

LOGISTICS & SEMI-INDUSTRIAL

Record investment volume surprise, as occupier demand softens and voids rise

FIGURES

CBRE RESEARCH
JULY 2024



MARKET VIEW | LOGISTICS & SEMI-INDUSTRIAL | JULY 2024

Logistics take-up weakens in first half of 2024, while demand for smaller warehouses surges

▼ 689,121 M²
I&L take-up

▲ 3.93%
Vacancy rate

▶ 5.00%
Investment yield

Note: Arrows indicate change from previous period

SUMMARY

- In the first 6 months of 2024, logistics take-up amounted to 338,170 m², some 30% below 2023. Interestingly, there has been a considerable uptick in the demand for smaller warehouses and storage spaces with 350,951 m² in letting and sales deals registered thus far.
- The current vacancy rate in Belgium increased to 3.93% or 633,475 m², from 14.8% or 222,729 m² as at the end of 2023
- At present, developers are constructing 563,204 m² of logistics space, with 28.7% of it still open for occupancy
- Belgium has experienced a record investment volume of €898 million for logistics and semi-industrial warehouses in the first 6 months of 2024



ECONOMY

The euro area experienced unexpected economic growth at the start of the year, ending five quarters of near-stagnation. Belgium's GDP growth reached 0.3% in the first quarter of 2024 and is projected to hit 1.3% for the year, exceeding the 0.7% growth expected for the Euro Area. This growth is predicted to continue, with a 1.3% increase in 2025 and 1.5% in 2026.

Business confidence remained consistent, with varying performances across sectors. Inflation in Belgium peaked earlier in the year at 4.9% but is expected to decrease in the latter half of the year, averaging at 3.8% for 2024, and further reducing to 2.2% in 2025 and 1.7% in 2026.

Consumer confidence in the economic situation has fluctuated since the start of the year, with optimism levels in June nearing those from the beginning of the year. The Belgian labour market slowed more than anticipated last year, but job creation and labour productivity increased in early 2024. The low unemployment rate, which is expected to stay below 6%, indicates a tight labour market.

1.3%

Belgium's GDP growth reached 0.3% in the first quarter of 2024 and is projected to hit 1.3% for the year

INDUSTRIAL & LOGISTICS TAKE-UP

While the demand for logistics warehouses remains robust, it has seen a notable decrease compared to previous years. In the first 6 months of 2024, logistics take-up amounted to 338,170 m², some 30% below 2023.

Notable transactions concern the letting of 30,000 m² to Pacorini in the Antwerp Seaport, a redevelopment by Groep Bolckmans. In Ghent, Eutraco agreed terms on an additional 58,000 m² (after an initial 62,109 m² in Q4 2023), increasing Eutraco's total space at Big Bear to 120,000 m², a development by MG Real Estate. DFDS leased 37,000 m² in a large secondhand warehouse near Waregem.

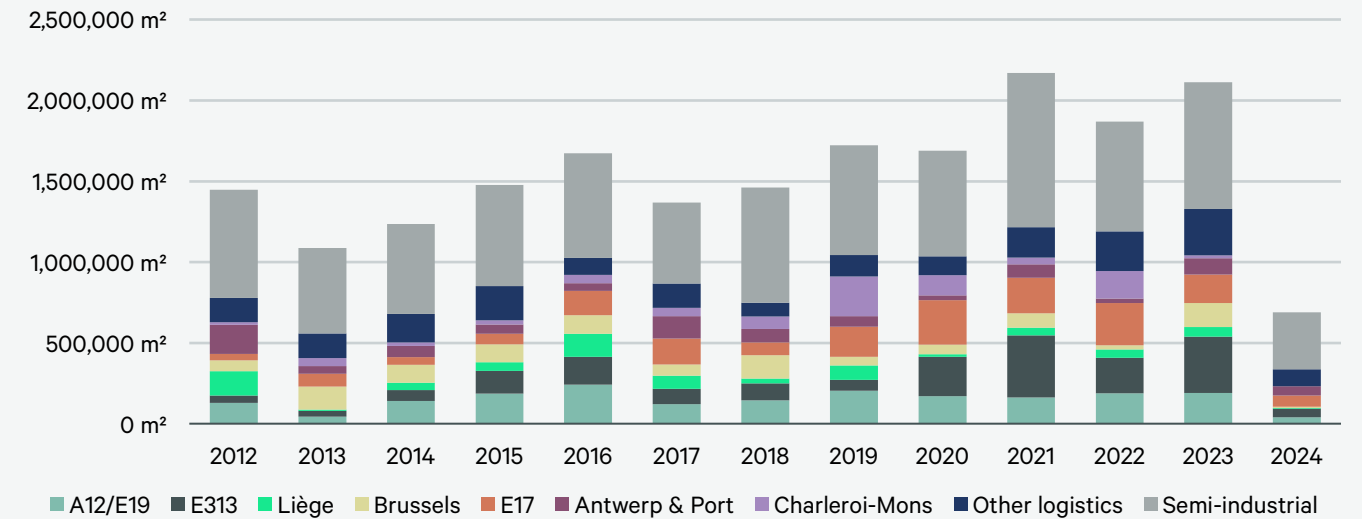
Interestingly, with 350,951 m² in letting and sales deals registered thus far, there has been a considerable uptick in the demand for smaller warehouses and storage spaces, especially from Small and Medium Enterprises (SMEs). This surge can be attributed to the growing number of small businesses and the rising need for SMEs to store their goods and materials safely and efficiently. 62% of these warehouses are leased. Despite the rise in interest rates, the lease versus buy ratio has remained stable over recent years.

689,121 m²

Take-up for both logistics and semi-industrial warehouses in H1 2024

Logistics & semi-industrial take-up in Belgium (2012- H1 2024)

Source: CBRE Research



Large logistics deals in H1 2024

Images sourced from developers' websites



Big Bear I (Evergem)
Eutraco 58,000 m²



Rostockweg 1 (Antwerp)
Pacorini 37,000 m²

VACANCY

The logistics sector is currently experiencing a surge in vacancy rates for warehouses, a departure from the previously low levels. The current vacancy rate Belgium increased to 3.93% or 633,475 m², from 1.48% or 222,729 m² as at the end of 2022. The swift surge is primarily attributed to the robust development pipeline and tenants substituting older warehouses with newly developed logistic areas.

The majority of these vacancies are found in older warehouses, 411,179 m², suggesting a possible mismatch between available facilities and evolving industry requirements. However, the number of voids in recently built facilities has also escalated in recent months. Some 222,296 m² of voids have been developed in the last 5 years.

DEVELOPMENT

Favourable occupier dynamics have led to a steady pipeline of modern logistics space. Despite the impressive demand as of late, however, higher cost of capital, construction costs and difficult permitting procedures means developers are likely to favour BTS projects over speculative developments.

In the first half of 2024, some 310,810 m² of logistics warehouses was completed. 77.4% thereof concerns built-to-suit warehouses, already leased to an occupant. 70,155 m² concerned development at risk, and is still under commercialisation.

At present, developers are constructing 563,204 m² of logistics space, with 28.7% of it still open for occupancy. Occupants have already prelet 401,300 m².

The biggest ongoing project at present is Kristalpark III in Lommel. The industrial estate, Kristalpark III, is a collaboration between the city of Lommel and the investment company LRM. They are building high-end warehouses for H. Essers, specifically for hazardous materials storage, which will increase the capacity by an additional 150,000 m².

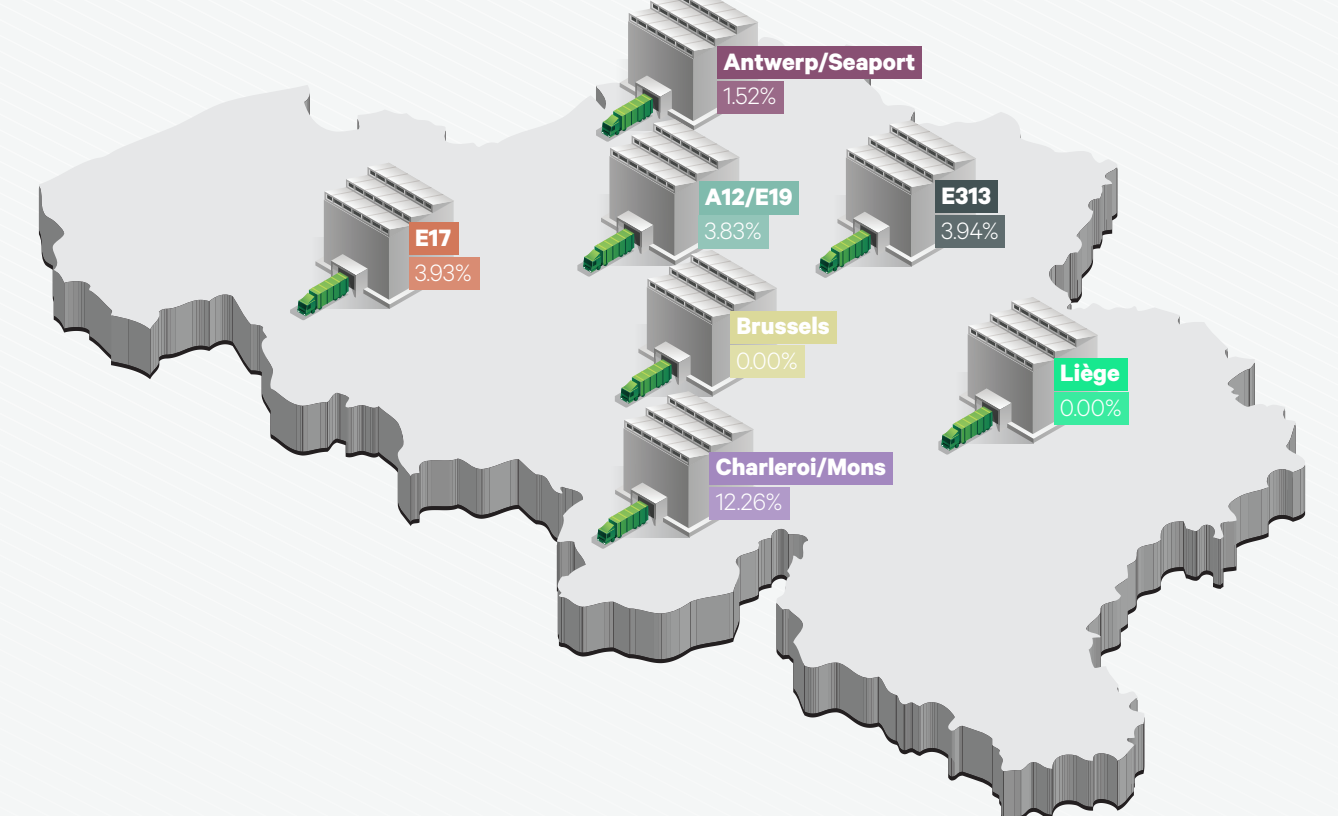
3.93%

Logistics vacancy rate at the end of July 2024

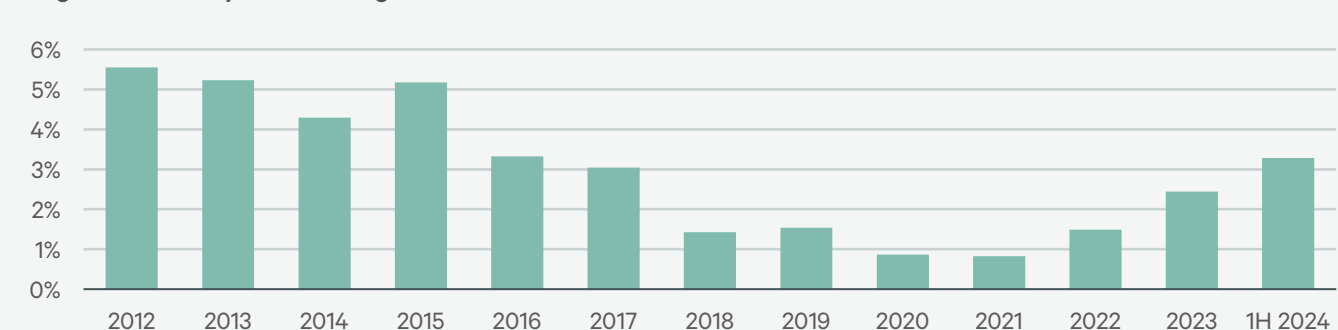
563k m²

Current logistics space under construction in Belgium

Logistics vacancy rates in Belgium (July 2024)



Logistics vacancy rates in Belgium (2015- H1 2024)



RENTAL VALUES

Rental values in logistics have mostly stabilized following a significant increase in recent years, with only Brussels (75 €/m²/year) and Charleroi (50 €/m²/year) experiencing further growth in early 2024. The reference prime rent for the A12/E19 axis remains at 68 €/m².

The demand for newly constructed, tailor-made warehouses is projected to stay robust in the long term, as older structures frequently fail to meet modern tenant needs such as high ceilings, increased loading dock capacity, seamless slabs, advanced robotics, solar power installations, and others.

Limited land availability and high construction costs are likely to keep prime rents under upward pressure in the foreseeable future.

LAND VALUES

Land values have remained steady in recent months.

Currently, the most expensive land is located in and north of Brussels, with prices ranging from 300 to 340 €/m². Along the A12-E19 axis, land for logistics development trades at values of 260 to 300 €/m². In contrast, the Charleroi-Mons market is substantially cheaper, with land prices approximately 40 to 60 €/m².

Scarcity of land for logistics development in Belgium is a significant problem, especially in Flanders. This is largely due to dense urbanisation, strict urban planning and the recent nitrogen regulation. Brownfield development is therefore typically easier to accomplish than greenfield development. Brownfield sites are areas previously used for industrial purposes, while greenfield sites are undeveloped lands.

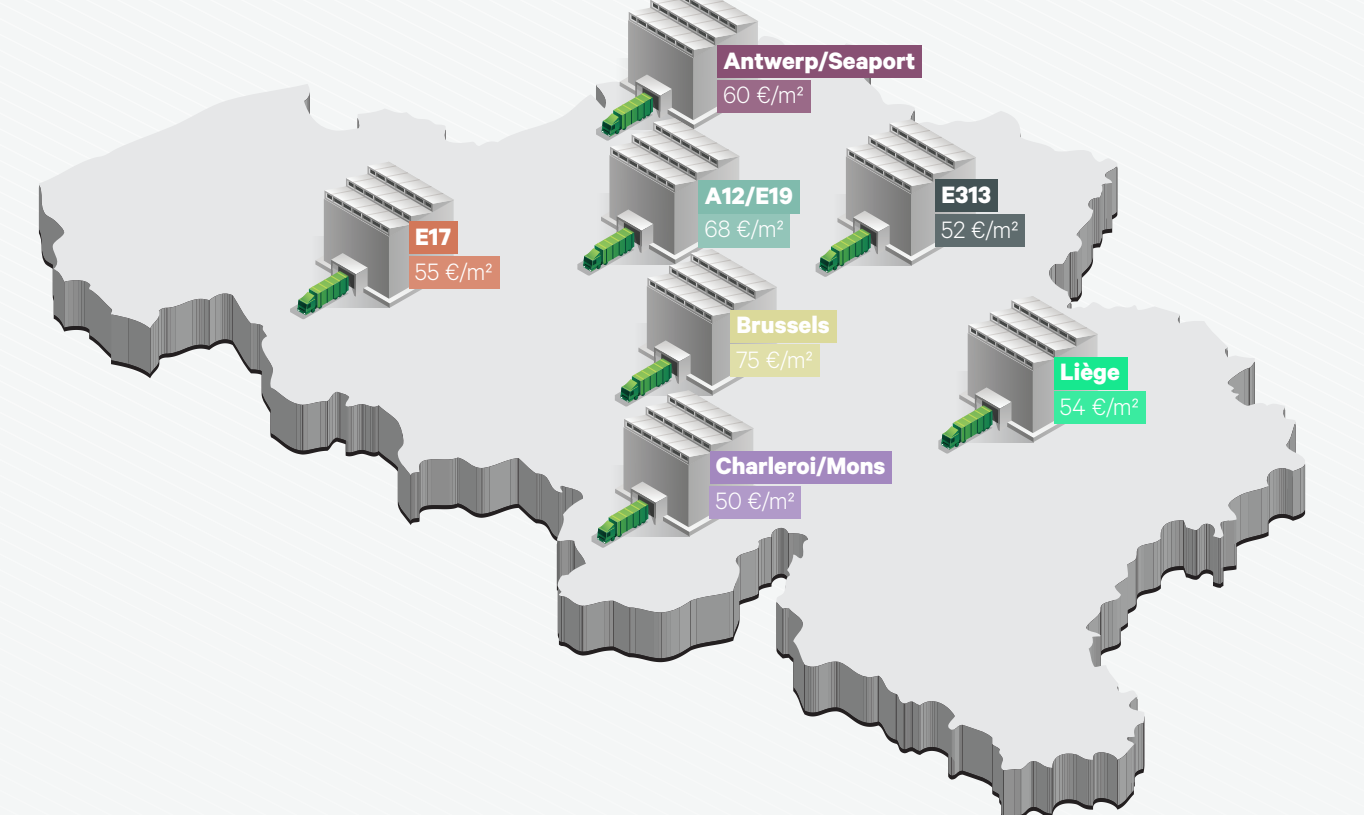
68 €/m²

Prime rent for A12/E19 market after q-o-q growth

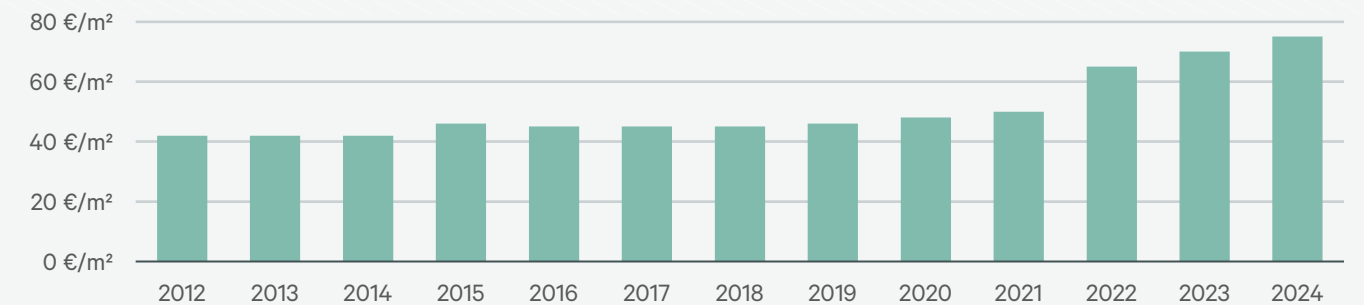
340 €/m²

Price paid for prime logistics land in Brussels and the periphery

Prime rental values for logistics in Belgium (July 2024)



Prime rental values evolution for A12/E19 submarket (2015-H1 2024)



INVESTMENT VOLUME

Overall investment volumes in (European) real estate are currently low due to high interest rates and prevailing economic uncertainty.

Yet, Belgium has experienced a record investment volume of €898 million for logistics and semi-industrial warehouses in the first 6 months of 2024.

This is primarily attributed to a substantial deal where TPG acquired 100% of Intervest on 25th April 2024.

The logistics market in Belgium maintains its liquidity, with multiple transactions in process and completed, often offering attractive yields.

Earlier this year, Palmira Capital Partners made a significant investment by acquiring a distribution centre in the North Sea Port in Ghent, from MG Real Estate. This property, built in 2022, has a rental area of roughly 75,050 m² and is entirely leased to Eutraco

€898 mn

Industrial and logistics investment recorded in H1 2024

INVESTMENT YIELDS

The onset of 2024 brought renewed hope, marked by a surge in retail sales, heightened consumer confidence, and economic growth. However, inflation rates and record-low investment volumes posed challenges in Europe. Mid-year now reveals promising trends, with the ECB reducing the interest rate on the main refinancing operations to 4.25%. However, in mid-July, it was added that domestic price pressures remain high.

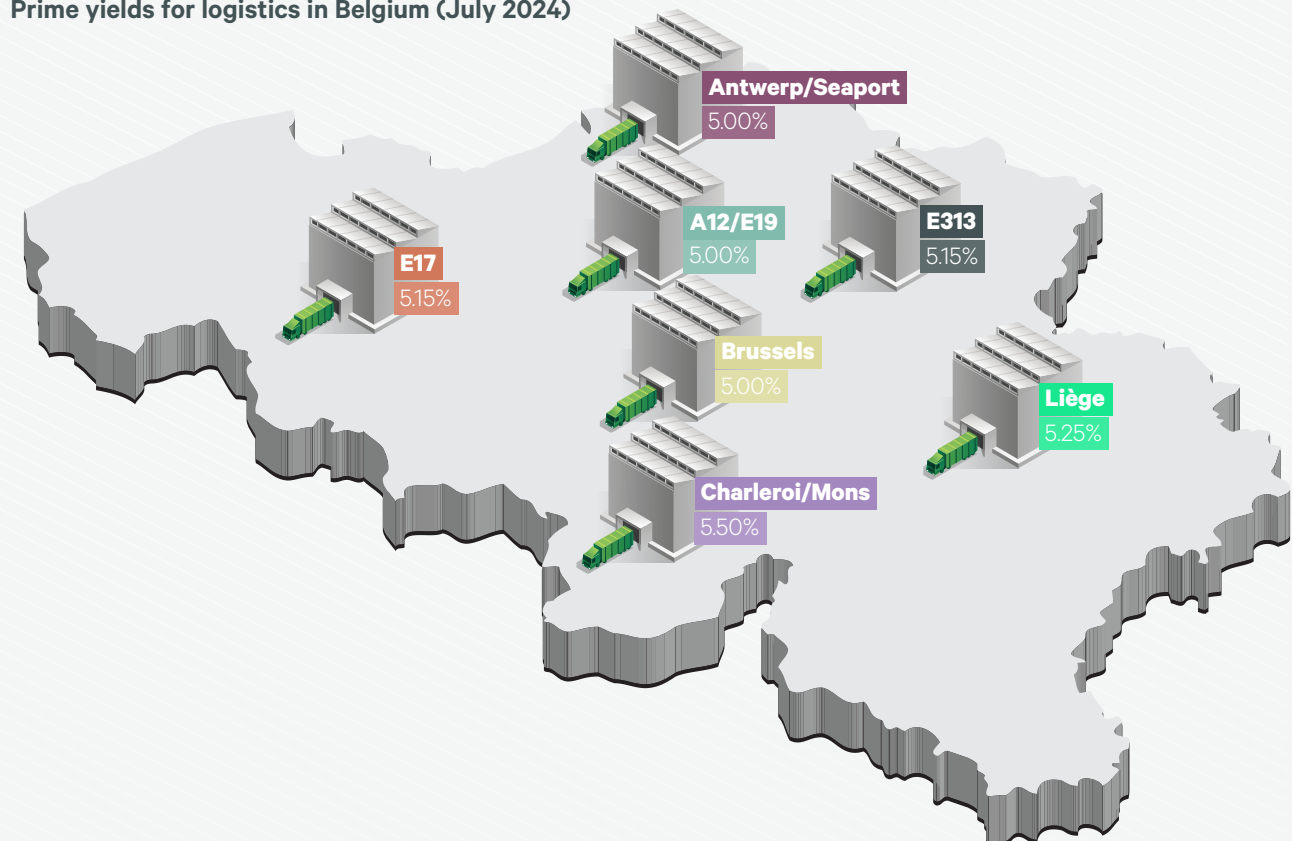
The current prime yield for logistics is now estimated at 5.00%, up 150 bps from the cyclical low recorded in early 2022. For semi-industrial and warehouse space, prime yields are estimated at 5.75%

Strong rental growth has eased the repricing over the last 18 to 24 months. However, the speed and intensity of interest rate and thus yield increases has resulted in modest declines of capital values from their peak. Given current monetary pressures and long-term rates, we expect yields to remain stable in the coming months.

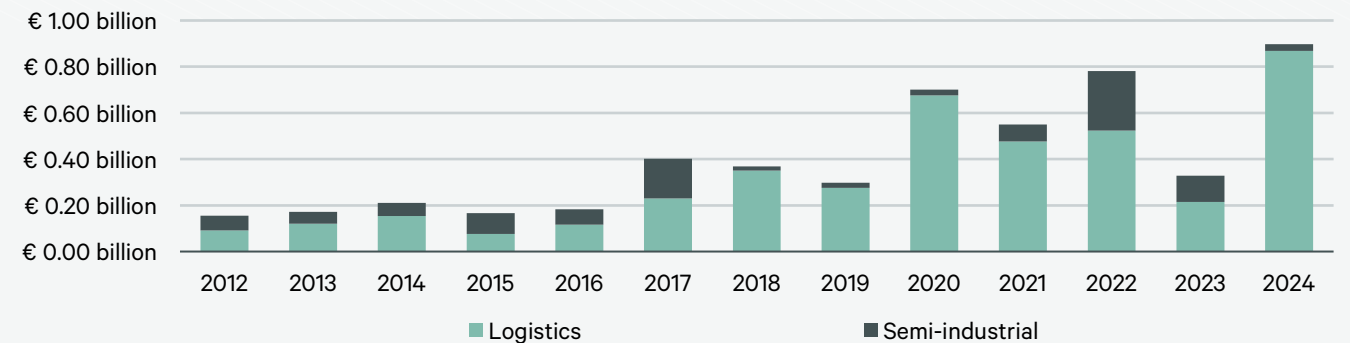
5.00%

Current estimated yields for prime logistics assets in Brussels and A12/E19 markets

Prime yields for logistics in Belgium (July 2024)



Investment volume evolution (2015- H1 2024)



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