Real estate market update

Third quarter 2024

a.s.r. real estate

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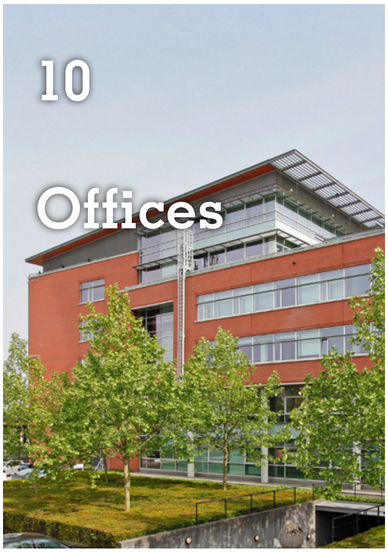
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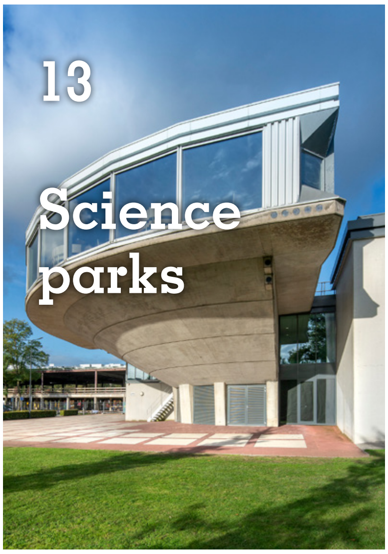
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Economy

The Dutch economy is expected to continue to grow in the third quarter of 2024. The labour market continues to be tight, and real wage growth is anticipated to remain positive, even with an expected rise in the unemployment rate. Inflation in the Netherlands differs from the broader European trend, showing only a slight decrease in the third quarter and remains above 3%. As inflation in Europe is gradually declining towards the 2% target, the ECB reduced its deposit facility rate by 25 basis points twice in September and October to 3.25%. The gap of the main refinancing operations rate to the deposit facility was also reduced by 35 basis points, bringing it to 3.40% in October.

GDP growth	y-o-y real	Q3 2024[1]	**0.9%**	Q2 2024	0.8%	↗
Consumer prices	y-o-y inflation (HICP), quarterly average	Sep 2024	**3.3%**	Jun 2024	3.4%	↘
Consumer confidence	Average balance	Sep 2024	**-21**	Jun 2024	-23	↗
Unemployment	ILO unemployment rate	Sep 2024	**3.9%**	Jun 2024	3.7%	↗
Private consumption	y-o-y consumer spending	Q3 2024[1]	**0.6%**	Q2 2024	0.1%	↗
Producer confidence	Average balance	Sep 2024	**-1.7**	Jun 2024	-2.4	↗

Source: Statistics Netherlands, Eurostat, a.s.r. real estate, 2024 | The arrows refer to the experienced change over the comparison period.

Dutch economy

The Dutch economy is expected to show positive growth in the third quarter of 2024. After experiencing negative growth in the first quarter of 2024, this will be the second consecutive quarter of positive growth. Economic growth for the year 2024 is projected at a total of 0.6%. The growth forecast for 2025 is 1.5%, surpassing the 15-year average of 1.2%.

The labour market remains very tight, and gradually slowing inflation is driving wage increases. Unemployment has risen slightly in the third quarter of 2024 to 3.9%. Unemployment is expected to steadily increase from 3.8% in 2024 to 4.5% by 2028. Despite the increasing unemployment rate, the labour market is expected to remain tight, allowing for continued wage growth. Due to favourable positions for employees and the slow decline of inflation, real wage increases are expected to be positive in both 2024 and 2025. As a result, consumer purchasing power will increase, potentially stimulating household consumption.

Consumers were slightly less negative in the third quarter of 2024 (-21) compared to the previous quarter (-23). However, consumer confidence remains well below the 15-year average of nearly -11. However a positive trend is emerging, as consumer sentiment hit a low of -59 in the third quarter of 2022. The modest optimism seen in the past quarter is reflected in consumers being more positive about the economic climate and their willingness to make large purchases. In the third quarter, consumers are optimistic (+4) about their financial situation for the upcoming 12 months.

The impact of Budget Day in relation to the coalition agreement is expected to be limited. As per tradition, Budget Day (Prinsjesdag) was held on the third Tuesday of September, marking the presentation of the 2025 annual budgets. The macroeconomic effects of the decisions made by the government are minimal. GDP growth for 2025 is projected to be 0.1% lower than previously anticipated. In addition, the increase in purchasing power is expected to be lower

1 Estimation based on full-year forecast

than initially prognosed. For 2025, purchasing power is projected to rise by 0.7%, which is 0.4% lower than previously anticipated. This is due to slower reductions in tax ratesin box 1 and a lower maximum general tax credit. No significant changes in purchasing power are expected over the entire government term, remaining around 0.8%.

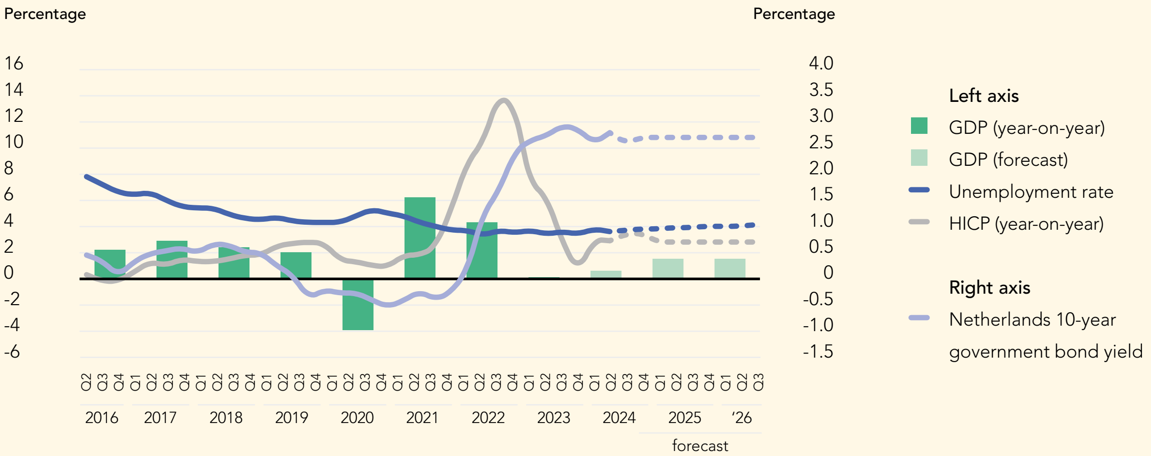
The government is committed to improve purchasing power and financial security, and has allocated additional funds to address current challenges, such as the challenges on the residential market. To finance these ambitions, cuts will be made in areas such as climate and the environment, international cooperation, and education.

Inflation in the Netherlands follows a different pattern compared to Europe and the United States. While inflation in Europe is gradually decreasing to the 2% target percentage set by central banks, inflation in the Netherlands remains relatively stable and above 3%. The relatively high Dutch inflation is largely attributed to rising prices in the service sector, which in turn are caused by above-average wage increases. These wage increases mainly present a catch-up after the loss of purchasing power as a result of the 'inflation wave' of 2022-2023.

The ECB lowered its policy rate twice by 25 basis points, in September and October 2024. These decision follow a gradual decline in inflation across Europe towards the 2.0% target. The two rate cuts of 25 basis points each caused a reduction in the deposit facility rate from 3.75% in June 2024 to 3.25% in October 2024. Additional to the rate cuts, the ECB also reduced the gap between the deposit rate and the refinancing operations rate in September 2024, narrowing it from 50 basis points to 15 basis points. This further decreased the main refinancing rate from 4.25% in June 2024 to 3.4% in October 2024.

The yield on Dutch 10-year government bonds has decreased by approximately 35 basis points since June 2024, now standing at 2.47%. Despite this decline, the yield remains above the 15-year average of around 1.3%.

Figure 1 Dutch economic indicators



Source: Statistics Netherlands, Eurostat, DNB, Consensus Forecast, ECB, a.s.r. real estate, 2024

Retail

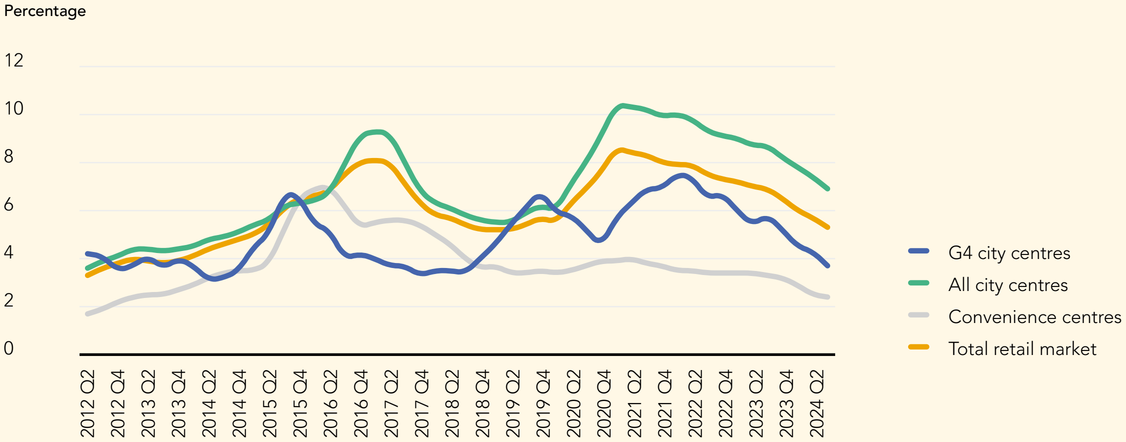
Retail turnover grew by 1.3% and retail bankruptcies dropped by 33% in Q2. Yet, closures like Esprit and Bristol still impacted high streets, particularly affecting the mid-market retail segment. Despite these challenges, vacancy rates fell below 6% and market rental value growth remained positive. Moreover, investment activity increased by 18% compared to H1 2023, and expected economic growth and lower interest rates will contribute to a gradual recovery of the retail investment market.

Retail turnover growth continues. The y-o-y physical retail turnover volume growth remained positive in Q2 (+1.3%), although Q1 was more positive (+2.8%). Supermarket volume growth slipped further (-/- 3.7%), whilst consumer electronics showed a remarkable, and possibly temporary, growth (+7.2%). Online retail turnover growth (+4.1%, in euros) was slightly higher than physical growth. The only exception was food and drugstores, which continued to outperform online (+8.2%) in Q2. Consumers still spend wisely, although consumer confidence is slowly increasing, and collective wage increases are catching up with inflation. The new cabinet's government programme promised positive but subtle growth of household purchasing power.

Less bankruptcies but impact on high streets remains, especially in smaller cities and secondary locations. Retail bankruptcies were significantly lower in Q2 than in Q1 (-/- 33%). Consequently, total bankruptcies in 2024 are again moving under the historic average. Still, Esprit, Gamemania and Bristol closed their doors, and the impact of bankrupt retailers must not be overlooked. The latter closed around 80 shops in the Netherlands. It is again an example of a retailer stuck in mid-market, where it's hard to compete with high-end service and community-oriented retailers and low-end budget oriented (online) retailers. Especially younger shoppers expect a unique experience in a physical shop, using all their senses, and on top of that good advice. Both can be difficult to achieve as (traditional) retailers don't have the means or flexibility to invest in concept stores and supporting techniques, and have trouble finding enough and skilful staff. At prime locations in the Dutch most popular city centres, new store openings of thriving retailer brands like UNIQLO (Amsterdam and Rotterdam), JD Sports (Rotterdam), NUDE and Daily Paper (Amsterdam), Skechers (The Hague), Chasin (Utrecht) and America Today ('s-Hertogenbosch) are being recorded.

Vacancy rate approached the 5% mark. Despite various bankruptcies, robust retailer demand and ongoing transformation pushed vacancy rates lower. The total retail market vacancy rate moved below the 6% mark and both convenience and G4 comparison retail followed this trend. The annual market rental value growth (MRVG) stayed stable at 1.8%, with comparison retail building up momentum (+0.9%) and convenience retail slowing down just slightly (+3.5%). MRVG in the G4 is now double (1.8%) that of the average comparison asset, signalling growing polarisation between city centres. Location polarisation also continues, with high traffic locations in the G4 being able to attract several offers when retail space is vacant or delivered to the market, whereas off-pitch retail locations can suffer from extended vacancy.

Figure 2 Financial vacancy rates[1]

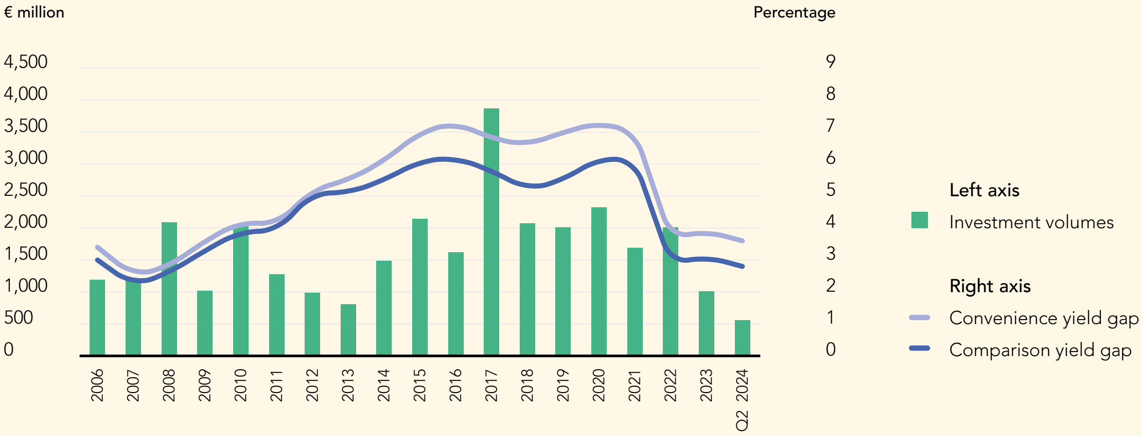


Source: MSCI, a.s.r. real estate, 2024

Gradual growth in investment activity. Investment market dynamics growth continued in Q2, although yield impact is still pressuring value growth for standing investments. The H1 investment volume (€ 557 million) is still below the H1 2006-2023 average (€ 690 million), but is 18% higher than H1 2023. Private and smaller investors remained active, as (institutional) investors found liquidity for small to mid-sized assets.

Transactions were quite varied: from out-of-town DIY stores to high street units in mid- and larger-sized city centres and district shopping centres – some fully rented and stable at rebased rent levels, others still overrented. The decreasing Dutch 10-year government bond yield, moving from 2.8% in July to 2.4% in September, and corresponding lending rates might close the bid-ask spread for more retail assets.

Figure 3 Retail segment yield gaps[2] **and retail investment volume**



Source: MSCI, CBRE, ECB, 2024

Investment market activity grows. A slight increase in the Dutch 10-year government bond yield pushed down the yield gap, as retail reversionary yields remained almost stable. Retail capital values are still absorbing the impact of yield expansion in Q1, although the yield impact in 2022 and 2023 was lower than the office and residential market. Although the latest Q1 figures still show subtle investment volumes, more recent market reports write about increasing investment dynamics. Increased footfall, market rental value growth, elevated consumer spending power and lower policy interest rates all play their part in the first signals of investment market recovery. Private investors are more active than institutional parties, though, and most asset deals are small as financing remains difficult. An exception is the Rokin Plaza deal, which is located at Kalverstraat 11-17 – Rokin 12-16 (UNIQLO and Pull & Bear) in Amsterdam, because of its asset and investment size. It is a good example of (wealthy) private investors taking position in the Dutch retail market.

1 Four-quarterly moving average.
2 Yield gap calculated on reversionary yields and 10-yrs Dutch government bond rate.

Outlook

Successful retailers will try to increase market presence. The new national government plans slowed down consumers purchasing power growth. Still, inflation is gradually decreasing and decreasing interest rates will give retailers more room for investments (i.e., staff, shop or technology). Recent bankruptcies will nonetheless put pressure on the occupier market. Vacancies will predominantly appear (and persist) in smaller cities, non-dominant shopping centres, and secondary and tertiary streets. This will both increase polarisation and put downward pressure on average market rental value growth. Successful retailers will try to increase market presence in the most attractive vacated retail locations. MRVG in the G4 is now double (1.8%) that of the average comparison asset, signalling growing polarisation between city centres, whereas offpitch retail locations can suffer from extended vacancy.

Gradual investment market recovery expected. Mostmacro-economic forecasters believe the ECB interest rate will stabilise to 2.5%-3.0% in the course of 2026. This is, of course, only if inflation keeps normalising. The most anticipated economic scenario of normalisation should give room for a gradual recovery of the investment market. Decreasing interest rates and relatively stable yields will enlarge the yield gap and positive market rental value growth makes more business cases viable. Relative expensive refinancing of the running portfolio may slow down therecovery.

Residential

Owner-occupied prices have recovered in the previous quarter and growth has accelerated over the course of 2024. Rental properties also seem to be on the path to recovery, having found a new price balance. The third ECB rate cut will further improve this situation, counterbalancing the effects of the affordable rent act and rent cap. The residential market fundamentals remain great and especially long-term Dutch core investors are expected to show increased activity.

Owner-occupied market

House price growth accelerates.
Owner-occupied housing prices experienced a dip in 2022 and 2023. However, the prices have since recovered and continue to grow faster. The year-on-year growth was 11.1% in Q3 2024. Which is the strongest y-o-y growth seen since Q3 2022. The main drivers for the growth remain unchanged: a consistent and low unemployment rate (3.9% Q3 2024), historically high wage growth (7.0% y-o-y Q3 2024), as well as the increasing housing shortage. Additionally, mortgage rates for new loans (longer than 1 year) have been declining since December 2023, further contributing to the rise in house prices. Although the latest available data (August 2025) shows a small growth in the mortgage rates compared to June 2024. Considering the third cut in interest rates this year, by the ECB, in October, these mortgage rates might decrease in the near future. The number of transactions is growing strongly as well, with 15.3% y-o-y growth in Q3 of 2024. Even showing a q-o-q growth of 12.9%, which is the strongest q-o-q growth since Q3 in 2022.

Residential investment market

Capital value recovery is gaining momentum. The income return has remained stable since Q1 2024 at 3.2%. Additionally, Q2 2024 is also the first quarter since Q2 of 2022 in which both q-o-q and y-o-y capital growth is positive at 2.3% and 1.0%, respectively. Although capital growth has not yet reached levels from before the dip, the q-o-q growth is nearing long-term averages from before the dip at 2.6% (Q1 2015 – Q2 2022).

Market rent yields stabilising. Market rent yields (reversionary yield) decreased by 1 basis point to 4.95% in Q2 2024. Following two quarters of decreasing, yet positive yield shifts, this suggests a potential stabilisation towards a new equilibrium, especially with positive quarter-on-quarter capital growth. However, the full extent of the impact of recent interest rate cuts and the newly implemented rent regulations on market rental value growth, yields and capital growth remains uncertain and could still influence this emerging price balance.

Outlook

Price growth of owner-occupied housing to remain strong. Throughout the year early forecasts for housing prices have been adjusted upwards. This indicates housing prices have grown faster than expected. The forecasts for 2025 have therefore been adjusted, expecting a total increase of 13.1% in Q4 2024 and a further 5.1% growth in 2025.

Investor interest picking up. Investor interest in the Dutch residential market has grown substantially over the first half of 2024, with Q2 showing a year-on-year transaction volume growth of 176%. This marks a notable recovery, particularly given the fact that 2023 saw the lowest investment volume since 2014. The increase in interest is due to two reasons. Firstly, a large share of the increased interest is due to investors with a unit-sales strategy, who aim to capitalize on the increased spread between owner-occupier prices and capital values. Secondly, the interest among long-term Dutch core investors in the affordable rental segment is also picking up. Several factors contribute to this trend. Firstly, the demand for rental dwellings remains strong in a time where supply is more likely to decline, especially as homeownership becomes less affordable. Although the number of new developments is rising, the pipeline is not expanding significantly. Furthermore, the emerging price stability, combined with recent ECB rate cuts, enhances the attractiveness of real estate investments. Lastly, despite ongoing market rental value growth, the implementation of the affordable rent act in July 2024 and the rent cap may deter some non-core investors, further solidifying the focus on affordable segments.

Budget Day (Prinsjesdag) to have limited impact. The plans presented during Budget Day will have minimal impact on the residential market, with very little changes to previous years. With an extra 100,000 dwellings, the building impulse budget will be slowly decreased over the coming years by 1bn. per year until 2029 for support of (mainly social housing) building projects. Last but not least: the transfer tax is expected to be reduced from 10.4 to 8%, as of 1 January 2026.

The market fundamentals are expected to remain stable and strong. Demographic growth will continue in the upcoming years, especially in the G5. Newly constructed dwellings are unlikely to meet demand, as government targets remain unattainable. As a result, the shortage on the rental market will persist, accompanied by persistently low vacancy rates. Moreover, the high capital growth of owner-occupied dwellings expected for the near future will put even more pressure on affordability, and in turn favour rental growth. Expectations for both rental and capital growth on the residential investment market therefore remain positive.

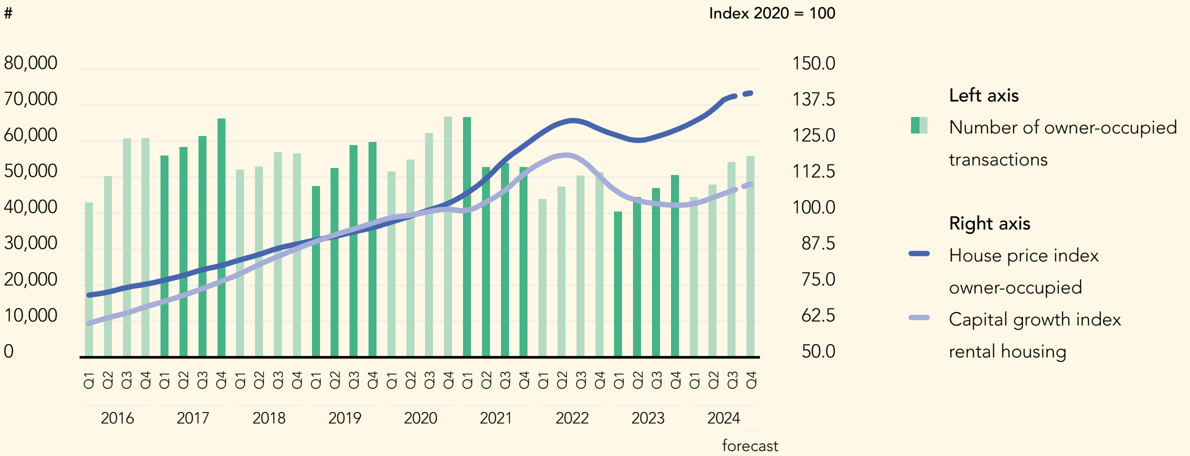
Table 1 Owner-occupied and residential investment market indicators

Owner-occupied	Q3 2024 q-o-q	Q3 2024 y-o-y
House price growth	3.7%	11.1%
Transaction volume growth	12.9%	15.3%

Rental	Q2 2024 q-o-q	Q2 2024 y-o-y		
	Total	Single-family homes	Apartments	Total
Total return	3.1%	5.2%	3.9%	4.3%
Capital growth	2.3%	1.7%	0.7%	1.0%
Income return	0.8%	3.4%	3.2%	3.2%
Market rental value growth	2.6%	8.1%	7.3%	7.4%

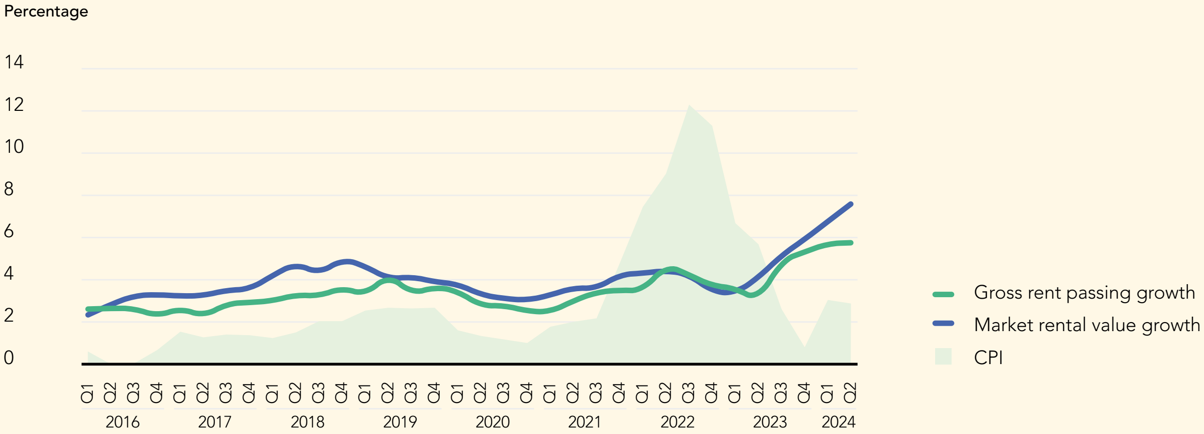
Source: Statistics Netherlands, MSCI, 2024

Figure 4 House price developments and number of transactions involving existing owner-occupied homes



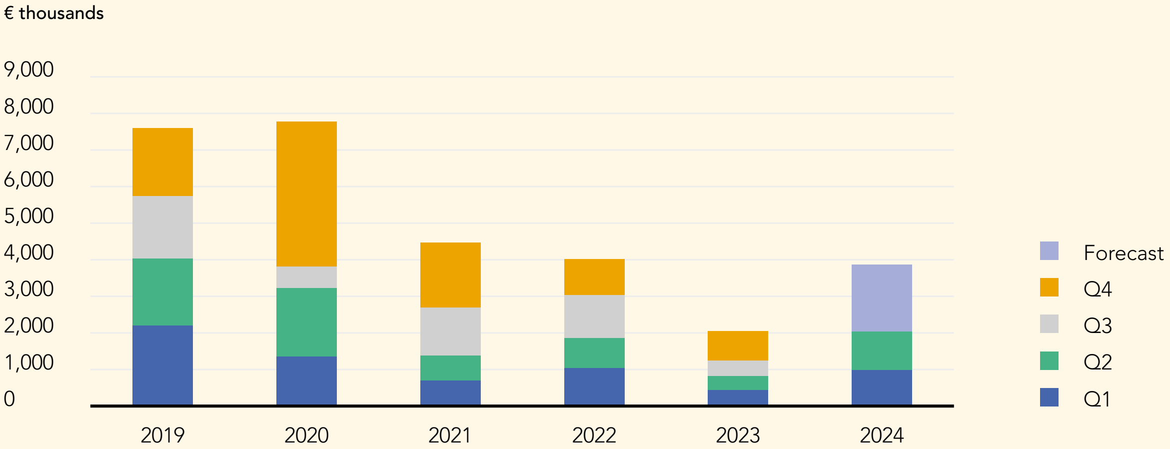
Source: MSCI, Statistics Netherlands, 2024

Figure 5 Rental growth and Dutch CPI (y-o-y % change)



Source: MSCI, Statistics Netherlands, 2024

Figure 6 Quarterly investment volumes



Source: CBRE, a.s.r. real estate, 2024

Offices

National office market vacancy saw its first drop in 2 years. The G5, and within the G5 especially the intercity locations, continue to outperform the rest of the Netherlands. Due to limited stock and developments, high-quality and accessible supply is expected to see the most market rental value growth and lowest vacancies as the market is likely to polarize further.

Office take-up remains low, but shows improvement compared to last year. In the second quarter of 2024, take-up surged with a year-on-year increase of 38.5%. However, the q-o-q growth declined by 7.3%, resulting in a total increase of 31.9% in the first half of the year compared to the same period in 2023.

The shift towards the G5 regions continues to increase; the G5's share of total take-up rose from 75.3% in Q1 to 77.4% in Q2, further highlighting the market's polarisation. Among the G5 cities, Amsterdam typically holds the largest share of take-up. However, in Q1, The Hague led, while Utrecht took the top spot in Q2. Overall, for H1 2024, The Hague recorded the highest take-up at 96,000 m², followed by Amsterdam at 79,500 m², with Utrecht third at 44,000 m².

Vacancy fell slightly in the second quarter. For the first time since Q1 2023, the average vacancy rate in theNetherlands decreased from 12.2% to 11.9%. This reduction, combined with the increase in take-up, may suggest that the market is adapting to hybrid working models and is now poised for further expansion. However, the vacancy rate for H1 2024 remains higher than in 2023, with Q2 2024 showing a year-on-year increase of 0.8%.

Among the G5, vacancy rates dropped only in Utrecht (-0.2%). Overall, vacancy in the G5 increased from 6.5% to 7.1% from Q1 to Q2 2024. Similarly, vacancy rates in G5 intercity locations rose slightly from 5.5% to 5.7%. Even so, these rates are still less than half of the average rate in the Netherlands. To put this into further perspective, the G5 y-o-y vacancy increase is equivalent to the NL average at 0.8%, whereas the G5 IC sites only had a marginal 0.3% increase.

Average rent rising, with Utecht showing a large increase in prime rents. In Q2 2024, the average rent climbed to €155 per square metre, reflecting a year-on-year growth of 3.3%. This trend signals a steady upward movement in rents. While prime rents remained stable in most cities, Rotterdam saw a modest increase of 1.7%, and Utrecht experienced a notable rise of 4.8%. On a quarterly basis, average rents in the G5 cities increased significantly in Amsterdam (+1.8%), Rotterdam (+3.0%), and especially in Eindhoven (+6.0%), suggesting a growing appeal for office space in Eindhoven. Notably, despite Utrecht's high prime rent increase, its average rent remained stable. Year-on-year figures further illustrate the positive outlook for Eindhoven, which recorded the highest prime rent growth at 13.3%, followed by Utrecht at 8.2%. With an impressive average rent growth of 10.3%, Eindhoven outperformed both Amsterdam (3.6%) and Rotterdam (3.0%), while Utrecht and The Hague continued to maintain stability.

Polarisation is also apparent in the yields shifts. The net operating income yields in Q2 2024 increased from 4.0% to 4.1% in G5 IC locations, and tightened in other G20 IC locations from 7.6% to 6.8% and in the rest of NL from 7.5% to 7.3%. This provides a skewed picture at first glance, likely caused by rents rising more and faster on the G5 IC locations than elsewhere. Looking at the longer term, the y-o-y change was -18bps for G5 IC, -14bps for G20 IC and -6bps for the rest of the NL. Looking even longer term, a 3-year change comes to +24bps for G5 IC, +132bps for G20 IC and +42bps for the rest of NL. Clearly the G5 IC locations have been outperforming the other locations in the Netherlands and the q-o-q yield impact of Q2 2024 only shows a minor increase to 0.1%. Looking at prime yields as determined by CBRE (2024), a similar story emerges. Although the yields have grown more in the G5 than other cities, the total yield remains lower in the G5 (see Table 2). The Zuidas district remains even further below this level and has experienced a lesser degree of yield impact in recent years. Considering both sources, office values still seem to be under pressure, but with values stabilising more in recent times the impacts are seemingly bottoming out. This is especially the case in the prime office locations.

Outlook

Demand to continue to be main driver of polarization. As occupiers become more conscious of their environmental and social impact, the type of office space they seek will play an increasingly significant role. Additionally, the competition for talent is intensifying, prompting a shift towards more sustainable, high-quality office spaces with flexible floor plans that accommodate hybrid working arrangements. Moreover, accessibility is becoming a critical factor, particularly for sustainable transportation options such as public transport, cycling, or walking. This trend is likely to further concentrate demand in G5 intercity locations, as businesses seek environments that promote both employee well-being and sustainable practices.

Polarization remains the key determinant for performance. Given that the current office market is still stabilising and high building costs persist, new office developments are likely to remain limited. Consequently, the trends in polarisation will significantly influence market rental value growth (MRVG) and vacancy rates. This will lead to an increasing divergence between the G5 cities and the rest of the Netherlands, with the G20 positioned somewhere in between.

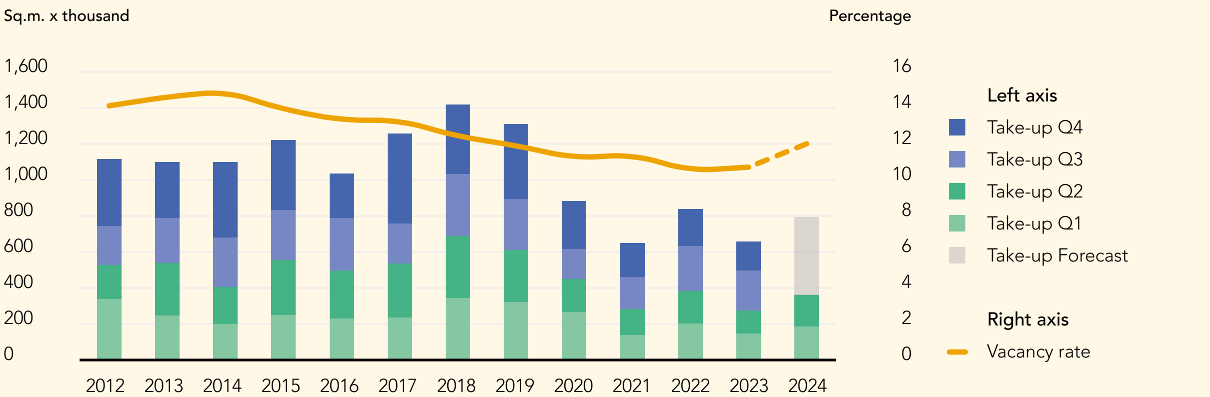
With the ECB's third interest rate cut in 2024, investor activity is likely to increase further. The first half of 2024 has already seen a gradual y-o-y growth in investor activity. As inflation rates continue to decline and occupiers adapt to hybrid working environments, the market may experience a further pick-up in activity. However, since the new price balance has yet to be fully established, a complete recovery to historical levels remains distant and will largely depend on the specific segment of the polarisation being considered.

Table 2 Market indicators

Market indicator			Q2 2024	q-o-q growth	1-year growth	3-year growth
Rent	Average rent / sq.m.	NL	€ 155	3.3%	3.3%	10.7%
	Average prime rent / sq.m.	G5 IC	€ 323	1.3 %	3.9%	13.5%
	Prime rent / sq.m.	NL	€ 500	0.0%	0.0%	9.9%
Stock	Stock (sq.m.)	NL	51,697,440	0.0%	0.0%	0.0%
Take-up	Take-up (sq.m.)	NL	173,930	(7.32%)	38.3%	21.5%
Vacancy	Vacancy (sq.m.)	NL	6,145,640	(2.3%)	7.4%	4.2%
	Vacancy rate (%)	NL	11.9%	(0.3%)	0.8%	0.5%
		G5 IC	5.7%	0.3%	0.3%	0.9%
Yield	Gross prime yield (%)	Prime CBD (Zuidas)	5.1%	0 bps	+40 bps	+210 bps
		Other CBDs (G5)	6.5%	0 bps	+50 bps	+250 bps
		Major provincial cities	7.7%	0 bps	+35 bps	+245 bps

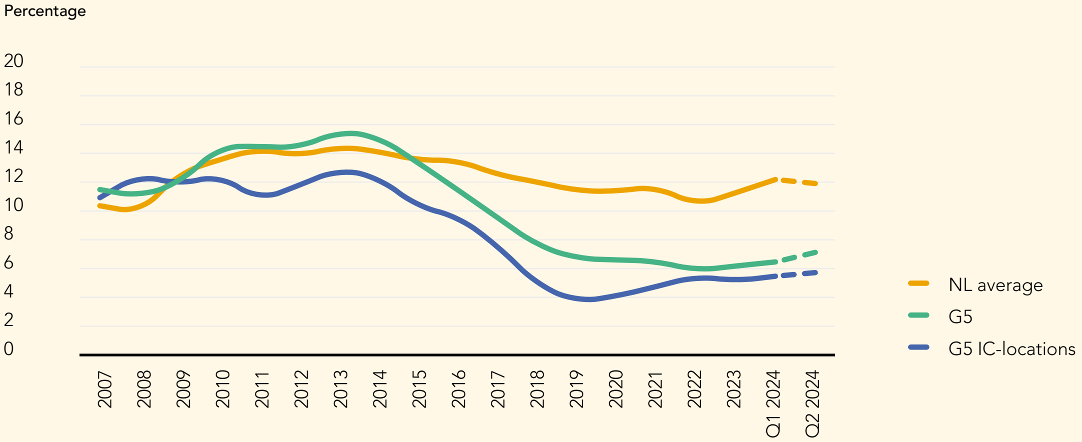
Source: CBRE, 2024

Figure 7 Take-up of Dutch office space (x 1,000 sq.m.) and annual vacancy rate



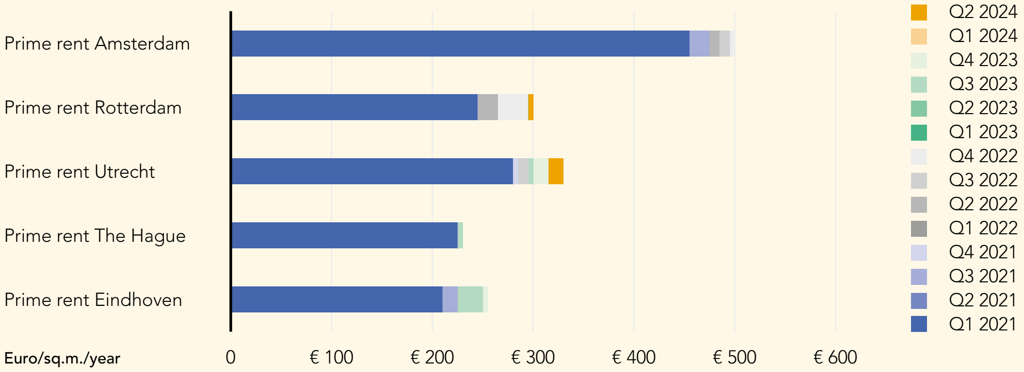
Source: CBRE, 2024

Figure 8 Vacancy rates G5-IC outperform the rest of the Netherlands substantially



Source: MSCI, 2024

Figure 9 Prime rents in Rotterdam and Utrecht seeing prime rent increases



Source: CBRE, 2024

Science parks

The Dutch science park market seems to have evolved into a more mature and stable environment. Despite budget cuts in education and science, as well as stricter migration policies, the government's emphasis on supporting startups and scale-ups remains strong. Additionally, declining interest rates and a rebound in startup funding contribute to a cautiously positive outlook for the market.

Developments

Long-term vacancy rates have been low in the Dutch science park market. Due to stock development and lower take-up, vacancy rates increased in recent quarters:
- Transaction volume stays low with no transactions in the first half of 2024.
- Science park stock growth remained resilient. However, take-up could not keep up which resulted in elevated vacancy rates.
- The growth of investments in Dutch start-ups is not yet sustained.

Despite the recent decline in ECB rates, the stalemate between buyers and sellers in the science park market persists. Transaction volumes for existing assets remained non-existent during the first half of 2024. While the latest ECB rate cuts are expected to gradually ease the negative impact of previous rate hikes on science park yields, potentially improving the appeal of these investments, investor caution prevails in the short-term, particularly towards office and science park assets. Moreover, elevated interest rates continue to exert pressure on investors with upcoming refinancing needs, while the demand for sustainability investments in existing portfolios further strains financial resources.

Long-term vacancy rates have historically been low in the Dutch science park market. For many years, the growth of available space in science parks has lagged behind the rising demand. This imbalance has resulted in a significant increase in average rents for laboratory spaces, especially over the past five years. This trend has been especially pronounced in parks focused on life sciences.

Despite challenging macroeconomic conditions, science park stock growth remained robust in recent years. This resilience is evident in the addition of new assets in developing locations, such as AMC Medical Business Park, Pivot Park and Zernike Campus. However, a disconnect between the pace of stock growth and occupier demand has led to elevated vacancy rates. Take-up, as a percentage of the supply, dropped to 34% in 2023 and 16% over the first half of 2024. This is considerably lower compared to the 5-year average of 61% and the long-term average of 75%. Mature science parks, in particular, are seeing a surplus of older, office-style assets, such as Le Carrefour in Leiden, now available for lease. This underscores the fact that vacancy pressures are more concentrated in these older, less adaptive assets.

Given the surplus, the occupier market will require time to absorb both the existing vacancies and the anticipated pipeline of new developments. This is expected to create downward pressure on rental growth, especially in older, more established science parks. However, it is important to note that this pressure will likely remain focused on specific locations, while demand for modern, sustainable assets is expected to stay strong, particularly in life science-driven parks where innovation and specialised facilities are critical.

The growth of investments in Dutch start-ups is not yet sustained. In the second quarter of 2024, total investments amounted to € 440m, a sharp decline form the € 1.08b recorded in the first quarter. While the number of deals remained relatively consistent, the absence of very large funding rounds—typically € 100m or more—significantly impacted the overall investment total. This marked a stark contrast to the previous quarter and also reflected a year-on-year decline when compared to the second quarters of prior years.

The total number of deals dropped by 20% compared to the second quarter of last year, with much of this decline stemming from the first growth stage (Series A, € 4-15m), where deals fell from 20 in Q2 2023 to just 10 in the last quarter. Series B investments (€ 15m and above) saw a drop as well, from 14 deals to 9. However, early-stage investments (pre-seed, up to € 1m) showed resilience, increasing from 14 to 19 compared to the first quarter of 2024.

These trends suggest that the early/middle segment of the market, particularly Series A, is facing challenges as companies likely delay fundraising in hopes of more favourable market conditions. The largest deal of the second quarter came from Axelera AI, headquartered in the AI Innovation Center at the High Tech Campus in Eindhoven, which secured € 63.5m in funding.

Outlook

The growth of many science park tenants relies heavily on both private and public funding. Despite the recent decline in investments in Dutch start-ups, the Dutch Startup Association (DSA) remains optimistic, suggesting that we are entering a new period of growth. Key indicators are promising: increased stability, the prospect of lower interest rates, expectations of IPOs and strategic acquisitions, and a substantial amount of available capital for investment. As venture capital flows are expected to recover, demand for science parks is likely to rise. However, national budget cuts in higher education and science could temper this growth.

The coalition agreement initially outlined significant reductions in funding for higher education and science, with plans formalised during Budget Day 2024. However, the policy still allows skilled migrants and students in key sectors facing talent shortages, such as STEM fields, to continue contributing to the economy, despite the new administration plans to curb labour, knowledge, and study migration.

These changes in migration policy, combined with cuts to innovation funding, are likely to shift more attention toward science parks located near universities, where existing pools of talent can be more easily tapped. Such proximity to academic institutions may become even more critical in maintaining growth within the science park ecosystem.

The fundamentals of the science park occupier market remain robust. Unlike the traditional office sector, the science park market has been largely insulated from the shift towards remote working, being dependent on R&D equipment and face-to-face collaboration. While much of the existing stock is outdated, the alignment between tenant needs and available space is crucial. This offers opportunities for refurbishment. Rising ESG-related costs, however, are putting pressure on outdated assets, particularly in less desirable parks. Demand for specialised laboratory space continues to grow, driven by companies at all stages of development. Despite this demand, high-quality space is scarce, with limited new developments. Looking ahead, over 270,000 m² of new assets are expected by 2027. Although the progress of these developments is unclear, a combination of lower interest rates and increased funding for start-ups and scale-ups is expected to improve the feasibility of new-build initiatives.

Forecasts indicate inflation could decrease towards the 2% mark as soon as early 2025, while investor activity in the office and science park markets may rise. Recent ECB rate cuts should ease the impact of previous hikes on science park yields, improving investment appeal. However, short-term caution remains, with refinancing pressures and the demand for sustainability investments straining financial resources.

Investor interest in science parks, particularly in life sciences, is expected to continue growing, driven by the pandemic and aging population demands. Emerging fields like photonics, AI, and quantum technology are also gaining momentum, positioning science parks as key hubs for innovation, further enhancing their appeal to investors seeking opportunities to make impact in cutting-edge industries.

The previous government fostered innovation and growth in these key sectors through increased funding and supportive policies. However, the extent to which the new administration will continue this support is uncertain. The new government is developing a revised top sectors policy, aiming to strengthen the Dutch AI ecosystem and provide additional resources to the State Investment Fund, Invest-NL, specifically to aid the growth of start-ups and scale-ups. Invest-NL has also announced plans to collaborate with pension funds and other investment entities to create a fund-of-funds targeting between € 600m and € 1b to help scale-ups transition into fully-fledged companies.

Farmland

The Dutch cabinet has halted the National Programme for Rural Areas (NPLG), cutting its budget significantly, which delays key environmental goals. Additional plans were announced on Budget Day, focusing on specific agricultural goals, innovation, and nature quality monitoring. Confidence among organic farmers is rising, while traditional farmers face uncertainties, particularly regarding nitrogen emission reductions. Farmland prices continue to rise, though market dynamics face uncertainties due to evolving Dutch and European agricultural regulations.

The Dutch cabinet has decided to halt the current National Programme for Rural Areas (NPLG), which aimed at restoring nature and addressing the nitrogen crisis. This programme, developed over the past two years under the previous cabinet, allowed provinces to create their own comprehensive spatial plans to meet environmental goals. Although the replacement strategy remains unclear, the cabinet has already cut the NPLG's budget from over € 20b to just € 5b for agriculture and € 500m annually for farmers implementing nature conservation measures. Provincialdeadlines for the plans, originally set for 1 October, were postponed earlier this year. This causes delays in achieving environmental, climate, and water quality goals.
Responding to the halt of the NPLG, the new cabinet announced their plans on Budget Day (Prinsjesdag). On this day the government's budget (Miljoenennota) and financial plans for the coming year are presented toparliament.

Budget Day plans for the Dutch agriculture sector in outline

1. The Dutch cabinet aims to provide farmers with more clarity about their future by focusing on specific agricultural goals rather than broad measures. This approach gives farmers more flexibility in how they achieve these objectives and allows for better planning. The government will introduce a national food strategy in 2025, alongside encouraging a European food strategy.
2. To support innovation and help farmers, horticulturists, and fishers comply with sustainability regulations, additional amounts will be invested in innovation.
3. The cabinet is also committed to monitoring and improving nature quality, by providing access to the national Flora and Fauna Database. By September 2026, the government must submit a nature restoration plan to the European Commission, for which substanial budget amounts will be reserved over the next three years.
4. With the end of the EU derogation on manure regulations, which previously allowed Dutch farmers to produce more manure, the cabinet will introduce emergency measures to support affected farmers.

Confidence among organic farmers is on the rise and they are more optimistic than traditional farmers. In the second quarter of 2024, the Agro Confidence Index, which measures confidence among farmers and horticulturists, rose by nearly 5 points compared to the first quarter, reaching 5 points. This is still below the long-term average of 11 points. The increase is mainly due to higher confidence among dairy farmers (+8 points), poultry farmers (+20 points), and the organic sector (+6.5 points). However, arable farmers and pig farmers showed decreased confidence (-3 and -5 points, respectively). The poor weather, with excessive rain and limited sunny days, has contributed to lower confidence among arable farmers.

Dairy farmers saw a slight improvement in confidence, but it remains low due to ongoing uncertainties around nitrogen emission reductions and the phase-out of derogation. Organic farmers continue to show optimism, with their confidence index at 22 points. This optimism might be linked to a government campaign promoting organic products as part of the Organic Action Plan launched in June.

The confidence and sentiment indices together make up the Agro Confidence Index, which, while improved, still reflects significant uncertainty and challenges in the agricultural sector.

In collaboration with Wageningen Economic Research, a.s.r. real estate introduced an confidence indicator which gives insights in the confidence, mood and outlook of organic and traditional farmers.

Full results (in Dutch) are available here.

Prices of farmland continue to rise; number of farmland transactions is still low. In the second quarter of 2024, the average price of farmland (12-month average) reached approximately € 81,500 per hectare. Compared to the average price of farmland in the same period a year ago, the price has increased by 6.4%. Over the last 12 quarters prices increased by more than 21% in total, reflecting a strong growth in prices above the level of inflation. The average price for arable farmland has increased to € 92,300 per hectare (+4.9% y-o-y) and the land price for grassland has increased to € 76,800 per hectare (+6.6% y-o-y). The number of traded hectares remained stable with approximately 29,100 hectares on an annual basis. The exact number will be higher, as a large part of the transactions that take place through land consolidation are not registered. Uncertainties about regulations (Dutch and European) is causing reluctance on the farmland market.

Outlook

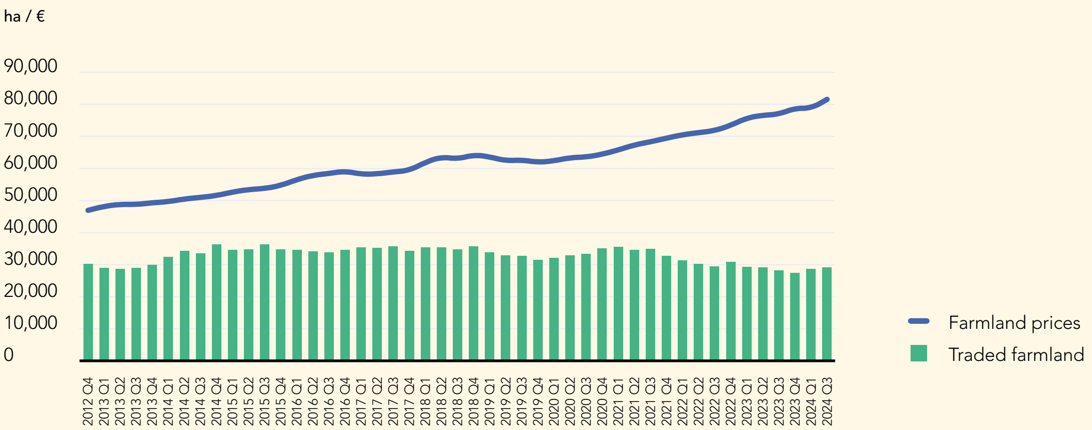
The fundamentals for the Dutch farmland market remain strong. Scaling of farms, scarcity of land and a sustainable transition will continue in the coming period. Future buyouts in the sector for dairy farms near Nature2000 areas and ageing under farmers without a successor, provides more dynamics on the market and creates opportunities for larger companies to grow. We therefore expect that farmland prices will continue to rise, but at lower growth rates than in previous years. There are still some uncertainties regarding Dutch agriculture policies. It remains to be seen how policies will be developed and which choices the new cabinet will make and if these are feasible. Parenthetically, European policy is putting more pressure on the agriculture sector to transform to a sustainable sector. Especially rules regarding water quality can have far-reaching consequences. Last year, the far-reaching environmental rules the European Union proposed were watered down quite a bit after farmer protests and with the then upcoming elections in mind. This may give the Dutch farmland market more time to transform into a more sustainable sector.

Table 3 Farmland market indicators

Market indicator	Current	q-o-q growth	1-year growth	3-year growth
Export of agricultural goods (mln €)	€ 30,273	2.8%	3.3%	23.0%
Farmland prices (12m average)	€ 81,477	3.6%	6.4%	21.1%
Traded volume (12-month, in hectares)	29,085	1.4%	0.0%	(15.8%)
Available farmland (in hectares)	1,810,050		0.4%	(0.1%)
Number of agricultural farms	50,230		(0.8)	(3.6%)
Agro confidence indicator (0=neutral)	4.9	4.6	(0.2)	-3.1

Source: Statistics Netherlands, Kadaster, Wageningen Economic Research (WER), 2024

Figure 10 Farmland prices & traded farmland 2012-2024



Source: Kadaster, Wageningen Economic Research (WER), 2024

Contact

For more information on the research vision, please contact:

Vinoo Khandekar
researcher retail, residential, offices and science parks

vinoo.khandekar@asr.nl

Sander Radix
researcher farmland

sander.radix@asr.nl

Colophon

Text
a.s.r. real estate

Photography
Corné Bastiaansen, Hilversum
Joni Israeli, Utrecht

Design
TD Cascade, Amsterdam

a.s.r.
de nederlandse
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