



## *Key European retail data 2010 review and 2011 forecast*

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*By GfK GeoMarketing on behalf of the  
European Shopping Centre Trust*

# Foreword

Dear Reader,

GfK GeoMarketing, a Europe-wide market research company with extensive expertise in retail and retail real estate, was commissioned by the European Shopping Centre Trust (ESCT) to analyze the 2010 European retail scene and provide a forecast for turnover and inflation in 2011. These analyses are a follow-up to our 2010 study\* and will be presented publicly for the first time at the ICSC Conference in Paris in June 2011.

Numerous changes have occurred in Europe over the past year: Many countries are beginning to recover from the effects of the financial, real estate and economic crisis, as seen in the positive purchasing power developments and retail results in many locations.

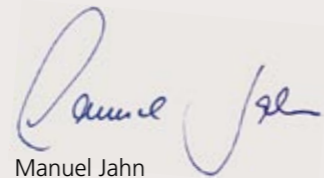
Even so, significant differences exist among the individual European countries and regions. Despite the overall climate of recovery, some negative trends are apparent, particularly in countries that continue to be strongly impacted by cost-saving measures.

The facts, analyses and prognoses presented here provide insight into Europe's multifaceted and dynamic retail sector and thus offer a transparent and reliable basis of planning.

Sincerely,



Sebastian Müller  
Head of Real Estate Consulting  
GfK GeoMarketing

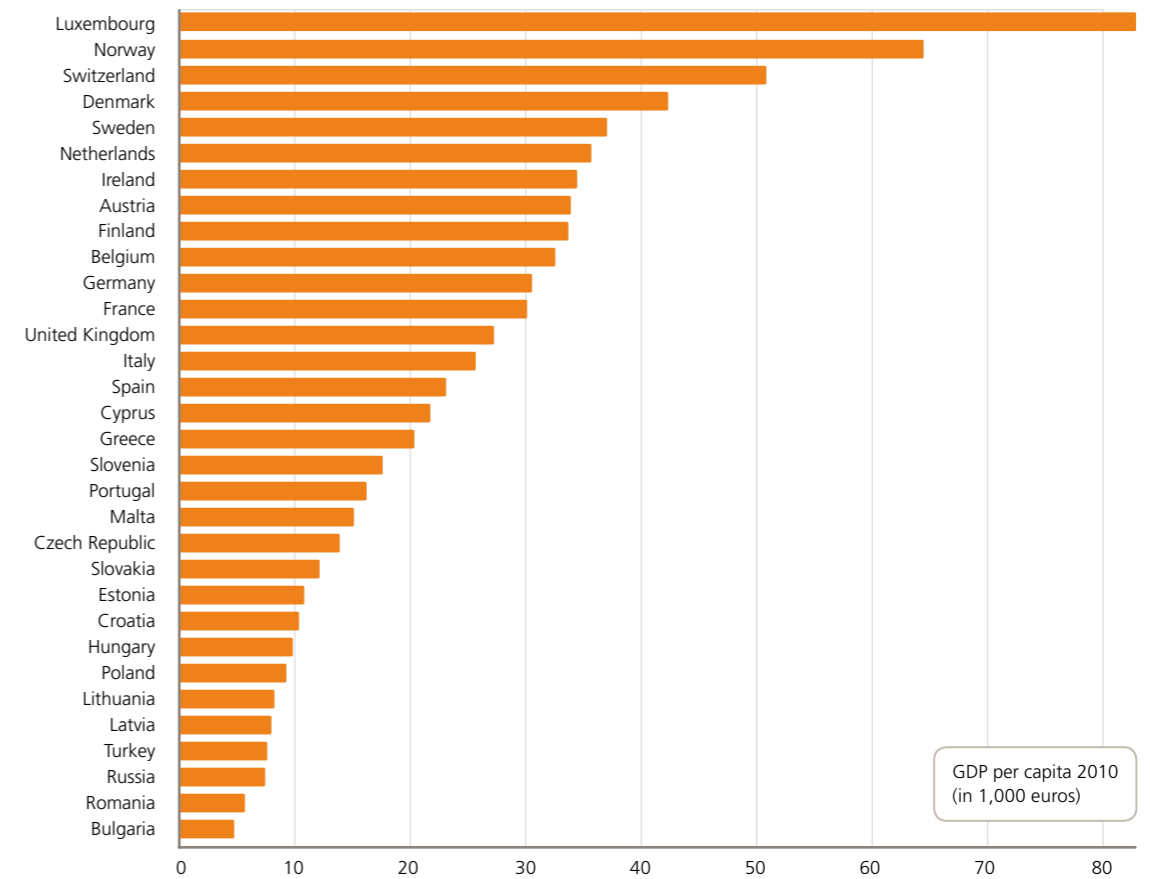


Manuel Jahn  
Head of Real Estate Consulting  
GfK GeoMarketing

[Comments on methodology:](#)

Calculations of the GDP, turnover and purchasing power data are carried out in euros according to the average 2010 exchange rates for the respective national currencies in accordance with values provided by the European Central Bank. The information and data are accurate as of the end of April 2011. Much of the regional data calculated by GfK GeoMarketing is based on values contained in the "European Economic Forecast May 2011" of the EU Commission.

\*While the print edition of the 2010 study is already out of stock, a PDF version can be downloaded at [www.gfk-geomarketing.com/esct-2010](http://www.gfk-geomarketing.com/esct-2010).



Data source: European Commission

## GDP per capita in 2010

GDP values constitute a standard indicator of a country's relative wealth. Europe's 2010 GDP once again climbed: According to the European Commission, GDP increased in the above-listed countries by an average of 6.2 percent.

Two-digit GDP growth has occurred in Turkey (+25.3 percent), Russia (+19.3 percent), Sweden (+19 percent), Norway (+14.8 percent), Poland (+14.1 percent) and Switzerland (+11.7 percent). Three European countries show negative growth: Ireland (-3.6 percent), Latvia (-2.7 percent) and Greece (-2.1 percent).

This ranking is, however, partly reflective of differences in exchange rates. For example, Sweden's GDP growth is influenced by the positive revaluation of the Swedish krona with respect to the euro. The same is true for the Swiss franc and Polish zloty.

The top of the 2010 per capita GDP rankings is occupied by the traditionally high-performing countries: Luxembourg (approx. €83,000), Norway (approx. €64,500) and Switzerland (approx. €51,000). The European average for 2010 was €20,000.

# Purchasing Power 2010

Purchasing power refers to the amount of disposable income available over a particular period of time. As such, this value is the most important benchmark of consumer potential, or the level of disposable funds available in a given region.

European consumers had a net household income of approximately €7.9 billion available for consumer purchases in 2010. This corresponds to an average purchasing power of €11,945 per inhabitant of the 42 countries considered by the study.\* This is an increase of around 2.1 percent over the previous year's level.

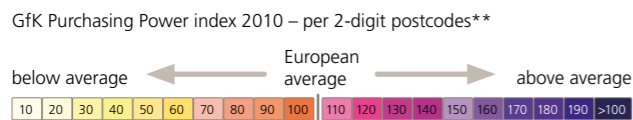
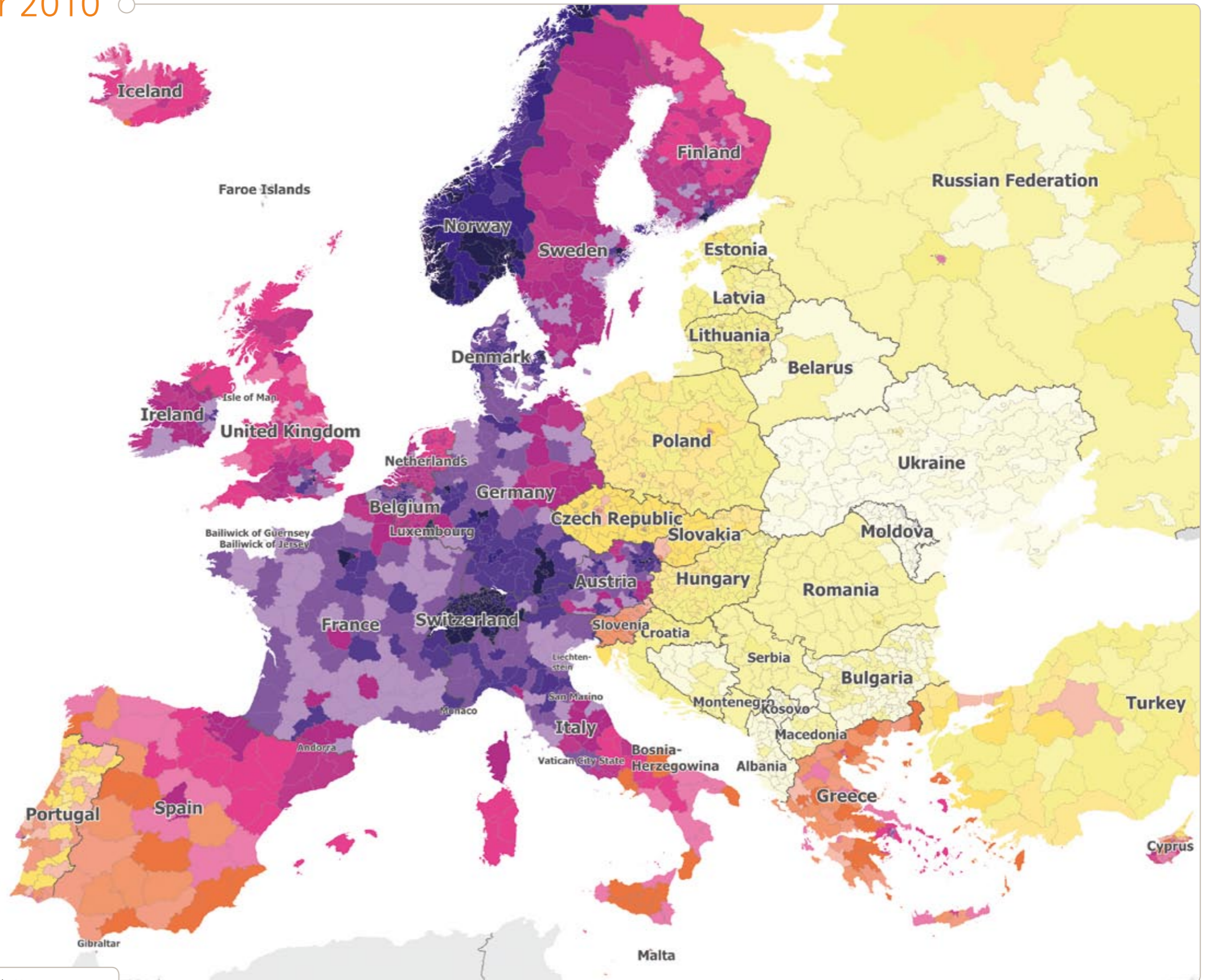
The crisis has definitely left its mark in some countries. Even so, there are no major shifts in the purchasing power levels of the wealthier countries.

It is noteworthy that Portugal, Ireland, Greece and Spain – currently Europe's "problem children" – fall in the middle of Europe's 2010 purchasing power rankings. All of these countries have purchasing power levels that have remained relatively stable since last year's study.

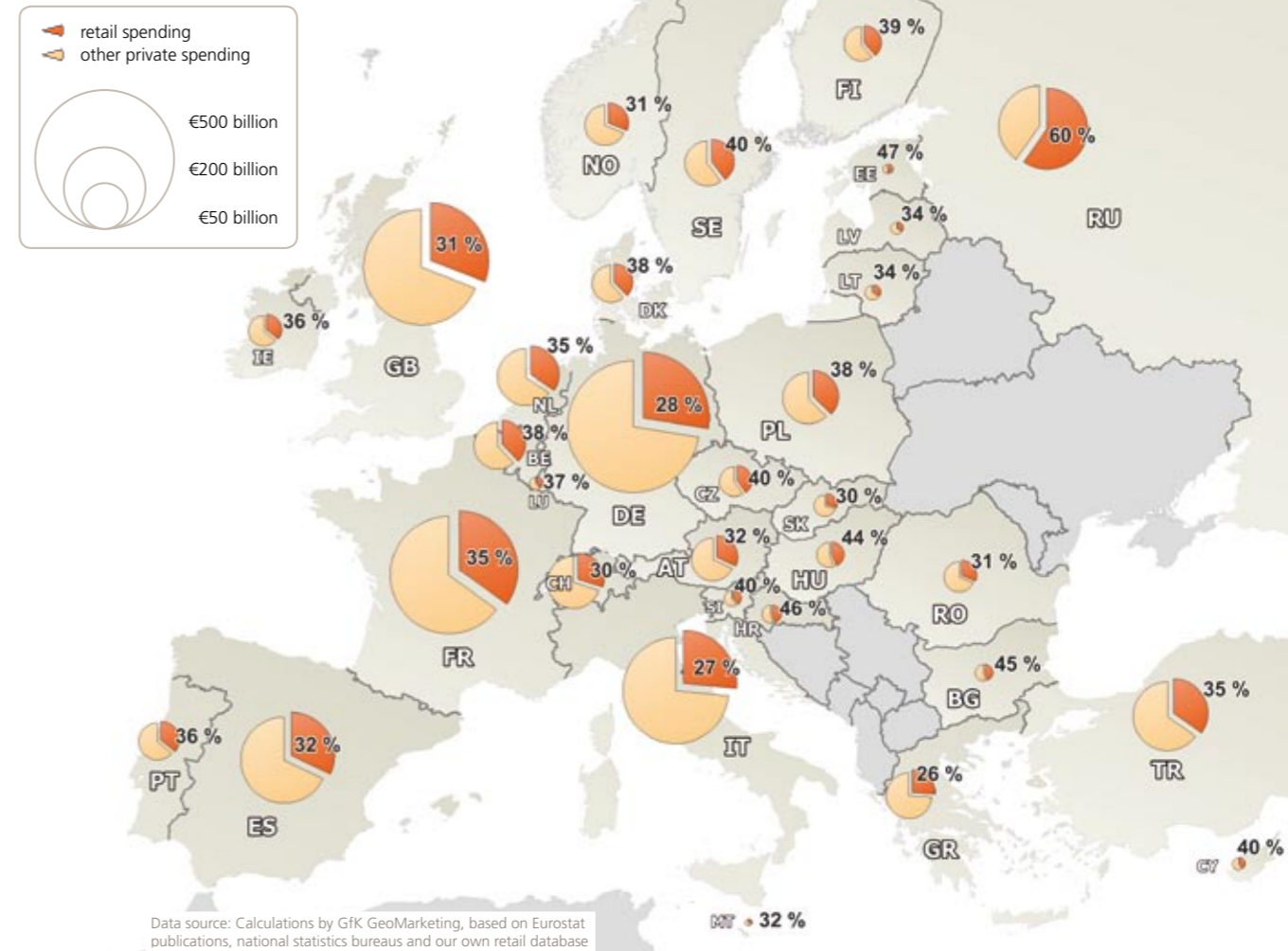
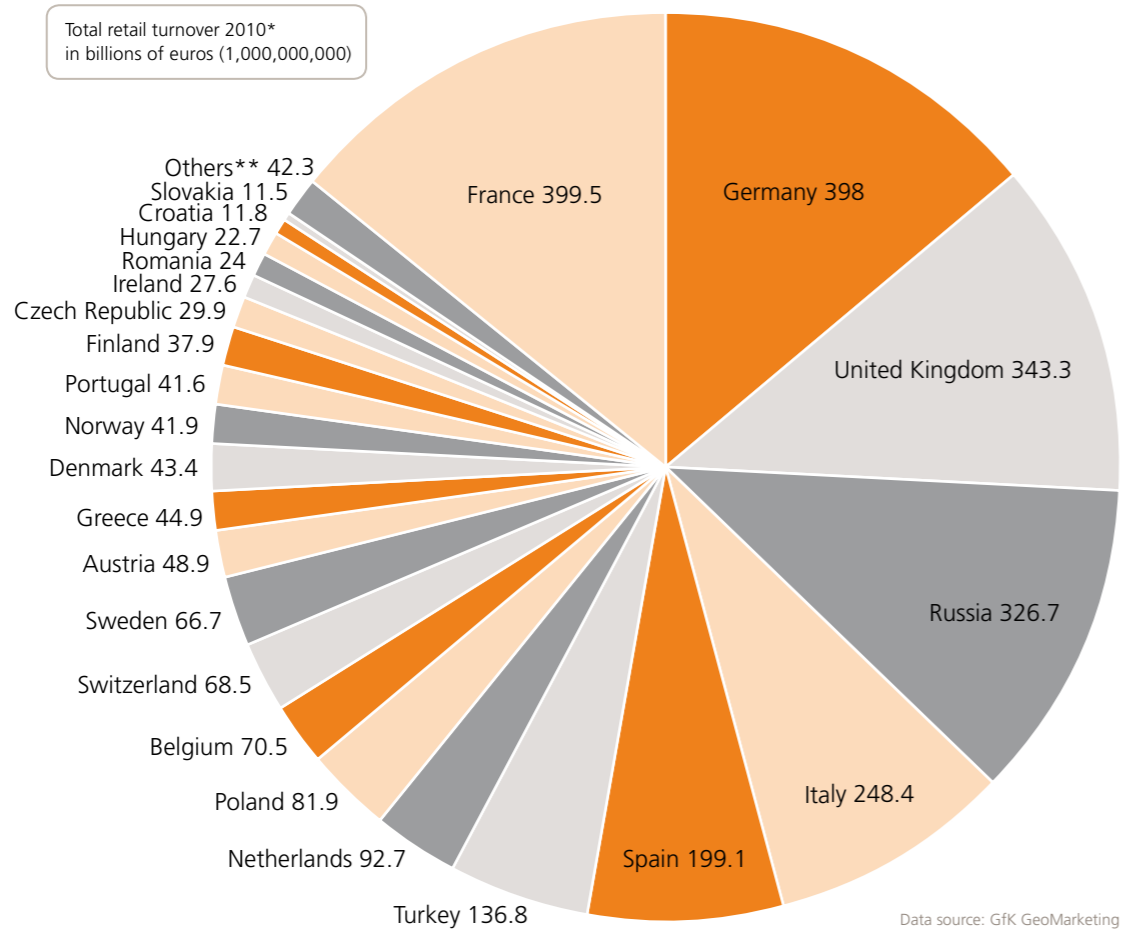
Note: Purchasing power is calculated based on consumers' places of residence and is provided in actual values that are not adjusted for inflation.

\*) The average value corresponds to all European countries with the exception of Russia.

Data source: GfK GeoMarketing



\*\*\*) Russia's provinces (oblasts) comprise an exception. The index values for Russia refer to the European average in order to facilitate a better comparison. However, Russia was not included in the calculation of the index for Europe.



## Total retail turnover in 2010\*

Europe's retail turnover for 2010 was €2,860.5 billion. Among the countries under review, this equates to an average increase of 4.9 percent from 2009 to 2010.

There are, however, significant variations among individual countries: Enormous turnover growth occurred in Turkey (+22.4 percent), Russia (+16.3 percent), Sweden (+15.8 percent), Poland (+13.3 percent), Norway (+11.3 percent) and Switzerland (+10.9 percent), while turnover fell significantly in Lithuania (-6.5 percent), Greece (-5.1 percent), Ireland (-4.6 percent) and Latvia (-4.0 percent).

The top four countries in terms of total turnover volume – France, Germany, UK and Russia – generated more than half of the total European retail turnover in 2010.

Europe's economic recovery has been largely driven by the two largest economies of France and Germany, which generated approximately €400 billion in retail turnover, respectively. During the crisis, these two countries served as stabilizing forces in the European economy and also managed retail growth of their own in 2010, although these increases were modest (1.4 percent in Germany and 1.8 percent in France).

\*) Excludes automobile- and fuel-related purchases and mail order

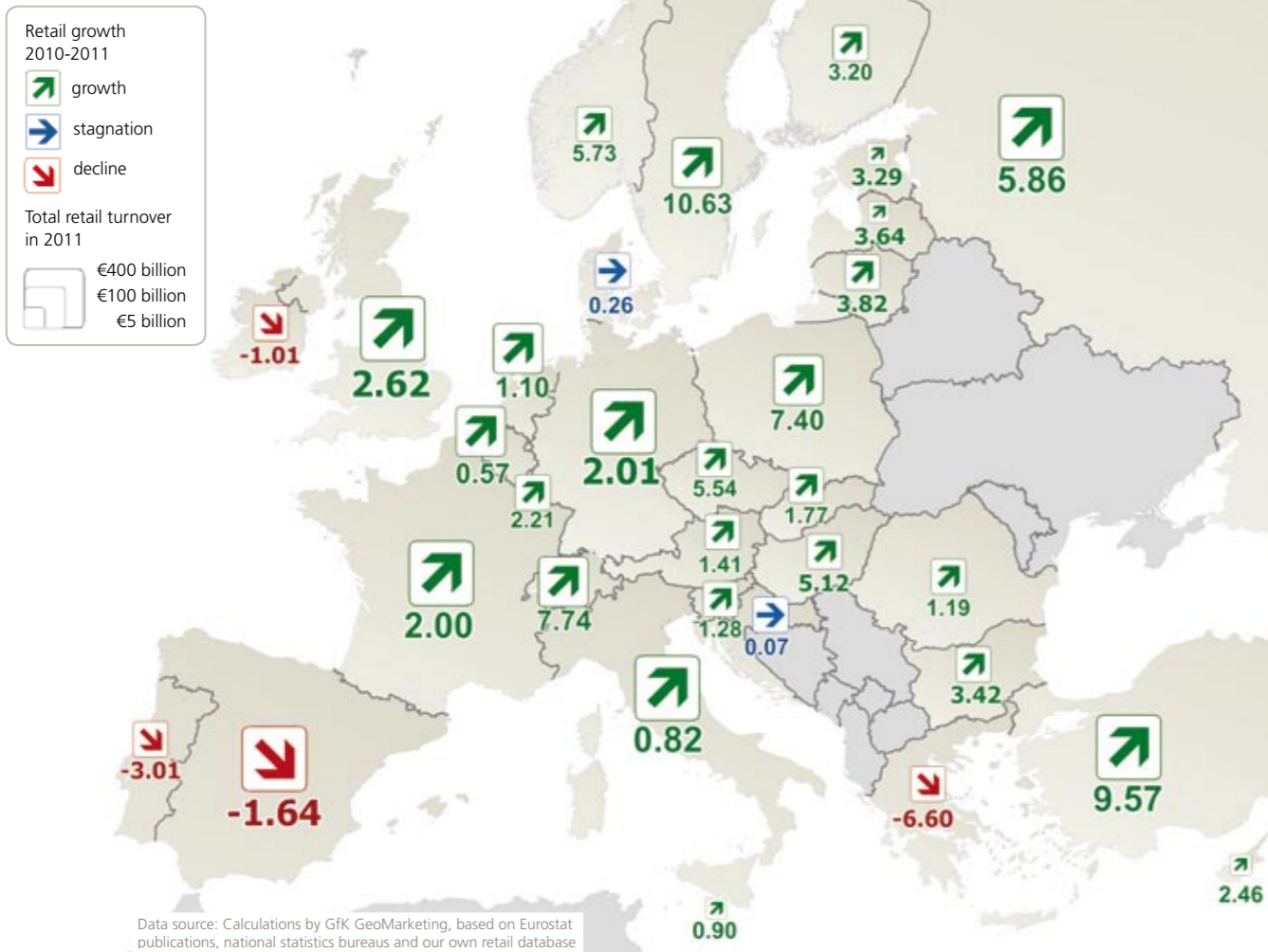
\*\*\*) Others: Bulgaria, Slovenia, Lithuania, Luxembourg, Cyprus, Latvia, Estonia & Malta (listed in descending order according to turnover volume)

## Retail spending as a share of total private spending

Despite the growth in absolute turnover, retail spending as a share of private spending declined Europe-wide in 2010. The five exceptions were Austria, Cyprus, Estonia, Finland and Croatia, all of which underwent modest growth in this regard.

Reasons for this declining share of retail expenditures include rising energy costs and sustained or increased unemployment rates in many European countries. In contrast to places like Germany, the employment market in most European countries has not yet benefited from the generally improving economy. Consumers' retail spending was consequently more conservative than in previous years.

The varying spending habits throughout Europe are closely tied to each country's price structures and propensity to consume: In countries with low per-capita incomes, people spend a proportionally higher amount of their earnings on retail in order to cover their basic needs. In countries with high income levels, the prices for accommodation and services are substantially higher, which accentuates the high level of non retail-related spending. On the other hand, higher prices – particularly with regard to daily-need items – can also lead to a higher share of retail spending (e.g., Scandinavia).



## Retail turnover forecast: Growth rate in 2010/2011

In the European countries under review, GfK GeoMarketing anticipates nominal retail turnover growth of approximately 2.8 percent in 2011. The only countries for which negative growth is expected are Portugal, Ireland, Greece and Spain, which continue to be strongly impacted by the aftermath of the crisis. The greatest negative growth is predicted for Greece (-6.6 percent).

By contrast, the crisis-ridden Baltic States will improve, with forecasted retail turnover increases of almost 3 to over 4 percent. Retail turnover growth (in euros) of 5 to 7 percent is expected for the Czech Republic, Hungary and Poland. The highest growth rates will occur in

Sweden (+10.6 percent), Turkey (+9.6 percent), Russia (+5.9 percent) and Norway (+5.7 percent). However, the exchange rate effect once again influences these growth rates, particularly in the case of Sweden and Norway.

The two largest retail markets – France and Germany – will continue to grow. An increase of approximately two percent is forecasted, which corresponds to a nominal retail growth of almost €8 billion for each country.

On the whole, Europe will experience stable retail growth, provided that adequate attention is paid to the debt problems in the EU, particularly in Portugal and Greece.

## Inflation in 2010/2011

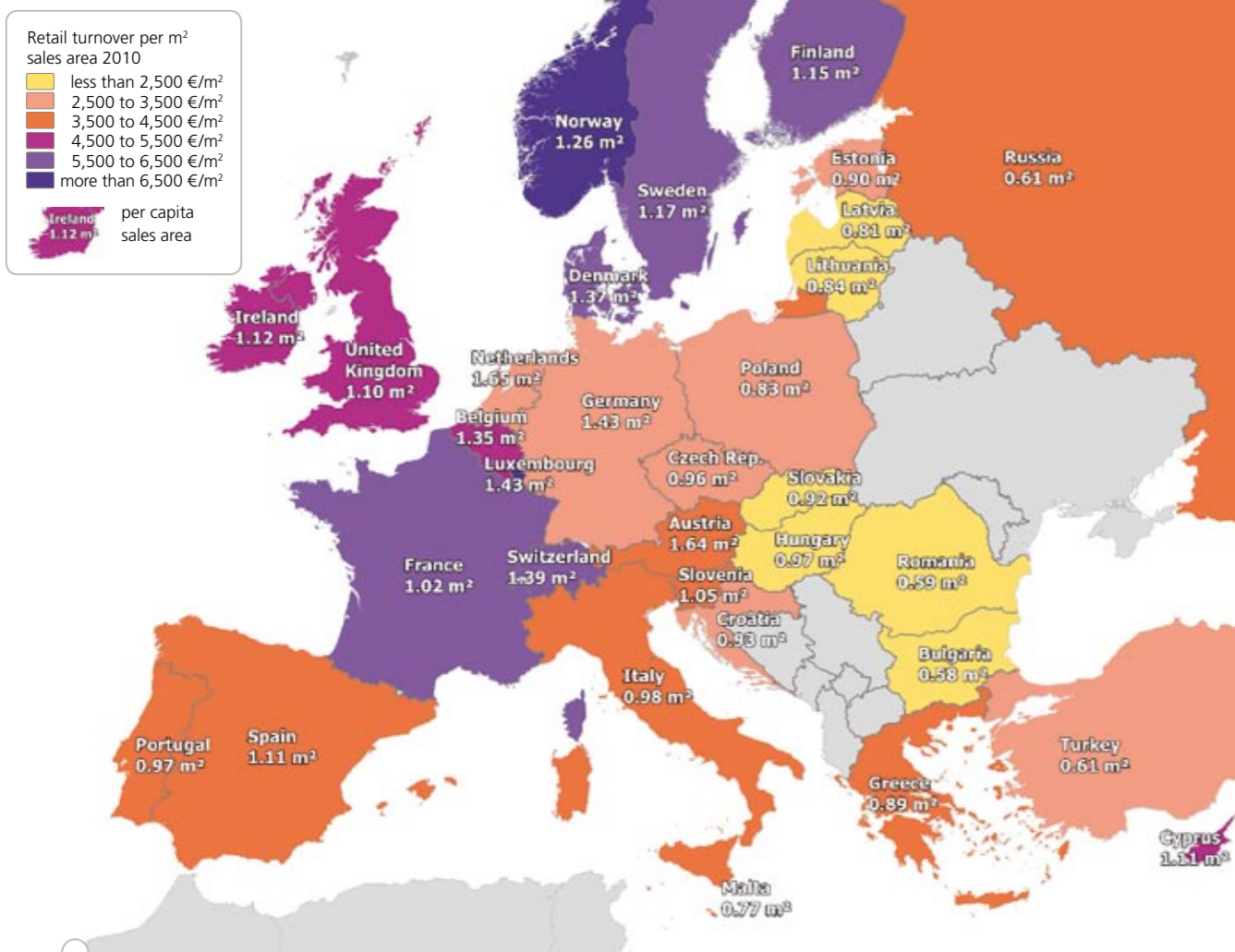
Country	Inflation rate as a %	
	2010	2011 (exp.)
Ireland	-1.5	0.4
Switzerland	0.9	1.0
Latvia	-1.3	1.1
Sweden	1.8	1.4
Spain	1.7	1.5
Netherlands	1.0	1.5
France	1.7	1.6
Italy	1.6	1.8
Croatia	1.1	1.8
Germany	1.1	1.8
Norway	1.8	1.9
Belgium	2.3	1.9
Slovenia	2.1	2.0
Malta	1.9	2.0
Austria	1.7	2.1
Czech Republic	1.2	2.1
Denmark	2.2	2.1
Finland	1.6	2.1
Luxembourg	2.8	2.1
Greece	4.6	2.2
Portugal	1.4	2.3
Lithuania	1.2	2.3
United Kingdom	3.2	2.6
Poland	2.6	2.9
Slovakia	0.7	3.2
Bulgaria	2.9	3.2
Cyprus	2.8	3.3
Estonia	2.7	3.6
Hungary	4.7	3.9
Romania	6.1	5.5
Turkey	8.5	6.5
Russia	6.4	6.9

In 2010, there was a nominal retail turnover growth of 2.3 percent in the 27 EU countries. However, the actual growth amounts to only 0.3 percent when this figure is adjusted for the two-percent inflation recorded for 2010.

Russia, Turkey, Romania and Hungary had the highest 2010 inflation rates. By contrast, prices declined notably in Ireland and Latvia due to their economic struggles. These should again rebound into a slight inflation in 2011.

Not much will change in terms of the overall trend and country rankings in 2011. The inflation rates forecasted for 2011 vary substantially among the individual countries considered by the study. As in previous years, the inflation rates for Russia (6.9 percent), Turkey (6.5 percent) and some other southeastern European countries will be significantly above the European average (EU 27) of 2.1 percent.

For 2011, a nominal retail growth is predicted due to increases in the value-added tax in many countries (Greece, Spain, Latvia, Poland, Romania, Slovakia, Finland, United Kingdom). At the same time, declines are anticipated once these figures are adjusted for inflation.



## Per capita sales area and sales productivity in 2010

Per capita sales area is an important gauge of market development and position among individual European countries.

Sales area is expected to rise in 2011 by approximately 2 percent compared to the 2010 level.

The sales area growth rate is therefore below average when compared to the 2010 turnover growth of 4.8 percent. As such, the previously increasing sales area quota appears to now be slowing down substantially.

This is due to the fact that many projects were halted during the economic crisis and due to the increased numbers of vacancies resulting from the difficult economic situation.

Russia and Turkey will continue to experience the most robust growth.

## Retail sales productivity in 2010

Country	per capita sales area (m <sup>2</sup> )	retail sales productivity (€/m <sup>2</sup> )
Luxembourg	1.43	6,900
Norway	1.26	6,900
Switzerland	1.39	6,300
Finland	1.15	6,200
Sweden	1.17	6,100
France	1.02	6,100
Denmark	1.37	5,700
Cyprus	1.11	5,400
Ireland	1.12	5,500
United Kingdom	1.10	5,000
Belgium	1.35	4,800
Greece	0.89	4,500
Italy	0.98	4,200
Portugal	0.97	4,000
Spain	1.11	3,900
Slovenia	1.05	3,800
Malta	0.77	3,800
Russia	0.61	3,800
Austria	1.64	3,600
Netherlands	1.65	3,400
Germany	1.43	3,400
Turkey	0.61	3,100
Czech Republic	0.96	3,000
Croatia	0.93	2,900
Estonia	0.90	2,800
Poland	0.83	2,600
Slovakia	0.92	2,300
Hungary	0.97	2,300
Bulgaria	0.58	2,300
Lithuania	0.84	2,200
Latvia	0.81	2,100
Romania	0.59	1,900

Sales area productivity – i.e., turnover per m<sup>2</sup> of sales area – is the hard currency for gauging the turnover potential of retail locations.

There is, of course, a close association between purchasing power and retail turnover as well as the average sales area productivity in the respective countries. As in 2009, Luxembourg, Switzerland and the Scandinavian countries top the list of countries in 2010 with the highest sales area productivity. The countries with the lowest sales area productivity are located in southeastern Europe (Romania, Bulgaria) and the Baltic.

However, a comparison of the sales area productivity with that of the previous year is only possible to a certain degree. This is because of the high volatility in the respective countries' retail turnover trends and exchange rates. The temporary sales area vacancies in many locations further complicate such comparisons.

A significant downturn in sales area productivity is anticipated as a result of declines in turnover, particularly in Greece, Ireland and the Baltic.



The European Shopping Centre Trust was formed a little over a decade ago when ICSC Europe became part of ICSC America when the monies within ICSC Europe were transferred to the Trust to provide financial assistance to educational initiatives within the shopping centre industry in Europe.

Since that time it has provided financial help for various research projects (often but not exclusively with ICSC) as joint promoters and financiers.

Additionally and indeed principally, the aim of the Trust is to assist students and other professionals within the industry to increase their knowledge. For a number of years now it has been financing students to attend the ICSC European Summer School.

To date the Shopping Centre Trust has not sought new funds to replenish the cash that was initially donated to the Trust. The current Trustees will, from this year,

be seeking modest donations from industry leaders and corporations to a maximum of €1,000 now that we believe we have proved to the industry that our efforts are indeed improving the education of people in our industry. The challenging times, particularly for the younger professionals in the shopping centre business remain with us and are likely to continue for quite some time to come. We believe that National Councils, shopping centre owners and developers and professional consultants have a common interest in ensuring the continued high quality of professionals in the industry and we are hopeful that by the end of the year we will be able to announce considerable, additional funds have been provided to the Trust.

I would particularly like to thank Land Securities plc who have become our first donor and who I feel sure will be followed by many others during the course of 2011.

Neil Mitchenall  
Chairman of the Trustees

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