

THE NETHERLANDS Office Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents register a further increase, which is expected to continue while incentives dry up.	▼
Prime Yields:	Prime yields continue to compress, registering record-low figures.	▲
Availability:	Availability of office space in prime locations is limited, resulting in a growing interest in secondary locations.	▲
Demand:	Demand from both occupiers and investors for high-quality offices at multimodal locations continues to remain strong.	▼

Prime Office rents – June 2019

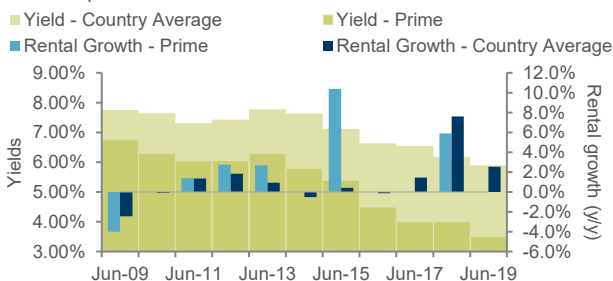
LOCATION	€		US\$		GROWTH %	
	SQ.M	SQ.FT	YR	YR	1YR	5YR CAGR
Amsterdam (South Axis)	450	50.5	0.0	3.2		
Amsterdam (Central)	475	53.3	11.8	6.3		
Amsterdam (South-East)	245	27.5	0.0	4.7		
Rotterdam	235	26.4	0.0	1.8		
The Hague	210	23.6	0.0	1.0		
Utrecht	280	31.4	5.7	7.5		
Eindhoven	185	20.8	0.0	1.7		

Prime Office yields – June 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Amsterdam (South Axis)	3.50	3.85	4.00	6.75	3.50
Amsterdam (Central)	3.25	3.25	3.50	7.00	3.25
Amsterdam (South-East)	4.75	5.00	5.75	8.25	4.75
Rotterdam	4.75	4.75	4.75	7.00	4.75
The Hague	5.25	5.50	5.75	7.00	5.25
Utrecht	5.25	5.25	5.50	7.25	5.25
Eindhoven	6.00	6.00	6.25	7.75	6.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The Dutch economy is once again showing a strong performance for 2018 and 2019, particularly within a European context, registering the highest GDP growth when compared to the Eurozone average, UK, Germany, France, and Belgium. Furthermore, the unemployment rate is the lowest after Germany, with 3.8% and 3.5% in 2018 and 2019, respectively.

Occupier focus

The office occupier market registered a take-up of 640,000 sqm. in the first half of 2019, which is 15% higher than the same period in 2018 and at a record-high level since 2008. The five largest cities in the country showed a strong performance once again, with a share representing 59% of the total volume of office take-up. Amsterdam still registered the largest share with 18% of the total national take-up. However, due to the limited availability of office space in Amsterdam, this share is declining in favour of the shares of The Hague, Utrecht, and Eindhoven which registered a growth in take-up shares. Office vacancy in the Netherlands declined to 9.3%, a record-low figure since 2002. Consequently, businesses located on well-accessible office locations with changing space requirements cannot be accommodated. Prime office locations are still in favour, as evidenced by prime rental levels that continue to increase. This increases the polarisation of the Dutch office market.

Investment focus

Office investment volume registered EUR 1.9 billion during the first half of 2019, a decline of 39% compared to the same period in 2018. This is the direct result of limited office investment opportunities. Although capital is available, investors currently receive a high direct return on their portfolio making the urge to dispose (part of) their portfolio low. Cross-border investors represented 40% of the total office investment volume which is still below the long-term average. This is partly due the absence of 'big tickets'. The largest five cities in the country represented 72% of the total office investment volume, a record-high level. High investors' appetite is expected to boost further yield compression.

Outlook

Together with Germany, the Dutch economy is expected to register the highest GDP growth for 2020. The office market is forecast to register record-high occupier activity, resulting in a further rental level increase in sub-core markets. However, total investment volume is tempered due to scarce investment opportunities, leading to expected stabilisation of prime yields.

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