Dutch residential real estate:
non-regulated rental market first to bottom out

Research Paper, January 2013

De Heelmeesters
Amsterdam

Bouwinvest

status: final
date: January 2013
version: 1.0
author: Research Bouwinvest

Bouwinvest
Real Estate Investment
Management BV

Table of contents

...opportunities

Bottoming out in 2013

9.5% average total return
in the period 1995-2011

Housing shortage from 3.5% to 4.0%

€ 1 billion investment volume
Dutch residential real estate

Occupancy rate Bouwinvest Residential Fund 98.2%

4.5% of value (WOZ) new base rate rent
ceiling regulated segment

...threats

2013 Economic growth approximately -0.5%

Cabinet formation 54 days, restructuring plans careless

Affordability owner occupied houses improved by 20%

Limited population growth of 0.2% expected

Number of 65^{+} from 16% to 24%

1 Introduction

The Dutch housing market has been a subject of discussion for some time already. After several decades in which both owner-occupier and rental homes appreciated in value, a period for reflection has now arrived. There is a great deal of uncertainty and sentiment is negative. This is also reflected in the figures. The current housing market is contending with historically low number of transactions, downward price pressure and a shift from the owner-occupier sector to the rental sector. The climate is also changing in terms of regulations and legislation. The current subsidy system is being modified. At the macro level, increasing attention is being devoted to aspects such as tempering the expansion demand, the demographic shrinkage in specific regions and changing occupier demand as a result of the ageing population and individualisation.

Are there no bright spots at all? Yes, there are: structural scarcity in the Dutch housing market offers a strong foundation for investment. The aforementioned developments are also aspects that primarily affect the owner-occupier market and the regulated rental market, which constitute roughly 97% of the Dutch housing stock. The Dutch residential investment market focuses chiefly on the remaining 3%, the non-regulated rental market. A growth market with good prospects and potential from an occupier and investment point of view.

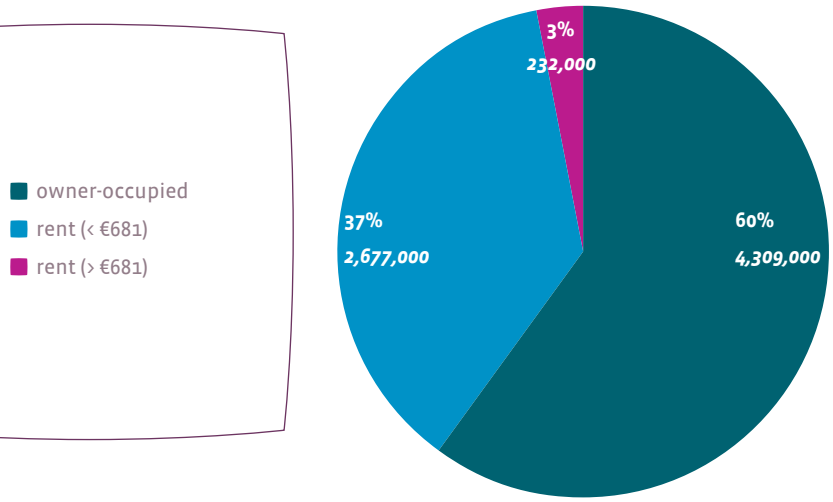
The Dutch residential investment market (non-regulated rental homes) can be typified as mature, transparent, investable and stable. Institutional investors, in particular, play a major role within this property sector, with assets of almost € 18 billion in residential property. Interest amongst professional investors has also increased sharply in recent years.

This report describes a number of trends and developments that lie at the foundation of institutional investors' strong position and interest. We outline both a national and an international view of the Dutch market, for which the outlook is positive. The long-term foundation is strong, the investment timing is good and the housing market sets itself apart positively in respect of commercial property. Not surprisingly, the Dutch residential investment market therefore stands out, both nationally and internationally.

The Dutch housing stock of 7.2 million...

comprises 60% owner-occupier homes and 40% rental homes. The majority of the 2.9 million rental homes are owned by housing corporations and consists of regulated rental homes. These homes are intended for households with an income below approximately € 34,000 per annum and have a maximum permitted (basic) rent of € 681 per month on occupation. Only 230,000 rental homes are in the non-regulated rental market, however, and these have an actual rent price above the deregulation level. These homes, in particular, are an interesting investment product. It is permitted to adjust rent prices to market levels and the target group is generally among the medium and higher income groups.

Figure 1: Dutch housing stock by type



Source: ABF Research, IVBN (2011)

2 Residential investments in the Netherlands

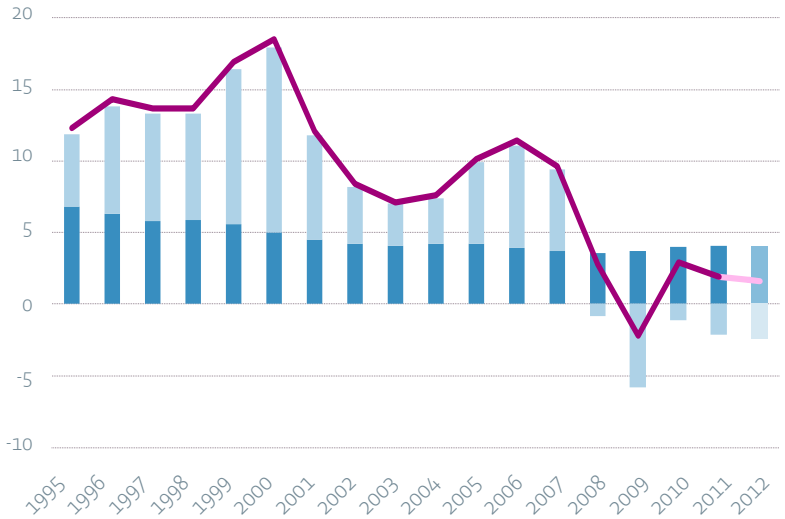
Residential investments in the Netherlands are attractive, stable and a good inflation hedge.

Stabilisation in the value of rental homes in 2013 after five "lean years"

In the period from 1995 to 2011, Dutch residential investments achieved an average annual total return of 9.5%. In the long term, that comprises almost 5.0% income return and 4.5% capital growth. Dutch residential real estate appreciated sharply in value up until the end of 2007. In recent years, however, they have experienced a cumulative depreciation of around 10%. Nevertheless, the total return in the crisis years was only negative once, -2.2% in 2009.

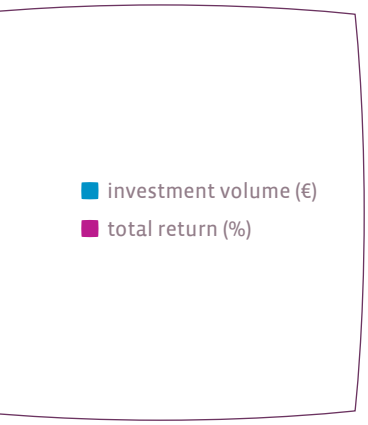
A positive total return is expected in 2012 and 2013, despite the expected slight depreciation in value. In subsequent years, Bouwinvest REIM again foresees capital growth making a substantial positive contribution to the total return. Investors' confidence in residential investments is also reflected in the figures. In both 2011 and 2012, more than € 1 billion worth of investment transactions were registered in the residential market, approximately 20% of the total investment volume in Dutch direct property. A share that is expected to increase further in the years ahead.

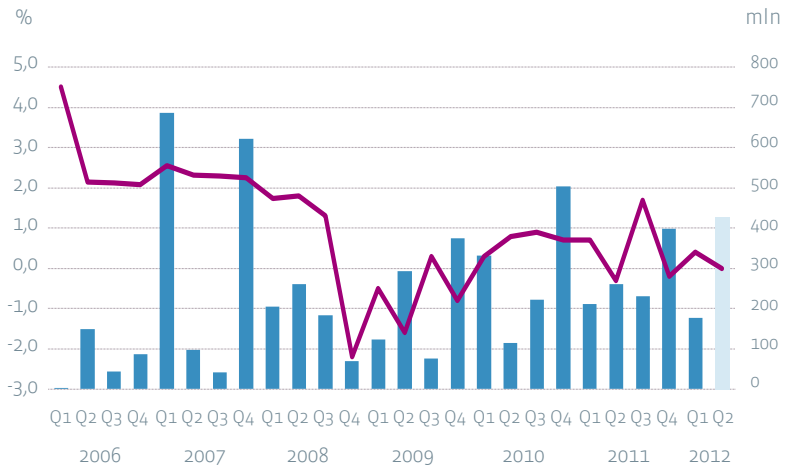
Figure 2: Residential return the Netherlands ('95-'12)



Source: IPD, Bouwinvest Research (2012)

Figure 3: Investment volume and total return residential real estate



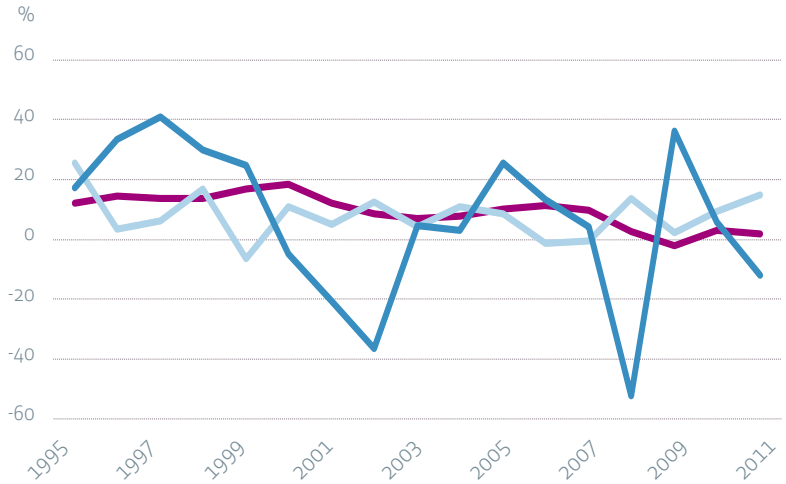


Source: IPD, Jones Lang LaSalle, Bouwinvest Research (2012)

Residential investments offer a good risk/return ratio and an inflation hedge

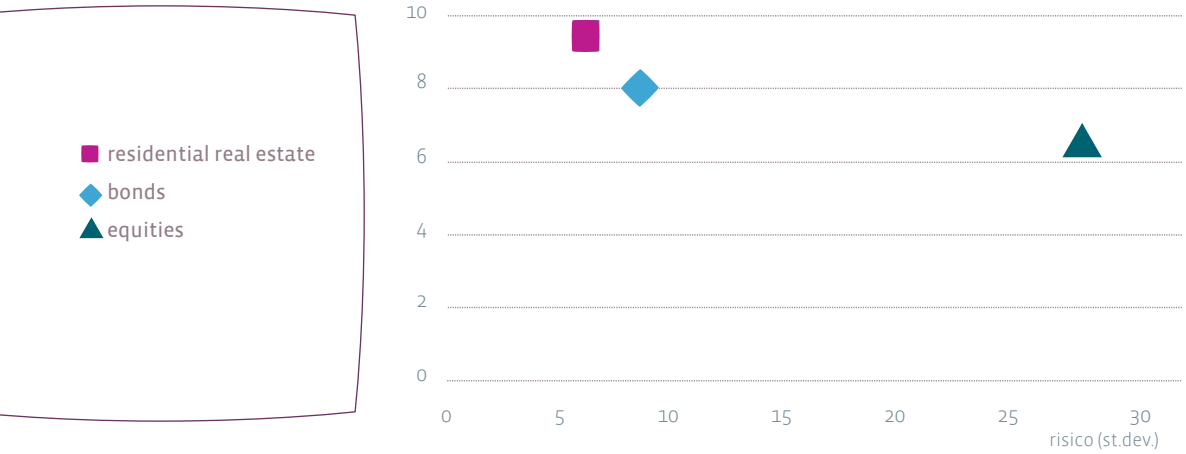
Residential investments in the Netherlands have a strong risk/return ratio. The average total return from residential investments (9.5%) showed an outperformance in the period from 1995 to 2011 compared to equities (6.6%) and bonds (8.0%). The return volatility is also considerably lower, especially in comparison with equities.

Figure 4: Dutch total return by asset class ('95-'11)



Source: IPD (real estate), MSCI Index NL (equities), JP Morgan Index NL 7-10 year (bonds), Bouwinvest Research (2012)

Figure 5: Risk/return asset categories ('95-'11)



Source: IPD (real estate), MSCI Index NL (shares), JP Morgan Index NL 7-10 year (bonds), Bouwinvest Research (2012)

Residential investments also offer good protection against inflation. Rents within the regulated market are directly linked to inflation. On average, rental prices in the non-regulated market are even rising above the level of inflation. The correlation matrix below illustrates the relationship between historic returns on equities, bonds, residential real estate and inflation. In addition to the highest positive relationship with inflation, the negative correlation between residential returns and bonds is striking. In other words, residential investments make a substantial contribution to the diversification of investment portfolios.

Table 1: Correlation matrix returns assets the Netherlands ('95 - '11)

Correlation matrix (1995 - 2011)	**Bonds**	**Shares**	**Inflation**	**Residential Real estate**
Bonds	1.00			
Equities	-0.27	1.00		
Inflation	0.03	-0.39	1.00	
Residential Real estate	**-0.13**	**0.27**	**0.32**	**1.00**

Java eiland
Amsterdam

Up until 2008, residential investments had always demonstrated strong performance, as illustrated in the matrix below. Over the past three years, however, residential real estate has occupied one of the two lowest positions.

Table 2: Perfomance matrix Dutch asset returns

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hoog	25.4%	33.6%	40.9%	29.8%	24.7%	18.5%	12.1%	12.7%	9.2%	11.0%	25.5%	14.9%	13.4%	13.7%	36.3%	9.3%	14.9%
	17.1%	14.3%	13.7%	17.0%	16.9%	15.1%	12.0%	9.8%	7.1%	10.3%	13.5%	13.4%	11.3%	5.5%	2.4%	7.8%	7.6%
	12.3%	8.8%	12.0%	14.4%	15.5%	12.0%	9.9%	8.4%	5.2%	7.6%	10.1%	11.5%	9.6%	2.8%	2.4%	5.7%	2.2%
	9.4%	8.7%	10.6%	13.7%	13.3%	10.8%	5.0%	8.3%	4.6%	5.5%	8.7%	11.4%	4.1%	0.9%	-0.2%	3.5%	1.9%
Laag	8.6%	3.4%	6.2%	12.7%	-6.4%	-5.0%	-20.5%	-36.3%	4.4%	3.1%	7.0%	-1.4%	-0.6%	-52.3%	-2.2%	2.9%	-11.9%

residential
retail
offices
bonds
equities

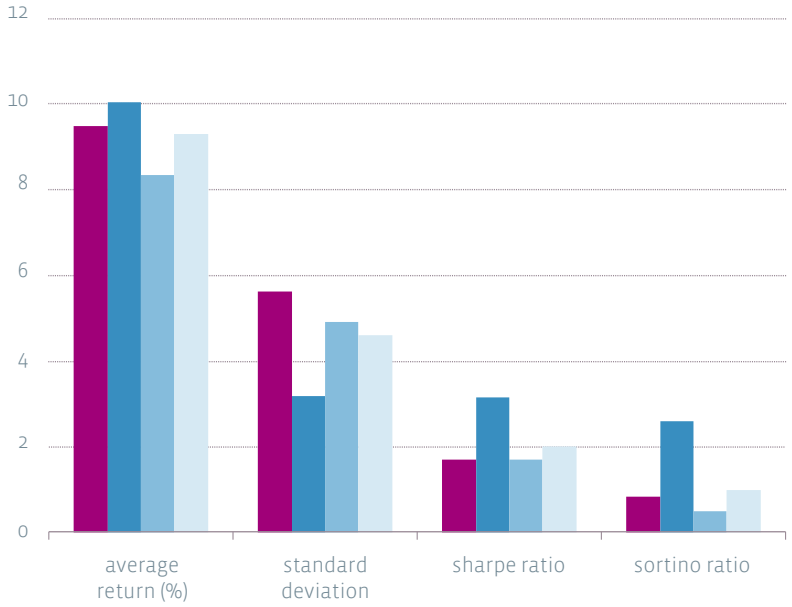
Source: IPD (real estate), MSCI Index NL (equities), JP Morgan Index NL 7-10 year (bonds), Bouwinvest Research (2012)

Strong capital growth for residential investments in relation to other property sectors

The Dutch residential, retail, office and logistic markets all achieved an average total return of between approximately 8% and 10% in the period from 1995 to 2011. Only the retail sector is ahead of residential, with a slightly higher average return: 10.1% vs. 9.5%. The volatility of residential real estate is higher, though, primarily due to the disappointing results in recent years.

Looking solely at capital growth, the residential market has demonstrated an outperformance over the past seventeen years in relation to the other sectors. Volatility may be higher, but the ratio between the two components is positive (Sharpe ratio). Looking in more detail at the downside risk, often expressed by Sortino ratio, then Dutch residential investments also excel. A high Sortino ratio indicates a low number of deviations below an acceptable (long-term) return. In the example below we opted for 7% for all property segments.

Figure 6: Risk/returns real estate sectors ('95-'11)

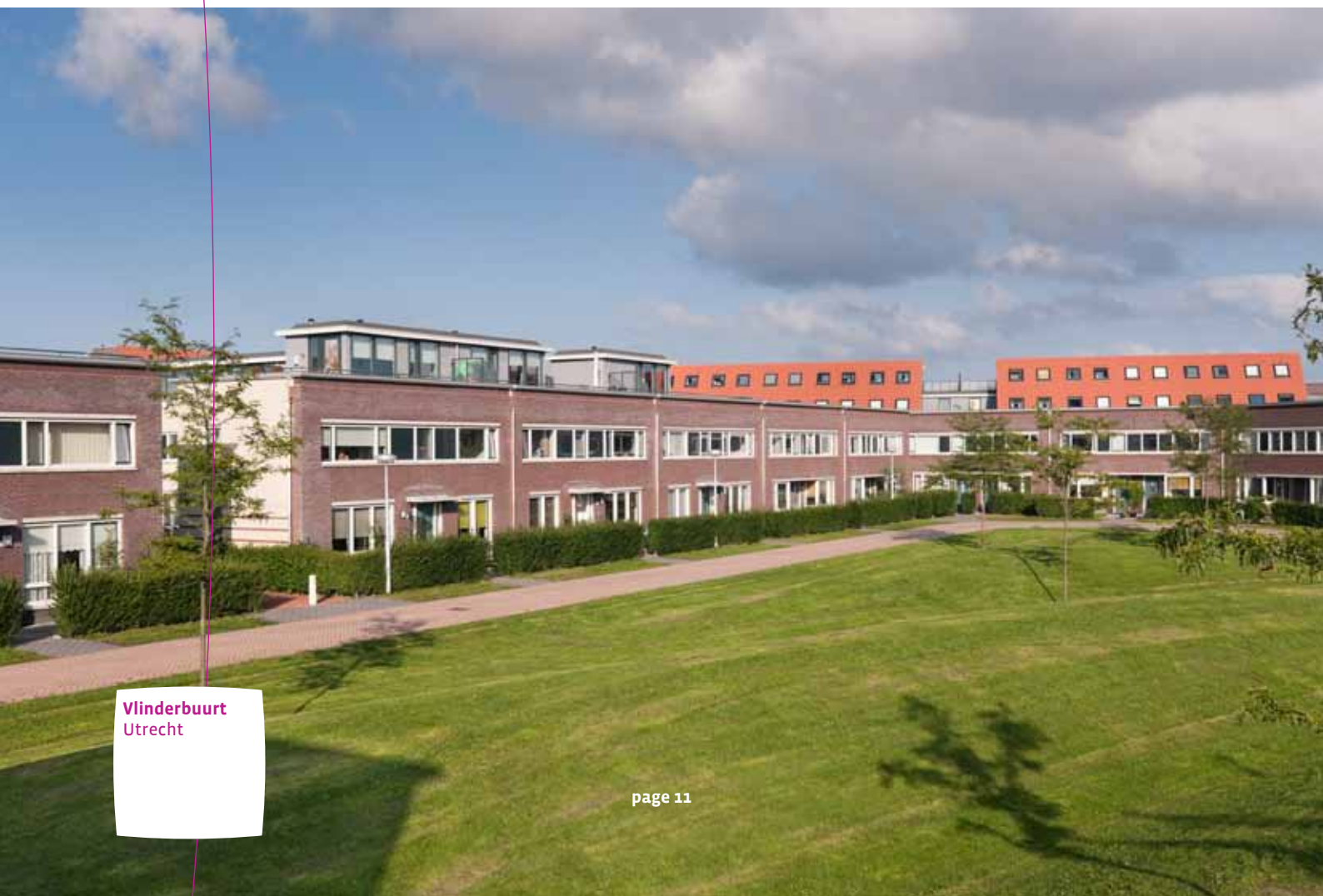


residential
retail
offices
logistics

Source: IPD, Bouwinvest Research (2012)

Residential as an investment category has a stronger foundation than the commercial sectors. A home is a primary necessity of life, so the demand for accommodation is less related to economic growth. Residential as an investment is also less affected by social trends such as online shopping and the New Way of Working. In fact, it can benefit from them. The risk of vacancy is highly limited, whereas other sectors are already suffering from a surplus supply. Vacancy of the asset also has less effect on its valuation than in the other sectors. A vacant home is often worth even more than when occupied.

Over a long period, a number of other advantages can be cited for residential investments. The lifespan of a home is generally longer than that of offices and other commercial space. Functional ageing is relatively moderate and the location quality is generally strong. That justifies a relatively low exit yield. A residential portfolio also offers a widely spread tenant risk and liquidity is relatively high. Dispositions are possible in both the investment market as well as the owner-occupied market.



Vlinderbuurt
Utrecht

3 Outlook for the occupier market

The outlook for the occupier market provides a solid investment foundation.

Structural housing shortage

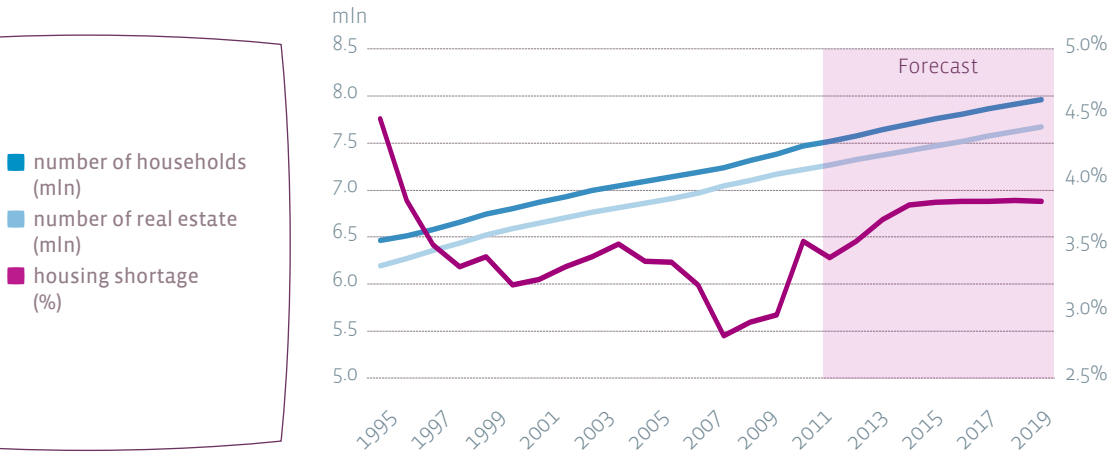
The Dutch housing market has been suffering from a shortage for decades. There is practically no vacancy in either the owner-occupier or the rental market. Growth in the housing stock has been able to keep up with the increase in the number of households, but there was little catching up with the backlog in the period from 1995 to 2012. The housing shortage is still at roughly 3.5% in 2013, approximately 250,000 homes. The expectation is that the shortage will increase further in the period up to 2020 to roughly 4%.

The number of households has risen considerably in recent decades, due to a combination of a sharp rise in the growth of the population and individualisation. In the coming decades, too, the shortage in the housing market is expected to persist and even grow. Both the number of households and the total population of the Netherlands are expected to continue growing until 2040.

The Netherlands currently has approximately 16.7 million inhabitants and 7.5 million households. This will rise to 17.2 inhabitants and 8.0 million households by 2020. That means an increase of 500,000 inhabitants (3% growth) and 450,000 households (6% growth) in relation to the current level. That guarantees a healthy future demand for housing.

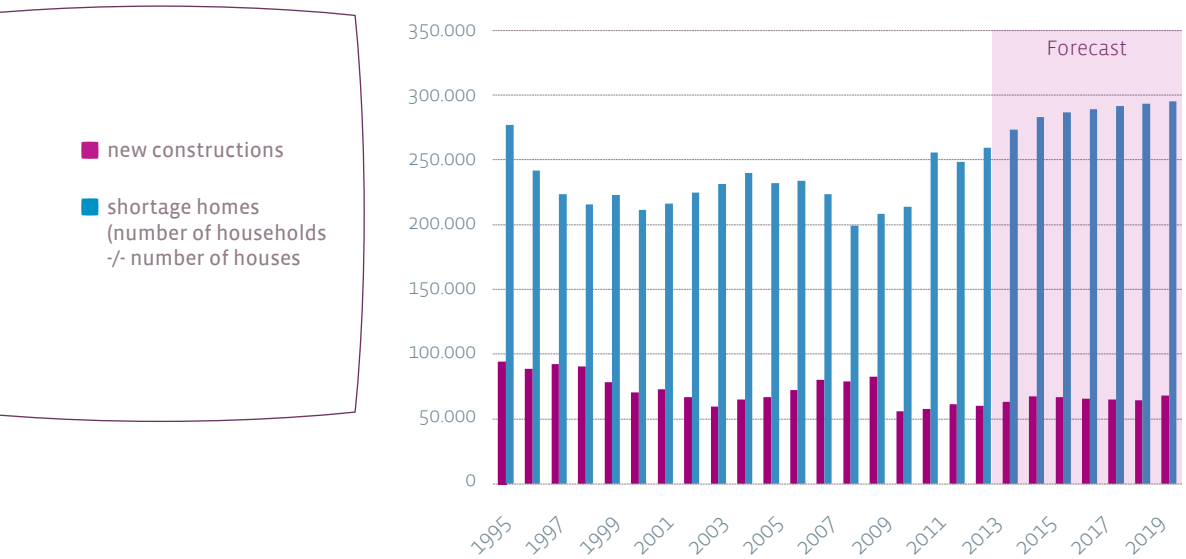
On the supply side, the building sector has largely stagnated, causing the shortage to increase annually since 2008. In 2010 (at 56,000) and 2011 (at 58,000) the number of homes delivered lagged far behind the government's annual long-term average target figure of 75,000. In 2012 and 2013 even lower volumes are envisaged: slightly more than 50,000 homes per annum. Approximately 10,000 to 15,000 homes are also demolished annually, causing an even lower net number of homes is being added each year. In view of the growth of 450,000 households in 8 years' time, a net annual addition of 56,000 homes is required to prevent the shortage increasing any further.

Figure 7: Number of households, housing stock and housing shortage ('95-'20)



Source: ABF Research, CBS, Bouwinvest Research adapted (2012)

Figure 8: New construction and housing shortage ('95-'20)



Source: ABF Research, CBS, Bouwinvest Research adapted (2012)

There are substantial regional differences in the housing shortage. In urban regions in particular, the scarcity is high and the expected housing shortage is rising faster than the national average. The foreseen shortage will rise especially steeply in the regions around Utrecht (8%), Amsterdam (7%) and The Hague (5.7%) up until 2020.

Supply has grown considerably in recent years, particularly in owner-occupier homes, also in the large urban regions. This supply has virtually no physical vacancy, however, unlike the retail and offices market. Dynamics in the rental and owner-occupier markets has dropped sharply, which is currently causing a dam of people wishing to move home. This group includes both first-time buyers and those wishing to move up a rung on the property ladder. Students are living at home longer, for example, and people wanting to divorce are being forced to continue living together.

Strong demand in the non-regulated rental market

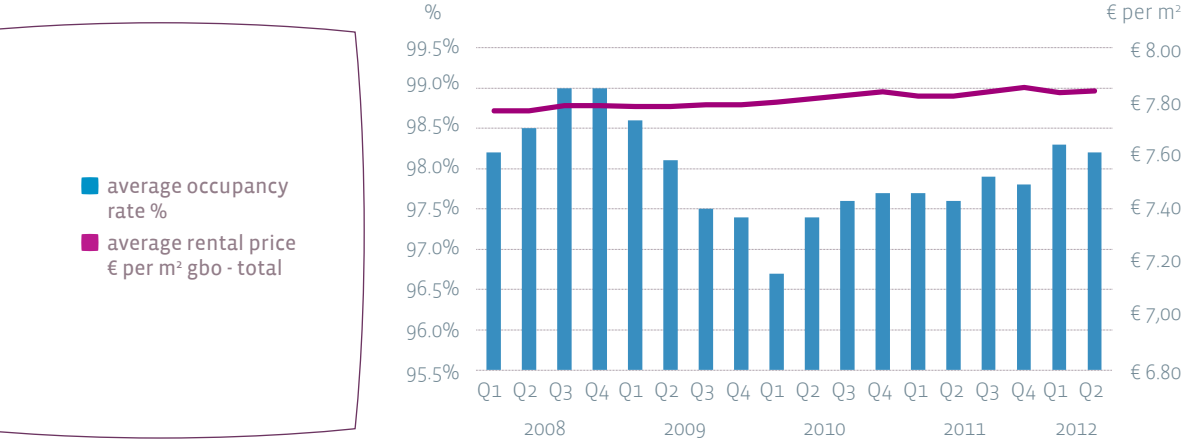
Residential real estate investors in the regulated rental homes market are strongly dependent on government frameworks (UHW – Legislation on the Implementation of the Housing Rents Act), so it is more appealing to invest in the segment above: the non-regulated rental market. Non-regulated rental housing constitutes around 3% of the total Dutch housing stock. The demand for such homes is far greater, however, particularly in the strongest economic regions. In recent years, in particular, there has been a strong occupier demand in the € 681 to € 1,000 per month rental segment.

The rental sector's competitive position in relation to the owner-occupier sector has improved considerably as a result of current uncertainty in the owner-occupier market. Potential first-time buyers have become reticent, due to low consumer confidence and the debate on mortgage interest deduction. Additionally, buyers wishing to move up the ladder are, in many cases, unwilling or unable to take a loss on their current home and are biding their time too. There is also the current restrictive financing policy of banks, which has seriously reduced dynamism in the owner-occupier market. Nonetheless, demand for non-regulated rental homes has remained at a high level in recent years and

has benefited to some extent from the aforementioned uncertainties. Part of the potential demand in the owner-occupier market has shifted to the rental market, for example. That is also reflected in the figures. Average occupancy levels and rent prices showed a positive development in the period from 2008 to 2012. An analysis of some 14,500 Bouwinvest rental homes shows a rising level of occupancy from early 2010 onwards, after a slight dip in the preceding quarters. In the fourth quarter of 2012, occupancy was at 98.2%, the remaining 1.8% being friction vacancy. The highest vacancy level was in early 2010, at 3.3%.

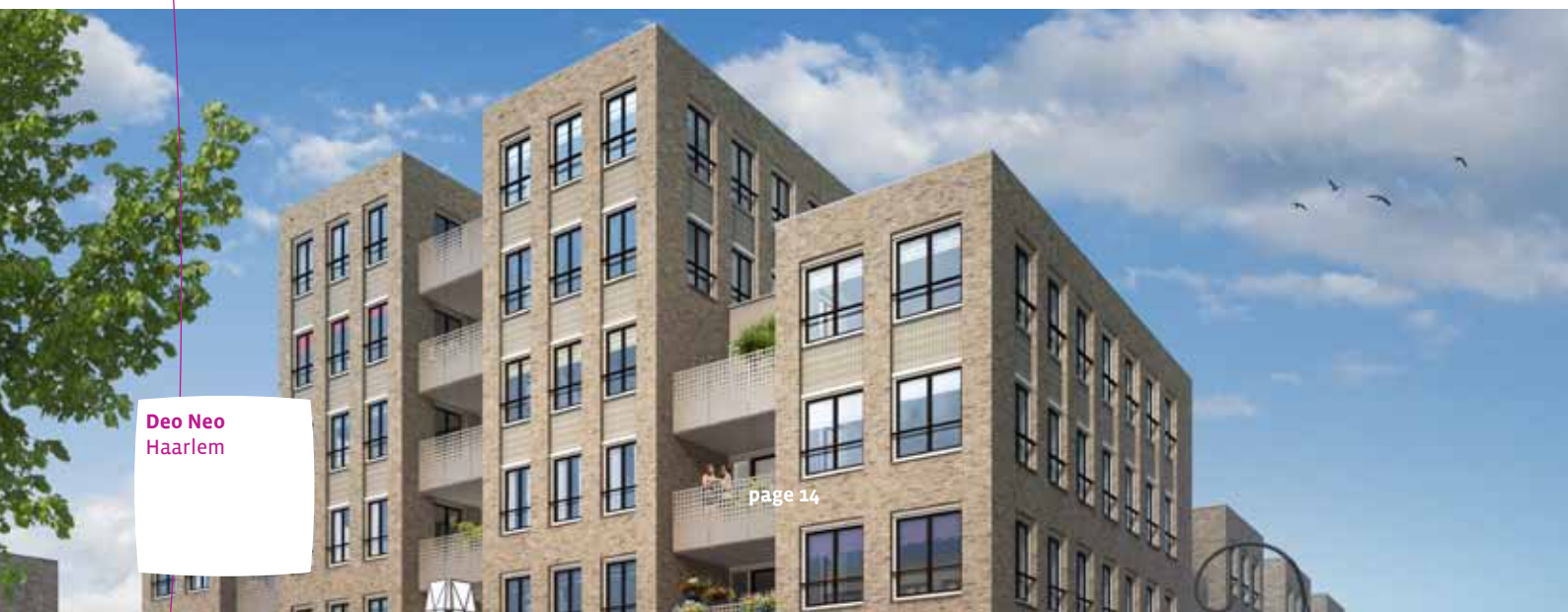
The level of the average rent price (per m² usable area) also remained fairly constant in the crisis years and even rose slightly. This is shown in an analysis of many thousands of deregulated rental home transactions by various sizable institutional providers. Since 2008, rent prices in the non-regulated market have shown a cumulative rise of approximately 7% when converted into the price per square metre. Prices have stabilised over the past few quarters, though. A slight rise is expected in the coming years.

Figure 9: Development occupancy rate and average rent non-regulated segment ('08-'12)



Source: Bouwinvest Research, IPD (2012)

The demand for non-regulated rental market homes will also remain high in the long term, as it caters for living trends such as increased "freedom to move". More highly educated tenants, in particular, require more freedom of movement. This group generally changes employer and/or work location more quickly, for example. Another factor is that the number of broken relationships has risen sharply over the past few decades. In such cases, a flexible housing option like renting can provide a solution.



Deo Neo
Haarlem

Restructuring of the owner-occupier and (regulated) rental market is headed in a positive direction

A healthy housing market requires restructuring, in both the owner-occupier and rental sector. There is no level playing field in the housing market at the moment. Both the owner-occupier market and the regulated rental market are highly subsidised in the Netherlands. The owner-occupier market by means of mortgage interest deduction and the regulated rental market by means of the property rating system (WWS), combined with a maximum rent price adjustment equal to inflation. The government's rent legislation policy is always aimed at ensuring sufficient accommodation possibilities for lower income groups. The non-regulated rental market does not have any subsidies, however. The coalition agreement presented in November 2012 included measures concerning the Dutch housing market. Measures are being introduced for both the owner-occupier and the rental market, with substantial consequences for home owners, tenants, housing corporations and investors. Subsidies are being limited throughout the housing market. The proposed measures will primarily hit the medium and high income brackets. Their accommodation costs will increase in the coming years.

Rental income for institutional investors are expected to increase in the coming years. A higher cash flow is expected from regulated rental homes, as it will be possible to raise rents above the level of inflation for sitting tenants with medium to high incomes. The rent ceiling within the regulated segments, will be linked more directly to the value of the home. That offers increased potential, particularly in scarcity areas where the proportion of institutional ownership is generally high. In the longer term, higher demand is expected in the non-regulated rental market, as a result of the proposed government measures, encouraging people to move homes.

Tenants with a medium to high income who are currently housed in a regulated rental home can expect extra rent increases above the rate of inflation in the years ahead. For tenants with a household income of up to € 33,000 that will be 1.5%. For those with an income of between € 33,000 and € 43,000, it will be 2%. Above € 43,000, the maximum rent increase is 4% annually. The system with a rent deregulation limit remains intact. However, the system may well be adjusted on a number of points in the coming period in view of the problems that have arisen in specific housing segments. One example is the unfeasible business case for student accommodation in a large number of university towns under the current legislation.

In the owner-occupier market, the mortgage interest deduction is being reduced over a long period, in accordance with the coalition agreement. The maximum deduction rate is being reduced in phases of 0.5% annually from 52% to 38% from 2014, for both existing and new mortgage loans. For new mortgage loans, repayments (at least annuity payments) also have to be made to qualify for deduction. This means a considerable increase in monthly costs for first-time buyers. As a result, this target group may prefer to rent (for longer) at the beginning of their housing career.

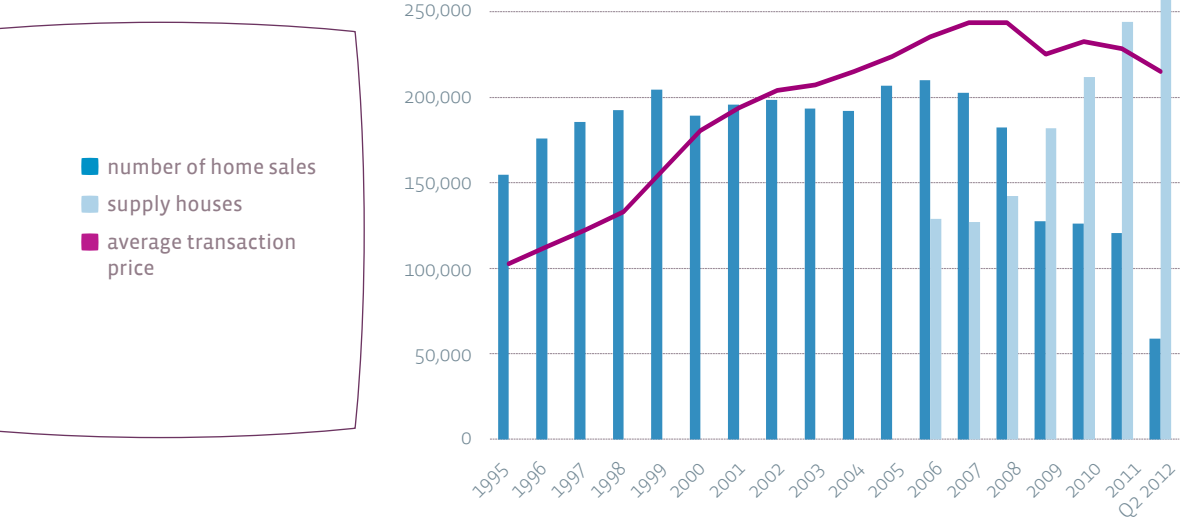
Influence of the malaise in the owner-occupier market on the valuation of residential investments

The owner-occupier market is experiencing heavy weather. The available supply of homes on the market has increased sharply, new-build construction has collapsed and the number of people moving has dropped steeply in recent years. Consequently, the average price of owner-occupier homes fell by around 15% in the period between 2007 and 2012. In the third quarter of 2012, the average transaction price for a Dutch home was € 209,000, according to the NVM, the Dutch Association of Real Estate Brokers. A number of prominent organisations in the Netherlands expect a further price drop in 2013/2014 of roughly 10% to 15% below the current level. These developments within the owner-occupier market also affect the valuation of rental homes, both directly and indirectly. The negative influence of the owner-occupier market has been almost entirely discounted in the valuations. Below, the major variables in the valuation of rental home investments are summed up with a brief look backwards and ahead.

» Sales of individual units

The phased sale of individual homes in the private owner-occupier market has been scaled down considerably in valuations, and expected disposission values have lowered as well (vacant possession). This lower estimated cash flow was the main reason for the downward value adjustments in recent years. However, when rental homes are valued, currently the assumption is, increasingly, that the property will be held rather than sold off. We are at the turning point where it is no longer the individual sales value on the private market that is dominant, but the expected rental income. The buy and hold strategy has become dominant again in valuations. The difference between the two valuation scenarios only amounts to a few percent at the portfolio level for the majority of investors. That more or less puts a limit to any further downward value adjustment in the coming year.

Figure 10: Number of home sales, supply and average transaction price ('95-'12)



Source: CBS, Calcasa, NVM, Bouwinvest Research (2012)

» Vacant possession value

The development of the vacant possession value on the private sales market has strongly influenced valuations of rental homes in recent decades. The fact that valuations largely assumed that individual units would be sold off is clearly illustrated in figures 12 and 13. The indexed annual vacant possession value on the owner-occupier market (NVM) is set off against the indexed annual indirect return on rental homes (IPD index). The difference between the vacant value (owner-occupier) and the investment value (rental) increased further in the period from 1995 to 2002 and then remained reasonably stable. We are now at the turning point where the difference between the value of a home on the owner-occupier market and on the investment market is levelling out, due to steeper drops in sales prices. The owner-occupier and rental markets are expected to find a better balance in the years ahead.

» Occupancy level

As we saw in the previous section, the average occupancy level of Dutch rental homes has shown a positive development in recent years. The rental sector has benefited from the malaise in the owner-occupier market, in particular. The occupancy level is expected to remain high in the coming years, too. The problems in the owner-occupier market are not yet at an end and the shortage in the total housing market is growing steadily, especially in the Randstad urban conglomerate.

» Rent levels

Due to the strong demand and the limited supply in the non-regulated rental housing market, particularly in the € 681 to € 1,100 a month segment, rent prices have risen over the past few years, a trend which will continue to some degree. The shortage in the housing market is growing. Furthermore, the measures announced in the coalition agreement will contribute to further demand pressure in the longer term, in view of the expected influx from the regulated rental segment to the non-regulated rental sector.

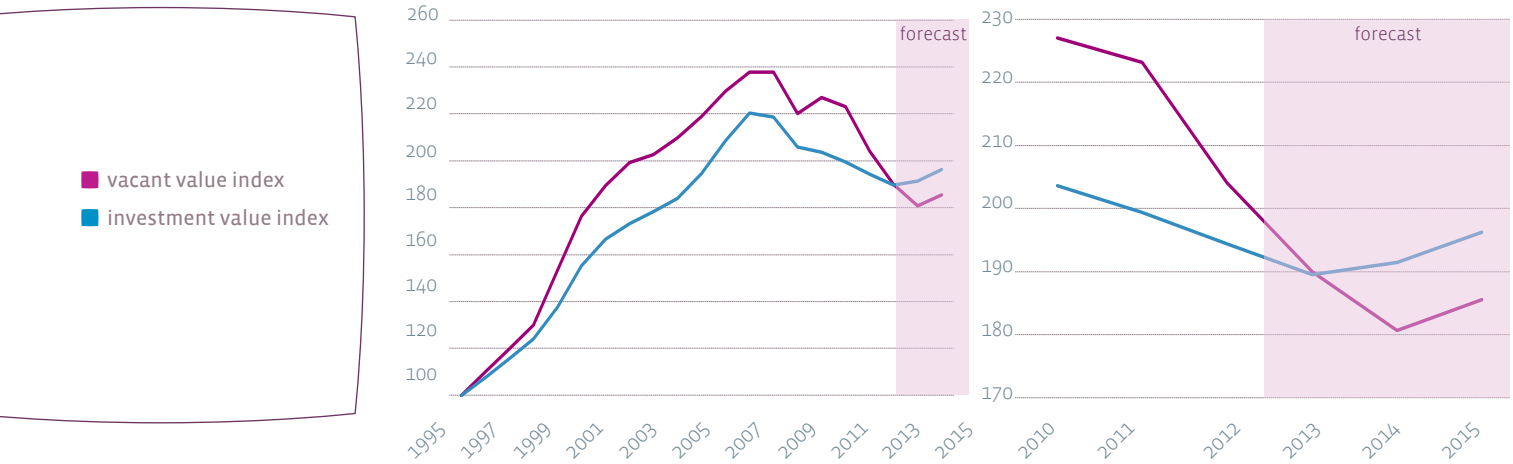
» Return demanded by investors

The return demanded by investors, both on commencement and over the total expected exploitation period has also developed reasonably evenly. This is expected to continue in the coming years. Internationally, negative reports on the owner-occupier market have contributed to an increased risk perception regarding the Dutch housing market. The confidence in this segment is high amongst Dutch investors. As a result, investment volumes in the Dutch residential market have increase in recent years and that trend is expected to continue in the coming years.

Borneo eiland
Amsterdam

Figure 11 shows how the vacant value experienced stronger growth than the investment value from 1995. From 2010, the difference diminished again. In many markets, the investment value will constitute the lower limit for the price drop in the owner-occupier sector. Additionally, at some point, the owner-occupier sector will become more competitive in relation to the rental sector again, due to better affordability. The affordability of owner-occupier homes has increased more rapidly than the average price drop of around 15% in the period from 2008 to 2012. For existing homes, it has increased by an average of around 20%, both by month and over the entire 30-year period, partly due to a slight increase in disposable income and a fall in interest rates. Futhermore the required mortgage decreased by 4%, due to the reduction in transfer tax from 6% to 2%.

Figure 11: Vacant value index vs investment value index (95=100)



Source: CBS, Calcasa, NVM, Bouwinvest Research (2012)

Bottoming out in 2013

Bouwinvest's current housing portfolio (approximately 14,500 rental homes) was valued at the end of 2012 on the basis of two scenarios: Buy and hold and selling off individual units (prematurely). The current difference is still only around 3.5% over the entire portfolio in favour of the selling-off scenario. To a certain extent this will prevent any further downward value adjustment in the year ahead. However, the effect of falling sales prices has not yet disappeared entirely from the valuations in the buy and hold scenario, as the exit yield is based on vacant values. Naturally, this difference will be strongly tempered by the passage of time.

At the moment, the highest valuation based on buy and hold is also already being achieved for some 25% of the portfolio, measured according to the investment value of the housing complexes in question. The expected impact of further price drops in the private owner-occupier market on the value of Bouwinvest's residential investment portfolio is illustrated below.

Table 3: Expected impact of falling sales prices on the value of the Bouwinvest residential portfolio (2013)

	Neutral	Negative
Decrease average sale prices in the Netherlands (NVM)	**-5%**	**-10%**
Decrease investment value Bouwinvest Residential Fund	**-1.3%**	**-2.5%**

4 Residential investment market from an international perspective

Residential investments occupies a prominent position in the Dutch property investment market. This segment is not only the largest amongst institutional investors in the Netherlands, but also one of the biggest and most mature residential investment markets in the world. This is partly because of the high quality of the rental housing stock in the Netherlands.

Dutch residential real estate is investable

In a large number of countries around the world there is practically no appealing residential investment product available. A high proportion of homeowners, the dominance of a number of local players or the possibility of only participating in development projects could be the basis of the scarce availability in other countries.

The foundations of the Dutch property investment market are strong. The Netherlands has a mature and relatively stable economy and national unemployment is low. The positive outlook in the residential occupier market is explained in depth in the previous section. The country's creditworthiness and its international competitiveness are amongst the top in the world, according to various credit rating agencies and the World Economic Forum's Global Competitiveness Index. Aspects such as the level of transparency also distinguish the Netherlands very positively from an international perspective.

Table 4: International comparison residential markets

	Economy & Demography				Residential Real Estate Market				
Countries	**BBP growth ('13-'17) ******	**Competiveness Index *******	**S&P Credit Rating ********	**Population growth ('13-'17) ******	**Investment universe (€ bln) ***	**Average totalreturn ('01-'11) ****	**Sharpe ratio total return ('01-'11)**	**Average income return ('01-'11) ****	**Transparancy real estate market *****
The Netherlands	**1.6%**	**5**	**AAA**	**0.2%**	**18**	**6.5%**	**1.4**	**4.0%**	**4 - Very transparant**
Canada	2.3%	14	AAA	0,8%	4	9.6%	2.1	6.5%	6 - Very transparant
Denmark	1.9%	12	AAA	0.3%	2	10.0%	0.8	3.6%	14 - Transparant
Germany	1.6%	6	AAA	-0.1%	6	4.7%	2.8	4.0%	12 - Transparant
Finland	2.2%	3	AAA	0.3%	4	8.0%	3.7	5.5%	8 - Very transparant
France	1.6%	21	AA+	0.5%	16	9.7%	1.7	3.9%	7 - Very transparant
Japan	1.4%	10	AA-	-0.2%	16	3.6%	0.7	5.5%	25 - Transparant
Austria	1.9%	16	AA+	0.4%	1	5.8	4.1	4.2%	22 - Transparant
United Kingdom	2.0%	8	AAA	-0.7%	5	11.4%	1.2	3.1%	2 - Very transparant
United States	2.6%	7	AA+	0.9%	23	7.6	0.6	5.8%	1 - Very transparant
Sweden	2.5%	4	AAA	0.6%	3	10.4%	2.0	4.0%	9 - Very transparant
Switzerland	1.8%	1	AAA	0.6%	28	5.7%	6.6	4.8%	10 - Very transparant
Global	**144 countries**				**€ 168**				**97 countries**

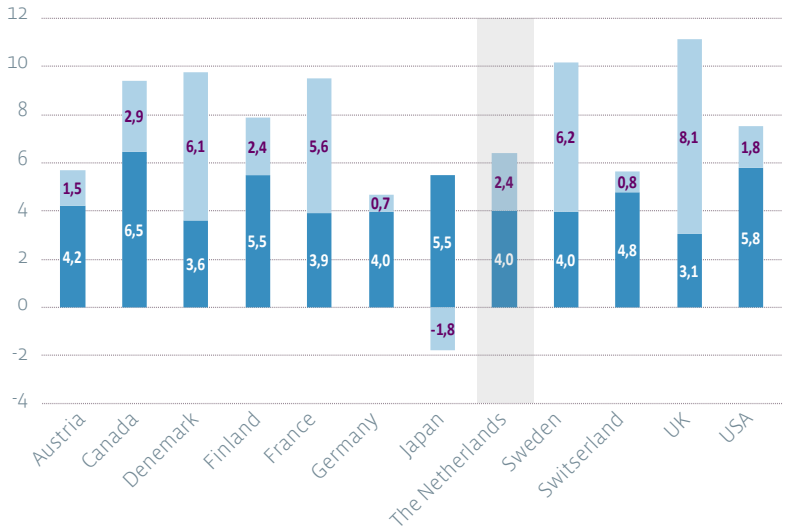
Source:*IPD (deelnemende landen, 2012), **IPD (2012), ***Jones Lang LaSalle (2012), ****Experian Economics (Oct 2012), *****World Economic Forum (2012),
******S&P (2012)

Dutch homes run-of-the-mill over the past decade internationally

Dutch residential investments generated an average annual return of 6.5% in the 2001-2011 period. Approximately 4% consists of income return and the remaining 2.5% of capital growth. Countries such as the United Kingdom, France and Denmark showed lower average income returns, but compensated for that with a stronger average capital growth in that period. German homes also generate an average income return of approximately 4% income return. In the long-term, however, capital growth is modest and reasonably stable at an average of 0.7%. Japan was the only country to show a negative capital growth for residential real estate in that same period. The income return is higher, however, at an average of 5.5%. One of the countries with the best performing residential investment markets is Canada. Residential investments generated a high level of average income return (6.5%) and showed good capital growth (2.9%).

Measured by total return, Dutch residential investments have been run of the mill over the past decade. The expectation is, however, that the Dutch investment product will distinguish itself positively internationally in the coming years, particularly if 2013 is taken as the starting point. The malaise in the owner-occupier market has already largely been factored into the valuations over the past few years and the outlook for the Dutch rental housing market is positive.

*Figure 12: Average annual return residential investments by country ('01-'11)**



Source: IPD, Bouwinvest Research (2012)
* local currency

Park Veursehout
Leidschendam

Contact details

Robert Koot
Manager Research
+31 (0)20 677 1736
r.koot@bouwinvest.nl

Michiel de Bruine
Head Asset Management Residential
+31 (0)20 677 1616
m.debruine@bouwinvest.nl

George Theuvenet
Relationship Manager
+31 (0)20 677 1622
g.theuvenet@bouwinvest.nl

About Bouwinvest

Bouwinvest is a specialised asset manager in property for institutional investors. Bouwinvest manages three Dutch property funds and invests internationally on the basis of separate mandates. Assets under management total € 5.7 billion.

Bouwinvest is, in all aspects, a strong, future-oriented organisation. In 2011, all Dutch funds demonstrated an outperformance in relation to the de IPD/ROZ (Dutch Real Estate Council) property index. The organisation has a solid governance structure with a Supervisory Board, Investment Committee and specialised Risk Management, Legal and Compliance professionals.
The dedicated asset management teams are supported by experts in Research & Marketing, Finance, CSR and Investor Relations. With ISAE 3402 type I and II certification and the proposed implementation of the AIFMD guidelines (as of mid-2013), Bouwinvest emphasises its attention to quality and its position as a trendsetter in the market.

No rights can be derived from this paper.