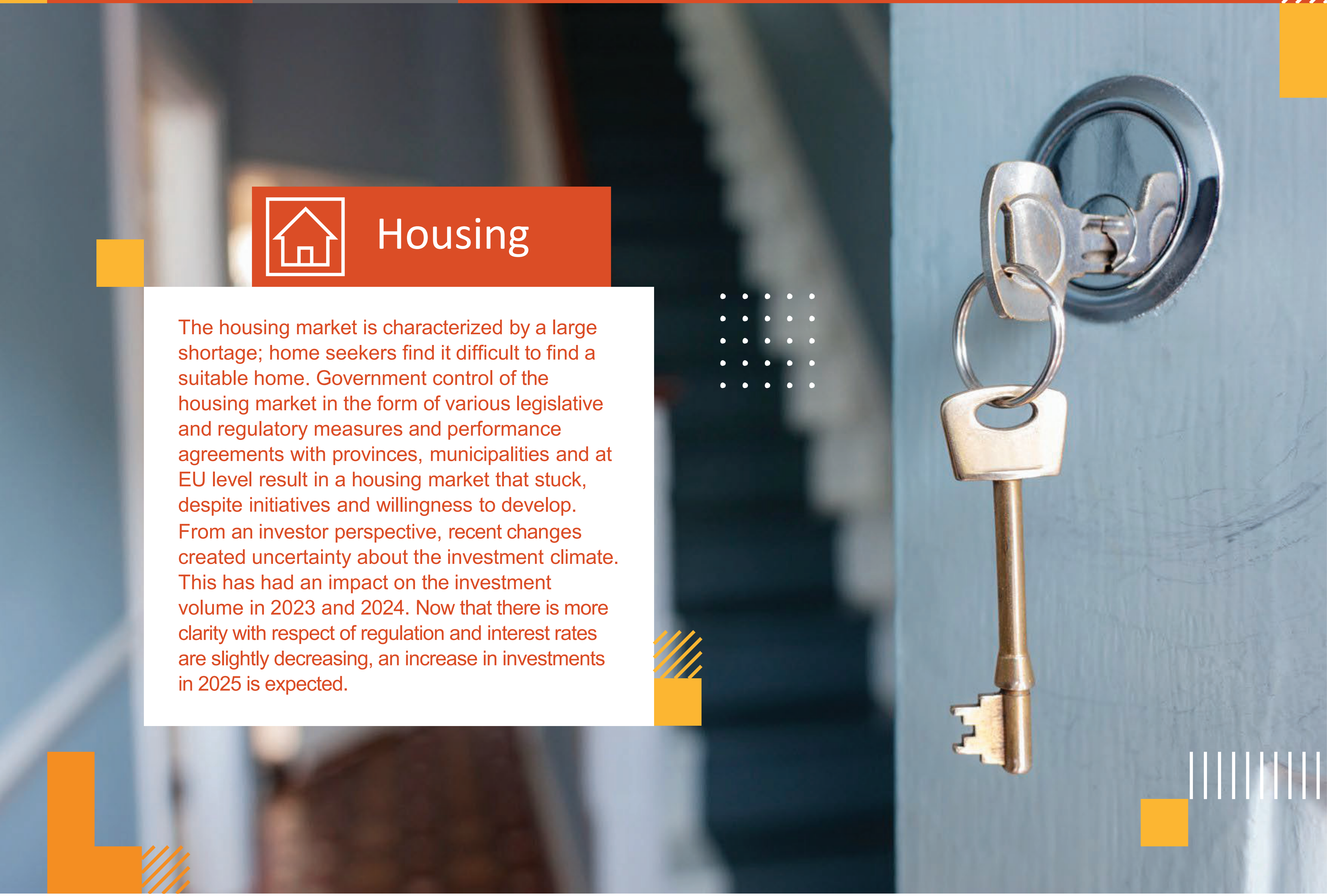
Dutch Real Estate Market Update

End year report 2024

by PwC Real Estate Advisory & Valuations

pwc



Housing

The housing market is characterized by a large shortage; home seekers find it difficult to find a suitable home. Government control of the housing market in the form of various legislative and regulatory measures and performance agreements with provinces, municipalities and at EU level result in a housing market that stuck, despite initiatives and willingness to develop.

From an investor perspective, recent changes created uncertainty about the investment climate. This has had an impact on the investment volume in 2023 and 2024. Now that there is more clarity with respect of regulation and interest rates are slightly decreasing, an increase in investments in 2025 is expected.

Trends and developments

Dutch Affordable Rent Act

Affordable Rent Act
The so called Affordable Rent Act (Wet betaalbare huur) took effect from 1 July 2024. The purpose of this Act was to make rental homes more affordable for tenants. The housing estate valuation system (WWS) changed, with the most important change being that it will apply to homes up to and including 186 points, or € 1,185 per month (January 2025 price level). This is mandatory law.

Changes per 1 January 2025
As per 1 January 2025 two new rules are into effect following the Affordable Rent Act: municipalities have an enforcement role and landlords will now have to provide a WWS points count for new rental contracts. This is also mandatory if the points score shows that the home may be rented out in the private sector. The new obligation is intended to provide clarity to tenants and landlords.
In addition, the scheme for a one-off income-related rent reduction expired per 31 December 2024.

Rent increase in 2025
Tenants in the private sector may receive a maximum rent increase of 4.1 percent in 2025. In the middle rent sector, this maximum will be 7.7 percent from January 1, 2025, and 5 percent in the social sector from July 1, 2025.

Stock of rental properties
Now the Affordable Rent Act is in place for more than half a year, the first results of studies into the development of the mid-rental market are known. In general the market expected that the Affordable Rent Act will lead to the sale of homes in the event of changes (selling off in individual units) and that the supply of rental homes will decrease.

Vastgoedjournaal recently investigated that the stock of rental properties that do not belong to housing corporations is shrinking. More rental properties are being sold than new rental properties are being added. According to research, the stock of rental properties owned by investors has shrunk from 9.4 percent to 9.2 percent of the total housing stock. A total of 37,260 rental properties will have been sold in 2024, which is 12,560 more homes than a year earlier.

Also NVM brokers conclude in recent studies that the amount of available residentials for rent decreases. In the last quarter of 2024 the availability was 34% lower compared to a year earlier. Following the announcement of the Affordable Rent Act, the total availability of residentials for rent has decreased every quarter.

Residential area development

In 2022 and 2023, the government made agreements in consultation with provinces, municipalities and housing associations to develop an average of 100,000 homes a year until 2030.

This number of homes to be developed on annual basis is not achieved for a long time. The highest number of homes developed per annum in the last decade was around 75,000 according to figures of CBS. Reasons that appear from market participants include ongoing nitrogen problems, the level of construction costs, network congestion, delays caused by the Council of State procedures and requirements to include a high percentage of affordable housing in development plans. The current housing shortage is around 410,000 residentials.

In and around urban areas, new development and also greening is needed. In housing policies and anterior agreements, more emphasis is placed on this greening in new area developments. This contributes to improving the quality of life of areas and is important for coping with the consequences of climate change, such as the absorption of excess water. In line with this, the Water Framework Directive (WFD) will enter into force as of 2027. The objectives of the WFD, to improve water quality in Europe, require measures to combat the drying out of areas, among others. This may have consequences for construction sites in the Netherlands. In areas prone to drying, it may become more difficult to build new homes. In addition, the WFD may also lead to higher costs for the construction of homes. This is because extra measures must be taken to protect water quality. These consequences of the WFD may affect the prices of homes in the Netherlands. In areas where building is becoming more difficult, house prices are likely to rise. According to research carried out on behalf of Bouwend Nederland, the WFD may have a significant impact on the working stock of construction companies, with more than 40% of projects running a high risk of not obtaining a permit for residential construction and infrastructure projects.

The number of building permits granted in 2024 is 67,000 which is an increase of more than 20% compared to 2023 when 55,000 building permits were granted. However, a permit granted is not a new home. The backlog of having 900,000 new homes built by 2030 continues to grow every year.

At the beginning of June, the government designated new potential residential locations for after 2030, mainly looking at urbanisation areas in the north, east and south of the country. These six regions include Brabantse Stedenrij, Stedendriehoek (Apeldoorn, Deventer, Zutphen), Twente, Noord, Midden, and Zuid-Limburg (along IC stations), Groningen-Assen and the Frisian towns. These regions are in addition to the 17 NOVEX residential building locations that must be developed for 2030 and concern 56 specific residential building locations.

User market

Rents

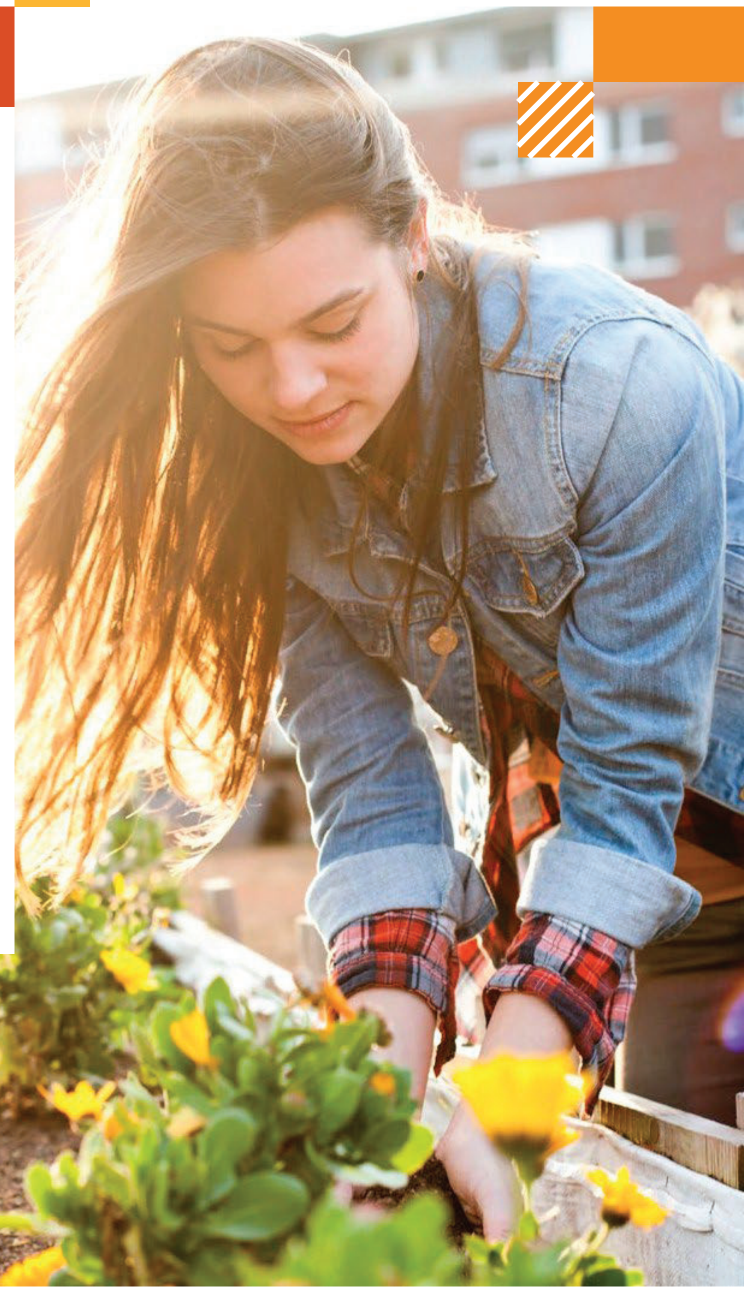
Rents in the Netherlands have risen significantly in 2024 due to a combination of high demand and low supply. The average rent per square meter for unfurnished rental properties increased close to 12% in 2024, which is one of the largest increases in the past decade. This increase is partly due to smaller footprints which correlate with higher sqm prices. There is continued high demand for rental properties, while supply is declining ongoing, partly due to the increasing number of rental properties been sold.

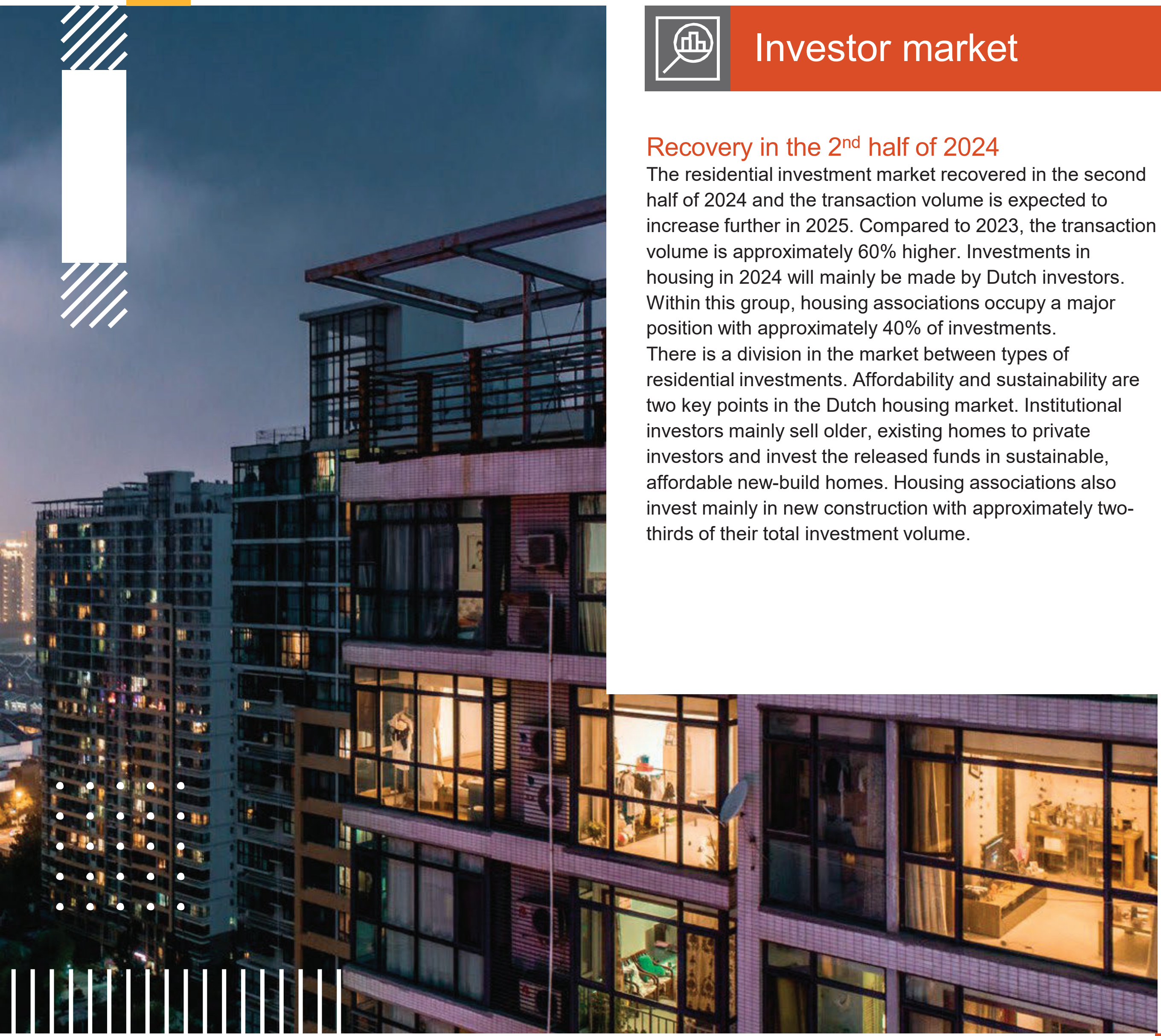
Transaction prices for owner-occupied homes

Mortgage rates rose from an average of 1.6% to 4.3% in 2022 and 2023 and have now fallen to around 3.5%. From May 2023, when the average transaction price of an owner-occupied home was approximately € 405,000, transaction prices increase again.

The average transaction price as per January 2025 is approximately € 480,000. Transaction prices show a 11.5% increase in 2024. The main reasons for this are the scarcity in almost all municipalities in the Netherlands and an increased funding margin caused by ongoing strong wage increases and a decreasing interest rate.

Several Dutch research institutes and bank provide predications with respect of the expected development of transactions prices for 2025 and 2026. There predictions vary significantly. ABN Amro expects that house prices will rise by 7% in 2025. According to ABN Amro, this is mainly due to higher incomes and falling mortgage interest rates. New homes are also not being built fast enough. Rabobank even expects a price increase of 10.7% in 2025. DNB's prediction is a price increase of 4.1% in 2025 and 3.8% in 2026. Starters suffer from this most. They still have little capital and therefore generally have to borrow everything.





Investor market

Recovery in the 2nd half of 2024

The residential investment market recovered in the second half of 2024 and the transaction volume is expected to increase further in 2025. Compared to 2023, the transaction volume is approximately 60% higher. Investments in housing in 2024 will mainly be made by Dutch investors. Within this group, housing associations occupy a major position with approximately 40% of investments.
There is a division in the market between types of residential investments. Affordability and sustainability are two key points in the Dutch housing market. Institutional investors mainly sell older, existing homes to private investors and invest the released funds in sustainable, affordable new-build homes. Housing associations also invest mainly in new construction with approximately two-thirds of their total investment volume.

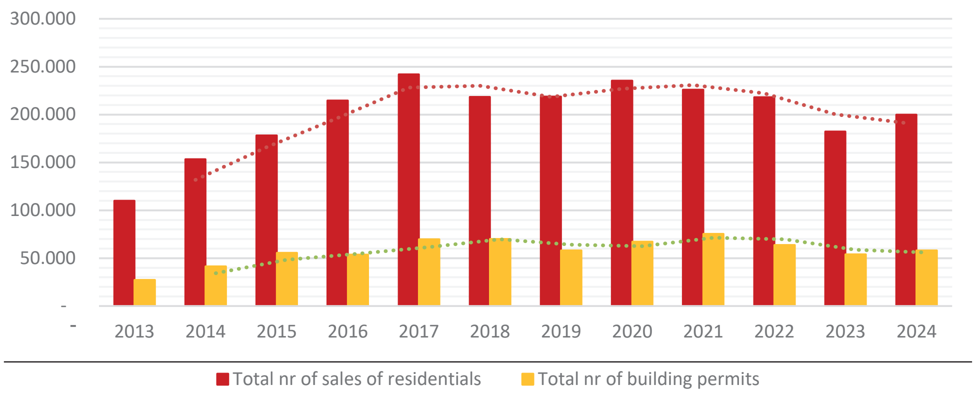
One of the largest deals in the Dutch residential market in 2024 was the sale of 3,000 residentials by ERES to a consortium of investors consisting of TPG Angelo Gordon, Stadium Capital Partners and Dream Unlimited for approximately € 700 million.

Grouwels Vastgoed and Rubens Capital Partners both were actively investing in 2024 with the purchase of portfolios that exceeded € 100 million. Grouwels bought 410 residentials from Amvest and RCP bought 465 residentials from ERES.

Yield compression is in place again in 2024 after two years of increasing yields. In general yields compressed in the second half of 2024 with 20-30 basis points compared to the start of 2024.

Facts & Figures

Development of sales and permits



Source: CBS Statline

Number of sales residentials and building permits

2023 - Total sales of residentials	182,403
2024 - Total sales of residentials	206,458
Y on y change	+ 13%
2023 - Total building permits	53,954
2024 - Total building permits	67,219
Y on y change	+ 25%

Source: CBS Statline / Kadaster

Development of NIY and market rent

		Δ market rent vs Q4 2023	Δ NIY vs Q4 2023
The Randstad urban area	Single-family homes		
The Randstad urban area	Apartments		
Outside the Randstad urban area	Single-family homes		
Outside the Randstad urban area	Apartments		

Source: PwC analysis

Overview of NIY residentials

	NIY (indicative) Q2 2024
Randstad, single-family homes	3.3% - 4.4%
Randstad, apartments	3.3% - 4.4%
Outside the Randstad, single-family homes	3.6% - 4.7%
Outside the Randstad, apartments	3.6% - 4.7%

Source: PwC analysis

*NIY: Net initial yield (net market rent) including purchaser's costs

Selection of investment transactions

Date	Place	Address / Building	Purchaser	Acquisition price	Construction year	Energy label	GIY
Q4, 2024	Hoofddorp	SEM	Pension Fund	50.0 mln	2024	A+++	5.0% - 5.5%
Q4, 2024	Amsterdam	Amstel Living	NeWoMij	16.8 mln	2024	A+++	3.75% - 4.25%
Q4, 2024	Utrecht	Spark Havengebouw	Stichting Woonin	16.2 mln	2024	A+++	3.25% - 3.75%
Q3, 2024	Amsterdam	Bredius	Pension Fund	25.3 mln	2024	A+++	4.25% - 4.75%
Q3, 2024	The Hague	Archie	Urban Interest	22.4 mln	1974	B	5.75% - 6.65%

Source: PwC analysis / Kadaster

*GIY: Gross initial yield (gross contract rent) including purchaser's costs

Logistics

Over the past 10 years, the logistics investment market has been characterised by a continuous compression of gross initial yields. The multipliers of the best buildings have doubled. At the beginning of 2022, the indicative lower level of the bandwidth of gross initial yield (GIY) including costs for the purchaser's account was compressed to 3.5%. From then on, there has been a break in the trend as a result of the war in Ukraine, with supply chains disrupted, inflation and interest rates rising rapidly with fears of recession. Gross initial yields have increased since then, but the upper end seems to have been reached. Compared with the end of 2023, we see a yield compression of gross initial yields as year end 2024. The current indicative gross initial yield (with no additional costs payable by the purchaser) for prime logistics is 4.5%.

Trends and developments

Search for space

National policy on restrictions on the issue of new land for the development of large-scale logistics buildings has been under development for some time. The debate is about the consequences of even more 'degradation of the landscape' when allocating scarce land for industrial purposes and its impact on the environment. As a result, locations for the development of new distribution centres are limited. In addition, in various cases, new grid connections take a long time to arrive for new construction, or are not available. The redevelopment of brownfields has become increasingly important in recent years. Requirements in terms of size and layout are decisive in this respect, with many locations not meeting the required specifications. On the other hand, the available grid connection is an advantage. The market remains tight as new construction projects continue to face political challenges. The new policy will give the logistics sector more clarity for the future. In addition, under the new government, a restriction on labour migration can have consequences on the logistics real estate market. Such a restriction can make it harder and less attractive to attract migrant workers, while there is already a shortage of suitable labour in this sector.

In addition, the high transfer tax of 10.4% plays a role, especially for opportunistic investors. The high transfer tax in the Netherlands makes it less attractive for opportunistic investors to buy obsolete buildings to add value to them and then sell them again after a short period of time.

Sustainability

Sustainability and ESG are a core strategy in the supply chain of users of logistics centres and investors. New warehouses benefit from solar panels and heat pumps, underfloor heating, LED lighting and provide leisure and sports facilities. However, the sustainability of logistics buildings and new-build plans is hampered by problems such as electricity congestion, with the power network being overloaded. In addition, the rentability of vacant buildings with too light a grid connection is limited. The real estate sector plays an important role in contributing to less grid congestion. Through smart management and clustering of energy needs, the logistics sector can make an important contribution to net neutrality.

Urban logistics

The demand for urban logistics buildings and last-mile delivery centres remains high due to the extensive e-commerce market and the demand for same-day delivery. The Dutch population has a positive attitude towards the transport and logistics sector and considers the sector to be important for the Dutch economy (source: TLN). The Netherlands remains an attractive place to carry out logistics activities, because support facilities are well organised, such as broadband internet, e-commerce penetration and road infrastructure. However, long-term spatial planning, community involvement of the surroundings and attention to nature are important factors to maintain this pace.

User market

Rising rents

Rents in prime locations and city centres have already experienced significant growth since 2022. The main drivers are very limited available buildings and locations for new-build distribution centres in combination with strong user location preferences. In addition, labour shortages and higher interest rates are putting upward pressure on market rents. This increase in market rents continued in 2023 and 2024. Gross market rental prices in the Rotterdam region amount to € 105 per m² for modern logistics real estate. In the vicinity of Tilburg/Oosterhout/Moerdijk/Waalwijk, market rental prices are between € 75 and € 85 per m². In Venlo, the gross market rental prices of modern warehouses in good locations are between € 65 and € 85 per m².

Historic levels of inflation have impacted annual rent indexation. New leases often set a maximum for rent indexation in order to be better able to deal with and be more resilient to high inflation as a lessee.

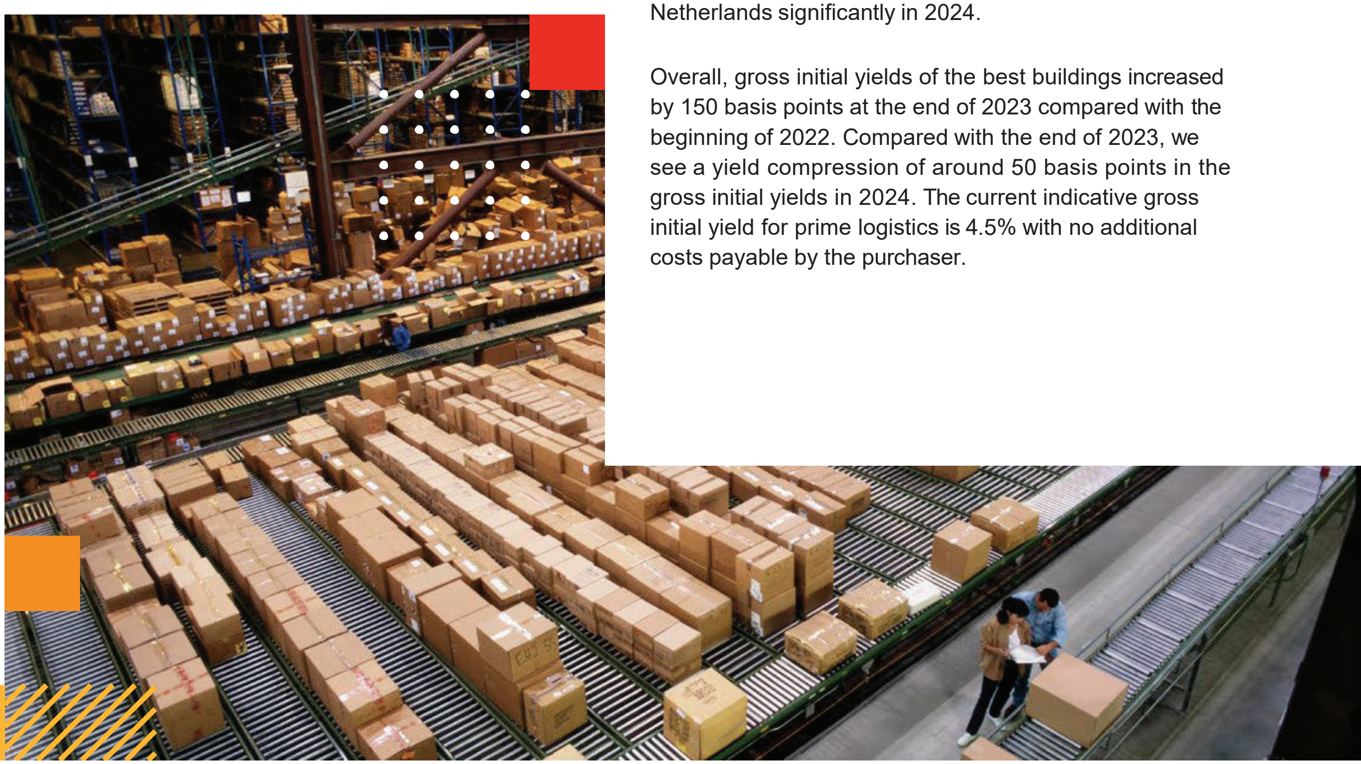
In general, incentives in new leases are absent or do not exceed 5% of the total rent for modern logistics buildings in prime locations. In 2025, a market rent growth is expected due to limited new developments and continued demand for high-quality storage space and last-mile logistics around larger cities, although market rent growth will be at a lower level than in previous years.

Investor market

Strong foundation

The year 2024 started with positive signs in the logistics investor market. Interest rates remained more or less stable or even decreased slightly. As a result, prices have stabilised and confidence in the market has increased. In addition, the fundamentals of the logistics market remain strong, given the scarcity of land and the political resistance to new XXL distribution centres, combined with the high demand for high-quality space and rising rents.

In the second half of 2024 many large size transactions took place and gross yields compressed to the year end.



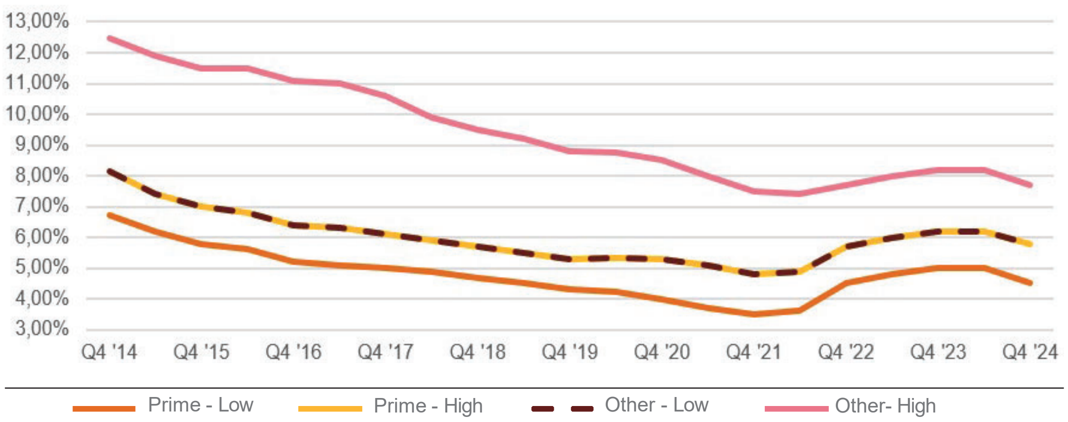
We have noted more than 20 investments transactions of prime properties with an average investment volume of > € 45 million in 2024. Four transactions took place in Venlo.

One of the largest transactions took place in the 2nd quarter of 2024, Segro purchased 3 warehouses totalling € 222 million (Oirschot, Heerlen and Tilburg). In the last months of 2024 we have seen high investment activity in the area around the Randstad, with transactions in Aalsmeer, Ridderkerk and Nieuw-Vennep. Segro and MEAG both expanded their logistics portfolio in The Netherlands significantly in 2024.

Overall, gross initial yields of the best buildings increased by 150 basis points at the end of 2023 compared with the beginning of 2022. Compared with the end of 2023, we see a yield compression of around 50 basis points in the gross initial yields in 2024. The current indicative gross initial yield for prime logistics is 4.5% with no additional costs payable by the purchaser.

Facts & Figures

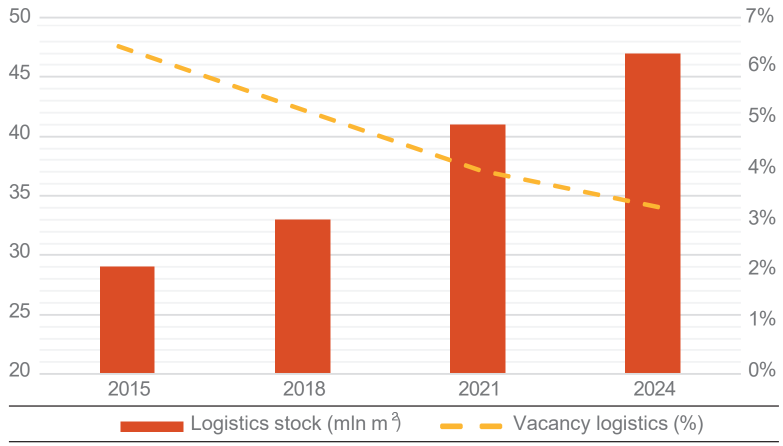
Overview development of gross initial yields



Source: PwC analysis

*GIY: Gross initial yield (gross market rent) including purchaser's costs

Development stock and vacancy



Source: IBIS bedrijventerreinen

Market rent and incentives

	Gross market rent p/m² headline	Δ market rent vs. Q4 2023	Incentive level
Prime	€ 60 – € 120	↗	→
Other	€ 35 – € 65	↗	→

Source: PwC analysis

Selection of investment transactions

Date	City	Address / Building	Purchaser	Acquisition price	GIY
Q4, 2024	Venlo	Tasmanweg 6	Dokvast	€ 58.7 mln	4.25% - 4.75%
Q4, 2024	Nieuw-Vennep	Lireweg 3-13	Crossbay	€ 15.2 mln	4.5% - 5.0%
Q4, 2024	Ridderkerk	Ringdijk 392	MEAG	€ 83.5 mln	4.75% - 5.25%
Q3, 2024	Oosterhout	Florijnstraat 4	Segro	€ 87.0 mln	4.5% - 5.0%
Q3, 2024	Roermond	Morgenstraat 1	MEAG	€ 28.0 mln	5.0% - 5.5%

Source: PwC analysis

*GIY: Gross initial yield (gross theoretical rent) including purchaser's costs

Total stock and vacancy

Total land area business parks (mln sqm)	1100
Total sqm industrial (mln sqm)	260
Total sqm logistics (mln sqm)	50
Vacancy rate industrial	4%
Vacancy rate prime logistics	3%

Source: IBIS bedrijventerreinen

Offices

Environmental, Social, and Governance (ESG) factors are central to the office market. Investors are focused on redeveloping outdated offices into Paris Proof offices or constructing new state-of-the-art buildings. The first half of 2024 was impacted by uncertainty and volatility in financial markets, leading to increased financing costs and return requirements for investors. In the second half of 2024, there was more polarization between prime offices and other segments. Gross initial yields for prime offices stabilized, while yields for value-add and secondary offices further increased. The investment volume for 2024 is estimated to be around €1.8 billion

Trends and developments

ESG

Environmental, Social and Governance are the magic words characterizing the office market in the second half of 2024 and looking in the future. Whether it concerns redeveloping existing, outdated offices into Paris Proof offices (e.g., Cross Towers in Amsterdam) or new state-of-the-art buildings (DSM headquarters in Maastricht), investors are in the market for offices with potential.

At the same time, there is a recognizable trend of large corporations reconsidering their housing and opting for central locations in or around the G5 (e.g. PGGM moving their office to Utrecht CS, Achmea leaving Zeist and Monuta leaving Apeldoorn to a smaller office in Amersfoort). The trend of hybrid working continues and is seen by many employees and employers as the new normal.

Office users increasingly switch to sharing workplaces, preferring locations that are easily accessible. In addition, the well-being of employees is increasingly central to the accommodation choice of office users, both from an ESG perspective and from the ongoing staff shortages in many sectors. In particular, office users in sectors such as financial services and public authorities need less and less office space.

The changing, declining demand for office space and the shift in demand for high-quality, sustainable office buildings located around public transport hubs are further polarising the office market. Rents of these high-quality office buildings continue to rise slightly and the rest of the market is stabilising.

The number of offices being transformed is much lower than in recent years. It appears that in recent years offices that can be profitably transformed to another use, such as residential, have been converted. Many of the offices that are vacant or will be vacant in the years ahead are less suitable for transformation because of the location, the architectural nature or that transformation costs are too high for a profitable business case. At the end of 2024 it became clear that the government will invest an additional amount of 70 million Euros in the so-called Transformation Facility until 2032. This initiative aims to make it easier for builders and developers to convert office buildings into suitable housing. The added budget is expected to result in approximately 35,000 new homes.

User market

In 2024, the take-up of office space amounted to approximately 0.9 million m². This is a slight increase compared with 2023. What is striking is that the take-up in The Hague increased significantly due to large take-ups by the Central Government Real Estate Agency. The 5 largest cities of The Netherlands together amount for approximately 60% of the total take up.

Vacancy rates in the office market have decreased in recent years. The stock has been reduced due to transformation and a limited addition of new office space to the market. At the end of 2024, the vacancy rate of the Dutch office market was 7.9% (source: C&W). This is one-third of the vacancy rate 10 years ago.

Demand within the office market is especially for high-quality office space in locations in city centres and near public transport hubs. Market rents of these offices slightly increased in the year 2024, but the top rents remain unchanged. Market rent prices in the Amsterdam Zuidas district are at a high level of €450 - €500 per square metre and rising to €575 per square metre for boutique office space. The highest office rents are being achieved for buildings in Amsterdam-Zuid, with rents of up to €625 per square metre. Utrecht is in second place in terms of the level of rents for offices in prime locations. In the area around the central station, rents of €295 - €310 per square metre are being achieved.

Investor market

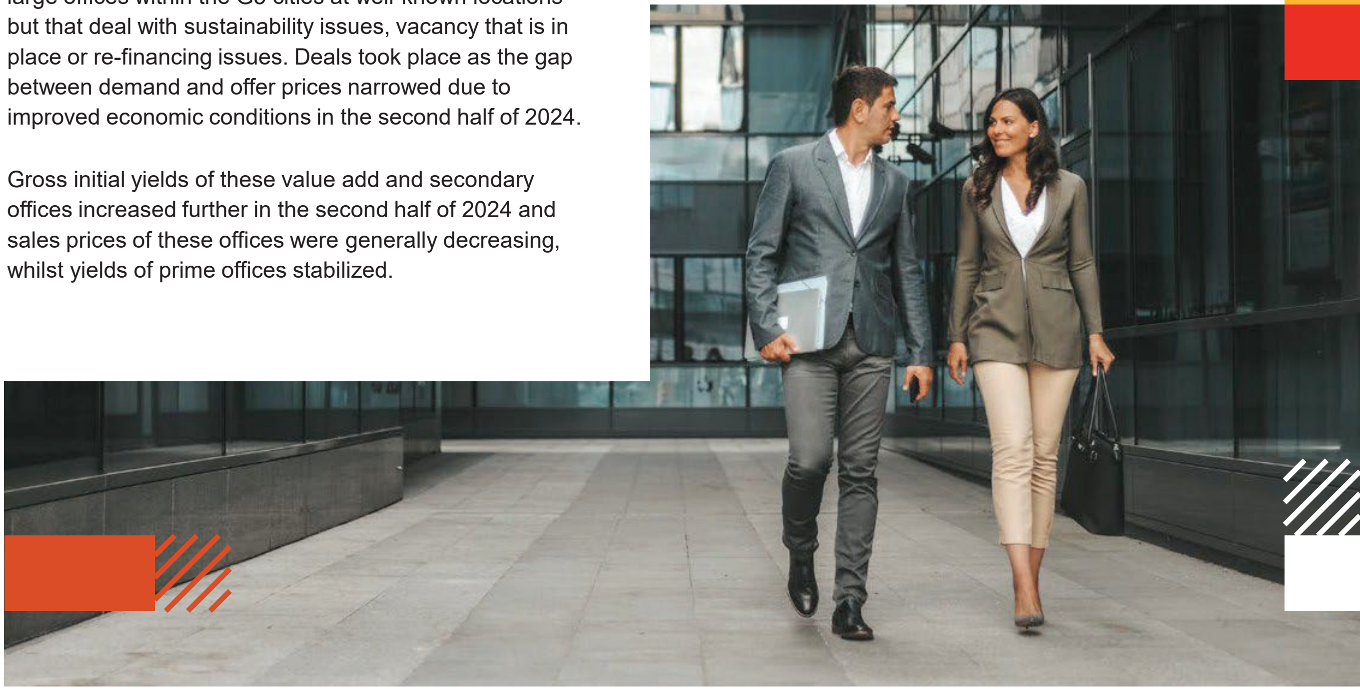
In the first half of 2024 the market especially was impacted by the uncertainty and volatility in the financial markets. The financing costs and return requirements of investors increased, making the gap between demand and offer prices for office real estate significant. Compared with the end of 2023, we have seen an increase in gross initial yield as of mid-2024 of approximately 30 basis points within the office market as a whole.

In the second half of 2024 we have seen more polarization between absolute prime offices (i.e. close to Paris proof offices) and other segments within the office market. Many investment transactions have been noted of large offices within the G5 cities at well-known locations but that deal with sustainability issues, vacancy that is in place or re-financing issues. Deals took place as the gap between demand and offer prices narrowed due to improved economic conditions in the second half of 2024.

Gross initial yields of these value add and secondary offices increased further in the second half of 2024 and sales prices of these offices were generally decreasing, whilst yields of prime offices stabilized.

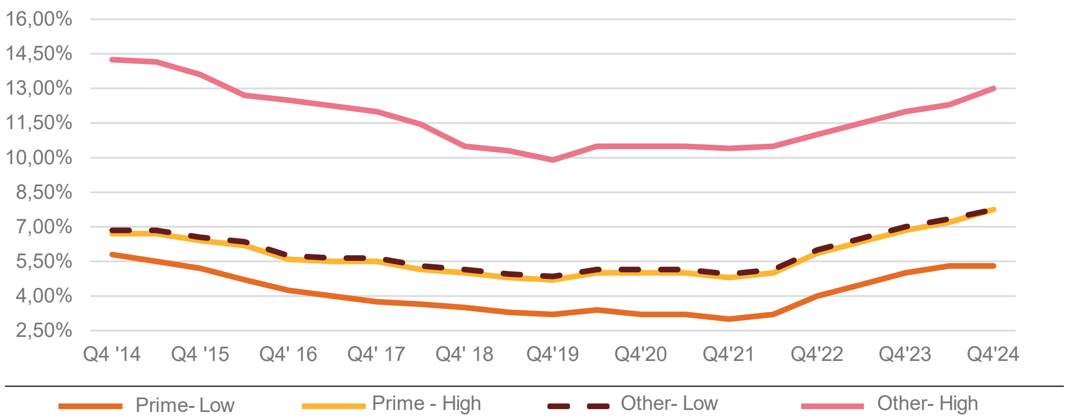
The investment volume over 2024 is estimated in line with the year 2023, around € 1.8 billion. Corum and Edge were active players on the investment market in 2024.

The current indicative gross initial yield for prime offices, is approximately 5.30% with no additional costs payable by the purchaser.



Facts & Figures

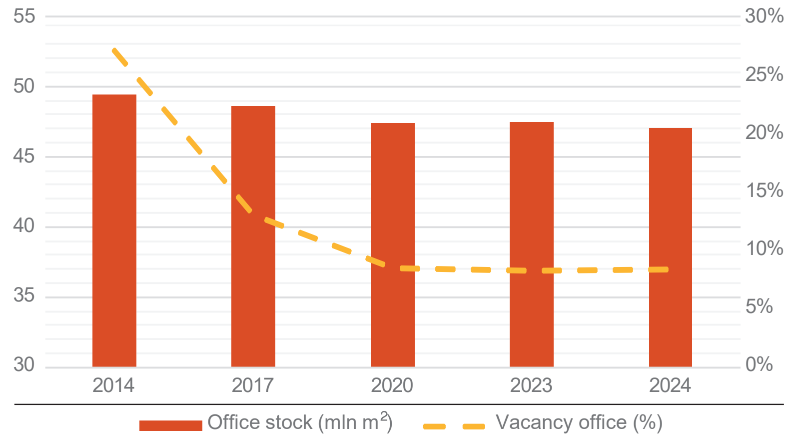
Overview development of gross initial yields



Source: PwC analysis

*GIY: Gross initial yield (gross market rent) including purchaser's costs

Development stock and vacancy



Source: Cushman & Wakefield market research reports, except of vacancy rate 2014: AOS Studley.

Market rent and incentives

	Gross market rent p/m² headline	Δ market rent vs. Q4 2023	Incentive level
Amsterdam	Up to € 625	→	→
Prime	€ 200 – € 310	↗	→
Sub-prime	€ 125 – € 200	↗	→
Other	€ 70 – € 125	→	→

Source: PwC analysis

Total stock and vacancy

	2024
Total sqm office stock (mln)	47
Vacancy rate offices	7.9%

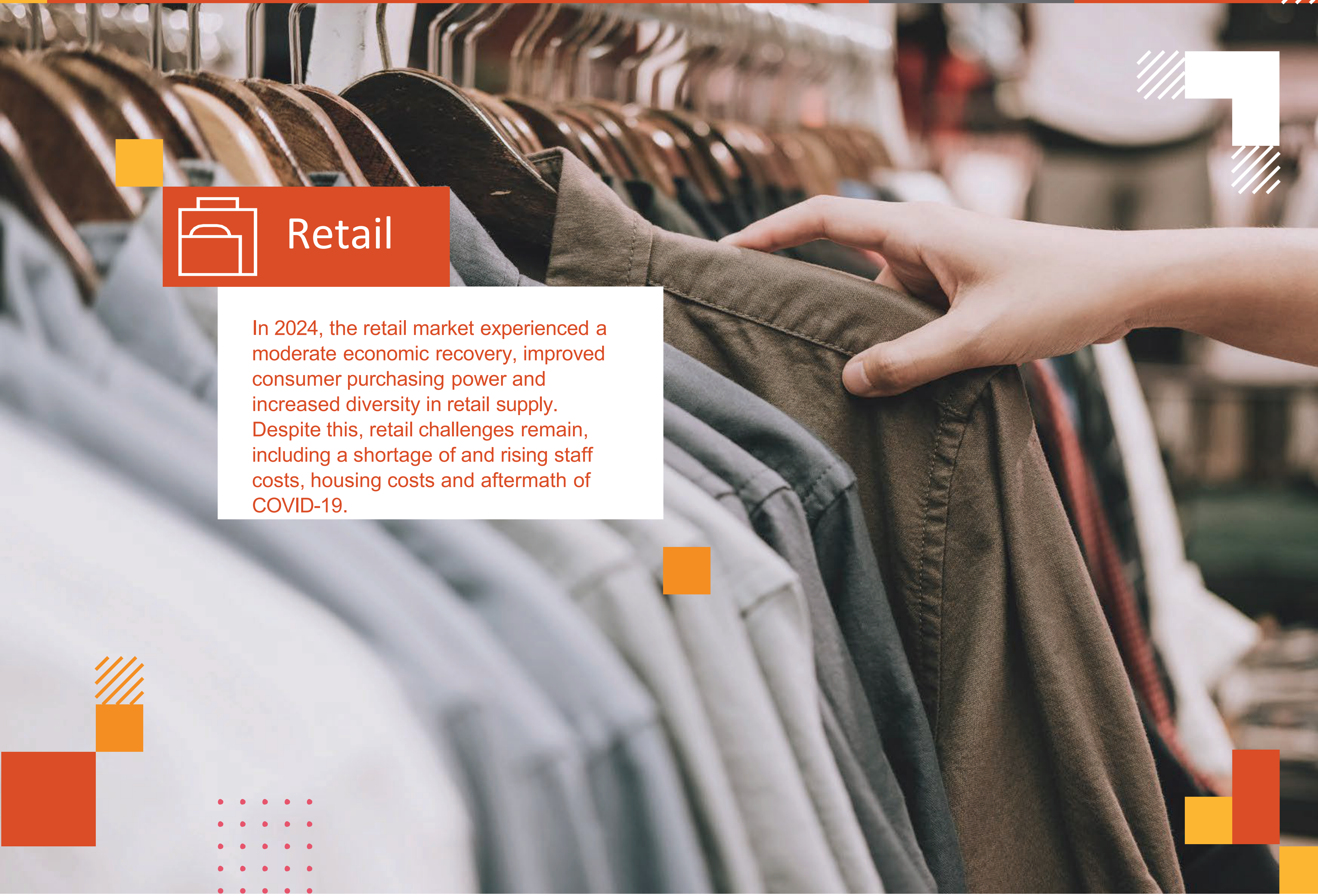
Source: CBS/ C&W

Selection of investment transactions

Date	City	Address / Building	Purchaser	Acquisition price	Per sqm LFA	GIY
Q4, 2024	Rotterdam	Blaak 555	Edge	€ 54.0 mln	€ 1,900	9.75% - 10.25%
Q4, 2024	Oegstgeest	W. Einthovenstraat	ASR	€ 51.5 mln	€ 4,250	5.25% - 5.75%
Q4, 2024	Rotterdam	Fascinatio Boulevard	Corum	€ 50.8 mln	€ 2,650	7.25% - 7.75%
Q4, 2024	Rotterdam	Watermanweg	Corum	€ 15.5 mln	€ 1,950	7.75% - 8.25%
Q4, 2024	Leiden	Dellaertweg	Corum	€ 79.8 mln	€ 2,550	11.0% - 11.5%

Source: PwC analysis

*GIY: Gross initial yield (gross theoretical rent) including purchaser's costs



Retail

In 2024, the retail market experienced a moderate economic recovery, improved consumer purchasing power and increased diversity in retail supply. Despite this, retail challenges remain, including a shortage of and rising staff costs, housing costs and aftermath of COVID-19.

Trends and developments

Purchasing power

After a period of stagnation, the Dutch economy is taking a cautious step towards modest growth. The Dutch economy showed moderate growth of 0.9% in 2024. For the years ahead, the DNB anticipates a slight growth of approximately 1,5% in 2025 and 2026. This will have a positive impact on purchasing power for the years ahead.
An increase in collective labor agreement (CAO) wages, decreasing inflation, and decreasing savings ratios drive retail revenue growth. The trend of savings ratios of consumers is projected to decrease, coinciding with a greater confidence in the economy. However, this trend is not so certain. The DNB states that geopolitical unrest, particularly around developments in Ukraine, US, and Russia, may lead to Dutch people saving more (and spending less in stores).

Sales

The improving economy and increasing purchasing power have affected various aspects of the retail trade, including turnover, sales volume, vacancy rates and the composition of the retail supply. According to the Central Bureau of Statistics Netherlands retail sales increased by 2.1% in 2024 (retail volume 1.4%) compared with the previous year. This is the lowest growth in a decade. The growth of online webshop sales in 2024 lifted this number up and stood at 9% while retail focused on food declined 1%.

Despite the increase in turnover, the number of bankruptcies among retailers increased by more than 30% compared with 2023. Major brands such as Bristol, Blokker and Esprit have been declared bankrupt. The non-distinctiveness of brands and accumulated tax liabilities during the COVID-19 pandemic are seen as the cause of the increase in bankruptcies.

The amount of bankruptcies is still below the 10-year average but expected to rise in the next years.

Research by PwC (Retail Monitor 2024) shows a decline in recreational shopping, with a notable increase in more targeted, routine shopping habits. The research indicates that consumer preferences are sector-specific. For example, convenience is of great importance for consumers in supermarkets and DIY stores. On the other hand, experience, expertise and personal advice are highly appreciated in sports shops and household stores. Together with modest growth in online sales, this could signal a renewed consumer preference for physical stores.

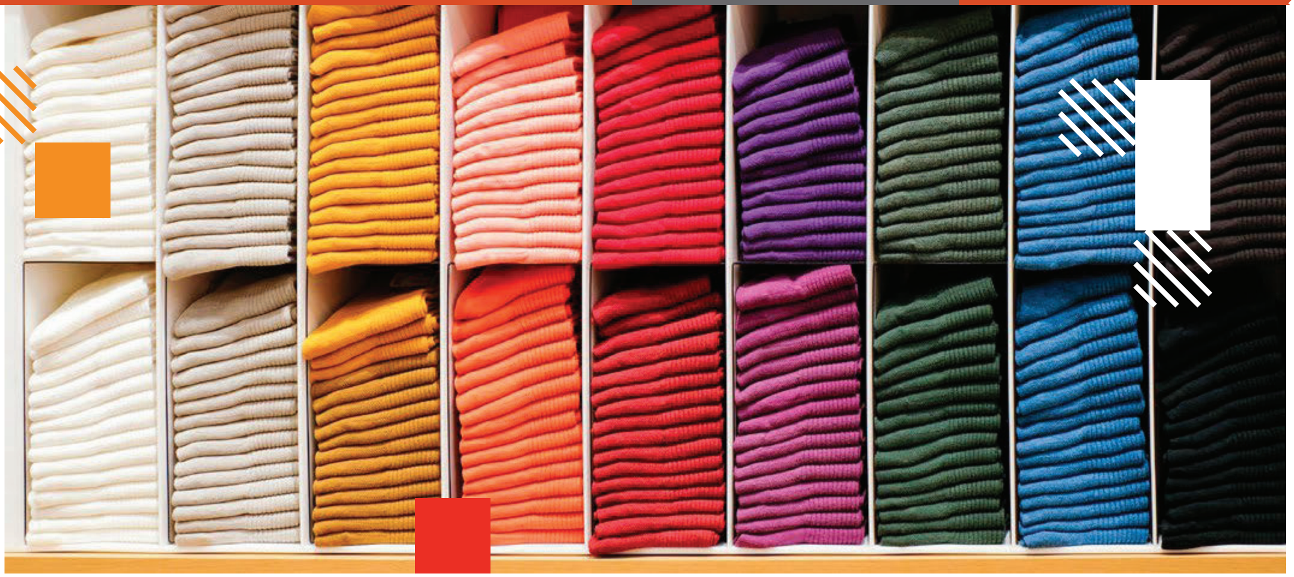
User market

Rents

Market rents have remained stable, with comparison (regular) retail gaining momentum and convenience retail experiencing a slight slowdown. The difference in market rents, or the growth thereof, is indicating a growing polarization between city centers.
Location polarization is also evident, with high-traffic locations in the G4 cities attracting multiple offers when retail space becomes vacant or is introduced to the market. On the other hand, off-pitch retail locations may suffer from extended periods of vacancy.

Gross market rents are expected to remain stable in the first half of 2025. Gross market rents may rise slightly in specific core shopping areas in the best locations and segments, but declining demand for retail space in general means they are still under pressure.

A stabilization in gross market rents has been observed in high streets in some of the largest cities. The market rent per sqm of the best retail space in prime locations on Kalverstraat fell from €3,000 in 2019 to €2,250 in H1 2024 but recovered to approximately €2,400 in H2 2024. Market rents on P.C. Hooftstraat are at €3,100 per sqm per year end 2024.



Vacancy

Despite facing various bankruptcies of larger brands since COVID, the retail market has shown resilience with declining vacancy levels in 2022 and 2023, influenced by ongoing transformation efforts. These efforts lead to the trend that the absolute number of retail properties is declining. Recent research shows that, unlike in 2022 and in 2023, the vacancy rate in 2024 has gone up slightly, mainly caused by the bankruptcies in 2024.

Investor market

Investment activity experienced gradual growth in 2024, with continued growth in investment market dynamics. However, the impact of yields still puts pressure on the capital growth of standing investments.
Transactions in the market were diverse, ranging from out-of-town DIY stores to high street units in mid- and larger-sized city centers and district shopping centers. The investment market activity is growing compared to previous years, especially in the smaller ticket size with an average transaction price of around € 5 million. Retail reversionary yields remained almost stable, and retail capital values are still absorbing the impact of yield expansion.

Retail investors report key metrics that are improving compared to 2023: increased footfall, market rental value growth in some areas, elevated consumer spending power, and lower policy interest rates. These factors all contribute to the first signs of recovery in the investment market.
Private investors like Meerdervoort or Nova Capital are more active than institutional parties and most asset deals are small due to financing difficulties.

The Rokin Plaza deal (Q2 2024) in Amsterdam, located at Kalverstraat 11-17 – Rokin 12-16 stands out due to its asset and investment size, serving as an example of wealthy private investors taking a position in the Dutch retail market.

Yields

As mentioned, the Dutch retail segment has been subject to polarization for some time now. The gross initial yields (with no additional costs payable by the purchaser) of regular medium-sized shopping centres with a mixed retail offer and secondary retail locations were at the level of 9.5% - 12.5% in the second half of 2024. The yields of these regular medium-sized shopping centres and secondary retail locations increased slightly further in 2024. The indicative gross initial return (with no additional costs payable by the purchaser) for the traditionally strong investment categories such as supermarkets is between 4.8% and 6.5%. For supermarkets located in neighbourhood shopping centres, this yield is compared to H1 2024 still between 5.5% and 7.0%.
The indicative gross initial yield (with no additional costs payable by the purchaser) for high-quality shopping centres in the second half of 2024 is between 5.25% - 6.25% and for sub-prime locations up to 8.5%. For high street shopping streets in A locations, the indicative gross initial yield (with no additional costs payable by the purchaser) ranges between 4.0% and 7.25%.

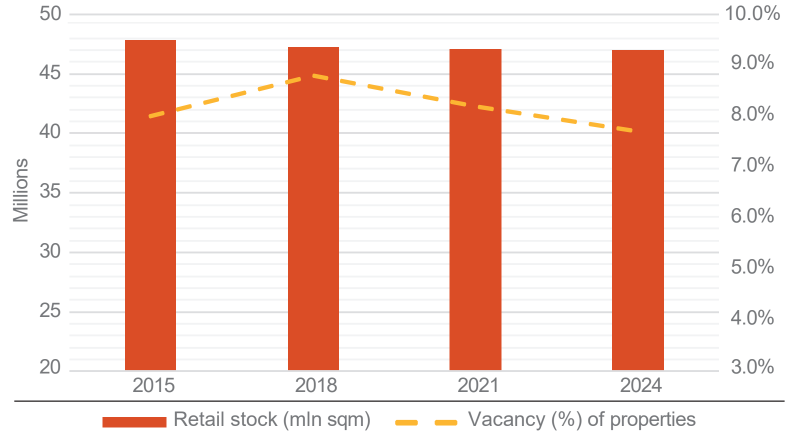
Facts & Figures

Overview development of gross initial yields

Source: PwC analysis

*GIY: Gross initial yield (gross market rent) including purchaser's costs

Development stock and vacancy



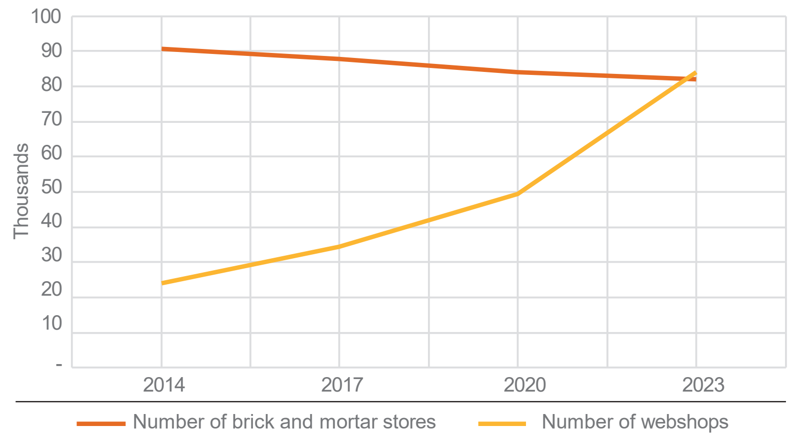
Source: CBS

Markthuurwaarde en incentives

	Gross market rent p/m² headline	Δ market rent vs. Q4 2023	Incentive level
Hoofdwinkelstraat	Up to € 2,800	➡	➡
Winkelcentrum	€ 110 – € 1,550	➡	➡
B/C locaties	€ 50 – € 150	➡	➡

Source: PwC analysis

Development stores and webshops



Source: CBS (latest update concerns May 2023)

Selection of investment transactions

Date	City	Address / Building	Purchaser	Acquisition price	GIY
Q3,2024	Spijkenisse	WKC Stadhuispassage	Meerdervoort	€ 18.050.000	11.0% - 11.5%
Q3,2024	Vlissingen	WKC Albert Heijn XL	NP Investm.	€ 18,325,000	6,5% - 7.0%
Q3,2024	Heerenveen	WKC Nieuwe Weme	Hoge Dennen	€ 11,100,000	5.5% - 6.0%
Q4,2024	Utrecht	Gagelhof	Nova Capital	€ 10,350,000	6.5% - 7.0%
Q4,2024	Rotterdam	De Meent	Marcan	€ 10,100,000	6.5% - 7.0%

Source: PwC analysis

*GIY: Gross initial yield (gross theoretical rent) including purchaser's costs

Healthcare

Compared to 2023 the transaction volume of 2024 has increased. As the first half year of 2024 was relatively quiet in terms of deals, deal volume has picked up in the second half year of 2024. Despite this increase, uncertainty prevailed on the Dutch healthcare real estate market in 2024. Important factors were high personnel costs for healthcare operators and the adjustment of the normative housing component rate and the associated pressure on the operating result, which may have consequences for planned investments in, among other things, sustainability. Nevertheless, the relatively stable returns and long lease contracts contribute to the financial stability of investors. The current indicative gross initial yield for prime care homes is around 5.0%.

Trends and developments

The Dutch healthcare real estate market can be roughly divided into two sub-sectors: care and cure. The care sector concerns, among other things, nursing homes, residential homes, but also residential care institutions (private or otherwise). It focuses on providing long-term care to people who need help with daily activities or have specific medical needs. The cure sector focuses on providing medical treatments and services. This sector includes health centres, clinics and specialised medical centres.

Uncertainty

Uncertainty remains a key word in the healthcare real estate market. Uncertainty about interest rate developments also plays a role in the healthcare real estate market, but also uncertainty about the cost aspect of care operators and their affordability. Healthcare operators indicate that they remain under pressure (financial or otherwise). The shortage of sufficient and qualified staff combined with rising staff costs is putting pressure on the financial performance of healthcare providers. Rising staff costs are a result of higher wages for permanent staff, but also of expensive temporary workers to fill the staff shortage. Due to the pressure on the already small operating margin, it is expected that planned investments (e.g. in the area of personnel and sustainability requirements) will be postponed, downsized or discontinued. It is also expected that the affordability of healthcare will come under further pressure, partly as a result of expensive hiring of external staff and a fall in the normative housing component rate (NHC) rate.

Adjustment of NHC rate

An amendment to the 2024 budget of the Ministry of Health, Welfare and Sport was adopted in February 2024 at the initiative of Sarah Dobbe, a member of the Dutch parliament for the Socialist Party. In total, around €193 million of cutbacks were reversed. This relates to approximately €117 million in savings on the normative housing component (NHC). There was also a cut of €46 million regarding the 'separate housing and care' measure and a cut of €30 million regarding fall prevention. In terms of adjustments to the NHC rates, the initial 7.2% reduction was cushioned by earlier budgeting of additional investment resources for further sustainability. However, the question remains as to whether this represents a structural change and, as a result, the uncertainty for healthcare organisations persists.

ESG

From an investor perspective, the healthcare real estate market remains a sector for achieving ESG objectives. Sustainable and future-proof construction that facilitates the housing of the elderly contributes to ESG objectives that are becoming increasingly important. In particular, the combination of Environmental and Social objectives can be achieved within this sector. Investing in sustainable buildings that contribute to social goals such as housing and care for the elderly contributes to ESG objectives.

User market

Rent development

Rents for both the care and cure sectors increased slightly in 2023 and 2024. Healthcare providers' funding is expected to remain under pressure in the year ahead. Healthcare providers depend on financing by insurers and are regulated by the government of the Netherlands. This is expected to play an increasingly important role in the development of rents (market or otherwise).

In general, the rents of nursing homes are between €170 and €260 per m² of rentable floor surface. Rents for high-end private care apartments may be higher. VAT compensation and/or investment annuities have a further impact on rents. A bandwidth of rentals of primary care centres is generally between €150 and €200 per m² of rentable floor surface. Incentive levels generally do not exceed 5% of the total rent for modern buildings with long lease terms and are stable.

Investor market

Market conditions

The healthcare real estate sector – like other asset classes – experienced a decrease in the investment volume in both 2023 and 2024 compared with 2022, with the main reason being the increased capital market interest rates. This has led to an upward trend in yields. As per end of 2024 this upward trend seems to have leveled of regarding prime care homes. The transaction volume of 2024 is higher than 2023. The number of transactions of primary health care centres has fallen more sharply. Nevertheless, the relatively stable returns and long lease contracts also contribute to the financial stability of investors. Scarcity of sufficient high-quality investment opportunities remains a major challenge in this part of the real estate market.

The current indicative lower end of the bandwidth for gross initial returns in the top category is 5.0% for the best care home investments, which is a decrease of about 10 bps compared with a year earlier. The lower end of the bandwidth for health centres and clinics is 6.2%, an increase of about 10 bps compared with a year earlier. All in all, the healthcare real estate market remains an attractive sector for investors due to the current shortage of care homes (high demand), long lease contracts and an attractive risk-return profile in this sector.

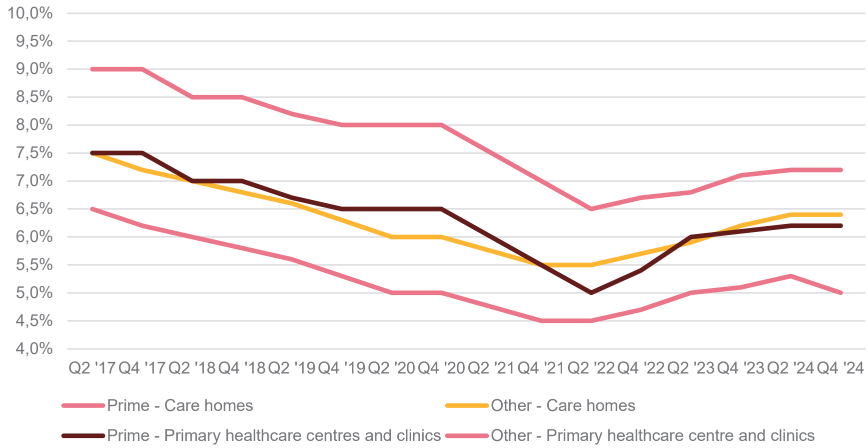
Investments

Investment transactions in the first half of 2024 were scarce. The second half of 2024 the transaction volume picked up pace. This applies to both the care segment and the cure segment. As far as the care segment is concerned, Bouwinvest's transaction is particularly striking. In April 2024, Bouwinvest purchased a portfolio of 11 care complexes from Emeis (formerly Orpea). This relates to 11 private residential care complexes, five of which were recently completed. The remaining six complexes still need to be completed. Also, the purchase of 5 assets by Schroders from Pro Senectute is noteworthy. The deal comprises a total of 262 independent care apartments and 168 nursing home beds.

On the cure segment side, the number of transactions is very limited, although at the end of 2024 more transactions were concluded. Several primary health care centers in Leiden, Baarn, Zevenaar and Lelystad were transferred from October till December 2024. As well as a multifunctional centre in Rotterdam, which includes a primary health care center, as well as a library and a childcare facility.

Facts & Figures

Overview development of gross initial yields



Source: PwC analysis

*GIY: Gross initial yield (gross market rent) including purchaser's costs

Market rental development

	Rental growth 2025	Rental growth 2026
Care	↘	→
Cure	↗	→

Source: PwC analysis

Selection of investment transactions

Date	Place	Address / Building	Purchaser	Acquisition price	GIY
Q4, 2024	Lelystad/Veghel	2 assets	Holland Immo Group	20,500,000	6.0%-6.5%
Q4, 2024	Sliedrecht	Gantelweg 6	ASVZ	3,230,000	5.5%-6.0%
Q4, 2024	Apeldoorn	Kelvinstraat 3	Achmea	4,950,000	4.5%-5.0%
Q4, 2024	Leiden	Oosterkerkstraat 1	Nobu	4,075,000	6.5%-7.0%
Q3, 2024	Heemstede	Glipperdreef 199B	Achmea	11,500,000	5.0%-5.5%

Source: PwC analysis

PwC Real Estate Advisory & Valuations

The need for transparent and independent valuations

From its independent role, PwC Real Estate Advisory & Valuations provides real estate valuations for various purposes, ensuring transparency, completeness and objectivity.

Social developments and stricter legislation and regulations are increasing the need for transparent and independent real estate valuations day by day. From the perspective of its independent role, PwC Real Estate Advisory & Valuations supports with real estate valuations for a variety of purposes, with transparency, comprehensiveness and objectivity being paramount. PwC's valuation team comprises RICS- and NRVT-registered surveyors, ensuring that the highest professional and ethical standards are adhered to.

About the PwC report 'Developments in the Dutch Real Estate Market'

The PwC REA&V report 'Dutch Real Estate Market Update' covers our analysis and opinion of trends and developments in the Dutch real estate market in 2024. Our market update is summarized in sector snapshots for each real estate category and is guided by our economic framework.

The PwC report Developments in the Dutch Real Estate Market was founded in 2009 by the PwC Real Estate Advisory & Valuations team in Amsterdam and is reported bi-annually.

We are pleased to celebrate our 15th anniversary this year.

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