

Brussels office market, at the dawn of a new era

The office market in Brussels and its periphery have experienced a substantial drop in take-up compared to the average of the past five years, and vacancy which is still above the 10% mark. There are new threats appearing too, such as the announced regrouping of State services which may lead to a reduction of 25 to 30% in the surface area occupied by civil servants, and the growing appetite of investors and developers for other market segments (residential, retail etc.).

Take-up in 2011 totalled around 363,000 m², or some 26% less than the previous year. The take-up by the European Commission of the remaining space in 'The Capital' located right in the heart of the Leopold district, around 46,000 m², and of 12,000 m² by a service of the SNCB (Xpedys) and by the French Community in the Zenith Tower (North District), enabled an even more severe decrease to be avoided. As with the previous year, activity was mostly concentrated in the central business districts of Brussels (Centre, South, North, Louise and Leopold) which accounted for almost 64% of take-up, against 15% in the decentralised area and 21% in the periphery.

Rents under pressure

Demand is still led by the private sector, although to a lesser degree than in previous years. This sector represents around 60% of total take-up. Rents remain under pressure due to weak demand and an increase in supply. Tenants are generally adopting a 'wait and see' attitude and many companies are taking advantage of lease breaks to renegotiate their

financial conditions. Within this context of weak demand, owners are finding it hard to find new tenants and are offering rent free periods and other incentives in order to try and attract them. This pressure seems more in evidence in the decentralised areas than in the business districts. The expected decrease in vacancy rates resulting from a slow-down in speculative projects, should lead to a diminishing of incentives in these districts.

Investment on the up

With a total of € 528,000,000 invested in the Brussels office market in 2011, investment volumes were up by a modest 3% compared to 2010 despite the slow economic recovery resulting from the recently emerging Greek crisis, economic and political uncertainty and the Euro crisis.

Quality office buildings with long term leases remain the most sought-after assets. Buildings located on the periphery have been the most affected by a decrease in investments. They present, in fact, a higher risk of rental vacancy and are thus not of as much interest to ever more selective investors.



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Analysis of the market and projects by business district

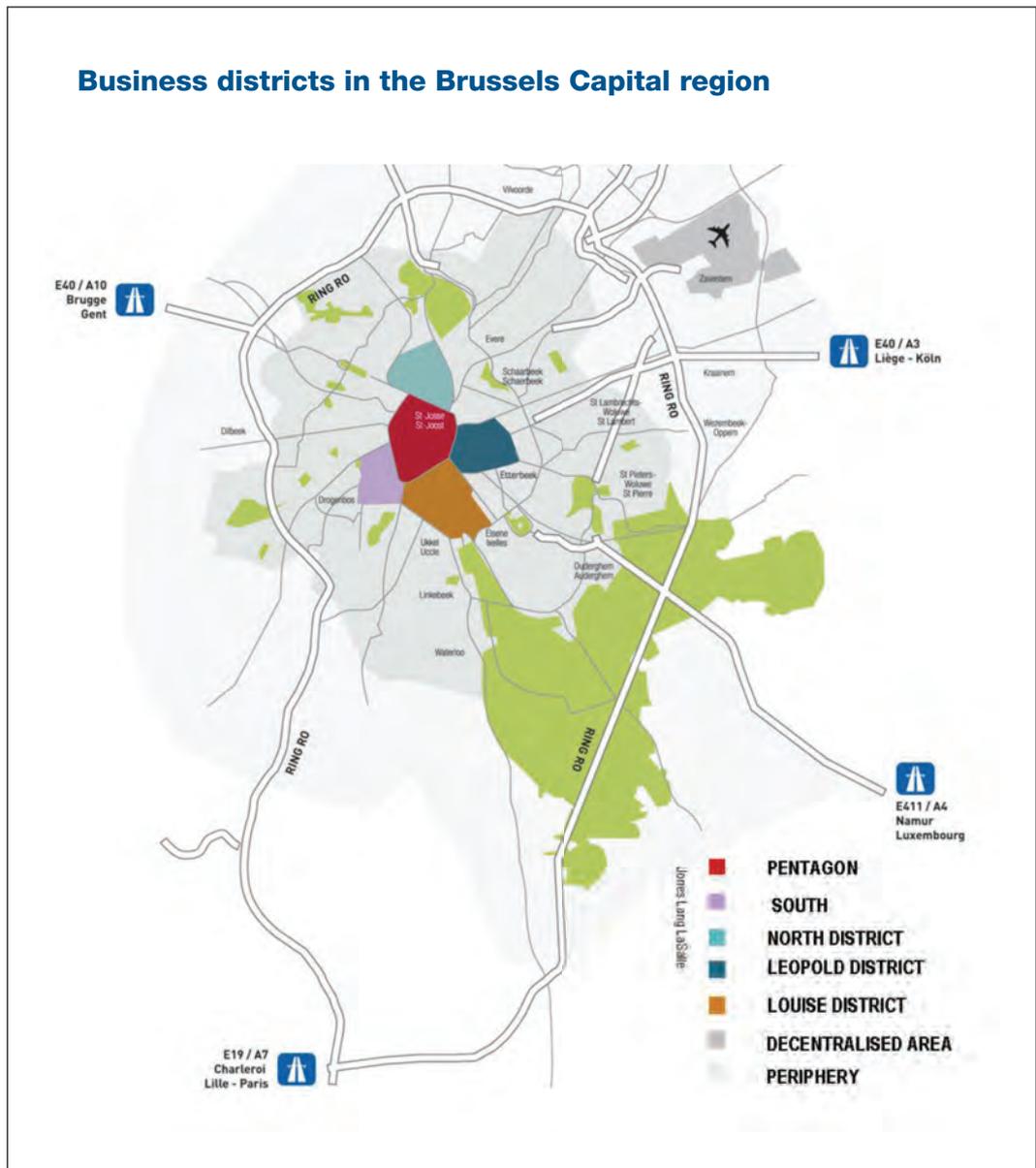
South (Midi) District

This district is located around the **South Station**, and has greatly developed over the past fifteen 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. Its principal occupants are public administrations and service companies such as the SNCB, Infrabel, Smalls etc. 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 €200 /m²/year. The landmark project in this district is 'Victor', an Atenor Group and CFE development representing a total surface area of some 100,000 m². This project involves the construction of three office towers and a smaller residential tower on the 'Lombard' block (Rue Blérot, alongside the Midi Tower). A planning permit request has been lodged by the developer.



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'South Crystal' is one of the new office buildings helping to make the area around the South Station a business district in its own right. The building was developed by Immoel and then sold in June 2011 by the company (along with Sofico, CFE and Besix RED) to Ethias. The surface area of around 6,500 m² is entirely let to SNCB Holding.



Market Dashboard 2011: 14,180,000 m² of offices in Brussels representing around 60 % of the Belgian market

DISTRICTS	Centre (Pentagon)	South	Leopold	North	Louise	Decentralised	Periphery
Stock	2,505,000	510,000	3,310,000	1,620,000	860,000	3,255,000	2,750,000
Percentage of total stock	16.9%	3.4%	22.3%	10.9%	5.8%	22.0%	18.6%
Proportion of second hand buildings	45.1%	21.7%	27.5%	16.1%	47.1%	33.7%	10.3%
Vacancy level	5.0%	2.0%	7.5%	8.5%	12.0%	15.0%	22.0%
Prime rents	210	200	275	190	210	170	160
Prime yields	6.50%	6.70%	6.25%	6.75%	6.80%	8.00%	8.00%

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

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, public administrations and private companies. As well as the good image of the district, it also possesses an excellent mix of functions and services. This zone is gaining in importance, thanks in particular to numerous renovation and reconstruction projects for administrative and residential buildings.

This zone has the lowest vacancy rate in Brussels (after the Midi district), at around 5%, which is a little lower than in 2010. Few projects are currently underway or scheduled in this zone, with total renovations being the principal activity. Among these are **De Ligne** (around 35,000 m²), the former headquarters of Allianz Belgium on the Place de Brouckère (some 50,000 m²) and above all the ex-State Administrative complex, also known now as **Belair**, which represents an extra surface area of approximately 100,000 m² of offices (of which almost 54,000 m² have already been pre-let to the Federal Police in the buildings D& F) and works on which are due to be completed by 2013.



'Empress Court' occupies a strategic location alongside Brussels Central Station. The building was totally renovated by Befimmo before being sold to Vivaqua to be used as their new headquarters where they moved in August 2011. Empress Court was first constructed in 1959, but its 14,000 m² of space now meet very high levels of ecological performance.

North District

This district has become gained in importance 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 district benefits from 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 still represents a substantial proportion. The installation of the European Commission in **Covent Garden** was also a first step towards the European presence in this side of the town.

This district is continuing on its path because following **Boréal** (35,000 m²) the **GDF-Suez towers** (two towers with a total surface area of 75,000 m² developed by AG Real Estate), the **Zenith tower** (30,000 m²) which is still looking for tenants for some of its space, new large scale projects are also seeing light of day, including:

- the **UP-site** project developed 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 (1,970 m²), offices (29,600 m² and with certain buildings having already found takers: Smalls – 7,000 m², Unizo – 6,700 m²); there is also around 48,450 m² of residential accommodation, including 36,100 m² in the 42-storey tower.
- **Silver Tower**, a new 30 storey tower set to overlook the Botanic Building from Allianz Developers AG Real Estate Development are expected to wait for an occupant before launching the project, which will lead to less impact on the vacancy rate in the district.
- the redevelopment of the **Tour & Taxis site**, which schedules around 148,000 m² of offices, although the timing is difficult to estimate.



Sitting astride the Avenue du Roi Albert II, the 'Zenith' building, designed by the architects CERAU and SCAU, closes the avenue at its lower end. Zenith remained empty for a long time after its completion, but this particularly green building located in the North District found its first occupants in 2011, some 12,000 m² in total occupied by a service of the SNCB (Xpedys) and by the French Community.



The rental level of €/210 m²/year achieved in 2011 for the 'Platinum' and also for the 'IT Tower' indicate a return to the prime rent previously obtained in the Louise district, an encouraging sign for this district which, of all of the central districts, is currently recording the highest vacancy level around 12 %

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 12%, even though new projects are relatively scarce. The low level of projects underway will in time lead to stabilisation within the market and a decrease in vacancy level can be expected. **E-Lite**, the renovation of the former Bayer building (around 7,000 m² of offices) by the real estate developer Pylos, is one of the only large scale projects in this district.

Leopold (European) District

With approaching 22% of total Brussels office stock (almost 3,310,000 m²), the Leopold District represents without any doubt the most important business district of the capital, with the Schuman roundabout and the Square de Meets 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. Thanks to large scale take-up transactions such as the remainder of The Capital (46,000 m²), an Axa Belgium project on the Schuman roundabout, the vacancy level has decreased compared to the previous year, standing at around 7.5%. Certain projects are underway in the district. These include **Arts-Lux** (18,000 m²) and **Justus Lipsius II** (60,000 m²), **Frère Orban** (28,000 m²), **Science 15-17** (17,700 m²), **Brussels Europa** (30,000 m²) and **Realex** (28,500 m²).



'The Capital' benefits from being opposite both the Berlaymont and the Council of Ministers. It represents one of the largest new buildings to appear in the very heart of the Leopold district. Around 56,000 m² of space right on the Schuman roundabout is now mostly let to the European Commission, following a very lengthy negotiation period which made the news regularly last year.

When the **Projet Urbain Loi** (PUL) starts to take shape (it appeared in the 'Moniteur' in January 2011), this will undoubtedly have a morphological effect on the district. This project is leading to particular attention being paid to the Leopold district by the regional authorities, which are responsible for establishing a new urban plan for 2012 at the latest in order to make of this zone the major international and European employment hub of the region, as well as being a diversified residential area and a cultural, sports and leisure district accessible to all. The PUL extends over ten blocks located around the Rue de la Loi and is currently home to some 560,000 m² of offices. The objective over time is to break up the 'corridor effect' represented by the Rue de la Loi, improve pedestrian flows, create green public areas, improve mobility and reduce the number of driving lanes on the Rue de la Loi and Rue Belliard. All new construction and renovation projects have to take account of new urban planning legislation, such as new building frontages, a mix of functions and the new surface area to ground area ratio of 8, which will be applied to each of the blocks, implying an extension potential for certain buildings.

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 to be found. Within this context, converting office buildings into residential use is one option 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, which is set to move in 2014 if the programme remains on schedule.

The Delta site, which straddles the communes of Auderghem, Watermael-Boitsfort and Ixelles at the end of the E411 motorway, is also attracting a great deal of attention. The 30 hectares here represent one of the remaining large tracts of available land in the capital. It is in particular scheduled to accommodate the Chirec hospital complex and its associated services (shops, hotels, seminar facilities, laboratories) and will extend to some 125,000 m² over 5 hectares. This centre is scheduled for construction between 2013 and 2017. In parallel with this, the European Commission has expressed particular interest in this site in order to bring together its services (the Schaerbeek-Josaphat site was also proposed to them). Its requirements will total around 200,000 m². However, many voices are being braised in opposition to this project, judged to be too big and too expensive. The debate is likely to go on for some years. Because of the diversity of districts within it, rents in this zone vary greatly from one district to another. In certain areas, rents even appear to have fallen below the € 100/m²/year mark.



NATO is set to move into its new Headquarters (200.000 m²) in Brussels on the Avenue du Bourget in 2014.

Ring and Periphery (outside of the Brussels Capital Region)

This zone, located outside of the Brussels Capital Region and which takes in those communes alongside the Ring (Machelen, Zaventem, Waterloo etc.), 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, 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. (Parc de l'Alliance, Waterloo Office Park, Collines de Wavre, Axis Park, Watson & Crick Hill 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 and to a road network which is not totally suited to this. These parks 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.



Baxter Europe has elected to locate its new headquarters in the Parc de l'Alliance site at Braine-l'Alleud/ Waterloo. Where mobility is concerned, the site is close to Braine-l'Alleud railway station, the Brussels Ring and Charleroi and Zaventem airports.

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