

Episode 9: From bricks to investment: property development in historical and legal perspective

Hidde Bruinsma: Welcome to *Amsterdamse Handelsgeest* (*Amsterdam's Trading Culture*), a podcast by Lexence in honour of Amsterdam's 750th anniversary. My name is Hidde Bruinsma. In this episode, we talk about real estate development in Amsterdam, both historically and legally. What drives up prices? How does a project work from land to building? And how big a role do rules and returns play? At the table are Jip Spierings, real estate lawyer at Lexence, and Matthijs Korevaar, university lecturer and housing market researcher.

Jip, let's start with a tantalising proposition: we make building in the Netherlands far too complicated. Anyone can object, causing projects to stall. What do you see?

Jip Spierings: I recognise this very well. We supervise a large housing project just outside Amsterdam where the same foundation keeps objecting to every permit. This causes a lot of delays. There are hundreds of people waiting to build, but the objection procedures sometimes drag on for years.

Hidde Bruinsma: Matthijs, then a proposition for you: the Dutch housing market is in a bubble that could burst at any moment.

Matthijs Korevaar: I see it differently. In the Netherlands, we have a strong economy, high purchasing power and ample borrowing opportunities. As a result, people can pay relatively much for a house. In the rental market, capital is drying up a bit, it's true, but I don't expect a real crash like in the past. Prices are high, but not inexplicably so.

Hidde Bruinsma: Let's go back in time. In 1713, a housing bubble did burst. What happened then?

Matthijs Korevaar: In the 17th century, many people earned well from trade and invested their money mainly in state bonds. During the War of the Spanish Succession, the state issued many loans, but after 1713 that stopped. The capital had to go somewhere and went massively towards real estate. That drove up house prices quickly, without rents rising most of the time. Classic bubble formation.

Hidde Bruinsma: Do you see any parallels with that now, Jip?

Jip Spierings: Sure. I was looking at the Herengracht index the other day, which tracks house prices from the 17th century onwards. When I bought a flat in De Pijp in 2009 for €4,500 per square metre, I really thought: it doesn't get much crazier than this. Meanwhile, that amount has more than doubled. The increase is huge.

Hidde Bruinsma: What do you think explains that, Matthijs?

Matthijs Korevaar: The development of the city and interest rates are the big explanations. In the 1980s, Amsterdam was in bad shape, interest rates were high, real estate was empty or

being squatted. Since then, the city has become more attractive, interest rates fell, and people could borrow more easily. That boosted the price. Even when interest rates rose a few years ago, prices barely fell. And as soon as interest rates fall again, demand immediately shoots up.

Hidde Bruinsma: So real estate is mainly looked at from a yield perspective?

Matthijs Korevaar: Yes indeed. Buyers and investors look at the gross initial yield: how many times the annual rent you pay for the property. That determines the value. And that applies not only to residential properties, but also to offices, shops or logistics property.

Hidde Bruinsma: Jip, what makes real estate legally interesting?

Jip Spierings: It is tangible and layered. You have to deal with property, leasehold, special charges, permits, rules from the environment plan. Every project is a puzzle. Moreover, you literally see your work reflected in the city. For instance, if you collaborate on a development in the Zuidas, you will proudly cycle past it years later.

Hidde Bruinsma: Can you describe such a project?

Jip Spierings: A great example is the Terrace Tower, Suitsupply's head office on the Zuidas. We were involved from the start: first in the acquisition of the ground lease right, then in the zoning change - the plan was higher than permitted - and then in the design and permit process. In the end, Bjarke Ingels designed a spectacular building. Once that design was on the table, the municipality also went along with the extra height. Then came the contracts with the contractor. That whole process, from legal framework to building site, is what I love about the profession.

Hidde Bruinsma: How did the government deal with building in the past? Were there many rules?

Matthijs Korevaar: Much less than today. In the 17th century, Amsterdam was well-planned, but real housing quality standards did not come until around 1900. When the city became overcrowded and unhealthy, requirements for housing came in. Before that, it was more about aesthetics and structure - how wide facades could be or how much wood you could use - but not about health or rents.

Hidde Bruinsma: And what about funding back then?

Matthijs Korevaar: Interestingly, the city itself issued mortgages. Perpetual, where you only paid interest. That worked as long as house prices rose. But after the Golden Age, many prices went down and mortgages remained unpaid. The city could no longer collect them and organised foreclosure auctions. Now it works differently: banks provide mortgages and do so on a much larger scale.

Hidde Bruinsma: Are foreign investors still active in the Dutch market?

Matthijs Korevaar: Sure. For example, you see French and German investors active in logistics property, offices and also in residential construction. At the same time, it is cyclical. The extremely low interest rates of the past decade attracted investors, but since interest rates have risen a bit again, they are more cautious.

Hidde Bruinsma: Jip, what do you notice about the current market?

Jip Spierings: Projects are harder to round out. Construction costs are high, interest rates have risen and there are many regulations on top, such as the 40-40-20 norm in Amsterdam. Sometimes plans sit on the shelf for years. During corona, things were still busy - transactions fell off, but others jumped into the gap. After that, sentiment became more erratic. Letter of intents were withdrawn more often and discounts were requested more often, purely out of uncertainty.

Hidde Bruinsma: Matthijs, you also researched property auctions. Did those used to play a bigger role?

Matthijs Korevaar: Absolutely. In the 18th century, an estimated 40% of real estate in Amsterdam was sold through auctions. Not just in forced sales, but as a standard method. It was transparent and attracted buyers. Now that information lies with brokers. In countries like Norway and Australia, auctions are still widely used. That makes prices more transparent. Maybe we should consider that again.

Hidde Bruinsma: Finally, what does the future of the real estate market look like?

Jip Spierings: There are many plans - on the Zuidas, in Southeast, Sloterdijk. The question is whether we will implement them. That depends on the balance between building costs, regulations and market forces. But I hope that in ten years' time we will be able to say: look what has all been realised.

Matthijs Korevaar: I am optimistic about owner-occupied houses. These yield a lot and remain attractive. But I worry about the rental market. Investors are dropping out, housing associations are building at a loss. If nobody wants to or can build, where will rental housing come from?

Hidde Bruinsma: That's a sharp closing point. Jip, Matthijs, thanks for your insights. And to the listeners: looking forward to the next episode of *Amsterdamse Handelsgeest*.