Befimmo

Belgium/ Real Estate

Company update

Investment Research

21 September 2011

Hold

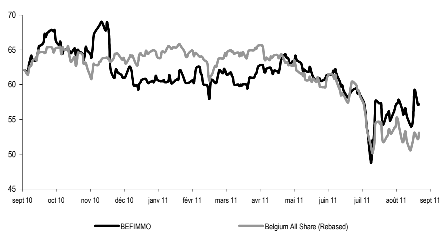
Recommendation unchanged

Share price: EUR	**57,16**
closing price as of 20/09/2011	
Target price: EUR	**59,00**
from Target Price: EUR	**61.00**

Reuters/Bloomberg	BEFB.BR/BEFB BB
Daily avg. no. trad. sh. 12 mth	21.473
Daily avg. trad. vol. 12 mth (m)	1,32
Price high 12 mth (EUR)	69,05
Price low 12 mth (EUR)	48,75
Abs. perf. 1 mth	5,3%
Abs. perf. 3 mth	-5,5%
Abs. perf. 12 mth	-6,0%

Market capitalisation (EURm)	960
Current N° of shares (m)	17
Free float	81%

Key financials (EUR)	**09/10**	**12/11e**	**12/12e**
Gross Rental Income (m)	123	148	119
EBITDA (m)	112	120	95
EBITDA margin	*86,3%*	*73,6%*	*73,2%*
Portfolio Result (m)	(34)	(16)	0
Net Financial Result	*(27)*	*(23)*	*(23)*
Net Profit (adj.)(m)	85	83	64
Funds From Operations	84,78	83,28	64,02
EPS (adj.)	5,05	4,96	3,81
DPS	3,90	4,93	3,27
IFRS NAVPS	60,60	61,45	60,79
EPRA NAVPS	*61,68*	*60,95*	*60,29*
Premium/(Discount)	2,3%	(7,0%)	(6,0%)
Earnings adj. yield	*8,8%*	*8,7%*	*6,7%*
Dividend yield	*6,8%*	*8,6%*	*5,7%*
EV/EBITDA	*16,9*	*15,2*	*19,9*
P/E (adj.)	*12,3*	*11,5*	*15,0*
Int. cover(EBITDA/Fin.int)	*4,2*	*5,1*	*4,2*
Net debt/(cash) (m)	*787*	*793*	*869*



Shareholders: AG Insurance 19%;

For company description please see summary table footnote

Offices, Offices, Offices, Brussels, Belgium, Luxembourg.

With a portfolio predominantly made by public tenants in Brussels, Befimmo has probably the most defensive and transparent portfolio among Belgian REITs, which are already seen as defensive plays in a European perspective.

- ✓ Befimmo manages a property portfolio based on office buildings in Brussels and, since 2007 to a much smaller extent, in Luxembourg. As a pure player in the office segment of the real estate market, Befimmo provides a full service to its tenants.
- ✓ Plans to expand into Paris that had been raised in 2008 have been put on hold considering potential new alternatives into the Brussels core market. However, none of them have been materialised considering that the first signs of revival where like a swallow that does not make a summer.
- ✓ Management questions now the relative attractivity of Brussels office market versus some other European cities, considering some recent relocations.
- ✓ As a pure play on Belgian (and in particular Brussels) offices, we can only expect modest rental growth, especially if we take into consideration the potential negative rents reversion of some 5 to 6% and a limited pipeline, putting aside a major delivery in Liège in 2014 at the latest.
- ✓ The company has increased its hedging which is now in line with its own targets. Some 55% of the debt is at floating rates while hedging instruments cover more than 90% of the floating rates. One of the challenges of the company consists in the renegotiation of its debt given that the bulk of the debt should be refinanced in two steps in 2012 and 2013.
- ✓ We have revised down our Target Price from EUR 61 to EUR 59 which is the middle of the road between our DCF value of EUR 56, the latest NNNAV of EUR59.98 and our estimate of IFRS NAV of EUR 61.45 at the end of December 2011.
- ✓ The present financial year has been lengthened by a fifth quarter ending in December 2011, and an additional interim dividend of EUR 0.99 has been guided.

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Investment case

The comparison between Befimmo and Cofinimmo, a traditional way of thinking among Belgian investors, becomes more and more irrelevant. Befimmo pursues fully in its strategy of being a pure player in Belgian offices while its counterpart is acting in other segments since several years, in order to reduce the share of offices.

One of the main challenges that could affect Befimmo more than other Belgian REITs, given that is a pure play in offices, is the shortening of the life cycle of offices because of the higher sustainability requirements. This should logically lead to either higher capex requirements for assets in portfolio or a higher rotation of the portfolio. It’s unclear for the time being which of these ways will be followed by the company.

Once the strategy of sticking to its vocation of pure player in Belgium “well located” assets, one may question if the best strategy is more on investments than on divestments. Recent years, characterised by a poor level of transactions, have not been favourable to assess neither the one nor the other strategy, with one notable exception however: the acquisition of an office building let to the European Commission on a 15 year period at a net initial yield of 5%. This contrasts with the sale of the new Empress Court in the Brussels CBD at a 5.5% initial yield.

Anyway, the requirement for either higher rotation or refurbishment is ongoing and there is no other way out. For sure the larger inclination of Befimmo portfolio versus long term rents to public authorities at good locations may explain that the urgency of facing these challenges appears less crucial for Befimmo than for any other Belgian REITs.

According to the management, the company will continue to sell assets in the latest cycle of their renting period in order to make an arbitrage between the price paid and the capex that will be avoided. Complementary, it will (like other players) also reconvert vacant assets into other real estate segments than offices, in particular in the periphery of Brussels. We only anticipate this at a modest scale in the near future (let us say two years), considering that this is a pretty new step for the company.

The next years may become more difficult for rent renewals at attractive conditions, considering potential rent reversion of some 5 to 6% on the back of a vacancy rate in the Brussels office market exceeding 11%. While history of rent renegotiation may be resumed in a battle to keep tenants and to capture indexation (linked to inflation between renewal of leases), the next future could be characterized also by higher capex requirements. Moreover it is unclear whether we will face an inflationary environment.

As such, we may anticipate that companies focused on offices will struggle to maintain very high occupancy rates.

9M trading update

Befimmo has released a 9m trading update during the latest week of August. No major surprises were expected from the few provided figures, considering modest news pipeline and a sort of stabilisation of the Brussels offices market. It happened as such.

Earnings were in slightly better than our expectations so that the company could confirm its dividend guidance of EUR 3.94 per share. This dividend will be considered as an interim dividend because of the lengthening of current FY 2010/2011 from September (12 months) to December (15 months). With net rental income of EUR 92.4m, meaning a slight increase in 3Q (EUR31.4m versus EUR 29.8 in 2Q) and like-for-like rents down 1% yoy, EPRA EPS (= recurrent result ex value of the portfolio and value of hedging instruments) emerged at EUR4.19 versus EUR3.96 for the 9 months ending in June 2010.

The occupancy rate was slightly up to 94.44% compared to March (93.86%), but down yoy from 95.3% because of the departure of a tenant and the ending of renovation of the Froissart building (3,185sqm in Brussels).

With a like-for-like value of the portfolio, down 0.5%, NNNAV per share remained pretty unchanged at EUR 59.98 (from EUR60.05 at the end of March). This was similar on an IFRS basis at EUR 60.40. These stable NAV were made possible however on the basis of a higher decrease during 3Q, -0.48% but -1.1% over the first nine months. The decline of -0.75% in CBD, coming from -0.27% for the first six months, was due to one building – Brederode (leased to Linklaters, but currently under heavy renovation until 2014) and not due to the difficult market). By contrast the assets in Flanders (18.5% of the portfolio) and Luxembourg (4.2% of the portfolio) recorded an increase of their value of 0.7% and 0.9% respectively.

Net yield was stable at 6.6%.

The average duration of leases has been marginally increased to 9.22 years (9.2 at the end of March and 9.14 at the start of FY2010) as a result of new leases for 52,600sqm since the start of FY (20,100sqm in 3Q). During the conference call, the management confirmed that the situation on the Brussels office market remained difficult after having hoped for an improvement more than one year ago.

Outlook

We anticipate a 3.4% decline of annualised like-for-like rental income for 2011 taking into consideration the high vacancy rate in the Brussels office market, while the Brussels market seems to lose somewhat of its attractivity, and the negative reversion of Befimmo portfolio.

For the years beyond, Befimmo only has a small development pipeline made of renovations for some EUR 40m (2% of portfolio) on an average in the coming years until 2014, of which the delivery of the Paradis building (39,000sqm in Liège in 2013/14).

SWOT Analysis

Strengths	Weaknesses
▪ 68% of the portfolio geared to public institutions ▪ Average length of lease (9.2 years) ▪ Attractive legal and fiscal framework offered by the Belgian REIT status ▪ Second largest Belgian REIT with good visibility among investors ▪ Debt to total assets ratios of 45%	▪ High dependence on the Brussels office market
Opportunities	**Threats**
▪ Pressure on acquisition prices on the Brussels office market ▪ Lengthening of the financial debt	▪ Increasing real interest rates ▪ Projects to expand to Paris

REIT overview

Company description

Befimmo has a long experience as a pure player in management of real estate assets in the Brussels office market. The company has built a portfolio predominantly made of public tenants, both Belgian and European. Plans for expansion into Paris have been recently put on hold since more than one year now.

At the origin of the company in 1995, Befimmo had set itself the goal of investing in three types of properties: mainly office buildings, semi-industrial buildings in the Brussels-Antwerp corridor and retail estates in Belgium.

The reality has become different however since the company is focused on offices in Belgium, and to a small extent in Luxembourg, of which the bulk in Brussels and for public institutions.

The portfolio is made of 90 buildings representing 850,000sqm with various sizes, ranging from 1,000 sqm up to a maximum of 75,000 sqm for the WTC III building in the North part of CBD of Brussels.

The average gross yield is 6.6%, impacted by the major share of public authorities as well as the length of their contracts.

The portfolio has become gradually more defensive especially over the last few years, due to the acquisition of 90% of Fedimmo (Belgian State offices) in 2006 in addition to the reduction of exposure to the decentralised area of Brussels (8% of the total portfolio nowadays). The portfolio of Fedimmo consists of 62 office buildings let to the Belgian state. This transaction represented an investment for Befimmo of EUR 576m. As such Befimmo is in a pole position for negotiations about the real estate portfolio of the Belgian authorities.

The first achievement of the diversification outside of Belgium was about the Axento building (10,640 sqm of offices and 1600 sqm of retail spaces) in Luxemburg of which the costs involved were EUR 96.5m.

The average length of leases of 9.2 years is built around a rather nice equilibrium of rents of different lengths of which the longest ones (between 9 until 18 years) overshadow by far the shortest ones (less than 3 years).

As far as the sectorial breakdown of the portfolio is concerned: on top of the majority share of the national & international public bodies, offices rented to private tenants are spread over a few sectors and large companies: BNP Paribas (6.9%), Linklaters Associates (2.6%), Levi Strauss (2.3%),…

With a quiet wave of investments&divestments, Befimmo's portfolio is gradually ageing. About half of the portfolio is more than 15 years old.

The company aims at remaining a pure player in the office market putting the accent on occupied building of top quality and top location and with a sufficiently large size enabling to identify its relution contribution starting from the acquisition year.

Investment and Renovation

Investments as well as divestments have historically been scarce and were focused over the last few years on small assets inherited from the Fedimmo acquisition.

The strategy is built on concentrating on offices in the Brussels CBD with long term leases, while gradually getting out of the decentralised area of Brussels and its periphery who represent together 14.5% of the total portfolio. Having in mind the low rotation of the portfolio implying its gradual ageing and enhanced by the acquisition of Fedimmo in 2007, the company has started to tackle this issue by selling assets, but also by some important renovations (EUR 40m, 2% of total portfolio on an average) in the few coming years

Management&people

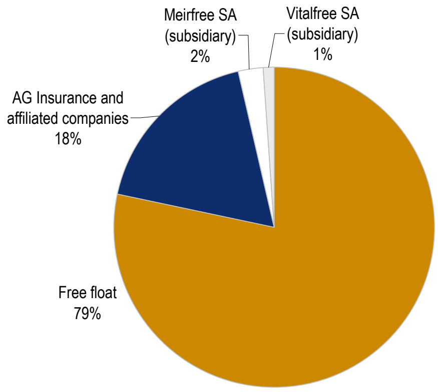
Befimmo operational team is made of 40 persons in charge of the asset management while the bulk of property management is outsourced to Fortis Real Estate Property Management (FREPM). The latter convention has been renewed in September 2009.

Shareholding

The company has been created, like most other Belgian REITs under a limited partnership structure (Befimmo SCA), which is managed by its general partner Befimmo SA.

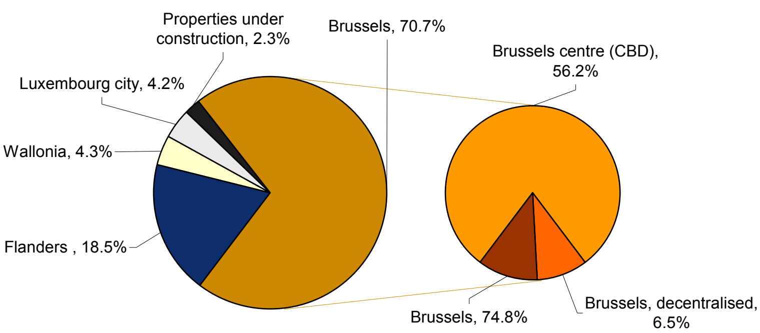
Reference shareholder is AG insurance which retains 18.8% of the equity.

Shareholder structure

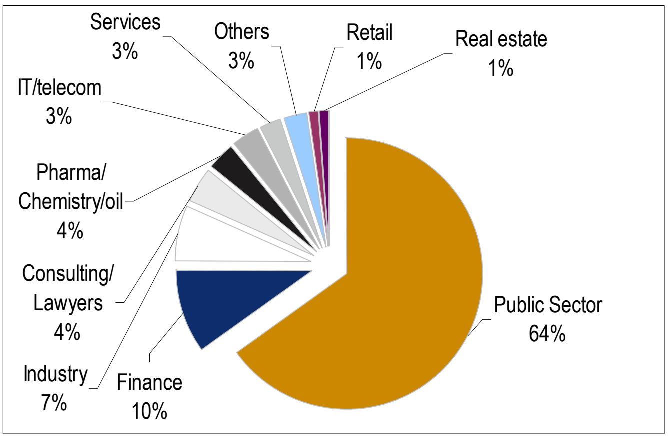


Portfolio value as at 30 June 2011

Portfolio breakdown by region

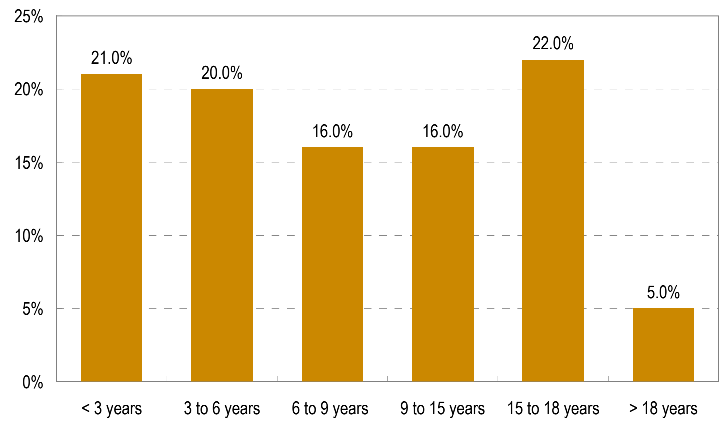


Portfolio breakdown by tenants



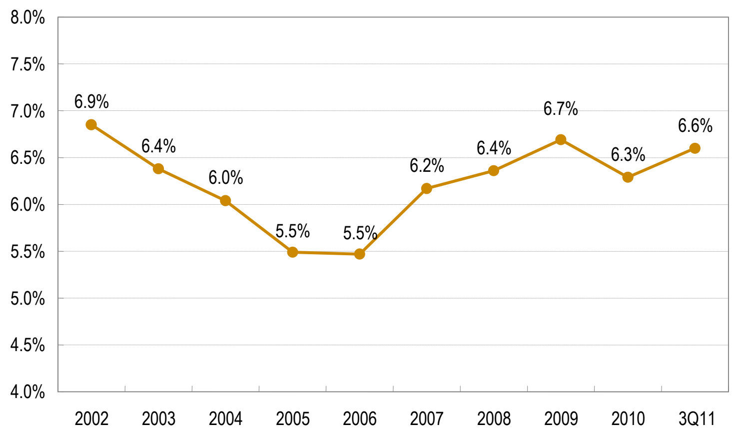
Source: Befimmo, Degroof Research.

Lease durations



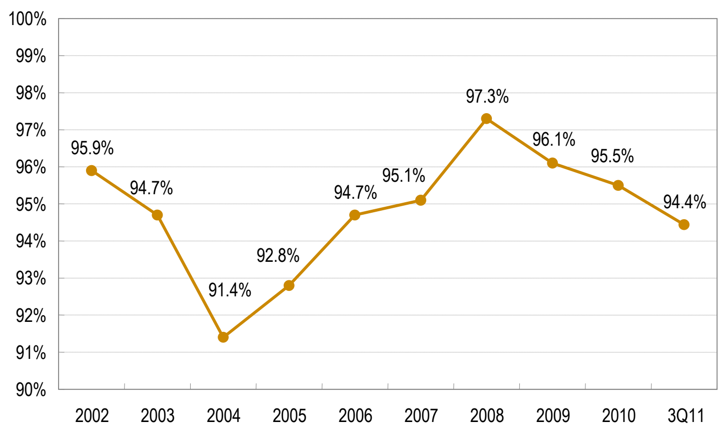
Source: Befimmo.

Gross portfolio yield (without ERV)



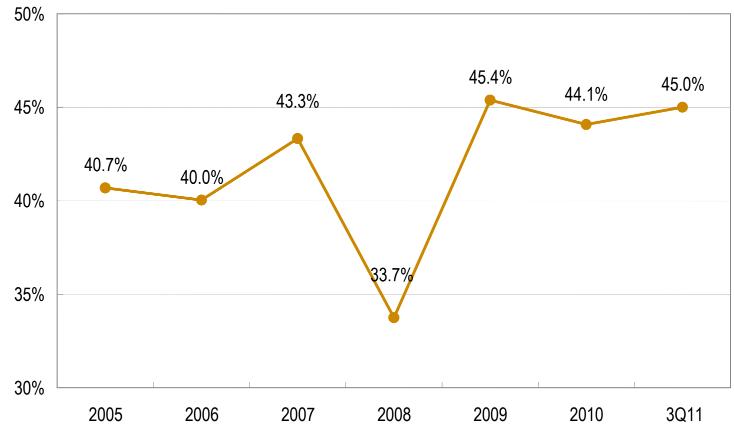
Source: Befimmo.

Spot occupancy rate



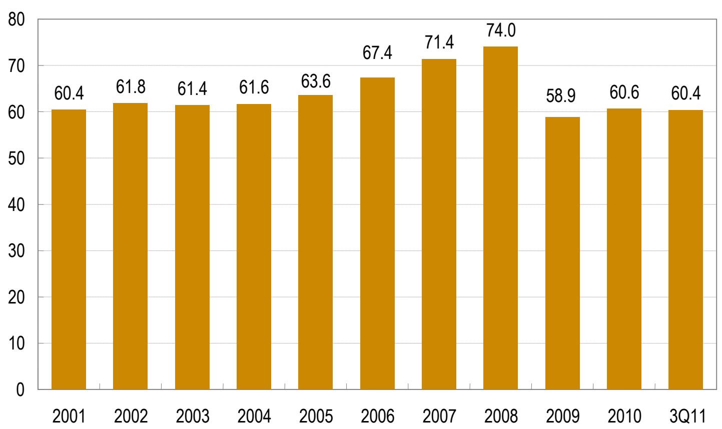
Source: Befimmo.

Debt to total assets ratio

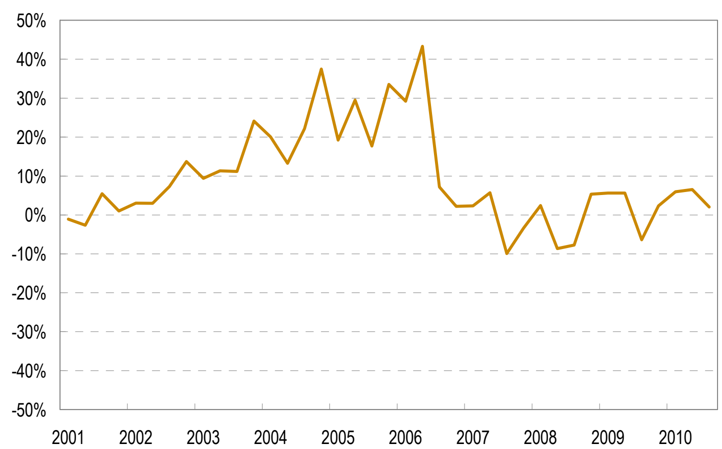


Source: Befimmo.

IFRS NAVps (in EUR)

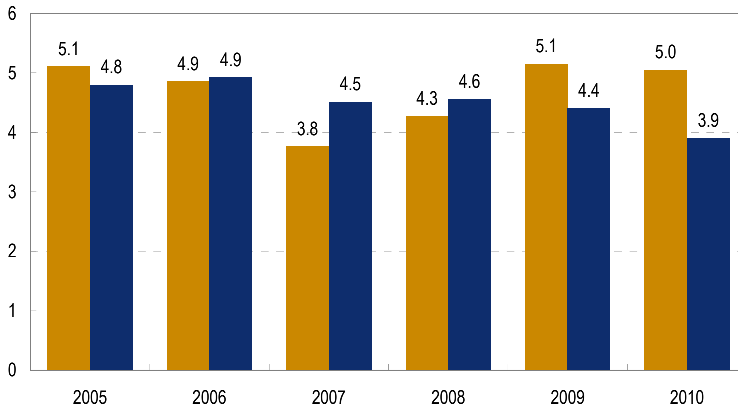


Premium to IFRS NAV (adj. for dividend payments)

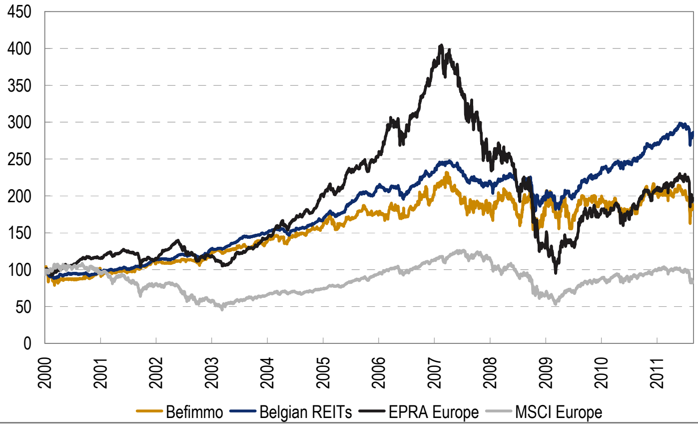


Source: Befimmo, Degroof Research.

Current EPS and DPS (in EUR)



Total return (1 Jan. 2000 until 31 August 2011)



Source: Befimmo, Degroof Research.

Market environment

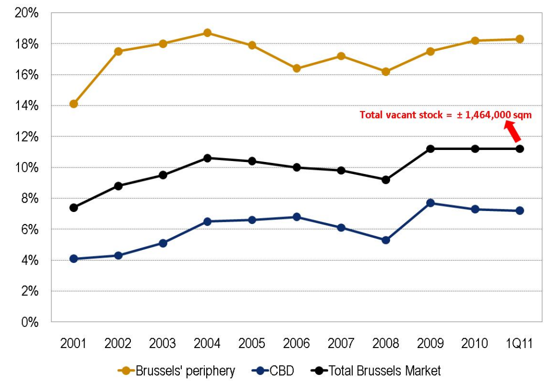
Brussels

Stable, Defensive The home market

Brussels, which is the third largest office market in Europe, has the reputation of being relatively more stable for real estate than several other European cities such as London, Paris, Munich, Amsterdam or Madrid. This is partly due to the strong presence of the public sector but also the good equilibrium between the public and the private sector, both national and international, accompanied by non profit organisations and representation offices from all over Europe. As such it is less dependent from the economic environment. On top of this, the occupiers market is to a large extent focused in the service sector in addition to a rather rigid labour market.

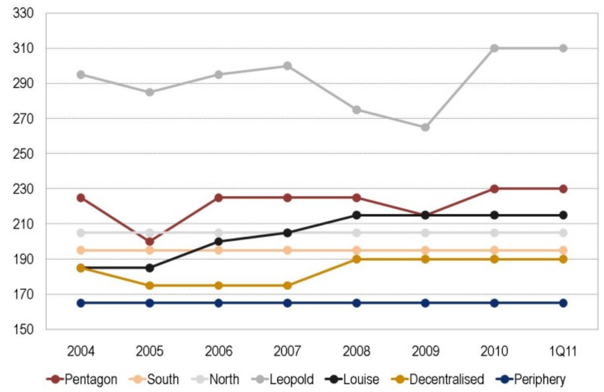
Vacancy in the Brussels' office market remains high at 11.2%. In the northern periphery of Brussels, where a significant number of the offices of Intervest Offices & Warehouses are situated, market vacancy even amounts to around 20%. However, the latter number is distorted by office buildings of bad quality, which the REIT does not possess.

Vacancy rate



Source: JLL

Prime office face rents (in EUR/sqm/yr)

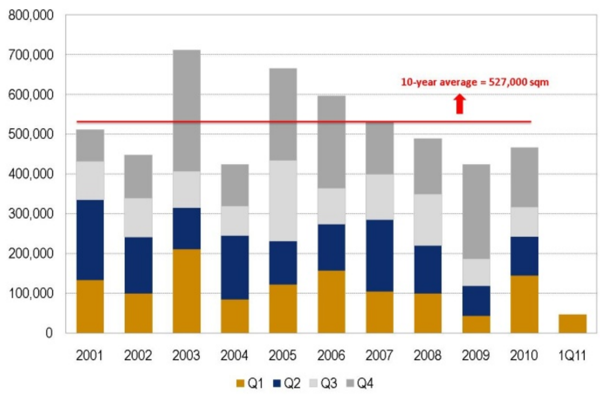


Source:JLL

Vacancy at 11%

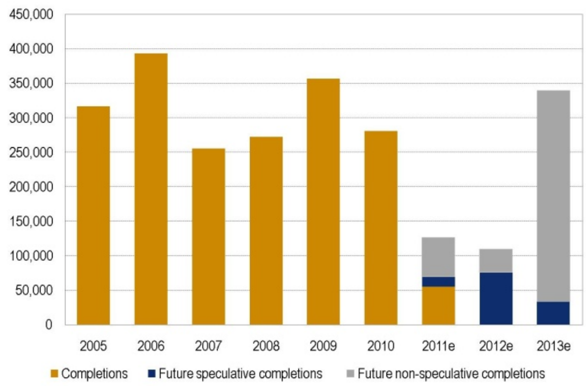
Obviously, such a high vacancy rate puts downward pressure on effective rents. Important gratuities of up to 2 months per year of lease were indeed granted in 2010. As a general rule of thumb, when availability is 6 to 8 %, one could speak of a balanced market with constant rental prices, while availability below 6 % would facilitate rental prices' growth. Availability above 8 % would raise the probability of decreasing rental prices. Currently, we are clearly in the latter scenario.

Take-up in the Brussels' office market (in sqm)



Source: JLL

Completions and developments in the Brussels' office market (in sqm)



Source: JLL

In 1Q11, take-up in the Brussels' office market amounted to only 58,000 sqm. In its interim statement on 1Q11, management of Intervest Offices & Warehouses confirmed that the market circumstances for new lettings in the office market remain difficult. For 1H11, take-up in the Brussels' office market was at a 10-year low.

Development pipeline is dry

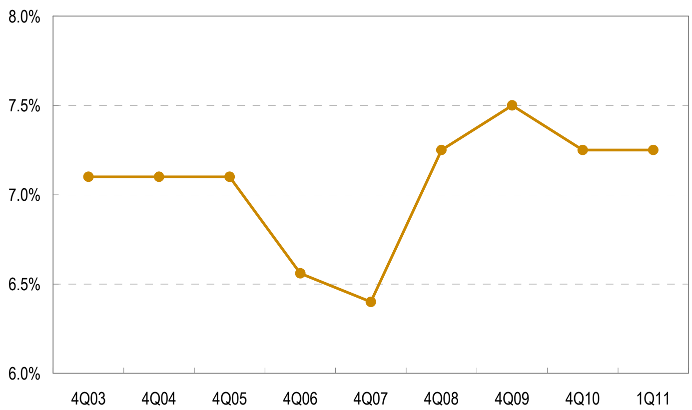
Because of the high vacancy rate the development pipeline has completely dried up: in 2011 and 2012 respectively 20,000 sqm and 50,000 sqm of office developments will be realised, which is significantly less than the historical average of 330,000 sqm p.a.

Gradual reduction of vacancy rate over 2011-2013

As a result of these developments, we expect the vacancy rate in the Brussels' office market to come down gradually over the period 2011-2013.

Prime office rents are anticipated to remain stable or increase slightly this year. In 1Q11, prime office rents in the periphery of Brussels remained roughly flat at EUR 160/sqm/year in 1Q11. These rents have been stable since 2004.

Prime office yields (6/9 year leases) in the periphery of Brussels



Source:

Prime office yields decreased slightly in 2010. In 1Q11, they remained stable. For offices in the periphery of Brussels and rented on a 6/9 basis, prime yields now stand at about 7.25%. Belgian offices' yields are expected to decrease slightly in the short term, but to increase slightly later in the year, as a result of rising interest rates.

Luxembourg

This market is only about 200kms from Brussels and well known by Belgian real estate players. The office market is smaller than the Brussels one and shows traditionally smaller vacancy rates and rents are much higher.

The vacancy rate has decreased from 7.0% in 1Q 2011 to 6.6% in 2Q while prime yields and prime rents remained stable during 2Q at 6% and EUR 38/sqm/month (EUR38x12=EUR456) respectively.

The development pipeline for 2011 and 2012 is very low amounting to 75,400sqm and 43,400sqm respectively. The foreseen pipeline for 2013 is higher (169,000 sqm) but includes only 30% of speculative projects.

The dependence to the financial sector, in a restricted definition tough, reaches 22%, about twice the similar figure for Brussels. Besides, considering the lack of major new supply, stabilisation seems to become the issue.

Financials

Befimmo's financial structure has historically never been highly leveraged compared to other Belgian REITs; Today its LTV of 45% is in line with historical targets but also of other Belgian REITs (42%) which for the most have reduced their leverage as a result of a lower wave of investments since 2008.

The company has to refinance EUR 380m in 2012 and EUR 520m in 2013, which are huge amounts compared to a total debt approaching EUR 800m. So, debt duration is pretty short. One of the challenges of the company obviously consists in the renegotiation of its debt. As such, and in order to diversify its financing sources, the first step consisted in the bond issue of EUR 162m (actuarial rate of 4.165% in April 2011).

Besides, the company has increased its hedging which is now in line with its own targets. Some 55% of the debt is at floating rates while hedging instruments cover more than 90% of the floating rates. This being said; the company could up to now benefit from a lower cost of debt (2.97% average for FY 2009-10) than its peers

Valuation

We have revised down our Target price from EUR 61 to EUR 59 which is the middle of the road between our DCF value of EUR 55,53, the latest NNNAV of EUR 59.98 and our estimate of IFRS NAV of EUR 61.45 at the end of December 2011

DCF valuation

CASH FLOW (EUR m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net rental income	**123,5**	**148,0**	**119,4**	**122,6**	**124,6**	**126,6**	**128,6**	**130,6**	**132,7**	**134,9**
% change		*19,9%*	*-19,3%*	*2,7%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*
EBITDA	**112,2**	**119,6**	**95,1**	**99,0**	**100,5**	**102,0**	**103,6**	**105,1**	**106,7**	**108,3**
% margin	*90,9%*	*80,8%*	*79,7%*	*80,7%*	*80,7%*	*80,6%*	*80,5%*	*80,5%*	*80,4%*	*80,3%*
% change		*6,6%*	*-20,5%*	*4,1%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*
Depreciation & other provisions	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
% sales	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
EBITA	**112,2**	**119,6**	**95,1**	**99,0**	**100,5**	**102,0**	**103,6**	**105,1**	**106,7**	**108,3**
% margin	*90,9%*	*80,8%*	*79,7%*	*80,7%*	*80,7%*	*80,6%*	*80,5%*	*80,5%*	*80,4%*	*80,3%*
% change		*6,6%*	*-20,5%*	*4,1%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*	*1,5%*
Taxes	**-0,7**	**-0,8**	**-0,7**	**-0,7**	**-0,7**	**-0,8**	**-0,8**	**-0,8**	**-0,8**	**-0,8**
Normative tax rate	*0,6%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*	*0,7%*
NOPLAT	**111,5**	**118,8**	**94,4**	**98,3**	**99,8**	**101,3**	**102,8**	**104,3**	**105,9**	**107,5**
	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% sales	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Gross Operating Cash Flow	**111,5**	**118,8**	**94,4**	**98,3**	**99,8**	**101,3**	**102,8**	**104,3**	**105,9**	**107,5**
Capex	**-48,3**	**-44,6**	**-55,3**	**-25,0**	**-8,0**	**-5,0**	**-5,0**	**-5,0**	**-5,0**	**-5,0**
% sales	*39,1%*	*30,1%*	*46,3%*	*20,4%*	*6,4%*	*4,0%*	*3,9%*	*3,8%*	*3,8%*	*3,7%*
Change in Net Working Capital	**-33,9**	**-5,3**	**-10,0**	**1,1**	**0,7**	**0,7**	**0,7**	**0,7**	**0,7**	**0,7**
Cash Flow to be discounted	**29,7**	**69,1**	**29,6**	**74,63**	**92,52**	**97,01**	**98,55**	**100,11**	**101,72**	**103,33**

DCF EVALUATION (EUR m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WACC	5,92%	5,92%	5,92%	5,92%	5,92%	5,92%	5,92%	5,92%	5,92%	5,92%
Discount Rate factor	0,00	0,98	0,93	0,88	0,83	0,78	0,74	0,70	0,66	0,62
Discounted Cash Flow	0,0	68,0	27,5	65,5	76,6	75,9	72,7	69,8	66,9	64,2
Cumulated DCF	**0,0**	**68,0**	**95,5**	**161,0**	**237,6**	**313,5**	**386,2**	**456,0**	**522,9**	**587,1**

WACC & DCF ANALYSIS					
Cost of Equity (Ke or COE)	**8,50%**	**Cumulated DCF**	**587,1**	**- Net Financial Debt**	**(787,3)**
				- Minorities (estimated value)	(64,4)
Cost of Debt (gross)	3,0%	**Perpetual Growth Rate (g)**	**1,0%**	+ Associates	0,0
Debt tax rate	1%	Normalised Annual CF	89,4	- Pension underfunding	0,0
Cost of Debt net (Kd or COD)	**3,00%**	Terminal Value @ 12/2018	1.818,2	- Off-balance sheet commitments	0,0
		Disc. Rate of Terminal Value	0,66		
Target gearing (D/(E+D)) or % Kd	47,0%	**Discounted Terminal Value**	**1.196,4**	**Equity Market Value (EUR m)**	**932,3**
% Ke	53,0%			Number of shares (m)	16,8
Normative Tax Rate	**1%**	Financial assets	0,5		
WACC	**5,92%**	**Enterprise Value (EUR m)**	**1.784,0**	**Fair Value per share (EUR)**	**55,53**

Source: Bank Degroof estimates

Multiple comparison

Peer Group Valuation

Company	Country	Rec.	Price 20-Sep-11	Target Price *Fair value*	Market cap EUR (m)	P/E(adj.) 2011	P/E(adj.) 2012	Div. Yield % 2011	Div. Yield % 2012	EV/EBITDA 2011	EV/EBITDA 2012
Aedifica	BE	Hold	EUR 045	43,00	319	22,2	22,3	4,0	4,3	27,8	30,9
Ascencio	BE	Hold	EUR 044	50,00	184	14,1	12,6	6,2	6,9	18,5	
Atenor	BE	Accumulate	EUR 031	37,00	154	16,6	6,6	6,6	6,9	14,7	10,1
Banimmo	BE	Hold	EUR 013	16,00	142	8,1	15,3	8,0	8,8	39,7	37,6
Befimmo	BE	Hold	EUR 057	59,00	960	11,5	15,0	8,6	5,7	17,3	17,2
Beni Stabili	IT	Accumulate	EUR 000	0,85	832	16,3	14,2	5,8	7,4	16,2	
Cofinimmo	BE	Hold	EUR 090	99,00	1.369	11,9	11,5	7,2	7,2	17,1	
Deutsche EuroShop	DE	Hold	EUR 026	27,50	1.367	21,9	19,8	4,2	4,2	33,6	31,5
IGD	IT	Accumulate	EUR 001	1,90	368	11,4	10,9	7,7	8,4	16,1	16,4
Intervest Retail	BE	Hold	EUR 046	46,00	234	18,1	17,8	5,4	5,5	19,7	
IVG Immobilien AG	DE	Buy	EUR 002	4,00	327	nm	46,8	0,0	0,0	16,3	13,7
Leasinvest Real Estate	BE	Hold	EUR 063	67,00	252	10,6	10,8	6,7	6,8	15,2	15,8
Montea	BE	Hold	EUR 025	25,00	140	13,6	12,6	7,2	7,6	20,4	
Realia	ES	Buy	EUR 001	2,75	311	nm	44,5	0,0	0,0	18,4	17,1
VIB Vermoegen	DE	Buy	EUR 007	11,00	143	8,0	8,6	4,5	4,5		
WDP	BE	Reduce	EUR 036	36,00	456	10,8	11,1	8,1	8,1	15,8	
Mkt cap total (EUR) & Weighted averages					**7.557**	**20,1**	**14,4**	**5,8**	**5,8**	**18,3**	**nm**
Arithmetical Average						14,4	17,3	5,6	5,8	20,3	21,1
Median						13,6	14,2	6,2	6,8	17,8	17,1

Source: ESN estimates

Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
17/11/11	Results	Q3 2011 Results	2011Q3

Befimmo: Summary tables

PROFIT & LOSS (EURm)	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Gross Rental Income	**109**	**119**	**123**	**148**	**119**	**123**
Other Operating Income	12,9	13,1	6,5	14,5	10,4	12,0
Operating Costs	-20,0	-17,7	-14,3	-26,6	-18,5	-19,1
Net Rental Income	**102**	**114**	**116**	**136**	**111**	**115**
General Expenses	-11,9	-9,8	-12,5	-16,9	-16,8	-17,1
Net Other Income/(Costs)	1,3	1,9	9,0	0,5	0,6	0,7
EBITDA	**91,4**	**106**	**112**	**120**	**95,1**	**99,0**
Portfolio Result	**2,5**	**-74,8**	**-34,3**	**-15,5**	**0,0**	**0,0**
o/w Revaluation of Fair Value of Investment Properties	*-6,3*	*-75,0*	*-34,6*	*-30,0*	*0,0*	*0,0*
o/w Gain/Losses on Disposal of Investment Properties	*8,8*	*0,2*	*0,2*	*14,5*	*0,0*	*0,0*
Net Operating Profit before Finance Cost	**93,9**	**31,4**	**77,8**	**104**	**95,1**	**99,0**
Net Financial Result	**-31,3**	**-64,3**	**-26,6**	**-23,4**	**-22,7**	**-30,5**
o/w Share of the profit of associates & dividend income	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*
o/w Revaluation of Financial Instruments	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*
o/w Net Financial Costs	*-31,3*	*-64,3*	*-26,6*	*-23,4*	*-22,7*	*-30,5*
EBT	**62,6**	**-32,9**	**51,3**	**80,6**	**72,4**	**68,5**
Tax	-0,6	-0,6	-0,5	-0,7	-0,8	-0,7
o/w Deferred Taxes	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*
o/w Real Taxes	*-0,6*	*-0,6*	*-0,5*	*-0,7*	*-0,8*	*-0,7*
Tax rate	*0,9%*	*-2,0%*	*0,9%*	*0,8%*	*1,1%*	*1,0%*
Net Result (reported)	**62,0**	**-33,6**	**50,8**	**80,0**	**71,6**	**67,8**
o/w Minorities	*-3,7*	*-1,1*	*-3,9*	*-4,7*	*-4,2*	*-4,2*
o/w Group Share	*58,2*	*-34,5*	*46,7*	*75,1*	*67,5*	*63,6*
Earnings adj.	**55,7**	**72,4**	**84,8**	**83,3**	**64,0**	**62,4**
Funds From Operations	55,7	72,4	84,8	83,3	64,0	62,4

CASH FLOW (EURm)	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Cash Flow from Operations after change in NWC	**57,9**	**159**	**72,6**	**109**	**80,3**	**95,2**
Interest Costs	-31,3	-64,3	-26,6	-23,4	-22,7	-30,5
Capex	-592	-78,2	-29,8	-48,3	-44,6	-55,3
Free Cash Flow	**-566**	**16,2**	**16,2**	**37,0**	**12,9**	**9,4**
Dividends	-48,2	-58,9	-59,4	-61,9	-65,5	-82,8
Other (incl. Capital Increase + change in cons. & share buy	0,0	0,0	0,0	0,0	0,0	0,0
Change in Net Debt	**-613,7**	**-42,7**	**-43,2**	**-24,9**	**-52,6**	**-73,4**
NOPLAT	90,6	108	111	119	94,0	98,0

BALANCE SHEET & OTHER ITEMS (EURm)	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Investment Properties	1.894	1.935	1.902	1.916	1.971	1.981
Development Properties	0,0	0,0	0,0	0,0	0,0	0,0
Deferred Tax Assets	0,0	0,0	0,0	0,0	0,0	0,0
Other Non Current Assets	33,6	4,9	4,2	4,2	4,2	4,2
Cash & Cash equivalents	4,6	6,1	3,5	4,6	4,6	4,6
Other current assets	39,3	43,6	75,9	69,2	64,0	64,6
Total Assets	**1.972**	**1.989**	**1.985**	**1.994**	**2.044**	**2.054**
Shareholders Equity	967	988	1.017	1.032	1.021	1.034
Minorities Equity	61,7	61,6	64,4	64,4	64,4	64,4
Non Current Financial Debt	597,7	745,4	584,8	589,7	646,2	642,5
Deferred Tax Liabilities	5,4	0,0	0,0	0,0	0,0	0,0
Other Non Current Liabilities	259,4	18,9	20,1	20,1	20,1	20,1
Current Financial Debt	15,4	47,0	206,0	207,7	227,6	226,3
Other Current Liabilities	65,4	128,1	92,3	80,4	65,1	66,8
Total Equity & Liabilities	**1971,8**	**1989,4**	**1985,1**	**1994,1**	**2044,2**	**2053,9**

GROWTH & MARGINS	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Rental Income Growth	*4,3%*	*8,7%*	*4,1%*	*19,9%*	*-19,3%*	*2,7%*
EBITDA growth	*3,8%*	*16,1%*	*5,7%*	*6,6%*	*-20,5%*	*4,1%*
Net Result Group Share Growth	*-34,7%*	*-chg*	*+chg*	*61,0%*	*-10,1%*	*-5,9%*
Earnings adj. growth	*13,4%*	*30,0%*	*17,1%*	*-1,8%*	*-23,1%*	*-2,5%*
EPS growth	*-34,7%*	*-chg*	*+chg*	*61,0%*	*-10,1%*	*-5,9%*
EPS adj. growth	*13,4%*	*20,8%*	*-1,9%*	*-1,8%*	*-23,1%*	*-2,5%*
DPS adj. growth	*0,9%*	*-3,3%*	*-11,4%*	*26,4%*	*-33,7%*	*5,2%*
Operating Margin	*74,9%*	*80,5%*	*86,3%*	*73,6%*	*73,2%*	*73,6%*

Befimmo: Summary tables

RATIOS	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Net Debt/Equity	0,6	0,7	0,7	0,7	0,8	0,8
Net Debt/EBITDA	6,7	7,4	7,0	6,6	9,1	8,7
Interest cover (EBITDA/Fin.interest)	2,9	1,7	4,2	5,1	4,2	3,2
Total Debt/Total Assets	47,8%	47,2%	45,5%	45,0%	46,9%	46,5%
LTV	32,4%	40,8%	41,8%	41,7%	44,4%	43,6%
Cash Flow from Operations/Capex	0,1	2,0	2,4	2,3	1,8	1,7
ROE	5,4%	6,9%	7,8%	7,6%	5,9%	5,7%
ROCE	5,4%	6,1%	6,0%	6,3%	4,9%	5,0%
WACC	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%
ROCE/WACC	0,9	1,0	1,0	1,1	0,8	0,8
Payout ratio	102,1%	-179,3%	140,3%	110,2%	81,2%	90,8%

PER SHARE DATA (EUR)**	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Average diluted number of shares	13,1	14,1	16,8	16,8	16,8	16,8
Diluted Number of shares end of period	13,1	16,8	16,8	16,8	16,8	16,8
EPS (reported)	4,5	-2,5	2,8	4,5	4,0	3,8
EPS (adj.)	4,3	5,1	5,0	5,0	3,8	3,7
DPS	4,6	4,4	3,9	4,9	3,3	3,4
IFRS NAV	57,6	58,9	60,6	61,5	60,8	61,6
EPRA NAV	57,6	58,9	61,7	61,0	60,3	61,6
EPRA NNNAV	57,6	58,9	60,3	61,2	60,5	61,6

PORTFOLIO KEY FIGURES	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Occupancy Rate	97,3%	93,8%	93,8%	93,8%	93,8%	93,8%
Portfolio Yield	6,3%	6,5%	6,9%	7,0%	7,0%	7,0%
Portfolio Yield on Full Occupancy	6,4%	6,9%	6,6%	6,6%	6,6%	6,6%
Average length of leases (end of contract)	0,0	0,0	0,0	9,2	0,0	0,0
Average length of leases (first break)	9,4	9,4	9,4	9,2	9,2	9,2

VALUATION	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Premium/(discount) to NAV	16,4%	5,3%	2,3%	(7,0%)	(6,0%)	(7,2%)
Premium/(discount) to EPRA NAV	16,3%	5,3%	0,5%	(6,2%)	(5,2%)	(7,2%)
P/E (adj.)	15,7	12,0	12,3	11,5	15,0	15,4
EV/Earnings adj.	32,3	26,1	22,3	21,8	29,6	30,3
EV/EBITDA	19,6	17,8	16,9	15,2	19,9	19,1

EV AND MKT CAP (EURm)	09/2008	09/2009	09/2010	12/2011e	12/2012e	12/2013e
Price* (EUR)	67,0	62,0	62,0	57,2	57,2	57,2
Outstanding number of shares for main stock	16,8	16,8	16,8	16,8	16,8	16,8
Total Market Cap	**1.126**	**1.041**	**1.041**	**960**	**960**	**960**
Net Debt	608	786	787	793	869	864
o/w Cash & Marketable Securities	*-4,6*	*-6,1*	*-3,5*	*-4,6*	*-4,6*	*-4,6*
o/w Gross Debt (+)	*613,0*	*792,4*	*790,8*	*797,4*	*873,8*	*868,8*
Other EV components	61,7	61,6	64,4	64,4	64,4	64,4
Enterprise Value (EV adj.)	**1795,9**	**1889,0**	**1892,7**	**1817,0**	**1893,4**	**1888,4**

Source: Company, Bank Degroof estimates.

Notes
**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*
***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs*

Sector: Real Estate/Real estate

Company Description: With a portfolio predominantly made by public tenants in Brussels, Befimmo has probably the most defensive and transparent portfolio among Belgian REITs. Befimmo is one of the two largest Belgian REITs listed in the BEL20 but also on EPRA Europe.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

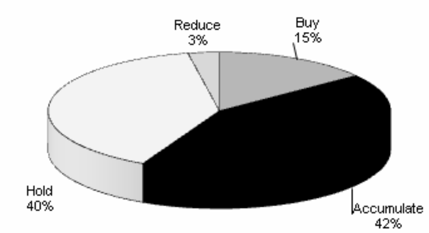
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold**: the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce**: the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a capital operation (take-over bid, SPO, …) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated**: there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown

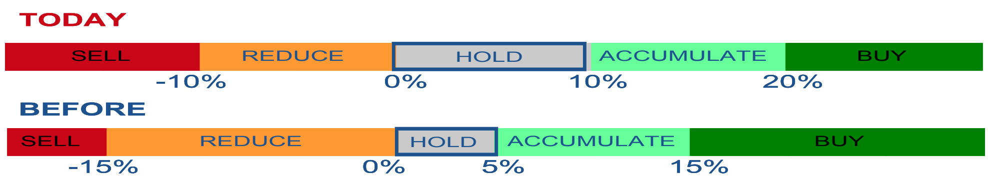


History of ESN Recommendation System

Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since 4 August 2008, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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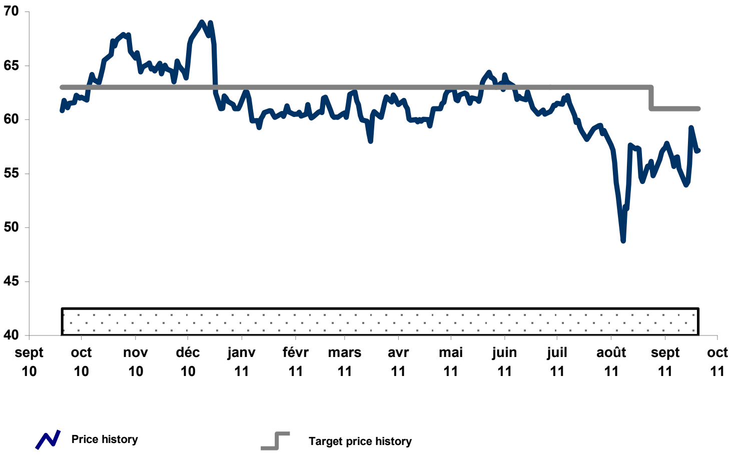
Recommendation history for BEFIMMO

Date	Recommendation	Target price	Price at change date
21-sept-11	Hold	59,00	57,16
24-août-11	Hold	61,00	56,15
18-janv-10	Hold	63,00	61,38
23-nov-09	Hold	62,00	63,44

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Jean-Marie Caucheteux (since 23/11/2009)



Bank Degroof acts as liquidity provider for:
Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, D'Ieteren, Duvel, Elia, Fiducial, Floridienne, GIMV, IBt, Intervest Retail, IPTE, I.R.I.S., Kinepolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Roularta, Sapec, Ter Beke and Van de Velde.

Bank Degroof holds a significant stake in:
Fountain and Proximedia.

Bank Degroof board members and employees hold mandates in the following listed companies:
Aedifica, Atenor, Barco, Bois Sauvage, Brederode, Cofinimmo, Deceuninck, D'Ieteren, Elia, Emakina, Floridienne, FuturaGene, Lotus Bakeries, Proximedia, Recticel, Sapec, Sipef, Ter Beke, Tessenderlo, UCB and Zetes

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