



Real Estate & Demography

Jean-Edouard Carbonnelle
CEO

October 4, 2012

*together
in real estate*



Agenda

- Cofinimmo in a nutshell
- Overview of the demographic expansion in Belgium at 2060 horizon
- Real Estate vs Life Cycle
- Real Estate today: offices, healthcare properties, property distribution networks, Public-Private Partnerships
- Conclusions: challenges ahead, but also blue sky coming...
- Q&A



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Cofinimmo in a nutshell

- Leading Belgian listed real estate investment company exposed to the office property market in Brussels, healthcare properties in Belgium, France and the Netherlands, as well as distribution property networks in Belgium, the Netherlands and France
- Total portfolio fair value of > €3 billion
- SICAFI status in Belgium, SIIC status in France, FBI status in The Netherlands
- Internal real estate management platform with 110 employees
- Included in major indices: BEL20, EPRA Europe, GPR 250
- Total market capitalisation at 30.06.2012: €1.5 billion



Executive Committee



Jean Edouard Carbonnelle
Chief Executive Officer

Joined Cofinimmo in 1998



Françoise Roels
Secretary General & Group
Counsel

Joined Cofinimmo in 2004



Marc Hellemans
Chief Financial Officer

Joined Cofinimmo in 2000



Xavier Denis
Chief Operating Officer

Joined Cofinimmo in 2002



Cofinimmo in a nutshell

Evolution of the properties portfolio

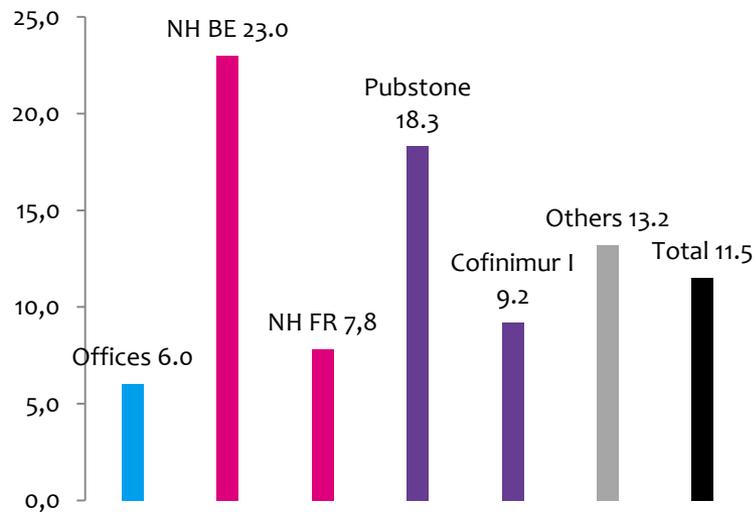
- Diversification strategy started by Cofinimmo in 2005: nursing homes/clinics
- 2007, first distribution property network contract with the acquisition of AB InBev pubs portfolio in Belgium and the Netherlands (AB InBev retains 10% interest)
- 2010-2011, Cofinimmo reinforces its position in healthcare real estate assets and becomes a European leader in the nursing homes/clinics segment
- December 2011, with the acquisition of the MAAF branches (Cofinimur), Cofinimmo improves the overall composition of its portfolio and reinforces its distribution property networks segment: 16% of Cofinimmo's portfolio
- End 2011, the percentage of the office buildings segment is below the 50% mark



Cofinimmo in a nutshell

Long-term quality leases

Lease maturity by property type at 30.06.2012
(in years)



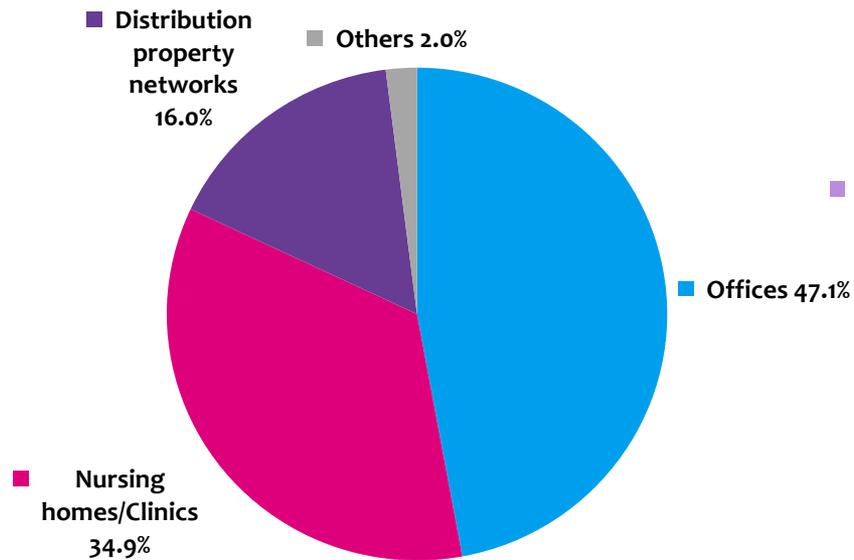
Top 5 Master Tenants

Tenant (362 clients)	Contractual revenues (% of total)	Lease length until 1st break (in years)
AB InBev Group	13.4%	18.3
Belgian Public Sector	12.3%	11.6
Korian Group	9.0%	7.5
Armonea	7.1%	21.9
Senior Living Group	6.9%	22.8
Top 5 tenants	48.7%	15.8
Others	51.3%	7.4
Total	100.0%	11.5

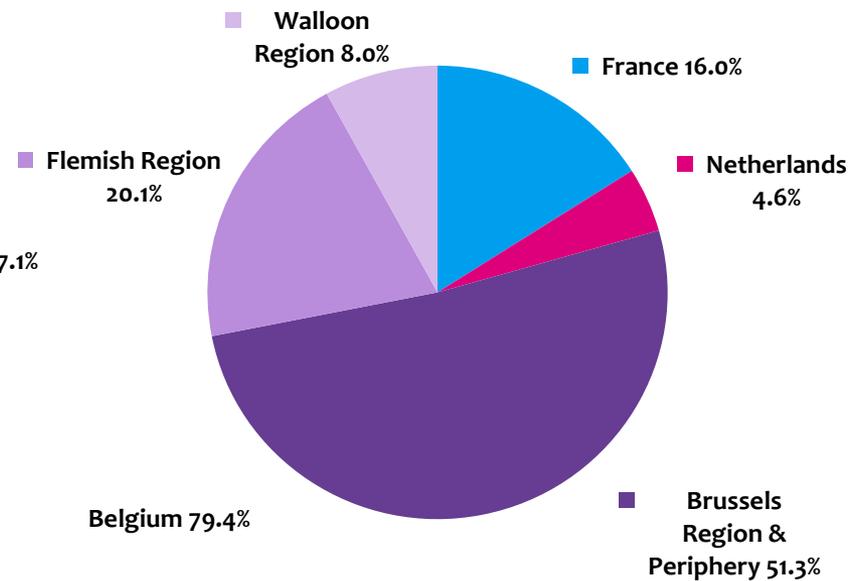


Cofinimmo in a nutshell

Portfolio mix by segment



Portfolio mix by country



www.cofinimmo.com



Agenda

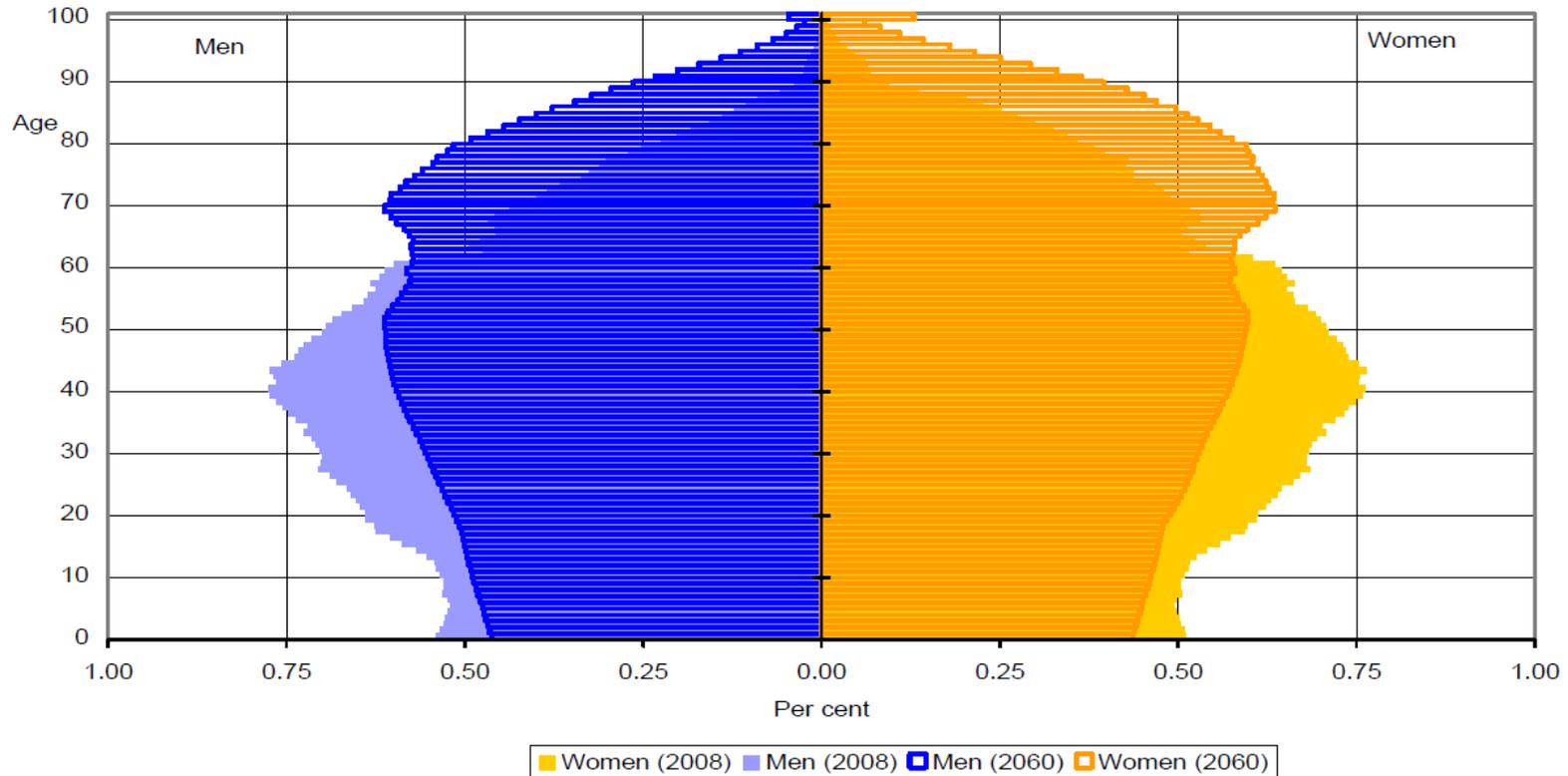
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Demographic expansion in Belgium

Belgium: 9th country with oldest population in the world

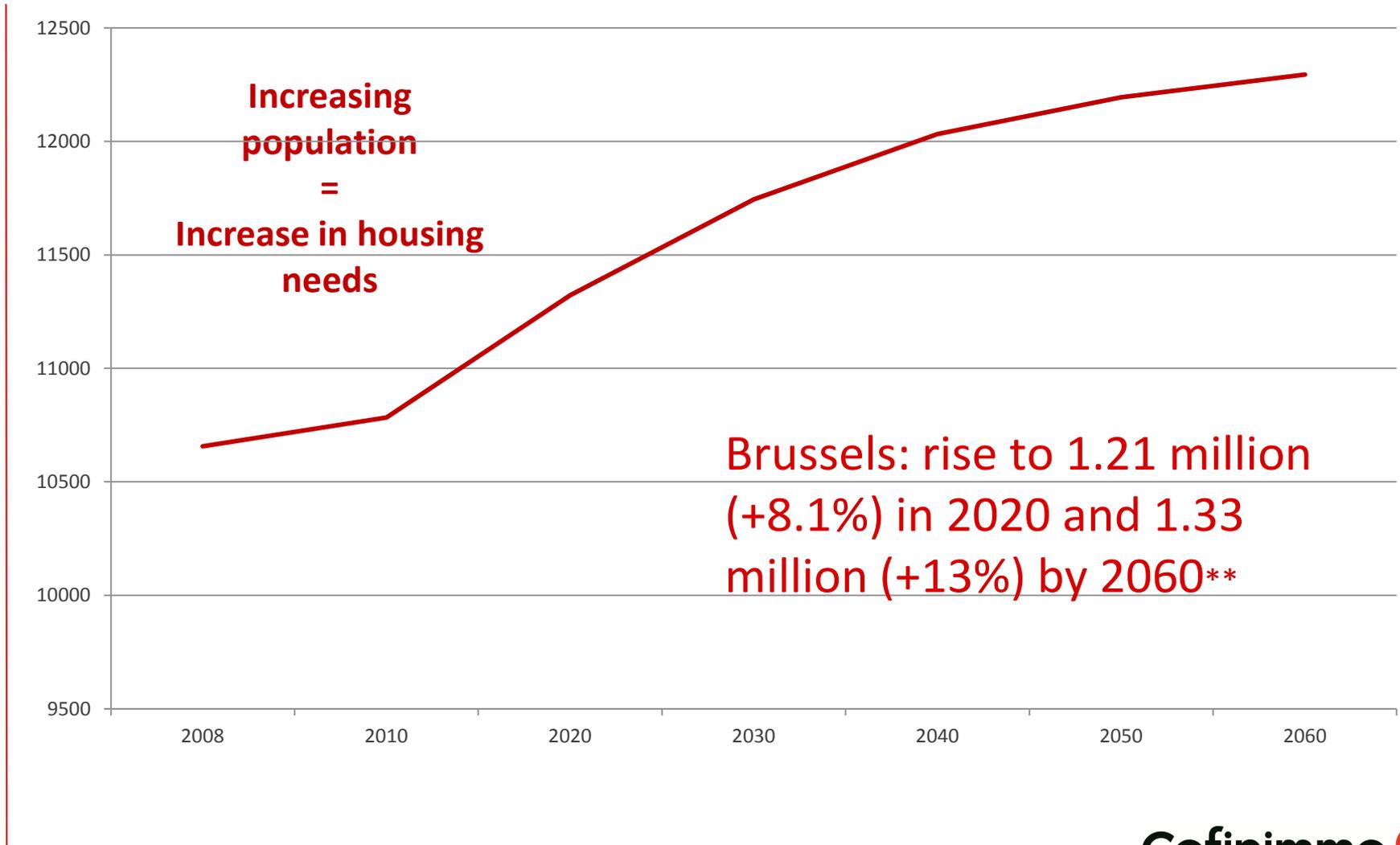
Figure 5: Population pyramids, EU27, 2008, 2060



Source: Eurostat, EUROPOP2008 convergence scenario



Total population in Belgium 2008 – 2060

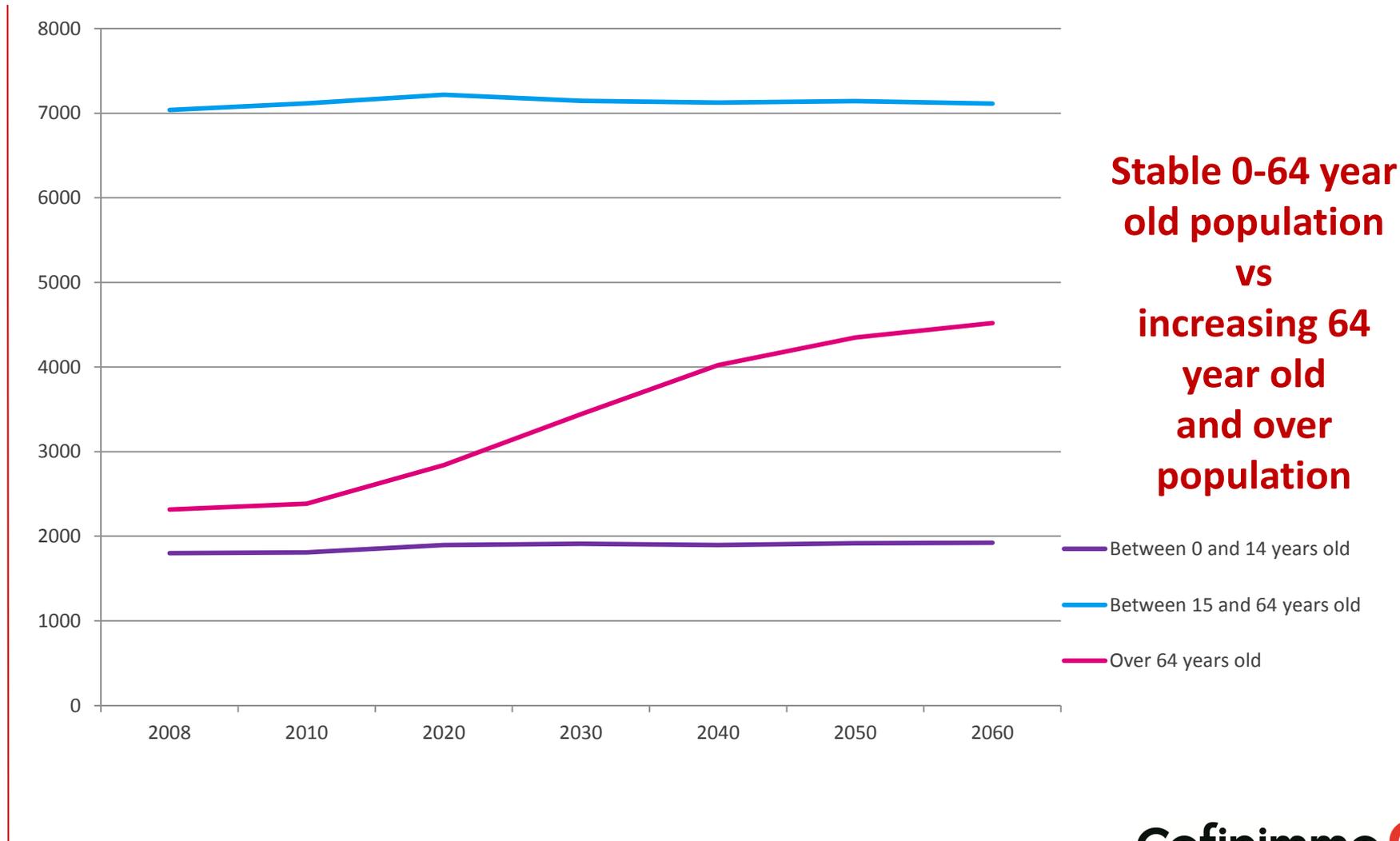


*Source: Eurostat, EUROPOP2008 convergence ratio

** Source: Knight Frank, 2012 Brussels. Residential Market Report – New Builds



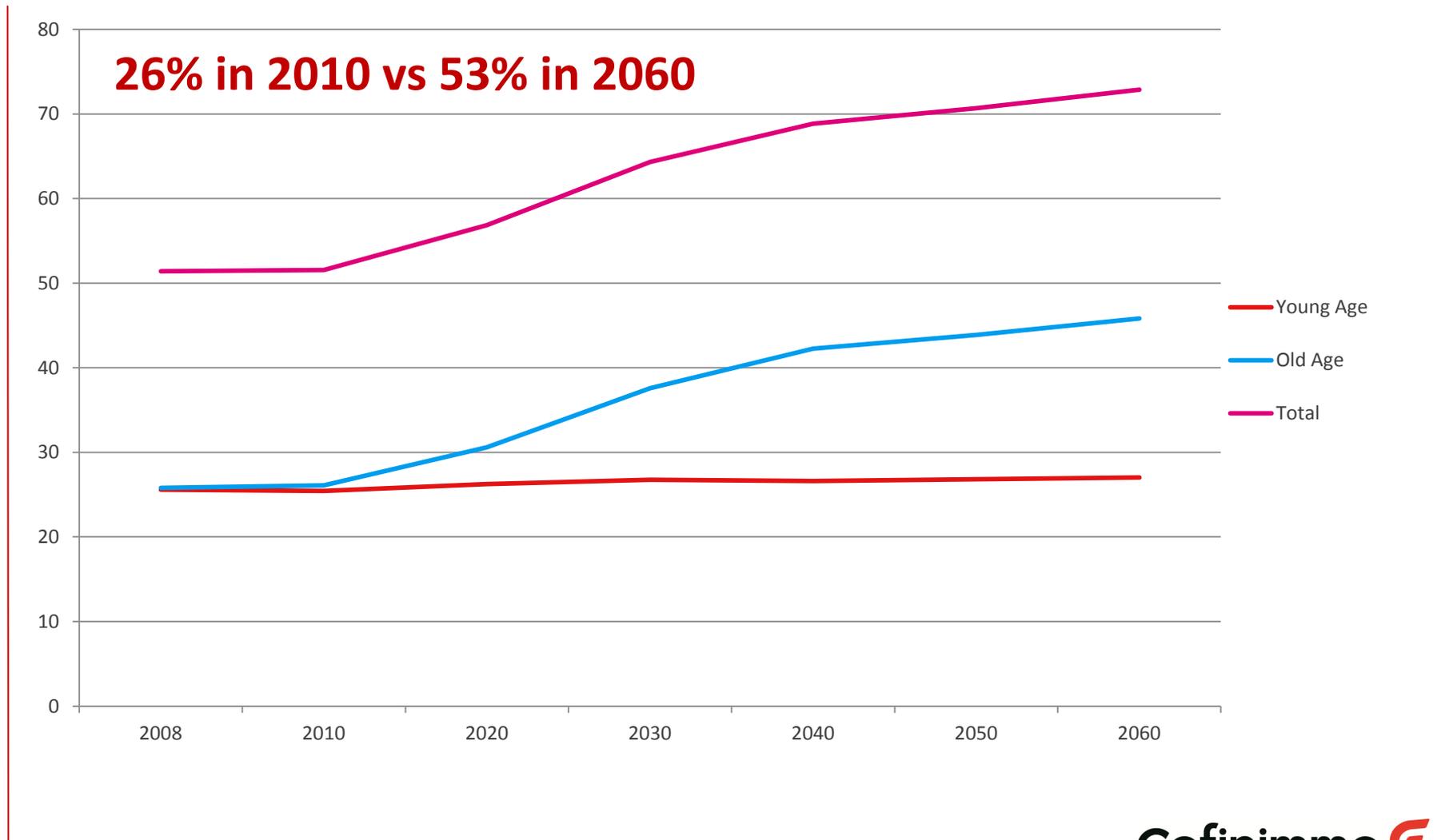
Age population evolution in Belgium 2008-2060 (in 000)



Source: Eurostat, EUROPOP2008 convergence ratio



Dependency age ratio 2008-2060 (in %)



Source: Eurostat, EUROPOP2008 convergence ratio



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Real estate vs life cycle





Real estate vs life cycle

0-25 years old



- Hospitals
- (Student) Housing
- Day Care Centres
- Schools / Universities
- Sports Halls



Real estate vs life cycle

26-64 years old



- Hospitals
- Housing
- Offices
- Sports Halls



Real estate vs life cycle

64 years old and over



- Hospitals
- Housing
- Nursing Homes



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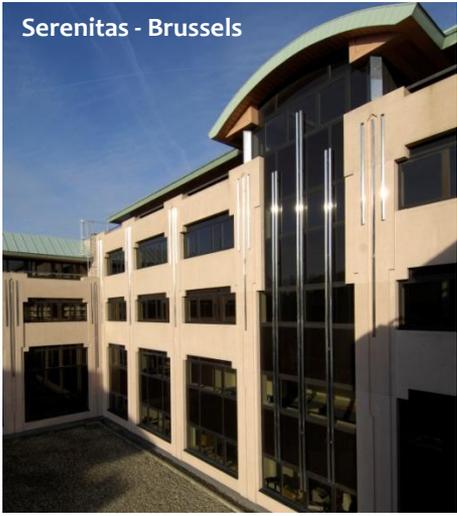
Offices



Omega Court - Brussels



Loi 56 - Brussels



Serenitas - Brussels



Meeus 23 - Brussels



Souverain 23-25 - Brussels



North Galaxy - Brussels



Real Estate today - Offices

- Offices
 - Too many offices built in the 2000's
 - Change in working habits: remote working, part-time jobs, decrease in the number of m² per employee
 - => too many office vacants too much offer vs demand
 - Reconversion possible for no more than 20% of vacant office stock in Brussels*.

OPPORTUNITY FOR RECONVERSION



Real Estate today - Offices

OPPORTUNITY FOR RECONVERSION

- Not all offices can be transformed into apartments, schools, etc...
 - Need for natural sunlight in all living rooms, specific isolation, ceiling heights, staircases, etc...
- Cofinimmo is currently transforming 2 office buildings into apartment buildings:
 - Livingstone
 - Woluwe 34



Livingstone





Livingstone





Livingstone

- Livingstone I-II – Brussels Leopold District – 35,000m²
- Permit obtained: mixed project (offices – apartments for sale)
- Objective Livingstone I: E-level 60 – K-level 30



Livingstone



- 122 residential units with large terraces
- Internal garden
- 500 m from the Schuman roundabout





Woluwe 34





Woluwe 34

- Brussels – periphery: 6.680m²- 9 storeys
- Conversion of the office spaces into apartments from studio to 3 bedrooms
- Energy performance: K 40 E 70 – Green roof, solar panel, D-type ventilation



Science 15





Science 15



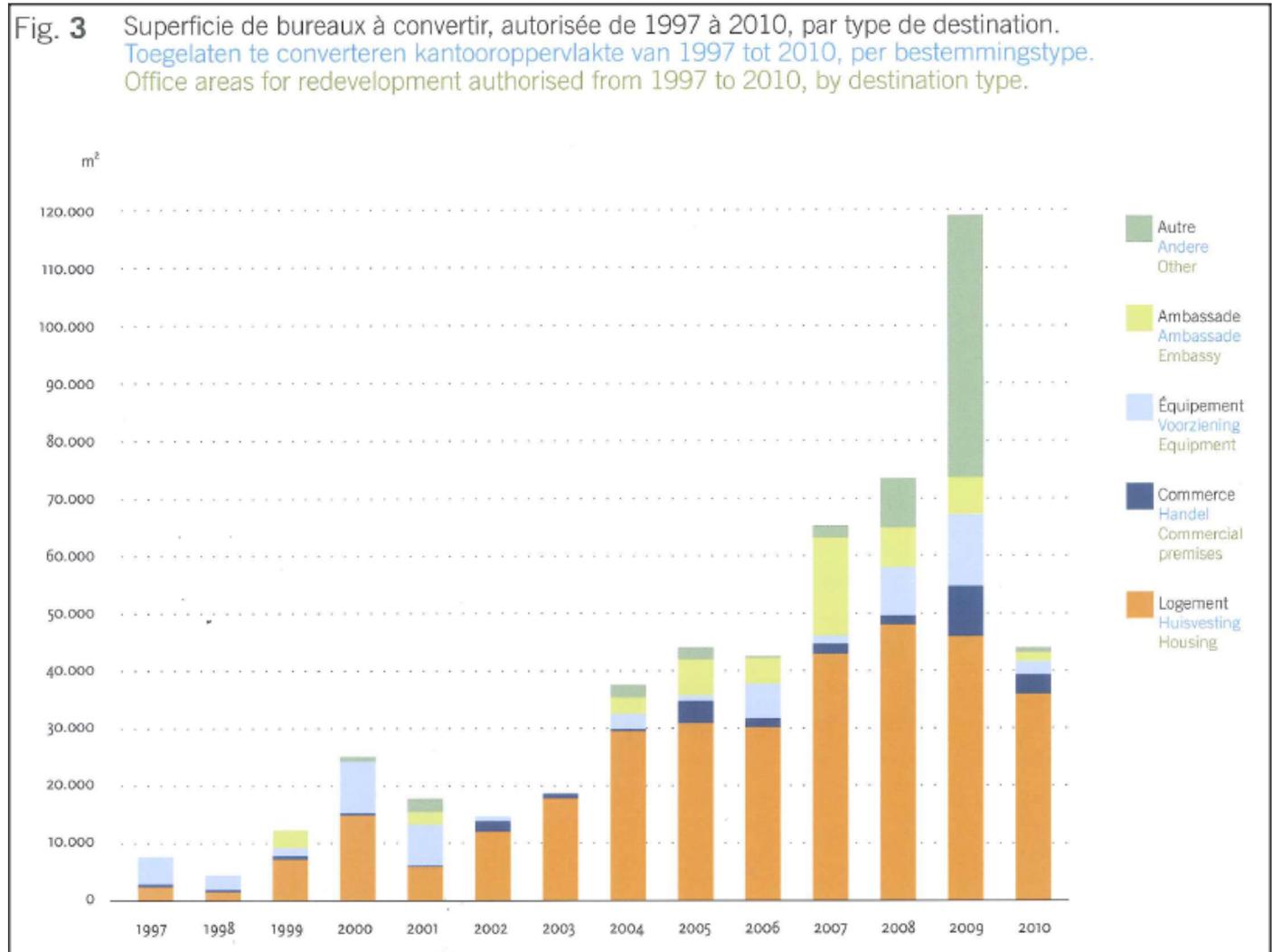
- Science 15-17 – Brussels Leopold District – 17,700m²

PHPP: The Passive House Planning Package is a design tool aimed at designing and calculating passive house standards.



Office building conversions

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



Source: Observatoire des bureaux



Nursing homes





Key Features of the market





Key Features of the market

Reminder

- Increase in life expectancy: 2007=83 (♀) and 77 (♂) – 2060=91 (♀) and 83 (♂)
- Faster rise in numbers of 60+ and 80+ aged persons; growth perspective for 2050: +60% and 150% respectively
- 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

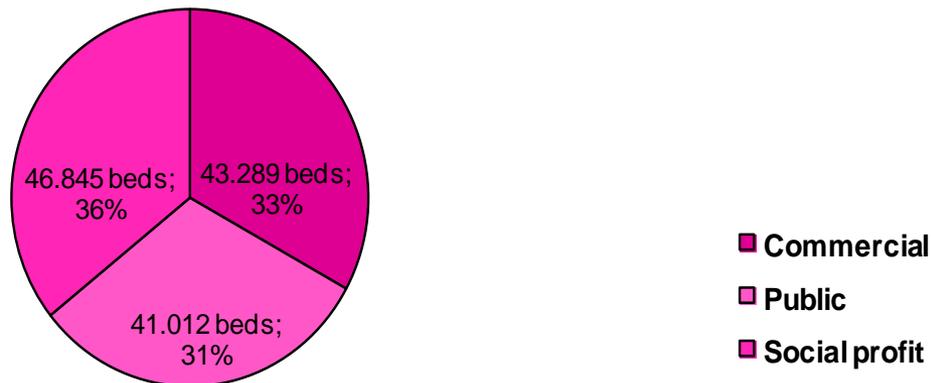
¹= actual; ²= assumptions; ³= €80,000 per bed.



The Market: Offer and Demand

Actual size of the market

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



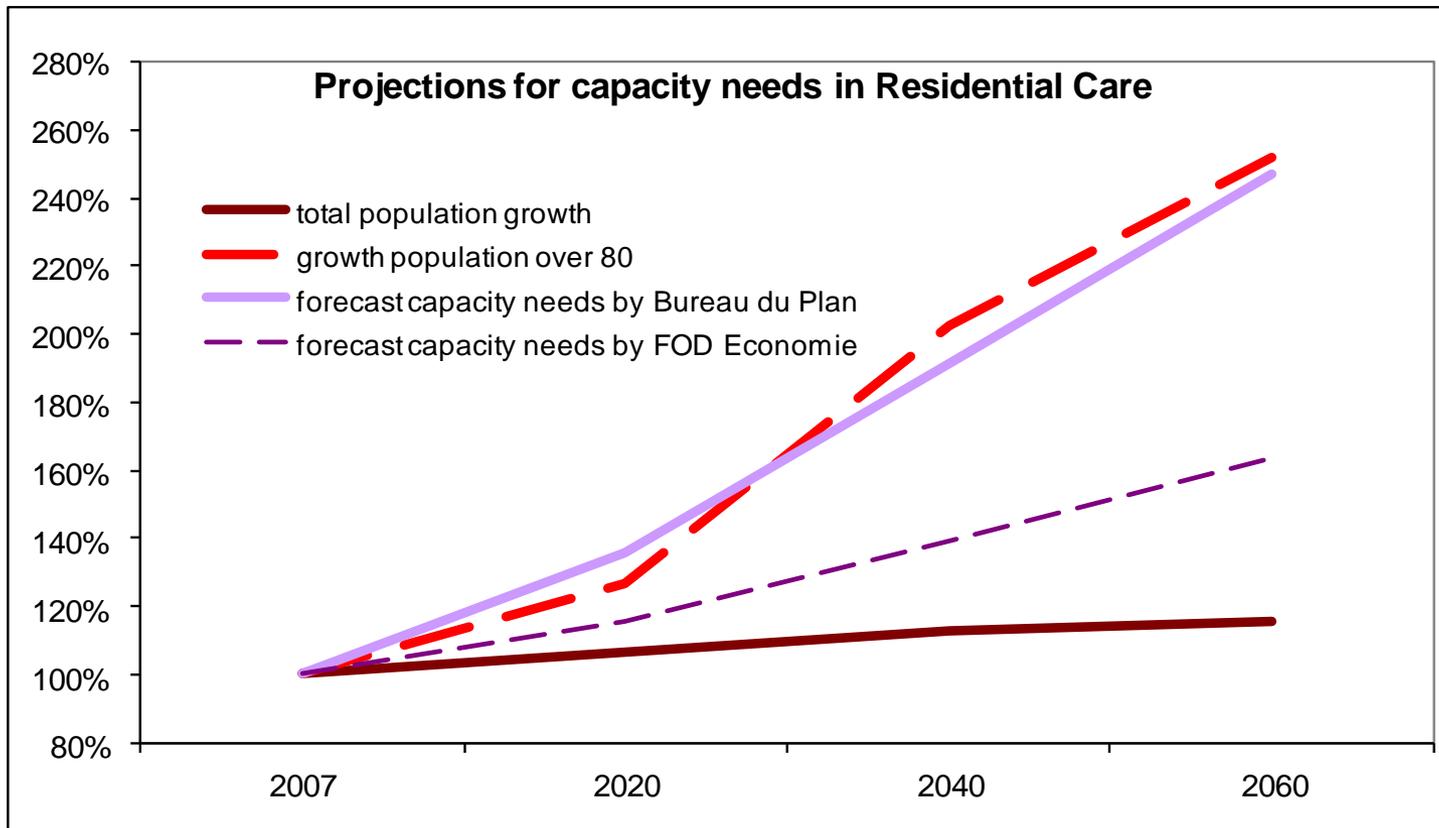
Current capacity : 131.000 beds

Strict capacity planning by Authorities



The Market: Offer and Demand

Potential demand





The Market: Offer and Demand

Potential demand

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 Rationale Belgium & France

- Significant potential due to demographic trends
- Strict authorisation and accreditation system of lessees/operators constitute a high entry barrier
- Revenues of the operators guaranteed by Social Security: 50%
- Attractive residual value and redevelopment potential
- Some units are post-acute care or psychiatric facilities



Our role in this market





Examples of recent Cofinimmo developments

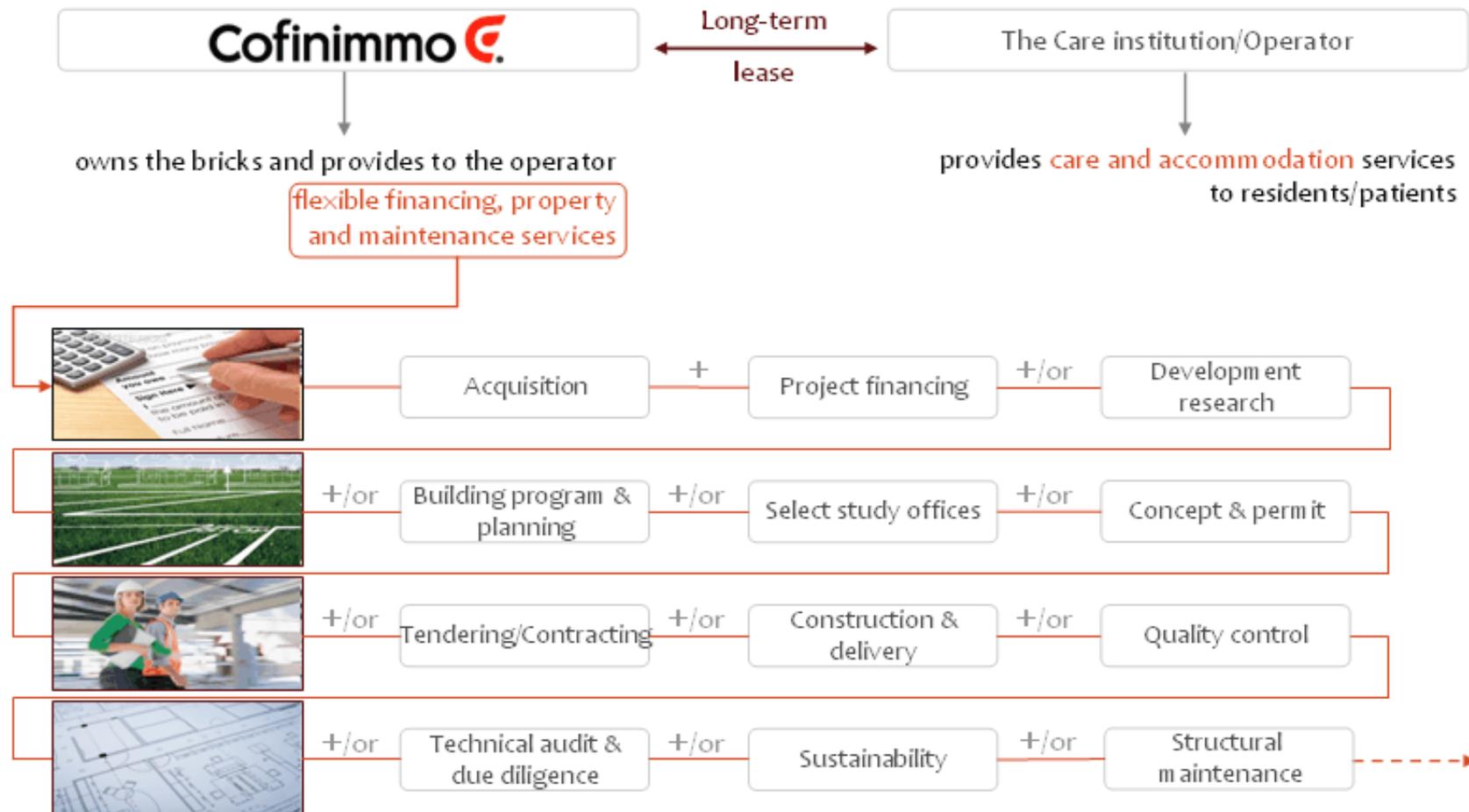
Vishay, Evere: Construction of a new nursing home for 162 residents

- Total surface superstructure: 8,570m²
- Budget of works: € 13,618,645.41 VAT included
- Works started: Q1/2013
- Delivery in Q2/2014
- Mission Cofinimmo: full Project Management & Development





Leverage of real estate construction expertise





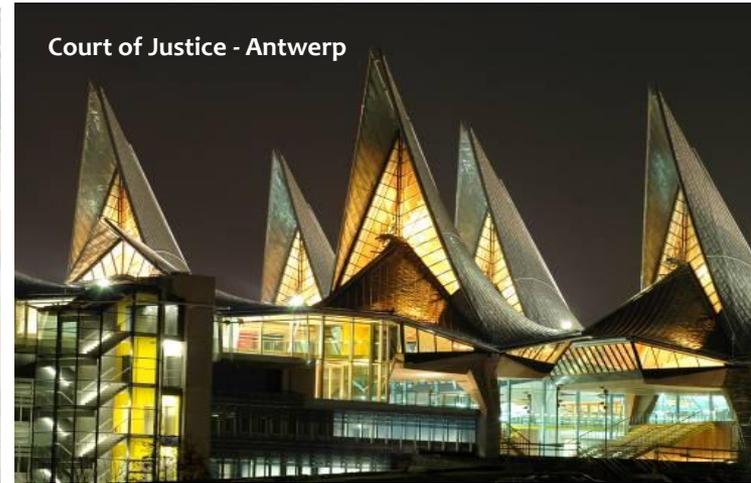
PPP

With a growing population:

- Increasing need for schools, student housings, social housings, public nursing homes, police stations, prisons, ...
- These projects are costly and often lead to private-public partnerships



Public-Private Partnerships





Public-Private Partnerships

Police Station – Dendermonde

- Construction works delivered at the end of March 2012.
- 18-year lease to the Buildings Agency (Belgian Federal State) as from 01.04.2012, indexed annually.
- At the end of the lease, option for the Buildings Agency to:
 1. renew the lease for a minimum period of three years.
 2. vacate the building, or
 3. buy the building at a price equal to the conventional value depreciated at a 3% rate per year.
- € 15.57 million land included
- Initial gross yield: 7%
- Excellent energy performance: E12/K20 (legal requirements: E100/K45)





Public-Private Partnerships

Student housing - Brussels

- Cofinimmo won the ULB (“Université Libre de Bruxelles”) tender for a Public-Private Partnership for “works and services relating to student residence buildings”.
- 2 buildings:
 - “Courses”: 242 rooms, in need of complete renovation;
 - “Depage”: 104 rooms, in good condition.
- Owner ULB grants long lease right (“emphytéose”) of 27 years to Cofinimmo.
- Cofinimmo signs lease with ULB who will rent both buildings for 27 years. Cofinimmo is responsible for the technical maintenance of the buildings. At the end of the lease, the full ownership of the buildings reverts to the ULB.
- Annual rent: €1.21 million, indexed annually.
- Estimated total investment: €14.2 million
- Net internal rate of return: 6.60%
- Renovation works started in H1 2012 and to end in Q3 2013





Overview

- Flanders: 208 000 students (source: Vlaamse Overheid)
- Fédération Wallonie – Bruxelles: 160 000 students (source: www.fwb.be)
- ± 6% increase between 2009-2010 and 2010-2011
- Increasing number of study abroad-Erasmus students
- But the number of student housing units does not follow demand in an already tight market



Brussels

- 1st students city of Belgium with some 74 000 students (college and grad.school)
- Increasing demography
- Importance of vicinity: better quality of life => better results
- Average student room size: 24m²

- ULB Source: « Esprit Libre », February 2012. ULB:
 - 14 000 students in 1990 – 24 000 in 2012
 - Offer: 4000 units
 - Demand: 7000 units
 - Between 1990 and 2012: the offer has doubled - same objective by 2017



The housing system

- Universities
- Agencies
- Private owners

ULB manages half of its portfolio, the other half is under concession

Due to the lack of offer, selection based upon several criteria:

- Distance home-university
- Parents' income...
- Limited to 2-3 years in some universities



Public-Private Partnerships: projects



Prison – Leuze-en-Hainaut

- € 105M
- 25 year lease to Buildings Agency (Belgian Federal State)
- Property transfer to Buildings Agency at the end of the lease, free of charge
- Design-Build-Maintain-Finance model
- BREEAM “Excellent” certification aimed
- Delivery expected in Q2 2014



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An additional challenge

Providing eco-efficient buildings to the next generations

Main actions undertaken:

- Green Charter, aimed at reducing energy consumption in partnership with tenants;
- “BREEAM” certification for new constructions and renovation projects;
- “BREEAM In-Use” certification for building maintenance;
- ISO 14001:2004 Environmental Management System certification

breeam

ISO 14001

**BUREAU VERITAS
Certification**



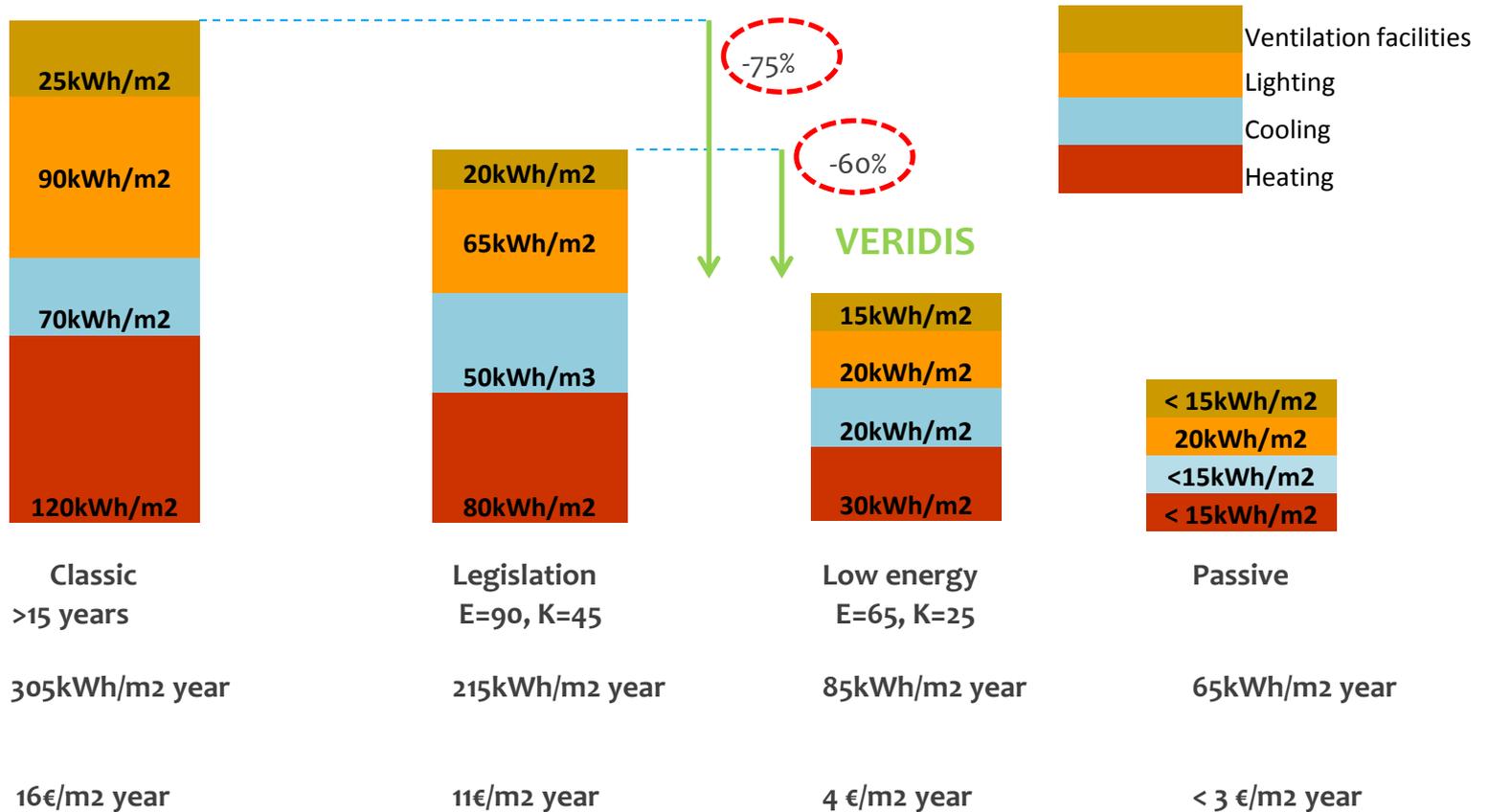
In 2011, the renovation project of the Science 15-17 building won an award in the “Exemplary Buildings” competition, organised by the Brussels Institute for Environmental Management (IBGE)

together in sustainability.



Impact for the tenant: quantitative aspects

- To build “green” could reduce the energy consumption fees of the tenants.
- Average energy costs for Cofinimmo office buildings: €12/m²/year.



Source: DTZ -2008

together in sustainability.



Impact for the landlord

- Maintain the value of the buildings and reduce vacancy
- Extra cost per m² from 5% to 20% compared to a E100 building
- In the current office market, it is not yet possible to increase rents to cover for the extra construction costs, but it is attractive for the tenants.
- In a stabilized office market, it would be possible to consider a rent increase to absorb the extra construction cost:

Passive Building

Rent + Energy costs <

180 €/m² + 3 €/m²

Standard Building

Rent + Energy costs

175 €/m² + 11 €/m²

Source: DTZ -2008



A rent increase of 5€/m² could absorb, at equivalent yield, an extra construction cost of +/- 8%

- At medium term, positive tax policy for the landlords?



Conclusion

- Increasing and ageing population
- Need less office space but...
- More housing units, more nursing homes, more PPP's
- Interesting reconversion opportunities
- Expertise from the private sector needed
- Pay Careful attention for ecological footprint and build « Green » Buildings







Disclaimer

This presentation is directed to financial analysts and institutional investors and is not to be considered as an incentive to invest or as an offer to acquire Cofinimmo shares. The information herein is extracted from Cofinimmo annual and half-yearly reports and press releases but does not reproduce the whole content of these documents. Only the French annual and half-yearly reports and press releases form legal evidence.

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