eurelia

PROCOS

Press Release – October 12, 2010

EUROPEAN RETAIL REAL ESTATE REVIEW AND ECONOMIC OUTLOOK

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> Eurelia, European federation of international retailers
In partnership with Retail &Trade Marketing in Spain

Created 19 years ago by Michel Pazoumian, General Delegate of Procos, and Emmanuel de Labarre, Eurelia advises and supports actively international retailers with their European strategy on more than 23 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 Spain/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 2010, the Eurelia Europe division has published more than 8 new reports on European and Maghreb cities, tracked more than 1.500 retail projects under development and has confirmed as a key place for debates and data exchanges on key markets: Central Europe, Asia, Russia...

The Eurelia Spain/Portugal division is co-animated with Retail & Trade Marketing, an independent marketing expert based in Barcelona, specialized in Market and Consumer Behavior Studies for major store chains and developers, which is today run by Ricardo Rustarazo. This partnership has been in place for more than 20 years now.

The members of our 2 divisions represent in 2010 more than 33.000 stores worldwide.

> Survey methodology

All data published in this Press release were extracted from the PROCOS, EURELIA and RETAIL&TRADE MARKETING 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 2010” is mentioned, it refers to : all the projects registered in our databases in 2010, with no relation to the opening dates of these projects (which may occur in 2010, 2011, 2012…).

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

> Project provision by country : evolution 2010/2002

Projects	2010		2009		2008	2006	2004	2002
	Nbr of rojects	*M² GLA*	*Nbr of projects*	*M² GLA*	*Nbr of projects*			
France *	**593**	**7.432.000**	730	7.687.170	738	410	288	223
Spain	**140**	**4.600.000**	182	6.054.000	181	164	228	138
Poland	**248**	**5.250.000**	218	4.596.855	230	134	113	136
Italy	**183**	**3.822.000**	187	3.707.687	209	185	131	85
Germany	**133**	**2.471.000**	110	2.215.460	122	73	74	119
Portugal	**54**	**1.140.000**	45	1.218.950	49	39	33	38
Belgium	**77**	**1.485.000**	65	1.451.550	65	58	31	30
Switzerland	**28**	**361.000**	21	357.000	33	26	26	27
Total	**1.456**	**26.561.000**	**1.558**	27.288.672	**1.627**	**1.089**	**924**	**796**

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

** temporary data*

> European news roundup : with the exception of two countries (Germany and Poland) the European market remains lacklustre

Following the slowdown in 2009, the volume of projects currently at the design stage is at a low level for the second year running. Additionally, we now know that among these projects, actual site openings are being reduced or pushed back to 2012-2013 and that a significant number of “dead” projects will probably never get off the drawing board.

Another key factor to be considered is that the average size of the projects is declining in most countries. The new shopping mall projects are generally for 40-80 stores compared to 150-250 stores three years ago. Similarly, we are witnessing the launch of large numbers of extension and renovation projects (+ 40/50 stores) to consolidate existing sites.

This change in site profile can certainly be explained by the economic crisis which has made financing more difficult to come by. In 2010 we have therefore seen a number of high-level mergers and acquisitions, freeing up new funds for major projects, such as the CORIO-MULTIDEVELOPPEMENT deal in Germany, the acquisition of FORUM INVEST’s Belgian portfolio by Patric Huon/BANNIMO, and the PERELLA WEINBERG REAL ESTATE FUND’s acquisition of a larger share in the equity of the German developer MFI.

Moving beyond the issue of financing, this reduction in size also reflects the view of European local authorities who are reviewing their urban policies and adopting more of a “tailored” approach to revitalising their town centres, industrial wastelands and all kinds of urban sites (including railway stations and docks, etc).

Overall, this continued slowdown in the development of new projects during 2010 highlights two factors. Firstly, the expectation on the part of all key players of greater visibility in the markets, leading to them postponing projects to 2013-2014 in towns and markets which are either saturated or which appear to have run out of steam (Romania, Greece and certain towns in Poland, etc).

Secondly, this perhaps points to the fact that greater thought is being given to basic issues, i.e. : is a turnaround in the number of “openings» in the European markets linked exclusively to an improvement in the economic situation ? Did the years 2009-2010 highlight a number of important factors to be taken into account before launching new shopping centres, including the sufficiency of retail facilities in a number of towns, or changes in the structure of the shopping centres’ trading accounts, with the store chains renting the stores in the centres now facing higher levels of rent, requiring them to achieve higher sales at a time when European consumers are now looking for lower prices and new consumption patterns ?

Doesn’t this all come down to the definition of added value for future projects... an issue which all key players need to consider ?

> Spotlight on the major countries

Countries for which the volume of projects is increasing

- Germany : a large number of openings scheduled for 2011

The volume of projects is rising at a high rate : between 2009-2010, our Eurelia database recorded no fewer than + 20 % more new projects in numerical terms, equivalent to a rise of + 11 % in m² GLA. This sharp increase must nevertheless be considered in light of the situation in this country, which has managed itself well despite the crisis, and the German urban planning model which is tightly controlled and highly attentive to creating a good equilibrium between the outskirt equipment and the town centres.

The reconversion of former major department stores (HERTIE, KARSTADT, SINN LEFFERS and WERTHEIM, etc.) is a factor in these increases. It has generated a large range of properties for reconversion in highly sought-after town centre locations. ECE recently announced its intention to regenerate the HERTIE TEGEL site (Berlin), the developer HLG is to reconvert KARSTADT SOLINGEN, and CORIO/MULTIDEVELOPMENT the KARSTADT “QUARTIER AM MARKT” site in Recklinghausen.

The two leading operators in this country, ECE and MFI, continue to lead this growth in m², with (as an example) MFI announcing two new projects in 2010 (Mönchengladbach Arcaden and Göppingen Arcaden, at an early stage). For its part, in addition to its new projects, ECE is also involved in a major programme of renovations/extensions of its existing assets.

Of the major cities, Berlin is a key «m² generator” in the country (with 14 projects listed in 2010 totalling 355,000 m² GLA in all), including the restructuring in the city centre of the Kudamm’ area and of the Leipziger Platz.

Finally, developments in small and medium-sized towns (i.e., the towns of Kiel, Hildesheim, Hanau, Dortsen, and Duelmen, etc) are increasingly numerous, but also entail a higher number of “dead” projects, all the more so as the major chains are more reluctant to sign up to any operation presenting the slightest risk...

Main openings 2010 : RHEINGALERIE Ludwigshafen (ECE), HAMBURGERSSTRASSE EKZ restructuring in Hamburg (ECE), RATHAUS GALERIE LEVERKUSEN (ECE). To be open: EUROPA GALERIE - NEW SAARGALERIE in Saarbrucken (ECE).

Main projects to be open in 2011 : PASING ARCADEN in Munich (MFI), SCHLOSSHÖFE Oldenburg (ECE), extension of ALTMARKT GALERIE in Dresden (ECE), HUMA PARK restructuring in Düsseldorf (ECE)…

- Poland : a higher volume of projects although this is not necessarily linked to the actual state of the market

Although the country suffered a downturn in projects during 2009, the general trend has been reversed. Production is rising once again in 2010 with + 13 % in numerical terms and + 14 % in m² GLA for listed new projects in comparison to our database of 2009. Consequently, the "pipeline" has smashed through the 5,000,000 m² mark for retail projects at the planning stage.

This rise in m² should be welcomed with utmost caution, even if Poland has succeeded in maintaining a rather favourable economic standing in Central Europe over the last two years. Indeed, despite everything, the economic climate in 2010 remains in a state of slowdown (with an example being the difficulties in obtaining the financing needed to market 100 % of the projects).

Secondly, although certain projects in under-equipped or otherwise promising towns may be well justified, the major volume noted in small and medium-sized towns appears (as in 2009) to be totally out of step with their actual available purchasing power.

We should add to this the fact that even the major urban areas are today demonstrating that they can no longer absorb the recent wave of openings, as we recently saw in Lodz and Cracow, (a whole new situation for the latter, which has traditionally been very dynamic).

This rise in the volume of projects can be explained by the existence of powerful key players in the country who remain active, responding to tenders launched by the local town halls (an example being the renovation of the PKP railway stations) and who are battling to achieve leadership, such as : TRIGRANIT, ECHO INVESTMENT, ECE, IMMOCHAN, MAYLAND and INTERIKEA, etc. The local authorities have also certainly contributed to this effect, with the issuing of construction permits in 2010.

Finally, although the production of m² has therefore got underway again, for their part the opening dates are slipping back for the major projects, to 2012, or even 2014 in the major urban areas (Wroclaw and Gdansk, etc.).

Main openings 2010 : GALERIA MAZOVIA (MALLSON) in Plock, Port Lodz (IKEA)

Main projects to be open in 2011 : Auchan LOMIANKI (IMMOCHAN), GALERIA KASKADA in Szczecin (ECE), MILLENIUM HALL in Rzeszów (CONGES), GALERIA ECHO extension in Kielce (ECHO INVESTMENT), GALERIA SLONECZNA in Radom (AIG), TORUN PLAZA (PLAZA CENTERS) …

- Switzerland : a "relative" upturn due to the Migros and Coop policies

In Switzerland, we have witnessed a "major" increase in the number of projects, although the total m² GLA has remained virtually unchanged. However, this should be viewed in context : the increase comes from the two leaders in the food sector who are expanding their networks across the country via small hypermarket malls or local extensions (10-30 stores) in the towns of Brig, Thun, Vernier, Viège, Martigny and Chiasso, etc. Otherwise, the country remains extremely attentive when it comes to protecting the equilibrium of its retail equipment.

Countries for which the volume of projects is slowing

- **France : a volume which is declining but which nevertheless remains (too) high**

In all, 593 projects (i.e. 7,432,000 m²) are still planned for the next five years, ensuring that France is the European country in which the largest number of projects is scheduled, in terms of m². Although the number of projects has fallen for the first time since the 1990s, it still remains at a very high level.

A total of 80 % of the surface area for these projects (5,900,000 m²) concerns suburban developments, of which 52 % are retail parks (3,780,000 m²) and 28 % shopping centres (2,120,000 m²). Town centre shopping centres (890,000 m²) account for just 12 % of the projects' surface areas.

Some 82 % of the approved surface areas are in the suburbs (2,635,000 m²), 1,480,000 m² in the form of retail parks (of which 2/3 are new sites and 1/3 extensions), and 1,155,000 m² in the form of shopping centres (once again with a ratio of 2/3 new sites and 1/3 extensions).

This volume of retail projects, which remains very high, appears to be out of step with consumption levels and with demand from the store chains, who are increasingly prudent where expansion is concerned (perhaps as a result of having had their fingers burned by the extremely difficult start-ups they have experienced in very most recently opened centres).

The same attitude prevails among investors, who are focusing on «safe bets» such as large shopping centres. However, they have shown themselves to be somewhat reticent regarding new projects and medium-sized sites.

This situation is also generating a high risk of cannibalisation, risks which are already become a reality in a number of fragile markets, particularly medium-sized towns which do not have a sufficient market to absorb such a volume of additional retail space.

Against this backdrop, the proposed law on retail urban planning reflects the arrival of a new era characterised by an economic slowdown and the excess production of retail space. A new approach to urban planning, with the emphasis on intercommunal cooperation, may help avoid a further deterioration in the market.

Main openings 2010 : Polygone Rive Gauche in Béziers (Socri), Cours Oxygène in Lyon (Unibail-Rodamco), La Caserne de Bonne in Grenoble (Soderip).

Main projects to be open in 2011 : Le Millénaire in Aubervilliers (Ségécé/Icade), Lyon Confluence in Lyon (Unibail-Rodamco), Retail Park Maison Plus in Reims (Sopic Nord).

- **Italy : a "pause" in the market and an in-depth re-consideration of the shopping center role by the various key players (town halls, developers, investors and store chains) ?**

The volume of projects in Italy has been virtually unchanged for the third year running.

The change in the size of the projects is particularly striking in this country which three years ago accounted for some of Europe's largest projects. Today, with the exception of three or four "major sites" with more than 150 stores (MALL OF ITALY in Milan ; CENTRO IKEA VILLESSE ; PARMA URBAN DISTRICT ; CENTRO SICILIA ; the extension to CITTA FIERA Udine, etc), most new projects involve malls with 45 stores (extensions, town centre sites, or hypermarket malls), and 60-80 stores maximum (shopping centres located around hypermarkets).

The economic crisis and the resulting financing problems have brought on this situation, which has seriously hampered the major players, and even the Italian companies (i.e. Risanamento).

However, does this current slowdown indicate that greater thought is now being given by the developers/investors to the problem of an excess of retail sites in numerous towns and cities (generating a slowdown in sales) in a country in which the rate of new openings between 2008 and 2009 has been sustained in many cities, i.e.: Rome (4 sites opened between 2008 and 2009) Turin (2 sites), Milan (2 sites), Catania (1 site), Udine (2 sites), Trieste (1 site) and Palermo (1 site), etc ? Or by numerous town halls and regions when they delay issuing permits? And finally by the store chains themselves, who are increasingly reluctant to sign up to projects for which the level of rent is now high?

In all cases, it will be the "small" projects (often located in small and medium-sized towns) which will be opening in 2011 while at the same time we are witnessing a large number of "re-launches" (editor's note : not included in our tables as they do not create additional m²).

The largest projects in terms of size (especially where the major urban areas are concerned) are taking longer to emerge (2012-2013).

Main openings 2010 : PORTE DI CATANIA in Catania (IMMOCHAN), AUCHAN ARGINE in Naples (IMMOCHAN). To be open : FIORDALISO extension in Milan (IMMOCHAN), IL GLOBO BUSNAGO extension in Milan (MALL SYSTEM), PESCARA NORD extension (Ségécé).

Main projects to be open in 2011 : LE TERRAZZE à la Spezia (SONAE), SETTIMO CIELO Phase I in Turin (MALL SYSTEM/FREY IMMOBILIERE), GALLERIA BORROMEA in Peschiera Borromeo (MALL SYSTEM)

- **Belgium : a high volume of projects although these will not be ready before 2012 at the earliest**

This was one of the few European countries in which the volume of projects did not fall back in 2009. This year, this volume is up in numerical terms (+ 18 %) but unchanged in terms of aggregate m² GLA. Furthermore, for the time being this increase remains a rather “virtual” one as the “pipeline’s” opening dates are far off, with most of the planned openings to begin at the earliest in late 2012.

The profile of the shopping malls has changed, with a reduction in size. Major projects have been abandoned (Uplace Brugges, the shopping centre at Ghent Stadium, etc) or scaled back (i.e. SQUARE LEOPOLD in Namur). At the same time, the new projects booked have been of a smaller size, designed to meet the “tailored” approach to town centre sites, or the local approach in small and medium towns, i.e. the ING ARKENVEST project in Halle followed by the DOKNOORD and KORENMARKT/KOBRA projects in Ghent, etc.

Finally, as in 2009, the retail parks continue to dominate the projects (accounting for 37 projects out of 77 ; for 694,000 m² i.e. 49 % of the total square meterage) with small and medium towns being targeted in particular including: Wavre (3 projects, with that of GHELAMCO being the most advanced) or Olen (SHOPPING PARK with the main store chain being Décathlon).

Main openings 2010 : K in KORTRIJK in Kortrijk (FORUM INVEST), refurbishment of LA GALERIE TOISON D’OR (ING) in Brussels. No major opening in 2011.

Countries for which the volume of projects is in ``stand-by” : Portugal, Greece, Romania, Bulgaria, Czech republic, Hungary …

- **Spain : an extremely cautious approach to projects**

The same factors which hampered projects in 2009 continue to be encountered today, including financing, difficulties in marketing projects at a time when rents are relatively high compared to the store chains’ turnover in 2010, and the postponement of signatures by the major chains, etc.

With the prospect of an improvement in the short to medium-term economic situation being no more than moderate, all projects are today being considered based on the most “fundamental” criteria : i.e. the existence of a sufficient local trading area, the suitability of the project’s size and its future competitive position.

Main openings 2010 : SPLAU (Cornella-Barcelona), JEREZ XXI (Jerez-Cadiz), EL MIRADOR in Jinámar (Las Palmas).

Main projects to be open in 2011 : MARINEDA PLAZA (Coruña), LAS ARENAS (Barcelona) and GRANPLAZA (Mayadahonda).

- ## Other countries

> Portugal : slightly more projects but slightly fewer m². In reality however, as in the past when we look beyond the number of new projects recorded, there remains a great degree of uncertainty concerning the outcome of those projects already announced and their launch dates. Only 9 openings took place in 2010, including 2 majors : Espaço Guimarães (MULTIDEVELOPMENT) and Retail Planet Bareiro by the end of the year (MILLIGAN). Very few major openings planned for 2011: AQUAPORTIMAO in the Algarve, DOLCE VITA in Braga and 2 extensions (FORUM SINTRA in Lisbon and NASSICA (Porto).

> Greece, Romania and Bulgaria remain fragile markets, not only for the store chains but also the investors and developers. The major European players present in these markets (ECE, SONAE, PLAZA CENTERS and RIOFISA, etc.) are postponing their projects to 2013-2014, putting them on standby or simply cancelling them altogether. In Greece, outside Athens and Thessalonica, the country's regions are not producing a particularly high level of results.

In Bulgaria and Romania the store chains (and the developments) are focused on the country's capital.

> In the Czech Republic : similarly, developments are being pushed back to 2013, including in particular a slowdown in suburban projects around the country's capital, Prague.

> Hungary : few projects are currently under construction. 3 key players are continuing to expand in this country although displaying a high degree of caution (Ségécé, ECE and IMMOCHAN).

> Eurelia Federation news in 2010

- New members in 2010

In 2010, 4 new retail chains joined the Eurelia Federation, clearly demonstrating their confidence in our support : the Dutch retail chain WE (club Eurelia Europe), Orchestra (club Eurelia Spain-Portugal/Retail &Trade Marketing), Ludendo/ La Grande Récré/ Franz Carl Weber (club Eurelia Europe) and Sergent Major (club Eurelia Spain-Portugal/ Retail &Trade Marketing).

Store chain	*Number of sales outlets in Europe*	*Main developed countries*
We	227	France, Germany, Switzerland, Belgium, The Netherlands
Orchestra	932	France, Belgium, Italy, Spain, Portugal, Greece…
Ludendo/ La Grande Récré/ Diverdrak/ Franz Carl Weber	211	France, Spain, Switzerland, Belgium…
Sergent Major	295	France, Spain, Belgium, Italy, Middle-East …

- 15 new reports

In 2010, Eurelia carried out more than 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 released its 2nd transversal themed study entitled "Outlet Centers in Europe : review of existing schemes and of projects".

- Turin, Milan (Italy)
- Vienna (Austria)
- Hamburg (Germany)
- Maastricht (The Netherlands)
- Tunisia (First approach study – focus on Tanger)
- Liège (Belgium)
- Switzerland (key data and main trends 2010)
- Major projects under development in Europe
- Outlet Centers in Europe: review of existing schemes and of projects
- Spain(1) : Las Palmas, Pamplona, San Sebastian-Bilbao-Vitoria, Logroño, Major projects under development in Spain
- Portugal(1) : Region Algarve, Major projects under development in Portugal

(1) *In partnership with Retail &Trade Marketing*

- **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 2010-2011, in addition to discussing the economic crisis.

  Numerous speakers and partners of our members' international expansion have been invited to present and discuss their views and plans during these meetings in 2010 : Gruppo IGD Italia, CORIO Germany and Italy, MALL SYSTEM Italy, The Belgium Association of Town City Management AMCV, IMMOCHAN Russia, UNIBAIL RODAMCO ...

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