

# Ghent in the winning mood



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**The Ghent office market once again performed very well in 2013. With a gradually expanding office stock of more than 1.4 million m<sup>2</sup>, the Ghent office market represents the second office market in Flanders.**

While the economy is slowly recovering, the impressive take up figures recorded in 2013 confirm confidence in the Ghent office market. A take up of just over 60,000 m<sup>2</sup> represents a 60% increase compared to 2012, contrasting with other regional cities where in general take up fell back. Ghent represented a share of around 37% of the total take up in Flanders, which confirms its second position after Antwerp in terms of office markets in the Region.

## Take up concentrated in Ghent south

Several large transactions took place in new office developments such as the **Blue Towers** located beside the new football stadium (**Ghelamco Arena**) which was inaugurated in the summer of 2013. Almost 90 % of the take up was situated in the south district; the Center and North district each accounted for around 5%. This is substantial shift to the south district where most of the new developments are located.

The largest deal was closed at the end of 2013 with the agreement between Banimmo and Deloitte to develop a new build to suit office building of 7,400 m<sup>2</sup> at the Loop.

The vacancy level remains below 5% which is much better than other cities and is below the 6 % mark, generally recognised as sign of a well-balanced market.

Some observations should be made when looking at this success story.

- In almost all take up transactions the tenants were already present in the Ghent area.
- What will happen to the offices they are leaving?
- Although public transport is present in the southern district, accessibility by public transport still needs improvement.

Top rents for new office buildings remained stable at around 150 €/m<sup>2</sup>/year. The presence of new modern office projects and the limited vacancy result in a higher prime rent than on the Antwerp

office market where vacancy is higher and almost no new buildings are currently on the market.

## No large investment transactions

Although take up activity boomed in 2013 no large investment transactions were recorded. The acquisition of the Zuiderpoort office building (approx. 65,000 m<sup>2</sup>) for an investment price estimated at around € 110,000,000 by the Abu Dhabi Investment Authority (ADIA) in 2012 was a somewhat exceptional transaction for the Ghent office market.

The PMV (Participatie Maatschappij Vlaanderen) intends to launch a real estate certificate on the stock market with the new **VAC Ghent** as asset. The transaction would represent an investment volume of more than €100,000,000. Small investors along with larger institutional investors will be able to subscribe.

In the future more investment transactions could come to light when new and fully let office buildings reach the attention of professional investors.

## Project delivery

Several new projects are in course of delivery or will be completed during 2014. The **Blue towers** just beside the Ghelamco Arena (some 28.000 m<sup>2</sup>), is a notable example. Thanks to the completion of important road works on the R4 ring the area will become more accessible by car.

In February the new VAC (regional office of the Flemish region) was officially opened besides Ghent St. Pieters station. 1,200 civil servants will gradually move to this 36,000 m<sup>2</sup> large office building.

Before the end of the year the new **AA tower** (13,000 m<sup>2</sup>) developed by MG Real Estate (De Paepe) will also be completed. Most of the space (around 7,600 m<sup>2</sup>) will be occupied by TP Vision, moving from Bruges.

At the **'Take-Off' office park** (part of the Loop project area) the first office building was completed at the end of 2013. The 3,360 m<sup>2</sup> offices were sold to an end user (Planet Group).

### Pipeline of new real estate developments

Although several new projects were or will be completed in near future, the office project pipeline remains well filled.

More than 100,000 m<sup>2</sup> is already in planning phase and a further 100,000 m<sup>2</sup> may be added. This is a large volume compared to the actual stock (15%) but oversupply should not become a problem as speculative development is almost non-existent and the construction works only start after closing of a lease or sales agreement. It is likely that some older locations left behind by the users of the newly delivered office space will be transformed to other functions, which would reduce the increase in office space.

Upcoming projects are mainly to be found in the southern district especially on The Loop development zone, such as the above-mentioned Banimmo project for Deloitte. It will be part of the **'Tetris Business Park'** launched at the beginning of 2014. All buildings will consist of blocks of 18 x 18 to ensure maximal flexibility in terms of area needs. The total floor area in this park will be around 60,000 m<sup>2</sup> and also includes the VMM building (7,500 m<sup>2</sup>), completed in 2012.

The development of the **'Take Off' office park**, also located at the Loop, is continuing with the construction of additional buildings. Eventually it will total some 33,000 m<sup>2</sup> of office space.

At the other side of the town the (re)development project **Oude Dokken** is also under construction (up to 18,000 m<sup>2</sup> offices). In Hal 26, Sint-Salvatoorstraat, the rehabilitated spaces into offices for the Mobistar Call center are ready for use. The development of a new office building at the **'Oktrooiplein'** in front of the Ghent Dampoort railway station at the beginning of this re-conversion zone is also planned. The Ghent developer Alides has announced the at risk construction of this 9,300 m<sup>2</sup> energy efficient emblematic office building. Works should be finished by the beginning of 2016.

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