

**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>174,400</b> Take-up (sqm)	▲	▬
<b>€190.00</b> Prime rent (per sqm)	▲	▲
<b>6.60%</b> Prime yield	▲	▼
<b>176,000</b> Under Construction (sqm)	▬	▬

Source: Cushman & Wakefield

**ECONOMIC INDICATORS**

	YOY Chg	12-Month Forecast
<b>1.10%</b> Belgium GDP Growth	▼	▲
<b>3.08%</b> Belgium Consumer price index	▼	▼
<b>5.68%</b> Belgium Unemployment Rate	▲	▲

Source: Moody's Analytics, BNB, Eurostat, October 2024

**BELGIUM'S PATH TO RESILIENCE AND GROWTH**

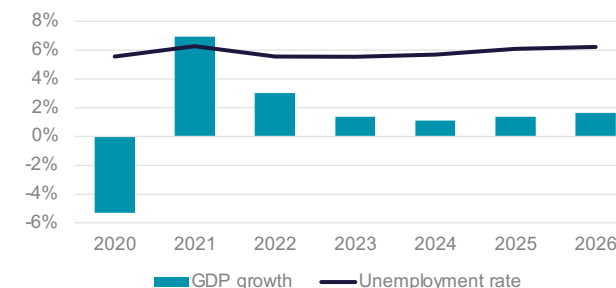
Belgium's economy grew by 1.1%, primarily driven by private consumption and governmental spending, though the trade deficit limited this growth. Projections indicate a 1.1% growth for 2024 and 1.4% for 2025, with strong private consumption supported by wage and social benefit indexation. The trade deficit stems from reduced demand from foreign partners, though external trade is expected to improve in 2025. Public investment forecasts hinge on the formation of Belgium's federal government, which remains on hold until after mid-October 2024 communal elections.

In the Eurozone, economic activity rebounded in H1 2024, with a growth rate of 0.6% in Q2. Overall, the ECB forecasts a 0.8% growth for the year, with southern countries (e.g., Spain, Malta) outpacing northwestern nations. Monetary policy tightening from 2021-2023 continues to weigh on growth, but recent interest rate cuts are expected to alleviate this impact gradually through 2025. However, the ECB is expected to proceed cautiously with future adjustments.

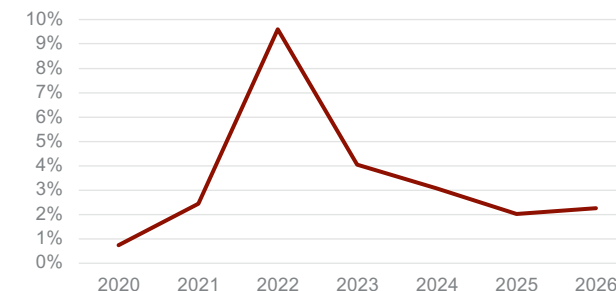
Inflation in Belgium reached 4.3% in August 2024, the highest in the Eurozone, driven by rising prices in alcohol, tobacco, housing, and education. Inflation is projected to rise to 3.1% in 2024 before dropping to 2.3% in 2025. In the Eurozone, inflation is expected to decline steadily, reaching the ECB's 2% target by late 2025.

Employment in Belgium remained stable at around 72% for the 20-64 age group in H1 2024. The Walloon Region saw a 3.8% YoY increase, while Brussels experienced a 1.6% decline. Despite stagnant growth in Flanders, it still maintains the highest employment rate. Federal and regional governments aim to reach an 80% employment rate, with the Flemish government prioritizing this target.

**GDP GROWTH & UNEMPLOYMENT RATE**

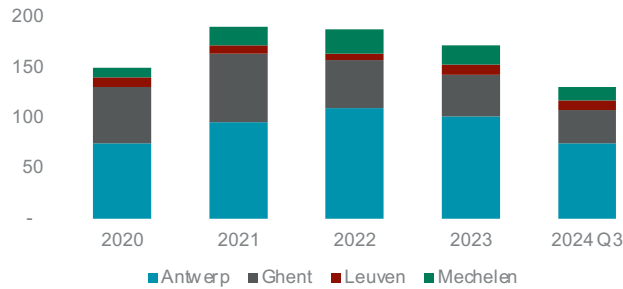


**INFLATION RATE**

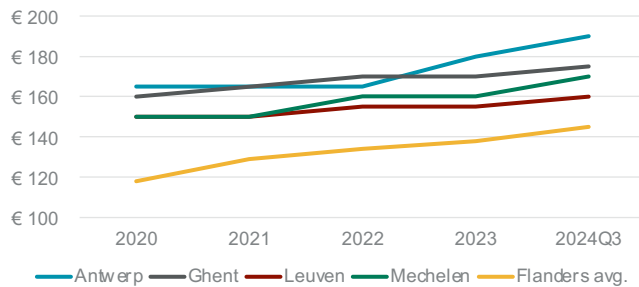


# FLANDERS

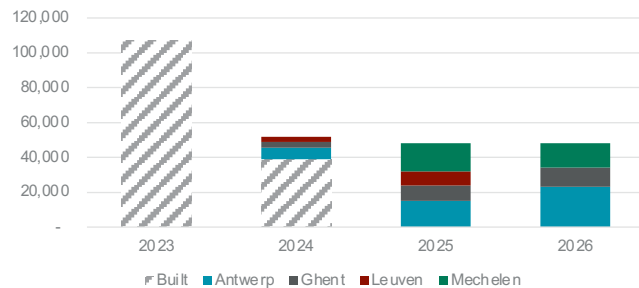
## TAKE-UP BY CITY (000S SQM)



## PRIME RENTS (€/SQM/YEAR)



## PIPELINE UNDER CONSTRUCTION



### STEADY PERFORMANCE AMID Q3 SLOWDOWN

The Flemish office market experienced a slight slowdown this quarter, with 45,000 sqm of take-up recorded in Q3, reflecting a 20% drop in demand compared to the more robust performance seen in the first half of the year. However, total take-up remains resilient, reaching 158,000 sqm year-to-date, which is consistent with the five-year average, indicating that the market's overall health remains stable.

Ghent and Antwerp continue to be the main drivers of this demand, accounting for nearly 60% of the take-up in Q3. These two cities remain vital hubs for office activity in Flanders, attracting both domestic and international tenants.

Notably, this quarter saw private sector companies contributing over 95% of the leasing activity, a sign of the strong reliance on corporate occupiers in driving the region's office market dynamics.

### STEADY RENTS WITH FUTURE HIKES ON THE HORIZON

Currently, prime rents remain at 190€/sqm/year in Antwerp, 175€/sqm/year in Ghent, and 170€/sqm/year and 160€/sqm/year in Mechelen and Leuven, respectively. These figures suggest that while the market is stable for now, the combination of healthy demand and limited high-quality supply could lead to future rent increases, especially in key areas like Antwerp and Ghent, where demand is particularly robust.

The evolving market dynamics indicate that tenants seeking prime office space might face higher costs in the future, especially as Flanders continues to attract both domestic and international occupiers.

### STEADY PIPELINE PREPARES FOR A SUSTAINABLE FUTURE

The Flemish office market is seeing a steady rise in vacancy rates across all key submarkets, driven largely by the ongoing slowdown in activity.

Despite this increase in vacancies, the construction pipeline remains robust, with around 50,000 sq m of new office space set to be delivered annually between 2024 and 2026. This steady flow of developments reflects a clear focus on modernizing the office stock, ensuring that businesses have access to high-quality, state-of-the-art workspaces.

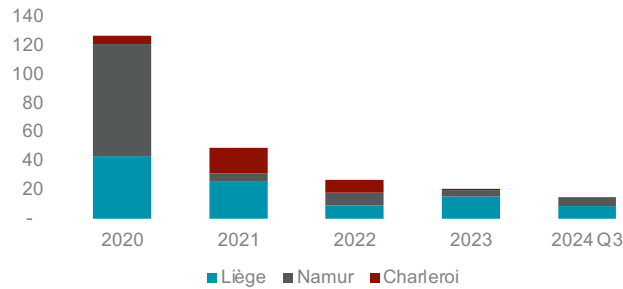
In 2024 alone, 40,000 sq m of new office space has already been completed, contributing to the growing available supply and vacancy rates. This ongoing development pipeline is also crucial in supporting the market's gradual shift towards more ESG-compliant office spaces, meeting the evolving needs of modern businesses.

### OUTLOOK

- Looking ahead to the end of 2024 and into 2025, the Flemish office market is expected to remain challenged by subdued demand and rising vacancy rates. Take-up is likely to stay below historical averages, as economic uncertainty and hybrid work models continue to dampen demand for office space.
- In terms of prime rents, growth is expected to be limited. With vacancy rates on the rise and a stable pipeline of new developments, landlords may face increased competition to secure tenants, putting downward pressure on rent increases. However, demand for high-quality, ESG-compliant office space could provide some support to prime rents in top-tier locations, especially as businesses seek sustainable and flexible work environments.

# WALLONIA

## TAKE-UP BY CITY (000S SQM)



## NAMUR LEADS, CHARLEROI AWAKENS IN THE WALLOON MARKET

The Walloon office market remains in line with the national trend of reduced activity, with challenging conditions continuing through the third quarter. So far in 2024, total take-up in the region has reached just under 16,000 sqm, highlighting a sustained decline that has persisted since 2020. Liège remains the most active market in the region, though its performance in Q3 was dampened by a broader slowdown across Wallonia. In contrast, Namur presented a more optimistic outlook, accounting for nearly 50% of the quarter's demand. The largest deal was Randstad's lease of 1,100 sq m in *Aquilis*, Namur.

Charleroi showed early signs of improvement after a prolonged stagnation, recording its first three deals of the year, totaling 900 sqm. While modest, this indicates a positive shift for the market.

## HIGH DEMAND FOR GRADE A OFFICE SPACE

In line with the trends seen in Flanders, the Walloon office market experienced a stabilization of prime rents during the third quarter. The region's slower market dynamics have limited the growth potential of prime office rents. Prime rents have remained unchanged at 165€/sqm/year for Liège, 160€/sqm/year for Namur, and 145€/sqm/year for Charleroi. These figures highlight the restrained growth in the Walloon market, with less volatility compared to other regions.

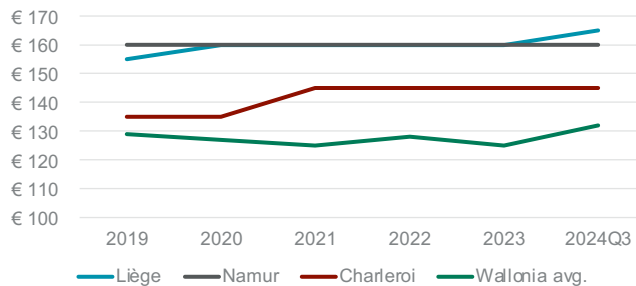
However, a somewhat paradoxical situation has emerged: despite the stabilization of prime rents, Wallonia has seen significant take-up of Grade A office space, particularly in the first half of 2024. This demand for high-quality office space has driven an increase in average rents.

## STEADY PIPELINE KEEPS WALLOON OFFICE MARKET ON TRACK

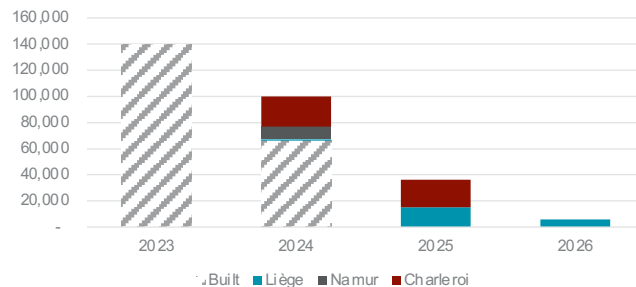
The Walloon office market is facing a slight increase in vacancy across all key cities, primarily driven by subdued activity levels. This upward trend in vacancy highlights the challenges the region continues to face in terms of demand. However, the construction pipeline remains relatively stable, ensuring a controlled supply of new office spaces over the coming years, which should help avoid any sharp imbalances in the market.

In Q3, significant new office space was added to the market, notably with the delivery of the new courthouse in Namur. Despite this, the steady pipeline suggests that the market is not at risk of being oversaturated but will require stronger demand to absorb the upcoming supply.

## PRIME RENTS (€/SQM/YEAR)



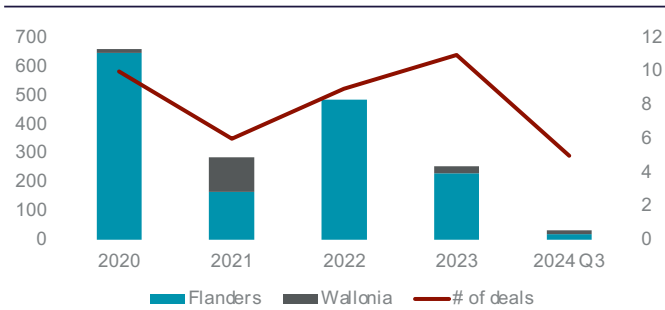
## PIPELINE UNDER CONSTRUCTION



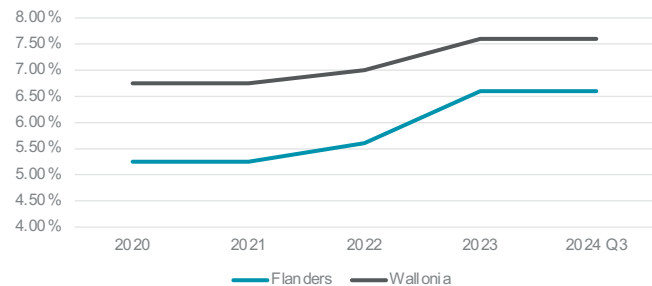
## OUTLOOK

- As we move towards the end of 2024 and into 2025, the Walloon office market is likely to continue grappling with challenges stemming from soft demand and rising vacancy levels. Leasing activity is expected to remain below pre-2020 levels, as economic uncertainties and evolving workplace preferences keep companies cautious about expanding or relocating their office footprint. Take-up will likely be concentrated in key cities such as Namur and Liège, where there has been some recent activity, while smaller markets like Charleroi may continue to experience limited traction.
- Prime rents are forecasted to remain largely stable, with limited upward pressure due to the growing availability of office space and persistent demand-side weaknesses. Landlords may find it challenging to push for rent increases in the current climate, though demand for modern, energy-efficient office spaces could help sustain prime rents in specific areas.

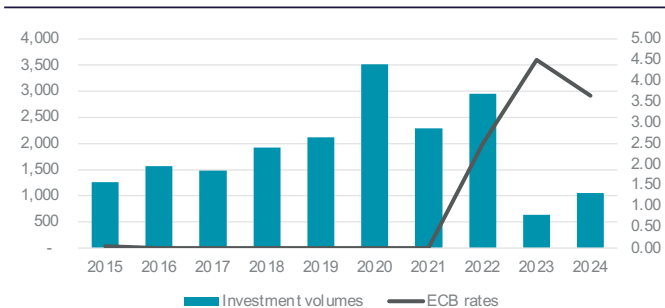
INVESTED VOLUMES (MEUR)



PRIME YIELDS



INVESTMENT VOLUMES VS. ECB RATES



INVESTMENT DOLDRUMS

The investment market is currently facing concerning levels of activity, with only €32 million invested over the past nine months. This figure highlights a significant decline in investor confidence and activity, reflecting a broader trend of caution among investors in the region.

The third quarter has been particularly disappointing, recording just one transaction—the sale of the Administrative Center in Tiel. This lack of activity has contributed to a worrying trend, as the current investment volumes are even lower than those seen in the years following the financial crisis of 2008. This stagnation in the investment market can be attributed to several factors, including economic uncertainties, geopolitical tensions, and a limited supply of attractive investment opportunities. As investors remain hesitant, the investment market may continue to struggle until more favorable conditions emerge.

PRIME YIELDS STEADY AS GEOPOLITICAL CHALLENGES LOOM

The third quarter followed and confirmed the trend observed in Q2. Despite several months having passed since the European Central Bank's first interest rate cut in June, and in anticipation of the likely October cut, the investment market—particularly prime yields—has remained stable.

In Flanders, prime yields are still at a theoretical level of 6.60%, while they stand at a level of 7.60% in Wallonia.

While it appears that the bottom of the market has been reached, geopolitical uncertainties remain the primary concern. However, European banks are less exposed to the real estate sector compared to their American counterparts.

ECB RATES DECISIONS SHAPE THE INVESTMENT MARKET

As the ECB signals a possible pivot towards rate cuts in the near future, the potential for reduced borrowing costs could provide a much-needed boost to the investment market. Lower interest rates typically lead to decreased financing expenses, making it easier for investors to pursue new projects and acquisitions. This anticipated easing of monetary policy could stimulate demand, as more capital becomes available for investment, thereby enhancing overall market liquidity. In the Belgian market, where prime office yields have remained relatively stable, the prospect of lower borrowing costs may encourage investors to re-enter the market, thereby boosting transaction volumes. Institutional investors, in particular, are likely to capitalize on this environment, seeking to acquire high-quality assets before potential yield compression occurs.

OUTLOOK

- The investment market could still see a few more transactions in the pipeline. For example, the sale of AMCA by Cofinimmo has been announced and is expected to close in Q4, which would boost invested volumes.
- Additionally, the first signs of 'distressed sales' are beginning to emerge. It remains to be seen if these will close swiftly.
- The Fed has announced its plan to cut rates by 2025, and there is hope that the ECB will follow suit. Such a move could reinvigorate the investment market and lead to yield compression once again.

## MARKET STATISTICS Q3 2024

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	Q3 2024 TAKE-UP	2024 TAKE-UP	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/year)	PRIME YIELD
<b>Flanders</b>								
Antwerp	2,429,319	131,789	5.42%	11,115	74,579	44,000	€190	6.60%
Ghent	1,117,307	50,522	4.52%	15,116	33,450	25,000	€175	6.60%
Leuven	583,046	24,538	4.21%	1,452	9,496	11,000	€160	7.35%
Mechelen	288,176	n.a.	n.a.	6,234	13,393	22,000	€170	7.35%
<b>Wallonia</b>								
Liège	607,666	20,309	3.34%	585	8,949	20,000	€165	7.60%
Namur	615,871	13,510	2.19%	2,193	5,395	10,000	€160	7.60%
Charleroi	509,180	28,665	5.63%	859	859	44,000	€145	7.85%

## KEY LEASE TRANSACTIONS Q3 2024

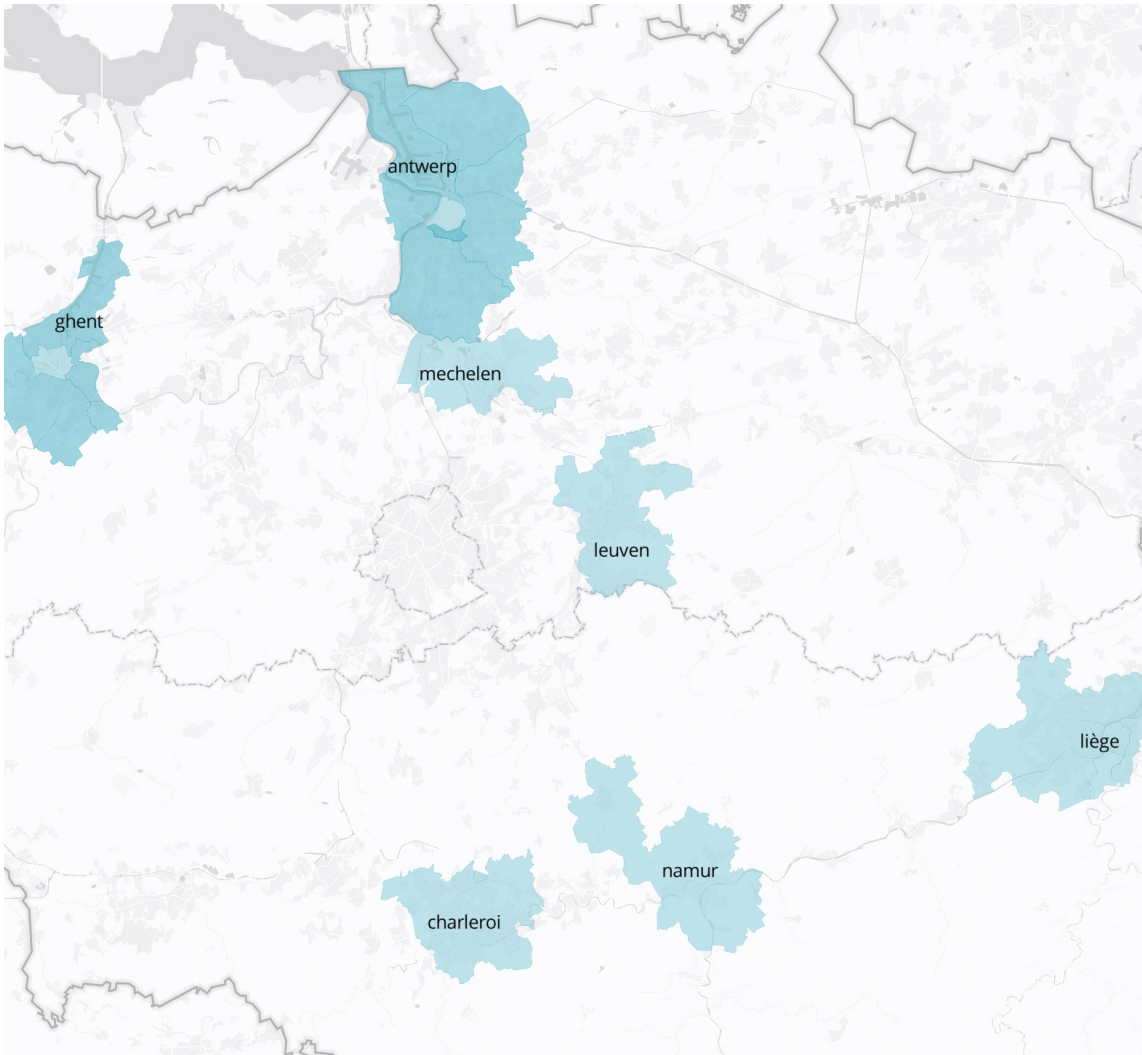
SUBMARKET	PROPERTY	TENANT	SQ M	TYPE
Ghent	Gebroeders van Eyckstraat 2	VDK Bank	6,648	Purchase
Mechelen	OPM – Forum	Astara Western Europe	4,500	Letting
Antwerp	The Sage	Rhenus Logistics	2,700	Letting
Ghent	AA-Toren	Ablynx	2,547	Extension

## KEY INVESTMENT TRANSACTIONS Q3 2024

SUBMARKET	PROPERTY	BUYER / SELLER	PRICE (MEUR)	YIELD
Flanders – Tielt	Administratief Centrum	MIIX / Downtown	3	-



OFFICE SUBMARKETS



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