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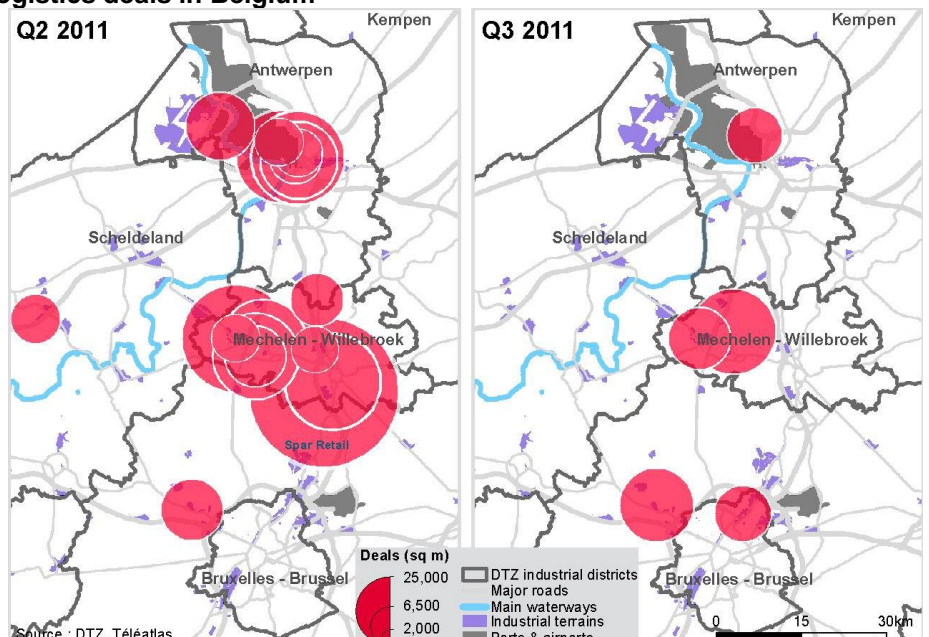
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- Flanders and Brussels semi-industrial and logistics perform at an insipid rate on the back of a record Q2 2011. Nonetheless, little over one million square meters of take-up has been recorded since January 2011, well above the yearly results of 2009 and 2010, both below 880,00 sq m.
- Semi-industrial take-up decreased in all three regions, with submarkets such as Antwerp and Liège failing to meet usual levels.
- Map 1 shows a gaping hole between Brussels and Antwerp as readily available logistics facilities are drying up.
- Fortunately we witness a return to form as far as Walloon logistics are concerned, with more to come next quarter. In the short- to medium-term, looks turn to the recently approved Trilogiport project.
- There are much fewer logistics owner-occupier deals to speak about, as demonstrated in each of our maps, a tendency for transactions of this nature had arisen during Q2.
- Prime rents are still not to be found beyond €45/sq m/year for logistics premises. Semi-industrial prime rents increase further to €58/sq m/year for semi-industrial premises in Zaventem proving the Brussels Airport area is a highly-valued as ever.

Map 1

Logistics deals in Belgium



Economic overview

Belgium is being increasingly buffeted by financial and economic headwinds from elsewhere in the Eurozone, compounded by an ongoing lack of political leadership. The recovery is slowing and risks for 2012 are increasingly on the downside.

The economy has been hit by the financial market turmoil, with spreads reaching new highs as investors retreated to safety. Despite a relatively good short-term fiscal position, Belgium suffers from a number of vulnerabilities, including bank exposure to Greece, a large debt ratio and heavy financing needs. But with GDP having risen 0.7% in Q2, defying the slowdown seen elsewhere in the Eurozone, Oxford Economics still expects GDP growth of 2.5% this year.

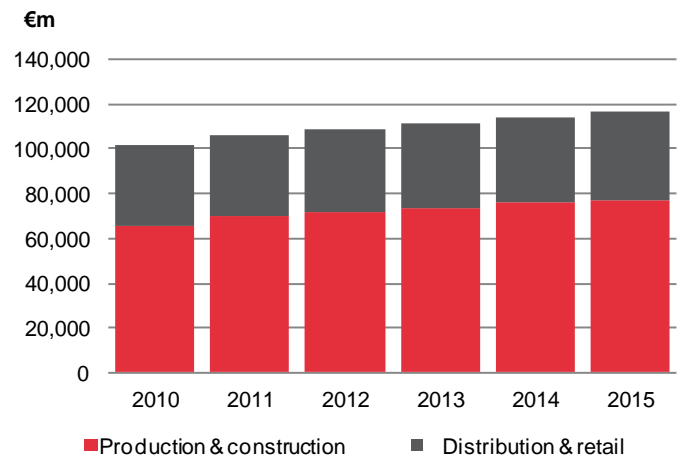
But even before the latest financial turbulence the recovery was starting to lose some steam as exporters felt the impact of slower German growth in Q2 and consumer confidence deteriorated.

However, Oxford Economics' forecast for 2012 remains largely unchanged, with downward revisions to exports offset by weaker imports. Wage indexation provides some respite for consumers, but the risks are clearly on the downside.

Source: Oxford Economics

Figure 1

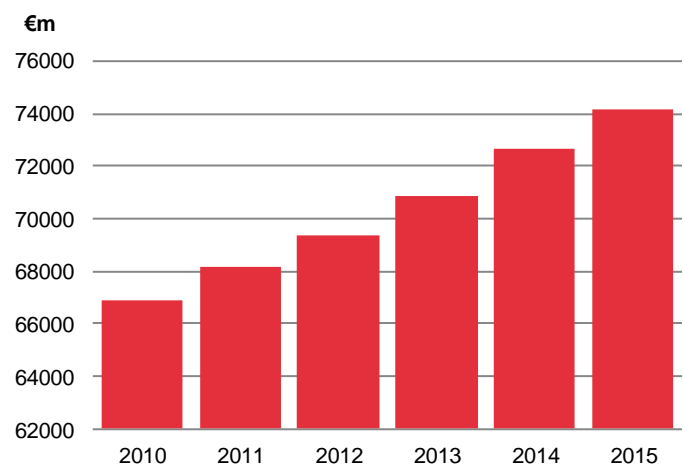
Belgium: Gross value added per sector forecast



Source: Oxford Economics

Figure 2

Belgium: Retail sales



Source: Oxford Economics

Belgium industrial market

The only way is down after a strong start to 2011.

Although the third quarter is traditionally calm, this has mostly been one to forget after the skyrocketing activity witnessed during the first half of the year.

Semi-industrial take-up suffered a decrease in activity in all three regions, falling by 50% overall to 50,000 sq m (Figure 3 and 4). The harshest decline was suffered in Wallonia with a decrease by 67% (Figure 12). In Brussels (and Brabant), activity declined by 15%, while the prime rent was seen to rise for the second quarter running, as detailed below.

The logistics market has been resilient this quarter with take-up over 140,000 sq m (Figure 4). Nevertheless strong decreases observed in Flanders and the Brussels district (75% and 70% respectively) come as no surprise after a superlative Q2. In Wallonia, levels did rise comfortably (no activity was recorded in Q2), with more activity expected in Q4. Wallonia is also where we note the largest logistics deal of the quarter, with 21,000 sq m being let in Liège.

Some explanation for the poor logistics activity is borne out of the fact the Mechelen-Willebroek and Flemish Brabant submarkets (on the much-prized Brussels-Antwerp axis) have not met their usual high levels. The market has also witnessed a decrease in the proportion of owner occupiers entering the frame.

However, 2011 is on track to become a record year of activity as more than one million square metres of combined take-up have already been recorded. The maximum observed level of activity was in 2008 with little less than 1.2m sq m.

Prime rents have rise further for semi-industrial facilities, up to €58/sq m/year, this time in Flemish Brabant, though still in direct vicinity of Brussels Airport. Prime logistics rents continue to be determined at €45/sq m/year, on the Brussels-Antwerp axis (Figure 5).

Figure 3

Take-up per region

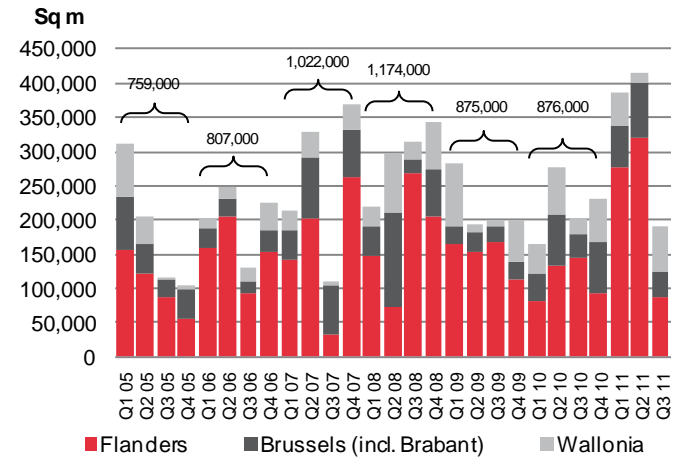


Figure 4

Take-up per type

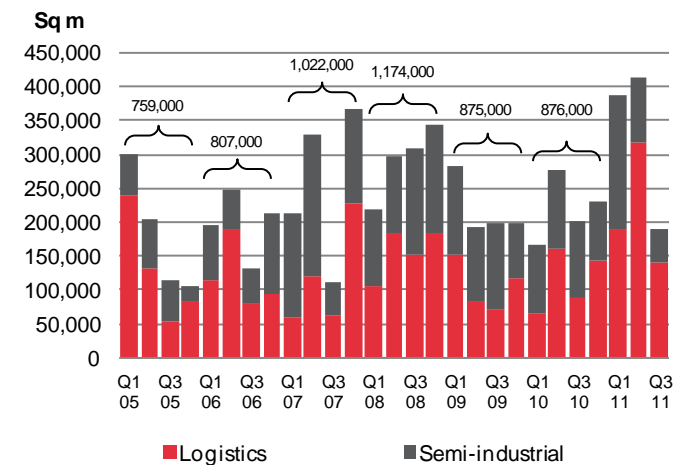
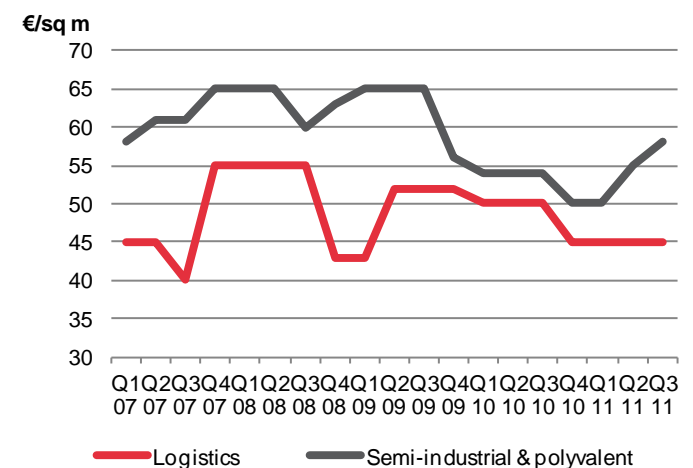


Figure 5

Prime rents



Flanders semi-industrial and logistics activity both underwhelm.

The region seems at pains to be able to maintain strong results in semi-industrial and logistics occupier activity simultaneously.

After a very strong first half to the year, semi-industrial activity has been subdued during this quarter (Figure 6), failing to follow a trend for strong third quarter take-up which had emerged over the last three years. It may be that above average Q1 results were partly driven by a rush for low interest mortgages in a sector which is no stranger to owner occupation. The fact that Antwerp, and Scheldeland especially, did not shine, may explain low results for this quarter. We note that a building permit has been obtained for a 10,000 sq m SME park in Mechelen South; this should be delivered in 2012.

Logistics activity in Flanders was subdued, even at this quieter time of year with take-up registered at 60,000 sq m (Figure 7). The top three largest occupier deals here were all lettings, in contrast with the previous quarter which showed a tendency for more purchases by owner-occupiers than usual. The largest deal took place in Genk with a 17,000 sq m letting by Limburgse Distributie Maatschappij. Although we acknowledge the 45,000 sq m sale-and-leaseback involving Betafence and WDP in Harelbeke (West Flanders), deals of such nature do not enter consideration in terms of take-up (see definition on page 11).

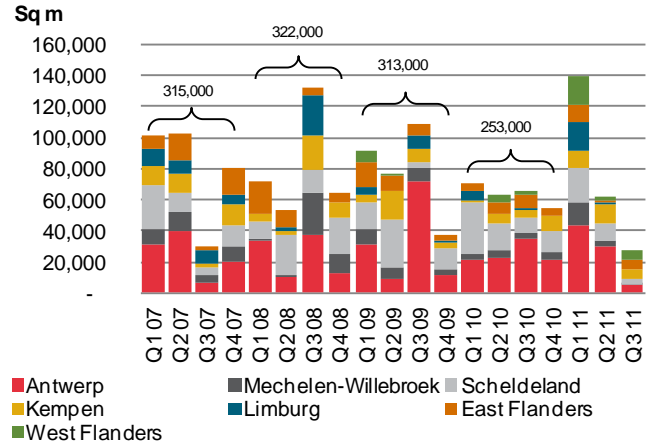
An interesting point to be made is the relative small amount of logistics transactions noted along the A12 and the E19 between Antwerp and Brussels (Map 2) in comparison with previous quarters. Attention will be paid to whether this is but a blip, or due to little available quality supply. Certainly, some amount of land remains available in areas such as Puurs; it is just a question of the right kind of tenant coming along in these uncertain times, with owners valuing long-term pre-lets.

In September, news was communicated that a second sea-lock would facilitate access to Waaslandhaven in Antwerp will be constructed from the end of October through 2016.

Both semi-industrial and logistics prime rents are yet to shift at 50/sq m/year and €45/sq m/year respectively. Regular rents are between €35-€45/sq m/year for the former, and €38 and €43/sq m/year for the latter (Figure 8).

Figure 6

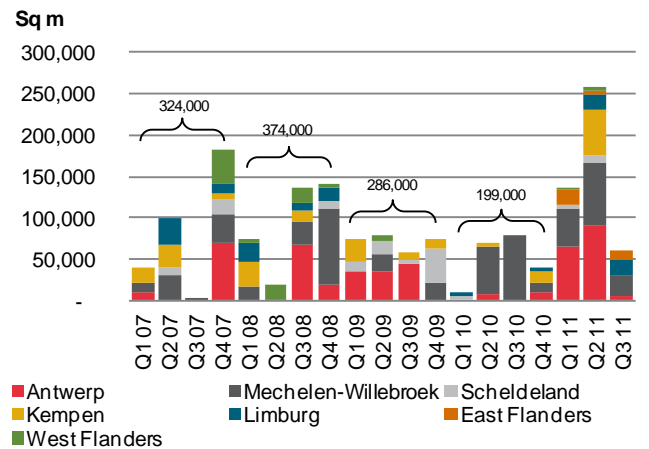
Take-up: Flanders semi-industrial



Source: DTZ Research

Figure 7

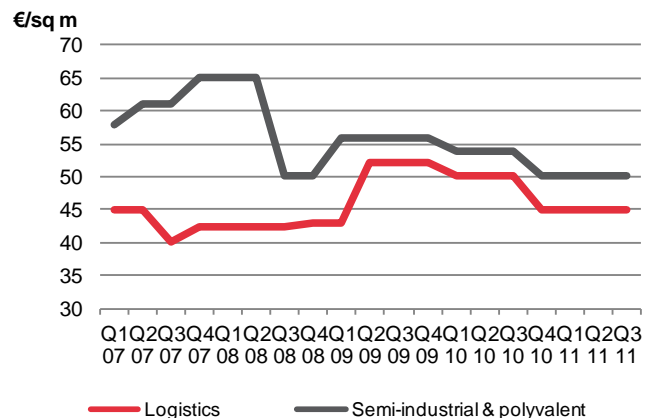
Take-up: Flanders logistics



Source: DTZ Research

Figure 8

Prime rents: Flanders



Source: DTZ Research

Table 1

Market indicators (Q3 2011) - Flanders

	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Antwerpen	7,740,000	4,971	6,607	48	38
Mechelen-Willebroek	2,195,000	976	24,500	50	45
Scheldeland	1,819,000	2,662	0	39	43
Kempen	1,859,000	6,800	0	38	42
Limburg	2,240,000	0	17,308	44	42
East Flanders	1,693,000	5,549	11,950	50	40
West Flanders	1,167,000	6,071	0	30	26

Source: DTZ Research / W: Warehouses L: Logistics

Table 2

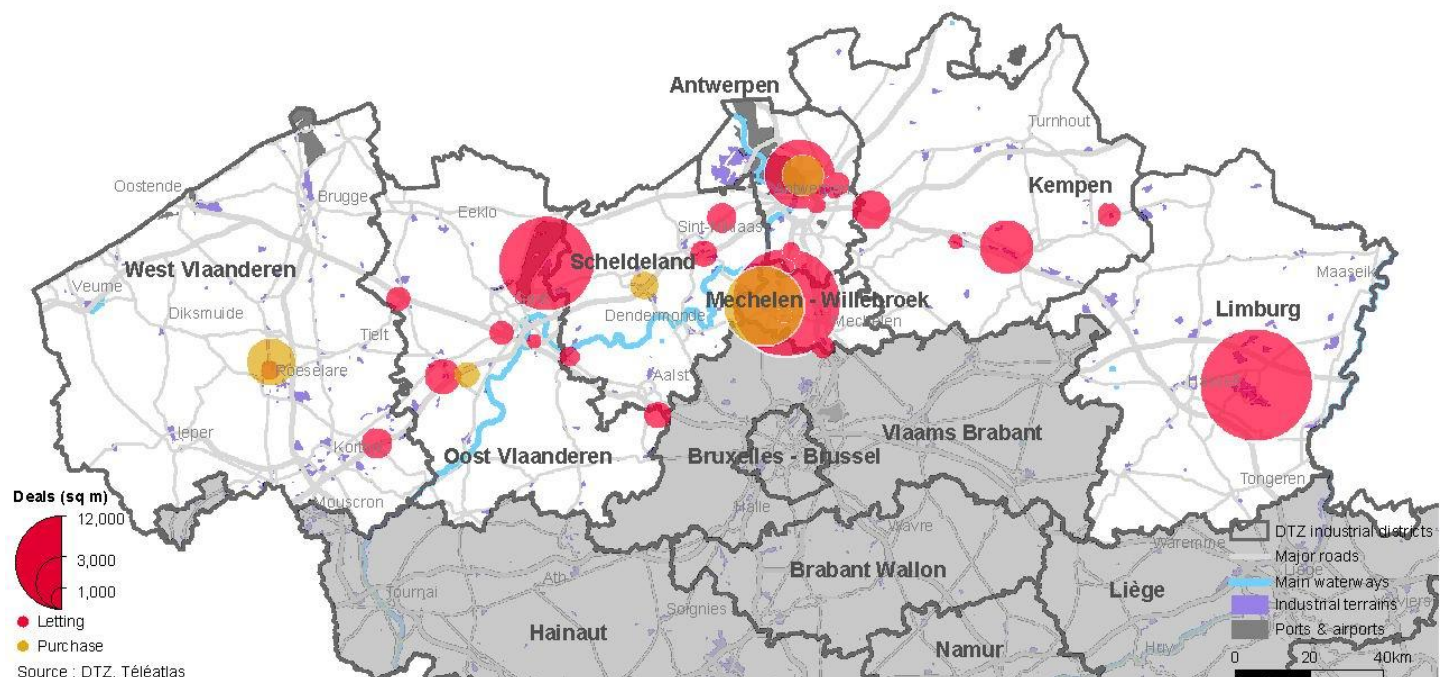
Top occupier deals (Q3 2011) - Flanders

Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
L Limburg	Genk	17,308	Limburgse Distributie Maatschappij	Letting
L Mechelen-Willebroek	Wilrijk	16,000	Maers Group	Letting
L East Flanders	Gent	11,950	SAS Automotive	Letting

Source : DTZ Research / W: Warehouses L: Logistics

Map 2

Take-up: Flanders



Brussels (including Brabant)

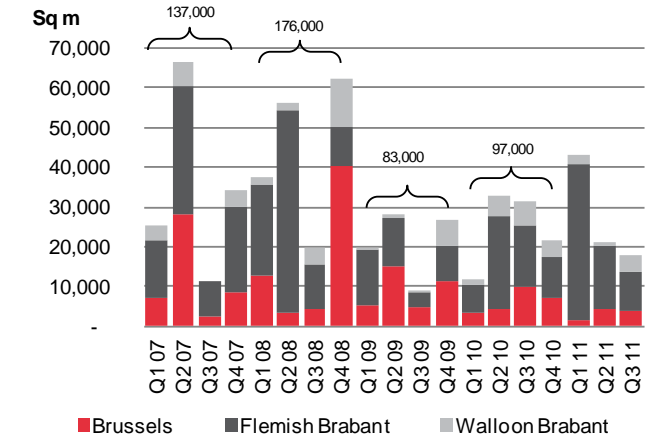
Activity decreases further, semi-industrial rents increase further.

Most of Brussels' 19,200 sq m semi-industrial take-up (Figure 9) was accounted for by Flemish Brabant this quarter. These deals mostly took place in the vicinity of Brussels airport (Map 3). While the total take-up is slightly under the levels recorded in recent quarters, a decrease in the third quarter is nothing new in this region. Nivelles and Wavre (North Zoning) again show for Walloon Brabant's (few) recorded deals.

Logistics activity has demonstrated a tendency to blow hot and cold over the last year, this quarter decreasing by close to 70% with 19,000 sq m in take-up. Dentressangle are to stop its frozen goods activities based in Forest. Nevertheless, some positive news comes in the form of some 7,000 sq m being let in Leasinvest's Canal Logistics by Cameleon/Famous Clothes, the first logistics letting in the submarket of Brussels in 2011. The largest (and only other) recorded logistics transaction this quarter is the 12,000 sq m extension by Delhaize of its distribution centre in Zellik, where it will construct a new fresh goods storage unit for €50 million. In separate news, Intégrale's Immo Fractal, leased to FedEx, in Machelen, has been delivered by Pylos this quarter.

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 however risen for the second quarter running and are now recorded at €58/sq m/year (Figure 11), a level observed in the Airport Garden (Flemish Brabant submarket). 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).

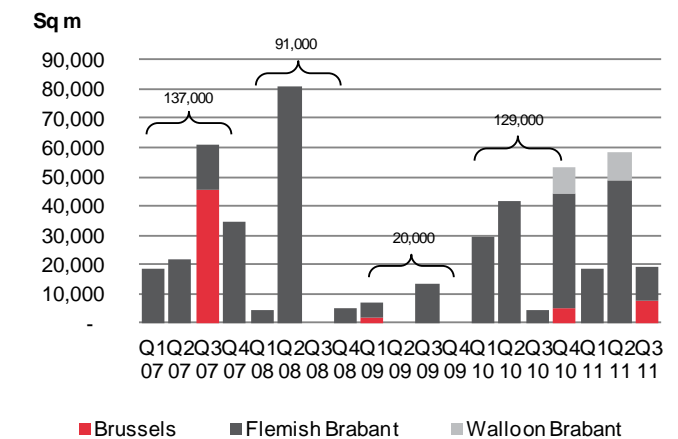
Take-up: Brussels (incl. Brabant) semi-industrial



Source: DTZ Research

Figure 10

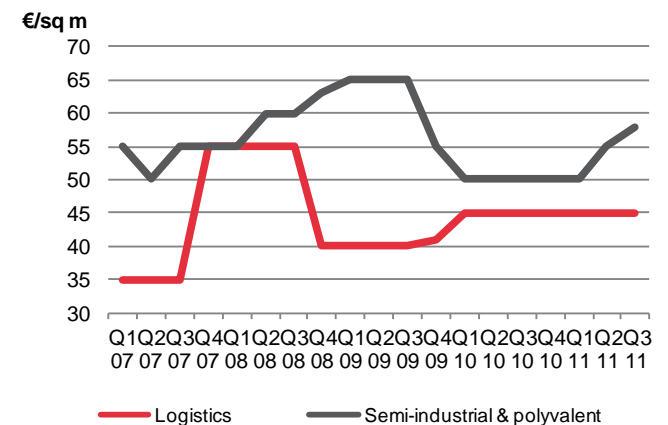
Take-up: Brussels (incl. Brabant) logistics



Source: DTZ Research

Figure 11

Prime rents: Brussels (incl. Brabant)



Source: DTZ Research

Figure 9

Brussels (including Brabant)

Table 3

Market indicators (Q3 2011) – Brussels (incl. Brabant)					
	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Brussels	707,000	4,069	7,200	55	45
Flemish Brabant	2,424,000	9,503	12,000	58	43
Walloon Brabant	399,000	4,500	0	45	42

Source : DTZ Research W: Warehouses L: Logistics

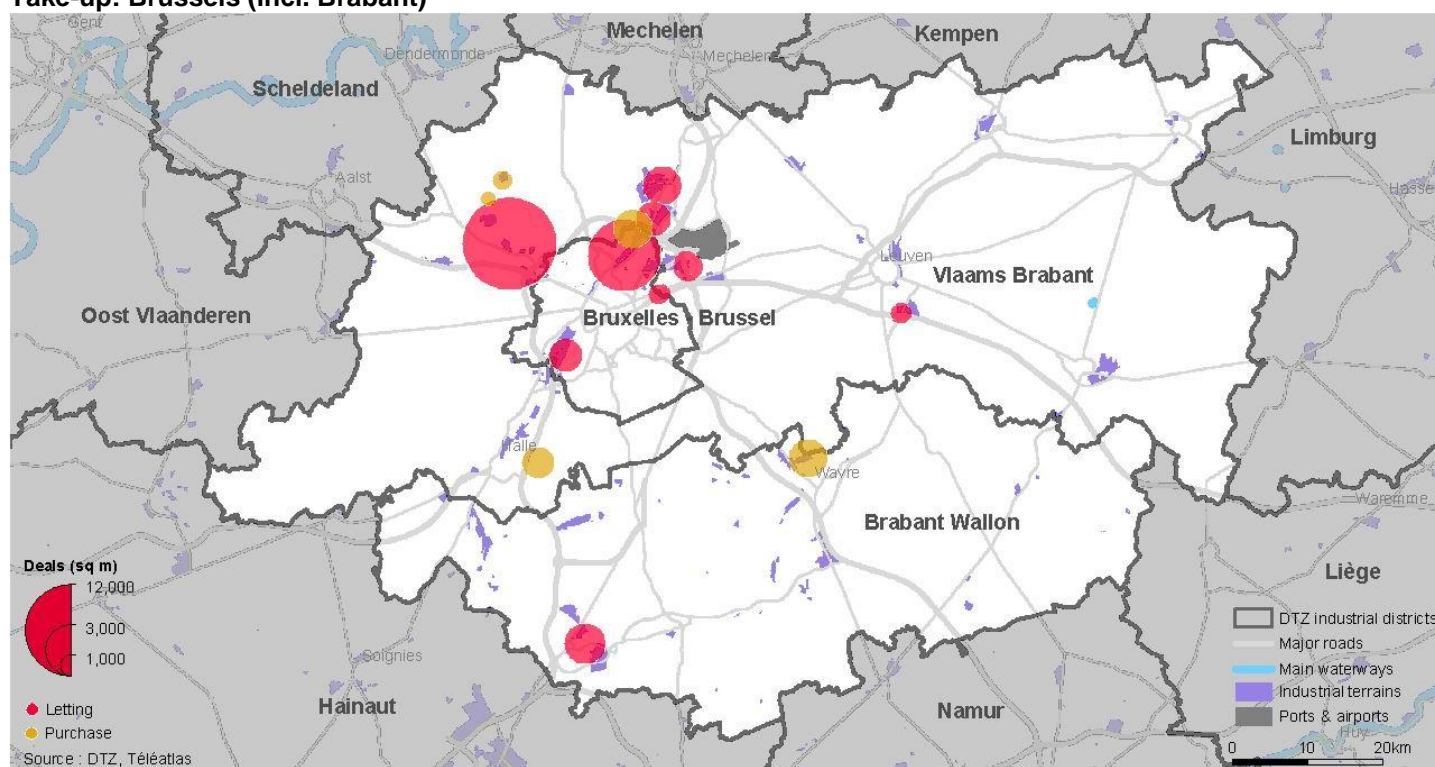
Table 4

Top occupier deals (Q3 2011) - Brussels (incl. Brabant)					
	Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
L	Flemish Brabant	Zellik	12,000	Delhaize	Extension
L	Brussels	Neder-over-Hembeek	7,200	Cameleon/Famous Clothes	Letting
W	Walloon Brabant	Nivelles	2,400	Sabert	Letting

Source : DTZ Research / W: Warehouses L: Logistics

Map 3

Take-up: Brussels (incl. Brabant)



Logistics activity kick-starts in Wallonia, semi-industrial take-up falls further.

Although its level had stabilised last quarter, the downward trend was only temporarily at a halt, since the amount of recorded semi-industrial take-up in Wallonia has fallen again, this time by nearly 70% to a lowly 4,500 sq m (Figure 12). This figure consists of two lettings in the Liège submarket, both in Grivegnée, including a letting of 1,450 sq m by the University of Liège Hospital.

Logistics activity has been the redeeming factor for Wallonia this quarter as we have observed transactions across-the-board in a sector which was a non-performer in the region during Q2. Take-up totalled 62,000 sq m (Figure 13). The largest was a 21,432 sq m letting by Walloon storage and logistics company Lock'o. Wallonia has also demonstrated its ability to attract foreign companies such as Yusen Logistics in Courcelles (10,000 sq m letting), and Touchroad which will own a 15,000 sq m European distribution centre in La Louvière. The unfamiliarly-placed spot on Map 4 is the first recorded logistics transaction in the Ardennes submarket since the beginning of 2009. Overall, this quarter has been the best the Walloon logistics market has performed since Q1 2009.

We do not expect a decision before the end of the year on Delhaize's potential €50m investment in Hauts-Sarts for an 80,000 sq m distribution centre in the Liège submarket.

DPD has started occupying its new 5,000 sq m warehouse in Flémalle, owned by WDP.

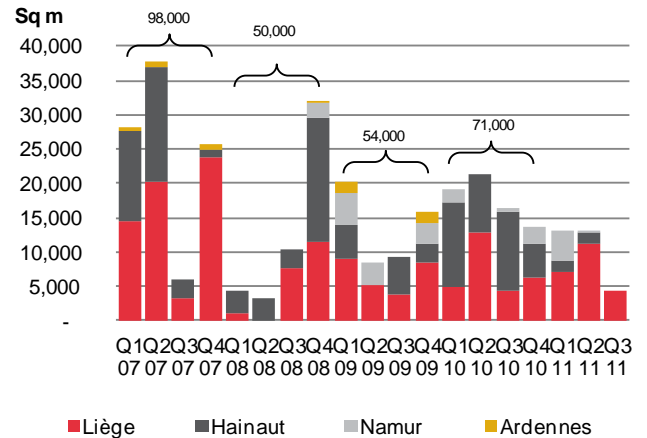
At the end of the quarter, the news emerged that the Trilopiport project had been approved, meaning the search for occupiers of WDP's and Deutsche Lagerhaus' concessions has begun.

Finally, a deal has been reached to Liège container terminal with the CHZ terminal in Zeebrugge.

Prime semi-industrial rents in Wallonia remain at €40/sq m/year, while regular rents are thought to be between €30 and €40/sq m/year. Prime logistics rents have been retrospectively reviewed to €36/sq m/year, given new data that came to light on a transaction from Q4 2010 – this rent has stayed stable since. Regular logistics rents are not thought to be much lower at around €32/sq m/year (Figure 14).

Figure 12

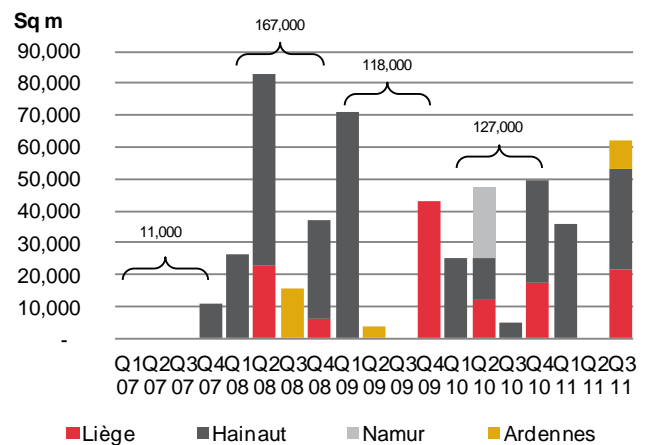
Take-up: Wallonia semi-industrial



Source: DTZ Research

Figure 13

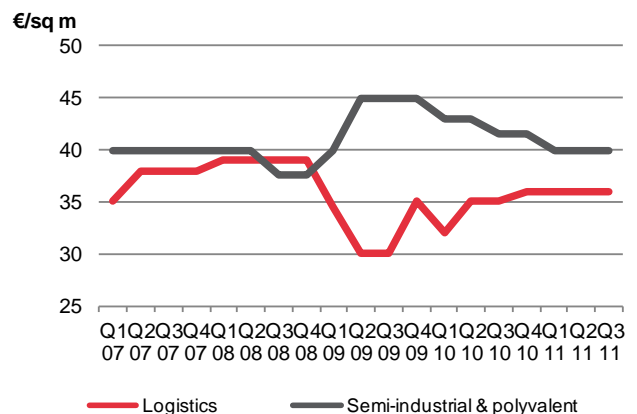
Take-up: Wallonia logistics



Source: DTZ Research

Figure 14

Prime rents: Wallonia



Source: DTZ Research

Table 5

Market indicators (Q3 2011) – Wallonia

	Stock (sq m)	Take-up (sq m)		Prime rents (€/sq m/year)	
		W	L	W	L
Ardennes	364,000	0	8,800	40	30
Hainaut	1,244,000	0	31,600	40	30
Liège	1,581,000	4,400	21,432	40	36
Namur	102,000	0	0	32	n.a

Source: DTZ Research W: Warehouses L: Logistics

Table 6

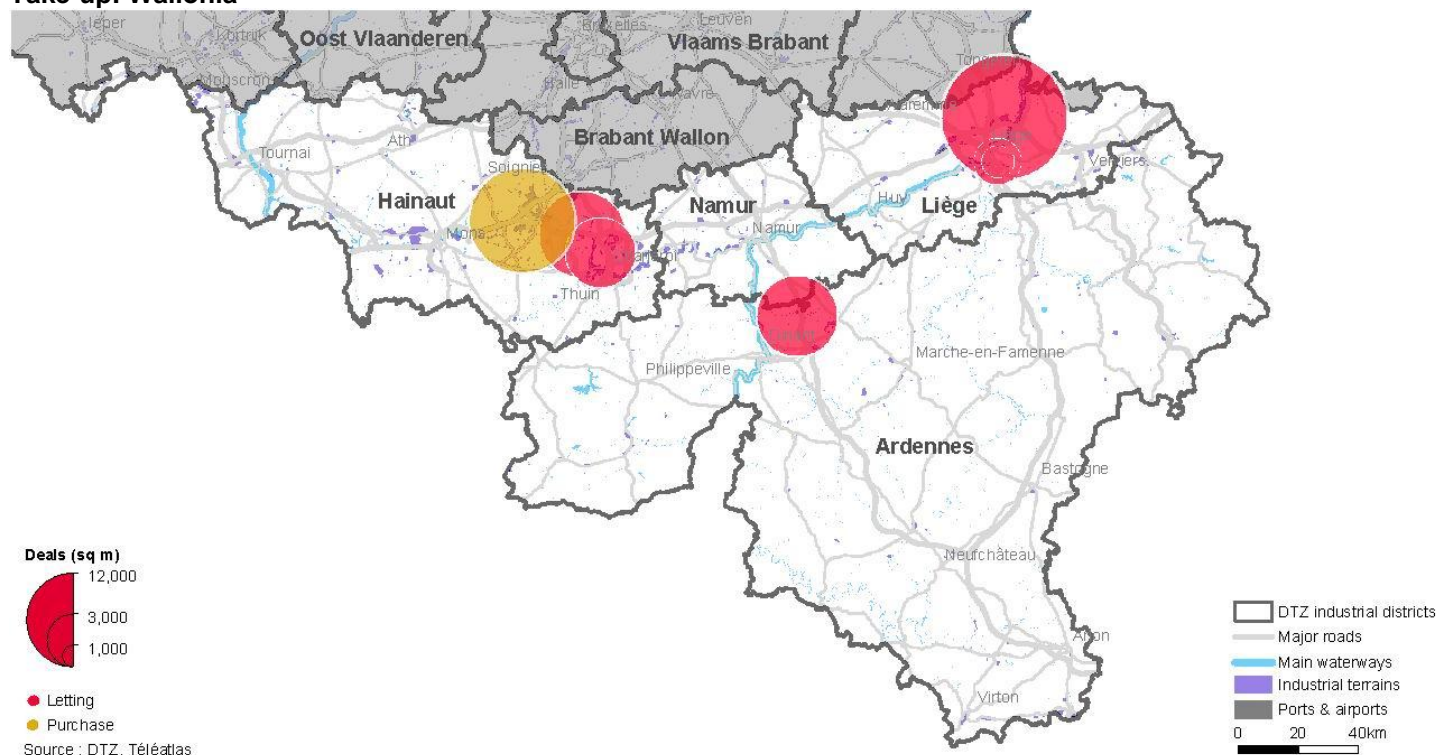
Top occupier deals (Q3 2011) - Wallonia

	Submarket	Municipality	Surface (sq m)	Tenant - occupier	Transaction
L	Liège	Herstal	21,432	Lock'o/Jost	Letting
L	Hainaut	Houdeng-Goegnies	15,000	Touchroad	Purchase
L	Hainaut	Courcelles	10,000	Yusen Logistics	Letting

Source : DTZ Research / W: Warehouses L: Logistics

Map 4

Take-up: Wallonia



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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