

## IMMOBEL HALF-YEAR RESULTS 2023

# IMMOBEL NAVIGATES TURBULENT MARKET

**Amid considerable geopolitical and macroeconomic turbulence, alongside a cooldown observed in global real estate markets, Immobel continues to navigate steadily in the evolving market landscape.**

- **Macroeconomic conditions** remained challenging in the first half of 2023, with inflation still high and interest rates continuing to climb.
- These factors led to tightening lending standards and increased financing costs in the **global real estate market**, resulting in a significant drop in global transaction volumes. However, at the same time, in most European cities, the fundamentals for residential real estate and prime offices with supply and demand in structural imbalance continue to be healthy.
- Despite these macroeconomic headwinds and persisting market pressures, **Immobel is navigating these challenges confidently**. While the **Belgian residential market** is cooling down, Immobel's Belgian residential sales have been performing relatively well – other residential markets are more challenging. Also, although the institutional investment market for offices is in a “wait-and-see” mode, Immobel's **green offices in prime locations** have been gaining **momentum in terms of rental activity**. Companies continue to gravitate to high-end spaces to create positive employee work experiences and meet heightened sustainability standards.
- In the first half of 2023, **underlying net result<sup>1</sup> reached EUR 6.5 million and net result EUR -2.8 million**. This decline in net result was anticipated and can be primarily attributed to the one-time cost linked to the strategic cost cutting measures taken at the end of 2022.
- Immobel took several strategic measures at the end of 2022 to emphasise its shift from growth to **operational excellence**. It decided to shift its focus from the development of small residential projects in the suburban areas of Paris to the development of mixed-use projects in the centre of Paris and moved Immobel Capital Partners, its real estate investment management activity, from London to Brussels. This led to a 30% reduction in annual overhead costs, cutting them from EUR 50 million to EUR 35 million. However, these actions incurred a one-time cost of EUR 9.3 million during the first half of 2023, impacting the net result.

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<sup>1</sup> Net profit group share excluding one-time exceptional cost.

- ImmoBel maintains a solid balance sheet and liquidity position. The slight increase in its gearing ratio<sup>2</sup> to 58.5% can be mainly attributed to specific completed office projects held in its portfolio, namely Multi (Brussels), Cala (Liège), Central Point (Warsaw), and White Rose Park (Leeds). However, this increase remains well managed owing to EUR 16 million<sup>3</sup> of indexed rental income generated by these offices through long-term leases. Moreover, ImmoBel uses various types of instruments e.g. interest-rate swaps to hedge its exposure to variable interest rates, bringing the average cost of debt to 3% over the first half of 2023. Finally, ImmoBel has always recorded its assets at cost in its balance sheet, reducing the risk of book value impairments when markets suffer.
- ImmoBel witnessed an improvement in obtaining permits for its projects. To date, it has obtained final permits for EUR 311 million in total gross development value<sup>4</sup> (GDV), including the prime location projects OXY (70,000 m<sup>2</sup>) and The Muse<sup>5</sup> (9,000 m<sup>2</sup>) in Brussels. ImmoBel's total GDV remained stable at EUR 5.7 billion.

## Business update | Challenging market conditions

The residential markets in ImmoBel's core countries are under pressure, mainly due to rising mortgage rates. However, considering this challenging market environment, ImmoBel's Belgian residential sales are doing relatively well. We successfully launched The Commodore (115 housing units) in Brussels and the second phase of Ilôt Saint-Roch (291 housing units) in Nivelles.

Sales of residential projects have significantly slowed down in France, Luxembourg, and Germany. Although the developments in these markets are mostly sold out, i.e. 86% sold, we are experiencing a significant slowdown in sales. Granary Island (652 housing units) in Gdansk, Poland has been entirely sold.

The institutional investment market for offices is at a standstill. However, ImmoBel's completed and unsold office buildings are almost fully leased (i.e., Multi (Brussels), Cala (Liège), Central Point (Warsaw), and White Rose Park (Leeds)). They are generating steady rental income, bringing ImmoBel EUR 16 million in rental income annually. Furthermore, indexation of those rents plays a key role in countering rising yields.

## Permitting | New permits obtained for key projects

In the first half of 2023, final permits were obtained for new projects with a total GDV (Gross Development Value) of EUR 311 million.

ImmoBel has obtained final permits to transform the former Centre Monnaie in the centre of Brussels into a 70,000 m<sup>2</sup> sustainable mixed-use complex called **OXY**. ImmoBel (on behalf of ImmoBel Belux Office Development Fund) obtained final permits for **The Muse**, a sustainable office development of 9,000 m<sup>2</sup> at a prime location in the centre

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<sup>2</sup> Gearing ratio is calculated by dividing net debt by the sum of net debt and equity group share

<sup>3</sup> ImmoBel share

<sup>4</sup> Gross development value: total expected future turnover (group share) of a project or all projects in the current portfolio (including projects subject to conditions precedent for which the management judges there is a high likelihood of closing

<sup>5</sup> Owned by ImmoBel Belux Office Development Fund

of Brussels, and **Saint-Honoré**, a mixed-use commercial and office building of approximately 2,700 m<sup>2</sup> in Rue Saint-Honoré in the 8th arrondissement of Paris. We received final permits for our Immobel Home projects, **Domaine du Fort** near Liège (13,000 m<sup>2</sup>) and a new residential neighbourhood in **Tielt** (29,000 m<sup>2</sup>). Permits were also obtained for **Brouck'R** in Brussels (37,000 m<sup>2</sup>) and both **Le Pacifique Issy-Les-Moulineaux** (4,000 m<sup>2</sup>) and **Tati Barbès**, in Paris (7,980 m<sup>2</sup>).

In the first half of 2023, Immobel submitted permit applications mainly for **Lebeau** in Brussels (36,000 m<sup>2</sup>) and **Kiem** in Luxembourg (23,460 m<sup>2</sup>). Kiem is the first real estate project designed in a “circular” approach in Kirchberg. It is the result of a public-private partnership comprising Fonds Kirchberg, among others. The complex will offer 148 quality apartments, mostly affordable housing units, in four apartment buildings.

## Sustainability and corporate social responsibility

After the gap analysis conducted in Q4 2022, Immobel implemented its action plan to become fully compliant with the **EU Corporate Sustainability Reporting Directive (CSRD)** by the end of 2024 in the first half of 2023, one year ahead of the deadline. An assessment of risks and opportunities (financial materiality) as well as the impact we have on society and the environment (impact materiality) has started, based on interviews with key stakeholders.

Our **approach** regarding **ESG** led to an **award** from the Brussels Region for our **OXY development**, where renovation work started this Summer. At the same time, our own headquarters, **Multi**, is **nominated for the European Awards for Excellence from Urban Land Institute**. These projects stand out because of keeping a high proportion of the existing buildings, re-use of materials on site, a fully decarbonised energy concept and a public engagement toward the **surrounding pedestrian zone with active ground floors, a green, public walkway and public equipment**.

## Immobel team and transition

Immobel is known to have and provide the real estate market with the best talent. Its Immobel Academy rigorously follows and stimulates upcoming talent. Our efforts to keep these talented people within our company are working. Our cohesive and motivated Executive Committee is composed of home-grown talent and shares the values, the principles and the excellence Immobel has put in place since the merger. The Board has full confidence in its capacity to navigate this period of volatile markets. Adel Yahia, who will be the successor of our CEO Marnix Galle as of 2025, has taken over the Group supporting divisions while navigating well his native Belgian and Luxembourg waters. Next to that, Marnix has been devolving international responsibilities to our new Exco member Olivier Thiel, who proves that young knives cut better. The two other members of the Exco, Stephanie De Wilde and Karel Breda, are operating at excellent pace and content. These new leaders are equipped and motivated to serve Immobel in the next decade. Younger high potentials throughout the company are getting their shot at next level responsibilities, which allows them to remain motivated and within our company.



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**About Immobel:** Immobel is the largest listed real estate developer in Belgium. The Group, which dates back to 1863, creates high-quality, future-proof urban environments with a positive impact on the way people live, work and play, and specialises in mixed real estate. With a market capitalisation of about EUR 350 million and a portfolio of more than 1,400,000 m<sup>2</sup> of project development in 7 countries (Belgium, Grand Duchy of Luxembourg, Poland, France, Spain, Germany and the United Kingdom), Immobel occupies a leading position in the European real estate landscape. The group strives for sustainability in urban development. Furthermore, it uses part of its profits to support good causes in the areas of health, culture and social inclusion. Approximately 150 people work at Immobel.

For more information, please go to [www.immobelgroup.com](http://www.immobelgroup.com)

