

Press Information, 03 August 2021

## Berlin Hyp Trendbarometer survey with a focus on retail: Brick-and-mortar retail is on the decline – mixed use trend is on the rise

The latest Berlin Hyp Trendbarometer expert survey focused on the topic of retail. More than 200 real estate experts from Germany and abroad gave their assessment of the trends in the German real estate sector. For comparison, the general public was asked for its opinion via the survey tool Civey.

- Online marketplaces (eg.: Amazon, ebay, Etsy, reBuy) are impacting the non-food market
- Premium product presentation and traditional open-air markets are changing the food retail sector
- Additional services are gaining importance
- Many brick-and-mortar retailers will close or downsize
- Mixed use trend is on the rise
- The German real estate market remains attractive

### **Online marketplaces are impacting the non-food market**

E-commerce has now been around for a quarter of a century. It has undergone a major development over the past 25 years, with many improvements and innovations. Mail order is popular and very successful. The number of e-commerce users in Germany is increasing steadily, and so is turnover. The lockdown period and increased restrictions on shopping have contributed to the rise in this trend. It is therefore no surprise that 60% of respondents believe that people will mainly shop at online marketplaces (35%) and in online shops (25%) in future. 30% of experts believe that people will shop in brick-and-mortar shops and 10% think that Click & Collect is the preferred shopping model.

The 2,500 people interviewed via the Civey survey tool have a somewhat different opinion:

Where will you mainly purchase non-food products in future?  
In per cent, multiple answers possible



Source: Civey for Berlin Hyp, sample size 2,500, survey period: 28-29 June 2021

Of those surveyed, 50.8% mainly want to use the retailers' online services, including online marketplaces. What is surprising is that 65.5% of respondents want to purchase their goods mainly at brick-and-mortar shops. This development remains to be seen and would certainly bring a much-needed boost to traditional retail.

But if e-commerce does take over, it will have a major impact on city centres. Shops will be either empty or put to another use.

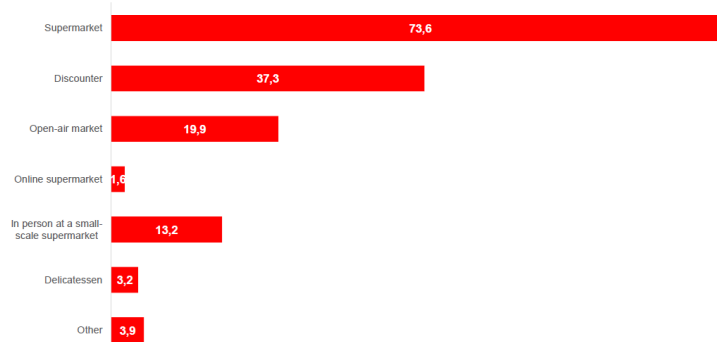
### Changes in the food retail sector

It appears that the food retail sector is heading for major changes. 26% of respondents believe that product presentation must become more premium, regardless of whether supermarket or discounter, and that traditional open-air markets are becoming more popular again. 22% believe that online supermarkets are becoming more popular. Only 10% of the experts surveyed see a trend toward more small-scale supermarkets, while 8% of them see a trend toward more large-scale supermarkets.

The opinion of the 2,500 people surveyed via the Civey survey tool about their preferred food retailer could support the view of the Trendbarometer experts. The vast majority of respondents want to buy their food in supermarkets and discounters in future; a higher quality presentation of the products would therefore still support this trend.

However, unlike the Trendbarometer survey, only 1.6% of those surveyed want to purchase food via online supermarkets.

## Where will you mainly purchase food products in future? In per cent, multiple answers possible



Source: Civey for Berlin Hyp, sample size 2.500, survey period: 28-29 June 2021

### Additional services are gaining importance

The vast majority of respondents – 77% – believe that additional and other services are gaining importance in brick-and-mortar retail. 13% of respondents agree somewhat with this statement and 3% strongly disagree, while 4% are undecided and 3% have not yet considered it. Brick-and-mortar retailers will therefore need to offer added value on top of the traditional product presentation in order to maintain their position and remain competitive against e-commerce. There is a wide range of options: Click & Collect, repairs, personal shopping, bicycle test tracks and computer analyses of athletic shoes are just a few examples. Virtually any imaginable service can be offered. The only thing that really seems to matter is that shopping in retail spaces should be transformed into an experience.

### Trend toward downsizing and closing

At least 60% of respondents believe that brick-and-mortar shops will downsize (16% strongly agree, 44% agree somewhat). 24% agree somewhat with this hypothesis and 8% strongly disagree. However, taking into account the growth of e-commerce and high shop rents, it appears very likely that shops will downsize: Wherever less turnover is achieved, retail space becomes less affordable and less necessary.

"As far as this is concerned, we should not generalise. We need to consider many different aspects and keep an eye on long-term developments", says Sascha Klaus, Chair of the Board of Management of Berlin Hyp AG. "Inner-city shopping streets and shopping centres have borne the brunt of the effects of the pandemic. It is more obvious now that the model is under a great deal of pressure. However, it is not over yet for these concepts. People will still have a need for the traditional shopping experience, which lets them see, touch and 'take home' their purchases right away."

68% of those surveyed consider it likely that brick-and-mortar shops will not only downsize, but will also close. 24 % agree somewhat and 5% strongly disagree. A wave of brick-and-mortar shop closures would have many implications: It would leave city centres deserted and make it more difficult to address individual needs and impossible to try on, touch and look at items in the light. Everything would have to be ordered and returned if unsuitable. This would also have an impact on the

environment: Waste paper bins would overflow with empty packaging, some returned goods would be destroyed for cost efficiency reasons and transport companies would have to expand their fleets.

### **Mixed use trend is on the rise**

But the trend toward mixed use also extends to retail. This is the opinion of at least 71% of respondents, whereas 20% of experts agree somewhat and 4% disagree.

Mixed-use properties have long been standard. This type of property combines various functions and lifestyle aspects within a small space. The mixed use of properties is in line with modern urban development. The use of office space will change as digitisation increases and people make the switch to mobile working. There are many constraints when it comes to housing construction in Germany, and retail is being confronted by an ever-expanding e-commerce sector, boosted by the pandemic and the months-long closure of many stores. Single use properties may therefore prove to be economically inefficient. On the other hand, mixed-use properties are used for various purposes at all times of the day, which spreads out the risk. Although the individual elements are still subject to the market cycles of their respective use type, there is less of an impact on the entire property. As a result, such spaces always remain attractive, can be rented out more quickly and counteract cash flow disruptions by significantly decreasing vacancy rates.

### **The German real estate market remains attractive**

The interest rate will impact the real estate market in the coming real estate year (23%), followed by Germany as a 'safe haven' at 19% and political framework conditions (17%). The COVID-19 pandemic follows at 16%, purchase price development at 10% and EU taxonomy at 6%. Climate risks (5%), economic crisis (3%) and other exogenous shocks (1%) are the factors least mentioned by respondents.

This result shows how little the real estate market is affected by the COVID-19 crisis. The support measures of the Federal Republic of Germany have been effective and the real estate market has demonstrated resilience and future viability. Given the high transaction volumes, the German real estate market is still the anchor of stability for the German economy. In previous surveys, the COVID-19 pandemic was still the indisputable determining factor.

### **About the Berlin Hyp Trendbarometer survey:**

Berlin Hyp has been publishing the “**Trendbarometer**” expert survey for eight years in a row to date. As part of this survey, real estate experts from Germany and abroad comment on their expectations of the real estate business in the coming year. It provides an assessment of the German real estate market in the current real estate year and a perspective for further development. More than 200 real estate experts participated in the current survey.

In order to provide a comparative perspective on statements regarding non-food and food shopping behaviour, 2,500 people were questioned via the Civey survey tool in June 2021.

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Berlin Hyp specialises in large-volume real estate finance for professional investors and housing societies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp is not only at the forefront as the issuer of the first Green Pfandbrief; the bank also supports the financing of sustainable real estate. Berlin Hyp's clear focus, 150 years of experience and the ability to actively shape the digital transformation in the real estate sector with an eye to the future characterise the Bank as a leading German real estate and Pfandbrief bank.