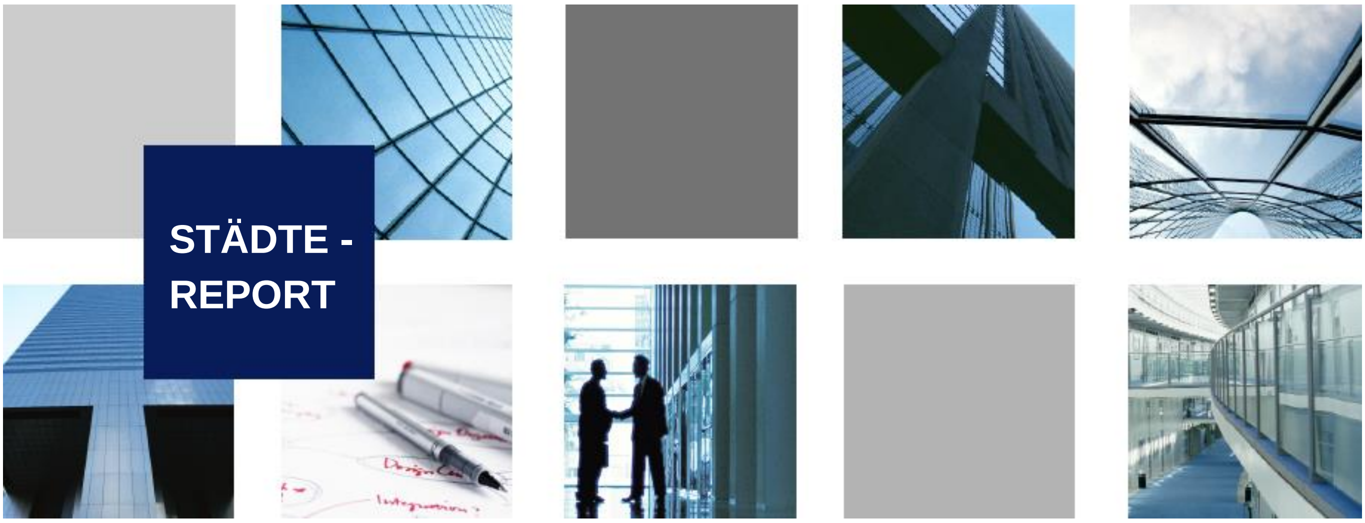


AMSTERDAM (The Netherlands)

By FRIS Real People partner of Deutsche Immobilien-Partner (DIP)

Since 1923, family firm FRIS has grown to become one of the biggest independent managers of real estate in the Netherlands. FRIS is also a familiar name to tens of thousands of private individuals and companies in the greater Amsterdam region, thanks to our total service provision as an estate agent, property management specialist, research bureau, valuer and insurance broker. FRIS consists of more than 87 employees – Real People – divided between three locations in Amsterdam and Zaandam. All these Real People know that personal attention, clear communication and a customer-focused internal structure form a solid foundation for motivated staff, satisfied customers and the success and further development of FRIS.

IN GENERAL*

As in several European countries, real estate market dynamics in Amsterdam have changed since Q3 2022. This has been caused by a number of factors:
- The war in Ukraine;
- Rising interest rates and construction costs;
- Multiple restrictive measures from the government (nitrogen and rent regulations).
- Rising service costs; sustainability becoming more important.

Despite all segments being noticeably affected by these factors, the current dynamics among them are different.

** All figures below come from reports and data from the NVM (Dutch Association of Estate Agents). 113 different estate agents contributed to providing the various figures. The NVM checked these figures for quality and reliability.*

OFFICE

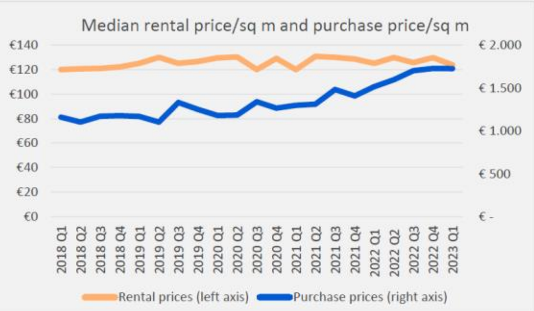
Regarding offices, the Netherlands in general and Amsterdam in particular show negative trends that at the same time present opportunities for property owners. In the first quarter of 2023, office take-up across the Netherlands fell by 26% compared to the first quarter of 2022. The same decline is also visible in Amsterdam. In 2022, the take-up volume was 18% lower than the average over the past five years. The number of transactions also dropped from 244 to 161 year-on-year.

The reason for the decline is the limited supply of high-quality office space. Many organisations are looking for office space with a good energy label (due to rising energy costs). Since January 1, 2023, in the Netherlands, it has been compulsory for offices larger than 100 per sq. m. to have at least energy label C. The difference in rent prices between energy-efficient offices and other offices is therefore clearly visible.

Also due to rising interest rates and construction costs, there are currently fewer developments for new office locations. These new-build developments, however, are needed to meet the supply of high-quality office space.

The decline in take-up is reflected in rental prices. In Q1 of 2022, the median annual rent was € 185.00 per sq. m. In Q1 of 2023, the median rent was € 175.00 per sq. m. in Amsterdam and the surrounding area.

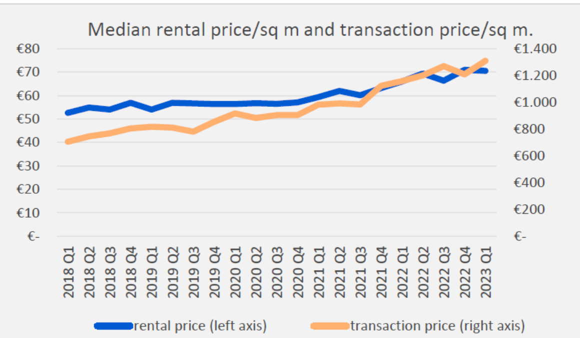
The opportunities for property owners therefore lie in making their offices more sustainable as soon as vacancy occurs. It is wise for them to investigate whether there is a viable business case in this.



Median rental and purchase prices of offices

LOGISTICS

The take-up level of logistics property also fell hard in the first quarter of 2023 compared to the first quarter of 2022. The take-up level of logistics property nationwide was 28% lower. In contrast, the number of transactions in logistics real estate was 17% higher than in the previous year, which indicates continued activity. The decline in the take-up level is because there was a big drop in take-ups of logistics property above 5,000 sq. m. in particular. The smaller areas below 2,000 sq. m. are still well placed in the market, but are becoming increasingly scarce. The lack of land and expansion opportunities (including due to nitrogen measures) is inhibiting the logistics property market. This is reflected in rising rents. In Q1 2022, the median rental price of logistics premises was € 65.00 per sq. m., in Q1 2023 it climbed up to € 70.50 per sq. m. per year. The same kind of increase can be seen in the purchase prices of logistics real estate. Despite rising financing costs, this increase in purchase prices continues. The median purchase price reached its highest level ever in Q1 of 2023 to € 1,310.00 per sq. m. In Q1 2022, the median purchase price of logistics property was just under € 1,200 per sq. m.



Median rental and purchase prices per sq. m.

RETAIL

Retail property is doing better again after several difficult years. Due to lower demand in recent years, many retail locations have been redeveloped. As a result, supply and demand have become more equal again. Due to higher energy and labour costs, tenants are under pressure to pay the rent, making them more committed to reducing rental costs. The transactions in Q1 that took place were among local retailers outside the A1 locations (highstreets). In the highstreets, large retail chains have taken up few shops.
Amsterdam had the largest number of retail transactions in Q1 2023, namely 38 transactions (9,000 sq. m).

INVESTMENTS

In the first quarter of 2023, there was a significant decline in commercial real estate investment in the Netherlands. The €1.4 billion invested represents a 63% decrease compared to the same period last year and a 57% decrease compared to the long-term average. This drop can be attributed to factors such as increased financing rates, resulting in a devaluation of the real estate market. Uncertainty caused by a stack of regulations and legislation, including changes in taxation and rent regulations, has also affected investor confidence. Foreign investors, in particular, have been hesitant to invest in the Dutch real estate market, especially in residential properties, due to slow permit processes. Despite the overall decline, the investment volume in the housing market has been more resilient compared to the office and retail markets.

The yields in the various real estate segments in the Netherlands are as follows:

- Office: an average yield of 5.9%
- Logistics: an average yield of 7.1%
- Retail: an average yield of 7.5%

OUTLOOK Q3 & Q4 2023

Due to all the changes in the market, fewer real estate transactions are expected this year. Sellers are not yet willing to ask a lower price and buyers are no longer willing to pay the high prices. This results in a mismatch on the Dutch real estate market and also applies to Amsterdam.

The smaller surfaces (< 2,000 m²) for offices, logistics and retail will remain the most promising in the coming period. The demand in Amsterdam for smaller surfaces is currently the strongest. This is partly because larger companies do not yet dare to make decisions regarding their accommodation. Only when the market becomes more stable again and a clear policy on working from home is introduced will these parties make decisions.
However, the expectation is that the market will show more activity in the second half of this year, driven by potentially more stable interest rates and declining book values approaching market values. However, a full return to pre-pandemic dynamics is anticipated after the summer.