

BRUSSELS OFFICES

# Marketview Q4 2023

FIGURES

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CBRE RESEARCH  
Q4 2023

# Despite subdued activity, prime rent rose and vacancy declined in the final quarter

▲ 83,700  
m<sup>2</sup> Take-up

▼ 7.08%  
Vacancy rate

▼ €75.5 mio  
Q4 Brussels office investment

▲ 375 €/m<sup>2</sup>  
Prime office rent

Note: Arrows indicate change from previous quarter

## SUMMARY

- General inflation reached its lowest level in two years in October. It recently registered a slight increase to 1.4% in December. Core inflation continues a overall downward trend.
- Take-up volume picked up in Q4 but ended essentially flat for the year.
- Prime rent increased to a new high of 375 €/m<sup>2</sup>/year after a pre-letting in the Leopold area.
- Vacancy decreased once more to 7.08%, and is now at a cyclically low level.
- Development delays push offices delivery to next year, with a notable pipeline expected.
- Office investment activity in Q4 was weak, concluding at €549 million of investment deals in the Brussels office market in 2023.



## ECONOMY

The Belgian economy grew modestly in 2023. The latest figures from the National Bank of Belgium communicated growth of 1.5% in 2023 and forecast annual growth averaging 1.3% for the coming years. This modest growth does show that there is no recession in Belgium though central banks' monetary policy has weighed on our economy.

Since its last rate hike in September, the ECB has kept its interest rates steady. At the beginning of 2024, the ECB rate on main refinancing operations remains 4.50%, the rate on the marginal lending facility is 4.75% and the rate on the main deposit facility is 4.00%.

Inflation has cooled notably in recent months. General inflation (NICP) for Belgium declined to 1.4% in December 2023. A decline in core inflation (not taking into account price changes in energy and food) is now also noticeable, after its decrease from over 8% at the beginning of the year to 5.5% in December. The European Central Bank forecasts a further downward trend for both general as well as underlying (core) inflation.

10-year Belgian government bonds traded in a range of 3.00% to 3.50% for most of the year, but decreased in the final quarter, to 2.66%. Central bank activity and macro trends have put downward pressure on yields across Europe as well.

What remained resilient throughout 2023, was the labour market in Belgium. Through October 2023, the national unemployment rate was 5.6% and roughly unchanged year-to-date. The National Bank forecasts a similar rate for the next two years.

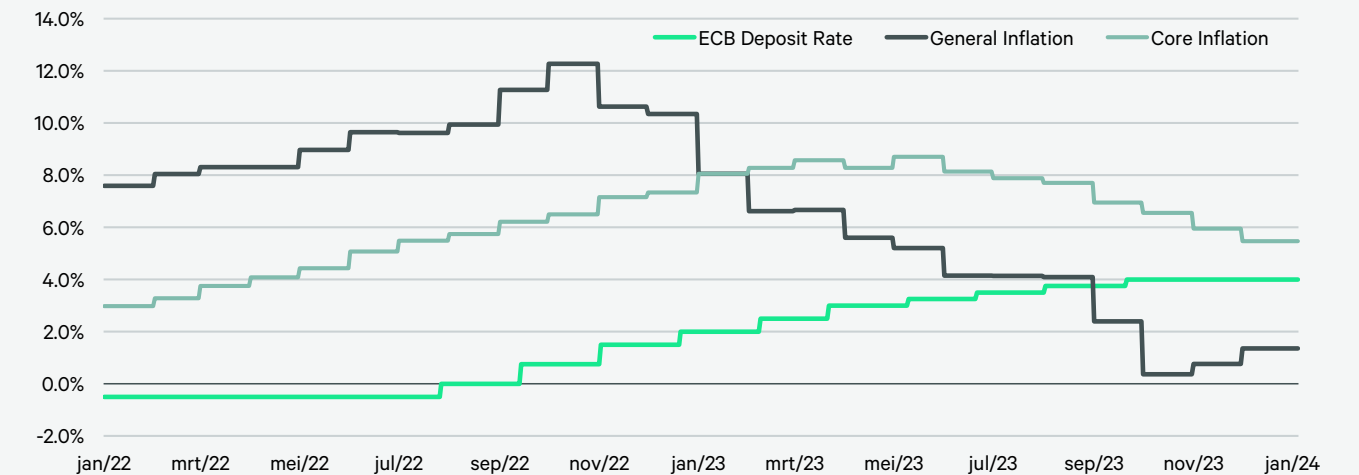
### Belgian economy key metrics (Q4 2023)

Source: European Commission, NBB.Stat



### General Inflation vs Core Inflation vs ECB Deposit rate (December 2023)

Source: CBRE Research



**DEMAND**

Office take-up in Brussels recorded 83,700 m<sup>2</sup> in Q4 of 2023. Overall, this reflects low activity for the second year in a row and is a result of both the higher-interest, macro environment and the appealing market offers. More specifically, the total take-up of 2023 amounted to 312,000 m<sup>2</sup> over more than 300 letting and sales deals. Another outcome is the relatively high percentage of renegotiated contracts, which is the natural result of delayed occupier decision-making.

The most notable deals recorded this quarter were to be found in The Wings, Manhattan, The Louise, Allianz Tower and Pacheco 32:

- First, another notable signing for Ghelamco's recently delivered office building The Wings. Bayer is letting 1,617 m<sup>2</sup>. In the past we have signings with EY, Devoteam, Securitas and Pro League. The Wings is now almost fully let. Along with this deal, Bayer and Ghelamco also concluded an agreement whereby the latter will take over their former headquarters at 14 Jan Mommaertslaan.
- Secondly, in the North district, Consultant Mensura has secured 2,850 m<sup>2</sup> in the Manhattan building. It concerns a long-term 18-year contract that will start as from 2025.
- Third, in the Louise district we saw two other big signings for Patrizia's landmark project The Louise. Charles River Associates (1,048 m<sup>2</sup>) and Gibson Dunn & Crutcher (1,572 m<sup>2</sup>) have taken up office space and will move when the building is completed in mid-2024.
- Next, The Belgian Institute of Postal Services and Telecommunications BIPT-IBPT is moving its offices from the Ellipse building to the Allianz Tower in the North District. It concerns 5,652 m<sup>2</sup> of office space. With this, the Allianz tower is fully let.
- Finally, another public sector letting, Wallonie-Bruxelles Enseignement has secured 9,428 m<sup>2</sup> in Pacheco 32. This pre-letting is the largest lease in two years for the Brussels Centre district.

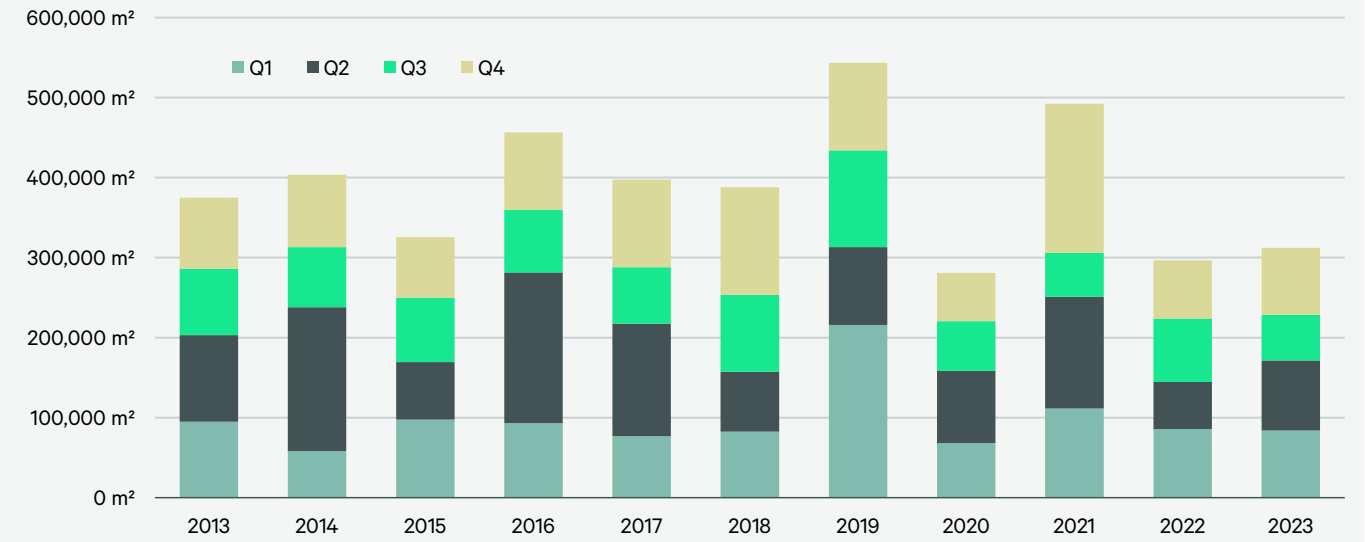
2023 was a year with large public sector lettings and a large interest in the few available grade A spaces. Occupiers delayed their real estate decisions and overall lengthened due diligence. Occupiers are acknowledging higher rents for more efficient, quality space, but the increase in total occupancy costs has been a sticking point for some that has held up or even ended deals all together. Amidst an uncertain economic outlook, the current market environment is not without its challenges.

83,700 m<sup>2</sup>

*in Q4 for Brussels office take-up*

**Brussels office take-up (Q4 2023)**

Source: CBRE Research



**Notable letting & sale transactions in the Brussels office market (Q4 2023)**

Source: CBRE Research

Building	Location	Tenant	Area (m <sup>2</sup> )
Allianz Tower	Brussels North	BIPT - IBPT	5,652
The Louise	Brussels Louise	CRA Associates	1,048
The Wings	Periphery Airport	Bayer	1,716

### VACANCY

Vacant office space decreased to 7.08% of total stock in the Brussels market in Q4. This is equivalent to 886,000 m<sup>2</sup> including 115,000 m<sup>2</sup> of grade A vacancies. Vacancy in grade B and grade C buildings declined compared to the previous quarter while vacant grade A space ticked higher on the back of new completions with available office space.

Office vacancy in the CBD decreased to 3.5% in the last quarter of 2023. Also, the decentralised markets lowered to 9.7%. The peripheral markets remained stable at 17.1%.

The largest CBD vacancies for Q4 include: Admiral Building (18,721 m<sup>2</sup>) Botanic Tower (15,070 m<sup>2</sup>), Manhattan Center (13,579 m<sup>2</sup>), Chancelier (13,439 m<sup>2</sup>) and Regence 52-54 (11,845 m<sup>2</sup>). With some notable exceptions, vacancy is heavily concentrated in older building stock. Chancelier for instance, has been delivered in Q4 and is now close to signing their first tenants.

7.08%

Q4 vacancy is down from last quarter

### CONVERSION

In the last quarter of 2023, developers marked 43,700 m<sup>2</sup> of office space for conversion into alternative uses, bringing the total for this year to just over 66,800 m<sup>2</sup>. Conversion into residential uses remains the dominant option in the market. Regarding this quarter, the following conversions were noted down:

- First, Waterside will be converted into a school campus. Highschool Fransisco Ferrer will move here in the summer of 2025. The current building comprises 12,000 m<sup>2</sup> of office space.
- Secondly, Baltisse acquired Tervuren Plaza. It concerns an acquisition of 9,200 m<sup>2</sup> of office space where 2,400 m<sup>2</sup> would be converted into a medical centre and the rest into high-end flats.
- Third, Befimmo will repurpose the former Beobank headquarters on Plaine 1. The 11,400 m<sup>2</sup> of office space are now planned be converted into a school campus, with additional sports infrastructure, a theatre hall and a multipurpose room.

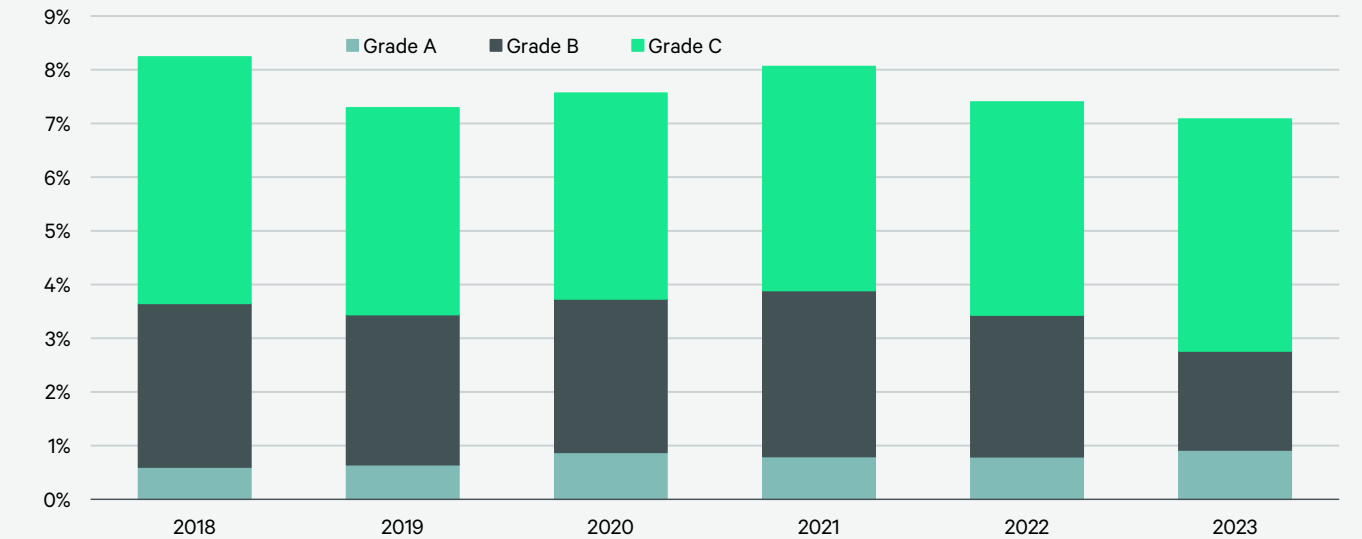
Other assets that were marked for conversion recently were Europa building, Bourget 20 and Beyaert.

43,700 m<sup>2</sup>

Office space marked for conversion in Q4 2023

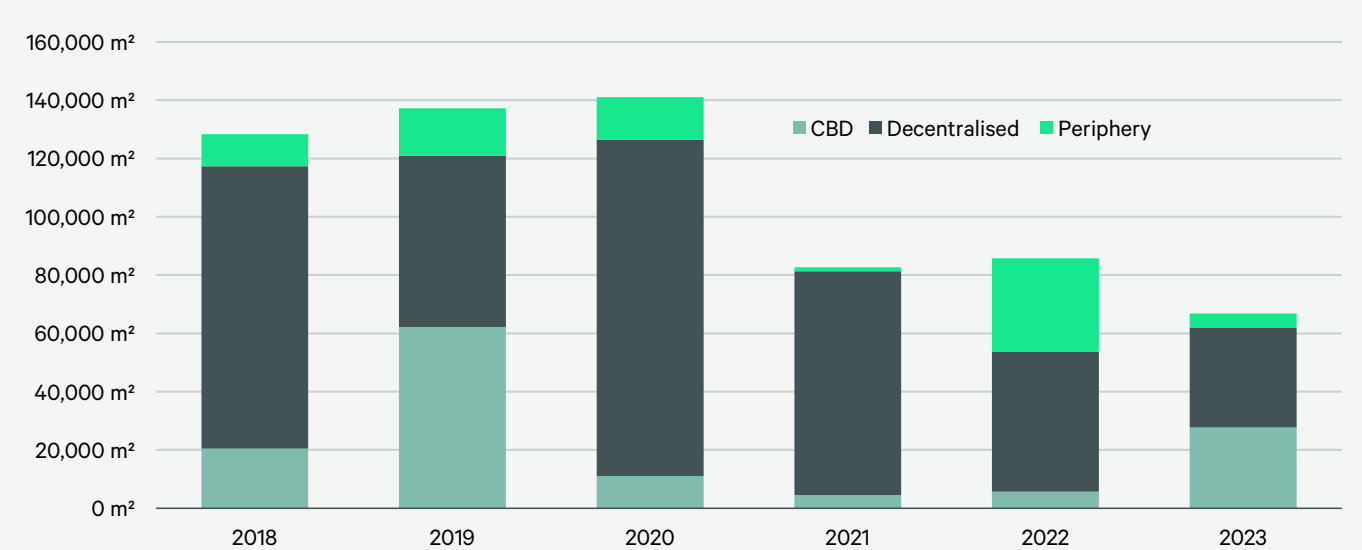
Brussels office vacancy rate (Q4 2023)

Source: CBRE Research



Brussels office conversion (Q4 2023)

Source: CBRE Research



**DEVELOPMENT**

In Q4, some 58,000 m<sup>2</sup> of development was completed, bringing the total delivery amount for this year to 122,000 m<sup>2</sup>. This figure is lower than the previous years and also lower than what was expected at first. Some projects have seen their delivery dates pushed back such as The Meadow in the Periphery Airport and Deux Gares 80-82 in Brussels South.

Still, some notable completions can be confirmed with the Wings of Ghelamco (29,000 m<sup>2</sup>) in the Periphery Airport and Chancelier of Codic (15,400 m<sup>2</sup>) in Brussels Centre.

The office development pipeline for 2024 has therefore swelled to 286,000 m<sup>2</sup> of projected office completions, of which 120,000 m<sup>2</sup> (42%) is still available. In 2025, we expect 184,000 m<sup>2</sup> to be completed, of which most buildings are still to be commercialised.

The anticipated pipeline for the upcoming year has some landmark buildings that are to be completed, including The Louise (33,000 m<sup>2</sup>) of Patrizia and the ZIN/Belpaire Building (75,800 m<sup>2</sup>) of Befimmo.

58,000 m<sup>2</sup>

*Brussels office development in Q4 2023*


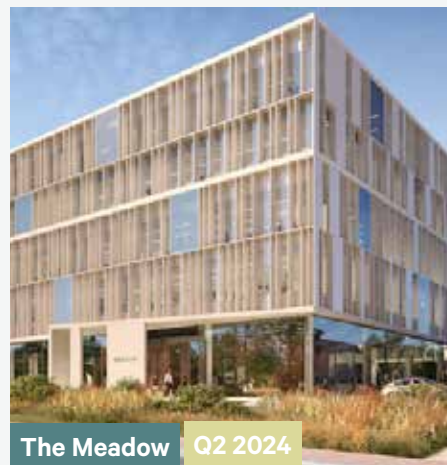

**Brussels office development (Q4 2023)**

Source: CBRE Research



**Brussels expected office developments in 2024**

Source: CBRE Research

 <p><b>ZIN/Belpaire</b> Q1 2024 Befimmo 75,800 m<sup>2</sup></p>	 <p><b>3 Linden Business Park</b> Q1 2024 Resolve 2,830 m<sup>2</sup></p>	 <p><b>Deux Gares 80-82</b> Q1 2024 ViRiX 23,500 m<sup>2</sup></p>	 <p><b>The Louise</b> Q2 2024 Patrizia 33,000 m<sup>2</sup></p>	 <p><b>The Meadow</b> Q2 2024 Odebrecht 13,500 m<sup>2</sup></p>	 <p><b>Montoyer 10</b> Q4 2023 Cofinimmo 6,300 m<sup>2</sup></p>
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## RENTS

Overall prime rent in Brussels increased during Q4 after a new pre-letting was signed in the Leopold area at a facial rent of 375 €/m<sup>2</sup>/year. Prime rents were stable in all other CBD submarkets, but select new developments are also there challenging these levels.

The prime rent in decentralised markets remained stable at 195 €/m<sup>2</sup>/year in Q4 after an increase last year. The same dynamic holds for the Periphery Airport.

Weighted average rents have also been increasing in 2023. The Centre and Louise districts this quarter in particular, because of some big transactions in grade A buildings. The Leopold and North district remained stable q-o-q at 242 €/m<sup>2</sup>/year and 215 €/m<sup>2</sup>/year respectively.

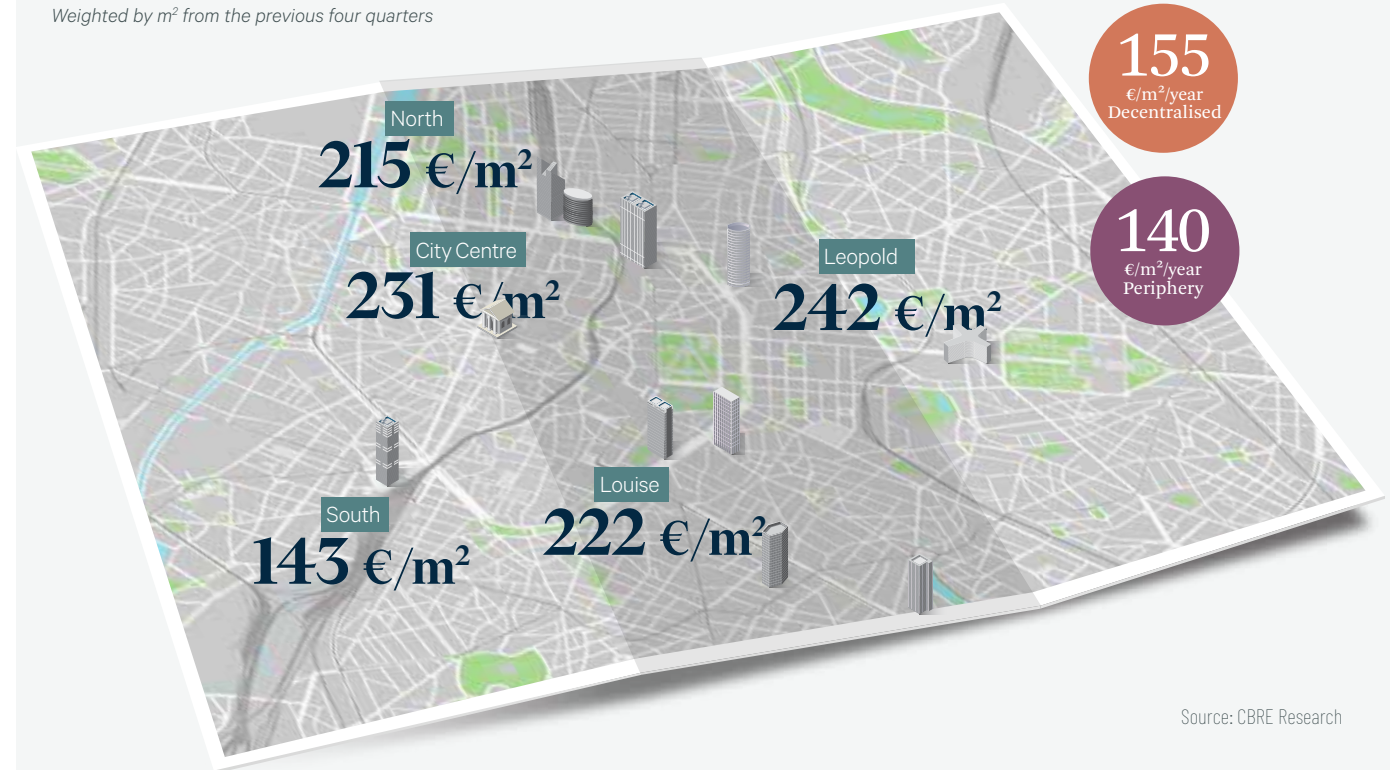
Rents in grade B & C buildings can be subject to change in markets that have higher levels of vacancy, particularly in buildings that are lagging in terms of capital improvements. Overall, demand for quality office space, limited new speculative development and higher construction costs remain the driving factors behind rental increases in most of the Brussels submarkets.

# 375 €/m<sup>2</sup>

Office prime rent for the Brussels market increased in 2023

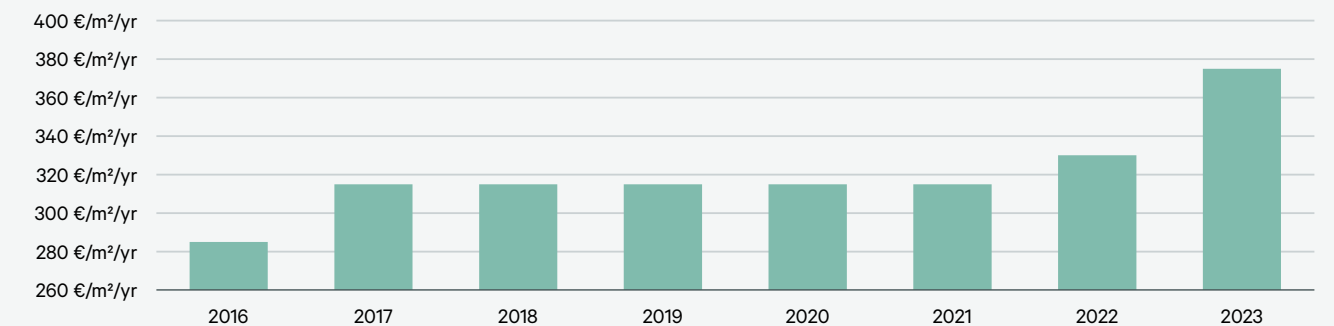
### Weighted average rents for offices in Belgium (Q4 2023)

Weighted by m<sup>2</sup> from the previous four quarters



Source: CBRE Research

### Prime rent evolution (2016-Q4 2023)



## INVESTMENT

Total CRE investment in Belgium declined to €2.5 billion in 2023. This is a 71% fall when compared to the record year in 2022. The increasing and high interest rate environment clearly took its toll on the investment market this year. Just three deals of €100 million or more were recorded across all asset types. Brussels offices - normally the cornerstone of the investment market - accounted for just 22% of the total, or €549 million, versus a normal year of 43%. Domestic investment was overrepresented, as cross-border - and German funds in particular - regrouped on the sidelines. Well-funded opportunistic and value-add buyers thrived in the uncertain market, closing notable off-market deals.

# €549 mn

*Office investment closed in Brussels during 2023*

Q4 contributed €75.5 million of office investment deals to the total volume:

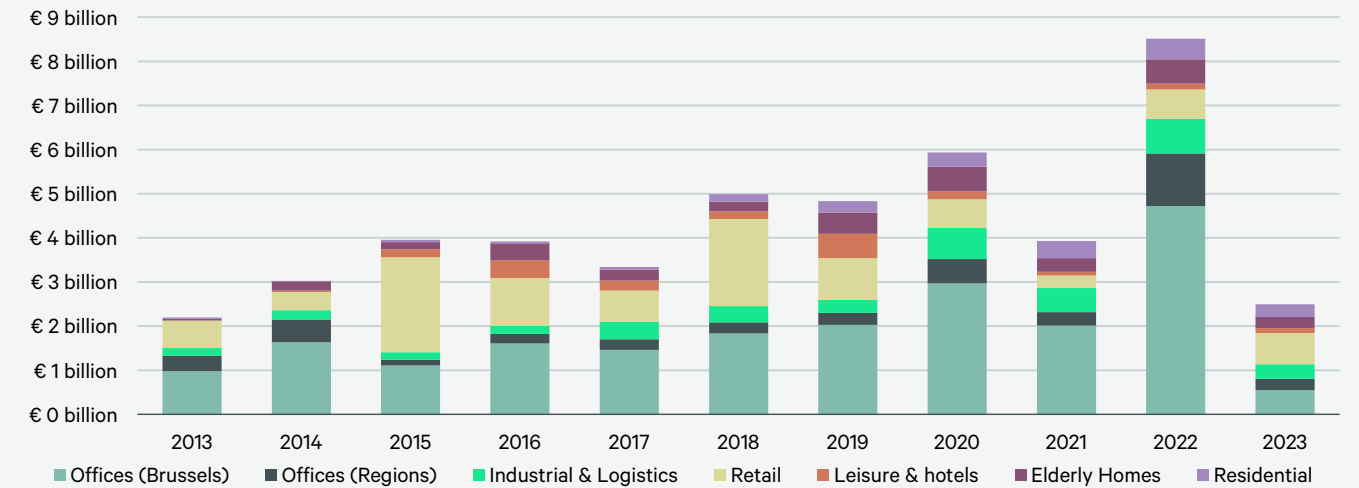
- Insurer P&V completed the sale of the Royal Center building at 170 Rue Royale just before the end of the year. Growners took over both office and retail space. It concerns a 1997 development with 17,000 sqm of office space, 3,500 sqm of residential and 1,300 sqm of retail.
- Cofinimmo also completed a sale by the year-end - Park Hill in Diegem. Property investor License To Construct is the acquirer. Park Hill concerns a development from the year 2000 with a total of 16,500 m<sup>2</sup> of office space. It has been experiencing growing competition with all the new developments in the off-airport market such as The Wings, Park 7, The Campus...
- Besides the previously discussed letting deal Ghelamco struck with chemical giant Bayer, an agreement was also found for the acquisition of their former headquarters at 14 Jan Mommaertslaan, not so far from The Wings. This concerns a 10,000 m<sup>2</sup> office building built in 2009. Given that the building is in good condition and meets high sustainable standards, it is expected to return to the market soon.

Yields have been put under upward pressure in 2023. Prime office investment yields are now estimated at 5.25% for standard-length leases, while those for long-term contracts are estimated at 4.75%.

Looking ahead, policy interest rates look as if they have peaked, and values are expected to stabilize in 2024. Against a backdrop of (weak) economic growth, the property investment landscape should improve this year.

Total CRE investment in Belgium (Q4 2023)

Source: CBRE Research



Brussels recent investment transactions (Q4 2023)

Source: CBRE Research

<b>Royal Center</b>	<b>Brussels Centre</b>	<b>Park Hill</b>	<b>Periphery Airport</b>	<b>Jan Mommaerts 14</b>	<b>Periphery Airport</b>
Growners	17,000 m <sup>2</sup>	License To Construct	16,500 m <sup>2</sup>	Ghelamco	10,000 m <sup>2</sup>

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