The Netherlands Real Estate Market Outlook 2025

REPORT

REAL ESTATE

CBRE RESEARCH

Content

Foreword

Welcome to the Real Estate Market Outlook 2025. In this report, we examine the key developments in the real estate investment market. We reflect on 2024 but primarily look ahead to what this year has in store for us.

Soft landing

As we predicted at the beginning of 2024, we entered calmer waters last year. Interest rates fell and the economy grew. But above all, hesitancy in the real estate investment market gradually gave way to acceptance of lower pricing. This became particularly visible in the last quarter, marking the cautious beginning of a new period.

The only way is up

As some investors finally accepted the new price level, they also encouraged others to sell. In other words, the bottom of the market has been reached, and recovery has begun. Initially, this attracted mainly opportunistic investors. These will gradually be followed in the coming year by investors who have a strategy with a longer investment horizon – such as institutional investors.

Everything indicates that the positive trend will continue into next year. In 2025, inflation rates will fall further, the economy will continue to grow, and there will be sufficient liquidity in the market. The upward trend is not immediately grand and compelling, and some uncertainty will remain. But one thing is certain: market dynamics are returning. We are clearly at the beginning of a new cycle.

Momentum returns

The coming year presents clear opportunities, particularly in the living and office investment markets. Now that the bottom has been identified, there are few reasons for investors not to enter the market. Evidence of this has already been gradual, and we expect it to materialise in 2025.

We look optimistically ahead to a year full of promising developments in a new investment cycle. We hope that our Market Outlook helps you with your investment strategy for 2025.

Erik Langens
Managing Director

Robert-Jan Peters
Head of Debt & Structured Finance

01

Economic outlook

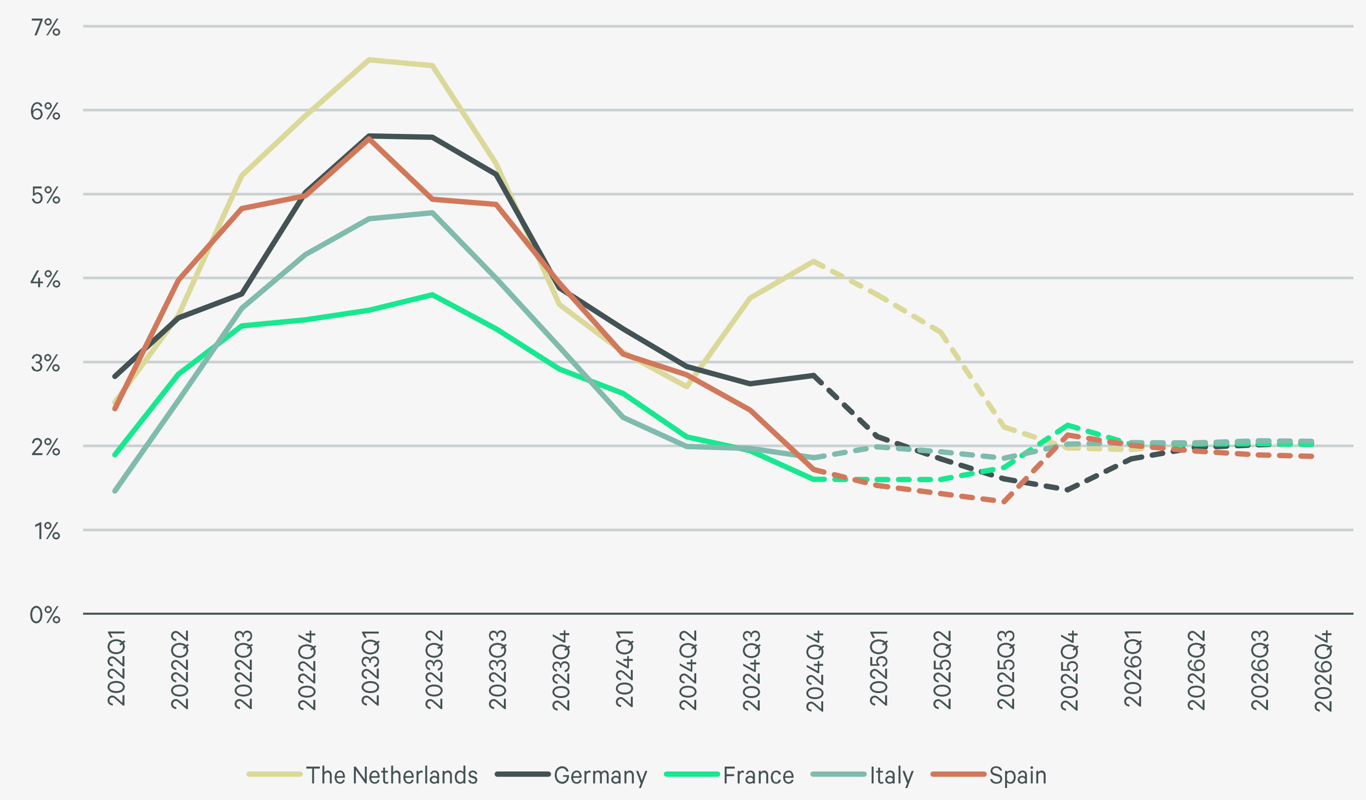
The Dutch economy faces major challenges, including a persistent core inflation. Geopolitical uncertainties and possible increases in import tariffs by major economies such as the U.S. will leave a mark on world trade. These developments could also affect the Dutch economy. On the other hand, lower ECB policy rates and increasing consumer spending offer opportunities for further economic growth. It remains crucial to address obstacles such as labour shortages and grid congestion. This will ensure economic growth and an attractive investment climate in the medium term.

DUTCH CORE INFLATION PERSISTENT

In most European countries, the decline in inflation has continued. For major economies such as France, Spain and Italy, it has been around the desired 2% - or even below - for some time. Other major economies are also showing a clear decline in that direction. On this basis, the ECB has implemented several policy rate cuts totalling 100 base points. This compares sharply with interest rate cuts by the Federal Reserve (The Fed) in the United States and the Bank of England (BoE) in the United Kingdom.

In the Netherlands, core inflation is more persistent - the last quarters of 2024 even saw an inflation increase. This is partly due to the wage price spiral and government policies, such as the increase in the excise tax rate on alcohol and tobacco. In addition, part of the inflation is caused by the fact that many companies have implemented disproportionate price increases, often exceeding cost increases. For example, the profit ratio of many Dutch companies rose much faster than in the rest of the EU. Due, among other things, to the rise in healthcare costs, the increased VAT rate in the hotel sector and expected rent increases, inflation will remain high in the first half of 2025. After this, we expect core inflation to fall. Inflation will be around the desired 2% by the end of the year in the Netherlands as well.

Figure 1: Core inflation trends (2022 – 2026)



Source: CBRE House View

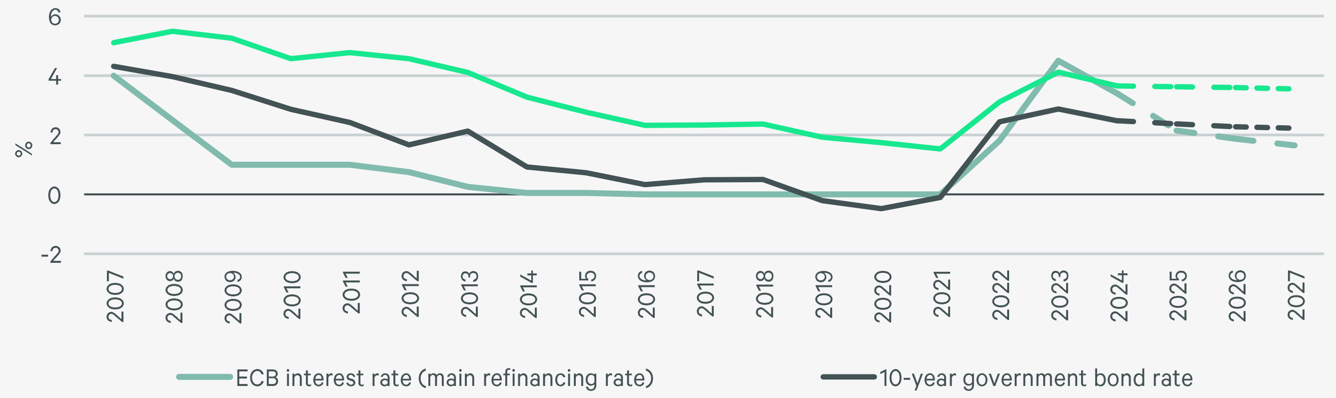
DECLINE IN POLICY RATES CONTINUES

CBRE expects the ECB to further reduce the base rate in 2025, bringing it to just above 2% by the end of 2025. By comparison, the base rate was 3.15% at the end of 2024. This is partly due to lower inflation in the larger European economies. For this reason, a further cut in policy rates seems justified. On the other hand, there are geopolitical developments leading to continued tensions and uncertainties. Increased import tariffs introduced by other countries will have an effect on the European economy - more on this below. A reduction in policy rates should help to ensure that the European economy can absorb that impact.

LABOUR MARKET TIGHTNESS REMAINS, DESPITE SLIGHT INCREASE IN UNEMPLOYMENT

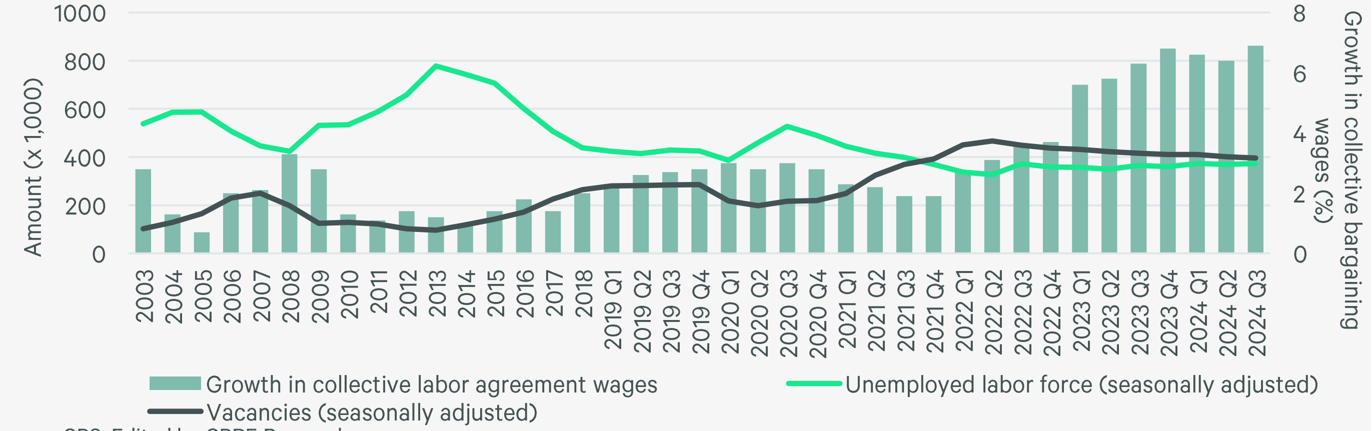
The number of jobs will increase in 2025, but this increase is expected to be less than last year. As a result, job security in the Netherlands remains high. Still, CBRE expects unemployment to rise slightly: from 3.7% in 2024 to 3.8% in 2025, to as much as 4.0% in 2026. Despite this increase, unemployment is still historically low. There will continue to be differences in tightness between different sectors, but overall wage growth will be more moderate - partly because inflation will also decline. However, wage growth is higher than inflation, which has a positive effect on purchasing power.

Figure 2: ECB interest rate projections, 10-year government bonds, 5- to 10-year mortgage interest rates



Source: Oxford Economics, DNB, CBRE Research

Figure 3: Number of vacancies, unemployed and development of collective labor agreement wages



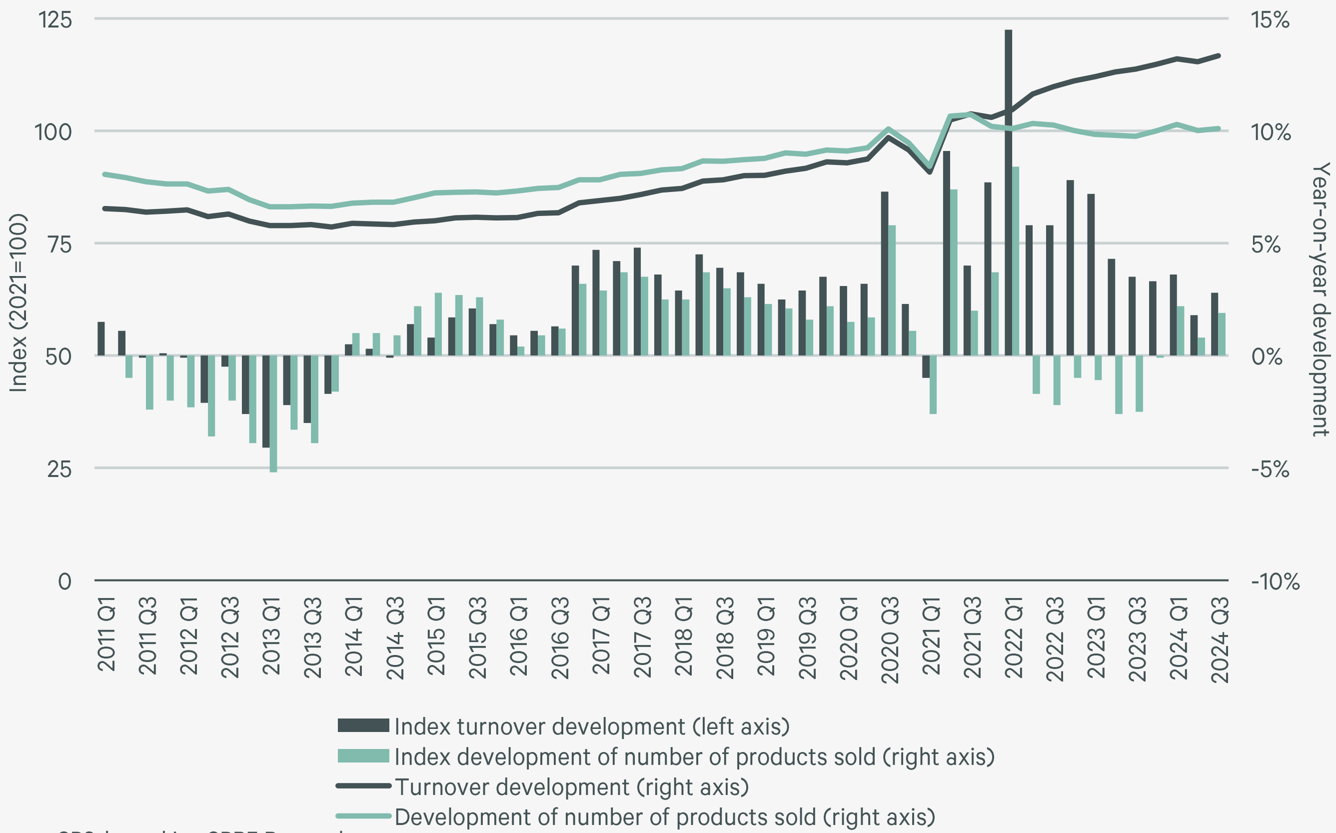
Source: CBS, Edited by CBRE Research

CONSUMER SPENDING INCREASES

Expectations for consumer spending in 2025 are positive. More was spent last year than before. Even more striking is that for the first time in three years more products were sold. CBRE expects this trend to continue in 2025.

The expected spending increases are supported by figures on consumer confidence, which is increasing. Consumers even indicate that they are positive about their financial situation for the next 12 months. This is partly because the biggest increase in inflation is behind us and many wages have risen, increasing purchasing power. The continuing tight labour market also provides security and thus contributes to confidence in one's financial situation. Typically, this leads to more spending. Therefore, 2025 is expected to be a stronger economic year than the previous two years.

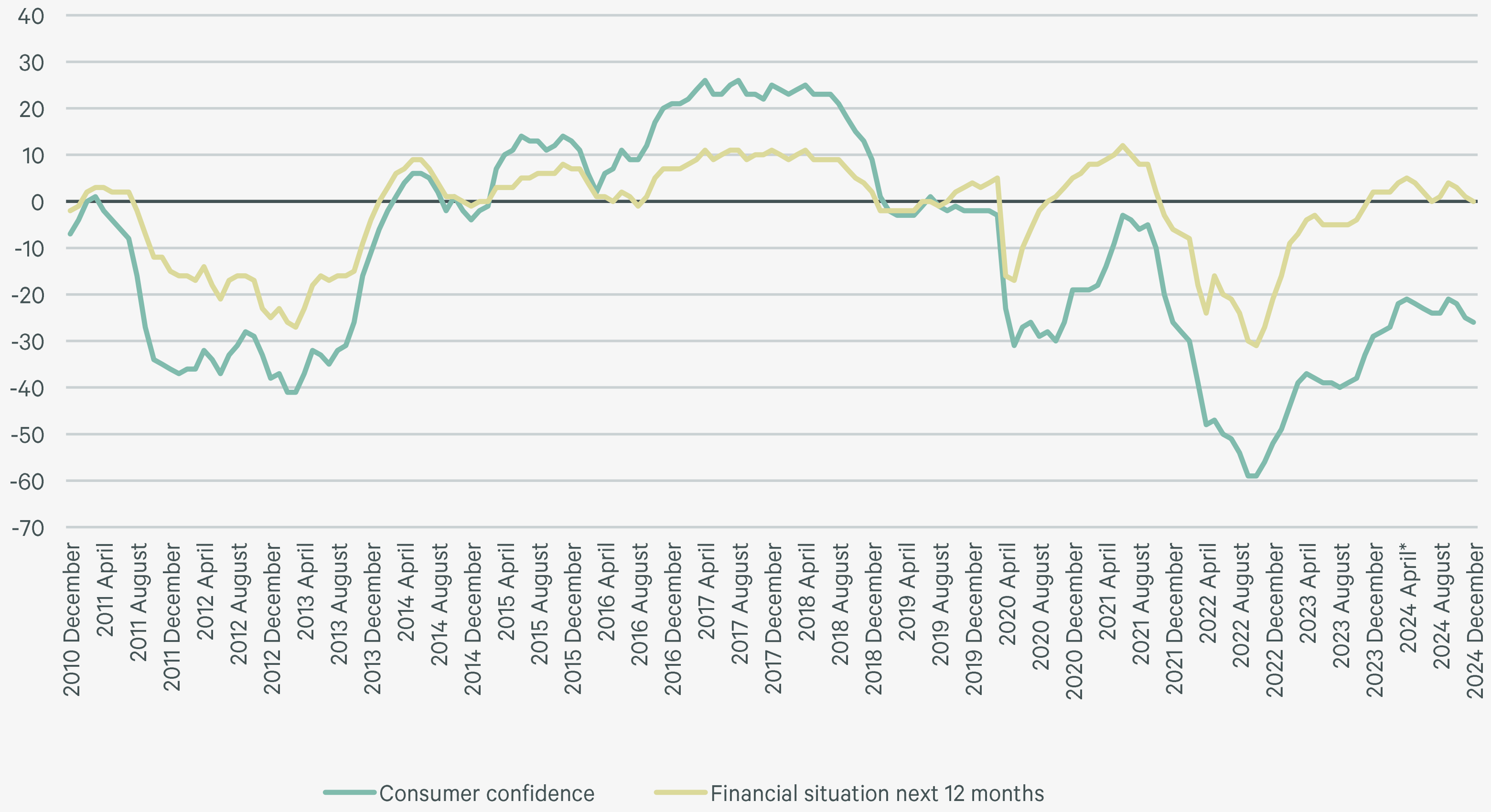
Figure 4: Development of consumer spending in the retail sector



Source: CBS, bewerking CBRE Research

Increased spending will have a positive impact on the economy. Evidently, for retailers it is beneficial if more products are sold. Moreover, the industrial sector - which saw a downturn last year - will also be pleased with this development.

Figure 5: Consumer confidence developments

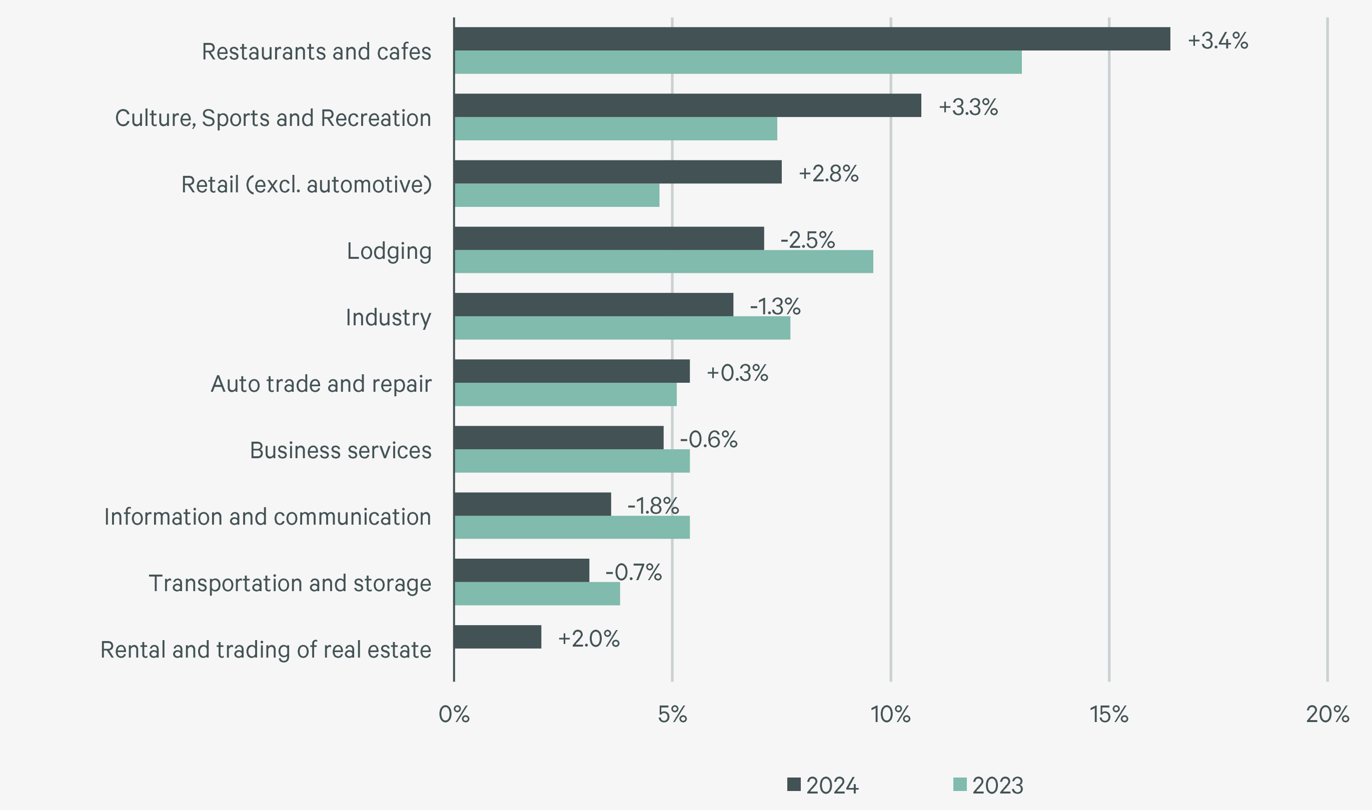


Source: CBS, Edited by CBRE Research

FURTHER INCREASE IN BANKRUPTCIES, BUT STABILIZATION IN SIGHT

The number of bankruptcies in the Netherlands is still expected to increase slightly by 5-10% in 2025, following an already sharp increase in 2024. Many companies are experiencing pressure on their margins due to increased wage, transport and rental costs. In some cases, debts from the corona period must also be paid off. More and more business owners are experiencing debt as problematic. This is especially a big problem among restaurants and cafes. This was already the case in 2023, but the problem has only increased over the past year. The same is also true to a lesser extent in the retail sector. For hotels and in the industrial sector, debt is also high, but has decreased.

Figure 6: Proportion of entrepreneurs who perceive debt burden as problematic



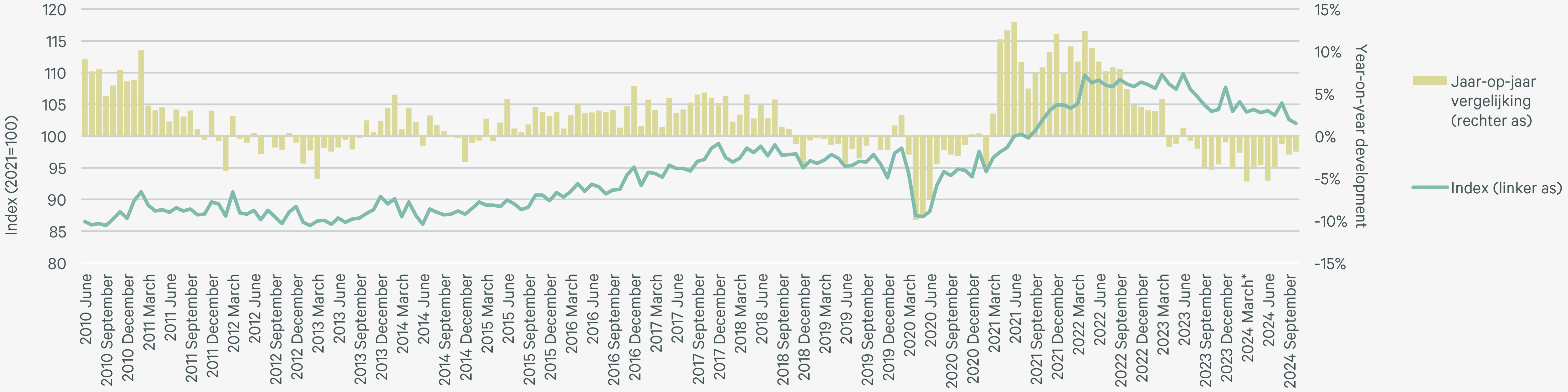
Source: CBS, Edited by CBRE Research

MIXED PICTURE INDUSTRY

CBRE expects production in the industrial sector to show small growth in 2025. A positive development, as the sector struggled with a decline over the past year and a half. Although this was mainly due to strong growth in the two years preceding it. Despite the recent downturn, the level of growth is still historically high.

Output growth may well suffer from the effects of geopolitical developments on world trade, such as increased import tariffs. A possible downturn of the German economy could also have an effect; a quarter of Dutch exports go to our eastern neighbour. If the German economy declines, this will eventually have an effect on companies in the Netherlands. In this respect, the increase in consumer spending is timely. Spending increases can boost domestic demand for products and thus support Dutch industry.

Figure 7: Development industrial production

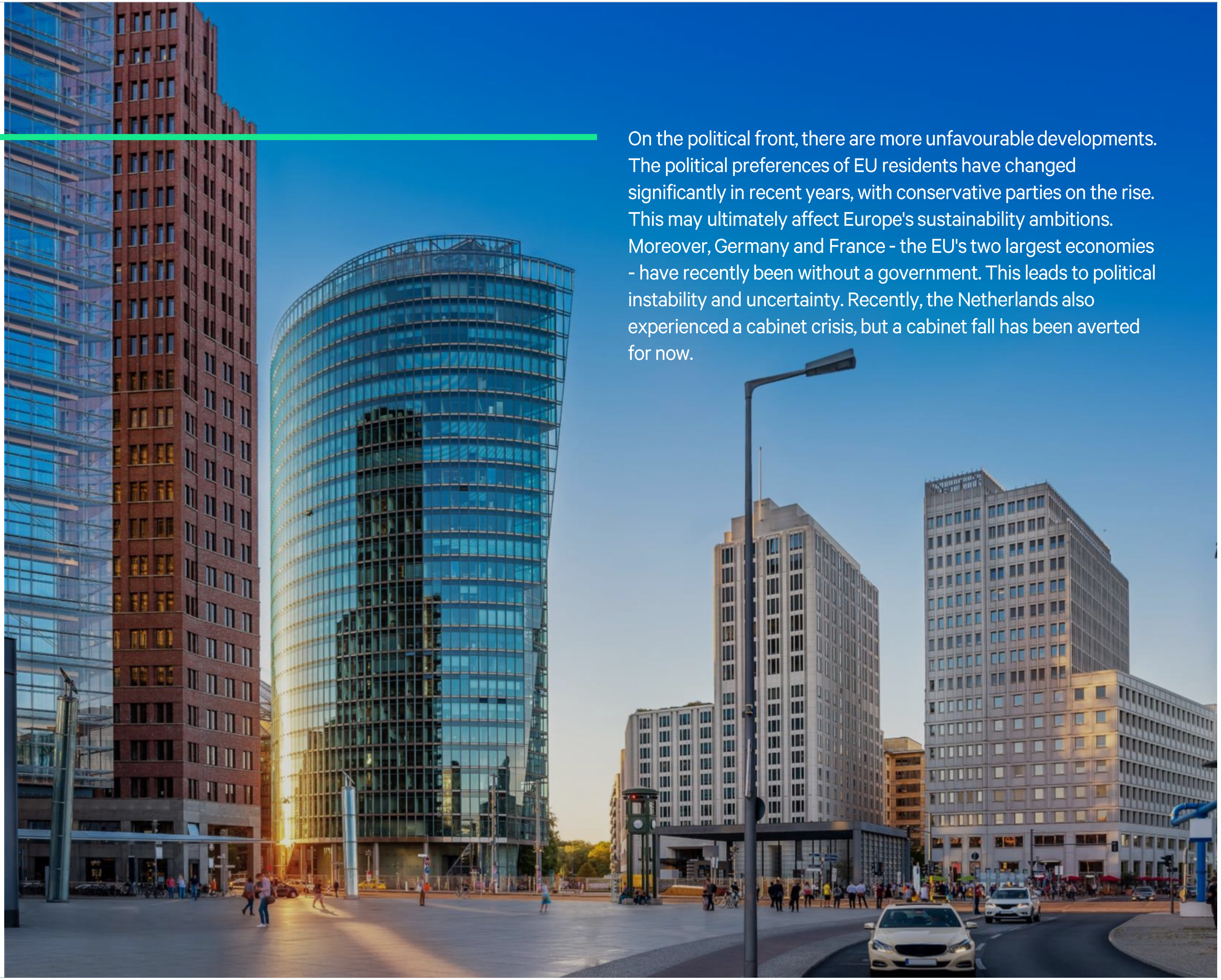


Source: CBS, Edited by CBRE Research

(GEO)POLITICAL DEVELOPMENTS LEAVE THEIR MARK

More geopolitical developments are leaving their mark on the economy. Consider the war in Ukraine and the conflict in the Middle East. In addition, Trump was inaugurated as president of the United States in January. He has already indicated that he will introduce import tariffs, as he did during his previous term. Although recent research[1] has shown that increased import tariffs by the U.S. will have a limited direct impact on the Dutch economy, it is a negative development for world trade.

The impact will be mainly indirect. For example, Germany - the Netherlands' most important trading partner - will be hit hard by, among other things, hefty import tariffs on cars produced in that country. This is expected to worsen the performance of the German economy and possibly increase unemployment there. The result: a decline in consumption, and therefore less demand for Dutch products. American policy may also affect our economy through other countries. Moreover, it is likely that the EU and other countries will also impose import tariffs. Ultimately, this will all affect Dutch exports and activity.



On the political front, there are more unfavourable developments. The political preferences of EU residents have changed significantly in recent years, with conservative parties on the rise. This may ultimately affect Europe's sustainability ambitions. Moreover, Germany and France - the EU's two largest economies - have recently been without a government. This leads to political instability and uncertainty. Recently, the Netherlands also experienced a cabinet crisis, but a cabinet fall has been averted for now.

[1] Effect of US import tariffs on the Dutch and European economy (CPB, November 2024)

DUTCH BUSINESS CLIMATE WORSENS

Political instability and sometimes unpredictable government policies are having a negative impact on the investment climate in the Netherlands. Although we still score high, in recent years the Netherlands has fallen in several international rankings of competing countries. On WIPO's Global Innovation Index, for example: where we were ranked fifth in 2022, we now occupy eighth place. And on the IMD World Competitiveness Ranking, the Netherlands dropped from fifth to ninth place in one year.

The assessment of the business climate in the Netherlands has also deteriorated for the second year in a row - we barely obtain a pass[1]. Factors contributing to this are in particular the tight labour market, increasing regulatory pressure and net congestion. It is leading to more and more companies to consider moving their operations and investments to other countries. Examples include Shell and Unilever, but more recently ASML and Boskalis also toyed with the idea of leaving. These developments may cause structural economic damage in the long term, and thus affect Dutch economic growth and prosperity.

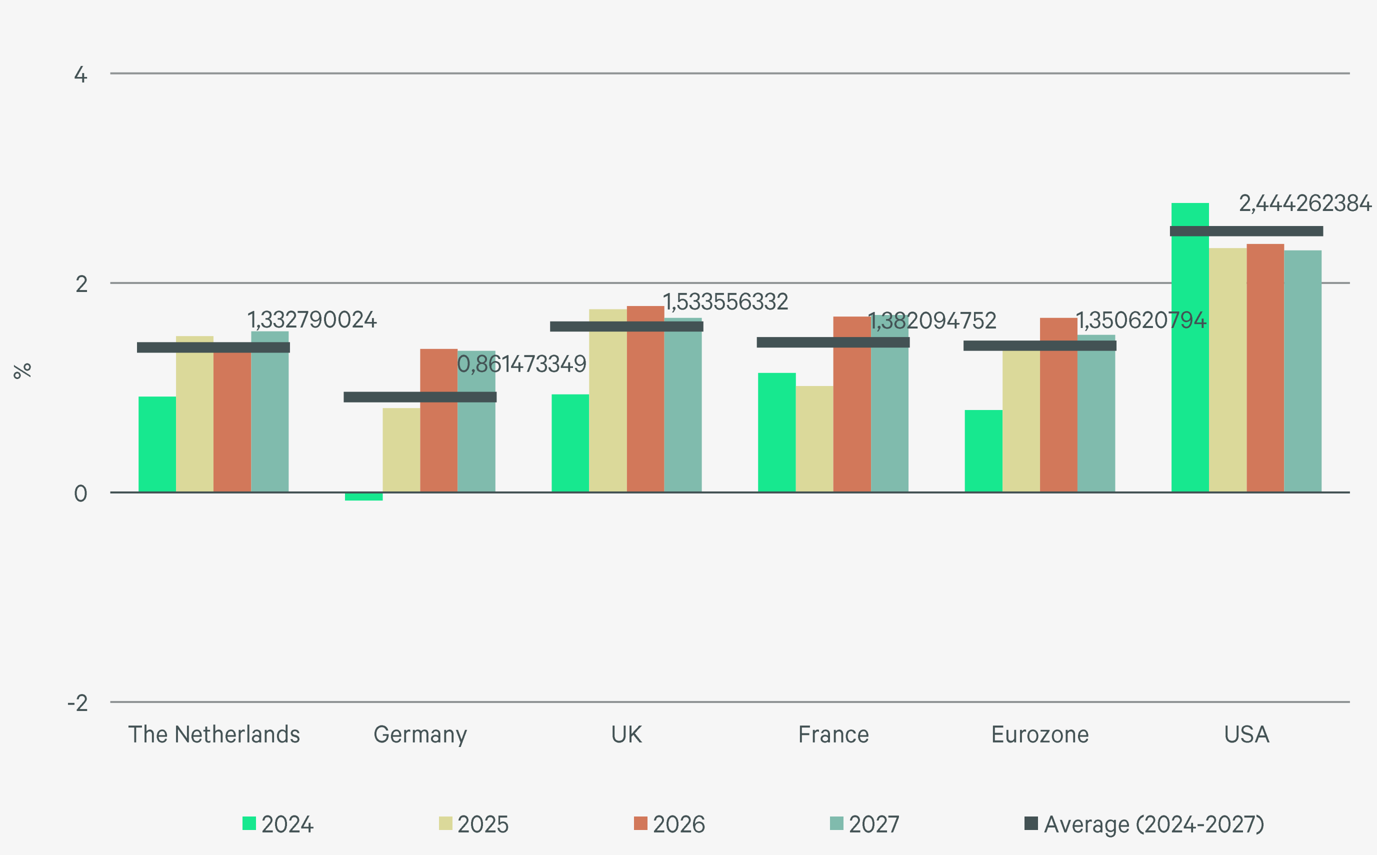
[1] Business Climate Monitor 2024 (SEO & ACBI, commissioned by the Ministry of Economic Affairs, December 2024

ECONOMIC GROWTH EXPECTED

Despite the aforementioned challenges - such as the increase in bankruptcies and the tightness of the labour market - CBRE expects the Dutch economy to continue to grow in the coming years. The economy is partly supported by falling policy interest rates. Average economic growth over the past year and forecasts for the current and next two years have improved slightly from a year ago - from 1.15% to 1.33%. This average is more or less in line with that of the eurozone, but a lot lower than that of the US.

Despite the upward economic trend, European productivity and innovation lag behind. As a result, competitiveness is at stake. On the positive side, EU countries are more aware of this since the publication of the Draghi report. The ECB is cutting policy rates faster than the Fed and BoE - something that may help EU competitiveness. Among other things, this development affects the currency ratio, making the euro worth less than the U.S. dollar and the British pound. As a result, Dutch products will become relatively cheaper, which may offset some of the aforementioned negative effects on exports. Moreover, this also provides short-term opportunities for the Dutch commercial real estate market.

Figure 8: Economic outlook for the Netherlands and some other Western countries



Source: CBRE House View

02 Financing market

Now that inflation has receded to desirable levels and the deleveraging from the ECB is predictable, the funding market is also entering calmer waters. Highly volatile financing rates and challenging refinancing issues seem, with falling interest rates and rising capital values in 2025, to be largely behind us. Indeed, financiers appear to be more positive about the recovery of the commercial real estate market than investors. However, the implementation of Basel 4 for banks may slightly affect the financing playing field which will play into the hands of debt funds and insurance companies, among others.

Brief 2024 review

REFINANCING GAP VIRTUALLY MITIGATED BY FLEXIBLE FINANCIERS

Last year, we assumed that rising interest rates, coupled with a significant decline in property values, created a financing gap, particularly in the office market. In practice, there were also challenging refinancings, but forced sales did not occur.

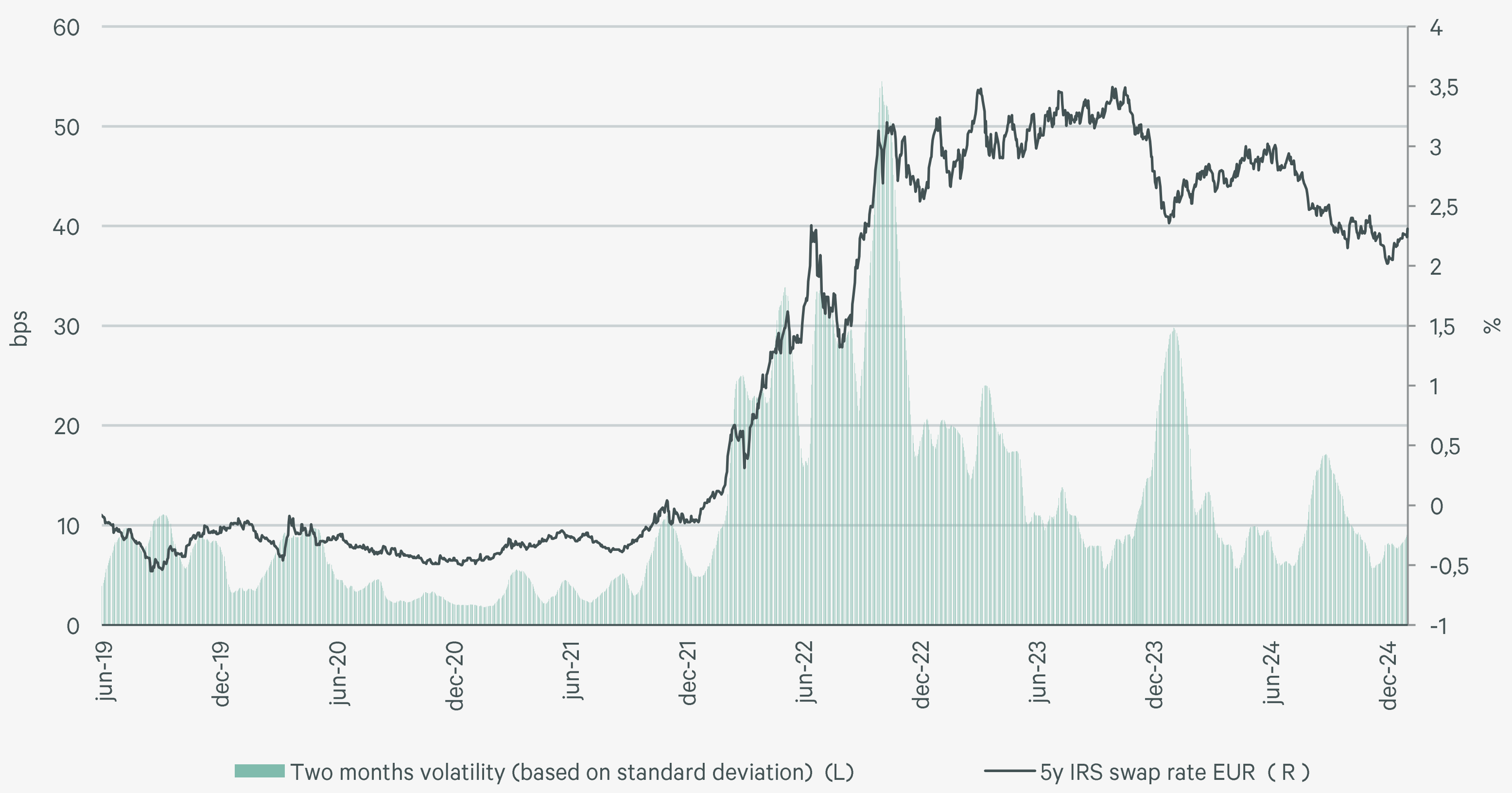
Financiers were mostly willing to be more flexible with the normally strict loan-to-value (LTV) criteria. This was supported by strong user markets, and thus a stable cash flow. Financiers primarily focused on cash flow opportunities to incrementally pay off the loan on top of the interest payments and to bring the loan back within the standard LTVs. In practice, this often resulted in LTVs reaching as high as 70-80%, while major banks typically set their LTV policy at around 55%. This mostly short-term refinancing responded to rising capital values, creating a better exit for both borrowers and lender. As a result, virtually no properties were sold forcibly due to the theoretical refinancing gap.

The main instances of lightly forced sales resulted from redemptions by end investors. These redemption requests require portions of funds to be liquidated in order to meet the payment obligations. For 2025, it is expected that these redemption requests will lead to dynamism in the office investment market, especially as many institutional investors are still facing a withdrawal of capital from their funds.

STABLE INTEREST RATES WITH MANY ACTIVE FINANCIERS IN 2025

In recent years, the uncertainty surrounding financing rates and liquidity in the financing market has often led to hesitancy among investors. By 2025, the contrast with previous years could not be greater. The stable and predictable interest rates, combined with the large number of financiers in the market, provide numerous and clear financing opportunities. The five-year IRS swap rate is expected to remain more-or-less stable at its current level: around 2.10%. This brings volatility back to a level reminiscent of the period between 2019 and 2021.

Figure 9: Development of five-year IRS swap rate and two-month volatility

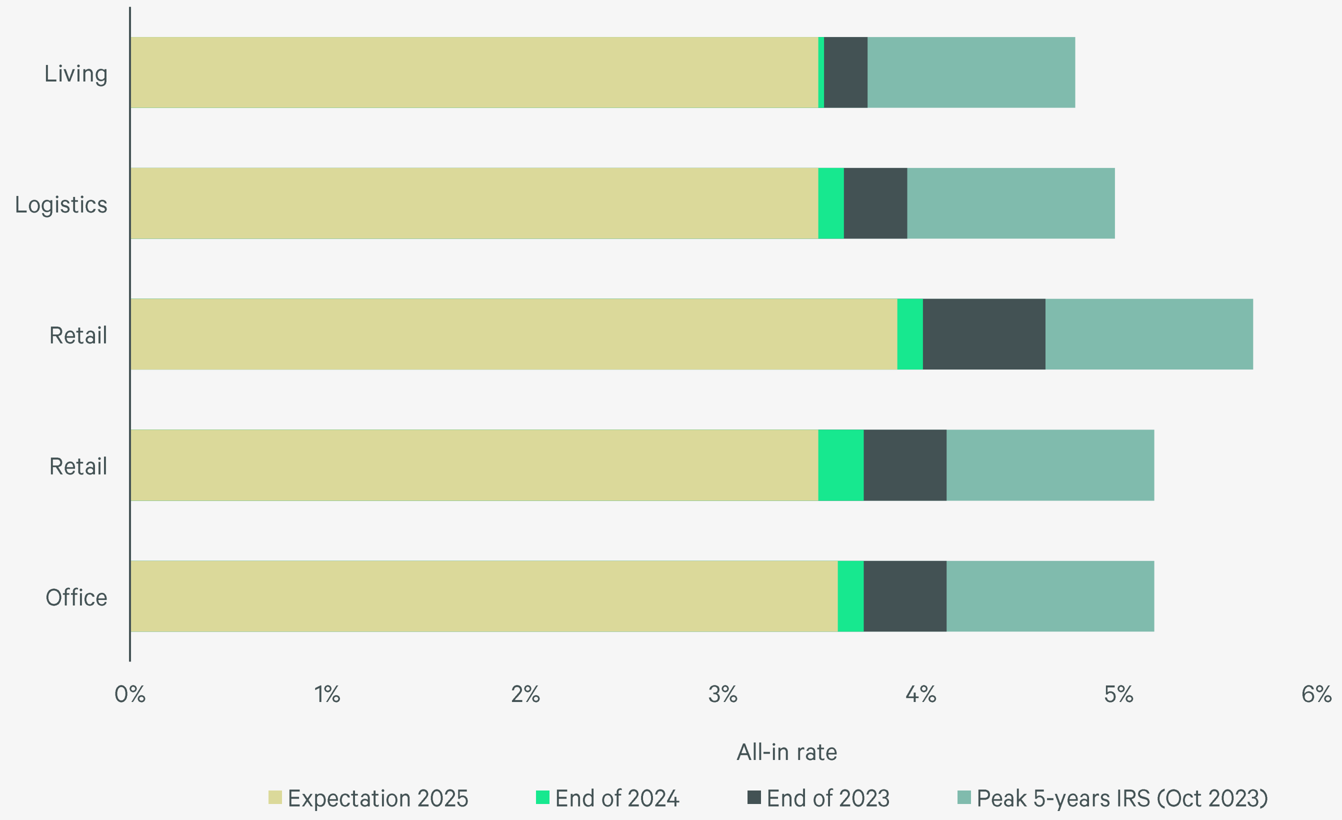


Source: CBRE Research

The number of active financiers in the Dutch commercial real estate market will remain substantial in 2025. It is striking that they are broadly interested in all segments. The enthusiasm for financing remains strongest for living market properties and logistics products. However, it is evident that financiers are currently less hesitant than investors when it comes to offices. Additionally, there is increasing rationality among financiers regarding retail properties. It is particularly noticeable that the willingness to provide financing for medium-sized shopping centres has increased significantly.

We can say that the cost of financing has become significantly more attractive for all segments. Compared to the peak of the five-year IRS swap rate in October 2023, the all-in rate is now 130 to 150 base points lower. Importantly, however, the all-in rate is now also significantly lower than prime net initial yields. This in turn also allows investors to better optimize their returns: through the leverage impact of lower interest rates versus prime net initial yields. This may increase the number of active investors, which also increases competition in the investment market - supported by lower interest rates.

Figure 10: Cost of financing (senior loan for top real estate product)



Source: CBRE Research

FINANCIERS LESS FOCUSED ON ONLY THE BEST OFFICES

Despite the extensive discussion about potential operational risks in the office market, a large number of financiers remain active. In fact, over the past year we saw margins on office financing decrease – partly driven by persistently low vacancy rates. Notably, there is a discrepancy in interest between financiers - such as the Pfandbrief banks - and institutional investors. While institutional investors have a strong acquisition focus on new, centrally located offices, the interest from financiers is much broader.

The price polarization in the office investment market is not reflected in the financing market. Offices with relatively good location, occupancy rates and sustainability scores (label A+ or better) are well-financed. From a sustainability perspective, this even leads to a significant improvement in the financing portfolio for many financiers. This stands in stark contrast to Dutch institutional investors, who are divesting from these offices.

The fact that these often involve relatively larger financing tickets combined with a multi-tenant product makes it an ideal financing option, with risks assessed as low given the margins of 150 to 170 base points.

LIVING REMAINS MOST POPULAR FINANCING PRODUCT AMONG MAJOR BANKS

Residential properties continue to be the most favoured financing product. The combination of sustainability, social impact and the low-risk nature of the living product results in average margins for the best propositions being lower, around 120-130 base points.

In addition to financing new construction, we see that primarily Dutch major banks are also significantly active in the privatisation market. As the living investment market is mainly driven by the purchase of existing complexes with a privatisation strategy, the interest from financiers in this product is also increasing strongly. Major banks appear to be the primary candidates to take on this type of financing, owing to their experience with interim repayments and the associated administration.

The main challenge for major banks lies in their sustainability obligations. Not all privatisation products meet their standards. For instance, major banks aim to have a real estate financing portfolio with an energy label of A by 2030. Often, the investment horizon extends beyond this timeframe, which obliges financiers to require investors to present a sustainability plan, despite the fact that the properties have a privatisation strategy. Investments for investors with a privatisation strategy typically cannot be executed profitably.

For residential complexes with relatively poor energy labels – which are often currently offered on the investment market – financing from a non-bank lender with less stringent sustainability requirements is more likely. This gap is being filled by a number of international insurers and a wide range of debt funds. The latter are often somewhat more expensive but are also willing to provide much higher advance financing.

DESPITE INCREASING VACANCY RATES, LOGISTICS REMAINS POPULAR

The financing market for logistics real estate remains robust. Although vacancy rates are visibly rising, this does not seem to affect the interest of financiers in this product thus far. The margins (130 base points) are comparable to last year. However, they are significantly higher for regular industrial spaces, which show margins of around 170-190 base points, despite this market still experiencing historically low vacancy rates. The hesitancy is partly due to the fact that many buildings in the industrial space market are outdated. As a result, these buildings need better labels in the short term to meet the desired financing product criteria. This also means that for a financing application, the asset management plan - including sustainability improvements - is essential for successful financing.

RATIONALITY RETURNS TO RETAIL FINANCE

Slowly but surely, interest in retail finance is shifting to a broader range of subsectors within the retail market. Until recently, financiers were only willing to finance prime high street retail space and neighbourhood shopping centres with a substantial share of daily groceries (>70%). This focus is now expanding to include medium-sized shopping centres with a larger share of non-daily groceries. Recent years have shown that while the number of mutations may be higher in these types of centres, vacancy rates are not significantly different from neighbourhood shopping centres. However, there remains a difference in margins. For small district shopping centres, a margin of 150-160 base points is typically used, while for medium-sized shopping centres, this usually ranges from 180-190 base points.

For both the office market and shopping centres, financiers seem to be more optimistic than most investors. We still observe reticence from institutional investors, despite the vacancy risks being comparable to those of sought-after convenience shopping centres. Large centres can still be optimised, partly due to population growth and a strong demand for care facilities in central, accessible locations such as shopping centres.

When it comes to the PDV/GDV locations and construction markets segments, financiers remain cautious. Despite a low vacancy rate of 3.6%, they perceive significantly more risk associated with this type of retail space. This is mainly due to the fragmented ownership of PDV/GDV, which makes it riskier than planned shopping centres with one or a few owners. Consequently, the risk of departure is estimated to be higher. Alternative uses, such as converting to housing, do not alleviate this concern. In particular, this introduces considerable intermediate uncertainty and risk due to potential cash flow failures.

Nevertheless, we can say that there is once again more room among financiers for retail financing. This movement aligns with the relatively low risks present in the retail market in the medium to long-term.

IMPLEMENTATION OF BASEL 4 MAY LEAD TO CHANGES IN THE FINANCING LANDSCAPE

Beyond the specific segments, the implementation of Basel 4 on January 1, 2025, will change the financing landscape. It is expected to impact the capital availability of banks in the real estate financing market.

Ultimately, banks will be required to use standardized risk models instead of their own internal risk models. They will also need to base the risk of a financing on a prudent valuation rather than on market value. This new valuation approach is likely to limit the capabilities of banks in a recovering market, which could affect the availability and cost of capital. Overall, banks are expected to hold more equity as a buffer for real estate financing, which may increase the costs for future financing. Additionally, this could lead to a shift in requirements among financiers. It stands to reason that capital will be deployed less quickly for real estate financing, and within the segment, there will be an even greater shift towards properties with the least risk and larger-scale projects.

All non-bank financiers not subject to the Basel 4 agreement may benefit from this tightening. The implementation of Basel 4 is therefore expected to create opportunities for debt funds and insurance companies.

03 Investment market

Review of 2024

Compared to 2023, initial yields gradually became more attractive for investors to re-enter the market in 2024. Inflation decreased, monetary policy shifted, and the outlook for capital value growth improved. These factors enhanced liquidity in the commercial real estate market month by month. Additionally, the reduction and predictability of the capital market interest rates provided greater deal certainty during transaction processes. With rising capital values on the horizon, more and more investors realised throughout the year that the shift in policy rates presented a good entry point. Consequently, we often saw an increase in the number of bids per bidding process after the summer, along with heightened competition in the investment market.

However, there were clear differences in the recovery. For instance, the core investment segment showed limited improvement in the office, living, and retail markets, and to a lesser extent in the logistics market. Moreover, it is noteworthy that the number of forced sales due to refinancing issues or redemption requests from end investor remained relatively low. The primary purchasing activity initially came from private investors across nearly all segments, followed by significant activity from French SCPI funds financed with retail capital. Foreign institutions were virtually inactive in 2024.

Ultimately, the increasing dynamics in 2024 led to an investment volume of €11.3 billion in 2024, which represents a 38% increase compared to the previous year. This marks a clear recovery, particularly driven by the living investment market, which saw a 99% increase in activity. This improvement can largely be attributed to the high popularity of privatisation strategies, both among local private investors and international private equity firms.

The main allocation of capital went to the living market (37%), followed by the logistics sector (27%). The allocation of capital to the office market reached a historic low at 14.9%. The retail market shows a stable picture, with an investment volume of 10.4% of the total.

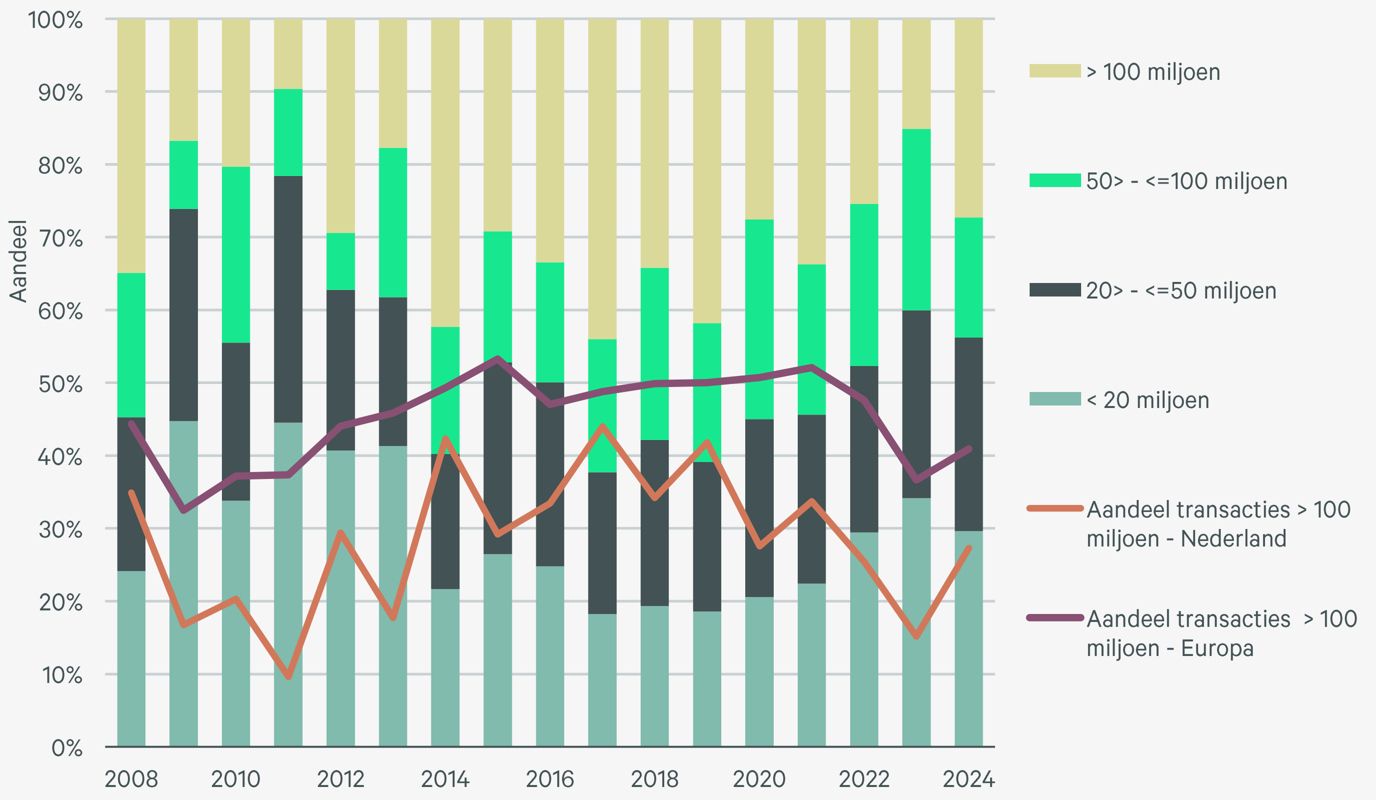
LOCAL AND PRIVATE INVESTORS ARE HITTING THEIR STRIDE

As mentioned, last year the momentum primarily came from private investors and Dutch institutional parties. While previously 58% of the investment volume stemmed from abroad, that share dropped to just 35% last year. This indicates that investors are retreating to their home countries during turbulent and unpredictable times. In addition, the deteriorating and sometimes uncertain investment climate in the Netherlands has not helped in retaining international investors. Nevertheless, it can be concluded that with the increase in activity of local private investors, the trend in the commercial real estate market has shifted.

RECOVERY ALSO VISIBLE IN LARGER VOLUMES

However, we also see that the number of active parties for larger investment transactions has been increasing since the beginning of the summer. In the second half of 2024, this led to a solid increase in investment dynamics in this segment. The share of transaction volume with a purchase price above €100 million had been declining, reaching 15% of the total in 2023. Meanwhile, this figure has risen again to 27% of the volume, aligning with the average over the past few years (33%). For the time being, this increase in dynamics in the Netherlands is primarily occurring in the logistics market, where core investors are becoming increasingly active again. In the living investment market, we have observed several larger (existing) privatisation strategy portfolios changing hands, in addition to some large-scale new construction developments acquired by Dutch institutional parties.

Figure 11: Dynamics of the Dutch investment market by size class (2008-2024)



Source: CBRE Research

OFFICE MARKET RECOVERS, BUT LAGS SLIGHTLY BEHIND

In the office market, momentum lagged somewhat subdued - although the willingness to bid on larger transactions is now increasing. This led to significant sales volumes with the sales of Cross Towers, Carrefour, and EDGE Eindhoven, in contrast to 2023, when we did not see such volumes in the office market. The buyer group in 2024 was still limited to Dutch investors and a few foreign investors, such as French SCPIs.

The European office market is also recovering. This is evident in the increasing momentum of investments above €100 million, which rose by 22%, accounting for a 39% share of the total volume[3]. Compared to the European dynamics, the Dutch office market still lags slightly behind. Despite the rental growth potential appearing to favour investment here – particularly given the low vacancy rate in the top segment, the rental growth potential, and the limited new construction – the Dutch recovery is still somewhat delayed. This can be partly attributed to the high transfer tax and the unstable fiscal policy; investors prefer other countries where they can more easily achieve the required returns.

[1] De Europese cijfers betreffen cijfers over de eerste 3 kwartalen van 2024.

2025 TURNING POINT IN THE INVESTMENT MARKET

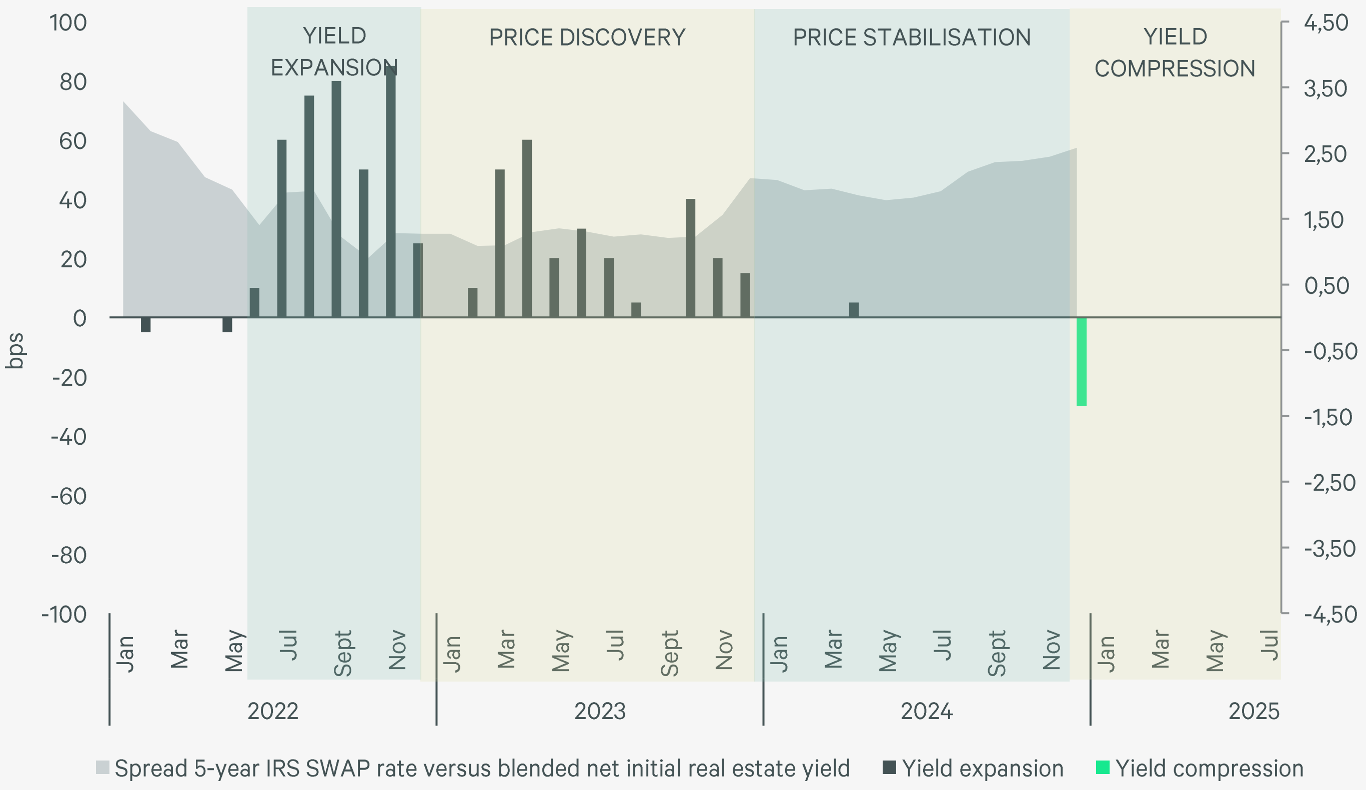
The monthly improving dynamics in the investment market can be directly attributed to three factors. Firstly, private investors and SCPIs have been entering the market for some time now because they have liquidity available and can obtain good and stable rental income in the tight Dutch user markets.

Secondly, the initial real estate yields inspire confidence. After two and a half years of declining capital values, more and more investors believe that the bottom for capital value has been reached. Changes in the policy rate reinforce this conviction. Meanwhile, prices for the vast majority of portfolios have also adjusted to reflect the decline in value, which enhances purchase certainty. From a return perspective, this presents an optimal entry point for private equity, among others.

The final reason concerns the healthier spread between real estate yields and government bond yields. This normalisation ensures that we will also see more capital being allocated to the real estate sector in the coming year, thereby providing core investors with more liquidity to become active in the market again.

The improved liquidity is also confirmed by the development of initial yields, which fell for the first time last year. This decline is attributed to a sharply increased spread between government bond yields and initial yields, providing investors with more room to bid aggressively in the housing investment market. In the coming months, the first yield compression is to be expected in other sectors.

Figure 12: Cumulative adjustment property yields vs. spread 5-IRS SWAP rate vs. property yields (2022-2024)



Source: CBRE Research

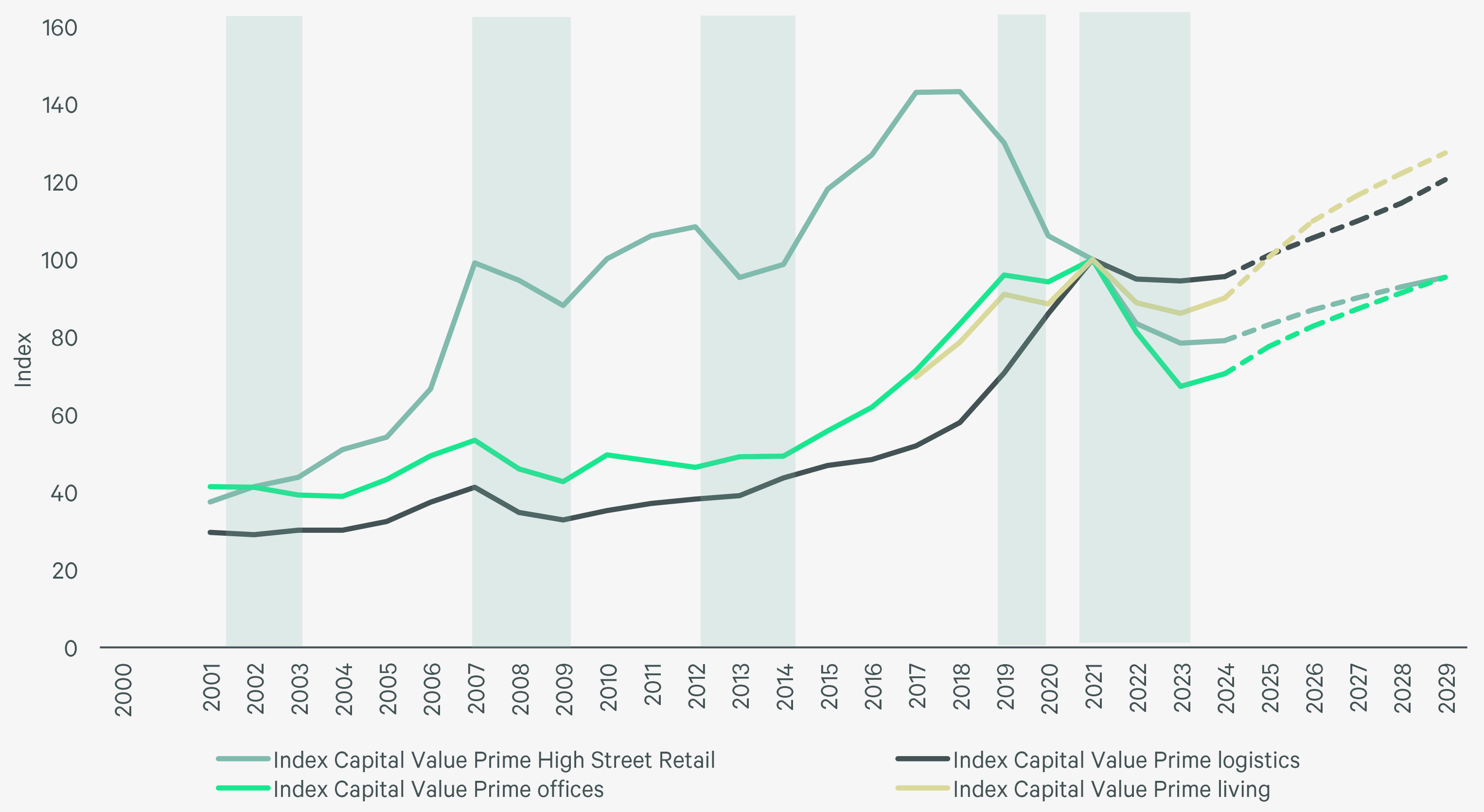
Outlook 2025

START OF A NEW INVESTMENT CYCLE

The Dutch commercial real estate market is on the brink of a new investment cycle. This arises from the first yield compression in our market, combined with moderate to strong rental growth across various property categories. For each category, it is expected that the capital value of prime products will begin to rise from now on, driven by both rental growth and yield compression.

The current market conditions appear to indicate an ideal entry point. However, CBRE does not expect that every type of capital to be equally active in the investment market. Some (particularly international) institutional parties are still facing a net outflow of capital, resulting in reduced liquidity. Moreover, some funds – particularly certain German open-ended real estate funds - are experiencing a relatively substantial capital outflow. In the short term, this may mean that a portion of these funds will need to be liquidated to meet redemption requests from underlying investors. This situation is primarily observed in the office market and, to a lesser extent, among Dutch institutional investors in the living market. Where urgent, we have already seen various steps taken at the European level over the past year.

Figure 13: Capital flows of German open-ended real estate funds – quarterly data (€ million)

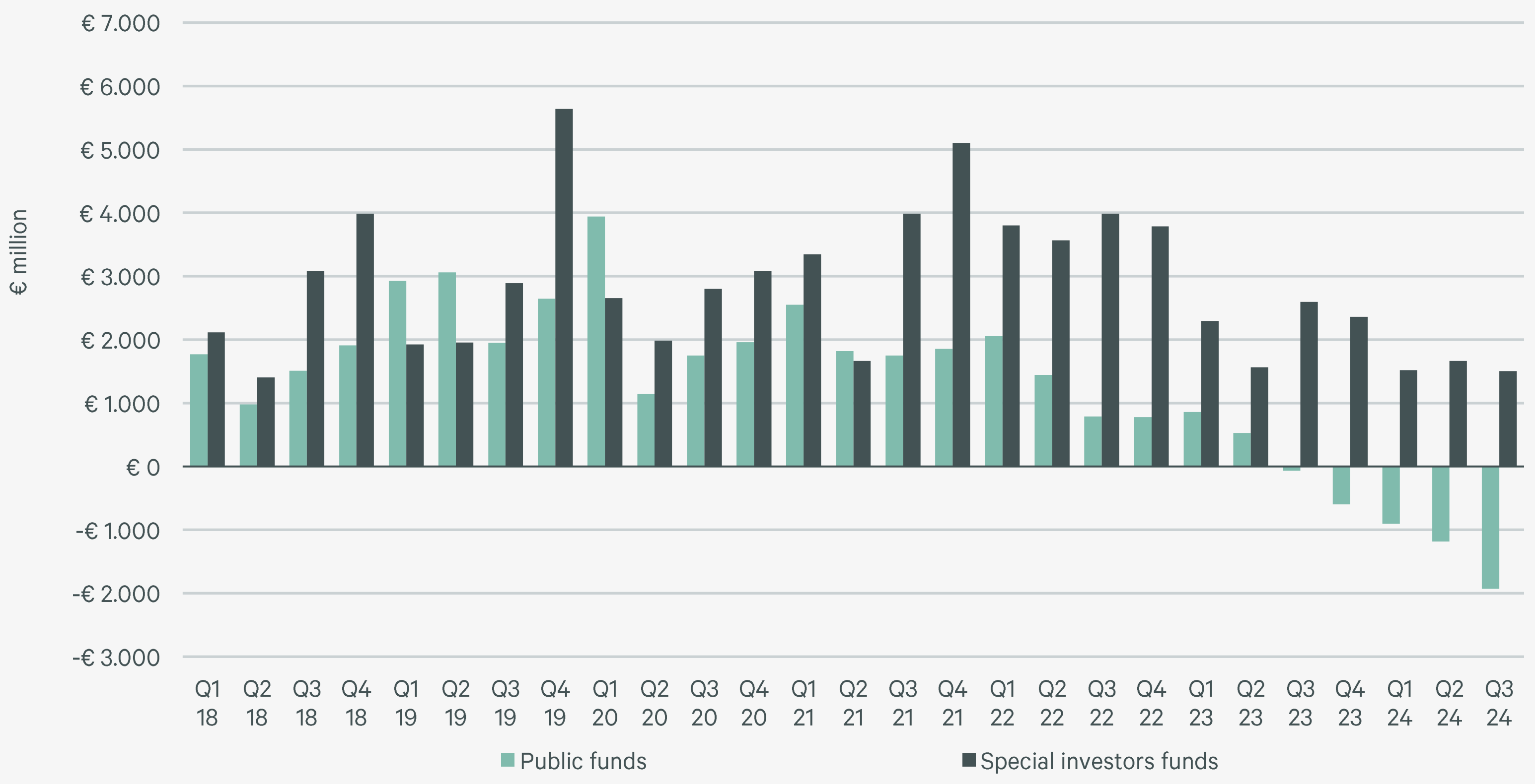


Source: Bundesbank, edited by CBRE Research

CBRE expects that the primary activity in the office market will still be driven by private investors and SCPIs – similar to last year, supplemented by domestic core capital and family offices. Additionally, activity among more private equity investors is anticipated to increase again in 2025. Furthermore, we expect to see a return of foreign core capital to real estate later this year, particularly due to a shift in investment allocation.

The increasing spread between the ten-year government bond yield and top initial yields is leading to a resurgence in the allocation to real estate within ALM analyses. In recent years, there has often been over-allocation by pension funds and insurers in real estate, which resulted in redemption requests from various funds. The decline in the value of real estate portfolios, combined with rising stock prices, indicates that in 2025 we will shift from over-allocation to slight under-allocation in real estate.

Figure 14: Capital flows of German open-ended real estate funds – quarterly data (€ million)



Source: Bundesbank, CBRE Research

DECLINING REDEMPTIONS

Due to the rapid increase in interest rates in 2022, many (institutional) investors over-allocated investments to real estate - the so-called denominator effect. This was reinforced by a delayed response of real estate valuations in book value compared to market value. As a result, an increasing number of end investors sought liquidity through redemptions: a request for the return of invested capital.

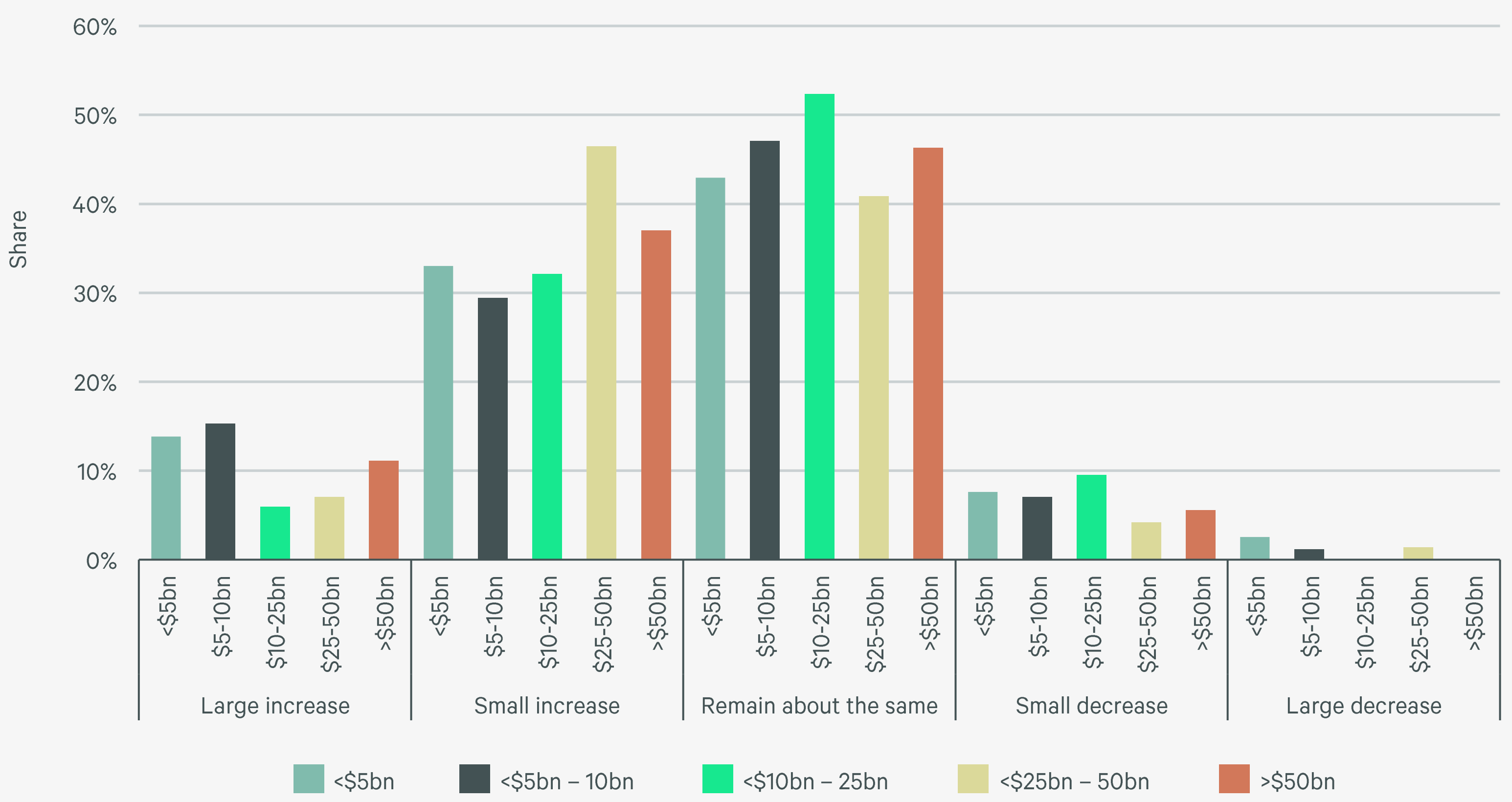
However, in recent years, we have also seen a second reason for redemption requests from foreign investors. This was primarily related to the announcement that the fiscal investment regime (the FBI) would be abolished, meaning parties would face a 25% tax on all investment returns from 1 January 2025.

In recent years, fund managers attempted to meet these redemption requests by attracting new capital, raising additional debt or selling real estate. Nonetheless, last year the redemption queues did not decrease, prompting investors to seek liquidity in the secondary market. In these cases, shares were sold to other end investors at high discounts - sometimes even amount to tens of percent.

Currently, due to the decline in interest rates, the devaluation of real estate, and the sale of parts of real estate portfolios, the denominator effect is no longer present. It is even expected that, over time, there will be an under allocation to real estate, which will help to channel more capital into the real estate market. We foresee that end investors will commit capital to investment funds again in 2025. However, this does not mean that accumulated exit requests will completely disappear. We expect some sales dynamics to arise in 2025 and 2026 due to these redemption requests, which could be addressed through the sale of real estate or recapitalisation within the fund.

This shift is also confirmed by the results of our 2025 Investor Intention Survey, in which we asked, among others, pension funds and insurers about their real estate allocation. It shows that across the board, an average of 46% expect an increase in investment allocation to real estate - up from last year's 26%. This gradually suggests an overall increase in inflows into the real estate market in 2025, which also improves liquidity among core investors.

Figure 15: Real estate allocation expectations by size of invested assets



Source: European Investor Intention Survey 2025

ALLOCATION SHIFT LEADS TO MOMENTUM

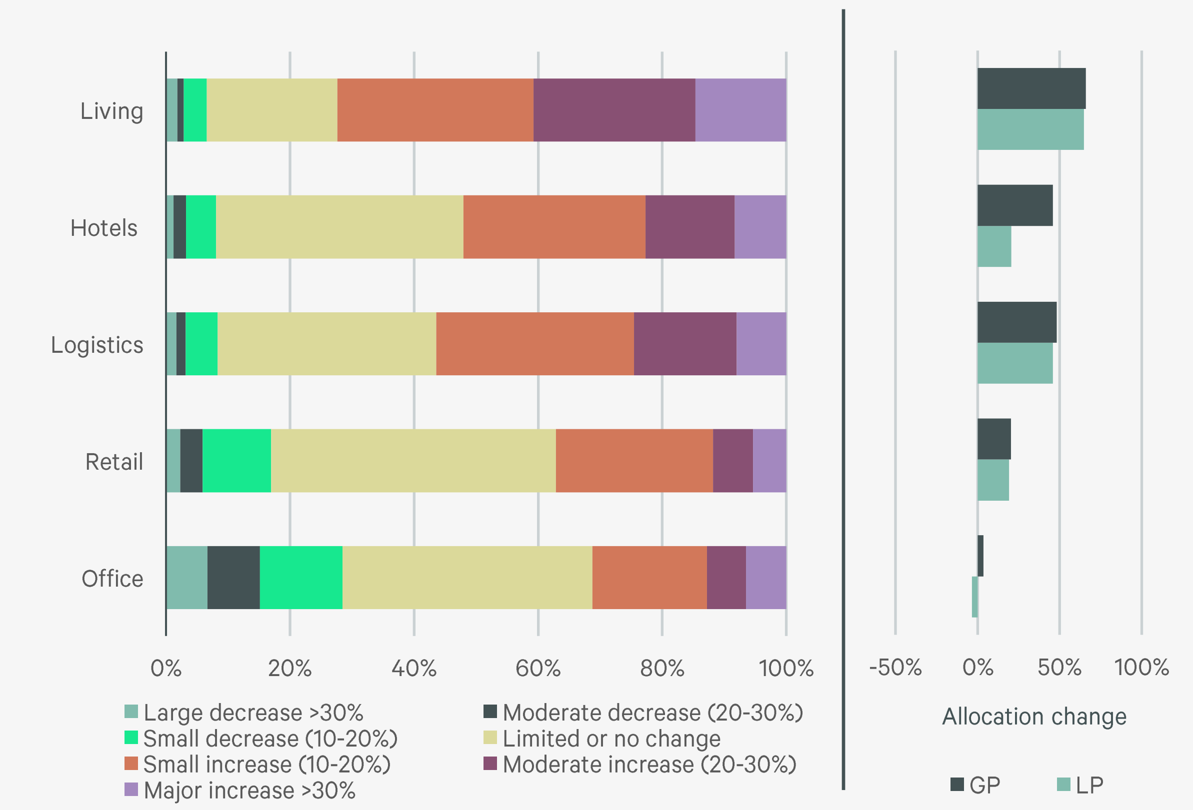
The growth in inflows and improved liquidity increases investment opportunities. CBRE expects to see this reflected much more in 2025 in the logistics and living markets, where a clear increase in the allocation of funds within the real estate sector is evident. This trend, which has been visible for a few years, thus continues. In the office market, yield assumptions have now also significantly improved, but there has been a much sharper value correction than in other asset classes. Therefore, capital inflows into the office market at the beginning of the year are likely still slightly negative. Nonetheless, we expect that the significantly higher return expectations will eventually attract more capital here as well.

Thanks to the allocation shift between sectors, more product can come to the market. This is particularly true in the office segment, where there may still be a net outflow of capital. As substantial amounts of money are withdrawn from the funds, parts of the funds will be liquidated in 2025. This will result in a size that better matches the demand from end investors for office real estate.

Moreover, more parties outside the office investment market seem willing to sell in the upcoming year. This is similar to previous years; however, back then, the difference in price levels did not lead to a transfer of ownership. This appears to be occurring much less frequently now, partly due to a significant increase in bidding density among investors. This enhances transaction certainty.

Due to the large capital influx into the logistics market and the declining new construction pipeline in the Netherlands, not all capital will find its way into logistics real estate. Over the course of the year, this may lead to sharper initial yield. From a European perspective, there is a strong increase in the capital flow in the living market. However, in the Netherlands, we only see this reflected in a few segments: primarily in student housing and existing residential complexes. Private equity mainly sees the opportunity to privatise rental properties in the owner-occupied housing market. From an international perspective, the appeal of new builds remains very limited, partly due to the deteriorating competitive position of the Dutch investment market compared to other European countries.

Figure 16: Shift in allocation by sector in Europe



Source: European Investor Intention Survey 2025

CHEAPER EURO MAY LEAD TO MORE CAPITAL FROM AMERICA

The expectation of rising protectionism in the United States has already resulted in a significant depreciation of the euro against the U.S. dollar recently, with a decrease of as much has 13% compared to early 2021. This makes it attractive for American investors to invest in European, and thus also Dutch, real estate. This strategy anticipates an improvement in the euro's position in the medium term, which could particularly lead to more overseas investments in Europe.

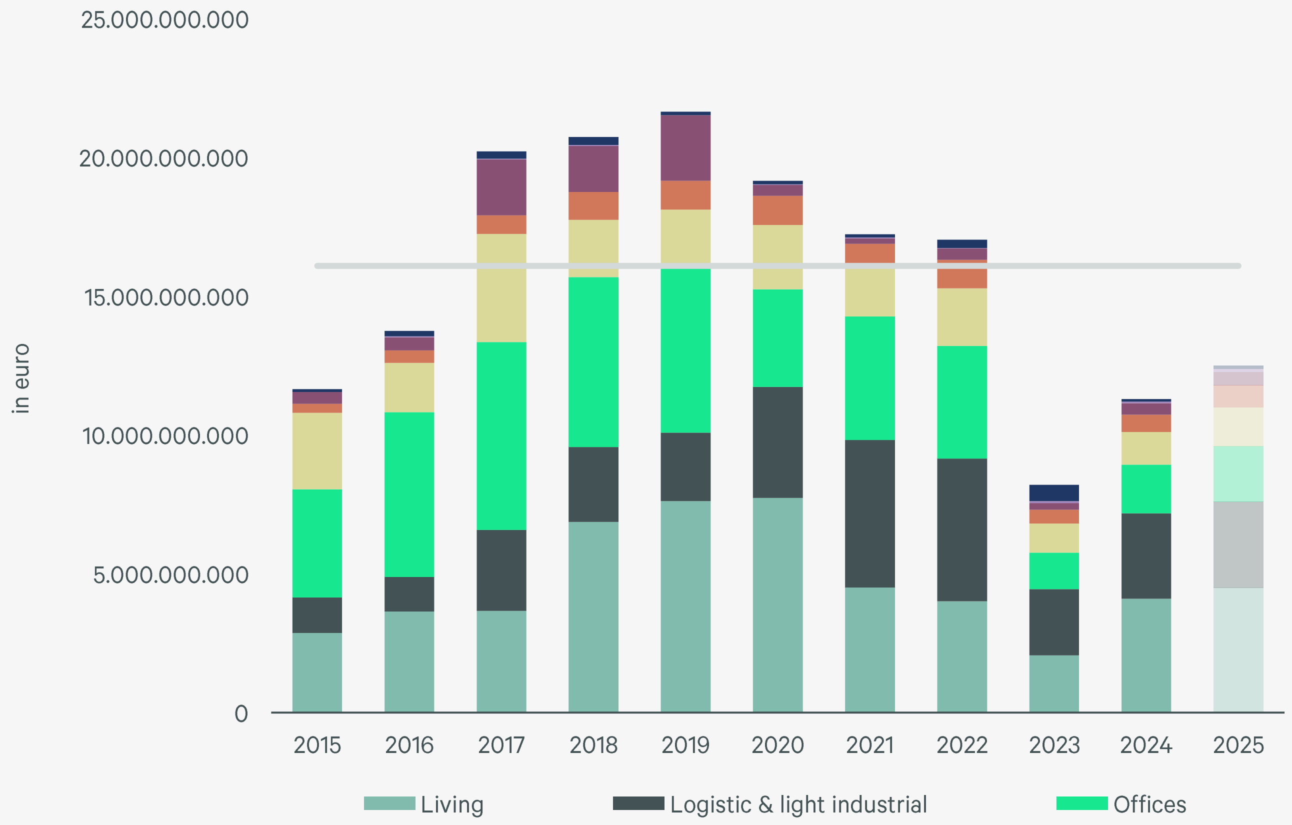
INVESTMENT VOLUME INCREASES DUE TO MORE PRIVATE EQUITY AND CORE INVESTMENT CAPITAL

Overall, recovery is expected to become noticeable throughout the year across the entire market. While there was a strong reluctance in the core segment in 2024, dynamics in this area will also increase throughout 2025: the outflow of capital will turn into an inflow.

The total investment volume is expected to reach €12.5 billion in 2025, an increase of 10.6% compared to the investment volume of 2024. As in the past year, the primary allocation will be directed towards the living investment market. Here, the living investment market will continue to benefit from the privatisation strategy momentum, while the new construction volume purchased by investors will increase only slightly, while the volume of new builds purchased by investors will only increase to a limited extent. What is expected to rise more significantly due to demand is the investment volume in the student housing, likely resulting in an investment volume of approximately €4.5 billion in the living investment market.

The industrial and logistics real estate market is expected to experience a similar volume year as in 2024. However, due to increasing vacancy rates - and consequently a decline in new construction – the focus is shifting towards investments in existing buildings. This is anticipated to be the starting point for the coming years. The impact of e-commerce on the logistics investment market is largely behind us, as is the significant wave of new construction. Despite a different composition of investments, the investment volume in this sector is likely to reach around €3.1 billion.

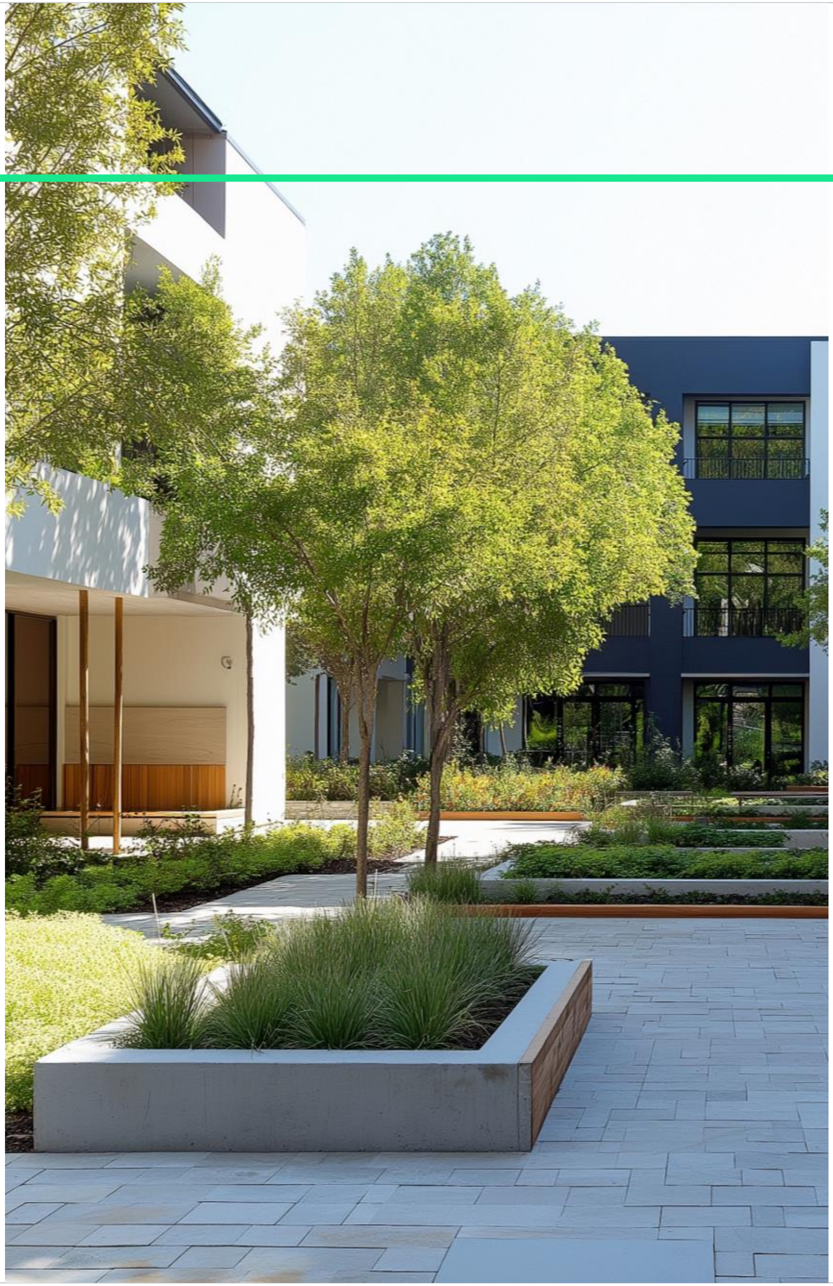
Figure 17: (Expected) investment volume per category



Source: CBRE Research

The retail investment market shows a strong improvement after two comparable years, with an expected volume growth of about 20% to €1.4 billion. Private investors, in particular, are shifting their allocation to the retail investment market, partly due to a significant decline in yields in the living investment market. Additionally, the number of international investors is slightly increasing. Recent periods have demonstrated that the retail market is resilient. While there are virtually no expansion plans, the amount of retail space - excluding supermarkets – has actually decreased in recent years due to transformations. This makes the user market more robust. Many investors – potentially including institutional investors in the longer term – are therefore returning to their old love: the retail market.

The healthcare real estate market has seen a significant decline in volume over the past few years. However, it seems to be somewhat recovering in 2025, partly due to a broadening of investment interest in the cure market. Nevertheless, the potential remains much greater than the expected investment volume of €800 million suggests. This confirms that the expansion and sustainability of senior housing continues to lag behind this year.



Despite the enormous potential and demand from users, the highly sought-after data centre market remains relatively quiet. With almost no new stock being added in the Netherlands, there is little investment product available. Consequently, investment volume is limited to €100 million.

In the hotel market, the dynamics for the coming year are not expected to differ much from those of 2024, with an investment volume of around €475 million. While there is interest, supply remains lacking. Furthermore, the increase in VAT on overnight stays presents an additional operational risk that could affect confidence in the market.

Although dynamics in the office market lagged the most in the past year, it is gradually emerging from its investment slump. The substantial value correction and deteriorated risk perception led to caution among investors. Slowly, confidence is returning, and the number of investors is steadily increasing. Additionally, the allocation of real estate is shifting: from offices to, for example, residential properties and logistics. This results in more investment offerings entering the market, leading to a slight increase in investment volume to €2 billion.

OPPORTUNITIES FOR ESG VALUE-ADD STRATEGY IN OFFICE MARKET ARE INCREASING

The Dutch office market currently experiences historically low vacancy rates and a very limited new construction pipeline. Nevertheless, core investors have tightened their investment criteria over the past two years – particularly with regard to ESG ambitions and the impact of hybrid working. As a result, they are unwilling to make significant concessions when it comes to location, quality and thus, office sustainability features. Many of these core investors therefore adopt strict sustainability ambitions in their fund strategies. This includes setting a maximum energy consumption per square metre or limiting CO2 emissions – in other words, the net zero ambition, which they aim to achieve by phasing out gas and purchasing green electricity.

Investors aim to meet these objectives between 2040 and 2050, or at least remain below the thresholds established by the Carbon Risk Real Estate Monitor reduction pathways. It is noteworthy that different parties use various methodologies. For instance, many investors adopt the internationally recognized SBTi[4] aligned with the Carbon Risk Real Estate Monitor (CRREM). However, there are also investors steering towards the Dutch Paris Proof 2040 end standards, developed by the Dutch Green Building Council.

In practice, however, it appears that these sustainability ambitions are not always achievable for many core investors. While in previous years, they could still pick the low-hanging fruit, increasingly thorough CapEx interventions in installations, facades, and glazing are now required. This is particularly true when a Paris Proof ambition has been established according to the standards of the Dutch Green Building Council (DGBC). This means that the measured energy intensity must remain below the end standard of 70 kilowatt hours per square metre per year, and that for new builds, energy neutrality applies. Even when extensive renovations are technically feasible, it is not easy to temporarily relocate tenants elsewhere due to the current tight office market. Moreover, it is challenging to undertake renovations without temporarily impacting value and cash flow.

Furthermore, large-scale investments are putting such pressure on the returns of core investors that divesting form such buildings - whether encouraged by end investors or not - is becoming an increasingly realistic scenario. Can a building that requires such substantial investments still be considered ‘core’?

For this reason, core investors are currently limiting themselves to the most sustainable and best-located properties, whose specifications align with the significantly changed user demand, namely: the need for hybrid working. Buildings that do not meet these requirements can expect little liquidity given the current lack of core plus capital. Private equity firms, family offices and SCPIs are willing to purchase them at much higher gross initial yields. This creates a gap of 150 to 300 base points between core and other office products.

The polarisation in the office market – which has been evident in the user market for several years – is now also clearly reflected in property values for the first time. This presents opportunities for venture investors to qualitatively improve and make buildings more sustainable.

However, many investors remain hesitant to purchase such offices. This is mainly due to uncertainty regarding the exit yield in five to seven years: to what extent will these buildings need to be made more sustainable by then, and what will the user market look like at that time? We do not share this uncertainty. As long as investors can cater to the quality and sustainability requirements of users, a favourable exit yield is likely. This is without even considering the expected yield compression, the persistently tight user market, and the rental prices that will continue to rise as a result.

It is indeed important to make sharp choices among the various sustainability ambitions. It is crucial to recognise that the European Commission is steering towards zero Emission Buildings in the new legislation for sustainable buildings and energy labels (EPBD). This means that the Dutch energy label system must be revised by 2029 so that the highest label classification (label A) is only awarded to energy-efficient, fossil-free buildings. This is a key indicator for having CO2 neutrality as a central ambition, especially for investors who report on their percentage of EU Taxonomy-aligned investments, and for value-add investors looking to exit to core investors in five to seven years.

It is advisable to get ensure three key aspects are well managed when planning renovations. First, the plans must fit with what future tenants will want in terms of workplace concepts and sustainability ambitions over the next five to ten years. Additionally, there need to be a plan for temporarily relocating current tenants. Finally, the power supply must be sufficient to support sustainable installations and provide enough charging stations.

STEADY RETURN TO FULL DYNAMISM

Overall, we can state that we are making progress towards a fully dynamic commercial real estate market by 2025. However, we do not expect a complete recovery until 2026, when allocation to real estate has also fully recovered. This year, the effects of past few years are still strongly felt, and we are only beginning to see capital inflows into core investors again over the coming months. It is a promising year for parties with substantial liquidity, as the number of purchasing parties has not yet reached the levels expected in 2026.

04

Living

The living sector showed a remarkable recovery in 2024 compared to the previous year. Investment volume rose by a whopping 99%, reaching €4.1 billion. By comparison, in 2023 it was €2.1 billion. This increase offers hope, although we should add a disclaimer. A significant part, in fact, consisted of investments with a privatisation strategy. On the other hand, Dutch core capital was again more active in the new-build market, resulting in a volume of €2 billion there. Although they are excluded from the total residential investment volume, housing corporations built and bought more mid-rent homes. For 2025, we expect a further increase in activity, mainly focused on new construction and existing operational living.

Trends and developments

01

Despite the increase in investments in new development projects in 2024, this is still mainly from investors with Dutch impact and core capital. They have a strong preference for fully ESG-compliant residential complexes, where the emphasis is on sustainable and affordable housing. Foreign investors hardly bought any new development projects in 2024. While in the previous seven years, they acquired an average of 32% of new-build projects annually.

02

CBRE expects a further increase in the volume of new-build investments in the coming years, particularly from Dutch capital. Some Dutch pension funds still experience limited opportunities for a larger allocation to residential real estate. At the same time, more space is also emerging at Dutch institutions, often driven by separate accounts. Open-ended core funds of some parties also have some allocation needs again.

03

There is growing interest in operational real estate, including student housing. This interest is due to strong fundamentals for student housing and serviced living. In addition, these operational platforms can be easily expanded and optimised. CBRE expects a further increase in activity in 2025. This is because more and more of these types of investment opportunities are becoming available in the Netherlands. There is also an increasing inflow of both Dutch and international capital into this type of residential real estate.

04

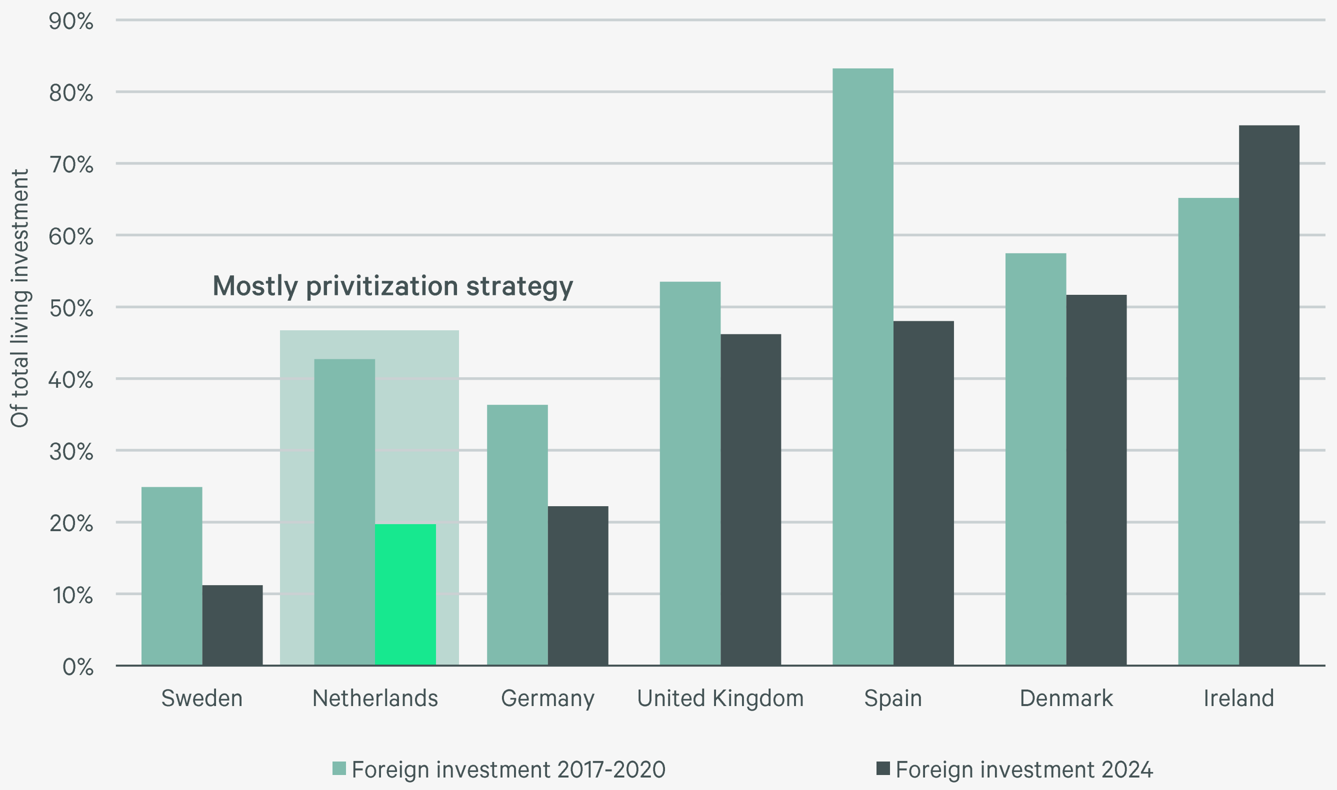
In 2025, the privatisation strategy will remain dominant within existing properties. The supply of complexes and portfolios is large, and new parties are increasingly interested – including Dutch family offices and private equity. The expected increase in vacant values still guarantees significant returns over capital values for the coming years. However, the entry of new parties will eventually lead to higher pressure on the vacancy value ratio in bids, especially for energy-efficient properties with high mutation rates. We expect the reduction in transfer tax in 2026 to lead to higher investment volume in the first half of the year, followed by a slight dip until the new year.

FOREIGN INVESTOR STAYS AWAY

The increased tax and regulatory pressure have significantly reduced the attractiveness of Dutch Living investments for foreign investors in recent years. This is particularly unfavourable, given the growing availability of capital for Living investment within Europe. Despite the considerable investment need in the Netherlands to tackle both the surge of selling-off rental homes and the general housing shortages, the country is increasingly lagging in attracting new foreign capital.

This year, it also turned out that the foreign capital flowing to the Netherlands is mainly invested in privatisation portfolios. This contrasts with other European countries, where the homes are purchased with a long-term rental strategy. As a result, the Dutch new-build task and the operation of rental housing are increasingly resting on Dutch investors and the relatively limited Dutch capital.

Figure 18: Percentage of foreign capital in residential investment volume in European countries, average 2017-2020 vs. 2024



Source: CBRE Research

05

Logistics

By 2024, the investment market for logistics and industrial real estate will have recovered, but less than previously thought. Total investments in this sector rose to €3.1 billion, significantly more than the €2.4 billion in the previous year. Investments in logistics real estate increased by 74%, partly due to a rebound in large portfolio deals. At the same time, there was a lot of interest in the light industrial segment last year. The result: another growing level of investment within the industrial and logistics real estate sector. For 2025, CBRE expects a similar volume of €3.1 billion, mainly driven by large portfolio deals.

Trends and developments

01

In 2024, there was again more activity in the core segment compared to 2023 – albeit still limited to a few transactions. The caveat is that this product must meet all requirements before buyers show interest. In addition, the low activity in the core segment is also driven by an increasingly limited supply of core products due to a persistent shortage of green and brownfields in prime locations. Although supply will remain scarce in 2025, upcoming interest rate cuts may lead to more alignment between buyer and seller in terms of pricing.

02

This year, most transactions took place in the core plus and value add segment. The opportunistic and venture capital that has been raised in recent years is increasingly focusing on this segment. The higher returns that core plus and value add products can deliver play a significant role in this shift – especially given the rental growth that has taken place in prime locations. CBRE therefore expects these buyers to remain dominant in the investment volume in 2025.

03

Interest in light industrial and urban logistics continues to grow, especially among institutional investors. They mainly focus on properties that require CapEx from a value growth perspective. This type of product is particularly interesting in urban areas, where the available space is becoming increasingly limited and the greatest potential for rental growth lies. In addition, last mile plays a significant role. The increasing population density in and around the cities is leading to an increased demand for on-time deliveries. CBRE expects the buyers' investment activity in this segment to increase further as larger portfolios come to market.

04

In 2024, there was a notable increase in activity in portfolio and platform deals, mainly by larger private equity parties. This is in sharp contrast to 2023, in which few of these deals took place. CBRE therefore expects a further increase in the number of portfolio deals in 2025 and 2026, both at local and pan-European level. This increase is largely due to the recovery of the investment market and the large amount of capital available for logistics investments. In addition, we expect the holding period of some larger (Dutch) portfolios to end. As a result, more products will come onto the market in 2025 that fit the scale requirements of parties in the market.

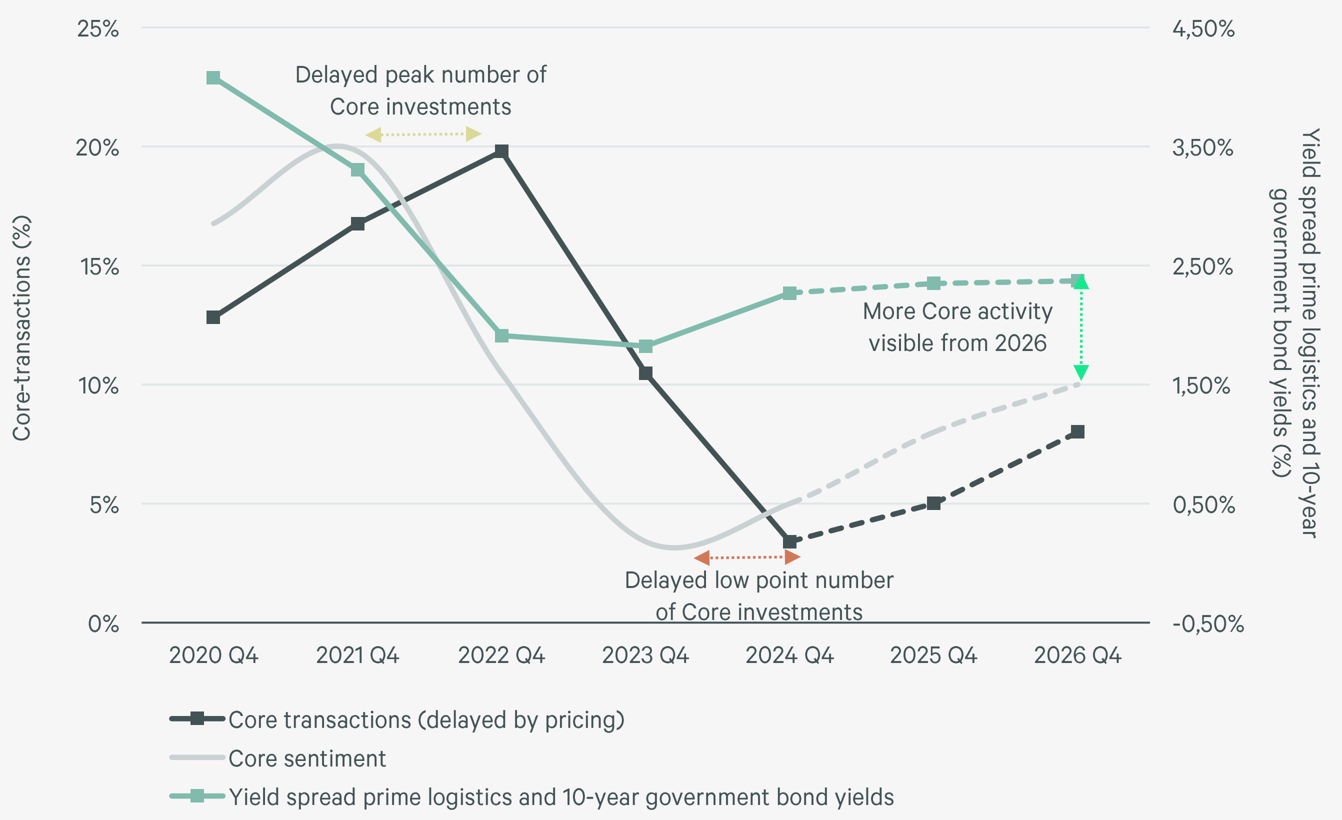
ANALYSIS LOGISTICS

The fall in interest rates can significantly increase the attractiveness of core investments. Once there is a new balance between the price expectations of buyers and sellers, investors will be encouraged to actively participate in the market again. But if the occupier market does not recover, investors will continue to look for stabilised products rather than core plus or value-add products. The user market is expected to get back on track in the second half of 2025 at the earliest.

Core investments are highly dependent on the development of government bond yields. This is even more the case for the logistics real estate sector than for other sectors, due to its more direct link to economic activity. In addition to the obvious lower financing costs, lower interest rates also stimulate economic activity, which increases demand for logistics services and infrastructure. The logistics sector directly benefits from the increase in e-commerce and the need for efficient distribution networks. This creates a favourable environment for core investments.

At the end of 2024, we saw a more positive sentiment towards core products. That will continue to increase this year, but will only really recover from 2026 onwards.

Figure 19: Development of interest rates and core transactions in logistics real estate (2020-2026)



Source: CBRE Research

06

Offices

With an investment volume of over €1.8 billion, the dynamics in the office investment market increased in 2024. Nevertheless, the recovery is slow. The ECB interest rate was only lowered for the first time at the end of the second quarter—later than expected. Additionally, the number of forced sales during refinancing remained limited, partly due to greater flexibility from financiers. It has been notably quiet among institutional and international investors. Nonetheless, we are on the brink of a new investment cycle—one that particularly offers opportunities for private equity. We assume that institutional investors will also become somewhat more active in 2025, despite a decline in investment allocation to office real estate. CBRE anticipates that the investment volume will slightly recover in 2025, reaching €2 billion.

Trends and developments

01

In 2025, the CSRD obligations will apply not only to large organisations, but also to medium-sized companies in the Netherlands – and from 2026 also to all listed SMEs. In addition, smaller companies are becoming involved in the CSRD because they are suppliers to CSRD-obligated organisations. This is creating increasingly concrete ESG ambitions across the board and therefore also a growing need for sustainable office real estate and offices located at public transport hubs to make mobility more sustainable. The demand for this type of office is also growing outside the big five cities.

02

Developers in cities such as Arnhem, Amersfoort, 's-Hertogenbosch, Groningen and Zwolle are tackling the challenge and making plans for office projects that meet high sustainability requirements – for new construction and renovation. The combination of an expected rent jump and lower interest rates makes these types of business cases increasingly attractive. However, it turns out to be almost impossible to reduce emissions to Paris Proof level: 0 kilowatt hours for new buildings and 70 kilowatt hours for renovations. A reduction to 80 to 90 kilowatt hours is more realistic. In that case, buildings meet the CRREM ambition, but are not Paris Proof according to the standards of the Dutch Green Building Council (DGBC).

03

The relatively low vacancy rate in Dutch office cities makes sustainability challenging. Only in Amsterdam, Arnhem, Amersfoort and Tilburg, the vacancy figures exceed the frictional vacancy level of 6%. This limits the possibilities of evicting tenants from office buildings, which makes renovations difficult, costly, and risky. Owners are therefore more likely to opt for continuous exploitation of buildings, with only a few minor improvements – for example to the installations.

04

Initial yields for office real estate showed a stable picture in 2024. this was not the case for the book value of many offices, which was corrected downwards due to the increasing number of market transactions. Falling property values are keeping a negative impact on investor sentiment around office real estate. Nevertheless, CBRE expects 2025 to be marked by a recovery in capital value for prime offices. This will involve both rental value growth and a cautious decline in initial yields.

05

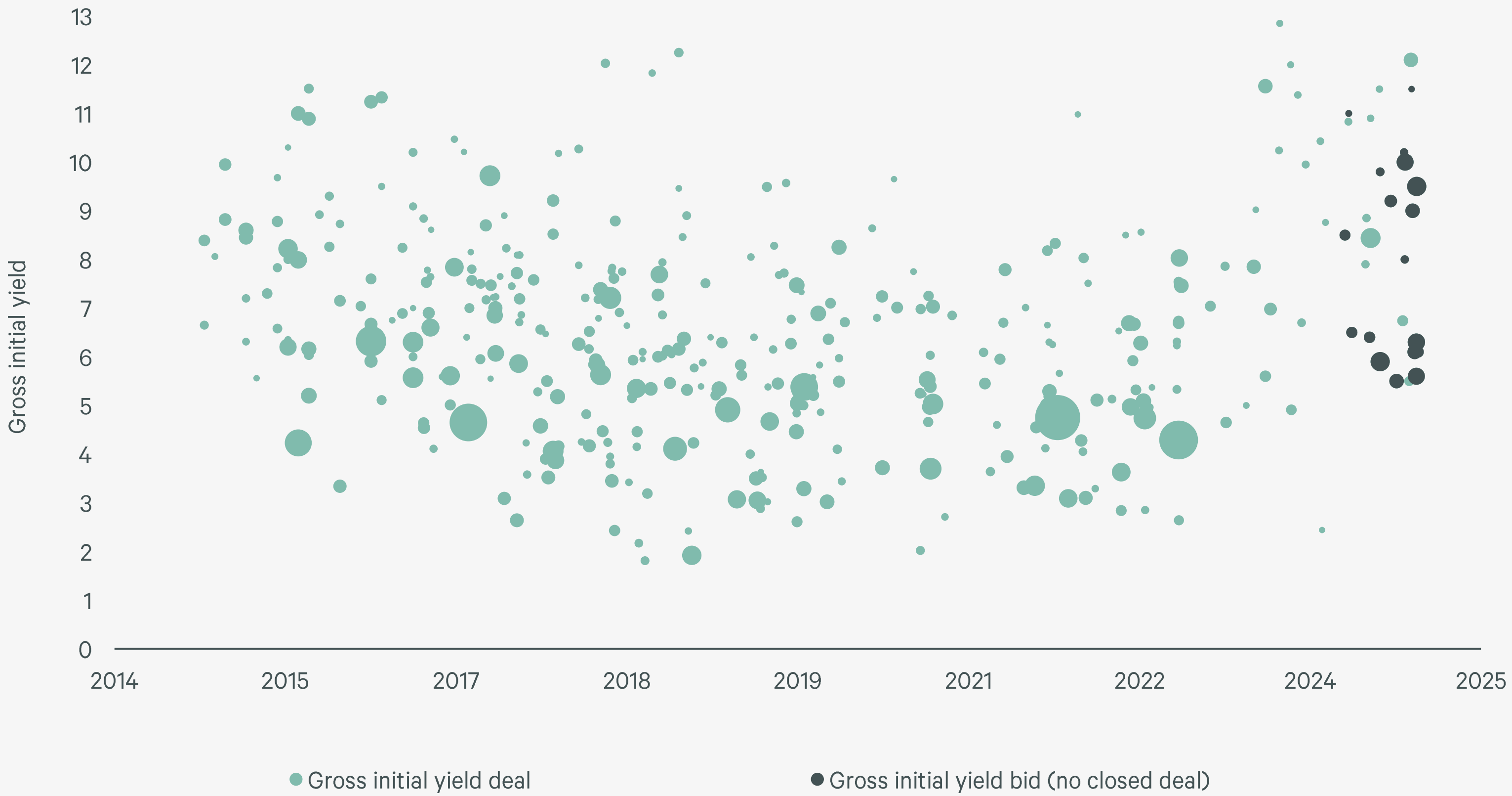
Open-ended real estate funds – particularly from Germany – have been facing continued pressure on returns since the third quarter of 2023. This led to redemptions in 2024, where investors liquidated or reduced their positions in the funds. While capital outflows are expected to remain limited in 2025, some funds will need to sell parts of their office real estate (urgently) to generate liquidity. This trend was already visible in 2024 and often takes place at the pan-European level. Depending on the economic situation, this development may boost the office investment volume in 2025.

ANALYSIS OFFICES

Rising initial yields and the absence of German funds have changed the playing field in the investment market in 2024. At the moment, Dutch institutional parties can offer the most competitive returns, while there is little activity from foreign core investors. Family offices and SCPIs[1], on the other hand, are entering the market because they see opportunities to purchase real estate at attractive levels.

Under the influence of rapidly falling interest rates, a new investment cycle will start in 2025, after the capital value fell 35-50% in recent years. Due to the expected rental growth, this is an excellent time for private equity to enter the Dutch office market. For the coming year, CBRE expects a cautious increase in capital value in larger transactions, by an average of 5-10%. In addition, a stable development is foreseen for MidCap transactions in 2025.

Figure 20: Price development of transactions and bids by type of investor 2014 - 2024



Source: CBRE Research

[1] SCPIs: Sociétés Civiles de Placement Immobilier, are French real estate investment funds that offer private and institutional investors the opportunity to invest in real estate without having to purchase or manage real estate themselves

07

Retail

In 2024, the investment volume in retail amounted to almost €1.2 billion, more than 12% higher than the previous year. Due to the aftermath of high interest rates and higher transfer tax, the number of transactions slowly picked up in 2024. A relatively large number of small transactions took place, resulting in a low average transaction price of around €5 million. The now falling ECB policy rate is leading to lower financing rates and initial yields. This will mainly affect larger transactions for which financing must be raised. Buyers and sellers will be able to find each other more and more in pricing. Moreover, investors and financiers are becoming increasingly confident in the upward movement of the market. CBRE therefore expects more large transactions in the coming year. The investment volume is expected to reach €1.4 billion in 2025.

Trends and developments

01

Even though retail sales increased in 2024, this did not lead to better results for many retailers. This is because costs for purchasing, staff and rent went up as well. In addition, many businesses still have corona debts to repay. Partly because of this, there are more and more retailers and hospitality companies with problematic debts. Consequently, bankruptcies are expected to resume in 2025 – although most of the major expected bankruptcies are now behind us.

02

The occupier market is still challenging, although things are moving in the right direction. Some bankrupt retail chains are relaunching or are being taken over, so the increase in the number of vacant retail properties is not too large. Moreover, there are more and more interested parties for high-quality properties that become vacant. This is especially visible in the high streets of the main shopping cities. An increasing number of retailers are opening brand stores there and, with the right image, these properties are ideal.

03

Due to increasing competition in the occupier market, CBRE sees space for rent increases in the main high street locations in 2025. For lower quality high street locations and other types of retail properties, rents are expected to remain stable. The only exception is supermarkets. Consumers increasingly do their grocery shopping online, and supermarkets' margins have come under pressure in the past year – partly due to hefty rent indexations. As a result, we expect more rent reviews here. With the wave of consolidation in the supermarket landscape, the large chains have an increasingly better bargaining position.

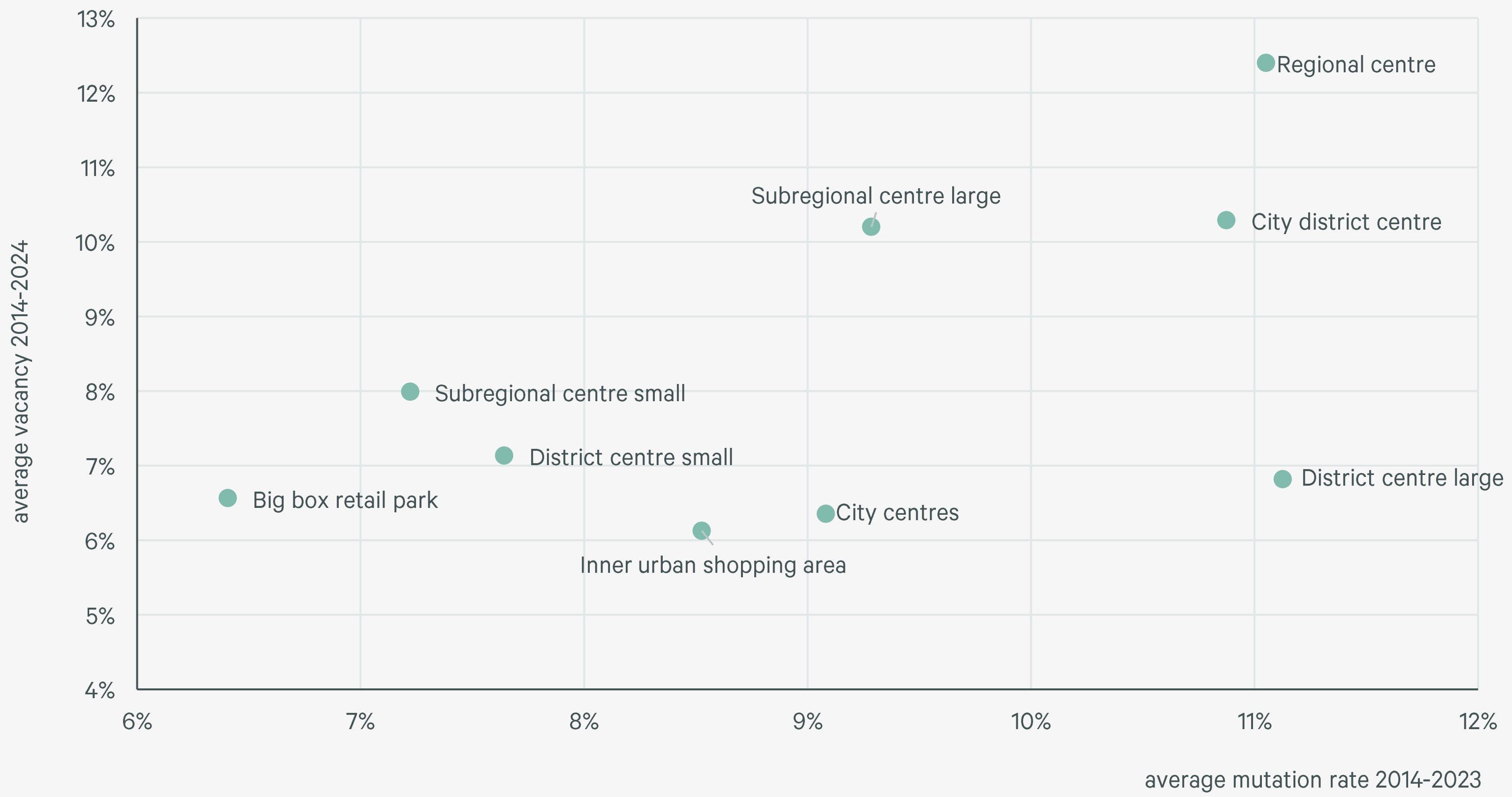
04

Financing sentiment around larger shopping centres has improved over the past year, and this trend is likely to continue in 2025. Financiers prefer parties with a long investment horizon and plans for sustainability or housing development. Foreign parties also tend to look more at larger (planned) shopping centres or portfolios, often with a large convenience share. As the prospect of financing improves, the number of large transactions will increase in 2025.

ANALYSIS OF RETAIL REAL ESTATE

There is an increasing interest in large (planned) shopping centres. Previously, this was mainly the case with the small neighbourhood shopping centres of usually a maximum of 8,000 square meters. But looking at the average vacancy rate over the past ten years, the larger neighbourhood shopping centres are performing even better. A disadvantage is the relatively higher rate of mutation, but the low vacancy rate shows that tenants are usually found. The risk is therefore limited. This is different for city district centres, and both the mutation rate and the average vacancy rate are higher (10.9% and 10.3% respectively). However, this often results in lower prices[1]. Some can still benefit from the large housing plans that will take place in many cities, which – with active management – can reduce the vacancy rate in the long term. In other city district centres, higher value can be created by transforming part of the shopping centre.

Figure 21: Average mutation rate and vacancy rate of different types of shopping area in the Netherlands[2]



Source: CBRE Research

[1] There are relatively few transactions of (parts of) district centres, but on average the initial yield in recent years has been 200-300 basis points higher than that of neighbourhood shopping centres, with the difference slowly increasing.

[2] Mutation concerns both retail spaces that become vacant, shops that are immediately leased to a new retailer after leaving and shops that are rented out after a period of vacancy

08

Healthcare

In 2024, the investment volume in healthcare real estate amounted to €620 million, an increase of 24% compared to 2023. This was mainly because more large portfolio transactions returned – of both new and existing properties. Nevertheless, investment activity lags. Think of a limited supply of both existing and new construction and a mismatch between buyer and seller. CBRE expects an increase in investment activity in the coming years, with a volume of €700 to €900 million in 2025. Developers are responding to the increasing demand for healthcare real estate, from senior living to health centres. In addition, healthcare providers are more critical of their role in real estate and the required real estate investments, and investors – from family offices and private equity parties to institutes – are strengthening their interest and growth ambition in this sector.

Trends and developments

01

Healthcare organisations can no longer postpone investments in sustainability, transformation or redevelopment of existing healthcare real estate and are looking for professional real estate partners. The investment capacity from the healthcare sector is decreasing rather than increasing: on the one hand because of the separation of care and housing, and on the other hand because of announced government cutbacks. In addition, healthcare organisations are making targeted choices within their portfolio strategy and are increasingly focusing on investments in their core assets – the real estate that is crucial for the operational continuity of care. This is in line with the expectation that more existing and outdated healthcare real estate will be disposed of in 2025, resulting in more value-add products that developers or developing investors will start working on. This is on top of the required investment in new construction and the expansion of 288,000 care homes, as proposed by the government in December 2024.

02

Within senior living and assisted living, a transition is taking place from master lease to individual rental of independent apartments. Healthcare organisations focus on the care and services provided to residents, while real estate risks and returns lie with the real estate owner. This shift also attracts a broader group of investors, due to the strong similarities with residential real estate under an individual rental structure. Moreover, given the enormous ageing population, it constitutes a solid and future-proof investment category. Incidentally, the master lease segment will remain to exist, especially in places where (24-hour) care is particularly important, such as private and intramural residential care.

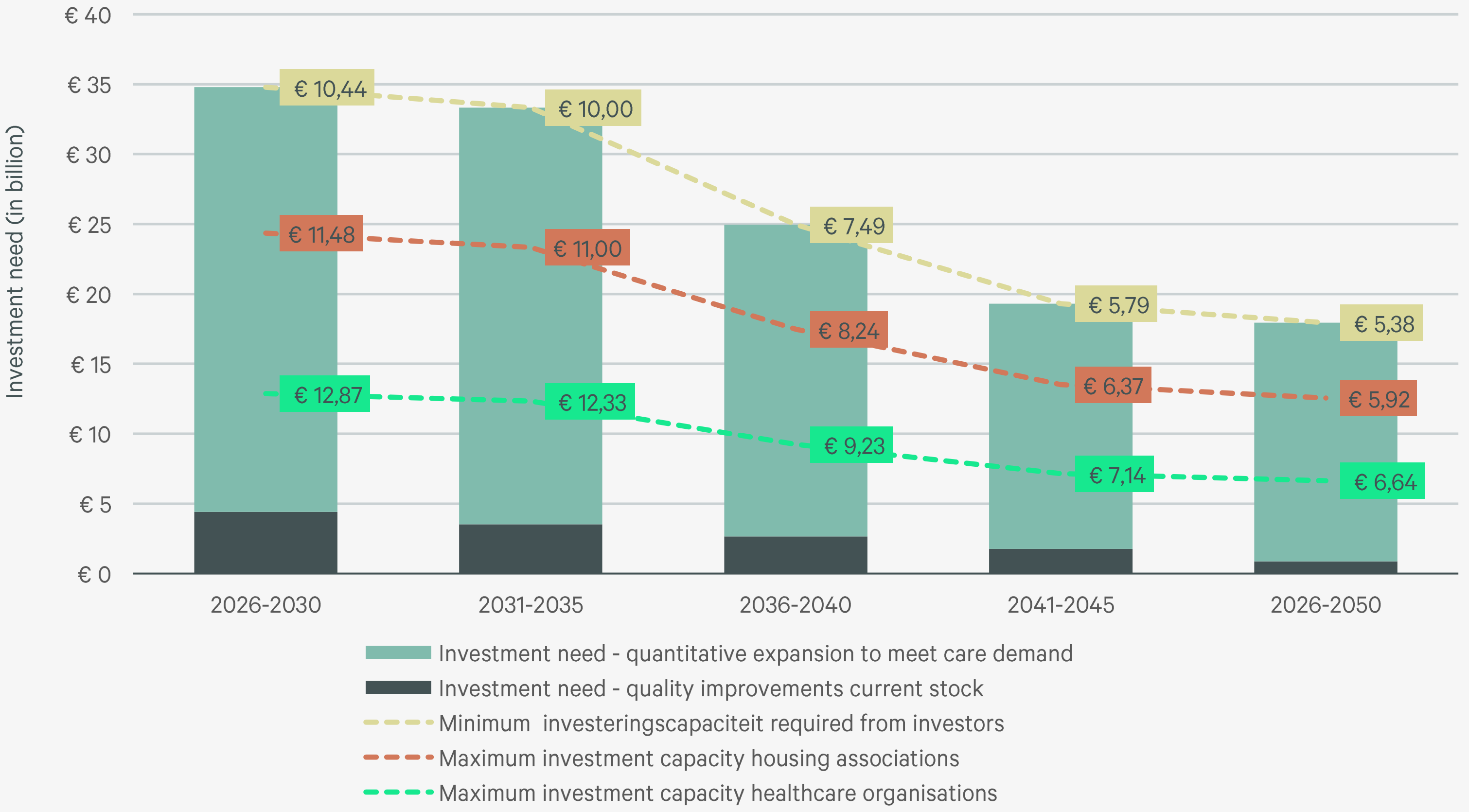
03

Due to the strong population growth, the demand for first line and second line care is continuously growing. As a result, domestic and foreign investors are looking with increasing interest at the cure segment of healthcare real estate: think of clinics and health centres. They have gradually invested in this segment in recent years, creating some larger portfolios. CBRE expects investors to launch more of these types of portfolios in the next two years. This will also make it possible for foreign parties to enter the Dutch market via a portfolio acquisition with scale.

ANALYSIS OF HEALTHCARE

In order to meet the increasing demand for care and stricter quality requirements, with an eye on sustainability and the climate-neutral goals for 2050, an average investment of approximately €25 billion per five years is needed in the residential care sector, or an average of approximately €5 billion per year. These investments are essential for the growth, modernisation, and sustainability of care homes. 86% of this must go to quantity (i.e. the addition of housing units), the remainder is needed for sustainability and other quality improvements of the existing stock. At the same time, it appears that more than 18%[1] of the healthcare organisations will not be financially able to keep their real estate operations healthy and to make the necessary investments in sustainability, replacement and/or expansion. This situation underlines the urgent need for additional capital and investment capacity.

Figure 22: Investment needs and capacity in the residential care sector (2026 – 2050)



Source: CBRE Research

[1] Forecast by CBRE based on key financial data healthcare assessments DigiMV 2022 and expected government discounts.

09

Hotels

In 2024, the volume in the hotel real estate investment market was approximately €400 million, which represents an increase of more than 65% compared to the previous year. Investors have exchanged their hesitant attitude towards hotel investments, which arose after the corona period, for a little more optimism. After a difficult start in 2024, the volume of hotel investments picked up in the second half of the year. Due to the growing interest from private investors and a more favourable entry point for private equity, CBRE expects a higher traded volume – from €450 to €500 million – by 2025. This volume could rise further if some large deals currently up in the air are completed.

Trends and developments

01

The number of tourist overnight stays in the Netherlands in 2024 was more than 4% higher than in 2023, with stronger growth in the number of domestic tourists than foreign tourists. Growth is expected to accelerate, with more than 10% annual increase in inbound overnight stays between 2024 and 2026, driven in part by a resurgence in business travel.

02

In 2023, rising costs could still be passed on in higher room rates, but in 2024 this compensation was no longer possible. The average room rate fell by almost 2% and even by 3% in cities such as Amsterdam, Rotterdam, The Hague, and Breda. Despite an increase in average occupancy from 72.6% to 73.4%, revenue per available room (RevPAR) fell by 0.8% on average. This resulted in a deterioration in gross profit margin for many hotels, mainly due to a significant 11% increase in personnel costs in the hospitality sector. Effective cost management is crucial for operators to keep costs and profit margins under control in 2025.

03

The expected increase in tourism and demand for hotel stays will put upward pressure on room rates and occupancy in the coming years. This is particularly the case in cities where the municipality has a restrictive attitude towards new hotel developments, such as in Amsterdam, The Hague, Maastricht, and Utrecht.

04

The government's proposed VAT increase from 9% to 21% on hotel stays, which may take effect on 1 January 2026, creates uncertainty about the turnover development of Dutch hotels in the medium term. It is unclear whether operators can fully pass on this increase to guests. In 2024, hotels in Amsterdam were already affected by an increase in the tourist tax to 12.5% of the room rate, partly because of this the room rates in the capital city fell by 3%.

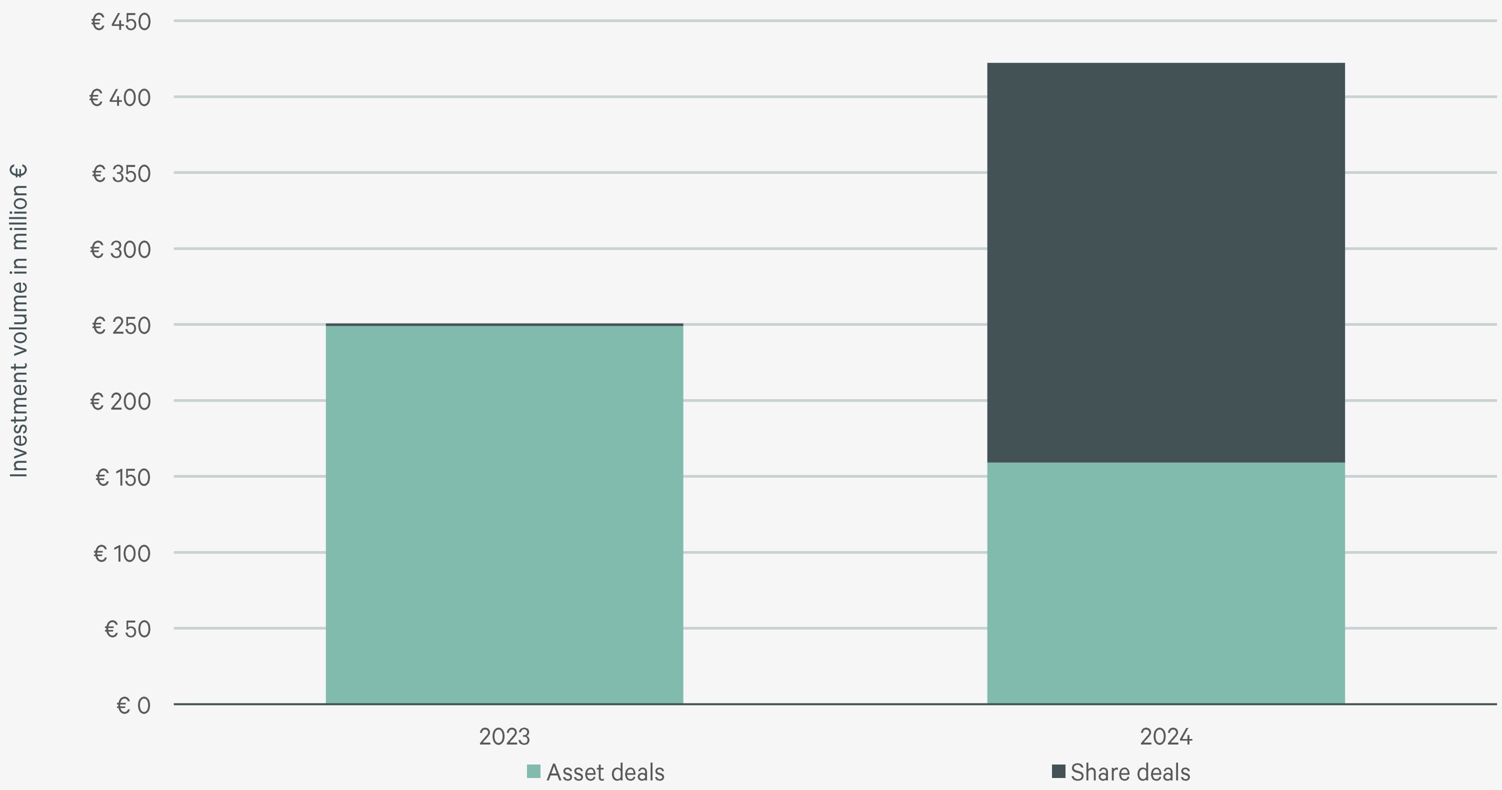
05

In 2024, private investors and private equity were active in the hotel investment market with various purchases. Investors see the potential of hotels, while the impact of the pandemic on tourism is increasingly fading into the background. With falling interest rates and expected lower initial yields, the current market is an excellent entry point for opportunistic investors, especially in value-add products. In addition, boutique hotels and extended stay hotels remain popular among investors.

ANALYSIS OF HOTELS

Hotel investments are typically based on real estate or share transactions. In portfolio deals or platform transactions, real estate is usually also an important component, but it can be difficult to accurately estimate the size of it. After all, the value of the real estate is directly related to the operating performance. Fattal Hotel Group purchased such a platform in the summer of 2024, and bought twelve hotels in Amsterdam, The Hague, Rotterdam, Groningen, Eindhoven, and Maastricht – for a total price of €300 to €350 million. This transaction is not included in the investment volume, because it was in fact a merger. The hotels will now operate under the Leonardo Hotels brand.

Figure 23: Ontwikkeling van het beleggingsvolume in hotels in 2023 en 2024 inclusief aandelentransacties



Source: CBRE Research

10

Data centres

Worldwide, the data centres market has grown significantly in recent years. This is partly due to cloud computing, big data, the (further) increasing digitalisation and the increasing demand for data services such as AI. Together with Frankfurt, London, Paris and Dublin, Amsterdam is one of the five most important colocation markets[1] in the European data centre market. A position owed to a strategic location and a good digital infrastructure. But while demand for data services and capacity in our country continues to increase, growth in the Netherlands is limited. This results in scarcity.

[1] A data centre colocation is a place where different companies can house their servers and other hardware at one common facility. For example, they do not have to build and maintain their own data centre, but rent space in a colocation data centre.

Trends and developments

01

The amount of data is growing exponentially due to developments such as AI and digitization. As a result, the demand for data centre is also increasing. In five years' time, this has led to a significant decrease in vacancy in and around Amsterdam: from 24% to almost 9%. This is particularly low in the data centre sector. Moreover, due to power grid congestion and restrictive regulations, there is hardly any room for expansion. The vacancy rate is therefore only expected to decrease further.

02

With a capacity of more than 500 megawatts, Amsterdam is currently the third largest colocation data centre hub in Europe. But while other prime markets, like here, are also increasingly struggling with congestion, their capacity continues to grow for now. As such, we expect Amsterdam to be overtaken by Paris by 2025, and therefore fall outside the top three.

03

The tight supply and increasing demand for data centre capacity is leading to a search for new development locations outside Amsterdam. Factors such as power grid capacity, network connectivity, residual heat implementation, flood risks and permits are crucial in this regard. The scarcity of suitable locations is forcing operators to expand their search criteria and look for expansion opportunities in the regions of Rotterdam, The Hague, Almere, Lelystad and Groningen.

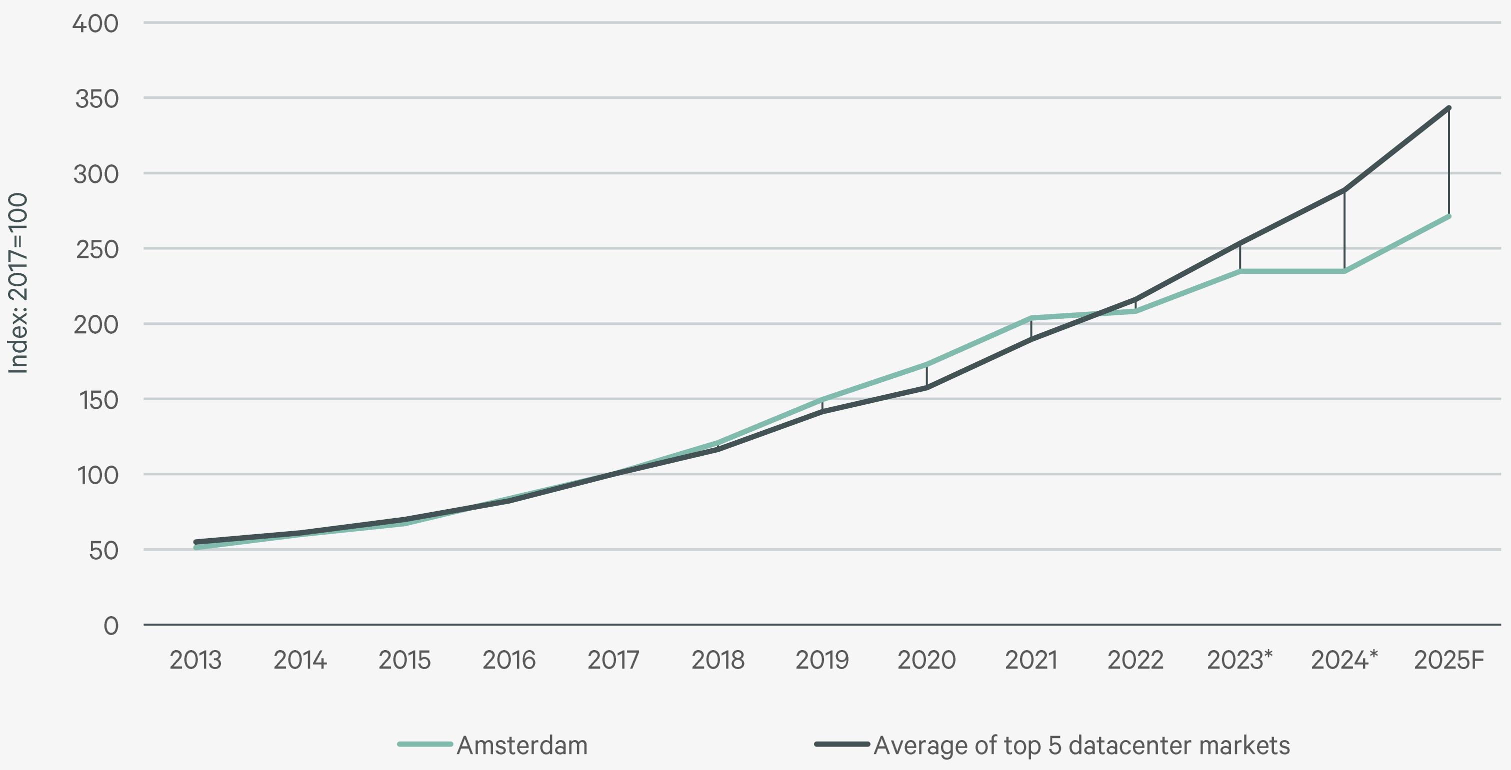
04

The search for suitable locations will intensify in 2025 – with a focus on capacity in both the short and long term. TenneT invests in infrastructure improvements. This will provide a new wave of available power capacity by 2030, and offer opportunities for data centres at existing and new locations.

SCARCITY OF DEVELOPMENT LOCATIONS SLOWS DOWN GROWTH OF AMSTERDAM DATA CENTRE MARKET

The inadequate power grid and the limited number of new development locations for data centres mean that the growth of the Amsterdam data centre market is unable to keep up with demand. While the four other prime data centre markets and emerging secondary markets within Europe still offer opportunities to meet the explosive demand, this is decreasingly the case in Amsterdam. Since 2021, it can therefore also be seen that capacity growth has slowed down compared to the average of the top five data centre markets.

Figure 24: Growth of Dutch data center capacity compared to average FLAPD markets



Source: CBRE Research

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