

BELGIUM Office Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Despite the Namur prime rent having increased to top spot in Q1 the outlook remains stable in most markets. ▶
- Prime Yields: Prime yields are not expected to compress further this year. ▶
- Supply: Occupier demand for new spaces means speculative projects are currently a safe bet if they stick to all the usual provisos. ▼
- Demand: Several large corporate occupiers are on the lookout for new spaces as momentum from 2017 spills over into 2018. ▼

Prime Office rents – March 2018

LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Antwerp (Singel)	155	18.0	10.7	2.8
Liege	150	17.4	7.1	4.6
Ghent	150	17.4	0.0	0.7
Mechelen	145	16.8	-3.3	0.7
Leuven	145	16.8	0.0	-1.3
Namur	160	18.6	3.2	1.3
Charleroi	130	15.1	8.3	-0.9

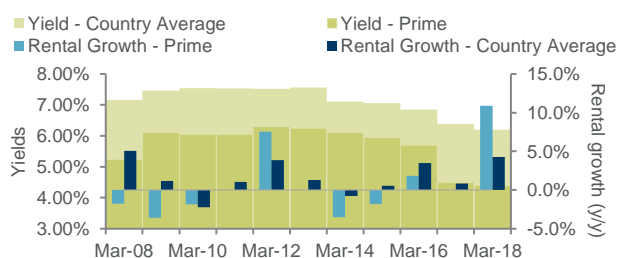
Prime Office yields – March 2018

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Antwerp (Singel)	6.25	6.25	6.60	7.50	6.25
Liege	6.75	6.75	6.75	8.75	6.75
Ghent	6.25	6.25	6.75	8.25	6.25

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

2017 showed the highest GDP growth since the end of the financial crisis, at 1.7%, and a 1.6% growth is awaited in 2018. Employment market continues to improve while the unemployment rate is at 6.7%, its lowest in nearly a decade. The monetary policy remains accommodative, contributing to a positive investment sentiment.

Occupier focus

The spotlight is on Wallonia as regional office markets in 2018 are off to a racing start with the best Q1 take-up in more than five years. Indeed, Wallonia registers 32,000 sq m (vs 41,000 sq m for the whole of 2017), while Flanders also records a very good level of activity (61,000 sq m).

Indeed, almost every single market saw activity soar over its average; key markets Antwerp (22,000 sq m) and Ghent (16,000 sq m) witness sustained demand with the latter benefitting from the future development of Vlaams Instituut voor de Biotechnologie in Zwijnaarde, where Ghent will continue to benefit from its research-oriented initiatives.

Most remarkable though is Charleroi take-up (18,000 sq m) which ranks second among regional markets in Q1 thanks to two large deals involving the FGTB and Solidaris - early indicators that the initiatives aiming to rejuvenate the city centre's office-based activities are paying off.

The prime rent in Flanders (Antwerp) remains stable at EUR 155/sq m/year while the prime rent in Wallonia (Namur) increases to EUR 160/sq m/year as occupiers compete for rare large spaces in the centre.

Investment focus

Investment activity has been somewhat more subdued at the beginning of 2018 with only EUR 19 m of investments recorded. Almost all deals are limited to Flanders apart from the Solidaris purchase for own occupation in Charleroi. The most notable deal was the acquisition by Baltisse of the Century Center offices in Antwerp for upwards of EUR 15 m.

Outlook

The strong start to the year is expected to be sustained as occupiers show interest in new projects across all regional territories. Most activity is expected to continue to stem from corporate occupiers although we do not expect significant net demand for spaces.

An increase of investment volumes will hinge on international players' interest in (off-market) big tickets.

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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	2,243,000	194,000	8.7%	22,000	22,000	139,000
Ghent	1,034,000	59,000	5.7%	16,000	16,000	35,000
Leuven	548,000	n.a.	n.a.	15,000	15,000	6,500
Mechelen	321,000	n.a.	n.a.	7,000	7,000	0
Liège	432,000	n.a.	n.a.	13,000	13,000	17,000
Namur	470,000	n.a.	n.a.	800	800	12,000
Charleroi	438,000	n.a.	n.a.	18,000	18,000	8,000

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	MARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Ex-Fortis Banque	Charleroi	Solidaris	12,000	Purchase
Vlaams Instituut voor Biotechnologie Bio-Incubator + head office	Ghent	Vlaams Instituut voor Biotechnologie	9,500	Development
Left Side Business Park	Charleroi	FGTB	6,000	Pre-letting
Ubicenter	Leuven	Bristol Myers Squibb	5,000	Letting
Ubicenter	Leuven	MC-Square	5,000	Letting
Business Park Loncin	Liège	Ikanbi	5,000	Pre-letting

Source: Cushman & Wakefield

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