

HOW FIT FOR THE FUTURE ARE SHOPPING CENTERS?

Price increases, stagnating sales, changing shopper behavior – brick-and-mortar retail, in general, and shopping center operators, in particular, are not having an easy time at the moment. Which types of stores are fit for the future, and which concepts are outdated?



AUSTRIAN CONSULTING FIRM STANDORT + MARKT HAS ANALYZED VARIOUS FACTORS OF RELEVANCE TO THE AUSTRIAN MARKET:

- How fit for the future is the sector mix? Attractive, large-scale, short-term retailers are seen as the driving force behind visitor footfall; vacancies reduce the attractiveness of a center.
- How sensitive are tenants to online competition? Groceries will continue to be bought primarily at brick-and-mortar stores in the future, and fitness centers cannot be relocated to the internet. The situation is different for clothing, consumer electronics, and toys.
- How is the population in the catchment area developing? Is the center located in a booming area, or is the population shrinking?
- How much competition is there in the catchment area?

THE RESULT:

In terms of traditional shopping centers (shopping malls), both the "very small" and the "very large" ones come out on top – leaving the midfield behind. The centers with a leasable area of up to 10,000 sq m often have a local supply character and score points with an attractive, short-term, demand-oriented segment mix. The "giants", which boast more than 80,000 sq m of leasable space, on the other hand, have very attractive locations in the vicinity of large cities with rapidly growing populations.

At the lower end of the scale – and significantly so – are shopping malls that range between 10,000 and 20,000 sq m. That size category is in danger of disappearing from consumers' consciousness. Small, local shopping centers are visited to cover daily



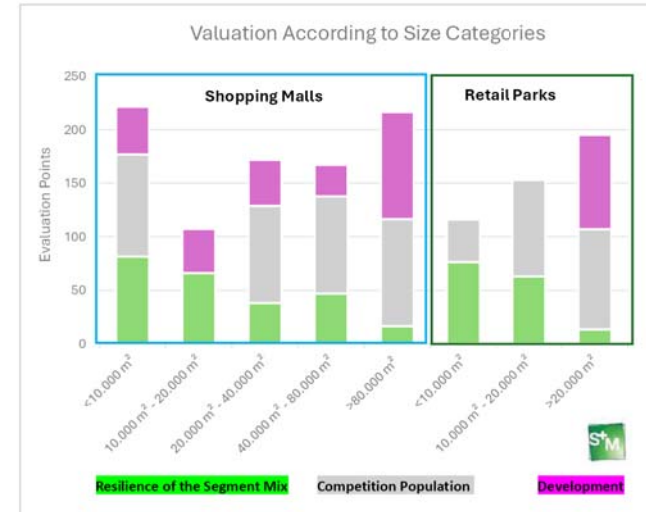
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"We assume that this trend is similar internationally. However, the dimensions may vary. In countries that have many hypermarkets as basic suppliers (e.g., France, UK, Poland, etc.), the "small" centers will be larger (up to approx. 15,000 sq m). In those countries, shopping centers with a GLA of 10,000 sq m or more are often only considered as such, so the boundaries are shifting upwards. In the case of retail parks, the same trend can be seen internationally: the larger, the more attractive."

needs; if one goes shopping "properly", his/her focus is on large centers. As a result, medium-sized centers will have a difficult time remaining successful in the future. At those locations, the segment mix should be optimized and the course of business closely monitored to ensure that they are able to react at an early stage.

When it comes to retail parks, the bigger the better. Smaller retail parks often serve to supplement the retail offering in structurally weaker regions. However, their location-related conditions are not ideal (e.g., low population growth), which is reflected in the valuation grid. Due to tenants' reluctance to expand, locations in smaller centers will probably be abandoned first.

In general, operators should keep a close eye on the segment mix and adapt it if necessary (non-shopping uses should also be considered in this regard). It is also important to set rents that are in line with the market and to optimize operating costs. Many of the properties have been on the market for decades, so investment costs will also be involved (in order to make them more sustainable and environmentally friendly).



Link to the Study:



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