

## Press Release of 27<sup>th</sup> October 2022

Ladies and gentlemen of the press,

ecostra GmbH has been analysing the status and development of outlet centres in Europe for many years within the framework of ongoing basic research. The results are summarized in a quarterly updated market survey with a list of all outlet centres that are in operation or in a planning stage. This market survey is available free of charge as a PDF file on the ecostra website.

In the following press release, the results and findings from the analysis of the latest available data on the outlet centre market in Europe are prepared and commented.

We would be very pleased if you could include this press release in your publication. If you need further illustration material (e.g. printable photos of selected outlet centres), we can also provide it to you free of charge and without copyrights.

If you have any questions, please do not hesitate to contact us. Contact person is Dr. Will on phone no. +49 (0)611 716 95 75-0 or email [info@ecostra.com](mailto:info@ecostra.com).

With kind regards

ecostra GmbH

### **Outlet centres: The boom market shows skid marks**

Since the opening of the first professionally designed outlet centres in Europe at the beginning of the 1990s, this new form of retail distribution has been a success story. Double-digit percentage turnover growth, space productivity well above the benchmarks known from shopping centres, sustained high demand for space from tenants and dynamic development of sites in the European markets. This development was slowed down somewhat in individual countries only by the resistance of neighbouring cities and restrictive planning laws that forced new settlements or extensions of operating centres into complex and cost-intensive approval procedures with uncertain outcomes. Nevertheless, the triumph of the outlet centres seemed unstoppable. In addition, the outlet centres proved to be largely immune to the effects of online shopping and, even after the Corona lockdowns, visitors again flocked en masse to these centres. But now the European outlet market is suddenly showing clear signs of braking: the latest sales reports point to stagnating at best, if not declining. What has happened?

#### **Consumer reticence also affects the outlet centres**

*"This is mainly due to the increase in energy and heating costs, which are fuelling inflation and are now having a full impact on the population's propensity to consume,"* explains Joachim Will. Will is the managing director of the Wiesbaden-based economic consultancy ecostra, which has been dealing with the development of retail markets in Europe - and especially outlet centres - for many years. *"Consumers already notice the price increase at the petrol pump and many are very aware that the next service charge for the flat or house will offer unpleasant surprises,"* says Will. Obviously, the outlet centres cannot completely escape this either.

#### **Lack of staff exacerbates the situation**

Another problem that the outlet centres are now also facing is the lack of qualified staff. Will: *"We have been told by various centre managers that they are currently hardly able to maintain the opening hours*

*that have been generously utilised so far with the current staff capacities."* This is quite surprising, as the brand stores of the outlet centres have so far hardly had to complain about a lack of staff due to good conditions and the training and further education opportunities. Since these centres are often also geared towards tourist target groups and the employees are supposed to act as brand ambassadors, multilingual specialist staff is wanted and qualified advice for customers is sought.

### **Outlet centres are more crisis-resistant**

Has the successful model of the outlet centre now also arrived on the hard ground of reality? *"Yes and no!"*, emphasises the ecostra managing director. According to his findings, the latest developments show once again that the frequently presented thesis that outlet centres perform anti-cyclically is not true and has never been true. If this thesis were correct, it would mean that in times of economic crisis the centres would boom and in phases of economic growth they would be confronted with declining sales. The actual development, however, shows a different picture: outlet centres have long since proven that they perform excellently even in times of a general boom, but even a recession does not leave this form of distribution completely unscathed. Will: *"Outlet centres are definitely more crisis-resistant. An economic downturn arrives later at this form of distribution, is milder and the recovery in an upswing is faster than that of the rest of the retail trade. But, no doubt, the current situation also poses a very special challenge for outlet centres."*

### **Growth momentum of outlet centres in Europe is weakening**

Between June 2021 and June 2022, the number of outlet centres in Europe increased by 6 locations to 198 centres, according to ecostra research, and the retail sales area increased by almost 120,000 m<sup>2</sup> to now almost 3.3 million m<sup>2</sup>. Thus, the previous growth continued overall - albeit at a slower pace. While in the United Kingdom, the market with the highest outlet density in Europe, a slight reduction in the stock was recorded during this period, in countries such as Germany, Italy, Russia and Lithuania there was a further expansion of the sites. The country's first centre also opened in Cyprus. Quite surprisingly, the European market leader McArthurGlen abandoned its plans for a new site and an expansion in Remscheid and Ochtrup after the German Federal Administrative Court overturned the development plans in January 2022 due to formal errors. This means that McArthurGlen has abandoned a planning process that took more than 10 years and has written off upfront costs in the tens of millions. Apart from extensions to existing properties in Zweibrücken and Montabaur, there is currently no new planning for a site in Germany that would be backed by one of the large international outlet operators.

### **Russian outlet market with a full stop**

The future development of the outlet market in Russia is currently confronted with the most question marks, which can be directly attributed to the consequences of the Russian war of aggression in Ukraine. Due to a brand-oriented population and a high number of cities with millions of inhabitants, the country was considered "the" future growth market for outlet centres for many years. The development west of the Urals was accordingly tumultuous and 10 comparatively large-scale centres were opened within only a few years. This development has largely come to a standstill as a consequence of the Ukraine war and Western boycott measures. Many prominent brand manufacturers, such as the sports brands Nike, Puma and Adidas, have withdrawn from Russia. So have fashion manufacturers across the price spectrum, from H&M and Zara to Chanel, Hermès and Gucci. Others still supply their franchisees, such as Hugo Boss, but have closed their own stores. Still others try to circumvent the boycott and supply their stores with goods that are smuggled via third

countries, such as Kazakhstan. As a result, the number of empty shops in Russian outlet centres is increasing. Will: "A return of these brands to Russia, even after an end to Russian aggression, is probably out of the question for the foreseeable future. The Russian outlet market will not recover from the blow Putin has dealt it for years to come. The Western brands cannot be replaced. These are not just skid marks, this is a full stop!"

### The Outlet Centre Market in the European Countries 2022. Current Status and Development Trends

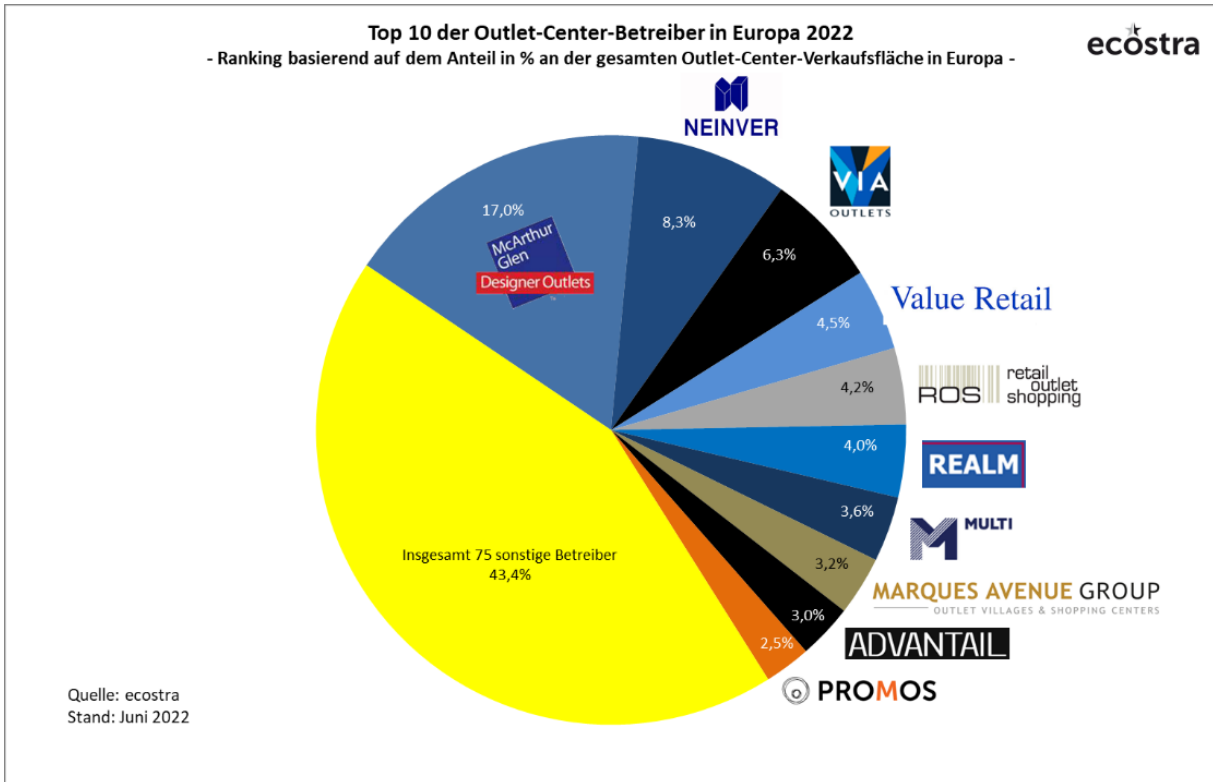
Country <sup>(1)</sup>	Number of Outlet Centres	Total Retail Sales area in m <sup>2</sup>	Ø Retail Sales Area in m <sup>2</sup> per Centre	Retail Sales Area in m <sup>2</sup> per 1.000 Inhabitants	Number of planned Sites	Medium Term Trend <sup>(2)</sup>
IN OPERATION						
UK	38	581.735	15.309	8,8	4	↗
Italy	26	563.120	21.658	9,5	3	↗
France	22	357.655	16.257	5,5	3	↗
Spain	19	276.140	14.534	6,0	1	→
Germany	18	265.795	14.766	3,2	6	↑
Poland	14	214.500	15.321	5,6	1	→
Russia	10	199.050	19.905	1,9	-	↓
Portugal	5	88.550	17.710	8,6	-	→
Switzerland	5	77.500	15.500	9,1	-	↘
Greece	5	74.400	14.880	6,7	1	↗
Netherlands	4	99.000	24.750	5,8	1	↗
Czech Republic	4	73.500	18.375	6,9	-	→
Austria	3	74.000	24.667	8,4	-	→
Lithuania	2	40.700	20.350	14,1	-	↘
Belgium	2	32.000	16.000	2,8	1	↗
Sweden	2	30.000	15.000	3,0	1	↗
Hungary	2	29.500	14.750	3,0	-	→
Croatia	2	25.270	12.635	6,0	-	↘
Romania	2	23.000	11.500	1,2	-	→
Norway	2	21.500	10.750	4,1	-	→
Finland	2	20.500	10.250	3,7	-	→
Ireland	2	20.000	10.000	4,2	1	↗
Denmark	2	20.000	10.000	3,5	1	↗
Ukraine	1	15.000	15.000	0,3	-	→
Bulgaria	1	13.000	13.000	1,8	-	→
Serbia	1	13.000	13.000	1,8	-	→
Cyprus	1	12.500	12.500	11,2	-	→
Latvia	1	10.000	10.000	5,1	-	→
Slovenia	-	-	-	-	1	↗
<b>Insgesamt</b>	<b>198</b>	<b>3.270.915</b>	<b>16.520</b>	<b>-</b>	<b>25</b>	<b>↗</b>

<sup>(1)</sup> = Ranking in descending order by number of sites in operation

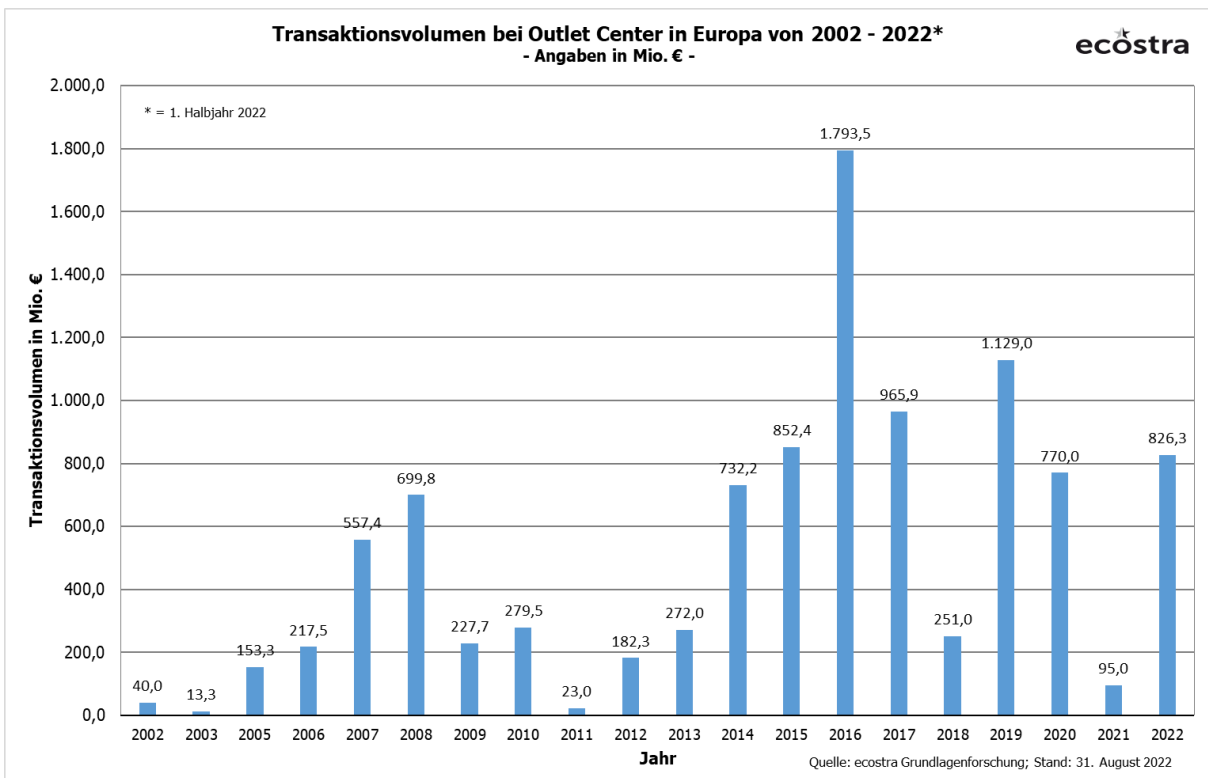
<sup>(2)</sup> = Classification of the medium-term trend in the development of the number of outlet sites and outlet sales area equipment in the corresponding countries from ↑ (= booming) to ↓ (=rapidly declining)

Source: ecostra-research, Status: June 2022

The largest outlet centre operators in Europe on the basis of the outlet sales area in operation



The development of annual volumes of outlet centre transactions in Europe from 2002 to 2022 in million €<sup>1</sup>



<sup>1</sup> 2022 as of 31<sup>st</sup> August 2022

**Definition Outlet Centre:**

Outlet Centres are an agglomeration of many outlet store units within a coordinately-planned or a spatially-interrelated complex of buildings with more than 5,000 m<sup>2</sup> retail sales area (= approx. 6,000 m<sup>2</sup> GLA) and with more than 20 outlet stores. There brand manufacturers and vertically-integrated retailers sell past seasons, factory seconds, surplus stock etc. directly to the consumer, without using retail businesses as (intermediate) distributive channels. All products are sold with a discount to the original high-street price of at least 25 %, whereas double-pricing (“High Street Price” / “Outlet Price”) is ruled by the leasing contract. The marketing targets a supraregional area and above all customers from far away are addressed. The coordination, organisation and marketing of an outlet centre is carried out by a centre management.

**ecostra company profile**

ecostra GmbH is one of the leading management consultancies for the real estate business and the retail trade. Beside consulting tasks as for example the optimisation of the existing retail net of companies, the production of location analyses and studies for the expansion planning as well as feasibility and profitability investigations for project developers, financial service providers and investors ecostra also compiles utilization concepts for shopping centres or analyses the chances and risks, e.g., of a possible relaunch of a centre. Beside the private sector, ecostra also works for the public sector by providing retail concepts for cities and regions and offers expert advice for approval procedures, administrative court procedures and cartel court procedures. The spatial field of activity encompasses all European countries, seat of the enterprise is the Hessian capital of Wiesbaden.

Beside the classical shopping centres a special focus of the retail trade research is put by ecostra at outlet centres. Here ecostra has published among other things a fundamental study on behalf of the German federal ministry of construction as well as various books and articles on the location requirements, the relevant operational aspects as well as to the impact of outlet centres on regional trade.