

The effect of the coronavirus on the rental model of the future

Continuous investment in the shop formula and the retail park means Hans Anders Retail Group has been a stable business partner for retail location landlords for almost 40 years. In Vastgoedmarkt, Sanne Oosterhoff - Group Operations Director - talks about how the Hans Anders Retail Group and landlords came up with constructive solutions during the first lockdown, and what effect he believes the crisis will have on the future rental rates model.

How did Hans Anders manage rent payments during corona times?

‘During the first lockdown, we stopped rent payments as did other retailers. Subsequently, we immediately entered into dialogue with all landlords. Our goal was constructive consultation with mutual understanding.’

Our goal during the first lockdown was constructive consultation with landlords and mutual understanding.

— Sanne Oosterhoff, Group Operations Director Hans Anders Retail Group

How constructive were these conversations?

‘It varied. With small and medium-sized private investors, we managed to reach agreements fairly well. In exchange for rent reductions, we opened up contracts and discussed new terms. In case of the smallest investors - say the retired greengrocer who uses the rent to supplement their state pension - our payments continued. The group also included parties who used to own a retail business themselves. They were very good at putting themselves in our shoes. Of their own accord, they said: we get it, just stop the payments for two months.’

Were the discussions with large landlord not constructive?

‘Our experience with larger, international players is different, that’s true. There were instances where we had to renew for five years for one month’s rent reduction. To me, that shows an imbalance. And just when we thought we’d come to an agreement, we would sometimes come across clauses in the new contracts that had not been discussed. For example, a renovation clause that meant we would waive any right to compensation if a shopping centre was overhauled. Tough negotiations are fine, but I prefer clarity and disclosure.’

What was the result of your negotiations on rent payments in corona times?

‘Initially, we extended several contracts by a single month in exchange for a certain discount. But out of confidence in the future, we opened up many rental agreements to renegotiate. We often added a five-year extension with a break option after one or two years. Because we keep in touch with the market and the value of a location. In addition, there is a new leniency clause in the contracts. If any other unforeseen circumstance - like the coronavirus crisis - occurs, we will enter into dialogue constructively but without an obligation to produce results.’

How did the rents you pay develop?

‘They decreased on average 20 to 30 percent for the renegotiated agreements. I am talking about centres in large and medium-sized cities. This reduction is not on the same scale in the neighbourhood retail centres. These are the winners of the coronavirus crisis: proximity counts. This shift is clearly visible in places like Veenendaal. Our sales rose sharply in the smaller neighbourhood retail centre of Ellekoot, but decreased significantly in Corridor, a large regional shopping centre that people would travel 20 minutes to visit prior to the coronavirus crisis.’

What is most notable after 12 months of coronavirus?

‘Despite the support measures from the government, the vacancy rate in shopping streets is becoming visible. This is worrying to me, because a significant proportion of non-food will not return. The coronavirus crisis has set a permanent change in motion. People are no longer going to sit on public transport for 30 minutes to go shopping.’

What is the effect of the drop in visitors on the rental rates Hans Anders is willing to pay?

‘We had already started discussions on rental rates based on footfall, which is now incredibly relevant to us. Hans Anders is considered an essential shop and was therefore open during the second lockdown too. However, 95 percent of city centre visitors stayed away. In locations like that, the shop is open for business in a ghost street. That hurts. Fortunately, we invested in bringing about our own flow of customers. The customer contact centre was expanded considerably, and we introduced new tools that allow us to offer the best possible service to customers through targeted marketing and appointments. These changes bring the imbalance in rental contracts for some of our locations into even sharper focus. We generate and fund our own flow of visitors, but we pay for almost non-existent footfall.’



Opening of Hans Anders in Utrecht Hoog Catherijne, December 2019

Does this appointment model still require you to be in city centre locations?

‘Yes, it does. Eyewear is increasingly becoming a fashion item. So we want to keep seeing those customers who shop for clothes and impulsively end up in our shop for frames to match.’

How does Hans Anders envisage the rental rates model?

‘In a few years, non-food will have more web shops than physical shops. You will have to make an effort to entice people to visit shopping areas. The reward model has to correspond to this. On the Internet, you can pay for the visits generated for your website. We feel it is logical to apply this to our shops as well. Landlords can influence the attractiveness of a shopping area. We want to pay for the results they deliver.’

Was this footfall already the angle of the negotiations about rent reductions during the coronavirus crisis?

‘We have 230 landlords in the Netherlands. I didn’t travel the country during the coronavirus crisis to negotiate the terms with every single one of them. Footfall rents are the topic of conversation with large investors after a term of tenancy expires.’

Hoe wil je de huurprijs bepalen?

‘We no longer want to fix the rent for five years. Once every few years, we discuss the results with the landlord and determine whether the price is in line with the market. As far as we’re concerned, this will not be a race to the bottom. We will not insist every time that there should be a 20 percent reduction. But landlords do have to deliver. The more powerful a centre, the more a property investor will receive.’



Sanne Oosterhoff, Group Operations Director Hans Anders Retail Group

How would you like to measure landlord performance?

‘We are considering having the footfall measured. We already know which proportion of passers-by visits our shops.’

Do you expect landlords to embrace your performance model?

‘It is not a one-way street. We also have something to offer. If we are in the right spot, with a good rent level, we can offer commitment. But it may take some getting used to. We don’t regard the current rental rates as an acquired right for landlords. Due to market development and inflation, shops were becoming a little more expensive all the time. In a healthy market, there should also be a downward margin.’

Distinguishing in optics and hearing care, leading in retail

Hans Anders Retail Group

The Hans Anders Retail Group has been one of the fastest-growing concerns in optics and hearing care in Europe for some time. The retail platform features three retail brands – **Hans Anders**, **eyes + more** and **Direkt Optik** - and aspires to become a market leader in the value-for-money segment in the European markets operated by the group, in a socially responsible way.

Value-for-money

The popular and growing value-for-money market segment distinguishes itself by reaching the optimal combination of value and price. The Hans Anders Retail Group responds with smart retail entrepreneurship; continued value increase for the best pricing in the market at all times. The mission of the group is to make good sight and hearing accessible to all. The Hans Anders Retail Group distinguishes itself from its competition and is a retail market leader. Always growing in an agile and resilient way, even going against dominant retail trends.

The Hans Anders Retail Group was acquired by British investor 3i in January 2017. In 2019, eyes + more was added to the group.