

The office market is returning to good health



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Was 2014 the year of recovery? The figures clearly seem to indicate this, both in terms of take-up and of investment. By contrast with 2013, the public sector was particularly active in 2014. It generated almost 50% of the total take-up of around 460,000 m², an increase of close to 39% compared to the previous year.

The demand from the public authorities and institutions is genuine. Amongst several large scale transactions recorded in 2014 by this sector are to be found the leasing by the Flemish authorities of **Meander** (50,000 m²) on the site of Tour & Taxis in the North district under a fixed 18-year contract, the rental by Actiris-VDAB of 36,000 m² in **Astro Tower** on the Avenue de l'Astronomie at the edge of the Leopold district, and the rental of 16,000 m² by the European Commission in **Livingstone II** on the Rue Joseph II. For the future, the Flemish authorities have already announced that they will need around 100,000 m² and the City of Brussels has indicated it will require 15,000 – 40,000 m².

The European Commission, which currently occupies around fifty buildings in Brussels, is envisaging a restructuring of around 300,000 m² by 2025, when most of its lease contracts come to an end. It is likely to leave the smaller and unsuitable buildings and replace them by larger and better performing ones. Two calls for tender in this respect will be launched in 2015, for two buildings: one of 30,000 m² and one of 100,000 m² by 2021!

speculative projects which have seen light of day during this crisis period. It is no surprise to observe that it is the decentralised and peripheral districts which record the highest vacancy levels (around 15% and 22% respectively), followed by the Louise district at some 12%.

The many projects in the pipeline and the expected restructuring of the public sector and the banking-insurance segment, implying a rationalisation of space occupied per work station, nevertheless make a rise in vacancy over the coming months quite likely.

Converting obsolete office buildings

The activity involving converting unsuitable and second generation office buildings is intensifying, as the latest survey by the Office Observatory, confirms. In 2013 alone, around 137,000 m² of offices were converted to other uses, of which 72% for housing, but also 19% for public services. The 'Office Observatory' report calculates that between 1997 and 2013, some 857,500 m² of offices were converted to other uses, of which 65% to housing. This represents an annual average of some 50,000 m² over the 17

“ Over 17 years, some 857,500 m² of offices were converted to other uses, of which 65% to housing “

Where the private sector is concerned, the results were more mixed, as take-up in this sector was stable compared to 2013. This is due, among other factors, to the effects of the economic crisis and also to a rationalisation of the space occupied per work station (between 10 and 12 m²) – some 25% less than the average area previously used as a reference.

Vacancy

The vacancy level has remained relatively stable at around 10% for the whole of the Brussels market. This is in particular due to the lack of

past years (excluding 2014) and almost double this for the past five years, which confirms the speeding up of the conversion process.

A few large scale buildings are perfect examples of this process. Amongst these are **Livingstone** (former site of the Popular Insurance company and right in the heart of the European district), converted to 120 apartments, and the **former Solvay headquarters** in Ixelles which will be converted – among others – to a student lodging building, a rest home and apartments.

Analysis of market evolution by

Where take-up in 2014 is concerned, most of the activity was once again concentrated in the city centre districts, which accounted for almost half of all take-up in Brussels and its periphery. The Pentagon and Louise made the most progress, with + 80% et +62% of take-up respectively, compared to 2013. The European district remains Brussels' principal office district, with a 25% share of take-up.

CENTRE / PENTAGON

The pentagon takes in the whole of the zone contained within the inner ring road and is characterised by an excellent mix of functions and services as well as excellent accessibility by public transport, which represents an overriding criterion in selecting a location, particularly for the large institutions and public administrations. The principal occupants to be found here are Belgian financial groups, ministries and private companies.

Major projects underway

Bel Air (the former State Administrative Centre). In time, the conversion of the site will offer 150,000 m² made up, among others, of 43,000 m² of housing, 5,000 m² of retail space and 19,000 m² of public facilities including a school and a crèche.

Chambon. This year the converting of the former historic and prestigious CGER headquarters located on the Rue Fossé aux Loups will be partially finalized. Together, the renovations and reconstructions will see a mixed use complex emerge, including 224 apartments, 20,000 m² of offices, 135 student flats, 199 parking spaces and some shops.

Treurenberg. Located in the proximity of Central Station and of the Royal Park, this building of 10,000 m² of offices is a landmark project for its developer AXA RE Belgium. It will be a 'Zero Energy' building and is set to receive 'Breeam Excellent' Environmental certification. It will become a reference on the market. Its construction should be completed in June of this year.

Speculative development involving the Law Courts

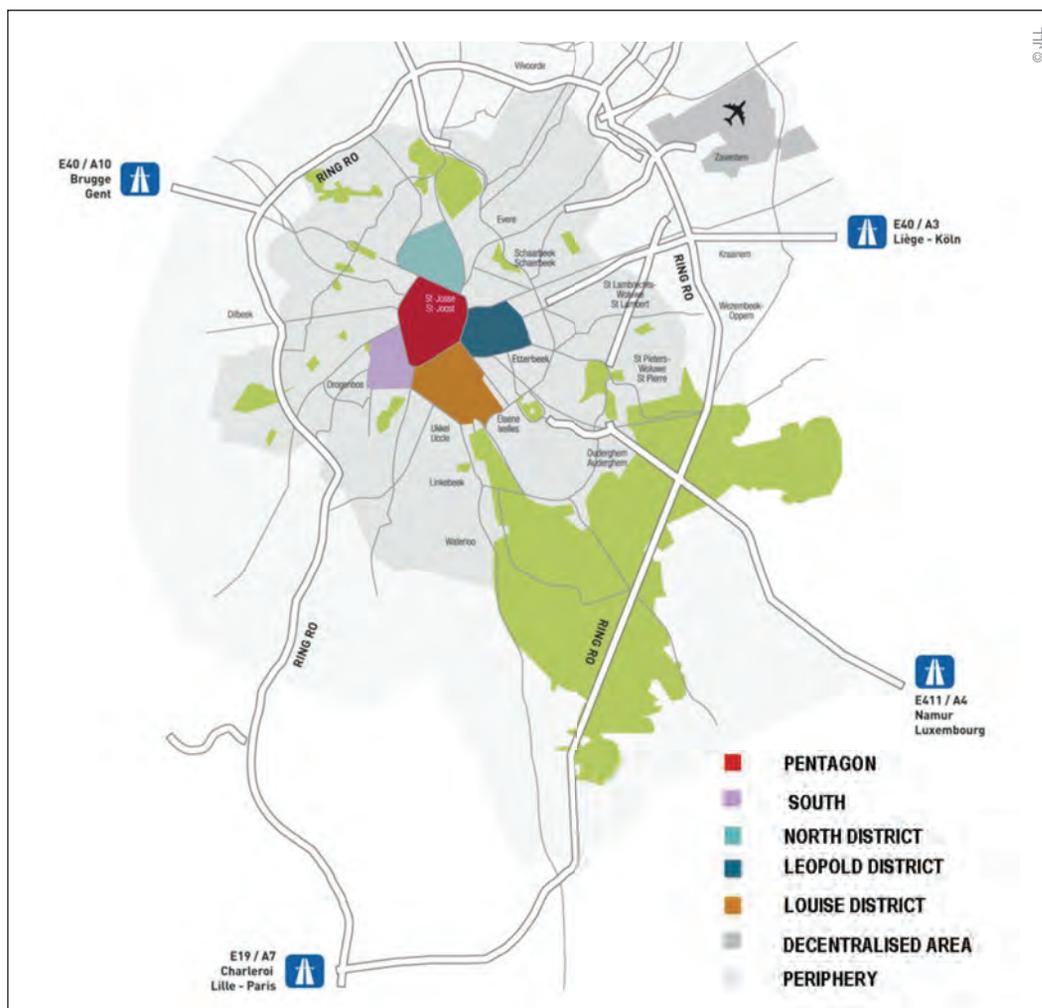
Regent Invest, an investment vehicle of the Jaspers family, has just lodged a request for a planning permit to construct an 8-storey (with 4 underground levels) office building totalling 26,500 m² of offices in place of the existing 18,000 m², on the block in front of the Law Courts, located between

the Rue de la Régence 61-65, Rue Ernest Allard 42 and Rue de l'Arbre. The construction of this building would imply the demolition of the existing buildings which currently house the Police Tribunal and the Justice House. With this project Regent Invest would appear to be anticipating the needs of the Federal Justice Service, within the framework of the future Law Courts. It remains the case, however, that there are many questions to be answered concerning the possible new uses of the lower part of the current Law Courts. And on top of this, the rental level of this building would be too expensive. A rent of 7.2 million Euros per year for the first 20 years and 5.7 million Euros for the following years, has already been mentioned in the press, which is largely sufficient to restore and make secure the current Law Courts (Place Poelaert), even if no study has yet been carried out to verify the actual costs of this work, to bring the Law Courts up to standard. The consultation committee has postponed giving its opinion on the Regent Invest project, which was originally scheduled for March 10th.

New use for the former Dexia building

Following more than ten years of being abandoned, the renovation of the former Dexia building, located on the triangle formed by the Rue Montagne de l'Oratoire, Rue de la Banque and Rue de Ligne, has finally started. The owner, New Star Global Property Management, has asked for an extension to the planning permit granted in 2011. The renovation of the building schedules the transformation and extension of the building into offices, apartments, archives and other functions, yet to be determined (restaurant, kitchen, conference rooms, fitness centre...). A 200-space car park is also scheduled, for use by building occupants and also by local inhabitants. The building will total 58,000 m² - two storeys higher than at present.

business district



Results 2014 - Market dashboard : 14,290,000 m² of offices

KEY FIGURES	Centre	Midi	Leopold	North	Louise	Decentralised	Periphery
Stock	2,376,000	511,000	3,203,000	1,657,000	860,000	3,212,000	2,470,000
Percentage of total stock	17%	4%	22%	12%	6%	22%	17%
Proportion of second hand buildings	49%	22%	18%	16%	48%	35%	11%
Vacancy level**	5,5%	6,5%	5,5%	5,5%	12%	15,0%	21,5%
Prime rents*	200	185	265	185	210	165	150-125
Prime yields	6%	6,5%	6%	6,5%	6%	7,5-8,5%	8,5%

Strong and weak points of the various districts of the Brussels Capital Region

Advantageous fiscal regime	-	-	-	--	-	-	++
Acces by public transport	++	++	+	++	=	-	--
Quality of stock	=	++	+	+	-	=	+
Presence of facilities	++	++	++	++	++	+	+
Presence of green areas	-	--	-	-	=	+	++

++ Excellent + Good = Average - Bad -- Very bad

* Prime rent : best rent obtained ** Vacancy level : % of office space immediately available

Sources: de Crombrugge & Partners / Expertise News / Citydev.brussels 'Office Property Observatory' 2014 report

Master plan for a living station

New perspective for the district around the South Station drawn-up by the architect and planner Djamel Klouche with the team of the French architectural bureau AUC.

At the beginning of May, the Brussels government gave its approval during the first reading, to the masterplan proposition for the district around Brussels South (Midi) station.

The objective of this plan is to move towards a 'living station' with a 50/50 balance between offices and housing (not counting infrastructure facilities and services). The structure of the station itself will not be touched, what is crucial is to bring harmony and coherence to both public and private developments.

A major priority for this living station plan is to lay out the public areas.



MIDI DISTRICT

This district is located around the South Station, and has greatly developed over the past twenty years. Its numerous new developments, combined with the arrival of the TGV and the complete refitting of the South Station, have turned it into an office zone in its own right. This district is continuing to mutate, as a new Masterplan for the district around South Station has been drawn-up by the architect and planner Djamel Klouche with the team of the French architectural bureau AUC. At the beginning of May, the Brussels government gave its approval during the first reading, to the masterplan proposition for the district around Brussels Midi station. Along with this, the government will begin drawing up a new PPAS (Specific Ground Use Plan) with a view to definitive adoption in 2016.

Coherent whole for private and public real estate developments

The south district masterplan schedules undertaking development projects in the zone in two phases (2018-2020 and 2025). The first phase includes, among others:

- redesigning and fitting out of the rectangles;
- creating a station hall and reorienting the covered street into quality public spaces;
- redesigning the podium unit of the Midi Tower;
- the construction of a residential building above the tramway power installations on the Boulevard Jamar;
- the realisation of Atenor's **Victor** project which envisages 60,000 m² of offices and 35,000m² of housing;
- the realisation of the **Fonsny 1** project which will comprise 80,000m² of offices on the Avenue Fonsny side.

By 2025, the second phase schedules, among others, the realisation of the second part of the **Eurostation project** along the Avenue Fonsny, above ground construction on the **France-Bara** block, which will have to be allocated to a mainly residential function and accommodate at least 40,000 m² of residential accommodation, and finally, constructing the **Deux-Gares** block.

LOUISE DISTRICT

The mixed use district is located along the Avenue Louise to the south of the inner beltway and comprises generally older office buildings (over 50% are more than 15 years old), housing, some top of the range retailing, hotels and restaurants. It is largely small and medium private companies which have located here, along with law firms and consultants, attracted amongst others by the proximity of the law courts.

The large proportion of 'old-fashioned' buildings doubtless explains one of the highest vacancy levels of the central districts, close to 12%, and the policy of the City which, over recent years, has been more oriented towards converting office buildings to residential use.

Transformation of an entire uptown block

The conversion of the **former Solvay head-quarters** project by developer Allfin is a concrete example of large scale urban rehabilitation. The former Solvay offices enjoy an ideal location between the Avenue Louise and the Chaussée d'Ixelles, and will, during the first phase set to be completed by mid-2016, be converted into 110 apartments, 95 student rooms and a rest home. The remainder of the site will be redeveloped during a second phase, and a permit request has been lodged for this.



Conversion of the former Solvay head-quarters into housing

NORTH DISTRICT

The North district is the second most important business district in the capital after Leopold. It is a modern zone, located just outside the Pentagon, around the Boulevard Albert II, between the Avenue du Port and the North Station. This district benefits from a good network of public transport facilities. Companies located in this area are from various sectors, and generally have need of substantial amounts of office space. The public sector still represents a substantial proportion. Its development potential remains impressive as witnessed by the numerous projects underway.

4 office towers are still waiting for occupants before works start

The 30 floors' **Silver Tower** developed by AG Real Estate will offer 33.000 m² of prime office workspaces. The tower will overlook the Botanic Building and the CNN multimodal transport hub. The **Brussels Tower**, the former Belgacom TBR tower, will offer ± 59,000 m² of offices after renovation and extension. **WTC IV** will be the 4th tower of de WTC complex. Developed by Befimmo, this tower will add ± 55,000 m² of office space to the North District.

Facelift for the Victoria Regina Tower

The 23 floor, 25,000 m² building named 'Victoria Regina' which dates from 1978, has just obtained the permit for its next renovation. The project, the work of architects A2RC, schedules retaining the existing structure and providing an entirely new facade, with an immense sphere jutting out at 15th floor level, and giving exceptional views across the Victoria Regina square and the surrounding district.

For more than 20 years this tower was owned by, and was the Brussels headquarters of, IBM. It was then sold to Spanish owner/developer Luresa. It was occupied for more than 10 years by services of the Federal Police, which recently moved into its new quarters in the nearby Belair project (the former State Administrative Centre).

Relocation for 2,600 civil servants of the Flemish Community

On the Tour & Taxis site – whose redevelopment will amount to around 148,000 m² of offices –, the '**Meander**' project has just received a planning permit for the construction of approximately 42,000 m², destined to accommodate 2,600 civil servants of the Flemish Community. The Flemish authorities have confirmed that they are taking this building, and have signed an 18-year fixed term lease which begins when they move into the building in 2017.

At that time, the authorities will vacate the 40,000 m² **Noord Building**, owned by Befimmo and located on the corner of the inner ring road and the Boulevard Emile Jacqmain. Options remain open for this 1989 building, renamed 'Baudouin' even though the most likely solution seems to be a demolition/ reconstruction.

Befimmo has lodged a permit request for 60,000 m² of offices, new-build and spread across 4 separate towers sharing a common podium unit and to be called '**Quatuor**'.





courtesy of Belingo - design by Jaspers-Eyers Architects

Quatuor Project

The former Belgacom TBR tower will offer around 60,000 m² of offices after heavy refurbishment and construction of new additional surface



Design Jaspers-Eyers Architects for Immobilien & KBC Real Estate

By 2017, Axa Belgium's new headquarters will emerge on Boulevard du Regent at the edge of the European District



LEOPOLD DISTRICT

The Leopold district is the most important business district in the capital. It is essentially the European institutions which occupy this district, along with the major national ministries, and certain Belgian and foreign company headquarters. It has the advantage of an excellent network of public transport, and is in particular served by the Luxembourg and Schuman railway stations, enabling immediate connections with the entire national and international network, as well as with the TGV terminals.

Today, around 180,000 m² of surface area is available, of which 40,000 m² is new. The vacancy rate in the European district is around 5.5%, which is down compared to last year. Nevertheless, the number of speculative projects, such as for example **Black Pearl**, 11,000 m² located on the Rue Montoyer, or the **Merode** (13,000 m² located at Avenue de Tervueren 41) which are coming onto the market, risk reversing the trend. The European institutions, which are looking for 27,000 m² for the Commission, 12,000 m² for the European Parliament and 10,000 m² for the SRB (Single Resolution Board) have nevertheless expressed an interest in these two projects.

Well-filled project pipeline

The development market remains active in this district, which is seeing the development of several large projects like **Belliard 40**. The necessary permits for this new project having already been granted, Cofinimmo has decided to start the demolition and reconstruction works, including in particular the laying out of a plaza and a green area adjacent to the footpath, and the construction of a luminous 5-storey atrium looking out over an interior garden and visible from the road. By 2017, the building will offer some 17,000 m² of modern, flexible and sustainable offices.

Realex. Located on the Rue de la Loi, alongside the The One project (former Brussels Europa), this site of a little over half a hectare will offer more than 45,000 m² of mixed development, including an office tower (\pm 39,500 m²) completed by conference rooms, a retail zone, apartments, a car park and a vast public area. Works are scheduled to begin during the course of this year.

The One (Brussels Europa). In June 2005, Atenor acquired the Crowne Plaza Brussels Europa hotel in order to transform it into a mixed complex. Located at the corner of the Rue de la Loi and the Chaussée d'Etterbeek, this mixed use project will include \pm 29,000 m² of offices and around a hundred residential units. The permit was granted in November 2014. Demolition works started in September 2014 and were scheduled to be finished in the spring of this year.

Trebel. Located at the corner of the Rue de Trèves and the Rue Belliard, this Atenor project consists of the demolition and reconstruction of a new 30,000 m² office building which has received a BREAAAM 'Excellent' pre-evaluation. In 2012, the European Parliament reached an agreement with the developer for the acquisition of the project once it is completed. Works began in the spring of 2013 and are set to last until 2016.

AXA Belgium new headquarters. AXA Real Estate has just started the transformation of the Trône-Régent block, destined to become AXA Belgium's new headquarters by 2017. The project will amount to 32,000 m² of offices and will involve the demolition/ reconstruction of the Régent I building and the renovation, with retention of the listed façade, of the Régent II/ Trône block. Regarding energy efficiency, the building will be passive and certified Breeam Excellent.



DECENTRALISED

The decentralised zone includes the other districts located within the 19 communes of Brussels. It is less homogenous and office buildings zones are concentrated along the major thoroughfares, such as the Chaussée de La Hulpe, Boulevard du Souverain, Boulevard de la Plaine, Boulevard du Triomphe and Boulevard de la Woluwe. Some of these districts suffer among others from a lack of good accessibility by public transport, and a lack of supply of new or modern buildings.

Although their share of take-up in 2014 remains limited, they nevertheless recorded an increase of almost 60% in take-up, compared to the previous year. The most important transaction was the acquisition for own occupation by the commune of Uccle of a 13,000 m² building located on the Rue Gatti de Gamond.

While these decentralised districts still offer substantial reserves in terms of further urbanisation, developers are not very active on the office market in this zone, and few projects are expected in the coming months. This has advantages in terms of a decrease in the vacancy rate (with great differences according to district), but the major risk is growing disinterest on the part of investors and developers.

Projects delivered and to come

The renovation of the 12,000 m² of **Triomphe I** building – located Boulevard A. Fraiteur 15-23, opposite the VUB university is completed, as well as the ‘**Veridis**’ project by Banimmo in Auderghem, (avenue Hermann Debroux) whose 6,600 m² of

low energy offices are being built to suit for Marsh which has leased the building for 15 years from 2015. Banimmo wishes also to develop 3 ‘built to suit’ buildings with a total surface area of 22,000 m² on a lot of 1ha 47a located in the Parc Da Vinci at Evere and with a theoretical construction potential of at least 30,000 m². The project is set to be called ‘**Factor Three**’.

Brussels City Docks

Atenor has lodged a first planning permit request for a part of the site along the Boulevard Industriel and which forms part of the Biestebroec industrial zone (Batelage basin) at Anderlecht, which it acquired in 2011 via the ‘SA Immobilière de la Petite Ile’ company. This site was initially scheduled for economic activities but has been transformed by the Region into a ZEMU within the Regional Ground Use Plan (PRAS), thus allowing residential accommodation to be constructed for up to 40% of the surface area.

The permit request involves the construction of 3 buildings to accommodate integrated services to businesses, a rest and care home, a serviced residence and shops, the total being around 38,800 m². The consultation committee has just given a favourable opinion under certain conditions, such as the provision of a high degree of mixed use at ground floor level so that the areas dedicated to economic activities are not offices alone. In total, this project known as **City Docks**, has a development potential of over 165,000 m².



New ‘built to suit’ buildings to arise in Evere in the Da Vinci business park

Atenor's 'City Docks' mixed-use project is fully in line with a dynamic of sustainable urban development



RING AND PERIPHERY

This zone, located outside of the Brussels Capital Region, takes in those communes alongside the Ring (Machelen, Zaventem, Waterloo etc.). It has grown considerably since the 80's with the development of numerous office parks. This first took place around the airport at Zaventem (**Keiberg, Airway Park, Airport Business Center, Ikaros, Airport Plaza, Astra Gardens**, and later **Pegasus, Corporate Village, Airport Plaza**) which is thus a zone in its own right, and then extended towards more distant zones such as Waterloo, Braine l'Alleud, La Hulpe, Hoeilaert, etc. (**Parc de l'Alliance, Waterloo Office Park, Collines de Wavre, and more recently Axis Park** etc.).

The major attraction of this zone was originally to be found in more competitive rents than in the city centre, allied to a more advantageous fiscal regime. The major problem remains access to these parks, less well served by public transport and with a road network often congested at peak hours even though a genuine effort to improve the transport network is to be observed, especially at Zaventem where since June 2012 the new Diabolo train service has been providing more rapid access between the north of the country and Brussels National airport.

This zone performed less well in 2014, with take-up down by 8% compared to the previous year.

Airport Village

There are few new projects in the Periphery North, with the exception of 'Gateway', the new development by Codic and Immobil, recently much in the news because the project has just been acquired by Befimmo at an initial yield of 4.65 %.

This building will offer some 39,000 m² of offices and other facilities to Deloitte from 2016, the date when the project should be complete.

This project constitutes the first phase of the development of the 'Airport Village' project which schedules the gradual installation of offices, meeting rooms and conference centres over a total surface area of 400,000 m².

Brabant Wallon

Most new developments are concentrated in the Periphery South, including notably the **Centre Monnet** at Louvain-la-Neuve (± 40,000 m² by 2017-2018), **Nivaxis** (Axisparc Nivelles (22,000 m²) – permit requested), the **Genesis** in the **Parc de l'Alliance** (± 5.900 m² - permit granted), the last phase of **Axisparc** at Mont-Saint-Guibert, scheduling the construction of the 9 remaining buildings with a total surface area of 25,000 m² of offices and divisible space essentially for the use of SMEs. It should be possible for works to start during 2015.

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Other large scale projects are located on the **Rue de Genève** (19,000 m², over 200 apartments), **Rue aux Laines** (15,000 m²), **Chaussée Saint Pierre** in Etterbeek (8,700 m², demolition/reconstruction).

In parallel with this, the average rate of renovation of existing buildings (232,000 m²) is being maintained and the virtual lack of significant new projects on the market since 2012 is leading to a degree of rebalancing. The only operation of any size (30,000 m²) to have received authorisation in 2013 consists of the demolition/reconstruction - with an increase in surface area - of an office building on the corner of the Rue Belliard and Rue de Trèves (the **Trebel** project) in the European district.

“The European Commission will launch calls for tender in 2015 for two buildings: one of 30,000 m² and one of 100,000 m² by

Over the past five years, this transformation has led to a net decrease in office stock of 227,000 m², out of a total of over 13 million square meters.

Great increase in investments

The investment market has followed the same upward trend as the previous year, and particularly for the office market which has recorded an increase of almost 66%, with a volume of around 2.081 billion Euros invested. As for the previous year, the positive investment figures are above all the result of several large transactions of over 75 million Euros.

The outstanding transaction of 2014 was without doubt the acquisition of **Covent Garden** by Hannover Leasing, which had also made itself noticed the previous year through the acquisition, with its Chinese partner, of the shares of RAC I (owner of the first phase of **Belair**). This was one of the major transactions of 2013.

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The 30,000 m² Wilfried Martens building project (formally Trebel Building) developed by ATENOR has been sold to the European Parliament. Completion of the building is expected for next year.

