

THE FUTURE OF EUROPEAN RETAIL PARKS

WHAT ARE THE SPECIFIC TRENDS RESHAPING THE RETAIL PARK LANDSCAPE IN EUROPE?



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THE RETAIL SECTOR IS CONSTANTLY EVOLVING: NEW RETAILERS, NEW TRENDS, ONLINE SHOPPING, ... ARE MANY FACTORS THAT IMPACT THE DEVELOPMENT OF RETAIL AND REAL ESTATE IN BELGIUM AND THE WORLD. FOR THIS FIRST RETAIL E-NEWS, WE WANTED TO SHARE OUR INSIGHTS ON THE INCREASINGLY POPULAR (BOOMING) RETAIL PARK PHENOMENON.

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Activity in retail parks has strongly increased over these last years. Globally in Europe, the current stock is around 40 million sq m while the pipeline for the next two years stands at just 2.2 million sq m. About 84% of the retail park stock can be found in Western Europe and Central & Eastern Europe represents as little as 13% while the Nordics just reach the 3% cap. The maturity of the retail market, consumers' habits, the climate or planning regulations can explain these strong differences.

Empowered customers, new technologies, the move from a single to a multi-channel strategy, and new retail experiences are a

couple of key challenges that are awaiting (new) booming Retail Parks.

WESTERN EUROPE
84%
ACCOUNTS FOR OF THE
TOTAL STOCK

CONTEXT OF RETAIL PARK AT EUROPEAN LEVEL

Some key factors of success for the retail parks are, amongst others, the relatively low costs, flexible floor layouts, visibility and accessibility, one-stop shopping & free parking, and the commercial environment.

The global forecasted picture at the end of 2018 is not much different than that of 2016 when the top three countries with the largest Retail Park density were

Ireland, Luxembourg and the UK.

Looking at the trends across the continent, the following 3 different clusters could be made.

1. *Countries twice (or more) above the EU-Average: Ireland, Luxembourg, UK, Belgium and France in 2018*
2. *Countries with a density of between 50 and 100 sq m per 1,000 inhabitants, such as Germany, Finland, Spain, Lithuania...*
3. *And the countries behind the EU-Average, with some examples being Greece, Croatia or Italy...*

These figures help us understand where the opportunities and risks are for the future of retail parks

INVESTING IN RETAIL PARKS

Retail Park Investment activity is sustained and strong since 2014, with a record year observed in 2015, with close to 14 billion EUR being invested, and most of the investment activity taking place in Western Europe.

The prime yields evolution also highlights the difference of maturity (and as a result, the risk perception) between the markets at the European level. Prime yields are under pressure in the most developed countries (in terms of retail parks).

THE EMPOWERED CUSTOMER

Today's multigenerational consumer base is a complex bunch, redefining the historic consumer value equation. Consumer value could be defined as the sum of tangible and intangible benefits the consumer receives from making a purchase. Historically, the consumer equation has had three dimensions: cost, choice and convenience, with each having a small spectrum with a limited number of options. Today, technology is expanding this equation and making it more complex.

Nowadays, consumers want to control, influence and shape their entire purchasing journey. But the experience will become the most critical dimension, especially in physical stores. Everything from

the layout, ambiance, staff and product selection will affect a consumer's experience.

Retailer Oasis for example chose to create what they called a "Library" in the physical store. This provides shoppers a place where they can relax and wait within the store.

KEY ATTENTION POINTS

First of all, as is the case for shopping centre retail and high street retail, retail parks have to improve the quality of their offer by upgrading their architecture, adapting their formats to the catchment areas and developing new formats. They also have to attract new brands, focus on the experience and differentiate to attract customers.

Another key attention point is the focus on a mixed-use destination. Emphasising the architectural quality of the project while entertaining the customer during their shopping experience is one of the main key attention points Retail Parks have to focus on. The whole concept should be developed as a destination point and give the customers a



► reason to visit. Implementing a mix of leisure, sports, entertainment (conference rooms, concerts, etc.), brands, and even cinemas or ice-skating extensions in a green surrounding is the key.

MOVING FORWARD

In the coming months, Retail Parks will focus on attracting new tenants and gradually move to a more mixed-use destination.

Constituting a strong alternative to the city- and shopping centre is crucial.

Next to the retail developments and food department, the creation of residential units can also be considered as a catalyst for the viability of these new schemes.

COHABITATION AND SYNERGY BETWEEN ONLINE RETAIL AND PHYSICAL STORE

The growing importance of online retail cannot be underestimated or denied anymore. Today, the share of retail spaces purchased online represent around 8% of the total compared to as little as 0.6% in 2000. The growth is expected to be exponential and the share of online retail is expected to reach more than 15% in 2020.

Online retailers demonstrating the continuing importance of bricks and mortar by making investments in retail space.

From Etsy's pop-ups to Amazon's bookstores, it's clear that the physical touch points and authentic real life experiences are still key to success.

WHAT TO EXPECT IN THE COMING MONTHS AND YEARS?

While in Western Europe first, the development of qualitative retail parks (both refurbishments and new schemes) will continue in the coming years.

The market is very mature and still presents some opportunities. However, the competition between High street, Shopping Centres, and retail parks will increase as retailers are testing waters in new formats both in out-of-town retail as well as in city centre, to catch a maximum of customers.

Furthermore, if the planning regulation is quite favourable to new developments in Southern Europe and in France, it is far more restrictive in countries such as Belgium and Germany. Opportunities still exist but will be more limited in the coming years. ■



BE-MINE IN BERINGEN

The mixed use destination is a key challenge for Retail Parks. They are increasingly oriented to leisure and entertainment. Be-Mine in Beringen is a perfect example of a former brownfield that was fully refurbished in a brand-new mixed-use scheme, combining residential units, a swimming pool, a museum, and some office spaces... complementary to the retail park function.

Winner of the 2017 MIPIM Awards "Best Urban Regeneration Project"



DID YOU KNOW THAT

We are a one-stop-shop for retailers looking to grow their business internationally. From shopping centres and retail parks, to high streets and factory outlets, our retail specialists leverage their vast industry knowledge and global perspective to meet your goals.

INVOLVED IN
€2.7bn
INVESTMENTS OVER
THE LAST 10 YEARS



Over the last 10 years the Cushman & Wakefield retail agency team was involved in 2,360 letting transactions representing 1,257,000 sq m GLA

CAPITAL MARKETS
Over the last 10 years the Cushman & Wakefield retail investment team was involved in more than 1 out of 2 retail investments (representing 2.7 bn EUR volume in 422 of the 770 published retail investment transactions)

BELGIUM RETAIL TAKE-UP SHARES SINCE 2009

Source: Retail Focus, professional newsletter

The Cushman & Wakefield retail agency team has a proven 32% market share over the last 8 years (based upon sq m transacted).

