BELGIUM

Office Market Snapshot

Second Quarter | 2017

CUSHMAN & WAKEFIELD

MARKET INDICATORS

Market Outlook

Prime Rents:	Having recently increased, prime rents should remain fairly stable for the next couple of years.
Prime Yields:	Set to decrease at the turn of the year with investors poised to acquire several prime assets.
Supply:	Should grow healthily in most regional markets with speculative deliveries sought-after by occupiers.
Demand:	Expected to by stable, especially with speculative schemes approaching completion, but with some bumps along the way.

Prime Office rents – June 2017

LOCATION	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Antwerp	155	15.5	0.0	0.7
Liege	140	14.5	0.0	3.1
Ghent	150	15.5	0.0	1.4
Mechelen	150	15.5	0.0	1.4
Leuven	145	15.0	0.0	-1.3
Namur	155	16.1	0.0	n/a
Charleroi	120	12.4	0.0	n/a

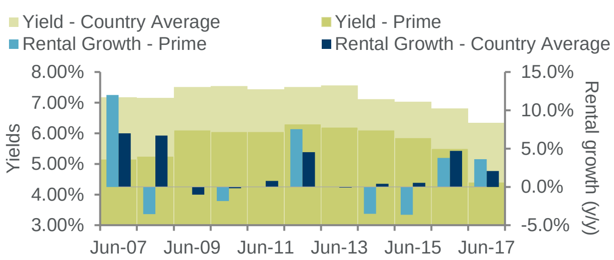
Prime Office yields – June 2017

LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Antwerp	6.85	6.85	7.25	8.00	6.85
Liege	6.75	6.75	7.00	8.75	6.75
Ghent	6.75	6.75	6.75	8.25	6.75

NOTE: The above yields are for typical 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

The momentum generated from the strong end to 2016 has spilled over into H1 2017. Backed by an improving labour market, the unemployment rate dropped to a new five-year low, around 6.9%, while strong economic activity in major trading partners boosts external demand. As a result, GDP growth should pick up to 1.6% this year and 1.5% in 2018. Inflation is forecasted at 2% for 2017 and 1.2% in 2018 while renewed accommodative ECB policy measures until end-2017 will also encourage investments.

Occupier focus

Regional office markets picked up substantially to record 64,000 sq.m of take-up in Q2. This was driven by timely boosts in the key markets of Antwerp and Ghent, and indeed most markets having performed over average. The impending deliveries of speculative projects has proved a crucial driver in Antwerp and a reminder that large occupiers are wont to make the move to quality buildings, should they be available in markets which are crippled by ageing stock and supply. Developers appear to be taking heed of this message as there is a decent and growing pipeline in many markets, including most notably Antwerp where more than 37,000 sq.m will be delivered speculatively in 2018 and 2018. In addition, we note the reconversion and/or refurbishment of several old schemes in these markets in the coming years. The prime rent in regional markets amounts to €155/sq.m/year and can be found in Namur and Antwerp were it has just increased following recent lettings.

Investment focus

Investment volumes in regional markets amounted to a mere €34 million, including an important own-occupation deal by the public sector in Wallonia in the €20-25 million bracket. Investors are beginning to circle around prime buildings which could hit the market at the turn of the year, while several Grade B- and C buildings are also being put up for sale and attracting interest from domestic and foreign investors.

Outlook

Thanks to a growing speculative pipeline, occupational activity should remain stable overall, albeit with some bumps along the way. A subdued investment market could grow substantially in the next 12 months with various types of assets arriving on the market.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Antwerp	2,217,000	206,000	9.3%	37,500	54,000	83,000
Ghent	977,000	56,000	5.77%	13,000	22,000	8,000
Leuven	n.a.	n.a.	n.a.	1,500	5,000	0
Mechelen	n.a.	n.a.	n.a.	2,000	3,500	7,000
Liège	431,000	28,000	6.6%	1,500	6,000	26,000
Namur	431,000	12,000	2.8%	4,000	6,000	17,000
Charleroi	430,500	33,000	7.7%	4,000	5,000	19,500

Source: Cushman & Wakefield

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