

Befimmo (EUR 63.40 - Reduce) Preview H1 results

Thursday 26 May, Befimmo will report its H1 figures after closing.

Preview

Period	H1 2010 - 2011
Date/Time	May 26 after closing
Recommendation	Reduce
Target price	56.00

in EUR	H1 2010a	H1 2011e	% Ch
Rental income (m)	62.02	60.01	-3.24%
FFO	38.80	37.38	-3.66%
FFO/share	2.31	2.23	-3.46%
NAV	58.90	59.50	1.02%

Conference Call	May 26, 17:00 CET (under embargo)
Analyst Meeting	May 26, 17:00 CET (under embargo)

Key items

1. H1 top line will decrease due to the sales of Empress court (15,500sqm) and Kattendijkdok (12,000sqm). Furthermore the income guarantee for the Axento building (Luxembourg Kirchberg) expired on 31 December. Befimmo acquired the Pavilion in mid-February 2011, which will contribute for approx. EUR 500k in Q2 2011.
2. The beat might come from the Axento building (Luxembourg Kirchberg): 65% of the Axento was let at year-end.
3. Excluding investments, we expect a decrease of portfolio value of -0.57% for H1 2011. Mainly due to the slight overrenting and the increasing interest rates (which have their impact on valuations as well).

Conclusion

We recognize that the portfolio of Befimmo is well secured for the rest of the year (99% secured), despite the weakness of the Brussels office market and the pure play strategy of Befimmo the rental momentum is negative and should remain so. There is 1.5m sqm of available space in Brussels, with more than a quarter of that space in buildings built since 2005. Although the stock price increased the past months thanks to safe haven status of real estate, we remain cautious on the stock, as a consequence of its pure office player positioning.