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MarketView
Brussels Offices

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Q1 2010

Quick Stats

	Current	Change from last Yr.	Qtr.
Vacancy	11,6%	↑	↑
Rent	265 €	↓	→
Demand	149.262 m²	↑	↓
Construction	55.796 m²	→	→

* 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

- Leasing activity was underpinned by a number of large transactions.
- Attractive rental conditions are encouraging companies to move.
- Investment activity remains low, with insufficient prime office products on offer.

Overview

In the first three months of 2010, take-up in Brussels totalled 149.262 m². Leasing activity was underpinned by a number of large scale deals.

A still sizeable amount of office space is due to come on stream in 2010, with approximately 315.000 m² in the pipeline. The flow of completions is expected to reduce thereafter in the wake of current low levels of development starts.In spite of strong leasing activity in the first quarter, availability has continued to rise from 11,3% to 11,6%.

The balance of power in the market is still tilted towards occupiers, who are well positioned to capitalize on the attractive rental value on offer. Prime office space in the CBD currently trades at 265 euro/m².

A total of approximately 120 millions euros was invested in office properties in Brussels in Q1 2010. Prime office properties in Brussels trade at 6,25% in the CBD and at 7,50% in the suburbs for 3/6/9 year leases.

Economy

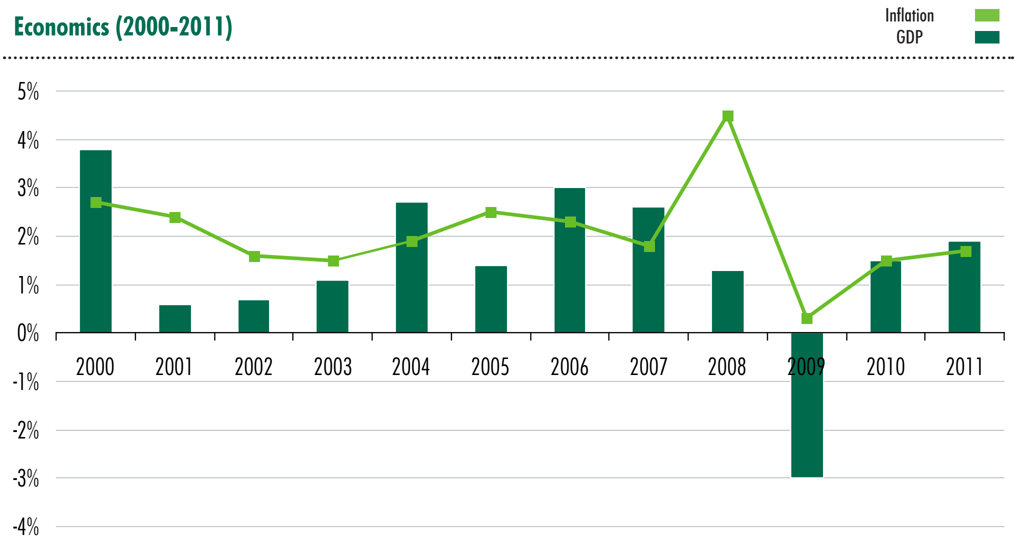
The Belgian economy is no longer in recession, and has posted growing output since the summer of 2009. The recovery process is however anticipated to be slow and downside risks to growth still exist.

The rising consumer and business confidence indicators seem to have lost some of their momentum more recently. Belgian consumers in particular remain extremely cautious about the economic recovery and remain concerned about employment and their ability to save. This could in turn curb private spending.

Likewise, with no consistent evidence of an actual economic recovery, corporate investments remain subdued and excess capacity is gradually being absorbed. Exports on the other hand are rising as a result of the improved international business climate.

For 2010 and 2011, GDP is expected to increase by 1,5% and 1,9%. Inflationary pressure will likely remain low for some time, with prices forecasted to rise by only 1,5% in the course of 2010.

Economics (2000-2011)



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Demand

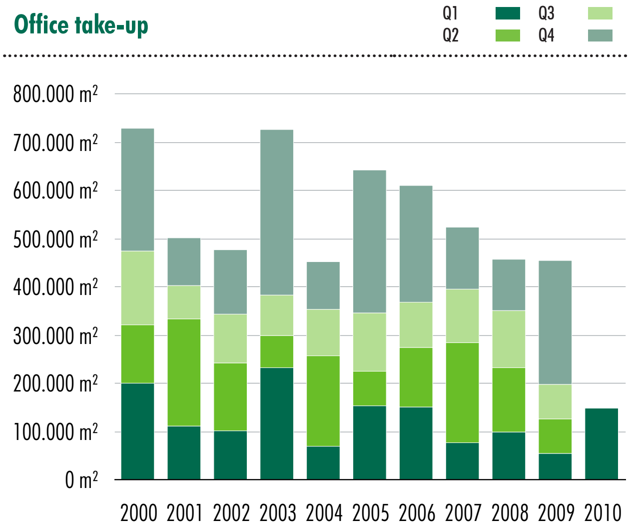
After the slow occupational market in 2009, the Brussels office market performed remarkably well in the first 3 months of 2010. In total, approximately 149.262 m² of office accommodation was let in the Brussels office market in Q1 2010. An important proportion of office demand in the current market emanates from occupiers with lease expiries or breaks looking to relocate and determined to take advantage of the favorable lease terms on offer. Tenants are aware the situation will not last indefinitely and sense that the time to move (or renegotiate) is imminent.

In a repeat of the fourth quarter of 2009, leasing activity was underpinned by a number of large scale deals. The largest transactions were observed in the Brussels CBD. In the North area for instance, BNP Paribas Fortis leased the entirety of the Boreal (35.793 m²). In the South area, Infrabel committed to the South City (Broodthaers) and the South Crystal office schemes facing the South high-speed train station. In the Leopold area, the European Commission agreed terms on a lease of 8.300 m² in "The Capital". Negotiations with the European Commission continue on the occupation of the remainder of the building (54.000 m² in total).

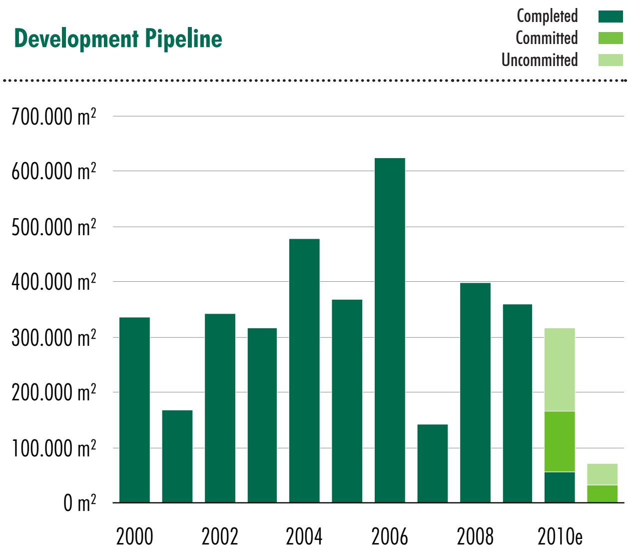
In the decentralised and peripheral districts notable deals were completed by L'Oreal signing for 6.500 m² in the Atlantis project and KPN Group and Rockwell Automation leasing respectively 5.942 m² and 3.446 m² in the Pegasus Park. In addition, the VUB purchased the Plaine 5 (10.495 m²) office building in the Decentralised South-East area.

Looking ahead, the prospects for the Brussels office market are positive with an encouraging volume of transactions

Office take-up



Development Pipeline



Most Notable Lease and Sale Transactions

Date	Address	Submarket	Floor Area	Type	Occupant
03/2010	Avenue de Cortenbergh 1 (The Capital)	Leopold	8.334 m²	Letting	EPSO (European Commission)
03/2010	De Kleetlaan 6 (Pegasus Park 6)	Periphery (Airport)	3.446 m²	Letting	Rockwell Automation
02/2010	Rue du Progrès 55 (Boreal)	North	35.793 m²	Letting	BNP Paribas Fortis
02/2010	Chaussée de Gand 1424 (Bridge Building)	Decentralised (North-West)	6.500 m²	Letting	L'Oréal
02/2010	Avenue Fonsny 12 (South Crystal)	South	7.221 m²	Letting	Infrabel
02/2010	Avenue Fonsny (South City Offices)	South	17.500 m²	Letting	Infrabel
02/2010	Boulevard de la Plaine 5 (La Plaine)	Decentralised (South-East)	10.495 m²	Sale	VUB (International branch)
01/2010	De Kleeetlaan 12 (Pegasus Park)	Periphery (Airport)	5.942 m²	Letting	KPN Group

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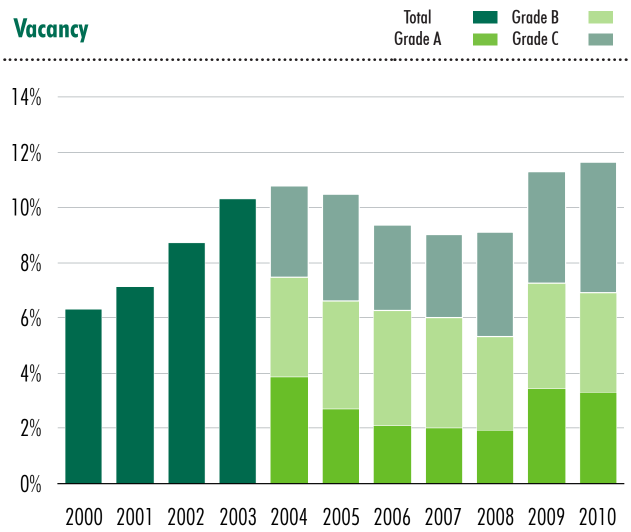
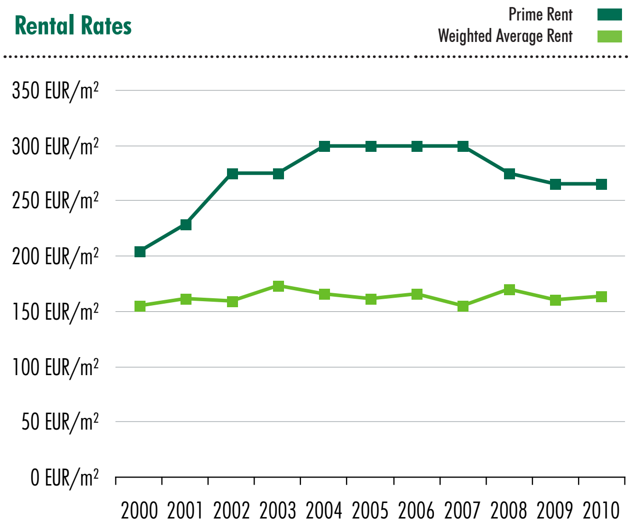
Vacancy



Rental Rates



being negotiated and businesses reactivating real estate decisions. The next coming months will tell whether these recent positive developments will be short-lived or reflect a real improvement in the underlying occupier market.

Development

A still sizeable amount of office space is due to come on stream in 2010, after completions peaked last year. Approximately 315.000 m² of office space is in the pipeline, 60% thereof is uncommitted.

The flow of completions is expected to reduce thereafter in the wake of current low levels of development starts. The Periphery and Decentralised districts, where risk of oversupply is higher and demand more sensitive to the economic cycle, are seeing the sharpest contraction in the volume of project starts and completions.

It is expected that the period 2011-2012 will mark the low point of the development cycle, with development activity then to pick-up again from 2013 onwards.

Vacancy

In spite of strong leasing activity in the first quarter, availability has continued to rise from 11.3% to 11.6%. Approximately 1.51millions m² can now be considered available onto the market.

The increase in availability is being fuelled by a combination of speculative development completions and more subletting activity. The Brussels vacancy rate is anticipated to increase further in the course of 2010 as new speculative projects come online.

With development activity losing momentum and office

Submarket Statistics

Submarket	Office stock	Take-up	Vacancy	Development	Prime rent	Prime yield
Leopold	3.413.008 m²	16.129 m²	9,84%	37.271 m²	265 euro/m²	6,25%
Centre	2.189.703 m²	9.504 m²	5,91%	32.983 m²	210 euro/m²	6,25%
North	1.477.109 m²	35.793 m²	7,93%	46.621 m²	195 euro/m²	6,25%
South	411.127 m²	24.871 m²	2,29%	17.666 m²	185 euro/m²	6,25%
Louise	756.117 m²	4.629 m²	9,41%	44.031 m²	210 euro/m²	6,25%
Decentralised	2.853.306 m²	32.230 m²	14,31%	83.576 m²	185 euro/m²	7,50%
Periphery	1.898.237 m²	26.106 m²	23,17%	55.225 m²	165 euro/m²	7,50%
TOTAL	**12.998.607 m²**	**149.262 m²**	**11,62%**	**317.373 m²**	**265 euro/m²**	**6,25%**

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demand recovering, we can expect the trend in vacancy to reverse and office absorption to increase from 2011 onwards.

Rents

The balance of power in the market is still tilted towards occupiers, who are well positioned to capitalize on the attractive rental value on offer. The window of opportunity for occupiers however will not remain open indefinitely, with lease terms and incentives expected to harden in 2011.

Prime office space in Brussels trades at 265 euro m². The weighted average rent in Brussels stands at 164 euro/m².

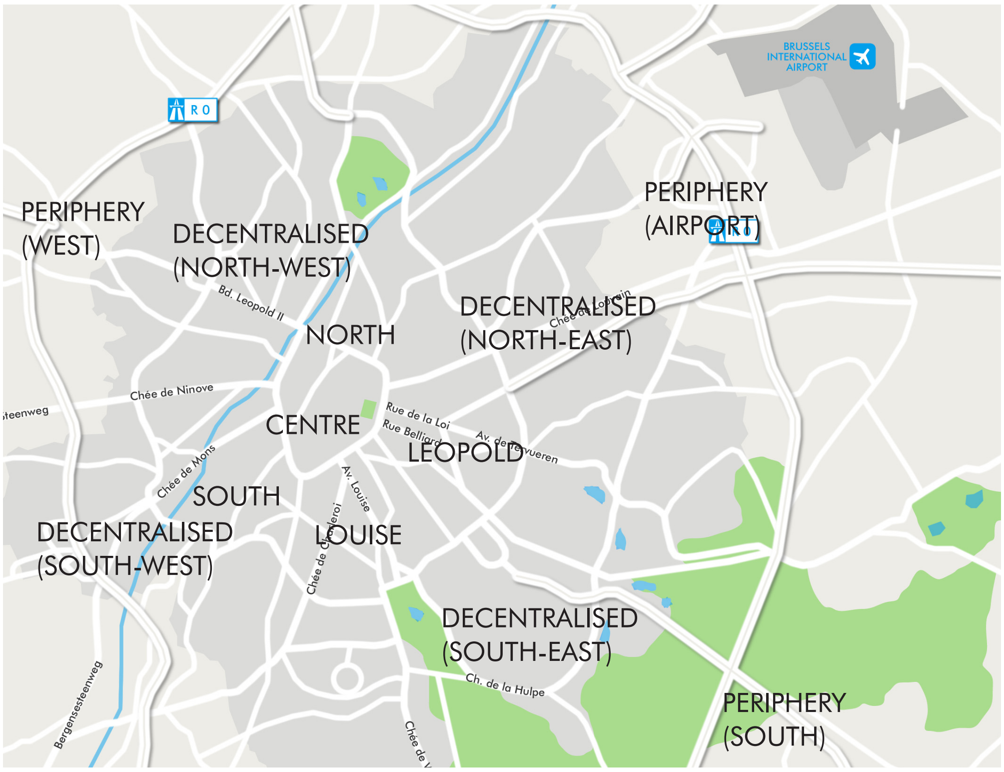
Investment

120 millions euros was invested in office properties in Brussels in Q1 2010, which continues to be confronted to a lack of good-quality office products available for sale. In addition, investors and banks are extremely demanding with a number of more complex or sub core deals being postponed or aborted.

In the meantime, stiff competition for core products has resulted in a strong yield compression with "super core" with long-term secured cash flow trading at well below 6%.

Investment activity is expected to increase in the coming months with several deals in the pipeline to complete. As the occupier market stabilises, investment activity will be also increasingly driven by investors looking into non-prime investment opportunities. Prime office properties in Brussels trade at 6.25% in the CBD and at 7.50% in the suburbs for 3/6/9 year leases.

Submarket Map



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