

JLL EMEA RETAIL CAPITAL MARKETS
ISSUE #5, WINTER 2020

Retail



ReTell

A Message From Mike	03
Meet the Team	04-05
Our European Expert Capabilities	06
Highlights from our European Track Record	07
A Silver Lining for the European Retail Market	08-13
Contacts	14

ReTell is a bi-annual release by JLL that focuses solely on Retail Capital Markets within the EMEA region. It is produced to give a snapshot of our capabilities and professionals within the EMEA Retail Market.

For more exclusive ReTell content,
please visit www.jllretell.com

A MESSAGE FROM

Mike Bellhouse



Mike Bellhouse

Mike Joined JLL in 2003 and is since 2019 the head of JLL Retail International Capital Markets EMEA team, leading 70 professionals across Europe. Undertaking a truly Pan-European role, Mike has worked across all retail sectors within most European markets managing key mandates from UK through to CEE.

Head of JLL Retail Investment,
International Capital Markets, EMEA

E: mike.bellhouse@eu.jll.com
T: +44 (0) 798 059 74 19

What an extraordinary year we have been through. A health crisis that has provoked volatility on a global scale never witnessed during my (not so short) lifetime. However, to quote my US retail colleagues: 'This is not our first rodeo!' - disruption, volatility and change have become part of the norm for us working and investing in retail, and we have had to learn to adapt and embrace those challenges that are thrown at us, unprecedented or not.

Looking back at the past year we can clearly identify that the investor universe for retail has narrowed, and that those remaining are currently taking a "better safe than sorry" approach, with notable effect on deal execution and pricing even for the most attractive assets. The more defensive, grocery and convenience end of the market have been the retail sub-sectors of choice.

The retail market is at an inflection point. Both landlords and retailers have had to adapt quickly, and those that do not will be left behind. Retailers making the transition to an omni-channel model, where their online platforms compliment their physical stores, have significantly benefitted and have been

more resilient to the market issues created by the pandemic, as well as other retail headwinds witnessed during the past 24 months.

“Retailing must continue to be innovative and engaging, transparent and sustainable, and it is exciting to see how different formats take shape.”

The pandemic has accelerated the rate of change we were already witnessing in the retail markets, you could argue that we have witnessed eight years of change in eight months! This is not a bad thing, retailing must continue to be innovative and experiential, convenient and sustainable and it is exciting to see how these formats are taking shape – online retailers moving into physical space, physical retailers sharing online platforms, food & beverage embracing omni channel options, flagships, pop ups and dark kitchens.

Two Lockdowns and other free movement restrictions for many countries across Europe have made it evident that social interaction

is fundamental, people need places to spend time, meet and consume. The two-dimensional world of online provides a convenient channel, however, it only partly satisfies the five-dimensional human sense. The physical retail world serves an important purpose, it will be a smaller market place but it will be more robust.

An understanding of the specific resilience, fundamentals and characteristics that drive retail success and underpin the value of physical assets is key. The next inflection point will be the bounce back for relevant retail real estate and the accelerated repurposing of obsolete supply.

Expertise remains paramount and our JLL teams look forward to helping our clients understand those places that are best placed to withstand the current climate and benefit within the medium to long term. Out of volatility come opportunities, we remain here to help you find them.



Read this and more exclusive
ReTell content at jllretell.com



JLL Retail
Capital Markets:
Your No 1 EMEA team

Meet the Team

Zoe Johnston

Zoe joined JLL in 2009 and has been a Director in the International Capital Markets team since 2014. With substantial experience from the French market working for LaSalle Investment Management, Zoe has a particular oversight responsibility for France as part of her current role. Her involvement and expertise within the High Street sector spans across Europe, and she has led complex processes across a number of markets and clients.

E: zoe.johnston@eu.jll.com
T: +44 (0) 774 041 42 40



Jenny Tuleby

Jenny is a Senior Director in the International Capital Markets team, joining the team in 2014. Between 2010 and 2014, Jenny was based in Sweden and in her current role focuses particularly on the Nordic markets. Jenny also has a sector focus on Factory Outlets. She has been involved with and managed marketing strategies in a number of countries in the EMEA region including strategic, complex advice on multi-country portfolios.

E: jenny.tuleby@eu.jll.com
T: +44 (0) 773 862 54 47



Neil Lipscomb

Neil has over 25 years of commercial property experience, joining JLL in 1994 and the International Capital Markets team in 2002. Neil has worked across most countries in Europe and has had involvement in key shopping centres from Paris through to Zagreb. Between 2006 and 2009, Neil was based in Vienna with responsibility for shopping centre investment advice in Austria and across the SEE region.

E: neil.lipscomb@eu.jll.com
T: +44 (0) 777 176 48 93



Emma Tattersall

Emma joined the International Capital Markets team at JLL in 2018 after four years at Cushman & Wakefield where she was an associate director in the EMEA retail capital markets team. Emma has a strong client focus and has worked across a broad range of markets supporting local teams with process and client management from the start to finish of transactions.

E: emma.tattersall@eu.jll.com
T: +44 (0) 778 421 84 30

Our European Retail Expert Capabilities



RETAIL AGENCY

Trusted advisor to some of the most active retailers throughout Europe

A trusted retail advisor

RETAIL CAPITAL MARKETS

Leading retail advisor in EMEA markets



7 years at the forefront

RETAIL LEASING

Leasing 10 million sq m of space across more than 250 shopping centres

10,000,000 sq m

VALUATION

Valuing over 12,000 assets at a value of €200 billion

€200 BN

DEBT ADVISORY

Combining best-in-class financial advice with in-depth real estate knowledge



Best-in-class



RETAIL RESEARCH & CONSULTING

Market leading retail research and consultancy team

Highlights from our European Track Record

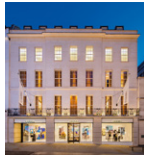
CLICK ON A DEAL TO FIND OUT MORE



£138m

Kings Mall, London, UK

[Find out more >](#)



£300m

Chanel, London, UK

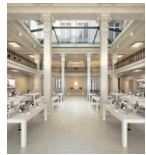
[Find out more >](#)



€250m

Project Leonardo, Paris, France

[Find out more >](#)



€600m

Apple Store, Paris, France

[Find out more >](#)



Confidential

8 asset portfolio, France

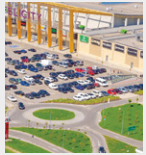
[Find out more >](#)



€181m

Project Spark, Netherlands

[Find out more >](#)



€298m

Project Sarmat, Poland

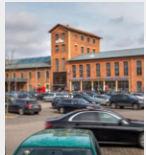
[Find out more >](#)



Confidential

PEP Torgau, Germany

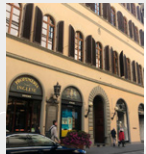
[Find out more >](#)



> €300m

Project Olymp, Germany

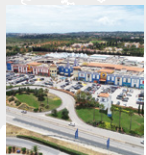
[Find out more >](#)



€52m

Tournabuoni, Florence, Italy

[Find out more >](#)



€180m

Project Poseidon, Algarve coast, Portugal

[Find out more >](#)



A Silver Lining for the European Retail Market

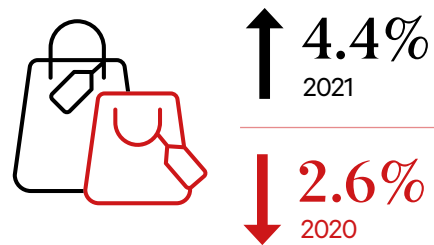
POLARISED CONSUMER DEMAND ACROSS
EUROPEAN COUNTRIES AND RETAIL SECTORS

The positive outlook for an efficient COVID-19 vaccine is likely to act as a turning point for the European retail market. However with challenges for retail stretching far beyond the pandemic, a lot still needs to be done and retailers will need to continue navigating unprecedented and challenging market conditions.

Considering the full year of 2020, consumer demand for retail goods overall has held up remarkably well, backed by strong government support in a large number of markets.

Retail sales for the EU27 are expected to end 2.6% lower in 2020 compared to 2019 levels, mostly caused by the sharp decline in sales observed in March and April when national lockdown measures were introduced in most European countries. Second lock downs are expected to have a further impact on sales during 2021. Oxford Economics expects retail sales to bounce back in 2021 with the EU27 and Eurozone forecast to see 4.4% and 3.8% year-on-year growth respectively.

RETAIL SALES GROWTH FORECAST EU27



The impact of the pandemic on individual European retail markets remains mixed. Retail sales in Germany and the Netherlands for 2020 are anticipated to be up 3.3% and 3.6% on 2019-levels. The Scandinavian countries of Norway, Finland, Denmark and Sweden are forecast to see an increase in retail sales of 7.1%, 2.7%, 2.6% and 2.4% respectively.

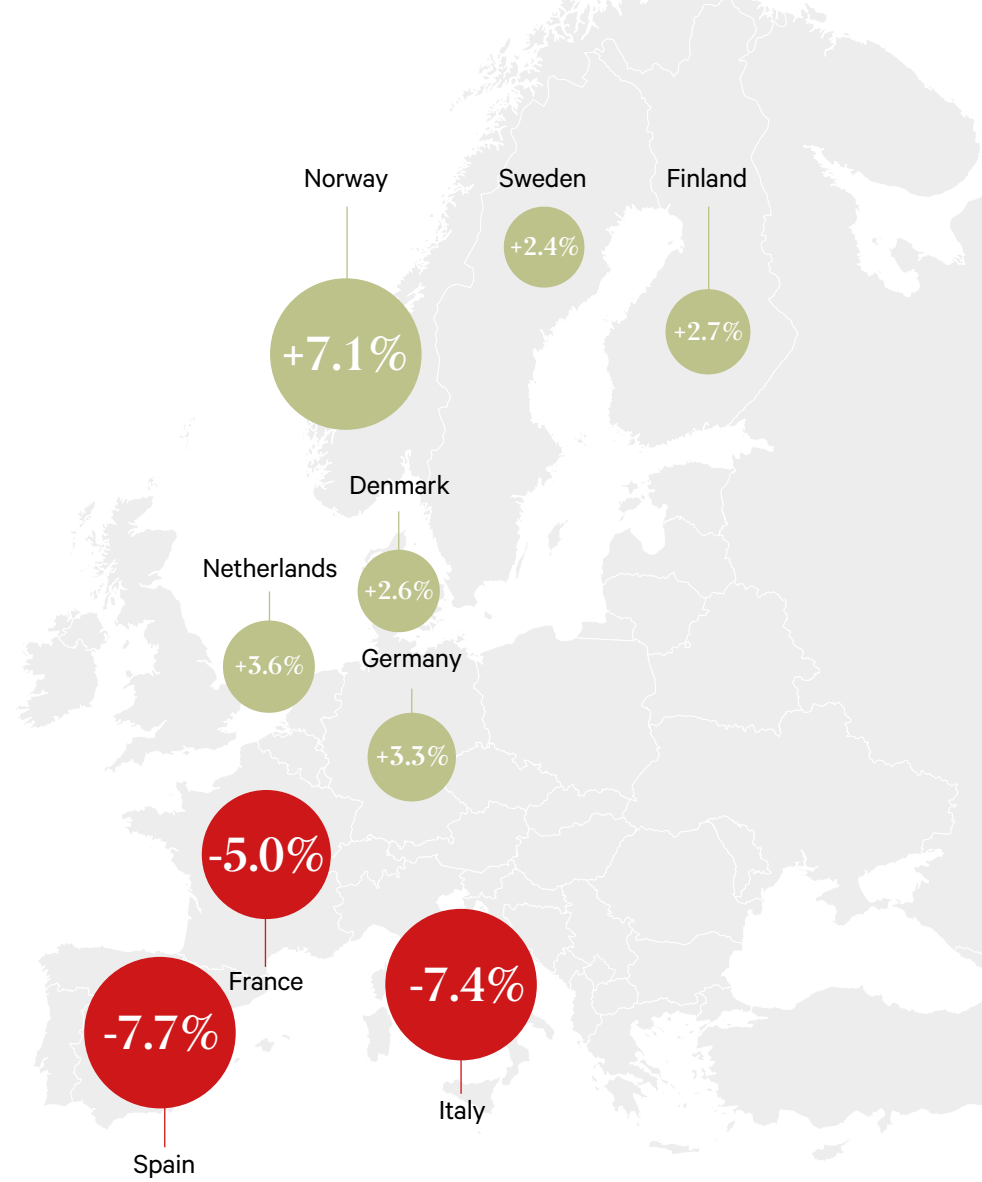
These countries are among the best performing retail markets globally in 2020, however with retail sales growth expected to soften in 2021. Conversely, countries such as Spain, Italy and France are faring less well with an anticipated decline in retail sales of over 5.0% in 2020, with all three markets however expected to see a strong recovery in 2021.

Despite challenging climate market conditions, various major retailers have been able to adjust their operations and return to profit during the summer months. One example is the fashion sector that have seen demand fall due to less need for leisure and formal wear as an effect of elevated levels of home working. Fast-fashion sales on the other hand have recovered more strongly than expected. Tighter cost control, a reduction in sales of discounted clothing and a focus on e-commerce are factors enabling a number of international fashion operators to return to profitability. With less people going on holidays or visiting leisure venues, consumers have instead spent more on big-ticket items such as furniture, DIY-products, electronic goods, luxury items, outdoor goods and bicycles.

The online sales channel has seen retail spend rise significantly during the pandemic, notably in March and April. Easing of lock-down measures did however mitigate this growth, albeit a part of the shift in retail spending towards online is likely to be permanent as the channel has welcomed new customers. This trend was also evident within the grocery sector.

For 2021, the Centre for Retail Research forecast online sales in Europe's major economies to fall in revenue and as a proportion of total retail spending, on 2020's elevated levels.

Retail Sales Growth Forecast 2020



Source: Oxford Economics, November 2020

ACCELERATED RIGHT-SIZING OF STORE PORTFOLIOS, CAUTIOUS RECOVERY IN LEASING ACTIVITY IN 2021

Various retailers have accelerated their real estate strategies in 2020. As retailers in the most developed countries are expected to occupy less physical retail space on a net-net basis, retail markets will gain clarity more quickly on relevant and productive retail destinations. The real estate requirements will evolve differently by country, retailer type and the level of structural change that is playing out.

Overall, long-term demand for space is pivoting towards large cities and major shopping destinations on the one hand and accessible local retail places on the other hand.

Many grocers have seen solid sales growth during the pandemic and remain focussed on expansion opportunities, including large floor plates that may become available due to potential failures of other retail and leisure operators. Due to margin pressures, more grocers are expected to explore sale and lease back options for releasing capital in the short and medium term.

Various electronic retailers, furniture specialists and DIY-stores as well as outdoor specialists and bicycle shops, have benefited from stronger than expected domestic spending. Requirements for new stores have not changed significantly.

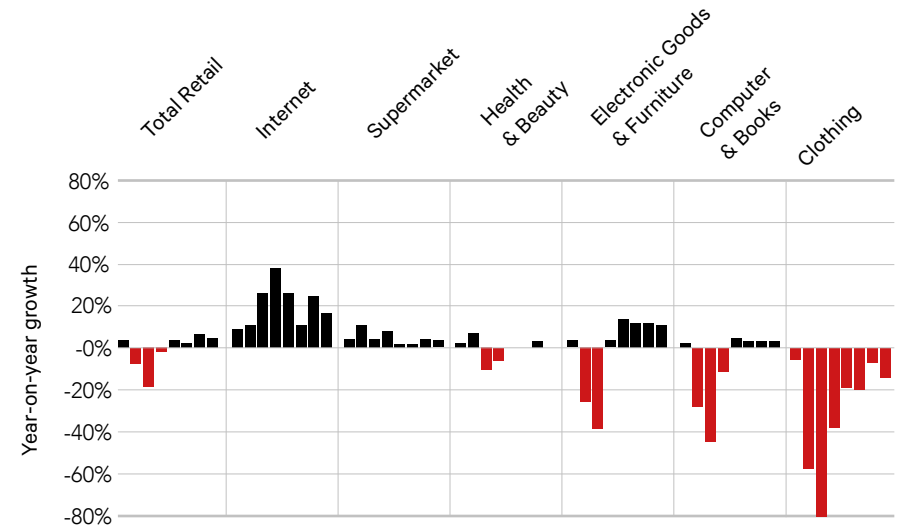
Well-capitalised operators and some manufacturers of consumer goods are looking to benefit from the current market conditions and aim to increase their exposure in inner-city areas.

The “right-sizing” strategies among various fashion retailers have accelerated, including the rationalisation of larger stores, coupled with major upgrades of the remaining stores, and closing of underperforming stores.

A large number of retailers, among them discount grocers, are introducing an extended click-and-collect service as part of their omni-channel strategy, to mitigate short-term risks related to the pandemic and provide customer reasons to keep visiting their stores.

The current trading conditions are also driving increased retailer demand for flexible lease structures, rents and space. For many pure-play operators, flexible leases may allow them to diversify operations, while managing risks.

Considering Europe’s key retail markets, overall expectations are that 2021 will see a cautious recovery in leasing activity and a further pick-up in 2022. The Covid 19 vaccine may act as a tipping point as early as H2 2021. With prime high streets and major shopping centre locations benefitting from a return of customers, pent-up demand and a desire to socialise again. Leasing activity could accelerate more quickly in the major cities, depending on the recovery of tourism flows. It should be noted that the outlook on recovery of the retail leasing market will vary significantly by market, retailer type and the level of structural change that is playing out.



**RETAIL TRADE VOLUME GROWTH EU27 BY CATEGORY
FEBRUARY – SEPTEMBER 2020**

Source: Eurostat, November 2020



SHARE OF GROCERY REAL ESTATE INVESTMENTS AS A PROPORTION OF TOTAL



Source: JLL, Q3 2020

EUROPEAN RETAIL INVESTMENT VOLUMES RISE IN Q3, HOWEVER REMAIN POLARISED

2020 has been a turbulent year for the European retail investment market. The year started well with Q1 volumes up 12.7% year-on-year to €8.3bn, supported by the 50% stake sale of four shopping centres in Portugal by Sonae Sierra to Allianz for €850m, the €475m joint venture sale of Intu Puerto Venecia by CPPIB and former Intu to Generali Real Estate and Union Investment Real Estate, and the €400m domestic trade of Farsta Centrum in Sweden with Stadsrum buying from Atrium Ljungberg.

The pandemic outbreak towards the end of Q1 led to a significant slow-down in activity. Q2 volumes fell 39% yoy to €4.9bn. The uncertainty around operational income raised questions around pricing and various planned transactions were put on hold. The market became polarised between large transactions, consisting of core shopping centres and defensive income producing retail portfolios, and small transactions by local buyers.

The polarised trend continued in Q3, however as investors gained more clarity on the impact of the pandemic and other challenging factors, investment activity started to pick-up and volumes rose to €6.4bn.

Glattzentrum shopping centre in Zurich sold for €940m, while ECE transferred three shopping centres, worth €500m, into a new investment fund.

RESIDUAL VALUE AND ASSET MANAGEMENT POTENTIAL

With the prospects of consumers being able to return to "a new normal", investor interest is likely to strengthen in 2021, albeit a mismatch in pricing expectations between sellers and buyers could constrain transactional activity, notably on the prime and near prime end of the European retail investment market.

The structural change of the retail market is likely to lead to a re-appreciation of grocery real estate as a defensive income producing asset by pension funds, institutional capital and dedicated long-income funds.

The share of grocery real estate investment as part of Europe's total retail investment grew from 6% in 2017 to 13% in 2019. With the pandemic impacting the wider investment market, grocery real estate attracted 20% of the capital flows targeting retail during the first three quarters of 2020. As more grocers are expected to explore sale and lease back options in the short and medium-term, investors have a unique window of opportunity to gain access to prime product.

Redevelopment potential is increasingly becoming a key driver for investments. Alternative uses have grown in recent years for both stand-alone grocery sites as well as retail parks as they are more likely to be able to be underwritten by high residual values.

Retail parks, ideally grocery-anchored and with low rent levels, will also appeal to investors looking for defensive income. Specialists operators will increasingly target these sites in and around the major urban areas to develop alternative uses, such as affordable housing and urban logistics.

The recovery in the shopping centre market will depend on the return in institutional demand. France and the Nordics are currently the only regions seeing institutional activity. Countries such as the UK, Germany and Poland currently see little institutional demand and the recovery may take longer to materialise, depending on pricing of core product. Strategic disposals and distressed sales are likely to move yield levels out in 2021. Once the economy improves and there has been at least six months of stability in operational income of shopping centres, yields are likely to compress again.

The secondary and tertiary shopping centre markets are seeing more activity with a wide range of buyers, including developers, PE-investors and UHNW-investors. Notable is that most of these acquisitions involve asset management and repositioning plans, targeting higher returns.



The COVID-19 pandemic has left deep scars on the European retail market, however the promise of a vaccine will likely allow people to return to a new normal and allow retail spend to potentially return to patterns seen before the pandemic.



The structural change that has been playing out throughout the retail supply chain over the past decade has received a boost as a large number of retailers have accelerated their real estate strategies, ranging from opportunistic store expansions to closing down of underperforming stores.

While less retail space is expected to be occupied in the near term on a net-net basis, the accelerated change is providing retailers and investors clarity on what space will remain relevant and productive. However, as pricing expectations adjust for weaker assets, a rising number of investors will be able to build a business case for asset management initiatives and repurposing some of the retail space, a development that will allow the European retail investment market to return to growth and become an attractive destination again for the wider investment community.



Read this and more exclusive ReTell content at jllretell.com



Words by
Tjard Martinus

Head of Retail Research
EMEA

Contacts

BELUX

Adrian Glatt	+32 2 550 26 28	adrian.glatt@eu.jll.com
Vincent van Bree	+32 2 550 26 65	vincent.vanbree@eu.jll.com

CEE/SEE

Adam Kiernicki	+48 22 167 0027	adam.kiernicki@eu.jll.com
Agata Sekula	+48 22 167 0026	agata.sekula@eu.jll.com
Agnieszka Kolat	+48 22 167 0010	agnieszka.kolat@eu.jll.com
Andrei Vacaru	+40 744 333 327	andrei.vacaru@eu.jll.com
Benjamin Perez-Ellischewitz	+36 18 026 242	benjamin.perez@eu.jll.com
Hana Kollmannova	+420 224 234 207	hana.kollmannova@eu.jll.com
Marcin Sulewski	+48 22 167 0360	marcin.sulewski@eu.jll.com
Mike Atwell	+420 227 04 3191	mike.atwell@eu.jll.com

FINLAND

Mathias Vuorelma	+358 40 823 9823	mathias.vuorelma@eu.jll.com
Tero Uusitalo	+358 40 010 3450	tero.uusitalo@eu.jll.com

FRANCE

Jérémy Rasoli	+33 1 40 55 17 07	jeremy.rasoli@eu.jll.com
Jessica Jaoui	+33 1 40 55 49 75	jessica.jaoui@eu.jll.com

GERMANY

Jörg Ritter	+49 69 2003 2316	joerg.ritter@eu.jll.com
Sabine Keulertz	+49 69 2003 1194	sabine.keulertz@eu.jll.com
Sandra Ludwig	+49 403 5001 1207	sandra.ludwig@eu.jll.com

IRELAND

Jacqueline Fitzpatrick	+35 316 730 701	jacqueline.fitzpatrick@eu.jll.com
John Moran	+35 316 731 637	john.moran@eu.jll.com

ITALY

Davide Dalmiglio	+39 285 868 649	davide.dalmiglio@eu.jll.com
Oriana Bezze	+39 285 868 695	oriana.bezze@eu.jll.com

NETHERLANDS

Lennard Magis	+31 20 540 5405	lennard.magis@eu.jll.com
---------------	-----------------	--------------------------

PORTUGAL

Fernando Ferreira	+351 213 58 3239	fernando.ferreira@eu.jll.com
Marlene Tavares	+351 213 50 2095	marlene.tavares@eu.jll.com

RUSSIA

Anders Liljenstolpe	+7 495 737 8000	anders.liljenstolpe@eu.jll.com
---------------------	-----------------	--------------------------------

SPAIN

Augusto Lobo	+34 91 789 11 00	augusto.lobos@eu.jll.com
Cristina Collado	+34 91 789 12 13	cristina.collado@eu.jll.com
Salvador Pastor	+34 695 55 14 94	salvador.pastor@eu.jll.com

SWEDEN

Daniel Anderbring	+46 70 846 47 86	daniel.anderbring@eu.jll.com
-------------------	------------------	------------------------------

SWITZERLAND

Jan Eckert	+41 442 157 510	jan.eckert@eu.jll.com
Patrik Stillhart	+41 442 157 511	patrik.stillhart@eu.jll.com

UK

James Bramble	+44 (0)20 7399 5411	james.bramble@eu.jll.com
Joshua Vernon	+44 (0)20 7087 5346	joshua.vernon@eu.jll.com
Nick Hart	+44 (0)20 7852 4031	nick.hart@eu.jll.com
Richard Brown	+44 (0)20 7318 7818	richard.brown@eu.jll.com
Tim Vallance	+44 (0)20 7318 7838	tim.vallance@eu.jll.com

EMEA DEBT

Claudio V. Sgobba	+44 (0)20 7509 6722	claudio.sgobba@eu.jll.com
-------------------	---------------------	---------------------------

EMEA RESEARCH

James Brown	+44 (0)20 3147 1155	james.brown@eu.jll.com
Tjard Martinus	+31 20 5 405 405	tjard.martinus@eu.jll.com

EMEA RETAIL AGENCY

Astrid Cheyne	+44 (0)20 7087 5710	astrid.cheyne@eu.jll.com
Ben Binns	+44 (0)20 7087 5245	ben.binns@eu.jll.com
James Dolphin	+44 (0)20 7852 4623	james.dolphin@eu.jll.com

EMEA RETAIL VALUATION

Christian Luft	+44 (0)20 7852 4879	christian.luft@eu.jll.com
----------------	---------------------	---------------------------

ReTell

For more exclusive
ReTell content, please visit
www.jllretell.com

