

Sprekende Cijfers

Office Markets



The Netherlands in 2015

Significant improvements were noticeable in 2015 on the office market, which is a positive development. Certainly, the take-up volume slightly decreased, yet also a decrease in supply (i.e. vacancy) in most regions is ascertained. As a result, seen on the whole scale, the office market has become somewhat tighter. This year's office market ratio totals up to 14%. It can be ascertained, that despite these developments, one can nevertheless still speak of an ample office market where the supply greatly exceeds the demand.

New conversion record in 2015

The annual take-up demand used to be the most important deciding factor for the development of the supply, however nowadays, in the office market's current economic phase, this seems less the case. When starting a new lease, office users often leave more surface area behind than they take-up. Therefore, the effective take-up is negative. This results in an increasing demand, in spite of a, mostly stable, take-up volume. The amount of conversions has increased enormously in the past couple of years and these re-developments are the main reason that the supply decreased last year. Offices that are being converted, tend to be in supply for a lengthy period of time before the owner or a new investor decides to convert the office building. A balance sheet value which is too high and/or a positive image of the future demand often interfere with the decision for the inevitable choice. In the 24 regions analysed by Dynamis, 700,000 m² of office space was withdrawn last year, in order to be converted. Compelled by the severely increased pressure on residential construction in cities, developers and investors are driven to a new conversion record. In the meantime, in a five-year period of time more than 2.1 million m² has been withdrawn from the market. In the last year 80% of this amount were conversions to residential use or student homes. Also, a couple of office buildings were withdrawn from the market to be converted into hotels, a care facility, a multifunctional complex or - very recently - a temporary facility for refugees.

Demonstrable move to centre and first-rate locations

An obvious trend can be seen on the occupational market where office users are settling more and more in the city centre or close to other important public transport locations and other facilities. The rents that have decreased in the last couple of years, ensure the rising demand for this type of location. And because of that, tenants can be found moving to centre locations from the outskirts. What can also be seen is that two or more office locations are merged into one location. In both trends the negative effect mostly effects the outskirts and formal, monofunctional office locations. Hence, an obvious shift is taking place between first-rate locations and locations where the demand seems to be disappearing (structurally).

The higher demand in this specific end of the market also leads to an obvious stabilisation in prices, in some areas one can also see an increase in prices and decreasing incentives again. On more monofunctional office locations one can see

rents pressurised, because of the growing demand. For the office market to become sound again, the division of locations with high take-up potential and locations with low take-up potential must become fully accepted.

Expectancies dependent on the quality of the supply

For the next couple of years it is expected that the market shall become more and more segmented. It is obvious that lowering the prices of old office buildings hardly provokes more demand. Tenants are now even more focused on the quality and facilities of an office building and the provisions around the corner. The revaluation of the workspace and the stabilising number of people working from home, has made rents secondary and more of a resultant of other business establishment requirements. The quality of the supply will mostly be the defining factor with regard to the future take-up levels. In some regions and areas can already be seen that the quality of the supply is outdated and part of the supply cannot compete with the current accommodation of many tenants. Because of the high percentage of vacancies on these locations, new developments are held back. And because of the shortage of new developments, a limited number of top-rate office buildings are added to the stock. It can be expected that the relation between lease extensions and relocations will change in the next few years, forced by a lack of high-quality supply. There is no movement in the market at the moment, thanks to this 'mismatch' between the desired higher quality level and the locations with a low take-up level. This will result in an excessive demand and, in time, an excessive rent on good locations. This development could be restricted by different factors, by implementing the office market policy in a more segmented way.

The demand for office space will slowly increase again with economic growth. The number of new companies is increasing, whereas the number of bankruptcies is now less than before 2008. The number of job openings in the office-related industry is also increasing. Opposite these positive developments is the fact that many companies are revaluating the available office space and are renting less surface area per employee. Many companies will bear the growth in employment within their currently rented surface area first. Potential growth in take-up will be noticed first in the take-up of small surface areas by new and upcoming companies. In many regions the increase of take-ups of smaller surface areas can be noticed, however it is remarkable that this take-up amount stays behind within the Randstad conurbation. An explanation can be the severe increase of the supply of flexible office spaces in business centres within the Randstad conurbation. Part of the demand for smaller units ends up in such business centres and is therefore not included in the take-up registration.

It can be concluded that the take-up volume will increase a little next year, this increase can largely be explained by parties new on the market. The office space supply will decrease further next year, because of two reasons. The active conversion policy and the severe policy for residential development locations ensure that developers and investors need to stay focused on existing (office) locations for residential construction. It can therefore be expected that many office buildings will be withdrawn from the market again next year, which will lead to a decrease in office supply. This can be

Supply (x 1.000 square meters of lettable floor area as of January 1st)

Region	2011	2012	2013	2014	2015	2016
1 Amsterdam	1.643	1.604	1.350	1.700	1.793	1.510
2 Den Haag The Hague	863	895	817	1.023	1.084	1.130
3 Rotterdam	815	862	913	1.023	1.017	976
4 Utrecht	649	690	640	695	687	681
Total big cities	3.970	4.051	3.720	4.441	4.581	4.297
5 Amersfoort	271	244	215	233	217	306
6 Eindhoven	277	234	264	251	272	271
7 Almere	146	139	232	214	233	212
8 Arnhem	186	197	179	196	208	203
9 Zwolle	170	160	129	162	192	190
10 Apeldoorn	143	144	144	193	162	150
11 Breda	91	109	108	135	136	148
12 Den Bosch	121	93	159	153	159	135
13 Hengelo	81	83	82	87	103	105
14 Deventer	89	90	89	107	91	105
15 Groningen	135	130	130	154	139	103
16 Enschede	86	98	97	108	107	100
17 Leeuwarden	83	78	106	126	110	100
19 Tilburg	85	68	74	105	96	98
18 Maastricht	112	64	103	93	101	93
20 Drechtsteden	136	149	116	116	119	90
21 Nijmegen	81	73	69	101	105	76
22 Heerlen	63	66	85	90	77	59
23 Assen	41	56	43	53	53	46
24 Sittard	30	34	23	25	24	28
Total Other	2.427	2.309	2.447	2.702	2.704	2.617
Total the Netherlands	6.397	6.360	6.167	7.143	7.285	6.915

seen as a positive outcome. However, offices on monofunctional locations will not be withdrawn from the market, because these locations are not attractive for residential construction. Because the supply of financially attractive conversion properties is becoming more limited, it is expected that there won't be an increase in the conversion volume anymore next year. The second reason why the office supply will decrease, according to expectation, is because the policy for new development of office buildings will stay severe. Seeing the planning application of office buildings, it can be concluded that hardly any additional office locations will be submitted, which will make the stock of office space decrease even more.

Supply decreases due to conversions and a halt on new developments

On 1 January 2016, 6,914,500 m² of office space was for rent or sale in the 24 analysed regions. This means a 5% decrease compared to last year. In seventeen regions a decrease in supply was recorded. The decrease in supply is larger in the four big cities than in the other regions. In those cities the office space supply is 6% lower. Remarkably, The Hague shows an increase in supply, in contrast to the other three big cities. Amsterdam had the largest decrease of the four big cities last year. This was mainly caused by the high amount of office withdrawals there.

The decrease in supply is lower outside of the four big cities. There the supply has decreased with 3%. Obvious differences can be seen between the cities though.

Percentage of available accommodation accounted for by new construction as of January 1st

Region	2011	2012	2013	2014	2015	2016
1 Den Haag	4%	4%	8%	4%	5%	4%
2 Amsterdam	6%	7%	2%	3%	3%	2%
3 Rotterdam	3%	11%	2%	1%	1%	1%
4 Utrecht	2%	2%	1%	1%	0%	0%
Total big cities	4%	6%	3%	3%	3%	2%
5 Zwolle	24%	20%	4%	15%	13%	12%
6 Drechtsteden	4%	7%	0%	0%	0%	6%
7 Hengelo	12%	12%	5%	4%	4%	4%
8 Tilburg	15%	8%	0%	0%	0%	3%
9 Breda	2%	1%	1%	3%	4%	2%
10 Amersfoort	27%	1%	0%	0%	0%	2%
11 Almere	42%	40%	21%	12%	7%	1%
12 Heerlen	17%	17%	10%	7%	8%	0%
13 Assen	2%	1%	3%	2%	5%	0%
14 Nijmegen	5%	15%	1%	5%	3%	0%
15 Groningen	4%	3%	2%	2%	1%	0%
16 Leeuwarden	2%	2%	0%	0%	0%	0%
17 Apeldoorn	2%	2%	0%	0%	0%	0%
18 Arnhem	8%	8%	1%	0%	0%	0%
19 Den Bosch	2%	15%	0%	0%	0%	0%
20 Deventer	3%	12%	3%	0%	0%	0%
21 Eindhoven	2%	1%	0%	0%	0%	0%
22 Enschede	7%	7%	6%	6%	0%	0%
23 Maastricht	0%	0%	0%	0%	0%	0%
24 Sittard	0%	0%	0%	0%	0%	0%
Total Other	11%	10%	3%	3%	2%	2%
Total the Netherlands	7%	8%	3%	3%	3%	2%

For instance: Nijmegen has the largest decrease in supply, which is 28%. However, Amersfoort has a large increase in supply, which is 41%. This is mainly caused by the departure of a couple of large tenants such as Akzo Nobel, Agis and the Amersfoortse, which left office space behind in Amersfoort's city centre.

62% of all supply is located in the four big cities. Other available office space can be found in the other twenty regions. Where Eindhoven knew the highest number of supply outside of the four big cities the last couple of years, that has now changed due to the immense increase in supply in Amersfoort. Amersfoort now has a total of 306,000 m² of office space in supply, followed by Eindhoven with 271,000 m².

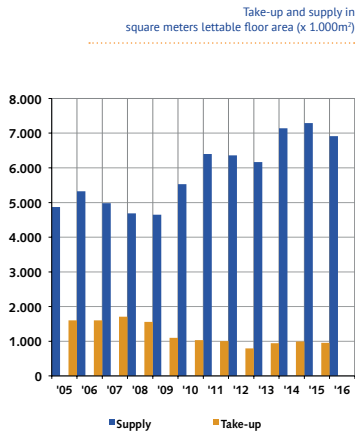
The severity of the new development policy can also be noticed in the supply numbers. In 2012, 12% of the total supply was new development, now this has been brought back to 2%. This percentage exists out of office buildings which were already completed a couple of years ago, but are still available to rent or to buy. The register hardly includes any yet-to-be-built new developments, which will be completed in the following year. Only Zwolle and Amsterdam have a relatively high amount of new developments. Relatively many offices are still being developed in Amsterdam, mainly on the 'Zuidas', whereas in Zwolle the amount of supply of new developments is somewhat distorted: it mainly consists of office space already completed in 2013.

Stable take-up volume in 2015

The total take-up volume in 2015 amounts up to 1,082,070 m². 130,750 m² of that amount concerns small surface areas. Compared to last year the take-up volume has slightly decreased. The total take-up volume amounted up to just above 1,13 million m² last year.

In the four big cities a total of 603,000 m² office space was let or sold, with a surface area of more than 500 m². 63% of the total take-up volume is taken-up in the four big cities. Just like previous years, Amsterdam had the highest take-up level again. 237,000 m² of office space was taken-up in total in Amsterdam, with a surface area larger than 500 m². This means a decrease of 8% compared to last year. Rotterdam saw a great increase of almost 60%, with a total take-up volume of 166,000 m². Utrecht had the largest take-up decrease of all of the four big cities, 26%. The take-up volume halted at 89,000 m².

Take-up volumes differ strongly per region. In some regions there was a huge increase, for instance in Apeldoorn, Assen, the Drechtsteden, Maastricht and Zwolle. Whereas in Arnhem, Den Bosch and Heerlen there was a huge decrease. However, it must be mentioned that in smaller office market regions, such as Heerlen or Assen, one single take-up can quickly lead to a large increase of the take-up volume. This may provide a distorted view on the structural demand for offices.



Take-up of office space (x 1.000 square meters of lettable floor area)

Region	2010	2011	2012	2013	2014	2015
1 Amsterdam	189	253	246	247	259	237
2 Rotterdam	150	123	81	102	103	166
3 Den Haag The Hague	111	69	96	132	136	111
4 Utrecht	119	138	80	112	121	89
Total big cities	569	583	503	593	619	603
5 Eindhoven	39	52	28	30	34	40
6 Zwolle	19	14	9	19	20	37
7 Enschede	28	23	25	25	22	23
8 Apeldoorn	24	31	13	15	15	22
9 Almere	23	23	8	16	28	22
10 Amersfoort	38	36	23	44	29	21
11 Nijmegen	36	27	23	23	21	18
12 Breda	34	27	8	14	28	18
13 Groningen	24	14	21	14	29	18
14 Arnhem	22	26	27	22	31	16
15 Deventer	5	13	6	16	14	15
16 Maastricht	22	43	12	12	10	15
17 Leeuwarden	23	1	1	4	13	14
18 Den Bosch	62	38	34	42	31	13
19 Assen	8	6	5	8	5	13
20 Drechtsteden	10	17	15	18	5	13
21 Tilburg	14	12	12	14	12	13
22 Hengelo	21	10	13	6	10	9
23 Sittard	1	1	3	7	8	5
24 Heerlen	8	6	5	1	9	3
Total Other	461	420	291	350	374	348
Total the Netherlands	1.030	1.003	794	943	993	951

Small surface areas: decrease within the Randstad conurbation, increase outside the Randstad conurbation

Transactions of a 250 to 500 m² surface area in the four big cities and of 0 to 250 m² surface area in every other region have been denoted separately for this report. A remarkable discrepancy can be seen between the four big cities and the other regions. Only Utrecht records an increase in take-up volume of small surface areas, whereas the other three big cities show an enormous decrease. The enormous decrease in three of the four big cities is probably connected to the strong growth of flexible office space in business centres on offer. Tribes, The Office Operators, Regus, Office For You and Spaces have also enormously expanded their supply of flexible office space. These parties have taken-up more than 50,000 m² this year, mainly in the Randstad conurbation.

On the basis of the occupancy rate of these rentals can be concluded, that part of the demand for office space is accommodated by these business centres. This is probably the explanation for the established and severe decrease within this segment. The take-up within the four big cities amounts up to a total of 63,800 m², which is 26% lower than last year.

In the other regions the tendency is consistent with what one can expect in a growing economy. In the other regions the take-up volume of the smaller spaces amounts up to a total of 66,950 m². This means an increase of 22% compared to last year.

Number of transactions in 2015
increase relative to 2014
and average unit size

Region	Transactions	% Increase	Average unit size
1 Amsterdam	128	-17%	1.709
2 Rotterdam	74	12%	2.210
3 Den Haag The Hague	62	-26%	1.796
4 Utrecht	58	9%	1.532
Total big cities	322	-10%	1.871
5 Eindhoven	38	-7%	1.065
6 Breda	35	17%	510
7 Almere	33	22%	653
8 Amersfoort	31	11%	692
9 Apeldoorn	31	121%	696
10 Arnhem	30	43%	534
11 Zwolle	29	12%	1.271
12 Enschede	29	26%	795
13 Groningen	29	45%	613
14 Nijmegen	26	-10%	762
15 Den Bosch	21	-32%	642
16 Tilburg	21	40%	625
17 Deventer	15	7%	1.015
18 Hengelo	15	15%	568
19 Maastricht	14	-18%	1.087
20 Leeuwarden	14	56%	983
21 Drechtsteden	13	44%	1.016
22 Assen	9	0%	1.472
23 Heerlen	5	-17%	542
24 Sittard	4	-20%	1.190
Total Other	442	14%	791
Total the Netherlands	764	3%	1.246

Number of square meters include small office floor space. Four major cities 250-500m² and other <250m²

Region	2013	2014	2015
1 Utrecht	14.100	17.700	20.600
2 Amsterdam	29.300	32.150	18.000
3 Den Haag The Hague	11.650	21.400	16.200
4 Rotterdam	15.000	15.500	9.000
Total big cities	70.050	86.750	63.800
5 Amersfoort	4.750	5.200	6.400
6 Nijmegen	4.500	3.850	6.450
7 Breda	4.900	4.600	5.800
8 Groningen	2.700	3.300	5.100
9 Enschede	4.100	4.400	5.050
10 Eindhoven	7.100	4.700	4.900
11 Apeldoorn	2.100	3.200	4.150
12 Drechtsteden	2.700	3.700	4.050
13 Den Bosch	2.300	2.250	3.950
14 Zwolle	3.800	5.050	3.950
15 Almere	500	2.100	3.450
16 Hengelo	2.250	1.250	2.400
17 Leeuwarden	150	850	2.000
18 Tilburg	400	750	1.900
19 Arnhem	1.900	3.450	1.800
20 Assen	1.200	1.300	1.700
21 Deventer	3.200	2.600	1.600
22 Maastricht	850	1.800	1.550
23 Heerlen	350	400	650
24 Sittard	400	-	100
Total Other	50.150	54.750	66.950
Total the Netherlands	120.200	141.500	130.750

Office market ratio

The office market ratio reflects the relation between take-up volume in a certain year and the available supply at the end of the same year. On the basis of the office market ratio it becomes clear if there is a healthy relation between supply and demand on the office market. The office market ratio has stayed very stable during the whole of 2015, in comparison with last year. The ratio amounted up to 14%. The office space supply certainly decreased steadily, however the take-up level was a little lower compared to last year, which results in the market being nearly just as ample as last year.

The situation on the office market differs strongly regionally. In the four big cities it is noticeable that the office market of Amsterdam (16%) and Rotterdam (17%) is somewhat tighter in comparison with the markets in Utrecht (13%) and The Hague (10%), which have a more ample market than last year, despite a higher conversion volume. Also noticeable is the difference between the larger cities and the neighbouring municipalities. The shortage in the market is noticeably increasing in the cities and the take-up level in the neighbouring municipalities is staying relatively low. This matches the ascertained division between centre and top-rate locations against monofunctional locations with a low take-up potential. Furthermore, the withdrawal volume of conversions in the four big cities is higher than in the neighbouring municipalities, with Nieuwegein and Diemen as an exception.

Office market ratio (ratio of occupancy to availability) by region

Region	2010	2011	2012	2013	2014	2015
1 Rotterdam	18%	14%	9%	10%	10%	17%
2 Amsterdam	12%	16%	18%	15%	14%	16%
3 Utrecht	18%	20%	12%	16%	18%	13%
4 Den Haag The Hague	13%	8%	12%	13%	13%	10%
Total big cities	14%	14%	10%	14%	14%	14%
5 Assen	20%	10%	13%	14%	10%	29%
6 Nijmegen	44%	36%	34%	22%	20%	24%
7 Enschede	19%	23%	26%	23%	21%	22%
8 Zwolle	11%	10%	7%	12%	10%	19%
9 Sittard	3%	4%	12%	29%	32%	17%
10 Groningen	18%	11%	16%	9%	21%	17%
12 Maastricht	20%	67%	12%	13%	10%	16%
13 Deventer	6%	15%	7%	15%	16%	15%
14 Eindhoven	14%	22%	11%	12%	13%	15%
15 Drechtsteden	8%	12%	13%	15%	4%	15%
16 Leeuwarden	28%	1%	1%	3%	11%	14%
17 Apeldoorn	17%	21%	9%	8%	9%	14%
11 Tilburg	16%	18%	16%	13%	12%	13%
18 Breda	37%	25%	8%	10%	21%	12%
19 Den Bosch	52%	41%	21%	27%	19%	10%
20 Almere	23%	16%	4%	7%	12%	10%
21 Arnhem	12%	13%	15%	12%	15%	8%
22 Hengelo	26%	12%	17%	6%	9%	8%
23 Amersfoort	14%	13%	10%	19%	13%	7%
24 Heerlen	13%	9%	5%	1%	12%	5%
Total Other	18%	18%	10%	12%	14%	13%
Total the Netherlands	16%	16%	10%	13%	14%	14%

Outside of the four big cities we can see a large increase of the ratio in Zwolle and Assen. However, Amersfoort's ratio has decreased severely. This is mainly caused by the severe increase of supply due to the departure of many large office users.

On the basis of the office market ratio, the dynamics on the office market can be traced back. It is obvious that in some locations the annual demand exceeds the current supply, which results in a shortage in the market. Contrary to a high dynamic, there are also areas, mainly monofunctional terrains, where the office market supply is extensive, whereas over a longer period of time hardly any take-ups are recorded. It seems as if the structural demand for office space has disappeared here, with major vacancies as a result.

Prime rents are increasing

In 2015 the average rent was € 115 per square metre per annum. This is on a comparable level as last year. The realised prime rents were found on the Zuidas in Amsterdam and in Amsterdam centre, just like the previous years. Prices of € 330 up to € 357 per square metre per annum are paid on the Zuidas. This means, that in the meantime the prices have increased by 7% to 15% on the Zuidas, compared to the lowest point in 2012, when prime rents of € 310 were realised. The average realised rent on the Zuidas was € 275 in 2015. In Amsterdam Centre the average realised rent is € 225 and the average realised prime rents € 325 per square metre. The top 10 of

prime rents is completed by other transactions within Amsterdam and a couple of transactions in Utrecht East and on Utrecht Maliebaan.

Outside of the Randstad conurbation the prime rents are considerably lower. The highest realised prime rent was recorded in Zwolle, which was € 184 per square metre, followed by a transaction in Eindhoven Centre and Breda East.

Top rentals obtained in euros per square meters of lettable floor area of office space

Region	Rent
Amsterdam Zuidas	357
Amsterdam Zuidas	330
Amsterdam Centre	325
Amsterdam Zuidas	275
Amsterdam Centre	255
Amsterdam Centre	225
Utrecht West	220
Amsterdam Southeast	209
Amsterdam East	205
Utrecht Maliebaan e.o.	204
Zwolle Centre	184
Eindhoven Centre	172
Breda East	169

Sectors Trade and Industry most important pulling factors office market

The sectors Trade and Industry were responsible for the highest part of the total take-up volume last year. In total, more than 37% of the take-ups could be traced back to these branches. This means that the share is now equal to the longterm average, after having a low take-up year last year. Also many transactions took place with tenants or buyers that are active in business services and ICT. This share was 31,5% in the whole of 2015. Banks and insurance companies show a stable take-up. The bank and insurance company share has lain between 5 and 7% of the total annual take-up volume for a couple of years now.

Take-up by sector according to square meters in 2015

Sector	the Netherlands	Amsterdam	Den Haag	Rotterdam	Utrecht
Trade and Industry	37%	41%	49%	44%	21%
Business services and ICT	31%	31%	23%	35%	19%
Banks and insurance companies	7%	6%	3%	3%	12%
Government and non-profit	24%	22%	25%	18%	47%

Clearly obvious is that a significant amount of office property is left behind mainly within the bank sector, insurance companies and the government. Several reorganisations in previous years and the so-called 'new way of working' have resulted in many companies within these sectors needing considerably less office space than a couple of years ago. Typical examples are the National government and ING-bank; the bank is having a new head office built on the Frankemaheerd. The building will have 24,000 m² of surface area, whereas the current head office has a surface area of 52,000 m².