



## THE BELGIAN LOGISTICS MARKET

by CBRE Research, Belgium

### Economy

While the Belgium economy has performed well this quarter, the worldwide economic uncertainty has pushed down Belgium's GDP forecasts for 2012. Real GDP growth in Belgium is now expected to rise to 2,5% in 2011 and 1,5% in 2012 (a downward revision of 0,4%), but well above the European average. The positive outcome of GDP growth is mainly due to the resilience of the local labor market during the crisis. The Belgian unemployment rate is expected to decrease to 7,6% in 2011 and 7,4% in 2012.

HICP inflation is expected to reach 3,5% in 2011 and 2,2% in 2012. The key factors of the high level of inflation are the global rising commodity prices during the first half of the year and the extreme volatility of oil prices.

Despite the ongoing sovereign debt crisis in the euro zone, Belgium revised downward its general government budget deficit, to 3,6% of GDP in 2011 and 3,4% in 2012.

### Demand

The Belgian logistics market continues to recover over the first nine months of 2011, recording significant levels of leasing activity. Total take-up year-to-date amounts to 578.545 m<sup>2</sup>. Most transactions concern small and medium-sized deals in the semi-industrial segment of the market.

Demand for large logistics units, over 10.000 m<sup>2</sup>, account for 190.027 m<sup>2</sup> on par to the same period in 2010. Looking forward, the yearly average of 400.000 m<sup>2</sup> appears to be

### SUMMARY

After a promising end of year 2010, the logistics market continues to maintain the recovery during the first nine months of 2011. Most of the speculative schemes have been absorbed. Developers are therefore more optimistic about supply meeting demand. Both Belgian and

within reach. Given the length of negotiations for turnkey projects these days, a number of larger leases and acquisitions can be expected by the end of 2011.

Occupiers prefer taking more efficient and sustainable new space over second hand accommodations. The increase of household's private consumption since the crisis has triggered a

need for additional storage space, with most demand for logistics now being net additional take-up.

An analysis of take-up by region confirms the Flanders Region to be the main host of industrial activity. It accounts for 70 % of all transactions in semi-industrial and logistics space or some 408.561m<sup>2</sup>. The Golden Triangle, the traditional heartland of the logistics sector, proved again particularly popular among occupiers as it provided approximately 275.000 m<sup>2</sup> of space let in the first nine months of 2011.

Notable transactions signed in 2011 include the letting of 48.788 m<sup>2</sup> at Herentals Logistics II by Nike Europe and the purchase by Duvel of a 25.547 m<sup>2</sup> facility in Puurs, in the Golden Triangle corridor. Duvel acquired the built-to-suit project developed by Goodman, and expects to occupy the new premise later this year. The site (Puurs Logistics Center) allows for another 17.828 m<sup>2</sup> in logistics, which is still controlled by Goodman.

### Development

The Belgian development logistics market continues to be driven by built-to-suit projects, rather than speculative

**Liegestics 34**



**Herentals Logistics II**



schemes. Given the economic uncertainty and financing constraints, developers are reluctant to break ground, unless they have secured occupiers for their projects. Given the increased leasing activity observed over the past 12 months and the gradual absorption of voids, this could change however in the near future.

**Vacancy**

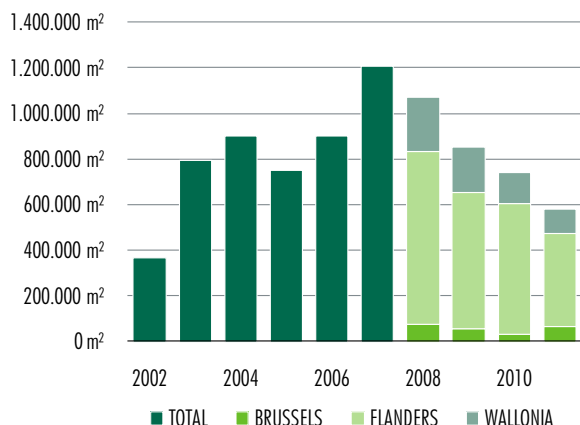
Sustained leasing activity and the lack of speculative schemes have kept voids down in many submarkets. Dissection of the availability figures reveals that new space has seen a larger decrease in availability than second-hand modern space.

Despite the improving fundamentals, land values remain unchanged for now. The value of industrial land is higher in Brussels with very few parcels still available. Prices for land here typically vary from 140 to 220 euro/m<sup>2</sup>. In Antwerp, land values vary from 100 to 150 euro/m<sup>2</sup>. More land is available in both Limburg and Wallonia. Land values in Limburg vary from 40 to 85 euro/m<sup>2</sup>, in Liège and in Charleroi from 25 to 45 euro/m<sup>2</sup>.

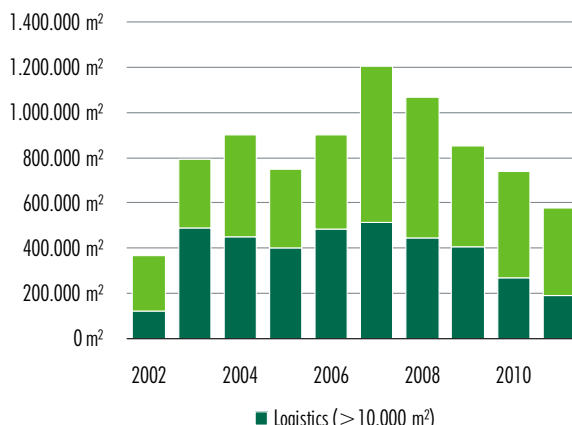
In the popular A12/E19 submarket, voids have decreased from 9,61% at the end of 2010 to 6,75% with logistics operators such as Damco recently increasing its storage needs.

Likewise, the Liège submarket saw voids decrease from 12,67% to 7,74%, with Vincent Logistics leasing 20.000 m<sup>2</sup> at Liegestics 34.

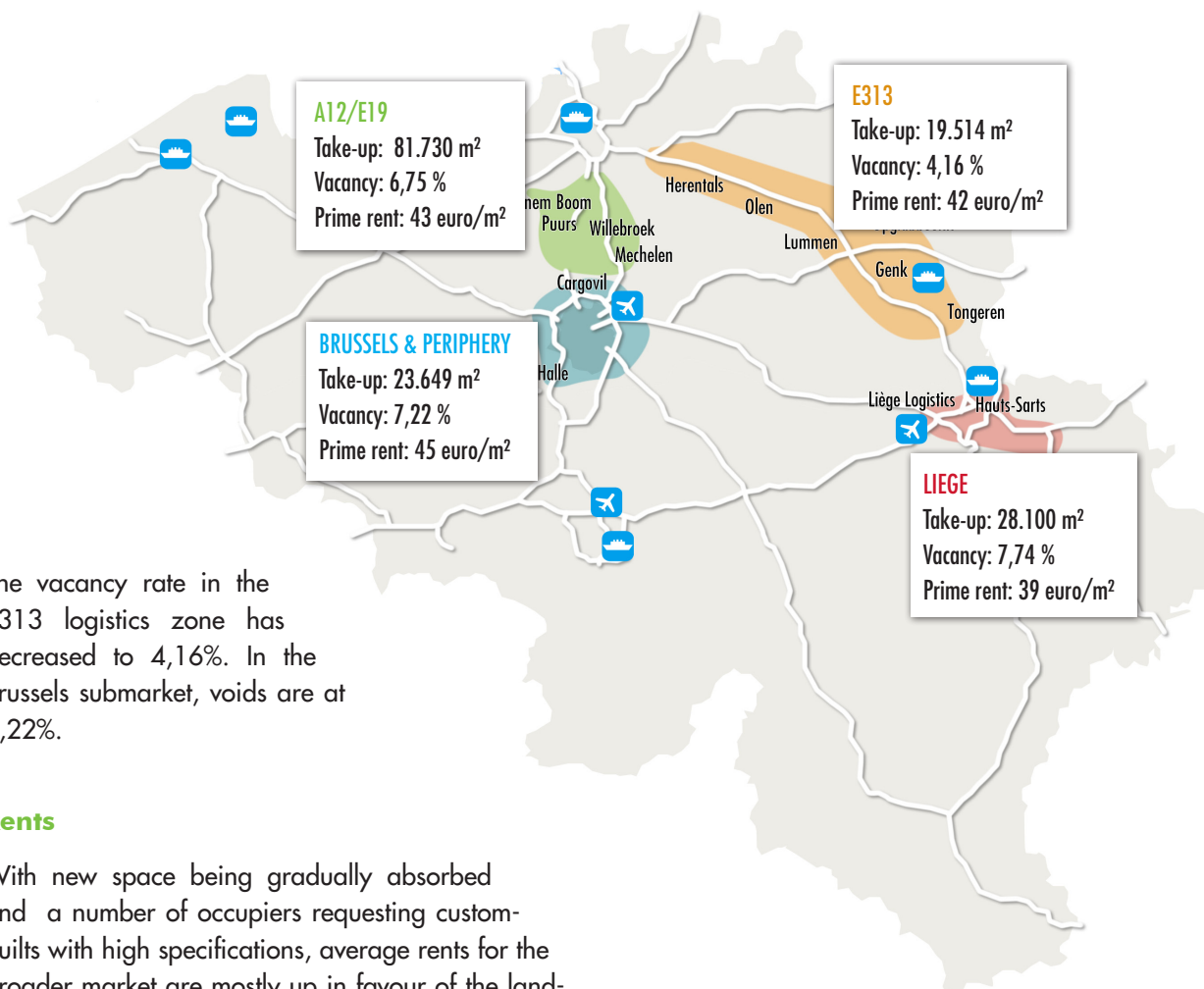
**Take-up per region**



**Take-up per segment**



## Statistics per logistics zone for September 2011 (Source: CBRE)



The vacancy rate in the E313 logistics zone has decreased to 4,16%. In the Brussels submarket, voids are at 7,22%.

### Rents

With new space being gradually absorbed and a number of occupiers requesting custom-built with high specifications, average rents for the broader market are mostly up in favour of the landlord. Landlords are getting more confident to keep tenants in place or to attract new ones.

Prime logistics space currently trades at 43 euro/m<sup>2</sup> along the A12/E19 axis and at 45 euro/m<sup>2</sup> in the Brussels periphery. Prime rents stand at 42 euro/m<sup>2</sup> along the E313 and at 39 euro/m<sup>2</sup> in Liège.

### Investment

The industrial investment market is regaining some of its momentum. While 2010 was very slow with only 65 million euros invested in logistics properties and smaller semi-industrial warehouses, it amounts to 71 million euro for the first nine months of 2011. 45,7 million euro thereof concern large logistics units.

Both Belgian and international investors are showing big appetite for investment opportunities. Belgian investors have closed most of the transactions.

International investor demand remains very strong and is mainly focused on the higher end of the market. They show strong levels of interest for good properties that have come to the market, especially those with long lease terms. International investors activity is therefore constrained by a lack of quality stock.

Belgian investors are more flexible and more inclined to seize opportunities not considered as best properties in the market. Those secondary assets are more abundant in the market.

For the best logistics properties, some yield compression becomes apparent. Prime logistics properties trade at 7%. Intervest recently acquired West Logistics in Oevel along the E313 highway.

#### Most notable transactions

Date	Address	Floor area	Retailer
10/2011	2800 Mechelen, De Regenboog 8	49.112 m <sup>2</sup>	Colim (Group Colruyt)
07/2011	2200 Herentals, Grensstraat 3 (Herentals Logistics)	48.788 m <sup>2</sup>	Nike Europe
06/2011	2870 Puurs, Brabantstraat (Puurs Logistics)	25.547 m <sup>2</sup>	Duvel
03/2011	4041 Milmort, Avenue du Parc Industriel (Liegistics 34)	20.000 m <sup>2</sup>	Vincent Logistics
10/2011	3600 Genk, Beverstraat 1 (Genk Logistics)	17.307 m <sup>2</sup>	Limburgse Distributie Maatschappij
05/2011	2830 Willebroek, Victor Dumonlaan 30 (The Bridge Logistics)	16.720 m <sup>2</sup>	Damco
06/2011	2030 Antwerpen, Straatsburgdok-Haven 28	12.961 m <sup>2</sup>	Pacorini
01/2011	1830 Machelen, Vilvoordelaan 118	12.212 m <sup>2</sup>	Ad Coach Service
06/2011	9000 Gent, Korte Mate	11.950 m <sup>2</sup>	SAS Automotive
03/2011	2830 Willebroek, Tri-Access	11.537 m <sup>2</sup>	Forlog

Source: CBRE

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