

Positive Outlook for Physical Retail as Retailers Across EMEA Plan to Expand Their Store Portfolios

3 years ago



Following a challenging two years for the retail sector, confidence is returning with retailers across Europe identifying store expansion as a key priority, according to the latest EMEA Retail Occupier survey from global real estate advisor, CBRE.

CBRE surveyed more than 50 retailers across a broad range of sectors that between them, account for over 70,000 stores worldwide, to gain insights on their real estate plans, the role of online retail and the considerations of factors such as the supply chain and ESG.

According to the research, 57% of respondents plan to grow their store portfolio in 2022, demonstrating the importance of a physical store in the overall retail offering. Furthermore, 37% of these respondents want to open in new markets, with the top three locations identified as Germany, France and the UK*.

When asked about their preferred location for expansion, respondents noted regional shopping centres and city centre high streets as their top choices. For clothing and footwear retailers specifically, retail parks are the number one priority, in line with retail park success throughout the pandemic.

The report also highlighted the role a physical store plays in enhancing a retailers' online presence, with 64% saying that the presence of brick-and-mortar stores increases their online sales within the local catchment. Respondents also evaluated whether a variety of metrics were more effective in brick-and-mortar or online, including profitability, cross-selling products, acquiring new customers, consumer engagement and the introduction of new product lines. Retailers rated brick-and-mortar retail as more

effective than online across all of the metrics, demonstrating the value of physical retail in creating brand loyalty.

When considering wider real estate decisions such as the supply chain, respondents identified investing in software solutions as their top priority. This was followed by expanding capacity to hold greater inventory levels and nearshoring manufacturing to Europe, a result of ongoing disruption across the global supply chain network.

As well as supply chain solutions, respondents also said that ESG is a key focus, with 38% of retailers agreeing (or strongly agreeing) that moving forward, brands will place a greater emphasis on the ESG credentials of a property when considering expansion. In addition, retailers expressed a preference for brick-and-mortar retail over online when looking to meet ESG targets and agreed that green leases are likely to be included in lease negotiations within the next three years. “

Chris Gardener, Head of EMEA Retail, CBRE, said: “There is no doubt that the advancement of online retail is here to stay, but these survey results paint a more resilient picture for physical retail. Occupiers have expansion plans on the agenda as they see real value in physical retail, something that can’t be replicated through online-only channels.”

Alex Ozga, Senior Research Analyst, EMEA Retail, CBRE, said: “Sustainability has become a key focus for retail occupiers. Many of Europe’s largest retailers have pledged to become net-zero businesses by 2040, with retailers in the fashion space increasingly offering repairs and rentals as part of their service offering as an example. Our survey results suggest that this push for sustainability is beginning to form part of retailers’ physical real estate plans.”

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