

RESEARCH



AMSTERDAM

OFFICE MARKET OUTLOOK
Q1 2016

NL real estate

OCCUPIER TRENDS

INVESTMENT TRENDS

MARKET OUTLOOK

KEY FINDINGS

Amsterdam office take-up increased by 7% in 2015, boosted by strong activity in the Southeast district.

The city of Amsterdam vacancy rate dropped to 16.8% at the end of 2015, as a significant amount of obsolete office space was withdrawn from the market.

Prime office rents remained unchanged at €340 per sq m per annum throughout 2015.

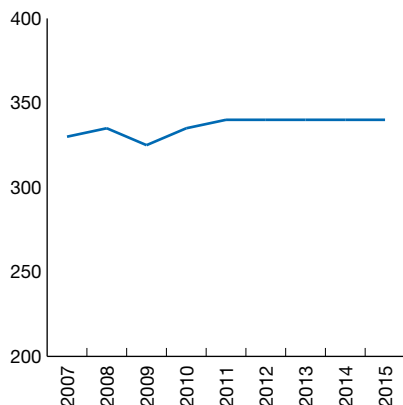
Approximately €1.5 billion was invested in Amsterdam offices in 2015, with cross-border investors accounting for around 65% of this total.

Strong demand for Dutch real estate investments caused a significant hardening of yields during 2015, with Amsterdam prime office yields moving to 5.00% k.k.

FIGURE 1

Amsterdam prime office rents

€ per sq m per annum



Source: Knight Frank Research

OCCUPIER MARKET

Supported by robust demand and the withdrawal of obsolete stock, Amsterdam's office vacancy rate decreased substantially in 2015.

Office take-up in the Amsterdam region reached just over 265,000 sq m in 2015, a 7% increase on 2014. Of the total take-up, approximately 215,000 sq m was in the city of Amsterdam, with the remainder in outlying towns.

The largest occupier deal of 2015 was ING Bank's decision to relocate to Frankemaheerd in Amsterdam Southeast, where it will develop a new headquarters campus. The ING deal helped to boost overall take-up in Amsterdam Southeast, and this district accounted for more than a third of city-wide take-up in 2015.

Occupiers from the TMT sector were responsible for many of the year's largest deals including Booking.com's lease of 13,500 sq m at the Piet Hein Buildings and ChipSoft's acquisition for its own occupation of the 20,000 sq m Crystal Tower. Additionally, Amsterdam's popularity as a location for innovative technology companies was underlined by The Next Web's leasing of 6,000 sq m in the Muntstaete building; working with partners such as Google, this will be turned into an incubator space for tech startups.

Although Amsterdam's overall office vacancy rate remains relatively high, it fell by 2.9 percentage points during 2015, to 16.8%. The decrease was in large part due to obsolete office buildings being withdrawn from the stock for redevelopment to other uses. This

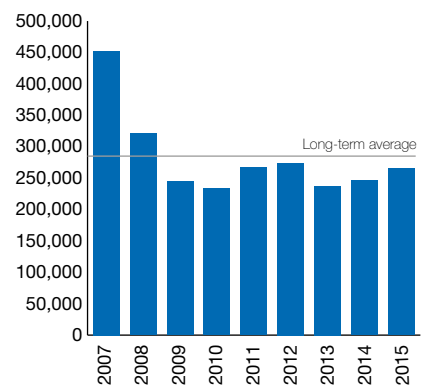
ongoing trend, along with restrained development activity, should lead to further decreases in vacancy levels. Amsterdam has a limited development pipeline and while there are several sizeable projects under construction in the South Axis, such as 400 Beethovenstraat (12,500 sq m) and 500 Beethovenstraat (6,000 sq m), these are largely preleased.

Prime office rents have remained stable at €340 per sq m per annum, although there is some upward pressure on rents in sought-after locations such as the South Axis and the City Centre.

FIGURE 2

Amsterdam region office take-up

sq m



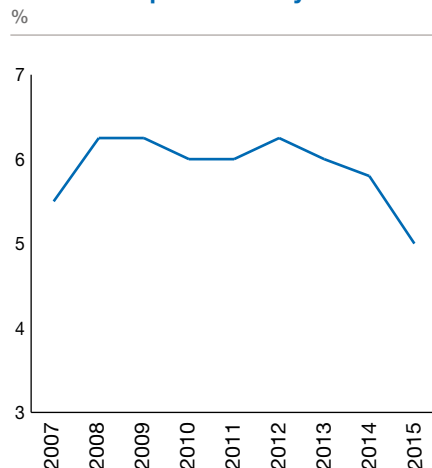
Source: Bak Property Research / Knight Frank Research

Key recent office occupier transactions

Quarter	Property	Tenant	Sector	Size (sq m)
Q3 2015	Frankemaheerd	ING Bank	Banking	40,000*
Q3 2015	Crystal Tower	ChipSoft	TMT	20,000
Q3 2015	Piet Hein Buildings	Booking.com	TMT	13,500
Q3 2015	Aviophort Schiphol	Samsung	Electronics	6,800
Q4 2015	Muntstaete	The Next Web	TMT	6,000
Q4 2015	Herengracht 205/Singel 236	Atlassian	TMT	3,479

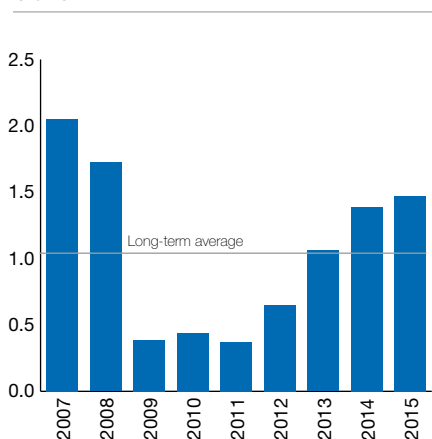
Source: Knight Frank Research
*existing buildings will be redeveloped

FIGURE 3
Amsterdam prime office yields



Source: Knight Frank Research

FIGURE 4
Amsterdam office investment volumes



Source: Real Capital Analytics / Knight Frank Research

INVESTMENT MARKET

A total of €9.3 billion was invested in Dutch commercial property in 2015, which represented a 40% increase on 2014 and was boosted by several large pan-Netherlands retail portfolio transactions. Investment in Amsterdam offices grew more modestly, by 6%, to €1.5 billion.

Investor demand for offices in Amsterdam was very strong in 2015, aided by an improved Dutch economic outlook, low interest rates and attractive pricing compared with other European markets. However, investment activity was restricted by the limited availability of prime assets. Aside from Deka's agreement to buy The Bank for a reported price of over €275 million, there was an absence of large deals in excess of €100 million.

Cross-border investors continued to drive the market, accounting for around 65%

of investment in Amsterdam offices in 2015. Investors from Germany, the US and the UK were most active, although there was also growing interest in Dutch commercial property from Asian investors with, for example, Singapore's First Sponsor Group making its debut in the Dutch market in 2015.

Several sizeable transactions involved office buildings that were acquired for redevelopment to other uses. Pinnacle, for example, acquired ING's offices at Haarlemmerweg 506 for residential redevelopment.

Prime yields hardened significantly over the course of 2015, moving down by 80 basis points to 5.00% k.k. However, yields remain relatively high compared with most other Western European capital cities.

Key recent office investment transactions

Quarter	Property	Seller	Buyer	Approximate price (€million)
Q4 2015	The Bank	Kroonenberg Groep	Deka Immobilien	275
Q3 2015	Haarlerbergpark	ING Bank	Moor Park Capital	88
Q3 2015	Number One	Wölbern Invest	Zabar Group/Menora Mivtachim	76.25
Q1 2015	De Zuiderhof I	AEW Europe	First Sponsor Group	51.5
Q2 2015	Haarlemmerweg 506	ING Bank	Pinnacle Beleggingen	N/A

Source: Knight Frank Research



KNIGHT FRANK VIEW

Despite global uncertainties, the Dutch economy is forecast to maintain a healthy growth rate of around 2.0% in 2016. This should support continued positive sentiment among both occupiers and investors.

Occupier market activity should remain healthy in 2016 with the technology sector continuing to drive demand. Amsterdam's reputation as a technology hub has grown in recent years and its attractive lifestyle and strong tech infrastructure will increasingly help it to compete with rival European hubs such as London and Berlin.

There are positive signs that, supported by government policies, efforts to reduce

the Netherlands' structurally high vacancy rates are beginning to have success. The Amsterdam market will continue to be reshaped as older offices in less desirable locations are withdrawn from the stock, while new development is focused on prime locations such as the South Axis.

International investors will continue to drive investment activity. Even though the margins between yields in Amsterdam and other key European markets have contracted, prime yields remain attractive in a European context. The recent entry of several Asian investors to the market indicates that an increasingly diverse range of buyers are seeking opportunities in the Netherlands.



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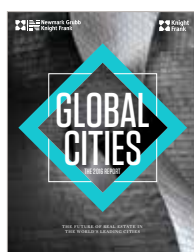
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