

RESEARCH



AMSTERDAM

OFFICE MARKET OUTLOOK
Q2 2018

OCCUPIER TRENDS

INVESTMENT TRENDS

MARKET OUTLOOK

KEY FINDINGS

Amsterdam office take-up reached 371,000 sq m in 2017, the second-highest total in the last decade.

Vacancy rates continued on a downward trend, with city-wide availability decreasing to 10.3% at the end of 2017.

The limited availability of office space in key locations caused prime office rents to increase by more than 10% in 2017, to €425 per sq m per annum.

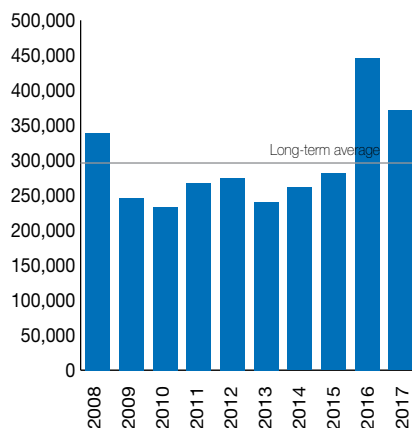
Amsterdam office investment volumes reached a record €3.7 billion in 2017.

Prime office yields hardened by 90 basis points during 2017, to 3.60% k. k.

FIGURE 1

Amsterdam region office take-up

sq m



Source: Bak Property Research / Knight Frank Research

OCCUPIER MARKET

Occupiers seeking offices in Amsterdam have an increasingly restricted choice of space.

Office take-up in the Amsterdam region amounted to 371,000 sq m in 2017. Although this was 17% down on the exceptionally high total reached in 2016, it was still the second strongest year in the last decade. The decrease in take-up was mostly a result of a reduced number of large-scale transactions, but there were a very high number of small and medium sized transactions. Market sentiment remained extremely positive, supported by a thriving Dutch economy, which grew by 3.2% in 2017, its strongest growth rate since 2007.

The largest occupational deal of the year was the European Medicines Agency's decision to relocate from London and take 38,000 sq m in the Vivaldi Building in the South Axis, which is due for completion in 2019. The next largest deal saw Alliander Energie lease 25,000 sq m in Basisweg 10, a building under renovation by OVG Real Estate in Amsterdam Sloterdijk. Outside of these two deals, TMT companies and coworking operators, including Uber, Booking.com and Spaces, remained key drivers of leasing activity.

Within the city of Amsterdam, the overall vacancy rate fell for the third successive year, dropping to 10.3% by the year-end. Within the city centre, availability is below 5%. With the city authorities restricting new office development, there is a very limited development pipeline. This will create an increasingly challenging market

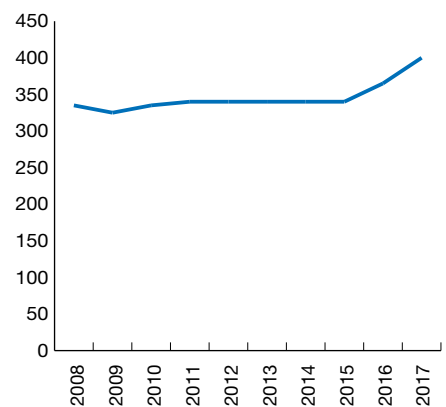
for occupiers seeking Grade A office space in Amsterdam, particularly in sought-after locations such as the city centre and the South Axis. Occupiers may increasingly need to consider alternative solutions, such as Grade B space, offices in non-prime locations or the refurbishment of their existing accommodation.

The falling availability of space in Amsterdam has resulted in significant upward pressure on prime office rents over the last 18 months, following a long period of relative stability. Prime office rents increased to €425 per sq m per annum by the end of 2017, over 10% up on a year earlier. Further rental growth is expected in 2018.

FIGURE 2

Amsterdam prime office rents

€ per sq m per annum



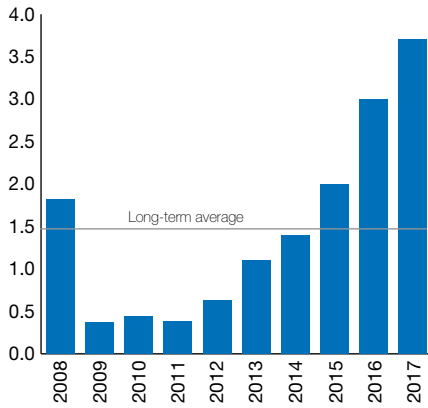
Source: Knight Frank Research

Key recent office occupier transactions

Quarter	Property	Tenant	Sector	Size (sq m)
Q4 2017	Vivaldi Building	European Medicines Agency	Public	38,000
Q1 2017	Basisweg 10	Alliander Energie	Energy	25,500
Q1 2017	The Cloud	Uber	TMT	8,400
Q1 2017	The Cloud	Spaces	Serviced Offices	6,200
Q1 2017	De Entree 500	KAS Bank	Banking	6,000

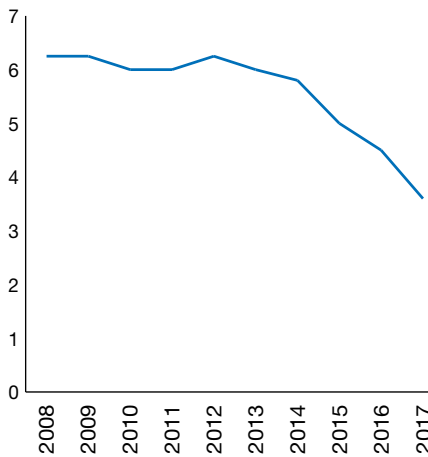
Source: Knight Frank Research

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 record €3.7 billion was invested in Amsterdam offices in 2017, which was more than half of all investment in the office sector nationally. Investment volumes were boosted by several large-scale transactions in Amsterdam South, Amsterdam Southeast and the South Axis.

The largest deal of the year was the purchase of the Atrium building in the South Axis by the French investor Amundi Real Estate, on behalf of its own funds and Korean investors represented by Koramco. The sale price of approximately €500 million made this the largest-ever single-asset office transaction in the Netherlands, and it was a five-fold increase on the price that was paid by the seller, Icon Real Estate, when it purchased the building in 2013.

Cross-border investors dominated the market in 2017, taking a 78% share of total investment in Amsterdam offices. Investors from the US, France, South Korea, the UK and Germany were most active.

In recent years, the appeal of the Dutch market to international investors has been boosted by an attractive yield premium over other core European markets such as London, Paris and the Tier-1 German cities. However, the margins between prime yields in these markets and Amsterdam narrowed significantly during 2017. Over the course of 2017, Amsterdam prime office yields hardened by 90 basis points, which was the greatest yield compression seen in any of the major European capitals. Prime office yields ended the year at a record low of 3.60% k. k.

Key recent office investment transactions

Quarter	Property	Seller	Buyer	Approximate price (€million)
Q2 2017	The Atrium	Icon Real Estate	Amundi Real Estate/ Koramco	500
Q4 2017	The Cloud	Cairn Real Estate/ Impact Vastgoed	Amundi Real Estate/ Ilmarinen	165
Q1 2017	Bright Offices	Cairn Real Estate	ERAFFP	127
Q4 2017	Noortse Bosch	Real I.S.	Hines	118
Q4 2017	FOZ Building	Marathon Asset Management	Rockspring	90
Q4 2017	Weesperstaete	Syntrus Achmea	Blackstone	73

Source: Real Capital Analytics/Knight Frank Research



Amsterdam South Axis

KNIGHT FRANK VIEW

Amsterdam has been one of the most dynamic markets in Europe over the last two years, on both the occupational and investment side. After a long period of stability, office rents have entered a phase of accelerated growth, on the back of a strong Dutch economy and the dwindling availability of prime space. The limited size of the development pipeline will ensure further rental growth and the balance of the market will increasingly shift in the favour of

landlords, particularly in the most sought-after submarkets.

The Amsterdam market will remain attractive to international investors, despite a diminishing yield premium over other core European markets. Instead, the city's rental growth prospects will increasingly drive investor interest. The continued expansion of Amsterdam's vibrant technology sector will also help to boost its international appeal.

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