

MARKET ANALYSES

BELGIUM

I. Residential market in Belgium

A. Brussels

The residential market in the Brussels Region has been experiencing a boom for some time. Favourable demographics and a slow housing response have contributed to this steady trend. Like sale prices, rents too have been increasing in the Brussels Region over the long term. They levelled off somewhat around 2011 but have lately shown signs of increasing. There is a growing diversity in unit type, notably co-housing, as institutional investors are increasingly interested in the rental market potential of Brussels residential real estate. New developments can be commercialised as high as 6,000 €/m² with luxury units even higher.

B. Population

Belgium counts a population of 11.492 million as of January 1, 2020. This is a 0.54% increase over the previous year and follows a trend of steadily increasing population averaging 0.59% annually over the last decade. Brussels Region has been by far the fastest growing of the three, averaging 1.1% growth annually versus 0.59% in Flanders and 0.41% in Wallonia over the last decade. The Federal Planning Bureau sees growth of 50,000 (0.44%) per year and moderating slowly towards about 30,000 (0.22%). Though slower than the frenzied years of the mid 00s, this is still a positive forecast. A big exception to these numbers is the change over 2020. A summer update to the forecast expects a change of just 0.15% (16,900) given the COVID pandemic has greatly hindered international movement.

Belgium counts 4.989 million private households, as of January 1, 2020. The number of private households has been growing at about 0.7% annually, or 31,700 to 4.989 million. That yields an average household size of 2.3 people per household. The Federal Planning Bureau also forecasts household creation. The overall trend follows that of the population. Growth is forecast to be strong in the early 2020s before slowing but remaining solid. In terms of household types, single households will continue to lead the expansion, while the number of those cohabitating with and without children as well as single parents will increase. Those households married and with children will continue to decline, while the picture for those married without children is mixed, but eventually decreasing.

C. Housing stock

Belgium counts 5.577 million residences in 2020. In the last year, the number of residences increased by 62,684. Brussels Region and Flanders saw the highest increase in development activity. New development is dominated by apartments. This can often be at the expense of traditional houses, as available space becomes scarce, particularly in urban settings. In Brussels, 8,191 new apartments were completed in 2020.

D. Real estate prices

Median housing prices in Belgium have followed a stable upward trend. In 2020, house prices continued to climb to a median price of €250,000 in the third quarter, being the highest value achieved to date. The median price for apartments increased and recorded a median transaction price of €205,000 in the third quarter of 2020. The Brussels-Capital Region is the most expensive region, where median prices for houses and apartments were €450,000 and €230,000 in Q3 2020, respectively.

E. New builds

New builds are typically smaller and of higher quality compared to existing units. Exit prices for typical new apartments in Brussels range from 2,500 €/m² in the western side of the region to 6,000 €/m² in the city centre and Louise corridor, with luxury projects even higher. In Antwerp, exit values are 2,500 €/m² to 4,000 €/m² and more than 5,000 €/m² in select new towers. In Ghent, new apartments in the city centre are being commercialised at 5,000 €/m².

II. Office market in Belgium

A. Brussels

Office take-up Brussels in 2020 was low at 272,000 sqm. This represents a decrease of 50% compared to last year's number. The subdued demand was mainly caused by the ongoing uncertainty resulting from the global COVID-19 pandemic. Although it is still too early to draw final conclusions as to the impact of the crisis, occupiers are re-evaluating their real estate strategies. Overall, CBD markets and grade A facilities continue to experience demand.

B. Regions

Despite the difficulties in the market from the pandemic, regional office take-up in 2020 was high at 311,000 sqm marking the fifth consecutive year of take-up over 300,000 sqm. The Walloon markets did especially well, accounting for almost half of the regional take-up generated by many pre-letting transactions from the domestic public sector. Particularly in Namur take-up recorded a record high of 80,600 sqm. The Flemish markets, more particularly Antwerp and Ghent did well, accounting for a take-up of respectively 74,891 sqm and 38,700 sqm. Nevertheless, demand in the Flemish Regions hampered in 2020 by the lack of available quality space.

C. Demand

Unusually, office demand in the regional markets was higher in 2020 than in the Brussels market, accounting for respectively 311,000 sqm and 272,00 sqm. Combined, office take-up in Belgium registered 583,300 sqm in 2020. This subdued take up is in part due to many tenants having deferred long-term occupancy plans and instead having opted for other (short-term) solutions, while they get to grips with COVID-19 restrictions and long-term implications for their businesses. The health crisis has exposed a vulnerability in coworking that has led to smaller deals and more diverse operators.

D. Vacancy

The average vacancy rate for the Brussels market is slightly up from the previous year to 7.57%. Nevertheless, voids in the CBD markets remain tight, especially given the delay in construction over 2020. In the regional markets, there is a chronic lack of quality, available space. Speculative projects have reached stabilised occupancy, and the immediate pipeline is low. This limited new speculative development and strong demand has put downward pressure on the available stock. Larger Walloon markets such as Namur and Liège are facing even greater constraints, with extremely limited quality available space and almost no new speculative development to relieve this pressure, keeping vacancy low. Readily available grade A space is limited in all submarkets.

E. Development

Brussels office development completions totalled 180,000 sqm in 2020 after rebalancing, with projects being pushed into 2021 and 2022. The Brussels development pipeline through 2021 is robust at more than 450,000 sqm, though more than 64% is already accounted for. The largest projects are in the North district and the centre, as the market seeks to reinvent

itself for the modern occupier. In the regions, a substantial pipeline of projects has been established, especially in markets such as Antwerp and Ghent. However, in some smaller regional markets, developers are still hesitant to break ground at risk, with Mechelen being the best example of this. And with the added uncertainty from the Corona crisis, financing for large projects is expected to become more complicated, further limiting future supply, especially in those markets.

F. Rent

Prime rent in the Brussels market remained 315 €/sqm/yr in 2020. Strong pre-lets saw prime rates rise to 280 €/sqm/yr in the North district and equivalent to the city centre to 275 €/sqm/yr. Regional markets with bold new construction are seeing activity around new rental highs. Prime rents slightly increased to 160 €/sqm/yr in Ghent and to 155 €/sqm/yr in Mechelen. In Wallonia, prime rents increased to 165 €/sqm/yr. Prime rents in Antwerp and Liège remained the same at respectively 170 €/sqm/yr and 160 €/sqm/yr. Districts with limited new space on the horizon will see prime rents under upward pressure.

G. Investment

In 2020, investors closed CRE deals in Belgium for more than almost €6 billion. This is a 20% increase over the previous year and one of the highest investment volumes recorded in the Belgian real estate market, where Belgium has outperformed most European markets. Brussels offices accounted for 50% of total volume, which is in line with the historical evolution, though is high in terms of volume at almost €3 billion. Though opportunistic investors closed high-yield deals, core properties dominated interest. Belgian and foreign investors were each responsible for about 50% of total investment capital. Overall, office prime yields for standard leases are currently at 3.75% following strong bidding on prime assets in the CBD.

Key stats: 7.57% Brussels vacancy; 315 eur/sqm/yr prime rent; 3.75% prime yield for standard leases

sources : CBRE

III. Landbanking

A. Housing stock

The Belgian housing stock divided by Region is 58% in Flanders, 36% in Wallonia, and 6% in Brussels. Given the size and density of the regions, the proportion of apartments relative to the stock is 59% in Flanders, 19% in Wallonia, and 22% in Brussels. The proportion of apartments in the total Belgian housing stock has increased from 19% in 2001 to 27% in 2020, to some extent at the expense of attached homes.

B. Building permits

The statistics on building permits are available through September 2020. In Belgium, a total of 62,030 permits for new units were issued during this time; more specifically 40,399 permits for houses and 21,631 for flats. This is a 9% decrease for apartments and a 3% decrease for houses over the same period in 2019.

C. Land values

The FOD Economie is now no longer reporting building plot prices. Few vacant, buildable plots remain in Brussels. As a result, developments typically involve the demolition/conversion of existing buildings to an alternative use such as residential. During the last year we have seen an increase of sales concerning lands with permits as well as a rise of prices for lands with urban planning permits. These incidences can be upwards of 2,500 €/sqm for the best locations with high exit values, such as in Chatelain, the Sablon or on the Avenue de Tervueren. Land and older buildings for development without urban planning permission have values closer to 1,500 €/sqm. In other submarkets, such as decentralised areas, this is closer to 700 to 1,000 €/sqm.

Key stats: 2.3 people per household in Belgium; 62,684 net new housing completions in Belgium as of Jan 1 2020.

sources: FOD Economie, IBSA, CBRE, Federal Planning Bureau