

The rise and resilience of Eindhoven

Eindhoven is one of the most promising cities in the Netherlands. Located centrally between the Randstad conurbation, Germany's Ruhr district and Brussels, Eindhoven is the fifth largest city of the country with approximately 230,000 inhabitants. It is home to several renowned and innovative companies (Philips, ASML) and the Technical University which attract highly skilled personnel from abroad and has the second largest airport of the Netherlands. On a regional level, Eindhoven is part of Brainport, an ecosystem of knowledge institutes, research organisations, firms and industry partners mainly focused on the high-tech industry. Looking forward and despite COVID-19, the city's reputation, character, location and accessibility will ensure that it continues to see above-average demographic and economic growth. This provides a sound basis for a range of real estate opportunities.

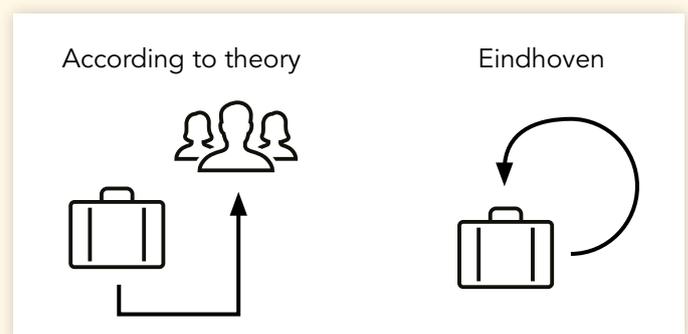
Back to the beginning: Philips's impact on Eindhoven

The company Philips has played, and continues to play, a major role in the development of Eindhoven and its surroundings. Founded in 1891 as a light bulb manufacturer, the company expanded rapidly after World War II by producing radios and other consumer electronics. At its peak in the 1970s, 40,000 inhabitants of the greater Eindhoven area worked at Philips, more than 20% of the total population. Philips even provided housing for the city's inhabitants by building approximately 35,000 residential units in the 1960s. During the company's expansion, several spin-offs emerged and became major international players on their own, such as Philips' former chip department NXP

and chip machine producer ASML. By gradually leaving its Natlab campus in 2003 and subsequently rebranding it as the High Tech Campus Eindhoven, enabling external companies to establish themselves there, Philips again helped to reinforce Eindhoven's profile as one of Europe's major centres of innovation and more or less instigated the start of Eindhoven Brainport.

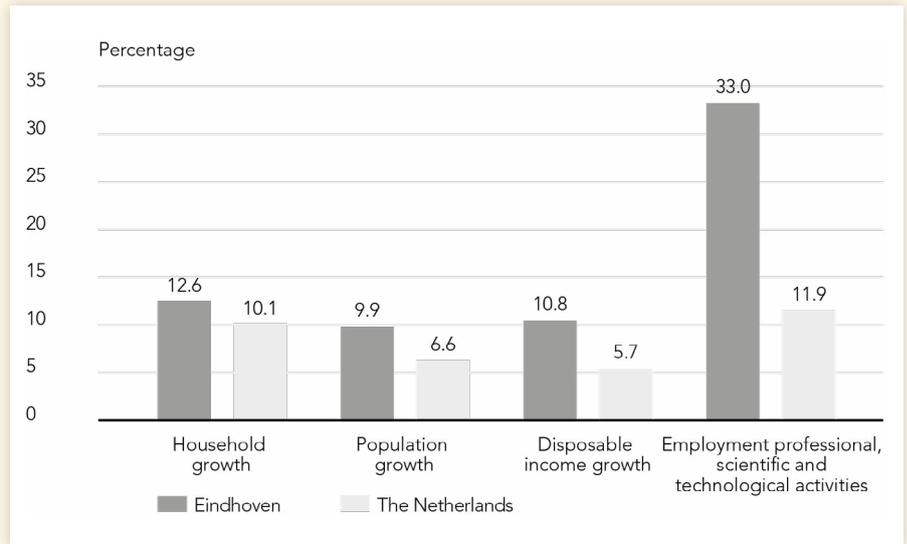
Work followed work

Some spatial economists argue that work follows people. But the history of Eindhoven actually shows that work can generate more work as well. In the first half of the 20th century, Eindhoven's population grew due to the increasing number of job opportunities. Nowadays, highly skilled expats are drawn to the region to work for some of the world's leading tech companies and related businesses.



Eindhoven will continue to attract people and businesses

Based on pre-COVID-19 data, Eindhoven has a better-than-average demographic and economic outlook within the Netherlands. Eindhoven boasts higher growth in household, population and disposable income than the Dutch average (Oxford Economics, 2019). The expected increase in professional, scientific and technological employment (33%) is almost triple the Dutch average (12%).



Market opportunities in Eindhoven

With its tech employment profile and sound economic and demographic forecasts, Eindhoven harbours opportunities in every real estate sector:

Offices:

Although vacancy rates are likely to increase due to potential business closures, more surface area will be needed to facilitate socializing and collaboration in a new modern (post-COVID) office environment. This combined with the relatively old office stock of Eindhoven amplifies the long term demand for modern high-quality office space in the city centre. The large-scale 'Knoop XL' area development, next to Eindhoven Central Station, is a response to the growth in this particular office demand. In the wake of the current pandemic, future office developments should focus on facilitating the social and creative aspects of work while opting for quality over quantity of space. This is especially crucial for attracting talent in innovative and tech-driven sectors.

Science parks:

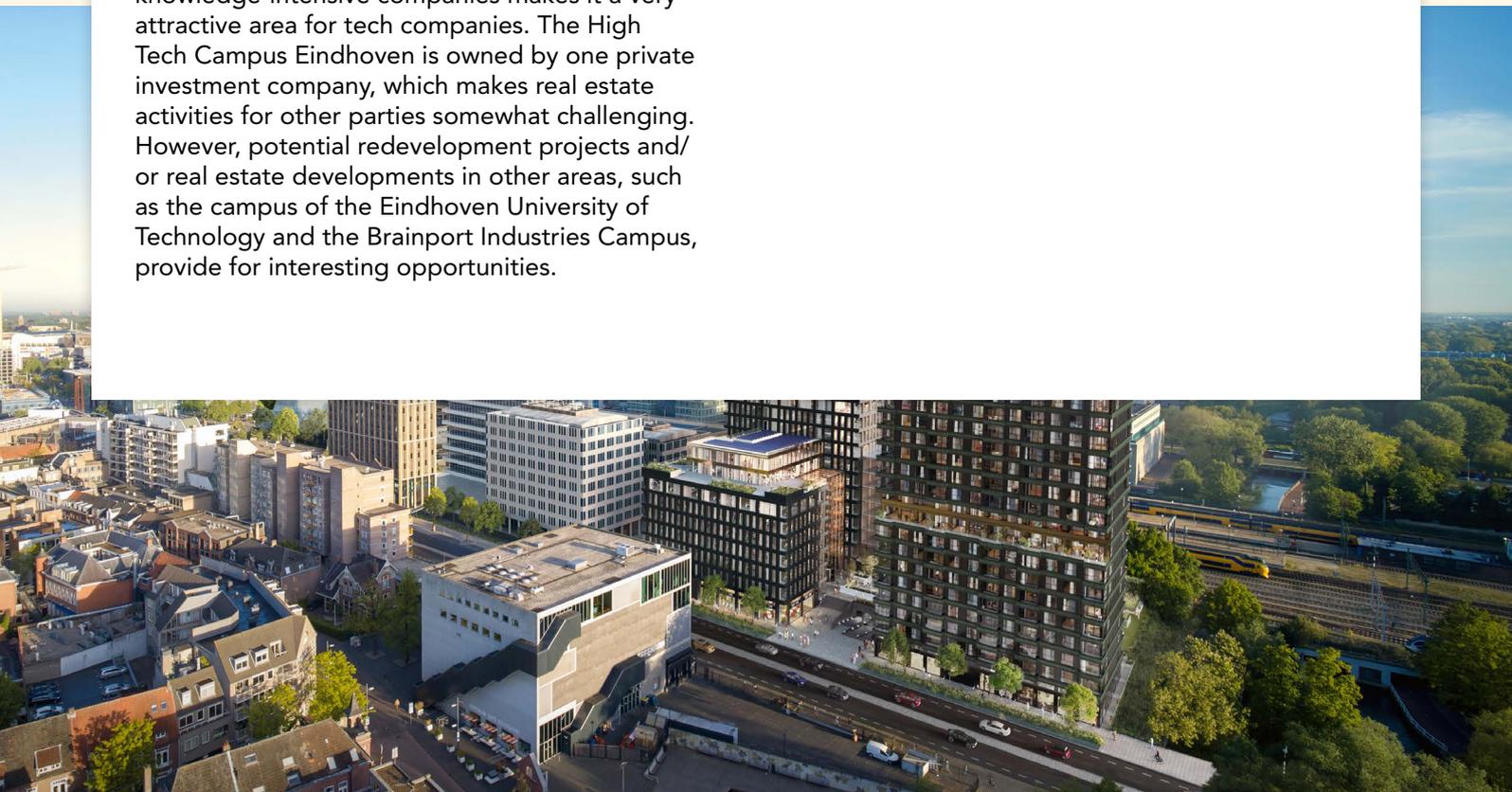
The High Tech Campus (HTC) is considered one of the most successful examples of a Dutch science park. The campus houses around 200 companies and roughly 50 start-ups. This concentration of knowledge-intensive companies makes it a very attractive area for tech companies. The High Tech Campus Eindhoven is owned by one private investment company, which makes real estate activities for other parties somewhat challenging. However, potential redevelopment projects and/or real estate developments in other areas, such as the campus of the Eindhoven University of Technology and the Brainport Industries Campus, provide for interesting opportunities.

Residential:

Solid growth in the number of households and falling average household size (more single-family households) provide a healthy basis for quantitative and qualitative residential demand. As a result Eindhoven is one of ASR's residential focus areas. Modern residential concepts with in-house services or flexible rental contracts could be especially worthwhile for Eindhoven's growing number of highly skilled (international) work force and visitors.

City-centre retail and district shopping centres:

In the current crisis, the impact on city-centre retail is substantial. The absence of visitors in city centres leads to lower turnovers and potential business closures if retailers do not reinvent themselves (e.g. experience-based shopping, bricks and clicks stores). In contrast, district shopping centres with supermarkets are experiencing increased turnover as people are visiting these retail destinations for daily conveniences relatively more during this pandemic. Food and convenience-focused district shopping centres are less affected by online shopping and could play a pivotal role in the future retail and social landscape.



Innovation is here to stay

With strong tech and science-related employment growth, Eindhoven is ready to consolidate its innovative strength and appeal. The graph below shows the current percentage of employment in innovative sectors in various Dutch cities, both today and in 2035 (Oxford Economics, 2019). The size of the bubbles indicates the size of the total workforce.

Eindhoven has a high percentage of employment in science and technology and ranks second, only behind Delft both now and in 2035. Not entirely coincidental both Eindhoven and Delft are home to a renowned university of technology.

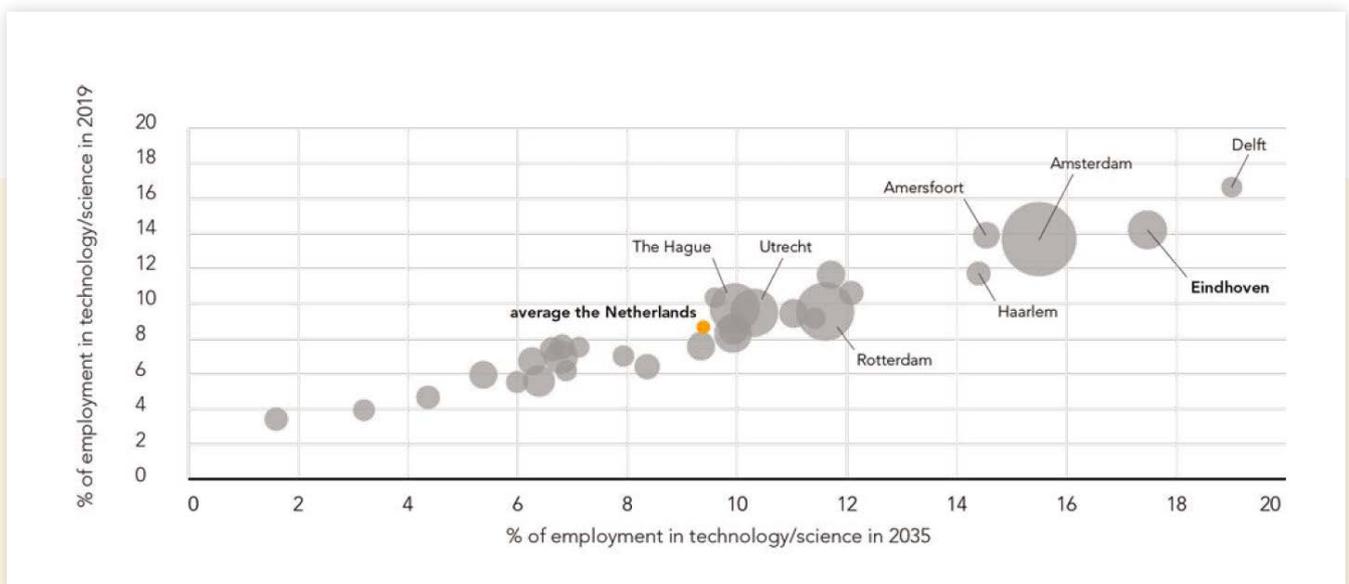
With the current pandemic these exceptional growth numbers for Eindhoven are becoming more uncertain. However, we do believe that Eindhoven can continue to consolidate its unique technological appeal. Social distancing regulation has less impact on tech-driven companies. Specialized Research & Development facilities, such as laboratories, clean rooms and manufacturing facilities, necessitates employees to go to the workplace more than other sectors. Moreover, producer confidence steadily increased since its historic drop in April indicating that industrial and manufacturing producers are becoming more and more confident about current market circumstances (CBS, 2020). Eindhoven has a solid foundation consisting of its university, corporates, small-medium enterprises, entrepreneurs and

industry partners and their huge knowledge base that is here to stay. This competitive edge as fundamental will be advantageous for Eindhoven to survive this crisis and continue to grow.

In order to sustain growth in uncertain times, the search for tech talent is even more important for companies than pre-COVID-19. Additional to the tech oriented labour market, the high quality of life and a relatively cheap and solid education system will continue to trigger international talent to move and stay in Eindhoven.

For more information on resilient cities, please contact Vinoo Khandekar

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Sources:

- CBS (2020) Producer confidence continues to rise in September. <https://www.cbs.nl/en-gb/news/2020/40/producer-confidence-continues-to-rise-in-september>
- Oxford Economics (2019) Dutch Regional economic and demographic growth forecasts.

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