

# **EUROPEAN REAL ESTATE REVIEW**

## ***THE CRISIS : WHAT IMPACT ON EUROPEAN MARKETS ?***

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## > **Eurelia** **European federation of international retailers**

Created 18 years ago by Michel Pazoumian, General Delegate of Procos, Eurelia advises and supports actively international retailers with their European strategy on more than 15 countries (Spain, Italy, Poland...) providing them with valuable data and innovative tools so that they can make the best decisions on their store locations : city reports, country analysis, data-base on the "pipe-line" schemes, panels...

As a Federation, it offers a unique place for International Expansion Directors for networking and meeting regularly in order to share views on strategies and trends.

The Eurelia federation divides into 2 divisions Eurelia Espagne/Portugal and Eurelia Europe, which have a similar functioning : 12 meetings per year (6 in Barcelona and 6 in Paris according to the division) which provide our members with a unique place to exchange on trends (turnovers, rents, target markets, economic outlook...)

In 2009, Eurelia has published 15 city reports, tracked more than 1.800 retail projects under development and opened new markets for its members: Scandinavia, Croatia, Serbia, Algeria, India, Japan, Korea.

### **Key figures :**

**> 90 specialized retail chains expanding internationally**

**> More than 25.000 stores throughout Europe**

## > Survey methodology

All data published in this Press release were extracted from the PROCOS and EURELIA databases, PROCOS covering the French market and EURELIA the other European markets.

In these databases, we list all the European retail schemes under development (malls, retail parks, railway station and airport galleries, extensions, outlet centers...) with following requirements :

- > retail surface GLA > 4.000 sqm
- > including more than 4 outlets, which excludes: stand-alone MSU, hypermarkets without gallery...
- > a minimum level of advancement

Whenever "database 2009" is mentioned, it refers to: all the projects registered in our databases in 2009, with no relation to the opening dates of these projects (which may occur in 2009, 2010, 2015...).

Following countries were not included in this survey: United-Kingdom, Ireland, the Netherlands, Scandinavia and the Baltic States.

## > Project provision by country : evolution 2009/2002

Projects	2009		2008	2006	2004	2002
	<i>Nber of projects</i>	<i>m<sup>2</sup> GLA</i>				
France*	<b>730</b>	<b>7.687.170</b>	738	410	288	223
Spain	<b>182</b>	<b>6.054.000</b>	181	164	228	138
Poland	<b>218</b>	<b>4.596.855</b>	230	134	113	136
Italy	<b>187</b>	<b>3.707.687</b>	209	185	131	85
Romania	<b>108</b>	<b>3.035.475</b>	95	30	18	10
Germany	<b>110</b>	<b>2.215.460</b>	122	73	74	119
Hungary	<b>42</b>	<b>1.015.828</b>	65	39	27	46
Portugal	<b>45</b>	<b>1.218.950</b>	49	39	33	38
Belgium	<b>65</b>	<b>1.451.550</b>	65	58	31	30
Czech republic	<b>63</b>	<b>817.900</b>	75	48	48	42
Slovakia	<b>35</b>	<b>885.000</b>	42	12	13	13
Greece	<b>20</b>	<b>548.543</b>	23	13	14	12
Austria	<b>23</b>	<b>500.600</b>	29	31	9	12
Switzerland	<b>21</b>	<b>357.000</b>	33	26	26	27
<b>Total</b>	<b>1.849</b>	<b>34.092.018</b>	<b>1.956</b>	<b>1.262</b>	<b>1.053</b>	<b>931</b>

Source : Eurelia/ Eurelia Spain & Portugal (in partnership with Retail&Trade Marketing)/ Procos

\* temporary data

Following a period of sustained growth in the volume of retail schemes under development since 2002, the year 2009 has marked a turning point in the European retail property market with overall retail project volume now in decline.

This erosion in the pipeline extends to all European countries with the notable exceptions of Romania (which is continuing to grow) and above all Spain, where the provision have remained stable, apparently completely out of step with the prevailing economic climate.

## > Scheduled openings 2010-2011

Projets	Openings Q4 2009-2010		Openings 2011	
	<i>Nber of projects</i>	<i>m<sup>2</sup> GLA</i>	<i>Nber of projects</i>	<i>m<sup>2</sup> GLA</i>
France*	240	1.962.380	110	1.275.200
Spain	44	1.206.000	57	2.189.000
Poland	65	1.468.310	48	1.540.420
Italy	49	1.105.784	56	1.017.557
Germany	37	733.745	31	695.215
Portugal	17	405.950	8	271.200
Belgium	12	185.000	13	170.550
Czech Republic	14	196.500	12	187.400
Greece	4	695.583	4	141.200
Switzerland	7	103.700	7	117.000
<b>Total</b>	<b>489</b>	<b>8.062.952</b>	<b>346</b>	<b>7.604.742</b>

*Source : Eurelia/ Eurelia Spain & Portugal (in partnership with Retail&Trade Marketing)/ Procos*

*\* temporary data*

Another highlight of the year 2009: the delay and the postponement of many projects.

As an example if Spain has 182 projects in provision, only 44 of them (less than 25%) are expected to open during the 12 coming months.

Funding difficulties, last administrative permissions to be received, cautious attitude of the municipalities or fragilized actors (not only developers but also retail chains) have made it increasingly complex to develop projects...

## > The situation in the major countries

### - France : the first fall in the number of retail schemes under development since 1996

There are 730 projects currently under provision in France, accounting for total of 7.7 million m<sup>2</sup>. This is fewer than last year, both in terms of the number of projects (738) and of the volume involved (8.7 million m<sup>2</sup>). This is the first fall recorded since 1996.

Another noteworthy point is that almost 40 % of these retail schemes have already been approved, compared to an average of 30 % in previous years. These authorizations account for 3.3 million m<sup>2</sup>.

The postponement of numerous schemes until 2012 or later can nonetheless be observed.

Retail parks still remain the «star product» both in terms of the number of schemes (44 %) and the surface area concerned (54 %).

If a brutal stop in the pipeline has not occurred under the crisis context, questions still remain worrying concerning the financing and marketing of the retail schemes under development.

*Main openings 2009 : Odysseum in Montpellier (Icade), L'heure Tranquille in Tours (Apsys), Carré de Soie in Villeurbanne (Altaréa), Dock 76 in Rouen (Unibail-Rodamco), Géant Chateaufarine in Besançon (Mercyalis)*

*Main projects to be open in 2010 : Cours Oxygène in Lyon (Unibail-Rodamco), Polygone Rive Gauche In Béziers (Socri), Au KB in Kremlin-Bicêtre (Altaréa), L'Archipel in Brie-sur-Marne (Inter Ikea)*

### - Germany : a certain rhythm is maintained by the biggest

The country has maintained a rather important pipeline, chiefly focused on medium-sized towns. These developments are largely dominated by ECE, MULTIDEVELOPMENT and MFI, whose schemes are gradually receiving approvals, hence the «sustained pace» of openings despite the difficult economic environment, with 11 openings «of a significant size» in 2010 for example.

However, as with the other European countries, the economic crisis has brought about a number of notable changes :

- > Local authorities are giving much greater thought to urban planning issues.
- > The financing is today a far longer and more complex process, generally leading to retail schemes being postponed for two years or even completely cancelled. This is naturally having an effect on large-scale projects but also on «small» developers. For their part, the «big four» (ECE, MFI, SONAE and MULTIDEVELOPMENT) are going further with their projects although they too are experiencing some difficulties in preparing and finalizing developments.

*Main openings 2009 : ZEIL HOCH VIER in Frankfurt (BOUWFOUND/PRIME CONSULTING), LOOP5 in Darmstadt (SONAE), CENTRUM GALERIE in Dresden (MULTIDEVELOPMENT), BOULEVARD BERLIN Phase I (MULTIDEVELOPMENT), LIMBECKER PLATZ Phase II in Essen (ECE).*

*Main projects to be open in 2010 : RHEINGALERIE Ludwigshafen, NEW SAARGALERIE in Saarbrücken, ELBE EKZ extension in Hamburg, la restructuration de HAMBURGERSTRASSE EKZ in Hamburg (ECE)...*

#### - Italy : planned retail schemes are being pushed back to 2011-2012

The volume of retail schemes has remained steady in terms of m<sup>2</sup> GLA (for the second year running) although when considering the actual number of schemes we are possibly seeing the first downturn in two years with a fall of 10% in the number of schemes compared to 2008.

Retail schemes are being pushed back to 2011-2012 with more than two thirds of the pipeline scheduled to open after 2011, as a result of :

- > Financing problems, initially affecting large-scale projects
- > The increasing reticence shown by municipalities towards new projects, for they are today faced with a profusion of retail projects. This has led them to become increasingly demanding regarding the added value of the schemes and their estimated impact upon the local urban equipment.
- > The perpetually «uncertain» nature of openings, which are regularly pushed back (even for those retail centers currently in the process of being built) as a result of failed subcontractors, litigation and disputes concerning the validity of the authorizations granted, or additional requests from local authorities, etc. (examples include the stoppage of work at Ipercoop Grossetto, or delays with the extension to the Globo Busnago in Milan).

As in 2008, we are seeing more and more retail schemes in small and medium-sized towns (Conegliano Veneto, Sedriano, Monteforte Irpino, San Pellegrino Terme, Le Terrazze del Vado, Eboli and the Sicilian towns, etc.) coupled with a reduction in size (schemes for between 40 and 60 shops) with major projects encountering problems concerning financing or opposition from local councils.

Finally, we are also seeing the emergence of a new trend in the pipeline 2009 : the «modest» rise in small-scale retail park projects (from 5 to 10 units) often accompanying an existing retail facility.

*Main openings 2009 : KATANE in Catania (IGD GESCOM), ANTEGNATE SHOPPING CENTER next to Bergamo (PERCASSI).*

*Main projects to be open in 2010 : AUCHAN BICOCCA in Catania (IMMOCHAN), IL GLOBO BUSNAGO extension in Milano (MALL SYSTEM), AUCHAN ARGINE in Naples (IMMOCHAN; 2010-2011).*

## - Spain : stuttering to a halt

Although the volume of the pipeline has remained high (with Spain being the second largest European country in terms of m<sup>2</sup> GLA under development after France) and consistent since 2008 (the total m<sup>2</sup> GLA and the number of schemes is virtually identical to 2008), the country is nevertheless suffering a brutal slowdown in the completion of schemes.

Consequently, although in 2008, the various key players announced the opening of 66 retail schemes for 2009, 50 for 2010, 14 for 2011 and 11 for 2012, a year later we observe that only 31 new openings will actually be recorded by late 2009, with possibly 24 in 2010, which means that two thirds of the pipeline have been postponed.

The retail schemes have been pushed back to 2011 (56 new starts announced) and 2012 (with 58 new starts planned) with no guarantee that these dates are firm.

Financing and delays in obtaining signatures from store chains have been identified as two of the main obstacles, more so than planning permission problems. Indeed, financing is conditioned to a minimum occupancy level, while leasing process are getting longer: it is more and more difficult to reach the 50% occupancy rate required under a Spanish economic context where store chains are experiencing a major fall in sales and are expecting a difficult year ahead in 2010.

Financing problems are affecting all developers and investors, whatever their size and in all types of towns, from major regional capitals down to the smallest market towns. However, the major retail schemes in the cities (Madrid, Barcelona, Zaragoza, Coruña and Valencia, etc) naturally remain the key priorities for investors and developers, and efforts are chiefly focused on these schemes.

*Main openings 2009 : the Retail Parks MEIXUEIRO (Vigo) and PLAZA NUEVA (Leganés-Madrid) ; shopping malls VILAMARINA (Metrovacesa), LEON PLAZA (León) and ARAGONIA (Zaragoza) open without being 100% leased. Should open in the coming weeks: ESPACIO CORUÑA (A Coruña, Multi) and EL ZIELO (Madrid-Pozuelo, Hines).*

*Main projects to be open in 2010 : 4 large schemes, JEREZ XXI (Jerez-Cádiz), EL MIRADOR de Jinámar (Las Palmas), SPLAU (Cornellá-Barcelona), MARINEDA (Coruña) and ARENA MULTIESPACIO (Valencia).*

## - Poland : a brutal slowdown is to be anticipated

We are witnessing a downturn in project provision (with 5 % fewer schemes compared to 2008 and 10 % in terms of m<sup>2</sup> GLA) although the volume of schemes remains high. Poland has still the largest pipeline in Europe, ahead of Spain (with the exception of France).

But economic outlook being overshadowed by a strong slowdown in 2009, developments are adversely affected as a result of :

- > Financing problems
- > Current and forecast non-payment by tenants, which is a cause for concern to investors and property managers

- > And (as in Italy) a high level of uncertainty concerning the completion of retail schemes, even those under construction, due to local political considerations, legal proceedings (litigation concerning building plots, arrests for corruption or the application of the laws concerning retail areas, etc.).

The small and medium-sized towns continue to generate a large number of schemes with a major «inflationary» trend being noted (i.e. ever larger retail schemes) completely out of step with the consumption patterns witnessed in these towns, which have often been hard hit by the economic crisis.

*Main openings 2009 : GEMINI PARK in Bielsko-Biala (GEMINI), SFERA extension in Bielsko-Biala (JONES LANG LASALLE), GALERIA JURAJSKA in Czestochowa (GTC), BONARKA in Cracow (TRIGRANIT), GALERIA MOSTY (ATRIUM) and GALERIA MAZOVIA (MALLSON) in Plock ...*

*Main projects to be open in 2010 : Port Lodz (IKEA), Auchan HETMANSKA Phase II in Bialystok (IMMOCHAN), Auchan LOMIANKI (IMMOCHAN), KONICZYNSKA Retail Park in Bielsko-Biala (MAYLAND)...*

#### - **Belgium : the planning permission process as a first barrier**

As in all other European markets, the financial crisis has made it harder to invest and to develop.

Nevertheless, the pipeline is still active, and the «production» of retail projects is as buoyant as ever (currently standing at the same level as in 2008). This continues to be centered on retail parks and «open-air» shopping centers.

This latent volume will almost certainly not materialize before 2012-2013.

Problems in obtaining planning permission continue to act as a major barrier to investors. Over the last decade, town halls and public authorities have become far more selective in the number of retail developments permitted for each town, with the aim of guaranteeing the continued existence of independent stores, protecting town centre shopping and achieving an ideal urban balance.

*Main openings 2009 : MEDIACITE à Liege (WILHEM&CO)*

*Main projects to be open in 2010 : K in KORTRIJK in Kortrijk (FORUM INVEST), LA GALERIE TOISON D'OR (ING) refurbishment in Brussels*

## > Other countries

### - Portugal

A decline in the volume of retail projects (- 21 % in terms of m<sup>2</sup> GLA), with a high degree of uncertainty concerning the completion of even high-quality schemes within the required deadlines: in addition to difficulties in obtaining financing, even the largest developer-investors (i.e. SONAE, MULTIDEVELOPMENT, CHAMARTIN, WILHELM& Co or CAPITALINVEST) have been unable to obtain the planning permission they need.

Retail schemes are being pushed back to 2012 or even indefinitely put on ice while awaiting better times. We should anticipate the postponement of a large number of new starts originally scheduled for 2010.

### - Switzerland

Already significantly «locked down» where the development of new retail schemes is concerned, Switzerland also appears to be suffering something of a slowdown right now with the economic crisis adversely affecting projects which were already in difficulty, in addition to local entrepreneurs.

The pipeline registered in the Eurelia 2009 database fell by 37 % compared to 2008 and now include very few «large-scale» schemes.

The country therefore looks set to experience a «lean period» for new starts during 2010-2011 after two relatively eventful years in 2008-2009 including the opening of eagerly awaited local retail schemes such as SHOPPING ARENA STADION in Saint-Gall, WESTSIDE in Berne or STÜCKI REAL in Basel.

New openings for 2010-2011 will chiefly concern renovations/extensions and small retail parks. The two main players (Migros and Coop) appear to be less severely affected than the rest due to their self-financing capacity, and particularly Migros which is currently more active where retail schemes are concerned.

### - Hungary & the Czech Republic

The volume of retail projects is down compared to 2008 in both countries: the Czech Republic (- 16 % in numerical terms and - 28 % in m<sup>2</sup> GLA) and in Hungary (- 36 % in numerical terms and in m<sup>2</sup> GLA).

However, the «pipeline» still remains highly significant, in stark comparison to the lack of sales outside the main cities.

The crisis is leading to a high degree of uncertainty regarding the completion of developments, particularly those for which construction has not yet started. As in Budapest for example, where even against the backdrop of the economic crisis new retail schemes were listed in the eurelia 2009 database. (i.e. DREAM ISLAND for 2013 and TOPARK for 2011-2012...) : but will they succeed in attracting the financing they need?

- **Romania & Bulgaria**

We are still seeing a boom in the number of retail schemes from Romania, accounting for a total m<sup>2</sup> GLA higher than that of Germany (3,035,475 m<sup>2</sup>) and from Bulgaria (with 45 retail schemes).

However, it is nevertheless clear that the economic crisis has dramatically changed the situation and that a high proportion of the schemes registered in our database late 2008-2009 will be postponed to 2010 or will not go ahead.

## > Eurelia Federation news in 2009

### - New members in 2009

<i>Store chain</i>	<i>Number of sales outlets</i>	<i>Main developed countries</i>
Cyrrillus	69	France, Germany, Switzerland, Belgium, Asia.
Pimkie	770	France, Belgium, Italy, Spain, Poland, Ukraine, Germany, Netherlands, Luxembourg, Andorra, Czech Republic, Slovakia, Hungary, Croatia, Romania, Austria, Switzerland, Portugal, Middle East (Saudi Arabia, UAE, Lebanon, Egypt, Jordan, Kuwait, Bahrain, Qatar)
Esprit	1,640	More than 40 countries: Germany, France, Italy. . .
Naf-Naf	163	France, Spain, Belgium, Greece, Switzerland, . . .
Gifi	318	France, Italy, Belgium and Spain.

### - Testimony from 2 new members

In 2009, 5 new retail chains joined the Eurelia Federation, clearly demonstrating their confidence in our support.

**Cyrrillus**, the «Modern classic» and «French Chic for the family» ready-to-wear brand has 45 sales outlets in France and 18 stores abroad (Belgium, Germany, Switzerland and Japan). By joining Eurelia, Cyrrillus is aiming at speeding up its international growth by taking full advantage of the two-fold benefits offered by the Club: feedback from the other member store chains and the expertise of the Eurelia team.

**Pimkie**, a leading ready-to-wear store chain, is chiefly aimed at young women and boasts a highly fashionable product range. The company already has more than 770 stores around the world, with a presence in 18 European countries (France, Belgium, Italy, Spain, Poland, the Ukraine...) but also in the Lebanon, Egypt, Saudi Arabia, Bahrain and Qatar.

« *Eurelia will help us to further secure our foreign investments thanks to the accuracy and detail of its analyses. It also offers a unique opportunity for all international Expansion Directors to meet and to share information* » explained Pimkie Development Director Gaëtan d'Hallewin.

### - 15 new reports

In 2009, Eurelia carried out 15 new Country and City studies for its members, offering them detailed and forward-looking analysis to help them plan their expansion strategies. The Federation also launched a completely new type of approach with the themed study entitled «Are corners in Department Stores a prime vector for a European Development strategy ?»

- > Serbia (Belgrade)
- > Germany (Regional study: Frankfurt – Darmstadt – Mainz – Wiesbaden – Offenbach – Hanau – Bad Homburg)
- > Italy (Naples, Rome)
- > Poland (Regional study: Katowice – Sosnowiec – Zabrze – Bytom – Chorzów – Ruda Śląska)

- > Egypt (1st approach study – Zoom on Cairo)
- > Spain (Vigo, Santiago de Compostela, Alicante, Granada, expertise on Bahia de Algeciras)
- > Portugal (Lisbon, Porto)
- > Middle East (Abu Dhabi, Manama, Doha)
- > Cross-country analysis : European Department Stores

#### - Forstering exchanges

Every two months, all Eurelia members meet in order to share their news and to debate a range of topics determinant to their expansion strategies for 2009-2010, in addition to discussing the economic crisis :

- > The increasing weight of rents and charges in the PLA
- > The advantages and limitations of the Affiliation Agreement internationally ;
- > 2009 : a year for restructuring and for a renewed focus on down-town locations in Italy ?
- > Can the British and Dutch retail networks turn out to be profitable ?
- > Corners in Department Stores: a powerful source of international growth ?
- > What kind of retail tailored approach for Scandinavia and the Baltic states in 2010 ?

**Numerous speakers and partners of our members' international expansion have been invited to present and discuss their views and plans during these meetings** : ECE, CBRE- ESPANSIONE COMMERCIALE, DTZ, GENTALIA, IMMOCHAN CENTRAL EUROPE/RUSSIA, ATRIUM, LARRY SMITH, UNIBAIL - RODAMCO SCANDINAVIA, IADS (International Association of Department stores), MEDLAND EGYPT, COUDERCQ & PARTNERS UKRAINE – POLAND, SCC Middle East and their partner AMS ...

#### - Always more innovative tools

**The Eurelia «Barometer»: A valuable new tool for benchmarking retail activity throughout Europe**

In 2009, the Federation created the Eurelia Barometer which each quarter, makes it possible to screen and compare sales trends in 7 European countries: Germany, Belgium, Spain, Italy, Poland, Portugal and Switzerland.

- > Methodology note
  - The Eurelia «barometer» survey shows the prevailing turnover trends of the 90 member store chains based on a comparable perimeter (for the current year compared to the previous year).
  - According to the level of maturity of the retail infrastructure in the countries studied, from 12 to more than 30 leading retail sites (streets, shopping centers) are included in the barometer.
  - The performances on these sites are collected on a monthly basis, analyzed and further enhanced thanks to commentary from members.
  - The Eurelia «barometer» survey is published every quarter.

## > **Contacts presse**

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## The Eurelia Barometer : cumulated turnover on the first 3 Quarters 2009



### > Methodology note

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### Key figures :

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> **More than 25.000 stores throughout Europe**