Belgium Retail Market Overview and Trends

2016
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Confidence indices continue slight increase

Consumer confidence and Business confidence indices

- Consumers are growing more confident regarding macroeconomic conditions in Belgium, with strong expectations regarding the global economic climate of the country.

- Business confidence also increased to reach its highest level since July 2011.
Demographic trends in Belgium

A strong growth, mainly concentrated in the biggest cities of the country

• Between 2015 and 2030, the population should increase from 11.200.000 to 11.940.000 habitants, representing de 6,6% (+ 740.000 inhab.).

• Globally in 2030 (compared to 2014):
  o The growth will be higher in Brussels (+ 129.000 inhab ; + 10%)
  o Than in Flanders (+ 398.000 inhab. ; + 5%) and
  o In Wallonia (+ 267.000 inhab. ; + 7%).

Population in Belgium (million inhab.) & Demographic growth by region (Base=100 in 2014)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2030</th>
<th>2060</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brussels</td>
<td>1,163,000</td>
<td>1,292,000 (+ 129,000)</td>
<td>1,478,000 (+ 315,000)</td>
</tr>
<tr>
<td>Flanders</td>
<td>6,410,000</td>
<td>6,808,000 (+ 398,000)</td>
<td>7,317,000 (+ 907,000)</td>
</tr>
<tr>
<td>Wallonia</td>
<td>3,576,000</td>
<td>3,843,000 (+ 267,000)</td>
<td>4,297,000 (+ 541,000)</td>
</tr>
</tbody>
</table>
The household disposable and consumption

• The average household disposable income has started to rise again in 2014 and should continue to increase in the coming years.
• The disposable income is more important in Flanders and should rise at a faster rate than in Brussels.
• The Belgian consumption growth (between 2008 & 2015) vs. EURO area is higher
Retail Letting Market
Occupier market activity

Take-up

**Distribution of the retail stock in Belgium**

- High streets
- Retail warehousing
- Shopping centres

**Number of letting transactions by retail segment**

<table>
<thead>
<tr>
<th>Year</th>
<th>High streets</th>
<th>Retail warehousing</th>
<th>Shopping centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>342</td>
<td>147</td>
<td>11</td>
</tr>
<tr>
<td>2009</td>
<td>356</td>
<td>157</td>
<td>18</td>
</tr>
<tr>
<td>2010</td>
<td>323</td>
<td>135</td>
<td>16</td>
</tr>
<tr>
<td>2011</td>
<td>363</td>
<td>220</td>
<td>13</td>
</tr>
<tr>
<td>2012</td>
<td>305</td>
<td>229</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>344</td>
<td>179</td>
<td>14</td>
</tr>
<tr>
<td>2014</td>
<td>418</td>
<td>156</td>
<td>15</td>
</tr>
<tr>
<td>2015</td>
<td>426</td>
<td>185</td>
<td>14</td>
</tr>
</tbody>
</table>

- Main Street
- Retail warehousing
- Shopping Centre
## Occupier market activity

### Most active retailers 2015

<table>
<thead>
<tr>
<th>Brand</th>
<th>Number of transactions 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Fit</td>
<td>10</td>
</tr>
<tr>
<td>AS Adventure</td>
<td>9</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>9</td>
</tr>
<tr>
<td>Kruidvat</td>
<td>9</td>
</tr>
<tr>
<td>Action</td>
<td>8</td>
</tr>
<tr>
<td>Albert Heijn</td>
<td>8</td>
</tr>
<tr>
<td>Rituals</td>
<td>8</td>
</tr>
<tr>
<td>Flying Tiger</td>
<td>6</td>
</tr>
<tr>
<td>Hunkemoller</td>
<td>6</td>
</tr>
<tr>
<td>Grand Optical</td>
<td>5</td>
</tr>
<tr>
<td>JBC</td>
<td>5</td>
</tr>
<tr>
<td>Leonidas</td>
<td>5</td>
</tr>
<tr>
<td>Okaïdi</td>
<td>5</td>
</tr>
<tr>
<td>Di</td>
<td>4</td>
</tr>
<tr>
<td>River Woods</td>
<td>4</td>
</tr>
<tr>
<td>Wibra</td>
<td>4</td>
</tr>
<tr>
<td>ZEB</td>
<td>4</td>
</tr>
</tbody>
</table>
Prime rents

Main streets

- Prime rents in top cities are picking up again

Main street prime rents

(€/square meter/year for prime shops of 150 m² and 6 m frontage)

Sources: Cushman & Wakefield
Out-of-Town retail rents Belgium

Out of Town Retail prime rents

(€/square meter/year for prime shops of 1000 m²)

Sources: Cushman & Wakefield
Prime rents

Shopping centres

- Stable rents in the top shopping centres

**Shopping centers prime rents**

(*€/square meter/year for prime shops of 150 m² and 6 m frontage*)

Sources: Cushman & Wakefield
Belgian shopping centres
Belgium market has a low proportion of shopping centres / inhabitants

Source: Cushman & Wakefield, Shopping Centre Development Report Europe
Vacancy

Source: Locatus

- Vacancy close to 0% in the Big Six of the country
- Retail in the secondary cities is suffering, especially the most local ones
- Due to the market evolution

Vacancy per segment, 2009-2015
Retail Investment Market
Investment market activity

Record year for retail investment

- Professional investment volumes Belgium in MEUR
Investment market activity

Record year for all retail segments

- Sales of retail property is booming!
- Inflow of foreign capital growing.
- Majority of investors are institutional ones.

**Graph: Retail Investment Volume Belgium (€M)**

- **Shopping Centre**
- **Out of Town Retail**
- **Main Street**

- **Institutional** 57%
- **Private** 15%
- **Developer** 15%
- **REIT** 15%

**Source:** Cushman & Wakefield
Investment market
Yield evolution, Main Streets

• Record-sharp yields
Trends & Future
Larger shops

Flagship developments

• Also inner city retail needs larger format for anchor stores

*Le Toison d’Or, Brussels uptown*
Larger shops

Flagship developments

- Also inner city retail needs larger format for anchor stores

*Primark Molenpoort Hasselt, 5800 m²*

*Inno Galeria, Kon. Albertstraat Hasselt, 8000 m²*
Less shops, more retail space

Average space / shop +10% in 5 years time

- More small shops closing down

- Average size of shop in Belgium in 2015: 210 sq m → +10% compared to 2010

Uniqlo Meir Antwerp, opened 2015,
before: 1483 sq.m.
now: 1643 sq.m.
UPGRADING RETAIL PROPERTY MARKET

• Higher quality formats

HIGH STREETS
Toison d’Or | Brussels uptown

SHOPPING CENTRES
Médiacité | Liège

OUT OF TOWN RETAIL
Bulthaup | Zaventem
Trends in Out of Town Retail

- Upgrade of architecture
Trends in Out of Town Retail

Less barriers (on markets and sectors)
BIG PROJECTS NORTHERN PERIPHERY OF BRUSSELS

Mall of Europe (NEO) at Heysel
80,000 m² retail
Expected: 2021 - 2023

Uplace
Machelen
80,000 m² retail
+ leisure
Expected: 2019

Docks Bruxsel
Equilis Project
49,000 m²
Opening: October 2016
Shopping projects Wallonia

- Les Grands Prés, Mons
- Rive Gauche, Charleroi
- La Strada, La Louvière
- Cristal Park, Seraing
- L’Esplanade, L-L-Neuve
- Au Fil de l’Eau, Verviers
Shopping projects Flanders

- Quartier Bleu Hasselt
- Dok-Noord Gent
Trends & Future in Retail

• E-commerce, the end of physical retail?
Fashion most popular in e-commerce

Online purchases
Current purchase new products

Q: Which new products or services did you buy via the Internet (for personal purposes) in the past 12 months?

- Clothing / shoes: 49%
- Hotel / Overnight stay: 40%
- Books: 32%
- Event tickets: 31%
- Boat, plane or train tickets: 29%
- Personal care products: 29%
- CD / DVD / Blu-ray / Games: 22%
- Computer, hardware and software: 22%
- Electronic appliances: 20%
- Toys: 19%
- Bank products eg. current account, savings account, investment: 18%
- Household appliances: 17%
- Telecom: 16%
- Fun fair tickets: 14%
- Pharmaceutical products: 12%
- Digital music: 10%
- Sports products: 10%
- Furniture and home decoration: 10%
- DIY and garden products: 9%
- Travel assistance or cancellation insurance: 7%
- Food: 7%
- Films or TV series in digital format: 6%
- Prepared food: 4%
- Cars, motorbikes, bicycles: 3%
- Other insurances eg fire insurance, car insurance, life insurance, pension insurance: 3%
- Other: 12%

N = 966 / F = None
Is e-commerce a threat?

- E-commerce still has to prove its longer term profitability (difficulty of high number of returns; ‘Zalando parties’ in Germany!)
- Delivery, the last meter is the most difficult one
- Yes and no: brands need flagship visibility with physical stores
- On-line players: need for physical stores and delivery
- E-Commerce also needs bricks (ex: Cool Blue)
Overview & Trends in Belgian Retail

Conclusion

• Stable leasing market, investment is booming
• Rents slightly picking up again in top main streets
• Vacancy grows, especially in secondary streets and small towns
• E-commerce has impact but no real threat for top physical retail
• Demographic growth and consumers demand more retail space
• Brands & architecture upgrading