

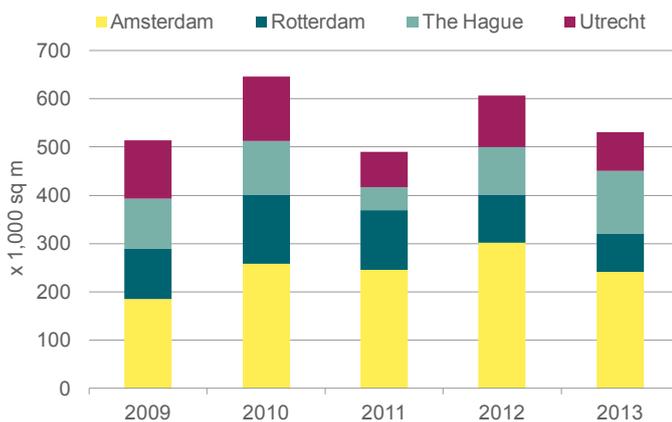
Market report

Big 4 office markets

Netherlands - H2 2013

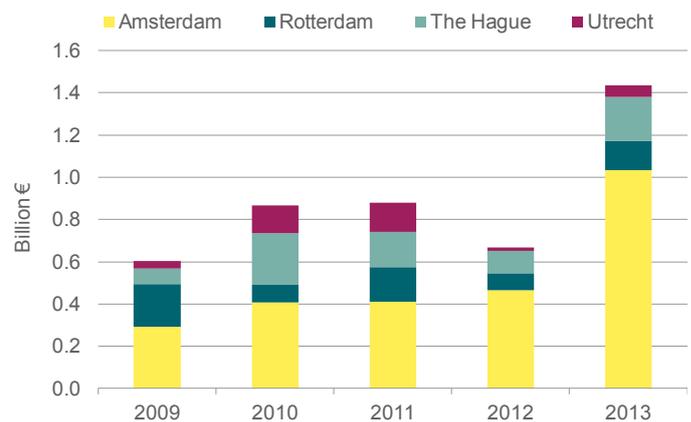
March 2014

GRAPH 1 **Occupier demand** Despite increasing demand in H2 2013, total yearly take-up decreased



Graph source: Savills

GRAPH 2 **Investment volumes** Over 70% of all office investments in 2013 were allocated in Amsterdam



Graph source: Savills

SUMMARY

Both occupiers and investors remained focused on the prime office locations

■ In 2013 total office take-up in the Big 4 cities reached 530,200 sqm, slightly below the average demand over the past four years.

■ Demand in H2 2013 turned out significantly higher than in the first part of the year in all four cities. The increase was lowest in The Hague (+5.3%), but this was partly due to a very strong first half of the year.

■ The share of the city centres/CBD's in the occupier demand remained very strong and during H2 2013 36.2% of the total transaction volume was oriented towards these areas.

■ The importance of the Big 4 office

markets within the overall occupier demand in the Netherlands increased further to 46% in H2 2013.

■ In all cities except Rotterdam availability rates decreased in the course of the year. This was also the city with the lowest amount of offices being redeveloped to other uses.

■ Headline rents for secondary properties dropped further, while they remaining stable for prime real estate.

■ Investments in the Big 4 cities in H2 2013 totalled €990m, more than double the amount of H1 2013. By far the largest share (€706m) was allocated towards Amsterdam.

■ Yields contracted further within the prime submarkets of both Amsterdam and The Hague. In addition, the increased interest for value-add and opportunistic properties, prevented further softening of secondary yields.

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 “The increase of take-up in H2 2013 did not compensate for a weak H1 2013. The investment market however showed strong growth in H2 2013.” Clive Pritchard, Netherlands Investment

Amsterdam

The Amsterdam office market was very much dominated by the large investment volume in H2 2013. Still, occupier demand also increased in this period and was larger than in previous half year periods.

Occupier transactions

Office take-up in Amsterdam reached 134,600 sqm in H2 2013, significantly higher than the 104,000 in the first half of the year.

Business services were responsible for the largest share of occupier demand (40%). The TMT sector, generally important in Amsterdam, accounted for just 9%, while manufacturing and industry reached a relative large 14%.

partly due to the rising demand and partly due to 62,500 sqm of office space redeveloped to other uses. This resulted in an overall availability rate of 16.1% in the Amsterdam agglomeration. Availability differs significantly between submarkets, from 7.8% in the city centre and 6.3% at the South Axis to 24.8% in Amstelveen and 22.6% in the Southeast.

Rent levels

Prime headline rents remained stable at €340 per sqm per year and were supported by the relative low availability rates at the prime areas. Savills expects the prime rent at the South Axis to increase in the course of 2014 to around €350. Secondary rents will remain under downward pressure.

"The centre and the South Axis were in high demand by both occupiers and investors." Coen de Lange, Netherlands Agency

Largest share of demand was allocated to the South Axis and the city centre (26% and 19% respectively). These mixed-use locations proved to be resilient during the recession years.

The largest transaction concerned NautaDutilh leasing a 10,000 sqm built-to-suit development at the South Axis.

Supply and availability

Supply dropped slightly in the past six months to currently 1.13m sqm,

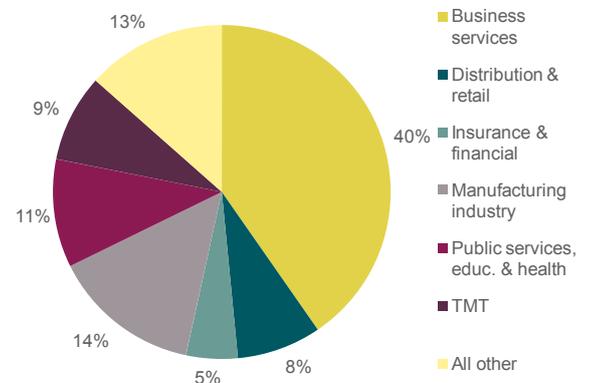
Investment transactions

The investment volume in Amsterdam reached a stunning €706m in H2 2013, more than double the amount of the first half of the year, underscoring the focus of investors towards Amsterdam. The top 6 assets purchased are all situated at the South Axis.

Gross yields

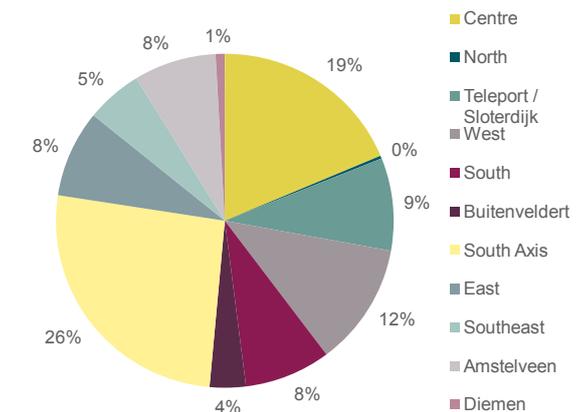
Prime gross yields contracted further in H2 2013 and currently stand at 6.0%. Secondary yields remained stable at around 8.0%.

GRAPH 3 Take-up by sector H2 2013 Business services remained dominant



Source: Savills

GRAPH 4 Take-up by submarket H2 2013 The South Axis and the city centre favorite



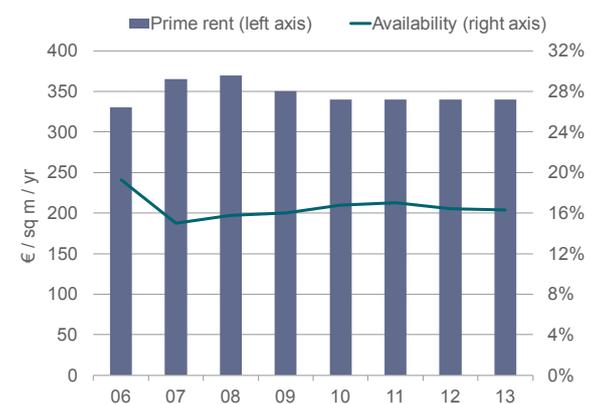
Source: Savills

TABLE 1 Amsterdam office market at a glance Extreme increase in investment volume

Figure	H1 2012	H2 2012	H1 2013	H2 2013
Investment volume (€)	339m	126m	329m	706m
Take-up (sqm)	193,800	122,700	104,000	134,600
Availability (sqm)	1.19m	1.15m	1.19m	1.13m
Availability rate	17.0%	16.3%	17.1%	16.1%
Prime rent (per sqm/yr)	€340	€340	€340	€340
Secondary rent (per sqm/yr)	€175	€170	€170	€165
Prime gross yield	6.4%	6.4%	6.4%	6.0%
Secondary gross yield	8.0%	8.0%	8.0%	8.0%

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

GRAPH 5 Prime rent and availability rate Availability slightly down and rents stable



Source: Savills

Rotterdam

H2 2013 showed rising availability, slightly improving occupier activity and much higher investor activity.

Occupier transactions

Take-up in Rotterdam in H2 2013 totalled 46,000 sqm, still well below the post crisis average, but higher than H1 2013.

The CBD remains the focus area for occupiers as it provides vast supply, new developments and a mixed-use area. The second mixe-use area in Rotterdam, the Kop van Zuid, also witnessed substantial occupier activity.

19.9% for the total agglomeration. There are however major differences between submarkets. Availability rates are lowest at the Kop van Zuid (7.4%), followed by the CBD (15.9%), while vacancy at Fascination/Rivium remains over 40%.

Rent levels

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

"Mixed-use areas, namely the city centre and the Kop van Zuid, dominate occupier demand." Jeroen Jansen, Netherlands Research

In contrast to the first half of the year business services and the public sector dominated occupier demand. Traditional Rotterdam sectors like distribution & retail and manufacturing and industry scored relatively low: 7% and 11% respectively.

Largest transaction concerned Veiligheidsregio Rotterdam Rijnmond leasing 5,600 sqm at the Kop van Zuid. Each of the other transactions was smaller than 3,000 sqm.

Supply and availability

Supply again increased and the availability rate currently stands at

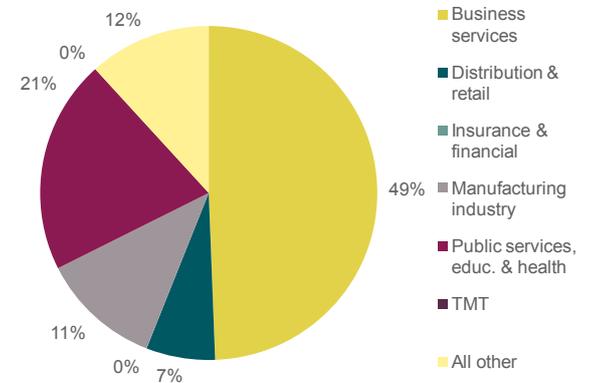
Investment transactions

The investment volume totaled a substantial €118m. A significant share can be attributed to four properties sold as part of two separate portfolio transactions. One concerned Blackstone/Castor buying a.o. Weena 200 and the Weena Toren from CBRE GI, the other concerned Goldman Sachs/OVG buying a.o. Alexander Poort and Alexander Hof from, again, CBRE GI.

Gross yields

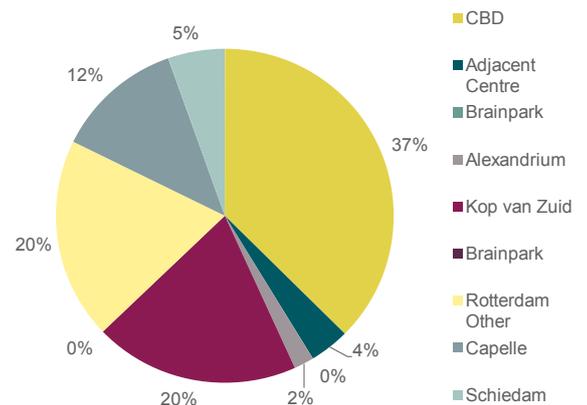
Both prime and secondary gross yields remained stable at 6.75% and 8.5% respectively.

GRAPH 6 **Take-up by sector H2 2013** Business services were the dominant sector



Source: Savills

GRAPH 7 **Take-up by submarket H2 2013** Strong demand at the CBD and Kop van Zuid



Source: Savills

TABLE 2 **Rotterdam office market at a glance** High investment volumes while availability continued to rise

Figure	H1 2012	H2 2012	H1 2013	H2 2013
Investment volume (€)	75m	6m	17m	118m
Take-up (sqm)	59,700	44,900	34,000	46,000m
Availability (sqm)	702,700	752,300	804,300	835,800
Availability rate	17.0%	18.2%	19.4%	19.9%
Prime rent (per sqm/yr)	€200	€200	€200	€200
Secondary rent (per sqm/yr)	€180	€180	€175	€170
Prime gross yield	6.75%	6.75%	6.75%	6.75%
Secondary gross yield	8.5%	8.5%	8.5%	9.0%

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

GRAPH 8 **Prime rent and availability rate** Rising availability puts pressure on rents



Source: Savills

The Hague

Both occupier and investor demand reached the highest figures in two years in H2 2013.

Occupier transactions

Total occupier demand in H2 2013 in The Hague reached 66,100 sqm, 5.3% higher than in the first half of year.

More than half of total demand was oriented towards the prime submarkets city centre, the New CBD and the Bezuidenhout/Beatrixkwartier. Four of the five largest transactions took place in these areas, largest transaction being TNO leasing 9,735 sqm in the redeveloped New Babylon building.

The public sector traditionally is an important sector in The Hague and in H2 2013 around 26% of demand

the New CBD (3.7%), the Convention Centre Area (9.7%) and the Bezuidenhout/Beatrixkwartier area (8.1%). On the other side Forepark currently has an availability rate close to 50%.

Rent levels

Starting rents have dropped to below €80 per sqm per year in the areas with the largest availability rates. Prime headline rents remained stable: €195 at the centre to €205 at Bezuidenhout/Beatrixkwartier and the new CBD.

Investment transactions

The purchase by PingProperties of the 27,500 sqm new Siemens HQ in the Bezuidenhout/Beatrixkwartier submarket was the most significant single asset deal in H2 2013 and proof of the continuing interest for core office buildings. The three office buildings

"The Hague was among the cities to profit from secondary portfolio transactions in H2 2013." Clive Pritchard, Netherlands Investment

concerned this sector. The largest sector however turned out to be business services (42% of take-up).

Supply and availability

After a period of gradual increase office supply actually dropped during H2 2013 to 737,000 sqm, resulting in a 13.9% availability rate. This drop in supply was partly caused by the redevelopment of 140,000 sqm office space into other uses.

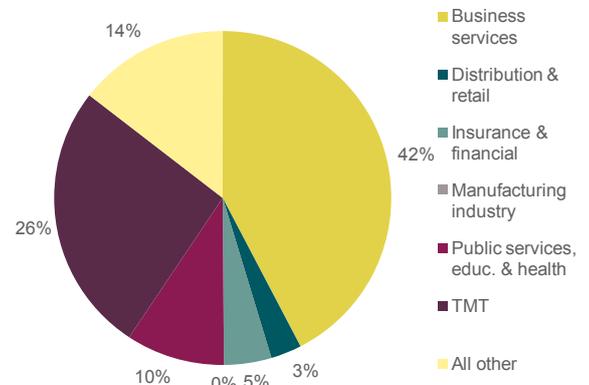
The lowest availability can be found in

Forum, Sirius and Orion were all bought by the Blackstone/Castor joint venture from CBRE GI, for a total of €19.5m and as part of a larger portfolio transaction.

Gross yields

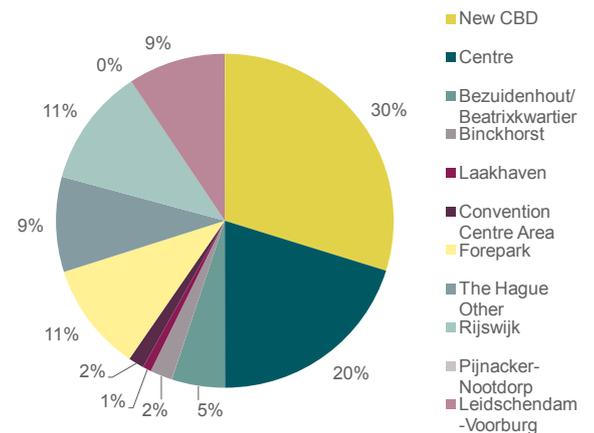
Prime gross yields contracted 10 bps to currently 6.6%, while secondary yields remained stable at 9.0%.

GRAPH 9 Take-up by sector H2 2013 Business services and public sector dominant



Source: Savills

GRAPH 10 Take-up by submarket H2 2013 new CBD and centre total 50% of demand



Source: Savills

TABLE 3 The Hague office market at a glance High demand from both occupiers and investors

Figure	H1 2012	H2 2012	H1 2013	H2 2013
Investment volume (€)	105m	0m	76m	133m
Take-up (sqm)	53,300	35,100	62,800	66,100
Availability (sqm)	757,300	763,000	771,400	737,000
Availability rate	14.2%	14.3%	14.3%	13.9%
Prime rent (per sqm/yr)	€210	€205	€205	€205
Secondary rent (per sqm/yr)	€160	€160	€160	€155
Prime gross yield	6.7%	6.7%	6.7%	6.6%
Secondary gross yield	9.0%	9.0%	9.0%	9.0%

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

GRAPH 11 Prime rent and availability rate Prime rents stable while availability decreased



Source: Savills

Utrecht

After two weak half year periods, both occupier and investor demand turned out positive during H2 2013.

Occupier transactions

The Utrecht occupier demand is known to be volatile, but the 51,900 sqm transacted in H2 2013 was promising and is more than double the volume of the previous half year.

The largest transaction concerned UNIT4 leasing 6,800 sqm at the WTC Papendorp. Papendorp overall had a strong half year with 24% of total demand. The city centre however attracted the largest share of the occupier demand (35%).

The largest share of occupier demand

The availability rates in the city centre and the Maliebaan area remained very low at 4.7% and 8.9% respectively. Availability is highest in satellite cities Maarsse (23.4%) and Nieuwegein (26.1%).

Rent levels

Due to the relative stability of the Utrecht office market, downward pressure on rents is less severe than in other markets. Rents start at around €80-85 per sqm per year, while prime headline rents remained stable at €195 for the city centre.

Investment transactions

The €33m transacted in the investment market in H2 2013 is substantial for the Utrecht agglomeration. Largest transaction concerned the €18m

"Utrecht performed well in H2 2013: more leaseings, lower supply and increasing investments." René Tim, Netherlands Research

was allocated towards the public sector, with the RGD leasing 6,270 sqm at the Stadsplateau being the second largest transaction in Utrecht.

purchase of the Domus Medica building by Merin from Morgan Stanley and was part of a larger portfolio. The other transactions were all significantly smaller: from €2.5m to €10m.

Supply and availability

Over the past six months supply decreased with almost 20,000 sqm to currently 526,400 sqm for the Utrecht agglomeration, a.o. due to 56,850 sqm of office space being redeveloped to other uses. This corresponds with an availability rate of 14.8%, down from 15.1%.

Gross yields

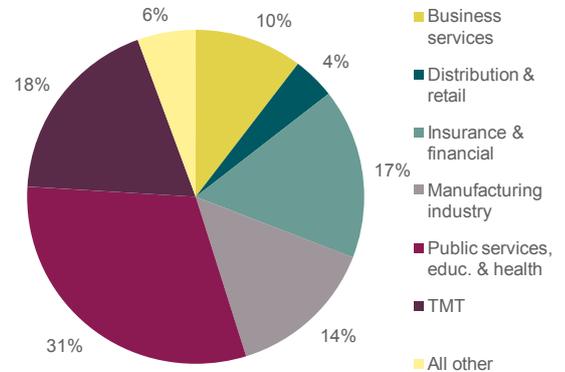
Both prime and secondary gross yields remained stable at 6.8% and 8.5% respectively.

TABLE 4 **Utrecht office market at a glance** Availability decreased and investments increased

Figure	H1 2012	H2 2012	H1 2013	H2 2013
Investment volume (€)	11m	6m	22m	33m
Take-up (sqm)	68,500	37,800	23,700	51,900
Availability (sqm)	583,500	554,200	545,500	526,400
Availability rate	16.2%	15.4%	15.1%	14.8%
Prime rent (per sqm/yr)	195	195	195	195
Secondary rent (per sqm/yr)	175	170	170	165
Prime gross yield	6.8%	6.8%	6.8%	6.8%
Secondary gross yield	8.5%	8.5%	8.5%	8.5%

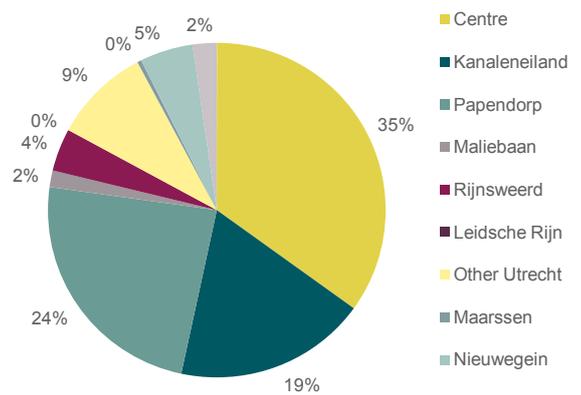
Source: Savills; data includes Utrecht, Maarsse, Houten and Nieuwegein.

GRAPH 12 **Take-up by sector H2 2013** Public services, health and education did well



Source: Savills

GRAPH 13 **Take-up by submarket H2 2013** The largest areas totalled over 77% of demand



Source: Savills

GRAPH 14 **Prime rent and availability rate** Availability dropped further, rents stable



Source: Savills

TABLE 5
Major occupier transactions 2013 H2

G4	Area	Building	Occupier	Sqm
Amsterdam	South Axis	400 Beethoven	NautaDutilh (new HQ)	10,000
Amsterdam	Teleport/Sloterdijk	Basisweg 10	Alliander (sublease)	7,000
Amsterdam	South Axis	Pr. Irenestraat 31-33	Nat. PostcodeLoterij	6,800
Rotterdam	Kop van Zuid	World Port Center	Veiligheidsregio RR	5,630
Rotterdam	South	Twentestraat 90	SAA Holding	2,870
Rotterdam	Schiedam	Stationsplein 79	Reg. Belastinggroep	2,570
The Hague	New CBD	New Babylon	TNO	9,735
The Hague	Beatrijkwartier	W. van Pruisenweg	AT&T	4,400
Utrecht	Papendorp	WTC Papendorp	UNIT4	6,800
Utrecht	Centre	Stadsplateau 1	RGD	6,270

TABLE 6
Major investment transactions 2013 H2

City	Building	Buyer	Seller	Sqm	Price
Amsterdam	Symphony	Deka Immob.	Philips PF	30,525	215.1
Amsterdam	Cross Towers	Blackstone/Castor	CBRE GI	25,870	109.0
Amsterdam	400 Beethoven	HIH	G&S	13,040	80.8
Amsterdam	Stibbe Court	Union Investm.	Dura Vermeer	12,560	74.0
Amsterdam	Vivaldi Offices I	Goldman Sachs/OVG	CBRE GI	8,590	25.3
Rotterdam	Wilhelminatoren	PPF Real Estate	Gula internatnl.	16,200	28.5
Rotterdam	Weena 200	Blackstone/Castor	CBRE GI	17,490	24.8
The Hague	HQ Siemens	PingProperties	Siemens NL	27,545	77.5
Utrecht	Domus Medica	Merin	Morgan Stanley	15,250	18.8

Source tables: Savills.

OUTLOOK

■ After a long period of recession, the Dutch economy is now back on a growth path and the ECB revised the GDP forecast for 2014 upwards to +1.0%.

■ Despite this growth Savills does not expect a substantial increase of occupier demand in 2014. First, it seems more likely that companies will wait to see whether the economic growth will be robust and secondly, a substantial number of companies still have excess space.

■ The occupier focus towards the Big 4 cities and towards the mixed-use areas within them, is likely to continue as occupiers want to attract and retain personnel by providing for lively surroundings.

■ Within the agglomerations a total of almost 300,000 sqm of office space was taken off the market or redeveloped. This trend is likely to continue in 2014.

■ A stunning 80% of all office investments in the Netherlands during H2 2013 ended up in the Big 4 cities as investors focused on core assets. In 2014 this is likely to remain the case, although investors will increasingly purchase core+, value-add and opportunistic properties and portfolios as the availability of prime product is limited. This will likely reflect in an overall lower volume of office investments in 2014.

■ Yields for prime properties are projected to contract further, but not more than 10-20 bps, while increasing interest towards value-add and opportunistic properties will prevent further softening of secondary yields.

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