

LOOKBACK H2 2023

**stadim**focus

LOGISTICS & INDUSTRY BELGIUM



# ESG is moving from ambition to action in Belgian logistics real estate

This report reviews recent industrial real estate market trends. The Belgian logistic market is reaching more solid economic grounds. In both traditional and less traditional locations, the need for modern industrial space persists, while pressure is increasing to deliver efficient and sustainable buildings.

## Real interest rate at its highest point in 10 years

Overall **economic growth** in Belgium slowed down to 1.5% in 2023 compared to 3.0% in 2022. With increasing exports and unchanged domestic demand, the growth is expected to temper in the coming three years to 1.3%.

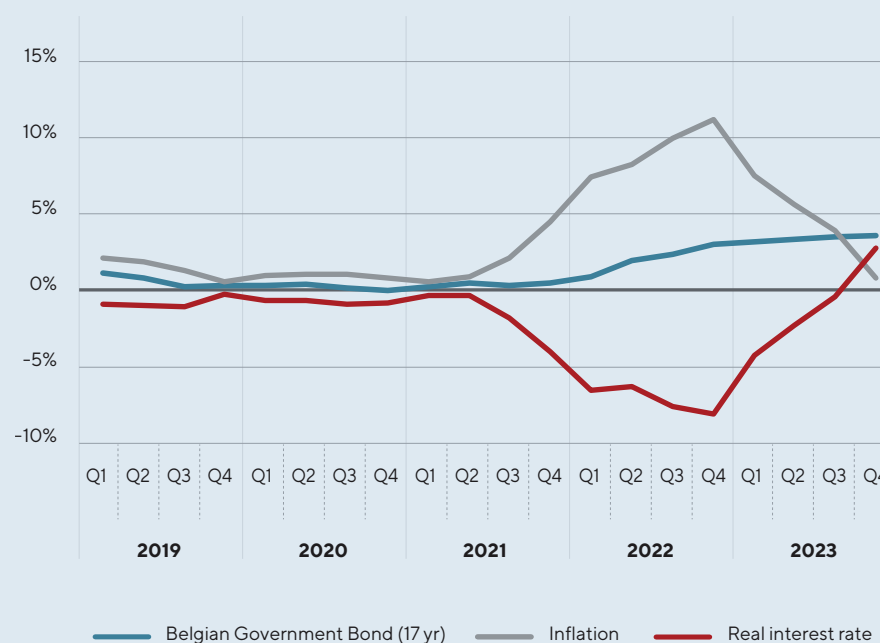
Both inflation and financial returns have undergone significant evolutions over the past few years. The difference between the two, the so-called real interest rate, is particularly decisive.

**Inflation** rose from the summer of 2021 to peak at 12.3% in October 2022. During 2023, it weakened again to 1.4% in December. For 2024, the Federal Planning Bureau (FPB) expects inflation to rebound to an average of 3.2%. A more moderate inflation rate of 2-2.5% is predicted for the next four years.

**The Belgian Government's 17-year Linear Bond**, a determining factor for financial returns, has also undergone a major evolution. This interest rate rose sharply over the course of 2022 and reached 2.9% in December 2022. This upward trend continued in 2023 and even reached its peak at 4.0% towards the end of October. This boom subsided in November and December to arrive at an annual average of 3.4%. It is expected that this long-term interest rate will remain fairly constant in the medium term.

Consequently, the **real interest rate** has risen by about 2.0% in the fourth quarter of 2023 since the beginning of 2022 and is now at its highest point in 10 years. This discouraged the pace of new logistics developments, leading investors to shift towards built-to-suit projects and away from riskier endeavors.

**AVERAGE PER QUARTER (BELGIUM)**



Source: National Bank of Belgium (NBB), Statbel, Federal Planning Bureau (FPB)

## Undersupply keeps on ruling

**Scarcity** continues to mark the Belgian logistics market. Good locations remain hard to find while increased construction, labour and financing costs as well as legislative constraints are slowing down new developments.

Several other factors have been influencing real estate needs. Still in response to the COVID-19 pandemic, some companies are anticipating supply shortages by holding risk – or **‘just in case’** – stock. Others have relocated their production and manufacturing processes closer to home, also referred to as **‘reshoring’**. Furthermore, rapid and reliable delivery has become a key competitive differentiator in e-commerce. There is an increased necessity for interim storage facilities, ideally in proximity to the customer. Notably, **‘last mile’ locations** nearby city centres have become increasingly important in ensuring fast delivery. Additionally, the higher demand for stock locations is sparking the construction of smaller-footprint facilities as a response to the challenge of land shortage. However, these facilities now necessitate additional stacking space in height, requiring (semi-) automated operations.

Also, the ongoing debate on **boxification** – can logistics real estate be more than just monotonous boxes? – especially in the Netherlands, is hampering progress. Apart from the visual aspect, the impact of large distribution hubs on the local landscape is not only confronting the logistics sector, but also developers and governments, with a more strategic question. Taking the scarcity of public space into account, careful consideration should be given to how business operations and logistics can make better, sustainable use of the space we have left.

In combination with the current economic climate, this all creates an **upward pressure on market rents**.



## Prime and sustainable locations go hand in hand

Centrally located and favoured with well-developed transportation infrastructure, the Belgian and Dutch logistics markets play a pivotal role in the European economy. Industrial real estate in the heart of Europe continues to be in great demand. **The most desirable sites** are often strategically positioned near large cities/axes and multimodal hubs like airports and seaports, facilitating convenient access to both a skilled labour pool and diverse transportation modes.



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However, sites today hinge on a number of considerations to be labelled as ‘prime’. There is a sustained demand, especially for **green, cost-efficient structures**. Tenants are placing a growing emphasis on high-quality, sustainable properties that enable cost optimisations in transportation, energy usage, labour and overall management.

Moreover, they are willing to pay premium prices and commit to longer rental agreements for such favoured assets, especially while older structures are more rapidly falling short of today’s technological and ecological requirements.



Prime locations are no longer determined by geographical position only. Multimodal accessibility and sustainable, cost-efficient structures are becoming more significant.

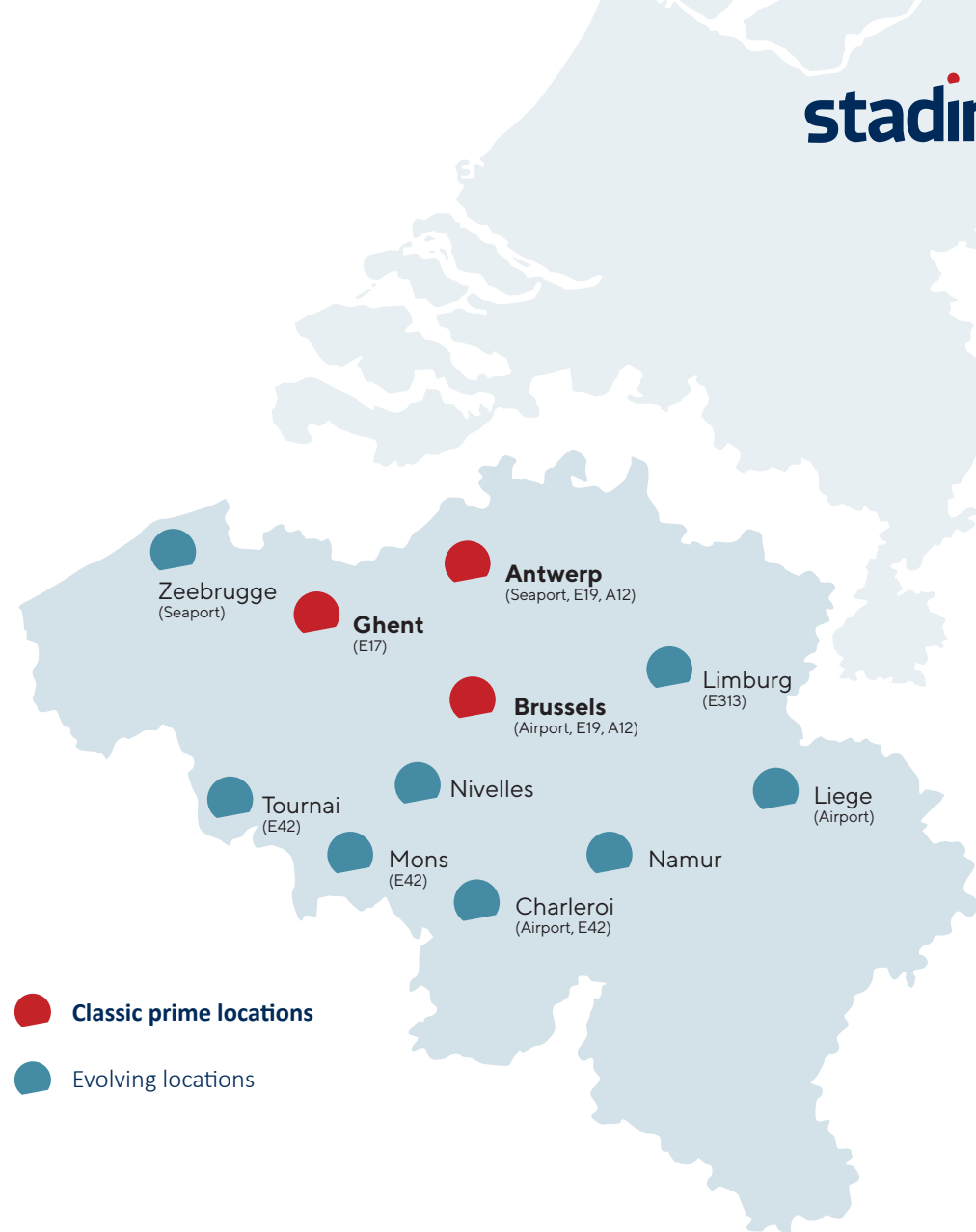
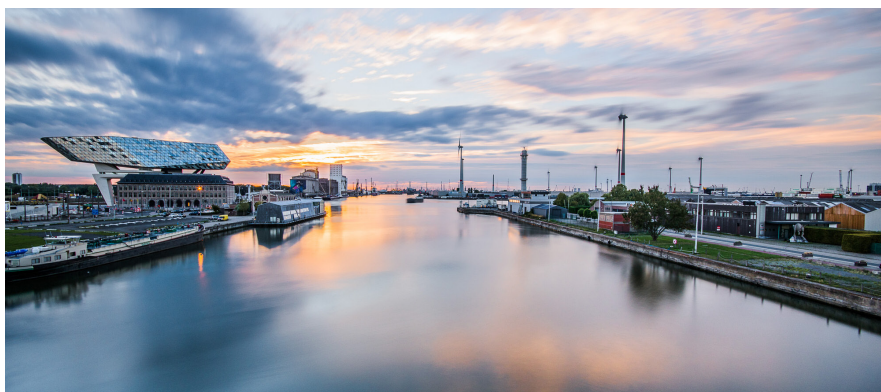


## Expanding logistics landscape

All foregoing patterns are redrawing the logistics landscape.

**In Belgium**, areas around Antwerp (seaport, E19, A12), Ghent (E17) and Brussels (airport, E19, A12), comprising the “Golden Triangle” in its entirety, remain classic prime locations. Given that some of these areas are becoming saturated, other regions such as Zeebrugge (seaport) and Limburg (E313) have gained in importance. This holds true for the Walloon region as well. With their close proximity to France, Tournai and Mons are strategically positioned for logistics activities. In turn, Liege (especially the zonings in Bierset near the airport, Herstal and Milmort) is closely located to the borders with the Netherlands, Luxembourg and Germany. Finally, regions like Nivelles, Charleroi (airport) and Namur are becoming key locations within the logistics landscape.

Similarly, **in the Netherlands**, key logistics hubs are found in Amsterdam (airport, seaport), Rotterdam (Europoort), Tilburg/Waalwijk, Utrecht, Rivierenland (Tiel), West Brabant (Oosterhout, Breda, Roosendaal, Bergen-op-Zoom), Almere-Lelystad-Zeewolde, North Limburg (Venray, Venlo) and, to a lesser extent, the centre of Limburg (Roermond, Weert) and South Limburg (Heerlen-Kerkrade and the Roer area). Here too, the logistics market is expanding, with regions such as ‘s Hertogenbosch, the A12 Corridor, Arnhem-Nijmegen, Moerdijk and East Netherlands/Twente increasingly putting themselves on the map.



- Classic prime locations
- Evolving locations

DRIVEN BY NEW MARKET NEEDS,  
THE BELGIAN LOGISTICS REAL ESTATE MARKET  
IS GROWING.



**PRIME RENT LOGISTICS**  
(Q4 2023)

**€ 70/m<sup>2</sup>**



## Market rents climbing uphill

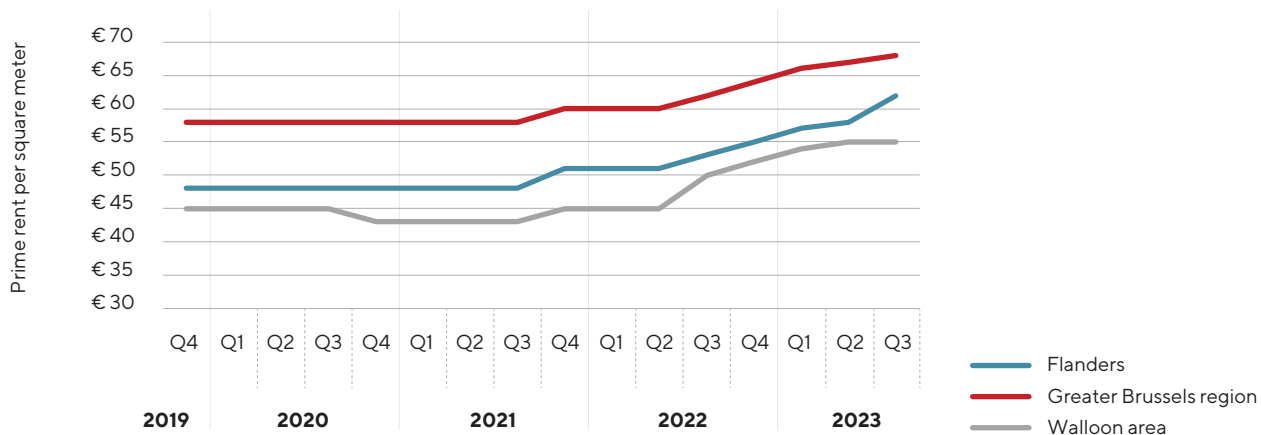
Prime market rents for logistics and semi-industrial real estate in Belgium show an overall upward trend.

In Q4 2023, the prime Estimated Rental Value (ERV) of **logistics real estate** stood at **€ 70/m<sup>2</sup>** in the greater Brussels region. This reflects an increase of 20.7% since before the pandemic, where the prime rent in this region was equal to € 58/m<sup>2</sup> (Q4 2019). The same can be observed for **semi-industrial real estate**, where a prime rent of **€ 70/m<sup>2</sup>** is also observed in the greater Brussels region.

In the last three years, **prime rents have shown growth** across Flanders, Brussels and the Walloon area. Particularly noteworthy is the significant increase in prime rents in the Walloon area, rising from € 45/m<sup>2</sup> in Q2 2022 to € 56/m<sup>2</sup> in the last quarter of 2023.

It must be noted that the mentioned prime rent in the greater Brussels region does not take into account any outliers located in **Brussels Cargo**, where rents of **€ 98/m<sup>2</sup>** could be realized. The same holds true for the **Netherlands**, where prime rents of **€ 110/m<sup>2</sup>** can be observed surrounding Schiphol, reflecting a 10% increase compared to the same period last year.

### PRIME ESTIMATED RENTAL VALUE - LOGISTICS (BELGIUM)



Sources: Industrial MarketBeat Belgium (data covering the period Q4 2019 to Q3 2023) by Cushman & Wakefield and 2023 Industrial & Logistics Belgium by Colliers.



**PRIME LOGISTICS YIELD**  
(Q4 2023)

**5.0%**



## Prime yield approaching pre-COVID levels

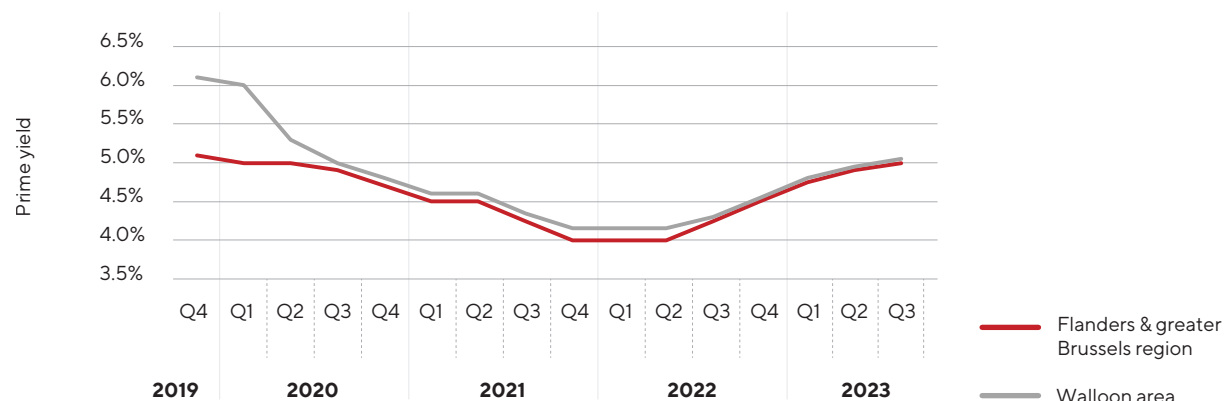
Looking at returns, logistics and semi-industrial real estate show similar trends for the Belgian real estate market.

For **logistics real estate**, the prime yield for Belgium rose to **5.0%** in Q4 2023 (Flanders, greater Brussels region), with a notable increase of 50 basis points since the year before. For **semi-industrial real estate** in Belgium, the prime yield stood at **6.7%** in the last quarter of 2023 (Flanders, greater Brussels region). Similar to logistics real estate, this prime yield has increased over the last year.

With this prime yield of 5.0%, the regions **Flanders and Brussels almost reached their pre-COVID yield levels of 5.1%**. In the Walloon region, however, the prime yield rose to 5.2% in Q4 2023, which was still significantly lower compared to the 6.1% level it stood at in Q4 2019. The fact that the **prime yield in the Walloon area remained far from pre-pandemic levels**, confirmed the growing interest in this region.

When looking at the **Netherlands**, the prime yield equated **4.9%** in Q3 2023, reflecting an increase of 85 basis points since the year before.

### PRIME YIELD - LOGISTICS (BELGIUM)



Sources: Industrial MarketBeat Belgium (data covering the period Q4 2019 to Q3 2023) by Cushman & Wakefield and 2023 Industrial & Logistics Belgium by Colliers.

## ESG is the new imperative

The demand for future-proof logistics buildings is signalling a **broader shift in the market**. Real estate users and owners clearly are becoming more sensitive to Environmental, Social, and Governance (ESG) principles. EU reporting regulations, such as the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy are fostering transparency regarding ESG in the real estate business. Credit providers, investors, and developers increasingly recognise that ESG compliance is, apart from an urgent societal need, strategically rewarding.

This **new ESG zeitgeist** is enabling the real estate sector to capitalise on opportunities and to modernise. There is a shift to more circular construction methods with intelligent material choices. Innovations such as solar parks and electric vehicle charging are rapidly becoming industry standards. Data-driven approaches optimise building performance, increase energy efficiency and lower operational costs. All of these factors contribute to the attractiveness, sustainability, and profitability of logistics buildings. This, in turn, leads tenants to be willing to pay premium rents. On the investors side, the market is rather starting to shift towards a discount on non-sustainable properties than a premium for sustainable buildings. Sustainability is becoming a must and **no longer ‘a nice to have’**.

Investments in vibrant social spaces and workplace safety demonstrate an increased focus on **social sustainability and employee well-being**. Simultaneously, governance practices are evolving, with companies implementing more robust policies, internal awareness programs, and transparent dialogues with stakeholders. Embracing ESG-principles, these companies not only contribute to a more sustainable future but also position themselves as leaders in an evolving industry.



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DATA-DRIVEN APPROACHES



WELL-BEING @ WORK

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With regulatory frameworks, market initiatives and tenant preferences aligning towards sustainability, ESG-integration in logistics and industrial real estate is becoming a tangible reality.

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# KEY TAKEAWAYS

1

Real interest rate has seen a notable increase, slowing down the development of industrial real estate and signalling a shift towards more measured growth.

2

Scarcity continues to mark the Belgian logistics market, while ESG and other factors like ‘just in case’, reshoring and e-commerce are transforming market demand.

3

Market rents have continued to rise in both logistics and semi-industrial properties, where yields have been moving towards pre-pandemic levels.

4

The sector is navigating towards a future where environmental responsibility, social well-being, and robust governance practices are not just desirable but essential for long-term success.

## Contact

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