

Going Dutch: the Attraction of Netherlands Real Estate

Jan-Willem Sterk, Djonie Spreeuwers and Peter Van Opstal at Vistra in the Netherlands explain how a strong financial history and robust economy are providing fertile ground for the real estate sector in the country

When asked to name something that symbolises the Netherlands, most people, perhaps predictably, will mention tulips, canals, bicycles and kilometre after kilometre of flat countryside. Ask a business professional, however, and the response is likely to be rather different.

For many years, the Netherlands has been recognised as a centre of finance and business excellence, with many foreign companies viewing the country as a highly attractive destination for investment.



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Logistically speaking, the Netherlands has a number of key strengths – not least Schiphol airport, which acts as a hub for European and global air travel, and the port of Rotterdam, which is a major shipping entry point to the continent. The country also has high-speed rail links to France, Belgium and Germany. When it comes to finance, however, Amsterdam is the jewel in the Dutch crown.

The city has a long and prestigious history as a financial centre – being home to the world’s first official stock exchange, as well as the Bank of Amsterdam, which is largely considered to be the first model of a central bank. These days, its residents include around 50 international banks and more than 20 major insurance companies.

There are a whole host of reasons why the Netherlands is an attractive place to do business. Not only does it have a stable political structure, it also has a low rate of inflation and sound government finances. The quality of the education system within the country ensures that there is a considerable pool of talent for businesses to draw upon.

Real estate on the rise

The real estate sector has been one area to benefit from this robust landscape, with a significantly noticeable uptick in activity in recent years. And this is playing out

The Netherlands: key attractions

- The country has a favourable business environment – it is part of the EU, with a stable legal, economic and political framework.
- Digitally well connected, it has a high-quality, well-educated workforce.
- Infrastructure, office space and accessibility from other European and global cities are major plus points.
- Establishing a local in-house team may ease the coordination and organisation of a client’s wider European operations.

in two key areas – direct investment in Dutch real estate, and the use of Dutch structures and fund administration businesses for the holding and management of global property portfolios.

Indeed, capital flows from international investors into the domestic real estate market accounted for more than half of total investment flows across all asset classes into the country over the past five years. After a record year in 2017, the Dutch real estate market saw investment volumes drop slightly in 2018 to €20.7bn, but historically this is still very high.

Transaction levels were strong across all sectors, with investors interested in office buildings and residential real estate, logistics/storage, hospitality and specialty asset types such as senior housing, education and healthcare.

And prospects for the near future appear promising. According to research from Bouwinvest, institutional investors are expected to continue to drive capital inflows into the Dutch real estate sector over the next three years unless interest rates rise significantly, which they believe is unlikely in the short term.

With investment coming from a variety of sources – including investment funds and institutional investors, privately held property companies, private equity firms and real estate investment trusts – and with money coming from the Netherlands, Europe, the UK and US, and increasingly from the Middle East and Asia-Pacific, the diversity of the investment landscape bodes well.

A professional services boom

Alongside this interest in Dutch real estate lies a significant increase in fund sponsors and asset managers using Dutch structures and fund administration businesses for the holding and management of global property portfolios. The Dutch legal, tax and regulatory framework is very advantageous for structuring investment funds and there has been a noticeable increase in activity in the last two years.

Not only have we seen existing players expanding their local asset management and investment teams with new roles such as financial management, we are also seeing first-time entrants establishing local asset management and investment management capabilities.



€20.7bn
**Dutch real estate
investment volume
in 2018**

There is now considerable breadth and depth in the real estate offering from businesses operating in the Netherlands, with firms supporting clients with fund structuring, communicating with investors, complying with regulations and distributing returns.

Services include everything from fund administration, loan administration and monitoring, and corporate and secretarial services, to investor anti-money laundering and Know Your Customer requirements, and regulatory support on AIFMD depository, FATCA and CRS.

Day-to-day comprehensive operations include fund administration, cash management, fund accounting, net asset value calculations, management and performance fee computations, financial and management reporting, IFRS accounting, transfer agent, and full secretarial and audit support.

Practitioners in the Netherlands, including Vistra's Real Estate Services team, are currently providing services to investment managers, sovereign wealth funds and other institutional investors related to the fund formation, back and mid-office accounting and reporting, investor services and regulatory support of their investments in global real estate portfolios.

To outsource or not

This new wealth of service providers in the real estate space in the Netherlands is providing businesses with a number of choices when it comes to outsourcing – not least the extent to which they should outsource if they choose to go down that route at all.

Operators may well need to decide between a best-of-breed provider for individual functions as opposed to a single one-stop-shop provider. The first option may well be the best fit for niche investments/operations, while the latter will likely reduce coordination time, and opens the possibility for global framework agreements and pricing, tech solutions and building partnerships.

When looking at the results from our real estate survey, 'Real Estate Fund Operations: Have They Reached An Inflection Point', published in November 2018, 47% of respondents said that they foresaw an increase in the functions outsourced and 51% anticipated an increase in the volume of activity outsourced.

If that increase materialises, those providers that offer their services in multiple jurisdictions could benefit from the one-stop-shop approach, and we would expect more service provider EU alliances as a result.

The road ahead

It is very easy to look at all of the above and be optimistic – and some would argue that the Netherlands may also be a beneficiary of the uncertainty caused by Brexit and the UK's potential departure from the EU [the 31 October deadline was approaching at the time of writing]. It is, however, always worth taking time for a quick reality check.

While the Netherlands currently enjoys a position as a centre of business excellence, there is a possibility that the labour market will become more pressured as firms expand or move into the market. So, finding the best staff to run your business could become challenging.

And while low interest rates are favourable in some ways, it begs the question whether that might start to put pressure on real estate yields.

Despite this, however, the outlook for real estate in the Netherlands looks pretty positive for the time being.

How Vistra can help

Our Dutch real estate team is dedicated to the sector like no other service provider in the fund administration industry. Historically part of Whitehall Management Services, we serve all real estate asset classes with both simple and complex investment structures. Our global platform gives our clients an integrated and consistent set of services and deliverables, no matter where they raise or deploy capital globally.

We can offer services that are complementary to a client's Dutch platform for their Netherlands operations, so they can continue to focus on their main asset/investment management activities, as well as supporting clients while they strengthen or build their Dutch and wider EU platform.

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