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Netherlands Market in Minutes
Investment volumes increasing further

June 2014

Dutch economy improves further

While Q1 2014 showed a decrease of the GDP by 1.4% qoq, the underlying economic recovery is still underway. The drop was mainly caused by a very mild winter, limiting both domestic consumption and exports of natural gas.

Retail sales saw a growth in non-food sales for the first time in three years, possibly supported by the further improvement of the consumer confidence to currently -2. This in turn was supported by rising house prices and although growth was minimal (+0.1%), this was the first actual house price increase in five years.

Furthermore, the Dutch manufacturing industry showed sustained signs of recovery and demand for temp workers was higher. This was also reflected in increased manufacturer confidence.

Occupier demand Q1 2014 slightly lower

Occupier demand of office, industrial and retail reached almost 780,000 sqm in the first quarter of 2014, being 11.8% lower than the same period last year.

Take-up in the office market reached around 245,000 sqm, very similar to Q1 2013. Largest transactions included FrieslandCampina (10,000 sqm in Amersfoort), UWV (9,700 sqm in Breda) and Amazon Liquavista (6,900 sqm in Eindhoven). The LyondellBasell transaction which also took place in this period concerned a relocation from the Groothandelsgebouw to Central Post over a distance of just a few hundred metres and cutting back in size from 12,000 sqm to 9,000 sqm, a clear example of the consolidation trend within the office user segment.

Retail demand continued to grow and take-up reached almost 100,000 sqm in Q1 2014, twice higher than the same period last year. Among the largest transactions were supermarkets, retail warehouses and large fashion stores, like Zara and The Sting. Although bankruptcies within the retail sector are still plenty the space freed up has been quickly aborbed supporting take-up figures. Example is the Polare book chain of which the stores are now individually being refilled.

Industrial occupier demand reached just 450,000 sqm in Q1 2014, compared to 600,000 sqm in Q1 2013. This was mainly due to lower take-up within the logistics sector, caused by limited supply of high quality logistic premises. Demand within the light industrial market and especially the MLLI market remained fairly stable.

Investor sentiment remains strong

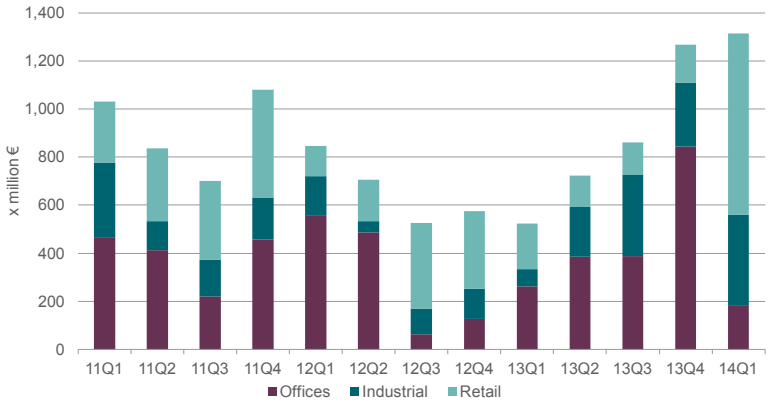
Total investments in offices, industrial and retail in Q1 2014 increased for the fourth consecutive quarter and reached around €1.3 billion.

This increase was heavily supported by the investment volume within the retail sector, which totalled €755m. We have to go back to 2010, when Unibail-Rodamco was in the midst of their divestment programme to find similar high retail investment volumes. The largest retail investment transactions concerned Sectie5/Mount Kellett purchasing a Corio portfolio, Aachener Gründvermogen purchasing the Zara store in The Hague centre a number of shopping centres (Vier Meren in Hoofddorp; FOC Batavia Stad in Lelystad and the Centrumpassage in Capelle aan den IJssel).

The office investment market showed a low volume in Q1 2014 (€185m), but picked up again in Q2 2014 with

GRAPH 1

Investment volume Netherlands by sector: Q1 2014 best quarter in past three years due to retail investments



Graph source: Savills

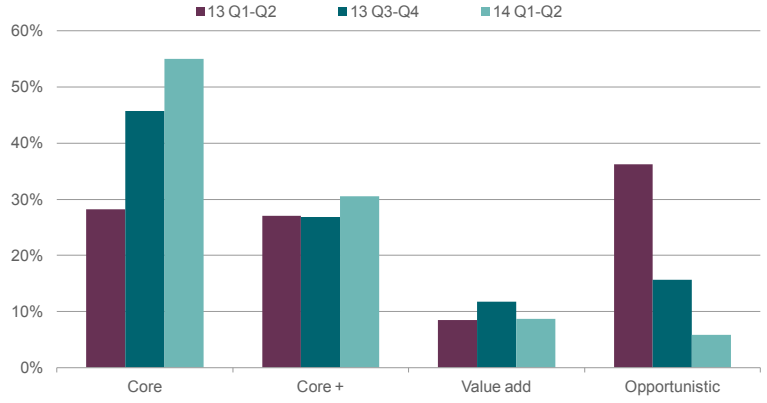
Union purchasing the ITO-SOM office at the South Axis for €245m and HIH purchasing the Prins & Keizer building in the city centre of Amsterdam for €90m. In the current quarter total office investments have passed €500m.

It is interesting to note that the share of core office investments increased from 28.2% in the first half of 2013 to 55.0% in the first months of 2014. Opportunistic investments on the other hand totalled 5.8% in the first months of 2014, while in the first half of 2013 they were 36.2%.

The industrial market has had a strong first quarter due to a number of portfolio transactions, among which the purchase by Prologis of the Pelican logistic portfolio for €170m and three smaller portfolios in which Rockspring, MBay and Blackstone were the respective buyers. In Q2 2014 WDP purchased logistic assets for around €100m.

GRAPH 1

Investment volume office market: Core investments increased while opportunistic segment diminishes



Graph source: Savills

"A selection of office investment opportunities currently marketed totals € 1 billion." Clive Pritchard, Netherlands Investments

Residential

Investor interest for the residential market has substantially increased over the last year and reached a total of €1.3bln in 2013. Up till mid May residential investments totalled around €500m already and with international investors eyeing the market, as the purchase of 245 apartments by BNP Paribas from Amvest for €40m highlights, the expectation is that this further increase.

Outlook

At the occupier side Savills foresees no increase in occupier demand, as the economic recovery is still underway and companies will first have to deal with the effects of five years of economic decline.

Concerning the investment market Savills expects further growth. Within the office market a number of large properties and portfolios, totaling another billion euro, are actively being marketed and together with the smaller sized assets it seems likely that total demand will end up higher than last year. The retail market has already surpassed last years total and will continue to grow further, while the industrial market is also likely to show increased volumes as both portfolios and individual assets are much sought after.

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