

BELGIUM

Industrial Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Stable outlook for 2019.	▶
Prime Yields:	Logistics outlook stabilises having sharpened considerably in 2018.	▶
Supply:	Almost all logistics developments are turnkey. Substantial pipeline for coming months.	▶
Demand:	Semi-industrial demand can be relied on to remain strong. Logistics demand has been globally sluggish despite an outstanding Q4. This should not improve amid a changing landscape.	▶

Prime Industrial Rents – December 2018

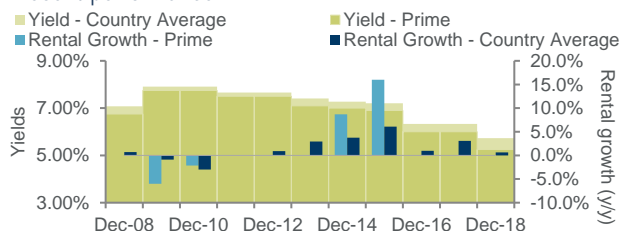
LOGISTICS LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	58.0	6.14	0.0	4.7
Antwerp	45.0	4.77	0.0	0.0
Liège	39.0	4.13	0.0	2.2
Genk	40.0	4.24	0.0	0.5
MANUFACTURING LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	60.0	6.36	3.4	1.8
Antwerp	55.0	5.83	0.0	0.0
Liège	45.0	4.77	0.0	2.4
Ghent	35.0	3.71	-20.5	-3.6
Genk	40.0	4.24	0.0	2.1

Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Brussels	5.25	5.50	6.00	7.75	5.25
Antwerp	5.25	5.50	6.00	7.75	5.25
Liège	6.80	6.80	7.10	8.25	6.80
Genk	6.70	6.70	7.00	8.25	6.70

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

Annual GDP growth in Belgium weakened to 1.4% in 2018 and, despite rising geo-political uncertainties, is forecasted to slightly increase in 2019 to 1.5%. The unemployment rate was at 6.3% in Q4 and is expected to remain at this level throughout 2019. Interest rates are also expected to remain unchanged, at least up to the end of 2019 as announced by the ECB.

Occupier focus

After a booming Q3, demand for semi-industrial spaces increased further in Q4 to clock up a record 420,000 sq m, against a quarterly average of 219,000 sq m. Indeed, both Flanders and Wallonia registered record quarters (227,000 sq m and 141,000 sq m), while Brussels recorded a slight decrease with 52,000 sq m. Total take-up benefitted from a couple exceptional deals in Wallonia, courtesy of Lock'o.

Logistics demand increased substantially, leading to a record quarter with 454,000 sq m. The total volume was pushed over the line with the announcement of the arrival at Liège Airport of Cainiao who will launch their distribution activities over several phases in the coming years. In Flanders, Barsan Global Logistics let 50,000 sq m in Goodman's Kersdonk Logistics Centre in Willebroek. There was an important surge in the number of deals which almost doubled compared to the previous quarter.

Despite these large deals, it is important to bear in mind that the market is adjusting to smaller transactions amid the increasing importance of urban logistics.

Investment focus

Interest in industrial assets is materialising as demonstrated by the strong volume of investment in Q4: EUR 176 million. Several deals in the EUR 20m-50m bracket were recorded while the standout investment was carried out by UK player Tritax Eurobox which purchased the SELP portfolio in Rumst and Bornem for a reported EUR 83 million.

Outlook

Semi-industrial demand can be expected to remain strong through 2019 while the logistics market will have to adapt to an emerging urban distribution market.

As long as ECB rates remain low, industrial investments should continue to attract suitors.

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