MarketView
Brussels Offices

www.cbre.eu/research

Fourth Quarter 2009

Quick Stats

	Current	Change from last Yr.	Qtr.
Vacancy	11.31%	↗	↗
Lease Rates	265 €	↘	→
Office demand	453.641 m²	↘	↗
Construction	116.884 m²	↘	↗

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Quarterly take-up was particularly strong as it was boosted by a series of large scale deals
- Availability continues to increase, driven-up by new speculative development entering the market
- With investors competition intensifying in the top tier of the market, values could soon start recovering

OVERVIEW

Office demand picked up sharply in the fourth quarter, with 257.383 m² of space transacted in the Brussels office market. As a result, annual take-up for 2009 totals 453.641 m².

Development activity remains strong, with nearly 360.000 m² of offices completed in 2009. While the development pipeline for 2010 remains substantial, a period of lower supply growth can be expected from 2011 onward as some schemes are shelved or downscaled.

The amount of space under offer increased further to 1,468 million m² or 11.31%.

The rise in availability and growing competition among landlords keep rents under downward pressure. Prime office space in the CBD currently trades at 265 euro/m². The average rent for the Brussels office market is at 161 euro/m².

Approximately 90 million euros have been invested in offices properties in Brussels in the last quarter of the year. The total investment volume amounted to 298 million euros for the whole of 2009.

Prime investment yields for central well-let office space in Brussels are at 6.25% for 3/6/9 year leases and 5.50%-5.75% for long term fixed leases.

ECONOMY

The Belgian economy has finally reached the turning point, with GDP growing slightly in the third quarter after having contracted during four consecutive quarters. The rebound in economic activity, albeit small, reflects the improvement of the wider external environment, and follows the positive trend shown by confidence and business indicators. The exceptional fiscal and monetary stimulus measures seem also to be paying-off.

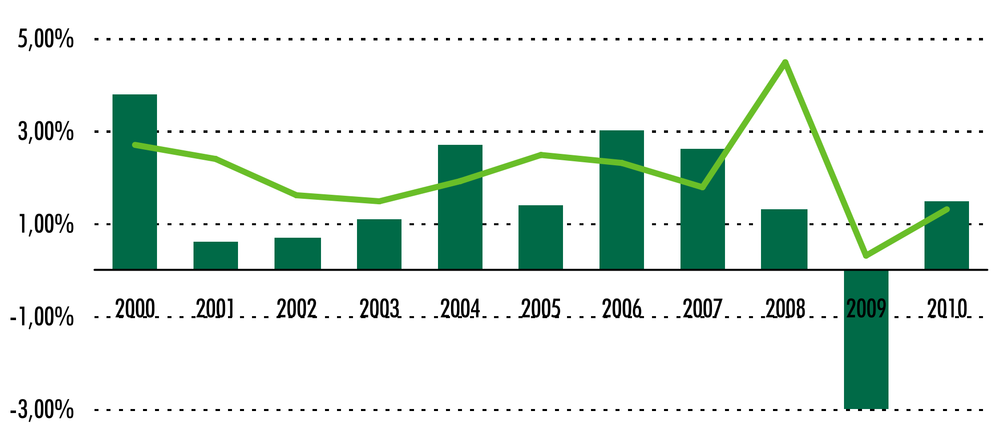
While GDP growth estimates for 2009 remain unchanged at -3.00%, the GDP forecast for 2010 has been revised upward from 0.4% to 1.5%.

Despite the recent positive developments, the path to recovery remains uncertain. The role of government policy in shaping recovery is pivotal. An early and quick withdraw from the stimulus programmes and tightening of monetary policy could impair recovery. In addition, the labour market tend to lag changes in output, with unemployment thus set to increase further in 2010.

Inflation is forecasted to be near 0% in 2009. In 2010, prices are expected to grow by 1.3%

Economic graph (2000 – 2010)

Inflation
GDP growth



Source: CB Richard Ellis, BNB

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DEMAND

Office demand picked-up sharply in the last quarter, with 257.383 m² of space transacted in the Brussels office market. As a result, total take-up in 2009 reached 453.641 m².

Office demand in the last quarter of 2009 was boosted by a number of exceptional transactions, with both corporates and the public sector committing to new office projects in the Brussels central business districts.

In the North area for instance, GDP Suez agreed lease terms on the North Light and Pole Star office developments by Fortis Real Estate. In total, these buildings will consist of 75.000 m² of office space, of which the delivery is expected in 2010 and 2011. It yet remains uncertain which buildings currently occupied by Suez will be vacated. In the City Centre, the Chambre des Représentants signed for the entire Forum development by Immobel (43.000 m²), while the HUB purchased the recently completed t'Serclaes development by CB Richard Ellis Investors (16.373 m²). In the Louise district, letting activity continued in the Platinum development by Burco/Degi, with the SPP Politique scientifique signing for 12.670 m².

Other notable transactions concern the letting of the Arts 35 (7.000 m²) to ENI Distrigas and the purchase of the Belliard 73 (7.500 m²) by the European Parliament.

Other large deals were noticed in the Periphery-South submarket with BASF agreeing lease terms on 5.295 m² in the Waterloo office park and Abbott leasing 4.100 m² in the Collines de Wavre.

Leasing activity is expected to further recover in the coming months, as companies reactivate real estate decisions. A substantial amount of office space requests are currently being treated, and will likely result in new deals or renegotiations in 2010.

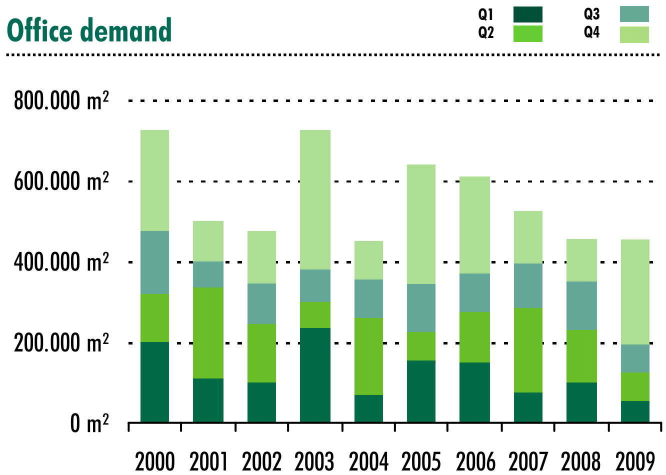
DEVELOPMENT

In 2009, nearly 360.000 m² of office space was delivered onto the market. Recently completed projects include the Neo (13.615 m²), the Joseph II 40 (7.300 m²) and Arts 35 (7.000 m²) in the Leopold area and the first phase (14.000 m²) of the South City in the South area. This scheme is almost fully committed to the SMALS. In the Periphery, CB Richard Ellis Investors finalized the construction of the first two office blocks (9.800 m²) of the Airport Plaza complex.

For 2010, the development pipeline is still extensive, with almost 320.000 m² of office space due for completion in the course of the year. Approximately 65% of this amount remains uncommitted.

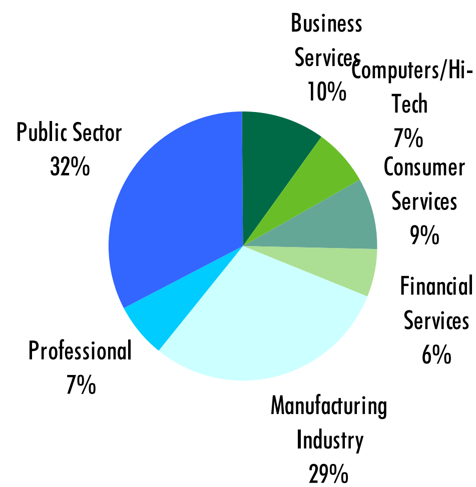
Most of the projects for 2010 will be located in the central business districts. The largest developments are The Platinum (23.600 m²) in the Louise area, the Meeûs 23 (17.300 m²) in the Leopold district and the Renaissance (10.300 m²) in the City Centre.

Office demand



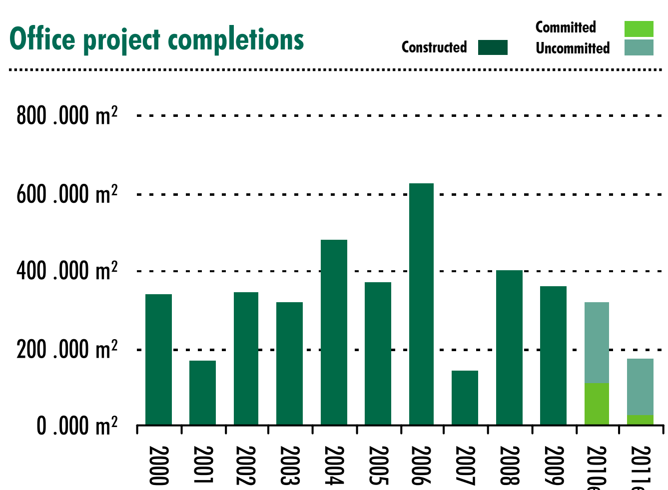
Source: CB Richard Ellis

Origin of Occupants (2009)



Source: CB Richard Ellis

Office project completions



Source: CB Richard Ellis

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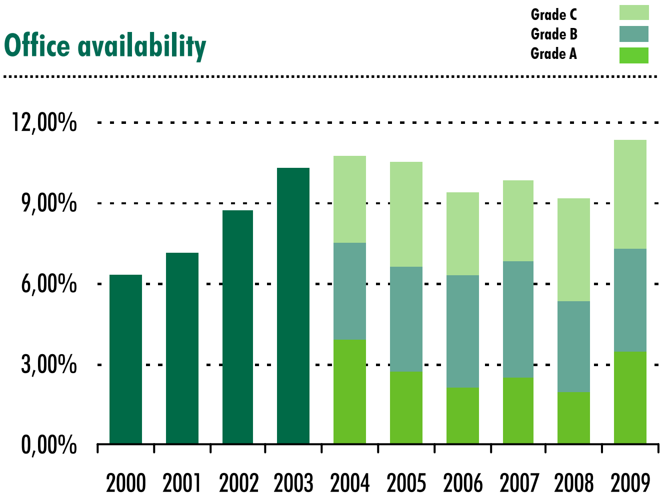
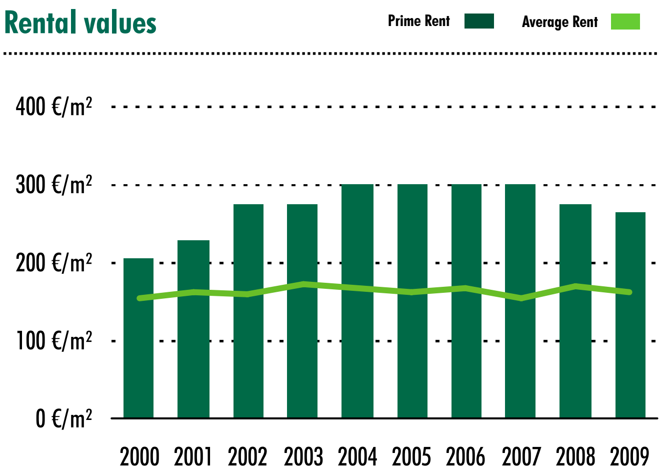
Office availability



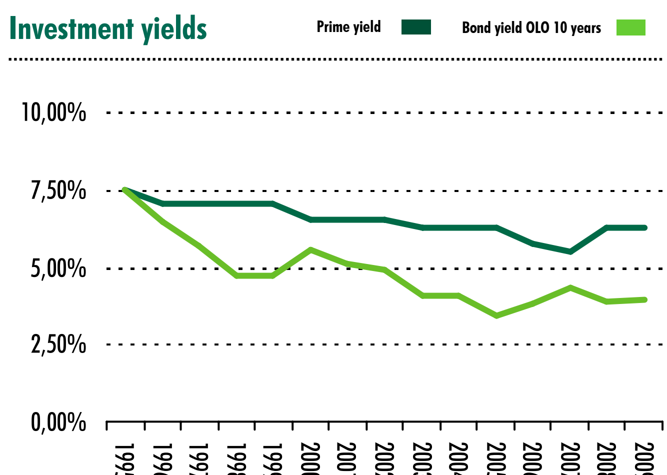
Source: CB Richard Ellis

Rental values



Source: CB Richard Ellis

Investment yields



Source: CB Richard Ellis

While the pipeline for 2010 remains substantial, lower development completions can be expected from 2011 onwards as a growing number of schemes have been shelved or downscaled in response to the rising vacancy levels, demand uncertainty and in some cases, the lack of affordable development financing conditions.

VACANCY

Vacancy currently stands at 11.31%. Some 1.468 millions m² of offices can be considered immediately available. Vacancy has continued to increase in Q4 as new uncommitted supply entered the market. Vacancy is also being pushed-up by growing sub-letting activity, with corporates disposing of excess office space in a bid to cut on occupancy costs.

The most sizeable increase in voids in Q4 was observed in the Periphery Airport office district.

RENTS

The rise in availability keep rents under pressure, with landlords willing to offer rental discounts and higher incentives to sustain occupancy and attract new tenants. Prime office space in the CBD currently trades at 265 euro/m². The average rent for the Brussels office market stands at 161 euro/m².

While most tenants are taking advantage of the current market to renegotiate terms in their own favour, more attractive rental conditions are also encouraging relocations towards higher quality buildings that wouldn't have been available for the same price in normal market conditions.

INVESTMENT

Approximately 298 million euros have been invested in office properties in Brussels for the whole of 2009.

The prospects for the Brussels investment market look now brighter than a few months ago. With investors appetite increasing, it is likely that the steady improvement that has been seen throughout part of 2009 will continue in 2010. It appears evident however that investment activity will regain full strength only when investors start to broaden their investment focus again towards less conservative targets.

Prime office properties trades at 6.25% for 3/6/9 leases and at 5.50%-5.75% for long term fixed leases. With competition intensifying on the top tier of the market, values could soon start recovering here.

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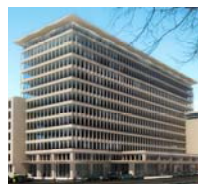
Most notable letting & sales transactions

Building
Submarket
Occupier
Transaction floor area
Type of transaction

North Light & Pole Star
North
Chambres des Représentants
75,000 m²
Letting

Forum
Centre
Chambre des Représentants
43,000 m²
Purchase

t'Serclaes
Centre
HUB
16,300 m²
Purchase



The Platinum
Louise
SPP Politique Scientifique Fédérale
12,671 m²
Letting

Belliard 73
Leopold
European Parliament
7,500 m²
Purchase

Arts 35 (Guim'Art)
Leopold
Distrigas ENI
7,000 m²
Letting

Waterloo Office Park
Periphery (South)
BASF
5,300 m²
Letting

Alma Court
Periphery (Airport)
Ingersoll Rand
4,650 m²
Letting

Collines de Wavre V
Periphery (South)
Abbott Belgium
4,200 m²
Letting

Delta
Decentralised (South-East)
FIAT
3,800 m²
Letting

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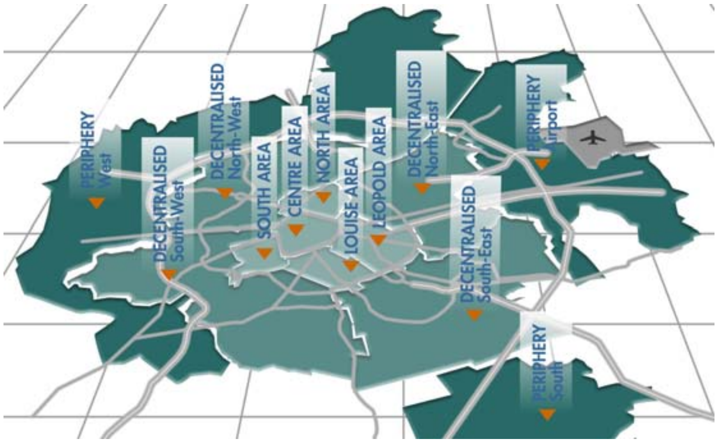
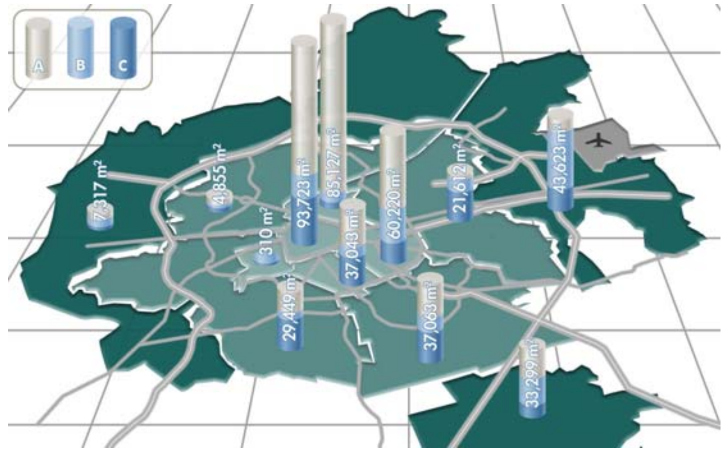
Brussels Office submarkets



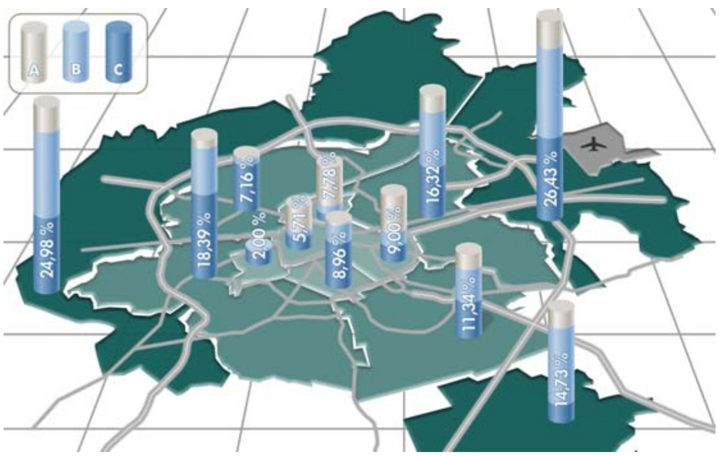
Source: CB Richard Ellis

Office Demand (2009)



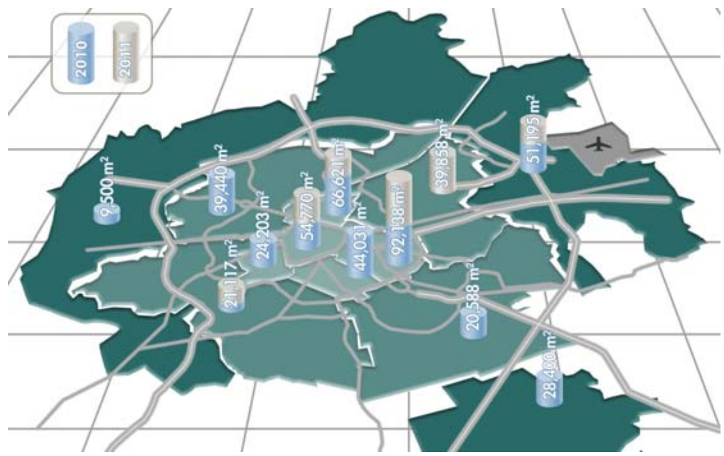
Source: CB Richard Ellis

Office availability



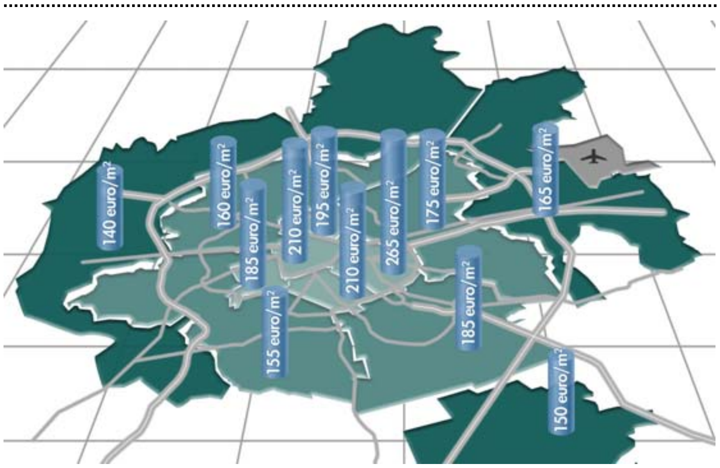
Source: CB Richard Ellis

Office development pipeline



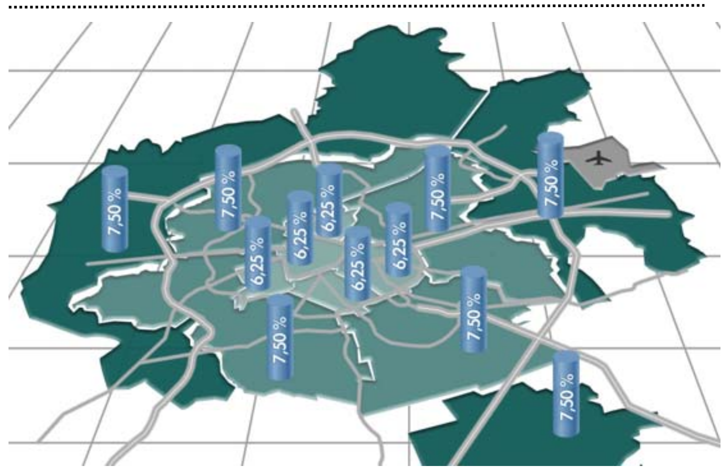
Source: CB Richard Ellis

Prime rents



Source: CB Richard Ellis

Prime yields



Source: CB Richard Ellis

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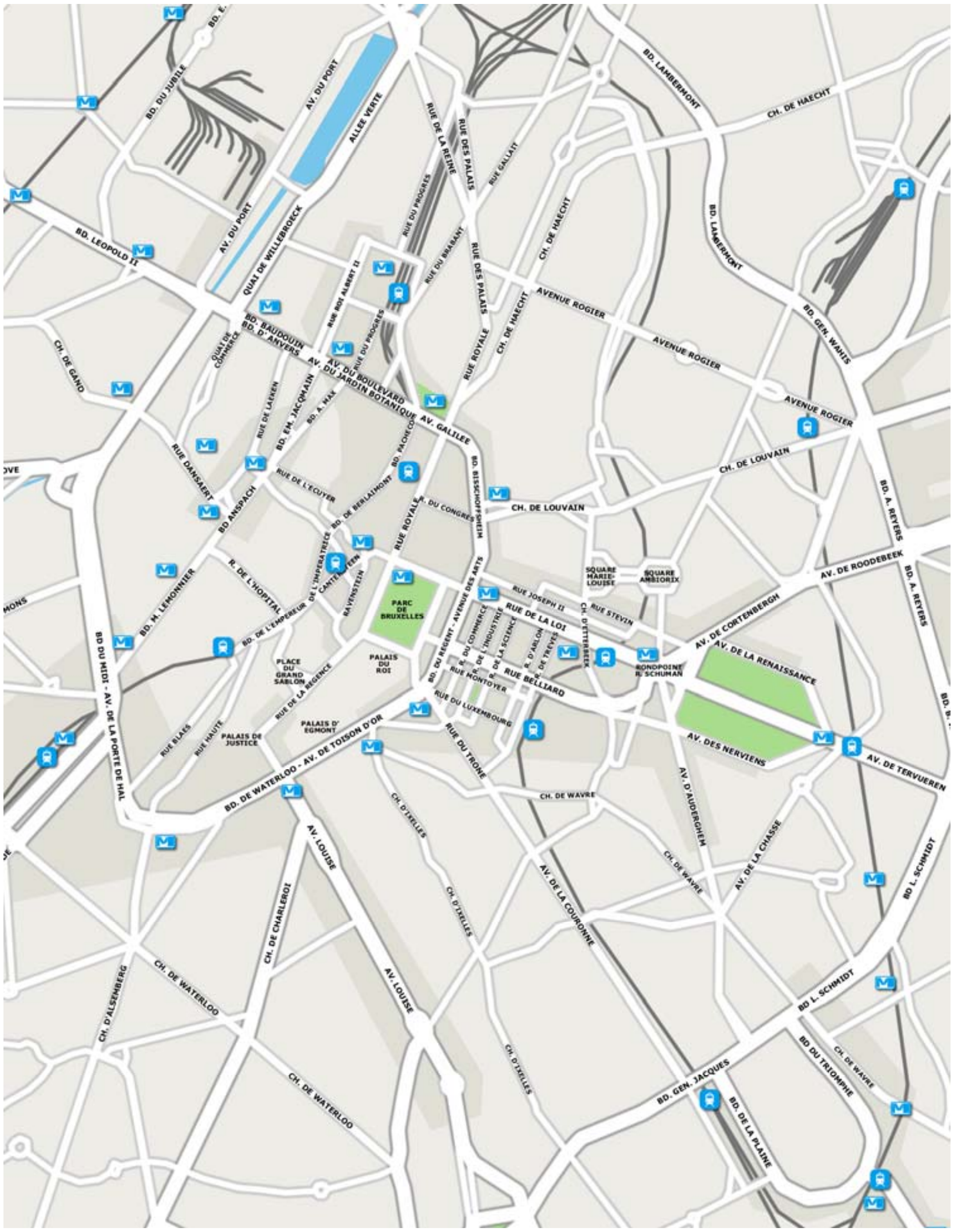

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