# The Belgian Industrial Market

H1 2024

Fresh data and insights on semi-industrial and logistics property at the crossroads of Europe

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# The Belgian Industrial Market H1 2024

**Welcomes new international investors.**

**Occupier demand typically experiences a slow beginning in the market, but newcomers to Belgium see sufficient indicators to begin investing.**

On 6 June, the European Central Bank reduced its deposit facility rate by 25 basis points to 3.75%, marking its first cut in five years.

Financial markets are expecting additional reductions totalling 50 basis points in the ECB's base rate by the end of the year, with the next cut likely to occur in September.

This set of decisions will provide some initial respite to debt-laden businesses throughout the Eurozone. In real estate terms, these are the short-term rates on which developers base their funding, so there should be a marginally positive impact on costs.

Three days after the ECB's first cut, Belgium held federal, regional, and European elections on 9 June 2024. We go deeper into the significance of these results on the opposite page. It will be imperative that Belgium's future executive tackles the country's budget deficit (4.4%), as well as its elevated level of public debt, at 105.2% of GDP at the end of 2023.

As far as economic output figures are concerned, the National Bank of Belgium (NBB)'s June 2024 forecasts indicate a 1.2% expected GDP growth in 2024 and 2025. This considers the fact that exports will continue to wane this year in a Belgian economy which is heavily based on international trade. This decrease in exports is offset to an extent by robust private consumption and overall lower energy prices.

The decrease in energy prices supports the Federal Planning Bureau's 3.2% forecasted annual rate of inflation in 2024, which could drop to 2.0% in 2025.

## Occupier Trends Indicators H1 2024

| Semi-industrial | | Logistics | |
|---|---|---|---|
| Take-up, sq m | 315,000 | Take-up, sq m | 258,000 |
| Completions, sq m | 107,000 | Completions, sq m | 284,000 |
| Stock, million sq m | 18.07 | Completions, sq m | 27.07 |
| Prime rent, €/sq m/year | 75 | Prime rent, €/sq m/year | 65 |
| Average rent, €/sq m/year | 55 | Average rent, €/sq m/year | 54 |
| Prime yield (%) | 6.60 | Prime yield (%) | 4.90 |
| Invested volume € million | 47 | Invested volume € million | 121 |

| Belgian economic indicators | 2023 | 2024 | 2025 |
|---|---|---|---|
| GDP Growth (%, YoY) | 1.5 | 1.2 | 1.2 |
| Inflation (%, YoY) | 2.3 | 3.2 | 2.0 |
| Unemployment (%) | 5.6 | 5.7 | 5.8 |

Per Statbel's June figures, unemployment in Belgium increased to 5.8% in Q1 2024, against a rate of 5.5% in Q4 2023.

The NBB forecasts an overall rate of 5.7% for Belgium in 2024, with a mild increase to 5.8% in 2025.



## The political situation post 9 June elections

Separatist party Vlaams Belang garnered 21.8% of the Flemish votes for seats in the federal Parliament, increasing their share by three percentage points since 2019. Despite this gain, they were unable to surpass the conservative New Flemish Alliance (N-VA), which secured 25.6% and remained the largest party in Flanders.

The liberal-conservative Mouvement Réformateur (MR) obtained 28.2% of Walloon votes, ahead of the traditionally dominant center-left Socialist Party (PS) and likely coalition partner, centre-right Les Engagés. As a result, MR and Les Engagés have agreed to partner at all levels of power while PS have opted to go into opposition across all levels of representation.

Prime minister De Croo tendered his government's resignation in the aftermath of the elections on 10 June.

An immediate tangible impact of these results (and the results across Europe) for real estate was the surge in Belgian government bond yield, which reached its highest levels so far in 2024 in the two days following the elections (3.27% for the OLO 10-year bond). These rates have since eased and stabilised towards the end of June.

Further down the line, the new governments are expected to tackle issues such as the slow issuance of planning permits, disagreements around regional mobility in Brussels, as well as possibly lowering transfer taxes in Brussels and Wallonia.

# Occupier activity

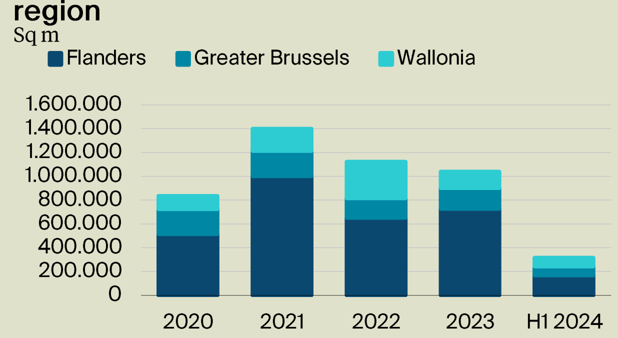
## Semi-industrial

Semi-industrial take-up in Belgium has begun slowly, falling short of its typically robust performance, with only slightly more than 314,000 square metres recorded during H1.

In particular, activity in Flanders (167,000 sq m) fell below post-pandemic averages. Aross Belgium, the best performing districts were Antwerp (44,500 sq m), Flemish Brabant (52,500 sq m), and Liège (29,000 sq m).

The largest transaction has been recorded in Libramont (Wallonia South district) – a rare 8,000 sq m purchase for own occupation.

**Belgian semi-industrial take-up per region**



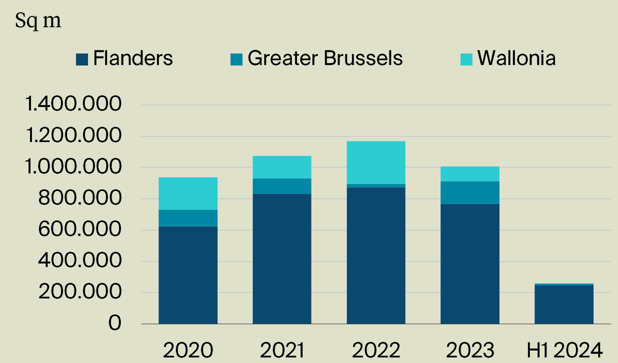

Source: Knight Frank Research

## Logistics

Logistics activity got off to an even slower start than usual in H1 2024, with take-up of 258,000 sq m. In particular, activity in Wallonia was conspicuous by its absence, with no take-up recorded across the first six months of the year. Meanwhile, Flanders take-up (245,000 sq m) has fared better with nearly all of its districts attracting decent activity.

The market has grown reasonably quiet from January onwards; one explanation lies in lower e-commerce sales. Logistics operator let many spaces during the Belgian e-commerce boom in the wake of the global pandemic. Now many such occupiers have a surplus of spaces now that traditional retail is back to normal.

**Belgian logistics take-up per region**




Source: Knight Frank Research

Activity was absolutely dominated by 3PL occupiers to tune of 83%, i.e. more than 213,000 sq m. Many operators are moving from older to new facilities Industry/Manufacturing (14%), and Consumer goods/Retail (3%) occupiers were somewhat behind.

Despite dwindling land supplies, Grade A spaces concentrated close to 80% of activity in H1, mostly in Flanders (eight deals), but there was also a development for H. Essers in Cargovil (Greater Brussels district).

As indicated above, Flanders concentrated almost all of the logistics activity in H1; this includes the quarter's largest deals. Chief among these is Eutraco's 58,000 sq m pre-letting in the Port of Ghent area, underlining the location's credentials for larger deals. Not far behind were a pair of (pre-)lettings : Pacorini's 29,500 sq m letting in a property renovated by Groep Bolckmans in the port of Antwerp, and 25,000 sq m by De Klok Logistics in Maasmechelen (Limburg).

# Top logistics occupier deals H1 2024

| Property | Tenant | Market \| District | Warehouse (sq m) |
|---|---|---|---|
| MG Big Bear phase II | Eutraco | Flanders \| East Flanders | 58,000 |
| Rostockweg 1 | Pacorini | Flanders \| Antwerp | 29,500 |
| DC Oude Bunders | De Klok Logistics | Flanders \| Limburg | 25,500 |
| Boom DC2 | Fiege | Flanders \| A12-E19 | 25,000 |
| Rijksweg 13A | Capsugel Belgium | Flanders \| E17 | 20,000 |

# Rents

## Semi-industrial

Prime rents have increase in both Greater Brussels (€75/sq m/year) and Wallonia (€65/sq m/year) over the first six months of the year – Flanders is stable at €70/sq m/year. There is evidence of further likely increases to come over the rest of the year.

The average weighted rent for Belgium has increased overall to €55/sq m/year against €54/sq m/year at the end of 2023.

## Logistics

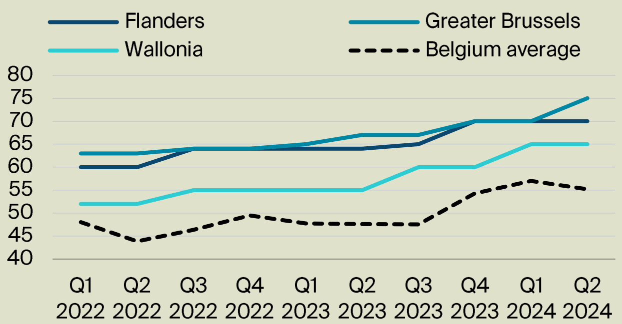
Logistics prime rents have remained stable since the end of 2023 at € 65/sq m/year in Greater Brussels, €60/sq m/year in Flanders and €56/sq m/year in Wallonia.

In certain projects, there appears to be a disconnect between owners' and occupiers' expectations at the present time, a trend which is even manifest in older vacant buildings.

With the weight of Grade A transactions, the overall Belgian weighted average rent has is higher than at the end of 2023, at €54/sq m/year in Q2 2024.

### Belgian prime semi-industrial prime rents per region

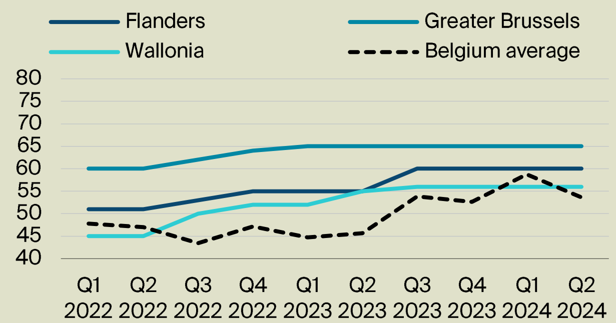
€/sq m/year




Source: Knight Frank Research

### Belgian prime logistics prime rents per region

€/sq m/year




Source: Knight Frank Research

# Deliveries & pipeline

## Semi-industrial

So far this year, more than 92,000 sq m of semi-industrial property has been developed across the country, translating into more than 309 distinct units as developers are increasingly specialising in the SME campus model.

A further 298,000 sq m, or more than 1,350 units are currently slated for delivery, including as much as 153,500 sq m during the second half of 2024 alone.

## Logistics

Close to 156,000 sq m of new logistics property has been delivered during H1, all of which was either built to suit, or let before delivery. Going forward, more than 650,000 sq m are expected to be delivered by 2026. Close to 282,000 sq m of these projects are being launched on a speculative basis.

Some good news comes for logistics in Brussels in the shape of the Region's intentions for the 60ha Schaerbeek-Formation site. Indeed, thanks to the exceptional multimodal connections (rail, road and waterway) already in place, it appears that the most likely outcome will be to transform the site into a hub for logistics as well as some light warehousing activity. Further to this news, a new railway line connecting the port of Brussels to the rail network has been completed, enhancing the port's multimodal credentials and improving access to Schaerbeek-Formation. Van Moer Logistics operate the concession on the container terminal on the port.

In Wallonia, MG Real Estate has been elected to help redevelop the old Arcelor steel furnace site in Seraing (Liège district), representing a 32 ha brownfield.

Availability in logistics property has been increasing lately, although it is difficult to put an exact number on an opaque facet of the market. Nevertheless, there is a common thread across the country, where older buildings tend to suffer the most. In Wallonia, this phenomenon especially applies to the Hainaut district.

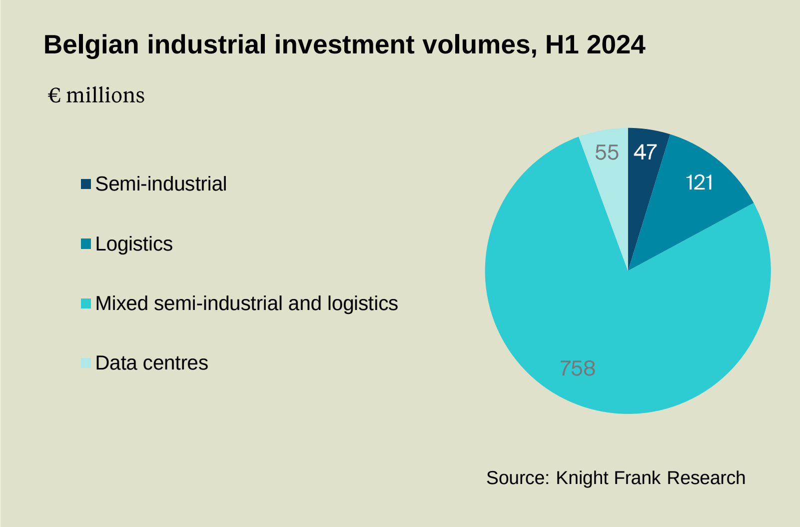
# Investment activity

## Various

Two of the top three largest investments transactions involved atypical deals by the Belgian market's standards.

The first was the takeover by US equity fund TPG Real Estate of the Belgian REIT Intervest Offices & Warehouses which specialises in offices and, mainly, semi-industrial and logistics property. Estimates on the value of the latter component of the portfolio vary between €645- and 758 million. Second was the sale of Ghelamco's Nexus data centre in Asse to Penta Infra for €55 million.

## Semi-industrial




Fewer institutional investors have been involved in the segment during H1, with developers playing a more important role. Indeed, the largest deal so far this year has been Alinso's acquisition of a site from Unigro in Sint-Niklaas (E17 district, Flanders) for € 15 million. It is expected Alinso will redevelop the site in the medium term.

The semi-industrial market has a strong background of occupiers purchasing and/or developing their own premises, doubling up as a safe investment, especially in the case of family businesses, to the extent that 40- to 60% of annual invested volumes in the semi-industrial market can generally be attributed to own-occupation purchases.

## Logistics

H1 2024 has been one of the better semesters since the market was hit by the interest rates spike. Indeed, €121 million of investments have been recorded across a handful of transactions.

Like occupier activity - these have taken place exclusively in Flanders and Greater Brussels, with the highlight being a €60 million acquisition carried out by Palmira Capital Partners in the Port of Ghent with the acquisition of MG New Docks, two warehouses totalling 75,000 sq m which were delivered in 2022. We also note Catella Logistics Germany Plus Fund's €25.8 million forward funding investment in a 27,000 sq m shed from Vestum in Limburg.

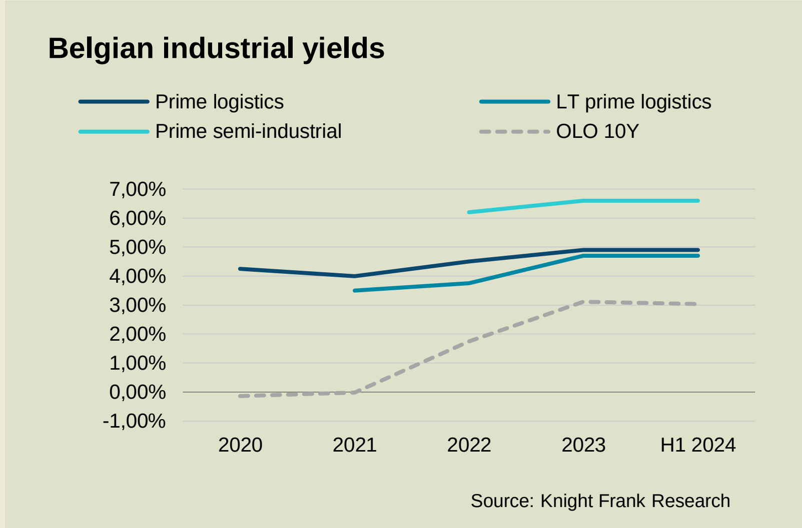
These two deals also signal international investors' continued interest in Belgian logistics is more than notional, and indeed can bear fruit, even in the current complicated financing context. Underscoring this is, a Swedish REIT has been reported to been investigating possible investments in Belgium.

# Top investment deals H1 2024

| Property | | Vendor | Purchaser | Market I District | Price (€ million) |
|---|---|---|---|---|---|
| Semi-industrial and logistics portfolio | Intervest Offices & Warehouses | TPG Real Estate | Portfolio | Semi-industrial and logistics | 645-758 |
| MG News Docks | MG Real Estate | Palmira Capital Partners | Flanders I East Flanders | Logistics | 60 |
| Green Energy Park - Nexus data centre | Ghelamco | Penta Infra | Greater Brussels I Flemish Brabant | Data centre | 55 |
| DC Oude Bunders | Vestum | Catella Logistics Germany Plus Fund | Flanders I Limburg | Logistics | 26 |
| ex-Unigro | Unigro | Alinso | Flanders I E17 | Semi-industrial | 15 |



## Yields




We report no change to the semi-industrial prime yield in Belgium, at 6.60% on conventional lease-terms. Nevertheless, most deals involving institutional investors in this segment often target redevelopment into other functions, while many other sales of semi-industrial buildings are for occupiers' own occupation (one third of H1 2024 take-up), therefore there is little market evident on yields.

The Belgian prime logistics yield remains at 4.90% in H1 2024. Further increases are not expected as the logistics market remains competitive with a healthy amount of international interest in Belgian products. Nevertheless, this yield level remains theoretical, and it would be surprising to encounter a deal at this level in current market on a classic lease term. Similarly prime yields on long-term leases remain stable at 4.70%.

With further ECB cuts on the horizon, we would expect prime logistics yields to sharpen faster than offices.

# The Belgian Industrial Market

We like questions, if you've got one about our research,or would like some property advice, we would love to hear from you.

## Recent Research


The Brussels Office Market
H2 2023


Future Gazing
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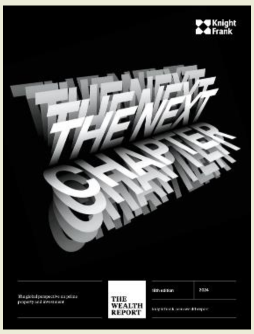


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