

MARKETBEAT

BELGIUM

Industrial



Q1
2024





37 (L) 168 (SI)
Take-up (2024) (000s sq m)



68€ (L) 68€ (SI)
Prime rent (EUR/sq m/year)



5.25% (L) 6.95% (SI)
Prime yield (% , 3/6/9 lease) ▲



L: Logistics / SI: Semi-industrial



Economic Indicators Q1 2024

1.36%
2024 GDP Growth



-0.49%(M) -0.55%(T)
2024 Manufacturing (M) and Transport (T) GVA Growth



2.26%
2024 Consumer Price Index



Sources: Moody's Analytics, BNB, Eurostat, Federal Planning Bureau, March 2024

Please note the economic data can vary significantly from one source to the other. Therefore, the figures provided should merely be used as an indication or trend.

A tale of growth and challenges

Belgium's economic story in early 2024 is one of cautious optimism. While the scars of the past few years remain, the Belgium economy is experiencing a slow and steady climb. Growth forecasts predict a moderate expansion of 1.4% for GDP in 2024 and 1.8% in 2025. However, there is a higher-than-anticipated public debt deficit in Belgium. While high inflation allowed for a reduction of the government debt ratio in 2022, at unchanged policy, government debt would increase over the next decade, reaching about 120% of GDP by 2030.

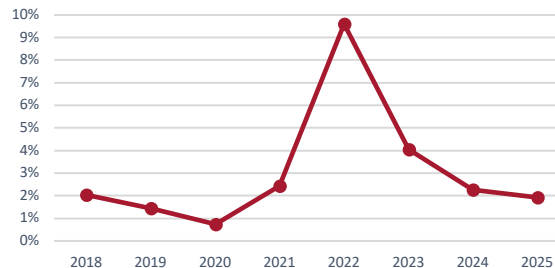
Inflation has become a prominent worry, exceeding the European Central Bank's (ECB) target of 2%. Early 2024 saw inflation hovering around 2.8%, and forecasts predict it could remain above 2.5% for all of 2024. The ECB is closely monitoring the inflation situation. While the bank kept rates unchanged in September 2023, some analysts believe a rate cut could be on the horizon later in 2024 – though likely more gradual than initially anticipated by financial markets – if inflation shows signs of persisting above target. This would be a delicate balancing act for the ECB, aiming to control inflation without stifling the fragile economic recovery.

The job market also present a mixed picture. Unemployment, currently hovering around 6.2%, is expected to tick upwards in the coming months. The notable rise in bankruptcies, alongside reduced employment due to stricter financing terms and an uncertain economic landscape, is projected to contribute to an increase in the unemployment rate in the coming years.

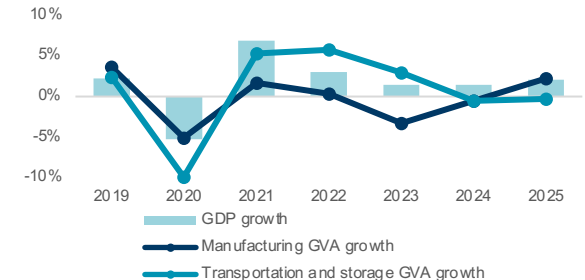
Early signs for Belgium's Manufacturing and Transportation sectors in 2024 haven't been positive. Gross Value Added has experienced negative growth. This comes after a challenging 2023, with manufacturing growth stalling and transportation even contracting in Q4. Global economic uncertainty, especially in the Eurozone, is impacting demand for Belgian exports.

Despite the current woes, forecasts offer some hope. The expectation is for a gradual stabilization throughout 2024, with GVA growth returning to pre-pandemic levels by year's end.

Inflation



GDP Growth, GVA Growth: Industry & Manufacturing And Transport & Communication



The market started 2024 sluggishly

The Semi-Industrial and Logistic take-up reached only 205,000 sq m in the first quarter. This is a significant drop compared to the previous five years, with demand down nearly 75% from the average. In fact, take-up is as low as it was in 2020.

This weakness is likely due to economic uncertainty, particularly in the Eurozone. Belgian exports are suffering, which is impacting the demand for space. There were only a few large transactions (only three deals exceeded 10,000 sq m), and these accounted for a relatively small share (30%) of the total activity.

Semi-Industrial dominates take-up

Total take-up across both sectors reached 205,000 sq m, spread over 120 transactions. However, a significant disparity emerged between the two segments.

The vast majority (98.5%) of the transactions, totaling 170,000 sq m, belonged to the Semi-Industrial sector. This indicates a clear dip in demand for large-scale Logistic facilities, with only two major Logistic transactions recorded, encompassing a combined area of 35,000 sq m.

As per usual, Flanders dominates the demand, accounting for nearly 170,000 sq m at the beginning of the year, which equates to nearly 84% of the total activity observed in the Semi-Industrial and Logistic sectors.

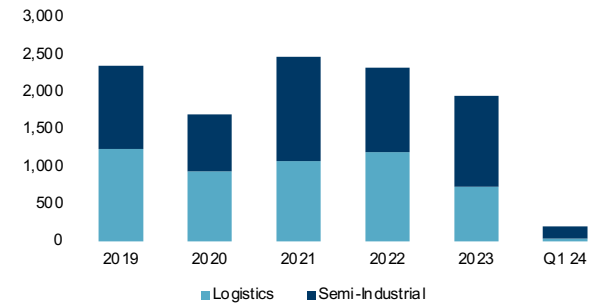
Rents: A pause after a surge

The first quarter of 2024 paints a contrasting picture for Semi-Industrial and Logistic rents compared to the strong growth witnessed throughout 2023.

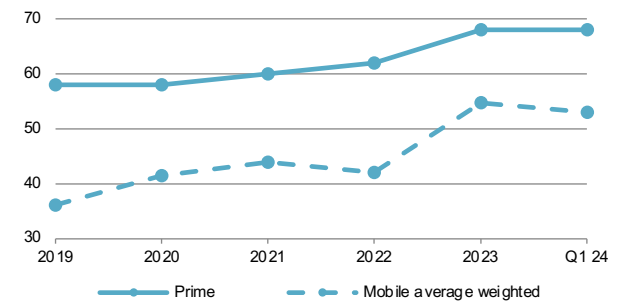
Currently, prime rents for both Semi-Industrial and Logistic stand at a level of 68€/sq m/year. This represents an increase from 64€/sq m/year for the Semi-Industrial segment and 62€/sq m/year for the Logistic segment in 2022.

This quarter's stability reflects a temporary lull in demand. However, with limited prime warehouse space available, we anticipate rents to resume their upward trajectory in the coming years. This scarcity is likely to outweigh the current dip in demand, ultimately pushing prime rents higher.

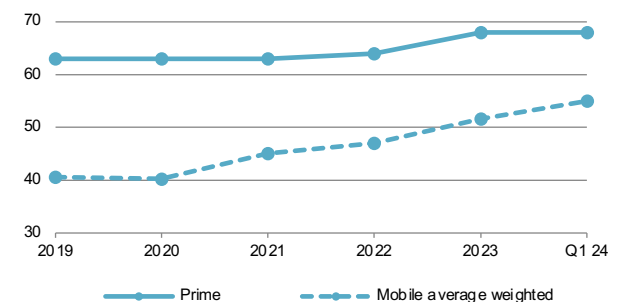
Take-up (000s sq m)



Logistics Rents (€/sq m/year)



Semi-Industrial Rents (€/sq m/year)

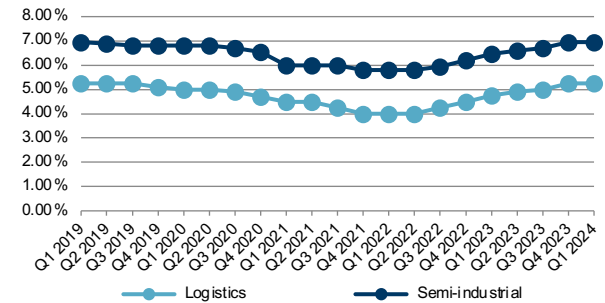


Finally, prime yields stabilise

For the first time since June 2022, prime yields have remained stable throughout this quarter, largely due to the European Central Bank maintaining rates unchanged since September 2023. Prime yields stand at 5.25% for Logistics and 6.95% for Semi-Industrial warehouses.

Despite optimistic forecasts, central bankers remain cautious amid the volatile geopolitical landscape and the looming possibility of inflation resurgence, especially with core inflation persisting. Consequently, although central bank interest rates are projected to decrease in 2024, they are likely to do so at a more gradual pace than what financial markets are predicting. Similarly, prime yields are also expected to decline by the year's end.

Prime Industrial Yields

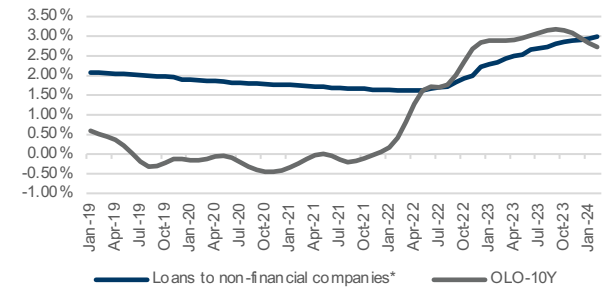


A first evidence for the investment market

The first quarter of 2024 kicked off on a positive note, witnessing an investment volume exceeding 150 MEUR, a substantial increase compared to the same period in 2023. One standout transaction during this period was the sale of the newly developed *MG New Docks*, delivered in 2022, fetching 60 MEUR with a yield of 5.50%. This marked a significant milestone as it represented the first major core investment since the onset of the financial crisis.

The capacity to leverage financial instruments is dwindling, exerting a decelerating effect on the investment market. In addition to financial challenges, the semi-industrial and logistics sectors face the brunt of a persistent supply shortage and escalating construction expenses.

Belgium Industrial Interest Rates vs OLO-10Y



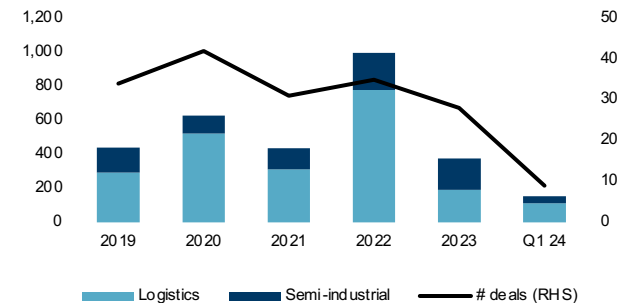
* Loans under 1M EUR with long-term fixed interest (<5 years)

Unlocking opportunities

The recent reversal, where OLO 10y. yields have dropped below loans to non-financial companies, signifies a notable shift in the financial landscape. This inversion suggests that investors are favoring the safety and stability offered by government bonds, potentially due to economic uncertainty or accommodative monetary policies.

The impact of this reversal on the Belgian economy, particularly on real estate investments, could be significant. Lower government bond yields may lead to reduced borrowing costs for businesses, including real estate developers and investors. This could stimulate investment activity in the real estate sector, as lower financing costs make projects more financially viable and attractive.

Annual Invest Volumes (MEUR)



Market Statistics

SUBMARKET	STOCK (SQM)	Q1 2024 TAKE-UP (SQ M)	2023 TAKE-UP (SQ M)	PRIME RENT (EUR/sq m/year)	PRIME YIELD (%)
Flanders	20,325,000 (L)	37,400 (L)	629,100 (L)	68 (L)	5.25 (L)
	11,807,000 (SI)	155,400 (SI)	797,350 (SI)	68 (SI)	6.95 (SI)
Brussels (incl. Brabants)	2,473,000 (L)	0 (L)	63,000 (L)	68 (L)	5.25 (L)
	3,723,000 (SI)	2,800 (SI)	212,075 (SI)	68 (SI)	6.95 (SI)
Wallonia	3,934,000 (L)	0 (L)	39,375 (L)	55 (L)	5.30 (L)
	2,916,000 (SI)	9,300 (SI)	165,175 (SI)	59 (SI)	7.35 (SI)

L: Logistics

SI: Semi-Industrial

Key Lease Transactions Q1 2024

PROPERTY	BUILDING TYPE	MARKET	OCCUPIER	SIZE (SQ M)	TRANSACTION TYPE
Oude Bunders	Logistic	Limburg	De Kolk Logistics	25,382	Letting
Rijksweg	Semi-Industrial	Scheldeland	Capsugel/Lonza	20,215	Letting
Tongeren DC2	Logistic	Oost-Vlaanderen	Avnet Logistics	12,086	Letting
Heersterveldweg 6	Semi-Industrial	Limburg	SKF	8,000	Letting
West Gate	Semi-Industrial	Vlaams-Brabant	Storo	7,325	Purchase

Key Investment Transactions Q1 2024

PROPERTY	BUILDING TYPE	MARKET	PURCHASER	SELLER	Price, EUR M	TRANSACTION TYPE
MG New Docks	Logistic	Oost-Vlaanderen	Palmira Capital Partners	MG Real Estate	60	Investment
Oude Bunders	Logistic	Limburg	Catella IM	Vestum Vastgoed	28.5	Investment



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