



Emerging Trends in Real Estate

Brussels, a boring market?

Can Brussels be perceived as a boring market?



The Brussels Real Estate market isn't prone to dramatic swings that make headlines. It's no mega-market like London, Paris or even Amsterdam. Brussels is the strong and silent type: its strength lies in its stability over time.

Its resilience was evident during the financial crises of the last decades. Belgium was largely spared from the plummeting Real Estate prices from which other major European countries suffered and it enjoys reasonably stable rental prices.

The Brussels market may be boring, but it's stable, making it a safe and reliable place to park an investment. There's nothing boring about that.

City rankings 2019 (investment and development prospects)



1. Lisbon	2. Berlin	3. Dublin	4. Madrid
5. Frankfurt	6. Amsterdam	7. Hamburg	8. Helsinki
9. Vienna	10. Munich	11. Paris	
14. Athens	23. Brussels		29. London

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We have incredible assets but a political system that’s far too intricate.

Brussels is very stable.

There’s a ‘wait and see mood’ in the country resulting from ‘political instability and mobility issues’.

Issues potentially impacting business in 2019

One of the main concerns from a RE market perspective relates to the availability of suitable assets.

The pace of change is fast, pushed by technological, social, political and economic forces. Global returns are at all-time low. We're at the mature stage of the economic cycle.

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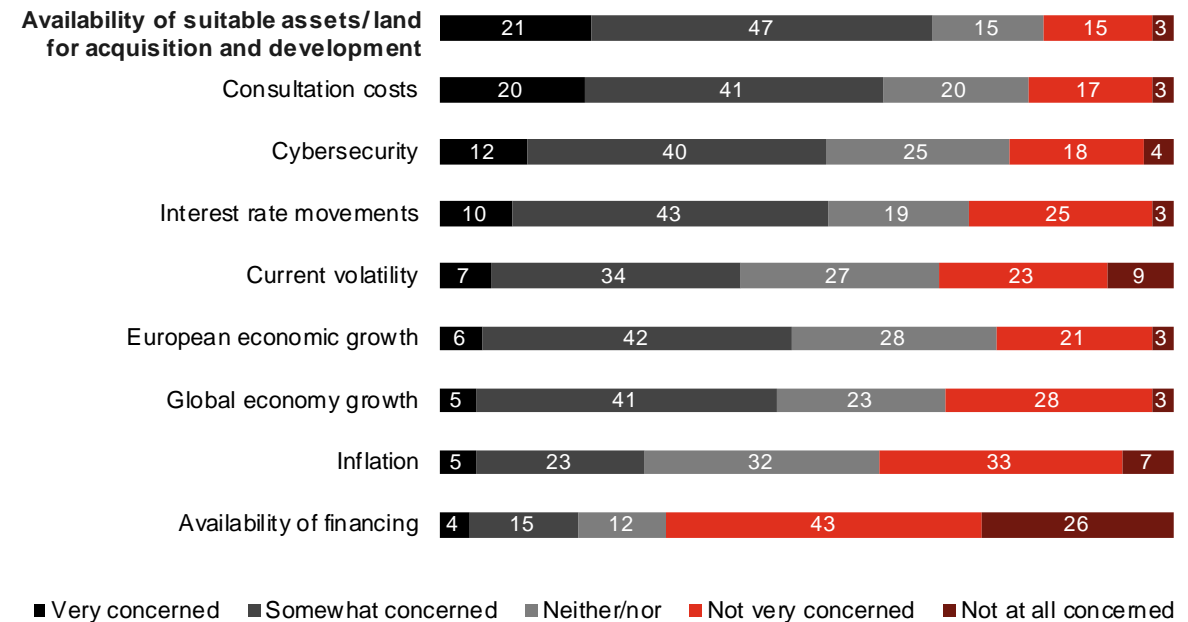
We need to adapt even more to a low-growth environment with low yields, low interest rates and low inflation.

This is leading to more diversity in investment strategies and a stricter approach to investing. **Attitudes towards debt have become more conservative since the global financial crisis**

There are still a lot of investors, including Asians, looking to invest in real estate that can lead to currency gains over a three- to five-year period.

PwC

Issues potentially impacting business in 2019



Source: Emerging Trends in Real Estate® Europe 2019 Creating an impact A publication from PwC and the Urban Land Institute

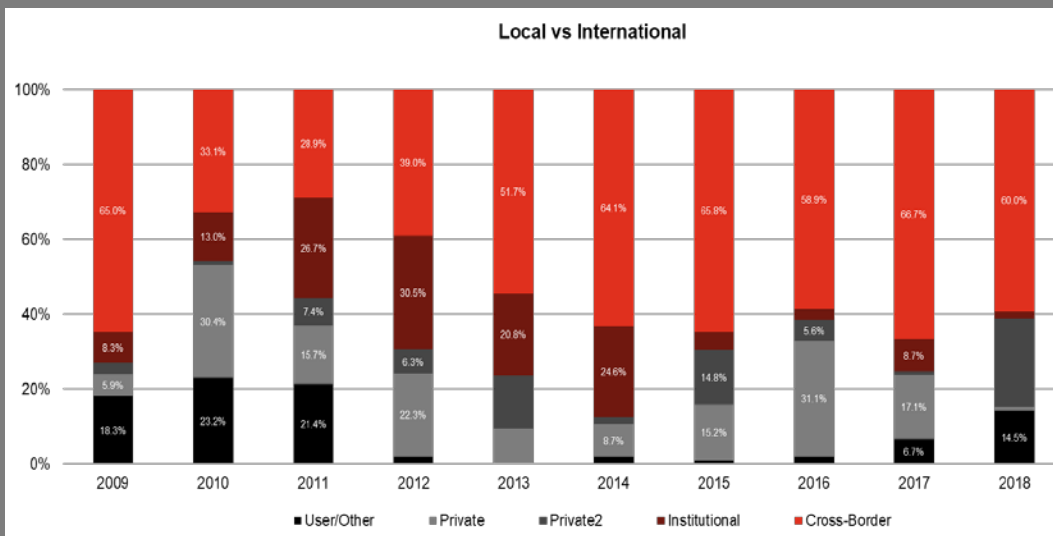
RE commercial investment volume in Belgium vs Europe (2018)

European Real Estate remains a significant investment vehicle despite concerns about record-low yields, high costs and limited availability.

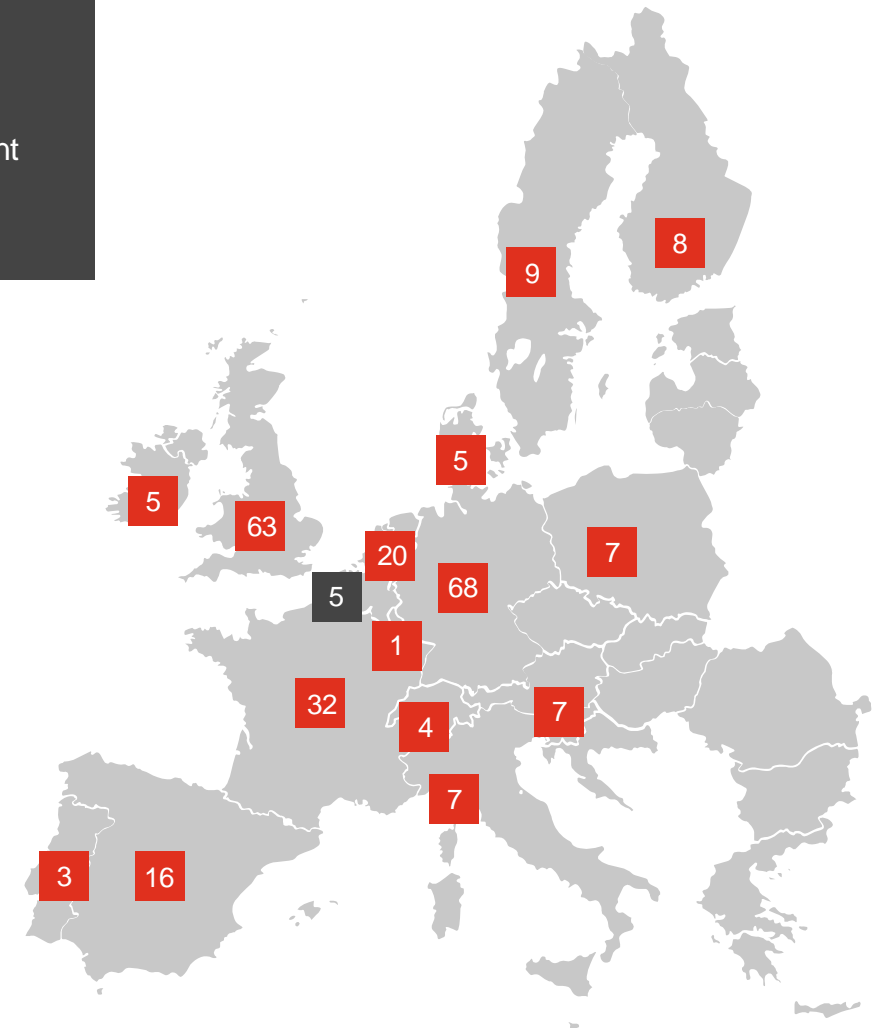
The hunt for core assets continues. Yields at the prime end of the market for long-term leases have shrunk to record-low levels. Further decreases are not expected.

The market was dominated by **international investors**, mainly from **Asia, Germany and local investors**.

How's Brussel "International" ?



Total
volume
investment
in Bn€

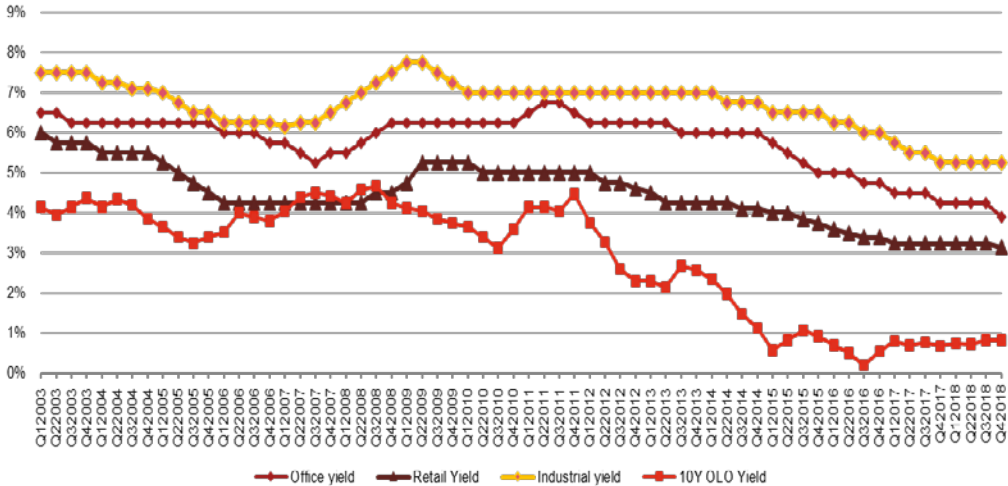


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Future Yield Expectations



Belgian Yield Evolution versus 10Y OLO



Yields at the prime end of the market have shrunk to record low levels. In most major European cities, prime office yields in central business districts (CBDs) have fallen to 3.0-3.5% and prime industrial yields are between 4.0-4.5%.

	London	3.25%	2.50%	4%
	Paris	3%	3.50%	4.50%
	Amsterdam	4%	3%	5.25%
	Stockholm	3.50%	3.25%	4.75%
	Vienna	3.50%	4.10%	5.50%
	Munich	3%	2.50%	4.40%
	Frankfurt	2.80%	3.40%	4.40%
	Brussels	3,66%	3.25%	5.25%

Where do we see future value?

We see a move towards assets that are more secure such as healthcare and student flats. They're less correlated to the economic cycle and offer long-term contracts. There's a strong move towards mixed use – traditional silos are breaking down and now residential, flex spaces, retail and leisure co-exist.

1 Co-living	2 Logistics facilities	3 Retirement/ assisted living	4 Flexible office	
6 Student housing	7 Privately rented residential	8 Serviced apartments	9 Housebuilding for sale	10 Social housing

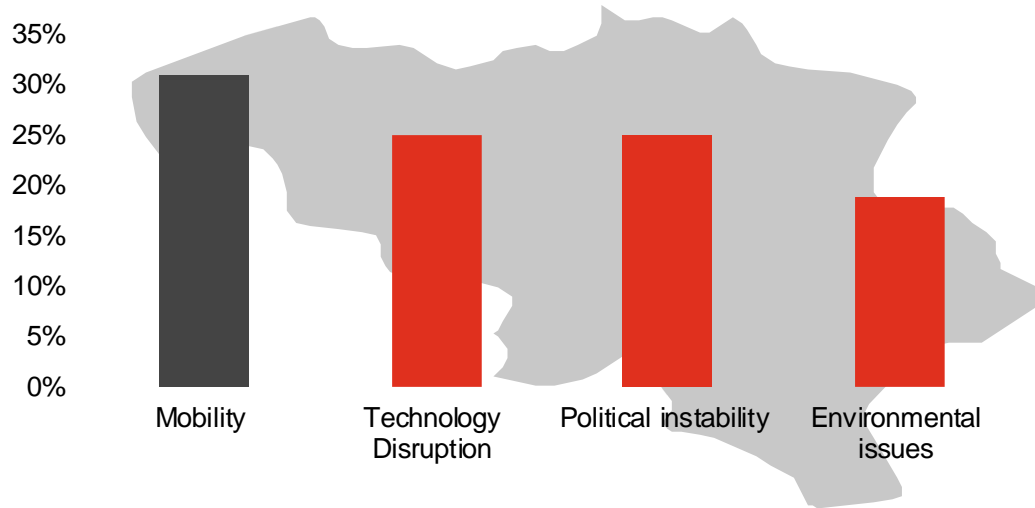


Demand for the not-so-mature asset classes like student housing and serviced apartments has been pretty good, and because of the rise of the millennial generation, you're also seeing demand grow in sectors like co-living."

We like last-mile for all the obvious reasons, plus the underlying site value.

Outlook for tomorrow

What business/social/political issues will most impact your business?



(PwC Survey Belgium C Suite 2018)



Many people live too far from work. There's a strong anti-urban mentality. For many Belgians, owning a detached house with some green space in the neighborhood where they grew up is worth all those hours on the road.

Some investors find it difficult to get excited about the city of Brussels and according to the Urban Land Institute (ULI)'s 2019 survey, its lowly ranking has barely improved. Most concerns are around political instability and mobility issues.

According to a recent EU report, mobility in Belgium suffers from insufficient public investment in infrastructure, distortive tax incentives and lack of competition in transport services, causing major congestion and hindering productivity and growth.

Our complex political system is working largely to our detriment in terms of getting the different layers of power aligned on mobility issues, **which are key to making sure that Brussels can keep up with succesful cities like Amsterdam and Vienna.**

Outlook for tomorrow



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The strength of the Belgian Real Estate market lies within its **relative stability**

Overall, we remain optimistic about the prospects for Belgian Real Estate markets while being aware of potential risks. Lower interest rates, together with lower levels of debt financing and lower property supplies in most markets worldwide will temper the effects of a slowdown.

The Logistics and Retail sectors will continue to experience significant structural changes due to increased online sales. The approach to Retail is very cautious.

Office space is more stable, but still subject to structural changes due to flexible working technologies, different tax regimes and mobility issues.

Real Estate's no longer just about location and price, but also connectivity and digital infrastructure. Boundaries between sectors are disappearing, with mixed-use properties becoming more the norm. Obsolescence is a growing concern for asset owners globally, against a backdrop of rapid changes in technology, demography and social norms. New generations are becoming workers and consumers and different social values and choices are influencing how people live, work and play. As a result, in order to remain relevant, real estate will need to provide amenities and experiences that the ultimate end user wants.



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