

## Real Estate Strategic Outlook: The Netherlands

### Longer-term view on property pricing

Headline inflation is expected to drop to moderate levels in late 2023 and 2024, as falling energy prices feed through to goods and services. We expect interest rates to slowly revert to near-2% as inflation wanes and monetary policy stabilizes.

Property prices underwent a significant correction last year due to a surge in financing costs and a weak economic outlook. Some of the greatest price corrections to date have been recorded in the Netherlands, pushing yields above the core European average. However, we believe that the price correction is nearly done, particularly in the logistics sector.

### Logistics: Significant price correction and positive fundamentals

We believe that logistics in the Netherlands will continue to perform well based on strong occupier demand and low levels of vacancy, with limited availability of zoned land restricting speculative supply. The significant repricing of roughly 20% for prime assets is now providing an attractive (re)entry point.

Given tight planning controls (e.g. the ban on greenfield development in some areas) and a shortage of high-quality space, we also see an opportunity for value-add strategies, such as redevelopment/repositioning of old light industrial assets into last-hour logistics near Amsterdam, and Rotterdam.

### Residential: living sectors supported by a notable undersupply

Fundamentals of the residential market remain robust, especially with low structural vacancy and limited new supply. High construction costs, proposed rental regulations, and tight financial conditions had a dampening effect on new construction.

However, pending stricter rent regulation and high transfer taxes make traditional multi-family residential less appealing for investors. Multi-family residential becomes more of a tactical play at this point of the cycle, as yields remain below all-in financing costs.

Instead, we focus our attention on operational residential assets, including student housing, senior living, and co-living. These assets typically offer a yield premium over multi-family residential and provide robust and often unregulated rental growth.

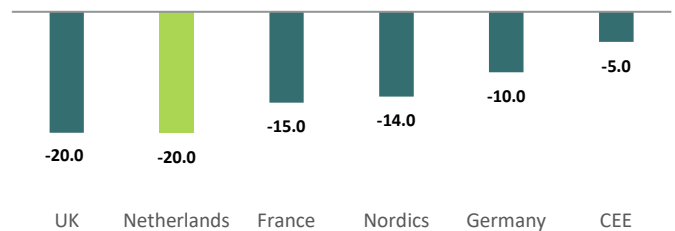
A severe shortage of student accommodation – especially in Amsterdam – and the growing presence of international students bodes well for student housing investments. The Netherlands offers high-quality universities, a large number of English-language-based courses and a relatively low cost of study.

A rapidly ageing population and a lack of suitable and good-quality senior living establishments offer an opportunity for senior living investments. The Netherlands has one of the strongest growth rates in elderly population in Europe, coupled with good purchasing power among pensioners.

### Office: Medium-term supply pipeline supports redevelopment

We continue to see a divergence between best-in-class office buildings with green certifications and old, lower-quality grade B stock. The Amsterdam office market screens attractive for such brown-to-green refurbishments based on robust macro-economic factors, low grade A vacancy and barriers to new supply.

Logistics prime capital value (% change peak to trough '21-'23f)



Source: DWS, July 2023

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