

# GLOBAL SHOPPING CENTER DEVELOPMENT REPORT

AMERICAS, EUROPE, ASIA

A Cushman & Wakefield Research Publication

SPRING 2014





PHOTO BY WILLIAM CHO

Shopping centers can play a major role in improving the quality of life in town and city centers around the world. More importantly, shopping centers are often seen as drivers of local economies. They are necessary to maintain economic growth and a sense of community, offering employment, solving environmental problems, and providing a better quality of life. Thus, tracking shopping center development can be seen as a window into economic growth as a whole.

The effect the credit crisis and global recession has had on the shopping center development has been apparent across the world. There can be absolutely no doubts now that the retail development landscape has changed to varying degrees depending on geography over the last few years. This is not

likely to alter significantly in the near future as shopping center owners and developers grapple with the challenges of integrating an increasingly competitive virtual world, where technology is driving a structural change in the retail market and how shoppers want to shop.

The shopping center landscape is constantly evolving around the world and therefore to gain an understanding of the changing dynamics in retail markets, Cushman & Wakefield sampled shopping center inventory throughout the Americas, Europe and Asia. The following provides a mere glimpse into a future filled with growth and opportunity for investors, retailers and consumers alike.

## GLOBAL ECONOMY: MOVING UP THE GROWTH CURVE

In 2014, the global economy is in the best shape it has been for several years, particularly as the recovery in Europe slowly gains momentum, Asia continues to grow at a healthy pace, and activity in the Americas accelerates as anticipated. While there are a number of risks in play ranging from emerging markets to geopolitics, the growth outlook is expected to hold firm and pick up in most areas by 2015. Western Europe and the U.S. are anticipated to record the strongest economic growth seen over the past few years, and while growth in the Asia region is expected to slow slightly, it will still be a year of healthy expansion. As a result, world real gross domestic product (GDP) growth is forecast by Oxford Economics at 3.4%, the best since 2011.

An important contributor to the acceleration of GDP growth in the coming year is expected to be faster gains in consumer spending. Households in the U.S. and some countries in Latin America and Europe are forecast to increase their expenditures at a quicker pace than last year as confidence rises and employment and income growth increases. In Asia, a slight deceleration in consumer outlays is expected, consistent with the modest slowdown in the region's economic growth. However, the region will still show the strongest consumer spending growth in the world.

### AMERICAS: RECOVERY GAINS STEAM

After a weak 2013, economic growth in the Americas is forecast to be more robust than growth seen in 2012. Overall regional GDP is expected to grow by approximately 2.8% in 2014. In the U.S., which dominates the region and accounts for approximately 38% of economic activity, a combination of strong domestic consumer and business demand — as well as reduced headwinds from budget confrontations in Washington — is expected to push GDP growth to the strongest pace of the recovery. Throughout the region, consumers are likely to be more willing to spend as faster rates of economic growth, coupled with stronger employment and income growth, continue to raise confidence. Overall consumer spending in the Americas is forecast to grow by 2.5% in 2014 compared with 2.2% in 2013. However, consumer spending expansion is expected to be stronger in North America and weaker in South America. Slower increases in Brazil and a likely decline in spending in Argentina will hold back the pace of growth although Mexico should again be more robust and Brazil should at least see a tourist driven boost thanks to the FIFA World Cup. The entire region is projected to experience stronger growth in 2015 meanwhile as the global expansion gains momentum, and thus in 2015 regional consumer spending is forecast to rise 3.1%, its strongest growth since 2006.



PHOTO BY BERT KAUFMANN

### REAL GDP GROWTH MAJOR GLOBAL REGIONS



Source: Oxford Economics, Cushman & Wakefield Retail Research



PHOTO BY TANYA HART

## EUROPE: RECOVERY EMERGES

The double dip recession that hit Europe following the sovereign debt crisis ended in mid-2013 as the eurozone shifted from contraction to modest growth, helping to bolster confidence and activity across the region and signal the start of a slow recovery in the region's weaker markets. Real GDP for Europe as a whole increased 0.5% in 2013 after contracting -0.1% in 2012. Stronger growth is projected for 2014 and 2015 as the economic strains in the peripheral nations diminish while the core countries accelerate steadily. Indeed, the relative improvement in growth in Europe between 2012/13 and the next two years is set to be one of the most prominent in the world. Countries expected to experience stronger than average growth in 2014 and 2015 include the UK and Germany, but the most significant improvement in growth will be in parts of southern and Eastern Europe.

The strength of emerging and core markets also boost consumer spending as households begin to activate pent-up demand that has been held back for the past two years. In the eurozone consumer spending is expected to grow 1.0% in 2014 after contracting in 2013, helping to boost outlays for Europe as a whole by approximately 1.3%. The crisis in the Ukraine may put a temporary damper on household spending by reducing confidence, especially if it intensifies, but it is unlikely to have a marked long term impact on European consumers whom are experiencing better local economic conditions and will gradually increase the rate at which they spend.

## ASIA: GROWTH SLOWS BUT STILL STRONG

Asia is the one area of the world that is likely to see both GDP and consumer spending slow in 2014. The main driver of growth in the region is China, which accounts for some 45% of total economic activity. However, China's growth has begun to ease, inhibited by the

country's transition from an export and domestic investment led economy to one that is more broad based. For the Asia region as a whole this has contributed to a decline in GDP growth from 8.0% in 2010 to 5.3% in 2013. A further slowdown to 5.0% is projected for 2014. Higher growth is needed long term to absorb population growth and allow living standards to continue rising, but this still makes the Asia region the strongest growing in the world, with annual increases expected to remain above 5.0% beyond 2014. Rises in regional consumer spending is anticipated to be the strongest globally at 4.5% in 2014. While that is a marginal reduction on the 4.8% recorded in 2013, the rate of growth is expected to accelerate back to 5.1% in 2015. Overall, Asia will remain the fastest growing region globally for consumer spending over the next several years.

## GLOBAL SHOPPING CENTER TRENDS

Although the U.S. dominates in global shopping center GLA, the developing economies of Brazil, Russia, India and China are experiencing the most dramatic changes in their retail landscape across all regions globally. Each of these four economies has seen their shopping center inventory increase significantly over the past decade, and although these increases in many cases are expected to slow somewhat over the coming years, they still represent a sizable percentage of existing inventories.

Development activity throughout the global regions was significant in 2012 and 2013. In the markets tracked by Cushman & Wakefield<sup>1</sup>, more than 1,650 new shopping centers containing 63.9 million sq.m of gross leasable area (GLA) were delivered during the two-year period. This new supply represents 7.0% of existing overall inventory.

Over the two year period, the U.S., Russia, Brazil, Mexico, India, and China continued to drive activity, accounting for the majority of new shopping center space added to the markets. These countries are expected to remain development leaders and will account for the largest amount of new GLA completed through 2016.

## GLOBAL MARKET SIZE

Within the 51 countries tracked by Cushman & Wakefield, total shopping center GLA now stands at approximately 924.5 million sq.m contained in nearly 47,000 centers. The U.S. remains the largest market by far in shopping center space and accounts for nearly 67% of total GLA tracked, with 618.3 million sq.m. Europe is a distant second with 153.8 million sq.m of GLA, followed by Asia with 83.9 million sq.m. Notably, the six countries tracked in Latin America together contain roughly the same amount of GLA as Canada, with both having around 34.0 million sq.m of shopping center GLA.

## MARKET INDICATORS - GLOBAL REGIONS 2013

	AMERICAS	EUROPE	ASIA
Population (000's)	812,556.1	796,236.8	3,067,773.2
Total Employment (000's)	373,708.4	348,218.7	1,436,390.2
GDP (US\$ % chg pa)	2.1%	0.6%	5.5%
Consumption (US\$ % chg pa)	2.4%	1.1%	4.9%

Source: Oxford Economics, Cushman & Wakefield Retail Research

## NEW SHOPPING CENTER INVENTORY 2012 & 2013 GLOBAL REGIONS

	New GLA (Million sq.m)	Number of New SCs
<b>AMERICAS</b>	<b>29.2</b>	<b>1,006</b>
U.S.	23.2	819
CANADA <sup>2</sup>	0.7	19
LATIN AMERICA <sup>3</sup>	5.3	168
<b>EUROPE</b>	<b>11.6</b>	<b>350</b>
<b>ASIA<sup>4</sup></b>	<b>23.1</b>	<b>303</b>
CHINA	20.4	230
OTHERS	2.7	73
<b>TOTAL</b>	<b>63.9</b>	<b>1,659</b>

Source: Cushman & Wakefield Retail Research, Shopping Centers >5k sq.m in markets tracked by Cushman & Wakefield

## SHOPPING CENTER INVENTORY GLOBAL REGIONS

	GLA (Million sq.m)	Number of SCs
<b>AMERICAS</b>	<b>686.8</b>	<b>38,077</b>
U.S.	618.3	35,590
CANADA	34.2	1,320
LATIN AMERICA	34.3	1,167
<b>EUROPE</b>	<b>153.8</b>	<b>7,178</b>
<b>ASIA</b>	<b>83.9</b>	<b>1,591</b>
CHINA	53.2	621
OTHERS	30.7	970
<b>TOTAL</b>	<b>924.5</b>	<b>46,846</b>

Source: Cushman & Wakefield Retail Research, Shopping Centers >5k sq.m in markets tracked by Cushman & Wakefield

<sup>1</sup> See Technical Specifications

<sup>2</sup> Major markets only

<sup>3</sup> Primary countries only

<sup>4</sup> Primary markets only



PHOTO BY GREG KNAPP

### GLOBAL DEVELOPMENT PIPELINE 2014-2016

The global shopping center development pipeline for 2014 now stands at 38.3 million sq.m, with 1,134 new shopping centers scheduled to be completed before year-end. While the Americas leads all other regions in number of projects under construction, Asia leads in GLA, having roughly 22.0 million sq.m in the pipeline for 2014 alone.

Over the next three years, more than 1,800 new shopping centers containing approximately 79.5 million sq.m of GLA will be added to the global inventory in the tracked markets. More than 50% of this new GLA is expected to be completed in 2014 alone. This new space represents 8.6% of the total shopping center GLA currently existing in these countries.

Through 2016, Asia will lead all other regions in new shopping center construction, adding more than 53.3 million sq.m to its inventory compared to only 11.2 million sq.m for the U.S., its closest competitor. The new shopping center GLA in Asia will be concentrated largely in China and India.

### GLOBAL SHOPPING CENTER CHARACTERISTICS

Of the 46,846 existing shopping centers in the 51 countries tracked, the majority are classified as either Small centers having between 5,000 sq.m and 20,000 sq.m of GLA, or Medium size centers having between 20,000 sq.m and 40,000 sq.m GLA. The average size center tracked is approximately 19,700 sq.m, with China leading all other

NEW SHOPPING CENTER INVENTORY 2014-2016 GLOBAL REGIONS		
	New GLA (Million sq.m)	Number of New SCs
<b>AMERICAS</b>	16.5	915
U.S	11.2	758
CANADA	1.5	42
LATIN AMERICA	3.8	115
<b>EUROPE</b>	9.7	306
<b>ASIA</b>	53.2	610
CHINA	49.2	504
OTHERS	4.0	106
<b>TOTAL</b>	79.4	1,831

Source: Cushman & Wakefield Retail Research, Shopping Centers >5k sq.m in markets tracked by Cushman & Wakefield

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countries in average GLA at nearly 85,625 sq.m. Notably, the developing regions of Asia and Latin America have the largest average size centers overall at roughly 52,700 sq.m and 29,200 sq.m, respectively. The more mature economies of Europe and the U.S./Canada average well below Asia and Latin America at only 21,400 sq.m and 17,700 sq.m, respectively.

### GLOBAL INVESTMENT ACTIVITY



PHOTO BY WILLIAM CHO

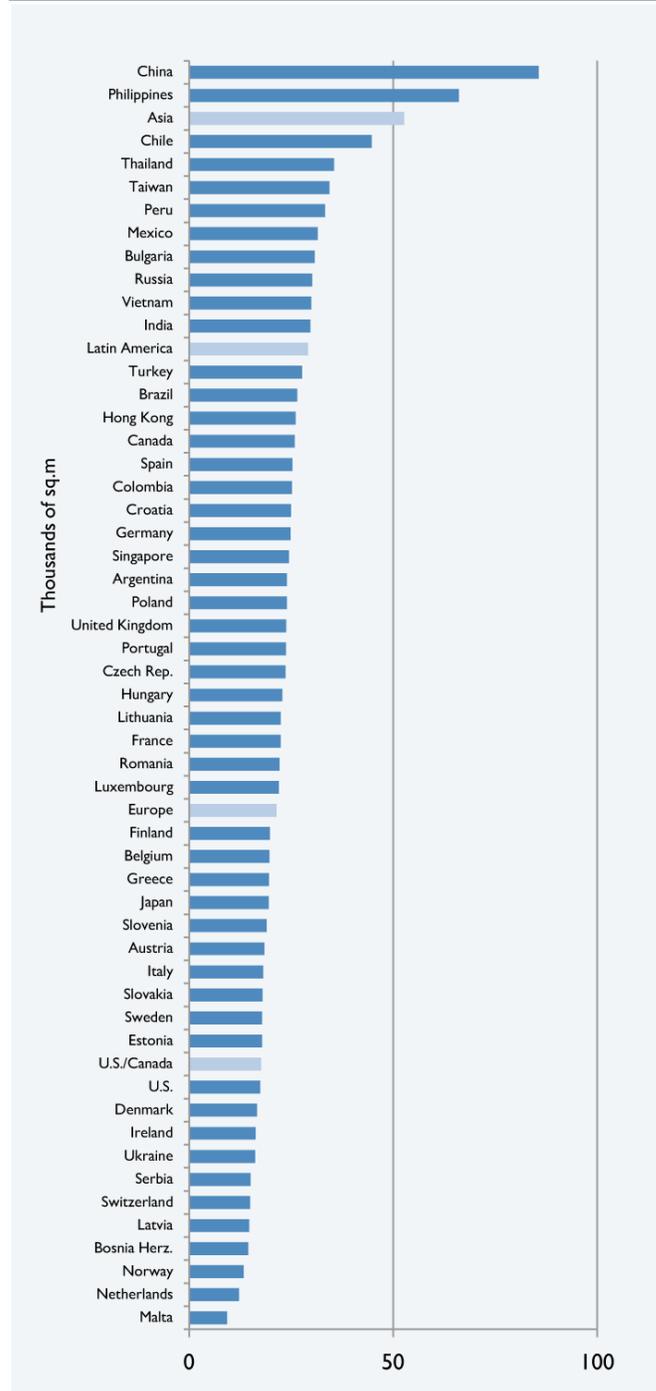
Generally, real estate investment activity posted gains throughout much of the world during 2013. Yet while the North American markets of the U.S. and Canada saw strengthening improvement, markets in emerging economies such as Brazil and China began to slow and stall.

According to Real Capital Analytics (RCA), global retail transactions totaled US\$37.9 billion in 1Q 2014, a 42% year-over-year gain. Much of this gain was driven by the momentum in the U.S. and a reversal of recent trends in India. Also, Europe experienced strong momentum in its retail sector in 2013, which is expected to continue throughout much of 2014.

A change in investor sentiment toward Latin America has caused investment activity to slow for two consecutive years. However, while Brazil fell out of favor and experienced declines in transaction volumes (including retail), activity in Mexico has surged.

After a strong 2013 year-end wrap up, overall transaction activity stalled somewhat during the first quarter of 2014. Yet despite a more sluggish start to the year, investor sentiment remains positive and capital is plentiful.

### GLOBAL SHOPPING CENTERS (>5K SQ.M) EXISTING INVENTORY AVERAGE SIZE GLA (SQ.M)



Source: Cushman & Wakefield Retail Research



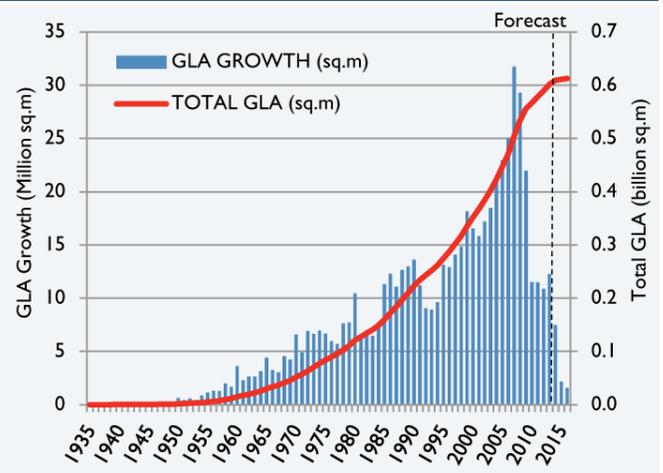
PHOTO BY FARAMARZ HASHEMI

## AMERICAS SHOPPING CENTER TRENDS – U.S. AND CANADA

Shopping center inventory throughout the Americas is dominated by the U.S. and Canada. Total shopping center GLA in the U.S. now stands at more than 618.3 million sq.m located in more than 35,000 centers (>5k sq.m) across the country, with the average provision per 1,000 inhabitants reaching nearly 2,000 sq.m. California, by far, remains the largest state measured by shopping center space and accounts for nearly 12% of the country’s total with 70.9 million sq.m of GLA, followed by Texas and Florida with 54.1 million and 46.5 million sq.m, respectively.

Considerably smaller than the U.S. yet larger than Latin America countries, Canada has more than 34 million sq.m of existing shopping center GLA, more than two and a half times the size of Brazil’s inventory.

U.S. SHOPPING CENTER GROWTH (MILLION SQ.M)



Source: CoStar Group, REIS, Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m

### U.S. DOMINATES AMERICAS DEVELOPMENT ACTIVITY

Like existing inventory, shopping center development activity throughout the Americas is led by the U.S., where construction completions increased in 2013 for the first time since 2007. Nearly 400 new centers totalling more than 12.2 million sq.m of GLA were completed during the year within the 50 states. This one-year increase in supply represented a 12.7% rise in new GLA over 2012 totals and accounted for roughly 18% of all new GLA delivered following the global economic downturn in 2008.

After six consecutive years of declining construction volume, Canada saw a dramatic increase in new shopping center deliveries in 2013 with 16 new centers (more than 646,000 sq.m), the largest number of centers brought onto market in a given year since a record 30 centers were delivered in 2002.

### U.S./CANADA DEVELOPMENT PIPELINE 2014-2016

The U.S. will continue to lead the Americas region in new shopping center development. Over the next three years, an additional 758 centers containing approximately 11.2 million sq.m of new GLA will be added to the U.S. inventory, 67% of which is expected to be completed in 2014 alone. These new shopping centers will have an average size of approximately 14,800 sq.m. The bulk (31%) of this construction will be delivered in California, Texas, and Florida, with the remainder scattered throughout the other states.

Some of the larger U.S. centers currently planned or under construction include American Dream at Meadowlands in New Jersey, which will feature nearly 247,000 sq.m of retail, dining and attractions; the 149,000 sq.m Shops at Summerlin Centre in Summerlin, Nevada; and the 51,100 sq.m Crosstrail Shopping Center in Leesburg, Virginia.

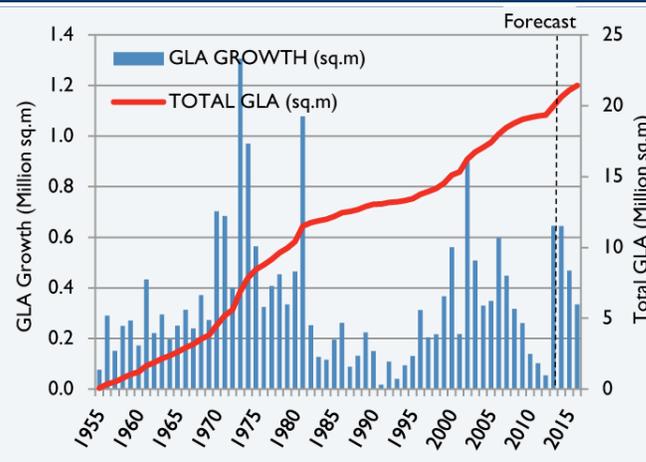
The development pipeline in Canada is sizable as well, yet is only a fraction of U.S. totals. Through 2016, Canada will add an additional 42 centers (within the cities tracked by C&W) containing nearly 1.5 million sq.m of new GLA, most of which is expected to be delivered in the Provinces of Alberta and Ontario.

Canada's largest centers planned or under construction include the 111,500 sq.m Tsawwassen Mills in Delta, British Columbia; the 92,900 sq.m Jacksonport - McCall Landing project in Calgary; and the 90,400 sq.m East Hills project, also in Calgary.

### AMERICAS SHOPPING CENTER CHARACTERISTICS – U.S./CANADA

Of the 36,910 existing shopping centers tracked in the U.S. and Canada, the bulk are classified as Small centers, having between 5,000 sq.m and 20,000 sq.m of GLA, while the remainder are spread

### CANADA SHOPPING CENTER GROWTH\* (MILLION SQ.M)



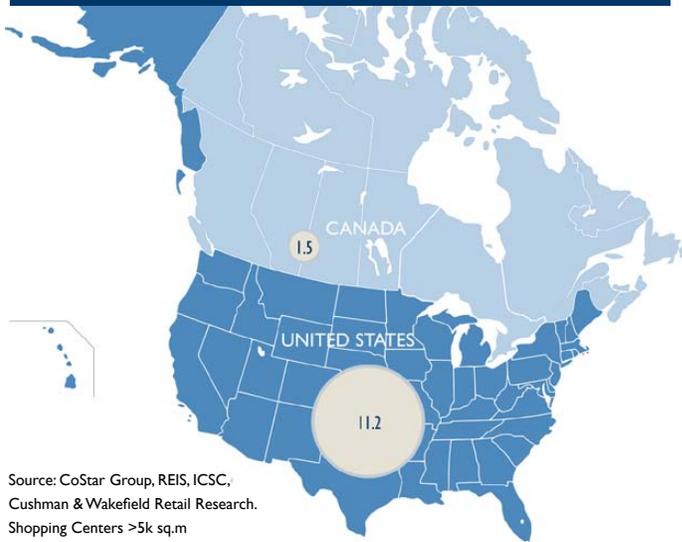
Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m  
\*Major markets only

### MARKET INDICATORS (U.S. & CANADA)

	2013	2016F
Population (Thousands)	351,621.0	360,071.0
Total Employment (Thousands)	161,659.6	169,174.8
GDP (US\$ % change pa 2013-2016)	1.9%	2.9%
Private Consumption (US\$ % change pa 2013-2016)	2.0%	2.9%

Source: Oxford Economics, Cushman & Wakefield Retail Research

### AMERICAS – U.S. & CANADA SHOPPING CENTER PIPELINE EXPECTED GLA 2014-2016 (MILLION SQ.M)



Source: CoStar Group, REIS, ICSC, Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

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across the classifications of Medium, Large, and Very Large centers. Shopping centers in the U.S. and Canada combined have an average size of approximately 17,700 sq.m GLA, with Canada averaging a larger 25,900 sq.m versus the U.S. average of just 17,400 sq.m.

AMERICAS INVESTMENT ACTIVITY – U.S./CANADA

In the first quarter of 2014, retail investment activity in the Americas surged, driven largely by the ongoing improvement in U.S. fundamentals derived from a combination of rising confidence, stable interest rates, and increasingly competitive financing. According to RCA, retail investment volume totaled US\$20.6 billion for the quarter, a 153% increase year-over-year.

While the U.S. continues to register gains in volume, Canada’s investment activity fell to more sustainable levels after record volume in 2013. Although sales of retail properties were up, overall sales volume in Canada fell to US\$2.8 billion in the first quarter, its lowest level in four years.

MAJOR PROJECTS IN THE PIPELINE – U.S. & CANADA

COUNTRY	CITY	PROJECT NAME	GLA SQ.M	YEAR
USA	East Rutherford, NJ	American Dream Meadowlands	274,000	2016
USA	Summerlin, NV	Shops at Summerlin Centre	149,000	2014
USA	Oahu, HI	Ka Makana Ali'i	130,000	2016
Canada	Delta, BC	Tsawwassen Mills	111,500	2016
Canada	Calgary, AB	Jacksonport – McCall Landing	92,900	2015
Canada	Calgary, AB	East Hills	90,400	2014
USA	Century City, CA	The Village at Westfield Topanga	41,300	2016

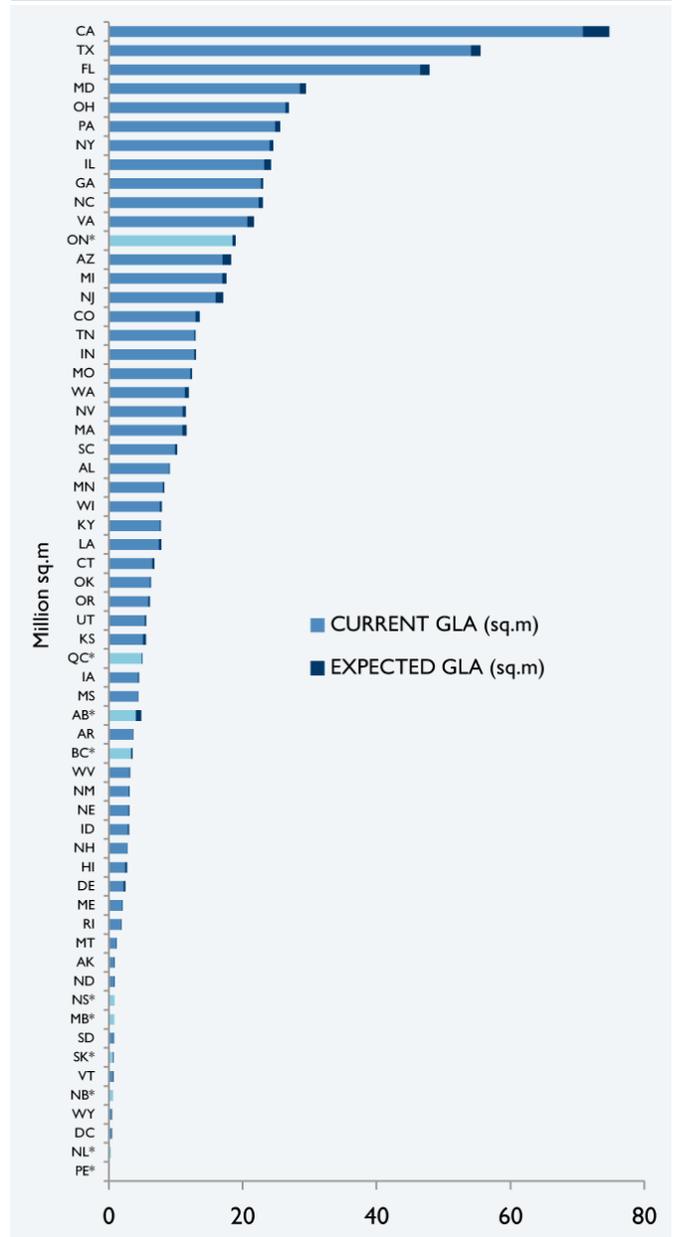
Source: CoStar Group, REIS, ICSC, Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

MARKET INDICATORS (U.S. & CANADA)

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Private Consumption (US\$ % change pa 2013-2016)	2.0%	2.9%

Source: Oxford Economics, Cushman & Wakefield Retail Research

AMERICAS – U.S. & CANADA SHOPPING CENTER GLA CURRENT AND EXPECTED (MILLION SQ.M) BY STATE AND PROVINCE



Source: CoStar Group, REIS, ICSC, Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m. \*Canadian provinces include only primary cities.



PHOTO BY SADI JUNIOR

## AMERICAS SHOPPING CENTER TRENDS – LATIN AMERICA

Latin American countries added a significant amount of shopping center GLA over the past two years, exceeding their previous peaks. The pipeline of projects planned or under construction, albeit sizable, is expected to fall, particularly as economic growth slows and investment activity stalls. Nonetheless, supply and demand fundamentals throughout the region are expected to remain relatively well balanced, which will help sustain absorption levels for newly completed centers.

During 2012 and 2013, 168 new shopping centers (>5k sq.m) containing nearly 5.3 million sq.m of GLA were delivered in the six primary Latin American markets of Brazil, Mexico, Colombia, Argentina, Peru and Chile. This increase in supply represented a 60% increase in new GLA over the previous two years and accounted for nearly 51% of all new GLA delivered following the global economic downturn in 2008.

Over the two year period, Brazil and Mexico continued to propel activity, accounting for nearly 70% of all new shopping center space added to the markets, with 2.4 million sq.m and 1.3 million sq.m added, respectively. Both countries are expected to remain development leaders, accounting for nearly 65% of all projected inventory in the pipeline. São Paulo and Mexico City are expected to capture the largest share of the new GLA.

### MARKET INDICATORS – LATIN AMERICA (SIX-COUNTRY TOTAL)

	2013	2016F
Population (Thousands)	460,935.1	474,494.9
Total Employment (Thousands)	212,048.9	220,642.5
GDP (US\$ % change pa 2013-2016)	2.7%	2.9%
Private Consumption (US\$ % change pa 2013-2016)	3.4%	2.9%

Source: Oxford Economics, Cushman & Wakefield Retail Research

### MARKET SIZE

Within the six primary countries of Latin America, total shopping center GLA now stands at approximately 34.3 million sq.m as of March 2014, with the average provision per 1,000 inhabitants reaching 73.6 sq.m. Brazil remains the largest market by shopping center space and accounts for nearly 36% of the total, with 12.7 million sq.m of GLA, followed closely by Mexico, which accounts for one third of the total with 11.4 million sq.m.

Following Brazil and Mexico, Colombia, Chile, Peru, and Argentina together contain a total of 10.6 million sq.m of GLA, representing 30.9% of the six-country total.

Notably, Colombia has edged slightly ahead of Chile for third place behind Brazil and Mexico in total GLA. Its lead is forecast to grow in 2014 due to the 240,000 sq.m expected to be completed by

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year-end. Major centers in the pipeline include the 55,000 sq.m Acqua project in Ibagué and the 45,000 sq.m Viva project in Villavicencio.

Peru is adding GLA at a much faster pace than its peers. Although currently ranked fifth among the six countries for total GLA, Peru now ranks second behind Brazil in expected new GLA to be completed in 2014. By the end of 2016, Peru is forecast to contain a total of 3.5 million sq.m of GLA, overtaking Chile and ranking fourth among the six countries.

Although a relatively small market in terms of total shopping center space with only 3.0 million sq.m of GLA, Chile ranks first among the six countries in total space per 1,000 inhabitants (167.5 sq.m). With a population of less than 17.7 million, the vast majority of Chile's shopping center space is located in Region Metropolitana (Santiago). Mexico ranks a distant second in GLA per 1,000 inhabitants with 91.8 sq.m, followed by Peru, Colombia, Brazil, and Argentina, with only 50.1 sq.m of GLA per 1,000 inhabitants.



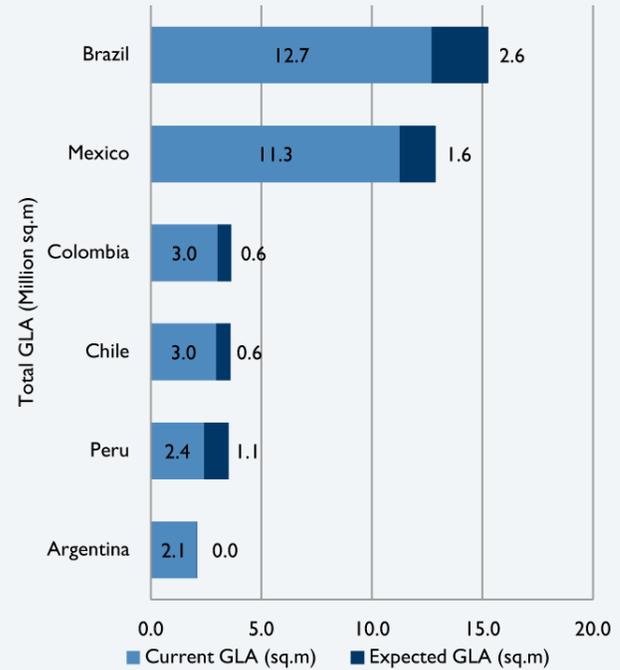
PHOTO BY ANNAIS FERREIRA

2014 DEVELOPMENT PIPELINE

The Latin America shopping center development pipeline for 2014 now stands at 2.54 million sq.m, with 72 new shopping centers scheduled to be completed before year-end. The 23 projects in Brazil totalling 1.0 million sq.m account for the largest share of the pipeline activity.

Peru ranks second behind Brazil in expected new GLA to be completed in 2014 with 17 centers under construction. Among the 620,400 sq.m in Peru's development pipeline are several significant projects located in Lima (70,000 sq.m Plaza Salaverry), San Martín (70,000 sq.m Real Plaza Tarapoto), Ica (50,000 sq.m MegaPlaza Pisco), Huánuco (41,000 sq.m MegaPlaza Huánuco), Ucayali (40,000 sq.m Open Plaza Pucallpa), and Lambeyque (40,000 sq.m Real Plaza Chiclayo II).

LATIN AMERICA SHOPPING CENTER GLA CURRENT AND EXPECTED (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

MAJOR PROJECTS IN THE PIPELINE – LATIN AMERICA

COUNTRY	CITY	PROJECT NAME	GLA SQ.M	YEAR
Mexico	Mexico City	Parques Toreo	100,000	2014
Chile	Santiago	Mall Plaza Los Dominicos	95,000	2014
Mexico	Ciudad del Carmen	Zentralia Ciudad Del Carmen	91,000	2014
Peru	Lima	Real Plaza Salaverry	70,000	2014
Colombia	Ibagué	Acqua	55,000	2014
Brazil	São José do Rio Preto	Iguatemi São José do Rio Preto	42,000	2014

Source: Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

Mexico follows Peru with 7 centers containing nearly 350,000 sq.m of GLA expected for completion in 2014. Some of Mexico's centers are among the largest under construction and include the 100,000 sq.m Parques Toreo in Mexico City and the 91,000 sq.m Zentralla Ciudad Del Carmen in Ciudad del Carmen.

Colombia, Chile, and Argentina together have 14 centers totalling 419,000 sq.m under construction and scheduled for completion by year-end. The largest of these centers are located primarily in Chile and include the 95,000 sq.m Mall Plaza Los Dominicos in Santiago, the 74,000 sq.m Mall Plaza Puerto Baron in Valparaiso, and the 70,000 sq.m Mall Plaza Copiapo in Copiapo.

### LATIN AMERICA DEVELOPMENT PIPELINE 2014-2016

Over the next three years, approximately 3.8 million sq.m of new shopping center space will be added to the inventory of the six primary countries of Latin America. The largest percentage of this new GLA, approximately 2.5 million sq.m, is expected to be completed in 2014 alone. This new space represents 11.2% of the currently existing total shopping center GLA in these countries.

Through 2016, Brazil and Mexico will continue to lead the other countries in new shopping center space, accounting for approximately 65% of the total GLA. New shopping center GLA in Brazil will be concentrated primarily in São Paulo, Rio de Janeiro, and Minas Gerais, while Mexico GLA will be concentrated in Mexico City (DF), Jalisco, and Queretaro.

Some of the larger centers currently planned or under construction include the 90,000 sq.m Centro Comercial Nova 25 de Março in São Paulo, and the 42,000 sq.m Iguatemi São José do Rio Preto in São José do Rio Preto, Brazil.

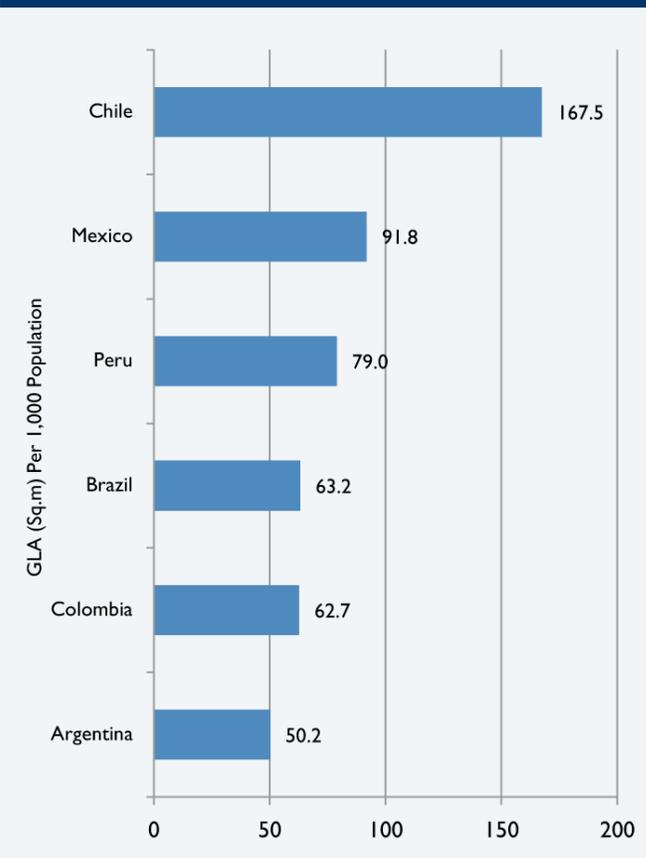
Outside of Brazil and Mexico, sizable amounts of GLA will be added in Peru, Chile, and Colombia.

While having the second largest pipeline of projects scheduled for completion in 2014, Peru has the third largest pipeline overall, with 1.1 million sq.m expected to be added to the market over the next three years. Peru is also expected to have the most substantial increase in GLA relative to existing space as the 1.1 million sq.m in the pipeline represents 46.3% of its current inventory.

### SHOPPING CENTER CHARACTERISTICS

Of the 1,167 existing shopping centers in the six primary countries of Latin America, the majority (43.9%) are classified as Small centers, having between 5,000 sq.m and 20,000 sq.m of GLA, while only 4.0% are classified as Very Large, having more than 80,000 sq.m. The average size center is approximately 29,400 sq.m, with Chile having

### SHOPPING CENTER GLA (SQ.M) PER 1,000 POPULATION



Source: Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

### LATIN AMERICA SHOPPING CENTER PIPELINE EXPECTED GLA 2014-2016 (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m



PHOTO BY DIEGO TORRES SILVESTRE

the largest average size (45,300 sq.m) followed by Peru and Mexico, with averages of 33,300 sq.m and 31,800 sq.m, respectively. Argentina has the smallest average size shopping center at less than 24,300 sq.m.

There are approximately 12,300 major anchors in the existing 1,167 shopping centers. More than 60% of these anchors fall into one of the three categories of Department Store (28.7%), Hypermarket/Supermarket (22.1%) or Electronics/Entertainment (10.1%). Other prominent anchor types include Home Center, Cinema, Drugstore, and Apparel, each of which comprise between 4% and 8% of all shopping center anchors in Latin America.

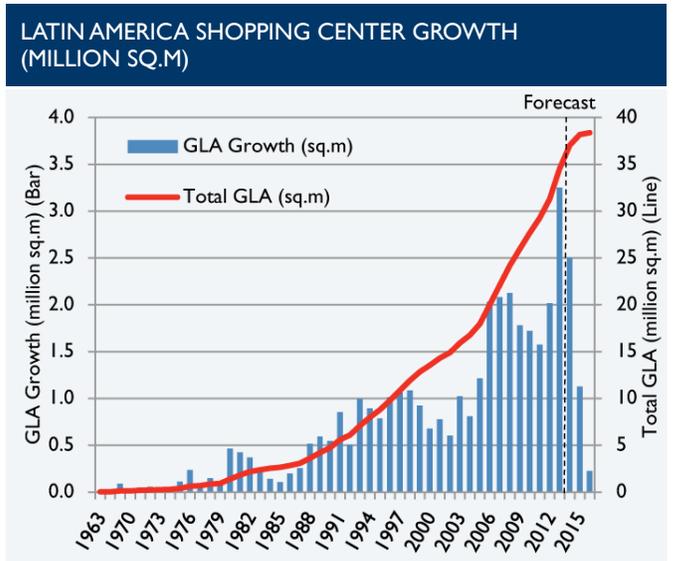
**INVESTMENT ACTIVITY**

Generally, real estate investment activity throughout Latin America slowed during the past year as investment volumes lagged those in the U.S. and Canada. The highlight in 2013 was the surge of activity in Mexico, where transaction volumes nearly tripled. According to RCA, transactions involving retail property accounted for 40% of overall volume.

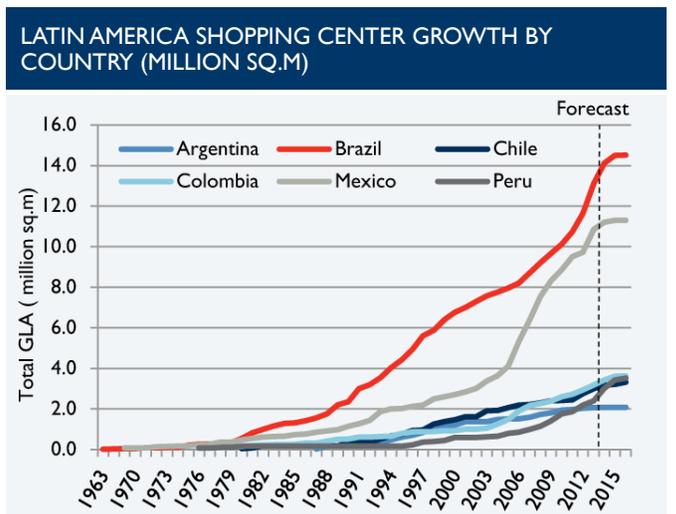
Unfortunately, however, Brazil fell out of favor and experienced some of the largest drops in transaction volumes (including retail) in 2013, posting year-over-year declines of more than 50%.

A change in sentiment toward Latin America has caused investment activity to slow for two consecutive years. After peaking in 2011, volume dropped in 2012 and again in 2013. Only Chile was able to record a modest gain in volume in 2013.

Overall, Latin America continues to employ structurally sound, prudently managed policies with sufficient flexibility to address prevailing headwinds. According to Oxford Economics, this is certainly the case of Chile, Colombia, Mexico and Peru. Although Brazil's current underlying fundamentals are considerably weaker, it still remains a country boasting a deep arsenal of tools with which to work. Despite Argentina's economic imbalances and underlying political risks, sustainable appeal will continue to attract investment in the long run.



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m

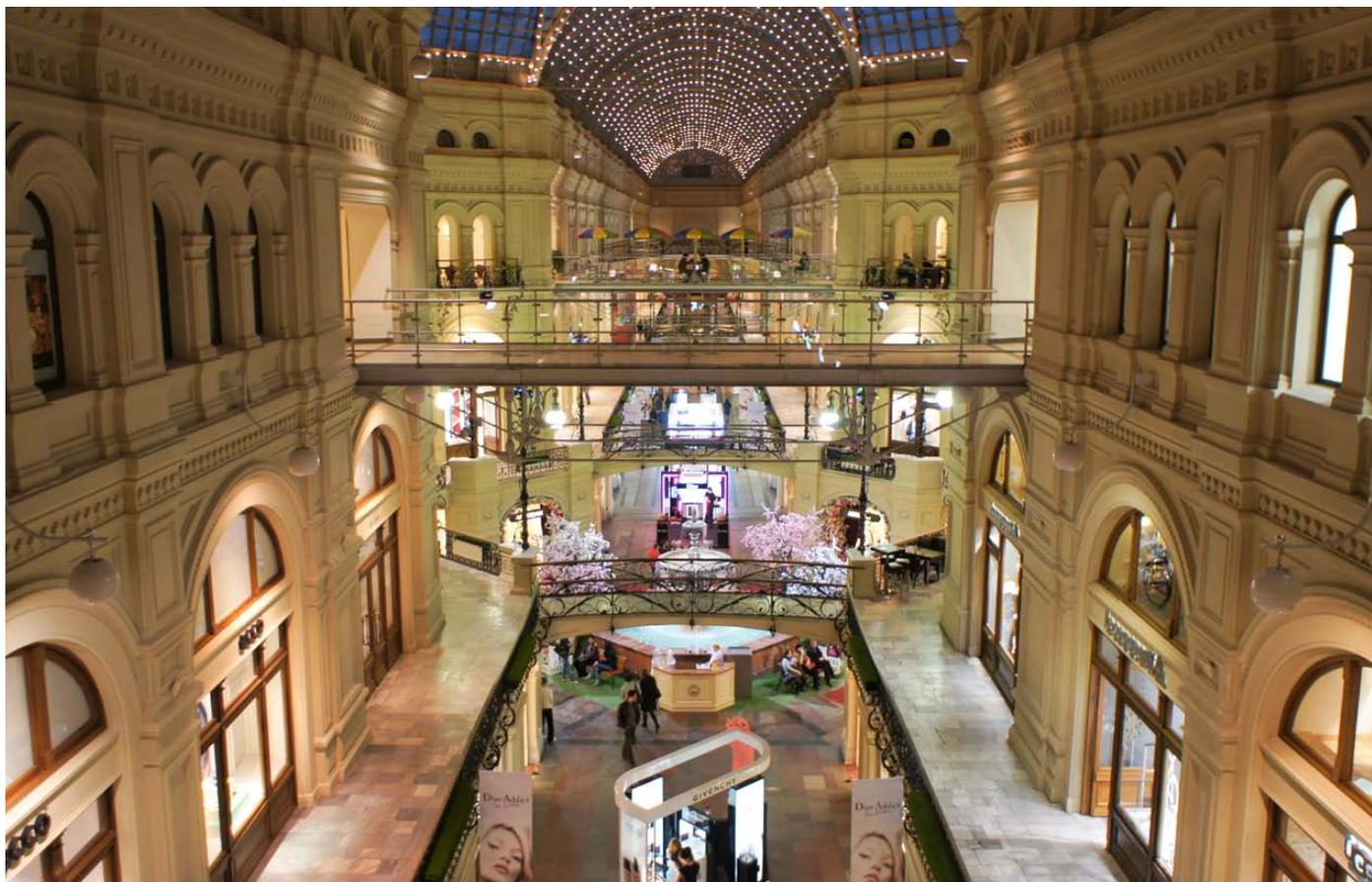


PHOTO BY OARRANZI

## EUROPE SHOPPING CENTER TRENDS

Development activity across Europe picked up considerably in the second half of 2013 as approximately 3.6 million sq.m of new shopping center GLA was delivered to the market. This was double the space completed in the first half of 2013, albeit the total figure was lower than previous forecasts, with the opening of a number of projects delayed into 2014.

Central and Eastern Europe continued to drive activity, accounting for 69% of all shopping center space added to the market (2.4 million sq.m). Additionally, the region is expected to remain a development hotspot, with 66% of all projected space to be completed in 2014 and 2015 across Europe (6.8 million sq.m) and 4.2 million sq.m respectively is set to be delivered in Central and Eastern Europe. While the pipeline for 2015 is expected to slow, geopolitical concerns in Eastern Europe may lead to the postponements of some projects into next year.

### EUROPE MARKET INDICATORS

	2013	2016F
Population (Thousands)	796,236.8	798,868.2
Total Employment (Thousands)	348,218.7	350,848.2
GDP (US\$ % change pa 2013-2016)	0.6%	1.9%
Private Consumption (US\$ % change pa 2013-2016)	1.1%	1.8%

Source: Oxford Economics, Cushman & Wakefield Retail Research

### MARKET SIZE

Total shopping center floorspace now stands at approximately 154 million sq.m of GLA as of the 1st of January 2014. France remains the largest market by shopping center space, with 17.3 million sq.m of GLA. France also leads the way in terms of development pipeline among Western European countries and is third overall, with a total of almost 1.3 million sq.m of retail space to be delivered in 2014 and 2015, comprised of several extensions to existing schemes.

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The UK follows in second place in terms of open shopping center floorspace with a total of 16.93 million sq.m, while Russia completes the top three places with shopping center space now exceeding 16.86 million sq.m. Russia is expected to replace the UK as the 2nd largest market in Europe by the end of 2014 as development in the UK is anticipated to be subdued over the next two years. However, a rebound is likely in 2016 with a number of significant projects reaching completion.

Indeed, holding the largest development pipeline across the continent, Russia may even contend for the top spot should the majority of projects come to fruition. Though some uncertainty remains over the due date of several schemes, approximately 2.6 million sq.m of shopping center GLA are expected to be delivered in Russia in 2014 and 2015, including the largest shopping center set to open in Europe, Avia Park (235,000 sq.m) in Moscow.

Although still a relatively immature market in terms of total shopping center space per capita (121 sq.m of GLA per 1,000 inhabitants), Turkey is anticipated to benefit from the second largest pipeline in Europe, with over 2.2 million sq.m expected to be completed by the end of 2015. Istanbul remains the destination city of choice as over half of all schemes are set to be completed in the city, including two of the largest projects in the continent.

EUROPE SHOPPING CENTER DEVELOPMENT IN H2 2013

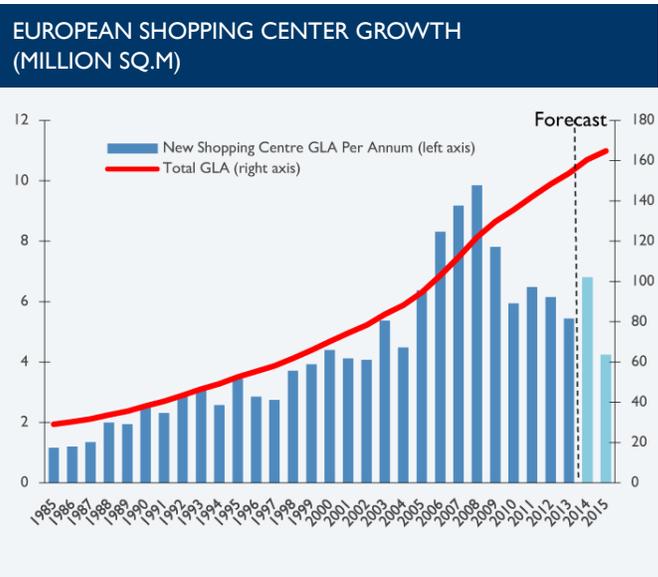
The second half of 2013 recorded approximately 3.6 million sq.m of new shopping center space, significantly above the 1.8 million completed in the first two quarters of 2013 and slightly higher than the 3.4 million delivered in the same period in 2012. The main hotspots of development were, however, mostly unchanged. Russia continued to lead the way with approximately 1.0 million sq.m, accounting for 29% of all space opened across Europe. What is more, the three largest openings of the second half across Europe were all located in Russia, with the first phase of Aero Park City (91,000 sq.m) in Bryansk, Kristall (75,000 sq.m), Krasnodar and Planeta, Perm (63,440 sq.m) opening their doors.

Turkey was again second as 486,800 sq.m of shopping center space was delivered in the six months to December 2013, with the largest opening Zorlu, Istanbul (60,000 sq.m) completed in the last quarter of the year. A new entry in the top three was, however, Ukraine where approximately 340,800 sq.m were added in the second half of 2013. The top five was rounded off by Poland and France, with 340,700 sq.m and 291,300 sq.m delivered respectively.

The main trends observed over the first half of 2013 were yet again evident, with the majority of new shopping centers built in Central and Eastern Europe but most extensions completed in Western Europe. Indeed, of the 110 new shopping centers opened, 37 were



PHOTO BY JOHN SEB BARBER



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m

delivered in Western Europe and the other 73 in Central and Eastern Europe. Conversely, there were 64 extensions of existing projects completed, with 45 delivered in Western Europe and 19 in Central and Eastern markets.

### KEY TRENDS ACROSS EUROPE

The focus on the development of new projects was preserved in Russia, with almost 97% of all space completed in H2 2013 consisting of new shopping centers (34). Indeed, just 31,800 sq.m were added to the market in the form of four extensions. A not too dissimilar picture was also evident in Turkey, where 11 new schemes and two extensions were completed. The two countries again accounted for a large share of completions, with 42% of all new shopping center space built in these two markets.

The most substantial increase in GLA relative to existing space was recorded in Ukraine, where total floorspace rose by 10.8%. The country saw 340,800 sq.m delivered, the third largest total in Europe, consisting of nine new schemes and four extensions. The most significant addition in the country was Port City in Mariupol which added 56,000 sq.m to the market.

The considerable space delivered across Poland increased total GLA by 6.9%. New shopping centers such as Galeria Bronowice in Kraków (60,000 sq.m), Poznań City Center (58,000 sq.m), Galeria Katowicka in Katowice (53,000 sq.m) and Trzy Korony in Nowy Sącz (35,000 sq.m) certainly improved provision in the country. However, development was slightly more even than elsewhere in Central and Eastern Europe, with a number of large extensions to existing schemes, such as Wzgórze (now Riviera) in Gdynia contributing towards overall activity.

On the 1st of January 2014, total shopping center GLA across Europe stood at almost 154 million sq.m, with the average provision per 1,000 inhabitants in the 27 EU member states (excluding Cyprus) reaching 268.7 sq.m. Norway remains the country with the highest shopping center space density, containing 666.1 sq.m per 1,000 inhabitants.

### EUROPEAN SHOPPING CENTER GROWTH

The European shopping center development pipeline for 2014 now stands at 6.8 million, with 203 new shopping centers scheduled to be completed in 2014 across Europe, 127 of which will be delivered in Central and Eastern markets. Of the 86 extensions set to be opened, 65 will be located in Western Europe. The development pipeline for 2015 amounts to 4.2 million sq.m of GLA, spread across 103 schemes and 32 extensions.

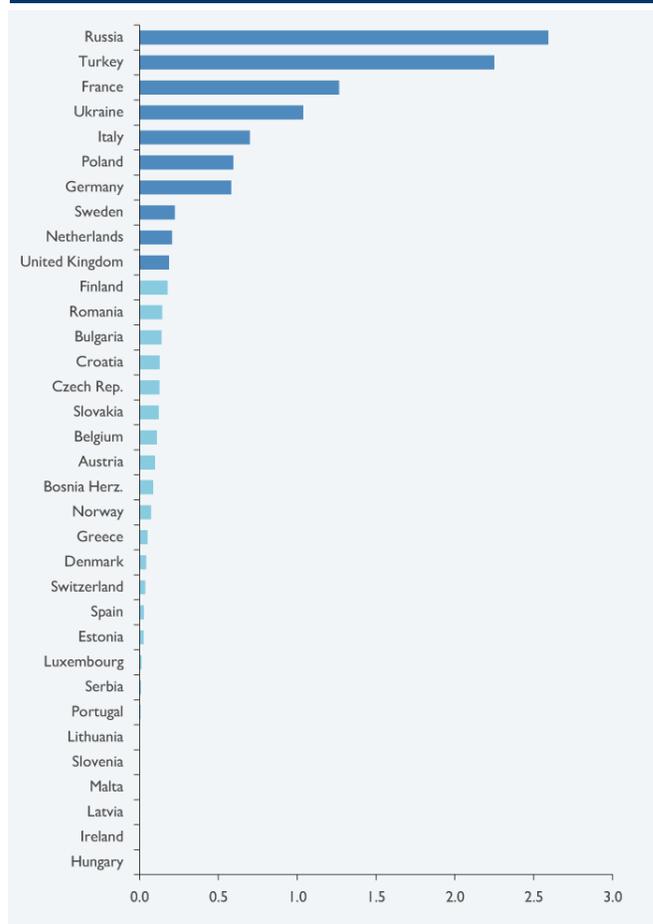
Ukraine, Turkey and Russia will continue to fuel development across the continent, with all three likely to record double-digit growth in

### MAJOR PROJECTS IN THE PIPELINE – EUROPE

COUNTRY	CITY	PROJECT NAME	SC GLA (SQ.M)	YEAR
Russia	Moscow	Avia Park	235,000	2014
Turkey	Istanbul	Mall of Istanbul	155,000	2014
Turkey	Istanbul	Emaar Square SC	150,000	2015
Russia	Moscow	Columbus	140,000	2015
Ukraine	Kiev	Respublika	138,000	2014

Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m

### EUROPEAN SHOPPING CENTER PIPELINE 2014-2015 (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m

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total floorspace. Shopping center projects in Ukraine, headlined by Respublika, Kiev (138,000 sq.m), are expected to enlarge existing space by almost 30% by the end of 2015.

Good growth is also anticipated in other markets, both young but also relatively mature. Four new shopping centers are expected to be added to the underprovided Bulgarian market, which will increase floorspace by 19%, while Slovakia is expected to benefit from an increase of 10% as nine new schemes are penciled in over the next two years.

EUROPEAN RETAIL INVESTMENT

Investment activity across Europe accelerated considerably in the second half of 2013, with €23 billion worth of retail assets traded, bringing the total for the year to €39.6 billion. Indeed, the market witnessed a front loaded recovery and ran ahead of the occupier market towards the end of 2013, with a total of €14.6 billion transacted in Q4. This is the highest quarterly figure since Q4 2007 and a rise of around 75% compared to the first three quarters.

The big three – the UK, Germany and France – were again at the forefront of this improvement as they increased their share to 60% of all retail investment activity. The UK remained the largest market in the continent, recording approximately €6.5 billion worth of transactions, followed by Germany where volumes rose by 31% on the previous six months, reaching €5.1 billion in H2 2013.

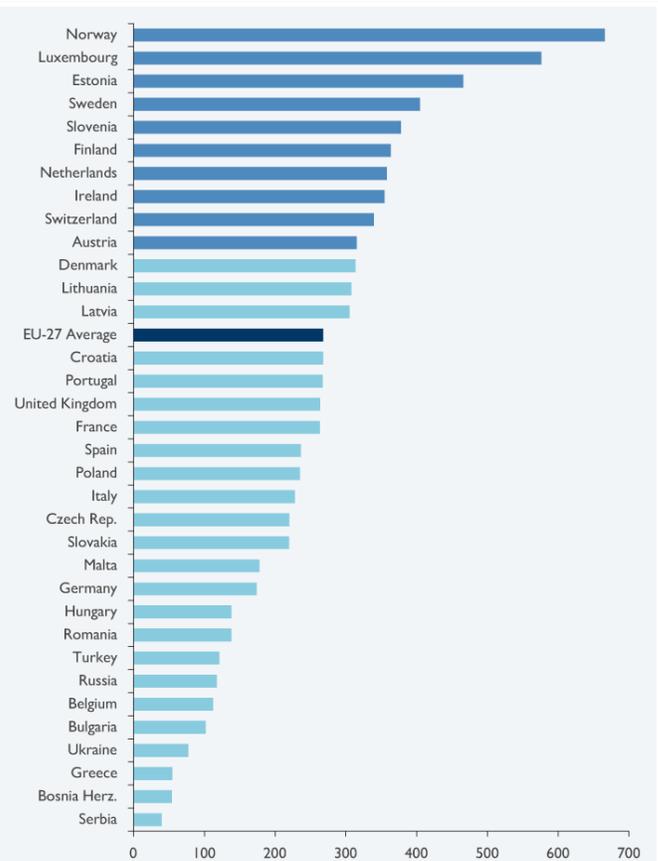
However, the improvement across Europe was broad based with Southern countries seeing a marked rise in trading volumes. Indeed, activity in Italy and Spain in particular was buoyant as investors seeking new opportunities were met by more realistic re-pricing by vendors. Following the dearth in Italian acquisitions witnessed in 2012, when just €360 million worth of retail assets were traded, a total of €2.1 billion was recorded. Investors such as PIMCO and Blackstone were among the most active.

Overall, the region saw real signs of economic improvement, better finance availability, stronger occupier markets and a repositioning along the risk curve by investors, all factors which spurred a rise in investment activity. Looking ahead, the strong momentum built in the latter part of 2013 is expected to be maintained in 2014. However, with a shortage of good quality assets and constrained development activity limiting the number of opportunities in some core markets, investors will again be looking further afield in other previously overlooked countries.



PHOTO BY BRISBANE CITY COUNCIL

EUROPE SHOPPING CENTER GLA (SQ.M) PER 1,000 POPULATION



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m



PHOTO BY D'N'C

## ASIA SHOPPING CENTER TRENDS

Retailers increasingly see Asia as a key source of growth for the long term, and thus many believe they cannot be considered a global retailer without a strong presence in the region. Although Asia is likely to experience slowdowns in both the rates of growth in GDP and consumer spending in the coming year, the region remains a primary driver of the global economy and will lead the world in consumer spending expansion over the next few years. Growth in the region will remain robust and will continue to top other regions in many – if not all – metrics, including shopping center development.

While growth in the region's retail demand is unprecedented, the increase in supply is stronger still, and as a result, many major cities in China and other Asian countries have the potential for some measure of oversupply, which stands to affect weaker projects, with suburban locations and inexperienced developers the most vulnerable.

No discussion of Asia is complete without the inclusion of India, which is expected to top many retail growth metrics in the coming years. The country is Asia's third largest retail economy after China and Japan, yet its retail market is currently only one fourth the size of China. The market is rapidly opening up, and with a growing middle class and young population where the average age of the

### ASIA MARKET INDICATORS (NINE-COUNTRY TOTAL)

	2013	2016F
Population (Thousands)	3,067,773.2	3,145,820.2
Total Employment (Thousands)	1,436,390.2	1,476,185.0
GDP (US\$ % change pa 2013-2016)	5.5%	5.4%
Private Consumption (US\$ % change pa 2013-2016)	4.9%	5.3%

Source: Oxford Economics, Cushman & Wakefield Retail Research

workforce is less than 30 years, the market has unlimited potential.

For this reason, developers, investors, and retailers alike are adding to and improving their offerings to meet the needs of the sophisticated and demanding consumers within the region.

Shopping Center development activity throughout Asia sustained its momentum during 2012 and 2013, increasing its GLA by more than 15% each year. A representative sample of major cities in nine Asian countries including China, Hong Kong, Philippines, India, Thailand, Japan, Singapore, Vietnam, and Taiwan shows an increase of 303 new shopping centers containing over 23.1 million sq.m of GLA. This new GLA is a sizable increase over the prior two-year period and accounts for approximately 50% of all new GLA delivered in the sample countries since the global economic downturn in 2008.

### ASIA MARKET SIZE

Within the primary cities of the nine Asia sample countries, total shopping center GLA now stands at approximately 83.9 million sq.m in 1,591 centers. Among the surveyed countries, China by far has the largest inventory of shopping center space and accounts for 63.4% of the total, with 53.3 million sq.m of GLA, followed by Hong Kong and the Philippines with 7.3 and 7.1 million sq.m, respectively. India follows Hong Kong and the Philippines, with 6.5 million sq.m of GLA, with all other countries in the sample having less than half that.

Notably, India is expected to surpass Hong Kong and the Philippines in total inventory over the next few years as its shopping center pipeline tops that of all other countries, with the exception of China. Its young, growing population has attracted retailers and developers who have increasingly targeted the country for new projects.

Among the 30 cities tracked in China, Shanghai and Beijing have more than double the amount of existing GLA of any other city. Notably, all cities tracked in China have extensive pipelines, including under construction and planned, with most equivalent to or greater than the amount of existing GLA.

### ASIA DEVELOPMENT PIPELINE 2014-2016

The Asia shopping center development pipeline for 2014 now stands at 21.8 million sq.m, with 267 new shopping centers scheduled to be completed before year-end, the vast majority of which will be delivered in China.

Some of the largest 2014 projects include the 210,000 sq.m MixC ZZ in Zhengzhou and 152,800 sq.m Riverside 66 in Tianjin. Other significant 2014 projects will be completed in India, Singapore, and Thailand.

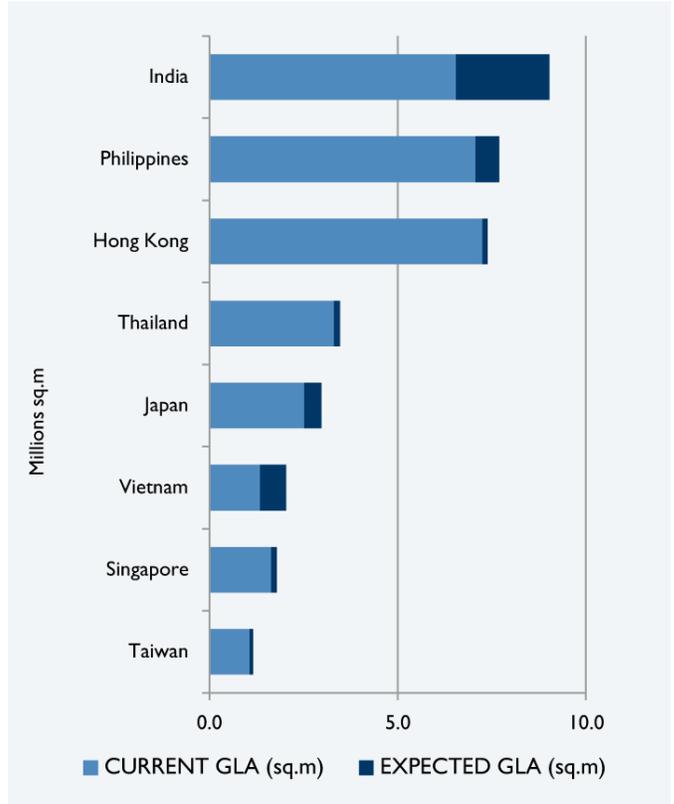
Over the next three years, more than 600 new centers with an estimated 53.2 million sq.m of GLA will be added to the inventory of the primary cities in the nine sample Asia countries. The new space represents more than 60% of the total shopping center GLA currently existing in these countries.

Not surprisingly, the overwhelming majority of this new GLA is expected to be completed in China, where the construction pipeline is approaching 50.0 million sq.m. This represents nearly a 54% increase in China's current inventory. Other countries expecting sizable increases in their shopping center inventory over the next few years include Vietnam (51% increase) and India (38% increase).

### ASIA SHOPPING CENTER CHARACTERISTICS

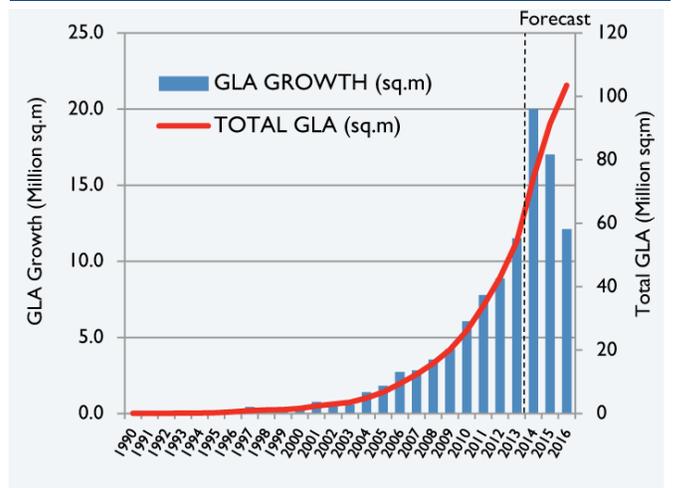
Of the 1,591 existing shopping centers in the nine sample Asia countries, the bulk (548 centers) are classified as Small centers, having between 5,000 sq.m and 20,000 sq.m of GLA, while 353 are classified as Very Large, having more than 80,000 sq.m. The average

ASIA (EXCL CHINA) SHOPPING CENTER GLA CURRENT AND EXPECTED (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers >5k sq.m

CHINA SHOPPING CENTER GROWTH (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m in select cities

size center in the region is approximately 52,700 sq.m, with China having the largest average size (85,625 sq.m) and Japan having the smallest average size shopping center at less than 19,500 sq.m, comparable to that of the U.S.

### ASIA RETAIL INVESTMENT ACTIVITY

Sales of significant commercial property in the Asia Pacific region totaled US\$138.3 billion in the first quarter of 2014, up 9.0% year-over-year. However, according to RCA, this increase was attributable primarily to the escalation of sales of land rights in China. Most countries and property sectors in the region reported declines over the period.

Like other property types, retail investment activity throughout Asia has slowed considerably and totaled US\$5.8 billion in the first quarter of 2014, a year-over-year decline of 24%.

Japan recorded decreased transaction volume in the first quarter, 12% lower than a year earlier. Yet trading levels continue to reflect a robust pace of activity, and prices continue to improve. Recent significant transactions in Tokyo included the sale of the Ralph Lauren retail building at a 3.7% reported yield.

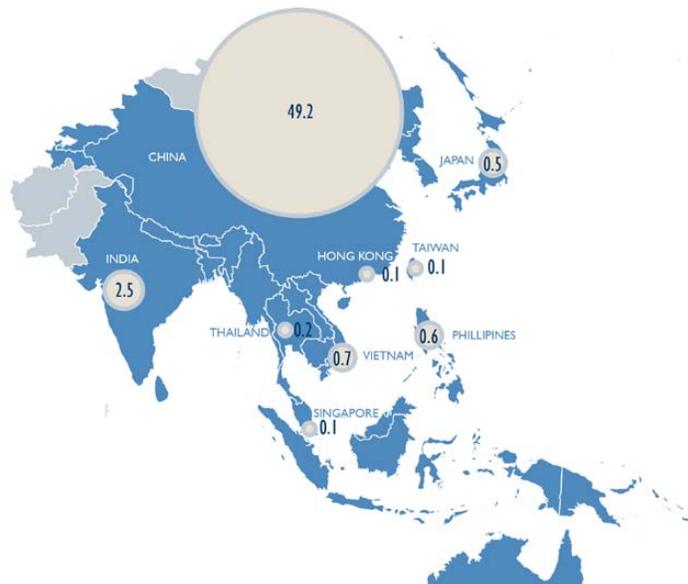
Hong Kong and Singapore posted significant declines in first quarter volume as well, as both have experienced a decrease in cross-border activity, particularly from China.

India was one of the few places in Asia where trends turned positive in the first quarter, as new investors entered the market.

MAJOR PROJECTS IN THE PIPELINE – ASIA				
COUNTRY	CITY	PROJECT NAME	GLA SQ.M	YEAR
China	Shanghai	The MixC - SH	240,000	2015
China	Zhengzhou	The MixC ZZ	210,000	2014
Philippines	Metro Manila	SM Mall of Asia (Expansion)	190,000	2016
China	Wuhan	IKEA Project	160,000	2015
China	Chengdu	Joy City CD	157,000	2015
China	Tianjin	Riverside 66	152,800	2014
India	Delhi NCR	Mall of India	148,645	2014
China	Beijing	Inter Ikea Ctr	130,000	2014
India	Bengaluru	Neo Mall	125,419	2015
India	Delhi NCR	The Venice	111,484	2015
China	Chengdu	Sino-Ocean Land Taikoo Li	106,000	2014
India	Mumbai	L&T Grand Central	102,200	2015
China	Dalian	Europark Galleria	100,000	2014
India	Delhi NCR	Bharti Worldmark	46,452	2014

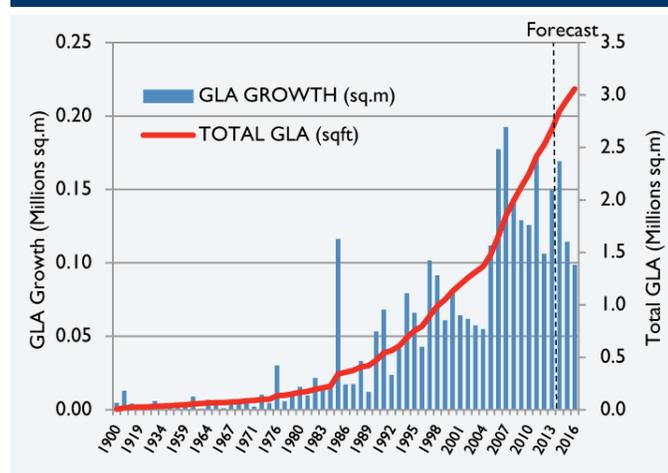
Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m in primary cities only

### ASIA SHOPPING CENTER PIPELINE EXPECTED GLA 2014-2016 (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m in primary cities only

### ASIA (EXCL CHINA) SHOPPING CENTER GROWTH (MILLION SQ.M)



Source: Cushman & Wakefield Retail Research. Shopping Centers > 5k sq.m in select cities within sample countries.



PHOTO BY TOMÁS FANO

## CONCLUSIONS AND OUTLOOK

2012 and 2013 were generally strong years for shopping center development around the globe. However, the next few years look to be somewhat more muted in terms of construction volumes and global differences will be apparent. There are expectations that the positive momentum that is building in Europe and the United States will continue, while in the more emerging economies such as Brazil and China the market may cool temporarily. However, despite a slowdown in the latter countries, long term prospects call for continued growth.

It is important to consider these development trends in the wider context of the retail landscape as a whole. In some countries with less history of city center, downtown or high street retail formats, shopping centers remain the only option. In others there is a well established tradition of strong retail provision in town and city centers and so shopping centers add yet another dimension to the overall retail offering for consumers.

As the impact of the global financial crisis continues to ripple

through markets, the shape of the global retail development sector will continue to evolve and adapt over the next few years. Developers, retailers and investors alike will continue to face challenges as the sector evolves, with new market drivers – such as the growth of e-tailing and multi-channel retailing, and the expanding globalization of retail – come to the fore. Indeed, the need to service a booming e-tail demand is changing the way consumers shop. Whether a retailer, developer, or property owner, this poses the need to meet the challenges head on, and while there will be winners and losers, the environment is a source of great opportunity opening up new markets and speeding the globalization of retail further yet.

Further transformation of the shopping market will derive from gains in the global economy which is in better shape than it has been for several years as it emerges from the recession years. Now in 2014, it is poised to see the one of the strongest years of growth yet, fuelled by rising consumer spending across the globe. Much of this growth will be led by the Americas and Europe, while Asia, despite a slowdown in consumer spending, is expected to post the highest consumer spending growth in the world.

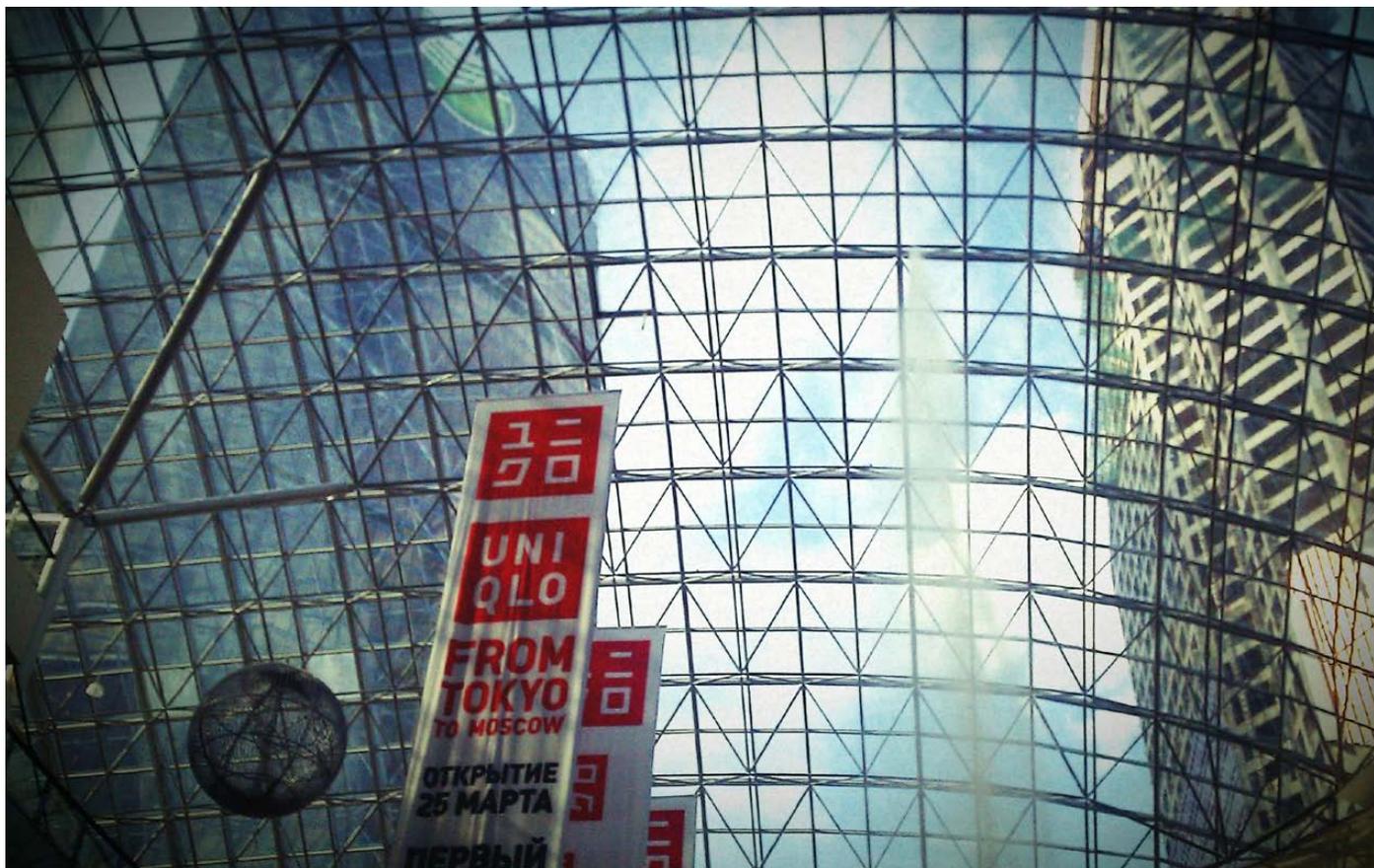


PHOTO BY ALEXANDER VIA FLICKER

The retail growth story in the world's emerging markets is real and likely to continue for quite some time. Though near-term growth may have shifted to a lower gear, the longer term prospects remain strong given solid economic growth and generally favorable demographics. Continued growth alone however, may not be sufficient to boost consumption; policy reforms and significant infrastructure investments are needed for well managed, balanced growth. The challenge is for retailers and shopping center developers to take advantage of the plethora of opportunities that exist in these diverse retail environments, while navigating the complexities that are unique to each market as well.

The more mature markets will encounter obstacles of their own kind. Many of these locations are already saturated with a large share of traditional shopping centers that will have trouble competing with flexible new developments that can be built according to growing demand – an issue often not met in emerging retail markets. Landlords and investors face the challenges of actively managing these existing assets in the traditional shopping center format in this increasingly multi-channel environment. A successful shopping center now needs to go beyond a pure retail approach and

become a hub for a comprehensive consumer experience, ensuring areas for the likes of leisure and food facilities within the center. Developers of new projects are more able to respond to this change in demand, but it is more challenging for owners of existing centers and it is typically only possible to accommodate more leisure and restaurant space via refurbishment and/or extensions.

The future of shopping center development will be highly competitive, and this will be the case not just between retailers, but also between location – this could be between continents; the key global gateway cities; between towns and cities, retail locations – in town or suburban/out of town. In addition, by adding the virtual dimension, there will be increasing competition between bricks and clicks and how not only shopping centers position themselves, but also how supply chains may need to transform to accommodate this. How all these changes manifest more locally in the retail markets of the world will be different and will be determined by a multitude of macro and micro factors which have their basis in the historical evolution of each country's socio-economic, demographic profile, urbanization, political, legislative and economic development.



PHOTO BY RICKY QI

Changing demographics and consumer behavior over the next decades will have significant bearing on the future shape and location of shopping centers and are imperative factors for consideration. In more developed and mature markets such as Japan, South Korea, Hong Kong, Singapore, much of Europe and North America, the population is ageing, but they remain important given the fact that they are generally affluent while elsewhere consumers are more youthful but key influencers of shopping attitudes and behavior.

In the years leading up to the economic downturn sustainability was high on the agenda, particularly in more mature markets, and while it is still an issue, its prominence has reduced in the face of arguably more pressing challenges and there has been a trade-off between the costs of implementation (and accompanied returns on investment) and the longer term necessity to secure the future of the planet.

Sustainability covers a wide set of issues and needs to be addressed in all property activities from design and development right through to operational issues revolving around shopping centers. Developers

have adopted more sustainable approaches to their schemes through energy saving measures and efficient systems, recycling, monitoring of energy consumption and landscaping. However, new centers constitute a relatively small proportion of the total existing retail stock, and a much bigger challenge remains in dealing with issues of sustainability for the huge volume of older existing stock. Intense competition in the retail sector means any cost saving can make a real contribution to competitiveness and the bottom line.

The world is shrinking through the combined powers of technology and communication, media, global brands, trends and fashions. No longer is expansion for retailers just physical, and nor is it just for the giants of retail, new markets can now be accessed by those that have embraced and invested in e-commerce. The risk and investment required to establish an e-commerce site in a new market is relatively less compared to setting up a physical store network. Even small and medium-sized retailers, with little or no brand presence overseas, can quickly see international sales become an important contributor and clearly this has knock on implications for both owners and developers of shopping centers.

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A key theme is asset management and differentiation. Owners of existing stock will be focused on everything from refurbishment to total redevelopment and reinvention, as they try to remain current in the face of new developments. Inevitably some locations will get left behind and may decline. It is likely that new types of shopping places will emerge. Many town and city centers will be reinvented as a consequence of new exciting mixed use developments, iconic design, branding etc while others will perhaps fall on more mixed fortunes.

Changing shopper habits and growing e-commerce/click & collect sales points to a future with fewer larger stores and a focus on smaller formats, which will need somehow to be accommodated within a shopping center environment. There is a role for both physical and virtual retail, but 'change' and adaptability are undoubtedly the bywords of the future.



PHOTO BY MIKE GIFFORD

TECHNICAL SPECIFICATIONS

For the purposes of this report Cushman & Wakefield has defined a shopping center as a centrally managed, purpose-built retail facility, comprising units and communal areas, with a Gross Leasable Area (GLA) over 5,000 sq.m. Factory Outlets and Retail Parks are excluded. Shopping centers are further categorised by reference to the ICSC's Shopping Center Definitions.

All graphs and tables are based on information from Cushman & Wakefield's in-house Global Shopping Center Database. Data for Asia is limited to primary cities within each country as follows: China (Shanghai, Beijing, Wuhan, Shenyang, Shenzhen, Guangzhou, Chongqing, Chengdu, Changzhou, Hefei, Xiamen, Zhengzhou, Tianjin, Suzhou, Nanjing, Ningbo, Hangzhou, Qingdao, Guiyang, Fuzhou, Dalian, Xi'an, Changsha, Kunming, Jinan, Wenzhou, Nanchang, Harbin, Haikou, Urumqi); Hong Kong (Hong Kong); India (Ahmedabad, Bengaluru, Chennai, Delhi NCR,

Hyderabad, Kolkata, Mumbai, Pune); Japan (Kawasaki, Tokyo, Yokohama); Philippines (Metro Manila); Singapore (Singapore); Taiwan (Taipei); Thailand (Bangkok); Vietnam (Hanoi, Ho Chi Minh). Data for the U.S. provided by REIS and CoStar Group and includes all shopping centers as defined above. Data for Canada is limited to major centers within each market. Data for Europe covers 34 countries (Austria, Belgium, Bosnia Herz., Bulgaria, Croatia, Czech Rep., Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, and the United Kingdom) and includes all shopping centers using the above definition. Data for Latin America covers 6 countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru) and includes all shopping centers using the above definition. The data are correct as at 1 January 2014 (Europe, Latin America, and China). In the case of Asia and North America, the data are correct as at March 2014.

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