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EQUITY REAL ESTATE

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Dear Emilie Delacroix

Please find below our latest publication:

[PDF](#) **Befimmo (Buy, TP=€56) - 12m target downgrade - Interim dividend confirmed (€2.59) in cash or shares - H. Quadrelli (5p)**

9-month results show an improvement in occupancy rate, from 94.3% at end-2011 to 95.5% in September 2012, due to active re-letting (6,600 sq.m over last quarter). Portfolio value is quite stable (-0.37% LFL) at €1.9804bn, despite a negative change outside the city center (-2.27%), thanks to the stability of the CBD portfolio (CBD -0.39%, representing 58% of the portfolio). EPRA NNNNAV works out at €57.21 (vs €57.17 at 31 December 2011). The company noted that the simplification of its structure will have a positive impact on cash flow thanks to lower charges, but will also have a one-off negative impact on NAV of €1.09. Befimmo confirmed an interim gross dividend of €2.59, paid in December, with scrip dividend option.

We have updated our estimates, taking into account the aforementioned impact on NAV, but have also lowered some optimistic assumptions on forecast NAV, given the current freeze of the Brussels investment market. These changes have a negative impact on our target price, which has fallen from €59 to €56.

Our TP of €56 is derived from a fair value of €61.8 resulting from the average of SG's three standard valuation approaches: a 10-year DCF (€58.2), a Gordon-Shapiro model (€65.2) and a 10-year DDM (€62.1). To this, we apply a 10% discount to reflect our 10% sector discount, the share's liquidity (2% discount) and management track record (2% premium). Risks to our Target Price: a further downgrade of the office occupancy rate in the Brussels market could have a negative impact on Befimmo's rents and on our valuation and recommendation.



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