

# What keeps retail developers awake at night?







# Broadway Malyan survey reveals what keeps retail developers awake at night

**The continued growth of online retail sales remains the number one concern for retail developers according to the latest research by international architects Broadway Malyan.**

The survey of the practice's global retail clients found that the ongoing digital revolution is still seen as a significant threat despite the move by many retailers to embrace the opportunities around omnichannel.

Only the APAC region bucked this trend where respondents were reassured by the opportunities presented by new technology, reflecting the region's huge mobile penetration and its leading role in driving digital retail innovation such as micropayments.

In the UK, EMEA and the Americas the growth of online remained a major concern although respondents from the Americas were equally concerned by the regulatory and planning regime while the cost of development land was the major issue of concern in EMEA. In all three regions the opportunities presented by new technology were not seen as a key reason to be reassured.

Instead the research found that retail developers were most reassured by the huge growth in click and collect as well as the opportunities around F&B and the continuing popularity of price conscious retail.

The survey marks the latest research by Broadway Malyan into the current state of the retail sector and mirrors our 'Caffeine Report' which was published in 2013 and sought to understand the challenges and opportunities facing senior developer leaders.

This latest research gathered responses from retail developers, asset managers, consultants and retailers equally spread across the UK, EMEA, the Americas and APAC with a total of 40 professionals surveyed in September and October 2016.

The research covers a range of topical issues and the extent to which respondents agree or disagree with a series of statements using a five-point semantic scale – strongly agree, tend to agree, neither agree nor disagree, tend to disagree, strongly disagree.



# Global

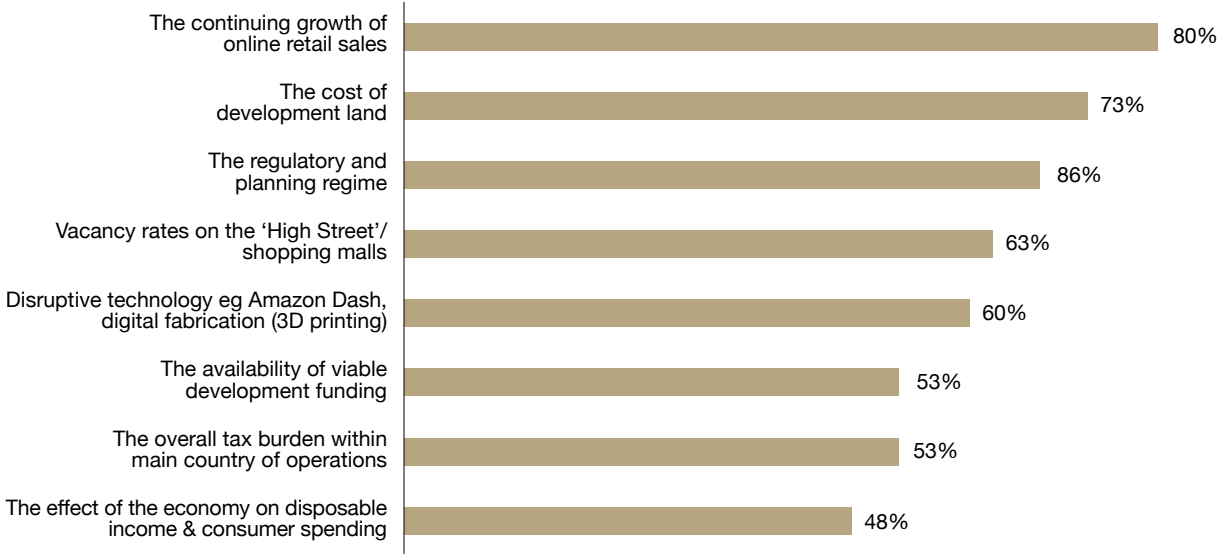
Global online retail sales are set to top \$4 trillion by the end of this decade but they will still make up just 20 per cent of the total sector. Nevertheless, the concern over this continued growth remains the biggest issue facing retail professionals as it did in 2013. However, it does not seem to have affected investor sentiment in the sector.

While there have been pockets of economic volatility in 2016, which has seen significant currency fluctuations and the downturn of some global markets, investor sentiment remains strong both in prime assets but also in secondary stock, a trend reflected in Broadway Malyan’s current pipeline that includes numerous shopping centre repositioning projects.

This trend towards revitalising existing assets is also echoed by significant concerns over the cost of development land (72.5%) and the regulatory and planning regime (68%). One key area that has changed since 2013 is the availability of viable development funding. This was considered the major issue facing developers three years ago but there has been a transformation in the debt market with developers now stating that finance is no longer a major issue of concern.



Most worried about – global





The growth of ‘click and collect’ is transforming the retail sector and this is reflected in the research with more than 80 per cent of those surveyed highlighting this as the most reassuring innovation in the sector.

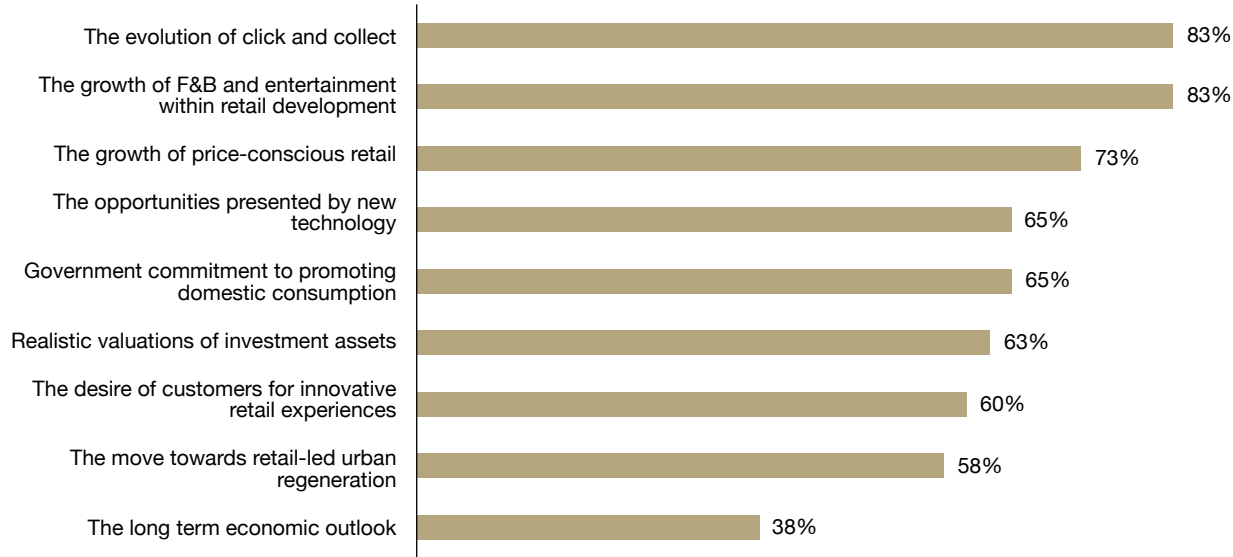
Despite the growth in online, bricks and mortar still dominate the retail sector and the huge growth in ‘click and collect’ by both traditional and digital retailers is continuing to drive new investment in the sector and the winners will be those that can effectively blend the two experiences.

The other trend that is offering significant reassurance is the huge growth of F&B and entertainment within retail development and the growth of price conscious retail. Developing a major food offer is now a key strand of many of Broadway Malyan’s retail projects with the evolution of the ‘retail resort’ concept seeing more than 30 per cent of GLA devoted to food and drink.

Respondees were less positive about realistic valuations of investment assets (62.5%) which may be a response to the rising value of prime assets and driving renewed investment activity in secondary assets, a trend we are seeing across all markets in which we operate.

The issue that offered least reassurance for all our respondents was the long term economic outlook, a sentiment that was also reflected in our 2013 study.

Most reassured about – global

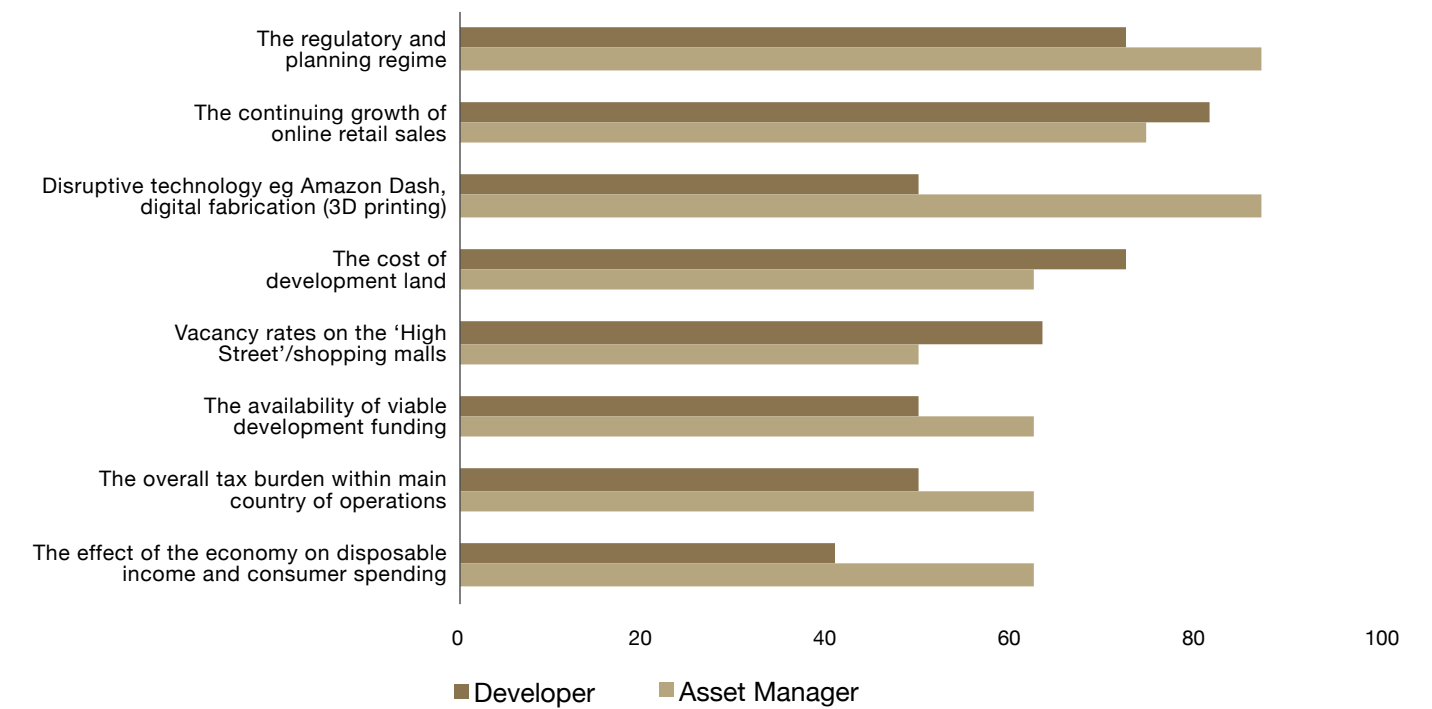




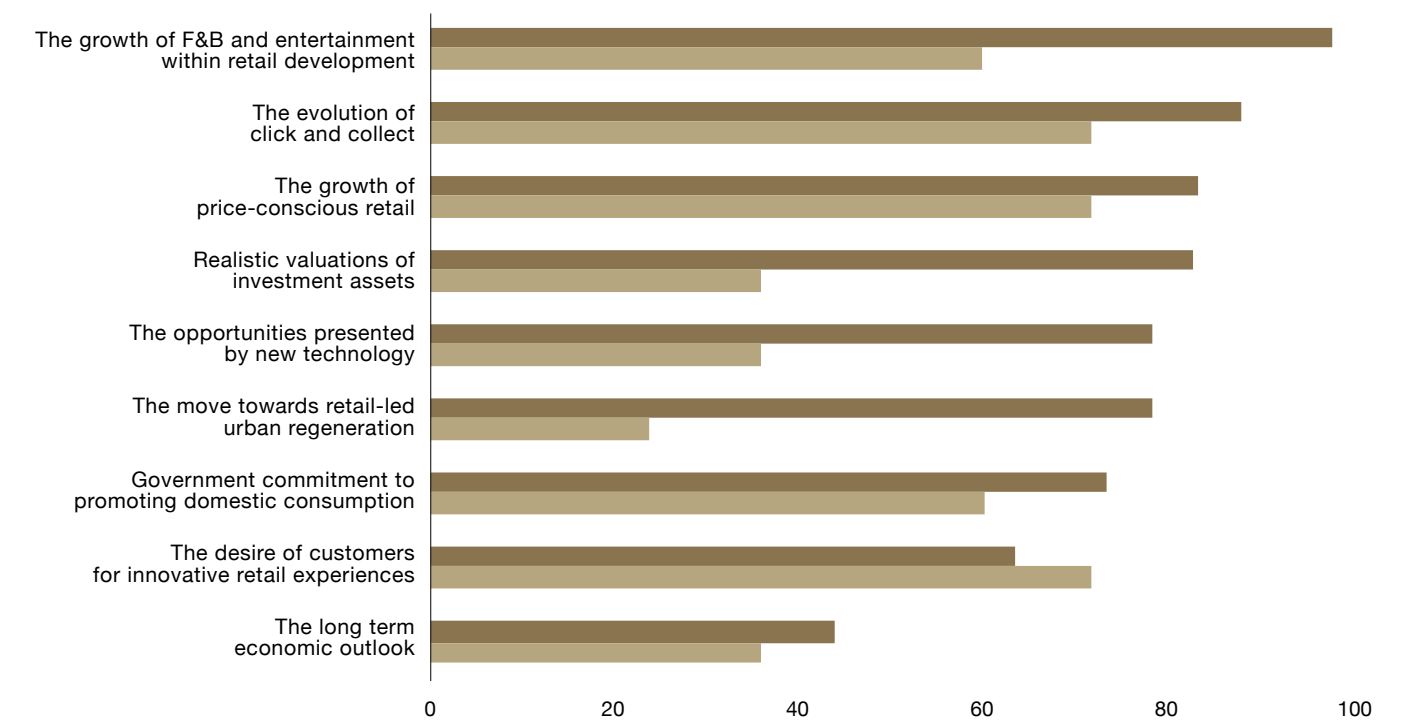


## Developers v Asset Managers

### Most worried about – by sector



### Most reassured by – by sector



# Regions around the world

**The continued growth of online retail featured prominently in the concerns of all regions although in APAC, vacancy rates in shopping centres was the greatest concern with every respondent identifying it as an issue.**

This is a major shift from our study in 2013 when just 63 per cent of developers identified increasing vacancy rates as an issue of concern whereas that has now risen to 100 per cent, reflecting the current challenges in the Chinese economy.

As we have already seen, China and the wider APAC region lead the world in online retail and have seen 26 per cent growth in 2016 against stagnation in the traditional retail sector although there remains an investor appetite in the region with Broadway Malyan currently involved in three new projects redesigning existing assets.

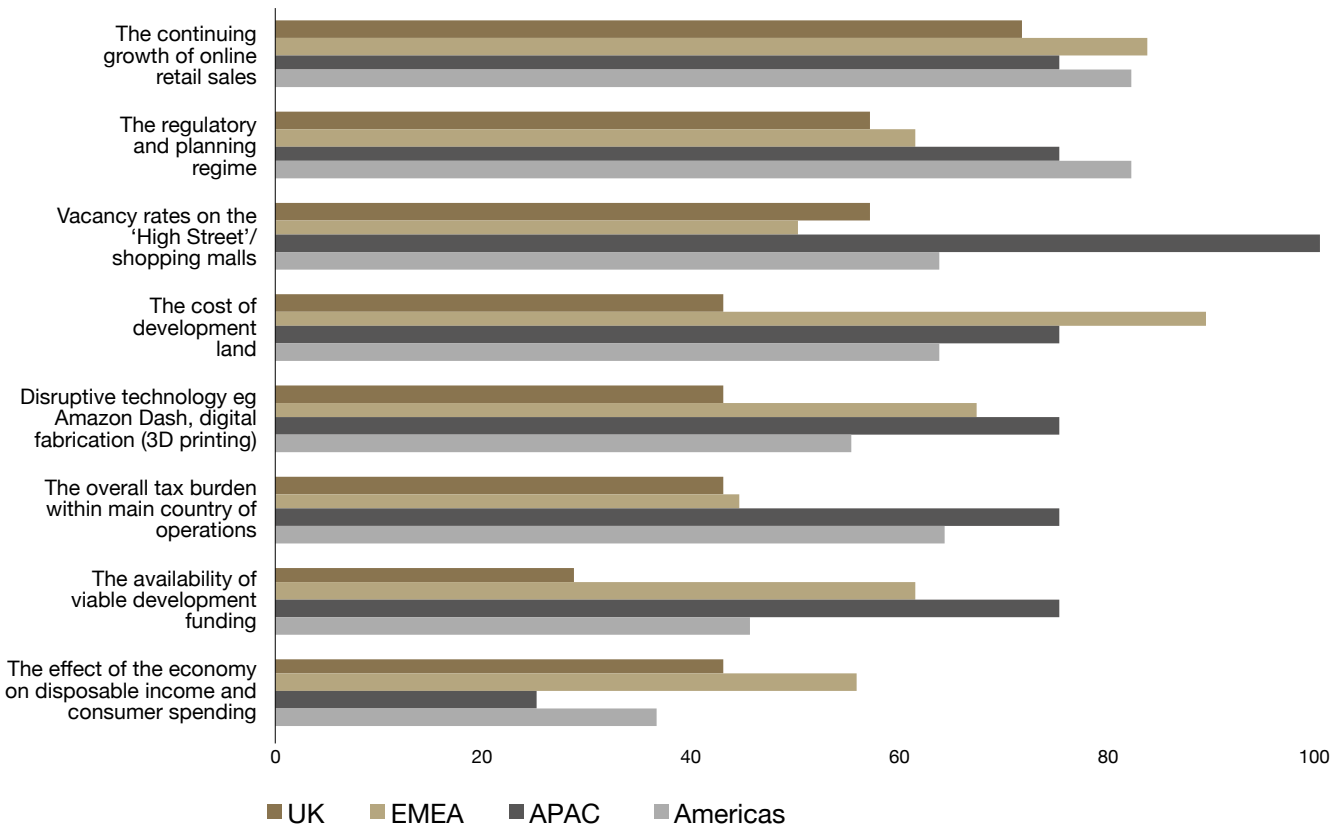
While identifying online as the number one challenge facing the sector in the UK, there was much less anxiety about the threat to the sector posed by disruptive technology although fears around its potential impact on the sector were significantly heightened in other regions with APAC registering the largest concerns.

The cost of development land was identified as the greatest issue facing the sector in the EMEA region (89%) and was also identified as a major concern in the Americas (64%) and APAC (75%) although it was much less of an issue in the UK (43%).

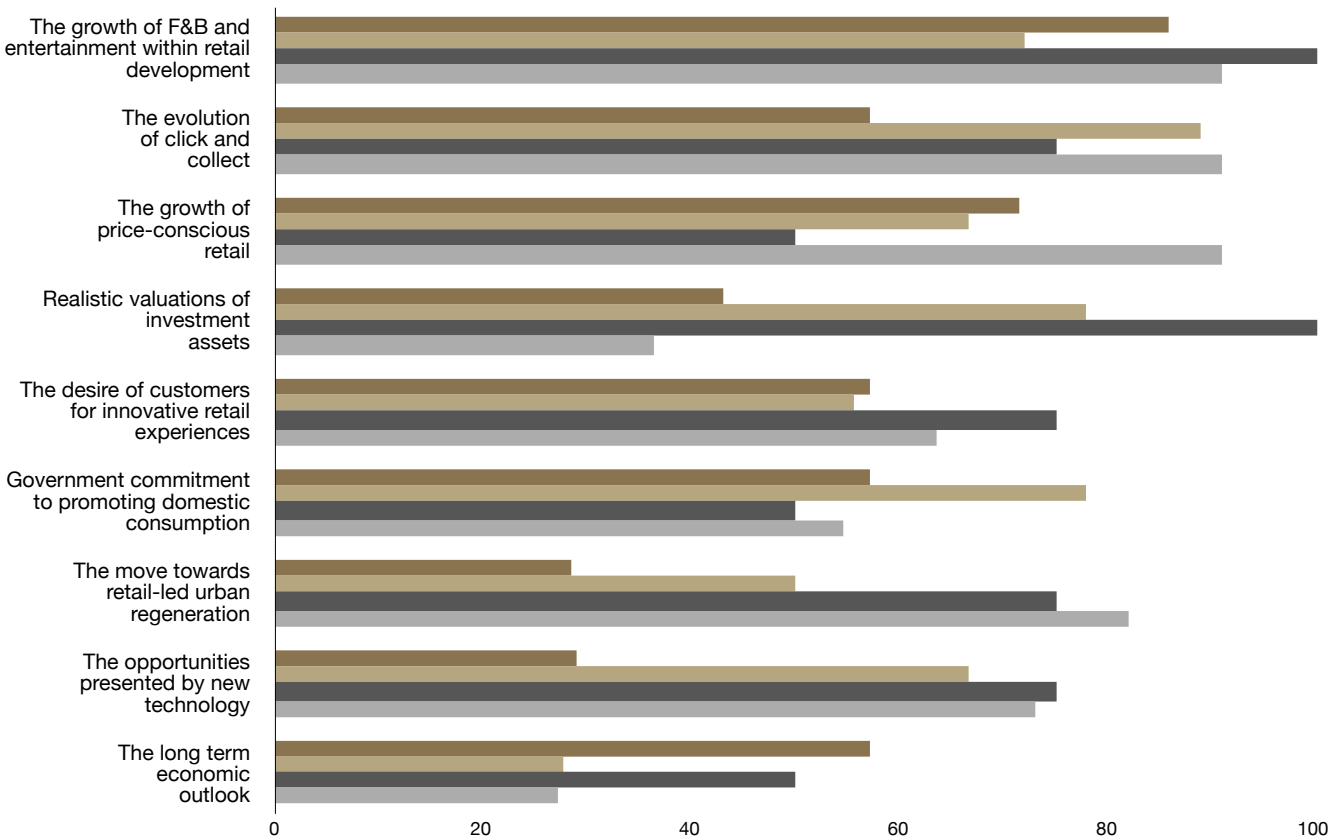
The availability of viable development funding remained a challenge in APAC (75%) although all other regions were less inclined to identify this as a major factor with the UK and the Americas both identifying it as the least serious issue facing the sector.

Tax, regulation and planning were not seen as the biggest barriers to a successful sector in all regions apart from the Americas where the regulatory and planning regime was identified along with the growth in retail sales as the most worrying issue facing the sector.

Most worried about – by region



Most reassured by – by region





# There is no sector that continues to evolve quite like retail



## By Stuart Rough, Chairman, Broadway Malyan

Its direct relationship with the digital revolution that has changed so many aspects of our daily life has ensured retail has been at the very forefront of innovation for the past decade.

The fear of the internet and its impact on physical retail has never quite disappeared for many involved in the sector but an increased omnichannel approach and the huge growth of initiatives such as click and collect has given hope even to the most pessimistic.

Ultimately the signs are clear that as footfall continues to grow alongside online sales, physical retail remains a crucial element of the customer experience and offers significant growth potential with the right product.

We know that customers have become far more discerning – the retailer and developer need to work far harder to entice the customer away from their computer screen. And the result of this situation is that we are now seeing unprecedented levels of investment in the sector.

As we can see from our survey, retail is not a globally homogenous sector but investment is roughly split between new stand-alone developments and reimagining and repositioning existing facilities, often owned by investment funds looking to unlock new value.

In the brave new world of retail, shopping centres need to create a true sense of excitement and arrival that taps into the changing attitudes of customers. Shopping has almost become secondary to the experience.

Shopping centre owners are looking to remain relevant in all four corners of the globe – Broadway Malyan currently has projects across Latin America, Europe, Africa and Asia including three new projects in China – but there is no one size fits all solution.

There are undoubted fundamental initiatives that are critical to the success of a repositioning such as improving the food and beverage offer – whether its fast food, slow food, fun food or fine dining, creating a high quality food offer should be the foundation of any successful shopping centre.

Indeed, initiatives that increase customer dwell time and give them a reason to stay – and return – are at the heart of any repositioning project with leisure and entertainment now key aspects of any shopping development.

Customers want quality and convenience - they have offered their time and money to visit and in return they want easy access and convenient parking, interior design of the highest quality and unrivalled comfort levels that include everything from state-of-the-art wayfinding to washrooms that would not look out of place in a 5\* hotel.

Customers also want an experience that is familiar and reassuring and so every design must be bespoke to the locality and create a sense of place that can be understood by its visitors. This design approach can vary hugely from Shanghai to Copenhagen but the approach is very much the same.

The digital revolution will continue apace but physical retail still has a huge part to play. The definition of a shopping centre will continue to blur as the customer becomes even more sophisticated but ultimately that is what makes it such an exciting sector.



