



The Netherlands – Spring 2019

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**MARKET  
UPDATE**  
*Savills Research*

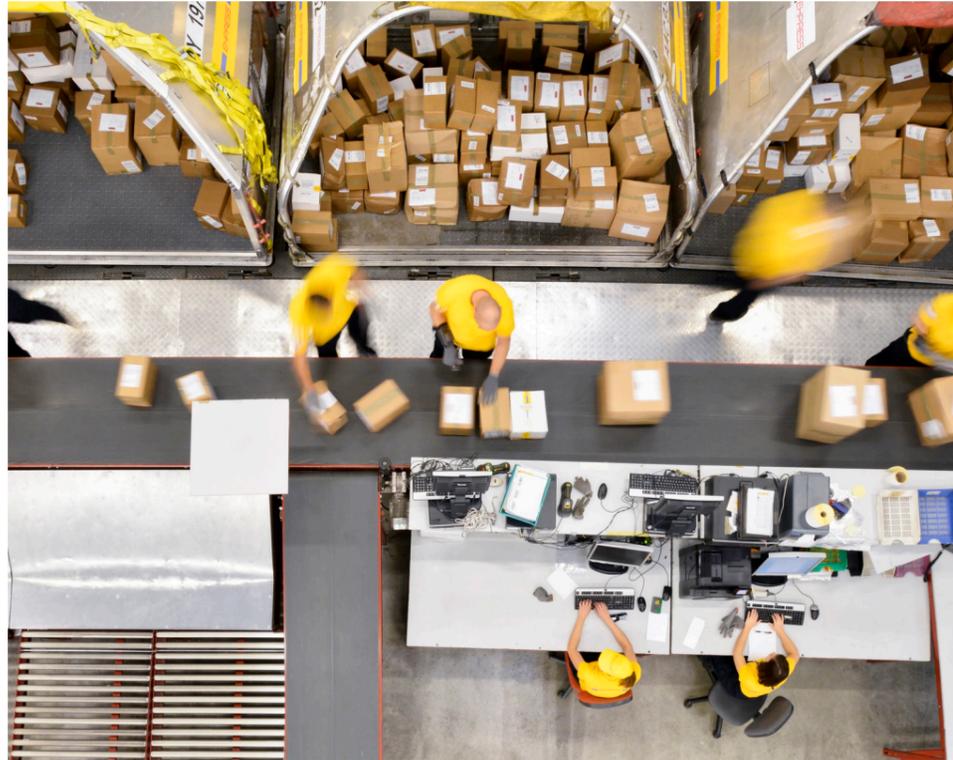
# Logistics rental growth: temporary trend or new reality?





**Question** are rising rents in the logistics market a temporary situation, or is this a trend here to stay?

**Introduction** After a prolonged period of exceptionally stable rent levels in the Dutch logistics property market, we now see a breaking trend towards slight rental growth. This development may signal rising pressure on the logistics occupier market in prime locations resulting from increasing scarcity of product. However, it may also be a temporary situation. So are rising rents in the logistics market a temporary situation, or is this a trend here to stay?



**Take-up**  
stable



**Stock**  
increasing



**Vacancy rate**  
decreasing



**Investment volume**  
increasing



**Rents**  
rising



**Yields**  
decreasing slightly



## Economy

Dutch economic growth drove outstanding e-commerce turnover performance in 2018.

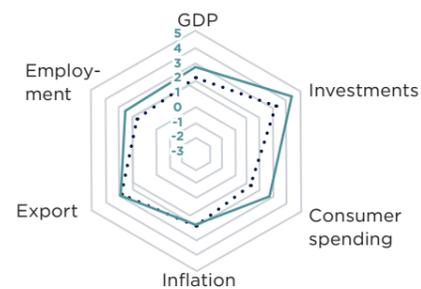
Statistics show that the Dutch economy underwent considerable growth in 2018, significantly outperforming Eurozone average performance. Dutch GDP has now risen for an outstanding 19 consecutive quarters, with growth reaching 2.5% YoY in 2018. Since the mid-twentieth century, such an extended period of uninterrupted economic growth in the Netherlands has only occurred once before, during the 1990s.

Motivated by the growth of the economy, consumer spending in 2018 increased by 2.5% YoY, and consequently retail turnover in 2018 rose by 3.3% YoY. This was the second highest growth rate in the past twelve years and was especially outstanding within e-commerce, where turnover increased by 17.8% YoY.

This has motivated strong demand for space in the logistics occupier market.

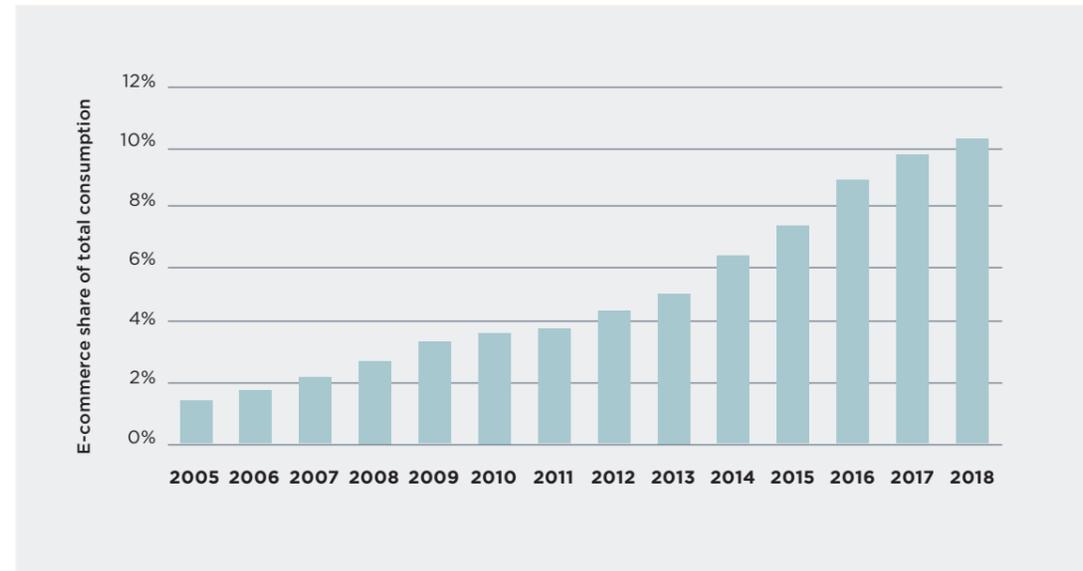
**2018: key economic indicators of performance** (annual YoY % change)

— Netherlands  
--- Eurozone



🗨️ Statistics show that the Dutch economy underwent considerable growth in 2018, significantly outperforming Eurozone average performance 🗨️ - Jordy Kleemans

**Graph** Dutch e-commerce shows steady growth.



Source Savills Research

## E-COMMERCE

Dutch e-commerce turnover growth in 2018 was driven mainly by multi-channel businesses, where turnover increased by 25.9% YoY. This is a considerably stronger performance than that recorded by webshop-only businesses, which showed a growth in turnover of 13% YoY. This indicates that there is great potential for bricks-and-mortar retailers to exploit the synergies which exist between physical and digital channels.

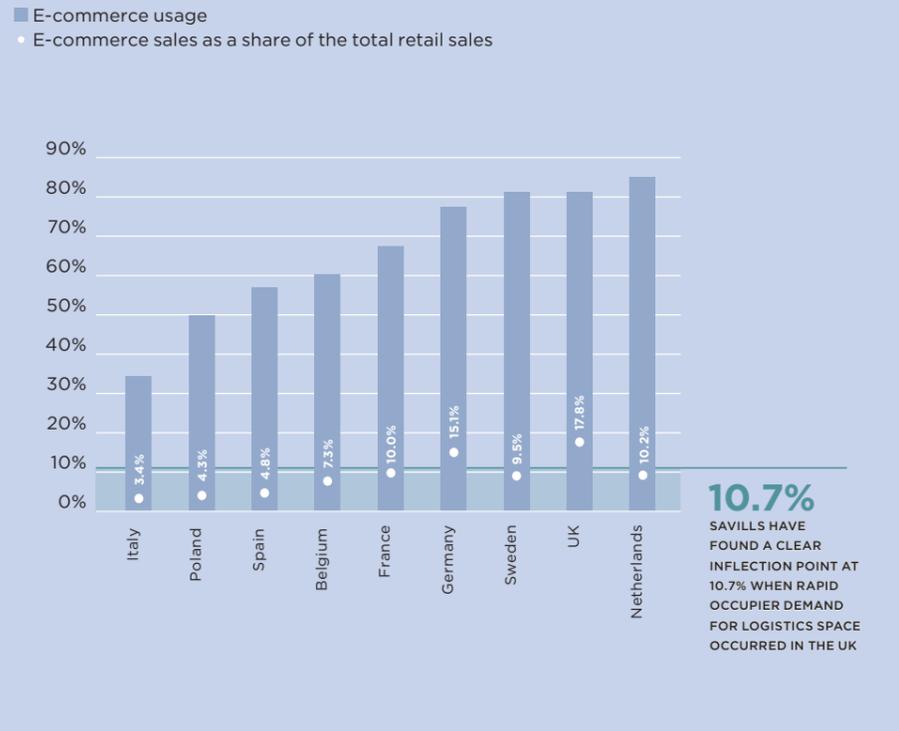
**25.9%**  
Year on year growth by multi-channel businesses in 2018



10.2%

Internet sales currently 'only' account for 10.2% of the total Dutch retail sales

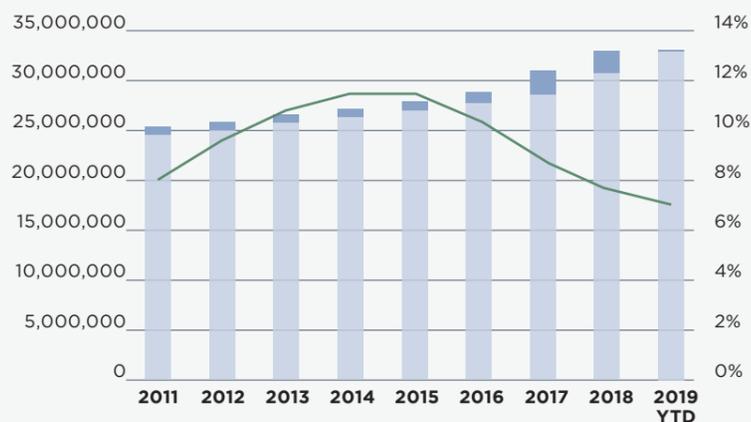
**Graph** from a European perspective, there is still significant growth potential for e-commerce in the Netherlands.



Source Savills Research

Stock New Developments Vacancy

**Graph** vacancy rate decreases while stock and the volume of new development increase.



Source Savills Research

# Logistics occupier market

E-commerce growth sparks logistics rental growth.

The growth in e-commerce turnover led to a significant net increase in the number of e-commerce businesses (+3,410) in 2018, which in turn contributed to continued strong demand for Dutch logistics space.

Although total e-commerce usage in the Netherlands is the highest in the EU (84%), internet sales currently 'only' account for 10.2% of the total Dutch retail sales. This means that Dutch consumers are accustomed to using e-commerce, but in practice it makes up only a relatively small share of total retail sales. In markets like Germany and the UK, e-commerce accounts for a much larger proportion of total retail sales even though e-commerce usage is lower. For comparison, the current Dutch figure is at the level recorded six years ago in the UK. Hence, there is still significant growth potential for e-commerce in the Netherlands.

In markets like Germany and the UK, Savills observed an inflection point at around a 10% share of total retail sales for e-commerce. Past this level, occupier demand for logistics space grew rapidly. Now that a similar level has been reached in the Netherlands, early signals point to a similar trend in the Dutch logistics market.

Dutch logistics take-up in the past three years has been substantially higher than in the preceding period. And at 2.2 million sq m, it remained above average in 2018. Although new developments became available and led to further growth of the stock to 33.2 million sq m (+6.8% YoY), the vacancy rate in the Dutch logistics market dropped to 6.9% (-11% YoY). That rate was even lower within the main hotspots, at 5.5%, and in Venlo specifically it was only 3.2%. This combination of stock growth and decreasing vacancy rates indicates that the increasing occupier demand cannot be fully met, leading to rising pressure on the logistics occupier market.

In the period up until 2018, the slight oversupply of logistics space and the volume of speculative new developments relieved pressure on the logistics occupier market in most locations. This has prevented rental growth in recent years. Rent levels in the Dutch logistics market have therefore been extremely stable for some time. The situation is now changing, however.

Although there is still considerable supply of land for new developments in the main hotspots, at the current pace of new developments, developable land in prime locations will become increasingly scarce. In Venlo for example, developable land for

new logistics real estate in business parks has already decreased by 236.2 hectares over less than three years (-57%). As a result, the volume of new logistics developments will slow and vacancy rates will continue to decrease. Now that the increasing occupier

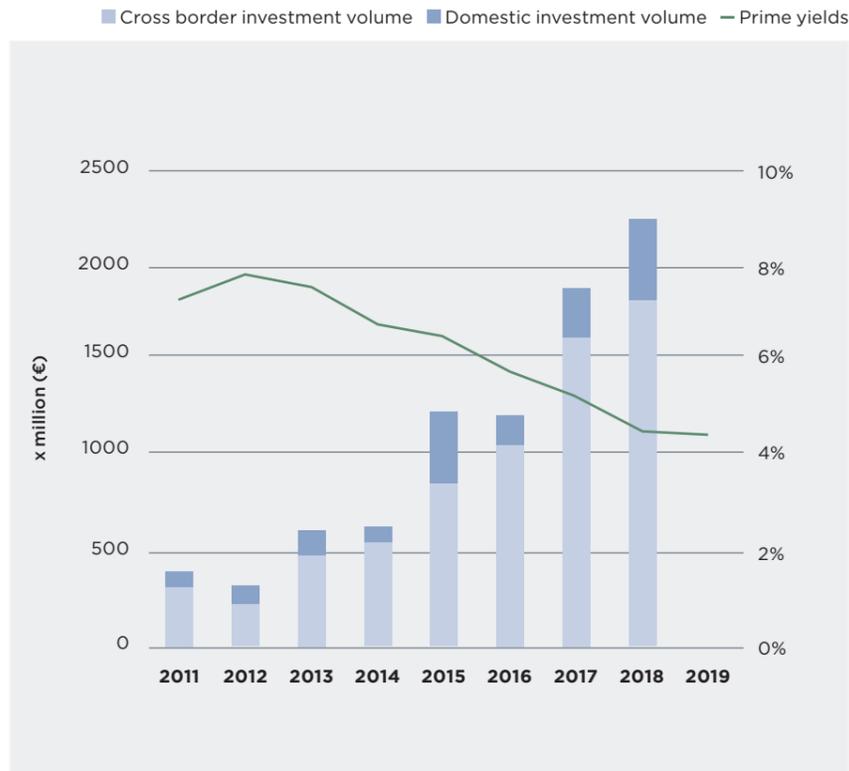
demand cannot be fully met, pressure on the occupier markets has grown. Incentives in prime locations are therefore already decreasing. As a result, net effective rents are rising in these locations, which is the first sign of increasing gross rents in general.

“Dutch consumers find their way to online shops better than any other European population, but the total online sales volume has lagged behind. We, therefore, foresee significant growth potential for e-commerce in the Netherlands, which will undoubtedly spark logistics occupier demand in the coming years” - Douglas van Oers

The Netherlands current prime rent in each logistics hotspot.



**Graph** yields in prime locations compressed further in 2018 as a result of continued investor interest in Dutch logistics.



Source Savills Research



**AGGLO-LOGISTICS**

Our answer to meet the growing customer e-commerce demand

To meet growing customer demand for same-day delivery, there is a growing demand for urban DCs in European logistics markets. Due to the limited distances between Dutch cities, however, this applies less to the Dutch market.

In the Netherlands, it is actually secondary locations within reach of several large cities, such as Bleiswijk, which will satisfy the demand for shorter delivery times. Savills has termed this 'agglo-logistics'.



Sources CBS, Oxford Economics, Eurostat, Statista, Thuiswinkel.org, IBIS, BAK and Savills Research.

**Savills Outlook**

As Dutch e-commerce sales are expected to continue increasing steadily, in the coming years Savills expects an ongoing rise in demand for occupier space in the Dutch logistics property market.

Most likely, new developments in the main hotspots will be unable to keep up with this increasing demand as the availability of land for them becomes increasingly tight. With ongoing high demand and increasing scarcity, rental growth in the hotspots will continue. Savills therefore believes that this trend is here to stay.

As prospects for the occupier market are thus favourable, Savills expects continued investor interest in 2019. Driven by solid e-commerce growth and the demand for shorter delivery times, we also expect that an increasing share of logistics investments will target property in urban infill locations. To accommodate this demand, new 'agglo-logistics' developments will emerge. Because of increasing scarcity within the main hotspots, expansion of the stock will increasingly involve new developments in locations outside them.

**INVESTMENT MARKET**

Occupier space demand expectations fuelling continued investor appetite.

As a result of the sustained increase in demand for space in the logistics occupier market, investor interest in Dutch logistics real estate remains strong. Consequently, yield compression continued in 2018, moving towards 4.5% in prime locations.

The total investment volume in Dutch logistics real estate reached €2.2 billion in 2018, compared with €1.9 billion in 2017 (+19.3% YoY). The share of cross-border investments stood at 80.9% in 2018. Two prominent investments in 2018 were the

purchase of a 63,374 sq m property in Venlo for €71.8 million by Deko from Heylen and the acquisition of the 269,527 sq m Fresh Park Venlo for €117.5 million by Hines Europe. These investments reveal increasing investor interest in both typical built-to-suit logistics core real estate and non-traditional logistics properties aimed at occupiers with specific accommodation needs. Moreover, investments are increasingly being made outside the major logistics hotspots.

“Despite the current low yield levels, investor appetite for logistics real estate will remain strong due to rent growth expectations” - Niek Poppelaars



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