Solvay Brussels School
of Economics and Management

The Brussels Real Estate Market
An Introduction

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1. Professional Real Estate Investments in 2008 in Belgium (in million EUR)

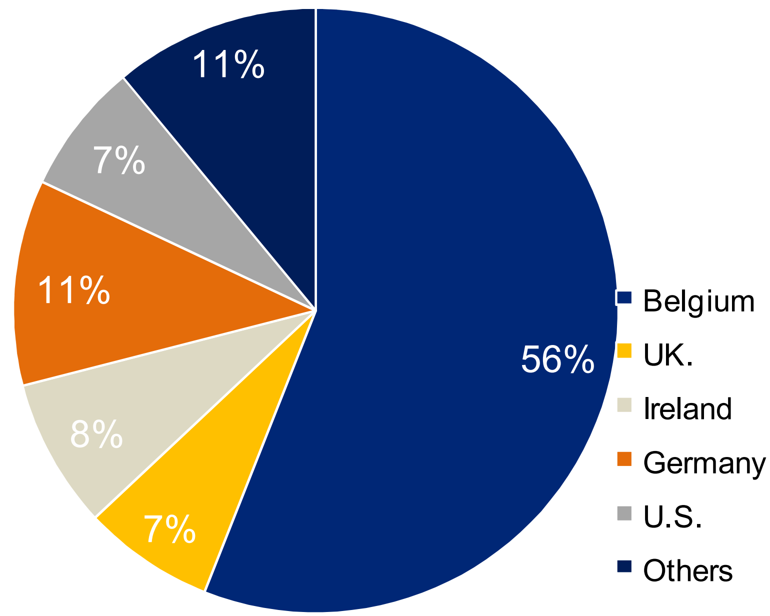
By type

1. Offices	**1.435**	**49%**
2. Logistics and semi-industrial	432	15%
3. Retail	724	25%
4. Residential	310	10%
5. Others	40	1%
	2.940	100%

2008 characterized by

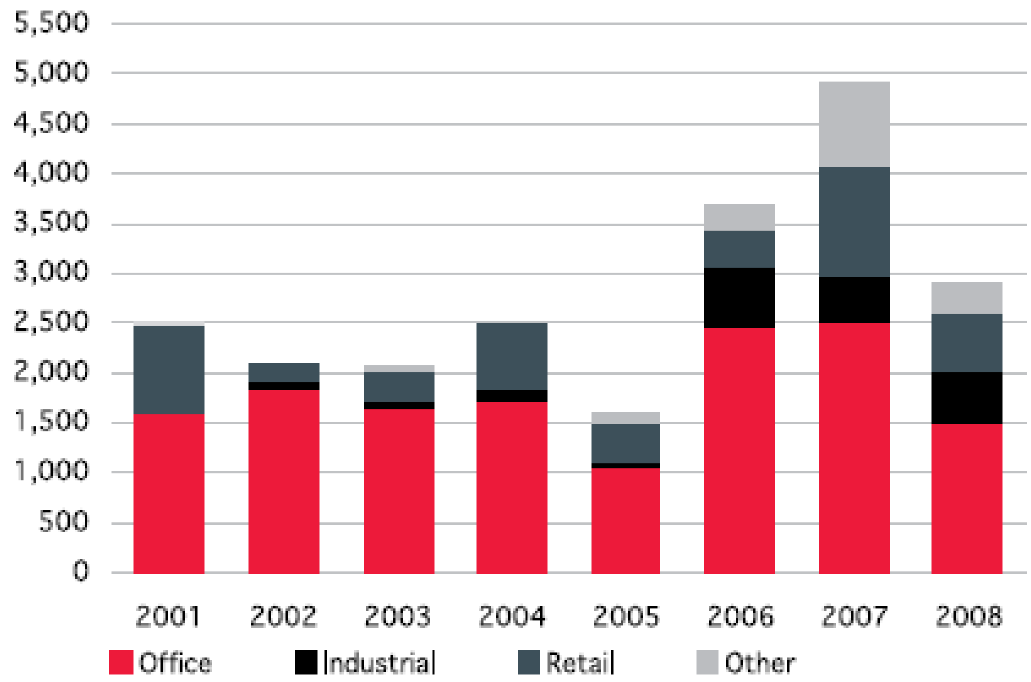
- Overall volume decrease of 40% vs. 2007
- 80% of investments in first semester
- 50% decrease of German and Irish investments

By country of origin



1. Professional Real Estate Investments in Belgium

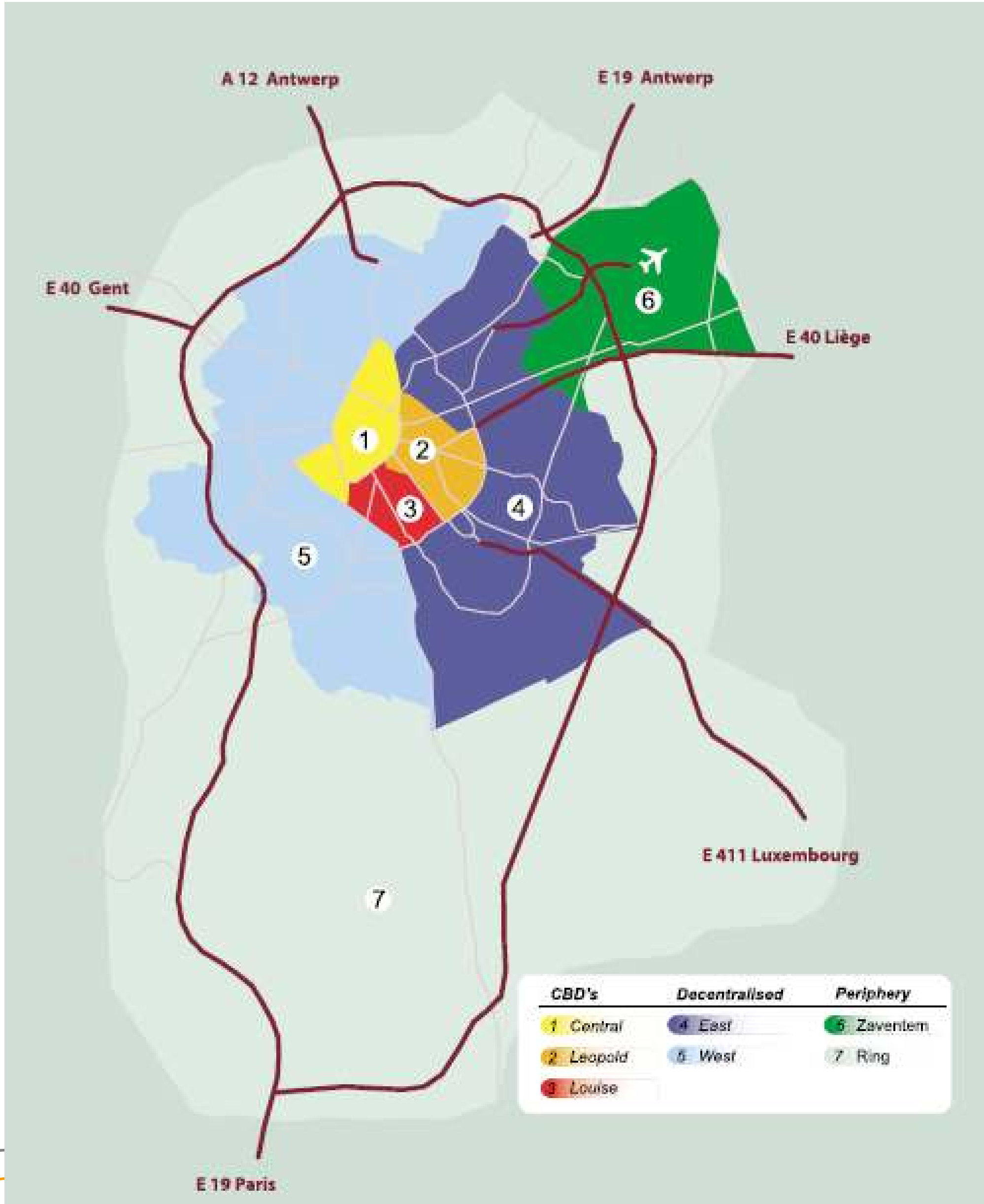
Professional Real Estate Investments (million EUR) – All Types (Includes direct and indirect investments)



Source: DTZ Research / Deloitte Real Estate / Expertise

1. The Grand Brussels Office Market in 2009

The Office Stock



By Sub-market (in '000 m²)	
Center & South (1)	2.800
North Quarter (1)	1.430
Léopold/E.C. quarter (2)	3.200
Louise (3)	850
Decentralised (4&5)	2.670
Periphery (outside Region boundaries) (6&7)	1.850
Total	12.900

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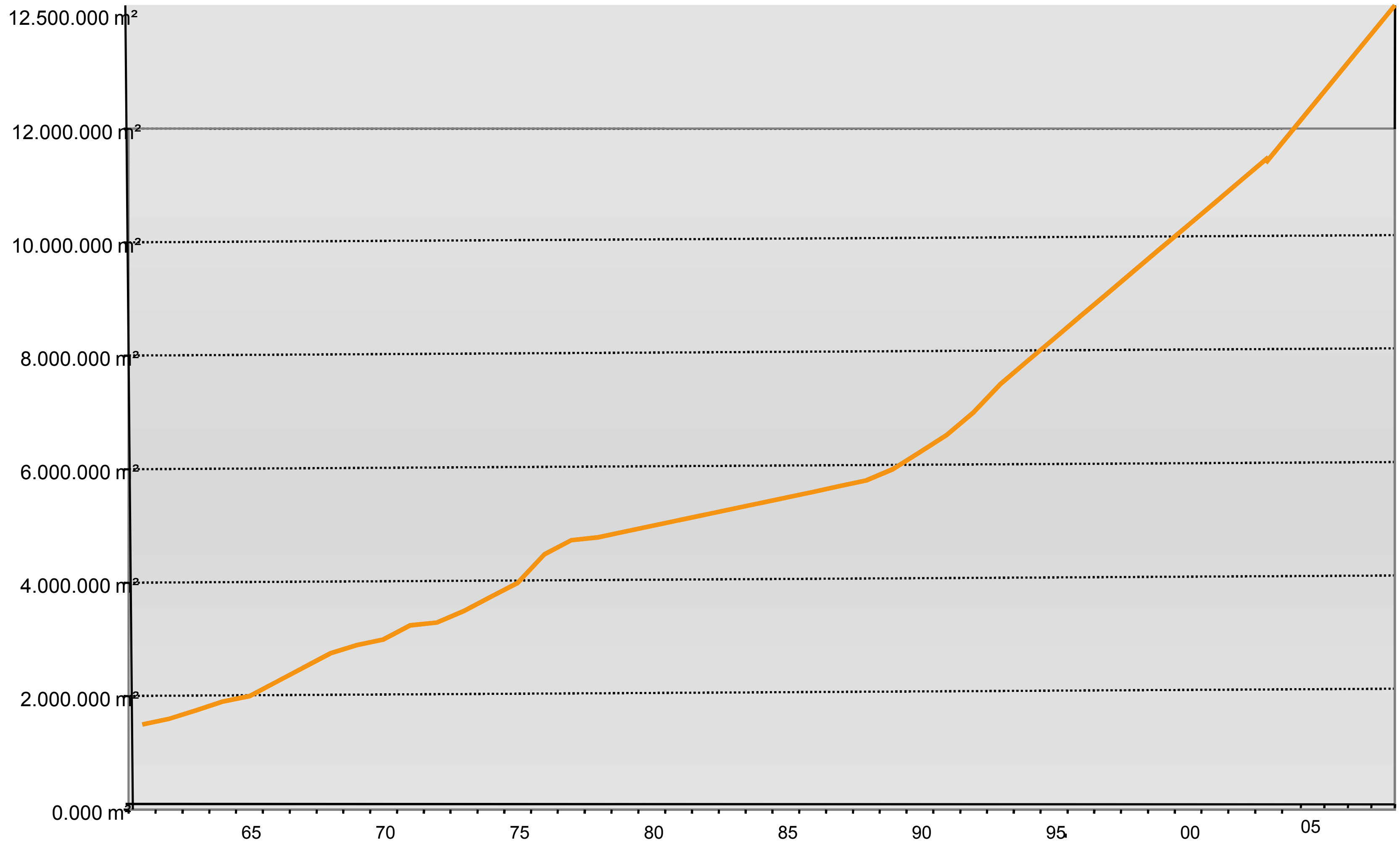
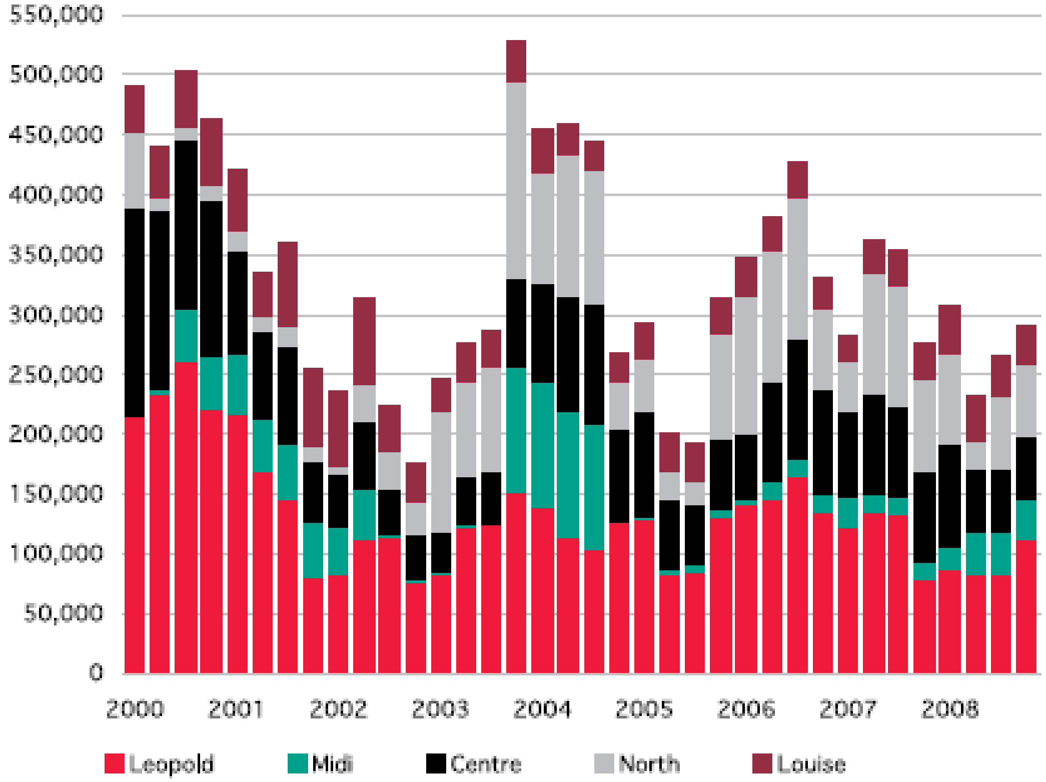
The Office Stock Historical Growth



Sources: Ph. Winssinger & Associés; Catella-Codemer; Deloitte Real Estate

1. The Grand Brussels Office Market in 2009
Take up – Rent Levels - Vacancy

Last 12 Months Gross Take-up (m²)



Gross take-up is not to be confused with net take-up, historically low in Grand Brussels

Source: DTZ Research / Deloitte Real Estate / Expertise

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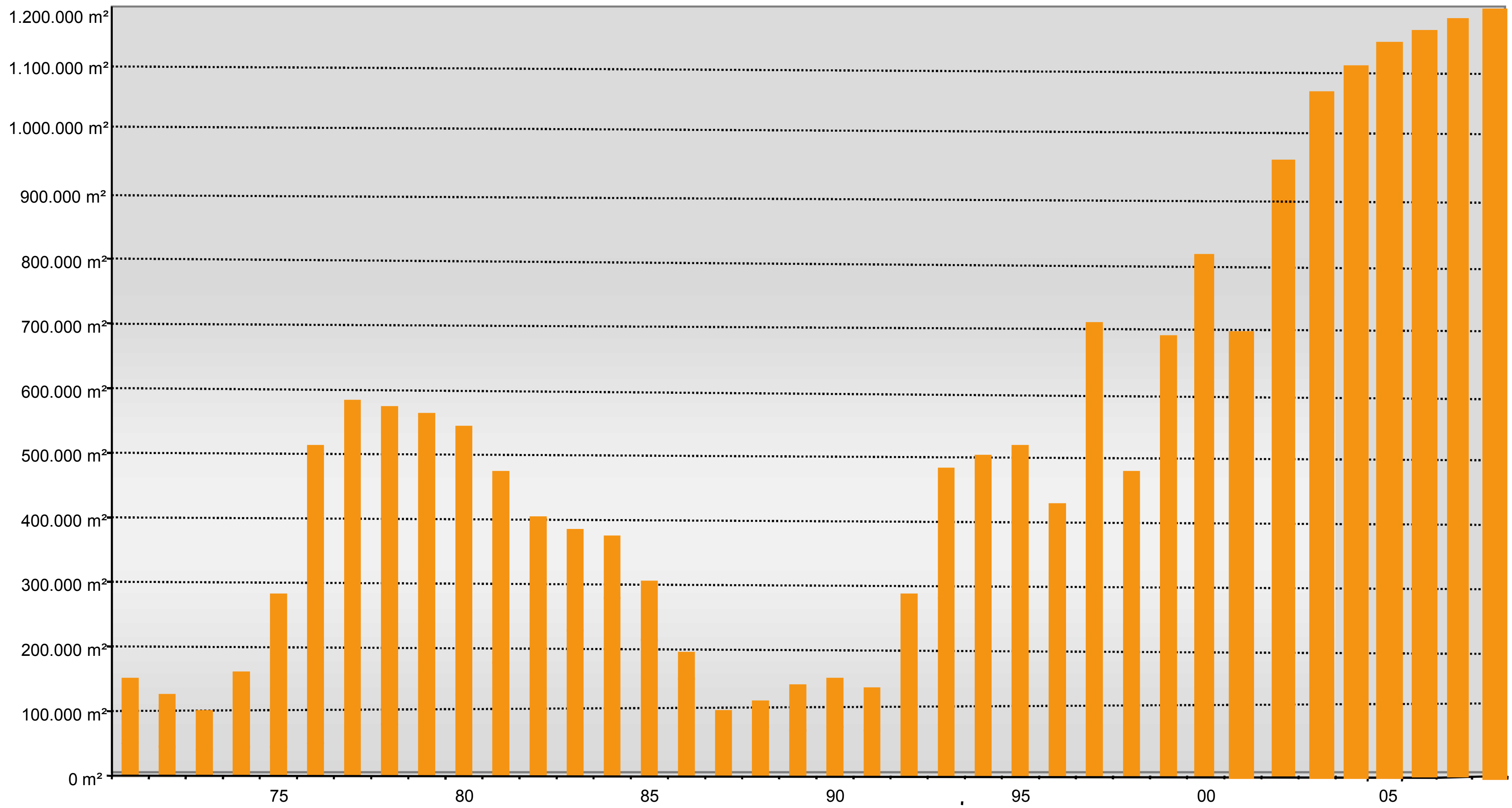
Take up – Rent Levels – Vacancy

Historical Evolution of the Vacancy Volume

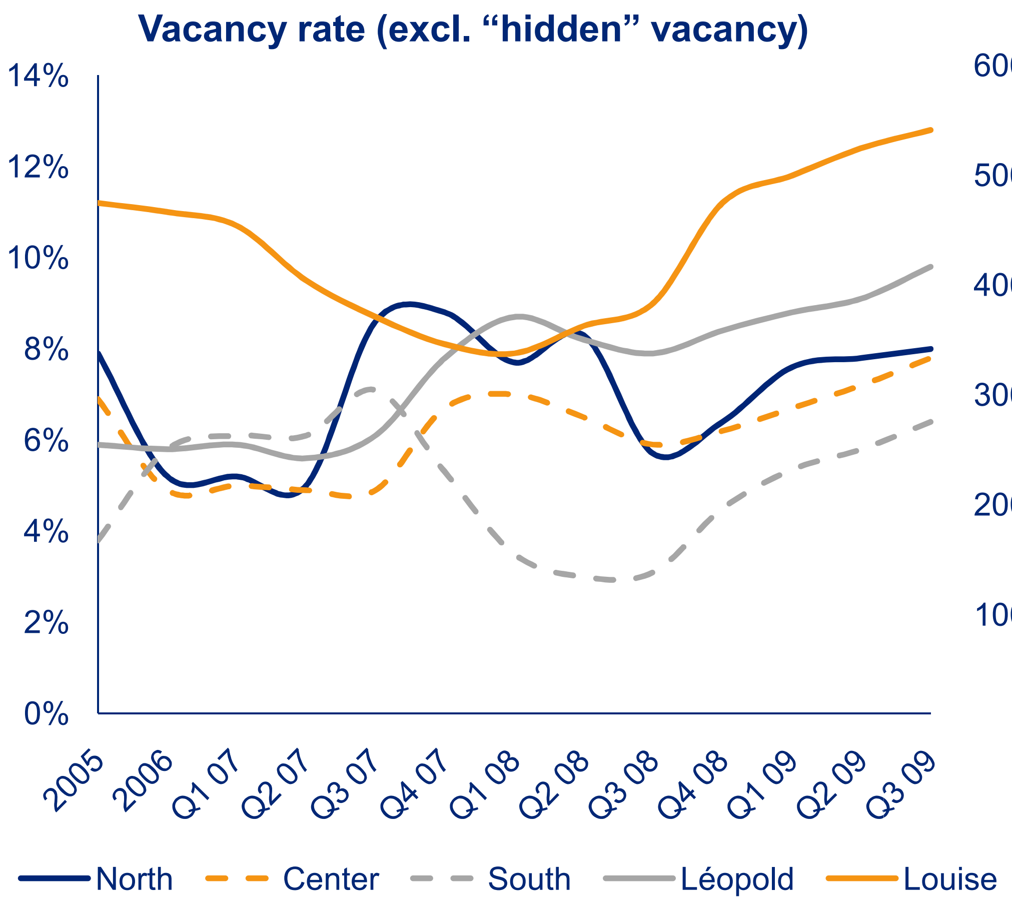


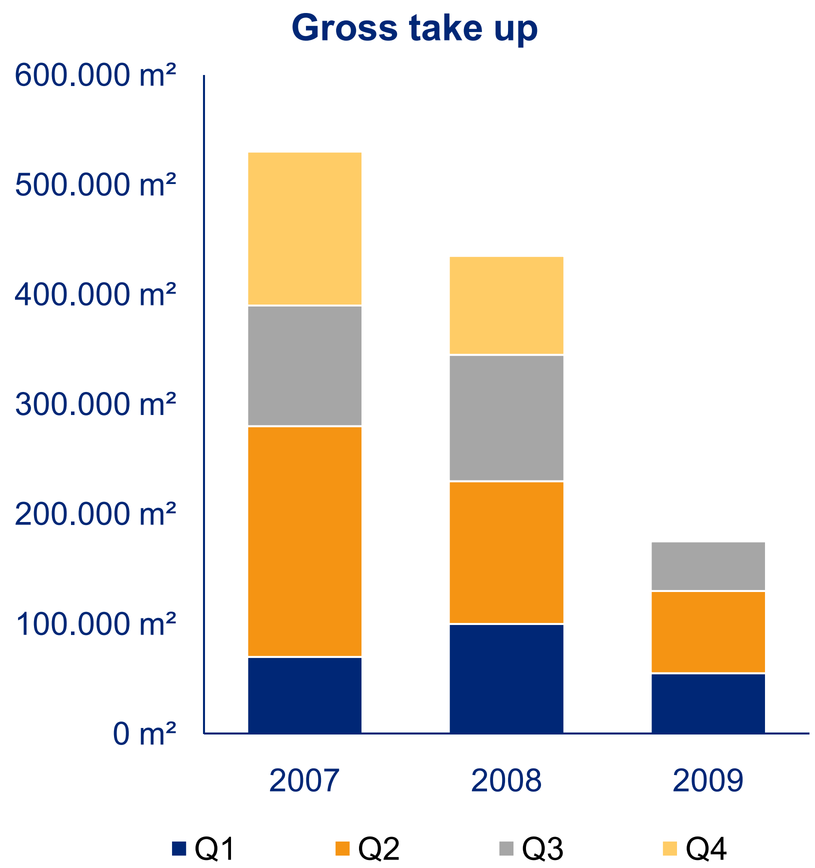
Sources: Ph. Winssinger & Associés, Catella Codemer, Deloitte Real Estate, Solvay Brussels School ULB

1. The Grand Brussels Office Market in 2009

Take up – Rent levels – Vacancy

Recent Evolution of Vacancy and Take up





Source: Deloitte Real Estate / Expertise / CBRE

1. The Grand Brussels Office Market in 2009
Analysis of the Vacancy Rate

- Current effective vacancy in Q3 2009 is approximately 11,7 % overall
- Generally accepted market definition of the vacancy: in % of the office stock that is present on the leasing and end users market
- Does not include the “hidden vacancy” i.e. properties that are “off market” because of need for future renovation, or uncertain future
- The “hidden vacancy” has been estimated at an additional 3.7% (Obs. des bureaux – 2009)

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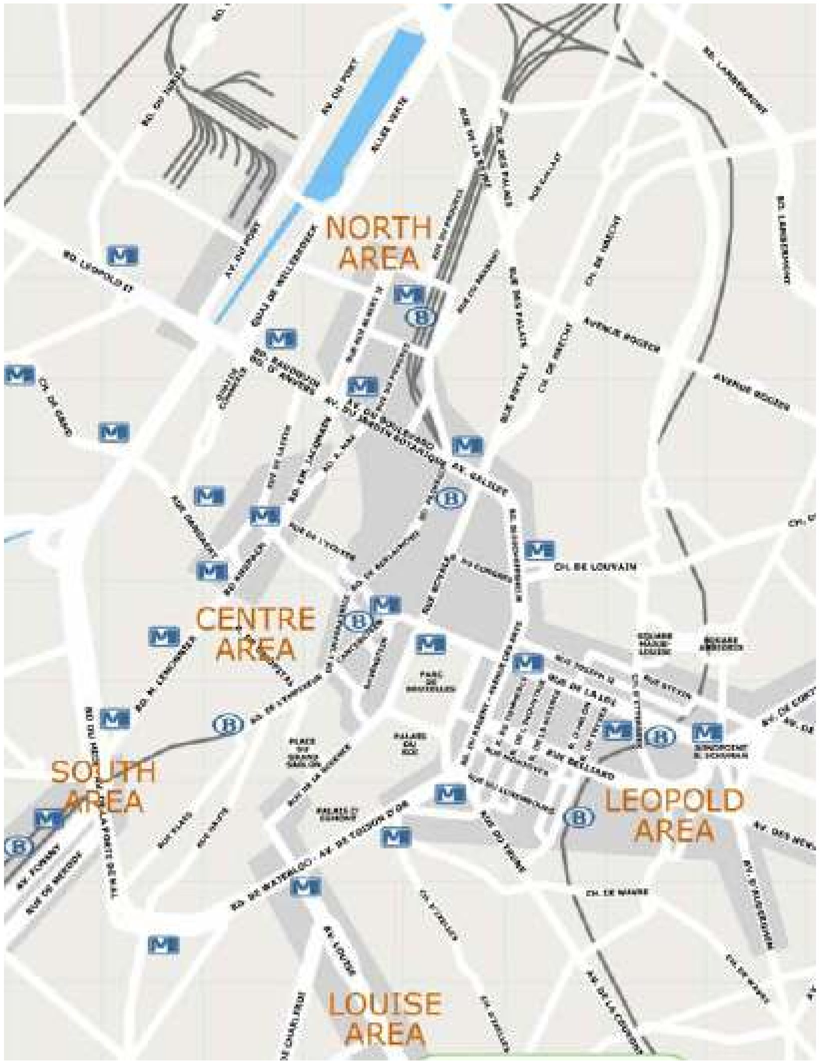
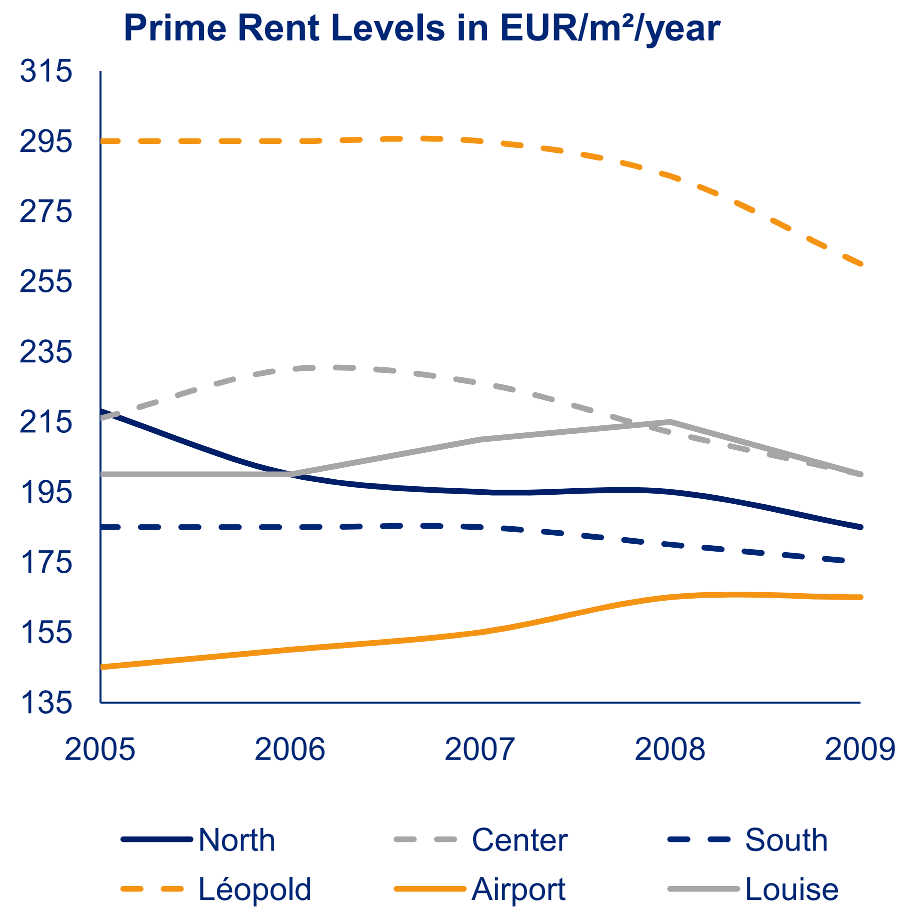
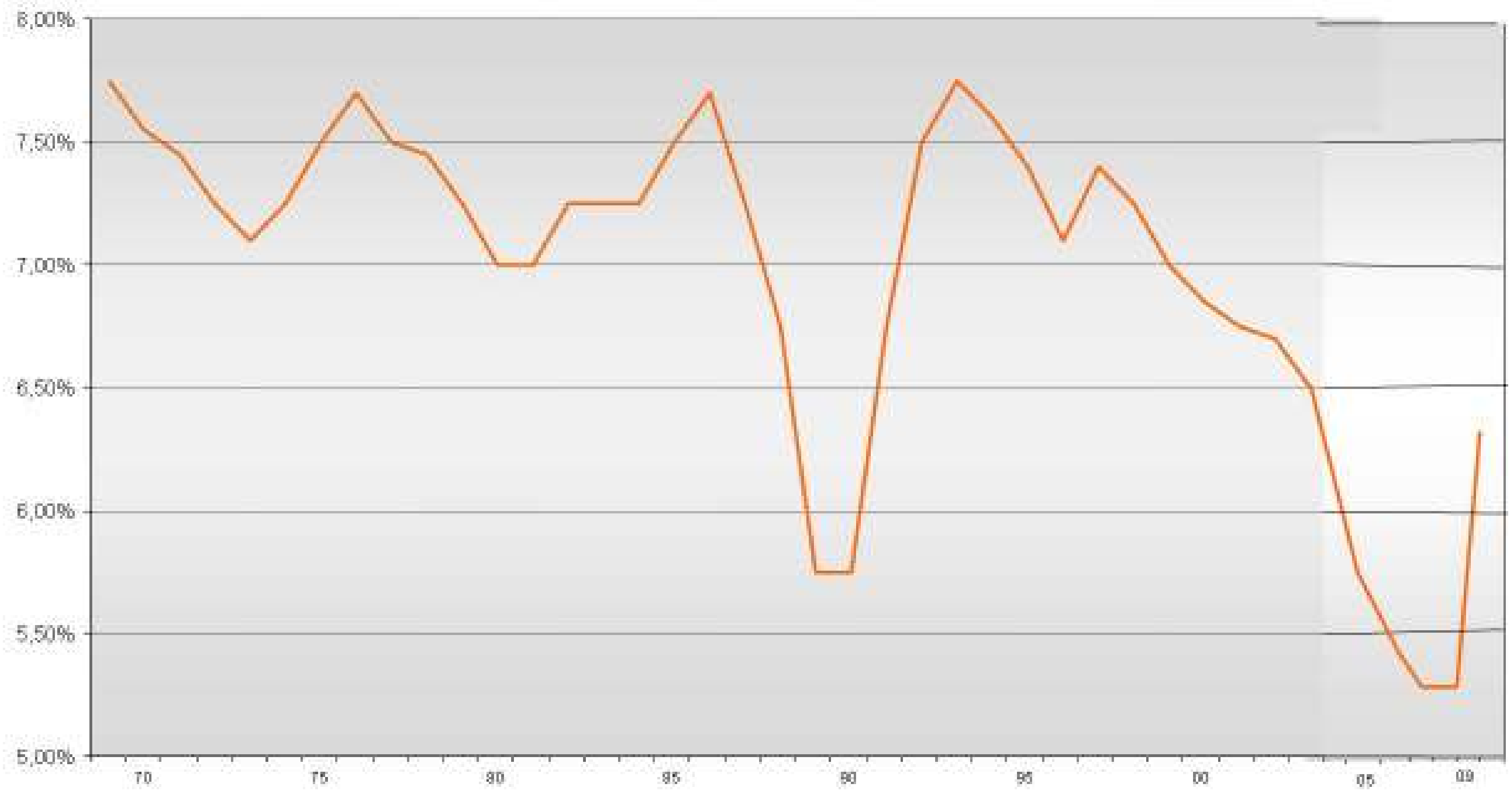
Pressure on the rent levels: Brussels





Bron: Deloitte Real Estate / Expertise

2. The Initial Yield on Office Property Investments
Historical Evolution
Brussels Prime Office Space



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2. The Initial Yield on Office Property Investments

Current rental and capital values

Office Market

	Rent level EUR/m²/year Prime	Prime Yield	Gross investment value EUR/m² (Prime)
Brussels			
CBD	210	6,50%	3.200
Leopold	260	6,00%	4.350
Decentralized	170	7,25%	2.300
Airport	165	7,00%	2.350
Antwerp	140	7,00%	2.000
Mechelen	135	7,00%	1.900
Ghent	140	7,25%	1.900
Leuven	145	7,50%	1.900
Hasselt	125	7,75%	1.600
Luik	125	7,50%	1.600
Namen	165	7,75%	2.100
Charleroi	110	8,00%	1.300

3. From Credit Crunch to Economic Recession

- Credit crunch starts softly in August 2007, by raising interest rates
- Credit crunch turns dramatic in September 2008:
  - No interbank lending functioning market
  - Bank financing halted or with bank margins of 2.5 to 3% on top of OLO or IRS funding rates
  - Stock exchanges near collapse
  - Open ended German funds temporary closure
  - Private sector anticipates recession and slows down on expansion and moving plans
  - ➢ Double effect:
    - Collapse of investment volume in 2^{nd} half of 2008 and 2009
    - Decrease in space demand and take up
  - ➢ Then automatically:
    - Yield increase and values decrease
    - Pressure on rent levels

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3. From Credit Crunch to Economic Recession

Mitigating Factors in the Brussels Real Estate Market

- The magnitude of the crisis is **definitely less** important in Brussels than in the other capital cities.
- Structural stability of the end users market: 48% public sector (national and international) is unique in Europe.
- The “main forte” phenomenon in the top 100 portfolio owners (in million EUR):

1. Axa Belgium	3.181	
2. Cofinimmo	2.858	
3. Fortis Real Estate	2.701	
4. Redevco Belgium	1.990	
5. Befimmo	1.887	
Sub-total	12.617	35%
6. ING REIM	954	
7. Breevast	721	
8. KBC Real Estate	707	
9. IVG Real Estate	696	
10. Deka	661	
Sub-total	3.739	10,4%
11. to 100.	19.575	
TOTAL	35.931	

(Source: Expertise Top 100 – Belgium 2009)

4. Concluding Remarks

- 2004-2008 is not coming back for quite some time

- In terms of
  - Interest rate
  - Loan to value ratios for debt financing
  - Yields

  we are “back to normality”

- Net take up in 2009 assumably negative

- This is a tenants’ market with rent renegotiations already ongoing

- Speculative developments are being halted

- Brussels confirmed its defensive nature as an international office investment place

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