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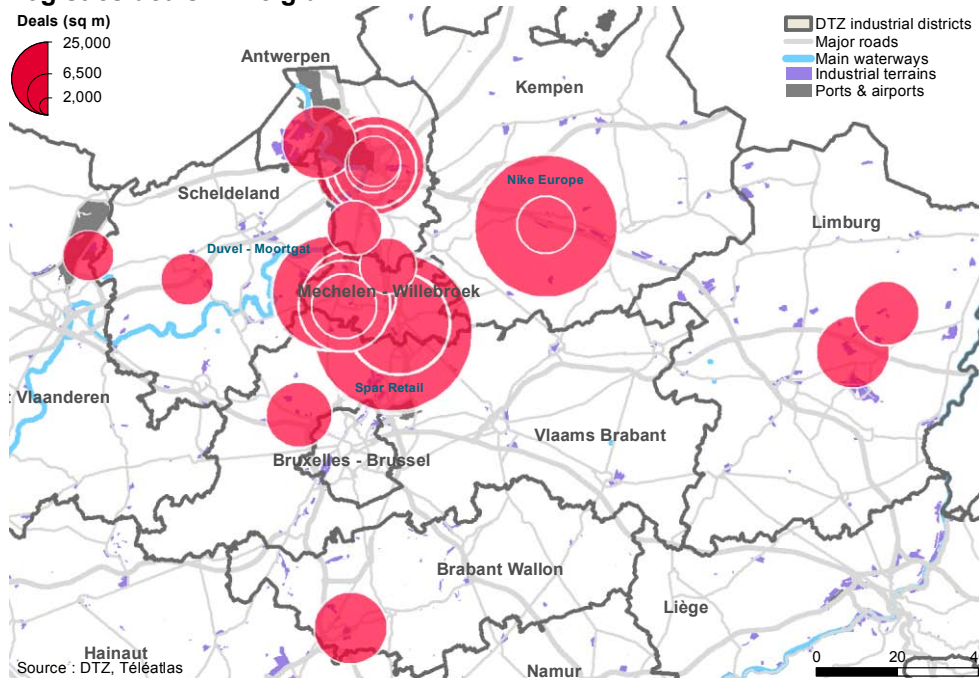
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- An outstanding combined semi-industrial and logistics take-up has been recorded in Q2 2011. Over 423,000 sq m have found new occupiers this quarter. This level is the highest in over ten years.
- Logistics transactions drove activity with a handful of deals ranging between 20,000 sq m and 50,000 sq m. The predominant part of these took place in Flanders (Map 1).
- The Antwerp-Brussels axis was very much in demand for large facilities (Map 1), unlike Wallonia
- In each of the three regions, semi-industrial activity was at an average level. Smaller submarkets which performed well in the last two quarters returned to lower levels of activity.
- We are to see some interesting infrastructural and territorial activity in the medium- to long-term in Ghent, Liège and Mons.
- Demand was steadily high throughout the quarter.
- Prime rents remain stable overall at €45/sq m/year for logistics facilities and have risen to €55/sq m/year for semi-industrial premises in Brussels due to a shortage of availability.

Map 1

### Logistics deals in Belgium



# Economic overview

National accounts data for Q2 showed a pick-up in economic activity, with GDP rising 0.9% from Q1. The strength of the rise was encouraging, particularly as revised data indicated that economic growth had stalled in Q1.

The breakdown of demand components revealed that growth was led by a solid increase in investment expenditure, after the sharp contraction in Q1 due to adverse weather conditions. Net trade also made a substantial positive contribution to growth, reflecting the strength of demand in Germany. On the other hand, consumer spending remained almost flat.

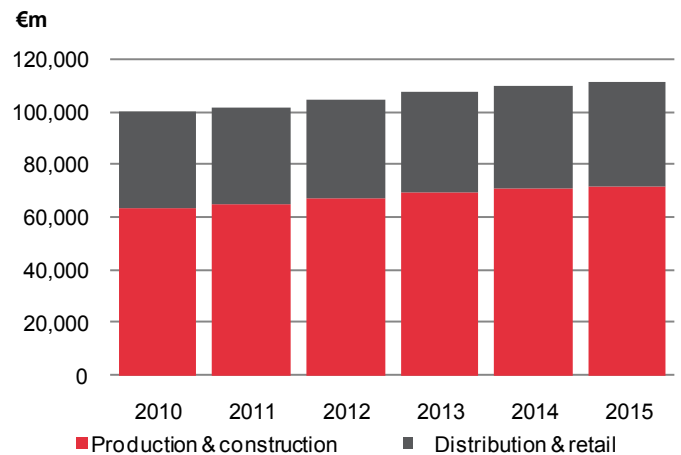
In the light of the unexpectedly strong Q2, Oxford Economics has raised its forecast for GDP growth this year to 1.8%. This forecast assumes that activity will be more subdued in H2 as the economy is constrained by fiscal consolidation measures, a weak labour market and slow growth in the Eurozone. Growth in 2011 is also forecast at 1.8%.

Following the collapse of the government in April and the subsequent general election in June, the political crisis has yet to be resolved. The longer it takes for a coalition government to be formed, the greater the risk that investor sentiment will shift, making debt refinancing more difficult and costly.

Source: Oxford Economics

Figure 1

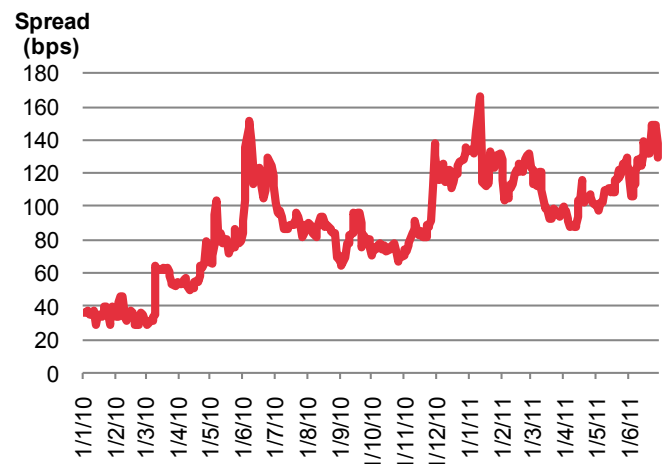
## Belgium: GDP growth forecast



Source: Oxford Economics

Figure 2

## Belgium: Spread over Bunds



Source: Oxford Economics

# Belgium industrial market

Combined take-up for semi-industrial and logistics this quarter reached 423,000 sq m, representing the highest recorded level of activity in over ten years. This outstanding performance also marks a 9% improvement on last quarter's result as industrial and economical forecasts are decent for Belgium in the short- to medium-term.

A quick gaze at Figures 3 and 4 suffices to demonstrate the bulk of activity was accounted for by logistics transactions in Flanders. Indeed demand for such facilities, especially (but not exclusively) on the Antwerp-Brussels axis was strong from the beginning to the end of the quarter. In Liège, infrastructural investments in area should prove a source of encouragement in the medium-term. For the moment though, it is worrying that there has not been a single recorded logistics transaction despite exceptionally high activity to the north of the land.

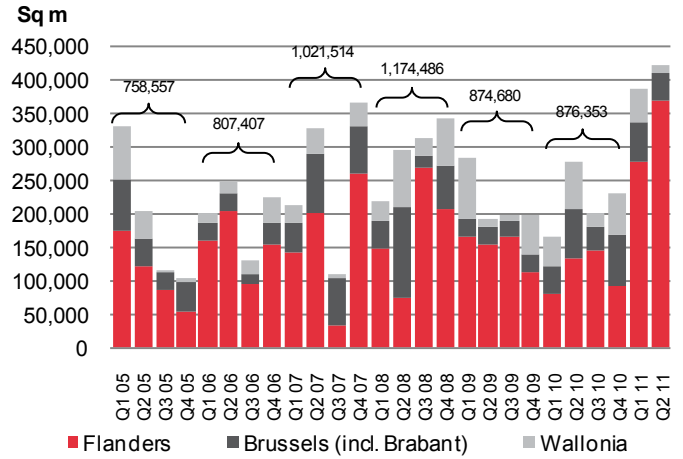
The logistics occupier market saw a great deal more transactions than per usual. It is worth noting that the top five deals have included four purchases for own occupation including by corporates that will deal with their own distribution activities. All these deals were for facilities between 20,000 sq m and 50,000 sq m. Encouragingly, one of these deals involves a built-to-suit distribution centre for Nike by Intinvest, which may help disperse investors' prudence in committing to such short term deals, as has been the case in recent times.

The story in the semi-industrial end of the market in each region has been an average amount of activity coupled with smaller submarkets not meeting the standards which they have set in the last couple of quarters.

Prime rents have seen a rise in terms of semi-industrial facilities, now valued at €55/sq m/year in Brussels. This is somewhat unsurprising given the low availability in the area. Logistics rents remain flat at €45/sq m/year and are to be found in the Brussels-Flemish Brabant-Mechelen area (Figure 5).

Figure 3

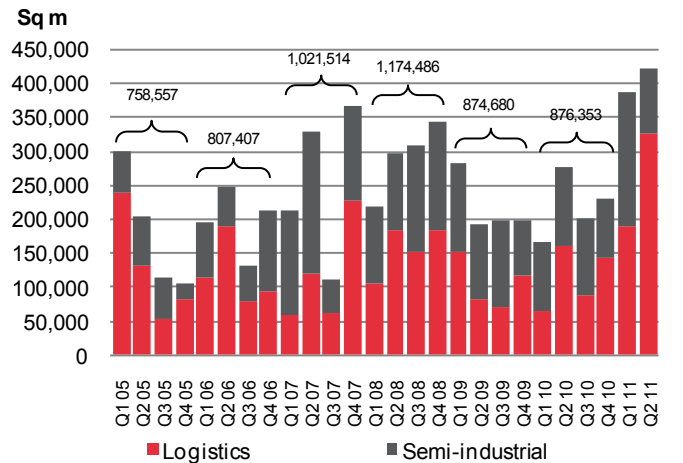
## Take-up per region



Source: DTZ Research

Figure 4

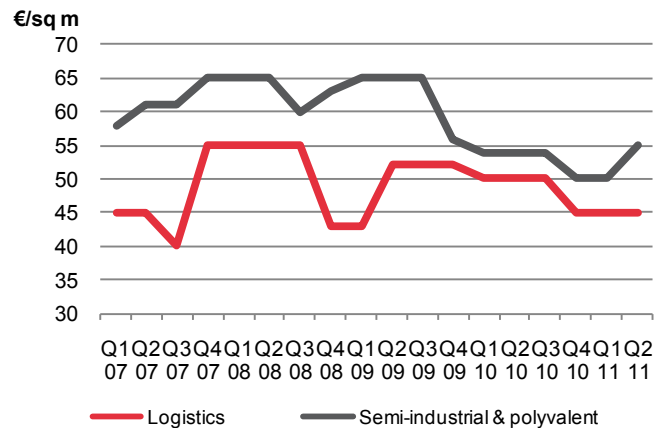
## Take-up per type



Source: DTZ Research

Figure 5

## Prime rents



Source: DTZ Research

## Flanders maintains the overall occupational resurgence which began last quarter.

Combined semi-industrial and logistics take-up totals 370,000 sq m. Separately though, both markets tell different stories; semi-industrial occupation is back to a regular level while logistics have boomed.

Antwerp was the main driver behind Flanders' semi-industrial activity (Figure 6) with the recorded 30,000 sq m take-up corresponding to its quarterly average over the last year. This should not hide the fact that those smaller submarkets which we saw perform exceptionally well over the last two quarters have failed to turn up at the races this time. Indeed the market was boosted only by bigger submarkets (here Antwerp, Scheldeland and Kempen) to achieve take-up amounting to 60,000 sq m, down 60% on last quarter.

Despite an increase on Q1, Antwerp was overshadowed by Mechelen-Willebroek in the continued growth of Flanders' logistics occupational activity, recorded at 308,000 sq m (Figure 7). The most sizeable transaction in Antwerp was a 19,200 sq m letting by Boortmalt in the port of Antwerp. In the Mechelen-Willebroek submarket, Goodman is to construct a 31,900 sq m distribution centre for Duvel-Moortgat in Puurs which is expected to be moved into by the end of this year, and Spar Retail is purchasing a 50,000 sq m, €50m distribution for own occupation, which will be centralising its distribution activities from Ternat and Heist-op-den-Berg to the much prized location of Mechelen.

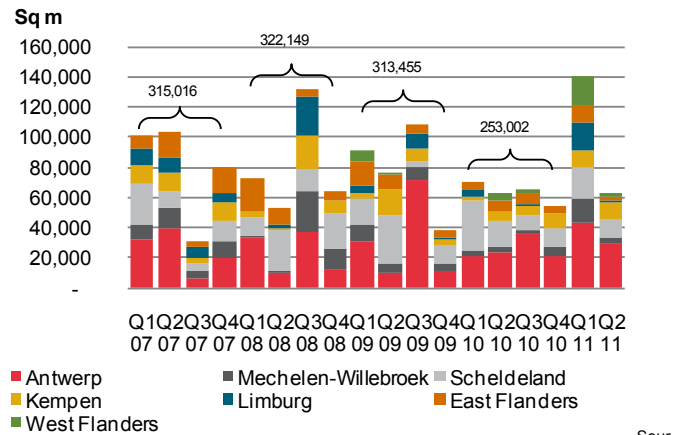
Demand for logistics premises did not waver towards the end of the quarter, as demonstrated by Nike Europe's agreement to move their new distribution centre in Intervest's Herentals Logistics 2 (Kempen). This agreement involves Nike occupying 20,000 sq m of warehouse space in September, with another 20,000 sq m extension expected to be moved in to by the beginning of next year. This represents the weightiest logistics deal in Flanders this quarter and signals a willingness on behalf of investors to build to suit occupiers' needs once more.

In Ghent, it has been announced that the port of Ghent is to invest €80m in its infrastructure up to 2020, this includes works which will take place in Rieme-Noord which is destined for distribution and logistics.

Prime rents are stable in Flanders at €45/sq m/year for logistics facilities and €55/sq m/year for semi-industrial facilities. Regular rents are between €38 and €43/sq m/year for the former, and €35-€45/sq m/year for the latter (Figure 8).

Figure 6

### Take-up: Flanders semi-industrial

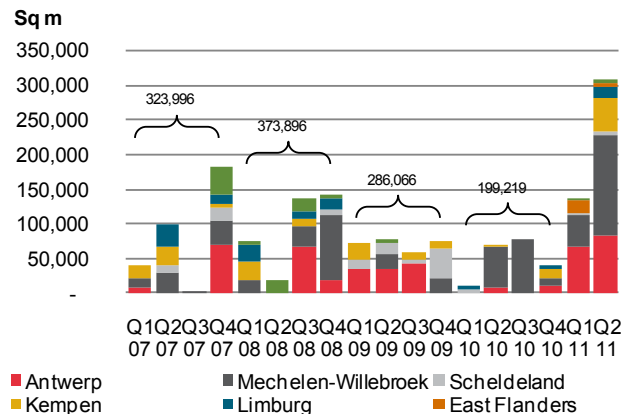


Source: DTZ Research

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Figure 7

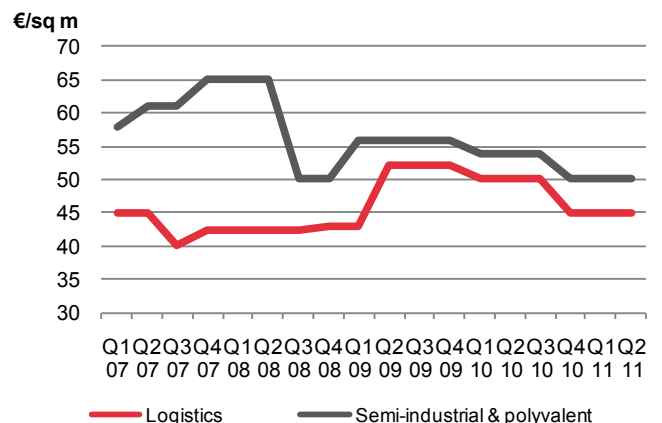
### Take-up: Flanders logistics



Source: DTZ Research

Figure 8

### Prime rents: Flanders



Source: DTZ Research

So

Table 1

Market indicators (Q2 2011) - Flanders					
	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Antwerpen	7,392,000	29,483	83,051	48	38
Mechelen-Willebroek	2,226,000	3,917	95,662	45	45
Scheldeland	1,807,000	9,746	5,241	39	43
Kempen	1,843,000	11,512	46,680	35	42
Limburg	2,222,000	1,330	17,980	44	42
East Flanders	1,676,000	1,974	5,118	50	40
West Flanders	1,158,000	2,304	4,000	30	35

Source: DTZ Research / W: Warehouses L: Logistics

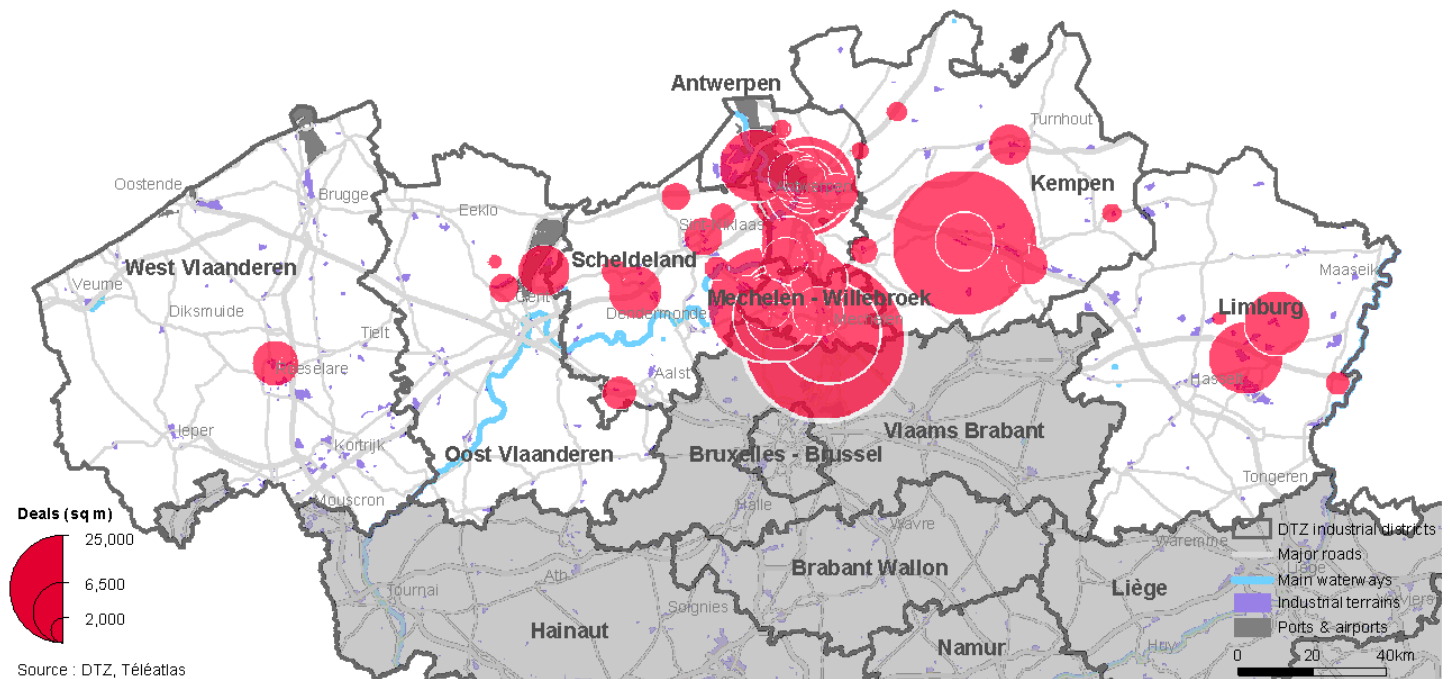
Table 2

Top occupier deals (Q2 2011) - Flanders					
	Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
L	Flemish Brabant	Mechelen	50,000	Spar Retail	Purchase
L	Kempen	Herentals	40,380	Nike Europe	Letting
L	Mechelen-Willebroek	Puurs	25,547	Duvel-Moortgat	Purchase

Source : DTZ Research / W: Warehouses L: Logistics

Map 2

## Take-up: Flanders



# Brussels (including Brabant)

Overall, activity in the Brussels region has decreased by 30%.

Semi-industrial take-up suffered a decrease, though it maintains decent levels, while logistics maintains last quarter's standard of activity. Total take-up was recorded at 40,000 sq m.

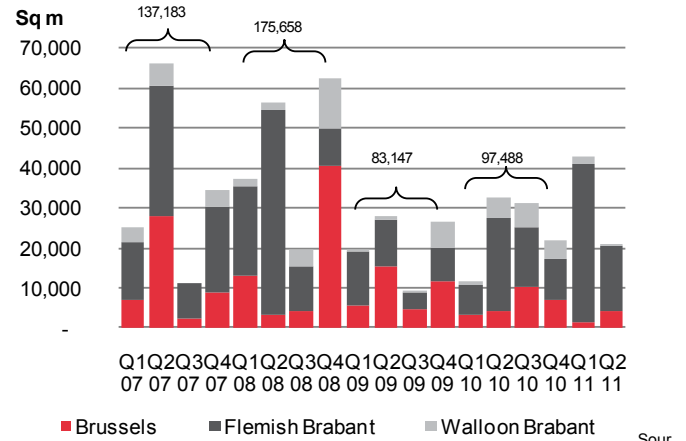
Semi-industrial activity in the Brussels region has fallen by close to 50% on a quarterly basis. This low level is not for want of demand, but rather supply, which also explains its current prime rental level in the region (see below). Walloon Brabant follows the trend identified in Flanders, of more modest submarkets not sustaining recent highs. Semi-industrial take-up in the Brussels including Brabant region was 21,000 sq m (Figure 9).

Logistics take-up maintains a status quo, with 19,000 sq m, a 1% increase on Q1 (Figure 10). Thanks to a 10,000 sq m in Nivelles letting by industrial supplier Boyriven, Walloon Brabant has recorded its highest result in recent memory. This is no mean feat since nearby industrial zones in Hainaut such as Ghlin-Baudour and Feluy are offering competitive deals, something the Nivelles area is struggling with. Norbert Dentressangle is to open an 8,500 sq m distribution centre in Asse which will specialise in cold chain, temperature controlled logistics.

Logistics prime rents remain stable at €45/sq m/year, while regular rents are between €38 and €43/sq m/year. Semi-industrial prime rents have risen to €55/sq m/year, and is found in the Brussels submarket, in the Woluwe Industry Park. This constitutes a shift in Belgium's overall semi-industrial prime-rent which was previously at €50/sq m/year, and found in Flanders as well as Brussels (including Brabant). Regular semi-industrial rents are between €38 and €45/sq m/year (Figure 11).

Figure 9

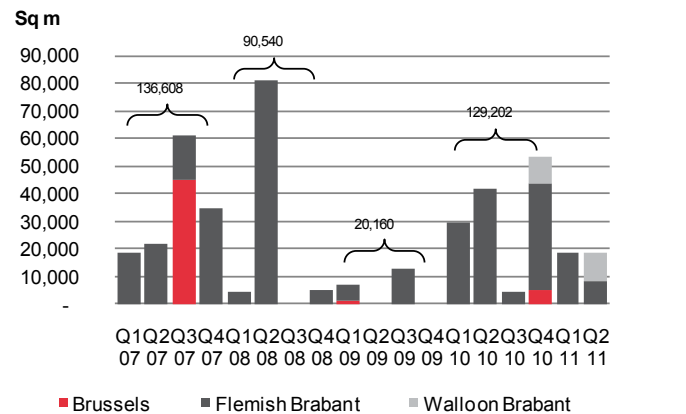
Take-up: Brussels (incl. Brabant) semi-industrial



Source: DTZ Research

Figure 10

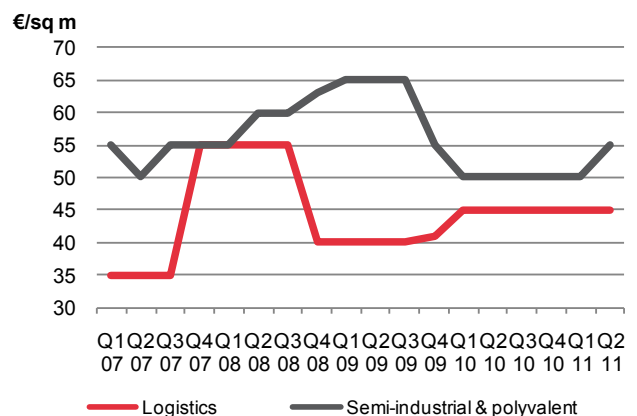
Take-up: Brussels (incl. Brabant) logistics



Source: DTZ Research

Figure 11

Prime rents: Brussels (incl. Brabant)



Source: DTZ Research

# Brussels (including Brabant)

Table 3

Market indicators (Q2 2011) – Brussels (incl. Brabant)					
	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Brussels	693,000	4,275	0	55	45
Flemish Brabant	2,411,000	18,344	58,500	50	45
Walloon Brabant	394,000	680	10,138	45	42

Source: DTZ Research W: Warehouses L: Logistics

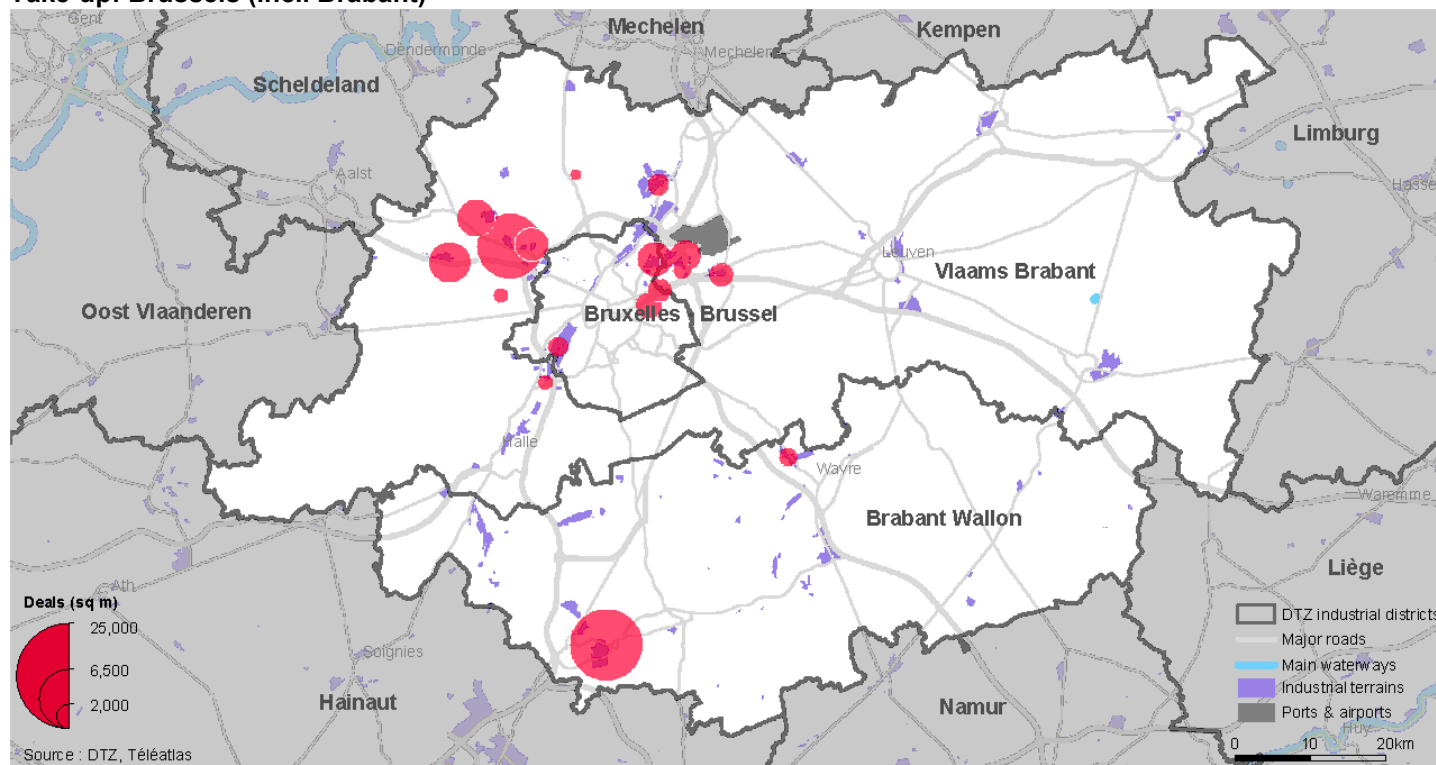
Table 4

Top occupier deals (Q2 2011) - Brussels (incl. Brabant)					
	Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
L	Walloon Brabant	Nivelles	10,138	Boyriven	Letting
L	Flemish Brabant	Asse	8,500	Norbert Dentressangle	Pre-letting
W	Flemish Brabant	Ternat	3,400	Wallstone	Letting

Source: DTZ Research / W: Warehouses L: Logistics

Map 3

## Take-up: Brussels (incl. Brabant)



**Combined occupational activity in Wallonia has decreased by 73% on a quarterly basis, reaching a total of 13,000 sq m.**

Activity this quarter paints a gloomy picture as not a single logistics transaction has been recorded.

At 13,000 sq m, semi-industrial take-up is no longer decreasing (take-up is nearly identical to Q1!), with Liège facilities being the consumers' product of choice this quarter (Figure 12). Wallonia, being an economy that thrives on SMEs realises that it must meet the demand for new quality facilities, which is why news that a new 40ha economic zone for SMEs in Mons (Hainaut) will admit new occupiers from 2013 will surely be welcomed in many quarters. In addition, a €3 million investment will ensure the area is the first in Belgium to use geothermic energy. Furthermore, the public sector has agreed to finance 77ha (out of a possible 240ha) on an economic zone in the vicinity of Liège-Bierset airport to the tune of €13 million. The first tenants will be moving in by 2013.

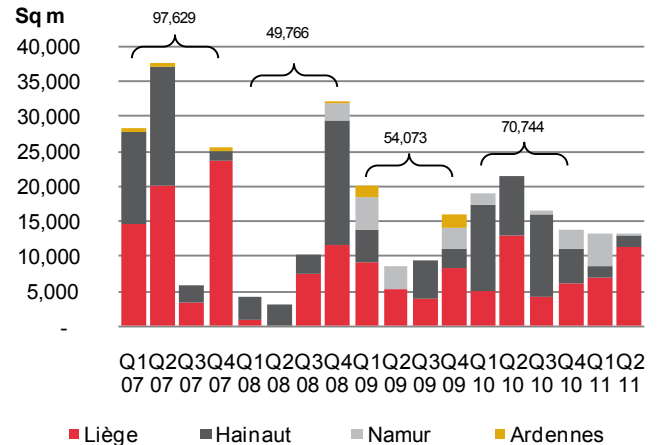
There is not a single transaction to report in the logistics segment (Figure 13); this is rather worrying since activity is running very smoothly in Brussels and Flanders. As yet, no decision has been made concerning whether Delhaize will be investing in a €50m, 80,000 sq m distribution in the Oupeye part of Hauts-Sarts in the Liège submarket. As such this would be very good news for Liège which is vying to attract distribution centres to its area as part of its plan to become a logistics hub which can rival neighbouring regions. At present, deals are non-existent however, and it is to be hoped that short- and medium-term infrastructure developments to widen the Meuse and the Seine-Escaut in saturated areas will contribute to help Wallonia's cause. Works should be over by 2015-16. In addition, Liège-Bierset airport will likely be connected to the Carex network by 2015.

Some good news for the future is that the very recently delivered H&M distribution centre in Ghlin (Hainaut) is to undergo the second phase of its development – 15,000 sq m will be added to the current 32,000 sq m. The plot of land owned by H&M can accommodate a total of up to 90,000 sq m.

Prime semi-industrial rents in Wallonia remain stable at €33/sq m/year, while regular rents are thought to be between €30 and €40/sq m/year. Prime logistics rents also remain stable at €33/sq m/year, while regular rents are not thought to be much lower at around €32/sq m/year (Figure 14).

Figure 12

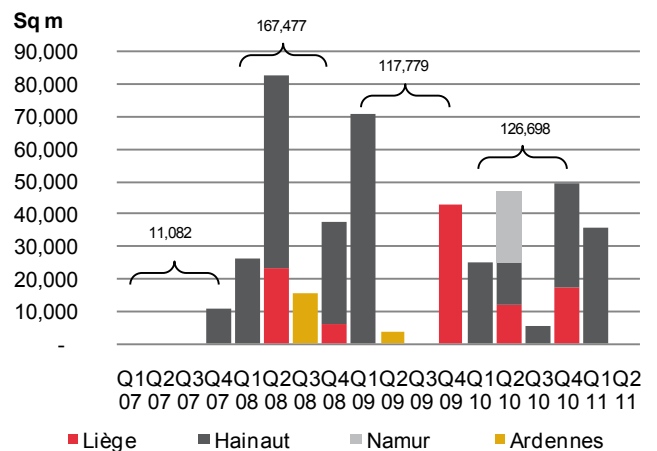
### Take-up: Wallonia semi-industrial



Source: DTZ Research

Figure 13

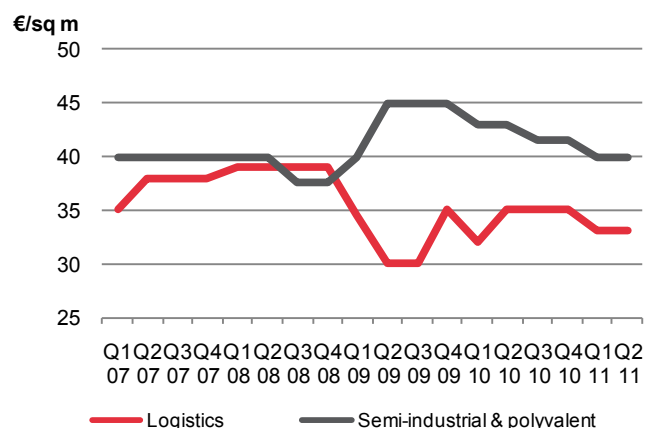
### Take-up: Wallonia logistics



Source: DTZ Research

Figure 14

### Prime rents: Wallonia



Source: DTZ Research



Table 5

## Market indicators (Q2 2011) – Wallonia

	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Ardennes	326,000	11,231	0	40	32
Hainaut	1,243,000	1,732	0	40	30
Liège	1,480,000	680	0	40	33
Namur	102,000	200	0	32	n.a

Source: DTZ Research W: Warehouses L: Logistics

Table 6

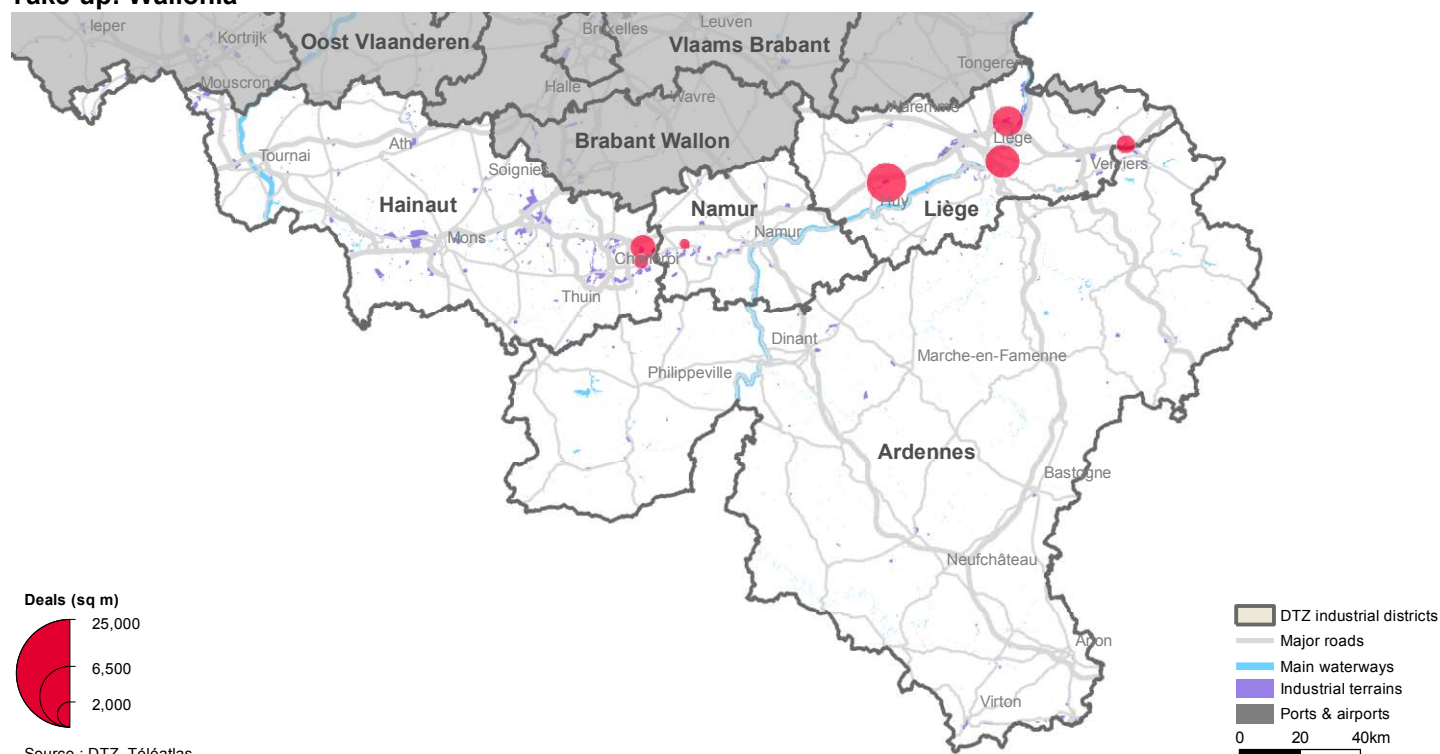
## Top occupier deals (Q2 2011) - Wallonia

	Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
W	Liège	Villers-le-Bouillet	3,215	ECS	Letting
W	Liège	Alleur	3,215	Combo	Purchase
W	Liège	Grivegnée	2,331	À la Clé	Purchase

Source : DTZ Research / W: Warehouses L: Logistics

Map 4

## Take-up: Wallonia



Source : DTZ, Tél atlas

# 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 rents

Represents the highest rent that has been observed or reported on the market in the last six months preceding the survey date, excluding exceptional or irrelevant deals. 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 yield

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 leases 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, specialised press... Figures do not include adjacent office spaces, where available. Figures are not exhaustive.

## Industrial submarkets

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

## Semi-industrial buildings

Buildings designed for light industrial activities or for SMEs requiring a workshop, a showroom or a small storage facility. These buildings vary considerably in size but are, in most cases, below 5,000 sq m. Some of the most important required technical features of semi-industrial buildings include: a free height generally below 7 metres; a maximum of one loading bay per 1,000 sq m; an office/warehouse ratio of about 20/80. For more information please refer to DTZ's "*Belgium, A Success Storage*" publication.

## Logistics buildings

Buildings designed for logistics activities. These buildings vary considerably in size but are, in most cases, over 5,000 sq m. Some of the most important technical features of logistics buildings include: a free height generally over 8 metres; a minimum of one loading bay per 1,000 sq m; an office/warehouse ratio of about 5/95. For more information please refer to DTZ's "*Belgium, A Success Storage*" publication.

## Investments

Investments in the semi-industrial and logistic sectors refer to the purchase of commercial real estate in order to collect an income or rent. Also included is the purchase of commercial real estate during the development/construction/comprehensive refurbishment phase where the completion date is known.

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