BELGIAN RETAIL

Marketview H1 2024

FIGURES

CBRE RESEARCH
H1 2024

Retail take-up in line with previous years, as surfaces of departing brands re-let quickly

▼199K
Take-up

▼32K M²
Expected 2024 Development

▼€242 Mio
Belgium retail investment in 2024

Note: Arrows indicate change from H2 2023

SUMMARY

- For the first time in 5 years, the ECB lowered its three key interest rates by 25 bps each.
- Core inflation (3.7%) fell below general inflation (3.0%) and consumer confidence kept stable in H1 2024 after a considerable recovery in 2023.
- Retail take-up was up for high street and out-of-town retail, but low for shopping centers, totalling 199,183 m² of deals in H1 2024.
- Top rents were stable in Belgium's key markets and vacancy is continuing its downward trend.
- Very limited retail park development expected for the coming 2 years.
- Small cap retail remains popular with private investors and family offices. Investment volume for retail real estate was €242 million in H1 2024.

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ECONOMY

For the first time in 5 years, the ECB lowered its three key interest rates on 12 June, 2024 by 25 bps each. The deposit facility, main refinancing rate and marginal lending rate are now 3.75%, 4.25% and 4.50%, respectively. In order to restore confidence to businesses and investors, this monetary decision should support the real estate industry.

It remains a risk, however, that inflation will spike up again. This is a trend we have seen since the end of 2023. General inflation is now standing at 3.7% in June. Core inflation (not taking into account price changes in energy and food) on the other hand, declined further and is now lower than the general inflation, at 3.0%

Overall, the Belgian consumers remain confident. After a strong recovery through 2023 from the late 2022 low, the Belgian consumer confidence indicator stabilised in 2024. However, regarding the economic situation in Belgium for the next 12 months, Belgians appear to be more concerned compared to last year. A reason might be our spiraling government deficit and debt, and the upcoming period of austerity Belgium is facing.

Finally, in 2024 the value of goods sold in retail trade (excluding fuels) decreased in May 2024 by 3.6% compared to the same month in 2023. Expressed in volume, retail sales decreased more drastically by 5.5% in May 2024 compared to the same month last year. E-commerce for instance, dropped slightly in both quantity and volume, after having seen a large increase in 2023. And also the food industry is experiencing a severe decrease in sales y-o-y. The Belgian Agri-Food Industry (Fevia) is therefore urging regulators to make Belgium more competitive, as cross border grocery shopping is reaching record highs.

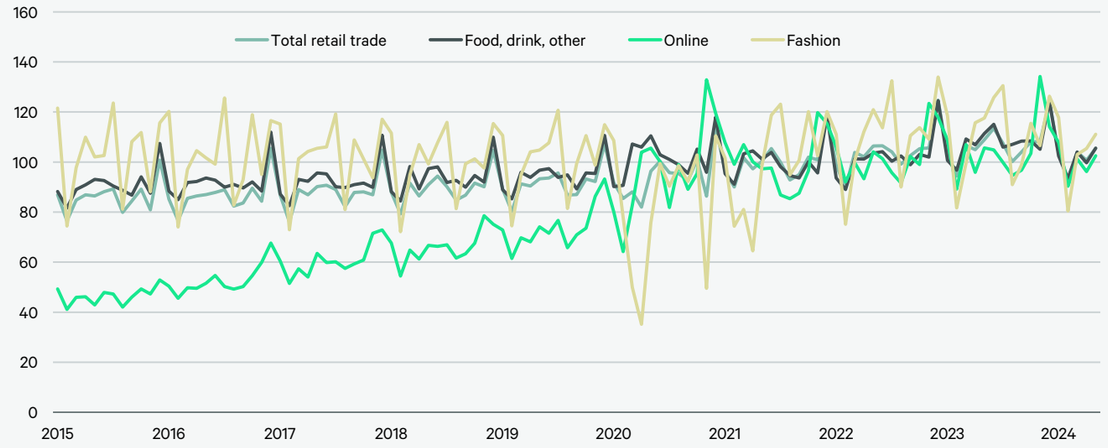
3.7%
GENERAL INFLATION
June 2024

1.2%
2024 GDP GROWTH
June 2024

-3.6%
RETAIL SALES
May 2023 - 2024

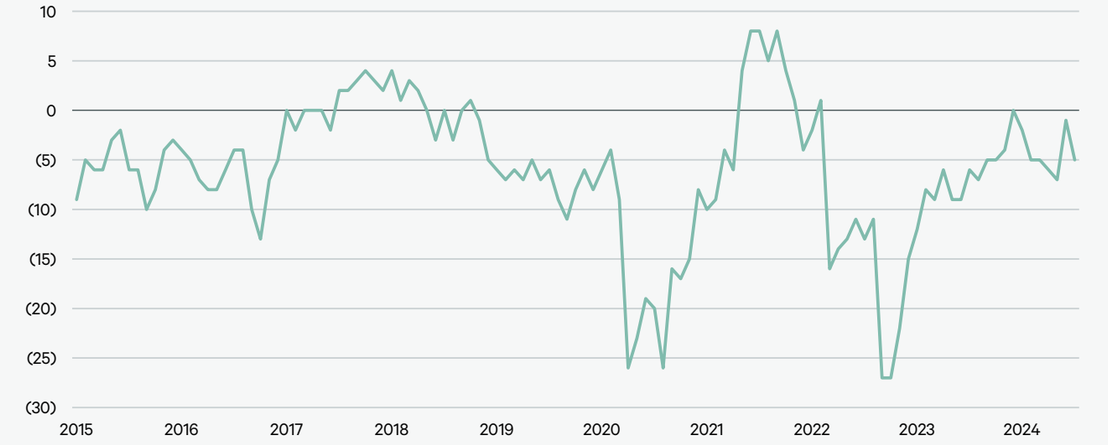
Retail sales in Belgium (through May 2024; indexed 2021 = 100)

Source: Statbel



Consumer confidence indicator

Source: NBB



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DEMAND

Retail take-up in the first half of 2024 reached 199,183 m² of new letting and sales deals. This is slightly higher than the 5 year average for H1 (191,000 m²). High street and out-of-town retail take-up is performing in line with expectations, only transactions in shopping centers are lagging, in part due to the lack of well-located available spaces.

In H1 2024, we saw 380 transactions, the majority being smaller high street transactions (205). Retailers that traditionally prefer out-of-town locations continue to explore high street and shopping centre spaces, diversifying their geographies and formats.

199,183 m²

Retail take-up in H1 2024

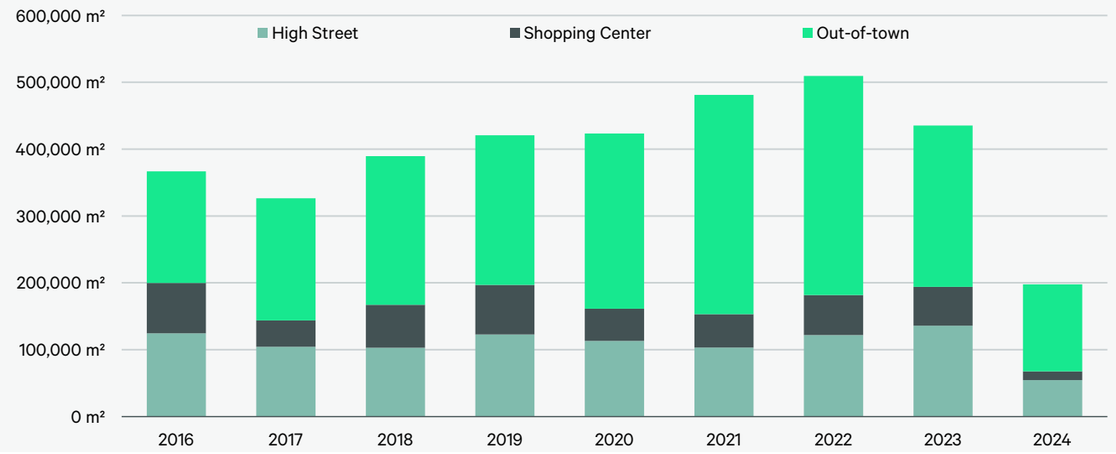
In general, 2024 remains a difficult year for some retailers, with several well-known brands in Belgium having filed for bankruptcy the past months, and this across all segments. Examples of this are Bristol in the shoes & leather segment, Scotch & Soda in the fashion segment and Fun in the leisure segment. However, their departure brings opportunities for existing retailers trying to expand in the Belgian market. For now, the release of this space to the market is absorbed remarkably well, especially in out-of-town locations.

In terms of sectoral take-up, *home & households* retail and *specialised* retail were the clear winners in the first half of this year, with respectively 42,000 m² and 38,000 m² of take-up. Also *supermarkets* keep expanding with Jumbo, Alberty Heijn, Colruyt and Aldi being among the most expansive retailers with multiple openings this year. *Shoes & leather* and *fashion* retail on the other hand, have noted down very modest to low take-up in H1 2024.

Strong take-up for high street and out-of-town retail in H1 2024, with only shopping center transactions lagging behind.

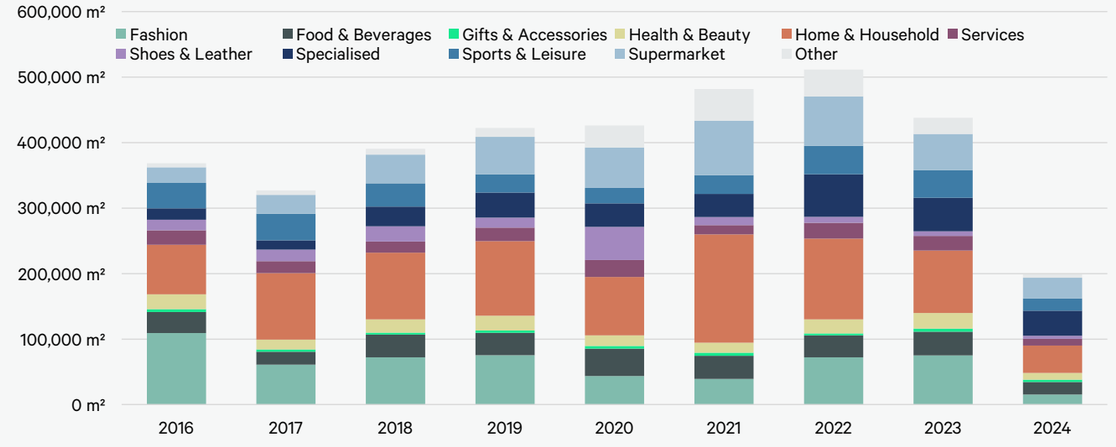
Belgium retail take-up by format (2016 - H1 2024)

Source: CBRE Research



Belgium retail take-up by sector (2016 - H1 2024)

Source: CBRE Research



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EXPANSIVE RETAILERS

As mentioned earlier, supermarkets such as Albert Heijn, Jumbo, Colruyt and Aldi remain to be expansive in Belgium, with several openings in diverse locations across Belgium. Furthermore, we again noted several international players that are securing key positions in our market such as McDonald's (4 openings), JYSK (4 openings) and ICI Paris XL (4 openings).

The most expansive retailers in H1 2024 however, were Batopin (20 openings), Poppix (7 openings) and Toy Champ (6 openings):

- Batopin: a collaboration among four banks - Belfius, BNP Paribas Fortis, KBV, and ING, has been named the most expansive retailer for two consecutive years. Their joint venture focuses on the widespread implementation of cash points and ATMs. Since its inception in September 2022, they have successfully installed 400 cash points.
- Poppix: a brand focused on gaming and pop culture merchandise, is planning to open seven new branches in Belgium in the first half of 2024. High street locations in Liège and Namur have already seen the introduction of Poppix stores, with additional outlets in shopping centers such as Westland, Woluwe Shopping, Ville 2, and Les Bastions. A new branch is also slated to open in Les Grands Prés within the year.
- Toy Champ: a Belgian toy chain, is expanding from 9 to 15 stores in our country. This growth is partly due to the bankruptcy of the Fun chain. ToyChamp and furniture retailer Jysk are jointly acquiring 11 Fun stores through a combined bid.

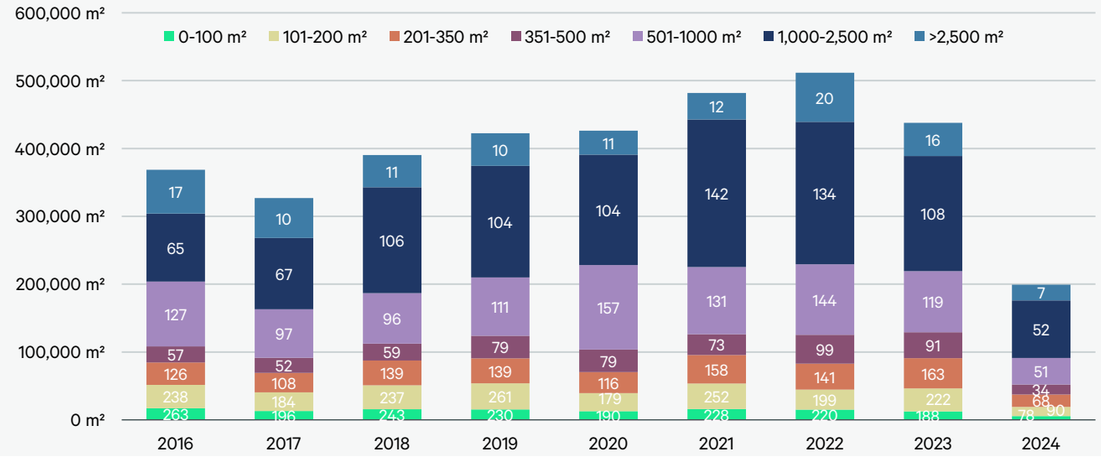
TRENDS

Another interesting trend is the increase in popularity of food markets in the retail landscape. While the food market concept has been much more embraced in other European countries, it was lagging a bit behind on popularity in Belgium. Last year we saw the opening of The Fox in La Royale Belge. Wolf (2,600 m²) of the same owners has already proven to be a huge succes. Furthermore, we saw succesful food markets in Gare Maritime (2,500 m²) and City2 alongside Rue Neuve. Currently there are also talks about opening the global success concept Eataly in the center of Brussels. It will be interesting to see what the future holds for food markets in other Belgian cities.

Finally, leading luxury conglomerates like LVMH, Richemont, and Kering persist in their expansion across prime European locations. Specifically for Belgium, the focus should be on Waterloolaan, renowned for its luxury brands and among the Belgium high street retail areas with the lowest vacancy. Recently, notable brands such as Yves-Saint-Laurent, Ralph Lauren, Façonnable, and Versace have set up shop here.

Belgium retail take-up by size and deal count (2016 - H1 2024)

Source: CBRE Research



Most expansive retailers in H1 2024

Source: CBRE Research

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RENTS

Rents in the high street retail sector have seen downward corrections in the past years mainly as a consequence of the pandemic and ecommerce competition. However the past two years, they have kept relatively stable.

High street retail rent is currently at 1,650 €/m²/year in Brussels for the Rue Neuve and €1,650/m² in Antwerp for the Meir for a typical unit size of 200 m².

For shopping centers, the prime rent remained stable at €1,200/m²/year after increasing over the last twelve months.

Prime out-of-town retail parks are currently at 185 €/m²/year for an averaged size space of 1,000 m². Smaller retail units can be more expensive.

VACANCY

City specific vacancy for high street retail, the downward trend of last year continued in most cities in 2024. Overall, good demand from diverse retailers, limited development and a conversion of vacant space to alternative uses such as offices and housing helped put downward pressure on vacancy for all types of retail in Belgium in 2022 and 2023.

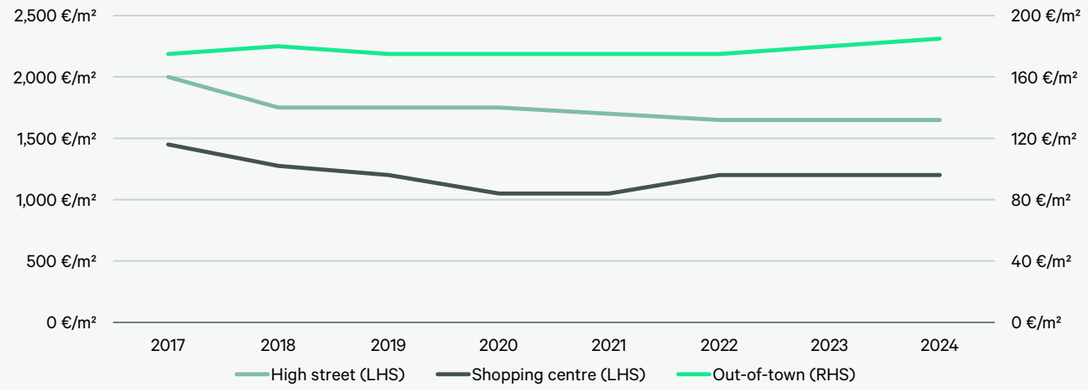
1,650 €/m²

High street retail rent is currently at 1,650 €/m²/ year in Brussels for the Rue Neuve

Belgium high street retail prime rent per city

Source: CBRE Research

Prime rents rental evolution the Belgian retail market (2017 - H1 2024)



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DEVELOPMENT

OUT-OF-TOWN DEVELOPMENT/EXTENSION

Compared to the past five years, the development pipeline is limited regarding major retail parks. In 2023, around 33,000 m² of retail space was developed. Greater planning restrictions are hindering further market development. The pipeline for 2024 is now at 32,000 m², which would again be lower than the year before.

The most notable delivery for this year was the opening of Frun Park Châtelineau (16,000 m²) in early 2024. The overall pipeline for 2025 is low, with projects that have more uncertainty around their timing.

32k m²

Major out-of-town retail development in 2024

SHOPPING CENTRE DEVELOPMENT/EXTENSION

Looking at shopping centre development, one major project is expected in 2024. Tubize Outlet Mall (TOM) will open its doors at the end of the year and will be the first outlet centre in the Brussels periphery. The shopping complex includes 17,000 m² of open air shopping, restaurants and leisure over 80 units as well as housing, urban farm and other supportive uses.

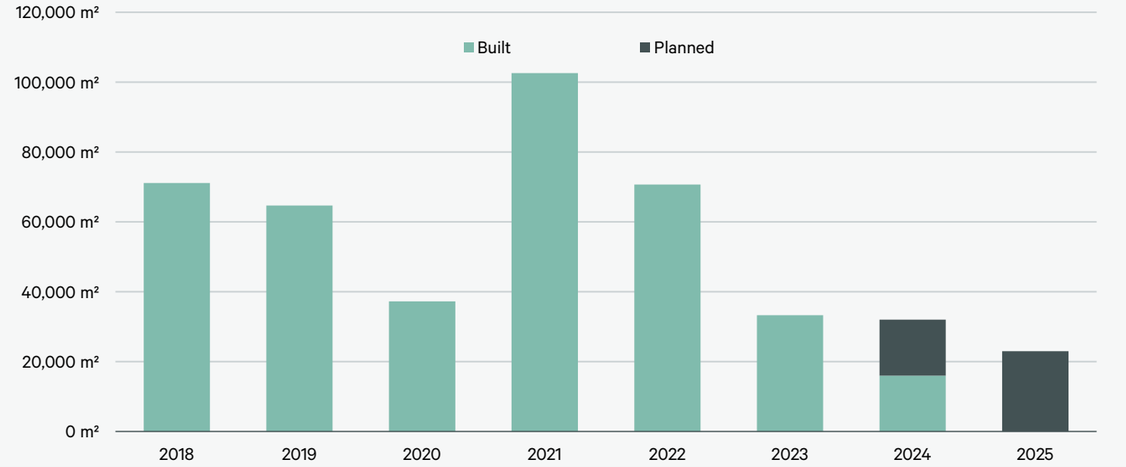
Numerous other projects and extensions are planned but are delayed by permit issues. Broeklin (formerly UPlace) has a new vision for the site including 55,000 m² of shopping and 25,000 m² of recreation and horeca after scrapping 1,000 parking spots in the latest plans. Within the Brussels ring, the Mall of Europe has not yet broken ground, though a new sports park was recently annouced for the Heysel plateau, showing desire to improve the site. Woluwe Shopping Centre received a permit for an extension including 7,800 m² of retail but has run into challenges with the Brussels Urban Development Board.

In Flanders, Wijnegem SEE has been aspiring to expand for several years now. However, a permit introduction was rejected. Wijnegem SEE is one of the most successful shopping centres in Belgium, with very low vacancy and the ability to attract major retailers, signing MediaMarkt, H&M Home, HMV and more in H2 2023 alone.

And in Wallonia, Belle-île in Liège has long held a permit for an 11,000 m² extension, but has not yet moved forward. Also, the public inquiry for the redevelopment of Square Leopold in Namur with a 44,400 m² mixed-use project (including 13,700 m² of retail) just ended in February 2024.

Retail park (out-of-town) pipeline in Belgium

Source: CBRE Research



Retail park (out-of-town) pipeline in Belgium

Tubize Outlet Mall

Fun Park Châtelineau

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INVESTMENT

Investment in retail real estate was weak in H1 2024 with just over € 242 million worth of transactions. Nevertheless, investment volume is very likely to end up in the range of 2022 and 2023, as some interesting retail files are being commercialised.

€242 M

retail investment volume in H1 2024

Notable deals that can be communicated for 2024 already are:

- Bruvaco, the investment holding company of the Frank Tans, has taken over the Galerie Toison d'Or. This 15,000 m² shopping center was previously owned by M&G Real Estate. It comprises 40 units and has anchor retailers such as Fnac, Maison du Monde, Basic Fit and Australian Home Made.
- The patrimonial company Compartimmo has been sold. The buyers are private investors Laurent Hanseeuw and David Sierzant. This acquisition concerns 15 properties in Belgiums most popular retail locations, many of which have been rented to Ici Paris XL.
- Finally, Green Est Capital has acquired the Rozenbergpark in Mol from Prime Development. This transaction concerns 6,000 m² of retail space and includes tenants such as JBV, Torfs, ZEB and AD Delhaize.

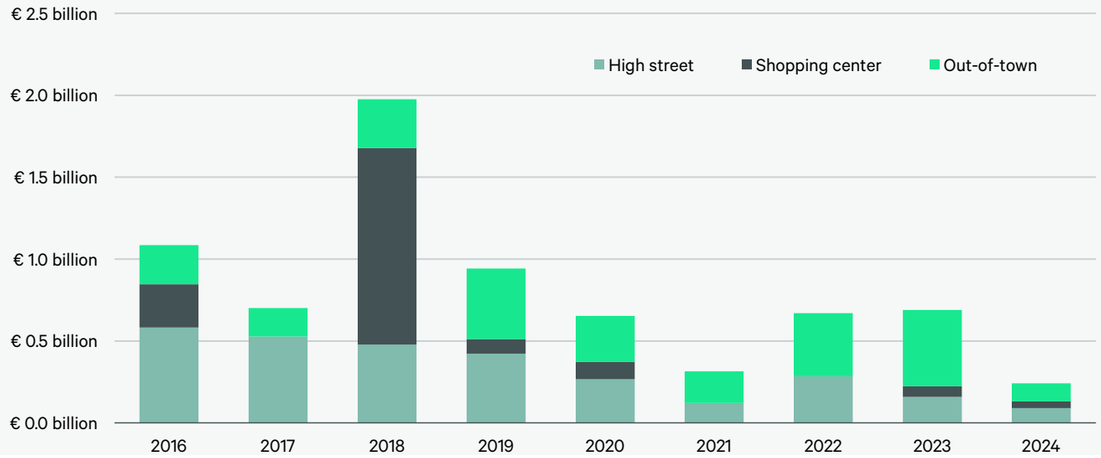
INVESTMENT YIELDS

Prime yields remained stable throughout the first half of 2024. Estimated yields for prime high street retail are still at 4.75%, while prime shopping centers could change hands at 6.00%. Though, market evidence for shopping centre pricing is scarce.

Retail parks remain popular among investors, with some interesting files being commercialised in 2024. This retail segment has shown more resilience to recent repricing. Today, the prime yield for retail parks is estimated at 5.75%.

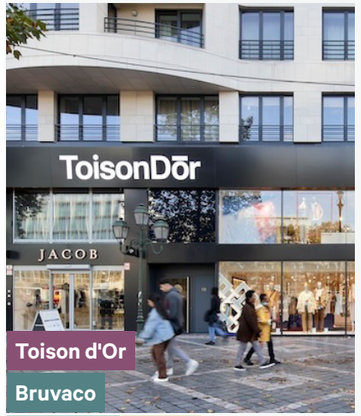
Retail investment in Belgium (2016 - H1 2024)

Source: CBRE Research

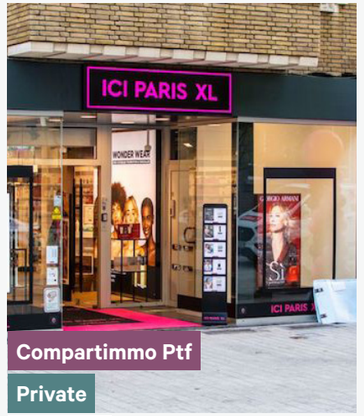


Major retail investment deals in Belgium (2024)

Source: CBRE Research



Toison d'Or
Bruvaco
15,000 m² 45 m€



Compartimmo Ptf
Private
15 stores

Rozenberg retail park
Green Est. Capital
6,000 m² 10 m€

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