

BRUSSELS OFFICES

Marketview Q1 2024

FIGURES

CBRE RESEARCH
Q1 2024

Occupants and investors wait and see from the sidelines

▼ 49,700
m² Take-up

▲ 7.46%
Vacancy rate

▼ €0 mio
Q4 Brussels office investment

▶ 375 €/m²
Prime office rent

Note: Arrows indicate change from previous quarter

SUMMARY

- General inflation increased in Q1 to 3.18% Core inflation continued its overall downward trend.
- Take-up volume at 49,700 m² was low and approximately 60% of a typical first quarter.
- Prime rents remained stable at 375 €/m²/year. Notable developments, however, are putting pressure on the prime rents in various submarkets.
- Vacancy increased to 7.46%, mainly driven by availability in grade C office buildings.
- Development volume was high with the completion of the ZIN project. The 2024 outlook includes a substantial pipeline.
- Core office investment activity was absent in Q1. Some conversion and opportunistic deals were closed.



ECONOMY

The Belgian economy continues to show resilience, growing from public and private consumption as well as net exports at the end of last year. While the growth outlook remains uninspiring at 1.2% to 1.5% annually for the coming years (NBB Survey), it is well above the projected Euro area expectations.

The ECB did not adjust interest rates in their latest April meeting. Therefore, the key financing rates for main refinancing operations remain 4.50%, the rate on the marginal lending facility is 4.75% and the rate on the main deposit facility is 4.00%. For now, markets still expect rate cuts later this year.

After falling precipitously from its relative high, general inflation (NICP) rebounded in Belgium in early 2024 to 3.2% in March. Core inflation (not taking into account price changes in energy and food) has followed a more consistent trend, decreasing each month since May 2023 (8.7%) through March 2024 (3.9%). Headline inflation is expected to remain under control and cool for the coming years (NBB Survey).

The 10-year Belgian government bond has stabilised through the first quarter of the year, floating just under the 3% mark during this time.

At the end of 2023, the national unemployment rate was 5.5% and roughly unchanged for the year. The National Bank forecasts a similar rate for the next two years.

Looking at the employment rate for Belgium, 72.1% of the working-age population was working at the end of the year. This is a small uptick year-over-year. Statbel states that this amounts to 4,879,000 people working aged 20 to 64 years. Belgium has targeted an ambitious employment rate of 80% by 2030. To achieve this goal, an additional 550,000 20 to 64 year olds will need to work, which will further support the labour market.

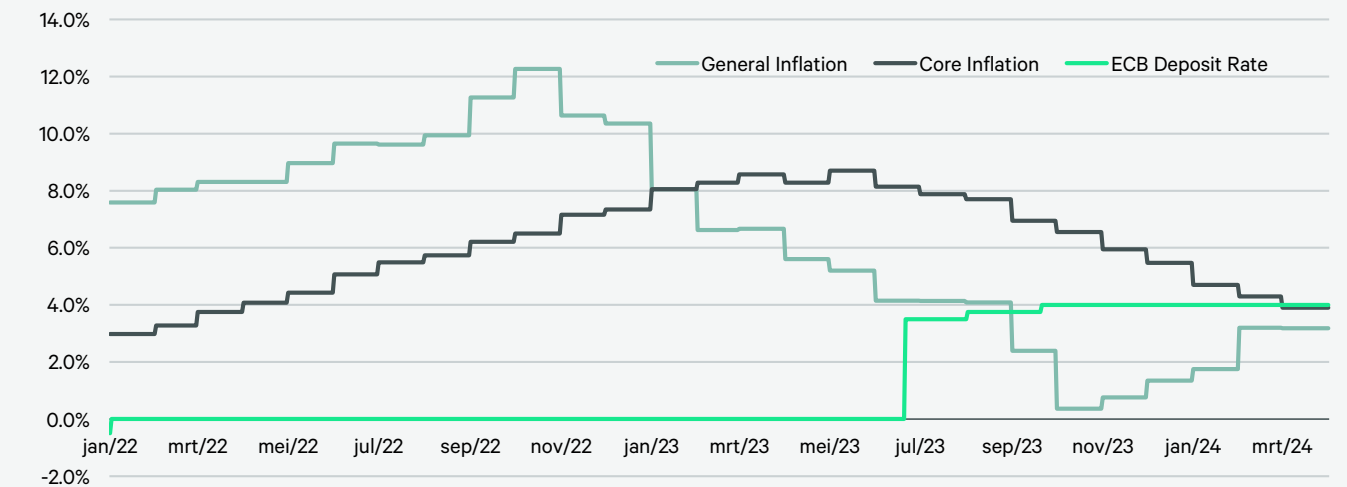
Belgian economy key metrics (Q1 2024)

Source: European Commission, NBB.Stat



General Inflation vs Core Inflation vs ECB Deposit rate (March 2024)

Source: CBRE Research



DEMAND

Office take-up in Brussels recorded 49,700 m² in Q1 of 2024. This is close to 60% of a typical first quarter that frequently achieves more than 80,000 m². Deal count was closer to normal, meaning the average transaction size was on the lower side, with just one deal greater than 5,000 m². That said, at least two large deals are expected to close in Q2 to help balance out the slower start to the year.

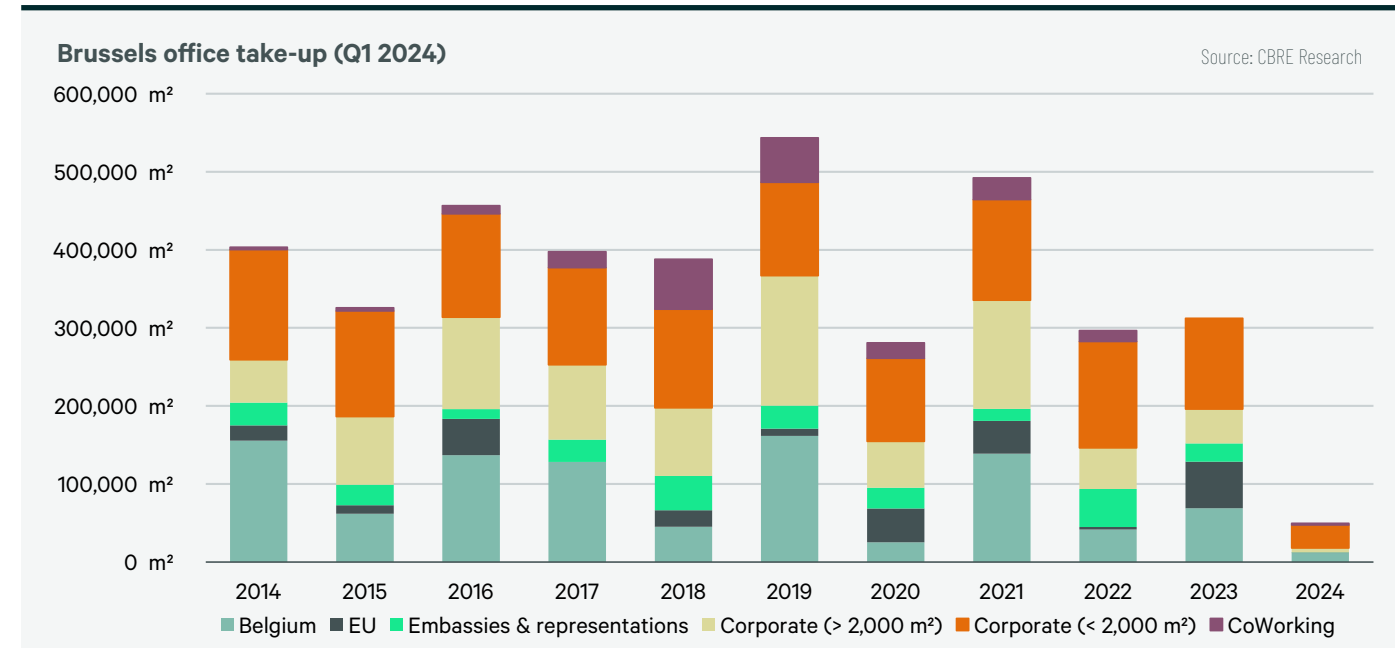
The lower take-up is a result of the timing of certain deals - particularly in the public sector - and lingering uncertainty around the macro environment. While the former dynamic will receive a boost shortly, the latter has led to an overrepresentation of office space renegotiations since the beginning of the interest rate hike cycle. The relatively resilient Belgian economy and need for better-performing and more energy efficient offices, though, should be supportive of continued office activity this year.

The most notable deals recorded this quarter were to be found in the Brussels Centre and Decentralised South-West districts:

- At the start of the year, two deals were recorded in the newly-delivered Chancelier office from Codic. One is the law firm Latham & Watkins leasing the top three floors (4,139 m²). The second is IWG securing the first two floors (2,179 m²), making it the first significant coworking expansion in Brussels since 2022. Due to its central location and accessibility, office space in Chancelier is currently attracting a lot of interest.
- The largest single transaction of the quarter was ULB (Université libre de Bruxelles) securing 9,250 m² in Lombard 34-42. It concerns old offices that will be renovated by Eaglestone and ION. Pending construction works, ULB will temporarily rent this building.
- A third notable deal could be found in the Decentralised South-West district. More specifically, Reckitt Benckiser will lease 1,861 m² in the grade A White Angle office building that is part of Atenor's City Dox urban renewal project.

49,700 m²

in Q1 for Brussels office take-up



VACANCY

Vacant office space increased to 7.46% of total stock in the Brussels market in Q1. This is equivalent to 930,000 m² including 103,000 m² of grade A vacancies. Vacancy in grade A decreased slightly but increased for grade B and grade C buildings compared to the previous quarter, resulting in a higher vacancy rate.

Office vacancy in the CBD decreased to 3.8% in the first quarter of 2024. The Decentralised and Peripheral markets increased to 10.3% and 18.6%, respectively, on the back of new commercialisations such as Ypso (15,000 m²) and Park Station (11,200 m²).

The largest CBD vacancies for Q1 2024 include the Admiral Building (18,721 m²), Botanic Tower (17,685 m²), Manhattan Center (13,579 m²) and Regence 52-54 (11,845 m²).

7.46%

Q1 2024 vacancy is up from last quarter

CONVERSION

In Q1 of this year, developers marked 53,000 m² of office space for conversion into alternative uses, mostly into residential. This is a strong start to the year and highlights the continued appetite for opportunistic deals. Regarding this quarter, the following conversions were noted down:

- While initially planned for an office renovation, Atenor's Beaulieu 1-11 buildings (formerly housing the European Commission) are now being considered for a predominantly residential mixed-use project.
- Secondly, Royal 138 of Eaglestone is going to be converted into a residential use. Originally 9,313 m² of office space, Eaglestone acquired the building last year from HIH global, a German investor.
- Finally, Hermann Debroux 44-46 was sold by Cofinimmo to E-maprod in Q1. This 9,700 m² office building will reportedly be redeveloped into 83 apartments.

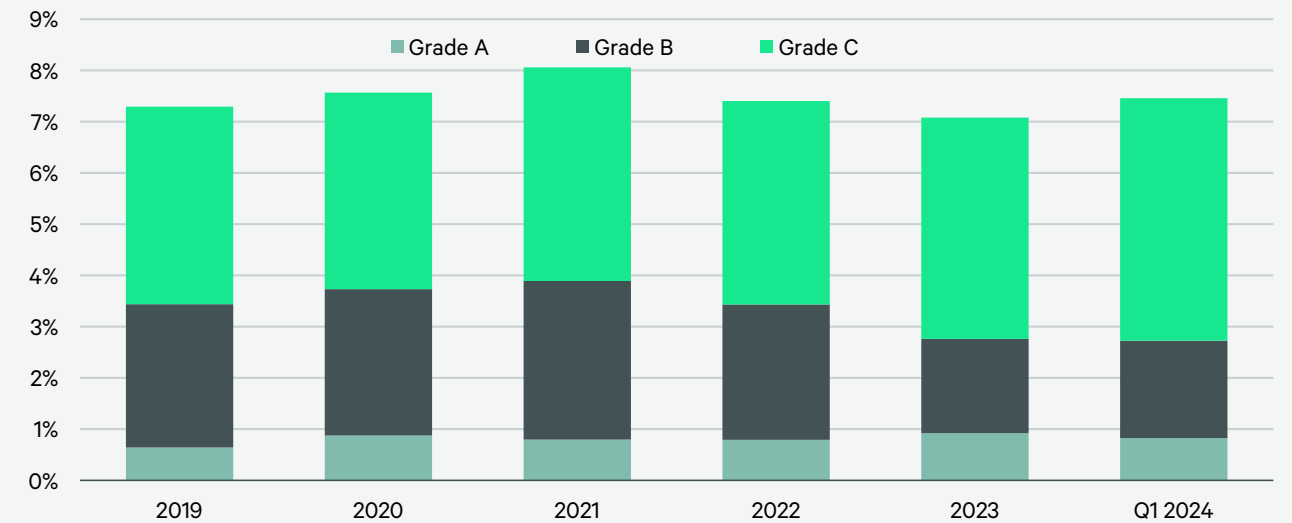
Other smaller office buildings that were marked for conversion recently were Berchem Technology Center and La Val Duchesse alongside Vorstlaan 360.

53,000 m²

Office space marked for conversion in Q1 2024

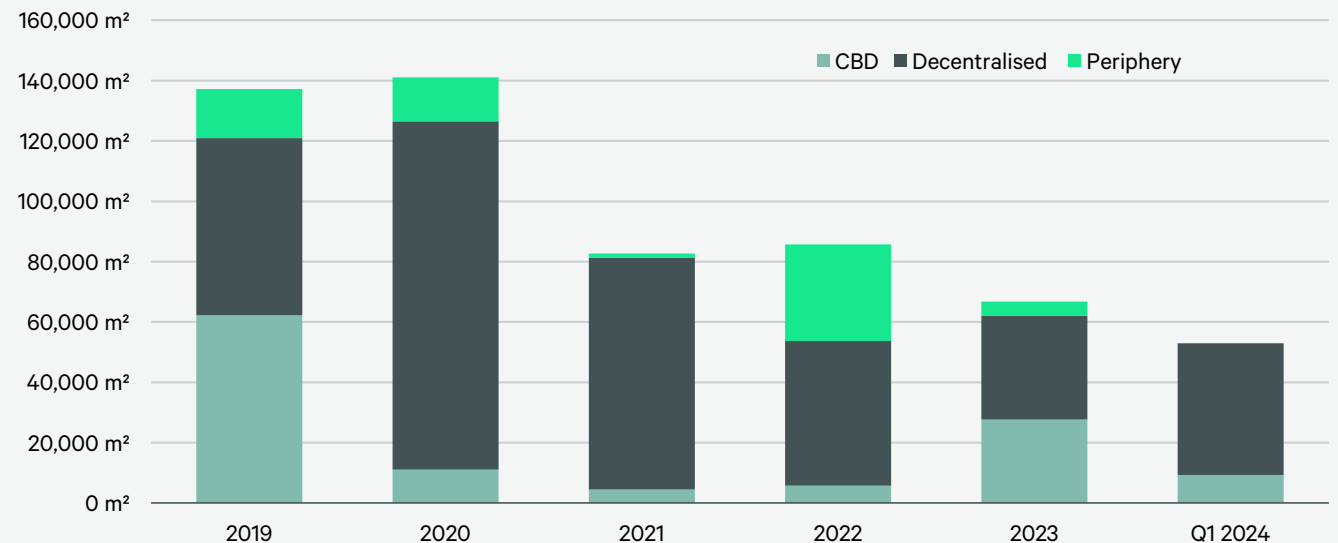
Brussels office vacancy rate (Q1 2024)

Source: CBRE Research



Brussels office conversion (Q1 2024)

Source: CBRE Research



DEVELOPMENT

In Q1, some 90,000 m² of development was completed. This significant volume of office completions is just the start of a busy year for office development.

The largest office delivery this quarter was in the North district:

- The ZIN project of Befimmo in the North district was finally completed in Q1. This landmark tower has 75,900 m² of office space leased to the Flemish government. In addition to offices, the building also includes a Silversquare coworking space, a hotel and 14,307 m² of residential space. The multifunctional role that the building fulfills should serve as a pioneer for renewal in the North district.
- Next, the Esprit Courbevoie residential project in Louvain-la-Neuve, a collaboration between Besix RED and Thomas & Piron, has been completed. In addition to the residential space, 8,500 m² of office space has also been developed.
- Furthermore, a first phase of the Drie Linden Business Park was delivered, representing 2,830 m² of office space. Drie Linden Business park, located on Belgicastraat, will consist of 18,000 m² of offices and storage space spread over four buildings. It will welcome Hitachi Belgium as a first occupant.
- Finally, in the Leopold quarter, Joseph II 12-14 was completed. This building is now going to be occupied by the Embassy of Slovenia. Developer Alides closed this agreement in 2022 in which they also secured the previous Slovenian embassy, Commerce 44.

Some projects have seen their delivery dates pushed back, such as The Meadow in the Periphery Airport, Deux Gares 80-82 in Brussels South and also the Precedent in the Louise District. All should still be delivered in 2024, however.

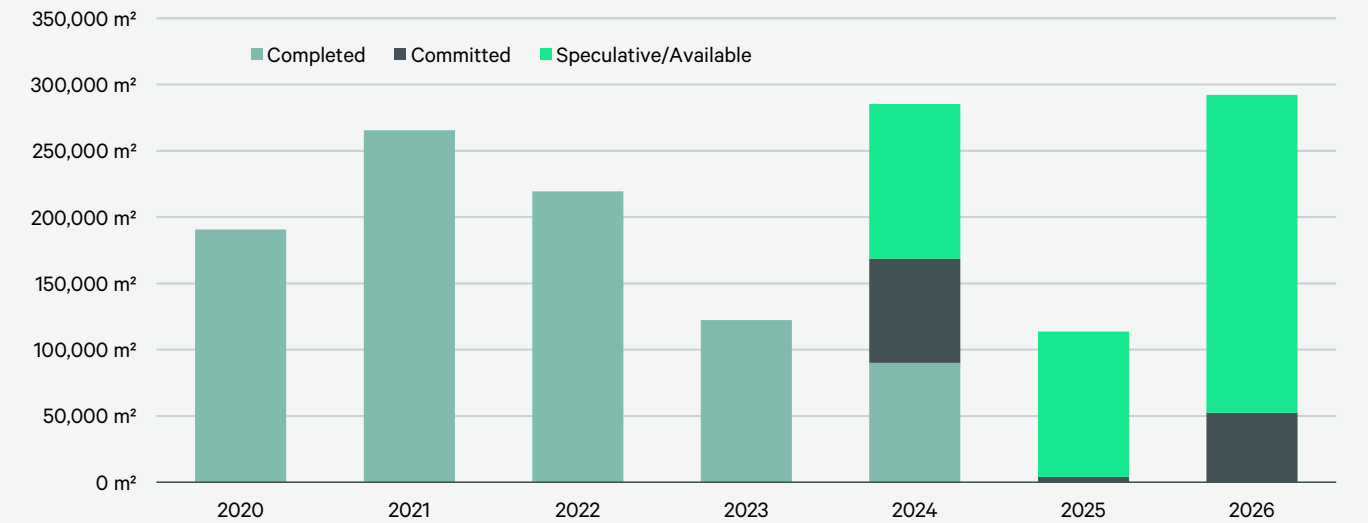
The remaining office development pipeline for the year is still large with 195,000 m² of projected office completions, of which 116,800 m² (60%) is still available. In 2025, we expect 114,000 m² to be completed, of which most buildings are still to be commercialised.

90,000 m²

Brussels office development in Q1 2024

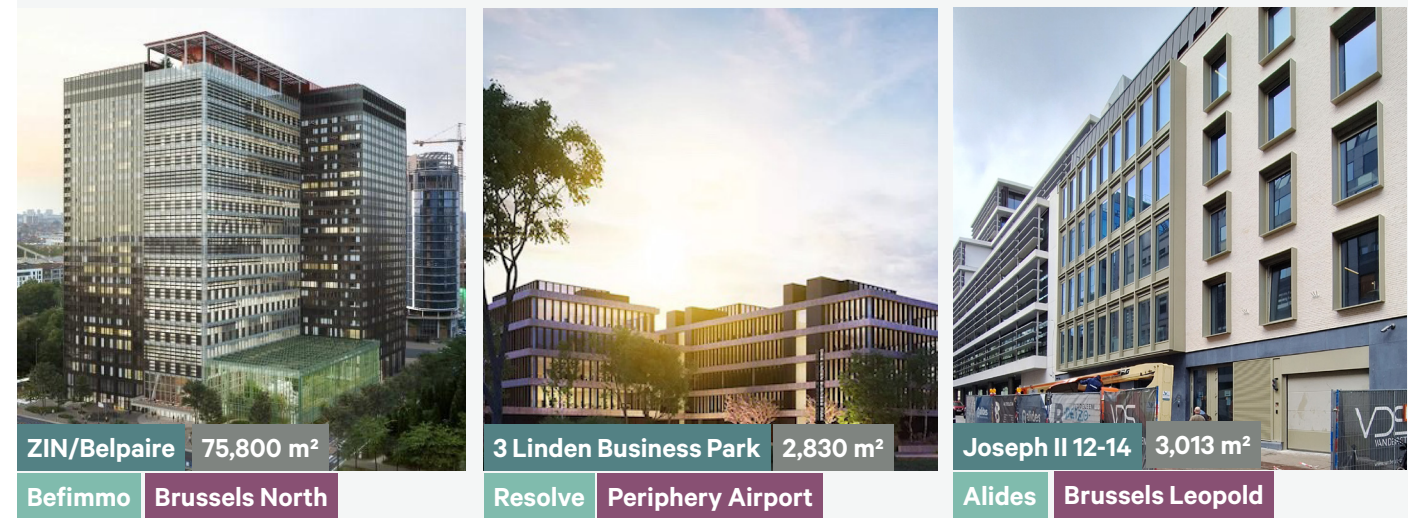
Brussels office development (Q1 2024)

Source: CBRE Research



Brussels office completions in Q1 2024

Source: CBRE Research



RENTS

Overall, prime rent in Brussels remained stable this quarter. However, new developments are challenging the current prime rents in various Brussels submarkets. This was already demonstrated the previous quarter after a new pre-letting was signed in the Leopold area at a facial rent of 375 €/m²/year.

In the Centre and Louise districts, new developments have now joined the Leopold district in achieving facial rents above 300 €/m²/year.

The prime rent in decentralised and peripheral markets remained stable but also here are new developments marketed at rents above our current prime, especially in the Airport and Decentralised South-East districts. Weighted average rents have increased in 2023, and, due to the low amount of transactions, these have not changed significantly compared to last quarter.

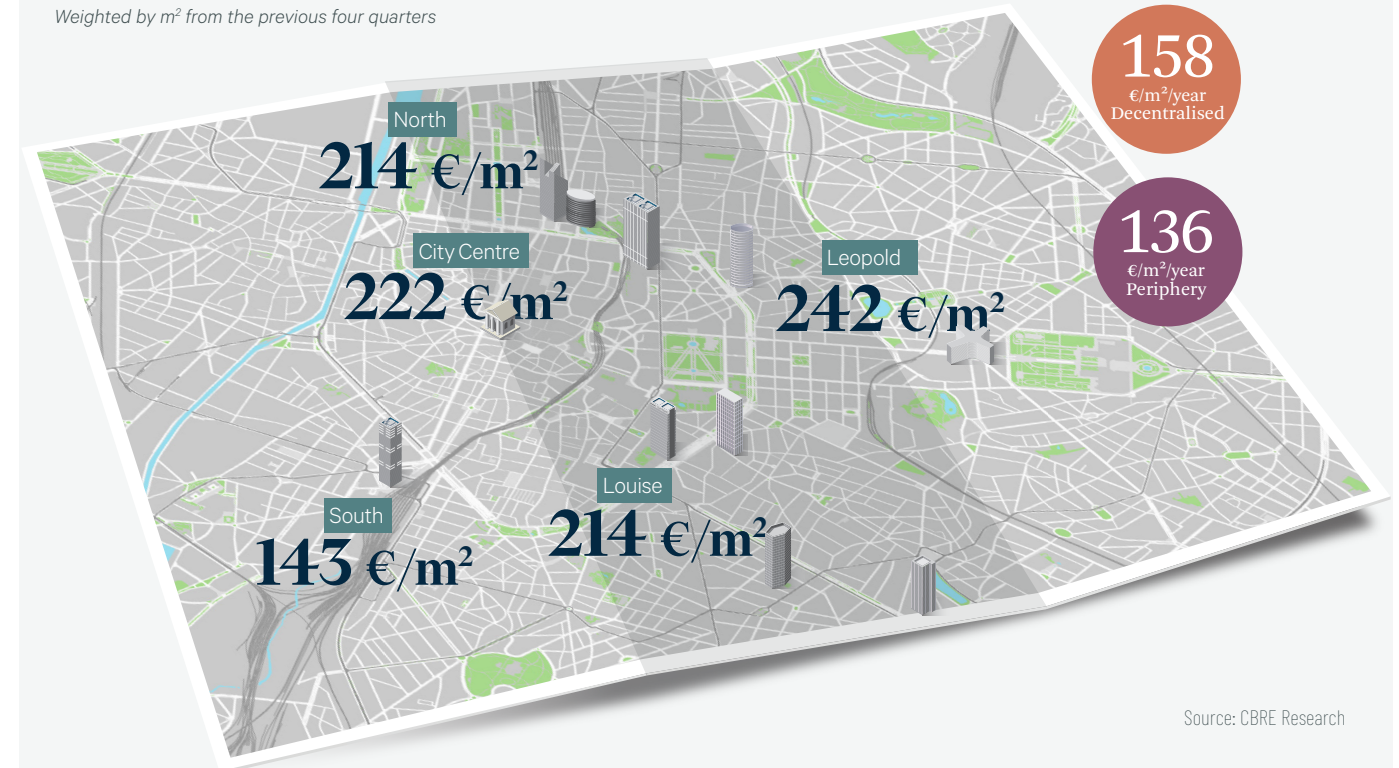
Rents in grade B & C buildings can be subject to change in markets that have higher levels of vacancy, particularly in buildings that are lagging in terms of capital improvements. Overall, demand for quality office space, limited new speculative development and higher construction costs remain the driving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

375 €/m²

Current office prime rent for the Brussels market

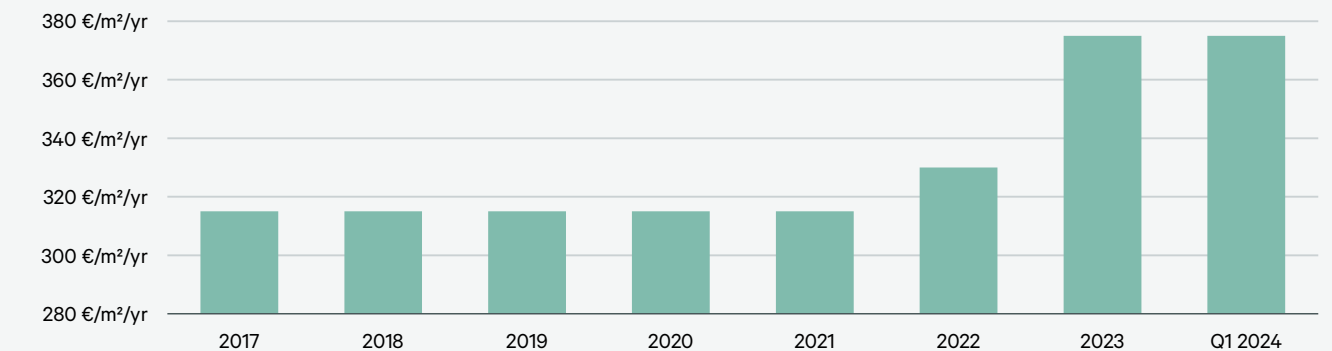
Weighted average rents for offices in Brussels (Q1 2024)

Weighted by m² from the previous four quarters



Source: CBRE Research

Prime rent evolution (2017-Q1 2024)



INVESTMENT

Total CRE investment in Belgium in Q1 2024 was €1.5 billion, boosted by the TPG Real Estate acquisition of B-REIT Intervest Offices & Warehouses. However, no notable Brussels office deals were closed in the first quarter.

Core office asset investment in Brussels is still depressed. The current macro environment of higher interest rates with an expectation of a rate cut later this year is putting bid-ask spreads under pressure. Additionally, international (institutional) investors who normally seek these assets have been quiet.

Currently, the market is being driven by local investors and those with the cash to secure opportunistic deals at favorable yields. Purchases for the conversion to alternative uses remains popular, as does older buildings ripe for upgrades and capital improvements. Cityforward's interest in the acquisition of 21 buildings in the Leopold area currently owned by the European Commission is one such example.

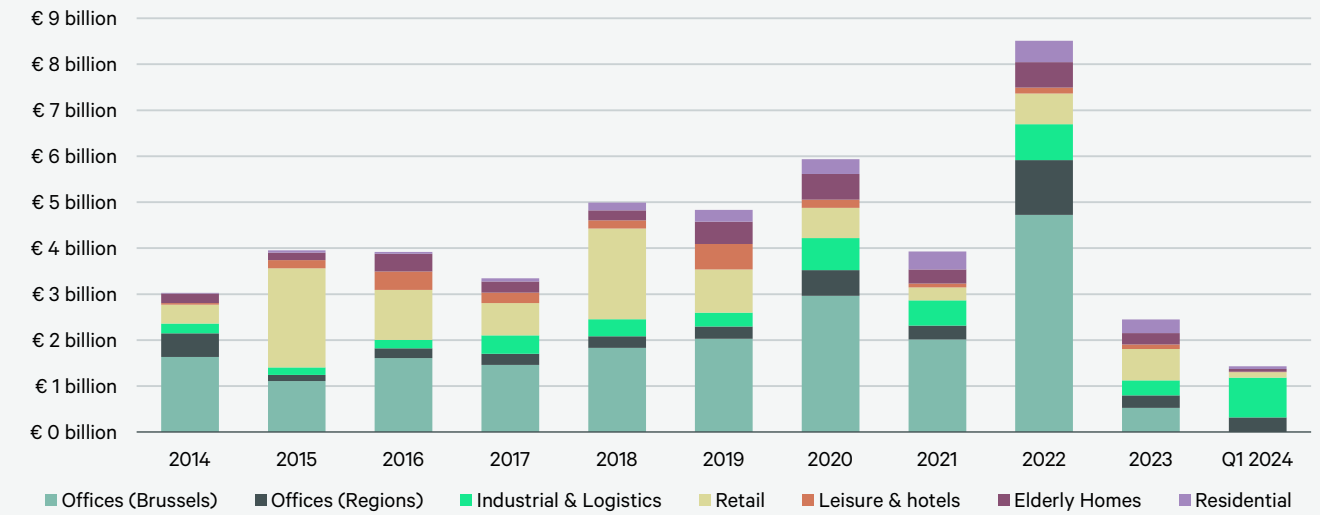
Prime investment yields are believed to be stable in the first quarter of 2024. These are still estimated at 5.25% for standard-length leases, while those for long-term contracts are estimated at 4.75%.

€1.5 bn

investment volume in Belgium during Q1 2024

Total CRE investment in Belgium (Q1 2024)

Source: CBRE Research



Contacts

Research

Kim Verdonck

Head of Research & Marketing

+32 2 643 33 34

kim.verdonck@cbre.com

Drew Misner

Senior Research Analyst

+32 2 643 33 66

drew.misner@cbre.com

Pierre Acke

Research Analyst

+32 468 21 64 30

pierre.acke@cbre.com

Capital Markets

Arnaud Smeets

Head of Capital Markets

+32 2 643 33 79

arnaud.smeets@cbre.com

Valuation

Pieter Paepen

Head of Valuation Services

+32 2 643 32 26

pieter.paepen@cbre.com

Advisory & Transaction Services

Friedel Laperre

Head of Investor Leasing Offices

+32 2 643 33 73

friedel.laperre@cbre.com

Dimitri Vanneste

Director of Occupier Services

+32 2 643 33 12

dimitri.vanneste@cbre.com

Jean-Michel Meersseman

Head of Contracted Clients

+32 2 643 33 58

jean-michel.meersseman@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

