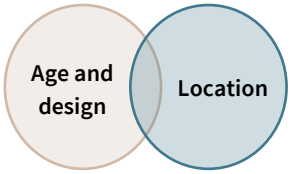
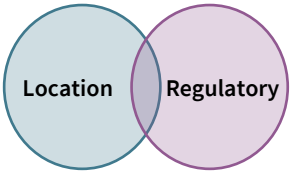
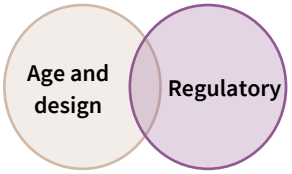
Opportunities through obsolescence: Belgium

Protecting and creating value in properties and places at risk of stranding

Key highlights:

- When planning capital outlays, investors and authorities alike should consider the multiple dimensions of obsolescence – age and design, regulatory and location – in order to maximize return on investment.
- Within cities, the fluidity of office demand is contrasting with acute shortfalls in residential, experience-based retail and urban logistics supply to reshape spatial development and regeneration patterns.
- Up to €22 bn in capital expenditure in Belgium – of which nearly €16 bn in Brussels – could be needed to bring office assets at the end of their life cycle up to current standards.
- Non-performing locations in Belgium have long been subject to reconversions, especially in Brussels.
- Residential and educational facilities are often alternative classes for an office asset repurposing across all cities in Belgium.

The convergence points of the dimensions of obsolescence provide strategic guidance for both property owners and city authorities

			
Owners →	Consider future of a given asset in line with market demand and spatial dynamics, with particular emphasis on site-specific enhancements to the built environment and experience.	Adjust portfolios to align with expectations for further tightening of ESG and building standards requirements, particularly where Europe and US exposure is outsized.	Proactively assets at highest risk of stranding based on age and regulatory concerns based on geographic and engineering aspects, with particular emphasis on capex needed.
Cities →	Undertake long-term strategic spatial planning to rebalance land use and implement placemaking schemes in locations at risk of obsolescence.	Scale up regeneration efforts in geographic clusters of potentially stranded assets, particularly where climate and land use balance indicate need for intervention.	Collaborate with other public sector bodies and the private sector to create financial incentives and other methods of offsetting the cost of retrofitting.

Source: JLL Research

Age and design obsolescence

Although there is no one measurement to calculate near-term obsolescence or stranding risk, building age tends to correlate best with respect to the ability to meet tenant, investor and sustainability requirements along with the rate of occupancy and rental growth. Age aligns strongly with existing engineering, technological and climate adaptation capabilities as well as the ability to retrofit them at pace. In parallel, the presence of social value and wellbeing-oriented design through the presence of private outdoor spaces, biophilic architecture, the retention of some or all of the substructure to better manage embodied carbon as well as floorplates that maximize light penetration, all have a greater presence in new construction, meeting newer standards for users of all forms of commercial real estate.

The scale of these impending capital needs should not be underestimated, particularly for highly differentiated sectors. Of the 776 million square meters of existing office space in 66 key markets globally, anywhere from 322 to 425 million square meters is likely to require substantial capital expenditure to

remain viable in the short term. In practice, this equates to roughly US$933 billion to US$1.2 trillion in spending, roughly 2.2 to 3.1 years' worth of dry powder in the entire United States.

At the same time, this is unevenly distributed: 44% of projected obsolescence is likely to arise in the U.S. given higher levels of structural vacancy, with a further 34% in Europe as flight to quality in select segments leads to a smaller but still significant amount of vacant product with little demand chasing it. Such divergence also exists at the market level, where New York, Washington DC, Paris, Chicago and London alone will account for US$242 to US$320 billion of necessary global capital expenditure. These discrepancies underscore the distinctions that owners will need to make when assessing the gradient and distribution of super-prime, core, value-added and distressed investment opportunities and strategies.

Gateway U.S. and European geographies face particular challenges with at-risk products due to high retrofit costs and large inventories

Estimated retrofit cost ($/m^2)

At-risk product under moderate scenario (million/m^2)

Source: JLL Research

Estimating capex budget under varying scenarios:

Range of potentially obsolete product under varying scenarios.

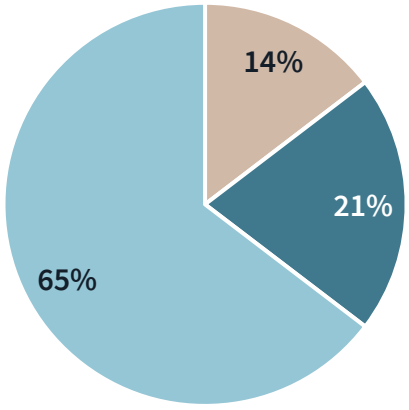
Americas	EMEA	Asia-Pacific
161-214m sq.m.	72-145m sq.m.	62-93m sq.m.
$520-$687Bn	**$297-$391Bn**	**$103-$136Bn**

Implications for Belgium's commercial market

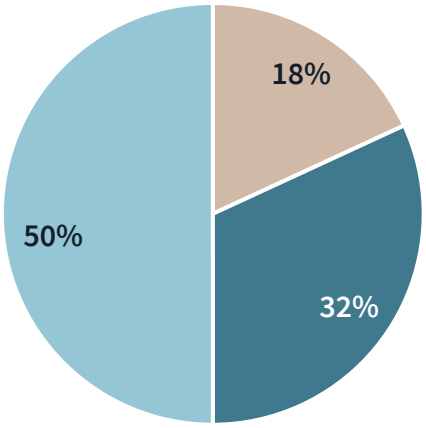
We conducted a similar capex budget analysis for Belgium's three regions, with Brussels including both Flemish and Walloon suburban communes. As a baseline, we estimated retrofit costs ranging from €1,800 to €2,500 / sq.m., aligning with most German cities and slightly below the European average for the upper range. For Flanders and Wallonia, we assumed retrofit costs of €1,800 - €2,000 / sq.m. and in Brussels we projected €2,000 - €2,500 / sq.m.

After updating our stock data, we calculated an estimate of the obsolete stock, defined as Grade C properties that have not been renovated, as a base case for our analysis. For Brussels, we factored in the regional requirement of a minimum 25% mixed-use development for most new projects. This regulation however, does not apply to peripheral communes. Additionally, as our report will detail, decentralised locations are experiencing substantial stock reductions due to reconversions. Based on these elements, we applied a ratio of 75% to the estimated Grade C stock.

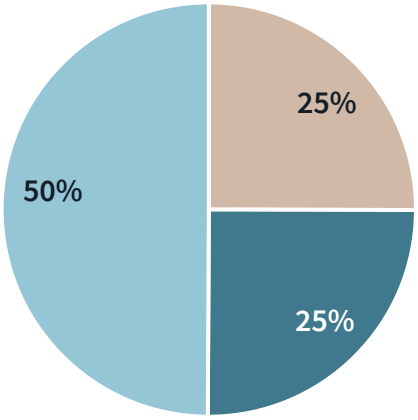
Stock Brussels: 13.1 M sq.m.



Stock Flanders: 5.0 M sq.m.



Stock Wallonia: 1.7 M sq.m.



Grade A ■ Grade B ■ Grade C

Estimated retrofit budget in Belgium:

6,339,000 sq.m.	2,505,000 sq.m.	863,000 sq.m.
€12.7 – €15.8 Bn	**€4.5 - €5.0 Bn**	**€1.5 - €1.7 Bn**
Brussels	Flanders	Wallonia

Let's examine the specific situations in Belgium's three regions:

Brussels region

Brussels, as the capital of Belgium, and the Flemish region, together with the headquarters of the European Commission, the European Parliament and NATO, boasts a relatively large office stock, ranking 8th at the European level. A large part of the existing buildings dates back to the 1980s, 1990s, or earlier, resulting in a total stock of **13.1 M** dominated by **Grade C, obsolete buildings that represent 65% of the total.**

The distribution of obsolete stock varies across the different office areas. It is a bit less in the CBD (62% out of a total stock of 8.2 M sq.m.) and a bit more in the Periphery (69% out of a total stock of 2.6 M sq.m.) and roughly in line in the Decentralised (66% out of a total stock of 2.3 M sq.m.)

The rejuvenation is an ongoing trend; over the past decade (2015-2024) a total of 2.1 M sq.m. has been completed, of which 62% is located in the CBD.

To understand the complexity of the decarbonisation of the tertiary stock in Brussels, it is essential to consider the needs of the three large administration occupiers that, combined, represent nearly a third of the existing stock in Brussels.

The **European institutions** currently occupy c. 1.7 M square meters in Brussels, but only 10% is Grade A. They are currently very active in the occupier markets with a total of 196,000 sq.m. taken since the beginning of 2020, of which 87% was in Grade A buildings, mainly as preletting. There is a pending transaction pipeline by the European Commission of up to 100,000 sq.m., only in Grade A buildings and the Commission sold a large part of its property portfolio (estimated at c. 300,000 sq.m., exclusively Grade C) to the City Forward fund, back by the SFPIM, ie Belgium's sovereign fund. City Forward aims at repurposing circa 30% of the purchased assets into alternative uses, while the rest will be progressively renovated and potentially leased back to the EU. The Parliament similarly plans to renovate a large part of the buildings it occupies and owns. Summarized, we can say that EU institutions are on the right track for a wide scale regeneration of their portfolio.

Regional administrations are a more difficult matter, given Belgium's complex structure. They occupy nearly 500,000 sq.m. in Brussels, of which 54% is Grade A. The Flemish authorities, mainly located in Brussels, have substantially decarbonized their footprint and are on target for carbon neutrality and the Brussels administrations have also largely cleaned their occupancy. The Wallonian administrations, not based in Brussels, are a different matter. The "Federation Wallonie-Bruxelles" (mainly responsible for education in Wallonia and Brussels) is clearly the lame duck amongst the regional administrations; out of

a total of c. 75,000 sq.m. occupied (or planned to be) in Brussels, only 10,000 sq.m. corresponds to the 2050 targets.

Finally, the **Federal and assimilated administrations** (like the SNCB/NMBS or Infrabel) occupy c. 1.2 mln square meters with a 4% share of Grade A buildings and nearly 70% of Grade C buildings. The SNCB and Infrabel have both designed new headquarters on the South Station terminal with or waiting for permit, while the Federal State administrations portfolio needs a clear strategy to tackle the asset obsolescence.

Flanders region

Generally, the office market in Flanders is more recent than in Brussels. In Q1 2025, the estimated stock was **5.0 mln sq.m.** of which **50%** is Grade C. The share of Grade A is estimated at 18%. The big 5 cities under study are **Antwerp, Ghent, Mechelen, Leuven and Hasselt.** These markets have a diversified occupier base; the fact that the main headquarters of the Flanders regional administrations is in Brussels limits their relative share, though in several cities the Flemish region has a local branch.

Antwerp is the second largest office market in Belgium, with an estimated stock of **2.4 mln sq.m.** The city has been significantly rejuvenated over the past 10-15 years, with, among others, new residential areas in the now trendy former industrial zone of the Eiland in the North and more recently the Nieuw Zuid in the South. Besides the thousands of new housing units created over the past decade, offices similarly went through a replacement cycle, mainly in the proximity of the Central and the Berchem railway stations. Consequently, the share of Grade A buildings is higher than the regional total at 20%, though Grade C remains dominant with a share of 48%.

Ghent totals **1.37 mln sq.m.** of offices, including the fast-growing Tech Lane life science park in the southern part of the city. While the city center is aging with a large dominance of Grade C properties, the southern part and more specifically the surroundings of The Loop was erected only a decade ago. At city level, however, the picture is very similar to Antwerp; the share of Grade C, obsolete properties is currently estimated at 49% vs. 21% for Grade A.

Leuven and Mechelen are of a similar size, at respectively **516,000 sq.m.** and **471,000 sq.m.** Compared to the larger cities the share of Grade C properties is way higher at 59% each. These similarities are explained by the fact that several business parks were developed in the late nineties and early 2000s in both cities. The share of Grade A assets is less than 4% in Leuven; with the exception of the trendy Vaartkom area and the Arenberg Science Park, very few new developments have been recorded in Leuven. In Mechelen c. 9% is Grade A and this share is growing thanks to new projects close to the railway station.

Finally, with an estimated stock of **267,000 sq.m. Hasselt** is the smallest office market in the big 5 cities under study and also the youngest. 36% is Grade C and 31% is Grade A.

Wallonia region

JLL also undertook an in-depth analysis of the tertiary stock in the main 4 cities of **Liège, Namur, Charleroi and Mons.** Compared to Flanders, the Wallonia office market is way smaller, covering approximately 1.7 **Mln sq.m.** The largest by far office occupiers are regional administrations, or local

branches of Federal administrations. **Half of the stock is Grade C** and needs an upgrade, representing a volume of 893,000 sq.m.

As of Q1 2025, **Liège** and its periphery has a stock estimated at **676,000 sq.m.** 52% is classified Grade C and not renovated for more than 15 years. As the largest city of Wallonia, developers have been active over the past decade, among others in the vicinity of the Guillemins train station with the Paradis site of Befimmo (62,000 sq.m.) and also the new Coronmeuse district hosting brand new headquarters of Ethias (15,000 sq.m.). Future developments in Liège are generally not started at risk, for example the AXS Liège project next to the Guillemins station (15,000 sq.m.) will only be started when a certain level of prelet is secured.

Being the administrative capital of Wallonia, **Namur** is anchored by regional administrations that represent nearly 60% of the stock, currently estimated at **568,000 sq.m.** of which 49% is Grade C. Amongst the forthcoming projects, Besix RED is waiting for the permit of its mixed Côté Verre development that comprises c. 8,200 sq.m. of offices located next to the station.

Charleroi currently has a stock of c. 270,000 sq.m. 42% of the existing stock is Grade C, some of which, while still occupied, is clearly obsolete in every sense. Of note, however, is Charleroi Airport that hosts a fast-growing life science park, representing more than 20% of the stock of the city. Central locations are largely dominated by administrations that have started rejuvenating their footprint, but unfortunately permit processes are excessively complex and long, similar to that in Namur. Today the most advanced project is the Tirou 1 by IRET that totals c. 20,000 sq.m. offices as well as residential and retail units.

Finally, **Mons** is the smallest market in Wallonia, covering approximately **220,000 sq.m.** In our estimation, 54% of the existing stock is Grade C and technically obsolete. Except for the heavyweight Initialis Science Park, the Mons office market is also largely dependent on public institution buildings that represent c. 65% of existing stock. Given its small size, Mons has very few projects, with the exception of the Doumons development by ION (c. 8,000 sq.m. in the city center).

Sustainability and regulatory considerations

The global situation

Pressure on owners to extensively retrofit their buildings is also coming from both private and public forces with respect to sustainability and decarbonization. Although the share of emissions sourced directly from buildings is beginning to flatline, it still comprises upwards of 39% to 42% of global emissions on an annual basis[1]. In order to reach impending net-zero targets, the scale of retrofitting will need to accelerate markedly. The top eight markets for regulatory stranding risk have more than 86

[1] Source: Architecture 2030

million square meters of office product in need of near-term capex due to tightening compliance standards alone.

The upfront expense of necessary capital expenditures, however, comes with longer-term benefits to operating costs over the life cycle of a given asset. Whole-building retrofits involving a **reduction in energy usage of between 40% and 65%** have an average saving of US$31 per square meter. If applied under a medium scenario for global at-risk office product in the eight highest-risk markets for stranding, this would yield US$2.7 billion in annual energy savings alone for institutional office owners. These opex benefits are coinciding with sustained growth in tenant and investor demand alike for low-carbon buildings across asset classes and intensifying emissions reporting and benchmarking mandates from national and local governments. As a result, owners who are proactive about bringing product up to and above sustainability expectations will find greater return on investment and minimize the incidence of stranding.

The geographic concentration of aging product and places in cities with higher shares of emissions coming from buildings means that the rewards from decarbonization scale rapidly. Under even a moderate scenario, more than 52 million square meters of current office product in Boston, Washington DC, Paris, London, Seoul and Tokyo are likely to be functionally obsolete, but more than 60% of emissions in these metro areas originate from the built environment. Similarly, European and Asian cities with strengthening regulatory regimes also have more than half of their emissions emanating from buildings, meaning that the risk of stranding is now an impetus to accelerate wholesale retrofitting and meeting net-zero targets.

Sustainability and regulatory changes will also affect the spectrum of asset classes at highly variable rates, with significant implications for capital costs, portfolio optimization and stranding risk. Most sectors have a typical site energy use intensity of 800 to 1,550kBtu per square meter, although this rises above 2,400 for data centers and approaches 3,500 for lab space. On the other hand, warehouses fall below the 500kBtu per square meter threshold and the broader industrial and logistics segment skews near the bottom, creating significant opportunity for a 100-200bps rise in returns in stringent compliance regions such as Europe.

How is Belgium positioned?

Regulatory changes have been implemented in Belgium, though given the federal structure of the country there are differences among regions.

Brussels:

- Brussels Region adopted the "Resolution", special subsides for home renovation works.
- Since 2018, all new buildings owned and occupied by public authorities will have to be Nearly Zero Energy Buildings (NZEB).
- By 2050: Max 100 kwh/ sq.m./ year primary energy consumption for the entire residential stock in Brussels. The tertiary sector will also have to be carbon neutral in 2050.

Flanders:

- All large non-residential buildings must buy green electricity (since 2018).
- As from January 2023: Renovation obligations within 5 years after purchase.
- In 2025, all buildings will have an EPC certificate.
- As from 2028 they will have to meet the minimum energy performance label.
- By 2050: the Flemish building sector will have to have a primary energy consumption of less than 100 kwh/ sq.m./ year). The tertiary sector will have to be carbon neutral.

Wallonia:

- No legal obligations yet but objectives:
- **By 2050:** Residential sector: to aim for less than 85 kwh/ sq.m./ year + an EPC certificate A.
- Non-Residential: aim by 2040 to be both energy efficient and **carbon neutral.**

Locational obsolescence

Brussels: Periphery grows, Decentralised narrows

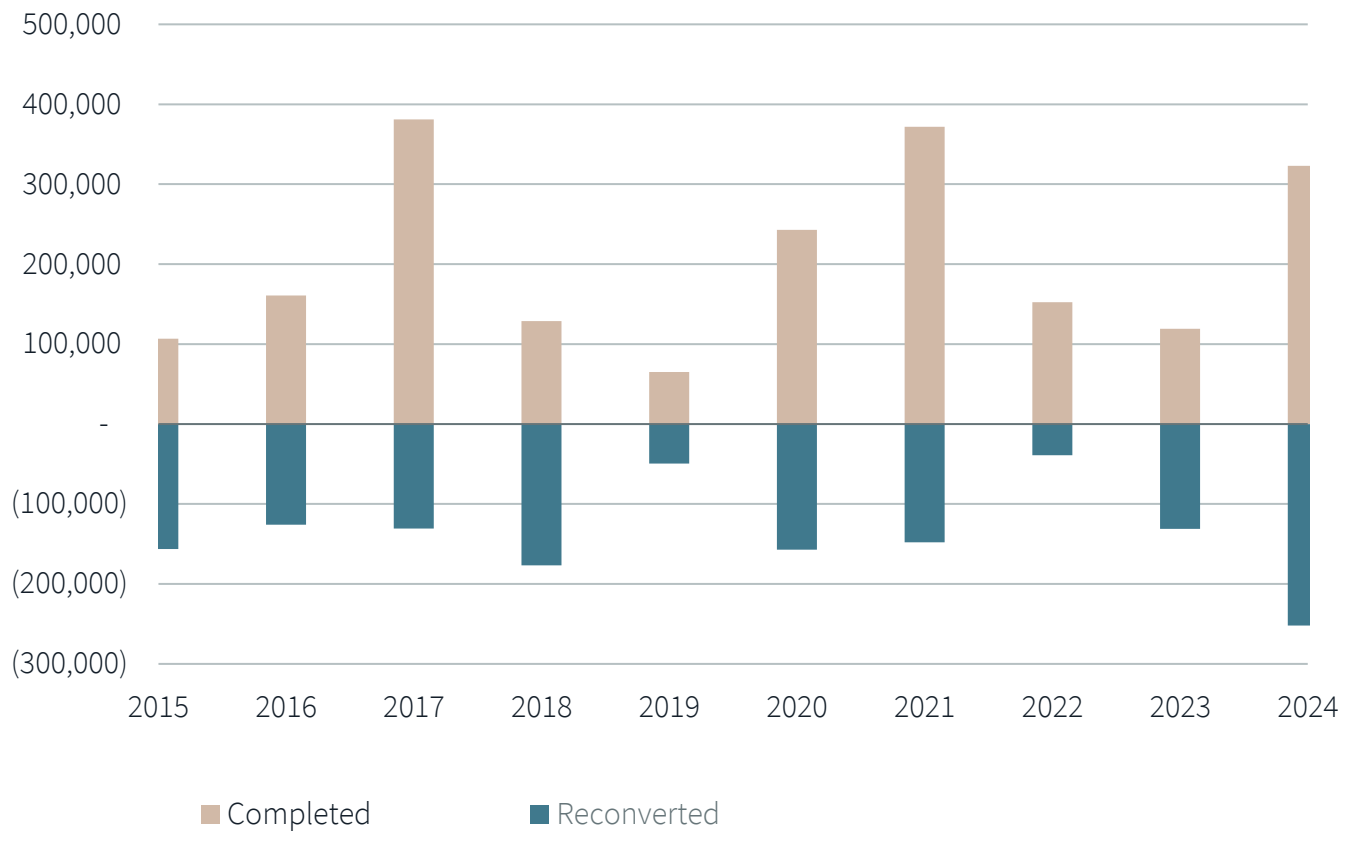
In Brussels, over the past decade we have observed a shift of occupiers' locational strategy with a focus on districts accessible by public transport and having multiple amenities in the immediate vicinity. CBD districts have succeeded in attracting several occupiers from the Decentralised, the most striking being the European Commission that, with the exception of one building, has left the Decentralised. A few corporates like L'Oréal and Sodexo have taken a similar decision. While limited in number, we have similarly seen corporates going back to CBD after more than a decade in the Periphery. The most recent example is Levi Strauss that left Diegem to the Louise area, close to retail streets where its products are

sold. Others have joined the cohort of firms leaving Brussels to the Periphery for tax reasons, but in the present case the focus is almost exclusively the axis between the NATO site and Brussels Airport that has good connections to public transport and a decent offering of amenities. The less accessible peripheral districts however fail to attract new occupiers and even lose key tenants moving to locations connected to the future tramway line and the airport train line.

From a developer standpoint, the shift of demand to the most accessible locations means that assets in non-performing districts should be repositioned for alternative uses. Brussels is hence champion in office reconversions with a cumulative volume of 1.6 M over the past decade, of which 71% is residential.

The consequence is a 12% narrowing of the Decentralised stock, from 2.6 M sq.m. in 2014 to less than 2.3 M sq.m. today. The reduction is even stronger in the Southeast with a 33% reduction of office stock. Over the same period, the market size of the CBD narrowed by 3% while, in contrast, the size of the Periphery increased by 19%. All districts combined, the office stock in Brussels is the same as 10 years ago, the completions being offset by reconversions.

Brussels: Stock completions vs. stock reconversions 2015-2024 (sq.m.)



Source: JLL Research 2025

The situation in Flanders

In Flanders overall, location preferences are primarily influenced by train connections but also the immediate proximity of highways and cycle routes. Antwerp is a good example with the heavy development activity in the surroundings of the Central and the Berchem railway stations. In Ghent the vicinity of the Sint Pieters station is already largely developed with large size headquarters (ING, NMBS, Flemish Community) while the Loop district – center of multiple developments over the past decade - is also accessible by other public transport and cycle routes. Recent developments in Mechelen are almost exclusively located within walking distance from the station. The peripheral business parks in this city are less performing though it is not a major issue since the city's occupancy rate is above 95%. The area around the Leuven station has similarly been redeveloped with large size offices occupied by administrations, KBC Bank and Acerta as anchor tenants and also hotels & residential buildings.

As in Brussels, several locations have lost their appeal in **Antwerp** and, given the growing population, a residential reconversion is often the option for a new life. We have identified c. **123,000 sq.m.** of old offices being reconverted in Antwerp since 2010. 89% have been repurposed as residential.

Non-performing locations in Ghent have also largely been reconverted to alternative uses. As a university city, obsolete offices sometimes formerly occupied by state-related bodies have been repurposed into schools or universities or student houses. We also identified residential as well as retirement home reconversions. For example, in the city center the Kouter was formerly known as the place to be for banks. Since then, most of them have left and their offices have been transformed into high-end residential projects. In total, we estimate the volume of office reconversions to be at c. 110,000 sq.m. over the last decade in Ghent, of which 54% for residential, 31% for education, 12% for retirement homes, etc.

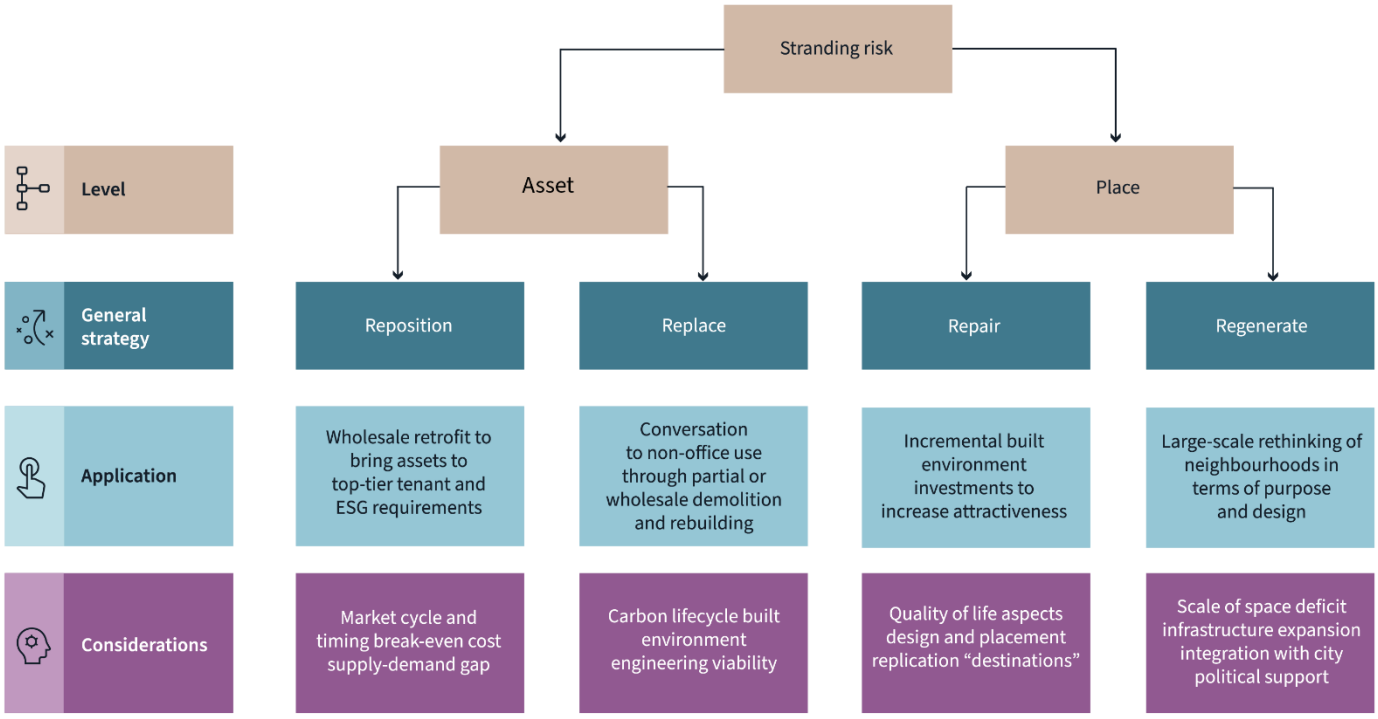
The situation in Wallonia

In Wallonia the same trend is ongoing: railway stations are key catalyzers of demand from administrations or banks (CBC and Belfius in Namur are recent examples) to name the biggest ones. The immediate vicinity of the Guillemins station in **Liège** has fundamentally changed in just a decade, attracting both administrations and corporates but also residential projects and hotels. The same is observed in **Namur;** for about a decade the station has been a center of focus for developers that launched large size projects that were all let long-term to administrations as well as to the Red Cross, Belfius and a hotel. **Charleroi** counts a few large size redevelopment projects within proximity of the railway station and the river Sambre. Timing is, however, uncertain given permit issues. Looking at **Mons,** the back end of the new railway station has recently been redeveloped with a hotel, a conference center and is within walking distance from the Grands Prés shopping center. In the vicinity, Atenor recently completed around 15,000 sq.m. of offices that were acquired for occupation by regional administrations.

The fate of non-performing locations in Wallonia is similar to the other cities; a residential repositioning is often the best option though in many cases a demolition might be necessary. Reconversions into schools and universities have been recorded in Liège, Namur and Mons, sometimes of a large volume (example: the 13k sqm former HQ of BNP Paribas in Mons, acquired by the University of Mons). In that case, a more limited budget is needed to reposition obsolete offices into academic or school facilities. According to JLL BeLux Research, **nearly 100,000 sq.m. of obsolete offices have been converted in Wallonia** over the last 10 years, of which 57,000 sq.m. was in Liège.

Call to action: Pathways to success do not exist in isolation

There are four core pathways to avoid stranding risk, each with requisite market, financial and political considerations



Source: JLL Research

While **owners and municipalities or regions** will have to take the initiative to tackle many of their challenges quickly and independently, the full potential to create value through higher-quality, sustainable and resilient buildings and precincts can only be achieved through **collaborative** engagement between stakeholders and planning that takes into account how multiple forms and levels of obsolescence interact.

Owners will need to **assess their portfolios** from the perspective of how they fit into their respective built environments and how age, layout and other physical factors affect the ability to better respond to changing locational preferences and exposure to national and local changes to sustainability and development regulations. Public authorities should consider where clusters of similar buildings or uses exist to focus regeneration efforts to catalyze new non-commercial development and inject residential and footfall to boost business activity, while also retrofitting to decarbonize at scale.

Importantly, this framework for obsolescence emphasizes that **strategies do not exist in isolation**. Asset repurposing in the form of adaptive reuse, for instance, routinely forms part of post-industrial precinct regeneration, while repositioning product to improve retail provision can be part of incremental improvements to enhance the user experience. In all cases, however, market forces and external considerations will shape time frames, financial viability and quantum of achievable change.

Conclusion

The issue of obsolescence in tertiary buildings is gaining increased importance due to the accumulation of various challenges and both short and long transformation cycles.

As we have seen, the notion of obsolescence can be objectified around three very concrete concepts that are cumulative: the age and structural qualities of buildings, which will determine the need for investment; the location, which influences market and demand conditions; and regulatory evolution, which sets new environmental and technical requirements.

These concrete dimensions are part of a broader set of considerations around long-term perspectives and uses:

- **Changes in company organization** – recruitment, labour shortages, new employee expectations, proportion of remote working, ESG;
- **Demographic changes** – population growth or decline, aging, dependency, new family structures, access to housing;
- **Climate and environmental risks** – exposure to exceptional risks, resilience to new climate conditions, insurability of assets, adaptation.
- **Changes in uses at the micro (building) and macro (city) scale** with concepts such as the 15-minute city, mixed-use development and intensification of uses.

These elements, superimposed on age, regulations, and market conditions, will determine the building's ability to endure as a commercial asset or, conversely, to evolve towards new uses in order to avoid a total loss of value for the owner and prevent the emergence of stranded tertiary areas on an urban scale.

JLL SEE A BRIGHTER WAY

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