EXECUTIVE SUMMARY

Generally the third quarter is characterised by a drop in leasing activity and, this year again, the quarter did not deviate from trend. Brussels take-up figures ended the quarter at 101,000m² bringing the year-to-date take-up to 214,500m² in 2011. Compared to the equivalent period last year, the office take-up volume is 34% down.

Despite the low leasing activity recorded, the availability dropped slightly and fell below the 1,500,000 m² mark, at 1,485,200m². This level translated into a vacancy rate of 11.1% compared to 11.3% in Q2. Although the market benefited directly from the significant lettings of the public sector, the vacancy rate decreased with moderation due to the vacant space released onto the market.

Because of the weak leasing activity recorded since the start of this year and its accentuation in Q3, both the headline rents and average in the upper rent range have been affected and stood respectively at 275 euro/m² and 223 euro/m².

Although a slowdown of activity has been recorded, the Brussels office investment volume reached €511 million. Prime yields for a 3/6/9-year lease did not move over the quarter and stood at 6.25% in the CBD-market and at 7.25% for the decentralised area.
MACROECONOMICS

The Belgian economy surprised on the upside in Q2 with quarterly GDP growth of 0.7%, in contrast to the slow down recorded in core economies of Europe. Together with the 0.7% growth achieved in Q1, the economy remains one of the bright spots in the Euro zone. Encouragingly growth has been driven mainly by domestic demand.

However, the economy has not escaped from the slow down afflicting Europe as lack of export demand, particularly from Germany, has lead to increased overhang of inventories. This will weigh on production, as firms attempt to off load stock before commencing new production. Support for this can be found in recent survey data such as the Eurostat industrial production survey, which points to a slowdown in H2 2011. Nonetheless we expect the economy to expand by 2.4% in 2011, thanks to the strong base effect, making Belgium one of the best performing economies in the Euro zone. In 2012 we expect growth to be significantly less (+1.0%) than in 2011.

But the medium term risk to growth is on the downside. We expect the effect on European economies of the recent turmoil in financial markets, to last through to 2013. In this scenario the export market for Belgium will remain subdued in the medium term, presenting challenges for growth. More locally, the high level of public debt makes Belgium susceptible to increased investor risk aversion. This may undermine efforts to reduce the budget deficit further, and thus bring forth a need for further public sector retrenchment.

ECONOMIC DATA

<table>
<thead>
<tr>
<th>Source: BNB - OECD - BNP Paribas Real Estate</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (f)</th>
<th>2012 (f)</th>
<th>2013 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP Growth (Belgium)</strong></td>
<td>2.80%</td>
<td>2.80%</td>
<td>0.80%</td>
<td>-2.70%</td>
<td>2.10%</td>
<td>2.40%</td>
<td>1.00%</td>
<td>1.80%</td>
</tr>
<tr>
<td><strong>GDP Growth (Euro Zone)</strong></td>
<td>3.20%</td>
<td>2.90%</td>
<td>0.70%</td>
<td>-4.00%</td>
<td>1.70%</td>
<td>1.50%</td>
<td>0.70%</td>
<td>1.20%</td>
</tr>
<tr>
<td><strong>Domestic Demand</strong></td>
<td>2.40%</td>
<td>2.80%</td>
<td>1.90%</td>
<td>-1.10%</td>
<td>0.80%</td>
<td>1.70%</td>
<td>1.50%</td>
<td>1.80%</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>5.00%</td>
<td>4.40%</td>
<td>1.40%</td>
<td>-11.10%</td>
<td>10.60%</td>
<td>7.60%</td>
<td>4.10%</td>
<td>4.60%</td>
</tr>
<tr>
<td><strong>HCIP</strong></td>
<td>1.80%</td>
<td>1.80%</td>
<td>4.20%</td>
<td>0.00%</td>
<td>2.30%</td>
<td>3.50%</td>
<td>2.10%</td>
<td>2.10%</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>8.30%</td>
<td>7.50%</td>
<td>7.00%</td>
<td>7.90%</td>
<td>8.30%</td>
<td>7.30%</td>
<td>7.30%</td>
<td>7.00%</td>
</tr>
<tr>
<td><strong>Gross Gov. Debt (% GDP)</strong></td>
<td>88.00%</td>
<td>84.10%</td>
<td>89.30%</td>
<td>95.90%</td>
<td>96.20%</td>
<td>96.00%</td>
<td>96.70%</td>
<td>96.50%</td>
</tr>
</tbody>
</table>
Public sector underpinning demand

Q3 take-up was:
- Bogged down by the lack of activity
- Still driven by small-sized deals
- Boosted by a sizeable deal from the public sector

Brussels take-up figures ended the quarter at 101,000m² bringing the year-to-date take-up to 214,500m² in 2011. Compared to the equivalent period last year, the office take-up volume is 34% down.

Generally, the third quarter is characterised by a drop in leasing activity and, this year again, Q3 did not deviate from trend.

Over the last three months, the market continued to be bogged down by the lack of activity since the start of the year. Indeed, only 55 transactions were concluded compared to 64 in Q2 and 98 in Q1.

The leasing activity conformed to the trend with a take-up primarily driven by transactions of under 1,000m².

While the private sector was the main contributor to take-up during the first two quarters, Q3 was largely supported by the public sector which accounted for 64% of Q3 take-up. Indeed, one sizeable transaction from the public sector boosted total take-up volume.

The most significant deal of Q3 from this sector was the 45,000 m² letting to the European Commission at “The Capital” building (Leopold district). The second significant deal is the letting of 12,100m² by the SPF Justice - FOD Justitie in the Waterside (North district).

Facing a weaker economic outlook, companies preferred to renegotiate their lease contract and sign agreements that have a longer period of time before break options can be used. The aim here is to have better financial conditions. As a consequence, demand is decreasing and the private sector take-up lagged behind during Q3 take-up with only 36,200 m².
Uneven performance in submarkets

Despite the low leasing activity recorded, the availability level dropped slightly and fell below the 1,500,000 m² mark, to 1,485,200 m². This level translated into a vacancy rate of 11.1% compared to 11.3% in Q2.

Although the market benefited directly from the significant lettings of the public sector, the vacancy rate decreased with moderation due to the vacant space released onto the market. The decrease in availability did not affect every submarket.

The Leopold district availability reduced because of the larger transactions and was back to a “reasonable” level. This submarket recorded a sharp fall of 120 bps compared to Q2 and reached 7.4%. The North district and City Centre also saw their vacancy rate decrease and stood respectively at 8.3% and 4.6% on the 1st of October. The Louise district had no benefit and its vacancy rate grew slowly to 12.6% compared to 12.3% during the second quarter. Nevertheless, the vacancy rate in this district is expected to decline during Q4.

While the decentralised vacancy rate stayed unchanged from the previous quarter at 15.8%, the periphery, with a level of 21.90%, has particularly suffered from the space coming back onto the rental market.

Development Pipeline

Bogged down by the market conditions

For the rest of the year, only 2 speculative projects will be completed which represents 11,200 m².

For the next year, the development activity will continue to be bogged down by market conditions and the uncertain economic climate. In addition, the office building construction start was very limited and mainly concentrated in CBDs.

Some 67,100 m² should be completed of which 58,200 m² are considered as at risk. The speculative part is mainly represented by the delivery of Orban 7-10 which accounted for 25,000 m² of office space. The second largest scheme expected to be completed in 2012 is the “Arts 58” building with 16,500 m². These two schemes are located in the Leopold District and owned by AG Real Estate.
Downward pressure from low leasing activity

The weak leasing activity recorded since the start of this year and its accentuation in Q3 affected rental values. Given a challenging market, tenants stayed in a strong position to renegotiate the lease length. Headline rents stood at 275 euro/m² representing a quarter-on-quarter decline of 7%.

In the meantime, the average in the upper rent range stood at 223 euro/m² with a slight drop from Q2 (-3%). Lease agreements were still accompanied by important rental incentives. Landlords continued to grant a rent-free period of 1.5 to 2 months per fixed year of lease contract.
**INVESTMENT MARKET**

**Slowdown activity**

The Belgian commercial real estate investment volume for the first nine months of the year amounted to € 1,108 million (+38 % compared to the same period in 2010). Nevertheless, the investment activity has experienced a gradual decrease since the Q1.

Offices remained by far the most favoured segment with 61% of investment volume by value. The retail and logistics segments accounted respectively for 8% and 7% of YTD investment by volume. The surprise came from the healthcare and hotel sectors which represented 24% of investment.

The Brussels office market did not escape from the slowdown of activity. While the YTD investment volume (€ 511 million) sharply grew by 50% (compared to the same period in 2010), the investment volume during Q3 (€ 94 million) recorded a decline of 36% compared to Q2.

The scarcity of prime products coupled with a "core" segment suffering from weak occupier market indicators curbed the investment activity. In addition, the uncertain outcomes of the debt crisis are making investors particularly cautious.

As with the previous quarter, Q3 investment activity continued to be mainly driven by small transactions with a volume less than € 25 million. The activity was focused largely in the CBD.

For the second consecutive quarters, foreign investors accounted for the majority of investment by volume. Indeed, German investors accounted for 54% (3 transactions) of investment and French investors represented 12% (1 transaction) of investment.

Belgian investors remained focused on prime products offering a secured income stream. Notable transactions have been the acquisition of Drapier 17-23 in Louise District by l’Intégrale.

Prime yields for a 3/6/9-year lease did not move over the quarter and stood at 6.25% in the CBD and at 7.25% for the decentralised area.

**Main Transactions – Investment market**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Office Property</th>
<th>Area</th>
<th>Estimated Price (€ million)</th>
<th>Vendor</th>
<th>Purchaser</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Pavilion</td>
<td>18,734 m²</td>
<td>78</td>
<td>S.E.B</td>
<td>Befimmo</td>
<td>Leopold</td>
</tr>
<tr>
<td>Q2</td>
<td>Montoyer-Science</td>
<td>12,798 m²</td>
<td>57</td>
<td>Cofinimmo</td>
<td>Hesse Newman Capital</td>
<td>Leopold</td>
</tr>
<tr>
<td>Q1</td>
<td>Renaissance</td>
<td>10,600 m²</td>
<td>50</td>
<td>CB Richard Ellis Investors</td>
<td>Swiss Life</td>
<td>City-Centre</td>
</tr>
<tr>
<td>Q1</td>
<td>Chambon</td>
<td>75,000 m²</td>
<td>35</td>
<td>BNP Paribas Fortis</td>
<td>Allfin</td>
<td>City-Centre</td>
</tr>
<tr>
<td>Q1</td>
<td>Nerviens 85</td>
<td>9,148 m²</td>
<td>34</td>
<td>Axa Belgium</td>
<td>REEF</td>
<td>Leopold</td>
</tr>
<tr>
<td>Q1</td>
<td>Arts 35</td>
<td>6,997 m²</td>
<td>33</td>
<td>Provinzial Rheinland</td>
<td>III</td>
<td>Leopold</td>
</tr>
<tr>
<td>Q2</td>
<td>Regency Office + Hôtel de Merode</td>
<td>8,490 m²</td>
<td>26</td>
<td>Private</td>
<td>Private</td>
<td>City-Centre</td>
</tr>
<tr>
<td>Q2</td>
<td>Upsite -Blgd 38 - Smals</td>
<td>7,000 m²</td>
<td>25</td>
<td>Atenor</td>
<td>Ethias</td>
<td>North</td>
</tr>
<tr>
<td>Q3</td>
<td>Meeûs 35</td>
<td>7,391 m²</td>
<td>24</td>
<td>St Martins Management</td>
<td>Union Investments</td>
<td>Leopold</td>
</tr>
<tr>
<td>Q3</td>
<td>Drapiers 17-23</td>
<td>8,424 m²</td>
<td>21</td>
<td>Donal O’Mahony</td>
<td>Intégrale</td>
<td>Louise</td>
</tr>
</tbody>
</table>
DEFINITIONS

Stock
Stock represents the total amount of all completed office space, vacant or occupied at the survey date.

Take-up
Take-up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period. It does not include space that is under offer.

An office space is deemed to be “taken-up” only when contracts are signed or a binding agreement exists. All deals (including pre-lets) are recorded in the period in which they are signed. Lease renewals and sub lettings are not included.

Sales and leasebacks are not included as there is no change in occupation. Quoted take-up volumes are not definitive and are consequently subject to change.

Vacant Space
The vacant space represents floor space which is on the market and available for occupation. Speculative developments that are under construction are not included. Space available for subletting or assignment is included. By contrast, obsolete office property and office property pending redevelopment or major refurbishment is excluded from vacant space.

Vacancy Rate
Vacancy rate represents the vacant space divided by the total stock at the survey date.

Prime Rent
Prime rent is an opinion of the highest headline rent achievable at the quarter end of a hypothetical 500 m² unit of the best quality office space in the best location in each submarket. Annual rent per square metre, featured on the lease, exclusive of taxes, charges and incentives.

Prime Yield
Prime yield is an opinion of the net initial yield which would be appropriate for a freehold prime office investment let to a tenant with a typical standard lease (3/6/9 yrs).

Investment Volume
Investment volume represents the total capital value of freehold and long leasehold purchases during the survey period. Quoted investment volumes are not definitive and are consequently subject to change.