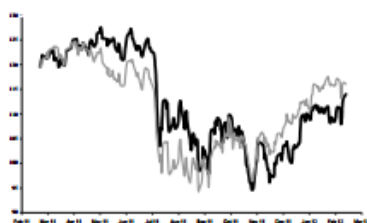




Flemish Administration possible buyer of Dexia Tower



— Stoxx Real Estate,
— DJ Stoxx TMI rebased on sector

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The facts: According to Belgian newspaper 'De Tijd', the Flemish Administration is studying a possible acquisition of the 'Rogiertoren' (Tower of Rogier), also known as the Dexia Tower. Belfius Bank (formerly Dexia Bank), the owner of the tower, could cash EUR 225m through the sale.

In between 2007 and 2011, the office patrimonium of Dexia in Brussels had already been brought down by 40% to 125,000 sqm, but Belfius would still have a lot of abundant office space. It is estimated that by 2014 about 50,000 sqm would be vacant in the three main buildings of the former Dexia Bank: Rogier, Pacheco and Galilei. The Rogiertoren is the most modern building and is most closely situated to the Noordstation (northern rail station), which means it is most easily let.

Such a transaction could be bad news for **Befimmo**, which has a rental contract with the Flemish Administration for the Noordbuilding, also known as 'Het Boudewijngebouw'. That contract ends in 2017 and the Flemish Administration could relatively easily terminate it earlier. Mercator could also be affected by the transaction, as its rental contract for the Phoenix building is nearing its end.

Both landlords could try to renegotiate their contracts with the Flemish administration, but nowadays this is only possible if rental prices are reduced. Another possibility for **Befimmo** would be to redevelop its project WTC 4 on the Albert II-avenue tailor-made for the Flemish Administration.

Our analysis: The portfolio of Befimmo is for 67% leased to public institutions and consists for 58% of offices located in the Central Business District (CBD) of Brussels.

According to DTZ, market vacancy in the CBD was 8.6% or 728,000 sqm at year-end 2011, with about 40% of that vacancy coming from buildings of less than 5 years old. In 2011, the entire Brussels' office market struggled with the lowest level of annual take-up over the past 12 years: take-up was 348,000 sqm, compared to 1,526,000 sqm of available space, which brought down market vacancy of the entire Brussels' office market to 11.6% (12.3%).

The possible acquisition of the Dexia Tower by the Flemish Administration confirms market circumstances remain challenging for Befimmo. With a discount to NAV of 14% this is reflected in the share price in our view.

Conclusion & Action: According to Belgian newspaper 'De Tijd', the Flemish Administration is studying a possible acquisition of the 'Rogiertoren' (Tower of Rogier), also known as the Dexia Tower. This imminent transaction confirms market circumstances remain challenging for Befimmo. With a discount to NAV of 14% this is reflected in the share price in our view. We remain our Hold recommendation.