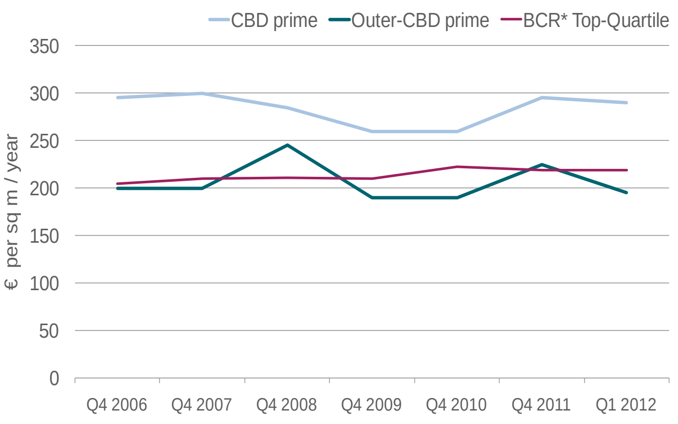
Market in Minutes
Brussels Office and Belgium Investment markets

Q1 2012

GRAPH 1

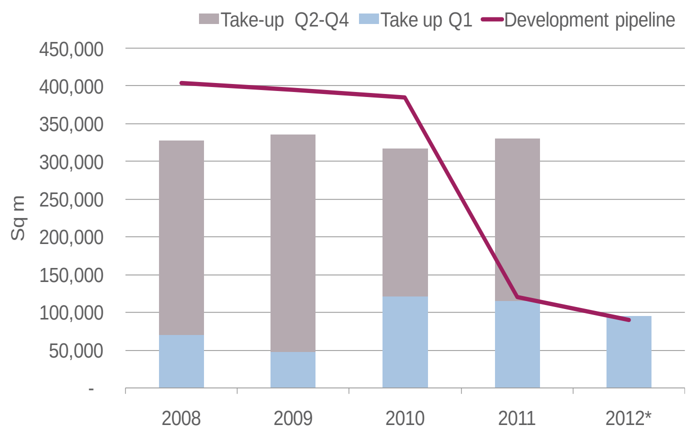
Prime rents In line with 2011 level in most submarkets



Graph source: Savills / *Brussels Capital Region

GRAPH 2

Take-up and development pipeline A shortage of new office space is likely in 2012-13



Graph source: Savills / *Forecast for development pipeline

SUMMARY

Belgian investment market on a good pace for 2012

■ Economic indicators throughout Europe are painting a mixed picture but Belgium is holding up well. Belgian long-term interest rates decreased by 100bps over the quarter.

■ The Brussels take-up reached 95,158 sq m in Q1 2012 and is still impacted by cautious behaviour from corporates and a lack of activity from Belgian administrations.

■ With a low level of completions of 90,000 sq m scheduled in 2012, the vacancy rate will keep decreasing; it now stands at 11%.

■ Prime rents are in line with 2011 at €290 per sq m/year; the gap between prime and secondary locations continues to widen.

■ The investment market kept performing well but was mainly driven by retail transactions, which represented half of the Q1 2012 turnover.

■ Institutional and private investors shared the turnover with 46% and 31% respectively.

■ Investors' appetite for well let prime assets remained strong.

"Q1 2012 was a transition quarter in the office investment market whereas retail transactions boosted the turnover." Julie Depierre, Head of Research, Savills Belgium

A better economic performance than the neighbouring countries

The Eurozone public debt crisis is not over despite calmer financial markets since the beginning of the year. The European Central Bank pursued non-standard measures with a new allotment of €529.5 billion three-year loan to Eurozone banks. Furthermore market confidence should improve following the agreement of the finance ministers from the 17 countries to raise the lending capacity of their rescue fund to €800 billion, including €500 billion from the permanent European Stability Mechanism which will come into operation in July.

The fragile European environment continues to weigh on the Belgian economy with forward looking indicators painting a mixed picture. Although the unemployment rate reached its lowest level of the past 10 years, and business confidence rose by 2.9 bps since the beginning of the year, the Belgian economic growth is expected to be flat in 2012 (0.3% above the Eurozone) and to reach 1.5% in 2013. Following a downward revision of GDP growth at 0.1% in 2012 by the Federal Planning Bureau, Belgium's government agreed to extend austerity measures in order to meet its budget-deficit target of 2.8% of GDP this year. Belgium is performing much better as its neighbouring partners, as in France the 2012 target stands at 4.5% and in the Netherlands at 4.6%.

"Belgium is strengthening the basics of its future economic growth." Julie Depierre, Head of Research, Savills Belgium

A single EU transaction boosted the letting market

The take-up on the Brussels market reached 95,168 sq m in Q1 2012, 17% below Q1 2011. Taking into consideration own occupations and renegotiations, the take-up stood at 133,704 sq m, 3% below the 10-year average. Corporates realised 62% of the take-up but remained reluctant to take new strategic location decisions, as the Belgian administration, which despite the end of the political deadlock, realised less than 1% of the letting transactions. The EU administration accounted for 36% of the take-up, mainly attributable to a single large transaction.

The CBD recorded 62,291 sq m, i.e. 65% of the letting transactions in the Brussels Capital Region. The Leopold district was the most active with 46% of recorded transactions, above Periphery (27%), Louise (11%), North (8%), Decentralised (7%) and Pentagon (1%). The largest deals were realised by the EU which pre-let 24,463 sq m in the new development in Square Orban in the Leopold district, by SNCB Logistics which let 6,950 sq m in the Zenith Tower in the North district, and by the Representation of Hessen which took 6,116 sq m in Montindu in the Leopold area.

Moderate development activity

The level of development activity in 2012 will remain low. Only 90,000 sq m of office accommodation are scheduled, and are mainly located in the CBD. They concern heavy renovation and construction projects. Speculative developments are currently on hold as financing conditions remain tight and occupier demand low. The Leopold district appears as an exception, as the speculative redevelopment Arts-Lux (18,000 sq m) should be delivered by the end of the year.

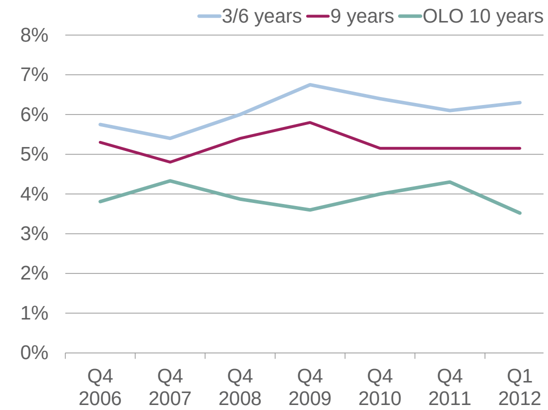
The total stock stands at 13.5 million sq m, and the global vacancy rate still stands at around 11%. The high vacancy rate recorded last year in the Louise district started to decrease thanks to a steady occupier demand in Q1 2012.

Stable prime rents

Prime rents were recorded at €290/sq m/year in the Leopold district (Rond Point Schuman), a slight decrease of 2% compared to Q1 2011. In the other districts, prime rents were observed in

GRAPH 3

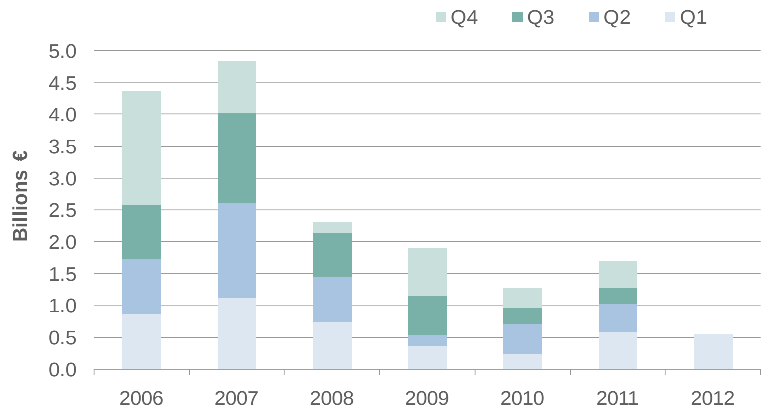
Yields vs OLO 10-year The spread is widening



Graph source: Savills

GRAPH 4

Investment volume Q1 2012 in line with the volume invested last year at the same period



Graph source: Savills

line with the 2011 levels except in the Periphery, where they decreased by 15% due to high vacancy rates which favoured occupiers. Whereas top-quartile rents remained stable at €219/ sq m/year, average rents decreased by 5%. The gap between prime and secondary locations continued to widen.

A performing investment market driven by retail transactions

The investment market kept performing well. A volume of €553 million was recorded in Q1 2012 in the Belgian market, the same level as in Q1 2011 and 32% above Q4 2011. The Brussels Region accounted for 37% of the Belgian pure investment turnover, at €191 million. Only nine transactions represented 75% of the investment volume.

The retail market was the main driver of the quarter with 50% of the investment volume. Office investment turnover was low in Q1 2012 compared to previous years at €99 million. The major retail transactions included the purchase of the Toison d'Or (€62 million) and the Westland shopping centre (€80 million) by Prupim and AG Real Estate respectively, and the main office transaction concerned the purchase of AGC Glass Europe headquarters in Louvain La Neuve by AXA Belgium for €29 million.

Institutional and private investors shared the turnover with 46% and 31% respectively. Belgian investors were the most active (77%), followed by English investors (12%).This investment market configuration confirms international investors' cautious behaviour towards Belgium.

Investors demand remained strong for well let prime assets. As no such office building changed hands in the first quarter, there is no evidence of yields level.

"The good start on the investment market will broaden into offices later on this year given large on-going transactions." Gregory Martin, Managing Director, Savills Belgium

OUTLOOK

2012 will be a transition year

- The Belgian government is implementing the basis for future economic growth. According to the last publications Belgium will reach budget equilibrium before its neighbouring partners.

- Corporate occupiers will remain challenged in the current economic environment and will continue to delay their occupation decision, as Belgian and European administrations are expected to encourage the letting activity.

- 2012 will show an increase of distressed sales. The investment market will mainly be driven by institutional and private investors which have easier access to capital. New opportunistic investors could enter the market and be involved in investment deals concerning non-prime assets.

- Demand from local and international investors for well let prime assets will remain strong. We expect investors to become more aggressive as long-term interest rates that were at 5.5% mi-December, are now around 3.4%, i.e. 210bps lower. The gap between prime yields for short-term and long-term let assets will stay high.

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