

Western Europe Morning Notes

18 November 2011

Sales desks

Amsterdam	+31 20 563 2121
Brussels	+32 2 547 1377
New York	+1 646 424 6033

Research contacts ([click here](#))

COMPANY COMMENTS

AkzoNobel: Investing in pockets of growth

BASF: Oil and gas round table

Befimmo: 4Q11 results - calm before the storm, or steady as she goes?

Boskalis: Order book stopped sequential decline, outlook reiterated

Fugro: trading update shows slight adjustment of FY11 outlook

Befimmo: 4Q11 results - calm before the storm, or steady as she goes?

Befimmo has reported its 4Q11 results. NAV per share came in at €60.60 (INGF: €62.28). The main disappointments here were valuations of -€30m (INGF: -€15m) and a -€24m mark to market of derivatives, most of which was in Q4. Recurring items were in line and the net operating result excluding valuations came in at €104m (INGF: €106m). Real estate markets were quiet, both for investments and for lettings, and management is looking to broaden its sources of debt. We see nothing particularly exciting in these results. FY results will have five quarters as the year end shifts from 30 September to 31 December. Gross DPS of €3.94 (2009/10: €3.90) is unchanged from previous outlook statements. Management will propose €0.99 as a final Q5 DPS in April 2012.

Befimmo has an overweight position in the outperforming Brussels CBD market, where it has 56% of its €2.0bn portfolio that is valued at a net yield of 6.6%. Befimmo's CBD portfolio posted a twelve month decrease in value of -1.5%, versus -2.5% in decentralised and - 4.7% in Brussels periphery. Q4 valuations of -0.4% were only marginally above the twelve month average of more than -0.35%. With increased investor concern over Belgian sovereign debt, the investment appetite for Brussels offices is likely to decrease further. Corporate and institutional tenants are hardly expanding and planning in and around Brussels is quite relaxed, with large users increasingly cost aware. Add the lack of supply constraints to the trend of sustainability capex that cannot always be recuperated and you can see why concerns about the outlook are increasing. While the Brussels market is much stronger than most Dutch office markets, Befimmo is unlikely to be the company that is going to take the flex-lease, clustering and touchdown shared meeting room initiatives that are, for example, being put forward by NSI. The vacancy rate of just 5.6% is only a third of that at NSI. The rental contract duration average stands at over nine years. Befimmo is making a good effort in sustainability and plans to have the footprint of all its buildings measured, and not just the developments. Also, disclosure has improved to best in class and Befimmo received the most improved Annual report reward at the EPRA conference this summer.

Price: €52.10. Last published: target price: €66.3; recommendation: BUY

Arjan Knibbe, Amsterdam +31 20 563 8780