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Cautious Optimism at ICSC European Conference

The worst is over, but with the future still far from certain, the Shopping Centre industry must proceed cautiously if it is to successfully adapt itself and rebuild according to Joerg Banzhaf, Chair of the 2010 European Conference and Managing Director of ECE Projektmanagement in Germany.

“After the Gold Rush, the non professional players have disappeared,” he said. “When it was easy to make money from shopping centre development, those with little understanding piled into the market. Now the spreadsheet acrobats have gone, we need those with industry experience and knowledge who are not afraid of innovation and creativity.”

Whilst the speed of growth will be faster in Central Eastern Europe, the downside is that these markets have got a long way up still to go, and many mistakes to rectify along the way to put right some unsuccessful shopping centre developments and make them fit for purpose.

The industry must go right back to its roots, according to both Marcus Wild, Chair of the ICSC European Board and Chaim Katzman, Chairman of Gazit Inc, Equity One Inc and Atrium European Real Estate Limited.

Chaim said: “The principals of real estate investment haven’t changed – it’s about research and knowledge. In these times we don’t need a crystal ball but to succeed we do need total immersion in the shopping centre industry. We need to dig in the dirt and have a thorough understanding of the local environment where the centre is located.”

And he urged the industry to look to the long term. “We have to think in terms of fifty years, not five or ten years. It’s this commitment which will make a shopping centre attractive to sell.”

Whilst there are clear signs of recovery, it will be at different speeds across the world – but Chaim does not subscribe to the views that there will be a double dip depression and says that many shopping centre owners are now seeking to take advantage of the market and buy.

The near future for the shopping centre industry lies in redevelopment and refurbishment of existing centres, which could form up to 80% of business over the next few years, according to Multi Development CEO, Glenn Aaronson, and this will send a positive signal to the market about a landlords intentions.

Whilst some shopping centres across Europe in secondary or tertiary locations are struggling, there is still not enough high quality retail space available and the industry should focus on this.

Top locations still attract top brands, and such locations are maintaining their rental levels.

Too much retail space across Europe? We don’t think so, CEOs say

After the retail real estate Gold Rush of the last few years, many shopping centres across Europe have been left with vacant retail units, but there still isn't enough good quality retail space available, according to four CEOs at the ICSC European Conference.

Arpad Torok, CEO of TriGranit Coporation based in Hungary, said: "Basing a decision on whether to develop a shopping centre purely on assessing the GLA per capita of population is far too simplistic, you need to look at the locality, the tenant mix and the detail behind the headline information," he said.

Top locations will attract top retailers, said Isaac Kalisvaart, CEO of Netherlands-based MAB Development, and such locations will maintain their rental levels. For MAB, this means focussing on mixed use developments in the urban environment. "In my experience, retail belongs in the city," he said.

Marcus Wild, CEO of SES Spar European Shopping Centers, said: "The retail real estate industry will recover but recovery will come at a different time for each country." Decisions on where to expand or develop must be taken after assessing the local environment, he said.

In the few years before 2007, shopping centres were built in locations which were never going to be sustainable in the long term, according to Glenn Aaronson, CEO of Multi Development. "It was 'Fools Gold'," he said, suggesting that some centres should never have been built. "There is not enough good quality space so saying there is too much spare retail space is misleading."