

**MARKET FUNDAMENTALS**

|                                                    | YoY Chg | 12-Month Forecast |
|----------------------------------------------------|---------|-------------------|
| <b>458,000</b> sq m<br>Take-up 2024                | ▲       | ▬                 |
| <b>€1,700</b> /sq m/year<br>Prime rent high street | ▬       | ▬                 |
| <b>€592</b> million<br>Investment volume 2024      | ▼       | ▲                 |

**ECONOMIC INDICATORS**

|                                                        | YoY Chg | 12-Month Forecast |
|--------------------------------------------------------|---------|-------------------|
| <b>1.01%</b><br>GDP growth YoY 2024                    | ▼       | ▲                 |
| <b>5.63%</b><br>Unemployment rate                      | ▲       | ▲                 |
| <b>-3.57%</b><br>Retail sales growth YoY November 2024 | ▼       | ▬                 |

Sources: Moody's and Statbel

**MODEST ECONOMIC GROWTH WITH HIGH INFLATION**

The Belgian economy is set to close 2024 with a modest GDP growth of 1.01% year-on-year, slightly outperforming the average eurozone growth 0.76%. This growth is mainly fueled by private and public spending, while contraction in international trade, encompassing both imports and exports, is a dampening factor. Looking ahead, GDP growth projections align with the broader eurozone trends, with forecasts indicating growth rates of 1.15% in 2025 and 1.36% in 2026.

Belgium notes the highest inflation of the eurozone, with a HICP of 4.8% while the average in the eurozone is 2.2% for November 2024. Gradual declines to 2.9% in 2025 to 1.9% in 2026 are expected.

Meanwhile, the labor market has shown stability, with an unemployment rate of 5.63% in 2024. However, a significant challenge remains in reactivating the approximately 526,500 individuals unable to work due to long-term illness, a record figure reported in 2023.

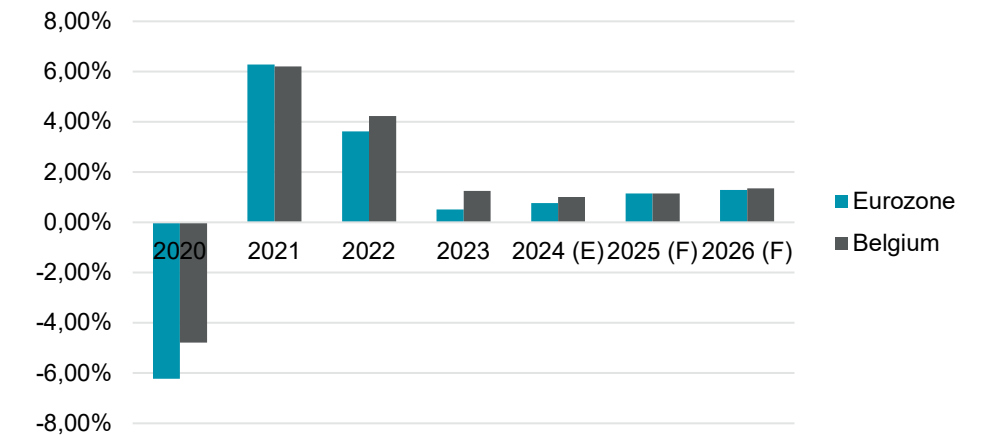
**GOVERNMENT FORMATION: REFORM TALKS AND DEBT CONCERNS**

Economic developments are tied to socio-economic reforms that a new federal government is likely to implement. Since the June 2024 elections, negotiations among potential coalition parties have not yet reached breakthrough. A proposed savings plan of €20 billion for the next legislative period is under discussion. Potential measures, such as a capital gains tax on shares, could influence investment strategies in the real estate sector. Earlier this year, Belgium was placed under an excessive debt procedure by the EU as both public debt and budget deficit surpass the EU limits.

**INTEREST RATE CUTS SET STAGE FOR REAL ESTATE REBOUND**

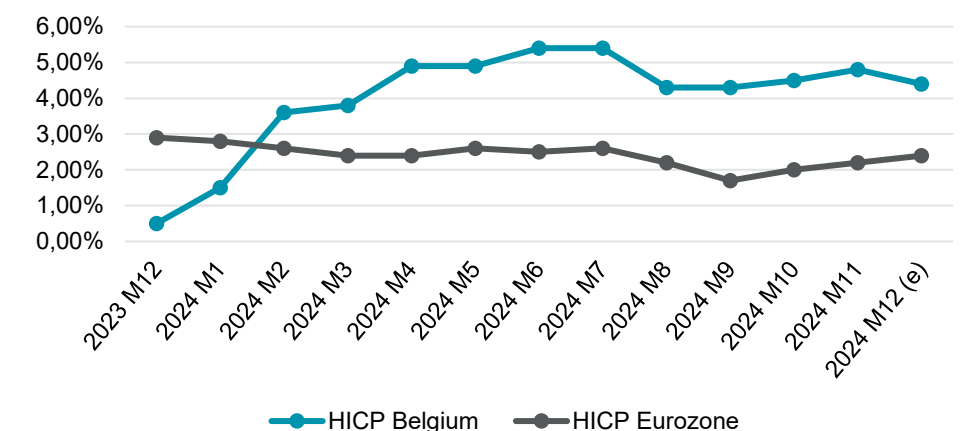
Stock markets have performed strongly over the past year, with the S&P 500 up 33% and the Bel20 gaining 15% since the start of 2024, but real estate as an investment product has yet to regain widespread investor interest. The ECB reduced interest rates twice in Q4 2024 and is expected lower them further in 2025, depending on inflation and without pre-commitment. Further interest rate cuts would benefit the leveraging effect on real estate investments.

**GDP GROWTH (in % of change prev. year)**



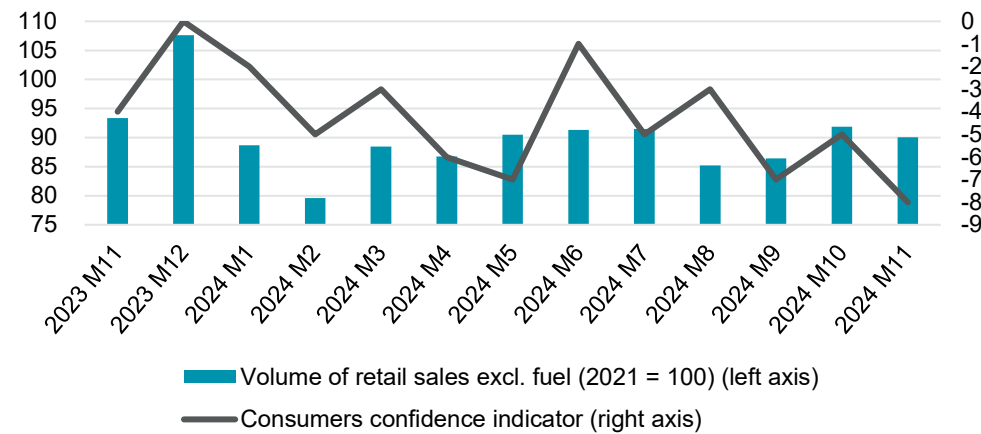
Source: Moody's

**INFLATION RATE (HICP in % of change)**



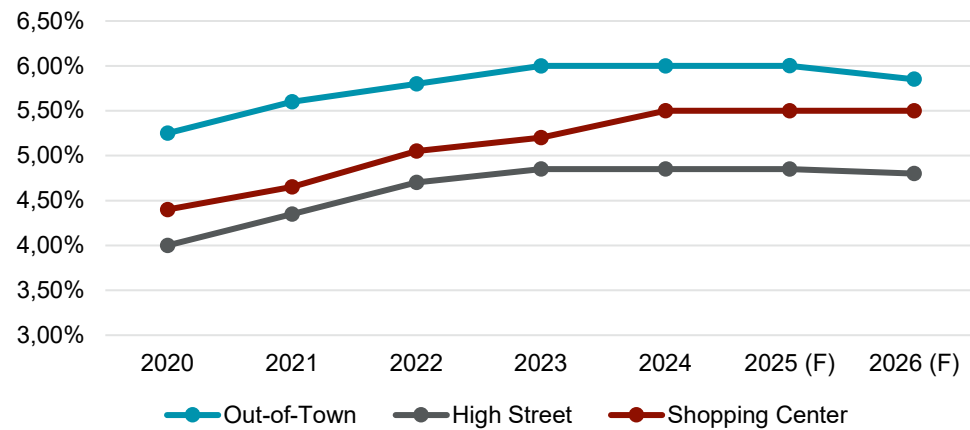
Source: European Central Bank (ECB)

**SALES VOLUME & CONSUMERS CONFIDENCE**

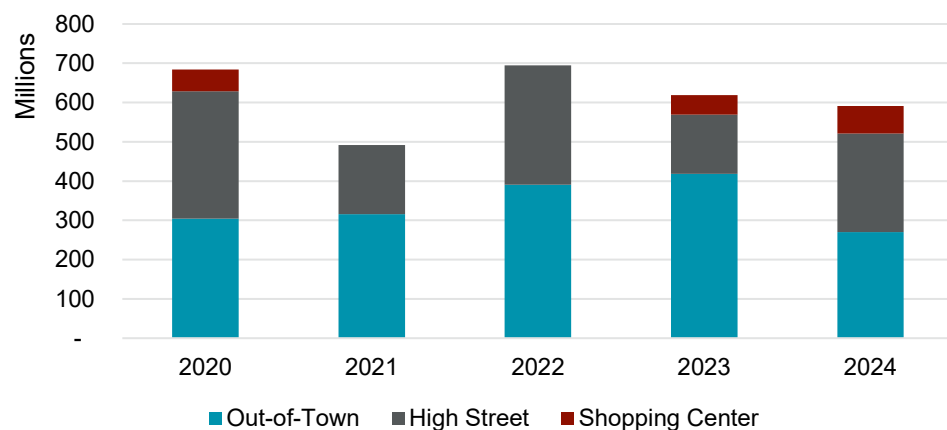


Source: National Bank of Belgium (NBB) and Statbel

**PRIME YIELDS BY SECTOR**



**INVESTMENT VOLUME BY SECTOR (EUR)**



**A TROUGH YEAR FOR RETAILERS - BUT POSITIVE TRENDS IN FOOTFALL**

Retail sales in Belgium dropped by 3.6% in November 2024 compared to the same month last year. Online retail was among the hardest hit, with an ±8% decrease in volume. Non-specialized food stores followed a similar trend, also down by nearly 8%. Textile, clothing, and footwear declined by a more moderate 3.1%. These figures align with a weakening consumer confidence index, which fell to -8 in November and reaches -9 in December. The challenges of 2024 were compounded by the end of pandemic-related support measures and rising costs for rent, wages, and energy. These pressures led to the bankruptcies of several prominent retailers, including Fun, Euro Shoe Group (Bristol), Game Mania, and Esprit. However, others, such as Cassis Paprika (relaunch of Paprika) and Galeria Karstadt Kaufhof (Inno) managed to continue operations following ownership restructurings. Despite the struggles, footfall showed a positive trend, particularly in large city centers like Antwerp and Ghent, as well as popular shopping centers such as Wijnegem (+3.2% YoY) and City2 (+6.2% YoY). Smaller city centers and secondary locations, however, faced greater challenges, with footfall remaining subdued.

**PRIME YIELDS: STABILITY AMID MARKET SHIFTS**

Prime yields remained stable this quarter, with a marginal compression expected by 2026 for high street and out-of-town retail. High street prime yields were recorded at 4.85%, with prominent transactions near Antwerp Meir, such as Schuttershofstraat, achieving slightly higher yield levels. Out-of-town retail held steady at 6.00%, but specific unit deals, such as the sale of McDonald's in Ingelmunster (4.50%), demonstrated the impact of strong, long-term contractual agreements. Shopping center prime yields remain theoretical at 5.50%, given the scarcity of prime product transactions.

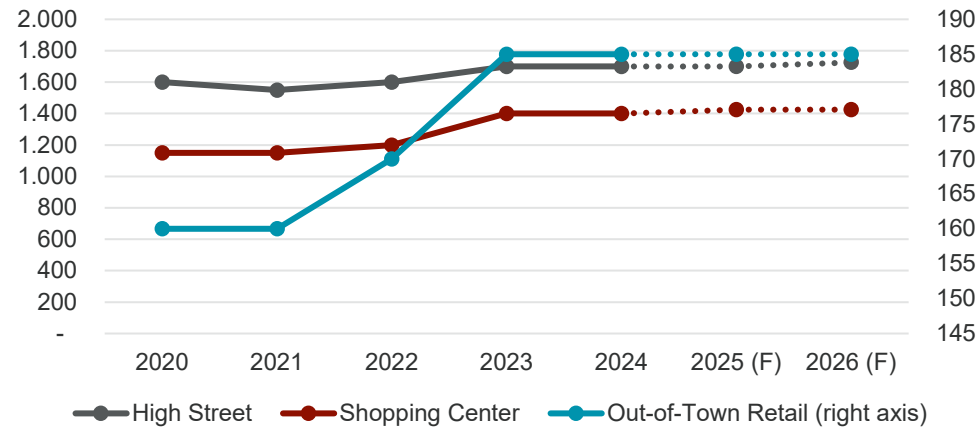
**TRANSACTION VOLUME: A LATE-YEAR SURGE**

After two slow quarters, Q4 2024 brought a notable uplift in transaction volume, totaling €318 million across 66 deals. Key deals included the "club" sale of Brixton Retail Park and the €45 million acquisition of Antwerp Stadsfeestzaal. The annual investment volume reached €592 million across 115 deals, marking a 4% decline from 2023. Flanders accounted for 68% of the investment volume, followed by Brussels and Wallonia at 16% each. Looking ahead, the landmark deal between Forum Estates and Cibus Nordic is set to shape 2025, with Belgian assets of the portfolio appraised in 2023 at a value of €485 million.

**OUTLOOK**

- Belgian GDP growth to increase slightly to 1.15% in 2025 and 1.36% in 2026.
- ECB rate cuts in throughout 2024, with additional cuts expected in 2025, to boost borrowing conditions.
- Consumer confidence is expected to remain low in early 2025, with potential recovery depending on economic stabilization and inflation control.
- Rising operational costs (rent, wages, energy) will continue to pressure retailers (even well-performing and luxury brands).
- Categories such as discount and value-based retail (e.g., TEDI) may outperform in a cost-sensitive market.
- Prime yields may experience slight compression, particularly in high street and out-of-town retail by 2026.
- Transaction volume is anticipated to reach a peak in 2025, fueled by the major acquisition of the Belgian supermarket specialist Forum Estates by Sweden's Cibus Nordic.

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



**PRIME RENTS: HOLDING FIRM**

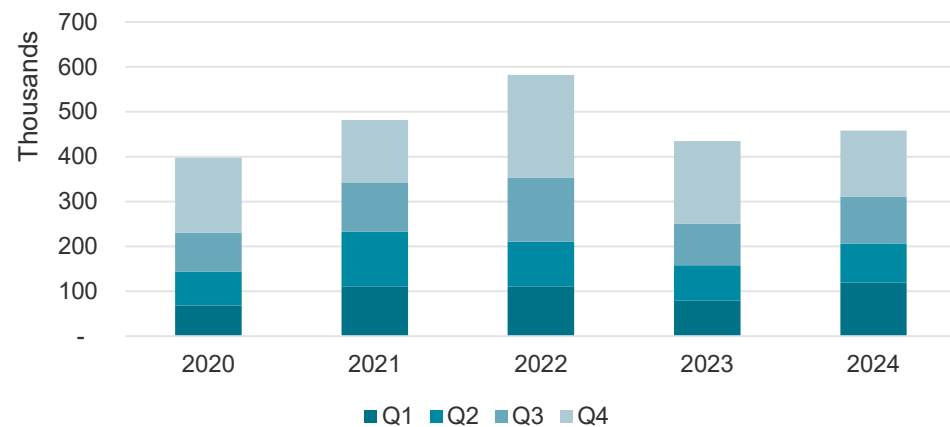
Prime rents remained stable this quarter, with Antwerp Meir at €1,700/sq m/year and Brussels' Rue Neuve at €1,650/sq m/year. In contrast, rents in secondary prime locations, such as Liège, exhibit greater variability and less stability.

Shopping centers, such as Woluwe Shopping Center, maintained prime rents at €1,400/sq m/year. Out-of-town retail rents also stabilized at €185/sq m/year, with no significant increases anticipated through 2025.

**TAKE-UP: A STRONG FINISH TO 2024**

Retail take-up for 2024 surpassed last year, with 458,000 sq m across 897 deals. Q4 contributed significantly with 148,000 sq m of take-up. Out-of-town retail recorded 289,000 sq m, supported by expansions from TEDI, Albert Heijn, and Jumbo. However, the figure was also influenced by takeovers of Fun and Bristol stores by ToyChamp, Jysk, and Chaussea, which may temper the perception of purely organic growth. In contrast, shopping center take-up dropped 36% year-on-year to 40,000 sq m, reflecting rising operational costs and more cautious expansion strategies of retailers active in this sector. High street retail take-up remained stable at 129,000 sq m, comparable to last year's total. Cushman & Wakefield facilitated the entry of notable new market players to our high streets, including Lululemon, New Balance, and Zimmermann.

**TAKE-UP BY QUARTER (sq m)**



**KEY LEASE TRANSACTIONS Q4 2024**

| PROPERTY                         | SUBMARKET       | TENANT      | GLA (SQ M) | TYPE    |
|----------------------------------|-----------------|-------------|------------|---------|
| Meir 85, Antwerpen               | High street     | Uniqlo      | 1,957      | Letting |
| Bellefleur Retail Park, Couillet | Out-of-town     | Extra       | 1,750      | Letting |
| L'Esplanade, Louvain-la-Neuve    | Shopping center | ASAdventure | 1,581      | Letting |

**KEY SALES TRANSACTIONS Q4 2024\***

| PROPERTY                           | SUBMARKET       | SELLER / BUYER                 | GLA (SQ M) | PRICE (MEUR) |
|------------------------------------|-----------------|--------------------------------|------------|--------------|
| McDonalds, Ingelmunster            | Out-of-town     | Prime Development / Private    | 596        | 3.75         |
| Brixton Retail Park, Zaventem      | Out-of-town     | Nextensa / Private (5 parties) | 15,072     | 41           |
| Shopping Stadsfeestzaal, Antwerpen | Shopping center | Multi Corp. / Ablon Retail     | 22,478     | 45           |

\*Transactions in the table include key sales transactions in the market, and are not necessarily closed by Cushman & Wakefield.

- Stability in prime rents is forecasted across high street, shopping centers, and out-of-town retail. No significant upward adjustments are expected in 2025 for prime rents.
- High street take-up is likely to remain stable in prime locations, while shopping center activity may remain subdued due to rising operational costs.

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