

Netherlands Market in Minutes

Increase in occupier and investor demand

October 2014

Dutch economy grew by 1.1%, but uncertainty increased

The Dutch economy grew by 1.1% y-o-y in Q2 2014, mainly due to increased exports and private sector investments. The most noticeable key figure however, concerned the stabilisation of household consumption, for the first time in five years. The continuing improvement of the economy over the past year, backed by rising house prices, gave way to an increasing consumer confidence: from -44 in February 2013 to -2 in July 2014.

In August and September however, consumer confidence declined, to currently -7, and the Purchasing Managers Index decreased from 53.5 to 51.7 (source: Nevi). This signals that the recovery is still feeble and the ECB therefore recently cut its benchmark interest rate to 0.05% and introduced new stimulus measures in order to strengthen the European

economy. The geopolitical instabilities in Eastern Europe and the Middle-East do however cause increased uncertainty.

Occupier demand has increased

Occupier demand for office, industrial and retail space reached 1.8 m sqm in H1 2014, being 1.1% higher than in the same period last year.

Take-up in the office market picked up slightly during Q2 2014 and totaled around 520,000 sqm in the first half of the year. This is a 5.1% increase compared to H1 2013.

The focus towards the largest cities is large, but seems to be stabilising. The share of the four largest agglomerations in total demand reached 45.1%, precisely the same as H1 2013 and very similar to the 44.6% in H2 2013.

In Q3 2014 a number of large office transactions have already come through. Among them Booking.com

(5,000 sqm) and Uber (2,000 sqm), both leasing office space in the centre of Amsterdam. They exemplify the increased demand by the TMT sector and follow-up on a number of large H1 2014 leases by among others Amazon Liguavista (6,900 sqm), Travelbird (5,600 sqm), Innova Database (3,350 sqm) and Mapscape (2,000 sqm).

Retail occupier leasing activity reached around 175,000 sq m in H1 2014, up from 150,000 in H1 2013. Taking the economic situation into account the increasing demand still seems to originate primarily from increased possibilities due to consolidations and foreclosings of stores, leaving more space for reletting. Savills does however witness retailers taking the opportunity to open new stores at attractive locations in order to capitalise on the increased positivity.

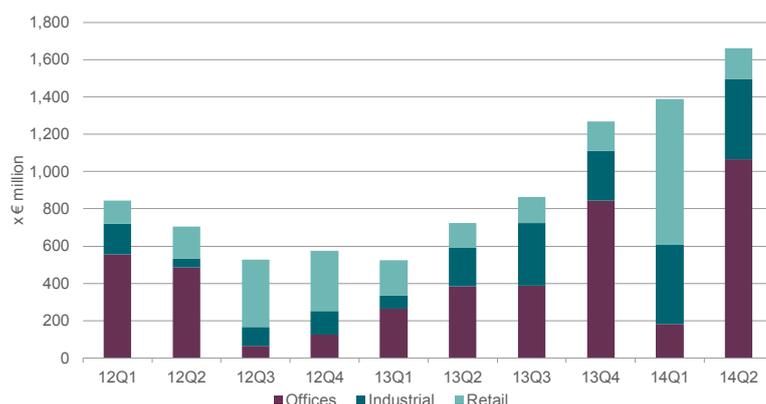
Industrial occupier demand reached 1.10 million sqm in H1 2014, slightly below the 1.12 million in H1 2013. Logistic activity started increasing again and multiple new developments have started, among them the new 58,000 Action DC in Susteren.

Office investments take over from retail

Total investments in offices, industrial and retail increased further in Q2 2014 and reached over €1.6 billion. While investments in Q1 2014 very much concerned the retail sector, in Q2 2014 the office market took over.

A breakdown of the office investments shows that Amsterdam remained by far the number one destination for investors in the Netherlands. Of all office investments in the Netherlands almost 40% ended up at the

GRAPH 1
Investment volume Netherlands by sector: Office investments spurred total Q2 volume to over €1.6 bln



Graph source: Savills

Amsterdam South Axis, including the three largest single asset deals, concerning ITO-SOM (€245m), The Edge (€200m) and Symphony (€215m). Supply of prime product is getting scarce and investors increasingly aim at alternative office assets and portfolios, as the €385m purchase by Lone Star of 32 assets from CBRE GI in Q3 2014 shows.

Retail investments totaled €950 million in H1 2014, far more than the €630 million in the full year 2013. While the share of retail in total investments reached around 30.8%, this is however still lower than the figures from 2010-2012, which varied from 36.5% to 44.7%. The lack of investor supply of good quality retail is currently limiting the total investment volume.

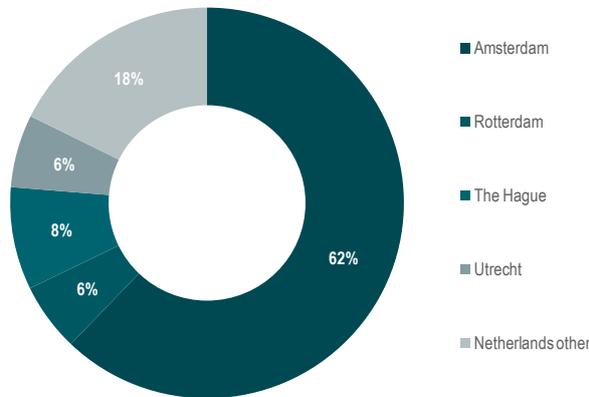
The industrial investment market experienced a very strong H1 2014, mainly due to portfolio acquisitions

"Investor interest remains high, the lack of good supply seems to be the only limiting factor." Clive Pritchard, Netherlands Investments

by Prologis, Rockspring, MBay and Blackstone, and totaled €850 million, compared to €300 million in the same period last year. The logistic market is currently seeing speculative developments emerging, indicating a firm belief in this sector.

GRAPH 2

Investment volume by locations: Almost two-third of office investments aimed at Amsterdam



Graph source: Savills

Outlook

As the economy started growing again, take-up is likely to pick up further. This increase will however be gradual and will not reduce vacancy in the office

office space at the South Axis is positively influencing rents and yields here. Other prime office locations are forecasted to show stable yields and rents, while negative pressure on secondary locations remains.

A similar trend is visible in both the retail and the industrial markets: stable rents and yields at prime locations, coupled with ongoing pressure at secondary sites.

Investor demand has been increasing substantially over the past five quarters and is expected to remain high. It is mainly the lack of good product which might hold the investment volumes back.

and retail markets, as companies remain focused on optimising their location strategy, in which both consolidation and reducing the square meter usage remain important parts.

Occupier and investor demand for

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