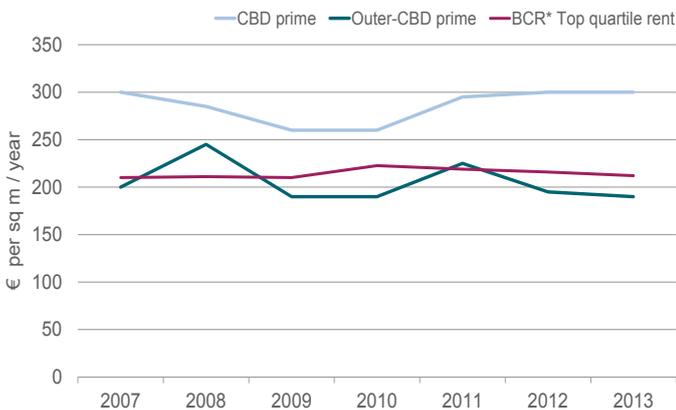


Market report

Brussels Offices and Belgium Investment

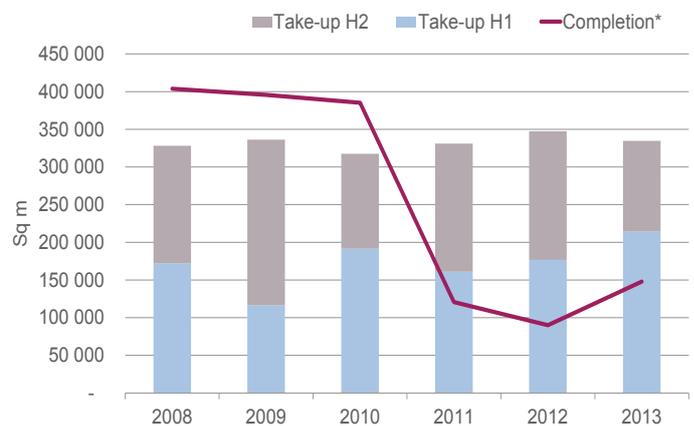
February 2014

GRAPH 1
Brussels prime rents
In line with 2012 in most submarkets



Graph source: Savills / *Brussels Capital Region

GRAPH 2
Take-up and development pipeline
Slight increase in development activity



Graph source: Savills / *Forecast for development pipeline

SUMMARY

■ The Brussels take-up reached 335,000 sq m in 2013, in line with the five-year average and 4% below 2012.

■ The Leopold district was very active accounting for 33% of the take-up (110,000 sq m) and was boosted by two large deals involving the EU.

■ The vacancy rate decreased to 9.5% due to a low level of completions.

■ The prime headline rent remained stable at €300 per sq m/year. Its was recorded on the Square de Meeus.

■ An investment volume of €2.17 billion was recorded in 2013, 7% above the 2012 level.

■ Investors focused on offices which accounted for 58% of the total volume. The retail market activity slowed down accounting for 26% of market shares.

■ The investment market was boosted by several large transactions.

■ Prime buildings in Brussels with standard 6/9 year leases are now trading at 6%.

■ Belgian economic activity is gradually accelerating and growth is expected in 2014.

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"For the first time since 2008, the office investment volume surpassed the €1 billion mark in 2013" Jeremy Lecomte, Head of Research, Savills Belgium
.....

➔ **Economy**

Whilst the economic environment remains challenging we are seeing evidence of gradual recovery in Belgium. GDP growth projection remains above the Eurozone average at 1.1% for 2014 and the unemployment rate (8.6%) is still one of the lowest in Europe.

Business and consumer confidence consistently improved throughout 2013, almost bringing it to a positive level by the end of the year. Households began to increase their spending again and generally consumers are more optimistic regarding the future.

Belgian public debt on the other hand, kept rising in 2013, and now stands at 101% of GDP. However, this debt ratio is expected to stabilise in the coming years and its growth (+13% since 2008) is significantly below the levels of the UK (+73%), France (+37%), Germany (+21%) and the Eurozone average (+36%).

Take-up

In 2013, more than 65% of the total Belgian take-up was carried out in Brussels where activity was maintained at a steady level compared to the five-years average with 335,000 sq m recorded, 4% below 2012. Taking into consideration own occupations and renegotiations, the total take-up stood at 485,000 sq m in 2013.

In Brussels, one third of the volume (110,000 sq m) took place in the

“Asian investors could become an important player in the coming years”

Jérémy Lecomte, Head of Research, Savills Belgium

Leopold district that was boosted by two large deals involving the EU comprising a total 57,500 sq m. One of these was the European parliament pre-letting of the whole Meeus 8-16 representing the largest letting transaction in 2013. The building of 40,000 sq m is owned by KanAm Grund.

Overall demand was driven by corporates, accounting for 74% of all lettings, followed by EU institutions (17%).

Development activity

In 2013, 148,000 sq m entered the Brussels market, from which the Belair building (64,000 sq m) pre-let to the Federal Police.

No new speculative development has been delivered in Brussels during 2013 with one exception, the E-lite building (7,000 sq m) in the Louise district. This has had a positive impact on the market as the overall vacancy continued to drop for the third year in a row, now standing at 9.5% (vs. 10.5% in 2012). This is mainly thanks to central district where vacancy stands between 5% and 6% whereas on the contrary decentralised and periphery districts have recorded high level of

vacancy, 13% and 20% respectively. In these districts, positive effect from reconversion from office to residential apartments is largely counterbalanced by a lack of office demand.

Main speculative projects expected to be completed in 2014 are to be found in the Leopold district with the Black Pearl (11,000 sq m) and the Livingstone (18,000 sq m).

Rents

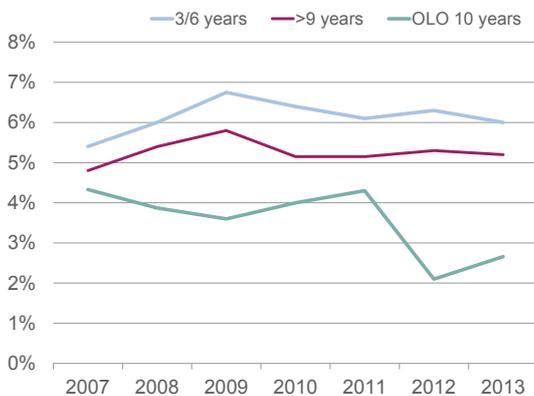
The average rent remained relatively stable in Brussels at €166 per sq m per year if we include take-up from the periphery and €180 per sq m excluding the periphery. In the best areas of the Leopold district prime rents are still at €300 per sq m per year but are expected to increase in 2014.

Investment market

The first semester of 2013 saw an above average investment volume of €1.3 billion transacted, approaching pre-crisis levels and 51% above the five-year average. After a quieter second semester, the total investment volume reached €2.17 billion in 2013 (+7% compared to 2012).

The investment volume has been boosted by some large transactions

GRAPH 3 Yields vs 10-year OLO*



Graph source: Savills / *Obligation Linéaire/Lineaire Obligatie

GRAPH 4 Investment volume



Graph source: Savills

such as the acquisition of the Belair building development by Hannover Leasing, backed by an Asian partner for €300 million. This transaction is a first sign that Asian investors are starting to seek investment opportunities in Belgium. Other notable transactions were the AMCA in Antwerp (€110 million) and the Blue Tower in Brussels (€87.5 million), both purchased by Befimmo.

The Brussels Capital Region (BCR) and Flanders remain the most attractive areas for buyers accounting for 53% and 31% of the total volume, respectively. The remaining investment activity took place in Wallonia, where there is still a lack of opportunities that meet investor requirements.

In 2013, the Belgian investment market continued to be dominated by domestic players (72%). For the first time since 2008, the office investment volume surpassed the €1 billion mark in 2013 (+75%

compared to 2012). Demand remains focused on well-let prime assets. Due to the scarcity of these assets and the low long-term interest rates, prime office yields declined in 2013 and are now trading at 6% for buildings with standard 6/9 year leases (-25 bps compared to 2012). Prime yields should remain pressured in 2014, particularly if Belgian LT interest rates remain low.

On the other hand, the retail market, that outperformed in 2012, has slowed down with €571 million invested (-17% compared to 2012). ■

OUTLOOK

2014

- The economic activity is gradually accelerating and growth should be back in 2014 (around 1.1%).
- The next federal elections are scheduled in May 2014. If the coalition formation take as long as in 2010 when 541 days were necessary to form the government, it may slow down decision-making processes and thus market activity.
- Vacancy should keep falling in central districts due to a low completion level and reconversion of obsolete office buildings into residential.
- Total investment turnover is expected to reach again the €2 bn mark in 2014 supported by several large transactions expected to be completed this year such as the Médiacité in Liege, the Bastion Tower and Covent Garden in Brussels.
- The prime office yield, which currently stands at 6% could contract further in the coming months due to demand outstripping supply and the current scarcity of prime assets, particularly if Belgian long term interest rates remain low.
- Rents are projected to be stable in the coming months in the CBD but rent free period and incentives are expected to reduce in CBD locations.

“Low development activity combined with the increasing number of reconversion from office to residential apartments will continue to reduce the vacancy in central districts ” Gregory Martin, Managing Director, Savills Belgium

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Savills plc

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