Montea full year results 2023 - Transcript of the presentation

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Jo De Wolf | Montea

Good morning. It's hybrid. Some people are here in the room and more people are following via Teams. I will first give the presentation and then afterwards we will have questions first from the people in the room. If you have Teams, so please feel free to already put your questions in the chat or raise your hands if you have questions.

I will now share the presentation. Everything is OK. You see it right now. OK, great. Then just then, we can start the presentation. So, I will first very quickly give you the highlights and then we go into detail on the different topics, how we see the evolution in the market and of course the outlook and a few on our ESG strategy.

Highlights of 2023 obviously a good result 4.45 euros per share this is 9% year on year. This takes into account, of course, the weighted average number of shares which increased by 11%, so that's quite significant.

And then of course, there is an exceptional one off 45-euro cent, which is mainly linked to the FBI status we obtained for 2002 and 2022, and we will propose a dividend close to 80% payout to 3.74 euros which includes an exceptional 0.36 from the one offs.

We are very proud to tell you that for the fourth quarter in a row our occupancy rate stands at 100%. That's nice. But as you know, since 2018 we have been above 99%, this gives you a good idea of the quality of our portfolio.

Like for like rental growth is up to 7%, 6% is linked to indexation and inflation and 1% is linked to renegotiations. As you know, there's every year roughly 10% of our leases that have a break date. It's very important to understand that a lot of those break dates, close to 50%, do not give us the opportunity to increase the rent, a lot of the break dates are just unilateral for the tenant.

EPRA LTV stands at an all-time low of 33.5%, our Net debt on EBITDA at 6.8 and a healthy EPRA NTA of 74. We now trade at a premium of roughly of 3-4%. I've seen that the results are well received by the market this morning, we're now up 3% so I think we are 6% above NTA right now.

Successful equity issues, both by the optional dividend as by the ABB in total 147 million that we. raised over 2023 and both were done close to the NTA, so that's quite nice. Financing is under control. seven-year average duration, 97% hedge ratio and a stable cost of debt at 2.3% and still 280m readily available for new projects.

And I think this is sometimes not that well perceived or understood by the market. That is the solid portfolio valuation, and I will come back on that later in the presentation. But if we look on the last quarter, our portfolio valuation is up 1.4%. And if we look at the full year, we're up 1.4%. So I will come back on the peak to trough. What has been the impact of the crisis we have had over the last 18 months, and you will see that it is very limited. For Montea this is obviously linked to the fact that the valuation at the start of the crisis was very prudent and conservative.

Portfolio growth. 79 million over the over the year I will come back on that. It's some of these are projects, Tongeren, Vilvoorde, and one acquisition in Belgium in Machelen, a building let to FedEx. I will come back on that later.

An outlook for 2024 and 2025, €4.55 for EPS guidance for this year and 4.65 for next year, obviously not including the one offs we hope to receive when we get the recognition for 2023 and 2024 for the FBI status. This would mean another $0.20 in 24 and roughly another $0.17 in 25. So this would mean, if we would integrate them, we would go to 4.75 in 24 and 4.82 in 25. Again, these are just the highlights. I will come back on these points in detail in the presentation.

We think it is important to also start when we talk about growth and future growth that we first take a look at the market and what do we see today in the market. We have expressed this ambition to grow the gross lettable area with 30% over the next two years. So that's quite ambitious, but this is not just a dream. This is really based on what we see in the market today.

Just some figures to give you a bit of a feeling on the markets we operate in today, we see in Belgium an average vacancy rate of 2.5% and an amazing rent increase of 30%. Over the last year on the four markets we're active, this is the most significant rent increase.

Somebody with a bit of knowledge of the history in our sector would say yes, of course, because you have been lagging behind for so many years that it's logical that the biggest increases are in Belgium. But this is a first.

Have been with a lot of you on calls and on meetings and in the past when we talked about rent increases, I always said this is this is the monster of the Loch Ness. Everybody talks about it, but nobody has seen it. Well, it lives, it exists and it is there, 13% in Flanders it is not just one deal. This is just as significant in all deals that we see. The difference is there.

If you look at Holland, same very low average vacancy, but moderate prime rent decreases. Why? Because they already had them in 22. So, the impact in 23 was much lower, but also very low vacancy in the market. France 3.5%, largest vacancy in Île-de- France, which is quite amazing at 7%. But in the other regions very low and also more than 10% rent increase for prime rents.

In Germany, 3% vacancy and 5% average prime rent increases on the 8 top markets. So I think this is clearly a trend and very low vacancies in all countries and significant rental increases all over the place.

And I think this is also a very interesting, a new slide to show you that we believe that demand will remain very high in all of our markets.

If I look at the left-hand graph, so what you see is the e-commerce sales per person in every country compared to the stock, the number of square meters of industrial stock. For logistics in, in every country, of course you have a total outlier, which is the US. But if we look at Europe, we see that ecommerce per capita here, France, Germany, Belgium, the Netherlands, we all have approximately let's say roughly €1500 sales per person per year via e-commerce. So all four markets are have the same figure and what we see there is of course that Holland has a much higher stock in square meters than the other countries, and this is of course because they are managing all our logistics, our role of Belgian logistics from the Dutch border and this is what you see here. Clearly they have the same consumption as we have, they just have more square meters due to the fact that they also work for Germany and they also work for Belgium. That's quite an interesting slide.

And if we look at the growth of the e-commerce sector as a share of the total retail sector, we always set the final goal or if we compare ourselves to the US and the UK, it should be around 25%. So, of all retail sales, 25% should be e-commerce Today, we're not there yet, we're at 16-17%. There's a slowdown after the hike due to Corona, but the trend is still growing. So we think that's the demand for industrial property will remain very high.

And this is what you also see when you look at inventories. Sorry for that. So volatile inventories ? Yes, of course. They are coming down compared to what we've seen during Corona, but the trend is still an increase.

And if we look at what logistics occupiers? Ask and we see that two out of three think that they will expand in 2024, so the amount remains high and so on the right-hand side, you see those who want extra square metres and on the left hand side you see who wants to give back square meters.

So there you clearly see that there is much more demand than people who want to reduce their square meters and if you put that together and we look at the offer in the market, we see that in all our 4 countries there is clearly an under supply roughly for every 10,000 square meters the month there is only 70,000 square meters. Sorry, 7000 square meters offered in Holland. In Belgium, it's only one third. So, if we look at take up figures coming down, this is not linked to lack of demand. It's linked to a lack of new offer. That's the only reason why we see a slowdown in the take up today, it is due to the under supply and this is this is structural because there is no new land available, there is no new offer. It's very difficult.

If I look at the next slide, regulation is getting more and more stringent. Again, these are all the countries the dark blue, where we are active. We see that Holland has become the most stringent country, and this is a study by Green Street, has become the most stringent country to get new building permits. It's amazing. I mean, remember when we were talking about this 3 years ago or 4 years ago, we as Belgians, we said, yeah. Holland, that's the Mecca. That's the holy country. They understood how you get building permits in 3 months. If you look now at Belgium compared to Holland, I can tell you Belgium has not become more easy to get your permits it's really Holland that has become really, really difficult to get new countries to get new permits.

It is important to mention that 75% of our landbank today, You know we have a landbank of 2.2 million square meters, 75% is greyfield and brownfields. So mainly sites that already have an industrial use before we bought it and that's basically the only plots of land where it's still possible to get building permits because they always already had CO_2 emissions. They already have the power supply. This would be much more difficult to get on Greenfield development. So that's why we feel comfortable that we will be able to continue the growth story.

Now looking into Montea and where we stand today, this is at where we started in 2006; our portfolio increased since then by 23 times. So that's quite nice. But if we look at 2023, there is some kind of disappointment, let's be honest. There's only 79 million total capex. That's a bit disappointing in my opinion. Should have been more. We would have loved it to be more.

Now if we look back at the summer of 22, when the market changed, we gave you the message. We will stop standing investments put for sale by the dreaming sellers, there was no equilibrium anymore. Buying standing investments became close to impossible. We will have to focus on in House developments and that took quite some time to get all the permits to get everything aligned. Get this land bank in motion. It took us roughly a year, and that's why in the third quarter of 23, we announced this growth plan and we feel really comfortable that this year we will catch up.

We will do not the 200m capex we promise every year, but we will do at least 260m. 200 of that will be in-house developments, but there will also be room for standing investments. We see the market opening up. We see new opportunities. We see a new equilibrium.

This is also to do with the fact that the 7% that we put a bar for our in-house developments, we can lower that bar for standing investments due to the fact that we are having a better view on the cost of financing today than let's say a year ago. So we really feel comfortable that the 260 million we announced for this year is really achievable.

Again, the things we did last year, we're proud of them. And then of course the FedEx Building and the landbank today stands at 2.2 million square metres, 1.5 million is bought, 700 is under control, which is mainly under option.

All of it is zoned for logistic and industrial use, so there's no land for agricultural use where we hope to get a rezoning. That's not the case. It's all zoned.

It will bring us additional gross lettable area of 1.1 million square metres, so that's roughly more than 50% of our existing portfolio and again 75% is grey and brownfield, the 1.5 million. So the part we acquired is valued today at 300m. It's roughly 200 euros per square metre, but 76% of that is yielding landbank. Remember, it's a parking lot. It's older buildings that we bought to demolish them at the end of the lease, so 76% of that is yielding roughly at 6%. So it's not that weight, it is really something that is generating income for the EPS.

These are some of the bigger blocks in France, in Germany, in Holland, in every country. And I would also like to mention, because people sometimes ask us, are you, aren't you lagging a bit behind in France? Well, if we develop the 1,000,000 square metres that are all in Belgium and Holland today, yeah, the 1,000,000 we are going to do over the next two years. Now suppose we would not add any new land to the landbank then France would at that moment be the largest part, more than 50% of the remaining land bank would be France by then. So we really believe that we can step up in development in France.

The 1,000,000 we will bring into development that's roughly 600,000 square metres of gross lettable area. We will be able to add 65% of that is on grey and brownfield and as we already mentioned in the Q3 figures, the net initial yield on cost we will be able to obtain is 7% and none of this will be done speculatively. The ideas based on prelets, we see an average development margin of 30% on these developments and of course, if we take out all this land, we will have a remaining part of 1.4 million square meters of land bank and we are very, very detailed on that, we gave you already in the Q3 figures.

This is for us a dynamic list, so we will be able to add next semester other plots that we will buy where we will have permits. They're not included in this list dynamic list.

But it's really something where we are very proud of and we will give you all the information because this is really the target where the teams in Belgium and Holland are focused on to realize by the end of next year.

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Jo De Wolf | Montea
Again, this is the projects we are envisioning Amsterdam Pre let and permitting in place so under construction, Waddinxveen, also under construction. Tiel, an important part of that. Roughly 50% is pre led to Intergamma, but we are now waiting for the permits that we hope to get in the next weeks. And then Born there, we have the permit, but we are in negotiation with different tenants. So we hope to bring that also in execution later on this year.

In Belgium we have Blue Gate where we have now started to work for the second building. It's 100% pre let. There will be an announcement on who those tenants are when they are ready to reveal themselves, but it's 100% pre let and construction has started first. That's the Delhaize home shopping centre. Permits in place, construction has started, will be delivered in the last quarter of this year. Grimbergen is the project we have together with WDP, 50/50. Lumen, we have the permits, but we are in negotiation with several candidates and Tongeren is an ongoing project, this will also be fully developed by the end of next year. All the permits are in place and we start every new phase, once we have new tenants.

Growth is nice, but it has to be profitable growth and I think we will be able to bring profitable growth to the market. Let's look at last year and compared to 2022 and then we see that the net rental income is up by 17%. That's 7% like for like and 10% out of rental income from new projects.

Another important figure I would like to add is the overhead expenses went up by 50%. That's not linked to me, not linked to Els, but to Herman and Liora (laugh). This is basically really in the country teams and in the corporate services. For 2024 we've foreseen an operational margin of 87.5% that has to be the all-time low. We have to catch up. We will not let people go. We will increase the income due to all these investments we do. So, the idea is to go back to 90% operational margin in the next years. So, this was a planned expansion, this really preparing the future.

Maybe also important, of course, is the FBI recognition, tax went from in 2022 from minus 5m to plus 5m in 2023. Of course, there's a significant impact on the results, 33% results. The EPRA result is up 33% and if we exclude the one offs, the FBI recognition and the solar panels where we took a provision in Flanders, then it's still 21% up.

And if we look at it per share, it's 4.90 euro including the one offs and some 4.45 excluding the one offs.

Looking at the portfolio, roughly every year 9% of the leases have a break date. It's an all-time average. We have year on year. We already know that 53% of that is extended or relapsed today. So that's quite under control. And as already mentioned, 100% occupancy today with an average above 99% since 2018. Quite impressive figures.

Looking at the inflation and the indexation as set 6.8% is the like for like rental growth over the year, 5.5% comes from indexation at 1.3% comes from renegotiations.

The strong portfolio KPIs in our opinion are really linked to the fact that we have been monitoring the portfolio for a very long time. When I started with Montea, we in 2010, we had 20 assets. In the next four years, we sold 17 of them and we used the money to invest in new state-of-the-art buildings. That's why in the first five years the growth was not that impressive, but still in the KPIs today, 10 years later, you see the huge impact of that.

6.5% residual lease term 100% occupancy 5.06% EPRA net initial yield, so quite impressive.

And compared to our peers, some of the peers are of course Intervest, Segro, WDP... We see that in Belgium, we still have a quite high net initial yield in Holland it's a bit lower compared to the peers, but this is also linked to the fact that our Dutch portfolio has an as an average duration of close to 10 years. So that's why this is a very good net yield. France, we are amongst the higher net initial yields, so.for the first semester, we can again give some yields compression. It's only one base point, but still it's there. It's not expansion and over the full year we see a total yield expansion of 23 basis points and it is of course a very interesting slide where I will give some more flavours, some of them, some of you have already seen already seen it in the Q3 presentation.

Basically what you see here the green.is the like for like portfolio fair value valuation and that is of course always the function of two main variables which is the ERV increase over the last 18 months, but also the yield expansion. So what you see here is of course here the sun was still shining and the yield was still compressing, yield compression. And then as of Q3 2022 yield was increasing. The last three months of 22 was the worst but has been stabilizing over 2023, but fully compensated or close to fully compensated by ERV increases we had trimester after trimester. And so if you look at the peak of Q2 2022, and you compare it one year later you see that the total portfolio valuation, the like for like valuation of Montea is only down 1%. So that's really, we think this is quite impressive. The way we managed this crisis, it says a lot about the conservative valuation at the start, but it also shows that this year already we can have again a like for like portfolio increase of 1.4% over the last year.

There was still some. potential to increase the rents as they are today at an all time low 6% under rented. We compare it here to 2014. So basically Montea always had an occupancy rate of let's say 95-96%, but we were able to catch one 0-5% of the ERV. So basically we were also at 100% of the rental income today. The other way around we now have 100% occupancy but we only capture 94% of the year.

So, there is some potential there. If you look at Q4, the 3% ERV increase, we were kind of close to catching up all of it. So, you can see this as a negative side, but you can also see it as a potential upside for the portfolio.

Based on the ABB of Q4, we have an all time low Net debt/EBITDA of only 6.8 and our LTV is also at an all-time low of 33.5%. Let's not forget we didn't wait the crisis to remind us that low LTVs were important. For the last five years, we have had an LTV below 40%.

I already mentioned the cost ratio, the cost ratio is up 11.8% and will continue to go up this year to 12.5. But with the ambition to bring it down again towards 10% in the upcoming years.

Looking at the financing, 2/3 of our financing today are bonds, 1/3 are credit lines maturity of both debt as the hedging is roughly 7% and you get the maturity credit lines and bonds on the right hand graph, no big changes there. Current cost of our debt stands at 2.3%, 97% of that is hedged mainly fixed rate debt and have a seven years average hedging maturity.

All this brings us to the outlook for the upcoming years. As for 2024, as already mentioned, 4.55 is the EPA EPS guidance we give with the potential upside of 20 cents linked to the FBI status, which would bring us to 4.75 including the one-off.

260 million, so above the 200 million we said as a yearly targets, an inflation estimate of 4.1%. For 2025 4.65, again excluding the one offs. 200 million of investments and an inflation estimate of 2.1%.

And if we look beyond 2025, we think that's given the quality of the portfolio, our occupancy should remain consistently above 98%. We take into account an inflation of 1.9%, annual investments of 200 million and the cost of debt to remain under control under 2.5%, at least until 2027. And as already promised, the operation margin has to come down.

Again, let's not forget 30% GLA increase over the next two years. That is our ambition. To put this in a graph, you get this exciting figures.

Just one word on ESG, well, basically there's not so much I can tell you. You know our ambitions. Significant CO_2 reduction on both our projects as our portfolio 55% by 2030 and net 0 by 2050. But basically, we are now gathering all the information from our tenants in January and February on what has been the consumption in 2023 so we don't have those figures yet, but they will be in the annual report. So, there you will get a view on where we are today on these targets, where do we stand?

So that's a little surprise still to become to come for the annual report. This being said, a sBPR Gold award, 77% stable for the GRESB, we will improve that later on this year. Our Sustainalytics score came down, improved, from 17.5 to 11, which gave us a place in the, how is it called, yes, the Bel ESG index. Thank you very much. Yes, indeed. So we are now one of the 20 listed companies with the lowest environmental impact. So we're quite proud of that result.

On construction, obviously you know our Blue Label, but I think it is also important to mention here and I think we don't mention it enough that on all the projects we are now, that we have put in the in the development plan 2024-25, all of them except one have the ambition to have at least the BREEAM ‘Excellent’ and for some of them, even the ‘Outstanding’ recognition. So we are quite ambitious on our own targets and of course these that you know most of them, it's not only about techniques, it's also about biodiversity. It's also about well-being of the people who work in our buildings.

We will continue to do that and we will also communicate on those ambitions. As I said, we have built our teams, we've invested in our teams, we've invested in the countries in business development. We have our own team in Germany. We have our own team in France, and I'm really convinced that in all of these markets you will see stunning investments over 2024, at least it is our ambition. And as I said, we also invested in the corporate services, investor relations, tax, marketing, communication, sustainability all of these services, they are now in place. We are really equipped and staffed to do this based on these great teams.

Last but not least, governance, we have the green governance, which means that there is a sustainable, sustainable Executive Committee that examines if the funds that are raised in the green finance framework are used or allocated to sustainable investment projects. And 30% of the variable remuneration of the senior management is linked to ESG targets we see today that people are following there. I think we were the first to put the bar at 30%. So we're quite proud and we think it's about putting your money where your mouth is, that's how you say it. I think so. We really want this to be part of the DNA of the company.

This being said, I am at the end of my presentation I would like to thank you all for following the presentation and looking forward to your questions. I think with this we laid down a beautiful year. We're quite proud of the results and we look forward to 2024, and of course, we look forward to your questions. Thank you very much. Thank you.

Herman van der Loos | Montea

Thank you. Sorry. We are perhaps going to start first with questions from the room. And indeed with Francesca, please.

Francesca Ferragina

Hello. Many thanks for the presentation. A few questions. I would start with the guidance. Can you give a little bit more detail on the assumptions for the organic growth? Is there to have something between 4 and 5%? I think if you consider our 4% inflation. And expectations on the average cost of debt.

Els Vervaecke | Montea

OK, so indeed, with the inflation being an assumption around 3 to 4%, indexation will be slightly higher because we have of course still the catch up mechanism. And with the inflation being high in the in the previous years, we think we will have a bigger indexation percentage compared to the inflation level and on the cost of debt there, we are convinced that taking into account the seven-year hedging maturity that it won't be, it won't exceed the 2.5% taking into account a capital expenditure of 200 million a year. Of course, if we grow faster and we expend more than, of course we will be confronted to the more expensive debt.

Francesca Ferragina

And when do you expect to have some news about the FBI?

Els Vervaecke | Montea

It will be around summer or right after summer, so we will do our tax declaration. We will prepare it in the first semester of 2024 to get an outcome shortly after.

Francesca Ferragina

OK. And then you made a pretty clear picture about all the markets being Belgium, the Netherlands, France and Germany. But what are you looking in terms of, what are you experiencing and seeing in terms of deals and transaction, have you noticed any changes lately and what are your feelings for the commitments?

Jo De Wolf | Montea

Yeah, well, I think that what has been very interesting that is that over the last semester we have seen prime deals coming back to the market and there is a new equilibrium between the sellers and the buyers, but we see that that is still below 5%. Which is interesting, which is nice for the valuation of our portfolio, but obviously it doesn't make sense for us.

If I have to raise capital at NTA or close to NTA and I have to pay as Els mentioned 4% on new debt then it doesn't make sense to do business at, it wouldn't be EPS accretive. So for us, the 'prime prime deals' doesn't make sense, if we want prime product, we need to build it ourselves and then we get to yield of 7% and then we can really capture the value. But we see opportunities in selling investments. I hope we will be able to announce some beautiful deals in the upcoming months, things where we are in due diligence now. Where it's standing investments, building of a certain age where there is some capex to be done, but always on great locations. So not a prime prime product, as I said, 5% doesn't make sense for us, but really products and always prime locations, but where we can put our know how at work to upgrade them and to bring them to a new standard. So yeah, we definitely see potential, which was not there, I would say between summer of 22 and the summer of 23, so over the last half year we started to see some potential transactions. So, we are definitely in due diligence for some of them.

Francesca Ferragina

And do I remember correctly, it's 250, 260 million investments to come in this year. But if you will finalize any acquisition in France and Germany, this is on top ?

Jo De Wolf | Montea

This is like my Board of Directors always putting the bar a bit further (laughing), the 260 is 200 million in house and at least 60 million from standing investments. So, but obviously our ambition is to go beyond 260, that's clear. Yeah.

Francesca Ferragina

And then final questions on the development, because I mean it's a big part of the investments that have to come. Can you share at this stage your view on development costs, is it fair these will these are stabilizing, will remain at the same level?

Jo De Wolf | Montea

They are improving, actually. When we made the announcement in the Q3 figures of the development pipeline, we said that the yield on costs would be 7%. We've made an update on that. Now in Q4, I don't think we give that figure in the presentation. But today, if we make the update on what we know now, the yield on costs stands at 7.18%.

So, we see even a better margin for us if we look at this pipeline today. And this is linked to obviously ERV but it's also linked to construction costs being more favorable for us. Thank you, Francesca.

Inna, can I ask you to speak up loud so people can also hear you in the Teams.

Inna Maslova

I'll make sure I'm not shouting, but I will ask my questions. Thanks very much for the presentation and good results. Just to come back on the guidance, I think in the press release you mentioned that you plan to secure 3.5% like for like, this is, I assume this is purely linked to indexation. Do you have anything in your horizon linked to renegotiations because 9% of the leases are coming to maturity, I think you've already negotiated over half of that and rolled over. I appreciate the fact that you've mentioned not everything can be uplifted. But what is your current stance on the ERV growth or like for like growth without indexation, especially linked to guidance.

Jan Van Doorslaer | Montea

So the forecast that like for like growth is 3.6% of index capturing, that we do and 0.4 of of renegotiation, yeah rent reversion because of course vacancy is not to be filled, we are at 100% so 0.4 roughly on the on the reversion side..

Inna Maslova

Just also on the catch up mechanism in Belgium, because if I recall correctly, it's roughly 20% of your leases that have a catch up mechanism in Belgium. Given that inflation is still doing, do you expect that this, let's say from 2025-2026 onwards because your current assumptions are purely linked to inflation, right? There is no catch-up mechanism in place.

Jo De Wolf | Montea

Most of the Belgian caps were at 2%. So basically, if we now take as the answer 3.6% inflation, we are not reaching the cap yet. So it's only in 2025 when we go to 1.9 that we will start catching up. Of course, some of these leases will also, you've seen in 2025 and we have 13% of our leases having a break date. So, there will be some more potential there to renegotiate some leases. But the catch-up mechanism in Belgium, therefore, in order to put that at work, the inflation is still high.

Inna Maslova

Understood.

<u>Herman van der Loos | Montea</u>

This is why our indexation is stickier than at some others.

<u>Inna Maslova</u>

That's that's a little bit the point I was I was trying to get to. Then just also question on the market dynamics. So you mentioned 60 million of standing investments. We've seen in Belgium recently a transaction at 5.5% in the Port of Ghent. It's it was a rather new asset, I think 2022 and it was a sizable transaction. If I listen to your market feeling, you're comfortable with where the yields are right now?

<u>Jo De Wolf | Montea</u>

Was the a 5.5 announced ?

<u>Inna Maslova</u>

Yes.

<u>Jo De Wolf | Montea</u>

I thought 5.25, OK, OK

<u>Inna Maslova</u>

Could be (laughing).

<u>Herman van der Loos | Montea</u>

It's like it was extrapolated by De Tijd, if I remember well, officially I think the parts declined to comment on that it was remember well.

<u>Inna Maslova</u>

It was in Expertise.

<u>Jo De Wolf | Montea</u>

If it's there then it's true (laughing). OK, no question asked officially. Was it official ?

Martijn Reviers

No, it wasn't, not by the seller nor the buyer. Information about the deal. But it's the information we get. But it's an estimation.

<u>Jo De Wolf | Montea</u>

OK. But we think that, obviously it's concession land, so rather cheap concession. So we think that, if we talk to our appraisers, 50 base points, margin for concession versus freehold, leasehold versus freehold is a reasonable premium. So I think it's partially linked to that. But yeah, it's in line with what we see in the market.

Inna Maslova

… with what you see and just in terms of your feeling for acquisitions, you mentioned that the cost of debt is roughly 4%, cost of equity, you would be more comfortable to acquire standing order assets closer to I suppose five and a half, 6% ?

Jo De Wolf | Montea

Above 6, above 6

Inna Maslova

Above 6, OK. Also, final question on the landbank, because in in the next two years you're going to put a lot of the landbank to use. There is still a lot to go, but how do you currently experience the market? I think last year there was a very wide expectation that we'll start seeing distressed sales. Things haven't really materialized yet, I think. Still, there's some pressure on refinancing to go in the second half of the year in 2025. But specifically on land, how do you view this point for growth in Benelux but also in Germany ?

Jo De Wolf | Montea

Very good question. I think it's… those who are doing to do this to, to increase the landbank, if via greenfields, they are dreaming. It's not going to happen anymore, you will not get the permits, you will not get the zoning anymore, so there are some lost missing links where we still believe that Greenfield development makes sense. But I think unless you already see in our land bank, most of it will come from redevelopment of existing sites, I'm really convinced that a lot of the industrial sites are underused. Every country. You see how they have been developed in the past. It's really the, the '*lotissement flamand', vlaamse verkaveling*, where basically you have, everybody has its own plot of land. And as long as you had X labor you could have more square meters and we see a lot of underused land, so we think that there is a lot of potential in redevelopment of older industrial sites like we are doing now in Tiel at the former glass factory of 50 hectares, this is really where we have to, instead of complaining that there is not enough land and that there is not enough supply, obviously we've seen on the ERV slides, a lack of supply doesn't really hurt us. It just finally the ERV increases where we have been dreaming up for a very long time. So but I think that if we have to be creative, we have to think multi-level, the solution will be optimizing the existing land and it will become more difficult. But I can tell you that in every country in all four countries we are in negotiation, due diligence in, in in talks about adding land to the landbank. So it's really our aim to fill the landbank again when we use this 1,000,000 square meters.

Inna Maslova

And just in terms of investments from your targeted investment volume, you do assume some land acquisitions in that as well ?

Jo De Wolf | Montea

Yeah, preferably yielding. If not yielding, then preferably options. If really great land with the short-term horizon for development you can add it as an investment without reducing income, but yeah, that's the that's the last option.

Inna Maslova

Thank you very much.

Herman van der Loos | Montea

Is there another question in the room?

Wim Lewi

Maybe yes. Thanks for taking my question. I've got four small questions. First question, I was intrigued by the slide on Flanders, where you pointed out that there was a 13% increase in rent per square metres to 68. Is it your rent or is that the market rate

Jo De Wolf | Montea

That’s the market, that's prime rents in the market

Wim Lewi

.. and can you just give an idea, because you already hinted at Holland's kind of took us to the border, I just saw the border, our supply chain for online, has anything changed then recently that explains that the rise, like that labour laws change or automation? Can you point to certain trends that explains why Flanders, it was behind, I agree, but it was behind for so long. Why did it move?

Jo De Wolf | Montea

Yeah. Well, basically there's a huge discussion in Holland on the *Verdozing* discussion. Do we still want to sacrifice land for new developments? And there has been close to a full stop. So, I would say Flanders is the second best and if they don't find it in Flanders they go to the third best which will be the Walloon area. So, I really believe that apart from the well-developed regions like Liège where we really believed in already for a very long time, there will be new opportunities in new, more ‘exotic’ markets. So, it's really a spillover effect we see in Flanders and it's something we already talked about years ago where we said, OK, if we look at Antwerp, Liège, again that connection, that E313, it really makes sense for Dutch companies who don't find land anymore over there to come to this area. So yeah, that's really a spillover.

Wim Lewi

Yeah, maybe following on to Liège, because there's also a big airport hub and I think also you have some locations near to the Zaventem airport? Now politicians are bickering over Zaventem, night flights. Is that any realistic or is that just politics that if they close down the night flights, would it not have an impact on you and what's your view on it?

Jo De Wolf | Montea

It is the second engine of the Flemish economy, I think this is really a very important economic engine for our economy. This being said, Brucargo is a great logistics location on its own. I mean it's only E19 between Brussels and Antwerp with the exits and connections without any traffic lights, there is no industrial zone in Belgium that is so connected to the highway system than Brucargo But of course this is not the message we want to bring forward. What is important to understand, that people tend not to understand is in a very simplistic idea, they would say, well, Zaventem is for passengers and Liège is for cargo. But look at every airport in the world, it doesn't work that way. Look at Frankfurt, at Charleroi, Charles De Gaule, look at Schiphol. It's always, it's about belly freight. If the flight is not full, then they make their money, or the fixed costs are covered by the belly freight. So, if you don't have the combination of pax and cargo then you don't have a feasible airport, it doesn't work that way.

Wim Lewi

OK, thanks.

Herman van der Loos | Montea

And then we visited yesterday, two days ago, DHL, even without with the move to Leipzig, the traffic in Brussels remains very important and indeed all of what the small parcels or not Super Express goes with belly cargo so they take it there is a there's a huge room control room that also takes into account what is free on the belly of normal companies before putting in a DHL plane, so it's very important.

Wim Lewi

OK. All right. That's clear. And then on the pipeline, I was also pleasantly surprised in the third quarter results. And now as we go on, I still see that there's about 120 million out of the 200 million that's not relet, but that means because you're pretty confident on the guidance. What timing do you see that because if you want to finish it as it's development to have the high margins, for me, it doesn't matter if it's the end of 24 or the beginning of 25 as long as it's there. But when do you expect that to start coming through ?

Jo De Wolf | Montea

When you look at the prelets, also look at what is not permitted but not prelet, but you also have to look at those who are prelet but not permitted, which means that we just are waiting for the permit and then we can start, so if we were not certain about getting the permit in the upcoming months, we wouldn't have put them in this list. So, we are quite comfortable that what we put in this list is and that's why we are so transparent about it because we really believe that we can achieve this.

Wim Lewi

Anything on the sectors behind that demands where? If you looking for prelets who are you?

Jo De Wolf | Montea

Well, the biggest part will be 3PL third party logistics. Why? Because what we see today is they are all looking at these economies of scale, trying to combine different plots from one new big development; if you look, if you look for example at Born, 65,000 square meters, all the docks are with 3PLs. Let's say, OK, we have 3/4 buildings today in the area. We want to bring them together in one operation. If we lose a client, it doesn't matter. We can put in another client. So, it's really about economies of scale really using the size…

Wim Lewi

… that because of automation, the size?

Jo De Wolf | Montea

Well, that's the funny part. If you look, if we would have had this talk 10 years ago, some of you might remember that I put in slides. Well, three PL is only at the time it was 30% of our pie, 30% was 3PL. We really wanted to have the end clients because 3PL was too risky. Let me give an example. Proximus at the time for their spare parts had an agreement with DHL. They did it in a building of Montea in Nivelles I think, Nijvel. When DHL lost the contract, they left the building. So basically, I could have given them an incentive of 10% or 20%, it didn't matter. They lost the contract Proximus, so we lost our client. So it was all 3/6/9 contracts. So, we said we need to have a contract with Proximus. So, if Proximus is not satisfied with DHL, they can kick them out and they set in somebody else but they still have the building. So, we wanted to have leases with the end user. Today's the other way around. It's really the 3PLs who say OK we are going to build some kind of a campus where we have not one client, so not back-to-back, but we have 6-7 clients and all the investments we have to do on automatization, robotization, but also things like security, we can all do it on one side, and if a tenant leaves, well, it gives us an opportunity to find a new one or to extend another one. And this is really, if you look at the big boxes, to put it very easily, I would say it's easier to rent today a building of 60,000 square metre than six buildings of 10,000 square meters, so size XXL. If you look all over Europe, there is not one XXL building that is empty, so if you can bring size to the markets, you will find a tenant. That's why we are so confident about this pipeline because most of it, if you look at the square meters are really based on significant size buildings.

Wim Lewi

So, it's if I may just one last there. I really appreciate that you now put green, grey and brown. I'm just a confused ideal deal kind of down as a brown.

Jo De Wolf | Montea

No, it’s great

Wim Lewi

but that's then the difference ?

Jo De Wolf | Montea

Brown means, Blue Gate is brown, that means polluted land. You first need to depollute before you can start a development so that's a brownfield, Blue Gate, Petroleum Zuid, and it's quite obvious, and I can sit around here, I can smell it. So that's a brownfield, a greyfield means that there was already an industrial use before we started our development. So it there was already an industrial use and we just demolish the building, but the land is not polluted.

Wim Lewi

OK

Herman van der Loos | Montea

Desaffecté as they say in French

Wim Lewi

… but if you still have to clear the ground basically…

Jo De Wolf | Montea

well, you have to clear the buildings,

Wim Lewi

the buildings, yes.

Jo De Wolf | Montea

But you don't have to do any sanitation works on it.

Wim Lewi

OK Thanks a lot. Thank you.

Herman van der Loos | Montea

Is there another question from the room before we go to the to the, yes, Martijn ?

Martijn Reviers

Just one small question. The recent acquisition of the FedEx Building. Could we hear something about the yield? Because it's still get generating some income and I think it's a perfect example of what you're trying to achieve with the 60 million available. Can you say something about the…

Jo De Wolf | Montea

Yeah, it's a high yielding building today. Because it was building that was built for FedEx. Their request, but we really believe in the long-term value of last mile. I think we think that this kind of cross dock buildings are really very, very important at the entrance of Brussels. Remember the DPD deal we did in Vilvoorde, which was the first double Decker in Belgium? Why was it a double Decker? Not because DPD was dreaming of a double Decker. No, because they needed 10 hectares of land to develop their program. And the biggest plot they found was six hectares, which was ours. So they built it on 2 levels on that plot. So, we think that last mile will be crucial, especially for Brussels, very limited, very, a lot of small plots, industrial zonings with a lot of small plots of half a hectare, a hectare. And so being able to build bits of size. Of course, you would like FedEx to stay in the building, but if they would leave, this is really a typical building that would have been probably seen as exotic 10 years ago. People would have said to the other system specific for FedEx, but if you look at it, this is really one of the only buildings around Brussels that really is already conceived as a real last mile.

Martijn Reviers

High yielding, you mean more than 8% now ?

Jo De Wolf | Montea

Exactly.

Herman van der Loos | Montea

Perhaps we can move on to the … we come back anyway. Yeah. OK, , Steven, you ask a question, please.

Steven Boumans

Hi, good morning. Thanks for taking my questions of course I have two. So first, given the lack of land availability, would it be possible to activate more of your current land bank ahead that's not in the plans of the 25 ambition or is the rest of the land restricted for example by existing leases in place that will not mature earlier? It's the first question.

Jo De Wolf | Montea

Yeah, it's a mix of different reasons. If you look at the two in Germany, they are linked because they are still leased. Born basically was also leased, but the tenant gave it back earlier or asked if we could take it back earlier. So part of that is linked to leasing, but a lot is also linked to permitting. We see a lot of sites where permitting takes 3 to 4 even five years. So we only took into this land bank things where we really have the idea, OK, the permits are imminent. If we take the overview next month, I think that I will be able to add at least one, probably 2 new plots of land where we will receive the permit. So it's a, it's an, it's a list that is, that will know some evolution over the next 3 masters, so there will be new opportunities. But, I think really do not underestimate the time it takes to get permits in place, a period of four to five years is really something we see regularly in different land plots, so to make it very short, most of it is linked to permitting the timing of permitting.

Steven Boumans

OK, OK, clear.

Then a second also. As a result of the lack of land held, lack of land in the Netherlands in Flanders, but do you therefore expect to do more acquisitions in that, say the border area between Belgium and France, so let's say Henegouwen in Belgium or Lille in France, is that what you're looking at?

Jo De Wolf | Montea

No, no, these are two regions we are not really in favour of. The, I think the main problem with spillover is that if one day, if one day, the market would, you say, retreat, withdraw, thank you, then this will be the first areas where you will see vacancy. So if, if one of our business developers or country directors comes to say ‘OK, I know it's not a great region but there is nothing else’ then it's a flop. He loses our interest because this is not an argument for us. We really want to stay on the prime axis, I think Lille is a very interesting market. It's just the only market left, in all of the countries where we're active, where there is just still enough land available. So there's no scarcity of land. There's no undersupply. It's why we are a bit more reluctant. I really believe in the regions we are in the region, we're well invested, but it's the only region where the total exercise of undersupply, oversupply, is the only region in France where we still see some oversupply, so we are less fan of those two regions.

Steven Boumans

OK, fully clear. Thanks.

Jo De Wolf | Montea

Thanks

Herman van der Loos | Montea

Thank you. Peter please. Sorry, I think you are on mute, Peter.

Pieter Runneboom

Oh, so hi. Hi. Oh, thanks for taking my question. Yeah. First question is on the outlook, 26-27 outlook. The cost of that remains under 2.5%. Just follow up on that question, does this take into account equity raises or is it only thanks to the hedges ?

Els Vervaecke | Montea

It takes into account the hedges.

Pieter Runneboom

But it's, so it's only with the 200 million of investments each year and the hedges you can, up to 2027, keep cost of debt below 2.5% without raising new equity.

Els Vervaecke | Montea

Indeed

Jo De Wolf | Montea

Well, we already set when we launched the landbank development that we wouldn't need a capital increase if we would only do this and it would have an impact if I think at the time it was 3% on the LTV. So that's even more the case today. But, of course, the ambition is more than the land bank. That's why we raised the capital.

Pieter Runneboom

OK. But they're just they're just think, but then you're very much over hedged, if you can manage to….

Els Vervaecke | Montea

Yes, we have some forward start hedges, so contracted hedges that we put in place a few years ago that will only start in the future.

Pieter Runneboom

OK, very good. Nice work. Els yeah. Good, good work Els. (Laughing) Another question about the, we've talked about this before, Jo, but just now with 30% growth, then to 100% occupancy. Which you'd be willing to maybe trade in some occupancy for higher rents maybe becoming a bit more aggressive in renegotiations or how do you look at this trade off?

Jo De Wolf | Montea

Well, I don't think we had a lot of renegotiations in Q4, but I think in Q3 we had two renegotiations in Belgium and we raised the rent by 20% on both of them. So, I don't think it's about the lack of ambition in our country teams to raise the rent. But it's really about the opportunity. Again, I repeat what I said previously, 9% rent breaks doesn't mean 9% renegotiation percent power for Montea, it really depends on the structure of the contract. So I think half of it, I think around 4% we can renegotiate the rents. So if you would be able on the 4% to do 10% increase on average then you only have the 0.4% where Jan was talking about it so, so we shouldn't re over, I think it will be a more mechanic effect due to the indexation and the inflation much more than the renegotiation.

Herman van der Loos | Montea

There's no churn in the market. People stick to their buildings. Yeah, I mean, if they have a bit of vacancy,

Jo De Wolf | Montea

Yeah.

Pieter Runneboom

OK. And did I understand correctly that the yield on cost is now 7.8%, thanks to the higher ERV's and construction costs being more favorable?

Jo De Wolf | Montea

7.18. 1- 8.

Pieter Runneboom

Oh, 1-8. OK. OK. because. OK then I didn't, no, definitely.

Jo De Wolf | Montea

Don't say 7.8 or I have an issue with some negotiations with clients there 7.18, 1-8.

Pieter Runneboom

OK, thank you. That makes sense.

Jo De Wolf | Montea

Thanks for your question, Peter. I saw some people in the room taking notes on the on this. So you were not the only one who misunderstood it.

Pieter Runneboom

OK. Thanks. Last question, we've seen CTP and VGP were very active in brownfield acquisitions in Germany, also in France which is VGP, where this lots of land that you were also looking at, these very long dated, large plots of land, would that be something for you as well?

Jo De Wolf | Montea

We were not on the short list of those, the ones you mentioned. We were not on the short list now.

Pieter Runneboom

But thinking about the strategy wise, because this come with quite huge investment, I believe maybe VGP 200 million, would that something that fits your strategy or is this…

Jo De Wolf | Montea

But I think a lot of the Stellantis deal, for example, a lot of that will be redeveloped in more industrial use. For example, in France, if you talk to the municipalities, they don't want logistics. They just want industry. So there is this idea that industry is the Holy Land that's creating jobs and logistics is just taking space and not creating any jobs. The French are a bit stubborn in that. I'm always surprised when you look at the the figures, for example, of e-commerce. If you go to a Maire in France and he sees a plan, and obviously the Amazon building, you immediately recognize the form and shape and they close all the books, he says 'No, no, I don't want Amazon on my territory, No pasaran '. If you look at the e-commerce figures in France, The number one e-commerce provider with 22% market share is Amazon, followed by the second, Darty with 6%. So basically, you don't see Amazon branded vans in France, you don't see Amazon branded buildings in France, but they have like a fourth of the market, a quarter is theirs. So there's a bit of, how do you say that, *hypocrisie* between what is actually happening in the market and what's governments want and it's especially the case in France, so logistics has become really, really difficult there and I think VGP has always had that more of a mix between industrial and logistics, which was less the case with Montea.

Pieter Runneboom

OK, it's very clear. Thank you.

Jo De Wolf | Montea

Thank you, Peter.

Thank you, Frédéric, you have a question.

Frédéric Renard

Good morning or good afternoon. Sorry, I had to jump during the meeting, so maybe you already answered that and it's getting back to the question of Peter actually. So yeah, ERV in the portfolio are up a 15% last year, 8% again this year, which I just wanted to see, you mentioned two deals in Q3. I wanted to see the the level of rent versus the current ERV. And I guess the question is, oh, well, you see your ERV value now in terms of what for my conservative point of view.

Jo De Wolf | Montea

I'm not sure I fully understood the question. Do you ask what how we see further evolution of the ERV?

Frédéric Renard

No, just yeah. Is the ERV you have today, the latest ERV disclosed by your appraiser, how is it differentiating from the level of rent you have or you add in Q3 you mentioned you had two new negotiations.

Jo De Wolf | Montea

Yeah. Well, then we negotiated, they were in line with the ERV. It is really under rented. I mean the 6%, it's also an average. So we have some buildings that are maybe 20% under leases and others that are in line with ERV. So, so it's really an average. But of course, it's not that difficult negotiation because when people are really under, when they have a reason, is really too cheap. They also see around them what is happening in the market so the negotiations are not that difficult, but I mean if you look at the 6% now suppose that ERV would be stable over the next 12 months, suppose, it would be remain stable over the next 12 months. Then I hope that in 12 months we will have only two to 3% discount on the ERV. But I gave the same picture a year ago, so.

Frédéric Renard

OK, but I, but I guess the question is also, my question was more about the level of ERV you see today. So we knew it was kind of a catch-up at some point in time from the appraisers. You would say that today ERV you see in your balance sheet is correct.

Jo De Wolf | Montea

Yes, I think it's… absolutely, we go through them with the country directors. Sometimes for new developments, we see a bit more upside than that is already in the ERV today, but that's really up to us to improve, based on the deals we are going to do that, we still see some upside here.

Frédéric Renard

Do you see an uptick in discount for your new development during the commercialization process or not at all ? So I mean by that rent free months or rent free of that kind of stuff. Still not the case ?

Jo De Wolf | Montea

Rent free is, in my opinion a typical way for a developer to improve the rent levels. So they say we will do all the partitioning, the *cloisonnement* and we will do the logos and the rent free and we early entry and so that's really not in our advantage, I mean. If we look at it, suppose the ERV is 55 euros and a guy says OK, I want to rent 10 year fixed lease but I want one year rent free. And basically the economic rent is €50. We are not the developer, a developer would say, OK, I will give you an early entrance of one year and then we have 10 years and 55 for him is important because if it sells at 5%, it gets €1100. For us, it doesn't make sense. It would only mean that we take the risk now, we give one year rent free and then afterwards if something happens to the tenant, well, we've lost that first year. So we would prefer to lease it out at €50, another 55 and to give zero vacancy. So in Montea the economic rents or what you see in our contract is, I mean, we put in our contract, what is the real rent. So we don't get to, try to make it more beautiful as it actually is.

Frédéric Renard

OK. So I guess no, the answer is no, no, no, I thought it.

Jo De Wolf | Montea

Exact

Frédéric Renard

You provide a very interesting comment on 3PLs gathering on bigger asset and streamlining the portfolio. I guess the question would be, what happens to the older assets which are vacant ? Do you see there an opportunity or is there a risk for additional vacancy in the market? Because I guess it's older asset or how should we read your comment? You know.

Jo De Wolf | Montea

Could you just repeat the question Frédéric ?

Frédéric Renard

Yes. So you mentioned that some 3PL companies were actually going from 3-4 assets to one single asset, but I guess...

Jo De Wolf | Montea

Yeah. OK, to one single.

Frédéric Renard

You see where I'm going… what happens to the 3-4? Is there an opportunity for you or is this as a risk for the market?

Jo De Wolf | Montea

Well, there always, there will be an example in our portfolio this year, also if it's on a strategic location, on a prime location, we will always refurbish, redevelop and make it the A standard again. If it's on a B location, it might as well put it for rent and for sale. So there are some smaller buildings, that was the basis of the first growth plan, in 2010, the 2010-2014 was really selling off all the light industrial, smaller buildings, older buildings and change them by new developed buildings, so if it's something where we're not convinced that it is really something, the market is looking for, then we might as well put it for sale.

Frédéric Renard

Maybe last question and then maybe answered it already, you, I understood that the EPRA cost ratio was going to go up again this year and so it means an increase in overheads. What, which teams are concerned? Are you investing more in Germany and France? That's where we should understand or…

Jo De Wolf | Montea

No, it's just a full year impact of the people we hired in 2023. And so hiring in 2024 will be rather limited. It's really the full year impact of 2023 hiring.

Frédéric Renard

OK. Thank you very much.

Jo De Wolf | Montea

Thank you.

Liora Kern | Montea

No, no, but it is true that we've been, we've invested heavily in the German and French teams. If that's was the question you were asking.

Frédéric Renard

No. Yeah, but I got it. Thank you.

Herman van der Loos | Montea

OK, merci Fred, we have a question from Kanad, Kanad please.

Jo De Wolf | Montea

Kanad. We cannot hear you.

Kanad Mitra

Hi, good morning. So just one question, in your guidance, the 4.1% is inflation or is it's also the indexation that you are assuming, 4.1 and 2.1 that you're in the…

Jan Van Doorslaer | Montea

4.1 is the inflation and 3.6 is the indexation.

Kanad Mitra

OK. Thank you.

Jo De Wolf | Montea

So 4.1 is the inflation 3.6 is the indexation and 0.4 is the renegotiation.

Kanad Mitra

OK, thanks. Yep.

Herman van der Loos | Montea

We have one question from oh, sorry Kanad, you have another question.

Kanad Mitra

No, no, thank you. That's all for me.

Marc Eeckhout

Hello. If I may come back to France, you are not going to Lille. Where are you going every day? Almost close to here in Belgium. Investing in Dunkirk this morning and this evening. Yeah. Even the date also. So is there's also for you a topic and an option.

Jo De Wolf | Montea

What we believe is obviously, 10 years ago, everybody was just looking at *La Dorsale*, Lille-Paris-Lyon-Marseille. What we see today is that, it is of course linked to last mile logistics and to e-commerce, that is what they call the *Arc Atlantique,* it is a very interesting area today, Rouen, Bordeaux, these are really cities that are under developed, undersupplied in every city. And as I said, every municipality is making it very difficult for logistics, so if there is an opportunity there, very interesting markets and apart from that, what we see also is that there is a decision that they will try to get logistics out of the Ile-de-France so around Paris, that they will vacate it. So the *La Couronne* around the Ile-de-France where you have cities like Troyes, Reims, they, they will also be, will become much more important in the upcoming years. So there is a huge potential in France, but mainly linked to their own consumption, and it's always the case and mainly linked to the development of the e-commerce in and, I would say, more local geographies.

Marc Eeckhout

And then maybe last one for Els, LTV is low, 33%, you are ready to invest. Do you have a short term and long-term target for the LTV?

Els Vervaecke | Montea

Yes. We have communicated less than 50%, but of course but we all know what's going on in the market today and it's a close monitoring that we will do, the deployment of the land bank, there we said that the impact will be roughly 3% and so no further guidance on LTV levels on the Debt/EBITDA levels. But, of course, we have our internal targets. We don't want any speculation coming to the, or in the market for potential capital increases which can be of course the optional dividend that we provide every year, but next to ABB there is of course also contributions in kind that we can see, the idea is not to have any speculative or speculation around capital increases…

Marc Eeckhout

. taking that maybe last one which part of the debt you need to refinance until end of 26.

Els Vervaecke | Montea

Good question. But it's not something that I am awake or or I don't sleep from at night because you know 65% of our financing is done through bonds and we have done some early reimbursement of contracted depth with banks and they said to me oh, we wanted the other way around. We want you to get more financing from us. So they're really ready to provide us with extra financing. And we see that they are even willing to give us some promises that even if we want to get financing in six months or 12 months and I don't want to pay the reservation fee, they're ready to give out by means of a letter, a promise to us that they are there for us to provide us with the financing.

Herman van der Loos | Montea

You also have an idea of that when you see the bonds of CTP on the market now versus six months ago.

Els Vervaecke | Montea

… but it's roughly, you can see it over there, mark, on the right hand side, it's less than 15 million that needs to be refinanced in 2024 and 25 and it's between 50 and 100 million until the end of 29 per year.

Marc Eeckhout

That's clear. Thank you.

Jo De Wolf | Montea

Are there any other questions ?

Gert De Mesure

I have some questions on distressed sales. So I think in 23 there have not been any distressed sales and so everybody who had to sell tried to sit it out and wait for the next renegotiation with the banks. But yeah, sooner or later some will have to act and will have to sell under pressure of the banks or under pressure of the market. Have you any ideas that some things are coming closer and OK, I I know some groups which have to sell, can the market absorb that ? Are banks approaching you for that in order to help?

Jo De Wolf | Montea

Very limited, I think we see it when we see it, if we see it, it's more on the sale and rent & back where we are in contact with some of the intensive care departments of banks where of course sale & rent back can be a way to diversify your debt. We've done it in the past with companies a bit dodgy, but on great locations where we say, OK, we sign a deed, we buy the building, we sign a lease of 10 years. If they can honour the lease, that's great. We have a high yield. If they cannot honor the lease, then we have a great land location, but we just pay for the land and not for the building. So that's an opportunity for us. If we look at the investors, I think this this crisis really proves the agility of the REITs, there are no companies that really are under pressure, even with the developers in our asset class, it's not the case. I think it is the case in some residential developments, definitely in offices, but in logistics I haven't met the, I've met some developers who say I had some options on land subject to getting the permits in place. Now I have the permits, but I don't have the money, can we team up? Yes, but it's more out of, to be able to do more projects that they ask us but not distressed sales. So we haven't seen them in our asset class, I think and I don't see them coming actually.

Gert De Mesure

Now a lot of a lot of these groups are waiting. I was talking to a German group and they say yes, but look here we see the direct cuts of the ECB and we were expecting four or five rate cuts and so we are happy, OK, if it's not going to happen, that will have an impact on financing and everything connected to that.

Jo De Wolf | Montea

So, we're, the difference is, if our yield on cost is 7%. If you are in Eastern Europe, like VGP and CTP, you are at the yield on cost of 8 and 9%. It's not that the financing is going to kill you and so they still have the, I mean the cost of debt is still well under control. So I haven't met any sweaty developers really praying for us to jump in and save them, so I think we, I think it's something we thought could have been an option, maybe a year or a year and a half ago, but I haven't seen them in our asset class at least.

Are there any more questions? No ?

Then I would like to thank you all for joining. Thanks for your questions. Thanks for your time. Should you have any more questions reading the reports, feel free to contact Herman. Els, Jan, me, absolutely. Thank you very much.

(Audience)

Thank you. Have a nice day.