

15 January 2010

Contents

Executive summary	1
Economic overview	2
Secondary Markets	3
Antwerp	4
Ghent	6
Mechelen	7
Leuven	8
Liege	9
Namur	10
Charleroi	11
Investments	12
Key statistics	13
Definitions	15
Contacts	15

Authors

Emeric Inghels
 Research Manager
 +32 (0)2 629 02 85
 emeric.inghels@dtz.com

Vincent Leroux
 Senior Analyst & Geomatics Coordinator
 +32 (0)2 629 02 86
 vincent.leroux@dtz.com

Contacts

Magali Marton
 Head CEME Research
 +33 (0)1 49 64 49 54
 magali.marton@dtz.com

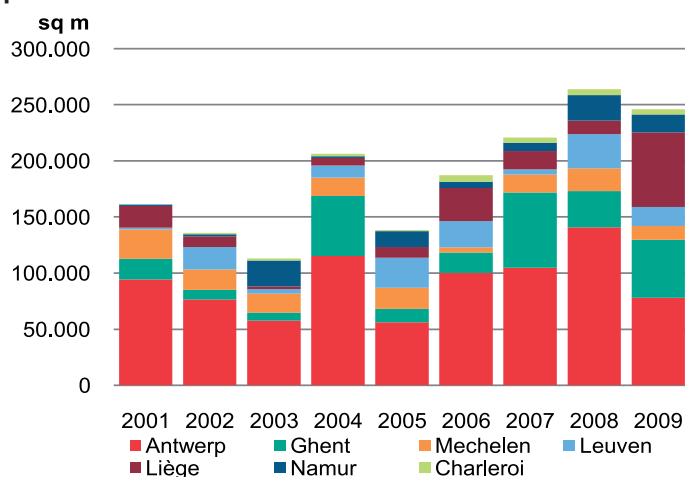
Tony McGough
 Global Head of Forecasting
 +44 (0)20 32 96 23 14
 tony.mcgough@dtz.com

Hans Vrensen
 Global Head of Research
 +44 (0)20 32 96 21 59
 hans.vrensen@dtz.com

- Unlike Brussels, the secondary markets continued to perform well with a take-up estimated to nearly 250,000 sq m, a drop of only 5% compared to 2008.
- While Flanders suffered nonetheless a 26% decrease of take-up to 177,287 sq m, Wallonia nearly doubled its 2008 result to 89,237 sq m.
- Two major transactions accounted for nearly 30% of the activity : the SPF Finance FOD in Liège (52,700 sq m) and KBC in Gent (20,800 sq m).
- The two least performing markets were Antwerp (-45%) and Leuven (-44%). This led to an increased availability ratio in Antwerp. The best performing markets were Liège and Gent, solely due to their respective exceptional deals.
- Prime rents mostly remained stable and in the vicinity of 135€/sq m/year. Only Charleroi and Mechelen are to be found at 110 and 125€/sq m/year respectively while Namur reaches the maximum level of secondary markets with 150€/sq m/year.

Figure 1

Take-up



Source: DTZ Research

Economic overview

The economy grew by 0.5% on the quarter in Q3 after a 0.1% contraction in Q2 (revised from -0.3%), and the annual decline eased from 4.2% to 3.4%. Data revisions show that the recession started a quarter earlier than originally thought in 2008Q3, but it was still among the mildest of those seen in the major economies.

The pace of decline in external trade eased further in Q3, with growth in export volumes exceeding that of imports. A pick-up in world demand and a shallower fall in export prices than in import prices (a result of the stronger euro) will help swing the current account from a deficit of 2.5% of GDP in 2008 to a surplus of 1.8% of GDP in 2009.

Although the Q3 national accounts showed an increase in consumer spending, the latter only rose 0.2%, contributing just 0.1% point to GDP growth in Q3. While a renewed consumer retrenchment is not expected, growth will remain sluggish as the jobless total continues to climb. The unemployment rate rose to 8.1% in October and, with business surveys pointing to more job cuts, albeit at a slower pace, we forecast it will carry on rising until mid-2010.

Consumer price inflation jumped to -0.1% in November and should average close to zero in 2009. As the falls in prices in late-2008 drop out of the annual comparison, we expect inflation to average 0.4% in 2010.

Source : Oxford Economics

Table 1

Economic indicators - Belgium

	Period	Change	Forecasts		
	2009	YOY	2010	2011	2012
GDP (€ bln)	319,7	-3.2%	319,8	324,1	330,4
Consumer spending (€ bln)	169,5	-1.2%	169,5	171,6	178,3
Consumer Price Index	111,2	0%	111,4	113	114,8

Source: Oxford Economics

Secondary Markets

After four years of continuous growth, the secondary markets have finally recorded a slight decrease of their activity (-5%). However, the secondary markets have performed much better than the Brussels office Market (-36%). The secondary markets appear less impacted by the slowdown of the economy as they reached one of their highest level on record (246,000 sq m) (Figure 2).

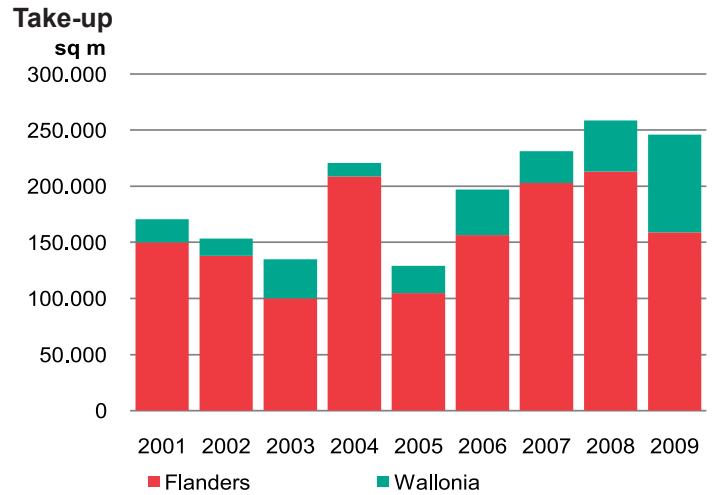
Most of the activity is still to be found in Flanders (177,000 sq m) where the majority of office stock is found (3.5 million sq m) (Figure 3).

The take-up in Flanders is however down 26% whereas it is up by 80% in Wallonia. The take-up in Wallonia has indeed increased from 45,000 sq m to 89,000 sq m. However, this is largely due to a single transaction : the pre-letting of the Finance Tower development in Liège (52,700 sq m).

Unlike Flanders, Wallonia is largely dependent on the public sector as it represents 67,000 sq m of the activity (82%). When excluding the major transaction in the Finance Tower the public sector still accounts for 50% of the recorded activity ! In Flanders take-up is mainly driven by smaller deals of the private sector.

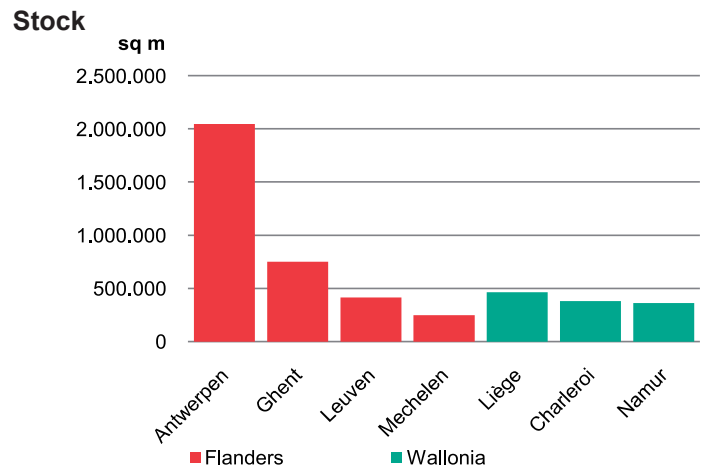
Half of the secondary markets have an equivalent prime rent of 135€/sq m/year. Although the structure of each market varies considerably, it seems that the prime products do not. Charleroi however cannot reach this level of prime rent and remains stable at 110€/sq m/year while Namur is on the up and up with a prime rent at 150€/sq m/year. In Mechelen the prime rent is slightly below the others at 125€/sq m/year (Figure 4).

Figure 2



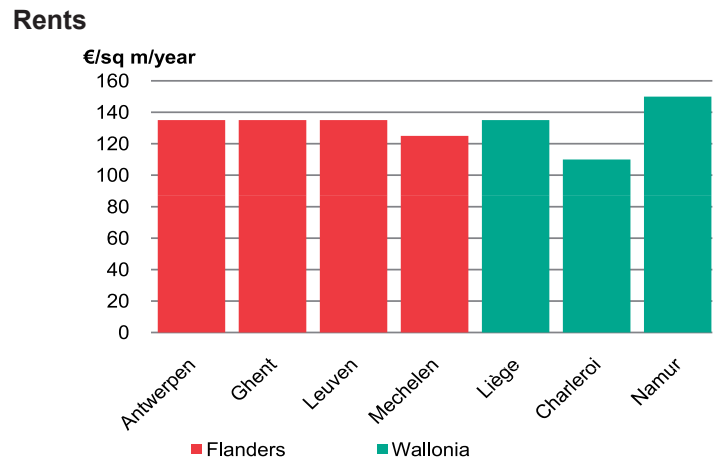
Source: DTZ Research

Figure 3



Source: DTZ Research

Figure 4



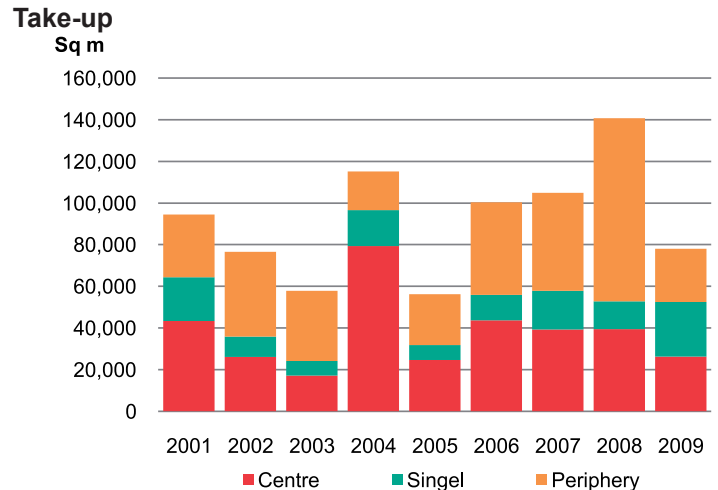
Source: DTZ Research

Up until the end of the 3rd quarter, the situation of Antwerp looked gloomy. Indeed, less than 32,000 sq m of take-up had been recorded by the end of September 2009. The 4th quarter saved the day by more than doubling this figure with more than 46,000 sq m of take-up recorded, taking the annual figure to nearly 78,000 sq m (Figure 5). Half of the Q4 activity is due to the 5 deals observed in the new City Link office development of Cofinimmo. This 4 units office development totalling nearly 27,000 sq m has been delivered in the first half of 2009 in the far East corner of the Singel district (Figure 9).

The activity is evenly distributed between the Centre, the Singel and the Periphery districts, each with 26,000 sq m of take-up. This is the best figure ever observed in the Singel district but a 35% drop when compared to the 8 years averages of the Centre and the Periphery. This can be seen by the lack of major transactions in the Periphery (Figure 8). Only four transactions above 1,000 sq m were recorded outside the Centre and Singel districts, the major being the letting by Euphony Benelux of 3,418 sq m in the Haven subdistrict.

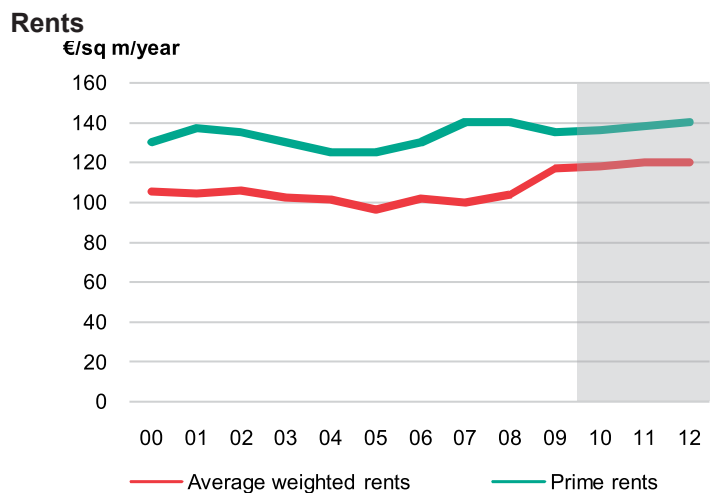
Unlike Brussels, none of the recorded transaction is linked to the public sector. Antwerp mainly rely on small and local companies.

Figure 5



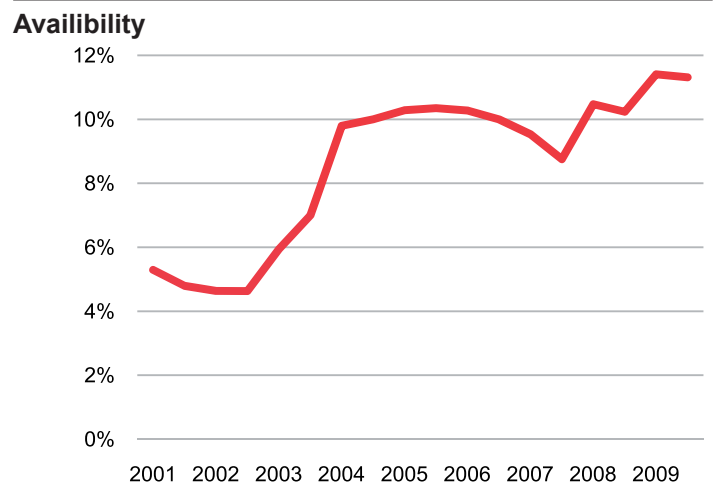
Source: DTZ Research

Figure 6



Source: DTZ Research

Figure 7



Source: DTZ Research

The availability ratio has ended the year breaking records. The highest availability ratio of the decade was recorded in Q3 (11.81%) with a total availability nearing 240,000 sqm. The situation has then slightly improved as the market benefited from the City Link transactions. The availability ratio has therefore decreased to 11.32%. This represents a considerable amount of available offices that will be hard to fill as Antwerp does not have a habit for large deals. While the average transaction size in Brussels is of 1,230 sq m it is only of 683 sq m in Antwerp. Most of the available space is still located in the Centre district, often in outdated buildings (Figure 7).

Interestingly, while prime rent has slightly decreased to 135€/sq m/year, the average weighted rent based on observed transactions has increased to 117€/sq m/year. Indeed, most of the recorded deals took place in recent developments such as the City Link. Prime rent is forecasted to gradually increase in order to reach 140€/sq m/year by 2012 (Figure 6).

Figure 8

Take-up

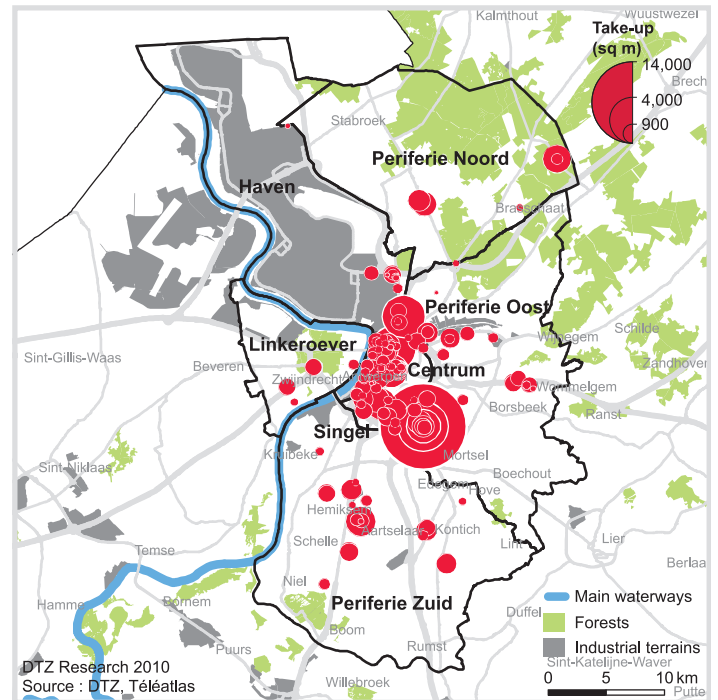
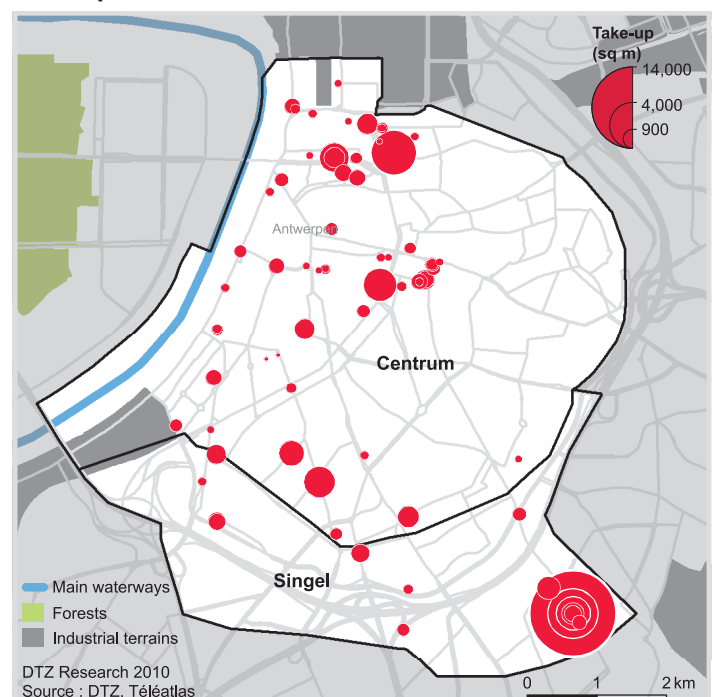


Figure 9

Take-up



Although the stock has registered a strong increase during the last decade, few buildings were delivered in 2009 as a result of a wait-and-see attitude from local developers since the start of economical crisis. However, with more than 765,000 sq m, Ghent remains the second office market in Flanders, and the third in Belgium in terms of existing stock.

Nevertheless, with a take-up estimated to more than 50,000 sq m in 2009, the occupational activity has registered a significant growth on annual basis (+ 59%) (Figure 10).

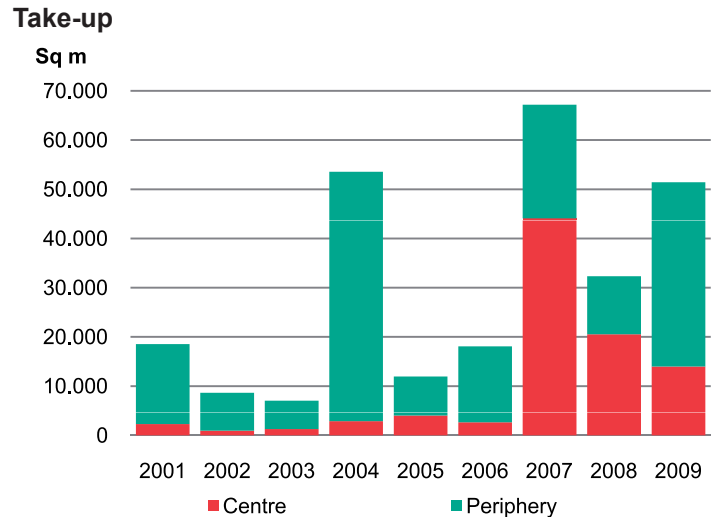
This remarkable increase is explained by a major deal concluded at the very end of the year. The financial institution KBC announced its decision to regroup all its local services, currently spread in various places around the city, into one single building to be delivered in 2012. The new 20,800 sq m built-to-suit building will be located in “The Loop”, a mixed-used development scheme currently under construction in the southern periphery of the city.

Another major deal to mention during the last twelve months is the letting of 9,250 sq m in the Belgacom Tower by the city of Ghent. All other deals are below 4,000 sqm.

It is important to keep in mind that consequently to these two bigger deals, some older buildings will be left empty downtown. Moreover, some occupiers have reduced their occupation in Ghent (Arcelor Mittal, Ernst & Young) resulting most probably in unfavourable net absorption figures and increasing availability for the months to come.

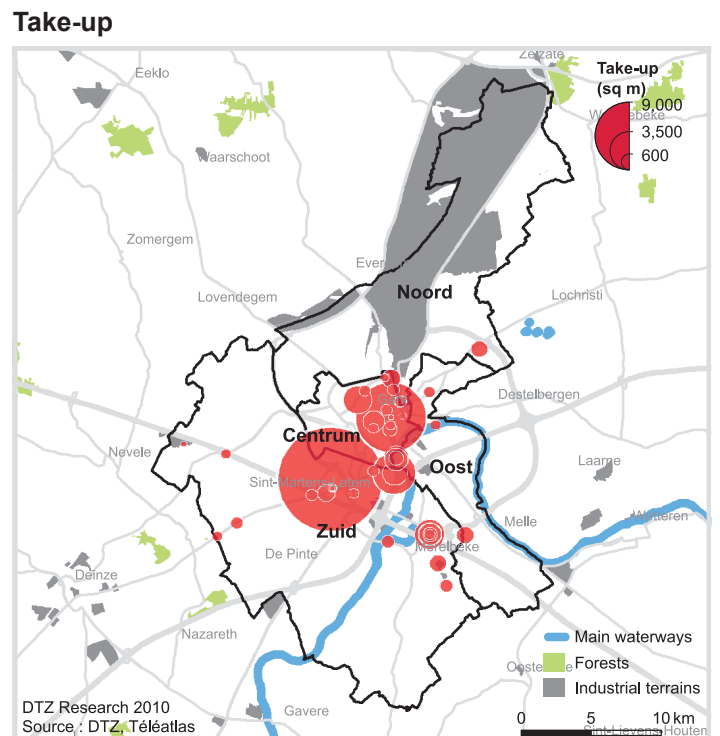
This may have a negative impact to the rental levels which are currently to be found around 135 €/sq m in prime locations.

Figure 10



Source: DTZ Research

Figure 11



With the notable exception of year 2006, the activity in Mechelen has been stable during the decade with take-up levels always reaching at least 15,000 sq m.

Therefore, with 12,260 sq m recorded in 2009, a 40% drop on annual basis, the activity should be considered as rather disappointing during the past year (Figure 12).

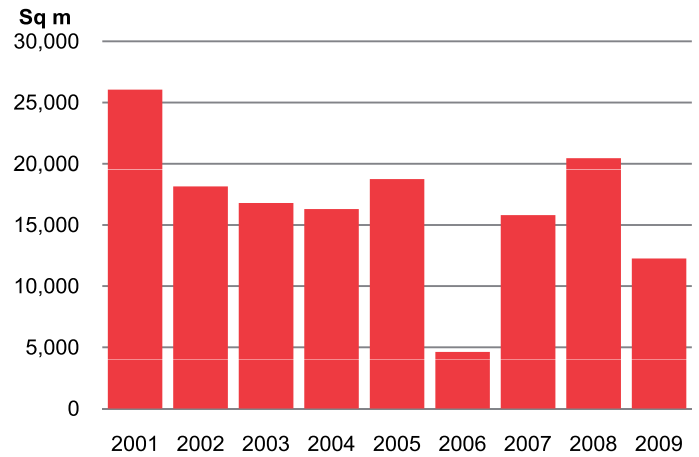
One single deal accounted for half of this take-up as Kraft Foods has decided to leave its Hal and Herstal offices in order to gather its activities in the Mechelen Station building (6,200 sq m). Therefore, Kraft has decided to take over the lease formerly negotiated by BCD Travel.

BCD Travel will now move into new - and probably smaller - premises to be found elsewhere. On top of this Tibotec has announced its intention to leave progressively its premises in the Mechelen Campus. Consequently, we can expect an increasing vacancy in the months to come.

In addition, keeping in mind that some speculative developments have just been delivered (Stephenson Plaza C, Zuidpoort), or are under consideration (Zenith Business Park I & II, Rombold Park), prime rental levels were put under pressure during the last year and are now to be found around 125 €/sq m.

Figure 12

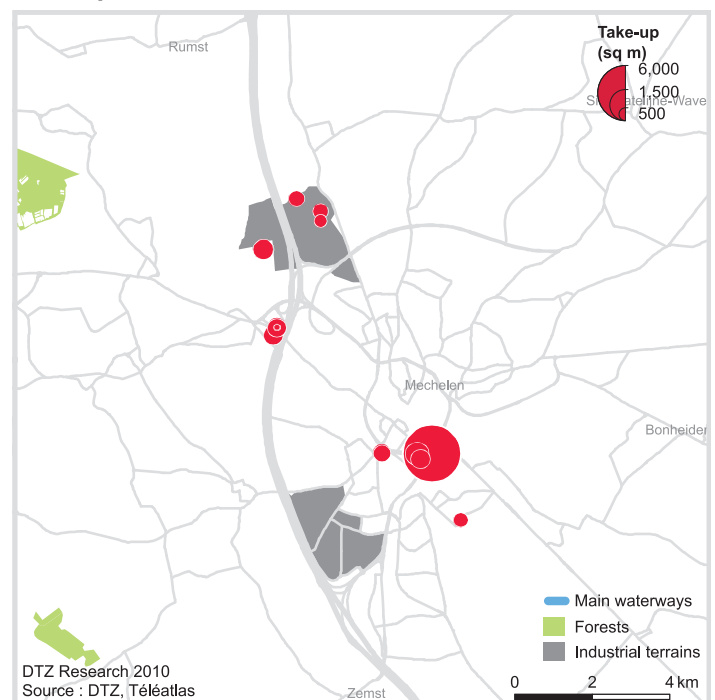
Take-up



Source: DTZ Research

Figure 13

Take-up



Leuven

Economical activity in Leuven is mainly driven by traditional occupiers including world's leading brewery AB Inbev, KBC bank as well as some ICT companies such as Option and Ubizen.

With more than 400,000 sq m of offices stock, Leuven is the third office market in the Flemish region as many developments have been delivered during the last decade.

Other office buildings are still currently under construction but few of them are speculative developments, which is positive news for the stability of the market.

The activity has recorded a strong decrease during 2009 with a drop of 44% on annual basis (Figure 14). Only five occupier's deals have been reported in 2009 representing nearly 17,000 sq m (Figure 15).

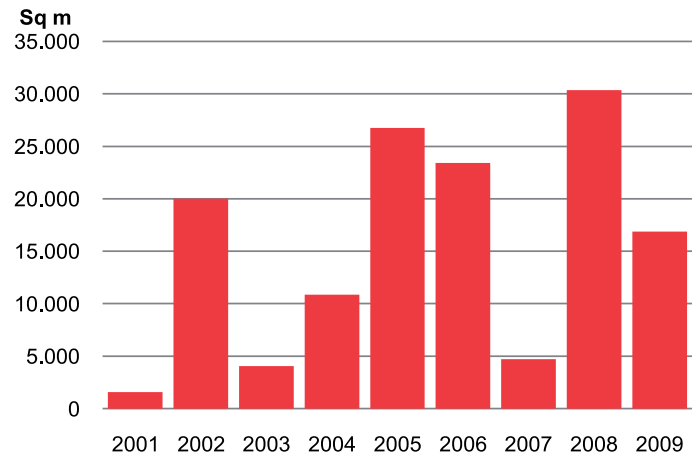
The largest deal was the purchase of the Campus Remy (10,500 sq m) for own use, by KVLV. The reported price of this building is €16m. Aside from this major deal we can also mention two deals by the public sector:

- During the first quarter of the year, the Vlaamse Gemeenschap (Flemish authorities) has let more than 4,000 sq m of office spaces in a Hungaria building, previously occupied by AB Inbev.
- Later on, the Federal Building Agency has taken nearly 1,600 sq m in the Ubicentre.

Thanks to rather limited availabilities on the market, rents have stabilized during 2009 at around 135 €/sq m.

Figure 14

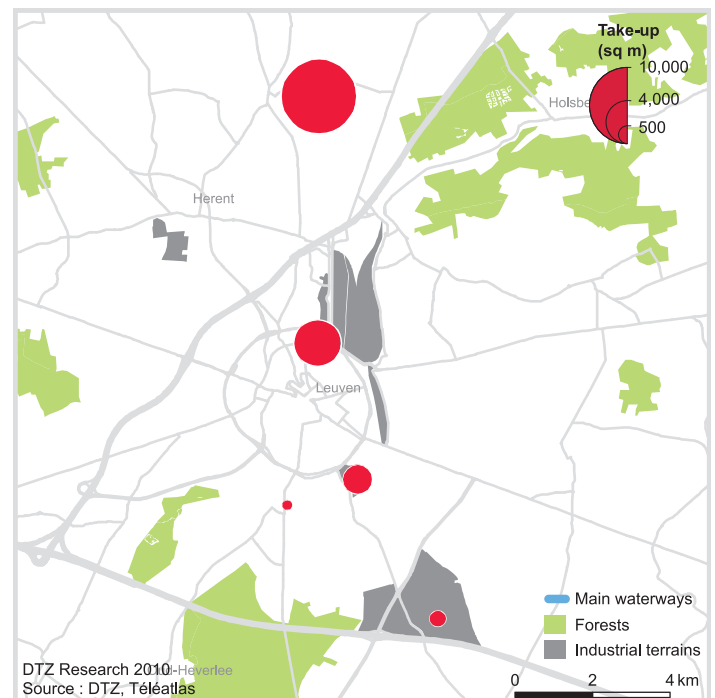
Take-up



Source: DTZ Research

Figure 15

Take-up



With more than 450,000 sq m of office space, Liege is the biggest office market of the Walloon region. Currently more than half of the stock is located in the city centre where it is mainly occupied by the public sector, banks and service companies.

Elsewhere, the office supply is largely regarded as obsolete and insufficient, the Zénobe Gramme business park and the Sart Tilman science park being the only alternatives.

Therefore several projects are currently being considered notably around the new modernist Guillemins station inaugurated in 2009, which should have a positive impact on the city and the office market. Among these new developments to come nearby the station, let's mention the Finance Tower (52,700 sq m), already fully pre-let, and the Val Benoît site (30,000 sq m).

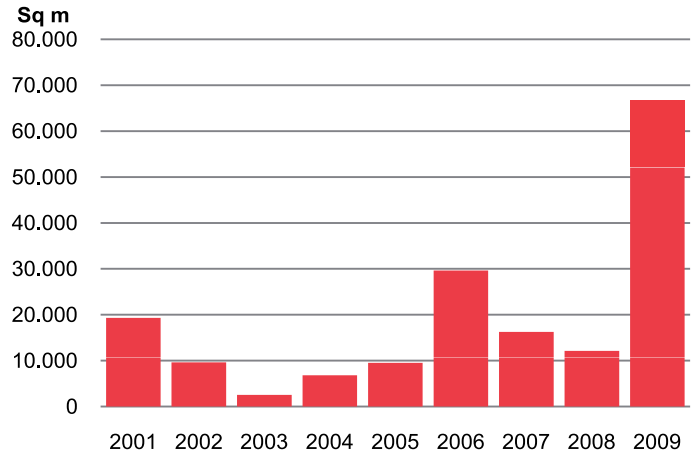
The pre-letting of the Finance Tower by the Federal Agency building was naturally the largest occupier deal registered during the period and consequently biased favourably the global take-up figure in 2009 (67,000 sq m) (Figure 16).

Among other significant deals, we can also mention two lettings in the centre by the Province's administration (6,000 and 1,200 sq m respectively), as well as the letting of 3,400 sq m by CEMI in the Alleur Office Park (North Periphery).

This latest deal has been reported to €135 €/sq m which has to be considered as the prime rent in Liege.

Figure 16

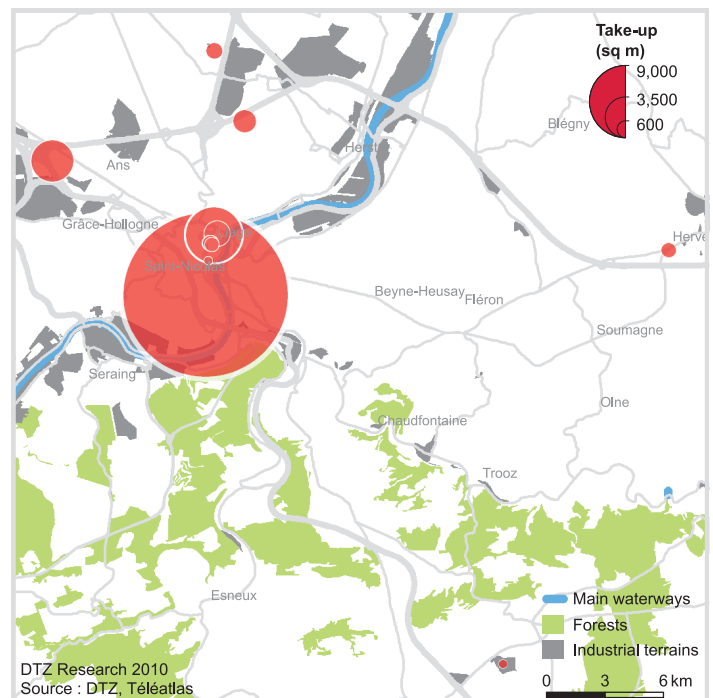
Take-up



Source: DTZ Research

Figure 17

Take-up



The office market of the administrative capital of Wallonia proved resilient in 2009 mainly thanks to one large transaction : the letting of 7,100 sq m by the CSC (trade union) on the Chaussée de Louvain (Figure 18). This deal alone accounted for nearly half of the recorded take-up over the year (15,700 sqm). The number of deals (15) was nonetheless in line with last year figure and above the average of 7 deals since 2001 (Figure 19).

The public sector & social services once again accounted for the majority of the activity (71%). The Walloon region, the SNCB/MNBS and the INAMI/RIZIV were the other major public contributors to the take-up.

Two new office schemes have been delivered in 2009 : the Building B of the Namur Office Park (3,400 sq m – empty at its completion) and the built-to-suit of the CSC (7,100 sq m).

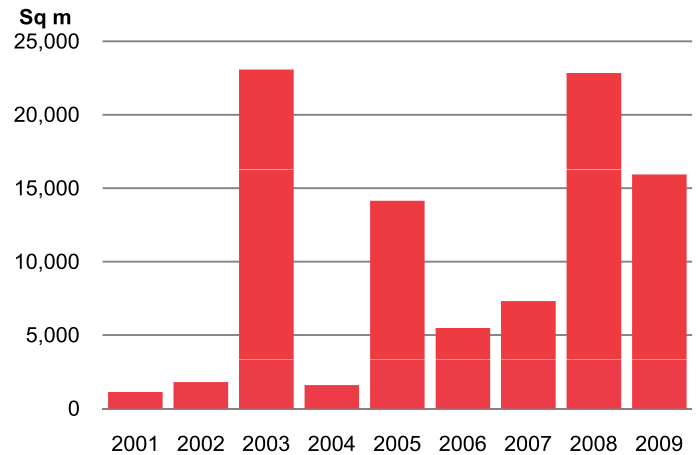
Next year deliveries will have a strong “green” touch as 3 sustainable office buildings are due to be delivered next year :

- The extension of the UCM headquarters on the chaussée de Marche that should achieve K35 (4,600 sq m – built-to-suit)
- The “Maison des entrepreneurs namurois” which will houses several entities linked to the construction business in Wallonia (built-to-suit)
- The “Synergie et Croissance” passive building, on the chaussée de Marche as well (2,440 sq m – ½ pre-let)

The prime rent has remained stable over the year and is still to be found in the Namur Office Park at 150€/sq m/year.

Figure 18

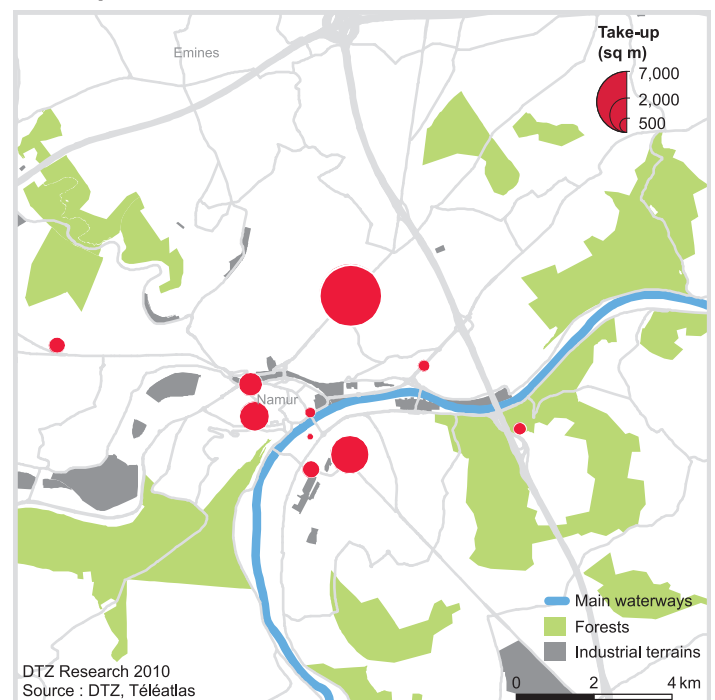
Take-up



Source: DTZ Research

Figure 19

Take-up



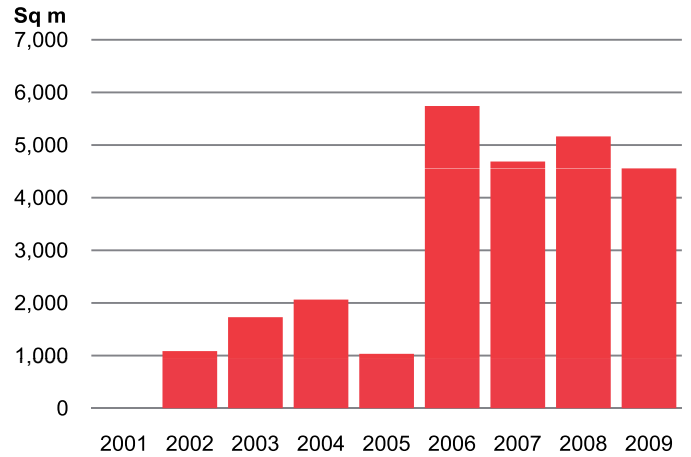
Charleroi remains the most opaque market in Belgium. It is still very difficult to record the activity in this market as nearly all of the deals are made between private parties without any agent. Most of the office stock of the city centre is outdated and newer buildings are to be found in the Aéroport in the Periphery. However, one major development is underway in the city centre : the extensive refurbishing of the IGRETEC/Ethias headquarters. The existing building will be completely overhauled and its size doubled to 11,400 sq m.

One major transaction has been recorded at the end of the year : the letting of 3,800 sq m in the centre of the city by the Forem (Figure 20). This transaction bring the annual level of take-up in line with previous years' results. Only a handful of other smaller deals have been recorded in the Aéroport.

We have not observed any change in terms of rental figures. Prime rent is still set at 110€/sq m/year, the lowest level of the secondary markets.

Figure 20

Take-up



Source: DTZ Research

Figure 21

Take-up



Investments

As for the occupational sector, the investments have proven in better shape in the secondary markets than in Brussels. The level reached in 2009 is equivalent to that of 2008 with €226m (Figure 22).

The most active market was Antwerp where €201m has been recorded, €113m on the Den Bell deal alone. This new administrative centre (40,000 sq m) for the city of Antwerp (on a 27 years lease) has been develop by the Joint-Venture AOS (Vooruitzicht and Fortis Real Estate Development) and sold to Fortis Real Estate.

The two other major deals in Antwerp are the Noordster development (pre-let to the finance and customs administration) bought by the insurance company Nateus for an estimate of €40m and the creation of a real estate certificate with the building Atlantic House. The Degroof Bank has securitized this building for a total value of €30.81m and the shares have been distributed among participating clients of the institution. This kind of deal is a sign that the investment market need to be creative in order to gain in liquidity during these difficult conditions.

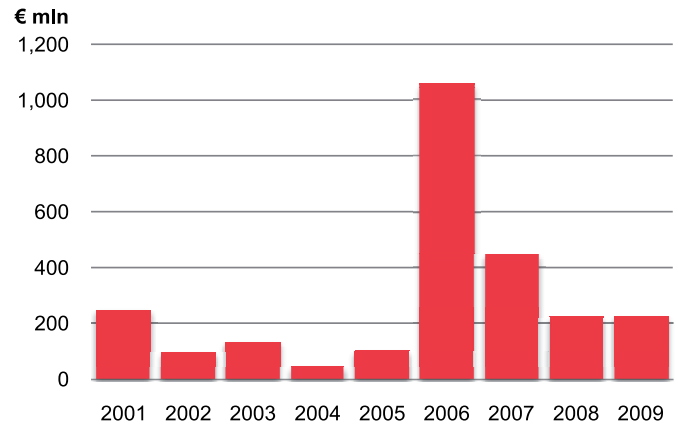
Leuven market has attracted one significant transaction, albeit for own purpose : KVLV (non profit organization) has acquired the Campus Remy (10,500 sq m) for €16m.

Three conclusions can be drawn from these figures :

1. The rush to secure cash flow is stronger than ever as the two majors deals have public tenants on a long lease contract.
2. The market needs creativity with deals such as the securitization of buildings for small investors
3. Aside from the two elements above, the volume of investments only came from owner occupation deals or small investments by private investors.

Figure 22

Investments



Source: DTZ Research

Table 2

Significant deals

Building	Market	Purchaser	Vendor	Price
Den Bell	Antwerp	Fortis Real Estate	AOS	€113m
Nateus	Antwerp	Nateus	Kairos - FIF	€40m
Atlantic house	Antwerp	Atlantic Certificate	Banimmo	€31m

Source: DTZ Research

Key statistics – occupier market

Table 3

Occupier market - Flanders					
	2007	2008	2009	Y/Y change (%)	Directional outlook
Antwerp					
Stock (m sq m)	1.85	1.94	2.03	5	▲
Take-up (sq m)	104,831	140,685	77,896	-45	▶▶
Prime rents (€/sq m/year)	140	140	135	-4	▶
Ghent					
Stock (m sq m)	0.72	0.75	0.75	0	▶
Take-up (sq m)	67,191	32,316	51,426	59	▶▶
Prime rents (€/sq m/year)	140	135	135	0	▶
Mechelen					
Stock (m sq m)	0.24	0.25	0.26	3	▲
Take-up (sq m)	15,800	20,447	12,260	-40	▲
Prime rents (€/sq m/year)	125	135	125	-7	▶
Leuven					
Stock (m sq m)	0.35	0.41	0.43	4	▶
Take-up (sq m)	4,727	30,360	16,871	-44	▶▶
Prime rents (€/sq m/year)	130	135	135	0	▶

Source: DTZ Research

Table 4

Major occupiers transactions - Flanders				
Market	Building	Offices (sq m)	Tenant - occupier	Transaction
Ghent	Loop	20,800	KBC	Pre-letting
Antwerp	City Link	13,808	Mercator Verzekeringen	Letting
Leuven	Campus Remy	10,500	KVLV	Purchase
Ghent	Belgacom Tower	9,250	Stad Gent	Letting
Mechelen	Mechelen Station	6,200	Kraft	Letting
Antwerp	City Link	4,518	Arcadis Gedas	Letting
Leuven	Hungaria	4,066	Vlaamse Gemeenschap	Letting
Antwerp	Van De Wervestraat	3,770	FEKA	Purchase
Hasselt		3,500	Saga Consulting	Purchase

Source: DTZ Research

Key statistics – occupier market

Table 5

Occupier market - Wallonia					
	2007	2008	2009	Y/Y change (%)	Directional outlook
Liège					
Stock (m sq m)	0.46	0.46	0.47	1	▲
Take-up (sq m)	16,258	12,110	66,758	451	▼
Prime rents (€/sq m/year)	120	120	135	12	▶
Namur					
Stock (m sq m)	0.34	0.36	0.37	4	▶
Take-up (sq m)	7,319	22,844	15,700	-31	▶
Prime rents (€/sq m/year)	150	150	150	0	▶
Charleroi					
Stock (m sq m)	0.38	0.38	0.38	0	▶
Take-up (sq m)	4,688	5,164	759	-85	▲
Prime rents (€/sq m/year)	110	110	110	0	▶

Source: DTZ Research

Table 6

Major occupiers transactions in 2009 - Wallonia				
Market	Building	Offices (sq m)	Tenant - occupier	Transaction
Liege	Finance Tower	52,700	SPF Finances FOD	Pre-letting
Namur	Louvain 510	7,100	CSC (Namur-Dinant)	Letting
Liege	Pl. République Française	6,000	Province de Liège	Letting
Liege	Office Park Alleur	3,400	CMI Belgium	Letting
Namur	Saintraint 10	1,627	Bazelaire-Dogstudio	Purchase
Liege	Pl. Saint-Etienne	1,200	Province de Liège	Letting
Tournai	Grand' Place	1,103	Szlachter N	Purchase
Liege	Site Colgate-Palmolive	1,000	Transcom	Letting
Mons	Wilson 510	764	CSA	Letting

Source: DTZ Research

Definitions

Take-up

Represents the total industrial floor space known to have been either let, pre-let or developed for tenants as well as sold or pre-sold to owner-occupiers as known on the last day of the quarter. Pure contract renewals, sales and leasebacks and sub-lettings are not included.

Prime rent

Represents the highest rent that has been observed or reported on the market the last 6 months preceding the survey date, excluding exceptional or irrelevant deal. When no relevant deal is observed, prime rent is defined as the rent that could be expected for a retail unit (150 sq m) commensurate with demand in each location, highest quality and specification in the best location in a market at the survey date. The rent is given as a base rent, i.e. no service charge or tax is included.

Prime yields

Represents the initial yield estimated to be achievable for a notional retail property of highest quality and specification in the best location fully let and immediately income producing in a market at the survey date. Long term lease are not considered. The yield is derived from the rental income divided by the purchase price.

Investments

Investments in the semi-industrial and logistic sector refers to the purchase of commercial real estate for the purpose of receiving an income or rent. Are also included the purchase of commercial real estate during the development/construction/comprehensive refurbishment phase where the completion date is known.

Contacts

Occupational & Development Markets

Pierre Badot Director	+32 (0)2 629 02 05	pierre.badot@dtz.com
--------------------------	--------------------	----------------------

Corporate Real Estate Services

Jérôme Coppée Director	+32 (0)2 629 02 57	jerome.coppee@dtz.com
---------------------------	--------------------	-----------------------

Investment Advisory Group

Frédéric Van de Putte Managing Director	+32 (0)2 629 02 38	frederic.vandeputte@dtz.com
--	--------------------	-----------------------------

Valuation

Benoît Forgeur Managing Director	+32 (0)2 629 02 83	benoit.forgeur@dtz.com
-------------------------------------	--------------------	------------------------

Professional Services

Luis Vasconcelos Managing Director	+32 (0)2 629 02 70	luis.vasconcelos@dtz.com
---------------------------------------	--------------------	--------------------------

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.

© DTZ January 2010