The Brussels Office Market

Q1 2024 | Fresh data and insights on the capital of Europe | **knightfrank.be/research**

Slim pickings with the market – and economy – on standby.

- Inflation, interest rates, employment and elections are all key themes which will play a major role as the market looks to the remaining nine months of the year.

Market Trends Indicators (Q1 2024)

Take-up, sq m	45,000
Take-up (2023), sq m	322,000
Completions, sq m	145,000
Stock, million sq m	14.07
Vacancy rate (%)	7.60
Prime rent, €/sq m/year	340
Average rent in €/sq m/year	207
Prime yield (%)	4.90
Invested volume, € million	13

Occupier market

In Q1 2024 we recorded the lowest quarterly level of occupier activity in more than five years with under 45,000 sq m. Here we outline three of the main reasons:

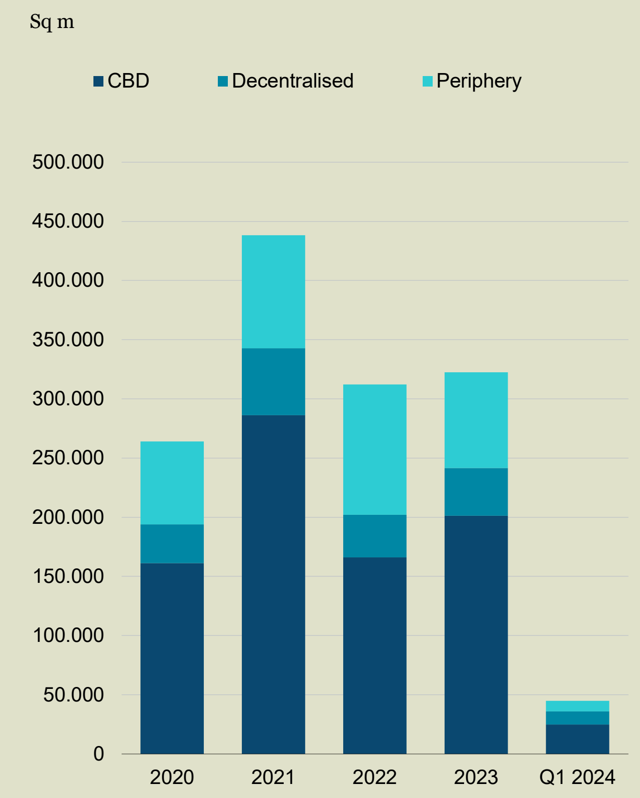
1. The **CBD** and **Periphery** districts usually act as the focal point for occupier demand. In Q1 they have **underperformed**, with Decentralised districts even coming second ahead of the Periphery for take-up. A lack of Grade A availability is not especially to blame as many deals in this category often take the form of pre-lettings, and the pipeline is sufficient in the short term; rather, the market is undergoing a hangover effect after a strong end to 2023, exacerbated by the fragile state of the global economy.
2. No deals involving the **European Union**, last year's largest catalyst of activity. Going forward, deals involving the Commission totalling 35,000 sq m in Montgomery Parc and Montoyer 34 have been announced for Q2. Additionally, a sequence of related deals involving the European Union (in Engie's current headquarters) and Engie (in the Oxy project) should yield upwards of 60,000 sq m in large deals later this year.
3. **Few large deals** - A lack of large deals was a factor. Whereas transactions over 5,000 sq m constituted as much as 38% in 2023, the quarter's only deal to fall under this bracket, a 5,700 sq m letting by IPBT-BIPT meant large deals constituted on 12% of take-up during the quarter. The expected deals outlined above will begin to resolve this issue.

Nevertheless, some significant deals in new prime premises have been recorded with Chancelier's (Centre district) first occupiers confirmed in the form of IWG's new Signature concept, in addition to law firm, Latham & Watkins. In addition, a new pre-letting in The Louise project has also been announced.

Regarding rents the overall prime level remains stable at €340/sq m/year, with increases likely to occur through 2024 given early indications and asked rents for the highest quality buildings.

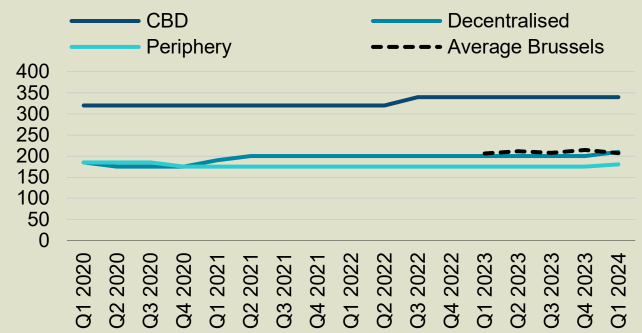
Increases in the Decentralised (€210/sq m/year) and Periphery districts (€180/sq m/year) are confirmed in Q1, with further rises also to come. Average rents are at €207/sq m/year.

Take-up, Brussels offices



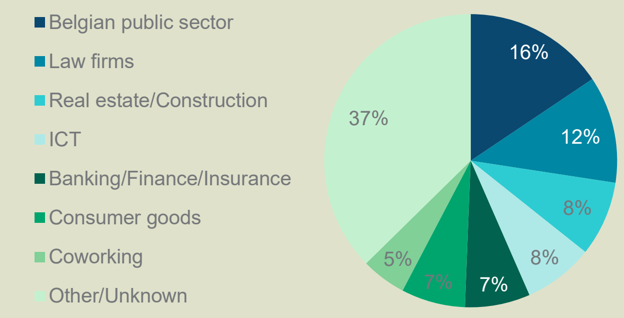
Source: Knight Frank Research

Prime rents, Brussels offices
€/sq m/year



Source: Knight Frank Research

Brussels offices - Distribution of take-up by occupier type, Q1 2024



Source: Knight Frank Research

Property	District | Subdistrict	Tenant	Sector	Size (sq m)
Möbius	CBD | North	IBPT-BIPT	Belgian Public sector	5,652
Chancelier	CBD | Centre	Latham & Watkins	Law firms	4,144
Chancelier	CBD | Centre	IWG – Signature	Coworking	2,179
City Dox – White Angle	Decentralised | South	Reckitt Benckiser	Consumer goods	1,861
Leopold Square	Decentralised | North-East	TK Elevator	Real estate/Construction	1,389

Investment activity

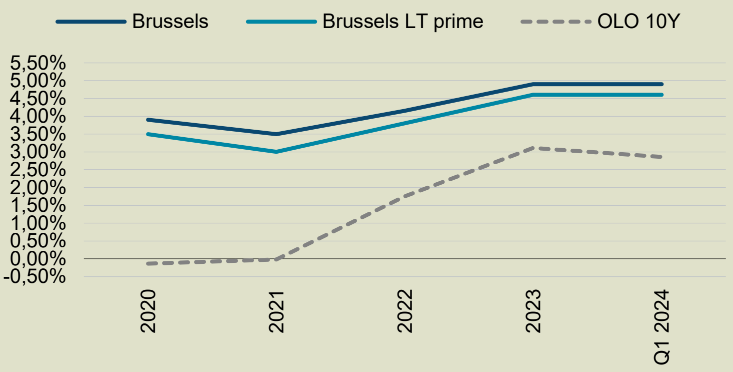
Q1 2024 has been nothing short of disastrous for investment in Brussels offices, and possibly its worst ever quarter with two small deals totalling €13 million. The market is losing out in favour of segments such a retail and industrial & logistics, and is paralysed until the ECB begins lowering its rates. Indeed, as detailed in a recent Knight Frank European Leading Indicators update:

The ECB left the deposit facility rate at 4.0% but signalled a cut in June. Following higher US inflation, markets slashed rate cut expectations for the Fed and ECB. Eurozone inflation has moved closer to 2%, but the pace and extent of rate reductions could be sensitive to Fed policy.

The turnaround will begin in Q2 with the long-awaited closing of the Cityforward deal, the €900 million portfolio sale by the European Union to the Belgian State.

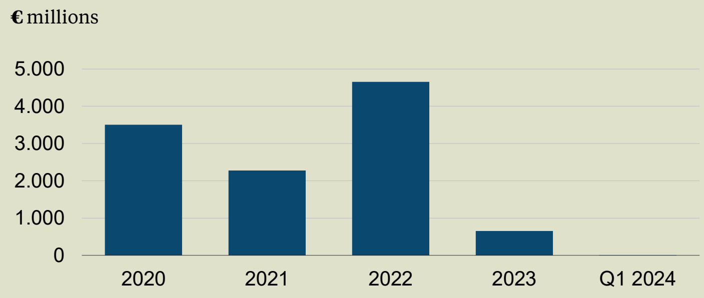
Prime yields remain stable at 4.90% and will start to lower in the wake of the ECB's expected rate cuts.

Brussels offices - prime yields



Source: Knight Frank Research

Brussels office investment volumes



Source: Knight Frank Research

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