

RESEARCH

NL real estate



AMSTERDAM

OFFICE MARKET OUTLOOK
Q2 2017

OCCUPIER TRENDS

INVESTMENT TRENDS

MARKET OUTLOOK

KEY FINDINGS

Office take-up in the Amsterdam region reached 437,800 sq m in 2016, a 58% increase on 2015.

The city's vacancy rate fell substantially during 2016, falling from 16.8% to 13.6%.

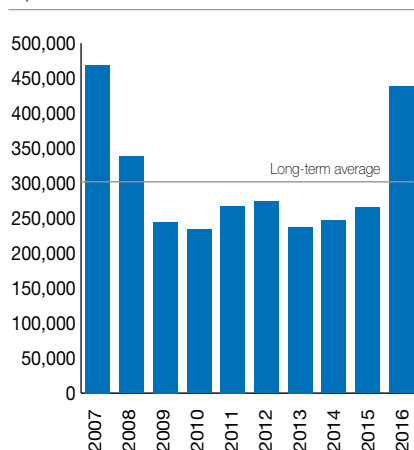
Prime office rents have begun to increase following a period of stability and now stand at €365 per sq m per annum.

More than €3 billion was invested in Amsterdam offices in 2016, making it the strongest year on record.

Prime office yields hardened by 75 bps in 2016, to 4.25% k.k.

FIGURE 1

Amsterdam region office take-up



Source: Bak Property Research / Knight Frank Research

OCCUPIER MARKET

Amsterdam office take-up reached a nine-year high in 2016, and vacancy rates remained on a downward trajectory.

A very strong final quarter of 2016 took annual office take-up for the Amsterdam region to 437,800 sq m, a 58% increase on 2015 and the best performance since 2007 (Figure 1). A significant boost to the take-up figures came from Booking.com's decision to purchase for its own occupation approximately 62,000 sq m in a building to be constructed at Oosterdokseiland. The new building will enable Booking.com to consolidate operations that are currently in multiple properties across Amsterdam, and to accommodate future growth.

The Booking.com deal was the largest of several major pre-leases agreed in Amsterdam during 2016, which also included deals involving WPP and Loyens & Loeff. Additionally, Pon and Under Armour both agreed to take space in The Olympic Amsterdam project, Bouwinvest's redevelopment of the landmark Citroën buildings next to the Olympic Stadium.

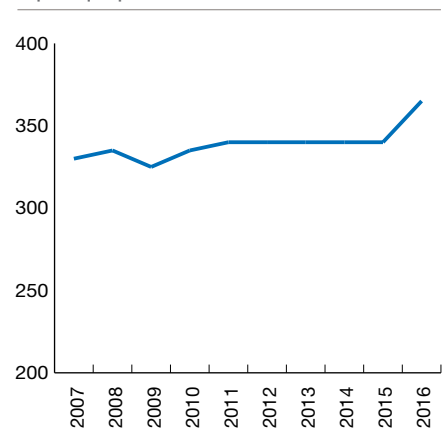
The prevalence of pre-leasing deals is indicative of the increasingly restricted availability of prime office space in Amsterdam. The city's overall vacancy rate decreased from 16.8% to 13.6% during 2016, while the city centre vacancy rate dropped to below 5%. Occupier demand is increasingly focused on central locations and established business locations such as the South Axis.

The decrease in the overall vacancy rate resulted not just from the strength of demand, but also the removal of approximately 115,000 sq m from the office stock for redevelopment. Previous development cycles left Amsterdam with an excess of office space in suburban locations that are no longer attractive to occupiers, but such properties are gradually being redeveloped for other uses.

After remaining static in recent years, prime office rents increased by 7% in 2016 to €365 per sq m per annum (Figure 2). Strong demand and tightening availability are expected to put further upward pressure on rents, particularly for prime offices in central locations.

FIGURE 2

Amsterdam prime office rents



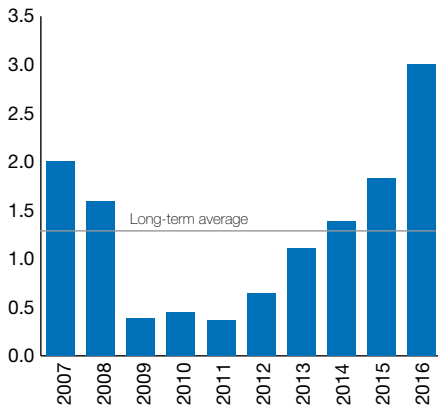
Source: Knight Frank Research

Key recent office occupier transactions

Quarter	Property	Tenant	Sector	Size (sq m)
Q4 2016	Future Booking.com office	Booking.com	TMT	62,000
Q4 2016	Rivierstaete	WPP	Advertising	18,500
Q3 2016	Hourglass	Loyens & Loeff	Legal	15,500
Q2 2016	Former Citroën building	Pon Holdings	Transport	10,100
Q2 2016	Tiara	B. Amsterdam	Startup incubator	10,000
Q4 2016	Flightdeck	B. Amsterdam	Startup incubator	6,000

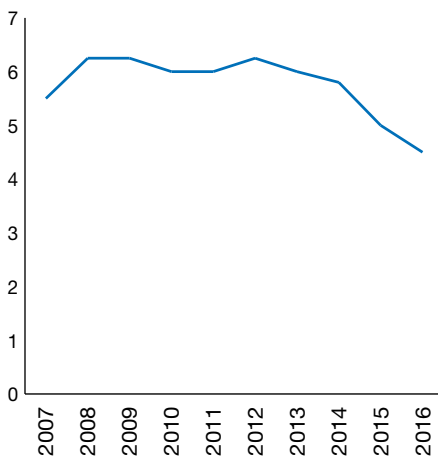
Source: Knight Frank Research

FIGURE 3
Amsterdam office investment volumes
€ billion



Source: Real Capital Analytics / Knight Frank Research

FIGURE 4
Amsterdam prime office yields
%



Source: Knight Frank Research

INVESTMENT MARKET

A total of €10.4 billion was invested in Dutch commercial property during 2016, a 7% increase on the previous year (Figure 3). Of this, more than €3.0 billion was invested in Amsterdam offices, giving this sector a 29% share of national commercial volumes.

Activity continued to be driven by cross-border investors, who accounted for 78% of office investment, but capital came from an increasingly diverse range of sources. New market entrants in 2016 included the Finnish pension fund Ilmarinen, Chinese investor Anbang Insurance Group and the Cypriot-registered Aroundtown.

The buoyancy of the Dutch investment market in 2016 contrasted with a decline in overall European transaction volumes. Amsterdam's recent popularity

has stemmed in large part from its attractiveness to investors seeking alternative investment destinations to the more expensive European markets of London, Paris and the Tier-1 German cities. The margins between prime yields in these markets and Amsterdam are currently in the region of 75-125 basis points. However, these margins narrowed in 2016 as Amsterdam prime office yields hardened by 75 bps to 4.25% k.k. (Figure 4).

Investment activity has remained strong into early 2017, with transaction volumes boosted by the completion of Amundi's purchase of the Atrium building in the South Axis for more than €500 million. This is the largest ever single-asset investment deal in Amsterdam.

Key recent office investment transactions

Quarter	Property	Seller	Buyer	Approximate price (€million)
Q2 2017	Atrium	Icon Real Estate	Amundi	c. 500
Q4 2016	Westgate I/Cross Towers	Blackstone	Anbang Insurance	304*
Q4 2016	Hourglass Project (Office/Hotel)	SAX Vastgoed BV	Bouwinvest	c. 200
Q4 2016	Piet Hein Buildings	Private investor	Hannover Leasing/ Ilmarinen/Malakoff Médéric	156.5
Q4 2016	Acanthus	Credit Suisse	Blackstone	123.6
Q3 2016	Glass House	NorthStar	NSI N.V.	57
Q4 2016	Alpha Tower	Commerz Real	Real I.S.	55

Source: Knight Frank Research/Real Capital Analytics
*Estimated value of two Amsterdam assets in a six-asset pan-Netherlands portfolio



ITO, Amsterdam South Axis

KNIGHT FRANK VIEW

The Amsterdam office market is undergoing a transformation. Its previously high vacancy rates are under sustained downward pressure and obsolete suburban offices are being withdrawn from the market. Occupiers are refocusing demand on central areas where supply is limited and large space requirements can only be satisfied by the pre-leasing of space in new developments or redevelopments. The falling availability of office space is causing the market to become more

favourable to landlords and this trend will continue unless there is a significant increase in speculative development.

The dynamics of the occupier market are helping to support investor demand, particularly as high vacancy rates are no longer a significant concern and there is rental growth potential. Amsterdam's investment market will continue to offer relative value compared with other major capital cities, enabling it to attract investors seeking to diversify their European portfolios.

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