

Development Slows, but Pipeline Remains Strong

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According to Justin Taylor, Head of EMEA Retail, Cushman & Wakefield, a great example of retail's enduring transformational power is Westgate Oxford in the UK, which was the largest opening in Western Europe this year. Image: Chapman Taylor

The latest European Shopping Centers report by Cushman & Wakefield shows that shopping center development activity in the first half of 2017 increased total floor space across Europe to 160.8 million sq m at the midpoint of the year.

The first half of the year saw 825,000 sq m delivered to the market in CEE, compared with 344,000 sq m in Western Europe—although Western Europe still accounts for more than two-thirds (68%) of total built shopping center space. In total, 34 new shopping center projects were completed (representing 84% of new

space added in H1), while 21 existing schemes were extended.

Turkey was by far the most active market, accounting for 48% (566,000 sq m) of all new European shopping center space, followed by Russia with 186,000 sq m and Italy with 107,000 sq m of new space. The half-yearly total added was 11% lower than the same period in 2016, with development activity affected by growing competition, changing consumer behavior, and the growth of online retailing. A further 6.8 million sq m of space is currently under construction and expected to be completed by the end of 2018.

A period of significant transition

Silvia Jodlowski, the report's author, said: "Shopping centers are going through a period of significant transition as retail evolves. The focus now is more on creating an appealing, inspiring, and experiential environment for the customer, which cannot be wholly replicated online. Landlords are responding by extending and redeveloping existing schemes and creating diverse tenant mixes based on the needs of local communities. Many schemes have introduced more socially focused services and new technologies, while occupiers continue to test new concepts and formats."

Justin Taylor, Head of EMEA Retail, Cushman & Wakefield, added: "A great example of retail's enduring transformational power is Westgate Oxford in the UK, which was the largest opening in Western Europe this year. The tired original 1970s center has been replaced by four distinct buildings, each designed by a different architect capitalizing on the city's architectural heritage. Westgate Oxford is introducing some of the world's biggest brands to Oxford. A rooftop dining area features destination restaurants looking across the city and provides public event space and a compelling food and beverage offer that is now simply compulsory. It is a similar story with The Lexicon Bracknell, the UK's other major opening of the year, which has reinvigorated the town center and put Bracknell on the map as a retail and leisure destination."



Lexicon Bracknell is another major opening in the UK. Image: Lexicon Bracknell

Western Europe

Total floor space was 109.1 million sq m at the half-year point. Despite limited development activity in Western Europe's three largest shopping center markets—UK, France, and Germany—activity in Southern Europe remained buoyant. Italy was the most active development market, adding more than 100,000 sq m of new space—more than 30% of Western Europe's total in H1 of 2017.

Although shopping center density is already high in the Nordics, strong population growth in metropolitan areas and improved consumer spending support the further development taking place. More than 500,000 sq m is under construction and due to be completed by the end of 2018, of which approximately 40% will be in the capital cities.

CEE

Istanbul, which has the highest levels of development activity in Europe, accounted for 35% of the new space added in Turkey. Development activity in

Turkey is expected to remain buoyant, despite a softening in occupational demand.

Russia's 1.7 million sq m pipeline for H2 2017–2018 is the strongest in Europe, representing about a quarter of total space. Moscow only accounts for 13% of the Russian pipeline, as development strengthens in more remote Russian regions such as Vladivostok, Khabarovsk, and Grozny.

While development activity in Poland was limited in H1 of 2017, it has a strong pipeline with 600,000 sq m of space under construction. Nearly a third of this space is in Warsaw, where higher-than-average levels of provision have not discouraged further development.

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