

Source: CBS, Locatus, Cushman & Wakefield

ECONOMIC INDICATORS Q1 2023



Source: CPB, ING, Cushman & Wakefield

LOCAL MARKET RESEARCH LEAD

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INVESTMENT MARKET: marketability of High Street greatly improved

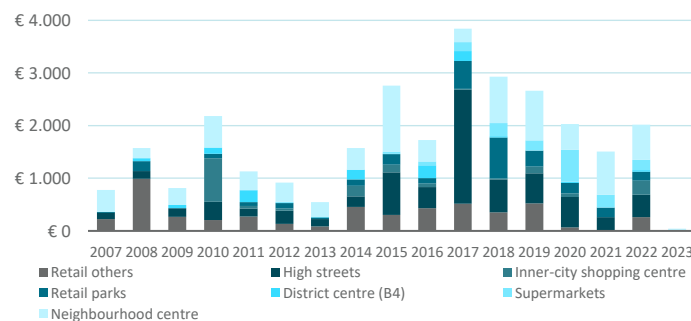
Since the second half of last year, retail investors have adopted a wait-and-see attitude that has resulted in a modest transaction volume of EUR 70 million (-70%) in the first quarter of 2023. Due to high inflation, the retail investment market is plagued by sharply increased rates for external financing, while the occupier side of the retail market is being (re)viewed with suspicion at their exploitation. Retailers are faced with sharply rising costs of purchasing, wages, energy and possibly deferred tax returns, while purchasing power of consumers is also under strain as a result of the exact same factors. Regardless of the need for external financing, investors do determine their desired initial yield based on current interest rates. In the retail investor-dominated segment of the market, this means that they generally do not bid below the cost of external financing, whether they use it or not. As a result, very little product has been brought to the market so far this year. For the most expensive retail space on the busiest shopping streets, the relative marketability of the High Street segment compared to the other retail segments has strongly improved, with investor interest appearing to focus mainly on the best shopping streets in the G4. The combination of relatively high returns and possibilities for alternative use has contributed to this.

OCCUPIER MARKET: turnover growth as prices go up

Retailers are faced with rising costs, while the purchasing power of shoppers is stagnating. This is clearly reflected in the declining retail sales since May of last year. Although the months of December and January recorded a small plus, because the calculations are based on the same month of the previous year, this seems to be mainly a lag effect of the last omicron lockdown, which ensured that between December 19, 2021 and January 14, 2022 non-essential stores had to keep their doors closed. ING's economic bureau maintains its forecast that a turnover increase of 2.5% is expected for 2023 and that this increase will mainly be achieved through price increases.

Despite the uncertain economic outlook, retailers are still looking for new physical retail space in the popular high streets, but lease renewals are the newest trend. The past period was used by retailers to implement optimizations by bringing together several branches in a larger location and relocating to places with more traffic. Partly because of this, both the existing retailers and any new international retailers opt for equivalent retail properties with the same floor space. This selective demand pressure results in a relatively stable retail rent level, especially in these larger shopping cities.

RETAIL INVESTMENT MARKET to segment | EUR bln.



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

