

[Real Estate Daily]

ING comments on European Real Estate

Befimmo, 2012 H1 results fine, French adventure requires more detail

Befimmo posted a fine set of H1 results. Net rental income was €63.6 million (INGF: €63.5m), net result was €20.3m (INGF: €19.5m). Spot occupancy was up 1.2% to 95.5% at 30 June and the duration of the leases improved further from 9.02 to 9.62 years. EPS came in at €2.13 (consensus below €2.00, INGF: €2.04). NAV p.s. came in at €57.27, we had estimated only €53.07 due to a mistreatment of the DPS during transition from a 15 to a 12 month book year.

Management reiterated its interest in entering France. Preferable in lot sizes around €80 million and with a maximum of 'for example' 20%. Management believes it needs direct returns of at least 6% so central Paris is seen as too low yielding to fit the Befimmo model, hence the company is looking elsewhere in France. The French portfolio should outperform the Belgian portfolio, but it remains unclear whether Befimmo aims to outperform the French markets in which it would like to operate. This part of the expansion deserves further clarification, in our view. Management is not afraid to state it will go to its shareholders if it requires equity but only when a deal is imminent.

Within the Belgian office markets Befimmo is well positioned with overweights in market with low vacancies such as North and Centre and Befimmo is also outperforming the submarket vacancy in every Brussels office market. However investment and user demand remain weak and supply constraints hardly exist, outside the centre. H1 valuations were only -0.68% (Q1: -0.76%), implying a strong Q2. This equals -€13.5 million (INGF: €16.9m), as Befimmo swapped the valuers portfolios' of JLL and DTZ and started to use PWC to value the portfolio let to public institutions. Management confirms a DPS of €3.45, with a €2.59 interim DPS on 20 Dec 2012. Price: €47.00. Last published: target price: €48.70; recommendation: HOLD