OPINION

TAKING A LOOK AT THE NETHERLANDS

BY ELLEN TAK-ZWETHEUL, IMAGE: ALTERA

The Dutch retail market is fundamentally different from other European countries. It provides an interesting investment opportunity. The Netherlands is one of the most densely populated countries in the world and developed a dense and granular shopping structure in close vicinity for all residents. For instance, supermarkets are located within a 5 to 10-minute walk for residents of urban areas. Most supermarkets are located in convenience shopping centers in the middle of a residential neighborhood. These centers provide a convenient and efficient space for purchasing basic needs, like food and groceries. Non-food shopping is done mainly in the inner-city (comparison) shopping areas which also offer F&B, leisure and entertainment. Large (mega) shopping centers in the periphery is common in other countries but hardly present in the Netherlands. The main reason for this is the strict Dutch spatial planning policy which has been consistently implemented since the 1960's. This is the first of three elements that make the Dutch convenience retail future-proof. The limited long-term supply of new expansion locations ensures that demand remains high.

Ellen Tak-Zwetheul

Head of Research & Strategy at Altera

The second element to our retail future-proof nation is the strong Dutch economy with its continuous and strong growth (2.5%) and supported by fiscal policy stimuli, high employment rate (>96.5%) and low government debt and interest rates. The average purchasing power is growing steadily (1.5% in 2019), meaning income is growing faster than average price levels, and more goods and services can be purchased (source: CPB). Moreover, the population continues to grow substantially with an expected growth of 5% for the next 5 years.

The strong economy combined with the demographics has led to rising total retail sales since 2014. These rising retail sales is the third element that make the Dutch convenience retail real estate sector future-proof.

When we compare food and non-food sales, the difference is clear. The trend in food retail sales has been in positive territory for the past 10 years. Non-food retail sales has rebounded since 2014 after its decline due to the crisis between 2008 to 2014. In 2019, the rise in sales in food and non-food retail hit 1.4% and 2.7% respectively. In addition to the increase in overall retail sales (+3.3%) in 2019, online retail sales also rose (+16.0%). Interestingly this increase was greater than that in high street sales, as a result of which the share of internet sales in total retail sales rose to approximately 10%. The share of online spending and its growth varies significantly from sector to sector. The growth in the share of online spending in the food sector is the lowest. Online supermarket sales only represent 3.0% of total supermarket revenues (source: Supermarkt & Ruimte, 2019).

Due to the positive growth developments in food retail sales and limited influence of online retail sales on food, Altera's has focused its strategy on convenience shopping centers and standalone supermarkets. Convenience centers have limited and controllable risk, which is underpinned by high occupancy rates for this type of shopping center and a low number of bankruptcies and tenant changes. Convenience shopping centers have a proven track record as stable and profitable investments with a total fund return in excess of 5%.

What is your opinion on this topic? Discuss it with us! Send your opinion to **opinion@across-magazine.com!**