THE NETHERLANDS

Office Market Snapshot

Fourth Quarter | 2018

CUSHMAN & WAKEFIELD

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents increase further, while incentives dry up.
Prime Yields:	A further prime yield compression is expected for many cities to record-low figures, but will eventually stabilize in Amsterdam
Availability:	Availability of top office 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 – December 2018

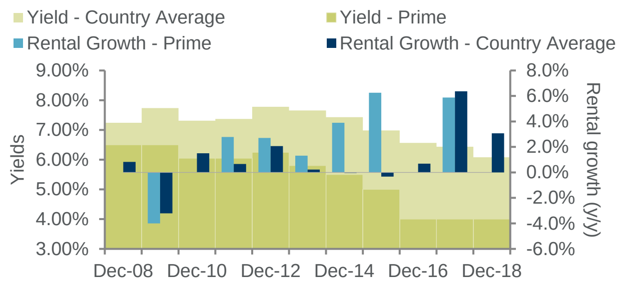
LOCATION	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Amsterdam (South Axis)	450	47.7	0.0	3.2
Amsterdam (Central)	450	47.7	5.9	5.2
Amsterdam (South-East)	245	26.0	2.1	4.7
Rotterdam	235	24.9	0.0	0.9
The Hague	210	22.2	0.0	1.0
Utrecht	280	29.7	14.3	7.5
Eindhoven	185	19.6	8.8	1.7

Prime Office yields – December 2018

LOCATION (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Amsterdam (South Axis)	4.00	4.00	4.00	6.75	4.00
Amsterdam (Central)	3.25	3.50	3.75	7.00	3.25
Amsterdam (South-East)	5.25	5.75	5.75	8.25	5.25
Rotterdam	4.75	4.75	5.25	7.00	4.75
The Hague	5.50	5.75	6.00	7.00	5.50
Utrecht	5.25	5.50	5.75	7.25	5.25
Eindhoven	6.25	6.25	6.75	7.75	6.25

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

Although the office market develops very positively, the low unemployment rate in the Netherlands might form a barrier for further growth on the occupier side of the market. On the investment side of the market cross-border investors still have an appetite for Dutch real estate due to the strong Dutch fundamentals. If external factors do not cause macro-economic shocks, appetite will last. But it is obvious that a 'No-deal Brexit' or trade wars can have an impact on sentiment in the market.

Occupier focus

The vacancy rate is at the lowest point since 2002 at just below 10%. This number considers both prime and non-prime markets. The vacancy rates for prime locations in the biggest cities in the Netherlands are very low between 1 and 3%. The take-up of office space totaled 1.4 million sqm in 2018. In comparison to 2017, this means a growth of 6%. 50% of total take-up was realized in the five biggest cities in the Netherlands (Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven). Amsterdam was responsible for 23% of the national take up in 2018, compared to 32% in 2017. Although there is still a strong demand for offices, the scarcity of available product is responsible for this drop. The take-up in Rotterdam in 2018 was at the highest level since 2008. Rotterdam is taking care of 10% of the national take-up, Utrecht for 7%, The Hague for 5% and Eindhoven for 4%.

Investment focus

The investment volume in the Netherlands reached an all-time high of EUR 22 billion. Compared with 2017, the previous record, investment volume rose 9.5%. Investments in offices are taking care of 29% of the total investment volume. In absolute numbers EUR 6.5 billion was invested in office space in 2018. This is comparable with the volume in 2017, but still below the all-time high in 2007. The geographical spread is also visible on the investment side of the office market. Cities like Rotterdam and Utrecht are popular now. Appetite is still high, but the scarcity of products might dampen investment volume in 2019.

Outlook

The outlook for the Dutch office market remains positive. The investment volume in 2019 will be lower than in 2018 but will still be on a historically high level. Since there is still a lot of space between the cost of capital and the 10-year government bond yields, the market will remain dynamic.

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