MARKETBEAT

NETHERLANDS

Industrial Q3 2020

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
2.7% Vacancy Rate	▲	►
2,08M Take-Up, SQM	▼	▼
€ 90 Prime Rent (sqm./year)	►	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
- 5.0% GDP Growth forecast	▼	▼
4.5% Unemployment forecast	▲	▲
4.0% Prime Yield (GIY, excl. Buyers' cost)	▲	▼

Source: CBS, Cushman & Wakefield

LOCAL MARKET RESEARCH LEAD

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INVESTMENT MARKET: Investment volume Logistics & Industrial slightly tempering, share still rising.

In the first three quarters of 2020, approximately EUR 2.4 bln has thus far been invested in industrial and logistical property, a decrease of 2% compared to the same period last year. However, investors still show a remarkable appetite for logistical properties as e-commerce activity increased at the expense of regular food and non-food retail. The share of the industrial/logistical volume rose to 22% of the total investment volume of commercial real estate in The Netherlands, which is slightly higher than its average share of 20% between 2010 and 2019. Although measures to mitigate the spread of Coronavirus significantly impacted real estate markets within retail and hospitality, on the other hand the logistical market quickly emerged as a safe haven for investors.

OCCUPIER MARKET: Logistics and Industrial take-up lower

Occupier demand for logistics property in The Netherlands has been particularly strong occupier for some years now. Last year demand resulted in a take-up of 2.5 million square meters. In the first nine months of 2020, demand was still strong but yielded less take-up: 58 transactions resulted in a take-up of 745,000 square meters in logistics space, which is approximately 60% below the first nine months of 2019. About 35% of these occupier transactions concern newly built properties and 65% of the transactions concern existing properties as opposed to previous years as the majority of take-up occurred in newly built properties. This is a trend-break, but Coronavirus is not fully responsible. Available high quality supply is almost completely dried up so is the pipeline for new developments. Tightened environmental legislation regarding nitrogen emissions resulted in restrictions on the construction of new commercial properties.

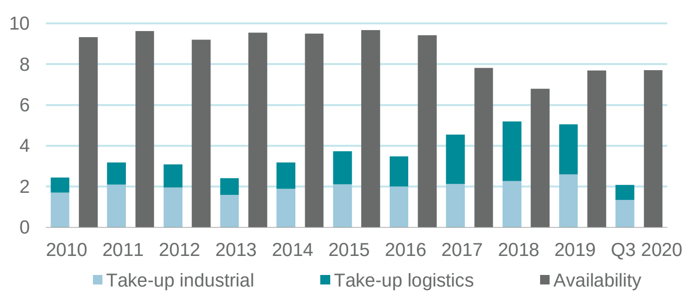
In the first nine months of 2020, 709 transactions amounted to a take-up of 1,3 mln square meters industrial, non-logistical real estate. This results in a decrease of 12% compared to the same period in 2019, when take-up amounted to 1,5 mln square meters. This decrease in take-up is not surprising. Due to Coronavirus, there is a lot of uncertainty, but this does not seem to have an impact on the industrial property market. In addition, the share of high-quality real estate at the end of 2019 was low, which means that occupiers are also interested in outmoded real estate.

PRICING: Slight upward pressure

Logistics take-up still exceeds available logistics properties. Similarly, available industrial properties often do not comply with current requirements. These developments lead to an upward pressure on rents. However, rents are not expected to increase further because of the uncertain economic outlook.

High demand for logistics space continues to have a downward pressure on gross initial yields in 2020. For properties within the logistics hotspots, prime yields sharpened to 4.00 – 4.25% gross initial yield excluding buyers' cost. Net initial yield even dropped below 4.00%. Despite the uncertainty caused by COVID-19, this development has not reversed.

DUTCH OCCUPIER MARKET | x 1 mln sqm lfa



INDUSTRIAL YIELD DEVELOPMENT | GIY, excl. Buyers cost