

MARKET REPORT H1 2024

stadimfocus

LOGISTICS & INDUSTRY BELGIUM



Stability, optimism and resilience rule Belgian logistics market

Driven by consistent demand, stabilising yields and a willingness to embrace new trends, Belgian logistics real estate is solidifying its reputation for adaptability in 2024. This Stadim Focus highlights two key developments in the market: the growing prevalence of decentralised logistics and the rising significance of flood risk.

Approaching a state of economic stability

Before delving into the latest real estate specifics for logistic operations, let's first establish the general economic landscape.

The overall **economic growth** in Belgium is expected to further slow down to 1.4% in 2024 compared to 1.5% in 2023 and 3.0% in 2022. Nevertheless, Belgian growth figures are remarkably higher than in the Eurozone, where 2023's annual growth equalled 0.5% and growth in 2024 stands at 0.9%. Present economic growth in Belgium is mainly sustained by private consumption and business investment. It is expected to remain stable between 1.3% and 1.4% in the 2025-2029 period.

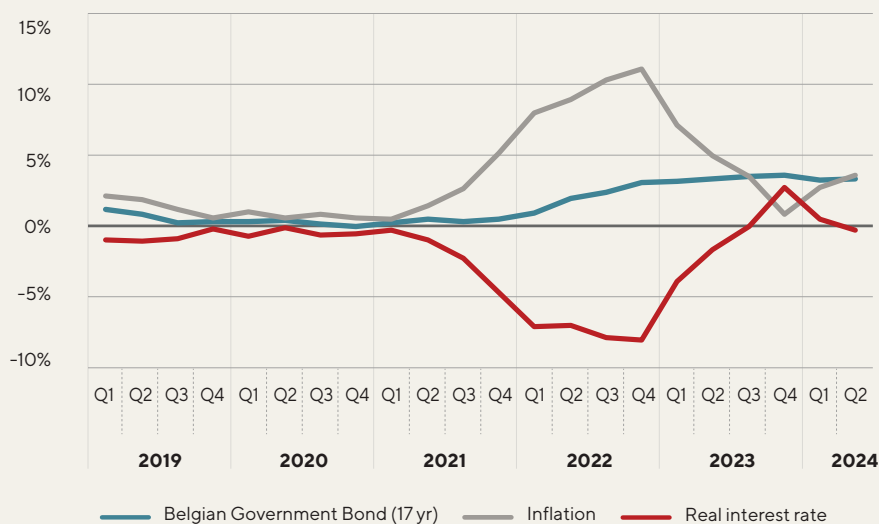
To estimate the evolution of professional real estate specifically, expectations regarding inflation and long-term interest rates are crucial. For 2024, an average **inflation** of 3.1% is expected. As of 2025, the Federal Planning Bureau (FPB) expects an inflation rate of 1.9% which remains stable at 1.8% for the 2026-29 period.

Investment in Belgian real estate is subject to higher registration rates (12-12.5%) compared to certain other European countries. Therefore, 'investment costs' must be absorbed over a longer period than the typical 10-year period in other countries. For Belgium, we are talking about a period of 15-20 years. For this reason, **the Belgian Government's 17-year Linear Bond (OLO)** is used as the risk-free interest rate, determining the financial return. The 17-year OLO showed a slight decline in the first five months of 2024, to 3.3% on average. It is expected to remain fairly stable in the medium to long term.

Because of the stabilising 17-year OLO and rising inflation, the **real interest rate** (as the difference between the two) decreased over the first two quarters of 2024 to reach a level of -0.27% in Q2 2024, just above the level of the 2016-2020 period.

On June 12th, the European Central Bank (ECB) lowered the three **key ECB interest rates** by 25 basis points. Towards the end of the year, the market is anticipating at least one additional reduction. This announcement brings positive tidings for investors, who can now obtain capital at a cheaper rate. It is, however, still to be determined how and when Belgian banks will align with this measure.

AVERAGE PER QUARTER (BELGIUM)



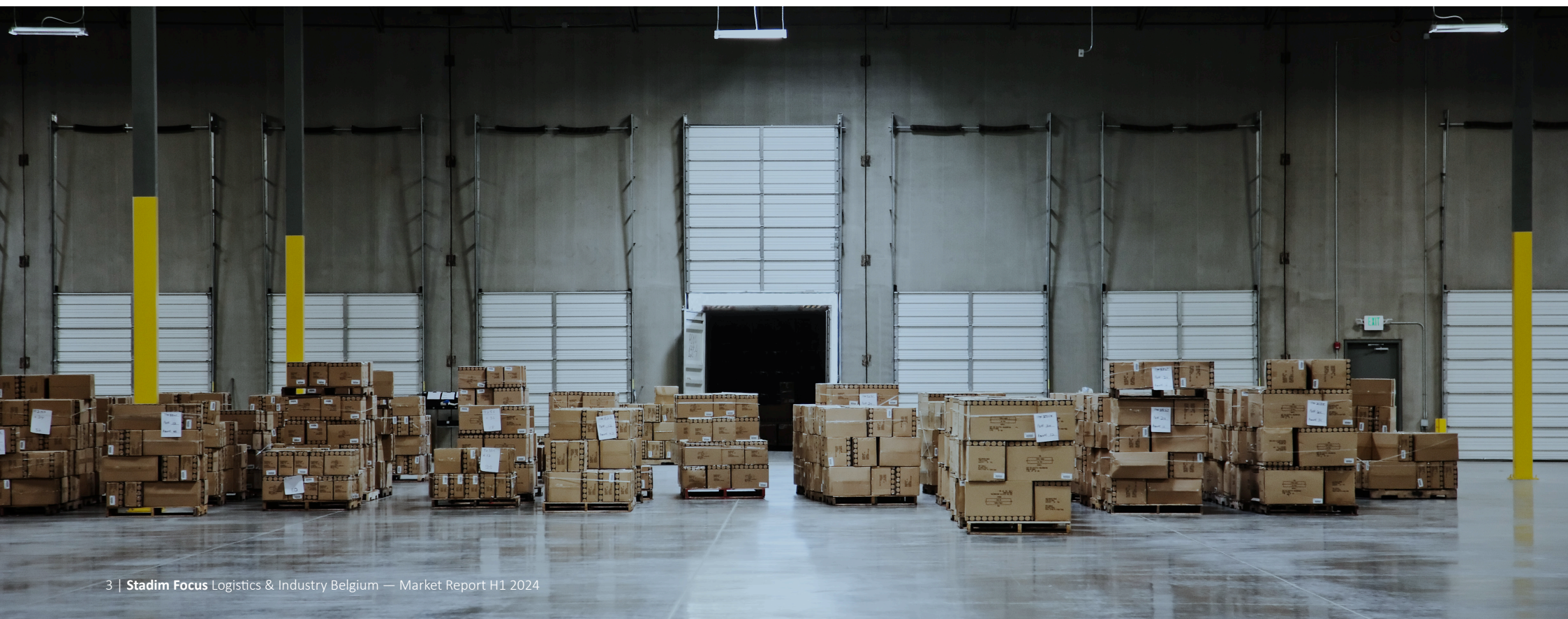
Source: National Bank of Belgium (NBB), Statbel, Federal Planning Bureau (FPB)

Belgian logistics properties withstand market challenges

As we pointed out in the previous edition of Stadim Focus Logistics & Industry, unprecedented inflation, rising financing costs, supply chain disruptions and soaring construction costs contributed to a general slowdown in real estate developments and transactions in 2023. Consequently, market sentiment was marked by uncertainty, with many **participants adopting a wait-and-see approach**.

Despite the prevailing challenges, the logistics real estate **market has shown resilience**. While market recovery is slow and transaction volumes remain low, demand for semi-industrial and logistics properties has stayed strong in recent months, unlike in certain other real estate sectors. As a crucial transit country, Belgium has retained its pivotal position in the logistics market and continues to experience high demand for its properties, particularly from third-party providers (3PLs).

Boosted by the anticipation of further interest rate reductions towards the end of the year, **investors are optimistic** about the logistics sector, particularly those seeking diversification in their real estate portfolios.



Enduring demand in a decentralising market

While the peak growth rates of **e-commerce** may be behind us, online retail is here to stay. Increased **supply chain uncertainty**, however, is challenging logistics players in sourcing, transporting, storing and delivering high volumes of products. Although ‘just-in-case’ and other strategies have enhanced companies’ ability to manage these disruptions, supply chains have become increasingly complex.

Whereas demand for logistic properties has remained robust, user expectations have changed over time. Not long ago, logistics stakeholders advocated for centralisation, citing significant economies of scale and operational expenditure (OPEX) gains. While centralisation remains crucial for certain players, the business case towards **decentralisation** has grown stronger for others, for several reasons.

First of all, **proximity to the customer** has emerged as a critical factor in guaranteeing timely and reliable delivery. But also from a cost perspective, decentralisation makes sense. With **transportation costs** often constituting the biggest portion (40-70%) of profit and loss, it can also offer the biggest cost-saving opportunities. Especially when consumer demand is dispersed, multi-hub strategies could significantly reduce delivery time and costs by minimising travel distance. Finally, decentralisation can also aid businesses in achieving important **ESG ambitions**. Taking the limited range of electric vehicles into account, for example, reducing travel distance could allow companies to transition to a fully **electric delivery fleet**.



**CONSUMER
PROXIMITY**



**TRANSPORTATION
COSTS**



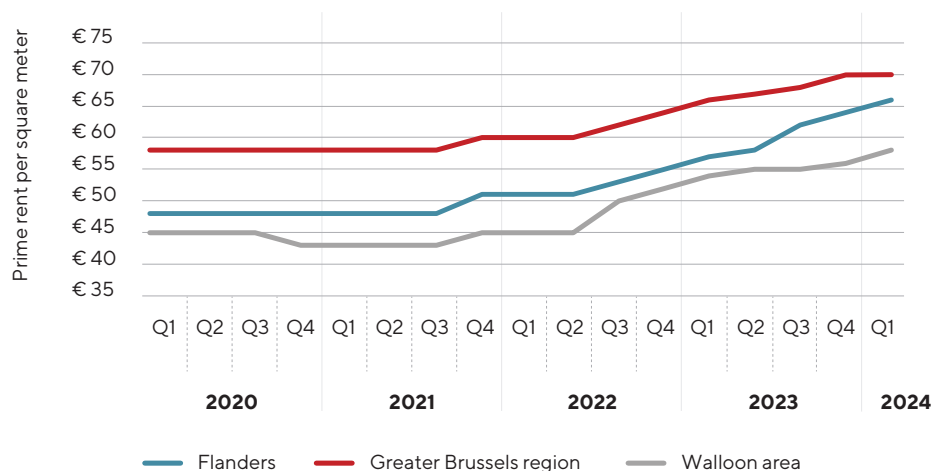
**FLEET
ELECTRIFICATION**

These factors have collectively driven the **demand for last-mile hubs and cross-dock facilities** (where unloaded goods from inbound delivery can directly be loaded onto outbound vehicles with minimal storage in-between) in recent years.

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The increased focus on customer proximity, transportation expenses and ESG objectives has led to a rise in the demand for cross-docks and last-mile hubs.

Prime rents are still going up, albeit at a slower rate

PRIME ESTIMATED RENTAL VALUE - LOGISTICS (BELGIUM)



In the past three years, market rents for logistics real estate have risen significantly, reflecting the persistent shortage of properties on the market. As a result, **occupancy rates have not dropped even when rental prices increased**. Moreover, tenants dealing with decreasing inventories ('hidden vacancy') often preferred to keep or sublease available space rather than reduce their rented surface.

In the last year, however, **vacancy rates have gradually increased**. Whereas these rates remain significantly below historical averages and Belgium's free logistics space ranks among the lowest in Europe, some stock seems to have become available since last year.

As a result: while we observe that the prime Estimated Rental Value (ERV) in Belgium has continued to rise in 2024, the pace of this increase has slowed down slightly. In Q1 this year, we noticed the same prime rent for **logistic real estate of € 70/m² in the greater Brussels Region** as we did in Q4 2023. These figures exclude outliers such as Brussels Cargo, where rents have reached € 100/m². In **Flanders**, the prime rents rose to **€ 66/m²** representing an increase of 3.1% compared to last quarter. In **Wallonia**, prime rents rose to **€ 58/m²** representing an increase of 3.5%.

A similar pattern is noticeable in **the Netherlands**, where prime rents in last quarters have stagnated to **€ 95/m² in Rotterdam**, to **€ 100/m² in Amsterdam** and to **€ 120/m²** specifically in the area surrounding **Schiphol**.



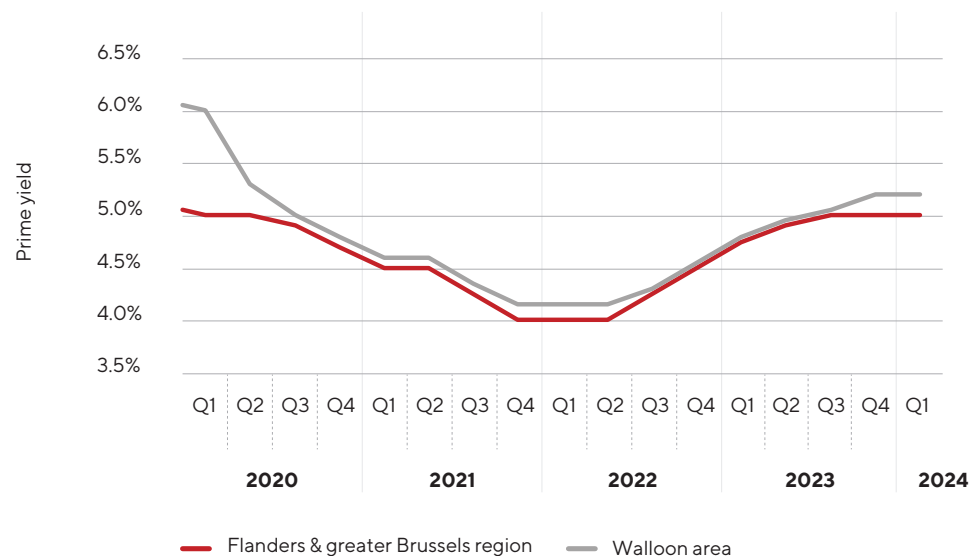
PRIME RENT LOGISTICS
(Q1 2024)

€ 70/m²



Yields stagnating through outlook of declining interest rates?

PRIME YIELD - LOGISTICS (BELGIUM)



Because of the continued high financing expenses and limited availability, the market for logistic real estate was moving slowly in the beginning of 2024. Resulting from a noticeable **temporary hold-up in transactions**, yields were harder to benchmark.

Nonetheless, the current interest rate outlook seems to have a stabilising effect on **yields**. Possibly, the ceiling of prime logistic yields in **Flanders and the greater Brussels region** could be reached at the level of **5.0%** (and in **Wallonia** at the level of **5.2%**). Favourable responses of national banks to the ECB's policy rate cuts could result in a revival of the real estate market in the medium term.

When looking at the **Netherlands**, a stagnating yield of 5.0% in Q4 last year and Q1 this year can be observed as well.



PRIME LOGISTICS YIELD
(Q1 2024)

5.0%



Increased concern about climate risks

In the previous issue, we highlighted the growing demand for sustainable, cost-efficient logistics buildings. In this edition, particular attention is given to the **exposure of industrial real estate to certain climate risks** and the steps owners can pursue to make their properties more climate-proof.

Climate risks, like flooding and extreme heat, are a growing concern-impacting not just logistics real estate, but the entirety of the real estate industry. These risks not only affect the physical integrity of buildings and the well-being of its users, but also have wider **financial and economic implications**. Climate-related events can lead to direct property damage, higher insurance premiums, stricter building regulations and potentially lower property values. Additionally, shifting climatic conditions can diminish the appeal of certain areas, resulting in lower rental incomes and sales prices.

Recent flooding occurrences in Limburg (May 2024), inundations in several municipalities in West and East Flanders (November 2023) and the ‘water bomb’ that hit Wallonia (July 2021) evidently demonstrate the **increasing frequency and severity of flooding risk events**.

Although it is crucial for real estate professionals to incorporate climate adaptation measures into their investment and development strategies, the **risks** posed by global warming to the properties in real estate portfolios are often **not fully understood** and therefore not fully reflected in transactions.

Flood risk is estimated based on and by combination of 3 types of flooding:

- Fluvial flooding - originating from waterways overflowing their banks, often after heavy and long-lasting rainfall
- Coastal flooding - originating from the sea due to spring tides or storms
- Pluvial flooding - originating from runoff on land when sewers and other drainage systems can no longer absorb the amount of water after heavy rainfall

In flood risk, we recognize 3 types of risk:

- High risk - area with high flooding probability (annual probability of 1 in 10)
- Medium risk - area with medium flooding probability (annual probability of 1 in 100)
- Low risk - area with low flooding probability (annual probability of 1 in 1000)



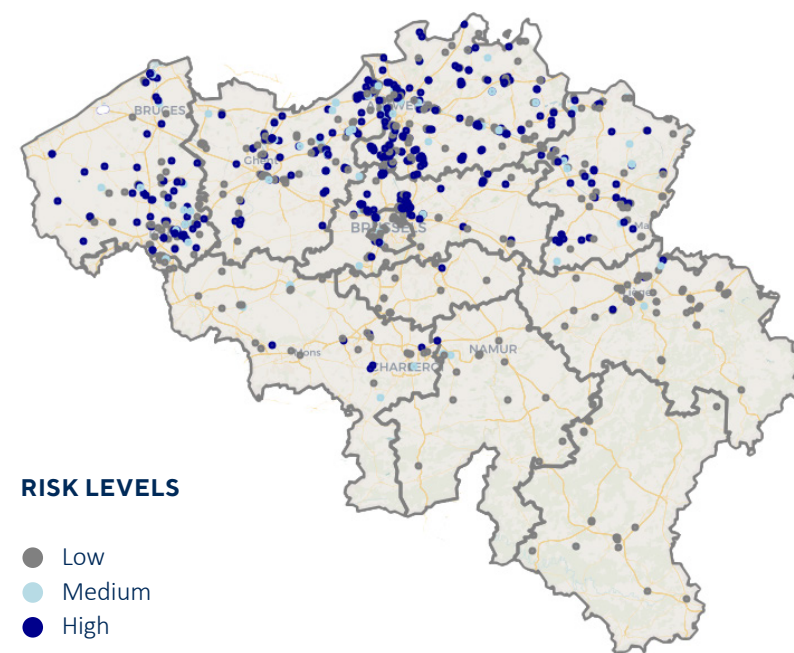
Belgian logistics real estate highly susceptible to flooding

To help address this knowledge gap, StadimESG and StadimData tested a representative sample* of logistically developed plots against **the risk of floods**.

Stadim’s analysis reveals that **46% of the surveyed logistics plots are situated in high flood risk areas**, with an annual flooding probability of 1 in 10. Additionally, 11% of the sampled parcels are located in medium-risk zones.

The large number of plots found in high-risk zones can be partly attributed to **stricter flood map classifications** that have been established after the frequent floods in Belgium. This more rigorous approach is based on methodological improvements to more accurately predict flood-prone areas, considering different flooding types. Consequently, the delineation of flood risk areas has become more precise. Furthermore, classification criteria have evolved. Areas that were previously identified as ‘potential’ risk zones in 2017 are now confirmed to have an ‘effective’ risk.

Although the market does not yet fully factor in flood risk, flood maps are increasingly **consulted by insurance companies, banks and permit authorisers** in their analysis and decision-making processes. Also for valuers, flood risk is an important datapoint to consider. Therefore, it is more critical than ever for property owners to assess their portfolios for climate risks and make informed decisions to lessen potential consequences.



RISK LEVELS

- Low
- Medium
- High


RISK LEVELS

		Low flooding risk	Medium flooding risk	High flooding risk
Number of logistic plots	± 900	43,6%	10,8%	45,6%
Total Gross Floor Area of logistics real estate built on the analysed plots (GFA)	± 23,000,000 m ²	34,8%	11,5%	53,7%

* While the sample provides a comprehensive coverage of Belgium, the concentration is higher in Flanders, reflecting the geographical distribution of the analysed plots.

Smaller actions can aid in reducing flood risks

Despite acknowledging the need for large-scale infrastructure projects to tackle catastrophic climate risks like flooding, **smaller actions** can also be taken at the plot level **to aid in mitigation efforts**. For example, by providing space for excess rainwater, water can be temporarily stored in buffer bassins or swales, possibly with additional overflow capacity. An (underground) buffer facility fills up during heavy or prolonged rainfall and slowly releases water to the surrounding area or (rainwater-)sewer system. Additionally, providing sufficient infiltration on the site is crucial to reduce pressure on sewer systems. This can be achieved by breaking up paved parking areas and roads, and by replacing them by permeable alternatives or selecting vegetation with high absorption capacity.

An aerial photograph showing a multi-lane road crossing a large body of water. The road is flanked by dense green trees. In the background, there are buildings and a marina with several boats. A quote is overlaid on the right side of the image, enclosed in quotation marks.

Stricter flood map classifications being adopted by valuers, insurance companies, banks, and permit authorisers could impact the value of logistics real estate.

KEY TAKEAWAYS

1

As of 2025, the Federal Planning Bureau (FPB) expects an inflation rate of 1.9% which remains stable at 1.8% for the 2026-2029 period.

2

Enduring demand for logistics properties is driven by decentralised, cost-effective, and ESG-friendly solutions.

3

Whereas logistic market rents have increased strongly over the last years, the pace of this increase has slowed down slightly in Q1 2024.

4

With flood risk transitioning from a theoretical concept to a tangible reality, it is crucial for property owners to evaluate their portfolios for climate risks and respond accordingly.

Contact

Stadim brings you well over 25 years of experience as a trend-setting and independent real estate consultancy. Seasoned in all types of properties, we offer you analyses, valuations and advice relating to all kinds of real estate in the Benelux at all stages of the real estate cycle. Regardless of whether it concerns a private house or an international real estate portfolio, we can always guarantee that you will receive well-founded advice in the most discreet way possible.

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