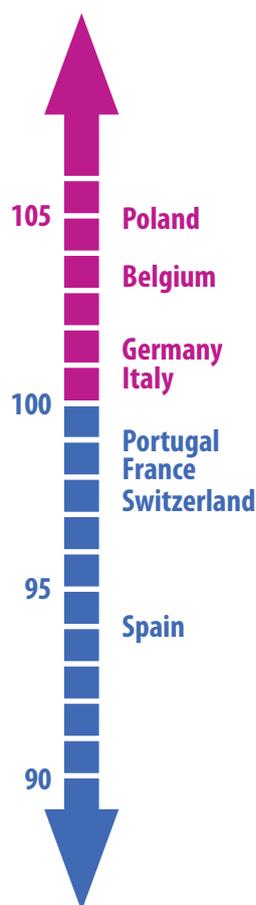


## The Eurelia Barometer Survey : 2009



	Index	Comments
Poland <sup>(1)</sup>	105,0	The country has emerged as the most dynamic in Central Europe thanks to the economic resistance shown by the regional capitals. However, fluctuations in the currency have severely affected the cost of rents (by up to 30 %), and visitor numbers in certain shopping centres have fallen by 20 to 30 %.
Belgium	103,4	After a poor start to the year, 2009 ended on a positive note, spurred on by two good months in November and December. Will a downturn in consumption occur in 2010 as some experts believe ?
Germany	101,5	The market confirmed its continued dynamism. But middle-range concepts suffered the most heavily from declining expenditure, with consumers focusing on "basic" products in 2009.
Italy	100,9	After a difficult start to the year, the country achieved slight growth in 2009. Unlike the other European markets, sales slowed greatly in November and December.
Portugal <sup>(2)</sup>	99,0	2009 was a difficult year despite the positive first and last quarters. The south of the country is suffering from the fall in tourism.
France	98,5	2009 was a very difficult year with only four positive months: January, June (the start of the sales period), October (thanks to the arrival of winter) and December, following a very late start to Christmas buying. The store chains are experiencing a crisis which is more structural than cyclical and are seeking to adapt to this change in consumption patterns.
Switzerland	98,3	The country has not been spared by the crisis, with a very slow second half. As with the other markets, only sales and promotions succeeded in bringing back customers at the end of the year.
Spain <sup>(2)</sup>	94,0	Spain has been hardly hit by the crisis, with very irregular sales from one month to another. Only December was positive. 2010 looks difficult.

<sup>(1)</sup> In local currency (zloty)

<sup>(2)</sup> Analysed in partnership with the Retail & Trade Marketing agency of Barcelona, co-founder with Eurelia of the Eurelia Spain/Portugal - Retail & Trade Marketing retailers' federation.

### > Methodological notes

The Eurelia « barometer » survey shows the prevailing turnover trends of the 90 member retail 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 is published every quarter.

Founded 15 years ago by Michel Pazoumian, General manager of Procos and Emmanuel de Labarre, Eurelia enables specialised retail chains to learn more about new countries offering potential sites for their businesses, providing a thorough analysis of the retail dynamics of the European markets, studies of the major European cities in addition to a database of retail projects.

In 2010, Eurelia represents 90 specialised retail chains expanding internationally, and more than 25,000 sales outlets around the world.

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Press release - February 26, 2010

## Spain : One of Europe's worst-hit markets

Interview with Ricardo RUSTARAZO, CEO of Retail & Trade Marketing and Eurelia's partner in Spain and Portugal.

### The year 2009 was a difficult one in Spain for retail chains. Is the outlook any better for 2010 ?

[RR] After 2008, which was already showing a fall (- 6,5 % compared to 2007), 2009 was another difficult year for our retail chains (with a decrease in sales of - 5,8 %), except for a few sectors which succeeded in bucking the trend. December was the only positive month (+ 3,7 %), but it was compared to December 2008 which was already well down.

The crisis has affected the whole country, even if the North East (La Rioja, Navarre, Pays Vasco, etc.) fared slightly better since it is less dependent upon property and tourism than other regions such as Valencia, the Canaries, the Balearic Islands or Andalusia. Some towns (Valladolid, Logroño, etc.) performed still rather well due to the fact that no shopping centres have been recently opened there, and consequently their existing retail equipment has not had to handle with the resulting disruption and adjustment in addition to the crisis.

In terms of dynamism, no significant difference could be observed between the shopping centres and the shopping streets. Although a number of malls have suffered (i.e. high vacancy rate, stiff competition, low performance level ...), other recently opened galleries registered a slight growth.

The outlook for 2010 does not announce the return of growth. At the very best, retail chains are hoping to stop the slide and to achieve a turnover equal to that of 2009. The mid-term Spanish economic situation remains difficult (i.e. financial crisis, unemployment, declining tourism...).

### Will the increase in V.A.T planned for 2010 have any repercussions ?

[RR] Yes and the retail chains could bear the impact of the rise. If the decision is to be adopted indeed, they will probably not increase their final prices to the customers, so that the latter will not be impacted. It will turn out to be also an extra-cost for retailers during a crisis period.

### Did many stores close in 2009 and will 2010 see the retail chains expanding once again ?

[RR] In 2008 and subsequently 2009, the retail chains had to restructure their networks, and to enhance also a tight management of their portfolio of stores. The financial readjustment operations carried out by the chains has seen the closure of the worst performing stores and the renegotiation of rents to a more bearable level, an adjustment which has become vital in order to offset the fall in sales. In 2010, most of the retail chains will continue on closing underperforming stores. They will also be working on the restructuring of their existing stores to bring about a profound transformation of their networks. Only a handful of chains will continue expanding, and even then with great caution.

### How are the store chains adapting to face this crisis ?

[RR] The retail chains are confronted with a considerable difficulty : the dramatic decrease in consumer purchasing power consequently to an unemployment level of 19%. Customers are now looking for promotions and are increasing concentrating their buying periods. They have become more volatile and increasingly focused on price and value for money.

Also, in addition to drastic cost control (purchases, rent levels, wages...) retail chains are also working on their product ranges to offer new and attractive products with excellent value for money; they are working on logistics and on supply chains in order to avoid stock-out situations in a context where sales can vary heavily from one month to another.

The motivation and constant commitment of the teams, the loyalty-building programmes and promotions for consumers, the increased interaction with customers and the development of services (for some concepts) are other key axis. Promotions which enhance inevitably "vicious circle" effects in return: lower margins, changes in consumer behaviour...

**During the Pre-Mapic PROCOS-EURELIA-RETAIL &TRADE MARKETING press conference 2009 on the European Retail Real Estate, RETAIL & TRADE MARKETING announced an abrupt stalling of shopping centre projects under development. It this set to continue for 2010 and 2011?**

[RR] Yes. It will continue due to the financing problems encountered by developers, some of which have disappeared altogether during the crisis. The developers are encountering serious difficulties in attracting retail chains, which have now become extremely selective. Occupancy is no longer guaranteed and the minimum pre-leased occupancy rate required to obtain financing can be very difficult to achieve for developers.

**Could this downturn in some ways be considered as beneficial, since the major Spanish cities are equipped in terms of shopping centres already ? Or on the other hand, should it be seen as a problem for retail chains looking for opportunities ?**

[RR] The question is a difficult one, and using the "traditional" comparison of the number of m<sup>2</sup> GLA per inhabitant towards other countries in Europe is not really relevant when determining the potential for new projects in Spain. Instead, it is preferable to take account of our urban planning schemes (both residential and retailing), our lifestyle and consumption patterns, the diversity of our town centres and the role of EL CORTE INGLES in these streets, the rise of the supermarkets (including the "soft discount" format) and the differences in political sensitivities where the retail industry is concerned. All of these factors taken together clearly indicate that the future will bring a renewed focus on proximity and town centres, although we will still see several major projects for shopping centres in the major urban areas (Zaragoza, La Coruña, Las Palmas, Jerez and Valladolid, etc.).

**Is a reduction in rent levels currently observed in Spain, as the case in other European countries affected by the crisis ? Are the landlords adapting their financial terms under this crisis period? And are rents for new projects affordable ?**

[RR] The rents for new projects have been adjusted indeed. As a matter of fact, retail chains are now far more severe in their selection criteria; they began renegotiating these rents back in 2008 in order to defend their bottom line. Similarly, the idea of variable rents is now being discussed, with the aim of converting these into fixed rents in 2 to 3 years' time. There have also been agreements for the existing centres, but these chiefly concern temporary rent reductions (6-month period, 1-year period). Finally, terms being offered in the town centres tend to be generally more flexible than in shopping centres.

*Retail & Trade Marketing is an independent marketing agency based in Barcelona. It carries out expertise marketing and consumer behaviour expertise and studies for leading store chains and developers (CONFORAMA, METROVACESA, IVANHOE CAMBRIDGE. . .).*

*Eurelia and Retail & Trade Marketing joined forces 20 years ago to set up a Federation of retail chain: Eurelia Spain/Portugal – Retail & Trade Marketing*

*Via this joint organisation, they provide their members with a unique form of support in order to assist them with their expansion strategies in the Spanish and Portuguese markets, including: city reports (more than 50 studies are available), a monthly turnover panel, tailored strategic advice for each retail chain, legislation watch, a database of retail projects under development, a database of rent levels, the organization of six meetings per year..*

*The federation currently includes the best performing Spanish, French and international retail chains in the Spanish and Portuguese markets: S A SEC, FOSCO, IF, INTERSPORT, CELIO, IMAGINARIUM, LEVIS, ILLUSIONA, CINESA, FNAC, KIABI, SEPHORA, YVES ROCHER, GENERAL OPTICA, LA GRANDE RECRE, BED'S, SERGENT MAJOR..*

*Together, these store chains account for 4500 sales outlets in Spain. [www.eurelia.com](http://www.eurelia.com) - [www.retailtrade.es](http://www.retailtrade.es)*



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