



PRESS RELEASE

Income Return Main Driver for Investing in Dutch Office Space

Strong average total return supported by high income returns

London, February 2nd – Dutch office investments have shown a solid 6.9% total return between 1995 and 2015. Main driver of this was the income return on investments which summed up to 7.3% per annum on average in the same period. Income returns between 2005 and 2015 reached 6.8% on average, proving its resilience during the economic downturn in the Netherlands, supporting the investment case in Dutch office real estate. Income returns for Dutch offices between 2005 and 2015 were 80 bps higher than in France, while outperforming Belgian and U.K. income returns by 90 bps and 130 bps respectively.

The investment case for global investors is supported, most particularly for those with exposure to the German and UK markets, because of the low or even negative correlation of Dutch office investments to German and UK markets. For example, office investments in the largest four cities of the Netherlands have shown a correlation varying between 0.04 and 0.27 to office investments in London. Some of these geographies even show a negative correlation to, among others Munich, which supports a distinction in geographical allocation of investors looking at UK and German office markets.

	Amsterdam Offices	London Offices	Munich Offices
Amsterdam Offices	1.00	0.27	0.14

Source: MSCI / IPD (2016)

Strong network of cities attracts (inter)national headquarters

Occupier demand will increasingly be concentrated in well-accessible locations in the four major cities of the Netherlands and the Randstad conurbation. Institutional investors have already anticipated on this trend and have a higher portfolio allocation to these cities and region. Substantial scarcity of available space is already witnessed in both prime and secondary locations matching these criteria and further tightening of the market is expected.

Next to the largest four cities and the Randstad conurbation, the Netherlands offers a significant network of cities. This network, identified as 'Tristatecity network', links the regional dominant cities to both Belgian and German cities, offering a European urban powerhouse with over 30 million residents, world class institutions, airports and Universities and a variety of international headquarters of, among others Shell, Unilever, Philips, Akzo Nobel and SAP. Even though this network surpasses the country's borders, it emphasizes the potential of regional markets too. Nevertheless, the full potential of this network is yet to be benefited from, as collaboration increases.

The outlook of the market remains bright. The Netherlands has a strong network of well-accessible cities and locations, with the largest four cities forming the core of the Tristatecity Network, a collaborative network of cities in the Netherlands, Belgium and Germany. With excellent public transport facilities linking major cities in this network, a variety of sought after office locations exists in the country. Furthermore, offices will become places of collaboration and connection because culturally employees need touch points as they want to be socially connected. As a result, the best office space will increasingly be sustainable and offer a place to be for the connected worker, with all kinds of technological solutions available. This so-called 'Platinum



Prime' office space is designed to suit the behemoths of the new business world. A growing cohort of super-dynamic assets on the other hand, will offer investors capital growth opportunities. Between these extremes, another asset class will emerge to bridge the gap between institutional leasing and co-working. This segment will often be facilitated through partnerships, which will marry equity with the expertise to actively manage what will become an increasingly fluid use of space. Hospitality will be redefining office space in both the super-dynamic assets and the emerging asset class. Exceptional customer service, like the kind found in the best hotels, is one element that keeps tenants renewing and interested in the building.

All in all, income returns are foreseen to remain high and above the Western-European average, while the different types of asset classes will match different investor profiles. While risks will be the lowest for the platinum prime office space, capital growth will remain to exist although it remains dependent on the economic cycle.

The research report: "Investment in Office Property in the Netherlands, a European Perspective" is commissioned by the Association of Institutional Property Investors in The Netherlands (IVBN) which comprises the leading domestic investment managers: a.s.r. vastgoed vermogensbeheer, AXA, Bouwfonds IM, Bouwinvest, CBRE Global Investors, MN, NEWOMIJ, NSI, Rabobank Real Estate Finance, Schiphol Real Estate, SPF Beheer and Syntrus Achmea Real Estate & Finance. The research was conducted by JLL.

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About IVBN:

IVBN aims to promote a balanced real estate investment climate and beneficial market conditions both locally, regionally and internationally. IVBN promotes the common interests of its members and provides a platform for institutional real estate investors.

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