



"BORING" TURNS UP TRUMPS

TEXT: MR. ALEXANDER OTTO, IMAGE: ECE



It's really rather strange: For years, retail property investors wrote Germany off as boring, while internationally expanding retailers dubbed it as too complicated and almost risky. A long list of failures bore witness to this. Flash forward to the present day: In March 2012, Germany holds the title of "Country of Honour" at the MIPIM, as a direct consequence of the veritable hype experienced within the German retail property sector and of the increased expansion of retailers in the country. During the global financial crisis, the market was amazed to observe how both the value and the revenue of core real estate remained relatively stable in Germany. This was partly due to the calmness of the market in the years leading up to this "storm". After all, Germany had never experienced big market hype and, as a result, never experienced a real estate bubble that might have then burst due to the crisis. And with regard to retail revenue, those retailers who had managed to hold their own in Europe's toughest retail market up to this point were unlikely to be affected by the comparably small dent in revenue caused by the financial crisis. Furthermore, this period has seen Germans increasingly seeking sanctuary in consumerism, which is surprising given the media storm surrounding the crisis.

Since international investors caught on to this positive development, interest in quality retail property in Germany has justifiably increased, as have retail property prices.

The reasons for this success are as manifold as they are sustainable. Compared to Europe, Germany has a below-average number of shopping centers. Moreover, restrictive construction regulations prevent the level of ruinous and senseless distribution conflicts experienced in other European countries. A further positive factor is the country's decentralized organizational structure. Unique in Europe, it is characterized by many regions and towns which all possess considerable purchasing power and give rise to a large number of strong locations. At the same



ALEXANDER OTTO

CEO of ECE

time the labor market, which remains strong despite the financial crisis, ensures stability in terms of Germans' incomes and spending behavior. A further advantage of Germany's center landscape is the wide range of professional operators capable of actively managing their centers and constantly adjusting to the needs of the market. Today, more than ever, quality and sustainability are gaining the upper hand and considered guarantees for success – a development that pleases me greatly. For investors and developers, Germany will remain an exciting location in the years to come because, in addition to the many core properties boasting outstanding prospects, there are innumerable old centers with considerable potential for value enhancement. These days, Germany is anything but boring.

