



FRIS

MARKET REPORT
DUTCH REAL ESTATE

SUMMER 2023

The Netherlands

In general

As in several European countries, real estate market dynamics in Amsterdam have changed since Q3 2022. This has been caused by a number of factors:

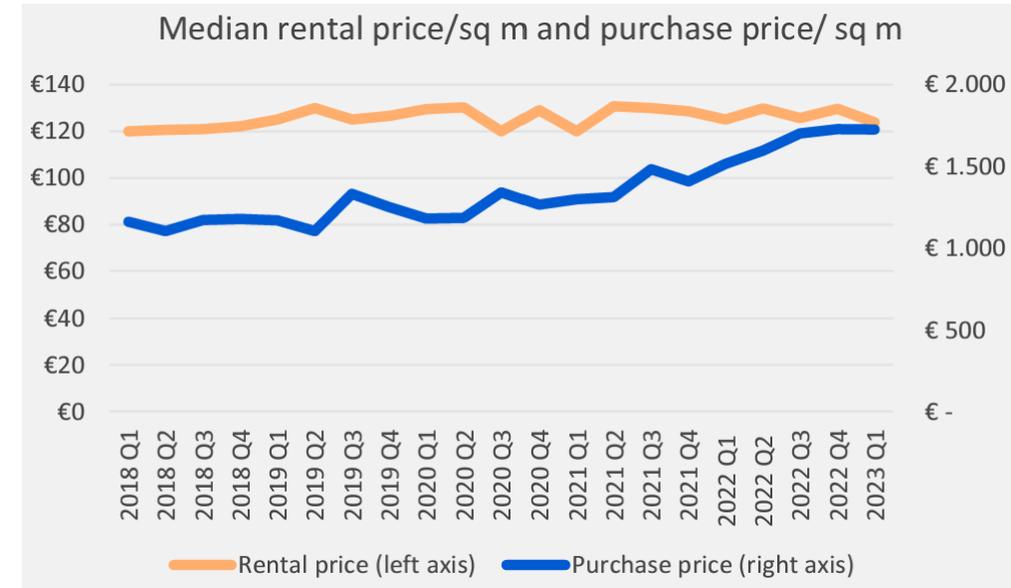
- The war in Ukraine;
- Rising interest rates and construction costs;
- Multiple restrictive measures from the government (nitrogen and rent regulations).
- Rising service costs; sustainability becoming more important.

Despite all segments being noticeably affected by these factors, the current dynamics among them are different.



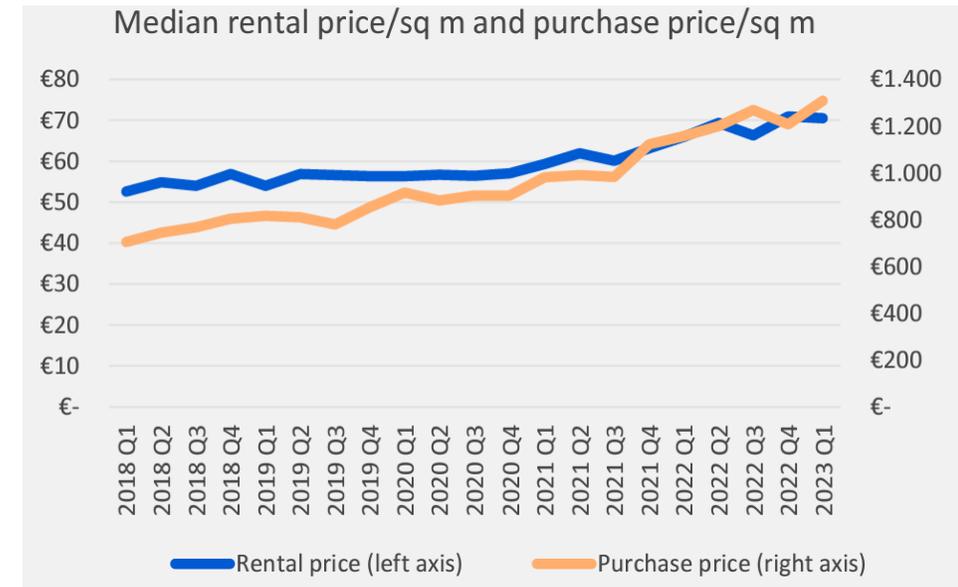
OFFICE

- Office take-up in the Netherlands decreased by 26% compared to Q1 2022, with a similar decline in Amsterdam.
- In 2022, the volume of office take-up was 18% lower than the average of the past 5 years.
- The number of transactions decreased from 244 to 161 year-on-year.
- Limited supply of high-quality office space is a key factor contributing to the decline in take-up.
- Organizations are increasingly seeking office spaces with good energy labels due to rising energy costs (Offices larger than 100 sq m in the Netherlands must have at least energy label C since January 1, 2023).
- Rent prices reflect the difference between energy-efficient and non-energy-efficient offices.
- Rising interest rates and construction costs have led to fewer new office developments.
- Rental prices in Amsterdam and surrounding areas declined from €185.00 to €175.00 per sq m in Q1 2023 (The median rent in the Netherlands was €124.00 per sq m in Q1 2023).



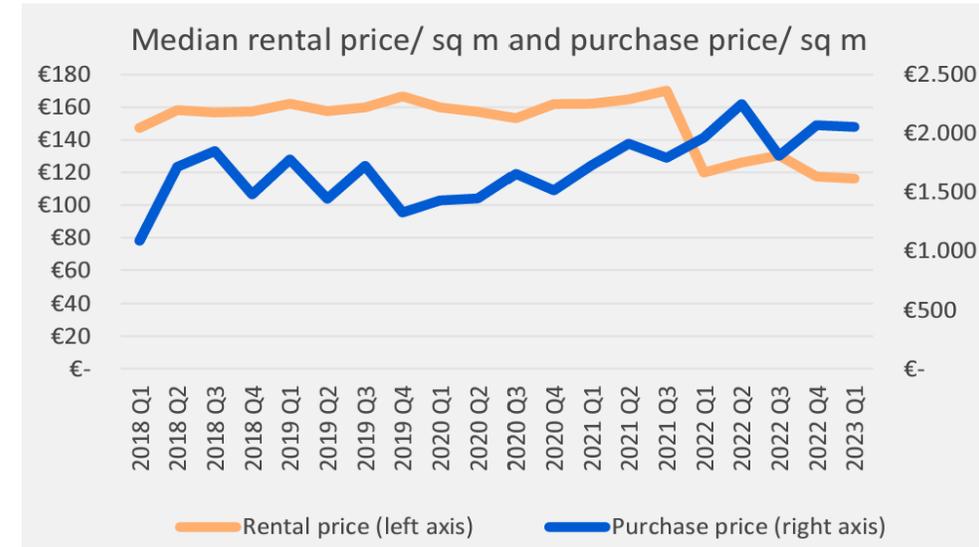
LOGISTIC

- Logistics property take-up level nationwide decreased by 28% compared to Q1 2022.
- However, the number of transactions in logistics real estate increased by 17% year-on-year, indicating ongoing activity.
- Drop in take-up level primarily affected logistics properties above 5,000 sq m.
- Smaller areas below 2,000 sq m remain in demand but are becoming scarce in the market.
- Limited land availability and expansion opportunities, including due to nitrogen measures, are hindering the logistics property market.
- Rising rents reflect the challenges in the market.
- Median rental price of logistics premises increased from €65.00 to €70.50 per sq m per year between Q1 2022 and Q1 2023.
- Purchase prices of logistics real estate also saw an increase, despite rising financing costs.
- Median purchase price reached a record high of €1,310.00 per sq m in Q1 2023, compared to just under €1,200 per sq m in Q1 2022.



RETAIL

- Retail property market is recovering after a challenging period.
- Redevelopment of retail locations has helped balance supply and demand.
- Tenants are under pressure to pay the rent due to higher energy and labor costs.
- Transactions in Q1 were mainly observed among local retailers outside the prime highstreet locations (A1).
- Large retail chains showed limited activity in highstreets.
- Amsterdam recorded the highest number of retail transactions in Q1 2023, with 38 transactions covering 9,000 sq. m.
- Median realized rent in the Netherlands in Q1 was €116.00 per sq m.
- Rental prices are falling as relatively more transactions registered outside the main shopping streets
- Realized rents are also declining in better shopping areas.



INVESTMENTS

- Commercial real estate investment in the Netherlands experienced a significant decline in Q1 2023.
- The total investment of €1.4 billion reflects a 63% decrease compared to the same period last year and a 57% decrease compared to the long-term average.
- Factors contributing to the drop include increased financing rates, leading to a devaluation of the real estate market.
- Uncertainty arising from regulatory changes in taxation and rent regulations has also impacted investor confidence.
- Foreign investors have shown hesitancy, particularly in residential properties, due to slow permit processes.
- Despite the overall decline, the investment volume in the housing market has shown more resilience compared to the office and retail markets.
- Yield percentages for different real estate segments at prime locations in the Netherlands are as follows:
 - Office: average yield of 4.5%
 - Logistic: average yield of 5.0%
 - Retail: average yield of 5.6%
 - Residential: average yield of 5.25%

OUTLOOK Q3 & Q4 2023

- Due to market changes, a decrease in real estate transactions is expected this year in the Netherlands, including Amsterdam.
- Sellers are hesitant to lower prices, while buyers are unwilling to pay high prices, leading to a mismatch in the market.
- Smaller office, logistics, and retail spaces (<2,000 m²) hold the most promise in the near future.
- Demand for smaller spaces in Amsterdam is currently strong, as larger companies delay decisions on accommodation.
- Stability in the market and clear policies on remote work are necessary for larger companies to make decisions.
- Anticipated increased market activity in the second half of the year, driven by potentially stable interest rates and declining book values approaching market values.
- However, a full return to pre-pandemic dynamics is expected after the summer.