

BELGIUM Office Market Snapshot

Third Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Having recently increased earlier this year, 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 be stable, especially with speculative schemes approaching completion, but with some bumps along the way.	▶

Prime Office rents – September 2017

LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Antwerp	155	17.1	14.8	2.8
Liege	145	16.0	3.6	3.9
Ghent	150	16.5	0.0	1.4
Mechelen	150	16.5	0.0	1.4
Leuven	145	16.0	0.0	-1.3
Namur	155	17.1	0.0	n/a
Charleroi	120	13.2	0.0	n/a

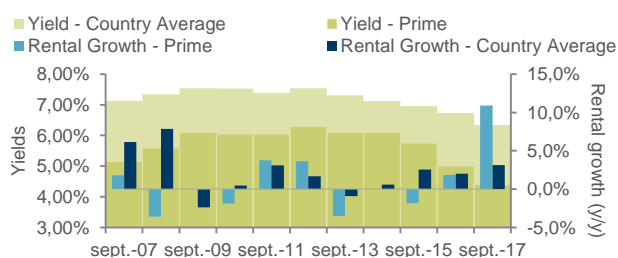
Prime Office yields – September 2017

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Antwerp	6.60	6.60	7.00	8.00	6.60
Liege	6.75	6.75	6.75	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

GDP growth is expected to post a robust 1.7% this year (compared to 1.2% in 2016) and 1.6% in 2018, mainly thanks to the rebound in European trade activity and a firm domestic demand. The unemployment rate continues to decrease to stand at 7.3%. The government's tax shift and labour market reforms should further support employment. Business and consumer confidence ratios follow different paths, the former is on a slight downward movement while the latter is at its best level since 2010.

Occupier focus

Despite a decrease, Q3 take-up amounted to a healthy 56,000 sq m. As well as key markets Antwerp and Ghent, Leuven Liège and Namur came to the fore thanks to a handful of deals for spaces over 3,000 sq m, including in several Grade C buildings. Several speculative projects will soon be delivered and many occupiers have prelet spaces after construction works were initiated. Additionally, large occupiers are expected to make moves throughout markets both in Flanders and Wallonia. The prime rent in regional markets remains stable at €155/sq.m/year and is located in Namur and Antwerp. The prime rent in Liège has increased for the first time since 2012 and now stands at €145/sq m/year.

Investment focus

Regional office markets emerge as an alternative to Brussels where competition is fierce for trophy assets. Indeed international investors are turning towards regional markets where several core assets will be entering the market for handsome yields amid healthy and dependable occupier activity.

Outlook

Occupational activity will benefit from the speculative pipeline, especially since several large occupiers are on the lookout for spaces throughout regional markets. Invested volumes should grow without too much trouble between now and the end of 2018 with products of varying quality arriving on the market. Yields are expected to compress from early 2018 due to the quality and volume of products on the market, which is attracting attention from domestic as well as overseas investors.

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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	2,153,000	203,000	9.4%	19,000	73,000	110,500
Ghent	977,000	48,000	4.9%	10,000	32,000	5,000
Leuven	n.a.	n.a.	n.a.	11,000	16,000	0
Mechelen	n.a.	n.a.	n.a.	0	3,500	7,000
Liège	434,000	27,000	6.2%	10,500	16,500	22,500
Namur	439,000	19,000	4.3%	4,000	10,700	10,500
Charleroi	442,500	25,000	5.7%	700	5,500	8,000

Source: Cushman & Wakefield

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