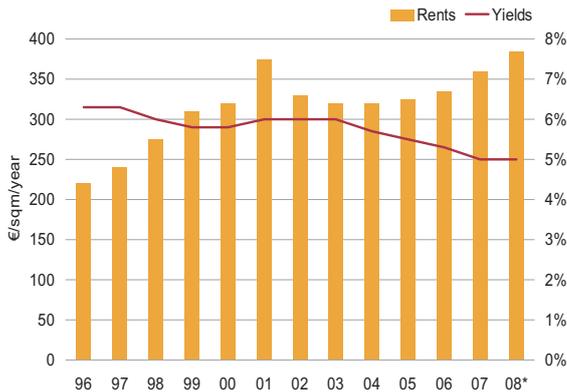


Amsterdam office market

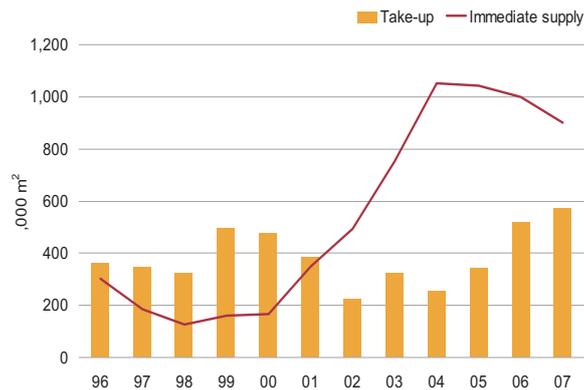
Winter 2008

Prime rents / Net yields



Source: Savills Research

Take-up / Supply



Source: Savills Research

“The Amsterdam office market is set for another top year in 2008. The market fundamentals are expected to remain healthy, supported by favourable economic conditions and high labour demand.”



Dave Hendriks (Director of Consultancy)

- Office demand reached new high; 570,000 sqm that is an increase of more than 10% after a 50% rise the previous year.
- The vacancy rate is down to 12% at the beginning of 2008 from 14% last year and it is expected to decline further, as a result of the strong letting activity. However, this figure hides strong differences depending on location. Around 80% of office supply are located in Amsterdam West and South East, whereas vacancy rates go below 4% in the city centre and the South Axis.
- Prime rents are steadily increasing in Amsterdam and reached €330/sqm/year for existing offices and €360/sqm/year for new offices in 2007. In 2008 prime rents are expected to reach €385/sqm/year.
- Positive economic outlook keeps demand high. This will induce new developments and further positive rental growth, especially in the prime segment.
- Given the strong investment demand and the high availability of capital, downward pressure on yields pursued during the first half of last year and bottomed out at the end of 2007.
- Prime yields are expected to stabilize in the next few months. Due to the uncertainty in the financial markets, the risk premiums within the funding of new investments are being re-priced and yields on secondary product – with higher risk profiles – may increase slightly.

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Economy and Demand

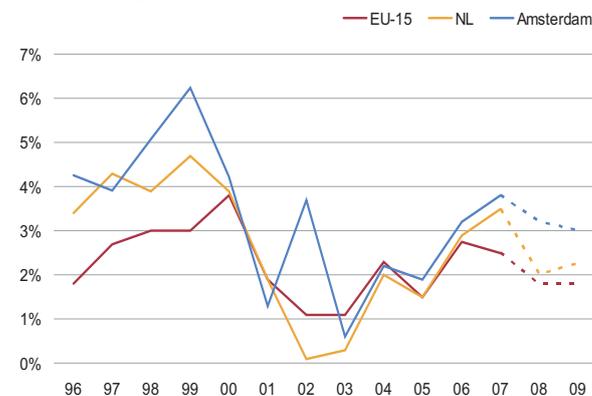
Economy

During 2007 the Dutch economy remained on the same healthy trend as in the previous year. With 3.5% growth recorded in 2007, the Netherlands outperformed again the EU27. In spite a slight slowing down of exports from 7.4% to 5.9% (according to Experian) which is to be related to the Euro price rise, exports remained once again the main component of the GDP. More specifically, re-exports, which increased by more than 10% for the fifth year in a row, are the driving force of the national economy.

Employment increased by more than 2%, which is the highest figure recorded in nine years. The number of job vacancies reached an all-time high during the third quarter of 2007, while unemployment steadily decreased. In short, labour market tensions have increased in 2007. The unemployment rate is down to 4% or 310,000 people. In this positive context, consumers' confidence has remained strong, despite a fall back in September due to the disturbance in the international financial markets. Improved labor market and overall healthy economic situation have led to a steadily improvement of household spending. Indeed rising wages, higher employment and steady house prices, have raised private consumption growth up to 2%. Despite the strong economic growth, and the upward pressure on the wages, consumer price remained low. Inflation is anticipated to have reached 1.5% in 2007. However, it is slightly higher than the previous year (1.1% in 2006), which reflects the energy price increase.

The economy of Amsterdam still outperformed the national economy, with growth figures of 4% and the gap of economic wealth between the country and the Dutch capital is widening. Amsterdam main driving forces are the large business and financial services sector, creative industries and ICT.

Economic growth



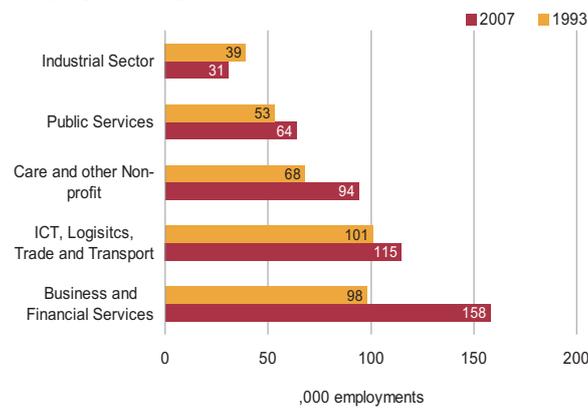
Source: CBS, IMF, Experian

Letting market

Demand and take-up

The Amsterdam office market recorded an outstanding performance in 2007. Economic and financial results from companies located in the Dutch territory accelerated new office accommodation needs. Indeed, both internal and external growth from companies led to a 1.7% rise of total employment in Amsterdam, and more specifically to a 3.4% increase of business service employments. Thus, the growing commercial service sector that has now reached 59% of total employment, is accounting for 70% of the Amsterdam 2007 letting volume.

Employment by sector

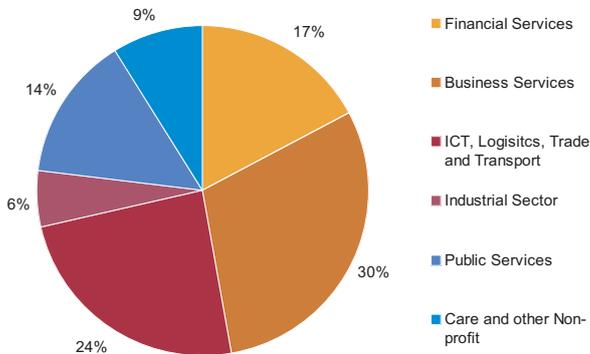


Source: CBS

The strong economic context of the country combined with the attractiveness of the Dutch capital resulted in new take-up record level. Following the 50% rise of the office demand recorded in 2006, take-up further increased last year to 570,000, which represent an additional increase of 10%, therefore striking out the former records set in the booming years in 2000 and 2001. Demand is mainly driven by quality improvements that particularly positively impact large transactions and activity in the main business districts. Since the past two years, demand especially surged in the South Axis district, where take-up exceeded 100,000 sqm in 2006 and reached over 85,000 sqm in 2007, whereas totalling only 18,500 sqm in 2005. Although South Axis district concentrate a growing interest for office users, we believe that take-up remains artificially low as a result of a shortage of supply in the area. Due to the improving developers' confidence in face of the strong letting activity, new development starts are picking up, but most will not be delivered before 2009. Take-up in the South East also increased remarkably from approximately 75,000 sqm in 2006 to over 100,000 sqm in 2007. Large transactions including British Telecom (17,000 sqm), Yellow pages (9,100 sqm), Nike (12,000 sqm) and Endemol (32,000 sqm) accounted for the 40% of total transaction volume.

Stock, Available supply and Vacancy

Typology of office occupiers in 2007



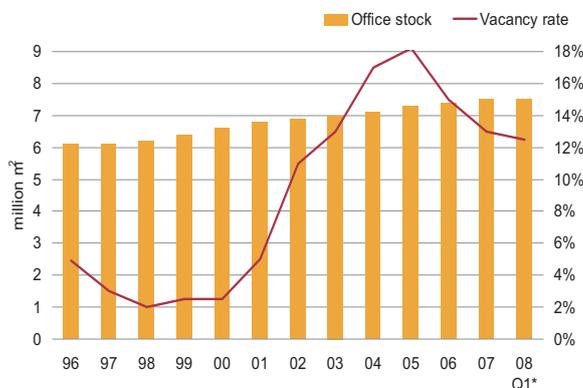
Source: Savills Research

Supply, stock and vacancy rate

The total amount of office space available in Amsterdam slightly decreased in 2007 to 880,000 sqm against 932,000 sqm the previous year. Consequently the overall vacancy rate falls down to 12%. However, the share of vacant offices vary significantly depending on building location and quality and therefore this relatively high average vacancy rate is miss indicating the health of some submarkets of Amsterdam.

The Amsterdam West and Amsterdam South East districts account for 80% of the total supply, where vacancy rates can exceed 20%. However in the Amsterdam South East, the vacancy rate can fall down below 5% in the central location around the train station due the high concentration of demand in this specific area. Equally, vacancies in the prime business districts such as the City Centre and the South Axis, only amounts to around 2% of the total office stock.

Stock and vacancy rate

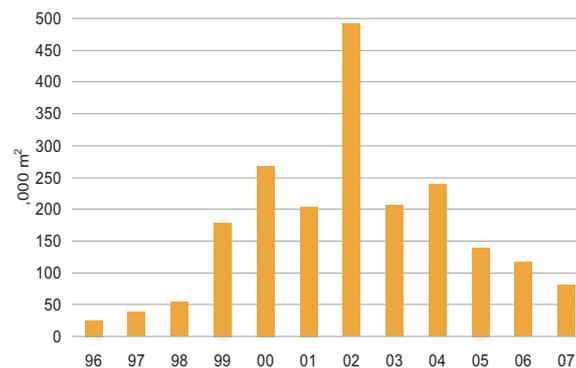


Source: Savills Research

Vacancy is also intimately related to the quality of the buildings. Strong letting activities in recent years was driven by new demand for high quality standard office space, which led to important amount of vacated second-hand office spaces that no longer meet today's

requirements, back on the market. We estimate that, depending on locations, the average vacancy rate for new buildings is below 2%. Therefore, despite this seemingly high supply, office demand for prime accommodation is currently confronted with scarcity in the market.

Development completion



Source: Savills Research

The high demand for quality offices is stimulating developers to launch new office schemes. The South Axis district is concentrating most of the new developments. Currently, some 130,500 sqm of office space are under development and due for completion from 2009. Another 300,000 sqm is in the potential pipeline, but development is not anticipated to start within the five coming years. Additionally, the so-called "Dokmodel" project that will comprise 1 million sqm of new buildings including retail units and residential accommodations, will add on further 400,000 sqm office supply to the pipeline. Although still in the project stage, the chances that "Dokmodel" will grow out of the ground, increased with the approval of "Zuidasonderneming" (South Axis development company) in 2006. The company's shares are to be sold this year, after which, development is expected to begin. In the northern part of the City Centre, namely the "IJ banks" and in the Amsterdam North over 100,000 sqm office and industrial buildings were recently added to the stock, with another 350,000 sqm in the potential pipeline. On the other hand, refurbishments of several office projects located in the central area of South East district will increase over 100,000 sqm the stock of the area. Totally, 1.0 million sqm could be taken into development in the short term (< 5 years), and total long term plans could add another 1.0 million sqm. However, some preliminary projects might not come to the light. In face of the recent craze of developers and the high overall vacancy rate, the Amsterdam Municipalities have made the decision to restrict office developments, with the exception of areas surrounding the train stations (the South Axis, IJ banks, Amstel train station, Sloterdijk, South East). Planning consents agreed on restricting

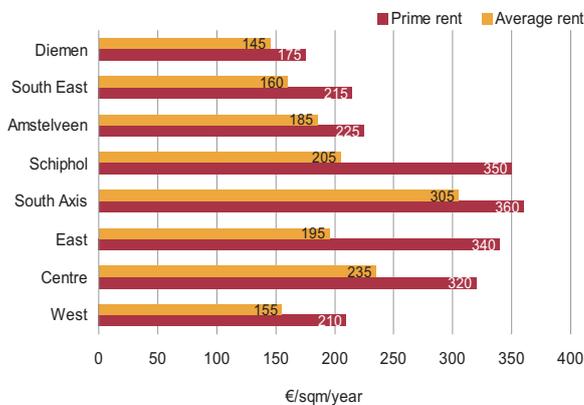
Rents and Investment

building permits to projects with at least 70% of space pre let.

Rents

Rental growth that started in 2006 was confirmed last year. During 2007, rental values recorded a generalised growth. Amsterdam average rent is now at circa €198/sqm/year that is 2.5% higher than the previous year. Prime rent was €360/sqm/year in 2007 compared to €335/sqm/year in 2006, representing a 7.5% rise. In 2008 the prime rent is anticipated to increase with another 7.0% to €385. This upward trend is the result of the healthy market activity combined with the shortage of prime office supply, which explain the widening gap between the average and prime rental values. At the same time as rental growth started, we have noticed a steadily reduction of financial incentives. It now includes around 6-month free period for a 10-year lease term while it was still 12-18-months at the beginning of 2007. We assume that the decrease of incentive absorbed around 10% of the real rental growth.

Rents per location



Source: Savills Research

Tenants	Location	Size in sqm	Rents €/m ² /an
Rijksgebouwendienst	South Axis	10,844	300
TomTom	Centre	10,000	270
Nestlé Nederland	East	5,749	135
Bureau Jeugdzorg	West	8,805	135
Dienst Werk en Inkomen	Centre	10,600	170
The Boston Consulting Group	South Axis	6,400	300
Endemol Nederland/SNP Holding	South East	32,000	200
Hogeschool Amsterdam	East	12,960	188

Source: VGM

Investment

Dutch investment market

With €11.2 billion invested in 2007 (PropertyNL), the Dutch commercial real estate investment market showed a rise of 23% compared the previous year, which was already a record year. The market activity was fuelled by still low interest rates and strong rental growth prospects. Good market fundamentals combined with the capital pressure have had a growing magnet effect of foreign investors. Indeed, the share of cross-border investment went from 25% in 2005 to around 50% in 2007. German funds that were the most active foreign market players in 2005 (75% of total investment) have reduced their presence whereas the Anglo-Saxon (UK, US, Irish) investors have remarkably increased their market share to over 30% last year, mainly due to the acquisition of some large portfolios. Increased foreign presence has let to a growing amount of transacted volume. In spite of the growing activity of foreign investors, since the beginning of 2006, national market players have significantly returned to their market.

Office property is by far the most dominant sector that even deepened over the past years. Office investments went from 40% of total commercial real estate turnover in 2005 to 79% last year while taking some shares over the retail premises. Whereas, investors' interest for warehouses remained stable over the period.

On the vendor side, the market is characterised by strong activity from developers seeking for forward funding opportunities. They offer previous tenant from one of their old building to move to a newly built-to-suit office scheme then source - often directly with investors - investment opportunities. Such market trend has a strong impact on the vacancy rate of the office sector while raising the vacating risk for investors.

Although the Dutch investment market has remained very dynamic over the last year, due to the current uncertainty in the international financial markets, it has shown some volatility in the last few months. The higher priced risks and the higher cost of money seems to have affected the strong investment demand from opportunistic and debt-financed investors, notably for the funding of secondary premises in less attractive locations.

Amsterdam investment market

In line with the activity at national level, the investment volume in Amsterdam increased last year. After reaching a record level in 2006 (€ 1.0 billion), volume of invested amounts in the Dutch capital is assume to have exceeded € 1.25 billion last year. Partly this is on the account of investment opportunities driven by new developments (UN Studio € 125 mio, FOA € 75,5 mio, The Rock € 160 mio and new KPN office € 95 mio). Other large transactions concern the offices INIT (€

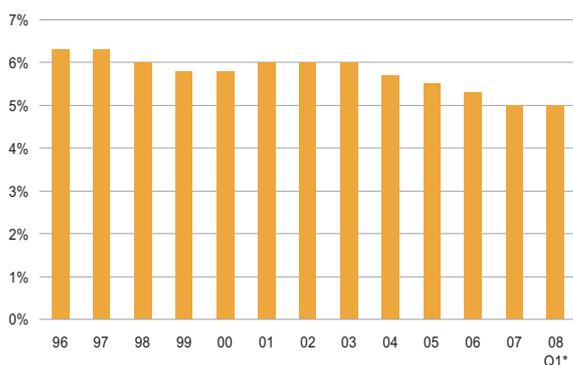
Outlook

100 mio) and Atlas (€ 125 mio).

Yields

Yields have been steadily decreasing since the early nineties under the market pressure driven by rental growth potential, considerable weight of money, lack of product and still low interest rates. Prime net yields for offices decreased by 25-50 basis points to 5.5% - 5.0% in 2006. In 2007, yields decreased even further in the first four months of the year, by another 25 basis points. However, since the second half of 2007, prime yields seem to have stabilized. The decrease currently seems to come to an end, because of the reserve with financiers and the higher interest rates. Secondary yields also have bottom out during the second semester of 2007, however, we believe there are still some space for a further slight increase in secondary yields.

Prime yields



Source: Savills Research

Building	size in 1,000 sqm	Buyer	Price in million €	Net yields
FOA	13	Credit Suisse	57.5	5.1%
Toorop	35	Omval Investments	87.3	5.9%
UN Studio	25	Union	137.5	5.5%
Vitrum	11	B&S	58	5.2%
INIT	34	Pramerica	100	5.5%
KPN	22	SEB	91	5.3%
The Rock	30	Evans Randall	165	4.8%
Atrium	34	Quinlan	203	4.0%

Source: VGM, Savills Research

Outlook

The Dutch economy growth is expected to decelerate as a consequence of the expensive Euro and the slowdown of the US economy. However, in general the economy in the Netherlands looks robust enough to withstand the effects of the current headwind.

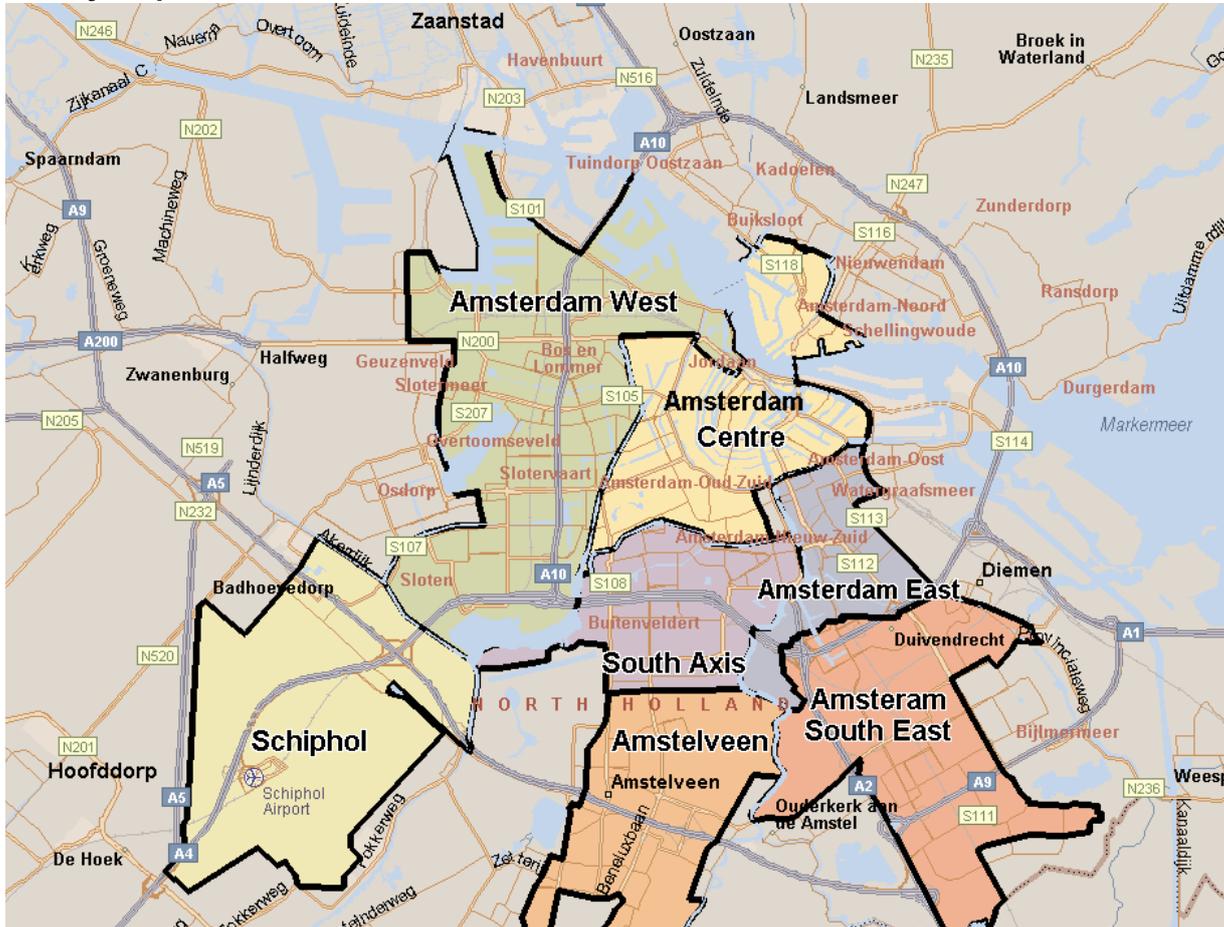
Economic growth will remain above the Euro zone average, with over 2% expected in the next two years. Labour market should further improve. This will lead to substantially higher contractual wage rises and higher inflation in 2008. Interest rates are expected to stabilise. According to financial forecasters (IMF, CPB and DNB) interest rates will remain stable or may increase only fractional in the next few years – mainly depending on the inflation rate.

The office market is expected to return to its property fundamentals. In the occupational markets demand will retain high volumes. Demand for prime offices will increasingly be confronted with scarcity of adequate premises, which will result in further development activity. However, due to the new Municipality regulation, developments should remain moderate. Because incentives have further diminished in 2007, rents will continue to show visible growth. Rental growth may also increase due to the correction for the rising inflation rate, normally included within the tenancy agreements.

Due to the turmoil in the financial markets last year it has become more expensive to fund investments. The risk premium within the investment equation has been re-priced. The strongest effect will be seen on secondary product – which has the highest risk. We expect secondary yields to increase in 2008 and return to the 2006 levels. Initial yields for prime investment products are likely to remain stable, because of low risks, persisting high demand by the still active equity buyers, stable interest rates and low vacancy in the prime markets. Considering the volatile stock markets and the decelerating world economy, we expect investment demand to increase, as in this situation real estate can be considered as a safe haven with steady yields.

Amsterdam office market

Survey map



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