

THE EUROPEAN RETAIL REAL ESTATE AND PLACEMAKING MAGAZINE

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COVID-19

WHAT INTERNATIONAL INDUSTRY EXPERTS SAY ABOUT THE CURRENT CRISIS.

THE SHAPE(S) OF THINGS TO COME /// 5 THESES FOR A NEW DAWN

What we are experiencing these days is unprecedented. Unprecedented in terms of the changes that will come. Unprecedented in regard to the question “how do we go on from here”, and also unprecedented when it comes to the constant as well as instant switches between optimism and sheer pessimism.



Many things have been written about these issues over the last few days. We have yet to see where this journey will take us. However, I tried to summarize what I deduced from these past, very eventful days in 5 theses. The purpose of these 5 theses is to illustrate in which direction things could go, which, in my opinion, will also have massive implications for the future of retail as well as the entire retail real estate and placemaking industry.

Thesis #1: Political leadership becomes even more important. The importance of key factors in politics has been shifting for roughly 20 years: leadership becomes increasingly important, at the expense of ideological models that move more and more into the background. People now tend to vote for those who can lead them instead of for those who solve their problems. Populists, who have been on the rise over the last years, will now also be measured by their leadership skills—otherwise they will get voted straight out of office. Now more than ever before, political leaders have to communicate plainly, provide safety and, above all, act.

Thesis #2: A Europe of two speeds emerges. The EU, as a European community, has failed in its endeavors to stem the tide of the corona crisis. It's not only that 27 member states are hardly able to take joint or at least coordinated measures, it even came to extreme examples of national egoisms like export bans and irrational border closures. Pro-European member states will no longer tolerate that



IMAGE: ACROSS

Reinhard Winiwarter
Publisher of ACROSS Magazine

the EU fails to unite its members when it comes to the question of refugees or how to cope with the corona crisis. Two positions will continue to move in opposite directions: one the hand we have unity and integration, and on the other we have borders, isolation, and national solutions. The pressure on clear decisions will increase and become the real test for European leadership. This will ultimately lead to a Europe of two speeds: a progressive group of member states that will lead the way and form the core of the EU. And then there will be second group that only wants to participate in an economic community.





Thesis #3: Digitalization experiences a massive boost. The technical possibilities for working from home will be implemented predominantly by companies but also by public institutions. Additionally, online retail, e-learning, the digitalization of school and university operations will be expanded substantially. “That doesn’t work” will no longer be viable answer in many areas after the crisis. Internet giants will no longer be able to credibly claim that they do not have any influence on fake news. The renaissance of social cohesion, which manifests itself in joint singing, clapping and playing music during the crisis, will turn into a social countermovement against digitalization, even though it won’t be able to stop it.

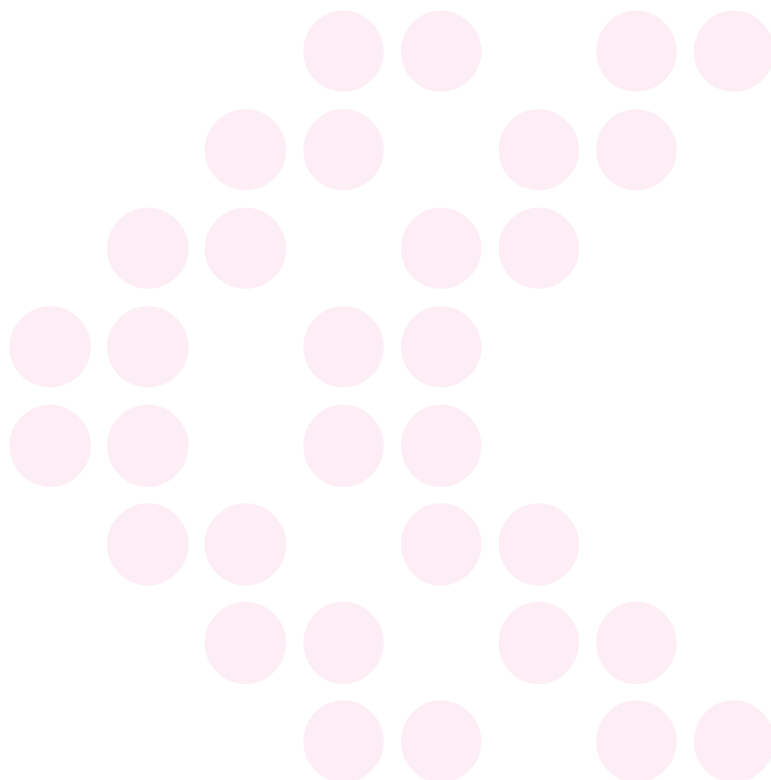
Thesis #4: Safety prevails over freedom For many years, we have been debating how much safety is needed and how much freedom we are willing to give up for it in return. Refugees and the coronavirus are yet again two issues that tip the scales in this match—towards safety. The mainstream will accept that civil rights will be restricted to ward off threats by viruses or—as right-wing populists like to say—the “migrant invasion”. Border controls, movement tracking in public spaces, data analysis and similar measures could be accepted more easily. This will, at the same time,

drive the polarization of society, because a minority that will also become increasingly strong will protest against this development and fight for civil rights. Even though this movement will remain a minority it will at least mitigate certain developments.

Thesis #5: The interface between politics and business becomes “the place to be”. After the political world’s strong interventions into the business domain due to the corona crisis, there will be a realignment between stakeholders. Within a very short period of time, legal frameworks were created that will impact our lives as well as the entrepreneurial scope of companies in the future. Some of these ‘allegedly temporary framework conditions will become permanent fixtures in our rules and laws. Additionally, the orientation toward the common good will become far more important, as individual interests will move even further into the background. Businesses and politics will have to work together during the reconstruction after the times of corona—hand in hand, on equal footing, with mutual respect, and an eye for sustainability.

All in all, the world after corona will not be entirely different, but the dynamics of some developments will have accelerated dramatically. Those who are not on board or miss a beat will lose out. There will be a future; a wild one with quite a few challenges. It’s time to set sail!

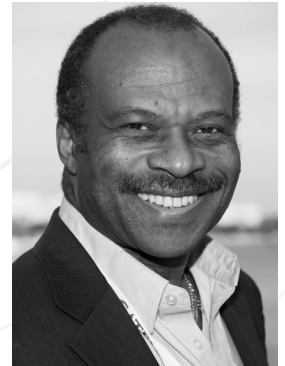
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HOW WILL THE CORONA-VIRUS COVID-19 AFFECT EUROPEAN RETAIL REAL ESTATE?

BY CHRIS IGWE, IMAGE: CHRIS IGWE INTERNATIONAL



Chris Igwe

President of Chris Igwe International



Over the past few years, there was a lot that has challenged the retail real estate sector at multiple levels that we do not need to enumerate here. We really did not need the coronavirus to further compound matters. And yet, here we are.

Inevitably, we will see the continuation of limited retail expansion, more store closures as retailers adjust their portfolios, downsizing of stores, and even market closures. There will be reduced footfall as people slowly return to previous shopping habits, as well as seeing new projects, renovations or extension projects delayed or even cancelled. Not to be underestimated, the decision-making processes will be even longer than they have become already, as each company weighs up what their own future looks like in a forever-changed retail real estate environment.

“As in all crisis, we should bear in mind that there is always a ‘before’ and an ‘after’. We should focus on the latter.”

However, as in all crisis, we should bear in mind that there is always a “before” and an “after”. We should focus on the latter. So, how can we as an industry come together to find both short term and long-term solutions? Retailers have decided to close stores voluntarily. How will their lease obligations be affected legally? Even those seemingly cov-

ered by a government-imposed closure will still face the same issues with their landlords. This would not be the time to consider only the letter of the law, but also the spirit of that law, to protect jobs and keep businesses alive. Governments will probably need to pass laws and legislation on a range of issues such as business rates and taxes, trading hours, wages, Sunday opening in some countries, excess inventory, sales periods, and so on. Unless these issues are addressed and solved, recovery of the sector will be even slower.

It may be naive to think that relationships between the landlord and the tenant would improve as a direct consequence of the coronavirus, as they seek to find solutions on how to share the very immediate burden of paying fixed costs for non-trading stores. This would be a great outcome!

Taking a page out of the designer outlet sector’s book, there should be an awareness that both parties succeed



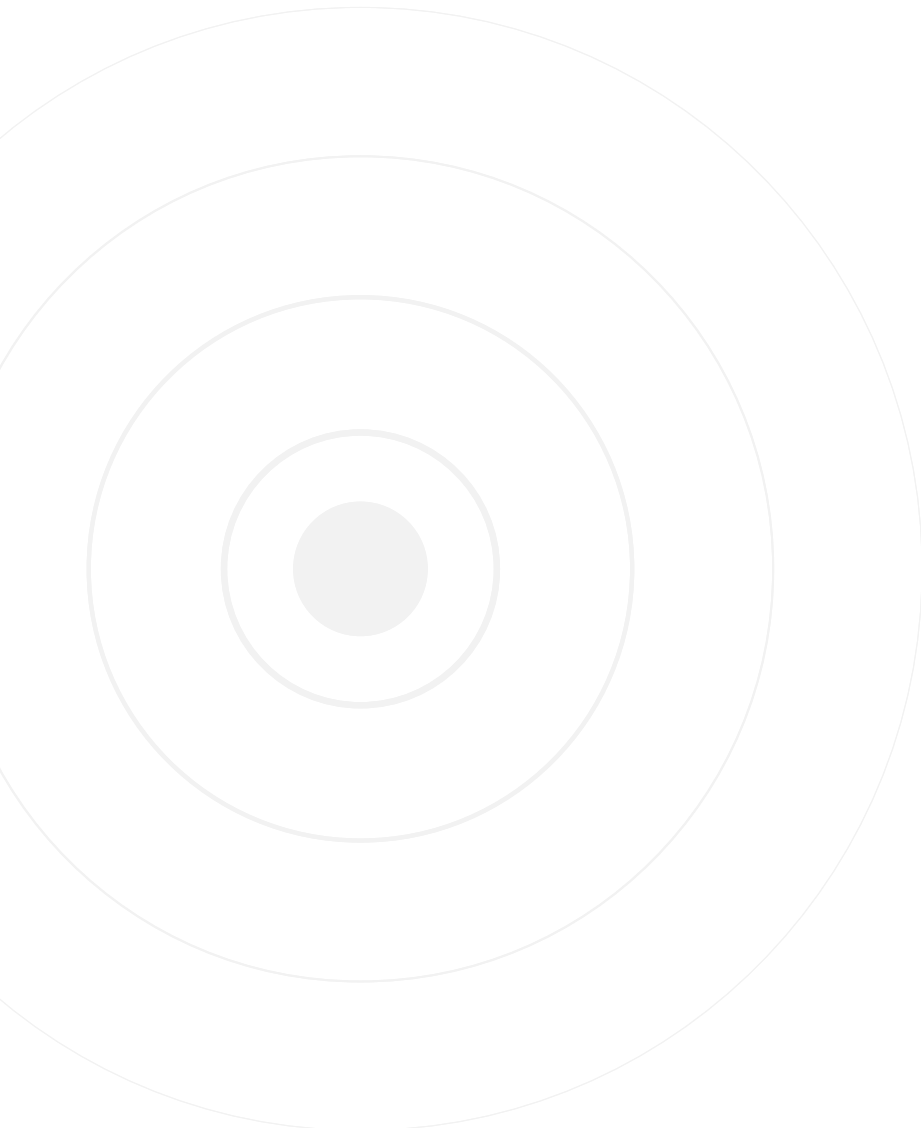


when they understand each other's problems and support ways that will benefit the shopper.

Physical stores and shopping centers will still be there in the future, but what about the consumers whose habits will necessarily change as a direct consequence of the virus? We are getting more used to shopping online due to social distancing and confinement. There will probably be a significant increase in e-commerce, which would affect growth of physical stores.

Another positive outcome, for tenants and owners alike, would be to find ways to use their spaces within the stores and the center to create a true sense of place and belonging for people. People who will have suffered weeks or even months of isolation from fellow human beings and loved ones will have experienced substantial psychological and emotional hardship. There will be an even greater need to fulfil the promise of providing not only safe havens, but invigorated places for social interaction. Perhaps we will see even more food and beverage as well as cultural, leisure and entertainment offers in the short term to include all generations. The retail real estate environment could be a great place to truly serve communities, so there is hope.

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11 POINTS INSTITUTIONAL LANDLORDS NEED TO CONSIDER DURING THIS TURBULENT SEASON



BY STEFFEN HOFMANN, IMAGE: IMALLINVEST

First: Safeguard the occupancy rate, in particular if you were forced to temporarily shut down parts of your property or the entire center operation even. Don't lose sight of the big picture! There will be trade again in a not too distant time. Make sure you still have something to be traded on site.

“Make the best use of your time and develop a creative (re-)opening strategy that needs to capture the attention of your customers during a period of a lot of noise.”

Second: Review approved business plan budgets and formally authorize asset managers for quick decision making, in particular for the period between now (!) and June 30, 2020. Be prepared for a second wave of decisions affecting the third quarter.

Third: Get a clear picture on contractual claims and obligations—get legal advice, where necessary—but do not only rely on these initial assessments. The situation is far too dynamic... And reliable case law has not been written yet!

Fourth: Negotiate quick deals with limited durations with your occupiers and lenders (if any). Do not insist on stubborn positions! We live in extraordinary times. Yesterday's procedures won't get you out of today's complexities.



Steffen Hofmann
Managing Partner at iMallinvest
Europe GmbH in Mainz

Fifth: Remember that replacing occupiers, which you might lose in this storm, would usually be more costly than enabling the existing tenant line-up to bridge the situation, and it would probably take much longer than this shutdown.

Sixth: Communicate changes to your asset management strategy, meeting and reporting routines to local operating teams (center managers, property managers, facility managers) and through them to your tenants. Be clear in what you are able to do right now to gain important time and build trust.

Seventh: Be kind. People will remember how you treated them under pressure when leases come up for renewal again. By the way, this one holds true in both directions.

Eighth: Build trust. Offering pragmatic solutions will pay back over time. Be open to offering fee deferral agreements





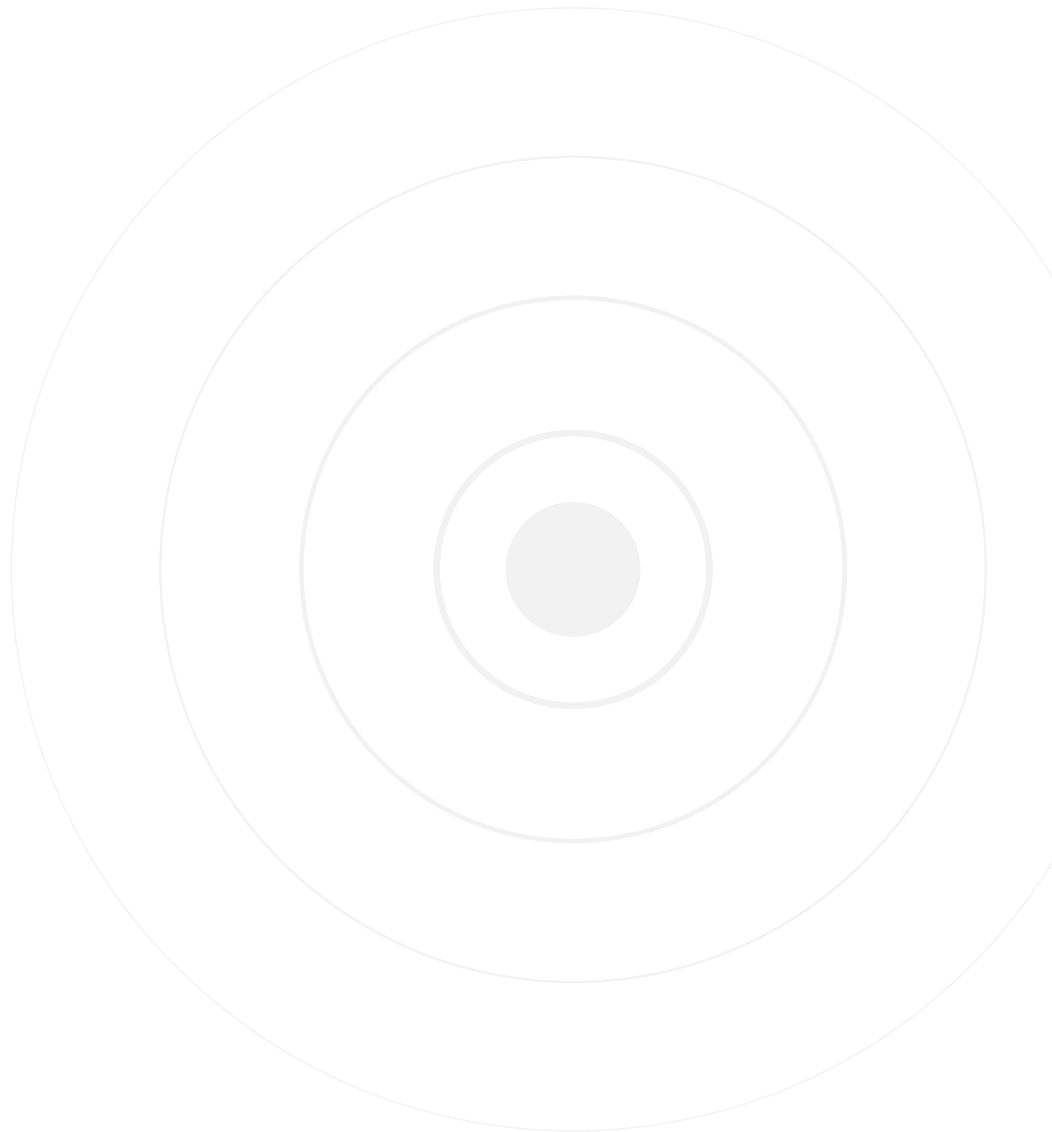
or even grant de facto rent-free periods of three to four months to help retailers survive this freeze. Don't forget to include service charges and marketing costs in your package.

Ninth: Revisit timelines and budgets for ongoing cap-ex projects. Some projects will need to be pushed back as their viability is challenged or the supply chain cannot be kept stable. Others can be taken forward quicker than you thought (e.g. physical construction or repair works on site can suddenly be carried out during day-time, and formerly fully booked contractors may have free capacities available to support your asset management projects with planning works, etc.).

Tenth: Make the best use of your time and develop a creative (re-)opening strategy that needs to capture the attention of your customers during a period of a lot of noise. Unthinkable right now, but there will be a time after these crises. It is very likely that people will be longing for meeting places after this lockdown, where they can reconnect to people and appreciate what was taken for granted in previous seasons.

Eleventh: Innovate your asset management thinking. There are always more options than one would think in the first place. "Expect the best. Prepare for the worst. Capitalize on what comes." (Quote by American author and salesman Zig Ziglar, 1926 – 2012)

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A NOTE TO OUR FUTURE SELVES

BY LISA QUIER WAGNER, IMAGE: TORG



The entire world is in the grip of an unprecedented and yet largely invisible threat at the moment, and the level of uncertainty around it is as crippling as the situation itself. In a world that was already leaning in the direction of recession, this virus may be the tipping point toward financial calamity unless governments step forward decisively. This is widely predicted to come in the form of stimulus funding of historic proportions, but the details are as yet unknown, as is the duration of this crisis. As an industry, the outlet category has always matured during decades of upheaval, and we have routinely stated that “outlets are good in good times and great in terrible times.” 2020 may well test that theory.

“The outlet category has always matured during decades of upheaval, and we have routinely stated that ‘outlets are good in good times and great in terrible times.’ 2020 may well test that theory.”

It is important to remember that we have weathered such storms, albeit of varying magnitudes, before, and we have not only survived but thrived. At the very beginnings of the outlet industry in the United States, the combination of the stock market crash of 1989 and the S&L (Savings and Loan) crisis of 1991 was a nearly devastating blow to a nascent industry largely funded by S&L lending. A small number of key executives at the handful of outlet center development companies in the United States were able to quickly pivot and create relationships with new funding sources to meet the opportunity presented by a population seeking value and brands looking for expansion. The result was the first “golden age” of outlets in the early to mid-1990’s, with feverish openings of centers across the country and early



Lisa Quier Wagner

CEO of The Outlet Resource Group
(TORG)

entries into the UK market. This immediate recovery and rebound was possible because of an extraordinarily high level of cooperation and partnership between brands and the developers, resulting in coordinated rather than contradictory strategies, and consistency of messaging to the outside world.

We were challenged again as an industry and a people with the trauma of September 11, 2001. After initially reeling with the tragedy and terror of the attacks, life eventually went back to a new normal, punctuated by other momentary challenges such as SARS and sporadic upheavals caused by terrorism, natural disaster or the vagaries of the markets. During the majority of the 2000’s, the outlet industry’s biggest challenge in the US was the popularity of the new “lifestyle” and “town center” mixed use retail projects that were a byproduct of suburban housing sprawl, with inflated rents and overbuilt architectural showpieces created in what proved to be an unsustainable model. Once 2008 came along, that party was over. The financial crisis was the fuel for the next golden age of outlets, which included the US and Europe, and propelled us to where we are today as an industry. Built upon the rising tide of widespread and enduring consumer demand for quality and value, the outlet industry has flourished for over a decade on the heels of the financial meltdown, truly embodying that “when times are good” mantra.





And here we are, when times are terrible. How will the outlet industry fare this time? Having been in this industry long enough to recall that initial critical point in 1989 to 1991 and having gone through all of these other cycles, I think that we must draw upon the lessons of the past to predict and form our future. The key lesson from the first crisis? Coordination and cooperation, mixed with nimble financial maneuvering and a longterm view. The key lesson from the second major crisis? Meet and exceed consumer demand for brands and value while also creating a sense of place.

It is obvious to say that we must work together as occupiers and landlords, but the reality of that is challenged by a climate of self-interest unlike what we saw in the early 1990's, as the investors in the category on both sides are less tolerant and more short-sighted. This position has to be amended to ensure the viability of the asset class. We have been dealt this hand at the same time and we need to work together to solve the problem rather than trying to shift the financial burden to one side or the other.

What will the consumer on the other side of this calamitous situation seek? Social scientists are predicting seismic changes in consumer behavior, some of which could be advantageous to our industry if we are coordinated in our efforts to address them, as we were in the 1990s. After weeks or perhaps months at home, consumers are experiencing what is referred to as “cocooning”, meaning that they are taking solace in their home environments. For some percentage of the population, the desire to emerge from their safe space will result in pent up demand to be among others, but will it be tempered by an enduring disinclination toward crowded spaces? Our open-air environments may be the perfect combination for those reluctant to enter mall spaces but eager to shop, but we need to remind consumers of that and invite those who have not patronized in the past. Will others be highly reluctant to leave the home and embrace even more fully e-commerce? An increased emphasis on the integration of the physical

and digital spheres will be necessary to meet that nervous consumer. Is the move that we were witnessing toward mixed- use centers with entertainment venues likely to sputter or even stall? Should we be considering more exterior, park-like entertainment options in lieu of closed interior spaces? The unknowns outweigh the knowns at this point.

No matter how long this crisis situation drags on, it is clear that the economic impacts will be many, and the loss of income and wealth being felt by a significant portion of populations around the world, in spite of government aid, will have a resounding effect. Whether this tips us into recession is another unknown, but it is threatening. The devastating blow to tourism will be felt for some time to come no matter the overall economic climate. It is clear that consumer spending will be impacted, with predictions that value will again be paramount. This should position the outlet industry well, as it has in the past, but we must be ready with our proposition because all forms of commerce will be competing for the attention of emerging customers.

What we do know is that in crisis situations, businesses tend to fall into one of two categories: “adapters” who respond to changes, or “shapers” who assess the situation and model their own path toward survival. In the past, the outlet industry has adapted to a changing market rather organically. In this unprecedented situation, I would advocate that it is the shapers that will triumph. We as an industry need to come together to shape our future, mustering our collective strength as brands and brand curators, and lead a shaky population of consumers back out to our centers. I fully expect that the financial fallout of this calamity will return consumers back to a value mindset for a long time to come, and I believe that the outlet industry can shape our collective destiny by pulling together to orchestrate how we meet and exceed that demand and convey to a shaken world a sense of security and welcome. I believe that the next “golden age” of outlet development and expansion is in our near future if we work together to shape it.

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REMEMBERING THE RELEVANCE OF LOCAL SUPPLIERS



BY MANFRED WILTSCHNIGG, IMAGE: GALCAP EUROPE

In light of the enormous dynamics of the corona pandemic, which has reached virtually all countries around the globe (albeit at varying degrees), it is hard to predict which consequences are to be expected in the medium term. Their manifestations will strongly depend on the further progression of the spread, and they will be complex due to the multilayered nature of these chains of effects.

What we can say today is that stationary retail in Europe is one of the most immediately affected business sectors in this regard. Especially the luxury industry, sports goods manufacturers, fashion, as well as seasonal goods report heavy losses due to country-wide store closures. Shopping centers and retail parks are under massive pressure. The most likely to be expected market shakeout in the retail sector ultimately depends on how long this crisis will last. However, sustainable declines in sales or vanishing tenants for commercial properties will sooner or later affect the properties' earnings situation and therefore the market value and market yield of these assets.

“In a crisis, society acknowledges the great accomplishments of retail staff in a way that they usually tend to forget.”

The massive and long-lasting restriction of individual freedom of movement in many European countries undoubtedly benefits the online retail sector, which has already been becoming more important at a consistent pace. Virtually all goods, from furniture to necessities, are being ordered via e-commerce. Consumer electronics, TV and video provid-



Manfred Wiltschnigg
Managing Partner of GalCap Europe

ers, as well as streaming providers will probably see significant increases. Even those consumers who stayed away from e-commerce until recently will bow to necessity and get used to online retail. This change in behavior will most likely remain that way for many after the end of the crisis. On the other hand, people now remember the benefits of local suppliers within walking distance. In a crisis, society acknowledges the great accomplishments of retail staff in a way that they usually tend to forget.

These days, European states are confronted with the very real possibility that production, stockage, and distribution of indispensable goods—basic foodstuffs, pharmaceuticals, and alike—may become economic key issues. Outsourcing of vital goods productions to remote countries in combination with supply chains that are susceptible to problems may turn out to be problematic in times of crises. It would be a positive consequence of the current crisis when, in the future, more production capacities would be established in



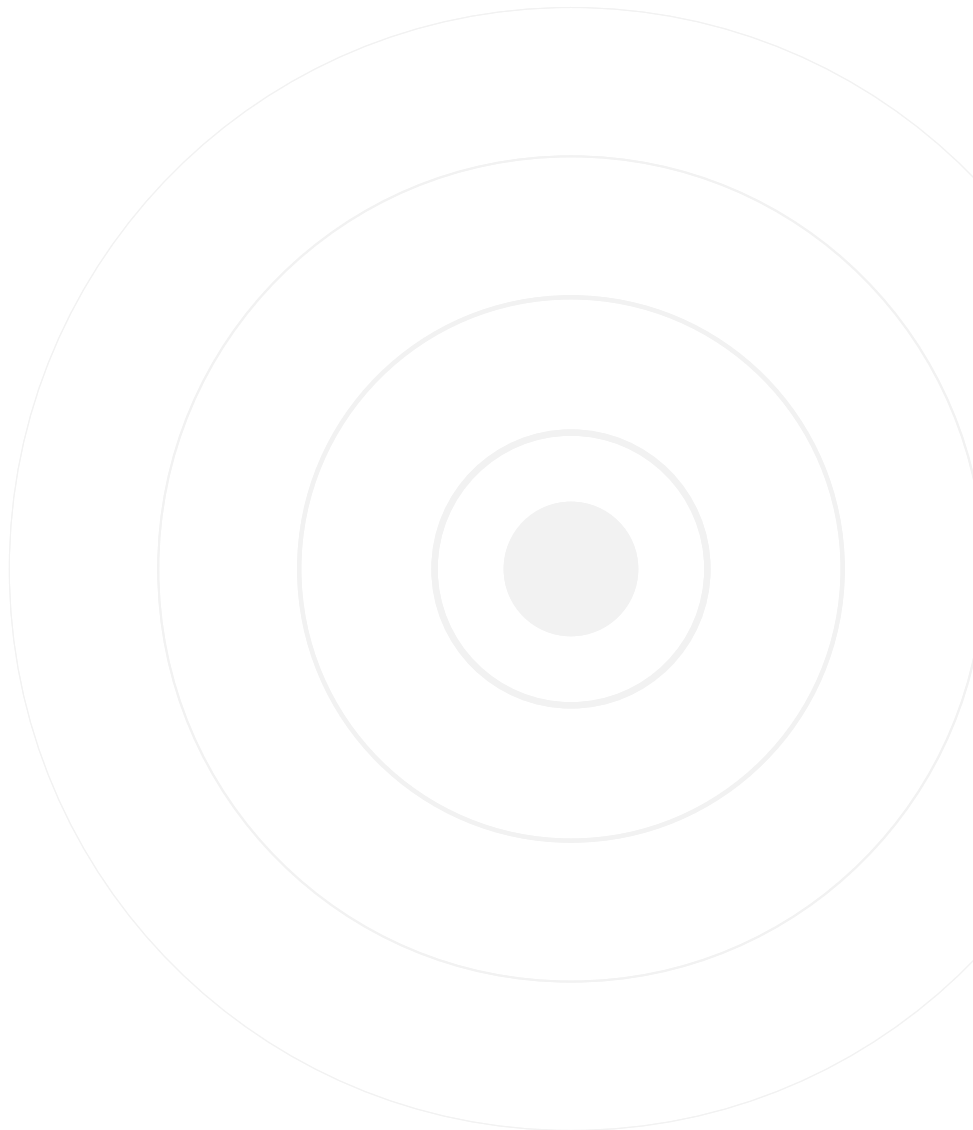


Europe. This could, in turn, lead to a massively growing demand for storage space all over Europe. However, what will remain a challenge are last-mile logistics is the final step from the supply chain to individual households.

It is very likely that consumers will change their shopping behaviors under the pressure of the current crisis due to short-time work, impending layoffs, and loss of income. Potentially lower incomes result in increased safety-mindedness and decreased spending. Decisions in the invest-

ment market will most likely be delayed due to the restrictions to communication via e-media, the current travel restrictions, and generally elevated economic insecurity. Already initiated retail transactions will undoubtedly be delayed or even cancelled. Investors will consider investments in retail properties more carefully, while other asset classes, like logistics properties, will step into the limelight. Due to further increased risk aversion, the importance of core properties at good inner-city locations—preferably with retail aspects—will increase significantly.

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TAKING A CLOSER LOOK AT POLAND



BY RENATA KINDE-CZY, IMAGE: METRO PROPERTIES

The coronavirus is devastating for the whole world's economy. The Polish retail industry received a major hit with the shutdown of non-food stores. Its consequences are hard to foresee but it will certainly have an impact on the real estate industry in the future. People's safety, sustainability, and variety of experience have gained a new dimension that needs to be considered in shopping places and placemaking in the future.

“Once this pandemic is over, our customers will be hungry for all that they were deprived of during the crisis. Brands and landlords need to be prepared to show that online shopping is just a substitute for the great experience you have while visiting shopping centers.”

In Poland, after securing customers and employees, it became clear that no ready-made solutions are available for the different interests of stakeholders in the real estate industry: tenants, landlords, suppliers, and financial institutions. Typical questions, though unanswered, were about lost revenues and uncovered labor and other costs. A lose-lose compromise is the only solution to maintain the ecosystem of real estate industry. Damage one part and witness its collapse. This crisis will now be regulated by the government. Everybody is affected by this crisis. Help from the government is indispensable and crucial for their survival. The impact on the economy is hard to foresee. After this, the world will definitely look different.



Renata Kinde-Czy
Managing Director of Metro
Properties Poland

What will the future hold for the industry? What will be the trends in shopping places and placemaking after the crisis? With economic losses, the objective is more about sustaining than gaining. Constant growth versus sustainable business. Short term versus long term planning. Transaction versus long term relationship mentality. This crisis showed that you must incorporate a crisis scenario in your business model, and be able to sacrifice constant growth principles to solid the foundation of your company.

In the social sphere, some new needs of our customers began to show. People got who stayed home without any opportunity to enjoy commercial spaces and socialize, limited access to experiences and entertainment. Once this pandemic is over, our customers will be hungry for all that they were deprived of during the crisis. Brands and landlords need to be prepared to show that online shopping is just a substitute for the great experience you have while visiting shopping centers. What do we offer that is not avail-

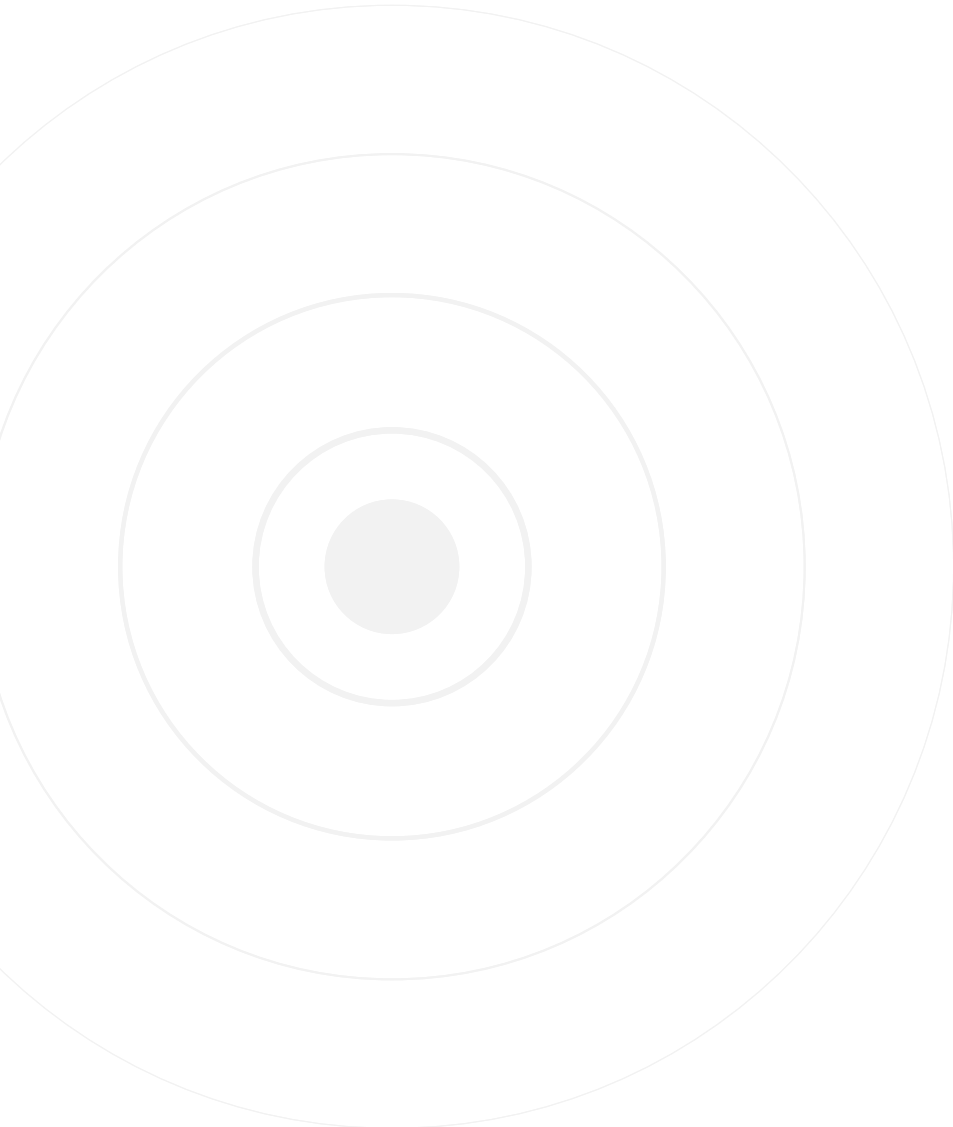




able online? Can we bring online to offline? How about virtual reality? Shopping places in virtual reality could be an answer. They could be shadowing the physical ones and still stay open in difficult times. Immersive technologies, digital assistants, and aging populations are all to be explored by industry designers for the more distant future of shopping places.

What functions are essential for the future inhabitants in times of crises? They need to have sustainable ecosystems, guaranteeing safe environment for their inhabitants, offering entertainment and frictionless communication with the outside world both digitally and physically. They should be energy-independent, water and fresh air supply-prosumers. Summing up, we must do more than just rebuild, and improve whatever we have lost.

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PEOPLE'S PERSPECTIVES WILL SHIFT

BY THOMAS MARK, IMAGE: MK ILLUMINATION



Thomas Mark

President of MK Illumination and
Member of the ACROSS Advisory Board



I'm not a forecaster, but I am a student of people. As a global concern, we've been on high alert to the risks of coronavirus and the consequences of a crisis since it first made the news in January. During that time, I have witnessed incredible things. How communities and businesses of all shapes and sizes are choosing to do the right thing to keep the spread of the virus under control. How individuals willingly self-quarantine or work from home and restrict movement. At the same time, they are making more of an effort than ever before to pick up the phone, connect, communicate, and show solidarity. How exciting local initiatives are starting up, focusing on buying locally and supporting community businesses.

“Gathering spaces will be even more important than they were before because we can only truly value something, like our freedom to meet, when we’ve had it taken away. And shopping centers and malls are gathering spaces.”

As much as the virus is forcing us to stand apart, it is also helping us to come together in ways that many of us have long forgotten thanks to the fast-paced, technology-driven world in which we live. For the retail sector, I think that this is significant.

Once we manage to get the virus under control—and I have faith that the world's epidemiologists won't let us down on this front—I believe that shopping centers and retail spaces will play an invaluable role in providing people with a safe space to congregate. People will want normality, but their perspectives will have shifted: the “new normal” is likely to

mean less conspicuous consumption, more mindful purchases, and the desire to come together for something of value. Forecasters have been talking about this for years, and it's likely that these behaviors will become an instant reality as the fear of the virus recedes. Gathering spaces will be even more important than they were before because we can only truly value something, like our freedom to meet, when we have had it taken away. And shopping centers and malls are gathering spaces.

With that in mind, I feel that centers and malls face extraordinary challenges over the next couple of months, but also that they have an unparalleled opportunity to rethink “business as usual”, along with some unexpected time to put new ideas in place to entice visitors to come back.

Creating the right atmosphere will, of course, play a part in making people feel safe, but this is only part of the equation. If people want to be safe, they can simply stay at home, which is not the goal of the retail sector. The opportunity for centers is to reinvent themselves as curators of experiences that are safe as well as unusual, exhilarating, memorable, comforting, individual, and special. Each center's positioning is different, which means that there is no “one-size-fits-all” solution, but rather a plethora of exciting possibilities for us all to explore. We are living in exciting times. Challenging, but exciting.

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RETAIL REAL ESTATE IN EUROPE—DURING THE DAYS OF CORONA AND BEYOND



BY JÖRG BITZER, IMAGE: PRIVATE

One of the challenges that the current Corona crisis enforces upon us is the fact that it is yet totally unpredictable. The only “knowledge“ we do have so far, is that China`s hotspot Wuhan, having been quarantined since the beginning of January, is still (middle of March) encountering (fewer, but still) new cases every day. In Europe, starting from the southernmost countries like especially Italy and Spain, the disease has just begun to spread all over the continent as of today. More and more countries are shutting down completely, in almost all cases including all of their non-essential retail businesses. With the exception of supermarkets, drugstores, and pharmacies, retail tenants being closed down around the continent are faced with continued substantial costly burdens such as HR-expenses, but even more so rents, cam-charges, and other real estate related cost.

“The longer the situation will continue, the more the complete economic demand will deteriorate and thus reduce the interest and the ability to lease retail real estate further.”

It is very clear that all those being shut down will only be able to bear these substantial financial challenges for a very limited period of time. The German Retail Association has calculated that German retailers (beyond the food sector) are losing about 1.15 billion € worth of sales every day (!). The vast majority of these turnovers will never be recovered, even if stores were to open again soon. However, the German city of Stuttgart has announced—evidently in line with the experience from Wuhan—that the shutdown is pre-



Jörg Bitzer
Managing Partner of Recondo Real Estate in Vienna

liminarily scheduled until June 15, 2020. Other predictions already foresee closures all throughout Europe for several months.

Many of those retailers that had still been on the road of expansion in the difficult environment for retail in the past months have made it very clear now that, at the very least, they are putting their expansion plans on ice for the time being. New demand for retail space is thus virtually non-existing. Many entrepreneurs from the gastronomy and leisure industry—in many cases young entrepreneurs with very limited equity opportunities—have already laid off their staff completely, and this will continue. The same is true for non-chain, small, and mid-size retail operators, who have not only closed their stores, but have also run down their total operations into a virtual standstill. Finally—partially due to all of the above—unemployment is factually exploding. In Austria, for example, more than 16.000 people applied for unemployment support on the first day of the enforced store closures. This is the highest number ever seen on a single day in Austria since World War II.





With all of this in mind, the following conclusions for the retail real estate market seem likely:

- **Unpredictability:** Uncertainty is immense at this moment. However, it is clear that the longer the standstill will take, the more severe the consequences for retail and therefore also retail real estate will become.
- **Demand:** Tenants' demand for non-food retail real estate is virtually at zero-level. The longer the situation will continue, the more the entire economic demand will deteriorate and thus reduce the interest and the ability to lease retail real estate further.
- **Market:** We will clearly see a tremendous number of insolvencies (not only in the non-food retail sector) followed by store closures and vacancies all throughout Europe. Thus a few weeks from today, our retail real estate world will surely not be the same anymore. High street and

shopping malls will look dramatically different from today. It will clearly take months to find a new equilibrium for markets around the continent, once the crisis is over.

- **Future—every crisis always offers opportunities:** Online retail, especially in the more developed countries and in those sectors that supply day-to-day goods, will clearly see a positive breakthrough (in the USA, Amazon has already announced to employ an additional 100,000 people over the next few weeks). In many cases, online retail will be on the winner's side. This may also come true for pure online players who will find their chances to start new distribution channels throughout the disturbed markets. Brick & mortar retailers who survive the crisis will find massive real estate opportunities throughout the markets, too.

It is clear for all of them that fast movers will be on the winners' side, once this crisis ends.

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RETAIL DURING THE DAYS OF CORONA-VIRUS

BY CARMEN TREPAT, IMAGE: RUMBA RETAIL



More than ever we have come to realize that we live in a V.U.C.A. world (Volatile, Uncertain, Complex, and Ambiguous). It is often said that “change is the only constant” and this is certainly true of the retail sector. Without a doubt, retail has undergone several important disruptions over the last few years. We have learned it day by day.

“Retailers and developers who are able to identify ways to get closer to and be supportive of clients and society during this time of crisis will surely be the winners.”

In this spirit of ongoing change, the current coronavirus crisis represents a significant challenge for the retail sector and, as with any battle, there will be winners and losers. Retailers and developers who are able to identify ways to get closer to and be supportive of clients and society during this time of crisis will surely be the winners. Retailers and developers need to take advantage of the “momentum” in an ethical way.

Some retailers are already taking prudent steps in this direction. For example, food retailers are delivering food at no extra cost to more elderly customers. Others are pro-



Carmen Trepat

Founder of Rumba Retail in Barcelona

viding support to children by offering free internet games. Or share important information virtually, including helpful advice, tutorials, and health tips for families and the elderly. Still others provide healthy new menus, exercise tables, or masks in the case of fashion retailers, while developers let all their spaces be used for community purposes. All at no cost.

Customers have selective memory, they will not forget it. Thus, retailers investment in socially responsible actions in this time of crisis will create positive brand messaging that will remain long after coronavirus has disappeared. To be sure, these measures will require that retailers incur short-term cost. However, through their benevolent actions, smart retailers will not only support society in a time of desperate need, but also help create profoundly positive and “sticky” brand messaging for the sector overall.

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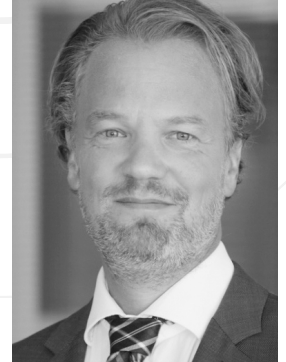


#LETUSGROWAGAINSTCORONA



BY DIRK K. WOLLWEBER, IMAGE: TREC

Despite using the lurid “hashtag” as a header, I am not an influencer. My posts on various social-media platforms are way too text heavy. But in spite of my advanced age I understood that such a “prefix” creates a “label”. Sometimes hashtags go viral and extend the reach of a message. If the message or opinion to be transported would refer to a shopping center we would perhaps call this measure “positioning”. And this is crucial if you are doing customer & guest related real estate business, not only in the current situation.



Dirk K. Wollweber

Managing Partner at TREC GmbH-The
Real Estate Company in Düsseldorf,
Germany

“Let’s create and open a virtual Madrid, Paris, Budapest, Vienna, Munich, Milan or Venice for our avatars, virus-free, with the recovered turquoise lagoon, a crowded Piazza San Marco, hundreds of flying doves, etc.”

I unfortunately have neither a panacea against corona nor against the negative financial impact. I can only try to stimulate you all as follows: Please position you as well your business, make yourself heard, brainstorm with your consultants, lawyers, bankers, and tax consultants, create a community of solidarity with your former competitors and neighbors in your vicinity. Perhaps by using old fashioned corporate structures like cooperatives (“Genossenschaften”) to raise funds to survive as well as avoid being forgotten in a time, when you—as the operator/owner of a business—are not allowed to have contact to your customers and guests until an unforeseeable point in time, with no or nearly no income and consequent fears. The same applies indirectly to owners and asset managers of the real estate shell where these operators are doing their business. It is always the community of destiny (and a chain of cash-flow as well)—customer/guest-operator/retailer-landlord/owner.

This direct dependence from people (i.e. guests and customers) and their spending is the unifying element between re-

tailers, restaurateurs, and hotel operators, including their respective landlords. And the majority of them shares the actual experience. One difference is that retailers and some restaurateurs can still profit from their online channels and home-delivery services. With regard to the hotels it is unfortunately not yet possible to check-in your digital avatar. But perhaps this would be an idea how to create virtual travelling (and shopping) destinations for target-oriented donations and fundraising as a temporary solution until our freedom to travel and move returns.

For example, let’s create and open—and all as a pars pro toto—a virtual Madrid, Paris, Budapest, Vienna, Munich, Milan, or Venice for our avatars, virus-free, with the recovered turquoise lagoon, a crowded Piazza San Marco, hundreds of flying doves, fairs and market places, vibrant restaurants, boutiques & gondolas (including their gondoliers), a reopened Fondaco Dei Tedeschi with its stunning terrace and fully booked hotels and palazzos. In a post-corona world, whenever that may be, such digital cities could then be used easily for marketing, digital fairs, travel preparations including bookings or online shopping. But it will never replace reality because the most important thing will always be missing: real human beings who can smell, watch, feel, taste, interact, and communicate amongst each other. That’s what our British friends are calling “retail therapy” and no online purchasing session ever will create.





It's up to you to call this a vision of a maniac who loves the Mediterranean culture and freethinker who just wants to somehow support all of us out there in this business, and in particular all these lovely, emotional, and sincere people who are suffering the most from this severe crisis at the moment. However, visions are there to make us stronger, to see some light at the end of a tunnel and to be turned—even if only partially—into reality. Whoever played Sims or Sim-City or other adventure games with kids has a hunch that such a vision could become reality if all these highly skilled architects, game coders & IT specialists out there would establish a subsidized task force and perhaps the high-performance NSA and other intelligence services servers could be used for that in a wiser way than right now...^[1]

In times of buoyant economies, it is easy to generate business, to lead and make decisions. But history shows us, that

mankind sometimes needs a crisis to create a sense of humanity, solidarity, and humility. Hence, this onerous time with the virus can create a spirit and energy to grow again—and maybe reaching the next level, from an economic and interhuman perspective.

In our industry there has never been a time to rest. Reinvention and innovation in a rapidly changing environment have been our daily business for years. Therefore, let us trust in our adaptability, skills, and creativity. We all have to be there for each other right now, for our families, our employees, our tenants or landlords to instill confidence, especially for all the people out there, our customers and guests, who are just yearning for a re-start. “It is only in our darkest hours that we may discover the true strength of the brilliant light within ourselves that can never, ever, be dimmed.” (Doe Zantamata^[2])

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^[1]BTW: For a lot of museums and e.g. the 2019 biennale this virtual visiting possibilities already have been created, compare <https://www.labiennale.org/en/cinema/2019/venice-virtual-reality>

^[2]Source: <https://www.goodreads.com/quotes/608796-it-is-only-in-our-darkest-hours-that-we-may>



COVID-19 IMPACT ON THE RETAIL SECTOR IN SPAIN

BY PEDRO BARRERA, IMAGE: COLLIERS INTERNATIONAL



It is clear that the Covid-19 crisis will act as a catalyst for online retailing to establish itself firmly and increase the percentage of online sales in Spain more towards the rest of Europe. Certain operators will only strengthen their market share i.e. 30% increase in Nike sales online in SE Asia. eBay has allowed a one-month payment holiday to all businesses selling products via its platform. Retailers will have to work in close collaboration with logistics operators to guarantee delivery and return periods especially during April and May for which we see strong containment restrictions from European governments. Retail and logistics will be considered as an integrated sector moving forward.

“Ground floor retail will be converted into new businesses: pick-up points for online sales, residential, start-ups.”

Fringe CBD retail will struggle and indeed fringe CBD and neighborhood highstreet retail will see vacancy increases during 2020; retail research figures in the UK report more than 20,000 store closures and in Spain concrete estimates are yet to be published. Ground floor retail will be converted into new businesses: pick-up points for online sales, residential, start-ups.

There will be a stand-off between large retail operators and landlords in terms of rent and service charge payments. In



Pedro Barrera
Retail Director at Colliers
International Spain

the listed sector, Merlin Properties in Spain and British Land in the UK have been the first grant retailers (small and medium sized entities in the UK) with rental holidays to see them through the months of April and May.

Online F&B sales in Spain have increased 50% since the start of the Covid-19 crisis; although figures will bounce back once restrictions are relaxed, this is clearly a trend that is here to stay and F&B operators are becoming more equipped, especially under the current intense circumstances. We feel there is good opportunity for solid regional entities to enter into the Madrid market and take advantage of increased incentives in the short to medium term and consolidate the capital as a global reference point for Spanish cuisine and beverage.

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RETAIL ON THE BALKANS IN THE TIMES OF CORONA



BY DENIS CUPIC, IMAGE: SASA ZINAJA

Specific region of the Balkans, foremost former Yugoslav Republics but also Romania, Bulgaria, and Albania have experienced fast changing times over the last three decades. Opening their societies to market-based economy in the nineties was slowed down by the war as well as transitional crony capitalism. In the early 2000's, these markets opened up to the western European way of business and the expansion of international retail started. Then again, the latest recession hit these markets in 2010 and 2011 harder than the west and lasted a lot longer. The retail recovery started in 2015 and achieved break-even in 2018. 2019 was the first real game-changing year in retail on the Balkans with quickly increasing turn overs, new market openings as well as first larger refurbishments.

2019 was a real game-changing year for the region's retail sector with quickly increasing turn overs, new market openings as well as first larger refurbishments. Unfortunately, the current crisis is reshuffling the entire deck.

Unfortunately, the markets in this region seem to be prone to change once a decade and this now starts the fourth decade-changer. The effects of corona pandemic were originally noticed in the last week of February as turn-over in non-food retail started to decrease and from March 12, 2020 the non-food retail sector throughout the Balkans reported a period of no sales. Country by country, drastic measures of social distancing are being implemented, which bring new challenges to shopping centers as most of the Balkan states still allow some retailers to remain open. However, most of the tenants who are forced to close down their operations



Denis Cupic
Head of Asset Management at
Westgate Shopping City

incur increasing costs to the centers, making them responsible for public health as governments, willingly or unwillingly, pass on this task mostly to the private sector, therefore create an unclear situation and force them to make decisions they are not prepared for.

The short-term effects of the pandemic will perhaps be neutralized if governments in the region start to think pro-business and reduce all state-controlled costs, like real estate taxes. Parafiscal burdens are still high in these post-transitional economies. If governments do not support business that are seriously affected by this pandemic, the economic outcome will be catastrophic. The current short-term measures will only put out the fire for public appearance. However, their approach to counter the middle to long term effects more important, but this is where governments do not think in advance. It is important to state that governments in the entire region have a tight majority and election cycles are already gearing up for 2020 and 2021. In election years, in these countries' governments tend to focus exclusively on populist short-term moves.

The only way out and towards future progress is for retail and shopping centers to start rethinking their positions and





organize themselves in this region to speak to their governments with one united voice, as this region has neither national nor regional shopping centers councils. National retail associations are mostly not representative and governed only by food retail. This should give us momentum to organize on national levels as representative associations and further cross-border exchange with other organizations.

Some of the markets, like Bulgaria, have already started to show a slowdown in brick-and-mortar retail in last two quarters of 2019 as the population's economic migration towards the western EU started to show negative effects. The situation in Romania is very similar. On such markets more store closures have been already announced and rent correction in malls and retail parks have already become part of correction cycle.

On other hand, retail in Slovenia, Croatia and Serbia has experienced new cycle of market openings in the last two years, some of which prevented further stores from closing. However, in general retail-oriented real estate experienced a wave of ownership repositioning and acquisitions which stabilized the retail real estate market. As such, this year started out very well and optimistic, showing a positive trend in the retail sector with stable brick-and-mortar growth in comparison to e-commerce.

Now, the world of brick-and-mortar retail has come to the temporary stillstand unseen in west, but some countries of the Balkan region already experienced something similar due to the war. The current situation is reminiscent of the kind of rationed commerce these countries experienced in the seventies and eighties due to the socialist countries' centrally planned economies collapsing as well as when struggling offer met the demand of nineties when they opened themselves to the west. People in these markets have seen and experienced situations like this, when they stood in lines in front of the stores in the not so distant past.

The short-term challenge for retail will be to ensure that local distributors and franchisees survive the time of no sales. This is when national governments will need to step in with incentives for workforce compensations. It is just as important for states to help shopping centers survive these months by reducing taxes for non-operating assets as well as granting subsidy schemes for reopenings, either as direct

incentives or indirect through smart fiscal politics and cutting of the publicly controlled taxation and fees for utilities. Now is the time to prepare measures for the mid-term that will for sure be challenging for the retailers as well as landlords.

In these times of no sales seasonal goods not being sold start piling up and we witness e-commerce trying to increase its turn-over amid wide spread uncertainty. Additionally, the current logistics and distribution obstacles in EU countries do not make this situation any easier. Retailers will struggle to finance their stock for the fall collection, foremost the local and regional ones, bringing the risk of a reduced offer for brick-and-mortar stores in the fall and Christmas season that will drive more e-commerce sales but also give away a considerable share of the national purchasing power to international stores and thus reduce local revenue and income. This is why it is important to secure stable retail operations in the six months upon the reopening.

The malls' most important issue will be to optimize costs in time of no sales, get the support of their government as well as financing institutions to be able to neutralize the illiquidity caused by the lack of sales. Brick-and-mortar retail and shopping centers have to use this time to prepare their back-to-life measures after their re-openings. They also have to understand that may be easy to close a store but it is incredibly hard to open one.

We will have to reinvent ourselves to offer even more experience to our now traumatized customers. We have to understand that social interaction in the first months will still be reduced and affected by the post-traumatic experience of the pandemic shutdowns. Turnovers will increase gradually, as people will have to overcome their worries and fears and combat the possible recession triggered by the shutdown times. Communication will be the key driver to change behaviors, encourage them to spend time among others, enjoy and, what is ultimately the important thing for us, shop and spend money on more than just vitally important goods.

The consumption and willingness to buy again will be crucial in the Balkan region, even more than many other countries as rents mostly depend on revenue and are very volatile. One thing that is perhaps the fire and not only a glimpse of hope,

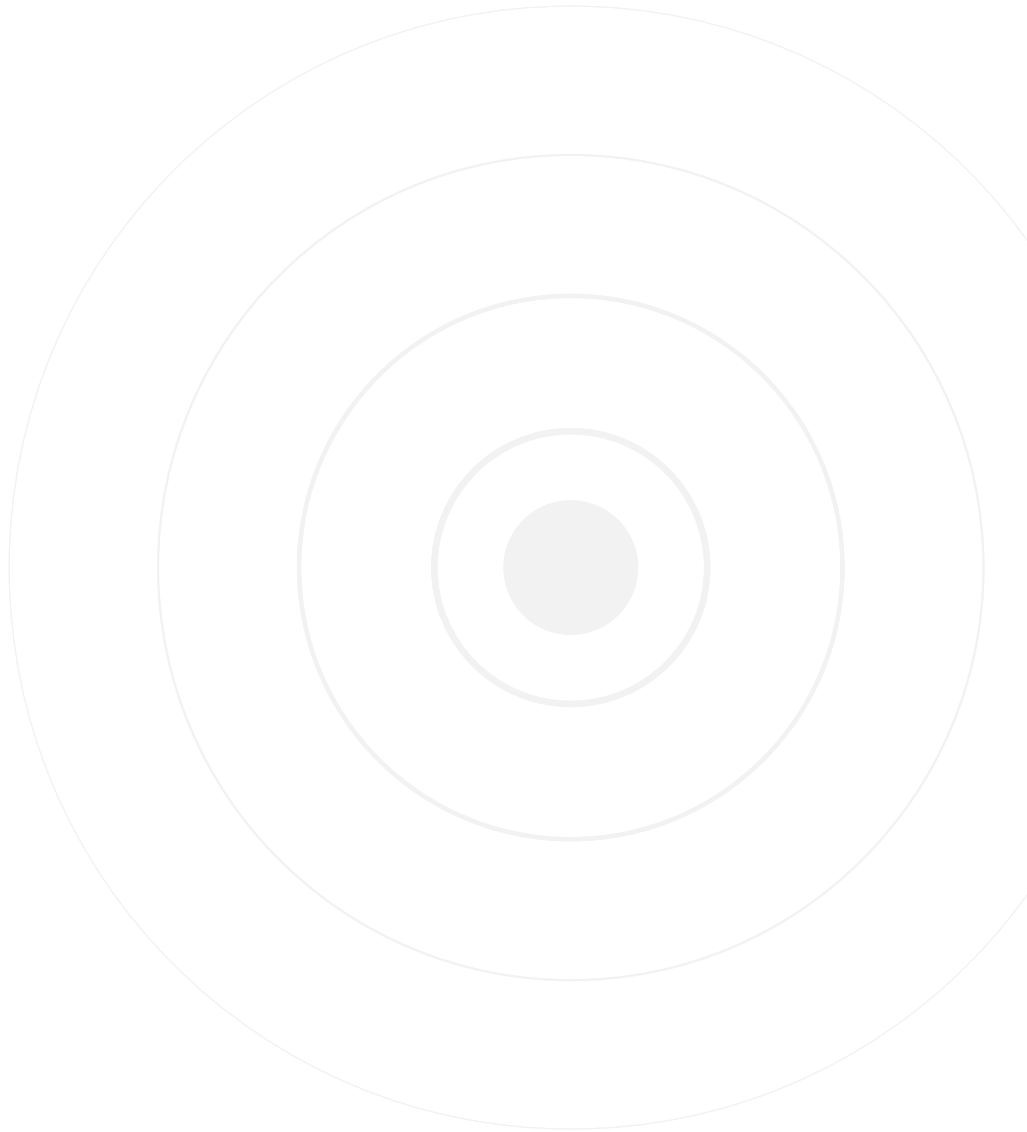




is that nations of this region experienced major changes throughout the last decades more than other states of the EU. People may lose the inhibitions faster. Another aspect is that most of the residents of metropolitan regions in these countries still live in smaller condominiums and the shut-

down time confined them to small four walls. Therefore, they may cherish their regained freedom to live outside. This may also help to increase the sports offer, arcades, and entertainment sector, in combination with indoor and outdoor activities. They will be crucial to bringing people back to our brick-and-mortar retail assets.

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COMMUNITY PREVAILS

BY KLAUS STRIEBICH, IMAGE: RARE ADVISE



There are a lot of things being said, written, and posted right now. The current corona crisis affects us in significant ways. That is the main difference between this crisis and previous ones, such as Lehman Brothers, the dotcom bubble, war scenarios, etc. It truly affects us all, around the world. Whether at home with our families, in the office with our colleagues or in the cultural and social environment of each individual.

“There is no need to look for culprits or point out those industries or competitors who might not be affected in the same way.”

This crisis also shows how complex our community has become. It reveals a myriad of interdependencies and connections and especially the vulnerability of this system. The taken and maybe only way towards a solution is solidarity, defined as a stance for unity of everybody involved, and mutual support of ideas, activities, and measures to solve this problem. This is not the time for questions like “Am I entitled to receive lease payments, payment of supplier invoices or continued pay?”, no legal appraisal, who is at an advantage, or particularly protected. There is no need to look for culprits or point out those industries or competitors who might not be affected in the same way. Yes, these days it is all about crisis management as well as creativity and developing ideas to handle missing revenues and incurred costs. Time is an important factor in this context, even though it is hard to predict at this point how long this situation will last.



Klaus Striebich

*Managing Director of RaRe Advise and
Member of the ACROSS Advisory Board*

The government’s many measures were defined quickly and also extensively. Their practicability and implementation must now be proven in the real world. For many companies, especially in the retail sector, this situation will become a brutal fight for survival. After all, the retail model is not viable without current revenue. This is particularly true for restaurants and hotels. Canceled overnight stays, table reservations and unconsumed food are irretrievable and cannot be “produced for stock”. Unsold goods that remain in retail warehouses have expiry dates and will be effectively devalued. In any case, we will not go back to normal. Operations at many companies have come to a complete halt and they have to start again from the beginning. Everybody involved—and this is truly everybody—has to cut back and accept setbacks or severe measures.

It does not help to lament or complain, it is imperative to develop solutions creatively and collaboratively in a fair and balanced environment, as we act as partners, in an honest manner, with long-term objectives in mind. This is what I would consider to be solidarity in these times. To prevail as a community.

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PLANNING STATUS (AS OF TODAY):

MAPIC ITALY JULY 1-2, 2020, MILAN

THE HAPPETITE JULY 1-2, 2020, MILAN

SHOPPING CENTER- & COMMERCIAL REAL ESTATE FORUM SWITZERLAND
SEPTEMBER 3, 2020, ZURICH

MAPIC RUSSIA SEPTEMBER 16-18, 2020, MOSCOW

2ND SWISS COUNCIL CONGRESS SEPTEMBER 18, 2020, ZURICH

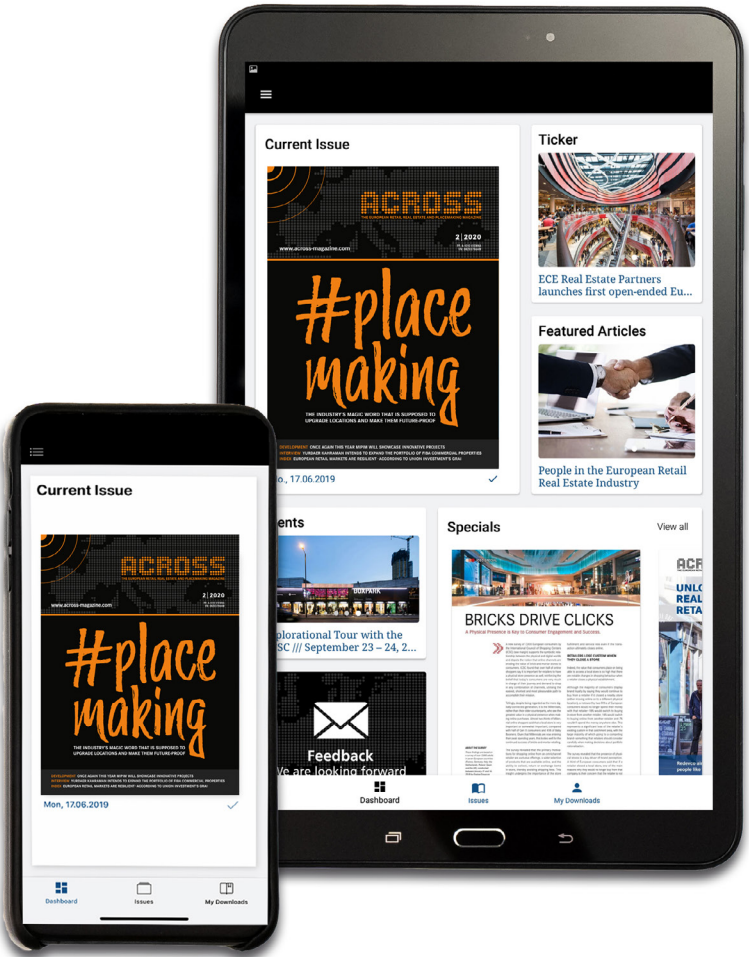
EXPO REAL 2020 OCTOBER 5 – 7, 2020, MUNICH

MAGDUS OCTOBER 8, 2020, PARIS

ACSC CONGRESS OCTOBER 21, 2020, VIENNA

MAPIC NOVEMBER 17-19, 2020, CANNES

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