

2023 Q2 Office Market Overview

Brussels and Key Cities

Colliers



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Managing Partners
Belgium

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Real estate markets are currently experiencing global market volatility and ongoing recalibration, which is expected to continue into 2023. Rather than being deterred by recent trends, investors should view them as a return to a more rational state of the market, presenting exceptional opportunities for those with the right strategies and resources.

Nevertheless, the constantly changing and uncertain nature of real estate markets nowadays makes it challenging for investors to accurately predict future finance costs and model new opportunities. Factors such as currency volatility and perceived pricing stagnation also contribute to a lack of momentum, with investors being cautious about making immediate purchases due to the possibility of better prices in the future.

Occupier market is also on hold. The difficult macroeconomic conditions are leading to both delayed property decisions and a need to carefully assess cost implication. In 2023, there has been a hesitant take-up in all three regions of Belgium. Prime rents continue to be subject to upward pressure.

However, economic indicators suggest that this won't last long, and that the Belgian economy is avoiding recession. It is likely that market activity will start to pick up gradually in H2.

In this dynamic environment, it is crucial to recognize that change is a constant and adaptability and resilience are key for sustained success.

Economic outlook

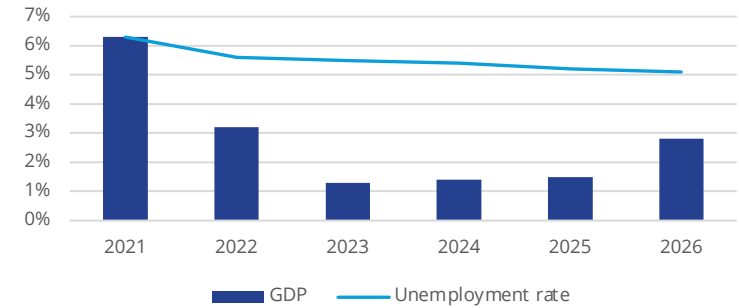
- The Belgian economy remains resilient and is expected to grow steadily, with an annual growth rate of 1.4% forecast for 2023. According to various economic sources, the outlook for GDP growth in 2024 is between 1% and 1.4%. Increased household consumption remains the main driver of economic expansion in Belgium.
- **The unemployment rate** reached a stable point of 5.7% and is projected to remain unchanged before decreasing in 2024 as the economy strengthens, predicts Oxford Economics.
- In June, **inflation** eased to 4.2% YoY, continuing its decline. However, strong underlying inflationary momentum, mainly from services, counteracts energy deflation and lower food inflation. Oxford Economics forecasts inflation to reach 4.1% in 2023 and 1.8% in 2024.
- Despite encouraging progress, the European Central Bank has expressed its commitment to further **tighten monetary policy**. In June, a 25 basis points rate hike was implemented, reaching the highest level seen since the 2008 financial crisis. It is expected that another rate hike will occur in July. A pause is expected thereafter, followed by a potential decrease next year.
- Alongside monetary policy, yields on 10-year Belgian government bonds (OLO) fluctuates around 2,99% over the last 3 months. The relatively unchanged state of OLO implies that the market has already adjusted to this trend. It is likely to start a downward trend in Q3.



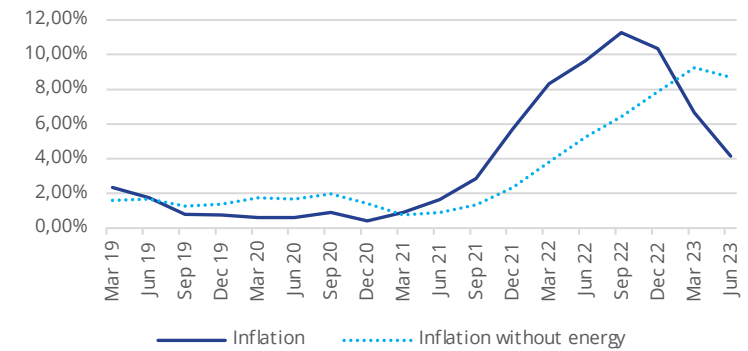
Note: Economic data can vary significantly between sources, so the provided figures should be viewed as an indication or trend.

Source: Oxford Economics, Haver Analytics, Statbel, BNB, Federal Planning Bureau

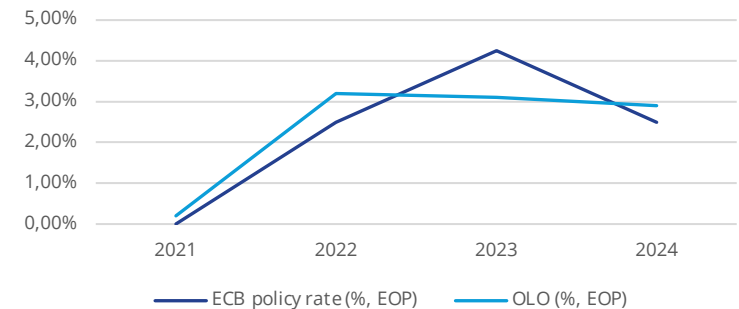
GDP and Unemployment rate



Inflation



Correlation of OLO and ECB policy rates



Belgium office market in a nutshell



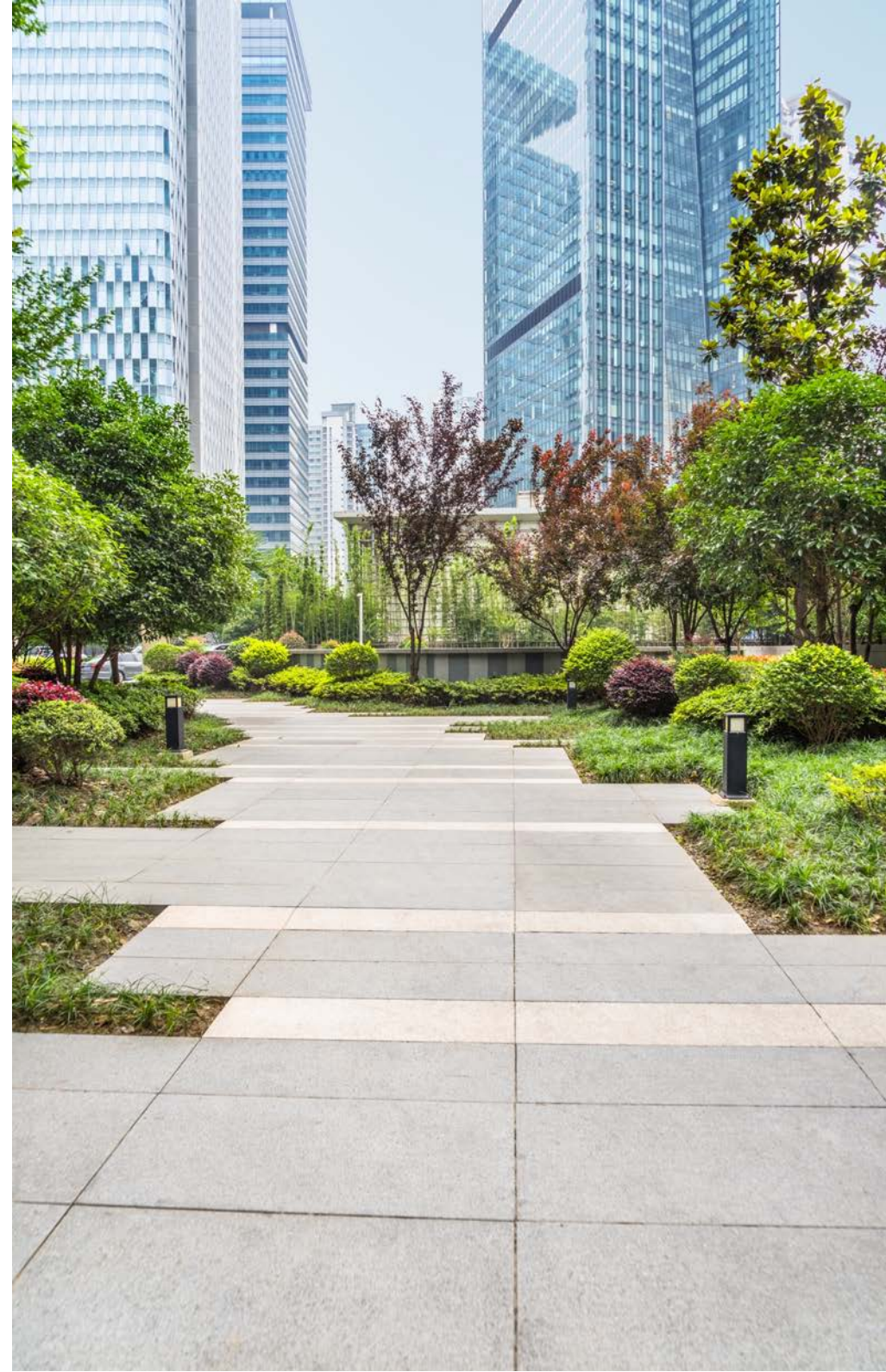
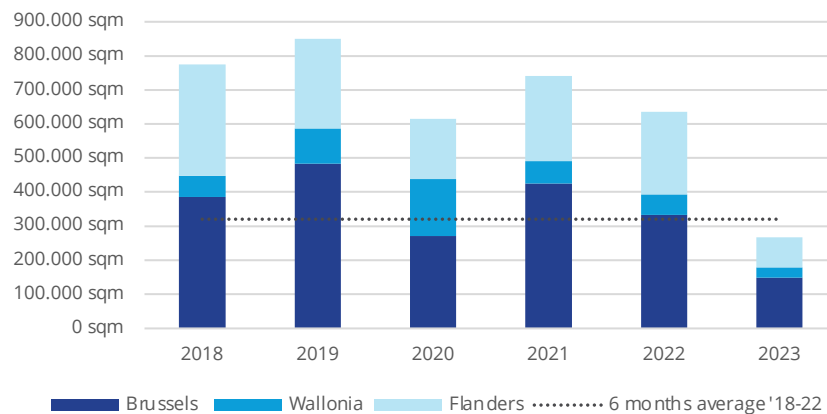
Occupier Market

- The challenging macro environment is impacting on corporate margins, causing some to delay property decisions and others to consider the cost implications in a market with limited options.
- 2023 started with a quite hesitant take-up in all three regions, accounting for 267,622 sqm in total, what is 17% below the 5 years average for the same period. In Q2 it stood at 136,721 sqm, a decrease of 8% YoY.
- Pre-lets and leases on new energy efficient buildings continued to dominate the larger size bands and higher rents.
- Unlike Brussels and Ghent, where prime rents have stayed steady, Antwerp is witnessing a persistent increase in prime rents, marking the second consecutive time since Q4 2022. This upward trend is exemplified by the recent transaction at Frankrijklei 121 (Alides), which is scheduled for refurbishment. The rent for this property has surged to €190 sqm/year.

267,622 sqm

of take-up in
Belgium

Take-up by region



Belgium office market in a nutshell

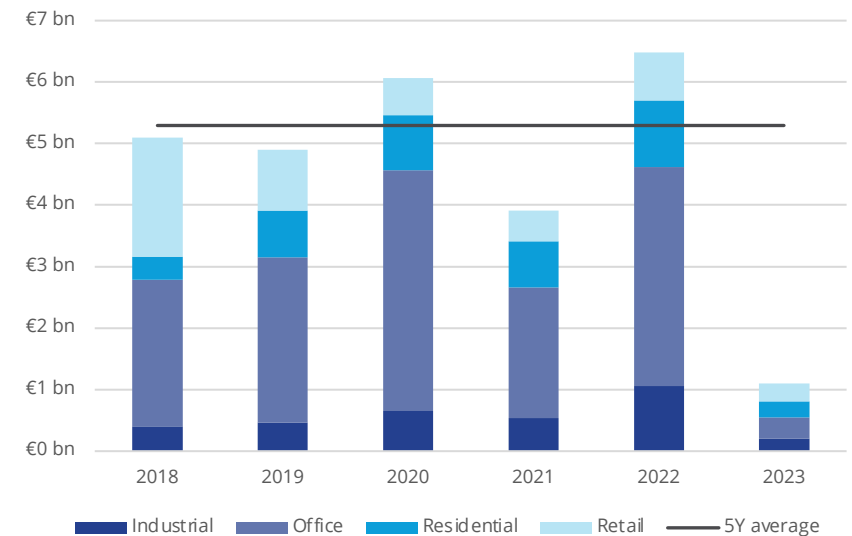


Capital Market

- Investment activity continues to be on hold in anticipation of market repricing.
- Belgium witnessed a total investment volume of just under €1,1 billion, indicating a decline in activities across all sectors. Among this, €340 million was allocated to office investment deals. Notably, during Q2, a modest amount of €194 million was observed in office investments.
- During Q2, there was a notable absence of Core investment transactions. Buyers are cautious about making early purchases until prices are fixed, while sellers are hesitant to sell at lower prices unless they urgently require cash. In the meantime, buyers are predominantly interested in "opportunistic" assets.
- Due to the absence of Core transactions, estimating the yields becomes challenging. However, there is a cautious anticipation that following a slight increase triggered by the changes in the ECB interest rates, the yields will likely stabilize and undergo a gradual decline.
- Small transactions dominate the market, with an average size of €13 million, which is significantly lower compared to the average of €42 million observed over the past four years.

€1,1 billion
of total investment

Investments by sector



Brussels



Brussels Office Market in a nutshell



Occupier Market

- The take-up volume in Q2 remained relatively flat and did not show improvement compared to the previous quarter, despite the European Commission being a key driver of activity during this period.
- Prime rents have maintained stability compared to the previous quarter. Weighted average and top quartile rents are under upward pressure.
- Several notable developments, including Royale Belge, Science 12 and The BelliArt, were successfully completed.
- Vacancy rate remains stable.



Capital Market

- The total investment volume is €289 million, with half of the transactions completed in Q2.
- Despite the prevailing circumstances, several noteworthy transactions were documented, highlighting the presence of valuable opportunities across various markets in Brussels. These notable deals encompass Liberty House, The Rails, The Lighthouse and The Green Square.
- The yields were supported by Core transactions that took place at the end of the previous quarter, namely Treesquare and Wood Hub. These transactions established prime yields at 4.30% in the Leopold District and 6.20% in the Decentralised area. Yields are expected to remain stable until the end of the year, followed by a slight decline.



YoY



Forecast

=

TAKE-UP

Q2: 77,673 sqm

YTD: 148,263 sqm



YoY



Forecast

Δ

PRIME RENT

€340 sqm/year



YoY



Forecast

=

AVERAGE TRANSACTION SIZE

1,180 sqm



YoY



Forecast

=

PRIME YIELD

4.30%



YoY



Forecast

Δ

VACANCY RATE

7.78%



PIPELINE

2023 – 89,335 sqm (43% speculative)

2024 – 279,733 sqm (58% speculative)

Districts snapshot*

North

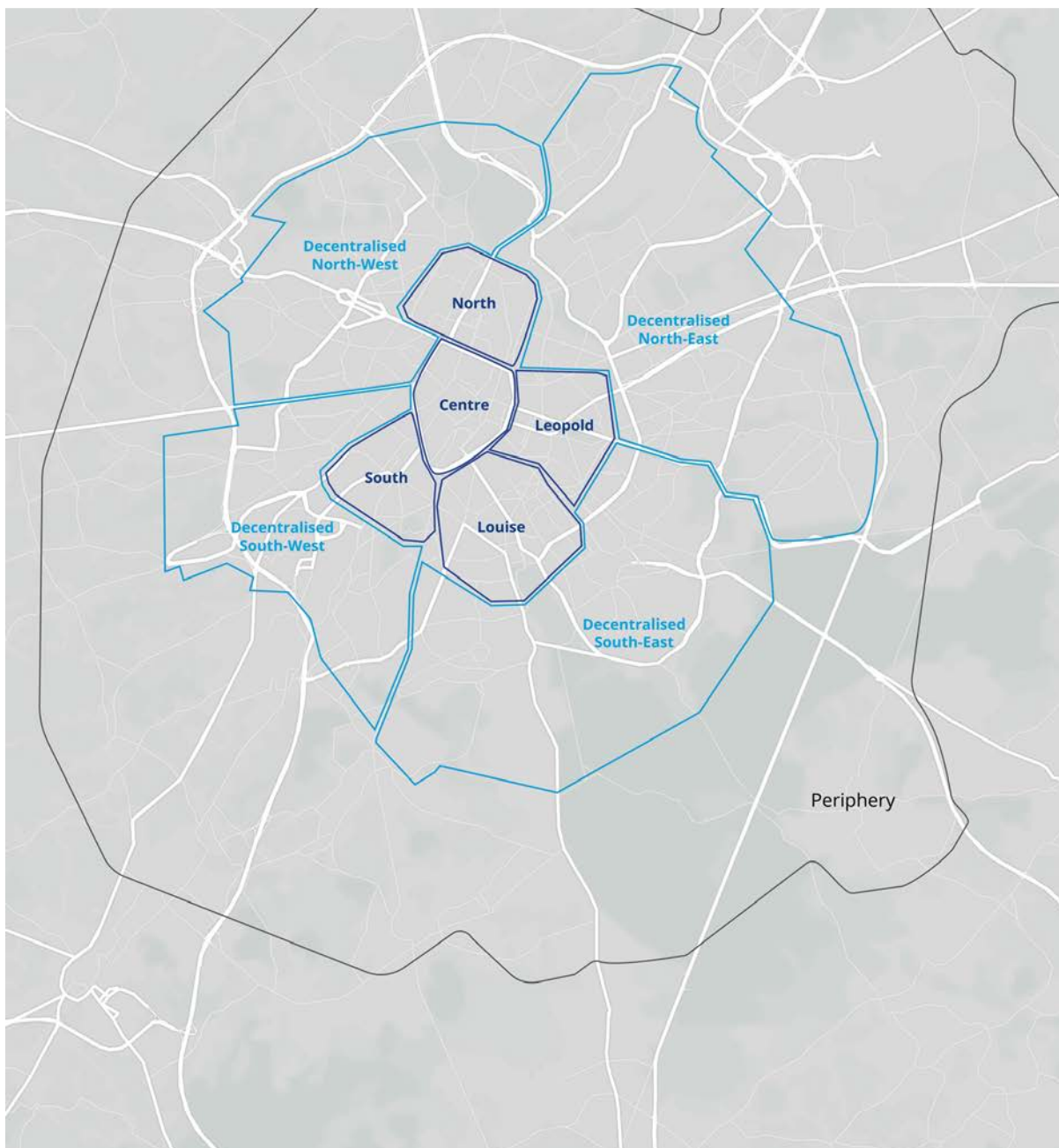
Stock: 1.64 mln sqm =
 Take-up Q2: 40,121 sqm ↑
 YTD**: 41.339 sqm ↑
 Vacancy Rate: 5.64% ↓
 Prime rent: €260/sqm/year =

Centre

Stock: 2.40 mln sqm =
 Take-up Q2: 4,556 sqm ↓
 YTD: 11,238 sqm ↓
 Vacancy Rate: 4.15% ↑
 Prime rent: €275/sqm/year =

South

Stock: 0.60 mln sqm =
 Take-up Q2: 300 sqm ↑
 YTD: 300 sqm ↓
 Vacancy Rate: 2.85% =
 Prime rent: €195/sqm/year =



Leopold

Stock: 3.26 mln sqm ↑
 Take-up Q2: 7,513 sqm ↓
 YTD: 21,067 sqm ↓
 Vacancy Rate: 3.90% ↑
 Prime rent: €340/sqm/year =

Louise

Stock: 0.87 mln sqm =
 Take-up Q2: 4,530 sqm ↓
 YTD: 17,573 sqm ↑
 Vacancy Rate: 4.95% ↑
 Prime rent: €340/sqm/year =

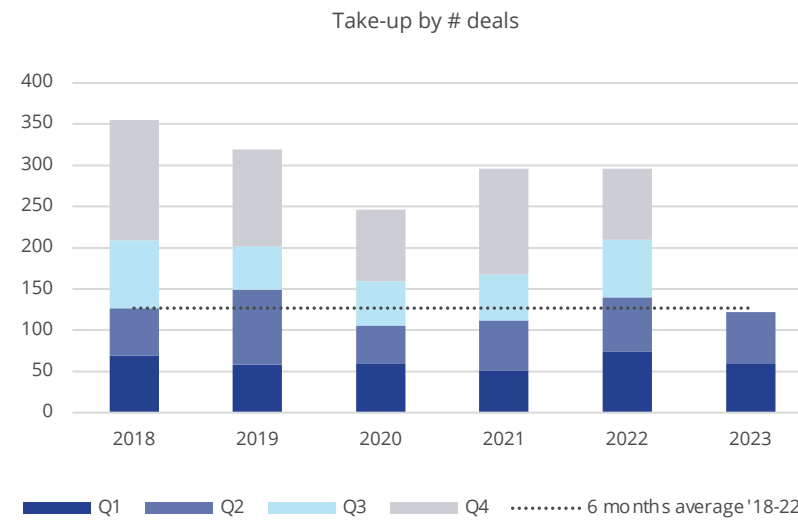
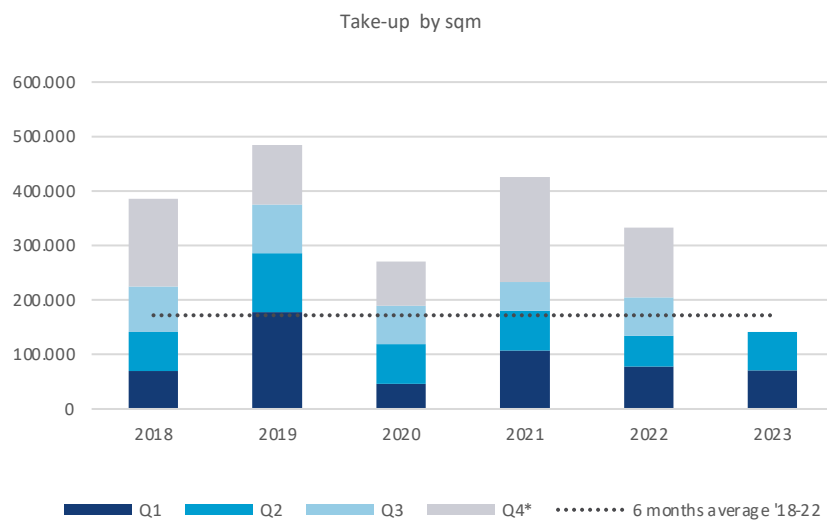
Decentralised

Stock: 2.55 mln sqm ↑
 Take-up Q2: 4,940 sqm ↓
 YTD: 15,823 sqm ↑
 Vacancy Rate: 10.95% ↓
 Prime rent: €200/sqm/year =

Periphery

Stock: 2.14 mln sqm =
 Take-up Q2: 15,703 sqm ↓
 YTD: 40,923 sqm ↑
 Vacancy Rate: 17.99% ↑
 Prime rent: €185/sqm/year =

23Q2 showed no improvement in take-up



- Take-up remains weak in Q2, accounting for 77,673 sqm. This is 14% lower than the average for the past 10 years, but it shows improvement compared to the same period last year.
- These take-up figures in Q2 are being boosted by a significant deal, specifically, the European Commission's signing for 30,000 sqm in the North Light, part of Engie Towers building. The Commission aims to finalize the interior refurbishment by the end of the year. Additionally, this deal aids the Commission in advancing towards its energy reduction objectives following their departure from the previous Genève and Beaulieu locations.
- The International Public, Corporate services and Industrial sectors show the most activity in 2023.
- The share of average transactions (ranging from 500-4,000 sqm) is noteworthy, accounting for 43% of the total take-up volume, compared to the five-year average of 36%. This increase is evident in the average transaction size, which has now reached 1,180 sqm in Brussels. These statistics suggest that large corporates can no longer wait and must adapt to the new reality.

Rising rental prices reflect growing demand for quality

- The rental prices in Brussels are on the rise, with weighted average rents increasing by approximately 14% and top quartile rents by 9%. This upward trend can be attributed to the demand for buildings that offer superior quality, modern amenities, and sustainable features.
- Prime rent continues to face upward pricing dynamics, as new developments in the CBD achieve successful commercialization, while currently maintaining a level of € 340 sqm/year.
- Rental rates in grade B and C buildings, especially those lacking significant capital improvements, can be susceptible to market fluctuations in areas with higher vacancy levels.
- The rental gap between CBD submarkets is decreasing. Going forward, the quality of services and the flexibility of buildings, in addition to ESG criteria, will play a crucial role in determining rental levels alongside the building's location.

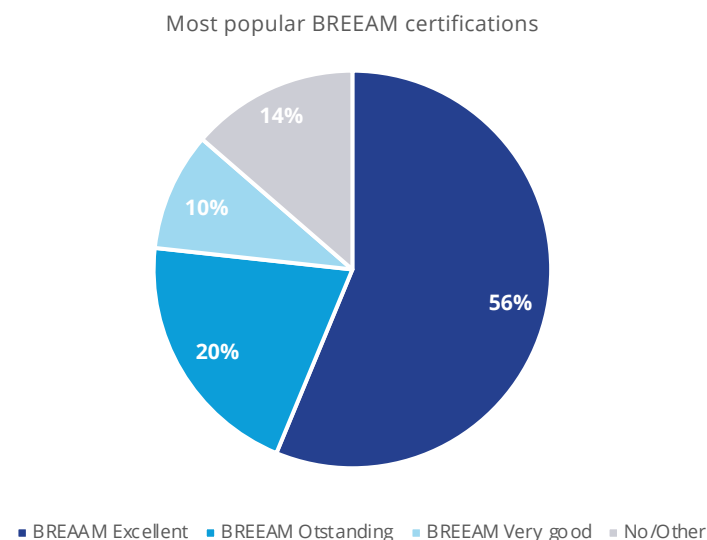
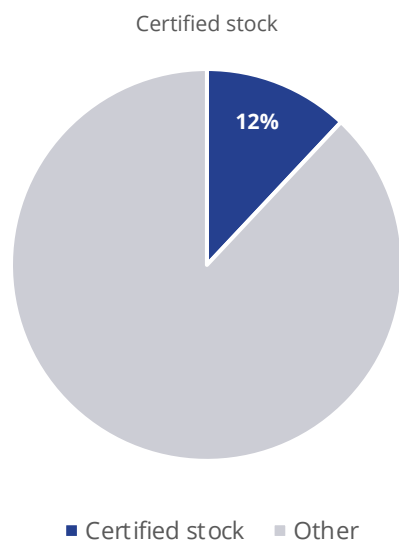
	District	Weighted average rent, €/sqm/year	Top quartile rent, €/sqm/year	Prime rent, €/sqm/year
CBD	Leopold	231 ↑	282 ↑	340 ↑
	Centre	231 ↑	250 ↑	275 ↑
	North	228 ↑	250 ↑	260 =
	Louise	211 ↑	231 ↑	340 ↑
	South	-	-	195 =
Non-CBD	Decentralised	141 =	150 ↓	200 =
	Periphery	146 ↑	163 ↑	185 ↑

YoY change

Note: The rents provided do not include the applicable VAT, which is imposed on rents for new constructions or significantly renovated existing buildings.

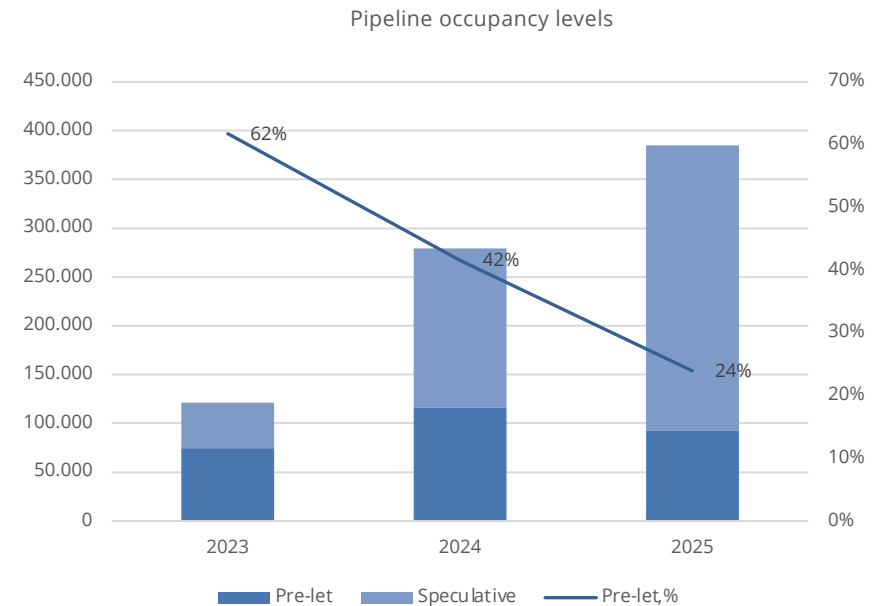
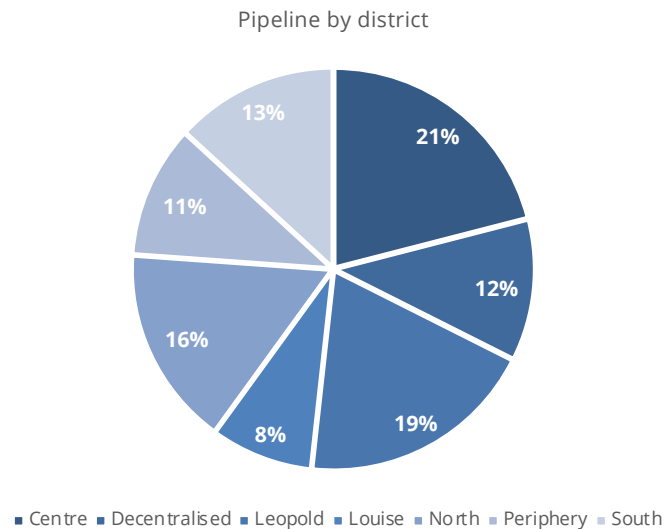
ESG Barometer

Pipeline projects raise the bar: BREEAM Excellent Certification set as minimum standard



- Only about 12% of the stock is certified. The certification of existing buildings opens up new opportunities, as ESG-compliant premises are in greater demand and generate higher rental income.
- All stakeholders recognise BREEAM certification: 76% of Grade A stock has BREEAM Excellent or Outstanding certification.
- New projects are increasingly trying to improve their environmental performance and raise their visibility by obtaining more than one certificate: BREEAM is a must, WELL is a plus. More projects are aiming for BREEAM Outstanding than in the past, with BREEAM Excellent being the minimum.
- The most popular additional certificates are WELL, DNGB, CO2 Neutral, WiredScore, AirRated.
- Many projects have EU Taxonomy compliance as a goal.

Pipeline '23-25



- '23-25 pipeline is quite evenly distributed across the Brussels region, with the largest developments in the Centre and the Leopold district.
- In Q2 32,000 sqm has been delivered. Several prominent developments, including Royale Belge (20,000 sqm), Science 12 (5,800 sqm) and The BelliArt (2,600 sqm), were successfully completed. The Royale Belge is almost fully pre-let, the Science and the Belliart still have vacant spaces.
- In total, the projected pipeline for 2023 consists of approximately 130,000 sqm, with 62% of that space already pre-let. For 2024, an estimated 280,000 sqm is expected to be completed, with 42% of it being pre-let. As for 2025, there is a current pipeline of 366,000 sqm for office development, although not all of these projects have obtained permits.
- Rising inflation, long building permit procedures and increasing construction costs remain a source of uncertainty in 2023, and to stay within budget, several planned project developments may need either significant value engineering or an expedited start date to mitigate the effects of inflation.
- To build momentum, property owners should take no-regret actions like energy efficiency improvements and planning for low-carbon retrofits. Investing in asset resilience may not feel urgent now, but it's necessary to protect against a net zero future.

Selection of projects CBD

1 **TheArch**

CoresDevelopment
14,800sqm
2025



2 **The Dome**

VDD / Vervoort R.E.
7,500 sqm
2024



3 **Chancelier**

CODIC
13,830 sqm
2023 Q4



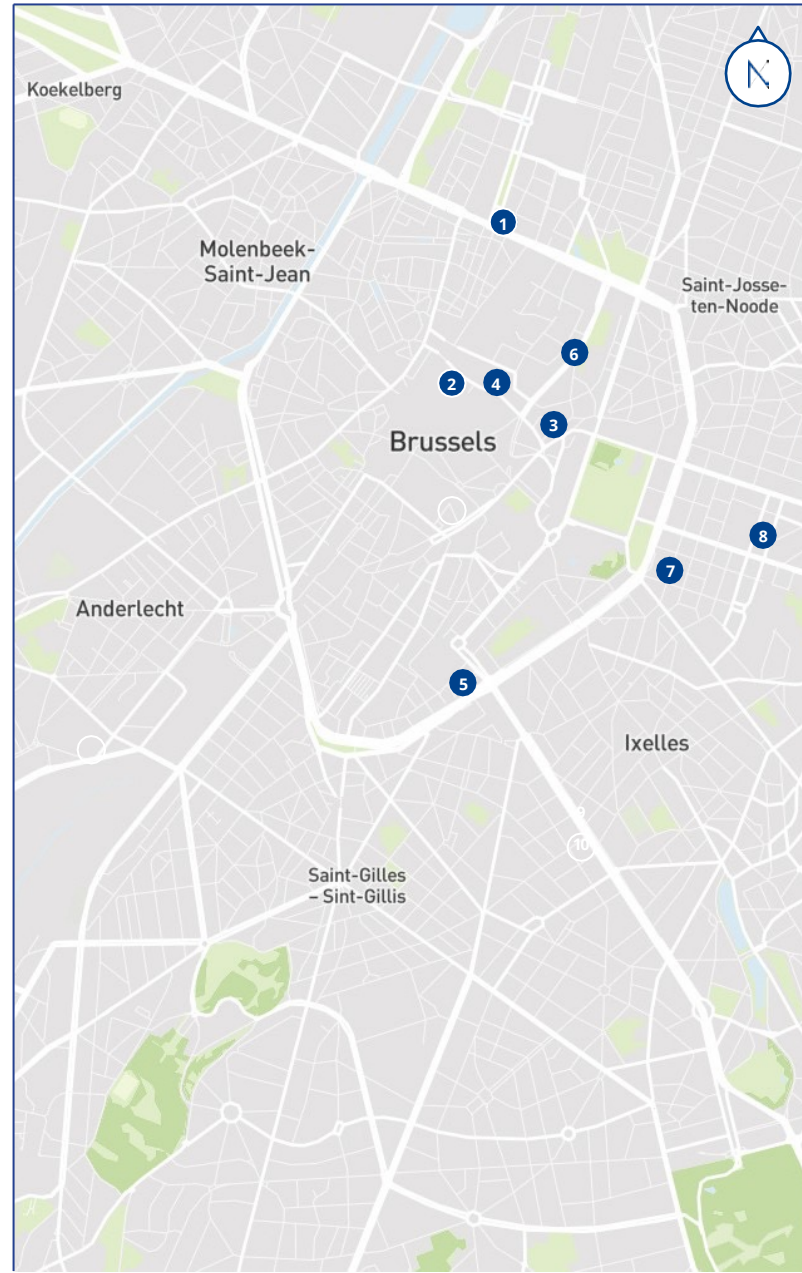
4 **OXY**

Immobel/ DW
Partners/
Whitewood
44,127 sqm
2025



5 **Luxia**

AXA Belgium
12,000 sqm
2024



6 **BNB IMPRIMERIE**

Burco
10,000 sqm
2026



7 **Montoyer 10**

Cofinimmo
6,200 sqm
2024



8 **Arlon-Trèves**

BPI RE / AG RE
18,800 sqm
2026



9 **The Precedent**

Union Investment
8,200 sqm
2024



10 **The Louise**

Patrizia AG
25,000 sqm
2023 Q4



Selection of projects

Decentralised & Periphery

1 **AirportBusinessCenter**

RoyalProperties Group
29,816sqm
2026



2 **Ypso**

Eaglestone
21,600 sqm
2026



3 **The Meadow**

Odebrecht
15,500 sqm
2024



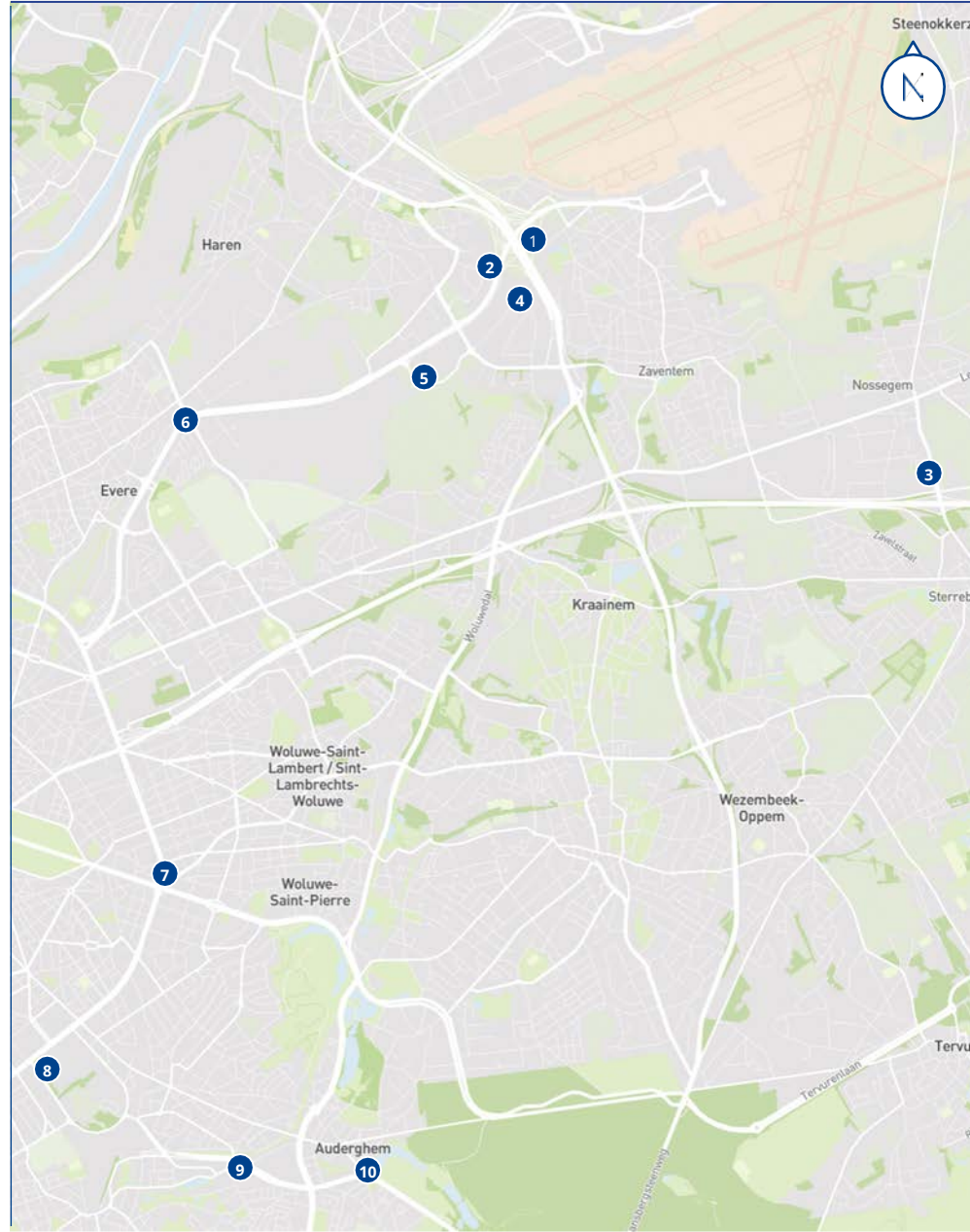
4 **The Cube**

Ghelamco
19,880 sqm
2025



5 **Park 7 Xenon**

Immogra
11,000 sqm
2024



6 **Matisse**

Besix
20,000 sqm
2026



7 **Montgomery Square**

Kolmont
24,000 sqm
2025



8 **PLXL**

Befimmo
8,448 sqm
2025



9 **Beaulieu**

Atenor / AGRE
40,000 sqm
2025

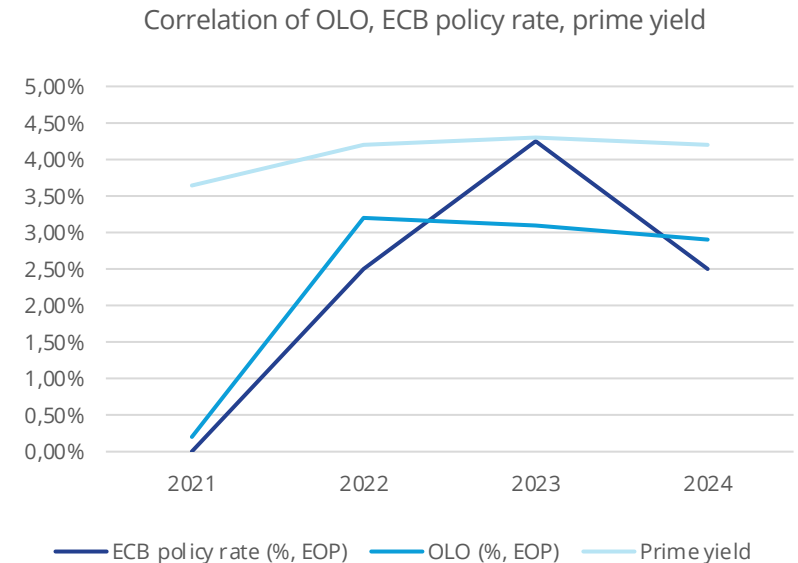
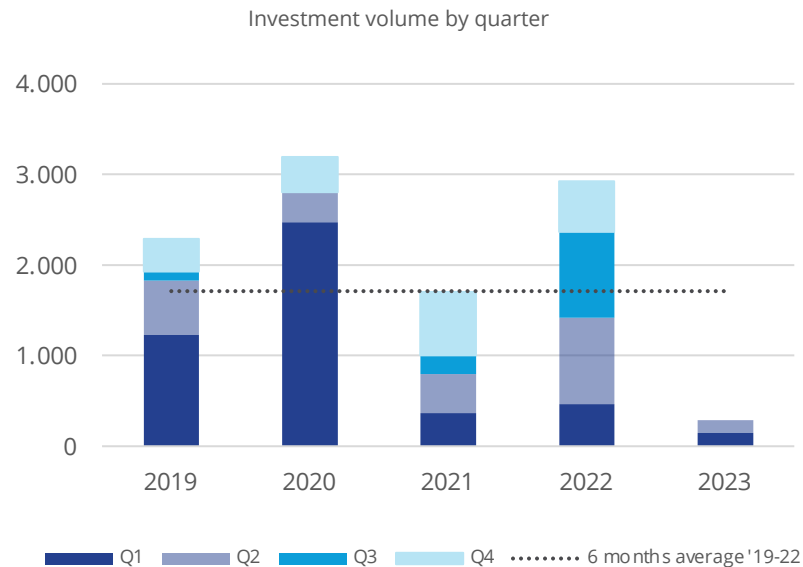


10 **B52**

Vesta / Dare2Build
6,300 sqm
2024



23Q2: Observations from the waiting period



Source: Colliers, Oxford economics, Trading economics



Capital Market - Brussels

- Investment volumes in Q2 2023 were significantly below the 4-year average for the same period. Both the number and volume of transactions have decreased compared to previous years.
- Ongoing market volatility and uncertainty, coupled with pricing corrections, have caused a softening of yields bringing the yields for prime assets in the Leopold district at 4.30% and Decentralised at 6.30%.
- Oxford Economics predicts that the ECB deposit rate will stay above 3% until the end of 2024, indicating that there won't be a significant decrease in yields. However, the situation is expected to improve in the following year.
- Most transactional activity remains concentrated in the value-add segment, where cash investors are seeking to refinance at more favourable rates in the upcoming year.
- A number of private equity investors are modifying their business strategies to shift from a buy-fix-sell approach to a buy-fix-hold strategy, and are expected to delay sales until buyer sentiment improves.

Key transactions



Lease



North Light (Engie Towers)

A Grade

Rent: €250 sqm/year
Surface: 30,000 sqm
Occupier: European
Commission



Keiberg II

C Grade
Purchase

Surface: 4,634 sqm
Occupier: Omnium
Consult



Solvay 4

C Grade
Purchase

Surface: 4,632 sqm
Occupier: Family
Center of Brussels



Keiberg

C Grade
Purchase

Surface: 4,634 sqm
Occupier: IT Rental
Solutions



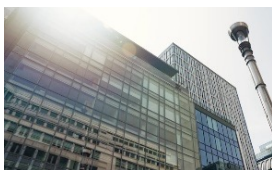
IKAROS BUSINESS PARK IV

C Grade

Rent: €115 sqm/year
Surface: 1,914 sqm
Occupier: KIA BELGIUM



Investment



Liberty House

Value-add

Price: €36 mln
Surface: 10,279 sqm
Seller: Cofinimmo
Buyer: Alides



The Rails

Value-add

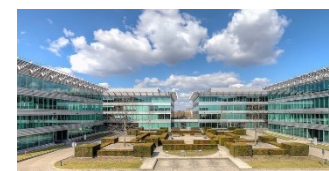
Price: €24 mln
Surface: 5,970 sqm
Seller: HansalInvest
Buyer: Citydev.brussels



The Lighthouse

Development

Price: €13 mln
Surface: 5,300 sqm
Seller: Ondraf – Niras
Buyer: Besix RED



Green Square

Development

Price: €13 mln
Surface: 19,936 sqm
Seller: Baloise Insurance
Buyer: Blue Colibri Capital



Science 41

Development

Price: €12 mln
Surface: 2,930 sqm
Seller: Cofinimmo
Buyer: Galika

Forecast & Opportunities

Occupier Market



High-quality and energy-efficient offices within the CBD will continue to command premium rents and prices.

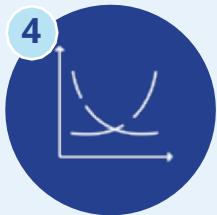


Occupiers are facing pressure on margins, resulting in delayed decisions and careful consideration of the costs associated with relocation. Deals are being affected and take-up is unlikely to increase significantly over the next quarter.



The expected pipeline focuses not only on multiple certification of assets, but also on the inclusion of different services and mixity in the projects.

Capital Market



There may not be a significant increase in investment volumes in H2 as investors adjust to the new normal. However, some major deals are reserved for the coming months, including the European Commission selling 21 buildings to Cityforward and SFPI, AG RE selling City Centre, Brody and QRS - their portfolios. Colliers is also aware and involved in different off-market transactions.



Interest rates will likely rise further in Q3 - putting pressure on office yields to move out further - but we are now at, or very close to, peak rates.



The idea of low-cost financing making a comeback should be put aside. As a result, investors with ample cash reserves, like investment funds, private equity firms, pension funds, are expected to have an advantage across asset classes, provided they can find willing sellers.

Growing demand for sustainable office buildings from major occupiers supports the increased value placed on Grade A properties.

Tenants are prioritising exclusive services, cost efficiency and certifiable ESG criteria over location within the CBD, indicating a shift in their preferences. This is confirmed by the exceptional transaction in the Louise Tower last quarter, which reached a milestone of €340 sqm/year, establishing a historically high prime rent in the Louise district. Additionally, there is a decreasing gap between rental values in different districts of the CBD.

This market dynamic creates a landlord-favoured market for Grade A assets, while Grade B and C assets are a tenant-favoured market. As a result, landlords of Grade A assets are reluctant to offer space to smaller occupiers.





Cities Snapshot

Antwerp Office Market



Key lease transactions



**De Veldekens I
(The Sage)**
B Grade
Rent: €135 sqm/year
Surface: 2,519 sqm
Occupier: Eriks



Frankrijklei 121
A Grade
Rent: €190 sqm/year
Surface: 2,159 sqm
Occupier: Ethias



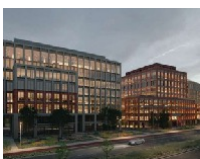
Atlantic House
C Grade
Rent: €100 sqm/year
Surface: 1,204 sqm
Occupier: CS Belgium Holding



London Tower (AMCA)
B Grade
Rent: €135 sqm/year
Surface: 1,047 sqm
Occupier: Hoya Lens



Selection of projects



59 Park
Cores / Alides
28,300 sqm
2028



**Orchard
Nieuw Zuid**
Triple Living
6,000 sqm
2026



**Pelican & Arto
Century Center**
Century Center
Baltisse/QRF
7,850 sqm & 4,929 sqm
2023 Q4



CU-Antwerp
Van Wellen RED
3,600 sqm
2025



YoY
△
Forecast
△

TAKE-UP

Q2: 18,859 sqm
YTD: 41,201 sqm



YoY
△
Forecast
△

PRIME RENT

€190 sqm/year



YoY
▽
Forecast
△

AVERAGE TRANSACTION SIZE

453 sqm



YoY
△
Forecast
=

PRIME YIELD

5.40%



YoY
▽
Forecast
△

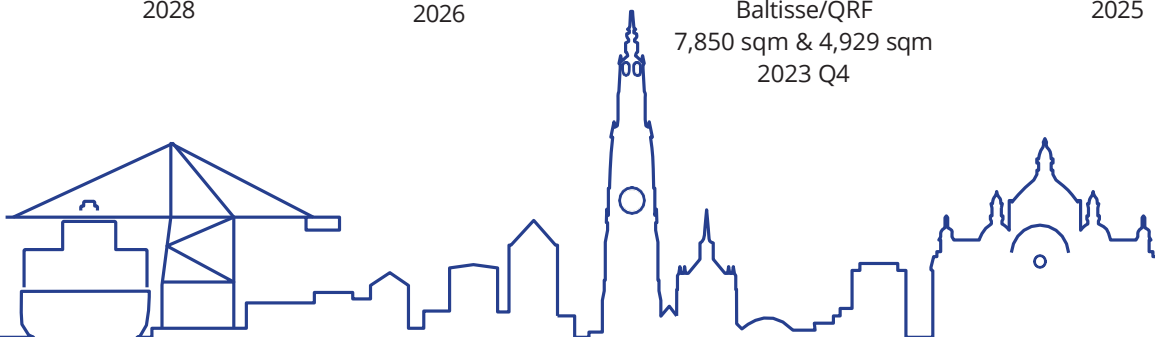
VACANCY RATE

8.35%



PIPELINE

2023 – 15,100 sqm (90% speculative)
2024 – 29,180 sqm (60% speculative)



Ghent Office Market



Key lease transactions



Zuiderpoort
B Grade

Rent: €165 sqm/year
Surface: 2,501 sqm
Occupier: Perrigo



Opgeëistenlaan
C Grade

Rent: €135 sqm/year
Surface: 1,571 sqm
Occupier:
IVV Sint-Vincentiusvzw



Kerckhovelaan
B Grade

Rent: €140 sqm/year
Surface: 1,000 sqm
Occupier: Duke &
Grace



In The Yard
A Grade

Rent: €165 sqm/year
Surface: 810 sqm
Occupier: Davo
Group



Selection of projects



Van Eyck

Baltisse
7,500 sqm
2023 Q4



Polytower

Alinso
9,500 sqm
2024 Q1



Networks veld 3

Banimmo
17,500 sqm
2024 Q2



Ouverture

IPES / Lannoo
8,000 sqm
2024 Q4



YoY
▽

Forecast
△

TAKE-UP

Q2: 9,653 sqm
YTD: 18,502 sqm



YoY
-

Forecast
△

PRIME RENT

€165 sqm/year



YoY
▽

Forecast
△

AVERAGE TRANSACTION SIZE

474 sqm



YoY
△

Forecast
=

PRIME YIELD

5.40%



YoY
▽

Forecast
=

VACANCY RATE

3.60%



PIPELINE

2023 - 24,070 sqm (57% speculative)
2024 - 20,050 sqm (90% speculative)



We are enterprising.

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What's more, our global reach maximizes the power of property, wherever our clients do business.



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Accelerating success.