The Netherlands | Q2 2023

Light Industrial Market Quarterly Report

Continued slowdown in market activity amid economic uncertainty

Light industrial occupier transaction activity declined during Q2 as the economy struggles to find its balance amid high inflation and rising interest rates. Approx. 550,000 sq m of light industrial space was leased in Q2 (-13% Q-o-Q), bringing take-up volume over the course of the first half of 2023 to 1.2 million sq m (-25% Y-o-Y).

Transaction activity over the past half year varies across key markets. In Eindhoven, take-up remained relatively stable compared to last year. Whereas in Amsterdam and Rotterdam, take-up declined by 51% and 44%, respectively.

Supply of particularly grade A space seems to play a limiting role here. Amsterdam and Rotterdam are characterized by a lack of grade A space. Meanwhile transactions involving grade A buildings played a significant role in H1 2023 take-up volumes in Eindhoven and Utrecht. This supports the view of occupiers' continued flight to quality. Nevertheless, the Dutch light industrial market remains tight overall with current vacancy standing at 1.7%.

Where the tight conditions put upward pressure on rents throughout 2022, rental growth is expected to be more subdued this year amid persisting economic uncertainty and slowing demand. On Q-o-Q basis, rental growth has come to a halt in Q2.

Market Fundamentals

Take-up H1 2023	1.2 million sq m
Vacancy Rate	1.7%
Investment volume H1 2023	€ 293 million
Prime NIY (June 2023)	5.75%

Figure 1: Take-up volume and vacancy rate

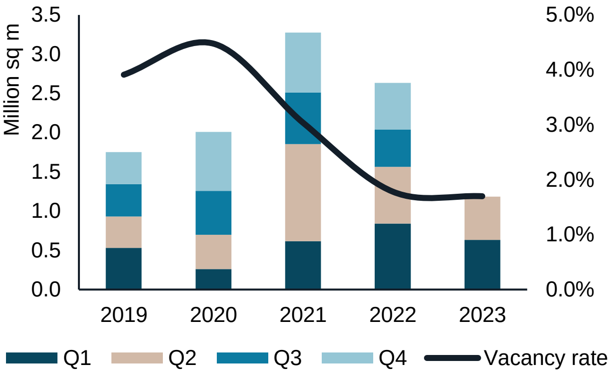
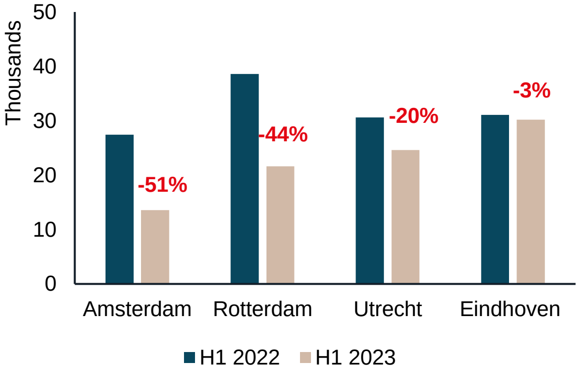


Figure 2: Take-up volume H1 2022 vs H1 2023, selected markets



Investors remain cautious in current economic environment

Investors remain cautious when it comes to investing in today's climate as they await interest rate stabilization. Per August, the ECB has raised the three key interest rates by 25 BPS; with the deposit facility rate now standing at 3.75%. Moreover, further rate hikes are not out of the question as high core inflation remains persistent.

That being said, light industrial investment volumes recorded in Q2 exceeded Q1 numbers. Approx. € 157 million was invested in Q2, bringing the investment volume in H1 2023 to € 293 million. Compared to H1 2022, this still implies a decline of 45% Y-o-Y.

Prime net initial yields have moved out steadily since beginning 2022, standing at 5.75% as of June 2023. Prime net yields are expected to move out a bit further during the year, reflecting future possible rate hikes.

Figure 3: Prime rents 2023 Q2, selected markets

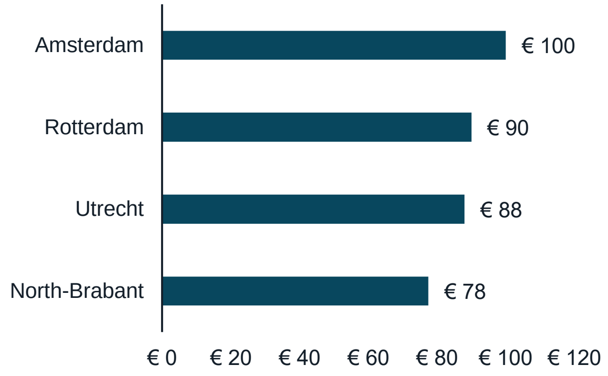
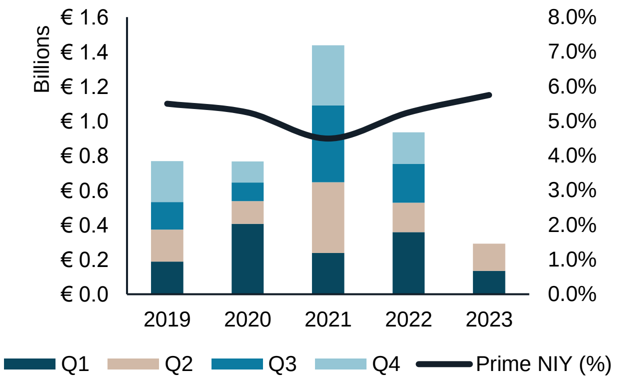


Figure 4: Investment volumes and prime yield



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