

Sunny outlook for experience-loving South

Lower internet penetration and a slower transition to e-commerce have helped support physical retail sales in Southern Europe in recent years. But as online sales accelerate, **Isobel Lee** asks whether retail assets in Italy, Spain and Portugal might lose their shine.

DESPITE Southern Europe's reputation for a relaxed pace of change, the digital revolution has finally arrived. While internet penetration in Italy is still only at about 63% of the European average, according to e-commerce expert PostNord, things are changing fast. The number of new online consumers increased by 44% between 2014 and 2017, and further surges are expected. Spain's online users grew by 28% to 78% in the same period, and that figure is set to increase rapidly in the coming years.

However, despite the trends, Southern Europe remains a sunny spot for physical retail. "The Italian retail market has been pretty fortunate so far in terms of e-commerce," says Massimo Moretti, president of Italy's shopping-centre association CNCC. "Only 4% of transactions take place online

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— a figure forecast to reach 7% in five years — so there's a real resiliency compared to Northern Europe and the US. It's not just about internet penetration: Italian customers are different when they shop. They're social, focused on experience; more tactile and physical in their approach. This aspect should be noted and appreciated by investors." The country with a world-famous reputation for food and fashion also has plenty of tricks up its sleeve, embracing innovation in the food and beverage (F&B) space and the evolution of its couture heritage.

"We've seen a lot of resiliency in the luxury market," says Andrea Piperno, chief executive of Rome-headquartered specialist broker Piperno Immobiliare. "We work a lot with Italian and international luxury brands, helping them to find the right store space in Rome and Milan's high-end shopping streets. Demand is unwavering, from international labels too, as customers still prefer to go to luxury stores in person to touch and try the products, as well as discuss what they're going to buy."



New formats: Scalo Milano combines 130 discounted luxury fashion units with full-price stores.

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It’s a trend that has boosted the development industry in recent years, driving the creation and success of projects such as Scalo Milano, a 130-unit designer outlet that mixes discounted luxury fashion with stores offering full-price products. Scalo Milano recently rebranded as an ‘Outlet & More’, underlining not only its range of price points, but also its 14-unit-strong dining offer, designed to keep customers around for longer.

“Consumers now clearly know what to expect from our offer and we have already witnessed an upsurge in visitors,” says Davide Lardera, CEO of Scalo Milano. “We expect a further 40% rise in the number of people coming to Scalo Milano, alongside a 30% increase in turnover.”

For GVA Redilco’s CEO Giuseppe Amitrano, now is a key moment for Italian retail: “We’re at a turning point thanks to two factors: the entry of top international brands into Italy and the transformation of the traditional sales models, driven by the need to create experiences.” The shopping-centre space assigned to F&B and leisure is also growing exponentially, says Roberto Bramati, president of Spazio Futuro, a retail consultancy that specialises in shopping-centre layouts and store interiors. “We’re planning



Pasta restaurant Bottega Portici, looking to expand across Europe next year

more and more food courts and restaurants in centres where the specific mix of food types and service types are driven by quality, location and choice,” he adds. “We’ve also just set up a working group with architect Design International and Italian groups Dedem, Costa and Acqua to study innovation in F&B at every level and we’re making some exciting progress.”

Some would say that the Italians have a natural competitive advantage when it comes to F&B. Moreover, the dining revolution has inspired the birth of some compelling new concepts. Bologna-based Bottega Portici is a new fresh-pasta street-food restaurant and sales point that has quality in its DNA — its first street-food concept was born as a side project to the group’s Michelin-starred restaurant and high-end hotel in downtown Bologna. It was so well received that another outlet opened in the city, and 2018 has seen further launches in Reggio Emilia and Rome. “We’re contributing

high-quality casual food that meets today’s lifestyle needs,” says development and franchising manager Giuseppe Pettrigiani. “We’ll have about 10 new stores in Italy next year and will open the first stores in Europe by the end of 2019.”

These ambitions are being aided by the Italian Trade Agency (ICE), and Confimprese which support the business development of Italian companies abroad and promote foreign investment in Italy. In partnership with Italy’s Ministry for Economic Development, ICE’s presence at events such as MAPIC, plus Franchise Expo Paris and the International Franchise Expo in New York is helping Italian businesses.

Meanwhile, two key trends are shaping the retail sector in Spain, according to Gonzalo Senra, director of retail investment at CBRE Spain. Sustained economic growth — with GDP climbing above 3% annually — and the digital revolution have injected new life into the industry, even

if e-commerce take-up has been slow at 4.5% of total sales. While this is increasing at around 25% annually, the Spanish consumer’s appreciation for experiential and thus physical shopping bodes well for the long term.

Nowhere is this better underlined than in the F&B sector — a traditional winner in the country. “Even 20 years ago, F&B represented 7%-8% of shopping-centre GLA,” Senra says. “And it’s now climbing further.” Mall operators and owners have been quick to respond with new projects or ambitious refurbishments of dining areas, stand-out examples including Platea and Mercado de San Miguel in Madrid (acquired by Belgian-based Redevco last year), Puerta Cinegia Gastronomica in Zaragoza and s’Escorxador in Palma de Mallorca.

Unibail-Rodamco-Westfield has invested heavily in F&B and introduced its Dining Experience concept to many of its Spanish centres, including Glories in Barcelona and Bonaire in Valencia. Other shopping centres,

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such as Diagonal Mar in Barcelona, have carried out successful refurbishments of their F&B areas.

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Unibail-Rodamco-Westfield introduced its Dining Experience to Glories, Barcelona.

“Another important indicator of the growth of the F&B sector is the number of foreign brands that have entered Spain lately — Vapiano, Wagamama, Tim Hortons, Five Guys, Carl’s Jr, Blue Frog and NBA Cafe have

all opened their first restaurant in Spain in the past two years,” Senra adds.

There are clear parallels with neighbouring Portugal, where developers are investing in deep remodelling, especially in food-

court areas, according to advisor Savills Aguirre Newman. Shopping centres in Portugal are now centred on experience, with more leisure facilities and improved food courts, plus areas for children and events. An

increase of facilities and services to bolster footfall, such as health clinics, convenience shops and gymnasiums, have been seen in both the Centro Colombo and Amoreiras Shopping Centre, where new food-

court areas with garden and leisure areas have recently been rolled out.

For European outlets operator Neinver, headquartered in Madrid, the only way is forward. "Over the past few years, we have set up a digital-business department focused on implementing innovative technologies at our centres and integrating all the channels into an omni-channel platform, with the first such platform in the outlet sector," says Sergio Jimenez, Neinver's digital business and IT director. "This tool gives the brands highly valuable information about visitors' shopping habits and tastes, while allowing us to improve areas such as leasing, management and marketing."

Major retail REIT Lar Espana is also demonstrating an appetite for evolution. The first Spanish REIT to list on the Spanish stock exchange, in the first half of 2018 Lar Espana posted a recurring EBITDA growth of 12%, while rental income improved by 6%.

Lar Espana's flagship assets include the 100,000 sq m shopping and leisure centre Palmas Altas in the heart of Seville, and VidaNova Park in Sagunto, Valencia, which has a GLA of 45,000 sq m. Albacete in



Walther-Park in Bolzano, a scheme that will transform an old bus station into a mixed-use development

Albacete is Lar Espana's most recent refurbishment project. Throughout Southern Europe, development is focused on mixed-use, future-proof spaces. A prime example is Westfield Milano, which will become the first Westfield branded centre in Italy when it opens in 2019. Situated in Segrate, with easy access to Linate airport, the 170,000 sq m scheme will house approximately 380 stores, a luxury village, leisure, entertainment and dining precincts, and

10,000 parking spaces, as well as the latest in digital technology, personalised shopping and tourism services. Meanwhile, Merlata Mall, located near the Expo 2015 site in the north-west of Milan, will deliver 65,000 sq m of shopping in the middle of a park that is part of a wider brownfield redevelopment dubbed Cascina Merlata. With an expected footfall of around 10 million per year, the mall aims to become a central attraction for this new area of

Milan when it opens in 2019. Regional cities are also driving change, with the Alto Adige city of Bolzano attracting the UK's David Chipperfield Architects for a downtown scheme that will transform an old bus station into a dynamic mixed-use development called Walther-Park. With a shopping centre at its heart, the scheme will feature high-quality residential, a hotel and F&B provision. Meanwhile, plans to significantly extend Bologna's Gran Reno centre will

Compagnie de Phalbourg's Open Sky Shopping Center, launching next year in the Torrejon de Ardoz area of the Spanish capital



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transform the retail offering in the northern Italy city.

Elsewhere in Italy, investor-developer Aedes is working on its Caselle Torinese development scheme. The hugely ambitious open-air mall near Turin consists of more than 250 stores across 120,000 sq m of GLA, 15% of which will be focused on leisure. Major schemes already under way in Spain include Compagnie de Phalsbourg's Open Sky Shopping Center, which will bring 91,600 sq m GLA and 100 shops to the Torrejon de Ardoz area of the Spanish capital on its launch in early 2019. It will be flanked by The Village, a 22,000 sq m outlet designed by Philippe Starck.

Key Spanish regional shopping-centre developments include the Torrecardenas mall from developer Bogaris. Designed by architect Chapman Taylor, the 60,000 sq m scheme in Almeria is set to open in 2019. Retailers such as Primark, Leroy Merlin, Media Markt and the complete offer from the Inditex group, including Zara, Pull&Bear, Massimo Dutti, Bershka and Stradivarius, have committed to take space. Torrecardenas' 150 commercial units are complemented by a mul-



Malaga will be one of five Spanish locations for McArthurGlen's designer outlets.

ti-screen cinema, the first food court in Andalucia and an infant multi-adventure area.

Spanish retailers continue to expand. Inditex, the world's largest clothing retailer and owner of the Zara chain, has announced it will sell products from all its brands online globally by 2020, including in markets where it does not have any stores. Chief executive Pablo Isla says that a system whereby online customer orders could be covered with store inventory would be extended to all 96 countries where

it has physical stores. "We want to make our fashion collections available to all our customers, wherever they are in the world," he says. "Even in those markets which do not currently have our bricks-and-mortar stores."

In September Zara re-opened its Corso Vittorio Emanuele store in Milan with a new global flagship concept based on its online/offline strategy.

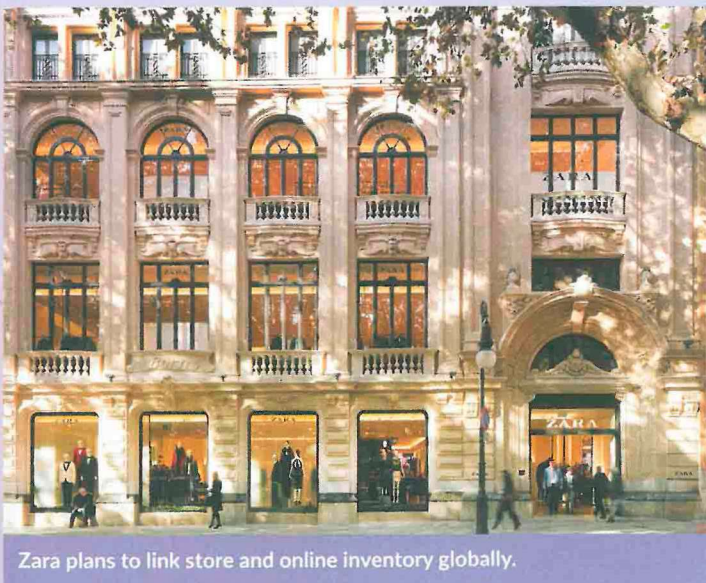
Isla says: "It is a unique store as it presents an exceptional architectural design within a singular framework, while incorporating the latest technology for both satisfying new customer shopping experiences as well as strengthening our firm commitment to the environment. It is undoubtedly a model for our characteristic online and in-store integration concept."

Earlier this year Spanish fashion company Grupo Cortefiel changed its name to Tendam as part of its two-year revamp of the 140-year-old retailer. Chief executive Jaume Miquel said the company developed the name with brand agency Interbrand and tested it in different countries and different languages like English and Japanese. The company is to keep the names of its

fashion label Cortefiel, upmarket label Pedro del Hierro, underwear chain Women'secret, menswear chain Springfield and Fifty.

The outlet trend is also driving development across Spain. Earlier this year, McArthurGlen announced it was planning five outlets in the country. In collaboration with Sonae Sierra, it is already well under way with its first scheme in Malaga, which will consist of 30,000 sq m of space. The project's first phase is scheduled to open in 2019, with the second phase arriving in 2020.

In Greece, meanwhile, Sonae Sierra is set to open its first outlet in Thessaly this autumn. Fashion City Outlet, developed in partnership with investment management firm Bluehouse Capital, will feature 70 stores across 20,000 sq m.



Zara plans to link store and online inventory globally.

CONFERENCES & EVENTS AT MAPIC

DESTINATION: ITALY

Thursday 15 November - 17.30-19.00
Conference Room 2 - Palais -1

DESTINATION: SPAIN

Wednesday 14 November - 16.30-17.30
Conference Room 2 - Palais -1

F&B PLAYERS RECIPES: SUCCESSFULLY DEVELOP YOUR CONCEPT WITH A PRIVATE EQUITY PARTNER

Thursday 15 November - 09.00-10.00
Conference Room 1 - Palais -1