City Special
The Hague / Den Haag
October 2017

TURN OF THE TIDE
This document was published in October 2017. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.
Metropolitan Area - The Randstad

The Hague is situated on the coast and houses the Dutch government and parliament as well as numerous international public bodies. Rotterdam, which has the largest port in Europe, is an international centre of transport and industry. Amsterdam has become the commercial and financial centre and is the most important tourist attraction among the four cities. Utrecht is not only a national road and railway hub, but also the location for a large number of IT companies. The Randstad is home to many of the top Dutch industries, including manufacturing, chemicals, logistics, water, energy, life science and the creative industry. The national government actively supports developments in these top knowledge-intensive sectors as they can make a substantial contribution to solutions to global social problems as well as offer plenty of opportunities for exports to the global market.

Both airports in the Randstad are growing. In 2016 the number of travellers served by Schiphol airport grew by 9.1% to almost 64 million and additionally 1.7 million tonnes of cargo were handled. This makes Schiphol the fifth largest airport in Europe in terms of passengers and the third largest in terms of cargo volume. Rotterdam The Hague Airport is situated right at the northern edge of the city of Rotterdam and about 20 kilometres southeast of the city centre of The Hague. The airport welcomed 1.7 million travellers in 2016, a substantial 70% increase since 2009. The Masterplan for this airport foresees further growth towards 2.4 million passengers annually.

The excellent infrastructure in the Randstad sets itself apart from other metropoles. It has a very good motorway network, fast railway connections, two airports and two harbours. By train it takes less than one hour to travel from The Hague to Amsterdam or Utrecht and even less than 30 minutes to Schiphol Airport.

At European and global level it is not so much individual countries that compete with one another, but rather major urban regions. The city of The Hague is part of the greater metropolitan area called Randstad, home to 7.8 million inhabitants and compromising Amsterdam, Rotterdam, The Hague, Utrecht and several smaller cities. ‘Het Groene Hart’, a large agricultural and leisure area protected by the government, forms the green heart of this area.

What makes the Randstad special is the polycentric structure and the built-in flexibility that comes with it. Where other metropolitan cities have a relative small city centre and large suburban area, the Randstad consists of city-hubs, each with a complementary focus.

This part of the Netherlands equals the size of the greater London area
About The Hague

The Hague is the capital of the province of Zuid-Holland and seats the national government of the Netherlands as well as most foreign embassies and around 150 international organisations, including the International Court of Justice and the International Criminal Court.

The city has 520,000 inhabitants, which is projected to grow to over 640,000 inhabitants by 2040 (+23.4%). The disposable household income in The Hague is €32,200 per year, which is 8.3% lower than the national average of €35,100.

Economy

The city hosts 48,680 companies that provide work for a total of 271,960 employees. Large employers with their head office in The Hague are AEGON, APFM Terminals, ASN Bank, Nationale Nederlanden, Royal Dutch Shell, Siemens AG, T-Mobile and PostNL (royal Dutch mail). The Hague has, after Amsterdam, the largest office stock of the Netherlands.

The share of business services within the labour market in The Hague is 29.4%, compared to 26.9% for the Netherlands. Around 42.1% of all employment is allocated to the public sector and care, and 13.7% to trade and transport. The national figures for these are 26.9% and 23.5% respectively.

The economy of The Hague area is about 5.1% of the Dutch GDP according to Oxford Economic. The economy of the region is forecasted to grow about 1.6% in 2017 and 1.3% in the years thereafter, which is comparable to the national average.

Tourism

The Hague is a major destination for both foreign and Dutch tourists. This is due to a lively city centre and must-see visits such as the Binnenhof (where the Dutch government is seated), the Royal Palace, the Peace Palace, the Mauritshuis museum, miniature park Madurodam and the presence of the sea.

The Hague had about 4.6 million visitors in 2015, which makes it the most visited city in the Netherlands, after Amsterdam and Rotterdam. Of those visitors about 897,000 spend the night in a hotel (ca. 22.4% more than 2012). The city centre attracts about 32 million visitors per year.

There are also some major events in The Hague that attract a lot of visitors. The biggest events are the International Firework Festival (400,000 visitors), Parkpop (225,000 visitors), Sculpture Festival (223,000 visitors) and the City-Pier-City Run (200,000 visitors).

Residential

According to NVM the average transaction price in The Hague increased by 13.4% yoy to currently €260,000 (slightly above the national average of €258,000). The average selling time in The Hague decreased from 60 days in the second quarter of 2016 to 37 days in the second quarter of 2017. In the same period the number of transactions decreased with 4.3%, due to less supply.

The residential stock of The Hague consists of about 253,200 dwellings. The owner-occupier market has a 42.2% share of the total market, while the rental market has a share of 55.1%. The comparable national figures are 56.2% and 42.5% respectively. The social housing stock in The Hague amounts to 30.5%, which is slightly higher than the national average of 29.5%. The private rental sector amounts to 24.6% of the total housing stock, compared to 13.0% in the Netherlands.

Students

The number of students living and studying in The Hague is increasing substantially. The city houses many universities of applied sciences and has a strong connection with the University of Leiden, which fosters a fast growing satellite location in The Hague (the Leiden University Campus The Hague). As The Hague is the home town to many international public bodies, among them the International Supreme Court, the city attracts studies that have a strong tie with this sector.

The Hague houses seven different higher educational institutions. Together they offer courses to 28,560 students currently, which is expected to grow to 30,250 in 2022/2023.

The Leiden University College The Hague opened in 2009 and is the only research university in the city (and ranked no. 67 worldwide according to THE). In 2013 it moved to its permanent location at the Anna van Buerenplein, a recent developed in the city centre. At this location academic facilities and residential accommodations are combined. The University College allows 200 enrolments annually and currently has 600 students. The students at the University College are all housed in rooms of the University College in the same building as the college itself. The rents of these dwellings are included in the educational fees.

Savills identified 18,000 dwellings being constructed now or are in pipeline. The largest projects concern the 800 dwellings along the Treilouit in De Bierkhorst, Waldi Mountains (440 apartments), ZuidDuin (414 dwellings), Blinckeland (240 dwellings), New Norfolk (237 dwellings) in Scheveningen and Park Hoog Oostduin (218 dwellings) in Benoordenhout.

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Central Business District

The area covering the Central Business District, Beatrixkwartier and Beatrixkwartier amounts to 1.4 million sqm and is the most prestigious office concentration in The Hague.

Most buildings in the Beatrixkwartier area are built or have been renovated in the past decade. New buildings e.g. are De Monarch I (2012; 18,000 sqm) and Monarch II (2013; 16,000 sqm). Prinsenhof / WTC was built in 2006 and renovated in 2016. This building consists of 60,000 sqm offices, 200 apartments and a 200 room hotel.

Other buildings that have been renovated are Haagsche Zwaan (2010; 18,500 sqm), the PostNL building (2012; 32,000 sqm) and Haagse Poort (2014; 70,000 sqm).

Office buildings

1. Haagse Poort
   - 70,000 sqm office, renovated in 2014
2. Siemens Head Office
   - 30,000 sqm office, renovated in 2016
3. Prinsenhof
   - 60,000 sqm office, 200 apartments & hotel, renovated in 2016
4. Beatrix II
   - 32,000 sqm office, renovated in 2012
5. Haagsche Zwaan
   - 18,500 sqm office, renovated in 2010
6. Zilveren Toren
   - 21,500 sqm office
7. The Bridge
   - 9,700 sqm office, delivered in 2001
8. Monarch III
   - 248 apartments and office space, under construction
9. De Monarch I
   - 18,000 sqm office, sold in 2016
10. Monarch Tower
    - 16,000 sqm office, delivered in 2013
11. Monarch Tower
    - 16,000 sqm office, delivered in 2013
12. Centre Court
    - 40,000 sqm office & 123 apartments
13. New Babylon
    - 43,000 sqm office, apartments & retail
14. Zurich Tower
    - 20,000 sqm office, delivered in 1999
15. De Kroon
    - 10,000 sqm office & retail, delivered in 2014
16. Muizentoren
    - 15,000 sqm office, delivered in 2001
17. Terminal 101
    - 10,500 sqm office, renovated in 2016

Government buildings

18. City Hall
    - Municipality of The Hague
19. Ministry building
    - Ministry of Security and Justice
20. Ministry building
    - Ministry of the Interior and Kingdom Relations
21. Ministry building
    - Ministry of Foreign Affairs
22. Ministry building
    - Ministry of Infrastructure and the Environment
23. Ministry building
    - Ministry of Social Affairs and Employment
24. Ministry building
    - Ministry of Education, Culture and Science
25. Ministry building
    - Ministry of Health, Welfare and Sports
26. Ministry building
    - Ministry of Finance
27. Ministry building
    - Ministry of Economic Affairs
28. Palace of Justice
    - Palace of Justice
29. Former Ministry building
    - Redevelopment to residential
30. Beatrixpark
    - Several government agencies

De Monarch I (9)
- sold in Q2 2016 to Amundi Real Estate

New Babylon (13)
- sold in Q4 2015 to Victory Advisors

FIGURE 5
Map of central office area

Office buildings

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Occupier market

The office market in The Hague is in transition. The Dutch government, the major occupier, is consolidating and therefore leaving and/or selling a significant part of her offices. On the other hand the cyber security sector is upcoming, fueled by The Hague Security Delta (HSD).

Stock and vacancy
After a considerable increase up until 2009 the office stock in The Hague has been relatively stable until recent. Last years the stock has been decreasing, mostly due to redevelopments and conversions. Total stock stands at just above 5 million sqm and is the second largest in the Netherlands.

Vacancy is high at the office locations of Laakhaven (17.7%), Binckhorst (21.0%), Forepark (25.8%) and Rijswijk (14.7%). Almost all are outdated areas with large qualitative problems and limited unique selling points.

Two very large transactions were registered in 2016. These concerned the Hoge Raad (government) leasing 15,000 sqm at Korte Voorhout 8 and Jacobs subleasing 10,800 sqm at the Siemens Head Office (at Prinses Beatrixlaan 800).

Rents
Gross rents peaked in 2008 at € 215 per sqm lfa per annum. After an initial drop in the recession period, peak rents now stand at around € 205 per sqm lfa per annum in the New CBD and the Beatnickwarter.

Secondary rent levels start as low as € 60 to € 65 per sqm lfa per annum in the areas Binckhorst and Rijswijk. In the more attractive areas, like the CBD, secondary rents start at € 130 per sqm lfa per annum.
Investment market

After a trough in 2012 office investments in The Hague agglomeration have been stabilizing again at about €250 million annually. In 2016 the investment volume increased substantially, peaking at almost €480 million. Also 2017 started good, with a total investment volume of €200 million in the first half year.

In table 1 the major investments transactions in 2016 and 2017 H1 are listed. The top 4 transactions total €283.5 million and are responsible for more than half of the total 2016 investment volume. Two of these four transactions concern properties located in the Bezuidenhout/Beatrixkwartier. De Zilveren Toren (27,500 sqm) was purchased by IntReal for €84.2 million, while Arnundi Real Estate purchased the 17,050 sqm De Monarch I for €63.0 million.

The other two investment transactions completing the top 4 are located within the Binckhorst. This area is transforming from an (outdated) industrial and office location into a mixed-use area. A fair share of the currently vacant properties will be transformed to residential units and/or student housing.

Yields

Gross yields for prime offices are stable and stand at 6.0% for the New CBD and 6.25% for the Beatrixkwartier area and the city centre. The other submarkets have prime gross yields starting at 8.5%.

From 2010 onwards almost 425,000 sqm of offices have been taken out of the office market in the city of The Hague, generally by converting them to other uses. In the vast majority of the cases this concerns residential use, either regular apartments, but also student housing or care oriented living.

Investments in the office market in The Hague have been increasing in recent years, resulting in a peak in 2016.

Turn of the tide

Among the largest conversion are the 100,000 sqm offices of the Ministries of Security and Justice as well as Interior and Kingdom Relations (BZK) in the Wijnhavenkwartier. These have been redeveloped into apartments, a university and commercial space.

The 50,000 sqm office at the Anna Hanoverstraat, previously occupied by the Ministry of Social Affairs and Employment, will also be converted, mainly to residential use. In the meantime it serves as shelter for refugees and an extension for the Hague Security Delta.

The office building occupied by the Ministry of Foreign Affairs at the Bezuidenhoutseweg 87 is also listed for conversion. The Ministry will relocate to the building in which the Ministry of Infrastructure and the Environment is located, leaving behind 83,000 sqm. The office at Bezuidenhoutseweg is for sale, but also temporary at house at the MPs, the Prime Minister and his staff, administrators and officials during the 5.5 years renovation of the Binnenhof.

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Other large conversions include the Terminal building (Stationsplein 75) to student housing, the former Patent Office location (Willem Witsenplein 6) and the 32,000 sqm former Shell HQ, which will be converted into residential.

The 40,000 sqm former KLM headquarters (Kesmanweg 1-6) and the 41,700 sqm former headquarters of the Royal Netherlands Army (Binkhorstlaan 135-137), are for sale and also here the aim is to redevelop the locations to other use.

New developments

Recent developments have all taken place at the city centre, the New CBD area and the Bezuidenhout/Beatrixkwartier area. Recently the renovated office building Terminal 101 (10,500 sqm at Schiedeleidokshaven 101) was reopened.

The municipality of The Hague recently announced a large area development in the Beatrixkwartier area (Central Station East). This area will be the link between the economic cores of The Hague surrounding train stations Central Station, Hollanda Spoor and Laan van Nieuw Oost-Indië and the Bezuidenhout area. Next to 2,000 new houses, 30,000 sqm of facilities such as office space, educational space and restaurants and bars will be developed.