

RESEARCH



AMSTERDAM

OFFICE MARKET OUTLOOK
Q1 2015

NL real estate

OCCUPIER TRENDS

INVESTMENT TRENDS

MARKET OUTLOOK

KEY FINDINGS

Amsterdam office take-up fell by 7% in 2014, but demand has remained healthy in the prime office districts of Amsterdam City Centre, Amsterdam Southeast and Amsterdam South Axis

Amsterdam continues to have a stable rental profile, with prime office rents ending 2014 at €340 per sq m per annum

The office vacancy rate remains relatively high at 19.7%, but there is continuing trend for older vacant buildings in less desirable locations to be converted from offices to other uses

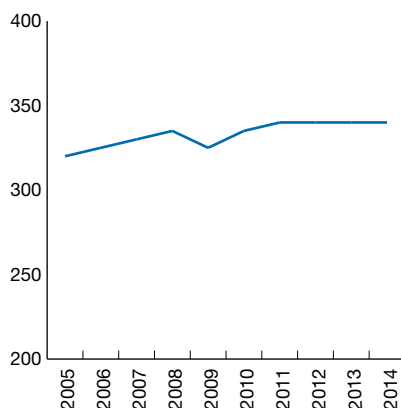
There was an upsurge in office investment in 2014, driven mainly by cross-border investors, especially those from Germany

The South Axis was a major focus for investor demand in 2014, with several large assets transacted in this district

FIGURE 1

Amsterdam prime office rents

€ per sq m per annum



Source: Knight Frank Research

OCCUPIER MARKET

Despite a moderate fall in take-up in 2014, Amsterdam office market sentiment has remained broadly positive.

Office take-up in the Amsterdam region came to just under 214,000 sq m in 2014, about 7% down on 2013. However, the number of transactions completed during 2014 was very similar to the previous year. Demand for space was strongest in the core office locations of Amsterdam City Centre, Amsterdam Southeast and Amsterdam South Axis.

The largest deal of the year was ING Bank's sale and leaseback of 24,500 sq m at Haarlerbergweg 13-23 in Amsterdam Southeast. A further large-scale transaction saw PVH Europe agree to lease the Porcellis building in the Houthavens, which will be completed in 2016 and become the headquarters for PVH's subsidiary Calvin Klein Europe.

Several other international companies have recently opened new European headquarters in Amsterdam, including the US medical technology firm Stryker and the Israeli chemical company ICL. Both companies agreed deals to lease more than 5,000 sq m in 2014 and officially opened their new offices in early 2015.

The TMT sector has been an increasingly important source of office demand, particularly in the City Centre. During 2014, sizeable amounts of space were taken by companies including Travelbird and Booking.com, with the latter leasing a total of more than 10,000 sq m in two separate transactions.

The overall vacancy rate in the city of Amsterdam rose to 19.7% by the end of 2014. However, vacancy rates are

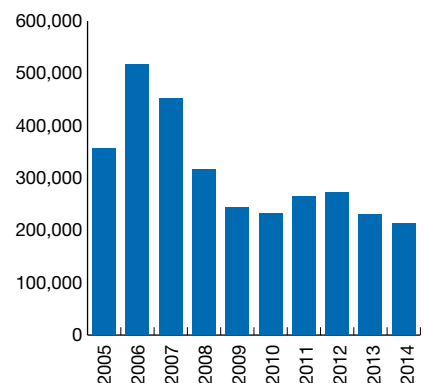
considerably lower in the South Axis and the City Centre. Much of the city's vacant space is in older buildings in peripheral locations, and there is an ongoing trend for this stock to be converted to residential or hotel use. In Q4 2014, for example, work began on the conversion into a hotel of The Dam in Sloterdijk, which was formerly one of Amsterdam's largest office building with 42,000 sq m of space.

Prime office rents ended 2014 at €340 per sq m per annum. There have been few changes to prime rents over recent years, but there is now some upward pressure on rents in Amsterdam's most sought-after office locations.

FIGURE 2

Amsterdam region office take-up

sq m



Source: Bak Property Research / Knight Frank Research

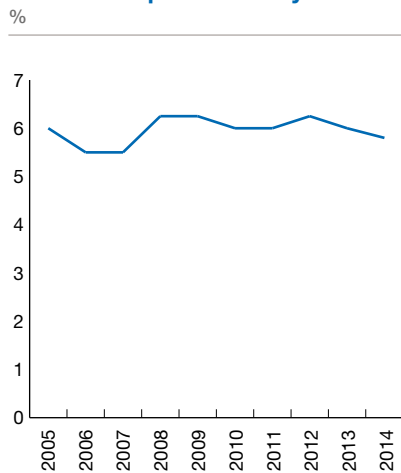
Key office leasing transactions

Quarter	Property	Tenant	Sector	Size (sq m)
Q2 2014	Haarlerbergweg 13-23	ING Bank	Banking	24,500*
Q2 2014	Porcellis	PVH Europe/Calvin Klein Europe	Fashion	13,000
Q4 2014	Ten Thirty	ATOS	IT Services	9,000
Q4 2014	Zuidtoren Atrium	CMS Derks Star Busmann	Legal	7,000
Q4 2014	Prinsenhof	ICL	Chemicals	5,490

Source: Knight Frank Research
*sale and leaseback

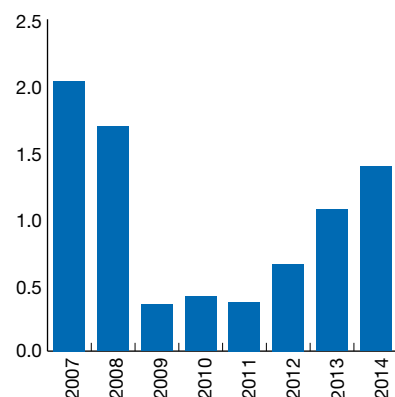
FIGURE 3

Amsterdam prime office yields



Source: Knight Frank Research

FIGURE 4

Amsterdam office investment volumes
€ billionSource: Real Capital Analytics /
Knight Frank Research

INVESTMENT MARKET

A total of €6.6 billion was invested in Dutch commercial property in 2014, more than 50% up on 2013. Of the national total, €2.4 billion was invested in Amsterdam, with the office sector taking a 60% share of transaction volumes in the city.

The increased investment activity in 2014 was primarily a result of rising demand from cross-border investors, who have been attracted by the relative value offered by the Dutch market. Investors from Germany were particularly active in 2014, accounting for more than half of Amsterdam office investment volumes.

Prime assets in the South Axis have been a major focus of German investors' demand, with several large office properties in this area being purchased

during 2014. These included the SOM-ITO complex, which was bought by Union Investment in the largest single-asset deal of the year; and The Edge, a new landmark building which was sold by its developer OVG to Deka Immobilien. With a limited number of prime assets coming to the market, and German investors competing strongly for them, other investors have been pushed towards value-added opportunities.

The strength of investor demand caused prime office yields in Amsterdam to harden moderately during 2014, ending the year at 5.80% k.k. However, yields remain relatively high compared with many European markets, and current prime yields offer spreads of 100-200 basis points over many Western European capital cities.

Key recent office investment transactions

Quarter	Property	Seller	Buyer	Approximate price (€million)
Q2 2014	ITO + SOM	Commerz Real	Union	244
Q2 2014	The Edge	OVG	Deka	200
Q1 2014	Prins en Keizer	Borghese/Keystone/COD	HH Global Invest	90
Q3 2014	La Guardia Plaza	Beleggingsconsortium Sloterdijk	MPC Capital	85
Q2 2014	Westgate I	Syntus Achmea	Blackstone	70

Source: Knight Frank Research

KNIGHT FRANK VIEW

Despite a moderate fall in office take-up in 2014, market sentiment has been boosted by the improving outlook for the Dutch economy and leasing activity is expected to be healthy in 2015. The office market should benefit from Amsterdam's continued attractiveness as a business location, which is demonstrated by the number of companies choosing to locate their European headquarters in the city and its growing status as a hub for the technology sector. Although the overall office vacancy rate remains high, the market is gradually being restructured as obsolete and poorly-located vacant office buildings are converted to other uses. High quality new buildings in core

locations such as the South Axis will continue to lease well.

The upsurge in investment activity in 2014 was largely a result of rising demand from cross-border investors. Demand from these investors should continue to be strong in 2015, with Dutch property yields remaining attractive when compared with the yields offered by most Western European property markets and by other asset classes such as government bonds. Any good quality buildings coming to the market in the main business districts of Amsterdam are likely to attract strong interest from investors, and yields could come under downward pressure in 2015.



The Edge, Amsterdam South Axis, sold to Deka Immobilien for c.€200 million. Photo credit: OVG Real Estate

EUROPEAN RESEARCH

Darren Yates

Partner, Head of Global Capital Markets
Research

+44 20 7629 8171

darren.yates@knightfrank.com

Matthew Colbourne

Associate, International Research

+44 20 7629 8171

matthew.colbourne@knightfrank.com

Heena Kerai

Analyst, International Research

+44 20 7629 8171

heena.kerai@knightfrank.com

AMSTERDAM

Serge Wuts

Partner

+31 20 707 3000

s.wuts@NLrealestate.nl

Siem-Jan Vos

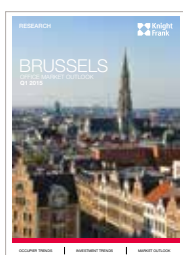
Partner

+31 20 707 3000

s.vos@NLrealestate.nl



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