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FREM Master's Thesis

SETTING UP REAL ESTATE SHOP IN RANDSTAD:
external factors that influence the locational decision
of real estate investment firms

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List of abbreviations

APG	– All Pension Group
BREAM	– Building Research Establishment Environmental Assessment Method
CRE	– corporate real estate
CSR	– corporate social responsibility
GDP	– gross domestic product
IPO	– initial public offering
M&A	– mergers and acquisitions
REIT	– real estate investment trust

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1. SUMMARY

Context: This research was motivated by an interest in exploring the extent to which the Randstad region and the Netherlands as a nation have successfully attracted real estate investment firms to locate/base themselves there. The outsize professionally managed real estate market in the country relative to the GDP warrants attention. Most studies examine real estate attractiveness at a macro level but not the locational decisions of real estate investment firms.

Aim – This study investigated external factors that influenced the locational decision of real estate investment firms in the Randstad region by operationalising the models of Lieser and Groh (2011) and Duranton and Puga (2004).

Design/methodology/approach – An adapted conceptual model is a product of a merger between two models. One is a quantitative, composite index by Lieser and Groh (2011) to evaluate macro determinants affecting real estate investment. The other is a theoretical model by Duranton and Puga (2004) to assess the locational decisions of real estate investment firms in an agglomeration or cluster. Twelve semi-structured, in-depth interviews with real estate investment executives and consultants in the field were conducted to gain qualitative insights into the Dutch context.

Limitations – The model is suited for markets with similar risk and political characteristics and a general assessment of external factors for the industry, not for a deep dive into individual sectors. Locational decisions are more relevant to firms that set up standalone investment operations and thus have the liberty to decide their physical office location without having to consider the legacy operations of the parent company.

Results/conclusions – The major determinants in the original models of Lieser and Groh (2011) and Duranton and Puga (2004) are largely relevant to the Dutch context. The new model added Professionalism of Real Estate Services and Opportunity to Contribute. Major modifications occurred at the sub-determinant level. The market fundamentals of the Netherlands for real estate are solid but the industry is confronted with major macroeconomics and regulatory obstacles. Being in the Randstad, particularly the South Axis, not only proved to be convenient but indeed essential for competitiveness.

Originality/value – Real estate investment is typically viewed as a business of financial and risk calculations. In understanding the locational decisions of the firms—thus adding a layer of analysis to make sense of why they cluster—this study revealed that it was a knowledge-based business whose competitiveness was enhanced by being in a cluster.

Practical implications and recommendations – This research inevitably produced a sentiment test on the investment climate and ideas to improve competitiveness. Specific policy recommendations such as tax are outlined in this study as well as suggestions on ways stakeholders are to collaborate. Furthermore, attention is to be paid to the role of clusters in business competitiveness and, on the part of the government, to continually upgrade them by instigating communications.

2. FOREWORD

To the 12 esteemed respondents, I express my utmost gratitude not only for your generous time, but more importantly, for your faith in my work. The breadth of knowledge you shared were truly humbling and enlightening. My learning from you was a highlight of this endeavour.

By asking, in simple terms, why real estate investment firms gathered in some parts of the Netherlands, I uncovered layers upon layers of stimulating knowledge. The scientific part of this thesis challenged my scholarly ability to frame them in a coherent manner. The research question naturally led me to an eye-opening education on the business and related public policies. Surprising findings along the way on the heartfelt, human aspect of this business elevated my intrigue and motivation.

I am grateful to Adrienn Eros, who guided me before the research idea took any shape or form, for not allowing me to settle for anything less than my full potential. A shoutout to my tutor John Brands for injecting confidence in every step of the process, even as far back as before he was assigned as my tutor. I owe Erwin Muijtjens and the Urban Land Institute for the quality of this study.

I wish to acknowledge my class's collective spirit of support. Thank you for your friendship. It was a privilege to be part of this extraordinary group.

I hereby declare that the research "Setting Up Real Estate Shop in Randstad" is entirely based on my own work.

3. INTRODUCTION

This research was motivated by an interest in exploring the extent to which the Randstad region and the Netherlands as a nation have successfully attracted real estate investment firms to locate/base themselves there. The research question was thus: which external factors influence the locational decision of real estate investment firms in the Randstad region, Netherlands? This research traces its origin in the ground-breaking work of Lieser and Groh (2011) who constructed an aggregated index of all-inclusive external factors specific to real estate investments (refer to Appendix A). Their model is, by extension, applicable to locational decisions of investment firms as locational decisions are predicated first and foremost on the business prospects of the market.

Lieser and Groh (2011) built upon a vast amount of previous literature that had proven that external factors such as regulatory environment, corporate tax rates, ease of doing business (measured by World Bank EODB index) affected locational and investment decisions (Contractor et al., 2020; Pinheiro-Alves & Zambujal-Oliveira, 2011; Devereux & Griffith, 2003; Lawless et al., 2018). Business leaders have the prerogative to select their operational locations based on the assessment of external factors inherent to the location. It follows that the success of a business to a large extent depends upon the external environment in which it operates. Porter and Porter asserted that “the sophistication of how companies compete in a location was strongly influenced by the quality of the business environment” (1998, p. 9). Florida & Adler (2022) contended that location decision was a central element of corporate strategy.

This thesis made contributions by focusing on the Netherlands due to its outsized real estate investment landscape by operationalising the model by Lieser and Groh (2011). The research investigated which factors were relevant to real estate investment firms in the Netherlands and whether there were supplementary factors that needed to be included to give a fuller representation. The model formulated by Lieser and Groh (2011) was selected for it is a hitherto most comprehensive compilation of indices in comparison with Lee’s Real Estate Potential Index (2005). Other models to assess locational decisions and investment attractiveness were not specific to real estate.

To provide a more concrete picture of locations, the research added agglomeration variables as another layer of analysis. Real estate investment firms usually congregate in a specific city or region, not scattered randomly across the country. In our case, it is the Randstad region. This phenomenon is in line with Jacob’s (1984) claim that the relevant unit of a cluster was not the nation but rather the city/region. The added layer drew upon works by Duranton and Puga (2004) which outlined three benefits of agglomeration economies: sharing of resources, matching of talents and learning of new practices and technology. Semi-structured, in-depth interviews of real estate investment executives revealed their qualitative perceptions of external factors, thus complementing the predominantly quantitative, normative nature of the composite index of Lieser and Groh (2011) and the theory of Duranton and Puga (2004). An adapted model did emerge for this research to reflect a more accurate picture of the Dutch context. The original determinants were largely relevant while major tunings were made at the sub-determinant level.

The research included an inquiry into how those external factors had improved or deteriorated. The questions were framed as an assessment of the current situation and predictions of the future. The results of this research could be considered as a sentiment test of real estate investment managers. Out of it were recommendations to maintain or improve competitiveness. This line of thinking was influenced by Batten’s (1995) notion that cities rose and fell, albeit slowly in most cases. Even large and previously prosperous cities eventually decline in the absence of renewal and revitalisation initiatives. Using a qualitative approach, this research purposefully sampled twelve senior executives who provided insights into firms’ location decisions of the firms: real estate investment managers and consultants in the field.

3.1 OUTSIZED REAL ESTATE INVESTMENT IN THE NETHERLANDS RELATIVE TO GDP

That real estate continues to be an attractive investment instrument worldwide warrants attention as to where the industry’s investment management funds are located. Despite the coronavirus pandemic, the estimated size of the professionally managed global real estate investment market increased from \$9.6 trillion in 2019 to \$10.5 trillion in 2020 to \$11.4 trillion in 2021 (MSCI, 2020; MSCI 2021).

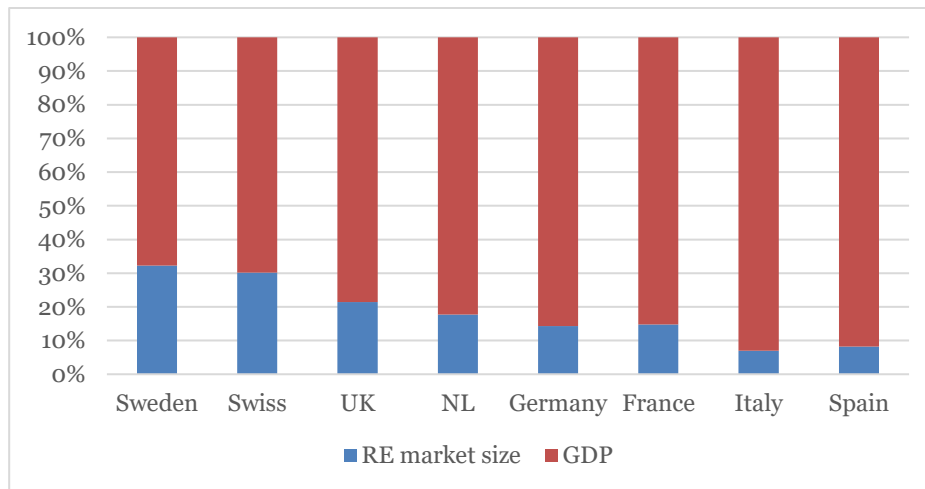
In examining the Netherlands, the estimated size of professionally managed real estate in 2021 stood at \$218 billion, larger than those of Italy’s (\$150.6 billion) and Spain’s (\$128.3 billion) whose GDPs were higher (MSCI 2021). In terms of absolute size, the Netherlands was ranked sixth in Europe and

12th in the world. Relative to GDP, the Netherlands ranks fourth in Europe, trailing behind Sweden, Switzerland and the UK. The Netherlands was ranked seventh in the world according to the attractiveness index of countries for real estate investment (Lieser & Groh, 2011).

Considering the Netherlands's small population size and limited land, it is worth putting a spotlight on the country's outside real estate investment scene. The Netherlands scored high on indicators set by Lieser and Groh (2011). According to them, commercial real estate activity prospers within a broad institutional context defined by sound economic growth, the depth and liquidity of capital markets, and a stable political and socio-economic structure. They added that each country's real estate market was conditioned by administrative and regulatory burdens and by the legal protection of investors.

Figure 1

Estimated size of the professionally managed real estate market size vs. GDP (2021). The Netherlands ranks fourth in Europe.



Note. From *Real Estate Market Size Report 2021*, by MSCI, 2021; *Data*, by World Bank, n.d.

3.2 REAL ESTATE INVESTMENT FIRMS CLUSTER IN THE RANDSTAD REGION

Iammarino et al. (2018) expressed that for much of the last five decades, studies on cities ignored the role of international enterprises and vice versa. Following this line of reasoning, it is a curious observation that while the Netherlands is an attractive nation to set up real estate shop, plotting the addresses of the physical offices of these firms reveal a disproportionate cluster in the western part of the country, in the Randstad region where the biggest cities sit. Out of the 31 IVBN (Vereniging Van Institutionele Beleggers in Vastgoed, Nederland) members, 28 are based in the Randstad. IVBN itself is based in The Hague. If we treat the Randstad region as a unified agglomeration as argued by Shachar (1994), Lambooy (1998), and Kloosterman and Lambregts (2000), we vindicate Jacob's (1984) claim that the relevant unit of a cluster was not the nation but rather the city/region and that cities—not nations—were the drivers of wealth. This research is thus predicated on the premise that the Randstad region carries a distinct allure for real estate investment firms.

3.3 THE RANDSTAD REGION

The Randstad region comprises the following areas: Almere, the province of North Holland, excluding Alkmaar and the surrounding area and the northern part of North Holland, the provinces of South Holland and Utrecht, excluding the south-eastern part of Utrecht. The major cities are Amsterdam, Rotterdam, Utrecht and The Hague. The Randstad region generates 46 per cent of the total Dutch GDP; more than 8 million people or 41 per cent of the Dutch population live in the region (CBS, 2023; (Huis van de Nederlandse Provincies, n.d.). Huis van de Nederlandse Provincies (2019) estimated that with a gross regional product (GRP) of 397 billion euros, the Randstad Region was the fourth-largest metropolitan area in Europe after London, Paris and the Rhine-Ruhr.

The Randstad is neither single city nor an agglomeration radiating from a single city like Paris or London. It is a conglomerate of large and midsize cities. The Randstad region houses all branches of

economic activity and together, the cities provide all the facilities necessary to play a significant role in the world (Shachar, 1993; Huis van de Nederlandse Provincies, n.d.). According to Lambregts and Zonneveld (2004), the Fourth National Plan/Fourth Policy Document put forward by the National Spatial Planning Agency in 1998 marked a shift in the Randstad concept and its purpose: from urban containment to one that is equipped to meet international competition.

Figure 2

Randstad region.



Note. From *Randstad Monitor*, by Huis van de Nederlandse Provincies, 2019.

3.4 BREXIT

Geopolitics such as Brexit was a potential consideration for locational decisions; hence it was incorporated in this research to test whether it had implications on the real estate investment firms. Hamre and Wright (2021) placed Amsterdam among the five winners in the European Union of attracting companies moving out of London. They identified 48 financial firms—close to the 50 estimated by the Dutch government—that had moved from London to Amsterdam post-Brexit. Most of the 48 were trading platforms and firms. Less successful was Amsterdam's ability to lure banks. The low corporate tax rates were offset by a high personal income tax of 60% overall and a bonus cap of 20% for bankers introduced after the 2008 financial crisis (Donnelly, 2022; Hamre and Wright, 2021).

3.5 WHAT THIS RESEARCH IS NOT ABOUT: CRE, PORTFOLIO OR PRODUCTS AND INTERNAL FACTORS

It is important to emphasise that the scope of this research was external factors of real estate investment firms' locational decisions. It excluded the field of corporate real estate (CRE) which is an internal unit within a company and focuses on real estate as a physical asset. CRE's role is the integration of asset management, general management, facility management and cost control (Van der Voordt, 2017). Additionally, this research did not delve into the technicalities of real estate investment such as return strategy and portfolio management. Internal factors such as firm dynamics in decision-making are beyond the scope of this research. However, some internal factors such as familiarity bias, operations and image or marketing were touched upon to provide better context.

4. LITERATURE REVIEW

4.1 THE STRATEGIC NATURE OF LOCATIONAL DECISIONS

For the first five decades of the twentieth century, economic geography was dominated by models of spatial cost minimisation (Porter and Porter, 1998). Florida and Adler (2022) propounded that the discourse of location decision has matured beyond the classical framing of the issue as a basic trade-off between access to resources, the costs of transporting finished goods to market and the costs of labour. Porter (1994) placed location decisions, which had been largely ignored, centre stage in the business boardroom. Economic geography was moving from the periphery to the mainstream. He observed that

traditionally a firm first decided how it was going to compete, then selected cost-minimising locations for its operations. This paradigm viewed the cost of land, labour, capital and energy as the principal attributes of a location and regarded location decisions as operational detail than strategic.

In contrary to operational reasons, Porter and Porter (1998) asserted that the competitive advantages in a global economy were to be tapped locally with concentrations of specialised skills and knowledge, institutions and even rivals. Proximity—geographically, culturally and institutionally—leads to access, special relationships, better information, powerful incentives, and other opportunities that are difficult to exploit from a distance. In this respect, location matters more than ever before.

More than two decades later, Florida and Adler (2022) confirmed the prophecy that the globalisation of production and capital and the rise of the knowledge-based economy have made corporate locations a relevant topic given that knowledge and talent, as inputs of the modern economy are so clustered in space. In light of this, they argued the notion of locational strategy. Their theory was influenced by two disciplines: economic geography (which studies how corporations locate and on the characteristics of city-regions, clusters, and ecosystems) and international business and corporate strategy (which examines the behaviour of enterprises and multinational corporations). Their locational strategy helps understand how a firm's locational decisions, regarded as a key factor in competitiveness, fit into broader corporate strategy. Location strategy is based on the following premise: location is a central element of corporate strategy; territorial agents are instrumental actors; locational strategy is about access to key resources (Florida & Adler, 2022).

4.2 DEFINITIONS AND GENERAL TOOLS TO SCAN THE EXTERNAL ENVIRONMENT

This research focused on the external environment or factors that influence the location decisions of real estate investment firms. A classic definition of the external environment by Kefalas (1981) is still highly relevant today. He defined the external environment as outside events or trends that satisfied the following two conditions: they were relevant (directly or indirectly affect operations) and uncontrollable. He grouped outside events or trends under six interrelated and overlapping sectors: public, government, technology, domestic market, world market and ecology. Contemporary descriptions of the external environment, or offshoots of it, still bear resemblance to Kefalas's (1981) definition. Referring to external risks, Rastogi and Trivedi (2016) characterised them as those that were beyond the control of organisations. The Monash Business School Marketing Dictionary (2023) defines macro-environment as “the major uncontrollable, external forces (economic, demographic, technological, natural, social and cultural, legal and political) which influence a firm's decision making and have an impact upon its performance.”

Aguilar's (1967) PEST—an acronym for political, economic, social, and technological—tool to scan the external environment may seem outdated but has been adapted and extensively used by the modern business setting. Legal and environmental aspects have been incorporated to become PESTLE. Another commonly used tool is the SWOT—which stands for strength, weakness, opportunity and threat—analysis for developing strategies based on the analysis of the internal and external environment (Morgunova & Bolkina, 2021). Analysis of the external environment is reflected in the O and T. Despite the widespread popularity of PESTLE and SWOT, their simplistic assessments are deemed inadequate to gain a deeper inquiry into the external factors or determinants in real estate investment.

4.3 EXTERNAL FACTORS THAT INFLUENCE INVESTMENT AND LOCATIONAL DECISIONS

In selecting an operation and investment location, specific external factors are considered. Porter and Porter asserted that “the sophistication of how companies compete in a location is strongly influenced by the quality of the business environment” (1998, p. 9). These include access to well-educated workers, regulatory red tape and the court system.

The World Bank's Ease of Doing Business Index is extensively used by multinationals to decide their investment location (Pinheiro-Alves & Zambujal-Oliveira, 2011). Contractor et al. (2020) conducted a study to affirm that (2020) regulatory and business environmental factors were equally as crucial as macro-economic variables such as market size. They concluded that the two chief factors that determined investment location decisions were the rule of law and ease of trade across borders. Devereux and Griffith (2003) claimed that mutually exclusive decisions such as the location choice of multinationals hinged upon an effective average tax rate. Lawless et al. (2018) concluded the primary role of corporate tax rates in increasing a country's attractiveness in enticing businesses. Financial

sector firms are more than twice as sensitive to changes in corporation tax rates relative to other sectors. Florida and Adler (2022) opined that access to external resources such as qualified labour, knowledge, suppliers and markets determined locational decisions.

4.4 EXTERNAL FACTORS FOR REAL ESTATE LOCATIONAL/INVESTMENT DECISION

Similar and adjusted variables have been used in real estate. In gauging the investment potential of international real estate markets, Lee (2005) argued that an investor must consider three issues: the potential of the countries' real estate market in general; the potential of the individual market sectors; and the investment process itself (direct, indirect, joint venture etc). He put forward a composite Real Estate Potential Index made up of four dimensions: expected growth; country risk; transparency; and market-specific risk. The Netherlands was ranked 15 among the fifty-one countries he assessed (weak in expected growth; excellent in country risk; excellent in transparency; good in market-specific risk; good in the aggregated Real Estate Potential Index).

Lieser and Groh (2011) acknowledged the limited amount of literature on aggregated real estate investments. There was a lack of data on the effects of socioeconomic and institutional distinctions across national markets or the factors that impact international real estate asset allocation. They clarified that most real estate research focuses on one or only a very limited number of factors that affect real estate investments in particular countries, markets or regions. Hence, they proclaimed to break ground by formulating a truly comprehensive composite index that measured the attractiveness of real estate investment for 66 countries. Underpinned by previous works by other authors on general investment and Lee's (2005), they grouped all the determinants into six determinants which became the basis of the research's conceptual framework: economic activity; investment opportunities; depth and sophistication of capital markets; investor protection and legal framework; admin burdens and regulatory limitations; and socio-cultural and political environment.

The model developed by Lieser and Groh (2011) was a tailored version for real estate (refer to Appendix A). Lieser's and Groh's (2011) model chimed with the findings by Wheeler and Mody (1989) which concluded that short-run incentives such as tax and permits have a negligible impact on location choice. High-cost tournament play—government incentives designed to lure investment—was redundant for countries with good infrastructure development and a robust domestic market. Wheeler and Mody (1989) also exhibited an interesting discovery in the dominant role of agglomeration economies in influencing investor calculations.

4.5 AGGLOMERATION AND CLUSTERS

Porter (1998) placed importance on the role of regional clusters in competitiveness. He defined clusters as “geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate” (p. 3). Porter (1998) drew a direct correlation between location decisions and access to key resources such as labour markets and supporting networks. Porter (2002) reasoned that the prevalence of clusters demonstrated the central role of location in competitive advantage.

In a knowledge-based economy, Porter (1998) argued that competitive advantage had shifted from static efficiencies (the inputs or scale the firm possesses) to the rate of dynamic improvement which translated to its ability to relentlessly innovate and upgrade its skill and technology (largely intangible assets). Glaeser (1999) further asserted that the primary informational role of cities might not be in creating cutting-edge technologies, but rather in creating learning opportunities for people. Therefore, knowledge access and appropriation will influence competitiveness more than input costs or even market access (Florida & Adler, 2022). Glaeser et al. (1992) even cited the opportunity to learn from each other through interaction in close quarters for people's willingness to pay high rents just to work in a city.

Duranton and Puga (2004) outlined three benefits of agglomeration economies: sharing, matching, and learning. Firms profit from sharing expensive facilities with substantial fixed costs (or non-excludable inputs) such as public infrastructure, technical expertise, suppliers, personal contacts and a labour pool (Duranton & Puga, 2004; Eberts & McMillen, 1999). These were added to Porter's list of (1998) supporting networks, interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions such as universities, standards agencies, and trade associations. In the case of the Corporation of London (2003), the clustering of its financial services is

the result of its dependency upon supporting services (e.g., accounting, actuarial, legal, management consulting, computing and software development, advertising and market research, recruitment, education, financial publishing).

Firms and workers can match their skills and needs in a larger or more specialised labour pool (Duranton & Puga, 2004). The division of labour in cities allows individuals to specialise in a range of skills (Glaeser, 1999). The variety of consultants and services is enabled by a large pool of specialists which is available only in deep spatial labour markets, and thus a bigger city has a higher chance of recruiting specialists (Shachar, 1994). Clusters offer sourcing advantages with regard to specialised and experienced talents, hence lowering search costs for recruiting and making matching of jobs to people efficient (Porter, 1998). This is thanks to the fact that assets, skills, inputs and staff are usually readily available at the cluster location, and are assembled and tapped into easily there (Porter, 2000).

Firms can learn about new technologies and business practices in a larger market (Duranton & Puga, 2004). Glaeser and Resseger (2010) suggested that proximity in dense urban settings spreads knowledge and this makes workers more skilled and productive. Urban clusters foster diversity of learning which in turn stimulates innovation (Porter, 1998). Participants can be exposed to richer insights into evolving technology, component and machinery availability, service and marketing concepts, and the like. Porter reasoned that (2002) the ease of site visits and face-to-face interactions with other entities within a cluster (including universities) facilitated information spillovers, learning and exposure to insights into evolving technology. Real estate investment is a knowledge-based profession. Intense interactions with peers, supporting institutions, industry associations and advisors allow managers to learn from each other.

Physical proximity and face-to-face interactions not only give rise to new learning but also the establishment of relationships. Porter contended that (2002) advantages of clusters, for example the establishment of business trust, were location-specific that hinged upon face-to-face interactions, close and ongoing relationships and “insider” access to information. He added that active participation in clusters was paramount, thus making foreign firms’ permanent investment in local presence ever more important.

Table 1

Summary of agglomeration determinants/variables based on literature.

Agglomeration determinants	<p>Sharing: firms profit from sharing expensive facilities and infrastructure with substantial fixed costs, suppliers and a labour pool (Duranton & Puga, 2004; Eberts & McMillen, 1999); labour markets, supporting networks, interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions such as universities, standards agencies, and trade associations (Porter, 1998).</p> <p>Matching: firms and workers can match their skills and needs in a larger or more specialised labour pool (Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000).</p> <p>Learning: firms can learn about new technologies and business practices in a larger market (Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000).</p> <p>Relationships and trust based on location-specific face-to-face interactions (Porter, 2000).</p>
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4.6 LOCATIONAL TOURNAMENTS PLAYED BY TERRITORIAL AGENTS

Against the backdrop of globalisation and cross-border capital, David (1984) coined the term the economics of locational tournaments which he defined as promotional campaigns and incentive regimes used by states intended to attract investments and multinational firms. Florida and Adler (2022) categorised governments and policymakers along with interest groups such as non-profit organisations and lobby groups as territorial agents. These agents act on behalf of territories. They seek to maximise the amount of resources they get from organisations, while they maintain their

ability to negotiate on behalf of the territory. Financial incentives are an essential instrument in the location policy playbook.

Porter and Porter (1998) reasoned that governments had a great stake in maintaining the competitiveness of locations as they were accountable for the well-being of citizens in particular geographic areas. The pressure of competition from other nations to lure investments triggers efforts and resource spending to keep up. The onus is on governments to create an environment that facilitates rising productivity, proactively ensuring vigorous competition, and providing high-quality education and training. The dichotomy between social and economic policy must disappear as they are inseparable in the context of productive competition and applicable to the real estate investment climate.

Porter (2002) outlined five roles of government in an economy. The most fundamental is to achieve macroeconomic and political stability. A second role is to advance microeconomic capacity through enhancing inputs to businesses and the institutions and infrastructure that provide them. A third role is to establish incentives to encourage competition and growth. A fourth role is to formulate and execute distinctive, long-term economic programmes. In addition to fostering a positive general business environment, he added a fifth role which is to facilitate cluster developments and upgrading them. The emphasis on the last one is due to the importance of competition that moves beyond cost.

4.7 RANDSTAD AS A UNIFIED AGGLOMERATION

Randstad Holland first gained recognition as a metropolitan region in Peter Hall's book *The World Cities* (1966). The construct of Randstad Holland as a world city solidified after the government designated Amsterdam, the Hague and Rotterdam as international centres in the Fourth National Plan/Fourth Policy Document and that the 'Randstad International' concept came into effect when Parliament voted on the final text in 1990 to reflect the goal of promoting the region's competitiveness (Shachar, 1994; Lambregts & Zonneveld, 2004). As such, the Randstad coagulated from physical planning into an economic and social reality (Shachar, 1994). Batten (1995) observed that the cities and towns in the Randstad had coalesced so closely to each other such that we may regard the Randstad as a mature network city. With Schiphol airport sitting at the heart, the Randstad is one of the most accessible urban agglomerations in the world.

Shachar (1994) insisted that a world city must be of significant size and that it must have a deep and specialised labour market. He further argued that not one of the Dutch cities can independently fulfil the notion of a competitive world city. Amsterdam, Rotterdam, The Hague and Utrecht complement each other. Thus, by designating the Randstad region a single agglomeration unit or a "mega city", the standing of the region was elevated for its ability to compete with other world cities. The Randstad functioned as a proven unified labour market. Kloosterman and Lambregts (2000) explained that the increased frequency and distance of interregional commutes carried out by highly educated professionals between 1985 and 1998 suggested the emergence of one pool of labour in the Randstad region. Randstad as one economic area started being used for marketing purposes to entice foreign enterprises (Lambooy, 1998).

4.8 RESPONSIBILITY TO SOCIETY AND THE ENVIRONMENT

Amid ever more stringent energy certificate requirements, the topic of sustainability was framed as a component of permit cost in the initial phase of this research data collection. As the interviews unfolded, a wider theme of responsibility and contribution to society emerged and the initiatives came internally from the investors. Examples given were investing only in energy-efficient buildings, in affordable housing despite lower financial returns and revamping derelict, heritage buildings. This phenomenon is almost reaching Carroll's (2016) notion of Philanthropic Responsibility, performing activities desired by society. It is the highest level of corporate responsibility above Economic, Legal and Ethical in his renowned Pyramid of CSR. The phenomenon falls short of Philanthropic Responsibility as the investors did not make references to any giving forms such as volunteerism, donations and community development. However, they go beyond adhering to the "spirit" of the law, not just letters, as defined in Ethical Responsibility. The investors are guided by the internal desire to perform activities that are not required by law, to do virtuously what is right for society.

Research by Money and Schepers (2007) discovered that businesses were beginning to seek other ways apart from financial accountability to create shareholder values. A factor in this movement was the growing pressure from socially responsible investing. Additionally, the notion of shareholders and

stakeholders was blurring because stakeholders were often seen as occupying multiple roles at the same time. Employees, customers and the public can be shareholders. Schueth (2003) explained that socially responsible investing had matured to a level where any investment portfolio could fulfil investors' values. Sparkes and Cowton (2004) also noted that socially responsible investing had shifted from the margin to the mainstream, a sign of its maturity.

5. RESEARCH STRATEGY

5.1 OBJECTIVE

The objective of this research was to examine which external factors and how they influenced the locational decision of real estate firms based in the Randstad region by testing a newly designed model that combined the works of Lieser and Groh (2011) and Duranton and Puga (2004). The research employed in-depth, semi-structured interviews to gain qualitative insights from investment executives, thus complementing the quantitative and theoretical nature of the two aforementioned models on which this research was based. The process entailed analysing how these factors/determinants have improved or deteriorated over time. The results of this research could be an input to a sentiment test of real estate investment firms.

5.2 QUESTION

The research question is: which external factors influence the locational decision of real estate investment firms in Randstad Netherlands?

1. How applicable is the comprehensive model by Lieser and Groh (2011) to the Dutch context?
2. Which of the determinants/sub-determinants in the model are relevant to the Dutch context and which are not? And why?
3. Are there additional determinants/sub-determinants to be added, for example from the less comprehensive model by Lee (2005)?
4. How relevant is the model or theory by Duranton and Puga (2004) in assessing locational decisions of real estate investment firms in the Netherlands?
5. What should the research model be to represent the Dutch real estate market?

5.3 CONCEPTUAL MODEL

The conceptual model of this research is a product of a merger between the works of Lieser and Groh (2011) and Duranton and Puga (2004). Each was customised and assembled to reflect the Dutch real estate market more accurately, with internal business factors inserted in between.

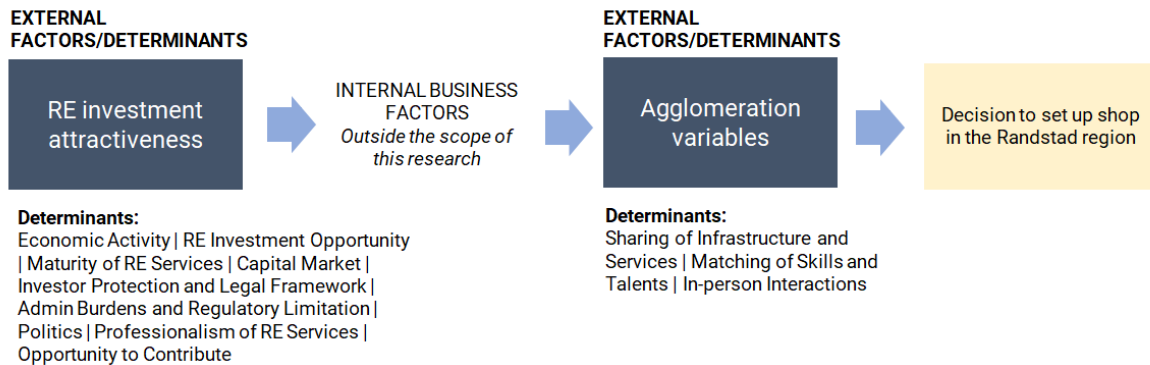
Locational decisions are predicated first and foremost on the business prospects of the market. The reading of the conceptual model below, from left to right, starts with an assessment of the attractiveness of the real estate market at a macro level. To that end, this research operationalised the model of Lieser and Groh (2011) who constructed a composite index of a series of determinants based on published indices.

Internal business factors are beyond the purview of this research but make up an imperative intermediate layer of analysis to make better sense of the context. Investors tend to enter the market through proxies such as consultants and advisors. Decisions to establish a local or dedicated team and office come when the scale of the portfolio and/or complexity of managing the assets reach a certain level.

The theoretical model by Duranton and Puga (2004) forms the blueprint for comprehending factors that influence the physical locational decision of investment firm offices.

Figure 3

Conceptual model of this research.



5.4 PHILOSOPHY

Twelve real estate investment executives were interviewed for this research. The goal was to gather richer insights into their firms' decision to locate themselves in the Randstad region. The researcher acknowledged the unique circumstances under which the firms made the decision and the varying relevancy or weight they assigned to each external factor stipulated in, or beyond, the composite index model formulated by Lieser and Groh (2011) and theory of Duranton and Puga (2004). As such, this research falls under the philosophy of interpretivism.

Saunders et al. (2019) explained that interpretivism assumes that people under varying conditions and at different times constructed different meanings and so experienced unique social realities. According to Alharahsheh and Pius (2020), interpretivism was laden with subjective perspective and believed that humans create further depth in meanings. Richness in the insights, rather than the universal applicability of a law or formula associated with positivism, is a key element in interpretivism.

5.6 METHODOLOGICAL CHOICE AND STRATEGY

According to Saunders et al. (2019), a researcher followed an inductive approach if premises were used to generate untested conclusions. In contrast, a theory is subjected to tests in a deductive approach. A literature review was undertaken to compile a multitude of determinants. Lee's (2005) model comprises four basic determinants: Expected Growth, Country Risk, Transparency and Market Specific Risks. Only one or two published indices were used to rate and calculate each determinant. The four were then computed to formulate the Real Estate Potential Index. On the other hand, not only that the model by Lieser and Groh (2011) is more recent, but it is also more comprehensive. It aggregates six determinants under which there are at least four sub-determinants. Lieser and Groh (2011) drew upon more published indices and employed extra rigour in computing the data.

The combined model formulated based on Lieser and Groh (2011) and Duranton and Puga (2004) was deemed the most suitable one to structure the findings and formed the foundation of this research. However, mindful that in operating the newly designed model and the conclusions were yet to be discovered in the context of the Randstad region and the Netherlands, a modified one was expected to emerge.

The aggregation of indices Lieser and Groh (2011) befits the purpose of market comparison and snapshot presentation based on quantitative ratings. Duranton and Puga (2004) neatly framed the agglomeration discourse on a theoretical level. Combined, they indeed served as an appropriate departure point. A complementary methodology was needed to augment the objective of this research: gain deeper, contextualised insights into perceptions, judgements and the decision-making process of a specific market—the Netherlands. This research thus used a qualitative method, which is associated with exploratory study, as it aimed to interpret and gain new insights into events through inquiries (Saunders et al., 2019). Qualitative interviews allow the researcher to learn about topics through the perspective and experience of the subjects (Boeije, 2010).

Semi-structured, in-depth interviews were chosen for this research. Saunders et al. (2019) explained that semi-structured interviews started with a preset list of themes and questions related to these themes as a guide. In the case of this research, they were drawn from the models of Lieser and Groh (2011) and Duranton and Puga (2004). Saunders et al. (2019) added that this approach allowed systematic exploration of each theme with every participant. They furthered that semi-structured, in-depth interviews allowed the interviewer to probe or build on the interviewee's previous answers. Additionally, according to Boeije (2010), probing can be employed when the interviewee's reply is unclear or incomplete. During the interviews for this research, the participants were indeed encouraged to elaborate when they raised an interesting point. The advantage of having a preset list of themes in semi-structured interviews is that the data could then be compared in relation to each theme, and then studied to identify patterns (Saunders et al., 2019). The interviews for this research lasted between 30 and 95 minutes.

The choice of approach was grounded on four studies of a similar nature in the field of real estate. They investigated perceptions, experiences or conceptions of experts in their respective fields toward specific subjects and how their constructs influenced their decisions. Baum and Murray (2011) conducted 20 semi-structured interviews with experienced real estate fund managers, lenders and investors based in the UK and USA. The approach was selected to expose barriers to foreign direct investment in developing economies and identify their level of relevance and interviewees' attitudes. Falkenbach and Toivonen (2010) also conducted themed, semi-structured interviews with 20 Finnish domestic real investors to study how the entry of international property investors had affected the Finnish commercial property market. The approach, furnished with preset topics, allowed the researcher to modify questions and probe further.

In exploring Korean institutional investors' stand on real estate investment, Nam (2014) interviewed 13 professionals (six institutional investors; five investment managers; and two real estate service providers) in a semi-structured, open-ended format. Nam (2014) justified the chosen approach for it yielded comprehensive data. The responses were analysed to make sense of numerous topics including investment objectives, risks and future trends.

Lekander (2017) interviewed seven senior decision-makers to study how institutional pension managers in Sweden and Finland considered real estate. He also adopted the open-ended interview approach to grasp how individual decision-makers view real estate and what factors they examined when managing portfolios. As the data allowed comparative qualitative analysis of the responses regarding the four predetermined themes, we could assume that he had prepared a preset list of topics and questions and thus the interviews could be considered semi-structured. According to him, the comparative qualitative analysis of the responses enabled a more extensive comprehension of the benefits and challenges an investor experienced, hence helping identify similarities and differences in challenges and solutions. His interviews also allowed for the identification of the unknown.

5.7 SAMPLING TECHNIQUE

According to Boeije (2010), the research sample must accurately represent the research subject. On this basis, the sampling criteria were as follows: decision makers of the firm's locations or senior executives who were familiar with the decision; represented institutional investment firms or advisors to them; and based in the Randstad cities and represented them proportionately.

This research purposefully sampled executives who represented institutional investment firms in the commercial (office and retail), industrial logistics and residential sectors as well as consultants who advised institutional investors. A total of 12 interviews were conducted over two months. This is in line with Saunders et al. (2019) claimed that purposive sampling required the researcher's judgement to select cases that would best enable him to answer the research question and achieve the objectives.

Nine respondents were executives of real estate investment firms or the real estate investment arm of a larger business. All the interviewed individuals were well-versed in their firms' investment strategy. Two were directors at renowned consulting firms. One was a seasoned professional in the industry and a vice president of a global real estate association.

Ten respondents were based in the Randstad: seven in the South Axis; one in The Hague; one in Utrecht; and one in Duivendrecht. One respondent worked from the firm's Eindhoven or Rotterdam offices. One worked mobile.

Semi-structured interviews with open questions were conducted to collect data. A total of nine preset themes—six derived from Lieser and Groh (2011) and three from Duranton and Puga (2004)—served as an initial guide for interview questions.

Table 2

List of respondents of this research.

	Organisation	Description
1	Bakkers	Institutional investment firm and developer
2	Cabot Properties	Institutional investment firm
3	Deka Immobilien GmbH	Institutional investment firm
4	Geste Groep	Institutional investment firm
5	Halico Groep	Institutional investment firm and developer
6	Prologis	Institutional investment firm
7	Real I.S. Group	Institutional investment firm
8	Syntrus Achmea Real Estate	Institutional investment firm
9	QUEST Funds GmbH	Institutional investment firm
10	Deloitte	Consultant
11	Jones Lang LaSalle	Consultant
12	Urban Land Institute	Real estate association

5.7 DATA ANALYSIS TECHNIQUE

Data, in the form of interview transcripts, was analysed through the following coding process as outlined by Boeije (2010): open, axial and selective. Boeije (2010) referred open coding to fragmenting the data, categorising them based on comparable themes and finally coding them with a code. Axial coding involves merging similar categories or subdividing them, if necessary, with the aim of producing a code tree or book that reflects the hierarchy of categories. This process was reflected in this study through the shifting, omission and addition of new determinants and sub-determinants.

In selective coding, the researcher looks for connections between the categories and attempts to formulate a theory (Boeije, 2010). This process was demonstrated in this research through the insertion of new determinants namely Opportunity to Contribute and Professionalism of Real Estate Services as well as other analyses outlined in the Results and Discussion and Conclusion sections.

5.8 OPERATIONALISATION

The table below is a detailed breakdown of the determinants and sub-determinants in the models of Lieser and Groh (2011) and Duranton and Puga (2004). This formed the basis for coding data collected from the interviews. Adjustments were as follows:

1. Geopolitics and Political Stability as a determinant replaced the original Socio-cultural and Political Environment in Lieser and Groh (2011). This was intended to capture recent events such as Brexit.
2. The dismantling of Socio-cultural and Political Environment entailed the omission of sub-indicators such as Human Development index, Crime and Bribery and Corruption. The intention was not to underestimate the three indicators but rather to avoid overshadowing the other sub-determinants in the interviews. In the context of the Netherlands, they are not high on conversation topics as the country is reputed to be a safe, developed and transparent country.

The operationalisation tool was a living document that was modified throughout the coding process. New categories were indeed added and existing ones shifted around along the way. The final code book is discussed in Chapter 7.1.

Figure 4*Operationalisation.*

Real estate investment attractiveness (Lieser & Groh, 2013)	Economic activity (Lieser & Groh, 2013)	GDP size, per capita, growth (Lieser & Groh, 2011)
		Working force (Lieser & Groh, 2011)
		Inflation (Lieser & Groh, 2011)
		Innovation (Lieser & Groh, 2011)
	RE investment opportunity (Lieser & Groh, 2013)	Institutional property estimation (Lieser & Groh, 2011)
		Urbanisation level (Lieser & Groh, 2011)
		Urban population growth (Lieser & Groh, 2011)
		Quality of infrastructure (Lieser & Groh, 2011)
		Development of service sector (Lieser & Groh, 2011)
	Depth of capital markets (Lieser & Groh, 2013)	Stock market liquidity (Lieser & Groh, 2011)
		IPO market activity (Lieser & Groh, 2011)
		M&A market activity (Lieser & Groh, 2011)
		Debt and credit market (Lieser & Groh, 2011)
		Access to private capital (Lieser & Groh, 2011)
		REIT market (Lieser & Groh, 2011)
	Investor protection and legal framework (Lieser & Groh, 2013)	Investor protection (Lieser & Groh, 2011)
		Security of property rights (Lieser & Groh, 2011)
		Quality of legal enforcement (Lieser & Groh, 2011)
		Regulatory quality (Lieser & Groh, 2011)
	Admin burdens and regulatory limitation (Lieser & Groh, 2013)	Taxation and capital gains taxation (Lieser & Groh, 2011)
		Ease of getting construction permit (Lieser & Groh, 2011)
		Ease of registering property (Lieser & Groh, 2011)
		Ease of starting a business (Lieser & Groh, 2011)
		Ease of closing a business (Lieser & Groh, 2011)
		Forex control (Lieser & Groh, 2011)
	Geopolitics and political stability	Brexit
Agglomeration variables	Sharing (Duranton & Puga, 2003)	infrastructure (transport, telecommunications) (Duranton & Puga, 2004; Eberts & McMillen, 1999)
		supporting services and institutions (standard agencies, trade associations, universities) (Porter, 1998)
	Matching (Duranton & Puga, 2004)	specialised labour pool*
	Learning (Duranton & Puga, 2004)	technology and business practices**
		*Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000
		**Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000

5.9 RELIABILITY

Reliability is defined as the ability of a researcher to consistently replicate a previous design and yield the same findings (Saunders et al., 2019). This study expressed reliability by using the same list of interview questions (refer to Appendix B). To further minimise deviations, the researcher conducted the semi-structured interviews objectively by following the preset guideline. The online and in-person interviews yielded the same quality of data. The raw data—respondents' expression of answers and depth—might vary if conducted again by a different interviewer due to personal communication styles. However, the research would draw comparable patterns and arrive at similar analysis owing to the preset themes grounded by previous literature. As the study largely produced a sentiment test, conducting the research another time would yield dissimilar findings.

5.10 VALIDITY

Validity refers to whether data collection methods measure what they should measure and whether the findings are related to what they proclaim to be (Saunders et al., 2019). Fitzner (2007) defined construct validity as the degree of alignment between a theoretical concept and the chosen specific measuring procedure.

This study began with a thorough literature review from the general to specifics. It recognised the limitations of general tools in business to scan external environments before finally selecting the model by Lieser and Groh (2011) as it was recent and deemed comprehensive for real estate. In investigating locational analysis, this study incorporated a theoretical model by Duranton and Puga (2004) that helped structure agglomeration variables. The determinants in both models formed this research interview guide and operationalisation tool in the form of a code book. To achieve the desired outcome of in-depth insights, inspirations to adapt them into qualitative research were drawn from other works in the field of real estate and with similar objectives. Grounded by previous literature and a structured guide in collecting and analysing data (refer to Appendix B), this study minimised the researcher's and participants' bias. Results were critically analysed and conclusions were drawn in relation to the research main and sub-questions.

According to Saunders et al. (2019), internal validity was related to the intervention one was researching rather than to flaws in the research design. They noted that internal validity could be adapted to qualitative research as the proposed theoretical relationships were substantiated by a rich

collection of data through in-depth interviews. This study purposefully sampled seasoned, senior executives who were well versed in the research topic. Included in the sample were domestic and international institutional investment firms. Additionally, consultants in the field and an executive of a real estate association who was an industry veteran were involved in the study to provide a wider perspective. They were briefed on the research topic beforehand via email and a formal information letter. Permission to record the interviews and use the transcripts for analysis was granted. Interview questions were constantly modified after discovery of new findings from previous interviews. Probing occurred when respondents showed an indication of deeper knowledge of a topic.

External validity is about whether a study's research findings could be generalised to other relevant contexts (Saunders et al., 2019). That varying types of large, institutional investment firms (domestic or international; commercial, retail, residential or logistics) involved in this research cluster in the Randstad proved that the findings could be generalised to other investment firms of similar characteristics. This study omitted several sub-determinants from the original model by Lieser and Groh (2011) for they were deemed irrelevant to the Dutch context, namely: the Human Development Index, Crime and Bribery, and Corruption. The findings could some extent be generalised to countries with similar risk and transparency profiles.

5.11 LIMITATIONS

Discussing limitations not only displays rigour but also provides an opportunity for the researcher to draw up plans for future investigation (Greener, 2018). The conceptual model of this research was adapted specifically for the Netherlands. The model might not apply to volatile, emerging markets where Human Development Index, Crime and Bribery and Corruption are crucial sub-determinants for real estate investment. This research model restricted a deeper dive into each real estate sector. Discerning the sectors' market dynamics and histories would be valuable. Within the model, the topic is only briefly discussed under the Potential of the Individual Market Sectors.

A future study might verify whether locational decisions are a more relevant discussion for standalone investment firms. International firms which set up a local office or team in the Netherlands represented such a population in this research. Such firms have the liberty to decide their physical office location without having to consider the legacy operations of the parent company. This legacy is typically the case for local investment firms which is often the real estate investment arm or subsidiary of a larger unit. In this research, the location of one local investment firm is attached to the office of its financing business which happens to be in the Randstad. The second local investment firm is attached to the office its development business in Rotterdam and Eindhoven. The executive of the third chooses to locate himself in Randstad due to its allure as a cluster while the rest of the team is based in Harleem.

6. RESULTS AND DISCUSSION

Note: To maintain respondents' anonymity, the pronoun "he" is used to represent all genders.

6.1 THE CONSENSUS: A STABLE AND SAFE COUNTRY TO INVEST

Before delving into each determinant and variable, the overwhelming majority of the respondents—ten out of twelve—emphasised the Dutch market's stability from a global perspective and that it was safe to invest or do business in it. This consensus was reflected in the repeated use of the words "stable" and "safe," as well as "transparent", throughout the interviews. These adjectives were used to describe the solid fundamentals of the country's political system, legal framework, economy, fiscal policy and spatial planning. Respondent RES2 painted the market as an open, transparent one; there was no insider crowd and outsiders could enter. The respondents, representing real estate institutional players, acknowledged that they had benefitted from the high degree of predictability and steady incomes from their investments.

That being said, the industry is now besieged from multiple fronts. It is engulfed by a pervading mood of apprehension. Respondent COR3 warned that "we are not in a normal market situation right now". Unique challenges came to the surface when discussing them separately in microscopic detail, afflicting some sectorial investors more acutely than the others. Nevertheless, respondents expressed their confidence level toward the market was still high, the market in general was healthy and that they still had a lot of faith in the Netherlands as a place to invest. Although the sentiment has never seemed to be grimmer than now and that investment volume was languishing, closing shop was never discussed by respondents.

6.2 DETERMINANT: ECONOMIC ACTIVITY

6.2.1 Sub-determinant: Interest Rates

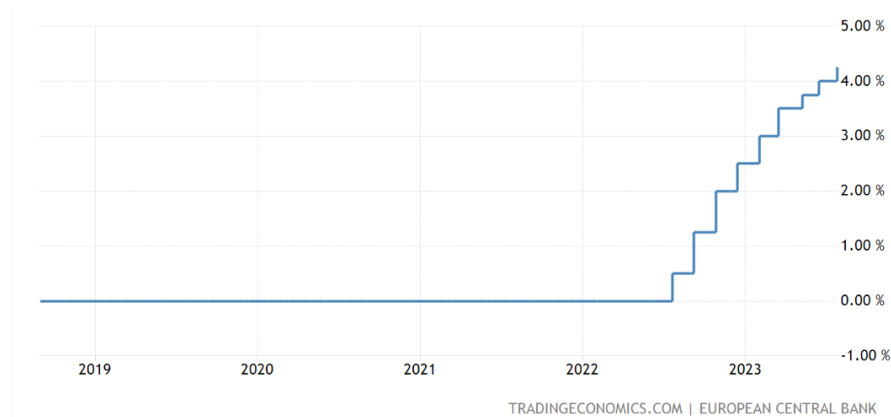
Nine out of twelve respondents explicitly pointed out the rise in interest rates, indicating the universal struggle the industry faced owing to this economic factor. The war in Ukraine and inflation pressures that encompass soaring construction costs led to uncertainty and thus have been driving the interest rate hikes. Respondent RES3 cautioned that the market was “shaken up, nobody knows where it goes”.

The shifts prompted an adjustment of investment calculus across the industry. Respondent COR2, whose business acquired real estate mostly with 35% to 40% financing, felt the pinch severely as it strove to compensate the costlier debt service elsewhere. Yields moved up and asset value eroded. As sky-high interest rates cast a pall of uncertainty, Respondent LOG2 lamented the lack of capital or difficulty in raising funds for core real estate which had long-term leases but at sharp pricing yields. In contrast, he noted the availability of capital for value-added type investments: the higher risk, but also higher-yielding assets. Examples are buying land and developing it; and repositioning and releasing acquired vacant buildings.

Respondent RES3, whose business primarily acquires vacant buildings for repositioning, was confronted with a conundrum whereby there was “a mismatch between asking prices and actual price market levels because the current owners are used to the prices of, let's say 9 to 12 months ago”. Those owners do not wish to let go of their assets even though their value prices had slid. Deferred decisions seem to be the norm. As Respondent RES3 put it, “everyone is sitting on their hands”. Respondent RES2 subscribed to a more optimistic view by saying that “the real estate investment market is operating like there's a crisis, but it's only because of the interest rates now”.

Figure 5

Soaring interest rates since 2019.



Note. From *Netherlands Interest Rate*, by Trading Economics, n.d.

6.2.2 Sub-determinant: Credit Rating

The Netherlands' sovereign credit rating, scoring triple A, as an indicator of economic robustness was raised by three respondents. The two respondents pointed to the country's low default rate and its healthy public balance sheet.

6.2.3 Sub-determinant: Innovation

Innovation was discussed by respondents as the way investment agencies at varying levels of government sought alignment with the broad national economic policy. The real estate industry as a facilitator of space follows policy changes. Respondent ADV2, being a consultant, studies government plans for the next 20 years and weighs the feasibility of investment opportunities for her clients. He credited the triple helix cooperations—a collaboration between government, academia and the private sector—for fostering innovation, especially in Eindhoven where ASML is based and the Brainport

industrial campus is located. Other innovative moves include the amalgamation of several municipalities into Zuidplas in Rotterdam; a digital industry cluster in Drenthe; chemical industry clusters in Limburg and Groningen; and Groningen taking advantage of its digital connection to Scandinavian countries, with Google setting up a data centre, revealed Respondent ADV3.

The South Axis in Amsterdam is another case of innovative feat. Respondent ADV2 explained that it was the brainchild of the Rotterdam bank ABN Amro which was inspired by London to establish a business district in the Netherlands. The goal was to create an ecosystem of a big corporate economy to house global and domestic firms which were hitherto scattered across the country in a cluster. Convinced, the Amsterdam municipal government leveraged every spatial, political and legal resource at their disposal to make it happen. They made a large tract of land available and zoned it purposefully. Respondent COR4 applauded the Amsterdam government for having 75 dedicated people on the team to ensure the South Axis turned out to be a success story. Special requests from occupiers, which would have undergone lengthy negotiations in other situations, were swiftly facilitated: selection of renowned foreign architects (at the expense of local ones); size of parking; signages; and permits for F&B establishments. Respondent ADV2 recalled that ABN Amro relocated their headquarters to the South Axis to “make a statement and attract all the big firms, lawyers, finance, investors every but also the industry”. New, scalable commercial real estate products were minted. As the South Axis became a prime address, the Amsterdam government was reaping the benefits from the rising prices of its land banks.

The Netherlands was on the verge of stepping over to smart grid solutions, Respondent ADV3 explained. A transition from a building level to an area level of approximately 50 hectares, a smart grid will be put in place first before houses are built.

6.2.4 Sub-determinant: Gross Domestic Product

Gross Domestic Product as a determinant was scantily raised by four respondents. In indicating the Netherlands as an attractive real estate market to invest in, Respondent ADV1 highlighted the Netherlands as one of the strongest economies in the world and Europe and the robustness of its export-import levels. Two of the four respondents warned that a recession was approaching.

6.2.5 Discussion and analysis

Relevant ones: GDP and Innovation; New additions: Interest Rates and Credit Ratings; Irrelevant: Working Force and Inflation

Interest rates were discussed extensively by respondents but were not explored at length by Lieser and Groh (2011) and Lee (2005). Credit ratings as a sub-determinant were raised incidentally by respondents. This is in line with Lee's (2005) use of the Euromoney Country Risk (ECR) index, which assigns some weight to credit ratings in assessing country risks. On the other hand, Lieser and Groh (2011) put little emphasis on credit ratings. Lieser and Groh (2011) referred to the General Innovativeness Index to measure innovativeness. Institutions and policies, infrastructure, competitiveness and wealth creation make up some of the pillars of the Index and were pertinently discussed by this research's respondents.

6.3 DETERMINANT: REAL ESTATE INVESTMENT OPPORTUNITY

6.3.1 Sub-determinant: Institutional Property Estimation

None of the respondents pointed to a specific figure that indicated the size of the Dutch real estate market as an estimation of investment attractiveness for institutions. However, Respondent ADV3 qualitatively stressed the obvious that the market was small in comparison with UK or France. He advised to speak about cities over countries when referring to real estate markets. Following this line of thinking, Amsterdam is the market, not the Netherlands as a country. Respondent COR1 highlighted that in terms of investment volume, Amsterdam was larger than the other four cities combined. He added that for foreign investors “the Netherlands is Amsterdam. There's nothing more than Amsterdam.” Respondent ADV3 furthered the statement by explaining that the notion of Greater Amsterdam was conjured up to conveniently lump Rotterdam and The Hague together, and that Utrecht was already not well-known at all.

An indication of the scale of institutional participation is deal sizes. Respondent ADV2 remarked that while a deal of 150 million euros was considered large in the Netherlands, it was medium in France.

Korean pension funds, Respondent RES2 added, tended to be uninterested in the Netherlands as they sought deals valued at 200 million euros or above. Such investment scales are unavailable in the Netherlands partly due to the small-sized cities in the country and other restrictions related to urban development.

6.3.2 Sub-determinant: The Potential of Individual Market Sectors

Logistics

If there was a fairy tale in Dutch real estate, it would happen to the industrial logistics. “The ugly duckling transformed into a white swan,” Respondent LOG2 summed up its life story to become “a star real estate sector” in the country. He added that it “was perceived fairly as a risky asset class” by financing institutions more than 15 years ago. Where it was a niche sector totalling only 5% of investment volume 10 years ago, industrial logistics now accounts for 30 or 40% of the volume,” touted Respondent LOG1. “The Netherlands is really the hot spot area for logistics in Europe,” he further maintained.

The two respondents specialising in logistics real estate echoed each other’s view of their sectoral dynamic—one which dovetails trade—and that they owed their success to the Port of Rotterdam. Respondent LOG1 credited Schiphol Airport as another factor. The triumph of the logistics sector is largely attributed to the country’s history, a trading nation that exploited its geography being situated in a river delta.

The trade and logistics industries profit from deliberate government’s (national and provincial) reinforcement on many fronts to defend its position for it has been a pillar of the Dutch economy. In doing so, the Port of Rotterdam and the Netherlands have outdone its direct competitor—the port of Antwerp and Belgium, and to some extent the port of Hamburg. Both respondents commended the government’s sustained investment in hard infrastructure such as ports, terminals and a highway network for easy distribution onward to the Continent. On the fiscal front, value-added tax exemption on goods stored for 24 or 48 hours makes a big difference in the clients’ finances. On the labour front, a more flexible labour law—a push that started more than a decade ago—allows warehouses and distribution centres to employ people for 24/7 operations. This flexibility particularly helps e-commerce players to deliver goods to end customers the next day.

Yet, so successful the sector has been that “we have become a victim of our own success,” as Respondent LOG2 put it. The numerous oversized distribution centres, usually constructed visibly close to highway exits, triggered a public backlash against “verdozing van het landschap” or “boxification”. Politicians reacted by introducing restrictions on greenfields or new land zoned for logistics. As supplies of new real estate dwindled, existing owners are taking advantage of the low vacancy rates and the value appreciation of existing assets. Coupled with the nitrogen emission debate—a uniquely Dutch issue, construction permit approval for new assets becomes uncertain, potentially stunts sectorial growth.

Office

Since Covid-19, the office sector has been undergoing “a big shift in that that people choose quality over quantity,” opined Respondent ADV1. Six respondents unequivocally verified this view. Quality is manifested in the following: grade A buildings; in prime locations or primary cities; near transportation hubs or with superior access to public transportation. Working from home and the office evolving into a social venue were factors in the downsizing of the office space. Respondent ADV1 emphasised that Covid-19 demonstrated that some locations did not work anymore. Many are turning away from secondary cities. Respondent COR2 and RES2 explained that B and C locations were struggling with higher vacancy rates and lower rents and that owners were having to offer more incentives. Respondent ADV3 predicted “permanent vacancy” in the market. However, Respondent COR1 opined that the market, which at one point had been overstretched, was now operating healthily.

Investment volume and transactions in the office sector had waned drastically due to soaring interest rates. Respondent ADV1 observed that everyone was waiting for interest rates to stabilise. As of now, there are discrepancies between buyers’ and sellers’ expectations, which are all driven by yields.

In understanding the appeal of Amsterdam, Respondent COR4 provided a firsthand account of his firm’s decision to bet on the market more than 15 years ago. Amsterdam was deemed a laggard compared with other major markets in the maturity curve, yet had all the indications of “upswing

potential in yields, capital value and leases” and following a trajectory like those of other mature markets. The firm invested in the South Axis was still in its infancy and eventually confirmed what its economists had forecasted. Fast forward to now, Respondent COR3 exclaimed that quality products were more expensive and less available than five years ago. Respondent COR2 too perceived that the best buildings were becoming more difficult to acquire.

Residential

“If I were to invest and I had the money, I would still go for resi,” Respondent ADV3 commented. Respondent ADV2 forecasted a rosy outlook for residential because of the insatiable demand for houses, particularly in the middle segment; however, it was currently confronted with a minor setback. So immense was the demand that vacancy rates in the rental market had never been so low, according to Respondent RES2. Waiting lists from interested parties on the firm’s projects were long and the possibility for rental increases was enormous.

The three respondents who were active in the sector conveyed their utmost anxieties about the government’s interference in the free-market space and its politicisation of this sector. The government’s planned policy on rent control (regulating how residential units are to be rented out, at what levels and to whom private individuals can sell their home) was deemed counterproductive to alleviating the affordability crisis. The feasibility of free market projects could become questionable, affecting supplies and driving up prices of the existing ones. Ambiguity about the implementation of the policy prompted Respondent RES2 to brace for the worst-case scenarios. “The government is not beneficial for the free market in that sense,” Respondent RES3 expressed woefully. “They’re killing the market,” Respondent RES1 echoed.

Retail

Two respondents confirmed that, like offices, retail in prime locations still had bright prospects. Respondent ADV3 remarked that the market had recovered and stabilised by responding to the oversupply of retail space. Where other markets have around 0.9 square metres of retail space per person, the Netherlands has 2.5. The correction was largely due to conversions of retail to residential in city centres. Respondent COR2 confirmed to the buoyancy of retail, especially convenience retail—a combination of supermarkets, delicatessens, fishmongers, pharmacies, fashion, etc. Ranging around 10,000 and 15,000 square meters, it proved to be a resilient asset class during Covid-19 and still performing after. Respondent RES2 attested to the steady performance of the firm’s retail fund. His firm’s strategy to focus on retail that provides neighbourhood daily needs paid off. Secondary shopping streets are confronted with high vacancy rates and low rental rates. A sector that has reached the bottom, he saw it as “a structural pain rather than a cyclical pain” for “they have been paying in the past.”

6.3.3 Sub-determinant: Infrastructure

Two respondents pointed out the overcapacity of the reserved energy grid as a major issue. There is no guarantee that one can get enough power for his facility, a threat to leasing prospects. Inspecting the energy grid capacity has now become a prime criterion in assessing a location.

6.3.4 Discussion and analysis

Relevant ones: Institutional Property Estimation and Quality of Infrastructure; New addition: Potential of Individual Sectors; Irrelevant: Urbanisation level, Urban Population Growth and Development of Service Sector

The quantitative nature of Lieser’s and Groh’s (2011) model excludes any form of assessment of the potential of individual sectors in investigating real estate investment opportunities. Lee (2005) noted the importance of evaluating them, yet only in passing. He too excluded any form of scrutinisation in his Real Estate Potential Index, which is already simpler than that of Lieser and Groh (2011).

The length at which each sector is discussed above underscored the gravity of understanding the attractiveness of a market although the real estate industry as a whole is being dictated by universal macroeconomic factors. In other words, the discussion of real estate investment inevitably entails a dissection of individual sectors’ nuances. The index formulated by Lieser and Groh (2011) could only provide a snapshot, unable to capture historical trajectories. The qualitative nature of this thesis research was best suited to bring such analysis to the surface; therefore, it is added as an indispensable sub-determinant to this thesis’s research model.

Property institutional estimation was described by the respondents qualitatively (the Amsterdam market) and in the size of deals to give a picture of the extent to which institutional investors can participate, not in the way Lieser and Groh (2011) defined it which related to the size of the real estate market to the country's GDP. Quality of infrastructure is still a relevant sub-determinant for the Dutch context while the development of the service sector, urbanisation level and urban population growth are not.

6.4 DETERMINANT: CAPITAL MARKET

Three common sources of funding were identified during the interviews: banks, institutional funds and private investors. Respondent ADV2 characterised the industry as still being very traditional. None of the respondents highlighted any issue regarding the flow of capital. In the development sector, Respondent RES3 shared that Dutch developers usually relied on “one or two sugar daddies.” This limits the number and diversification of projects.

Three respondents revealed the availability of private capital such as family offices and high net-worth individuals. One even went as far as noting that “there's still a lot of dry powder in the market.” Conversely, most of the respondents conceded the challenge of securing favourable financing terms from banks. Three respondents further emphasised that the challenge came from local Dutch banks; one of them attributed it to their critical knowledge of the market. German banks are partially filling the market gap.

Dutch registered REITs as a source of funds were not discussed at all by the respondents. Respondent ADV1 acknowledged that there were buildings owned by REITs, however, the majority were not.

6.4.1 Discussion and analysis

Relevant ones: Debt and credit market and Access to private capital; New addition: none; Irrelevant: Stock Market Liquidity, IPO Market Activity, M&A Market Activity and REIT Market

Based on this research data, the debt and credit market and access to private capital are the sub-determinants pertinent to the Dutch real estate investment market for its capital raising is still traditional. The REIT market is not a major force while the rest of the sub-determinants in Lieser's and Groh's (2011) model—stock market liquidity, IPO market and M&A market activity—are completely irrelevant to the Dutch context.

6.5 DETERMINANT: INVESTOR PROTECTION AND LEGAL FRAMEWORK

Every respondent extolled the soundness of the legal framework in the Netherlands. Respondents commended it as transparent, exemplary and rock solid. Two respondents drew attention to the security of property rights whereby ownership would never be disputed. Two other respondents appreciated the standardisation of contracts in commercial and residential leasing. Respondents ADV3 affirmed the market could count on the system to protect the parties in the deal. Three respondents praised the system's speedy resolution of cases as an advantage for business.

Respondent COR2 cited the Covid-19 pandemic as a test of the system's pragmatism. Without any precedent of forced lockdown, the higher court, Hoge Raad der Nederlanden, formulated a calculation tool to reasonably settle rental payment issues between landlords and retail tenants.

6.5.1 Discussion and analysis

Relevant ones: Investor Protection, Security of Property Rights, Quality of Legal Enforcement; New addition: none; Irrelevant: Regulatory Quality

Relevant as a general determinant of a market's attractiveness, the legal framework however was not extensively discussed by respondents, indicating their confidence. This research trimmed down the sub-determinants listed in the model of Lieser and Groh (2011) to three sub-determinants: Investor Protection; Security of Property Rights and Quality of Legal Enforcement.

6.6 DETERMINANT: ADMINISTRATION BURDENS AND REGULATORY LIMITATIONS

6.6.1 Sub-determinant: Taxation

Based on the interviews, three types of taxes emerged: corporate income, real estate and personal wealth. The general view of the corporate tax regime was positive. Respondents described it as not the cheapest but competitive; not a tax paradise but friendly.

All respondents voiced pointed critiques about the steep increase in transfer tax to 10.4% over a short period. This higher upfront cost puts pressure on cashflows and investment returns. Respondent LOG1 shared the insecurity as to when it would go up again. He protested about the rate being “too high”. Respondents unanimously believed the increase was hurting the attractiveness of the Netherlands to foreign investors. Respondent LOG2 reckoned it was the highest transfer tax in Europe. Respondent RES3 argued that, “less foreign investment means less capital to develop,” hence discouraging growth in housing supplies. On the other hand, unlike short-term investors, Respondent COR4 believed that the impact was negligible for huge institutional investors who were here for the long run. Respondent ADV2 advised his clients that the taxes pay for the excellent infrastructure and that paying them was part of doing business in the Netherlands.

Tax changes on personal real estate assets sent jitters to private investors. Respondent RES1 explained that discussions on upping the tax rate on that asset class and applying the same tax treatment as income, both in effect paying higher taxes, created uncertainty. This resulted in increased risks, higher required rate of return and lowered prices or value erosion. Respondent RES2 revealed that “private investors are now selling their properties just because of the tax burden.”

6.6.2 Sub-determinant: Ease of Obtaining a Construction Permit

Two respondents identified the strict urban boundary and zoning policy in the Netherlands as helping permit certainty. “It’s black and white. So with that actually the risk has always been very limited,” one commented. However, the nitrogen and boxification debates have thrown permit approval into limbo. One respondent in logistics recounted that it used to be predictable. After an eight-week process plus a six-week public notice period for objections, one would get an irrevocable permit. The permit process in the Netherlands used to be better than in other countries, but over the last two years, it has become much more cumbersome. Environmental regulations coming from Brussels, related to biodiversity, for example, were further slowing the permit process for new housing, remarked Respondent RES2. For those in the business of converting buildings, rezoning “takes a hell of a long time. It can take easily four to five years before you can even start developing, so a simple project can usually take seven years from start to end because you’re losing four to five years with your licenses.”

Other factors in delaying the process are undercapacity in local governments and, as three respondents growled, the legal rights of the public to lodge complaints against new developments to the highest court. One recalled that it was easier in the former days and now the system gave “a huge podium to the activists,” while another respondent bemoaned that it “consumes a lot of time and energy.”

Respondent RES1 described the permit inefficiency as a “deep-rooted problem that is ingrained in our political system,” attributing it to complacency. Respondent COR3, on the other hand, reckoned that the process was much better in the Netherlands than in Germany where it could take a very long time. If the documents are complete, the client can assume the approval is granted in 3-4 weeks.

6.6.3 Discussion and analysis

Relevant ones: Taxation and Capital Gains Taxation and Ease of Getting Construction Permit; New addition: none; Irrelevant: Ease of Registering Property, Ease of Starting A Business and Ease of Closing A Business And Forex Control

Out of the six original sub-determinants under Administration Burdens and Regulatory Limitations as defined by Lieser and Groh (2011) only two are pertinent to the Dutch investment scene: Taxation and Ease of Obtaining a Construction Permit. This study groups corporate income, real estate related and personal wealth under the umbrella of Tax; zoning falls under Ease of Obtaining a Construction Permit. The following four were not raised by any respondents: Ease of Registering Property; Ease of Starting a Business; Ease of Closing a Business; and Foreign Exchange Controls.

6.7 DETERMINANT: POLITICS

6.7.1 Sub-determinant: Domestic Political System & Business Certainty Resulting from Politics

Two respondents cited multi-party coalition governments for a climate of stability and a continuation of ideology, thus avoiding swings of extreme left or right. The system delays things down but keeps out surprises as well.

While the system is unanimously applauded for its stability, the very system itself has produced forms of uncertainty and led to business risks. Respondent RES2 opined that the short, four-year mandate of governments was not made for long-term stability. Respondent ADV2 delivered blistering criticism for the system's failure to formulate long-term visions and execute priorities such as investment strategy that must outlive elected governments. Starting 15 years ago, the government perceived that the market could handle it and the market had proven it could not, leaving unintended consequences in its wake. He added that the national government pulled back from coordination resulting in competition between municipalities. With zoning and spatial planning not a focus anymore, economic planning was affected and to some extent real estate. Companies need real estate to be a company and to conduct their activities. Respondent RES2 furthered the sentiment by saying "we didn't have anybody for spatial planning. There's no minister for that," in the past government. More attention now from the Hague to address land use issues brings some hope.

The government's retreat invited agitation into what a typically traditional real estate industry associated with long-term, steady revenues. Respondent ADV2 explained that as only the bottom line mattered, "cowboys" brought in an influx of short-term investments. Flipping houses, high rent increases and quick exits became common to a point where "they don't really match the value anymore."

As housing affects individual voters, the residential sector is one that is most prone to politicisation, which is rent control in the current context. Respondent RES2 attributed the climate of uncertainty in the sector partly to factors related to the system: an amendment to the policy which was announced half a year ago, a planned vote in Parliament in the autumn and ambiguity regarding implementation. He hoped "that the housing market is not going to be a political play every time there's a new government, that they are going to change all the policies again because that's affecting us and scaring away international investors." Furthermore, Respondent RES3 expressed concerns about the adversarial mindset between those operating in social housing and the free market.

The system gave rise to one-issue parties such as the Dutch Farmers Party, argued Respondent LOG2. The nitrogen issue and availability of land are where the interests of the Party's constituent and the industrial real estate sector intersect. The Party's performance in the latest provincial election proved to be a setback to the sector. "Those one-sided politics are not very favourable for us," sighed Respondent LOG2.

6.7.2 Sub-determinant: International Politics and Geopolitics

The two major affairs discussed were the war in Ukraine and Brexit. The war, a factor in the rising energy prices and interest rates, has clearly impacted the real estate industry. While the respondents welcomed Brexit as an advantageous event for the Netherlands, they acknowledged its negligible impact on the investment scene as the UK's large market still warranted attention. The only major tenant relocation from London to Amsterdam was the European Medicines Agency. Two respondents remarked that inconveniences arose in the movement of people such as border control and limitation in the duration of stay.

6.7.3 Discussion and analysis

Note: Politics as a determinant replaced Geopolitics and Political Stability in the operationalisation; New additions: International and geopolitics, Domestic Political System and Business Certainty resulting from Politics.

Political stability and risks were defined by Lieser and Groh (2011) and Lee (2005) in terms of the absence of turmoil and violence; citizen participation, freedom of expression; quality of public service; the independence of the civil service from political pressure; and the quality of policy formulation. These were excluded in the operationalisation as discussed in Chapter 5.8. Except for the last one, the

unanimous perception of the respondents that the Netherlands was a politically safe country rendered the rest irrelevant to this research.

Politics as a label was selected to include both domestic and international affairs. The war in Ukraine and Brexit were deemed to be worth discussing even though the latter turned out to be of minimal impact. The in-depth interviews of this research enabled scrutiny of how real estate was affected by politics, providing insights beyond the perception of stability. This research also confirmed the irrelevance of the following sub-determinants in Lieser's and Groh's (2011) model: Human Development Index, Crime and Bribery and Corruption. They were omitted in this research conceptual model and indeed not raised by the respondents.

6.8 DETERMINANT: PROFESSIONALISM OF REAL ESTATE SERVICES

Most of the respondents agreed that the level of professionalism of real estate services in the Netherlands was high and was a pivotal cog in the country's robust real estate ecosystem. The service providers refer to brokers, legal and fiscal advisors and valuers. The availability of international firms with global resources provided added assurance that they "can solve any problem what a local guy can't do because he never, ever has seen these problems," stressed Respondent COR4. Clients were also free to select from the range of firm sizes based on their budget, claimed Respondent RES2. Services specialising in industrial logistics had significantly matured, according to Respondent LOG1. Many consulting firms now have dedicated teams specialising in logistics. While the level of professional services might not have been the primary determinant, especially for Respondent COR2, it was a factor in the firm's "conscious choice to put our European headquarters in Amsterdam," disclosed Respondent LOG2.

Respondent ADV3 credited the country's sound education system and post-university programmes for making the market open, transparent, professional and ethical. As an illustration, in Sweden and Finland where there was no formal training in real estate, he needed to explain service charges and how to create a budget for a building. Most respondents also perceived that transparency had improved due to increased data availability. Four respondents highlighted English proficiency as a plus point for the investment community. That the market exercised meritocracy, hiring the best people regardless of sex and nationality, added confidence in corporate governance. However, on the ethical front, Respondent ADV2 reckoned that service providers in real estate could have done more to counter the freewheeling, short-term thinking in investment by steering clients back to the long-term horizon of the real estate business.

6.8.1 Discussion and analysis

Note: a new determinant

This qualitative research exposed the importance of the level of real estate services for investors. While it may not be a primary determinant, it certainly helps their operations, especially for foreign ones. Two respondents describe advisors and consultants as their local eyes and ears, allowing them to focus on their core business and strategy. For this reason, the professionalism of services warrants it to be included as a determinant in its own right, thus complementing the model by Lieser and Groh (2011). In their original model, Lieser and Groh (2011) framed education as part of the Human Development Index under Socio-cultural and Political Environment. However, as this research has discovered, education was discussed by respondents as a foundation of professionalism of the services the industry needs.

6.9 DETERMINANT: OPPORTUNITY TO CONTRIBUTE

Respondent ADV2 hailed the shift in mindset that transcended the bottom line and that investors were asking themselves "how can we build something better for the future through our products." The conversation is now more out in the open. Investment used to be regarded as pure financial spreadsheet calculations, conveyed Respondent RES2. Now it is getting much broader with other sectors involved and it is going to be more social and environmental focused.

In providing a hypothetical illustration, Respondent ADV2 said, "APG says you need at least BREAM excellent and at least this, and at least this, then the building companies will have to follow because otherwise they're not funded." Respondent COR2 applauded the Netherlands for being a front runner in terms of having the best building technology and sustainability. Two respondents remarked that where sustainability used to be a nice-to-have, now it was a need-to-have, a hard requirement.

Respondent RES2 indicated that he pitched residential as a sector that had an impact on society for the clients expected societal returns as well as financial ones. Affordable projects mean helping the city to house its teachers and policemen. Whilst there is still an expected minimum financial return, his clients are willing to settle with a slightly lower financial return if they can make societal or environmental impact with their investment. Respondent RES1 regarded the Netherlands as an interesting market for its supply of heritage buildings. He seizes the situation as a business opportunity. In revamping or transforming these vacant, soulless buildings, which would otherwise be a lost part of a city, he creates new value that everybody can benefit from.

6.9.1 Discussion and analysis

Note: a new determinant

The discourse on making a positive impact spearheaded by investors requires an update to the models by Lieser and Groh (2011) and Lee (2005). Therefore, this research model is enhanced to capture this paradigm shift by supplementing a host of traditionally what-I-can-profit-from-the-market determinants with what-I-can-contribute-to-the-market determinants. Carroll's (2016) idea of Philanthropic Responsibilities, whereby corporations "actively engage in programs to promote human welfare or goodwill", is most apt to describe this shift in the real estate boardroom. Evidently, respondents depicted the Netherlands as an appealing investment market that availed investors of financially profitable products that can simultaneously make positive contributions to society and the environment.

6.10 INTERNAL BUSINESS FACTORS; DISCUSSION AND ANALYSIS

Whilst internal factors are beyond the scope of this research, it is worth briefly outlining them to provide some context before moving on to the determinants of setting up a brick-and-mortar shop. The three internal factors that emerged were familiarity bias, operations and image or marketing.

Three respondents highlighted familiarity and cultural similarities with their home countries as a reason for investing in the Netherlands. The two German investors listed the following as examples: culture, geographic proximity, knowledge of Dutch big cities and awareness of the political landscape; the American investor pointed to Dutch culture that the Anglo-Saxon American can relate to, notably in personal communication as well as simplicity in business contracts. This internal bias is in line with the assertion made by Imazeki and Paul Gallimore (2009) that "the level of investor familiarity with each market seems likely to influence investor behaviour."

The Netherlands being the trade gateway to Europe is an obvious choice for investors of industrial logistics. Investors tend to enter the market through proxies such as consultants and advisors. Decisions to establish a local or dedicated team and office come when the scale of the portfolio and/or complexity of managing the assets reach a certain level. Respondent COR1 approximated 500 million euros of investment per one local employee; Respondent COR2 disclosed that the firm decided to open a local office when the portfolio reached about 900 million euros, the second largest behind its investment in the home market. The complexity of the investment and asset management (development stage, multi-tenant, retail/office/residential) was another crucial consideration, Respondent ADV3 stressed. That the assets were mostly located in the Randstad was a convenient factor in setting up shop in the region, commented respondents who focused on commercial.

Respondent COR4 cited the firm's business ambition (creating a portfolio, establishing asset management, getting into financing) in the Netherlands to hire a local team. A manifestation of that ambition came in the form of a physical office surrounded by stakeholders, exclaimed Respondent COR4. The message he sent out to the community about his firm was "they are trying to get into the market. That's the guys we need to do business with." His goal was to be recognised as an important, established foreign investor. Respondent COR2 affirmed that the physical office was to show the Dutch market that the firm was here for the long term, not here just for one, two or three years, but for the upcoming 10 to 20 years or maybe longer.

6.11 DETERMINANT: SHARING OF INFRASTRUCTURE AND SERVICES

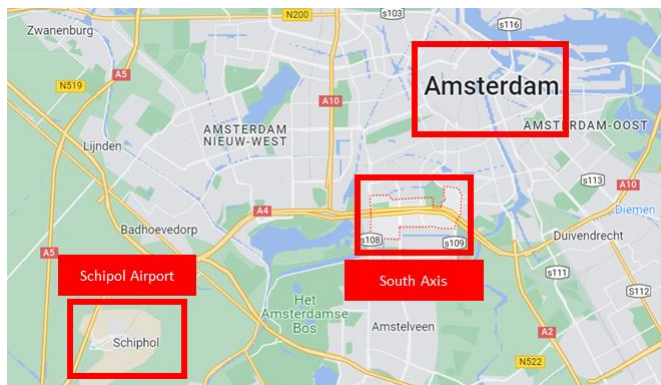
Three respondents highlighted the South Axis's proximity to Schiphol airport as benefiting operations. Foreign colleagues can fly in, take the train to the office in the South Axis and take the underground conveniently to their hotels along the canal in the city centre. One regarded it as "by far the best office

location in the Netherlands.” For Respondent COR4, “Amsterdam South Axis is not only the central business district of Amsterdam, but it's the central business district of the Netherlands.”

Respondents unequivocally point to the clustering of stakeholders in the South Axis as the prime advantage of locating there. Respondent LOG1 commented, “in the end, we are just in the financial service provider sector and then the South Axis is kind of the place to be.” Being there means sharing of specialised services with the others: brokerage, banking, accounting, law, etc. Respondent COR4 described the South Axis as a central business ecosystem within the greater Amsterdam ecosystem.

Figure 6

Modified Google Map of Amsterdam to demonstrate the South Axis's proximity to Schiphol Airport (15 minutes by train) and Amsterdam city centre (15 by Metro).



Note. From Google Maps. (n.d.)

6.12 DETERMINANT: MATCHING OF SPECIALISED SKILLS

Respondents share the view that being in the South Axis helped match jobs with specialised skills. Three respondents specified the kind of people real estate investment firms hired. They are typically those with technical skills for building maintenance who are more local; financial acumen which usually involves valuation and accounting; and entrepreneurial, sociable deal makers. The Randstad region with its plentiful education institutions provides a supply of these skilled labour. Amsterdam itself is already a magnet for young people and expats. Competition for talent was tight, two respondents attested. Respondent ADV1 opined that the war on talent provided all the more reason to have an office in the South Axis. Respondent LOG1 echoed that the South Axis carried a reputation of where “all the firms are located.” Respondent COR4 recounted his direct hiring from the immediate professional circle in the South Axis without having to advertise. Respondent COR1 provided a contrarian view that the reverse was happening; firms were hiring people from outside Randstad as the competition was less tight.

6.13 DETERMINANT: RELATIONSHIPS & LEARNING THROUGH IN-PERSON INTERACTIONS

“It is a people business,” Respondent COR1 portrayed real estate investment as one that relied on emotions, relationships and trust. Visibility is paramount. If there was a vacancy, local brokers and agents were more likely to call the local investment team if they saw them walking around, he added. Respondent COR2 affirmed, “we're not spreadsheet managers.”

Respondent COR4 made a deliberate decision to establish an office in the South Axis to take advantage of the proximity with stakeholders. Deals were made in restaurants and over dinners and lunches. “You need to walk around and show...that's our building,” he illustrated. Evidently, he set up a network of international advisors, investors, consultants and brokers over a short period and verified, “I don't think that I could have done that somewhere else.” Respondent COR2 added, “we need to visit the real estate, talk to the municipality, other landlords and agents to know what's happening in the market.” Ever since Respondent COR3 set up an office next to Utrecht Centraal, meetings were “easier, spontaneous and in between”. The setup was more practical for him and helped establish a better network, allowing him to dive deeper into the market.

Respondent RES1 operates in the South Axis while his technical team is based in Harleem. He does this for the very reason of interacting with them at drinks and learning from them about their views on the market as they “expressed that sentiment better than anybody else.” The multicultural environment helped Respondent COR4 grow to become an experienced human being. He learnt the ways other cultures negotiated business deals and gained respect for them. These two cases illustrate the Porter’s (2020) notion of knowledge spillovers in a cluster. For Respondent COR4, the benefits of being in propinquity with other people in the South Axis cluster outweighed the drawback of having to endure long commutes and Amsterdam’s traffic jams.

6.14 DISCUSSION AND ANALYSIS OF AGGLOMERATION DETERMINANTS

Relevant: Sharing of Infrastructure and Services, Matching of Skills/Talents. Adjustments: In-person Interactions as a determinant and Learning downgraded under it.

The data collected from the in-depth interviews fit the research model broadly based on works by Duranton and Puga (2004) which outlined the sharing of infrastructure, matching of specialised skills and learning as three benefits of agglomeration economies. Respondents highlighted the sharing of expensive infrastructure such as Schiphol airport, the train and metro system, as well as services, as argued by Porter (1998). Respondents also verified that being in the South Axis and other locations in the Randstad region helped their firm match job requirements and talents with specialised skills. This is in line with claims made by Duranton & Puga (2004), Glaeser (1994), Glaeser (1999), Glaeser and Resseger (2010), Porter (1998) and Porter (2000). Lastly, this research categorises New Learning under a bigger umbrella In-Person Interactions in order to additionally capture the establishment of relationships, as reasoned by Porter (1998) and Porter (2000).

Two cases demonstrated deviations from the model. One respondent maintained that the reverse was happening in the hiring process whereby firms were in fact recruiting talent from outside the Randstad because of less competition. Another respondent asserted that the firm’s decision to location its office in Rotterdam was purely due to its proximity to the projects. One respondent cautioned that Randstad was still too broad when discussing office location. Referring to a specific locality such as the South Axis or city centres was more accurate, he added, as “there are a lot of places on the Randstad which you don’t want to be.”

7. CONCLUSION

This research’s main framework drew inspiration broadly from the works of Lieser and Groh (2011) and Duranton and Puga (2004), buttressed by several others detailed in the literature review. In operationalising the models, the purpose was to answer the following question: which external factors influence the locational decision of real estate investment firms in Randstad Netherlands? The model by Lieser and Groh (2011) was an apt departure point to assess macro-level external factors of real estate investment attractiveness. The six main determinants are applicable to the Dutch context, subject to minor relabelling to become: Economic Activity; Real Estate Investment Opportunity; Capital Market; Investor Protection and Legal Framework; Administration Burdens and Regulatory Limitations; and Politics. Depth of Sophistication of Capital Market was relabelled to Capital Market to reflect the conventional nature of financing.

The other two major additions to the determinant level are Professionalism of Real Estate Services and Opportunity to Contribute. Respondents perceived the level of professionalism as crucial, if not a key determinant, in investing in the Netherlands. As the discussion of environmental and societal impact moved from the margins to the mainstream, coupled with the realisation that investors were in the position to shift the conversation, it is high time to refresh Lieser’s and Groh’s model (2011), complementing what-I-can-profit-from-the-market determinants with what-I-can-contribute-to-the-market determinant. This line of thinking is courtesy of Carroll (2016), Schueth (2003) and Sparkes and Cowton (2004).

Adjustments to Lieser’s and Groh’s model (2011) are stark at the sub-determinant level. This thesis’s research model puts further attention on Interest Rates and Credit Ratings which are under Economic Activity. The Potential of Each Individual Sector is inserted as a new sub-determinant under Real Estate Investment Opportunity to underscore the importance of delving into the dynamics and nuances of each real estate sector. Exploratory, qualitative research adopted by this study is best suited to expose such in-depth insights. Numerous sub-determinants from Lieser’s and Groh’s model (2011) are irrelevant to the Dutch context (refer to chapter 5.8 on Operationalisation).

7.1 FINAL CODE BOOK

Major adjustments were visible at the sub-determinant level. Nine new ones, highlighted in yellow, were added. The tick signs in the table below indicate sub-determinants that were discussed by respondents, thus relevant to the Dutch context; the cross signs indicate those that were not raised at all by respondents, thus irrelevant.

Figure 7

	Determinants/external factors	Sub-determinants	
Real estate investment attractiveness	Economic Activity (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ GDP size, per capita, growth (Lieser & Groh, 2011) ✓ Innovation (Lieser & Groh, 2011) ✓ Interest Rates ✓ Credit Ratings x Working Force (Lieser & Groh, 2011) x Inflation (Lieser & Groh, 2011) 	
	RE Investment Opportunity (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ Institutional property estimation (Lieser & Groh, 2011) ✓ Quality of infrastructure (Lieser & Groh, 2011) ✓ Potential of individual sectors (Lee, 2003) x Urbanisation level (Lieser & Groh, 2011) x Urban population growth (Lieser & Groh, 2011) x Development of service sector (Lieser & Groh, 2011) 	
	Capital Market (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ Debt and credit market (Lieser & Groh, 2011) ✓ Access to private capital (Lieser & Groh, 2011) x Stock market liquidity (Lieser & Groh, 2011) x IPO market activity (Lieser & Groh, 2011) x M&A market activity (Lieser & Groh, 2011) x REIT market (Lieser & Groh, 2011) 	
	Investor Protection and Legal Framework (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ Investor protection (Lieser & Groh, 2011) ✓ Security of property rights (Lieser & Groh, 2011) ✓ Quality of legal enforcement (Lieser & Groh, 2011) x Regulatory quality (Lieser & Groh, 2011) 	
	Admin Burdens and Regulatory Limitation (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ Taxation and capital gains taxation (Lieser & Groh, 2011) ✓ Ease of getting construction permit (Lieser & Groh, 2011) x Ease of registering property (Lieser & Groh, 2011) x Ease of starting a business (Lieser & Groh, 2011) x Ease of closing a business (Lieser & Groh, 2011) x Forex control (Lieser & Groh, 2011) 	
	Politics (Lieser & Groh, 2011)	<ul style="list-style-type: none"> ✓ International and Geopolitics ✓ Domestic Political System ✓ Business Certainty resulting from Politics 	
	Professionalism of RE Services	<ul style="list-style-type: none"> ✓ Data, transparency and competence 	
	Opportunity to Contribute	<ul style="list-style-type: none"> ✓ Positive impact to environment and society (Carroll, 2016; Schueth, 2003; Sparkes & Cowton 2004) 	
	Internal business determinants (outside the scope of this research)		
	Agglomeration variables	Sharing of Infra and Services*	<ul style="list-style-type: none"> ✓ Infrastructure (transport, telecommunications) (Duranton & Puga, 2004; Eberts & McMillen, 1999) ✓ Supporting services and institutions (standard agencies, trade associations, universities) (Porter, 1998)
		Matching of Skills/Talents*	<ul style="list-style-type: none"> ✓ Specialised labour pool**
		In-person Interactions*	<ul style="list-style-type: none"> ✓ Relationships: business and personal (Porter, 2000) ✓ Learning: technology and business practices***

*** Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000

8. RECOMMENDATIONS

8.1 REAL ESTATE INVESTORS AND SERVICES

With a large amount of money and products shaping urban environments, there was palpable awareness of the impact institutional investors can have on society and the environment. “Change in the sector will start from that side of the investor,” a respondent acknowledged. This mindfulness has allowed conversations about energy efficiency, rejuvenation of heritage buildings and developing housing affordability to enter investment deliberation. One respondent acknowledged that the onus was on his sector and himself to change public perception of industrial logistics real estate by developing greener, better buildings and providing the surrounding community with electricity. He added, “there are logistics buildings that are actually really pretty.” Cities, communities and the environment would certainly benefit from a continuation of this positive spirit.

There is a case to be made for reminders of the long-term nature of the business. One respondent called investors to mind that an “investment has a life cycle of at least 50 years even though our accounting rules say you have to depreciate it in 30 years.” This expansion of horizon allows possibilities to invest higher and affords the product with interesting value beyond the bottom-line numbers. Combining nature with real estate and bestowing vacant, historical buildings value by revamping them were some examples suggested by respondents.

Another expression of the long-term perspective is to make conscious decisions on the approach. One respondent disclosed that pension funds and other parties deliberately steered back or stayed on course in their long-term investment calculus. In this regard, the author of this research invites those with the capacity and resources to consider following suit, creating a steadier ethical ballast in the market. One respondent went even further to suggest that service providers, advisors and consultants could do more to act as a counterpower to short-term forces. Another respondent advised his clients to wait out temporary dips in the residential market as historical performance and future demographics foretold positive prospects.

8.2 BE A PARTNER IN FORMULATING APOLITICAL, MULTI-STAKEHOLDER STRATEGIC VISIONS

This thesis research has confirmed the adage that business and investment thrive amid consistent execution of strategic priorities. “What's really important for us, for institutional investors, is stability in policy,” one respondent summed up. A stable political system like the Dutch, while a vital factor, does not guarantee bringing about such consistency. The very stable system itself could potentially roll back decades-long business progress.

Long-term economic priorities, exemplified by the Netherlands’ trading-based economy, and housing provision are complex issues that require orchestration from the highest level of policy-making agencies. The meticulous plan and dreary discourse are usually a far cry from the sound bites of political campaigns. Long term means decades, outliving any electoral term. The politicisation of strategic priorities risks reactive tinkering of regulations, resulting in opposite effects. One respondent hinted that “politics should listen more to the real estate markets and find the solution how to do so...as the current route is not the one to walk, and it's not solving the existing problem.” In the cases of the boxification issue and rent control, political tinkering stalled real estate development and the provision of housing supplies.

Alignment is key, for example between the future of real estate, spatial vision, economic priorities and with the kind of society we envisage. To that end, continuous multi-stakeholder engagement and dialogue must be incorporated into the process. In the words of respondents, real estate investors ought to be “a partner of the tenants, of the government, of the developers.” One respondent divulged, his clients, pension fund executives, were sharing inputs on policies with the Minister of Housing, Spatial Planning and the Environment. Such established communication access could be further capitalised to enhance facilitated dialogue.

Housing is a pressing issue, not only for real estate investment but for the general liveability and competitiveness of the Netherlands. One respondent stressed the need for symbiotic collaboration between the social housing and the free-market sectors. He believed the government “should combine those efforts that they currently have on the market into strategic planning.” He added that regulating 80 or 90% of the rental market would take longer for new products to be out into the market. He

proposed that the government consider reserving positions within cities for different, mixed types of housing. Another respondent suggested lowering ground rents by municipalities in response to the double whammy of rising interest rates and decreased real estate values in order to make projects more financially feasible, and thus accelerate the provision of affordable housing.

Amid the boxification and nitrogen debates, one respondent shared his concern about the tainted image of logistics and distribution and called for a reminder that they were a pillar of the nation's economy. Greenfield could be kept intact to minimise public disapproval, another respondent suggested. Municipalities could loosen regulations for developers to transform brownfields into new industrial estates with beautiful buildings.

There are already proven illustrious cases as references. The South Axis is a chief example of a bold economic vision supported by spatial planning, multistakeholder engagement and relentless execution. A product conceived out of thin air, the South Axis placed Amsterdam on the real estate map. The trade sector is another case of dedicated strategic execution and seamless orchestration that resulted in policy alignment with regard to spatial planning, value-add tax and labour, just to name a few.

8.3 WINNING THE LOCATIONAL AND INVESTMENT TOURNAMENT

The government and policymakers must be vigilant to external competition. In reference to claims put forward by David (1984), Florida and Adler (2022), and Porter and Porter (1998) that the state, governments and policymakers play a role in fostering a competitive environment to attract investments amid cross-border flows of capital. Respondents considered Frankfurt, Paris and London as competitors but in a league of their own. Some claimed that Amsterdam was comparable with Scandinavian and second-tier UK cities.

Inspirations could be drawn from those cities. Proactive actions ought to be taken in areas where the government and policymakers can make a difference. Regulatory certainty and smoother permit process for all sectors were areas for improvement, as noted by respondents. Uncertainty leads to stalling of developments, financial risks and halting supplies to the market. The nitrogen debate, boxification, rent control, lengthy public discussions and under-resourced municipality were some pain points raised by respondents. Regarding the rise in transfer tax for example, one respondent stated "in case the investment climate is becoming less attractive because the taxes are increasing, that would also mean that the investor will look for other places to invest their money...every Monday we have the investment committee and the multiple opportunities throughout Europe are being presented. So, you're really competing with other countries."

8.4 FOLLOW UP RESEARCH

In studying their locational decision, we simultaneously exposed their sentiment and assessment of the current investment climate. How the Netherlands fare in comparison with other markets against each investment firm's internal expectations and risk profile would provide a fuller perspective. The proposed methodology could include a combination of quantitative evaluation of empirical investment data and qualitative appraisal by investment managers. This research has proved the sectorial nuances in real estate and that each investor specialises in one or two. Future research might consider zooming in on individual sectors. Such an approach not only allows depth but also gives room to review historical trajectories and project possible future outcomes, thus complementing the more common published studies that merely provide snapshots of immediate situations. An understandably consuming undertaking, the results of the proposed research might bring about more targeted recommendations for policymakers.

This research presents a view from the investor perspective. Capital flows in and out much more swiftly in reaction to events than the speed of policy formulation. Policymakers are also at the mercy of external shocks, as Covid-19 and the war in Ukraine attested. Years-long, meticulously planned policies are prone to abrupt irrelevance. Further research to expose perspectives of the actors in the public sector could help discern issues from a fresh vantage point. It ought to recognise the disparate groups and levels in that sector (e.g., civil servants; political advisors; national, provincial or municipal governments) as much as to study the interrelated connections between them in relation to policies affecting real estate. The proposed research could involve a quantitative and qualitative examination of ongoing policies and decision-making processes. The idea drew its inspiration from respondents of this research who were unequivocal in the need for intense collaboration between stakeholders. They

identified the housing sector, market regulations, and economic and spatial visioning as some pressing examples. The results of this proposed research could serve as discussion points for multi-stakeholder dialogue, a crucial ingredient for strategic alignment.

The last recommendation refers to Porter's (2000) idea about the role government plays in developing and upgrading a cluster, in addition to fostering a positive general business environment. According to him instigating communications is paramount to successful cluster initiatives. One way to achieve it is by institutionalising relationships and linkages among constituencies. Trade associations and government agencies, for example, could take leading roles in such initiatives. A systematic study on how a cluster such as the South Axis can enhance competitiveness would be thought-provoking. After all, respondents of this study were quick to point out the following areas of improvement related to communications and clusters to maintain the country's competitiveness: integration of foreign professionals, multi-stakeholder dialogue and housing affordability for employees.

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10. APPENDICES

APPENDIX A: MODEL FOR REAL ESTATE INVESTMENT ATTRACTIVENESS BY LIESER AND GROH (2011)

Economic Activity	Real Estate Investment Opportunities	Depth and Sophistication of Capital Market	Investor Protection and Legal Framework	Admin. Burdens and Regulatory Limitations	Socio-cultural and Political Environment
1.1 Size of Economy	2.1 Institutional Property Estimation	3.1 Stock Market Liquidity	4.1 Investor Protection	5.1 Taxation & Capital Gains Taxation	6.1 Human Development
1.2 GDP per Capita	2.2 Degree of Urbanization	3.2 IPO Market Activity	4.2 Security of Property Rights	5.2 Ease of Getting a Construction Permit	6.2 Crime
1.3 GDP Growth	2.3 Urban Population	3.3 M&A Market Activity	4.3 Quality of Legal Enforcement	5.3 Ease of Registering Property	6.3 Bribing & Corruption
1.4 Working Force	2.4 Quality of Infrastructure	3.4 Debt & Credit Market	4.4 Regulatory Quality	5.4 Ease of Starting a Business	6.4 Political System & Stability
1.5 Inflation	2.5 Development of Service Sector	3.5 Access to Private Capital		5.5 Ease of Closing a Business	
1.6 Innovation & Technology		3.6 REIT Market		5.6 Foreign Exchange Controls	

APPENDIX B: CONCEPTUAL MODEL

EXTERNAL FACTORS/DETERMINANTS

RE investment attractiveness

Determinants:

Economic Activity | RE Investment Opportunity | Maturity of RE Services | Capital Market | Investor Protection and Legal Framework | Admin Burdens and Regulatory Limitation | Politics | Professionalism of RE Services | Opportunity to Contribute

INTERNAL BUSINESS FACTORS
Outside the scope of this research

EXTERNAL FACTORS/DETERMINANTS

Agglomeration variables

Determinants:

Sharing of Infrastructure and Services | Matching of Skills and Talents | In-person Interactions

Decision to set up shop in the Randstad region

APPENDIX C: PRESET THEMES AND INTERVIEW GUIDE

Based on research...
 • Determinant; influence; factors
 • Thoughts; elaborate; explain more; expand; Could you provide EXAMPLES?
 • That is an interesting point; I'd like to go back to...;

Interview Guide

INTERVIEW GUIDE	V / X
OPENING Why do you (or institutions) invest in NL? What are the major advantages of this market?	
INVESTMENT OPPORTUNITY • And how mature is the RE ecosystem? • How robust is the RE investment opportunity in NL? (IRR, capital gain) • Institutional property estimation; Urbanisation level; Urban population growth; Quality of infrastructure; Development of service sector • <u>Proactive Amsterdam government</u>	
ECONOMIC ACTIVITY • How do the macroeconomics of NL play a role in your investment decisions? • GDP size, per capita, growth; Working force; Inflation; Innovation	
DEPTH OF CAPITAL MARKET • How deep and sophisticated is NL capital market to support RE investment? • Stock market liquidity; IPO market activity; M&A market activity; Debt and credit market; Access to private capital; REIT market	
ADMIN BURDENS AND REGULATORY LIMITATION (TAX) • How attractive is the tax regime for RE investment? • Ease of getting construction permit; Ease of registering property, starting + closing a business; Forex control	
INVESTOR PROTECTION AND LEGAL FRAMEWORK • How well are RE investors protected within NL legal framework? • How effective is the corporate governance system? • Investor protection; Security of property rights; Quality of legal enforcement; Regulatory quality	
GEOPOLITICS AND POLITICAL STABILITY • How has Brexit affected real estate investment in the Netherlands?	
RANDSTAD • Why is having an office in the Randstad important? • Share infrastructure; skilled workers more easily; learning from each other • Image	
RECOMMENDATION • How have any of the external factors improved or deteriorated over the years? • If you were to decide now, where would you base your firm?	

Handwritten notes:

- Product? vs other markets?
- Interest Rates!
- FBI + transfer tax
- being present visible
- People & business
- portfolio size / person. → physical presence
- Benefits of being in EU.
- Sustainability / ESG
- familiarity with the market

Appendix D: Operationalisation

Real estate investment attractiveness (Lieser & Groh, 2013)	Economic activity (Lieser & Groh, 2013)	GDP size, per capita, growth (Lieser & Groh, 2011) Working force (Lieser & Groh, 2011) Inflation (Lieser & Groh, 2011) Innovation (Lieser & Groh, 2011)
	RE investment opportunity (Lieser & Groh, 2013)	Institutional property estimation (Lieser & Groh, 2011) Urbanisation level (Lieser & Groh, 2011) Urban population growth (Lieser & Groh, 2011) Quality of infrastructure (Lieser & Groh, 2011) Development of service sector (Lieser & Groh, 2011)
	Depth of capital markets (Lieser & Groh, 2013)	Stock market liquidity (Lieser & Groh, 2011) IPO market activity (Lieser & Groh, 2011) M&A market activity (Lieser & Groh, 2011) Debt and credit market (Lieser & Groh, 2011) Access to private capital (Lieser & Groh, 2011) REIT market (Lieser & Groh, 2011)
	Investor protection and legal framework (Lieser & Groh, 2013)	Investor protection (Lieser & Groh, 2011) Security of property rights (Lieser & Groh, 2011) Quality of legal enforcement (Lieser & Groh, 2011) Regulatory quality (Lieser & Groh, 2011)
	Admin burdens and regulatory limitation (Lieser & Groh, 2013)	Taxation and capital gains taxation (Lieser & Groh, 2011) Ease of getting construction permit (Lieser & Groh, 2011) Ease of registering property (Lieser & Groh, 2011) Ease of starting a business (Lieser & Groh, 2011) Ease of closing a business (Lieser & Groh, 2011) Forex control (Lieser & Groh, 2011)
	Geopolitics and political stability	Brexit
Agglomeration variables	Sharing (Duranton & Puga, 2003)	infrastructure (transport, telecommunications) (Duranton & Puga, 2004; Eberts & McMillen, 1999) supporting services and institutions (standard agencies, trade associations, universities) (Porter, 1998)
	Matching (Duranton & Puga, 2004)	specialised labour pool*
	Learning (Duranton & Puga, 2004)	technology and business practices**
		*Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000
		**Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000

APPENDIX E: SELECTED CODED INTERVIEW TRANSCRIPTS

- There's also a big, huge public debate on the boxification of our country. So therefore, we think that the tenant demand will go up because more people will order online. But the supply of new real estate will decrease. So vacancy rates will decrease as well, and that's obviously a great scenario for rental growth and that's our main strategy right now here in the Netherlands.

Can you tell me more about boxification? What is that?

- Boxification in Holland we call it yerdozing and it translates into the boxification. Well, we have a lot of big boxes in the Netherlands for logistics. If you look at the big box warehouse ratio per inhabitant of our country is really high and that's because our climate for logistics is really good.
- But those properties are not the prettiest. 9 out of 10 times, they are just gray and big and people in the Netherlands. There's a public debate going on that we should not turn new greenfield land into logistics more because it ruins our landscape. It's not great for the logistics sector, but from a real estate point of view, it's quite interesting because if there is less demand, then rents go up.

For owners like you.

For owners. Yeah, yeah, indeed.

Just to clarify, there is a this. This is a very big logistics market because it's close to the Rotterdam port and Schiphol.

- Yeah, that's the reason why we have a very strong logistics market. Sometimes people call the Netherlands the warehouse for continental Europe, so goods arrive at the port of Rotterdam or Antwerp. And then there are being stored in the Netherlands, and for a few hours or maybe one day, and then they go into the continent.
- The government provided the very attractive climate for that. You are not getting you are not obliged to pay VAT if you store your product only for 24 or 48 hours. So that's a benefit when you compare it to Germany or Belgium.
- Our labor regulations are very loose, so you can easily have people working 24/7 in your warehouses, while in Belgium that's also very different. Yeah, #QUOTE#The Netherlands is like really the hot spot area for logistics in Europe.

OK. It's like the Singapore in Southeast Asia.

Yeah, indeed. Yeah, yeah.

OK. Yeah. You mentioned tax, VAT. Can you tell me more about the tax regime as an investor in logistics, apart from that, what's beneficial and what's not beneficial?


- Well, what not beneficial is the real estate transfer tax. It's really high here.

It's been just been increased, right?

Yeah, it is now 10 point something percent.

4-

- 10.4 yeah. Five years ago, it was 6%, I think, and now it's already above 10. So that's a really big increase. On the one hand, that's basically reflected in the yield. So owner sellers get less for their properties. It's like calculated in that yield. But still it slows down the investment market. I mean the real estate transfer tax is just too high.
- Something that is interesting here is that if you sell a new development within six months after that it has been delivered, you are exempt to pay real estate transfer tax. So if a developer develops a building and the rent commands which adds the 1st of January, then you have six months time to sell it and then the buyer is not obliged to pay transfer tax on it. That's that's that's a positive one.
- Yeah. apart from that, I'm not really...we have a big tax team for our acquisitions and I do know that. It is quite beneficial to invest here. We work with Dutch BV, Dutch ~~procos~~. They acquire the assets. And

 **Hendry Hendry Thongahan**
NEW // LEE 2005 > the potential of the individual market sectors

 **Hendry Hendry Thongahan**
L&G 2011 // Admin burdens and regulatory limits
> Ease of getting construction permit

BOXIFICATION DEBATE

 **Hendry Hendry Thongahan**
NEW // LEE 2005 > the potential of the individual market sectors

VAT

 **Hendry Hendry Thongahan**
NEW // LEE 2005 > the potential of the individual market sectors

LABOUR REGULATION

 **Hendry Hendry Thongahan**
L&G 2011 // Admin and reg > taxation

TRANSFER TAX NOT BENEFICIAL

 **Hendry Hendry Thongahan**
L&G 2011 // Admin and reg > taxation

TRANSFER TAX
slows down the investment market

 **Hendry Hendry Thongahan**
L&G 2011 // Admin and reg > taxation

TRANSFER TAX
loophole

 **Hendry Hendry Thongahan**
LG 2011 // Admin and reg > taxation

OVERALL BENEFICIAL

the holding entity of all the different prop holding the properties is a American LP, so we don't work with Luxembourg entities, what you see a lot. And we always carry out the transfer pricing study, which basically means that we work with intercompany loans.

- So with junior intercompany loan and the senior one. And if you have PwC working on that, they can easily work on that here in the Netherlands, and then you basically pay 0 tax upon acquisition apart from the transfer tax. So that's quite interesting here.

So what you're saying is, companies do not need to set up a special entity in Luxembourg to get around that.

No, no. No.

OK, so and if an American company can benefit from that?

- Yeah. And I think. We decided to open our office here in Amsterdam and we have a London one only focused on the UK. We started five years ago doing Europe out of the London office. But we opened the office here in Amsterdam because we are closer. We are on the continent, another London. So you can also drive to Dusseldorf. Instead of flying with the main reason, I think was that office rents are way lower in Amsterdam than in London.
- The guy who heads our office here is German. He preferred to be in Amsterdam because he thinks Amsterdam is a way more livable city than London.
- Taxes for expat people, we have a lot of expats working here. We have a Polish lady, we have Florian, his German. We have someone from the UK. And it's very attractive for them because you pay way less tax if you're an expat here.
- Also, from a tax point of view, again having an office in Amsterdam is quite attractive, but I don't know the details of that.

When did you open the Amsterdam office?

Two years ago. Yeah, it's quite new, yeah.

And your office is in Amsterdam, in the South Axis.


In the World Trade Center.

I'll come back to that. Can you tell me about the legal framework here. What's your experience?

What do you mean with legal framework like?

Is it beneficial? Is it stable enough? Transparent enough for investment? Have you encountered any problems?

- Yes, it is, and I think it's very transparent.
- It is difficult for Americans to understand the contracts regarding labor labor contracts because we have a lot of protection as an employee here, it's not easy to fire people. That's difficult to understand for the Americans, because in America, if you don't perform and you work somewhere for 50 years, you can be out the next day. Well, that's not possible here.
- We experienced some problems with regards to we acquired a leasehold property in Rotterdam. And for acquiring their lease of assets means that you need consent from the municipality in order to acquire it. So they basically check the ultimate beneficial owner. That's something you see a lot within when you invest in the Netherlands, and that's not a strong point because it consumes a lot of time. They ask a lot of detailed information. They even ask you tax statements of board members, etcetera. And that's really... For Americans, again, that's information that that you will never share in the US and here municipalities just ask that and they say, well, if you don't provide it, you were not allowed to buy this property.


 **Hendry Hendry Thongahan**
NEW – AMS office rents LOWER than London

 **Hendry Hendry Thongahan**
NEW – AMS more livable than London


 **Hendry Hendry Thongahan**
NEW – LOWER income tax for expats

 **Hendry Hendry Thongahan**
L&G 2011 // Investor protection and legal framework
> quality of legal enforcement

TRANSPARENT

 **Hendry Hendry Thongahan**
L&G 2011 // Investor protection and legal framework
> quality of legal enforcement

LABOUR CONTRACTS, A CHALLENGE FOR AMERICANS

 **Hendry Hendry Thongahan**
L&G 2011 // Investor protection and legal framework
> quality of legal enforcement

L&G 2011 // Admin burdens and regulatory limitation
> Ease of getting construction permit

SLOW TEDIOUS ONOROUS

- So from a legal point of view, it's very transparent and well organized and it feels really safe. But it's a bit too much organized. Sometimes it's like it's not making investments easy to do here because there are a lot of NT OPP
- of things you need to take into account in order to acquire properties, especially when you buy leasehold and there was a lot of leaseholds in the Netherlands.

OK, so the balance is not there...in your opinion?

- On the one hand, it's good because it provides a very stable climate and a trustee like. It's very well organized, so it feels safe to invest here. But it also consumes a lot of time. The legal framework...to set up and to comply with it, et cetera. So yeah, it's difficult sometimes here.

I want to ask you about the maturity of the industry. You invest specifically in the logistics class. Can you tell me how mature this sector is in terms of the supporting services valuers, the tax consultants, the brokering?

- You're very, very much, I would say the last few years. 10 years ago, it was a niche market. Back at the days I worked with CBRE before, so I have quite some knowledge on the stats of the markets there, I think. Maybe 5% of the total investment volume in one year was allocated to industry or and logistics. Nowadays that's 30 or 40%.
- So it's very mature and I think the last three years it was even the biggest asset class here. And so you have a lot of dedicated logistics brokers, you have more and more dedicated logistics investors. You have dedicated property manager, teams at the big office firms like CB, Cushman and Jones. No, it's very mature, but it increased significantly over the past years. So it was very different back in the days, but now it's a very mature asset class and you have dedicated logistics valuers.

And that helps your business?

- Yeah. That helps. Because it is nice to work with people who understand logistics and logistics real estate instead of people that are more focused on office buildings, but do logistics real estate when it's needed. Because it is very different and office building, it's all around the building and the people working in the building and the building must look good, et cetera.
- While for logistics, in the end it's just a box and the operation inside the box is very important. So where is the property? How is the excess from the highway etcetera. So it's more the operation that you should focus up rather than the building. It's really like the PU of an of an operation. So it's operational real estate I always say and that makes it different.

You raised the point about opening an office here in Amsterdam after London. Does Brexit have anything to do with it or has it impacted business?

- As far as I understood, no. Plans were already there to open an office in Amsterdam, but it definitely accelerated it also because the guys doing the investments in Europe, they fly a lot from London to Amsterdam, London, Frankfurt, Paris, etcetera. And that was not that easy anymore, because you needed to go through border control every time. So from a functionality perspective it, it accelerated it, yeah.

So I'm not business factors.

No, no, I don't think so.

Your assets are not in Amsterdam in in high density area because you're in logistics, right?

Yeah, no, there are no logistics assets inside the city, no.

But you opened the office in the South Axis. Many people comment that it is important to be close to their assets, but you're not you in the South Axis with everyone else. Why do you think it's important to open an office in the South Axis?



Hendry Hendry Thongahan

L&G 2011 // Investor protection and legal framework
> quality of legal enforcement

L&G 2011 // Admin burdens and regulatory limitation
> Ease of getting construction permit

TRANSPARENT, RIGOROUS

BUT NOT MAKING INVESTMENT EASY



Hendry Hendry Thongahan

STABLE AND TRUSTED

L&G 2011 // Investor protection and legal framework
> quality of legal enforcement

L&G 2011 // Admin burdens and regulatory limitation
> Ease of getting construction permit



Hendry Hendry Thongahan

NEW // LEE 2005 > the potential of the individual market sectors

L&G 2011 // RE investment opportunity > institutional property estimation

LOGISTICS



Hendry Hendry Thongahan

NEW // Maturity or professionalism of RE services

D&P 2004 // shared infrastructure and services

ESPECIALLY FOR LOGISTICS



Hendry Hendry Thongahan

NEW // Maturity or professionalism of RE services

D&P 2004 // shared infrastructure and services

HOW LOGISTICS IS DIFFERENT FROM OTHER SECTORS



Hendry Hendry Thongahan

NEW – Brexit not impacting investment, but flow of people eg border control, work permit

APPENDIX F: FINAL CODE BOOK

	Determinants/external factors	Sub-determinants
Real estate investment attractiveness	Economic Activity (Lieser & Groh, 2011)	✓ GDP size, per capita, growth (Lieser & Groh, 2011)
		✓ Innovation (Lieser & Groh, 2011)
		✓ Interest Rates
		✓ Credit Ratings
		x Working Force (Lieser & Groh, 2011)
	RE Investment Opportunity (Lieser & Groh, 2011)	x Inflation (Lieser & Groh, 2011)
		✓ Institutional property estimation (Lieser & Groh, 2011)
		✓ Quality of infrastructure (Lieser & Groh, 2011)
		✓ Potential of individual sectors (Lee, 2003)
		x Urbanisation level (Lieser & Groh, 2011)
	Capital Market (Lieser & Groh, 2011)	x Urban population growth (Lieser & Groh, 2011)
		x Development of service sector (Lieser & Groh, 2011)
		✓ Debt and credit market (Lieser & Groh, 2011)
		✓ Access to private capital (Lieser & Groh, 2011)
		x Stock market liquidity (Lieser & Groh, 2011)
	Investor Protection and Legal Framework (Lieser & Groh, 2011)	x IPO market activity (Lieser & Groh, 2011)
		x M&A market activity (Lieser & Groh, 2011)
		x REIT market (Lieser & Groh, 2011)
		✓ Investor protection (Lieser & Groh, 2011)
		✓ Security of property rights (Lieser & Groh, 2011)
	Admin Burdens and Regulatory Limitation (Lieser & Groh, 2011)	✓ Quality of legal enforcement (Lieser & Groh, 2011)
		x Regulatory quality (Lieser & Groh, 2011)
		✓ Taxation and capital gains taxation (Lieser & Groh, 2011)
		✓ Ease of getting construction permit (Lieser & Groh, 2011)
		x Ease of registering property (Lieser & Groh, 2011)
	Politics (Lieser & Groh, 2011)	x Ease of starting a business (Lieser & Groh, 2011)
		x Ease of closing a business (Lieser & Groh, 2011)
		x Forex control (Lieser & Groh, 2011)
		✓ International and Geopolitics
		✓ Domestic Political System
	Professionalism of RE Services Opportunity to Contribute	✓ Business Certainty resulting from Politics
		✓ Data, transparency and competence
		✓ Positive impact to environment and society (Carroll, 2016; Schueth, 2003; Sparkes & Cowton 2004)
Internal business determinants (outside the scope of this research)		
Agglomeration variables	Sharing of Infra and Services*	✓ Infrastructure (transport, telecommunications) (Duranton & Puga, 2004; Eberts & McMillen, 1999)
		✓ Supporting services and institutions (standard agencies, trade associations, universities) (Porter, 1998)
	Matching of Skills/Talents*	✓ Specialised labour pool**
	In-person Interactions*	✓ Relationships: business and personal (Porter, 2000)
		✓ Learning: technology and business practices***

■ New addition

✓ Discussed by respondents, relevant

x Not discussed by respondents, not relevant

* Duranton & Puga, 2004

** Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000

*** Duranton & Puga, 2004; Glaeser, 1994; Glaeser, 1999; Glaeser & Resseger, 2010; Porter, 1998; Porter, 2000

APPENDIX G: PARTICIPANT INFORMATION LETTER

Introduction

Dear participant, we invite your participation in an interview which is about factors that influence the locational decision of real estate investment firms in the Randstad region, Netherlands. Participation is voluntary and requires your permission. Kindly allow us to explain the objective of the interview. Please read this information carefully. If you have any questions, please contact us. See contact information at the bottom of this information letter.

Research title

Setting up real estate shop in Randstad: external factors that influence the locational decision of real estate investment firms

Background and purpose of the research

The motivation for this research is driven by an interest in exploring the extent to which the Randstad region and the Netherlands as a nation have successfully attracted real estate investment firms to locate/base themselves there. Business leaders have the prerogative to select their operational locations based on the assessment of external factors inherent to the location. It follows that the success of a business to a large extent depends upon the external environment in which it operates. This investigation is part of Master of Science thesis in Facility and Real Estate Management of Saxion University of Applied Sciences.

Execution of the research

In researching into the locational decision of real estate firms, we shall conduct interviews with 12 real estate executives and analyse results to test the applicability of the model formulated for this research.

Contribution required from the participant

You shall be invited to spare between 45 and 60 minutes to answer about 12 questions. No preparation is required on your part.

Advantages and disadvantages of participating in the survey

To the best of our knowledge, there are no disadvantages associated with participation in this study. The questions shall invite you to recall a specific time when you were deciding the locational decision of your firm or your analysis of the subject. You may be encouraged to provide context about your firm's strategy to provide more context to the decision.

Use, storage and reuse of data

I shall ask for the participant's name and position in the company. The stored data of this interview shall not be traceable to individual participants. In order to protect your data and to limit privacy risks as much as possible, as a student I comply with the requirements of the General [Data Protection Ordinance](#) (AVG).

Voluntary participation

You may request for anonymity. You may change your mind and withdraw participation any time during the process. We shall use your data up to the point of withdrawal. You may also request deletion of the data. If you object to this you can email the student below.

Costs or fees

There are neither costs for you to participate nor compensation for participating in this research.

Ethical review or advice

For this research, advice has been requested from the Saxion Ethics Advisory Committee.

Contact

For more information or questions about this study, please contact us

- Student: Hendry Thongahan | 5334832@student.saxion.nl | +31633449450
- Responsible lecturer: John Brands | j.a.w.j.m.brands@saxion.nl | +31880195499
- In case of complaints about data management you can contact Saxion via the Complaint and Dispute Desk: <https://www.saxion.nl/over-saxion/organisatie/klachtenloket>

Reference to the statement of consent

(online) On the next page you shall see a statement of consent. This form provides you with information on how we process the data you enter in this questionnaire. By digitally signing this form, you permit us to use (anonymously) the data you have entered. Whether or not you participate in this survey has no effect on your further study progress and no assessment will be given for it. Click through to the next page for the statement of consent to grant your permission to participate in this study. After signing, you can proceed to the questionnaire.

APPENDIX H: CONSENT FORM

Research name: Setting up real estate shop in Randstad

Please indicate below whether you consent to participate in this interview. Kindly read the following points carefully.

As a participant in this research	yes	no
I have been clearly informed about the nature, method and purpose of this research.		
I have had enough time to decide on participation.		
I have had the opportunity to ask questions about this research.		
I am aware that participation is voluntary.		
I am aware can stop participating at any time without providing reason.		
I consent to the collection, retention and use of my data for the purpose of answering the research question in this study.		
I am aware that the results of this interview can be incorporated in a report or (scientific) publication.		
I consent to the re-use of my data after this research for future research that falls within the scope of this research. The recognised ethical standards for this form of research will be observed.		
I am aware that for the purpose of verifying the scientific integrity of the research, only selected people can access my collected data.		
I understand that any information I provide in relation to this study will be collected anonymously and will not be traceable to me.		
I can inspect the way in which the data is processed and stored.		
If I withdraw, my data can be used until then, unless I the data already to deleted.		
Grant the researcher permission to make audio recordings. These can only be listened to by the researcher(s) and to check the scientific integrity.		
Grant the researcher permission to make video recordings. These can only be viewed by the researcher(s) and to check the scientific integrity.		
Grant the researcher permission to take pictures. These can only be viewed by the researcher(s) and to check the scientific integrity.		

Name:

Signature:

Date:

Interviewer

As an interviewer, I declare that I explained the nature, method and purpose of the investigation. I declare that I am willing to answer any questions regarding the research.

Name:

Signature:

Date:

Email:

APPENDIX I: PROGRESS FORM



Project progress form

Record the dates of consultations with the tutor, the action points resulting from the discussions, the tasks set for the next appointment and the date for the next appointment. Record telephone conversations (date etc.) and e-mail correspondence (attach copies of any requests and responses). Ensure your tutor initials the "Task Set" section at the end of each session, and keep copies of any notes/correspondence.

Student: Hendry Thongahan
Tutor: John Brands

Date	Kind of communication (email, phone, in person)	action points, task set	date of next meeting
15/05/23	Teams	Execute interview plans and guide	12/06/23
12/06/23	Teams	Progress update, execute 12 interviews.	13/07/23
13/07/23	Teams	Insert operationalisation, draw relationships in the conceptual model, focus on conclusion and recommendation	27/07/23
27/07/23	Teams	John is to review DRAFT2 and email inputs.	10/08/23
10/08/23	Teams	Continue with the planned actions.	

Signature student:

Hendry Thongahan

Signature tutor: