Market Focus Q2 2018

RETAIL LETTING

Take-up in German cities H1 2018

- MARKET ACTIVITY RESTRAINED – NOT IN A-CITIES
  The stable development in income expectations, which has resulted in an increased propensity to buy among consumers in recent months, underlines the positive sentiment in the retail industry in Germany. Nevertheless, the retail sector continues to undergo change, which is reflected among other things in longer negotiation periods for new lettings and as a consequence a lower take-up in City Centre locations. Against this background, a result below the long-term average was achieved in the first half-year with a take-up of around 300,000 m² and more than 550 lettings and openings. What is particularly notable here, though, is the steadily increasing share in take-up of A- and B-locations, which at 82% is much higher than in the very strong years 2014 and 2015 (around 70%), in which the take-up was boosted significantly by the opening of a multitude of large Inner-city shopping centres (including the Mall of Berlin). What is also pleasing is the result of the top cities, which improved by 19% compared to the previous year and which continue to attract national and international retailers with their excellent framework conditions.

- INCREASED FOCUS ON SHOPPING METROPOLISES
  Overall the A cities, which in addition to the Big 6 also number Stuttgart, Leipzig, Hannover and Nuremberg, account for a little less than 30% of the volume and more than one third of the registered deals. Besides the comparatively very good retail-related figures, in particular the factor of brand building, with shops being placed in the best possible locations in the major shopping destinations, is having an impact here. This in no way means that retail is stagnating in other cities: Busy market activity was also seen in important B cities such as Dortmund, Wiesbaden and Bonn. In the category other cities, not least Augsburg, where the former K&L building on Königsplatz is being restructured and an attractive tenant mix is emerging, is worthy of mention.

Take-up in the Top 10 markets H1 2018

- HIGHER DYNAMIC IN 7 OUT OF 10 TOP MARKETS
  A half-year result of a little less than 90,000 m² and around 200 lettings and openings make it plain for all to see: Even in times of numerous structural changes in the retail landscape, the A-cities become no less attractive and can come up with new labels and concepts in 2018. As in the past, the top positions are claimed by those cities in which Inner-city project developments provide the market with new, modern space. Against this background, Düsseldorf takes first place at the mid-year point following the upgrading of Schadowstrasse and the development of the Kö-Bogen 2.
Catering accounts for one in every five lettings

One of the most-discussed transformation processes in the retail sector has been and remains the advance of catering concepts, which are capitalising on the current situation and continuing to expand in the city centre locations. While they have accounted for just over 14% of all lettings and openings recorded in the last five years, in the first six months of 2018 they have generated a respectable share of around 19%. They have repeatedly played a not insignificant role for the development of hybrid properties and quarters regarding the usage mix. The most active retailers in the various categories pizza/pasta, burger concepts, salad/sandwich and coffee shops are L’Osteria, Hans im Glück, Subway, dean&deavid and Coffee Fellows. As usual, clothing companies contribute the biggest share (29%), and together with catering account for almost half of the market activity. The top three is completed by the sector bodycare/healthcare (9%): Besides the drugstores Rossmann and dm, glasses labels and in particular Mister Spex and Viu are represented time and again in this sector.

New trends, upcoming and established labels

Despite the slight drop in the letting figures of clothing labels, once again there is no way around this demand group. An important trend is seen here not least the sports sector, which continues to grow with increasing registrations of fitness studios. In this connection, in particular the opening of the owner-managed, 5-floor L+T sports store in Osnabrück, which sets completely new standards in terms of combining shopping and experience, is worthy of mention. The new Asics flagship in Cologne’s Schildergasse and the Intersport Future Store in the Alexa shopping centre in Berlin, which both opened at the end of 2017, can also be used as examples of this. However, the currently most expansive brands are not sports goods brands. Besides the traditionally very active retailers such as Hunkemöller, TK Maxx and the concepts of the Bestseller Group, H&M is concentrating increasingly on expanding its brands such as Weekday and Monki and establishing its new label Arket. In addition, the renowned international labels Topshop and Uniqlo are picking up the pace in Germany. A colourful picture is also produced by the countries of origin of international fashion brands, with Scandinavian brands making the biggest contribution with 35%.