

## Real Estate Strategic Outlook: The Netherlands

### Real estate price recovery from 2024

Property prices underwent a significant correction last year due to a surge in financing costs. However, inflation continues to trend down, and central banks are expected to start cutting interest rates in the second half of 2024. As a result, swap rates have fallen materially from peak levels.

We believe prices have now adequately corrected in most cases and a recovery in yields will be evident from 2025 onwards, in particularly in the logistics sector. Healthy real estate fundamentals should encourage healthy rent growth over the medium-term, supporting solid returns going forward.

### Logistics: Significant price correction and fundamentals

We anticipate that the logistics sector in the Netherlands will maintain a strong performer due to high occupier demand, low vacancy rates – especially for high-quality assets – and a limited supply of zoned land constraining speculative development. The recent repricing, around 20%, of prime assets has created an appealing opportunity for (re)entry. Additionally, with stringent planning controls, such as the limitation of greenfield development in certain areas, and a scarcity of high-quality space, there is a potential for development-led strategies. This includes transforming outdated light industrial assets through redevelopment or repositioning into last-hour logistics.

### Residential: Living sectors supported by notable undersupply

The residential market fundamentals remain strong, particularly with minimal structural vacancy and decreasing new supply. Challenges like high construction cost, proposed rental regulations, and tight financial conditions have tempered new construction activities. However, pending stricter rent regulation and elevated transfer taxes diminish the attractiveness of traditional multi-family residential investments. In the current cycle, multi-family residential becomes more of a tactical play, given that yields are below all-in financing costs.

Our focus pivots towards operational residential assets, including student housing, senior, and co-living. These properties tend to yield higher returns compared to traditional multi-family and experience robust, often unregulated, rental growth.

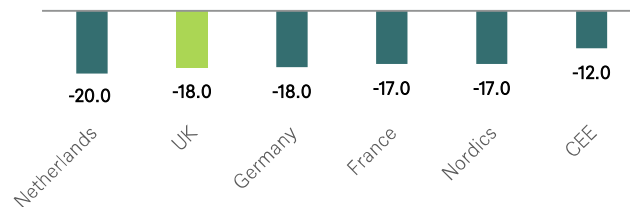
A pronounced scarcity, particularly in Amsterdam, coupled with the increasing presence of international students makes investments in student accommodation highly promising. The Netherlands stands out for its high-quality universities, a multitude of English-language courses and a relatively affordable cost of study.

A swiftly ageing population and the deficiency of suitable, high-quality senior living options create an opportunity for investment. The Netherlands boasts one of the strongest growth rates in elderly population in Europe, complemented by strong purchasing power among pensioners.

### Office: Repurpose to meet demand for housing

We also see an opportunity in repurposing old, but well-located offices into residential. Conversion allows for the capitalisation on existing infrastructure while meeting increasing urban housing demand. This strategy not only addresses changing trends in work preference, but also leverages the opportunity to tap into the growing residential sector.

### Logistics prime capital value (% change '21-'23f)



Source: DWS, January 2024

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