

Defining retail city centres in 2030

How geospatial analysis
can help to draw
indicative boundaries of
future Dutch city centres



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1 Introduction

As a result of the COVID-19 pandemic and the associated contact-limiting measures, some of the world's busiest shopping streets became deserted, and city centres came to resemble ghost towns. In the Netherlands, we suddenly had more than enough space to cycle in places where crowding would normally make it difficult to walk. At the same time, retailers and investors were in forced but constructive talks about how to tackle the consequences of the COVID-19 pandemic for their sector. And, luckily enough, despite all the insecurities, consumers continued to spend.

If COVID-19 taught retail stakeholders anything, it was that consumers' shopping behaviour changed rapidly and contact-limiting measures drove more consumers to online shopping. Once some measures were lifted, people returned to the social hearts of communities – the city centres – to once again congregate and spend their money on the joys of city life. People willingly queued outside of shops, restaurants and bars. At the same time, people have become used to the ease and endless selection of online shopping, and one has to wonder what the permanent impact will be on our country's brick-and-mortar shops and city centres.

Redevelopment is currently in full swing and Dutch cityscapes will be changed as a result

But there is no need for doom and gloom. Retailers on high streets are needed to build brand awareness and customer loyalty, in addition to their online outlets.

But most Dutch city centres have retail oversupply and redevelopment and relocation are necessary in order to future-proof city centres. Redevelopment is currently in full swing and Dutch cityscapes will be changed as a result. The city centres we know and love will continue to evolve as always. Changing functionality will reshape the boundaries of streets, squares and buildings and have an impact on people's reasons for visiting city centres. In this whitepaper we will elaborate on how geospatial analysis can help to draw these *indicative* boundaries for the Dutch city centres of 2030.



2 Redrawing city centres

Redrawing the boundaries of a futureproof city centre is not an easy task. Building usage is becoming more mixed (e.g. a furniture boutique shop that also has a hair salon), building and land registration quality can be poor and data availability is mixed. However, we were able to draw *indicative* borders with the help of historical data and geospatial analysis.

Geospatial analysis tools (FME by Safe Software) are used to combine and analyse data from different sources and present the results in geographical maps and on the dashboards of geographic information systems (ArcGIS by ESRI). These tools bring to light trends and provide a distinctive edge in the field of location intelligence.

The general method is to combine retail measurements at point locations with the parcel areas as registered by the Netherlands' Cadastre. Information about these areas provides a clearer representation of real estate property and the associated retail data. By setting expert criteria we are able to highlight those parcels that are sustainable contributors to the core retail areas of the Dutch city centres in 2030. Finally, these core retail areas can be used for further spatial analysis,

for example to determine the fraction of real estate assets within these redefined cores.

By setting expert criteria we highlight the retail core areas of Dutch city centres in 2030

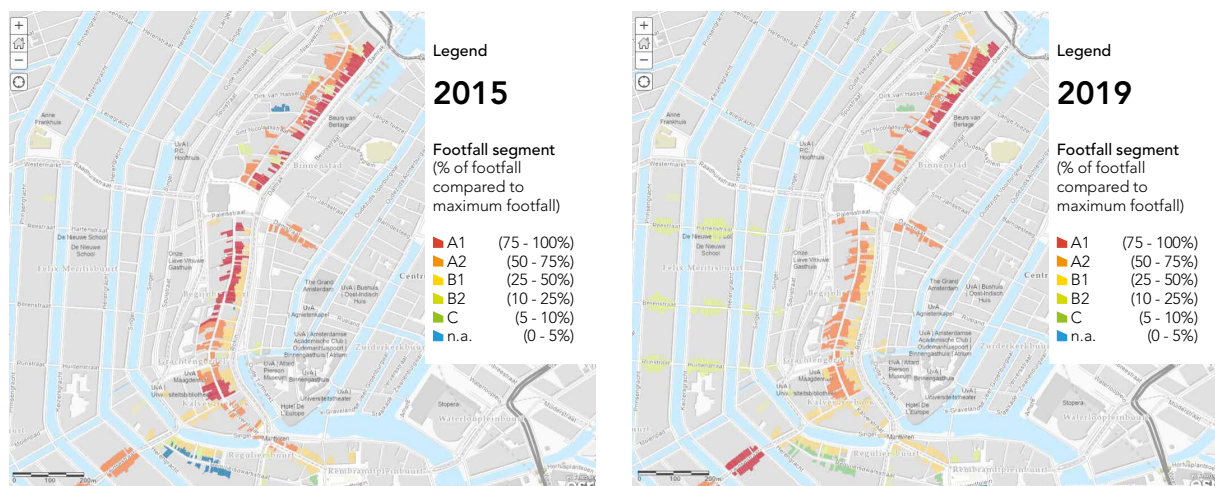
The first stage of our project was the in-depth analysis of the historical development of footfall segments. Typically, Dutch city centre retail locations are annually labelled with a letter ranging from A1 to C. A1 represents the busiest of locations with at least 75% of the maximum city footfall.

C-locations on the periphery of the city centre only have 5-10% of the maximum footfall (footfall segments as defined by Locatus, 2021). These footfall segments evolve over time aligned with changing urban functionalities and preferences such as the relocation of stores by retailers, transportation preferences and parking facilities, as well as the loss of consumer momentum in secondary streets.

The city centre of Amsterdam serves as an example. Comparing the footfall segments of 2015 and 2019 clearly shows the contraction of the retail core – that part of the city centre that accounts for the highest footfall (the darker the red, the higher the footfall).

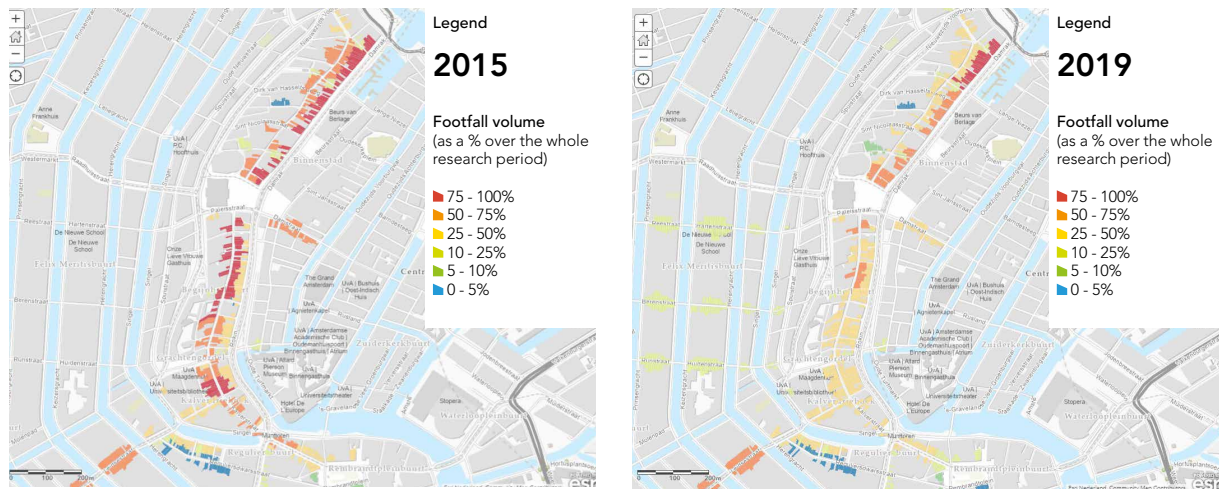
The effects become more apparent when we visualise the percentage footfall compared to the maximum footfall of the entire research period, in this case 2015 - 2019.

Footfall segments in the city centre of Amsterdam for the years 2015 (left) and 2019 (right)



Source: Locatus and a.s.r. real estate research & intelligence (2021)

Footfall as a percentage over the entire research period in the city centre of Amsterdam for the years 2015 (left) and 2019 (right)



Source: Locatus and a.s.r. real estate research & intelligence (2021)

Moreover, if we expand the period of tracking footfall, most large city centres in the Netherlands had a smaller footfall in 2019 (pre-COVID-19) than in 2010.

The right picture below shows that a smaller part of the city centre of 's-Hertogenbosch continued to have the same absolute footfall (darker is better) compared to years ago.

This shows that the contact-limiting measures of COVID-19 were not the cause of change, but rather accelerated the already declining footfall trend.

Absolute footfall in the city centre of 's-Hertogenbosch for the years 2010 (left) and 2019 (right)



Source: Locatus and a.s.r. real estate research & intelligence (2021)

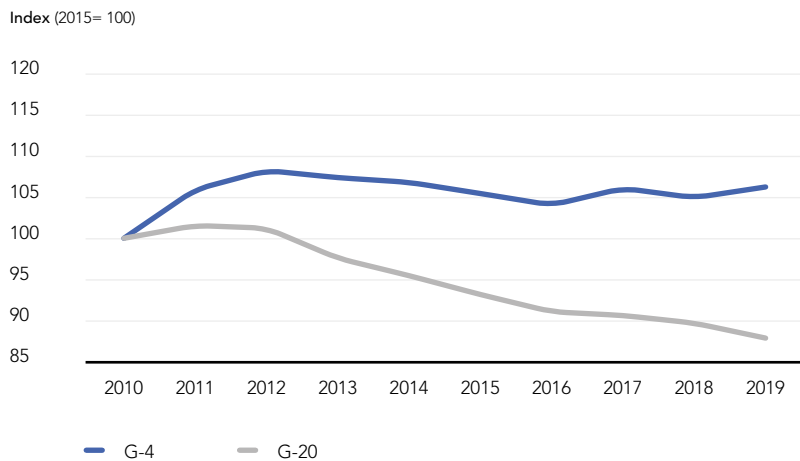
Contact-limiting measures of COVID-19 were not the cause of change, but rather accelerated the already declining footfall trend

The G4 stand strong

Not all centres of Dutch major cities show this declining trend from 2010-2019. Despite contraction of the footfall over time, rental prices in the G4 actually rose by an average of 5%. Recent analysis shows that although footfall numbers are declining, the amount of consumer spending is increasing. Other large city centres were forced to deal with the problems associated with fewer visitors, competition with online retailers, and of course more attractive city centres nearby.

At the time of writing, G4 rental prices are under pressure in most locations, and it is still too early to predict the recovery path of international tourism. Nonetheless, these cities do provide a unique mix of functions and plenty of scale to continue to attract visitors and retailers. This to a lesser extent also applies to strong regional cities such as Maastricht, 's-Hertogenbosch, Haarlem and Eindhoven.

Figure 1 G-20 rental development



Source: MSCI and a.s.r. real estate research & intelligence (2021)

These findings convinced us to be less strict on the model requirements for the G8 and the G4 in particular. More footfall segments, both in relative and absolute terms, are deemed futureproof, allowing retailers to successfully operate more brick-and-mortar store concepts in the G4 compared to the G8 and, in turn, more within the G8 than in other city centres in the Netherlands.

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Hooge Steenweg, 's-Hertogenbosch

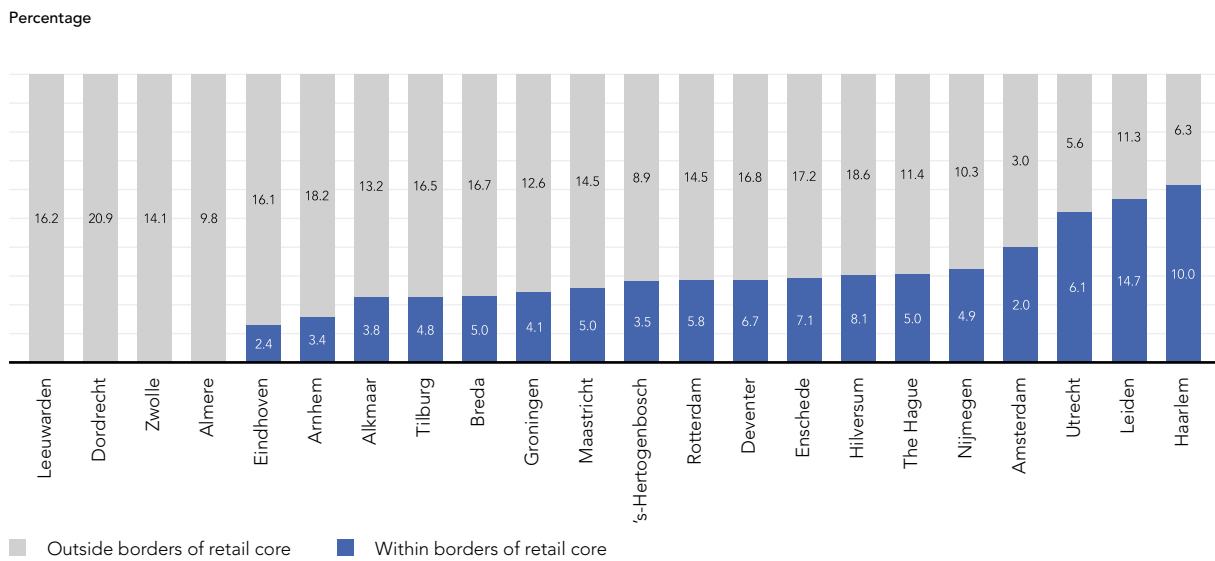
Testing for sanity

The evolution of the footfall segments, footfall absolute volumes and rental growth, has resulted in enough data availability and explanatory power, which were then used to redraw the borders of the city centres. Our next step was to test model outcomes. We suggested that historic vacancy

rates (type and duration) within the borders of the retail core should be lower than outside the redrawn borders. Next, we tested for outcome stability for the different Dutch city centres. And, last but not least, as our asset managers are local experts, they should be able to spot which shopping streets are strong and which are more vulnerable.

Although we did see explainable differences between Dutch city centres, the outcomes were comparable. Asset managers were able to confirm that the redrawn retail core borders and vacancy rates are overall three times lower than outside the redefined Dutch city centre retail cores.

Figure 2 Repeated¹⁾ city centre vacancy rates inside (coloured) and outside (grey) the retail core



Source: Locatus and a.s.r. real estate research & intelligence (2021)

1) Retail units with 2 or more years of vacancy during 2010-2019

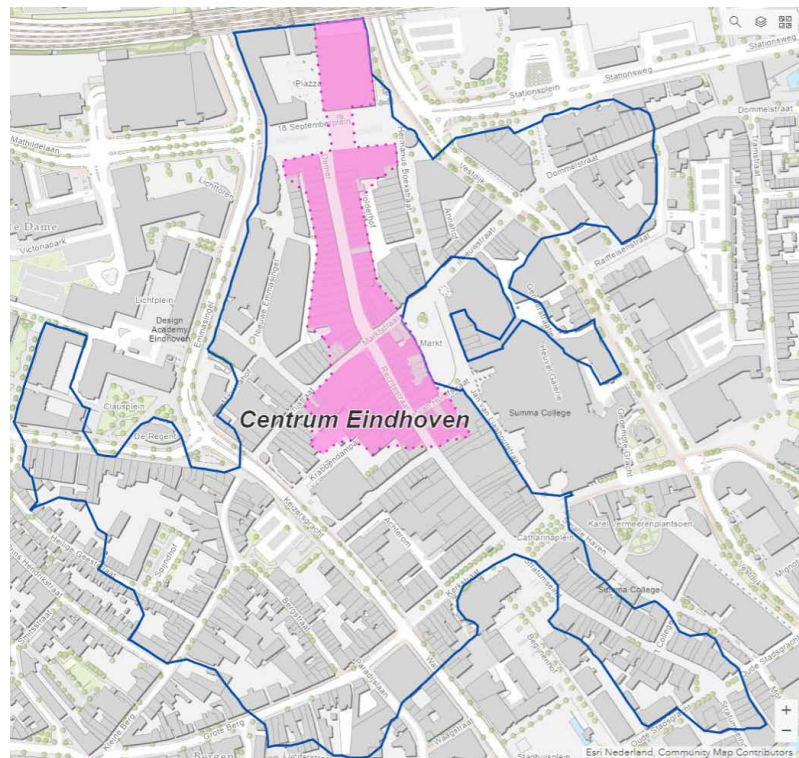


A compact and vital retail core

Altogether, the above provides a sense of comfort on the new retail cores of the Dutch cities we analysed. In the figure below, the retail core for the city centre of Eindhoven is illustrated. Here we see that the resulting retail core is a high street of parcels extending from Eindhoven central station along *Demer* halfway up to *Rechtestraat*.

We believe this area will predominantly retain its retail function. Blurring or function mixing within retail units will continue to increase and enhance the attractiveness of the retail core. Retailers are setting up concept stores in these core retail locations and are drawing in consumers with music, games, presentations etc. Moreover, also within the retail core locations, upper floors can be used as fitness studios, education centres, (flex)offices or residential units to increase the influx of people and the duration of visits. Defining the contracted retail core of the future also allows for the identification of the optionality

The area of the new retail core (pink) for the city centre of Eindhoven compared with the current total retail area (blue)



Source: Locatus and a.s.r. real estate research & intelligence (2021)

of currently retail-led real estate assets. As can be clearly seen in the examples shown for Amsterdam and Eindhoven, the pink retail 2030 core area is much smaller

than today's blue total retail area. Anticipating the city centre's evolution will provide guidance in assessing the best use of real estate assets going forward.



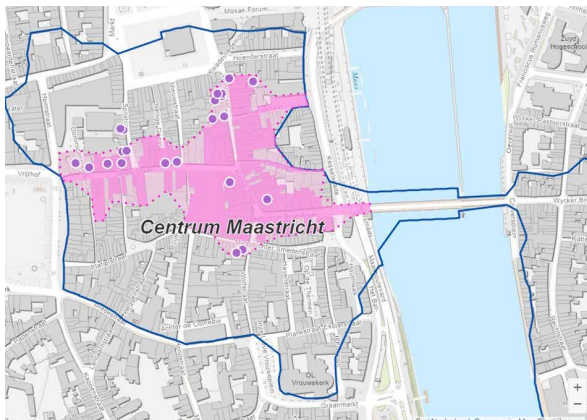
Demer, Eindhoven

3 Focus on future-proof city centres

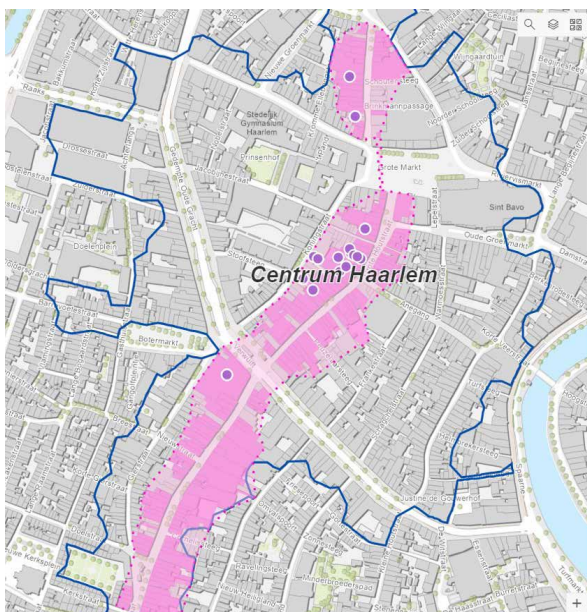
All current ASR Dutch Prime Retail Fund ('ASR DPRF') portfolio high street assets have been benchmarked against the Retail Core 2030 outlook. The figures below for the cities of Maastricht, Haarlem and Rotterdam serve as an example and show the pink circles that represent the current assets of ASR DPRF that fall within the Retail Core 2030.

The portfolio analysis shows over 90% of ASR DPRF's current high street assets will be located in the retail core of the G16 cities by 2030. This means we believe the majority of the ASR DPRF portfolio's high street assets are well-positioned to continue to be relevant and contribute to the vibrant urban centres of the future.

Maastricht city centre

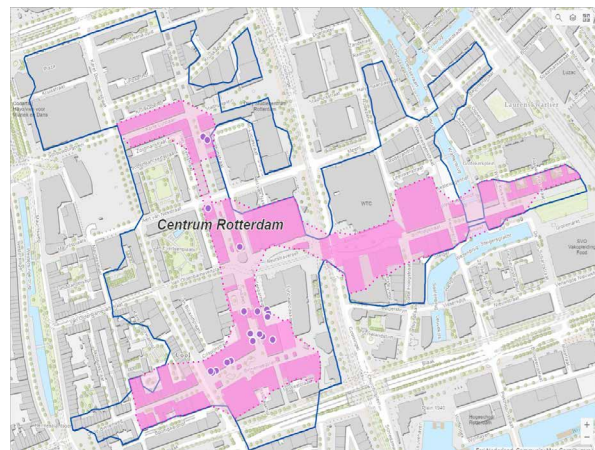


Haarlem city centre



Over 90% of ASR DPRF's current high street assets are located in the retail core of the G16 cities in 2030

Rotterdam city centre



Source: Locatus and a.s.r. real estate research & intelligence (2021)

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