

Source: CBS, Locatus, Cushman & Wakefield

ECONOMIC INDICATORS Q2 2022



Source: CPB, Cushman & Wakefield

LOCAL MARKET RESEARCH LEAD

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INVESTMENT MARKET: Increasing interest rates to generate new perspectives on retail investment

Although the investment volume in mid-2022 stands at EUR 633 million, a muted volume is assumed for the time being, measured over the entire year compared to 2021. Due to the sharp increase in inflation, commercial interest rates are under strong upward pressure: external financing has quickly become more expensive for real estate investors. Financiers are anticipating the rise in policy interest rates, which means that additional liquidity costs will be charged on top of the prevailing margins. This development means that parties that make use of external financing facilities are currently stepping down, because they can no longer make the highest bid. In a market defined by very low initial yields, this is currently particularly beneficial for institutional investors and high net worth private investors. As the initial yields for offices, homes and logistics commercial space are at historically low levels, the current rise in interest rates offers remarkably enough new perspectives for the retail market. The search for yield translates in into increased attention in retail property with a higher risk profile as a result of a relatively large spread between the financing costs and gross initial yield.

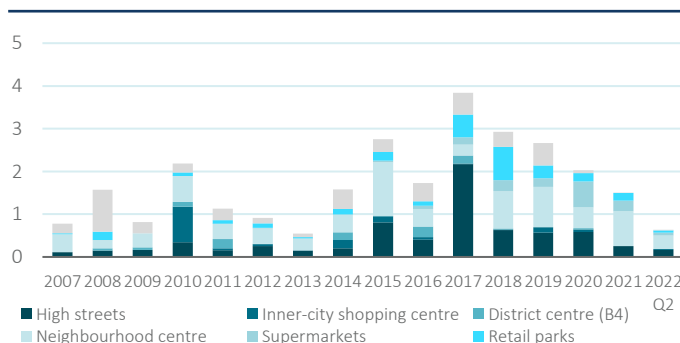
OCCUPIER MARKET: polarization between the branches

Although various large retailers are currently accelerating their online strategy, shop portfolios are optimized in the context of consolidation. No more multiple outlets in the same shopping street, but upscaling towards one larger unit between mostly 200 sq.m. and 500 sq.m. on the best part of the shopping street. The remarkable situation now arises that both expansive international retailers and locally existing retailers are opting for the same retail properties. This selective demand pressure has resulted results in a relatively stable retail rent level, especially in these larger shopping cities

The finalization of the shop interior itself is being made more difficult by lack of capacity among construction contractors and the shortage of building materials. In addition, it is increasingly difficult to recruit suitable staffing, which puts an additional brake on possible store expansions.

A forecast for revenue growth for 2022 is therefore surrounded by uncertainties and stands or falls with the outcome of the war in Ukraine and the effect of the interest rate hikes by the banks in order to curb inflation. Concerns about rising food prices and the extent to which gas storages are being replenished in time for winter may lead consumers to adopt a wait-and-see attitude towards major retail spending. Consumer confidence, which has now reached a historic low, does not bode well in this regard.

RETAIL INVESTMENT MARKET to segment | EUR bln.



RETAIL TURNOVER | change to same month last year (%)

