

2019 Mid-Year Market View, Netherlands

Curious about the Dutch real estate market? 2019 Mid-Year Market View, Netherlands, sets out the important Dutch real estate trends and information, up to mid-2019.



General Dutch economic market indicators

The Dutch economy will continue to grow in 2019. Nevertheless, consumer confidence has declined somewhat since the second half of 2018 and the economy seems to have passed its peak. The ECB has announced that additional monetary stimulus measures may be taken if the outlook does not improve. This could lead to further interest rate cuts and a new bond buy-back programme.

TRENDS

INCREASED EMPLOYMENT

The growth of the Dutch economy can be seen in the labour market, where the number of jobs has grown considerably. With the exception of agriculture and financial services, employment grew in all sectors. The labour market is somewhat tighter than before the crisis and a quarter of companies report problems due to labour shortages.

GROWTH THROUGH DOMESTIC SPENDING

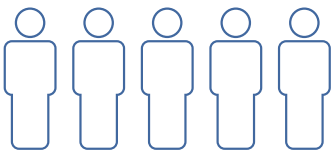
Economic growth is mainly driven by domestic spending, consumption and investment. Household consumption has the strongest growth rate of this century. Expenditure in the hotel and catering industry and on durables increased in particular.



Surface area:
41,543 km²

The **expected growth** of the Dutch population between 2019 and 2050 is

6,4%



Amsterdam is the municipality with the **largest population growth**.

SUMMARY, THE NETHERLANDS

Population: approximately 17.3 million (August 2019)

Expected population growth: from 17.3 million in 2019 to 18.4 million in 2050

Surface area: 41,543 km²

Municipality with largest population growth (absolute): Amsterdam, Noord-Holland

Municipality with biggest population shrinkage (absolute): Maastricht, Limburg

Municipality with highest population density: Den Haag, Zuid-Holland

Municipalities ranked by strongest growth in new construction (absolute):

Amsterdam, Utrecht, Rotterdam, Tilburg, Eindhoven, Nijmegen, Groningen, Den Haag and Almere

General Dutch real estate market indicators

The **total investment volume** in the first half of 2019 was some 24% lower than a year earlier.



Focus on **sustainability, technological innovations** and **social factors** related to investment increases.

TRENDS

CONTINUING LOW INTEREST RATES

As a result of the persistently low interest rates, real estate remains an attractive alternative for investors. Nevertheless, the total investment volume in the first half of 2019, at approximately € 8.3 billion, was some 24% lower than a year earlier. The reason for this has more to do with the supply side than the demand side. The market is still very liquid. In addition, more than 50% of the capital came from abroad. The most important inhibiting factors, however, are the reduced opportunities for external financing and a lack of product. Like the investors themselves, banks have become more cautious, especially in secondary real estate.

SCARCE SUPPLY DUE TO A SHORTAGE OF CONSTRUCTION PERSONNEL

The scarcity of supply is mainly caused by a shortage of construction personnel, the associated sharp rise in construction costs and a shortage of high-quality construction sites. Partly as a result of this, the focus of investors has shifted somewhat to locations on the outskirts of cities and to smaller centres, with higher risk profiles and requirements for return. The scarcity of supply is compounded by a number of other factors. A prime example of this is slow decision-making by municipalities in (re)zoning for housing development. They also set an extremely high threshold to acquiring land for construction, with regard to, among other things, the price. As well as the strict sustainability requirements attached to new construction developments.

INSTITUTIONAL INVESTORS OPT FOR IMPACT INVESTING

Other important trends include an increased focus on sustainability, technological innovations and social factors related to investment. Institutional investors, in particular, are increasingly exercising their social responsibility and opting for impact investing.

Impact investing involves investments in companies, organisations and funds with the explicit intention of achieving a positive social, environmental and/or societal impact in addition to a financial result.

Office Market

The office market is on the rise. As a result of economic growth, the demand for office locations is high. In some sectors, employment growth has been so strong that there is a shortage of staff. Due to the shortage on the labour market, the quality of the workplace and its facilities play an increasingly important role in attracting personnel. There is a particularly high demand for offices in high-quality locations in the Randstad conurbation, and in the larger cities outside the Randstad conurbation. In the rest of the Netherlands the high vacancy levels remain structural with hardly any decrease.

TRENDS

DEMAND FOR OFFICE SPACE INCREASES

Due to an increase in the number employed, more companies need more office space. This growing demand for office space will keep the office market in good shape in 2019. It is not only the Dutch economy that is showing an increasing demand for office space. Partly due to the arrival of the Brexit, European headquarters currently located in London will move to other European countries. And Amsterdam is a favourite new location.

SHORTAGE OF HIGH-QUALITY OFFICE SPACE

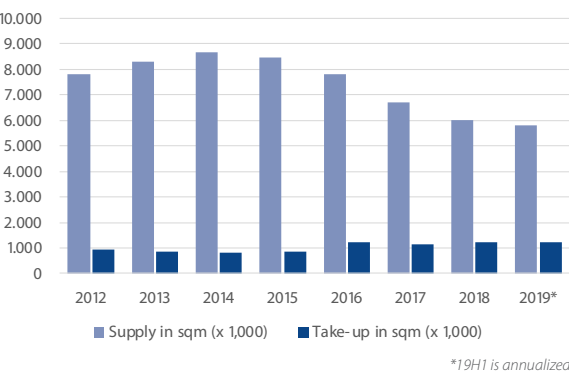
Vacant space in the best office locations is now below the desired level. This offers opportunities for new, quality developments. There is clearly a shortage of high-quality office space at the top locations in the Netherlands. The vacancy rate in central Amsterdam, Amsterdam Zuidas and Utrecht centre/Station is very low - and (well) below the healthy frictional level of 5 to 7%.

NUMBER OF FLEXIBLE OFFICE PROVIDERS STILL GROWING

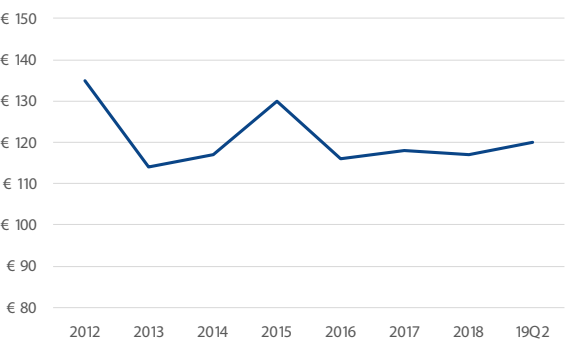
The number of flexible office providers, also known as operators, is still growing. More and more types of flexible office space are being offered. This diversity is reflected in the short terms of contracts for furnished office spaces, shared services and community participation (office space branding).

STATISTICS

NATIONAL SUPPLY AND TAKE-UP



NATIONAL AVERAGE RENT PER SQM



INVESTMENT

The vacancy rate in the Dutch office market is low. Due to increased economic activity, the large number of office transformations and the low construction rate of new offices, there is now a shortage of supply in the large cities. Completed, large-scale office developments are usually pre-let or commissioned by the (main) tenant. In addition, in urban areas there is increasingly less room for monofunctional buildings. And mixed complexes are more difficult to include in specialised, sector portfolios. Our expectation is that office buildings in smaller centres, in locations with excellent accessibility and offering a high level of facilities, will become more attractive to investors.

RENTAL TRANSACTIONS



UTRECHT

Daalsesingel 51-71
Spaces
8,254 sqm



AMSTERDAM

Paasheuvelweg 25
Genzyme Europe B.V.
5,948 sqm



ROTTERDAM

Weena 202-342
17,600 sqm
€ 50,000,000 (April 2019)
Gross Yield: 5.80%

INVESTMENT

Industrial Market

The logistics real estate market is gaining momentum. Strong economic growth, increased commerce, more online sales, the Netherlands' good location and fear of Brexit are creating high demand for logistics real estate. Logistics real estate still has to contend with obsolete buildings which are consistently unoccupied. These buildings no longer meet the current requirements for logistics real estate. Upscaling and automation have posed requirements that these properties can no longer meet.

TRENDS

LOGISTICS PROPERTY RENTALS RISE

Logistics real estate is on the rise. E-commerce is one of the most important drivers for the growth of the logistics real estate market. We expect e-commerce to remain the most dominant market segment in the logistics real estate market over the next five years. Both retailers (H&M, Michael Kors, MediaMarkt) and platforms (Bol.com, Coolblue, Zalando) are building or expanding large, new, e-fulfilment centres.

INCREASINGLY FEWER LOCATIONS AVAILABLE

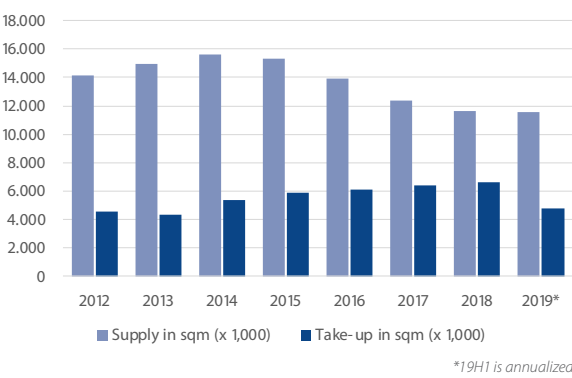
The commissioning of logistics real estate in the Netherlands has been on the rise for years and this increase is continuing. However, focal point for take-up of industrial property lies in the Randstad conurbation. Highly sought-after locations such as Tilburg and Venlo now have much less land available than they did, a few years ago. Construction costs are rising everywhere and, in a number of places, land prices are also rising. This, together with the enormous demand for logistics space, affects rentals.

BREXIT ENSURES STRONG GROWTH IN ROTTERDAM

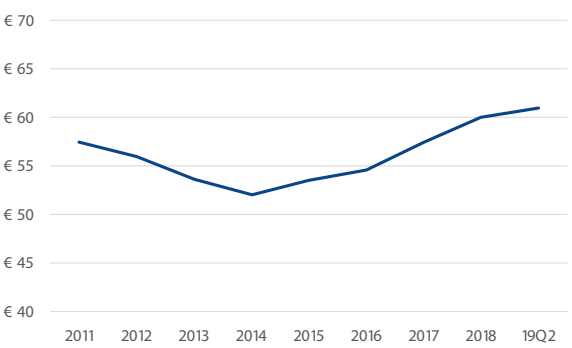
In the run-up to Brexit, Rotterdam's logistics market is experiencing robust growth. Compared to the previous year, the total value taken up more than quadrupled in 2018. Parties trading with Great Britain store their goods, in large quantities, in buildings in the Rotterdam region.

STATISTICS

NATIONAL SUPPLY AND TAKE-UP



NATIONAL AVERAGE RENT PER SQM



INVESTMENT

The market for logistics real estate is currently attracting a great deal of interest from investors, mainly due to the growth of e-commerce and the Netherlands' function as a logistics gateway to north-western Europe. Here, too, there is a lack of building sites and building capacity. The market for small-scale industrial property also continues to show demand. Investors see properties and portfolios around the major cities as promising, both for exploitation 'as is' and for transformation. The gross initial yields (prime yields) are generally between 4.0% and 5.0%.

RENTAL TRANSACTIONS



ROTTERDAM

Nieuwesluisweg 250
De Rijke Group
28,000 sqm



SCHIPHOL-RIJK

Green Mountains Logistics Park
VCK Logistics
25,000 sqm



WAALWIJK

Kloosterheulweg 1
57,405 sqm
€ 73,000,000 (April 2019)
Gross Yield: 4.60%

Sources: ABN-AMRO – Stand van Vastgoed 2019, Savills - Logistics Market Update Q1 2019, Stec Groep - Rapportage Logistiek in Beeld 2019

Retail Market

Economic growth in the Netherlands is boosting consumer confidence, which is having a positive effect on retail sales. However, the physical stores continue to face structural problems, particularly due to the strong growth of online retail. Retailers are looking for the right balance between online and offline. Pure web shops do achieve high turnover, but due to high costs, there is hardly any profit to be made. In order to retain consumer loyalty, shopping areas need to focus on distinctive character and the shopping experience. Despite the uncertainties in the market, however, the demand for good retail property in the right locations remains high.

TRENDS

MAINTAINING A GOOD RANGE OF SHOPS

Cities with a varied range of shops in combination with good accessibility seem to be the recipe for survival. Of all the sectors, fashion stores are without a doubt the most difficult. In this respect, unlike other cities, Amsterdam benefits from its increasing number of tourists. In addition, more and more attention is being paid to the experience. The range of restaurants, leisure and culture in the area is also increasingly a determining factor in getting consumers to visit physical shops.

E-COMMERCE

The current mode of online shopping, with ever shorter delivery times, free home delivery and free returns, is an untenable model. Its handling and delivery costs consistently exceed revenues, resulting in losses for the majority of e-commerce operations at the moment. This downside of e-commerce will have a restraining effect on future growth.

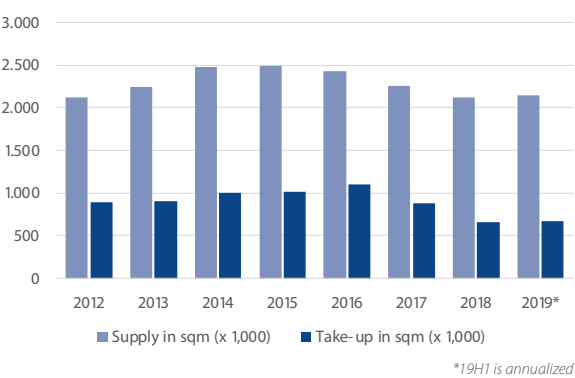
In addition, there is a visible trend in which online and offline shopping are increasingly intertwined – which is in favour of the physical store. Many online stores may, for example, open a physical store to strengthen their brand. Physical shops need to provide more personal service, knowledge and, above all, an experience - a feeling. It's all about the customer experience.

FROM RETAIL TO OTHER USES

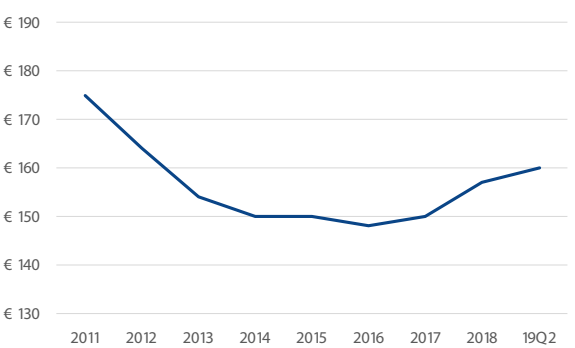
In order to keep shopping areas healthy they are increasingly being transformed for residential, healthcare and other public-use functions. Retailers seem to be aware that they no longer need to be represented everywhere and move to other locations. Transformation is a good solution for locations that are no longer profitable as retail. These locations are often on the edge of shopping areas.

STATISTICS

NATIONAL SUPPLY AND TAKE-UP



NATIONAL AVERAGE RENT PER SQM



INVESTMENT

As a result of the rapidly changing retail landscape, the gap between A1 retail property and objects at secondary locations is widening. Especially due to the rise of e-commerce and unpredictable consumer behaviour, B and C shopping areas have to contend with vacancies and falling rentals. In the meantime, depreciation has also occurred at top locations (FD, Aug 5, 2019). External retail funding is currently difficult to obtain, as banks consider the segment to be high-risk. The convenience segment is still popular with investors, although here too, yield and rental levels are being critically examined.

RENTAL TRANSACTIONS



AMSTERDAM

Nieuwezijds Voorburgwal 182
Magna Plaza
Hutspot
700 sqm



DEN HAAG

Hofweg 11
Albert Heijn
1,460 sqm



DEN BOSCH

Winkelcentrum Arena
11,800 sqm
€ 26,871,000 (January 2019)
Gross Yield: Unknown

Sources: Rabobank - Vastgoedbericht 2019, CBRE - Werk aan de winkel Retail Rapport 2019

Residential Market

The Dutch residential market remains under pressure, as also reflected in the 2018 Mid-Year Market View. The supply of houses for sale has been continuously decreasing. The number of transactions in the Dutch residential market has decreased by 9.9% compared to the year before. Compared to the previous quarter the number of transactions and the supply actually increased. The average transaction price has reached a new record high of € 308,300, an increase of 4.3% over a year. The average transaction price per square metre increased even more to € 2,590, a 6.9% growth compared to last year's average. Buyers in the Dutch residential market are forced to react quickly to homes coming onto the market, resulting in a decreasing average sale time. In many areas transaction prices are expected to continue to increase. However, the continuous price increases of past years, in cities like Amsterdam, may be nuanced as this climb begins to flatten out.

TRENDS

OUTWARD MOVEMENTS

Increasing prices in the bigger Dutch cities cause households to also consider the periphery of cities or moving outside the city. This can be seen, for example, in the growth in relocating from Amsterdam to cities nearby. Homeowners in the bigger cities now have equity and can pay more than other/local buyers. In combination with the rising demand in the cities this causes price increases in local housing markets.

NEW CONSTRUCTION TOO EXPENSIVE

The scarcity in the Dutch residential market, combined with an increasing population, of single households in particular, means that the need for new homes is high. For a variety of reasons, new construction has become too expensive and the number of newly-constructed homes being is decreasing. The time taken to reach a pre-sale level of 70% (the critical level for starting construction) is increasing.

RENTAL SECTOR DIFFICULT FOR MIDDLE INCOME HOUSEHOLDS

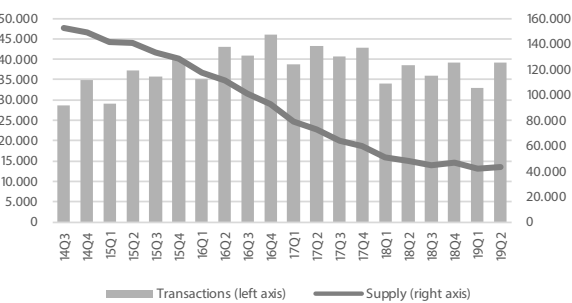
For those on a middle income, it has become extremely difficult in recent years to find rental housing, especially in the larger cities. Excessive price increases have made housing in the mid-market segment virtually inaccessible for a specific group of starters and young families.

INVESTMENT

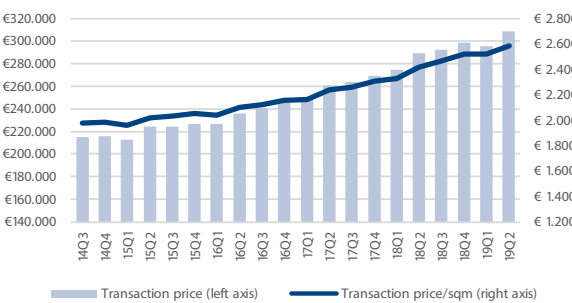
For the second year in a row, residential investments seem to represent the largest share of the Dutch investment market. Low building production also plays an important role in the housing market; it is difficult for investors to acquire large numbers of newly-built rental homes. The uncertainty surrounding increasing government regulation also has a restraining effect on investment activity. Opportunities for investors lie in the mid-market segment, in the suburbs of cities and in the satellite towns near major cities, or in niche segments like student housing, senior housing or other, new types of housing.

STATISTICS

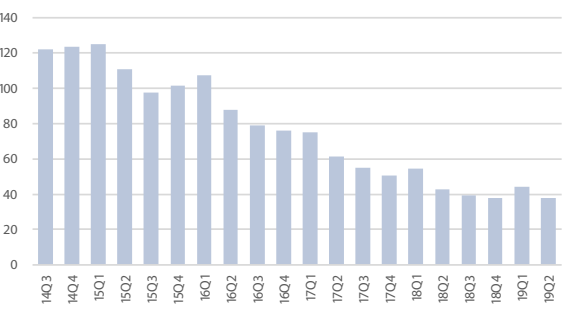
NUMBER OF HOMES SOLD AND FOR SALE



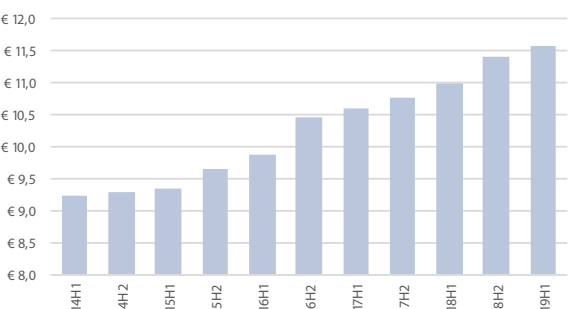
MEDIAN TRANSACTION PRICE (PER SQM)



MEDIAN TRANSACTION PRICE PER SQM



RENTAL PRICE PER SQM



INVESTMENTS



AMSTERDAM & UTRECHT

Xior Student Housing
526 residentials
€ 95,000,000 (July 2019)
Gross Yield: unknown



NETHERLANDS

Heimstaden
771 residentials
€ 97,400,000 (July 2019)
Gross Yield: unknown



NETHERLANDS

Heimstaden
9,544 residentials
€ 1,400,000,000 (Feb 2019)
Gross Yield: unknown

Sources: NVM (Database), NVM Wonen Verhuisbewegingen, NVM (Woningmarkt Gaat Richtig Evenwicht, Echter Krapte Blijft 2019), Vastgoedjournaal 2019

Healthcare Market

The healthcare investment market in the Netherlands continues to transition from a niche asset class to a mature market due to the rising investment volume, proven track record of investors and increased sizes. In 2018 a record amount of 945 million euros was invested, a growth of 35% compared to 2017. With 489 million euros invested in the first half of 2019, an increase of 25% compared to the first half of 2018, the healthcare market has shown that its growth is persistent. Ageing demographics in the Netherlands will continue to drive demand and challenge both investors and healthcare operators to realize state-of-the-art supply. Healthcare operators desire long-term partnerships with investors to improve their often-outdated, real estate portfolios. Investors strive for long and stable cash flows, balanced risk/income ratios and properties with good potential for alternative use. Meeting these requirements will remain the deciding factor in realizing the necessary growth and renewal within the healthcare market.

TRENDS

TRANSITION TOWARDS SUSTAINABLE REAL ESTATE

Aside from the outdated character of real-estate portfolios, the urgent requirement for sustainability is driving the need for innovation. The Netherlands has, in line with the Paris Agreement, created its own Climate Agreement. A separate roadmap for real estate within the healthcare sector shows the need for an additional investment of 7.1 to 11.3 billion euros to reduce the emission of CO2 by 95% by 2050, relative to 1990. This pressures the already-constrained balance sheets of healthcare operators.

HIGH DEMAND FOR SENIOR HOUSING

The healthcare market consists of a variety of asset types. A specialized side with nursing homes providing long-term care, medical office buildings and hospitals - and a more residential side with, for example, senior housing and assisted living space. As the current generation ages, the demand for space in the latter category continues to rise. Self-sufficient elderly people are in search of quality housing, with like-minded people, at (prime) locations with nearby assistance and services.

IMPACT INVESTING, IN HEALTHCARE

Investors are shifting their attention to impact investing - and healthcare gives them the opportunity to do so. From an environmental, social and governance perspective, investments in healthcare have a positive impact on people's lives and on society as a whole (in terms of costs of medical care as a percentage of GDP). Also, these investments offer a significantly lower risk ratio and have a higher long-term yield forecast.

STATISTICS

DEMAND STATISTICS FOR SENIOR HOUSING AND LONG TERM CARE/NURSING HOMES

Population growth, age 65+	from 3,300,000 in 2019 to 4,800,000 in 2050 (CBS)
Percentage of people age 65+ who live at home	94% (NZa)
Demand for senior housing units	125,000 in 2019 to 250,000 in 2050 (HEVO)
Demand for long-term care/nursing homes	165,000 in 2019 to 240,000 in 2050 (HEVO)

INVESTMENTS



SENIOR HOUSING/ ASSISTED LIVING

Cofinimmo
Apollo Healthcare
Property Fund
Mijdrecht*
Mevrouw van Wieringenplein
7,760 m²
€ 10,500,000 (April 2019)
Individual rental contracts
with tenants.



MEDICAL OFFICE BUILDING

Cofinimmo
Dokkum**
Birdaarderstraatweg
15,000 m²
€ 8,000,000 + € 5,000,000 capex
in the coming three years for
major renovation (April 2019).
Double net, 15 years
Gross Yield: ± 7%



PRIMARY HEALTH

Achmea Dutch Health Care
Property Fund
Woerden***
Iepen Hof
1,467 m²
€ 4,500,000 (March 2019)
Gross Yield: 7.4%
Individual rental contracts
WAULT = 5.25 years.

* 94 apartments for senior citizens and/or people with a need for care. In-building service and support provided for residents. The building is being renovated and made sustainable.

** former hospital reconversion to a medical office building.

*** a general practitioner's practice, pharmacy, podotherapist, skin therapist, district nurse, two dieticians and a blood test service are located in the centre.

About FRIS

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FRIS started collaborating with the **Deutsche Immobilien-Partner (DIP)** in 2017. DIP is a German network organisation and consists of 17 renowned real estate agents and specialised real estate companies, including AENGEVELT. AENGEVELT is one of the founders of DIP and is one of the largest and most experienced real estate agents in Germany. The network consists of partners such as Allianz, Justus Grosse, Aigner Immobilien, Arnold Hertz and GÖRG. This collaboration enables us to offer international investors and financing institutions access to both the Dutch and German real estate markets in the fields of investment, property management, residential and commercial sales, valuations, research and consultancy.



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