



# Capital Markets Quarterly Report

## H1 investment volume down 58% while ECB hikes rates again to further drive the inflation slowdown

**H1 investment volumes are down 58% relative to 2022, though some ground has been made up in Q2.** All sectors witnessed drops, with declines from 46% in the living and office sectors to 82% in the retail sector. There were bright spots as some noteworthy transactions occurred; core assets in prime locations were purchased, including a recently built (2019) mega warehouse in Venlo, a mostly residential tower (part of the 'MIX' new build project by MRP) in Amsterdam and the Blaak 31 office building in Rotterdam.

International investors have remained more dormant than normal in all sectors in the Dutch market, waiting for market stabilization to occur. The reasoning is more complex in the living sector, as international investors appear to be spooked by the increased government regulations in the rental segment. This was the main reason that CAPREIT, a large Canadian residential investor placed all their properties (nearly 7 K) on the market (last valued at €1.7 billion at the start of the year). Though investment in the living sector dropped 46% in H1 2023 vs H1 2022, Q2 living investment was higher 21% in 2023 than in 2022 (€999 million vs €789 million), though the Q2 activity from this year was by local investors.

**In other markets, strongly placed, liquid bullish investors will see more and more chances** under these unfavourable conditions (ie: buying properties from investors who financially are feeling pressure to sell properties). However, this pressure has yet to be witnessed in the Netherlands.

### Market Fundamentals

Investment volume 2023 H1	€ 3.51 billion
ECB rate (August 2023)	3.75%
Inflation (June 2023)	5.70%
EUR 5 Years IRS Interest Rate Swap (June 2023)	3.20

Figure 1: Investment volume per quarter\* (in billions)

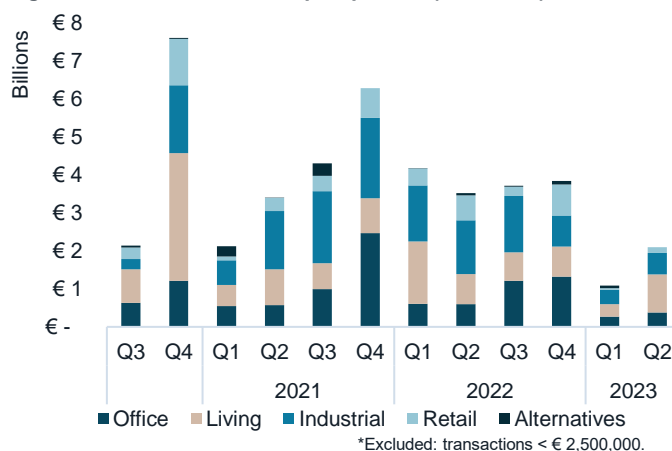
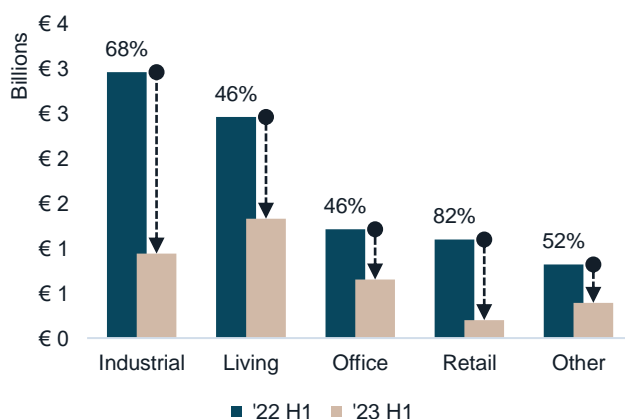


Figure 2: Investment volume changes H1 2022 to 2023



**Yields across all sectors continued to move outwards from the first quarter of the year, albeit at a slower pace than the previous few quarters (except for light industrial properties). Retail high street and residential yields moved out 10 bps. Logistics yields moved out 15 bps, office yields 25 bps and light industrial yields moved out 40 bps. Given the expected ECB rate hikes, yields are likely to rise further this year. The 3 month EURIBOR also rose again this quarter, but by only 55 bps; the lowest Q-over-Q rise since 2022 Q2 to 2022 Q3, when the ECB commenced the rate hike procedure.**

## 3.75%

### ECB rate rises further

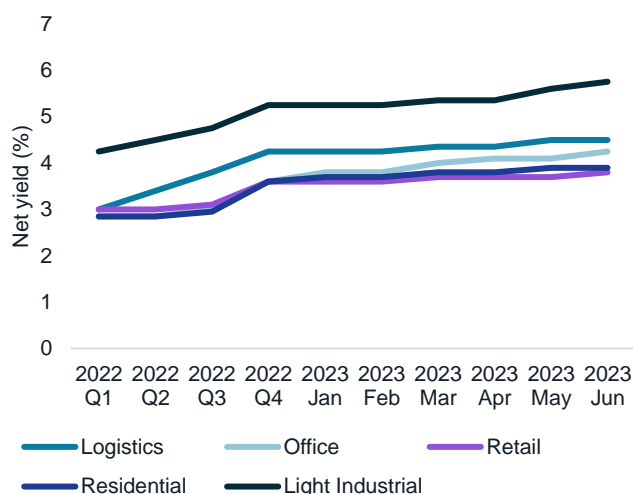
The ECB has just hiked interest rates by a further 25 bps to reach 3.75%, with further rate hikes not out of the question. Inflation has fallen across the EU; however, many, including the ECB, believe it remains too high. More debate has been raised about the hikes, as many are fearful of a recession and GDP forecasts for 2023 and 2024 have been reduced across the EU.

## 5.7%

### Dutch inflation fell again to 5.7% in June.

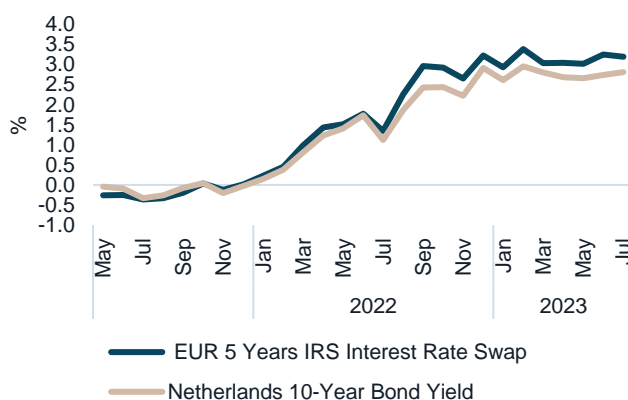
The uncertainty within the market witnessed over the last few months persists. Inflation has fallen, thanks to a drop in transport costs and a slowdown across nearly all indicators, including food and service costs, but remains elevated, however the expectation is that it will continue to fall over the summer and fall periods. GDP growth will also remain positive, though forecasts have been revised downwards.

Figure 3: Prime yields (%)



Source: Consensus Forecasts

Figure 4: Interest rates



Source: Investing.com

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