BELGIUM

Industrial Market Snapshot

Second Quarter | 2019

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable outlook forecasts are stable both for semi-industrial and logistics.
Prime Yields:	Semi-industrial prime yields are expected to compress by approximately 10 bps by end of the year.
	Logistics prime yields outside of the Brussels-Antwerp axis are likely to sharpen through the rest of the year.
Supply:	Logistics developments are consistently turnkey.
Demand:	Semi-industrial demand should remain stable and robust but might be impacted by a weakening economic sentiment.
	Strong logistics momentum will be maintained next quarter with several impressive deals in the pipeline.

Prime Industrial Rents – June 2019

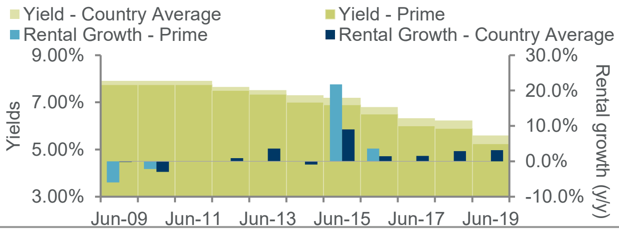
LOGISTICS LOCATION	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Brussels	58.0	6.51	0.0	5.2
Antwerp	48.0	5.39	6.7	0.9
Liège	43.0	4.83	10.3	3.6
Genk	43.0	4.83	7.5	2.5
MANUFACTURING LOCATION	**€ SQ.M YR**	**US$ SQ.FT YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Brussels	60.0	6.73	0.0	0.0
Antwerp	57.0	6.40	3.6	0.7
Liège	45.0	5.05	0.0	2.4
Ghent	35.0	3.93	0.0	-2.6
Genk	45.0	5.05	12.5	4.6

Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Brussels	5.25	5.25	5.90	7.75	5.25
Antwerp	5.25	5.25	5.90	7.75	5.25
Liège	6.35	6.50	7.00	8.25	6.35
Genk	6.35	6.50	6.90	8.25	6.35

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

Belgian GDP is expected to grow by 1.2% this year and is forecasted to slow down to 1.1% in 2020 as the rise in domestic demand is offset by weakening world trade. The unemployment rate currently stands around 5.7% and is set to remain more or less stable until 2021. Inflation is expected to decelerate to 1.5% before the end of the year and is also expected to remain stable in the upcoming years.

Occupier focus

Semi-industrial take-up in Q2 was below average with a total of 165,000 sq m due to strong decreases in Flanders (103,000 sq m) and Brussels (20,000 sq m), nevertheless, Wallonia (42,000 sq m) was in line with its usual figures. West Flanders and Hainaut were a key destination for demand this quarter.

Strong momentum observed on the logistics market shows no sign of letting up, following another very robust quarter, underlined by take-up of 344,000 sq m (against a 196,000 sq m five-year average). This quarter was even more noteworthy given that Wallonia (167,000 sq m) led the take-up stakes. In addition, the number of deals has continued to increase substantially. Demand was led by supply chain providers in Grade A spaces as usual.

Investment focus

Investments in semi-industrial and logistics property in Q2 were more modest than recent quarters, having totalled EUR 60 million. The largest deal was a complex EUR 32 million sale & leaseback deal by Montea in Lummen (Limburg).

Outlook

Semi-industrial demand might have benefitted from strong economic fundamentals, however, manufacturing sentiment is deteriorating, so a negative impact might be felt in certain areas in this asset class.

The level and quality of logistics demand on the occupier side (which shows no signs of subsiding in the short term) could whet the appetite of international investors.

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