

CITY SPOTLIGHT: URBAN RETAIL AND LEISURE

Creating the retail and leisure offers for
a digitally-connected, urbanised world.



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Populations around the globe continue to flow into cities, creating increasing demand for transportation, infrastructure and all modes of real estate. In this special White Paper we look at the opportunities and challenges facing the property industry in creating the retail and leisure offers for a digitally-connected, urbanised world.

THE FUTURE OF CITIES: YOUNGER, CLEANER AND CONNECTED

Youthful cities and regions are expected to become more regionally dominant in the future, as younger professionals focus on social and geographical mobility, yet prove to be increasingly discerning, placing more emphasis on softer measures of success, relating less to prosperity and more to the personality of place.

Over the next few decades, the large-scale trend of urbanisation is expected to become even more pronounced. Currently, around 55% of the global population resides in cities, however by 2050 this number is set to increase to 68% or 2.5 billion additional city dwellers. This trend is even more prominent in emerging markets with China, India and Nigeria forecast as the top countries for urban population growth.

As a result, the way cities are designed and engineered will have to be reassessed. Going forward, sustainable development will play a key role as society seeks to mitigate the environmental impact, given that 72% of urban energy use comes from fossil fuels, and cities are responsible for 70% of direct carbon dioxide emissions.

According to Alice Breheny, global head of research at Nuveen Real Estate, when looking for resilient real estate opportunities – assets that will remain relevant through market cycles – the global real estate investor favours investments that benefit from being a part of the fabric of a winning city, and even contribute to that city's success.

“Traditional measures of a city's attractiveness relate to scale, prosperity and productivity,” she says. “These include population size, economic importance and GDP per capita – all indicators of demand for commercial real estate. We also look at affluence and the presence of wealthy households, which support consumption and investment in consumer-based strategies. The cities that score well on these hard measures are typically the global gateway cities – those large, liquid real estate markets.”

However, she says that Nuveen believes ‘softer’ measures of a city's attractiveness are increasingly relevant. She says: *“Locational and space requirements are evolving rapidly in response to the millennial movement. Youthful cities are expected to become more regionally dominant. Younger professionals are becoming more socially and geographically mobile, yet increasingly discerning, placing more emphasis on softer measures of success, relating less to prosperity and more to personality – gauging the liveability and likeability of a city.”*

This can include how well connected cities are externally and also internally, through the provision of good public transport, walkability, bike-ability and average commute

times. Metrics relating to the provision of health care, education, air quality or green space, for example, alongside affordability are increasingly being assessed by corporates. The availability of culture and entertainment is also becoming more prominent and digitally-connected cities foster start-up technologies and help create emerging tech hubs.

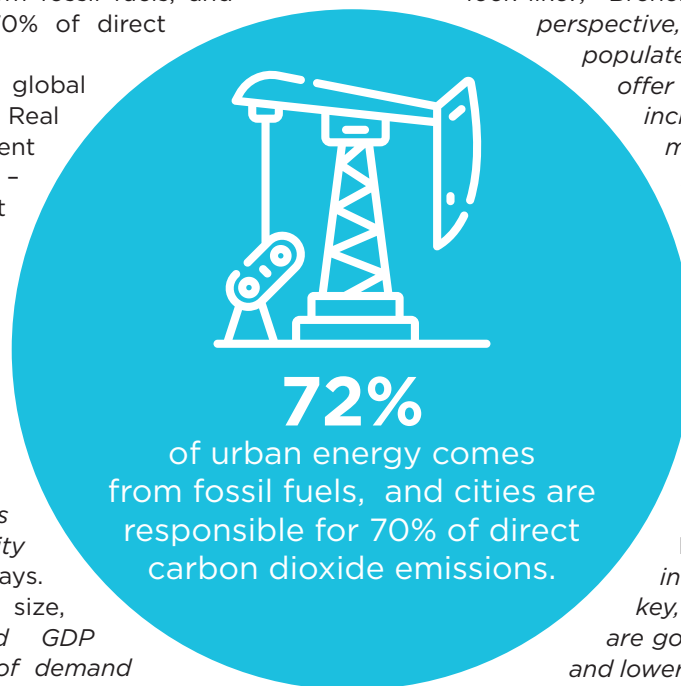
“If we look to the future, 20 to 30 years from now, and imagine a world in which the built environment has been optimised for demographics, sustainability and technology megatrends, what would the city of tomorrow's world look like?” Breheny asks. “From a demographic perspective, it would likely be more densely populated than today. But it would also offer a higher quality of life and an inclusive built environment, with more mixed-use schemes and more specialist sectors that cater to specific consumer demands.”

Indeed, inner city areas are of particular importance as many governments have taken a tough stance on greenfield developments on the edge of cities and Damian Harrington, head of EMEA research at Colliers International, adds: *“Clearly infra-structure is going to be key, as cities work out how they are going to transport people around and lower their carbon footprint, or move towards electric vehicles and manage power.*

Some parts of the world are already quite well ahead on this, like the main Nordic cities, the Dutch and the French.”

He says that while a lot has been talked about smart cities, he believes the future will be about “practical cities” and adds that a major driver will be job creation, with cities below a 2 million population looking to specialise, while those above 5 million are of such a scale that they will be looking at very broad job creation.

“At the same time, smaller cities will work more as regions to build a critical mass to compete with large cities,” he says. “Trying to cope with larger working populations is going to involve more agile working, not least to improve people's work and life balance. So we are likely to see the rise of flexible space in hubs that people can reach outside the head office. Some sectors are further ahead than others in this.”





CITY_{and} REGIONAL DEVELOPMENT

Cities and regions have become adept at marketing themselves and the opportunities that their catchment, commercial and arts offers and their popularity with visitors can provide for incoming businesses. Indeed, many will be using MAPIC as a platform to promote their locations.

Rethinking urban landscapes for all should be the focus of city centres going forward, according to Edouard Dequeker, research engineer for the chair of urban economics at Essec Business School, who believes that the role of city centres in urban development has fundamentally changed in the last 30 years. *“Metropolitan areas today have to offer a wider range of services to a wider range of people in more and more dense spaces. City centres are pressured to respond to these new location trends.”*



FRANCE



The 31 - Lille

Netherlands-based Redevco and VINCI Immobilier, a subsidiary of the VINCI group, unveiled plans for the mixed use project The 31 in the historic centre of Lille at last year's MAPIC. The stores and food and leisure outlets are now scheduled to open in the spring of 2021 and the hotel and offices will follow.

At 25,000 sq m, this mixed project includes 2,400 sq m of retail, 1,700 sq m of food and drink outlets, 5,200 sq m of leisure activities, 8,000 sq m of office and co-working space, a 120-room OKKO hotel and 600 parking spaces. *"In a changing society the new 31 has been designed to be a gathering place in the heart of the city thanks to its reinvented commercial offering,"* says Thierry Cahierre, managing director of Redevco France.

Apsys CEO Fabrice Bansay says that the urban development specialist *"loves the city"* and the company continues to focus on city-centre schemes under its

'Making Cities Vibe' initiative. The French-based developer has completed a number of flagship urban schemes in French cities and has achieved planning approval for its ambitious Bordeaux project, Bordeaux Saint-Jean, which is expected to begin construction in mid-2021, with completion in late 2023. The 70,000 sq m project includes 45,000 sq m of retail and 25,000 sq m of residential, office and hotel space.

Bansay says that he expects the mixed-use project, which integrates with the city streets, to become *"a reference for French city-centre schemes"* upon completion and says that it will *"reshape the way people live in the city, because you will be able to work, live, shop and be entertained in the same area"*.

Bansay hopes that the public spaces to be an attraction when Bordeaux hosts festivals, concerts and major sporting events and stresses that while mixed use is now



Saint-Sébastien - Nancy

a common approach to new developments, it is something that Apsys has been actively promoting for over a decade.

"We were one of the first to take this approach and we believe that projects have to be about much more than retail, because these schemes have a cultural role within their communities. They need to be places which add to the vibe of the urban environment," he says.

Many of the new mall developments in France are also reflecting the changing retail landscape. French shopping-centre developer and owner Apsys is actively working to refresh its portfolio, which has expanded since MAPIC 2018 with the opening of the mixed-use Eden retail park in the Seine-et-Marne area south east of Paris.

Another regular at MAPIC is the metropolis of Greater Nancy, which has a catchment area of 650,000 inhabitants, serviced by 450,000 sq m retail sales area, along with a low vacancy rate of 6.4% in the city centre. Central to this is the Saint Sébastien shopping centre, which offers 107 commercial units and a permanent food market consisting of 80 shops. The city offers outstanding heritage buildings, including the Vaxelaire stores and the Belle Jardinière, with Art Nouveau features, 19th century facades, stained-glass windows and 18th century staircases.

"These elements are now sought after by retailers in terms of the cache they bring and how they help to enhance the shopping experience for customers," says Cyrille Thiery, retail investment expert at Agence Scalen, the Greater Nancy and Nancy city economic development agency.

"Metropole du Grand Nancy offers tailor-made support to retailers wishing to set up shop in the region, including premises research and assistance with recruitment."



Mixed-use project [...] reshape the way people live in the city, because you will be able to work, live, shop and be entertained in the same area.

Fabrice Bansay / CEO - Apsys

French developers also continue to be active. Gare du Nord, Paris has been given the go-ahead to better accommodate fast-rising passenger numbers, expected to reach 800,000 daily by 2024 and 900,000 by 2030. The aim is to finish in time for the 2023 Rugby World Cup and 2024 Olympics and Paralympics that will draw more throngs to the French capital.

The renovation, says Michel Cadot, prefect of the Ile-de-France region, would allow the Gare du Nord to become *"a new setting for urban life, combining commerce, sport, culture and work"*.

National railway operator SNCF and property developer Ceetrus plan to add some 46,000 sq m in floor space for shops, offices, a gym, a concert hall and other cultural venues. The arrivals and departures hall will be expanded by 30,000 sq m.

Altarea Cogedim is also honing its focus on what it calls the most *"resilient and promising formats"* in retail. These include regional shopping centres in *"exceptional"* sites, plus train stations, although inevitably openings of projects under construction will be deferred, including Corso Mall at Cap3000, and phase three of the shops at the Paris-Montparnasse railway station. For projects still in the development phase, such as the Paris Austerlitz railway station, Altarea plans to resume developments whenever it controls the pace. The establishment of the Alta Proximité fund, of which it holds 25% in partnership with Credit Agricole Assurances, has also provided Altarea with a new investment tool. This fund, which was created to invest in urban

proximity in France, has residual investment capacity of €380m, and Altarea plans to accelerate its development of property conversions, particularly for retail sites that will have difficulty restarting after the crisis. ■

UNITED KINGDOM



Battersea Power Station - London

In the UK, investor Nuveen Real Estate is working on a centre that goes well beyond shopping and is also designed to expand the number of festivals and venues available, even in a city as culturally rich as Scottish capital Edinburgh. As part of the overall 78,967 sq m masterplan for the new Edinburgh St James centre, which includes 85 new retail stores, more than 30 new restaurants and an Everyman Cinema, Nuveen is creating public spaces with the flexibility to host cultural events, performances and community-led activities. *“As part of our events strategy, we are reviewing a number of potential festival options to bring to life the nine events spaces across Edinburgh St James,”* adds Martin Perry, Nuveen’s director of development, real estate, Europe.

The iconic Battersea Power Station is emerging as a new retail and leisure destination for London, with the 17ha site being developed in phases with a 50:50 split between residential and commercial uses. Phase One – Circus West Village – has been open for over three years and the next to be delivered will be the renovation of the Power Station building itself.

Already 46,000 sq m of office space has been pre-let to Apple for its new London campus and the two turbine halls will house over 100 shops, restaurants and cafes. Handing over is scheduled to start in 2021 and Sam Cotton, deputy head of retail leasing, adds: *“We have deliberately said no to a department store – the building itself is the anchor and recent events with Covid19 have underlined our original concept that this should be genuinely mixed use, with no anchors. So that includes special stores from international brands and shops from local specialists.”*



Edinburgh St James

The scheme will also include a chimney lift experience, taking groups of up to 30 visitors at a time up one of the power station’s landmark chimneys to offer 360-degree views of London’s skyline. *“In the longer term we see that as a big attraction for international visitors, while right now we’re focusing on our role as a London village, serving our neighbourhood,”* says Cotton. *“Again, the current crisis has emphasised the importance of top quality services for those who want to stay local or are working from home, whether that be convenience shopping, fitness, food and drink or places to relax. We actually see this as part of a longer term trend, where residents in large cities expect much more from their own local areas.”* ■

GERMANY

The German capital Berlin has a remarkable array of retail spaces — some 70 shopping centres or smaller mall spaces in total — which means that developers are having to go to great lengths to compete. TIAA and CNP, joint owners of Gropius Passagen in Berlin, with investment manager Nuveen and Unibail-Rodamco-Westfield as shareholder and centre manager, have been revamping the centre.

Gropius, which offers a range of non-retail uses from job fairs to book-reading workshops for children, encapsulates the new way of thinking in retail property, says Frederik Sarnes, Nuveen's retail asset manager for Germany. *"What we've been doing with all these assets but particularly Gropius is to see the way the market is changing,"* Sarnes adds. *"Previous retail concepts don't work in the way that they've been working before. You have to react to remain relevant. We see that changing these retail concepts is a very crucial point, especially with the leisure element. We try to implement these mixed-use elements and look at refurbishments and restructuring."*

Marie Hickey, director of commercial research at Savills, describes this approach as the *"gamification of the public realm"*. She adds: *"It's a question of how you make the retail experience better. We're discussing this a lot with the big landlords. We've found that spend on experiential features has increased significantly since 2009 — concepts like Hero Entertainment from China, Australian VR gaming brand Zero Latency, free-roaming gaming systems like The Void [which signed a multi-centre deal with Unibail-Rodamco-Westfield] and pop-up experiences like Happy Place. And what's interesting is that a lot of these new concepts don't need huge amounts of space."*

URW is also developing Westfield Hamburg-Uberseequartier, a mixed-use urban district with flexible offices with views over HafenCity and the harbour, modern apartments with direct access to the waterfront, three hotels, and a 200-store shopping centre offering the best local and international brands together with a wide range of services and digital innovations, for an enhanced customer journey. The largest city-centre project in Europe, it encompasses a culture, leisure, entertainment and dining offer, 10-screen flagship cinema, beauty and wellness centres, international and local restaurants, bars and cafes and entertainment technology. ■



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Frederik Sarnes
Retail asset manager for Germany - Nuveen



Uberseequartier - Hamburg



GropiusPassagen - Berlin

ITALY

In the first half of last year, Altarea Cogedim acquired the retail concessions at five Italian stations, including Milan's Porta Garibaldi. Under the deal, the developer will be responsible for the management and renovation and/or extension of the retail areas of these stations until 2041.

"Italy is still one of the strongest countries in Europe in terms of physical stores, with Milan and Rome remaining the most important shopping destinations," confirms Francesca Cattagni, head of high-street leasing at Savills Italy. *"Although the click-and-collect model is emerging for fast fashion, people still want that physical experience — and investors are taking note."*

Within Milan Antoine De Oliveira E Castro, CEO of Peref Group, says the French REIT has been working hard to ensure its redevelopment of The Medelan benefited all. Previously an office headquarters, the building is being converted to mixed use. However, he said the building had faced problems of poor footfall, especially since trams cross the square on which The Medelan sits, leading to the REIT to invest in solutions.

Similarly, Svicom has been involved in a number of new openings and expansions, while its leasing department also focused on new services for leisure and co-working spaces. Last year Svicom supported the launch of La Birreria in Naples and Maregrosso in Messina, Granroma in Rome and for La Birreria, Svicom is completing the leasing of the external area and buildings, completing the centre offering with the inclusion of services (clinic, gym) and more food points.

Svicom has also strengthened its presence in Rome by adding HAPPIO to its portfolio, located in the heart of the city, while leasing is ongoing at Go! Torino, located in the city centre, a "beautiful and innovative" project due to open in 2021. ■



Although the click-and-collect model is emerging for fast fashion, people still want that physical experience — and investors are taking note.

Francesca Cattagni
Head of high-street leasing - Savills Italy



Svicom - Torino

WOVEN CITY, TOKYO, JAPAN

Car maker Toyota has plans to build a prototype future city on a 175-acre site at the base of Mount Fuji in Japan. Called the Woven City, Toyota describes it as a *“fully connected ecosystem powered by hydrogen fuel cells”* and is being envisioned as a *“living laboratory,”* home to 2,000 full-time residents and researchers who will be able to test and develop technologies such as autonomy, robotics, personal mobility, smart homes and artificial intelligence in a real-world environment. Ground breaking for the site is planned for early 2021.

Describing it as a *“unique opportunity”* at the launch, Akio Toyoda, president, Toyota Motor Corporation, said Toyota would develop future technologies, including a digital operating systems for the city’s infrastructure. *“With people, buildings and vehicles all connected and communicating through data and sensors, we will be able to test connected AI technology... in both the virtual and the physical realms,”* he said, confirming Danish architect Bjarke Ingels Group (BIG) as masterplanner. ■

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SIDEWALK LABS, TORONTO, CANADA

Google had been looking at a Sidewalk Labs project in Toronto, first announced in 2017 for a 12-acre lot, though the project was recently spiked. Sidewalk Labs and Waterfront Toronto originally set out to plan a shared vision for Quayside, for a more sustainable and affordable community resulting from innovations in technology and urban design. However, Sidewalk Labs said it will no longer pursue the Quayside project, citing *“unprecedented economic uncertainty”* set in around the world and in the Toronto real estate market, has *“become too difficult to make the 12-acre project financially viable without sacrificing core parts of the plan we had developed together with Waterfront Toronto to build a truly inclusive, sustainable community.”* ■

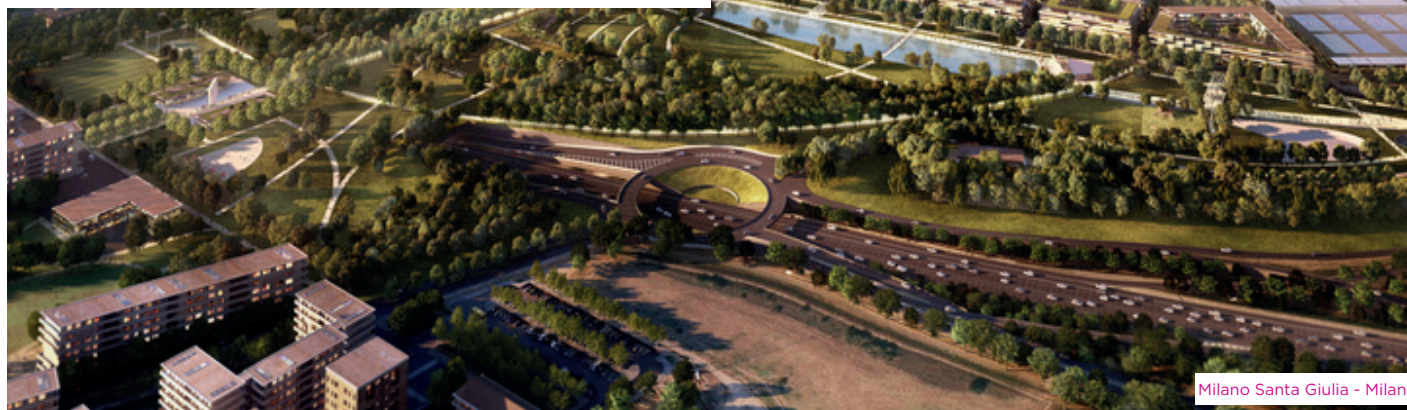


GALATAPORT, ISTANBUL, TURKEY

Retail, F&B and culture are being brought together at Galataport, by the banks of the Bosphorus in Istanbul, in a scheme that aims to re-establish the area as the Turkish city's centre for fashion and design. It will have over 250 shops and restaurants planned, plus a 1.2km riverside promenade, two museums, a university, office space, a hotel and extensive public spaces.

Project development director Irem Yucel Kaymak told MIPIM News that Galataport will bring an extensive boutique retail offer to the area, plus a vibrant F&B scene, when it completes in late 2020. Architectural practice Renzo Piano is creating a new home for the Istanbul Modern contemporary art museum, while Kaymak says that beyond the 52,000 sq m retail offer, the intention is to make Galataport a centre for open air events and activities, to re-establish it as a fashion destination.

UK-based agency Portland is working with Dogus Group on the development of Galataport, including a newly planned streetscape providing visual and physical access to the Bosphorus. Portland has created the place-brand vision and strategy, commercial strategy and experience masterplan and Ibrahim Ibrahim, managing director of Portland, says: *"Our role was to help craft the story of Galataport and develop strategies for the public realm activation and experience masterplanning. This will assist in driving permeability to an important stretch of the Bosphorus, while creating a destination imbued with a truly authentic spirit of place."* ■



Milano Santa Giulia - Milan



Galataport - Istanbul

MILANO SANTA GIULIA, MILAN, ITALY

Lendlease has established a long-term strategic partnership with Canadian pension investment manager PSP Investments for the €2.5bn development of a major urban regeneration project, Milano Santa Giulia, in Milan.

This covers more than 110ha in the southeast of Milan and is split into two distinct areas to the north and south of a new mixed-use development with the potential for 2,500 homes alongside an office, retail and entertainment district. It is only a 10-minute drive from Milano Linate international airport. The scheme will provide facilities for over 1,500 students, new schools and a museum. Milan's largest multi-function 16,000-capacity indoor arena will be built to the north of the site and used as a venue during the Milano Cortina 2026 Winter Olympics.

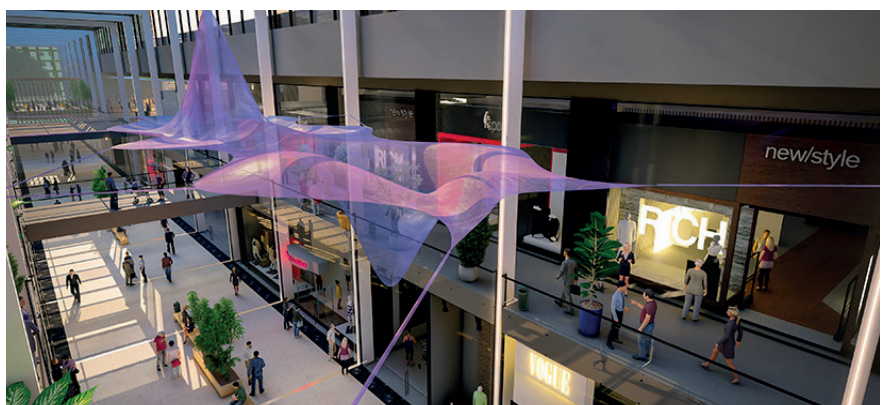
The development will have a zero-carbon target and WELL building standard certification and there will be 30ha of parkland, becoming the third largest urban park in Milan. ■

EAST GATE SHOPPING, SKOPJE, NORTH MACEDONIA



East Gate Shopping is part of Skopje East Gate, the largest mixed-use development project in Skopje, will open in Autumn 2021. The 57,000 sq m GLA project is being developed by Balfin Group, the largest private real-estate developer in the Western Balkan Region, designed by Turkish architect Yazgan Design Architecture.

It represents a state-of-the-art mixed-use development project comprising a shopping mall, residential complex and an office park. The €350m Skopje East Gate covers a 155,000 sq m land plot in the heart of Skopje and will offer new shopping, entertainment and lifestyle options and will include over 250 shops on two levels, an 800-seat food court, a 1,000-capacity cinema and two underground levels providing 2,000 parking spaces. The residential component includes 10 residential buildings with over 1,600 apartments, while the office park has five Grade A office towers totalling 48,000 sq m. The site includes over 25,000 sq m of public green areas spread across the complex. ■





LONDON AND PARIS: A TALE OF TWO CITIES

Edouard Dequeker, research engineer for the Chair of Urban Economics/PhD student in urban economics, will chair a special session on urbanisation at MAPIC. Having just completed a thesis on Paris and London, he looks at the dynamics of two of Europe's most important metropolitan cities.

MAPIC: Why have you chosen to compare the development of Paris and London? How does this connect with the issues to be raised at MAPIC 2020?

Edouard Dequeker: Paris and London are both capital cities of old, centralised European states and are thus heads of two primary urban systems, making them the only west European megacities (more than 10 million people). The strong presence of high-skilled employment in financial and business services more typically qualifies them as 'global cities'. In this respect, they fiercely compete to attract talent, companies and investments worldwide, which means that the density and quality of urban amenities that they can offer play an important role in their overall attractiveness including retail and leisure.

M: What are the main evolutions in retail and leisure in such large cities today? How do they interact?

ED: Just as we thought in the late 1980s that the dotcom boom would mean the end of location constraints, which proved overwhelmingly wrong, we now hear about the 'end of retail'. This is highly questionable. Of course retail is experiencing ongoing quick and deep transformations. Physical retail places are increasingly expected to rely on a larger buying-experience within attractive and distinctive locations. Conversely, the importance of leisure in the life of metropolitan populations has increased, notably collective and socially-bonding activities (restaurants, bars, cinema, shopping, walking, sport, museums, etc), with a demand for proximity to home or work that increases with the regularity of the activity. These two trends meet in the growing demand for retailtainment, with strong pressure on land-use to respond.

M: How do these new interactions fit into the urban landscape?

ED: The urban shaping of these complex and evolving demands is a major challenge. But this is a much older story: examples of integration of leisure activities within retail spaces existed in the 19th century, for example the Grands Magasins in Paris, with its shows, concerts and exhibitions, were conceived as monuments of architectural interest. This link has somewhat been lost throughout the 20th century, with large suburban retail centres traditionally and economically built on everyday goods. Now, projects need to offer a variety of functions, including a well-thought mix between retail and leisure, but also find the right balance between the unity that makes it distinctive and enjoyable to consumers and fluid integration to a wider urban environment.

M: What are the implications of these statements in terms of project management and urban governance?

ED: Trends generally call for a fine understanding of local dynamics and demands and thus for more flexible, evolving and multi-player project management. It is clear that continuing interaction with public authorities is fundamental for coordinating with other urban elements which affect the viability of the project but which appear theoretically outside of it - transportation of course, but more generally all issues that favour a good match between a complex and distinctive mixed-use and a wider architectural and urban coherence. ■