



#### [Kempen & Co news – Befimmo \(EUR 62.01; REDUCE\) published its FY07/08 results](#)

Befimmo published its FY07/08 results. The CFPS adjusted for sales gains and non-cash value changes in derivatives came out at EUR 3.87 (CF yield 6.2%; E: EUR 3.95) and the NNAV was EUR 74.0. The company reported a marginal negative result on the portfolio of EUR 6.3m (-/-0.33%), whilst we have pencilled in EUR 22m of negative revaluations as we assumed a widening of yields of 20bps (08E: 6.1% net yield vs. A: 5.9% - actual realized yield expansion was not disclosed). The company announced a DPS of EUR 4.55 (7.3%) and expects to pay-out EUR 4.60 DPS over 2009 whilst our recurring 09E CFPS is only EUR 4.4. For now we leave our Reduce rating unchanged. We will fine-tune our model after we have spoken to the company and updated our model.

Operating result: The recurring CF over FY07/08 came out at EUR 50.6m (CFPS EUR 3.87) which was slightly lower than our EUR 51.6m FY07/08 assumption. The CF including sales gains came out at EUR 4.55 p/s due to capital gains on the disposals of the semi-industrial portfolio (EUR 0.57 p/s) and two buildings from the Fedimmo portfolio (EUR 0.09 p/s). We are positive on the 9.4yrs lease maturity (64% leased to the public sector) on the portfolio and the increased occupancy level to 97.3% (+2.2% y-o-y) due to a net take-up of 25,400 sqm. Nevertheless, we expect Befimmo's occupancy rate to be under pressure going forward since 688,000 sqm of speculative developments will come to the market over 2008-10 (or 5.4% of the total supply in Brussels). As such we expect the current average rent in Brussels (EUR 164 p/sqm) to decrease by c6% to the trough rental levels of 2001 (EUR 155 p/sqm). We assume an occupancy rate of 95% for YE10 and an average LFL rental growth of 0.5% below indexation. We however expect Befimmo's FY08/09 and FY09/10 CFPS to increase to EUR 4.4 and EUR 4.6 respectively due to prelet renovation completions reflecting in CF yields of 7.1% and 7.4%. This is still below European average of 10.8% and 10.6% respectively.

Financing: In 3Q07/08 Befimmo signed a new five-year syndicated loan for a total amount of €300m (at an average margin of 80bps) and extended the duration of its borrowings to 3.7 years at YE07/08 and increased the unused credit facilities to EUR 250m. This is sufficient to finance the expected capital expenditures for its renovation works until YE09 (EUR 56m) and the acquisition its Luxemburg office building Axento (1H09; EUR 95m) without jeopardizing its refinancing needs of all of its maturing debt for FY09 (EUR 105m) and FY10 (EUR 0m). Currently the company's LTV stands at 47% which on the longer term might be increased to between 50% and 55% due to acquisitions in France and write-downs.

Result on the portfolio: The overall gross yield on the portfolio came out at 6.3% at YE07/08 (YE06/07: 6.4%; Net yield: 5.9%) and the revaluation result on the standing portfolio came out negative at EUR 6.3m, indicating an unrealised change in value of -/-0.3% for Befimmo's FY07/08 property portfolio. We believe Befimmo's portfolio will be subject to 40bps softening of yields for FY09, reflecting a negative return on the portfolio of -/-5.0% respectively. All in all, we expect the YE09 NAV to come out at €61 p/s.

We continue to have some doubts about Befimmo's shareholder structure since Fortis is the largest shareholder in Befimmo (with 16.2%). A sale of the shares might be a risk, but not necessarily likely as Fortis Real Estate Asset Management is Befimmo's promoter (i.e. controls the statutory managing agent Befimmo SA). Additionally, we expect the company to acquire between EUR 90 and EUR 180m of offices in Paris in the nearby future (E: FY08/09); we however do not favour the company gearing up for acquisitions and especially not for investments in new areas. *For further information please contact Robert Woerdeman (+31 20 3488458; [rwoe@kempen.nl](mailto:rwoe@kempen.nl))*