

# BRUSSELS Office Market Snapshot

Second Quarter | 2019



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Prime rents increased to a new record-high level of 320 €/sq m/year and are expected to remain stable.	►
Prime Yields:	Prime yields compressed to 4.15% and should remain at this level. LT prime yields remained at 3.65% but a compression is expected.	►
Supply:	Several sizeable deliveries are expected this year. Pre-letting activity is decreasing availability in new supply.	▼
Demand:	Demand was in line with the historical quarterly average. Some large transactions are still expected, but demand is forecasted to soften in the next quarters.	▲

### Prime Office rents – June 2019

LOCATION	€	US\$	GROWTH %	
	SQ M YR	SQ FT YR	1YR	5YR CAGR
Brussels (Leopold)	320	35.9	4.9	3.1
Brussels (Centre)	275	30.9	5.8	5.5
Brussels (Decentralised)	185	20.8	-2.6	0.0
Brussels (Periphery North – Airport)	185	20.8	0.0	3.6
Brussels (Periphery South – Walloon Brabant)	155	17.4	0.0	N/A

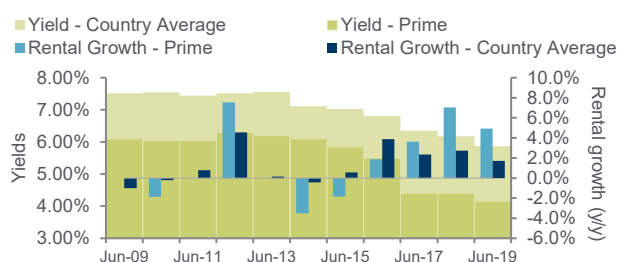
### Prime Office yields – June 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Brussels (Leopold)	4.15	4.25	4.40	6.30	4.15
Brussels (Centre)	4.40	4.60	4.80	6.50	4.40
Brussels (Decentralised)	7.00	7.00	7.25	8.10	6.80
Brussels (Periphery North – Airport)	7.25	7.25	7.25	8.25	6.70
Brussels (Periphery South – Walloon Brabant)	6.75	6.75	6.75	7.50	6.75

NOTE: The above yields are for typical 3/6/9 leases.

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

Belgian GDP is expected to grow by 1.2% this year and is forecasted to slow down to 1.1% in 2020 as the rise in domestic demand is offset by weakening world trade. The unemployment rate currently stands around 5.7% and is set to remain more or less stable until 2021. Inflation is expected to decelerate to 1.5% before the end of the year and is also expected to remain stable in the upcoming years.

## Occupier focus

With a take-up of 107,000 sq m and 89 deals, demand during the second quarter of the year was in line with the historical quarterly average. As a result, the total take-up for the first half of the year amounts to 345,000 sq m and is one of the best first semesters ever recorded, mainly thanks to an exceptional first quarter. Unlike the opening quarter, however, the vast majority of the demand in Q2 came from the private sector. Nevertheless, some large transactions from the public sector are still expected before the end of the year. The largest transaction this quarter was the 14,500 sq m letting by Fedex/TNT in the *Leopold Square* followed by the 7,200 sq m letting by coworking operator SilverSquare in *The Platinum*.

Strong demand for qualitative office spaces saw prime rents increase to 320€/sq m/year. The vacancy rate decreased slightly during Q2, and currently stands around 7,6%.

## Investment focus

An investment volume of approximately 480 MEUR was recorded during the second quarter and around 913 MEUR for the first half of the year. The largest transactions include the sale of *The Pavilion* to UBP for around 93 MEUR and the acquisition of the *Lloyd George 6-7* by Ghelamco for approximately 50 MEUR.

Strong investor appetite for office space saw prime yields compress further to 4.15%. The long-term prime yield remained unchanged at 3.65% but is also expected to compress before the end of the year.

## Outlook

Following the extraordinary first semester, activity is forecasted to soften in the coming months despite some large transaction expected to take place before the end of the year. Prime rental levels are expected to remain stable at 320€/sq m/year throughout the year. The investment pipeline for the year remains quite significant with some large assets (above 100 MEUR) still on the market such as the *Mondrian*, *The Selection* and the *Multi Tower*.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE** (%)	TAKE-UP Q2 19 (SQ.M)	TAKE-UP 2019 (YTD) (SQ.M)	2019 - 2022 UNDER CONSTRUCTION (SQ.M)
Brussels (Leopold)	3,337,062	175,224	5.2%	20,697	41,216	35,900
Brussels (Centre)	2,357,336	77,409	3.3%	7,888	56,722	251,400
Brussels (North)	1,377,475	49,065	3.6%	7,968	79,144	321,800
Brussels (Louise)	856,524	42,137	4.9%	14,226	24,437	3,500
Brussels (Midi)	584,857	24,292	4.1%	3,032	4,892	-
Brussels (Decentralised)	2,776,736	283,839	10.2%	27,527	42,175	12,000
Brussels (Periphery)	2,080,274	362,914	17.4%	25,674	96,087	32,800
<b>Brussels (Overall)</b>	<b>13,338,070</b>	<b>1,014,880</b>	<b>7.6%</b>	<b>107,012</b>	<b>344,673</b>	<b>657,400</b>

Source: Cushman & Wakefield

\*\* Our database has recently been updated and cleaned to better reflect the actual situation of the market. For this reason, some large differences in the vacancy rate of certain submarkets can be observed.

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Leopold Square (40)	North-East	Fedex/TNT	14,600	Letting
The Platinum	Louise	SilverSquare	7,200	Letting
Champ de Mars	Leopold	Generali	6,000	Purchase
Sky Garden	Leopold	Bureau Fédéral du Plan	5,200	Pre-Letting
Gare Maritime	North	BSH	4,700	Pre-letting
The Mirror	South	Cebra Healthcare	4,100	Letting

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
The Pavilion	Leopold	Befimmo / UBP	4.95%	93
Lloyd George 6-7	Louise	RE Invest AM / Ghelamco	5.00%	50
Royale-Colonies	Centre	Ethias / Parlement de la Fédération Wallonie Bruxelles	N/A	32
Oxygen Building	Leopold	Alides Properties / Savills IM	4.20%	30
Mobius II (50% shares)	North	Immobel / Fidentia RE	N/A	28
Louise 350	Louise	Merco / Eaglestone	6.25%	17

Source: Cushman & Wakefield, Real Capital Analytics

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