

# Belgium Investor Survey 2022

MARCH 2022



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**The Investor Survey was designed by CBRE Belgium in order to provide in-depth insights into investor sentiment and planned capital allocation. The Survey is based on a comprehensive questionnaire completed by 28 national and international investors.**

**The questionnaire was completed and processed before the 2022 Russian invasion of Ukraine and therefore makes limited reference to this political event.**

## INVESTMENT VOLUME

The number of participants in the survey was less than last year, but the total investment amount has not dropped proportionately. Whereas last year the surveyed investors were anticipating an investment amount that just topped €9 billion, the 2022 Investor Survey reveals that investors are preparing to invest almost €6 billion into the Belgian commercial real estate market. Concurrently, around €2.8 billion is set to be divested in 2022. Out of all respondents, 82% are expected to be net buyers, while 18% will be net sellers. The average invested amount per company in 2022 has risen by 14% to €227 million. Average divestment volume meanwhile has fallen by 10% to €92 million. Investment allocation has changed in comparison to last year with investors on average increasing their investments in logistics by 49% to €60 million.

€6 billion

*Expected investment  
volume for 2022*

Expected allocation in 2022



€1.9 billion

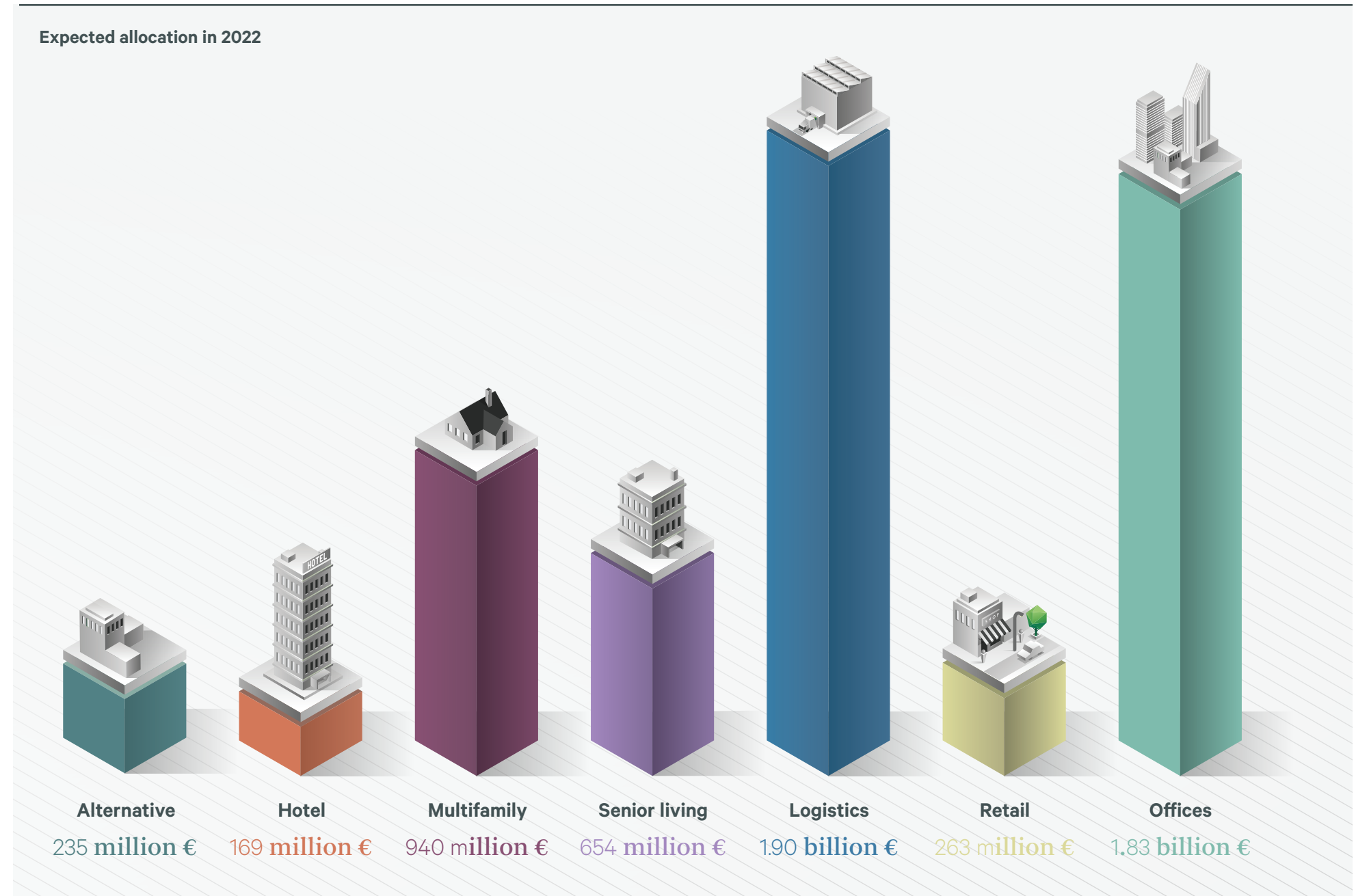
Projected logistics allocation in 2022

### CAPITAL ALLOCATION

Offices remain a strong destination for investment allocation with close to €2 billion projected investment. Logistics and multifamily continue to do very well with logistics even surpassing offices as the preferred asset class for investment this year. The combined share of logistics and multifamily in this year's survey rises to 47%, up from 31% last year.

Retail's share of investment continues to decline as in previous years with only 3.5% of expected investment destined for this asset class. The overall low investment figure does somewhat hide the diverging performance of the subclasses with out-of-town retail performing well even during Covid-19.

Senior living continues to do well in Belgium, attracting €654 million for a share of 11%. This means senior living maintains its relative position in the investment pecking order.



## INVESTMENT STRATEGY

"Core" and "Core Plus" are still the most preferred investment strategies with Core being the top investment strategy chosen by 71% of respondents. "Value-Add" and "Opportunistic" are present in 50% and 39% of respondents, respectively, indicating a continued willingness to take risk that was already present last year.

## HIGHER YIELDS

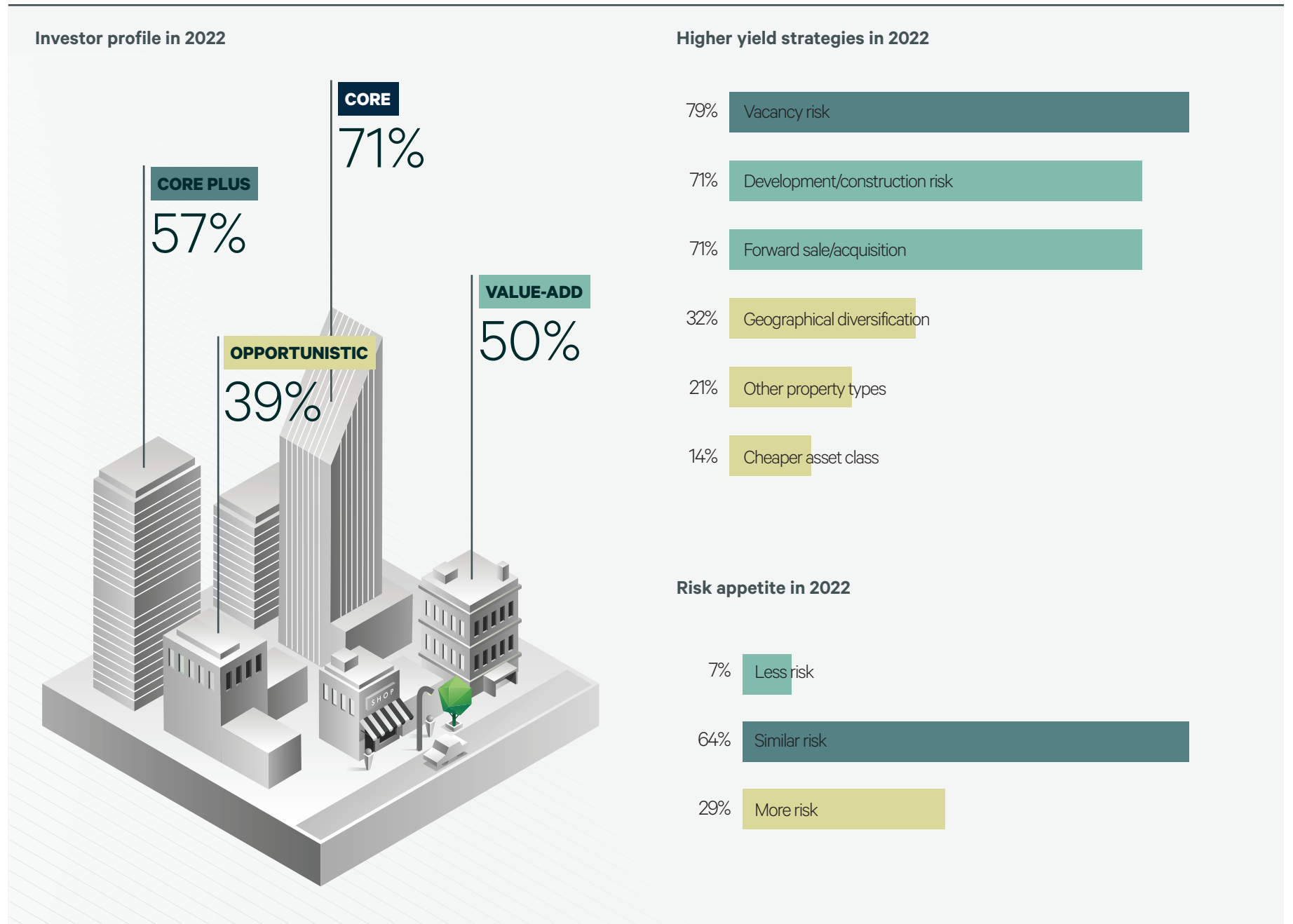
The three main sorts of risk that investors are willing to take has remained the same: vacancy risk, development risk and forward property cashflows. The purpose being to increase their IRR prognoses and achieve higher investment yields. The survey results indicate that investors are least likely to diversify across asset classes and property types as a way of pursuing higher potential returns.

79%

*Percentage of investors willing to accept vacancy risk in search of higher returns*

## RISK APPETITE

When asked about their willingness for risk directly just under one-third of investors say they are willing to take on more risk with only 7% saying they will take less risk in 2022.



## COVID-19 IMPACT ON INVESTMENT APPROACH

Last year investors favored a certain measure of change in their investment approach in response to Covid-19. They picked a change in approach to securing tenants or contracts and diversifying into different asset classes as their top two investment approaches. This year the top choice is continuing on the path taken. Although diversification and changing approach to tenants and/or contracts remain in the top three, their combined presence amongst investor answers drops to 54% as opposed to 84% last year.

58%

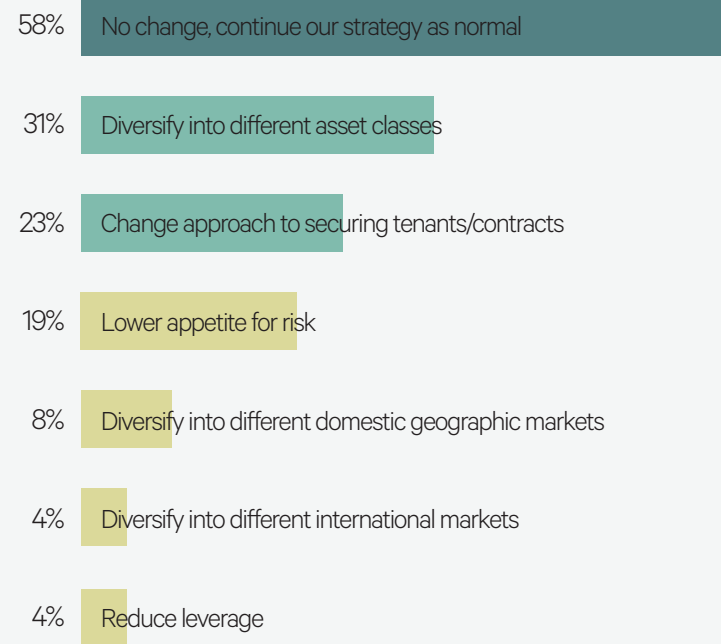
Percentage of investors that will maintain their investment approach in 2022

## VISION ON ASSET CLASSES

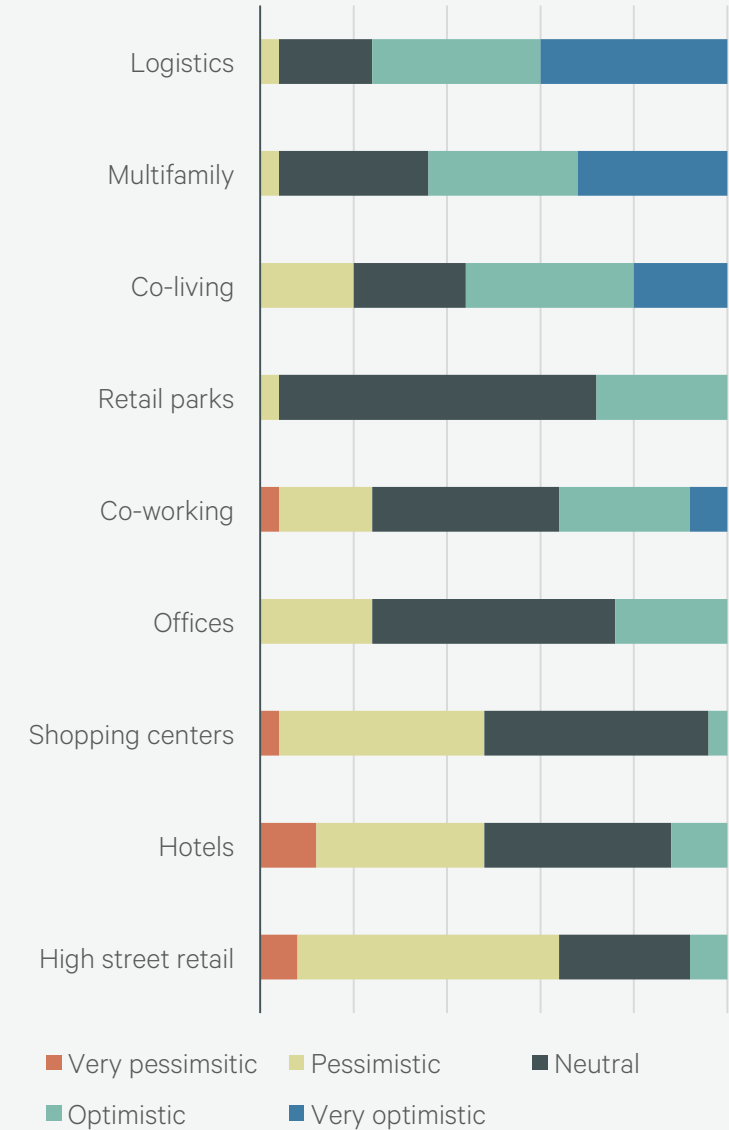
The investor's outlook on the performance of the different asset classes remains marred by the experience of Covid-19. For the time being investors are taking a cautious approach to high street retail, shopping centers and hotels.

Not surprisingly, logistics, co-living and multifamily are looked upon more favourably. The vision on the future of offices is largely neutral and as mentioned earlier it still attracts a large share of the allocated investment volume.

### Covid-19 impact on investment approach



### Future vision on asset classes



## PRICING

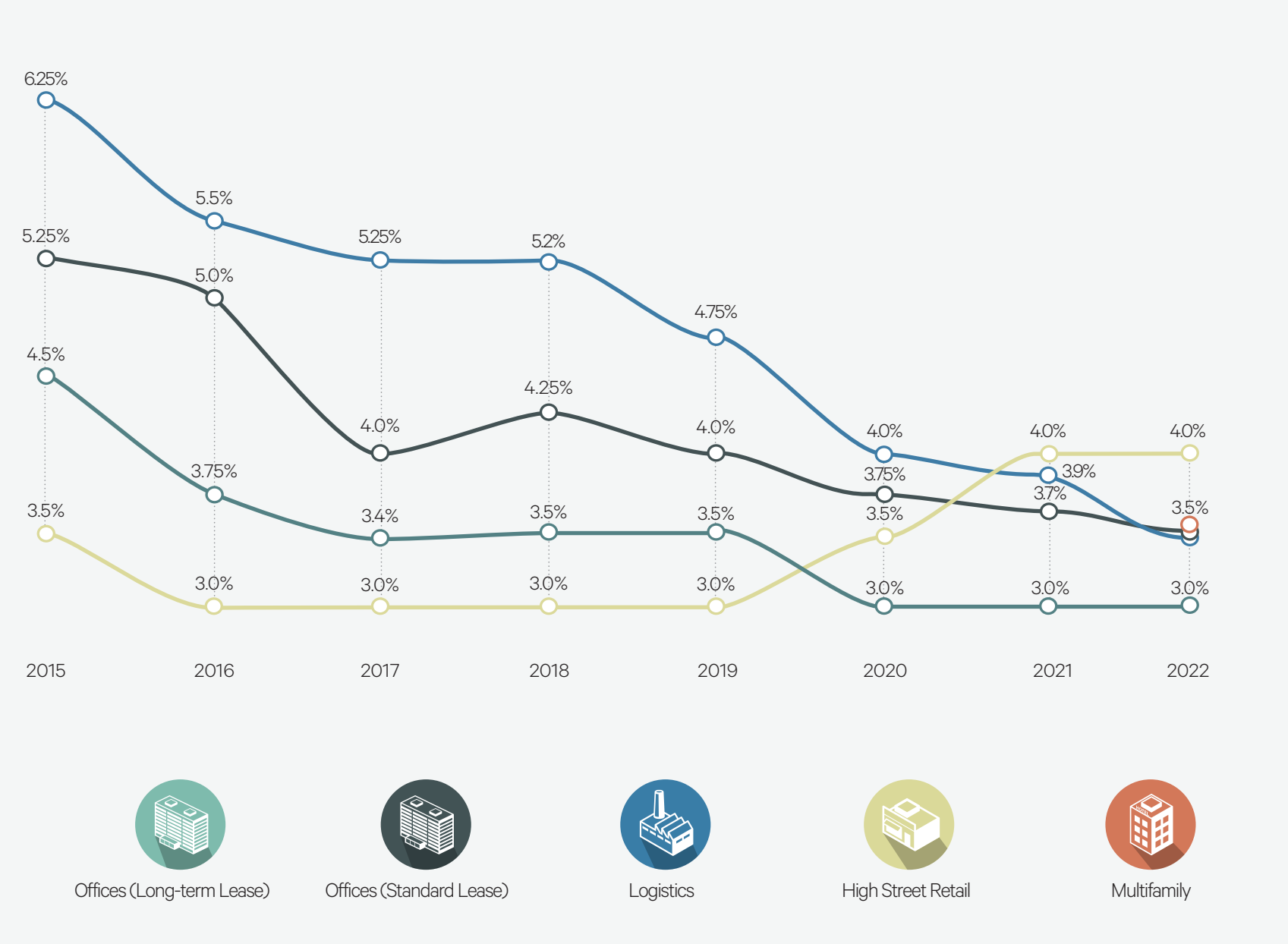
Whereas there was little to no difference between 2020 and 2021, the long-term drop in yields continued in this year's survey. At this moment investors are willing to bid yields between 3% and 4% for the best located assets in Belgium with offices with a long term lease commanding the lowest yield at 3%. This year investors are willing to bid lower yields for logistics and offices with standard leases, both now at 3.5%.

This drop to 3.5% for logistics, starting at 6.25% in 2015, represents the largest drop since the beginning of the investor survey in 2015. After an upward movement between 2019 and 2021 retail has stabilised at the 4.0% level this year. Although the yield compression continues there is somewhat of a slowing down with yields dropping less rapidly.

# 3%

*Lowest investment yield investors are willing to accept for prime buildings*

What is the most aggressive yield you are willing to bid/pay for prime buildings in Belgium?



## FINANCING

Respondents report typical LTV ratio's for investments between 40%-50% with some higher percentages up to 80% LTV. This average between 40%-50% is consistent with previous years' numbers. 11% of companies say that they get financing solely through the issuance of equity.

The majority of the surveyed panel of investors is able to find financing at borrowing rates of +60 to +140 bps (on top of Euribor). This is an increase in borrowing rates over the previous year. For just over one-third of surveyed parties the cost of borrowing is 140 bps or higher. In the Belgian context OLO interest rates have risen in the past couple of months to reach 0.80% in March this year.

The continuing of the health crisis throughout 2021 has not noticeably shaken the possibility of investors to fund their investments through the use of debt. A slightly smaller percentage of respondents report that they have had issues with debt financing in 2021 as opposed to 2020, namely 24%. The vast majority of investors now believe that the difficulty of acquiring debt financing will remain unchanged in 2022. 14% believe debt financing will become more difficult to acquire and only 7% thinks it will loosen in 2022.

# 24%

*Number of investors that experienced financing problems in 2021*



## CONSTRAINTS IN 2022

The ranking of potential threats affecting the Belgian real estate market in 2022 is very different from the ranking last year which was still clearly dominated by concerns over the possible course of the pandemic.

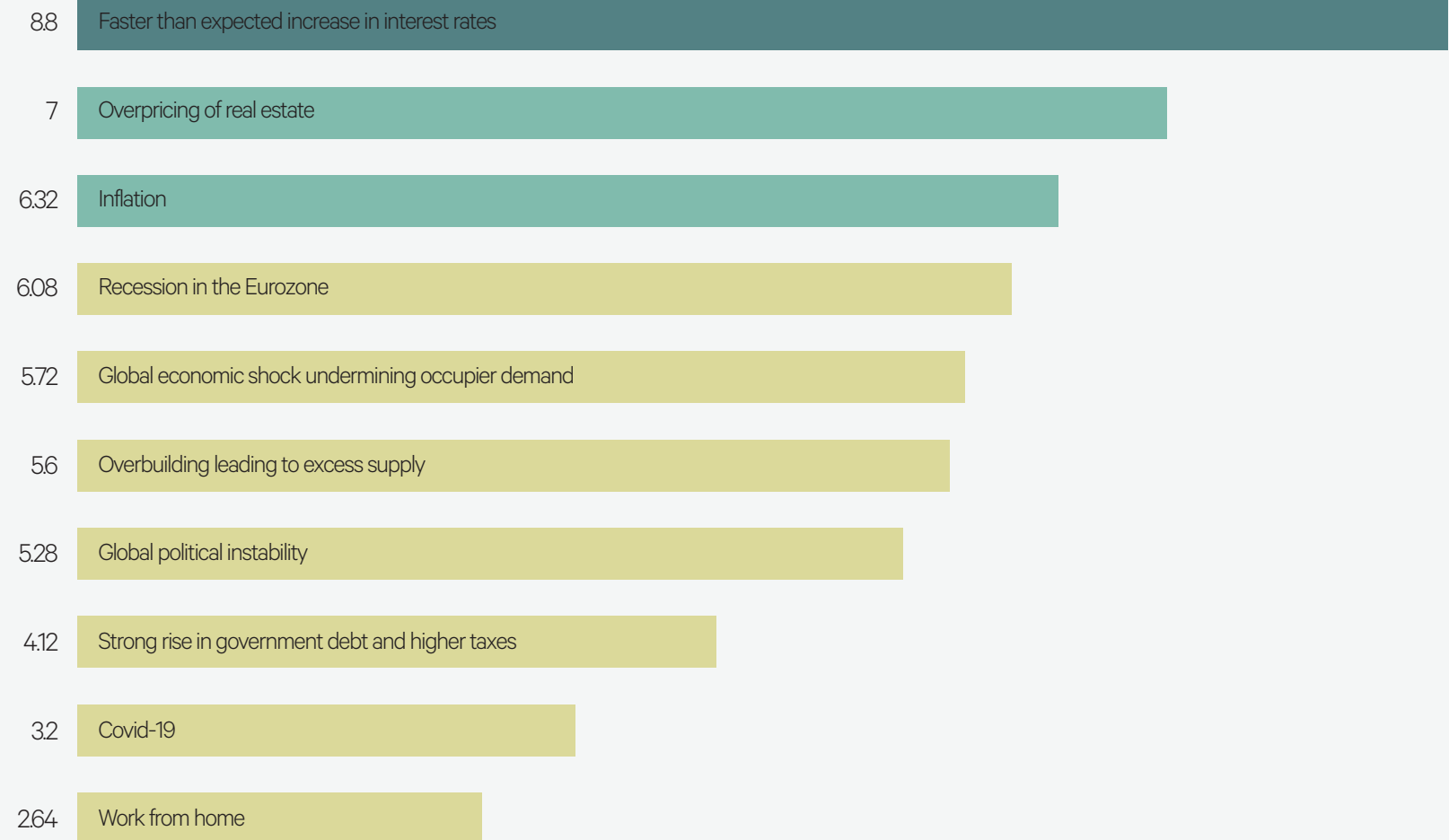
This year's ranking sees "faster than expected increase in interest rates" as the major constraint that could pose trouble for the real estate market. Coming in second place is "overpricing of real estate" which was the main concern in the 2020 investor survey.

The lingering pandemic and working from home have taken a backseat in the ranking indicating these are not so prominently on investor's minds anymore after last year. Carrying almost equal weight in investor's opinions are the possibility of a recession in the Eurozone, a global economic shock in 2022 that undermines occupier demand, excess supply due to overbuilding and finally global political instability.

# 8.8/10

*A faster than expected increase in interest rates is seen as the most likely constraint in 2022*

### What constraints could affect the performance of the Belgian real estate market?



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