

MARKETBEAT BELGIUM

LIVING SECTOR H2 2024



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
4.00% Prime yield multi-family	=	=
€1,235 month Av. rental price apartment Brussels	▲	▲
€478 million Investment volume 2024	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.01% GDP Growth YoY 2024	▼	▲
5.63% Unemployment Rate	▲	▲
3.6% House price index QoQ Q3 2024	▲	=

Sources: Moody's, Statbel, CIB, Federia, Korfine

MODEST ECONOMIC GROWTH WITH HIGH INFLATION

The Belgian economy is set to close 2024 with a modest GDP growth of 1.01% year-on-year, slightly outperforming the average eurozone growth 0.76%. This growth is mainly fueled by private and public spending, while contraction in international trade, encompassing both imports and exports, is a dampening factor. Looking ahead, GDP growth projections align with the broader eurozone trends, with forecasts indicating growth rates of 1.15% in 2025 and 1.36% in 2026.

Belgium notes the highest inflation of the eurozone, with a HICP of 4.8% while the average in the eurozone is 2.2% for November 2024. Gradual declines to 2.9% in 2025 to 1.9% in 2026 are expected.

Meanwhile, the labor market has shown stability, with an unemployment rate of 5.63% in 2024. However, a significant challenge remains in reactivating the approximately 526,500 individuals unable to work due to long-term illness, a record figure reported in 2023.

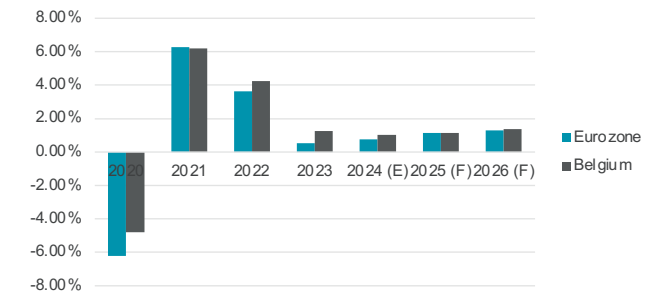
GOVERNMENT FORMATION: REFORM TALKS AND DEBT CONCERNS

Economic developments are tied to socio-economic reforms that a new federal government is likely to implement. Since the June 2024 elections, negotiations among potential coalition parties have not yet reached breakthrough. A proposed savings plan of €20 billion for the next legislative period is under discussion. Potential measures, such as a capital gains tax on shares, could influence investment strategies in the real estate sector. Earlier this year, Belgium was placed under an excessive debt procedure by the EU as both public debt and budget deficit surpass the EU limits.

INTEREST RATE CUTS SET STAGE FOR REAL ESTATE REBOUND

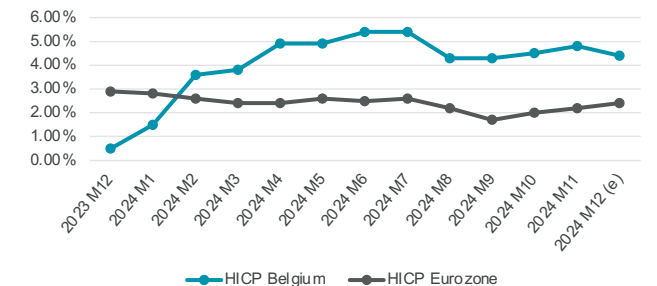
Stock markets have performed strongly over the past year, with the S&P 500 up 33% and the Bel20 gaining 15% since the start of 2024, but real estate as an investment product has yet to regain widespread investor interest. The ECB reduced interest rates twice in Q4 2024 and is expected lower them further in 2025, depending on inflation and without pre-commitment. Further interest rate cuts would benefit the leveraging effect on real estate investments.

GDP GROWTH (in % of change prev. year)



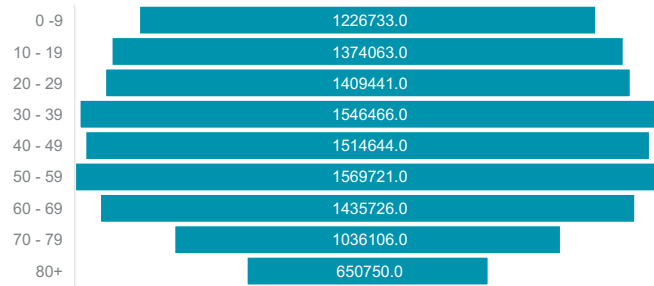
Source: Moody's

INFLATION RATE (HICP in % of change)



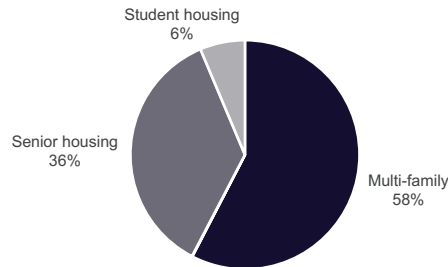
Source: European Central Bank (ECB)

POPULATION BY AGE GROUP 2024



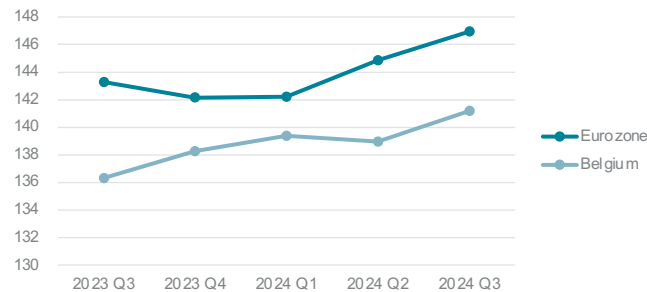
Source: Statbel

INVESTMENT VOLUME SHARE BY SECTOR 2024 (EUR)



Note: Sales to households are not included in this context.

HOUSE PRICE INDEX (2015 = 100)



Source: Eurostat

DEMOGRAPHIC TRENDS: A HOUSING MARKET SHAPED BY CHANGE

Belgium’s demographic dynamics are shaping the living sector, with a population of 11.8 million in 2024, primarily driven by migration, while a negative natural growth plays a tempering role. Urban centers like Antwerp, Ghent, Brussels, Charleroi, and Liège remain cities with the highest population numbers. Key trends in demographics are mainly the change in household composition and the ageing population. Besides that, student numbers are on the rise, impacting the student housing market.

Household compositions are shifting. In 2024, 36% of households consist of a single-person, followed by married couples with children (19%) and without children (18%). Also, the ageing population is a phenomenon. The working-age majority (20–64 years, 58%) is concentrated in the 30–59 age group, indicating a strong workforce. However, challenges loom with a growing elderly population and stable but stagnant youth demographics, which may affect workforce sustainability and housing preferences.

THE LIVING SECTOR: PRIVATE DOMINANCE AND EMERGING TRENDS

Belgium’s living sector market, focusing exclusively on professional real estate transactions, is characterized by its opacity and is predominantly controlled by private real estate actors, particularly in the multi-family and student housing segments. The pandemic has sparked growing interest from professional investors in this asset class. Notable relatively new residential-focused funds, some established within the past five years, include the ION Residential Platform (IRP), Buysse & Partners Smart Living, and Quares Residential Investment (QRI), which complement long-standing players like Home Invest, Vicinity, and Xior.

In 2024, the investment volume reached €478 million, with **multi-family housing** accounting for 58%. Key transactions include IRP’s acquisition of Archipel in Uccle and Ace Invest buying City Gardens in Leuven. The **senior living market** also saw activity in core transactions, with Aedifica closing the year with the €29 million acquisition of the Franki nursing home in Liège. The **student housing market** was quieter, with €30.4 million in transactions. Xior, aiming to reduce its debt ratio, initiated a divestment program in 2023 and reported asset sales totaling €122,000 in H1 2024, though details are unsure on how many sales is to be allocated to Belgium.

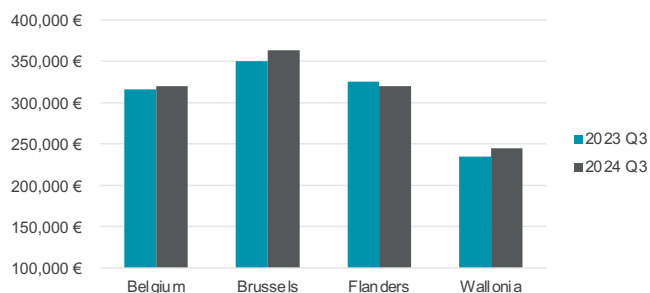
PRICING AND YIELDS: REGIONAL VARIATIONS AND OPPORTUNITIES

Prime yields in Belgium reflect the potential of its living sector. **Multi-family housing** yields hovered around 4.00%, while **senior living and student housing** ranged between 5.00% and 5.25%.

OUTLOOK

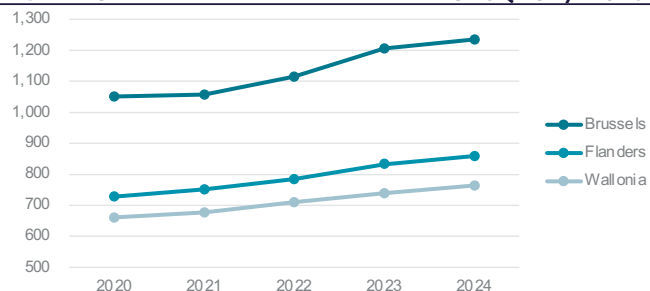
- Belgian GDP growth to increase slightly to 1.15% in 2025 and 1.36% in 2026.
- Inflation is forecasted to decrease gradually to 2.9% in 2025 and 1.9% in 2026
- ECB rate cuts in Q4 2024, with four additional cuts expected in 2025, to boost borrowing conditions.
- Migration-driven population growth and ageing demographics will shape housing demand.
- Growing student numbers continue to drive strong demand for student housing, while an aging population is set to significantly increase the need for senior living units..
- Prime yields are expected to remain stable for all sectors in the living sector, maintaining their attractiveness to investors.
- Apartment prices are projected to follow the current trends of regional variations. The national average is likely to continue growing modestly.

3rd QUARTILE APARTMENT PRICES (EUR)



Source: Statbel, only includes sales to households.

AVERAGE APARTMENT RENTAL PRICES (EUR/month)



Source: CIB, Federia, Korfine

When considering professional investments of multi-family in block, it is also essential to review **unit prices of apartments** sold to households. Apartment prices per unit, however, showed regional variations. The third quartile price for an apartment in Q3 2024 was €320,000, marking a 1.3% year-on-year increase on national level. Brussels experienced the most significant price growth, with apartments averaging €363,000, an increase of 3.7%. Flanders saw a surge in transaction volumes by 16.9%, despite a slight price decrease of -1.54%. These figures highlight a dynamic market influenced by regional economic conditions and housing demand.

RENTAL MARKET: HIGH DEMAND MEETS STABLE GROWTH

The rental market faced a shortage of quality units in 2024, particularly in multi-family and student housing. Despite the excess demand, rental price growth remained moderate for apartments. In the first half of the year, rental prices on the housing market increased in general by 3.3%. Regional differences in **apartment** rental prices were evident, with Brussels leading at an average monthly rent of €1,235 (+2.5% year-on-year), followed by Flanders at €859 (+3.1%) and Wallonia at €764 (+3.4%). Belgian REIT Home Invest reported a like-for-like rental growth of 3.4% and an occupancy rate of 98% in their bi-annual report of 2024.

In the **student housing segment**, rents outpaced inflation, with Xior reporting a 6.6% rental growth rate like-for-like in their 2024 bi-annual report and a remarkable 99% occupancy in Belgium.

The **senior living market** demonstrated improved underlying operator occupancy rates, with averages exceeding 90%, as reported in the bi-annual reports of prominent landlords of care properties. These trends reflect a broader recovery and a return to pre-pandemic stability within the sector.

OUTLOOK

- High demand for quality rental units in multi-family and student housing will remain strong.
- Rental prices are set to grow further, with student housing rents outpacing the apartment market over the past year. Growth rates will vary between segments.
- Occupancy in multi-family and senior living segments is likely to remain high, stabilizing near pre-pandemic levels. In student housing, near-full occupancy is expected to persist.

KEY SALES TRANSACTIONS 2024*

PROPERTY	SUBMARKET	SELLER / BUYER	# Units	PRICE (MEUR)
Archipel, Uccle	Multi-family	Life, Miix / IRP	126	>50
Care Portfolio Herentals, Rumbeke, Rijkevorsel	Senior housing	Cofinimmo / Healthcare Activos	356	50
City Gardens, Leuven	Multi-family	Home Invest / Ace Invest	138	34
Franki, Liège	Senior housing	Sense Development / Aedifica	209	29

*Transactions in the table included key transactions in the market, and are not necessarily closed by Cushman & Wakefield.

ANNECHIE N VEULEMANS MRICS

Senior Research Analyst

Tel: +32 (0)476 83 54 09

annechien.veulemans@cushwake.com

JONATHAN DECREM

Senior Investment Advisor

Tel: +32 (0)473 12 78 81

jonathan.decrem@cushwake.com

EMERIC INGHEL S MRICS

Partner | Valuation & Advisory

Tel: +32 (0)477 50 78 61

emeric.inghels@cushwake.com

GREGORY LAMARCHE MRICS

Partner | Head of Valuations & Advisory

Tel: +32 (0)494 26 07 58

gregory.lamarche@cushwake.com

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