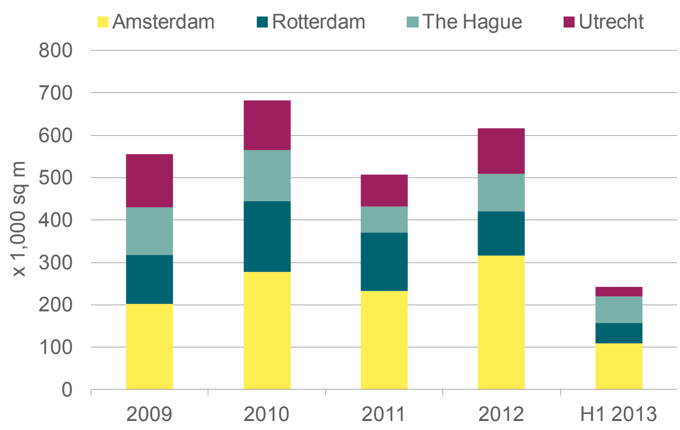
Savills World Research
Netherlands Offices

Market report
Big 4 office markets Netherlands

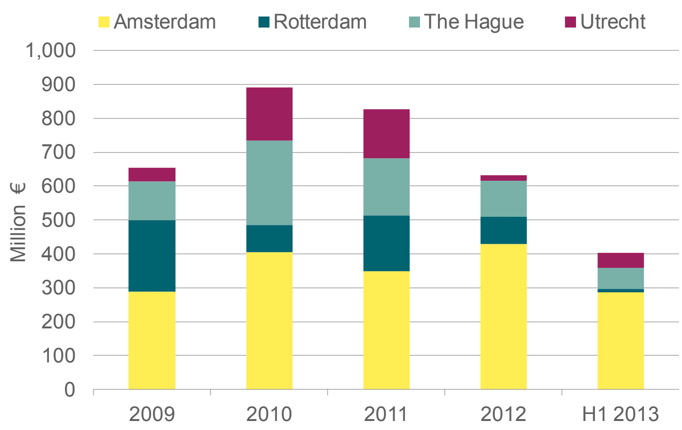
Summer 2013

GRAPH 1
Occupier transaction volumes The Hague positive exception in lacklustre H1 2013



Graph source: Savills

GRAPH 2
Investment volumes Amsterdam clearly remains favourite among investors



Graph source: Savills

SUMMARY

While occupier demand remained subdued, office investments increased

■ The unfavourable economic situation in the Netherlands reflected in lower occupier demand. Total demand in the four largest agglomerations reached 230,000 sq m in H1 2013 and is 22% lower than in previous half-years.

■ The Hague is the only city among the Big 4 that managed to increase demand by 32% yoy to 62,800 sq m in the first half of the year.

■ The share in occupier demand for the city centres/CBD's is ever increasing. During H1 2013 a stunning 40% of demand landed in the city centres of the Big 4, compared to normal averages between 25% - 30%.

■ Dutch headline rents are traditionally significantly supported by incentives and generally show little variation. Recently Savills witnessed more and more owners, especially those with property in vulnerable areas, openly competing on headline rents and lowering asking rents instead of further increasing incentives. In many of those submarkets starting rents now stand at €70-90 per sq m / year.

■ Investments in the Big 4 totalled €400m, a 6% increase compared to average half-year figures since 2009. A breakdown per city shows that this is mainly due to increased Amsterdam investments totalling €285m, or 72% of all Big 4 investments.

■ Yields remained stable over the past six months and increased interest from value-add and opportunistic investors prevented further softening of yields for secondary properties.

"Increased interest from value-add/opportunistic investors supports secondary markets."
Jeroen Jansen, Netherlands Research

Amsterdam

Although overall occupier demand has been severely influenced by the economic setback, Amsterdam remains the number one office market in the Netherlands by far. Investor demand however turned out extremely strong in H1 2013.

Occupier transactions

Office take-up in Amsterdam reached 104,000 sq m in 2013 H1, being 19% lower than the average demand over the past three years.

Business services were responsible for the largest share of occupier demand (44%), while the TMT sector, important in Amsterdam, accounted for 25% of demand.

Largest share of demand was allocated to Amsterdam Southeast (43%). The 15,300 sq m leasing of the De Entree I office building by Das Rechtsbijstand being the largest transaction in Amsterdam.

It is noteworthy that the area stretching from the centre, South, the South Axis towards Buitenveldert accounted for 60% of demand. Companies moving here want to provide their employees with lively surroundings.

Supply and availability

Supply did increase slightly in the past six months, to currently 1.19m sq m, resulting in an overall availability of 17.1% in the Amsterdam agglomeration. However, availability at the city centre (8.5%) and the South Axis (9.0%) is lower and decreasing.

Rent levels

Prime rent levels remain stable at €340 per sq m / year and are supported by the relative low availability at the prime areas. Secondary rents however will remain under downward pressure since owners increasingly compete on asking rents.

Investment transactions

Investors demand in Amsterdam reached over €290m in 2013 H1, far larger than the average since 2009 and underscoring the focus of (foreign) investors on Amsterdam. All major purchases (Atrium, Akzo Nobel, Admiraal de Ruijter and Marina Offices) are located either in the city center or at the South Axis.

"Investor demand turned out high in Amsterdam with five city centre/South Axis transactions." Jeroen Jansen, Netherlands Research

Gross yields

Both prime and secondary gross yields remained stable at 6.4% and 8.0% respectively.

TABLE 1

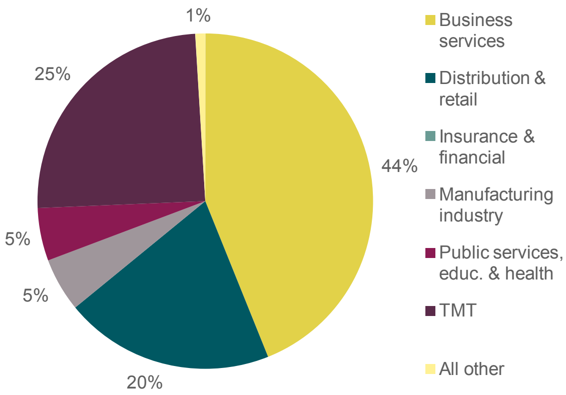
Amsterdam office market at a glance Large investment volume

Figure	H2 2011	H1 2012	H2 2012	H1 2013
Investment volume	€147m	€322m	€107m	€290m
Leasing volume (sq m)	109,000	193,800	122,700	104,000
Availability (sq m)	1.19m	1.19m	1.15m	1.19m
Availability rate	17.0%	17.0%	16.3%	17.1%
Prime rent (per sq m/yr)	€340	€340	€340	€340
Secondary rent (per sq m/yr)	€185	€175	€170	€170
Prime gross yield	6.5%	6.4%	6.4%	6.4%
Secondary gross yield	7.5%	8.0%	8.0%	8.0%

Source: Savills; data includes Amsterdam, Amstelveen and Diemen.

GRAPH 3

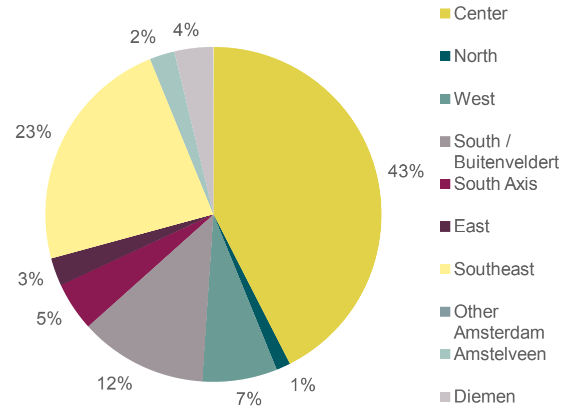
Take-up by sector Business services and TMT most important



Source: Savills

GRAPH 4

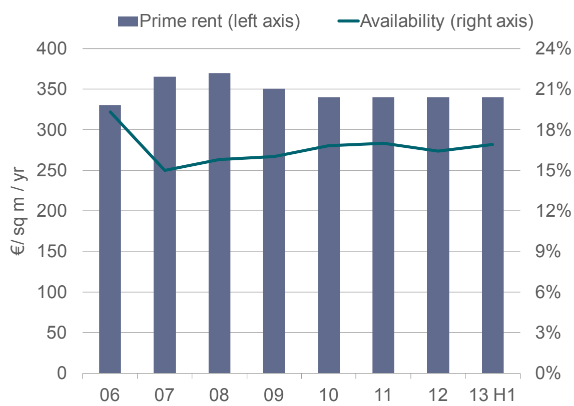
Take-up by submarket Extreme focus on the city centre and Southeast



Source: Savills

GRAPH 5

Prime rent and availability Slight increase in availability



Source: Savills

Rotterdam

Both occupier and investor activity turned out low in Rotterdam.

Occupier transactions

Take-up in Rotterdam totalled 34,000 sq m, well below the average of 66,000 sq m registered between 2009-2012.

Significantly more than half of demand was oriented towards the CBD area, the one area where new developments are still ongoing. The remainder was scattered all over the Rotterdam agglomeration.

Distribution & retail and the manufacturing industry are traditionally strong sectors and together attracted 46% of demand. The TMT sector increased its share to 21%.

Largest transaction concerned UPC leasing 4,500 sq m at the Weena (CBD area). Each of the other transactions was smaller than 3,000 sq m.

Supply and availability

Supply again increased and availability currently stands at 19.4% for the total agglomeration. There are however major differences between submarkets. Availability is lowest is at the Kop van Zuid (9.3%), followed by the CBD (15.8%), while vacancy at Fascination/Rivium is over 40%.

Rent levels

Over the past 12 months rents have generally been under downward pressure and starting rents currently stand at €75-80 euro per sq m / year. The prime segment did manage to stand its ground and top rents at the CBD and Kop van Zuid remained stable at €200 and €190 respectively.

Investment transactions

Investor demand was confined to just two transactions in the first half of the year, one in the city centre and one in Capelle a/d IJssel. Both concerned small properties and the total invested amount did not exceed €10m.

Savills expects the second half of the year to see more transactions, likely also concerning value-add and opportunistic transactions.

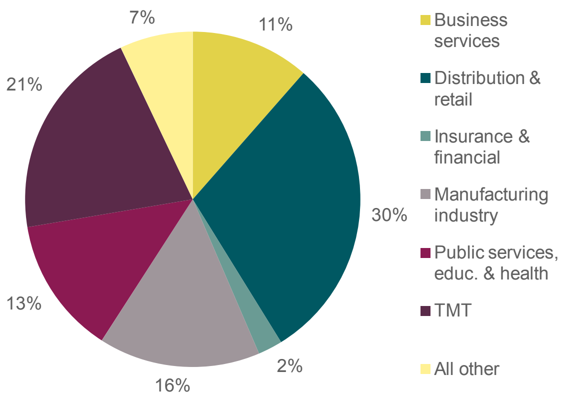
Gross yields

Both prime and secondary gross yields remained stable at 6.75% and 8.5% respectively.

> "2013 H1 has been tough for Rotterdam. Occupier demand is focused at the CBD."
>
> Coen de Lange, Netherlands Agency

GRAPH 6

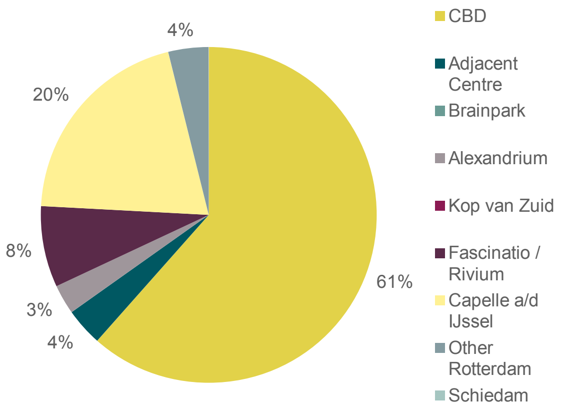
Take-up by sector Distribution and retail take largest share



Source: Savills

GRAPH 7

Take-up by submarket The CBD area responsible for a stunning 61%



Source: Savills

TABLE 2

Rotterdam office market at a glance Availability increased while occupier and investor demand dwindled

Figure	H2 2011	H1 2012	H2 2012	H1 2013
Investment volume	€84m	€75m	€6m	€9m
Leasing volume (sq m)	53,900	59,700	44,900	34,000
Availability (sq m)	673,300	702,700	752,300	804,300
Availability rate	16.3%	17.0%	18.2%	19.4%
Prime rent (per sq m/yr)	€200	€200	€200	€200
Secondary rent (per sq m/yr)	€190	€180	€180	€175
Prime gross yield	6.75%	6.75%	6.75%	6.75%
Secondary gross yield	7.75%	8.5%	8.5%	8.5%

Source: Savills; data includes Rotterdam, Schiedam and Capelle aan den IJssel.

GRAPH 8

Prime rent and availability Increasing availability puts more pressure on rents

Source: Savills

The Hague

While investor demand remained slightly below average, occupier demand turned out strong in 2013 H1 in the The Hague agglomeration.

Occupier transactions

Total occupier demand in The Hague reached 62,800 sq m, 32% higher than the average of the past three years and one of the best half years since the start of the credit crisis.

Almost two-third of total demand was oriented towards the prime submarkets city centre, the New CBD and the Bezuidenhout/Beatrixkwartier.

Largest transaction concerned the CB&I leasing of 18,000 sq m at the Haagse Poort building in the Bezuidenhout/Beatrixkwartier area.

The public sector traditionally is an important sector in The Hague and in 2013 H1 around 30% of demand concerned this sector. Still, manufacturing and industry topped that with 31% of take-up, mainly due to the aforementioned CB&I transaction.

Supply and availability

Over the past six months supply did remain stable at just over 760,000 sq m for the agglomeration. The accompanying availability rate is 14.3%.

Lowest availability can be found in the New CBD (5.3%), the Convention Centre Area (9.0%), the Bezuidenhout/Betarixkwartier area (10.8%) and the Centre (11.8%). At the bottom Forepark lists an availability rate just over 50%.

Rent levels

Starting rents have dropped to below €80 per sq m per year in the areas with high availablity. At the other hand prime rents did remain stable: €195 at the centre to €205 at Bezuidenhout/Beatrixkwartier and the new CBD.

Investment transactions

The purchase of the De Kroon office building by Real IS was the most significant deal in 2013 H1 and proof of the continuing interest for core office buildings. At the other side of the spectrum there is the purchase of the Berlinovo building by a value-add/opportunistic investor.

Gross yields

Both prime and secondary gross yields remained stable at 6.7% and 9.0% respectively.

> "Purchase of De Kroon is the proof of the continuing investor interest for prime assets." Clive Pritchard, Netherlands Investments

TABLE 3

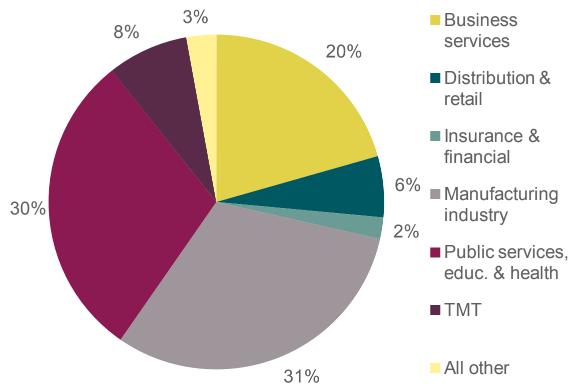
The Hague office market at a glance Occupier demand very high

Figure	H2 2011	H1 2012	H2 2012	H1 2013
Investment volume	62m	105m	0m	58m
Leasing volume (sq m)	17,200	53,300	35,100	62,800
Availability (sq m)	721,100	757,300	763,000	771,400
Availability rate	13.5%	14.2%	14.3%	14.3%
Prime rent (per sq m/yr)	€210	€210	€205	€205
Secondary rent (per sq m/yr)	€170	€160	€160	€160
Prime gross yield	6.7%	6.7%	6.7%	6.7%
Secondary gross yield	8.5%	9.0%	9.0%	9.0%

Source: Savills; data includes The Hague, Rijswijk, Leidschendam-Voorburg and Pijnacker-Nootdorp.

GRAPH 9

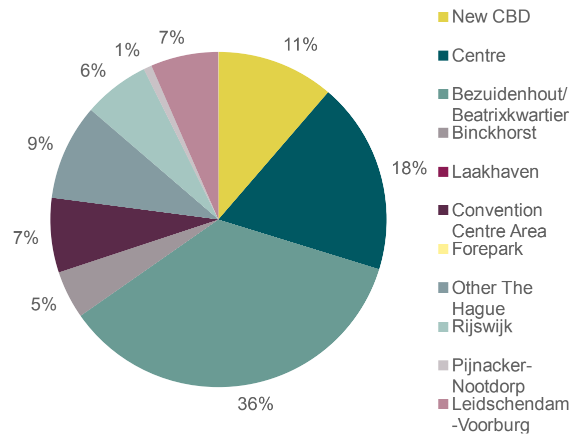
Take-up by sector Public sector again strong



Source: Savills

GRAPH 10

Take-up by submarket Three prime submarkets total 65% of demand



Source: Savills

GRAPH 11

Prime rent and availability Both remained stable in 2013 H1

Source: Savills

Utrecht

While the occupier market in Utrecht in 2013 H1 was weak, investors clearly remained interested in the Utrecht office market.

Occupier transactions

Occupier demand in Utrecht is quite volatile and has been between 25,000 sq m and 85,000 sq m in previous half-years. 2013 H1 totalled 23,700 sq m and is among the lowest.

The two largest office transactions concerned the supermarket organisation Plus and the online retailer Bol.com making the distribution and retail sector the most dominant.

Demand was divided over five of the major submarkets with Rijnsweerd (23%) just able to account for the largest take-up.

Supply and availability

Over the past six months supply decreased slightly, by 10,000 sq m in total, to currently 545,000 sq m for the Utrecht agglomeration. This corresponds to an availability rate of 15.1%, down from 15.4%.

The availability at the centre and the Maliebaan area remains very low, 4.9% and 8.8% respectively. Availability is highest in satellite cities Maarssen and Nieuwegein, but stayed below 25% in both cases.

Rent levels

Due to the relative healthy nature of the Utrecht market, downward pressure on rents is less severe than in other markets. Still we do see adjustments in the starting rents to €80-85 per sq m per year. Prime rents remained stable at €195 at both the city centre and Papendorp.

Investment transactions

The €45.4m transacted in the investment market is in line with the four-year average. Of the five transactions in 2013 H1 the largest concerned the purchase of the Expo Center by a private investor for a total sum of €25.6m

Gross yields

Both prime and secondary gross yields remained stable at 6.8% and 8.5% respectively.

> "Availability in the Utrecht market is low keeping rents fairly stable."
>
> René Tim, Netherlands Research

TABLE 4

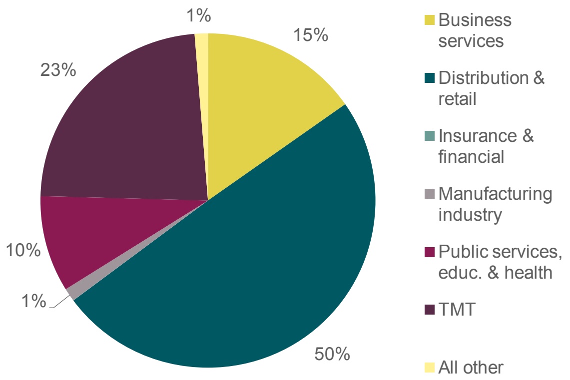
Utrecht office market at a glance Relative stable availability and significant investments

Figure	H2 2011	H1 2012	H2 2012	H1 2013
Investment volume	€77m	€11m	€6m	€45m
Leasing volume (sq m)	25,600	68,500	37,800	23,700
Availability (sq m)	578,100	583,500	554,200	545,500
Availability rate	16.0%	16.2%	15.4%	15.1%
Prime rent (per sq m/yr)	195	195	195	195
Secondary rent (per sq m/yr)	175	175	170	170
Prime gross yield	6.8%	6.8%	6.8%	6.8%
Secondary gross yield	8.0%	8.5%	8.5%	8.5%

Source: Savills; data includes Utrecht, Maarssen, Houten and Nieuwegein.

GRAPH 12

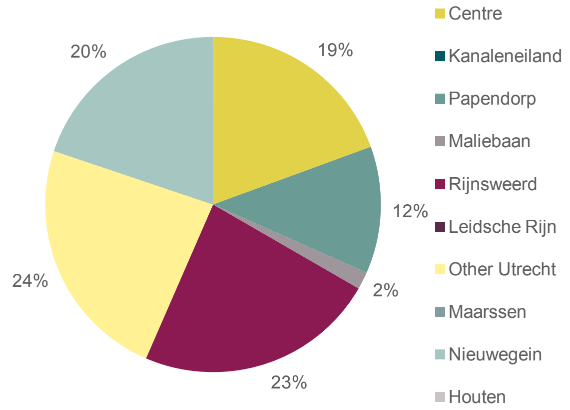
Take-up by sector Distribution and retail most dominant sector



Source: Savills

GRAPH 13

Take-up by submarket Demand evenly spread over the city



Source: Savills

GRAPH14

Prime rent and availability Availability rate dropped further

Source: Savills

TABLE 5

Major leasing transactions 2013 H1

G4	Area	Building	Occupier	Sq m
Amsterdam	Southeast	Entree I	DAS Rechtsbijstand	15,300
Amsterdam	Centre	Vijzelstraat 66-80	Spaces	12,100
Amsterdam	South	Stadhouderskade	Heineken	7,000
Rotterdam	CBD	Weena	UPC	4,500
Rotterdam	CBD	The City Building	Luzac College	3,000
Rotterdam	Other	Willingestraat 6	Den Hartogh	2,500
The Hague	Bezhout/Beatrix	Haagse Poort	CB&I	18,000
The Hague	Voorburg	Stationsplein 4	Huawei Technologies	2,800
Utrecht	Rijnsweerd	Bloeyendaal I & II	Plus Retail	5,500
Utrecht	Other	Nijverheidsweg 16	Bol.com	1,500

TABLE 6

Major investment transactions 2013 H1

City	Building	Buyer	Seller	Sq m	Price
Amsterdam	Atrium	Victory adv.	Avestus	35,000	100.0m
Amsterdam	AKZO Nobel HQ	Union Inv.	Dura	15,200	82.0m
Amsterdam	Adm. De Ruijter	De Ruijter Compliance	Pension fund	7,300	30.8m
The Hague	De Kroon	Real IS inv.	MAB dev.	11,100	37.3m
The Hague	Oostduinlaan 73-75	Private inv.	Berlinovo	39,000	10.5m
The Hague	Dorestad	Zorg Vastgoed	Vestia Groep	5,500	7.25m
Utrecht	Expo Center	Private inv.	Homco Realty Fund	-	25.6m
Utrecht	Reactorweg 25	Reactorweg Vastgoed	Groene Groep	2,000	6.6m

Source tables: Savills.

OUTLOOK

■ Due to the weak economic conditions over the past years efficiency, cost cutting and consolidation continue to drive occupier decisions. This trend will not reverse in the short term and occupier demand is therefore not expected to increase in the remainder of this year.

■ There is an ongoing qualitative shift in occupier demand towards the mixed-use areas, which provide for lively surroundings for office workers. This showed in large city centre and CBD demand, but also other mixed-use areas, such as the Amsterdam South Axis and the ArenA area in Amsterdam Southeast, profit from this trend. This focus on city centres and CBD's is likely to continue.

■ With outdated supply being taken off the market or changing use, supply increased just slightly. It is however likely, taking into account the economic headwind, the ongoing trend towards smart working and public bodies aiming at reducing office space, that vacancy will rise further in the coming years.

■ Investments have very much been focused towards the Big 4 markets and, especially for the prime properties, this will remain to be the case.

■ Savills forecasts the total investment volume to increase further, very much supported by the interest from value-add and opportunistic investors.

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