DTZ Research

Property Times
Belgium Industrial
Q4 2009

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Contents

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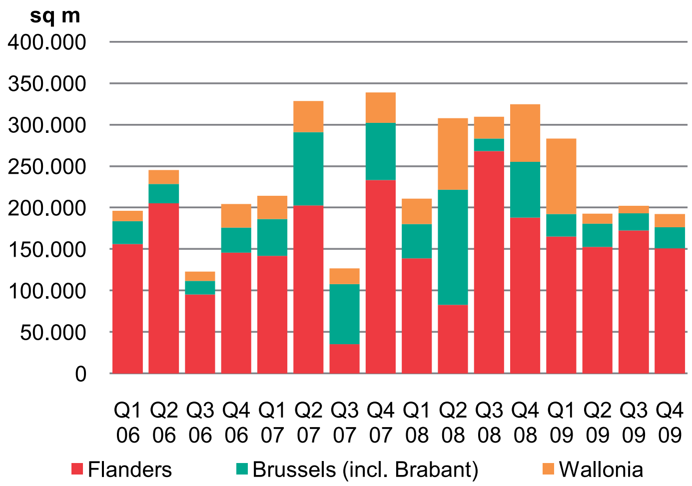
- Flanders remains the most active region of Belgium when it comes to the industrial property market with 150,000 sq m of take-up. This represents 79% of the take-up recorded in Belgium.
- Brussels and Wallonia remain stable on a quarterly basis at respectively 25,000 sq m and 16,000 sq m. However, they both suffered a strong decrease on an annual basis (62% and 39%).
- Both semi-industrial and logistic prime rents have remained stable throughout the country except for Brussels' semi-industrial rent that weakened by 16% over the quarter.
- At €140m, the investment volume is well below previous years' results as it represents a 71% drop compared to 2008.
- Nearly all the investments have been made by Belgian investors. WDP and Fortis Insurance have been particularly active and are a good representation of investors active in Belgium : Institutions and REITs.

Figure 1

Take-up



Source: DTZ Research

Economic overview

The Belgian economy grew by 0.5% on the quarter in Q3 after a 0.1% contraction in Q2 (revised from -0.3%), and the annual decline eased from 4.2% to 3.4%. Data revisions show that the recession started a quarter earlier than originally thought in 2008Q3, but it was still among the mildest of those seen in the major economies.

The pace of decline in external trade eased further in Q3, with growth in export volumes exceeding that of imports. A pick-up in world demand and a shallower fall in export prices than in import prices (a result of the stronger euro) will help swing the current account from a deficit of 2.5% of GDP in 2008 to a surplus of 1.8% of GDP in 2009.

Although the Q3 national accounts showed an increase in consumer spending, the latter only rose 0.2%, contributing just 0.1% point to GDP growth in Q3. While a renewed consumer retrenchment is not expected, growth will remain sluggish as the jobless total continues to climb. The unemployment rate in Belgium rose to 8.1% in October and, with business surveys pointing to more job cuts, albeit at a slower pace, we forecast it will carry on rising until mid-2010.

Consumer price inflation jumped to -0.1% in November and should average close to zero in 2009. As the falls in prices in late 2008 drop out of the annual comparison, we expect inflation to average 0.4% in 2010.

Table 1

Economic indicators - Belgium

	Period	**Change**	**Forecast**		
	2009	**YOY**	**2010**	**2011**	**2012**
GVA (€ mln)					
Financial & business services	80,179	1%	81,280	82,850	84,747
Production & construction	57,624	-12%	58,914	60,484	62,673
Employment					
Financial & business services	913,000	-2%	913,000	924,000	934,000
Production & construction	860,000	-3%	851,000	853,000	859,000

Source: Oxford Economics

Belgium industrial market

The total take-up recorded in Belgium during the fourth quarter reaches nearly 194,000 sq m, and more than 872,000 sq m on annual basis, a 24% drop compared to 2008 (Figure 2).

The most active areas during the period were all located in the Flanders region, the top three being the Scheldeland (49,000 sq m), The Limburg (44,000 sq m) and Mechelen (26,000 sq m).

As far as logistics is concerned, most of the demand reported by the commercial teams are for premises from 3,000 to 5,000 sq m.

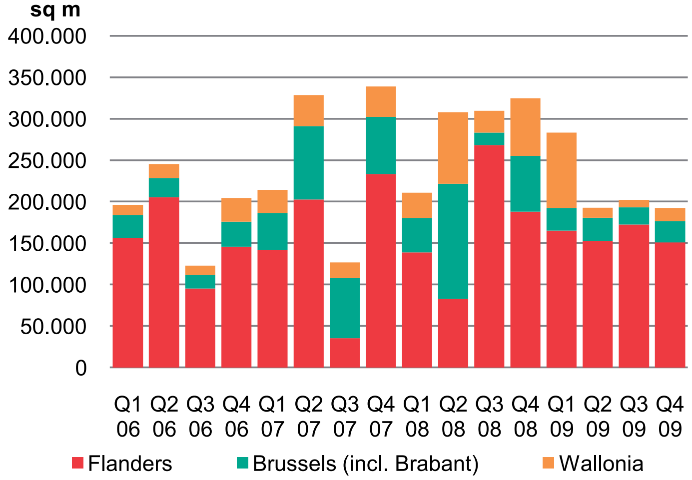
Thanks to limited availability of prime buildings, prime rents have kept steady in most locations and are still to be found from 36 to 56€/sq m/year for warehouses, and from 30 to 52€/sq m/year for logistic, the highest rents being observed in the Flemish Region (Figure 3).

The proportion of owner occupier deals has also remained largely unaffected by the crisis at around 40% of the take-up.

Conversely, the economic crisis has had a strong impact on developers' activities. Many speculative developments have been frozen, waiting for better days while few pre-lettings have been recorded during the period.

Figure 2

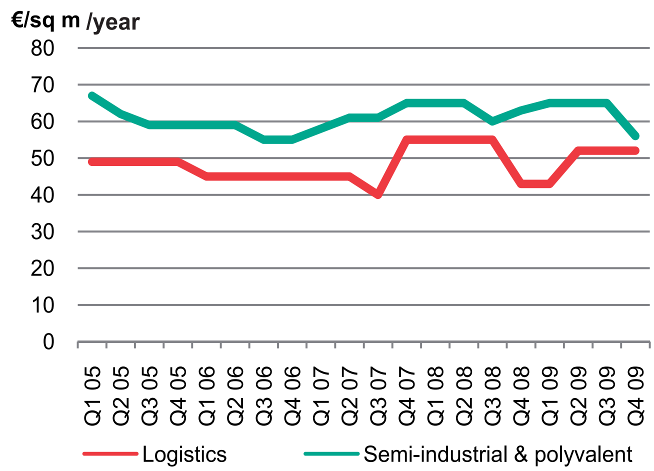
Take-up



Source: DTZ Research

Figure 3

Prime rents



Source: DTZ Research

Flanders

With more than 150,000 sq m, the industrial take-up observed in the Flanders region during Q4 was in line with the previous quarter (Figure 4). On annual basis, the take-up has reached more than 625,000 sq m in that area, representing a slight decrease of “only” 5,3% in these challenging times.

This is an encouraging figure, especially when compared to the situation observed in the two other regions.

During Q4, the most active districts were the Scheldeland (49,000 sq m) and the Limburg (45,000 sq m) with major deals such as:

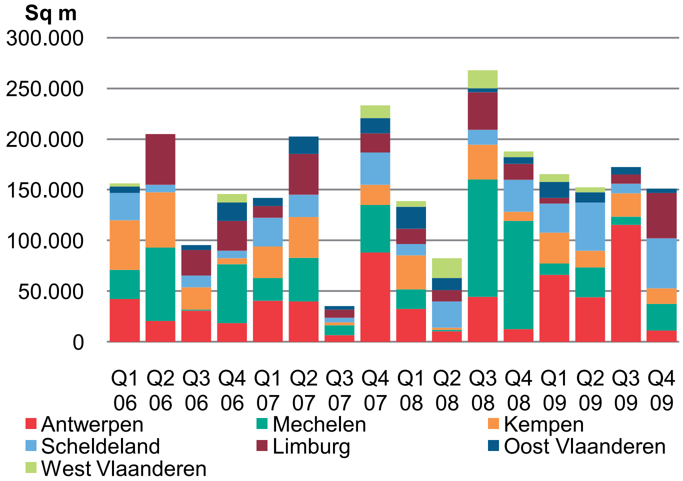
- DHL’s pre-letting of a 36,500 sq m built-to-suit logistics centre located in the Maritime Logistics Park in Bornem (Scheldeland).
- Two lettings of about 16,000 sq m in the Hermes park in Genk (Limburg). The tenants are a local distribution company and Terumo Europe.
- In Willebroek (Mechelen), the letting by Cristall Europe of a 15,500 sq m distribution centre in the Prologis Industrial Park.

We can also mention important deals by VPK, Ansell Healthcare and Movianto. Quite remarkably, the eight largest industrial deals recorded during the period were all located in the Flanders region.

Prime rents for logistics premises remain located in the Antwerp seaport at about 52 €/sq m/year while highest rents for semi-industrial and polyvalent buildings are spread in Flanders and have stabilized around 56 €/sq m/year (Figure 5).

Figure 4

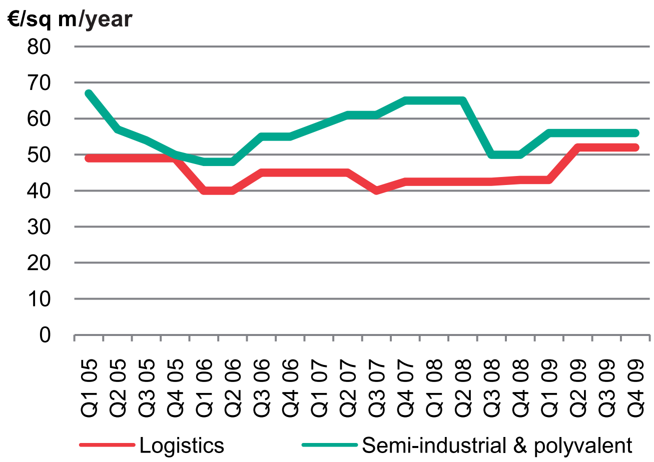
Take-up



Source: DTZ Research

Figure 5

Prime rents



Source: DTZ Research

Flanders

Table 2

Market indicators (Q4 2009) - Flanders

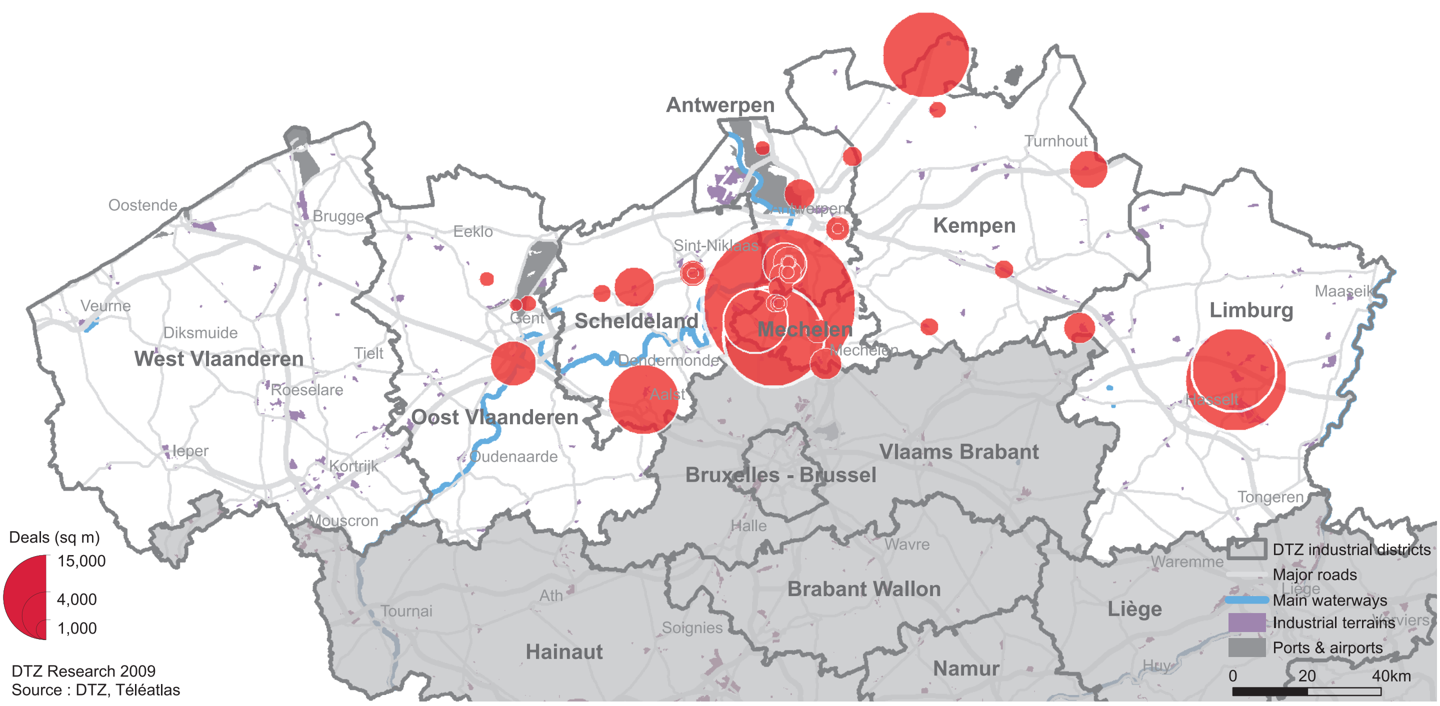
	Stock (sq m)	Take-up (sq m)	Prime rents (€/sq m/year)		Prime yields	
			W	L	W	L
Antwerpen	6,944,000	11,273	50	52	8.20%	7.50%
Mechelen	2,056,000	26,132	50	41	8.00%	7.50%
Scheldeland	1,575,000	49,274	48	43	8.30%	7.55%
Kempen	1,310,000	15,441	56	40	8.40%	7.75%
Limburg	1,939,000	44,679	45	35	8.50%	7.80%
Oost Vlaanderen	1,622,000	4,168	47	40	8.50%	7.80%
West Vlaanderen	1,069,000	0	48	35	8.40%	7.85%

W: Warehouses L: Logistics

Source: DTZ Research

Figure 6

Take-up in Flanders



Brussels (incl. Brabant)

The industrial take-up in the Brussels area, including the Brabant provinces was estimated to around 25,000 sq m during Q4, also in line with the activity levels reported during the other quarters of 2009 (Figure 7).

However the activity has registered a strong blow on annual basis, reaching barely 100,000 sq m compared to over 260,000 sq m in 2008, a 62% drop.

Curiously, the two biggest deals of the period were concluded with the public sector:

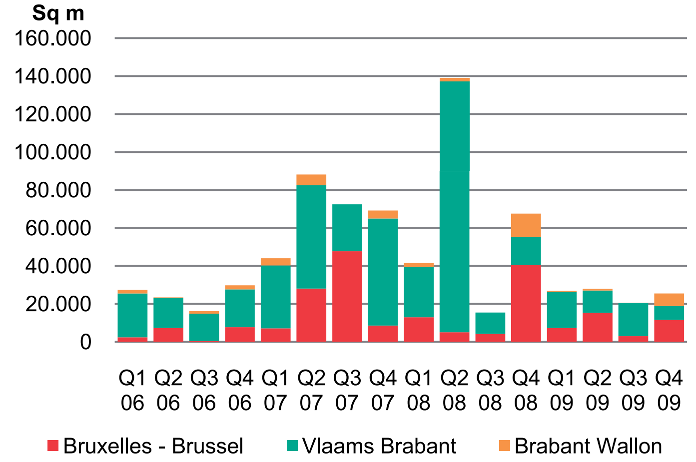
- The Federal Agency Building has let a 5,000 sq m warehouse located in Haren (Brussels) for the use of the Finance administration.
- In Wavre (Brabant Wallon), the province's government purchased for own occupation a 3,500 sq m warehouse located in the North zoning.

Also worth mentionning is an atypical deal concerning the "Luttre building" located in Forest (Brussels). Profirst has let the ground floor of the building (2,500 sq m) for the organisation of events and public relations programmes.

As a consequence of the weaker activity recorded in Brussels and the Brabant province, prime rents for semi-industrial and polyvalent buildings has declined to 55 €/sq m, a 16% drop compared to Q3 (Figure 8). On the other hand, we estimate that prime rents for logistics premises have remained stable at 40 €/sq m due to the scarcity of distribution centre available.

Figure 7

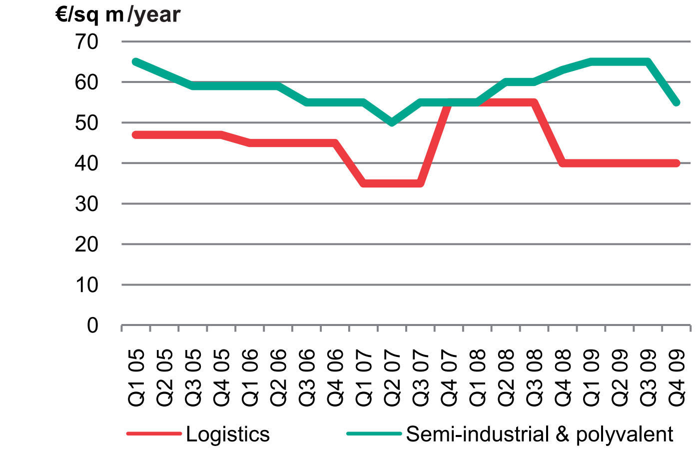
Take-up



Source: DTZ Research

Figure 8

Prime rents



Source: DTZ Research

Brussels (incl. Brabant)

Table 3

Market indicators (Q4 2009) - Brussels (incl.Brabant)

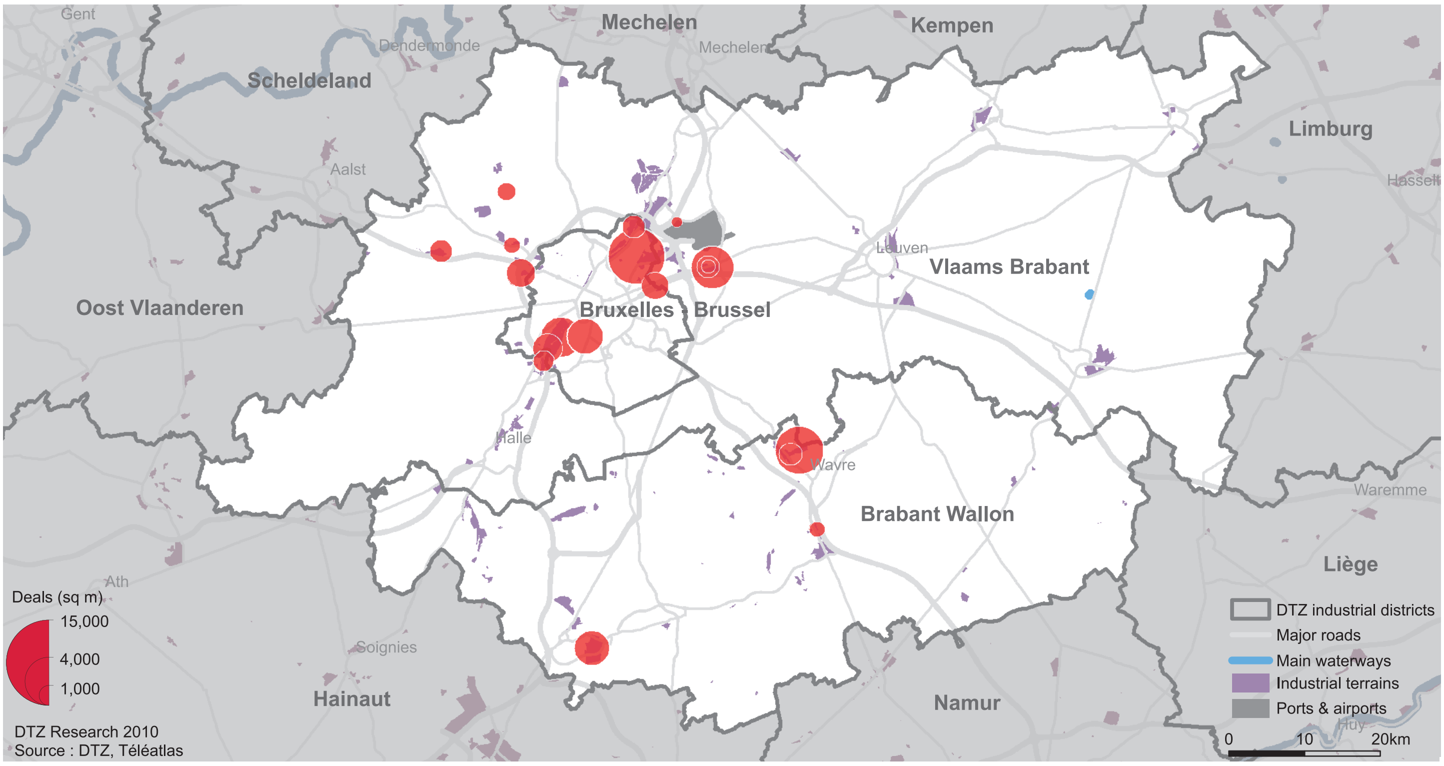
	Stock (sq m)	Take-up (sq m)	Prime rents (€/sq m/year)		Prime yields	
			W	L	W	L
Bruxelles- Brussel	605,000	11,568	50	40	8.50%	7.65%
Vlaams Brabant	2,179,000	7,333	55	40	8.20%	7.50%
Brabant Wallon	359,000	6,585	48	40	8.25%	7.75%

W: Warehouses L: Logistics

Source: DTZ Research

Figure 9

Take-up in Brussels (incl.Brabant)



Wallonia

With a take-up of nearly 16,000 sq m during Q4 09, the semi-industrial activity recorded a sensible progression when compared to Q2 and Q3, reflecting the sentiment of a slight recovery since the summer, notably around Liege (Figure 10).

However, that figure remains far behind the quarterly average of 33,000 sq m observed during the last 4 years and reflects the difficult economic conditions encountered last year. On annual basis, the drop of activity has reached 39% when compared to 2008.

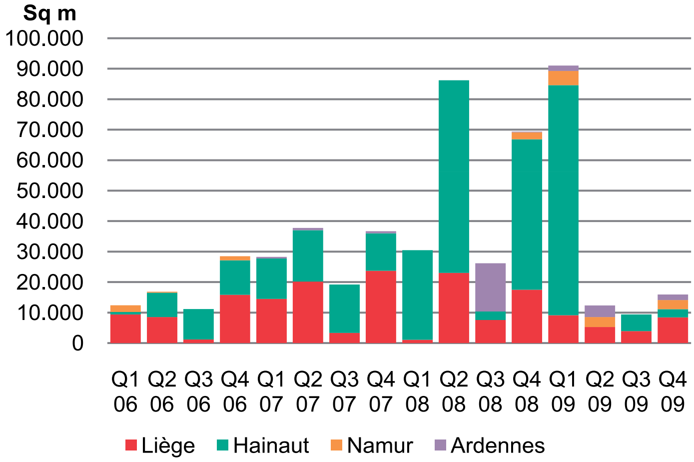
As a result, few noticeable deals are to be mentionned during the period, the largest ones being SBMC purchasing a 3,500 sq m warehouse in Loncin (Liege), and Baustoff Metall Belgium letting a 2,500 sq m warehouse in Alleur (Liege) (Figure 10).

However our statistics do not include CMI's letting in the Alleur Office Park, in a mixed building comprising 3,400 sq m offices and 2,200 sq m warehouses, therefore not considered as an industrial deal.

Despite the weaker activity observed in 2009, rents have stabilized around 45 €/sq m/year for semi-industrial and polyvalent buildings and are still estimated at 35 €/sq m/year for logistics premises (Figure 11).

Figure 10

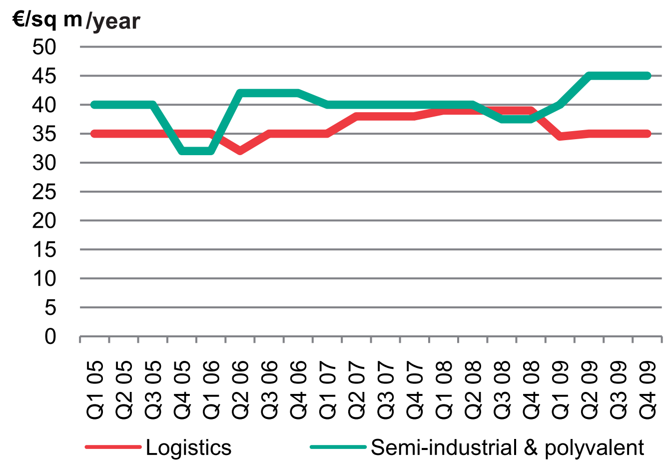
Take-up



Source: DTZ Research

Figure 11

Prime rents



Source: DTZ Research

Wallonia

Table 4

Market indicators (Q4 2009) - Wallonia

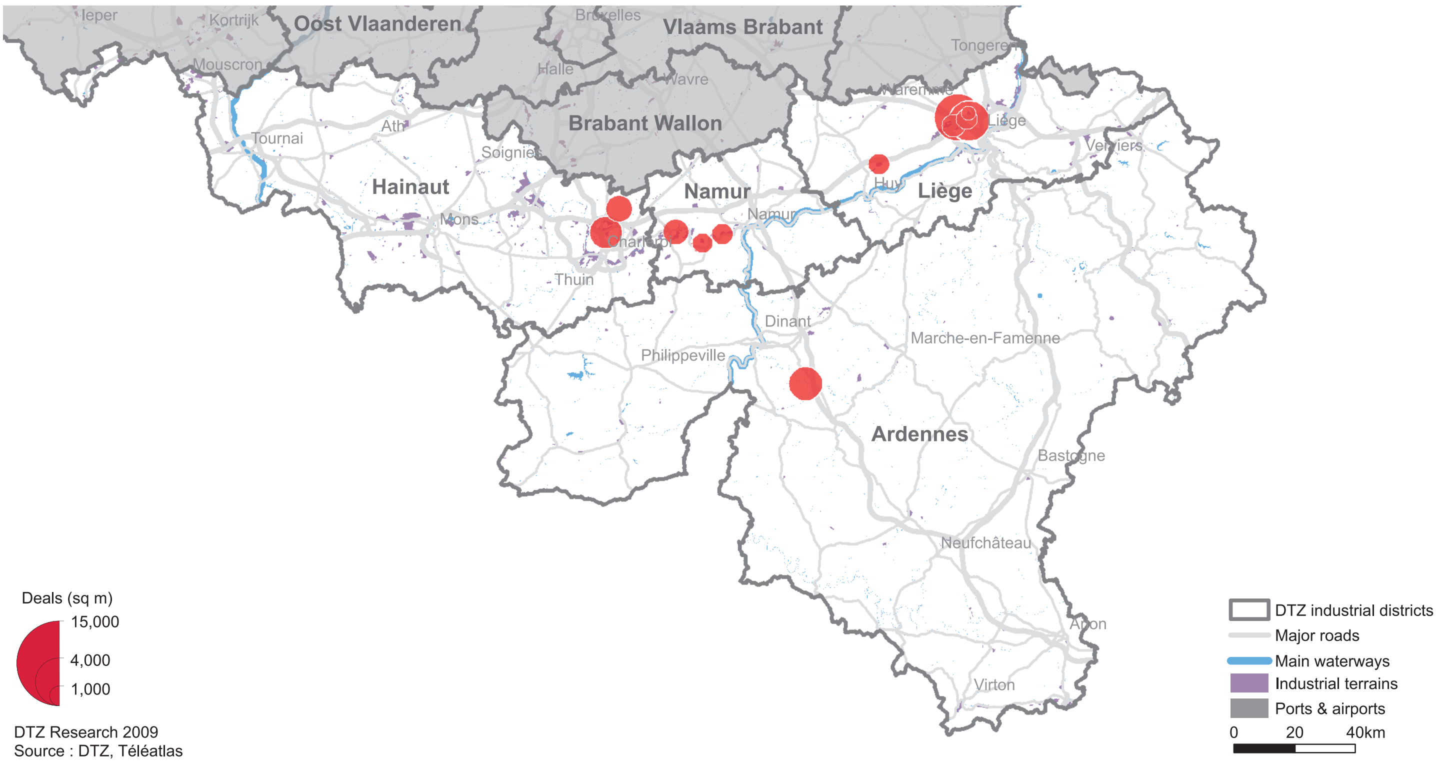
	Stock (sq m)	Take-up (sq m)	Prime rents (€/sq m/year)		Prime yields	
			W	L	W	L
Liège	1,437,000	8,405	45	35	8.75%	7.80%
Hainaut	1,499,000	2,718	36	32	8.90%	8.40%
Namur	90,000	3,000	40	n.a.	8.75%	8.00%
Ardennes	290,000	1,800	40	30	8.95%	8.40%

W: Warehouses L: Logistics

Source: DTZ Research

Figure 12

Take-up in Wallonia



DTZ Research 2009
Source : DTZ, Téléatlas

Investment market

Investment Market

Barely €140m were invested in logistic or semi-industrial properties during 2009 (Figure 13). This is well below the levels of €488m recorded in 2008, €460m in 2007 and €617m in 2006! Only 13 deals were recorded in 2009, four of which during the 4th quarter.

Among those, we can mention the sale of a 22,000 sq m logistic centre located in the Limburg province. Fortis Real Estate paid an estimated €10m to a private developer for this fully let building.

Another noticeable deal is the sale of the Woluwe Industry park located in St. Stevens Woluwe (Vlaams Brabant) as part of the disinvestment of non-strategic buildings by Segro in Europe. The investment price is estimated at around €10m.

For the whole year, the major transaction remains the sale by Redevco of logistic and semi-industrial properties occupied by Carrefour in the Antwerp submarket. Fortis Insurance bought these properties during the first quarter for an amount close to €50m and a yield below 7%.

Although the yield of this transaction seems very low, we cannot consider it to be the reference for prime yield as no other transaction was observed at that level and the fact that Carrefour signed a long lease . Indeed, the second largest transaction (the sale & lease-back of 3 DHL logistic centres spread across Flanders and totalling 85.000 sq m to WDP for nearly €30m) recorded a yield of 8.7% !

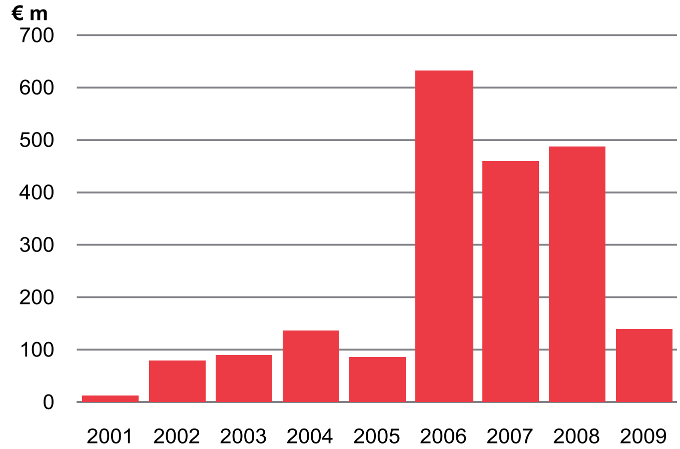
Interestingly, nearly all investments were made by Belgian investors of various kinds. The two major investors (Fortis Insurance and WDP) reflect the face of the commercial property investment market in Belgium at the moment as they are respectively a Belgian institution and a Belgian REIT, both the most active players on the Belgium investment market.

REITS

There are two so-called "pure player" Belgian REITS investing in industrial properties: WDP and Montea. At mid-year, the fair values of their portfolios were reported to €803,5m and €208,6m for WDP and Montea respectively. At the same time, their debt ratios were 56.87% and 55.6% respectively. WDP reported a gross initial yield of 7.97% on its portfolio while Montea announced a gross initial yield of 7.59%. During Q4 2009, the share prices have progressed by 10.34% for WDP (€33.93 per share), and by 5.78% for Montea (€24.89 per share).

Figure 13

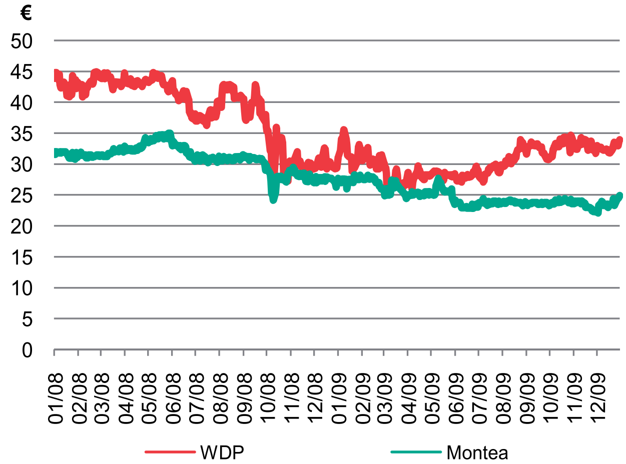
Investment volume



Source: DTZ Research

Figure 14

Share prices



Source: Euronext

Definitions

Take-up

Represents the total industrial floor space known to have been either let, pre-let or developed for tenants as well as sold or pre-sold to owner-occupiers as known on the last day of the quarter. Adjacent office spaces, when known, are not included. Pure contract renewals, sales and leasebacks and sub-lettings are not included.

Prime rent

Represents the highest rent that has been observed or reported on the market the last 6 months preceding the survey date, excluding exceptional or irrelevant deal. When no relevant deal is observed, prime rent is defined as the rent that could be expected for an industrial unit (min. 500 sq m) commensurate with demand in each location, highest quality and specification in the best location in a market at the survey date. The rent is given as a base rent, i.e. no service charge or tax is included.

Prime yields

Represents the initial yield estimated to be achievable for a notional industrial property of highest quality and specification in the best location fully let and immediately income producing in a market at the survey date. Long term lease are not considered. The yield is derived from the rental income divided by the purchase price.

Stock

The property stock comprises all known semi-industrial and logistic properties. The total figure is the result of data collection from various sources such as field work, developers, institutional investors, specialized press, … The provided figures are not exhaustive.

Industrial submarkets

The Industrial submarkets (see maps) are delimited using zip code limits. The complete list of zip code used is available on simple demand.

Semi-industrial buildings

Buildings designed to light industrial activities or for SMEs requiring a workshop or a small storage facility. These buildings vary considerably in size but are, in most cases, below 5.000 sq m. Among some of the most important technical features of semi-industrial buildings let's mention: a free height generally below 7 meter; a maximum of 1 loading bay per sq m; an office/warehouse ratio of about 20/80. For more information please refer to the DTZ's "Belgium, A Success Storage" publication.

Logistics buildings

Building designed to logistics activities. These buildings vary considerably in size but are, in most cases, over 5.000 sq m. Among some of the most important technical features of logistics buildings let's mention: a free height generally over 8 meter; a minimum of 1 loading bay per sq m; an office/warehouse ratio of about 5/95. For more information please refer to the DTZ's "Belgium, A Success Storage" publication.

Investments

Investments in the semi-industrial and logistic sector refers to the purchase of commercial real estate for the purpose of receiving an income or rent. Are also included the purchase of commercial real estate during the development/construction/comprehensive refurbishment phase where the completion date is known.

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