Retail vacancy in the inner city of Groningen:

The value of temporary retail for a future-proof city.

Jorrit Albers (S2378736)
University of Groningen
Bachelorthesis Human Geography and Spatial Planning
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Summary

The increasing retail vacancy in the Netherlands is a growing concern. Developments like: the excess supply of retail floor space, the economic crisis and increased use of internet shopping have led to a vast increase of the vacancy rates. This vacancy has profound negative effects on the attractiveness of the inner city, but also creates an opportunity for new temporary retail concepts, the so called pop-up stores. Despite this new form of temporary retail, retail vacancy rates keep rising and research into the interrelations has to be done.
The interplay of stakeholders on temporary retail and retail vacancy is rather complex and mostly found on a local scale. This research therefore elaborates on the effect of temporary retail on different stakeholders in the city of Groningen. The framework starts with the real estate market as a whole in relation to vacancy and works towards the inner city. This framework is combined with external factors influencing retail vacancy in the context of the city of Groningen.
The Carolieweg was chosen as the case study to research the effects of temporary retail, since a large share of this street was and still is occupied by temporary retailers. Five major stakeholders were identified and interviews have been conducted to collect the data. The temporary retail in the Carolieweg has been of value to all interviewed stakeholders. Temporary retail can not be seen as a long term solution to the vacancy. However, it can definitely serve as a rapid response to the negative effects of vacancy and the temporary retail itself can evolve into (more) permanent use.

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Chapter 1. Introduction

1.1 Background and research problem definition

The Dutch Ministry of Economic Affairs has published a report last year about how all different stakeholders should cope with the changing dynamics in inner cities with regard to retail (Ministry of Economic Affairs, 2015). Some developments like: the excess supply of retail floor area, the economic crisis and increased internet shopping have led to an increase of retail vacancy in the Netherlands (Broekhuis & Rijs, 2014; Detailhandel Nederland, 2013; Raatgever, 2014). Vacant retail properties have profound negative effects on these different stakeholders and they therefore need to work toghether to counter these effects(Raatgever, 2014).
Whereas the problems associated with vacancy that occur with regard to the chaning dynamics are accelerating, the experts are not sure what the magnitude or duration of these problems will be. On top of that, the local character of the different retail real estate markets and the different region or city specific developments cause large differences in vacancy rates throughout the country (CBS & PBL, 2014). With these uncertainties and local differences in mind, it becomes impossible to define a single strategy for intervention.
With the temporary use of retail spaces by pop-up stores, the attractiveness of the inner city increases and the vacancy is less visible. But like the other developments in the retail sector the diversity of stakeholders makes it rather complex to define the advantage or value of temporary use. As Bishop & Williams (2012) have stated, trainings and strategies of urban planners are mainly focused on permanent and long-term interventions, but with the previously mentioned developments in mind, a temporary solution could be implemented rapidly and already start to reverse certain effects.
Literature is inconclusive on this subject so more research is needed in order to understand these changing dynamics. In order to determine whether temporary use of vacant retail spaces is a valuable development, it is important to start with the developments causing vacancy.
Research has to be done locally, looking into region-specific differences in retail vacancy while taking into account the interests of different stakeholders. Therefore I will conduct a study regarding the changing dynamics on the retail real estate market and the implications for temporary retail in the context of the inner city of Groningen. The Carolieweg in Groningen is an excellent study subject to research the changing dynamics, as vacancy rates were 40% at a certain time and is also frequently mentioned as the pop-up street of Groningen.

1.2 Research goal definition and research questions

The goal of this study is to explore the effects of temporary use of vacant retail space on the major stakeholders of the Carolieweg in Groningen. The interests and relationships of these stakeholders will be explored through a stakeholder analysis. In the conclusion the developments in the retail market will be linked to the stakeholder analysis in order to explain the effects of temporary use in Groningen and shall conclude with my expectations of the role of temporary use in the foreseeable future.

The central question of this study is: ***"What are the effects of temporary use of vacant retail spaces in the Carolieweg in Groningen for the respective stakeholders?"***

In order to answer this question, it is neccesary to answer the following subquestions:

1. How did the retail vacancy in Groningen develop over time?
2. Which developments have led to the increasing retail vacancy in the context of the city of Groningen?
3. Which stakeholders can be identified within this context?
4. What is the role of each stakeholder in the increasing retail vacancy?
5. How can temporary use of vacant retail spaces contribute to the interests of each stakeholder?
6. What could be the role of temporary use of retail spaces in the foreseeable future regarding the reduction of retail vacancy?

1.3 Introduction to methodology

Because the interests and advantages of temporary use differ from stakeholder to stakeholder, a single answer to my question can´t be provided from a literature review. Furthermore, retail vacancy, the desirability of temporary use and the alternatives to temporary use is a local affair and therefore not generalizable.
A literature review supplemented with figures on the development of retail vacancy outline a framework for my research. The conducted interviews with the different stakeholders will help to better understand the motivations leading to and the effects afterwards of temporary use. In this way I will try to construct an overview of the changing dynamics of the retail sector and the retail space market, by looking at a local level in which interferences could lead to a future equilibrium in this sector and on this market.

Chapter 2. Theoretical Framework

2.1 The real estate market

> *"Urban real estate markets may be peculiar and idiosyncratic in a number of respects, but they still obey some basic economic principles: the principles of demand and supply"* (Mourouzi-Sivitanidou, 2011).

The real estate market is not a single market but a combination of two distinct market: the asset market and the space market(DiPasquale & Wheaton, 1992). The interconnectedness of these markets has profound effects on each other. To understand the characteristics of these markets and the effects of certain changes on these markets, I will refer to the FDW model which is shown in Figure 1.(DiPasquale & Wheaton, 1992).

The market as described in this study is the space market (SE and NE quadrants), where the demand and supply of the use of real estate space come together. Tenants pay rent in return for the use of the retail space to the owner. On the asset market (NW and SW quadrants) the demand and supply of ownership of real estate properties comes together. The markets seek for an equilibrium by on the one hand adjustments in total stock, by construction and withdrawal of real estate floor space and on the other hand by adjustments in value of real estate and the rents of the use of this real estate. The markets often show a delayed reaction to changing conditions (Buitelaar et al., 2012). Due to the time and requirements of construction, valuation on based on historical values, hesitating owners who cause delayed adjustments in rent and the lack of withdrawal of obsolete properties from the market (Buitelaar, Sorel, Verwest, Van Dongen, & Bregman, 2013; Hughes & Jackson, 2015; Mourouzi-Sivitanidou, 2011).

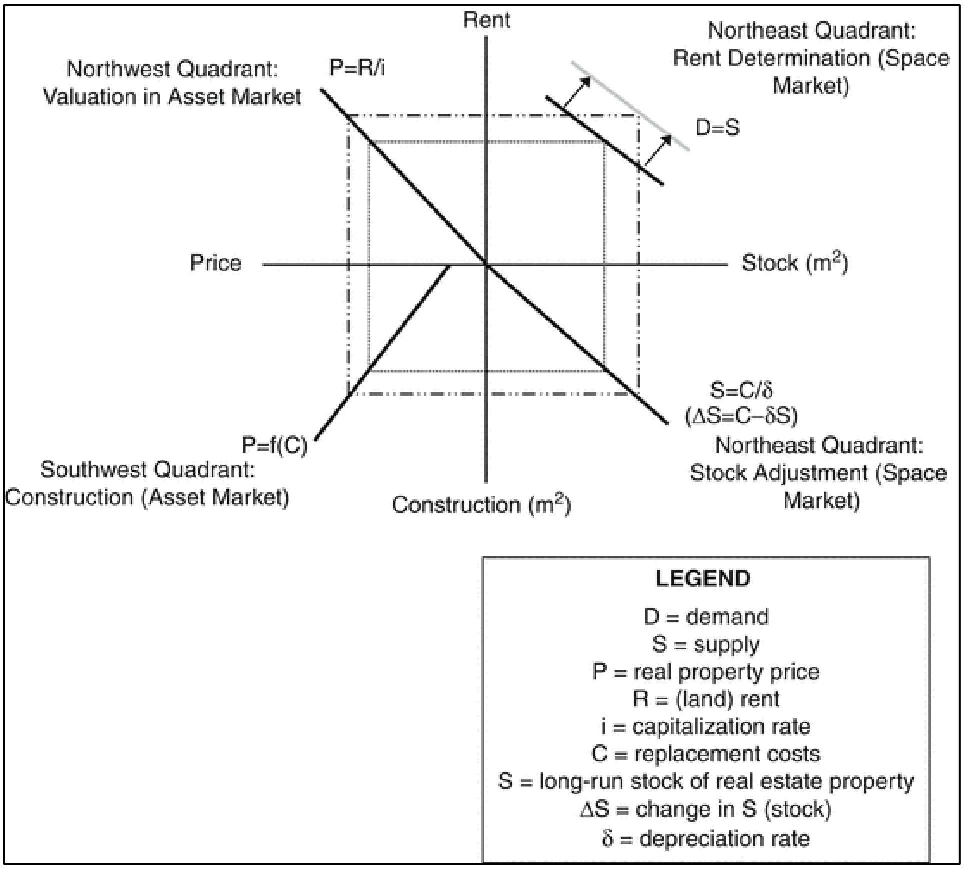

Figure 1. FDW model (Boshoff, 2013)

2.1.1 Vacancy

At this moment the supply and demand on the retail space market is out of balance, with increasing vacancy rates as a result. The retail vacancy is an increasing problem due to the economic crisis, increasing online purchases and a negative revenue development in the whole retail industry. Raatgever (2014) therefore rightly argues that the increasing vacancy rates cannot be seen as an autonomous trend.
A certain level of vacancy is desirable in order to let the market function properly. This so called friction vacancy ranges around 2% and 4% (Raatgever, 2014). This can be explained by the effects of the characteristics of the retail property market. When the demand exceeds the supply of space market rents will increase drastically, due to the delays of the market that are inherent to the construction process and the limited amount of space in the inner city (DiPasquale & Wheaton, 1992).
Nearly all reports on the future of inner city shopping streets stress the importance of withdrawal of retail floor space from badly functioning shopping areas. The Ministry of Economic Affairs (2015), Raatgeveer (2014), the Dutch Council of Shopping Centres (2014) and Droogh et al. (2013) all emphasize the redevelopment of retail space to be fundamental to the recovery of the market equilibrium. In the following chapter, the most important developments for retail real estate and their effects on the market will be mentioned.

2.2 Temporary retail

"They [vacant spaces] are nevertheless not so much a problem as a challenge and a chance. Experimentation, the search for new forms of reanimating and appropriating space is the common thread between numerous temporary projects."
(Senatsverwaltung für Stadtentwicklung Berlin, 2011)

Temporary use can be defined as: "planned from the outset to be impermanent and seek to derive unique qualities from the idea of temporality"(Haydn & Temel, 2006, cited in Colomb, 2012). The two aspects of this definition that are important to emphasize, are ´temporary´ or ´impermanent` and the use of the ´quality of temporality´. The temporary aspect results in the possibility to experiment with the vacant space.
Although "temporary uses […] have existed in the old industrial nations for a long time now" (Oswalt, Overmeyer, & Misselwitz, 2014), research on temporary urbanism is in it's infancy", according to Bishop (2012). Most of the recent thinking about the potential role of temporary activities comes from Berlin, where temporary use of urban space has been embraced by both policymakers, residents and visitors(Bishop & Williams, 2012; Colomb, 2012; Oswalt et al., 2014; Senatsverwaltung für Stadtentwicklung Berlin, 2011). In the Netherlands, contemporary researchers and policymakers are also attracted to the idea of temporary solutions for planning issues (Bergevoet & van Tuijl, 2013; Buitelaar et al., 2012; Kompier, 2009; ProjectManagement Bureau, 2012). Both international and Dutch scholars are emphasizing the problems with traditional permanent focus in planning when unexpected developments occur, like the ones mentioned in the first chapter.
Although most of the academic work and policy papers about temporary use are with regard to area development, and public real estate but also temporary use of retail real estate on a smaller scale is a growing topic of research (Raatgever & Knoester, 2015). The emphasis on time in our thinking of the usage of space, has led to the phenomenon of 'in-between spaces' where experiments can be performed to search for a new more permanent and sustainable usage of current vacant retail properties.

As mentioned earlier, the focus on retaining the power of inner cities is changing more and more to an experience oriented approach. A surprising and distinctive range of of stores is becoming increasingly important. Combined with the still increasing vacancy rates of retail properties in the inner city, temporary retail, also known as *pop-up stores,* could be an answer to the changing customer demands and lead to a 'future-proof city'.
But temporary retail as a sustainable solution for vacancy is a *contradictio in terminis*, where the paradox lies in the words 'temporary' and 'sustainable'. But if this development can not be a sustainable solution, is it desirable in the first place? And for whom?

Nevertheless, research showed that temporary use of space could be a surprisingly effective means in the process of urban development, when regular instruments falter(Bishop & Williams, 2012; Oswalt et al., 2014; Senatsverwaltung für Stadtentwicklung Berlin, 2011; van Tuijl & Bergevoet, 2012). Temporary use of space makes it possible to react rapidly to change, like pop-up stores do in the case of retail vacancy. Bergevoet & Van Tuijl (2013) argue that temporary use is also likely to cause permanent benefits for the area where this occurs and can work as a catalyst for further development. This is in line with the thinking of Oswalt et al. (2014) who emphasize a creative and entrepreneurial new usage of vacant spaces to attract like-minded people and give the place a new identity.

2.2.1 Instruments

Bergevoet & Van Tuijl (2013) provide a couple of instruments which they found to be useful for everyone involved in urban transformation with regard to real estate vacancy.
Their focus is on what they call 'local process-oriented flexibility´, which is their way of strategic development. The three most suitable instruments which they describe, regarding inner city retail vacancy, are: 'acting locally', 'matchmaking' and 'placemaking'. I will describe the essence of these instruments and link them to other literature and reports.

Acting locally
Acting locally is defined as the employing of local energy with the redevelopment of an area. They stress the importance of the interests of the actors that are already present in the area. In contrast to constructing new properties in expanding area's, already built environment asks for an attunement with the local community because they often know better what is going on locally and have direct interests in the outcome of certain developments. Therefore the local community initiates problem solving with regard to the local needs.

Matchmaking
Matchmaking is about bringing together the space seekers and providers in order to achieve new ways of the usage of space. Raatgever & Knoester (2015) also emphasize this instrument directly as the most effective way to tackle retail vacancy in the Dutch context. Since real estate vacancy is a discrepancy in the supply and demand with an excess supply, an active search for new ´space seekers´ is required. Where the traditional providers of real estate are unable to identify the new possibilities in the current market on the local level, a matchmaker tries to mobilize new temporary tenants who could add value to the identity and popularity of an area.

Especially in line with the current trends in the Dutch retail, where a surprising and distinctive range of stores and experience are crucial for the right to exist for a shopping area, temporary retail with contemporary and surprising retail concepts could boost the fringe areas of the main shopping streets where vacancy rates are often the highest. Raatgever en Knoester (2015) descibe a succesful matchmaker as: "passionate about (creative) entrepreneurship and love for their city […] who speak the language of entrepreneurs, estate agents and municipality […]". After their expert sessions with retail experts from all over the Netherlands, they have used the approach of the matchmaker of Groningen as an example of a well functioning system in the context of temporary retail.

Placemaking

The creation of a new momentum for a place with a bad reputation can tempt new users to settle. When places become unattractive by increasing vacancy rates, temporary enhanced conditions can generate decisive positive impulses to an area,which is confirmed by the research of Oswalt et al. (2014). The temporary use can determine the 'programmatic profiling' of the location, as it was the case in Munich with Kunstpark Ost (Oswalt et al., 2014) or in Blijburg Amsterdam (Bergevoet & van Tuijl, 2013). Permanent positive effects on the identity of the place can be triggered by the temporary use in the area. Badly functioning shopping streets can benefit from the settling of new temporary retail concepts that are able to bring new target groups of shoppers to the area. The ultimate impact of these placemaking transformations will often lead to an increasing popularity of a location, which can cause the attraction of investors with a more permanent or more profitable use who consequently force the temporary users out(Balicka, 2013).

2.2.2 JOP Groningen

JOP, short for Jonge Ondernemers Platform, is the organization that matches vacant retail spaces with new temporary retailing concepts. Due to the enormous gap between supply and demand on the retail real estate market in Groningen, real estate brokers and owners were looking for possibilities to at least camouflage the increasing retail vacancy. Vacancy leads to less attractive shopping streets and therefore causes a downward spiral of decay. The philosophy of JOP was to remove the barrier of the high rental level for new entrepreneurs by allowing them to pay 10% of the market rent. The retailers payed very low rents, in return their period of notice was just two weeks. JOP screened if the new entrepreneurs matched the desired image for the city, in order to increase the attractiveness of the shopping areas. By withholding remnant focused stores who just want to make use of the low rents for a short period of time, JOP tries to assure that all new retailers were passionate about their products and that their product range would be interesting and specialized for a niche target market. She is convinced that this would be of added value to the traditional retailers and according to the interviewed real estate broker, the owners would agree.

2.3 Trends and developments

The Netherlands has over 30 million square meters of retail floor space. Over the past decade the added amount of retail floor space still exceeds the absorbed amount.While the vacancy rates and duration are increasing fast, more retail floor space is added (CBS & PBL, 2014). This eventually leads to more vacant retail properties due to the excess supply. Developments in economy, society and consumer spending ask for structural changes for all stakeholders concerning shops and shopping streets. Several reports have been published over the last years about the rapidly changing retailmarket (Detailhandel Nederland, 2013; Ministry of Economic Affairs, 2015; Nederlandse Raad Van Winkelcentra, 2014; Raatgever, 2014). The rate at which the reports are being published indicates the rate at which the developments occur. Since the increasing retail vacancy rates in inner cities are one of the most visible effects for consumers, this needs to be counteracted. These vacancy rates lead to less attractive shopping areas and are therefore problematic for municipalities, shop owners, real estate owners and shoppers.

2.3.1 Economic developments

> *"Europe is in a state of crisis. Since the ominous fall of the Lehman Brothers bank in autumn 2008, the catastrophes in Europe have been increasing in magnitude and frequency. The bank crisis, the debt crisis, the euro crisis, the real-estate crisis – all of these have left scars on our Continent. What makes these crises so disquieting is that tried and trusted remedies from the recent past now bring no relief."*(van Tuijl & Bergevoet, 2012).

A large number of bankruptcies in the retail sector are caused by these economic crises. All retail sectors, except for the retail food sector, are affected by the negative revenue development (Ministry of Economic Affairs, 2015). The falling purchasing power and decreasing consumer confidence are the primary cause for this development (Nederlandse Raad Van Winkelcentra, 2014). The demand for retail space has always rose when the economy grew as well over the last decades. Investments in retail real estate and the level of rent have been established at a time when the economy grew each year. Over the last decade, retail real estate proved to be a stable investment and have been delivering high returns. Which also led to a stronger demand for new real estate which caused a very low incentive to withdraw badly functioning properties from the market (Buitelaar et al., 2013). This system of real estate development caused an excess supply of retail properties. This excess supply, lack of withdrawal and negative revenue development caused the market rents to remain artificially high for the current state of the market.

2.3.2 Consumer behavior

The changing consumer behavior that have had an impact on the retail vacancy are described in the following paragraphs.

2.3.2.1 Online shopping

Since the introduction of the Dutch online payment method iDeal in 2005, the growth of online shopping in the Netherlands has rapidly increased. The safe and trustworthy payment method has caused online shopping to become an important addition to physical stores(Ministry of Economic Affairs, 2015). Although the annual growth in sales on the internet has decreased, online sales of goods and services are still increasing. There are already some retail industries where the revenue is higher online than in physical stores (Moers, 2015; Raatgever, 2014).
Especially the importance of online price transparency is pressuring the prices in the physical retail industry. They now have to compete with web shops or brands that are selling directly to customers (Detailhandel Nederland, 2013).

Ultimately, the amount of physical stores will diminish rather than increase the coming years, where the influence of internetshopping is becoming more noticeable (Broekhuis Rijs Advisering, 2015).

2.3.2.2 Recreational shopping

The decrease of leisure time and the increasing amount of leisure activities causes a more volatile and capital-intensive, and plan effective leisure time. Leisure time becomes more valuable whereby the expectations of leisure time increase. Therefore consumers use more criteria to evaluate this time and have led to a decrease in recreational shopping as a leisure activity (Nederlandse Raad Van Winkelcentra, 2011).
But while recreational shopping as an activity is on the decline, the requirements for the shopping areas increase. "The combination of retail, the unique character of the city, supporting hospitality industry and the cultural elements present determine the quality of the inner city as a recreational area", mentions Broekhuis (2015) as a development in the retail industry. Also Raatgever (2014) emphasizes the importance of the distinctive character of stores and supporting hospitality industry for a longer length of stay. The right balance between retail and hospitality has to be found in order to maintain an attractive inner city.

2.3.3 Industry developments

Besides the economic developments and changing consumer behavior, developments within the retail industry also have a profound effect on the retail landscape. These tendencies affect the demand for retail real estate and the variety of stores in the inner city. The most substantial developments are explained in the next paragraphs.

2.3.3.1 Increasing scale

Over the past decade the total amount of retail floor space in the Netherlands has increased by a quarter to 27.3 milion square meters. Beside this increase of floor space, the amount of stores has decreased causing an increase of the average floor space with a quarter as well (Droogh, Frielink, & Vlek, 2011). Several causes are responsible for the increase of scale in the retail sector, which are all directly linked to the competitiveness of stores. The demand of the consumer for a more complete product range increases, regardless of the retail sector (Broekhuis Rijs Advisering, 2015).

2.3.3.2 Blurring retail sectors

The distinction between retail sectors is blurring because retail formats not only deepen their product range but are also broadening. Supermarkets selling electronics, fashion stores selling interior accessories and hardware stores and garden centres that converge more and more in terms of product range. This increasing product range increases the demands for bigger stores and raises competition between various retail sectors (Broekhuis Rijs Advisering, 2015; Mein & Van Aarle, 2011; Ministry of Economic Affairs, 2015; Nederlandse Raad Van Winkelcentra, 2014; Raatgever, 2014).

2.3.3.3 Retail chains

The share of retail chains has grown rapidly over the past decade. In cities with populations over 100,000, the share of retail chains in main shopping streets rose to almost 80 percent (Raatgever, 2014). International fashion chains like Primark require over 3000 square meters of retail floor space and have a difficult time when looking for locations in the inner city (Moers, 2015). Due to this increasing share of retail chains the required amount of retail floor space has risen. This leads to a qualitative mismatch between the demand for bigger stores and the supply of available smaller stores in inner city (E&E Advies, 2014).

2.3.4. Effects on the inner city

The increasing share of retail chains and increasing scale has a visible effect on the inner city. Retail formulas who can afford the inner city rents demand bigger floor spaces than those currently available on the market. The vacant retail spaces are more often smaller than the retail spaces in use (Buitelaar et al., 2013). More than 85% of the vacant retail spaces in Groningen are retail spaces up to 500 square meters (E&E Advies, 2014). The differences in vacancy rates between main shopping streets and adjacent shopping streets are significant (Raatgever, 2014).

The power of the inner city lies in the ample supply of stores with a surprising and distinct product range and a focus on ´experience oriented´ shopping (Droogh et al., 2011). Retail vacancy contributes negatively to the experience of the inner city and therefore makes it less attractive for shoppers. This decreasing attractiveness causes a negative spiral, leading to ever inreasing retail vacancy.

The government and involved market players have the shared responsibility to withdraw badly functioning retail spaces (Nederlandse Raad Van Winkelcentra, 2014).

Nearly all reports on the future of inner city shopping streets stress the importance of withdrawal of retail floor space from bad functioning shopping areas. The Ministry of Economic Affairs (2015), Raatgeveer (2014), the Dutch Council of Shopping Centres (2014) and Droogh et al. (2013) all emphasize the redevelopment of retail space to be fundamental to the recovery of the market equilibrium.

2.4 Conceptual model

The conceptual model (Fig. 2) show that decreased consumer spending in physical stores, has led to more bankruptcies and less demand for retail floor space. This decreased consumer spending is mainly caused by the economic downturn, but is enhanced by increased online shopping, where physical stores are substituted by online retailers and a decline in recreational shopping.
The developments in the retail industry and the demand for supporting facilities in shopping areas, has caused an demand for bigger stores. Blurring retail sectors with a broader product range, a mix of retail and hospitality 'under one roof' and retail chains demand bigger stores that are currently available.
The total demand for retail floor space is decreasing and the still existing demand is focused on bigger stores that are not available. In the current situation with an excess supply, these developments can be considered rather harmful.

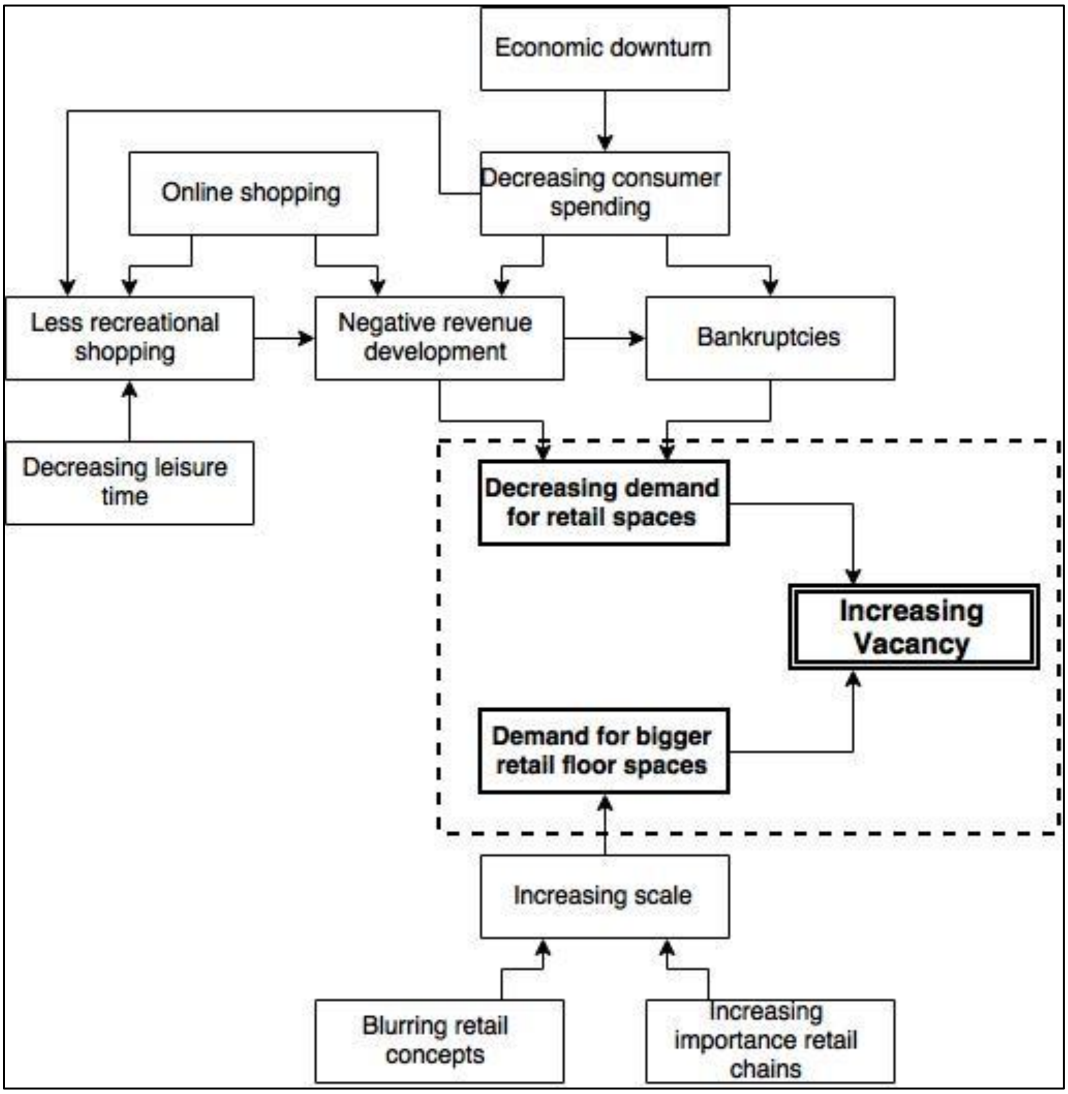

Figure 2. **Conceptual model**.

Chapter 3. Case study area: the inner city of Groningen

Since this research covers the changing dynamics in the inner city of Groningen, an overview of the specific characteristics of the inner city shopping area is needed in order to comprehend the context of this research.
One of the most important characteristics of the inner city of Groningen is its strong supraregional function (Mein & Van Aarle, 2011). More than half of the 31 million visitors are from outside the city. This proportion of the visitors amounts to almost 60% of the total spendings in the inner city. This supraregional function is also visible in the total and average retail floor space of the municipality when compared to similar sized cities in the Netherlands. Due to the lack of competition of nearby cities, the total amount of retail floor space and the average retail floor space is considerably higher than in comparable cities. The inner city on the other hand is quite comparable to similar cities (Mein & Van Aarle, 2011).
Groningen is the only city in the northern provinces where a population increase of over 10% is predicted for the next few decades (Planbureau voor de Leefomgeving, 2015). This increasing and relatively young population has a profound positive effect on the future desirability of the shopping facilities in Groningen (Mein & Van Aarle, 2011; Raatgever, 2014).

As shown in Figure 3, the inner city shopping area is roughly located around the north, west and south axes from the main squares (Grote markt & Vismarkt). The main shopping street, the Herestraat, is situated south from the Grote markt. The second most important shopping streets are also in the area south of the Grote Markt, where the Carolieweg is also located.

The current retail vacancy rate in the inner city is over 13% (E&E Advies, 2014). Where the biggest share of vacant retail properties are located on the northern and the western axes of the shopping area. Besides these, the vacancy rates in the streets towards and surrounding the main shopping street are the most significant(Municipality of Groningen, 2010).

Carolieweg

The Carolieweg the subject of the case study of this study connects the main shopping street, the Herestraat, with a formerly very important shopping street, the Oosterstraat. In a report from the Municipality as well as in one of the conducted interviews the problem was mentioned that the Carolieweg is not a ´tempting´ route for visitors of the Herestraat (Municipality of Groningen, 2010). The busses and taxis in the Oosterstraat have caused a decay in retail in the Oosterstraat and thereby made the Carolieweg a superfluous walking route. The real estate broker that was interviewed for this study, mentioned a moment in 2011 when about 40% of the Carolieweg was vacant.
When a retail area needs to attract new retailers, it first needs to attract more visitors in order to make it tempting for retailers. But without any retailers, visitornumbers will remain low. Therefore the experiment to accommodate seven different temporary retailing concepts under the conditions of JOP at the same time in the Carolieweg was carried out. The combination of a large amount of retail vacancy and temporary retailers makes the Carolieweg most suitable for this study.

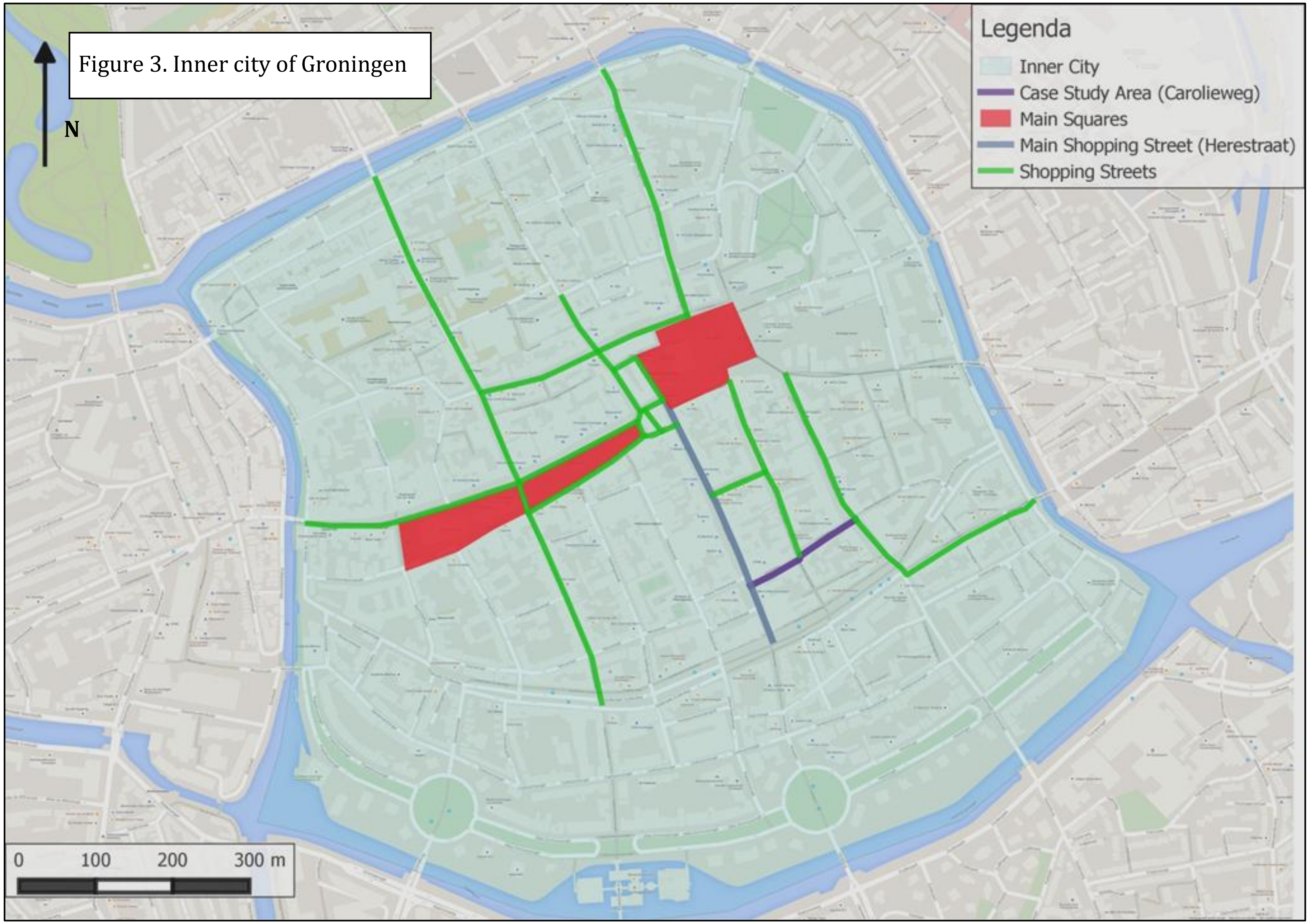

Figure 3. Inner city of Groningen

Chapter 4. Stakeholders involved in shopping area's

Raatgever (2014) argues, that "the societal and political meanings of shopping area's leads to a high urgency to vitalize those area's". On top of that, the diversity of stakeholders makes intervening in shopping area's a challenging task. When we take a look at the stakeholders who took part in the creation of the policy document ´Retail agenda´, which was initiated by the Ministry of Economic Affairs (2015), the complexity and diversity of the interplay of actors becomes clear. But when we place these stakeholders in the context of this study with regard to the dynamics of the inner city of Groningen and temporary use of retail space, we can distinguish five major interest groups; real estate owners, entrepreneurs, consumers, the municipality and a matchmaker.
The real estate owners are on the supply side of the retail property market, the entrepreneurs on the demand side of this market, the consumers who determine the existence of the entrepreneurs, the municipality which can influence the market with their institutional powers and the matchmaker who functions as the missing link between supply and demand.
As we have seen in the previous chapters the increasing vacancy rates are not an autonomous trend, but mainly a concurrence of a whole range of intertwined developments. The combination of a broad range of stakeholders and intertwined developments leading to increasing retail vacancy makes it even more difficult to develop targeted solutions. Therefore, an insight in the interests of these five major stakeholders provides a solid base for my further research.

Real estate owners

The role of the real estate owners is to make sure that their portfolio matches the current and future demand of the market. Since retail vacancy is the result of the mismatch between demand and supply of retail real estate, real estate owners play an important role in the solution of this problem. As described above, the direct impact of vacancy affects both the owner and nearby owners. They have to determine whether they invest in their property (to improve their asset), adjust their rents (which lowers their return) or in any other way ensure a better match with the demand

Entrepreneurs/shop owners

Whereas the excess supply of retail real estate keeps increasing, the consumer demands have changed just as quickly. On the one hand, entrepreneurs can benefit from their more favorable position in the retail market, but on the other hand they have to work harder to reach the desired consumers. I would therefore argue that current entrepreneurs are more likely to be disadvantaged by these changing dynamics because of the former market rents they have to pay with regard to their fixed contracts which do not fit the current market. And on top of that, adapting towards a more contemporary retail concept may be harder from an existing situation than if you start ´from scratch´.

Consumers

The consumers do not directly influence the market, but do have a profound effect on the demand side of the market. The consumer developments mentioned earlier define the demand for physical stores. The increasing influence of online shopping, the decreased consumer spending and the tendency towards the demand for ´experience-oriented' shopping areas have led to a disruption of the traditional role of physical stores.

Municipality

The municipality represents the public interests of the city. In the case of inner city retail management, the municipality has the ability to adjust its policies when changing market conditions emerge. To maintain he supraregional function of the inner city, the attractiveness and quality of shopping and recreational facilities is of major importance (Mein & Van Aarle, 2011). Therefore, rising vacancy rates are directly affecting the goals of the municipality while they possess the authority to counter this development. They have the power to facilitate a favorable business climate, can improve the public space and have the sole right to adjust zoning plans.

Matchmaker

The importance of a matchmaker for the successful use of temporary retail is emphasized by Bergevoet & Van Tuijl (2013) and Raatgever (2014). Their goal is to match an innovative retail concept with a fitting vacant space. Whereas a real estate broker normally functions as the link between supply and demand on the retail property market, a matchmaker is less concerned with meeting the demands of the owner, and more interested in helping new entrepreneurs to facilitate an affordable space.

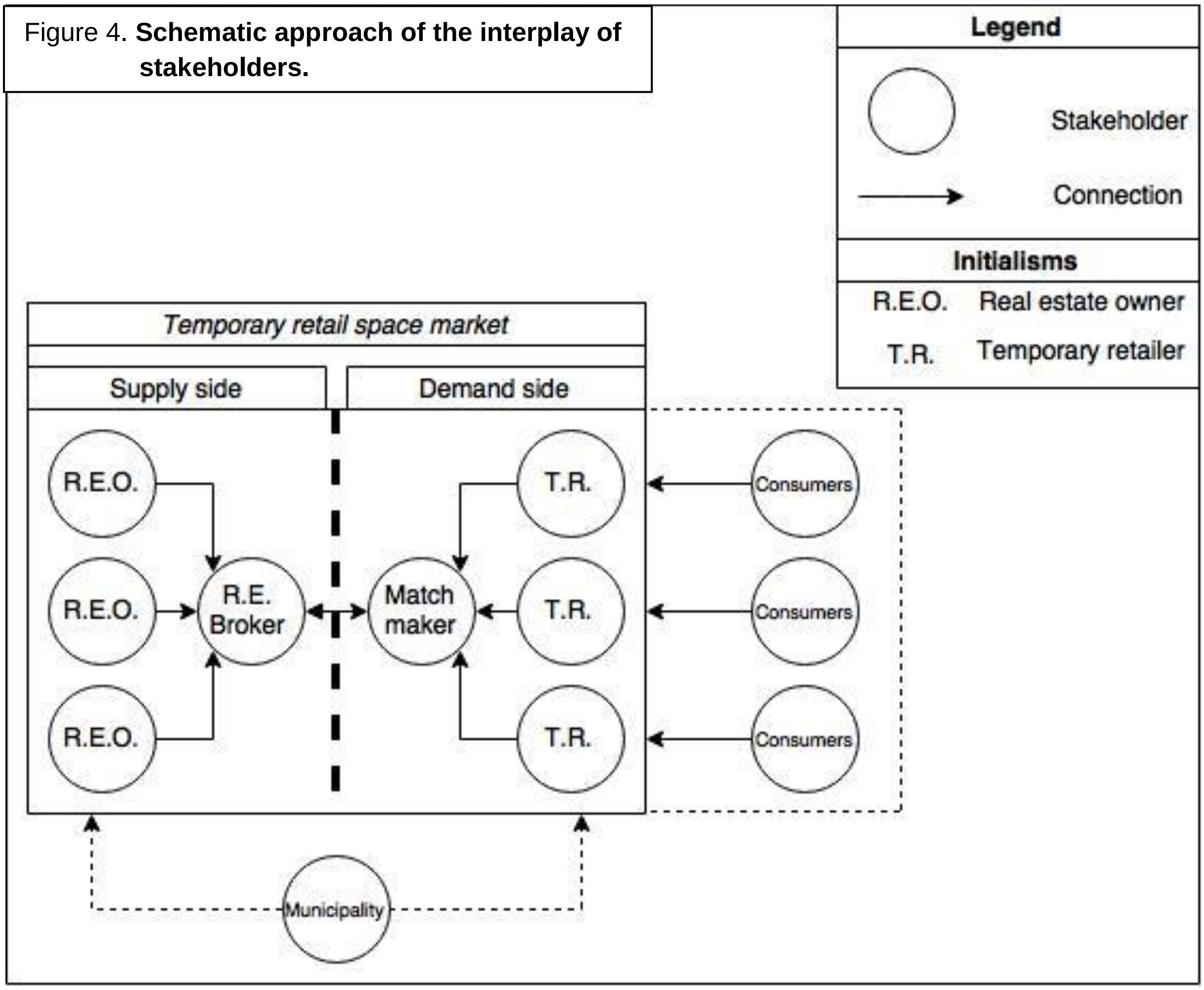

Figure 4. **Schematic approach of the interplay of stakeholders.**

Chapter 5. Methodology

In order to research the effects and future possibilities for temporary retail in the inner city of Groningen, I chose to conduct interviews with the stakeholders involved with the Carolieweg. With the local character of the retail real estate market, the problems concerning retail vacancy and the scale of this research taken into account, interviewing local stakeholders is a necessary addition to the theoretical framework. The interplay of the diverse group of stakeholders asks for a holistic and in-depth approach and therefore a case study would be the most ideal methodology (Tellis, 1997). Given the specific and qualitative nature of my research and the importance of the interests and considerations on a micro level, conducting interviews as the method of data collection would be regarded as the most insightful manner (Yin, 1994 cited in: Tellis, 1997).
"Fashioning effective leadership and governance of policy domains becomes in large part the effective management of stakeholder relationships" (Heclo, 1978; Aldrich and Whetten, 1981; Feldman and Khademian, 2002; Radin, 2002 cited in Bryson, 2004). Bryson (2004) therefore argues that a stakeholder analysis as a means for identifying and visualizing conflicting interests from different groups is highly effective. He mentions several stakeholder analysis techniques, which are mostly derived on the 'power versus interest grid' (Eden & Ackermann, 1998 cited in Bryson, 2004). But the powers and interests of the stakeholders have to be compared to a certain phenomenon, like 'the market of temporary use of retail properties' or 'the retail real estate market as a whole'. I will therefore combine the information on the powers and interests from the interviews with the stakeholders on such a 'power versus interest grid' over time and will make use of diagrams to explain the changing dynamics on the retail real estate market in Groningen. These diagrams will also help me to give a better insight into the possible role of temporary retail in the foreseeable future.

I will explain my choice of respondents with regard to the distinguished stakeholders in chapter 4. I have chosen to leave the consumers out as a stakeholder as they do not actively influence the retail real estate market, but only indirectly influence the behavior of the entrepreneurs. I preferred the opinion of an external advisor instead, to provide further insight into the retail real estate market.

Real estate owners

In the Carolieweg there is a variety of real estate owners, what they have in common is that they all share the same real estate broker. Therefore, I conducted an interview with one of the owners of this real estate agency to get the information about the range of owners in this street. This broker also drew up all contracts between the temporary users and the real estate owners and could therefore explain the interplay of all stakeholders.

Entrepreneurs

There are several temporary users of vacant real estate spaces in the Carolieweg. Some of them have settled in other vacant retail properties before the Carolieweg or are currently renting directly from the owner, without the interference of JOP like they did before. The owner of one of those temporary retail concepts has experienced the whole lifecycle of a temporary user: from vacancy, to temporary use, to reletting for market rent.

Municipality

Given the importance of the attractiveness of the inner city for the municipality and the means of the municipality to adjust to the changing market dynamics, I have chosen to interview an urban advisor from the department of Economic Affairs. He explained the role of the municipality in the reduction of retail vacancy and gave his opinion on the possible future role of temporary retail in Groningen.

Matchmaker

I interviewed the founder of JOP, the matchmaker of retail real estate of Groningen, since the role of the matchmaker in a properly functioning system of temporary retail is emphasized in the literature. She has successfully mediated between several temporary initiatives and real estate owners of vacant retail spaces in the inner city of Groningen. Her opinion on the interplay between stakeholders and the added value of temporary retail to the inner city was very useful for this study.

Retail consultant

Since all other respondents actively take part in the system of temporary retail, I argued that an expert opinion from outside could provide an interesting point of view, regardless of its own interests. I have conducted an interview with an experienced consultancy firm in the area of retail planning, spatial economic policies and commercial real estate vision development. They operate throughout the Netherlands and were able to provide interesting insights in city bound developments and discrepancies in the light of the retail market.

5.1 Research ethics

Given the sometimes conflicting interests and interdependant relationships between the respondents, each respondent was given the choice to participate anonymously. One respondent did not grant permission to record the interview, so that afterwards no incriminating quotes would have been recorded if there would be a slip of the tongue.
Another respondent preferred to stay anonymous due to the intertwined relationship with other stakeholders. Therefore I have chosen to allow all my respondents to remain anonymous and keep the recordings and notes available on request only for my thesis supervisor and assessor.

5.2 Reflection on the collected data.

For the purpose of this research, I have interviewed enough respondents to gather the information needed to complete my research. I found the interviews immensely useful to gain more insight into the retail real estate market in Groningen. The answers given by the respondents were a valuable addition to the reports and literature about this subject. Furthermore the specific conditions of my research in the context of Groningen are available in these written sources.
On the other hand there are a lot of additional possible respondents thinkable and therefore this study is far from complete. More temporary users of vacant spaces, the actual real estate owners, other shops in the Carolieweg, retailing associations, consumers and numerous other potential respondents have not been taken into account.
Three of my interviews have not been recorded due to several reasons. One respondent did not grant permission, another interview has not been recorded due to ambient noises and a third interview conducted by phone was not recordable at all. Although I elaborated these interviews shortly after I have conducted them, some details have been lost. If I would conduct a future research, this will be taken into account.

Chapter 6: Results

After the conducted interviews a few findings could be identified. These findings are categorized in the next three paragraphs and will be concluded with some recommendations in the conclusion.

Retail vacancy in the Carolieweg

The vast share of vacant retail properties in the Carolieweg is not an autonomous development. The interplay between the position of the Carolieweg in the shopping area of Groningen and the developments that affected almost all shopping streets in Groningen have led to the attractiveness of the Carolieweg. The interviewed retailer emphasized an overall declining number of visitors to the shopping streets of Groningen. He stated that in contrast to a decade ago, less and less consumers visit the shopping streets. Which is in line with the reports on decreasing recreational shopping in the Netherlands. He also rightly concluded, that an economic downturn can be cyclical and therefore be overcome in time, but a development like internet shopping will never go away and will only become more important and voluminous.
In the case of the Carolieweg, the external retail consultant made it clear that this vacancy started with the declining importance of the Oosterstraat as a shopping street, due to the busses and taxis. The U-shaped route from the main shopping street Herestraat to the Oosterstraat trough the Carolieweg does not exist as it has before. The size of the current properties and the lack of visitors do not match the needs of the retail chains which have an existing demand for new retail floor space in Groningen. In short, declining visitor numbers and the property sizes have led to a decrease in demand for the retail spaces in the Carolieweg and have therefore led to increasing vacancy rates.

Occurrence of temporary retail in Groningen

Temporary retail in Groningen as we know from JOP did not exist before. But the gap between supply and demand became critical for more shopping streets in Groningen. According to the real estate broker they were already trying to find new tenants for all the vacant shops, but could not manage to reach new retailers. The broker agency and JOP have worked closely together to match owners and entrepreneurs who would settle in the stores. All respondents concluded that the success of JOP was due both to the efforts of JOP to bring all parties toghether and the alarming excess supply in the market. The rent levels simply do not match the current market anymore, but the 10% charged to temporary users by JOP is often not even enough to cover the overhead. Under normal market conditions, no real estate owner or investor would allowed tenants to pay such low rents.
In a broader perspective, temporary retail as a rapid reaction to the increasing vacancy rates can be an effective means to stop or slow the declining attractiveness of the inner city. Therefore a city needs a committed matchmaker and benevolent real estate brokers and owners. If the broker is committed and possesses a strong network of new retailers, a matchmaker is not even necessary.

Effects of temporary retail in Groningen

The municipality, real estate owners and brokers all benefit from maintaining or increasing attractiveness of the shopping streets by the temporary retailers, but with the rents charged by JOP it was not profitable. The broker who would normally get a share of the rent for their services would now get next to nothing, but still has the same amount of work and duties to perform for a transaction. Also the owners who agreed on this temporary solution concluded that this situation was untenable.
The lesson that they have learned was that a demand for smaller retailing objects still existed, but that starting and smaller retailers were not able or willing to take the risk of opening a store with the high rents. After a while a lot of owners have renegotiated the terms of the contract directly with their tenants and have adjusted the level of rent. Flexible constructions with revenue based rental levels, periodically increasing rents with a low initial rent and even fixed contracts with rent levels around half the market rent of 2008. The flexibility of the temporary retail has inspired the conservative real estate market to approach new retailers with more flexibility as well. And more importantly, new retailers had been given the opportunity to experiment with a store in a space that was not in use. When the barriers to start a new company are lower, new retailers are more likely to try. Also the municipal advisor that emphasized that the municipality is easing regulations and are stimulating both individual entrepreneurs and entrepreneurial collectives.
When asked how the respondents would perceive the future with regard to the current stock of retail real estate one contrasting view was rather interesting. The municipal advisor expected that within a reasonable period of time, almost all retail properties would be rented again, whereas the external retail consultant emphasized the importance of (partial) rezoning of badly functioning shopping streets.

Conclusion

Overall we can conclude that the temporary retail in Groningen, initiated by JOP has shown to be valuable for all considered stakeholders. The increase in temporary retail due to JOP has had profound effects on the current approach of the real estate market and the municipality towards new retailing concepts. It looks like the role of JOP has been taken back by the real estate market. When higher levels of rent were demanded by owners on the one hand and temporary retailers were able to pay higher rents on the other hand, the function of JOP became less significant. Retailers, who had the opportunity to see if their business was viable, could now assess the risk of the costs of owning a shop much better. More flexibility and stimulating demand for retail floor space seems to be the solution as provided by the market. But as we have seen in the current changes in consumer behavior, economy and the importance of the internet, the demand is not the biggest problem. In order to restore the balance, the excess supply should be reduced as well. When the developments seem to show that the demand for physical stores by consumers is declining, but the amount of retail floor space has been increasing for the last decade, lower rents and flexible contract are not a solution at all.
Transformation of a share of the current stock to other functions would be beneficial for all stakeholders. When the amount of retail space decreases the rent levels can restore to a level which is more in line with the initial expected returns.

The often given argument against rezoning is the devaluation of the property due to lower returns when rented as residential for example. But as retail properties are already rented out for a much lower rent than initially expected, maybe rezoning would be more beneficial after all. I would recommend a new feasibility study on weaker shopping streets conducted by the municipality or province in collaboration with the real estate market. This could lead to a more sustainable solution to the retail vacancy problem and a stronger inner city shopping area.

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