

Why UK lenders are looking to deploy capital in the Netherlands

Partner content  May 12, 2022

The Netherlands is poised to experience strong growth in the coming period, and that is making it extra attractive to UK lenders, says Charlie Armstrong, the director of real estate advisory group LEXI Finance.

The UK commercial real estate funding market is at a highly competitive point in the cycle. Traditional British-based lenders – who largely hoarded cash during the height of the pandemic – have returned to market with a tangible eagerness for new opportunities.

And they are not alone: Established lenders have been joined by an influx of international participants and are expanding funding lines, notably from the insurance and pension sectors, gaining exposure to real estate debt through asset managers, private equity houses and, sometimes, large real estate developers.

The maturity of the British market means that many sectors are dominated by incumbent big players, who don't take kindly to disruptive new entrants and so competition for certain assets is fierce. The net result is that there's more deployable cash seeking high-quality real estate debt opportunities than there are opportunities to support.

Pre-pandemic

Enter the Netherlands, which is leading the way as European economies emerge from the pandemic. With exports increasing, unemployment falling and entrepreneurial confidence at a 40-year high, the Netherlands was the first European economy to return to pre-pandemic levels. The economy is poised to experience strong, consistent growth over the coming months and years.





Despite initial fears, the office market is roaring back to life as workers return in droves. Take-up in each quarter of 2021 was higher than the last, and office vacancy rates are only slightly higher than the lowest levels ever recorded.

However, the pandemic has had an indelible impact. Employers now see the need for high-quality, modern workplaces which can attract workers back to the office. Demand for new office buildings, as well as for retrofits of outdated existing spaces, will soar.

Logistics, meanwhile, has thrived.

The Dutch primarily export high-quality goods, which saw minimal disruption during the pandemic. Exports of specialised machinery, for example, increased by 22 percent in H1 2021. Dutch exports have remained strong and have already surpassed pre-pandemic levels.

Demand

As a result, demand for large-scale warehouse space has soared in recent months. Similarly, the surge in online shopping and e-commerce has led to increased demand for small, nimble logistics assets located in urban centres. For the first time, logistics is poised to be the biggest sector in terms of investment volume as pandemic inspired e-commerce trends increasingly become habits.

The residential sector is also poised to experience massive growth due to strong demand fundamentals. The Netherlands faces a chronic undersupply of housing with an existing shortage of some 280,000 homes – a staggering 3.5 percent of the total Dutch housing stock – expected to increase in the near term. The government has set a target of developing 900,000 new homes by 2030, setting the stage for plenty of new development opportunities that will require access to capital.

International investors have begun to realise this potential. Last year, investment in the Netherlands was 18 percent higher than the long-term average, with 92 percent of that investment coming from abroad.

British-based lenders are well placed to take advantage.

Online Retail

British consumers were the quickest in Europe to adopt online shopping en masse and so lenders have become accustomed to supporting last mile logistics and warehousing assets. At the same time, they've been supporting a drive for





new housing and high spec office space for years.

As a result, British lenders understand the opportunities that are on offer, and have plenty of capital to deploy. They are keen to strike while the iron is hot and can offer unparalleled insights into the ways these trends may evolve over time.

Dutch developers and investors should feel optimistic. If they look to London, they'll find plenty of interested pots of capital and an established network of real estate capital advisories looking back at them.

LEXI Finance is a real estate capital advisory firm supporting real estate investors and developers to raise finance for a broad spectrum of projects across the UK and Europe.

Read more at DutchNews.nl [here](#).

