

Colliers
INTERNATIONAL

EXPERTS ON THE FUTURE OF REAL ESTATE

OFFICE MARKET



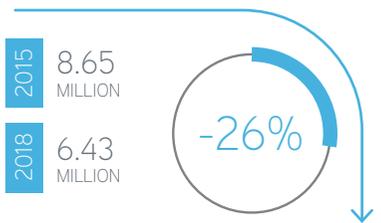


SHORTAGE OF OFFICE SPACE JEOPARDIZES ECONOMIC GROWTH IN AMSTERDAM

Amsterdam could face negative repercussions due to the limited supply of available office space. Over the past few years, many vacant office buildings have been successfully transformed into homes and hotels. As a result, the supply of office space has decreased over three years' time from 1.2 million square metres to just over 470,000 square metres.

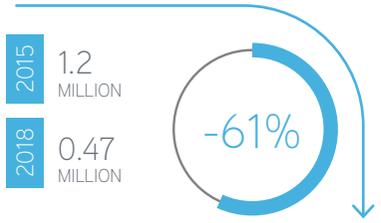
This comes down to a vacancy rate of 6.4%. This limited supply does not adequately meet the increasing demand for office space from the services sector.

OFFICE SUPPLY IN THE NETHERLANDS



In 2015 and 2016, Amsterdam's South Axis business district and its city center were the main areas to benefit from economic growth. Due to the increasing scarcity of office space, Amsterdam Southeast and Sloterdijk are now also showing signs of market recovery. This year, these areas seem to be experiencing an historic situation, in which vacancy rates are falling to below the frictional vacancy rate, which is the minimum rate needed for steady movement in the office market. As a result, new and existing companies are forced to look elsewhere outside the city, in places such as Amstelveen, Hoofddorp, and Utrecht.

OFFICE SUPPLY IN AMSTERDAM



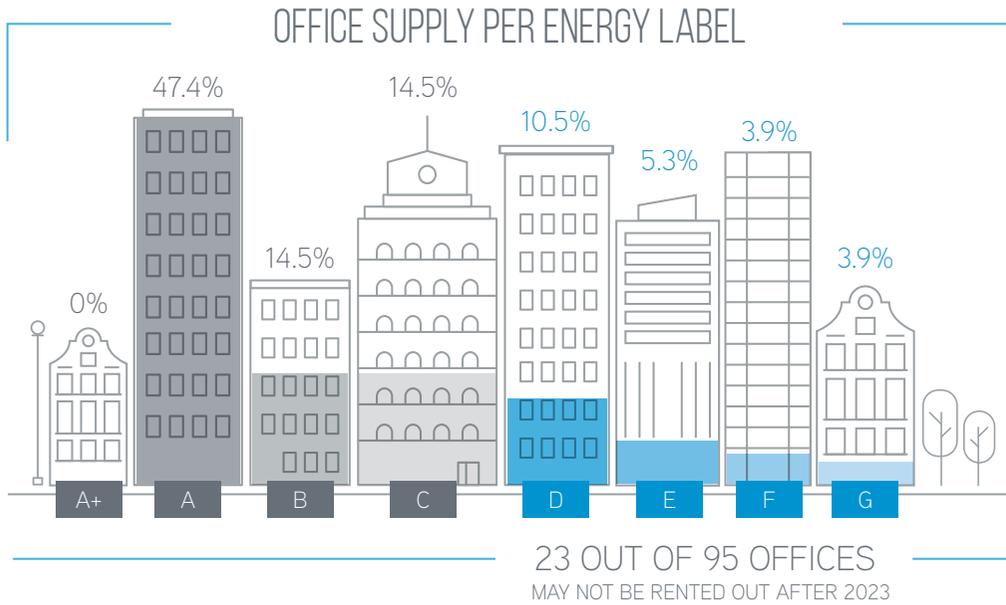
ONLY A HANDFUL OF OFFICES AVAILABLE

Companies with more than 100 employees use an average of over fifteen square metres per employee and therefore require at least 1,500 square meters of total office space. The supply of office space in this category is rapidly decreasingly. In 2015, there were 172 offices of this size available in Amsterdam but this number has since fallen to 95. Although this may initially seem like a sufficient amount, reality proves otherwise.

Not all these buildings meet the criteria for new office space made by today's tenants who are looking for an open, modern, and sustainable office in a good location. This leaves no more than a handful of options remaining. With an eye on the energy label C which is due to become mandatory in 2023, companies no longer want to move into office space that requires sustainability investments to be made over the next five years. Twenty-three of the available office spaces can therefore be disregarded on this basis alone.

DECREASING OFFICE SUPPLY IN AMSTERDAM 2015 - 2018 (FIRST QUARTER)





It is even more difficult to find suitable office space for companies employing more than 250 members of staff. These companies require an area of at least 3,750 square meters. In this category, supply has fallen from 72 offices in 2015 to 42 offices today. As a result of this shortage, companies are more or less compelled to extend their leases or find alternative accommodation outside the city. At present, companies are mainly choosing to renew their leases. However, this is not an option for companies yet to become established.

UNUTILIZED ECONOMIC POTENTIAL

We are about to experience a major investment in the sustainability of office buildings in the Netherlands. As a result, companies will need to look for other temporary accommodation during these renovations.

A clear example is the relocation of De Nederlandsche Bank which is looking for office space covering 25,000 square meters.

At the moment, this represents an impossible task in Amsterdam if no concessions are made in terms of location, quality, or floor space. The risk is that companies will move – either temporarily or permanently – to Amstelveen or Hoofddorp or even outside the region to Utrecht, Rotterdam, or The Hague. This could potentially put a brake on the economic growth of Amsterdam, resulting in the city’s economic potential not being fully exploited.

A GUARANTEE OF ACCOMMODATION FOR LARGER-SIZED COMPANIES IS ESSENTIAL IF AMSTERDAM IS TO REMAIN ATTRACTIVE FOR THEIR BUSINESS.

The European Medicines Agency (EMA) very nearly decided against Amsterdam due to the uncertainty of finding a suitable location. A guarantee should also apply to other organizations that provide a significant contribution to the economy of the city and country. The municipality and province would be well-advised to start issuing proposed tenders for the construction of new offices sooner rather than later. New office space can then be offered as quickly as possible to companies wanting to establish themselves here. Among other things, this offers companies affiliated with the EMA the opportunity to also relocate to Amsterdam. We need not be as concerned about any potential oversupply in the Amsterdam market as the city has proven to be quite capable of removing it from the market. Due to the limited possibilities for expansion at existing office locations, the municipality would be well-advised to also look at new locations for office construction. With the North-South Rail Link, a location near to public transport links such as Buikslotermeer would fall within the scope of existing policy. The Marineterrein on the city island of Kattenburg could be turned into a creative breeding ground.

INVESTORS FOCUS ON RENTAL GROWTH

For investors, Amsterdam remains an attractive market in which to invest. The main reason is its stable rental growth, which results in sharply reduced and internationally competitive initial yields. Due to their limited options for alternative accommodation, companies do not have a good position from which to negotiate.

As a result, rent is increasing at all office locations. Rents in the neighbouring municipalities are also expected to increase once again this year.

↑ TOP RENT PER SQUARE METER PER YEAR

	Center	South Axis	Sloterdijk	Southeast
2018	€ 435	€ 440	€ 210	€ 225
2017	€ 425	€ 420	€ 195	€ 210
2016	€ 380	€ 380	€ 175	€ 195
2015	€ 360	€ 360	€ 170	€ 185