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Press Release

Brisk Economic Growth Stimulates Dutch Commercial Real Estate Markets

- Rising employment figures have led to keen demand for office accommodation
- Rents are rising and vacancies declining as a result of the strong demand for space at a time of sluggish building activity
- Dutch market highly attractive to international investors due to its stable political environment plus its high-level liquidity and transparency

Hamburg, 8 March 2018 – The sustained positive economic development, stable political and business-friendly parameters and the international significance of the country as a European commerce and office location have prompted international real estate investors to shift their focus increasingly to the Netherlands' commercial real estate markets. This is the gist of an assessment done by Prof. Dr. Felix Schindler, Head of Research at Warburg-HIH Invest Real Estate GmbH, and Reinoud Plantenga, Managing Director of Warburg-HIH Invest Real Estate Benelux B.V., having analysed the latest economic and real estate market indicators.

“The lull of several years in the wake of the global financial crisis of 2008 and 2009, during which the Netherlands were labelled the ‘sick man of Europe’, has been left behind not just in regard to the economic growth and the development on the labour market. The trend reversal is also ever more keenly felt on the real estate market,” says Prof. Dr. Felix Schindler. “It is remarkable that the Netherlands count once more among the economically strongest countries in Europe today.” A sustained robust growth in gross domestic product (GDP) at a rate of around 2.5 percent—after 3.2 percent in 2017—can be expected in 2018. At the end of 2017, the unemployment rate was below 5.0 percent, and thus over one percentage point below the prior-year figure. The growing capacity utilisation of the Dutch economy is being felt not just on the labour market but increasingly so in terms of the corporate investment activity, which has been gathering momentum over the past few quarters.



The favourable performance of the economy and the labour market has led to a noticeable increase in demand on the country's office markets, and to a corresponding decline in vacancies. The latter is boosted by the fact that the high office vacancy rates that plagued many Dutch cities in the years following the financial crisis have been addressed by an active urban development policy, and that speculative construction virtually came to a standstill. The current demand for floor space is generated mainly by companies from the sectors of finance, consulting, technology, media, and by co-working platforms. In some places, it is also attributable to the UK's imminent withdrawal from the EU. Amsterdam is considered one of the most attractive alternatives, after Frankfurt and Paris, for companies and institutions that are pulling some of their staff out of London in the wake of the Brexit. The European Medicines Agency (EMA), for instance, which employs about 600 staff and attracts around 30,000 business visitors annually, will relocate its registered office from London to Amsterdam. Given this environment, investments in Dutch office properties have drastically gained in appeal, and the fact is reflected in growing rent expectations and in the trend in investment volumes—even and especially those generated by international investors. In 2017, for instance, a total of 6.6 billion euros were invested in Dutch office real estate, which implies a year-on-year increase by 8.1 percent. While the price level is relatively high anyway, further rent growth is expected in the future.

Analogously, the Dutch retail property market currently offers fascinating investment opportunities, its development being stimulated primarily by the strong consumer climate and the growing tourism business. The upward trend on Amsterdam's prime high streets has continued, and prime rents registered a moderate growth in 2017. This segment, like others, already manifests a positive change in the form of surging investment volumes. All things considered, 3.4 billion euros were invested in Dutch retail real estate between January and December 2017. Compared to the corresponding prior-year period, this equals an increase by more than 120 percent.

Rents and prices are likely to keep going up on the commercial real estate markets of the Netherlands in the months ahead. The country benefits from its geographic location as much as from the international significance of its two largest ports, Amsterdam and Rotterdam, as well as from its role as logistics centre, transport hub, and investment destination for international conglomerates active in Europe. Quite a number of international corporations favour Amsterdam as the most attractive location in continental Europe, for instance as group headquarters following cross-border mergers. The appeal that Dutch commercial real estate holds for investors is also explained by reasons found, above all, in the stable and business-friendly environment as well as in certain specificities of the Dutch real estate market. "What sets the Dutch commercial real estate market apart from many other European countries is its high levels of liquidity and transparency. Investors moreover appreciate the reduced amount of red tape and the moderate transaction costs," elaborated Reinoud Plantenga, Managing Director of Warburg-HIH Invest Real Estate Benelux B.V. "As landlords, they benefit from the fact that lease agreements have traditionally been very landlord-friendly, for instance because rents tend to be fully inflation-indexed or because tenants generally bear the ongoing



running costs and the maintenance costs incurred.”

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About Warburg-HIH Invest

Warburg-HIH Invest Real Estate (Warburg-HIH Invest) is a real estate investment manager serving institutional investors and covering the entire spectrum of national and international real estate investments. Warburg-HIH Invest is one of Germany's leading managers of special AIF for real estate with real estate assets of c. EUR 6.7 billion under management. Warburg-HIH Invest can demonstrate a comprehensive track record in concept designing and implementing bespoke investment solutions. Warburg-HIH Invest, as a quality provider, supplies products and services with added value. This pursuit matches the quality standards set by both of its shareholders, HIH Real Estate and the private bank M.M.Warburg & CO founded in 1798.

More information can be found on the the company's website at: www.warburg-hih.com/en