

AUSTRIA

Cushman & Wakefield
Global Cities Retail Guide



Austria is an affluent market with close proximity and extremely good accessibility to a number of other large markets. With its central location in Europe, it acts as a gateway between Western and Eastern Europe, even more so since the eastward expansion of the European Union.

Austria has a population of around 8.9 million. The Alps dominate the landscape and more than two-thirds of the country is mountainous, which means that most of the population is concentrated in the country's towns and cities. Tourism plays an extremely important economic role in Austria.

The Austrian retail market continues to be highly contested due to the rising price sensitivity of the Austrian population, which has a positive effect for companies in the discount sector. Retailers in the grocery sector (as well as companies like Spar and Merkur) have increased their own-brand product ranges significantly. In 2018, building supply and DIY stores had the highest growth of turnover of (+4.5%) followed by sports goods (+2.7%) and the grocery sector (+2.5%). The toys sector decreased the most (-2.2%) followed by electronic goods (-2.0%) and the shoes & leather sector (-1.3%).

E-commerce continues to gain importance in terms of sales in the retail sector. 62% of the Austrian population are shopping online, of which 30% buy clothing and accessories. The number of online shoppers tripled within the last 10 years. In 2018, Austrians were spending €7bn on online shopping, equating to 4.3% of the total retail market turnover.



AUSTRIA OVERVIEW

AUSTRIA

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	2.8	1.5	2.0	2.0	1.8
Consumer spending	1.9	1.6	1.9	1.7	1.6
Industrial production	4.0	1.6	1.8	1.7	1.5
Investment	3.4	2.5	2.9	2.4	2.1
Unemployment rate (%)	4.8	4.7	4.5	4.5	4.5
Inflation	2.0	1.3	1.7	1.8	1.9
US\$/ Euro (average)	1.2	1.1	1.2	1.2	1.3
Interest rates 3-month (%)	0.0	0.0	0.2	0.5	0.7
Interest rates 10-year (%)	0.7	0.5	0.7	1.0	1.4

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

ECONOMIC BREAKDOWN

Population	8.9 Million (2018F)
GDP (nominal)	\$457 Billion (2018F)
Public Sector Balance	0.0% of GDP (2018F)
Public Sector Debt	95.3% of GDP (2018F)
Current Account Balance	2.6% of GDP (2018F)
Parliament	Ruling parties: ÖVP & FPÖ
Head Of State	Alexander van der Bellen
Prime Minister	Sebastian Kurz
Election Date	Sworn in Dec. 18 2017

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

AUSTRIA	2018F	2019F	2020F	2021F	2022F
Retail Volume*	1.0%	1.9%	2.0%	1.8%	1.7%

CITY	POPULATION (2018)
Vienna	1,888,776
Graz	289,440
Linz	206,895
Salzburg	155,886
Innsbruck	133,243
Klagenfurt City	100,993
Villach City	62,252
Wels City	61,233
Sankt Pölten	55,054



AUSTRIA LARGEST CITIES

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RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Spar (Interspar, Eurospar, Spar Gourmet), Rewe Group Austria (Merkur, Billa, Adeg, Penny).

MAJOR INTERNATIONAL FOOD RETAILERS

Lidl, Hofer, Denn's Biomarkt.

MAJOR DOMESTIC NON-FOOD RETAILERS

MTH Retail Group (Libro, Pagro), Leder & Schuh AG (Humanic, Shoe 4 You), Intersport, Bipa, DM, Palmers AG, Magda Rose KG (Jones), Kleider Bauer, Huber Shop, Wolford, XXXLutz, Kika & Leiner, Bauhaus, Interio, Tierkönig.

INTERNATIONAL RETAILERS IN AUSTRIA

Primark, Hunkemöller, Ikea, Inditex Group (Zara, Bershka, Pull and Bear, Massimo Dutti), Mango, H&M, Peek & Cloppenburg, Media-Saturn-Group (Saturn, Media Markt), Müller Drogerie, Hornbach, OBI, Kik, Benetton, C&A, Hollister, Superdry, Desigual, Tommy Hilfiger, Varner Group (Dressmann, Bik Bok, Carlings), Decatlon (2018), Manufactum (2018/19), XXL Sport & Outdoor, Hema.

FOOD AND BEVERAGE OPERATORS

Starbucks, Coffee Day, Mc Donalds, Burger King, KFC, Backwerk, Wein & Co, Ströck, Bäckerei – der Mann, Dunkin Donuts, Nordsee, Subway, Radatz, Tauber, Cinnabon, Vapiano, L'Osteria, Domino's.

TYPICAL HOURS

MONDAY – FRIDAY

09.00-19.00

SATURDAY

09.00-18.00

SUNDAY

Closed

NEW ENTRANTS TO MARKET

Apple	Tod's	Karl Lagerfeld	Manufactum	Hema
XXL Sports & Outdoor	Ace & Tate	H&M Home	XYZ	Urban Outfitters &Other Stories



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RETAIL SCENE

Retailing is a relatively fragmented industry in Austria, although it has recently shown a trend towards greater concentration. Austria has among the highest levels of concentration in Europe within the grocery market, when measured in terms of market share.

The three leading retail chains (Rewe, Spar and Hofer) dominate grocery retailing, while XXX-Lutz, Bauhaus and Media Saturn are the leading companies within non-grocery retailing. There are many international retailers in Austria which have entered directly.

The most important shopping streets in Austria are located in Vienna (Mariahilferstrasse, Kärntnerstrasse, Kohlmarkt, Golden Quarter), Graz (Herrengasse), Linz (highway) and Salzburg (old town). In addition, shopping malls and retail parks dominate the Austrian retail market.

In 2018, Austria's 234 shopping centres (with a GLA of approx. 4 million sq m.) generated an annual turnover amounting to €13.1 billion. This represents an increase of more than 2.5% compared to the previous year. Shopping malls delivered a turnover of €3,450/ sqm and retail parks €2,400/ sqm. There are approximately 100 retail parks located in Austria.

Due to very restrictive planning policy and a lack of available good locations, the number of new shopping mall projects will decrease in the future.

Towards the end of 2014, ECE opened a new shopping mall in Vienna located at the central railway station. The mall works well with a good tenant mix and new residential and office properties are located nearby.

After the whole development quarter is complete, additional retail tenants will be attracted by the adjacent buildings, which will further increase the overall retail space within the area.

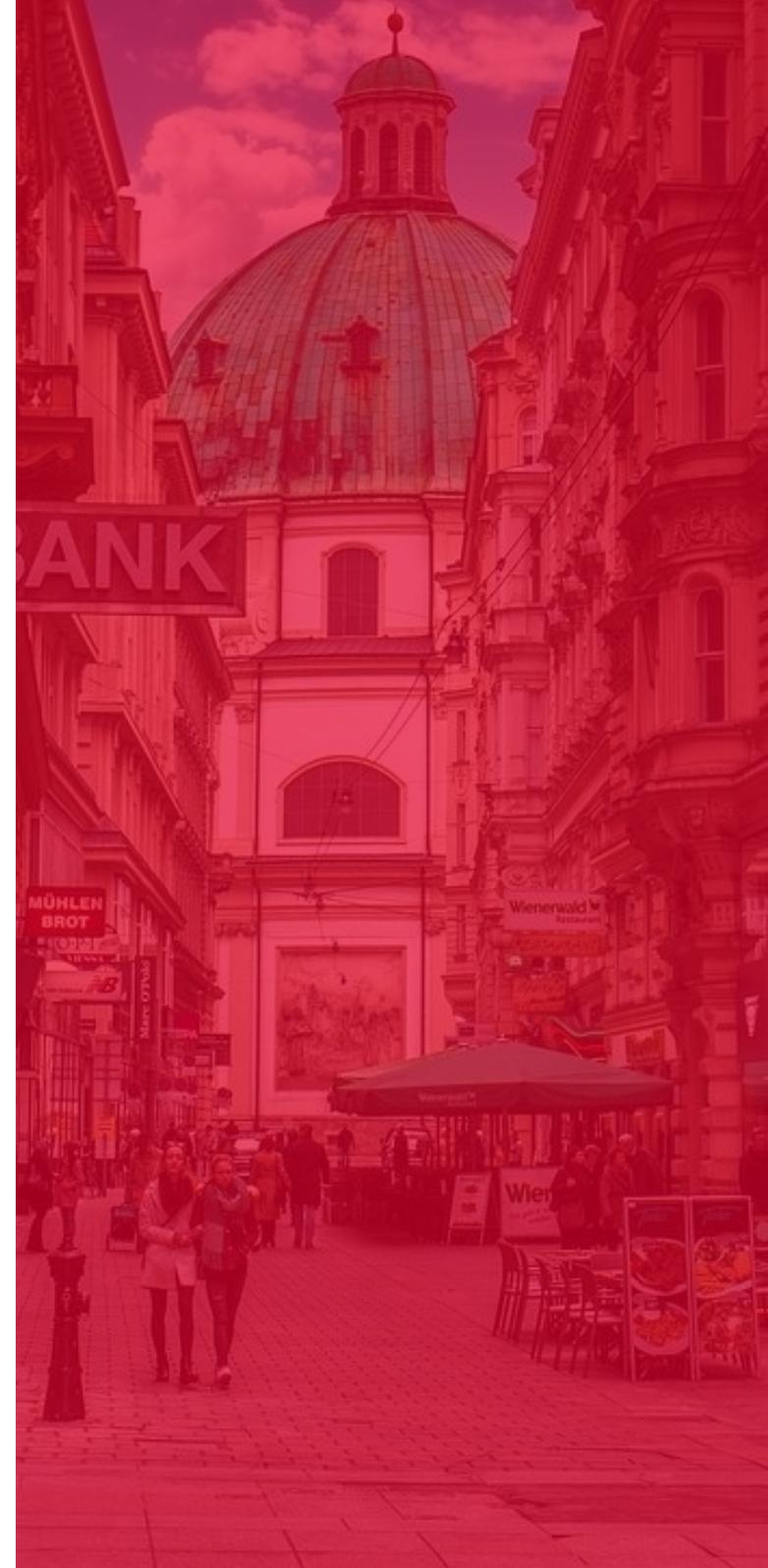
In autumn 2017, SES opened the expanded Shopping Centre Huma eleven with 20,000 sqm and 90 shops.

McArthurGlen operates two designer outlets: FOC Parndorf (near Vienna) and FOC Salzburg. In the area of Parndorf further extensions of other operators are expected.

It is possible to enter the Austrian retail market directly, though many also franchise and enter via concessions/shop-in-shops.

Foreign Companies need to be registered in the 'Handelsregister', the Austrian registry of companies to run a commercial enterprise here to avoid tax deficits, although buying or renting property in Austria is generally not a problem. Landlords may insist on a registered tenant to ensure against loss of rent.

The Austrian lease structure in retail meanwhile is more tenant than landlord friendly. Although it is possible to occupy a new building within a few weeks, it is more realistic to expect that on average it will take 9-12 months from initiating the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or sites, negotiating leasehold or freehold terms and drafting of the appropriate legal documentation. In principle the search for suitable shops in city centre locations takes about 1-2 years. In shopping centres it can be faster - the duration of the process generally depends on the concept and the price.



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SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
SCS	Vösendorf	223,000	1976
Donauzentrum	Wien	123,900	1975
SC- Seiersberg	Seiersberg/Graz	85,000	2003
Plus City	Pasching/Linz	70,000	1989
G3 Shopping	Gerasdorf	70,000	2013
DEZ	Innsbruck	65,000	1970
Europark	Salzburg	50,700	1977
Huma Eleven	Wien	50,000	1987 relaunch 2013-2017
Fischapark	Wr. Neustadt	42,800	1996 relaunch 2015
Center Haid	Haid	35,000	1991

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Leases are typically for 10 years and in shopping malls for 5 years with an option for prolongation of 5 + 5 years. Break options after 5 years are common practice especially for lease contracts in shopping malls where anchor tenants get the right for earlier termination. Break options or earlier termination can trigger a penalty and should be defined in the lease contract. In the absence of a clear agreement in the lease, the tenant has no legal right to break so long as the landlord fulfils his obligations. Where agreed, breaks are typically at the first rent review.
Rental Payment	Rents are typically payable monthly in advance. Turnover/ percentage rents are increasingly seen in shopping malls and common in specialist sectors such as factory outlets, hotels and airports. A security deposit (3 months gross rent) is normally required also for a tenant with a strong covenant or where a parent company guarantee (or less frequently a bank guarantee) is provided. For weaker covenants, a deposit of 6 months rent equivalent is common place. Premium payments are common place in the retail market (although it is not official – usually named rent-prepayment) at times of rising rents and limited supply, with values boosted by the 2-5 year review pattern of rents. Turnover rents from 6-10% of annual turnover for retail, up to 15% for restaurants.
Rent Review	Rent may be adjusted annually as the inflation index changes. Indexation is common practice; Indexation clauses in leases of 5 years or more (including break options) include automatic adjustment on a given date or whenever the official consumer prices index changes by predetermined amount. Rent adjustment by Indexation can also be negotiated and is part of the lease contract.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external/ structural matters in shopping malls (charged back via service charge) or tenant (except in multi-let buildings). The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly.
Property Taxes and other costs	Local Property Tax 'Grundsteuer' is based on the value of the property. The tenant usually pays this tax through Service Charges and it is usually a negligible amount: 2 - 3.5% of the rent. Tax for lease contract: practiced only in Austria; A written lease agreement triggers stamp duty of 1% of the rent over the whole term of the lease (max 18 years) or over the three years' rent (in case of a lease for an indefinite term). Rent is further subject to VAT, 20% for lease agreements concerning businesses and 10% for private leases. Deposit: 3 – 6 months gross rents VAT: 20%

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE



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