



NEWSLETTER

Construction capacity may squeeze housing production

Royal BAM Group, the largest Dutch construction conglomerate, reported weak results, sending its share price sharply down. Smaller peer Heijmans wrote black figures for the first time in 4 years, yet its share price still declined on the news. Residential prices and construction costs are steadily rising in the Netherlands. Yet domestic builders struggle to benefit. They get squeezed between low margin past contracts and rising expenses for materials, salaries and subcontractors. Construction capacity shortages and rising costs are a growing issue. They may even impact governmental plans to boost housing production. Lack of affordable housing is a leading theme, as the Dutch vote for municipal councils on 21 March. Municipalities hold the upper hand in urban planning. Perversely, this further slows down housing production. 380 municipalities in charge of urban planning, are a recipe for misaligned parochial policies. The cocktail of lagging housing production and rising construction costs is likely to further boost residential prices. Clearly this would be great news for residential owners and investors, yet not so great for tenants and young people down the housing ladder.

TRANSACTION MONITOR

Project	Sector	Value (EUR mn)	Buyer	Seller	Date
Groothandelsgebouw (Rotterdam)	Office	170	HighBrook Investors	N/A (Listed NV)	Jan-18
Westergasfabriek (Amsterdam)	Retail	75	Millten, Harvest Vastgoed, Duncan Stutterheim	Meyerbergman Erfgoed Groep	Jan-18
Meerparc (Amsterdam)	Office	51	First Sponsor Group Limited	ASR Real Estate	Jan-4
Hilton Hotel (Rotterdam)	Hotel	50	First Sponsor, Cobb, Maleny, Robinvale	Park Hotels & Resorts	Feb-6
NOW Building (Hoofddorp)	Office	27	Amundi	Aberdeen Standard Investments	Jan-5
Warehouse (Venray)	Logistics	22	Exeter Property Group	Industrial Securities	Feb-14
Datacenter (Apeldoorn)	Logistics	20	Schroder European REIT	Hanzevast	Feb-21

Improved Tenant Demand: The Catalyst for Dutch RE

Various articles emerged over the last couple of months focusing on the negative effect of rising bond yields on real estate in Europe. Conventional knowledge dictates that investors will require higher real estate yields in order to rebalance the risk premium over government bonds. We believe that the theory is far from reality in the Dutch RE market. There is a profound shortage of core assets for sale with institutional investors taking increasingly more risk (forward purchase / funding) to secure such properties for long-term holding. Moreover, positive economic prospects coupled with rising inflation are creating the right environment for rental growth. Investment activity will concentrate more on the value-add segment taking advantage of the improved tenant demand. Property values are set to increase further in good secondary locations.

Crowdfunding & Blockchain: Proceed with Caution

The two main challenges for retail investors in real estate are the size of the capital required and liquidity. The listed RE market is a good alternative; however, investors are very keen to access the private market with limited options available. Two modern initiatives that stand out are a) Crowdfunding and b) Tokens. In the last couple of years, there have been a few crowdfunding projects in the Netherlands where investors could lend or own part of a property. There is also a newly developed idea based on the blockchain technology to raise capital for real estate investments via the sale of tokens. The tokens will be tradable worldwide providing liquidity to investors. We find both initiatives very interesting and most of all innovative. Nevertheless, retail investors should proceed with caution. Issues such as corporate governance, hidden fees, tax and regulation need to be addressed carefully.

Masterdam staff changes

Our Senior Advisor **Karin Koks-van der Sluys** wants to dedicate more time to her growing portfolio of non-executive directorships and will relinquish her formal role at Masterdam as of 1st March. We thank Karin for her important contribution to our business and look forward to our continued interaction. As of 15th January **Sander Kusters** joined us as Analyst. Sander completed his Master Degree in Finance & Investments at Erasmus University and his Bachelor degree in Business Economics at Tilburg University.

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