

**A BENEFIT ANALYSIS OF  
THE WORLD TRADE CENTER CONCEPT**

**Case Study: WTC Amsterdam**

by

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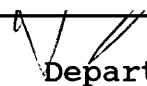
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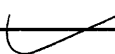
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Geoffrey T. Nagle

Submitted to the Department of Architecture on July 31, 1992  
in partial fulfillment of the requirements for the degree of  
Master of Science in Real Estate Development

**ABSTRACT**

This thesis presents the findings of a study of the World Trade Center Amsterdam. The basic premise behind the World Trade Center concept is that the concentration of trade-related activities and companies in one location provides benefits to the WTC tenants and the community alike. A secondary premise is that the developer/owner of a WTC can capture some of the added value of those benefits through above-market rents and fees for the services provided. The purpose of this study is to test these assumptions. Information for this study was gathered during extensive personal interviews in Amsterdam with the tenants, management, and owners of the World Trade Center. Further information was obtained through telephone interviews.

The results of this study show that the WTC Amsterdam has had a significant effect on its local economy. While the impact of increased international trade is difficult to measure, the impact of the WTC on the development of the "High South" neighborhood is obvious. The tenants of the WTC Amsterdam value the services and amenities of the facility. Despite the fact that the WTC lease rates consistently exceed the market average, there is a waiting list of firms wanting to enter the WTC.

The real estate concept of the WTC, trade environment of Amsterdam, and services offered as part of the WTC designation have all contributed to the success to date of the WTC Amsterdam.

Thesis Supervisor: Professor Lawrence Bacow  
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Dedication:

**This work is dedicated to my wife, Sharon, in sincere appreciation for her unfailing support, advice, and sense of humour during the past year.**

Acknowledgements:

The majority of the information used for this thesis was obtained during interviews conducted at the World Trade Center Amsterdam. I would like to express my appreciation to all those who participated in, and helped schedule, those interviews. In particular, Mr. Boudewyn van de Rhoer of the WTC Management Company was a great help to my research efforts.

**CHAPTER ONE**  
**INTRODUCTION AND ORGANIZATION OF THE THESIS**

## Introduction

During the last fifty years dramatic changes have occurred throughout the economies of the world. The most significant of these changes has been the emergence, from the fragmented and disparate regional economies that were the norm prior to the Second World War, of a globally-linked international economy. The concept of a World Trade Center as a place in which the business of international trade can be concentrated and fostered is a direct response to the globalization of the world economic structure.

In the past, political boundaries tended to separate economic markets. Attempting to protect domestic producers, most nations imposed extensive tariffs, trade restrictions, and border procedures on international commerce. Europe provides a clear example of this. Estimates of the cost to business of the existing border procedures between European countries run in excess of U.S. \$10 billion annually.<sup>1</sup> In many cases, these restraints on trade made it 50% more expensive to conduct business internationally than domestically.<sup>2</sup> Thus, it is not surprising that until recently most of the movement of capital, labor, and goods was within countries rather than between them.

That is all changing now. Technological improvements

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<sup>1</sup>Decade of Change: The 1990's (television news special on "The Monitor Channel", July 10, 1992.)

<sup>2</sup>Ibid.

in the areas of transportation, telecommunications, and electronic data transfer have combined to make it much easier to conduct business with distant markets. The proliferation of international trade agreements such as the U.S./Canada Free Trade Agreement, the General Agreement on Tariffs and Trade (GATT), the European Community and the Latin American Free Trade Association have all served to increase the volume of international trade.

As a result, international competition has increased, and the prices of many goods and services are now set by international markets, rather than by domestic conditions. This has caused dramatic changes for some industries. The U.S. textile and steel industries are examples of industries that have lost much of their domestic market share to foreign competition.

Developers and owners of real estate are also learning that their business is not immune to the trend towards an integrated world economy. Foreign ownership of real estate is very common in some countries, such as Canada, and is increasing in both the U.S. and Europe. Even when a real estate project is domestically owned, it is now common for a mortgage on the property to be held by a foreign lender. International financial institutions are now theoretically capable of providing equity and debt capital for real estate development almost anywhere in the world. This globalization of the capital markets means that real estate

projects in any one country must compete for scarce financial resources with developments in other countries.

Of even more significance to developers of real estate is the fact that local markets for space are now often influenced by the global movement of goods and services. In areas conducive to global trade, business is thriving, which in turn has meant that the local real estate market is thriving. Developers and owners have recognized that it is in their interest to promote and facilitate the growth of the international trade industry in their region.

Around the world, businesses and governments have realized that, to remain competitive, they must expand their economic base into the emerging world economic market. One common route taken by many organizations trying to expand into the world market has been to embrace the World Trade Center concept.

### **The World Trade Center Concept**

The basic concept behind a World Trade Center (WTC) is that trade opportunities can be enhanced by concentrating companies involved in international trade and trade-related services in one central location. Since the first WTC was built shortly after World War Two, seventy other WTC facilities have been completed around the world, and another six are currently under construction. There were an additional 124 centers in the planning stages as of January



1992.<sup>3</sup>

The burgeoning development of WTC facilities is overseen by the organization that licences the World Trade Center name; the World Trade Centers Association (WTCA). Formed in 1968, the WTCA describes itself as: "An organization that stands outside of politics, across national boundaries, in service to those who develop and facilitate international trade."<sup>4</sup> The basic objectives of the WTCA are: to foster the expansion of world trade; to promote international business relationships and understanding among nations; and to foster mutual assistance and cooperation among members of the WTCA.<sup>5</sup>

In the 28 years since the WTCA was founded, it has expanded its mission to not only provide its membership with a wide range of services, programs, and assistance designed to foster international business, but also to promote the creation of facilities that meet the criteria for designation as a World Trade Center.

As defined by the WTCA, a World Trade Center is comprised of two components: (1) the building and its tenants, and (2) the trade services provided by the WTC management. Both components must meet WTCA standards to

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<sup>3</sup>World Trade Centers Association Membership Directory, pp. 18-19.

<sup>4</sup>Ibid., p. 1.

<sup>5</sup>Constitution and Bylaws, (World Trade Centers Association, as amended October, 1990), p. 5.

allow a WTC designation to be granted and maintained. Therefore, a WTC must be more than just a complex of exhibition halls, trade marts, conference centers, hotels, and other facilities. It must also offer services and activities devoted to international commerce. These services typically include trade information, educational seminars, a WTC club, meeting facilities, trade missions, translation services and temporary secretarial services. The mix of physical facilities and services offered must be designed to meet the primary goal of any WTC: the promotion, furtherance, and protection of international trade and commerce.

In order to be able to use the "World Trade Center" name, a facility must become a member of the WTCA. To be granted membership in the WTCA, the facility must meet the Association's above-described definition of a WTC. Therefore, through the control of standards for the use of the WTC designation, the WTCA is able to ensure that the original goals of the World Trade Center concept continue to be achieved.

### **Thesis Intent**

This thesis presents the findings of a study of the World Trade Center Amsterdam. This study was done concurrently with four similar studies of WTC facilities in New York City, Taipei, Portland (Oregon), and on the island of Curacao (The Netherland Antilles). These sites were

selected by the sponsor of this study, the World Trade Centers Association, as being representative of the seventy-one operating World Trade Centers.

The basic premise behind the World Trade Center concept is that the concentration of trade-related activities and companies in one location provides benefits to the WTC tenants and the community alike. A secondary premise is that the developer/owner of a WTC can capture some of the added value of those benefits through above-market rents and fees for the services provided. The purpose of this study is to test these assumptions. More specifically, this thesis tries to answer three groups of questions:

- A) \* Does the WTC Amsterdam provide a sufficient return to the owners to compensate them for the additional costs incurred in gaining and maintaining the WTC designation?  
\* How has the WTC Amsterdam performed financially relative to the rest of the Amsterdam market?  
\* Do tenants value the services offered by the WTC Amsterdam enough to be willing to enter into leases on terms more favorable to the landlord than is typical at competitive buildings? (i.e. rent premiums, credit assurances, longer lease terms, etc.)
- B) \* How successful has the WTC Amsterdam been in stimulating the regional economy of Amsterdam?  
\* How successful has the facility been at increasing the volume of international trade done in the Amsterdam region?  
\* Are local officials concerned with regional economic development satisfied with the performance of the WTC Amsterdam to date?
- C) \* What value do tenants place on the affiliation of their business with the WTC Amsterdam?  
\* What value do tenants place on the co-location of trade-related businesses and services in the WTC?

### Information Sources

The development of a successful WTC typically involves four separate parties: the owner/developer of the facility, the tenants in the WTC, local public and private sector officials responsible for regional economic development, and the World Trade Centers Association. Each party has different criteria for measuring the success of a WTC. While the WTCA's criteria for success of a WTC facility was outlined earlier, the criteria of the other parties deserve to be discussed.

The developer/owner may measure success in specific economic terms such as return on investment. More specifically, the owner is concerned with the WTC's ability to provide a sufficient return to compensate for the additional costs associated with WTC designation. To be considered a success from the owner's perspective, a WTC must be able to attract tenants on terms that are more favorable to the landlord than a competing building that lacks WTC related services. For example, prospective tenants must be willing to pay rental premiums, provide credit guarantees, or sign longer-term leases.

Tenants, on the other hand, are more likely to judge the success of a WTC by the benefits it offers them. Issues such as the types of services provided by the WTC or how much their business may be enhanced by proximity to other trade-related businesses are of primary concern to tenants.

Officials concerned with regional economic development will measure the success of a WTC on the basis of how that facility has stimulated trade and other economic development or tax revenues in its area.

At the core of this analysis is information provided, through interviews, directly from these primary parties. Extensive interviews were conducted in Amsterdam and by telephone with World Trade Center managers, owners and tenants. Other parties knowledgeable about the Amsterdam region, though not directly involved with the development of the WTC facility, also were a source of information. For example, the Amsterdam Ports Association, the Netherlands Board of Tourism, and the Chamber of Commerce and Industry for Amsterdam all proved to be useful secondary sources of information for this study.

Central to this study is the performance of the WTC Amsterdam with respect to its market as a whole. Data sources for performance issues included interviews with local real estate brokers, private market study data, and historical market rent-trend data. The bulk of the market research data was provided by Jones Lang Wootton's research department and R.B.O.G., an established Amsterdam-based real estate consulting and investment advisory firm.

#### **Organization of the Thesis**

This study is organized into four chapters. Chapter Two provides a history of the Amsterdam trade environment

and a physical description of the WTC facility. Pertinent information regarding the WTC's tenant roster, amenities, and services are discussed. Chapter Two also includes a history of the facility; when it was built, who initiated and sponsored it, and how it was financed.

Chapter Three is concerned with the performance of the WTC Amsterdam from the perspectives of the primary parties involved in the development and use of the facility. This chapter encompasses most of the data collected from the field interviews and site visit, and addresses the three fundamental questions outlined earlier. Chapter Three also provides an overview of the WTC Amsterdam's position within its market.

Chapter Four provides a comparative analysis of the World Trade Center Amsterdam relative to the four other WTC facilities that were studied. Location-related concerns such as the host country's trade environment, cultural preferences, and economic strength are discussed relative to how they determine the strategies and roles required of a successful WTC. Each of the five facilities studied has had to respond differently to the requirements of its market. Comparisons and contrasts among these sites are used to arrive at a series of conclusions for this study, including whether there are common characteristics of successful WTC developments.

**CHAPTER TWO**  
**HISTORY AND DESCRIPTION**  
**OF THE WTC AMSTERDAM**

## Introduction

"Why Amsterdam?" is the on-going promotional theme of the Chamber of Commerce and Industry for Amsterdam. While the Chamber uses that question to promote all business activity in the Amsterdam area, it is especially relevant for this analysis of the World Trade Center Amsterdam. This chapter gives an overview of the history of both the Amsterdam market and the WTC Amsterdam facility itself.

## History

For more than seven hundred years, Amsterdam has been a trade-dependent city. From its origins in the twelfth century as a trading center for fish, beer, timber, and wool, Amsterdam has continually increased its influence as one of Europe's leading commercial centers.<sup>6</sup>

During the seventeenth and eighteenth centuries, in what is known as the "Golden Age" of the city, Amsterdam became the staple market of the Western world. It also became one of the largest cities in Europe, surpassed only by London, Paris, Naples, and Vienna.<sup>7</sup>

At the height of its power, following an influx of French and Italian merchants and the formation of the Effectenbeurs (Dutch Stock Exchange), Amsterdam became the Western world's most important financial center. Throughout

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<sup>6</sup>Robin Pascoe, "Dutch Courage," Voyager, June 1992, p. 12.

<sup>7</sup>F.M. Dieleman and S. Musterd, eds., The Randstad: A Research and Policy Laboratory (Dordrecht, The Netherlands: Kluwer Academic Publishers, 1992), p. 1.



most of the eighteenth and nineteenth centuries, Amsterdam prospered as the primary source for international lending in Europe; the formation of the Dutch East India Company, the Dutch Stock Exchange, and the first exchange banks all contributed to the growth and increasing international influence of the city.

Amsterdam's position as a major trading center was dependent on the continuation of international free trade. As trade restrictions were imposed during the nineteenth century and other centers such as London expanded rapidly, the city's prosperity and influence waned.

Other cities in the area of the western Netherlands, now known as the Randstad, began to increase their influence and compete with Amsterdam for international business. Rotterdam in particular eclipsed Amsterdam in the shipping and port facilities industries, while The Hague became the center of the government.<sup>8</sup>

As a result of these changes, combined with the turmoil created by the two world wars, the first half of the twentieth century saw Amsterdam remain an influential financial and trade-related city internationally, but not grow as rapidly or dramatically as some other European centers.

#### **Origination of the World Trade Center Amsterdam Concept**

By the 1960's, Amsterdam had become a city of

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<sup>8</sup>Ibid., p. 3.

approximately 700,000 people. It was still a major financial center, seaport, and tourist destination, and its airport had become one of the busiest in Europe for both passengers and freight. The explosive post-war growth of other European centers had not been as dramatic in Amsterdam however; the City of Amsterdam and the Chamber of Commerce and Industry for Amsterdam were both actively searching for ways to maintain or improve Amsterdam's self-declared position as the "Gateway to Europe."

In 1968, the Chamber of Commerce and Industry for Amsterdam became one of the founding members of the fledgling "World Trade Center Association", and began to actively promote the idea of a World Trade Center for Amsterdam.<sup>9</sup> The intent of this group was to support the creation, in Amsterdam, of a facility that would attract international firms interested in expanding their business into the European market.

For most of the following decade the Chamber of Commerce and Industry for Amsterdam tried unsuccessfully to put a suitable site and interested developer together to create the desired facility. Several successive sites, notably one on the city's harbour, were proposed, promoted, and ultimately discarded for political or economic reasons.

Then, in the late 1970's, the correct opportunity

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<sup>9</sup>Interview with H.J.M. Woerdman, Chamber of Commerce and Industry for Amsterdam, Amsterdam, The Netherlands, 24 June 1992.

finally presented itself.

The City of Amsterdam, which owns all of the land in Amsterdam and tightly controls the supply of land for new development, made a large piece of land in the prestigious South Amsterdam neighborhood available for development. This parcel of land was very well situated relative to transportation routes into and around the city. (see exhibit 3). The very busy circumferential freeway, the A10, was immediately to the south of the site, and a freeway access ramp was planned to serve the site.<sup>10</sup> The east end of the site was bounded by a major radial route into Amsterdam, the Beethovenstraat, and the north side of the site was accessible using a six lane divided cross-street, the Strawinskylaan. The most significant transportation amenity of the site, however, was immediately adjacent to its western boundary: the South Amsterdam station of the railway line to Schiphol airport. Trains left from that station every fifteen minutes, and arrived at the airport only twelve minutes later.

Schiphol airport had expanded rapidly as both a passenger and freight airport serving the entire European market since the end of the Second World War. By the late 1970's, after successive expansions of the airport

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<sup>10</sup>Interview with B.G.J. van de Rhoer, World Trade Center Amsterdam, Amsterdam, The Netherlands, 25 June 1992. (Note: The proposed freeway ramp was never built; cars must exit the A10 a few hundred yards west of the WTC site and circle back.)

facilities, the number of passengers passing through Schiphol each year had exceeded twelve million, and was still increasing.<sup>11</sup> The emergence of Amsterdam's airport as one of Europe's busiest had created a great deal of demand for office space close to that facility.

There was considerable interest in the site from development companies wishing to provide office space to the business community. There was one hitch, however; the City of Amsterdam had zoned the site for medium-density residential use only, and was notorious for denying rezoning applications.

For a while it appeared that the site would remain undeveloped until the Blauwhoed Development Company came up with a new idea.<sup>12</sup> Blauwhoed, a large and well-established Dutch development company, was aware of the interest of both the City and the Chamber of Commerce in creating a World Trade Center for Amsterdam; they proposed just that for the South Amsterdam site.

The Chamber of Commerce had by this time, in the words of one of its senior officials, "almost given up hope" that Amsterdam would ever get a World Trade Center.<sup>13</sup> They were

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<sup>11</sup> The Development of Schiphol (Schiphol: Amsterdam Airport Schiphol Public Relations Department, 1990), p. 7.

<sup>12</sup> Telephone interview with Rolf Draak, World Trade Center Amsterdam, 6 July 1992.

<sup>13</sup> Interview with W. de Wit, Chamber of Commerce and Industry for Amsterdam, Amsterdam, The Netherlands, 26 June 1992.

ecstatic about the Blauwhoed proposal, and gave it their full support. It is widely believed in Amsterdam that the support of the very influential Chamber of Commerce was the deciding factor in the City Council's approval of the rezoning of the site.

The strong interest of both the City Council and the Chamber of Commerce in seeing the WTC built was further evidenced by their subsequent resistance to pressure from citizen's groups to deny the rezoning application. The opposition groups to the WTC development were made up primarily of residents of the prestigious residential neighborhoods that exist to the north of the WTC site.<sup>14</sup>

A major condition of the rezoning approval was that the development would not be allowed to become just another office facility; the lease agreement between the City of Amsterdam and the developer specifically stipulated that the facility must obtain official designation as a World Trade Center from the World Trade Center Association.<sup>15</sup>

Thus, even though there was no direct governmental subsidy or financial support for the Amsterdam WTC, without the non-financial support provided by the Chamber of Commerce and the City of Amsterdam it is unlikely that the WTC would have been built.

Once the re-zoning of the site had been ensured, the

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<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

Blauwhoed Development Company was able to generate interest from institutional investors in providing financing for the project. Two large Dutch institutions, the Algemeen Burgerlijk Pensioenfonds N.V. (ABP) and the Friesch-Groningsche Hypotheekbank N.V. (FGH) initially each purchased one-third ownership of the project.<sup>16</sup>

With financing in place, the developer lost no time in starting the design and programming of the WTC. The architectural firms of Architectenbureau G. de Klerk B.V. and Le Grand & Selle Arshitektenassociatie, both of Amsterdam, combined forces to create the new firm Architectenmaatschap WTC. This new firm was solely concerned with the design, programming, and construction coordination of the proposed World Trade Center facility.

During 1980 and 1981, the architects and engineers worked to design a facility that was "in line with the aims and specifications of the World Trade Centers Association," as was required by the lease with the City, and had the ability to satisfy the return-on-investment requirements of the owners.

In 1982, after the final WTC design had been reviewed and the necessary development approvals had been obtained from the City of Amsterdam, the two institutional investors bought the developer out of the project and each took a 50%

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<sup>16</sup> Draak, 6 July 1992.

position in the ownership of the facility.<sup>17</sup>

Finally, after almost fifteen years of promotion, discussion, and waiting, construction was about to start on Amsterdam's World Trade Center.

### Attributes of the World Trade Center Amsterdam

#### Architectural Image

From the exterior, the WTC Amsterdam is a very slick, modernist series of structures finished in reflective blue curtain-wall glazing and white steel panels. The 75,000 square meter (807,000 square foot) complex is comprised of four office towers and a low-rise building connecting the towers. Hidden from view beneath the buildings there is a two-level, 35,000 square meter (377,000 s.f.) underground parking garage with a capacity of 1200 cars.

The two central office towers are seventeen stories tall while the towers at either end of the site are each twelve stories tall.

In all, the impact of the WTC when viewed from any of the adjacent roads or neighborhoods is very striking, especially when considered in the predominantly low-rise surroundings of Amsterdam. (see exhibit 4).

#### Special Facilities

The "total concept" approach taken by the designers of the WTC was a first for the Amsterdam market. The provision of a retail shopping arcade, banking services, a post

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<sup>17</sup> Ibid.

office, copying services, dental offices, and restaurants all within the same complex as the office towers had not been seen before by tenants in Amsterdam. To this day, the majority of office space available in the city is in single-use office buildings.<sup>18</sup> In the older sections of the city the office workers leave their buildings and go along the street for their lunch or service needs, while in the suburbs they often have to get in their cars and drive to a retail area.

Amsterdam has a problem currently with both a lack of space for parking and a high rate of automobile break-ins. These factors combine to create a strong demand for on-site, secure parking facilities. Thus, the availability of underground parking at the WTC has also proven to be a major factor in the success of the project. In interviews, tenants repeatedly emphasized the high value they place on having access to the World Trade Center's underground garages. One tenant particularly valued being able to leave his car in the WTC garage while he travelled from Schiphol airport on business.<sup>19</sup>

Additional facilities provided by the WTC Amsterdam include a 525 square meter (5,650 s.f.) open exhibition area, a video-conferencing studio, a press center that is

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<sup>18</sup> Interview with H.A.F. Hagemeijer, Zadelhoff Makelaars (Real estate brokers), Amsterdam, The Netherlands, 24 June 1992.

<sup>19</sup> Interview with Ph. J.D. Molhuysen, English & American Group Plc, Amsterdam, The Netherlands, 23 June 1992.



able to accommodate up to eighty people at a time, short-term executive offices, and a variety of conference rooms.

### Conference Facilities

The largest of the conference rooms is the "Amsterdam Room", with a capacity of up to 250 people. This room is a multi-purpose auditorium that was designed by acoustical engineers to create a state-of-the-art lecture and presentation environment. The Amsterdam Room is also equipped with a full range of audiovisual equipment, including large-screen video projection.

Separate from the Amsterdam Room, there are seven smaller conference rooms clustered around a central meeting space. These rooms, located at the second floor level of the low-rise building, make up the WTC Conference Center and are designed to each accommodate meetings of up to fourteen people. The Conference Center rooms are equipped with electrically operated blinds, conference tables and seating, projection screens, telephone and telex connections, and remote-controlled lighting.

A third group of conference/classroom spaces encompasses the entire fourth floor of one of the office towers. This area is known as the WTC Business Training and Education Center, and is used for courses, meetings, or seminars for groups of four to forty people. There are a total of fourteen meeting rooms in this area that are

available for rent on a short-term basis. A consistent evening-hours user of this space is a local company that provides educational programs for executives.<sup>20</sup>

In any of the WTC conference facilities a meeting can be fully catered. The independent catering company that services the WTC Club restaurant and cafeteria also serves the needs of the conference facilities.

The use of the special facilities provided by the WTC is considerable; over 2500 meetings each year are held in the World Trade Center.<sup>21</sup> Approximately 65% of those meetings are organized by non-tenants of the facility. The consistent use of the WTC conference facilities by non-tenant parties means that those facilities provide the WTC with not only revenue, but also an effective marketing opportunity. Each new conference demonstrates the WTC facility to a new group, and therefore potentially increases the number of tenants interested in locating at the WTC. The current relaxed attitude of the WTC management about directly advertising the WTC can at least partly be attributed to the on-going advertising that the conference facilities provide. Therefore, the promotional budget for the WTC conference facilities serves a dual purpose.

#### Office Space

Away from the low-rise facilities of the WTC, the

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<sup>20</sup> van de Rhoer, 22 June 1992.

<sup>21</sup> Ibid.

interior space on any of the office levels is fairly standard, modern office space. Each entire floor is organized on a rectangular, standardized grid so that demising walls can be configured rationally. The HVAC, electrical services, telephone, and lighting systems are all located in the plenum above the suspended ceiling to facilitate tenant improvement changes. Washroom facilities for each floor are located at the central core; tenants are unable to get water service to their individual suites.

The "footprint" of each of the four towers is quite long and narrow relative to a typical North American speculative office building. One reason for this is the Dutch building codes that require relatively high levels of natural light at all office work areas.<sup>22</sup> The more important reason for the shape of the WTC towers is that their narrow configuration was well suited to the specific leasing strategy of the developer. The narrow towers allow each floor to be subdivided into small office areas efficiently. That is, the high perimeter to floor area ratio of the rectangular plan meant that many small offices could be located on each floor without leaving large interior floor areas unusable.

The WTC towers are not designed to accommodate large floor-plate, "back-office" users because that is not who the developer wanted to attract to the facility. Historically,

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<sup>22</sup> Ibid.

new small first-class office space has been very difficult to find in Amsterdam; all of the new office buildings were designed to lease large blocks, or entire floors, to single tenants. As a result, Blauwhoed and the other investors perceived a strong demand for small office space in the market. The intent of the WTC development from the beginning was to capture some of that demand by providing space that small office users would want.<sup>23</sup>

### Special Services

The final attribute that the WTC has over its competition is the range of special services that it offers to its tenants. These services include extensive security systems, 24-hour accessibility to the building, and the availability of in-house catering for any office function.

Probably the most important service, at least to the smaller tenants, that is available is the in-house Business Services Department. This department is able to provide, on a pay-for-use basis, a full range of secretarial, translation, business office, and telephone answering services to firms that require them.

Companies who choose to locate in the WTC also have the option to join the local association of WTC tenants and therefore not only be able to use of the WTC club and restaurant, but also attend regular trade-related seminars and lectures organized by that association.

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<sup>23</sup> Draak, 6 July 1992.

## Conclusions

The WTC Amsterdam is unique not so much because it is the only WTC facility in Amsterdam, but because it is a particularly well conceived, well executed, and unique real estate project. The Blauwhoed Development Company understood the Amsterdam office market and identified a market niche, the small tenant submarket, that was not being well served. In addition to providing small office space, the developer identified and provided several amenities that were valued by the market. The most valued of these amenities is the secure underground parking garage. Fully 72% of the tenants interviewed claimed that the parking facilities were "very important" in their decision to locate in the WTC. (see exhibit 2). The on-site retail facilities and other consumer services have also proven to be highly valued by tenants, and have therefore served to further differentiate the WTC from the competition. The location of the WTC has also proven to be first rate. It is near the airport and well served by both public transportation and the Amsterdam highway network. The practical benefits of the WTC location are further enhanced by the prestige associated with its neighborhood. For years a very exclusive residential neighborhood, High South Amsterdam has been transformed by the development of the area around the WTC into one of the most prestigious business districts in the city. One tenant even stated that prestige was 90% of

the reason behind his organization's decision to re-locate their offices from downtown Amsterdam to the World Trade Center.<sup>24</sup>

In addition to the above real estate attributes, the developer has even further differentiated this project by both providing a range of WTC services and focusing leasing efforts on trade-related businesses.

The next chapter evaluates how well this combination, a well conceived real estate project coupled with the WTC designation and services, has performed relative to the Amsterdam market. The evaluation is done from the viewpoints of the four parties involved in the WTC. Thus, the WTC's success at stimulating trade, providing regional economic development, creating benefits for its tenants, and generating above market returns to its owners are all examined.

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<sup>24</sup> Interview with J. van de Plassche, Swissair, Amsterdam, The Netherlands, 23 June 1992.

**CHAPTER THREE**

**PERFORMANCE ANALYSIS OF THE WTC  
RELATIVE TO THE AMSTERDAM MARKET**

## **Introduction**

The information for this chapter was collected primarily from interviews conducted on site in Amsterdam. Some additional information was obtained through telephone interviews from Cambridge, Massachusetts.

This chapter analyzes the performance of the WTC to date from the perspectives of four interested parties: the WTC tenants, officials responsible for regional economic development, the management company/owners, and the WTCA. The three major questions posed by this study, which were outlined in Chapter One, are discussed from the viewpoints of these four parties.

### **A. Investment Performance of WTC Amsterdam**

For obvious reasons, the owners and managers of the WTC Amsterdam are the group most interested in how well the facility performs financially. The primary objective of this group is to ensure that the WTC development provides a financial return sufficient to compensate them for their investment. That investment included not only the costs incurred through the development of the facility, but also the costs associated with obtaining and maintaining the WTC designation.

The company that manages the WTC is headed by Mr. Rolf Draak, who has been involved with the WTC Amsterdam since its inception. As a project manager for the Blauwhoed Development Company in the 1980's, Mr. Draak was directly



responsible for the development coordination of the WTC facility.

Mr. Draak's current firm, appropriately named the World Trade Center Management Company, is employed by the owners of the WTC on a management contract basis. For a percentage fee based on the rental income of the facility, the WTC Management Company provides all of the standard maintenance, repair, and tenant contact services necessary for the facility. In addition, the WTC Management Company is responsible for providing not only the special services offered as part of the WTC concept, but also all leasing services required by the facility.<sup>25</sup>

In order to best provide this variety of services, the company is organized into four departments. These departments, which are run on an individual cost-center basis, are the Finance Department, the Business Services Department, the Meeting and Restaurant Facilities Department, and the Commercial Department.

As was stated in Chapter Two, ownership of the WTC Amsterdam is divided equally between two large Dutch institutional investors. One owner is the Dutch government pension fund, ABP, and the other is the private mortgage bank, FGH.

There is no mortgage held on the facility; the two investors have bought it outright and are therefore

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<sup>25</sup> Draak, 6 July 1992.

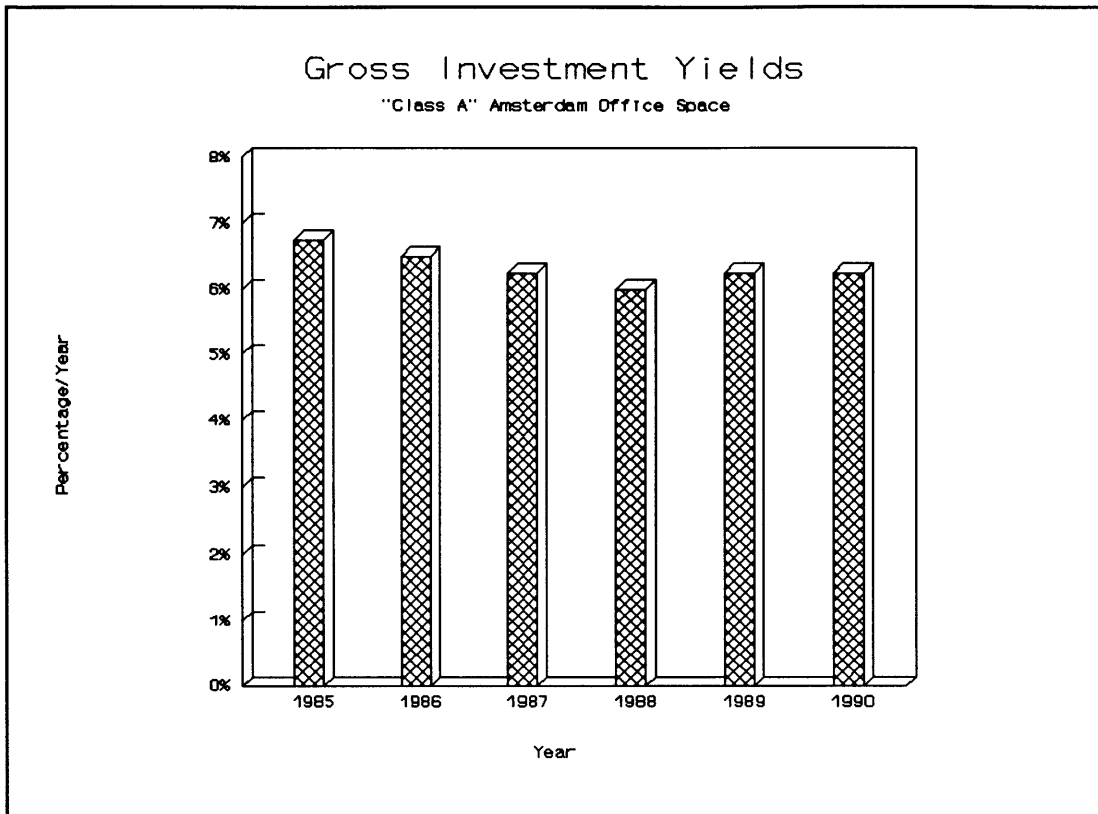
primarily concerned with the return-on-investment that the WTC can provide. Since ABP is a tax-exempt entity, while FGH pays taxes, each owner has different requirements of the investment that they have made in the WTC. For reasons of confidentiality and competitiveness, neither of the owners has been willing to provide their original investment requirements, or actual investment yields, for this study.<sup>26</sup>

It appears that the investors are satisfied with the performance of the project to date; both ABP and FGH have tried to buy each other out of the deal in the past few years. This enthusiasm for ownership of the project suggests that the investment yields provided by the WTC over the last few years have at least matched the approximately 6.25% annual gross investment yields provided by other "class A" office properties in the Amsterdam area. (see figure 1).

When the Amsterdam WTC facility was opened in 1985, it had an immediate impact on the city's real estate market. At 75,000 square meters, it represented fully 25% of the entire new supply of office space built in Amsterdam that year. (see figure 2). As noted earlier, the WTC was the first of several large office projects developed in the "High South" neighborhood of the city; it has been a significant factor in the subsequent growth of that area.

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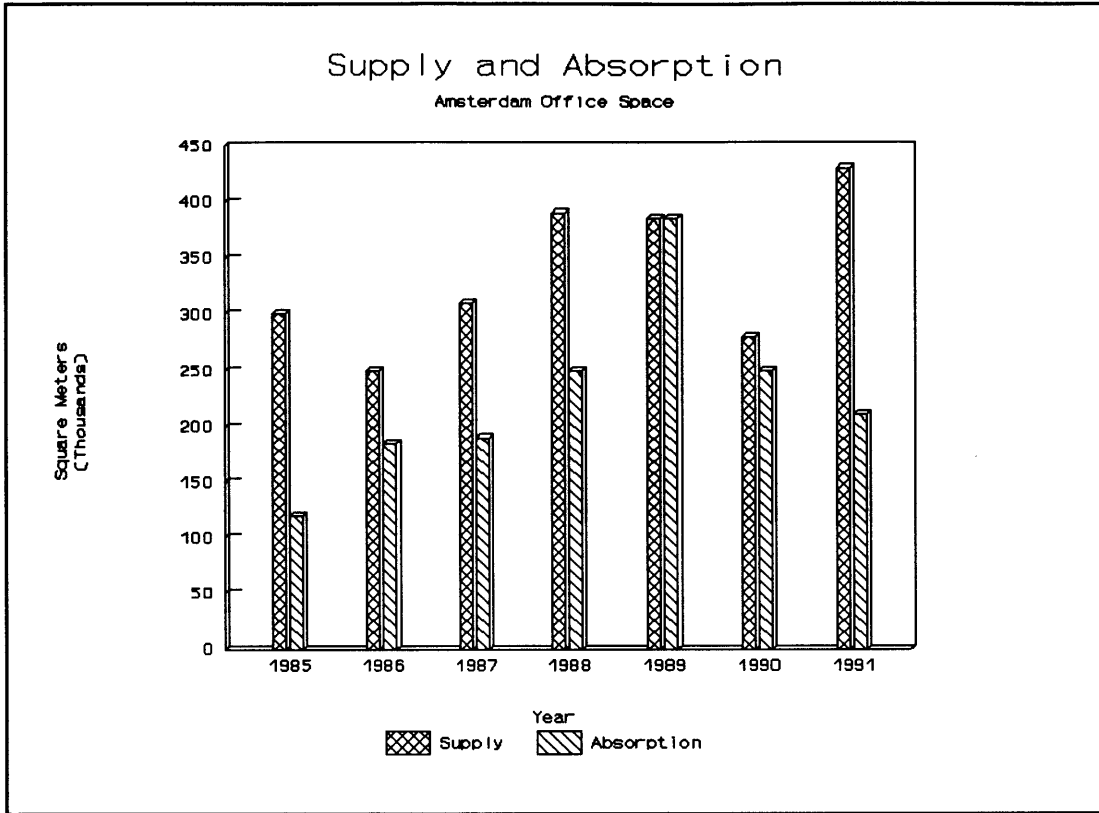
<sup>26</sup> Ibid.



**Figure 1**

The timing of the WTC development was very fortunate. In 1983 the take-up rate for Amsterdam was 65,000 square meters (700,000 s.f.) of office space. By 1985, that rate had exploded to 120,000 square meters (1.3 million s.f.), and increased rapidly to a peak of 385,000 square meters (4.1 million s.f.) in 1989. (see figure 2).

This surging demand for office space has meant that lease rates in the prime office areas of the city have consistently risen since 1984. At the time of the WTC opening, lease rates for "A" quality office space in Amsterdam were averaging 295 guilders/square meter/year.

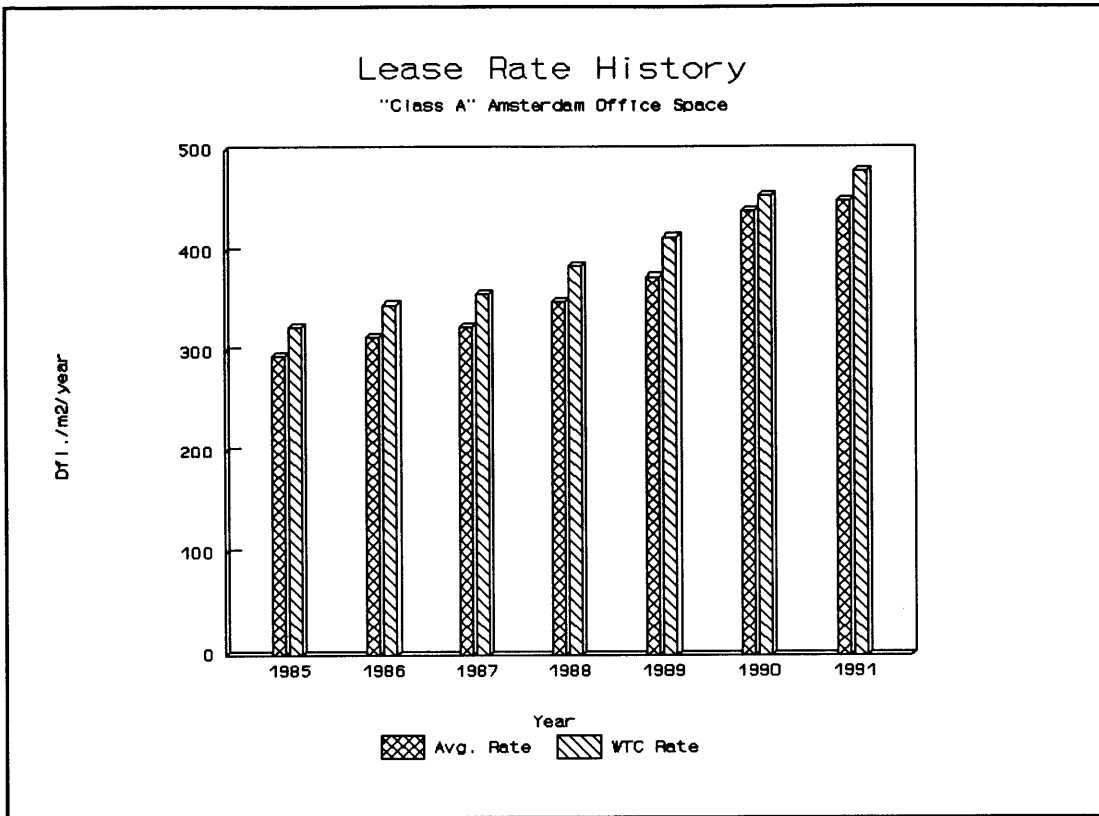


**Figure 2**

The initial rents in the WTC were 325 guilders/square meter/year, or 10.2% higher than the market.

Comparing the WTC's lease rates to the market average charged by other prime office space in Amsterdam, for the period from 1985 through 1991, reveals that the WTC consistently out-performed the market. Between 1985 and 1991 the lease rates in the WTC increased from 325 Dfl/sq.m./yr to 480 Dfl./sq.m./yr.<sup>27</sup> During the same seven year period, the average lease rates for first rate office

<sup>27</sup> Gijbarts, 26 June 1992. Given the current exchange rate of 1.7 Dfl/U.S.\$, these lease rates increased from \$18/s.f. to \$26.50/s.f. approximately.



**Figure 3**

space in Amsterdam increased from 295 Dfl/sq.m./yr to 450 Dfl/sq.m./yr. (see figure 3). While the WTC rates increased at a slightly slower rate than the rest of the market, approximately 48% versus 53% over seven years, they remained consistently ahead of the market.

At first inspection, a roughly 10% differential in lease rates over the market does not appear to be enough to cover the costs of the additional services provided by the World Trade Center. That is because it is not intended to do so. Mr. Rolf Draak of the WTC Management Company, who oversees the provision of the special services, is very aware of the added management costs that those services

incur for a project. Therefore, in order to cover the costs of the special services, every tenant in the WTC must pay an annual service charge of 95 Dfl/sq.m./year, over and above the 10% lease-rate differential.

**If the annual charge for the special services is included in the annual rent for WTC space, then that rent effectively exceeded the market rate by 28% in 1991.**

When these significant premiums in rates are taken into consideration, the success of the WTC Amsterdam from a leasing standpoint is phenomenal. The facility is currently 98% leased, and there is a waiting list of tenants who want to be in the building.<sup>28</sup> The management company's in-house leasing broker, Mr. A.W.J. Gijsberts, does no advertising of the building other than that which occurs automatically through the activities of the conference center. Despite this, he is able to be "very selective" about who he encourages to enter the facility.

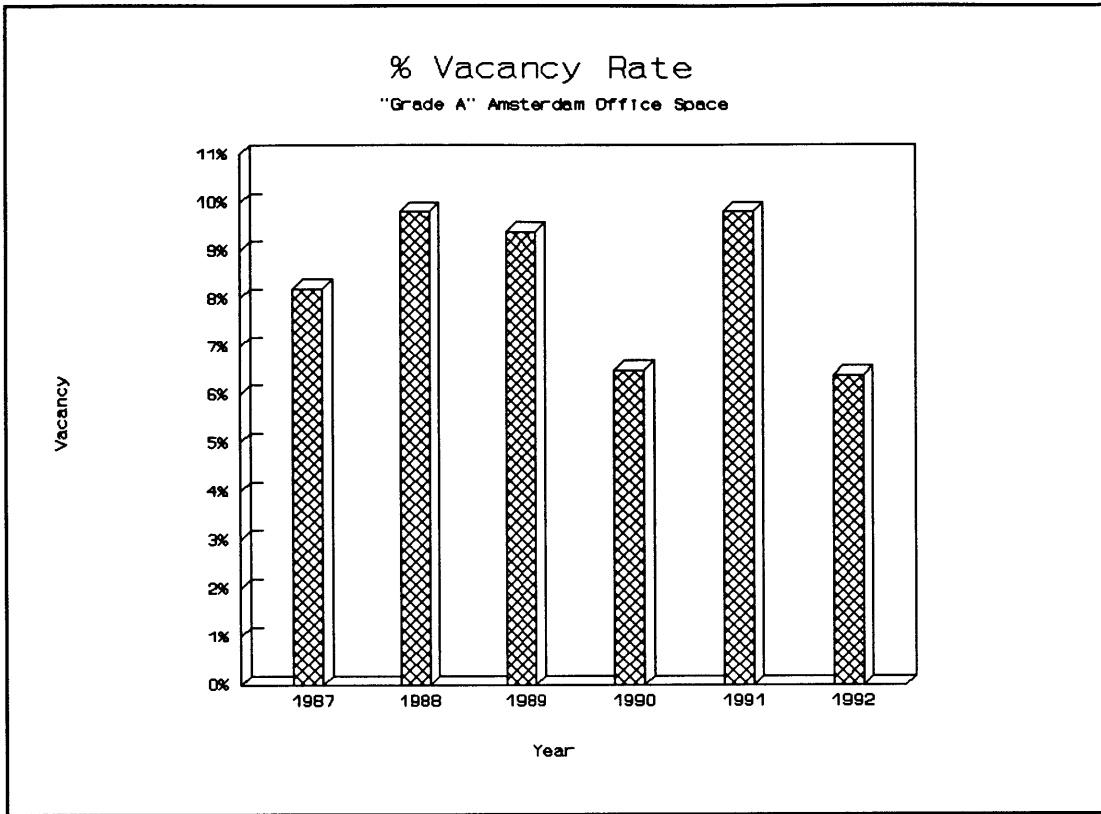
The excess demand for space at the WTC has allowed the management company to require credit references and a bank guarantee of one year's rent from any incoming tenant.<sup>29</sup>

All of this in a commercial real estate market that, while not as bad as New England's, has slowed down considerably from its peak in the late 1980's. The most

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<sup>28</sup> Interview with A.W.J. Gijsberts, World Trade Center Amsterdam, Amsterdam, The Netherlands, 26 June 1992.

<sup>29</sup> Ibid.



**Figure 4**

recent market study, conducted by the Amsterdam office of Jones Lang Wootton's research department, shows the office vacancy rate to be 6.4% currently. (see figure 4). While this rate is not excessive, and is actually a reduction from the levels of 1991, local real estate brokers caution that the imminent completion of several suburban office projects could drive the vacancy rate as high as 15% later this year.<sup>30</sup> Exacerbating the vacancy problem caused by the new construction is the dramatic drop in the office space absorption rate during the last three years. In 1989, new

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<sup>30</sup> Hagemeijer, 24 June 1992.

leases were signed on 385,000 square meters(4.1 million s.f.) of office space. By 1991, that figure had dropped by 45% to 211,000 square meters(2.3 million s.f.), and is projected to continue to fall in 1992.<sup>31</sup> (see figure 2). At this time, it is not at all uncommon when driving around the commercial districts of the city to see large, faded banners offering office space for lease.

The WTC Amsterdam has avoided a vacancy problem thus far by capturing one small, but expanding, segment of the Amsterdam office market. In the words of one established local real estate broker: "The World Trade Center has effectively created its own market. The tenants that I send (to the WTC) are small start-ups or branch offices of international firms. The WTC is where they belong."<sup>32</sup>

This identity as the location in which small international firms "belong" has been actively fostered by the management of the WTC. For the last few years the WTC Management Company has been concentrating on trying to create space in the WTC for foreign-based companies who wish to open a small satellite office in Europe while they "test the waters." This strategy is intended to boost the percentage of WTC tenants that are directly involved in international trade. In the opinion of Mr. Gijsberts, the

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<sup>31</sup> Telephone interview with T.S. Offringa, Jones Lang Wootton Research Department, Amsterdam, The Netherlands, 14 July 1992.

<sup>32</sup> Telephone interview with Mr. Cramer, Van Gool en Partners (real estate brokers), Amsterdam, The Netherlands, 23 June 1992.



World Trade Center name was a significant help to his leasing efforts, particularly with the foreign-based firms. He said that the American and Japanese firms in particular were familiar with the reputation of the WTC designation, and attached value to it.<sup>33</sup>

The best estimates that Mr. Gisjberts is able to make about the current tenant mix are that approximately 50% of the tenants currently conduct "most or all" of their business internationally, while 65% conduct "some" of their business internationally. A large portion of the remaining tenants are subsidiaries of foreign firms who are doing business in the Netherlands. The balance of the total tenant roster are Dutch firms doing business in The Netherlands primarily.

The current prosperous and enviable position that the WTC is in has not always been the case. During 1985 and 1986 leasing proceeded slowly and there was some unwanted tenant turnover.

While the higher than market lease rates were a contributing factor, Rolf Draak and his managers attribute the slow initial lease-up of the center primarily to two other factors: the unfamiliarity of Dutch companies with the WTC concept, and the long lead-time required to establish a reputation for the facility with foreign-based firms. The WTC in-house leasing broker, Mr. A.W.J. Gijsberts, also

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<sup>33</sup> Gijsberts, 26 June 1992.

noted that the slow initial lease-up was at least partially due to the fact that it simply takes longer to fill a building with small tenants.

The initial slow lease-up period has been overcome though, and the small-office concept has proven itself to be successful. So successful, in fact, that the Owners have plans to expand the facility with another tower. This new building would provide more office space and would also house a 600 room first-class business hotel. The expectations are that the hotel could be 35% booked solely through demand of visitors to the World Trade Center.<sup>34</sup> The WTC Management Company projects that the rest of the rooms would be filled by business travellers who want to be within easy range of the airport, but not so close that they are under the flight paths.

While agreeing that the additional office space provided by the proposed expansion could be filled, local Brokers caution that expectations of further lease rate increases for the WTC should be reduced.<sup>35</sup> With the looming possibility that the commercial vacancy rate in the suburbs could reach 10% to 15%, lease rates are flat and tenants are being offered significant incentives to enter into leases.

The WTC tenants interviewed stated that, while the

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<sup>34</sup> van de Rhoer, 22 June 1992.

<sup>35</sup> Eweg, 24 June 1992.

buildings that are offering incentives are not typically as well suited to small tenants as the WTC, a further increase in the disparity between WTC rates and the rest of the market could lead to tenants leaving the WTC.

Fortunately for the Owners, even if the rates at the World Trade Center Amsterdam were to remain flat for some time, the success of the facility, from an investment standpoint, appears to be secure.

#### **B. WTC Contribution to Local Economy**

The second objective of this study was to determine the benefit provided to the regional economy by the development of the WTC Amsterdam. The group that is most concerned with, and most likely to monitor, the impact of the WTC on the economy of the Amsterdam region are the public and private sector officials concerned with the economic development of the Amsterdam region.

At the beginning of this study I had expected it to be difficult to accurately determine the opinion of this group about the success of the WTC Amsterdam. Fortunately, in Amsterdam there is one institution that effectively represents this group: the Amsterdam Chamber of Commerce.

Officially known as "The Chamber of Commerce and Industry for Amsterdam," this organization is significantly different from a typical North American chamber of commerce.

The most significant difference is that in The Netherlands membership in the Chamber of Commerce is

mandatory for all companies who wish to do business within the jurisdiction of that Chamber. A second distinct characteristic of a Dutch Chamber of Commerce is that it is a quasi-governmental organization; while its annual operating budget is derived from fees charged to its members, that budget is audited each year by the accounting ministry of the government of The Netherlands.<sup>36</sup>

A Dutch Chamber of Commerce has two primary roles. The first is to keep detailed records about every company doing business within its jurisdiction, and the second is to work to enhance the business environment of its members. Within its role as record-keeper, the Amsterdam Chamber of Commerce acts as an information source for anyone trying to find out about a firm doing business in the Amsterdam area. Simply by going to the Chamber's main reference library, one can find out about the location, history, and ownership structure of any firm working in Amsterdam.

The Chamber of Commerce and Industry for Amsterdam was an influential supporter of the WTC Amsterdam in its bid to get the South Amsterdam site re-zoned. The Chamber has retained close ties with the WTC and currently has a Trade Information Center office and display area in the main hall of the WTC facility.

The Director of Trade Promotion for the Chamber, Mr. H.J.M. Woerdman, is relatively satisfied with the benefits

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<sup>36</sup> de Wit, 26 June 1992.

that the WTC has provided to the regional economy. He feels that the WTC has fostered significant economic growth for Amsterdam. This growth has occurred not only in the area of international trade, but also through emergence of the "High South" area as the premier office location in the city.<sup>37</sup>

The construction boom in the "High South" neighborhood since 1983 has created hundreds of construction jobs and significantly added to the tax base of the City of Amsterdam.

The only thing that Mr. Woerdman feels that the World Trade Center Amsterdam could do to improve its contribution to the regional economy even further is to increase the amount of WTC exhibition space available for use by foreign trade missions.

The third objective of this study was to try to determine the benefits that the WTC Amsterdam provides to its tenants. The following section reflects the opinions of the WTC tenants interviewed about the benefits that they have received from association with the WTC.

### **C. WTC Benefits to Tenants**

During the interview process, it became apparent that the benefits provided to the tenants by the WTC fall into two categories. The first category of benefits are those that are a result of the physical amenities provided by the

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<sup>37</sup> Interview with H.J.M. Woerdman, Chamber of Commerce and Industry for Amsterdam, Amsterdam, The Netherlands, 24 June 1992.

WTC complex, and are thus due to the design of the facility. The second category of benefits result from the special services provided by the WTC.

It also became apparent that the amount of benefit received by a tenant varied according to the characteristics of that tenant. Therefore, it is not surprising that the WTC is filling up with tenants who have similar "profiles" of characteristics.

There are currently approximately 350 firms with offices in the WTC Amsterdam. The overwhelming majority of those firms are small, start-up companies that are testing the market for their services or goods. Interestingly, unlike some of the other WTC facilities studied, there are not a lot of government trade-related agencies located in the WTC Amsterdam. The Chamber of Commerce and Industry for Amsterdam has a small office in the main hall of the WTC, but their main offices are in their own building downtown. Similarly, customs brokers and agents are not a large component of the WTC tenant roster.

The average size of a tenant staff in the WTC is less than ten people, and a great number of the companies are much smaller.<sup>38</sup> The facilities manager of the WTC, Mr. Boudewyn G.J. van de Rhoer, estimates that 10% of the tenants in the facility are literally running one person offices. Fully 20% of the firms in the WTC have offices

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<sup>38</sup> Gijsberts, 26 June 1992.

that occupy less than 50 square meters of space, and 80% occupy less than 500 square meters each. Even the largest of the tenant companies, concentrated in the eastern tower of the complex, only use 1000 to 1500 square meter offices.<sup>39</sup>

In the words of one of the WTC tenants, Mr. J.W. Eweg: "The WTC is a greenhouse, where small companies are grown."<sup>40</sup>

The similar profiles of the tenants in the WTC raises the issue of tenant synergy. Tenants were asked how useful they found being co-located in the same facility as other firms doing international business. None of the respondents was able to quantify a value to their business of co-location, but several claimed that it was a factor in their decision to rent space in the WTC. On this issue, one thing that is known is that after the WTC management company was able to locate the Netherlands offices of three Japanese banks in the building, the number of other Japanese companies wanting to lease space increased dramatically. At this time, more than 30% of all Japanese companies with offices in Holland have those offices in the Amsterdam WTC facility.<sup>41</sup>

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<sup>39</sup> Ibid.

<sup>40</sup> Interview with J.W. Eweg, Eweg Makelaars (real estate brokers), Amsterdam, The Netherlands, 24 June 1992.

<sup>41</sup> van de Rhoer, 22 June 1992.

As was discussed in Chapter Two, the abundance of small tenants in the building was always the intent of the developer. Small tenants are viewed as being well suited to the entire WTC concept; they are the heaviest users of the Business Services Department and the small meeting room facilities available in the WTC.

The size of the tenant's offices within the WTC can be misleading though; frequently these tenants are branch offices of larger, well-established national or international firms that are investigating the possibilities of expanding their operations into the Dutch or European markets.

Approximately 50% of the firms in the WTC are involved primarily in international trade-related business. The current leasing strategy of the WTC management company is to further increase the proportion of foreign-trade related companies in the tenant mix of the WTC. To this end, the in-house broker for the WTC, Mr. A.W.J. Gijsberts, gives first preference for any space that becomes available to internationally-involved businesses on his waiting list.<sup>42</sup>

As was stated above, the benefits that are perceived by tenants to being associated with the WTC can be separated into two categories. The next section concerns the physical attributes of the WTC.

#### Design of the Facility

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<sup>42</sup> Gijsberts, 26 June 1992.



The physical design of the facility, described in detail in Chapter Two, is generally considered to provide several significant benefits to the tenants. The benefits most frequently cited by tenants included: the underground parking garage, the ability to subdivide floor areas into very small tenant spaces, and the lower level retail mall. In general, the tenants were very appreciative of the physical attributes of the WTC complex. That is not to say that there are not complaints and contentious issues related to the building's design.

The tenants, as end users of the facility, obviously have developed definite opinions about the building design. Three design drawbacks that were repeatedly mentioned during tenant interviews included the "cool" interior design of the public areas, the inability of tenants to get water service to their individual offices, and the short vertical height of the continuous strip glazing at the office levels.

The sleek, modern design of the public areas was referred to several times as "too institutional." One tenant even thought that the interiors of the building inhibited the initiation of informal business contacts between tenants.

The issue of water and washroom service only being available at the core area of each office floor was also consistently criticized by tenants. The consensus of the tenants was that they should at least be able have a sink in

their office suites. The opinion of the management company on this issue was that the provision of water service to every small tenant space in the facility would be prohibitively expensive. Their position was that if a tenant is willing to pay to have water lines run to his suite, they are free to do so.<sup>43</sup> No tenant has done that yet.

The third issue, the short window heights in the office areas, is a concern to both tenants and the management company. Mr. B.G.J. van de Rhoer of the WTC Management Company explained that the window problem is a result of an old Dutch building code requirement.

When the WTC was built, it was one of the first tall office buildings in Holland. At that time, there was a building code in place that required window sills in tall buildings to be approximately 1.07 meters (3'-6") above the floor level of the room. This code was intended to discourage suicidal office workers from jumping out of their windows. What it achieved was the creation of windows that a seated person cannot use, except to look at the sky.

Shortly after the completion of the WTC, this onerous code was repealed. That has meant that new towers are now able to provide more appealing windows in their office areas. The opinion of some Commercial Brokers is that this

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<sup>43</sup> van de Rhoer, 24 June 1992.

issue has put the WTC at a slight leasing disadvantage.<sup>44</sup>

The management of the WTC has investigated the possibility of replacing the curtain-wall system that includes the offending windows, but the cost would be far too high to be justified.

A final design issue, alluded to earlier, is the proportion of exhibit and conference areas relative to the office areas. There is a constant debate between the managers of the WTC, the Chamber of Commerce, and the local Association of WTC tenants, about whether some of the existing exhibit and restaurant areas should be converted to more lucrative office space.

The second group of benefits provided to tenants by the WTC facility can be categorized as "special services."

#### Special Services Offered By the WTC

What the WTCA calls "special services" are those services that a WTC offers that are atypical of a standard office development and are specifically designed to make it easier for the WTC tenants to conduct international trade-related business. The WTCA list of special services includes: a World Trade Center Club, trade information centers, trade education services, meeting facilities, display and exhibit facilities, temporary offices, temporary secretaries, translating services, trade missions, trading companies, and hotel facilities. A recent addition to the

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<sup>44</sup> Eweg, 24 June 1992.

WTCA services list is access to NETWORK, a computerized data-base and trading system. All WTC facilities provide at least some of these services, selecting from the above list the services that best suit the needs of their market. The WTC Amsterdam currently offers the entire list of WTCA services, with the exception of on-site hotel facilities.

During the interview process, tenants were asked both which services were most important to them, and which they used the most frequently. The answers to those questions suggest that tenants frequently value having a service available in the building, even though they might not use it very frequently. An example of this is the WTC Club and Restaurant, which several tenants said that they appreciated having available for entertaining clients occasionally, but did not use for their own meals on a regular basis. A number of tenants commented that the club and restaurant were too formal and that they themselves were too busy to take the time to use them. They preferred to take their lunches in the cafeteria-style facilities at the retail level of the WTC.

The tenant interviews also suggest that the decision of the WTC Management Company to reduce the number of temporary offices available is a sound one. The tenants interviewed neither valued that service very highly nor used it very frequently. (see exhibits 1 & 2).

On the other hand, the Business Services Department

seems to be very popular for the telephone and secretarial services they provide. This is particularly true for the small tenants, who can avoid paying for full-time office staff by using the WTC office services when necessary.

In general, the smallest tenant firms appear to place the highest value on the special services available to them. One tenant, who runs a single-person office as a representative for a large insurance company, stated that he chose to locate his offices in the WTC primarily because of the telephone answering service provided by the Business Services Department. He also frequently used the translation and secretarial staff that is available.

The interviews confirmed that typically, once a tenant grows large enough to support a full-time office staff of its own, the perceived value of the additional WTC services drops. Those firms with their own staffs stated that they appreciated having the option to get additional help from the Business Services Department when necessary, but it was rare that they needed it.

The manager of the Business Services Department, Mrs. Ada van der Ent Braat, is well aware of the reduction in use of WTC secretarial services that occurs when a tenant exceeds a certain size.<sup>45</sup> She has shared her observations with the rest of the WTC management team. In response to

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<sup>45</sup> Interview with Ada van der Ent Braat, World Trade Center Amsterdam, Amsterdam, The Netherlands, 24 June 1992.

this issue, and the on-going leasing strategy of the Commercial Department, Mr. Gijsberts encourages those firms that grow large enough to require more than 500 square meters of space to leave the WTC. In addition, the current leasing policy is to not accept any tenant who wants office space of more than 1000 square meters, and only allow them that much space if they fit the desired "international trade-related" tenant profile.<sup>46</sup>

Real Estate Brokers interviewed view the special services provided as another way that the facility has differentiated itself in the Amsterdam market. While none of the Brokers interviewed believe that tenants locate in the WTC strictly in order to get use of the special services, they all considered those services as something of value to the type of tenants that suited the WTC. They all said that they would mention the special services to a tenant as an attribute of the WTC.

The consensus of the Brokers was that the special services are an integral part of the "WTC concept" and that it is that entire concept, rather than the independent pieces, that is attractive to tenants.

The tenants in general felt that the WTC, despite the rents charged, was very competitive with other office space available. "Obviously it is, or I would not have just

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<sup>46</sup> Gijsberts, 26 June 1992.

renewed my lease." was the summation of one tenant.<sup>47</sup>

### Conclusions From On-site Interviews

With regard to the questions of Chapter One, it is apparent that WTC tenants have been willing to enter into rental agreements that are more favorable to the landlord than other leases in the Amsterdam market. Not only have lease rates in the WTC been consistently higher than other prime space in the market, tenants have also been willing to provide credit assurances from their lenders and pay significant fees for the special services offered by the WTC.

The costs of the special services offered by the WTC are recouped through the annual fees charged to tenants, which allows the above-market rental rates for WTC space to compensate the Owners for the membership fees paid annually to the WTCA as well as any additional costs incurred due to management of the WTC facility.<sup>48</sup>

The market premium that tenants are willing to pay for space in the WTC (approximately 30 Dfl/sq.m./year in 1991) adds significantly to the value of the project. Capitalized at the most recent "A" grade investment rate of 6.25% (see figure 1), the additional 2.25 million guilders per year generated by the rental premiums increase the value of the

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<sup>47</sup> Interview with Hans Dijkman, Korn Ferry International, Amsterdam, The Netherlands, 25 June 1992.

<sup>48</sup> Draak, 6 July 1992.

WTC Amsterdam by 36 million guilders (approximately US \$21 million).

The benefits to tenants of the WTC of the co-location of trade-related businesses in one complex is more difficult to assess. While none of the parties involved in the WTC is able to point to specific trade-related companies that have been formed as a result of the activities of the WTC, several tenants reported that interaction with other tenants in the facility has boosted their business.<sup>49</sup>

On the other hand, the positive impact of the development of the WTC on the regional economy as a whole is indisputable. The WTC was the first large office complex built in the High South neighborhood of Amsterdam; the subsequent emergence of that area as the most prestigious suburban office location in the city is in large part due to the success of the WTC facility. The development of this area has benefitted the Amsterdam economy not only through the stimulation of the construction sector, but also through increases in the city's tax base.

The WTC Amsterdam is a very successful facility; the Owners, Regional Business Community, Public Sector, World Trade Centers Association, and Tenants have all reaped significant benefits from its development. Its continued success should act as a model for other prospective World

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<sup>49</sup> Interview with Jan M.C.H. Ruhe, R.B.O.G., Amsterdam, The Netherlands, 26 June 1992.



Trade Center developments.

The following chapter provides a comparative analysis of the WTC Amsterdam relative to the other four WTC facilities that have been studied.

**CHAPTER FOUR**  
**COMPARATIVE ANALYSIS OF WTC AMSTERDAM**  
**RELATIVE TO OTHERS STUDIED**

## Introduction

The critical question that is asked by prospective developers, or sponsors, of a World Trade Center is: What makes a successful WTC?

Our study of five WTC facilities around the world confirmed that this question has no simple answer.

## Comparison

As is the case with other development projects, for a WTC development to be successful it must be well conceived relative to the requirements of its market. Thus, there is no fixed recipe for a successful WTC facility; what is appropriate for Amsterdam or Taipei is likely to be completely inappropriate for New York City or Portland, Oregon. Consider, for example, the difference between the designs of the WTC facilities in Amsterdam and New York City. Apart from the obvious issue of scale, the basic designs of the two facilities reflect differences in the requirements of their markets. The huge, open floorplates that characterize the New York facility, and efficiently serve its large, "headquarters" tenants, would be completely useless to the small tenants that fill the Amsterdam WTC. Similarly, the vast exhibition spaces of the Taipei WTC would never find enough users in the Curacao or Portland markets to justify their inclusion in either of those centers.

This is not to say that the success of each of the five

facilities that were studied is completely unrelated. Indeed, while the individual WTC's visited were very different from one another in many ways, they did share a critical common attribute: the special WTC services. Those WTC services that were offered by each of the facilities studied included:

- 1) the provision of temporary secretarial, office and translation services on a pay-for-use basis,
- 2) membership in the WTC Club with access to other WTC facilities around the world,
- 3) courses and seminars on international trade-related issues,
- 4) facilities for trade fairs, exhibitions, and conferences, and
- 5) access to NETWORK, the WTCA's worldwide computerized trading system.

While the services offered by the five centers are similar, the impact of those services on the success of any specific facility varies.

In addition to the mix of services offered, other important factors affecting the success of a WTC that were revealed by our study included: the business culture, trade environment, and size of the country in which the WTC was operating. An underlying, absolutely critical, factor in the success of a WTC facility is the strength of the real estate concept behind that facility. Each of these factors

is discussed in this chapter.

### Cultural Issues

The importance of cultural preference in the success or failure of a WTC development should not be underestimated. Despite the continuing globalization of international trade, there will always be differences in the way disparate cultures do business. These differences can determine whether or not a specific WTC attribute will be accepted or rejected by a WTC's business community.

In Amsterdam, for instance, tenants typically only use the WTC Club and restaurant facilities infrequently, while in Taipei the club is heavily used and is in fact considered an absolute necessity for doing business. Since the quality of the food, service, and ambience of the two clubs is comparable, the difference in their relative success appears to be at least partially due to cultural differences between the "host" business communities. The "club" as a place in which to conduct business is an integral part of Asian business culture, but it does not play nearly as large a role in Dutch business tradition.<sup>50</sup>

### Trade Environment Issues

An absolutely critical factor in the success of a WTC facility is the existing trade environment in which the facility is located.

WTC facilities are typically proposed for one of two

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<sup>50</sup> van de Plassche, 23 June 1992.

reasons: either to capture a share of an established trade-related economy or to try to create a foreign-trade sector for a less established economy. Different strategies are required of a WTC to achieve either one or the other of these goals. The challenge to initiate foreign-trade where none existed before is obviously the more difficult one. If successful, a WTC built in a less established trading economy may effectively create its own market. The creation of this new market may, in turn, have a major impact on the regional economy. Thus, a successful WTC located in an economy that was not previously heavily trade-related will likely gain a great deal of influence within that economy.

The objective of capturing market share, faced by the WTC in an established trade-related economy, is a more straightforward challenge. The newly built WTC will likely be only one of several components of the existing trade environment; both the impact and the influence of the WTC on that environment will be relatively less significant.

This concept is immediately apparent when comparing the Amsterdam WTC to others, such as the Curacao ITC and the Taipei WTC.

As was outlined in Chapter Two, Amsterdam's economy has been dependent on international trade for centuries. Therefore, an extensive network of companies and individuals who could benefit from a WTC's ability to centralize trade-related business was already in place prior to the

construction of the Amsterdam WTC. The primary role for the WTC Amsterdam will continue to be to increase Amsterdam's "market share" of international trade-related business relative to other European cities.

The situation in Taipei is similar. The entire economy of Taiwan is based on international trade; while this trade orientation created an opportunity to develop a successful WTC facility, it means that the impact of the Taipei WTC on the greater economy of Taiwan may be relatively limited. International trade would go on in Taiwan whether the WTC was developed or not.

In both Amsterdam and Taipei, the role of the WTC facility was to provide a place in which existing trade-related companies could meet and do business. While the activities at the Amsterdam and Taipei WTCs sometimes lead to the formation of new companies involved in international trade, that is not the primary intent of either facility.

In Curacao, on the other hand, the contingent of existing international trading companies is not nearly as large. In that situation, the governmental sponsors of the WTC were trying to use the WTC concept to foster the development of an international-trade industry for the island of Curacao, rather than just provide a focal point for an already established industry. While this is a commendable goal, it obviously will take some considerable time to achieve.

Thus, while the Amsterdam WTC has been a financial success almost since its inception, the Curacao facility continues to require substantial governmental subsidies in order to operate. By this measure, the Amsterdam WTC has been the greater success to date, but the long term impact of the Curacao WTC on its local economy may still compensate for its slow beginning.

Another trade-environment issue that can be a major determinant of the success of a WTC is the amount and character of regulation regarding international trade that is imposed by the government of the country in which that WTC is located. Obviously, over-regulation, restrictive trade policies, or excessive trade tariffs can severely undermine the ability of a WTC to function effectively. That does not necessarily mean that the best environment for a successful WTC is in a totally unregulated market. One of the services typically offered by a WTC facility is information about how to do business within the local trade regulations; without those regulations a WTC loses one advantage that it currently has over other office space in its market.

#### Country Size Issues

As discussed above, the trade policies of the country in which a WTC is located can dramatically effect the success of that WTC. As a result, developers and other participants in a proposed WTC should fully understand the



ability of the WTC to influence the enactment or change of those policies.

In general, the smaller the host country, the larger the potential impact of the WTC on that country's trade industry, and the more influence the WTC can have on the trade policies of that country. An example of this is the WTC Curacao, where the very small size of the country, combined with the government's ongoing financial support of the WTC, means that the management of the WTC have frequent, close contact with government policy-makers.

Another issue related to the size of the host country is whether a WTC will be acting as the single source for international trade for that nation or will be competing with other locations within the same country for its share of the international trade business being conducted by that nation. While the "single source" situation is the one in which the Curacao WTC finds itself, the second situation is the one faced by most new WTC facilities developed in the world's larger industrialized countries.

The Portland, Oregon WTC facility is a perfect example of this. Portland's status as just one of several U.S. facilities involved in international trade means that its role is primarily one of trying to increase its "market share" of the nation's international trade. Portland's direct competitors are the other cities within its region who would also be able to act as locations for international

trade. The status of Portland as one relatively small contributor to the overall international trade industry of the U.S. means that its ability to affect the amount of international trade done by the U.S. is limited. This in turn limits Portland's influence over the setting of national foreign trade policies.

The Amsterdam WTC, though located in a country far smaller than the United States, is in a position similar to that of Portland. Amsterdam currently competes for its share of The Netherland's international trade business with the other major cities of the Randstad, notably Utrecht, The Hague, and the port city of Rotterdam.<sup>51</sup>

The imminent formation of the European Community (EC) will mean that Amsterdam will become part of the world's largest economic power. The enlargement of Amsterdam's market to encompass the EC, while creating great opportunities for the city to capitalize on its niche as the "Gateway to Europe", also means that the ability of the Amsterdam WTC to influence trade policy will be reduced. Amsterdam's competition will no longer be just the other Dutch cities, but also the other major European trading cities. The role of the Amsterdam WTC will become even more focused than it is now on increasing Amsterdam's market share of the trade done by the EC. In this respect, the

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<sup>51</sup>Frans M. Dieleman and Sako Musterd, eds., The Randstad: A Research and Policy Laboratory (Dordrecht, The Netherlands: Kluwer Academic Publishers, 1992), p. 103.

market position of the WTC Amsterdam will be increasingly similar to that of the WTC in Portland, Oregon, and other satellite WTCs in large countries.

### Real Estate Issues

It has become apparent from our study that, while the designation of a well-conceived real estate project as a World Trade Center can have significant benefits to that project, the WTC designation alone is not enough to salvage a poorly-conceived development.

The success of the WTC Amsterdam is due in large part to an astute concept executed by the developer and his design team. The provision of grade "A" office space, complete with underground parking, 24 hour security, on-site retail services, easy access to both a freeway and public transit station, and designed to accommodate an under-serviced segment of the local office market, would probably have made the complex a success even without the WTC designation. In this case, the World Trade Center name added value to the project in two ways. First, as was described in Chapter Two, the WTC designation was critical to the re-zoning approval for the South Amsterdam site. Second, the WTC designation gave the project both a prestigious identity and a focus group upon which to concentrate leasing efforts.

The Portland WTC is another example of a well conceived real estate project being enhanced by the WTC name. In the

case of WTC Portland, the facility had been recognized as a successful office development in a prime location for several years before the WTC designation was pursued. The WTC name primarily added value to the existing development by identifying the complex as Portland's logical location for companies involved in international trade.

The on-going financial difficulties faced by the Curacao ITC demonstrate that the WTC designation alone is not enough to guarantee a successful real estate development. The excessive construction costs of the Curacao facility, combined with both the failure of the exhibition areas to generate much international interest and the lack to date of enough convenient hotel rooms to make the convention market viable, are problems that have not been able to be overcome by the WTC designation.

The bright side of the Curacao situation is that the WTC Curacao, despite its problems, is still the best office product on the island. Tenants are not locating there because it is a World Trade Center, but because it has 24 hour security and a working telephone system.

### Conclusions

As was stated earlier, despite the fact that there is no easily followed recipe for a successful World Trade Center facility, there are several general determinants of success apparent in the five WTCs studied for this thesis. These determining characteristics can be used to establish a

basic set of guidelines to the successful establishment of a WTC.

The first of these guidelines is that success begins with a well conceived and well executed real estate development. Each component of the WTC facility must be tailored to the real estate needs of the local market. Thus, the developer of a WTC must not only understand the local office space market, but also potentially the hotel, conference center, and retail markets as well. Obviously, being able to differentiate a project from competitors in its market is also crucial. For example, in addition to the WTC services and designation, each of the WTC facilities studied somehow differentiated themselves from other projects in their markets:

- i) WTC Amsterdam caters to small tenants and offers amenities such as underground parking, consumer services, and proximity to public transit,
- ii) the Portland WTC offers a unique waterfront location that is highly valued by tenants,
- iii) the Curacao ITC provides both modern telecommunications services and the only first class office space on the island,
- iv) WTC Taipei offers some of the only "for lease" office space in its market, and
- v) the New York WTC offers the visibility, identity, and prestige that is uniquely associated with two of the tallest buildings in the world.

It is likely that any of these projects would be successful with or without the WTC designation; that designation, and the services associated with it, are used

to further differentiate already successful real estate projects.

The second guideline regarding the success of a WTC is that the existing local trade environment should be particularly well understood by any proponent of a new WTC development. The degree to which a WTC will be successful is at least as dependent on the local trade environment as on any design or operating characteristics of the facility. Therefore, it is crucial that the developers and supporters of a new WTC facility know precisely what the role of that facility is going to be in its trade environment, and have planned accordingly.

The strategy of a WTC management team must closely reflect the competitive position of the region in which the WTC is located. Examples of different strategies in response to different competitive positions are provided by the Amsterdam and Taipei WTC facilities. Amsterdam's history as a trading city and its location in the heart of Europe make it reasonable for the WTC Amsterdam to act primarily as a distribution center for goods and services entering and leaving Europe. Thus, the strategy of the WTC Management Company to target as potential tenants firms seeking to gain access to Europe has been well suited to the competitive position of the WTC Amsterdam. By contrast, Taiwan's position as a major manufacturer means that the role of the Taipei WTC is more of an exhibition center for

Taiwanese export goods than a distribution center. The large exhibition halls of the Taipei WTC reflect a strategy intended to capitalize on that role.

In addition to understanding the local real estate market and the competitive position of a WTC within its trade environment, developers of new WTC facilities must be sensitive to the cultural preferences and traditions of the local business community. As discussed earlier, this understanding is particularly important with regard to the planning of services and amenities to be offered by the WTC.

A final guideline for the success of any new WTC facility is that the proponents of that facility should make every effort to learn from the experience of established World Trade Centers. The Owners and supporters of existing WTC facilities must also continue to learn from each other. The World Trade Center Amsterdam, while obviously successful from several perspectives, has learned several lessons the hard way. By interacting more closely with managers and developers of other WTCs, future hard lessons may be avoided. Specifically, the experience of the Taipei WTC with running a hotel in conjunction with a WTC could prove very useful with WTC Amsterdam's proposed expansion. Also, the willingness of the Portland WTC management staff to eliminate services that were not being sufficiently utilized could be an example to the WTC Amsterdam Management Company regarding the underutilized Club and Executive Office

services that currently exist.

The experience gained by those involved in the creation of the five WTC facilities studied, whether they were the developers, owners, promoters, or managers, is invaluable. It should be shared both between themselves and with others interested in fostering the World Trade Center concept.



**APPENDIX A: EXHIBITS**

**WTC AMSTERDAM STUDY: EXHIBIT ONE**

**TENANT PREFERENCES REGARDING WTC AMSTERDAM CHARACTERISTICS**

<b><u>Characteristic</u></b>	<b><u>Frequency of Use</u></b>		
	<b><u>Never</u></b>	<b><u>Occasionally</u></b>	<b><u>Consistently</u></b>
<b><u>WTC SERVICES</u></b>			
Business Services	29%	57%	14%
Conference Facilities	14%	43%	43%
WTC Club	29%	57%	14%
WTC Restaurant	14%	72%	14%
Exhibition Areas	57%	29%	14%
Translation Services	29%	71%	0%
Temporary Office Suites	86%	14%	0%
Video-Conf. Facility	71%	29%	0%
WTCA Membership	0%	86%	14%
<b><u>OTHER AMENITIES</u></b>			
Rail link to airport	0%	57%	43%
A10 Freeway	14%	0%	86%
Underground Parking	0%	14%	86%
Travel Agency	14%	57%	29%
Bank	14%	0%	86%
Post Office	0%	14%	86%
Retail Shops	29%	57%	14%
Cafeteria	0%	29%	71%
Bar/Cafe	29%	42%	29%
24 Hour Accessibility	43%	14%	43%
Public Transit to Downtown	29%	57%	14%

**WTC AMSTERDAM STUDY: EXHIBIT TWO**

**INFLUENCE ON TENANT DECISION TO MOVE TO WTC AMSTERDAM**

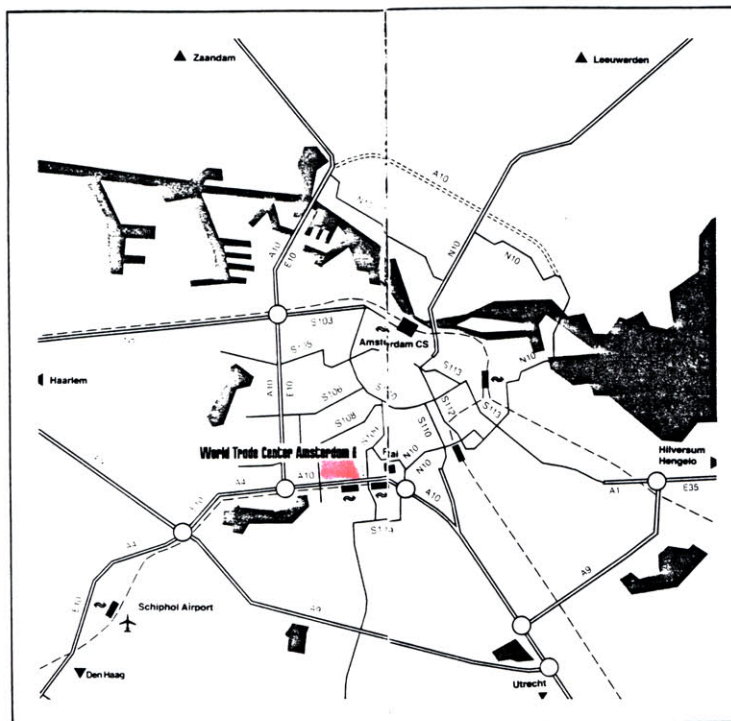
<b><u>Characteristic</u></b>	<b><u>Importance</u></b>		
	<i><u>Not Important</u></i>	<i><u>Important</u></i>	<i><u>Very Important</u></i>
<b><u>WTC SERVICES</u></b>			
Business Services	14%	72%	14%
Conference Facilities	29%	57%	14%
WTC Club	72%	28%	0%
WTC Restaurant	72%	28%	0%
Exhibition Areas	72%	14%	14%
Translation Services	28%	57%	14%
Temporary Office Suites	100%	0%	0%
Video-Conf. Facility	86%	14%	0%
WTCA Membership	57%	29%	14%
<b><u>OTHER AMENITIES</u></b>			
Rail link to airport	14%	57%	29%
A10 Freeway	14%	0%	86%
Underground Parking	14%	14%	72%
Travel Agency	72%	14%	14%
Bank	14%	72%	14%
Post Office	72%	28%	0%
Retail Shops	72%	28%	0%
Cafeteria	14%	86%	0%
Bar/Cafe	72%	28%	0%
24 Hour Accessibility	42%	29%	29%
Public Transit to Downtown	29%	57%	14%

WTC AMSTERDAM STUDY: EXHIBIT THREE

GEOGRAPHIC LOCATION OF WTC AMSTERDAM

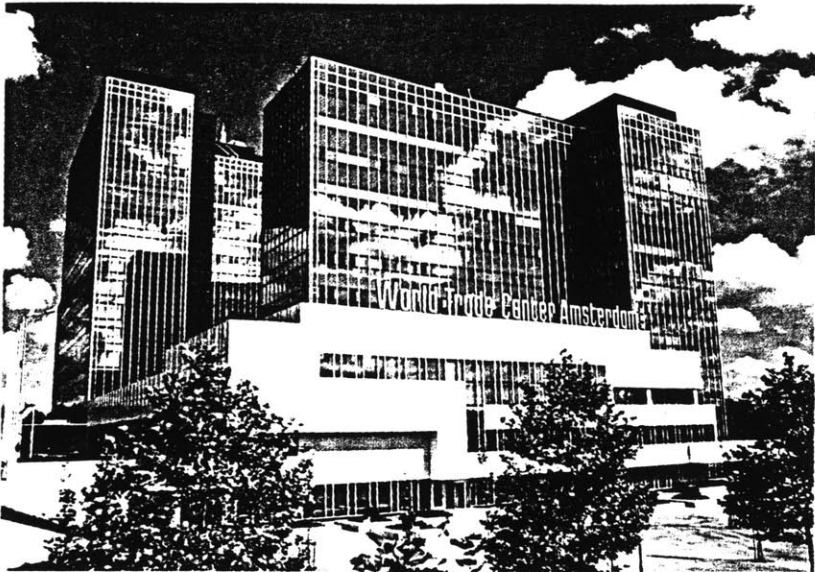


Map 1: Location in Europe



Map 2: WTC's Location Within Amsterdam

WTC AMSTERDAM STUDY: EXHIBIT FOUR



**APPENDIX B:**  
**SOURCES CONSULTED**

## Sources Consulted

### I. Interviews:

#### 1) Developer/Management Company:

**Mrs. Ada van der Ent Braat**  
Manager, Business Services Department  
World Trade Center Amsterdam

**Mr. Rolf Draak** (telephone interview)  
Managing Director  
World Trade Center Amsterdam

**Mr. A.W.J. Gijsberts**  
Manager, Commercial Department  
World Trade Center Amsterdam

**Mr. Boudewyn G.J. van de Rhoer**  
Manager, Meeting and Restaurant Facilities  
World Trade Center Amsterdam

**Mr. N.J.M. de Rooij**  
Secretary General  
World Trade Center Amsterdam Association

**Mr. Jan J. Veerman**  
Controller  
World Trade Center Amsterdam

#### 2. Owners:

**Mr. Cordell Lietz**  
Vice President  
ABP: North American Real Estate Division

**Mr. Cees van der Muelen** (telephone interview)  
Portfolio Manager  
Algemeen burgerlijk pensioenfonds N.V.

#### 3. Tenants:

**Mr. Hans R. Ph. Dijkman**  
Vice President - Partner  
Korn Ferry International

**Mr. J.W. Eweg**  
Principal  
Eweg Makelaars

**Ph J. D. Molhuysen**  
Representative for Europe  
English & American Group Plc

**Mr. Jaap D. van de Plassche**  
Manager, Passenger Sales  
Swissair

**Mr. Rene Rebel**  
Operations Manager  
PTT Telecom

**Mr. Jan M.C.H. Ruhe**  
Director  
R.B.O.G. Property Consultants

**Mr. W. de Wit**  
Manager, Trade Information Center (WTC)  
Chamber of Commerce and Industry for Amsterdam

4. Brokers:

**Mr. H. Cramer**  
Broker  
Van Gool & Partners

**Mr. J.W. Eweg**  
Principal  
Eweg Makelaars

**Mr. A.W.J. Gijsberts**  
Manager, Commercial Department (in-house broker)  
World Trade Center Amsterdam

**Mr. H.A.F. Hagemeijer**  
Adjunct-director  
Zadelhoff Makelaars

5. Regional Business Community/Public Sector:

**Mr. W. de Wit**  
Manager, Trade Information Center (WTC)  
Chamber of Commerce and Industry for Amsterdam

**Mr. Henk J.M. Woerdman**  
Director, Trade Promotion  
Chamber of Commerce and Industry for Amsterdam



II. Periodicals & Reports:

Pascoe, Robin, "Dutch Courage," Voyager, June 1992, pp. 10-15.

Public Relations Department, Amsterdam airport Schiphol, The Development of Schiphol, January, 1990, pp. 2-21.

R.B.O.G. Property Consultants, The Netherlands 1991. Amsterdam: R.B.O.G., 1991.

III. Books:

Dieleman, Frans M., and Musterd, Sako. The Randstad: A Research and Policy Laboratory. Dordrecht: Kluwer Academic Publishers, 1992.

IV. Television Broadcasts:

Decade of Change: The 1990's. Television news special on "The Monitor Channel", 10 July 1992.