Introduction

Antwerp is expected to realize its turn around, even in a relatively slower start of the year for the total Flanders market.

Compared to 2016, which was a record year for Flanders take up, 2017 got a slow start of the year.

Except for Antwerp that confirms its turn around with 41,000 sq.m. take up since the beginning of the year 2017 or 54% of the total Flanders market. If the deal with the Antwerp Police (50,000 sq.m.) is confirmed this percentage would rise considerably.

Vacancy rises slightly in most cities but is spread over smaller and older properties and overall vacancy in general expected to decrease again. This decrease will be the consequence of the few new speculative office projects in Flanders and the continued trend of reconversion to residential and mixed uses.

In Flanders the largest office projects, offering more than 10,000 sq.m. under construction and with delivery in 2017/2018, are exclusively situated in Antwerp.

Prime rents are stable in all cities but expected to grow in Antwerp and Ghent.

Special Topic

Office Reconversion in Antwerp City Centre in the last decade (page 20)

Ralph Schellen*
HEAD OF OFFICE AGENCY FLANDERS
*Allres bvba
Summary

Stock Flanders Big 5 Q1 2017: 4.5 million sq.m.

Take-Up Flanders 2012-05/2017

212,874 sq.m.
Take-up in Flanders in 2016. +16% y-o-y / 28% above 5 year average

Vacancy rate

Antwerp
10.92%  
(Q4 2015 = 9.90%)

Mechelen
8.34%  
(Q4 2015 = 9.19%)

Leuven
12.10%  
(Q4 2015 = 11.04%)

Ghent
5.55%  
(Q4 2015 = 5.24%)

Hasselt
11.2%  
(Q4 2015 = 9.90%)

Prime rents

Antwerp
€150
+3.4% y-o-y  
Outlook: positive

Mechelen
€135
Unchanged  
Outlook: stable

Leuven
€150
Unchanged  
Outlook: stable

Antwerp
€155
Unchanged  
Outlook: positive

Ghent
€150
Unchanged  
Outlook: stable

Hasselt
€145
Unchanged  
Outlook: positive

Mechelen
€150
Unchanged  
Outlook: stable

Source all charts: JLL Research
Antwerp

Confirmed revival: projects are success stories and rents start increasing

Occupier activity

2016 was remarkable in terms of take-up with 114,355 sq.m. transacted, 34% above 2015 and 33% above the 5 year average. The number of deals was a record high of 207, vs. 175 in 2015 and vs. 157 at average over the 2011-2015 period. Average deal size increased by 13% y-o-y to 552 sq.m., which is more or less in line with the 5 year average. It is interesting to see that the average deal size in Antwerp is lower than in the other cities among the “big 5” of Flanders. In 2017 to date a total of 41,000 sq.m. has been transacted in 77 transactions.

Projects in the best locations, combining easy access by public transport and road and attractive design, are success stories. For example The Link I, developed by Ghelamco next to the Berchem Station (Ring) attracted its first tenant with the law firm Astrea Law who will occupy 1,853 sq.m.

The last phase of the redevelopment of the Kievit behind the Central Station secured De Persgroep who will build a prestigious new headquarters of 8,000 sq.m. designed by Crepain Binst Architects. The Post X along the ring closed its most recent transaction of 3,995 sq.m. with Regus.

This remarkable transaction flow confirms the revival of the Antwerp office market, it seems that the boom of demand for brand new high quality offices in Ghent is now replicated in Antwerp.

Traffic congestion in Antwerp is an issue for occupiers. Local authorities are well aware of this and launched the construction of a new tramway line that will link in 2019 the Noorderlaan (North of city) to the Justice Palace (South of city), situated along the ring road and in immediate proximity to the “Nieuw Zuid” mixed development project, via the “Leien” (inner boulevards).
Vacancy increased to 10.9% vs. 9.9% previously with further space being available in the Post X project along the Ring. The medium term trend is downward however particularly as the trend of conversions of structurally vacant properties into residential has reached Antwerp (see analysis included in this report). This is especially true in the Centre. Given its success, new phases of the Post X project along the Ring have been launched speculatively and 42,345 sq.m. will be delivered in 5 units in the next 18 months. There is also a facility building (± 12,000 sq.m.) planned for starting construction in 2018. Additionally the Police of Antwerp will probably decide this year for a new build-to-suit corner building (± 50,000 sq.m.) in addition to the speculative developments. Also on the Ring, The Link I & II project (26,549 sq.m. in total) is currently under construction and will be delivered in the beginning of next year. In the Centre, as part of the redevelopment of the former military hospital into a new mixed project combining retail and offices, 7,000 sq.m. will be delivered in the PAKT building by the end of 2017.

Rental values

Prime rents increased to €150 / sq.m. / year vs. €145 / sq.m. / year previously. Average rents increased by 2.4% on a yearly basis, illustrating that the occupier market is now more balanced between landlords and tenants.

Vacancy and future supply

Vacancy increased to 10.9% vs. 9.9% previously with further space being available in the Post X project along the Ring. The medium term trend is downward however particularly as the trend of conversions of structurally vacant properties into residential has reached Antwerp (see analysis included in this report). This is especially true in the Centre. Given its success, new phases of the Post X project along the Ring have been launched speculatively and 42,345 sq.m. will be delivered in 5 units in the next 18 months. There is also a facility building (± 12,000 sq.m.) planned for starting construction in 2018. Additionally the Police of Antwerp will probably decide this year for a new build-to-suit corner building (± 50,000 sq.m.) in addition to the speculative developments. Also on the Ring, The Link I & II project (26,549 sq.m. in total) is currently under construction and will be delivered in the beginning of next year. In the Centre, as part of the redevelopment of the former military hospital into a new mixed project combining retail and offices, 7,000 sq.m. will be delivered in the PAKT building by the end of 2017.

Rental values

Prime rents increased to €150 / sq.m. / year vs. €145 / sq.m. / year previously. Average rents increased by 2.4% on a yearly basis, illustrating that the occupier market is now more balanced between landlords and tenants.
Ghent

2016 above averages, large size transactions in H1 2017

Occupier activity

Ghent witnesses important occupier activity, especially from corporates that contribute to 95% of take-up over the past 5 years, with only occasional transactions by administrations like municipalities or schools and universities. In 2016 we recorded a take-up of 41,180 sq.m., 38% lower than 2015 but 10% above the average take-up of the preceding 5 years. In 2017 to date, occupier activity is particularly strong with 21,327 sq.m. transacted, including Belfius that took the Keizer Karel building (8,386 sq.m. in the Centre) and EY that prelet 5,300 sq.m. in the Take-Off Office Park project in the South. The average transaction size in Ghent is relatively small at 525 sq.m., and we count on average 80 occupier transactions per year, of which 73 are lettings and 7 are acquisitions for occupation.
Currently 72,500 sq.m. is immediately vacant in Ghent, out of a stock of 1.3 million sq.m. 51% of the vacancy is located in the Centre, 41% in the South, 5% in the North and 3% in the East. 46% of total vacancy is old and not renovated, 21% is modern, and 33% is new. In relative terms, vacancy in Ghent is therefore more recent than the other Flemish cities and this can be a competitive advantage compared to the other cities. Vacancy rate as of 31/03/2017 was 5.55%, it is slightly increasing over time due to completions and also second hand properties vacated. At the end of 2016 it was 5.24% and at the end of 2015 it was 5.16%. Overall, the vacancy rate in Ghent is structurally way below the other Flemish cities as demand is relatively high and development activity shows a certain risk aversion. 14,000 sq.m. is planned for delivery in the 2017-2018 period, of which 20% is in the Centre and 80% in the South. By the end of 2018, a new unit of the MG Business Center will be completed. This property of 5,541 sq.m. is located next to the Ghent St Pieters station, an area having important development potential, with ING being expected to establish its Flemish headquarters by the end of the decade following existing key occupiers such as the Flemish Community and Engie Electrabel. Also in the Centre, a unit of 3,145 sq.m. should be delivered in the Forum project.

### Top 3 transactions last 6 months (2016 Q4 – 2017 Q2 to May)

<table>
<thead>
<tr>
<th>District</th>
<th>Building</th>
<th>Age Class</th>
<th>Surface</th>
<th>Operation</th>
<th>Occupier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centre</td>
<td>Keizer Karel</td>
<td>New</td>
<td>8,386 sq.m.</td>
<td>Letting</td>
<td>Belfius</td>
</tr>
<tr>
<td>South</td>
<td>Take-Off Office</td>
<td>Project</td>
<td>5,300 sq.m.</td>
<td>Letting</td>
<td>EY</td>
</tr>
<tr>
<td>South</td>
<td>Kortrijksestwg 1146</td>
<td>Modern</td>
<td>1,211 sq.m.</td>
<td>Letting</td>
<td>LoQuitus</td>
</tr>
</tbody>
</table>

### Rental values

So far prime rents are unchanged at €155 / sq.m. / year, the highest of Flanders, and might still increase in the near term in the new projects that trade at higher rents. Average rents are estimated at €119 / sq.m. / year (5 year period) for all age classes, and at €143 / sq.m. / year for new properties (existing or under construction / renovation).
Leuven

More small size transactions

Occupier activity

Leuven performed very well in 2016 with a take-up of 21,236 sq.m., 139% higher than in 2015 and 2% above the 5 year average. 90% of the take-up was realized by corporates, which is above the 5 year average of 73%. 2016 was also a good year in terms of deal count as we recorded 37 transactions, which is nearly twice the average of 20 deals a year over the last five years. The average deal size was consequently lower at 574 sq.m. vs. 1,115 sq.m. the preceding 5 years. In 2017 to date, we recorded 9 transactions for a total of 1,999 sq.m.
Top 3 transactions last 6 months

<table>
<thead>
<tr>
<th>District</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Centre</td>
<td>Vanderelst</td>
<td>Modern</td>
<td>1,264 sq.m.</td>
<td>Letting</td>
<td>Agentschap Integratie &amp; Inburgering</td>
</tr>
<tr>
<td>Centre</td>
<td>Vanderelst</td>
<td>Modern</td>
<td>800 sq.m.</td>
<td>Letting</td>
<td>Opentelly</td>
</tr>
<tr>
<td>Wijgmaal</td>
<td>Campus Remy I</td>
<td>Modern</td>
<td>722 sq.m.</td>
<td>Letting</td>
<td>Softahome</td>
</tr>
</tbody>
</table>

Vacancy and future supply

Vacancy in Leuven is comparatively high at 12.1% as of Q1 2017, but looking in details it is predominantly located in the periphery whilst in the centre it is moderate. As of 30/05, 50,365 sq.m. was vacant, of which 60% in the Periphery (25% in Haasrode and 27% in Heverlee, and the rest in Herent, Wijgmaal and Wilsele). 20,049 is vacant in the Centre, 43% of which in the Ubicenter. From a 5 year perspective, vacancy is 80 bps above the average. There is no speculative development ongoing and given the proximity to the Brussels Periphery that has substantial oversupply, no new project is in the pipeline.

On the demand side, Leuven retains an appeal for technology and start-up companies related to the university world, such type of occupier being more likely to look for co-working space or business centers, a type of property that is currently scarce in Leuven. We see vacancy progressively declining but it is not likely to fall below 10% in the near future.

Rental values

Prime rents range between €125 and €150 / sq.m. / year in the Centre. Important discounts apply in peripheral locations like Haasrode and Heverlee. Rents have been stable for about 3 years and are expected to remain at the same level for at least the next 12 months.
 Mechelen

Excellent year 2016

Occupier activity

2016 outperformed in terms of occupier take-up, we recorded transactions for a total of 23,801 sq.m., 79% more than 2015 and 43% above the 5 year average. 17 transactions were signed in 2016, vs. 10 in 2015 and 19 on average over the last 5 years. The average deal size was 1,082 sq.m. vs. 1,333 sq.m. in 2015 and 913 on average over the last 5 years. 2016 was marked by the prelet to Nipro of 8,000 sq.m. in Mechelen Noord along the E19 highway, in a property currently under construction and due for completion in Q4 2017. In 2017 to date, 7 transactions were recorded for a total of 2,979 sq.m.
The market size of Mechelen is similar to Leuven with a stock of 460,300 sq.m. As of 31/03/2017, 8.34% was vacant, representing a volume of 38,367 sq.m in 41 buildings. 52% of voids are concentrated on the business parks along the E19 such as Mechelen Campus. Vacancy overall is relatively old with 48% in properties older than 15 years, 42% for modern buildings and 10% for new buildings. In recent years, vacancy has trended down but the outlook is upward oriented in the near term due to second hand space being vacated. Developers are risk-averse and the several projects in design phase like the MG Two Tower (18,670 sq.m. near the station) and Zuidpoort Building G (6,000 sq.m. near the station, next to Sanoma) are not likely to be started at risk. Another project in the pipeline next to the station that might be developed in 2018 is the loft style building ‘Het Zegel’, offering c. 7,500 sq.m.

Prime rents range between €125 and €145 / sq.m. / year and are stable for now. New projects near the station trade at higher values, an increase is therefore likely in the medium term, potentially to €150 / sq.m. / year, in line with Antwerp and Leuven. In the business parks along the E19, rents are between €100 and €125 / sq.m. / year.

<table>
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<tr>
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<th>Age Class</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Centre</td>
<td>Blokhuisstraat</td>
<td>New</td>
<td>3,000 sq.m.</td>
<td>Acquisition</td>
<td>Everlam</td>
</tr>
<tr>
<td>Centre</td>
<td>Van Benedenlaan</td>
<td>Old</td>
<td>1,445 sq.m.</td>
<td>Acquisition</td>
<td>Sodiwe</td>
</tr>
<tr>
<td>Periphery</td>
<td>Blarenberglaan, 4</td>
<td>New</td>
<td>895 sq.m.</td>
<td>Acquisition</td>
<td>Boehme &amp; Anthoon</td>
</tr>
</tbody>
</table>

Vacancy and future supply

Rental values
Hasselt

Excellent year 2016

Occupier activity

Hasselt is the fifth office market in Flanders with a stock estimated at 175,000 sq.m. It has a recurring flow of transactions concentrated on the Herkenrodesingel (Ring) which attracts all of the big names like Proximus, EY, Baloise, KPMG and more. In 2017 so far (end of May), 7,000 sq.m. has been transacted vs. 2,217 sq.m. in 2016 and 4,161 sq.m. on average over the last 5 years. The 2017 take-up consists of two prelettings in the redevelopment of the Concentra site located Herkenrodesingel, by Media Huis (Het Belang Van Limburg) and Carglass.
Top 3 transactions last 12 months

<table>
<thead>
<tr>
<th>District</th>
<th>Building</th>
<th>Age Class</th>
<th>Surface</th>
<th>Operation</th>
<th>Occupier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ring</td>
<td>Herkenrodesingel, 10</td>
<td>Project</td>
<td>3,500 sq.m.</td>
<td>Pre-letting</td>
<td>Carglass</td>
</tr>
<tr>
<td>Ring</td>
<td>Herkenrodesingel, 10</td>
<td>Project</td>
<td>3,500 sq.m.</td>
<td>Pre-letting</td>
<td>Media Huis</td>
</tr>
<tr>
<td>Centre</td>
<td>Eurostraat, 1</td>
<td>Modern</td>
<td>1,346 sq.m.</td>
<td>Letting</td>
<td>Randstad</td>
</tr>
</tbody>
</table>

Vacancy and future supply

Immediate vacancy in Hasselt is estimated at 20,000 sq.m. in 17 properties, with a concentration on old buildings (82%). Vacancies in new buildings represents 12% of the total and modern buildings 6%. The vacancy rate is estimated at 11%.

Future supply consists of two additional units of the Corda Campus (15,000 sq.m. in total, scheduled for 2018), 5,921 sq.m. in the Centennial project at the station (design phase), and a last phase of 10,000 sq.m. in the Alverberg business park, along the Herkenrodesingel.

Rental values

Prime rents are stable at €125 - €135 / sq.m. / year.

Herkenrodesingel, 10 - Hasselt
Developer: Futurn
Other cities

Excellent year 2016

Occupier activity

Outside the “big 5” cities, Aalst, Kortrijk and Bruges are reasonably active markets, but as smaller cities have an irregular transaction flow. Until recently there was a quality shortage in the regional cities, occupiers like administrations and corporates were located in several old properties, sometimes obsolete. We observe that these regional occupiers now tend to centralize their services in single locations with high quality criteria, including in terms of mobility. The new projects launched on excellent locations like for example the Nieuw Brugge on the Bruges station are success stories, likely to be reiterated in future projects given the important potential demand.

Top 5 transactions last 12 months

<table>
<thead>
<tr>
<th>District</th>
<th>Building</th>
<th>Age Class</th>
<th>Surface</th>
<th>Operation</th>
<th>Occupier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lummen</td>
<td>Bosstraat, 52</td>
<td>Modern</td>
<td>3,277 sq.m.</td>
<td>Acquisition</td>
<td>Office26</td>
</tr>
<tr>
<td>Kortrijk</td>
<td>Universiteitlaan</td>
<td>Old</td>
<td>2,550 sq.m.</td>
<td>Acquisition</td>
<td>Vives Hogeschool</td>
</tr>
<tr>
<td>Brecht</td>
<td>Vaartdijk, 15</td>
<td>New</td>
<td>2,060 sq.m.</td>
<td>Letting</td>
<td>Politie Voorkempen</td>
</tr>
<tr>
<td>Kapellen</td>
<td>Energielaan, 16</td>
<td>Old</td>
<td>1,912 sq.m.</td>
<td>Acquisition</td>
<td>Mantraco (Schelde-Natie)</td>
</tr>
<tr>
<td>Beveren-Waas</td>
<td>Keetberglaan</td>
<td>Old</td>
<td>1,594 sq.m.</td>
<td>Letting</td>
<td>Kurakay</td>
</tr>
</tbody>
</table>
Investment activity was limited in 2016 with €992 Mln transacted, compared to €1,175 Mln per annum on average over the preceding 5 years and compared to the record-high of €2,048 Mln in 2015. In 2017 to date, volumes amounts to €361 Mln. In terms of deal count, 69 transactions were closed in 2016, vs. 54 in 2015 and 43 on average over the preceding 5 years. At that level, 2016 can be considered as a good year with more small to mid-size transactions. The average deal size is in 2016 was substantially lower than average at €14.4 Mln vs. €19.3 over the preceding 5 years and €30.6 in 2015. In 2017 to date, 22 transactions have been recorded with an average size of €16.4 Mln. Portfolio transactions contributed to 28% of the volume in 2016, down from 62% in 2015 which was was distorted by the Celsius portfolio which included Wijnegem and Waasland shopping centers. Thus far in 2017 portfolios account for 22% of volume. With the announced exclusive talks between Blackstone and CIC for the sale of the Logicor European logistics portfolio (share of Flanders: c. €125 Mln) as well as the sale of Leasinvest’s logistics portfolio, the share of portfolios in total volume will increase in the near term.

<table>
<thead>
<tr>
<th>€ Mln</th>
<th>2011-2015 average / y</th>
<th>2016</th>
<th>05/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Assets</td>
<td>€762 Mln</td>
<td>€718 Mln</td>
<td>€377 Mln</td>
</tr>
<tr>
<td>Portfolios</td>
<td>€413 Mln</td>
<td>€275 Mln</td>
<td>€109 Mln</td>
</tr>
<tr>
<td>Total</td>
<td>€1,175 Mln</td>
<td>€993 Mln</td>
<td>€486 Mln</td>
</tr>
</tbody>
</table>

Source: JLL Research
Retail: Portfolios are actively traded

The Flanders property investment market is traditionally driven by retail transactions (42% of the volume over the last 5 years), and 2016 was no exception with 34%. In 2017 so far it ranks second with 42%. The volume recorded year-to-date is €151 Mln vs. €318 Mln over the full year 2016 and €1.4 bn recorded in 2015. Average volume per year was €554 Mln. Portfolios continue to be actively traded, as illustrated by the recent sale through JLL of a portfolio of 11 shops in Roeselare to private investor Ulvenhout Retail Invest Fund, for €12.4 Mln as well as the sale by Bermaso of a part of its high street portfolio, predominantly located in Flanders, to French REIT Primonial for €80 Mln.

Regarding yields, prime unit shops trade at around 3.75% with lower yields possible in super-prime locations. Retail warehousing yields range between 5.5% and 7.0% in Flanders as a whole, 25 bps lower than in 2015. Prime shopping centres are placed at 4.25%, unchanged vs. 2015 but there has been such prime transaction in 2016-2017 to prove this.

Top 3 transactions last 6 months

<table>
<thead>
<tr>
<th>City</th>
<th>Building</th>
<th>Price (€ Mln)</th>
<th>Yield</th>
<th>Seller</th>
<th>Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>High street portfolio (51 units)</td>
<td>80</td>
<td>n/a</td>
<td>Bermaso</td>
<td>Primonial</td>
</tr>
<tr>
<td>Antwerp</td>
<td>Meir 117</td>
<td>35</td>
<td>n/a</td>
<td>Connectimmo</td>
<td>Group Tans / Urbicoon</td>
</tr>
<tr>
<td>Roeselare</td>
<td>Portfolio 11 shops</td>
<td>12.4</td>
<td>6%</td>
<td>Binder NV</td>
<td>Ulvenhout Retail Invest Fund</td>
</tr>
</tbody>
</table>
Offices: Too few opportunities

The office segment in Flanders has lower liquidity than Brussels, opportunities are scarce and new developments are generally kept in portfolio. 24% of the investment volume in Flanders in the 2012-2016 period was offices. In 2016, it was 21%, and in 2017 to date 11%. Despite important demand - mainly from local investors but with internationals starting to show an interest – office transactions of representative size are limited. This is especially true in the core and core+ segments. Most transactions are valued-added or redevelopment deals. In general, office investors in Flanders focus on Antwerp which is the most active occupier market, but there are exceptions. Baloise for example acquired in Q4 2016 the Post site in Aalst, from IRET, for €70 Mln. The property is let with an 18 year lease to local administrations and is one of largest core transactions of the last 5 years. Yield is estimated at 5%. The redevelopment / valued added segment is more active in number of deals, recently illustrated by the acquisition of the Desguinlei from Banimmo by Triple Living with the intention to convert it into residential. Price: €13.5 Mln. In a similar way, DCA acquired the Frankrijklei 31-33 for €8.7 Mln, also with a conversion project in mind. In the second part of the year, the Zuiderpoort building from Adia in Ghent may be sold, 2017 will therefore be a good year for office investments as well.

Prime office yields in Flanders overall compressed in 2016 to 5.75% for standard 6-9 leases vs. 6.25% previously, reflecting our assessment of market sentiment and not closed transactions since core examples are scarce. On average in Antwerp, Ghent and Mechelen, for good locations and good quality properties fully let, a range of 5.75% to 6.5% is applicable, whereas office properties in peripheral locations trade 150 bps higher.

Top 3 transactions last 6 months

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<th>Yield</th>
<th>Seller</th>
<th>Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aalst</td>
<td>Post site</td>
<td>70</td>
<td>5%</td>
<td>IRET</td>
<td>Baloise</td>
</tr>
<tr>
<td>Antwerp</td>
<td>Desguinlei, 100</td>
<td>13</td>
<td>n/a</td>
<td>Banimmo</td>
<td>Triple Living</td>
</tr>
<tr>
<td>Antwerp</td>
<td>Frankrijklei 31-33</td>
<td>9</td>
<td>n/a</td>
<td>Private</td>
<td>DCA</td>
</tr>
</tbody>
</table>
Industrial: First asset class in 2017

Industrial properties are much in demand everywhere in Flanders but investors have difficulty finding opportunities with sufficient volume. The segment is also influenced by owner-occupier transactions like the large deal closed by Van Marcke in Menen for €75 Mln during the second quarter.

Some of the best opportunities are captured by B-REIT’s WDP and Montea through partnerships with developers for turn-key projects prelet to big names. The most recent example is a property in the Park De Hulst in Willebroek, developed by MG Real Estate, and let to Metro Cash & Carry (10 year leases) which was sold to Montea for €8.8 Mln.

Sale and lease back transactions are alternative possibilities to enter the logistics market: Earlier this year, JLL closed the sale of the Solidus site in Hoogstraten to IBP Water-Link pension fund for €15 Mln. Solidus signed for a 15 year lease.

Industrial volume in 2017 to date amounts to €170 Mln (87% logistics), vs. €218 Mln over the full year 2016 (71% logistics) and on average €193 Mln per year over the last 5 years. This ranks it as the largest asset class with a share of 47%. It generally ranks third but 2017 will be an exception with the forthcoming closing of the sale of the Logicor European portfolio that comprises 7 assets in Flanders for a total of 220,000 sq.m. and estimated at more than €125 Mln. On top of that, the logistics portfolio of Leasinvest will also be sold in the near term.

Logistics yields are compressing to an unprecedented low of 6% vs. 6.25% at the end of 2016 and 6.5% in 2015.

Top 3 transactions last 6 months

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<tr>
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</tr>
</thead>
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<td>75</td>
<td>Owner occupier</td>
<td>Private</td>
<td>Van Marcke</td>
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<td>Bilzen</td>
<td>EDC Carglass</td>
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<td>n/a</td>
<td>Developer</td>
<td>Montea</td>
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<td>Hoogstraeten</td>
<td>Solidus</td>
<td>15</td>
<td>n/a</td>
<td>Solidus</td>
<td>IBP Water-link pension fund</td>
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</table>
Alternatives and others

In the alternative asset classes, retirement homes have a recurring deal flow with B-REITs Aedifica and Care Property Invest as the most active players. In 2016, they represented 16.4% of the volume with 5 transactions and a total of €168 Mln, above the 5 year average of €162 Mln.

Prime yields by sectors

<table>
<thead>
<tr>
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<th>Q4 2015</th>
<th>Q4 2016</th>
<th>Q2 2017</th>
<th>Forecast</th>
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<tr>
<td>Offices</td>
<td>6.25%</td>
<td>5.75%</td>
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<tr>
<td>Logistics</td>
<td>6.50%</td>
<td>6.25%</td>
<td>6.00%</td>
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<tr>
<td>Semi-industrial</td>
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<td>7.25%</td>
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<tr>
<td>High Street</td>
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<td>3.75%</td>
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<tr>
<td>Retail warehousing</td>
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<td>5.50%</td>
<td>5.50%</td>
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<tr>
<td>Shopping Centers</td>
<td>4.25%</td>
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Office Reconversion in Antwerp City Centre in the last decade

Over the past decade, the pace of reconversion in Antwerp has grown steadily. It started after the crisis of 2007-2008 when demand dropped dramatically. With the market concentrating on prime office space, the vacancy in older properties remained vacant for an increasing length of time and in some cases older properties were assessed as having only a remote chance of being taken up in their current condition. From a property point of view, the reconversion of older properties provides an opportunity to bring new or entirely refurbished properties on the market. This has the advantage of meeting the demand for new or thoroughly refurbished space that meets all current requirements of potential occupiers, which focus increasingly on well designed sustainable properties. Reconversion also reduces the vacancy by transforming structural vacancy present in older properties which do no longer meet the current standards into new functions. New projects such as The Link near Berchem Station and Post X, part reconversion of a former distribution centre of Bpost, also create new opportunities in the market, on locations close to the Ring.
Refurbishment projects mainly « intra muros »

344,000 sq.m. in #37 projects

Part new/part refurbished #2 projects 29,000 sq.m.

New #13 projects 156,500 sq.m.

Refurbishment #22 projects 158,700 sq.m.
In the last decade JLL has registered the reconversion of a total of 783,500 sq.m. to other uses, in 86 projects. Whilst offices are the principal source of reconversion projects, the trend has been observed in many other original property uses. Ten years ago, among the first properties which were sold for reconversion was the Military Hospital, that was reconverted from its former public use as a hospital to 45,000 sq.m. residential, 4,000 sq.m. offices, 4,000 sq.m. hotel and 1,000 sq.m. retail space. Another more recent example is the Cadix project, a former industrial warehouse north of the city centre which was reconverted to 22,000 sq.m. residential area and 2,000 sq.m. retail.

The reconversion of office space amounts to a total of 344,000 sq.m. in 37 projects, representing respectively 44% of the total reconverted space and 43% of the number of projects mentioned above. In 2009 the first completions of reconverted office space were registered, amongst which the refurbishment of an office property on the Terninckstraat into a mixed residential/retail project (3,200 sq.m.). It was followed by the reconversion of 7,500 sq.m. to a school in Berchem, the development of 3,000 sq.m. new residential property on the Borzenstraat.

Residential use is the largest new use for reconverted offices. Residential use represents 58% of all office reconversions, followed by new offices (35,600 sq.m.) and hotel use (33,100 sq.m.). The success of reconversion to residential use lies in the feasibility of the reconversion, where a relatively low price of older office properties provides an opportunity for developers of residential properties. The demographic growth of Antwerp is a facilitating factor.

Specialised developers active in Antwerp include Cores Development, Matexi, Immogra, L.I.F.E., Attis and others.

We registered 22 refurbishments, 13 new buildings and 2 projects that were partly refurbished and partly new building.

The largest reconversions were new constructions, where the older properties were replaced by new developments. Examples are Cadiz, the Louise Marie Tower (reconverted in the planning stage), the Friendship Building and the Tolhuis on the Sint-Pietersvliet. The largest refurbishments, where the original building is maintained but underwent or will undergo thorough renovation, include the Antwerp Tower on the De Keyserlei, the WATT building on the Mechelsesteenweg and soon also the recently sold property located Oudaan 5.

In the last decade, 15 reconversion projects were realised, whose completion was spread in time and over various uses. Both the number of transactions and the volume increase gradually over the years, from only a couple per year before 2010 to 20 projects since 2015. Whilst the number of projects increased in the past few years, the planning of all reconversion projects is long-term, broadly spread in time and different from project to project in view of various factors such as location, size, new use, feasibility etc.
In the period between 2009 and 2016 a total volume of 120,000 sq.m. of offices were completed, an average of 15,000 sq.m. per year. Current projects under construction and planned are equivalent to an increased rhythm of approx. 20,000 sq.m. per year. 25,000 sq.m. are currently under construction in 6 projects, the largest of which is a 9,000 sq.m. hotel on the Pelikaanstraat near Antwerp Central Station. In addition, 60,000 sq.m. are in the planning stage, amongst which the Antwerp Tower on the De Keyserlei which will be transformed to a mix of 24,500 sq.m. residential and 5,500 sq.m. retail use, and part of the Crelan portfolio which will be transformed into residential and senior housing, whilst 5,000 sq.m. will remain office use. Another 139,000 sq.m. are identified for the longer term and will be spread over more than five years, with an estimated annual completion rate of 20,000 sq.m.

The volume of reconverted office stock in Antwerp as at today, 120,000 sq.m., represents 10.7% of the office stock in the city centre, which is similar to the proportion of reversion in other large cities such as Brussels Capital and Amsterdam. Whilst in Brussels the reconversion is also recorded in decentralised districts such as Evere, Woluwe and Schaerbeek, in Antwerp this remains limited to the city centre, and particularly the western part of the centre between the Leien and the river Scheldt. Looking forward, reconversions in the city centre of Antwerp will gradually reduce and future potential for long-term reversion in Antwerp will be identified in the periphery where the vacancy rate is higher than in the city centre, currently above 17% against 10.9% for Antwerp globally.

The reconversion of offices constitutes a valid alternative for the redevelopment of structurally vacant older properties, to a variety of new uses including new state-of-the-art residential, new office space, hotels, senior housing, schools and others. It reduces the structural vacancy in the office stock and contributes to the renewal of the office stock. We expect this trend to remain present in the market for a number of years to come, albeit at a lesser extent in the city centre and with more opportunities in the periphery in the next decade, particularly older office buildings in Berchem and in Kontich in areas which are attractive for residential use.

New use after reconversion (sq.m.)

- Residential 200,583 58%
- Offices 35,600 10%
- Retail 24,400 7%
- Hotel 33,100 10%
- Care 22,000 6%
- School 19,500 6%
- Student housing 9,000 3%

Source: JLL Research
JLL Offices Belgium

Avenue Marnixlaan, 23 b1
B – 1000 Bruxelles Brussel
T 32 (0) 2 550 25 25
F 32 (0) 2 550 26 26

Jan Van Gentstraat 1 bus 402
B – 2000 Antwerpen
T 32 (0) 3 232 39 30
F 32 (0) 3 233 76 85

JLL Contacts

Jean-Philip Vroninks (**)
MANAGING DIRECTOR BELUX
+32 (0) 2 550 26 64
Jean-Philip.Vroninks@eu.jll.com

Ralph Schellen (***)
HEAD OF OFFICE AGENCY - FLANDERS
+32 (0) 3 212 15 90
ralph.schellen@eu.jll.com

Adrian Glatt (*)
HEAD OF CAPITAL MARKETS BELUX
+32 (0) 2 550 26 28
Adrian.Glatt@eu.jll.com

Pierre-Paul Verelst
HEAD OF RESEARCH BELUX
+32 (0) 2 550 25 04
Pierre-Paul.Verelst@eu.jll.com

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(*) sprl / bvba
(**) Revron gcv
(***) Allres bvba