

BELGIUM

# Industrial Market Snapshot

Fourth Quarter | 2017



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Stable outlook. ▶
  - Prime Yields: Possible sharpening in prime locations by the end of 2018. ▲
  - Supply: Stable outlook, but availability chiefly concerns buildings which no longer correspond to standard requirements. ▶
  - Demand: Expected to remain strong in semi-industrial markets. ▶
- Logistics activity is depressed and most large-scale demand continues to be oriented towards neighbouring countries. ▲

### Prime Industrial Rents – December 2017

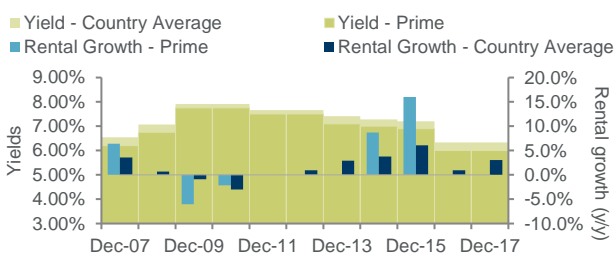
LOGISTICS LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	58.0	6.47	0.0	4.7
Antwerp	45.0	5.02	-2.2	0.9
Liège	39.0	4.35	0.0	2.2
Genk	40.0	4.46	2.6	2.7
MANUFACTURING LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	58.0	6.47	0.9	1.1
Antwerp	55.0	6.13	0.0	0.0
Liège	45.0	5.02	-4.3	2.4
Ghent	44.0	4.91	0.0	-2.5
Genk	40.0	4.46	5.3	2.1

### Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT		LAST		10 YEAR	
	Q	Q	Q	Y	HIGH	LOW
Brussels	6.00	6.00	6.00	6.00	7.75	6.00
Antwerp	6.00	6.00	6.00	6.00	7.75	6.00
Liège	7.10	7.10	7.10	7.10	8.25	6.75
Genk	7.00	7.00	7.00	7.00	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 increased by 1.7% in 2017 with consumer and business confidence both at high levels. The economy is expected to grow at a similar pace in 2018. The unemployment rate decreased further to 6.9% in October. The government's tax shift and labour market reforms should further support employment. As a result earnings are growing faster, enhancing disposable incomes and leading to improved domestic demand.

## Occupier focus

Demand for semi-industrial spaces is at its highest, improving on 2016 with a total take-up of 863,000 sq. m thanks to the continued improvement of underlying economic fundamentals.

Conversely logistics take-up in 2017 has been in decline: 590,000 sq. m (-45%) after a record 2016. This is especially attributable to the scarcity of large transactions - only four over 20,000 sq. m in 2017 against 18 in 2016 as Belgium struggles to compete with neighbouring countries. Additionally, road congestion and decreasing land availability in key areas are having unfavourable repercussions.

## Investment focus

While the semi-industrial market remains predominantly focused on owner-occupiers, demand for flexible logistics assets is notable. However, there is an imbalance between meagre supply with many current owners not ready to let go of their properties. Local investors manage to obtain good returns through creative deals while foreign investors are likely to pay a premium due to the scarcity of straightforward quality assets on the market. A total volume of €312 m has been invested in industrial property in 2017.

## 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 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 can boost prospects in the logistics segment in the long term.

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