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European Retail Space 2020: Rising Yields and Fewer Transactions

In a Europe-wide survey of transaction volumes, yields and rental prices of retail properties in 2020 in 31 locations, Catella Research comes to a mixed conclusion. Transaction volumes have increased in five European countries compared to 2019, whereas transaction volumes have declined across Europe compared to 2015 - with the exception of Austria and Switzerland. Yields for shopping centers range from 4.2% (Denmark) to 7.5% (Latvia) and are highest in the UK and the Baltic States. Since COVID-19, shopping and consumption behavior is no longer necessarily tied to high street stores. For 2021, Catella Research expects property values to come under significant pressure, as investors increasingly lose interest in the "retail" asset class.

Prof. Dr. Thomas Beyerle, Head of Research at Catella Group, explains: "The retail asset class is under enormous restructuring pressure throughout Europe. Although the current downward trend came with notice at least since the last decade and was only masked by the very good economic situation in recent years, the current pandemic crisis clearly shows the breaking points."

Catella Research surveyed 31 retail locations in 21 countries. Here are the current real estate economic indicators:

- In 26 of 31 markets, yield indicators are pointing upwards. The highest yields are currently being achieved in the Baltic States, for example 7.0% for city center space in Riga.
- In terms of transaction volume, the UK achieved a slight increase of +4%, while two other large European countries, Germany and France, suffered losses of -19% and -32% in 2020.
- There were no rent increases in any of the markets in 2020; instead, shopping centers saw rent declines ranging from -3.6% (Denmark) to -16.0% (Finland).

This overview must of course be followed by an analysis at the property or micro-location level, and there are undoubtedly winners and losers. It is becoming increasingly clear that the public inner-city space and the newly developed quarters will be essential players. Quality of stay, staging, architecture or anchor functions only in the building no longer seem to be the solution. At first glance, the granularization of the space on offer seems frightening, but an intelligent mix of uses within the conversion of metropolises seems to be an answer to how "retail" can position itself in the coming years. Examples from Barcelona, Amsterdam, London or Oslo show how this can succeed.

The complete study can be downloaded here:
<https://www.catella.com/en/germany/research>

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Catella is a leading specialist in property investments and fund management, with operations in 14 countries. The group has assets under management of approximately EUR 14 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Read more online at [catella.com](https://www.catella.com).