

VIEWPOINT

РЕСТОРАННЫЙ
ДВОРИК

Global Shopping Centre Development

CBRE



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Global shopping centre development continues to grow, with exceptional levels of construction and new openings taking place. 11.4 million sq m of new space opened in 2014 in the 171 cities in our survey, compared with 10.6 million sq m in 2013. A further 39 million sq m is under construction, with nine out of the top 10 most active cities globally located in China. Emerging markets such as Istanbul, Bangkok, Moscow, Abu Dhabi and Kuala Lumpur are also highly active. The factors driving the pipeline of new space remain unchanged; a growing middle class population in emerging markets, the urbanisation of large cities, and a lack of high quality retail space of the type demanded by cross border retailers, whilst shopping centre construction in the mature markets of Western Europe and the United States remains at a historic low. However a slowdown in delivery of some of these projects, particularly in China, India and Russia, is expected.

This is the fourth year that CBRE has measured the level of shopping centre development in major cities across the world. The survey was based on 171 cities globally and focused on new centres of over 20,000 sq m and excludes retail warehousing and factory outlet centres. The definition used in this analysis is set out in full in the back of this report. This ViewPoint provides a snapshot of the most active shopping centre markets globally and identifies the key development trends in these locations.

CHINA CONTINUES TO DOMINATE DEVELOPMENT COMPLETIONS

Similar to last year, China remained the most active market in the world with a total of 5.7 million sq m completed during 2014. In the 12 months, 44% of all development completions were in China with Chinese cities accounting for half of the top 20 most active cities for development completions. However, in comparison to 2013 this is down by 14% y-o-y (6.6 million sq m complete in 2013).

Wuhan in China saw the largest volume of shopping centre space delivered to market with just under 1,000,000 sq m of space in 8 schemes. Wuhan together with Chengdu and Beijing – the second and third in the list – contributed half of the new completions in China last year. Despite the majority of new projects being located in emerging areas in Wuhan, most schemes are over 80% occupied as they are located in new residential clusters such as Jingyinhui where quality supply is limited. This is positive given many other markets in China are experiencing difficulty in attracting occupiers due to the significant amount of development coming on stream, decelerating economic growth, and competition from e-commerce. Suburban projects that were managed by inexperienced landlords or wrongly positioned struggled under rising vacancy pressure and more floor space was leased to larger occupiers like education services and child care centres.



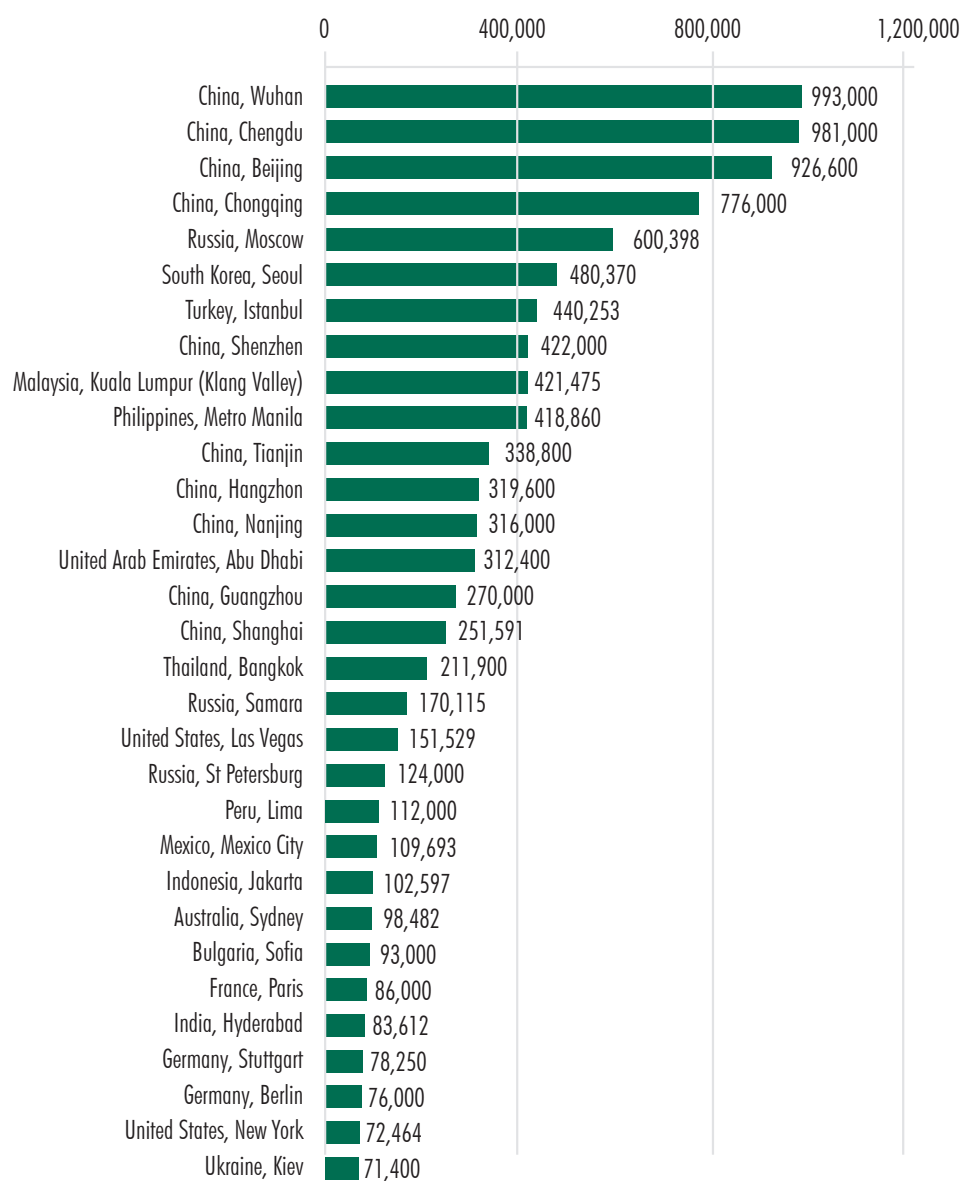
Wuhan, China

Chengdu, which topped the list of markets in 2013 for development completions, remains highly active following Wuhan closely with 981,000 sq m of development in 2014. Beijing (926,600 sq m) and Chongqing (776,000 sq m) are the third and fourth most active markets respectively. Outside of China, three other Asian markets; Seoul, Kuala Lumpur and Manila, feature in the top 15 most active markets.

Despite seeing just under 500,000 sq m completed in 2014, this only bought one additional centre to Seoul. Lotte World Mall was the largest completion in Asia Pacific last year. “Retail-tainment” elements deployed there including an aquarium, a 2,000-seat concert hall and a 21-screen cinema. It has also themed its food and beverage areas on the upper floors as streets in the 1930s and 1980s. As explained in recent CBRE reports, landlords are being encouraged to enhance their offering of retail experience within their malls such as F&B and entertainment to retain shoppers’ traffic, particularly in markets like South Korea where the market share of brick-and-mortar retailing is quickly eroded by e-commerce.

Kuala Lumpur saw the addition of 421,475 sq m of space in nine new centres. Landlords in the city are experiencing similar problems to that of landlords in China and as a consequence of occupancy issues are in some cases having to delay their opening, or are facing pressure to reduce rents. Retailers are also more strategic in their portfolio management and focus on projects developed by reputable landlords.

Figure 1. 2014 Shopping Centre Completions



Source: Centre for the Study of Commercial Activity (CSCA), CoStar and CBRE Research 2015

EUROPE – THE ACTION IN THE EAST

Development activity in Europe remains subdued – only 26% of the European cities in the survey saw the completion of a new centre last year, although the overall amount of new space (2.7 million sq m) was slightly more than in 2013 (1.8 million sq m). EMEA accounted for 23% of total completions in 2014 with Russia accounting for a large proportion of new development (around 0.95 million sq m in the largest monitored cities).

In the Middle East – Abu Dhabi saw the completion of four new centres. Of particular note is the Yas Mall which is located on Yas Island by the Abu Dhabi Grand Prix track and Ferrari World. With space for 400 shops, a 20-screen cinema and 10,000 car parking spaces, it is the second largest mall in the United Arab Emirates, only behind The Dubai Mall. The mall attracted 37 new brands to Abu Dhabi.

Moscow (fifth) was the most active European market in 2014 and is the only city outside of China in the top five. In 2014, 600,398 sq m of space in eight centres was completed in Moscow. Amongst the schemes completed, Avia Park, which is currently Europe's largest shopping mall, opened with 231,000 sq m of Gross Leasable Area (GLA). Strong demand both from consumers and retailers throughout 2012 - 2013 created appetite for such developments. Strong purchasing power coupled with relatively low taxes (13%) meant that demand for space was relatively high even despite early signs of crisis in 2014. Samara and St Petersburg also saw significant completions.

Istanbul saw the addition of eight new centres totalling 440,253 sq m. It also has one of the largest pipelines in Europe. The easy availability of credit in the Turkish market is fuelling an already hungry consumer society. However, rental increases in the three main high streets in the city and availability of space continue to be an issue. Subsequently, new and existing retailers continue to utilise shopping centres as a vehicle for entry, expansion and market exposure due to their proliferation throughout Istanbul's urban landscape.

In Western Europe, Paris once again topped the list. Although the amount of space completed in 2014 was down on the three centres last year, with only one centre opening - Qwartz. Germany saw the addition of three new centres; two in Stuttgart, Milaneo and Das Gerber, both of which attracted a number of new brands to the market and the Mall of Berlin at Leipziger Platz, which is the largest development in Berlin for the near future. The rest of Europe is characterised by either completions of smaller centres or extensions to existing centres.

In the Americas, just under 800,000 sq m of space was completed in 14 cities, however no city saw more than two centres being opened. Las Vegas (151,529 sq m), Lima (112,000 sq m) and Mexico City (109,693 sq m) saw the most new space in 2014. Generally the United States has seen a lack of new development and this continues to be a problem for retailers, who cited the lack of quality retail space as one of the key market risks in 2014 for North America.

EMERGING MARKETS CONTINUE TO DOMINATE THE DEVELOPMENT PIPELINE

China Leads Asian Development

Emerging markets, particularly in Asia, continue to dominate the shopping centre development pipeline. Over 39 million sq m was under construction at the end of 2014. China accounts for over 60% of the pipeline. Thailand, Russia, Turkey and India also have significant space under construction.

China still has the largest pipeline of space under construction globally accounting for nine of the top 10 most active markets. Shanghai tops the list once again, with 4.1 million sq m under construction, followed by Shenzhen (3.4 million sq m). Chengdu (third – 3 million sq m), Chongqing (fourth – 2.6 million sq m) and Guangzhou (fifth – 2 million sq m) make up the remainder of the top five most active markets. All of these cities have more than 20 projects in the pipeline.

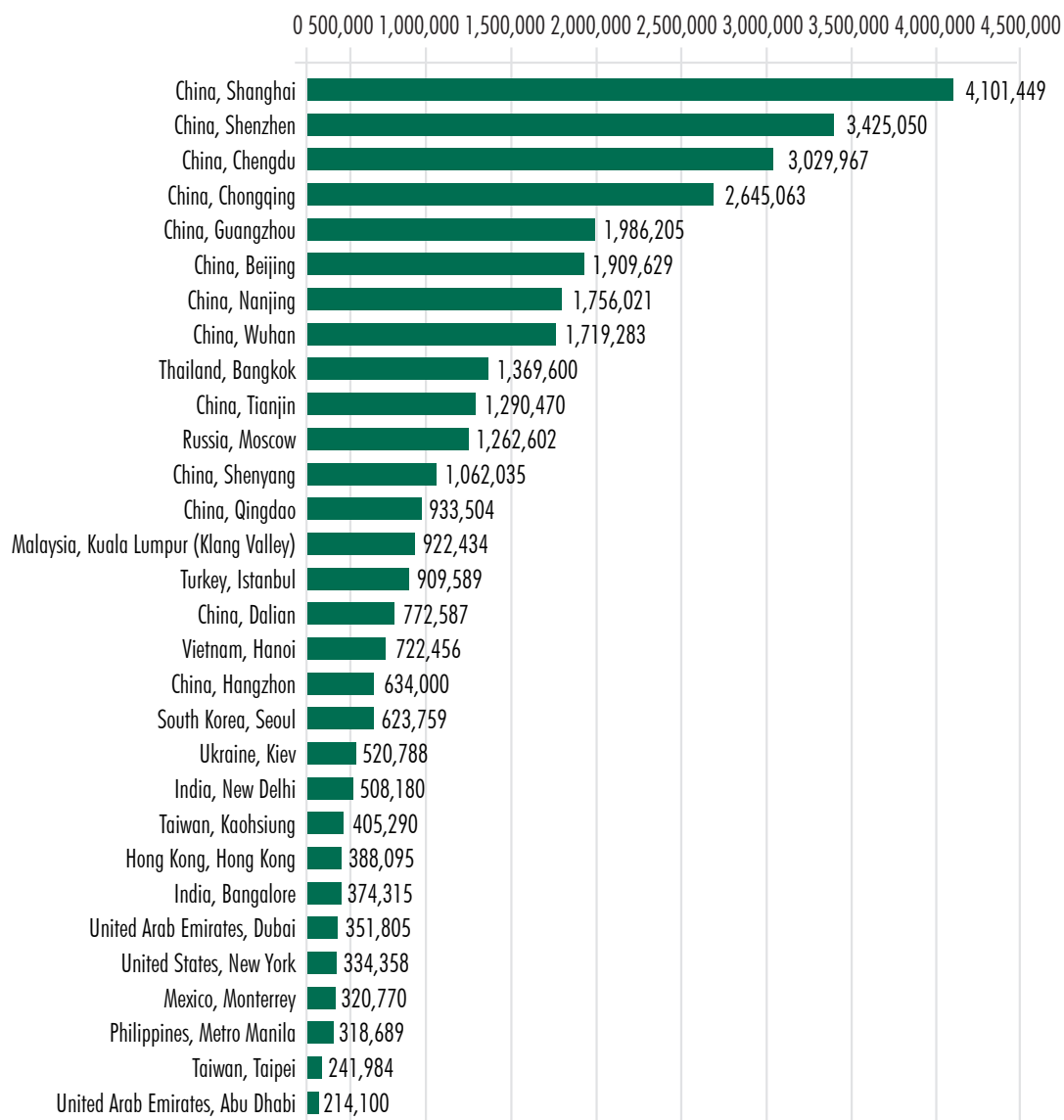
New development in Asia Pacific spreads over 32 million sq m, distributed over 36 cities. Over 80% of the pipeline is situated in China, Thailand and India. However, supply in China and India is subject to risk of slippage because of the prevailing headwinds in the economy, mounting financial pressures on landlords or change in policy. Construction of some shopping malls are on hold due to lack of funding or landlords are considering converting these projects to other uses.

Improvements in city transport and development of decentralised residential zones have fuelled the retail development in the suburbs of key Chinese cities. Over 80% of supply in Tier I cities are located in decentralised areas. The catchment of these suburban malls is mostly limited to families nearby.



Shanghai, China

Figure 2. Space Under Construction



Source: CoStar and CBRE Research 2015

Elsewhere in Asia, leasing demand is robust in the gateway cities of Japan and Taiwan. Supply in prime locations, especially those that can accommodate flagship stores, is very tight. Retailers therefore look for opportunities in shopping malls which in turn has fuelled pre-let space. Tokyo and Taipei are among the most sought after retail markets in Asia Pacific 2015.

Development in Europe is Led by the East

Within Europe, Russia and Turkey account for most of the development that is currently ongoing. In Russia, Moscow has 1,262,602 sq m of space currently in the pipeline. It has the largest market in terms of purchasing power and is one of the first places retailers look to open a store when entering the market. High demand from both consumers and retailers until the end of 2014 was driving developers to construct new schemes. Other than Avia Park, other large centres which opened include Vegas Crocus City (111,400 sq m GLA). However when Avia Park opened (December 2014), only 30-35% of the retail space was occupied as retailers' demand was significantly damaged by escalation of geopolitical problems. The occupancy rate in SEC Vegas Crocus City increased significantly during the second half of 2014 (from 40% to 80%).

Taking into account the high volume of new supply and the slowdown of retailers' development plans due to the current economical and geopolitical situation, many new shopping malls will face difficulties with their occupancy rate. By the end of 2015, the vacancy rate in Moscow may reach 11-12%. This means that owners will continue to use technical openings, when 30-40% of lettable area is vacant.

Announcements of new projects are still quite active, with at least three to five projects announced in Moscow in Q4 2014. However developers are unlikely to find financing for new projects in 2015. Current interest rates for developers are above 20% which means, even with financing, new projects will be questionable due to high cost of debt and weakened retailer demand.

Development in Istanbul and Ankara amounts to around 1 million sq m. There has been a rise in demand for lifestyle destinations, and shopping centres are seen as a place to meet and spend time, especially on the weekends, for family outings for the growing and already vast young, middle class Turkish population. There are currently 17 centres totalling just under 1 million sq m under construction in Istanbul.



Moscow, Russia

Latin America and Canada Lead Americas Development

In the Americas, strong development activity in Latin America and Canada contrasts with a relative dearth of new construction in the United States. A large portion of the sluggish activity in the U.S. can be attributed to its slower economic growth over the last several years, compared to many Latin American countries and Canada. Nonetheless, recent positive momentum in the United States economy sets the stage for greater future development.

In Latin America, ongoing economic expansion, population growth, and relatively low inflation in most countries (Mexico, Chile, Perú, Panama and Brazil) have supported retail activity and a positive outlook. Monterrey in Mexico led shopping centre development activity in 2014 in Latin America. Seven major shopping centres totalling 320,770 sq m are being developed. Sao Paulo in Brazil and Santiago in Chile, were other sources of significant shopping centre development in Latin America. In Sao Paulo, Shopping Nova will be one of the largest malls delivered in 2015. In Santiago, Chile, the large luxury shopping mall, Paseo Los Dominicos (95,000 sq m) will be delivered in 2015. Two other significant luxury shopping malls in Latin America will be delivered in 2015: Mall del Sur in Peru (100,000 sq m) and Soho Mall in Panama City (20,000 sq m).

In Canada, the most active shopping centre development continues to occur in Calgary, where the local economy has benefitted from strong demand for energy products. It remains to be seen how the recent drop in oil prices may affect the future pipeline of retail development in the region. Two major projects in Calgary, East Hills and Bingham Crossing, are boosting the development pipeline. In the rest of Canada, the redevelopment and expansion of regional malls, as well as the development of power centres, comprise the bulk of construction.

In the United States, the New York City metro area leads in shopping centre development activity. The amount of development in New York isn't due to the metro's size either. While the 334,358 sq m under construction is by far the largest in the United States in terms of square metres, it is also the largest amount under construction as a percentage of the existing inventory. Comprising the majority of the development in the New York metro is the massive 264,000 sq m super regional mall, American Dream, in New Jersey. In addition, the redevelopment of the Mall at the World Trade Centre in Manhattan is another notable project. Another important shopping centre under construction in the United States is Brickell City Centre in Miami. These three major shopping centre developments are notable for their urban locations, a trend observed in other major metros as well.

CONCLUSION

The pipeline of shopping centre space under construction continues to grow globally with over 39 million sq m of space under construction at the end of 2014. China remains by far the most active market in terms of delivery of new space and for pipeline of projects although supply in China is at risk of slippage because of mounting financial pressures on landlords as well as economic headwinds. Emerging markets, particularly in Asia, remain highly active. Retailers' needs to cross borders and grow market share, particularly to the east, is fuelling demand for new space, especially as quality and specification of existing stock does not always meet requirements. Western Europe and the United States continue to suffer from a lack of development. Extensions, refurbishments and repositions of existing assets continue to be the focus in Western Europe in a bid to continue to attract key brands and consumers alike.

SHOPPING CENTRE DEFINITION

For the purposes of this analysis, shopping centres have been defined as purpose-built and centrally managed schemes with a Gross Leasable Area (GLA) of over 20,000 sq m. The analysis includes only new centres and major extensions (20,000 sq m and above) to existing schemes. Retail warehousing and factory outlet centres have been excluded. Whilst every effort was made to provide data on a consistent basis there are some differences by country and region. In Asia, the analysis includes retail shopping malls and standalone department stores over 20,000 sq m. It excludes department stores which lease space as tenants within larger shopping centres. In North America, the analysis included regional malls, lifestyle centres, and power centres, and also includes all extensions to existing schemes (albeit there was very little new space under construction).

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