

Brussels Submarket Office Report

Leopold Quarter

Q4 2020

Overview

INTRODUCTION

The Leopold district is traditionally the most important office area in Brussels. It comprises a square kilometre to the east of the inner ring road and contains some 3.37 million m² of office space. Most buildings comprise eight-level offices with basement parking.

The significant presence of local, national as well as international administration in the Belgian Capital is largely due to Brussels being the Capital of the European Union.

OCCUPIERS

The largest occupier categories are the

European institutions including the European Commission, the European Parliament and the Council of Ministers, various large financial groups and a wide range of lobbyists and EU-affiliated representations.

ACCESSIBILITY

Accessibility to and through the Leopold district is considered excellent, with a range of road, rail, bus and metro options available.

To keep up with the increased ridership in the Leopold area, several subway stations have been renovated in recent years including Arts-Loi and Schuman. In addition, the

redevelopment of the train tunnel between Schuman and Josaphat station increased the accessibility of the Leopold district with a direct train line to the National Airport.

Furthermore, Brussels is planning the redevelopment of Place Schuman and its immediate connections to enhance appeal and pedestrian access and limit the amount of auto traffic. The connection from Place Schuman to Cinquantenaire Park is to be pedestrianised.

CHANGES

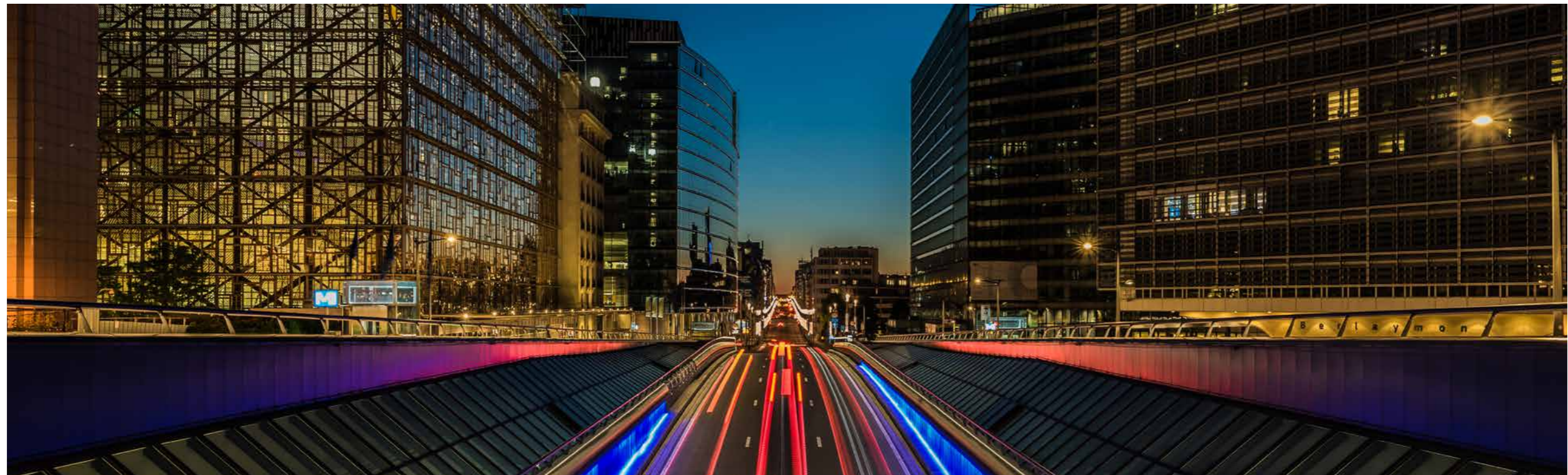
Since the arrival of the European institutions in the 50's, the Leopold district has known a rapid expansion with limited attention to urban planning coordination. Today, the area along the Rue de la Loi still is the most densely constructed business district in Brussels with virtually no mix of urban functions.

Therefore, the the Brussels government issued a new urban master plan for the Leopold district in 2008, mainly focusing on the mix of functions, accessibility, architectural design and the increase of parks and green areas.

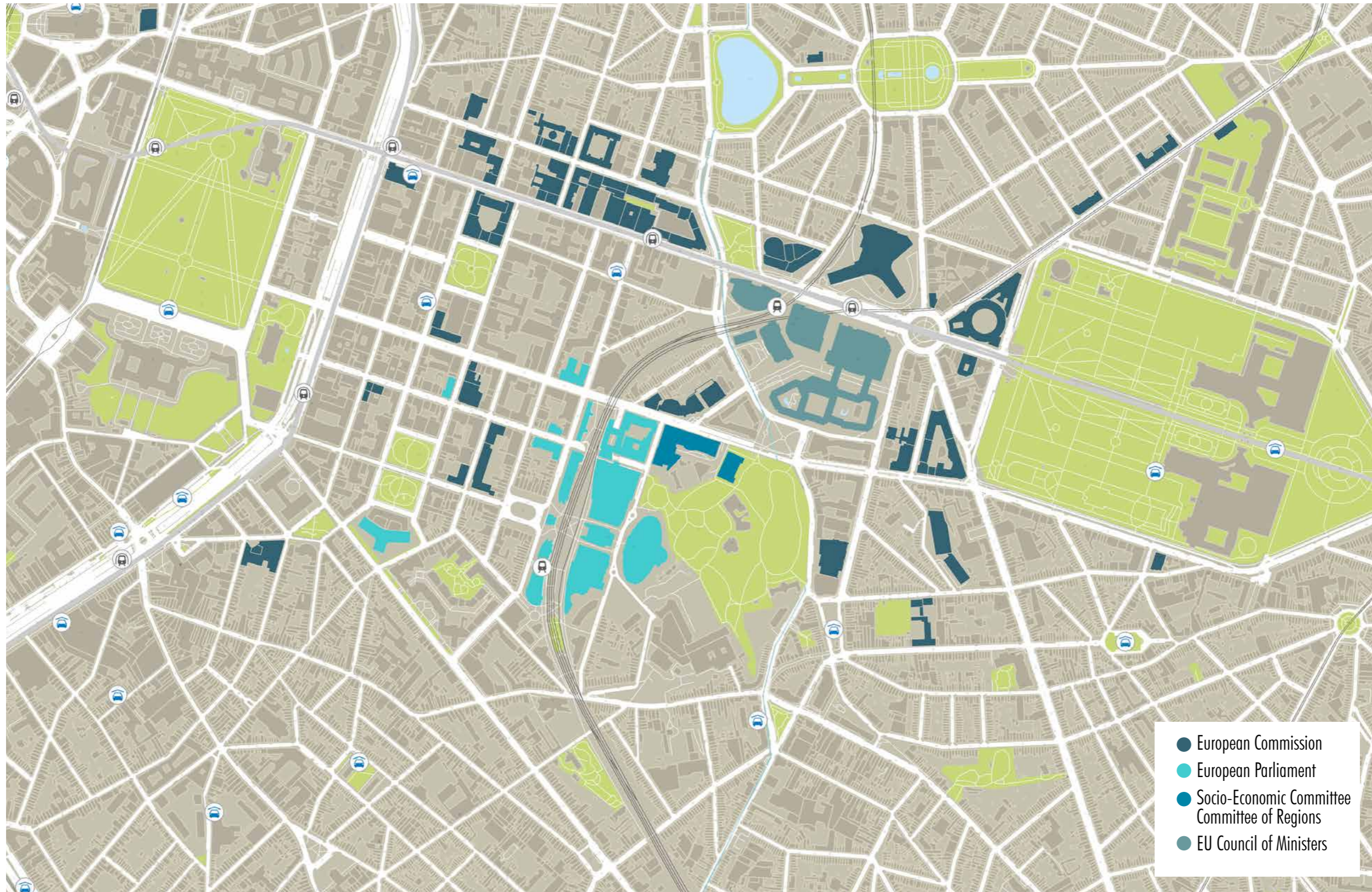
It envisages the vertical densification of the Rue de la Loi with significant residential and retail space. In total, the new master plan foresees 180,000 m² of additional housing and 70,000 m² of additional commercial activities for Rue de la Loi.

The European Commission will play its part in this transformation via the Loi 130 project and the concentration of Commission services. It will be realised in two phases: the first phase will take place between 2025-2030 and the second phase will be conducted between 2030-2035 (pre-pandemic timelines).

Rue de la Loi



Leopold Area European Commission and Executive Agencies



Note: Since 2020, the European Commission has taken The One building, which is not pictured

Office Market

STOCK

The Leopold district offers the largest office surface of Brussels CBD with over 3.37 million m² of office space.

This can be mainly attributed to Brussels being the Capital of the European Union and the significant presence of local, national as well as international administration in the Belgian Capital.

The EU administration occupies more than 2.2 million m² in Brussels, of which 1.8 million m² is located in the Leopold district.

DEMAND

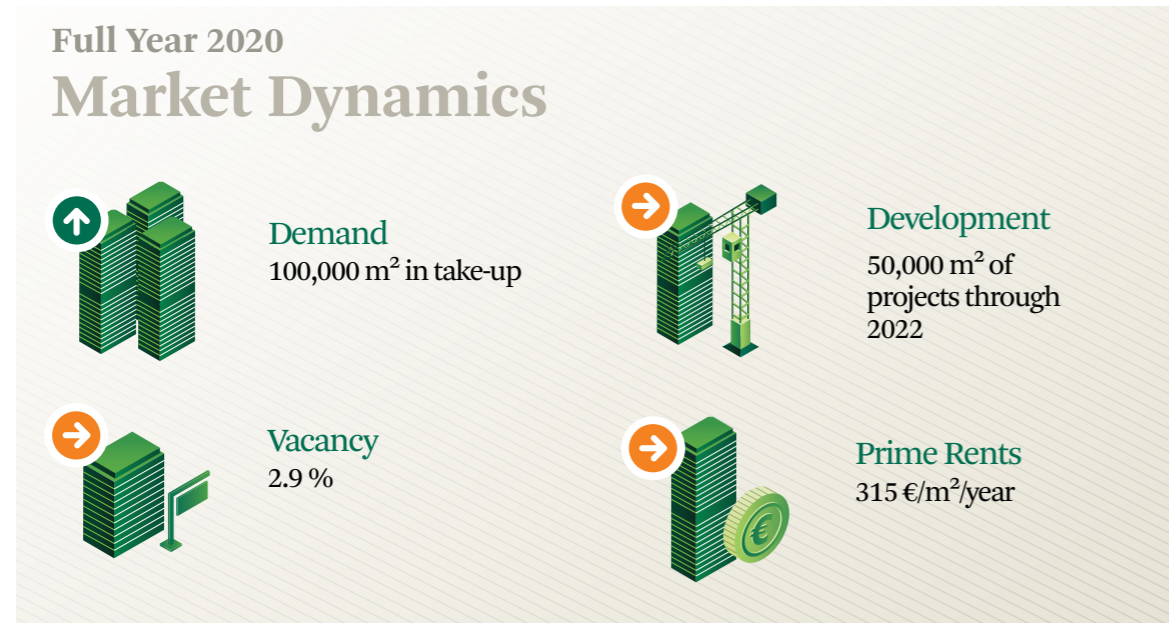
Demand in Leopold is driven by European insitutions, international organisations and

representations, lawyers, and lobbyists.

Office take-up in Q4 recorded just 5,000 m² to bring the annual total to 100,000 m². At the end of the year, Intrasoft International let 1,400 m² in Arts & Lux.

Three large deals (>10,000 m²) supported activity in Leopold in 2020. These were the EC letting in The One (29,241 m²), ING pre-letting of Commerce 46, and EEAS letting (13,263 m²) in Belmont Court.

As in all CBD markets, low grade A availabilities and high demand for new space is hindering activity. Furthermore, European institutions are currently looking to lease 80,000 m² to 150,000 m² of office space by 2024. This will put further pressure on spatial demands in this market.



Source: CBRE Research

VACANCY

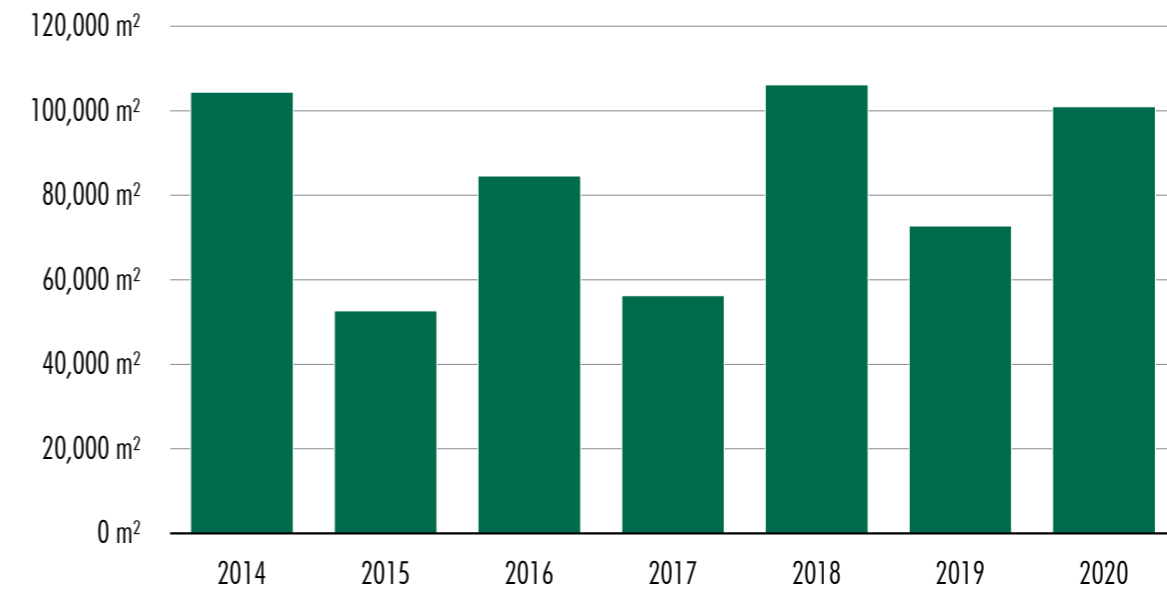
Office vacancy in the Leopold district is at a historically low level of 2.9% in Q4 2020. Grade A vacancy is very limited at around 7,000 m². The largest vacancies are Marnix 13-15 (7,278 m²) and Arts 44 (5,000 m²).

RENTAL VALUES

Prime rents in Leopold have been stable since 2017 following several deals being signed at facial rents upwards of 350 €/m²/yr in the Regent Park building along the inner ring road. Since then, new projects have been

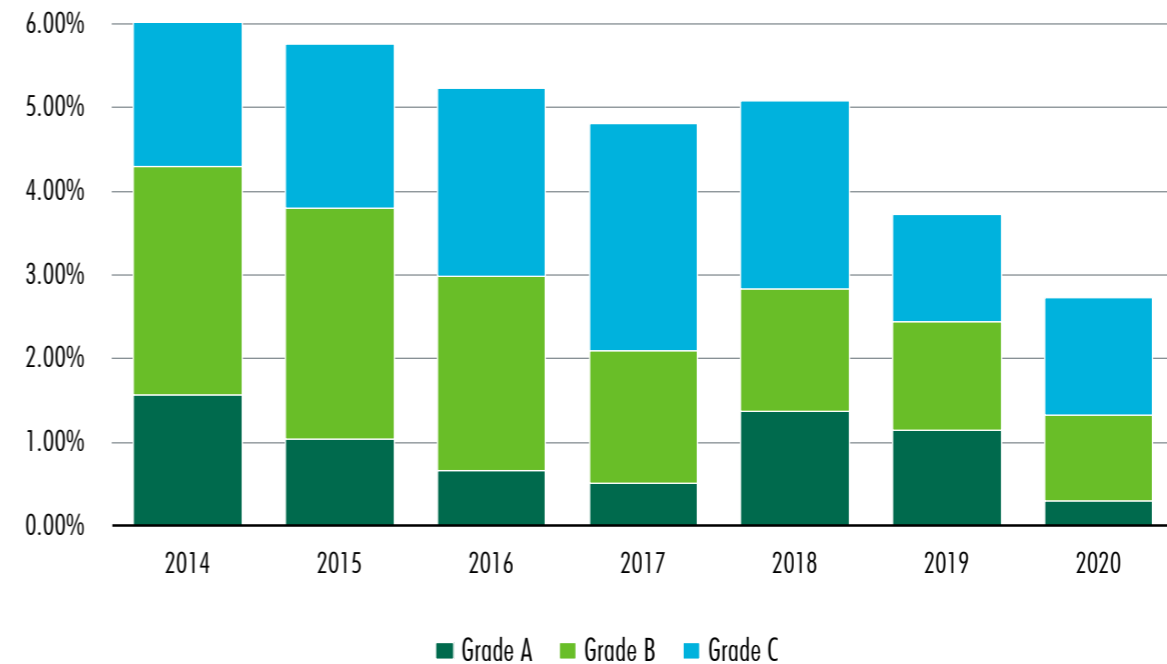
Leopold Area Office Take-up (2014 - Q4 2020)

Source: CBRE Research



Leopold Area Office Vacancy (2014 - Q4 2020)

Source: CBRE Research



■ Grade A ■ Grade B ■ Grade C

commercialised at rates below 300 €/m²/yr along Rue de la Loi and Rue Belliard. Given market conditions, the prime rent for the Leopold area (and the Brussels market as a whole) is estimated at 315 €/m²/yr for middle floor offices of the highest quality. Grade B and C rents remain stable for now.

DEVELOPMENT

Office development in the Leopold area has been rather limited over the last few years, attributed to permitting/renovation challenges and caution from developers and banks.

Approximately 31,600 m² of new space was delivered in 2019 (Tervuren II and Spectrum),

Major Leopold Area Projects (2020-2022)



Lex 85



Copernicus



The First



Commerce 46



Monteco



Belnine



Belliard 35



Realex

followed by just 12,500 m² in 2020 from Elite House and Quartz - both 100% pre-let.

2021 and 2022 should see an additional 50,000 m² of refreshed space, barring further construction delays. Of this amount, 34,000 m² is pre-let (including Copernicus), leaving just 16,000 m² of available space. Those projects with space for lease include Monteco (3,700 m²), Belnine (6,750 m²), and LEX 85 (3,200 m²) - all small projects.

INVESTMENT

Leopold office investment has totalled more than €500 million annually since 2016. In 2019, Leopold investment increased to €700 million out of total Brussels activity of €2 billion. In 2020, activity was more moderate at €300 million. This, however, is exclusive of a €115 million portfolio deal that includes Leopold offices with redevelopment potential.

The largest deal of the year was the €108 million Swiss Life Managers acquisition of a portfolio of offices in Leopold.

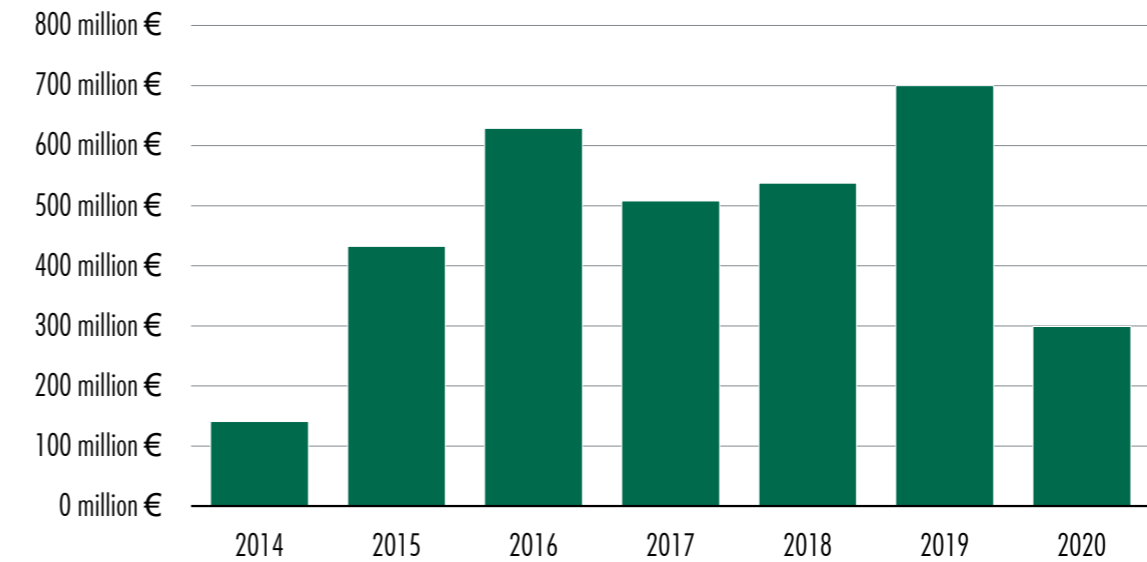
Additionally, Union Investment secured the forward sale of The First project from Eaglestone for €90 million.

Finally, Cofinimmo acquired Trône 100 for €40 million from Equilis.

Prime investment yields have compressed to 3.75% for standard leases in 2020 given the appetite for safe assets. In such volatility, prime real estate assets have traditionally been a safe haven, and we expect them to remain so through the COVID-19 crisis.

Leopold Area Office Investment (2014 - Q4 2020)

Source: CBRE Research



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