Dutch retail real estate: growing momentum for resilient investing

a.s.r. real estate

Key takeaways

1. Retail demand is increasingly focused on primary streets, as polarization and redevelopment make location and asset quality more critical than ever.
2. Dutch retail investments offer a compelling balance of low volatility and solid returns, making it a resilient and attractive asset class – especially in uncertain economic times.
3. Dutch retail rents are rebounding, with prime high streets showing growth potential, making them attractive, resilient assets in a recovering market.

Introduction

Amid geopolitical uncertainty and volatile financial markets, investors are increasingly seeking safe havens. Retail real estate stands out as a compelling option, thanks to its proven resilience during crises and the added stability from growing market rental values – enhancing the appeal of its already strong direct returns. Through this article, we aim to equip institutional investors with actionable insights into effective retail real estate investment strategies – and why they work.

Selection is key

Evolving consumer preferences, ongoing redevelopment of retail assets, multifunctional urban planning, and the rise of expansive omni-channel retailers are reshaping Dutch city centers. While many city centers still face retail oversupply, a growing number of high streets are now experiencing undersupply. This especially accounts for the most popular Dutch city centres amongst both tourists and citizens. Both relocating and expanding retailers are increasingly concentrating on these prime retail cores.
Meanwhile, peripheral retail areas are being repurposed for alternative uses – such as offices, housing, or hospitality – contributing to the overall vibrancy of city centers. This has led to a polarized retail landscape, both at the city and street level.

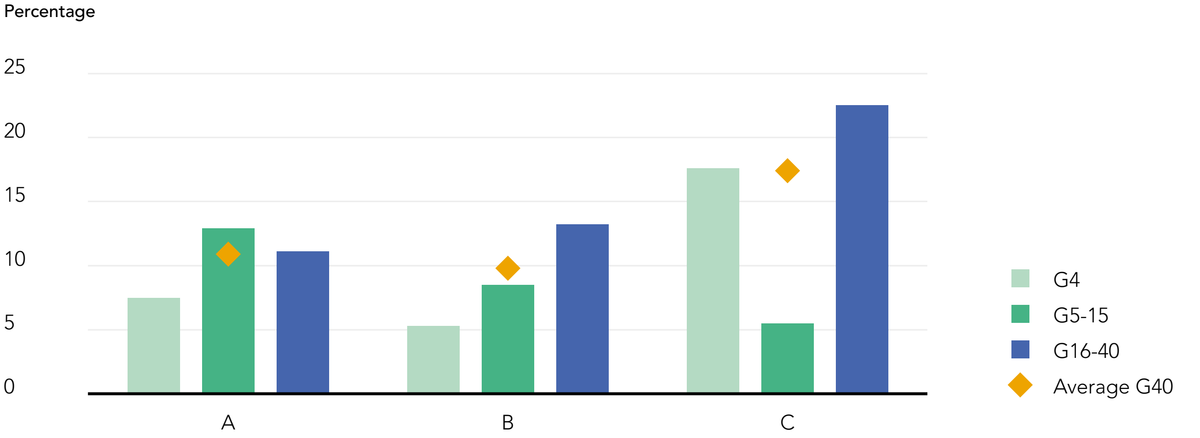
From an investment perspective, this polarization presents challenges. Identifying successful retail cities, high streets and shops requires strong local expertise and deep market insight.

Winning retail assets

Winning retail assets are typically located in the vibrant retail cores of city centers and possess the right asset characteristics. To succeed, city centers must appeal to both consumers and retailers.

For consumers, key factors include a diverse and engaging retail offering, strong accessibility, and complementary amenities such as dining and leisure options. For retailers, success depends on being part of a dynamic retail offering and operating in city centers with a dominant position within a large catchment area.

Figure 1 Dutch city centre vacancy rates by centre size and footfall segment



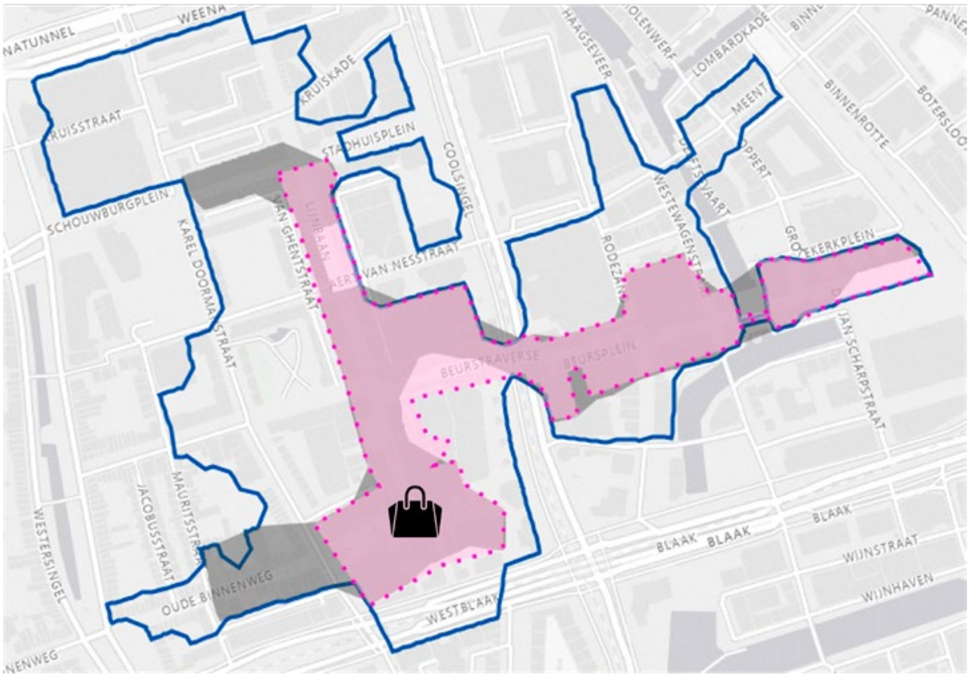
Source: Locatus and a.s.r. real estate, 2025

On average, vacancy rates in the four largest Dutch city centers (G4) and the G5-15 are lower than those in the G16-40. Higher footfall segments – A and B – also show lower average vacancy rates compared to the C segment (see Figure 1). However, a detailed analysis is essential. While A and B segment vacancy rates in the G4 hover around the natural vacancy level, the C segment shows a significantly higher rate. Notably, nearly 90% of this is attributed to a single street in Utrecht – 'Achter Clarenburg' – which has remained vulnerable since the redevelopment of shopping center Hoog Catharijne altered foot traffic patterns. Most C segment G-4 streets have low vacancy rates.

Location suitability and asset quality are key drivers of retail floor turnover, particularly in increasingly polarized high streets. One of the most dynamic examples is Rotterdam's city center. We have updated our geographic model to project how Dutch city center retail areas will consolidate into a new retail core by 2030. In this future core, footfall remained robust throughout the years, which feeds the expectation that at least 75% of all units will retain their pure retail function.

Our model update confirmed a continued shift toward prime retail locations, often at the expense of the traditional retail core boundaries (see Figure 2). For example, Rotterdam's new retail core (highlighted in pink) is smaller and more concentrated than the old retail core (highlighted in grey) and now excludes areas like the Oude Binnenweg (south in the image) and the Korte Lijnbaan (north in the image). The blue lined area delineates the full extent of the shopping area, illustrating the high concentration of the new retail core.

Figure 2 Retail core 2030 - Rotterdam



Source: Locatus and a.s.r. real estate, 2025

At the same time, retailers are showing strong interest in locations like Binnenwegplein – home to brands such as Uniqlo, TK Maxx and Primark (the shopping bag in the image). These redeveloped assets offer the qualities large retailers seek: high footfall, optimal unit size, wide retail frontage, sustainable design, and a modern appearance with strong signage potential.

Much of the current vacancy in Rotterdam's high-footfall segments is undergoing redevelopment. Leasing these upgraded spaces will help reduce vacancy and enhance the overall retail offering.

Smaller city centers, meanwhile, have evolved into convenience- and service-oriented hubs, as large (often international) retailers increasingly concentrate on major city centers. However, even these larger cities have not been immune to shifts in consumer shopping behavior. Retail areas on the fringes have seen declining values in recent years, making redevelopment more viable as alternative uses – such as housing or offices – offer higher returns. This reduction in retail supply further reinforces the appeal and resilience of the remaining retail core.

Retail is resilient

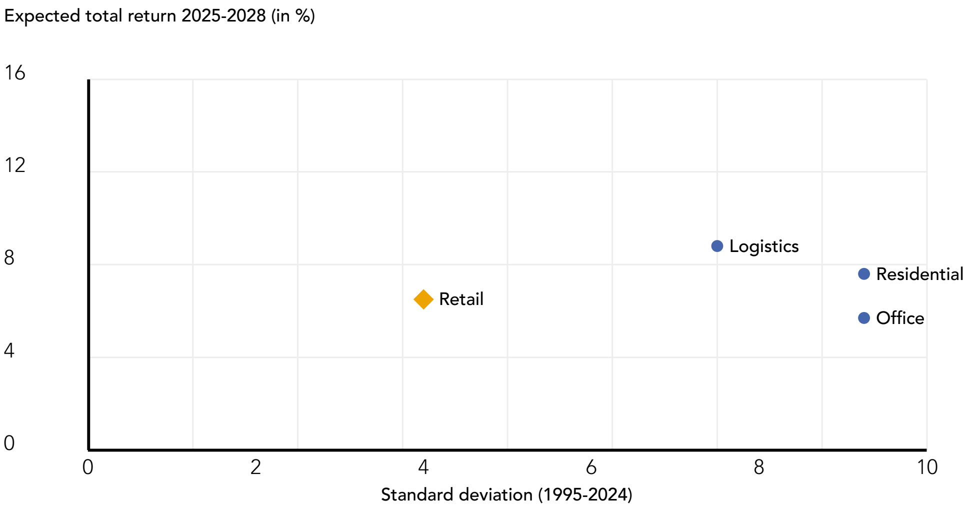
Real estate typically offers returns and volatility levels that fall between those of bonds and equities. It stands out with a relatively high Sharpe ratio – indicating strong risk-adjusted returns – and rental contracts are often indexed to CPI, providing a hedge against inflation. However, real estate generally lacks the liquidity of bonds and equities.

Within the real estate spectrum, retail is notable for its low volatility. This stability stems from the diverse composition of the retail benchmark, which includes high street, convenience, and outlet segments – each driven by different market dynamics. When one segment underperforms, others often compensate, helping to smooth overall performance.

A significant portion of the benchmark is made up of high street and convenience retail. During the COVID-19 pandemic, high street (non-food) retail was hit hard by government-imposed restrictions. In contrast, food and convenience retail saw a surge in turnover, which supported rental income and fueled investor interest in the convenience segment.

Out-of-town retail also adds diversification, as it caters to different categories such as luxury outlets and DIY stores – segments that often correlate with residential market trends. This diversity of drivers helps retail real estate navigate economic disruptions more effectively.

Figure 3 Risk vs. expected total return '25-'28 Dutch real estate sectors



Source: MSCI and a.s.r. real estate, 2025

Markowitz's modern portfolio theory provides a framework for constructing the ideal (theoretical) investment portfolio by balancing expected returns, volatility, correlations and allocation limits. Within this framework, building on long-term past performance records and anticipating on near-future market developments, retail real estate investments offer a compelling profile: they combine historically low volatility with solid expected returns, supported by a recovery in market rental value growth.

As a result, retail's risk-return ratio – measured by the Sharpe ratio – is second only to logistics. However, in times of rising geopolitical tension and economic uncertainty, retail may feel like a safer and more stable choice than logistics. Thoughtfully selected retail assets can enhance both the stability and cash yield of a portfolio. Moreover, as the occupier market enters a new phase, retail cash returns have the potential to grow further. Recent devaluations have elevated retail yields to notably attractive levels.

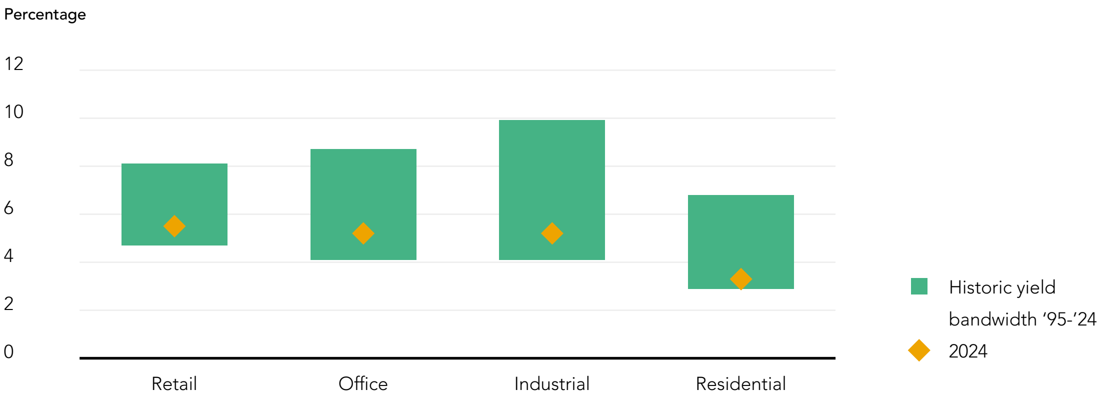
The current average net initial yield for Dutch retail stands at 5.5%, surpassing those of traditional real estate sectors such as office and industrial, both at 5.2%. This implies a 30 basis point risk premium for retail investments. Historically, however, retail yields have trailed behind those of other sectors, underscoring the distinct timing advantage that retail investments can offer.

The historical yield bandwidth illustrates the degree of volatility each sector experiences across economic cycles. As shown in Figure 4 and consistent with Figure 3, industrial real estate exhibits the highest volatility, largely due to its dependence on trade flows, which are particularly susceptible to disruption in today's geopolitically active environment. The office market also shows considerable fluctuation, whereas residential and retail emerge as the least volatile sectors.

Unlike residential, retail does not fully cater to primarily needs, but different retail segments do provide diversification benefits. Notably, convenience retail—which does cater to essential consumer needs—can outperform during economic downturns. For instance, when consumers reduce spending on restaurants or are unable to dine out (as seen during the COVID-19 pandemic), convenience retail tends to remain resilient.

Thoughtful retail investments can enhance the stability and the cash return in a portfolio. Moreover, retail cash returns could grow as the occupier market moves into a new phase.

Figure 4 Dutch net initial yield – Latest year-end value and historic bandwidth



Source: MSCI and a.s.r. real estate, 2025

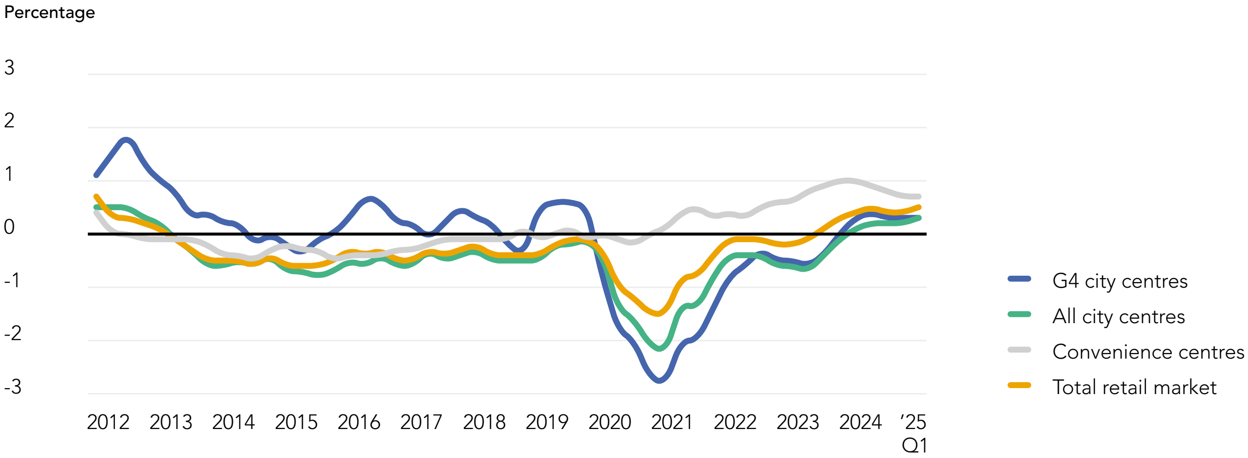
Momentum builds on the retail occupier market

High street rents were significantly impacted before and during the COVID-19 pandemic, but the occupier market has found a new equilibrium. While rental growth[1] in the G4 high streets turned positive multiple times between 2015 and 2019, the overall average annual rental growth for comparison retail became structurally positive for the first time since Q1 2013 in the first half of 2024 (MSCI, 2025) (see Figure 5). Omnichannel retailers are increasingly boosting their brand visibility by (re)opening stores in high street locations. Although bankruptcies remain a feature of the retail landscape – particularly among traditional brands struggling to integrate online and offline channels – reletting activity is progressing well. Vacated units, especially in large city centers, present attractive opportunities for expanding (online) retailers.

When landlords and retailers agree on base rent contracts that include a dynamic turnover-based component, both parties benefit: stability during challenging periods and upside potential in stronger markets. These agreements also create a foundation for operational excellence. International retailers, in particular, are more familiar with and receptive to turnover-based rent models. However, such agreements require retailers to share turnover data, which is not common market practice yet.

1 Rental growth refers specifically to market rental value growth

Figure 5 Annual rental growth Dutch retail segments*



Source: MSCI, 2025

* Four-quarter moving average

During the COVID-19 pandemic, convenience retail experienced rapid rental growth, highlighting the diversification benefits of retail as an asset class. Today, ongoing competition among supermarkets continues to support solid rental growth, although thin supermarket profit margins are normalising convenience rental growth. Additionally, restrictive Dutch spatial planning policies have curbed the expansion of instant delivery services – evidenced by the exit of players like Gorillas from the Dutch market. Online grocery shopping remains relatively limited in the Netherlands, accounting for only about 7% of total supermarket turnover. This modest share is largely captured by established mid- to high-end supermarket chains rather than new market entrants.

Looking ahead, we expect continued positive rental growth in both prime high streets and dominant convenience centers. We do expect normalising rent levels of convenience because of thinning profit margins. The combination of rental growth, low vacancy rates, and relatively high yields are driving momentum in the retail real estate market.

While geopolitical developments could pose risks to the strengthening retail occupier market, Dutch retail has demonstrated remarkable resilience through past crises. This resilience reinforces its appeal as a stable and income-generating investment.

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