

**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>€390</b> /sq m/year Prime rent	▲	▲
<b>5.15%</b> Prime yield	▬	▼
<b>40,000</b> sq m Take-up (YTD)	▼	▲
<b>8.57%</b> Vacancy Rate	▲	▬
<b>633,000</b> sq m Under Construction	▬	▬

Source: Cushman & Wakefield

**ECONOMIC INDICATORS**

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

Source: Moody's Analytics, BNB, Eurostat, March 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**

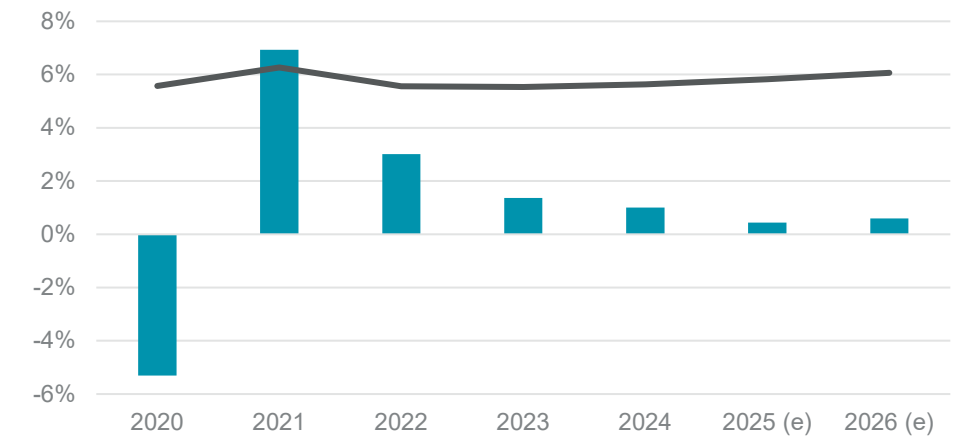
Inflation remains elevated. Belgium's harmonized inflation rate (HICP) was estimated at 3.6% in March, well above the Eurozone average of 2.2%. The strongest price increases were recorded in housing, utilities, and hospitality, while communication services saw price declines.

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**

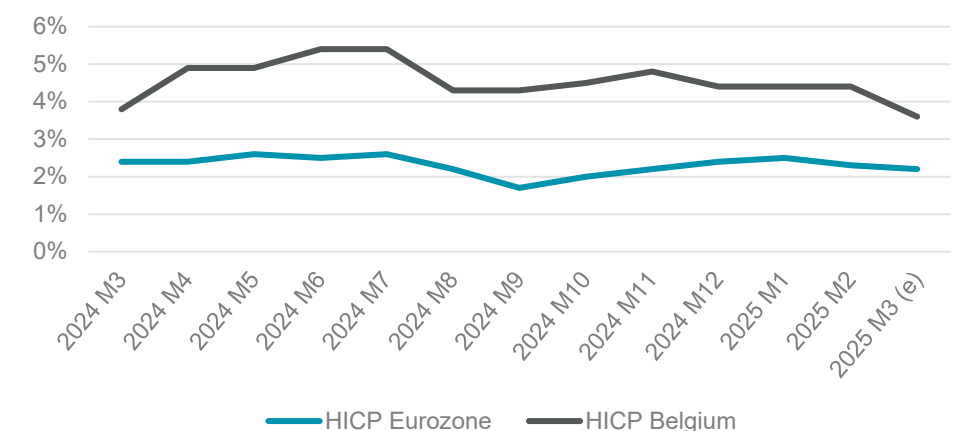
Interest rates fluctuated over the past month. Fixed-rate loans, linked to long-term government bond yields, became more expensive in early March after Germany announced a more flexible debt policy. However, by the end of the month, stabilising inflation brought those yields back down, easing pressure 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**



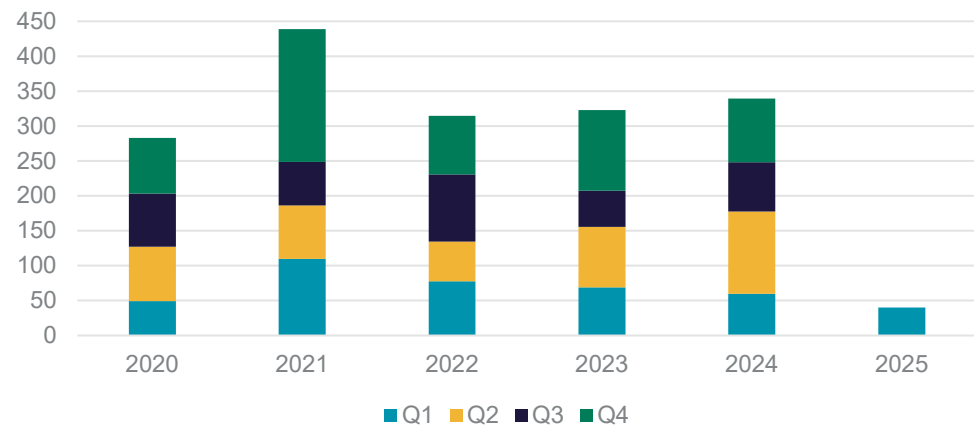
Source: Moody's Analytics (April 2025)

**INFLATION RATE (HICP in % of change)**

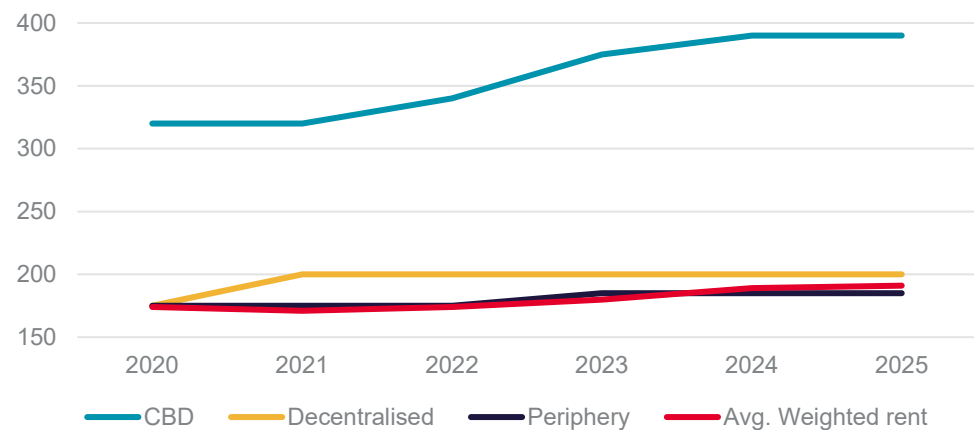


Source: European Central Bank (ECB)

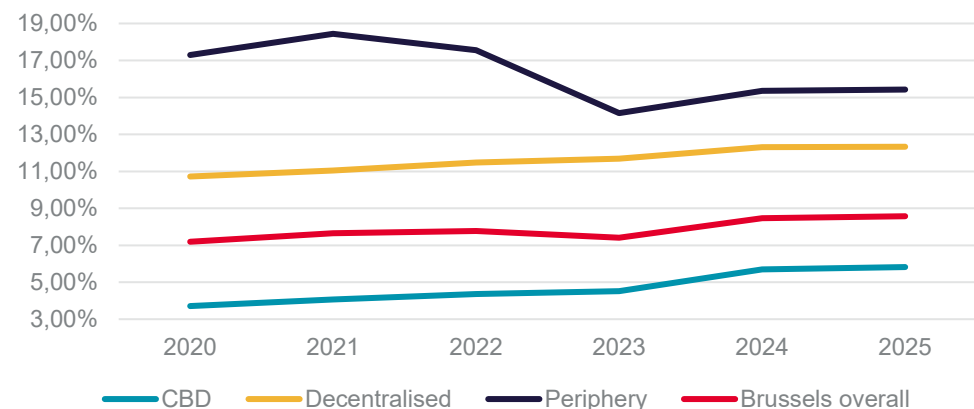
TAKE-UP BY QUARTER (000S SQ M)



PRIME RENTS (€/SQ M/YEAR)



VACANCY RATE



TAKE-UP DROPS TO ALL-TIME LOW

In Q1 2025, Brussels’ office market recorded an exceptionally weak start, with total take-up barely exceeding 40,000 sq m. This marks the lowest first-quarter performance ever recorded, even below the levels seen in 2020 during the COVID lockdowns and in 2009 amidst the global financial crisis.

Compared to the five-year average, take-up is down by 45%, and it drops by 57% when benchmarked against the ten-year average, underlining the severity of the slowdown. The historically low activity is largely due to the absence of large-scale deals, particularly from public institutions, which typically drive early-year momentum.

However, it is also clear that the private sector is not picking up the slack either, with a notable lack of significant occupier moves. Even in the CBD—normally the epicenter of demand—activity has remained subdued. The largest transaction this quarter took place in the Airport district, where IWG, a flexible office provider, consolidated over 6,000 sq m in *Pegasus Park*.

This deal was followed by Devos Bevernage (2,850 sq m) and Sopra Steria (2,000 sq m), both also located in the Periphery. The lack of demand from both public and private sectors paints a picture of a highly cautious market, where decision-making remains slow, and leasing momentum is stalled.

STABLE PRIME RENTS REFLECT MARKET UNCERTAINTY

In Q1 2025, prime rents in the Brussels office market remained stable, with no upward movement recorded. The persistent lack of market activity continues to weigh on any potential growth in headline rents.

Meanwhile, average rents have continued their slow but steady upward trend, now reaching approximately €190/sq m/year. This moderate growth reflects the ongoing flight-to-quality dynamic, allowing for slightly stronger pricing on mid-range assets.

VACANCY RISES AGAIN IN Q1 2025

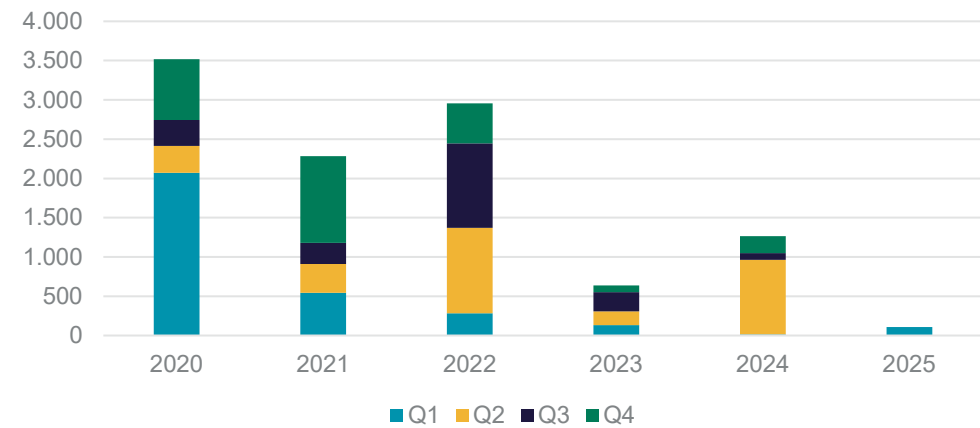
In Q1 2025, the vacancy rate in the Brussels office market continued its upward trajectory, increasing by 10 basis points quarter-on-quarter to reach 8.57% overall. This rise in vacancy was observed across all districts, highlighting the ongoing challenges facing the occupational market. The key drivers behind this trend remain unchanged: muted occupier demand and the delivery of new developments, many of which are only partially let upon completion. One notable example is the Luxia project, delivered speculatively in early 2025 on Boulevard de Waterloo, which significantly contributed to the rising vacancy in the Centre district.

With further speculative deliveries expected later in the year, vacancy could remain under upward pressure in the short term unless a demand rebound materializes.

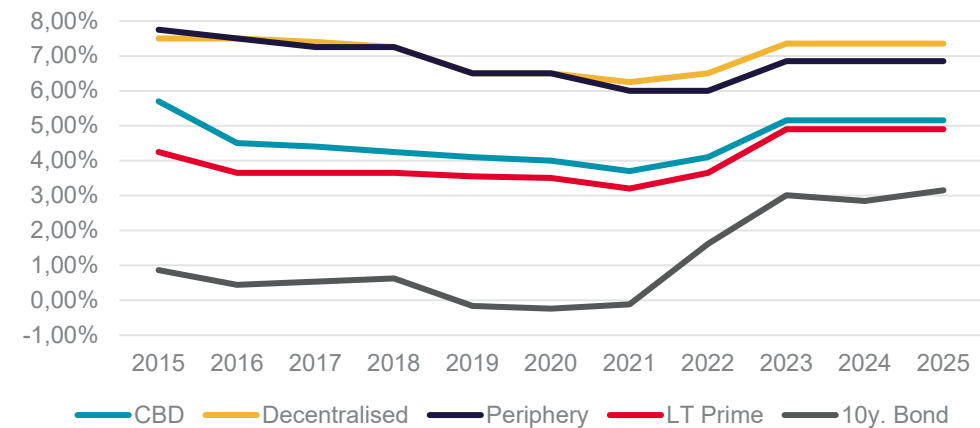
OUTLOOK

- Looking ahead, the Brussels office market remains reliant on large-scale transactions to drive take-up. The anticipated Proximus deal could provide a much-needed boost and lift quarterly volumes. While other major deals—particularly those involving public institutions like the European Commission—are still pending, a backlog of transactions appears close to completion, suggesting a gradual market recovery.
- On the occupier side, pre-letting activity is gradually returning in the Leopold district and city centre. Recently delivered projects in Louise, the Centre, and Leopold are also seeing steady leasing, pointing to continued demand for well-located, high-quality offices.
- Meanwhile, the development pipeline remains dense, with several speculative projects nearing delivery. This is adding pressure to vacancy rates. Prime rents are expected to remain stable for now, though oversupplied areas may face downward pressure. If the deal pipeline materialises, it could help restore balance and support market stability.

INVESTED VOLUMES (MILLION)



PRIME YIELDS



DEBT-INFLUENCED DEAL SHAPES A TEPID QUARTER

In Q1 2025, the Brussels office investment market saw a particularly slow start, with just four transactions completed for a combined volume of €107 million. This makes it one of the weakest first quarters ever recorded—only slightly better than Q1 2024. When excluding the one-off Cityforward deal in 2024, for €900 million, the overall trend continues to reflect a prolonged downturn now entering its third year.

A significant portion of this quarter’s investment volume came from a single off-market transaction: the sale of the *Chancelier* building to Belfius Immo, reportedly for approximately €85 million. While details remain limited, the transaction reflects a strategic agreement between the developer, Codic, and Belfius Immo, one of the project’s main financial stakeholders. Though not a forced sale, the context suggests a deal shaped by underlying financial considerations rather than renewed investor momentum.

The second-largest transaction this quarter was the internal share transfer of *Artemis Square*, where Mundo Lab took over AlphaStone’s stake in the asset. This deal, while important from an ownership perspective, also does not reflect new capital entering the market.

Overall, investors remain highly cautious, with activity still limited by economic uncertainty, interest rate pressures, and a general wait-and-see approach prevailing across most of the buyer spectrum.

YIELDS ON PAUSE AS MARKET AWAITS ITS NEXT BENCHMARK

In Q1 2025, prime office yields in Brussels remained stable for the sixth consecutive quarter, marking a full year without movement. This continued stability comes despite a recent interest rate cut by the European Central Bank, reflecting a shift in monetary policy aimed at supporting economic growth. So far, however, the prime commercial real estate segment has shown no immediate response.

This ongoing yield stability reflects cautious investor sentiment in the face of persistent macroeconomic uncertainty. While falling interest rates could eventually help revive activity and improve pricing dynamics, a limited number of benchmark transactions and a continued disconnect between buyer and seller expectations are delaying any potential compression.

A handful of core investors remain active and continue to explore opportunities for high-quality assets. However, transactions remain rare, and without clear reference points, prime yield levels are unlikely to shift in the near term. Until more evidence emerges through meaningful deal flow, yields are expected to remain under pressure from subdued activity, conservative underwriting, and a still-fragile confidence in the market.

OUTLOOK

- Looking ahead, investment volumes in the Brussels office market are expected to remain subdued in the short term. Despite the European Central Bank’s recent moves to ease interest rates, investor sentiment remains cautious, with many still waiting for greater macroeconomic clarity and more attractive pricing.
- However, should inflation and borrowing costs continue to ease, market confidence may begin to recover in the second half of the year. A few significant transactions currently under negotiation could provide a boost to volumes, but a strong rebound is unlikely before 2026 unless there’s a clear shift in the economic environment.
- In terms of pricing, prime office yields are expected to remain stable in the coming months, following over a year of stagnation. While downward pressure could re-emerge in the medium term, any yield compression will likely depend on the return of institutional capital and a more competitive debt landscape.

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
<b>Brussels (Overall)</b>	<b>13,866,299</b>	<b>1,187,666</b>	<b>8.57%</b>	<b>40,192</b>	<b>339,628</b>	<b>633,309</b>	<b>€390</b>	<b>5.15%</b>
Leopold	3,480,162	120,218	3.45%	5,099	81,667	201,234	€390	5.15%
Centre	2,518,444	143,932	5.72%	4,237	76,027	124,786	€340	5.25%
North	1,619,477	185,687	11.47%	191	12,137	13,600	€270	5.80%
Louise	875,995	62,603	7.15%	2,330	20,664	5,000	€340	5.30%
Midi	618,538	17,137	2.77%	137	1,136	23,000	€195	6.00%
Decentralised	2,423,396	298,830	12.33%	9,567	68,570	110,000	€200	7.35%
Periphery	2,330,287	359,259	15.42%	18,631	79,427	155,689	€185	6.85%

KEY LEASE TRANSACTIONS Q1 2025

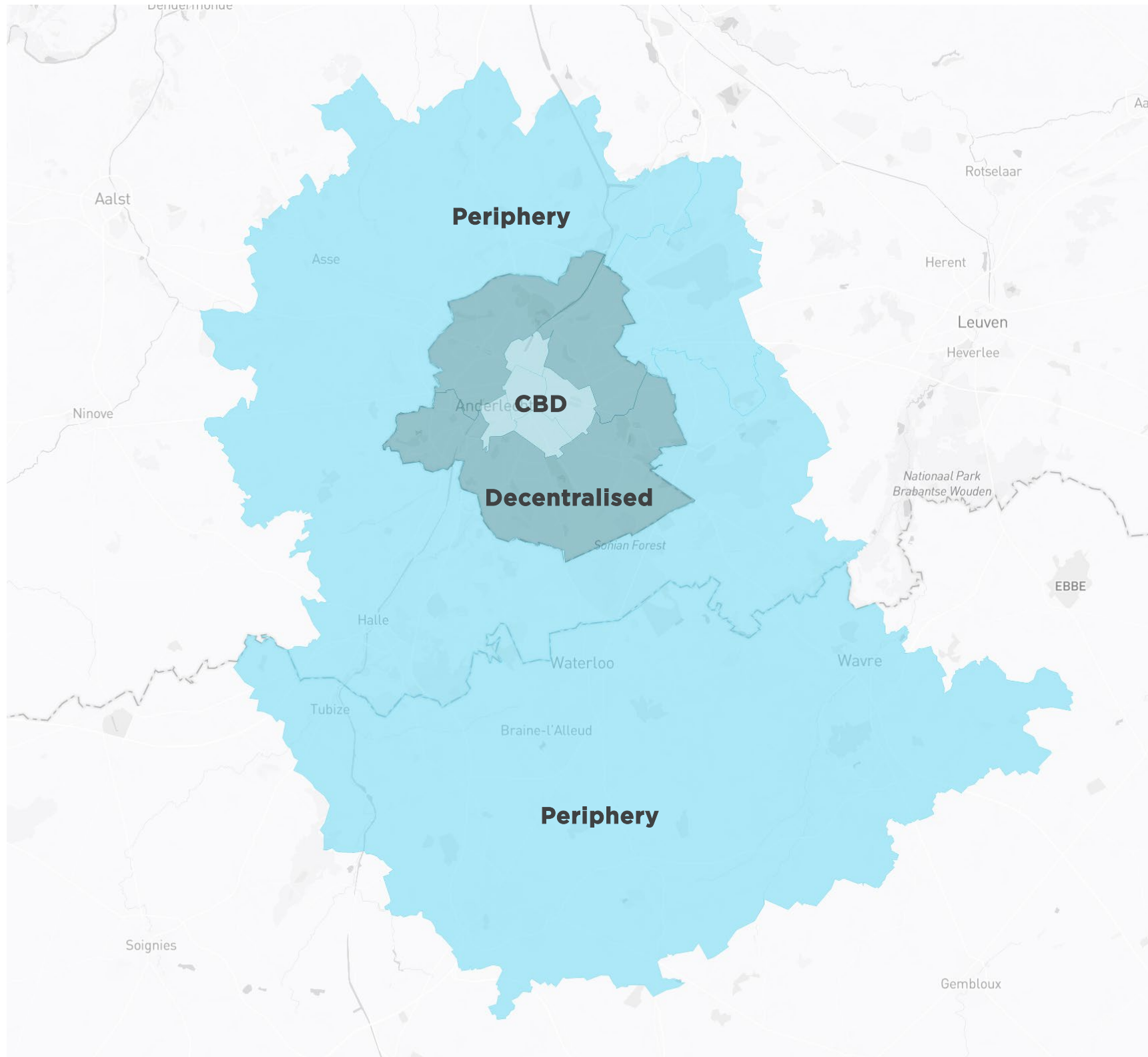
SUBMARKET	PROPERTY	TENANT	SQ M	TYPE
Periphery	Pegasus Park	IWG	6,024	Pre-letting
Periphery	Steenweg op Zaventem 33	Devos Bevernage	2,850	Purchase
Periphery	The Wings	Sopra Steria	2,000	Extension
Decentralised	Leopold Square	Bekaert	1,810	Letting

KEY INVESTMENT TRANSACTIONS Q1 2025

SUBMARKET	PROPERTY	BUYER / SELLER	PRICE (MEUR)	YIELD
Centre	Chancelier	Belfius / CODIC	85	n.a.
Leopold	Artemis Square	Mundo Lab / AlphaStone	10	n.a.
Decentralised	Sylvain Dupuis 251	GML Estate / Crelan	7	n.a.
Centre	Bischoffsheim 11	Promiris / EuroCapital	5	n.a.

Source: Cushman & Wakefield

**OFFICE SUBMARKETS**



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