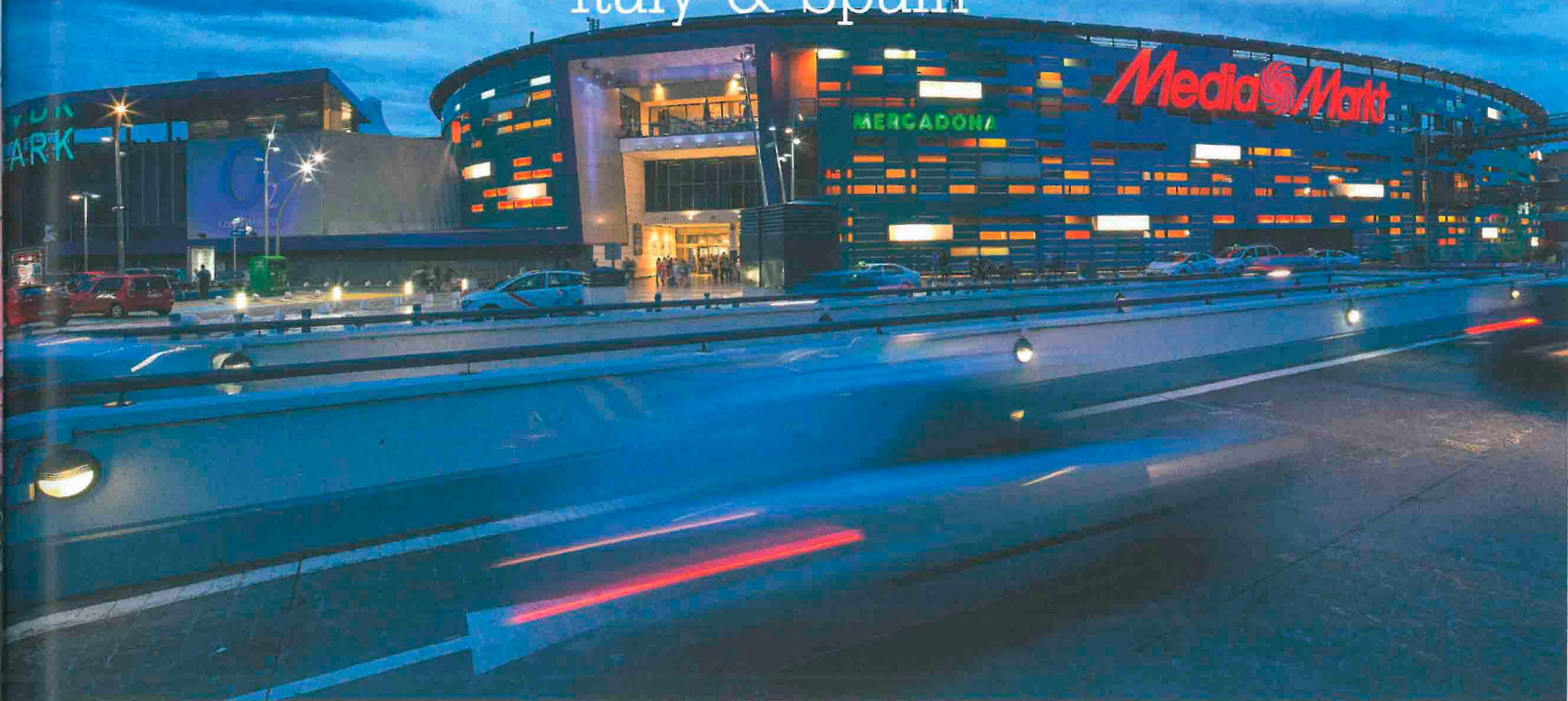


## Italy &amp; Spain



# The Mediterranean gains momentum

Southern Europe has troubled investors in recent years but they're now beating a trail back to Italy and Spain, following domestic and international retailers. Sarah Morris reports

Italy and Spain were hit badly by the economic downturn but investors are now turning back to Europe's fourth and fifth largest economies, reassured by their growth forecasts and the plans of retailers to enter and expand in those markets. The only cloud on the horizon has been uncertainty over events in Greece, but investors haven't fretted much about contagion in deals.

"The second part of the year should see a further acceleration of yield compression," says Massimo Moretti, chairman of the Italian Council of Shopping Centres (CNCC). After three years of recession, Italy is expected to grow again this year and consumer confidence is bouncing back. Retail transactions returned to pre-crisis levels last year, says Moretti. Deals this year included M&G Real Estate

paying an estimated €70 million to €80m to Italian developer PRIA for 3,745 sq m of retail space on the junction of Via Torino and Via Della Palla in Milan, which Italian retailer Teddy has signed two leases on for its Terranova and Calliope brands.

"International funds are back to stay," says Carmen Chieregato, the president and chief executive of Cogest Retail, a consulting company involved in the managing and leasing of 51 shopping centres.

CNCC is co-organising a conference and an invitation-only lunch specifically on Italy at this year's MAPIC to explain the market's potential.

Much of that lies in the desirability of the country to international retailers. With Italy attracting 44 million tourists a year and Milan

the second European city after Paris in terms of per capita consumption, it's little wonder 21% of 115 world retailers are targeting it for expansion, according to CBRE's report: How Active are Retailers Globally?

US lingerie brand Victoria's Secret, owned by L Brands, for example, opened two stores this summer in Milan in Via Torino and Corso Vercelli. The retailer signed a franchise agreement with Italy's Percassi, the group which operates retail developer Stilo Immobiliare Finanziaria and which has brought brands like Zara, Nike and Calvin Klein to the country through joint venture and distribution deals through holding company Odissea. The demand from retailers to showcase their products in glamorous flagships in prime locations helped drive annual rents up in the first



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quarter in some of Milan's high streets by 6.7% to €4,800 sq m, says CBRE.

Retailer interest in Italy and the lower density of shopping centres than the western European average is driving development. Cushman & Wakefield calculates the country's development pipeline for this year and next at about 649,000 sq m, double that of the UK. Primark said in July it would open up to three stores in Italy, the first in the summer of 2016 in the new Arese shopping centre, north-west of Milan. The 92,000 sq m centre will target 8 million residents within an hour, including the neighbouring Swiss, with an upmarket concept of 200 stores and sports and cultural facilities, set in individualised indoor and outdoor plazas.

Westfield and Arcus Real Estate, controlled by Stilo, also said they had secured French department store Galeries Lafayette as the anchor for its new Westfield Milan. The 18,000 sq m flagship would make the 175,000 sq m, €1.3bn development the first shopping centre in Italy to house a department store. "We've seen a trend for Italian shopping centres to move away from the French model of a hypermarket as the anchor," says Mario Pello, TH Real Estate's head of Italy, who says that as hypermarkets downsize, malls have more room for "junior" anchors such as Italian or international clothing brands or popular draw Apple. This summer the ECE European Prime Shopping Centre Fund II acquired the units of Fondo Immobiliare Pompeii, which opened La Cartiera shopping centre in Pompeii. Opened in 2012, La Cartiera comprises a leasable area of approximately 30,000 sq m and 115 shops. Its anchor tenants are Conad, Mediaworld, H&M, Piazza Italia, Alcott, and Toys. ECE Italia took over the property management and the leasing of the centre on August 1.

"Having acquired Megalo in Chieti with the

## MAPIC ITALY COMES TO MILAN IN MAY

MAPIC organiser, Reed MIDEM, has announced that MAPIC Italy will take place in Milan in late May 2016. Speaking to a gathering of leading Italian retail, real estate and media specialists in Milan, MAPIC director Nathalie Depetro says: "The strength of Italian retail brands, coupled with the dynamic retail real estate sector — ranging from shopping malls to high street outlets and factory stores — make Italy incredibly attractive for national and international retail brands. MAPIC Italy is dedicated to companies that want to do business in the vibrant Italian retail market."

MAPIC Italy will combine an exhibition zone dedicated to presenting projects and deal-making, with a gold-standard conference programme and numerous networking events.

Massimo Moretti, president of the Italian Council of Shopping Centres (CNCC), says: "The Italian real estate market is experiencing renewed dynamism and offering great business opportunities for both Italian and international retailers and investors. Our ambition is to make MAPIC Italy an unmissable yearly rendezvous for retail real estate professionals interested in the Italian market. CNCC considers this event an absolute priority and will support it with enthusiasm and energy."

Commenting on the launch of MAPIC Italy, Filippo Rean, director of Reed MIDEM's Real Estate Division said: "It has become evident that certain key retail territories, such as Italy, merit a dedicated, national event. In 2016, MAPIC is coming to Italy and we are grateful for the support we have had from the CNCC and other key stakeholders. Our strategic priority for MAPIC is to serve the increasingly global retail real estate industry through the further internationalisation of MAPIC in Cannes and the launch of events in high potential markets."



Filippo Rean - Director of the Real Estate Division Reed Midem

first ECE Fund, this is our second investment in Italy. Since its opening, the centre has achieved a strong market position in its catchment area in the south of the Gulf of Naples," says Dr Volker Kraft, managing director of ECE Real Estate Partners. "Its dominant market position makes our investment

in Fondo Immobiliare Pompeii a perfect addition to the portfolio of the ECE European Prime Shopping Centre Fund II."

While in Italy, the north-south divide remains in terms of economic recovery and investor interest, in Spain, investors have moved beyond Madrid and Barcelona in their search for returns. CBRE Global Investors, for instance, bought AireSur in Seville, Andalusia, from JLL for €76.5m.

Klepierre also snapped up Plenilunio, a 70 000 sq m shopping centre located in Madrid. With a large and updated fashion offer and a prime location, the 230-store Plenilunio is one of the major shopping centre in the region around Madrid.

JLL forecasts this year Spain will complete about €3bn in transactions after a record year in 2014 when pent-up demand pushed through deals as the economy turned around. With the economy forecast to grow by more than 3%



Galeries Lafayette will anchor the Westfield Milan scheme in Italy



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this year and next, retailers and landlords are hoping to tap recovering retail sales. By the end of the year, Primark is due to open its first high street store in Spain, in Madrid's Gran Via, in a landmark building bought this year for €390m by Pontegadea, the property arm of Inditex's billionaire founder Amancio Ortega. After a dormant time for development in Spain, development is now kicking off again, including the planned 44,700 sq m S'Estada centre in Palma in Mallorca, the 33,000 sq m La Fira centre in Reus and Abella, 28,000 sq m in Lugo.

Bogaris will open retail park Reino de Leon, located in the area of La Granja and La Serna, and feature 23,141 sq m GLA and is trebling its Torrecardenas investment. The new concept will combine large specialised operators in a mall dedicated to fashion and leisure. It will consist of 176,454 sq m of built area, with a two-storey building that will integrate 140 warehouses. The GLA is 22,120 sq m in the retail park and 39,332 sq m in the mall area. Meanwhile, General de Galerias Comerciales is redeveloping the Parque Comercial La Canada, "with the most advanced technology and with a revolutionary architectural design", says the company. The 100,000 sq m mall will include leisure, restaurants and cinemas and will include Alcampo, Leroy Merlin, Sportzone, Worten and Norauto among its tenants.

"We're back to a normalised market situation," says David Brown, JLL's associate director of retail capital markets in Spain. "There are all types of capital from different parts of the risk spectrum and healthy opportunities for everyone."

## DO NOT MISS

### Spanish Retail Real Estate Market:

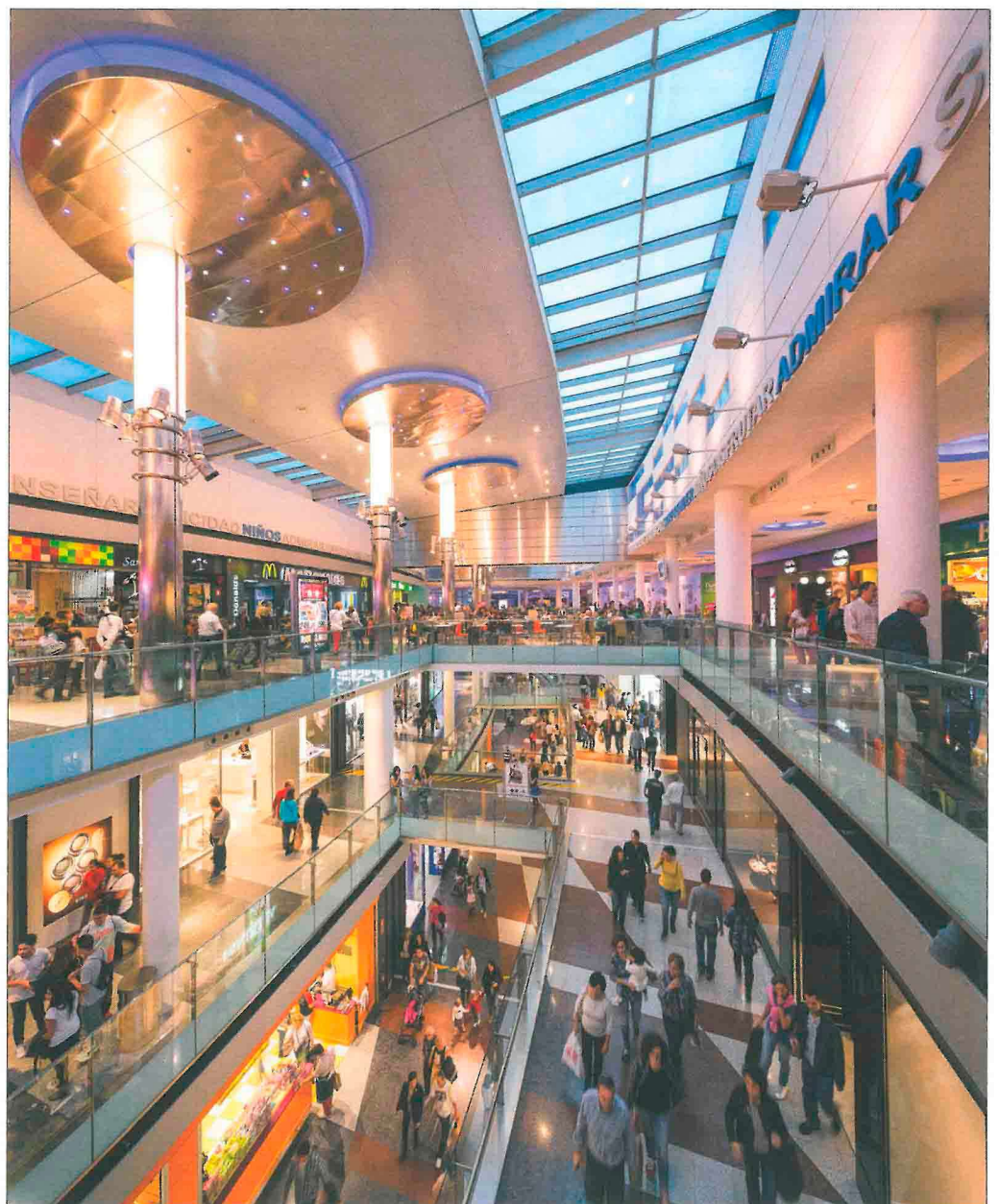
Focus on new projects, co-organised with Asociacion Espanola de Centros y Parques Comerciales  
Thursday, November 19, 12.30  
Champs-Élysées room

### Italy: The New Retail Planet? Co-

organised with the Italian Council of Shopping Centres. Sponsored by Promos, CDS and Cogest Retail  
Thursday, November 19, 17.00  
Champs-Élysées room



CBRE Global Investors has bought AireSur in Seville from JLL



Inside the Plenilunio mall in Madrid