

Like-for-Like

The retail experts detect only very selective growth opportunities for specific concepts in Germany, Austria and Switzerland. There is an increasing awareness that in the coming years there will be a significant trend towards the like-for-like growth.

by Andreas Altstädter



Vienna remained a highly-attractive retail location in 2016. On a list of cities where retailers want to expand, Vienna is in place 5 in Europe and 13 in the world. This is also illustrated by the market launches of numerous international chains. "Austria and Vienna in particular stands for security, economic stability, high quality of life and a strong tourism trade – all factors, which are important to international retail merchants," explains EHL retail expert, Jörg Bitzer.

"The retail market in Austria in 2016 can be considered stable - as opposed to 2015," confirms Walter Wölfler, Head of Retail Austria & CEE at CBRE. The number of market entries was nearly constant (2015: 32, 2016: 37), but, "in

2017 we expect fewer launches than in the past two years," he says. New areas of 113,000 sq m in shopping and specialty centers, which came on the market in 2016, almost reached the level of 2015 (about 115,000 sq m). However, new openings of specialty shopping centers will drop significantly in 2017. The largest expansions or new openings of shopping and specialty centers in 2016 were those of Hatic in Hartberg (area expansion of 15,000 sq m), Plus City in Pasching (expansion of 31,000 sq m) and ELI in Liezen: new opening of 15,000 sq m. This year the focal point will be Vienna again, when in the autumn the "huma eleven" in Simmering will be enlarged by 20,000 sq m and around 90 shops; as well as the new "Post am Rochus" that will open with 5,500 sq m and 20 shops.

Thereby, the companies are concentrating on the absolute prime locations and these could sustain their premium rents. The price per square meter at the moment is up to 400 Euros on Kohlmarkt, up to 250 Euros on the Kärntner Straße and up to 120 Euros on the Mariahilfer Straße. In the top shopping centers the rents reach up to 125 Euros per sq m. "The trend of focusing on the prime locations is increasing and, as a consequence, it creates problems in the secondary areas – every now and then this affects districts that were considered attractive just a few years ago," says Bitzer.

Most recently, fashion chains like C&A, Vögele or Tom Tailor announced that they were planning to perform critical reviews of their European stores and it is expected that the Vienna

branches in the less popular (B locations) will be affected as well. "The demand for space by new retailers cannot compensate for the general reduction in area," according to Bitzer. "As a whole, new rentals are dropping and the decisions concerning location are taking considerably longer. Currently, landlords have to accept lower rents for subsequent lettings, except in the absolutely top locations like the Kärntner Straße."

Over-the-counter retail merchants have to come up with innovative designs in order to be able to compete with the on-line shopping trend. "Pop-up stores and original culinary concepts are two issues that will definitely occupy the owners and operators of shopping centers in 2017 and might provide more



„In 2017 we expect fewer launches than in the past two years.“

Walter,
Head of Retail, Austria & CEE at
CBRE Österreich

Source: CBRE, Fotolia, EHL



Top 10 Shopping-Street Rentals Q1 2017

	NET RENT EUR/SQM/MO.
Kohlmarkt	210 - 400
Graben	180 - 290
Kärntner Straße	130 - 250
Innere Mariahilfer Straße	40 - 120
Rotenturmstraße	30 - 110
Favoritenstraße	25 - 70
Neubaugasse	20 - 65
Landstraßer Hauptstraße	15 - 50
Meidlinger Hauptstraße	12 - 25
Thaliastraße	10 - 25

Source: EHL-Market Research | Q1 2017

Shopping Center Rentals Q1 2017

	NET RENT EUR/SQM/MO.	PRICE TREND
A-location	40 - 125	slightly rising
SCS, Donauzentrum, Auhof Center etc.		
B-location	15-50	stable
Q 19, Lugner City, BahnhofCity Wien We		
District Centers	6 - 13 Euro	slightly falling

cialised concepts and there is an increasing awareness that in the coming years there will be a noticeable trend towards the like-for-like sales growth," explains Bitzer. "Shopping centers, which are not prepared to actively adjust their businesses strategies daring to competently apply innovation to meet the new market conditions - includeing rental adjustments - will have the cards stacked against them."



„There is an increase of 0.5% in retail space in the shopping streets.“

Hannes Lindner,
Standort + Markt managing director

customers," believes Bitzer. "Basically, the aim is to provide additional services to make shopping into a more exciting and personal experience, thus gaining ground against on-line shopping."

Large expansion of retail spaces is not expected in 2017. With 5,500 sq m of available retail area, Post am Rochus in the third district is a new project worth mentioning. The huma eleven in Simmering, which will finalise its expansion, began last year and the "Seeparkquartier" in Seestadt Aspern will be enlarged by 1,500 sq m. The retail experts expect a like-for-like growth here. "In Germany, Austria and Switzerland, for various reasons, we will see practically only very selective growth opportunities for spe-



„New rentals are dropping and the decisions concerning location are taking longer.“

Jörg Bitzer,
EHL Immobilien



It is often bemoaned that the inner cities are dying out, but there is no indication of this tendency in Vienna regarding the retail market. One cannot, however, conclude that the merchants are returning to the inner cities by looking at one statistic, according to Hannes Lindner of Standort + Markt. Even the international chains are approaching expansion more slowly. The most prominent new openings last year were still mostly stores belonging to the international corporation of Inditex or the H&M group. At least this is the conclusion drawn in the report regarding the retail business in Austria published annually by the consulting firm of Standort + Markt. From a sample perspective of 15 cities, it was found that shopping floor space including gastronomy, services and

leisure has increased for the fourth consecutive year. In total, they evaluated 22 shopping streets with an area of 1.6 million sq m in all of Austria.

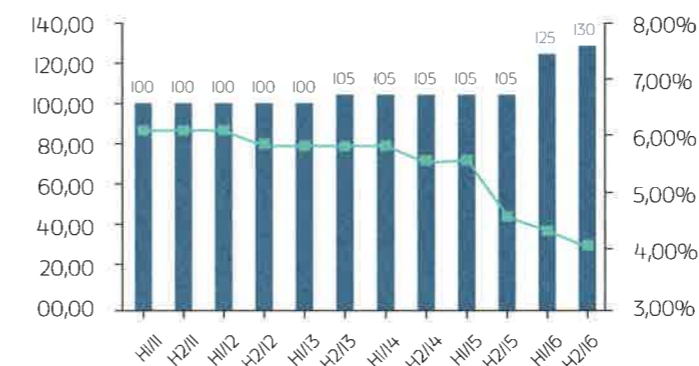
There was no indication of "dying" shops in the surveyed shopping streets; in fact, there was a slight increase of 0.5% in retail space. The vacancy rate of 4.8% in those city districts is only slightly above the Austrian shopping centers (3.5%), explains Roman Schwarzenacker of Standort + Markt. However, it has definitely risen in the last couple of years. Within the city samples it is at 4% across the entire agglomeration; in 2013 it was 3.7%. From the point of view of inner cities, the situation is even more sensitive – here the vacancy rate has risen from 4% in

2013 to 5.2% last year. The only exception are the prime areas (A locations), where most of the international chains have their shops, the rate was the lowest at 2.9%. In fact the multi-branch ratio in retail in the inner cities has risen further and in the prime locations has reached a value of 58%.

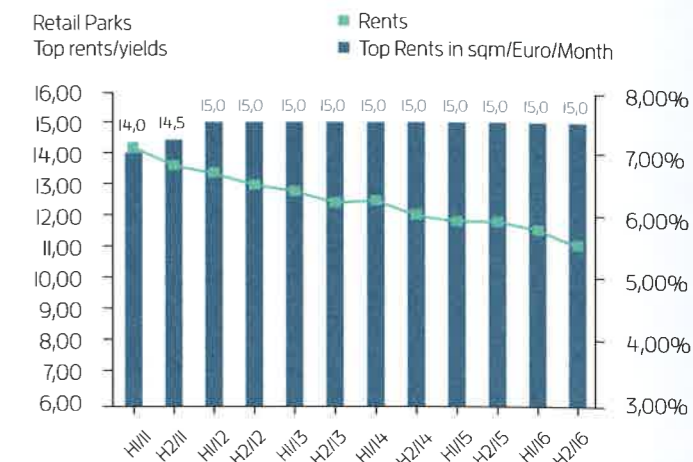
In the districts with high density and a low vacancy rate, "we are dealing with sound and desirable inner cities," says Schwarzenacker. These inner cities are, in particular, the Vienna Mariahilfer Straße and the Landstraßer Hauptstraße, as well as the prime shopping locations in Graz, Linz, St. Pölten and Innsbruck. ■

Investment Market Retail Austria

Shopping Centres
Top rents/yields



Retail Parks
Top rents/yields



Source: EHL Market Research | Q1 2017

- Comparatively low volume caused by lack of products in 2017
- Large-volume retail premises are especially lacking
- High demand driven by financially sound international investors
- Returns for both retail premises and retail parks remain strained
- Convenience projects increasingly a product for private investors

TRENDS

VIENNA RETAIL REAL ESTATE MARKET

- The expansion activity of the international retailers is focusing on 25 European cities, including Vienna, which ranks in the Top 5 as an expansion target and 13th worldwide.
- 15% of all global retail brands would like to expand to Austria
- Numerous market launches of international (fashion) chains: Monki, Weekday, NXY, Rituals, as well as Nail & Co and Swiss Sense
- Continuous demand for prime locations
- With 400 Euros per sq m, Vienna in 10th place for top rents in the world
- Hardly any vacancies in the new shopping centres, but increasing focus on the existing prime areas
- One one noteworthy new project with 5,500 sq m: "Post am Rochus" has available spaces
- Significant expansions: "Huma Eleven" by 50,000 sq m and "Seeparkquartier," Sdestadt Aspern by 1,500 sq m
- First statistics for the transformed Mariahilferstraße show declining numbers for classic retailers and an increase in the gastronomy



„It would be optimistic to claim that there is an inner-city renaissance.“

Roman Schwarzenacker,
Standort + Markt

