

“5 Trends in Real Estate Market” Presentation by Serge Fautré, CEO

20 March 2012



Track record in the Belgian property market for
>25 years

Cofinimmo 

5 Trends in Real Estate Market

1. Real Estate is a business
2. Cash does matter
3. From Economy to Demography
4. Brussels office market in transformation
5. New partnerships with the public institutions

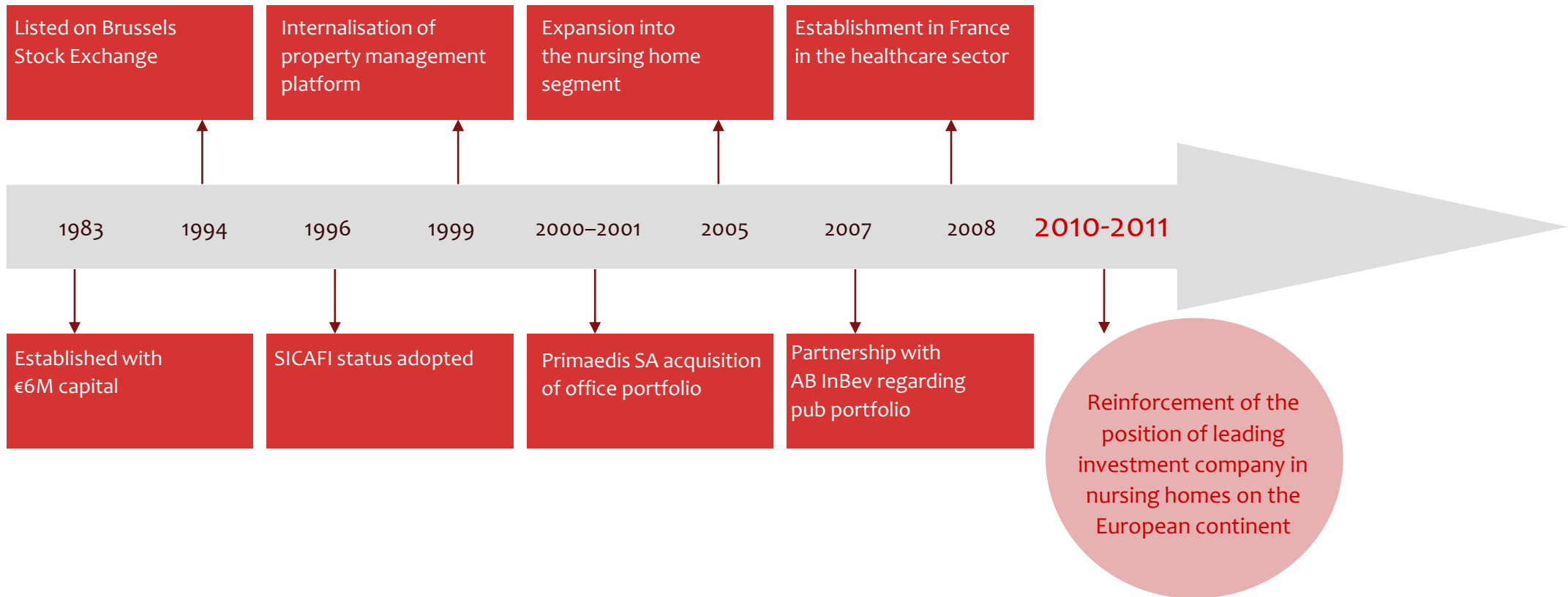
1. REAL ESTATE IS A BUSINESS

- ☞ Track Record of 25 Years
- ☞ Diversification strategy
- ☞ Active internal real estate management platform



Track record of 25 years in the property market

25 years of experience in the Belgium office market



Diversification strategy

From 100% offices to a diversified portfolio in 2011, providing stable cash yields

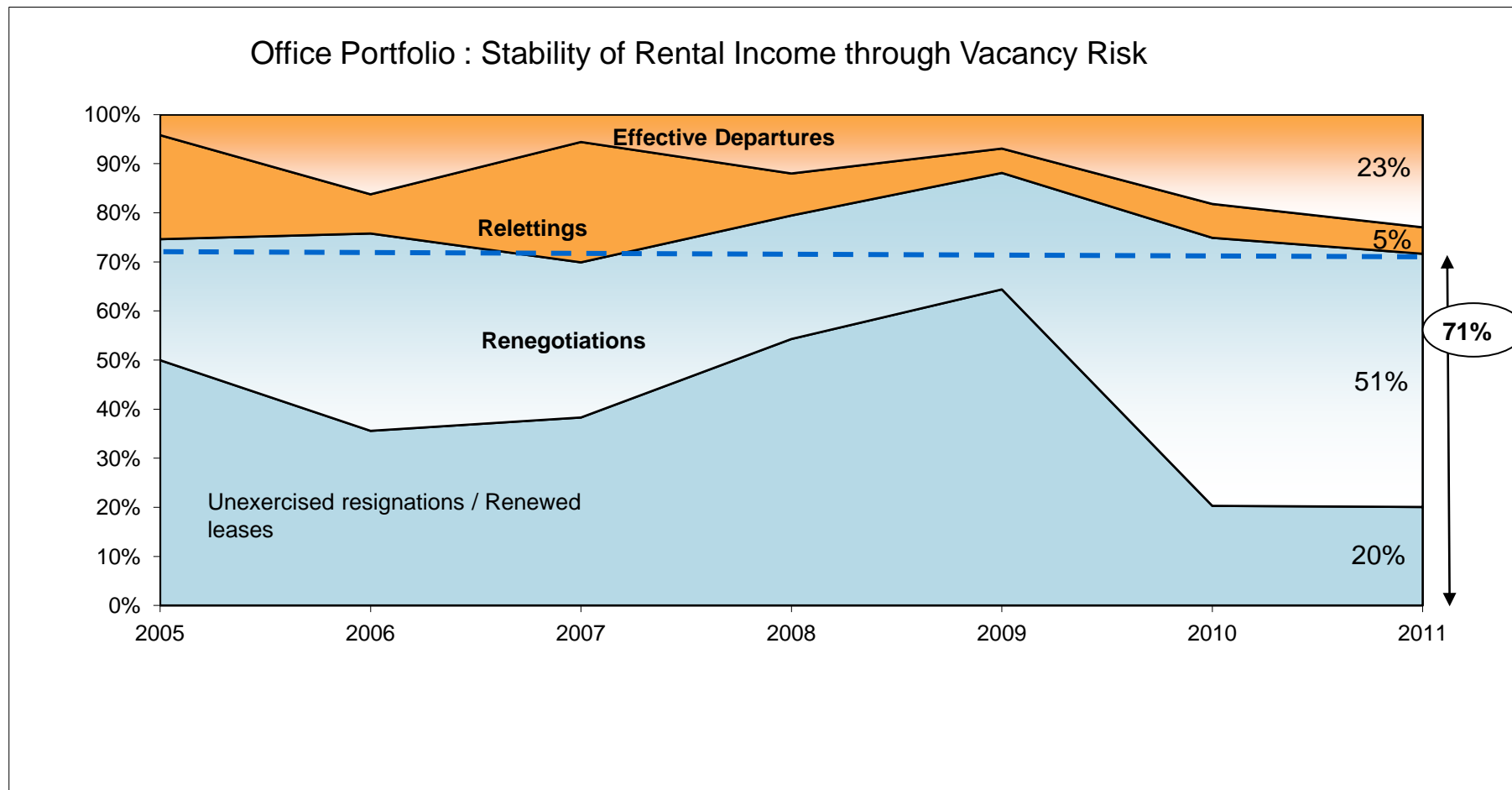
- ☞ Diversification strategy started by Cofinimmo in 2005, from 100% in Belgian offices, allowed Cofinimmo to enlarge its portfolio to the nursing homes/clinics segment
- ☞ In 2007, first distribution property networks contract with the acquisition of AbInBev pubs portfolio in Belgium and Netherlands (AbInBev retains 10% interest)
- ☞ During 2010-2011: Cofinimmo reinforces its position in healthcare real estate assets and becomes a European leader in the nursing homes segment
- ☞ In December 2011, with the acquisition of the MAAF branches, Cofinimmo improves the overall composition of its portfolio and reinforces its distribution property networks segment which now accounts for 16.5% of Cofinimmo's portfolio
- ☞ End 2011, the percentage of the office buildings segment is below the 50% mark



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Active internal real estate management platform

Commercial department pays special attention to the clients of the leases considered at risk. In 2011, 71% were secured through renegotiations, unexercised resignations and renewed leases.



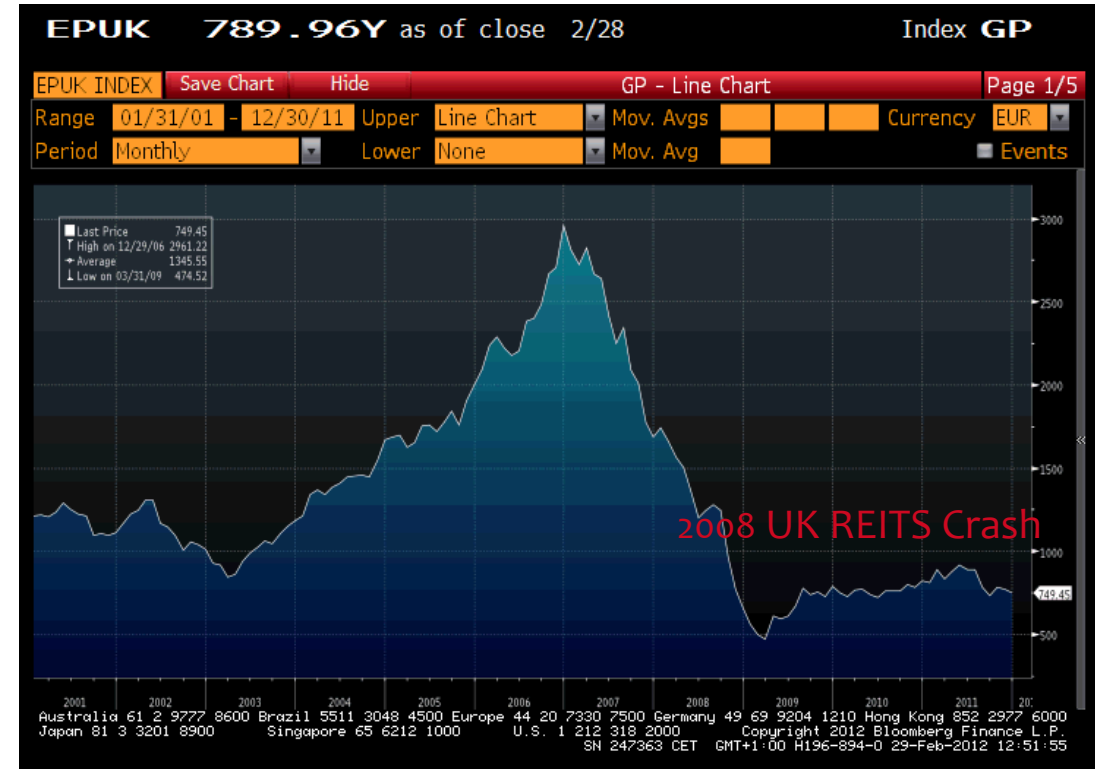
2. CASH DOES MATTER

- ☞ Lessons from the past
- ☞ Comparing leases values per maturity
- ☞ Value of long term leases



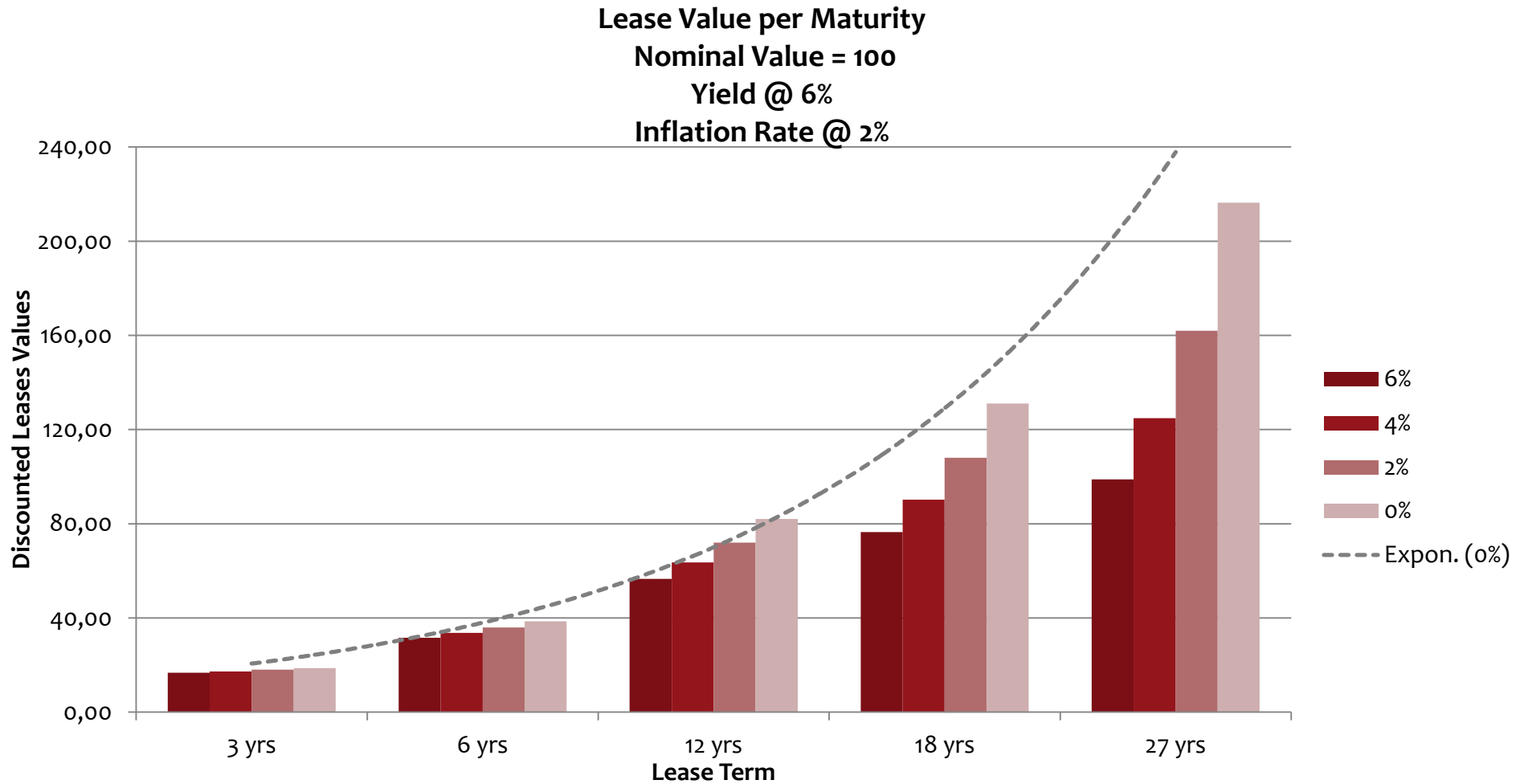
Lessons from the past

2000 Internet bubble and UK REITS crash in 2008, show the importance to raise cash at the right time



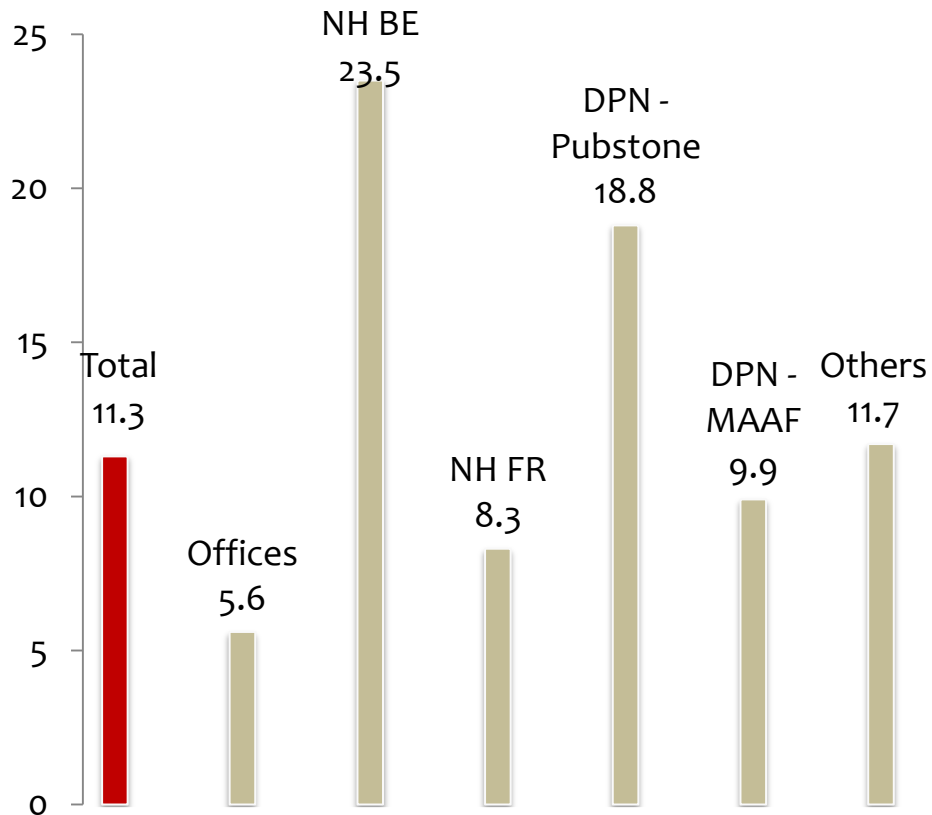
Comparing leases values per maturity

Strategy of Cofinimmo aiming at capturing the cash flows of long term leases

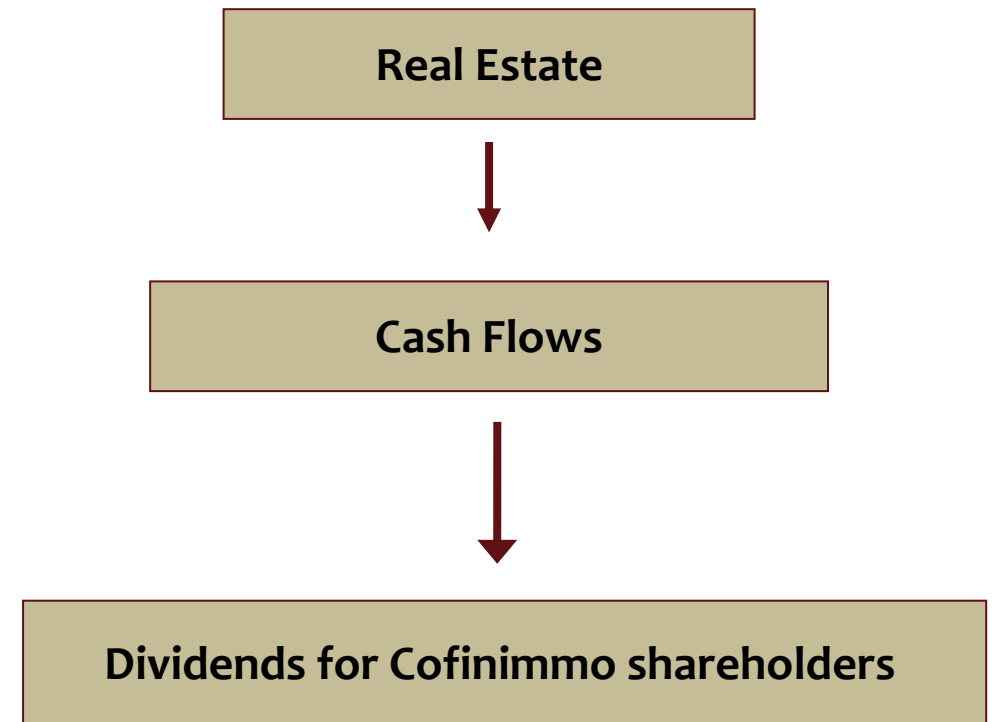


Value of long term leases

Cofinimmo mission aiming at transforming long term leases into recurring cash flows and stable dividends



Lease maturity by property type –before first break (years)



Transforming cash flows into stable dividends

3. FROM ECONOMY TO DEMOGRAPHY

- ☞ Demographic trends
- ☞ Demand potential in Belgium
- ☞ Investment in healthcare properties



Demographic trends

Ageing of population means increasing demand for additional nursing homes beds (anticipation of 180,000 additional beds towards 2050 for Belgium)

Demographic trends (Example: Belgium)

- o Increase in life expectancy: 2007=83 (♀) and 77 (♂) – 2060=91 (♀) and 83 (♂)
- o Faster rise in numbers of 60+ and 80+ aged persons; growth perspective for 2050: +60% and 150% respectively
- o Increasing dependency due to aging but also disintegration of the family unit



Elderly care needs

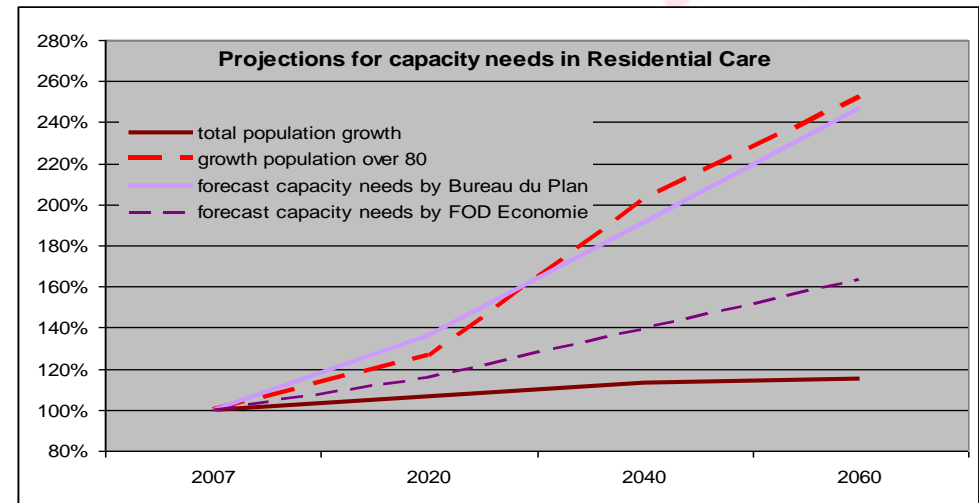
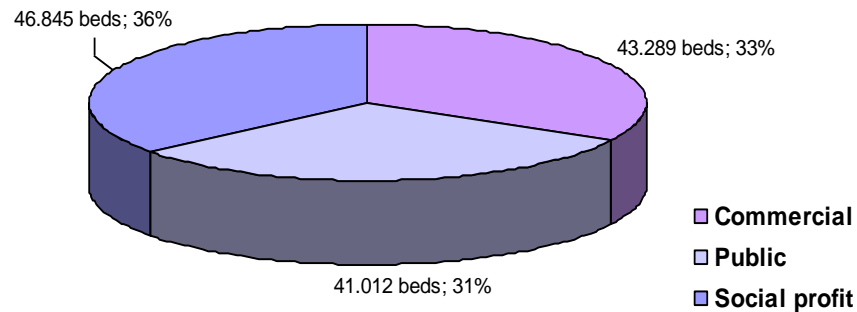
	Dependent elderly persons (000)			% Nursing home residents	New nursing homes beds needed <10 years (000)	New property investment required ³ (€Bn)
	2007	2010	2020	2010		
Belgium	248	266	322	51 ¹	29	2.3
Germany	1,589	1,691	2,117	50 ²	213	17.0
France	1,505	1,632	1,941	50 ²	155	12.4
Netherlands	622	658	824	50 ²	83	6.6

¹= actual; ²= assumptions; ³= €80,000 per bed.

Source: Ageing Working Group/European Commission

Demand potential in Belgium

Beds in Residential Care Units (source: Riziv, Aug 2010)



☞ Actual capacity : 131.000 beds

☞ Strict capacity planning by Authorities

☞ Needed capacity in 2050:

- Bureau du Plan: + 180.000 beds
- FOD Economie: + 74.000 beds

☞ Compensating factors :

- Healthy life expectancy (+0.3 years per year 95-01)
- Policies towards elderly and healthcare spending
- Consumption patterns of elderly

Investment in healthcare properties

- ☞ 119 nursing homes with 12,443 beds in Belgium and France
- ☞ Long-term contractual relationships
 - 27 years in Belgium
 - 12 years in France
- ☞ Fixed rents from operator indexed annually
- ☞ No risk relating to the management of the care homes
- ☞ Mostly triple net leases or limited maintenance obligation
- ☞ Credit risk on operator group, not on individual unit
- ☞ In-house Project Management Department specialised in this segment



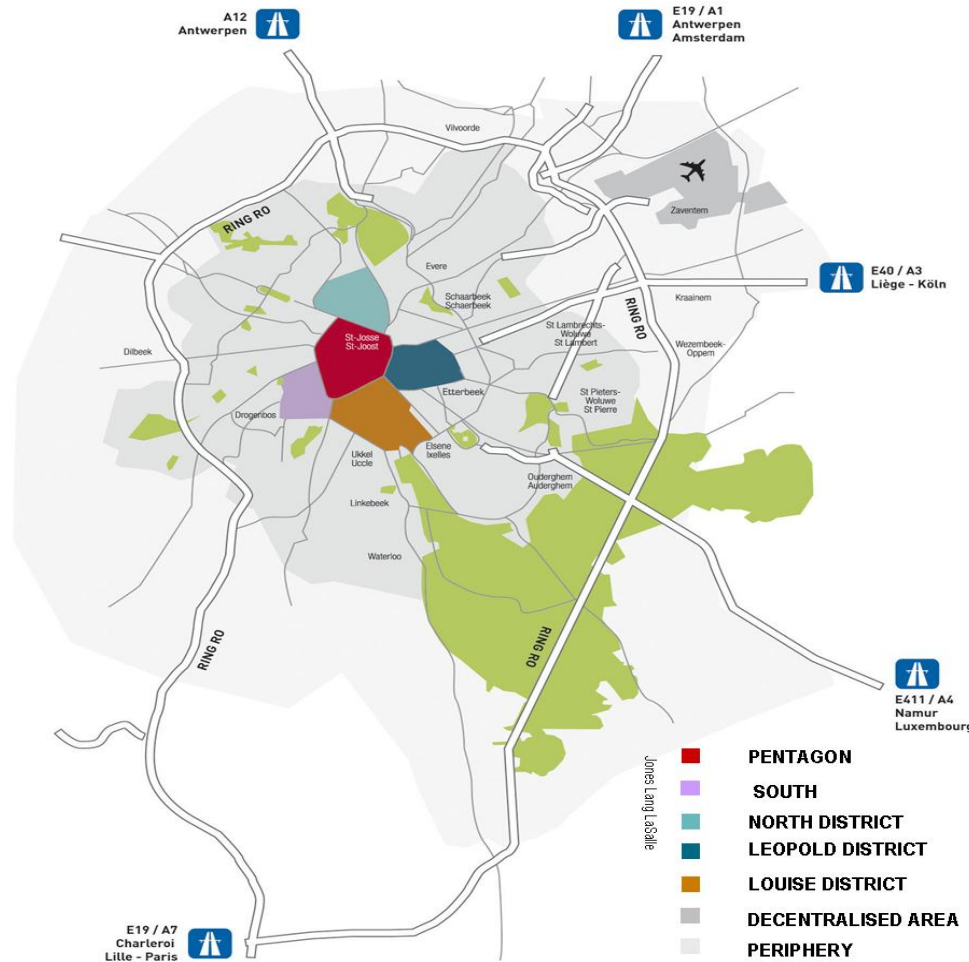
4. BRUSSELS OFFICE MARKET IN TRANSFORMATION

- ☞ Stabilizing Brussels office market
- ☞ Self-regulation is taking place
- ☞ Conversion of office space
- ☞ Examples of redevelopments projects

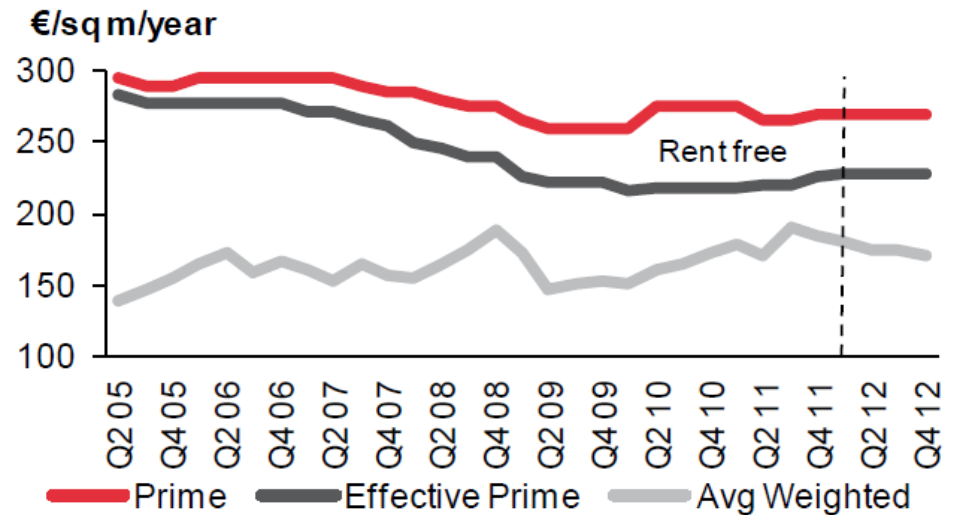


Stabilizing Brussels office market

Soft occupational market in Brussels with focus on central locations



Brussels - office rents

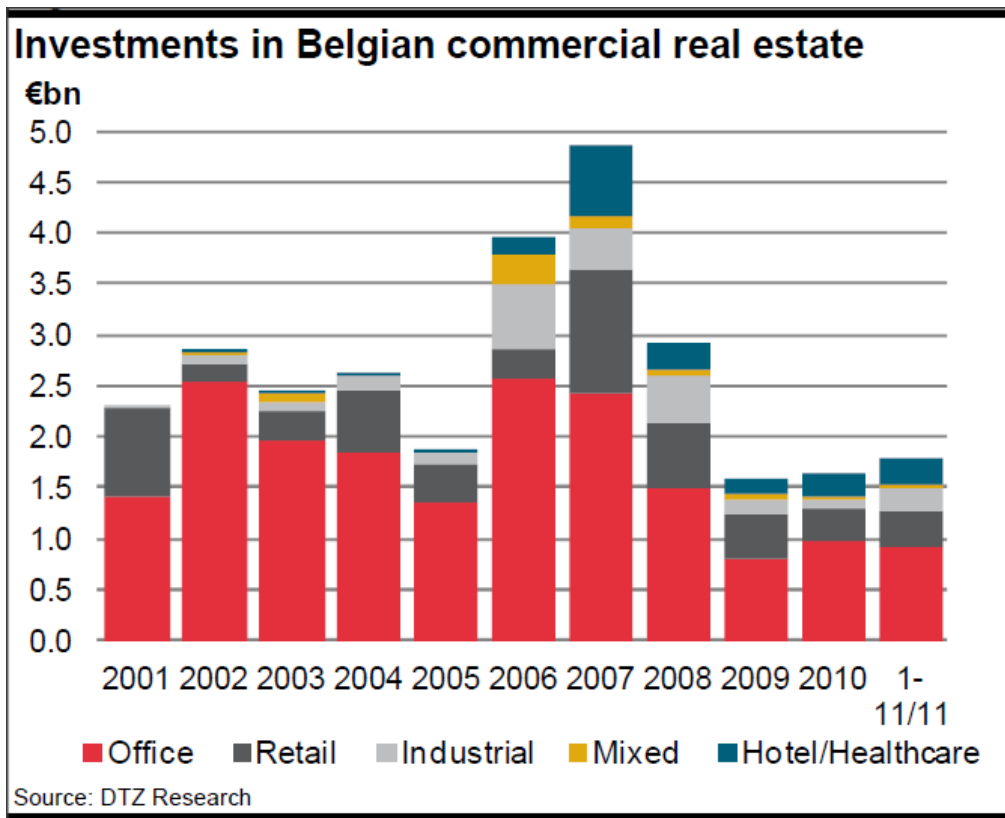


Source: DTZ Research

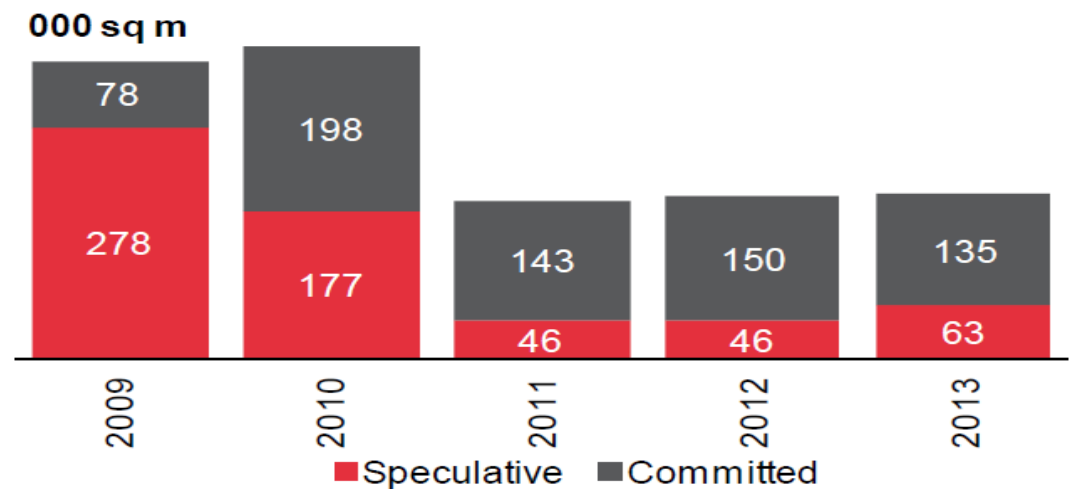
- 13,000,000 sqm stock / 1,560,000 sqm available
- Central locations remain the main focus
- Public Institutions (EU, Belgian state,...) still active with 44% of take up in 2011

Self-regulation is taking place

Stabilizing vacancy level due to lower speculative pipeline in offices market



Brussels – office new supply and Pipeline

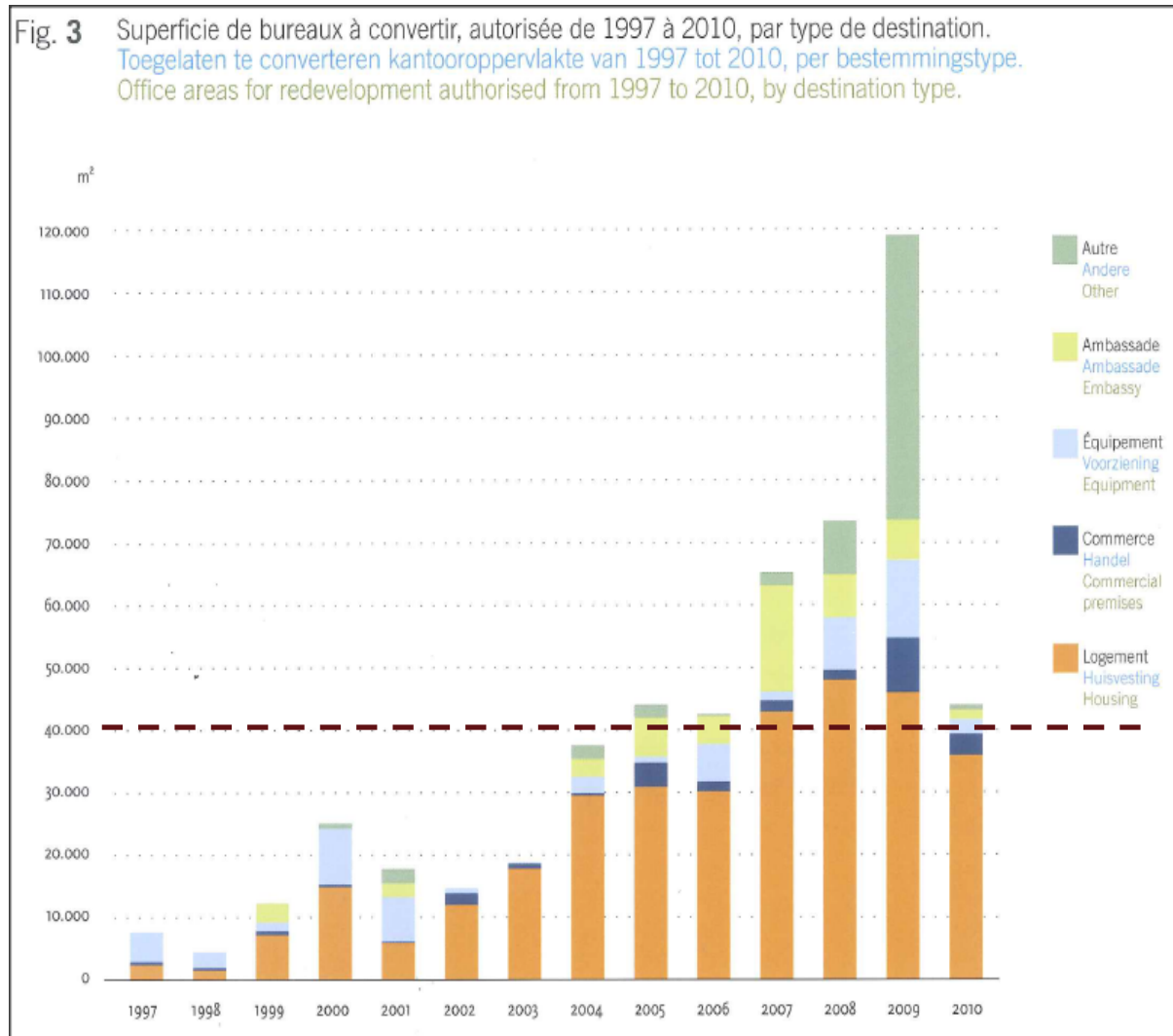


Source: DTZ Research

- Professional real estate investment in Belgium amounted 2.05 billion EUR in 2011 (better than in 2009 & 2010)
- Growing investment in logistics facilities, nursing homes and hotels (offices only 52%)
- Foreign investors account for 40% of the investments in 2011

Conversion of office space

Conversion into nursing homes, residential apartments or education is taking place



Office to residential = 40.000 m²
or 2.6% of vacancy a year

Examples of redevelopment projects

Science 15



Livingstone I-II



Woluwé 34



- ☞ Three projects: Development of 60.000 m² over the next 5 years
- ☞ Mixed-use: Office for 55%, residential for 40% and retail for 5%
- ☞ Location: 88% in the European district
- ☞ Strategy: 60% as investment property and 40% for sale

5. NEW PARTNERSHIPS WITH PUBLIC INSTITUTIONS

☞ The business of PPP

☞ Examples of recent developments in PPP



The business of public-private partnerships (PPP)

Long term leases with public authority

- ☞ Public authorities have a growing requirement to optimise their accommodation standards and to be relieved of the construction responsibility
- ☞ Construction risk remains with the contractor; Cofinimmo supervises the quality of the work
- ☞ Cofinimmo takes charge of the upkeep and maintenance obligations
- ☞ Receivables sold or partly sold in some cases
- ☞ “Fees” business for Cofinimmo



Examples of Recent Developments in PPP

☞ In 2011, Cofinimmo reinforced its Public-Private partnership activities.

☞ **Police Station in Dendermonde (delivery in 2012) - €15M**

- 18 years rented to Buildings Agency
- DBFM model
- property with excellent energy performance (<E35).

☞ **Prison of Leuze-en-Hainaut (delivery end 2013) - €104 M**

- 25 years rented to Buildings Agency, at the end transferred for free
- €7.4M annual rent (+ maintenance and other fees)
- DBFM model
- IRR: 10%
- BREEAM 'Excellent' certification aimed.
- Receivables partly sold (90%).



CONCLUSION

- ☞ Real Estate is a long term business : future is uncertain but past experience is key
- ☞ Cash Flow is King: focus on long term leases contracts
- ☞ Demographic trends are offering new investment opportunities in healthcare properties
- ☞ After a decade of speculative investment, trend to self-regulation in Brussels office market with redevelopment opportunities in residential
- ☞ Public-private partnerships are increasing

Disclaimer:

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