

[Real Estate Daily]

ING comments on European Real Estate

BEFIMMO: Buys AMCA building for €110m

Befimmo announced an asset-for-shares deal with AXA Belgium. We believe the key positives are that: 1) Befimmo gains a knowledgeable and likely supportive reference shareholder with AXA and 2) Befimmo issues shares at a 13% premium to the current market price while the acquisition will not add to earnings in the first 3 years.

AXA contributes the AMCA building located in Antwerp and Befimmo will issue 2.04m new shares to AXA, with an issue price of €54 per share, 13% above the current market price and with a discount of 2% to 1Q13 EPRA NAV of €55.2. AXA will hold 9.6% of all Befimmo shares after completion of the deal foreseen in July.

This building is valued by the deal at €110m and with a net rental income of €6.8m generates a net initial yield of 6.2%. The lease to the Federal Belgian government has a residual lifetime of 16.5 years. The AMCA building will represent over 5% of Befimmo's total portfolio in terms of value.

Mitigating the risk to Befimmo of the size of the building are: 1) the rental level at somewhat over €110m/sqm which Befimmo believes is currently under market rents (although potentially 16 years of indexation will cause this to shrink if not become overrented) and 2) Befimmo also states that the building has potential for a residential conversion due its location in an upcoming neighbourhood in Antwerp and partly bordering the waterfront at the river.

The average annual impact in the first three years of the lease is € 2ct per share negative (this is a 100% equity financed deal after all) and after that through expected indexation the contribution will become positive. The LTV will decline by 2.5%pt due to the equity increase. Our forecasted LTV would drop to 46% at the end of 2013, and as the CEO states Befimmo now still has acquisition headroom of over €100m.

The company reiterated its outlook for a €3.45 dividend.

Price €48.1; Last published target price: €50.9; recommendation: Hold

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