



Regions to be cheerful

Finding the right space in many of Europe's capitals has become increasingly difficult, opening up an opportunity for the continent's regional cities.

Mark Faithfull looks at the locations establishing their retail credentials

The past five years have been all about prime – central locations, flagship stores, capital cities. While the best of the best shopping destinations have thrived, smaller high streets around Europe have suffered from this concentration of retail budgets, and consumer appetite for all-encompassing retail centres offering the globe's best brands.

Yet with many of the most popular European capital cities running short of retail availability

and some eye-watering rents for prime pitches, pan-European retailers are increasingly looking to secondary cities, says Peter Gold, managing director, cross-border EMEA retail at CBRE.

While stressing that the continent's capitals have lost none of their allure, Gold notes that although the fundamentals and catchment have to be right for retailers to be attracted away from prime, there are plenty of cities which fit the bill.

"You could point to cities such as Leipzig and Hannover in Germany, The Hague, Antwerp

and Milton Keynes as representative of a new raft of cities proving increasingly popular with retailers," he says. "What we're seeing is that retailers remain very risk-averse but what is not clear is whether we are still unravelling the aftermath of the financial crisis or whether this is the new normal."

Gold says that, although capital cities and the dominant global malls remain strong performers, "if retailers can get the right space in the right location in regional cities they ↘

are much more prepared to consider those opportunities”.

Boosting Britain

In the UK the renaissance of regional cities has been evidenced by the location of the latest major openings and planned developments – notably Leeds, Bradford, Oxford, Croydon and Glasgow. The biggest opening in the UK last year was Leeds. The £350m Trinity Leeds scheme by Land Securities, in the heart of the UK’s third-largest city, introduced new retail names and the first Everyman cinema outside London, plus a cluster of D&D-owned restaurants and bars.

Leeds will be further bolstered by Victoria Gate, which will be the home of John Lewis’ first store in the city and a range of premium brands. The first phase will echo the heritage of Hammerson’s Victoria Quarter, anchored by Harvey Nichols and housing leading luxury designers including Louis Vuitton, Mulberry and Vivienne Westwood. Planning approval was granted in September 2013 and construction of the £130m development will begin this spring.

In March another proposed project got the green light when Oxford City Council’s West Area Planning Committee granted outline planning permission for Westgate Oxford Alliance’s £500m redevelopment of the Westgate Centre. The Alliance, a joint venture between The Crown Estate and Land Securities, will develop a retail-led, mixed-use project anchored by John Lewis and scheduled to open in 2017.



It’s not just about bigger stores, it’s about flexibility and the right configuration

Bert Martin, Land Securities

John Lewis is one of those retailers dedicated to expanding its national presence and, according to its property director Jeremy Collins, the retailer has had a “long-held ambition to open a John Lewis department store in Oxford”.

Land Securities development director Bert Martin adds: “We saw Oxford as a great development opportunity. The retail landscape has changed a great deal in the past few years and retailers have been grappling with what that means for their store estates. It’s not necessarily just about bigger stores, it’s about flexibility and the right configuration.”

Of all the revitalised cities around the UK,

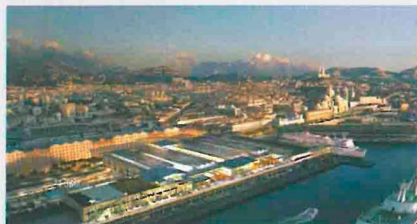
Europe’s capitals and regions



UK

London Dominant retail city with global position supported by the West End, Covent Garden, Bond Street and two Westfield shopping centres, acting as a magnet for international retailers and especially US retailers looking for a springboard into continental Europe.

Regional cities All the major regional cities have relatively new schemes, with Leeds, Glasgow and Birmingham having the most recent and ongoing activity. Retailers are increasingly happy to look outside London but remain attracted to large, dominant high streets and malls.



FRANCE

Paris Dominant retail city with a global position second only to London in Europe and buoyed by booming luxury sales, especially to Asian customers.

Regional cities Activity remains relatively busy in France, with the newest scheme, Hammerson’s Les Terraces du Port (pictured above), opening on May 3. It reflects longer-term plans by the city authorities to revive the city.



SWEDEN AND SCANDINAVIA

Stockholm The Swedish capital is booming and is the centre of the Nordics’ retail market, with city centre activity twinned with Unibail-Rodamco’s Mall of Scandinavia development.

Regional cities Gothenburg has big city redevelopment plans, while Malmö, Helsinki and Oslo are the other major centres (albeit the latter two are capital cities). Retail growth prospects depend largely on the creation of a more unified branding of the Nordics as a single region.

Glasgow probably represents the most complete transformation, from an industrial past and gritty urban reputation to cosmopolitan and cultural. Glasgow offers access to a huge catchment of 3 million shoppers, with a comparison goods spend of £2.56bn.



SPAIN

Madrid Spain’s central city shares retail honours with rival Barcelona, which has arguably become the better-known retail destination. However, resurgent investment into the commercial real-estate market in Madrid could encourage more retail development.

Regional cities Hit hard by the recession, Spain has started to attract significant investor interest again. The recent purchase by Intu in Oviedo is just one pointer to better times for some regional malls.



ITALY

Rome Like Spain, Italy’s retail activity is divided between two major cities – in this case Rome and Milan. Both have benefited from the boom in luxury sales and an influx of Asian shoppers. Westfield’s proposed Milan joint-venture scheme could skew the balance north.

Regional cities Hit hard by the recession, Italy has started to attract significant investor interest again and – used to high levels of economic turmoil – has weathered the downturn. However, it remains a difficult market for international retailers.



GERMANY

Berlin Germany’s retail vitality is fairly widespread – Berlin is one of six dominant cities in the country, although it remains the most vibrant for youth and urban fashion.

Regional cities Munich, Cologne, Düsseldorf, Frankfurt, Leipzig (pictured below) and Hamburg are all important retail locations. Munich is the strongest for luxury, reflecting its affluent catchment, but also the most expensive for key money.



In March last year, Scotland’s newest shopping development opened on Buchanan Street, hosting the first stores in Scotland for US fashion group Forever 21 – with a three-storey outlet – and Vans as well as Paperchase, Evans Cycles, Fat Face, Skechers, Office, ↘



Watches of Switzerland and Gap.

The £61m development sits opposite Land Securities and Henderson Global Investors' Buchanan Galleries, where Marks & Spencer has signed up to anchor the next major phase of retail expansion. It is scheduled to open in 2017 and will add more than 650,000 sq ft of retail space to the centre, plus 15 new restaurants and a multiplex cinema.

"The extension will bring more important names to Glasgow, a number of which we anticipate to be opening their first UK stores outside London," says Land Securities development director Nick Davis.

However, despite these notable developments, the ongoing domination of the capital becomes clear in examining the shopping centre development pipeline. The total pipeline stands at 47m sq ft, with 3.4m sq ft under construction, according to CBRE. That is a marked improvement on the 1.7m sq ft of 2013, or the record-breaking low of 2012, which brought just 168,000 sq ft of additional space.

Yet strip out London construction numbers and wider UK development activity remains at rock-bottom lows. Nearly half (46.6%) of the shopping centres in the development pipeline are in Greater London and total new construction remains well below the long-term annual average of 3.7m sq ft achieved between 1965 and 2008.

In addition, many of the emerging or revived schemes are reliant on substantial public sector financial support – for instance, those at Chester, Newport, Wolverhampton, Coventry and Sheffield. Overall, there remains a tendency for local authorities to continue to promote town

centre schemes in isolation from the overriding economic climate, while projects such as Oxford and Croydon have financial impetus anyway. Therefore, it is the next tranche where public infrastructure will be required and where some proposed schemes may fall by the wayside, dampening the projected pipeline figures.



If retailers can get the right space in the right location in regional cities they are much more prepared to consider those opportunities

Peter Gold, CBRE

Beyond UK shores

In Mainland Europe the picture is similar, although not quite as polarised. Just as international brands have been prepared to look beyond London for selected opportunities – Forever 21 made its debut in Birmingham, as an example – so UK retailers have scoured for sites beyond Europe's retail capitals.

Fashion brand Ted Baker, advised by Cushman & Wakefield as lettings agent for its expansion in France, plans to open stores of between 1,615 sq ft and 3,230 sq ft on high street locations as well as in shopping centres around the country. And while it made its debut with two stores in Paris, its third branch will open

in Hammerson's Terrasses du Port shopping centre in Marseille.

The centre will open on May 3 and is the largest retail development to launch in France this year. The 190 retailers and restaurants include luxury luggage specialist Tumi with its new store concept, only available at its Madison Avenue branch in New York, US sports footwear specialist Skechers with its biggest French store, and department store business Printemps, which will open its new first shop in more than 20 years.

Last year Primark also surprised the market when it opted for its first French openings – not in Paris but in the Grand Littoral mall in Marseille and Dijon in eastern France. Primark parent Associated British Foods finance director John Bason says he is encouraged by the early performance of the retailer in France: "Are we likely to go to adjacent countries? Yes, of course, in the next three years," he says.

Primark had a "great" opening of its first French store in Marseille Grand Littoral shopping centre, according to Bason, who says he is also encouraged by the breadth of Primark's appeal at its second store, a provincial shop in Dijon. Paris is the next destination, as its first store in the city opened in March and more are planned.

There are perils in opening away from capital cities – Primark exited two smaller stores in Zaragoza and La Coruna last year after the host malls closed down, though it did add six new Spanish branches.

The trend to be more bullish away from capitals is not only apparent in Europe's mature markets. Mango's new plus-size line Violeta recently entered the Russian market via Ikea Shopping Centres Russia's MEGA Kazan mall, 450 miles east of Moscow.

Aniko Kostyal, expansion director Russia and CIS at Mango, explains: "We decided to launch the brand in MEGA Kazan because this is where we opened our first Mango megastore in Russia in the summer of 2013, and it was very well received by customers. We expect the same to happen with Violeta as Kazan is a very fashionable city."

The need to find the right flagship store to make a splash in a new market is the most likely driver for cross-border retailers to continue looking beyond capital cities, and strong sales productivity in the better-performing regional stores will encourage that widening of focus. Yet the lengthy time that incoming retailers are prepared to wait for prime sites in London and Paris particularly suggests that they will take some shifting from their current mindset. ■