MARKETBEAT
REGIONAL
OFFICE Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
€190 Prime rent (per sq m)	▲	▲
6.60% Prime yield	=	▼
250,000 Take-up (sq m)	▲	=
171,000 Under Construction (sq m)	=	=

Source: Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.01% Belgium GDP Growth	▼	▲
3.11% Belgium Consumer price index	▼	▼
5.63% Belgium Unemployment Rate	▲	▲

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

MODEST ECONOMIC GROWTH WITH HIGH INFLATION

The Belgian economy is set to close 2024 with a modest GDP growth of 1.01% year-on-year, slightly outperforming the average eurozone growth 0.76%. This growth is mainly fueled by private and public spending, while contraction in international trade, encompassing both imports and exports, is a dampening factor. Looking ahead, GDP growth projections align with the broader eurozone trends, with forecasts indicating growth rates of 1.15% in 2025 and 1.36% in 2026. (source: Moody's)
Belgium notes the highest inflation of the eurozone, with a HICP of 4.8% while the average in the eurozone is 2.2% for November 2024. Categories that fueled the rise in consumer prices the most are alcohol & tobacco and housing & electricity. Inflationary pressures however are expected to ease over time, with a gradual decline to 2.9% in 2025 to 1.9% in 2026. (source: Eurostat)
Meanwhile, the labor market has shown stability, with an unemployment rate of 5.63% in 2024. (Source: Moody's) However, a significant challenge remains in reactivating the approximately 526,500 individuals unable to work due to long-term illness, a record figure reported in 2023.

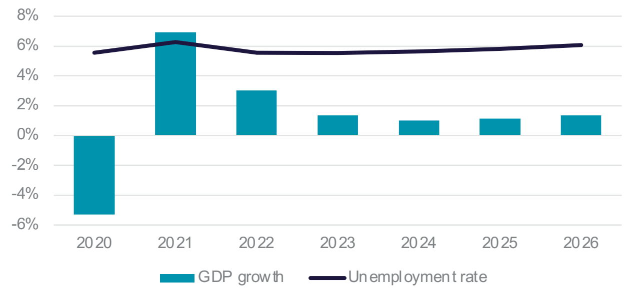
FEDERAL GOVERNMENT FORMATION AND FISCAL CHALLENGES

Economic developments are tied to socio-economic reforms that a new federal government is likely to implement. Since the June 2024 elections, negotiations among potential coalition parties have not yet reached breakthrough. A proposed savings plan of €20 billion for the next legislative period is under discussion. Potential measures, such as a capital gains tax on shares, could influence investment strategies in the real estate sector. Earlier this year, Belgium was placed under an excessive debt procedure by the EU as both public debt and budget deficit surpass the EU limits.

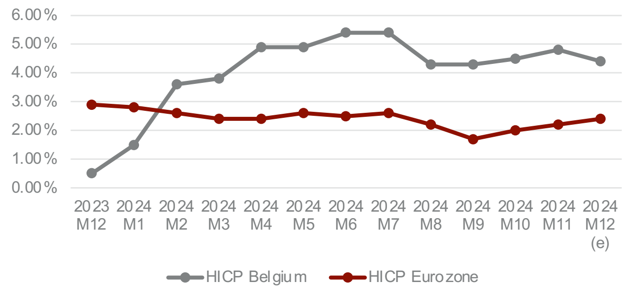
INVESTMENT MARKET AND ECB INTEREST RATES

Stock markets have performed strongly over the past year, with the S&P 500 up 33% and the Bel20 gaining 15% since the start of 2024, but real estate as an investment product has yet to regain widespread investor interest. Activity and transaction volumes in the sector are expected to stabilize in the coming year. The ECB has already reduced interest rates twice in Q4 2024 and is anticipated to lower them further four times next in 2025 as eurozone inflation appears under control. This will improve the leveraging effect on real estate, which can restore transaction volumes.

GDP GROWTH & UNEMPLOYMENT RATE

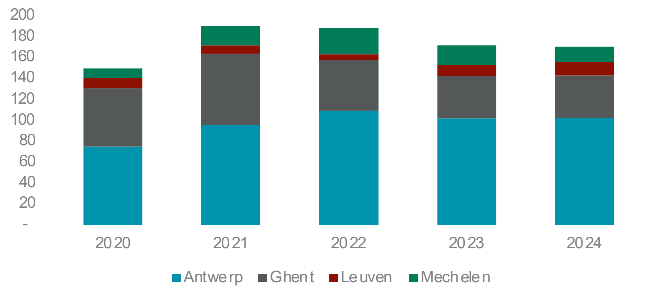


HARMONIZED INDEX OF CONSUMER PRICES

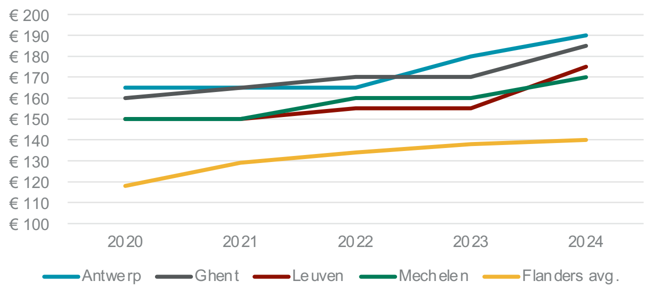


FLANDERS

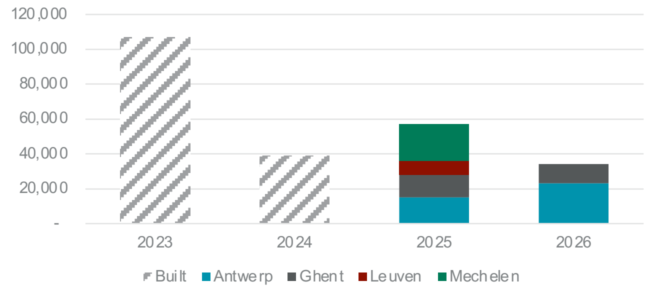
TAKE-UP BY CITY (000S SQ M)



PRIME RENTS (€/SQ M/YEAR)



PIPELINE UNDER CONSTRUCTION



A STABLE YEAR FOR THE FLEMISH OFFICE MARKET

The Flemish office leasing market in 2024 mirrored the performance of the previous year, with demand holding steady despite economic uncertainties. Total take-up reached approximately 217,500 sqm, driven by a particularly active fourth quarter, which accounted for nearly 60,000 sqm of leasing activity.

Antwerp remained the most dynamic submarket, contributing nearly half of the region's total take-up with 102,500 sqm transacted. Ghent followed with a significant share, recording 80,600 sqm or roughly 40% of total activity. Mechelen and Leuven combined accounted for approximately 30,000 sqm of take-up, underscoring their growing importance within the Flemish office landscape.

While the public sector secured the two largest transactions of the year, it accounted for only 10% of the total demand in the Flemish market. This emphasizes the increasing dominance of the private sector, which continues to drive the majority of leasing activity, seeking high-quality and strategically located office spaces to meet business needs.

TENANT DEMAND FOR PRIME SPACES FUELS RENTAL GROWTH

While prime rents appeared stable at the regional level due to stagnation in Antwerp, growth was observed in Ghent and Leuven. Ghent saw an increase in prime rents to €185/sqm/year, while Leuven followed closely with a rise to €175/sqm/year. A notable highlight in Ghent was the transaction at *Léon*, the rehabilitated office project at Veldstraat 88, which achieved a record-breaking rent of €185/sqm/year. This milestone exemplifies the market's capacity to attract tenants willing to invest in premium, modern office solutions.

This upward shift was largely attributed to a significant portion of leasing activity concentrated in Grade A properties, reflecting tenants' ongoing preference for high-quality office spaces.

SUPPLY AND DEMAND BALANCED IN THE FLEMISH MARKET

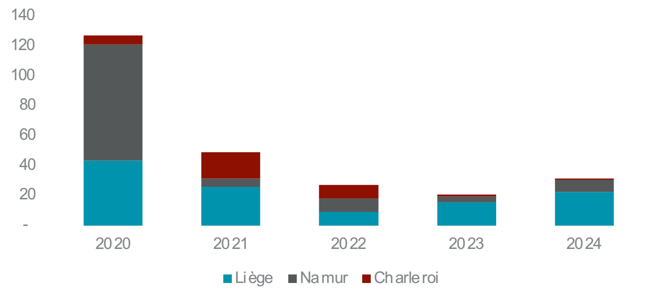
The region experienced a slight uptick in vacancy rates, consistent with national trends. Several key factors contributed to this increase, including subdued demand in some submarkets and the gradual delivery of newly constructed office spaces. Despite this, Flanders maintains a construction pipeline well aligned with market activity levels, suggesting that new office spaces should find tenants relatively swiftly in the coming months.

OUTLOOK

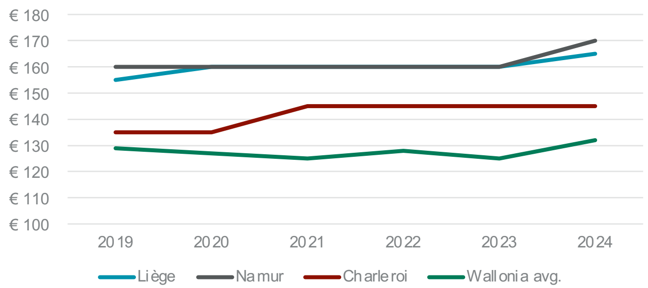
- Looking ahead, activity across the Flemish office market is expected to remain steady, with continued demand for Grade A properties and modern office solutions driving market dynamics. Despite the easing of macroeconomic pressures, leasing volumes are unlikely to see significant increases, as businesses maintain cautious expansion strategies.
- However, the marketing of key new developments in Mechelen and Antwerp is anticipated to sustain demand in these submarkets, further enhancing their market share.
- Additionally, prime rents are anticipated to rise across nearly all submarkets due to top-tier ongoing demand for top-tier office spaces and the limited availability of new Grade A supply, further strengthening the region's leasing market dynamics.

WALLONIA

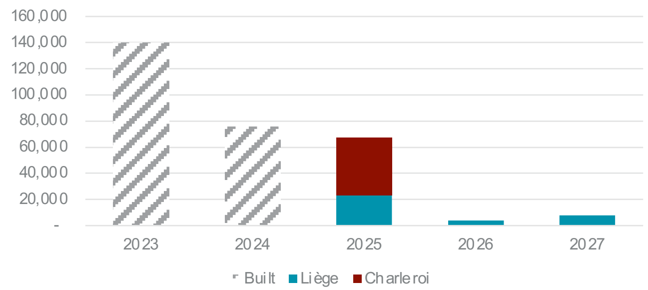
TAKE-UP BY CITY (000S SQ M)



PRIME RENTS (€/SQ M/YEAR)



PIPELINE UNDER CONSTRUCTION



MARKET GAPS WIDEN AS DEMAND PICKS UP IN 2024

The Walloon office leasing market experienced a more active year in 2024, with total take-up reaching 32,000 sqm — a significant increase compared to the 21,000 sq m recorded in 2023. The final quarter of the year witnessed a record-breaking 16,000 sqm of take-up across eleven transactions, led by a strong performance in Liège with 13,000 sqm of take-up. A key driver of this activity was the record-breaking pre-let by NSI of 7,900 sqm in the new *Volta Business Park* development. Demand was primarily driven by the private sector, with public sector activity accounting for only 10% of the total take-up in 2024.

However, growing market disparities became evident, particularly between cities like Charleroi, Namur, and Liège. Charleroi recorded a notably low level of demand, with only three transactions totalling under 1,000 sqm for the entire year, signalling a stagnating market. In contrast, Namur and Liège continued to show more robust leasing activity, demonstrating their appeal to occupiers despite broader regional challenges.

NAMUR LEADS THE MARKET: PRIME RENT HITS €170/SQ M/YEAR

Namur saw a significant rise in prime rents, climbing by nearly €10/sqm/year to reach €170/sqm/year, solidifying its position as the region's most expensive office market. Earlier in the year, Liège had briefly surpassed Namur in prime rent values; however, Namur's recent growth reaffirms its status as the leading office location in Wallonia. Meanwhile, prime rents in Liège and Charleroi remained unchanged, with prime rents remaining stable at €165/sqm/year and €145/sqm/year, respectively.

However, in Liège, new projects are being marketed at asking rents exceeding €200/sq m/year, suggesting significant potential for prime rent growth in the coming months.

NEW SUPPLY MEETS LAGGING DEMAND

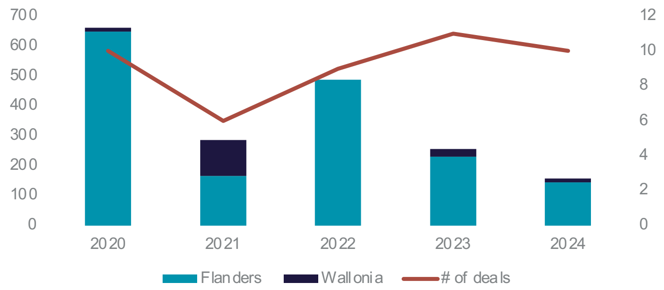
Vacancy rates in Wallonia continued their upward trajectory throughout the year, fueled by low demand and the ongoing addition of new office space. The region currently faces a total construction pipeline of 75,000 sqm, with 30,000 sqm in Liège and 45,000 sqm in Charleroi. The delivery of this new supply is expected to place further pressure on vacancy rates, particularly in Charleroi, where demand remains critically low.

Liège's market appears better positioned to absorb its upcoming supply due to more sustained tenant interest and a relatively stable leasing environment.

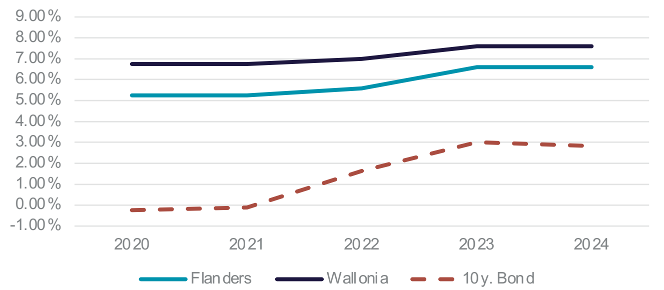
OUTLOOK

- Looking ahead, Wallonia's office market will likely continue to face headwinds as demand slowly recovers.
- Namur and Liège are expected to maintain their stable performance, supported by strong fundamentals and ongoing tenant interest.
- Charleroi, however, faces significant challenges, as its supply pipeline outpaces current demand levels. Strategies to attract new tenants and repurpose existing spaces will be crucial for stabilizing the market and managing vacancy rates effectively.

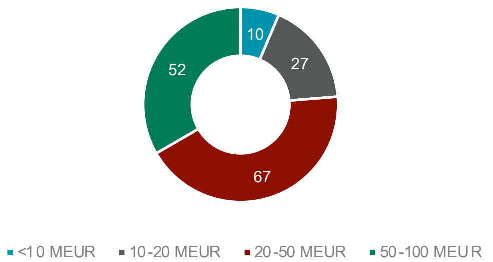
INVESTED VOLUMES (MILLION)



PRIME YIELDS



INVESTED VOLUMES PER LOT SIZE



A RETURN TO LARGER DEALS

The regional office investment market in Belgium displayed a notable rebound in Q4, with €121 million invested across five transactions. This accounted for 75% of the year's total investment volume, which reached €152 million. Despite this surge in activity, the full-year figure reflects a significant 40% decline compared to 2023, underscoring a slow start to the year that was only partially offset by the strong year-end performance.

A key highlight of Q4 was the resurgence of higher-value transactions, marking a shift from the subdued activity seen earlier in the year. The period witnessed the sale of prominent properties, including the *Greenhouse Collection* by Intervest to WorxInvest for about €50 million, Nuhma's acquisition of the *Heros Business Park* for €40 million, and the sale of *AMCA* by Cofinimmo for €27 million. These deals underscored renewed interest in high-quality regional office assets, driven by strategic long-term positioning despite prevailing economic challenges.

YIELD STABILITY AMIDST ECONOMIC SHIFTS

Prime yields remained stable in Q4 at 6.60% in Flanders and 7.60% in Wallonia. The transaction of the *Greenhouse Collection* in Antwerp provided an estimated yield of 6.75%, supporting our theoretical benchmark for prime yields in Flanders. This resilience persisted even as ECB interest rates and 10-year government bond yields declined, highlighting ongoing investor caution. While market activity has been selective, the evolution of prime yields reflects a measured correction, with an increase of 150 bps over recent years.

RESISTANCE TO RATE ADJUSTMENTS

Despite recent reductions in ECB interest rates and a decline in 10-year government bond yields, prime yields have shown resistance to compression. Persistent macroeconomic and geopolitical uncertainties have led investors to adopt conservative pricing strategies, maintaining higher returns to compensate for perceived risks.

Additionally, while borrowing rates have eased slightly, they remain significantly higher than pre-2022 levels, deterring aggressive bidding and limiting yield compression. Refinancing activity offers an additional perspective on market dynamics: the successful refinancing of high-profile assets such as *Tour des Finances* underscores the ongoing appeal of well-located, secure office investments in a challenging financial environment.

OUTLOOK

- Looking forward, the Regional office investment market is expected to face both challenges and opportunities. The easing of ECB rates and declining government bond yields may gradually translate into a mild compression of prime yields, potentially reversing two years of yield expansion. However, this process is likely to be slow, given the cautious sentiment that continues to dominate the market.
- On the investment side, activity is anticipated to recover modestly, driven by a potential resurgence in larger deals and greater investor confidence. However, much will depend on the broader economic recovery and the extent to which financing conditions improve in the coming year.

MARKET STATISTICS Q4 2024

SUBMARKET	INVENTORY (sq m)	AVAILABILITY (sq m)	VACANCY RATE	Q4 2024 TAKE-UP	2024 TAKE-UP	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/year)	PRIME YIELD
Flanders								
Antwerp	2,439,560	131,583	5.39%	27,890	102,469	38,000	€190	6.60%
Ghent	1,136,957	54,396	4.78%	7,086	40,536	25,000	€185	6.60%
Leuven	583,946	26,395	4.52%	3,228	12,724	11,000	€175	7.35%
Mechelen	289,576	n.a.	n.a.	1,200	14,593	22,000	€170	7.35%
Wallonia								
Liège	614,166	21,226	3.46%	13,632	22,581	30,000	€165	7.60%
Namur	615,871	14,449	2.35%	2,810	8,205	-	€170	7.60%
Charleroi	517,680	28,665	5.54%	-	859	45,000	€145	7.85%

KEY LEASE TRANSACTIONS Q4 2024

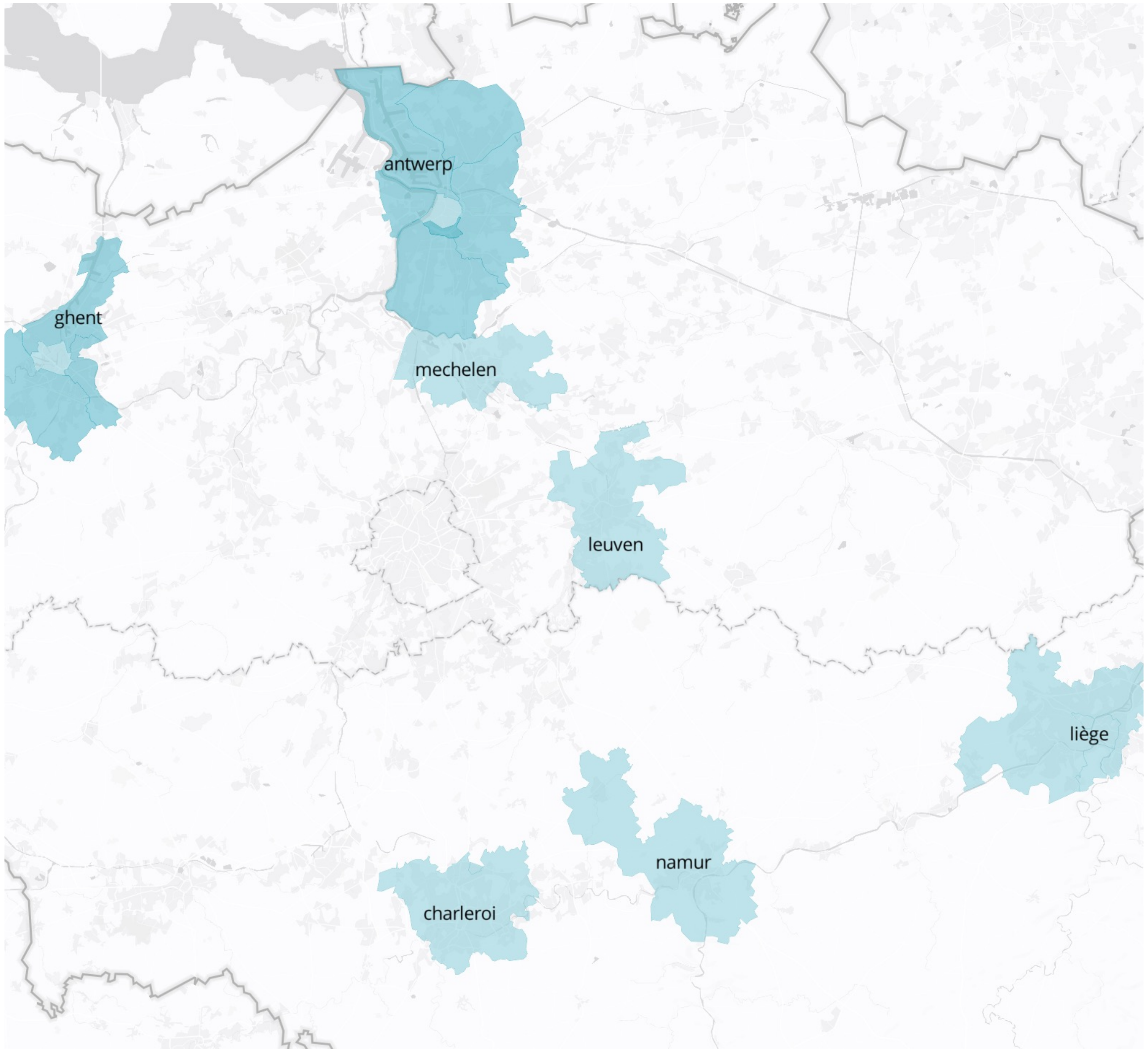
SUBMARKET	PROPERTY	TENANT	SQ M	TYPE
Liège	Volta Business Park	NSI	7,900	Pre-letting
Namur	Camille Hubert 23	Live 4 Life	2,000	Purchase
Antwerp	Montevideo	Facilicom	1,585	Letting
Antwerp	One Roof	Matexi	1,217	Letting
Antwerp	Park Link	AN.i	1,195	Purchase

KEY INVESTMENT TRANSACTIONS Q4 2024

SUBMARKET	PROPERTY	BUYER / SELLER	PRICE (MEUR)	YIELD
Antwerp	Greenhouse Collection	WorxInvest / Intervest	Approx. 50	Approx. 6.75%
Antwerp	AMCA	Heren Group / Cofinimmo	27	8.50%
Leuven	Brusselsesteenweg 62	VGRT / Lovius	2	-

Source: Cushman & Wakefield

OFFICE SUBMARKETS



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