

# BELGIUM

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Hugo Ceusters - The Office Market update



# OFFICE MARKET QUARTERLY UPDATE

## Quarters 1 and 2 of 2015



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### The office market in Belgium

The national office market take-up in Q1 and Q2 of 2015 reached 291,000 m<sup>2</sup>, resulting in a slight decrease of 11% compared to that of the same period last year when the market reached 328,015 m<sup>2</sup>. But one should bear in mind that transactions are still being structured now and the decrease in GLA (gross leasable area) volume at this time can be compensated for in the next semester of the year.

Accordingly, the Belgian office market remains very stable, and as such, it indicates that the crisis years have passed. This stability in both 2014 and 2015 has been key in attracting investors and in dispersing the market.

This stability led to the fact that in the first half of 2015 nearly the same number of deals were made on the market compared to quantity made in the first semester of 2014.

### The regional markets

#### Decreasing concentration in Brussels

The office market in Belgium in terms of take-up volume is mainly concentrated in Brussels, making up 46% of the market share in the first two quarters of 2015. This in turn means the market had less concentration than in 2014 when the same region had 55% of the market share.

The Brussels-Capital Region ended up with a take-up of 133,500 m<sup>2</sup> in the first two quarters of 2015, which is a decrease of 26% compared to that of the same period in 2014. The region is showing a constant take-up decrease since 2013.

The city of Brussels itself is still the largest central business district in the country. Public sector entities have an important role to play, so they're usually headquartered in the capital. Semi-governmental organisations, regional and federal governments and European institutions and embassies account for nearly half of the city's take-up. However, many private companies are leaving the capital because of mobility issues, so they will be relocated in other cities.

#### Flemish Brabant emerges

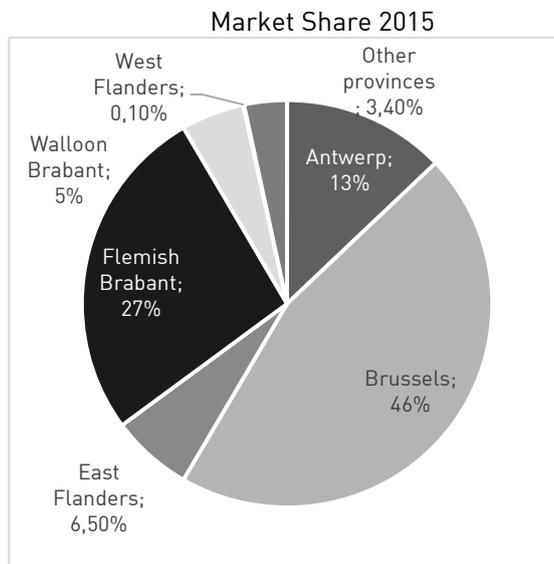
Flemish Brabant and Antwerp had 26% and 13% of the market share, respectively, during these first two quarters of 2015. This is a significant inversion from the year before when Antwerp had 19% of the market take-up and Flemish Brabant had only 10%.

In Flemish Brabant the take-up rose to 78,000 m<sup>2</sup>—representing a growth of more than 150%. With a 54% increase in the number of transactions in the region, this shows that the region is very attractive for private companies.

During Q1 and Q2 of 2015, this province became the second largest office market in the country, even beating Antwerp and East Flanders in the ranking. This position is caused partly by a high population growth over the past years and by the famous University of Leuven (*Katholieke Universiteit Leuven*) that is generating dozens of spin-offs and start-up in the hi-tech and creative

sectors. Another attractive factor is its location in the vicinity of Brussels Airport.

In addition, Flemish Brabant had double the number of transactions and also double the amount of take-up compared to what Antwerp had attained in the first half of 2015.



#### Antwerp declines

The province of Antwerp had a take-up of 37,000 m<sup>2</sup>, so it is no longer in the leading office market in Flanders. Not only did take-up decrease, but also the number of transactions decreased compared to that of last year.

However, numerous new projects in Antwerp are expected to be finished by the end of 2015 and during the course of 2016, and this in turn leads to high expectations. The region is still one of the most attractive places for companies, hence its position as a large and active office market remains.

#### East Flanders shows slight decrease

With a take-up of 20,000 m<sup>2</sup>, the East Flanders market had only a small decrease while there were larger amount of fluctuations in other provinces. In addition, it maintained stability in terms of the number of transactions. This enabled the province to maintain exactly the same position as it had last year, with more or less 6% of the market share.

#### Walloon Brabant and West Flanders show reduction

The provinces of Walloon Brabant and West Flanders both had reductions on their take-up and on the number of transactions. However, considering the size of the office market in these two regions, the decrease in take-up hardly influences the overall market.

Take-up	Q1-Q2 2014 GLA (m <sup>2</sup> )	Q1-Q2 2015 GLA (m <sup>2</sup> )	Adjustments Take up volume
Antwerp	62,500	37,500	-40%
Brussels	180,000	133,500	-26%
East Flanders	23,800	20,000	-15%
Flemish Brabant	31,000	78,000	151%
Walloon Brabant	20,000	14,000	-30%
West Flanders	7,730	358	-95%
<b>Total (all provinces)</b>	<b>328,015</b>	<b>291,000</b>	<b>-11%</b>

#### Decentralization from Brussels to Flanders

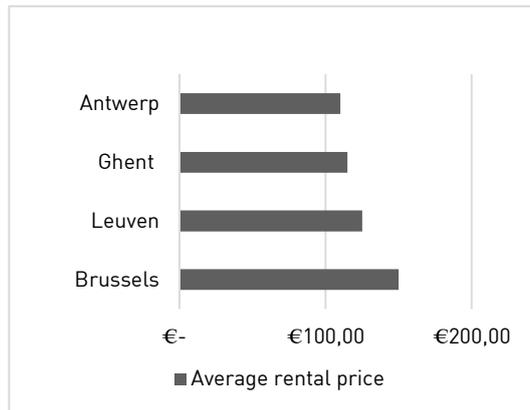
The significant growth of the Flemish Brabant market reflects the growth of the Flanders regional market as a whole. In Q1 and Q2 of 2015, the total take-up of Flanders was 137,000 m<sup>2</sup>, which exceeded that of the Brussels region (133,500 m<sup>2</sup>), making it the largest regional office market take-up for this period.

Flanders had a 10% rise compared to the figures of the same period last year, representing a 47% market share. In contrast, as mentioned before, the region of Brussels showed 26% loss on the GLA volume, causing it to lose its leading position this semester.

Similarly, Wallonia had a take-up decrease of 11.5%. Once again, this region is a very small part of the market, with only few transactions closed during this period.

## Prime rent and rental price remain stable

Average rental prices and prime rents on the Flemish and Brussels office markets have remained fairly stable. In Q1 and Q2 of 2015, the average rental prices in Brussels and Antwerp amounted to € 150 and € 110/m<sup>2</sup>/year, respectively. In Ghent (East Flanders) the average rent was €118/m<sup>2</sup>/year, and in Leuven (Flemish Brabant) the average rent was €125/m<sup>2</sup>/year.



## Q1 and Q2 of 2015 for Hugo Ceusters

### Take-up rise

In the first two quarters of 2015, the office take-up for Hugo Ceusters amounted to a total surface area of 20,290 m<sup>2</sup>, which represents a 17.5% increase, compared to the same period in 2014 (which was 17,270 m<sup>2</sup>). The market performed well with 40 deals made, compared to a total of 29 in the first two quarters of 2014.

Hugo Ceusters office activities are concentrated in the region of Flanders, mainly in the province of Antwerp where 25 out of the 40 deals took place there. The others took place in East Flanders and a few in Flemish Brabant.

The largest transactions so far this year in terms of gross leasable area were the letting out of 3,672 m<sup>2</sup> to Suez Environnement in Beerse (Antwerp), the lease renewal for 2,311 m<sup>2</sup> in Zellik (Flemish Brabant) of Michelin and the letting out of 1,960 m<sup>2</sup> in Ghent (East Flanders) to Concordia.

## Largest transactions of Hugo Ceusters

Location	GLA (m <sup>2</sup> )	Occupant
Beerse	3,672	Suez Environnement
Zellik	2,311	Michelin
Ghent	1,960	Concordia

### More rentals

Letting transactions represented 92% of the deals during the first semester of 2015. In turn, it represented 95% of the total take-up volume (19,300m<sup>2</sup>). It had a significant increase of 13% more square meters rented than Q1 and Q2 of 2014 (17,100 m<sup>2</sup>).

The average rental area space (GLA) in Q1 and Q2 of 2015 was 230 m<sup>2</sup>, which is a decrease of 42%, compared to the average of Q1 and Q2 of 2014 when it was 398 m<sup>2</sup>. This relates to the fact that the surface area per employee is getting smaller. Nowadays, take-up is caused by the fact that companies and institutions move out of old buildings and into new ones, which creates a lower take-up.

Although it is noticeable that there is an increased number of letting transactions in the first two quarters of 2015, the average price per m<sup>2</sup> during the first half of 2015 was € 100, compared to €119 in 2014. This fact did not prevent Hugo Ceusters from achieving a rental income of €2,320,000 for its clients during this period, which is a 15% growth compared to 2014, when it attained € 2,010,000.

Letting	2014 Q1-Q2	2015 Q1-Q2
GLA letting	17,100 m <sup>2</sup>	19,300 m <sup>2</sup>
Average price/sq.m.	€119	€100
Average GLA / transaction	398 sq.m.	398 sq.m.
Income (€)	2,010,000	2,010,000