



ABN·AMRO

ABN AMRO Real Estate Market update

Large Corporates & Merchant Banking

Real Estate Advisory

+31 20 343 64 19

April 2014

Dutch economy in international perspective



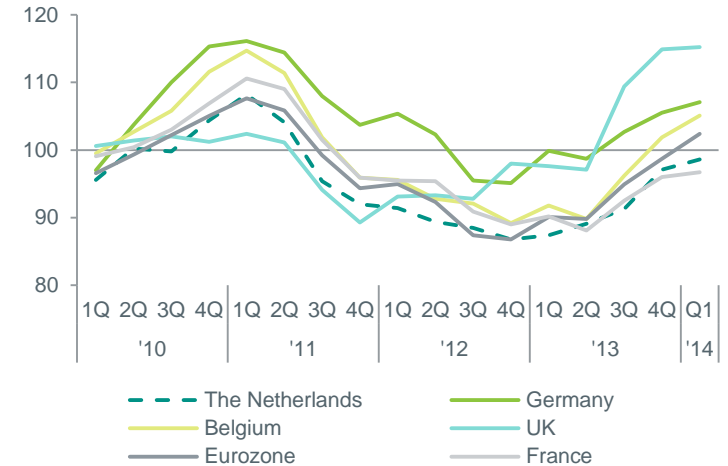
Economic sentiment turned positive for the Eurozone

- In the euro area, improved sentiment in March was driven by confident consumers. Services and retail, trade confidence showed a slight increase.
- Consumer confidence reported the sharpest monthly increase since April 2009 (+3.4). Due to improved expectations on the future general economic situation and expectations on savings.
- In March The Netherlands booked the sharpest ESI (mom) increase (+2.3), followed by Spain (+2.2) and Italy (+1.3), while France (+0.7) and Germany (+0.4) saw only modest improvements.

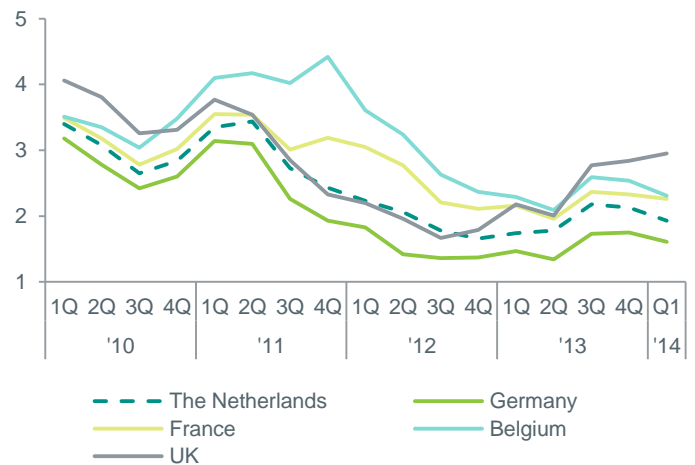
ECB is sounding tolerant of low inflation

- The Euro area's inflation rate has come down rapidly (March: 0,5%). ABN AMRO expects it to remain at very low levels throughout this year and also remain well below the ECB's target next year.
- This keeps the door to further ECB policy easing open and should keep German ten-year yields close to their current levels in the coming months.
- Inflation also drives down the spread between the bonds of peripheral economies and that of Germany which is at its lowest point since October 2010.

Dutch ESI improving but behind that of the Eurozone

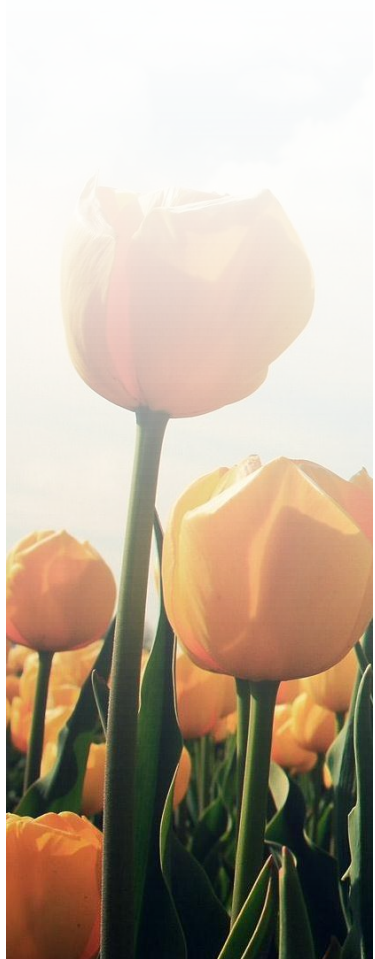


Yield on 10-year government bonds (in %)



Source: CBS, Datastream and IPD

Dutch economy is slowly gaining momentum



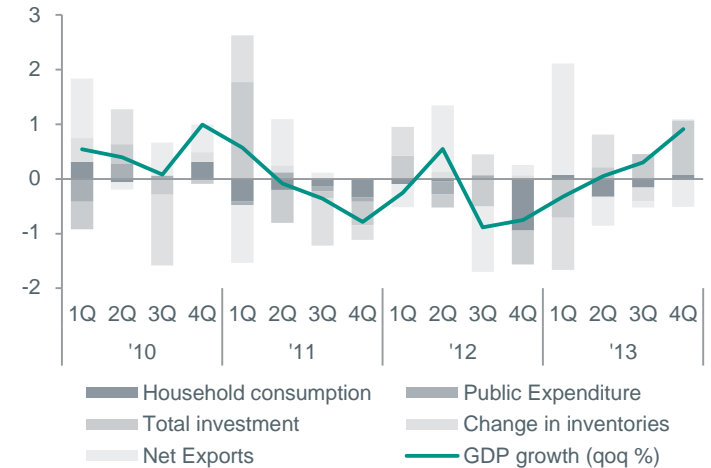
ABN AMRO revised its growth estimate for 2014 upwards

- Last years' economic performance was somewhat better than expected. In the final quarter, the economy grew by 0.9% relative to the previous quarter.
- Economic growth in the fourth quarter was driven entirely by domestic factors, such as boosted car sales because of an imminent tax increase effective from the start of this year.
- ABN AMRO has become more positive because of the higher-than-expected growth rate at the end of 2013, along with the somewhat brighter outlook.
- Consequently, ABN AMRO's economists increased their economic growth estimate for the Netherlands in 2014 from 0.5% to 1.2%.

Economic sentiment in the Netherlands is also improving

- Since the middle of last year, the economic barometers have been pointing to a clear improvement. The confidence of the retail, industrial and services sector showed remarkable improvement.
- However, consumption is expected to decline as many households (and particularly those with 'underwater' mortgages) will want to put their finances in order.
- The further recovery of the Dutch economy is likely to be driven by renewed export growth.
- This positive trend is also backed by the Purchasing Managers' Index which has been improving since 13Q1. However it showed a slight decline in March.
- Given the late cyclical nature of real estate we do not expect to see a sharp increase in demand from users in the near term.

Fourth quarter growth was driven by domestic factors (in %)

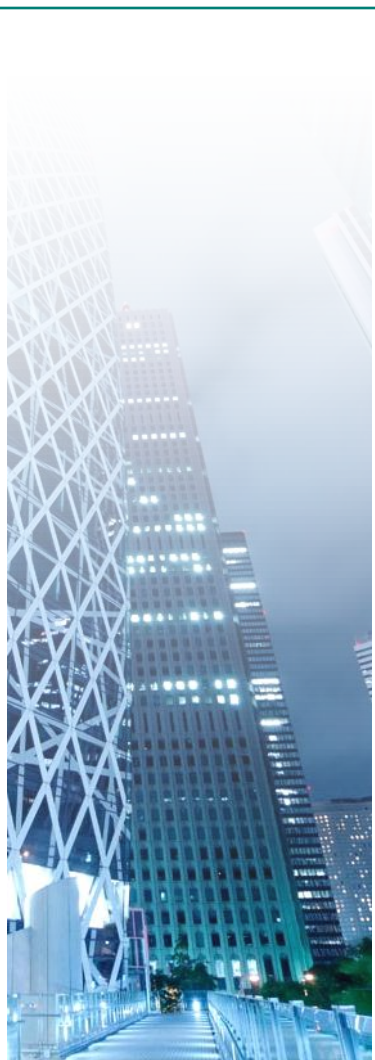


Sentiment improved across all sectors except construction



Source: CBS, Datastream and Directorate General for Economic and Financial Affairs (DG ECOFIN)

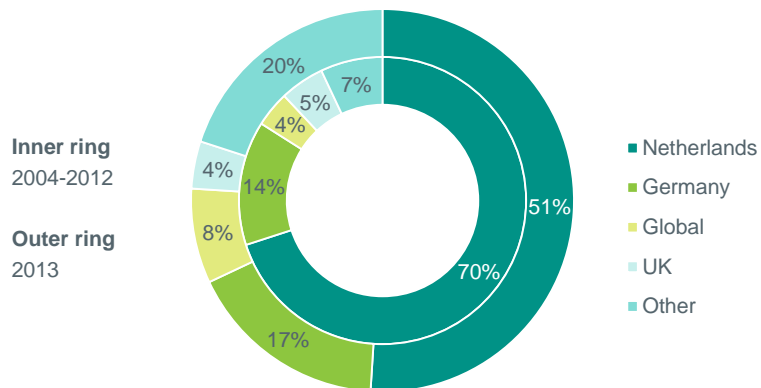
Investor returns on real estate in international perspective



The Dutch market draws interest from foreign investors

- Investment volume in 2013 increased by more than 20% to EUR 5,1 billion. 2014 started well with more than EUR 1,5 billion already recorded in the first quarter.
- There was a strong interest in offices in 2013 (EUR 1,8 billion). Especially in prime assets which are scarce. Residential assets also received strong interest (EUR 1 billion) as they are relatively attractively priced.
- In all asset classes demand is focussing on high quality assets, since these are scarce. This means investors will have to look at other quality assets as well.
- We expect that the investment volume will continue to rise as we also expect more credit to flow into the market making it easier to finance new investments.

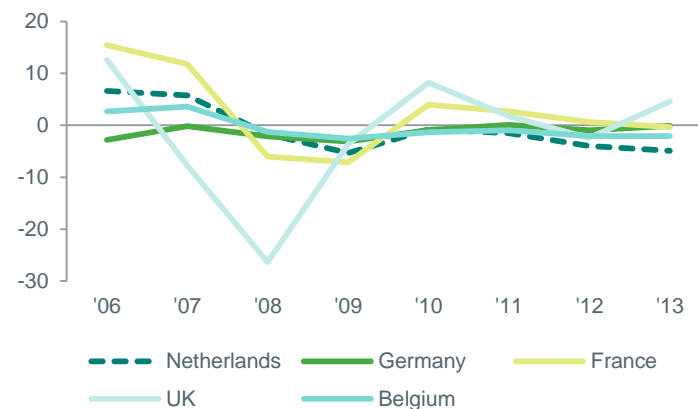
Investment volume in Dutch real estate market per country



IPD: Direct return per country and segment in 2013 (in %)



IPD: Indirect returns in all asset classes per country (in %)



Source: Datastream, IPD and JLL

Offices: Investor demand increases for prime offices

Union buys the Ito and Som offices at the Zuidas

Union bought two offices for an amount of EUR 245 million from Commerz Real.

Within one year almost all offices at Amsterdam's Zuidas that have come up for sale, have been bought by German institutional investors.

Since the beginning of 2013, Union has invested EUR 400 million in the Zuidas buying 4 office buildings.

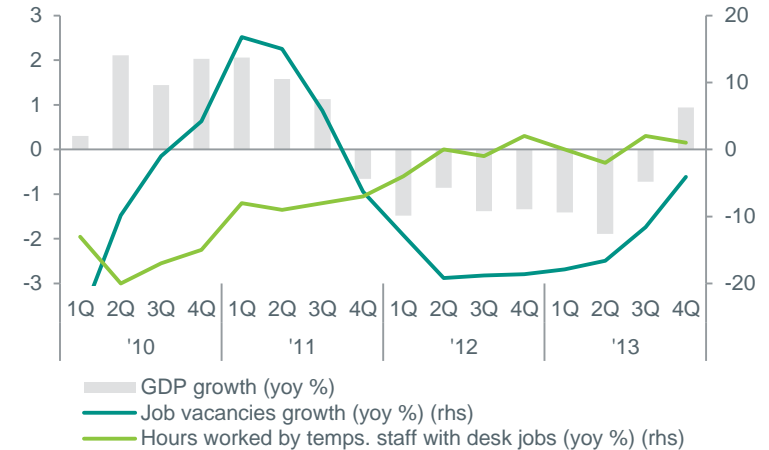
April 16, 2014 - Vastgoedmarkt



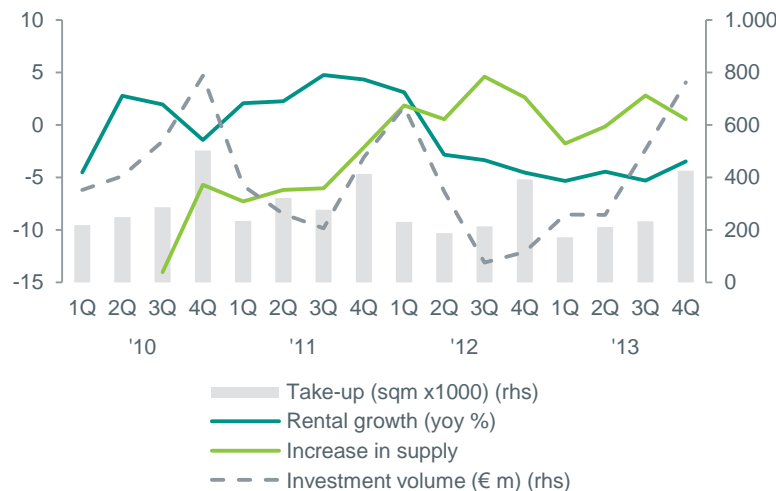
The general market outlook remains bleak

- The business services sector is the strongest driver for offices. Decreasing demand from the financial and public sector will continue to impact the demand for office space.
- Vacancy increased (2013: 15.7%) as structural trends continued to reduce demand (flexible work concepts and consolidation of space). For example Philips, which vacated 10,000 m² in the 'IJ-toren'.
- The investment volume increased in 2013 with 47% (EUR 1.98 billion), driven mainly by the interest in prime office buildings at the Zuidas. This accounted for 36% of total volume.
- Returns reported by IPD show no change as they remain negative (2013:-2.9%), plagued by negative indirect returns (2013:-9.3%).

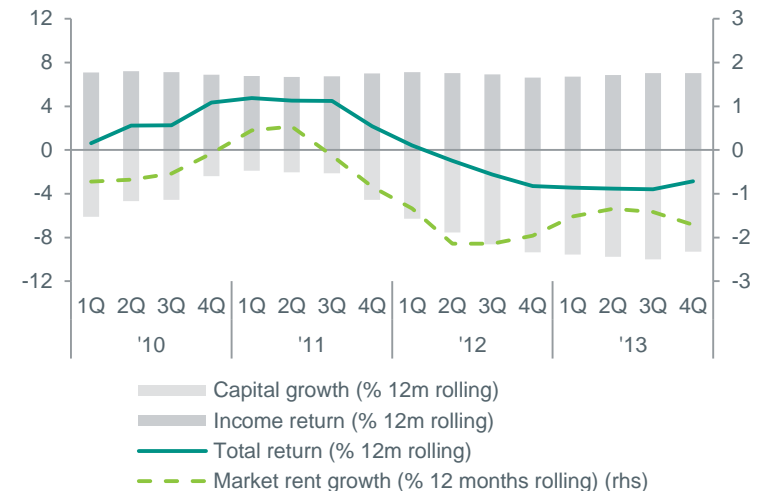
Macroeconomic factors (in %)



Take-up and rental growth



IPD: Income & capital growth and market rent (in %)



Source: Datastream, CBS, ABU and IPD

Residential: The market is recovering, but there are still some hurdles to overcome

Minister sees increasing interest from international investors

"There is an increasing interest from abroad to invest in the Dutch housing market", according to Minister Stef Blok who addressed the parliament.

"I got this response during discussions with market participants and investors", says Blok. "The Netherlands has a reliable image and parties think this is the best time to invest."

8 Oct '13 - AD



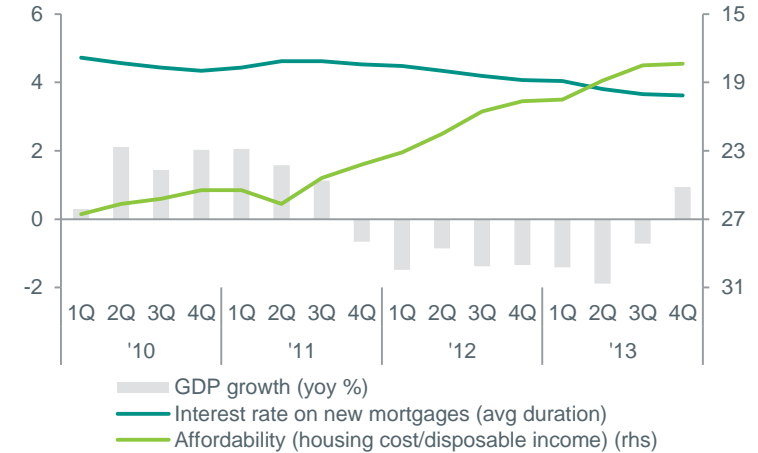
Confidence is returning to the market

- As depicted by the market sentiment indicator of the Homeowners' Association (VEH), consumers are becoming more positive about the housing market.
- The affordability of owner-occupied houses, measured by percentage of net income spent on housing costs, has improved.
- In the first quarter of 2014, the Brokers association NVM, signalled that the strongest decrease in prices has past and that the market is recovering.
- Foreign institutional investors regard the Dutch residential market as third most promising market¹⁾, now that prices have come down and construction is limited.

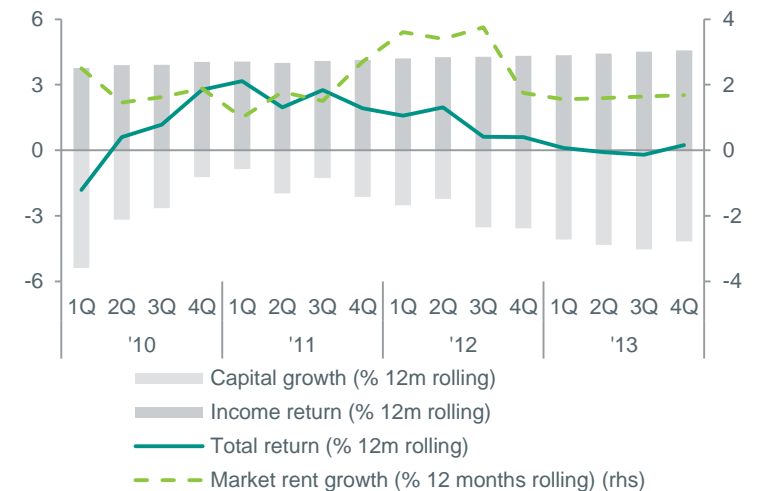
Number of transactions and market sentiment



Macroeconomic factors



IPD: Income & capital growth and market rent (in %)



Retail: Consumer confidence recovered, retail assets have not (yet) turned the corner

Demand for large stores at prime locations is increasing

International retailers want larger stores at the best locations. This trend is increasingly visible in Amsterdam, The Hague and Rotterdam.

This is in line with the strategy of retailers: visitor numbers must be raised which means more and larger stores. And that are more responsive to the perception of the customer.

March 3, 2014 – PropertyNL

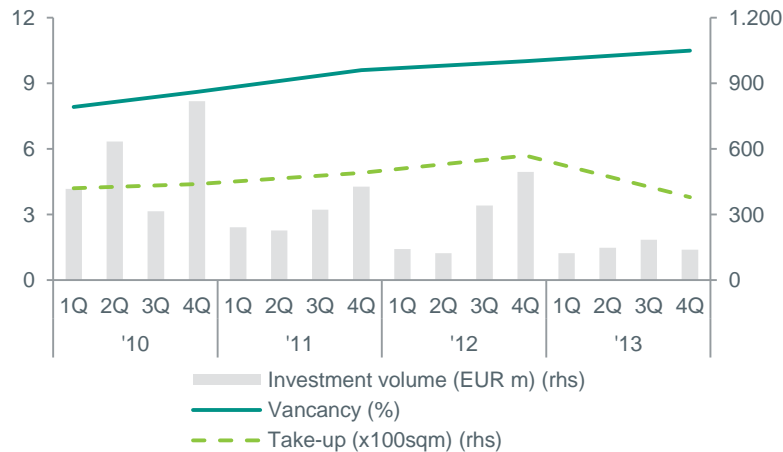


Source: CBS, Datastream, CBRE, Locatus and IPD

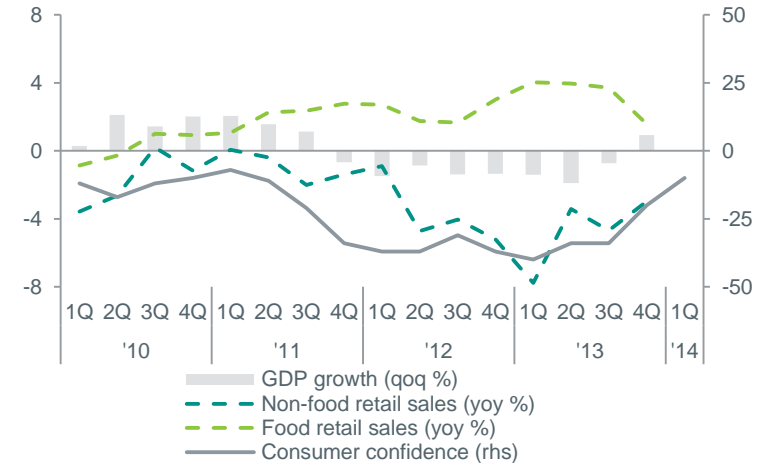
Improved outlook not (yet) affecting the retail assets

- A strong recovery of consumer confidence fuelled by an improving housing market has improved sentiment among retailers (slide 3).
- However demand for retail space remains low as retailers are facing increased competition from online players. This translates to increasing vacancy and lower take-up levels.
- Prime areas suffer less from the decrease in retail sales: luxury high street like de P.C. Hoofstraat in Amsterdam even signed several new luxury retailers and realised rental growth over 2013.
- Recent deals with Marks & Spencer, Zara and H&M illustrate that successful labels demand a stronger presence in prime areas.
- Returns as reported by IPD show significant value declines for retail assets in 2013 (-4.4%), as market rents continue to fall.

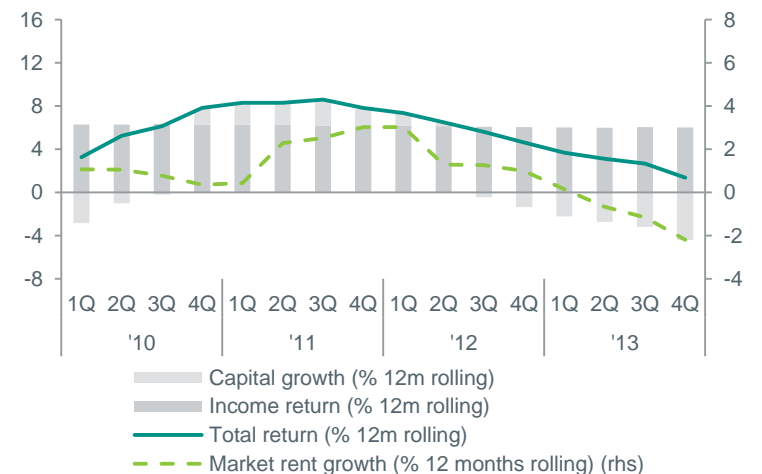
Take-up and investment volume continue to decline



Economy: Consumer confidence has turned the corner



IPD: Income & capital growth and market rent



Logistical/Industrial: Improving economic outlook not yet visible in real estate market

Blackstone acquires portfolio from Achmea

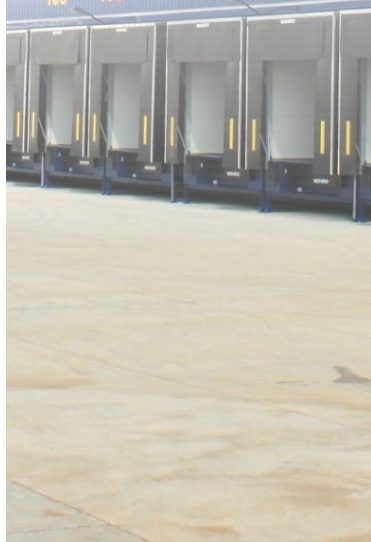
Blackstone acquired a portfolio of 7 logistical properties for an amount of EUR 87 million.

October 4, 2013 – PropertyNL

Blackstone is rumoured to have bought buildings from CBRE GI

Blackstone bought 3 assets for an amount of EUR 34 million.

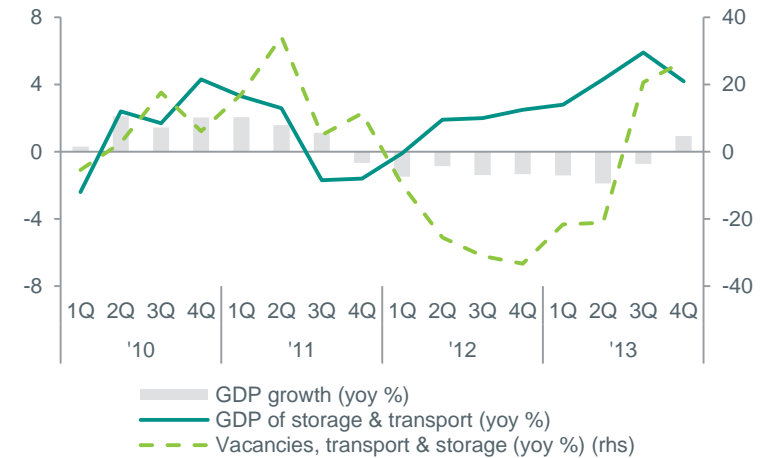
March 13, 2014 – PropertyNL



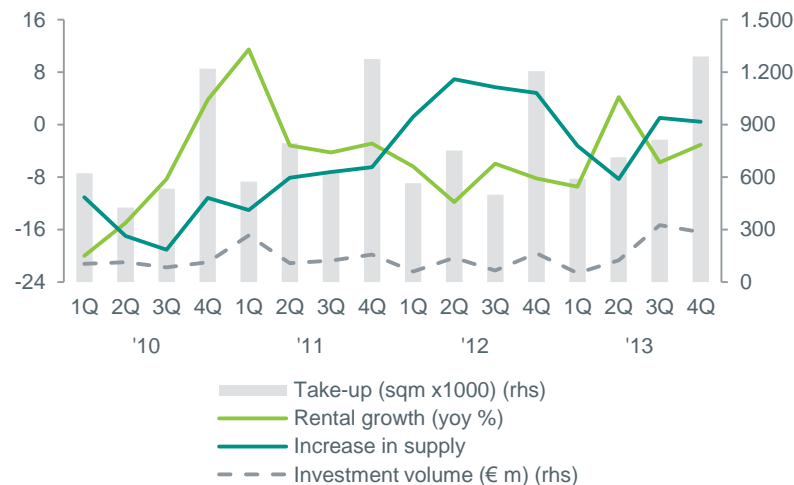
Economic outlook is improving

- The logistical/industrial real estate market is very fragmented and diverse as it includes both light industrial properties as well as logistical warehouses.
- The market as a whole benefits from a better economic outlook. In particular from the transport sector whose growth is outperforming that of the Dutch average.
- Demand for logistical assets is strong as both investment volume and take-up are rising. The investment volume in 2013 was EUR 785 million (+84%) and take-up 3.4 million m² (+13%).
- Real estate values for industrial/ logistical real estate as reported by IPD continue to decline in 2013 (-7 %).

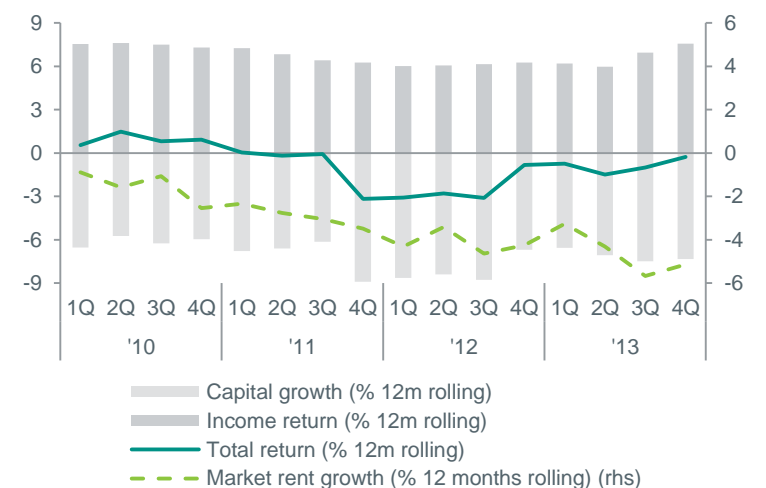
The transport sector is outperforming (in %)



Investment volume and take-up



IPD: Returns and market rent



Source: CBS, Datastream and IPD

Disclaimer

This document has been prepared by ABN AMRO. It is solely intended to provide financial and general information on economics. The information in this document is strictly proprietary and is being supplied to you solely for your information. It may not (in whole or in part) be reproduced, distributed or passed to a third party or used for any other purposes than stated above. This document is informative in nature and does not constitute an offer of securities to the public, nor a solicitation to make such an offer.

No reliance may be placed for any purposes whatsoever on the information, opinions, forecasts and assumptions contained in the document or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given by or on behalf of ABN AMRO, or any of its directors, officers, agents, affiliates, group companies, or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from any use of such information. The views and opinions expressed herein may be subject to change at any given time and ABN AMRO is under no obligation to update the information contained in this document after the date thereof.

Before investing in any product of ABN AMRO Bank N.V., you should obtain information on various financial and other risks and any possible restrictions that you and your investments activities may encounter under applicable laws and regulations. If, after reading this document, you consider investing in a product, you are advised to discuss such an investment with your relationship manager or personal advisor and check whether the relevant product –considering the risks involved- is appropriate within your investment activities. The value of your investments may fluctuate. Past performance is no guarantee for future returns. ABN AMRO reserves the right to make amendments to this material.

© Copyright 2014 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO")