

## BELGIUM

# Retail Market Snapshot

Second Quarter | 2018



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Stable in top locations but elsewhere we see downward pressure due to vacancy problems.	▶
Prime Yields:	Yields seem to have bottomed out; some investors are re-assessing pricing and risk.	▶
Supply:	Shrinking development pipeline as a result of rising vacancy levels; future new supply also hindered by restrictive planning laws.	▶
Demand:	Demand is weakening, even in core locations and for large spaces.	▶

### Prime Retail Rents – June 2018

HIGH STREET SHOPS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	1,850	201.2	0.0	0.5
Antwerp	2,000	217.5	2.6	2.1
Liege	1,000	108.8	-11.1	-1.9
Ghent	1,325	144.1	-3.6	-3.1
Bruges	1,050	114.2	-4.5	-2.6
Hasselt	1,150	125.1	-8.0	0.9
OUT OF TOWN RETAIL (STAND ALONE RETAIL UNITS)	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Brussels	160	17.4	-5.9	-1.8
Antwerp	165	17.9	3.1	1.9

### Prime Retail Yields – June 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Brussels	3.15	3.15	3.25	5.25	3.15
Antwerp	3.15	3.15	3.25	5.25	3.15
Liege	4.75	4.75	4.65	6.00	4.65
Ghent	3.85	3.85	3.75	5.50	3.75
Bruges	3.95	3.95	3.95	5.50	3.95
Hasselt	4.65	4.65	4.65	5.75	4.65
OUT OF TOWN RETAIL (STAND ALONE RETAIL UNITS) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Brussels	5.25	5.25	5.25	6.50	5.25
Antwerp	5.25	5.25	5.25	6.50	5.25
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.10	4.10	4.25	5.50	4.10

NOTE: Volumes below €25 million may result in sharper yields, approx. 50 to 100 basis points.

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

## Overview

Occupier activity was at a normal level over the second quarter of 2018, but the sentiment in the market is not positive. Rents are under downward pressure in many market segments, even in top locations. Vacancy levels are relatively high and retailers are negotiating to review rents. Investment volumes were boosted by the sales of shopping centres.

## Occupier focus

After a disappointing first quarter, occupier activity was relatively strong over Q2 2018 with 113,000 sq. m of take-up registered. Still, demand is weak overall and there is vacancy, especially in smaller towns and shopping galleries. Rents are under downward pressure in many locations. The prime rent, that is for shops of 150 sq. m, is still stable in Brussels and Antwerp but is decreasing in many regional cities. For larger shops rents are clearly decreasing, even in the top cities Brussels and Antwerp; many occupiers are struggling to keep their margins up and renegotiate rents. Some try to share the risk with the owner using turnover rents, which is rather new for high streets shops. On a positive note, this means that there are currently good opportunities for expanding retailers on the Belgian market. The Bestseller group continued its expansion with brands *Only* (6 transactions over the quarter) and *Jack&Jones*, as well in shopping centres as in main streets. *Hans Anders* and *Kruidvat* were also very active with four new leases each this quarter, covering all market segments including out-of-town.

## Investment focus

A total of €360m was transacted in the retail market in Q2 bringing the half-year volume to €1.300m. This volume was boosted to an exceptional level because of the sales of three important shopping centres: *W Shopping Centre* (Woluwe Brussels), *Rive Gauche* in Charleroi, and *Docks Brussel* in Brussels. These centres were acquired by international institutional investors. The volume of purchases in other asset classes is lower than in the previous years.

## Outlook

The hardening of yields for prime products seems to have bottomed out as bond interest rates are expected to pick up again.

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