2015, a year to remember

A number of trends characterised the investment market in 2015. These involved asset types, locations and yields… JLL has drawn up a summary of these trends, with some explanations.

The investment market in Belgium in 2015 was exceptional for more than one reason. Firstly, it was a record year with a total or around 4.4 billion Euros invested, all property sectors taken together. Secondly, for the first time ever – and something which no-one would have predicted just a few years ago – investment in retail property exceeded that in office property. While it is true that one mega-investment, the acquisition by CIC of a CBRE Global Investors' portfolio including the **Waasland Shopping Centre** and half of the **Wijnegem Shopping Centre**, had a huge impact on this figure – the fact is still there. The buyer could, after all, have chosen to put his money into offices… The result is that in 2015, retail accounted for very nearly half of all investment (47%) while offices represented less than a third (31%). To put this into perspective, during the 2006-2014 period, offices were at over a half on average (55%) while retail was at exactly one fifth.

Portfolio deals

Remaining with retail for a moment, the CIC deal was worth some 825 million Euros – almost a fifth of total investment in property during the year –, while the next biggest deal, the sale by CBRE Global Investors (again) of the **Galeries Saint Lambert** in Liège, to AG Real Estate, was worth 135 million Euros. The remainder of the top five is made up of an MG Real Estate portfolio of shops in various locations, this time bought by CBRE Global Investors, a similar transaction from Equilis to Société de l'Argayon, and the **Basilix Shopping Centre** in Brussels, sold by Cerificate Basilix to Primonial. The much more modest sums invested in these deals were, in order, 80, 75 and 64 million Euros.

Office activity

Though surpassed by retail, investment in offices was still at a very high level in 2015. A quick calculation shows that 31% of 4.4 billion Euros is around 1.4 billion.

The top three deals were all in Brussels North district. They involved the **Ellipse building**, sold by AG Real Estate to Fubon Life Insurance, **Astro Tower** (to refer to this as the North district may be stretching things a little), sold by Luresa to Patrizia for Korean clients, and the **Royal Warehouse on the Tour & Taxis site**, sold by Ackermans & Van Aaren to Leasinvest Real Estate. The values of these three were 215, 168 and 108 million Euros respectively.

Increased activity in the Regions

The shift in the geographical preferences of investors is part of a trend. Jean-Philip Vroninks, explains: *"The occupier market has been decentralising out of Brussels for some time, particularly for reasons of mobility. The investment market quite naturally follows occupants, and so increased investment outside of the capital is likely."* Putting this into figures, in 2015, just over a third of investment was in the Brussels Region, and almost a half in Flanders (35% and 46% respectively. Wallonia attracted 14%, while the remaining 5% was split.

Jean-Philip Vroninks,
Head of Capital Markets at JLL

During the immediate post-crisis period 2010-2014, the figures were: Brussels, 50%, Flanders, 38% and Wallonia 8%. Prior the crisis the domination of Brussels was even greater, accounting for 57% of all investment from 2003 to 2007.

Investor origin

Belgium is becoming increasingly attractive to foreign investors. In 2015, just under half (49%) of all investment was made by Belgian investors, and just over half, therefore, by others. Leading the pack was China, which represented 19% of the incoming funds, followed by the UK and the USA (11% and 10%). Germany, a traditional investor, was down at 3% in 2015, along with Belgium's other large neighbour, France.

This situation contrasts with that of the 2010-2014 period. During this time, Belgian investors represented exactly two thirds of the market, Germany was at 13%, the UK and USA at 2% each. China had started to make an appearance but represented just 3% of the total.

Yields

Earlier this year, the 'yield' figure hit the headlines with the most expensive deal (in these terms) ever seen in Belgium. **Black Pearl**, on the Rue Montoyer in the European District of Brussels, was bought by a German fund for a yield of only 3.8% !

A realistic prime yield for a long term lease in a top building/top location (triple A) is around 4.25%, however. Investors in retail property have to settle for even less – around 3.75% for both the best shopping centres and high streets.

Jean-Philip Vroninks looks to the likely situation this year: *"The yield compression we have seen in 2015 is likely to soften this year, though yields for buyers are not expected to rise.*
As many as 20 potential buyers can compete for the very best buildings."
These very best buildings are rare, however, and this is leading to a change in investor behaviour. JLL refers to this as 'AB-BA': this signifies that as genuinely triple A buildings become difficult to find, buyers are prepared to settle for 'A' buildings in 'B' locations, and vice versa. This trend will continue in view of the lack of speculative developments.

Where the first quarter of 2016 is concerned, the investment market has got off to a good start. Almost 500 million Euros had already been placed in offices by the end of the quarter. With investments in other types of property, the total at the end of March stood at 0.8 billion Euros.

Tim HARRUP

Black Pearl was sold for a Belgian record yield for an office building, of 3.8%.