

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
8.32% Vacancy Rate	▲	■
246,500 Take-up (sqm)	▲	■
€390.00 Prime rent (per sqm)	▲	▲
5.15% Prime yield	▲	▼
379,000 Under Construction (sqm)	■	■

Source: Cushman & Wakefield

ECONOMIC INDICATORS

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

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

BELGIUM'S PATH TO RESILIENCE AND GROWTH

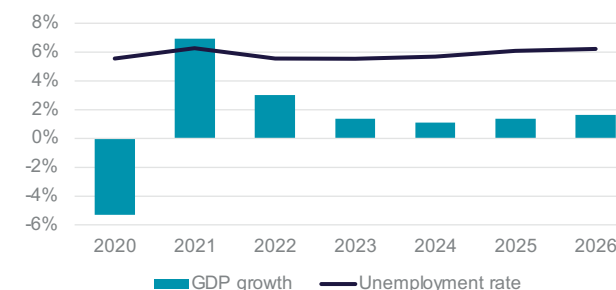
Belgium's economy grew by 1.1%, primarily driven by private consumption and governmental spending, though the trade deficit limited this growth. Projections indicate a 1.1% growth for 2024 and 1.4% for 2025, with strong private consumption supported by wage and social benefit indexation. The trade deficit 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.

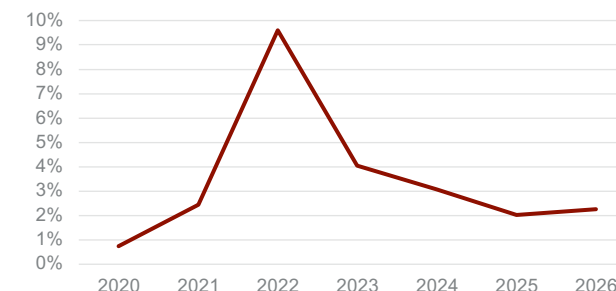
Inflation in Belgium reached 4.3% in August 2024, the highest in the Eurozone, driven by rising prices in alcohol, tobacco, housing, and education. Inflation is projected to rise to 3.1% in 2024 before dropping to 2.3% in 2025. In the Eurozone, inflation is expected to decline steadily, reaching the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

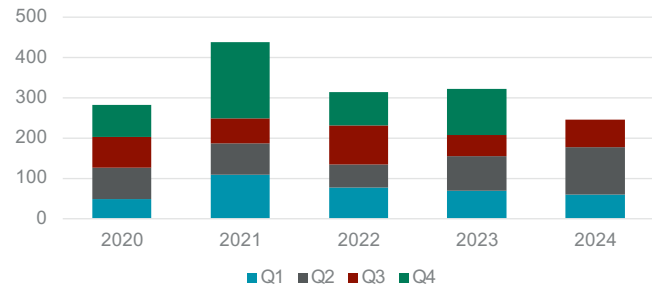
GDP GROWTH & UNEMPLOYMENT RATE



INFLATION RATE



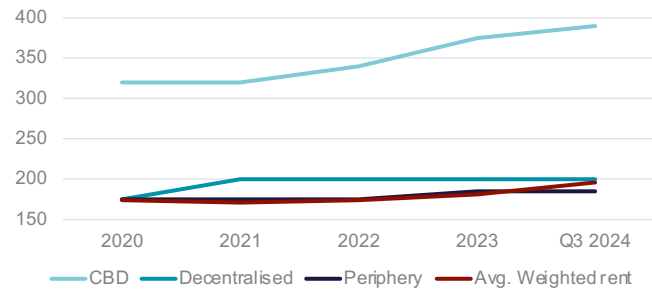
TAKE-UP BY QUARTER (000S SQM)



PUBLIC SECTOR BOOSTS TAKE-UP DESPITE Q3 SLOWDOWN

The Brussels office occupational market continued to witness subdued activity during the third quarter. Although the total take-up was boosted by large deals in Q2, Q3 recorded a more modest take-up of approximately 70,000 sqm, aligning with the market's current dynamics. By the end of September, total take-up reached nearly 250,000 sqm, reflecting a 20% increase compared to the same period last year. While this growth appears promising, it is important to highlight that these figures are somewhat skewed by several large transactions, particularly involving public sector entities, which accounted for 40% of the total take-up. In Q3, the public sector once again drove the largest deals. The European Defense Agency signed a lease for 10,000 sqm in *The Muse* project, and the Loterie Nationale acquired 6,600 sqm in the *Brouck'R* project for owner-occupation.

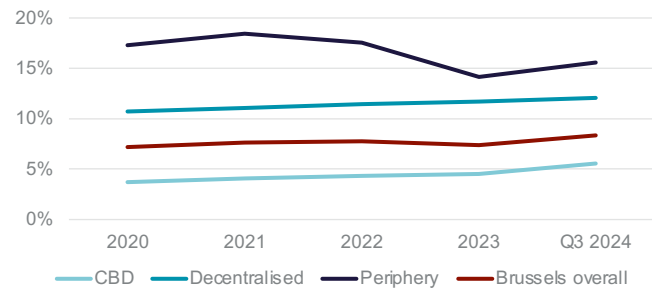
PRIME RENTS (€/SQM/YEAR)



PRIME RENTS HIT RECORD HIGHS IN THE LEOPOLD DISTRICT

Prime rents are once again on the rise, following a stable quarter. Nearly every district within the CBD has seen successive rent increases, with the Leopold district standing out. Prime rents in the district climbed from 375 to 390€/sqm/year. Notably, a record-breaking transaction was recorded in the *M10* building, where a law firm secured the top floors at a rate of 400€/sqm/year. While this figure exceeds the officially reported prime rent, it reflects the premium associated with leasing premium office spaces at higher levels. As for the Decentralized and Periphery districts, rents have remained stable this quarter, holding at 200 and 185€/sqm/year, respectively.

VACANCY RATE



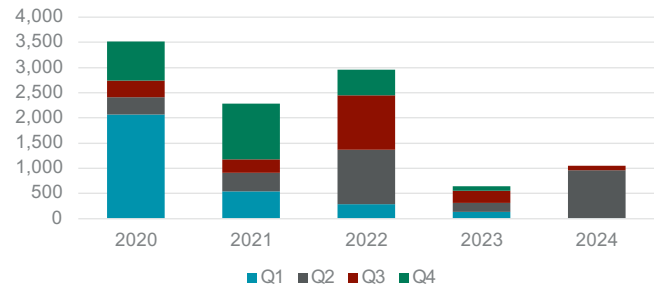
BRUSSELS OFFICE VACANCY LEVELS OFF IN Q3

After nearly a year of rising vacancy rates caused by a slowdown in leasing activity, the Brussels office market saw some stabilization in the third quarter. The vacancy rate settled at 8.32%, a slight decrease from 8.38% in Q2. This pause in rising vacancies offers a glimpse of optimism, though the overall market activity remains lackluster. The drop in vacancy can be attributed to three main factors: the absorption of recently completed buildings, a lower number of new office completions this quarter, and the reconversion of several office schemes into residential units. The reduced delivery of new projects, combined with the conversion trend, has helped ease the upward pressure on vacancy rates. For instance, only one significant building, *Park 7 - Xenon*, was delivered this quarter in the Airport district. Leasing activity for this business park component only materialized upon its completion, reflecting a still cautious market.

OUTLOOK

- Looking ahead, the Brussels office market could see a take-up exceeding last year's figures, particularly as the European Commission prepares to finalize the second phase of the *Engie Towers* project. This momentum is expected to positively influence overall leasing activity.
- Prime rents are likely to continue their upward trajectory, with varying rates of increase across different regions. The CBD and Periphery areas are poised for more rapid rent growth due to heightened activity in these locations.
- In contrast, vacancy rates are anticipated to remain stable in the coming months. While leasing activity is expected to hold steady, delays in project timelines, driven by cautious developer strategies, and the repurposing of many obsolete buildings will limit the growth of available office stock.

INVESTED VOLUMES (MEUR)



18 MONTHS OF ONGOING STRUGGLES FOR THE INVESTMENT MARKET

In the third quarter, just under 90 MEUR was transacted in the Brussels investment market across four deals, a sharp decline compared to the 425 MEUR recorded during the same period last year. Of these four transactions, three were add-value or redevelopment deals, including the largest of the quarter: the sale of *Graaf de Ferraris* to IRET for 60 MEUR. The only Core+ transaction was the acquisition of Louise 380. Limestone acquired the 1,800 sq m office building for 6 MEUR, reflecting a yield of 6%. Meanwhile, the Brussels office investment market has barely crossed the €1 billion mark year-to-date. However, this figure includes the atypical Cityforward transaction. Excluding this deal, only around 100 MEUR has been invested across 10 transactions, a volume comparable to the weak years following the 2008 financial crisis.

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 Brussels, prime yields are still at a theoretical level of 5.15%, marking a year-over-year increase of 15 basis points, and a significant rise of 155 basis points from the low to the current peak.

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.

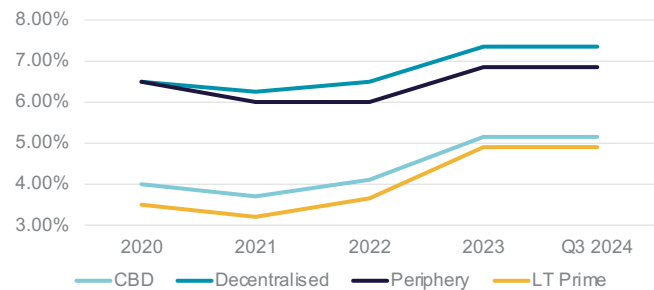
ECB RATES DECISIONS SHAPE THE BRUSSELS MARKET

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 Brussels 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 Brussels office investment market could still see a few more transactions, with several medium-sized deals in the pipeline, such as *Espace Rolin*.
- Additionally, the first signs of 'distressed sales' are beginning to emerge, including properties like *TdO* and *The Wings*. 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.

PRIME YIELDS



INVESTMENT VOLUMES VS. ECB RATES



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
Brussels (Overall)	13,841,345	1,151,255	8.32%	68,812	246,574	378,657	€390	5.15%
Leopold	3,489,162	110,747	3.17%	16,770	61,457	41,683	€390	5.15%
Centre	2,510,662	127,083	5.08%	15,897	67,783	130,813	€340	5.25%
North	1,621,727	186,909	11.53%	1,164	9,307	5,286	€270	5.80%
Louise	875,761	65,370	7.46%	2,670	12,011	9,600	€340	5.30%
Midi	618,538	17,137	2.77%	986	1,136	-	€195	6.00%
Decentralised	2,426,547	292,773	12.07%	9,976	46,502	90,000	€200	7.35%
Periphery	2,298,948	354,576	15.42%	21,349	48,378	101,275	€185	6.85%

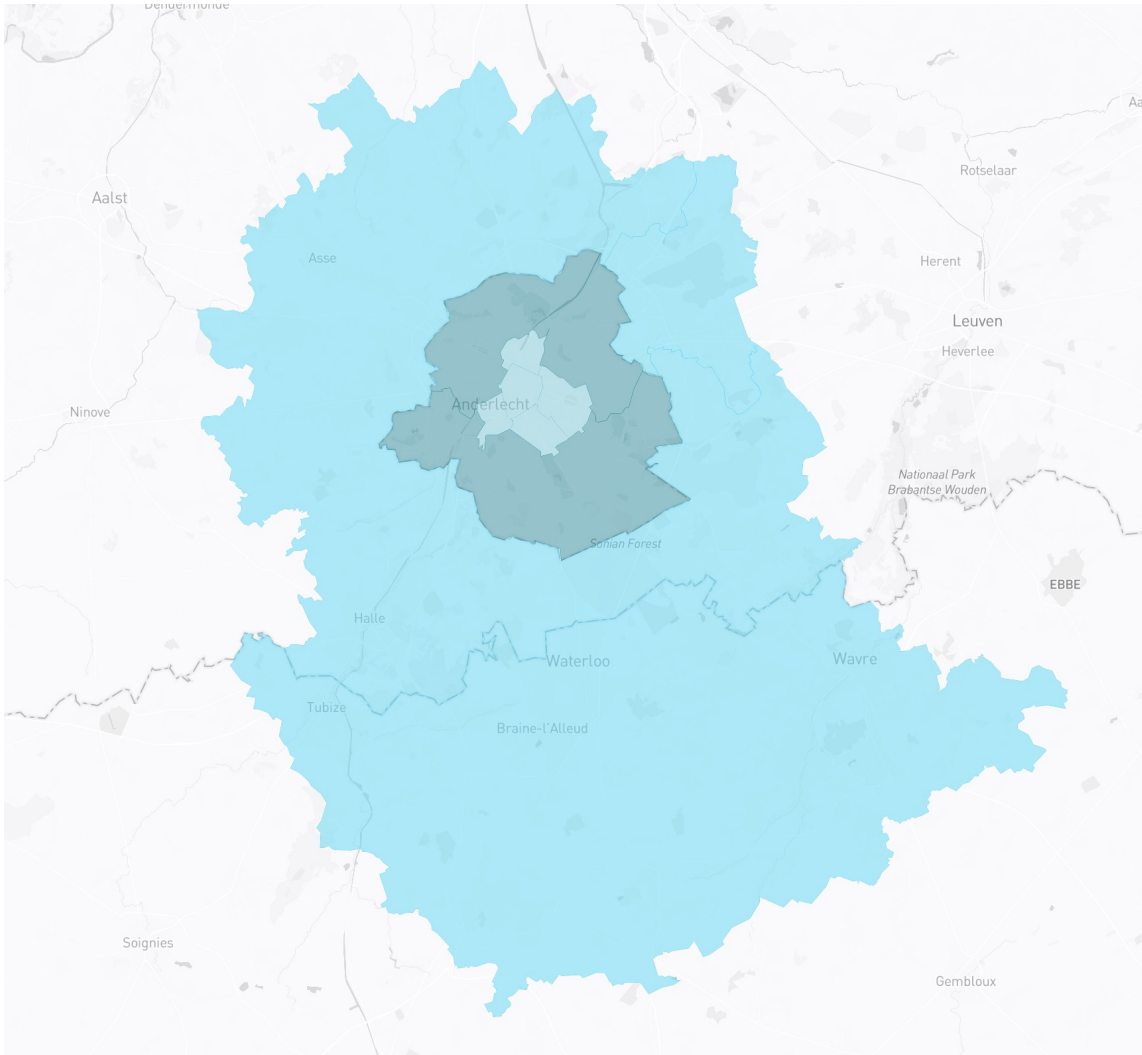
KEY LEASE TRANSACTIONS Q3 2024

SUBMARKET	PROPERTY	TENANT	SQ M	TYPE
Leopold	The Muse	European Defence Agency	10,000	Pre-letting
Centre	Brouck'R	Loterie Nationale	6,800	Purchase
Periphery	Park 7 – Xenon	Pfizer	2,646	Letting
Periphery	Park 7 – Xenon	Air Liquide	2,636	Letting

KEY INVESTMENT TRANSACTIONS Q3 2024

SUBMARKET	PROPERTY	BUYER / SELLER	PRICE (MEUR)	YIELD
North	Ferraris	IRET / VGC	60	-
Decentralised	Woluwe 46	Baltisse / FEBIAC	13	-
Centre	Bischoffsheim 39-40	Private / Private	9	-
Louise	Louise 380	Limestone / Dexin	6	6.00%

OFFICE SUBMARKETS



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