MARKETBEAT
BELGIUM
Regional Office

Q1
2024

CUSHMAN & WAKEFIELD

BELGIUM / Regional Office Q1 2024

59K
Take-up
(000s sq m)

YoY Chg | 12-Mo. Forecast

190€
Prime rent
(EUR/sq m/year)

YoY Chg | 12-Mo. Forecast

6.60%
Prime yield
(%, 3/6/9 lease)

YoY Chg | 12-Mo. Forecast

Economic Indicators Q1 2024

YoY Chg | 12-Mo. Forecast

1.36%
2024 GDP Growth

6.21%
2024 Unemployment Rate

2.26%
2024 Consumer Price Index

Sources: Moody's Analytics, BNB, Eurostat, Federal Planning Bureau, March 2024

Please note the economic data can vary significantly from one source to the other. Therefore, the figures provided should merely be used as an indication or trend.

A tale of growth and challenges

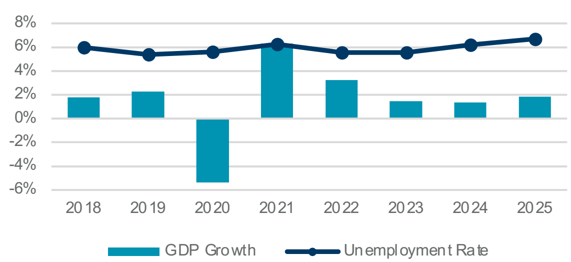
Belgium's economic story in early 2024 is one of cautious optimism. While the scars of the past few years remain, the Belgium economy is experiencing a slow and steady climb. Growth forecasts predict a moderate expansion of 1.4% for GDP in 2024 and 1.8% in 2025. However, there is a higher-than-anticipated public debt deficit in Belgium. While high inflation allowed for a reduction of the government debt ratio in 2022, at unchanged policy, government debt would increase over the next decade, reaching about 120% of GDP by 2030.

Inflation has become a prominent worry, exceeding the European Central Bank's (ECB) target of 2%. Early 2024 saw inflation hovering around 2.8%, and forecasts predict it could remain above 2.5% for all of 2024. The ECB is closely monitoring the inflation situation. While the bank kept rates unchanged in September 2023, some analysts believe a rate cut could be on the horizon later in 2024 – though likely more gradual than initially anticipated by financial markets – if inflation shows signs of persisting above target. This would be a delicate balancing act for the ECB, aiming to control inflation without stifling the fragile economic recovery.

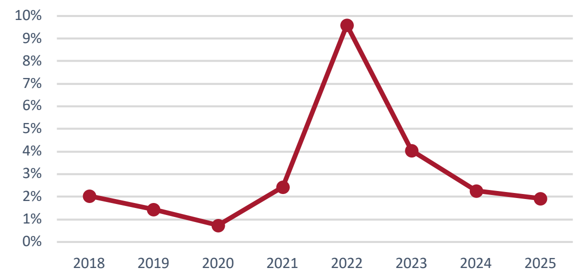
The job market also present a mixed picture. Unemployment, currently hovering around 6.2%, is expected to tick upwards in the coming months. The notable rise in bankruptcies, alongside reduced employment due to stricter financing terms and an uncertain economic landscape, is projected to contribute to an increase in the unemployment rate in the coming years.

The ongoing war in Ukraine adds another layer of complexity. This geopolitical crisis disrupts global supply chains and economic activity, impacting Belgium's heavily trade-reliant economy. Additionally, the pace of the global recovery will significantly influence Belgium's own economic trajectory.

GDP Growth and unemployment rate



Inflation rate



Low take-up on a national level

For the first quarter of the year, the level of take-up has been lower than the five-year average in the Belgian office market. The Brussels market has witnessed the lowest take-up since 2020, where it as below 50,000 sq m. The Regional office market witnessed a higher take-up (58,698 sq m) in Q1 2024 compared to 2023 (35,829 sq m), which results in an increase of more than 60%.

Flanders witnesses a strong first quarter

In the Flemish part of Belgium, the take-up has been resilient compared to other regions. The take-up for Q1 2024 stands at 54,540 sq m in Flanders. Scrutinising the Flemish cities, Antwerp marks out with its highest take-up in Q1 since more than fifteen years.

The Antwerp market, which remains robust, hosted the five largest transactions of the quarter. Particularly noteworthy is the acquisition of *Pelican* by the Christian mutual society (CSC-ACV) for its own occupancy, alongside Deloitte's confirmation of leasing 4,700 sq m in *Arto*.

A promising pipeline

Following a year marked by significant deliveries, the upcoming two years are poised to bring forth an abundance of new projects, with over 170,000 sq m anticipated across the Flemish markets by the conclusion of 2025.

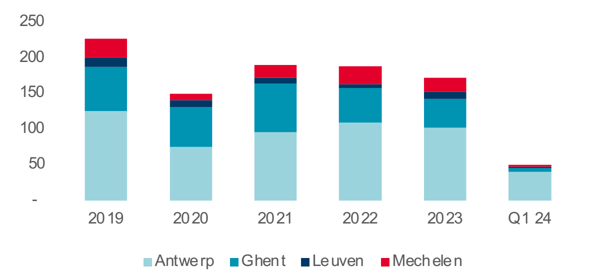
Despite numerous projects in progress, Antwerp may confront an office space scarcity. The City of Antwerp has identified an inadequacy in the current office space supply to cater to escalating demand. Consequently, the city plans to accelerate energy-efficient renovations of existing offices and bolster the advancement of new projects.

Prime rents on the rise across all markets

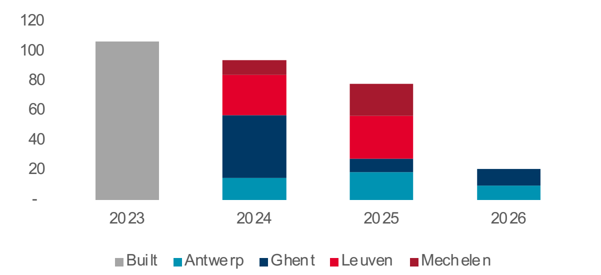
During this quarter, prime rents surged across the primary Flemish markets. Ghent and Leuven experienced a 5€/sq m/year increase, while Antwerp and Mechelen witnessed a 10€/sq m/year rise.

Currently, prime rents are at 190€/sq m/year for Antwerp, 175€/sq m/year for Ghent, and 170€/sq m/year and 160€/sq m/year for Mechelen and Leuven, respectively.

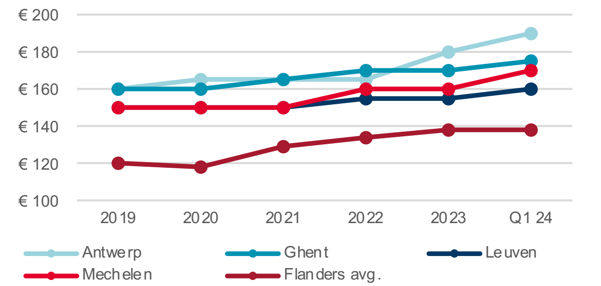
Flanders take-up per district (000s sq m)



Flanders pipeline (000s sq m)



Flanders rents (EUR/sq m/year)



Liège, the driving force

2024 begins much like 2023 ended, with very little activity in the Wallonia occupational market. Only four deals have been recorded in the first quarter of the year, totaling just over 4,000 sq m, marking the worst first quarter since 2008, with only Q1 2023 being worse.

In the early part of the year, activity was primarily centered on the Liège market, with all reported transactions taking place there, although it's worth noting that the overall activity might be slightly higher due to undisclosed smaller transactions.

Clearly, the public sector, a muted player in Q1, will dictate whether the Walloon office market experiences a good year or otherwise. It has enjoyed a colossal 55% share of take-up over the 2020-2023 period, corresponding to more than 40,000 sq m per year, against 34,500 for private sector occupiers.

A productive year for deliveries

Similar to 2023, 2024 is poised to be a bustling year for the delivery of new office projects in the Walloon markets.

The year has kicked off on a positive note with the completion of the *Palais de Justice* in Namur. This new 32,500 sq m building has been successfully delivered, representing a triumph for the public-private partnership, as the SPF Justice has signed an 18-year lease with a potential purchase option.

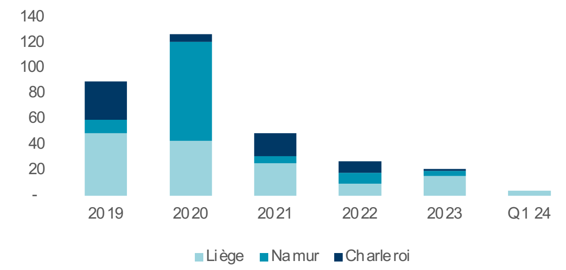
Divergences among markets

The upward trajectory of rents evident nationwide was also apparent in Wallonia this quarter. Liège saw a fresh prime rent of 165€/sq m/year, marking a €5 increase from the stable prime rent since 2020. Monument secured a lease of 2,200 sq m in *ILOT* at this new record rental level.

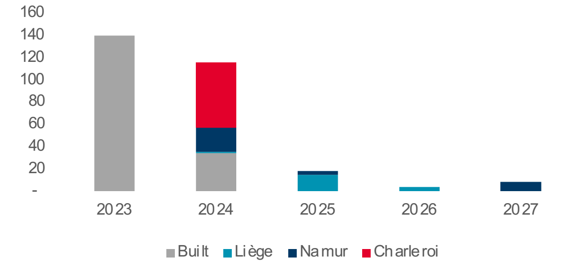
In the remaining two markets, prime rents remained stagnant due to the absence of recorded transactions.

Undoubtedly, prime rents are poised for further escalation in the forthcoming years.

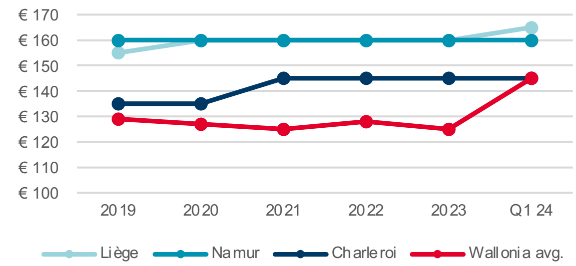
Wallonia take-up per district (000s sq m)



Wallonia pipeline (000s sq m)



Wallonia rents (EUR/sq m/year)



Finally, prime yields stabilise

For the first time since June 2022, prime yields have remained stable throughout this quarter, mainly attributed to the European Central Bank's decision to keep rates steady since September 2023.

In Flanders, Antwerp and Ghent prime yields are at 6.60%, while Mechelen and Leuven stand at 7.35%. In Wallonia, Liège and Namur have a prime yield of 7.60%, and Charleroi's prime yield is slightly higher at 7.80%.

Despite positive forecasts, central bankers exercise caution given the uncertain geopolitical climate and the potential resurgence of inflation, particularly with core inflation persisting. As a result, while central bank interest rates are anticipated to decrease in 2024, the decrease is likely to be gradual compared to market expectations. Similarly, prime yields are also predicted to decrease by the end of the year.

Resilient regional investment market

Amidst the challenging economic landscape, the regional investment market remains appealing to investors, evidenced by the closure of three transactions totalling €29 million across various regional office markets in the first quarter of 2024. This volume mirrors investments made during the corresponding periods of 2021 and 2020.

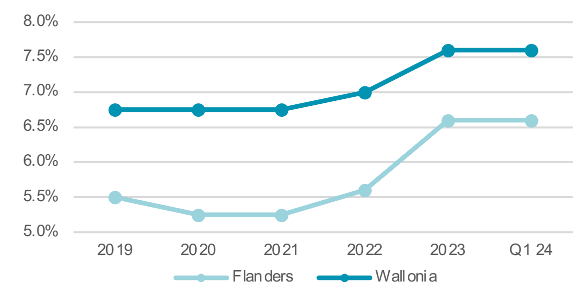
Numerous ongoing mandates suggest promising prospects for more advantageous transactions in the coming months. A significant instance is the ongoing sale of the Intervest portfolio, with *Gateway House* being sold this quarter to Antonissen Development Group for 16 MEUR.

Interest rates: Switzerland cuts, Japan hikes

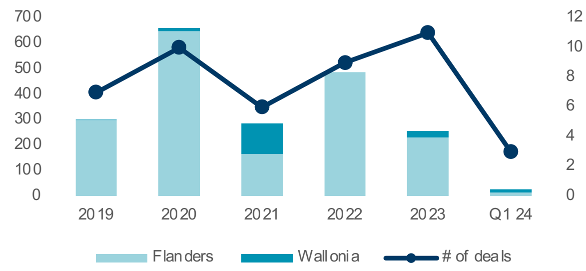
In March 2024, central banks implemented contrasting monetary policies, with Switzerland cutting rates while Japan raised them for the first time in 17 years. The Swiss National Bank reduced rates to address currency appreciation after successfully managing inflation. Conversely, the Bank of Japan aimed to tackle rising inflation after years of stagnation.

As for Belgium and the European Central Bank (ECB), they are expected to adopt a cautious stance, monitoring inflation closely without an immediate need for rate adjustments. Belgium, as a Eurozone member, would likely align with the ECB's approach. While rising inflation could prompt rate hikes later in 2024, economic uncertainties make rate cuts unlikely in the near term.

Prime yields



Annual investment volumes (MEUR)



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Market Statistics

REGION	MARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	Q1 2024 TAKE-UP (SQ M)	TAKE-UP YTD (SQ M)	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/year)	PRIME YIELD
Flanders	Antwerp	2,383,036	119,264	5.00%	40,478	40,478	44,372	190	6.60%
	Ghent	1,115,547	36,116	3.24%	5,218	5,218	62,049	175	6.60%
	Leuven	574,830	22,896	3.98%	1,544	1,544	55,900	160	7.35%
	Mechelen	288,176	n.a.	n.a.	3,299	3,299	31,300	170	7.35%
Wallonia	Liège	591,803	12,448	2.10%	4,158	4,158	20,000	165	7.60%
	Namur	584,250	10,909	1.87%	-	-	22,110	160	7.60%
	Charleroi	499,380	24,226	3.85%	-	-	58,000	145	7.85%

Key Lease Transactions Q1 2024

PROPERTY	MARKET	TENANT	SQ M	TYPE
Pelican	Antwerp	CSC-ACV	7,850	Purchase
Montevideo	Antwerp	We are one World – Tomorrowland	6,750	Purchase
Van De Wervestraat 61	Antwerp	Private	5,563	Purchase
Arto	Antwerp	Deloitte	4,711	Letting
Greenhouse Collection	Antwerp	Niko	2,300	Letting

Key Investment Transactions Q1 2024

PROPERTY	MARKET	BUYER / SELLER	VOLUME (MEUR)	YIELD
Gateway House	Antwerp	Antonissen / Intervest	16	-
Louvrex 95	Liège	Ardent RE / Nethys	11.40	-
Place Xavier Neujean 37	Liège	ACE Invest / BPI Real Estate	1.6	-

Benjamin DEVIE
Senior Research Analyst | Belgium & Luxembourg
+32 492 11 35 10
benjamin.devie@cushwake.com

Maximilien MANDART
Head of Occupier Services | Belgium
+32 476 24 08 02
maximilien.mandart@cushwake.com

Michael DESPIEGELAERE
Head of Capital Markets | Belgium & Luxembourg
+32 476 82 08 59
michael.despiegelaere@cushwake.com

cushmanwakefield.com