

STATE OF AFFAIRS

THE NETHERLANDS INDUSTRIAL PROPERTY MARKET

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Supply of production and logistics property in the Netherlands has been on the rise for the fifth year in a row, despite entrepreneurs' increasing confidence in 2013 and even though the Dutch economy slowly began to shake off recession. At year-end 2013, approximately 12.6 million square metres of industrial space were available for rent or sale against 12.2 million in previous year. Almost all Dutch provinces saw supply rise in this market, particularly that of logistics property which rose strongly in 2013.

Both the amount of floor area and the number of properties available went up in 2013. Measured in terms of properties and also in square metres, supply levels climbed more significantly as compared to the previous year.

Recession explains why availability levels have gone up. Due to poor consumer confidence, a large number of bankruptcies and challenging economic conditions in previous years, demand for industrial space diminished. Take-up levels, measured in spaces exceeding 750m², represented 2 million square metres. These are the lowest levels since the outbreak

of the financial crisis back in 2008. In 2012, take-up was still worth 2.3 million square metres. Especially in the Southern Netherlands, significantly less industrial space was let out or sold. Take-up of logistics property in particular was substantially lower compared to last year.

Industrial property prices continued to fall in 2013, decline being strongest in the logistics property market. The purchase prices also went down and at the moment, the average selling price per square metre of industrial property is back at the year 2000 level.

But in spite of the occupational market's poor performance, the industrial property investment market did see some positive changes nevertheless as investments rose compared to a year earlier. Those involving distribution centres in particular allowed the invested capital to exceed that of 2012.

As the economy is expected to grow marginally in the year 2014, and entrepreneurs will be reluctant to invest, for this year and for now NVM Business does not expect market improvement when it comes to industrial property.

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1. TAKE-UP OF INDUSTRIAL SPACE

Disappointing logistics market is pushing take-up levels down

Take-up, measured in floor areas starting at 750m², amounted to 2 million square metres compared to 2.3 million in 2012. In 2011, NVM began to register take-up exceeding 100m². Provided this lower limit is applied, then in 2013 approximately 3.7 million square metres of industrial space were sold or let out against 4.4 million in 2012 (a 17% drop). Less industrial space was taken up, particularly south of our country. Also due to poorer demand for logistics property, take-up levels in the provinces of Limburg and Noord-Brabant were about 30% lower compared to 2012. In Zeeland too, take-up levels dropped by the same percentage. Gelderland, Noord-Holland and Zuid-Holland saw take-up go down by approximately 20%. In Friesland, 6% less was sold or let out. As for the other provinces, however, take up for industrial property did rise.

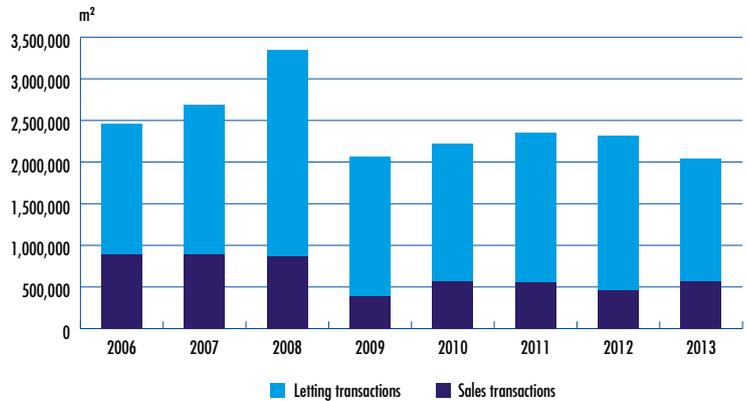
Particularly in the cities of Amsterdam, Rotterdam and Arnhem, less industrial space was sold or let out compared to 2012. Take-up was also poorer in Utrecht, Eindhoven, Breda, Tilburg, Venlo and Arnhem. Nevertheless, The Hague and Zwolle did register higher take-up levels. In Zwolle, however, one transaction involved half the total take-up volume as the mail order company Wehkamp took up 35,000m² of logistics space.

The fact that the total take-up was approximately 700,000m² lower is mainly due to the letting market. In 2013, nearly 20% less industrial space was let out as compared to 2012. This decline involved all size categories, although it was strongest with properties exceeding 10,000m². In this segment, transaction volumes were over 50% lower than in 2012. Take-up of logistics property in particular, heavily represented in this size category, was considerably lower than in 2012. In recent years, this sector was hit hard by the economic crisis and also because of less domestic spending. In total, approximately 625,000m² of logistics property were sold or let out, approximately 30% less than in previous year.

More sales transactions

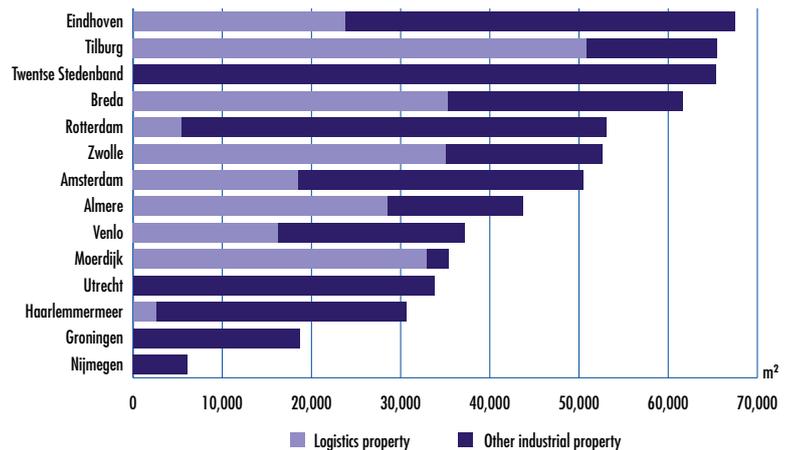
Unlike the letting market, the owner-occupied market did see the number of transactions rise compared to 2012, although levels remain beyond those of 2011. The average transactions size however was significantly lower than in 2012, making transaction volumes in the owner-occupied market also drop as compared to 2012. One interesting exception was presented by the small-scale owner-occupier segment (100 - 500m²) where both the number of transactions as well as the transaction volumes increased by a comfortable 20% bearing the year 2012 in mind.

INDUSTRIAL PROPERTY TAKE-UP ACCORDING TO OWNERSHIP ≥ 750 M²



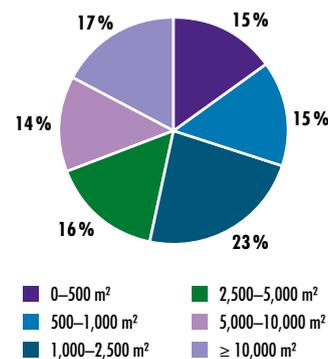
Source: NVM

INDUSTRIAL PROPERTY TAKE-UP BY REGION 2013 ≥ 100 M²



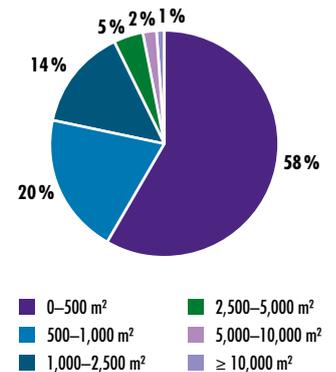
Source: NVM

INDUSTRIAL PROPERTY TAKE-UP IN M² BY SIZE CATEGORY 2013



Source: NVM

NUMBER OF INDUSTRIAL PROPERTY TRANSACTIONS BY SIZE CATEGORY 2013



Source: NVM

2. SUPPLY OF INDUSTRIAL SPACE

Supply continues to rise

Measured in properties exceeding 750m² at year-end 2013, 12.6 million square metres of industrial space were offered for rent or sale compared to 12.2 million in 2012. In 2011, NVM began to register supply exceeding 100m². Provided small-scale properties are taken into account, supply in the Netherlands equals approximately 15 million square metres. That is a 5% rise compared to 2012. The fact that supply levels continued to rise in 2013, did not come as a surprise. Although business confidence was much stronger in 2013, the Dutch economy shrank by 0.8% according to estimates conducted by Statistics Netherlands in 2013.

Rising supply levels to a great extent followed from changes in the logistics market. In 2013, the floor area available for rent or sale increased by 17% to more than 2.9 million square metres. That is 12.5% of total logistics stock in the Netherlands. It means that vacancy rates of logistics property have more than doubled in the last five years.

More industrial property was available in nearly all the provinces, with rise being strongest in Gelderland (up 13%). In fact, Groningen was the only province to see supply levels drop in 2013. As more transactions were signed and more floor area was let out or sold, supply diminished in this part of the country.

But although take-up was less than in previous year, the four major Dutch cities did experience diminishing supply. In Utrecht, however, decline was marginal but in Rotterdam supply has dropped by no less than 15%.

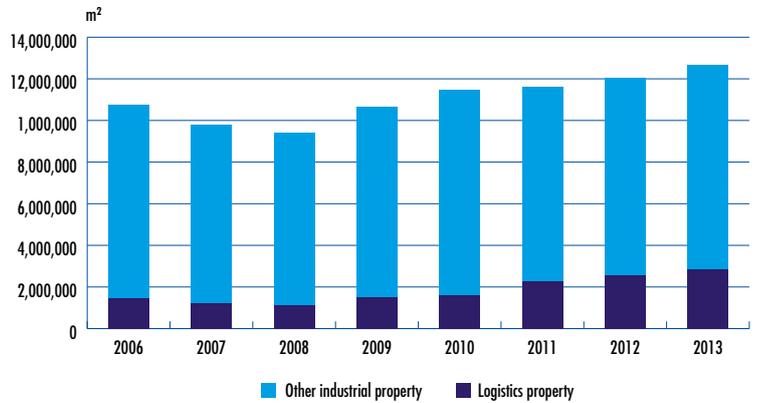
Available properties also on the rise

The number of properties available rose by 7% in 2013. It means supply grew stronger compared to 2012, when rise was no more than 5%. The number of properties offered has dropped only in the province of Groningen.

Average time spent on the market up again

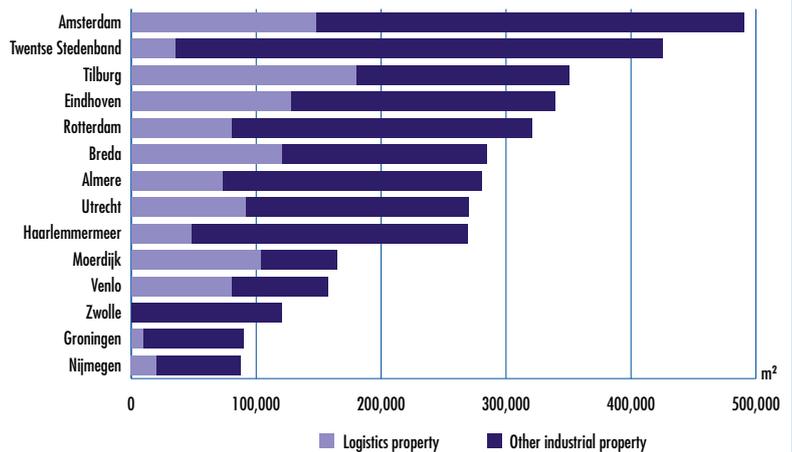
Supply includes many premises that have been on the market for quite some time now. It means that the amount of time spent on the market was even longer in 2013. Industrial properties that were available at year-end 2013 were on average already 19 months on the market. Measured in properties exceeding 750m², 18.3% of supply is offered for rent or sale for at least three years. It is a fraction more than in 2012 (18.1%). Approximately 6.4% of supply has been available for more than five years (2012: 5.4%).

INDUSTRIAL PROPERTY SUPPLY ACCORDING TO BUILDING TYPE ≥ 750 M²



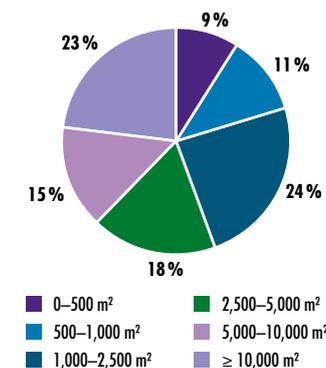
Source: NVM

INDUSTRIAL PROPERTY SUPPLY BY REGION 2013 ≥ 100 M²



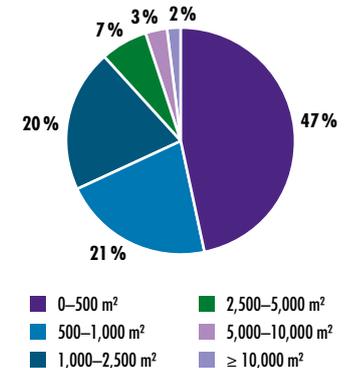
Source: NVM

INDUSTRIAL PROPERTY SUPPLY IN M² BY SIZE CATEGORY 2013



Source: NVM

NUMBER OF INDUSTRIAL PROPERTIES AVAILABLE BY SIZE CATEGORY 2013



Source: NVM

3. INDUSTRIAL PROPERTY PRICES

Rents have dropped

Industrial property prices fell in 2013. Whereas the average annual rents per square metre amounted to EUR 48.5 annually in 2012, a year later they had dropped to EUR 46.5 per annum. These amounts do not include any incentives that might have been offered (e.g. rent-free periods). It is how many investors are keeping rents artificially high. Exact details about the scope of these incentives are not available owing to the property market's lack of transparency in this respect.

Of all the major Dutch cities, the city of Amsterdam was one of the few exceptions where average rents paid rose in 2013. Rents, however, were lower in Rotterdam, Utrecht and The Hague compared to previous year.

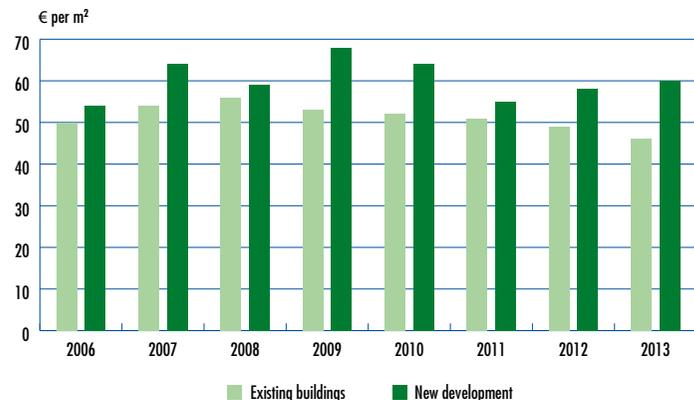
Due to poorer demand for logistics property and as availability increased significantly, logistics property rents in particular plummeted in 2013. Rents charged for existing premises went down from EUR 43 to EUR 36 per square metre per year. Rents for new logistics premises, however, remained steady at EUR 52 per square metre annually.

Purchase prices further down

Although the number of sales transactions did go up in 2013, intensified demand does not mean prices went up accordingly. The purchase prices for owner-occupied premises dropped by approximately 6.5% in 2013. Set against 2007 and 2008, when the purchase prices paid for commercial property were at their highest levels, industrial premises have lost nearly one-third of their value.

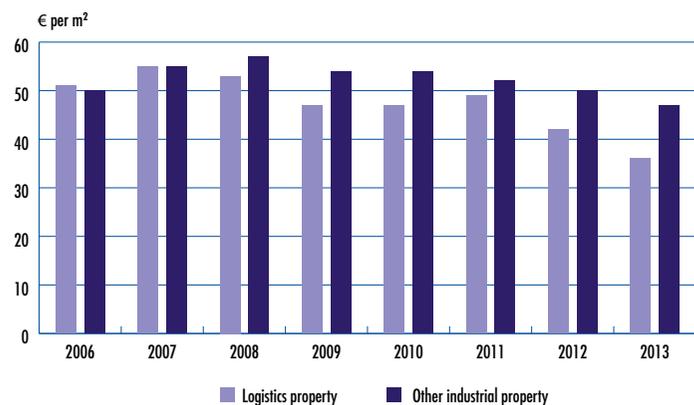
According to figures presented by IPD Netherlands, the value of investment properties developed in the same manner, be it less strongly. Based on data provided by the affiliated members, investment properties dropped in value by 2.3% in 2013.

AVERAGE RENTS OF INDUSTRIAL PROPERTY



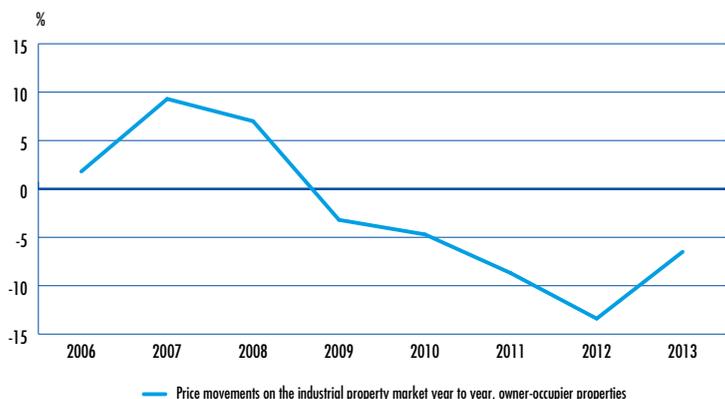
Source NVM, new series/methodology

AVERAGE RENTS OF INDUSTRIAL PROPERTY ACCORDING TO BUILDING TYPE



Source NVM, new series/methodology

PURCHASE PRICE MOVEMENTS ON THE INDUSTRIAL PROPERTY MARKET



Source: NVM

4. INDUSTRIAL PROPERTY INVESTMENTS

Investment volume up

In 2013, approximately EUR 580 million were invested in industrial property. That is almost twice as much as in 2012. More than three-quarters of investments involved distribution centres. The latter were purchased mainly by foreign, especially North-American, institutional investors.

Just as in previous years, the Southern Netherlands was the most popular investment region. Nearly half the total investment volume involved this part of our country. Especially the cities of Tilburg, Venray and Venlo, home to a substantial logistics property stock, benefited from investors' rising interest.

Just as in 2012, the Dutch pension funds, insurance companies and property funds remained reluctant to get involved in the market. Dutch private investors, on the other hand, were more interested, but hardly so in distribution centres.

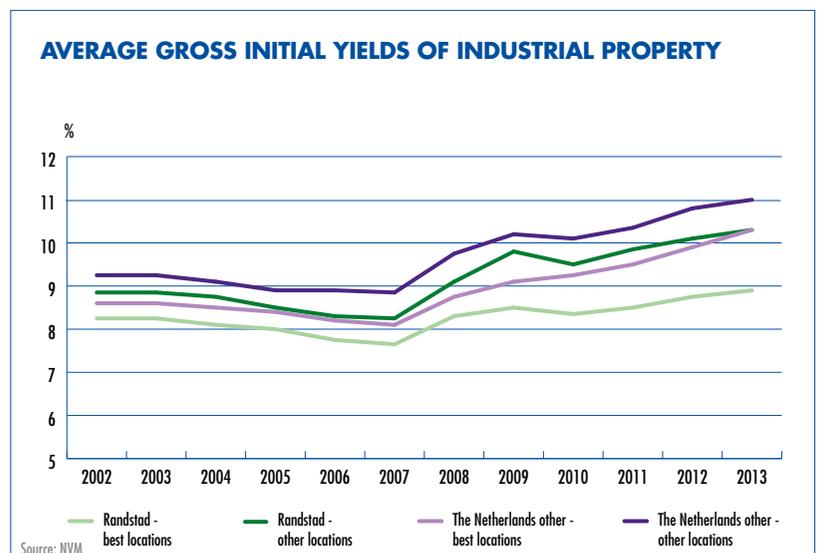
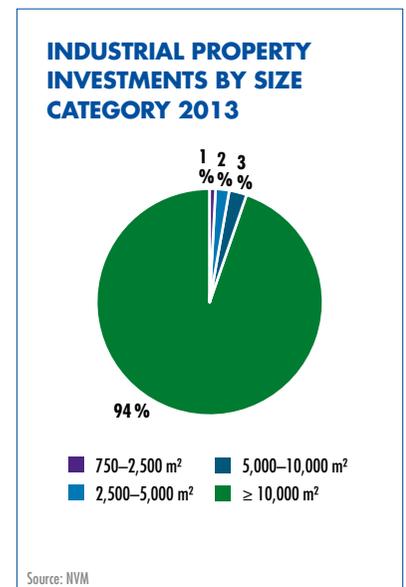
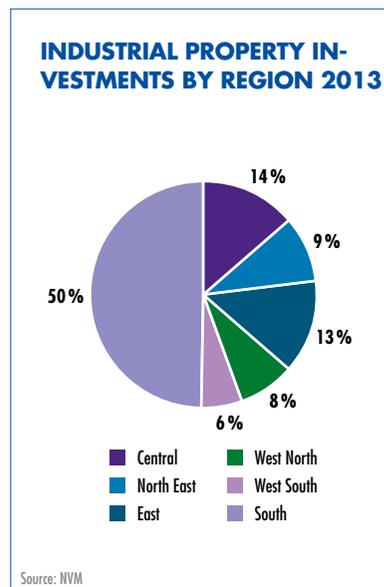
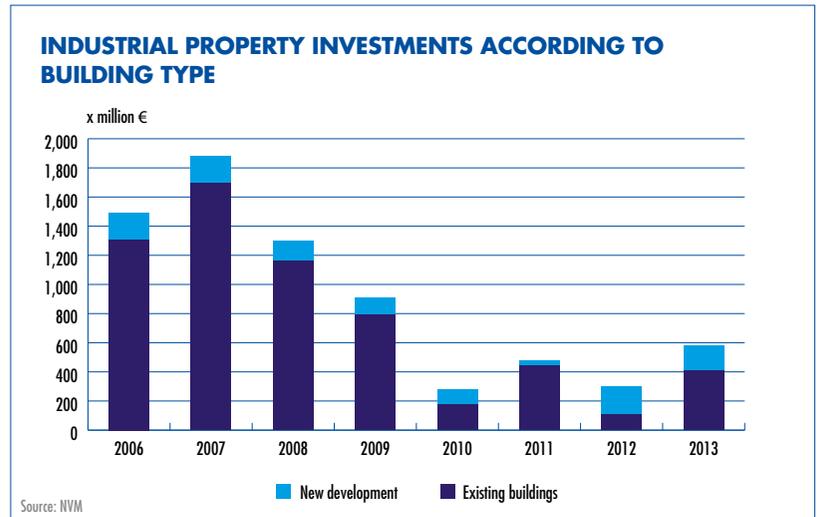
The largest individual transaction involved a new-build distribution centre that was purchased by a Russian investor on the Ekkersrijt business park in Son en Breugel (province of Noord-Brabant). This property (approx. 56,500m² in total) which comes at nearly EUR 43.5 million and an estimated gross initial yield of 7.35% was not only the biggest, but also the most expensive single asset acquisition in 2013.

Another eye-catching transaction last year involved a new data centre on Schepenberweg 42 in the city of Amsterdam. It was concluded by a British private investment institution.

Yields slightly up

Industrial property generally showed a modest rise in gross initial yields. However, as foreign investors were more interested in Dutch logistics property, yields of first-class logistics properties slightly dropped in 2013.

As for investment properties, average investments amounted to EUR 624 per square metre, compared to an average of EUR 550 in 2012 and EUR 670 in 2011.



DEFINITIONS

Industrial property

A spatial and independent unit used to a great extent for production and storage purposes in the building sector, transport and logistics, light and heavy industry as well as wholesale trade. Mixed office and industrial buildings were included provided the industrial share exceeded 50% of the entire complex.

Take-up

Lease and sales transactions taking place in the open market. Users who provide for their own accommodation requirements (the 'owner-occupier development') are not included in take-up volumes. The same applies to sale-and-leaseback agreements as well as contract extensions. In 2011, NVM began to register transactions exceeding 100m². In order to ensure consistent historic series and compare these to previous years, in some cases the former lower limit of 750m² is maintained.

Supply

Industrial property immediately available for rent or sale. Supply does not include industrial property in a preparatory stage, which is scheduled to be built in the future. Supply also involves vacant and developing industrial property as well as spaces that are still being used but which are soon to be released. In 2011, NVM began to register buildings exceeding 100m². In order to ensure consistent historic series and compare these to previous years, in some cases the former lower limit of 750m² is maintained.

Rent

The basic rent paid per square metre of lettable floor area, exclusive of Dutch VAT.

Gross initial yield

The gross annual rent upon acquisition as a percentage of the total investment.