Savills World Research
Netherlands

Netherlands Market in Minutes
The major themes for Dutch property in 2016

March 2016

What's inside?

In this Market in Minutes Savills Netherlands will briefly return to 2015 before setting out the major themes for 2016 and their forecasted effects on both the leasing market and the investment market.

A quick glance back

Looking back to 2015 the economic recovery combined with a shift to e-commerce was reflected in the occupier activity in the major market segments.

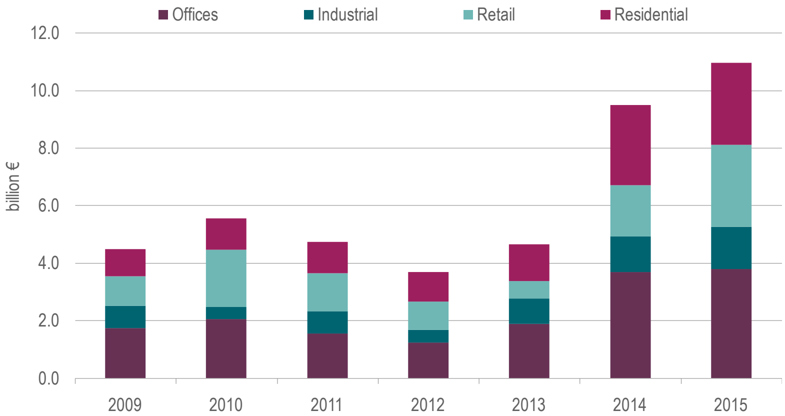
The office and logistics market profited from the economic upturn, while the latter also benefitted from the rise in e-commerce. Take-up in the office market rose by 5.0% to 1.26 million sqm. The industrial market showed by far the largest increase: +58.7% to 4.3 million sqm. The competitive Dutch retail market is still coping with the aftermath of the crisis years, the growing share of e-commerce and outdated retail formats. Retail occupier activity slowed in Q4 2015 and reached 755,000 sqm, very similar to last year's take-up.

At the investment side 15Q4 proved to be another extremely strong quarter, pushing total investments in offices, retail, industrial and residential to €11.0 billion, a 15.3% increase compared to 2014. In contrast to the occupier market, the largest increase took place in the retail sector: from €1.8 to €2.9 billion, especially due to a number of large portfolio transactions. The industrial/logistics market also saw a substantial increase: +16.9% to €1.45 billion.

The office market increased by 3.3% to €3.8 billion, while the residential market saw a surprisingly high volume. After the surge in 2014, caused by a select number of very large cross-border transactions, the expectations for 2015 were modest. As it turned out Dutch institutionals started investing heavily in this market, focusing on smaller assets and new developments. Together with the cross-border acquisitions the total volume invested in residential reached €2.85 billion compared to €2.8 billion in 2014.

GRAPH 1

Investment volume by sector: The 2015 investment volume outdid 2014 by 15%



Graph source: Savills

Major themes for 2016

There is a number of trends very much defining the real estate landscape in 2016. Some of them have a substantial history, others originated recently.

Economic growth. Over 2015 the Dutch economy grew by 1.9%, well above that of the neighbouring countries Germany, Belgium and France. A further 1.8% growth is expected in 2016 and 2.0% in 2017. It is important to note that domestic demand and exports are both substantial and growing. The main imminent uncertainties clouding the European economic landscape concern the forthcoming Brexit referendum and the effects of the refugee inflow.

Concentration. People, jobs and economic growth are increasingly concentrated in the Randstad area, Noord-Brabant and the largest cities in the more peripheral parts of the Netherlands. The investment market is following this trend: 45% of the total office investment volume in 2015 took place in Amsterdam, compared to 39% in 2014.

Alternative assets. Following the increase in investments in residential, we foresee an increase in investor demand for student housing and for care-oriented housing. These sectors, and some other alternative asset categories, provide for greater diversification while avoiding fierce competition for highly priced

> Cross-border investments and (loan) portfolios will dominate the 2016 investment market.
> Jan de Quay, Netherlands Investments

traditional assets. Within Europe already 25% of all investments concern alternatives.

Retailer insolvencies. In the first months of 2016 again a number of large retail chains filed for bankruptcy, including the Paradigit chain, the Bas Groep, Perry Sport/Aktiesport and department store chain V&D. While leaving gaps in many of the prime shopping streets, this immediately opens up new possibilities for retail chains wanting to expand (e.g. Decathlon in former V&D in The Hague), for e-commerce retailers wanting to enter the shopping streets (e.e Neckermann) and for local initiatives.

Cross-border activity. While high-yield seekers moved to other property markets, there is a vast amount of capital gathered within Asia, the Middle-East, the US, the UK and the rest of Europe geared for investing in the Netherlands. Demand still far outstrips supply.

Cross-border activity reached 66% in 2015 and will remain high in 2016. With few exceptions all large transactions in the first two months of 2016 have been bought by foreign investors, including Goldman Sachs, CBRE GI, Bryant Park, Round Hill and Union.

Portfolios. A vast number of real estate portfolios are currently being marketed. A rough estimation from Savills lists €3.2 billion in offices, €1.2 billion in retail, €600 million in industrial/logistics and €900 million in residential. Together with some mixed portfolios this totals €6.4 billion.

Loan sales. 2016 will see the largest loan transaction in Dutch history - the €3 billion Propertize portfolio, and currently three US funded buyers are competing for this deal. Together with a number of other portfolio loans the total volume in loans is likely to at least double compared to last year and reach well over €5 billion. As competition between banks increased substantially, LTV's have risen to 65-70% on average, while CBMS's are back on the block again, providing for more market dynamics.

2016 occupier market

As a result of economic growth in the Netherlands and surrounding countries, it is likely that occupier activity will keep rising in all markets. Specifically for the retail market the insolvencies will lead to increasing activity as retailers take this chance to optimise their location strategy and as new retailers have more options.

Downward pressure on rents in the retail sector remains, while rents for prime office and logistics properties could show a gradual increase.

2016 investment market

Savills forecasts the 2016 investment volume to be even higher than that of 2015. Investor demand still far outstrips supply, thus creating further possibilities for asset managers to optimise their portfolios and keeping downward pressure on yields.

The turmoil in retail land from an occupancy point of view will likely lead to further sales due to repositioning and will attract new overseas retail investors looking to take advantage of the investment activity and the opportunities available.

Furthermore, there is a vast supply of portfolios actively marketed and pricing of Dutch property remains attractive from an international point of view.

Finally, the volume of alternative assets is foreseen to rise, primarily in student housing and care.

Savills team

Please contact us for further information at +31 (0) 20 301 2000

Clive Pritchard
Investments
Head of country
c.pritchard@savills.nl

Jan de Quay
Investments
Head of department
j.dequay@savills.nl

Bas Wilberts
Investments
Head of alternative
b. wilberts@savills.nl

Reinier Wegman
Investments
Head of sales
r.wegman@savills.nl

Wouter Stevens
Agency
Head of department
w.stevens@savills.nl

Jeroen Jansen
Research
Head of department
j.jansen@savills.nl

Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.