



# Belgium PropertyInsight

News and trends from the Belgian property market

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## ECONOMICS

### Economic indicators for Belgium

	2005	2006	2007	2008	2009(e)	2010(e)
GDP growth	2,2%	3,0%	2,6%	1,0%	-3,5%	0,2%
Domestic demand	2,9%	3,1%	2,9%	1,9%	-2,5%	0,1%
Exports	3,9%	2,7%	3,9%	2,1%	-1,6%	-2,3%
HICP (change)	2,8%	1,8%	1,8%	4,5%	0,1%	1,3%
Health index	2,2%	1,8%	1,8%	4,2%	0,8%	1,1%
Unemployment rate	8,5%	8,3%	7,5%	7,0%	7,7%	9,2%

### Economic indicators for EU-27

	2005	2006	2007	2008	2009(e)	2010(e)
GDP growth	2,0%	3,1%	2,9%	0,9%	-4,0%	-0,1%
HICP (change)	2,3%	2,3%	2,4%	3,7%	0,9%	1,3%
Unemployment rate	8,9%	8,2%	7,1%	7,0%	9,4%	10,9%

### Financial indicators (end of period)

	2005	2006	2007	2008	05/2009
Euribor (3 months)	2,02%	3,72%	4,68%	2,89%	1,26%
OLO (10 years)	3,31%	3,99%	4,45%	-	4,20%

### Construction indicators

	2005	2006	2007	2008
Issued permits (residential)	11,418,057 m <sup>2</sup>	11,805,905 m <sup>2</sup>	10.339.550 m <sup>2</sup>	10.267.908 m <sup>2</sup>
Building starts (residential)	10.554.559 m <sup>2</sup>	11.128.447 m <sup>2</sup>	10.122.470 m <sup>2</sup>	9.068.932 m <sup>2</sup>
ABEX index (construction costs)	604	635	660	694

Source: BNB, OCDE, GDSEI, CE, CB Richard Ellis

# OFFICES IN BRUSSELS

## Sluggish leasing activity in the downturn

Office space demand in Brussels weakens as the economic struggle intensifies. With office take-up slowing down and supply rising, rents have come under pressure, especially in the more cyclical submarkets. Although investment activity remains low, investor's sentiment is improving and may result in a more active market in the second half of 2009.

### OFFICE DEMAND WEAKENING

The economic downturn has depressed office space demand in the Brussels office market, with take-up markedly declining in early 2009. Over the 5 first five months of 2009, 114.243 m<sup>2</sup> of office space was transacted in the Brussels office market, compared to 171.714 m<sup>2</sup> year-to-date in 2008.

Unsurprisingly, private sector demand has been particularly affected. Low activity from the private sector reflects growing occupants' uncertainty towards future economic and business prospects. In difficult times, many companies tend to postpone their real estate decisions until the economic picture improves. In addition, the corporate decision-making process appears to have lengthened, with negotiations on rents and terms taking a longer time. A number of lease negotiations started earlier this year are therefore likely to be achieved only later in the course of the year.

In the first 5 months of 2009, most notable deals from the private sector were concluded by Ericsson and Siemens. The former signed for

4.109 m<sup>2</sup> in the Airway Park in the Airport area, while the latter agreed terms on the occupation of 3.504 m<sup>2</sup> of space in the Periphery South.

“ Uncertainty leads potential occupants to postpone real estate decisions ”

Public sector activity in the letting market has been relatively subdued until now. Recently, the Vlaamse Gemeenschap has signed for 6.000 m<sup>2</sup> in the Ellipse building, while the EU Representation of Ireland will occupy 3.765 m<sup>2</sup> of office space in the Rue Froissart 40. The EU commission and its agencies have nonetheless issued a number of space requirements for the coming months. It concerns a net additional demand of 29.500 m<sup>2</sup> over 5 separate requests. Another demand for 70.000 m<sup>2</sup> is outstanding to accommodate a new decentralised office cluster.

### SUPPLY TO RISE FURTHER

Development completions have continued to fuel supply growth during the first months of 2009. Some 74.000 m<sup>2</sup> of office space has been delivered onto the market, 77% thereof is speculative. Completed projects include the Zenith building (30.000 m<sup>2</sup>) in the North Area

### Major transactions

DATE	ADDRESS	FLOOR AREA	OCCUPANT
05/2009	Ellipse Building	6.000 m <sup>2</sup>	Vlaamse Gemeenschap
05/2009	Airway Park	4.109 m <sup>2</sup>	Ericsson
05/2009	Palais 100	3.900 m <sup>2</sup>	CPAS de Schaarbeek
05/2009	Urban Offices	3.765 m <sup>2</sup>	EU Representation of Ireland
05/2009	Guido Gezellestraat	3.504 m <sup>2</sup>	Siemens Entreprise & Telecommunications
03/2009	Harmony House	2.638 m <sup>2</sup>	Régie des bâtiments

Source: CB Richard Ellis

### Major office projects (2009-2010)

PROJECT	FLOOR AREA	COMPLETION
The Capital	54.279 m <sup>2</sup>	1/06/2009
Corporate Village (Aramis)	18.568 m <sup>2</sup>	1/09/2009
Avenue des Arts 56	18.000 m <sup>2</sup>	1/12/2009
Forum A	17.000 m <sup>2</sup>	1/12/2009
Montoyer 51	12.000 m <sup>2</sup>	1/06/2010
Avenue Louise 233-245 (Platinum)	23.617 m <sup>2</sup>	1/06/2010

Source: CB Richard Ellis

### Upcoming office developments



Solaris  
(Decentralised South-East)



Forum  
(City-centre)



Platinum  
(Louise)



Arts 56  
(Leopold)



Montoyer 51  
(Leopold)



Joseph II 40  
(Leopold)



The Capital  
(Leopold)

## Prime rents and vacancy rates in Brussels



and the 'Serclaes (17.800 m<sup>2</sup>) in the City-centre.

By the end of 2009, another 233.839 m<sup>2</sup> are expected onto the market, mostly speculative. The pipeline is particularly strong in the central business districts. Most notable upcoming projects are the Capital (54.000 m<sup>2</sup>) and the Avenue des Arts 56 (20.198 m<sup>2</sup>) by AXA in the Leopold Area and the Solaris (13.700 m<sup>2</sup>) in the Decentralised South-East quadrant.

### RENTS UNDER PRESSURE

Office rents in Brussels are coming under pressure as the gap between demand and supply rises. Current office availability is estimated at 1,24 million sqm or 9,7% of the Brussels office stock in march 2009, posting a progression of over 50 basis point upon last quarter figures.

In a weak demand environment, landlords are finding it increasingly difficult to lease vacant space and therefore use rents and higher incentives as instruments to attract new tenants. Likewise, tenants with break options are well positioned to secure some rent reduction with their existing landlord or have changed their lease terms. Base (12.466 m<sup>2</sup>), Rockwell Automation (3.242 m<sup>2</sup>), Perkin Elmer (2.740), Amgen (2.322 m<sup>2</sup>) and Koan (2.300 m<sup>2</sup>) are some of the companies which have opted for lease renegotiation in the first half of 2009.

The Brussels prime rent is at 275 euro/m<sup>2</sup>, which is the price paid for modern and high-visible office space in the surroundings of the Schuman roundabout. In the Brussels periphery and decentralised area prime rents are respectively at 165 euro/m<sup>2</sup> and 190 euro/m<sup>2</sup>.

### SLUGGISH INVESTMENT MARKET

In the first five months, investment turnover in the Brussels office market totalled 30 million euros, compared to 660 million euros in the same period last year. Investors who are active in the market mainly seek well-let, low-risk investment products in central locations.

However these properties are unavailable at desired investment yields. 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.

“ Investors' appetite for office properties in Brussels is rising again ”

While transactional evidence is still scarce, prime office space in the Brussels office market is believed to trade at 6.25% for 3/6/9 year leases. In the suburban office districts, yields are at least 125 basis points higher at 7.5%.

For the coming months there are signs that investors' appetite for office properties in Brussels is rising. National investors, institutional investors and Belgian REITs in particular, but also the German funds are screening the market for opportunities and are actively participating in recent price biddings.

## REGIONAL OFFICES

Exceptionally high take-up from public sector, but office demand faltering

The regional office market has been characterised by a lack of transactional activity over the last few months. Rental values have been holding up well until now, but might soon come under pressure, especially on those locations where speculative office development is being sustained. With investors now being extremely selective in terms of location, investors' interest for office products in the regional cities has somewhat decreased.

### WEAKER OFFICE DEMAND

In the first five months, take-up in the regional office market totaled 116.461 m<sup>2</sup>. Take-up was however boosted by an exceptional transaction in Liège, where the Regie de Batiments swapped their old finance tower to occupy a to be developed 52.700 m<sup>2</sup> office tower close to the Liège high-speed train station.

Excluding this deal, take-up totals 63.761 m<sup>2</sup>. This compares to 81.077 m<sup>2</sup> realized over the same period in 2008, or a reduction of -21%. The regional markets have thus not been immune from the economic slowdown.

With companies compressing as much as possible their office space requirements, only minor transactions could be achieved in the letting market.

Large deals appear mainly a prerogative of the public sector. Besides the Regie des

Batiments committing to a new Finance Tower in Liège, the Ghent city administration has recently signed for 9.250 m<sup>2</sup> in the Belgacom/Portus tower, while in Leuven the Flemish regional administration will occupy approximately 4.000 m<sup>2</sup> around the Vaartkom in anticipation of their newly developed Administrative Center closer to the station.

### AMBITIOUS DEVELOPMENT POTENTIAL

In the short-term, Antwerp and its suburbs have the largest pipeline for 2009, with some 124.000 m<sup>2</sup> of offices being scheduled for this year. Approximately 38% of this space is precommitted. Most notable speculative projects due for completion are the Onyx building (14.513 m<sup>2</sup>) by Robelco and the Avenue Building (10.000 m<sup>2</sup>) by Cofinimmo. Cofinimmo's City Link (26.000 m<sup>2</sup>) has already been delivered onto the market but remains vacant.

“ Large-scale mixed-use schemes, where offices are often a vital component ”

Regional cities such as Ghent, Leuven and Antwerp are in the process of developing large scale mixed-use schemes. Creating additional residential space is often the main focus, but office space is also a vital component. The largest development pipeline for offices has

### Major transactions

DATE	ADDRESS	FLOOR AREA	OCCUPANT
04/2009	4000 Liège, Rue Paradis 1	52.700 m <sup>2</sup>	Régie des bâtiments
01/2009	9000 Gent, Keizer Karelstraat (Belgacom Toren)	9.250 m <sup>2</sup>	Stad Gent
02/2009	3000 Leuven, Vaartkom	4.066 m <sup>2</sup>	Vlaamse Gemeenschap
04/2009	9140 Temse, Schoenstraat	2.510 m <sup>2</sup>	Eltra
01/2009	9820 Merelbeke, Guldensporenpark 2 (Axxes 51 003 K)	1.645 m <sup>2</sup>	BDO Bedrijfsrevisoren
03/2009	2630 Aartselaar, Kontichsesteenweg 54	1.630 m <sup>2</sup>	Prottime
04/2009	5000 Namur, Rue J. Saintraint 10	1.627 m <sup>2</sup>	Bazelaire-Dogstudio

### Major office projects (2009-2010)

CITY	PROJECT	FLOOR AREA	COMPLETION	COMMITTED
Antwerp	Onyx Building	14.513 m <sup>2</sup>	2009	No
Mechelen	Stephenson Plaza	12.240 m <sup>2</sup>	2009-2010	Partly
Antwerp	Avenue Building	10.000 m <sup>2</sup>	2009	No
Leuven	Leuven VAC	22.660 m <sup>2</sup>	2010	Yes
Antwerp	Noordster	15.000 m <sup>2</sup>	2010	Yes
Ghent	Artevelde	10.000 m <sup>2</sup>	2010	No
Leuven	Koop van Kessel-Lo	20.140 m <sup>2</sup>	2010	Partly

### Upcoming office developments



New Zuid  
(Antwerp)



Noordster  
(Antwerp)



Avenue building  
(Antwerp)



Onyx building  
(Antwerp)



Stephenson Plaza  
(Mechelen)



VAC  
(Leuven)



Kop van Kessel-Lo  
(Leuven)

been identified in Ghent. Up to 385.000 m<sup>2</sup> of phased office space can be developed in the longer term on sites such as "The Loop" and Sint-Pieters station. Both developments should over the years compensate for the lack of modern office space, and increase the popularity of Ghent for regional and national corporates.

### RENTS STABLE

Prime rents have remained fairly stable in the regional markets, as most smaller office cities were able to contain local vacancies. While Antwerp currently counts a 10% vacancy rate, Ghent only has 5% of offices available.

Some downward pressure on rents may however arise as new office space comes onto the market. With corporate demand softening, the more cyclical markets might see an erosion in rental levels first.

Prime office space close to the Antwerp highspeed train terminal is let at around 140 euro/m<sup>2</sup>. In Ghent and Mechelen, prime rents are slightly lower at 135 euro/m<sup>2</sup>. These are the rents payable for newly developed office space in both cities. In Wallonia prime office space is traded at 125 euro/m<sup>2</sup> in Namur and 120 euro/m<sup>2</sup> in Liège.

### SELECTIVE INVESTORS

Office properties in the regional cities seem to have lost some of their appeal towards investors. In the current economic environment, investors are extremely selective and demanding in terms of location, secured cash flows, and the solvability of the tenant. Also the illiquidity of most regional cities in terms of investment volume is for most investors a source of concern.

“ With investors now more being more selective, there is less interest in the regional office markets ”

In the first five months of 2009, total investment turnover in the regional office market amounted at only 46.2 million euros. Alongside some smaller assets deals, there was only one notable investment transaction. Nateus acquired the Noordster project in Antwerp. The building is prelet to

### Prime office rents



Belgian Customs with a long-term lease.

In the regional office markets, yields for prime office products are believed to range in between 7.5% and 9% for standard lease lengths. With low investors' interest, the pricing of properties remains a difficult task.

# THE LOGISTICS MARKET

## Logistics operators facing challenging times

Since the start of the year, the logistics sector is responding to the changing economic environment by a reduction in demand for warehousing space. With most landlords reluctant to any form of speculative development, the increase in availability will likely be well contained. Rents however remain under pressure, especially for available space already on the market.

### MORE CAUTIOUS DEMAND

Due to the weaker economic environment and the general increase in spare capacity in the manufacturing sector, demand for industrial space has started to decline. In the first five months of 2009, a total take-up of 305.029 m<sup>2</sup> was realised in the industrial market, compared to 455.465 m<sup>2</sup> year-to-date in 2008 (-33%). Almost half of the transacted space concerned units larger than 5.000 m<sup>2</sup>.

Major industrial players which fuelled space demand throughout 2008, appear to be less active. Many await the economic outlook to improve and industrial activity to regain traction before securing any commitments over new buildings.

Despite the general fall in activity, some companies are still looking for additional storage space. In light of the good performance of the retail sector, a number of

retailers are continuing to expand their logistics network. Demand from the staple goods sector, and food in particular, has been showing more resilience to the economic slowdown. Colruyt, for example, has recently decided to build a new 80.000 m<sup>2</sup> distribution centre in Ghislenghien, Hainaut.

“ Rationalization and restructuring could generate space demand ”

Looking forward, also 3PL providers could be well positioned to undertake new transactions. Opportunities may arise from companies outsourcing their logistics operations in a bid to cut costs or business restructurings. Companies' increased costs-sensibility is also encouraging further steps to improve efficiency along the supply chain. This will likely continue to generate space demand in the coming months.

### HIGH DEVELOPMENT POTENTIAL

Speculative development has virtually ceased as demand for logistics space is uncertain. Turnkey projects now appear to be the more secure way to land large logistic players. There is currently over 1.5 million m<sup>2</sup> of logistics space to be developed on demand, of which only some 215.000 m<sup>2</sup> is foreseen to be built on a speculative basis over the two

### Major transactions

DATE	ADDRESS	FLOOR AREA	OCCUPANT
02/2009	2000 Antwerpen, Leopolddok 214	24.871 m <sup>2</sup>	Boortmalt
01/2009	2910 Essen, Over d'Aa	22.000 m <sup>2</sup>	Immo Sany
02/2009	2000 Antwerpen, Haven Antwerpen	20.000 m <sup>2</sup>	Tabaknatie
01/2009	2850 Boom, Industrieweg 8	19.285 m <sup>2</sup>	No Limit!
05/2009	9140 Temse, Schoenstraat 6	16.550 m <sup>2</sup>	Standaard boekhandel
05/2009	9240 Zele, Langevelde	9.623 m <sup>2</sup>	Juri
02/2009	1620 Drogenbos, Humaniteitslaan 243	7.308 m <sup>2</sup>	Transinter

Source: CB Richard Ellis

### Upcoming logistics developments

PROJECT	ADDRESS	FLOOR AREA	TIMING
Antwerp South Logistics	Willebroek	90.000 m <sup>2</sup>	Turnkey
Brucargo West	Zaventem	25.000 m <sup>2</sup> + 65.000 m <sup>2</sup>	2009/Turnkey
Canal Logistics	Brussels	25.000 m <sup>2</sup> + 25.000 m <sup>2</sup>	2009-2010
Europark Zuid II	St Niklaas	84.000 m <sup>2</sup>	Turnkey
Maritime Logistics	Bornem	41.000 m <sup>2</sup> + 31.000m <sup>2</sup>	2009/Turnkey
Puurs Pullar	Puurs	40.000 m <sup>2</sup>	Turnkey
Liègistics Park 35	Milmort	66.000 m <sup>2</sup>	Turnkey

Source: CB Richard Ellis

### Upcoming logistics developments



Canal Logistics  
(Brussels)



Liègistics  
(Liège)



Ardenne Logistics  
(Neufchâteau)



Maritime Logistics  
(Bornem)



Puurs Pullar  
(Puurs)



Europark Zuid II  
(Sint-Niklaas)



Rumst Logistics  
(Rumst)

coming years. Over 300.000 m<sup>2</sup> of units larger than 10.000 m<sup>2</sup> are currently available in the market.

“ With demand weakening, developers have shifted to turnkey developments ”

Flanders, and the Golden triangle in particular, has the highest development pipeline (60%), though Wallonia is catching up with a number of large logistics schemes being constructed or planned in Liège, Nivelles and near Charleroi. In Brussels, development remains strongly concentrated along the Brussels canal. Unlike in Flanders and Wallonia, development activity in Brussels is predominantly speculative.

#### A TWO-TIER MARKET

A two-tier market is emerging in the Belgian logistics market, with a growing rental gap for turnkey developments and existing properties. Until now, there has been only a moderate decline in rental values across the Belgian logistics market, despite the more difficult market conditions. For new turnkey developments in prime locations, landlords are even asking higher rents to preserve their profit margins in the wake of the recent yields surge. It is however unclear whether these rents are achievable in today's market. For existing properties, downward pressure on rents is growing. Tenants with break options are increasingly able to renegotiate lease terms in their favour. At the same time, as a recurring theme in nowadays' occupation market, some landlords are open to offer rental discounts in order to fill in vacant space.

Prime rents in the Brussels region are at 55 euro/m<sup>2</sup>, which is the price currently paid for modern storage facilities in the Zaventem airport area. Good quality logistics units are being let at 43 euro/m<sup>2</sup> along the Brussels-Antwerp axis and around 40-42 euro/m<sup>2</sup> along the Antwerp-Ghent axis. Leases for new logistic warehouses in Wallonia and Limburg are currently trading at 39 euro/m<sup>2</sup>.

#### HIGHER YIELDS

Due to the limited availability of debt and the heightened

#### Prime rents & land values for logistics



risk aversion, investment activity was rather low in the first 5 months of 2009. Investment turnover totalled 49 million euros, in stark contrast to the approximately 330 millions transacted year-to-date in 2008.

The most notable deal earlier this year was realised by Fortis Insurance in the acquisition of 70.000 m<sup>2</sup> logistics park in Kontich, sold by Redevco.

Following a few years of yield compression, yields have

started to rise again and have resulted in a considerable repricing. For prime logistics properties yields are currently estimated at 7.5%, up from 6.25% one year ago. For secondary and more risky assets, yields might well even be 100 to 150 basis points higher.

# THE RETAIL MARKET

## Expansion continues, but retailers more careful

The turmoil in the global financial markets is now having a clear impact on wider economic prospects. Of particular concern for the retail sector is the potential impact on consumer spending, which has been a vital cornerstone of the Belgian economic activity in the last few years and one of the key drivers of the Belgian retail market. The main fear is that the wider economic slowdown will translate most quickly and directly into reduced retail sales, with Belgian households especially worried about their ability to save.

“ Despite a considerable drop in consumer confidence, retail sales growth was well supported until now ”

In Belgium, the consumer price index continued its downward trend and turned to a negative -0.2% in May. The risk of deflation is assessed to be limited, with the drop in energy prices being the main cause. Inflation forecasts are at 0.1% for 2009 and 1.3% for 2010.

### RETAIL SALES GROWTH

Despite a considerable drop in consumer confidence, Belgian consumers appear to have weathered the global economic slowdown quite well until now. With salaries pegged to the price growth and a package of fiscal incentives earlier this year, spending does not appear to have suffered significantly. Belgian year-on-year retail sales growth outperformed most neighbouring countries. Nevertheless, consumption is expected to weaken in the coming months.

### SUSTAINED EXPANSION PLANS

Demand for retail space remains strong across the Belgian retail market with many retailers still willing to take space in prime locations when the opportunity arises. The strong brands and discount retailers are embracing current market conditions as an opportunity to grow their market share. This

bodes well for triple-A highstreet locations and possibly retail warehousing.

Discount retailers are on the other hand attracting increasingly price-conscious consumers, and the mass market retailers remain extremely popular. International retailers such as Ikea, H&M, Zara, Decathlon, Hema, New Look, Maisons du Monde, MediaMarkt and Esprit are continuing to expand. Additionally, they are launching new formats with Koodza from Decathlon, Esprit BodyWear, Avanti from C&A and Uterqüe from the Inditex group opening new shops in Belgium. Recent newcomers to the Belgian retail market are Camaïeu, Alice Délice and Jules.

However, more caution among retailers is also apparent with an overall drop in letting transactions and a reduced demand for secondary locations and smaller towns. Consumers tend to buy less impulsively. Also the pricier fashion segment is seeing less consumers in their stores. Some of the newer luxury highstreets will therefore suffer, with local vacancies rising.

“ Retailers are considerably more cautious in their expansion plans, with less interest for secondary locations ”

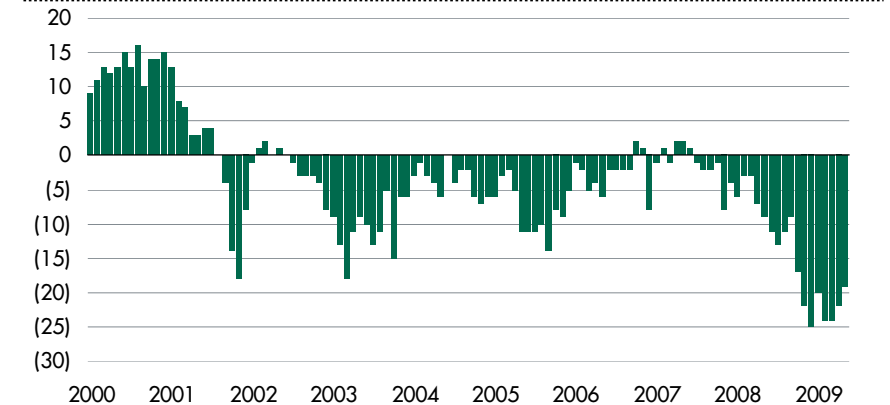
### LESS DEVELOPMENT

A number of important retail development schemes are in the pipeline and due for completion in the next 18 months. Approximately 150.000 m<sup>2</sup> of retail developments will be put online by the end of 2010.

Most notable is the completion of the shopping center Mediacité (41.700 m<sup>2</sup>) in Liège and the shopping center K in Kortrijk (34.000 m<sup>2</sup>). The renovation of both the Centre Anspach (7.000 m<sup>2</sup>) and the Galleries du Toison d'Or (14.724 m<sup>2</sup>) is being awaited in the coming months in Brussels.

In terms of retail warehousing development,

### Consumer confidence indicator



Source: NBB

### Retail sales growth (year-on year in %)

	11/08	12/08	01/09	02/09	03/09	04/09
EU27	-1,40%	-1,40%	-1,30%	-4,00%	-2,80%	-1,40%
Belgium	-3,90%	3,60%	3,30%	-1,90%	2,70%	0,30%
Germany	-0,10%	2,10%	-2,20%	-1,80%	-1,20%	-0,40%
Spain	-8,20%	-7,20%	-5,40%	-9,00%	-7,80%	-7,30%
France	0,40%	-1,80%	-1,40%	-5,90%	-2,30%	-
The Netherlands	-0,80%	-0,60%	-3,00%	-4,70%	-3,10%	-
United Kingdom	0,70%	0,70%	2,40%	-2,40%	-0,80%	2,40%

Source: Eurostat

### Upcoming retail projects



**Médiacité**  
Liège

**K**  
in Kortrijk

### Highstreet rental values (for retail units of 200m<sup>2</sup> with 7m front)

Street	City	Minimum	Maximum
Meir	Antwerp	1.600 euro/m <sup>2</sup> /year	1.700 euro/m <sup>2</sup> /year
Steenstraat	Bruges	1.100 euro/m <sup>2</sup> /year	1.100 euro/m <sup>2</sup> /year
Rue Neuve	Brussels	1.500 euro/m <sup>2</sup> /year	1.600 euro/m <sup>2</sup> /year
Veldstraat	Ghent	1.100 euro/m <sup>2</sup> /year	1.200 euro/m <sup>2</sup> /year
Hoogstraat	Hasselt	1.100 euro/m <sup>2</sup> /year	1.200 euro/m <sup>2</sup> /year
Vinave d'Île	Liège	900 euro/m <sup>2</sup> /year	1.000 euro/m <sup>2</sup> /year

Source: CB Richard Ellis

### Shopping center rental values (for retail units of 200m<sup>2</sup> with 7m front)

Street	City	Minimum	Maximum
Wijnegem Shopping	Antwerp	1.200 euro/m <sup>2</sup> /year	1.400 euro/m <sup>2</sup> /year
Woluwe Shopping	Brussels	1.100 euro/m <sup>2</sup> /year	1.250 euro/m <sup>2</sup> /year
City II	Brussels	950 euro/m <sup>2</sup> /year	1.050 euro/m <sup>2</sup> /year
L'Esplanade	Louvain-La-Neuve	600 euro/m <sup>2</sup> /year	700 euro/m <sup>2</sup> /year
Belle Île	Liège	650 euro/m <sup>2</sup> /year	750 euro/m <sup>2</sup> /year
Les Grands Prés	Mons	550 euro/m <sup>2</sup> /year	650 euro/m <sup>2</sup> /year

Source: CB Richard Ellis

Izegem will see a new retail park of 21.000 m<sup>2</sup> and Lochristi awaits a retail park of 7.544 m<sup>2</sup>. In the longer term, some larger shopping developments are being studied and planned in Brussels, Machelen, Charleroi, Boom, Ghent and Genk.

Nonetheless, expanding retailers are getting somewhat scarcer and are therefore presented with more options to choose from. With precommercialisation and subsequently financing getting more cumbersome, developers are often delaying their retail development schemes.

“ Developers are delaying retail projects as precommercialisation and financing gets tougher ”

#### RENTS STABLE BUT LIKELY TO DROP

With demand for secondary locations deteriorating and local vacancies rising, average rental levels are likely to fall in 2009. Only prime highstreet locations and possibly the best located retail warehousing locations are expected to keep their rents at par.

Along the Meir in Antwerp, highstreet retail units of 200 m<sup>2</sup> with 7 m front are trading in between 1.600 euro/m<sup>2</sup>/year and 1.700 euro/m<sup>2</sup>/year. This range is somewhat lower for the Rue Neuve in Brussels with maximum rents going up to 1.600 euro/m<sup>2</sup>/year.

Rents for the best retail warehousing locations trade in between 150 and 165 euro/m<sup>2</sup>/year. Well structured retail parks enjoying a good location, enough parking space and a healthy tenant mix are still very popular among retailers.

#### A LOT OF PRIVATE INVESTORS

In the current financial turmoil, retail property is becoming an even more significant proportion

of investment activity in Belgium. Good quality products in particular, continue to attract interest from investors. As a result, retail property values for smaller lot sizes have held up well.

“ Highstreet retail continues to be highly successful among investors ”

With a reasonably small investment volume per transaction, highstreet retail continues to be highly successful among private investors. Private investors see retail as good defensive assets. Without the burden of external financing and expensive bank margins, prime yields have risen only marginally. For prime highstreet products, yields are currently estimated at 5 to 5.25% up from 4.75% a year earlier. The best retail warehouses currently trade at yields of 6.25% to 6.75%, a rise of 50 basis points in the last 12 months.

# THE RESIDENTIAL MARKET

## Signs of a slowdown in the housing market

The Belgian housing boom seems to have come to an end. The deceleration in home prices which initiated in 2007 continued throughout 2008. As a consequence of the economic slowdown, further corrections in home values appear likely in the coming months. Residential development is also slowing down, with developers finding it increasingly difficult to secure financing and find buyers for their new housing projects.

“ The Belgian housing market towards the end of the cycle ”

### BOTH DEMAND AND SUPPLY DECREASING

Demand for housing slowed down, with the total amount of mortgages granted to private individuals significantly dropping earlier this year. More recently, signs of a recovery in lending activity were reported with more mortgages in the month of May.

Residential development is gradually slowing down. While the number of issued construction permits has only slightly decreased in 2008 (-2.5%), housing starts posted a marked fall. While construction on 46.400 new residential units started last year, 52.400 units were started in 2007 (-11.5%). In the current market, developers continue to be affected by longer commercialization periods and more expensive funding.

These figures could have been worse. In an attempt to support the construction sector during the economic downturn, the Belgian government recently implemented a fiscal plan. This plan includes a VAT cut (from 21% to 6%) on the construction of new residential properties, on the first phase of 50.000 euros.

### PRICES GROWTH SLOWING DOWN

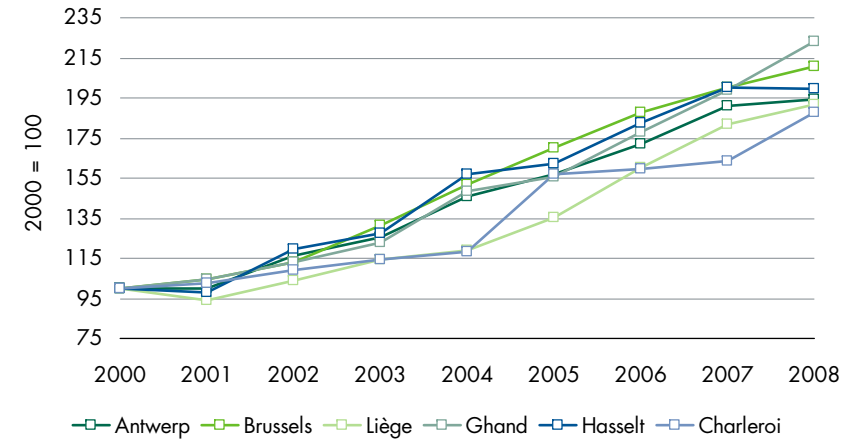
Many of the key residential performance indicators suggest that the housing market is cooling down, following years of buoyant activity and an impressive rise in home values. Price growth has yet significantly decelerated in 2008 and should continue to do so in 2009. The price for apartments, for instance, grew on average by only 4% last year, well below the two-digit growth achieved in 2005 (12.5%) and 2004 (14.6%).

Homes prices dynamics tend to differ significantly upon the quality and the location of a given residence. Nowadays, the higher residential prices are being paid in Brussels. New housing projects in the Belgian capital trade in between 1.600 euro/m<sup>2</sup> and 3.500 euro/m<sup>2</sup> for apartments. The city centre, the Leopold district and the green belt to the south of Brussels tend to be the more expensive places. For luxurious apartments, prices up to 5.000 euro/m<sup>2</sup> are feasible.

The acquisition price for new mid-market apartments are around 2.350 euro/m<sup>2</sup> in Ghent and 2.500 euro/m<sup>2</sup> in Antwerp. Truly prestigious residential projects at exceptional locations could however go up to 3.000 euro/m<sup>2</sup>.

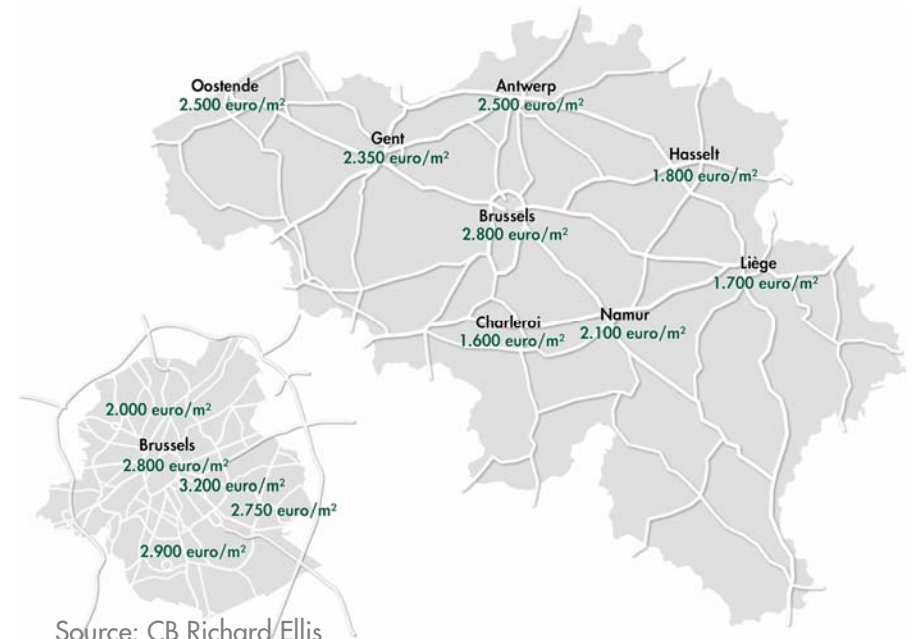
Residential acquisition prices are the least expensive in the south of the country. The cost of acquiring a modern apartment is 2.100 euro/m<sup>2</sup> in Namur and 1.700 euro/m<sup>2</sup> in Liège.

Apartments prices evolution – selected cities (2000=100)



Source: DGSE

Top asked prices for new mid-market apartments



Source: CB Richard Ellis

CB Richard Ellis

Avenue Lloyd George 7

1000, Brussels

Belgium

T: +32 2 643 33 33

F: +32 2 643 33 44

CB Richard Ellis Retail

Schildersstraat 1

2000, Antwerp

Belgium

T: +32 3 248 68 60

F: +32 3 248 68 35

**CBRE**  
CB RICHARD ELLIS