

SWEET SPOT RANDSTAD

THE NETHERLANDS
HAS A LOT TO OFFER
TO THE WORLD



THE NETHERLANDS HAS A LOT TO OFFER TO THE WORLD

The way in which we live and work and in which money is made and distributed, is subject to fundamental change. The consequences of digitisation and sustainability on our economy have an enormous impact on society. This provides a unique opportunity for us to decisively shift the current status quo on a multitude of relevant themes.

Many of the current jobs stand to be lost, only to be replaced by at least as many different forms of employment. The way in which we live will also change: smaller housing, community living, rental rather than owned property, and enjoyment of the many conveniences that form a part of modern living. These trends obviously have consequences for the spatial layout of our country. Only how can we organise our country in such a way as to maximise the benefits from this transition?

The Netherlands has a long planning tradition that amply demonstrates our capacity to anticipate changing economic realities.

Economic appeal of the Netherlands

Environments that prioritise the development of creativity already act as a magnet for talent. From within, as well as outside the country. Our country is immensely popular among young professionals from abroad, which is no wonder given what we have to offer: leading universities, excellent physical and digital links to the outside world, a stable economy and a largely multilingual population. Each of these elements contributes to the appeal of this country. Expats from all over the world choose to live here and to work for creative companies or financial institutions in Amsterdam, specialise in biotechnology in Leiden or join the high-tech industry in Brainpark Eindhoven. For now, however, each of these highly inspiring work environments is an isolated pocket.

From the polders in the country's Golden Age, land reclamation in the Zuiderzee and large-scale industrialisation in the 19th Century, to agricultural mechanisation and the Delta Works. Today's economic and social changes resulting from our way of life in the 21st Century require an optimal reorganisation of our nation, one that provides the best possible solutions

for the new challenges we face. This reaches well beyond the scope of adequate space for solar panels or wind turbines and our road infrastructure. The main question is how to create an economic environment in which people can reach their full potential.

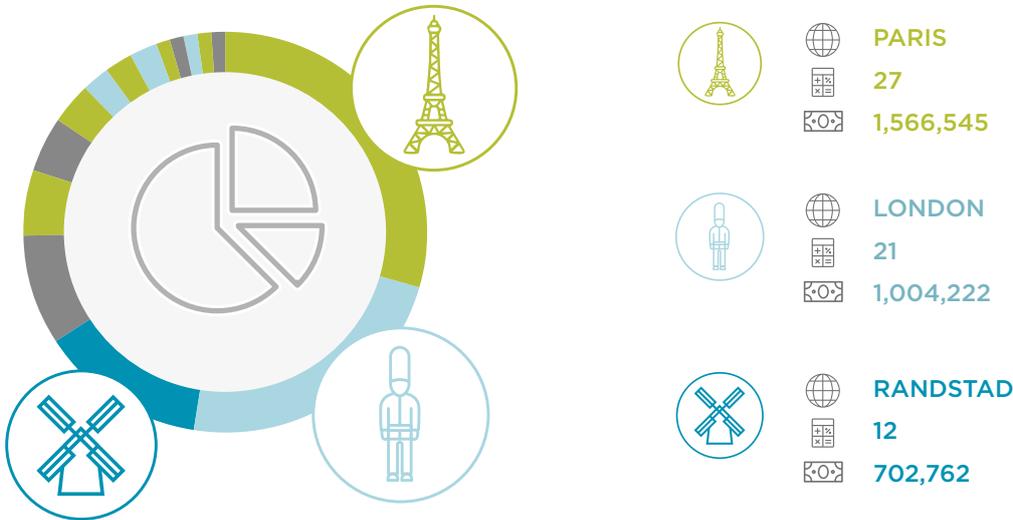
In terms of spatial planning, the challenge now is to interconnect these environments in such a way as to create a larger urban region and to ensure that the entirety constitutes more than the sum of the constituent parts and can compete with nearby economic centres such as London, Paris and the German Ruhr region. We abound in potential: an independent comparison involving the Randstad as the sum of the four Randstad provinces (Noord Holland, Zuid Holland, Utrecht and Flevoland) reveals that the region already has the third biggest economy in Europe and that, apart for London and Paris, it is home to the largest number of multinationals in Europe.

GROSS 'REGIONAL' PRODUCT (GRP, IN BILLION EUROS)

Due to a regional comparison rather than one between countries, the term Gross Regional Product is applied.



PRESENCE OF MULTINATIONALS AND THEIR CONTRIBUTION TO THE REGIONAL ECONOMY (IN MILLION USD)



Source: Randstad Monitor 2017

Metropolis region No. of multinationals Turnover in million USD

From generalists to specialists

Due to the (hyper) specialisation in economic activities, the creation of prosperity and economic growth in the next decades will mainly take place in a limited number of key metropolitan regions around the world. New technologies, specialised workers from every corner of the world and a highly educated workforce require a nutritious environment and a solid foundation. This means more than providing a large port and a good infrastructure. It also requires accommodation for companies at locations that offer optimal access to the labour market, optimal work environments and the possibility to live close to work.

Companies are the sprockets of the economy, and specialisation reduces the size of those sprockets.

Companies focus on what they are good at to ultimately produce the best product or service at the lowest possible price. The business strategy of Philips over the years serves as a good example of this. Whereas the company used to manufacture just about everything that had a plug attached to it, it now explicitly focuses on healthcare. Business operations that no longer fitted the core strategy were either sold or hived off. It is this strategy to which the Netherlands owes companies such as chip machine manufacturer ASML in Veldhoven and producer of semi-conductors NXP in Nijmegen, both of which specialise entirely in a specific product.

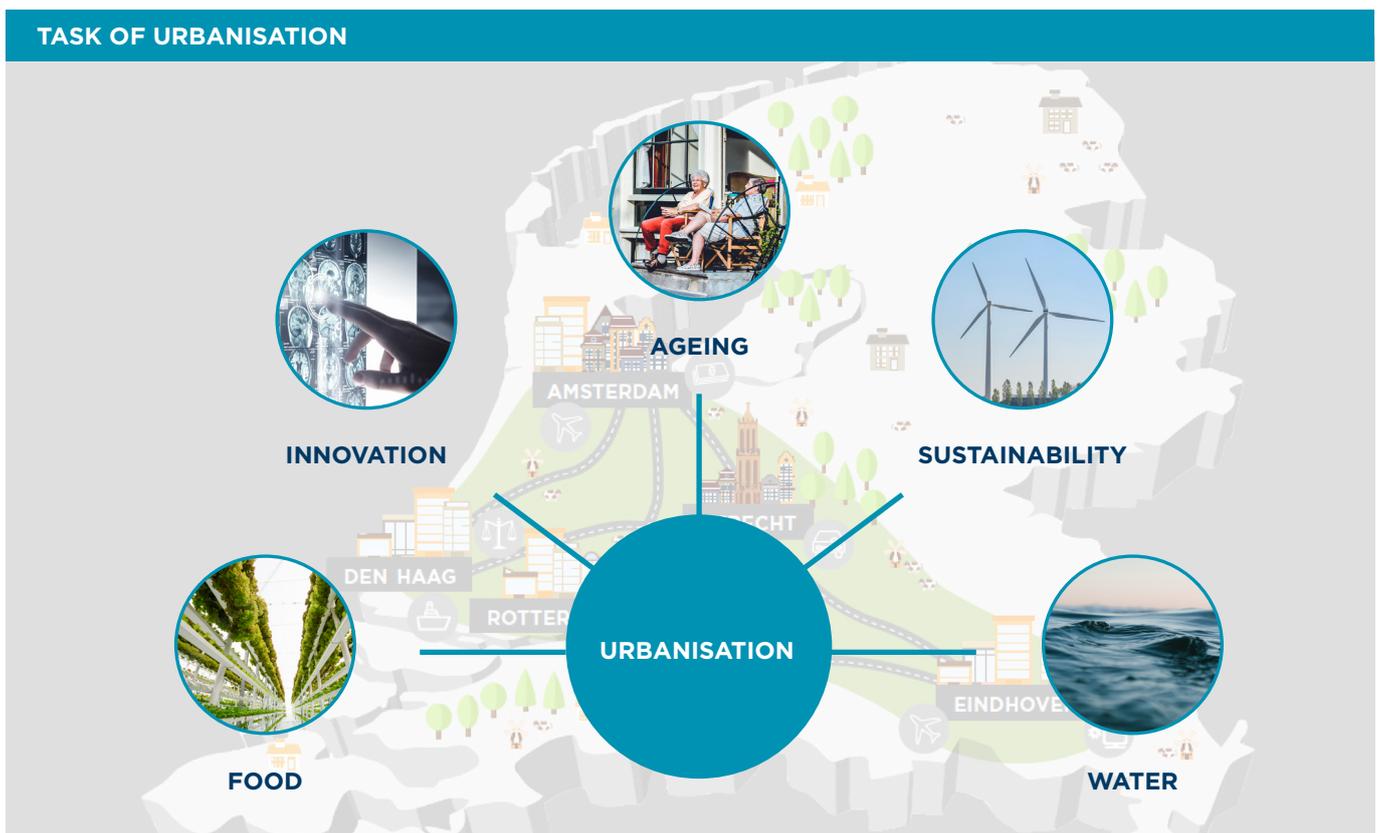
As a result, companies are becoming very selective in terms of where their facilities are located.

If you manufacture highly specialised products, you want to have your partners as well as educational and scientific facilities close to you. This enables you to establish production chains together on the one hand, and to create a collective labour market on the other. Most advanced products and services can only be marketed in regions and cities in which such advantages of agglomeration are optimal. The labour market must be big enough to accommodate specialised talent and/or be transparent enough for talent to be attracted to it. The regional economic structure should function in such a way as to enable companies to find each other more easily. The result is a flywheel effect and an economic multiplier: companies move to locations where talent can be found, and vice versa. The result is that certain types of work can only be performed where there is a concentration of specific knowledge, talent and capital.

A very good example of this is Brainport Eindhoven, where in recent years a highly specialised and advanced economic production structure has been created. Take the previously mentioned case of chip machine manufacturer ASML, for instance. They actually wouldn't be able to move their production plant, even if they wanted to.

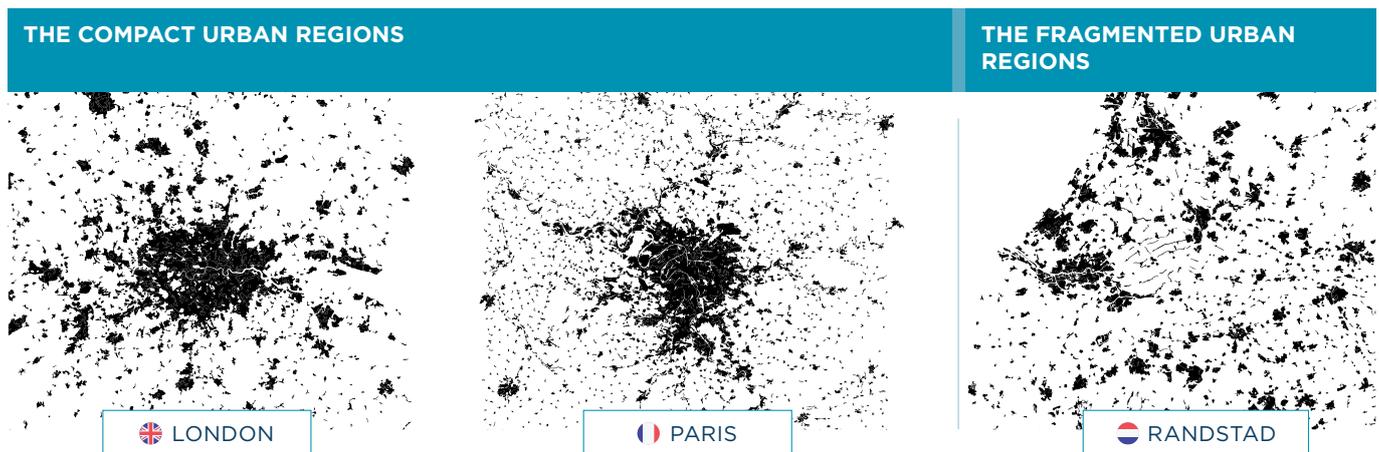
The plant constitutes such a unique combination of people, finance and technology and is so embedded in the local economic structure, that the complex machines simply can only be manufactured at that location.

If we make good use of the opportunities that come with digitisation and sustainability, then this will lead to increased prosperity, less polarisation and a more sustainable world. However, the 'bar of ambition' in the Netherlands must be raised first. Our task of future urbanisation can be substantiated based on a variety of themes typical to our country, such as water, food technology and ageing population. We have the potential to secure our position as one of the world's best, most affluent and most sustainable regions for people to live, study and work in. However, to achieve this we must make the right choices together, starting with a transformation of our spatial planning tradition. This means focusing on our capacity to agglomerate, changing our approach to mobility and initiating a programme for the creation of functional cities and urban areas. That is what increases our international economic appeal and what creates social cohesion, generates opportunities for everyone and makes for an attractive living environment.



Advantages of agglomeration provide new opportunities for the Netherlands

Given our current structure, the advantages of agglomeration in the Randstad, and therefore the entire country, remain underused. Already in 2014, the OESO suggested that a spatial-economic strategy be developed for metropolitan regions in the Netherlands. In 2016, the Dutch Environmental and Sustainable Development Council issued a similar recommendation suggesting that a 'Business Climate Strategy 2040' be drafted. In response, the Dutch government in 2017 published its Spatial-Economic Development Strategy (REOS), which aims to interconnect and strengthen the key economic regions to further increase the country's competitiveness internationally.¹



Source: REOS, Implementation Programme 2017-2018

Due to its current spatial layout, the Netherlands is not fully benefiting from the advantages of agglomeration such as a large collective labour market, increased innovative capacity and a larger number of facilities at a lower cost.

The country's main urban region (stretching well beyond the Randstad - the diamond Greater Amsterdam, Arnhem, Eindhoven and Rijnmond) has approximately the same number of inhabitants as London or Paris. Contrary to these two cities, however, its labour market is highly fragmented. As Dutch citizens, we find it fascinating that professionals who work in Amsterdam actually live in Rotterdam or Arnhem.

This should in fact be quite normal. After all, size matters: a good labour market is a large labour market and acts as an enormous swivel plate programmed to fill specific positions with the most qualified personnel.

An economy that specialises ever deeper and faster requires a large, transparent and accessible labour market like those found in Europe's biggest cities. At the same time, highly educated employees demand an optimal work-life balance, with an appealing living environment near their work. This is precisely what makes the Randstad proposition so unique: the possibility to enjoy life in (sub)urban green areas located no more than 15 minutes away from work (at prices considered unthinkable in London or Paris).

The advantages of agglomeration are usually accompanied by disadvantages. Air pollution, traffic congestion, social inequality such as extreme house prices versus crime-ridden districts, are (much) more common in large urbanised areas. Given the fact that the Randstad is not a continuous urban area, disadvantages such as these are less prominent here than in a big metropolis where growth is concentric. The weakness of the Randstad is therefore also its strength, which is precisely what the entire concept of Sweet Spot Randstad is about: the right mix of advantages and disadvantages of agglomeration.

¹ Source: Central Government - Spatial Economic Development Strategy Implementation Programme - REOS

The Dutch bar of ambition must be raised

Something has to be done if we are to maintain our current appeal as a country and nation, especially given the fact that the aforesaid 'isolated pockets' remain underexposed from an international perspective.

These pockets obviously do collaborate and compete to some degree, but several years from now they will fade into obscurity within an economic structure based on economically powerful regions rather than countries. They lack strength and size.

Our challenge for the Netherlands the coming years is to interconnect economically strong regions on a national scale to secure a leading position in the economic order of the future.

The Randstad does not function as a single entity in many ways. This has to change: the key economic centres have to be interconnected to form a single

economic and functional urban region. We can then determine the Sweet Spot, or the point at which we benefit from as many advantages and have as few disadvantages of agglomeration as possible. With its landscape of top economic regions and attractive living environments, the Randstad is in a very good position to do what is necessary: to adopt a more integral approach towards agglomeration! No other country in the world has the conditions that we have to combine an urban work environment with a more sub-urban living environment. If we do this well, we won't all have to live in Amsterdam. Or will that be: shouldn't we all? From what is now Arnhem or Almere to Eindhoven, Leiden and the Rijnmond region, we are in a position from which we can create a prime example of what a city during the fourth industrial revolution should look like. Let's pursue this ambition and establish a think-tank with representatives from the government, the business community and the world of science!

Tristate City: the European mega-city with 30 million inhabitants

The TristateCity model is an important initiative that aims to drastically strengthen the international position and profile of the Netherlands as a green global hub with 30 million inhabitants. A metropolis whose borders merge with those of the German Ruhr region and the Flemish city triangle to form a single metropolis.

Dutch cities are much too small to attract foreign investors at the highest level or recruit top talent internationally. With regard to city marketing, Dutch cities and regions tend to compete with each other rather than close ranks and take part in the 'Battle of the Cities' as a unified entity.

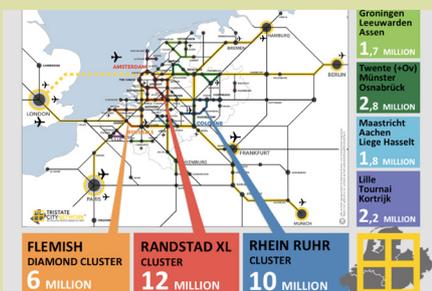
Tristate City aims to align Dutch cities within a framework that far transcends the boundaries of the Randstad. It is the European Gateway, with three airports and three sea ports. It is the capital of Europe and is home to two of Europe's leading hotspots for innovation (Brainport Eindhoven/ Rhein Ruhr).

Tristate City Europe's New Super City with the largest Tristate City Clusters

Tristate City Yellow Square Randstad XL

The residents of this mega agglomeration are among the most affluent, highly educated and happiest people on earth.

In many ways, Tristate City serves as a prime example for all other emerging mega cities.



Source: Peter Savelberg Tristate City

Disclaimer

This report has been produced by Cushman & Wakefield for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change.

CONTACT



JOS HESSELINK
Associate Research & Insight

jos.hesselink@cushwake.com

T: +31 (0)20 8 407 266
M: +31 (0)6 2973 8608



FRANK VAN DER SLUYS
Head of Research & Insight

frank.vandersluys@cushwake.com

T: +31 (0)20 8 407 201
M: +31 (0)6 2255 3667



JEROEN LOKERSE
Head of Netherlands

jeroen.lokerse@cushwake.com

T: +31 0(20) 8 002 000

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield is a professional services company that creates real estate solutions for the future. With 3.5 billion square feet under management, 400 offices in 70 countries, 2018 revenues of \$ 8.2 billion and 51,000 hardworking innovators worldwide, this is where the power of real estate is unleashed on behalf of the world's top owners and occupiers. Whether in terms of innovation, future proofing or sustainability, we stand with commercial property owners and investors as well as with users and governments. We'll be happy to help you transform your objectives into sustainable solutions that create permanent value, regardless of which commercial real estate sector you operate in. Explore What's Next at cushmanwakefield.nl.

RESEARCH & INSIGHT

Cushman & Wakefield has been accumulating real estate data for 35 years. The combination of extensive market knowledge and the passion of our real estate consultants enables our Research & Insight department to provide first hand insight into, and correctly interpret, developments within the various real estate segments and regions.

The professionals in this team know exactly which real estate is being used, vacant, transformed, withdrawn or acquired by investors. They also know about every plan for new developments. We have detailed insight into the quantitative and qualitative differences and similarities between provinces, municipalities and locations. By combining local and regional real estate market data with other data series such as relating to demographics and economic developments, we obtain strategic insights that we present to our clients on a customised basis by using innovative visualisation tools.

EXPLORE
WHAT'S NEXT

