



'Art Building' is a master piece of architecture in Brussels located in the European District, on the avenue des Arts, 20 and at the crossing with the Joseph II street. The priority of this office building developed by the DePaeppe Group and designed by Art & Build Architect, was to provide the future occupants with luminous work spaces responding to all requirements of comfort, energy efficiency, aesthetics and flexibility. Art Building avoids the architectural monotony. The project distinguishes itself by the "white effect façade" created by the use of an exterior textured glass and a translucent milky interior one, but also by the use of contemporary materials from the remarkable entry to the roof element made out of painted metallic louvers. Up to 6.180 m² are still available for immediate occupancy. More Information via Cushman & Wakefield.

Oversupply on the Brussels market

In Belgium, the real estate market principally involves the Brussels office market, even if, over recent years, other market segments have been gaining ground, along with regional cities such as Antwerp, Ghent and Liège, which represent real competition. Foreign companies appreciate the central location of Belgium between the major markets of Germany, the UK and France which, combined with the substantial developments in rapid transport links (TGV and airport), enable easy connections with these different markets.

In 2010, almost 63 % of total take-up in the country went to the Brussels office market, confirming its position as the country's leading office market.

Just as last year, when some major transactions took place at the end of the year (e.g. the Federal Government in the Forum), the recent take-up of 65.000 m² by the federal police in the RAC-Belair project (the former state administrative centre) enabled take-up to reach a figure of 490.000 m² for the whole of the Brussels Capital region in 2010, or almost 15 % up compared to 2009. The transactions were mostly concentrated in the central business districts of Brussels (CBD, the North and Leopold districts) which accounted for 57% of take-up, against 23% in the Decentralised zone and 20% on the Periphery.

The high vacancy rate (around 11.8%) which is also affecting new buildings, is exerting pressure on rents, not always on the face-value of the rent, but often translating into substantial incentives offered by owners to attract new tenants (rent-free periods, participation by the owner in removal costs, renovation of the premises etc.). These discounts may represent up to 30 or 40% of the rental face value. Since the last quarter of the year, however, the situation appears to have reversed due to a slow-down in speculative projects. If the market continues to adjust, a slight decrease in vacancy may be expected over the coming months. Nevertheless, it is still likely to remain high in second generation buildings, especially those located on the periphery where vacancy has risen sharply, to above 20% in certain places.

This adjustment will require some years before it establishes a balance between supply and demand, because it is estimated that 3.5 years would be necessary to absorb the current supply, taking into account the substantial amount of space now on offer - around 1,965,000 m² (which is 1,622,000 m² vacant + 343.000 m² of projects underway and expected to be delivered in 2011) and average take up of 560,000 m²/year recorded over the past decade. This situation, which takes no account of large scale projects scheduled for delivery beyond 2011,

perfectly demonstrates the current over-supply on the market, implying downward pressure on rents in the short and medium term.

From an investment point of view, investors are showing particular interest in buildings with long term leases, giving them secure cash-flow at levels above interest rates. The scarcity of this type of product, however, has led to them turning to alternative investment products, such as buildings with a number of tenants and shorter leases.

The market is geographically divided into six large zones described below

Centre (Pentagon)

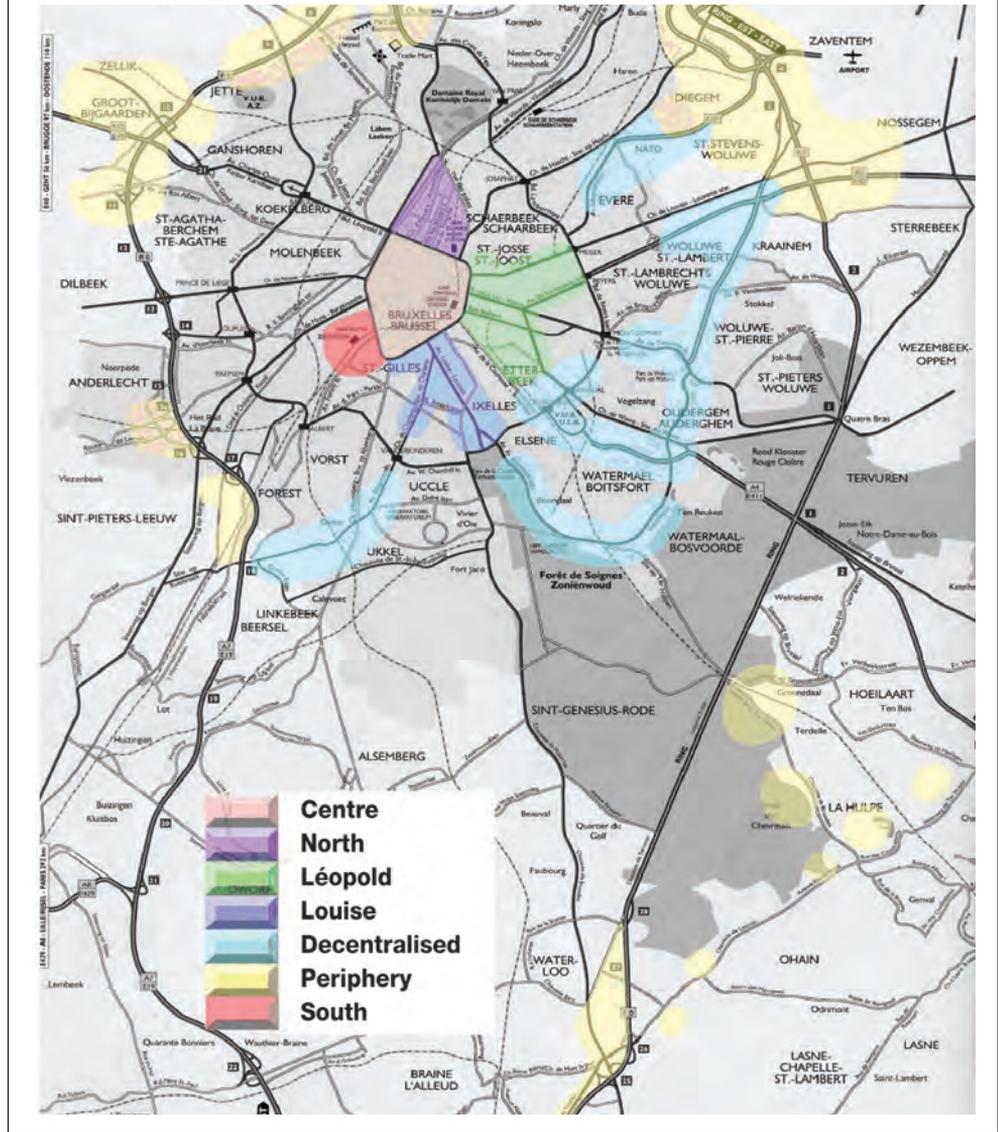
This takes in the whole of the zone contained within the inner ring road. It constitutes the financial centre of the city and the country, through the presence of the Brussels stock exchange and the National Bank, which has attracted many other banks here over time. This zone is bounded by first rate shopping streets. Going beyond the presence of Central Station around which have developed numerous large scale projects over recent years, this zone has the advantage of excellent public transport networks, 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. As well as the good image of the district, it also possesses an excellent mix of functions and services.

Rental vacancy currently stands at 5.5% in the central (Pentagon) zone, which is a little down on last year. Certain projects underway have been pre-let and projects delivered have found some tenants. This is in particular the case for the Marquis where following Agéas and the US law firm Arnold & Porter, electricity producer and supplier SPE-Luminus has chosen this building to locate its headquarters, which brings the occupancy level of the building, totally renovated in 2010, to almost 50 % of its available space (approx. 30,000 m²).



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Business districts in the Brussels Capital region



Market Dashboard 2010 : 13.745.000 m2 of offices in Brussels representing around 60 % of the Belgian market

DISTRICTS							
	Centre	South	Leopold	North	Louise	Decentralised	Periphery
Stock	2,425,000	507,500	3,522,500	1,495,000	815,000	2,920,000	2,060,000
Percentage of total stock	17.6%	3.7%	25.6%	10.9%	5.9%	21.2%	15.0%
Proportion of second hand buildings	45.5%	23.0%	27.3%	16.0%	48.0%	34.0%	10.0%
Vacancy level	5.5%	2.0%	9.0%	10.0%	13.5%	15.0%	22.0%
Prime rents	220	195	295	195	210	185	160
Prime yields	6.25%	6.80%	6.25%	6.75%	6.80%	8.00%	8.50%

Strong and weak points of the various districts of the Brussels Capital Region							
Advantageous fiscal regime	-	-	-	-	--	-	- ++
Access by public transport	++	++	++	+	++	=	- --
Quality of stock	=	+	+	+	++	-	= +
Presence of facilities	++	++	++	++	++	++	+ +
Presence of green areas	-	--	-	-	-	=	+ ++

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

Few projects are currently underway in this zone, and most of them are total renovation projects. Empress Court (Bd de l'Impératrice 17-19), a building of some 14,000 m² which has recently been acquired by Vivaqua, who are leaving their former headquarters on the Rue aux Laines, and Forum II, the Moniteur/ INS/ Gendarmerie complex on the Rue de la Croix de Fer (28,000 m²) are the principal projects underway with delivery scheduled for 2011. This supply is set to be accentuated by the arrival of the State Administrative Centre, also known as Belair, representing an extra surface area of around 100,000 m² of offices when it comes to market by 2013. The State Buildings Agency (federal police) has just rented 65,000 m² in buildings D and F on an 18 year fixed lease, and envisages in time renting a further 10,000 m². This large scale transaction represents 11 % of take up on the Brussels market.

South (Midi) District

This district is located around the South Station, and has greatly developed over the past ten years. Its numerous new developments, along 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. Its principal occupants are public administrations and service companies such as the Social Security Company ONSS.

The South District is above all a lessors' market. Supply is limited and demand more substantial. This is reflected by a very low vacancy rate (below 2%), which means that potential tenants for this district have little negotiating room. Prime rent stands at €195 /m²/year.

North District

This district has become more and more frequented over the past 20 years, in particular due to the lack of available sites in Brussels. This is a modern district, located just outside the Pentagon, around the Boulevard Albert II, between the Avenue du Port and the North Station. This station provides a good network of public transport facilities.

Companies located in the North District are from various sectors, and generally have need of substantial amounts of office space. The public sector represents an important proportion. The installation of the European Commission in Covent Garden is also a first step towards the creation of a new European hub. Demand for this location is currently driven by the ambitions of the French-speaking community, with its headquarters on the other side of the canal, and by private operations of smaller scale.

The marketing of new projects which arrived on the market in 2010, such as Boreal (35,000 m² rented by BNP Paribas), the project developed by Fortis Real Estate, North Light and Pole Star, 2 towers with a total surface area of 75,000 m², taken up by

GDF-Suez, have enabled some current supply to be absorbed. Zenith (30,000 m²) is still looking for an occupant.

One of the most iconic projects in the district is UP-site by Atenor, on a 1.2 hectare site located along the canal at the level of the Quai des Armateurs, and opposite the Tour & Taxis site. This project schedules retailing (1,972 m²), offices (29,615 m²) and 48,435 m² of residential accommodation, including 36,000 m² in a 42-storey tower.

Finally, the permit has just been granted to AG Real Estate Development for the construction of a new 30-storey tower which is set to dominate the current headquarters of AG Real Estate (Botanic Building), the Silver Tower. The developer is apparently waiting for an occupant before launching the project, which will mean it has less of an impact on vacancy in the district.

The future problem will come from the redevelopment of the Tour & Taxis site, which schedules around 140,000 m² of offices, although the timing is difficult to estimate.

Leopold (European) District

With approaching 25% of total Brussels office stock (almost 3,522,000 m²), the Leopold District represents without any doubt the most important business district of the capital, with the Schuman roundabout and the Square de Meeûs as its nerve centres. This district is located to the east of the city centre and is spread around the Rue de la Loi and Rue Belliard, between the Boulevard du Régent and the Cinquantenaire Park. 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. Many metro stations and bus lines also serve the district, with their axis on the Rue de la Loi.

It is essentially the European institutions which occupy this district, along with the major national ministries, and certain Belgian and foreign company headquarters. The presence of the European Parliament and Council of Ministers only serves to strengthen its attraction. The installation of the European Commission in Madou Tower suggests that the European District is beginning to extend towards the North District.

The Leopold District, which could be considered as a stable market up to now, has seen its vacancy levels rise to above 9% in 2010 in particular due to the arrival of new projects such as The Capital (54,300 m²), with a consequential downward pressure on rents. Since then vacancy in the district has remained unchanged despite the renting of around 9,500 m² in the Capital by the European Commission.

Some projects are in the gestation phase in the district. Amongst these are Arts-Lux (18,000 m²), Justus Lipsius II (6,000 m²), Frère Orban (25,000 m²) and Realex (28,425 m²). Prime rent increased in 2010, from € 265 to € 295 /m²/year.

Louise District

This district is located to the south of the inner ring road, essentially along the Avenue Louise, between the Porte Louise and the Cambre woods. Access to this zone is less easy and the office buildings contained within it tend to be of older construction. Over the past few years the city has been orienting its policy towards converting office buildings into residential. This is a mixed environment which includes residential, offices, some high quality shops, 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 advantage of this zone is that there are still small, efficient surface areas to be found. The Louise District records one of the highest vacancy levels of the central districts, with a rate of around 13.5%, even though new projects are relatively scarce. The arrival of the Platinum (72% let to the Scientific Police), and the Trio, by CBRE Investors, the redevelopment of a 21,800 m² ensemble spread through 3 independent, interconnected buildings and which has not yet found an occupant, have contributed to this still high vacancy rate. Prime rent for the zone stands at € 210 /m²/year.

Decentralised (within the Brussels Capital Region)

This 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. It is essentially large international companies such as BASF, Levi Strauss etc. which choose to locate here.

It can be observed that the districts which are well served by public transport, such as the Chaussée de La Hulpe and the Boulevard du Souverain, perform far better than those zones with a less developed public transport network, such as the Rue Colonel Bourg and Marcel Thiry, where a very high vacancy level is recorded. Within this context, converting office buildings into residential is one alternative envisaged in these more difficult districts. The absence of speculative projects has led to a decrease in supply, and a vacancy level of around 15%.

The largest project in this zone will without doubt be the 200,000 m² project located on the Avenue

du Bourget and destined for the new headquarters of NATO, who are set to move in 2014 if the programme remains on schedule.

In light of the wide diversity of districts, rents differ greatly from one to the other. In certain zones, rents are even believed to have fallen to below the € 100/ m²/year threshold.

Ring and Periphery (outside of the Brussels Capital Region)

This zone, which takes in those communes alongside the Ring, (Machelen, Zaventem, Waterloo etc.), has grown considerably over recent years 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, Pegasus, Corporate Village) which is a zone in its own right, and then extended towards more distant zones such as Waterloo, Braine l'Alleud, La Hulpe, Hoeilaert, etc. (Waterloo Office Park, Collines de Wavre, etc.). Accessibility by car is good, although this has been less evident over recent years, due in particular to the substantial concentration of office parks in these zones. These are generally less well served by public transport, even though a genuine effort to improve the network is to be observed, especially around Zaventem.

Occupants here are largely computer and technological companies. The major attraction is to be found in the rental levels, more competitive than the city centre, coupled with a more advantageous fiscal policy.

This zone is increasingly suffering from districts located close to stations in the regional towns (Louvain, Mechelen, Ghent and Antwerp). Growing mobility problems allied to an under-developed public transport network have made the zone around the airport less attractive. This is one of the reasons for the historically high vacancy rate in the business parks around the airport, with levels ranging from 14 % right up to 50 % in the Keiberg.

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NATO is set to move into its new Headquarters in Brussels on the Avenue du Bourget in 2015. This outstanding architecture is the work of SOM and ASSAR ARCHITECTS who won the international competition in 2001. In 2007 demolition works on the existing building started. The new construction works started at the end of 2010.

