

Press Release of 06th September 2023

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.

With kind regards

ecostra GmbH

The European outlet centre market takes a breather

Turnover back to pre-Corona level, but hardly any new projects. Is the market saturated?

Branded goods at discounted prices in a pleasant shopping environment. This formula for success, together with a distinct destination character for a day trip, has resulted in the fact that outlet centres have had a stormy development in the European countries in recent years. Neither the significant market share gains of online shopping nor the Corona pandemic could stop the triumphant march of outlet centres. Even the resistance of neighbouring cities and retail organisations had an effect only in a few countries. Thus, the number of sites and outlet space continued to increase every year. Only the rising energy prices and general inflation in the wake of the Ukraine war led to the first signs of braking and ensured that the outlet market is currently moving in what is now fairly calm waters. Or to put it briefly: there is - almost - nothing happening! This is now also noticeable in the inventory data for this form of retail distribution.

Number of outlet centres and outlet space is slightly declining for the first time

For the first time since the Wiesbaden-based economic consultancy ecostra began systematically recording and statistically evaluating data on outlet centres in European countries almost 20 years ago, the number of outlet centres and their retail sales area has declined slightly in total. As the latest available market data show, in a year-on-year comparison of 2023 to 2022, on balance of the additions and departures, the number of centres in operation fell by one location to now 197 and the total retail sales area fell by approx. 0.8 % to now approx. 3.2 million m². *"All in all, a very moderate decline, which can be attributed primarily to the now probably final closure of the Zsar Outlet Village in Virolathi, Finland, and the Killarney Outlet Centre in Ireland,"* emphasises Dr Joachim Will. The ecostra managing director names the reasons for the closures: *"The Zsar Outlet Village, located directly on the Finnish-Russian border, had been suffering from a recognisable vacancy problem since its opening in 2018 and was also strongly geared towards Russian tourists, who have now completely failed to arrive in the wake of the Ukraine war. The banks have now pulled the ripcord at the end of*

last year. The Killarney Outlet Centre was simply too small with a total rental area of about 7,000 m². And then, last year, Nike, the sports retailer, the only magnet tenant, left the centre. This sealed the fate of this property as well."

Strongly curbed expansion among the top operators

These closures were countered by only a few new openings and expansions, with the Designer Outlet Paris-Giverny developed by McArthurGlen in the west of the French capital probably being the most remarkable project. Since then, McArthurGlen has apparently shown little inclination to embark on new projects, partly because this is usually associated with lengthy and expensive approval procedures. After more than 10 years of planning and upfront costs in the double-digit millions, McArthurGlen has abandoned the project in Remscheid (North Rhine-Westphalia). This is now being pursued with a modified concept and reduced size by the Dommermuth family of investors, who already own an outlet centre in Montabaur (Rhineland-Palatinate) and are aiming for an opening in Remscheid in 2027. Two other heavyweights of the European outlet market are also putting the brakes on their expansion. Value Retail has already completely stopped its expansion in Europe for several years and, in addition to optimising and further "trading up" its existing, already very successful sites, is concentrating on new developments in China and the USA. The number two in the European outlet market, the Spanish operator Neinver, has announced the opening of a centre in Valserhône, France, near the Swiss border, but otherwise shows no ambition for further new developments.

Shopping centres seek repositioning as shopping / outlet hybrids

However, the crisis in many shopping centres has led their owners to consider hybrid concepts that combine outlet shops and conventional retail outlets. Such concepts envisage the integration of outlet stores, whereby this is done separately on different sales levels or sub-areas of a centre. Will: *"Such shopping centres / outlet hybrids are anything but new and have already been implemented in several European countries in the past. For example in Portugal, Italy, England, Germany and Poland. The demand is growing strongly. We currently receive at least one request per month for a feasibility study for such a concept. And the enquiries come from all European countries, most recently from the owner of a very prominent shopping centre in Switzerland."* In individual cases, such a solution can certainly be a suitable strategy to reposition a problematic centre in the market. However, the demands on conception and management should not be underestimated here either. The basic prerequisite is an already existing, liberal building law and space rental prices that are significantly below the rental price level known from outlet centres.

Energy saving requirements make themselves felt in financing

The ecostra managing director sees another reason for the current lack of dynamism in this market in the ESG problem. In this acronym, the first letter "E" is particularly relevant for outlet centres. This stands for "Environment" and is aimed at saving CO₂ emissions. Although open construction concepts such as the village types often found in outlets are usually considered more favourable in terms of these emissions, since no large mall areas have to be heated or cooled, their shop units are hardly suitable for carrying relevant solar panels for generating their own electricity, for example, due to their statics. However, financing banks are increasingly looking at the CO₂ balance in connection with the energy efficiency and resource consumption of such properties and are hesitant to provide longer-term financing when weighing up the risks. In addition, the financing environment has generally become more difficult due to interest rate developments, and construction costs have risen sharply.

Is the outlet market saturated?

A saturation of the outlet centre market is not yet discernible in any European country. Will: "For some years we were convinced that the United Kingdom, with 38 outlet centres in operation, was a saturated market. The same was true for Italy with 26 centres. But in both countries new sites are under construction or in the pipeline, although their completion will take some time." The ecostra managing director assumes that with every new opening elsewhere, competing properties with poorer concepts or location conditions will be forced out of the market. But apparently - according to Will - the market is still receptive. This is especially true for Germany, where the time-consuming and expensive approval procedures tend to have a braking effect. Will: "The tenant demand for space in good sites and concepts is there in any case. And the turnover in the outlet stores has already reached the pre-Corona level again and often even exceeded it. This will further fuel the demand for space. From our point of view, the current rather stagnant outlet development in Europe is at best a pause for breath."

The Outlet Centre Market in the European Countries 2023. Current Status and Development Trends

Country ⁽¹⁾	Number of Outlet Centres	Total Retail Sales area in m ²	Ø Retail Sales Area in m ² per Centre	Retail Sales Area in m ² per 1.000 Inhabitants	Number of planned Sites	Medium Term Trend ⁽²⁾
IN OPERATION						
UK	38	581.735	15.309	8,6	5	↗
Italy	26	557.120	21.428	9,4	3	↗
France	23	350.655	15.246	5,2	2	↗
Spain	19	276.140	14.534	5,8	1	→
Germany	18	264.795	14.711	3,2	5	↑
Poland	14	215.500	15.393	5,7	1	→
Russia ⁽³⁾	10	199.050	19.905	1,4	-	↓
Portugal	5	88.550	17.110	8,2	-	→
Switzerland	5	77.500	15.500	8,8	-	↓
Greece	5	74.400	14.880	7,0	1	→
Netherlands	4	99.000	24.750	5,6	1	↗
Czech Republic	4	73.500	18.375	7,0	-	→
Austria	3	74.000	24.667	8,2	-	→
Lithuania	2	40.700	20.350	14,5	-	↓
Belgium	2	32.000	16.000	2,8	1	↗
Sweden	2	30.000	15.000	2,9	1	↗
Hungary	2	29.500	14.750	3,0	-	→
Croatia	2	25.270	12.635	6,5	-	↓
Denmark	2	25.000	12.500	4,2	1	↗
Romania	2	23.000	11.500	1,2	-	→
Norway	2	21.500	10.750	4,0	-	→
Ireland	1	17.200	17.200	3,4	1	↗
Ukraine	1	15.000	15.000	0,4	-	→
Bulgaria	1	13.000	13.000	1,9	1	↗
Serbia	1	13.000	13.000	1,8	-	→
Cyprus	1	12.500	12.500	13,9	-	→
Latvia	1	10.000	10.000	5,3	-	→
Finland	1	8.500	8.500	1,5	-	→
Slovenia	-	-	-	-	1	↗
Luxembourg	-	-	-	-	1	→
Total	197	3.245.115	16.473	4,6	26	↗

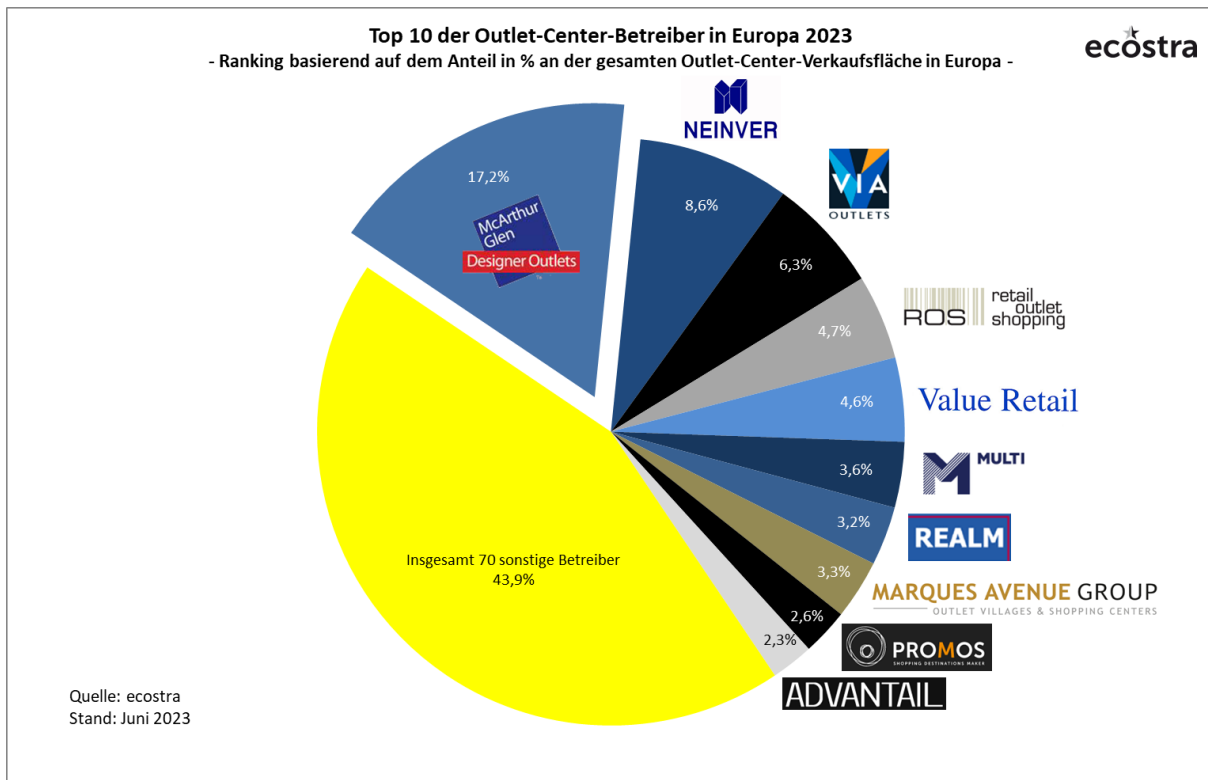
⁽¹⁾ = Ranking in descending order by number of sites in operation

⁽²⁾ = 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)

⁽³⁾ = Because of the withdrawal of most brand manufacturers from the Russian market due to the sanctions resulting from the Russian war of aggression in Ukraine, the current situation of Russian outlet centres cannot be reliably assessed.

Source: ecostra-research, Status: June 2023

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



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 m² retail sales area (= approx. 6,000 m² 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.