



# LRA

LIZAN RETAIL ADVISORS

Retail and Shopping Center Solutions



# THE RETAIL INDUSTRY IN 2018 WORLDWIDE: A dynamic and vibrant sector.

# THE RETAIL INDUSTRY IN 2018

## WORLDWIDE: A dynamic and vibrant sector.



**By Jorge Lizán,**  
 Managing Director of Lizan  
 Retail Advisors (LRA)  
 New York, NY, United States

Just a couple of weeks ago I had the opportunity to return to attend MAPIC every year. The biggest “party” of retail worldwide. MAPIC that takes place in Cannes, France is the place where the global retail industry meets every year to talk about trends and issues that affect the industry in different regions of the world.

the bankruptcy of many retailers. Just walk through any mall to see some department store locations like Macy’s or Sears closed. And venturing a little more in these shopping centers we can find more closed premises that once housed brands such as Radio Shack, Rue 21, The Limited, Wet Seal, BCBG Max Azria.

The developers of shopping centers in the United States have had to reinvent themselves and have even changed their brands and strategies to better adapt to changes in the market. The main developers have adapted their properties to become “vibrant city centers” with more elements of lifestyle.

And in this process, fashion and clothing stores have reduced their surface significantly and in some cases are being replaced. According to studies, the fashion segment has been reduced from 70% to 50% of GLA in shopping centers in the United States. While the Food & Beverage has increased from 5% to 10% in the last ten years. In Europe these numbers reach 15% or up to 20% of many shopping centers.

The bankruptcy of several specialized retailers and the closures of multiple departmental store locations have left developers with empty “boxes” forcing them to develop innovative strategies. But not only developers have been physically changing their shopping centers, but also transforming their companies.

**A**s every year, MAPIC gathered about 10,000 attendees from more than 70 countries. In addition to attending the sessions, they also met with colleagues in the industry with the aim of developing new businesses. The theme of this year were the restaurants and how the food and beverage segment is increasing its importance and presence in shopping centers around the world.

It is difficult to reconcile the festive and somewhat inspiring atmosphere of the MAPIC attendees and the topics discussed there with what

we read every day in the press, especially in the United States about the famous “Retail Apocalypse” of 2017. And We can not deny that the situation of the industry, especially in the United States, is difficult. But retail, both physical and electronic is thriving in general all over the world.

This year in the United States we have seen

But this does not reflect the reality of what is



Interestingly, Amazon is not to blame for many of the retail bankruptcies. Many of these bankruptcies are from companies that were once acquired by Hedge Funds, which in many cases caused these companies to accumulate debt and then settle them. In fact, many of these retailers are profitable, and some have increased sales, but those resources went to pay off the debt. On the other hand, it is true that some retailers if they are guilty of their fate by not having understood their customers or by not adapting to changes in consumer tastes.

happening with retail today. The famous “retail apocalypse” that is theoretically happening in the United States really does not match the reality: In 2017, American retailers have opened more than 1,300 more than those that have closed. When you add the restaurants to this figure the number goes up to 4,000 openings with more than 5,000 openings planned for 2018.

The problem is that many of the chains that have broken with high profile chains, so these closures have been magnified and have made too many waves. The reality is that in the United States 42% of retailers have added stores while only 15% of retailers have been reduced.

But shopping centers worldwide are not only shopping centers but meeting places for their respective communities, therefore, they can not disappear. Shopping centers are evolving with the addition of more food, entertainment, services, gyms and other uses such as hotels, clinics, offices, residential and schools.

Departmental stores are a segment that has been strongly impacted by demographic changes. Currently many department stores live from rent space to brands that open “corners” and have really lost their original vocation. Some of the departmental store companies in the United States are currently worth more for the real estate they own than for the business they are dedicated to. And some of the investors who own these companies are forcing them to get rid of these properties to generate value.

The closing of stores is something natural in the retail development cycle. What happens at this time is that with the internet and social media, this dynamic has accelerated as a brand can easily become fashionable and stop being a faster way than in the past. What is clear is that more and more the border between online and offline is being erased, and that retailers that do not evolve and adapt to the new reality and the new tastes and aspirations of their clients will tend to die and disappear. But meanwhile, this is one of the most fascinating times to be in the retail industry.

# THE RETAIL INDUSTRY IN 2018:

## LATIN AMERICA



**By Jorge Lizán,**  
Managing Director of Lizan  
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New York, NY, United States

In the region in general, there has been a small deceleration in the pace of shopping center openings, but due to internal, political and economic factors of each country that as a result of changes in habits or electronic commerce.

Amazon is growing rapidly in the region, as well as multi-brand online stores and specific retailers. But internet penetration is still very low compared to other regions. Definitely e-commerce will occupy a more relevant place in the future of retail in Latin America, but at least in the short term it will not impact the physical trade since more than in other regions of the world, in Latin America the shopping centers play a more important role because in the absence of public spaces where people can walk, they have become the new “squares of the people”.

**In Latin America, in 2017 some 50 new shopping centers were added to the nearly 1,850 existing ones. Which only added about 3% to the existing GLA.**

Mexico is by far the country that has more development and where the projects are more sophisticated. This year we saw the opening of some extensions such as Fashion Drive in Monterrey, mixed-use projects such as Torre Manacar and Carso Palmas in Mexico City, and master plans such as Arboleda in Monterrey, among many other projects. No significant change is expected in 2018, although the elections and the renegotiation of NAFTA can change this.

In Colombia, it is worth highlighting the acceleration in the evolutionary process of the business model of shopping centers, which are gradually moving from a condominium model to a single-owner model with leasing. Some of the projects inaugurated this year with the new model and perhaps the first developed in Colombia with international standards are Parque La Colina and Multiplaza La Felicidad, both in Bogotá. In 2017, the Colombian economy suffered a slowdown due to the tax reform and the signing of peace. It is expected that in 2018 there will be more growth than in this year.

Chile also had an economic slowdown in 2017, which has an impact on retail sales. This is due to the restrictive fiscal policy of the current government. But with the recent elections and President Piñera's victory, it is expected that there will be a greater growth in 2018.



One of the projects inaugurated in this year to be highlighted is Mall Plaza Los Dominicos.

The Peruvian economy continues to grow but at a lower rate than the past decade, so retail sales also suffered in 2017. But the developers of shopping centers are still very active. Another country that is worth mentioning is Bolivia, and specifically Santa Cruz de la Sierra, a city in which there is a “retail revolution” as more than five new projects are being developed, in a country where only in 2013 was it opened the first modern shopping center.

## About Lizan Retail Advisors (LRA)

LRA is the industry leader in Global Retail Real Estate sector and pride ourselves on being an innovative customer-centric advisory firm. LRA has an establish network of Global Industry Leaders within the Retail Industry. Jorge Lizan, the Founder and Managing Director of Lizan Retail Advisors (LRA), has helped retail companies develop their businesses internationally for over 15 years. Whether as developer, tenant or for the last 8 years as the Vice President of Business Development for the International Council of Shopping Centers (ICSC) he is a well-respected international authority on the retail and shopping center industry.

## What is happening in the rest of the world?:

To know what is happening in other parts of the world, I had the opportunity to interview industry experts in each region, with whom we collaborated in consulting and advisory projects. This is what they told us:

# THE RETAIL INDUSTRY IN 2018: MIDDLE EAST & NORTH AFRICA



**By Irina Cooper**  
Executive Director of Retail  
Boutique  
Dubai, UAE

## WHAT DOES THE FUTURE HOLD FOR RETAIL INDUSTRY FOR THE MIDDLE EAST REGION?

As the market continues to evolve, retailers and landlords understand that in order to stay connected with customers you need to provide engaging retail experiences which appeal to their emotions, in a quest to increase and sustain repeat visits.

It's worth noting that retailers have significantly changed their approach to the way they operate. Whilst in the past the focus was on large store formats and extensive physical presence, now retailers are much more focused on managing expenses and improving operational efficiency, as well as expanding ecommerce and other direct channels of communication with customers.

Technology is most definitely redefining the retail experience, making customers very savvy for retail information at the click of a button, whether it's comparing prices or checking reviews. The drivers of this trend are the millennials without a doubt, having a huge expectation to immediate access to information through technology, pushing the retail brands to up their game in terms of providing maximum convenience at lowest price.

## HOW ADVANCED IS THE MIDDLE EASTERN OMNICHANNEL MODEL COMPARED TO OTHER INTERNATIONAL REGIONS, AND HOW IS THIS IMPACTING THE ROLE OF STORES AND SHOPPING CENTRES?

Whilst not yet in par with Europe, the omnichannel model is expanding rapidly, seeing a large portion of consumers across the region embracing online shopping. Although the growth has been steady, the category still only accounts for no more than 15% of the total retail sales.

Ecommerce in the Middle East has still to overcome customers' reluctance to provide their card details online, which has led to retailers introducing alternative services such as online order with cash payment on delivery. However, this model does not provide guaranteed sales, as often customers change their mind after the order and end up not collecting their purchase upon arrival.

## WHY IS THE MIDDLE EAST STILL AN APPEALING MARKET FOR NEW RETAILERS?

The recent recovery in oil prices and still resilient domestic demand in many countries in the Middle East and North Africa (MENA) suggest that



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the region's economy is emerging once again, after recording the weakest rate of expansion in Q2 since the height of the financial crisis in 2009.

Based on the latest projections by the International Monetary Fund, UAE's economic growth will accelerate to 4.4 per cent in 2018 as global growth is expected to pick up steam from 2017, driven by rebound in investment, manufacturing and trade. The UAE economy has been resilient to the impact of the slump in oil prices as it has benefited from a relatively diversified economy, excellent infrastructure, political stability and ample foreign assets, according to the Institute of International Finance.

The Middle East continues to be an appealing new market opportunity for retailers looking for international expansion. One of the factors that make this market so attractive is the demographic structure. Almost half of the Middle Eastern population is under the age of twenty-five. This is a region with a very high birth rate.

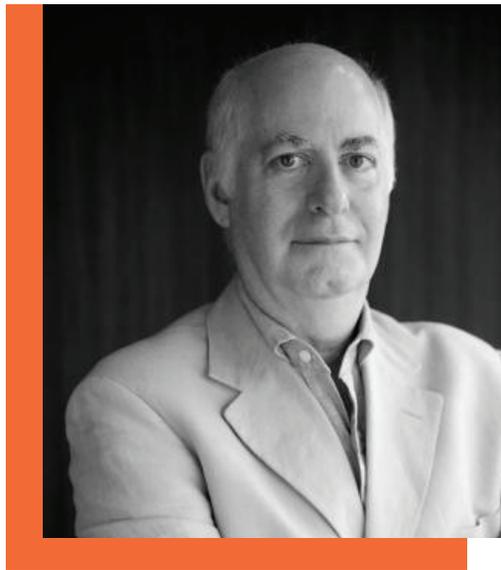
Many of these younger consumers are affluent professionals, particularly in the Gulf area, and this presents a huge up-and-coming market for the next two decades. And of course, there's also low taxation compared to the West.

### **About Retail Boutique**

We are a full-service retail advisory agency based in Dubai and operating across the region. With a full suite of retail management services and with the support of proven business methodologies, we provide tailor-made solutions for each client. Our team is made up of a collective of seasoned retail professionals with extensive local, regional and international experience in all fields of the retail spectrum, both as retailers and landlords.

# THE RETAIL INDUSTRY IN 2018:

## ASIA PACIFIC



**By Joel Silverstein**  
President of East West  
Hospitality Group Limited  
Hong Kong

### WHAT DOES THE RETAIL INDUSTRY LOOK LIKE IN 2018 IN ASIA PACIFIC?

Asia Pacific is the fastest growing region in the world and includes two of the highest potential consumer markets, China & India. The situation differs significantly by country based on the state of economic development and the degree of e-commerce. On the whole, it is still a large growth opportunity for commercial real estate developers.

### HOW IMPORTANT ARE MALLS TO THE DAILY LIVES OF ASIAN CONSUMERS?

Property is extremely expensive in most Asia markets so livable space is generally very small, in some cases as small as 400 sq. ft. for a small family. People want to get out of their residences as often as possible and get away from the cramped conditions. Malls are the natural

places to go as a family for the entire day, taking advantage of the air-conditioned cinemas restaurants, lifestyle shops and often new entertainment like skating rinks and trampoline parks. Malls are central to people's daily lives, much more so than in the USA for example.

### IS E-COMMERCE A THREAT TO THE MALLS?

Less so than in the USA but conditions in China are more challenging with the strong growth of the Alibaba Group and its competitors. China is now a world leader in e-commerce, mobile banking, and food delivery. While overall sales of apparel and lifestyle goods are increasing, the number of physical retail shops are declining. Like in the USA, Chinese mall operators are adding more F&B offers as well as other entertainment options to drive interest in their properties. Malls can continue to thrive in countries like Vietnam, Indonesia, Thailand and India for example because they are still a novelty and provide a great experience. There are also plenty of opportunities for development in secondary cities throughout these countries.

### WHAT LOOKS PARTICULARLY PROMISING?

Mall developers are looking for new types of entertainment retail to drive traffic. The F&B category is for the most part highly saturated. Luxury cinema complexes with good food, snow parks, trampoline parks, escape rooms and the like are finding strong interest as well as virtual reality & fitness concepts. Concepts that marry entertainment with food are especially welcome although it must be highly culturally relevant. USA concepts like Top Golf, Dave & Busters, Punch Bowl Social are unlikely to receive wide acceptance given their large footprints and high investment costs. Asia mall developers almost never agree to tenant improvements.



**China is now a world leader in e-commerce, mobile banking, and food delivery.**

## **SO, THERE ARE STILL OPPORTUNITIES?**

There are plenty of opportunities for the right concepts. The key is to bring a concept with broad consumer appeal and a strong economic box. Leases in Asia tend to be very short – usually 3+2 years – so operators are looking for cash paybacks of 2-3 years' maximum and sales to investment ratios of 3 to 1.

## **About East West Hospitality Group (EWHG)**

We are a leading boutique consultancy in the hospitality sector in the Asia Pacific region. We provide full market entry support in China and key Asia Pacific markets, specifically to companies in the hospitality and franchising industry. We will do everything from Business Plan development to opening the doors of company-owned restaurants as well as introducing strategic partners. Offices in Hong Kong, Sydney, Ho Chi Minh City, Shanghai, Seoul, Tokyo, Mumbai and Los Angeles.

# THE RETAIL INDUSTRY IN 2018:

## EUROPE



**By Lara Hinton**  
 President of Hinton Partners  
 Paris, France

**The activities that are really developing in Europe are Food & Beverage, Beauty, Fitness, Home & Decor, Sporting Goods and Discounters.**

store of tomorrow is a second home, a versatile world, familiar, welcoming, warm. (3) The principle of "good time", the customer pays the time spent to enjoy the place where it is, (4) the service is unlimited (drink, wifi, board games) is a way to empower the customer and to leave him the freedom to consume as he wishes. (5) The relationship with the client is measurable in emotional value and quality of service. The trend towards ultra connection, The place of sale is no longer to be considered as a confined geographical space. Some skillful brands take advantage of the in-store experience to develop their notoriety on the web. The experience lived in stores or outside, is directly relayed on social networks. The Post Digital experience, certain brands revive or live to customers an experience of a certain lifestyle, one that precedes the arrival of digital, the brand is embodied in the physical daily consumer and the link takes a dimension human, concrete and authentic, and finally, the "All In One", the new sales areas are part of the daily lives of customers, the space is more dedicated to the embodiment of the values and life of the brand than the presence of products. The community becomes the living gene of the brand, the store is the catalyst (information courtesy of [influencia.net](http://influencia.net)).

### WHICH MAJOR INTERNATIONAL BRANDS ARE COMING TO EUROPE?

HP: Five guys, Primark, Nike, Adidas, Fying Tiger, most Korean and Japanese cosmetics brands (80% of European market) have entered the European market. Also many American brands that used to enter the UK first and later expand to Europe are now looking at a direct entry to Europe via France or Spain before looking at the UK.

### WHAT ARE THE CURRENT TRENDS IN THE RETAIL SECTOR IN EUROPE?

The activities that are really developing in Europe are Food & Beverage, Beauty, Fitness, Home & Decor, Sporting Goods and Discounters. In both Europe and the US stores and points of sale are undergoing a profound transformation. Not only because of the new ways of consuming, but also the increased integration of digital platforms and even AI. There are 5 major trends in the European Retail sector: (1) The "feel like home", Whether in an independent point of sale or in a large chain, (2) the

### WHICH ARE THE MOST DYNAMIC RETAIL SECTORS?

In Europe it is Apparel and fashion, Beauty, Food & beverage, new Technologies and Fitness. Working with Andrea in New York we are excited to be able to bring many new



an omni-channel experience is a clear priority for European retailers. 78% of European merchants said they have already linked their online sales channels to their shop, or plan to do so in the next 2 years: by click-and-collect or online shopping in stores.

**IN THE RETAIL INDUSTRY, WHAT IS THE CURRENT STATE OF INVESTMENTS AND TRANSACTIONS? WHERE DO THE INVESTORS COME FROM?**

HP: The largest share of investments affect France, the United Kingdom and Germany, with funds invested by Chinese, Korean and Japanese companies, investors from the Arab Emirates (4.2 billion invested in trade for France, BNP Paribas Real estate source ) city center trade accounts for half of this figure and the « périphérie » ( city outskirts) trade is gaining renewed interest, particularly in premium retail park . This is an important area for us with our US partners at Abrams Global as many retailers coming from the US are looking for US to help them with local JV partners or investors.

players in these categories to our market.

**HOW DOES E-COMMERCE AFFECT TRADITIONAL DISTRIBUTION TRADE?**

E-commerce is the factor that has the greatest impact on the market for shopping centers and retailers in Europe. Concerning the signs have noticed a sharp decrease of the flows of customers in shops because of the e-commerce, it is in the quality of the services to the consumers and in the evolution of the format of the physical shops that the signs will make come and / or return client. E-commerce and stores must be complementary and not adversaries. It does not affect it, it is complementary because customers always need to touch and view their purchases hence the rise of the click and collect! Providing

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# THE RETAIL INDUSTRY IN 2018: THE UNITED STATES



**By Andrea A. Abrams**  
 Founder & CEO of Abrams Global  
 New York, NY, USA

## WHICH MAJOR INTERNATIONAL BRANDS ARE COMING TO THE US?

American retailers are still looking at the UK and Europe for expansion but Brexit, cost of entry, and the complexity of building entire teams to tackle distribution and steady growth in European markets, has become an incentive for many US retailers to look at Mexico or Canada first. Paris remain an important port point of entry for US players looking at Europe in 2018. As for who is coming to the US, we continue to see a number of wonderful UK retailers (we recently advised The White Company and opened their first two stores and are working on strategy for several other UK brands). French, Spanish and Canadian brands continue to lead as far as new entrants. We are however very excited about the recent increase in brands from Latin America, particularly from Mexico, Colombia and Peru. Also pop-ups such as Latin Curated, that offer Latin brands during the month of Fashion Week.

## WHAT ARE THE CURRENT TRENDS IN THE RETAIL SECTOR IN THE US?

In the US, there is a big push by e-tailers, companies like Eberjey, Everlane and Rent The Runway that previously relied on their online-only platform to succeed, and which have all started to open brick and mortar stores. Lifestyle advice platforms such as Goop.com have also been opening pop-ups as they transition from pure advice to selling products, including their private label apparel. Another big trend is the expansion of indy beauty brands. Young brands such as Kylie Cosmetics (founded by TV reality star Kylie Kardashian) have become instant success stories and they have opened pop-ups in cities like New York. Also Korean beauty brands are making a big investment in the US. Finally, the closing of many department stores has created new trends for developers looking for ways to fill very large boxes. WeWork is taking some of such spaces in certain markets and they are looking at WeWork retail component. Also gyms are very coveted tenants once again. The mall owners often treated gyms as a last resort in the past. They are now giving them some of their best real estate. The big trend in the US for 2018 is that retail is no longer dominated by traditional retail formats in traditional spaces and leases. It's all about the experience and the experience is transforming.

## WHICH ARE THE MOST DY-NAMIC RETAIL SECTORS?

AG: In the US it is Experiential Retail. Anything that allows the customer to experience something for a longer period of time. New flagships for major brands are creating unique experiences not found at other locations by the brand. Also travel retail is getting redefined in the US. Hotel brands are combining great food brands, hospitality brands, experiences, art and retail. It is all about capturing the consumer at a time when they are relaxed and shopping is part of their experi-



ence. We are working with a number of boutique hotels and cruise companies and playing match-makers between them and key retail brands. Our partnership with Lara in Paris has opened many opportunities to us with great experiential food retailers that could be a great fit in the Americas.

**HOW DOES E-COMMERCE AFFECT TRADITIONAL DISTRIBUTION TRADE?**

We see e-commerce as a must for all retailers in the US. Even those whose success is based on brick and mortar, have opened a small e-commerce site to supplement distribution and many have partnered with Farfetch, for example, to be able to liquidate inventory after a season ends.

**IN THE RETAIL INDUSTRY, WHAT IS THE CURRENT STATE OF INVESTMENTS AND TRANSACTIONS? WHERE DO THE INVESTORS COME FROM?**

AG: In the US, many retailers have been acquired by private equity funds in recent years and there are also a few interesting IPO's expected in 2018. We view our partnership with Lara Hinton in Paris and with Jorge Lizan in Latin America, as a very important relationships for investment. Our US retail clients rely on us to work with our partners in these markets to identify investors and JV partners. We have a network of private investors in the US that are always

looking to help grow International brands with the right characteristics to succeed in the US.

**About Abrams Global**

Abrams Global is a New York-based advisory services firm working with retailers, fashion groups and retail and mixed-used owners and developers in various parts of the World. Abrams Global's founder, Andrea Abrams (formerly Andrea Bills), has spent the last 24 years focusing on strategic acquisitions, development and repositioning of retail space in the US and Internationally, as well as helping expand International brands in the US and Canada. Andrea has also worked on the incubation of new retail concepts, including running a New Ventures initiative, GGP Ventures, while at US REIT GGP. During her time at GGP, the second largest US-based, publicly traded REIT, Andrea held various roles in Development and Asset Management, became National Director of Big Box Development and helped launch GGP's international initiatives as its Vice President of GGP International Ventures, establishing GGP's presence outside the US with transactions in Brazil, Turkey and Central America and forging relationships in Europe, Asia and Latin America.