

## Property

# Brussels office market out of doldrums

By Patricia Kelly

15.11.2007 / 00:00 CET

**After years of poor yields, top quality offices in the Belgian capital are rewarding investors, writes Patricia Kelly.**

Although the collapse of the sub-prime mortgage market in the US is having knock-on effects throughout the world, bringing a whole range of financial institutions to their knees, the picture emerging from more conventional areas of the property market is surprisingly positive.

After many years in the doldrums, the Brussels market in office property is now a picture of health, according to the French real estate group Atisreal. Not so long ago, the Brussels office market was in poor shape.

Atisreal points to the piles of empty office blocks in and around Brussels as being a legacy of over-optimism and over-investment in the office property sector in the 1990s which led to a glut and, inevitably, poor returns on investment.

But a recently published survey from the group shows that the proportion of office properties lying vacant in Brussels is shrinking. In December 2006 the vacancy rate was standing at 10.5%; in June this year at 9.5%. If this trend continues, the rate should fall below 9% in Brussels, compared to 15% in Amsterdam, 14.2% in Frankfurt, 6.8% in Madrid, 5% in Paris and 4.1% in London.

The hot spots for commercial property are the city centre of Brussels, the northern part of Greater Brussels and the suburbs near Zaventem airport. And just who are the new occupants? The big new client seems to be Belgium's public sector – the country's federal administrations top the list during the first half of this year (24.4%), followed by the financial sector (22.7%) and then hi-tech industries (9.9%).

The first half of 2007 showed a marked increase in demand for commercial property and the take-up rate showed rapid growth with some 292,292 sq. m being negotiated over this six-month period. This was an increase of more than 16,000 sq. m compared to the same period in 2006. Despite the glut, the number of office properties in Brussels has continued to grow, but at a more moderate rate than during the period 2003-06. The exclusive end of the office market also seems to be doing well with premium rents for Brussels office properties reaching a record level of €300 per sq. m a year in the first half of 2007.

This compares well with average rent in the office sector which has dropped over one year by 17.5% to €155 per sq. m a year. This is attributed to a considerably high take-up of office space in the suburbs, where rents are relatively low, thereby bringing down the overall average.

The Brussels office market is also becoming more international. A subsidiary of BNP Paribas Real Estate, Atisreal is the market leader in France and one of the largest property management groups in Europe. Now the group is advancing into Belgium to give chase to the so-called Big Five: Catella, CBRE, Cushman & Wakefield, Jones Lang Lasalle and King Sturge – the multinational nature of these companies demonstrates that the Brussels office property market is far from being

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a local affair.

Atisreal says the improvement in the office property market is due as much to positive growth of the European economy as to the Belgian economy, and points to a clear trend towards greater internationalisation of the Brussels market. The profile of the average investor in the Brussels market has been undergoing a profound change, with local (ie, Belgian) investors now representing just 20% of investment transactions compared to 35% in 2006.

Overall some €1,092 billion was invested in real estate in Brussels during the first six months of 2007, 85% more than in the same period of 2006. Some 87% of this went into the office property sector.

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