

Real Estate Strategic Outlook: Netherlands

Trade Uncertainty's Ripple Effects on the Economy

But disinflation silver lining for real estate

Trade uncertainty is likely to deter business investment. While easing monetary policy and rising real incomes may boost demand, tariffs will increase costs for Dutch exports to the U.S. and reduce demand for Dutch inputs in other countries' U.S.-bound exports. Although institutional quality is high (i.e. governance and trade openness) and government debt is low, the medium-term outlook is still reasonably strong. A potential silver lining for real estate is that the decline in demand and energy prices could aid the disinflationary process.

Real estate sector strategy: what and where?

Logistics: May still be an attractive investment strategy

The announced U.S. tariffs are clearly providing challenges for logistics sector. Retaliatory tariffs, lower trade volumes and weaker consumer sentiment are likely to result in a short-term softening in demand. The Dutch logistics market, although facing slower dynamics, is still projected to experience modest and stable growth. The occupier markets are expected to be influenced by tenants who are looking to optimize their supply chains in the current economic conditions. Also the Netherlands plays a pivotal role in Europe's energy and supply chain transition, which will support demand.

Trade-related markets, such as Rotterdam, might see softer short-term demand from lower global trade. Longer term, the redirection of trade flows away from the US could create new opportunities for European ports. However, supply-constrained markets near key cities are still expected to perform well.

Student Housing: Capture re-directed demand

The student housing sector is known for its resilience and counter-cyclical characteristics as its typically inversely related to the economic cycle. Tighter U.S. immigration rules, reduced visa allocation, and a growing geopolitical uncertainty may prompt international students to pivot away from the U.S. and towards Europe. The Dutch market appears well-positioned to capture this redirected demand.

The Netherlands has 13 ranked universities and offers numerous English-taught degrees, attracting a growing international student population, which has increased by 8.5% annually over the past four years, making up 16% of total students.

However, student housing struggles to keep up with demand, with an average provision rate of just 20.2%—meaning five students compete for each bed—and even lower rates in cities like Rotterdam (14.2%).

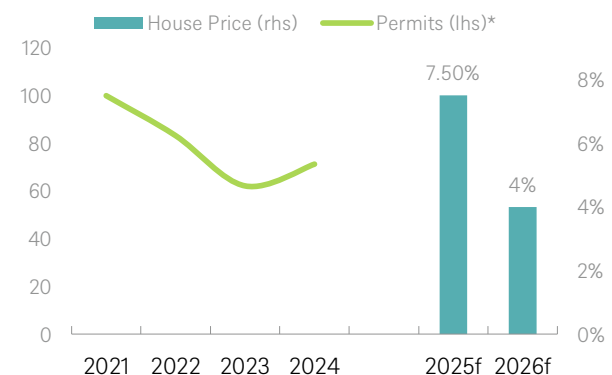
However, recent government regulations aim to limit English-taught programs and discourage institutions from recruiting international students to alleviate housing pressure. Yet, these changes may not affect universities in areas with declining populations, such as the University of Groningen.

Residential

Fundamentals remain strong, with low structural vacancy rates and limited new supply. However, relatively high transfer taxes, rent regulation and current yield spreads make core buy-and-hold strategies less appealing. Instead, investors focus on either modernisation/refurbish or privatisation strategies. Refurbishment efforts would focus on modernisation and energy efficiency improvements to meet rent regulation criteria for the free market segment.

The other strategy – privatisation – by selling individual units to owner-occupiers could be executed from existing assets or acquiring assets with the aim to privatise. Vacant possession values are high relative to for-rent market values, making privatisation an appealing strategy. Looking ahead, the Dutch Central Bank expects house prices (i.e. vacant possession values) to increase by 7.5% in 2025 and 4% in 2026 driven by a persistent undersupply of housing.

Residential Permits & Expected House Price Growth



*Building permits: residential buildings, useful floor area, 2021=100
Source: Eurostat, De Nederlandsche Bank, December 2024

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