BELGIUM

Industrial Market Snapshot

Third Quarter | 2017

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable outlook.
Prime Yields:	Stable outlook in all prime locations with a possible sharpening towards the end of 2018.
Supply:	Speculative developments are stable, albeit weak.
Demand:	Expected to remain strong in semi-industrial markets. Logistics activity is depressed and may not improve substantially by the end of the year

Prime Industrial Rents – September 2017

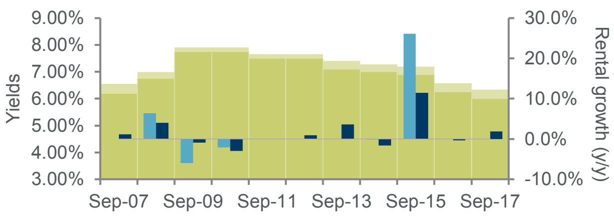
LOGISTICS LOCATION	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Brussels	58.0	6.39	0.0	4.7
Antwerp	46.0	5.07	2.2	1.4
Liège	39.0	4.30	0.0	2.2
Genk	39.0	4.30	-3.7	2.2
MANUFACTURING LOCATION	**€ SQ.M YR**	**US$ SQ.FT YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Brussels	57.5	6.34	2.7	0.9
Antwerp	56.0	6.17	1.8	1.1
Liège	47.0	5.18	4.4	3.3
Ghent	44.0	4.85	0.0	-2.5
Genk	38.0	4.19	0.0	-1.0

Prime Industrial Yields – September 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Brussels	6.00	6.00	6.25	7.75	6.00
Antwerp	6.00	6.00	6.30	7.75	6.00
Liège	7.10	7.10	7.25	8.25	6.75
Genk	7.00	7.00	7.20	8.25	7.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

GDP growth is expected to post a robust 1.7% this year (compared to 1.2% in 2016) and 1.6% in 2018, mainly thanks to the rebound in European trade activity and a firm domestic demand. The unemployment rate continues to decrease to stand at 7.3%. The government's tax shift and labour market reforms should further support employment. Business and consumer confidence ratios follow different paths, the former is on a slight downward movement while the latter is at its best level since 2010.

Occupier focus

Demand for semi-industrial buildings was healthy as usual with 187,000 sq m recorded in Q3, bringing the current 2017 total to 565,000 sq m, a superior level (by 20,000 sq m to 50,000 sq m) to previous years after three quarters.

Logistics take-up remains depressed with 98,000 sq m recorded in Q3, slightly more than half the five-year average. Large deals are few and far between, while key districts on the Brussels-Antwerp axis have not yielded much take-up, which is symptomatic of the situation thus far in 2017. A future project by Groep Heylen in the Port of Ghent provides some good news in this segment.

Investment focus

Prime assets are still in demand. Local players achieve nice yields through creative deals (sale & leasebacks, long-term agreements, partnership with developers etc.) while foreign investors would be expected to pay more for straightforward deals since quality assets up for sale are virtually non-existent.

Outlook

Due to the contrast between strong demand versus a small supply on the investment market we expect prime yields to compress further in 2018.

Large projects such as the aforementioned one in the Port of Ghent, as well as recent agreements regarding the reconversion of the former Ford plant in Genk or the Petroleum Zuid brownfield site in Antwerp will boost prospects in the logistics segment in the long term.

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