

Financial services firms go Dutch in wake of Brexit

- **The trade and cooperation agreement between the EU and UK covers services, but the provisions are limited in scope. They do not provide EU-wide access for the UK's financial services sector.**
- **Brexit-induced relocations could offer a potential boost to office space demand as the Netherlands competes to draw financial services firms.**
- **The Randstad region remains a particularly attractive office location, where Amsterdam, Rotterdam and Utrecht continue to attract demand from larger tenants. Demand for core offices is still high, with yields ranging between 3.50% and 3.75% in Amsterdam.**

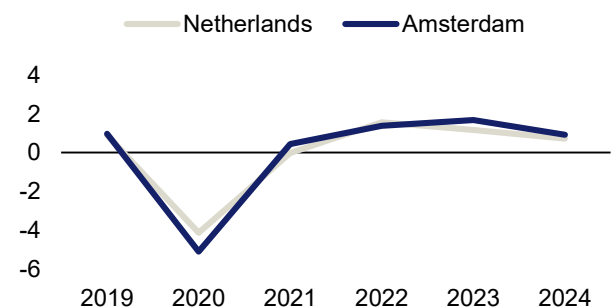
Amsterdam vies for financial services

- The trade and cooperation agreement between the UK and EU came into force on 1 January 2021. Services are covered by the agreement, but the provisions are limited in scope and do not provide EU-wide access for the UK's financial services sector.
- In fact, financial services were not part of the negotiations, meaning the UK has lost so-called 'passporting' rights, which allowed UK financial services firms to sell their services in the EU. The EU accounts for one-third the UK's financial services sector exports, the Economist reports.
- Instead, the UK is seeking an agreement on 'equivalence' – i.e., the EU recognising UK standards and regulations as equivalent to those of the EU, although the benefits of this would still be less than the UK being an EU member.
- As a result, financial services firms are looking to move all or part of their operations to the Continent for continued access to the single market. The latest announcement comes from US-based Intercontinental Exchange, which is set to move EU carbon trading from London to Amsterdam, the Financial Times reported in early February. This follows the announcement of Commonwealth Bank of Australia in December 2020 to move its European headquarters to Amsterdam from London, Reuters reports.
- The Netherlands emerged early on as one of the winners of Brexit-related relocations: fdi Intelligence finds that between 2016 and 2019, some 40 financial services firms relocated from London to Amsterdam.
- Amsterdam, which is home to the Euronext headquarters, has turned into the EU's new exchanges hub and surpassed London as Europe's largest trade-sharing centre in January 2021, the Financial Times reports. Amsterdam ranks 22nd in the Global Financial Centres Index 2020, up 5 ranks from the previous year and 11 from 2016.

Dutch office sector shows resilience

- While a period of solid economic growth has come to a temporary halt due to COVID-19, economic activity in the Netherlands is expected to return to pre-pandemic levels sooner than in other European markets. The lasting impact of remote working on office space demand is yet unclear.
- But home working was already part of Dutch working culture pre-COVID-19, so the impact is likely to be more limited. The need for physical collaboration, mentoring and innovation are considered by many to support long-term trends for keeping offices alive.
- Office employment is expected to grow by 0.8% p.a. and 1.0% p.a. over the next five years in Amsterdam and the Netherlands, respectively, which remains key for occupation rates going forward (figure 1).

Figure 1: Office employment growth (excl Information & Communication Technology) (%)



Source: Oxford Economics

- The demand for core offices is still high due to the low interest rate environment, and net initial yields have stabilized, ranging between 3.5% and 3.75% in Amsterdam.
- **With respect to the office sector, we have a positive bias towards the Dutch office market, which is a beneficiary of Brexit-induced moves. The supply-demand ratio is relatively healthy at 6.2%, according to Savills Research, and office areas are more mixed, thus offering greater covenant and sector diversification.**

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2020 General Research Disclaimer: COVID-19

12 April 2020

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