

SHOP`TIL YOU DROP?

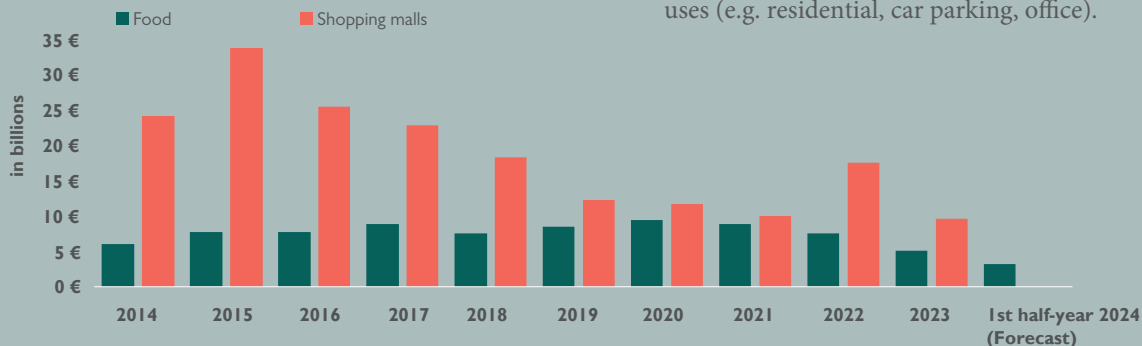
GROWTH AND TRANSFORMATION PROSPECTS IN THE RETAIL SECTOR.

CATELLA

Is the retail sector suffering across Europe? Generalized statements indicate a general trend, but a deeper analysis of the market reveals major differences within the EU member states and the UK. The fact is that there are many solutions in the largest retail sub-segment, shopping centers, to "return to pre-pandemic figures". But this is where the first error in thinking lies: it was already foreseeable in the middle of the last decade that the times of steadily rising transaction volumes and increasing customer frequency had reached their peak – on a European average, mind you. There was hope immediately after the pandemic. However, this turned out to be a classic catch-up effect – in combination with the turn-around in interest rates, the war and consumer restraint.

Online shopping is here to stay and the expected growth rates in most European countries remain impressive. Consistently strong growth is also expected in the grocery sector, i.e. food retail. This is understandable, as it has come through the pandemic crisis largely unscathed. The term "systemically relevant" is often used here, with multiples of up to 30 times expressing this appreciation among investors until 2022. By the beginning of 2024, these had levelled off again at a level of 20 times.

TRANSACTION MARKET FOOD & SHOPPING MALLS EUROPE



A look at the transaction volumes in recent years illustrates this trend between these fungible property types.

Property types with the greatest potential for change:

- **Food retail**, so-called grocery stores are dynamically on the rise.
- **Food vending machines** (e.g. at mobility hubs: airports, railway stations; hotels, schools, offices). This convenience-orientated segment in particular is forecast to see the highest growth rates up to 2030.
- **Department stores** are in the middle of a major refurbishment phase through to transformation into alternative uses (e.g. residential, car parking, office).

WHAT DOES THIS MEAN FOR THE MARKET ENVIRONMENT IN THE RETAIL SECTOR?

- Average disposable income per capita/EU in 2022 from € 5 378 in Bulgaria to € 45 310 in Luxembourg. Average at € 19,083 – trend 2024: stagnant – due to inflation
- Falling interest rates will allow the market to slowly pick up again in 2024
- Risk-averse banks will increase margins for retail project developers
- Stronger regulation also increases the cost block for banks/financiers
- More selective financing of retail projects

The biggest push factors for the retail segment are attributed to the following aspects:

- **Competition** e-grocery vs. food delivery vs. vending market.
- **AI** as a growth booster - marketing & support functions (customer service, finance).
- **Vending Machines** – POS of standardized products, high footfall & spontaneous purchases.
- Growth only by **increasing the savings rate**, but disposable income is falling due to (flat) rent increases.