The Belgian Industrial Market

Knight Frank

H2 2024

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

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The shoe is on the other foot.

The industrial market besieged by headwinds in 2024, despite a highlight letting involving Skechers. Competition is strong on the investment front.

The **Belgian economy** grew by only 1.0% in 2024 per the NBB, due to sluggish consumer demand. Prospects are hindered by low consumer confidence going forward, and growth will be limited to 1.2% in 2025 with expected US tariff hikes playing a key role. Indeed, US exports represent 5% of Belgian GDP (per CBC), the second highest ratio in the EU. Furthermore, political and economic turmoil affecting Germany, Belgium's main trading partner, will hardly grease the wheels for an improved outlook. More on this in our European Commercial Outlook 2025 article.

Inflation was high in Belgium during 2024 at 4.3%, an elevated level relative to other Eurozone countries. This was partly caused by the removal of the cost of energy financial aid to Belgian households in 2023.

Inflation forecasts for Belgium in 2025 vary, from 1.9% (Federal Planning Bureau) to 2.9% (National Bank of Belgium). Negative scenarios involving geopolitics affecting the cost of energy, as well as expected US trade tariffs will place inflation under further upward pressure.

The ECB has pursued four rate cuts in 2024, with more forecasted in 2025 as the Eurozone inflation level nears its 2% target, creating a safer environment for investing.

Job prospects in the industrial sector have significantly declined due to the ongoing fallout from the cost of energy crisis, low export prospects, and increased competition from outside the EU. to CBC, Belgium is expected to record more bankruptcies in 2024 than in the previous two years. The disruption impacting Belgian industry has been recently illustrated on a large scale by the closure of Audi's plant in Brussels.

Hiring in the service sector is still progressing at a steady rate overall, albeit the limited pool of available skilled workers is a challenge. Unemployment was 5.6% in 2024 and is expected to remain at this level through 2027.

Occupier Trends Indicators H2 2024

Semi-industrial		Logistics	
Take-up, sq m	865,000	Take-up, sq m	689,000
Take-up (5-year average 2020-2024), sq m	1,052,000	Take-up (5-year average 2020-2024), sq m	975,000
Take-up H2 2024, sq m	551,000	Take-up H2 2024, sq m	431,000
Completions, sq m	297,000	Completions, sq m	469,000
Stock, million sq m	18.26	Stock, million sq m	27.25
Prime rent, €/sq m/year	75	Prime rent, €/sq m/year	65
Average rent, €/sq m/year	55	Average rent, €/sq m/year	55
Prime yield (%)	6.50	Prime yield (%)	4.90
Invested volume € million	78	Invested volume € million	227

Belgian economic indicators	2023	2024	2025
GDP Growth (%, YoY)	1.0	1.2	1.4
Inflation (%, YoY)	4.3	2.9	1.3
Unemployment (%)	5.6	5.6	5.7

Source: National Bank of Belgium

Politics and the Belgian budget deficit

Belgium held federal, regional and European elections on 9 June 2024. Over six months later, the Brussels Capital Region and the Federal governments are yet to be formed. A regrettable case of déjà vu.

For Brussels, the clock is ticking ahead of Standard and Poor's rating review in March, with parties at loggerheads and absolutely no prospect of a coalition in sight.

The formation of a federal government looks nearer with 31 January pencilled in as a key deadline for the government negotiator, Bart De Wever. The Belgian government deficit is a high priority issue, with Belgian debt among the highest levels in the EU. The deficit in 2024 was projected to increase to 4.6% of GDP, per the EU Commission's November forecast, against a requirement for EU Member States to be below 3% of GDP.

Occupier activity

The year-end provides an opportunity to pause and reflect on the headwinds and their effects on the semi-industrial and logistics sectors throughout 2024. These challenges included, but were not limited to, a decrease in overseas demand, a decline in exports, and a reduction in production. Several well-publicised plant closures occurred in Belgium in 2024, while the country recorded a record number of bankruptcies.

It is through this prism that we should consider occupier activity during the whole of 2024.

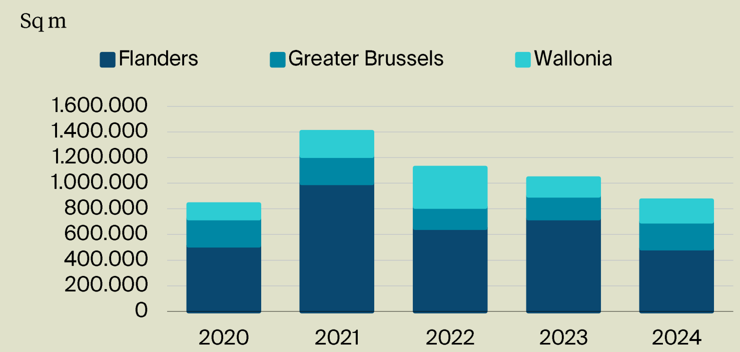
Semi-industrial

A tired semi-industrial market has decreased (by 32%) for the third year in a row, recording 865,000 sq m of take-up.

This downturn in activity can be laid squarely at the feet of the economic context, with companies large and small, including SMEs which constitute the foundation of this market, struggling to go on. Indeed, the year 2024 will have been a hurdle too many for a lot of occupiers, and may have constituted a deterrent to new ones entering the market.

The silver lining is the quantity of take-up during H2 - 551,000 sq m. This is more than half the annual average since 2020. In addition to the large transactions in the second half of the year, there were five deals over 10,000 sq m. Notably one of these was a 37,000 sq m letting in West Flanders. Furthermore, there was a dramatic increase in the number of deals, with 492 transactions compared to 336 in H1. This trend is encouraging for the market as we look ahead to 2025 and beyond.

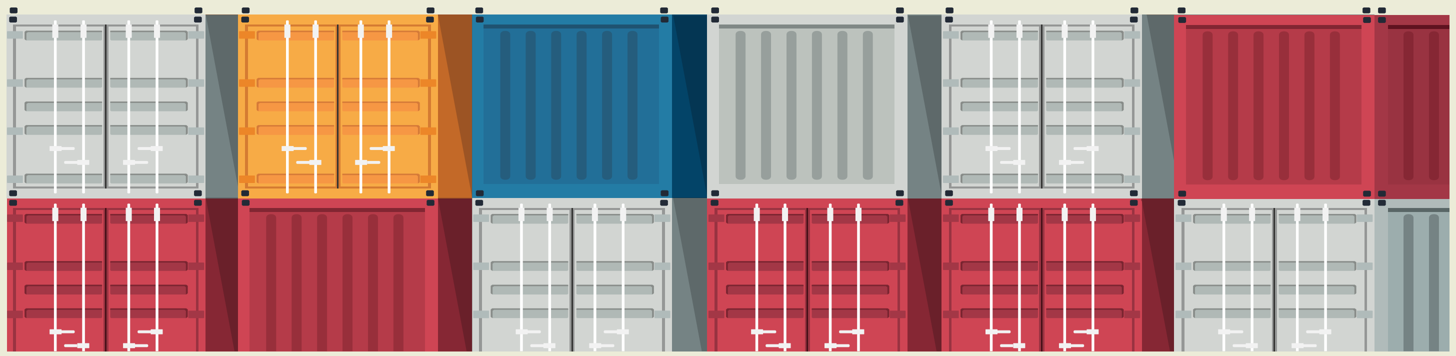
Belgian semi-industrial take-up per region



Source: Knight Frank Research

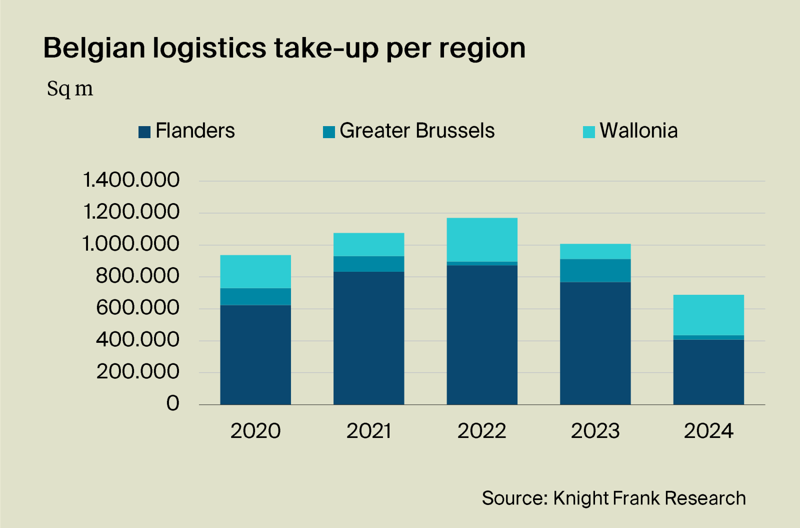
Additional good news can be found in Brussels (209,000 sq m) and Wallonia (165,000 sq m), which were near or above their annual averages in 2024. The fact that figures in Flanders (491,000 sq m) disappointed may also to an extent be attributable to a lack of supply.

The median semi-industrial transaction size in H2 was 400 sq m.



Logistics

On the surface, logistics activity underwent a similar downward trend to the semi-industrial segment, decreasing to 689,000 sq m in 2024 (-32%). The reality is that this downturn would have been more dramatic were it not for a transaction for the ages involving a 200,000 sq m pre-letting by footwear company Skechers which took place in Wallonia during H2.



Resulting H2 figures amounted to 431,000 sq m – 162,000 sq m in Flanders; 17,000 sq m in Greater Brussels, and 253,000 sq m in Wallonia.

The number of deals usually spikes during the last quarter of the year. However, in 2024 a high of 12 deals was recorded during Q1, before tailing off at an average of 7 deals per quarter from Q2 onwards.

For the first time in years, the distribution of take-up by occupier type was not led by 3PLs (27%), but Consumer Goods (54%), having been propelled to this spot by the Skechers deal. Indeed, Skechers has committed to let a mammoth 200,000 sq m project developed by Weerts at Liège Airport which will be delivered by 2028. The expansion of 3PLs was particularly important in the period surrounding the pandemic, when e-commerce finally took root in Belgium. However, as consumers have now transited to a more hybrid consumption model, 3PLs also have a lot of grey space on their hands, which is actively being advertised in certain cases.

One constant did remain during 2024, as Grade A spaces continued to enjoy the lion's share of take-up with close to 72% during H2, translating into 309,000 sq m.

Top logistics occupier deals H2 2024

Property	Tenant	Market | District	Warehouse (sq m)
WLP X - Cargo City West	Skechers	Wallonia | Liège	200,000
Europe Inland Logistics Campus 21	Eddie Stobart	Flanders | Limburg	45,000
Park De Hulst	Eutraco	Flanders | A12-E19	40,000
Route de Gosselies 408	Delfood	Wallonia | Hainaut	30,000
Groenedreef	Eanox	Flanders | East Flanders	18,000

Rents

Semi-industrial

Flanders prime rents increased to €75/sq m/year during H2 while Greater Brussels and Wallonia prime rents remained stable at €75/sq m/year and €65/sq m/year respectively. Prime semi-industrial products never stay vacant, regardless of their location, and increased competition on the letting end of this market explains the incremental increases recorded since 2022.

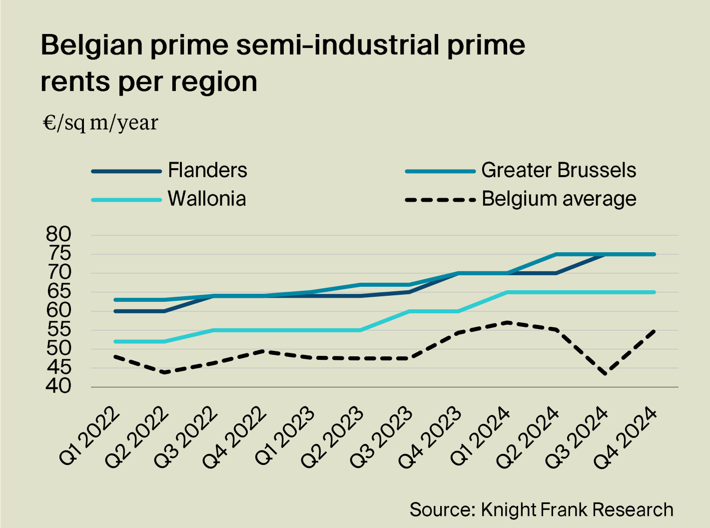
The average weighted rent for Belgium returned to €55/sq m/year at the end of the year, ranging from €45/sq m/year in Flanders to €68/sq m/year in Greater Brussels.

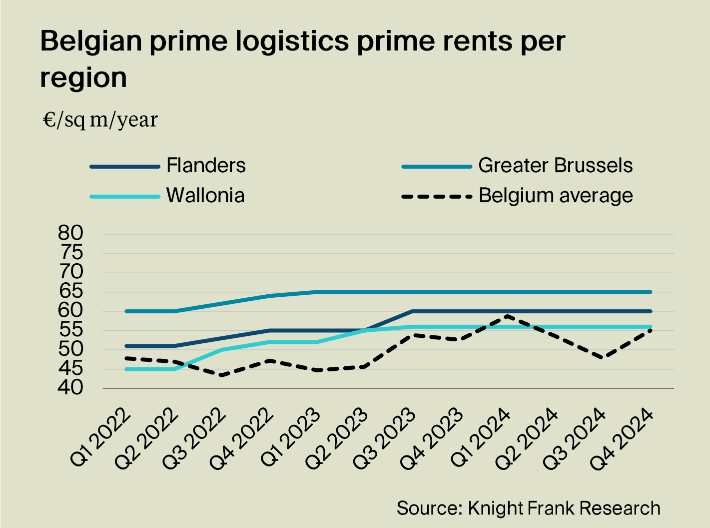
Logistics

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 average rent is higher than at the end of 2023, at €55/sq m/year in Q4 2024.





Deliveries & pipeline

Semi-industrial

More than 190,000 sq m of semi-industrial projects were completed during H2 with business parks springing up like mushrooms, across Flanders especially. In total, more than 900 units across 279,000 sq m of completions are noted for 2024.

A further 211,000 sq m, or more than 1,900 units are currently slated for delivery in 2025.

Logistics

Nearly 185,000 sq m of logistics buildings were delivered during the second half of the year, bringing the total to 464,000 sq m in 2024. Looking to the future, more than 608,000 sq m should be delivered over 2025-2026, including some 80,000 sq m which were launched speculatively.

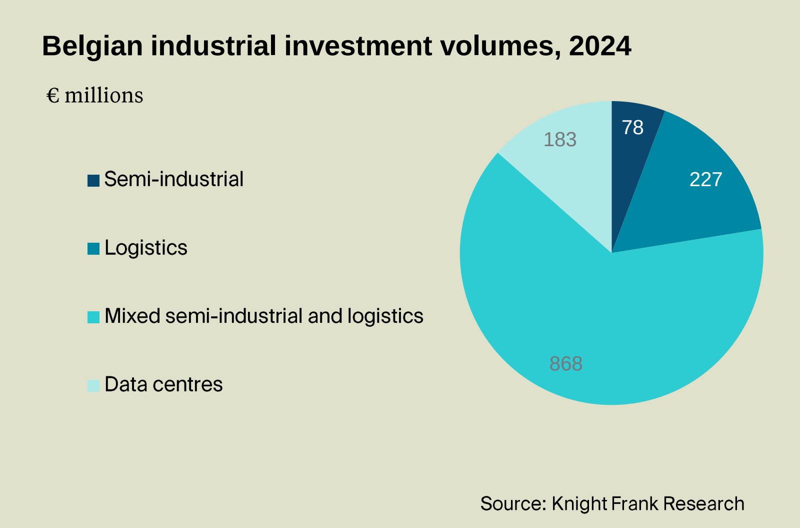
Availability - and grey spaces in particular - has been becoming something of an issue over the past 18 months. This is due to 3PLs dealing with a glut of spaces they acquired during the e-commerce boom surrounding the pandemic. This segment has since cooled somewhat, as noted in the Occupier Activity chapter of this report. However, we observe that all grades of previously vacant warehouses in Wallonia in particular, have been filling up over the past six months. This trend occurs as long as the warehouses are well located, and landlords temper their rent expectations.

Investment activity

Various

Increased competition, albeit not especially reflected in invested volumes, makes entering the industrial investment space particularly tricky. This is resulting in more and more acquisitions of brownfields or dated production and distribution sites, destined to be redeveloped.

The latter category attracted three large deals for a total of €110 million during H2. The largest deal in this segment signalled the entry of a Dutch newcomer to Belgium with UTP Industrial Acquisitions' purchase of the ex-Sappi site in Lanaken for €50 million (including machinery).



Source: Knight Frank Research

Additionally, Datacenter United purchase a 11MW, three data centre-portfolio from Proximus (which will continue to use them on a 10-year basis) for €128 million. Despite the opaque nature of this segment, it is logically one which is gathering pace amid the advent of AI. We have recorded €183 million invested in this segment across the year.

Semi-industrial

Institutional investments in semi-industrial properties have dwindled during 2024 and particularly H2 after a euphoric 2023. A volume of €31 million was recorded across four deals, including Montea's foray into the Port of Antwerp with a 30-year concession agreement on 18,000 sq m of warehouses (11 units) for €11 million, with a view towards renovating the complex in the long term.

Logistics

Just north of €105 million in logistics investments took place during H2, ensuring the year ends on a total of €227 million invested; the total in 2023 was €97 million.

Four deals took place, with at least one in each of Flanders, Greater Brussels, and Wallonia. The largest transaction involved Blackstone acquiring 80% of the shares in a European portfolio owned by Burstone during Q4. This impacted two Belgian properties, both located in Limburg, valued at just under €77 million and signals foreign capital's continued interest in a strong, Belgian market. A single deal took place during Q4, a sale and leaseback transaction carried out by Heylen Warehouses in Liège at €165 million for a 55,000 sq m GXO Logistics property, which carries significant potential thanks to 15ha of land included in the investment.

Traditional Belgian players must focus on value-add products due to the difficulty which lies in investing in conventional deals and generating sufficient profits.

Regarding future deals, the 22,000 sq m former Euro Shoe Group distribution centre in Beringen (Limburg) is expected to close in the coming months. It is projected to generate around €20 million. Meanwhile, Brookfield's takeover of Tritax Eurobox should include the transfer of assets in Bornem, Rumst, and Nivelles. This comes as the sector continues to consolidate.

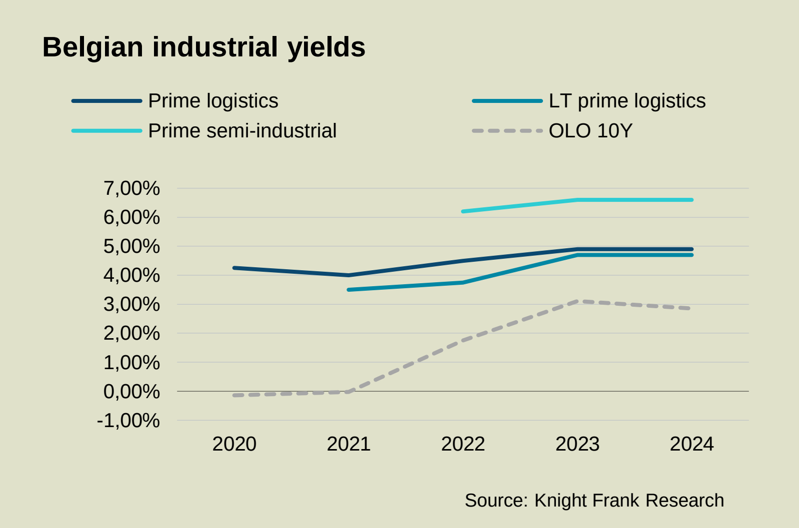
Top investment deals H2 2024

Property	Deal Type	Vendor	Purchaser	Market I District	Property Type	Price (€ million)
Burstone - 2 Belgian assets (80%)	Entity level	Burstone	Blackstone	Flanders I Limburg	Logistics	77
ex-Sappi Lanaken	Investment	Sappi	UPT Industrial Acquisitions	Flanders I Limburg	Semi-industrial and logistics	50
Balta Waregem	Sale & leaseback	Balta	WDP	Flanders I West Flanders	Logistics	40
Nijverheidsstraat 92-98	Investment	Patrizia	SmartUnit	Flanders I Antwerp	Semi-industrial and logistics	20
GXO Welkenraedt	Sale & leaseback	GXO Logistics	Heylen Warehouses	Wallonia I Liège	Logistics	16.5

Yields

We note that the **semi-industrial** prime yield in Belgium remains unchanged at 6.60% for conventional lease terms. However, most transactions involving institutional investors in this sector typically aim for redevelopment into different uses. Additionally, many sales of semi-industrial properties are for owner-occupiers, accounting for 40% of the take-up in H2. As a result, there is limited market evidence regarding yields.

The Belgian prime **logistics** yield stands at 4.90% in the second half of 2024. This level has managed not to soften, as the logistics market remains competitive with strong international interest in Belgian sheds. However, this yield level is largely theoretical. Likewise, prime yields for long-term leases remain steady at 4.70%.



Source: Knight Frank Research

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

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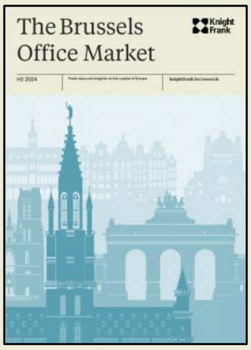

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