



**AT A GLANCE
Q2 2021**

BRUSSELS OFFICE MARKET

FLIGHT TO QUALITY DEFINING THE FUTURE DYNAMICS OF THE BRUSSELS OFFICE MARKET

OCCUPIER MARKET

In the rental market, occupier questions about their future office space needs characterized 2020. The demand for office space in the first 6 months of 2021 illustrate the outcome of that thinking. The deals going forward provide some insight into the future dynamics of the sector.

It is no surprise that the number of rental transactions declined and stand well below average. The 124 transactions recorded in the Brussels office market is 23% below the five-year average for the first half of the year.

At the same time, the take-up of office space has never been so concentrated in quality space. Since January 1, 60% of take-up volume has been for the premium segment and with a consistent reduction in the space needed.

Several transactions illustrate this "less but better" trend. The Nagelmackers bank will occupy the 3,700 sq.m Monteco building in the Leopold district, which is to be delivered in the third quarter of 2022. The consultancy firm EY has also agreed to move into a new building in 2023. They will occupy 15,000 sq.m in the project The Wings in Diegem. Finally, the company Emakina will occupy 3,100 sq.m in the Ex -Royale Belge Offices project located at Boulevard du Souverain 25 in the decentralised South-East.

During the 1st semester, occupancy reached 181,400 sq.m,

which is a slight improvement (+7%) compared to H1 2020, although this level is still 18% lower than the 5 year average. The split between private and public sector was 60% and 40%.

A pause in the upward trend of the vacancy rate resulted from absent speculative completions during Q2. As of 30th June, the immediate supply was still above the million sq.m mark giving a vacancy rate of 7.7%. As anticipated, the vast majority of vacant space is in the grade C & B market left behind by users in favour of more efficient and environmental office space.

Geographical disparities are still very strong with a vacancy rate of 3,7% throughout the CBD, while reaching 22% in the Outskirts. This dichotomy between submarkets will have repercussions for the future development of rents, which for the moment are still little affected.

During the second part of the year, some 289,400 sq.m are expected to be delivered, including 115,900 m² on a speculative basis. The main projects, mostly located in the North District, include the Möbius II scheme for a total of 33,000 sq.m. The Quatuor complex with its 61,200 sq.m of which 64 % are already pre-let is also planned for Q3.

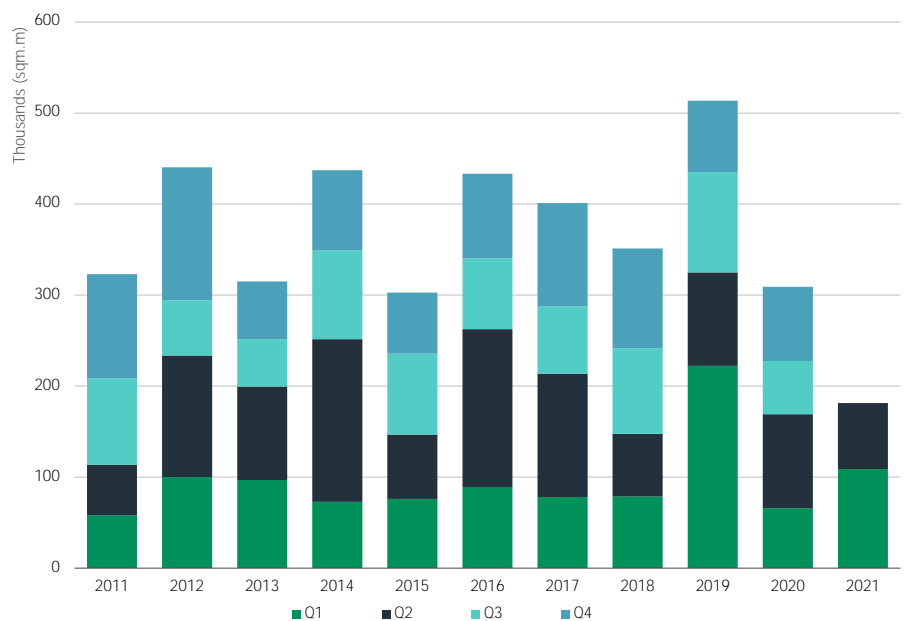
Potential rental value correction should initially affect

assets that only partially meet new user expectations in location and the quality of workplace (criteria of well-being, agility, resilience). Prime assets, best placed to meet these expectations, are likely to remain at high rental levels.

In Q2, prime rents and average rents were roughly unchanged at their respectively €315/sq.m/year and €171/sq.m/year

Leasing incentives granted by the owners continue their upward trend because of the weakness in transactional activity. The increase is across the board but the magnitude varies depending on the location.

OFFICE TAKE-UP



181,400 SQ.M

OFFICE TAKE-UP



315 €/SQ.M

PRIME RENT



7.7%

VACANCY RATE

MAIN OFFICE TRANSACTIONS

Date	Building	Transaction	Surface (sq.m)	Tenant	District
Q1 2021	Realex - Rue de la Loi 93-97,1000 Brussels	Sale	25,967	European Commission	Leopold
Q1 2021	Multi Tower - Boulevard Anspach 1,1000 Brussels	Pre-Let	16,542	TotalEnergies	City-Centre
Q2 2021	The Wings - Culligalaan 3,1930 Zaventem	Pre-Let	15,033	EY	Airport
Q1 2021	Copernicus - Rue de la Loi 51,1000 Brussels	Pre-Let	13,024	European Commission	Leopold
Q2 2021	Victoria Tower - Square Victoria Regina 1,1030 Brussels	Pre-Let	5,500	Working From	North
Q1 2021	West Gate - Alfons Gossetlaan,1702 Groot-Bijgaarden	Pre-Let	5,043	Brico	Periphery NW
Q1 2021	Esprit Courbevoie - ,1348 Louvain-la-Neuve	Pre-Let	5,000	Silversquare	Periphery South
Q1 2021	Avenue ds Arts 44,1040 Brussels	Letting	4,400	Clockwise	Leopold
Q1 2021	Park 7 - Hermeslaan 7,1831 Diegem	Pre-Let	4,200	SECO Group	Airport
Q2 2021	Avenue du Laerbeek 74,1090 Brussels	Sale	4,090	EnergyVision	Decentralised NW

INVESTMENT MARKET

CRE Investment volume in Belgium ended the first six-months at close to € 1.6 billion of which € 600 million were invested in the Brussels office market.

Investors are increasingly selective and continue to target assets offering long-term revenues, located in the most established and reliable geographic sectors. Consequently, the flight to quality, which is classic behavior in times of doubt, is more noticeable than ever in light of the structural changes in office real estate.

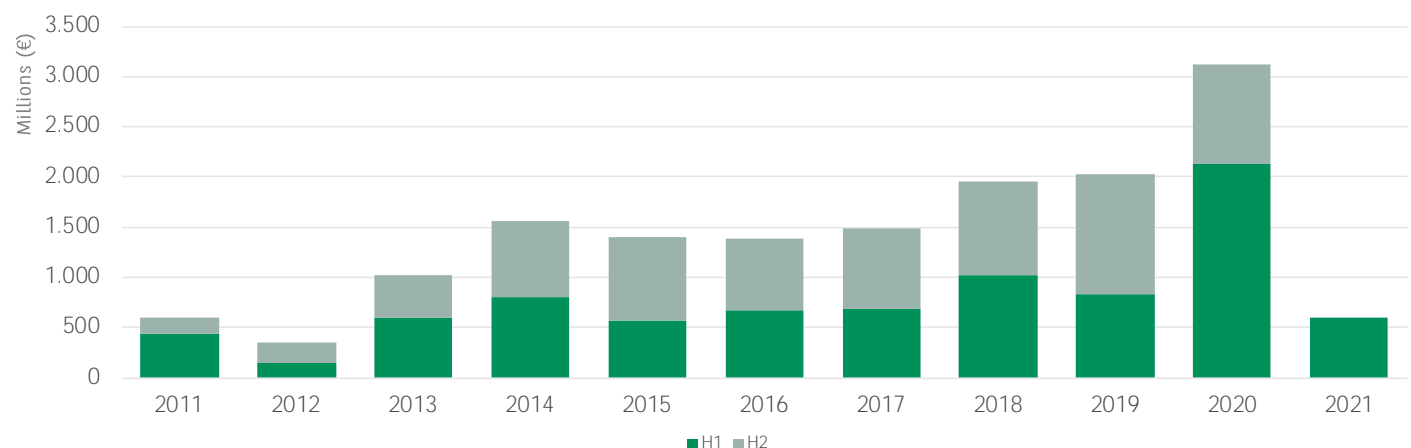
The largest deal of the quarter was the acquisition of PWC campus in airport district by an investor from Saudi-Arabia. The new complex, offering a secured cash flow for the next 13 years, was sold at an investment volume of € 131.7 million. The second notable transaction was the sale of Commerce 46 building to Allianz for an estimated amount of € 120 million.

Investors have revised their priorities. They are looking for secure products that are both well located and have tenants that are already in place and solvent. Assets in less-than-ideal locations are considered increasingly risky due to fears about the sustainability of rental income and very tight financing conditions. In the wake of this, yield curves are beginning to redraw.

Yields in the prime segment remained unchanged at 3.75% for shorter leases (< 9yrs) and 3.15% for buildings offering a secure cash flow of more than 9yrs.

 **3.75%**
PRIME YIELD

INVESTMENT VOLUME IN BRUSSELS OFFICE MARKET



MAIN INVESTMENT TRANSACTIONS

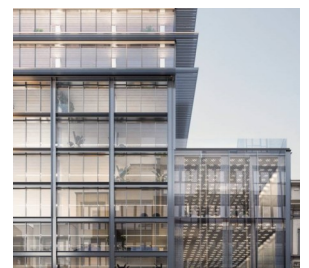
PWC CAMPUS

Culliganlaan 1831 Brussels
Airport
30,200 sq.m
€ 131.7 M
SmartAssets



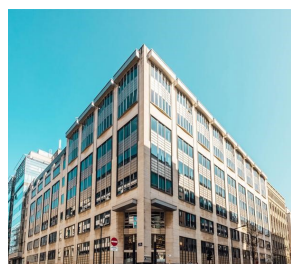
COMMERCE 46

Rue du Commerce 46, 1000 Brussels
Leopold
14,200 sq.m
€ 120 M
Allianz



MONTROYER-SCIENCE

Rue Montoyer 34, 1000 Brussels
Leopold
12,800 sq.m
€ 55 M
Alides



ELITE HOUSE

Square du Bastion 1-1a, 1050 Brussels
Leopold
7,128 sq.m
€ 50 M
Groupama



