CITY INVESTOR GUIDE SERIES: ROTTERDAM
Rotterdam is a dynamic city. Positioned in the robust Randstad economic region at the gateway of Europe, it has strong infrastructure and a young, international demographic. Home to Europe’s largest port and a top three petrochemical cluster, Rotterdam is attracting continued investment in its real estate sector, which is benefiting from a rebound in rents, increasing demand, favorable currency conditions and a competitive cost environment. There are already 120 developments ongoing in the city, and as the municipality plans to sell half of its built assets for transformation in the coming years, the stage is set for a prosperous era of investment.

When compared to its neighbor Amsterdam, Rotterdam is demonstrating fast growth potential. The city is already renowned for its leading logistics sector and plays host to over 1,200 international businesses, and the supportive municipality is continuing to encourage transformation towards a knowledge and service economy. Supported by public-private sector collaborations, new innovations in high-tech industries such as clean-tech are creating multiple opportunities, not just for the city and its inhabitants, but for prospective investors and developers in its real estate market too.

However, complications and uncertainties remain. Despite the municipality’s broadly supportive approach, a complex planning system and tightly controlled development means that for many investors and developers the city can pose challenges. Furthermore, with many sectors suffering over-supply, fierce competition in prime locations, and the risk of rising construction costs in the near future, careful calculations are vital for success in this market.

With such an array of challenges and potential obstacles to navigate, Arcadis set out to compile a comprehensive guide to investing in Rotterdam. In this report, we provide an overview of the city’s investment landscape, insight for investors new and old, and identify the key opportunities and challenges to generating returns.
Whether you’re considering investing in Rotterdam for the first time or a seasoned expert looking to release greater value from your investments, think of Arcadis as your guide. We know how to deliver remarkable outcomes from investment in built assets.

Read on if you’re wondering...

How does the land market work?

What are the options for land use?

How does the planning process work?
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<td>HOW SHOULD WE SELECT A PROJECT TEAM?</td>
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<td>WHAT ARE THE MAIN RISKS ASSOCIATED WITH DEVELOPMENT IN ROTTERDAM?</td>
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POLITICS:

- Rotterdam is largely funded by national government, with local taxes only providing a small amount of municipal budgets.

- The municipality is formed of 14 city districts, each of which has its own area account manager who starts the planning process for new developments. However, it is the municipality that is responsible for assessments and planning reviews.

- Rotterdam strongly supports new developments in four focus areas: Erasmus MC; Erasmus University; Rotterdam Central District, which is around Central Station; and the Innovation District, Stadshavens. In other areas the development planning is less supportive.

- The municipality has a new development focus on innovation, specifically in four key sectors: medical, food, maritime and clean-tech.

- In March 2015, the public-private development initiative ‘VET’ was established with the aim of supporting and accelerating initiatives set-up by companies and entrepreneurs that contribute to the transition to the new economy. These include multiple target sectors: energy, chemical, bio-tech, water-tech, product innovation and innovation labs.
## Rotterdam in Rankings: Socio-Economic & Political Comparisons

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>INDICATOR</th>
<th>ROTTERDAM</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>Centre for World Universities Ranking</td>
<td>85/1000</td>
<td>Singapore 65/1000</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Frankfurt 179/1000</td>
</tr>
<tr>
<td>Europe</td>
<td>European Regional Growth Index (JLL)</td>
<td>32/100</td>
<td>Hamburg 39/100</td>
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<td></td>
<td></td>
<td></td>
<td>Frankfurt 19/100</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Sustainable Cities Index (Arcadis)</td>
<td>5/50</td>
<td>Frankfurt 1/50</td>
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<td></td>
<td></td>
<td></td>
<td>Singapore 10/50</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Global 300 (JLL), Commercial attraction</td>
<td>95/300</td>
<td>Frankfurt 28/300</td>
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<td></td>
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<td></td>
<td>Hamburg 56/300</td>
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<tr>
<td>Real Estate</td>
<td>Global 300 (JLL), Cross Border Real Estate Investment</td>
<td>94/300</td>
<td>Frankfurt 12/300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hamburg 24/300</td>
</tr>
<tr>
<td>Environment</td>
<td>EC barometer Quality of Life in European Cities 2015</td>
<td>16\textsuperscript{th}</td>
<td>Frankfurt 7th</td>
</tr>
<tr>
<td>Strategy</td>
<td>Foreign Direct Investment Index (fDi-index), Strategic large European Cities of the Future 2016/17</td>
<td>12/83</td>
<td>Amsterdam 17/83</td>
</tr>
<tr>
<td>Connectivity</td>
<td>Foreign Direct Investment Index (fDi-index), Connectivity large European Cities of the Future 2016/17</td>
<td>1\textsuperscript{st}</td>
<td>Frankfurt 3th</td>
</tr>
</tbody>
</table>
### ECONOMIC:

- Rotterdam is the second largest city in the Netherlands and part of the Randstad Area, which houses over 8 million people. This region is economically strong, densely populated and is ranked the 3rd European Metropolitan region after London and Paris in terms of total GDP.

- The municipality’s Spatial Development Strategy 2030 (Stadsvisie 2030), issued in 2007, outlines the strategy to invest in transitioning to a knowledge and services economy, while maintaining an appealing residential and social climate to attract a skilled workforce.

- Rotterdam and The Hague have started an economic transition project, ‘Roadmap Next Economy’, which describes the necessary investment projects to strengthen the city’s economy, employment and international competitiveness.

- Rotterdam is situated 30 minutes away from Schiphol Airport and houses Europe’s largest and most dynamic port, which manages 9% of EU freight volumes and is similar in size to Shanghai.

- Rotterdam is home to more than 1,200 international companies, including Unilever, Shell and Maersk.

### Stacking Up: A Comparison of Rotterdam, London, Dubai and Shanghai

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ROTTERDAM*</th>
<th>LONDON</th>
<th>DUBAI</th>
<th>SHANGHAI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP growth</strong></td>
<td>1.3% (2015)</td>
<td>3%</td>
<td>4.3% (2013-14)</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>1.4m (Jan 2015)</td>
<td>8.6m (Jan 2015)</td>
<td>2.1m (2013)</td>
<td>24.2m (end 2013)</td>
</tr>
<tr>
<td><strong>City size</strong></td>
<td>807 km²</td>
<td>1,572 km²</td>
<td>4,110 km²</td>
<td>3,920 km²</td>
</tr>
<tr>
<td><strong>Population density</strong></td>
<td>1735 /km²</td>
<td>5,471 /km²</td>
<td>510 /km²</td>
<td>6,173 /km²</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>12% (Q4 2015)</td>
<td>6.3% (Apr 2015)</td>
<td>4.2% (2012 UAE)</td>
<td>4.2% (end 2013)</td>
</tr>
<tr>
<td><strong>Employment growth</strong></td>
<td>-1.5% (2015)</td>
<td>3.8% (annual, Q4 2014)</td>
<td>6.5% (2014)</td>
<td>0.8% (2013-14)</td>
</tr>
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</table>

*Greater Rotterdam area; the conurbation surrounding the city of Rotterdam, Greater Rijnmond*
Rotterdam GDP grew faster (1.6%) than the Dutch average (1.0%) in 2014, and in terms of GDP per capita the city is 8.6% higher than the average in the Netherlands and 22.5% higher than that of Dubai.

Over the next couple of years, almost half of all real estate owned by the municipality of Rotterdam will be sold, which equates to over 1000 properties, including office, commercial and residential. For this, the municipality has created the transformation platform, which helps investors with the transformation of the properties.
SOCIAL:

- Rotterdam currently has 630,000 inhabitants and is forecasting 5% growth, with more than 660,000 people predicted to live in the city by 2030. However, density levels are half of that seen in Amsterdam or London.
- Home to approximately 170 nationalities and with over 30,000 expats, the city is truly international with a melting pot of cultures.
- Rotterdam is known to be a young and dynamic city, with the highest population share of under 20s in the Netherlands. It has a strong network of top universities, including Erasmus University with the Erasmus Medical Centre, the Technical University of Delft and the University of Leiden.
- Rotterdam is topping rankings for tourism and has been rated ‘Best in Travel 2016’ by Lonely Planet. Visitor numbers increased by 25% from 2012-2015 to just under 1 million hotel guests spending over 1.5 million overnight stays.
- Rotterdam is a culturally significant city, and was IFEA World Festival & Event City and European City of the Year in 2015.
- The citizens of Rotterdam are the happiest in Europe, according to the European Commission, and they also have a very positive score on quality of life, including culture, healthcare, education and safety.

TECHNOLOGY:

- Rotterdam is part of the ARRRA cluster (Antwerp-Rotterdam-Rhine-Ruhr-Area) as one of top 3 petrochemical clusters. There is an integrated network of pipelines between the different regions.
- Rotterdam port has an industrial complex with over 45 chemical companies, including Shell, Exxon, BP and Akzo Nobel. It houses five world-class chemical clusters, six refinery terminals, six biofuels plants, five vegetable oil refineries, four gas fired power plants and three coal and biomass fired plants. Research and development in this industry is supported and encouraged in the port area.
- Rotterdam has a strong position for innovation in the maritime and offshore sectors as a result of the seaport and a concentration of industries and specialist knowledge.
- The Rotterdam offshore sector is a global leader in development and manufacturing of innovative heavy lift and transport vessels serving the oil, gas and wind energy sectors.
- The broadband speed in Rotterdam is faster than in London, Brussels and Berlin and is in the top 25 fastest of cities in Europe.
- The three main universities in the region and their medical centres Erasmus MC and LUMC have formed a strategic alliance. They work together with the government and leading firms in triple helix (university – industry – government) partnerships (such as the Medical Delta) and in joint centres (such as Centre of Sustainability).
LEGAL:

- The Netherlands has a very healthy, mature and transparent legal system, which provides an attractive legal environment for companies to settle in Rotterdam.
- Rotterdam port companies are under the jurisdiction of the Port Authorities, not the Dutch Government.
- Within the Netherlands, all commercial activities require an environmental license on the basis of the Environmental Law (General Provisions) Act (WABO). This law brings a single licensing system with just one point of contact for applicants and a single application form.
- The innovation districts provide special incentives to innovation and research and development, as well as incentives to operate in that area.
- The Bibob law means that the government can review real estate transactions, including selling, renting-out and land allocation. This new law is a means to safeguard the integrity of the government and applies for real estate transactions with the public sector, not for all land transactions. However, when applying for a permit, a party can be investigated even if there is no transaction with the government.

ENVIRONMENT:

- During the 2015 United Nations Climate Change Conference, Rotterdam was awarded the C40 cities award, as a result of its work for climate adaption and how the city dealt with the consequences of climate change.
- Rotterdam was ranked 1st by the Rockefeller Foundation for most sustainable city, 5th in the Arcadis Sustainable Cities Index, and 12th on the European Commission barometer Quality of Life in European Cities 2015 (the highest ranking for a Dutch city).
- Rotterdam’s PM10 pollution level is low to moderate (25) and its PM2.5 level is 17 to 36 respectively. This is much lower than Shanghai’s PM10 level of 79, however it is higher than London, which has PM10 level 22, and PM2.5 level 16.
- New buildings need an energy-label, which tells the owner or user what the CO2 emissions are and the average use of energy. Most tenants specifically want a lower energy, sustainable building in the Rotterdam market.
- Rotterdam has a high flood risk, but is very well protected against flooding by the Great Maeslant Barrier, protective dikes and use of controlled flooding, including the Benthemplein water square which acts as a reservoir during heavy storms or floods.
Rotterdam’s property market is at the beginning of an upward cycle. A slow recovery in the Northern European economies is driving both rental growth and investment demand, which is further supported by a favorable currency rate environment and low construction costs.

Whilst there have been issues with oversupply in some sectors, vacancy rates are now falling. This is particularly prominent in the office sector, which saw uptake rise by 60% last year compared to 2014, and to an even greater extent in the city’s renowned logistics sectors, where uptake grew a staggering 347% in 2015 compared to the previous year. There are also strong pockets of demand in the residential sector – specifically in student housing – and in the retail market, where the number of international retailers in the city is on the rise.

**Office take-up increased by 60% in 2015, compared to 2014**  
**Student housing experiencing prime yields of 5-6%**  
**Take-up of logistic space grew by 347% in 2015, compared to 2014**

**WHAT YOU NEED TO KNOW**

**MARKET:**
- Amsterdam is at capacity and an increasing number of people are choosing to move to Rotterdam to live and work - there is net immigration to the city, with the addition of 1,500 net households in 2015.
- Growing international investments encourage a lively and vibrant city. In 2014, the total investment volume into Rotterdam exceeded $1.2 billion, much higher than the historical $280-395 million per annum between 2009 and 2013.
• Construction prices are competitive and the market conditions are stable, enabling construction clients to secure good value. Investors can also count on commitment from the local government and its partners when initiating projects.

• Rotterdam has a surplus of B Grade office space, which it is aiming to convert into well-located residential accommodation.

• The property development market is active and there are currently 120 projects at different stages of development, including 20 in construction and 15 on hold. A total of approximately 550,000 m² of development has been completed in the last 5 years.

RESIDENTIAL:

• There are over 300,000 homes in Rotterdam. Of these, the Housing Corporation for Social Housing owns 40% of dwellings and 5,000 new units are expected in the next year.

• Growth markets for private housing include both single-person and family housing in city-locations, as well as non-regulated rental housing, where there is a shortage of supply.

• House prices rose by 3-4% in 2014 and 2015, and residential rents increased by 5% in 2015. New build apartments attract a price premium of 60% in the best locations, however, compared to other cities in the Netherlands housing prices are relatively low in Rotterdam, which has stimulated demand for housing while suppressing land values.

• There are over 55,000 students in Rotterdam – 8% of the total student population in the Netherlands. As a result, there is rising demand for student housing but a shortage in supply. Landlords can expect prime yields of 5-6% on student accommodation.
OFFICES:

- The office vacancy rate in Rotterdam city centre is around 18%, which is above the Dutch average. This indicates an over-supply of office space. High vacancy rates mainly affect older commercial properties located outside of core office locations and demand for modern office accommodation is increasing.

- Rents in prime offices went up from a maximum of $250 to one of $260 pm² in 2015 and minimum rent remained at $76. Gross yield is currently 5 to 8% for the prime locations and 6.75 to 12% for the rest of the locations, which is an improvement of 5-10% from 2014.

- In 2014 average rents grew by 1.5% and in 2015 shrunk by 3.8% due to excess supply.

- The office take-up grew in 2015 to 165,500 m² – up by 60% compared to 2014. The ratio of take-up to supply was a healthier 17% in 2015 compared to 10% in previous years.

- The municipality wants to reduce vacancy rates, so any new development must have a pre-rent level of 70% occupancy or it will not get approval by the municipality to be built.

- In the next three years, four big renovation upgrades are planned at the Hofplein 19+20, Blaak 16, Forum Rotterdam and First Phase 2 with a total size of 57,000 m².

RETAIL AND HOSPITALITY:

- Retail visitors have decreased on a national scale, except for in Amsterdam (+7%), Rotterdam (+13%) and Maastricht (+22%), which are attracting international retailers. Supply of new space is mostly focused on fashion, where chains want fewer, bigger stores and as a result more focus is put on A1 locations, where rent is growing.

- In the next three years, three projects will start construction in the city centre with a total of 32,000 m² retail. During the same time period, 870 new hotel rooms will start construction in the city.

- The municipality has a policy to attract hotel chains that are not yet settled in Rotterdam. Currently the occupancy rate of the hotels is only at 65% and there is a risk of over-supply of rooms. However, tourist numbers (+13%) and the number of overnight stays (+16% between 2013-2014) are increasing.

INDUSTRIAL AND LOGISTICS:

- Rotterdam is ranked second in the European top 20 of logistics hotspots. There is a rising demand for logistics properties because of the strategic position of Rotterdam within Europe and ongoing demand from
investments in the port.

- Logistic transactions are becoming larger, but the number of transactions is in fact decreasing. In 2015, over 240,000 m² of logistics space was newly occupied, which was the highest of all municipalities in the Netherlands and a 347% increase on 2014 when 69,000 m² was taken up. In 2013, this was 141,000 m² for logistics real estate.

- The median rent on industrial property was $72 pm² in 2014 – representing a 5% fall compared to 2015. Prime yields of 5 to 6% can be expected.

- Compared to other industrial property-heavy municipalities, Rotterdam has a very low structural vacancy level - less than 1% for longer than five years. The supply of industrial properties is increasing – up 39% in 2014 because of the completion of the Maasvlakte 2 – and up 4% in the first half of 2015.
As a large European port city, Rotterdam has gained popularity with developers and investors over recent years. Opportunities for investment are widespread, however, diligent knowledge of the market and local procurement principles are vital in order to navigate it successfully.

Investors from across the world are already capitalising on opportunities in the city. In 2014, the majority of investments originated from Asia – totalling 18 projects – and in particular China. The Middle East and the USA are also big investors, totalling four projects each in the same period. Most investments involve purchases of existing assets within the city, although there are also examples of direct involvement in development projects.

**WHAT YOU NEED TO KNOW**

**INVESTORS/DEVELOPERS:**

- The development market for offices is dispersed across different parties, predominately Real Estate Investments Trusts (REITs), private equity players and joint venture partners.
- Domestic investors are generally more focused on smaller properties and developments and are responsible for 31% of the total investment volume.
- UK investors such as M7, Henley and Round Hill dominate investments in industrial and residential properties.
• Joint venture structures are common for large-scale developments and are also used as the basis for Public-Private Partnership developments.

CONTRACTORS:
• Large Dutch contractors operate throughout the Netherlands, such as BAM Groep, Volker Wessels Stevin, Heijmans, TBI Holdings, Ballast Nedam and Dura Vermeer. Most of the major firms are still recovering from the financial crises that started in 2008.
• Foreign contractors, including very large firms operating from Germany, France and Belgium, are also active in the Dutch market, targeting infrastructure projects more than commercial projects. EU construction firms are able to bid for larger public sector projects in the Netherlands.
• Due to the low profitability of projects secured during the downturn, the biggest contractors did not perform well over the past five years. As a result, the market remains very competitive and is primarily price driven. There is an increased popularity for outsourcing multi annual maintenance contracts to contractors.
• Most Dutch contractors work with a pool of subcontractors that in turn work for all the other large contractors. Because these subcontractors are not linked to one of the contractors specifically they are often more flexible and agile. They are dependent on the large contractors for their workload and do not generally work directly with construction clients.

CONSULTANTS:
• Both private and public clients typically employ an independent consultant team. Within ‘design and build’ and ‘design-build-maintain-operate’ contracts, the consultant team can work for the client during early stages and can be novated to the contractor, allowing responsibility for the original design to be transferred to the contractor. In traditional contracts the lead is taken by a project manager, in integrated contracts the contractor assembles the team.
• Architects typically have a leading role in the development of the design and in obtaining planning consent. Aligning the objectives of the architect and the contractor with those of the client is a key role for an independent project manager. Architects typically leave the final detailed design work to be completed by specialist subcontractors.
• Structural and building services engineers are appointed separately. Within integrated contracts, the engineers work closely together with the architect but are appointed and led directly by the client.
• Project managers are appointed by the client and typically manage the scope of the project, and monitor progress and production of deliverables against an agreed programme. High performing project managers will act as proactive problem solvers.
• Design and construction managers are responsible for the process control in the development and realization phases of the construction of buildings. The design manager
Joint venture structures are common for large-scale developments and are also used as the basis for Public-Private Partnership developments.

The most common contractual arrangement used for large-scale developments is design and build (D&B).

The market for contractors remains very competitive, enabling developers to secure good value construction.

monitors the cost and quality at the building level. The design management function can be fulfilled by the contractor but is also frequently taken by consultants.

- Contract managers within design and build contracts are responsible for identifying and signalling commercial, contractual and legal risks during the execution of a contract. The contract manager also monitors the contractual agreements and supports the project team in developing contractual awareness. The contract manager is usually a consultant appointment, in some cases this function is fulfilled by the contractor.

- Quantity surveyors usually have a pro-active role in the initiation phase of contracts. The surveyors provide insight in quantities and cost and can deliver a second opinion on contractors’ calculations.

PROCUREMENT CONSIDERATIONS:

- The most common contractual arrangement used for large-scale developments is design and build (D&B). Within these contracts the contractor is responsible for developing the design and realizing the building within time and budget. Within smaller developments, more traditional contracting based on design, bid and build is more common.

- Design and build projects require the appointment of an Employer’s Agent to undertake contractual duties on behalf of the client. This role is typically allocated to either a process manager or a project manager.

- In traditional projects, the teams are brought together on a project-by-project basis and a project manager usually leads these traditional teams. Within integrated contracts, a contracting team led by a design leader works to put in place effective standards and working methods to ensure consistent, coordinated working.

- There is an increased use of digital information models applied in building projects. Within integrated contracts, systems engineering is used to verify the client’s requirements during the design and construction of the project. Additionally BIM (Building Information Modelling) is used to develop the design in more detail and to monitor the work, including deviations.
FACT FILE: LAND ACQUISITION & PLANNING

Whilst the municipality is largely supportive towards real estate developments, investors and developers need to carefully consider how to fulfil certain criteria, as well as abide by a number of conditions and laws around land acquisitions and planning. These include redevelopments on port locations – which require remediation by law before construction – certain restrictions around the redevelopment of old buildings, those in specific city zones and the implications of any spatial planning laws.

However, for the right developments the municipality is likely to grant approval and provide support. Rotterdam has an objective to transform at least 120,000m² of vacant or B-location office space into residential, student housing or for innovative use before 2018. A ‘transformation platform’ has been created to achieve this goal.
WHAT YOU NEED TO KNOW

LAND CONSIDERATIONS:

• Most developments in Rotterdam take place on previously developed sites, which can involve problems associated with existing structures and contamination. If an old building can be reused and refurbished, then this is viewed more favorably by the municipality than a new build. Development plans that transform surplus office space into student or social housing also have a greater chance of approval by the municipality.

• Most land is freehold, however some municipality sites remain leasehold and can be bought from the municipality. For instance, in port-areas leasehold still applies.

• Developments within the city of Rotterdam are bound to general municipal conditions. In addition to the land use plan, the municipality has set general conditions for specific areas within the city. The municipality does, however, remain flexible when attracting new businesses and developments to the city.

• Former port locations require remediation by law before construction can start. The municipality has records of the sites and type of contamination in an area, however, before the works start additional research may be required. If grounds are contaminated, the contaminator is usually responsible for the remediation of the site. If the source of the contamination is unclear, than the province or municipality offers subsidies for remediation.

• For the development of large industrial, logistics or commercial sites the municipality takes care of the preparations, including infrastructure, for construction. The costs for the preparation of the construction works are included in the land price and these are not charged to private parties, as the government pays for these developments in order to attract new parties to a development site.

ACQUISITION CONSIDERATIONS:

• The transformation of surplus office space is a priority for the municipality due to the high vacancy rate. The municipality will review permission for a change of use and 90% of all conversion projects are private redevelopments.

• Almost half of the municipal real estate will be sold and put on the market by tender. The sales and development process will allow the municipality to retain some control over the development of these sites, and parties will be selected on quality and price.

• The planning for public land is recorded in the land use plans of the municipality. Within these plans the type of development, size of development and the height of the development is noted, however, there are possibilities to request for a change of the land use plans.
PLANNING CONSIDERATIONS:

- The planning system is highly complex and developers in Rotterdam need to take account of zoning, the Rotterdam inner city plan and the Municipality and Local Development Plans in the development of proposals. Constraints such as conservation areas, protected sightlines, monuments and so on, must also be taken into account.

- A revised spatial planning law was enforced on July 1st 2008 and provides the opportunity to submit a project land use plan. This plan needs to be submitted by the party that has the ambition to develop a project.

- In addition to the spatial planning law there are several other planning procedures for the spatial integration of elements – with roads, for example, the planning law traffic and transport and the Transport Infrastructure Act. Within the spatial planning three layers are identified: the occupation layer, the network layer and the subsurface. Each layer has its own properties and speed of development.

- Successful planning outcomes typically require consultation with a broad range of stakeholders, including planning departments and special interest groups dealing with conservation, business and community interests. Overseas parties often need assistance navigating this process.

- Special interest groups, elections and other involvements can influence the planning process. This means that a planning process can be delayed if a proposal has a large impact on an area or is developed in a historical or city centre location.

- Each district in Rotterdam has a municipal area account manager. The area account manager has a complete view of the developments within an locale. Private developers initially negotiate their construction plans with the area account manager, before they take a summary of the planning application to the city’s planning intake team. The initiative is thereby reported and permission is granted to enter the planning application into the city’s planning procedure.

- The municipality uses a checklist during the planning phases for new developments and through this acts as a quality supervisor. This checklist is part of the planning process and ensures only high quality real estate is added to the city – aspects that are taken into account are sustainability, transformation, social return and innovation.

- Though World War 2 bombing destroyed much of Rotterdam’s heritage buildings, some remain and are protected due to their historical value, and may have restrictions to redevelopment. For example, the façade of an old marine building must be retained, but the inside can be redeveloped.
What Is The Intake Team?
The Intake Team consists of representatives from the environmental department, permits, urban development and planning and the development office of Rotterdam, department economy, policy and land allocation. They check the planned development against current municipality policy. They also judge the risks that could occur with further development of the plan. The team advises the area account manager regarding all aspects of the development, which is designed to prevent troubles and delay in future stages.

What Is An Anterior Contract?
The anterior contract applies to public-private partnerships and is one of the ways for the municipality to recover costs of the development from the landowners or developer. The anterior contract outlines the financial conditions, location requirements, phasing, environmental requirements and construction categories of the development and is a condition for the municipality to participate on a private construction initiative.
WHAT YOU NEED TO KNOW

• The Netherlands lost a lot of construction capacity in the crisis. Since the market is recovering and many projects are planned, contractors are asking for higher prices and inflation is currently at 4% per annum. As the construction industry is forecast to grow, construction costs are likely to continue to rise faster than general inflation.

• The output of the construction industry is recovering since its lowest point in 2014, with 12% growth in 2015. However, it is not back to its 2008 peak and is unlikely to do so in the foreseeable future.

• Costs of materials for construction are increasing (by 1.5% in 2015) and are forecast to increase by 0.6% in 2016 and 1.6% in 2017. Labor costs are also slowly increasing by about 2.1% in 2015 as a direct result of the increasing demand for work.

• Construction prices have been growing since 2014 – by 2.7% by the end of 2015 and forecast for 4.4% in 2016 and 6.3% in 2017. This will likely result in costs returning to pre-crisis levels in the next three years. A cyclical boom is expected in the years 2018/2019.

COST OF CONSTRUCTION

Construction costs in Rotterdam are relatively low compared to a number of other cities – notably, 50% lower than in London. The competitive currency rate of the Euro is also very favorable for foreign investors in reducing costs of construction, particularly for dollar denominated investors.

However, figures show that costs have been rising since 2014, and over the next three years they are likely to return to pre-crisis levels – with a cyclical boom expected in the years 2018/2019. Investors and developers need to consider the affect of these increases on the profitability of potential projects.

FACT FILE:

Construction costs are 50% lower in Rotterdam than in London
The competitive currency rate of the Euro is very favorable for foreign investors
Constructions costs are likely to return to pre-crisis levels in the next three years
<table>
<thead>
<tr>
<th></th>
<th>ROTTERDAM</th>
<th>LONDON**</th>
<th>DUBAI</th>
<th>SHANGHAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>**/m²</td>
<td>**/m²</td>
<td>**/m²</td>
<td>**/m²</td>
<td>**/m²</td>
</tr>
<tr>
<td>High rise offices</td>
<td>1,527 - 2,134</td>
<td>4,300 - 5,500</td>
<td>2,000 - 3,800</td>
<td>1,230 - 1,530</td>
</tr>
<tr>
<td>Medium rise offices</td>
<td>1,308 - 1,915</td>
<td>4,000 - 4,950</td>
<td>1,240 - 1,700</td>
<td>920 - 1,230</td>
</tr>
<tr>
<td>Retail</td>
<td>988 – 1531</td>
<td>2,700 – 4,000</td>
<td>780 – 1,800</td>
<td>n/a</td>
</tr>
<tr>
<td>Multi-storey car park</td>
<td>755 – 1,388 Underground 518 – 721 Above ground</td>
<td>900 – 1,350</td>
<td>325 - 520</td>
<td>380 - 535</td>
</tr>
<tr>
<td>Apartments – standard grade</td>
<td>1060 – 1,443</td>
<td>2,900 – 3,600</td>
<td>1,150 – 1,700</td>
<td>710 - 790</td>
</tr>
<tr>
<td>Apartments – luxury grade</td>
<td>1,197 – 1,626</td>
<td>4,600 – 6,450</td>
<td>2,010 – 3,500</td>
<td>1,740 – 1,900</td>
</tr>
<tr>
<td>5 star hotel</td>
<td>2,136 – 2,696 and up</td>
<td>5,350 – 7,450</td>
<td>2,330 – 4,300</td>
<td>2,300 – 2,760</td>
</tr>
<tr>
<td>Logistics</td>
<td>800 - 1,120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student residences</td>
<td>1,088 – 1,430</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Costs are for construction to developer’s finish only and exclude the end-users’ fit-out. Demolition, site preparation and external works costs are also excluded. Allowances for professional fees and sales taxes.

The Rotterdam costs associated with investment spreads; ground costs, fitments costs, additional costs (connection charges, fees, taxes, design, structural engineer, assurances), unforeseen expenses, financing, interest, risks, are not included.

**The London figures have been adjusted from a previously published version of this Guide to account for inflation and currency depreciation at the time of publish.

The Rotterdam costs were calculated using the Euro-Dollar exchange rate on 2016-02-18: 1:1.113.
When it comes to regulation, investors need to be aware of the contractual agreements, contract models and both national and local regulations that will impact their operations in Rotterdam. Within Dutch building law, various contract models are available, which affect the extent of influence the client can exercise and the liability that is linked to the influence.

The model below shows the process that the municipality follows when dealing with land available for allocation for development, which triggers obligations for the provision of certain infrastructure by the municipality. This process only applies for municipal land allocation. For new developments the costs for the mains services are at the expense of the developer.
WHAT YOU NEED TO KNOW

CONTRACTUAL ARRANGEMENTS:

• The Dutch court system consists of different areas of law and a variety of bodies. Within the Netherlands the judges are independent, the Netherlands is divided into 11 district courts, four courts of appeal and one Supreme Court. The majority of the cases start at district courts and each district court has its own jurisdiction.

• Payment periods for contracts between companies and for contracts between companies and governments are governed by Dutch law. For business-to-business transactions, the invoice must be paid within 30 days of the invoice being received, if no date is stipulated otherwise in the contract. Clients may set a longer payment period of up to 60 days by specifying the requirement in the contract. A payment period of over 60 days is only permitted if it can be demonstrated that this is not detrimental to either party.

• The UAV Uniform Administrative Conditions for the Execution of Works and Technical Installations is a commonly used building contract. Within the UAV the contract relationships between client and contractor are defined. The UAV is divided into different subcontracts for different specific contractual models.

• The Ministry of Social Affairs and Employment (SZW) is permitting companies greater flexibility – allowing them to customise the promotion of good working conditions on their projects. All rules are derived from the Working Conditions Act (Arbowet), the Working Conditions Decree (Arbobesluit) or the Working Conditions Regulations (Arboregeling). The Inspectorate of the SZW is responsible for enforcing the legislation.
CONTRACT MODELS:
Within Dutch building law various contract models are available. The differences between these models lie in the extent of influence the client can exercise and the liability that is linked to the influence. There are four main models that are being applied in the Dutch building sector: the traditional model; the building team model; the integrated model; and the alliance model. Of these, the traditional model and integrated model are the most commonly used:

1. **The traditional model**
   Within the traditional model the client assigns an architect and a consulting engineer. These parties design the project, when the design is complete a contractor is selected that will carry out the design.

2. **The integrated model**
   Within an integrated contract the design and the execution are controlled by one party. The most common integrated contracts are D&B and Design, Build, Finance, Maintain and Operate (DBFMO).

All contract models have their own conditions with specific roles and liabilities for all involved parties. Contracts can be tailor made, and clients have the possibility to add specific parts or conditions to their contracts if desired.
REGULATORY ISSUES:
Regulatory issues associated with construction can be divided into national regulations and regulations that apply specifically to Rotterdam.

NATIONAL REGULATIONS

• All commercial activities require an environmental license on the basis of the Environmental Law (General Provisions) Act (WABO). With this new law it is no longer possible to apply for a separate building permit or environmental permit. This law brings a single licensing system with just one point of contact for applicants and a single application form.

• The Bibob law was adopted in Rotterdam on September 8 in 2015 to give the government greater oversight of real estate transactions.

• Statutory rights and duties between neighbors are an important part of civil law. These rights and duties are not only relevant for landowners but also for renting parties and lessees. Any infringement of these rules is settled in the civil code. The codes are only relevant if there are no agreements between real estate owners about their properties.

• All technical rules for buildings are recorded in the Buildings Decree 2012. If a party wants to refurbish, build, demolish or occupy a building, one must comply with the Buildings Decree 2012. In this decree, the technical regulations that represent the minimum requirements for all structures in the Netherlands are recorded. The requirements relate to safety, health, usability, energy efficiency and the environment.

• For new buildings – including non-residential buildings – an Energy Performance Coefficient (EPC) is used to measure the energy performance of a building. The current EPC-requirement of buildings was tightened and resulted in a 20% to 50% reduction in carbon emissions related to a buildings’ operation from 2015 onwards. The exact EPC target depends on the exact function and location of the building.

UNDERSTANDING BIBOB LAW

The Bibob law means that the government can review real estate transactions, including selling, renting-out and land allocation. This new law is a means to safeguard the integrity of the government. In practice this means that the municipality can execute a thorough investigation about the background of a person or a party if one applies for a permit. This policy applies for real estate transactions with the public sector, not for all land transactions. However, when applying for a permit a party can be investigated even if there is no transaction with the government. Currently the Bibob is mostly applied for licenses. A license can be rejected or revoked in case a serious danger exists that wealth acquired from illegal acts is used or that illegal acts are committed. The research consists of a questionnaire by the municipality and, if required, advice from the national Bibob bureau.
LOCAL REGULATIONS:

- The building aesthetics commission is an independent municipal body that gives advice about the aesthetics or positioning of a structure. The assessment of the commission forms a part of the WABO.

- For specific cases the municipality has the possibility to apply special building codes, which can be relevant for parking, soil or sound. These special building codes are specific for the non-technical requirements of construction works. These rules can, for instance, be applied when parking pressure is high in a specific area, requiring the developer to realize parking space on their site. The regulations are also relevant when soil is contaminated or when deconstruction works take place in order to minimize noise hindrance.

- For specific areas within the city, archeological finds can be a relevant factor. If historic traces are found, a specialist municipal team is assigned to retrieve the traces and to save historical materials. This may result in delays to the progress of a development.
<table>
<thead>
<tr>
<th>Markets</th>
<th>High rate of office vacancy results in transformation to residential and student housing. Logistics and industrial developments are growing because of the port expansion.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcadis Capabilities</td>
<td>Our presence in and knowledge of the local market helps investors and developers to add value by upgrading, redeveloping and building assets.</td>
</tr>
<tr>
<td>Construction</td>
<td>The construction market is growing by almost 6% per annum with the most focus on Rotterdam Central District and the Innovation District. Capacities of contractors and labour are in order and constructions happen as planned.</td>
</tr>
<tr>
<td>Arcadis Capabilities</td>
<td>Our local knowledge enables us to connect developers with the best designers and contractors. Our influence helps us to position our clients’ projects as opportunities for the supply chain and come up with innovative construction solutions for the contractor.</td>
</tr>
<tr>
<td>Cost and inflation</td>
<td>Construction prices in Rotterdam increased by 4.4% in the past year. Inflation is easing but will still reach 4-5% from 2015 onwards. General inflation is 0.6% in 2016 but is expected to rise to 1.6% in 2017.</td>
</tr>
<tr>
<td>Arcadis Capabilities</td>
<td>Our in-depth knowledge of cost and market dynamics in key locations enables us to advise effectively on budget allowances and cost efficient design and specification decisions necessary to deliver a successful investment.</td>
</tr>
<tr>
<td>Contracts</td>
<td>Well-established contract sets are widely adopted across the industry. Design and build and the traditional contract are the preferred procurement route used to assure delivery quality. But use of integrated contracts is increasing.</td>
</tr>
<tr>
<td>Arcadis Capabilities</td>
<td>We are able to advise our clients on the most suitable contract for their development as well as advise on contract amendments proposed by clients and their legal advisors.</td>
</tr>
<tr>
<td>Building</td>
<td>Within the city there are stricter regulations by the municipality for construction. Transformation, sustainability and innovation are recommended and highly supported by the municipality.</td>
</tr>
<tr>
<td>Arcadis Capabilities</td>
<td>Arcadis’ skills in design and consultancy enable clients to navigate local requirements and focus the development on what is adding value.</td>
</tr>
<tr>
<td>Planning</td>
<td>Planning starts with the area account manager of each district. The proposal fits the zoning plan, or the zoning plan can be changed. Successful planning outcomes typically require consultation with a broad range of stakeholders including planning departments and special interest groups dealing with conservation, business and community interests.</td>
</tr>
<tr>
<td>Arcadis Capabilities</td>
<td>Planning requirements are a significant variable for international investors as standards vary so much. Local expertise from Arcadis will help clients to ensure that permitted development is viable.</td>
</tr>
</tbody>
</table>
Apart from the opportunities to investors, there are also some risks to investing in this city. Although yields are high the market is still in development. Differences between the prime locations and less popular locations are increasing. For the prime locations, the competition is intense for land as well as for assets. Furthermore, the risk of losing control of the planning processes, because of the many stakeholders, is present in Rotterdam, especially in high-rise developments.
Our experts specialize in navigating investment challenges to maximise opportunities. Here are some of the questions our team is frequently asked – and their advice.

**CAN I MITIGATE THESE RISKS?**

There is a possibility to mitigate these risks. This requires a professional design team and the guidance of experienced consultants. This team can align the plans for development with the municipal plans and can help to inform special interest groups. Furthermore, it is essential that the building process runs smoothly. This can be achieved by commissioning an efficient, economical and optimum design that meets the needs of the target market. To get the best possible outcome for your project a local based consultant with the right skills, experience and contacts is a key factor.
 Opportununities

In Rotterdam there are significant opportunities across the real estate markets. The upgrading and transformation of existing office buildings is supported by the government – offering plenty of options for transformation. Retail visitors in Rotterdam are on the rise and Rotterdam is attracting international fashion retailers, driving demand for prime retail space in the city.

The demand for logistics properties is also growing. The recovery of the economy and the strategic position within Europe makes Rotterdam the logistics centre of Europe. Additionally, both affordable housing and student housing investment is in strong demand and encouraged by the municipality.

Overall, the popularity of Rotterdam is increasing rapidly. This means that developments are on the rise and rents are increasing. The market in Rotterdam is much more accessible than the Amsterdam market, making it easier to invest.

What kind of properties would be interesting for me to invest in?
Investments in the Netherlands generally, and Rotterdam specifically, are significantly incentivised. Within the Netherlands a wide tax treaty network is offered, furthermore there are special measures for highly skilled expats and there is certainty in advance of future tax positions. These are just a few of the features that help multinational companies to thrive in Rotterdam.

ARE FOREIGN INVESTMENTS AND ENTREPRENEURSHIP BEING STIMULATED?

Although yields are high the market is still in development

The market in Rotterdam is much more accessible than the Amsterdam market

Investments in Rotterdam are significantly incentivised by the government
Rotterdam is full of potential. Savvy investors can build on its strong foundations, appetite for innovation and forward-thinking vision for the economy to generate excellent returns.

However, these opportunities do not come without challenges. Despite yields being high, the market is still developing and choosing the right location for development is paramount. In prime locations,

CONCLUSIONS:

REALIZING ROTTERDAM’S REAL ESTATE POTENTIAL

Rotterdam’s real estate industry is an attractive destination for investors and developers. Significant investment making its way into the city, conditions are favorable and the future looks buoyant. The city has formulated a clear strategy, is incentivising high-quality responsible development and is simplifying and strengthening regulatory conditions.
competition is tough and losing control is a risk for investors – as multiple stakeholders champion their own interests. Prospective developers also need to be aware of the threat of over supply in some areas of the market, as well as the rising construction costs that are anticipated in the next few years.

To combat these risks it is essential to commission an efficient and economical design that meets the requirements of the market and accommodates the challenges of the site. Appointing a Rotterdam-based consultant with the necessary skills, experience and contacts to navigate the complex investment landscape is a sensible option for generating the best possible outcome.

YOUR EXPERT GUIDE IN ROTTERDAM & WORLDWIDE:

ABOUT ARCADIS

Arcadis is the leading global design and consultancy firm for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services, we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets. Please visit: www.arcadis.com

KEY FIGURES ARCADIS:

- 27,000 people globally
- €3 billion in revenues globally
- 2,300 people in the Netherlands
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