

The Netherlands - 2019



REPORT

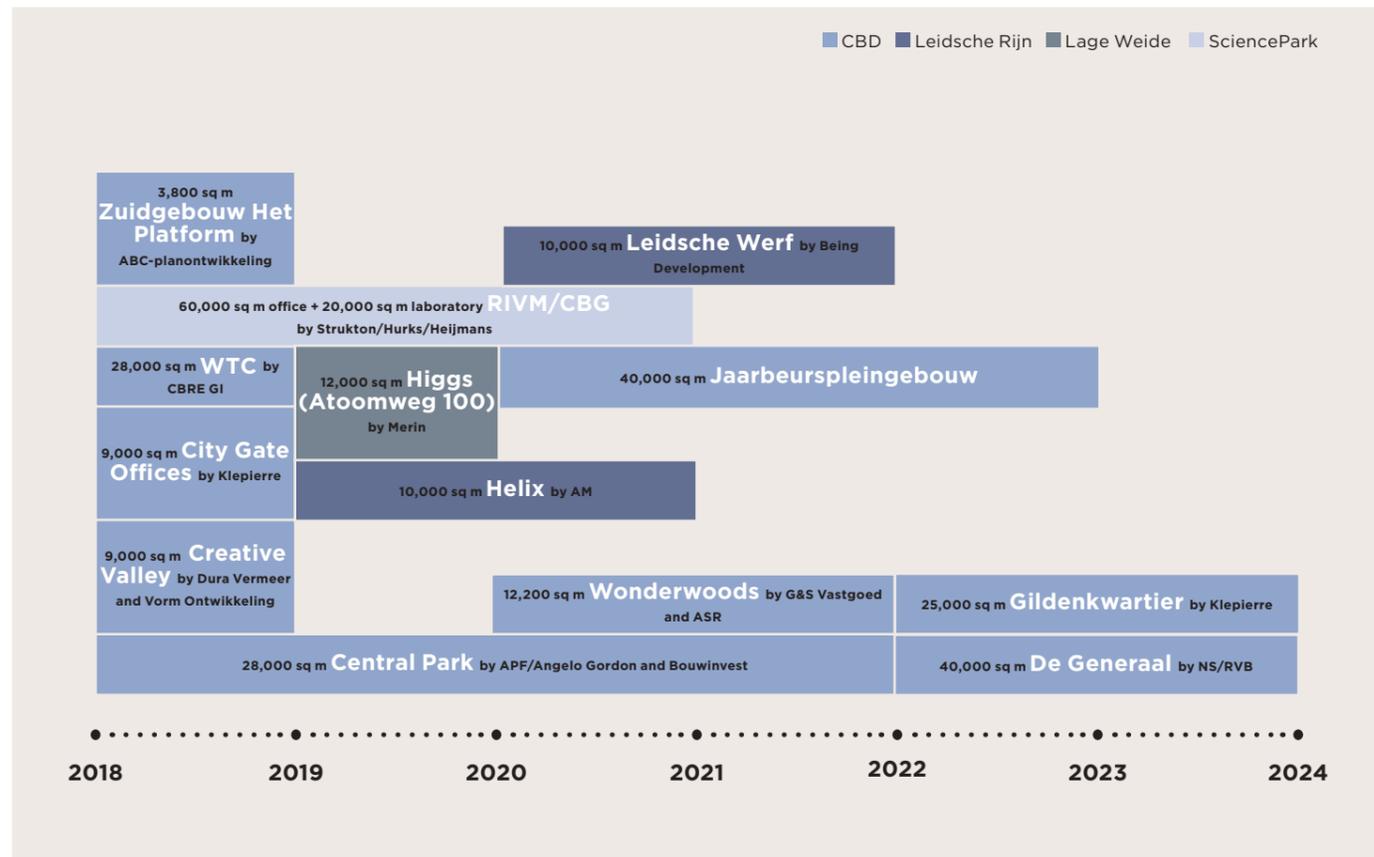
Savills Research

Utrecht - Where to invest (next)?



Utrecht's attractiveness causes ripple effect

Office developments 2018-2024 primarily focussed on CBD



“CU2030 is expected to cause a ripple effect throughout the city, so it is interesting to think about which secondary areas are likely to benefit”

Questions that will be answered in this report:

- 1 Is municipal office policy helping or hindering Utrecht to fulfil its growth potential?
- 2 What is causing the growth in Utrecht's office market?
- 3 What are the consequences for the investor and occupier markets?
- 4 Where to invest?



Attractive office spaces required

Utrecht's cityscape is changing rapidly, and if the city hopes to live up to the expectations of its residents, these changes are welcome.

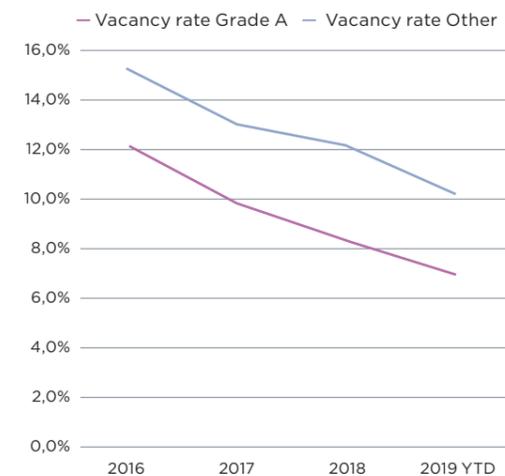
The residents of Utrecht are classic millennials: dynamic, young and highly educated, and as a place to live, work and shop Utrecht needs a profile to match.

It needs to be perceived as an attractive location not just in terms of its regional and national position, but also from an international perspective. The launch of the city centre and station renovation programme, 'CU2030', in 2013 marked the start of the city's municipal renaissance.

Projects like Nieuw Hoog Catharijne, the World Trade Centre and Creative Valley speak for themselves. By 2022, the majority of the newly rejuvenated central area will have been delivered, meaning that another 200,000 sq. m of office space will have been added to the city's stock.

CU2030 is expected to cause a ripple effect throughout the city, so it is interesting to think about which secondary areas are likely to benefit first. It appears that demand for development in the CBD far outstrips the current supply pipeline, leading to significant increases in prime and secondary rents. Prime rents rose by 30% in just one year (2018), while vacancy rates have fallen to well below friction level (2.3%). So is Utrecht's CBD in a league of its own, or does Utrecht also have other attractive alternative locations to offer?

Quality pays off Vacancy rate development in Utrecht



Source Savills Research

UTRECHT LEADING IN INTERNATIONAL PERSPECTIVE

Competitive Regional Competitiveness Index 2016 2 of 275.

Innovative Regional Innovation Scorecard 2017 top 25 (23) of 220.

Sustainable Sustainable City Index 2016 8 van 100.

Centrality and accessibility Catchment population over 1 million, within 30 minutes and Schiphol and other G4 cities within 30km range.

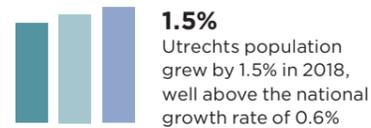
Well-Educated Over 50% of the workforce have a higher or advanced education.

Good living environment Good all-rounder. The only G4 city with a 'good' score overall; 4th (50) regarding culture, 2nd (50) regarding residential attractiveness and 4th (50) regarding socio-economics.

International Over 900 international companies, approximately 36,000 international residents.

30%

CBDs prime rents rose by 30% in just one year (2018)



Population

Utrecht is still attractive as a residential destination



Utrecht is the fourth most populous city in the Netherlands, housing over 350,000 inhabitants in 178,000 households. Its population grew by 1.5% in 2018, well above the national growth rate of 0.6%. By 2040, the city is expected to grow by 26% to almost 450,000 inhabitants. Utrecht's pulling power is based on its central location, its historic

city centre and dynamic business sector. The city also stands out in terms of its highly educated residents. It is home to the Netherlands' best and second largest university (Utrecht University), and over 50% of its workforce have completed higher or advanced education (ISCED levels 5 and 6), compared to the national average of 29%. Utrecht's

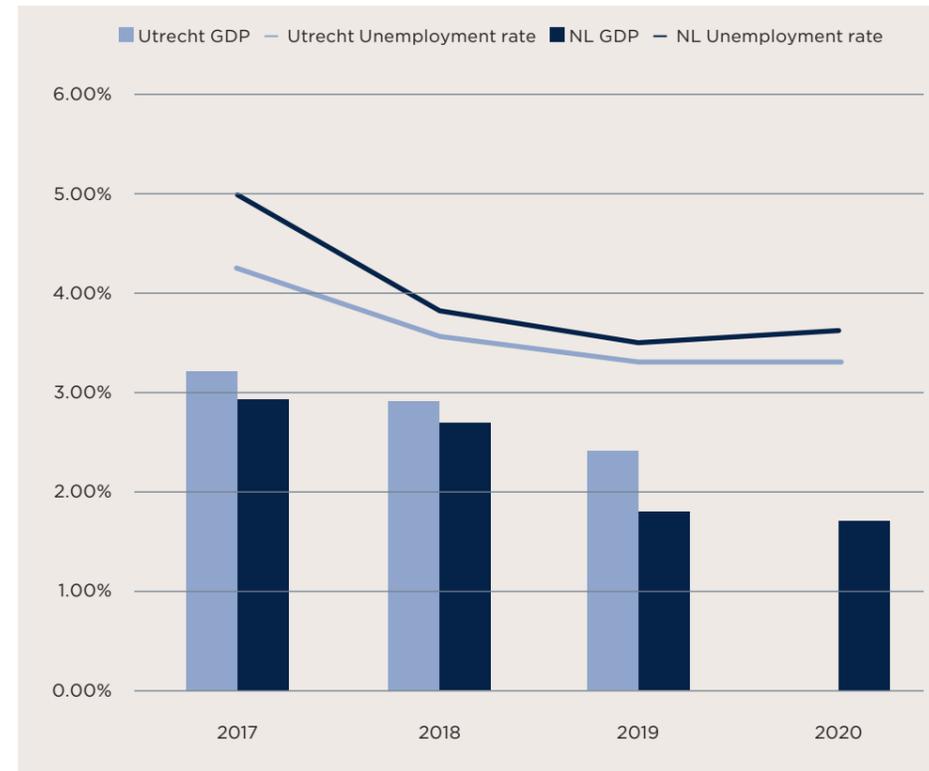
popularity is also evident from house prices in the city. In 2018, the national average price rise was 9%, compared to 19% in Utrecht. With the exception of Amsterdam, Utrecht is Netherlands' most popular residential destination. In 2018, 21,870 people relocated to Utrecht and almost 30,000 relocated within the city.

Utrecht's socio-economic profile stands out from the national average, with its young and fast-growing workforce

Area	Inhabitants			Age Groups			Household income	Companies		Jobs	
	2019	2040	Growth in %	<20	20-65	65+	€/yr	2018	Growth '13-'18	2018	Growth '13-'18
Utrecht	352,795	447,455	26.8%	22%	67%	10%	36,300	39,940	28.8%	261,420	11.7%
Netherlands	17.3 mio	18.2 mio	6.0%	22%	59%	19%	37,904	1.63 mio	20.9%	8.65 mio	5.7%

“The excellent profile of shopping centre Hoog Catherijne should serve as a benchmark for the ambitions of other mixed-use retail developments in the Netherlands. Transit Oriented Development projects combining retail, f&b and leisure in a naturally high footfall environment”

Economy Utrecht structurally outpacing Dutch economic growth



Utrecht's economy is operating at near full capacity Utrecht's central location and economic dynamism also help to provide its well-educated residents with good career prospects. This results in an attractive, and above-average, economic profile. The below-average household income is explained by the large number of students that reside in the city. In 2019, economic growth is expected to be 2.4%, compared to 1.8% for the Netherlands as a whole. Utrecht is following the national trend as growth rates slip back somewhat, but the city continues to outperform the country as a whole due to its growing internal market.

Utrecht is home to almost 40,000 companies, of which almost 1,000 are international companies. These companies provide employment for over 260,000 employees (FTE). The number of new registered companies grew by 5,100 which is the second highest number of 2018 after Amsterdam.

In line with the trend towards flexible working, almost 90% of these new registered companies

are sole proprietors, and over half of all workers are based in an office environment according to the Utrecht office policy update (see chapter: kantoorbrief 2019). Utrecht also stands out due to its balanced economic profile. No single sector dominates, unlike in other large cities. The largest sectors in terms of employment are IT, care, education and business services.

In 2018, the unemployment rate fell further to 3.3% of the workforce, compared to 3.6% in the Netherlands as a whole. This is the lowest level of all the G4 cities, but it also means that companies may struggle to fill vacancies, potentially holding back their growth potential. Due to its good location and transport connections, companies in Utrecht are not confined to the city itself when searching for candidates, however. Utrecht has the highest labour market participation rate (73%) of any large Dutch municipality. Another solution is hiring expats. In 2019, the number of jobs taken by expats was 7%. But how does Utrecht intend to sustain its economic prosperity?

“Over the past 5 years, Utrecht has become the Netherlands number two destination for companies to locate”

NEW HOOG CATHERIJNE: INVESTMENT IN PRIME RETAIL PAYS OFF.

Standing right at the centre of the CU2030 redevelopment project, the Hoog Catherijne shopping centre occupies a particularly prominent position. The rejuvenation of the shopping centre was a vital ingredient in enhancing the allure of the station area, in combination with the renovated train station and events centre (Jaarbeurs). The redevelopment of the Klepierre shopping centre is nearing completion against a backdrop of challenging developments in a polarising Dutch retail landscape. But this ambitious redevelopment has been much lauded, proving that investment in retail is not only a bare necessity but can also pay off. There has been international recognition (at Mopic 2017 it won the prize for 'Best Urban Retail Project'), and the new Hoog Catherijne has bucked national retail trends to achieve growth on several indicators. The shopping centre area has higher footfall, higher retail sales and rising prime retail rents, which reached €1,500 sq m (+14.5%) compared to last year. Hoog Catherijne's annual footfall was 27.5 million last year, and is expected to rise to 30 million once the whole project has been completed. After its completion in 2020, the project will include 35,000 sq m of new retail space, on top of the 50,000 sq m of redeveloped retail space. By the end of 2018, 52,500 sq m had already been delivered.

85,000
After its completion in 2020, Hoog Catherijne will include 85,000 sq m of retail space.

“ A large enough workforce in the catchment area is essential. Utrecht’s core catchment area comprises over 1 million inhabitants ”

Mobility and transport Utrecht’s core catchment area within 30 minutes by car



Source Openrouteservice

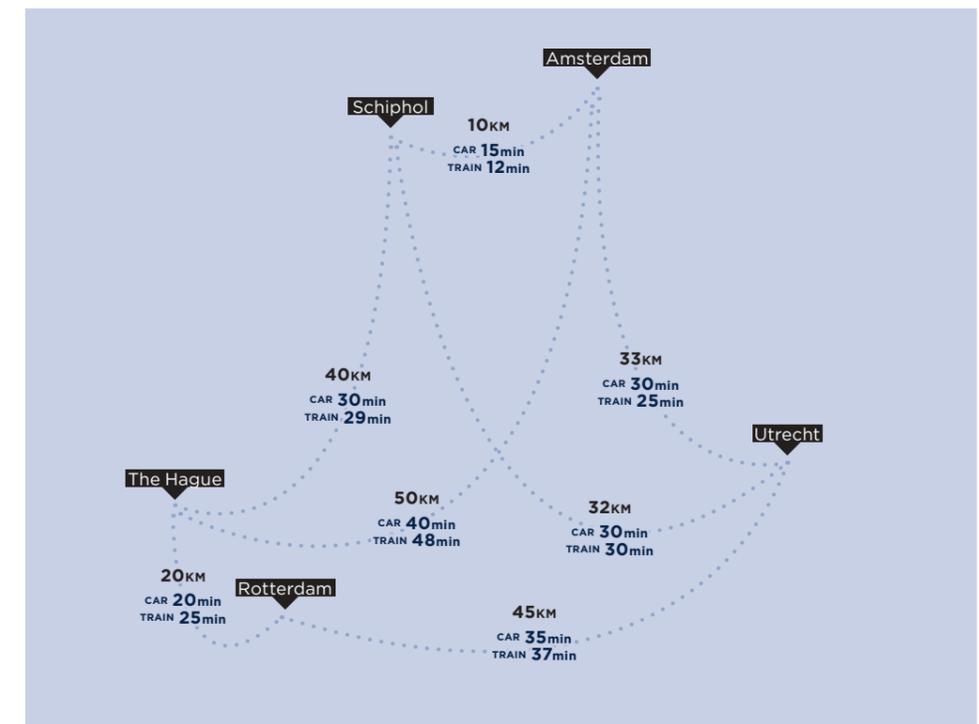


Mobility Matters

Attracting businesses has much to do with mobility and transport links, which are indispensable for economic growth.

As mentioned, one potential economic risk factor for Utrecht is a shortage of available workers. A large enough workforce in the catchment area is essential. Utrecht’s core catchment area comprises over 1 million inhabitants (within 30 minutes by car). Additionally, Utrecht has good train connections to Schiphol Airport and the other G4 cities. Over 200,000 travellers use the train every day, which equates to growth of more than 10% over the course of 5 years. It will be vital for Utrecht’s future competitiveness to continue investing in mobility. The municipality is underwriting this investment, as seen in its plans to upgrade the train stations at Utrecht Lunetten (and to a lesser extent) Utrecht Leidsche Rijn to intercity stations. This is an opportunity for investors to buy into these developments at an early stage. Utrecht not only needs to be accessible from the outside, but also needs mobility within the city. In addition to an excellent and expanding network of tram and bus connections, research shows that Utrecht had Europe’s second best network of cycle routes in 2017 (after Copenhagen), compared to third place in 2015. The city is continuing to invest in cycling infrastructure, including the Netherlands’ largest bicycle parking structure (with a capacity of 33,000), and the total length of dedicated cycling paths in the municipality is unrivalled.

The Netherlands Good connectivity between Utrecht, the G4 cities and Schiphol Airport

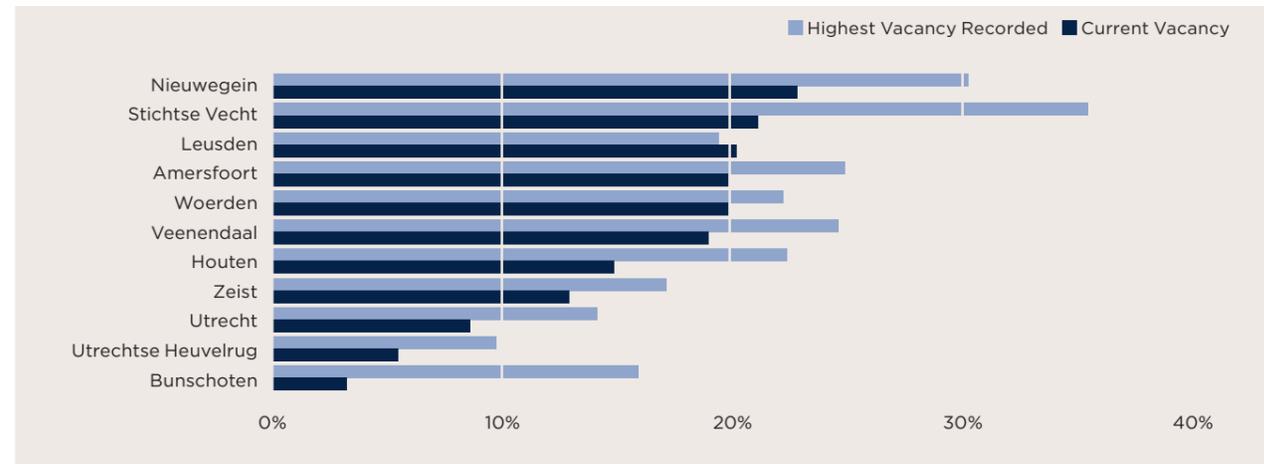


Source Savills Research

Utrecht city vs Utrecht region

Municipal policy on office locations: Utrecht in a league of its own? The city of Utrecht has adopted a proactive approach to add new developments in the office market.

U10 municipalities office market improves because of conversions (2012 - 2019)



Source Savills Research

Its current restrictive policy, which began in 2012, has aimed to reduce vacancy (by converting office buildings for other purposes). However, in 2019 a new focus is called for to facilitate future population and employment growth, and this has taken the form of the 'Kantorenbrief 2019'. The new policy allows the city to formulate the size, function and growth potential of individual office locations. The main takeaways are:

- Proactive development near transit hubs and in the secondary area of Leidsche Rijn Centre and Papendorp
- Dynamic review framework used for land issued and zoning procedure
- End of office conversion programme
- Dynamic regional urban office exchange programme to remove office space from one part of the city and allow new developments that provide the same amount of office space in office growth areas.

The new policy aims to promote the realization of the Urban Planning Strategy 2040 (Ruimtelijke Strategie Utrecht 2040 (RSU2040)) and the Regional Economic Programming of the 10 regions that make up Greater Utrecht (U10) (Regionaal Economische Programmering), which will be

launched in the second half of 2019. Research regarding demographic and economic projections for the period up to 2040 reveals that 80,000 new jobs will be created, over 50% of which will be office-related.

Research issued by the Province Utrecht, done by STEC (dd 2014.) pinpoints 3 submarkets destined to facilitate prospected office employment growth until 2027.

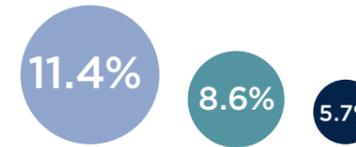
1. Centre - CU2030 ('Stationsgebied') can expand with an additional 237,000 sqm office space (currently 172,000 sqm (72,6%) is already planned). However after 2027 further room to grow is allowed in this area.
2. Leidsche Rijn Centre can expand with a total of 207,000 sqm (currently 20,000 sqm (9,7%) is already planned)
3. Papendorp has room for and additional 138,000 sqm (currently no pipeline plans yet)

Currently, the ripple effect mentioned previously is causing a tension between Utrecht and the other U10 regions. The U10 regions fear an exit of local office employment towards the outer secondary areas of Utrecht because of the fact that new office development

“ The U10 regions fear an exit of local office employment towards the outer secondary areas of Utrecht because new office development is only currently permitted in Utrecht itself ”

is only currently permitted in Utrecht itself. This raises the question of whether or not this fear is justified. U10 business locations have seen an increase in company start-ups over the past years, but at the same time a reduction in office employment. This loss of employment is due mainly to bankruptcies or relocations to outside the U10 region. The main employment sectors in the U10 are wholesale and retail, research and consultancy services and IT services. The biggest loss in employment is being felt in the cleaning sector and security (other business services) and in logistics. This is fuelling the belief that, like Utrecht itself, the U10 needs to focus on qualitative office redevelopment rather than office conversions and that the U10 municipalities do not need to worry about secondary market office developments in Utrecht.

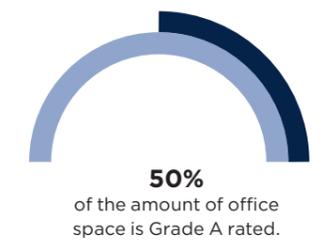
As a result of the restrictions mentioned above, vacancy levels in U10 are falling, on average, but at >15% they are still above the national average of 12.3%. Average take-up levels are not increasing, but there is demand for smaller, full-service office stock. In conclusion, the U10 needs to focus on a combination of office conversions and office redevelopments that incorporate flex offices.



In Utrecht, the office vacancy rate is 8.6%, which is comparable to The Hague (7.3%), better than Rotterdam (11.4%) but worse than Amsterdam (5.7%).

Office market Overview of the Utrecht office market

	Stock	Supply	Vacancy
Centre/CBD	768,149	17,291	2.3%
Kanaleneiland	383,806	17,008	4.4%
Papendorp	298,815	43,587	14.6%
Maliebaan	67,482	8,642	12.8%
Rijnsweerd/Science Park	526,765	44,356	8.4%
Leidsche Rijn	22,335	2,129	9.5%
Utrecht other	737,926	108,275	14.7%
Utrecht (municipality)	2,805,278	241,288	8.6%
Nieuwegein	423,112	57,264	13.5%
Maarsse	97,767	16,160	16.5%
Vianen	116,020	16,783	14.5%
Houten	234,115	23,284	10.0%
Utrecht (agglomeration)	3,747,990	321,185	9.7%



CLOSE UP OFFICE MARKET

When we take a closer look at the quality of available office space, we quickly see that quality matters. But first, how do we define quality? Quality is linked to a number of measurable indicators: the age of the building, its energy-efficiency (Grade) and size in sq m. Generally speaking, the older and more inefficient the building, the higher its chance of becoming obsolete. Other important characteristics of attractiveness are mobility and the quality of the micro environment. In Utrecht, the amount of office space that is Grade A is around 50 percent or 1.4 million sq m. The average Grade A office is also far more energy-efficient (Energy label A) than the remainder of the stock (Energy level D). Logically, larger buildings outweigh the smaller buildings, so only 30% of office buildings are classified as Grade A, while 70% are classified as 'other'.

Utrecht Office market close up: Grade A/Non Grade A including Nieuwegein Quality over quantity

Stock	Grade A	Other
Energy Label	A	D
No. of buildings	30%	70%
Total sq m	50%	50%
Vacancy	7%	10,20%

Source Savills Research

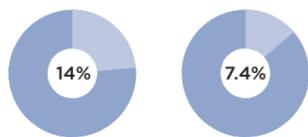
Quality over quantity

Utrecht's office stock amounts to 2.8 million sq m which makes it the fourth largest office market in the Netherlands.

In addition to the city of Utrecht itself, the Utrecht office market includes Houten, Nieuwegein, Maarsse and Vianen. Since 2010 Utrecht's office stock has experienced a substantial improvement in quality. Through municipal and provincial initiatives on office conversions, over 200,000 sq m of outdated, low-quality, and vacant offices have been removed from the stock and redeveloped. Over 80% of these offices date from before 1990 and were largely located in secondary locations across the city. Despite these withdrawals, the city's total office stock has increased slightly due to substantial new-build since 2013. The new offices are of high quality and located mainly in prime office locations. As a result of a stricter policy, a reduction will be made in the planned overcapacity for new offices

in peripheral areas in existing zoning plans. The municipality continues to allow new construction in core office locations. By 2022, over 200,000 sq m of new offices will be added in the area surrounding Utrecht railway station, and after 2022, a further 150,000 sq m of new office space will be added to the stock. The office vacancy rate of previous years has been reduced permanently to its current level of 8.6%, which is comparable to The Hague (7.3%) and better than Rotterdam (11.4%) but worse than Amsterdam (5.7%).

But what are the causes of vacant office space? An analysis shows that vacancy in Utrecht predominantly affects subprime locations with outdated supply.

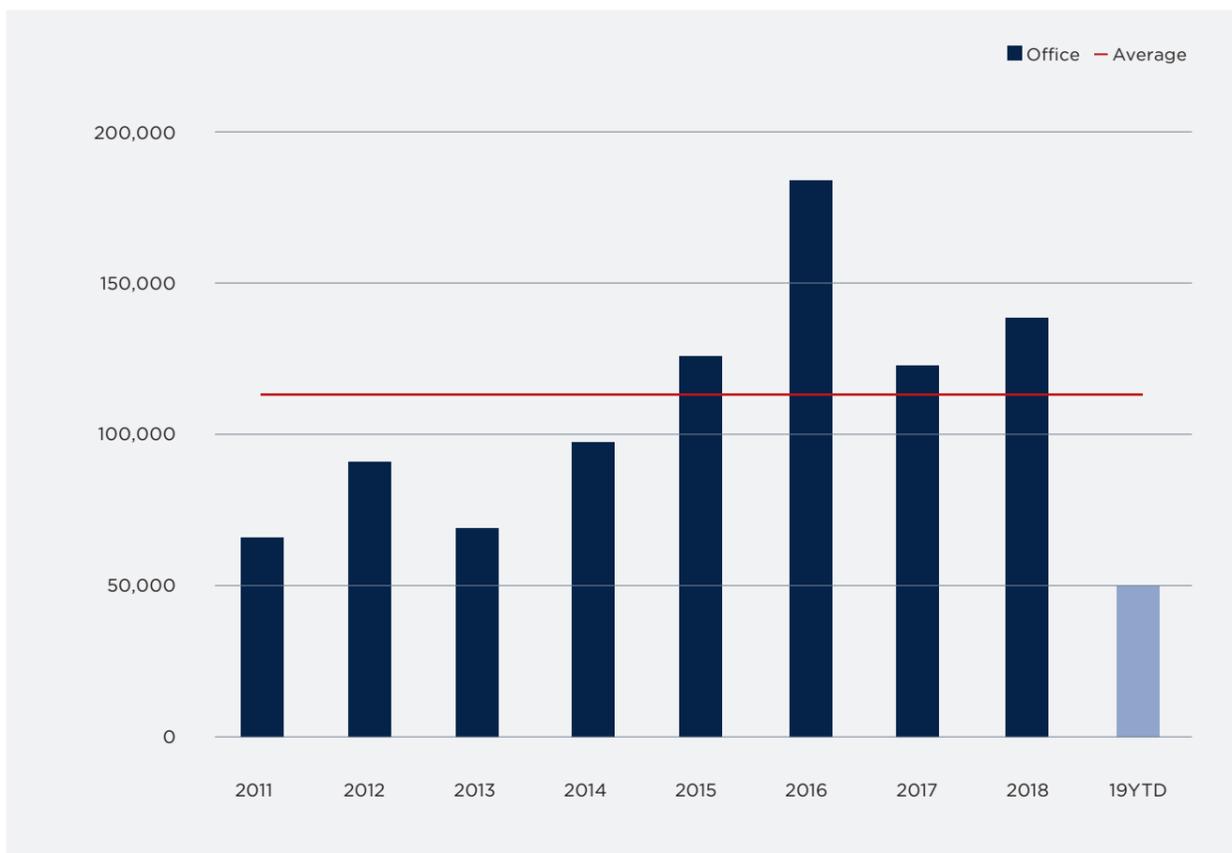


Vacancy fell from 14% to 7.4% (year-end).

Stagnating take-up due to lack of high quality supply

Office take-up in Utrecht has been increasing gradually since 2013. This is partly due to the quality improvements that the office stock has experienced during this period.

Take-up trend 2011 - now Take up is subdued due to lack of available qualitative supply



Source Savills Research

Savills expects that the addition of nearly 200,000 sq m of new offices in the CBD by 2022 will probably lead to a further increase in take-up in the very near future. In the past, the availability of this type of high-grade

office space was limited. However, currently availability has increased and will continue to increase. Despite the addition of new office space, the forecast is that office take-up growth will end due to limited supply.

Improvements in quality combined with the growth in economic activity will also push the supply of office space downwards, with rising rents as a result. Vacancy fell from 14% to 7.4% (year-end).

“The demand for quality is increasing, which is maintaining pressure on the market to acquire outdated supply at attractive locations proactively in order to redevelop it. ‘Attractive’ means a central location combined with good transport connections, and is not confined to Utrecht city centre”

“Savills expects that the addition of nearly 200,000 sq m of new offices in the CBD by 2022 will probably lead to a further increase in take-up in the very near future”



Investors are now starting to target Utrecht's secondary markets

Main subareas Utrecht

Utrecht's largest industrial area, with a strong focus on logistics and transport but also small-scale, fragmented, office stock.

LAGE WEIDE

Tenant Vitens, Pepsi Co, WE, Techdata

Future: Possible residential development on the fringes of Lage Weide. Will shape up to become an interesting mix of full serviced offices and light industrial.

Upscale urban development area around train station, which enjoys strong support from the municipality. Ambition and scale is illustrated by the construction of 3 high-rise residential towers, the highest will be 140 meters and become a landmark as the highest building of Utrecht. Together with CBD and Papendorp, this is the only area where new office developments are permitted.

LEIDSCHER RIJN

Tenant Capgemini, FNV, Oracle, Regus, Jibes, Bang & Olufsen

Future growth area which continues to develop and will house the largest part of Utrecht's future population growth. In future the area will have:

- Residential stock for 100,000 residents
- Employment to serve 40,000 employees (FTE)
- Catchment area serving 160,000 people

There are plans to turn Rijnswaard into an extension of Utrecht Science Park. As a result, Rijnswaard will become a multifunctional residential and working area with student accommodation, bars, restaurants and shops. Rijnswaard can currently be classified as a typical car-oriented office park. The Science Park is adjacent to the area but is totally different in character. It is a Life Sciences & Health Cluster, with affiliated companies. The dynamic will shift strongly to an innovative start-up environment complemented by a mix of knowledge, care, (student) housing, retail and services.

RIJNSWAARD & SCIENCE PARK

Tenant EY, a.s.r., PwC, DAS, USG Legal, Deltares, Genmab, Nutricia Research, Hubrecht Institute

Future new office developments in Science Park have priority, Rijnswaard on the other hand is aiming to convert offices to 2,500 to 3,000 into (student) housing units. Rijnswaard will thus form a connection between Utrecht city centre and the Uithof area where students can live and work in a dynamic and innovative area with start-ups and scale-ups.

Small-scale office stock. Area focuses on light industrial and logistics.

DE MEERN / OUDE RIJN

Tenant Mediq, Albron, LINKIT

Future will remain an area for office, light industrial and logistics

Utrecht's CBD, centred around and above Utrecht Central station, includes an urban mix of leisure, retail, f&b, hotels and residential

CITY CENTRE

Tenant Mainly financial and business services like Rabobank, Vodafone Ziggo and Movares, but also a number of (semi-) governmental organizations such as Nederlandse Spoorwegen, the City of Utrecht and SVB

Future CU2030, office pipeline to be delivered by 2022, enhancing business dynamics in the area

'Newest' Utrecht office area constructed since 2000. Single-tenant stock is mainly being redeveloped to multi-tenant. In the near future, Papendorp will transform its urban make-up (mainly adding residential to the mix). Papendorp has also been named as an area where new office developments are permitted.

PAPENDORP

Tenant Belastingdienst, Bol.com, Deloitte, KPMG, IG & H Consulting en AM

Future strong office focus will continue, however the municipality's ambition is to add 1,000 residential units to the area.

Office area that is becoming a financial services hub, as evidenced by the large number of take-up deals in the banking sector. The area has also seen many office buildings converted to residential. Young urban professionals are actively targeting the area due to its central location, putting upwards pressure on rental prices. This makes the area interesting for future conversion projects. The adjacent Merwedekanaalzone (MK) area is being converted and will add around 12,000 residential units to the stock. Subarea 6 of MK zone is the Kanaleiland office area.

KANALENEILAND

Tenant Rabobank, ABN Amro, Banco Santander, Equens, Berenschot, Ictro

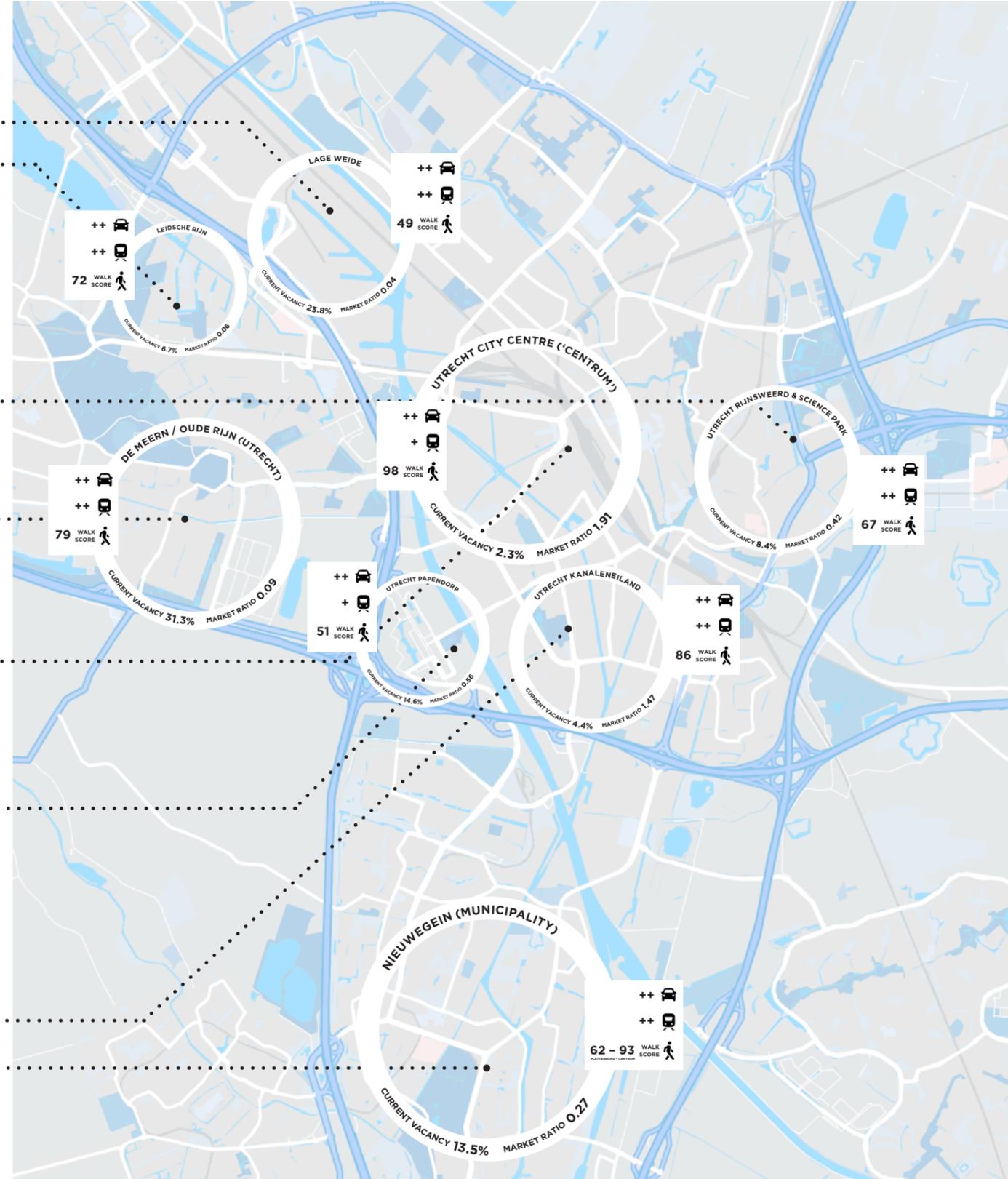
Future new residential developments focusing on young professionals and students (as purpose-built student apartments (PBSA)). The adjacent area, Merwedekanaal and A12 motorway, is being redeveloped. This will lead to a different look and feel for the area.

The future Amstelveen of Utrecht. Pressure on the housing market is leading to large-scale conversion of office to residential. Office stock clean-up will lead to shake-out which only Grade A stock will survive.

NIEUWEGEIN (MUNICIPALITY)

Tenant Mercedes-Benz, Ballast Nedam, Ordina, Avaya Netherlands

Future Future conversions will bring vacancy down to sustainable levels.



“ In addition to the strong growth of flex-office demand in Utrecht’s CBD, Leidsche Rijn is also showing an increasing number of inquiries. This area will profit next from the pressure on the city centre area ”

Office market rents

Rental growth in several subareas. Quality improvements combined with a growth in activity are also leading to a decrease in the supply of office space, with rising rents as a result.

Rental growth all around

Rental levels main Utrecht office areas including outlook

Area	Current	Rental growth since 2017	Outlook
Centre/CBD	€285	37%	€300
Kanaleneiland	€185	32%	€200
Papendorp	€185	7%	€200
Rijnsweerd	€175	13%	€190
Vleuten De Meern Leidsche Rijn	€175	13%	€190
Science Park	€140	22%	€150
Nieuwegein	€135	13%	€150
Utrecht West	€135	13%	€150

Source Savills Research

In 2019, the highest gross rents paid were €285 per sq m / year, which is an increase of over 37% in two years. Compared to the other G4 markets, only certain subareas of Amsterdam and Schiphol Airport have higher rents. The ripple effect is also noticeable when it comes to rental growth, with rents in the CBD beginning to rise in 2016, and secondary markets following a year later. Kanaleneiland and Science Park, in particular, now have a substantial higher level of lease transactions.

37%
increase in highest gross rent in over two years

FLEX OFFICES

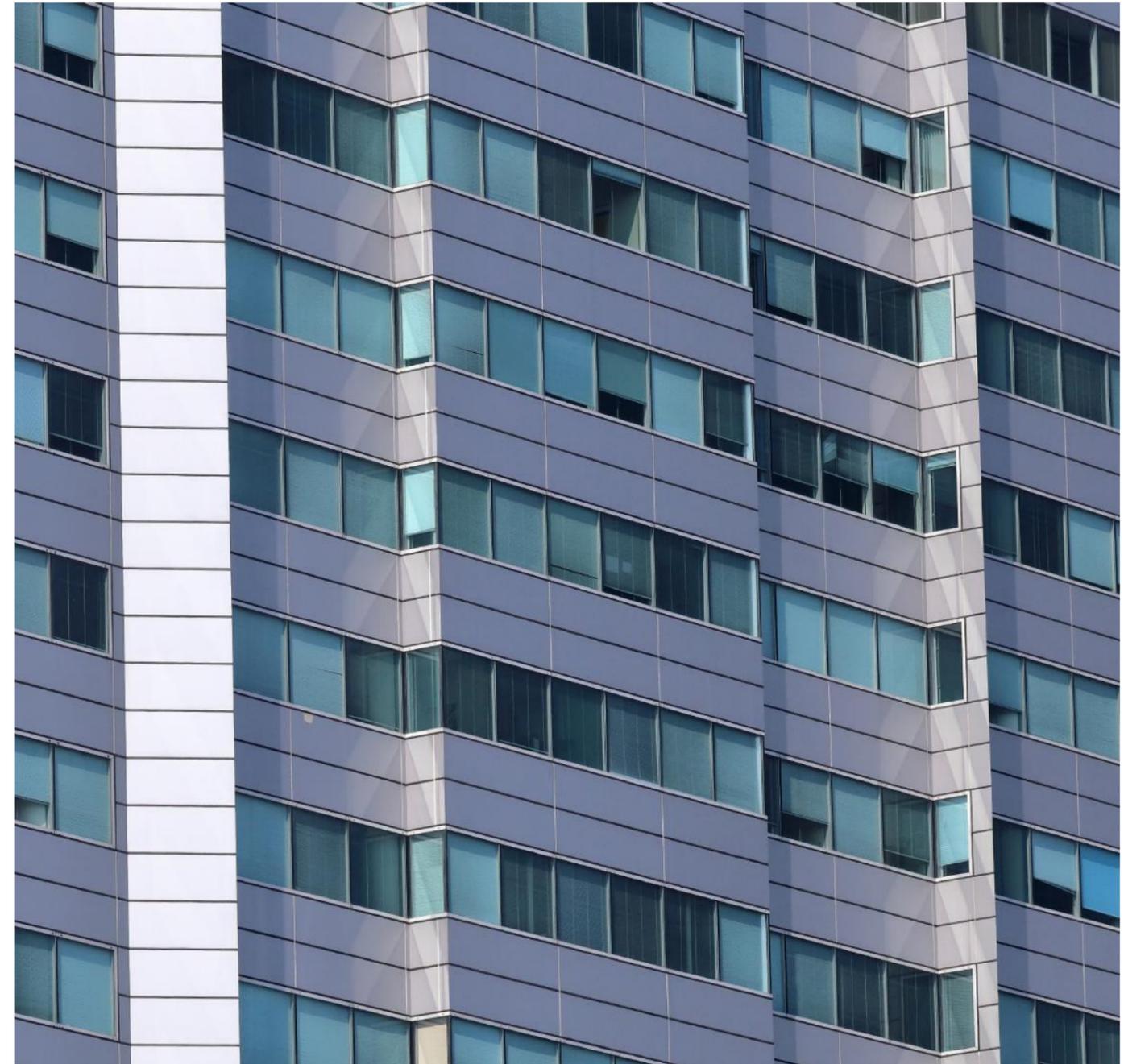
The flex office market has witnessed a strong increase in take-up since the crisis years.

Initially, interest in flex office space came from start-ups and freelancers but now larger companies are also adopting the full service concept in the race for talent, with employees increasingly prioritizing a good work-life balance.

Another advantage is the flexibility and efficiency that flex operators provide for scaling up or down at the appropriate time. In parallel to this, real estate owners were facing sky-high vacancy rates. There was not enough demand in the market for large-scale permanent office space.

An alternative solution was needed to generate cash flow: flexible offices. Increasing numbers of real estate owners began acting as owner-operators. Utrecht’s central location makes it appealing for the flex office market.

Flex operators already active in the Utrecht office market include HNK, Regus, The Office Operators and Tribes.



Case: Atoomweg 100

Recent (Q3 2018) office investment at Atoomweg 100 in Lage Weide by Merin shows the shifting geographical investor focus to Utrecht’s secondary markets. A second transaction with a similar focus was APF’s acquisition of the Life Building in Papendorp. Atoomweg 10 will be extensively redeveloped and appear back on the market by the end of 2020 under the name

of Higgs. HIGGS will have an office floor space of approximately 16,000 sq m. Merin will also upgrade the energy-efficiency of the building to energy label A. Higgs will be partly managed by Smart Office, the operator concept of Merin.

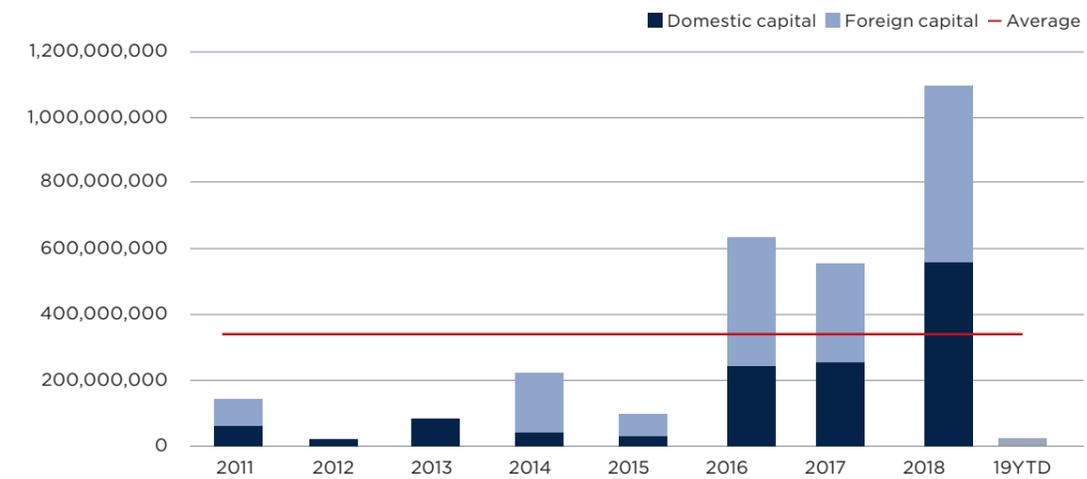
Catering will be specific for occupier demands such as natural daylight (atrium), restaurant, conference, sports facilities and function as a smart office.

“Higgs’ expected prime office rent of €190-200 per sq m, would be a 40% increase for the area and set a new benchmark ”

Investors target Utrecht secondary markets

Kanaleneiland first secondary market that benefits from spillover effect CBD

Annual investment volume since 2011 (domestic capital vs foreign capital) Utrecht's office market is increasingly on the radar of foreign investors



After a period of relatively little activity, the investment market for offices in Utrecht has picked up significantly since 2016.

In 2018, the investment volume peaked at a total of over €1 billion. The increasing interest from investors is due to the possibility of investing in high-grade offices in the city centre, €400 million (or 40%), was invested in the CBD. Another reason is the limited availability of investment product in Amsterdam. The purchase of Central Park by Bouwinvest in 2018 for €160 million was the largest investment transaction that had ever taken place in Utrecht. Prime gross initial yields have been pushed downwards to 4.5% in Utrecht as a result of the increased interest of investors. Investors are now starting

to target Utrecht's secondary markets, whether this is to convert obsolete office space into residential (Kanaleneiland) or investors picking up on the options for new grade A office redevelopments (Papendorp/Oude Rijn/Lage Weide) or even to add new product to the stock (CBD/Leidsche Rijn/Papendorp). Kanaleneiland is the first submarket that shows a significant investor appetite increase. 2018 investment volumes for the area doubled to €166 million and at the same time vacancy rates dropped to 4.4%. Prime yields for Grade A buildings in secondary markets are between (6.25%-8%).

In conclusion, Utrecht has gained popularity in recent years and will continue to do so. Strong demographic and economic growth, in combination with quality improvements in the office stock, have led to growth in both the qualitative and quantitative demand for offices. A public-private partnership to extract and convert low-quality office space and add high-quality office space in the city centre has resulted in higher take-up volumes, decreasing vacancy, and rental growth. This, in turn, has led to growing interest from investors. Despite the addition of new offices in Utrecht's city centre, Savills expects a lack of supply, resulting in continuing rental growth and decreasing take-up volumes in the coming years. Although the City of Utrecht is acting to support future growth (Kantorenbrief 2019), it remains to be seen whether the right balance can be found between the U10 regions and Utrecht itself. This will play a decisive role in determining Utrecht's future success.

In the meantime, office investors and developers are able to identify plenty of opportunities to buy into Utrecht's future growth, focusing on outdated stock in attractive redevelopment areas with a residential or office angle in mind. An active market will help steer policymakers in the right direction.

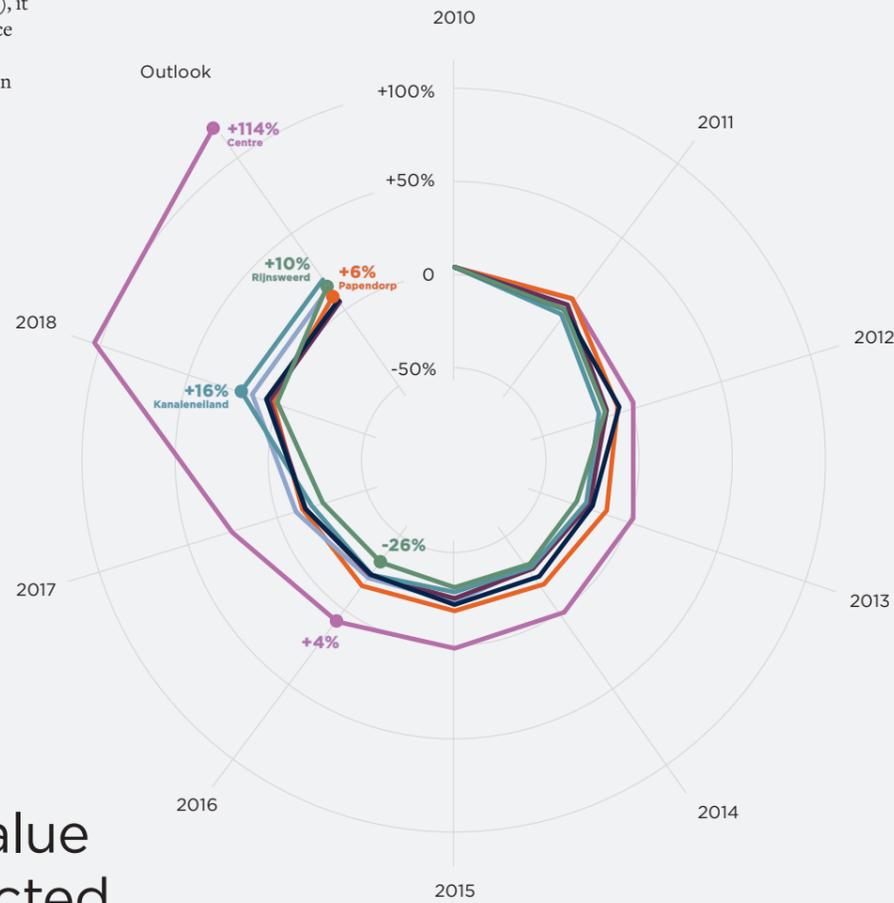
On the macro scale, good and improving mobility is bringing Utrecht 'closer' to Amsterdam. With a drive time of just 30 minutes from Amsterdam, Utrecht's new-build stock is becoming an interesting alternative for office occupiers with an attractive price level. Public and private sectors are being challenged to continue investing in connectivity to

maintain Utrecht's profile as the most centrally positioned of the G4 cities and Schiphol Airport. Keeping this in mind, Savills expects Utrecht to become a full-fledged alternative to and rival for Amsterdam. This positive tendency will continue to rub off on Utrecht's secondary markets, in the same way as we have seen happening in Amsterdam's secondary markets. Centrally located secondary markets have a sound foundation for future growth. For this reason, Savills expects prime rents for Utrecht's secondary markets to rise to a level of €200 per sq m bearing in mind the rent levels in Amsterdam secondary rival markets (South-East).

Ripple effect hits submarkets at different moments in time

2010 = 0
Capital Value development
Utrecht's main office submarkets

- Centre/CBD
- Science Park
- Kanaleneiland
- Nieuwegein and West
- Papendorp
- Vleuten-De Meern-Leidsche Rijn
- Rijsweerd



Outlook

Sustainable value increase expected

Source Savills Research



Source : PBL, Atlas voor de leefomgeving, CBS, CROW, BAK, LISA, Google Maps, Walkscore, Savills Research



Savills World Research

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€200 Savills expects prime rents for Utrecht's secondary markets to rise to a level of €200 per sq m

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