

Foreword

edyfi (Edyfi Insight Limited) is a new data & tech company that operates as part of the Greenman Group. Its ties to the Greenman Group give edyfi access to a deep well of industry knowledge and extensive experience in sectors such as grocery retail and real estate. In collaboration with many of the Group's partners and counterparties such as JLL, Colliers, Euromonitor, GfK, as well as leveraging our skills and unique data access, edyfi has provided a forward-looking analysis of the European grocery real estate market, highlighting market dynamics, trends, and opportunities across both the grocery and real estate sectors.

Executive Summary

The report provides an outlook on the European grocery landscape and its real estate market. It gives market participants a forward-looking view of how grocery, grocery real estate, and the markets they operate in, may perform in the future.

The resilience of the grocery sector in recent years as well as its stability has led to a division in the retail asset class with grocery-anchored assets attracting increased investor interest. As the dynamics and performance of this sector increasingly detach from broader retail or retail-warehousing categories, its role in the investment landscape becomes all the more important.

With impressive growth rates and substantial market size, the grocery real estate sector's prominence cannot be overstated. Yet, despite its substantial influence, the sector faces challenges stemming from a lack of data transparency, a concern exacerbated by the reluctance of tenants to share critical data. As we delve into this report, we aim to shed light on these areas, providing insights, statistics, and data-driven analysis that will empower market participants to navigate both the grocery market and the grocery real estate landscape with confidence and clarity.

This report analyses data collected from industry experts, the Greenman Group's proprietary data, as well as data from Euromonitor, GfK, the ECB, OECD, and others focusing in depth on three grocery retail formats: hypermarkets, supermarkets, and discounters across eleven European countries (the "**Selected Market**"). In addition, this report seeks to illuminate the climate readiness of the asset class and highlight future headwinds that stakeholders might face along their road to net zero emissions and the drivers that will push them toward their financial and sustainable goals.



Definitions

Capitalised Term	Definition
Occupancy Cost Ratio (OCR)	<p>One of the most relevant KPIs in the retail industry. From a tenant's perspective OCRs capture the true costs of the rental agreement between a retailer and a landlord. The higher the OCR ratio, the more expensive it is for a tenant to rent on a sqm basis based on their turnover. The lower the OCR, the less expensive it is based on their turnover.</p> <p>OCR forecasts take several factors into account including, the rental development, market factors such as inflation and governmental regulations, county differences and retailer categories.</p> <p>Sustainable OCRs for grocery markets vary from country to country and also depend on the total scale and dominance of the individual scheme. 5% is considered to be quite high, whereas 2% is considered low. The lower the OCR the higher the rental growth potential for that asset.</p>
The Carbon Footprint Factor (CFF)	<p>The carbon emissions per sqm associated with the rental agreement between retailer and landlord. The higher the CFF, the more carbon intense a property is and the more cost is associated with aligning the property with the EU Taxonomy. These costs will be carried by retailers, landlords, governments and consumers alike.</p> <p>The food system alone accounts for more than 30% of global GHG emissions, of which 7% is from the world's top 40 grocery retailers. Experience shows that energy consumption in stores can be reduced by 30–50 percent by modernising lighting, refrigeration, heating, ventilation, air conditioning, and cooling alone. These Scope 1 & 2 emissions for a retailer can be more easily mitigated by teamwork between the property manager as well as the retailer.^{1,2}</p>

Contents

Foreword	1
Executive Summary	2
Definitions	4
Selected Market Overview	6
Population of Selected Market	6
Grocery Market	7
Real Estate Market	9
Carbon Footprint	9
Store Format Profiles	11
Hypermarkets	11
Supermarkets	15
Discounters	15
Country Profiles	18
Germany	18
France	20
Italy	22
Spain	24
Poland	26
Romania	28
The Netherlands	30
Belgium	32
Sweden	34
Czech Republic	36
Ireland	38
Key Recommendations	41
For Investors	41
For Retailers	41
For Policy Makers	41
For Property Managers	41
Conclusion	42
Grocery-Anchored Real Estate Outlook	42
Sources	43



Selected Markets

01



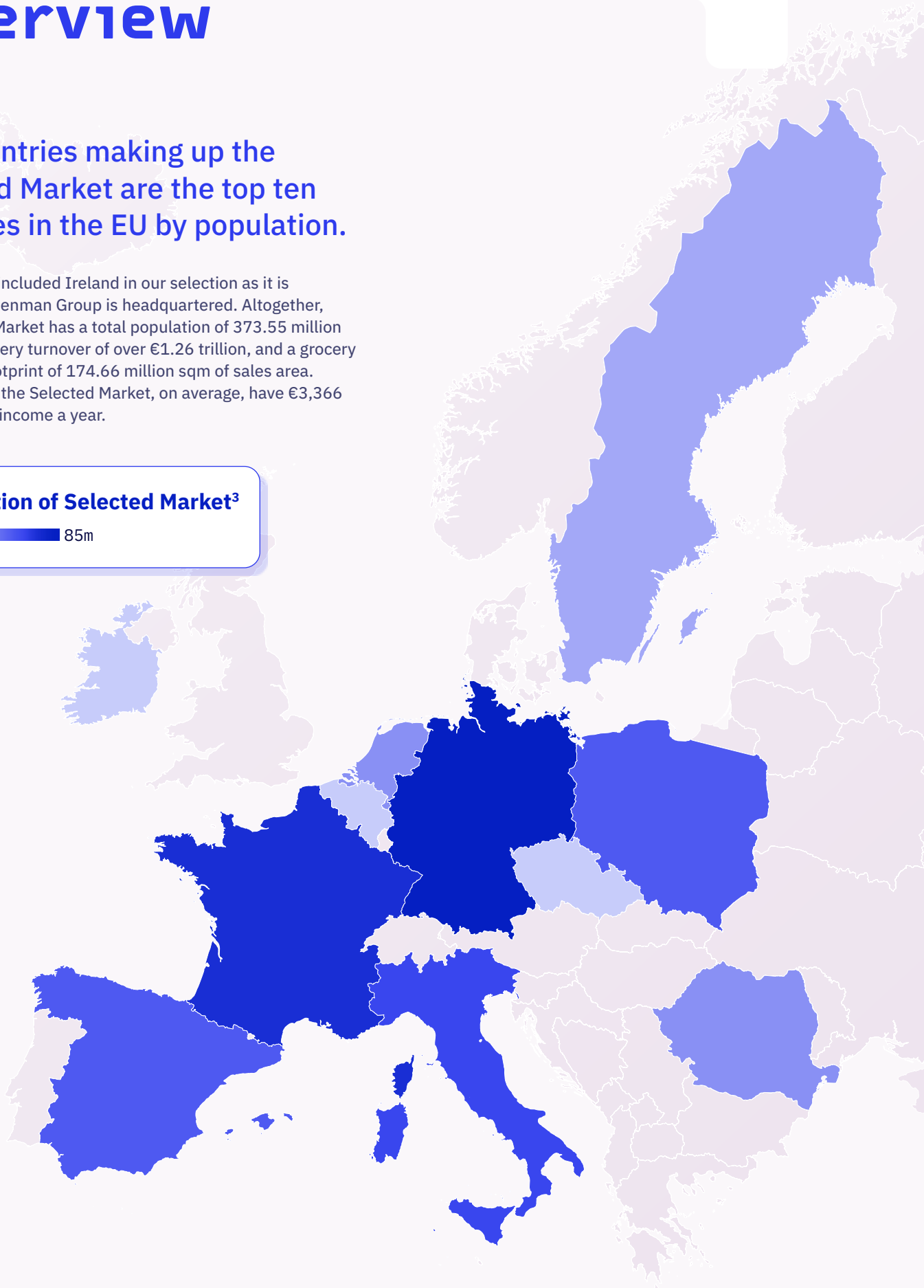
Selected Market Overview

The countries making up the Selected Market are the top ten countries in the EU by population.

We have also included Ireland in our selection as it is where the Greenman Group is headquartered. Altogether, the Selected Market has a total population of 373.55 million people, a grocery turnover of over €1.26 trillion, and a grocery real estate footprint of 174.66 million sqm of sales area. Consumers in the Selected Market, on average, have €3,366 of disposable income a year.

Population of Selected Market³

5m  85m

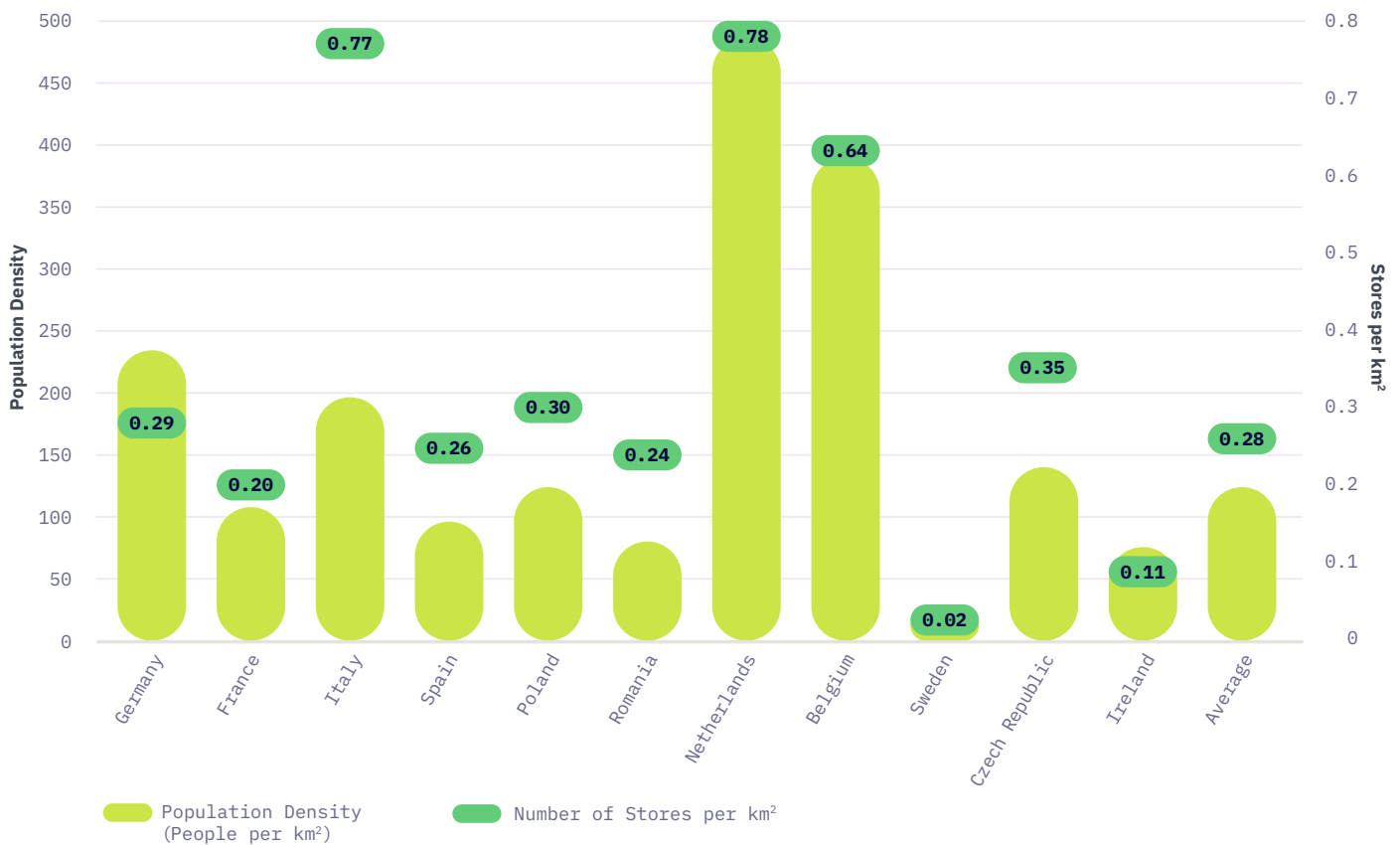


Grocery Market

Germany, France, and Italy have the highest grocery sales amongst our Selected Market, which is linked closely with their large populations.

France and Germany have high total sales but a lower number of stores per km², indicating high consumer demand at stores which are more spread out. Compared to **Italy**, which experiences a large number of stores per km² but low population density. Most likely explained by tourism's increased demand during key times of the year, and more stores than otherwise necessary to cover this demand.

Density in the Grocery Real Estate Space^{4,5}

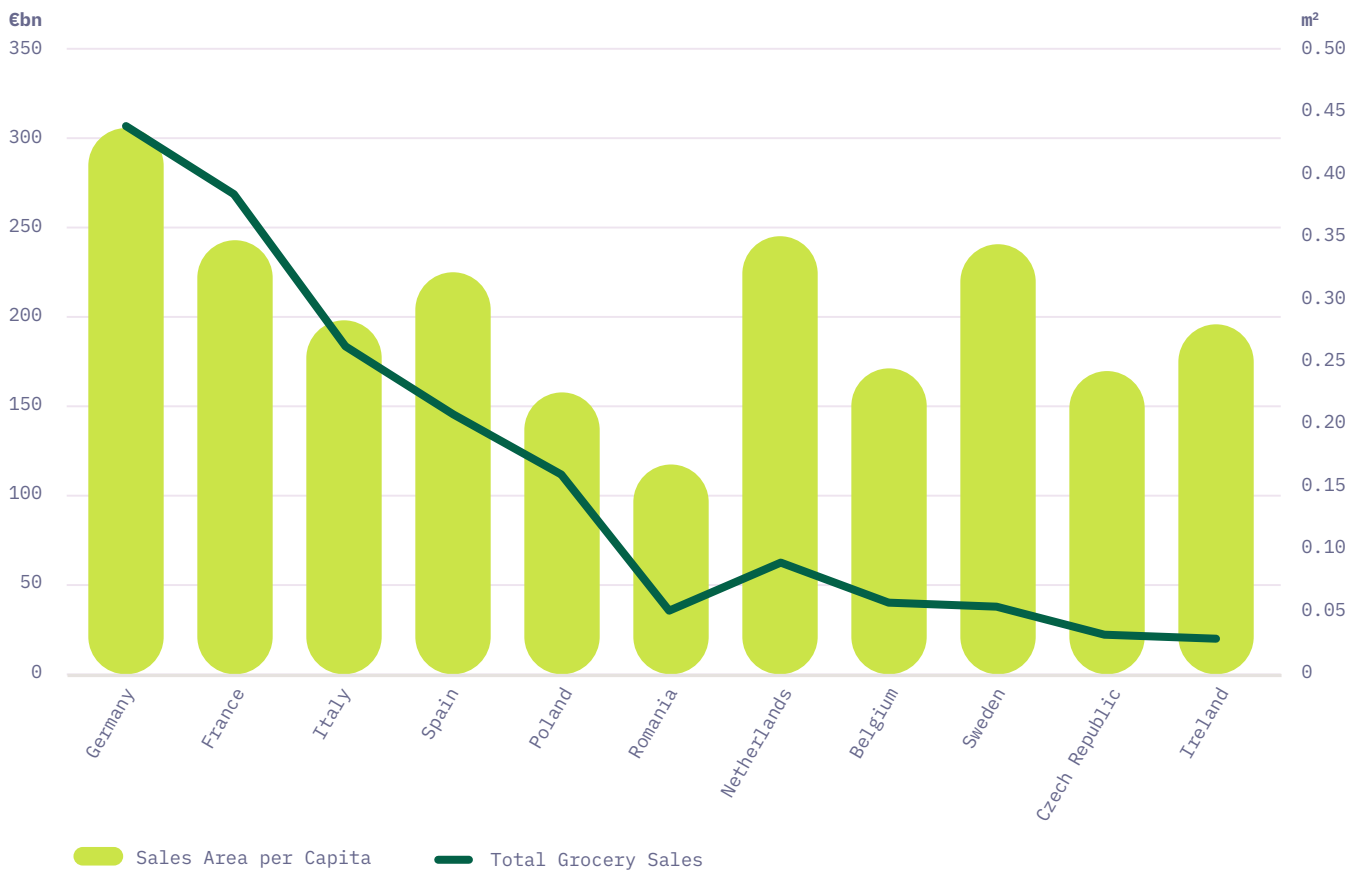


Geographically small countries, like the **Netherlands and Belgium**, experience high sales area per capita and higher population densities. Indicating an extremely dense retail environment, making consumer competition fierce.

Ireland has a very low population density, which is matched by its lower number of stores per km². Making the retail environment sparse and grocery sales low.

Poland and Romania show lower total grocery sales, suggesting less developed retail markets and lower consumer spending capacity. However, as both countries develop, Poland and Romania could become key emerging markets.

Density in the Grocery Real Estate Space^{3,4}



Real Estate Market

Supermarkets are the dominant retailers, capturing the largest sales area in seven out of eleven countries. This reflects a preference for convenience and a wider product selection in key locations.

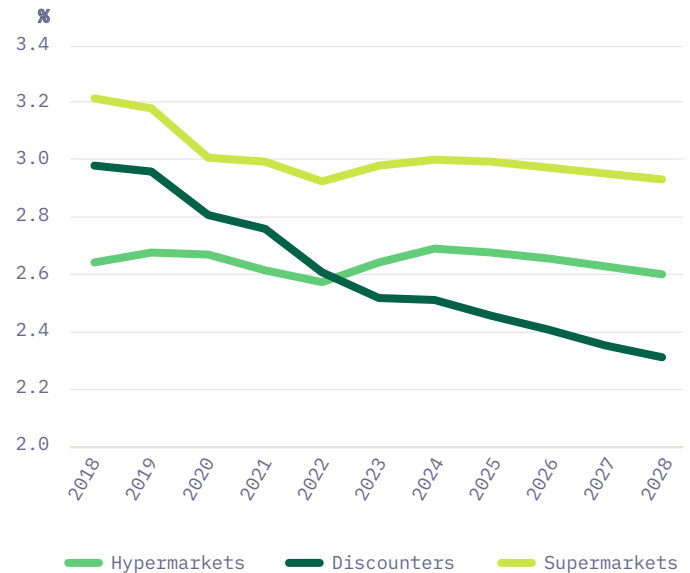
Occupancy Cost Ratios (OCRs) reflect this sentiment, with supermarkets experiencing higher operating costs but more sales overall in the Selected Market.

Carbon Footprint

In addition to having a large grocery real estate footprint the Selected Market leaves behind a hefty carbon footprint. All countries in the Selected Market rank in the top 11 carbon emitters in Europe, aside from Ireland and Sweden who rank 23 and 24 respectively. In total, the Selected Market is responsible for 6.2% of global emissions¹.

The key store formats in the Selected Market emit a total of 12.4 million tCO₂ with Germany ranking the highest at 5.8 million tCO₂⁶. Despite the heavy footprints, the Carbon Footprint Factor (CFF) is expected to decline steadily over the coming years. This is due in part to the clean energy transition and renewables taking on a larger portion of the energy-mix.

Occupancy Cost Ratio (OCR) by Store Format⁶



Development of Carbon Footprint Factor (CFF) by Store Format⁶

