

BELGIUM

Industrial Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Stable outlook forecasted again for 2019 for logistics. ▶
 - Prime Yields: Semi-industrial prime yields are expected to compress by the end of the year. Having decreased at the end of 2018, the forecast is stable for logistics. ▲
 - Supply: Logistics developments are consistently turnkey. ▶
 - Demand: Semi-industrial demand should remain strong if not entirely stable. ▶
- There is a possibility strong logistics momentum could be maintained through the year if occupiers are open-minded to lesser-quality buildings. ▶

Prime Industrial Rents – March 2019

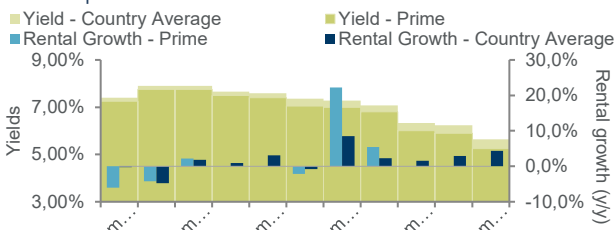
LOGISTICS LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	58.0	6.09	0.0	5.2
Antwerp	48.0	5.04	6.7	1.3
Liège	43.0	4.51	10.3	3.6
Genk	43.0	4.51	7.5	2.0
MANUFACTURING LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	60.0	6.30	0.0	1.8
Antwerp	57.0	5.98	3.6	0.7
Liège	45.0	4.72	0.0	2.4
Ghent	35.0	3.67	-22.2	-2.6
Genk	40.0	4.20	0.0	2.1

Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Brussels	5.25	5.25	5.90	7.75	5.25
Antwerp	5.25	5.25	5.90	7.75	5.25
Liège	6.50	6.80	7.00	8.25	6.50
Genk	6.50	6.70	6.90	8.25	6.50

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

The Belgian GDP is expected to grow by 1.4% this year, following a 1.5% increase in 2018. Growth is expected to slow down further in 2020 to around 1.3%. The unemployment rate further decreased and currently stands below 6.0%. Inflation, on the other hand, has gone up to 2.33 % coming from 2.17 %.

Occupier focus

Semi-industrial take-up in Q1 was quite dynamic with a total of 268,000 sq m (against a five-year average of 223,000 sq m). While demand in Brussels and Wallonia was in line with its usual level, it was close to one of its highest ever quarters in Flanders where the East Flanders district was a key destination for above-average deals.

As far as the logistics market was concerned, strong momentum from the end of 2018 has spilled over into 2019 with the best start to a year this decade – take-up totalled 236,000 sq m. Strong activity was recorded both in Flanders and Wallonia. Several trends are worth noting. First, the healthy number of deals (13), second the number of large deals – a handful were sized 30,000 sq m or larger. Finally, several lettings took place in Grade C warehouses – a signal that occupiers were not as demanding as usual and may be reactive to rapidly growing consumer demand.

Investment focus

Investments in semi-industrial and logistics property in Q1 totalled a very strong EUR 136 million, maintaining strong momentum from the end of 2018 and establishing one of the best volumes in recent years. The largest deal was the EUR 55 million purchase of Carrefour’s DC in Nivelles by GreenOak Real Estate.

Outlook

Semi-industrial demand has consistently been in-line with- or has improved on a solid base over the past years. While it might be a bit much to expect a further increase in 2019, it is fair to expect solid activity once more. Especially given many high-end business parks are under development to alleviate demand for quality spaces.

Logistics demand traditionally peaks at the end of the year, although it is difficult to expect a solid Q1 will be bettered. However, a strong 2019 might be in store if occupiers continue to take residence in existing older buildings.

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Shane O’Neill

Senior Research Analyst
 Avenue des Arts 56, 1000 Brussels
 Tel: +32 2 510 08 33
shane.oneill@cushwake.com
cushmanwakefield.com