

Belgium
Investor
Survey
2024

FEBRUARY 2024



Belgium Investor Survey 2024

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 34 national and international developers and investors in the months of December 2023 and January 2024.

INVESTMENT VOLUME

The 2024 CBRE Belgium Investor Survey reveals that the 34 questioned investors plan to allocate €3.9 billion in Belgian commercial real estate investment in 2024, below the €4.7 billion planned for 2023. The uncertainty around inflation, monetary policy and interest rates continues to worry investors for 2024. Likely because of higher borrowing costs, money available to real estate investment seems to be well below record years 2021 (€9bn) and 2022 (€6bn).

Most investors are in the market to buy properties, albeit with less money. Divesting has become less substantial and dropped from €3.9 billion in 2023 to just €2.7 billion. Only 20% of the respondents claim to be net sellers in 2024.

€3.9 bn

*Expected investment
volume for 2024*

Expected investment and divestment in 2024
(compared to 2023)



CAPITAL ALLOCATION

With a capital allocation of €1.57 billion, logistics warehouses are investors' favorite asset class in 2024. Logistics warehouse space remains extremely popular among investors, as occupier demand reached a new record high in 2023.

Offices drops back to second place, at €1.16 billion. Since the Covid-19 pandemic, investors have become more wary about offices despite its strong market fundamentals with low vacancy and continued rental appreciation. Office investment (and Brussels Offices in particular) is typically Belgium's most liquid investment market.

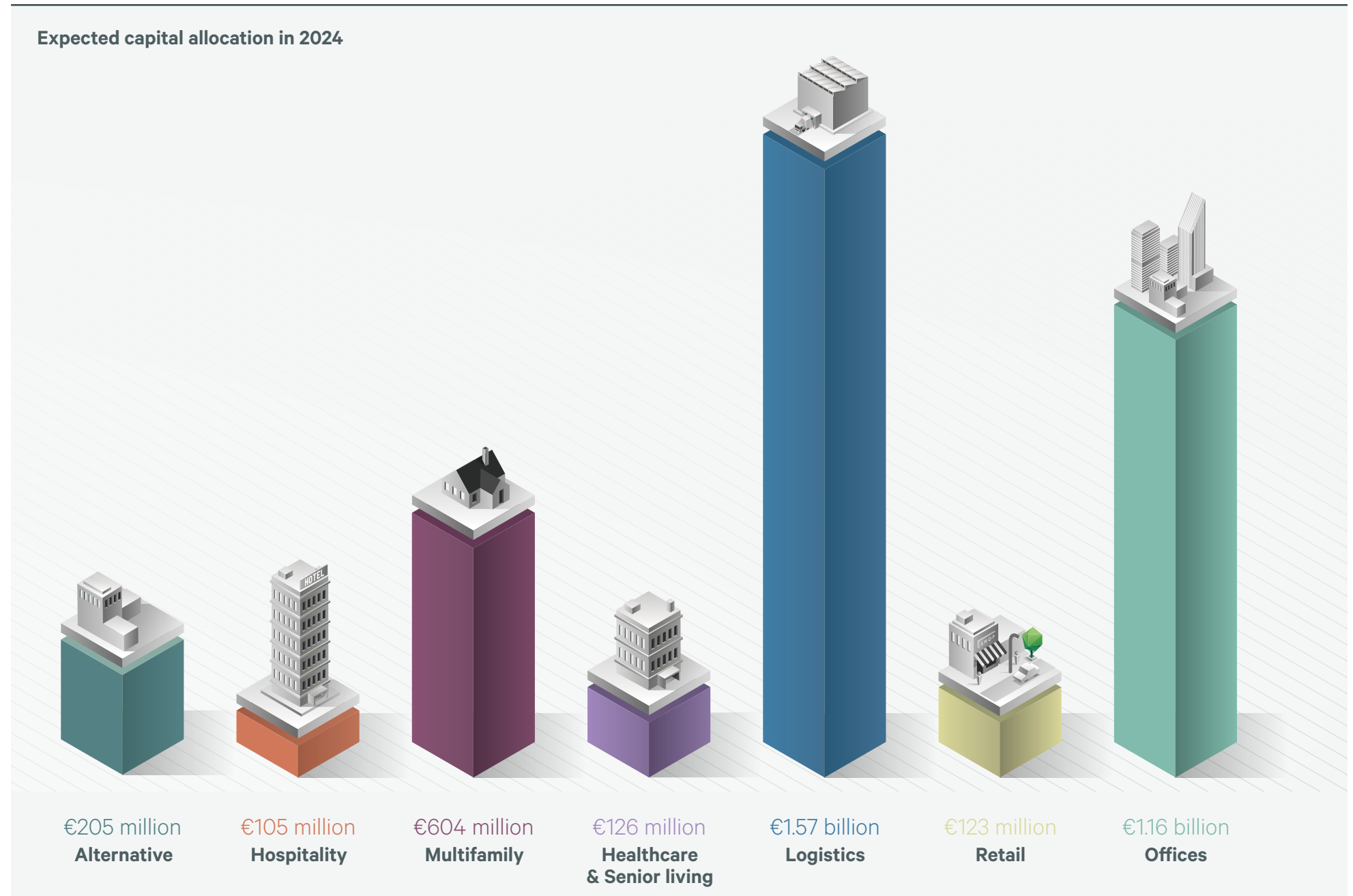
Investors have €604 million ready for multifamily assets, which makes apartment blocks the 3rd most popular asset class for 2024.

Despite a strong investment volume in 2023, retail is less popular with our panel of investors, and only €123 million is allocated here. Also healthcare and hospitality appear to be less favoured asset classes for investment in 2024.

Alternative assets (such as data centers) are gaining popularity, and already €205 million is allocated to this asset class in 2024.

€1.57 bn

is lined up for logistics investment in 2024



THE IMPORTANCE OF ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

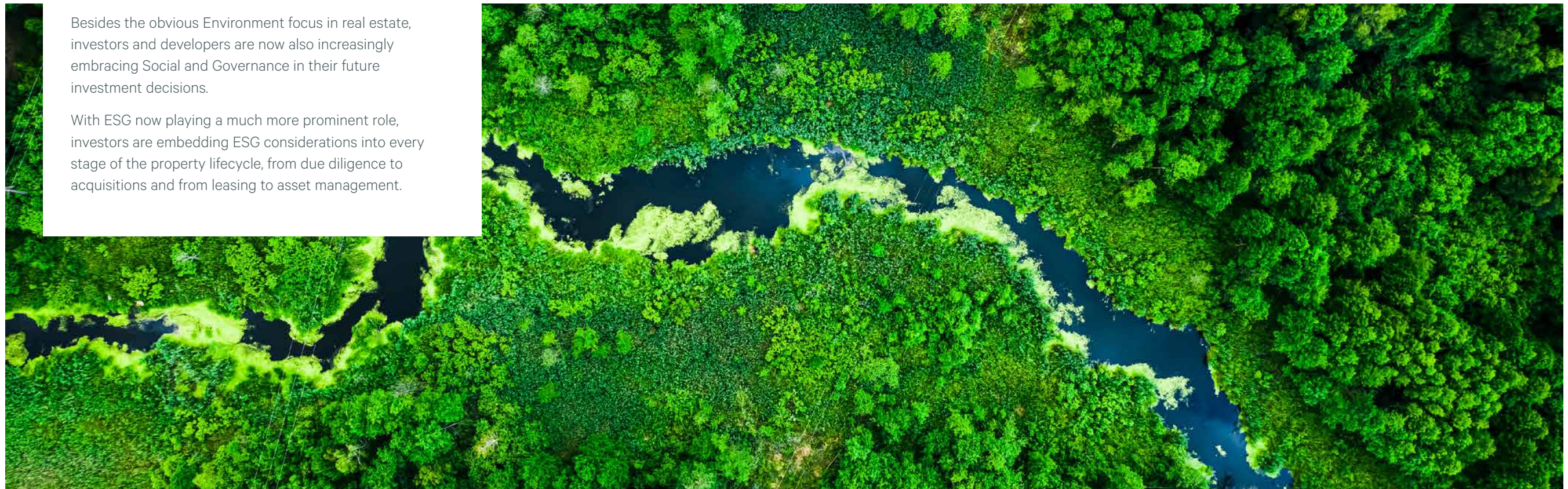
Pandemic- and climate-related disruption and a growing recognition of social inequity has prompted investors to adopt a more robust approach to sustainability-related risks.

The majority of respondents to the 2024 Belgium Investor Survey state that sustainability has become an integral part of their investment strategies and future investment decisions, with an even stronger focus on ESG issues than in previous years.

Besides the obvious Environment focus in real estate, investors and developers are now also increasingly embracing Social and Governance in their future investment decisions.

With ESG now playing a much more prominent role, investors are embedding ESG considerations into every stage of the property lifecycle, from due diligence to acquisitions and from leasing to asset management.

How important is ESG to your investment decisions in 2024? (compared to 2023)



INVESTMENT STRATEGY

Among the 34 respondents, investment strategies are very diverse, with most investors carrying 2 or 3 investor profiles. In summary, 29% of respondents are looking at core product, 21% at core plus, 28% at value-add and 21% at opportunistic.

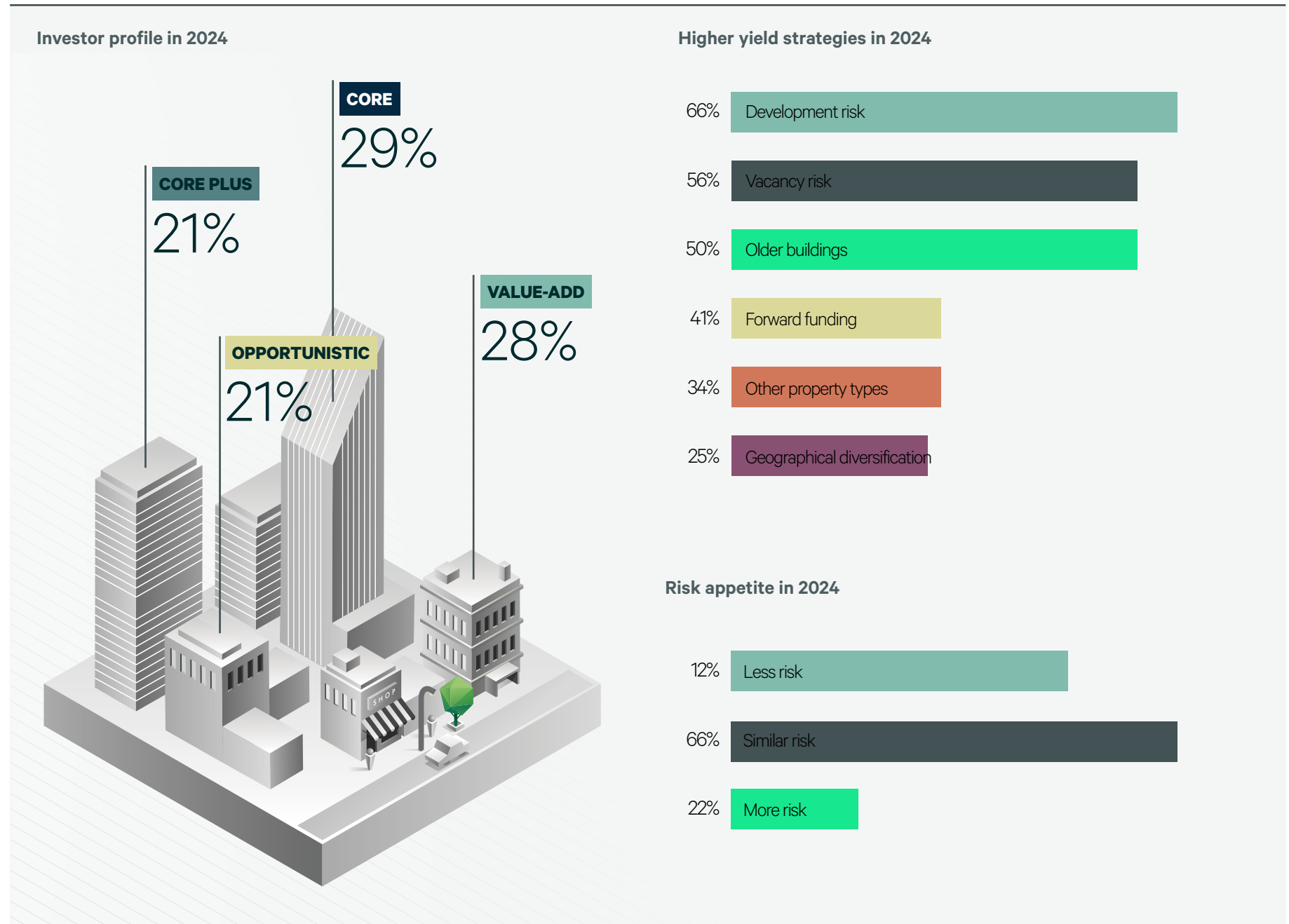
RISK APPETITE

In comparison to last year (where 37% showed a tendency for less risk), investors are marginally less risk-averse. That being said, for 2024, the majority of interviewees (66%) will act with an unchanged risk appetite.

HIGHER YIELDS

With ESG high on the agenda, most investors (66%) are willing to take on development risk to achieve higher yields when acquiring properties and 56% would allow some vacancy risk.

Considerably higher than last year, 41% of investors are looking into forward funding opportunities. Forward funding can be a beneficial arrangement for both developers and investors. As it helps developers to reduce their financial risk and free up their equity, it could offer investors the potential for higher returns, as they are essentially buying the property at a discounted price.



66%

of investors would pursue development risk to increase yields

LOAN-TO-VALUE

The cost of real estate debt has ballooned since early 2022 making debt financing less attractive. With increasing talk of ‘higher for longer’ interest rates, investors and developers are adapting to new monetary paradigms and using less debt leverage. Now, already 69% of respondents report typical loan-to-value ratios for investments below 50%. This means that investors are already borrowing at lower LTV ratios, as compared to previous years.

53%

of investors expect the cost of debt to decrease in 2024

DIFFICULTIES WITH DEBT FINANCING ?

Despite rising interest rates and lower LTV ratios, 75% of real estate investors claim not to have encountered difficulties with debt financing or refinancing in 2023. Those investors who did experience financing problems on certain assets cited the following reasons most often:

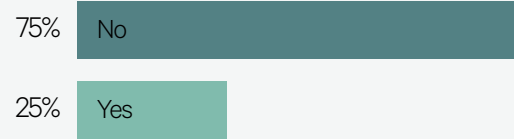
- forward funding
- environmental performance considerations
- and vacancy risk

For 2024, most investors expect debt availability to stabilise (50%) or loosen (37.5%), and the cost of debt to decrease (53%) or stabilise (41%).

REFINANCING OR SELLING ?

In case of debt maturing in 2024, developers and investors are most likely to refinance at a higher cost. Refinancing with more equity is considered an option by a few, but clearly less popular. Only a small minority of investors would prefer to sell instead of refinance.

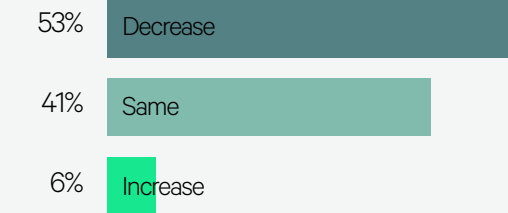
Difficulties with debt financing in 2023?



Debt availability in 2024?



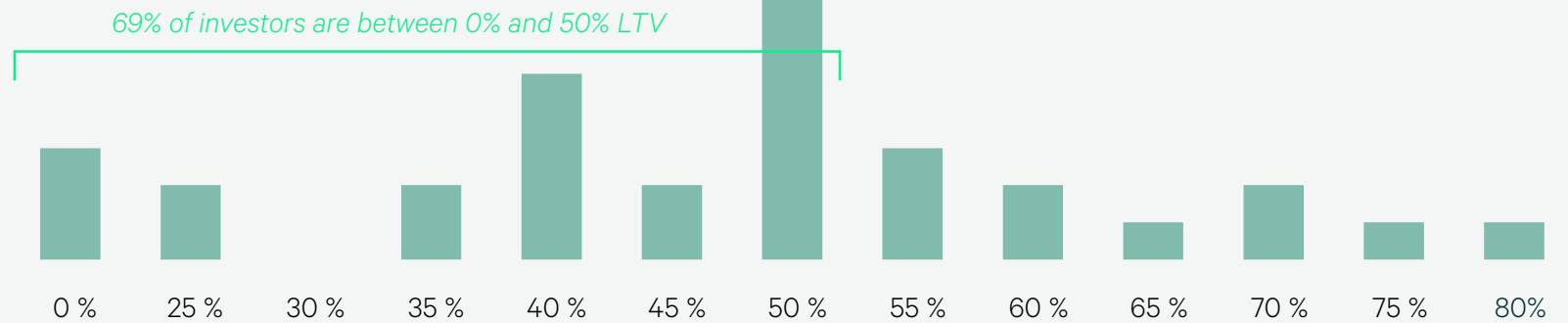
Cost of debt in 2024?



Refinancing deadlines in 2024 will be solved through:



Typical loan-to-value ratio (LTV)?



PRICING

Real estate investment markets will gradually recover in 2024, but challenges remain as the market adapts to investing and financing in a higher interest rate environment. Since late 2022, this has translated into a strong expansion of property investment yields and declining capital values.

Our panel of investors confirms this trend, and puts investment yields markedly higher than previous years.

In the last 18 months, investors have clearly reassessed the impact of inflation and higher interest rates on operational real estate. Short-term office leases and logistics have seen a stronger yield correction, than retail, multifamily and long-term leases.

In a virtual auction for the best buildings in Belgium, the winning investors seem willing to bid at yields of 4.25% for long-term office leases (+125bp since 2022) and 4.50% for the best high street retail opportunities (+50bp since 2022).

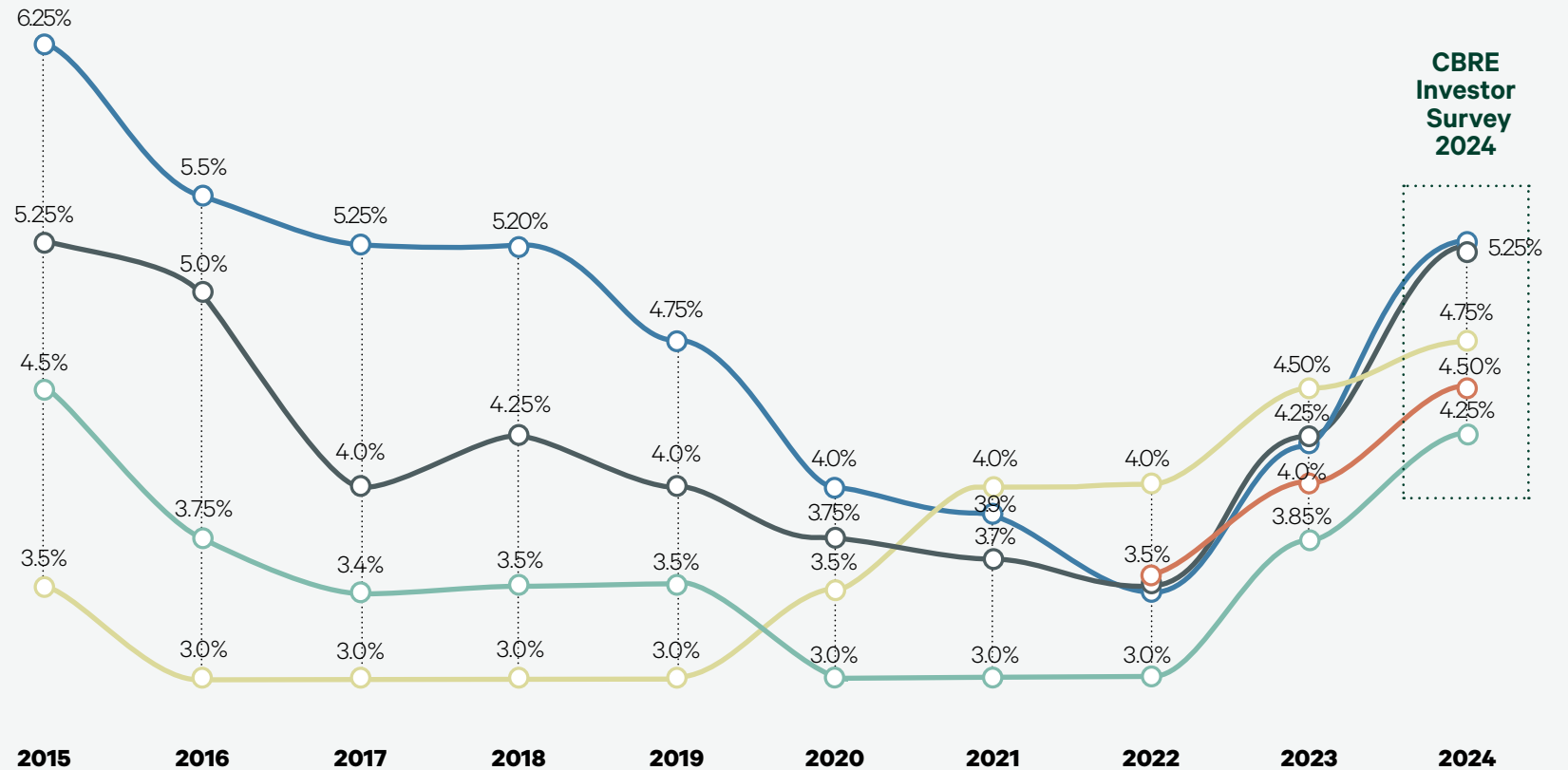
For both logistics and standard office leases, yields from the best bids would be around 5.25%, a yield correction of +175bp as compared to early 2022. Short-term office leases and logistics have therefore seen the strongest yield expansion. Also noteworthy is that investors place the yield gap between long-term office leases and standard office leases at 100bp, and not the 50bp that CBRE reports for Belgium.

For multifamily residential properties, the most aggressive bids can be found at around 4.50% (+100bp since 2022).

5.25%

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



CONSTRAINTS IN 2024

Property investors have plenty to consider going into 2024.

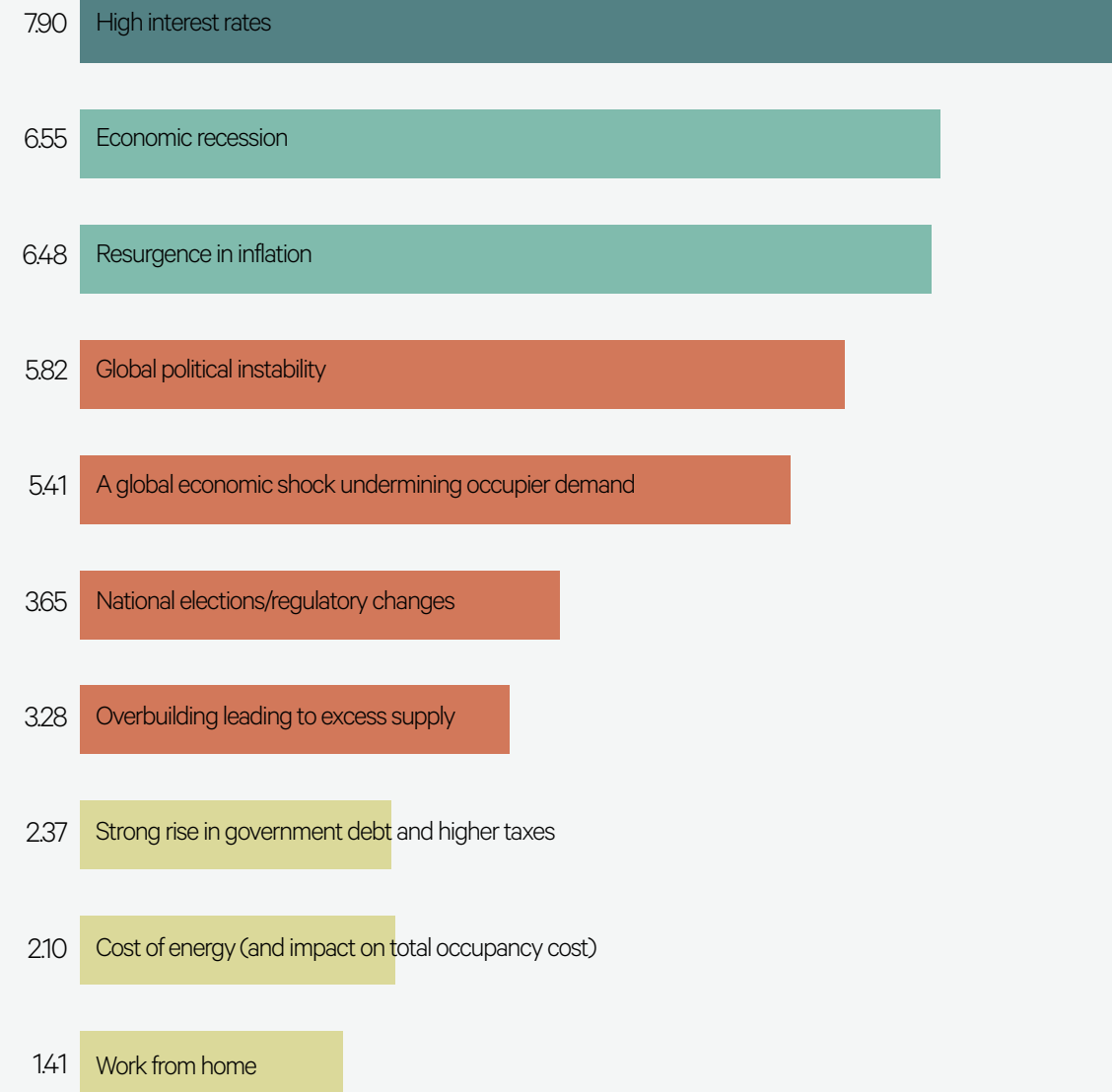
Investors cited higher-for-longer interest rates, an economic recession and a resurgence of inflation as the biggest impediments to the commercial real estate performance in 2024.

Alongside monetary and economic worries, the survey found that investors are also concerned about global political instability, a global demand shock and upcoming elections.

7.90/10

High interest rates are the biggest constraint to the Belgian real estate market in 2024

What constraints could affect the performance of the Belgian real estate market in 2024?



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