



MAPIC 2011: Quick Review

Over 8,000 people packed the aisles at MAPIC 2011, up 9% on last year, arriving from 63 countries to descend upon Cannes for the annual international retail real estate event. Among them, over 300 retail businesses attended for the first time, bringing retail attendance to 2,300 delegates – a 12% jump from last year. Similarly, some 300 investment companies visited MAPIC to look at new and existing schemes, underlining the attractiveness of retail real estate as an asset, including many new names such as TIAA-CREF Asset Management and Perella Weinberg Real Estate from the UK, plus the The Xander Group from India.

Delegates from France, Italy, the UK, Russia and Belgium represented the top five by numbers, with an increase in visitors from each market over 2010. Among major countries, participation from Turkey increased the most and the country now has as many companies at MAPIC as the Netherlands. On top of that, MAPIC welcomed exhibitors from an increasingly diverse range of countries including Brazil, Chile, China, Singapore and Japan.

Despite the uncertain economic climate across Europe, what struck many visitors this year was that MAPIC had a vibrant buzz, which seemed at odds with the wider picture. It was a theme picked up in the wrap-up press conference with some of the many journalists in attendance, where Cushman & Wakefield global head of retail John Strachan suggested that the industry had become robust about trading in a downturn and pointed to the growing globalisation of both investment and retail opportunities.

At the prestigious MAPIC Awards Spanish fashion giant Desigual scooped the prize for best retail expansion, while Abercrombie & Fitch was chosen as the best retailer in the city centre. Best new retail concept was awarded to Asics for its Amsterdam flagship, while best retail development went to Eurovea in Bratislava, Slovakia. The best refurbished development was awarded to Galeria Echo in Kielce, Poland and as part of the Italy Country of Honour celebrations during MAPIC, the MAPIC Awards jury chose Mario Moretti Polegato, chairman of Geox as Personality of the Year.

Some big themes played out on the aisles of the Palais, which you will be able to read about in our Review magazine, but as a prelude here is the MAPIC editorial team's summary of just some of the most important topics.

Retailers focused on prime opportunities

"Retailers arrived with a focused business approach,"

reflected John Strachan, global head of retail, Cushman & Wakefield, of the higher number of retailers attending MAPIC. While Andrew Bathurst, director at Harper Dennis Hobbs, noted that the push to prime locations in prime cities had become even more apparent in 2011.

"We act for Forever 21 and they have looked at Europe as a single market and have been opportunistic about where they locate stores, depending on where the right real estate has become available," he said. "I think we will see more of that in 2012 as retailers and brands prioritise the major European cities for growth."

Keynote speaker Jan Heere, Marks & Spencer's director of international, added that market diversification was the company's strategy to reduce dependence on the UK and he picked out India and China as two markets where M&S will grow its store portfolio next year.

For the second year running multi-channel was a major theme, although the sense this time around was that the channels should complement rather than compete. Innovation was also a central factor, with the expanded MORE Pavilion hosting sessions every 30 minutes throughout the show featuring new ideas and trends, including the Boxpark pop-up mall scheme in London. Instigator Roger Wade also used MAPIC to announce that a second city in Europe will host a Boxpark.

Emerging market

While the core European markets have been grabbing the headlines at MAPIC, investors and occupiers are also looking at ways of developing sustainable businesses in emerging markets.

One company that has reaped the rewards of being an early entrant is IKEA shopping centres Russia and CIS, which now has 14 centres spread across Russia with a presence in 10 of Russia's 11 so-called 'Millionniki' – cities with over one million inhabitants.

Russia is already Europe's largest retail market, with annual turnover of €409bn, having doubled over the past five years. But IKEA pointed out that it is still far from a saturated market with only 72 sq m of mall space per 1,000 inhabitants against a European average of 288 sq m.

Internationalisation at MAPIC was emphasised by the large Indian Pavilion, a stand dedicated to investment in Morocco, a Riviera stand for Ankara, Turkey and developers representing outlets in China, malls in Singapore and China and a new Japanese retail concept.

China Outlets showcased its upcoming scheme just an hour from Guangzhou, which will include an outlet centre,



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leisure and a major residential component. It has plans for 50 more centres, with three due to complete in 2012.

Similarly CapitaMalls is concentrating much of its development on China and showcased two schemes at MAPIC. One in China and the other in Singapore. "The Singapore scheme has captured a lot of imagination," said corporate marketing manager Esther Ee. "The striking architectural design also allows for natural air flows to cool what is a very open centre, which also includes a 5,000-seat auditorium above the retail."

Retail planning and urban regeneration

The significant presence of mayors and top level city representatives at MAPIC emphasised the importance with which they regard the event as a showcase for their urban retail development schemes. For the second time many of city officials met at The Retail in the City Summit – an invitation-only workshop where over 40 key players discussed the best way to improve city retail strategy.

Summit chair Bertrand Boule, president and founder of French-based planning consultancy Mall & Market, said that the summit concluded that in-city and out-of-town retail should no longer be considered as rivals but as complementary offers and that planning should take the same approach.

The summit participants hope to turn the key recommendations from the MAPIC session into an advisory document for use by town planners on how best to approach retail regeneration and future planning.

Designer outlets

A feature of the market this year has been the ongoing emergence of the outlet sector. With consumers more price conscious than ever and with retailers still wrestling with stock overhangs, new outlets are springing up and at MAPIC new offers came to the fore.

REAM International's Copenhagen Outlet, and Zwerenz & Krause/APM Holding's Villaggio at Parndorf in Austria were just two of a host of new outlet projects showcased in Cannes.

According to industry experts the new wave of development reflects a new approach to outlet retailing. Franck Verschelle, CEO of Advantail, who is behind upcoming Paris scheme The West, said: "We have to create shopping and leisure destinations, not just bargain destinations." And Pieter van Voorst Vader, senior development manager at McArthurGlen, echoed this view. "More and more, outlet retailing is starting to feed into leisure," he said.

The London Designer Outlet, being developed by Quintain

on a site adjacent to Wembley Stadium, epitomises this approach. According to Quintain managing director Phil Cottingham, the scheme's leisure anchors are in place two years ahead of opening with a Hilton Hotel, a Vue cinema and a range of food and beverage operators including Prezzo, Jimmy Spices and Handmade Burger Co committed.

Freeport officially unveiled its Duisburg outlet project, which importantly and - unusually in the German market - has obtained strong endorsement by the local authority, with the mayor in attendance to reinforce this position. One Fashion Outlet was also at MAPIC for the second year running to talk to international retailers and brands about its project in Bratislava, which is due to start on site early next year.

The MAPIC wrap-up session

On the final day, James Brown, Jones Lang LaSalle's EMEA head of retail research, summed up the mood of a market gripped by the eurozone crisis. "What happens over the coming months will affect what we do for many years to come," he said. And while Brown was bearish about the prospects for a swift and successful resolution to the crisis, he highlighted the fact that activity was still surprisingly buoyant in both the occupational and capital markets.

Jones Lang LaSalle expects investment in retail real estate across Europe to reach €28bn by the end of 2011, making it the best year since 2007.

"We're currently seeing a deterioration in retailer and consumer confidence overall but there are regional variations," Brown said: "Germany and the Nordics are much stronger and Central and Eastern Europe can expect strong retail sales growth, even while the Club Med countries suffer declines."

Unsurprisingly, market sentiment varied from country to country. Brown pointed to Russia, Poland and Turkey as markets with a strong story to tell, and it is in these markets that the development pipeline remains the most active. However, Brown added that the lack of development activity in more mature markets like the UK was helping to underpin rents in key cities.

Reflecting on one of the continent's strongest markets – Germany – ECE chief executive Alexander Otto added: "The prospects for Germany continue to look good, with a continuing interest from international brands. I think many have been encouraged by the performance of those who have entered the market recently, which was of course not always the case in the past."