

# PRESS RELEASE

**CONTACT:**

Aaron Richardson

CBRE

+44 20 7182 3329

+44 7985 876 212

[aaron.richardson@cbre.com](mailto:aaron.richardson@cbre.com)

## **RETAILER EXPANSION HELD BACK IN EUROPE BY LACK OF NEW SHOPPING CENTRE DEVELOPMENT**

### **Expansion plans to focus on Europe's emerging markets**

**London, 11 July, 2011** – A shortage of new shopping centres being built in Europe restricted the expansion plans of retailers in 2010, but an increase in the amount of space available in emerging markets next year is expected to put retailer growth back on track, according to new research by leading global property adviser CB Richard Ellis (CBRE).

CBRE's *Shopping Centre Stock in Europe*<sup>1</sup> research found that 1.9 million square metres of shopping centre space was completed in 2010 - a fall of 36% from the previous year. The 2009 total was also 30% lower than 2008, which represented the peak in shopping centre development. However, if all of the new shopping centres due in 2011 are completed on time, there will be an increase of 53% in new space available to retailers next year, totalling 2.9 million sq m.

Although the development pipeline is considerably smaller than it was in the period from 2007 to 2008, renewed confidence in markets such as Turkey, Russia, and Poland has resulted in an upturn in construction starts and completions are forecast to rise again in 2011. There are currently 146 shopping centres (over 20,000 sq m) under construction in Europe, with the highest levels of activity in the emerging markets of Turkey (1.3 million sq m over 26 schemes), Russia<sup>2</sup> (856,000 sq m over 19 schemes), and Poland (712,000 sq m over 21 schemes).

Neville Moss, Head of EMEA Retail Research, CB Richard Ellis, commented:

“The shopping centre development market in Turkey, for example, has sprung back to life. This resurgence in activity is due to increased confidence among retailers, developers and investors on the back of the strong economic growth seen in 2010, and the forecast of equally strong

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<sup>1</sup> The report examines existing shopping centres and those under construction in Europe of 20,000 square metres and above. This includes medium, large and very large shopping centres, based on the International Council of Shopping Centers (ICSC) definition, and represents the vast majority of centres in which international retailers are located or would like to be located. Retail warehouse parks and factory outlet centres are excluded from the analysis

<sup>2</sup> Russia includes the Moscow and St Petersburg areas only

growth in 2011. This is attracting new retailers to Turkey, while major international brands already present there are also expanding aggressively.”

In Western Europe, Italy (394,000 sq m), Germany (369,000 sq m), and Spain (356,000 sq m) recorded the largest amount of new space currently under construction. The United Kingdom currently has three shopping centres under development, with Westfield Stratford City being the largest at 177,000 sq m (1.9 million sq ft) and due to open in September 2011.

John Welham, Head of European Retail Investment, CBRE, commented:

“Since the global economic downturn the majority of investors have focused on core assets and locations, and this still remains the case today; however, the retail sector in particular is now starting to see more capital looking for ‘value-add’ opportunities. Lack of shopping centre development in Western Europe, combined with a growing interest in riskier markets, should show through in 2011 investment activity, with an upside potential often greater than the current fundamentals may be suggesting.”

### **Country overview**

There are currently 26 new shopping centres under construction in **Turkey**, providing an additional 1.3 million sq m of modern retail space. Many of the centres opened this year and those now being built were put on hold during the economic crisis, and have recently been reinstated. In Istanbul, three new centres opened in March, all of which were started in 2006-2007.

**Russia** also has a highly active development market, underpinned by a healthy consumer environment and strong occupier demand. Moscow remains active; however, this is expected to decline as local governments refuse permission for new retail space, blaming the city’s large shopping centres for the increased traffic problems. At the same time, the level of occupier demand cannot be met by the relatively low completion levels, which is pushing up rents in the most sought after locations. This is one of the factors persuading retailers and developers to target the larger regional cities, many of which are still under supplied in terms of shopping centre space.

**Poland** is the third most active market in Europe with 21 new centres due to be completed over the next two years. However, there is no new space due in Warsaw where occupier demand is strongest. This has prevented some retailers from entering the market while others are taking space in the previously unfashionable high street locations. Increasingly, retailers are looking at second tier cities where the bulk of new development is taking place.

The development market is also active in much of Central and Eastern Europe (CEE). The amount of space under construction in the **Ukraine** (285,000 sq m) will almost double the level of stock there, while the space available in **Serbia, Croatia, Slovakia, Bulgaria, and Romania** will increase by at least 25%. In South East Europe (SEE) the shopping centres now being constructed are largely delayed projects that have been on-hold. However, increased competition among new shopping centres and slow economic growth in this region suggests that few new opportunities will emerge in the short term.

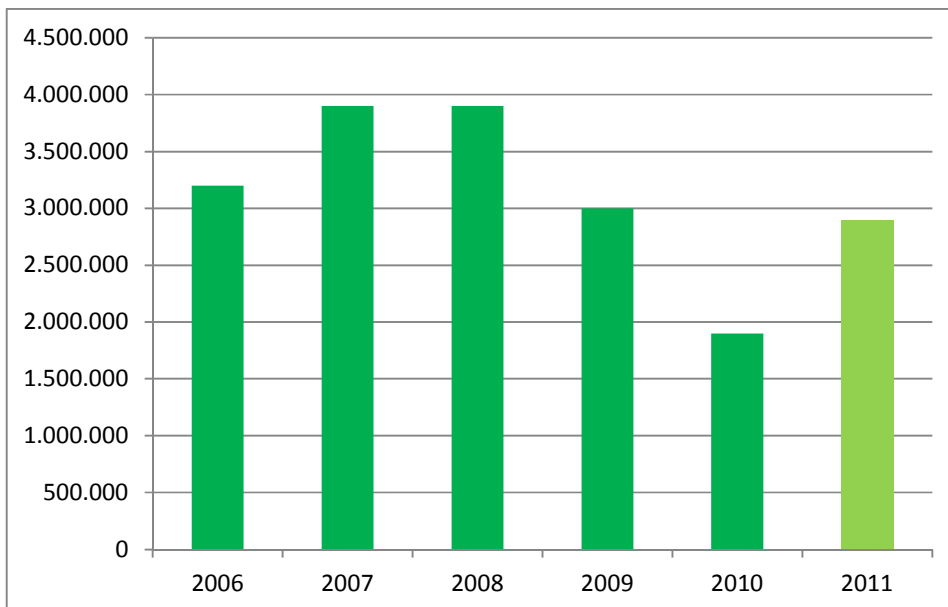
Many of the planned schemes in **Italy's** large development pipeline have been put on hold in recent years, but a good number of new developments are progressing. Some 12 new centres are currently under construction with activity focused on the underdeveloped region of Sicily where five new schemes are due for completion this year. Nearly all the new schemes will be in secondary cities where there are still significant opportunities to provide modern retail space.

In **Germany** it is the high street that remains at the heart of the retail sector, with occupier demand heavily focused on the best pitches in the larger cities. Although the shopping centre pipeline in Germany is the fifth largest in Europe, it comprises just 10 schemes. This level of development is making some in-roads to the relatively under supplied German market, but is doing little to alleviate the lack of prime space. Whilst this has restricted the expansion plans of some retailers, others are broadening their search criteria to include non prime locations.

**Spain's** largest shopping centre, the 170,000 sq m Marienada Plaza in La Coruna, opened in April. This is the exception, however, with many schemes on hold awaiting a better economic environment. No more new schemes are due to open this year. In common with other parts of western Europe this is making it more difficult for retailers to access the prime space they require.

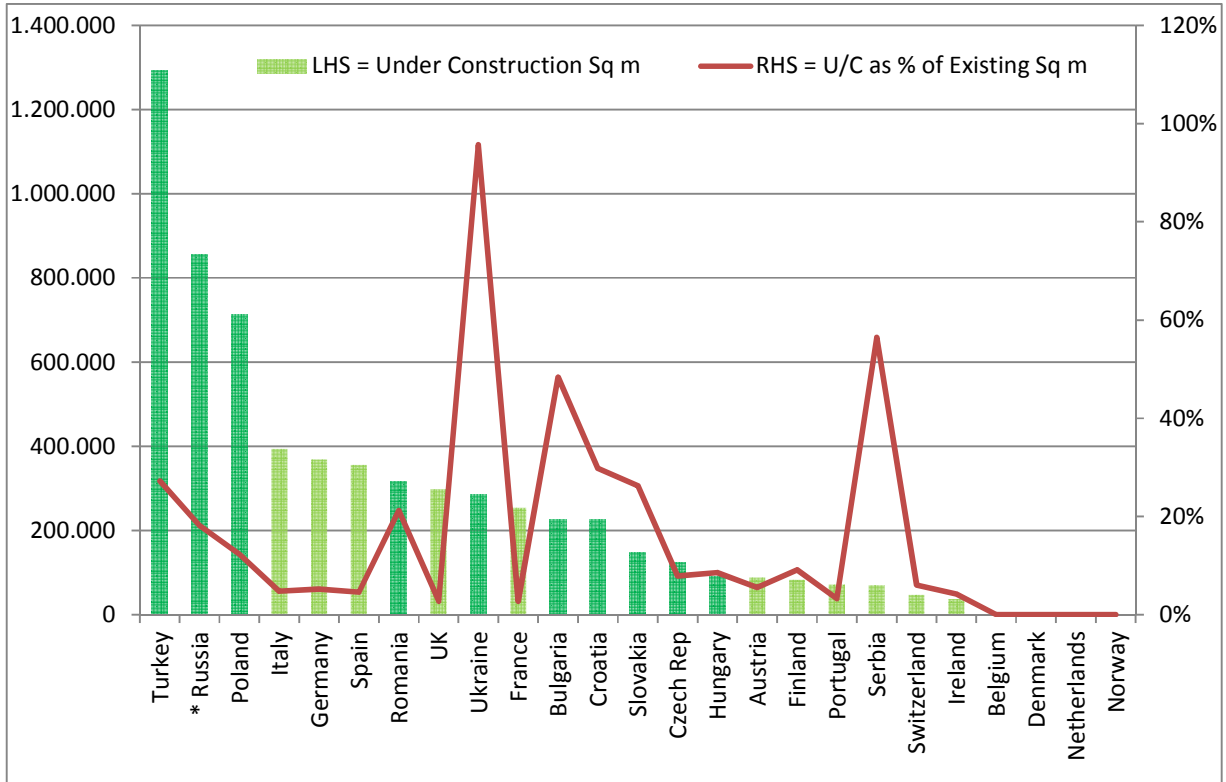
The least active markets are in the Nordics and Benelux where a combined total of just two schemes (both in **Finland**) are under construction.

#### Total Shopping Centre Completions in Europe – 20,000 sq m and above (Q1 2011)



Source: CB Richard Ellis, 2011

**New Shopping Centres Under Construction in Europe – 20,000 sq m and above (Q1 2011)**



\*Russia = Moscow and St Petersburg

Source: CB Richard Ellis, 2011

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