Boulevard Berlin in Germany

GERMANY, AUSTRIA AND BENELUX

Structural change influences markets

Stable growth and new development are helping the German, Austrian and Benelux markets to expand. But more structural change is afoot, writes Liz Morrell

ACROSS Germany, Austria and the Benelux region, the market continues to evolve.

In Germany, the economy is in a more positive state than in some of its neighbours, which is allowing for potential development, since the market remains undersupplied in terms of retail schemes. However, German consumers remain cautious, according to Frederic Fontaine, chief development officer at developer Corio, the Dutch-based business currently merging with France's Klepierre. "The average spending per consumer [in Germany] is a lot lower than in the rest of Europe," he says. "Germans are focusing on value. We could be expecting a real boom in spending, but that's not the case. Germany is doing reasonably well, but it's not booming," he says.

And yet retailers are still investing in the country. "There's a strong appetite for Germany from both retailers and investors, with total investment volumes up 20% compared to last year," says a spokeswoman for Redevco.

Corio, which entered the German market in 2010, will complete a €50m refurbishment project at the end of the year for its 65,000 sq m Centrum Gallerie Dresden, which has involved internal restructuring and circulation changes. The scheme will feature the first Primark in the former East Germany, as well as lettings to others including Superdry, Adidas and Bershka. The remodelling of Corio's Boulevard Berlin centre to introduce a food basement and a Kaisers supermarket is due to complete mid-2015.

At ECE Projektmanagement, Klaus Striebich, managing director, leasing says the mix is changing in Germany, with retailers remodelling, fashion brands going standalone and food becoming more important. "The share of gastronomy is rising from about 5% to more than 10% in some centres, as this is something the customers embrace and that is a distinction from online," he says.

ECE's centres continue to attract firsts to Germany — most recently in the shape of Uniqlo, Pull & Bear, Forever 21 and JD Sports. The company has also announced a new development project in the southern German town of Singen near Konstanz, which will see a 16,000 sq m shopping centre open in 2017.

For German-based footwear retailer Deichmann, further expansion projects have been scheduled. In Germany alone, the company expects to have opened 63

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new branches by the end of 2014. Worldwide, the company expects to have opened 150 new stores, taking its total to over 3,500 outlets in 23 countries, with Russia identified as a key market for growth.

In Austria, low unemployment and positive GDP growth is stimulating spending and has attracted international retailers such as Superdry and Hunkemoller. Miu Miu, Yves St Laurent, Primark, Desigual and Bershka have also debuted in Austria, with Massimo Dutti, Alexander McQueen and Prada coming soon.

Philip Mountford, CEO of lingerie specialist Hunkemoller says that his company has decided to focus growth on core Western European markets, after establishing itself in the Benelux.

Germany, the Netherlands, Austria and Scandinavia are targets for growth and Mountford says: "Choosing markets where we can achieve domination has proven crucial to our success. We require that critical mass."

"It is anticipated that the increased investor interest [also by international investors] will continue in the second half of the year. The investment total achieved in the previous year should be surpassed significantly," according to Redevco. However, with the availability of new space is scarce — Vienna's Golden Quarter luxury shopping centre, new Central Station shopping centre, and the extension of the Auhofcenter being the only significant projects in the pipeline for this year — the fight for space is competitive and the centres are already fully leased.

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THE BENELUX

In the Benelux, the retail market is recovering from the economic crisis. However, it is also struggling with new consumer behaviour and emerging retail forms, such as e-commerce, according to Pauline Neerman, editor in chief of RetailDetail. "Retailers who are able to adapt their strategies and make intelligent use of the new social media, e-commerce and mobile channels are showing signs of renewed growth," she says. "But those who aren't able to adapt keep losing market share and sales volumes and have a future that looks grim."

Nevertheless, interesting things are happening. In Belgium, retail warehouses and prime shopping centres are the preferred destinations, since they are being leased more easily than high-street locations. "Many of these peripheral sites have also seen an upgrading in terms of architecture and brands. More and more high street names like H&M can now be found in a retail-park environment," says the Redevco spokeswoman.

In Brussels, the beginning of construction this year of the Docks Bruxsel shopping district development, due to open in 2016, is encouraging, while two other projects — Uplace Brussels and NEO Brussels — have also received the green light. Indeed, Belgium has proven an extremely stable economy and retail performance held up well during the crisis. As a result, a number of new fashion retailers have debuted in Belgium in the past six months, including & Other Stories, Boggi Milano, Scotch & Soda, Minelli and Uniqlo.

At Redevco, the focus is on optimising its retail parks in Belgium. "We keep investing in our retail parks, as the trend is away from the classic 'shoe box' type of outlet towards architecture of greater quality. A number of the better brands are following suit, so that retail warehousing is gradually getting away from its discount image," says the spokeswoman.

ECE has developed in Austrian capital Vienna

Belgium has also just seen the launch of a new Chocolate Cafe concept from Leonidas, which opened at Groenplaats in the centre of Antwerp in July. "The concept has a flexible layout and a multi-offer, with a focus on the total chocolate experience," says Filip Van de Vyver, international sales director for Confiserie Leonidas.

Following the Antwerp launch, Van de Vyver says the Chocolate Cafe concept will roll out worldwide. "We have already received a lot of interest and several international operators are very keen to introduce the concept into their markets," he says. Targets include travel retail locations, such as airports and train stations.

The Belgian capital's metro stations are also seeing retail development, with STIB (Societe des Transports Intercommanaux de Bruxelles) introducing retail into its network — an initiative that will be presented in more detail at MAPIC. "More than 3,900 sq m of retail space will be made available, from 20 sq m to 200 sq m," says Alice Descamps, product manager for sales for STIB-MIVB.

In the Netherlands, the fall in customer spending is now bottoming out and Corio's Fontaine believes an upturn is imminent. "Our estimation is that customer behaviour will improve over the coming months but at a slower pace," he says.

Arno Ruigrok, associate director of Multi Development, says the recovery will be steady. "For many years, the Netherlands has seemed to be among the slower recovering EU countries, but recently there have been a number of encouraging signals that show that the Dutch economy is recovering quicker than originally expected. And most important is that the recovery is solid," he says.

The stability of both the Dutch economy and market is proving attractive. "There is continuing interest among new international retail formats in entering the Dutch market and these companies are especially interested in A1 locations in the top four cities," Ruigrok adds.

Multi Development has a substantial portfolio of development opportunity in the Netherlands. "Recently, we have delivered phase two of our Cityplaza project in the city centre of Nieuwegein, as well as the last buildings of our development in Buiten Mere, a city-district centre in the east of Almere," Ruigrok says. "Currently, we are building Groeneweg in Utrecht, which is a convenience centre in a residential area with two supermarkets, and we are realising the redevelopment

Belgium's Uplace Brussels has received the green light

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Arno Ruigrok
Multi Development

of Gelderlandplein [for investor Kroonenberg Group], a city-district centre in the prosperous southern part of Amsterdam." In addition, in September the company opened the Nieuwe Haagse Passage in The Hague, which links the two most important retail streets of the city.

Ruigrok says further convenience centres and city-centres projects are in the pipeline as Multi Development continues to redevelop its portfolio, in line with the general trend.

This view is shared by Corio, the centre leader in the region. Its Hoog Catharijne centre in Utrecht, which is situated on top of the city station, is currently undergoing a major redevelopment and extension that will see it extended from 70,000 sq m to 112,000 sq m to take advantage of the footfall through its thoroughfare location of between 26 and 40 million a year.

The first phase, the construction of a 7,000 sq m retail park that houses Zara, Dutch fashion brand Sting and smaller retailers including Starbucks, completed at the end of 2012. The second phase — a 20,000 sq m extension currently under construction — is due to complete in the first quarter of 2017, and the final project will deliver by the end of 2018. Although unit numbers will not increase dramatically, going up from around 180 stores to some 200, the new sized units will better suit retailers and the leasing campaign is launching now. "It's a real hotspot for retailers and there are a lot of international names interested," Fontaine says.

In Luxembourg, there is limited development, according to Cushman & Wakefield, with Royal Hamilius expected to add 15,000 sq m of shopping-centre space to the city centre in 2017, and a small retail park — Borders in Schengen — to begin construction shortly.

How quickly such developments are being impacted by the rise of omnichannel varies. According to Redevco, total online retail sales in the Netherlands will grow marginally from 3.5% in 2010 to 5.5% in 2016; in Germany, from 4% in 2010 to 8% in 2016; in Austria, where 50% of online sales is purchased

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cross-border in Germany, from 3% in 2010 to 6% in 2016; and in Belgium, from 2% in 2010 to 8% in 2016.

It is a trend that developers and centre-owners have no choice but to embrace. At Corio, initiatives include an RFID loyalty system that allows consumers to gain points for factors including their presence in a centre as well as their spending. ECE, meanwhile, has designed two of its centres — Alstertal-Einkaufszentrum in Hamburg and Limbecker Platz in Essen — as 'Future Labs' and is testing a number of digital services for customers. Since launching in spring 2013, successful features include 3D guiding systems and a digital 'mall wall' that can showcase special offers from the centre's tenants. Both centres are also to trial click-and-collect services.

Multi Development's Ruigrok says the rise of omnichannel is requiring new views, approaches and skills for retailers, centres and developers alike. "We are rapidly refocusing on an approach that, sooner or later, will be relevant to large parts of the European retail property markets," he says. "In the Netherlands, we are learning and defining this new future."

The Nieuwe Haagsche Passage in The Hague

Ruigrok adds that adapting retail concepts and business models to reflect the omnichannel reality is forcing big changes. "We haven't seen the final effect of this structural market change yet, but it is encouraging that there was almost no rise in the vacancy rate over the last year," he says.