

# LOOKING AT THE GLOBAL PICTURE

*In association with Cushman & Wakefield, RLI is delighted to present its Global Retail Market focus. Here, we present retail property professionals with a global overview of the key markets across the North American, EMEA and Asia Pacific regions.*

**D**isparate and diverse markets present a plethora of opportunities and challenges and it pays to have done your homework before considering entering any new territory. In this feature, RLI examines the unique characteristics of each country, its current economic performance, growth opportunities and notable 'movers and shakers', as well as the market potential for new entrants.



## **The Americas** **Brazil**

With more than 190 million residents, Brazil is the world's fifth largest country. One of the characteristics retailers find appealing is its relative youth – more than half of the country is under the age of 30. It also boasts several other traits that have made it a top target for international brands: a burgeoning middle class, high consumption rate and large urban populations.

Brazil's relatively low political and financial risks have made it appealing to international retailers, and its real estate laws typically favour tenants, however restrictions for international companies entering the market are challenging. As the host of the 2014 World Cup and the 2016 Summer Olympic Games, it is likely to draw yet more attention on the international stage.

Brazil is the world's eleventh-largest shopping mall market based on the number of malls in operation. Shopping centre stock stands at 12.7 million square metres of GLA. However, with 63.2sq m per every 1,000 people, the opportunity for further growth is apparent when compared to more mature retail markets.

The food retail industry is significant; international or local retailers have led the development of supermarkets and hypermarkets into an expansion phase, while street retail serves the middle class and the lower consumer tiers in the majority of the cities. Sao Paulo and Rio de Janeiro are the only cities with upscale street retail featuring luxury brands.

There are no restrictions on foreign companies buying or renting property in Brazil. Brazilian lease structures are typically seen as tenant friendly, characterised by short-term leases, a guaranteed right of renewal, and a low penalty for early termination.



## **Canada**

Canadian retailers and retail landlords are generally strong and emerged from the global financial crisis and the ensuing recession in good form. Despite the mixed results of Target's overly ambitious entry into the Canadian retail market, both American and

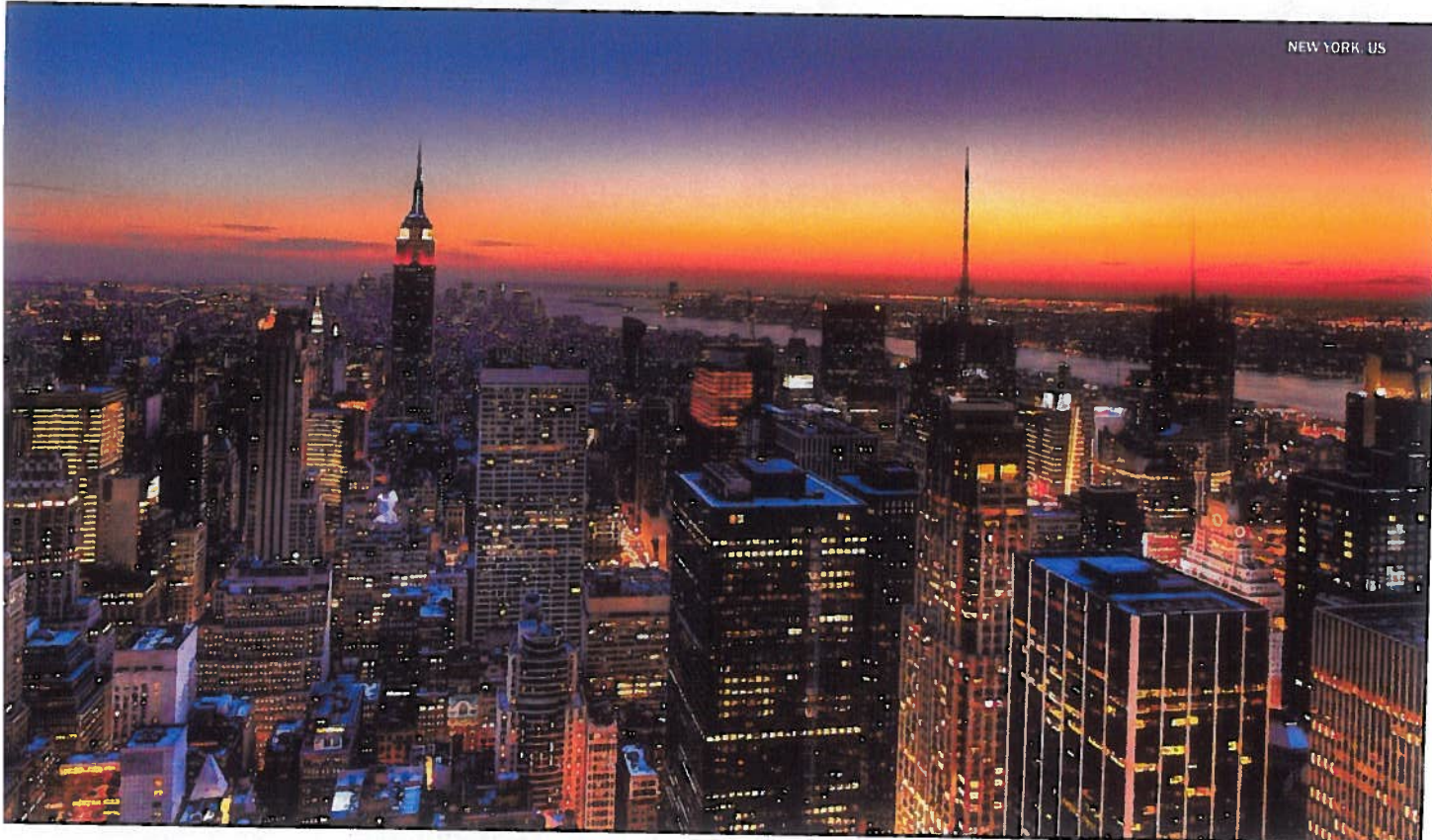
international retailers continue to consider opening retail locations in Canada, a greatly underserved retail destination. Unlike Americans, and despite a prediction of incremental growth of e-commerce, over 70 per cent of Canadians prefer 'bricks and mortar' shopping which bodes well for retail leasing and expansion. The Canadian retail market is still coveted in 2014 because it is considered relatively resilient and strong economically.

There is a growing trend toward creating a smaller retail footprint and the last three years have seen GLA deceleration with the higher cost of urban development and physical site constraints thereby creating new relationships between store size, rent and sales/sf. Also, Canadian large-box and middle-box stores are following in the path of their US counterparts by creating new 'express'-style stores and downsizing current large locations.

Outlet premium malls are the new shopping centre category to enter the Canadian market over the last few years and have experienced terrific success. Super regional shopping centres in Canada are reaching space capacity and/or undergoing massive expansions because of increased demands. With the subsequent delayed entry into premium shopping centres, luxury retailers are shifting their gaze to luxury high streets.

Some of the notable new entries into Canada

NEW YORK, US





include Saks and Nordstrom both opening new stores in 2015-16.

Nonetheless, Canada possesses high but affordable rents, strong retail productivity and lower retail GLA per capita.



### Colombia

Colombia's sustained growth over the past decade has made it an appealing market for investors and multinationals around the world. This, in conjunction with the implementation of a neoliberal economic model, has fostered the development of international commerce in the country, bringing benefits such as greater economic growth, cheaper imports, the blooming of new technologies, the stimulus of foreign competition, and a very important increase in foreign direct investment.

Real GDP grew 4.2 per cent in 2012, and inflation ended 2013 at 1.9 per cent, continuing almost a decade of strong economic performance. Retail sales continue to grow at a healthy rate.

A number of international retailers are present already in Colombia including Fallabella, Zara, Sony, LG, Panasonic, Adidas, Stradivarius, Lacoste, Swatch, Massimo Dutti, Tommy Hilfiger, Crocs, Montblanc, Swarovski plus many food & beverage operators including McDonald's, Subway, Burger King, Pizza Hut, Domino's Pizza, Kentucky Fried Chicken, Taco Bell and Papa John's.

Colombia has 120 shopping malls over 5,000sq m as of March 2014. In addition, there are many shopping galleries (no anchors) which receive around 19,000 weekly visits.

E-commerce in Colombia lags in comparison to the region, representing only two per cent of online sales in Latin America (about US\$860M), despite the fact that it is one of the more connected countries in the region.

It is possible to enter the Colombian retail market directly, although many brands also choose to franchise or enter via concessions/shop-in-shops.



### Mexico

In Mexico, growing diversification in retail concepts has translated into growing sales volumes for international and innovative local retailers. This diversity has created a hybrid retail landscape. New world-class retail development shares the market with an estimated 2.3 million mom-and-pop stores and traditional markets. All these venues serve a highly diversified and continuously growing base of consumers, and they make Mexico an ideal location to both assess and profit from retail strategies oriented to emerging nations.

International retailers currently active in Mexico include Sears, Inditex Group (Zara, Bershka, Pull & Bear, etc), Home Depot, Best Buy, Office Depot, Lowe's, Walmart and Saks Fifth Avenue, whilst new entrants to the market include: Sephora, Best Buy, Brooks Brothers, Forever 21, Crate & Barrel, Bed Bath & Beyond, GAP and H&M.

The current inventory of modern shopping centres reaches approximately 11.3 million square meters, with the most prevalent format being the community centre, normally anchored by a supermarket and a movie theatre complex.

International retailers can enter the market directly as there are no legal restrictions on foreign companies regarding leasing or sales transactions. However, because of the complex competitive and geographic

landscape, franchising and joint-venture with local companies are the preferred methods for market entry.



### United States

US retailers and shopping centre owners are now global companies setting the standard for consumer business worldwide. With access to a diverse range of retail property types – from luxury high streets like Fifth Avenue in New York and Rodeo Drive in Los Angeles, to enclosed shopping malls, to open air centres – US markets offer a variety of retail schemes. It is also home to many of the world's best known brands such as Abercrombie & Fitch, Nike, GAP and Apple.

With annual retail sales greater than US\$4.4Tr, opportunities in the market will continue to produce home grown brands and attract foreign concepts looking for new consumers.

International retailers currently active in the US include IKEA, Zara, H&M, Uniqlo, Louis Vuitton, Cartier, Burberry, Gucci, Diesel, Mango, Sephora, Topshop, Swatch, Carmen Steffens, Benetton and Lululemon, whilst new entrants to the market include: Joe Fresh, Aritzia, Hakkasan and Superdry.

The US is a relatively mature and competitive retail market where consumers have traditionally been very receptive to new concepts and formats, and it leads the world in shopping centre GLA per capita at nearly 2,000sq m per person. Total GLA in shopping centres stands at more than 6,183sq m located in more than 35,000 centres across the country.

A notable trend is that the US is becoming more urban and diverse. As a result, many US retailers are experimenting with new store formats and urban locations to increase market share.



### Europe Austria

Dominated by the Alps, tourism plays an extremely important economic role in Austria. The retail market is highly competitive and shoppers are sophisticated, demanding high quality goods, though with an increasingly low price and the discount price mentality, the latter fuelled by the internet and the rapid development of technology, coupled with changing lifestyles.

New entrants to the market include: Abercrombie & Fitch, 7For All Mankind, Bershka, Hunkemöller, Moncler, Ferragamo, Superdry, Mulberry, Aldo, Brioni, Etro, Pull & Bear and Scotch & Soda.

Retailing is relatively fragmented, although it has shown a trend towards greater concentration. Austria has among the highest levels of concentration in Europe within the grocery market, when measured in terms of market share. There are many international retailers in Austria which have entered directly.

Shopping centre stock in Austria is characterised by a relatively high number of small schemes in comparison to other European markets. There are over 80 retail parks across Austria and the market is largely saturated. The trend is moving towards a modernisation and upgrading of existing space.

There has been high demand for retail centres at transport hubs, notably the 17,000sq m Bahnhofcity West and Bahnhof Wien Mitte, whilst the 25,000sq m New Central Train Station Shopping Centre opens in 2015.

Outlet centres have gained in importance and are now very popular with consumers and luxury brands alike.

It is possible to enter the Austrian retail market

direct, though many also franchise and enter via concessions/shop-in-shops. Foreign companies need to be registered in the 'Handelsregister', the Austrian registry of companies to run a commercial enterprise here to avoid tax deficits; buying or renting property in Austria is generally not a problem.



### Belgium

Belgium is a relatively small but very international market with above European average retail spend per capita. It is a mature and competitive retail market, where consumers have traditionally been receptive to new concepts and formats. As a result, the number of cross-border retailers is very high in this market and it is often seen as an ideal test market for new entrants into the European retail scene.

Retail in Belgium is characterised by a healthy balance between high street locations, retail warehousing and shopping centres. Shopping centre provision is below the European average, due to severe planning procedures especially for out-of-town projects. In the retail warehouse sector, Belgium has a proportionally large stock of hypermarket and solitary retail warehouse shops.

International retailers currently active in Belgium include H&M, Inditex, Primark, Mediamarkt, Desigual, Ikea, Mango, Superdry, Springfield, Eram, Hema. New entrants to the market include: Calzedonia/Intimissimi, Picard, Ethan Allen, Marks & Spencer, Apple, Abercrombie & Fitch, Hollister, Primark, Chaussée, Sam Friday and Agent Provocateur.

It is possible to enter the Belgium retail market direct, though many also franchise and enter via concessions/shop-in-shops. There are no restrictions on foreign companies either buying or renting property.



### Bulgaria

Even after having seen modern stock explode from virtually zero to more than 740,000sq m in the eight years to the end of the first half of 2014, Bulgaria remains a relatively unsaturated market in terms of shopping centre space per capita. Spend per capita is below the European average and yet the country has consistently attracted international brands.

The last projects of the boom legacy are due for completion by the end of 2014. After this wave of centres, the market will enter a more mature phase with sufficient stock, variety of brands and a limited development pipeline.

New entrants to the market include: Grupo Cortefiel (Cortefiel, Springfield and Women's Secret), Desigual, Mango (re-entering directly), CineGrand, Sport Vision and Decathlon.

Shopping centres are the preferred retail store locations among consumers and retailers alike, whilst the retail park and outlet concepts remain underdeveloped. Shopping centre competition is moving on a new level, with greater emphasis on leisure and services, as bricks-and-mortar stores try to engage with the internet generation of consumers.

While some brands have entered through franchise deals, increasingly the trend is for international retailers to enter the market directly. In some cases, international retailers have bought back the franchising rights from franchisees.

Bulgaria offers good investment conditions and a relatively calm investment climate, low and simple income taxation system with flat ten per cent rate for both corporate and personal income.





### Czech Republic

International retailers currently active in the Czech Republic include M&S, H&M, Reserved and other LPP brands plus Zara and other Inditex brands, C&A, Peek & Cloppenburg, Van Graaf and Foot Locker. Peak Performance, Superdry, Decathlon and Smyk are among new entrants to the market.

The liberalisation and development of the Czech Republic has made it an attractive destination for a number of major European retailers across many sectors and in all types of formats. Interest remains strong but space is limited on its high streets. Prague is the only city with extensive high street shopping, while elsewhere in the country it is more limited. Many household names in European retail have representation on the high streets.

The key opening in the last 12 months has been Galerie Šantovka, which aims to dominate the retail market. Many large schemes, especially in Prague, have already done or plan on doing major refurbishments to improve their internal environment and F&B offer and, if they can, squeeze in additional anchors.

With the exception of the extension of Fashion Arena in Prague, the factory outlet segment has seen no major change over the course of the last couple of years, however four outlet centres are in the pipeline.

Internet-based sales have continued to grow significantly but account for a relatively low proportion of total retail sales. UK grocer Tesco launched an online shopping service in Prague, the first in its sizeable Central European retail business.



### Denmark

Denmark is a gateway to the rest of Scandinavia or the Nordic region. It is one of Europe's smaller markets but is mature and competitive – it is also one of the most innovative and dynamic.

Denmark has proved to be an attractive destination for investment from a number of international retailers, but there are also a number of strong domestic retailers, including Bestseller with its many fascias at home and abroad. Other Danish companies with international operations include Ecco, IC Companys, Pandora, Bang & Olufsen and Lego.

The total existing stock of shopping centre (over 5,000sq m) space in Denmark totalled over 1.7 million square metres GLA as of 1 January 2014, whilst the retail warehouse market is mature and well-established, though they are subject to stringent planning controls in edge- and out-of-town locations along major roads.

It is generally believed that the Danish lease structure is more orientated toward the tenant than the landlord. The leases are constantly rolling until the tenant gives notice, even though, for example, a five-year lease contract is signed.



### Finland

Tourism is increasingly important to Finland and Russian tourists continue to drive retail sales in the capital, Helsinki. Demand for high-quality retail space is strong; several brands are looking to expand their presence, with particularly strong interest in the Helsinki CBD. Shopping centres Kaari and Ainoa, located in HMA, opened with a total 60,000sq m GLA at the end of year 2013. Some shopping centres are

also under renovation and expansion.

New entrants to the market include: Thomas Sabo, XXL and Marks & Spencer. XXL opened its first store in Finland recently and there will be five more within a year. M&S will establish in Finnish markets in autumn 2014 in co-operation with S-Group. They have planned to open many stores in connection with Sokos department stores in coming years.

Large and wholesaler-based groups such as SOK co-operative and Kesko Oyj are major players on the retail scene in Finland, as are other major operators such as Lidl and multi-sector group Stockmann.

Finland's relatively small market size has arguably been a limiting factor for foreign retailers. The fashion sector is the exception, with a number of Nordic players, for example H&M and Bestseller, represented, together with retailers such as Esprit and Zara.

Entering the Finnish market is possible either directly, via franchise or having a shop-in shop. The government is business-friendly and the country has a developed infrastructure, skilled workforce and competitive operating costs. Foreign companies can buy or rent properties as easily as local ones.



### France

France is one of Europe's largest retail markets, achieving an annual turnover of almost €500bn, and is home to many renowned retail brands including some of the largest retail chains in the world. International retailers currently active include IKEA, H&M, Inditex Group, Gap, Benetton, Mango, JD Sports, Pret A Manger and New Look. New entrants to market include: Hollister, Marks & Spencer, Coach, Forever 21, Pandora, Suite Blanco and Banana Republic.

French retail property stock comprises over 200,000 shops for a total surface area of over 70 million square metres. High streets account for the highest numbers of stores and retail parks accommodate nearly half the total surface area of organised retail space. The number of new regional shopping centre projects has declined considerably with activity now firmly focused on small schemes and redevelopments.

France is one of Europe's chief markets for factory-outlet centres, with nearly 400,000sq m, and the landscape has undergone rapid change since the early 2000s, with the extension of existing centres and the creation of new ones, entailing an improvement in supply and in the architecture of new centres.

There are no restrictions on foreign companies either buying or renting property in France and the market is generally considered as one of the most transparent and mature in Europe.

With €45bn spent in 2012, internet sales increased by 19 per cent year-on-year. While it currently accounts for less than five per cent of overall retail sales in France, the market share of e-commerce should register a sharp increase in the coming years.



### Germany

Germany's retail market, combined with its overall stability in terms of retail turnover, is a strong draw for retailers. The market is mature and city centres remain popular. Though German consumers are very brand aware, they are also very price conscious, more so perhaps than anywhere else in Europe. Over the past few years demand from national and international retailers wishing to introduce and expand new retail

concepts has been high. However, it is a competitive market to enter if the nuances of the consumer are not fully appreciated. The country's top high streets are the most highly-favoured targets.

New international retail entrants include: Tory Burch, Woolrich, Forever 21, Karl by Karl Lagerfeld, Top Shop, Uniqlo, Reserved, Ted Baker, Brandy & Melville and The Kooples.

In Q1 2014 total stock of shopping centre space amounted to 14.2 million square metres in 573 schemes. Among the current developments are two major schemes located in the federal capital: Bikini Berlin Shopping Center has recently opened and the Mall of Berlin (Leipziger Platz Quartier) is offering 76,000sq m of retail sales area.

As German planning law is very restrictive in terms of building permits for new retail premises, and as German cities try to protect their CBDs and owner managed concepts, supply of prime high street retail space has remained relatively low. Demand from national and international retailers trying to introduce and expand new retail concepts in Germany has always been high.

Due to the stable level of private consumption underpinned by a comparatively low unemployment rate, the German retail property market performed quite well after the financial crisis. Accordingly, retail rents held stable through 2008 and actually rose in 2009. The trend of rising rents continued well into 2010 and 2012. Prime rents in 2013 stayed unaltered in Germany's top locations, but have moved upwards in selective markets in Q1 2014.



### Greece

Since late 2009, the Greek economy has been hit by a severe economic and financial crisis resulting in the government requesting loans from EU institutions, a substantial debt write-off, stringent austerity measures and political instability. The taxation and commercial leases law has recently been significantly amended to facilitate investment and business operation.

The Olympic Games of 2004 marked a milestone in the transformation of modern Greece.

International retailers currently operating in Greece include IKEA, Inditex Group, Mango, Koton, H&M, Foot Locker, Promod, Sephora, Nike, Adidas, Marks & Spencer and Benetton. The only new entrants in recent years were Zadig & Voltaire and Tiger.

Shopping centres arrived relatively late in Greece and there are still not many. The total shopping centre stock in Greece is 606,125sq m (as at January 2014). Development has focused on Athens and Thessaloniki because of their population density and significant infrastructure development.

Greece enjoyed an active retail scene until it was impacted by the economic recession. The consumer sector has come under immense pressure as retailers have seen their turnover shrink considerably in the last four years. Retailers are keeping stores in only the most reliable and well-established locations, and international and some national operators are looking to take advantage of subdued market conditions to acquire prime space.

Shopping centres have showed more resistance to the economic conditions and the drop in their sales is less compared to the drop in high streets.

Retailers can enter the Greek retail market direct, though a lot of brands have chosen to enter through franchise.



## HUNGARY Hungary

The early adoption of a free market economy in Hungary in the early 1990s meant that it became an attractive destination for foreign investment early on and the retail sector saw many fundamental changes to arrive today at a modern infrastructure. It has so far been the hardest hit economy in Central and Eastern Europe and the majority of occupiers remain cautious. However, several international brands entered the market in recent months and selected food and fashion retailers are still expanding, taking advantage of attractive commercial terms to open stores in the market.

While the shopping centre pipeline is limited at present in Budapest, retailers have excellent opportunities in existing centres and shopping streets are further developing with new retailers, a phenomenon that continuously improves the quality and supply of the city's downtown area.

New entrants to the market include: Gap, Michael Kors, Breitling, Napapijri, Mohito, Sports Direct, Massimo Dutti, Desigual, Lego, Le Coq Sportif, Parfois, Sketchers and Pylones.

High street retail has improved significantly over the last few years in Hungary and now offers different locations for medium, high-end and luxury retailers. Retail parks and strip malls, typically targeting local residential areas, are popular.

Retailers such as IKEA, Baumax, Praktiker, OBI, Tesco, Metro and Auchan are all present, whilst the factory outlet market is concentrated on just two major schemes: Premier Outlets Center near Budapest and M3 Outlet Center close to Polgár.

There are no restrictions on foreign companies either buying or renting real estate in Hungary, except land. It is generally believed that the Hungarian leasing legislation is more orientated towards landlords than tenants. However it is in favour of tenants that leases have become shorter with break options.

## IRELAND Ireland

In terms of Irish retail activity, fashion retailers have remained largely dormant in opening new space recently. Exceptions to this include Inditex, which has opened stores under its various brands, TK Maxx and H&M. However, the young professional consumer profile that Ireland offers attracts interest from domestic and international retailers who continue to expand or look for opportunities to enter the market. This new demand is particularly strong from discount and convenience food retailing, coffee shops, pharmacies and restaurants.

Total existing stock of shopping centre space in Ireland totalled almost two million square metres GLA as at January 2014. A significant amount of new shopping centre development has occurred in the past decade and many provincial towns are now oversupplied with space. In spite of this, there is capacity for further shopping centre space in Dublin city centre.

It is possible to enter the Irish retail market direct, through many franchise opportunities and enter via concessions in larger department stores and shops.

## ITALY Italy

Shopping in Italy is a serious business. Italians take price, style and quality into careful consideration

before buying. More recently, shopping habits have become more polarised as shoppers are increasingly looking for value through discount and private label goods, though luxury and premium brand retailers' sales have proved resilient.

Compared to many Western European markets, the Italian retail sector remains highly fragmented and is dominated by small independent businesses, the majority of which operate as single outlets. New entrants include & Other Stories, Belstaff, Boxeur des Rues, KIEHL'S, Pandora, Kocca Jeans, Jaeger Le Coultre, Stuart Weitzman, Borsalino, Cos, IWC and Sephora to name a few.

Although Italian consumers are getting increasingly familiar with shopping in out-of-town modern retail formats, high levels of pedestrian flows demonstrate that high street shops still represent a key destination and that the in-town retail market is likely to maintain its importance in the future. Top markets for retailers remain Milan, Rome, Florence, Bologna, Venice, Turin, Naples and Palermo with luxury brands focusing mainly on Milan, Rome, Venice and Florence.

The modern retail market is consolidating and Italy is starting to reflect the retail density found in the more mature European markets, such as UK, Spain and France. Shopping centres are an established concept and new modern retail formats, such as retail parks, leisure and factory outlet centres, are expanding all over the country.

There are no restrictions on foreign companies either buying or renting a property in Italy, although they have to adapt their expansion plans to the characteristics of the local market, to some extent more restrictive in comparison with other European countries.

## KAZAKHSTAN Kazakhstan

The Republic of Kazakhstan is the ninth largest country in the world and bigger than Western Europe in size. It has a growing retail market with high potential for further development. It has the third largest expenditure market in the CIS (Commonwealth of Independent States) after Russia and Ukraine and 42.6 per cent of the population is aged between 25-54 years.

International retailers currently operating in Kazakhstan include: Louis Vuitton, Dolce & Gabbana, Saks Fifth Avenue, Burberry, Dior, Lanvin, Massimo Dutti, Zara, Marks & Spencer, Bershka, Pull & Bear, Mango, GAP, Topshop/Topman, New Look and Koton. New entrants to the market include: Prada, Almaty, Oysho, Zara Home and F&F.

The Kazakhstan retail market is very much in its infancy although the shopping centre sector is beginning to grow as consumers shift away from more traditional open-air bazaars and other informal markets.

Astana, the country's capital city, is also experiencing positive changes in its retail market, not least due to it being chosen to host EXPO 2017.

In general it is possible for international retailers to enter the market direct, though most franchise and enter with the help of local operators. There are no restrictions on foreign companies either buying or renting property in Kazakhstan. The Kazakhstan lease structure is generally considered to be more orientated toward tenants, and occupiers are increasingly being offered flexible turnover-based rental rates.

## LUXEMBOURG Luxembourg

It is not unusual for visitors from France, Germany and Belgium to shop in Luxembourg, as prices for some goods remain cheaper, although that trend is progressively declining as tax and prices tend to harmonise across the EU. This dynamic retail nature is confirmed by several parameters, among which the long-lasting positive trend in retail turnover, the high density of shopping centres per inhabitant and the relatively high prime rents in high street retail.

There is high development potential in the retail warehousing market, while high street retail remains concentrated in a limited number of streets.

International retailers currently operating in Luxembourg include Louis Vuitton, Gucci, Inditex Group, H&M, Esprit, S Oliver, Grand Optical, Cool Cat, Mango, Veritas, America Today, River Woods, Chaussea and Saturn, whilst new entrants to the market include: Monoprix, Seaside, Butlers, Claire's, Eurekakids, The Kase, Dolce & Gabbana and Eric Bompard. The Luxembourg economy is very open and one of the most international markets in Europe.

Between 1996-2005, a moratorium prevented the construction of any retail floorspace above 10,000sq m and literally locked local retail development. Since 2005, the end of the moratorium has encouraged new projects and has brought a new dynamic to the retail real estate development market.

It is possible to enter the Luxembourg retail market directly, although many retail groups also franchise and enter via concessions/shop-in-shops. On average 5-6 new entrants enter the Luxembourg market every year.

## NETHERLANDS The Netherlands

The Netherlands' retail market is one of the most mature in Europe. Despite the current economic slump in Europe, its key cities are performing well, driven by the demand from international retailers.

International retailers currently operating in The Netherlands include Primark, Mango, H&M, Inditex, Apple and Marks & Spencer, whilst new entrants to the market include Apple, Marks & Spencer, Primark, Hollister, Urban Outfitters and Forever21.

The shopping centre market of the Netherlands is characterised by relatively small centres and only a few of 50,000sq m and above. The retail warehousing market in the country is relatively small, with only few successful retail warehousing locations.

The Netherlands is increasingly becoming a market for factory outlet centres. With Designer Outlet Centre Roermond being voted as best factory outlet centre in Europe in 2010, the country has proven to have high quality outlet centres.

It is possible to enter the Netherlands' retail market direct, and it is also possible to franchise or enter via concessions/shop-in-shops. Many retailers have liked the nature of leases which gives them fixed rents for five-year periods. The lease has created a transparent and professional market that goes to serve the tenant's needs in some, if not all, respects.

## NORWAY Norway

A strong economy differentiates Norway from the rest of the European countries and its strong purchasing power is attractive for local and foreign retailers alike. An increasing number of international retailers are looking at the prosperous Norwegian market and are



particularly focused on the high streets. Demand for prime space remains healthy, with strong interest from both domestic and international retailers.

The high-end and luxury market is also very active for the moment; brands like Gucci, Marc by Marc Jacobs, Bottega Veneta, Mulberry, Hugo Boss, Hermes and Louis Vuitton are all present, but other high profile international brands are in the market looking for space. Burberry and Michael Kors are among new entrants to the market opening their stores by the end of the year.

Historically, shopping centres have been the strongest retail market with the total existing stock totalling around 3.2 million square metres of GLA. However 2013 was the first year in history where the growth in shopping centres was close to zero per cent. This is mainly due to too many shopping centres with the same tenant mix in each shopping centre. The total stock is approx. 470sq m of shopping centres per capita while the average in Europe is approx. 270sq m. The top five players control some 80 per cent of the market.

Retail space is also becoming increasingly available for new retailers as new shopping centres are in development in many cities of the country. Three big retail schemes are in development in Oslo.

The Norwegian factory outlet market is in its infancy. Norwegian Outlet, Vestby was the first one and more retailers are now focusing on this segment of the market. Outlet One (also in Vestby) is perhaps Norwegian Outlet's strongest competitor. Other retailers have established their own direct outlet stores.

Retailers can enter the Norwegian retail market direct, though many also franchise and enter via concessions/shop-in-shops.



## POLAND Poland

Since its transition to a market economy, Poland has experienced sustained economic growth, assisted by its accession to the European Union which is now its main trading partner. Despite a more recent and relative slowdown, the country has maintained its reputation of a star performer in economic terms within the EU.

The economic reforms implemented in the early 1990s coupled with an investment-friendly business climate and growth prospects have meant that Poland became a key target for international retail companies. A number of sectors are dominated by foreign retailers, notably food, DIY and furniture, and while the retail market is well developed, it remains fragmented overall, with a large number of shops.

International retailers currently operating in Poland include H&M, C&A, Marks & Spencer, TK Maxx, Zara, Deichmann, Cubus, KappAhl, Reebok, Puma, Bershka, Foot Locker, IKEA and Jysk. New entrants to the Polish market include Louis Vuitton, American Eagle, Bath & Body Works, Victoria's Secret, Hollister and SportsDirect.com.

Modern Polish retail is dominated by shopping centres, the typical entry point for international brands, with space totalling around nine million square metres across some 370 centres as at January 2014.

Growing interest in retail parks indicates that the retail market is reaching maturity, as both developers and chains look out for expansion opportunities. Poland now has eight factory outlet centres and the pipeline includes schemes that combine offerings from well-known domestic and international retail brands and less

well-known local brands, as well as wholesale stores.

Retailers can enter direct and it is relatively easy to do so, though many also franchise and enter via concessions/shop-in-shops.



## PORTUGAL Portugal

In Portugal, the key cities of Lisbon and Porto are in the spotlight when it comes to commerce and development. Up to a point, town centre retail development was secondary to the development of edge- and out-of-town retail schemes, but this was in part a response to site availability and planning legislation. The new urban lease law, effective from late 2012, has since then permitted a more effective control of the properties by landlords, discouraging ad eternum leases and allowing a much needed and welcomed renewal of the high street retail. These alterations have been turning high street retail into a much more dynamic market, and prime locations such as Avenida da Liberdade and Chiado are enjoying greater interest from both national and international retailers.

Portugal had 3.62 million square metres of retail space operating as of May 2014. The vast majority comprised shopping centres, followed by retail parks, with 12 per cent of the total supply. Factory outlet centres accounted for no more than six per cent of the supply.

Retail parks were late arrivals on the scene and have not succeeded in emulating the success achieved by shopping centres, while factory outlets are the least significant retail format in Portugal by size, accounting for no more than 230,000sq m of GLA.

Direct entry is the most common form of entrance in Portugal for international operators, though some also enter via franchise and concessions/shop-in-shops.

There are no restrictions on foreign companies either buying or renting property in Portugal.



## ROMANIA Romania

The Romanian retail market really started to develop between 2003-06 following the growth in purchasing power and EU accession. International anchor tenants from the food and fashion sectors have now become established as market leaders. Interest is focused on cities with a population above 200,000 inhabitants that typically have a higher purchasing power than the national average.

International retailers currently operating in Romania include Inditex Group, H&M, C&A, New Yorker, Takko, LC Waikiki, Intersport, Hervis, Decathlon, Nike, Deichmann, Humanic, Sephora, Douglas, Ikea, Praktiker, Subway, CCC, Burberry, Leroy Merlin, OBI and bauMax. New entrants to the market include Brico Depot, Jumbo, Tchibo and Intimissimi.

The Romanian retail sector has much foreign investment, most notably in the food sector, which is now dominated by foreign players such as Rewe, Lidl, Carrefour, Cora, Profi, Auchan and the Delhaize Group. The largest expansion plans at the moment are those of foreign supermarkets and discounters, who are planning further expansion.

Retail warehousing is present in Romania though mainly as standalone boxes and units attached to one-level shopping centres. There is just one outlet centre, located in the Western part of Bucharest. Further development of the market is restricted by limited demand for outlet facilities and reduced motorway infrastructure.

Most international retailers in Romania operate through franchises, although the number of international players with a direct representation is an upward trend. International anchors established direct operation in Romania, while franchises focused on small and medium space users. There are no restrictions on foreign companies either buying or renting property in Romania.



## RUSSIA Russia

After many years of consumers having virtually no choice, Russia has fast become a nation of fashion followers. It offers a large and expanding market for retail goods and services, with increasingly high consumption, rising income and the emergence of consumer lending.

New entrants to the market include: American Eagle Outfitters, Desigual, Reiss, DKNY, Banana Republic, Imaginarium, Victoria's Secret, Tally Weijl, Debenhams, Hamleys, Mui Mui, Mamas & Papas, SIA, Juicy Couture, Debenhams, Michael Kors, Krispy Kreme, Nautika and Takko Fashion. So far this year, Conguitos, Sinsay, Monki, and Violeta by Mango have also entered the market.

While modern retail only appeared in Russia ten years ago, shopping has become a cultural pastime for many. Over the last two decades, the country has gone through a major cultural change, leaving behind many old habits and traditions.

The high street market is unsophisticated and non-transparent, although signs of improvement are being seen. High streets are still in the process of being reshaped, with the development of pedestrian zones in Moscow and other big Russian cities creating new opportunities for retailers.

New retail formats are arriving. Big box, for example is an actively developing format, mainly in the hypermarket and DIY segments.

The first outlet development in Russia, Outlet Village Belaya Dacha, opened in August 2012 and there are more scheduled. Developers are planning further projects due to retailer demand for this new format.

It is possible to enter the Russian market direct, though the most common route is via franchise. Other than real estate itself, brands face a challenge in finding and selecting a local partner.



## SLOVAKIA Slovakia

People in Slovakia are very fashionable and love brands. In recent years many new brands have entered the market. Peek & Cloppenburg, Marks & Spencer, H&M, Reserved and other LPP brands, and Inditex brands have all traded successfully. New entrants to the market include CCC, Sports Direct and Decathlon.

The Slovakian retail market is often overlooked by international retailers in favour of its larger neighbour the Czech Republic. However, unlike the Czech Republic, Slovakia offers a twin advantage of a less competitive and Euro-denominated market to potential entrants, which might sway some brands in the near future to make their first move here.

Modern Slovakian retail is dominated by shopping centres. The most successful shopping malls have 100 per cent occupancy with retailer waiting lists. The typical entry point for international brands is the top shopping centres, especially the three dominant schemes in Bratislava: Aupark, Eurovea and Avion. There are seven regional capitals in Slovakia and five of them have a dominant scheme. The other two



have either a scheme under construction (City Arena, Trnava) or in the pipeline (Forum in Presov).

Retail warehousing in Slovakia is developing fast. A key scheme is Pharos in Bratislava, which will combine standalone units, a retail park and logistics, with total retail GLA of 50,000sq m. The first outlet shopping centre in Slovakia, One Fashion Outlet near Trnava opened in October 2013.



## Slovenia

Tourism has been progressively developing in Slovenia, and tourist activities are developing faster than other economic activities.

International retailers currently operating in Slovenia include the Inditex Group, DM, Muller, H&M, Swarovski and Marks & Spencer. Mercator is comfortably the largest retailer in Slovenia with operations in a number of food and non-food sectors. The strength of the market leader and the small market size has limited investment from foreign retailers, although a number of non-food sectors have received investment particularly from the nearby German and Austrian markets.

Typical shopping centres in Slovenia comprise malls of 20,000-55,000sq m, anchored by a food retailer. No new schemes have come to the market in the past 12 months.

The regional retail market is now saturated, although there is space for new schemes in Ljubljana with generally poor quality retail space and 1.6 square metres per inhabitant. There are four pipeline schemes in the city but the future for all is uncertain with planning and financing difficulties.

There are no factory outlets in Slovenia. Two projects are planned but are currently on hold due to insufficient pre-leases and difficulties in obtaining finance.

It is possible to enter the Slovene retail market

direct, though many also franchise and enter via concessions/shop-in-shops.



## South Africa

International retailers have not always been interested in the South African market but this view has reversed over the last few years. The relatively small size of the middle class means brands have to present themselves as more aspirational than they may be in their home market. Aldo, Zara, Mango, Soviet, Levi's, Gucci, Burberry, Max Mara, Hugo Boss, Haagen Daz, Rolex, Dior and Louis Vuitton are examples of international retailers operating in South Africa. New entrants to the market include Zara, Levi Strauss, Canterbury, iStore, Topshop, Burberry and Walmart.

Retail sales have been losing momentum after a period of strong performance that bucked the trend for the rest of the economy. The market is dominated by large retail chain supermarkets and hypermarkets such as Shoprite Checkers, Pick n Pay, Spar, Woolworths, and New Clicks. According to AC Nielsen, some 70 per cent of all retail sales are done through six per cent of retail stores, which include the major supermarkets, the branded forecourt stores and franchises. The retail market remains fragmented with more than 80,000 independents and spazas selling the remaining 30 per cent of goods.

There are over 1,400 retail centres of over 2,000sq m across South Africa, of which some 50 are over 50,000sq m. Most of the shopping centres are around the metropolitan areas. Sandton City near Johannesburg at 158,000sq m is the largest.

Retailers can enter the South African retail market direct, though many also franchise and enter via concessions/shop-in-shops.



## Spain

The retail tradition in Spain is well established and there are a number of very well-known Spanish retailers such as Zara (Inditex Group in general), Mango, Group Cortefiel, El Corte Inglés, Blanco and Desigual. Many international retailers continue to consider Spain as a fantastic opportunity for international growth.

International retailers currently operating in Spain include Primark, IKEA, H&M, Apple, Hollister, Superdry and Forever 21, whilst new entrants to the market include: Brandy &, Melville, Philipp Plein, 7 For All Mankind, Franck Müller, Violeta by Mango, Urban Outfitters and Dinh Van.

The Spanish retail market is quite evenly spread between high streets and shopping centres with retail parks gaining in importance. The high street is concentrated primarily in the major provincial capitals.

The current area of retail parks in Spain is around 2.78 million square metres. The Spanish market is now more mature, but the number of major players in terms of both developers and retailers is limited.



## Sweden

The retail market in Sweden is mature and vibrant, with most sectors home to several chains of significant size. The country has brought some familiar names into the international retail arena. IKEA is one of the largest furniture retailers in Europe while H&M has achieved international success in the fashion sector.

In the past, the Scandinavian countries have not attracted a great deal of foreign investment from retailers due to their geographical location and relatively low population density. However, this has begun to



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change and with the largest retail market in the Nordics, Sweden is the natural entry point, not only to the Scandinavian countries but to the entire Baltic region.

Foreign retailers continue to dictate activity as they seek to establish a presence in the market, with prime locations of particular interest. There is, however, a distinct shortage of quality high street space holding back leasing activity, with rents and premiums paid still high. New entrants to the market include: Asics, Burberry, Polo Ralph Lauren, Club Monaco, Hollister, Rituals, Gerry Weber, Sephora, Hunkemöller, Prada, River Island, Superdry, Claire's, Thomas Sabo and Decathlon.

There is a considerable supply of retail space on the market with total retail stock amounting to approximately 18 million square metres, including shopping centres, retail parks and high street premises. Most major Swedish cities have at least one retail park and IKEA dominates the out-of-town market, along with foreign players such as Bauhaus and Media Markt.

It is possible to enter the Swedish retail market direct, though many also franchise and enter via concessions and shop-in-shops.



## Switzerland

There is strong demand for prime high street retail space in the major cities of Switzerland. Particularly notable are the international luxury retailers, who are willing to pay higher rents to secure space in the prime areas of Geneva and Zürich. These occupiers are gradually pushing out small, local shops and restaurants as their leases expire. Consequently, the shortage of available space in prime pitches is also increasing the attractiveness of secondary locations.

International retailers currently operating in Switzerland include IKEA, Deichmann (Dosenbach), H&M, Esprit, Inditex brands, Mango, MediaMarkt, Fnac, Hornbach, Bauhaus, Obi, The Body Shop, C&A and Toys R Us.

New entrants to the Swiss market include COS, Repeat, KIKO, Phase Eight, Imaginarium, Victoria's Secret Patrizia Pepe, IRO, Moncler, Liebeskind, The Kooples, Silk & Cashmere, Peggy Sage, Ice Watch and Prada.

The Swiss retail landscape is highly developed, but characterised by high street shops which dominate retail activity in the country. Yet the balance is arguably shifting towards shopping centres, whilst department stores also remain important.

Retail park space on the other hand is extremely scarce. Standalone retail warehouse units and clusters can be found in some parts of the country, but they tend to be fairly limited. On the other hand, the number of factory outlet centres per capita is above the European average, with seven schemes spread across the country.

It is possible to enter the Swiss retail market direct, though many also use franchises or enter via concessions/shop-in-shops.



## Turkey

International retailers currently operating in Turkey include: Ikea, Media Markt, Decathlon, Harvey Nichols, Ralph Lauren, Chanel, Louis Vuitton, Tod's, Armani, Versace, Prada, Swarovski, Dolce & Gabbana, Cartier, Hugo Boss, Bulgari, Chanel, Max Mara, Miu Miu, Furla, Fendi, Calvin Klein, Zilli, Longchamp, Zadig & Voltaire, Zegna, Burberry, Guess, Diesel, Tommy Hilfiger,

Scotch & Soda, Marks & Spencer, Debenhams, H&M, C&A, GAP, Levi's, Banana Republic, Swatch, Zara, Mango, Benetton, Mothercare, Foot Locker, Victoria's Secret, The Body Shop, Watson's, Oleg Cassini, Tchibo, Nike, Yves Rocher, L'Occitane, Lacoste, Adidas, Calzedonia, MAC, TopShop, Deichmann, Lacoste, Sephora, Douglas.

New entrants to the market include: American Eagle, Aeropostale, Cos, CCC, Hamleys, Crate & Barrel, Brooks Brothers, Fauchon, Ecco, Ianvin, Apple, Jamie's Italian, Cold Stone and Superday.

Turkey currently has 339 shopping centres covering a total of 9.5 million square metres and many others approved and under construction for opening in the years 2014-2016. Malls located in heavily populated and easily accessible areas will be the growth potential for international retailers.

High street shopping can be found in Istanbul and Ankara, and features a mix of international and local brands as well as cafes, restaurants, theatres and other entertainment.

Turkey does have factory outlet centres but the meaning of the word 'outlet' is not the same as in the European and American markets. In Turkey, they carry a mixture of merchandise, both new and last season.

It is possible to enter the Turkish retail market direct. Many also franchise and enter via concessions/shop-in-shops. If retailers have a specific area in mind such as one of the three high streets or in the most popular shopping centres, it is more realistic to expect a long lead time to find appropriate space.



## United Kingdom

There are many retail thoroughfares in central London and elsewhere offering international footfall and significant spending power. The UK is one of the most sophisticated retail markets in the world and has an increasingly wide range of retail formats on offer.

International retailers currently operating in the UK include Primark, IKEA, TK Maxx, Inditex Group and Mango, whilst new entrants to the market include: Scotch & Soda, Eleven Paris, Opening Ceremony, J Crew, Lululemon, Tiger of Sweden, Victoria's Secret, Williams Sonoma, Kiko, Karl Lagerfeld, Rag and Bone, & Other Stories, Melissa Shoes and Vacheron Constantine.

Total existing stock of shopping centre space in the UK totalled over 16.83 million square metres GLA as at 1 January 2014. This stock is characterised by the relatively high number of large schemes in comparison to other European markets. Department store-anchored schemes with catering and/or leisure elements as well as retail continue to be the dominant format.

The UK is arguably home to the most developed retail warehouse market in Europe. The market is active and has seen an increasing number of retailers entering from sectors such as fashion, sports goods and pet products over recent years.

The UK is Europe's most mature factory outlet centre market and is an established part of the retail landscape.

It is possible to enter the UK retail market directly, though many also franchise and enter via concessions/shop-in-shops.



## Middle East Abu Dhabi

Abu Dhabi is the capital of the UAE and a fast growing

retail market, very much mall focused from community to super regional. A very high majority of all retailers are international, however companies must have a local partner in order to operate within the UAE.

This has led to the creation of various local retailing groups that specialise in partnering with and helping to establish foreign brands into the market place.

This practice has deterred various well known global retailers from establishing themselves in the UAE. It has also led to a monopolisation of franchises by the large local and regional retailing groups.

High street retail does exist within the city. The focus is more on service-led retailers, rather than fashion, or department stores, mainly due to the desert climate. The emirate is entering into a period of economic growth from which the construction and delivery of several large super regional malls are expected over the next four years.

In terms of shopping centre stock, the UAE is characterised by the relatively high number of large schemes in comparison to its population. The planned delivery of three to four new super regional malls over the next five years is expected to dramatically increase supply, which is likely to put downward pressure on rents.

The factory outlet and retail warehouse markets in Abu Dhabi are undeveloped, whilst e-commerce is becoming more developed yet slower to be accepted.



## Bahrain

As with much of the GCC and the wider Middle East, Bahrain's retail market has experienced enormous growth over the last ten years. Completed retail mall space has increased from approximately 100,000sq m to over 600,000sq m since 2000, with a further 200,000sq m coming online by 2016.

In terms of the competitive landscape, the retail real estate market and the retail occupier market is dominated by large family businesses that have operations across a number of sectors. These family-owned businesses (domestic or GCC based) have entered into exclusive franchise agreements with the majority of well-known international suppliers and brands. They include the UAE-based Al Futtaim Group, one of the largest shopping mall operators and developers with the successful City Centre brand. Kuwait's Al-Shaya Group is another example of a Gulf based business that has the exclusive distribution rights in the Middle East for over 70 leading global brands.

The e-retail industry is finally starting to experience double-digit year-on-year growth throughout the Arab world, including Bahrain. Online sales throughout the GCC region are predicted to top US\$2.2bn by 2016.



## Dubai

Dubai is seen as the retail hub of the Middle East and is undeniably the most sophisticated retail market in the region. The proliferation of malls over the last ten years has led to Dubai having one of the highest retail to population densities in the world. Its thirst for destination shopping malls seems to be insatiable. The emirate's ability to consume and populate the continual expansion of its now enormous retail offering defies predictions of over-saturation in the sector.

Demand for space within malls far outstrips supply with established retail concepts, which have been known to have to wait years for space within prime locations. Most of the new developments under construction are pre-leased in advance by large holding





given Japan's shrinking population, slow economic growth, and cost-conscious consumer attitudes, but Tokyo remains one of the largest cities in the world with an extremely high sense of fashion and quality.

With customers becoming more accustomed to high-street shopping, retailers have been focusing on highly trafficked retail areas to meet these new shopping patterns throughout the city.

Department stores and local textile trading companies have traditionally held the most power and influence apparel and luxury retail, however, many shopping centres and their developers have been gaining momentum.

E-commerce has also been gaining foot in the Japanese retail market as large online marketplaces like Rakuten, eBay's Japanese counterpart, and Amazon have been reporting increasing profits and sales. The now famous online virtual shopping centre 'Zozotown' has been able to sustain revenue growth of in excess of 150 per cent since its inception in 2010 according to the IBM Smarter Planet Leadership Series.



## New Zealand

New Zealand's economy is undergoing a two-speed recovery, which is proving to be strongest in its major centres where there is strong population growth. There is a two-speed recovery in the retail sector also. Strong tenant interest in prime retail property has allowed for improvement in effective rents through the reduction in use of rental incentives.

Retail spending nationally is trending upwards, having recovered from subdued levels in 2008-09. The retail sectors experiencing strongest spending growth are mainly in the food and hospitality sectors, including supermarkets, food and beverage retailers and accommodation.

International retailers currently operating in New Zealand include Gucci, Louis Vuitton, MAC, The Body Shop, Kathmandu, Nike, Adidas, Esprit, Apple, Michael Hill and Cotton On. Hard Rock Café and Miami Grill are new entrants to the market.

Total shopping centre retail stock is approximately 1.74 million square metres of rentable area. The dominant format is department-store anchored centres with a good supply of national or international chains, usually organised in a precinct format.

New Zealand's retail market is becoming more

diverse as an increasing number of international retailers, particularly well-known brands, are looking at New Zealand as a market with enough population density to support a store. This has become increasingly evident given New Zealand's relatively strong economic situation.

New Zealand has a mature factory outlet centre market, which is an established and popular aspect of the retail market.

It is possible to enter the New Zealand retail market direct, though many also franchise and enter via concessions/shop-in-shops.



## Philippines

The Philippines is now being considered as the tiger economy of South East Asia, as the economic performance of the country continues to improve, as shown through the growth of GDP, Overseas Foreign Worker (OFW) remittances and foreign investments. In addition, the retail market benefits from the improvement of consumer spending, which also contributes more than 70 per cent of the Philippine GDP. This strength has led to a substantial increase in retail space and the number of retailers operating in the country.

International retailers include Forever 21, Uniqlo, Top Shop, Mango, Zara, Marks & Spencer. New entrants are Quiznos, PF Chang, Ever New, American Outfitters, G-Star Raw Jeans, International House of Pancakes, Bershka, H&M and Old Navy to name a few.

Total existing and expected stock of shopping centers in the Metro Manila area is totalled to over 82 million square feet as of 2013. The country is host to three of the largest malls in the world, namely, SM Megamall, SM Mall of Asia, and SM North EDSA. Most of the shopping centres in the Philippines are of the typical enclosed-vertical type buildings, with department stores or supermarkets as anchor tenants. However, several new retail developments are shifting to open-air shopping and dining strips. Moreover, night markets hosting multiple food stalls are quickly becoming a trend, especially in Metro Manila.

The market has seen an increasing number of international retailers entering, from fashion brands to food and beverages. In addition, local retailers are tapping international celebrities to endorse their products, especially on fashion and clothing garments, which shows their growing strength in the market.

Since 2000, foreign retailers have been able to enter the country, majority- or wholly-owned, through the passing of the Retail Liberalization Act of 2000. The main purpose of the law was to improve the retail environment to improve the quality and global competitiveness of Philippines goods and services.



## Singapore

Following the opening of the two integrated resorts and casinos, namely Marina Bay Sands and Resorts World Sentosa, a record number of 15.75 million tourists are estimated to have visited Singapore during 2013, up by 7.4 per cent from 2012.

The Orchard Road shopping belt will likely continue to serve as the city's retail hub and tourist attraction. The famous street has undergone a makeover since 2009 with the addition of eight new malls, four of which were revamped from existing shopping centres.

International retailers currently operating in Singapore include: Inditex Group, PVH Corp, Arcadia Group and Robinson Group, whilst new entrants to the market include: Tommy Bahama, J Lindeberg, Tory Burch, Adolfo Dominguez, George, IT, UGG and Etam. This year New York-based brand, Alice + Olivia by Stacey Bendet has opened a boutique store at Ion Orchard - its first Southeast Asia store.

Despite its physical smallness and lack of a massive consumer base, Singapore boasts one of the key retail hubs in Asia, offering an excellent test bed for new brands/retailers seeking an exposure to the region. The sector has been benefiting from the increasingly high spending power of not only the locals but also tourists within Asia choosing Singapore as their favoured shopping destination.

Following the government's recently announced plans to develop regional commercial hubs, the suburban retail market promises to welcome a new generation of larger and swankier malls attracting huge interest from leading retailers.



## South Korea

Traditionally, the retail market has been heavily concentrated in the Lotte and Shinsegae department stores which although very advanced in their development have slightly slowed the ability of many retailers to grow. With the recent introduction of a number of quality shopping malls into the market,

LONDON, UK





companies. They have a wide range of multinational retail brands which they own the franchise rights to, often across the Middle East region. Due to this groups' ability to bring up to 60 desirable brands into a retail scheme in a single transaction often means that they have the pick of the units before smaller more independent companies are considered.

In March 2014 it was announced that a further expansion to connect to the Burj Khalifa, the world's tallest building, would add a further 100 stores. In 2012 the Dubai Mall became the world's most visited shopping and leisure destination when it attracted more than 65 million visitors. It is forecast to increase this to 100 million visitors by the end of 2015.

International retail brands are predominantly operated under license by 'retail partners' who hold licenses for multiple brands in their stables. These include groups such as Al Shaya, Landmark and Majid Al Futtaim. Often these retail operators can be mall developers in their own right. These companies are very powerful in the retail sector and can make the difference between a new mall development securing attractive brands or struggling to attract the right brands and potential failure.



**Oman**

The growing and youthful population of Oman allied to a strengthening (but still oil-reliant) economy represents significant potential for the retail sector, which has developed rapidly over the last ten years from the traditional souq and street-fronting retail units to larger scale retail malls.

The presence of international brands in Oman is relatively limited but expanding. Higher-end international brand outlets have, however, tended not to be successful in Muscat as yet. International retailers present via partners include Landmark Group (Home Center, Babyshop, Splash, Lifestyle, Emax and ShoeMart), H&M, Matalan, Zara, Next, Forever 21, RedTag, Red & Blue, Charles & Keith, Adidas, Gap, Marks & Spencer, Toys 'R' Us, Body Shop, Mango, Monsoon, Early Learning Centre, Jumbo and Sharaf DG.

Total existing stock of leasable retail mall space in Muscat is currently around 350,000sq m, with further significant retail mall developments either under construction, or proposed. The larger malls currently under construction (The Avenue and Panorama malls in Bausher and the military retail mall in Mawaleh) will add approximately 35 per cent to the supply of larger scale retail mall space over the next two years. There are also proposals for three further regional/ super regional scale retail malls: Majid Al Futtaim's Oman Mall in Bausher, the Al Futtaim Group's Muscat Festival City in Airport Heights and Al Jarwani Group's Downtown Muscat Mall in Mabellah. There is an additional proposal to expand Muscat Grand Mall by around 30,000sq m GLA.

It is possible to enter the Oman retail market directly, though many international brands franchise. To do business and rent premises, a company must be registered in Oman. For the vast majority of foreign companies, a local partner will be required in order to set up a company.



**Asia Pacific  
Australia**

Driven by one of the highest GDP per capita rates in the world, Australia's population enjoys a relatively high disposable income. This has benefitted the retail

industry and helped generate annual compound growth rates above three per cent for the past decade. The counter seasonality with the northern hemisphere offers strategic advantages in certain sectors, which combined with the strong retail sector has attracted the attention of many major foreign retailers.

Until recently local retailers have dominated the market but over the last four years international brands such as Zara, Topshop, Gap, Nespresso and Apple have entered the market and more recently H&M, Uniqlo and Williams-Sonoma have opened, or are seeking to open, their first store.

The most sought-after retail areas remain in Sydney (Pitt Street Mall) and Melbourne (Collins Street and Bourke Street) with some rents in these areas exceeding AUD\$10,000 per sq m and AUD\$8,000 per sq m respectively. In addition to these locations, suburban shopping centres are extremely popular and include many of the prominent local and overseas brands.

Australia is home to one of the world's largest retail property trusts, Westfield, as well as major international groups such as Federation Centres, Colonial First State, Mirvac, Charter Hall and Stockland and AMP. There are over 18 million square meters of shopping centre GLA nationally. In addition, there are the more traditional high street shops in all CBD's and surrounding suburbs.



**China**

A decade of strong economic growth, rising household incomes, and rapid urbanisation, coupled with government initiatives aimed at boosting domestic consumption, have fuelled rapid growth in China's retail sector. Despite slowing rates of retailer expansion, international brands are still overwhelmingly positive about China's potential and it is becoming key to the business strategies of many global retailers.

International retailers currently operating in China include: Eland Group, IKEA, Bestseller, Inditex Group, Mango, H&M, Sephora, VF Corporation, Nike, Adidas, Gap, Hollister, Uniqlo and Apple. New entrants to the market include: Old Navy, New Look, Abercrombie & Fitch, Galeries Lafayette, Under Armour, 10 Corso Como, Ann Demeulemeester, Jo Malone, and Marimekko Carolina Herrera, Faconnable and Sergeant Major.

By the end of 2013, the total retail stock in 30 Chinese cities was over 70 million square meters. This represents the total stock of shopping centres and department stores in the 20 major cities covered by Cushman and Wakefield. Among these 20 cities, Beijing has the highest level of stock with eight million square meters, followed by Shanghai, with seven million square meters of retail stock. Stock is growing rapidly and by the end of 2015, an additional 38 million square meters is scheduled to be completed.

With economic fundamentals still strong and a steadily growing base of brand-conscious consumers, retailers are likely to continue their expansion in the Chinese market while developers are likely to see increasing competition to secure the key retailers.



**India**

The Indian consumer has been constantly evolving and accepting the changes that impact their lifestyles. There has been a noticeable change in the consumer's demand for a greater variety of products and services. This alteration in the consumption patterns has been

catalytic to generate interest among the brands and retailers. The government has been supportive of the changing situation and has approved 100 per cent foreign direct investment in single brand retail. However, to further propel the growth of the sector approval of 51 per cent foreign direct investment in multi brand retail has also been approved but with caveats.

New international retail entrants to the market include: Rosen Thal, Starbucks, Wetzel's Pretzels, Häagen Dazs, Nissan, Lamborghini, Eteenz, Sephora, Quick Silver/Roxy, Elle, Hackett, Brook Brothers, Thomas Pink, Burberry Brit and Furla.

India's rising middle class is better travelled and connected to the changing global environments and is modifying its consumption patterns and priorities. As a result, organised retail is also gaining importance as evident from the increasing presence of the brands and retailers across all segments.

## Indonesia

As the population in Jakarta, the capital, is still growing in terms of numbers and wealth distribution; the retail market will see further new foreign as well as domestic retailers opening new outlets. Leasing transactions are a mix of food and beverage and other retail sectors, such as super/hypermarket, department store, fashion, electronics, household appliances, entertainment, etc.

International retailers represented in the market include Metro, Sogo, Debenhams, Seibu, Lotte Department Store, Centro, Hermes, Louis Vuitton, Bottega Veneta, Balenciaga, Gucci, Prada, Miu Miu, Tod's, Aigner, Coach, Best Denki, Brioni, Celio, Hugo Boss, Francesco Biasia, Jimmy Choo, Canali, Mango, BSBGMazazria, Bershka, Camper, Desigual, Diva, DKNY, Dorothy Perkins, H.E. by Mango, Hoss Intropia, Kipling, Lacoste, Linea, Loewe, Marks & Spencer, Massimo Dutti, Maxmara, Max & Co, Meetoo, Miss Selfridge, Nautica, New Look, Next, Nine West, Pandora, Pretty Fit / Beetle Bug, Pull & Bear, Spanx, Staccato, Steve Madden, Stradivarius, Topman, Topshop, Warehouse, Zara and Kinokuniya. New entrants to the market include Shiseido (shortly), H&M, Uniqlo, Ikea and Galeries Lafayette.

One-stop retail centres (with super/hypermarket and department store-anchored schemes) continue to be the dominant format. Other types of retail centres existing in Jakarta are strata-title centres and specialised retail centres.

The most common way to enter the Indonesian retail market is via a partnership with an Indonesian local partner or via a franchise arrangement. Direct entrance is still perceived as a risk by foreign companies.



**Japan**

The Japanese market is continuing to gain momentum after the Great East Japan Earthquake. The country's economy remained stable through the tragedy as the country continued to rebuild homes, lives and routines. With more than 127 million people, the world's third-largest economy (nominal GDP) and an historic appetite for luxury goods, Japan will continue to see prime retail demand. Interest and demand on main streets and in malls should keep Japan on pace with the world's most favourable retail destinations. New entrants to the market include: American Eagle Outfitters, Auntie Annie's, Bershka, Desigual and Old Navy.

Japan's luxury market is unlikely to grow much,



consumer's habits and wishes are changing and the number of mall developments and the quality of them is improving quickly, leading to a new, more advanced retail experience.

Major department stores such as Lotte, Shinsegae and Hyundai are now planning to expand their stores as a mixed-use concept rather than traditional department store format. In Korea, large scale suburban shopping malls or arcades within mixed-use buildings in cities are becoming main stream as an alternative to the present structure of established department stores dominating the market.

Despite challenging economic conditions, prime shopping malls and outlets have been doing well. The focus is on discount or luxury – outlets in particular are prospering. Outlets have reshaped Korea's retail industry landscape, with consumers increasingly flocking to outlet malls that sell brand items at discounted prices.

SPA brands such as H&M, Zara, Uniqlo, and Forever21 who have had such success all around the world have left an enormous impact here in Korea. The influx of new SPA brand stores has caused a shortage of suitable locations in the main retail areas forcing some brands to look at other areas for their expansion.

There are two main ways in which retailers enter the Korean market. Although there are no restrictions allowing 100 per cent owned foreign brands to enter the market place, historically local partner franchises/joint ventures have been the preferred method.



## Taiwan

Taiwan has seen stable and sustainable economic growth, and this momentum is expected to continue as a result of the improved relationship with mainland China. In addition, the retail turnover (of department stores, supermarkets, or convenience stores and other) has also increased and thus brings up demand for retail property.

The individual Chinese traveller program, which has generated a huge influx of tourists from the mainland, is a boost to the retail sector as Chinese tourists spend 80 per cent of their budget on shopping.

These developments have the potential to help bolster retail sales – particularly for retailers of high-end or aspirational brands to which visitors are likely to be attracted, which suggests high-end department store chains could be among the beneficiaries. In addition to a well rounded legal framework, Taiwan also offers an environment that is conducive to foreign retailers.

Responding to the increasing flow of Chinese visitors, one after another, name-brands set foot on the island and open stores. Michael Kors and Berluti,

for example, opened its first store at Taipei 101 shopping centre; Christian Louboutin opened its first boutique at Breeze Center and H&M has released the new-to-station at Breeze Center Xinyi A10; Fratelli Rossetti chose The Mall as its first spot in Taiwan; and Gap opened its very first two stores at ATT 4 Fun and Hankyu – Xinyi in March.

A more recent trend, due to the lack of supply and high cost of land in Taipei CBD, is new development of shopping centres and department stores moving out to outer areas such as Taoyuan and Xizhi. For example, the Farglory group is building an outlet mall in Xizhi said to be opened in Q4 2015. Also, Chinatrust is constructing its own headquarter in Nangang, with one building for office and retail to lease.



## Thailand

Thailand is a country located in a strategic location and serves as a gateway into the heart of Asia. Tourism is an important component of the Thai economy with over 20 million visitors per annum; the majority from China, Malaysia, Japan and South Korea.

There have been no new developments in the city centre since the Siam Paragon shopping mall opened in 2006, though two new luxury shopping malls are due to open in 2014 and more in 2015-16; these are mostly trendy style shopping malls. The momentum of the landlord market will become more balanced and provide more choice for retailers.

Thanks to the ASEAN Economic Community (AEC) effective in 2015, both developers and retailers alike are preparing for an influx of more visitors.

The retail market in Thailand continues to expand and not only in the capital Bangkok. In every large city of Thailand, there are new retail developments ranging from the small to the mega end of the spectrum. The market is dominated by shopping malls and by a couple of large developers. Many international brands are located in prime shopping malls and a number have their flagship stores in the prime shopping malls. Demand is high for prime space, so in any malls there is a waiting list which can take a long time to get off.

A registered Thai company is needed to begin business. Foreign companies need to register as a Thai company, with 51 per cent Thai shareholding, before a business in Thailand can be commenced, unless the company is registered with the Board of Investment.



## Vietnam

The Vietnamese retail market remains lucrative, especially with a rising number of young populations. Currently, the modern retailing channels account for 20 per cent of market share but has a growth

potential, expected to reach 40 per cent by 2020 in the country. Hanoi and Ho Chi Minh City remain as the two biggest retail markets in Vietnam. The total retail stock of these two markets is approximately 1.5 million square metres. This figure is expected to reach 3.2 million by 2017.

There are several popular retail property formats, including shopping centres, retail podiums, department stores, supermarkets and hypermarkets. Shopping centres account for most of the supply of retail floor space, which shifts the importance of project planning from developers' perspective.

Street-front stores remain big competitors of modern retail centres after experiencing significant drops in asking rents recently. On the other hand, Ho Chi Minh has seven retail podiums, eight department stores, 25 shopping centres, 65 supermarkets and three wholesale centres in the city with a total area of approximately 862,600sq m.

The fact that Vietnam will allow wholly foreign firms to enter the retail sector from early 2015 offers a great potential opportunity for foreign retailers to discover and present in the local market.

Vietnam has been welcoming to foreign investment in retail with the likes of Thailand's Robinson, Japan's AEON and South Korea's LOTTE Group all present in the market, for example. Hypermarkets have been developing well recently thanks to changes in shopping habits of Vietnamese people and the powerful reaction from domestic retailers (says CoopXtra) to foreign waves.

The country also witnessed the introduction of two largest underground retail complexes which are Vincom Mega Mall Royal City and Vincom Mega Mall Times City. These new malls bring some fresh concepts such as Asian food courts, skating rink and underground aquarium. It is expected to dramatically change the retail trend in the country – presenting an all-under-one roof destination for shoppers.

A current noticeable trend in the Vietnamese retail market is the increasing interest of international F&B retailers. They always seek the prime location in both Hanoi and HCM city and pay high rents, sometimes even higher than the fashion or accessories brands. This is evidenced by the entrance of Auntie Anne's, whilst McDonald's is set to open in Ho Chi Minh City. This is in addition to the expansion of Starbucks and Baskin Robbins in Hanoi. For the luxury sector, almost brands has been introduced to the market, in early next year, two of new-to-market brands open their first store in Hanoi, namely Prada and MaxMara.

Information for this feature was taken from Cushman & Wakefield's Global Cities Retail Guide. For more information and regular updates, please visit: <http://cwglobalretailguide.com>.

DUBAI, UAE

HONG KONG, CHINA

