

[Real Estate Daily]

ING comments on European Real Estate

BEFIMMO 1H13: EPS beats helped by one-off, further acquisitions likely

EPS came in better at €2.39 vs €2.13 at 1H12 and our estimate of €2.01. Ex one-offs (lease termination indemnity of €3.7m) EPS was €2.19 and Befimmo also indicated it is behind schedule with some operating costs in 1H13, further boosting a somewhat better EPS figure.

Gross rents came in at €69.0m (€65.3m excluding the indemnity paid by GE) vs consensus at €66.5m (2 ests. from BBG) in our view in line with estimates. Befimmo unfortunately does not provide a Like-for-like rental growth number for 1H.

Key financials - 1H13 vs 1H12 and INGF

	1H13	1H12	Variance	INGF	Variance
Net rental result (€m)	68.7	63.6	8%	64.7	6%
EBIT (€m)	64.5	58.1	11%	60.5	7%
EPRA Earnings (€)	2.39	2.16	12%	2.12	12%
NAV per share (€)	55.4	57.3	-3%	53.8	3%
EPRA NAV per share (€)	55.4	56.7	-2%	53.9	3%
LTV	47.6%	45.5%	-	47.5%	-
Occupancy rate	93.6%	95.5%	-	-	-

Source: Company data, ING estimates

Portfolio is growing through acquisitions but occupancy risk remains The standing portfolio valuation movement in 1H13 was -0.5%, with a positive movement on developments as the Paradis development is gradually positively revalued to operational status in 2015. The bulk of the negative movement came from the CBD properties at -0.5% (58% of portfolio in CBD)

In the Decentralized area Befimmo recorded a 5.2% value decline mainly caused by the "Triomf" building as a tenant departed (Brussels Decentralised makes up 4% of the total portfolio).

The building vacated by GE concerns the Schuman 3 building located in the prime office district Leopold. The site was renovated in 2001 with a floor space of 5,500sqm and annual rent of €1.45 (€265/sqm) and represented 1.1% of total rents at FY12. A speedy reletting and 'free lunch' from the received termination fee for Befimmo is not guaranteed, because while the Leopold district was the most popular destination amongst Brussels' prime districts with new tenants in the last year, the recently let "Loi-15" building had remained vacant for 6 years since delivery.

The vacancy rate (including acquisitions) stood at 4.9% vs 4.2% at 1Q13. moving parts are the departures of GE and Levi Strauss and the acquisition of the Blue tower (12% vacancy)

Leverage is coming down to 45% and appetite for acquisitions remains strong: the LTV stood at 47.6% at the end of June 2013, and including the impact of the AMCA acquisition for €110m in new shares the LTV would stand at 45%, leaving investment capacity to an LTV of 50% at €209m. Befimmo is still actively looking for new acquisitions after executing acquisitions of €188m and growing the portfolio by c10%, and is considering to participate in the tender for the Bastion tower, to be handed in in September.

Befimmo is trading slightly more expensive vs Cofinimmo at an implied cap rate of 6.6% (COFB: 6.9%), a cash P/E of 12.5x (COFB: 12.5x), discount to EPRA NAV of 1% (COFB: 14%).

Befimmo confirmed the dividend of €3.45 per share as previously communicated.

Price €54; Last published target price: €47.2; recommendation: Hold

Jaap Kuin

+31 20 563 8780

jaap.kuin@ingbank.com