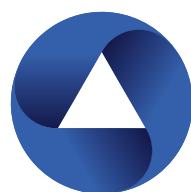


PUSHING THE BOUNDARIES

ANNUAL REPORT 2017



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MARKET ANALYSIS: BELGIUM

I. OFFICE MARKET IN BELGIUM

A. BRUSSELS

2017 was an interesting and pivotal year for the Brussels office market. Known for its stability, Brussels proved it has the ability to be dynamic when the conditions are right, experiencing prime rent increases and the rise of a new kind of occupier, the emergence of flex and co-working spaces as a significant driver of office demand.

B. REGIONS

Regional activity proved to be a stand-out year for most Belgian urban centers in 2017. Antwerp recorded a post-recession peak with 153,600 m² of take-up, while Ghent also performed well, increasing their take-up from the year before.

C. DEMAND

The Brussels office market counted 397,474 m² of take-up, while total office take-up in Belgium registered 756,702 m² in 2017. Though 2017's take-up volume is down from the year before at the rate of 6.8%, it is very much in line with performance over the last decade.

The biggest development of the year was the first increase in prime rents since 2010. Deals concluded at 315 €/m²/yr in the Leopold and 225 €/m²/yr in the North, both along the inner ring road, putting pressure on rents for new space in the city center. There has been an increasing demand for flex and co-working spaces in Belgium, with more than 200 business centers and 100 co-working spaces already being established as well as numerous incubators and accelerators.

D. VACANCY

Years of little development leading to a lack of quality space, conversion of older stock into alternative uses, and a slowly recovering economy resulted in steady vacancy rates. The average vacancy rate for the Brussels market declined from the previous year to 8.67%, while for Antwerp it dropped to 10.5% and for Ghent to 4.8%. Readily available grade A space is limited in all submarkets.

E. DEVELOPMENT

Office development was very limited in 2017. The pipeline through 2019 remains moderate at roughly 315,000 m², of which 185,000 m² (59%) is available. Antwerp, Mechelen, Liège and Namur will add significant space in the intermediate term.

F. RENT

The Brussels market saw rents rise from new activity in grade A space in the past two quarters setting the new prime rent to 315 €/m²/yr. Prime office rent in Ghent and Antwerp remained €155/m² and €150/m², respectively, while Liège has remained stable to €140/m². Despite the increase in the overall level of prime rents in specific submarkets, existing secondhand office space's rents have remained rather stable.

G. INVESTMENT

Commercial real estate investment in Belgium totalled in €3.2 billion in 2017, with offices accounting for €1.71 billion. €1.46 billion (86% of the total investment in the office market) was direct to Brussels properties.

Key stats: 8.6% Brussels vacancy; 315 eur/sqm/yr prime rent; 4.2% prime yield for standard leases

sources : CBRE

II. RESIDENTIAL MARKET IN BELGIUM

A. BRUSSELS

The upward trend in Brussels residential real estate recorded a moderate performance in 2017. According to the preliminary data of 2017 from Fod Economie, figures are mixed with slight increases in 2017 apartment prices registered (1.7%) and larger ones in houses prices (6.3%) as well as villas (5.3%). Market fundamentals are still broadly supportive of Brussels residential real estate.

REGIONS

Multiple dynamics are affecting the residential real estate market in submarkets outside of Brussels. Specific urban centers are seeing a movement of retirees from homes to apartments, while larger cities like Antwerp and Ghent are being supported by a growing local population.

B. POPULATION

In 2017, Belgium added 54,178 people (0.48%) among its ranks. This increase consisted of 11,322 from the net natural balance and 42,239 from net international migrations. Concerning Brussels, a small decline of the rate of 1.0% has been recorded in 2017, when the number of habitants were accounted to 176,545.

The number of households has also been increasing in Belgium but at a slower rate than the wider population. Households in 2017 counted 4,877,805.

C. HOUSING STOCK

New stock increased by 50,836 net units in 2017. Of these, 34,105 (67.1%) were apartments.

The City of Brussels has witnessed apartment construction of 1,086 units in 2017 alone, noting a decline of 11.0% from last year. Bruges and Leuven have also added notably to stock.

D. PRICES FOD

Average transaction prices for apartments have been steadily increasing in 2017, registering 1.7% increase for Belgium as a whole yoy from last year. Markets with moderate price increases were Gent (3.8%), Bruges (1.6%), Charleroi (15.1%), while Brussels Region (0.5%), Antwerp (0.7%) and Leuven (0.1%) were rather stable.

Apartment prices were recorded at €225,171 in Belgium, €224,772 in Brussels, €208,433 in Antwerp, €247,628 in Ghent and €173,384 in Liège. Preliminary data indicate a moderate year for prices in 2017.

E. NEW BUILDS

Exit prices for typical new apartments in Brussels range from 2,200 €/m² to 4,000 €/m², with luxury projects reaching upwards of 6,000 €/m². In Antwerp, exit values are 2,500 €/m² to 3,500 €/m² and more than 5,000 €/m² in select new towers.

Key stats: 225,171 avg price of apartments in Belgium through Q3 2017; 28,231 residential building permits issued through July 2017; 42,029 net new housing completions in 2015.

sources: FOD Economie, IBSA, CBRE

III. LANDBANKING

A. HOUSING STOCK

The most recent numbers by the FOD Economy indicate a housing stock of 5,411,566 residential units in Belgium in 2017. 55.7% of all residential units are located in Flanders, 30.2% in Wallonia and 10.9% in Brussels.

The proportion of apartments in the total Belgian housing stock has increased by 22% since 1995. 1 out 4 housing units is an apartment nowadays. The age of buildings varies significantly from one region to another. In Flanders, 30.60% of buildings were built after 1981, compared to 20.20% in Wallonia and only 6.4% in the Brussels-Capital Region.

B. BUILDING PERMITS

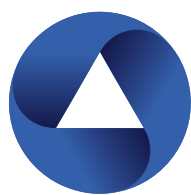
The statistics on building permits authorized in 2017 are available for the first ten months of the year. The number of permits was up significantly compared to 2016. For the total of Belgium, construction permits were obtained for 41,409 residential units in the first 9 months of the year, declining 8.75% compared to the same period in 2016.

In Flanders, permits for residential units that were obtained were 30,771 (-13.8% yoy). In Brussels and Wallonia, building permits are on a positive trend, standing at 1,161 (+34.70%) and 4,514 (+8.20%) respectively.

C. LAND VALUES

The FOD Economie statistics on building plots are limited, but still show a clear and sustained upward trend in prices and gradual decline in transaction quantity. Scarcity of building land and promotion of brownfield or in-town development are contributing factors to these trends. At the country level, there were 16,905 building plot transactions in 2014 at the average price of 119 €/m². Relative prices have increased by more than 80% (2004-2014) in Flanders and Wallonia. Brussels prices are also increasing, but follow a much more volatile path.

The average sale price for building plots in Flanders in 2014 increased 4.5% y-o-y to 177 €/m². Flanders was also the only region to see an increase in the number of transactions (7.8% to 11,236), though this trend has been roughly flat for six years. In Wallonia, prices were unchanged y-o-y, standing at 51 €/m². Transaction count fell slightly to 5,550. Concerning Brussels, the average sale price for building plots reached a record 622 €/m² in 2014. Transactions, though, fell to 119 or half of that seen in 2011.



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