

# Netherlands Retail Market

## Retail take-up and investments increased

September 2014

### Dutch economy improves further

The Dutch economy grew by 0.9% y-o-y in Q2 2014, mainly due to increased exports and private sector investments. After five consecutive years of decrease, household consumption remained stable over the past year, despite lower natural gas consumption. Consumers did spend more on durable goods, like clothes, electronic equipment, household appliances and cars.

The increased geopolitical instabilities in Eastern Europe and the Middle-East do however seem to be an increasing source of uncertainty, seeping through in a decreasing Purchasing Managers Index, from 53.5 to 51.7 (source: Nevi) and a decreasing consumer confidence, from -2 to -6.

Retail sales featured a growth for the first time in two years, mainly related to increasing sales in the food sector.

Especially supermarkets performed well with 3% more sales than the previous year. The sales in the non-food sector showed a decrease, despite increased consumer spending on durable goods. E-commerce is the missing link between these figures.

### From bricks to clicks (and vice versa)

Last year's online turnover reached €10.6 billion, while for 2014 the growth of consumer spending is expected to grow further to € 11.6 billion.

Although the number and turnover of physical stores decreases, offline shopping still holds by far the largest market share in retail (94%). And according to a recent market study by A.T. Kearney among US customers, around 90% of customers who purchase online, did previously visit a physical store. The physical store thus serves more and more as a medium for experience, inspiration and service. In this sense traditional stores are

becoming a presentation channel rather than a distributions channel.

Coolblue shows this works in both ways. This chain started out as online retailer and now operates five stores/service centres. The company remarkably observed increasing online sales in the vicinity of their stores.

And there are numerous examples of local online retailers slowly filling the void spaces at secondary retail locations. Research suggests that about two thirds of all web shops in the Netherlands are interested in opening traditional stores. These retailers are mainly interested in retail space of less than 100 sq m on flexible terms.

### Increased take-up

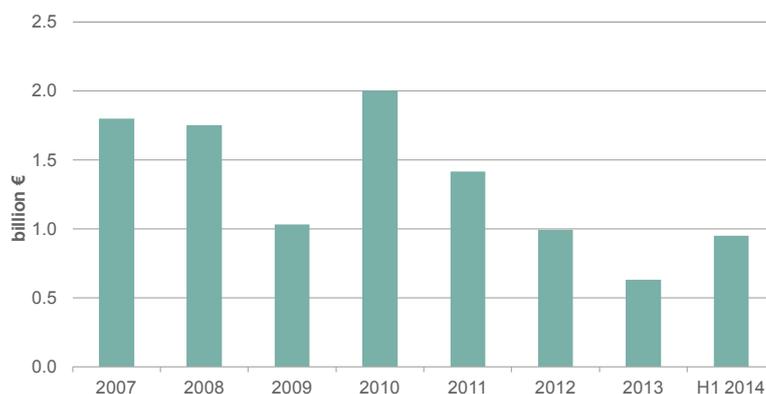
Retail occupier demand reached around 175,000 sq m in H1 2014, up from 150,000 in the H1 2013. Taking the economic situation into account the increasing demand seems to originate primarily from increased possibilities due to consolidations and foreclosings of stores, leaving more space for reletting, but Savills believes retailers also take the opportunity to open new stores at attractive locations to capitalise on the increased positivity.

Of all transactions 11.4% were over 2,000 sq m in size, but in total take-up in sq m this category accounted for a significant 37.8%.

### Consumer behavior and vacancy

Over the past years retail sales overall dropped considerably. However, when consumers do go shopping, they seem to increasingly visit the hotspots, in favour of second-best locations. Amsterdam is one of the cities for →

GRAPH 1  
**Retail investment volume Netherlands The H1 2014**  
volume of 950 million surpassed the full 2013 volume



Graph source: Savills

which this polarisation is profitable, as research from Locatus shows. The 73,000 people that visit the Kalverstraat on an average Saturday is up from 62,000 in 2013 and 50,000 in 2012. Last December the Kalverstraat had to be closed temporarily as the crowd was so large customers weren't able to exit the stores anymore.

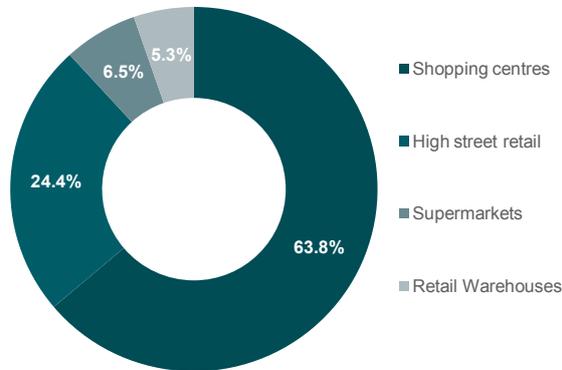
With more large-scale retailers opening up flagship stores in the city centre, like Forever 21, Marks & Spencer, TOMS, Gaastra and later this year Mango, Amsterdam will only increase in consumer attractiveness.

### Investor sentiment remains strong

In 2014 H1 investments in retail totaled €950 million, far more than the €630 million in 2013. This is around 30.8% of total investments (offices, industrial

GRAPH 1

**Investments by property type** Shopping centres remain the most dominant retail investment asset



Graph source: Savills

At the moment investor supply of good quality retail is limited, suppressing both the total volume and yields. In the

It is interesting to note that within Amsterdam, the most dominant retail market in the Netherlands the number of retail investment transactions has been very limited. This is especially the case in the city centre, where the past 18 months listed just three investment transactions, totalling around €56 million.

"Lack of prime retail investment opportunities in Amsterdam keeps volumes low and yields suppressed."

Clive Pritchard, Netherlands Investments

### Outlook

As the economy is improving household spending has started to increase. This will positively affect the retail market and investor interest thus remains high. The lack of grade A product is however suppressing investment volumes.

and retail), lower than the figures from 2010-2012, which varied from 36.5% to 44.7%. This was the period in which Unibail-Rodamco was divesting a significant part of its portfolio and investment opportunities were plenty.

first half of this year gross yield for prime high street retail remained at 4.0%, for shopping centres it contracted by 25 bps to 5.75% while for retail warehouses it remained at 7.25%.

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