

# BELGIAN INDUSTRIAL REAL ESTATE MARKET

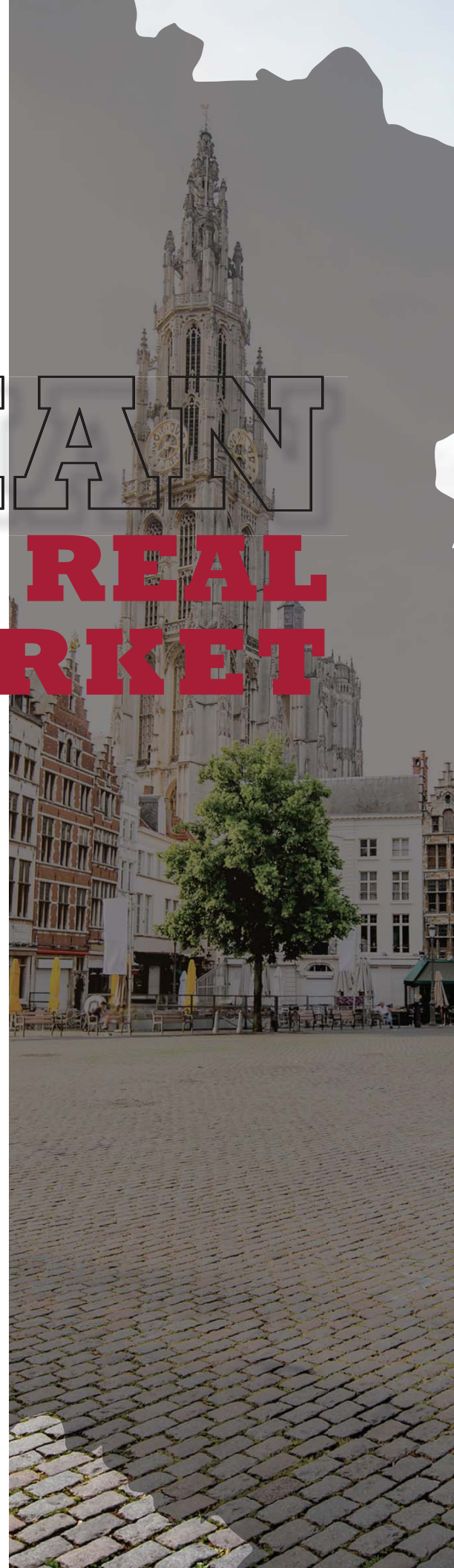
By Christophe Wuyts, SIOR

SIOR has had a presence in Belgium for a number of years, with three members currently residing there, and is a key player in European Commercial Real Estate.

Belgium, with Flanders in the north and Wallonia in the south, is one of the six founding countries of the European Union and hosts official seats of the European Parliament and Commission, the European Council, as well as NATO, in the country's capital, Brussels. Belgium is also a founding member of the Eurozone, Organization for Economic Cooperation and Development (OECD), and the WTO. With its 11.5 million inhabitants, Belgium holds an advanced high-income economy, where, per capita, the GDP amounts to \$45,000 USD. The country achieves high standards of living, quality of life, healthcare, and education, and while almost everyone speaks English, Belgium has three official languages: Dutch, French and German.

Belgium has a unique and central location within Western Europe, laying between the United Kingdom, France, Germany, and Netherlands, and is one of the most important logistic hotspots in Europe. Antwerp is the main trade center for raw diamonds in the world, and its port is the second largest of Europe with an annual 12 million TEU (twenty-foot equivalent unit) container traffic. The Port of Antwerp is also known as the second petrochemical cluster in the world, after Houston, with companies such as BASF, BAYER, INEOS, LANXESS and DOW Chemical located there.

The U.S. remains the number one investor in Flanders, responsible for 46 new projects. Examples include Duracell, committing to invest \$58 million on the occasion





of its 50th anniversary; FRX Polymers, investing \$12 million to double production at its Antwerp site; Johnson & Johnson, breaking ground on a \$50 million new research facility; Unilin (Mohawk) expanding its production capacity in Flanders with investments worth \$145 million; and Cargill, starting construction on a new logistics hub for malt and barley in the Port of Antwerp. Belgium's neighboring countries Netherlands, Germany, France and the U.K. are also among the top 10 investors in Flanders.

Brussels Airport connects Belgium to the rest of the world with all major U.S. airlines operating flights to the main American cities. The cargo area of the airport is in full redevelopment and hosts a large DHL Express hub. The regional airport of Liège, in the south of Belgium, is home to one of the main FedEx/TNT international sorting centers in Europe. Twenty years ago, the U.S. sportswear multinational NIKE chose to locate its European Logistics Campus in Belgium and is expanding its activity year-by-year. The last building extension won the 2017 MIPIM award for best industrial and logistics development, and provides many jobs related to fulfillment.

Similar to 2017 trends, the logistics real estate market continues to be strengthened by the game changing e-commerce. Here in Belgium, we notice a strong demand for projects of more than 100,000 square feet, where users mainly look at moving to "build to

suit" projects. As a result, the vacancy of existing high-quality logistics buildings on the main Brussels-Antwerp continues to rise. Belgium remains a logistics hotspot, as confirmed by the interest of, among others, the Chinese e-commerce giant Alibaba to open a distribution center near Liege Airport.

The (semi)industrial real estate market in Belgium has always been very important due to the presence of many family-owned businesses who prefer to purchase buildings for personal use. If interest rates remain low, we predict this will continue. In addition, low interest rates and the abundance of cash in the investment market forces many domestic and foreign investors to look at logistics real estate, which today has a prime yield of 5.6 percent for a long-term lease.

Due to the limited space on the best locations in Belgium, we are seeing an increasing importance for the reconversion of obsolete and abandoned sites. In most cases this is accompanied by challenges regarding demolition or reuse of buildings, pollution, earthmoving, asbestos, and environmental legislation. ▽