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Research Report

Belgium Warehousing Report Update H1 2009

In the first half of 2009, 187 deals totalling 285,000m² were noted in the Semi-Industrial sector. Some 286,000m² of logistic space was let or sold for own occupation in some 20 deals during the same period. These figures are in line with 2008, despite the economic downturn.

In the first six months 137,000m² has been completed in 11 schemes, of which only 2 schemes of 10,000m² each were speculative. For the second half another 147,000m² remains to come online, with 39,000m² in two schemes which were still available in early July.

Prime rents remained stable over the quarter at around € 48 m²/yr on the Brussels-Antwerp axis for Logistic properties and € 60 m²/yr in the Brussels area for Semi-Industrial properties.

Prime yields for logistic properties now stand around 7.75% in Q2 09. Investors' appetite for prime logistic products remains, but very few attractive investment opportunities are currently on the market.



Take-Up

In 2008 some 325 **semi-industrial** transactions (letting or acquisition for owner occupation) were registered totalling 545,000m². This represents a 26 % decrease compared to the record year of 2007, but is still 169,000m² above the three year average. It was quite remarkable that the last quarter of 2008 was also the most active quarter, not only in total m² but also in number of transactions.

Where on average 210,000m² in 155 deals were noted in the first half year, 187 deals totalling 285,000m² were noted in the first half of 2009.

After 6 months in 2009, the take-up is still in line with the 2008 figure for the same period although it is unlikely that H2 2009 will note the same record second half figures as in 2008.

Nevertheless it is fair to say that, despite the economic crisis, there are still some markets and companies that remain little affected by the crisis, and which continue to take up new space.

In total 973,000m² of **logistic & distribution** space has been transacted in 2008 which was 26% above the yearly average. Of the 973,000m² of logistic space taken up, no less than 705,000m² was done in the second half of the year, despite the tightening economic climate.

After six months in 2009, 286,000m² of logistic space has been let or sold for own occupation in some 20 deals. For comparison: over the last four years the first six months of the year noted on average 30 deals totalling around 296,000m². So although the number of transactions has decreased in H1 2009 the volume has nevertheless remained resilient.

By end July 2009 some large deals helped to underpin the market: Colruyt will construct for own occupation 80,000m² in Ghilenghien, Dow Corning will build 35,000m² in Féloy, Sany Logistics will occupy 22,000m² in Essen and Tabaknatie will lease 20,000m² in the port of Antwerp. It is remarkable that the three largest deals were all acquisitions for owner occupation.

Overall there are fewer tenders, and those deals that do happen, take longer to be finalised. The uncertainty in the overall economy makes it difficult for 3PL's to take long term commitments. Despite this, some opportunities will arise, as regroupment, rationalisation and outsourcing of logistic operations is becoming ever more important in an economic climate where financial liquidity and cost savings rule.

Pipeline and Supply

Where possible, developers are anticipating the negative impact of the economic crisis and the global recession and are postponing projects that were scheduled for end 2009. Already 140,000m² in around 6 projects have been pushed back to a later time or are officially put 'on hold'.

In the first six months 137,000m² has been completed in 11 schemes, all between 10,000m² and 23,000m². Only three projects had not found an occupier upon delivery namely: 10,000m² of WDP in Chaussée de Namur in Nivelles, 10,000m² of Concerto in Cargovil in Vilvoorde and Maritime Logistics, the 'shell & core' delivery of 23,000m² of Group De Paepe in Bornem.

For the second half another 147,000m² remains to come online. Only two of the 6 projects are speculative : Canal Logistics (Phase 1) of Leasinvest of 27,000m² in Brussels and Schrodgers that is building 12,000m² in Bornem.

The relative short building time for logistic buildings combined with the defensive position of most of the involved developers makes the logistics market much more self-regulating than for example the office market. By this the risk of a structural over-supply is much smaller.

Rents

For the moment, the very limited increase in supply has had no immediate impact on rents in Q1 2009. The quoted asking prime rents are already quite conservative at around € 48 m²/yr on the Brussels-Antwerp axis for Logistic properties and € 60 m²/yr in the Brussels area for Semi-Industrial properties.

In the coming months downward pressure on rents remains possible in both sectors due to weakening demand.

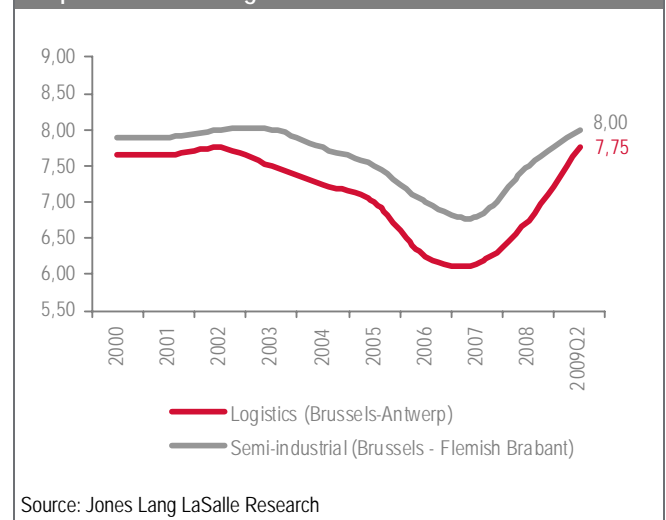
Investment Market

In Q2 2009 total direct industrial real estate investment volumes in Western Europe remained broadly stable on the previous quarter and total H1 2009 investments added up to € 2.2 billion. Whilst this is still a decline of 45% compared to the previous half year (H2 2008) and by 50% if compared to the same period last year, the rate of decline has started to significantly slow down if compared with the last quarter 2008 (-27%).

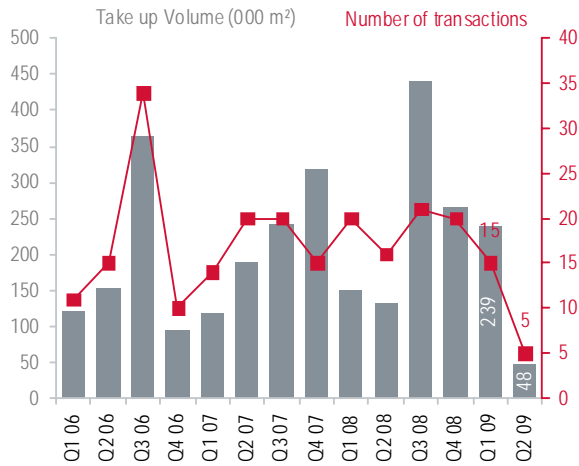
As in a lot of other European countries, in Belgium, no transactions were recorded in Q2 2009, following € 103 million of industrial investments in Q1 2009. Overall, investors are still slow to commit to investments in the Belgium market. Prime yields for prime warehousing space now stands at 7.75%, close to the long-term average of 7.80%. Despite the lack of comparables, overall market sentiment is that a stabilisation of prime yields could occur over the next few months.

Overall, investors' appetite for prime logistic products remains, but very few attractive investment opportunities are currently on the market.

Graph 1: Warehousing Prime Yield Evolution

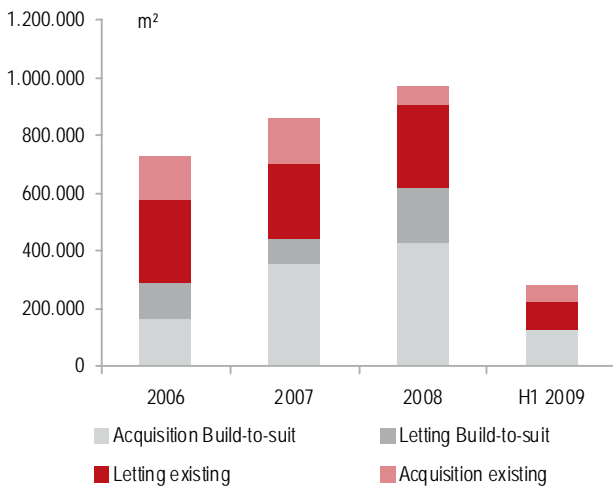


Graph 2: Logistic take-up by quarter



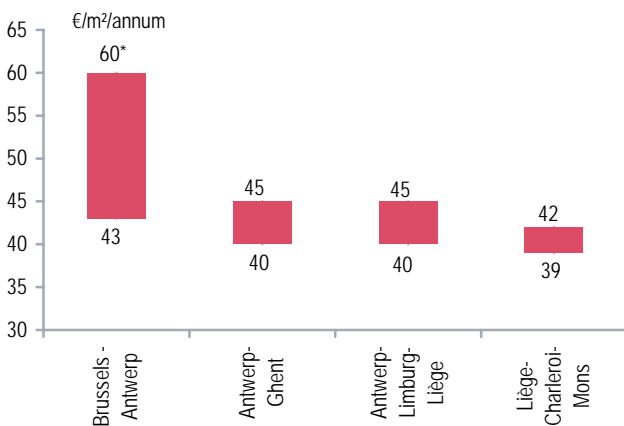
Source: Jones Lang LaSalle Research

Graph 3: Logistic take-up by type of transaction



Source: Jones Lang LaSalle Research

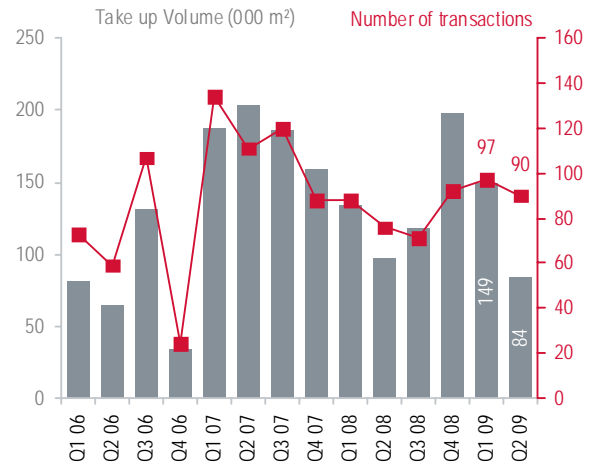
Graph 4: Logistic rental bands



* Rents realised in the Brucargo-West development

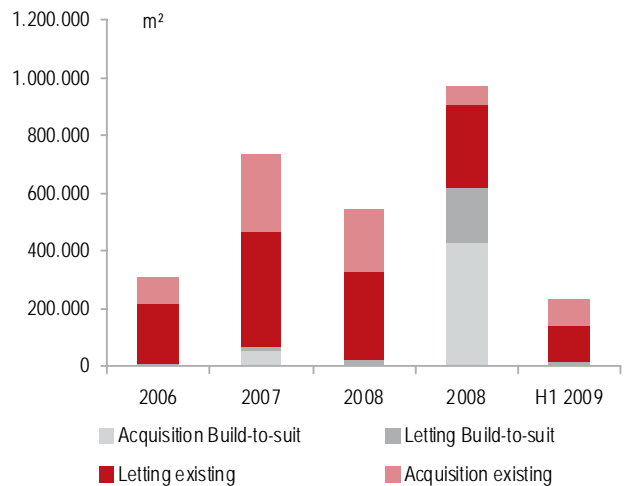
Source: Jones Lang LaSalle Research

Graph 5: Semi-Industrial take-up by quarter



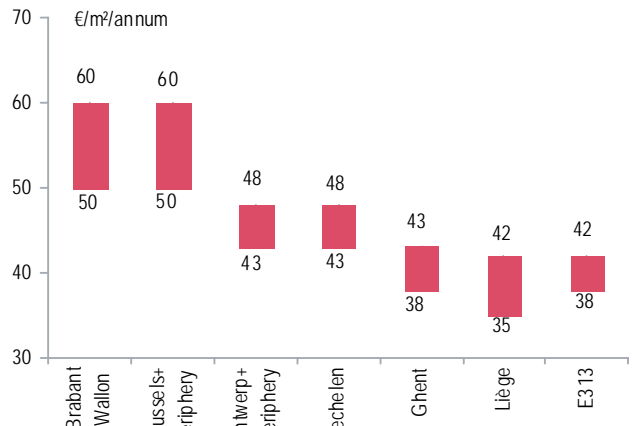
Source: Jones Lang LaSalle Research

Graph 6: Semi-Industrial take-up by type of transaction



Source: Jones Lang LaSalle Research

Graph 7: Semi-Industrial rental bands



Source: Jones Lang LaSalle Research

Table1: Major Logistic Transactions H1 2009

QTR	Region	Municipality	street	warehouse m ²	Type of Transaction	Occupier
1	Other Wallonia	Ghislenghien	Zoning Ghislenghien	80,000	Owner Occupier	Colruyt
1	Walloon axis	Félu		35,000	Owner Occupier	Dow Corning
1	Other Dutch border	Essen	Over d'AA	22,000	Owner Occupier	Sany Logistics/ immo sany
1	Antwerp-Brussels	Antwerpen (port)		20,000	Letting	Tabaknatie
2	Antwerp-Ghent	Temse	Schoenstraat 6	16,550	Letting	Standaard Boekhandel
2	Antwerp-Ghent	Port	Waasland Cargo Logistics	14,000	Letting	Kuehne+Nagel
1	Antwerp-Brussels	Willebroek	Queristics' Tri-Access logistics center	12,373	Letting	Forlog
1	Antwerp-Brussels	Zellik		12,000	Owner Occupier	Delhaize

Table 2: Major Semi Industrial Transactions H1 2009

QTR	Region	Municipality	street	warehouse m ²	ToT	Occupier
1	Other: Namen	Naninne	Rue des Pieds d'Alouette 51-53	16,900	Owner Occupier	L'Atelier
1	Genk-Hasselt	Alken		6,000	Owner Occupier	Helvoet Pharma
2	Other: Brussels	Schaerbeek	Leuvensesteenweg 708	4,501	Owner Occupier	Gecer
1	Other: Hainaut	Mouscron/Moeskroen	Rue du Textile 13	4,668	Letting	Cartonnages Delsaux
2	Antwerpen	Ranst	Ter Stratenweg 29	4,248	Letting	Total Concept
1	Other: Namur	Rhisnes	Rue de Gembloux 673	4,700	Owner Occupier	Hydro
1	Other: E17-E40	St Niklaas	Industriepark West 42	4,560	Letting	Euro As Bvba
1	Antwerpen	Kieldrecht		4,547	Letting	Talke Belgium
1	Brussels Periphery	Zaventem		4,200	Letting	Team Relocation group
1	Luik	Awans		4,100	Letting	Azura
1	Antwerpen	Hoboken	Jozef Stormstraat	4,100	Owner Occupier	na
2	E313	Herenthout	Atealaan 34	3,945	Letting	Boekenfonds

Table 3: Major Warehousing Investments H1 2009

QTR	Sector	Municipality	Property	Estimated € million	Seller	Buyer
1	Logistics	Kontich	Carrefour Distribution Center Belgium	49	Redevco Belgium	Fortis Insurance
1	Logistics	Mechelen/Willebroek/Meer	DHL portfolio	29,7	DHL	WDP



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