

MarketView

Brussels Offices

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Second Quarter 2009

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	10.5%	↗	↗
Lease Rates	275 €	↘	↘
Office demand	141.088 m ²	↘	↗
Construction	147.600 m ²	↘	↗

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Demand for office space in Brussels increased, although remaining below average
- The delivery of a number speculative developments brought vacancy up to 10.5%
- Brussels prime rent is stable at 275 euro/m², but pressure on rental values is growing as the amount of available space increases
- Prime office space in Brussels is believed to trade at 6.25%, unchanged from the previous quarter.

OVERVIEW

Office space demand rebounded marginally in the second quarter of 2009, as a result of the increased activity from the public sector. Corporate movements on the other hand remain scarce. Quarterly take-up reached 86.062 m², bringing annual take-up to 141.088 m².

Office supply rose as a number of speculative developments reached completion. Development completions are to peak this year, with construction activity expected to slow from 2010 onwards as developers defer some of their planned office schemes.

Office space availability increased in the second quarter of 2009. The amount of space edged up to 1.354.723 m², or 10.5% of the total Brussels office stock.

Downward pressure on rents is growing as office vacancy rise. Increased competition among landlords put tenants in a strong position to secure rent reductions and other types of incentives.

Investment activity in the Brussels office market remains low. Total investment turnover total 28.6 millions year-to-date. Prime office space currently trades at 6.25%.

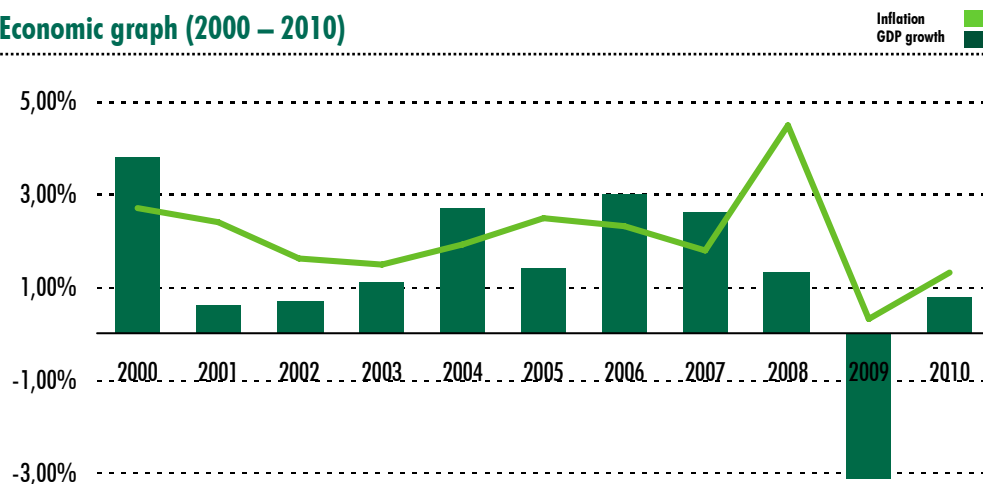
ECONOMY

The economic outlook for Belgium remains rather uncertain. Foreign demand is still being negatively affected by the global economic downturn while domestic demand suffers from tight financing conditions and low consumer's and producer's confidence. Economic projections for 2009 point at a GDP contraction of -3.2%, with growth expected to turn positive in 2010.

Despite the weak economic picture, the latest surveys from the Belgian Central Bank shows that key business and consumer's confidence indicators are no longer deteriorating, which may suggest that some economic improvement is likely to produce in the coming quarters. This will also depend on the effectiveness of envisaged public actions in support of the credit market and household spending power, both nationally and internationally.

Due to the slowing economic activity, inflationary pressures have significantly eased during the last few quarters and inflation forecasts are likely to remain tilted on the downside as long as the economic activity is low. In 2009, prices are expected to grow by only 0.3%.

Economic graph (2000 – 2010)



Source: CB Richard Ellis, BNB

DEMAND

Demand for office space in Brussels picked up marginally during the second quarter of 2009, following a subdued first three months of 2009. Some 86.062 m² of space was transacted this quarter, bringing year-to-date take up to 141.088 m².

Leasing activity in the second quarter was mostly driven by the public sector, which now accounts for over 33% of office demand, year-to-date. The largest transaction was realized by the Flemish community, which agreed terms on a 6.000 m² extension in the Ellipse building (North Area). Notable deals include the letting of 3.834 m² to the French community in the city centre and a number of transactions by numerous diplomatic missions. The Permanent Representation of Turkey for instance acquired the newly renovated Arts 36 building (3.830 m²), while the Irish Permanent Representation signed for 3.765 m² into the Urban offices, in the Leopold area.

Private sector demand for office space, on the other hand, remains low amid the economic downturn. Against the recent deterioration of economic prospects, some companies in the market are trying to reduce occupational liabilities by compressing their office space requirements and rationalizing the use of occupied office floor. This has resulted in a number of subletting opportunities in the market. Most companies are reluctant to relocate unless this generates substantial savings and thus tend to opt for renewal when lease expiry approaches.

Most notable deals from the private sector this quarter were concluded by Ericsson and Siemens. The former quit the office premises in Rue du Bourget to occupy 4.109 m² in the Airway Park close to the Airport, while the latter agreed terms on the occupation of 3.504 m² of space in the Periphery South.

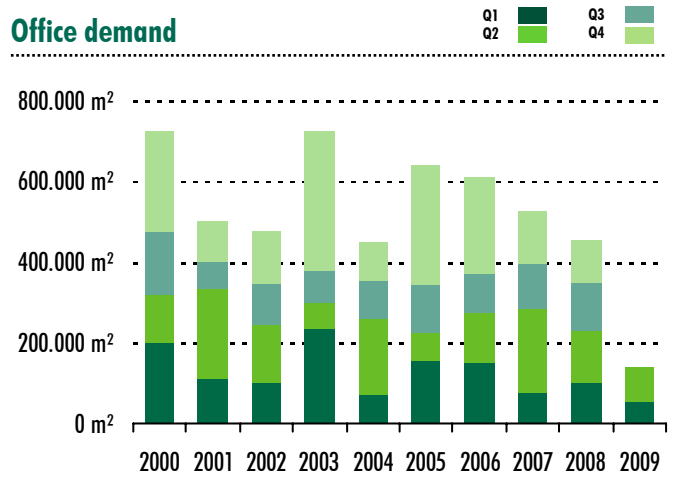
Despite low take-up levels, new office space requirements are on the rise. In particular, the public sector has issued a significant number of space requests mainly oriented towards the CBD submarkets. Also the corporate sector seems to be actively looking into alternative office locations, but their intent to actually move is much less certain.

DEVELOPMENT

Development completions have continued to fuel supply growth despite the weaker market environment. In the second quarter of 2009, some 147.600 m² of speculative office space was delivered onto the market. A significant share of this amount concerned office projects in the Leopold area.

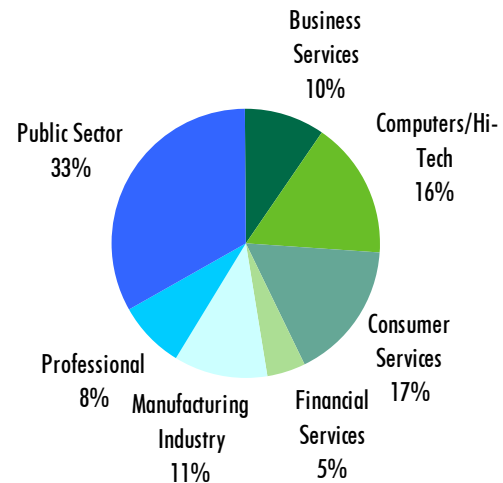
The most notable speculative project coming on line this quarter was The Capital, by AXA. This office scheme, located on the Schuman roundabout, concerns some 54.000 m² of office space.

Office demand



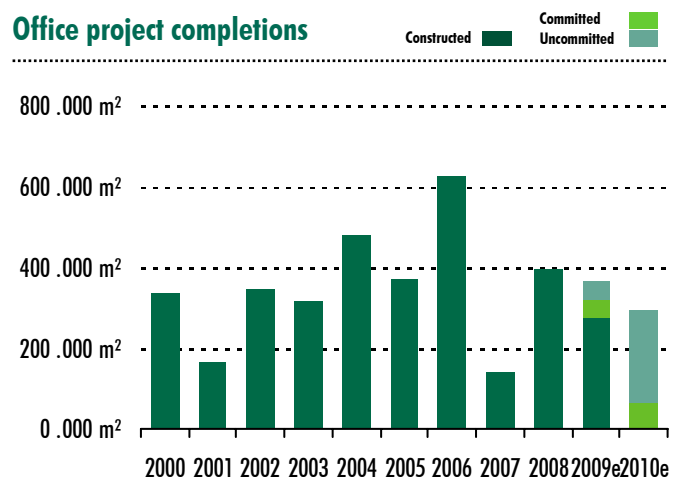
Source: CB Richard Ellis

Origin of Occupants



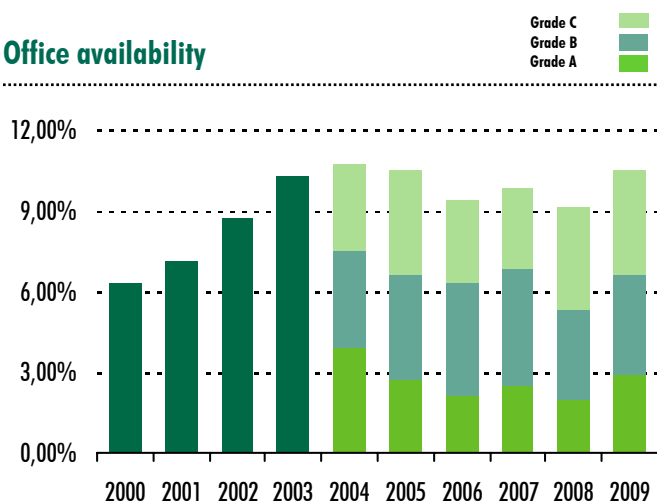
Source: CB Richard Ellis

Office project completions



Source: CB Richard Ellis

Office availability



Source: CB Richard Ellis

Recently completed schemes also include the t'Serclaes (17.813 m²) in the city centre, Solaris (13.700 m²) in the Decentralised south-east and the Corporate Village Aramis (18.600 m²) close to the airport.

Completion is expected to peak this year, with another 94.700 m² of office space in the pipeline for 2009. About half of this amount is already committed to. From 2010 onwards completion levels are expected to decline as difficult development financing and the uncertain economic outlook have led developers to defer some of the planned office schemes.

VACANCY

With a number of speculative developments coming through this quarter, the amount of space under offer edged up to 1.354.723 m², or 10.5%. This represents an increase of over 100 bp on the previous quarter.

The most sizeable increase in availability was noted in the Leopold area, with the delivery of the Capital driving local vacancy up to 9.07%, from 6.73% previously. Moderate increase in the volume of vacant space was reported in the Airport and the Decentralised south-east quadrant.

RENTS

Downward pressure on rents is growing as the amount of available space increases. Tenants seeking space are taking advantage of the current market to secure some rent reductions and others kind of incentives. Likewise, those with impending lease expiry are increasingly able to renegotiate their lease terms, with landlords willing to maintain income continuity and to avoid the costs and uncertainty of eventual re-letting.

Prime office space in Brussels trades at 275 euro/m². The average rent for Brussels office properties currently stands at 169 euro/m².

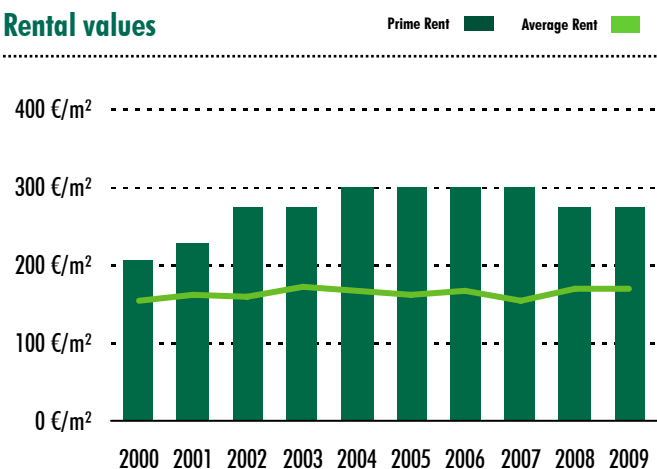
INVESTMENT

The Brussels office market remains characterized by weak investment activity. Total investment volume amounted to only 28.6 million euros, year-to-date. Despite some improvement in the credit market, access to debt remains difficult as banks are still asking high bank margins and strong covenants.

Those investors with money to spend are focusing on well-let, low-risk investment products, but a mismatch still exists with sellers on pricing. Current assets on sale in today's market often concern properties with upcoming break options, while landlords are holding on to their secured cashflows and no distressed sales are being observed.

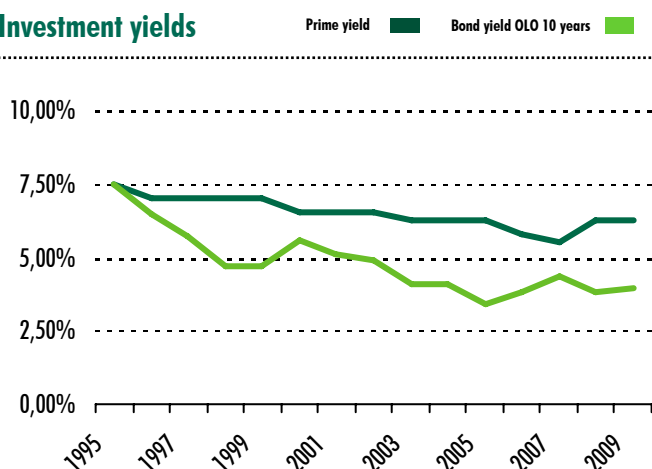
With transactional activity lacking, the pricing of office properties in Brussels remains a difficult task. For standard lease lengths, prime office products in Brussels are believed to trade at 6.25% in the city centre and 7.5% in the suburban office districts. Page 3

Rental values



Source: CB Richard Ellis

Investment yields



Source: CB Richard Ellis

Most notable letting & sales transactions



Building
Submarket
Occupier
Transaction floor area
Type of transaction



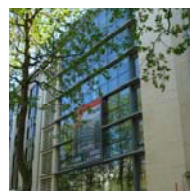
Ellipse Building
North
Vlaamse Gemeenschap
6,000 m²
Letting



Airway Park
Periphery (Airport)
Ericsson
4,109 m²
Letting



Palais 100
Decentralised (North-East)
CPAS de Schaerbeek
3,900 m²
Letting



Arts 36 (ADA)
Leopold
Permanent Representation of Turkey
3,830 m²
Purchase



Froissart (Urban Offices)
Leopold
Permanent Representation of Ireland
3,765 m²
Letting



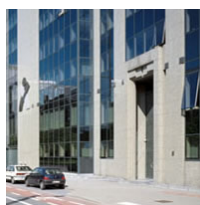
Meiboom 16
Centre
AGPE (Communauté Française)
3,834 m²
Letting



Blanche 1
Louise
Embassy of Qatar
2,886 m²
Letting



Nerviens 9
Leopold
Embassy of New Zealand
1,839 m²
Letting



International Trade Union House
North Area
Education International
1.850 m²
Letting



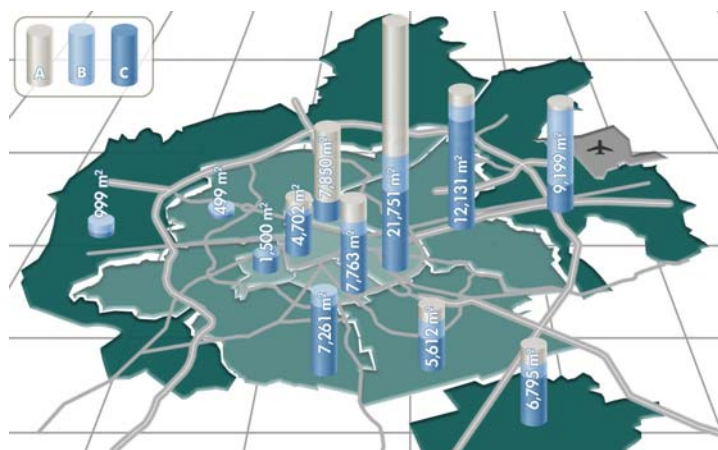
Cortenbergh 100
Leopold
Sesar Joint Undertaking
1,800 m²
Letting

Brussels Office submarkets



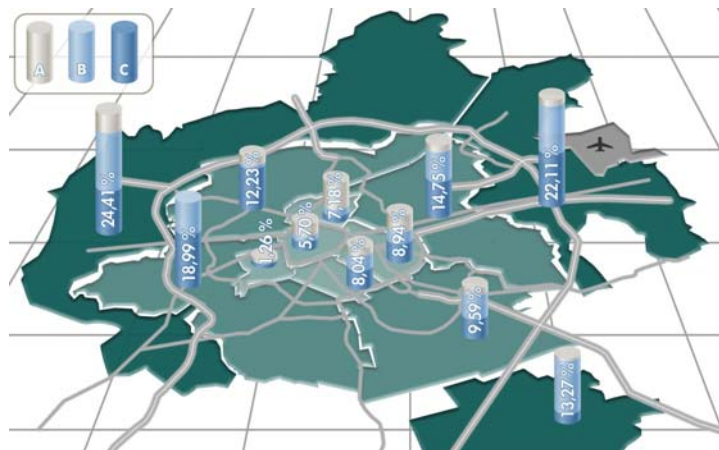
Source: CB Richard Ellis

Q2 Office Demand



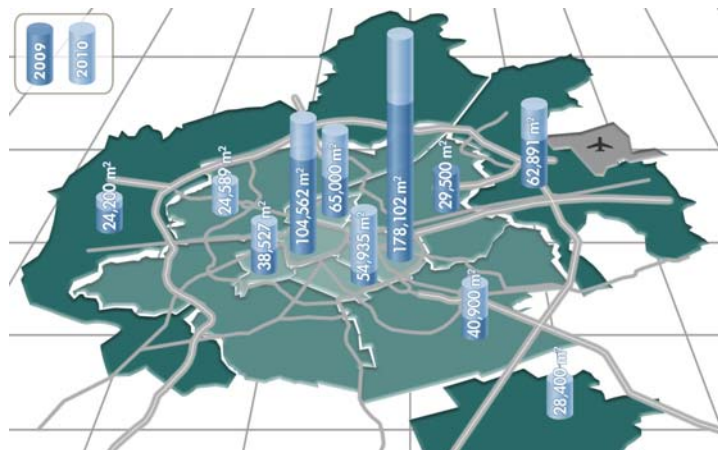
Source: CB Richard Ellis

Office availability



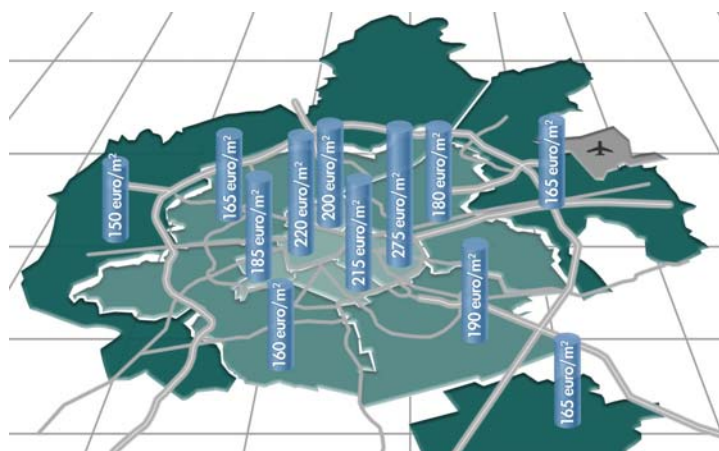
Source: CB Richard Ellis

Office development pipeline



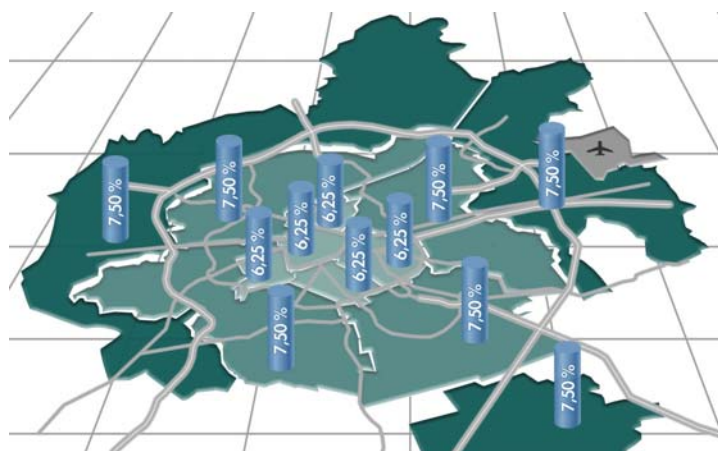
Source: CB Richard Ellis

Prime rents



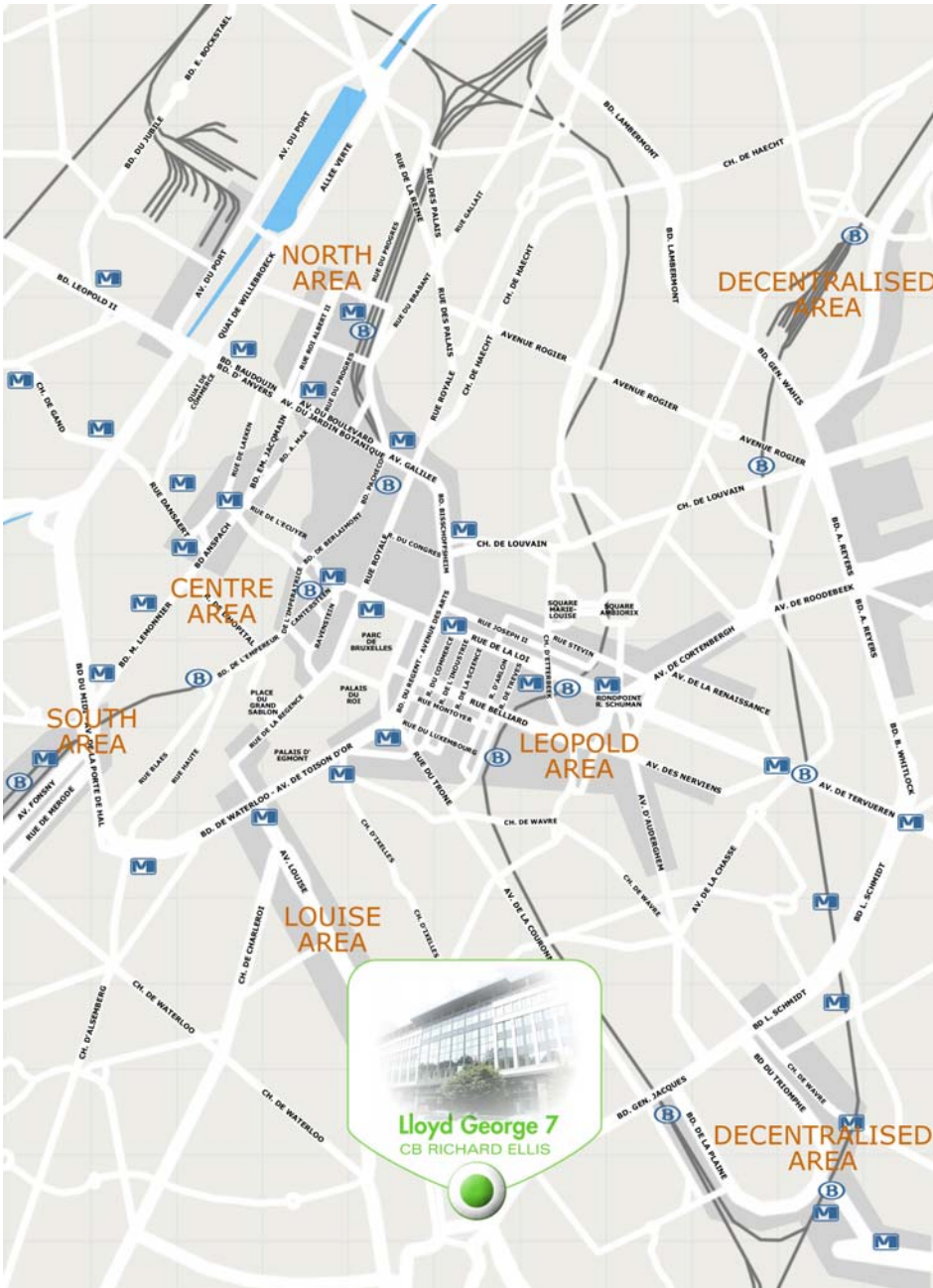
Source: CB Richard Ellis

Prime yields



Source: CB Richard Ellis

Brussels



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