	400m
Rotterdam / The Hague	Offices	3	280m
Other Netherlands	Industrial and retail (portfolios)	6	525m

Table source: Savills

Taking into account the number of assets currently still under offer, by year-end total investment volumes will be well over € 3.0 bln and thus show a substantial increase compared to the € 2.6 bln of last year. For 2014 Savills forecasts a further growth in investments volumes.

Savills team

Please contact us for further information

Clive Pritchard
Investments
+31 (0) 20 301 2000
c.pritchard@savills.nl

Jan de Quay
Investments
+31 (0) 20 301 2000
j.dequay@savills.nl

Coen de Lange
Agency
+31 (0) 20 301 2000
c.delange@savills.nl

Jeroen Jansen
Research
+31 (0) 20 301 2094
j.jansen@savills.nl

René Tim
Research
+31 (0) 20 301 2025
r.tim@savills.nl