

MARKETBEAT

BELGIUM

Industrial



Q2
2024

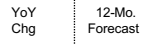




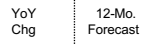
154 (L) 332 (SI)
Take-up (2024) (000s sq m)



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



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

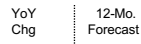


L: Logistics / SI: Semi-industrial



Economic Indicators Q2 2024

1.31%
2024 GDP Growth



-0.62%(M) -0.29%(T)
2024 Manufacturing (M) and Transport (T) GVA Growth

3.23%
2024 Consumer Price Index



Sources: Moody's Analytics, BNB, Eurostat, Federal Planning Bureau, June 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.

Steering through uncertainty

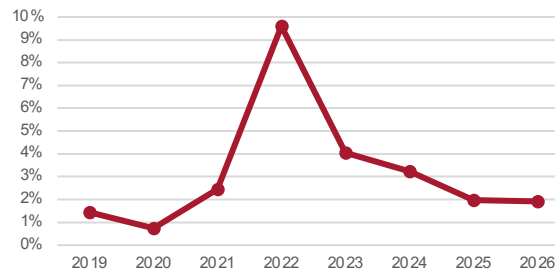
Belgium's economic landscape in the second quarter of 2024 is marked by a blend of cautious optimism and underlying challenges. As we progress through this election year, a period often associated with heightened economic uncertainty, the Belgian economy is projected to grow modestly. GDP growth for 2024 has been revised downwards from previous forecasts to 1.31%, with a slight uptick to 1.54% anticipated in 2025. This steady but slow climb comes amidst concerns about the country's public debt. Despite previous high inflation aiding in the reduction of the government debt ratio in 2022, projections indicate that without significant policy changes, government debt could escalate, reaching 130% of GDP by 2030.

In June 2024, the European Central Bank (ECB) cut interest rates for the first time in nearly a year, prompted by a slowdown in eurozone inflation. However, in Belgium, inflation surged again in the first half of 2024, with an estimated rate of 3.23% for the entire year. Inflation is expected to approach the ECB's 2% target by 2025. This recent rise in Belgian inflation complicates the ECB's task, requiring them to closely monitor price trends in the coming months before considering another rate cut.

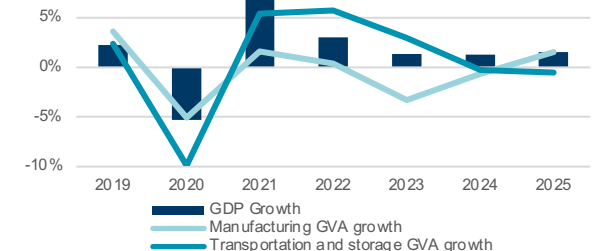
Belgium's unemployment rate, which was around 5.5% in 2023, has risen to 5.8% recently and may continue to increase. The ongoing war in Ukraine has disrupted the global economy, impacting Belgium with a 20% rise in energy prices and significant supply chain issues. These challenges have led to layoffs and more bankruptcies as businesses struggle. Stricter financing terms and economic uncertainty further exacerbate the rising unemployment, creating a challenging job market in Belgium.

The first half of 2024 painted a concerning picture for Belgium's Manufacturing and Transport sectors, mirroring the struggles of late 2023. Gross Value Added (GVA) continued its negative trajectory, indicating a decline in economic output. The primary culprit seems to be the cloud of uncertainty hanging over the global economy, particularly within the Eurozone, which has weakened demand for Belgian exports. However, there are glimmers of hope in forecasts for the remainder of the year.

Inflation



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



Navigating the downturn

In the second quarter of 2024, the Belgian Semi-Industrial and Logistics sectors saw a take-up of 242,000 sq m, with 86,600 sq m accounted for by Logistics and more than 155,600 sq m by Semi-Industrial warehouses. This brought the total take-up for the first half of the year to 486,000 sq m. While this is on par with the take-up levels seen in the first half of 2023, it falls significantly short of the record-breaking start experienced in H1 2022, one of the best first halves ever for the market. Given that the typical annual take-up is around 2 million sq m, this figure indicates a concerning decline. The demand for logistics space, in particular, has noticeably decreased.

The distribution of total take-up in H1 2024 was notably regional, with Wallonia accounting for 59,000 sq m, Brussels for 53,000 sq m, and the majority absorbed by Flanders.

Q2 saw two significant transactions: Eutraco's extension of 58,000 sq m in *Big Bear* (Logistics) and Alcon Laboratories' 27,670 sq m extension in *Klein Mechelen* (Semi-Industrial). These large-scale expansions underscore the ongoing demand for substantial logistics and semi-industrial spaces, driven by the needs of key industry players to enhance and expand their operations.

However, the owner-occupier trend showed a marked slowdown in Q2. Their share of the take-up dropped from 31% in Q1 to 18% in Q2, highlighting the challenging economic climate that is influencing investment decisions.

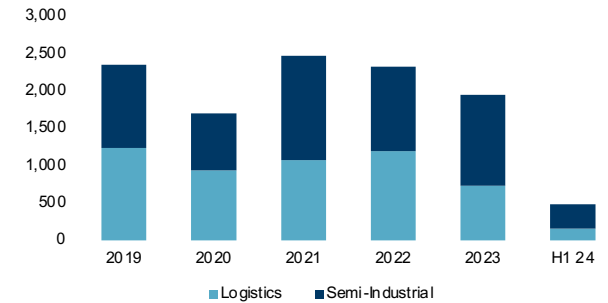
Prime rents stable, but poised for continued growth

The first semester of 2024 reveals a shift in the trajectory for Semi-Industrial and Logistic rents, contrasting sharply with the robust growth observed throughout 2023. Currently, prime rents for both sectors are at 68€/sq m/year, up from 64€/sq m/year for Semi-Industrial and 62€/sq m/year for Logistics in 2022.

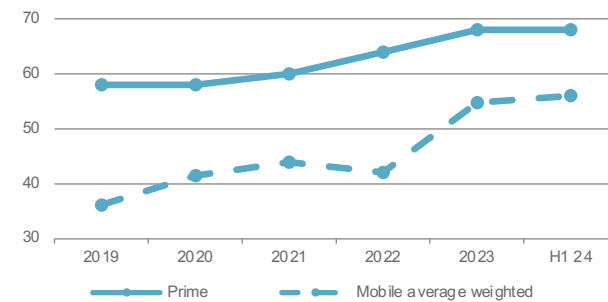
This stability signals a temporary lull in demand, yet the limited availability of prime warehouse space suggests that this pause will be short-lived. We expect rents to continue their upward climb in the coming years, driven by this scarcity.

Despite the current stabilisation, market dynamics point to a promising future for the Semi-Industrial and Logistics sectors. The persistent imbalance between supply and demand is likely to propel rental values higher. As economic conditions improve and the demand for high-quality spaces rises, prime rents are set to reflect this positive trend, reinforcing the attractiveness of these sectors to both investors and occupiers.

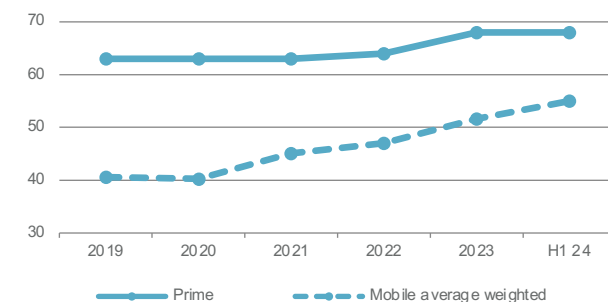
Take-up (000s sq m)



Logistics Rents (€/sq m/year)



Semi-Industrial Rents (€/sq m/year)



Lock in stability: Prime yields hold steady

In the first half of 2024, the Belgian semi-industrial and logistics investment market remained stable despite the European Central Bank's 25 basis points rate cut in June.

Prime yields held steady. For logistics, prime yields remained at 5.25%, while semi-industrial assets saw yields of 6.95%. These figures represent increases of 125 basis points and 115 basis points, respectively, from their peak levels, indicating a significant shift in market dynamics over recent years. The stability in prime yields suggests a period of equilibrium, with no immediate fluctuations anticipated for the remainder of 2024.

Looking ahead, market analysts foresee potential yield compression in 2025 as economic conditions improve and investor sentiment strengthens. This outlook underscores the resilience and strategic importance of Belgium's semi-industrial and logistics sectors, which continue to attract substantial investment despite broader economic challenges.

As the year progresses, the market is expected to maintain its stability, setting the stage for renewed growth and investment opportunities in the coming year.

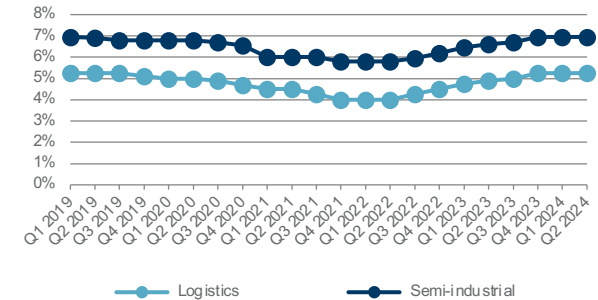
Market instability persists

In the first half of 2024, the Belgian semi-industrial and logistics investment market experienced activity that mirrored the previous year, culminating in a total investment volume of 153 MEUR. Notably, Q2 saw 73 MEUR invested, with 61 MEUR directed towards semi-industrial properties and 12 MEUR into logistics assets. Logistics investments have been particularly prominent, accounting for 73% (111 MEUR) of the total investments in Belgium for the first semester.

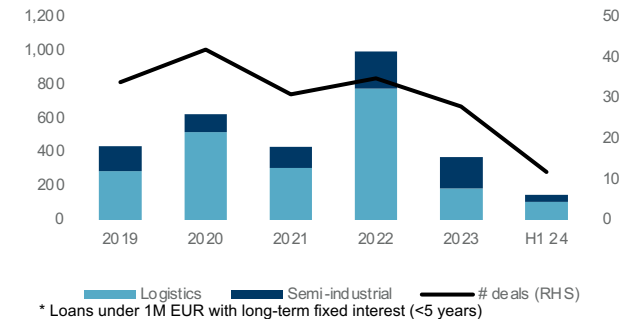
A highlight of the quarter was the significant transaction by WDP, which acquired a strategic site at Willebroek for 45 MEUR. This site, comprising three buildings on long-term leases and spanning 10,000 sq m, is poised to become a hub for sustainable, high-end logistics operations under WDP's plans.

However, the sector faces considerable challenges, including persistent supply shortages and rising construction costs, which are influencing investment decisions and market dynamics. The investment volumes, while similar to last year's, reflect a market that is far from healthy. Despite these hurdles, the semi-industrial and logistics sectors remain resilient, demonstrating stable investment activity and strategic developments aimed at addressing both current market demands and future growth potential.

Prime Industrial Yields



Annual Investent Volumes (MEUR)



Market Statistics

| SUBMARKET | STOCK (SQM) | Q2 2024 TAKE-UP (SQ M) | H1 2024 TAKE-UP (SQ M) | PRIME RENT (EUR/sq m/year) | PRIME YIELD (%) |
|---------------------------|-----------------|------------------------|------------------------|----------------------------|-----------------|
| Flanders | 21,547,000 (L) | 76,600 (L) | 144,000 (L) | 68 (L) | 5.25 (L) |
| | 13,614,000 (SI) | 109,000 (SI) | 230,000 (SI) | 68 (SI) | 6.95 (SI) |
| Brussels (incl. Brabants) | 2,858,000 (L) | 0 (L) | 0 (L) | 68 (L) | 5.25 (L) |
| | 4,288,000 (SI) | 26,000 (SI) | 53,000 (SI) | 68 (SI) | 6.95 (SI) |
| Wallonia | 4,214,000 (L) | 10,000 (L) | 10,000 (L) | 55 (L) | 5.30 (L) |
| | 3,190,000 (SI) | 20,000 (SI) | 49,000 (SI) | 59 (SI) | 7.35 (SI) |

L: Logistics

SI: Semi-Industrial

Key Lease Transactions Q2 2024

| PROPERTY | BUILDING TYPE | MARKET | OCCUPIER | SIZE (SQ M) | TRANSACTION TYPE |
|----------------------|-----------------|-----------------|--------------------|-------------|------------------|
| Big Bear | Logistic | Oost-Vlaanderen | Eutraco | 58,000 | Extension |
| Klein Mechelen 18 | Semi-Industrial | Scheldeland | Alcon Laboratories | 27,670 | Extension |
| Marie Curie 49 | Logistic | Liège | Ninatrans | 10,000 | Letting |
| Genk Green Logistics | Logistic | Limbrug | Neovia Logistics | 9,600 | Extension |
| Blue Gate | Logistic | Antwerp | Herfurth | 9,000 | Letting |

Key Investment Transactions Q2 2024

| PROPERTY | BUILDING TYPE | MARKET | PURCHASER | SELLER | Price, EUR M | TRANSACTION TYPE |
|---------------------|-----------------|-----------------|-----------|-----------------|--------------|------------------|
| Hoeikensstraat | Semi-Industrial | Antwerp | WDP | Group Bernaerts | 45 | Add-value |
| CanalCity | Semi-Industrial | Brussels | Citydev | Karios | 14 | Redevelopment |
| Tailormade Logistic | Logistic | Oost-Vlaanderen | Montea | Tailormade Log. | 12 | Investment |



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