Belgium
Retail MarketView

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THE BELGIAN RETAIL MARKET

by CBRE Research, Belgium

SUMMARY The Belgian retail market has once again proven to be a strong and stable one in 2011. This stability has carried through to the retail property market, where there has been some pick-up in lettings, although mostly on very established high streets or shopping centres. As a result, prime rents for the best Belgian high streets have seen small increases. In contrast, secondary and tertiary locations are suffering from pressure on rents.

The economy

Belgium came out of the recession in 2009, with the economy recovering further in 2010 and 2011. The economic recovery in Belgium revolved on strong exports, while domestic demand picked up only later in 2010 and 2011. Belgium recovered rather quickly from the economic crisis as a result of a resilient labour market and healthy household consumption. The economic outlook for 2012 is equally strong, with GDP growth anticipated at 2.2%.

On the negative side, inflation is a major concern. Rising global commodity prices and inflation-indexed salaries have supported local household demand in the short-term, but at the risk of creating even more inflation, rising retail prices for consumers, and increasing rents for retailers.

A new Belgian government is still to be formed after 2010's elections. Despite the absence of a fully-fledged government and a national debt of 97% of GDP, Belgium was able to please the volatile financial markets with a lower budget deficit and a higher nominal GDP growth.

Consumer confidence has been resilient in the face of the ongoing political and economic uncertainty. Despite a recent drop in consumer confidence in the summer months, Belgian consumers remain cash-rich and spending does not appear to have suffered significantly.

The Belgian retail market

The Belgian retail market has once again proven to be a strong and stable one in 2011, with retailers reporting sales no more than one or two percentage points either side of those achieved in 2010.

This stability has carried through to the retail property market, where there has been some pick-up in lettings, although retailers are mostly unwilling to take space outside very established high streets or shopping centres.

As a result, we have seen considerable pressure on rents in secondary and tertiary locations. In contrast, prime rents in the country's four biggest cities (Brussels, Antwerp, Liège and Ghent) have seen small increases. These probably represent the only areas of the market where the balance of power still rests with landlords.

Newcomers

Overall, retailers have become more careful and opportunistic in their expansion strategies with fewer retailers willing to expand or take space in new schemes. Nonetheless, top retail locations remain highly popular with both newcomers and existing brands competing for a limited amount of retail space.

The invasion of Anglo-Saxon retail brands continues, with brands such as Forever 21, River Island and Primark having opened a series of additional stores throughout 2011. New to the market, Hollister is agreeing leases for several

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shopping centre units at the same time as investigating high street premises that will provide greater exposure for its brand. Hollister's parent brand, Abercrombie & Fitch, is due to open its first Belgian store, in Brussels.

Domestic retailing groups have also been active, in particular the female fashion brands Lola & Liza and appel's, which have been opening stores in high streets, shopping centres and retail parks. Meanwhile Veritas remains in full expansion mode, on the back of continuing strong sales for its mid-priced fashion offer.

There is a notable demand for larger retail floor areas in city-centre locations, from both newcomers and existing retailers. For example Primark, Forever21, Marks & Spencer and H&M are actively scouring the market for suitable premises above 2.000 m² GLA on top locations.

High Streets

Belgium's premier high street destinations continue to perform strongly with no noticeable increases in voids. Those voids which do come onto the market are usually snapped up quite quickly. Prime rents in the country's four biggest cities have seen small increases. Most expensive destinations are the Meir in Antwerp at 1.700 euro/m²/year for 200 m² retail units, and the Rue Neuve in Brussels at 1.600 euro/m². Key money is still a factor for the very best high street locations, with sums up to 1,5 million euros known to have changed hands in order for a lease to become available.

Evolution of retailer demand

Market segment	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
High Street Retail	23.082 m²	31.833 m²	24.148 m²	50.848 m²	15.981 m²
Shopping Centers	6.584 m²	10.487 m²	13.843 m²	14.295 m²	6.278 m²
Retail warehouses	16.755 m²	19.494 m²	21.932 m²	79.687 m²	6.692 m²
All sectors	52.421 m²	61.864 m²	60.812 m²	144.830 m²	28.951 m²

Source: CBRE

Most notable transactions

Date	Address	Floor area	Retailer
10/2011	1000 Bruxelles, Boulevard de Waterloo 20-21	3.446 m²	Abercrombie & Fitch
09/2011	8000 Brugge, Veemarkt	3.030 m²	Hubo
09/2011	4000 Liège, Rue Joffre (Galéries Saint-Lambert)	2.200 m²	Sting
06/2011	1140 Bruxelles, Rue de l'Aéronef 1	12.000 m²	Decathlon
06/2011	9000 Gent, Vrijdagmarket	5.300 m²	Primark
06/2011	2900 Schoten, Bredabaan	4.250 m²	Media Markt
05/2011	8430 Middelkerke, Oostendelaan 800	7.000 m²	Euro Shop
05/2011	3700 Tongeren, Luikersteenweg	2.269 m²	Dreamland
03/2011	6041 Gosselies, Route Nationale 5 (City Noord)	1.500 m²	Luxus
01/2011	1000 Bruxelles, Rue Neuve 439-443	1.500 m²	New Look

Source: CBRE

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Highstreet retail rents (units of 200 m²)

Street	City	Rent
Meir	Antwerp	1.700 euro/m²
Steenstraat	Brugge	1.150 euro/m²
Rue Neuve	Brussels	1.600 euro/m²
Avenue Louise	Brussels	1.300 euro/m²
Rue de la Montagne	Charleroi	500 euro/m²
Veldstraat	Gent	1.300 euro/m²
Hoogstraat	Hasselt	1.150 euro/m²
Kustlaan	Knokke	800 euro/m²
Bondgenotenlaan	Leuven	800 euro/m²
Vinave d'île	Liège	1.000 euro/m²
Rue de l'Ange	Namur	900 euro/m²

Shopping center rents (units of 200 m²)

Street	City	Rent
Wijnegem	Antwerpen	1.400 euro/m²
City2	Brussels	1.050 euro/m²
Woluwe Shopping	Brussels	1.300 euro/m²
Belle Ile	Liège	750 euro/m²
L'Esplanade	Louvain-La-Neuve	850 euro/m²
Les Grands Prés	Mons	650 euro/m²

Retail warehousing rents (units of 2.000 m²)

Street	City	Rent
Rue de Stalle	Drogenbos	165 euro/m²
Kortrijksesteenweg	Gent	150 euro/m²
Bredabaan	Merksem/Schoten	165 euro/m²
Chaussée de Tongres	Rocourt	130 euro/m²
Gouden Kruispunt	Tielt-Winge	150 euro/m²
Chaussée de Bruxelles	Waterloo	150 euro/m²
Boomsesteenweg	Wilrijk	150 euro/m²
Weiveldlaan	Zaventem	150 euro/m²

Source: CBRE

Demand for secondary locations, and in smaller towns, has slowed down however. With retailers more cautious about expansion, voids are starting to pop up here. New leases and lease renewals contain more favorable terms for the retailers, with landlords eager to find or keep the better tenants.

Shopping centers

The trends in the shopping centre segment closely match those seen in high streets. Apart from a number of popular schemes, small declines in shopper footfall have been reported. Owners and managers are actively addressing the issue by organizing more special events and freshening up their tenant mix with exciting new brands.

Given the maturity of the Belgian retail market plus ongoing difficulties in securing financing, now is not the best timing to bring additional shopping centers online. In fact no shopping centres larger than 8,000 m² gross leasable area (GLA) are scheduled to open between now and the end of 2013.

Out-of-town retail

Belgium can be considered as a highly mature market in terms of out-of-town retail, but highly fragmented. Modern structured retail parks remain scarce. The Belgian out-of-twon retail market is dominated by a series of well-established local retailers, such as for example Vanden Borre, Torfs, AS Adventure and Colruyt.

Demand for well-mixed retail parks continues to be strong, with recent developments such as Tongeren Retail Park (35.000 m²) and V-Market in Bruges (11.000 m²) being fully prelet well ahead of coming online. The 35.000 m² GLA retail park that opens in 2012 in Belgium's oldest town, Tongeren, will be by far the largest project to be completed for a number of years.

Rents in the parks that are open and trading have stayed close to 2010 levels, with the very best schemes able to set rents in the region of 165 euro/ m²/year for units of 1.000 m² and the average across much of the sector closer to 85 or 95 euro/m²/year.

Development pipeline

Retail development activity in Belgium has slowed down considerably with virtually no large schemes coming online in the coming years. While a number of existing shopping centers have expansion plans, none of these are likely to break ground any time soon. A flow of new schemes can be expected to be delivered to the market from 2015 onwards, with some notable developers competing for a new shopping centre to the north of Brussels.

A few modern well-located out-of-town retail parks have been successfully let in the last few months, illustrating retailer demand for these kind of structured products in an otherwise fragmented standalone market. Regional and local authorities are however clamping down on these types of developments. Retail developers in Belgium are confronted with an increasingly restrictive urban planning, which is especially prohibitive on out-of-town retail.

With very little new supply coming through, primary retail unit shortages in highstreets remain. Belgian cities are however becoming increasingly conscious of their unique city-centre retail offer. A number of city development schemes are therefore planned in previ¬ously underdeveloped cities such Leuven, Mechelen and Ghent.

Investment

Long-term income-producing properties attract the most interest from investors. Most Investors are still reluctant to look away from core assets in light of the uncertain economic outlook.

Yield evolution

Prime yields	2007	2008	2009	2010	2011
High Street Retail	4.50%	5.00%	5.00%	4.50%	4.50%
Shopping Centers	5.25%	6.00%	6.00%	6.00%	6.00%
Retail warehouses	6.50%	7.00%	6.50%	6.25%	6.25%

Source: CBRE

Retail has been a significant beneficiary of the search for prime stock. While demand for retail investment is substantial, the offer of good quality retail properties is extremely limited with nearly no investors willing to divest. Over the first 9 months of 2011, CBRE has identified 52 million euros invested in highstreet retail, and 91 million euros invested in out-of-town retail.

Domestic investors account for the bulk of transaction activity. Private investors in particular are highly active in retail, and high street retail valued below 3 million euros in particular. With competition for the best assets remaining substantial in this segment of the market, property values have held up well. Prime high street retail now trades at 4,5%, underpinned by a strong occupational market and the ongoing expansion of international retailers.

While no shopping centers have changed hands in over 2 years, net initial yields are expected to be close to 6% for the best premises.

Overall, the retail warehouse sector is seen as more cyclical than highstreet retail and shopping centers, which resulted in a sharp yield correction early in the downturn in 2008 and 2009. Increasingly prohibitive

Investment volume (2008-2011)

	2008	2009	2010	2011
High Street Retail	292.481.284 euro	105.430.063 euro	70.481.061 euro	52.157.399 euro
Shopping Centers	110.910.000 euro	360.000.000 euro	23.000.000 euro	0 euro
Retail warehouses	320.930.541 euro	75.962.143 euro	138.660.000 euro	91.473.969 euro

Source: CBRE

urban planning is now reversing that trend, making existing retail warehouses and parks more valuable. Yields for out-of-town retail are at 6.25% for well-located mixed retail parks.

T-Forum (Tongeren Retail Park)

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