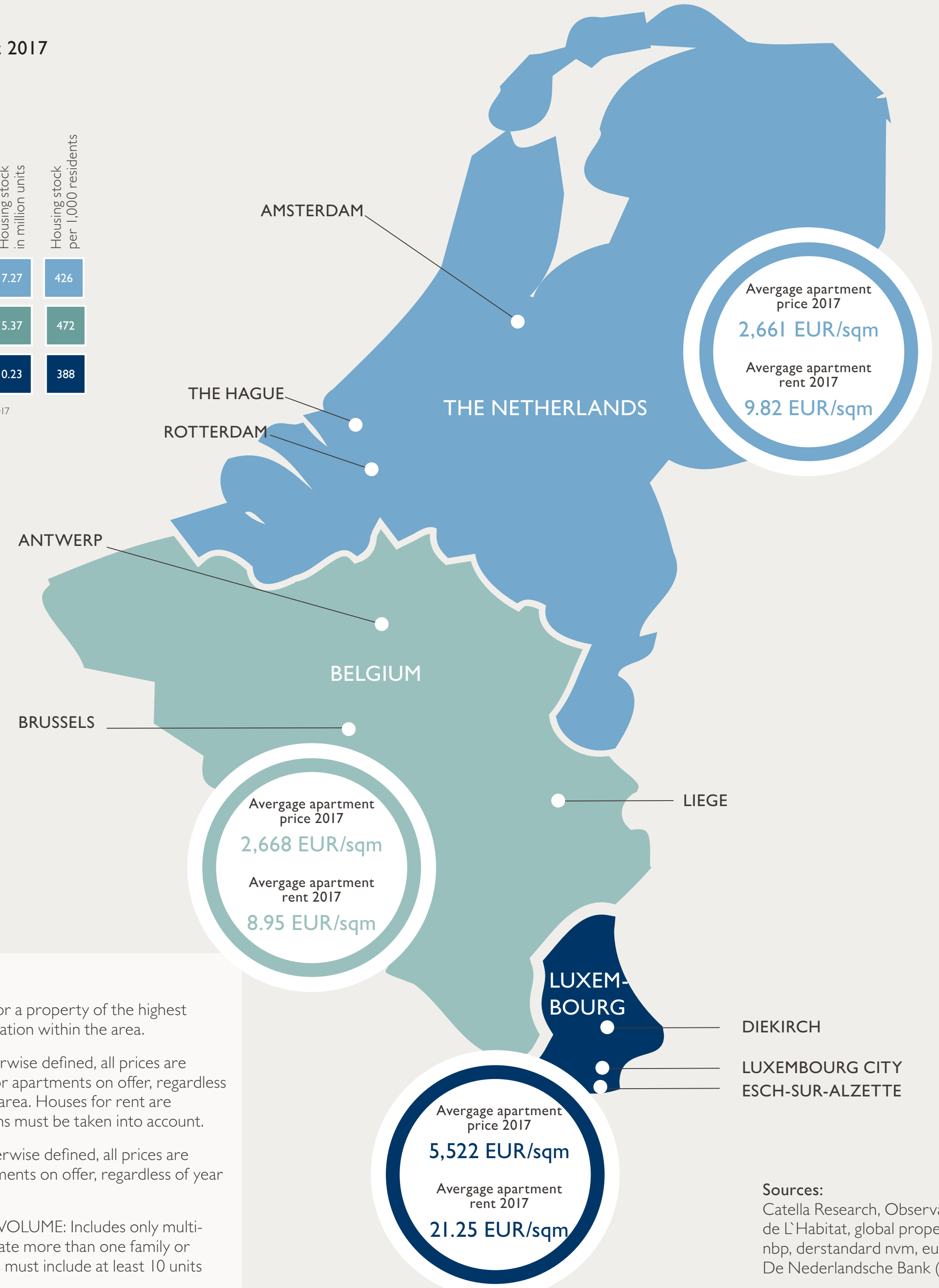
Strong population growth in metropolitan areas but construction activity is still below expectations. Luxembourg is the country with the highest average price level.

BeNeLux residential market 2017

	Housing completions	Housing completions per 1,000 residents	Housing stock in million units	Housing stock per 1,000 residents
The Netherlands	53,920	3.18	7.27	426
Belgium	51,543	4.55	5.37	472
Luxembourg	3,357	5.68	0.23	388

*All figures as of year end 2017



Definitions

PRIME YIELD: Gross initial yield for a property of the highest quality specification in a prime location within the area.

APARTMENT RENT: Unless otherwise defined, all prices are average monthly rents per sqm for apartments on offer, regardless of year of construction and floor area. Houses for rent are excluded. The local legal conditions must be taken into account.

APARTMENT PRICE: Unless otherwise defined, all prices are average prices per sqm for apartments on offer, regardless of year of construction and floor area.

RESIDENTIAL TRANSACTION VOLUME: Includes only multi-family properties that accommodate more than one family or household. Multifamily properties must include at least 10 units for inclusion.

Sources:
Catella Research, Observatoire de L'Habitat, global property guide, nbp, derstandard nvm, eurostat, De Nederlandsche Bank (DNB).

Catella is a leading specialist in property investments, fund management and banking, with operations in 14 European countries. The group has sales of approximately EUR 211 million and manages assets of approximately EUR 16 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

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Healthy fundamentals among the BeNeLux residential markets

The Benelux economy saw sustained growth rates in recent years helped by improving labour markets with falling unemployment rates, strong domestic demand and solid private consumption growth. Positive signals even continued to arrive in the first month of 2018. In all countries economic performance is expected to rise further or remain stable in 2018.

The Dutch economy has been steadily recovering over the last few years and benefited from low inflation rates as well as from large current account surpluses which both were combined with already strong domestic conditions. Wage growth is expected to pick up as the labour market tightens and unemployment falls to historically low levels. Domestic demand is expected to be the main growth driver over the forecast horizon while the contributions of net exports fades. It is expected that over the next few years the Dutch economy will continue to perform well with GDP growth of 3.0% in 2018.

Economic growth in Belgium rose to 1.7% in 2017, in line with expectations, as positive net exports offset a slight moderation in domestic demand. Improved labour market conditions, both in terms of real wage and employment growth, as well as a favourable investment climate are paving the way for domestic demand to strengthen and further support growth. Private consumption growth is expected to accelerate this year due to stable households' saving rate. Economic growth is expected to strengthen to 1.8% in 2018 on the back of improved labour market and investment conditions.

In 2017, Luxembourg's economic growth slowed to 2.3%, from 3.1% in 2016 and was mainly due to a weaker external demand, especially to a reduced activity in the financial services sector. Positive signals continued to arrive at the beginning of 2018, including from stronger job creation. Economic growth is projected to strengthen in 2018, driven by robust domestic demand and net services exports. Private consumption growth is expected to remain strong, supported by disposable income growth and unemployment rate is forecasted to continue to fall. Overall, GDP is projected to rebound in 2018 with growth rate of 3.7%.

In the context of the overall size of Dutch real estate investment markets residential assets used to be a very small part of it. In the post-recession period the attractive prospects that the residential sector offers have however profoundly changed investors' attitude towards these investments. While the 2009 residential investments volumes just about exceeded 1 Billion EUR, by 2016 these figures more than tripled, rising to approximately 3.7 Billion EUR. In the 2017 residential investment volumes retreated to about 3.3 Billion EUR. The Dutch residential assets are currently highly sought by both domestic and foreign investors. However, as so far the focus of international investors' attentions has been primarily Amsterdam, Rotterdam, The Hague and Utrecht while many other regional non-core investment opportunities are being perceived as too risky by many non-Dutch investors. The strength of investor demand in Amsterdam etc additionally compressed the yields to a current value of 4.00% and driving market values further upwards with current average apartment prices of 4,990 EUR/sqm in Amsterdam and thus much more higher than in Rotterdam or The Hague.

One distinctive feature of the Dutch housing stock is the large social housing association stock. 2.3 million units are owned by housing associations, and about 1 million rental units are owned by private individuals. The vast majority of the housing stock are owner occupied homes. Nevertheless, demand for rental homes has been increasing in the past years, most notably in the non-regulated sector. While the non-regulated market has traditionally been quite small, this market is expected to show strong growth, driven by fundamental demographic and economic trends as well as government policy reforms. Furthermore there is rising demand in a number of niche markets, most notably in student housing and housing for the elderly.

Unlike many other EU countries, the housing market in Belgium appeared relatively unaffected by the global financial crisis, with steady growth of house prices and availability of mortgage credit. Investment in housing construction is relatively stable. Over 51,000 building permits for residential dwellings were issued in 2016 and 51,500 in 2017. The number of building permits peaked in 2006 at 61,000, and after that the annual average has been of about 50,000. In Belgium almost 65% of the housing stock is owner occupied. The rental sector represents about 25% of the stock, with social rental housing at about 6% of the total. On regional level, Flanders is the region with the highest share of home owners, while Brussels has a relatively large rental market with a mix of tenants at market price level and social housing. The capital city is currently experiencing a demographic boom and the rental and owner occupied market is particularly under strong pressure. The average monthly apartment rent increased to 12.92 EUR/sqm per month and purchase prices for apartments currently stand at 3,033 EUR/sqm. In general, the average purchase asking price for homes in Belgium increased in all major cities. Price growths vary between 3% in Liege and 7% in Brussels to 422,940 EUR. The residential property market keeps showing healthy fundamentals and is heavily supported by investors and scarcity of land. Overall, no oversupply is recorded and the financial position of households remains overall robust.

In recent years, housing supply in Luxembourg has not kept up with growing demand associated with population growth and this has contributed to urban sprawl and additional congestion problems. The population growth in Luxembourg is the second highest in Europe, and according to statistical projections, an additional 129,000 housing units are needed by 2030 to accommodate for increasing demand, which means about 6,500 units per year. In 2017, 3,360 units were completed which is much higher than the average long term housing construction of about 2,600 units per year in 2000 – 2014. From 2007 to 2016 house prices in Luxembourg increased by 42% which is mainly due to the high prices of land for property development. Nearly 75% of households in Luxembourg are homeowners, while 22% are tenants in the private market and 5% are paying reduced prices. Furthermore, compared to other European countries, the share of single family homes is very high (65%), especially in the owner-occupied stock. Nevertheless, even the rental market registered significant increases, especially in Luxembourg City and region, which remains the core of the property market. Asking prices are still the highest in the country for both rentals and sales. On average, the price for apartments reached 10,000 EUR/sqm in Luxembourg City, followed by Diekirch with 4,676 EUR/sqm. The low taxation, combined with a bundle of government measures that reduce the financial burden for housing investors, mean that the current taxation system is conducive to owner occupation in Luxembourg. A new Law Project introduced a rent subsidy to help tenants who pay rents which surpass one third of their available incomes.

The commercial residential transaction volume among the BeNeLux shows continuous growth rates in recent years with record volumes in 2017. The Dutch market is by far the main driver of this positive development.

The Netherlands

TRANSACTION VOLUME IN EUR

QI'18	0.84 Billion
2017	3.28 Billion
2016	3.70 Billion

SHARE OF INTERNATIONAL INVESTORS

2017: 34 %
2016: 32 %

Belgium

TRANSACTION VOLUME IN EUR

QI'18	12.81 Million
2017	55.75 Million
2016	53.78 Million

SHARE OF INTERNATIONAL INVESTORS

2017: 35 %
2016: 3 %

Luxembourg

TRANSACTION VOLUME IN EUR

QI'18	12.70 Million
2017	23.76 Million
2016	25.70 Million

SHARE OF INTERNATIONAL INVESTORS

2017: 34 %
2016: 22 %

The capital cities achieve the highest house prices, both in terms for owner occupied and rental homes. Luxembourg City requires the highest prices of all cities among these countries.

AVERAGE PURCHASE PRICE FOR HOMES IN EUR (ALL TYPES OF HOMES)

2017/2018		2016	
Luxembourg City	1,066,990	Luxembourg City	926,470
Dierkirch	523,200	Esch-sur-Alzette	499,700
Esch-sur-Alzette	509,260	Dierkirch	497,750
Brussels	422,940	Brussels	395,000
Amsterdam	394,600	Amsterdam	341,700
Antwerp	339,160	Antwerp	320,780
The Hague	278,300	The Hague	231,600
Rotterdam	230,700	Liege	206,260
Liege	209,680	Rotterdam	203,000

RESIDENTIAL MARKET FIGURES 2017/2018

Average Apartment Price in EUR/sqm

Luxembourg City	7,933
Amsterdam	4,986
Diekirch	4,676
Esch-sur-Alzette	4,390
Brussels	3,033
Antwerp	2,623
The Hague	2,392
Rotterdam	2,167
Liege	2,056

Prime Yield %

Rotterdam	5.00
The Hague	5.00
Liege	4,50
Antwerp	4.25
Amsterdam	4.00
Brussels	4.00
Diekirch	4.00
Esch-sur-Alzette	3.95
Luxembourg City	3.90

Average Apartment Rent in EUR/sqm

Luxembourg City	23.74
Amsterdam	18.42
Esch-sur-Alzette	17.98
Diekirch	15.07
Brussels	12.92
Rotterdam	12.25
The Hague	11.25
Liege	–*
Antwerp	–*

Average Apartment Price in EUR/sqm
Prime Yield %
Average Apartment Rent in EUR/sqm
6 Month Trend by end of 2018

*No data available