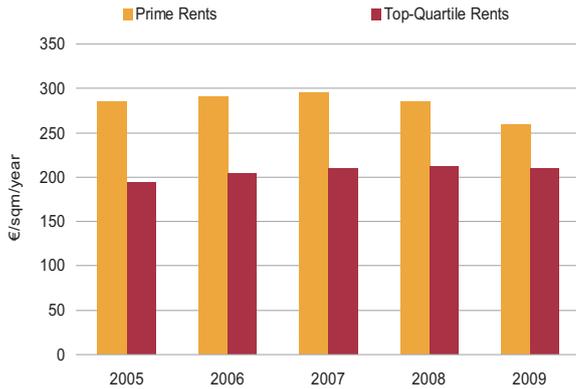


Brussels Office Market

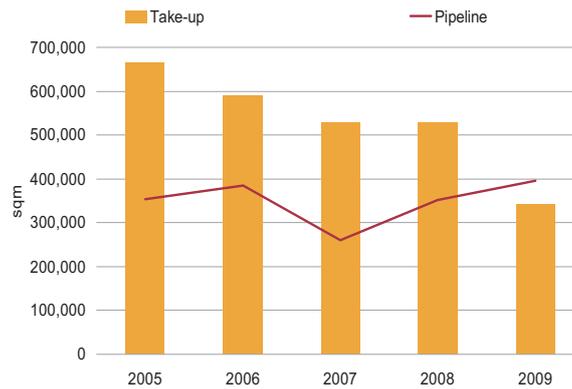
Q4 2009

Rental values



Source: Savills Research

Take-up / Development pipeline



Source: Savills Research

“This time one year ago only 1 buyer was around for every prime asset with 3-5 buyers today. Funds which missed their chances in 2009 will need to be quick as competition for the few prime assets is becoming more apparent. ”



Sheelam Chadha (Head of Research / Investment advisor)

- The take-up market in Brussels surged in activity during the last quarter and stood at 343,600 sqm at the end of 09 surpassing initial forecasts of 250,000 sqm.
- In Brussels CBD, prime rents have performed quite weak during 2009 dropping on average -6.3% whilst top quartile rents fell -1.0%.
- An imbalanced year for the supply and demand curve in Brussels saw the annual stock level at the end of 2009 stood at up 5.5% from 2008 and now at 13.1 million sqm.
- Investment levels at the end of 2009 increased significantly, up 205% to €430.6 million during Q4 alone- the largest increase of the year. Discounting financial, development and own-occupation deals, total investment levels in Belgium stood at 1.025 billion for the year 2009, down 51% compared to 2008 and 69% compared to the 5-year average.
- Yields for 9 year leases are beginning to compress for top-product since demand remains high and supply of such product very low. At the end of Q3, prime yields for long-leases of 9 years stood at 6% and have compressed some 20bps to 5.8% today. Prime yields for 3/6 year leases remain static however at 6.50%-6.75%.

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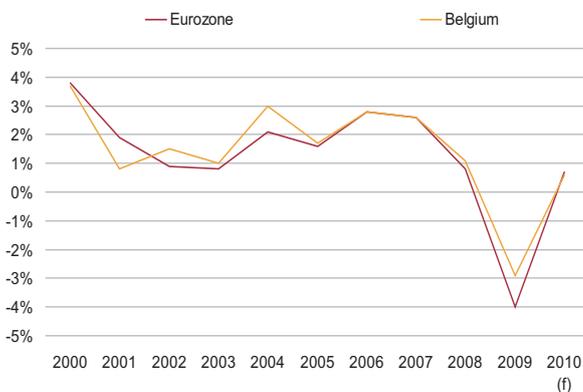


Economy and letting market

Economy

Signs of recovery have been on the horizon over the course of H2 2009 with business and consumer confidence picking up. To this, it was widely believed that GDP resumed growth in late 2009 but how many quarters it will last remains to be seen. The latest news regarding the closure of the Opel factory in Antwerp recently by GM, which will see 5% of its global workforce cut is a clear indication that industrial production and international trade is still weak and the economy remains fragile. GDP is forecast to grow at a modest 1% in 2010. Inflation should rise in 2010 to 1.6% with the health index forecast to rise 1.1% for 2010.

GDP Growth



Source: BNB

Letting Market

Take-up and demand

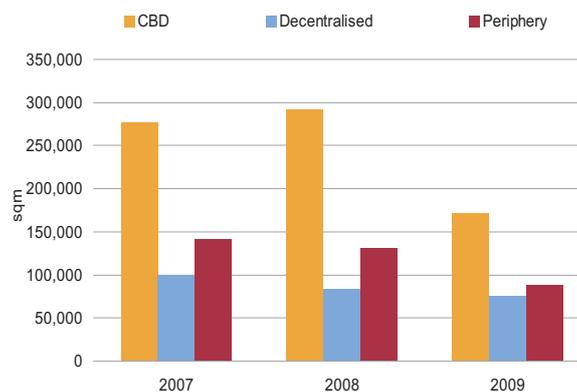
The letting market in Brussels surged during the last quarter due to the confirmation that Electrabel-Suez would let 75,000 sqm in ongoing Fortis Real Estate development in the North District 'North Light-Pole Star'. Marking one of the largest letting transactions in the last five years, up by 165% yoy – take-up in Q4 led to a total end year result of 343,600 sqm surpassing initial forecasts of 250,000 sqm. However, when compared to 2008 and the five-year average, take-up decreased by 35% and 37% respectively, which still marks the poorest year during the last decade. Only 381 transactions were noted, down considerably on the 466 10-year average.

Take-up in the CBD (177,500 sqm) decreased 37% compared to 2008 and 43% compared to the five-year average. The most notable drops were in the Leopold District and South District where take-up fell over 70% compared to 2008. Some large transactions by public bodies are in final negotiations and are expected to close during H1 2010 which should help see off a more positive oncoming year. Public bodies, which typically represent 65% of the letting market, were notably absent during 2009 representing only 16% of the market. The EU and International Administrations accounted for less than 5% of this with Belgian

Administrations representing the remainder. The top three letting transactions in the CBD during 2009 were all pre-lettings and included the North Light development, pre-let to Electrabel (75,000 sqm) in the North District; the Platinum development, pre-let to Regie de Batiments (12,670 sqm) in the Louise District and Eni-Distrigaz which pre-let the Guimard Corner building (6,990 sqm) in the Leopold District.

In the outer-CBD (139,500 sqm), take-up decreased 34% compared to 2008 and 32% compared to the five-year average. Most of this was located in the Periphery (26%). The top three letting transactions in the Outer-CBD during 2009 included Waterloo Office Park E-F, let to BASF (5,295 sqm) in Periphery-South; Solaris, let to Nauta Duthill (4,480 sqm) in the Decentralised-Hulpe District and Collines de Wavre V, let to Abott Belgium (4,191 sqm) in the Periphery-Wavre district.

Take-up by district



Source: Savills Research / Expertise

Stock and completions

Annual new deliveries for the Brussels and Periphery market totalled almost 400,000 sqm, 4.8% above the five-year average and up by 5.5% from 2008. The total stock is now at 13.1 million sqm. The vacancy rate is now at 11.8% up from 11.5% at the end of Q3 09.

Rents

Activity however remained strong enough for rents in the outer-CBD to increase compared to the CBD. Prime rents in the Periphery remained at €165/sqm/year unchanged from 2008 whilst top quartile rents only fell -1.5% to €162.5/sqm/year. In the Decentralised District, prime rents also remained unchanged at €190/sqm/year whilst top quartile rents increased 3.8% to €190.7/sqm/year. In the CBD, prime rents performed quite weak during 2009 dropping on average -6.3% whilst top quartile rents fell -1.0%. The most notable drop was located within the Leopold District where prime rents fell to €260/sqm/year (-8.8%) and top quartile rents fell to €253/sqm/year (-3.2%) over 2009.

Investment and outlook

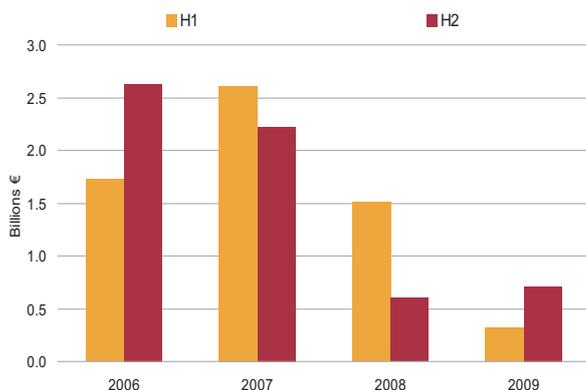
Investment

Investment levels at the end of 2009 increased significantly, up 205% to €430.6 million during Q4 alone- the largest increase of the year. Discounting financial, development and own-occupation deals, total investment levels in Belgium stood at €1.025bn for the year 2009, down 51% compared to 2008 and 69% compared to the 5-year average. In Brussels, investment levels only reached €363 million, down 71% compared to 2008. Nonetheless, H2 activity in Brussels was substantially up on H1 activity, by 391%.

It is clear that the 3rd quarter marked the re-emergence of the international investment funds looking to purchase prime assets in Brussels. Other funds on the sidelines have now witnessed this spate of key deal-making and are now themselves too looking for prime, well-let and well-located assets which they missed. High yielding assets are not going to be on the tables for those types of buyers with international investment funds now realising that in order to buy, they must be competitive. This time last year, only 1 buyer was around for every prime asset following Lehman's collapse; as of today, we believe there are at least 5 buyers with a likelihood of 7 by mid-2010.

The scene is improving but the lack of activity will be related to a dearth of long-let product and the unwillingness of owners to sell at what they consider to be above average yields. Generally however, investors are still not willing to accept risk and therefore do not have confidence in short-term rental conditions. There still remains uncertainty in the economy hence why leases between 3 to even 6 year leases are considered quite risky for most today.

Belgium investment volume



Source: Savills Research

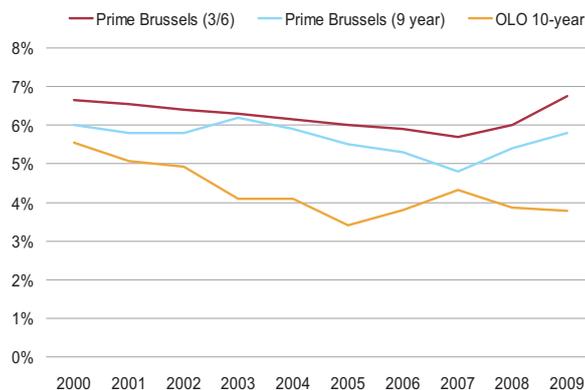
Yields

Yields, which have traded at disparate levels during 2009, are becoming harder then ever to estimate as investors and sellers alter their requirements far more frequently than assets can be traded, Due to the very few investments being traded, many parties have become somewhat unsure as to pricing expectations.

Nonetheless, market conditions have improved from the end of 2008 but some way remains to go before buoyant and consistent market activity returns.

Prime yields for 9 year leases are beginning to compress for top- product since demand remains high and supply of such product very low. At the end of Q3, prime yields for long-leases of 9 years stood at 6% and are compressing with further room to go down. Prime yields for 3/6 year leases remain static however at 6.50%-6.75%.

Prime yield - OLO bond



Source: Savills Research

Top 3 investment deals - Q4 09

Property	Buyer	Vendor	Price in m €
Sirius	Signa Property Funds	Banimmo	69.9
Bell Art	Axa Belgium	Allfin	38.6
Astronomie	AIK	Cofinimmo	24.1

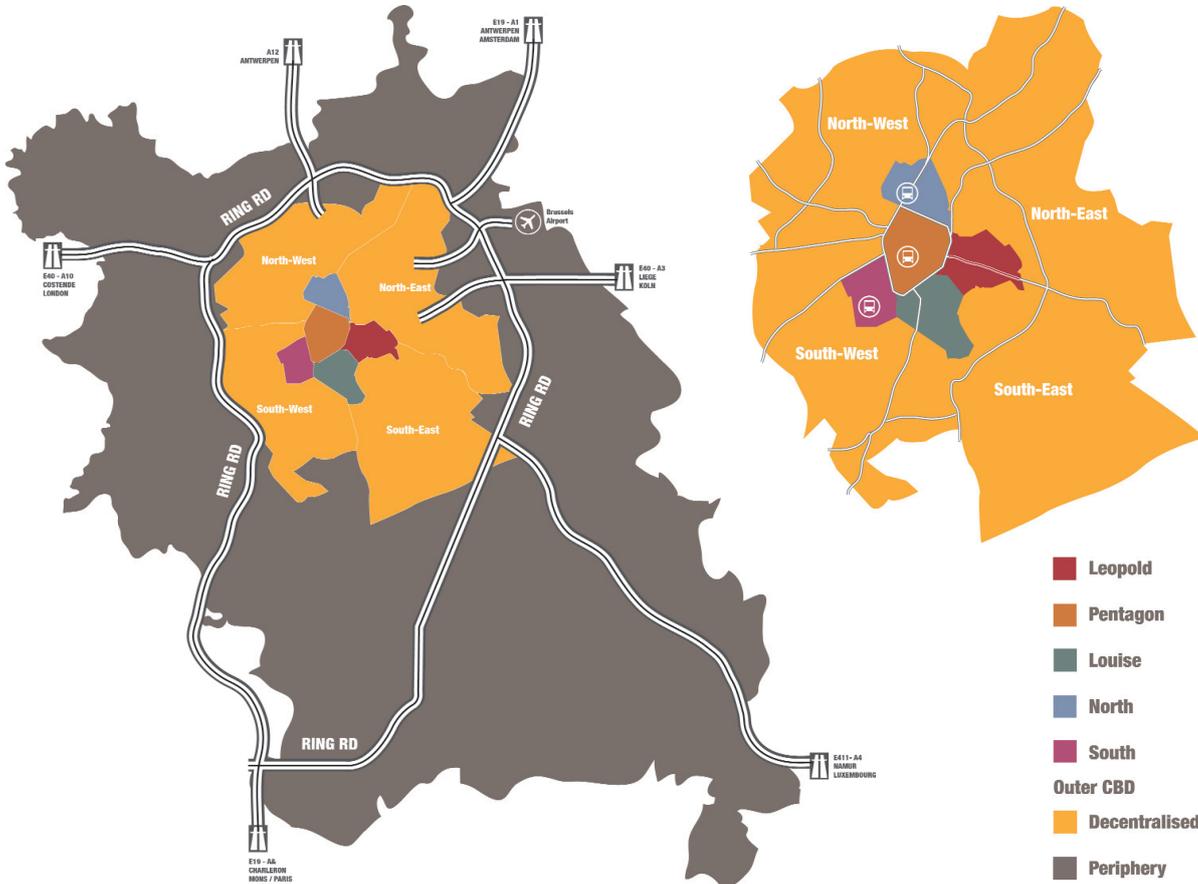
Source: Savills Research

Outlook

Clearly today there is more certainty than a year ago which itself is an improvement, but the market still remains difficult for both letting and investment activity. Letting activity during 2010 will still be difficult in general but should be held up by some large key deals by corporate and public tenants known to be in final stages of discussions. We forecast a 2010 letting total to reach around 350.000 sqm which will be a slight improvement on 2009. The investment market itself will still be difficult as the inverse of the H208-H109 period will be present- too many buyers chasing the very few prime products around will cause rapid yield compression. Most owners are not pressed to sell at a perceived discount any longer as banking conditions are slightly more at ease- although will still be difficult. 2010 turnover is forecast at around €1.25 billion, slightly above 2009.

Brussels Office Market

Survey map



For further information please contact



John Defauw
Managing Director
+32 2 542 40 55
jdefauw@savills.be



Gregory Martin
Managing Director
+32 2 542 40 52
gmartin@savills.be



Sheelam Chadha
Head of Research
+32 2 542 40 57
schadha@savills.be

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