

Dutch Social Housing Sustains Recovery

Increased interest in residential

Almere – April 14, 2016 – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indexes, portfolio risk and performance analytics and ESG research, has recorded 7.1% total return in 2015 for Netherlands social housing property and two consecutive years of recovery as per the [IPD Netherlands Annual Social Housing Index](#).

These two years of strong returns come after six years of negative and low returns between 2008 and 2013.

This year's robust total return is partially a result of strong capital growth which grew to 3.2%, itself a result of increased rental income and rising vacant values. In addition, the market enjoyed strong investor appetite to acquire residential buildings in The Netherlands.

In 2015 the level of investment in The Netherlands' social housing property was the lowest in 12 years, registering an investment turnover of 2.7% of total capital value. The sales receipts remained relatively stable while expenditures on developments, improvements and purchases dropped. This resulted in a net investment volume of 0.5% of the total capital value compared to 2.5% in 2009. In addition to the decrease in the level of investment, the nature of investment has also changed over the years: from development of new properties to redevelopment and improvement of older properties. So, whereas in 2013, 40% of projects consisted of constructing new residential building, in 2015 that dropped to 25%; and 41% of all activity in 2015 occurred in residential properties built before 1975.

In 2015, income return stood at 3.8%. Residential properties income return increased to 3.6% from 3.5%, which is a result of 2.8% rise in residential rents. Despite the increasing rents, the social dividend stayed consistent over the past few years at approximately 1.6% to 1.7%. This measure represents the amount of income return not realized due to rental discounts and social costs.

Residential costs have risen by 1.2% in 2015 on a nominal basis, which translates to 0.6% with inflation taken into account. Property management costs have dropped for residential properties by 2.3%. Maintenance costs and fixed costs have increased. The landlord tax plays an important role in the rise of the fixed costs: Before the introduction of this tax, 13% of the total operating costs consisted of fixed costs; nowadays, 27% of all the costs can be classified as fixed.

Lorenzo Dorigo, Executive Director, MSCI, said: "The recovery in the Dutch residential market boosted returns for the second year for social housing associations."

Dorigo added: "Social housing associations increased investments in older property. The trend to redevelopment of older properties is potentially linked to energy-efficiency goals the sector has committed to.

"Last year, newer properties perform better, however, it will be interesting to see how investment to improve older inventory will affect their returns."

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