



NEWSLETTER

Let's buy a home in the old business park #QualityLIVING!

The profound supply shortage of housing in the major Dutch cities has led to an unprecedented increase in house prices over the last 5 years. In April 2018, average house prices in the Netherlands were close to pre-crisis levels, recording a 27% increase since their lowest level in June 2013. The lack of space availability for residential development in inner-city locations as well as the restrictive planning regime in top cities made room for creative solutions. Peripheral office locations in major cities are turning from ghost business parks into trendy residential areas. Not surprisingly, markets such as Amstel III & Amstel Business Park in Amsterdam, Capelle in Rotterdam and Binckhorst in the Hague are actively targeted by redevelopers. They are willing to pay hefty premiums for properties with office-to-resi conversion potential in the right location. In our opinion, investors should take this upside potential into consideration when they underwrite an office property or conduct their vendor due diligence. A good way to understand and potentially unlock this upside is to reach out to parties specialized in such projects and explore partnership options.

TRANSACTION MONITOR

Project	Sector	Value (EUR mn)	Buyer	Seller	Date
Mesdag Portfolio (54 assets)	Mixed	615	Highbrook Investors	Breevast	Apr-16
Residential Portfolio (1872 Apartments)	Residential	266	Deutsche Bank	Vesteda	Apr-26
Maastoren (Rotterdam)	Office	141	FOM RE, Asia Pacific RE, Coquine RE	Northstar Realty Europe	May-4
Amstel Building (Amsterdam)	Office	100	Barings	Cromwell Property Group	Apr-25
Unilever HQ (Rotterdam)	Office	87	Aegilia Capital Management	Real I.S.	May-3
EDGE Olympic (Amsterdam)	Office	72	TH Real Estate	OVG	Apr-20
Shoppingcentre Portfolio (3 assets)	Retail	46	Orange Capital Partners	Eta NV	Apr-27

Households are driving GDP growth

In Q1 2018, the Dutch economy grew by 0.5% compared to the previous quarter, reaching a GDP growth of 2.8% y-on-y. The main driver of this positive development was domestic expenditure in terms of household consumption and investment in fixed assets. In particular, acquisitions of property and cars increased by 6% y-on-y whereas household consumption increased by 3.2% y-on-y. Retail sales turnover was positive throughout the quarter for both food and non-food sectors, further supporting our view that Dutch retail is back on track. The residential boom also benefits demand for furniture and home improvements stores, which are experiencing a significant increase in sales turnover over the past quarters. Dutch consumers feel higher financial security, which is clearly reflected in their shopping patterns. This trend is bound to have a positive effect on the recovering retail sector.

Cinema Paradiso

The number of cinema visitors has been steadily increasing over the past 9 years. According to NVBF, more than 36 million people visited the cinema in 2017. This is the highest number of cinema visits in the Netherlands over the past 40 years. Contrary to conventional wisdom that on-line streaming platforms such as Netflix will make cinemas obsolete, cinema operators managed to survive by investing heavily in technology (3D / 4D) and customer experience. A consolidation wave already took place in the cinema sector where smaller operators went out of business whereas more established operators were able to increase market share. The top cinema operators have been in expansion mode in search of strategic locations throughout the country. Their profile as tenants in terms of strong credit and target group ties in perfectly with the on-going transition of shopping centres towards experience. Landlords are actively exploring ways to work with cinema operators in order to increase footfall and enhance experience in the centres. From an investor perspective, the key is to have the cinema operator invest heavily in equipment and fit-outs. This will ensure business continuity under the new movie formats and tenant commitment in the location.

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