

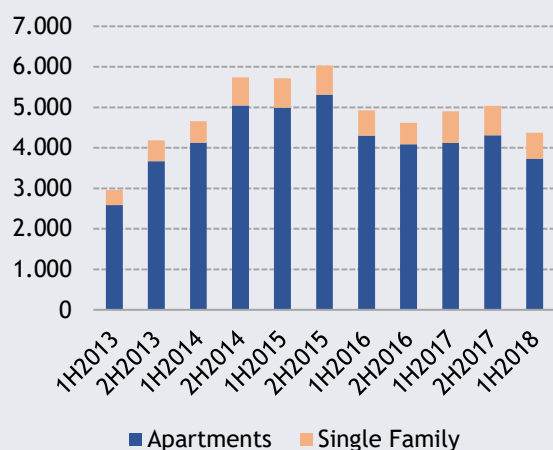
Amsterdam Residential Market – 1H 2018

The Amsterdam residential market has a stock of approximately 433,000 houses. Only a small percentage (12%) concerns single family homes. The vast majority of the stock consists of apartments, of which two thirds have been constructed before 1975 (source: CBS).

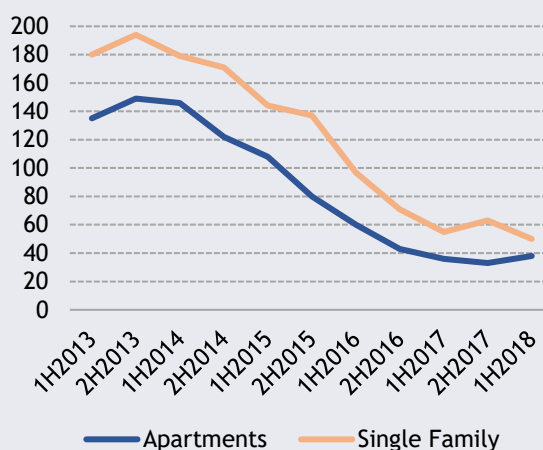
The Amsterdam residential market had benefited the most of recovery of the Dutch market in recent years. The sales numbers have risen sharply since the bottom of the market in 2013. So much so that market is overheating, which has caused a continuous rise in prices. The sales numbers (excluding Amsterdam Southeast) of the first half year in 2018 have come down slightly, mostly due to a lack of availability. In total 4,375 houses were sold, well below the numbers in the first (4,000) and second (5,000) half in 2017. In the first half of 2018 3,730 apartments (-13.4% vs 2H 2017) and 644 single family homes (-11.7% vs 2H 2017) were sold. The average time a sold home was on the market was 38 days for apartments (2H 2017: 33 days) and 50 days for single family homes (2H 2017: 63 days). (Source: NVM/Realworks, adaptation Troostwijk Research).

The number of homes for sale (excl. Southeast) increased slightly in the first half of 2018, from 1,465 to 1,971. Mid 2018 there were 1,567 existing homes and 404 homes under construction available on the market.

Home sales per half year



Number of days on the market (sold homes)



Source: Realworks, adaptation Troostwijk Research

The average sales price of a single family home increased by 2% compared to the second half of 2017 to € 718,250. The average price for apartments increased with 6.3% tot € 491,000. However, the weighted average price per square meter might be a better indicator for price movements, as a high percentage of sales in a lower or higher price bracket can distort the picture. The weighted average price per square meter for single family homes was € 5,023 per sqm. (+4.5% vs 2H 2017) and € 5,918 per sqm. for apartments (+5.3% vs 2H 2017)



Price development in period 2011-2018

	Average sales price		Weighted average sales price/sq.		Median sales price	
	Single fam.	Apart.	Single fam.	Apart.	Single fam.	Apart.
1H2011	€ 554,000	€ 300,000	€ 3,566	€ 3,684	€ 365,000	€ 240,000
2H2011	€ 512,000	€ 298,000	€ 3,386	€ 3,696	€ 332,000	€ 228,000
1H2012	€ 468,000	€ 278,000	€ 3,159	€ 3,487	€ 298,000	€ 220,000
2H2012	€ 458,000	€ 258,000	€ 3,086	€ 3,337	€ 293,000	€ 210,000
1H2013	€ 462,500	€ 266,000	€ 2,954	€ 3,334	€ 283,000	€ 208,000
2H2013	€ 473,000	€ 268,500	€ 3,178	€ 3,374	€ 260,000	€ 210,000
1H2014	€ 481,000	€ 287,500	€ 3,306	€ 3,545	€ 299,500	€ 223,500
2H2014	€ 464,000	€ 286,500	€ 3,412	€ 3,785	€ 285,000	€ 235,000
1H2015	€ 506,000	€ 307,000	€ 3,545	€ 3,939	€ 322,000	€ 245,000
2H2015	€ 550,000	€ 344,000	€ 3,797	€ 4,225	€ 380,000	€ 280,000
1H2016	€ 668,000	€ 373,000	€ 4,320	€ 4,617	€ 460,000	€ 293,000
2H2016	€ 755,000	€ 412,500	€ 4,716	€ 5,007	€ 490,000	€ 328,000
1H2017	€ 639,000	€ 441,000	€ 4,450	€ 5,310	€ 452,000	€ 351,000
2H2017	€ 703,500	€ 462,000	€ 4,808	€ 5,620	€ 490,000	€ 369,000
1H2018	€ 718,250	€ 491,000	€ 5,023	€ 5,918	€ 478,000	€ 392,500

Source: Realworks, adaptation Troostwijk Research

Besides the falling number of days homes are on the market before they are sold, a clear indicator the Amsterdam market is overheating is overbidding. While in the economic crisis year homes on average were sold well below their asking price, in the last few years the tables have turned. Amsterdam has become a sellers' market where people are outbidding each other to buy a house. On average a single family home was sold 4.7% above the asking price, while apartments sold 7.5% above asking price.

Difference sales price vs. asking price

	Single fam.	Apart.
1H2011	-4,9%	-3,3%
2H2011	-4,8%	-3,5%
1H2012	-5,4%	-4,2%
2H2012	-5,7%	-4,2%
1H2013	-4,8%	-4,1%
2H2013	-4,6%	-3,6%
1H2014	-3,3%	-2,5%
2H2014	-1,8%	-1,1%
1H2015	-1,6%	+0,1%
2H2015	-0,6%	+1,7%
1H2016	+1,1%	+3,9%
2H2016	+1,9%	+4,6%
1H2017	+2,8%	+6,1%
2H2017	+3,3%	+6,7%
1H2018	+4,7%	+7,5%

Source: Realworks, adaptation Troostwijk Research



Home sales and price development clearly shows there is a mismatch between demand and supply in Amsterdam, with demand outpacing supply causing strong price increases.

According to the Dutch bureau of statistics the CBS in the first half the average price for a home in the Netherlands just moved above the previous high in 2008. In Amsterdam prices were already above their previous high in 2016. This also shows that the Amsterdam residential market clearly stands apart from the rest of the Netherlands.

Compared to the market low in the first half of 2013, average sales prices in Amsterdam are 78% higher in 2018.

Rental market

There is not only a mismatch in the market for home owners, but also in the rental market. There are currently not enough rental homes to meet demand, both in the free market and in the social housing market (i.e. regulated by the government). In the social housing market this means long waiting lists (several years) before a house is assigned to you, while in the free market rental prices are rising.

Rents in the social housing market can not move higher than € 710 per calendar month. In the free market there are no restrictions. According to rental website Pararius the average rent in Amsterdam in the first half of 2018 was € 22.79 per sqm. per month (+2.3% vs. 2017). Amsterdam has the highest rent levels in the Netherlands. In other large cities like The Hague and Utrecht the average rent per sqm. is just € 16 per month.

According to Pararius the average rent per sqm. per month in the city center of Amsterdam increased with 1% to € 25.18. Amsterdam South and West follow with respectively € 24.43 and € 24.02 (+3.2% and +3.8%).

Investment market

Investments in the Dutch residential market have increased dramatically over the last few years. Both Dutch (institutional) investors and foreign investors have upped their investments in the Dutch market. They focus mainly on the western part of the Netherlands. Improved economic conditions and the housing shortage are the main drivers for investors.

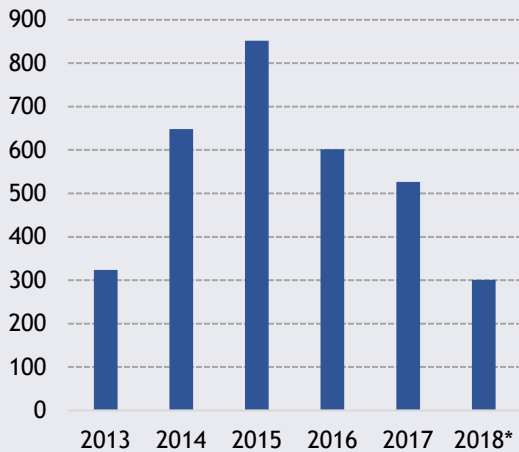
Amsterdam has been one of the main investment destinations for investors in the residential market. The housing shortage and positive expectations as to price development (both sales and rent) have caused a great influx of money.

In the first half of 2018 investments in the Amsterdam residential market reached € 300 million. This is excluding the share of Amsterdam homes in the largest Dutch deal of 2018, the acquisition of the NN-portfolio by Vesteda for € 1.5 billion. No financial details on a regional level or by type of homes were made available for this deal. Another group of buyers which aren't included in the numbers are the small private investors who buy just one home or at most three to four. This is an increasingly large group consisting of small private investors who are seeking investment opportunities in Amsterdam and home owners who leave Amsterdam and keep their home as investment.

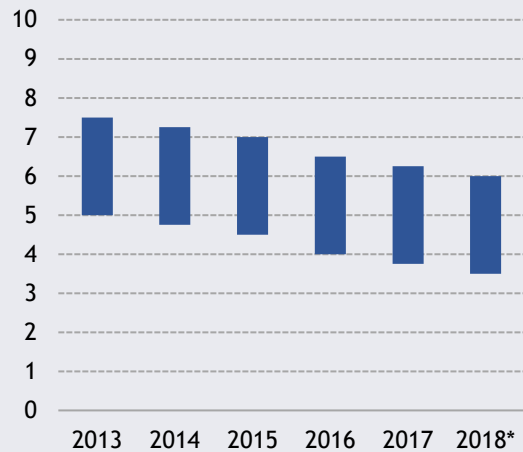
Strong demand together with limited availability of investment opportunities have caused a continuous drop in gross initial yields (GIY) in recent years. GIY's in the first half of 2018 ranged from 3.5% to 6% (costs payable by vendor).



Investments in the Amsterdam residential market (€ mln)



Gross initial yields Amsterdam (%)



*first half 2018

Source: Troostwijk Research

Outlook

The prospects for the Amsterdam residential market remain positive from an owner/seller point of view. Demand remains high, while supply is limited. Prices keep rising due to the high demand. High demand by investors causes extra pressure.

Due to increasing prices it has become almost impossible for one important group, the first time buyers, to make their first step on the housing ladder. This could cause a break in the flow where first time buyers buy from second time buyers who buy from third time buyers and so on. Which in turn could hold prices back over time. The group of would be first time buyers is forced to rent and with limited availability in the rental market, rents are in many instances too high for this group as well.

In general the Dutch housing market is helped by low interest rates and favourable economic conditions. The main threats for the Dutch residential market are therefor: interest rate hikes and (geo)political developments which may turn the economic tide, like Brexit, unpredictable US foreign/trade policies, Italian government budget, etc.

However, for now, both in the short and long term the outlook for the Amsterdam residential market from an owner/investor point of view remains positive. The housing shortage will continue for some time. And even if the plans of 50,000 new homes by 2025 will be realized, this will not be enough to meet demand from the growing population of Amsterdam. Amsterdam is expected to grow with 10,000 people every year over the next 20 years.

Outlook 2H2018/2019

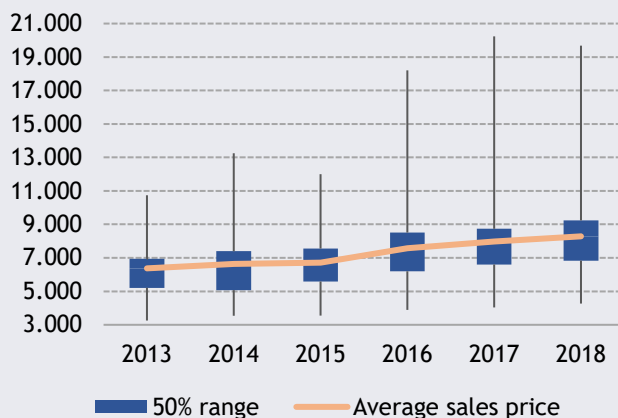
	Supply	Demand	Sales price	Investments	GIY
Apartments (< € 300,000)	↘	↗	↗	→/↗	↘
Single family (< € 300,000)	↘	↗	↗	→/↗	↘
Ap. and single fam. (> € 300,000)	↘	↗	↗	→/↗	↘

Highlighted – High end market for apartments in Amsterdam

The high end market for apartments in Amsterdam in this case is defined as homes with a sales price of over € 1 million. Approximately 10% of annual sales of apartments falls within the high end market. Sales prices per sqm. Fall in a very wide range from as low as € 3,000 to € 4,000 for large apartments in the lesser neighbourhoods to as high as € 20,000 for penthouses in good neighbourhoods like the city center and Amsterdam South.

Sales of apartments worth over € 1 million have been increasing steadily since the bottom of the market in 2013.

Sales prices high end apartment market 2013-2018



Source: Realworks, adaptation Troostwijk Research

Rents for the high end market usually range from € 3,000 per calendar month and upward. The tenant market for high end apartments is limited to high net worth individuals, expats and companies who rent for employees. This market has been growing in recent years.