

INVESTMENT MARKETBEAT THE NETHERLANDS 2016: record volumes & increased diversification

Fourth quarter 2016

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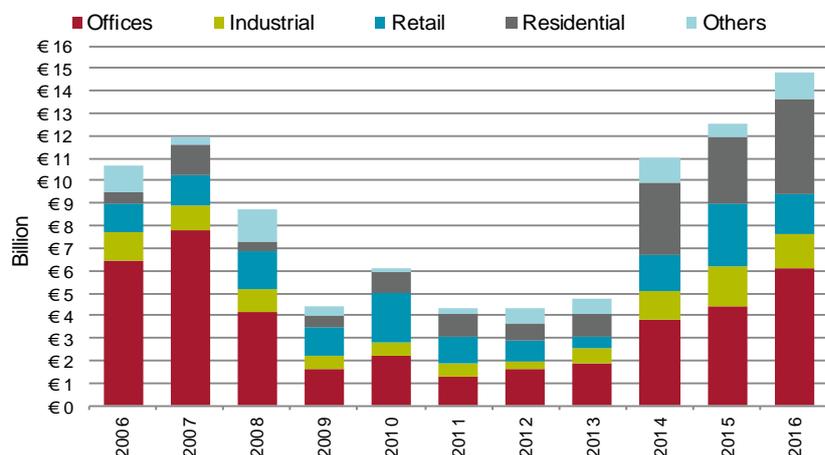
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- 2016 registered a record high volume of € 14.8 billion, as capital was widely available and investors' appetite was high, while prime yields dropped in all segments.
- The Office investment market remained the most dominant segment with an investment volume of € 6.1 billion, thus accounting for 41% of this year's volume, whereas the second largest share (28%) was the record high volume of € 4.2 billion on the Residential investment market. Competition for the third place remained fierce, as Retail investments reached a volume of € 1.7 billion. While the Industrial & Logistics segment just dropped behind with an investment volume of € 1.6 billion.
- 2017 is expected to register a healthy investor's appetite, although interest might slightly increase in combination with less available objects for sale which could eventually lead to a subdued investment volume. Nevertheless, a volume of € 14.0 billion is not inconceivable, whereas retail investments are forecast to improve. The share of foreign investors will like to remain stable around 50% of volume, while capital sources continue to remain widespread and the availability of large portfolio's (i.e. big tickets) at desired yield levels is decreasing.
- Exceptions should be tempered as a result of the current political turmoil sparked by events such as Brexit, Donald J. Trump as POTUS and the upcoming elections in major EU countries in the midst of a populist upswing. These all could lead to more economic uncertainties and a decrease in inter- and intraregional investment volumes.

Figure 1

Commercial real estate investment volume in The Netherlands



Source: Cushman & Wakefield Research based on PropertyNL, VGM and RCA

Office investment market

The Office investment volume registered €6.1 billion in 2016, a 38% growth compared to previous year and the second highest volume of all-time. As a result the Office segment was the main driver of the total investment volume. Competition for prime investment products was fierce as prime yields further sharpened with an average of 40 bps on a year-to-year base.

The three largest transactions in 2016 were the purchase of the EVE+ portfolio by Around Town for €500 million from Lone Star in Q4. In the same quarter Anbang Insurance Group bought the Castor portfolio for €487 million from Blackstone. Furthermore, Amundi Asset Management acquired De Rotterdam building for €352 million from Rabo Vastgoedgroep in Q2.

The outlook for the Office investment market on the immediate term continues to be positive as capital remains widely available, while demand keeps growing and as prime investment supply continue to be limited yields will further drop and second tier assets continue to grow in popularity in 2017. Looking forward, it remains to be seen whether current volume will surpassed yet again. Although investor appetite is not likely to change the coming year, there is growing concern about less product being available for sale. This might lead to an investment volume being subdued in comparison with earlier years

Retail investment market

In 2016 the investment volume on the Retail market reached €1.7 billion, compared to 2015 this was a decline of 38%. As a result of the insolvencies of major Dutch retailers and limited prime investment supply, the investment volume on the retail market was fairly low. One of the most important drivers of the Retail investment volume were large well-functioning shopping centres. Furthermore, top high street investment products in the dominant cities of the country remained popular as well. As prime investment products remained scarce, yields slightly dropped compared to 2015. Whereas for the top-5 retail cities in the country an average compression of 30 bps is witnessed on a year-to-year base.

On the Retail investment market the three largest transactions of 2016 were a portfolio and two shopping centres. Whereas the acquisition of a portfolio containing 38 retail assets by Crossroads Real Estate for €260 million from IEF Capital in Q4 was the largest transaction. Furthermore, Union Investment bought shopping centre De Klanderij in Enschede for €118 million from ASR Dutch Prime Retail Fund in Q1 and a consortium of investors purchased shopping centre Magna Plaza in Amsterdam for €63.5 million from AIB/Breevast in Q2.

The outlook for the Dutch Retail market is slightly improving for dominant cities in the country, as an increasing number of international retailers is entering the market. Furthermore, the prognosis of a growing consumer spending and the expectation of high quality real estate becoming available, the investment volume is expected to increase in 2017.

INVESTMENT MARKET INDICATORS

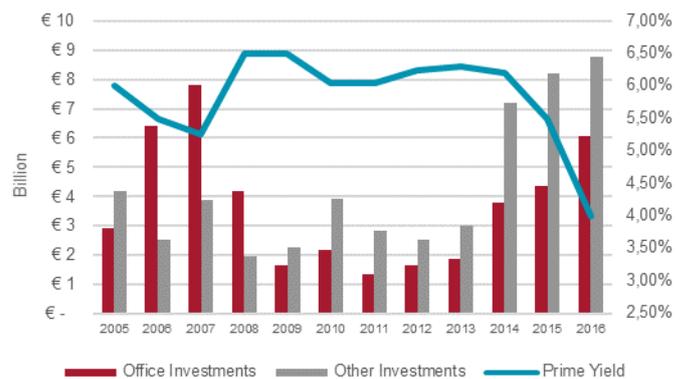
Market outlook

Interest rates:	Interest rates remain stable, although, a slight increase might be expected in 2017.	▶
Availability of finance:	Availability of capital remains widespread as interest rates continue to be stable.	▶
Investment supply:	Prime investment supply is limited, whereas a minor decline is expected.	▶
Investment demand:	Investors demand will continue to remain high for 2017 especially for prime investment locations.	▶

Source: Cushman & Wakefield

Figure 2

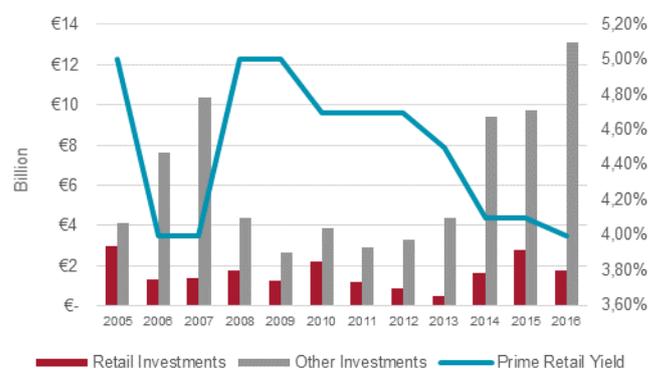
Office investments vs. other commercial real estate investments



Cushman & Wakefield Research based on PropertyNL, VGM and RCA

Figure 3

Retail investments vs. other commercial real estate investments



Source: Cushman & Wakefield Research based on PropertyNL, VGM and RCA

Industrial & Logistics investment market

With an investment volume of €1.6 billion for the Industrial & Logistics market 2016 registered the second highest volume, just 11% below the record volume of 2015. As prime investment products on logistic hotspots were hardly available, emerging locations continued to benefit from investors demand that kept on rising. Prime yields declined with an average of 30 bps on quarterly base and 100 bps on a year-to-year base.

In 2016 the three largest transactions of the Industrial & Logistic market were the acquisition of a distribution centre in Deurne by Savills Investment Management for €96.7 million from EDCO in Q4, the purchase by Savills Investment Management of a portfolio with three distribution for €77.2 million from HVBM Vastgoed in Q2 and the sale of the Fokker 7 and 8 building in Schiphol from Anthony Fokker Business Park to Standard Life Investments for €51.3 million in Q2.

The outlook for the Industrial & Logistics sector is positive, as prime investment products remain tight and demand continues to grow, yields will further decline. Investors interest in emerging markets with qualified investment assets will grow, where developments are already bought before constructed.

Residential investment market

The Residential investment market in 2016 registered a record-high investment volume of €4.2 billion, 42% higher than 2015. As investors demand was strong and prime investment supply limited, yields registered a downfall of 50 bps.

The three largest investment transactions in 2016 were the acquisition of the student hotel building in Rotterdam by The Student Hotel for €174 million from The Carlyle Group in Q4, the buyout of the co-holders of a portfolio by Urban Interest for €125 million in Q2 and the acquisition of a portfolio from Ymere for €95.7 million by Woonwaard in Q1.

Sentiment on the Residential investment market will remain positive. Investors will increasingly focus on (student) rental housing, as a result of a continuing shortage on the housing market in cities and adjustments to legislation and regulations. Especially larger- and University cities will rise in popularity.

Outlook

The investment market in 2017 will remain healthy and an investment volume of €14.0 billion is not inconceivable. Uncertain geopolitics, like Trump and the elections in several European countries will influence the sentiment. While the Brexit can be a potential positive driver for Office investments. Retail investments will show an increase as consumer spending further improves and prime investment supply is expected to come available. In contrast with the Industrial & Logistics market, which will face a shortage of prime investment supply that will weight on the investment volume. The Residential market faces a healthy appetite from investors, as a rising housing shortage will drive up the investment volume. Capital sources are forecast to remain widespread institutional investors and private equity partners are expected to further expand their volumes, although, a possible interest increase can temper the investment urge.

Figure 4

Industrial investments vs. other commercial real estate investments

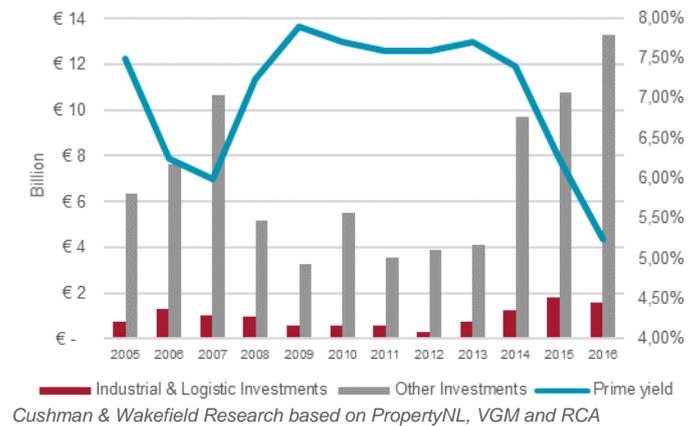


Figure 5

Residential investments vs. other commercial real estate investments

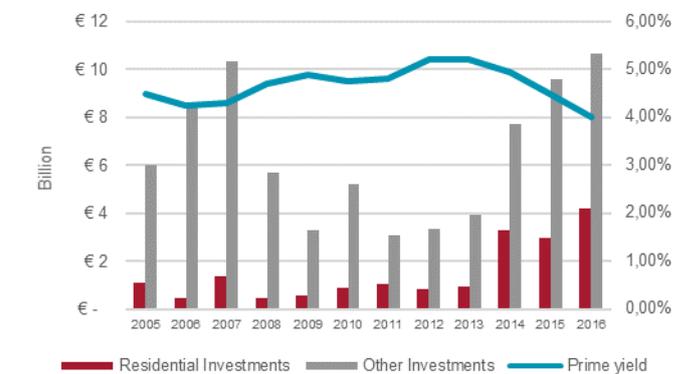
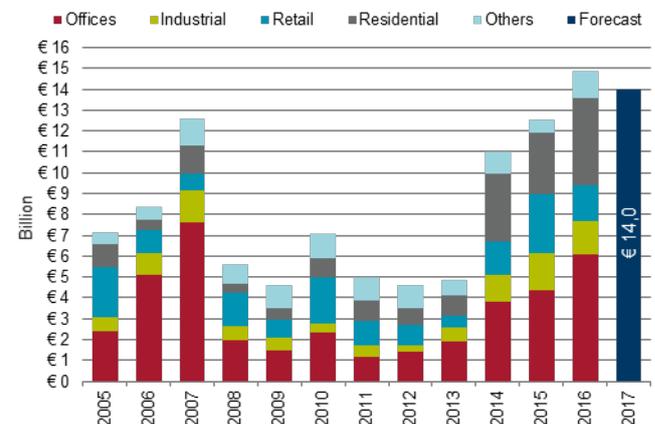


Figure 6

Investment volumes and outlook



Source: Cushman & Wakefield Research based on PropertyNL, VGM and RCA

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