CBRE

BELGIAN RETAIL

Marketview H2 2023

FIGURES

CBRE RESEARCH
H2 2023

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High streets note a record year, supported by a resurgence in large fashion deals

▼ 438K
Take-up

▼ 29K M²
Expected 2024 Development

▲ €690 Mio
Belgium retail investment in 2023

Note: Arrows indicate change from 2022

SUMMARY

- Both general as well as core inflation have cooled notably in recent months, recognizing some short-term spikes. The question remains when central banks will reverse course and lower interest rates amidst weak European growth.
- Consumer confidence has improved considerably this year as consumers appear to be more optimistic about macroeconomic factors.
- Retail take-up was up for high street and shopping center retail, but down for out-of-town, totalling 438,000 m² of deals in 2023.
- Top rents were stable in Belgium's key markets and vacancy is continuing its downward trend.
- Retail was a bright spot in the investment market in 2023, increasing year-over-year to €690 million despite an overall lower level of activity in the commercial real estate market.

ECONOMY

Since its last rate hike in September, the ECB has kept its interest rates steady. At the beginning of 2024, the ECB rate on main refinancing operations remains 4.50%, the rate on the marginal lending facility is 4.75% and the rate on the main deposit facility is 4.00%. As a consequence, inflation has cooled notably in recent months. General inflation (NICP) for Belgium declined to 1.4% in December 2023. A decline in core inflation (not taking into account price changes in energy and food) is now also noticeable after its decrease from over 8% at the beginning of the year to 5.5% in December. The European Central Bank forecasts a further downward trend for both general as well as underlying (core) inflation. At the same time, growth has moderated, but remains higher than the European average at 1.5% in 2023. Growth is projected at 1.3% for 2024, according to the NBB.

The Belgian consumers' confidence has made a strong recovery through 2023 from the late 2022 low. In January 2024, consumer confidence was again marginally down, but still, consumers appear to be more optimistic about macroeconomic factors compared to the end of last year and also slightly less worried about their personal situation. Regarding their the economic situation in Belgium for the next 12 months, they remain concerned.

Through 2023, the value of goods sold remains elevated compared to the previous four years. Moreover, the value of sales in retail trade (excluding fuels) continued to increase in 2023 due (at least in part) to the increasing underlying (core) inflation. More specifically, the value increased 2.4% in November 2023 compared to the same month in 2022. Expressed in volume, however, retail sales decreased by 4.3% in November 2023 compared to the same month last year. This trend was seen in most retail segments, with the strongest decrease registered for non-physical retail such as ecommerce (-11%).

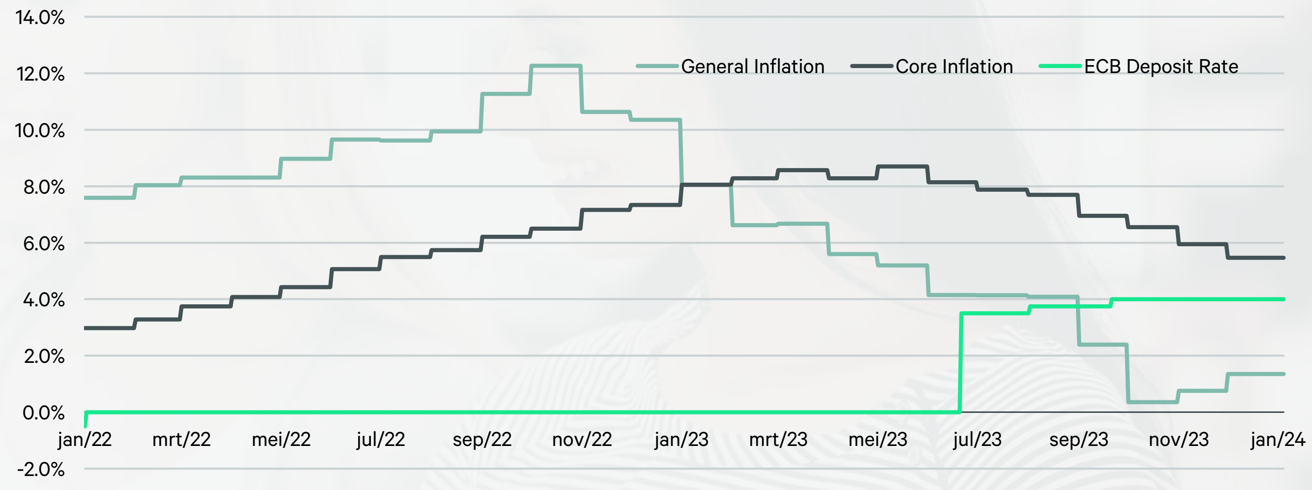
1.4%
GENERAL INFLATION
December 2023

1.3%
2024 GDP GROWTH
December 2023

+2.4%
RETAIL SALES
November 2022 - 2023

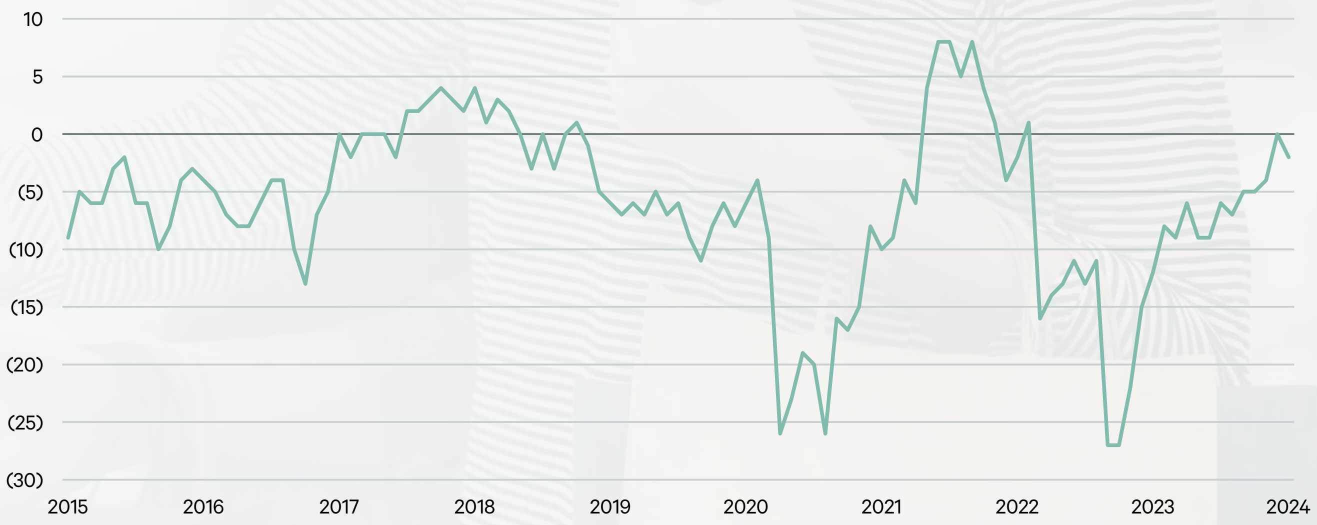
Inflation (General index NICP) and interest rates

Source: Statbel



Consumer confidence indicator

Source: NBB



DEMAND

Retail take-up in 2023 reached 438,000 m² of new letting and sales deals. This is lower than the last two years, but still represents a very good year given the uncertain effects from the rapid interest rate hikes. Many retailers continue to optimize their retail space, resulting in more deals for smaller spaces. Additionally, retailers that traditionally prefer out-of-town locations continue to explore high street and shopping centre spaces, diversifying their geographies and formats.

438,000 m²

Retail take-up in 2023

Recent dynamics have led to very strong take-up volumes for high streets and shopping centres, almost equalling the figure of their record year, (194,000 m² in 2023 vs. 200,000 m² in 2016). Out-of-town retail saw 244,000 m² or 56% of total take-up in 2023, which is considerably lower than previous years. This is more reflective of the limited availability of quality space than it is of demand. Un Quartier Enée and Frun Park Châtelineau, for example, were fully pre-let by quality tenants upon completion. With a limited pipeline foreseen, however, out-of-town take-up volume might be even more limited in the coming years as the number of deals for newly commercialised spaces decreases.

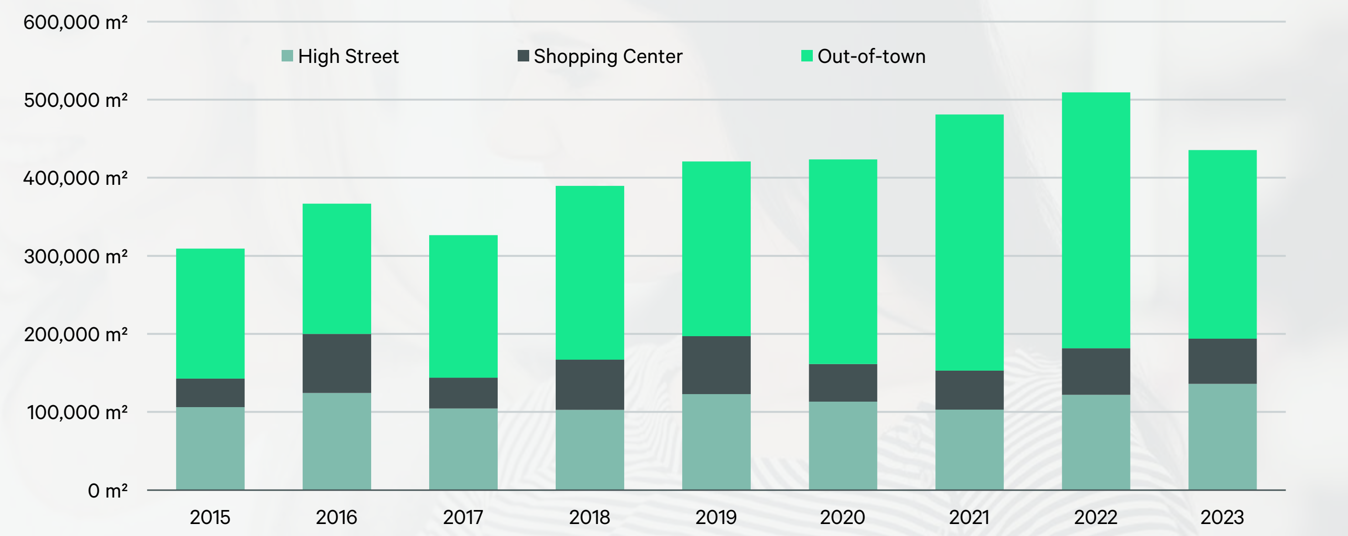
In terms of sectors, the share of *home & households* and *supermarkets* declined notably in 2023 after six and four years, respectively, of very strong activity. *Sports & leisure*, *food & beverages*, *gifts & accessories* and *specialised* retail were in line with recent years.

Fashion on the other hand, recorded back-to-back solid years, even increasing again last year to 75,300 m² of take-up. Notable *fashion* deals in 2023 include four luxury retailers along Boulevard de Waterloo in Brussels, C&A opening six new stores totalling 11,400 m², and Only opening seven locations in Flanders. Bucking the wider trend, fashion retailers were overweighted in larger deals of >1,000 m² than what is typically seen.

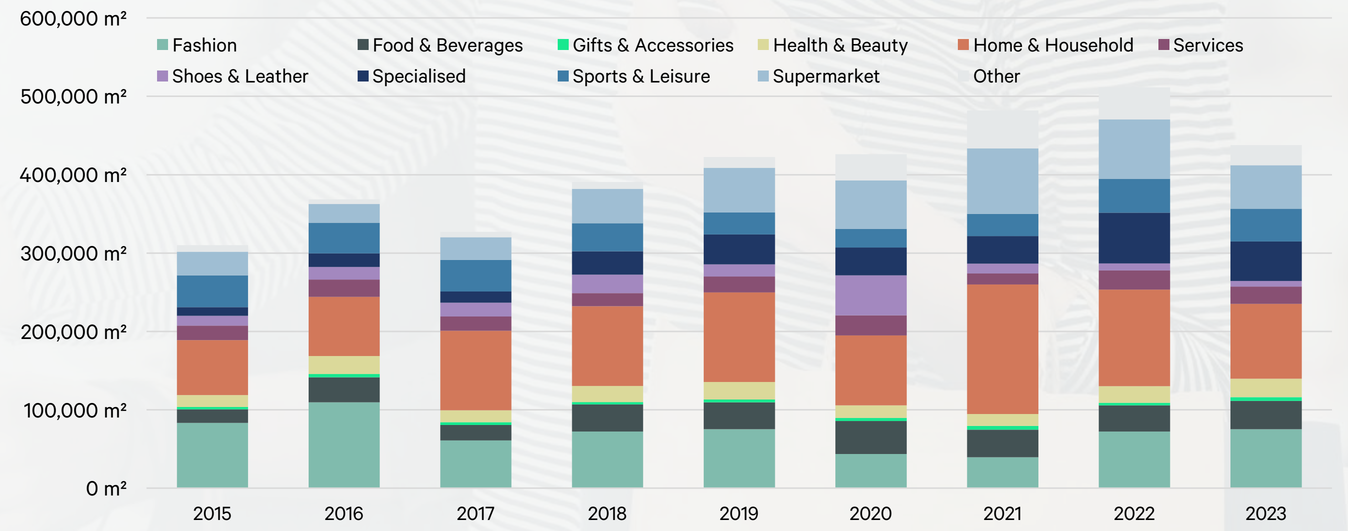
High street activity picked up in its best year in more than a decade, while out-of-town take-up cooled on the back of a more limited pipeline and low vacancy

Belgium retail take-up by format (2015-2023)

Source: CBRE Research



Belgium retail take-up by sector (2015-2023)



EXPANSIVE RETAILERS

More than 900 retail transactions were recorded in 2023. Fewer transactions of more than 500 m² compared to the three previous years were noted, giving support to the lower out-of-town take-up dynamic.

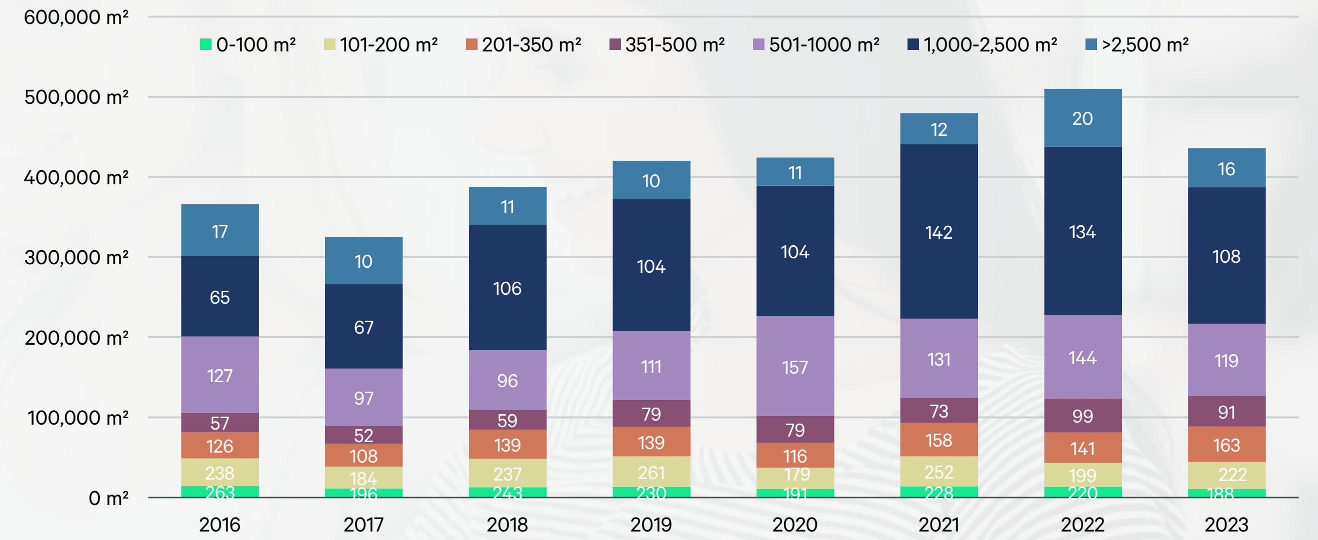
The most expansive retailers this year were Medi-Market (15 openings), Batopin (12 openings) and Hawaïian Poke Bowl (10 openings). Also supermarkets such as Albert Heijn and Jumbo were again quite expansive in 2023, with several openings in diverse locations across Belgium.

Consumers emphasize their desire for more retail diversity and experience when shopping. Shopping centres, retail parks and other retail clusters can therefore enhance their appeal by securing retailers not found elsewhere in Belgium. This past year we noted several international newcomers signing in shopping centres. Notable examples are HMV and Douglas who recently entered the Belgian market with signings in Wijnegem SEE. But also Tedi, a German discounter entering the out-of-town market with five openings this year.

New brands in high street retail include Naumy, opening in Brussels, Liège and Namur; Besson in Brussels and Monoprix in Waterloo.

Belgium retail take-up by size and deal count (2016-2023)

Source: CBRE Research



Most expansive retailers in 2023

Source: CBRE Research

New entrants in the Belgian retail market in 2023

Source: CBRE Research

> Good demand and limited anticipated new retail space is driving savvy retailers to think longer term about their strategic locations.

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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 180 €/m²/year for an averaged size space of 1,000 m². Smaller retail units can be more expensive.

1,650 €/m²

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

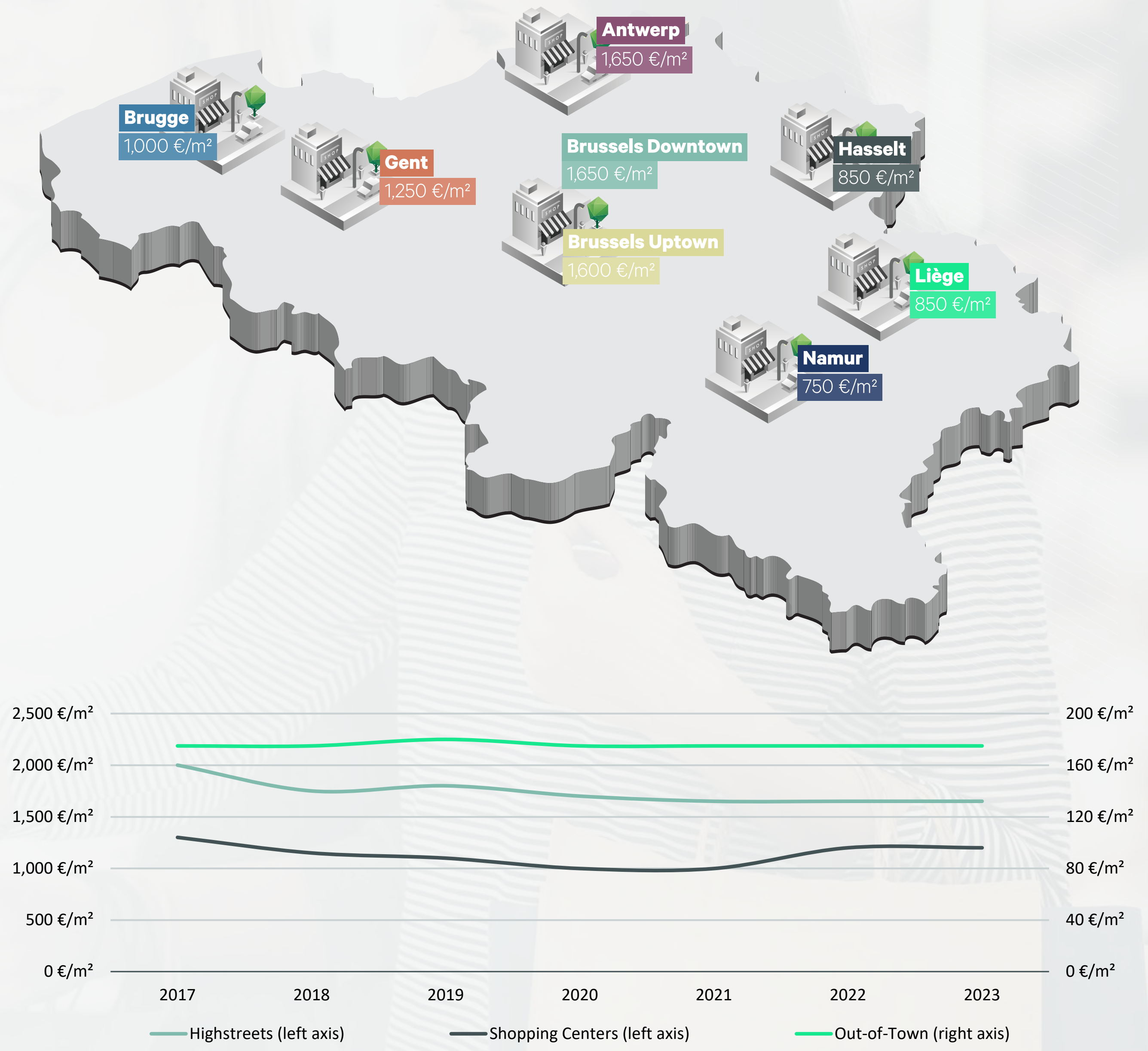
VACANCY

Looking at the city specific vacancy for high street retail, the downward trend of last year continued in most cities. The inner city of Bruges for instance has seen a revival with decreasing voids and higher 2023 footfall supported by an increase in international tourism. Ghent maintains low vacancy, while the Antwerp centre is elevated. In Brussels, the uptown market is thriving, with vacancy under 3%. Vacancy in Namur and Liège have remained stable and comparable to each other, registering vacancy rates of 12% to 14%.

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.

Belgium high street retail prime rent per city

Source: CBRE Research



DEVELOPMENT

OUT-OF-TOWN DEVELOPMENT/EXTENSION

29k m²

Major out-of-town retail development in 2024

Compared to the past five years, the development pipeline was very limited regarding major retail parks. In 2023, around 33,000 m² of retail space was developed.

The largest of these developments is Un Quartier Enée in Gembloux, debuted over the summer. It encompasses 16,500 m² including retail, food & beverage and leisure in a mixed-use setting. Home and household retailers are very popular here including La Four'Fouille, Jysk, Aveve and Vanden Borre (Kitchen). Entertainment is overrepresented compared to traditional retail parks and includes Kojum, MI12 and Offside Foot Indoor. Overall it commercialised very well.

Greater planning restrictions are hindering further market development. The pipeline for 2024 is even more limited at 29,000 m², dominated by the opening of Frun Park Châtelineau (16,000 m²) in early 2024. The overall pipeline for 2025 seems larger, but contains projects with more uncertain outlooks.

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.

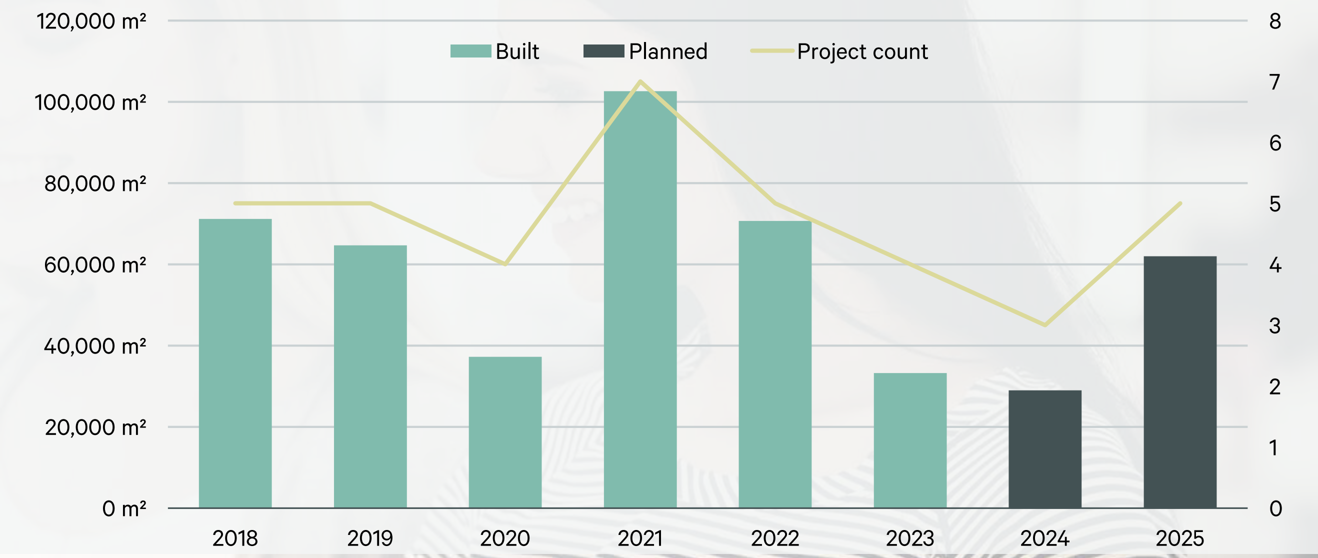
Numerous other projects and extensions are planned but are delayed by permit issues. Broeklin (formerly UPlace) has a new vision for the site including 55,000 m² of shopping and 25,000 m² of recreation and horeca after scrapping 1,000 parking spots in the latest plans. Within the Brussels ring, the Mall 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 had the ambition to extend 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



Tubize Outlet Mall

Le Côté Verre (Square Leopold Namur)

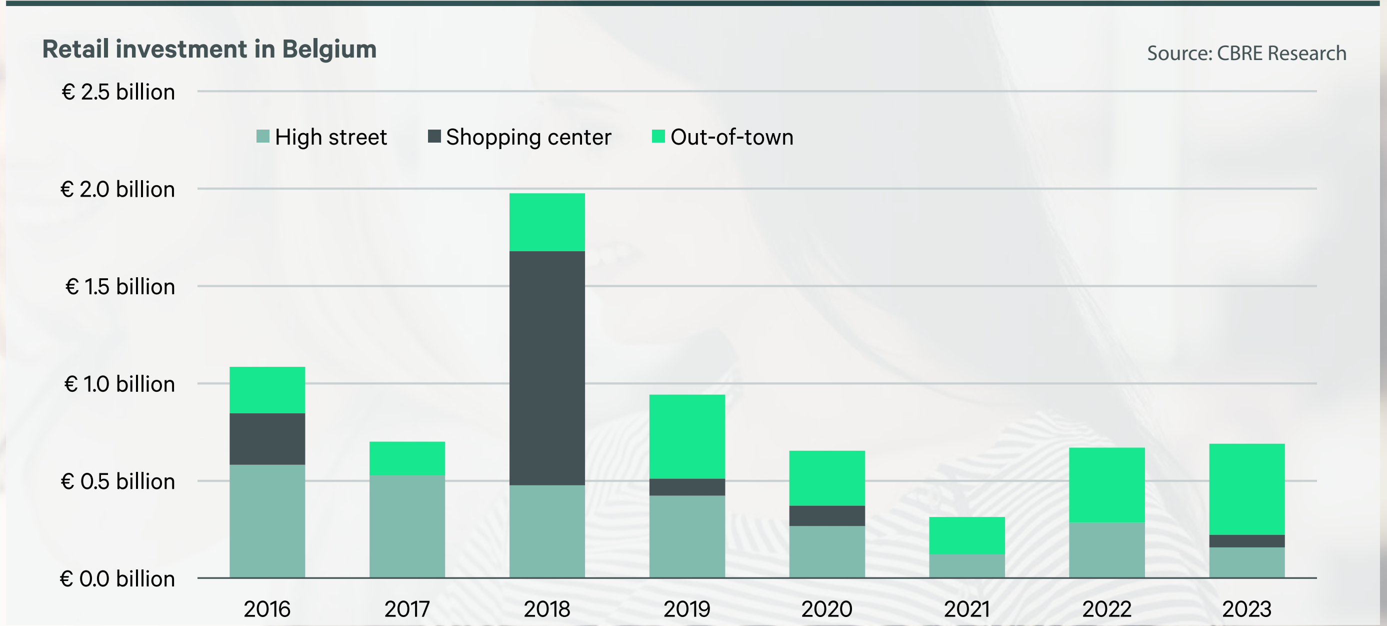
INVESTMENT

Investment in retail real estate has seen a contraction in recent years, but recovered considerably in 2022. This trend has been continued in 2023 and even surpasssed the previous year with close to €690 million of deals closed. A large portion can be designated to one remarkable deal:

€690 M

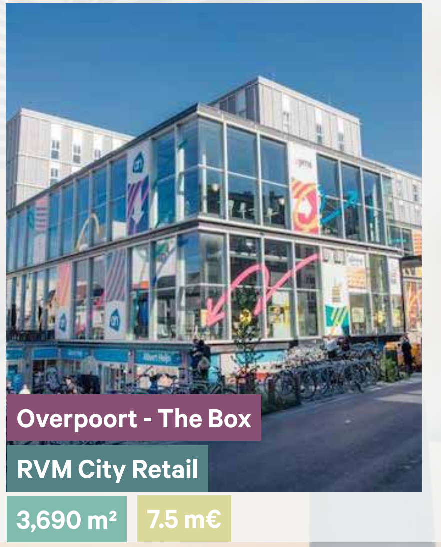
retail investment volume in 2023

- At the end of 2023, Mitiska REIM sold its five Belgian retail parks along with five more Portuguese assets to a new fund called First Retail Partners. The parks in Belgium comprise 77,500 m² of retail space and include Malinas, Ninouter, Parc de l'Europe, La Couvinoise and Un Quartier Enée.
- Another notable deal was the take-over of the two garden centers of Pelckmans/Oh' Green, one in Turnhout and one in Lommel. They cover an area of 35,000 m² and together are estimated at around €40 million. These have now been sold separately to two different private investors via a sale-and-leaseback.
- Third, and just before the end of the year as well, Wereldhave Belgium completed the sale of the shopping cluster The Box alongside Overpoortstraat in Ghent. The buyer is RVM City Retail. This is a retail cluster concerns 3,960 m² of retail space and has the presence of Albert Heijn, Kruidvat and Jims Fitness in what is a popular student location. It concerns an investment transaction of approximately €7.5 million.



Major retail investment deals in Belgium (2023)

Source: CBRE Research



INVESTMENT YIELDS

Rising interest rates was the driving force in the real estate investment market in 2023. But because retail yields came under upward pressure earlier in the cycle and the fact that the occupier market proved resilient during and post pandemic, the impact on yields was relatively limited last year. Furthermore, the stability of short-term interest rates since September have helped support retail yields.

Estimated yields for prime high street retail are now 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, especially if anchored by a supermarket. This retail segment has shown more resilience to recent repricing. Today, the prime yield for retail parks are estimated at 5.75%.

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