MARKETBEAT
REGIONAL
OFFICE Q1 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
€190/sq m/year Prime rent	=	▲
6.60% Prime yield	=	▼
63,000 sq m Take-up (YTD)	▲	=
181,000 sq m Under Construction	=	=

Source: Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.44% Belgium GDP Growth (e)	▼	▲
2.78% Belgium Consumer price index	▼	▼
5.90% Belgium Unemployment Rate	▲	▲

Source: Moody's Analytics, BNB, Eurostat, April 2025

SLOWER GROWTH AND RISING GEOPOLITICAL RISKS

Belgium entered 2025 with modest economic growth expectations. According to Moody's Analytics, the country's GDP is projected to grow by just 0.44% this year, a figure already revised downward. This baseline forecast assumes an effective 10% U.S. tariff rate on EU exports. In a downside scenario where U.S. tariffs increase to 20%, Belgium would likely fall into recession, with GDP contracting by -1.3%. Commercial real estate may offer relative stability in the current environment, particularly for income-generating assets that are less exposed to global trade dynamics. Rental cash flows tend to remain stable, even during periods of uncertainty, while the potential for monetary easing in response to slower growth expectations could support financing conditions and sustain investor interest.

BELGIAN INFLATION REMAINS ELEVATED

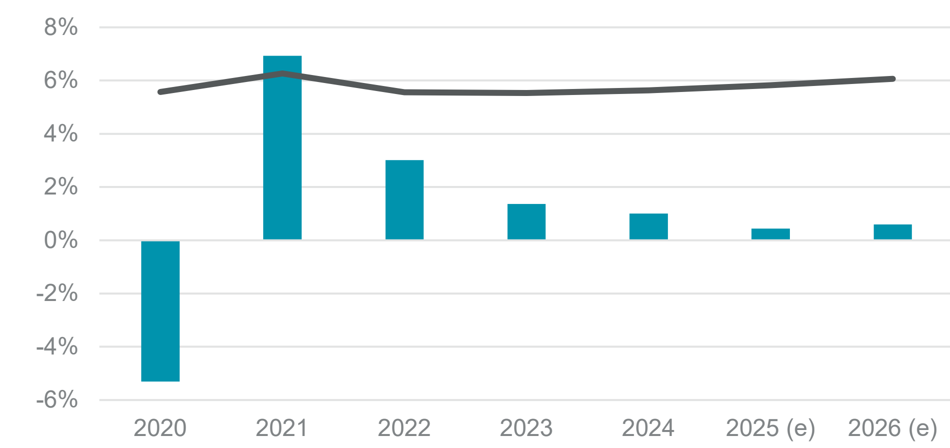
Inflation remains elevated. Belgium's harmonized inflation rate (HICP) was estimated at 3.6% in March, well above the Eurozone average of 2.2%. The strongest price increases were recorded in housing, utilities, and hospitality, while communication services saw price declines.

In construction, the building federation Embuild reports that while prices for essential materials like steel, wood and plastics have eased since early 2022, labour costs remain high and key materials such as cement and bricks are still more expensive than pre-crisis. As a result, overall building costs have stabilised rather than fallen, keeping pressure on development budgets.

SHIFTING INTEREST RATE ENVIRONMENT

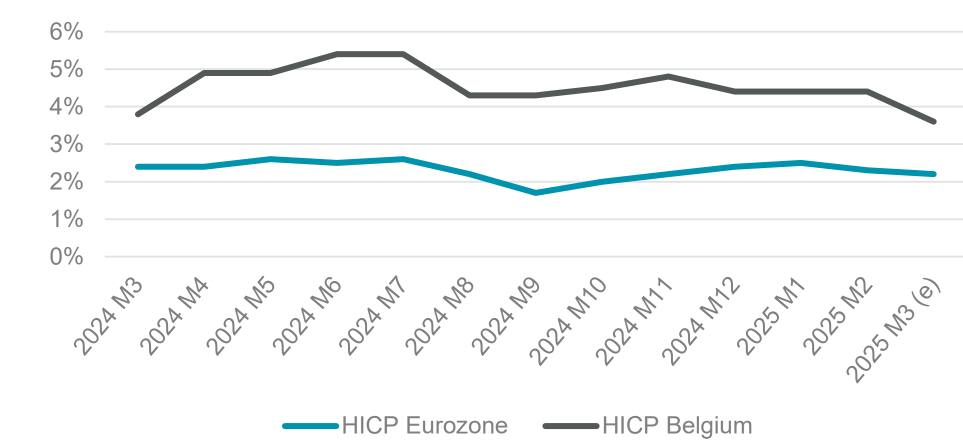
Interest rates fluctuated over the past month. Fixed-rate loans, linked to long-term government bond yields, became more expensive in early March after Germany announced a more flexible debt policy. However, by the end of the month, stabilising inflation brought those yields back down, easing pressure on fixed-rate borrowing. Meanwhile, variable-rate loans, tied to EURIBOR, benefited from two ECB rate cuts in Q1 2025, leading to lower financing costs for floating-rate debt.

GDP GROWTH & UNEMPLOYMENT RATE



Source: Moody's Analytics (April 2025)

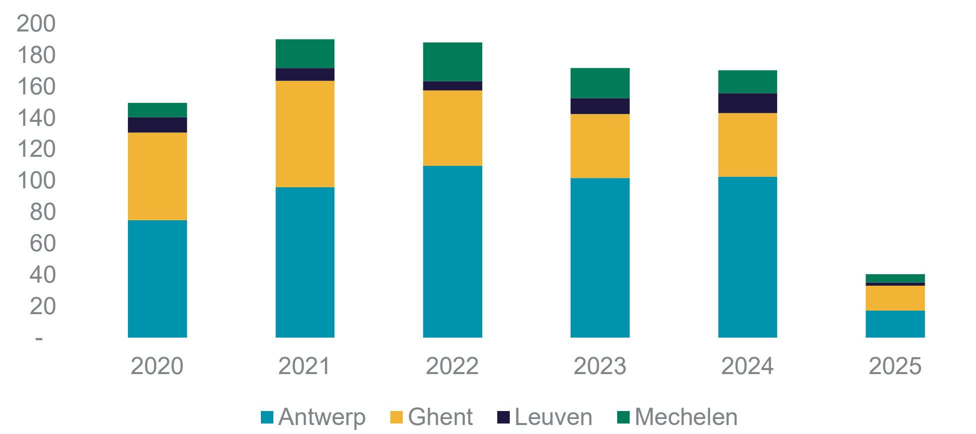
INFLATION RATE (HICP in % of change)



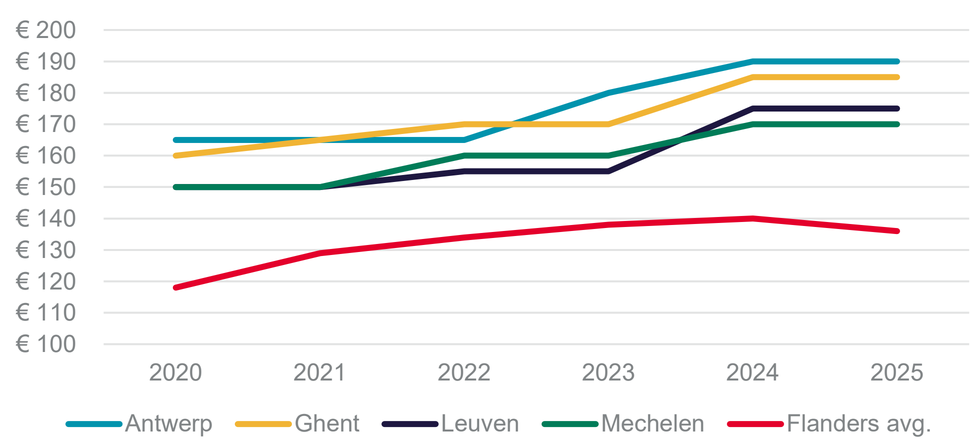
Source: European Central Bank (ECB)

FLANDERS

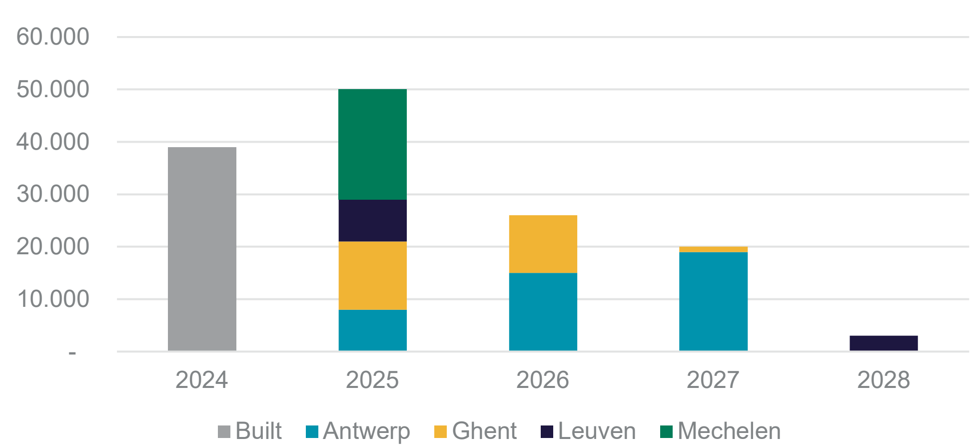
TAKE-UP BY CITY (000S SQ M)



PRIME RENTS (€/SQ M/YEAR)



PIPELINE UNDER CONSTRUCTION



FLANDERS HOLDS STEADY IN Q1, BUT ANTWERP STALLS

In Q1 2025, the Flemish office market recorded just over 100 transactions, totaling approximately 55,000 sq m of take-up. This level of activity aligns with the five-year average and indicates a certain degree of resilience in the regional markets, especially amid ongoing macroeconomic uncertainty and restrained corporate expansion strategies across Europe.

Despite the stable overall picture, notable regional contrasts have emerged. Antwerp, typically the powerhouse of occupier demand in Flanders, posted a subdued performance this quarter. Take-up in the city reached only 17,000 sq m—50% below the same period last year and 30% under its five-year average.

Conversely, Ghent outperformed expectations, recording 16,000 sq m of take-up, exceeding both Q1 2024 levels and the five-year average. This was largely driven by strategic pre-lettings, including major commitments from UGent and Stettler's *AI Campus Hub*. The pre-leasing of high-quality, innovation-driven developments underlines the growing appeal of Ghent's academic and tech ecosystem for both institutional and corporate occupiers.

Smaller markets such as Leuven and Mechelen recorded activity in line with historical trends, although Mechelen stood out with one of the most significant deals in recent years—the letting of *Het Zegel* to Duomed.

2025: A PIVOTAL YEAR FOR NEW COMPLETION IN FLANDERS

In Q1 2025, prime office rents remained stable across all major Flemish markets. Antwerp continues to command the highest rents in the region, with prime values holding steady at €190/sq m/year. Other key markets such as Ghent, Leuven, and Mechelen saw no change in top-line rents.

Vacancy rates also remained broadly stable in Flanders this quarter. While minor fluctuations were noted in a few submarkets, the overall picture points to a relatively balanced market—though this stability is underpinned by relatively modest levels of take-up. In Antwerp, for instance, the subdued occupier activity recorded this quarter may begin to exert upward pressure on vacancy if sustained, though this is not yet visible in current indicators.

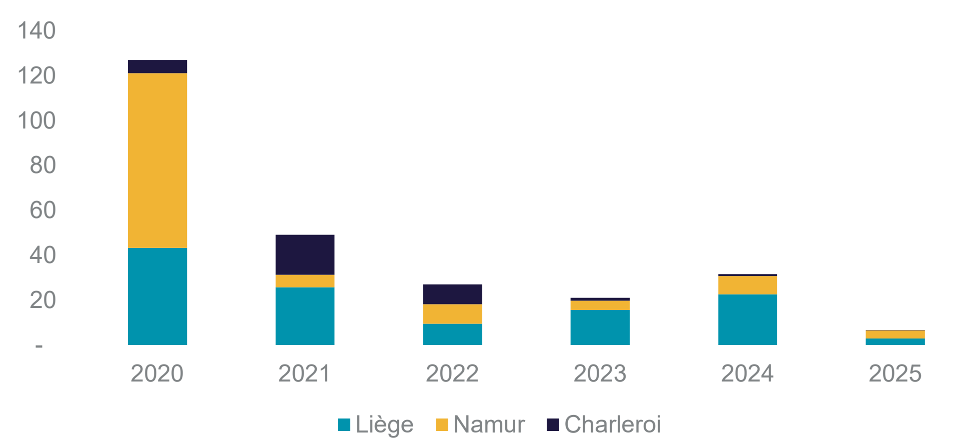
The development pipeline remains unchanged compared to previous quarters, but it is important to note that 2025 is shaping up to be a critical year in terms of new deliveries. While these additions will contribute to the long-term renewal of the office stock, they could also pose challenges in certain submarkets—particularly where recent take-up volumes have been weak.

OUTLOOK

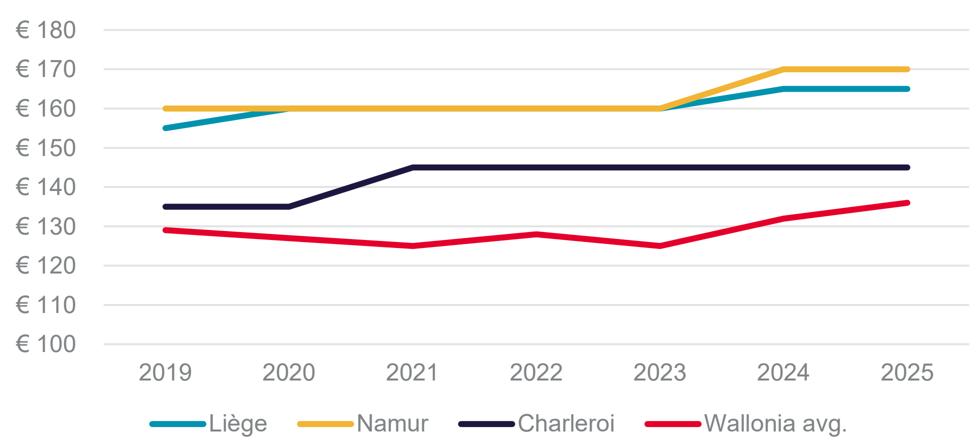
- Looking ahead, the occupational market in Flanders is expected to remain relatively stable in the near term, though a number of external factors may start to influence demand trends. The ECB's anticipated rate cuts in the second half of 2025 could gradually improve business confidence and financing conditions, especially for small to mid-sized enterprises. However, this potential stimulus comes against a backdrop of global uncertainty, including mounting geopolitical tensions and proposed U.S. trade tariffs, which could weigh on export-driven sectors—especially relevant for the Flemish economy.
- Moreover, 2025 marks a significant year in terms of new completions in the Flemish pipeline. In sub-markets where absorption levels are soft, this influx of supply may lead to a slight rise in vacancy, potentially putting downward pressure on rents in the medium term.

WALLONIA

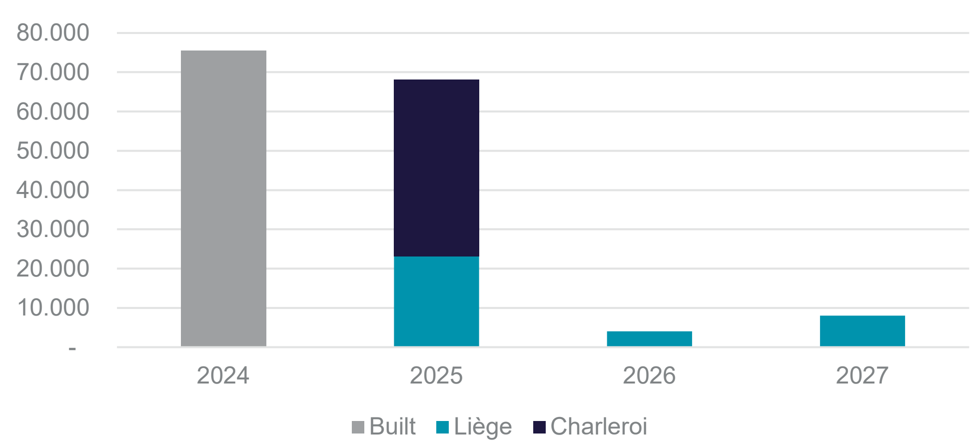
TAKE-UP BY CITY (000S SQ M)



PRIME RENTS (€/SQ M/YEAR)



PIPELINE UNDER CONSTRUCTION



WALLONIA STARTS 2025 WITH A PICK-UP IN PACE

In Q1 2025, the Walloon office market recorded a take-up volume of approximately 7,300 sq m—marking an improvement compared to the same period in both 2023 and 2024. While the total volume remains modest compared to larger regional markets, this uptick signals a positive shift in early-year demand.

What stands out even more than the volume increase is the significant rise in the number of transactions. This suggests that while average deal size remains limited, more occupiers are entering or repositioning within the market.

Traditionally, Liège has been the main driver of demand in Wallonia. This quarter, however, Namur matched Liège in terms of total take-up. That said, this performance should be viewed in context, as nearly 90% of Namur's take-up was concentrated in a single deal: the owner-occupation acquisition by CEPS of a building on Rue Guillaume Fouquet.

Meanwhile, Charleroi continues to struggle with very limited market activity. Only one deal was signed in the first quarter, totaling just 210 sq m—underscoring the city's ongoing challenges in attracting new occupiers or stimulating demand.

PRIME RENTS HOLD STEADY, BUT IS SUPPLY OUTPACING DEMAND?

In Q1 2025, prime office rents across Wallonia remained stable, following the upward adjustment seen in Namur at the end of 2024. Namur continues to lead the region with a prime rent of €170/sq m/year, closely followed by Liège at €165/sq m/year, and Charleroi at €145/sq m/year. This apparent rent stability reflects a broader economic context marked by caution, as well as a potential supply-demand imbalance in several submarkets.

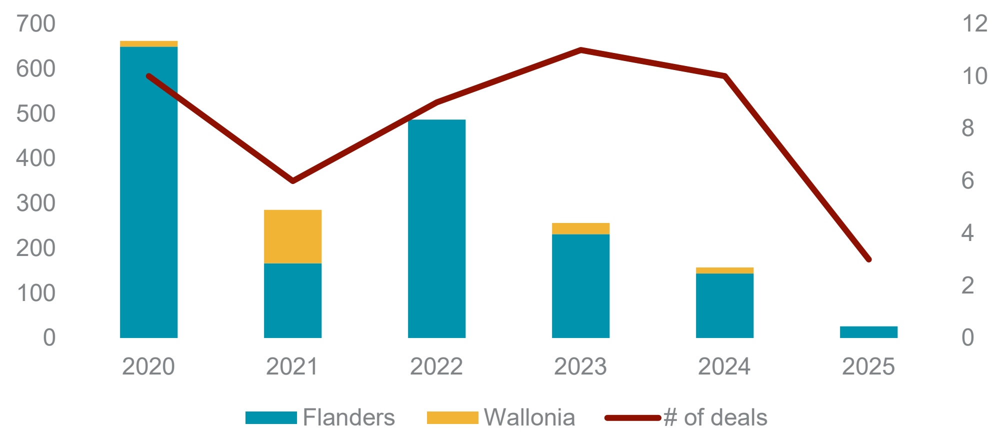
Vacancy rates have remained relatively stable compared to late 2024, though differences persist across cities. Namur and Liège continue to show healthy market dynamics, with vacancy hovering around 3.5%. Charleroi, on the other hand, maintains a higher vacancy rate, reflecting more subdued occupational activity and a slower pace of absorption.

The development pipeline remains robust in 2025, following the momentum of 2024. While new deliveries will help modernize stock and respond to long-term demand for sustainable buildings, the current moderate level of take-up raises concerns about potential oversupply. This could put pressure on headline rents in less liquid segments of the market. Notably, most of the pipeline is concentrated in Liège and Charleroi, where developers are pushing ahead with projects despite a more uncertain short-term outlook.

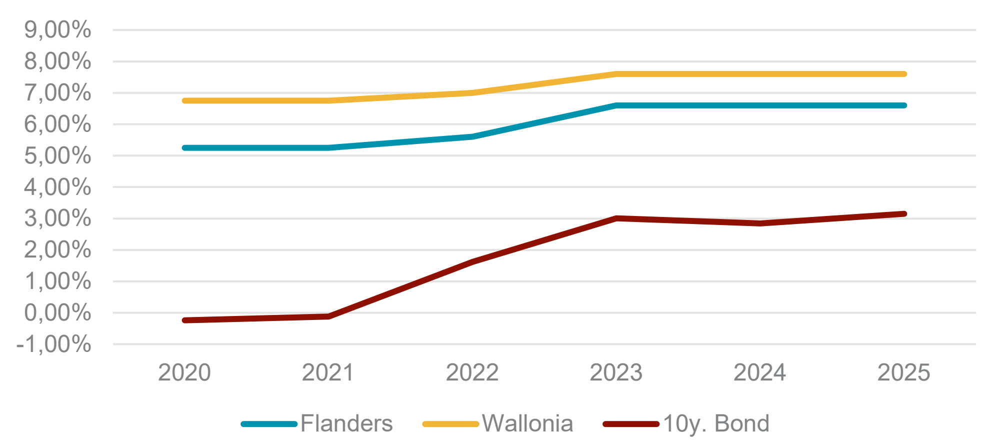
OUTLOOK

- Looking ahead, the occupational market in Wallonia is expected to remain relatively stable, although uncertainty continues to weigh on future activity. While the increase in transaction volumes in early 2025 is a positive signal, it should be interpreted with caution, as the market still relies heavily on large, one-off deals. In particular, demand remains highly polarized, with Namur and Liège continuing to concentrate most leasing activity, while markets like Charleroi face ongoing challenges.
- With a significant pipeline set to be delivered in 2025—especially in Liège and Charleroi—there is a growing risk of supply outpacing demand. This could put pressure on vacancy rates in the coming quarters unless demand accelerates. In the short term, leasing activity will likely be driven by public sector consolidation, relocation strategies, and targeted pre-lets, rather than broad-based corporate expansion.

INVESTED VOLUMES (MILLION)



PRIME YIELDS



INVESTMENT MARKET REMAINS IN LOW GEAR

In the first quarter of 2025, the regional office investment market in Belgium remained extremely subdued, with only three transactions recorded, totaling just over €26 million. This activity level mirrors the sluggish start seen in Q1 2024 and remains well below the five-year average, showing a sharp decline of 55%.

This low volume continues a pattern observed over the past three consecutive years, confirming that the regional markets—particularly for offices—are still struggling to regain investor confidence. The broader economic and financial headwinds impacting the real estate sector globally, has maintained this downtrend.

Notably, all transactions this quarter took place in Flanders, underlining the historically stronger appeal of the Flemish market compared to Wallonia. In uncertain times, this contrast becomes even more pronounced, as investors continue to favor markets perceived as more resilient and liquid.

The largest transaction of the quarter was the acquisition of the *Mechelen Business Tower* from Intervest Offices & Warehouses by WorxInvest, in partnership with the Casselman family, for €12.3 million. This deal illustrates that appetite remains for well-located, income-generating assets, but such opportunities are rare in the current climate.

NO MOVEMENT IN SIGHT: YIELDS FLAT ACROSS REGIONAL MARKETS

In Q1 2025, prime office yields in the regional markets of Belgium remained stable for the sixth consecutive quarter. In Flanders, yields held firm at 6.60%, particularly in Antwerp and Ghent, while in Wallonia, cities such as Liège and Namur maintained prime yields at 7.35%. This ongoing stability is a direct result of the persistent lack of benchmark transactions capable of redefining market standards. Despite the European Central Bank implementing another key interest rate cut this quarter, this easing has not yet translated into compression in commercial real estate yields. Investors continue to tread cautiously, awaiting clearer market signals and improved macroeconomic visibility before adjusting their risk premiums.

That said, some isolated transactions have begun to hint at the selective appetite for core assets in the regions. The most notable example is the sale of *Spaces Zuid* by Triple Living to a private investor for €8 million. The property, let to IWG on a long-term lease of 12 years, reflected a net initial yield of 6%—notably sharper than the prime for regional markets.

This transaction underscores the continuing appeal of fully let, future-proofed assets in prime micro-locations. However, such cases remain the exception rather than the norm in a still-uncertain and illiquid market.

OUTLOOK

- Looking ahead, the outlook for investment volumes in Belgium's office market remains cautious, yet not without signs of potential recovery. While prime yields have remained flat across the board for six consecutive quarters, anticipated cuts in the European Central Bank's key interest rates in the coming months could gradually improve financing conditions for investors, opening the door to renewed activity in the second half of the year.
- However, the rebound is unlikely to be immediate. Investor sentiment remains fragile, particularly amid continued global uncertainty, including trade tensions following U.S. tariff announcements and geopolitical instability. In this climate, capital is expected to stay selective, favouring well-let, core assets offering long-term income security—especially in prime locations.

MARKET STATISTICS Q1 2025

SUBMARKET	INVENTORY (sq m)	AVAILABILITY (sq m)	VACANCY RATE	Q1 2025 TAKE-UP	2024 TAKE-UP	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/year)	PRIME YIELD
Flanders								
Antwerp	2,468,228	137,100	5.55%	17,304	102,469	42,000	€190	6.60%
Ghent	1,137,177	42,740	3.76%	15,893	40,536	26,000	€185	6.60%
Leuven	587,755	25,744	4.38%	1,991	12,724	11,000	€175	7.35%
Mechelen	289,576	n.a.	n.a.	5,336	14,593	22,000	€170	7.35%
Wallonia								
Liège	615,016	20,459	3.33%	2,955	22,581	35,000	€165	7.60%
Namur	615,871	18,759	3.05%	3,465	8,205	-	€170	7.60%
Charleroi	517,680	27,350	5.28%	210	859	45,000	€145	7.85%

KEY LEASE TRANSACTIONS Q1 2025

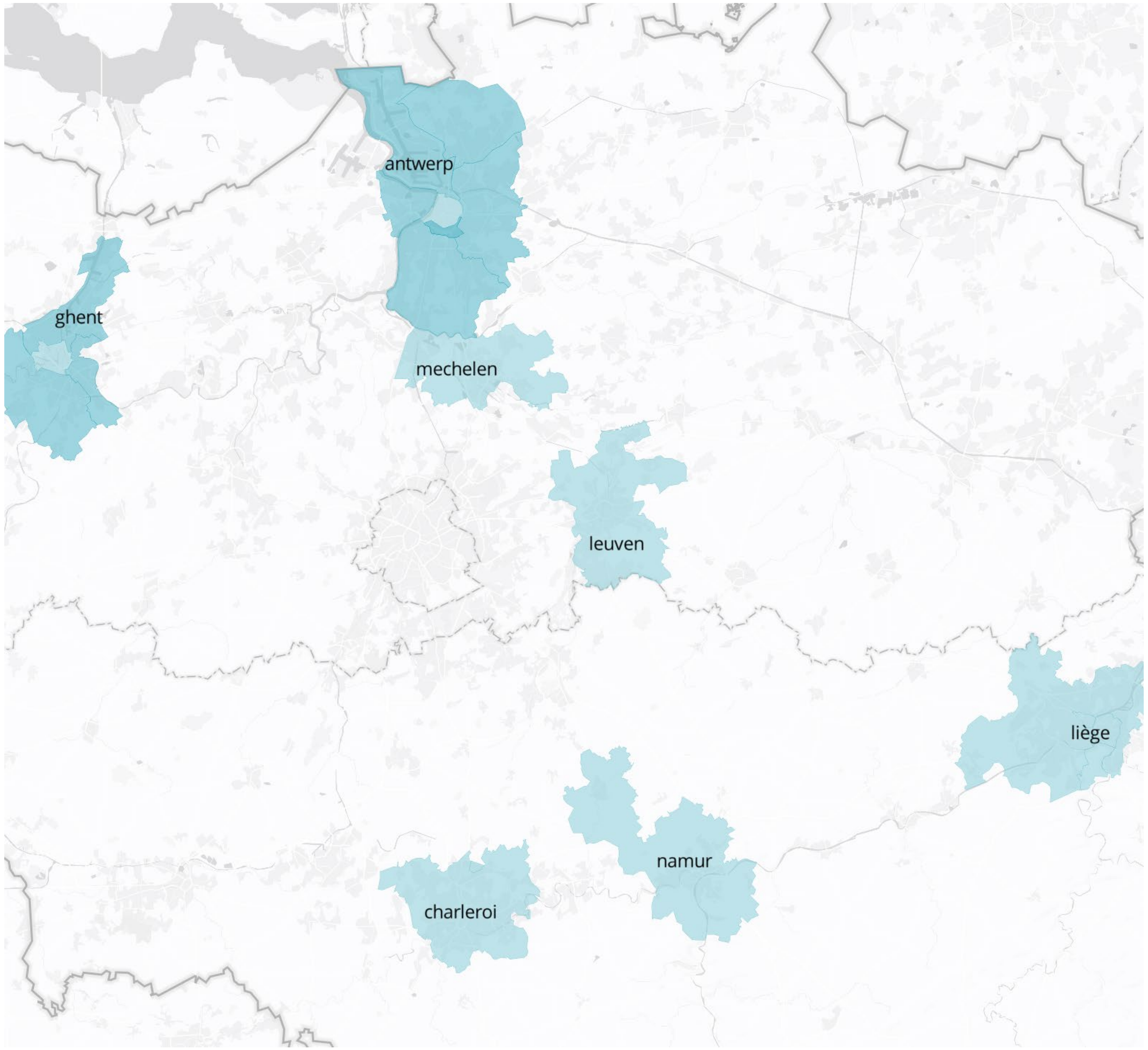
SUBMARKET	PROPERTY	TENANT	SQ M	TYPE
Ghent	AI Campus Hub	Ugent	5,000	Pre-letting
Namur	Rue Guillaume Fouquet	CEPS	3,000	Purchase
Mechelen	Het Zegel	Duomed	2,854	Letting
Ghent	Blue Towers	Cegeka	2,800	Letting
Antwerp	Vestar	Loop Earplugs	2,332	Letting

KEY INVESTMENT TRANSACTIONS Q1 2025

SUBMARKET	PROPERTY	BUYER / SELLER	PRICE (MEUR)	YIELD
Mechelen	Mechelen Business Tower	WorxInvest & Casselman / Intervest	12.70	-
Antwerp	Spaces Zuid	Private / Triple Living	8	6%
Leuven	Esperantolaan 9	Private / Bruvaco	5.50	8.75%

Source: Cushman & Wakefield

OFFICE SUBMARKETS



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