BELGIUM

Industrial Market Snapshot

First Quarter | 2018

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable outlook following an increase of the semi-industrial prime yield.	
Prime Yields:	A purchase of the right asset in the right location could drive yields further down by the end of the year.	
Supply:	Stable outlook. New developments are rarely speculative.	
Demand:	Expected to remain strong in semi-industrial markets as the economy continues to improve.	
	Demand for large spaces may stem from brownfield reconversions.	

Prime Industrial Rents – March 2018

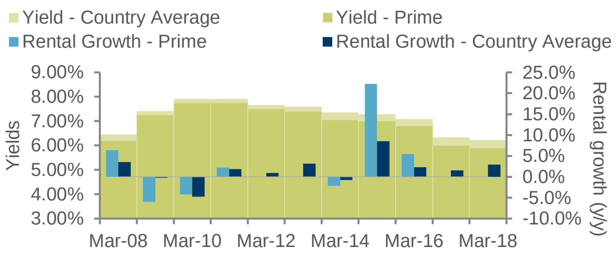
LOGISTICS LOCATION	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Brussels	58.0	6.73	0.0	4.7
Antwerp	45.0	5.22	-2.2	0.0
Liège	39.0	4.53	0.0	2.2
Genk	40.0	4.64	2.6	1.6
MANUFACTURING LOCATION	**€ SQ.M YR**	**US$ SQ.FT YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Brussels	60.0	6.97	4.3	1.8
Antwerp	55.0	6.39	-1.8	0.0
Liège	45.0	5.22	-4.3	2.4
Ghent	45.0	5.22	2.3	0.9
Genk	40.0	4.64	5.3	2.1

Prime Industrial Yields – March 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Brussels	5.90	6.00	6.00	7.75	5.90
Antwerp	5.90	6.00	6.00	7.75	5.90
Liège	7.00	7.10	7.10	8.25	6.75
Genk	6.90	7.00	7.00	8.25	6.90

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

2017 showed the highest GDP growth since the end of the financial crisis, at 1.7%, and a 1.6% growth is awaited in 2018. Monetary policy remains accommodative, contributing to positive investment sentiment. Much is made of a lack of tangible progress regarding stringent labour law and the lagging quality of public infrastructure– symptoms of Belgium's perceived lack of competitiveness with its Dutch neighbours.

Occupier focus

Semi-industrial take-up is slightly below par with 150,000 sq m in Q1 although this is a market which usually starts the year at a slower pace, therefore this figure does not alarm, particularly on the back of a record 2017. The country- and Brussels prime rent has increased to EUR 60/sq m/year due to the tension between supply and demand for quality spaces.

Logistics take-up is just below its average with a total of 152,000 sq m in Q1. However, we note two encouraging trends. On the one hand, the Brussels-Antwerp axis is relatively dynamic: Brussels Airport makes good on its ambitions to grow cargo activities with several projects announced and other deals are recorded in the Mechelen-Willebroek and Antwerp districts. On the other hand, there are an important number of below-average (i.e. under the 5,000 sq m mark) deals. It is important to note that whilst these are mostly not related to the awaited trends of urban logistics, they offer a new lease of life to Grade B- and C- buildings where they clearly tend to focus.

Investment focus

Investments have been limited to the semi-industrial sector (€45 m). Investors are wary of logistics investments and prefer the security offered by assets in the Netherlands where assets have more attractive disposal values.

Outlook

Occupiers tempted to purchase their own spaces (a relevant segment of the semi-industrial market) might increase the number of owner-occupier deals by the end of the year as an increase of the ECB's reference rate looms in 2019.

Despite current sentiment regarding logistics, the right asset in the right location could drive yields lower by the end of the year.

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