

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
301,000 sq m Take-up 2024 YTD	▲	▲
1,700 €/sq m/year Prime rent high street	▬	▬
273 MEUR Investment volume 2024 YTD	▬	▬

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
1.1% GDP Growth	▼	▬
72% Employment rate	▲	▲
-1.0% Retail Sales Growth	▼	▬

Source: National Bank of Belgium (NBB) and Statbel

BELGIUM'S STEADY COURSE AMID INFLATIONARY CHALLENGES

The Belgian's economy expanded by 1.1% in the second quarter of this year, driven by strong private consumption and governmental spending. However, the growth was tempered by the country's trade deficit. This quarterly performance aligns with projected growth rates of 1.3% for 2024 and 1.4% for 2025. Private consumption is expected to remain robust, supported by the indexation of the wages and social benefits. Economic activity in the Eurozone rebounded in the first half of this year, with a growth rate of 0.6% in Q2 2024. The ECB projects an overall growth level of 0.8% for 2024, with all member states returning to a positive growth rate. The southern rim of the Eurozone (e.g.. Spain. Croatia. Malta) is set to outpace the growth levels of the northwestern countries.

Belgium experienced the highest inflation of the Eurozone in August 2024, with the Harmonized Consumer Price Index (HCIP) inflation rate reaching 4.3%, compared to an overall inflation rate of 2.2% in the Eurozone. Belgian inflation is expected to rise in 2024 to 4.0%, before decreasing to 2.3% in 2025.

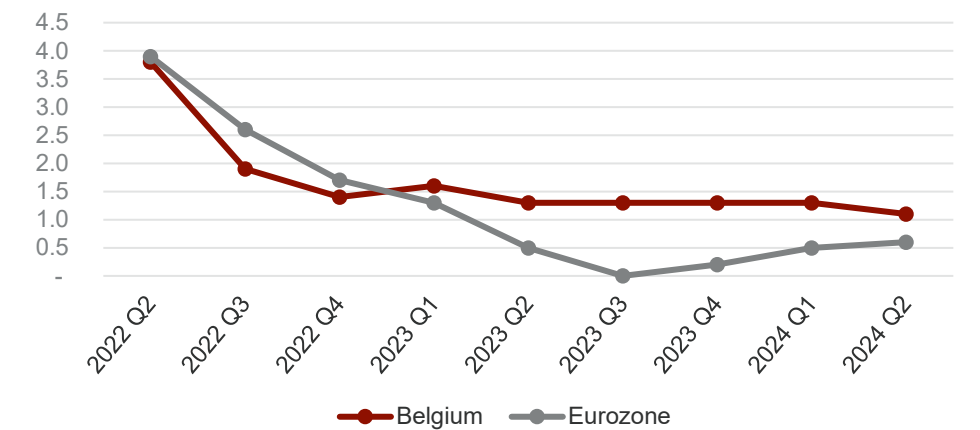
ECB LOWERING INTEREST RATES

The impact of the monetary policy tightening from December 2021 to September 2023 continues to affect the growth outlook for 2024. However, after the interest rate cuts in June and September of 2024, where the main refinancing operations rate (MRO) was lowered to 3.65%, the slowdown effect on the economic activity is expected to gradually ease through the remainder of 2024 and into 2025.

STRIVING TOWARDS AN 80% EMPLOYMENT RATE

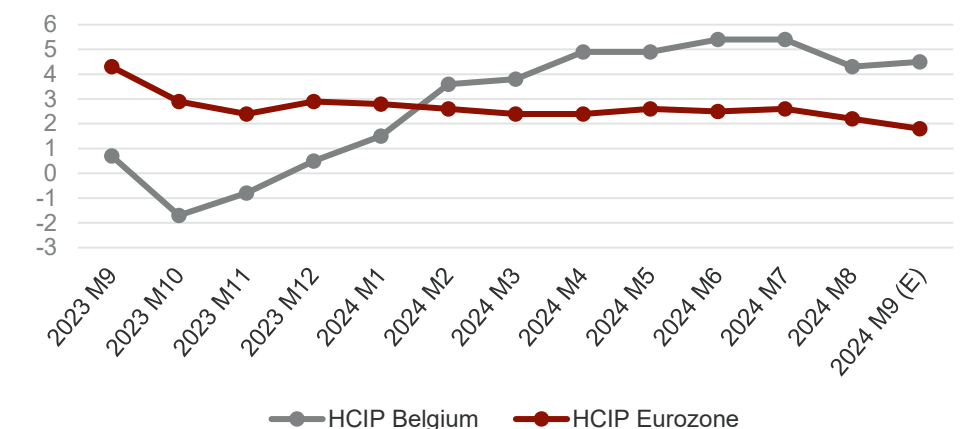
The employment rate in Belgium remained stable at around 72% for the 20-64 age group in the first half of the year. The Walloon Region saw a 3.8% increase in employment, while Brussels experienced a 1.6% decline. Despite no growth in the Flemish Region, it still holds the highest employment rate. Achieving the federal goal of 80% employment will require ongoing job creation and increased labor market participation.

GDP GROWTH (in % of change prev. year)



Source: European Central Bank (ECB)

INFLATION RATE (HCIP in % of change)



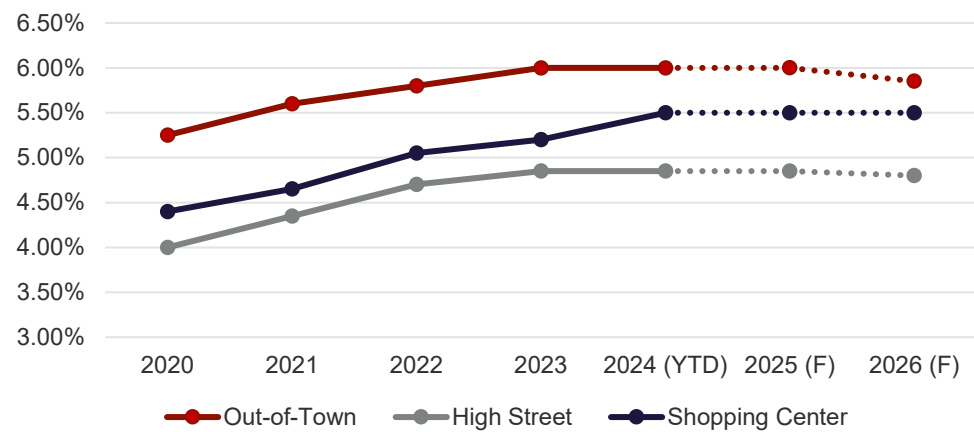
Source: National Bank of Belgium (NBB)

SALES VOLUME & CONSUMERS CONFIDENCE

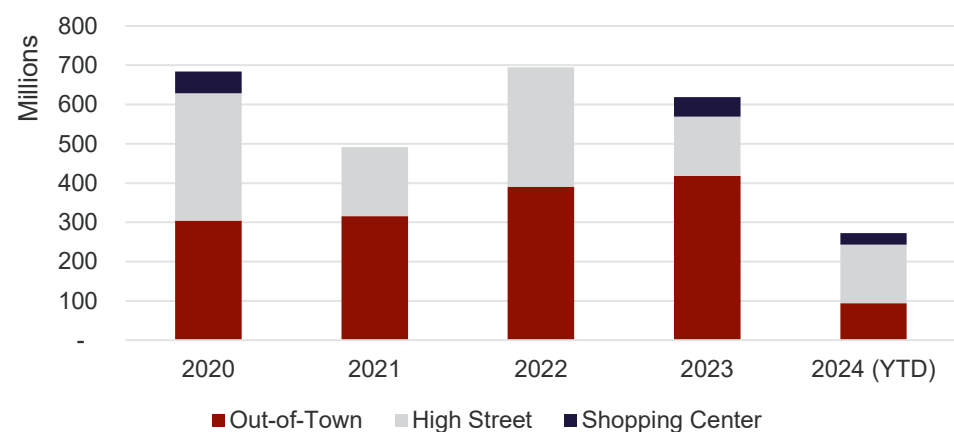


Source: National Bank of Belgium (NBB) and Statbel

PRIME YIELDS BY SECTOR



INVESTMENT VOLUME BY SECTOR (EUR)



CHALLENGES AND OPPORTUNITIES IN THE RETAIL SECTOR

In August 2024, retail sales in Belgium declined by 1.0% year-on-year, with the market and street trading sector experiencing a significant drop of 5.8%. However, retail sales of IT equipment in specialized stores rose by 8.1%. The Belgian consumer confidence index sharply fell to -7 in September after improving to -3 in August, reflecting caution regarding the economic outlook and household finances but also presenting potential recovery opportunities. The retail sector faces increasing challenges, with companies like Bristol, Esprit, and Carpetright announcing layoffs and bankruptcies, raising concerns about market stability. Despite this, acquirers such as Futura Capital Fund, which aims to acquire stores from Cassis Paprika, and GAB, which took over nine stores from Scotch & Soda, indicate ongoing interest in the market. Additionally, discounter TEDI and cosmetics retailer Douglas are expanding in Belgium, suggesting paths for growth amid the challenges.

STEADY PRIME YIELDS

Prime yields remain steady this quarter, supported by a limited number of transactions, highlighting market resilience despite the low volume. Looking ahead, the forecast for 2025 suggests yields will continue to hold steady, in line with general economic expectations, with an outlook for recovery by 2026. The prime yield for high street retail remains at a steady 4.85%, though there were a few smaller transactions under 2.5 MEUR noted on prime locations that outperformed this benchmark. While the out-of-town retail sector is expected to see the strongest yield compression by 2026, it's anticipated to remain relatively stable at 6.00% for this quarter. The prime yield for shopping centers has been adjusted to 5.50% this quarter, up from 5.20% in the previous period, reflecting the scarcity of core product transactions in Belgium and across Europe.

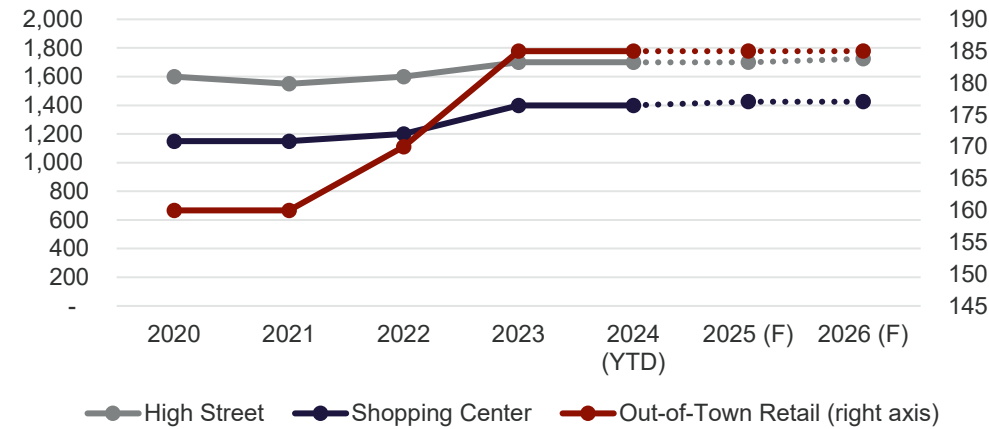
INVESTMENT VOLUMES LAG, BUT RISING VALUE-ADD INTEREST

The investment volume for the first three quarters of 2024 falls short of reaching half of the total recorded in 2023. However, high street retail is showing a resilient performance. The investment volume of the high street sector year-to-date nearly matches the total annual volume of 2023. Almost 60% of this volume is attributed to two major transactions: Compartimmo portfolio and Galeries de la Toison d'Or. The latter is accounted within the high street sector because of its hybrid model with high street characteristics. Additionally, in the shopping center sector, the acquisition of M2 Shopping Center, closed by Cushman & Wakefield, stands out, confirming the investor confidence in value-add opportunities. While out-of-town retail is facing challenges with no major transactions yet, the resilient performance in high street retail signals a positive trajectory for the coming quarters.

OUTLOOK

- Belgium's economy grew by 1.1% in Q2 2024, driven by private consumption and government spending, despite a trade deficit.
- Projected GDP growth rates are 1.3% for 2024 and 1.4% for 2025.
- The ECB's interest rate cuts in 2024 are expected to ease the negative effects on investment of previous monetary policy tightening.
- Retail sales declined by 1.0% year-on-year in August 2024, but IT equipment sales rose by 8.1%.
- Consumer confidence fell, reflecting economic caution.
- Despite challenges, there are growth opportunities with new market entrants and expansions.
- Prime yields remained steady, with expectations for stability and recovery by 2026.
- Retail investment volumes are projected to fall short of last year, but high street retail shows a resilient performance.

PRIME RENTS BY SECTOR (EUR/sq m/year)

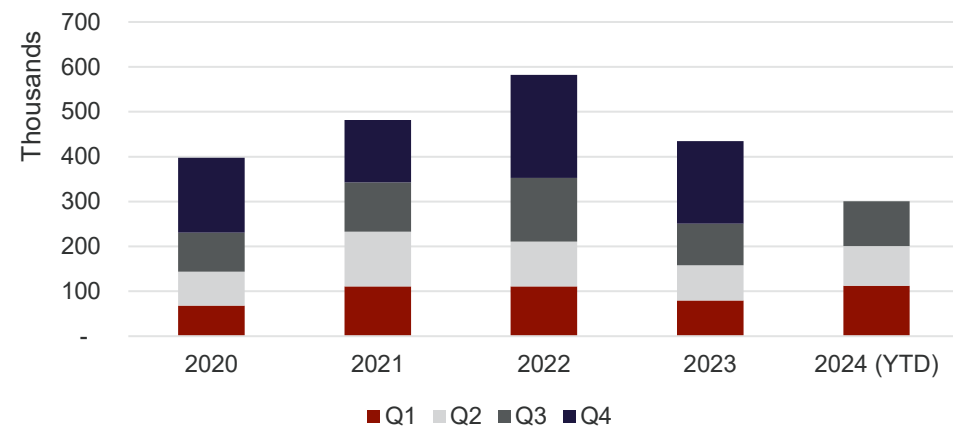


CONSISTENT PRIME RENT PERFORMANCE

The letting market in terms of prime rents is demonstrating an overall stable performance. Prime rents for high streets have remained steady, with Meir in Antwerp at 1.700 €/sq m/year and Rue Neuve in Brussels at 1.650 EUR/sq m/year. Notably, smaller city centers in Flanders such as Bruges, Hasselt, and Leuven have seen increases of the rental levels in their local markets, reflecting growth in regional areas. The overall country prime rent for shopping centers concludes this quarter with a steady country prime as well, noting 1.400 EUR/sq m/year. Both high street retail and shopping centers are expected to experience modest rental increases in the coming years, while the out-of-town sector, following a significant rise in 2023, is projected to stabilize at 185 EUR/sq m/year.

- Prime rents for high streets and shopping centers remained stable, with modest increases expected.
- Retail space take-up has been robust, indicating resilient demand comparing to last year, especially in the Flemish Region. Take-up surpasses 2023 levels but still falls short year-to-date of 2022 records.

TAKE-UP BY QUARTER (sq m)



TAKE-UP SURPASSES 2023 TOTAL BUT FALLS SHORT OF 2022 RECORDS

Take-up has been robust, already surpassing the year-to-date volume of 2023 when comparing the first three quarters, though it remains below the record levels of 2022. The total take-up volume is now at 301,000 sq m, indicating a consistent demand for retail space across various sectors. The Flemish region continues to lead in activity, accounting for nearly 65% of the total take-up volume, followed by Wallonia with 25% and Brussels with 10%. The average take-up per letting transaction for out-of-town stores stands at around 1,000 sq m, while high street hoovers around 270 sq m on average and shopping centers around 250 sq m.

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	GLA (SQ M)	TYPE
Meir 12, Antwerpen	High street	New Balance	600	Letting
Kempische Steenweg, Hasselt	Out-of-town	Lukas Creativ	2,34	Owner-occupier
Waasland Shopping	Shopping center	A.S.Adventure	1,487	Letting

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
M2 Shopping Center	Shopping center	SG Immo Be. / Prime Development	24,499	25.3
Rozenberg Park	Out-of-town	Prime Development / Green Est. Capital	6,000	10
Schuttershofstraat 45, Antwerpen	High street	Confidential	255	3

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