

# Property Times

## European Shopping Centres Q3 2013

### Pipeline to add over 12 million sq m over 2013/2014



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#### Authors

##### Magali Marton

Head of CEMEA Research  
+ 33 1 49 64 49 54  
magali.marton@dtz.com

##### Jonathan Rumsey

Retail Market Analysis  
+44 (0)20 3296 4197  
Jonathan.rumsey@dtz.com

#### Contact

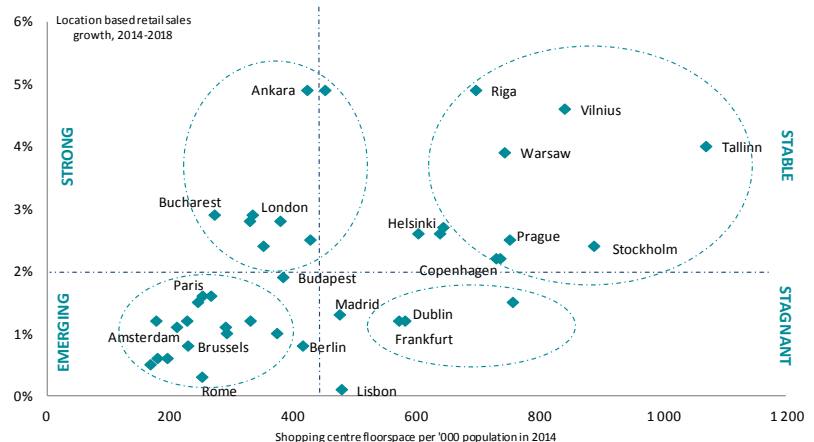
##### Hans Vrensen

Global Head of Research  
+44 (0)20 3296 2159  
hans.vrensen@dtz.com

- There was 123 million sq m of shopping centre GLA in existing shopping centres in Europe at the end of 2012 across approximately 5,000 shopping centres. As a direct consequence of the economic slowdown and the high degree of uncertainty in retail markets, construction activity has declined sharply since 2010 to reach its lowest level in five years (3.5 million sq m) in 2011.
- As economic conditions improve, shopping centre supply will increase by over 12 million sq m over 2013 and 2014. Turkey, CEE and France are the most dynamic markets in terms of shopping centres development over this period. However, the European market will continue to show a wide range of shopping centre provision with oversupply in the Nordics and undersupply in countries such as Ukraine, Romania, Hungary and Turkey.
- However, retailers operate at a city level to identify the most promising location for opening or extending shops. We have identified a wide range of hot spots which includes London and a couple of UK regional markets (Manchester, Birmingham), Bucharest and, on top, Ankara and Istanbul. Developers and retailers should also keep an eye on selected emerging markets in Benelux, France and Germany. Shopping centre provision in these regions is below the European average and retail sales are just starting to recover.

Figure 1

#### Shopping centre floorspace per '000 population in 2014 and retail sales growth (2014-2018) in major European cities



For Ankara, Istanbul, Riga, Vilnius, Tallinn and Bucharest, retail sales growth is at country level.

Source: DTZ Research, Oxford Economics

# European Shopping centres Q3 2013

## Country analysis

### Rebound of retail sales with the Baltics and CEE ahead

Recovery of the European economy will positively impact retail sales across Europe, with 1.7% forecast growth per annum from 2014 to 2018, up from -0.6% recorded over the last five years (figure 2). The highest growth rates going forward are expected in the Baltic States (+4.5% on average) and in the CEE region (+2.7%). Among the three core markets, the UK will benefit from a strong rebound of retail sales as annual growth is anticipated to stand at +2.5% from 2014 to 2018, up from +0.9% recorded from 2009 to 2013. In France and Germany, where retail sales were muted over the last five years (+0.1%), retail sales are forecast to increase +1.3% and 1.2% respectively.

### Shopping centre pipeline dominated by Turkey

More than 12 million sq m of shopping centre space is expected to be delivered in Europe in 2013 and 2014. This will bring the total shopping centre stock to 136 million sq m in Europe.

Turkey accounts for the largest share (50%) of the European pipeline with more than 6 million sq m of new shopping centre space expected to be completed by 2015. CEE is behind Turkey with 1.2 million sq m of new shopping centres and 10% of the European pipeline. In the region, Poland has the highest volume of new shopping centre space with a total of 944,000 sq m. France completes the top three with 1 million sq m while new supply will be limited in the UK to 322,000 sq m.

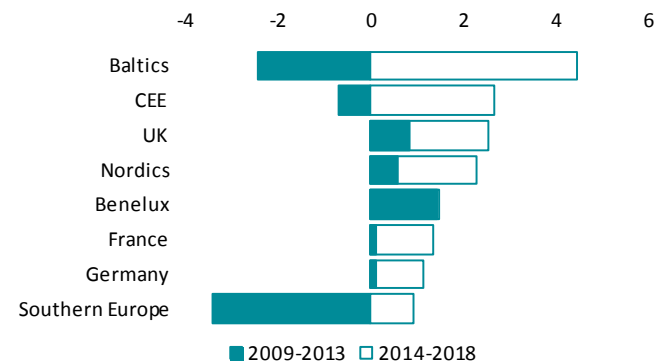
### Wide range of shopping centre provision in Europe

There are marked differences in shopping centre provision at country level in Europe. Compared to the European average of 287 sq m of shopping centre floorspace per '000 inhabitants, the Nordics, Netherlands and Lithuania appear as oversupplied with stock in excess of 400 sq m per '000 inhabitants. At the other end of the scale, Ukraine, Romania, Hungary and Turkey have underdeveloped shopping centre markets with stock per '000 inhabitants ranging from 53 to 188 sq m. This suggests there is room for further shopping centre development as the gap with the European average is still quite significant.

Interestingly, Poland is now approaching the European average thanks to a strong development pipeline recorded over the last five years. This may also mean that new developments will be limited or at least made on a selective basis to avoid any oversupply.

Figure 2

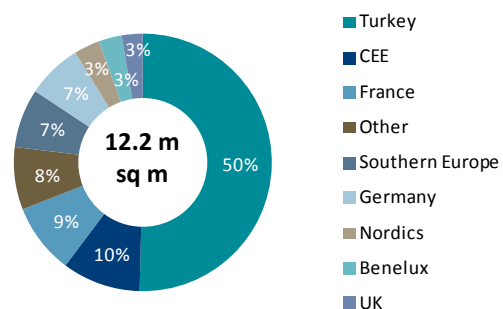
### Retail sales in Europe (annual growth %)



Source: Oxford Economics – September 2013

Figure 3

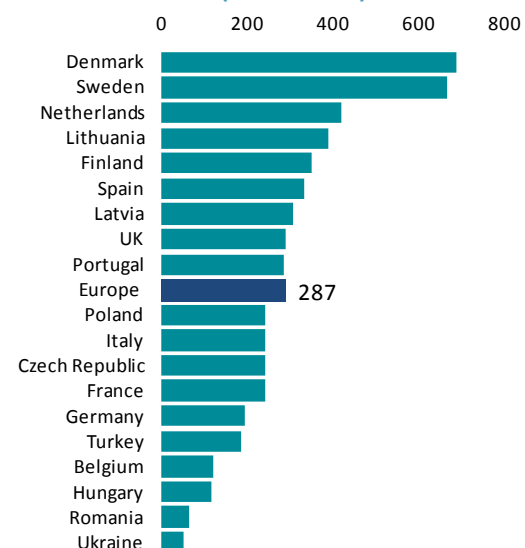
### Shopping centre pipeline 2013-2014, sq m



Source: DTZ Research

Figure 4

### Total shopping centre stock per '000 population in selected countries (end of 2014)



Source: DTZ Research

# European Shopping centres Q3 2013

## City analysis

We define those cities which offer the greatest potential for future growth as our future hotspots. These include London, Hamburg and Manchester.

The chart below gives an indication of how developed European cities are in terms of shopping centre development, as well as how dynamic their economies are. Plotted together this allows us to identify cities which offer good future growth prospects both for existing schemes and new developments.

In the **'stable'** category are markets which have above average shopping centre provision and above average forecast retail sales growth. While existing provision will benefit from strong retail sales growth over the forecast period, these cities are displaying signs of market saturation. This could potentially limit future development. Cities in this category include Stockholm, Warsaw, Riga, Tallinn, Vilnius and to a lesser extent Prague, Glasgow and Copenhagen.

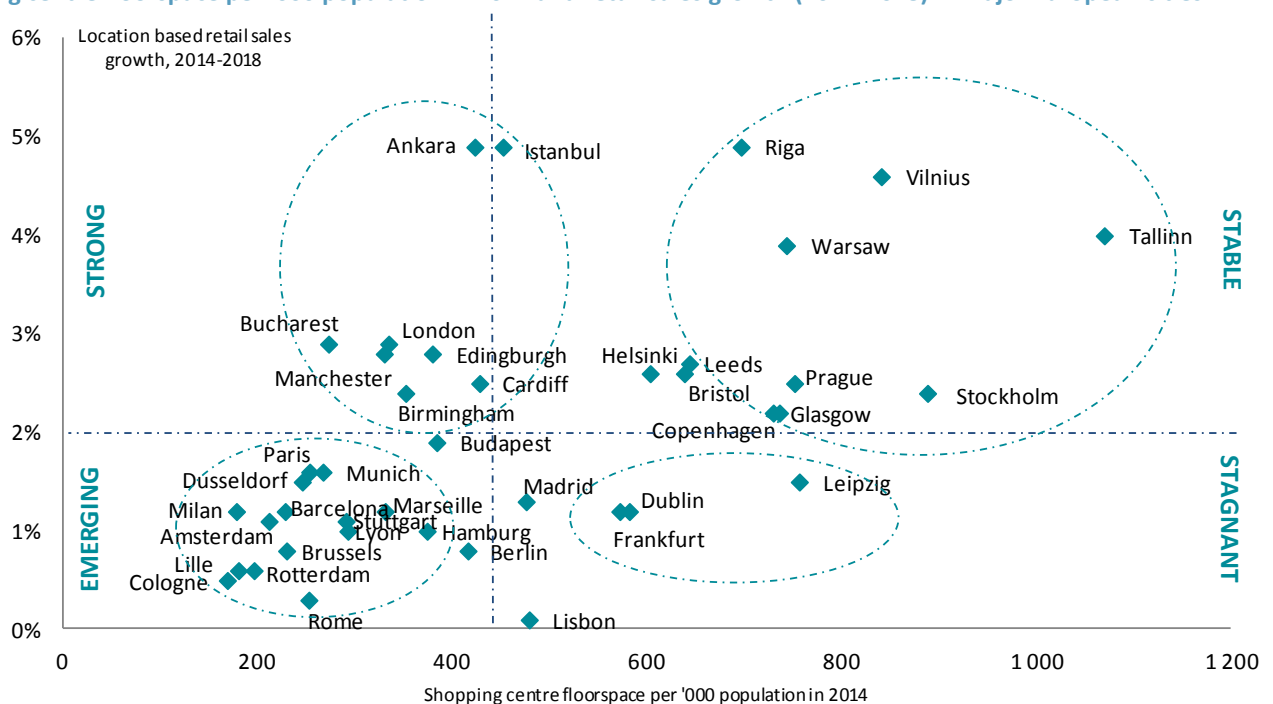
The **'stagnant'** markets are cities which display high shopping centre provision per capita but below average retail sales growth forecasts. The performance of existing schemes or future growth prospects will be hampered by stalling economies. These include Dublin, Frankfurt and Leipzig.

**'Emerging'** markets, whilst offering potential as they are undersupplied in terms of shopping centre provision, display weak retail sales growth forecast figures. The short to medium term outlook is below the European average. Cities in this category include those in the Benelux, France and Germany.

The future **Hot spots** (i.e. cities which offer the greatest potential for future growth) are those situated in the **'strong'** category. These are currently undersupplied and offer strong economic growth in the medium term, which will boost retail sales. This will benefit existing schemes and also provide considerable opportunity for new development. In this category we have London with a couple of UK regional markets, Bucharest and, on the top, Ankara and Istanbul.

Figure 5

## Shopping centre floorspace per '000 population in 2014 and retail sales growth (2014-2018) in major European cities



For Ankara, Istanbul, Riga, Vilnius, Tallinn and Bucharest, retail sales growth is at country level.

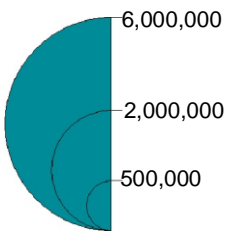
Source: DTZ Research, Oxford Economics

# European Shopping centres Q3 2013

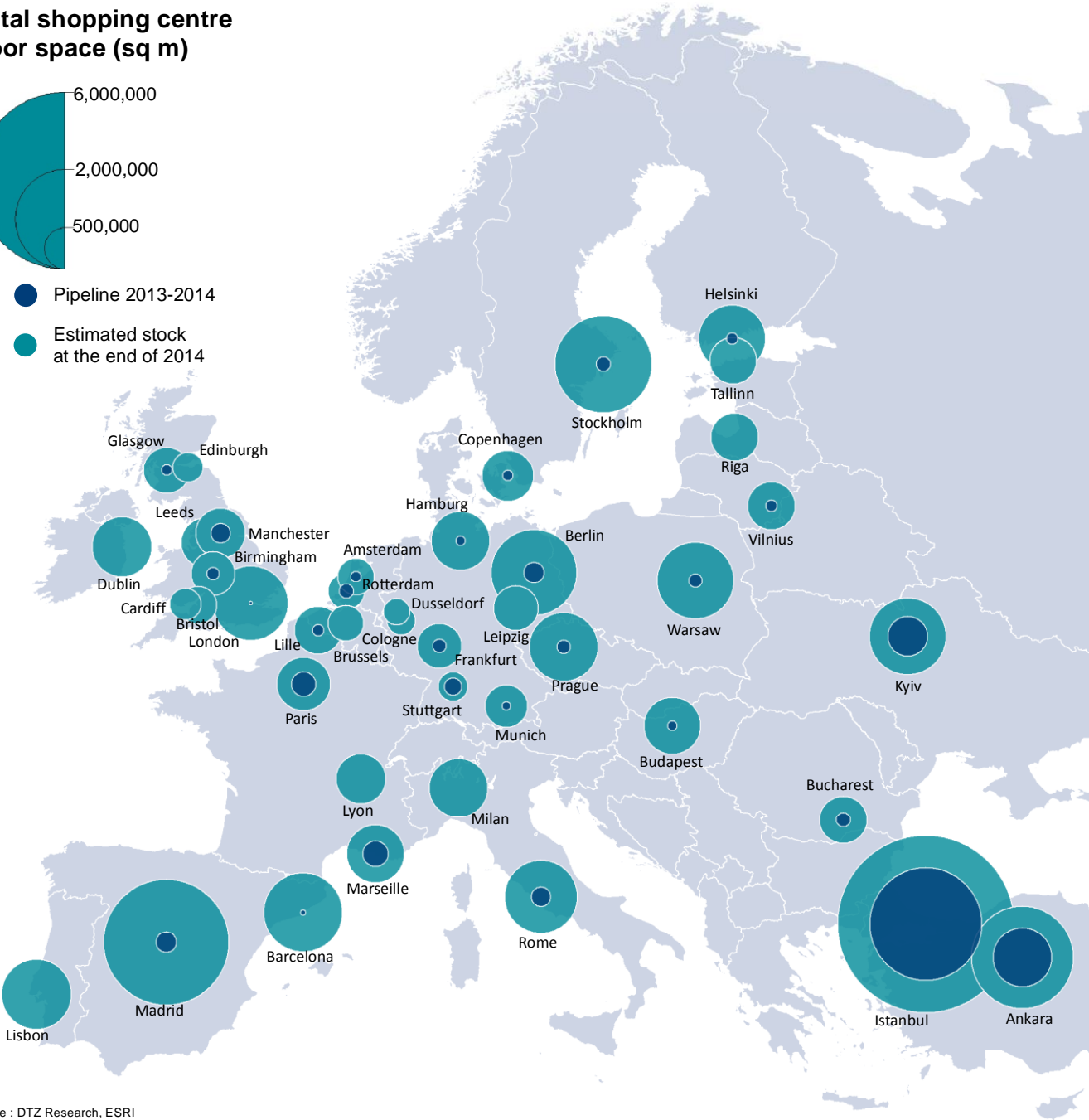
Map 1

Total shopping centre floor space, stock and pipeline 2013-2014

Total shopping centre floor space (sq m)



- Pipeline 2013-2014
- Estimated stock at the end of 2014



Source : DTZ Research, ESRI

# European Shopping centres Q3 2013

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# DTZ Research

## DTZ Research Contacts

### Global Head of Research

**Hans Vrensen**

Phone: +44 (0)20 3296 2159

Email: hans.vrensen@dtz.com

### Head of CEMEA Research

**Magali Marton**

Phone: +33 1 49 64 49 54

Email: magali.marton@dtz.com

## DTZ Business Contacts

### Chief Executive, EMEA

**John Forrester**

Phone: +44 (0)20 3296 2002

Email: john.forrester@dtz.com

### Head of EMEA Retail

**Adrian Powell**

Phone: +44 (0)20 3296 2002

Email: adrian.powell@dtz.com

### Head of EMEA International Investment

**Paul Boursican**

Phone: +44 (0)20 3296 2019

Email: paul.boursican@dtz.com

### Head of Valuation, EMEA

**Bryn Williams**

Phone: +44 (0)20 3296 4474

Email: bryn.williams@dtz.com

### Head of EMEA Property Management

**Michael Hatt**

Phone: +44 (0)20 3296 3667

Email: michael.hatt@dtz.com

### Head of Global Corporate Services, EMEA

**James Maddock**

Phone: +44 (0)20 3296 3353

Email: james.maddock@dtz.com

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