

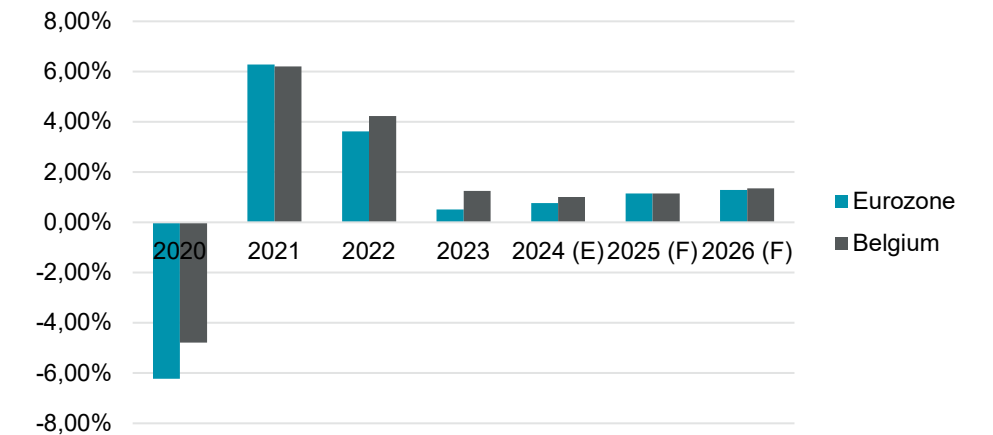
### MODEST ECONOMIC GROWTH WITH HIGH INFLATION

The Belgian economy is set to close 2024 with a modest GDP growth of 1.01% year-on-year, slightly outperforming the average eurozone growth 0.76%. This growth is mainly fueled by private and public spending, while contraction in international trade, encompassing both imports and exports, is a dampening factor. Looking ahead, GDP growth projections align with the broader eurozone trends, with forecasts indicating growth rates of 1.15% in 2025 and 1.36% in 2026.

Belgium notes the highest inflation of the eurozone, with a HICP of 4.8% while the average in the eurozone is 2.2% for November 2024. Gradual declines to 2.9% in 2025 to 1.9% in 2026 are expected.

Meanwhile, the labor market has shown stability, with an unemployment rate of 5.63% in 2024. However, a significant challenge remains in reactivating the approximately 526,500 individuals unable to work due to long-term illness, a record figure reported in 2023.

### GDP GROWTH (in % of change prev. year)

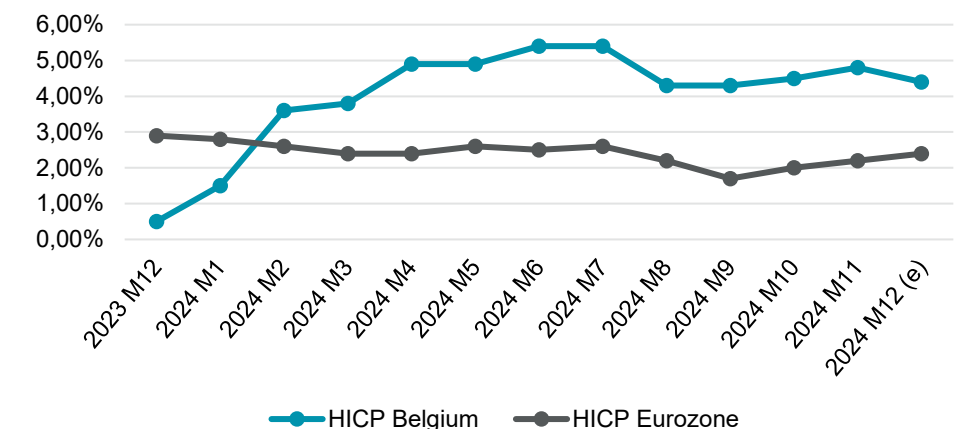


Source: Moody's

### GOVERNMENT FORMATION: REFORM TALKS AND DEBT CONCERNS

Economic developments are tied to socio-economic reforms that a new federal government is likely to implement. Since the June 2024 elections, negotiations among potential coalition parties have not yet reached breakthrough. A proposed savings plan of €20 billion for the next legislative period is under discussion. Potential measures, such as a capital gains tax on shares, could influence investment strategies in the real estate sector. Earlier this year, Belgium was placed under an excessive debt procedure by the EU as both public debt and budget deficit surpass the EU limits.

### INFLATION RATE (HICP in % of change)



Source: European Central Bank (ECB)

### MARKET FUNDAMENTALS

|                                                | YOY Chg | 12-Month Forecast |
|------------------------------------------------|---------|-------------------|
| <b>1,440,000</b> sq m<br>Take-up 2024          | ▼       | ▬                 |
| <b>€1.19</b> billion<br>Investment Volume 2024 | ▲       | ▼                 |
| <b>5.15%</b><br>Prime yield logistics          | ▼       | ▼                 |

### ECONOMIC INDICATORS

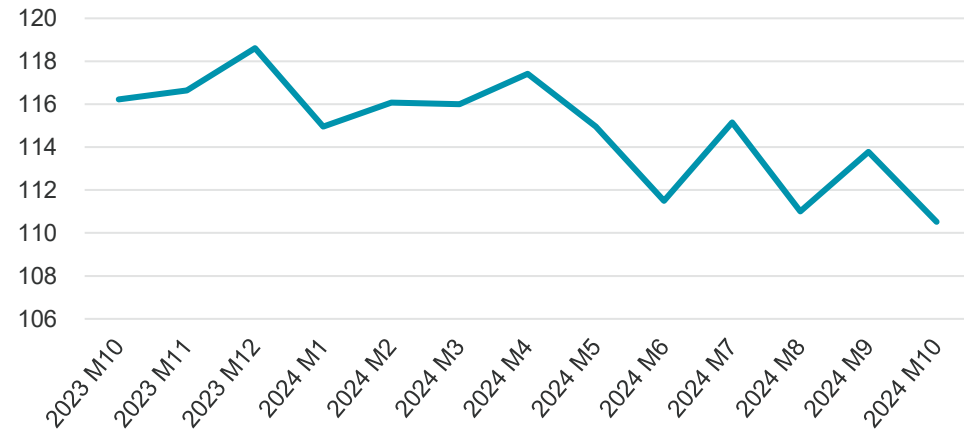
|                                                            | YOY Chg | 12-Month Forecast |
|------------------------------------------------------------|---------|-------------------|
| <b>1.01%</b><br>GDP Growth YoY 2024                        | ▼       | ▲                 |
| <b>5.63%</b><br>Unemployment rate                          | ▲       | ▲                 |
| <b>-2.87%</b><br>Industrial turnover index growth Oct 2024 | ▼       | ▬                 |

Source: Moody's and Statbel

### INTEREST RATE CUTS SET STAGE FOR REAL ESTATE REBOUND

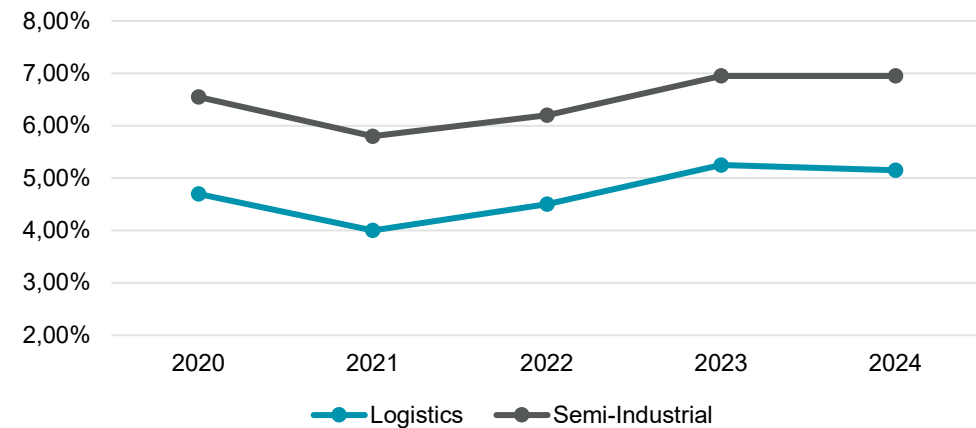
Stock markets have performed strongly over the past year, with the S&P 500 up 33% and the Bel20 gaining 15% since the start of 2024, but real estate as an investment product has yet to regain widespread investor interest. The ECB reduced interest rates twice in Q4 2024 and is expected lower them further in 2025, depending on inflation and without pre-commitment. Further interest rate cuts would benefit the leveraging effect on real estate investments.

**INDUSTRIAL TURNOVER INDEX (2021 = 100)**

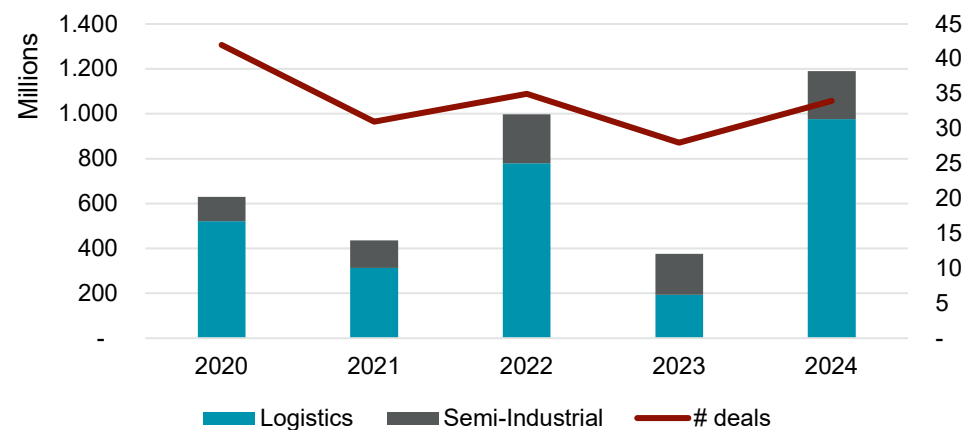


Source: Statbel

**PRIME YIELDS BY SECTOR**



**INVESTMENT VOLUME BY SECTOR (in EUR)**



**CHALLENGES IN BELGIUM'S INDUSTRIAL SECTOR**

Belgium's industrial sector faced setbacks in 2024, with closures and layoffs at companies such as Van Hool, Agfa Gevaert, Audi Brussels, and uncertainties surrounding ArcelorMittal's future investments in Ghent. The Flemish Region reported a decline in new industrial permits requests, influenced by concerns about regulatory frameworks and permit stability. The manufacturing industry has been impacted by factors such as high energy prices and labor costs, affecting its competitiveness. To address these challenges, the MAKE 2030 initiative has been proposed as part of the federal government's agenda. The plan outlines measures to support productivity, simplify administrative processes, and strengthen the sector's position in the global market.

**YIELD COMPRESSION IN THE LOGISTICS SECTOR**

The logistics sector has experienced yield compression, with the prime yield adjusting to 5.15%. This marks a 10 bps decrease quarter-on-quarter, and further declines are anticipated, potentially reaching the 5.00% mark in the coming quarters. Notably, prime yields are often coupled with upward reversionary potential, with for example uplifts in rents. Investor appetite for logistics properties remains strong, with various funds successfully attracting capital to invest in this asset class. However, the supply of sustainable, prime logistics assets on the Belgian market remains limited. Despite this, expectations are high for a vibrant period ahead in the logistics investment market.

In contrast, the semi-industrial sector has seen stability in its prime yield, which has remained unchanged at 6.95%. This stability was confirmed by the sale-and-leaseback transactions in the sector earlier this year, providing further reassurance for investors.

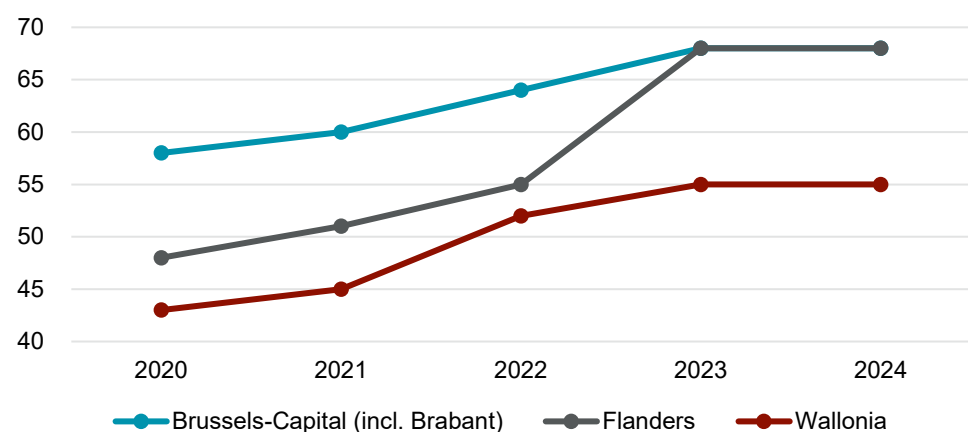
**RECORD INVESTMENT VOLUME DRIVEN BY TPG ACQUISITION**

The investment volume for 2024 has reached a record-breaking €1.19 billion, largely driven by the corporate acquisition of Intervest Offices & Warehouses by American private equity firm TPG Capital in Q1 2024. Of this landmark deal, €651 million is attributed to logistics and industrial premises. In the final quarter of 2024, notable transactions included a sale-and-leaseback deal by GXO Logistics in Liège, as well as the sale of the Serax site in the Antwerp area. SKF also made strategic investments in their premises in Tongeren-Oost, together with acquiring adjacent plots of land. This move signals the Swedish bearings manufacturer's long-term commitment to strengthening its presence in the Limbourg region.

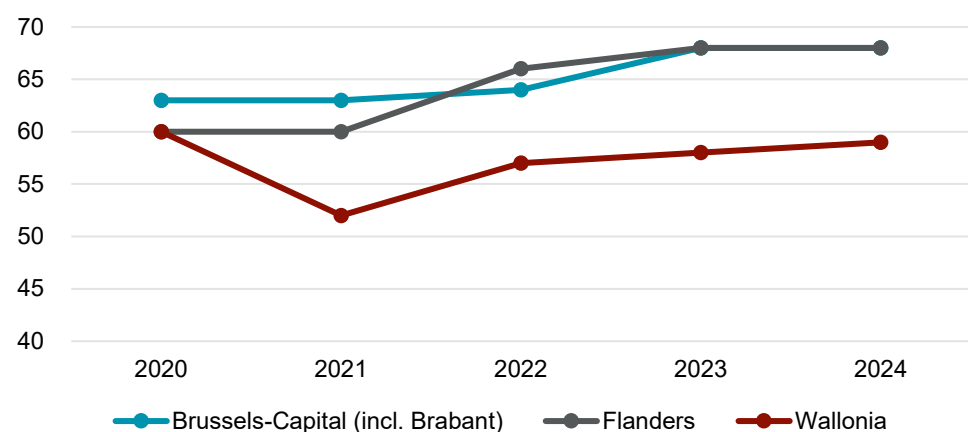
**OUTLOOK**

- Belgian GDP growth to increase slightly to 1.15% in 2025 and 1.36% in 2026.
- ECB rate cuts in Q4 2024, with additional cuts expected in 2025, to boost borrowing conditions.
- Rising operational costs for labor and energy may continue to affect the manufacturing industry in 2025. The introduction of a potential relaunch plan by the federal government, "MAKE 2030", may stimulate market activity.
- Prime yields for the logistics sectors are expected to compress further, potentially reaching 5.00% in the coming quarters.
- Transaction volume hit a record in 2024, largely driven by the TPG company buy-in of Intervest Offices & Warehouses. While 2025 kicks off with a landmark transaction, WDP acquiring the Renault-site in Vilvoorde for €100 million, surpassing 2024's total volume appears to be rather unlikely.

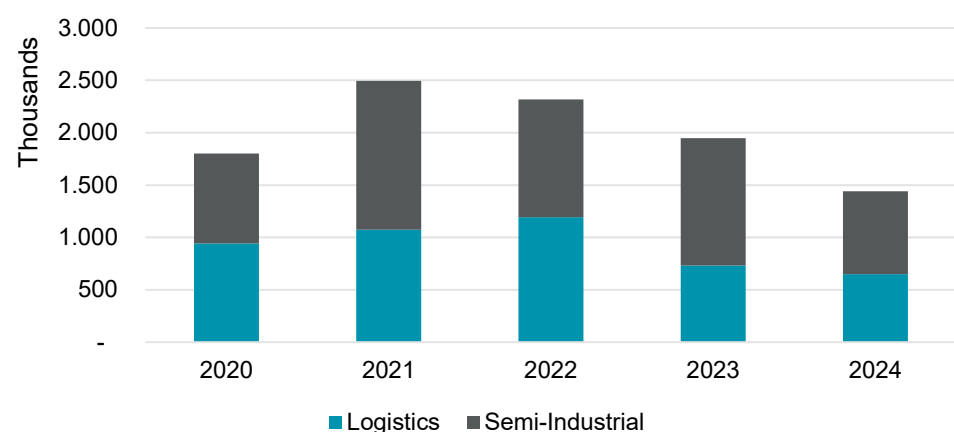
**PRIME RENTS LOGISTICS (EUR/sq m/year)**



**PRIME RENTS SEMI-INDUSTRIAL (EUR/sq m/year)**



**TAKE-UP BY SECTOR (sq m)**



**PRIME RENTS MAINTAIN STABILITY**

Following the significant upward adjustment in 2023, prime rents in both the logistics and semi-industrial sectors have remained stable at €68/sq m/year. However, notable local variations persist. For example, in the Genk area, prime logistics rents have risen from €52 to €55/sq m/year. In specific locations like the Antwerp Blue Gate area, logistics rents surpass the national prime rate, with recent lettings reaching approximately €70/sq m/year, underscoring the area’s position as a prominent ‘upper prime’ location.

**TAKE-UP VOLUME DECLINES COMPARED TO PREVIOUS YEARS**

The year 2024 is expected to be relatively subdued in terms of take-up, largely due to ongoing economic uncertainty and a more cautious approach in the rental market. For logistics, total take-up stands at 650,000 sq m, reflecting an 11% year-on-year decline. Noteworthy logistics transactions in Q4 2024 include the pre-letting of a built-to-suit, high-bay warehouse in Liège by WDP for Skechers, covering 200,000 sq m with an expected completion in 2028. This move will see Skechers relocate its European Distribution Center from Milmort to Grâce-Hollogne (Liège), reinforcing Belgium’s central location in Europe and the Liège region’s multimodal transport capabilities as valuable assets for the logistics sector.

Additionally, Eutraco has secured approximately 40,000 sq m of warehouse space (with an additional 18,000 sq m of mezzanine) in Willebroek. The logistics service provider is taking over the premises from Decathlon, which has decided to centralize its distribution centers and will now start replenishing the Belgian stores from its French and German distribution centers.

In the semi-industrial sector, total take-up reached 790,000 sq m, with over 45% of this allocated to owner-occupier transactions. A key example is Armasteel’s acquisition of a new, built-to-suit facility near Kluizendok in Ghent, which spans 13,000 sq m of production space and significant outdoor storage areas.

**OUTLOOK**

- Stability in prime rents at €68/sq m/year is expected to persist in the near term. Rising rents like Genk and upper-prime, last-mile logistics locations, such as Antwerp’s Blue Gate, indicate potential for further growth in strategically positioned hubs.
- The cautious market sentiment observed in 2024, driven by economic uncertainty, may extend into 2025, keeping take-up volumes below historical averages.
- Logistics demand will likely be concentrated in built-to-suit projects, exemplified by large-scale transactions like Skechers in Liège, indicating a shift toward tailored, long-term solutions over speculative developments.
- New developments, such as Armasteel’s project in Ghent, suggest that regions offering multimodal access will attract increasing interest.

**MARKET STATISTICS**

| SUBMARKET               | SECTOR          | STOCK (sq m)      | TAKE-UP Q4 2024 (sq m) | TAKE-UP 2024 (sq m) | PRIME RENT (EUR/sq m/year) | INVESTMENT VOLUME Q4 2024 (EUR) | INVESTMENT VOLUME 2024 (EUR) | PRIME YIELD (%) |
|-------------------------|-----------------|-------------------|------------------------|---------------------|----------------------------|---------------------------------|------------------------------|-----------------|
| Flanders                | Logistics       | 23,604,000        | 113,000                | 368,000             | 68                         | 93,710,000                      | 875,000,000                  | 5.15            |
|                         | Semi-Industrial | 16,812,000        | 239,000                | 604,000             | 68                         | 23,900,000                      | 190,690,000                  | 6.95            |
| Brussels-Capital Region | Logistics       | 482,000           | -                      | -                   | 68                         | -                               | -                            | 5.15            |
|                         | Semi-Industrial | 887,000           | 16,000                 | 34,000              | 68                         | 8,000,000                       | 23,270,000                   | 6.95            |
| Wallonia                | Logistics       | 4,533,000         | 256,000                | 282,000             | 55                         | 16,500,000                      | 101,100,000                  | 5.20            |
|                         | Semi-Industrial | 4,301,000         | 32,000                 | 152,000             | 59                         | -                               | -                            | 7.35            |
| <b>BELGIUM TOTALS</b>   |                 | <b>50,619,000</b> | <b>656,000</b>         | <b>1,440,000</b>    |                            | <b>142,110,000</b>              | <b>1,190,000,000</b>         |                 |

**KEY TAKE-UP TRANSACTIONS Q4 2024\***

| PROPERTY                      | SUBMARKET           | SECTOR          | TENANT    | GLA (sq m) | TYPE        |
|-------------------------------|---------------------|-----------------|-----------|------------|-------------|
| WLP X – Cargo City West       | Liège               | Logistics       | Skechers  | 200,000    | Pre-letting |
| Park De Hulst (ex. Decathlon) | Mechelen-Willebroek | Logistics       | Eutraco   | 40,000     | Letting     |
| Armasteel site Ghent          | Ghent               | Semi-industrial | Armasteel | 13,000     | Purchase    |

**KEY INVESTMENT TRANSACTIONS Q4 2024\***

| PROPERTY               | SUBMARKET | SECTOR    | SELLER/BUYER                      | GLA (sq m) | PRICE (EUR)   |
|------------------------|-----------|-----------|-----------------------------------|------------|---------------|
| GXO Logistics          | Liège     | Logistics | GXO Logistics / Heylen Warehouses | 55,000     | 16,500,000    |
| Serax site             | Antwerp   | Logistics | Buysse & Partners / Alirec        | 17,000     | not disclosed |
| SKF site Tongeren-Oost | Limburg   | Logistics | Patrizia / SKF                    | 25,872     | not disclosed |

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\*Transactions in the table included key transactions in the market, and are not necessarily closed by Cushman & Wakefield.