

Demand still outstripping supply



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The years that go by seem remarkably similar in the Liège region. The market is dynamic and promising, but is suffering from a chronic lack of offices both in the city centre and on the periphery. Yet contrary to preconceived ideas, these two zones are not competing with each other. Where prices are concerned, prime rents have tended to be on the increase in the 2010 to 2014 period.

While the Liège offices stock currently stands at around 620,000 m², barely 8,500 m² – or 1.4% of total stock – is available for occupation. And to make things worse, the space which is available most often suffers from poor accessibility or is in need of renovation. Supply is so low in Liège, particularly in terms of quality, that most high standard office space automatically finds takers.

The 620,000 m² of office stock is made up, to the tune of almost 70%, by buildings which are more than five years old. Over recent years the stock of new buildings has expanded thanks to the construction of new offices for own use: the annex to the **Liège law courts** (45,000 m²), the **Finance Tower** at Guillemins (60,000 m²), **CMI headquarters** at Seraing (7,500 m²), **Media Rives** alongside Médiacité (8,000 m²)... Projects destined for the letting market have also seen light of day: Office House at Rocourt (3,600 m²), **Alleur Office Park** (7,500 m²) and **Liège airport** buildings (more than 8,000 m²).

The city takes precedence over the periphery

Fifteen transactions amassed a total of some 10,000 m² in 2014, which is average for the past few years.

Most transactions recorded over the past five years (2010 to 2014) involve space of less than 400 m², and mostly in buildings located on the periphery. By contrast, surface areas of over 1,500 m² only make up 10% of transactions and are principally to be found in the city centre. These operations almost exclusively involve new or totally renovated buildings. An analysis of these transactions enables the mapping of the principal zones of activity on the Liège office market.

- The **hyper-centre**. Right in the heart of Liège, the Sauvenière-Avroy-Guillemins axis constitutes the spinal column of office property, concentrating the administrative and public service activities which are located on large floor areas. Another specific characteristic is the number of professional activities to be found in the town houses of the adjacent streets. This zone has accounted for 45% of space taken up over the past five years. The average amount of space taken up is close to 1,500 m².

It is therefore no surprise that the only office building projects currently to have received building permits, **E. Lyge** and **Ardent Project**, are located in this zone.

Mixed-use 'Paradis Express' project to be developed by Fedimmo along the esplanade of the Calatrava train station



- The **peri-centre** takes in the office zones easily accessible by car and with good parking facilities within the territory of the City of Liège (**Zénobe business park** at Angleur, **Office House** at Rocourt, **Timmermans quayside** at Sclessin...). These locations attract 25% of the total space rented, with an average of 825 m² per transaction. Companies such as PwC, Lampiris and Air Liquide, among others, have chosen to locate in this peri-centre.
- Contrary to preconceived ideas, while the Liège **periphery** – which in particular takes in the communes of Alleur, Grâce-Hollogne, Seraing, Herstal, Awans, Battice, along with the Liège Airport zone – has generated 54% of the volume of transactions, they only account for 30% of the surface area taken up. These transactions are generally for small surface areas (lower than 400 m² on average).

With these statistics as support, and by contrast with the often lively debates on the subject, one of the conclusions that can be drawn from this analysis is that projects developed on the periphery do not constitute a source of competition for those developed in the city centre.

Reasonable rental levels but insufficient supply

Despite an enviable situation in terms of mobility and accessibility by different modes of transport including high speed trains (Thalys, TGV, ICE), by motorway, by air at both Liège and Maastricht-Aachen airports, not to mention the city tram projects, rents remain very reasonable compared to Brussels. Office rents are located between

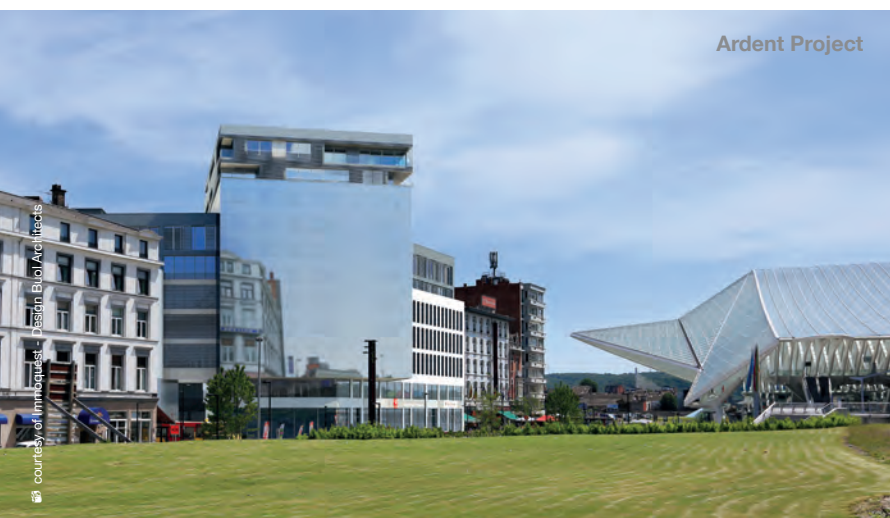
€ 125 and 145/m²/year for new buildings, and between € 95 and 110/m²/year for older buildings. The limited number of annual transactions and the restricted availability on the Liège market lead to often minimal differences between average and prime rents.

The restricted nature of the supply of new buildings should be to the benefit of buildings having recently been granted their building permits. The 11,000 m² or so of the **E. Lyge** building located in the hyper-centre are being marketed at an asking price of € 175/m²/year. The other mixed use building project opposite Guillemins station (**Ardent Project** by the Circus group), is being advertised at € 145/m²/year for the offices element (10,000 m²). But apart from these two projects, office supply is not set to grow in the short term in Liège-City. Rents being asked for any new quality project located in the hyper-centre, and especially in the Guillemins district, should be located between these two levels.

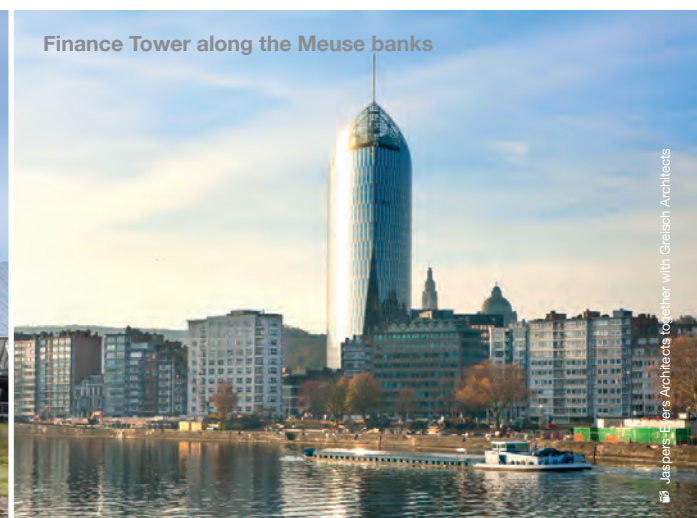
In a recent survey we carried out we have observed more than 437,000 m² of demand since 2009. Why doesn't this demand transform itself into transactions? More than a third of people reply quite simply that there is a lack of availability. The other principal reasons most frequently cited are that the project is cancelled/delayed/waiting, the unsuitable location and a too high cost.

Outlook

A survey undertaken by the SPI – the Liège province ground development agency – estimates that the lack of available office space stands at 40,000 m². Several developers are working in Liège at the moment to close this gap.



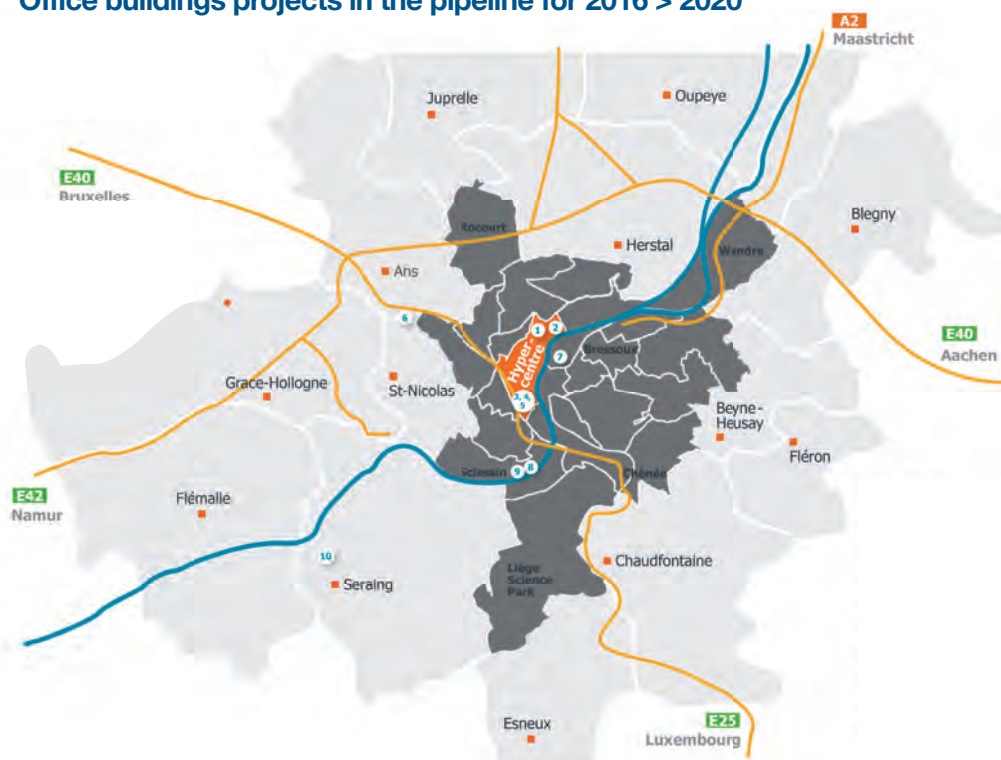
Ardent Project



Finance Tower along the Meuse banks

Office buildings projects in the pipeline for 2016 > 2020

- 2017
- 1 E. Lyge/Cadran : ± 10,000 m²
- 2019
- 2 Féronstrée 54 : ± 11,000 m²
- 2017
- 3 Ardent project / Circus : ± 10,000 m²
- 2020
- 4 Paradis Express
- 5 SNCB Plan Incliné : ± 65,000 m²
- 2020
- 6 Bonne-fortune project : ± 30,000 m²
- 2019
- 7 Hôpital de Bavière : ± 20,000 m²
- 2016
- 8 Val Benoît/SPI : ± 12,500 m²
- 2018
- 9 Val Benoît BPI / Moury : ± 15,000 m²
- 2018
- 10 Cristal Park : ± 20,000 m²



The most advanced projects, each with a permit for 10,000 m², are by the Buelens group (Elyge project in the Cadran district close to the Place Saint-Lambert) and Immo Retail / Circus (mixed project close to Guillemins station). A large scale transformation project has also started, to convert the former department store 'Innovation' building on the **Rue Féronstrée** into 11,000 m² of offices and 2,700 m² of retailing.

A large development hub is located in the neighbourhood of Guillemins station alongside which the new and spectacular tower constructed by Fedimmo, is destined for the civil servants of the Finance public service, who are gradually leaving their neighbouring building, scheduled for demolition. The esplanade in front of the station offers further usable space. Befimmo subsidiary Fedimmo owns a parcel of land there neighbouring the new Finance Tower and located along this esplanade. It is the company's intention to construct a new eco-district here, a mixed district of offices, housing and local shops. At the end of 2013, in close cooperation with the city of Liège and the Walloon Region, Fedimmo launched a call for tenders for the construction of this complex which totals some 35,000 m² of built area. In the middle of April this year, they unveiled the '**Paradis Express**' project which will be undertaken by a consortium made up of architects Jaspers-Eyers, A2M, and Greisch, study bureaux TPF engineering and Bureau Lemaire, and the association of contractors

Duchène, Galère and Interbuild. The project will now be subject to an impact study and to one or more individual permit requests. Fedimmo has announced that the project will be non-speculative. Works will not start until the risks allied to occupation have been sufficiently covered.

Infrabel, for its part, is making the effort to develop office space (65,000 m²) on the area adjoining the **Plan Incliné**, where the ABX depots were previously to be found.

Rehabilitations and conversions

Not far from there, the rehabilitation of the **Val Benoît** site is going well. It is being managed by the SPI. The renovation of the buildings previously occupied by the University of Liège, before it moved to Sart-Tilman, should provide a supply of office space of some 30,000 m². The future constructions will be largely mixed use in nature, made up of offices, but also of workshops. The renovation and transformation of the former civil engineering institute should be complete at the beginning of next year (13,000 m²). The SPI will then turn its attention to rehabilitating the chemical/metallurgy institute located on the Rue de Solvay (15,000 m²). Alongside the Val Benoît site, CFE/BPI and Moury have ambitions to create office space in new buildings (the **Ernest 11** project). They have announced that they will bring a 15,000 m² building to the market by 2018, the year when the Liège tram is set to come into service.



One of the tram lines will pass in front of Val Benoît, which will increase attractiveness for companies choosing to locate here. There is still further land able to be developed within the territory of the City, such as, for example, the site of the former **Bavière hospital** at Outremeuse (20,000 m²).

In Seraing, the conversion and transformation of the site of the Val Saint-Lambert glassworks into a mixed complex '**Crystal Park**', will bring together retailing, a hotel, offices and leisure areas, including the construction of a business park with ten buildings of three floors totalling almost 20,000 m² of offices.

Developments on the periphery

Following the success involving, among others, the letting of some 8,000 m² in the three buildings which make up the business centre at the airport, Liège Airport has begun a strategy of real estate diversification which is bearing fruit. They are looking towards large scale projects on the periphery with in particular the launch of a new project of 2,000 m², and a huge land potential. Another substantial project is being developed in the commune of Ans, in the area known as '**Bonne Fortune**', by developer Banimmo on a 9.3 hectare site located alongside the E40 motorway, and enabling access to the city centre in just a few minutes. The Ogeo pension fund is also looking, via real estate development company UrbaLiège, to develop a business park for small and medium enterprises in **Montegnée** within the commune of Saint Nicolas on a site of 11 ha (part of the former Espérance coal-mining site).

According to the survey undertaken by the SPI estimating that the lack of available office space stands at 40,000 m², there is therefore plenty of room for new projects. But we now officially know that Liège is not to see an inflow of further civil servants following the sixth reform of the State which saw a substantial transfer of areas of competence from the Federal State to the Regions. While there is a very important lack of quality offices at the moment, moderation remains the key-word, in order to avoid the 'everything into offices' extreme. Some developers appear to have understood this by developing mixed use complexes such as Crystal Park or the large scale '**Vennes District**' project to be erected on the two hectare site currently partially occupied by the Mercedes-Benz dealership (around 100,000 m²). The developers of this project – Thomas & Piron and Serge Barvaux– announced at Mipim that they were to mandate to Rem Koolhaas, one of the biggest names in contemporary architecture, the job of designing what is set to be the second tallest tower on the Liège skyline. A sign which bears witness to the renewal of interest in Liège, both at national and international levels.

❶ The renovation and transformation of the former civil engineering institute on the Val Benoit site should be complete at the beginning of 2016

❷ The E.Lyge office building project will offer a total surface area of 11,000 m² in the Cadran area on the heights of the Place Saint-Lambert.

❸ Large scale transformation project to convert the former 'Innovation' department store building on the Rue Féronstrée into 11,000 m² of offices and 2,700 m² of retailing.

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