# Property Times
# Belgium Industrial Q3 2012
# Compact demand impacts

**17 October 2012**

## Contents



## Author


**Shane O'Neill**
Research Analyst
+ 32 (0)2 629 02 81
shane.oneill@dtz.com


## Contacts


**Cédric Van Meerbeeck**
Head of Belgium Research
+ 32 (0)2 629 02 86
cedric.vanmeerbeeck@dtz.com

**Magali Marton**
Head of CEMEA Research
+ 33 (0)1 4964 4954
magali.marton@dtz.com

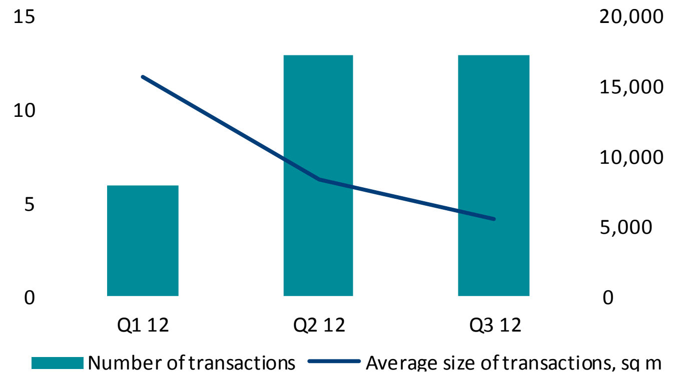
**Matthew Hall**
Global Head of Forecasting
+ 44 (0)20 3296 3011
matthew.hall@dtz.com

**Hans Vrensen**
Global Head of Research
+ 44 (0)20 3296 2159
hans.vrensen@dtz.com


- Semi-industrial activity this quarter was stable overall, with 137,000 sq m recorded.
- Large semi-industrial transactions were noted in Wallonia, and helped boost the area to its good performance this quarter, as well as compensating for a further decrease in take-up in Flanders.
- There was an important decline (46%) in logistics take-up, which this quarter amounted to 132,000 sq m.
- The nature of demand for logistics buildings in Flanders districts was just as high as last quarter, but for smaller surfaces (Figure 1).
- The demand for smaller logistics spaces in Flanders this quarter impacted so-called peripheral districts which had made a name for themselves recently due to their ability to provide land for large transactions.
- Concerns regarding Golden Triangle districts are allayed as its influence increases to 44% of the country's logistics take-up (against 18% in the first quarter and 31% in the second).
- No change overall was noted in the semi-industrial prime rent, as it is still recorded at €55/sq m/year in the Brussels region, which is where we note a new recorded logistics prime rent for Belgium, increased to €46/sq m/year, underlining a secure year so far for the area.

Figure 1

**Evolution of logistics take-up in Flanders**




Source: DTZ Research

# Belgium Industrial Q3 2012

## Economic overview

### Broad-based European slowdown negatively impacts the Belgium economy

Oxford Economics' recent forecasts regarding the Belgian economy corroborates the feeling of a broad-based slowdown all over of Europe in recent months. As a consequence, we expect the Belgian economy to shrink by 0.3% in 2012. Moving into 2013, we see only very modest growth of around 0.5% as a slight improvement in exports would provide the only real stimulus. If trends are overall the same for Belgium and Brussels, the latter is expected to be more impacted by this slowdown as the GDP is forecasted to contract by 0.35% in 2012 and growth in 2013 would be of only 0.2%. Nevertheless, 2014 and 2015 should see a better economic recovery in Brussels than in Belgium and the Eurozone (Figure 2).

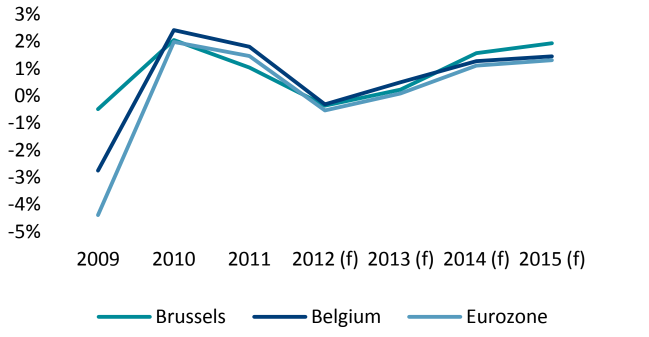
As a consequence of this gloomy economic outlook, all the indicators show negative results for 2012. The export of goods and services is expected to shrink by 0.7%, and imports by 1.3%. The limited pace of recovery would dampen companies' ambition to invest resulting in a decline in industrial production in 2012. Moreover, the scale of public debt (around 100% of GDP) and the efforts made to limit the public spending would negatively impact the possibilities to help the Belgian economic recovery.

After a relatively good performance on the labour market in 2011, employment in the country is forecasted to remain flat in 2012, suggesting a modest advantage when compared to the European average. Due to depressed economic conditions, unemployment is expected to rise, to reach 7.3% for Belgium. But this figure conceals different situations between regions. Flanders records good performances, with a stable unemployment rate around 4.5% while unemployment remains a major issue for the Brussels Region as it stands currently at around 17% and is expected to increase in 2013 and 2014 to reach 19%. In Wallonia, unemployment stands around 9.7% and is expected to get to 10.5% next year (Figure 3).

The industrial production has fallen by 3% this quarter, and with the uncertainties across the Eurozone, it seems inevitable that firms will cut spending in the second part of 2012. We also expect consumers and the Government to continue to cut spending through the rest of 2012. The government needs to trim spending to limit the overshoot from its deficit target, 2.8% of GDP for the year. At least consumers would benefit from much more muted inflation, expected to fall to 1.5% in 2013. This would provide some support to spending (Figure 4).

Figure 2

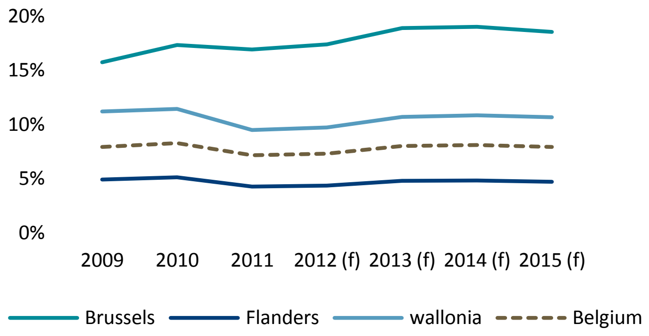
GDP Growth




Source: Oxford Economics, September 2012

Figure 3

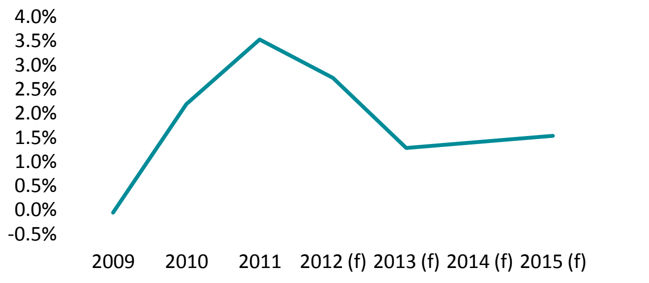
Unemployment rate




Source: Oxford Economics, September 2012

Figure 4

Consumer Price Index




Source: Oxford Economics, September 2012

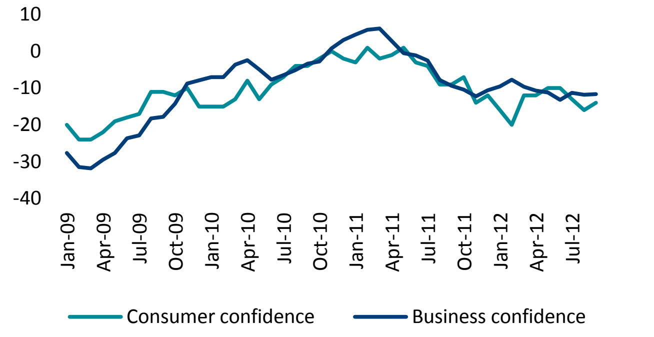
# Belgium Industrial Q3 2012

The decrease of the Belgian economy is also shown in the consumer confidence index as well as in the corporate confidence index which both continue to record mitigated results. Indeed, the consumer confidence index presents oscillations between upward and downward movements since the beginning of the year. After the fall recorded in July and August, this index has increased in September 2012 to stand now at a level of -14. The corporate confidence index has tended to be stable since April 2012. The recent Government “Di Rupo I” seems to have calmed part of consumers’ and corporates’ fears but the dim economic outlook could lead to a new downward movement of these two indexes (Figure 5).

According to Oxford Economics, gross value added in the production & construction, distribution and retail, and transport and communications sectors is forecasted to decrease this year, contributing to Belgium’s overall dim perspectives (Figure 6).

Figure 5

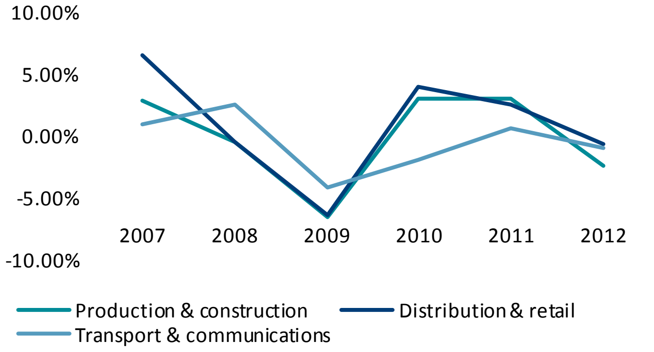
**Consumer and corporate confidence indexes**




Source: National Bank of Belgium, September 2012

Figure 6

**Gross Value Added growth in selected sectors**




Source: Oxford Economics

# Belgium Industrial Q3 2012

## Belgium industrial market

**Both segments have been impacted by the average sizes of transactions.**

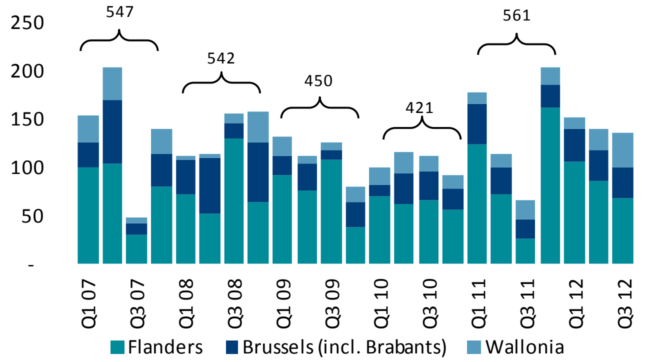
Activity on the semi-industrial market across the land has been stable as a whole, amounting to 137,000 sq m this quarter (Figure 7). As a result, take-up this year should comfortably surpass 500,000 sq m. Flanders' impact on the overall performance has been waning since the beginning of the year, due to a decrease in the number of transactions. This has been alleviated by Walloon take-up, which has gradually picked up speed over the course of the year, thanks to a couple of significantly large deals this quarter. In the Brussels region, activity has been steady.

The level of logistics activity in Belgium this quarter has suffered a decrease, bringing it back to the exact same level as at the start of the year, i.e. 132,000 sq m (Figure 8). On the whole, take-up mainly suffered from Wallonia's decrease from an impressive second quarter, although the region rarely performs in the third quarter. Should a couple of expected deals come to fruition next quarter, the year could end on a high note. In Flanders, demand has not decreased, but changed focus towards smaller spaces, hence a lack of activity in districts noted for their ability to generate large deals. Districts that make up the Golden Triangle have seen their influence grow, as they now account for 44% of take-up across the country (against 18% in Q1), and we highlight some qualitative deals in Puurs and Brucargo in following pages, which could dispel concerns about the area highlighted at the beginning of the year. Some further positive news for Belgium came in September as the European Commission selected eleven infrastructure projects involving Belgium on a singular or multi-country basis towards which it will offer financing up to a total of EUR 28 million, including for the Deurganckdock lock in the Port of Antwerp.

The prime rent for semi-industrial buildings in Belgium has not changed since last quarter and remains EUR 55/sq m/year , located in the Brussels region. The prime rent for logistics buildings has increased slightly to EUR 46/sq m/year this quarter, and is now also found in the Brussels region (Figure 9).

Figure 7

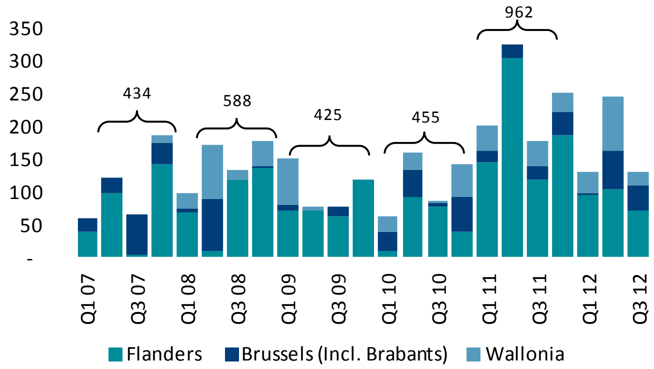
**Take-up: Belgium semi-industrial per region, 000s sq m**




Source: DTZ Research

Figure 8

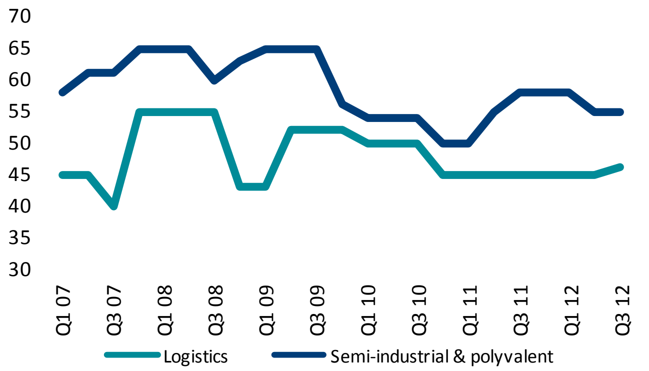
**Take-up: Belgium logistics per region, 000s sq m**




Source: DTZ Research

Figure 9

**Belgium semi-industrial and logistics prime rents, EUR/sq m/year**




Source: DTZ Research

# Belgium Industrial Q3 2012

## Flanders

### Activity declines in both segments but end-of-year results should be within yearly averages.

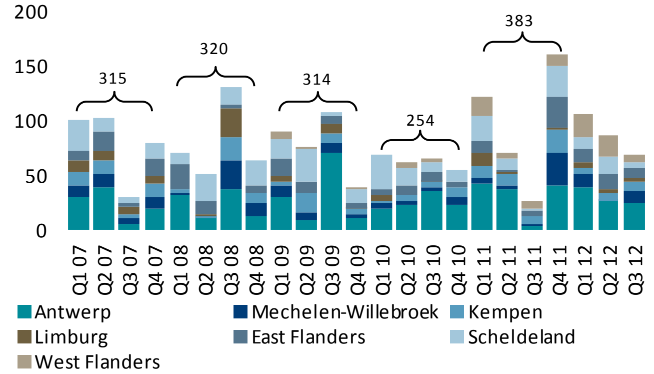
We expect Flanders to be on course for an average year of semi-industrial take-up at the very least, despite a decrease for the third quarter in succession, with take-up amounting to 69,000 sq m (Figure 10). Overall, there were much less deals than during either of the first two quarters, although transactions were just over 1,000 sq m on average, as they were during the first quarter. We welcome a renewal of occupier activity in the Mechelen-Willebroek district following a disappointing Q2, this helped boost take-up in the Golden Triangle districts, which accounted for 60% of Flanders' activity in Q3.

Take-up this quarter on the Flanders logistics market has been lower than the two previous with 73,000 sq m recorded (Figure 11). Indeed, demand proved somewhat different, since the average size of transactions has decreased every quarter so far this year – currently standing at 5,600 sq m against 16,000 sq m in Q1 – while the number of transactions is exactly the same as last quarter. The largest deal this quarter involved Vandeputte Group purchasing a 18,000 sq m development by Goodman in Puurs, which was delivered during the quarter (Map 1). The fact that little or no deals were recorded in peripheral districts, which we have outlined as being more equipped to cater for new large prime facilities, certainly goes some way towards explaining the low average size of deals. Indeed occupiers privilege the prime end of the market, as demonstrated this quarter, during which more than half of newly occupied spaces were top-grade, but demand for large spaces was subdued. On the topic of smaller spaces in prime locations, MG Real Estate has started works on its 40 ha De Hulst park in Willebroek, where 3,000 sq m of logistics facilities with an access to the Brussels-Scheldt canal have been pre-let. Activity until now in Flanders means this year has already overtaken 2010 and should likely be comfortably within the average of the past five years. A final point to make, owner-occupier deals amounted to close to 70% of space taken in occupation this quarter, against under 35% last quarter.

Rents paid for prime semi-industrial buildings fetch up to EUR 53/sq m/year, while average semi-industrial buildings require rents around EUR 41/sq m/year. The prime rent for logistics buildings in Flanders is EUR 45/sq m/year, and is found in the Antwerp district. The average rent for logistics buildings is EUR 34/sq m/year (Figure 12).

Figure 10

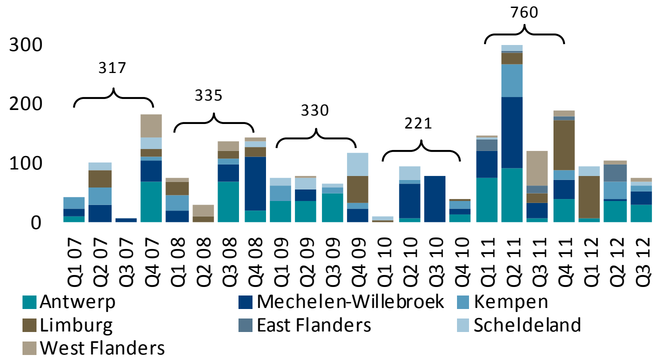
**Take-up: Flanders semi-industrial, 000s sq m**




Source: DTZ Research

Figure 11

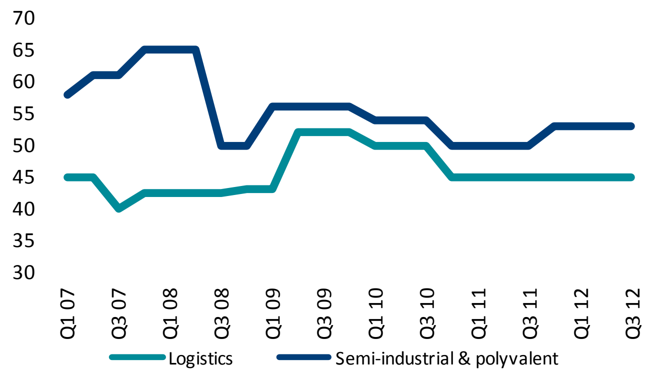
**Take-up: Flanders logistics, 000s sq m**




Source: DTZ Research

Figure 12

**Prime rents: Flanders, EUR/sq m/year**




Source: DTZ Research

# Belgium Industrial Q3 2012

Table 1

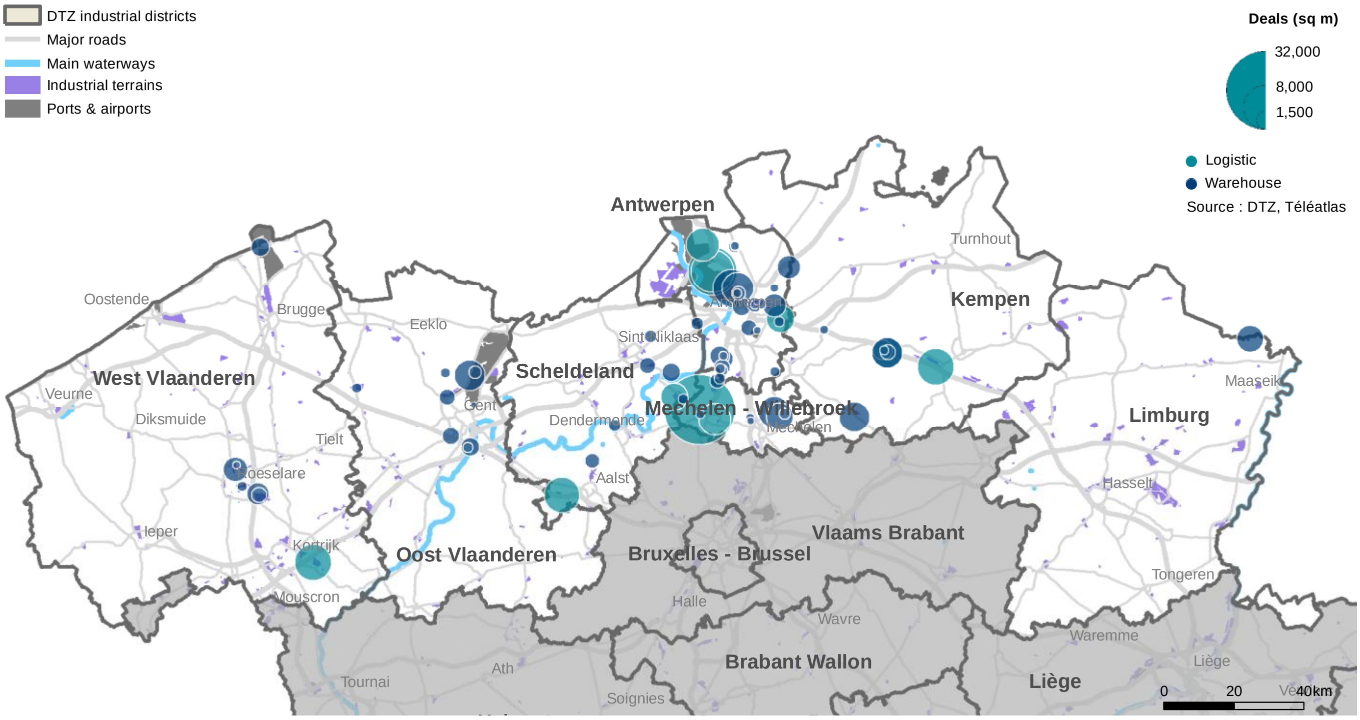
## Top occupier deals in Flanders, Q3 2012

| | Submarket | Municipality | Surface (sq m) | Tenant – occupier | Transaction |
|---|---|---|---|---|---|
| L | Mechelen-Willebroek | Puurs | 18,000 | Vandeputte Group | Purchase |
| L | Antwerp | Antwerp | 15,000 | Cementnatie | Purchase |
| L | Antwerp | Antwerp | 7,000 | Las- en Constructiewerken Ivens | Purchase |

Source: DTZ Research / W: warehouses L: logistics

Map 1

## Occupier deals Flanders, Q3 2012



# Belgium Industrial Q3 2012

## Brussels (including Brabants)

### An increase in the logistics prime-rent underpins confident activity.

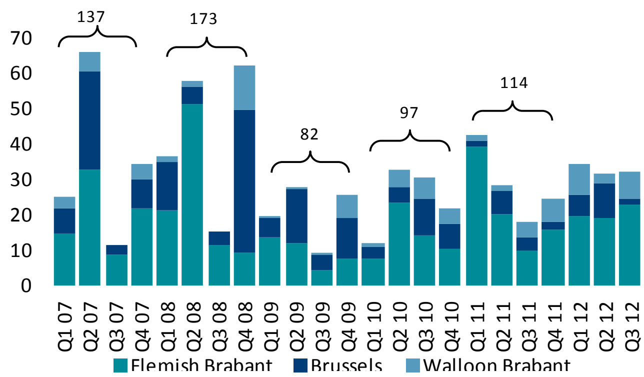
Semi-industrial take-up has roughly equalled last quarter's levels and totals 32,000 sq m (Figure 13). Demand has been steady and uniform throughout the year with occupiers mainly looking for warehouses just over 1,000 sq m. A substantial decrease of activity (82%) in the Brussels district was compensated for the most buoyant levels of take-up in Flemish Brabant since the beginning of 2011, and a return to form in Walloon Brabant.

Logistics take-up this quarter was recorded at 39,000 sq m (Figure 14), owing to a strong performance from the Brussels district. This included a letting by PFP Logistics Distribution bringing Canal Logistics to a 95% occupancy. Overall, the largest deal this quarter saw Crown-Baele pre-let WDP's Londerzeel site on Nijverheidsstraat as they are to relocate their activities from a larger distribution centre which WDP has recently acquired with a view to redeveloping it once it is vacated early next year. For the second quarter in succession, a deal has been recorded in Brucargo, where Montea is to reinforce its grip on the area by developing a 8,000 sq m distribution centre, for which a company active in the medical centre has agreed a long-term lease. This comes as a further boost to Brussels Airport, which, this quarter, announced an increase in shipped freight for the first seven months of the year. Deals such as the aforementioned, have now brought the level of activity recorded in the region to one surpassing that of last year; all recorded deals thus far in 2012 have been lettings.

The prime rent for semi-industrial premises is stable at EUR 55/sq m/year, while the average rent is EUR 38/sq m/year. The logistics prime rent has increased to EUR 46/sq m/year, a rare increase recorded in the Brussels district, and determines the current overall prime rent for Belgium. The average rent for logistics facilities in Brussels is around EUR 40/sq m/year (Figure 15).

Figure 13

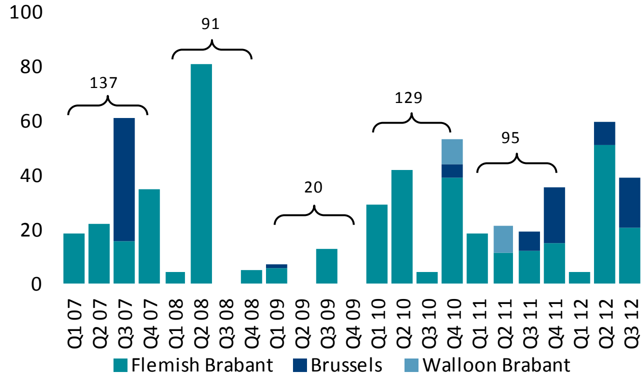
**Take-up: Brussels semi-industrial, 000s sq m**




Source: DTZ Research

Figure 14

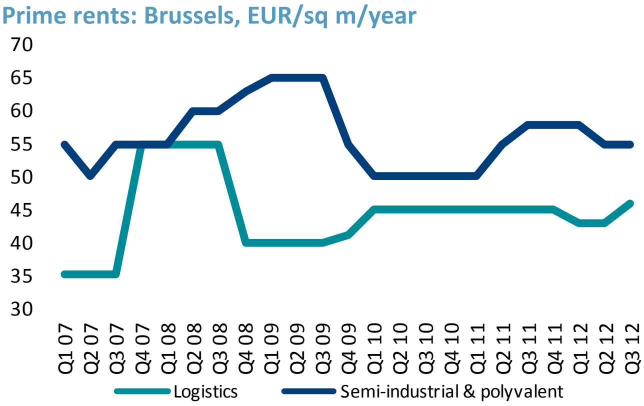
**Take-up: Brussels logistics, 000s sq m**




Source: DTZ Research

Figure 15

**Prime rents: Brussels, EUR/sq m/year**




Source: DTZ Research

# Belgium Industrial Q3 2012

Table 2

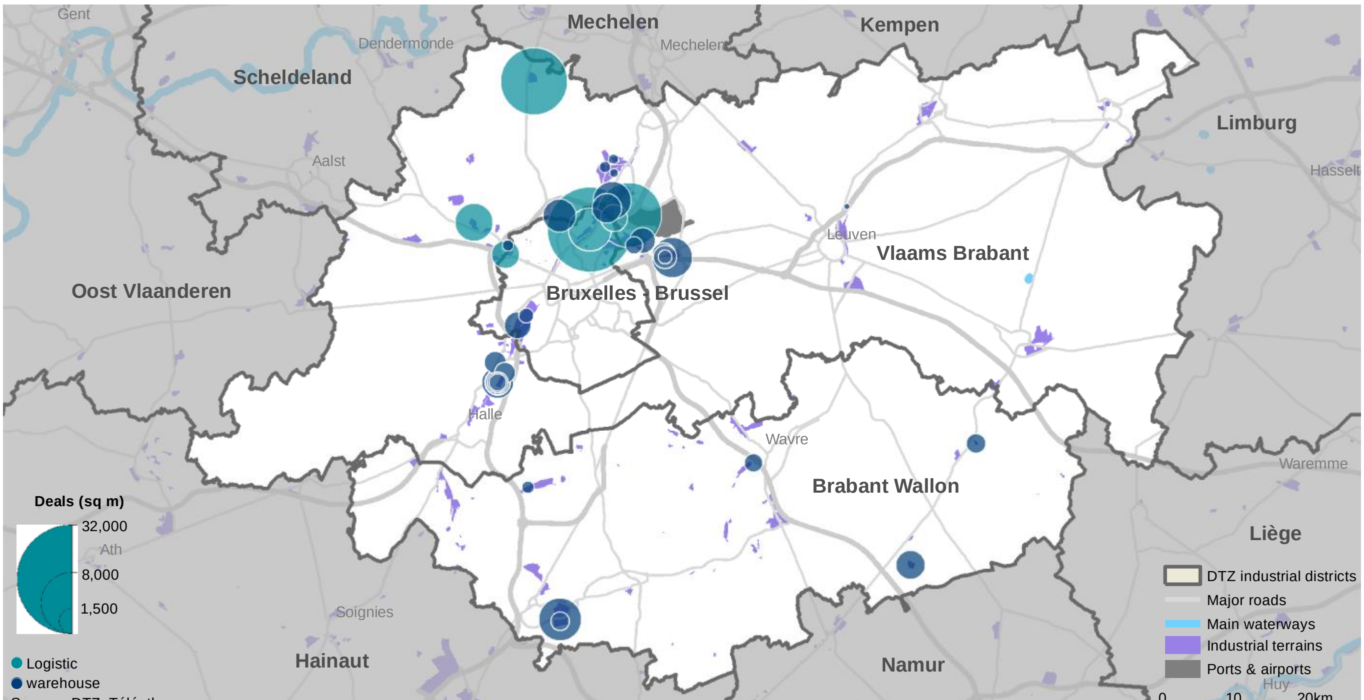
## Top occupier deals in Brussels, Q3 2012

| | Submarket | Municipality | Surface (sq m) | Tenant – occupier | Transaction |
|---|---|---|---|---|---|
| **L** | Flemish Brabant | Londerzeel | 9,000 | Crown-Baele | Pre-letting |
| **L** | Flemish Brabant | Diegem | 8,000 | Unknown | Pre-letting |
| **L** | Brussels | Neder-over-Heembeeck | 3,500 | PFP Logistics Distribution | Letting |

Source: DTZ Research / W: warehouses L: logistics

Map 2

## Occupier deals Brussels, Q3 2012



Source : DTZ, Téléatlas

# Belgium Industrial Q3 2012

## Wallonia

### Sizes of deals prove crucial in both segments this quarter.

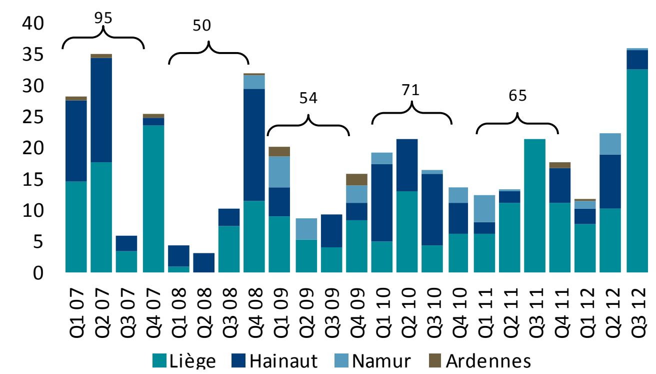
The highest levels of semi-industrial take-up (36,000 sq m) in Wallonia since 2004 were recorded this quarter (Figure 16). This positive news as it was mainly down to two above-average transactions in the Liège district (Table 3). Nevertheless this does not take away any of the shine off the two deals, particularly concerning Chenée, where the CHU Liège will be letting the premises for 33 years for storage purposes from new owner, BREG. This demonstrates that solid deals are to be found in Wallonia for creative investors with solid local and specialised knowledge. We further note a sustained annual increase in activity in the Liège district since the end of 2010, after what had been a downbeat couple of years. In the medium term, this could be further helped by a new industrial park in Waimes, where the SPI+ plans on being able to welcome up to 45 companies when ready in 2014 (permits pending). In addition, in Marche-en-Famenne (Ardennes), a further 10 ha will be available for development in the Aye park by 2013.

Logistics take-up in Wallonia has not lived up to what was a very dynamic beginning to the year due to a decrease in the number of transactions and the average sizes of the deals. Indeed, a below average 19,000 sq m of take-up was recorded this quarter (Figure 17). The Ardennes district (Map 3) provided the largest transaction of the quarter (Table 3), which serves to illustrate that the region's decrease in activity has to do with the Hainaut and Liège districts. Nevertheless, we bear in mind that traditionally, the third quarter is a quiet one in Wallonia (last year being the exception that proves the rule). For this reason, we remain hopeful on a confident end-of-year level of take-up for the region. A notable owner-occupier deal involving DB Schenker in Eupen contributed to the low average size of deals this quarter, since the warehouse in question will be a cross-dock terminal. DB Schenker evoke the area's outstanding connections at the heart of the Euregio, in an area they know well, since the new building will be built (delivery expected early 2013) next to existing facilities also used by the company.

Prime rents for semi-industrial and logistics facilities remain stable at EUR 40- and EUR 35/sq m/year respectively, while average rents are around EUR 38/sq m/year for semi-industrial buildings, and EUR 28/sq m/year for logistics buildings (Figure 18).

Figure 16

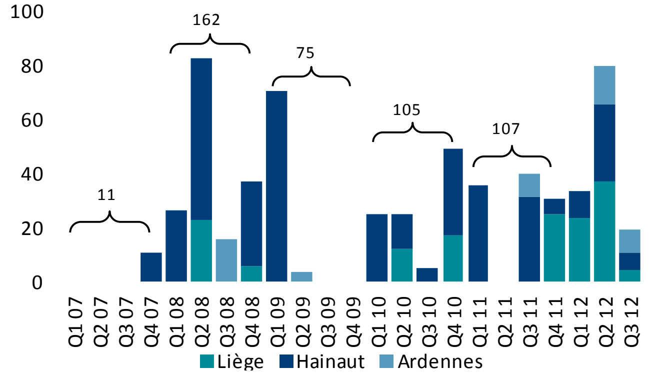
Take-up: Wallonia semi-industrial, 000s sq m




Source: DTZ Research

Figure 17

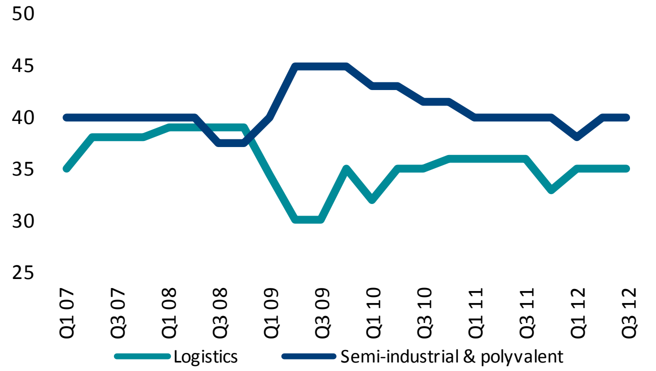
Take-up: Wallonia logistics, 000s sq m




Source: DTZ Research

Figure 18

Prime rents: Wallonia, EUR/sq m/year




Source: DTZ Research

# Belgium Industrial Q3 2012

Table 3

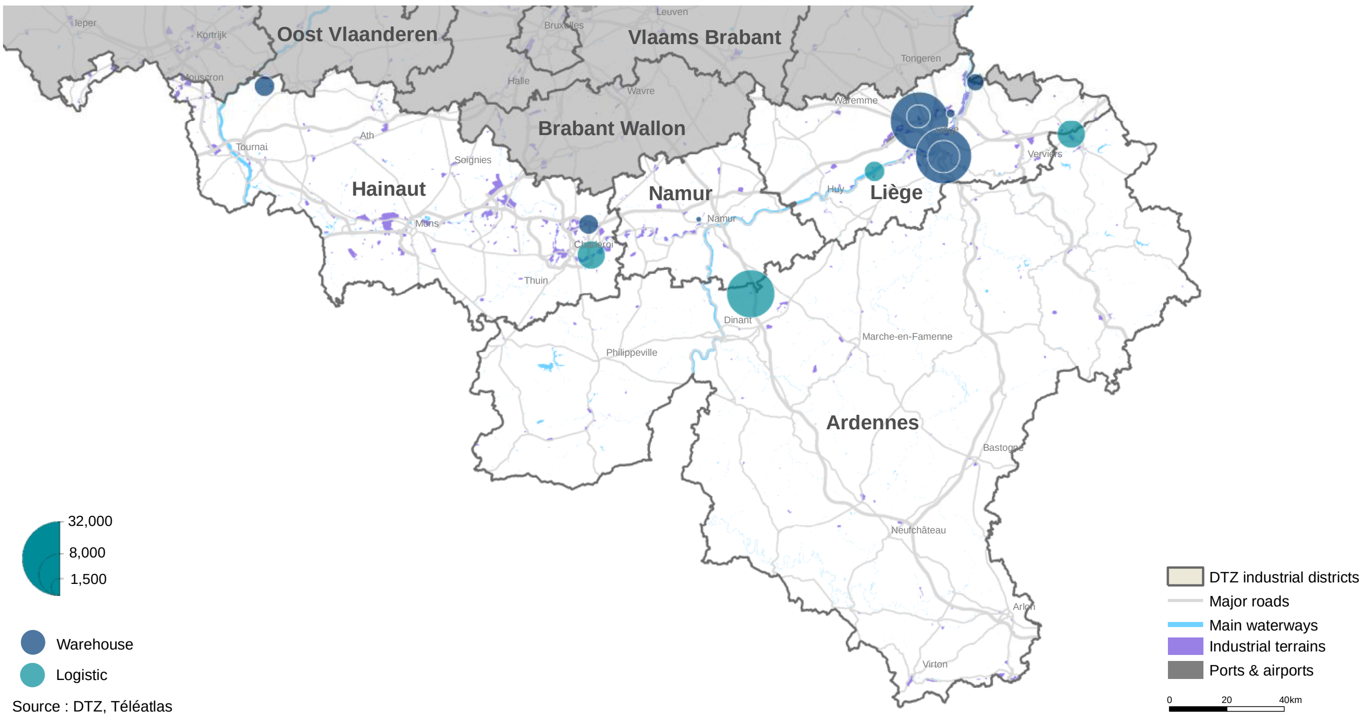
## Top occupier deals in Flanders, Q3 2012

| | Submarket | Municipality | Surface (sq m) | Tenant – occupier | Transaction |
|---|---|---|---|---|---|
| W | Liège | Alleur | 13,000 | Lokabox | Purchase |
| W | Liège | Chenée | 12,000 | Centre Hospitalier Universitaire Liège | Letting |
| L | Ardennes | Yvoir | 9,000 | Mr. Becker | Purchase |

Source: DTZ Research / W: warehouses L: logistics

Map 3

## Occupier deals Wallonia, Q3 2012




Source : DTZ, Téléatlas

# Belgium Industrial Q3 2012

## Definitions

| | |
|---|---|
| **Industrial submarkets:** | The Industrial submarkets (see maps) are delimited using zip code limits. The complete list of zip codes used is available on request. |
| **Investments** | Investments in the semi-industrial and logistic sectors refer to the purchase of commercial real estate in order to collect and 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. |
| **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. |
| **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. |
| **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. |
| **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… |
| **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. |

# Belgium Industrial Q3 2012

## Other DTZ Research Reports

Other research reports can be downloaded from www.dtz.com/research. These include:

### Occupier Perspective

**Updates on occupational markets from an occupier perspective, with commentary, analysis, charts and data.**

Global Occupancy Costs Offices 2012
Obligations of Occupation Americas 2012
Obligations of Occupation Asia Pacific 2012
Obligations of Occupation EMEA 2012

### Property Times

**Regular updates on occupational markets from a landlord perspective, with commentary, charts, data and forecasts.** Coverage includes Asia Pacific, Bangkok, Beijing, Berlin, Brisbane, Bristol, Brussels, Budapest, Central London, Chengdu, Chongqing, Dalian, Edinburgh, Europe, Frankfurt, Glasgow, Guangzhou, Hangzhou, Ho Chi Minh City, Hong Kong, India, Jakarta, Japan, Kuala Lumpur, Luxembourg, Madrid, Manchester, Melbourne, Milan, Nanjing, Newcastle, Paris, Poland, Prague, Qingdao, Rome, Seoul, Shanghai, Shenyang, Shenzhen, Singapore, Stockholm, Sydney, Taipei, Tianjin, Ukraine, Warsaw, Wuhan, Xian.

### Investment Market Update

**Regular updates on investment market activity, with commentary, significant deals, charts, data and forecasts.** Coverage includes Asia Pacific, Australia, Belgium, Czech Republic, Europe, France, Germany, Italy, Japan, Mainland China, South East Asia, Spain, Sweden, UK.

### Money into Property

For more than 35 years, this has been **DTZ's flagship research report, analysing invested stock and capital flows into real estate markets across the world.** It measures the development and structure of the global investment market. **Available for** Global, Asia Pacific, Europe and UK.

### Foresight

**Quarterly commentary, analysis and insight into our in-house data forecasts, including the DTZ Fair Value Index™. Available for** Global, Asia Pacific, Europe and UK. In addition we publish an annual outlook report.

### Insight

**Thematic, ad hoc, topical and thought leading reports on areas and issues of specific interest and relevance to real estate markets.**

Great Wall of Money – October 2012
Property Market Correlations – October 2012
J-Reit – October 2012
Rise of City Clusters– September 2012
Singapore luxury condominiums – September 2012
China Hongqiao Transportation Exchange – June 2012
Global Debt Funding Gap – May 2012

### DTZ Research Data Services

For more detailed data and information, the following are available for subscription. Please contact graham.bruty@dtz.com for more information.

- **Property Market Indicators**
  Time series of commercial and industrial market data in Asia Pacific and Europe.
- **Real Estate Forecasts, including the DTZ Fair Value IndexTM**
  Five-year rolling forecasts of commercial and industrial markets in Asia Pacific, Europe and the USA.
- **Investment Transaction Database**
  Aggregated overview of investment activity in Asia Pacific and Europe.
- **Money into Property**
  DTZ's flagship research product for over 35 years providing capital markets data covering capital flows, size, structure, ownership, developments and trends, and findings of annual investor and lender intention surveys.

# DTZ Research

## Contacts


**Occupational & Development Markets**

**Jérôme Coppée**

**Phone: +32 (0)2 629 02 57**

**Email: jerome.coppee@dtz.com**

**Occupational & Development Markets**

**Dirk Van Bulck**

**Phone: +32 (0)3 303 10 20**

**Email: dirk.vanbulck@dtz.com**

**Occupational & Development Markets**

**Stijn Van achter**

**Phone: +32 (0)3 303 10 22**

Email: stijn.vanachter@dtz.com

**Occupational & Development Markets**

**Stéphane Moermans**

**Phone: +32 (0)4 222 02 20**

Email: stephane.moermans@dtz.com

**Occupational & Development Markets**

**Pierre Badot**

**Phone: +32 (0)2 629 02 05**

Email: pierre.badot@dtz.com




DTZ a UGL company