

pulse

JONES LANG
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Shopping Centre Development – The Boom Goes on

Over 5 million m² of new shopping centre space
completed in Europe in 2006

Russia and Turkey to account for one third of all
new space in 2007-2008



2006 - Another **Strong** Year for New Shopping Centre Completions

The shopping centre boom in Europe continues, with over 5 million m² of new space completed across Europe in 2006.

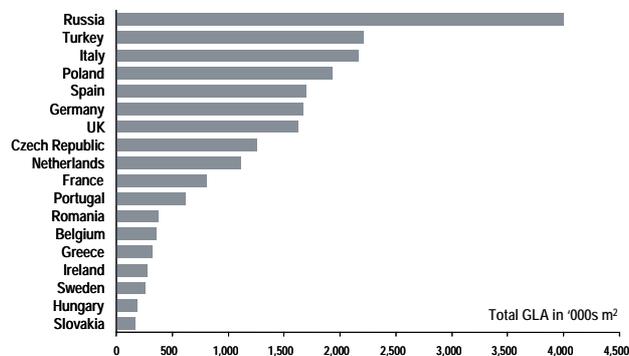
Russia was by far the most active market, with 1.4 million m² opened in 36 schemes. Italy (0.61 million m²) and Spain (0.57 million m²) were the second and third most active markets, followed by Germany, Turkey and Poland.

As expected, emerging and maturing markets dominate new development; the exception being Germany. Although a mature market in terms of evolution, Germany's shopping centre stock is relatively old and stock per head is still low. The current development programme will increase the level of high quality retail provision in city centre locations with the focus on small and medium sized schemes.

A Record Supply of New Space is due in 2007-2008

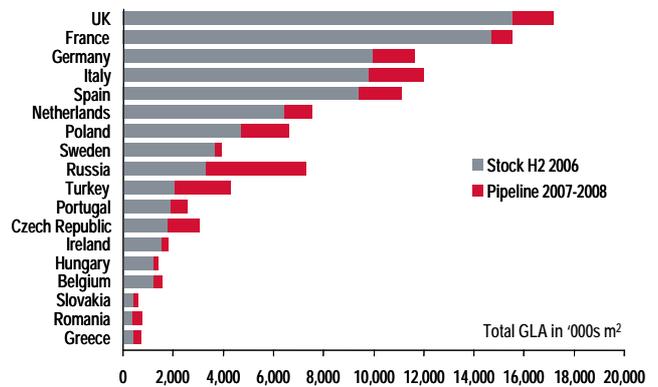
Russia has the largest development pipeline in Europe by some distance, with approximately 4 million m² due for completion in 2007-2008 (see Fig 1). Turkey is in second place with 2.2 million m², just ahead of Italy (also 2.2 million m²) and Poland (1.9 million m²).

Figure 1: Shopping Centre Pipeline 2007-2008



As predicted by Jones Lang LaSalle last summer, eastern Europe has become the main development hotspot, although activity levels also remain high in the south.

Figure 2: Existing Shopping Centre Stock and Pipeline 2007-2008



Russia's record level of development in 2006 still leaves it trailing most of Europe's mature markets in terms of total stock (See Fig 2), although the size of the pipeline will see Russia overtake both Sweden and Poland by 2008.

While Moscow has been the main focus for shopping centre development and international retailer expansion, developers and retailers are now targeting the regions. In 2006, for example, IKEA developed five further malls under their Mega Mall brand: one in Yekaterinburg (90,000 m²); another in Nizhniy Novgorod (97,000 m²); one in Moscow (115,000 m²) and two in St Petersburg (128,000 m² and 98,000 m²).

In the Millionniki (regional cities with a population of one million and over), stock is expected to rise from 1 million m² today to 3.4 million m² by 2008. Samara, Nizhniy Novgorod, Kazan and Yekaterinburg remain retail hotspots, but Novosibirsk, Ufa, and Rostov will also see strong retail provision growth. The Moscow development market remains buoyant, however, and includes the 80,000 m² Metropolis which will be geared towards the wealthier shopper. It was acquired by Rodamco in 2006 and is due to open in 2008.

Metropolis, Moscow



The Turkish market is also booming, with 26 new schemes opening in 2006, including the highly innovative Kanyon shopping centre in Istanbul. Over the next two years more than 60 new centres are scheduled to open. The main share of the pipeline (43 schemes) will be developed in Istanbul and Ankara but regional markets are gaining in importance, with another 18 schemes due for completion in cities such as Bursa, Izmir and Antalya.

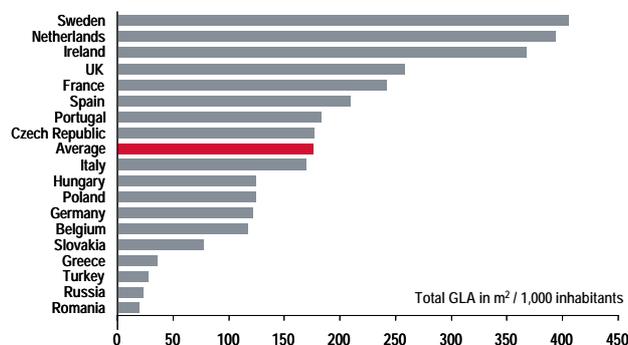
Notable new schemes include the 84,000 m² Istinye Park, Istanbul, due in 2007 and which will focus on high end retailers, and the 110,000 m² Forum Istanbul, developed by Multi Turkmall, which will be the largest scheme in Turkey when it opens in 2008. Multi Turkmall is also developing another eight schemes in Turkey.

Kanyon, Istanbul



A key feature of the pipeline in both Russia and Turkey is the high proportion of large (over 40,000 m²) centres that are being built. This reflects the untapped potential in the capital and regional cities of both countries.

Figure 3: Existing Shopping Space per Capita



In South Europe, Italy is the most active market with over 2 million m² due to open over the next two years. New development is heavily focused on the under-supplied central and southern regions, although new generation schemes are also being developed in the north. Larger-scale shopping centres including significant leisure provision now dominate the pipeline. Notable new schemes include the 90,000 m² Lunghezza Roma Est, close to the Rome ring road, due in 2007; and the 108,000 m² Porta di Roma which will be the largest scheme in Italy when it opens in summer 2008.

The Polish market is also growing rapidly. By the end of 2008 there is forecast to be 40% more shopping centre space than now. In general, the planned schemes in Poland are larger than those of its Central European neighbours, reflecting the large number of major urban areas in Poland. With limited opportunities left in the bigger cities, developers are now focusing on smaller towns with populations of 200,000 and less, and increasingly on towns with as few as 50,000 people. Supermarket anchored convenience centres in residential areas are a key feature of the current development market.

In Spain, shopping centre supply has doubled over the last six years, but is now growing more slowly, with an 18% increase in stock forecast by 2008. The focus for new development is on second tier cities and on Mediterranean coastal locations such as Valencia, Alicante and Murcia. New residential development, the increase in second homes and a strong tourist economy is proving a powerful attraction to developers. An example of this is the 40,000 m² Portal de la Marina in Ondara, Alicante, developed by Eroski. Another notable project is the 127,400 m² Plaza Imperial in Zaragoza which will open in time for Expo 2008.

Plaza Imperial, Zaragoza



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Note: A shopping centre (or shopping mall) is defined as a central location where shops, restaurants as well as service companies leisure operators are grouped together to serve a local or wider population whose conception and management have the following characteristics:

- The building/s is/are created and managed as a single entity
- The entity is managed by a single authority whose responsibility is to control the commercial mix, its implementation and adaption.
- Retail associations often support the SC management function by coordinating the views of the retail/leisure operators, which are then fed into the marketing and promotional activities organised by the management team.

The minimum gross lettable area of a shopping centres included for the purpose of the JLL database should be 5,000 m² (exception Germany: minimum GLA 10,000 m²). The analysis in this paper excludes Retail Warehouse Parks and Factory Outlet Centres.