DUTCH PROPERTY MARKET OVERVIEW

ECONOMIC CONDITIONS

Dutch GDP contracted by -3.8% in 2020, but rebounded by 4.5% in 2021. The Dutch economy has marginally outperformed the wider eurozone economy over the past two years, mostly due to higher household spending.

The economic recovery is very uneven so far. The hospitality and culture sector continue to struggle, due to ongoing covid- related restrictions, with Dutch Government stimulus directed to businesses facing a major fall in turnover and to the labour market, amongst others. As a result, the labour markets remain surprisingly tight, with an unemployment rate of only 2.7%.

Dutch CPI inflation increased in the second half of 2021, ending up at 2.7% for the year. In the short term inflation is expected to remain elevated. Going into 2022 economic conditions are expected to continue on the same trajectory as in 2021, but this is subject to further covid-related uncertainty.

OCCUPATIONAL MARKET

2021 started with sluggish take-up and delayed relocation and extension decisions by corporates. Post summer we saw more tenant inquiries, but actual leasing activity really only picked up in earnest towards the end of Q3 and in Q4.

Dutch office take up in 2021 was circa 1m sqm, 9% higher than in 2020, according to Cushman & Wakefield. Net absorption was negative as the vacancy rate increased 80bps to 9%. The “office vs WFH” debate became more nuanced in 2021 with evidence both of tenants giving back space (especially in more fringe locations) while other tenants have taken up more space to better accommodate hybrid and more collaborative work.

We see that tenant requirements for office space have changed over the past two years and now focus more on sustainability, wellbeing and collaboration. As such, the debate on the future of the office has shifted away from how much office space will be given back, to whether the office fits the new way of working in terms being able to offer the right mix of spaces. On balance this may not necessarily translate into a shortage of office space per se but will certainly highlight the relative scarcity of Grade A office space in top locations and increase polarisation with respect to not only location but also to sustainability, layout and services.

AMSTERDAM

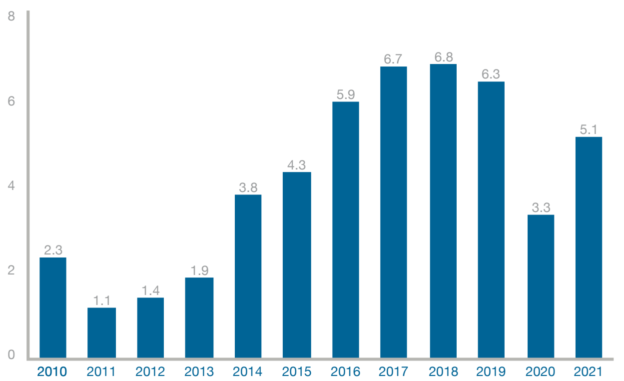
Office take-up in Amsterdam in 2021 was circa 222.000 sqm (vs 2020: 167.000 sqm), accounting for nearly a quarter of all take-up in the Netherlands.

The office vacancy rate in Amsterdam ended 2021 at 7.7%, up 2.5pp from 2020. The vacancy in the prime South-axis market is up 1.2 pp to 3.9%, Southeast is up 0.8 pp to 4.2% and Sloterdijk is up 2.5pp to 8.4%. These main submarkets which concentrate 50% of supply account for 25% of the rise in vacancy, whilst the lion’s share of the increase was led by other more secondary submarkets.

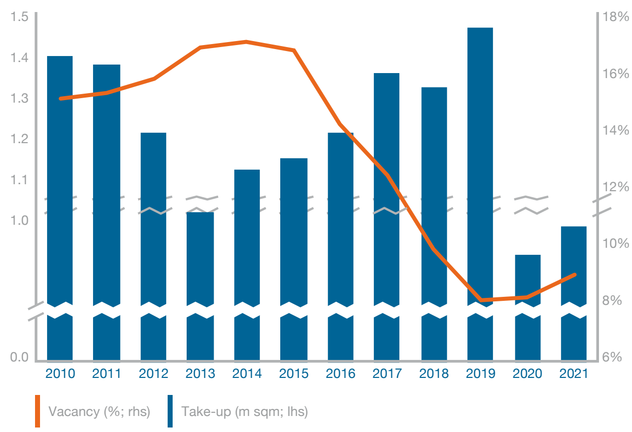
Despite the increase in vacancy in 2021, rent levels are back to 2019 levels. Incentives, which temporarily increased to as much as 10-15% during the height of the covid pandemic, even for prime South Axis space , have come back to 7% on average.

In 2022, 400,000 sqm of new office completions are expected in Amsterdam (circa 6% of total stock), most of which is currently speculative. Whilst availability is likely to rise, polarisation will also increase as all the new developments will put pressure on the existing more outdated stock.

INVESTMENT VOLUMES OFFICES NETHERLANDS (€ BN)



VACANCY RATE AND TAKE-UP OFFICES NETHERLANDS



OTHER MARKETS

Utrecht was remarkably soft in 2021. Take up remained below long-term average levels and the vacancy increased from 4.9% in 2020 to 6.2% by year end 2021, mainly due to the delivery of new supply in the prime Central Station area. Prime rents and incentive levels remained stable and are respectively at all time highs and near record low levels.

In 2021 Rotterdam benefitted from good take-up levels (+23%) in the CBD and city center. Prime rents increased slightly, while incentives remained at historically low levels. The vacancy was basically stable at 8.6% per year end 2021, suggesting that also here the market has polarised in favour of better locations.

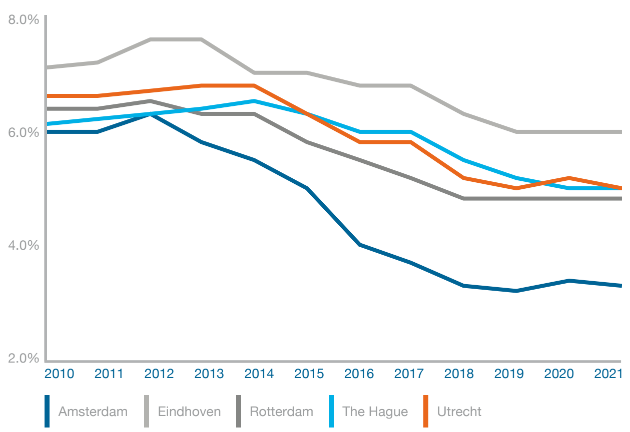
The vacancy rate in Eindhoven decreased slightly to 7.3%, with low take-up levels in 2021 confirming the scarcity of high quality office space in the area. In The Hague, where the Government is the largest occupier, the vacancy increased by 1 pp to 5.3%. At the Bio Science Park in Leiden 1.3% of office space is vacant.

INVESTMENT MARKET

The investment market in 2021 confirmed that prime yields are back to their pre-pandemic levels for the most part (Amsterdam is now at 3.3% vs 3.2% at the end of 2020). Investment volumes were up 55% yoy to € 5.1 billion, mostly due to two major deals.

The return of liquidity was mixed in terms of pricing, with some deals closing at asking price or above, whilst other transactions were withdrawn due to sellers not meeting expectations. Indeed, the bulk of demand was for prime, well-let, modern assets, which are least likely to be affected by the uncertainty brought on by the pandemic and its effects on office space requirements.

PRIME YIELDS (%)



PRIME RENTAL GROWTH