

MARKETBEAT



THE NETHERLANDS OFFICE SNAPSHOT

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Q3 2011

OVERVIEW

Despite remaining weak, occupier demand held firm over the quarter, with a low level of activity recorded. The rationalisation of space and reducing operating costs remain important considerations for many occupiers. As the market remains subdued, rental levels have held firm across the country over the quarter. Similarly, the yields were unchanged over the quarter despite volumes continuing to decline.

OCCUPIER FOCUS

Occupier demand remained weak and focussed on prime product in the four major cities. The secondary market remains very subdued with declining demand and the resultant increases in vacancy rates. However, prime rental values have managed to hold up over the quarter, as high quality stock is still sought after. The competition between the major cities and satellite towns to attract tenants continues, with the current trend favouring the larger city submarkets.

The increase of flexible working, consolidation and cost-cutting plans showed occupiers remain keen to dispose of, or at least sub-lease, as much excess space as possible. The reduction of operating costs remain drivers of occupier activity. Consequently, many municipalities are attempting to address the high vacancy rates, and therefore planning permission for new office developments are difficult to obtain.

INVESTMENT FOCUS

Investment volumes continued the downward trend that has been in evidence since the start of the year. Investors continue to focus on prime product but, with limited development, this is becoming increasingly scarce. Investor demand was largely focussed on retail within the Netherlands, with office investment accounting for a declining share over the year. However, prime yields were unchanged across the country, and have remained at the same level for three consecutive quarters.

OUTLOOK

The outlook for the office market is that activity will remain subdued as cost reduction characterises the market. Municipalities will continue to attempt to reduce vacancy and limit new developments. However, in terms of occupational demand tenants will remain focussed on well located, high quality space, with secondary locations and more obsolete stock less favoured. Consequently, rents for the sought after prime space should hold up, whereas secondary space may experience downward pressure over the remainder of the year.

MARKET OUTLOOK

PRIME RENTS:	Holding firm due to low activity and high supply levels.	➔
PRIME YIELDS:	Stable, with investor interest on well located prime units with long-lease contracts.	➔
SUPPLY:	Gradually increasing due to more flex-working and consolidation.	➔
DEMAND:	Stable but weak.	➔

PRIME OFFICE RENTS – Sep 2011

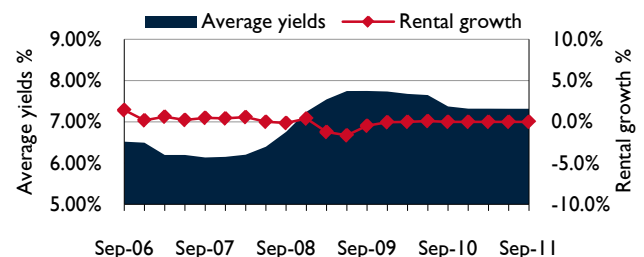
	Prime Rent		Compound(p.a) % Growth	
	€ sq.m/	US\$ sq.ft/yr	5yr	1yr
Amsterdam				
South Axis	360	44.9	0.3	0.0
Central	270	33.7	1.6	0.0
South-East	195	24.3	0.5	0.0
Rotterdam	180	22.4	0.0	0.0
The Hague	200	24.9	0.0	0.0
Utrecht	195	24.3	0.5	0.0
Eindhoven	170	21.2	0.0	0.0

PRIME OFFICE YIELDS (Gross) – Sep 2011

	Prime Yield (%)				
	Current Quarter	Last Quarter	Last Year	10 year High	10 year Low
Amsterdam					
South Axis	6.05	6.05	6.15	7.00	5.25
Central	6.30	6.30	6.40	7.00	5.25
South-East	7.20	7.20	7.20	7.50	5.50
Rotterdam	6.40	6.40	6.50	7.40	5.75
The Hague	6.10	6.10	6.20	7.50	5.75
Utrecht	6.60	6.60	6.80	7.25	5.75
Eindhoven	7.10	7.10	7.20	7.75	6.25

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and 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



Source: Cushman & Wakefield LLP, 2011

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