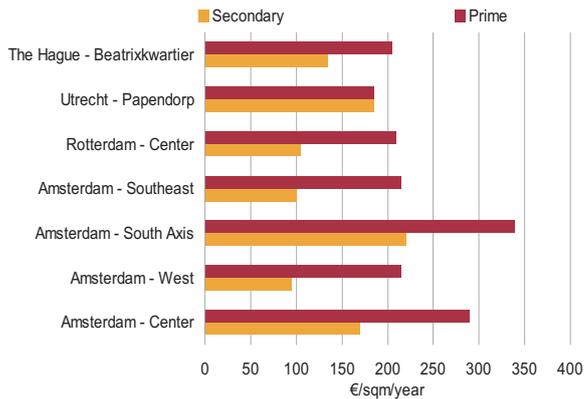


The Netherlands Office Market

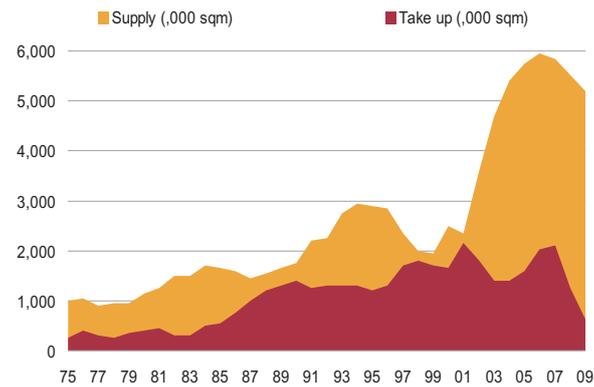
Summer 2009

Rental values



Source: Savills Research

Take-up and supply



Source: Vastgoedmarkt

“The Dutch property market is currently at the bottom of a property cycle with low take-up, rising supply and a quiet investment market.”



Coen de Lange (Agency Director)

- The economic situation in the Netherlands worsened considerably over the past 12 months. Short term economic outlook shows no signs of recovery.
- Take-up figures started falling in the course of 2008 and further declined during the first half of 2009. Office users are focusing on cost-saving and are cancelling or postponing relocation plans.
- At the start of 2009 supply in Amsterdam was 30,000 lower than one year earlier: 820,000 sqm. The corresponding vacancy rate is 13.6%. In the course of 2009 this figure will increase since completions outnumber the expected take-up.
- The steady increase of prime rents in the major cities in The Netherlands has come to a stop in 2008. At Amsterdam South Axis rent prices have decreased during 2009, due to lower demand coupled with forthcoming new completions.
- Overall investment levels plummeted. During the first half of 2009 office investments in The Netherlands totaled €520 million compared to €3.1 billion over the full year 2008.
- Yields for secondary property increased by 80bps or more over the past twelve months. Whereas yields for 10-year fix lease terms in prime properties, are close to last year's level.

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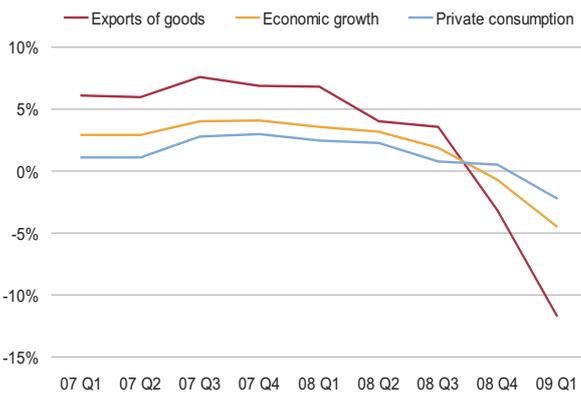
Economy and letting market

Economy

The national economic growth figure for the first quarter of 2009 was -4.5%. This is the largest contraction since the Second World War. The current outlook for economic growth over the whole of 2009 is -4.75%, but that figure might still be optimistic.

Amsterdam is generally more exposed to the world economy fluctuations than the Dutch economy, notably due to the international nature of employment in the capital. The decrease in international trade in 2009 will therefore have more effect on Amsterdam than other parts of The Netherlands. Furthermore, the economic structure of the Amsterdam region has a large representation of the financial sector, of business services and of trade and logistics. Precisely these sectors are structurally affected by the financial crisis and the recession.

Economic situation



Source: CBS

Letting Market

Take-up and demand

Following to a strong fall back of 26% in take-up during 2008, the transaction volume during the first half of 2009 totalled 535,000 sqm in the Netherlands. This is the lowest level recorded in comparable periods in recent years. This is due to both lower number and smaller size of transactions. In the first half of 2009 just four transactions over 10,000 sqm occurred.

Take-up by district

Tenant	Area in sqm	Location
Friesland Campina	20,000	Amersfoort
Rijksgebouwendienst	20,000	The Hague (Prinsenhof)
Zorginstelling Meandergroep	16,000	Landgraaf
CapGemini Netherlands	10,000	Amsterdam Southeast (Atlas Complex)

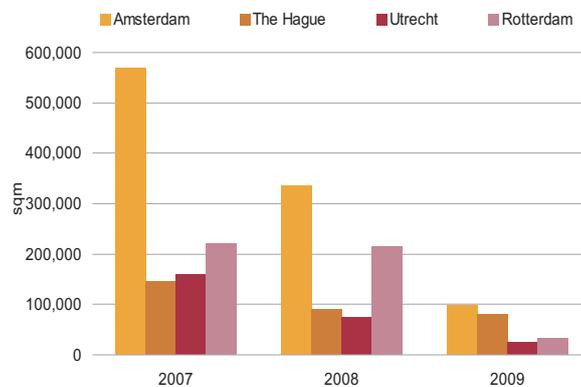
Source: Savills Research

From a user perspective the current economic reality is a reason for postponing potential relocation plans and examine possibilities for renegotiating their leases under more attractive conditions. The 50 largest transactions in the first half of 2009 show 25 lease renewals, compared to only 7 in the same period in 2008.

At a regional level, we see significant differences in the office take-up figures. For most major cities take-up in 2008 was significantly lower than the previous year. The four major cities Amsterdam (-41%), Den Haag (-38%) and Utrecht (-53%) showed a sharp decline in take-up. Rotterdam was the only exception with a decrease of only 2%. This was mainly caused by some large transactions, including the lettings of energy company Eneco (22,000 sqm) and law firm Looyens & Loeff (13,700 sqm). In Amsterdam, the number of major transactions fell behind and that resulted in an overall take-up of 335,000 sqm.

Looking at 2009 take-up figures, The Hague is performing well with take-up reaching 50% of last years, full take-up. This is largely due to the 20,000 sqm relocation of the Tax Office to the Prinsenhof. Utrecht, Rotterdam and Amsterdam are falling seriously behind. Actual take-up in Amsterdam is 97,000 sqm, which is only 29% of the take-up over entire 2008.

Take-up in major cities



Source: Savills / Vastgoedmarkt

Supply and vacancy rate

The total availability of offices in the Netherlands is currently 5.2 million sqm reflecting an average vacancy rate of 11.3%. This is a full percentage point lower than that of 2008 and is partly caused by the relatively limited amount of new office developments. However, the current weak demand could easily reverse this trend in the coming years. In Amsterdam office availability decreased over the past years to currently 820,000 sqm or 13.6%. However, there are substantial differences depending on submarkets. Low rates are particularly visible within the ring road on urban locations, such as the city center and the South Axis.

Investment and outlook

In peripheral locations within Amsterdam-West and Southeast, the vacancy rates can be above 20%.

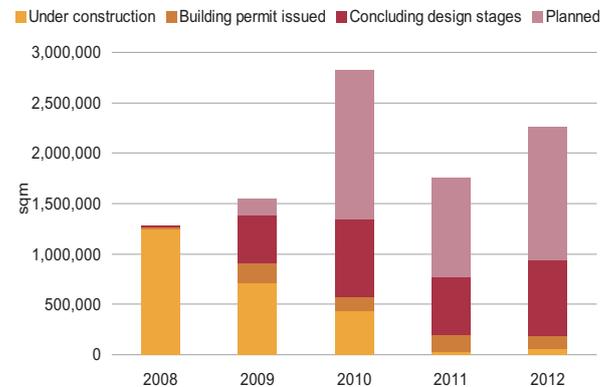
Stock and development

The total volume of office space in the pipeline until 2012 (including projects at initial stage) exceeds 9 million sqm. However part of this will be postponed or even cancelled due to financing restrictions, higher costs of financing and lower rates of return.

During 2008, approximately 650,000 sqm of new offices were delivered resulting in a total stock of 46 million sqm at the start of 2009. Analysis of the projects currently under construction indicates that at year-end another 400,000 sqm of new offices will be delivered. This is significantly lower than in recent years.

In the course of 2009, four new office buildings will come to completion in Amsterdam South Axis including Symphony (30,000 sqm), The Rock (28,000 sqm), FOZ (12,800 sqm) and UN Studio (22,600 sqm). Additionally, in the same area where the office building Vivaldi (17,200 sqm) has been completed.

Development completions



Source: Neprom

Rents

As the market balance has changed, rents are under severe pressure. In Amsterdam-South Axis, rental levels decreased from €370/sqm/year in mid 2008 to €340/sqm/year in July 2009. Additionally, incentives increased from 10% on a 10-year lease period to currently 15-20%. These changes are for a large part caused by the oncoming completions on the South-Axis, increasing supply at a time where demand is limited. Prime rents in the other large cities are still stable. Rents for secondary properties are under downward pressure, while incentives are increasing.

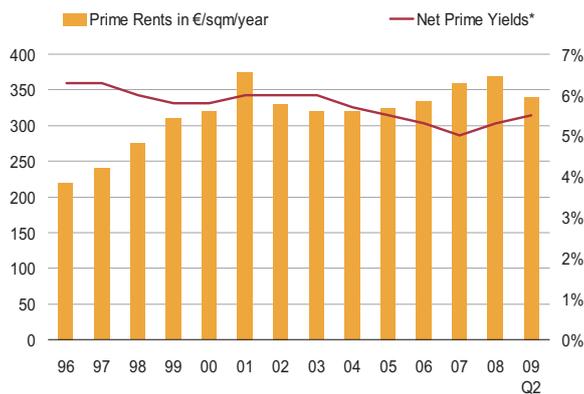
Investment

Following the 50% drop in investment turnover recorded last year (€5.8bn), investor's activity in the Netherlands is further slowing down. This is mainly due to the financing restrictions and the economic uncertainty, which have put on hold any activity from leveraged investors. During the first half of 2009, approximately €520 million was invested in offices.

Investments in Amsterdam offices totaled € 920 million in 2008, a drop of 30% compared to 2007. In comparison to the minus 50% for the Netherlands, the Amsterdam investment market remained quite resilient last year. During the first half of 2009 investments have been very limited, totaling €160 million.

Recent investments in Rotterdam and Amsterdam indicate that yields (10-year leases) are actually very similar to the level recorded 12 months ago. At the same time, yields for secondary properties increased by 80bps or more. The gap in risk-perception between prime and secondary properties has clearly widened.

Prime yields* and rents in Amsterdam



Source: Savills Research / * based on 10-year lease contracts

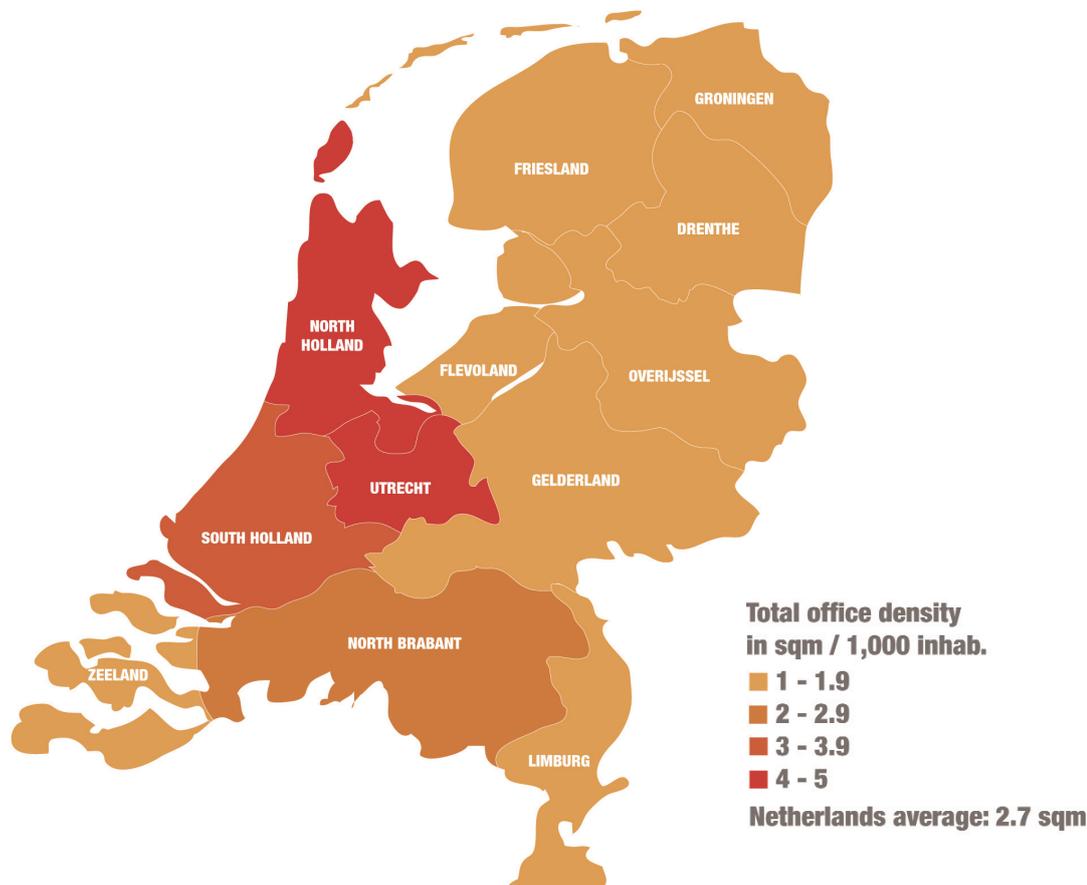
Outlook

Analysis of previous crises shows that reduction in demand will continue for at least two years. For both 2009 and 2010 Savills foresees office take-up levels between 1 and 1.2 million sqm per year. From 2011 a gradual increase is expected. Due to weaker demand, we expect vacancies to surge in some areas with the secondary buildings increasingly weighing on the stock. In the remainder of the year and in 2010 pressure on rents and incentives will remain. This applies to both prime and non-prime properties, although it is clear that supply on prime locations is usually limited and therefore price and incentives will be more stable than on non-prime sites.

We anticipate that the investor market will, in anticipation of economic recovery, start growing again in the second half of 2010. Throughout 2009, the investment volume in office property is estimated to be between €1 billion and €1.5 billion.

The Netherlands Office Market

Survey map



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