MARKETBEAT

NETHERLANDS

Retail Q4 2022

	YoY Chg	12-Mo. Forecast
€ 2,400 Prime rent Kalverstraat	▼	▼
7.8% Population Growth 2050	▲	▲
5.8% Vacancy Rate	▼	►

Source: CBS, Locatus, Cushman & Wakefield

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
0.9% GDP Growth forecast 2023	▼	►
1.8% Consumer Spending Growth forecast 2023 vs 2022	▼	►
2.5% Turnover Growth 2023 vs 2022	▼	►

Source: CPB, ING, Cushman & Wakefield

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INVESTMENT MARKET: wait and see attitude despite higher investment volume in 2022

Although the investment volume of EUR 1.6 billion was up on the previous year, transaction activity is currently restricted by the relatively wide gap between bid and offer prices. Investors using external funding in particular are currently marking time. In a market driven by extremely low initial yields, this first of all benefited institutional investors and wealthy individuals, many of whom dominated their local market. But these investors have also become cautious in the justified expectation that initial yields will improve. There is a significant group of investors who are focusing on their acquisition strategy for 2023. The retail market needs to settle down again, in the sense that supply and demand need to find new price levels at which to meet.

Investors in retail have focused strongly on the convenience segment in past years, based on good fundability, stable cash flow and a low risk profile. Besides supermarkets, demand has been mainly for district and neighbourhood shopping centres with convenience stores and at least two supermarkets (ideally a full service combined with a discounter). The popularity of these small shopping centres has led to a sharp decline in available supply in recent years, creating a huge gap between supply and demand. But investors are now taking a more critical view. While good prices are still offered for the best investments, prospective buyers are no longer prepared to pay the asking price for sub-optimal real estate.

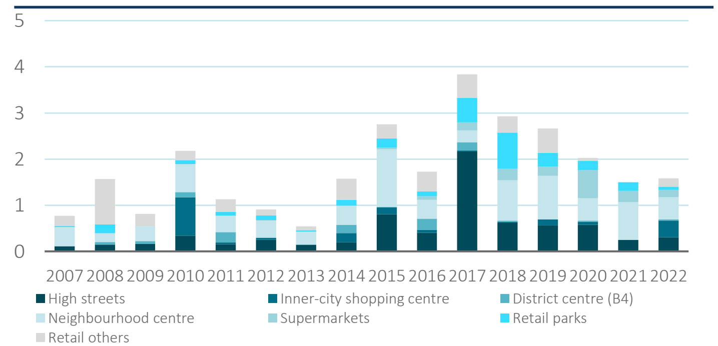
OCCUPIER MARKET: turnover growth as the result of increasing prices, consolidation on High Street

Despite the uncertain economic outlook, retailers are still looking for new physical retail space in desirable shopping streets. Portfolios are being optimized by means of relocation and consolidation. To cut costs, less profitable stores are being exchanged for stores at top locations in main shopping streets and there is interest in consolidation in cities where there are multiple units (into one large unit of between 200 and 500 m²). Partly as a result, already present retailers and new international retailers are opting for equivalent stores with similar floor space. This selective demand is keeping retail rents in these larger shopping cities relatively stable.

The realization and finishing of these stores are hindered by a shortage of cash (capex), heavy pressure at contractors and shortages of construction materials. This means it takes on average nine months from completion of a lease to open a store, a historically long period in which rent still has to be paid without generating any revenue.

It is also a big challenge for retailers to recruit suitable sales staff in today's employment market. This not only slows the growth and opening of stores, leases are also more likely to be terminated because there is not enough staff available at the intended locations.

RETAIL INVESTMENT MARKET to segment | EUR bln.



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