

LIVING retail

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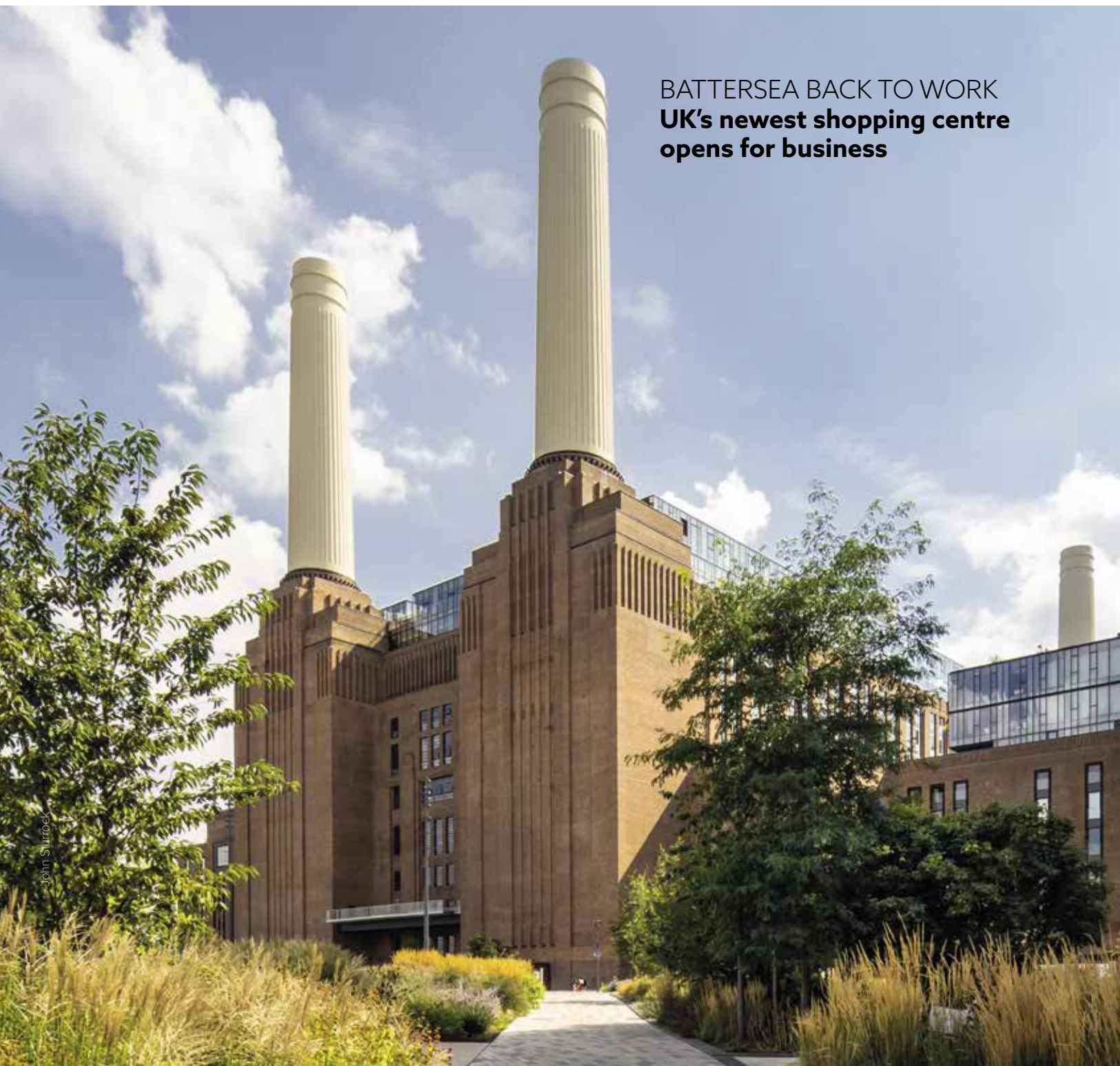
RETAIL, LEISURE, FOOD & BEVERAGE

SHOPPING CENTRES
Battersea Power Station

RESEARCH
**Global Attractiveness Index - is
sentiment worse than reality?**

STRATEGY
CBRE Investment Management

BATTERSEA BACK TO WORK
**UK's newest shopping centre
opens for business**



research | analysis | trends | strategy | insight

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MEDIA

Vancouver and Cape Town get new Time Out Markets

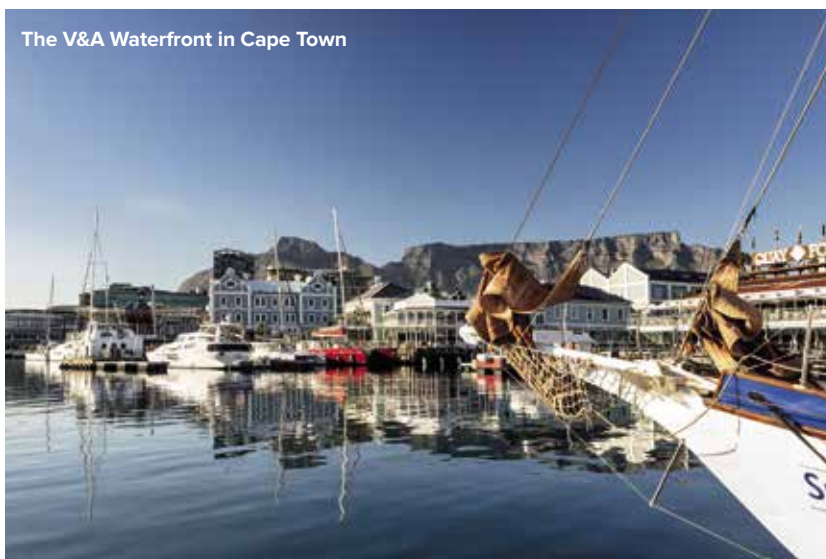
Time Out Group is to open a Time Out Market in Vancouver, Canada, in 2024 as part of the Oakridge Park project which QuadReal Property Group and Westbank are jointly developing.

Oakridge Park, which will include a 1 million sq ft (92,903 sq m) shopping centre, is designed as a sustainable, mixed-use, transit-orientated cultural hub that includes residential towers, workspaces, a nine-acre public park, a civic centre and library as well as indoor and outdoor performance venues.

Located across two levels comprising 69,000 sq ft (6,410 sq m), Time Out Market Vancouver will showcase the city's best food, drink and culture, Time Out said in a statement. The first level will contain 17 live-cooking kitchens, three bars, a coffee shop, stage, art and cultural spaces, and an open-air patio.

The mezzanine will feature a signature cocktail lounge, an event space and a demonstration kitchen.

Seven locations in Time Out Markets' growing portfolio are already open and a further six are in the pipeline, including Cape Town and Osaka, with expected opening dates between 2023 and 2025. Several other locations are in advanced negotiations.



The V&A Waterfront in Cape Town

V&A Waterfront

"As food halls become increasingly popular, we continue to spearhead this global trend by constantly evolving our proven concept," said Chris Ohlund, chief executive of Time Out Group.

The Cape Town market will be located in the V&A Waterfront and will be Time Out Markets' first location in Africa. The 27,000 sq ft (2,508 sq m) space will have a mix of 14 chefs and restaurateurs, four bars and a stage.

Ohlund added: "We continue to receive interest from landlords around the world who want to bring a Time Out Market to their city as part of a management agreement.

"The appeal of the markets for the world's leading real estate companies is proof of the strength of the format and the brand, and represents growth opportunities for Time Out Group," he said.

Mexican-Japanese fusion in London's Broadgate

Los Mochis is opening in the City of London. Having signed a lease with British Land, it is to open a flagship, 1,300 sq m restaurant on the ninth-floor rooftop of 100 Liverpool Street.

The restaurant, due to open in autumn 2023, will have a 278 sq m outdoor terrace providing views of the City. It will be the second operation in London for Los Mochis, which blends Mexican and Japanese cuisine, following the opening of a restaurant in Notting Hill last year.

"Los Mochis joins a growing line-up of dynamic, new-generation food



and drink concepts at Broadgate," said Alice Keown, leasing director for hospitality and leisure at British Land. "They are an exciting newcomer to the London culinary scene and will cement Broadgate's reputation as a leading dining destination."

Broadgate already has London's first, and only, Eataly; Revolve; Stem & Glory, the vegan bar and restaurant; and the UK's first Shiro sushi restaurant.

British Land and GIC are investing £1.5 billion in Broadgate. 100 Liverpool Street is British Land's first net-zero carbon development.

Redevco recasts El Corte Inglés in Barcelona as mixed-use asset

Redevco Iberian Ventures plans to invest a total of €200 million in the purchase and transformation of the El Corte Inglés department store that it has acquired in central Barcelona.

Redevco Iberian Ventures is a joint venture between Redevco and Ares Management, the US private equity group. It plans to transform the department store into a “highly sustainable, mixed-use prime location”.

The nine-storey, approximately 18,000 sq m building located on the Portal de l'Àngel shopping and tourist thoroughfare in the Spanish city, is currently operated as a sport and fashion department store.

The building has double frontage, and the joint venture plans to transform it into a “grade A” asset that meets ambitious ESG performance targets. The basement, ground and first floors will remain as retail, while upper levels will provide office space.

The El Corte Inglés department store in central Barcelona



“The Barcelona acquisition has all the elements we look for in this type of retail-anchored investment: an ultra-prime location with high footfall in a city that is a magnet for tourists, combined with the opportunity to transform the existing format into a compelling, retail-led mixed-use

destination,” said Israel Casanova, Redevco’s managing director of global transaction management.

“This perfectly fits Redevco’s strategic focus on creating vibrant places in dynamic urban areas, thereby helping cities to become more liveable and sustainable.”

First UK bricks-and-mortar store for Deliveroo

Deliveroo, the online, third-party takeaway delivery service, has launched its first bricks-and-mortar grocery store in the UK in partnership with Morrisons, the supermarket group.

Deliveroo Hop on New Oxford Street enables people to order groceries in-store through digital kiosks, via Deliveroo’s app for collection at the store or for delivery via its network of riders.

The store will be open from 08:00-23:00 and offer more than 1,750 grocery items from Morrisons.

“We’re opening our doors and welcoming commuters, local residents, visitors and day-trippers into our first Deliveroo high-street grocery store in the UK,” said Eric French, chief operating officer of Deliveroo. “Our New Oxford Street



store promises a new way to shop for Deliveroo customers, giving them even greater flexibility and choice. [It] should help boost the local area, with nearly two-thirds of shoppers saying they will visit other nearby shops as they come to shop with Deliveroo.”

Research commissioned by Deliveroo found that, on average,

40% of shoppers reported buying groceries once every two to three days, which it said bucks the traditional ‘weekly shop’ preference.

Younger people favoured convenience, with almost half (42%) of those aged 18-34 ranking it as the number-one determining factor when purchasing groceries, while 38% of those surveyed ranked price as most important. A quarter (24%) of Londoners now use rapid grocery services once a week.

The rapid grocery delivery service was launched in September 2021 and now operates across 16 sites in the UK, France, Italy, Hong Kong and the United Arab Emirates.

The Deliveroo takeaway delivery service was founded in 2013 in London by William Shu and Greg Orlowski.

Battersea powers up again

TRENDS + BRANDS

Battersea Power Station, which opened to instant acclaim in October, revives one of the UK's most famous landmarks. **Nicol Dynes** reports

Battersea Power Station has opened its doors after a revamp that has transformed the former power station into London's newest mixed-use project worth about £9 billion. It combines residential, offices, retail and leisure to create a new neighbourhood on the south bank of the Thames.

Despite the cost-of-living crisis, Londoners seem very keen on the new high-end shopping centre. More than 250,000 people flocked to the iconic main building on the first weekend it opened and up to 30 million visitors are expected each year.

Battersea Power Station was built in the early 1930s by Giles

Gilbert Scott, the architect who also designed the celebrated red phone box, and is Grade II-listed. In 1977 it became a symbol of London when it appeared on the cover of Pink Floyd's *Animals* album. Before being decommissioned in 1983 it provided a fifth of London's electricity, powering Buckingham Palace and the Houses of Parliament in Westminster.

After decades of neglect and failed plans, in 2012 it was bought for £400 million by a Malaysian consortium of investors that included Sime Darby and S P Setia, the Asian country's biggest real estate developer. The new owners have



We've had record sales and glowing feedback. We are very excited about the months ahead.

Megan Jones, Curated Makers

worked closely with English Heritage to restore the listed brick building from derelict shell to shining centrepiece and experiential shopping destination, investing billions over nearly a decade.

"We're not blind to the fact that the world is in a difficult space at the moment," said Simon Murphy, chief executive of Battersea Power Station Development Company. "But we continue to be confident. Footfall so far has exceeded expectations and we look forward to many more visitors over the coming months and years. This is just the beginning."

The two turbine halls – big enough to contain St Paul's Cathedral – now host shops and restaurants. The former control room has become a cocktail bar, but still has the original stainless steel panels and switches. There is more than 3 million sq ft of commercial space.

Visitors can also take a ride in Lift 109, a glass elevator inside one of the building's distinctive four chimneys. It takes them to a height of 109 metres and offers 360-degree panoramic views of London.

THE SHOPPING EXPERIENCE

More than 96% of the power station's commercial space has been prelet to a series of tenants. Brands with shops at Battersea include Ralph Lauren, Mulberry, Hugo Boss, Reiss, Uniqlo, Lacoste, Superdry, Aesop and Jo Malone, as well as Nike, lululemon and Adidas. Adidas has an 'Empower Station' pop-up, which features fitness classes and challenges hosted by Olympic and Paralympic athletes, instructors and industry experts. This is currently fully booked, showing how successful the experiential/retail mix can be.

"We're overwhelmed with the enthusiastic and positive response from customers to our newest UK store," said Karl Wederell, general manager of Aesop Europe. "We had one of the strongest UK store openings to date and feel enormously

Left: More than 250,000 people visited the new centre on the first weekend



John Sturrock



John Sturrock

positive about the future of the location. Battersea Power Station has set a new benchmark for shopping centre destinations, and we are thrilled to be part of this new chapter for such an iconic landmark."

Watches of Switzerland Group has opened four showrooms. Craig Bolton, UK and Europe president, said "trading has been ahead of expectations". There are traditional independent booksellers like Stanfords, featuring a designated children's area, as well as innovative digital-first brands like Petit Pli. "We're thrilled Petit Pli has set up its flagship site in London's newest arena for retail innovation," said Arabella Turek, COO and co-founder. "Retail is definitely not dead!"

RETAIL PLATFORM

Next to the big brands is the Curated Makers retail platform, which hosts more than 40 local independent small businesses selling homeware, clothing, candles and artwork.

"We've had record sales and glowing feedback, showing shoppers' desire to buy unique, hand-made items that are made locally, within such a unique shopping destination as this," said Megan Jones, chief executive and founder, Curated Makers. "We are very excited about the months ahead."

The food and beverage element is centre stage at Battersea, with a varied offering that goes from pancakes to poke bowls, and from cakes to Parisian baguettes. Further food and drinks brands are set to open, including a 24,000 sq ft Arcade Food Hall from JKS Restaurants in the Boiler House at the heart of the power station.

Inception Group, the experiential hospitality company, has already opened its 1950s-style bar concept, Control Room B, serving electricity-themed cocktails. "It is incredible to see the size of the congregations assembling at the cathedral of power," said Charlie Gilkes, co-founder of Inception Group. "The atmosphere in our Control Room B bar is completely electrifying."

The retail element is not confined to the power station itself. A pedestrianised high street called Electric Boulevard, just south of the main building, has opened. It features the first Zara and Zara Home stores south of the river, an M&S Food Hall and Korean supermarket Oseyo, among others.

The UK's first art'otel, a 164-room hotel, will open soon, with Michelin-starred chef Henrique Sá Pessoa in charge of a new restaurant, Joia, and a rooftop bar.

The first shops, restaurants and bars opened in Circus West Village, to the west of the power station, in 2017 to cater to the thousands of residents that moved into the apartments completed in the first phase of the project. Once the project is complete the new neighbourhood will be home to 25,000 people.

In a vote of confidence in London in general, and Battersea Power Station in particular, Apple has taken up 50,000 sq m of office space over six floors for its new European headquarters. The company is moving 1,500 employees from different offices to its new space on the upper floors of the power station.



Battersea Power Station has set a new benchmark for shopping centre destinations, and we are thrilled to be part of this new chapter for such an iconic landmark.

Karl Wederell, Aesop Europe

“Once a source of energy for much of London, the transformation this building has undergone honours London’s past and celebrates its future,” said Tim Cook, chief executive of Apple, after a private tour of the building. “We’re so glad to be part of it.”

OFFICE AND RESIDENTIAL ELEMENTS

In early 2023, other tenants are expected to move into the new offices, which include the engine room. The Malaysian consortium that owns the decommissioned power station is expecting to receive £100 million a year in commercial rent.

There is also a residential component within the scheme, with apartments priced from £865,000 on the sides of the building. In addition there are 18 ‘sky villas’ on the roof with private terraces and a shared garden that each cost up to £7 million.

The project will include 4,000 apartments in new buildings around the project, some designed by leading architects such as Foster and Partners and Frank Gehry. Once complete there will be 250 cafes, bars and restaurants, a cinema, a theatre and a hotel, as well as 19 acres of public space and a six-acre riverfront park.

A new dedicated tube station, Battersea Power Station, in zone 1 on the Northern Line, opened in September 2022, making the new destination easy to reach from all over London. The station is also accessible using the Uber Boat by Thames Clippers river bus service. ■



John Sturrock

Left and above: Many international brands have stores in the centre. Below: The original stainless steel panels and switches in the control room have been preserved



Battersea Power Station was built in the 1930s by Giles Gilbert Scott

Sentiment gloomy, but what's the reality?

The war in Ukraine has hit recovery in Europe's retail markets just as they showed signs of picking up after the lifting of lockdown restrictions. But sentiment is gloomier than the actual situation, reports **Olaf Janssen**

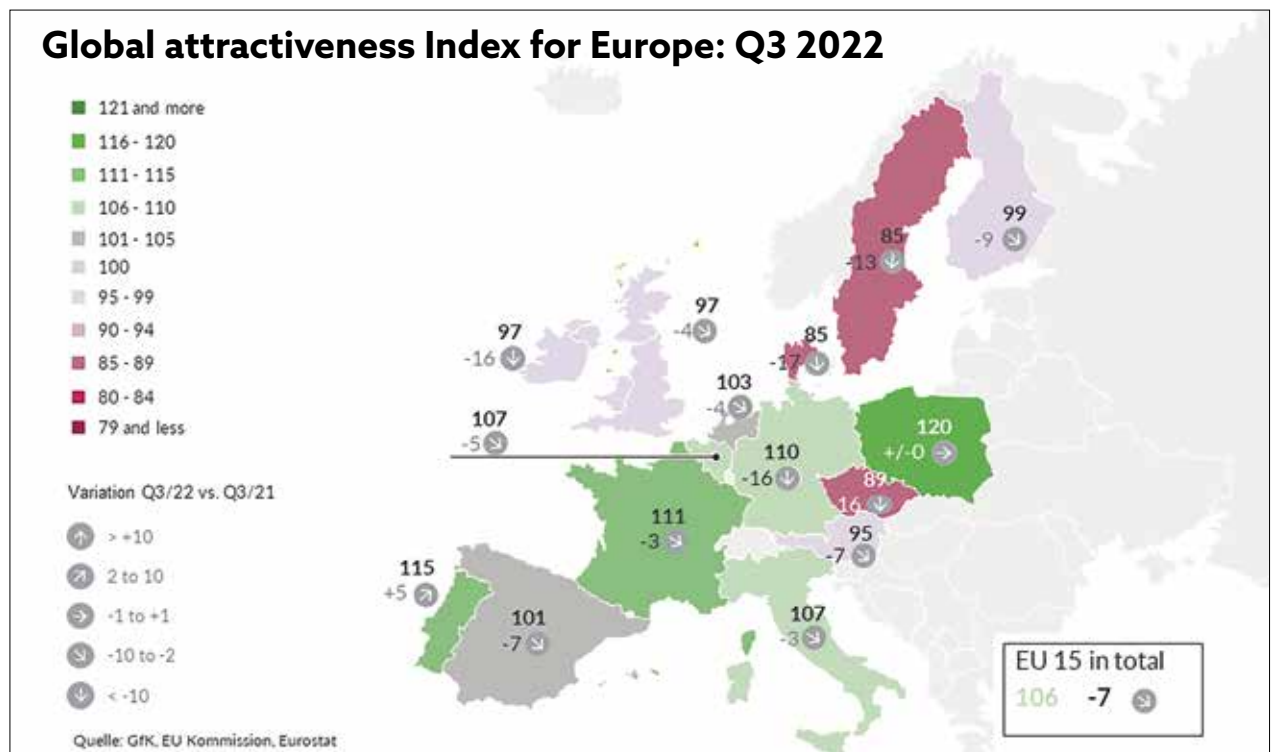
STRATEGY

Consumer confidence is plummeting. In October of this year, the German Retail Federation's consumer barometer fell for the third time in succession, reaching a new record low. The Covid-19 pandemic, Ukraine conflict, high inflation rates and rising energy costs are all having a negative impact on consumer spending.

This trend is reflected across Europe, as documented in the Global Retail Attractiveness Index, recently compiled by Union Investment and market research institute GfK. The GRAI measures the attractiveness of retail markets across a

total of 20 countries in Europe, North America and the Asia-Pacific region. Compiled every six months, it is based on the latest data from GfK, the European Commission, the OECD, Trading Economics, Eurostat and national statistical offices.

In all 15 of the European countries surveyed, sentiment fell sharply in the third quarter of this year. The upswing in confidence seen in the second quarter of 2022 has vanished without trace. The associated indicator dropped by 40 points, reflecting high levels of uncertainty among





Portugal was the only country in the EU-15 index to record growth in the third quarter, bucking the general trend by climbing five points.

Olaf Janssen, Union Investment



consumers in light of the inflation forecasts for the current year and 2023.

However, sentiment is much gloomier than the actual situation. In large parts of Europe, labour markets remain intact and retail sales are stable. In the latest survey, a double-digit increase was recorded for the relevant GRAI indicators (plus 12 and plus 10 points) compared with the same quarter in the previous year.

COUNTRIES IN SOUTHERN EUROPE RELATIVELY ROBUST

Overall, the picture is mixed. In a tough trading environment, retail markets across Europe have been affected in varying degrees by the direct and indirect impacts of price increases that are being driven by shortages of raw materials and higher energy costs. Retail markets in Poland and in Southern European countries have proved to be relatively robust during the crisis, with Portugal even seeing positive growth.

However, the negative effects on consumer confidence and retail activity in other parts of Europe are clearly apparent in the Global Retail Attractiveness Index. In Germany, Austria, Finland and Sweden, the index fell by 15 points on average in the third quarter of 2022, compared with the same quarter of the previous year. The EU-15 index dropped seven points overall year-on-year, reaching its lowest level since the first quarter of 2021 at 106.4 points.

PORTUGAL A BRIGHT SPOT

The Portuguese retail market is an outlier among the countries analysed. It was the only country in the EU-15 index to record growth in the third quarter, bucking the general trend by climbing five points. Portugal, Poland and France were the new top trio in the index at the end of the third quarter. Germany dropped out of the top group for the first time and now ranks in fifth place. Sweden remains the worst performer.

Despite these significant falls, the EU-15 index outperformed the indices in North America and Asia at the end of the third quarter. With slightly smaller losses than in Europe, the retail index in Asia-Pacific was once again below average.

The North America index declined the most, compared with Europe and Asia-Pacific. This reflects a marked fall in sentiment on both the business retail side and the consumer side. The drop in Asia-Pacific was mainly due to declining retail sales.

The biggest losses in the two non-European indices were recorded in Australia (minus 14 points) and Canada (minus 13 points) at the end of the third quarter.

RETURNS REMAIN STABLE

Returns on retail properties in Europe have been relatively stable over the past 12 months despite weak sentiment and the recent significant increases in financing costs. Nevertheless, European retail rents are likely to come under pressure this year in the wake of high inflation rates and rising energy costs. Rents will continue to see adjustments next year as well, with slight rental growth then possible from 2024 onwards. ■

Olaf Janssen is head of real estate research at Union Investment

For more information about Union Investment's Global Retail Attractiveness Index Q3 2022 use the QR code here.



'Retail is not declining, it is changing'

CBRE Investment Management's **Eric Decouvelaere** tells Paul Strohm how retail is adapting to a new environment in which physical and online are co-existing to the benefit of each

STRATEGY

The need for closer relationships between investors and the occupiers of physical retail space has become more widely recognised in recent times. As the structural changes occurring in the retail sector have advanced, the need for all retailers to adopt some degree of omnichannel distribution has become accepted.

Eric Decouvelaere, EMEA head of retail operator division at CBRE Investment Management, is clear: managing retail assets is not a process of managed decline, it is a process of managed change. He concedes there has been a decline in the demand for physical shops, but setting aside the current, temporary, economic turmoil, retailing across all CBRE IM's channels of distribution is growing, long term.

"Consumer demand obviously has been disrupted by the closure of some physical locations, especially during covid, but in the meantime, the e-commerce channel has been booming. There is a tendency to think of retail as just physical retail, but we need to see it as consumers' requirement to buy goods," says Decouvelaere.

"When you look at the last 10 years – forgetting the noise of covid – we have seen the year-on-year rebalancing of channels of distribution. Covid has obviously exacerbated this, but I wouldn't say retail is declining, retail is changing."

Furthermore, while the pandemic did accelerate the structural change in retailing and the decline in demand for physical retail space – which has changed as much in the last three years as in the preceding 10 years – Decouvelaere says

there has been something of a bounce back in the months that followed the ending of lockdowns.

"I'm very careful because we don't know what the future economic outlook will be. But all the year-to-date figures for 2022, including the first quarter which was still impacted by covid, show a rebound," he says. "Due to covid, we have learned to be better, and to adapt to a new way of retailing."

More than ever, physical retail relies on three pillars, Decouvelaere contends. The first is location. The second is a proposition which factors in the different channels of retail. Lastly, is 'operation'.

'RELEVANT RETAIL'

He says it is essential for investors/operators in physical retail to be strong operators. "If you put location together with good purpose with a relevant proposition and strong operational capabilities, then you end up having relevant physical retail." Convenience retail is one area that illustrates the success of such a 'relevant proposition'.

But he adds it is important to look beyond categories. "I hate to speak by category, because when you look at the equation – location, proposition, operation – you see that all types of retail can fit the high street, or it could be a retail park, it could be a shopping centre, it can be an outlet, or retail warehouse.

"Our job now is not to deal with retail as an asset class, it is to think of physical retail as a relevant channel of distribution for, mostly, omnichannel retailers."



If you put location together with good purpose with a relevant proposition and strong operational capabilities, then you end up having relevant physical retail.

Eric Decouvelaere,
CBRE Investment Management

Successfully managing retail's place in a real estate investment portfolio therefore requires the property asset and investment manager to become much more immersed in the tenant's business, to gain a clearer idea of strategic objectives and requirements for mutual benefit.

This is about as far away as you can get from the old-fashioned landlord approach of "let it, forget it, but police it", Decouvelaere says.

Across its business, CBRE Investment Management has launched a customer relationship management (CRM)

initiative to realise the potential mutual benefits to be gained from an immersive understanding of occupiers' needs.

This culture of working closely with the retail occupier is a familiar one for Decouvelaere, who has a first-hand retailer's perspective. "I come from a business where for years I was very much hands-on with the retailers," he says.

Decouvelaere joined CBRE Investment Management in 2019, having worked for retail outlet developer, manager and investor McArthurGlen for 14 years, latterly as chief operating officer. However, prior to that he was deputy buying director



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Eric Decouvelaere,
CBRE Investment Management

of French fashion retailer Printemps, and then as strategy and business development director of luxury department store Harrods in London.

He says the pandemic made it imperative to engage with the brands to better understand their strategy in terms of distribution channels, and to better understand the new role of a store. Specifically, that a store is not just a place to sell products. "A store is now a logistics hub for click-and-collect (or return), it's a place to build emotional connections with consumers that you cannot build online. This is such a revolution for physical retail."

"When I joined this business, my main objective was to change the mindset on retail within five years. That is really what is happening. In fairness, Covid has accelerated this change of mindset. We still have a long way to go. This is what makes retail so exciting!"

LANDLORD/TENANT DIALOGUE

The pandemic led to more than 5,000 detailed discussions with tenants across Europe and those discussions also allowed tenants to gain a deeper understanding of CBRE IM's landlord model, and its constraints.

"We have really understood our tenants better and now we clearly focus on establishing – although I hate the overused word – 'a partnership', interacting with our brand partners across our business. We try to be the ambassadors for CBRE Investment Management and vice versa, the ambassadors of our tenants within CBRE Investment Management."

These are not just nice 'fluffy' words, he emphasises. "What it really means is that we are not here to strike deals and run away. We are here to understand what their need is now, in



five years, and even in 10 years, in terms of size, adjacency, location and amenity requirements."

Historically, there has been some reticence on the part of retailers to share too much information about their business and many have kept their financial details closely guarded from both competitors and landlords. That has changed markedly, but more so in some countries than others.

"We operate in 16 countries, across 450 assets in Europe and it is striking to see how retailers in some countries are more open compared to others." UK and Dutch retailers have been particularly protective of company data in the past. "But even in those two countries the mindset is changing," Decouvelaere adds.

"The strong retailer has no problem sharing data because they understand the benefits they can obtain if they share.



Canadian outdoor retail brand Mackage, which specialises in high-quality outdoor wear, has opened its first store in Europe at Düsseldorf shopping centre Sevens. The retailer has taken a newly renovated 107 sq m unit on the ground floor of the centre, which is located on Königsallee. CBRE Investment Management has been repositioning Sevens for the past year. Floors three to six are being converted from retail to office space, while the first and second floors will remain in retail use.

We can give them back an anonymised benchmark, for example, so it's give and take. If they share, we can really work better with them to anticipate requirements. Rather than stick to the letter of the lease, we can really be a little more proactive about what they need.

"We need to be as proactive as the other channels of distribution. And this is really what we work on with our team."

UNDERSTANDING TENANTS' REQUIREMENTS

He explains that across all asset classes, CBRE IM now has a team of more than 50 people in Europe dedicated to understanding what the tenants' requirements are and how they can be served. "It's fascinating, and this is not only an operator business, this will also impact the way we invest."

"If you really understand the future requirements of our

brand partner, you can acquire assets which are relevant and dispose of those that are not.

"The beauty of our business is that we are a platform. Our job is to make sure that capital matches the right real assets. Obviously, to be more granular in our operational capabilities, we need to be specialised – retail, office, logistics and residential. But we are a multi-asset-class platform, and this puts our business in a unique place. When it comes to mixed-use repurposing, I believe that our business is uniquely placed to bring capital, deploy the relevant skills and deliver the right solutions to occupiers while generating strong returns to our investors."

The customer relationship role has not been delegated to CRM specialists. "We don't want people who are only working on relationships. We want talents who day in, day out are in the business, so that we can be relevant to the brands we speak with. We want colleagues who are asset managers, directors, etc... It's amazing to see the richness of the intelligence that we then gather," Decouvelaere says.

"If you look where we are compared to where we should be, we have a long way to go, but the mindset is changing. Even in those countries where tenants are more reluctant to be open to share, we see the mindset changing, not only because we have a turnover-rent lease structure, but because they want to better understand, they want to anticipate."

Sharing information is helping physical-retailing-only brands to become omnichannel brands and, sometimes, vice versa, when pure-online players realise that they too can benefit from a physical location. "We are at the beginning of a very exciting new era for retail and real-estate," concludes Decouvelaere. ■

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