MARKETBEAT
BELGIUM
Retail

Q1
2024

CUSHMAN &
WAKEFIELD

111,000 sq m
Take-up (2024)

1,700 €/sq m/y.
Prime rent High Street (2024)

131 MEUR
Invested volumes (2024)

	YoY Chg	12-Mo. Forecast
111,000 sq m – Take-up (2024)	▲	▲
1,700 €/sq m/y. – Prime rent High Street (2024)	–	–
131 MEUR – Invested volumes (2024)	▼	▼

Economic Indicators Q1 2024

	YoY Chg	12-Mo. Forecast
1.36% – 2024 GDP Growth	▼	▲
6.21% – 2024 Unemployment rate	▲	▲
2.26% – 2024 Consumer Price Index	▼	▼

Sources: Moody's Analytics, BNB, Eurostat, Federal Planning Bureau, March 2024

Please note the economic data can vary significantly from one source to the other. Therefore, the figures provided should merely be used as an indication or trend.

A tale of growth and challenges

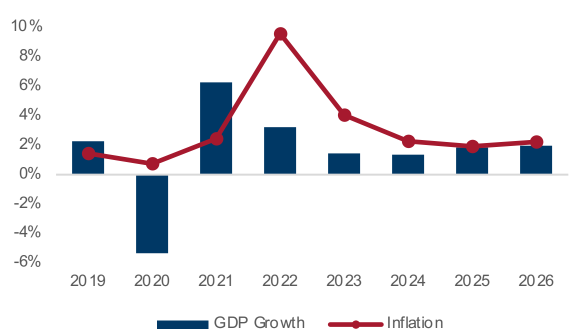
Belgium's economic story in early 2024 is one of cautious optimism. While the scars of the past few years remain, the Belgium economy is experiencing a slow and steady climb. Growth forecasts predict a moderate expansion of 1.4% for GDP in 2024 and 1.8% in 2025. However, there is a higher-than-anticipated public debt deficit in Belgium. While high inflation allowed for a reduction of the government debt ratio in 2022, at unchanged policy, government debt would increase over the next decade, reaching about 120% of GDP by 2030.

Inflation has become a prominent worry, exceeding the European Central Bank's (ECB) target of 2%. Early 2024 saw inflation hovering around 2.8%, and forecasts predict it could remain above 2.5% for all of 2024. The ECB is closely monitoring the inflation situation. While the bank kept rates unchanged in September 2023, some analysts believe a rate cut could be on the horizon later in 2024 – though likely more gradual than initially anticipated by financial markets – if inflation shows signs of persisting above target. This would be a delicate balancing act for the ECB, aiming to control inflation without stifling the fragile economic recovery.

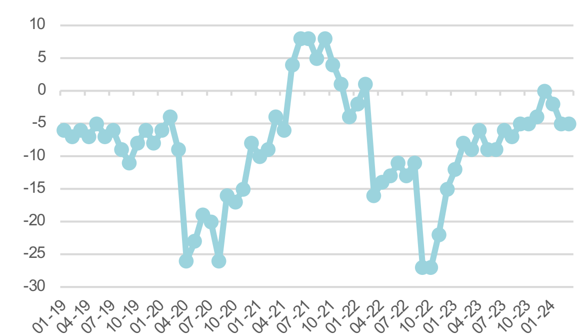
The job market also present a mixed picture. Unemployment, currently hovering around 6.2%, is expected to tick upwards in the coming months. The notable rise in bankruptcies, alongside reduced employment due to stricter financing terms and an uncertain economic landscape, is projected to contribute to an increase in the unemployment rate in the coming years.

In the initial months of 2024, Belgium witnessed a downward trend in its consumer confidence index. The primary drivers behind this decline were a growing sense of unease about the country's overall economic climate and increasing worries over individual financial circumstances. The unexpected outbreak of war in Europe and its subsequent effect on energy costs were significant contributors to this downturn. Despite the stability of inflation, it remained at a high level, while food inflation saw a notable reduction. The convergence of these factors resulted in a dip in Belgium's consumer confidence during this timeframe.

GDP Growth and Inflation



Consumers confidence index



Busy start for Belgian retail market, nuance needed

Belgium's retail occupational leasing market is off to a strong start in 2024, with Q1 take-up surging nearly 30% above the five-year average. However, a closer look reveals a more nuanced picture. While the 111,000 sq m figure is impressive, it includes store takeovers by chains like TOY CHAMP and JYSK, capitalizing on closures by FUN and DREAMLAND. This highlights a trend of consolidation within the market.

Despite this qualification, the dominance of Out-of-Town retail remains clear. Over 65% (74,000 sq m) of Q1 activity occurred in these areas, with major deals by food retailers like Jumbo, Colruyt, and Delhaize.

During the first quarter of 2024, over 100 transactions were recorded across various High Streets in the country, encompassing a total area of 28,500 sq m. These transactions in the segment constituted 30% of the overall activity, propelled notably by significant deals such as the 2,543 sq m letting of New Yorker on Steenstraat and the 1,326 sq m letting of Nike on Toison d'Or.

Additionally, activity in Shopping Centres experienced an uptick during the first quarter, with 22 transactions and a take-up of approximately 8,000 sq m.

Stability of prime rents in every market segments

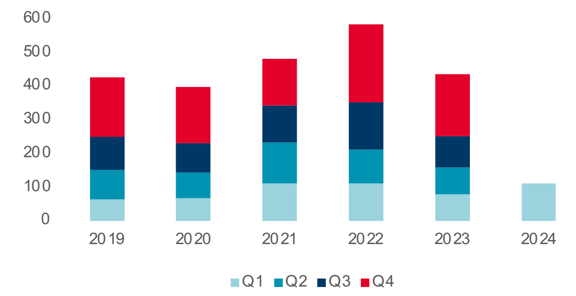
After witnessing increases last year, prime rental levels have remained unchanged in the first quarter of 2024, with no anticipated changes until 2025. In the High Streets segment, prime rents are currently set at 1,700€/sq m/year in the Meir in Antwerp and 1,650€/sq m/year in the Rue Neuve in Brussels. Meanwhile, in the Shopping Centre segment, prime rents remain steady at 1,400€/sq m/year. Anticipated are increases of 25€ in both segments by 2025, bringing prime rents to a new level of 1,725€ and 1,425€/sq m/year, respectively.

In the Out-of-Town Retail category, prime rents are currently at 180€/sq m/year, with no further increases expected in the next couple of years.

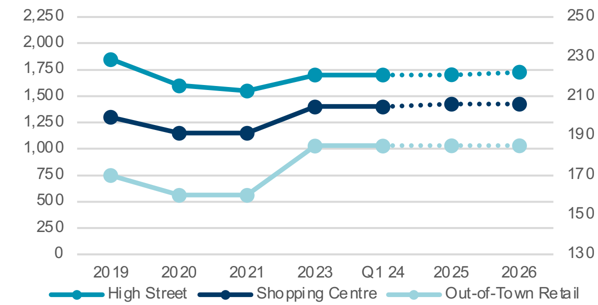
Retail sales on a sharp decrease since the start of 2024

According to latest figures released by Moody's Analytics, early 2024 saw a double whammy for Belgian retail sales. Consumer confidence dipped in early 2024, likely leading to a more cautious spending attitude. This coincided with a decline in sales volume across most sectors, with food, beverage, and clothing stores experiencing a particularly sharp decline.

Take-up by quarter (000s sq m)

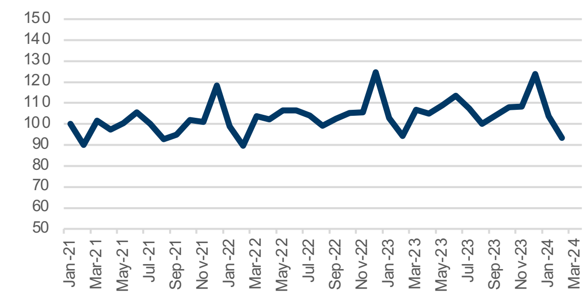


Prime rent by sector (EUR/sq m/year)



Note: OOTR Prime rents are to read on the right-hand axis

Gross turnover index in retail sales (Base = 100 in 2021)



Prime yields stable but potential changes awaited, depending on interest rates' evolution

It has been half a year since the ECB maintained its interest rates, while prime yields for the retail sector have remained steady for nine months. High Streets segment now exhibits a 4.85% yield, marking a 170 basis points increase compared to the market peak. In the Shopping Centres segment, a theoretical prime yield remains around 5.20%, showing a 120 basis points increase from the sharpest recorded yield. Conversely, prime yields for Out-of-Town retail segment stand at 6%, marking a 75 basis points increase from the market peak.

Despite optimistic predictions, central bankers exercise caution due to a volatile geopolitical landscape and the looming possibility of inflation resurgence, especially with core inflation persisting. Consequently, while central bank interest rates are anticipated to decrease in 2024, the pace of reduction is likely to be more gradual than what financial markets anticipate. Looking ahead, with the expected yield on 10-year bonds showing stability around 2.7% until the end of 2026, the market will adjust to these conditions, potentially resulting in a slight compression in prime yields across all market segments starting from the second half of 2024 or the first half of 2025.

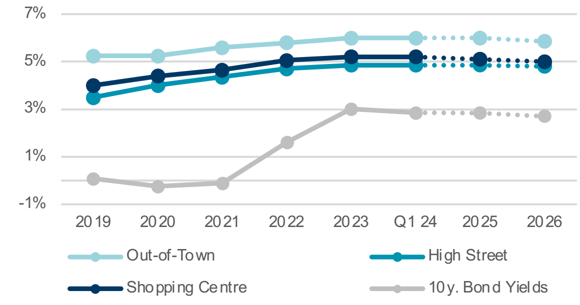
High Streets segment leads the investment market

In the first quarter of 2024, the retail investment market experienced a substantial influx of 131 MEUR, marking it as the most dynamic sector when compared to office and SIL markets. However, there has been a significant 78% reduction in market investment when comparing the volume recorded in Q1 2024 with that of the corresponding period in 2023.

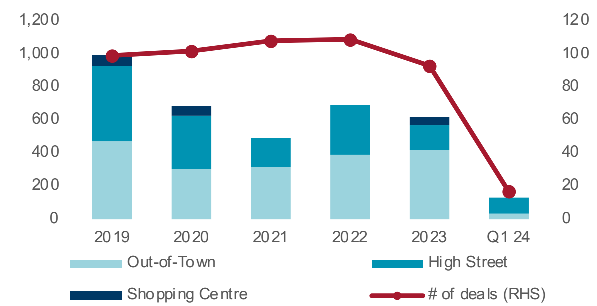
While the Out-of-Town Retail segment, typically the primary driver of investment, is slowing down at the beginning of the year, the High Streets segment recorded the highest investment volume this quarter, totalling 96 MEUR. The most noteworthy transactions of the quarter included Bruvaco's purchase of *Galerie de la Toison* for 41 MEUR and Hanseeuw and Sierzant's acquisition of the Compartimmo portfolio for 40 MEUR. Together, these two transactions represent over 60% of the total investment volume.

In the Out-of-Town Retail segment, the most significant transaction was the sale of the Ascencio shopping complex in Jemappes for 8.55 MEUR, constituting the largest deal out of a total investment of 35 MEUR in this segment.

Prime yields by market segment



Invested volumes by market segment (MEUR)



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