NEWSLETTER

Masterdam advises on sale of Atoomclub / oVVice

Masterdam acted as strategic and financial advisor for the sellers on one of the biggest serviced office transactions in Europe. The portfolio consists of 8 offices with approx. 33,000 m2 floor area including the operator Atoomclub / oVVice. The buyer was a JV between Stadium Capital and Angelo Gordon.

Arjan Kuilman, Managing Director at Atoomclub/oVVice: "This transaction validates our unique serviced office strategy, which will further accelerate under our new ownership. We look forward to welcoming a growing number of organisations to our friendly communities. A special mention goes to Masterdam, who supported us over the past years. Their involvement as our strategic and financial advisors was invaluable for the success of this transaction."

The Netherlands is one of the most advanced European markets for serviced offices with significant growth potential. This market was initially established to meet the increasing demand from freelancers and start-ups in search for flexibility and creative working environments. By now, established corporations and government tenants are also attracted to serviced offices. It helps them to lower their overall occupancy costs and to attract talent.

Masterdam sees an attractive opportunity for investors to team up with best in class serviced office operators. Demand for co-working space continues to increase throughout the country, while the fragmented market leaves room for building market share. Atoomclub / oVVice has shown how the combination between dedicated operations and strategically located real estate with attractive fit-outs can drive significant value.

TRANSACTION MONITOR

Project	Sector	Value (EUR mn)	Buyer	Seller	Date
Maastoren (Rotterdam)	Office	159	FOM, Asia Pacific, Coquine	Northstar	May
5 Shopping centers (Regional locations)	Retail	157	ARC, US PE Fund	CBRE GI	June
Unilever HQ (Rotterdam)	Office	87	Aegilia	Real I.S.	May
Room Mate Bruno (Rotterdam)	Hotel	51	BNP REIM	Van Agtmaal	May
Retail Park (Spijkenisse)	Retail	47	Retail Estates	Roobol	May
2 Offices (Lotus A & B) (Rotterdam)	Office	45	Capreon	Blackstone	June
Atoomclub / oVVice (8 assets)	Office	NA	Angelo Gordon, Stadium	Atoomclub / oVVice	June

New trade agreement with the UK important for the Dutch industrial sector

There is a plethora of reports regarding the impact of an unfavorable trade agreement with the UK. The consensus is that the Netherlands have a lot to lose from a negative outcome of the negotiations due to their high exposure to the UK market. In 2017, Dutch exports to the UK reached EUR 22.7b accounting for 3.1% of the NL's GDP. Moreover, approximately 218,000 jobs are directly related to these exports according to the Dutch Statistics Office.

For real estate owners, it is important to understand which sectors are at risk and keep an eye on relevant businesses. Based on this information, investors can adjust their business plans accordingly to reflect the potential changes in leasing and credit risk.

According to CPB, the business sectors that will be affected the most are a) chemicals & plastics b) electronic equipment, c) metals & minerals, d) motor vehicle parts and e) food processing. 43% of the total export jobs related to the UK (94,000 employees) are in manufacturing and trade. Such companies typically occupy warehouses, industrial and light industrial space. Therefore, the impact will be more profound in the industrial sector also due to the inherited single-let risk in such properties.

On the bright side, the impact on the services exports is expected to be limited due to the nature and structure of the products. Business services account for approximately 28% of the relevant jobs with 62,000 employees, focusing on consultancy, recruitment and holding companies. They are typically office tenants in central locations with a European focus. Hence, we expect that the office sector will be less sensitive towards any negative developments.

Government Tenants: Armageddon avoided

When the financial crisis hit the Netherlands in 2008, the Dutch government reacted swiftly by announcing a humongous austerity package. These measures also covered real estate owned or leased by government agencies. Cost-saving plans of public tenants through downsizing and consolidation created much concern in the Dutch real estate market, especially in locations where government employment was high. Investors took a very conservative view on lease renewal probabilities for government tenants (max. 50%). They also assumed that such tenants would occupy less space going forward and would be extremely cost-sensitive.

In retrospect, the impact was not as severe as many real estate professionals feared. Government agencies proved to be sticky tenants throughout the austerity era. The main reasons for that were the high relocation costs involved and the political pressure to stay in weaker locations. It is true that certain government tenants and NGO's, which occupied space in expensive central locations, relocated to premises with lower rents. However, this unlocked the opportunity for redevelopers to execute a number of conversion schemes from office to residential. This trend became evident in the city of the Hague, where significant government tenant consolidation took place.

Going forward, the main risk for landlords with government tenants will be technology. Digitalization and cloud technology may reduce the number of public employees in the near future. This will affect take-up levels from prospective government tenants.

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