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Severe aftershocks still affecting shopping centre industry say CEOs

It isn't just Iceland which is experiencing volcanic eruptions, the retail real estate continues to feel the severe aftershocks after its own 'volcanic eruption' in 2007, warned Glenn Aaronson, CEO of Multi Corporation in The Netherlands. And there is more to come, he says.

"When the change comes, like larva from a volcanic eruption, it will be quick and it will be brutal," he warned.

But the turmoil will ultimately clear the way for a better future. "Like the Bonsai tree, the future is smaller but more beautiful," he added.

Along with Marcus Wild, CEO of Spar European Shopping Centres, Isaac Kalisvaart, CEO of MAB Developments and Arpad Torok, CEO of Hungary-based Trigranit, Glenn was speaking at the Forum of CEOs at the first day of ICSC European Conference, debating the turmoil of the past two years and what it means for the future.

This group, amongst the most senior retail real estate professionals currently working across Europe, highlighted the need for developers to learn good asset management skills fast.

MAB Developments' Isaac Kalisvaart, said: "We never before had the opportunity and obligation to manage our assets when they opened, now a shopping centre is only successful when it is well-managed over the long term."

This has been a hard-learned lesson for some Central Eastern European companies, points out Arpad Torok, CEO of the Trigranit Corporation based in Hungary, said: "Central and Eastern Europe has been hit greater because the region had not seen a crisis in 20 years and before that many of these countries had planned economies. At Trigranit we are cautious with our expectations and are seeking to build partnerships."

Marcus Wild, CEO of SES Spar European Shopping Centers, said that the crisis has brought the industry back to its roots. "We build shopping centres for retailers and customers. We have to help our retailers, have to get the right mix. Yes the crisis continues but the industry will recover 90%, overall."

The failure of some small retail concepts that added much-needed variety to sometimes homogenous shopping centres is a big concern. Trigranit's Torok said: "In new markets retailers are not getting finance to grow. The bigger retailers are continuing to expand, but middle-ranking retailers are failing and some 'Mom and Pop' stores are disappearing altogether," he said.

A sensible response to this is to create flexible space within a shopping centre which could be quickly adapted to a retailer's changing needs. "We need innovative retailers," said SES's Wild. "There are too many boring shopping centres."

"Good design and architecture lures the customer in," said MAB's Kalisvaart.

Muli Development's Aaronson said that he is amazed at all the people in the world who want to be retailers. "I have no desire to be a retailer, but so many are driven to do so and whilst I might not understand it – I believe that the spirit of retailing, whilst dampened in the current climate, will find a way to reinvent itself."