

2025

# Appetite for Insights

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# 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
<b>Occupancy Cost Ratio (OCR)</b>	<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>
<b>The Carbon Footprint Factor (CFF)</b>	<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 &amp; 2 emissions for a retailer can be more easily mitigated by teamwork between the property manager as well as the retailer.<sup>1,2</sup></p>

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# Selected Markets

01



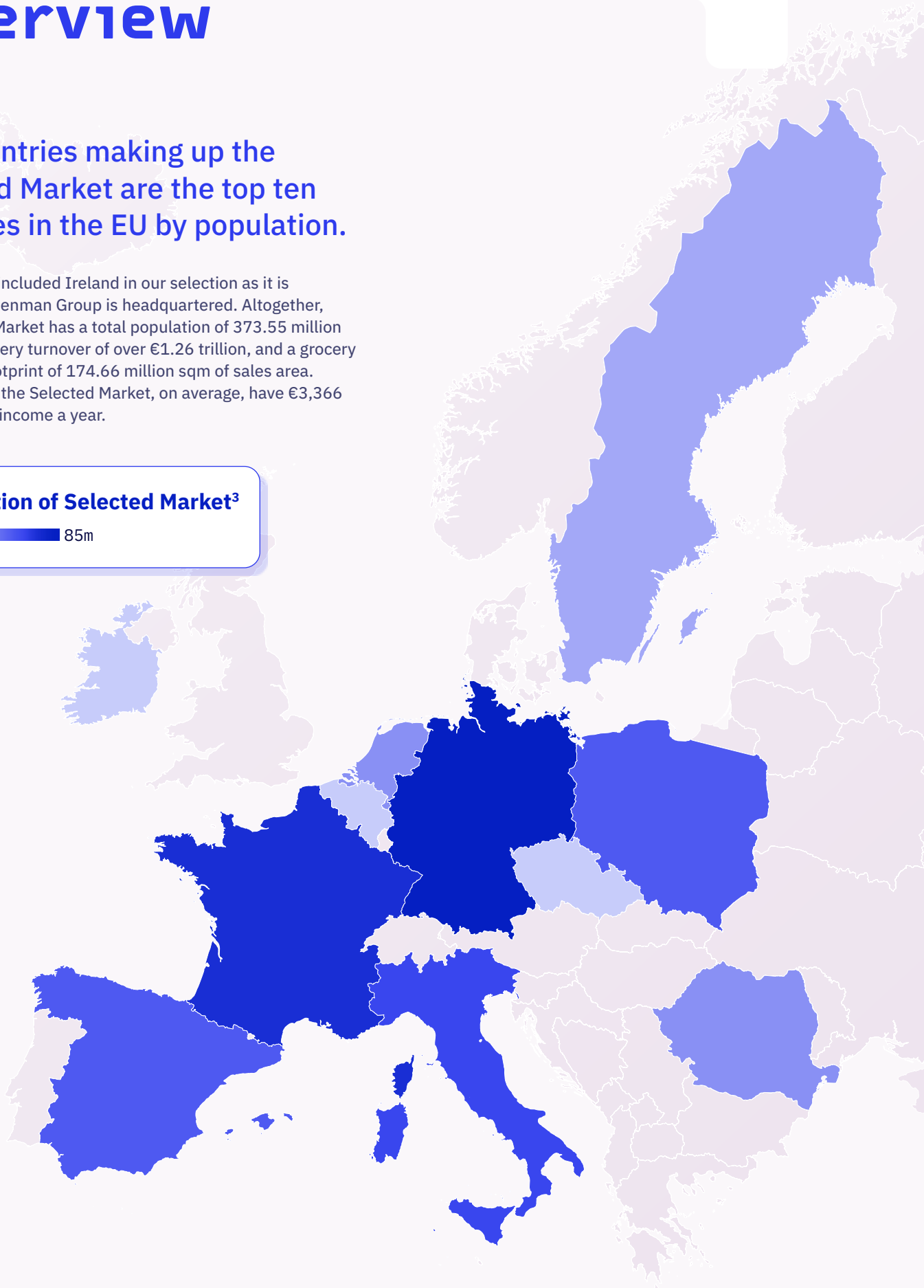
# Selected Market Overview

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 Market<sup>3</sup>

5m  85m



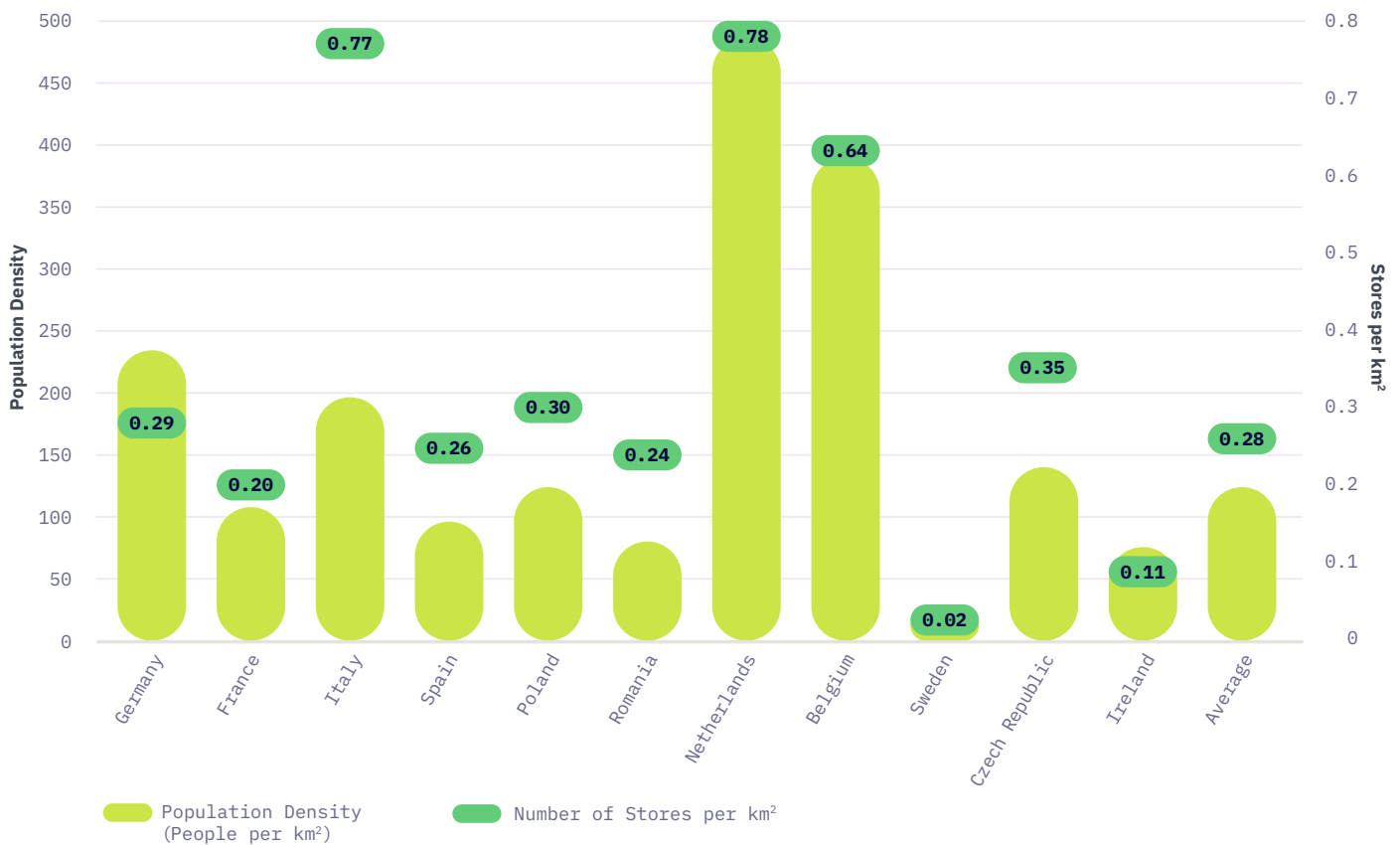


## Grocery Market

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 km<sup>2</sup>, indicating high consumer demand at stores which are more spread out. Compared to **Italy**, which experiences a large number of stores per km<sup>2</sup> 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<sup>4,5</sup>



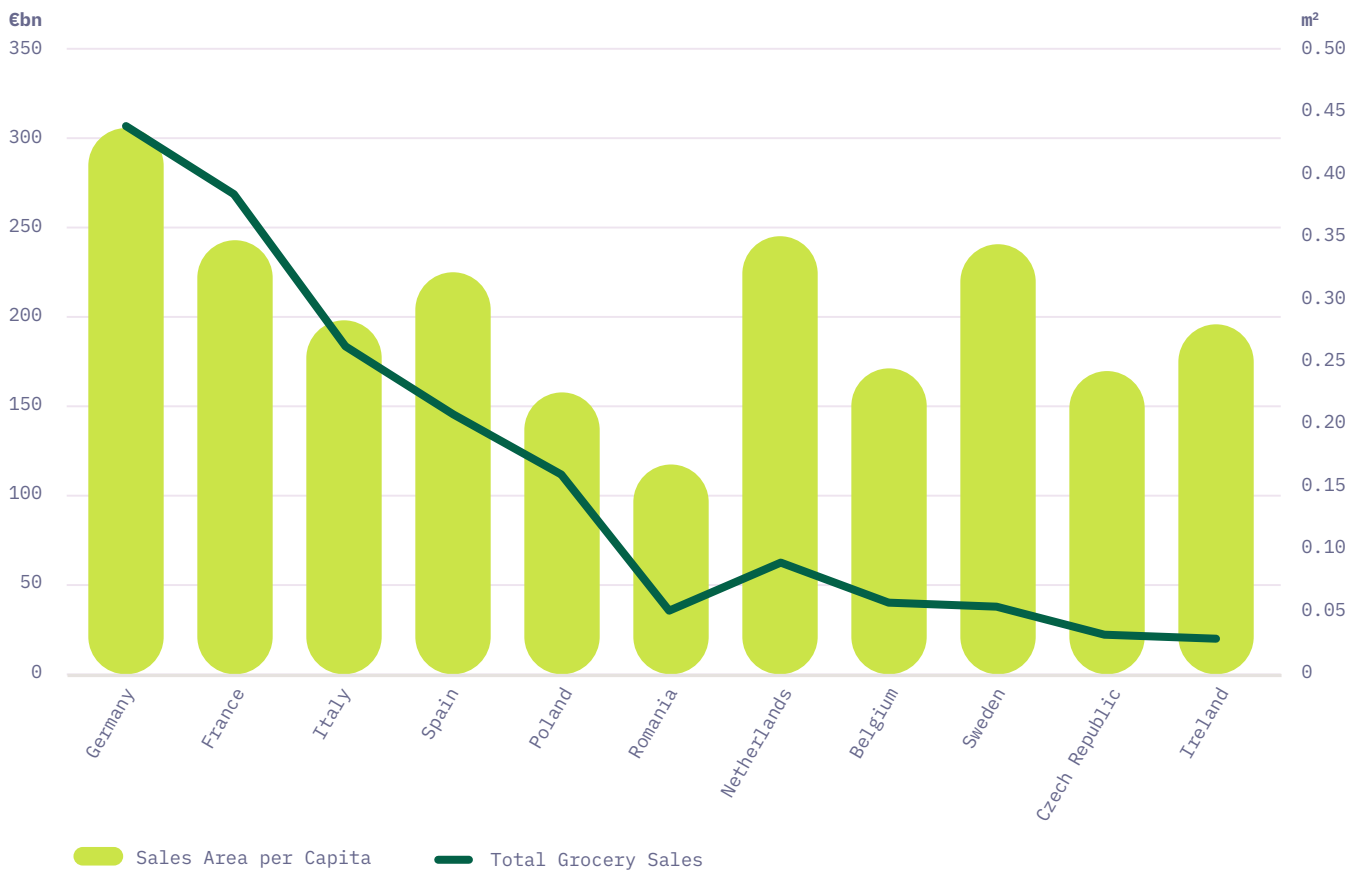


Geographically small countries, like the **Netherlands and Belgium**, experience high sales area per capita and higher population densities. Indicating an extremely dense retail environment, making consumer competition fierce.

**Ireland** has a very low population density, which is matched by its lower number of stores per km<sup>2</sup>. 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<sup>3,4</sup>



## 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.

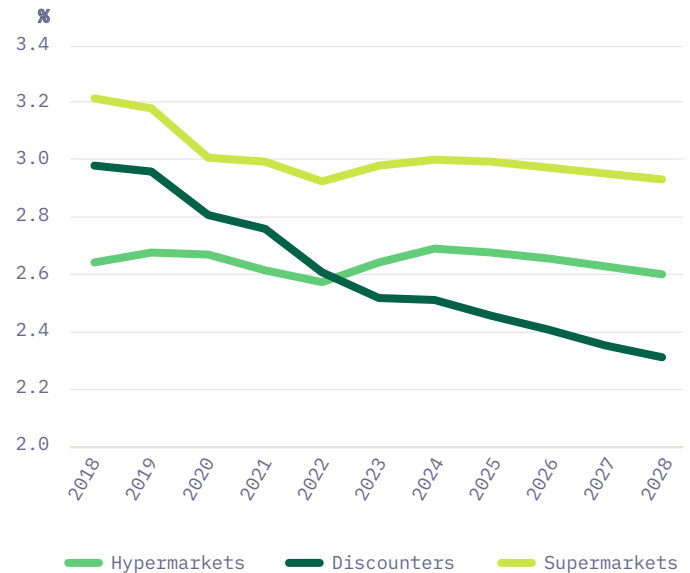
Occupancy Cost Ratios (OCRs) reflect this sentiment, with supermarkets experiencing higher operating costs but more sales overall in the Selected Market.

## 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 emissions<sup>1</sup>.

The key store formats in the Selected Market emit a total of 12.4 million tCO<sub>2</sub> with Germany ranking the highest at 5.8 million tCO<sub>2</sub><sup>6</sup>. 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 Format<sup>6</sup>



### Development of Carbon Footprint Factor (CFF) by Store Format<sup>6</sup>





# Store Profiles

02



# Store Format Profiles

## Hypermarkets

### Characteristics and Market Position:

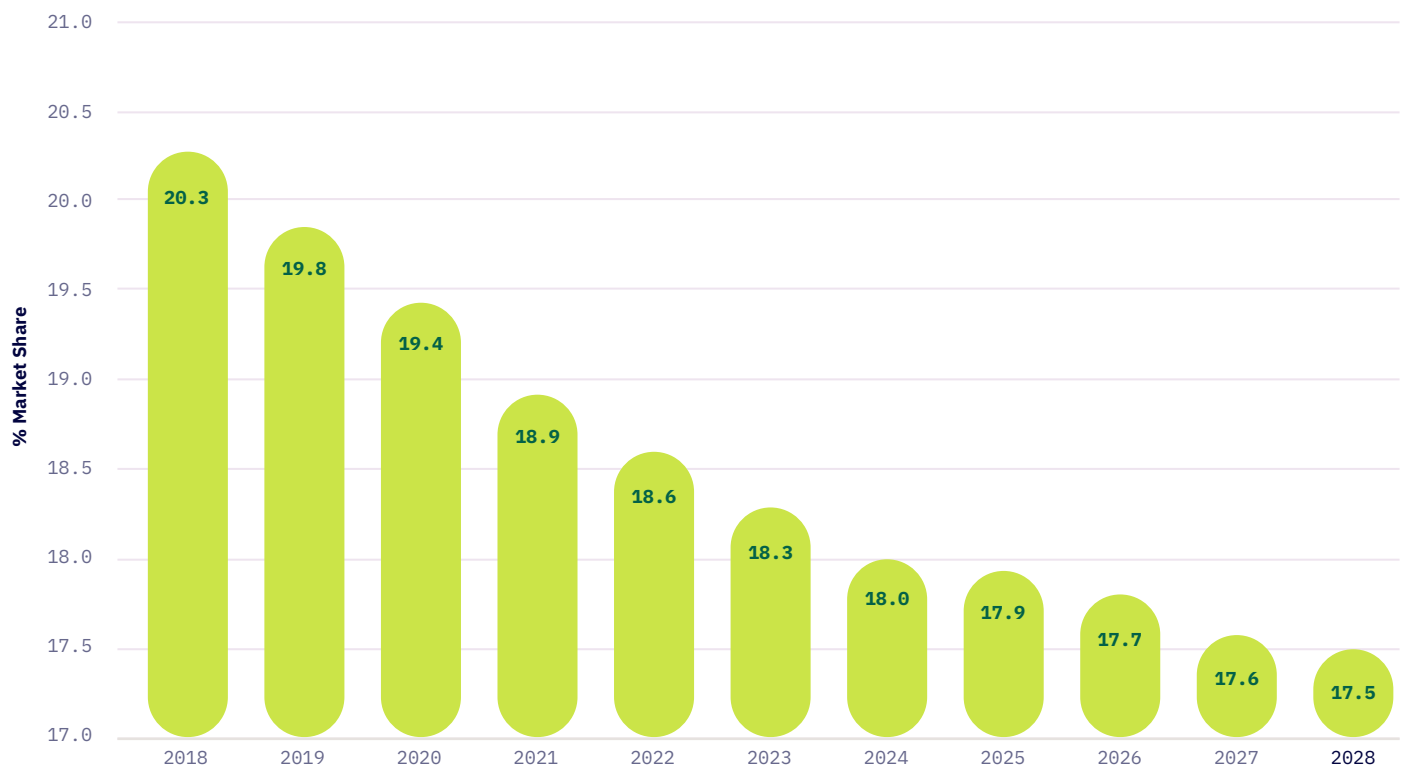
**1. Large retail spaces** (5,000–15,000 sqm).<sup>6</sup>

**2. Consolidation in mature markets** (e.g. Poland).

**3. Larger chains shutting down in Germany.**<sup>7</sup>

**4. Declining performance in some countries due to consumer preference for convenience.**  
Relevant in others due to need for a “one stop shop”, especially in countries with low population densities (i.e. Sweden).

### Decreasing importance of Hypermarkets in Europe<sup>4</sup>

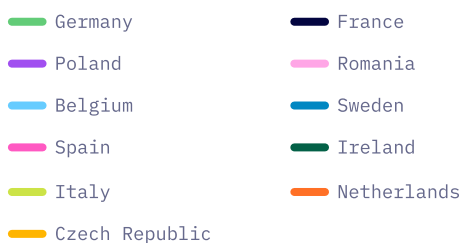


## Hypermarkets face diverse challenges, with some markets showing stability while others indicate potential declines or saturation.

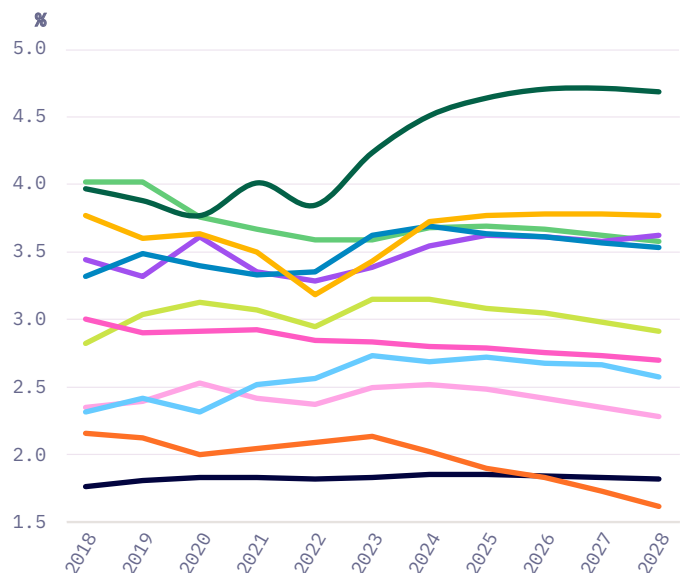
Due to their larger store format, hypermarkets appear to be negatively impacted by shifts in consumer preferences toward more convenient or online shopping options.

Coupled with operational inefficiencies and increasing OCRs, hypermarkets retain relevance only in Select Markets such as Poland, the Netherlands, and Spain but are becoming pricier to operate in the long term.

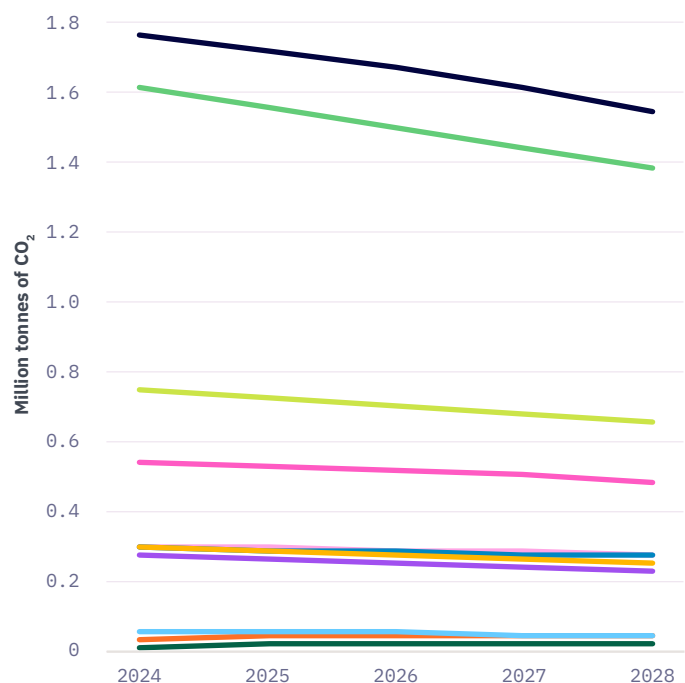
The carbon footprint for hypermarkets is the highest, at nearly 0.2 tons of carbon per sqm per year<sup>6</sup>, ranking them as the most climate-costly format and potentially the most difficult to align with the EU taxonomy. Due to the high number of hypermarkets in Germany and France, there is also a larger carbon footprint, however, it is declining rapidly as more efficient store formats gain ground and clean energy alternatives become more readily available.



### Hypermarket Occupancy Cost Ratios (OCRs)<sup>6</sup>



### Hypermarket - Carbon Footprint<sup>6</sup>





## Supermarkets

### Characteristics and Market Position:

**1. Mid-sized stores positioned for convenience and variety** (1,000–2,500 sqm).<sup>6</sup>

**3. Importance of Supermarkets, seeing large growth in recent years.**

**2. Higher but stable OCR costs are higher than discounters**, most likely due to merchandising needs, focus on quality rather than quantity and premium location selection which increases their rent and this OCR.

**4. Carbon Costs remain competitive with discounters**, due in part to investment in PropTech and pushes from investors for more sustainable.

### Importance of Supermarkets<sup>4</sup>



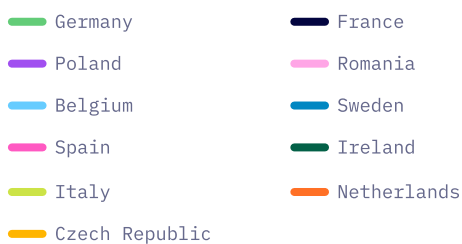
## Supermarkets show stable growth and efficiency, maintaining their market share across all markets, despite higher OCRs.

This can be correlated with strategic premium location selection, which allows supermarkets to cater to a broad demographic by balancing variety and price, making them a consistently preferred format.

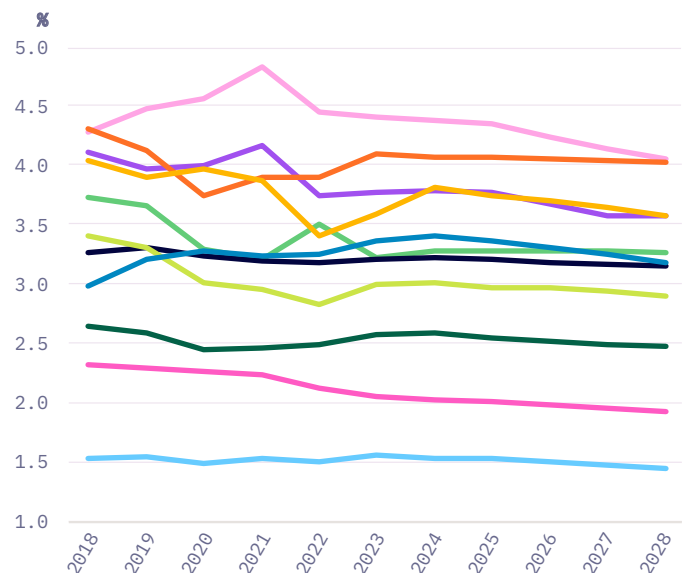
Additionally, the introduction of new technologies throughout the supply chain paints a positive future for supermarket OCRs and their carbon footprint, which shows an overall decrease. We credit this to retailers such as EDEKA and REWE in Germany and Carrefour in France, who are all pushing to integrate various technologies into their daily operations. These measures allow supermarkets to maintain their market share through operational efficiencies and digital integration, thus reducing their OCR over time.

8,9,10,11

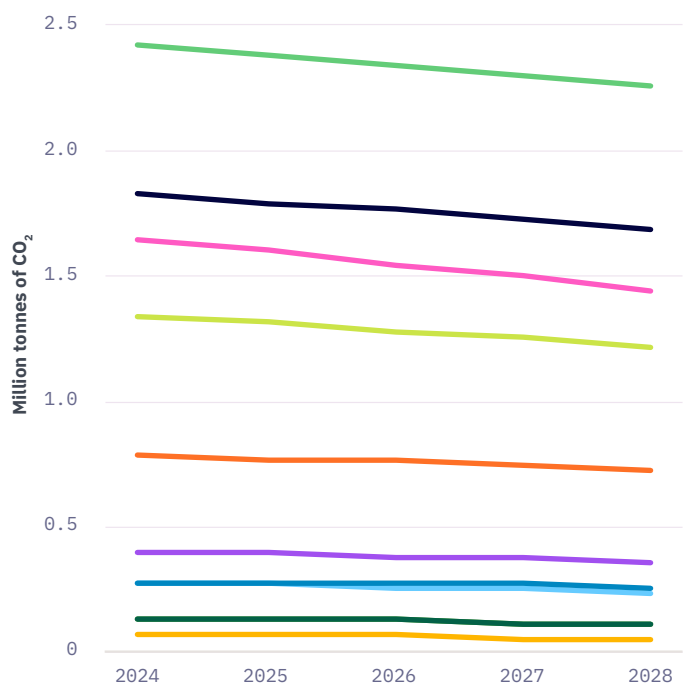
Additionally, these technological advancements lead to operational efficiencies, further decreasing the carbon footprint over time, showing that you don't need to sacrifice your bottom line to save the planet.



### Supermarket Occupancy Cost Ratios (OCRs)



### Supermarket - Carbon Footprint





## Discounters

### Characteristics and Market Position:

**1. Smaller format stores with limited, essential product ranges** (500–2,500 sqm)<sup>6</sup>.

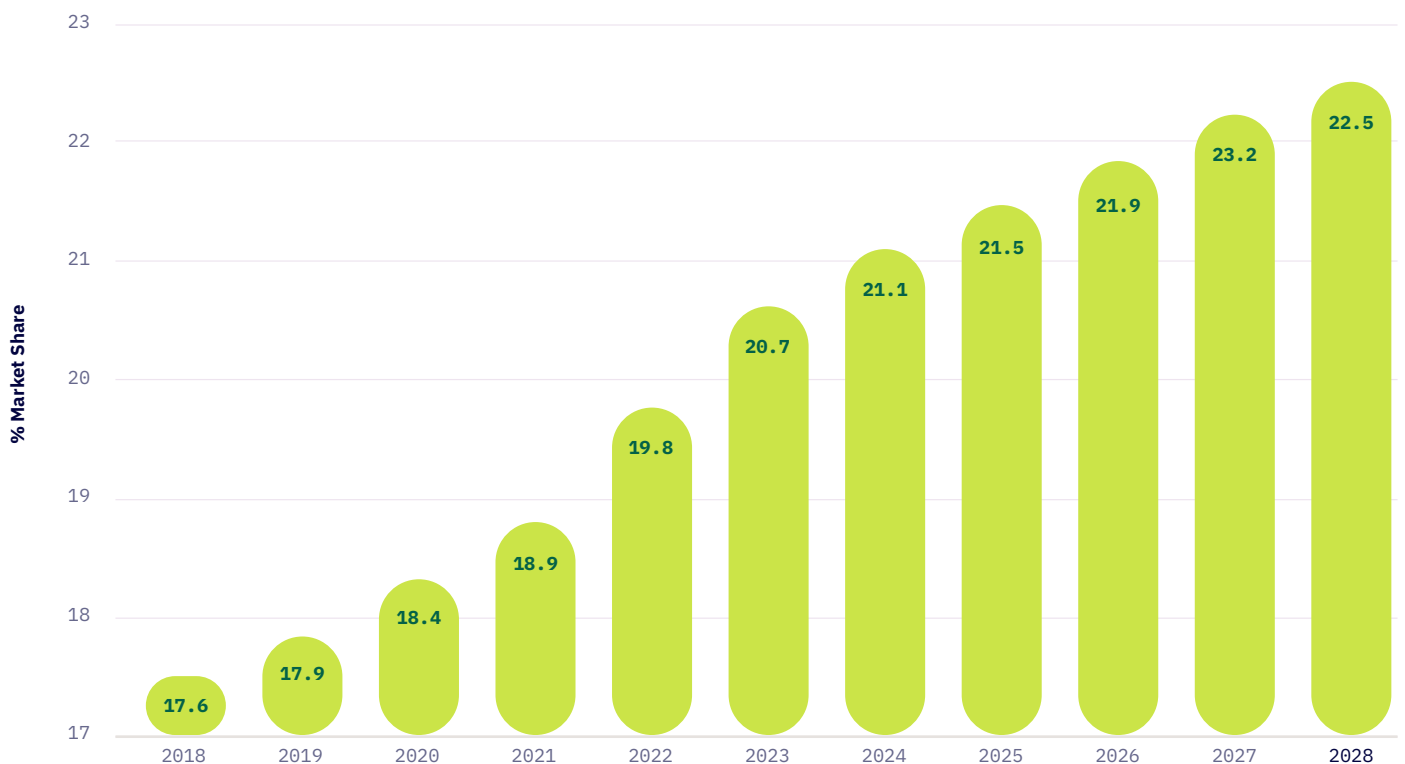
**2. Market saturation concerns in mature markets like Germany.**

**3. Rapid expansion in Central and Eastern Europe** (e.g., Lidl in Romania).

**4. Decreasing OCRs, indicating increased cost-efficiency.**

**5. Importance of Discounters** – discounters maintain steady growth, most likely due to rising consumer concerns about inflation.

### Importance of Discounters<sup>4</sup>

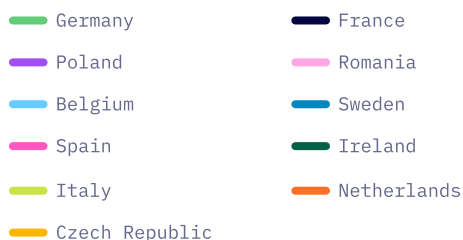


## Discounters are clearly on an expansion path, with increasing store numbers and turnovers, appealing to cost-conscious consumers.

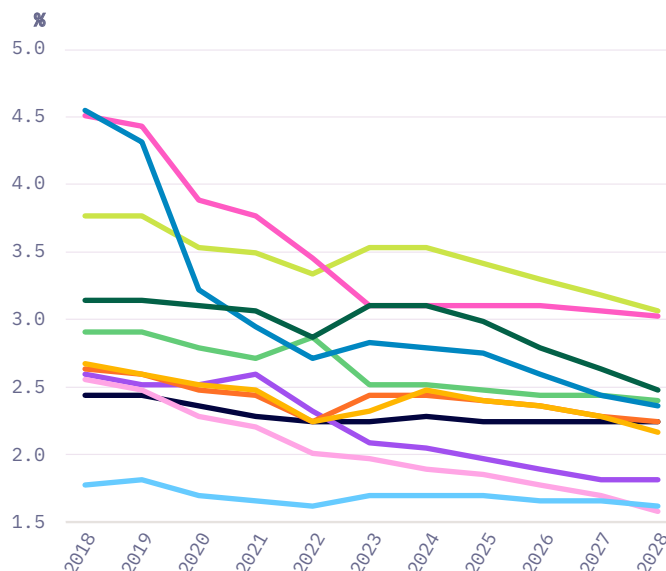
The growth of discounters suggests a shift towards value-oriented shopping, possibly driven by economic factors and a focus on affordability.

Discounters' lean management style and limited offerings allow them to reduce costs and offer a price point that more customers are willing to accept. Additionally, due to their smaller sales areas, they save on square meter (sqm) costs compared to their competitors, as they use their sales area more efficiently. These factors allow discounters to align with consumer needs for more affordable groceries in response to increased inflation.

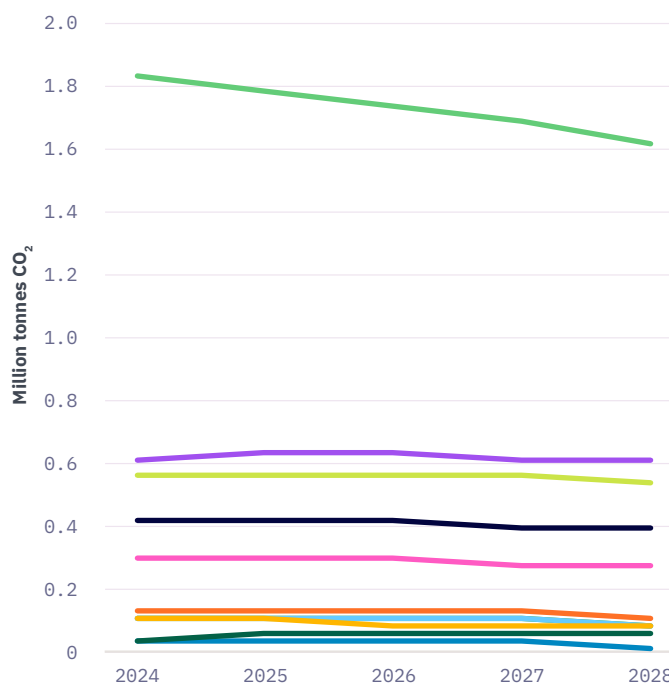
Due to this lean operational style, OCR and carbon footprint are the lowest among discounters. The question now is: with growing investment in PropTech and data insights from supermarkets, will discounters be able to maintain this trajectory, or will they be forced to invest and digitally adapt to retain their cost-saving strategy? Germany currently has the largest discounter carbon footprint due to the significant real estate footprint of major players such as Aldi and Lidl. However, this footprint is expected to steadily decrease in the coming years, even as the discounter market continues to expand.



### Discounter Occupancy Cost Ratios (OCRs)



### Discounter - Carbon Footprint<sup>6</sup>





# Country Profiles

03



# Country Profiles

## Germany:

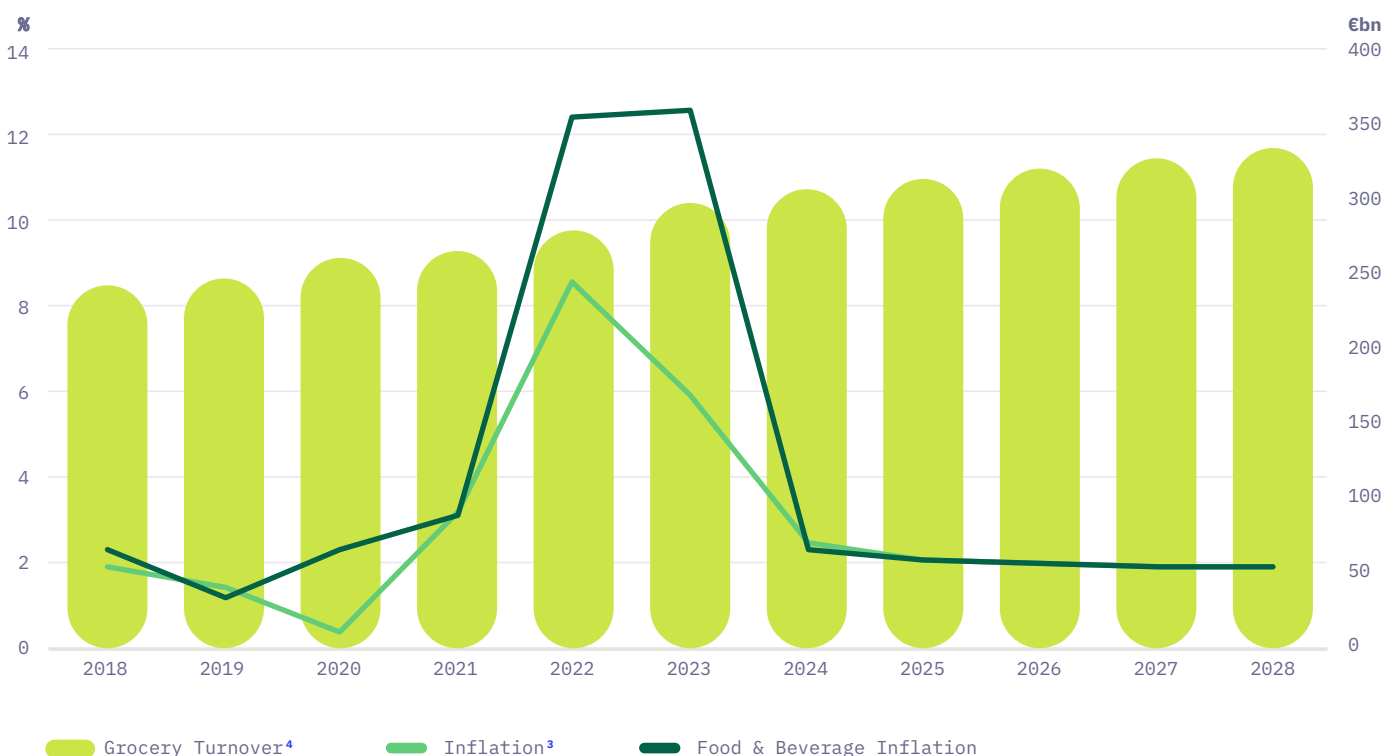
In terms of population and GDP, Germany ranks highest in the Selected Market.

Even with inflationary pressures, grocery sales continue to grow steadily as consumers prefer home cooking to save money.

In Germany, there are 237 people and 0.29 grocery stores per km<sup>2</sup> leading to a highly dense retail experience and giving retailers opportunities to expand.<sup>4,5,12</sup>

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	11.37	11.04	11.11
Avg. Lease Length	10 to 15 years, up to 20 for grocery		
Avg. Sales Area	950	1800	3500
Lease Extensions	5-year options typical		
Rent Development Mechanism	CPI based increases, after reaching a threshold of 10% and then applied at a 60-70%		
Typical Market Landlord Non-Recs (€/sqm)	0.9 EUR /sqm/Month (Including all asset Types)		
Building Approvals	Building Permission Required		
Special Permits	Building permission, some special licenses needed for special usage types		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	5		

## Resilience of Grocery



## Grocery Market

The German grocery market is extremely consolidated and mature, with the top five competitors accounting for nearly 50% of the market share<sup>4</sup>. Not only that, but German grocery retailers hold the top three spots in the entire selected market for grocery sales (Lidl, Aldi, and EDEKA).

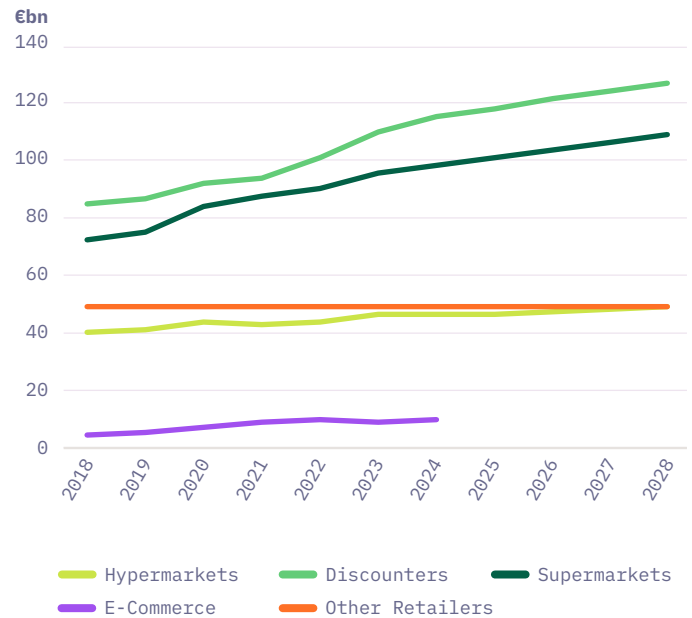
Despite EDEKA, a supermarket, having the highest market share, Germans still prefer discounters which had the combined highest sales in 2023, while e-commerce barely captured 0.4%<sup>4</sup> of the market.

## Real Estate Market

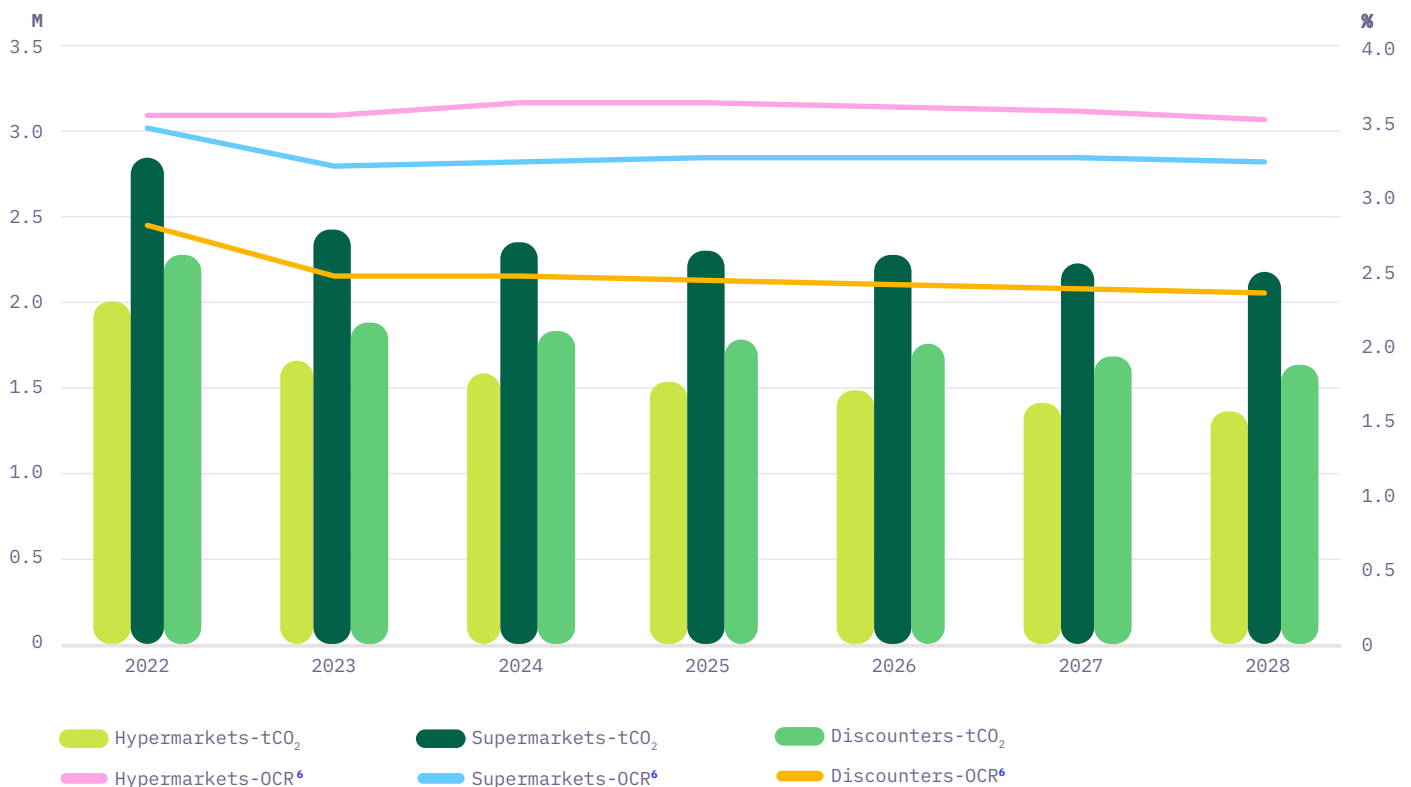
The OCR ratio for Germany falls comfortably below 4%<sup>6</sup> and remains stable. Hypermarkets have the highest OCRs due to their higher rents and increased sales area. Discounters manage to save on costs despite rental prices due to their smaller sizes.

The increasing dominance of supermarkets provides them with additional negotiating power in lease negotiations, giving them an edge and allowing them to secure favorable rental agreements.

### Battle between Discounters and Supermarkets<sup>4</sup>



### Discounters Save on Space



## France:

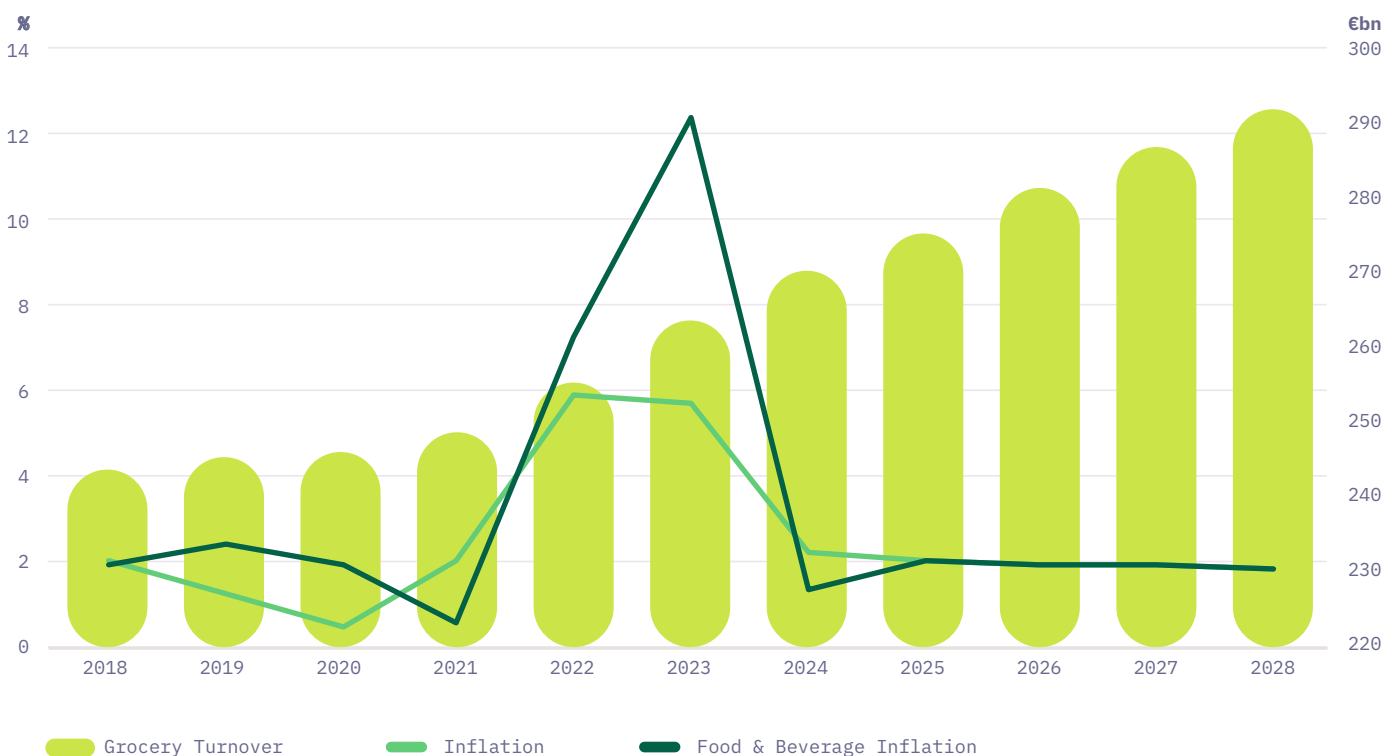
In terms of land area, France ranks the highest in the Selected Market, with 0.2 grocery stores per km<sup>2</sup>.

This low grocery density could lead to crowded retail experiences during peak tourism seasons.

Food inflation in France peaked at 12.4% in 2023 and then sank back to normal levels in 2024<sup>3</sup>. As inflation and food inflation rise, so do grocery sales, as customer prioritise saving money on home-cooked meals over going out to eat.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	9.85	12.03	12.03
Avg. Lease Length	9-12 years		
Avg. Sales Area	1,498	2,420	15,500
Lease Extensions	Tacit Renewal Extension		
Rent Development Mechanism	Annual Indexation		
Typical Market Landlord Non-Recs (€/sqm)	Generally triple net		
Building Approvals	Required		
Special Permits	Must align with local zoning, special a commercial licenses for grocery stores		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	3		

## Grocery Grows Despite Uncertainty



## Grocery Market

The market remains fragmented, with Supermarkets and Hypermarkets battling it out with other store formats for market share. Hypermarket chains E Leclerc and Intermarché hold the top 26% of the market in France with Carrefour, a supermarket chain following with 7.6%. E-commerce struggles to gain customers in this fragmented market.

## Real Estate Market

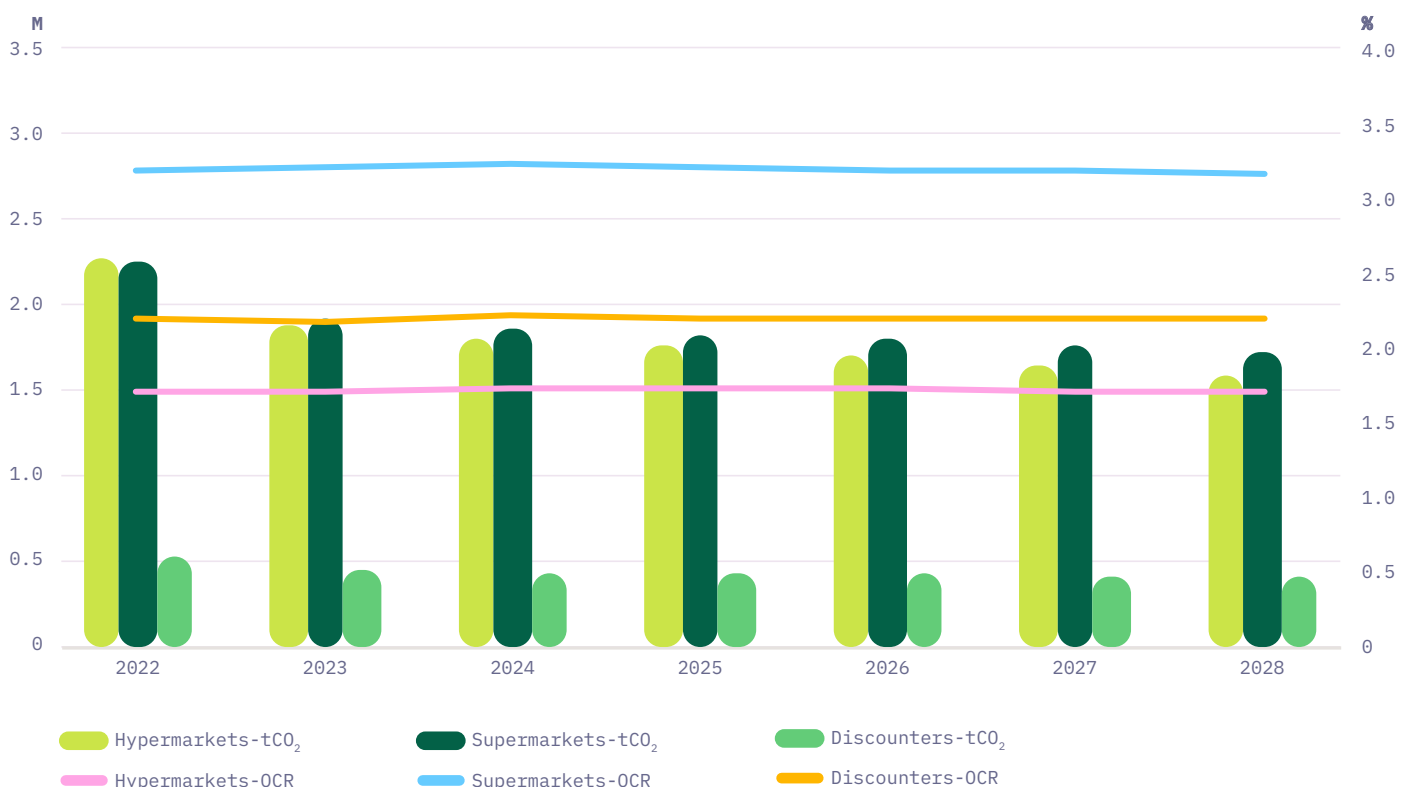
Despite higher rental costs, hypermarkets still maintain the lowest OCR. This is partly due to their sizable market share and also due to the sheer size of hypermarkets in France, allowing costs to be spread comfortably across their 15,500+ square meters. However, mitigating carbon emissions in such a large retail space will become an issue in the coming years.

For all store formats, costs remain stable for the next three years, and the carbon footprint decreases, showing that France's proactive approach to carbon emissions reduction is paying off. The Climate and Resilience Act set more ambitious targets than other countries, positioning France to reduce GHG emissions by 40% by 2030. This target will pave the way for more sustainable investment in real estate in the coming years to meet this goal<sup>13</sup>.

## Supermarkets Grow, E-Commerce struggles to Gain Footing



## Carbon Decreases, Costs Remain Stable





## Italy:

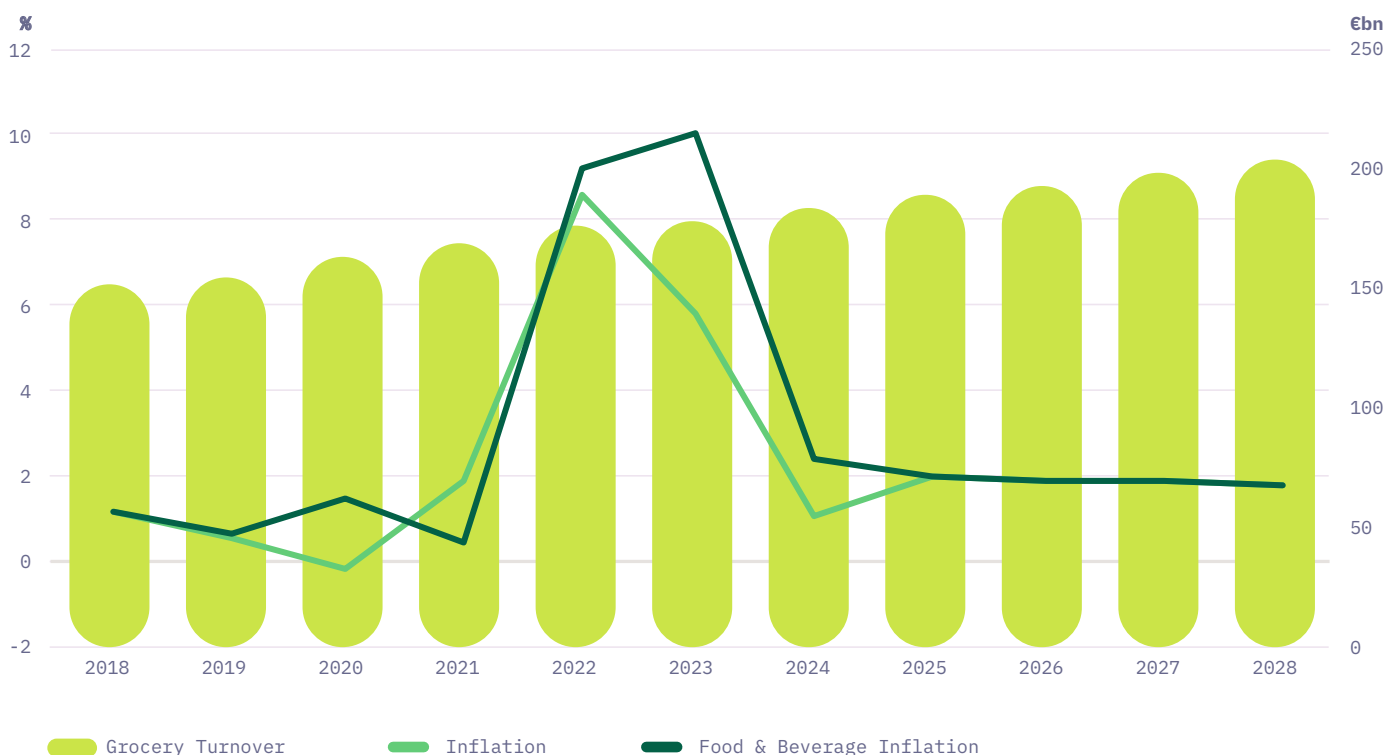
Italy is the 6th largest country in size<sup>3</sup>, with a population distributed throughout the country, with larger concentrations near Rome and Milan.

There are 0.77 supermarkets and 200 people per km<sup>2</sup>, giving Italy the second-highest concentration of supermarkets. This shows that the retail environment in Italy will feel quite sparse of shoppers during low tourist seasons with fewer shoppers per store than all of the other countries during low season.

Despite turbulent inflationary periods, grocery sales continue to grow.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	11.25	9.16	7.04
Avg. Lease Length	(1) 6-9 yrs, (2) 7-9 yrs, (3) 9-12yrs		
Avg. Sales Area	1050	1050	2250
Lease Extensions	Same extension of the first period		
Rent Development Mechanism	Indexation based on 75/100% ISTAT variation starting from the 2nd year; IF there are step mechanisms, 1st year 70%-2nd year 90%- 3rd year 100% (very rarely used in grocery contracts)		
Typical Market Landlord Non-Recs (€/sqm)	NRC in charge of the landlord including IMU-tasi-building insurance-lease registration tax 0.5%; ordinary maintenance in charge of the tenant, landlord responsible for extraordinary maintenance		
Building Approvals	Food license collected from the Municipality up to 2,500sqm; at regional level >2,500sqm		
Special Permits	No		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	4		

## Resilience of Grocery



## Grocery Market

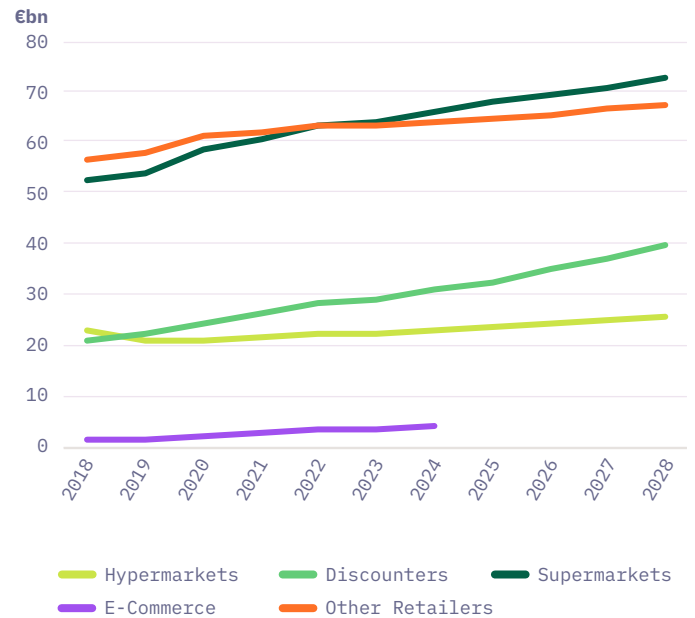
The market is extremely fragmented, with the top five retailers holding no more than 5% of the market share. Supermarkets are, however, widely preferred to other formats due to their diverse product offering, which is preferred by many Italians.

E-commerce has only managed to gain a foothold with the younger population in Italy, keeping its market share low.

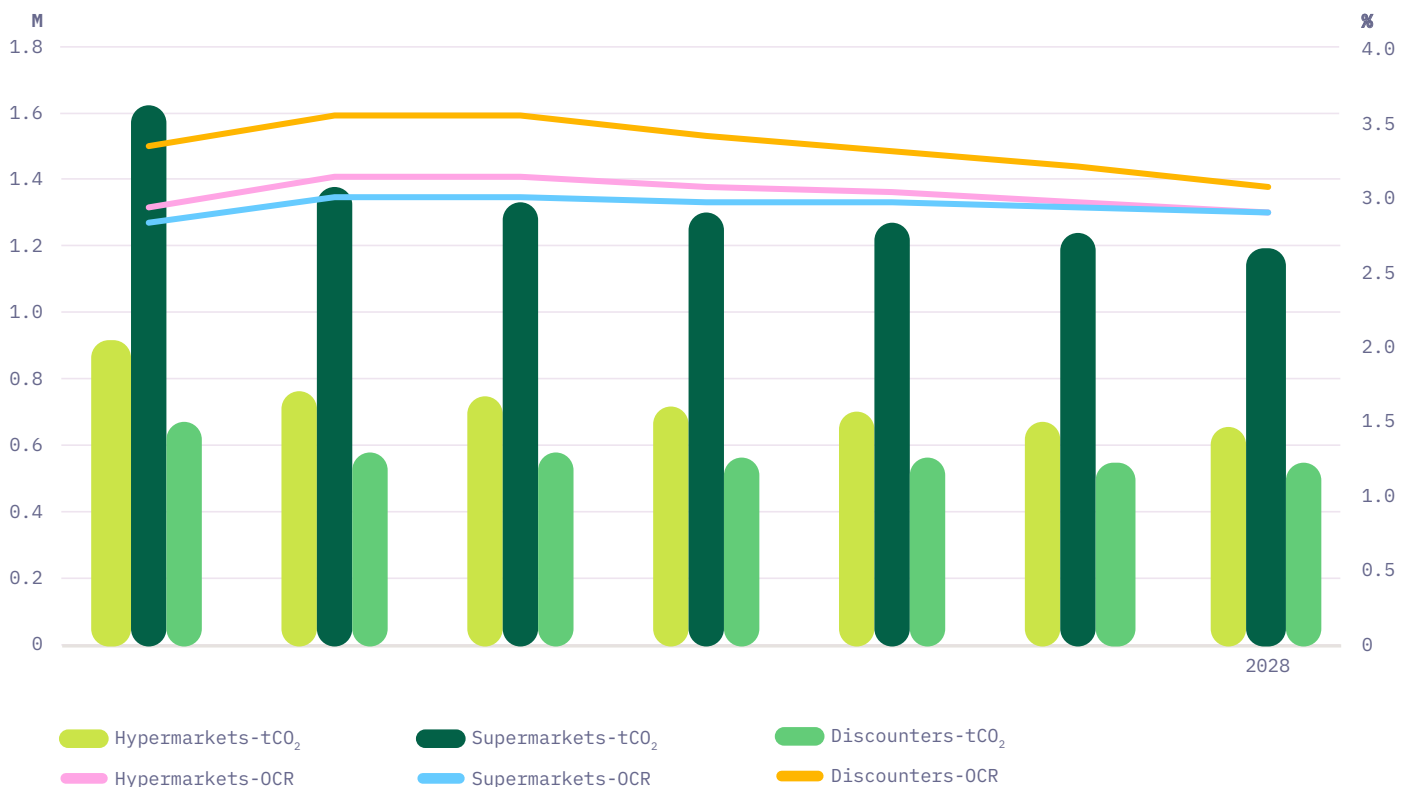
## Real Estate Market

Supermarkets pay more for premium locations, but it pays off. The challenge will be carbon reduction in a growing market. Due to the warmer climate, much climate-related action in Italy is related to water usage, with focus on residential properties, leaving commercial real estate to monitor themselves<sup>14</sup>.

### Supermarkets on Top



### Discounters Save on Space



## Spain:

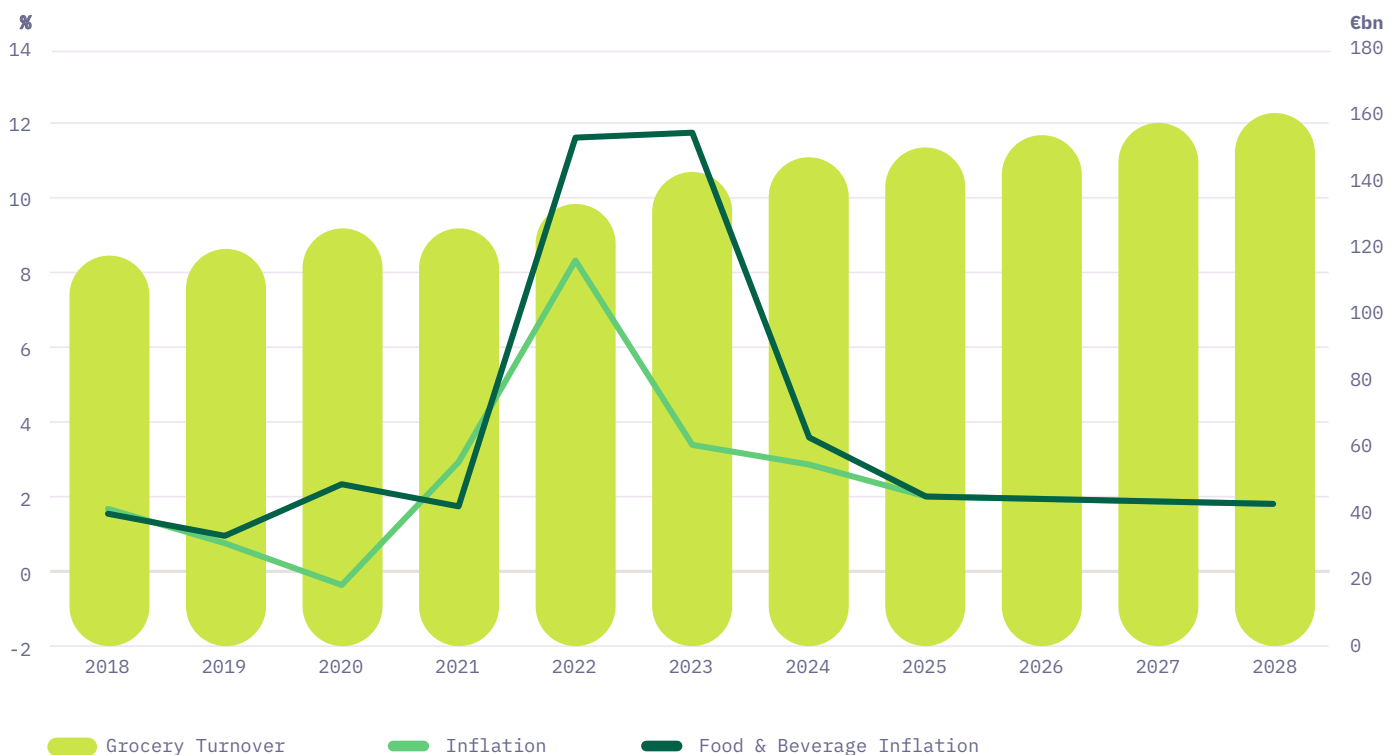
Spain is the second largest country by land area and fourth-largest population in the Selected market. There are 0.26 grocery stores and 96 people per km<sup>2</sup>.

Which highly fluctuates with tourist seasons. Madrid, Barcelona and Valencia are the main retail hubs.

Grocery maintains its growth despite high inflationary pressures on customers, showing that despite higher prices, customers still need to eat.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	10.61	8.34	8.66
Avg. Lease Length	Supermarket: 5000, Hypermarkets: 10000		
Avg. Sales Area	900	1500-2000	3000-10000
Lease Extensions	Supermarket: +5000, Hypermarkets: +10000		
Rent Development Mechanism	CPI aumently		
Typical Market Landlord Non-Recs (€/sqm)	0.5		
Building Approvals	No		
Special Permits	No		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	3		

## Grocery Grows



## Grocery Market

Supermarkets are the clear favourites for shoppers, with over 50% market share in 2024 and projected growth through 2027.

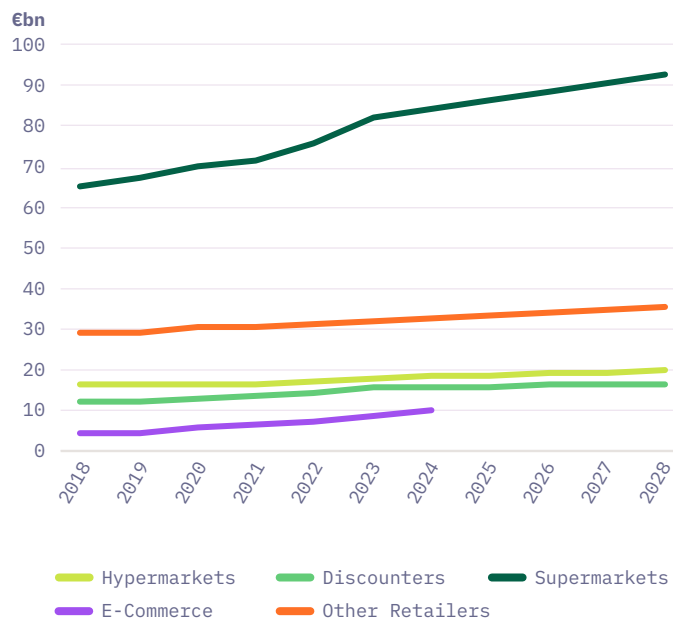
Mercadona is the clear favourite, with a 19% market share, while Lidl, the German discounter, has begun to gain ground. E-commerce has also slowly been gaining traction, despite a clear preference for in-store shopping.

## Real Estate Market

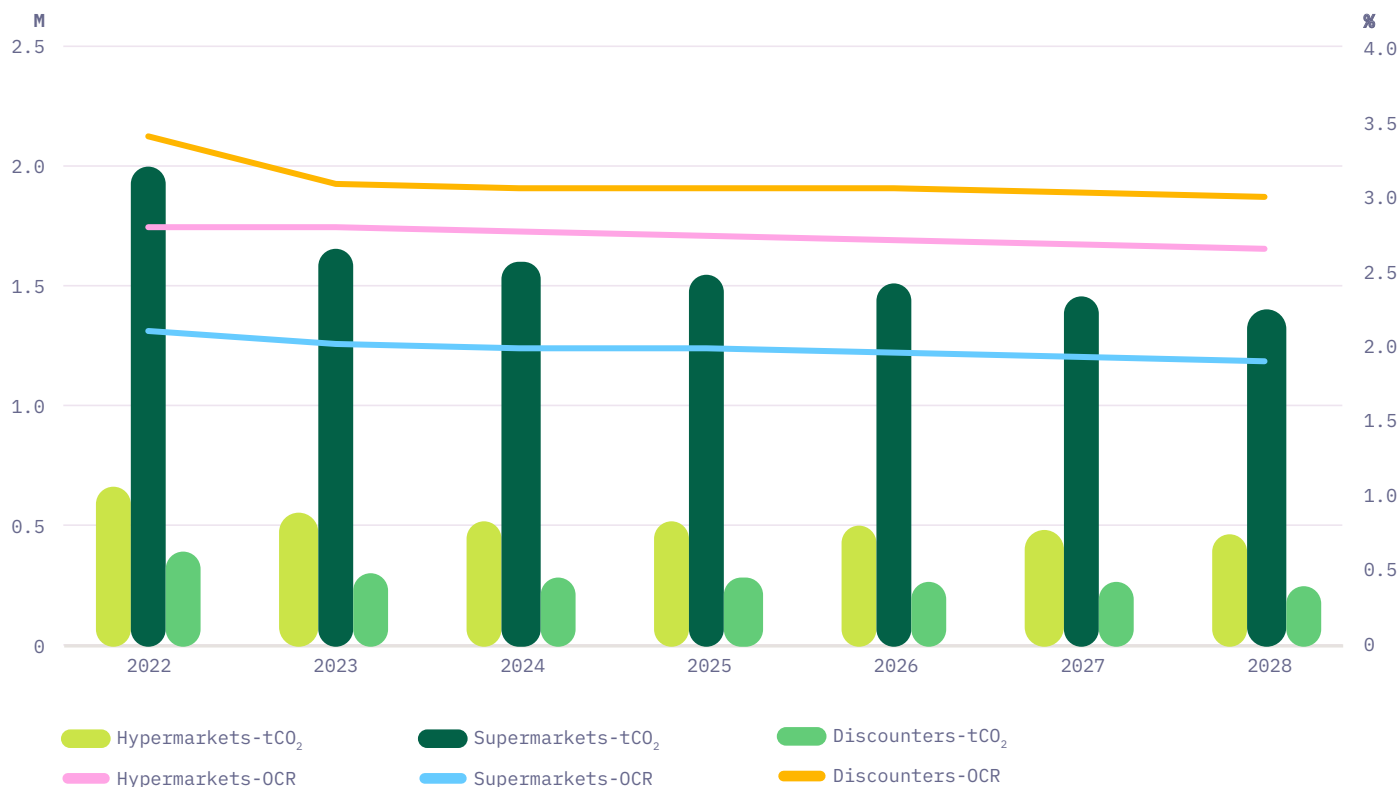
Costs are highest for discounters as they face higher rents, most likely due to their strategy to penetrate larger cities where rents are higher. Supermarkets, due to their dominance enjoy more favourable rental agreements.

As OCRs begin to sink, carbon emissions are set to slowly decrease as well, with supermarkets maintaining the largest carbon footprint. Similar to Italy, Spain faces larger implications due to climate change and has focused its efforts on hospitality and residential.

### Supermarkets are by far the Preference



### Carbon Sinks, Costs Match Pace



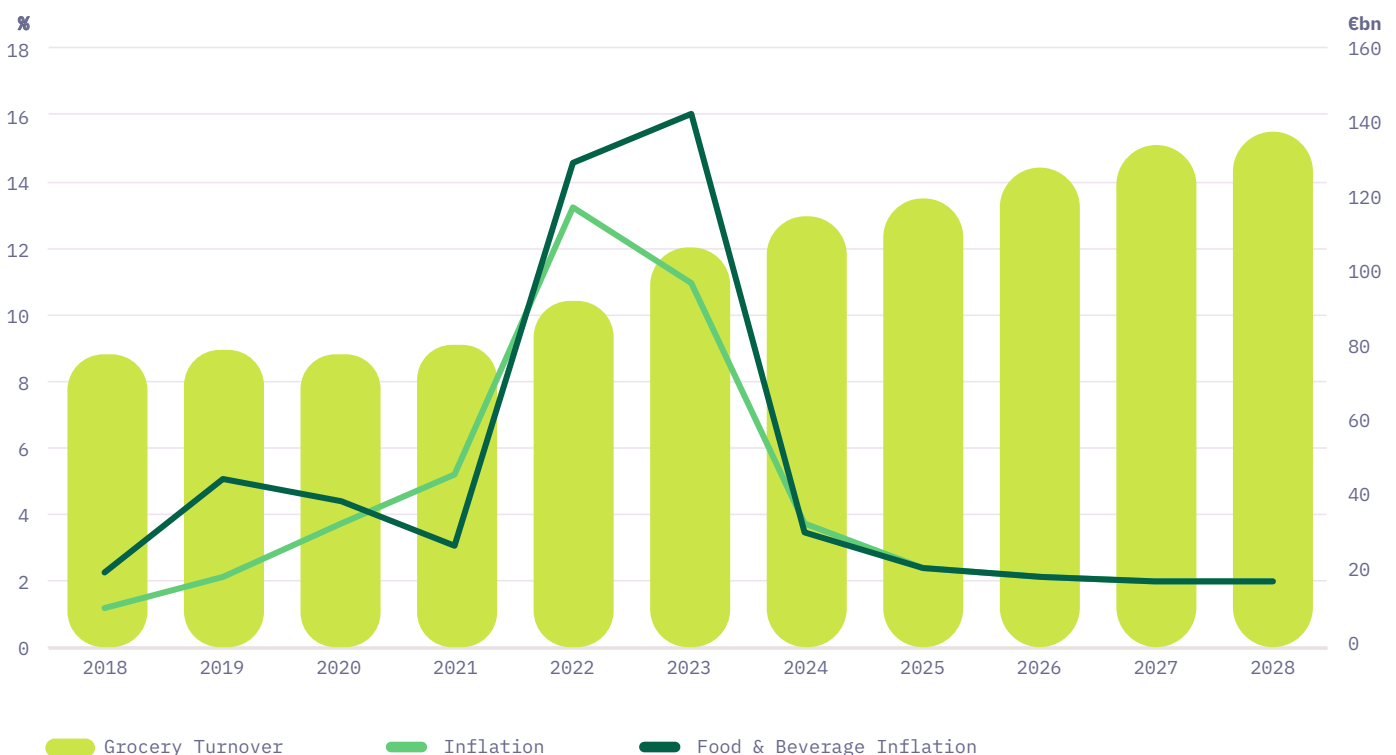
## Poland:

Is the 5th largest country in the Selected Market by land area, with 0.3 grocery stores and 120 people per km<sup>2</sup>.

Most of the population is centred around Warsaw in the center and Krakow in the south. The period of pandemic recover in Poland stimulated an increase in grocery sales, showing consumers turning to home-cooked meals to save money.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	8.50	9.50	6.00
Avg. Lease Length	10 to 15 years		
Avg. Sales Area	1200-1600	Under 4000	10000-22000
Lease Extensions	Often 10Y+10Y+10Y (30Y with a break option every 10Y)		
Rent Development Mechanism	EU zone HICP index		
Typical Market Landlord Non-Recs (€/sqm)	N.A.		
Building Approvals	Max retail space of 2,000sqm		
Special Permits	Over 2,000 sqm: Can be built only if master plan allows (70% of Poland is not covered)		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	2		

## Grocery Sales Explode after the Pandemic



## Grocery Market

Biedronka and Lidl, as well as other discounters, are set to expand rapidly, while supermarkets like Dino maintain their pace. Biedronka grabbed 22% of the market share in Poland in 2024, while the rest of the market remained fragmented.

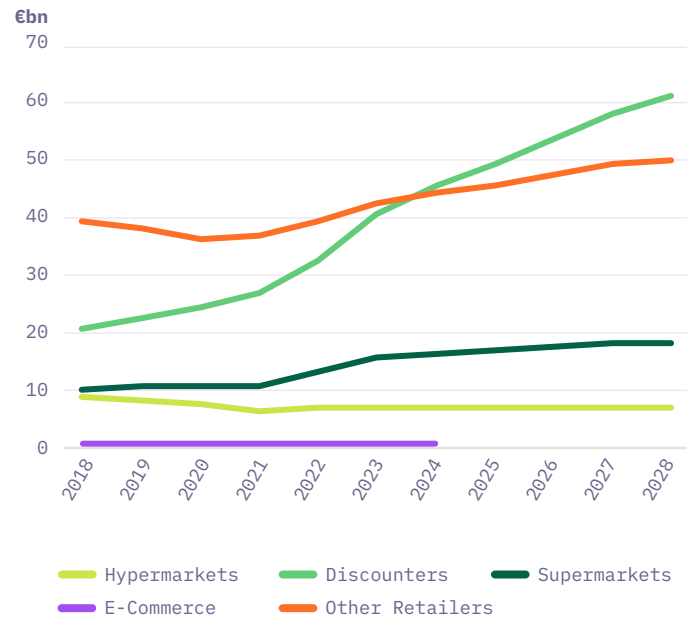
French and German Hypermarkets like Carrefour and Kaufland are expanding into Poland due to cheaper rental prices, however, the outlook shows stagnation.

## Real Estate Market

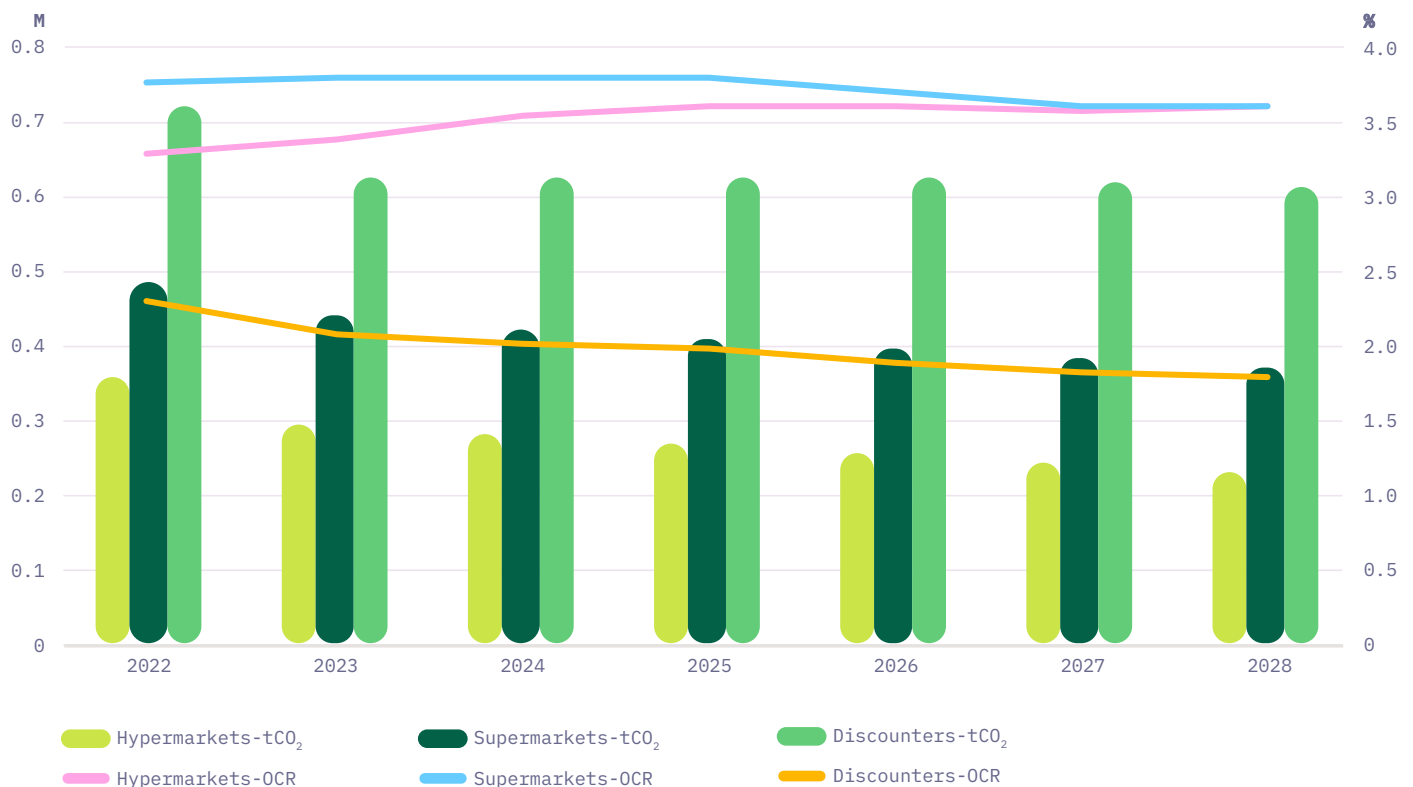
In comparison to more developed markets like France and Germany, the rental prices are low in Poland; however, due to the lower grocery sales, the OCR ratios remain comparable. For Hypermarkets, the OCR is higher, and discounters have low OCR, showing that while the market is under-penetrated, the per sqm costs are higher for larger formats.

However, for experienced retailers like Kaufland and Carrefour, the market could prove advantageous for capturing a spot in an untapped and growing market.

## Discounters Gain Traction in a Fragmented Market



## Supermarkets Invest, Carbon Decreases



## Romania:

Romania is a country with low population density compared to the rest of the Selected Market, ranking third-lowest in population behind Sweden and Ireland.

Romania has 0.24 supermarkets per km<sup>2</sup> and 83 people, which is around 20 people per supermarket.

Despite declining population and inflationary pressures, the grocery market is growing rapidly.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	8.50	10.00	6.00
Avg. Lease Length	10-15 Years		
Avg. Sales Area	700-1100	1200-4000	4000
Lease Extensions	Option to extend by 5-10 Y		
Rent Development Mechanism	EU zone HICP		
Typical Market Landlord Non-Recs (€/sqm)	N.A.		
Building Approvals	Urban planning certificate and building permit needed		
Special Permits	Urban planning certificate needed to obtain building permit		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	3		

## Resilience of Grocery





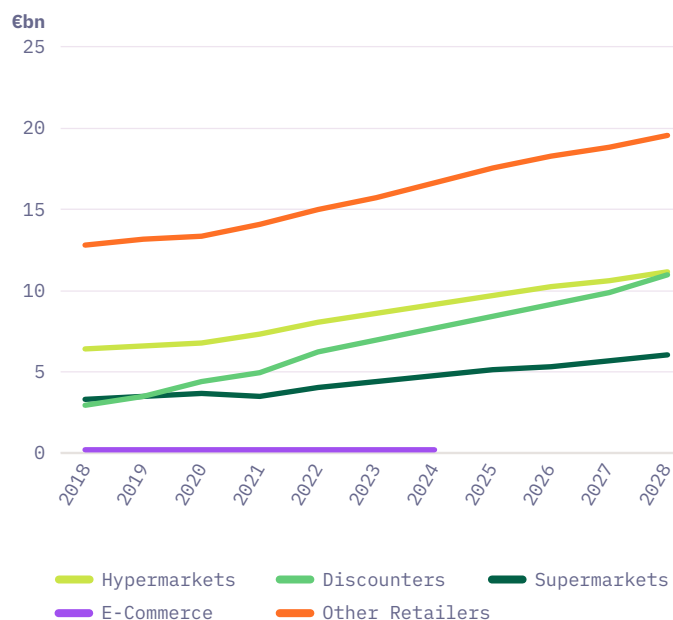
## Grocery Market

German Grocery Retailers Kaufland (10%) and Lidl (13%) grab the top spots in the market, with Lidl at number one, experiencing significant growth over the last 5 years and, Kaufland maintaining its market share with slight growth. Domestic retailers maintain only smaller fragments of the market.

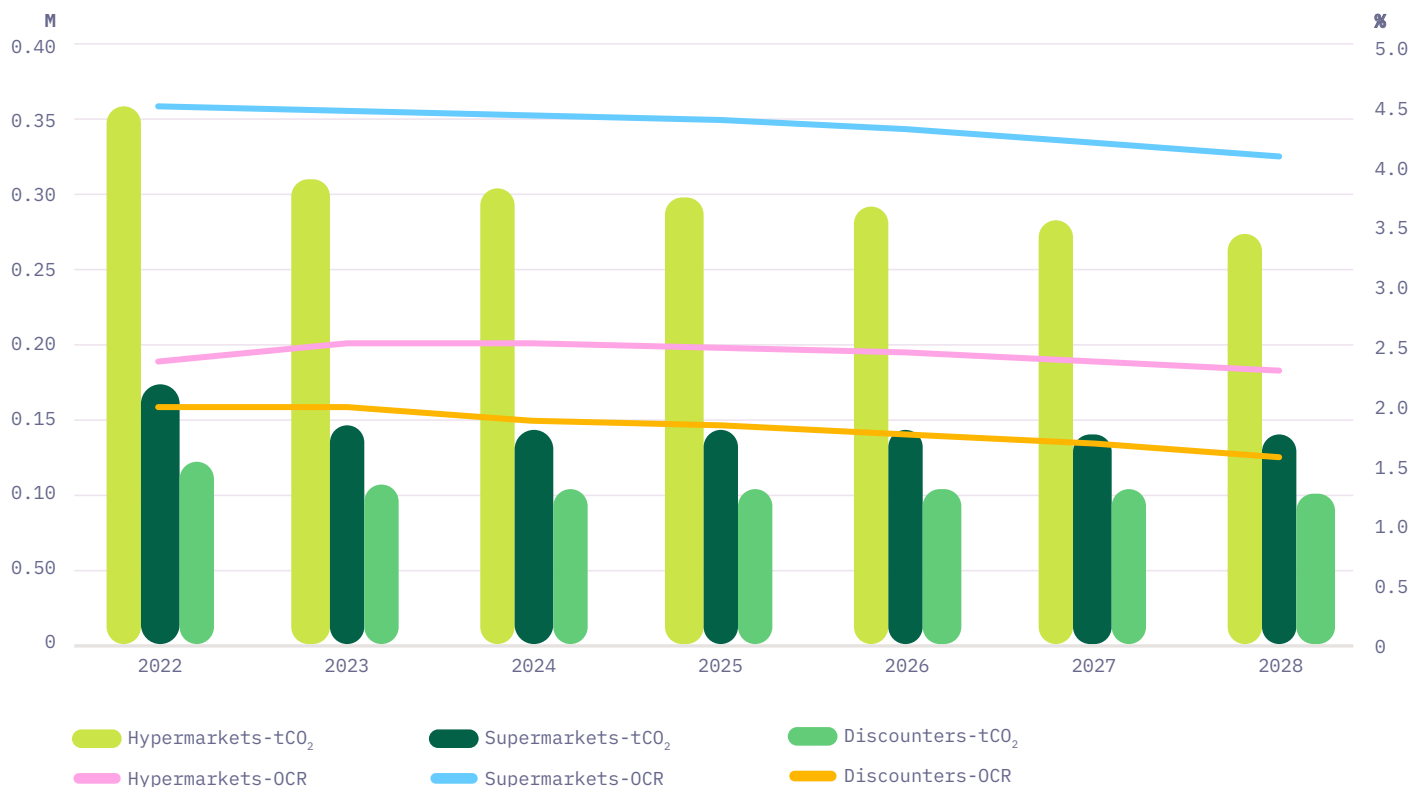
## Real Estate Market

Because of the dominance of German Hypermarket, Kaufland, Hypermarkets perform extremely well in Romania from an OCR perspective, rivalling even discounters. Not only this, but the carbon footprint is expected to sink as well, as sustainability remains a top priority for German hypermarkets. Discounters are also expected to see OCR and carbon decreases as their market share grows.

### Everyone Competing for the Top Spot



### Stable Decline in Carbon and OCR



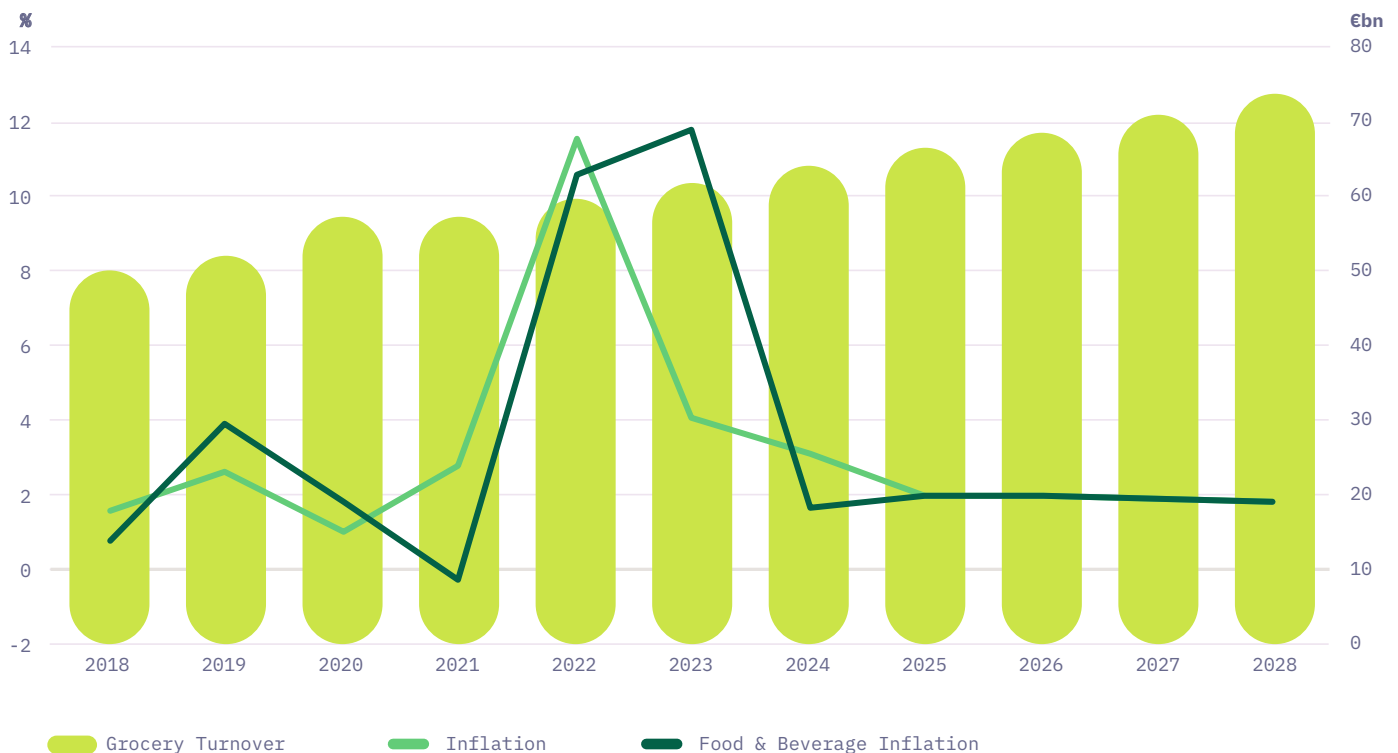
## The Netherlands:

The Netherlands is the most densely populated country in the Selected Market, with 526 people per km<sup>2</sup>.

It has the highest concentration of supermarkets at 0.78 per km<sup>2</sup>, creating an extremely dense retail environment, which has seen significant growth despite economic uncertainty, showing just how important shopping is for customers.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	14.25	17.50	15.75
Avg. Lease Length	5x5 years extension as option for the tenant		
Avg. Sales Area	1500	2500	4000
Lease Extensions	5x5 years extension as option for the tenant		
Rent Development Mechanism	Yearly indexation based on CPI development; mostly capped at 5/6%		
Typical Market Landlord Non-Recs (€/sqm)	N.A.		
Building Approvals	Construction cannot exceed maximum local nitrogen output (nitrogen policy)		
Special Permits	Differs between municipalities; depending on local zoning plan		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	5		

## Grocery Sales Return to Growth Rates Pre Pandemic



## Grocery Market

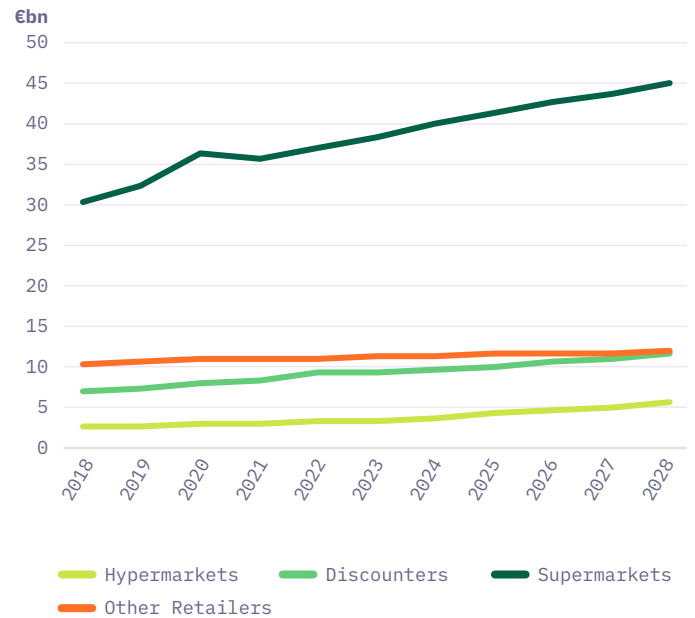
Supermarkets maintain over 50% of the market share, and that share is split between Albert Heijn and Jumbo, showing the Dutch value their local supermarket chains. However, German discounters Lidl and Aldi (Süd) have begun to gain more and more popularity.

## Real Estate Market

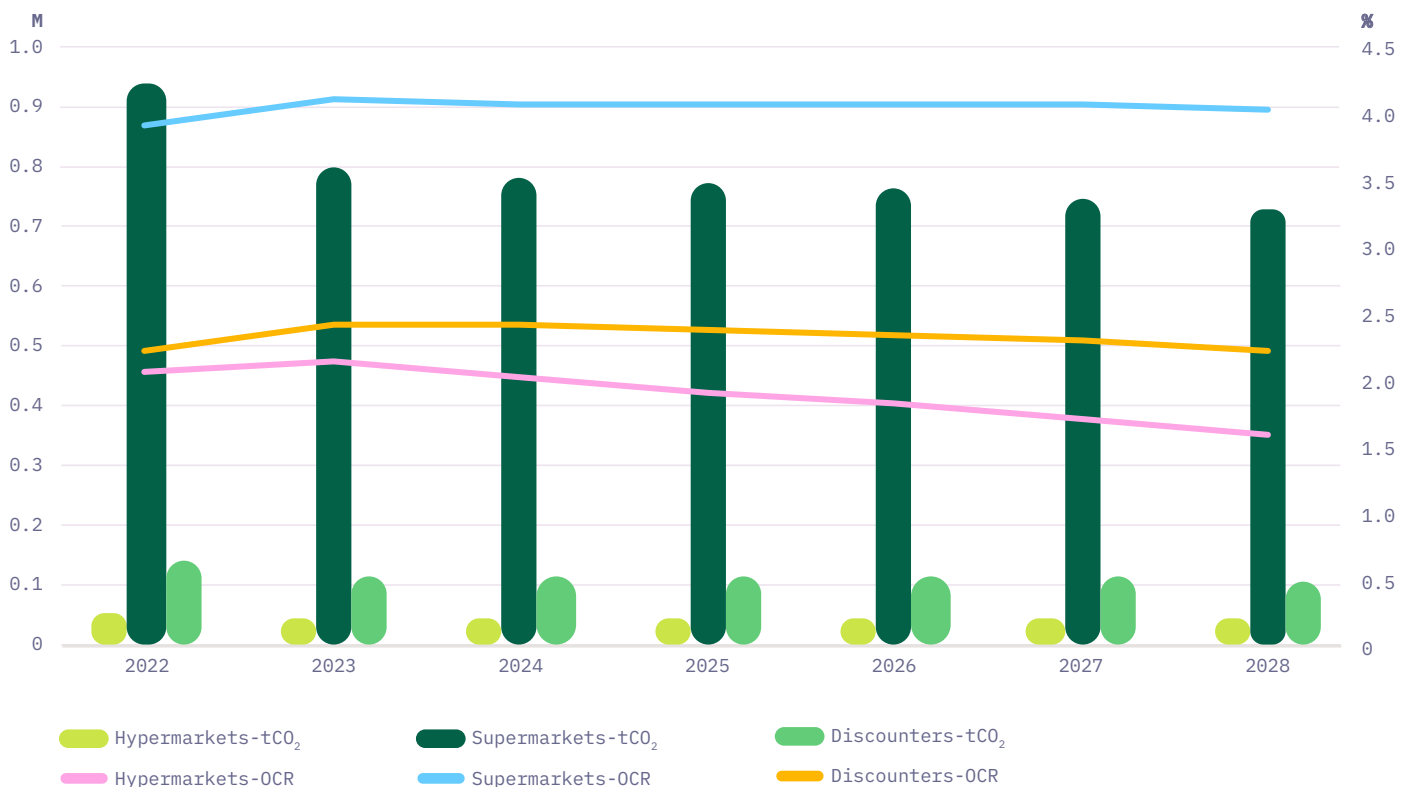
In comparison to other countries, rental costs in the Netherlands are quite high, in turn leading to higher OCRs. However, discounters benefit from lower costs and more lean operations, and hypermarkets' increased profit margins and lower rental prices allow them to experience lower OCRs.

Due to its small size, the Netherlands has a small carbon footprint, which is slowly decreasing. Most likely due to cultural and regulatory pressures for more sustainable living and innovative infrastructure. As much of the Netherlands sits below sea level, many people are directly affected by climate change thus making more sustainable living a political and cultural priority for many citizens.

### Supermarkets Dominate



### Supermarkets - A Weak Footprint



## Belgium:

Belgium is the smallest country by land area in the Selected Market and the second most dense.

With 383 people per km<sup>2</sup> and 0.64 grocery retailers, Belgium, like the Netherlands, experiences an extremely busy and dense retail environment. The pandemic stalled grocery growth but retailers are rebounding.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	9.19	8.96	10.93
Avg. Lease Length	9 year minimum		
Avg. Sales Area	953	1394	3715
Lease Extensions	Often 9Y+9Y+9Y		
Rent Development Mechanism	Annual Indexation		
Typical Market Landlord Non-Recs (€/sqm)	Generally triple net		
Building Approvals	Required		
Special Permits	Urban planning permit (authorises the real estate project + the commercial activity)		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	3		

### Pandemic Stalls Grocery Sales, but they Recover Quickly



## Grocery Market

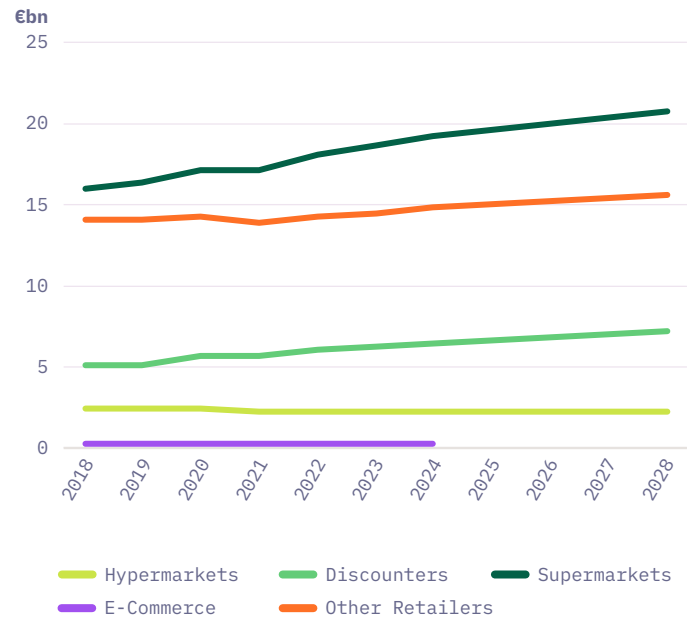
Similarly to the Netherlands, Belgium prefers domestic supermarkets such as Colruyt and Delhaize, which capture the top 27% of the market. However, French supermarket Carrefour is also projected to slowly gain more ground in the market.

## Real Estate Market

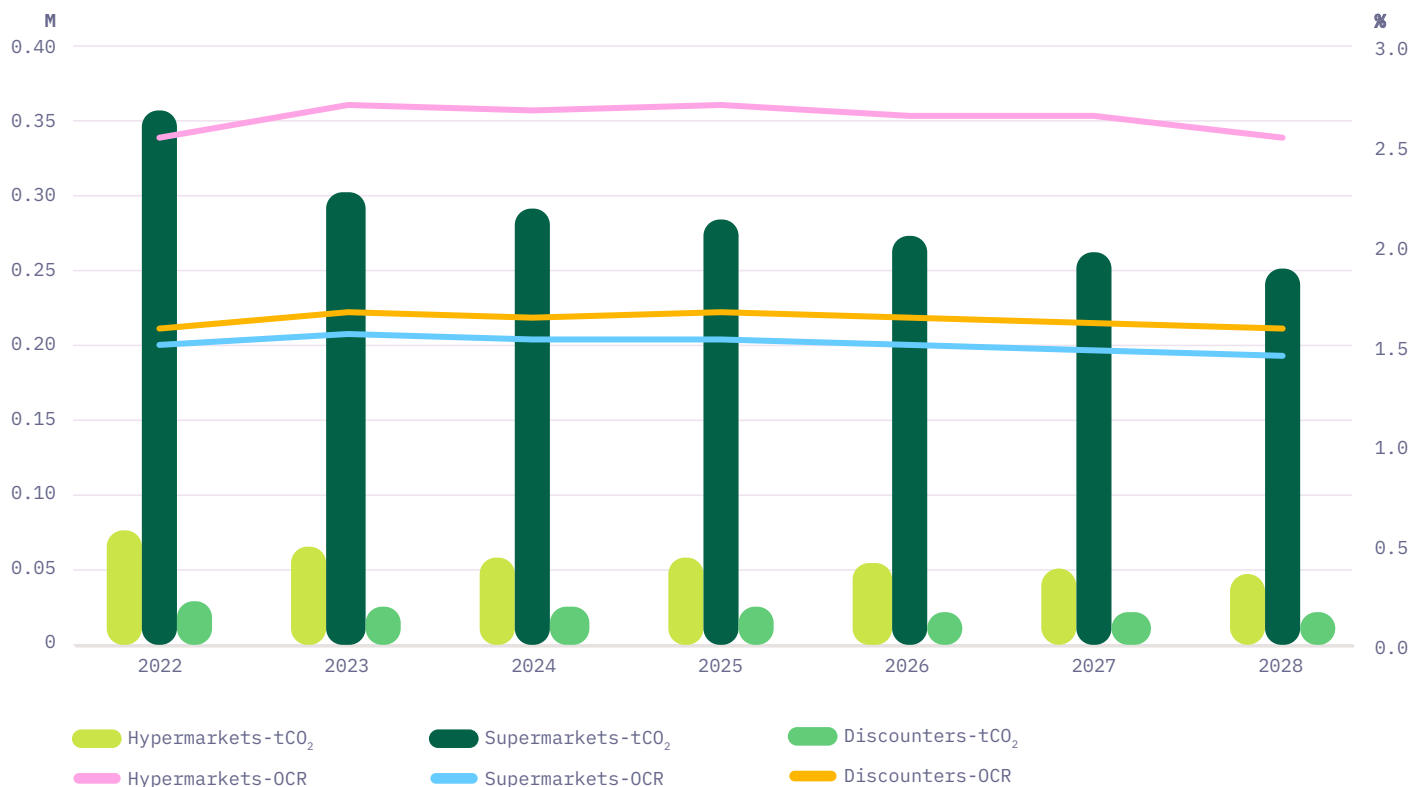
Despite its small size, rent prices in Belgium are competitive with those of Germany and France, with Hypermarkets incurring the highest OCR, which can be attributed to their small market share and higher rental costs.

OCRs are projected to remain stable over the next years, whilst the carbon footprint decreases, showing that the tenant will not carry the costs of the energy and technology transition. The government has set out clear targets at the regional level to manage the transition.

### Supermarkets on Top



### Carbon Footprint Drops, Hypermarkets Face Higher Costs



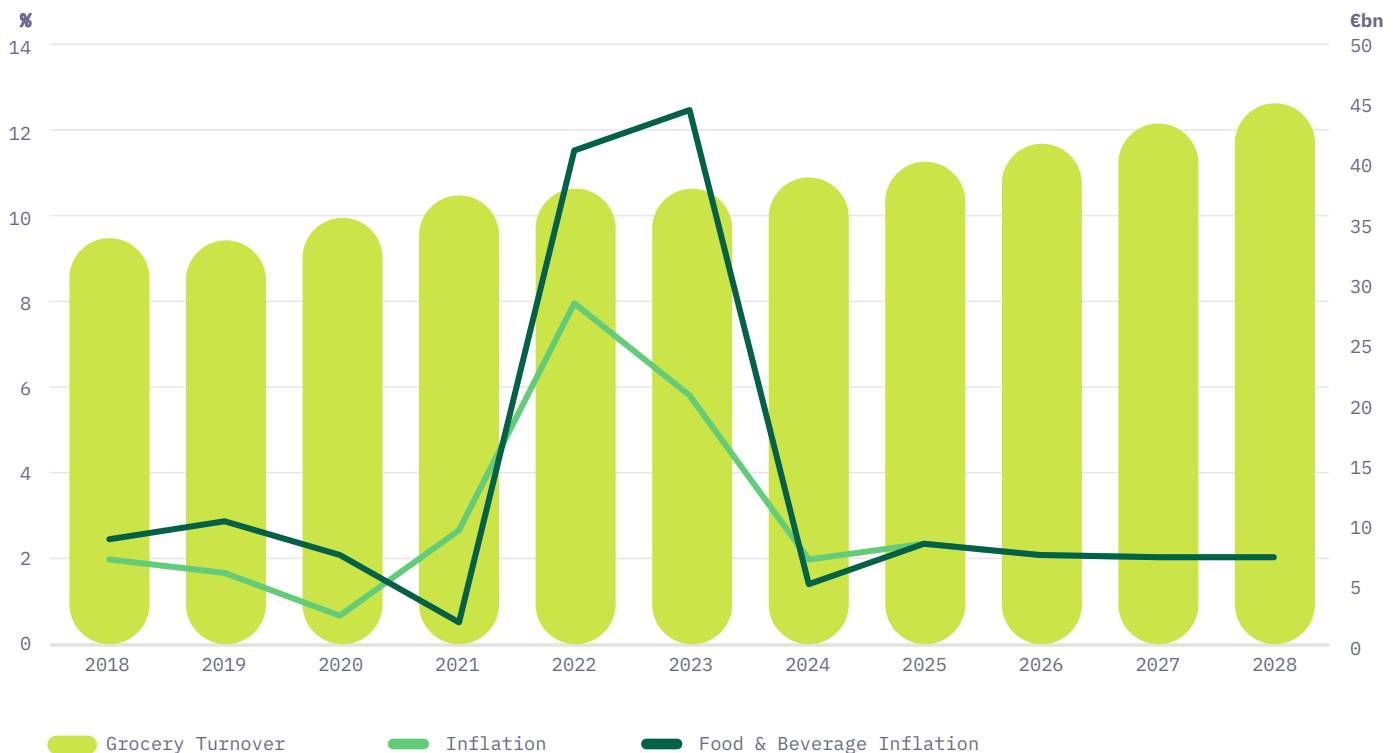
## Sweden:

Sweden is the least dense in terms of population in the Selected Market, with 26 people and 0.02 grocery retailers per km<sup>2</sup>.

With the majority of the population in the south near Stockholm (1.51 m)<sup>45</sup>, grocery sales in Sweden are expected to increase quickly in the next few years following the return of food and beverage inflation levels to normal in 2024.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	16.16	13.37	11.31
Avg. Lease Length	5-10 years		
Avg. Sales Area	1000	1500-5000	8000-10000
Lease Extensions	Lease agreement is automatically extended unless any of the parties terminates it		
Rent Development Mechanism	Rent review every year determined by CPI (Note, lease term must be longer than 3 years)		
Typical Market Landlord Non-Recs (€/sqm)	Not triple net as in the UK. The tenant pays for heating, electricity, water, garbage collection and property tax.		
Building Approvals	Required		
Special Permits	Must align with local zoning plan. A special authority permit for grocery store is also required.		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	5		

## Grocery Sales Expected to Increase Again



## Grocery Market

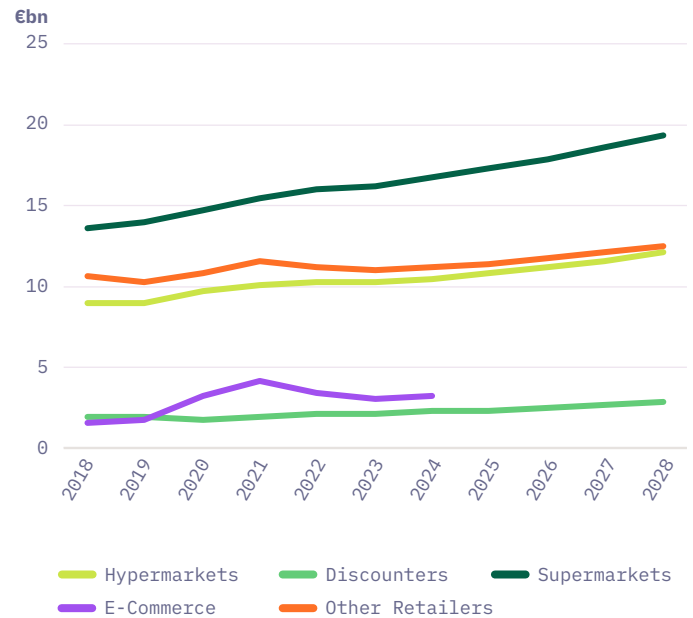
Supermarkets are the favourite store format; however, domestic supermarkets fight for market share in a fragmented market with Willys holding only 11%. The ICA Group (ICA Maxi, ICA Nära, ICA Supermarket) together holds 30% of the market, nearly 10% each. E-commerce has even managed to grab 18% of the market, which is the highest in the Selected Market and can most likely be attributed to the small market size, low population, and low grocery market density.

## Real Estate Market

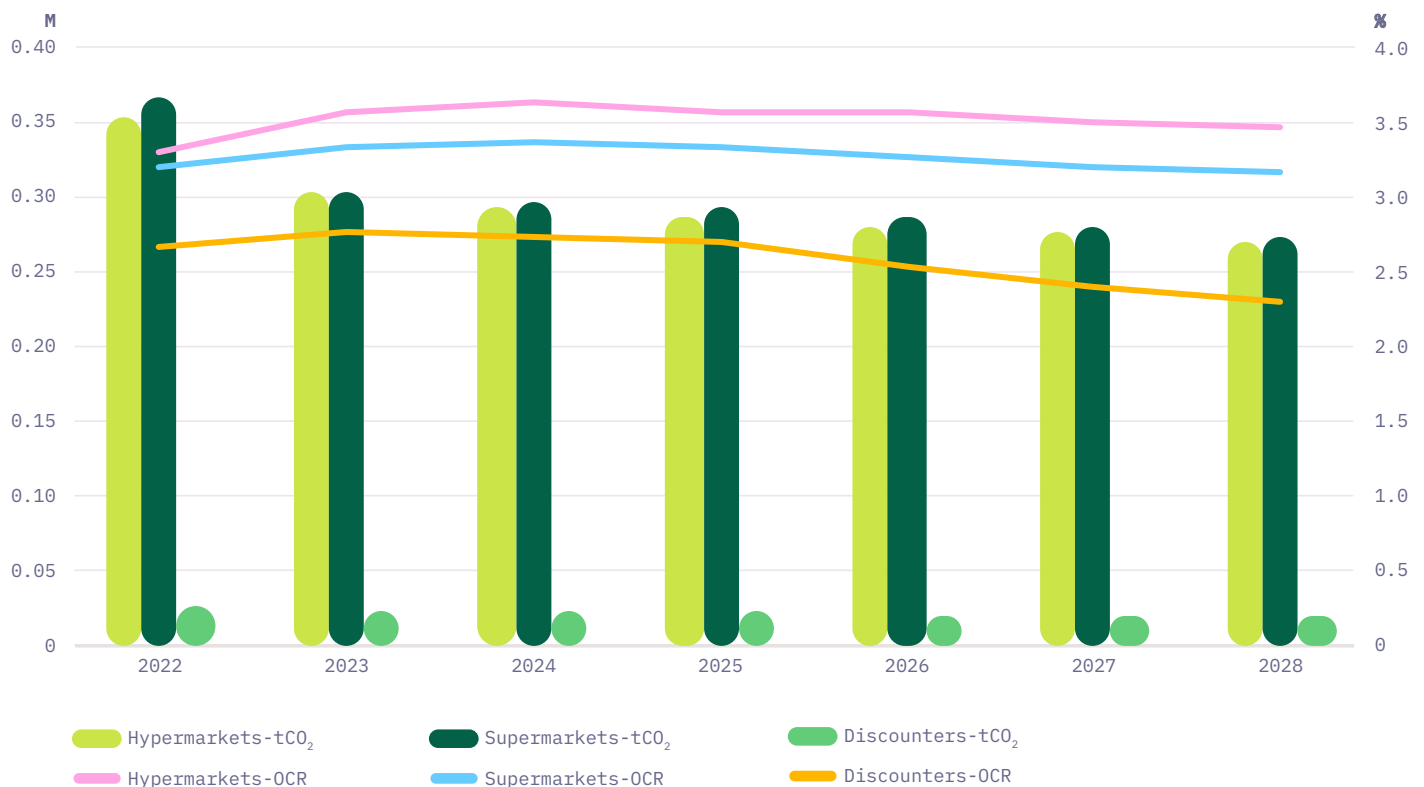
Sweden also faces relatively high rental costs, with discounters facing higher rental costs than the other store formats. Despite this, as OCR decreases, most likely due to their choice of location in more populous areas, whereas hypermarkets experience the lowest OCR, most likely due to their choice of location in less dense areas, where customers are in need of a “one-stop shop”, they are able to gain back savings through lean operations.

The carbon footprint is also set to decrease in the next years as OCR, highlighting Sweden’s mature market and technologically advanced retail locations.

## Supermarkets and Hypermarkets Claim their Spot



## Discounters Ahead of the Cost and Carbon Curve





## Czech Republic:

The Czech Republic falls in the middle in terms of population density and retail density, with 138 people and 0.35 grocery retail locations per km<sup>2</sup>.

Additionally, a grocery turnover per capita is quite low, at only €2,314<sup>3,4</sup>.

Inflation and food inflation have struggled to return to normal levels, at 2.70% and -2.30% respectively in 2024.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	11.51	10.96	7.67
Avg. Lease Length	15 years		
Avg. Sales Area	1500	2200	>4000
Lease Extensions	Usually option to extend on tenants side (+10Y)		
Rent Development Mechanism	EU Zone HICP index		
Typical Market Landlord Non-Recs (€/sqm)	N.A.		
Building Approvals	New building act from Jan 2023 in place; development process accelerated		
Special Permits	Must align with local zoning		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	N.A.		

## Grocery Booms During Pandemic Recovery



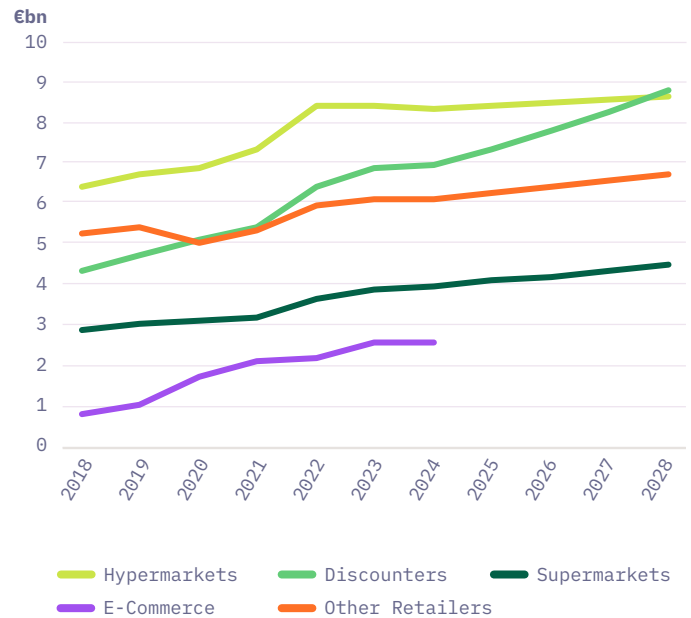
## Grocery Market

The grocery market in the Czech Republic is an extremely fragmented, market with German hypermarket Kaufland (12.5%) and German discounters Penny (7.7%) and Lidl (14%) fighting for the top spot, while Swedish and Dutch supermarkets Coop (11.3%) and Albert Heijn (10.5%) compete for market share. Meanwhile, domestic retailers remain small.

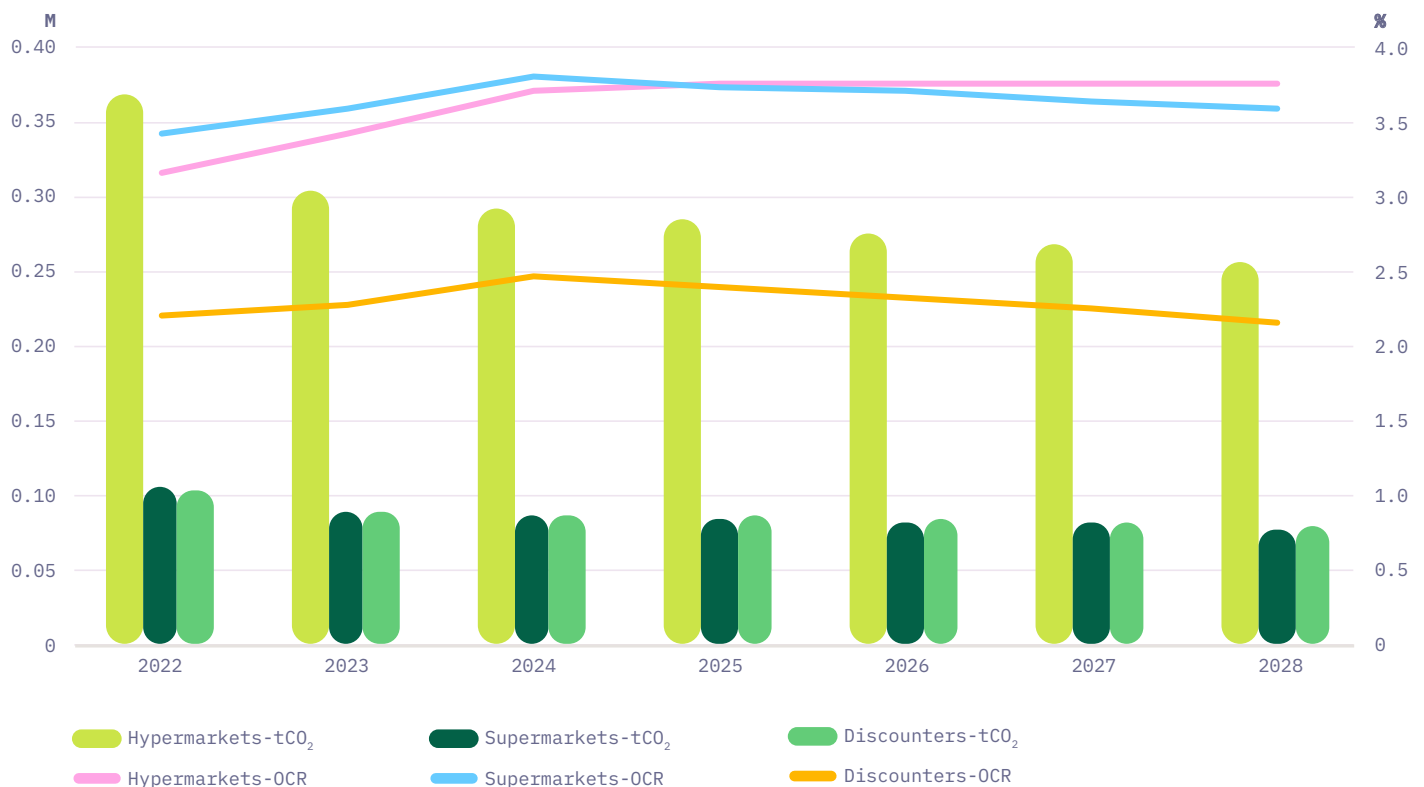
## Real Estate Market

Hypermarkets experience exceptionally low rental costs, but due to their large size, their OCRs are expected to increase over time, whilst the more technologically advanced international supermarkets are expected to decrease. Meanwhile, carbon emissions are set to decrease, with supermarkets matching the discounter performance.

### Tight Race for All Players



### Hypermarket Costs Increase, Supermarkets Decrease



## Ireland:

### Ireland has the smallest population but surpasses the Czech Republic in GDP.

Ireland also has the second-lowest population and grocery density, just behind Sweden with 75 people and 0.11 supermarkets per km<sup>2</sup>. Despite this, Irish shoppers spend €4,127 per capita on groceries<sup>3,4,6</sup>. The highest in the Selected Market! This could be due to its geographical position as an island and the high import costs being carried by the consumer.

Leasing Conditions	Discounters	Supermarkets	Hypermarkets
Avg. Market Rent (€/sqm)	9.50	11.50	9.00
Avg. Lease Length	20 years (breaks at 5 and 10)		
Avg. Sales Area	>2000	2000	2000-5000
Lease Extensions	20 years (breaks at 5 and 10)		
Rent Development Mechanism	Rent Reviews every 5 years determined by CPI		
Typical Market Landlord Non-Recs (€/sqm)	N.A.		
Building Approvals	Yes		
Special Permits	New Permits are restricted with limited car parking		
Landlord Friendly Lease Rating (1= Very tenant friendly; 10 = Very landlord friendly)	5		

### Grocery Sales Remain Stable and Growing



## Grocery Market

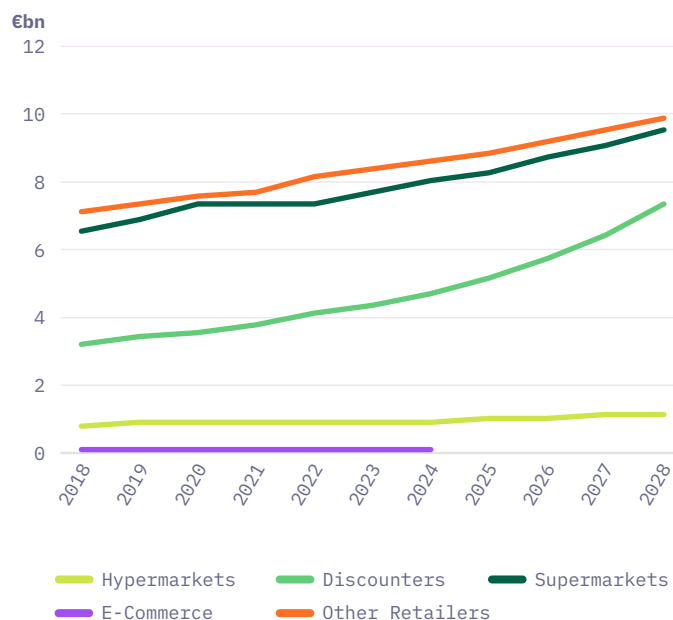
Supermarkets like SuperValu grab a large share of the market, while the rest remains quite fragmented. In the coming years, discounters like Lidl are expected to grow in importance as Irish consumers balance cost and convenience. Hypermarkets grab a very small piece, with only 17 hypermarkets total<sup>4</sup>.

## Real Estate Market

Ireland's grocery real estate footprint is by far the smallest, with only 7,847 total discounters, hypermarkets and supermarkets combined. OCRs are quite high in Ireland, which can be attributed to the small number.

Discounters are expected to see reduced costs over time, while supermarkets remain stable. The carbon footprint will also decrease for all players in the coming years as Ireland strives to meet the goals laid out in the EU taxonomy.

## Fragmentation in the Market Gives Supermarkets an Edge



## Costs are High, but Declining





# Strategy & Conclusion

04



# Key Recommendations



## For Investors:



Consider diversification in mixed-use retail properties with grocery anchors. Through economic uncertainty, grocers still prosper. Prioritise forward thinking funds who prioritise digitalisation and sustainability to ensure the future of assets and long-term cost reductions.

## For Policy Makers:



Facilitate efficient building approvals to support market growth. Encourage data-sharing initiatives to improve transparency in the realm of sustainability, to ensure carbon emissions reporting is accurate and that grocers and real estate are on track to meet goals in the EU Taxonomy.

## For Property Managers



Prepare long-term contracts with special clauses for data transparency and sustainability, ensuring long-term portfolio health.

Focus on building portfolios in developing markets with low OCRs in emerging markets like Romania and Poland. For portfolios in mature markets, partner with forward-thinking retailers who support technological integration and data sharing. Tenant relationships will be key in creating transparency moving forward.

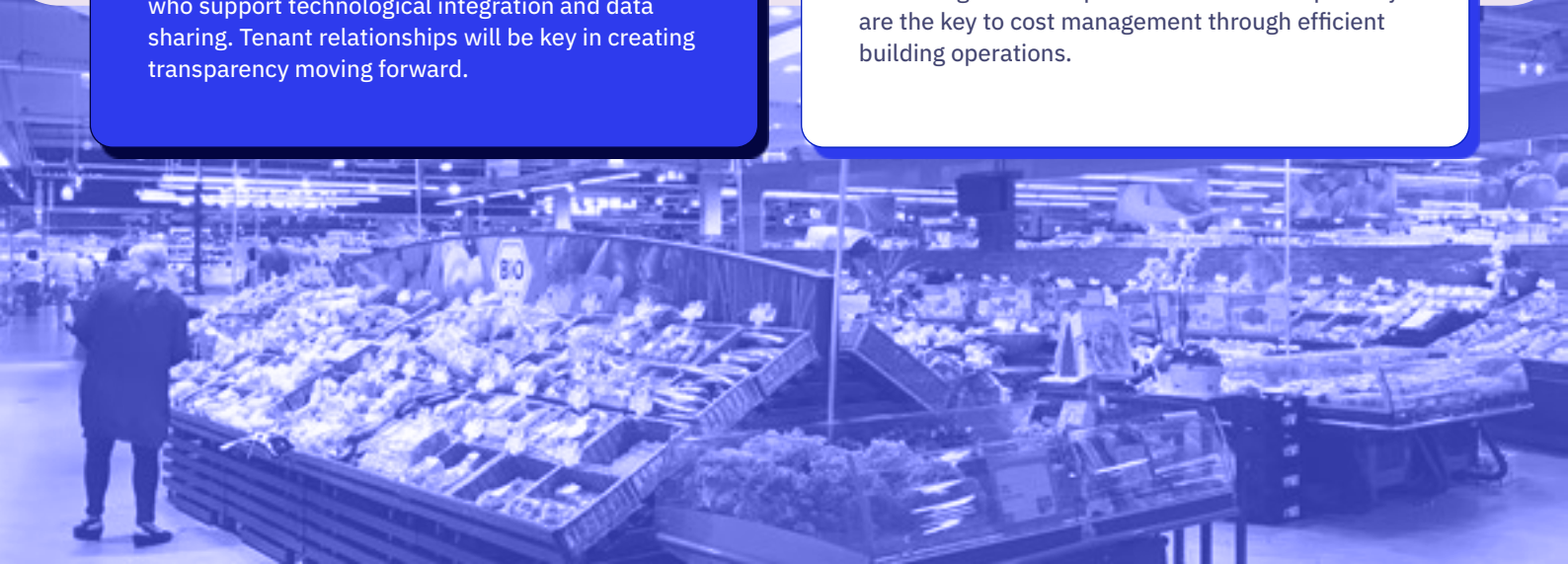
## For Retailers



Strengthen e-commerce capabilities and last-mile delivery partnerships to remain competitive as tech giants enter the grocery market. Don't be afraid to adapt, brick-and-mortar is still preferred.

Focus on cost management in high-OCR markets, through increased technology integration.

Technological development and data transparency are the key to cost management through efficient building operations.





# Conclusion

## Grocery-Anchored Real Estate Outlook

**In a politically and economically uncertain future, one thing is for certain: people will still need to eat.**

The stability in demand will continue to make it a long-term secure investment option for investors, and property managers can increase this by signing long-term contracts ensuring returns.

The biggest challenges in the future will be technological and sustainable development. The key to managing the energy and technological transition will be in managing the tenant and property manager relationship and ensuring more efficient buildings to reduce costs, and additional technology throughout the supply chain to increase retailer profit margins. Data transparency at the property-level through cooperation between the retailer and property manager will be key to the future of the industry.



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