

Press release

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GfK retail expert Olaf Petersen: "The crisis is significantly affecting selective aspects of European retail, making sound concepts and locations essential for survival."

Europe's retail and real estate branches face real challenges according to GfK retail and real estate expert Olaf Petersen. In his analysis of the current economic situation at the GfK Retail & Real Estate Conference in Hamburg, Germany, Petersen concluded that the crisis has already impacted retail. However, not all markets and retail concepts have been equally affected, and some could even turn profits.

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At the 2009 GfK Retail & Real Estate Conference, Olaf Petersen, the head of GfK GeoMarketing's Real Estate Consulting Division, presented GfK study results demonstrating that the economic crisis has already affected European retail. The situation is also not expected to improve in the near future, according to Petersen.

Despite a still relatively stable consumer climate as measured by consumer mood, the hard facts such as retail turnover figures indicate that Germany's retail sector has suffered a loss in the first financial quarter of 2009. Petersen predicated that the sector would undergo a loss of 2.5 percent for the year. Even so, Germany is faring comparatively well: Petersen indicated that countries undergoing substantial economic growth prior to the crisis will have to reckon with two-digit retail losses for 2009. "The crisis has hit Ireland especially hard, where a loss of around 10 percent is anticipated. The Baltic States have also been strongly affected, with losses between 9 and 14 percent," elaborated Petersen. Central and southern European countries have also not escaped the crisis, which brought an abrupt end to the economic growth previously enjoyed by these regions. One country going against the trend is Poland, where Petersen expects a small increase of 0.3 percent in retail turnover for 2009.

Petersen went on to describe how unfavorable developments amongst European currencies against the euro have resulted in additional pressure in the international retail real estate sector, burdening it with numerous elements of uncertainty. For example, Poland's currency has undergone a devaluation of more than 22 percent since

April 2008. The currencies of Great Britain, Norway, Sweden, Russia and southeastern European countries have also fared poorly against the euro, with losses over the previous year between nine and 14 percent.

"Amidst this European trend, Germany – with its fairly conservative consumers and rate of economic development – offers conditions much more conducive to reliable retail planning," said Petersen in his assessment of how Germany's situation compares to that of Europe.

If the German market was considered somewhat sluggish in boom times, it now offers retailers and real estate project developers a certain continuity as well as conditions favorable to planning. There is fierce competition and pressure to succeed among the various retail forms, Petersen noted. The success enjoyed by discounters and retail warehouses is threatening traditional specialty stores – a trend that will grow more pronounced as the economic crisis continues and encourages German consumers to hunt for bargains. Stationary retail remains in competition with online vendors, the latter of which are benefiting from a growing target group comprised of older consumers: Between 2003 and 2008, the number of online purchases increased by 148 percent among 60-69 year-olds. By comparison, the number of all online purchases grew by "only" 53 percent.

Those involved in retail and real estate must reckon with this phenomenon if they wish to remain competitive, indicated Petersen. As a positive example of an effective response to this trend, Petersen named city center-oriented concepts such as well-integrated shopping centers. According to Petersen, these retail venues have a good chance of continued success despite the crisis, an evaluation supported by Germany's growing amount of leased retail space and related turnover. Even so, the shopping center area per person in Germany still lies in the bottom half from a Europe-wide perspective – the popularity of shopping centers in Scandinavia and Eastern Europe is, according to Petersen, due to different factors. Petersen emphasized that potential- and demand-oriented planning with regard to strategic decisions in retail and real estate development is particularly indispensable in these times. "Without a detailed examination of realistic turnover potential that takes into account the economic, socio-demographic and urban development aspects of a given location, it's simply not possible to be assured of sustainable growth," warned Petersen, indicating that this observation applied equally to the pre-crisis period. Due to the fact that this important factor was often neglected in past, Petersen regards certain aspects of the current crisis in this branch as a "self-made problem".

Given this view, Petersen only sees favorable chances for retail concepts and real estate projects that were planned with sustainability in mind. "Sustainably planned and well thought-out retail offers and retail real estate objects will survive the crisis and may even be able to profit from others' mistakes. However, the era of retail growth fuelled by credit-based purchases is over for the present."

Additional information

Additional information on Olaf Petersen's presentation and on the conference can be obtained from Cornelia Lichtner, Public Relations, GfK GeoMarketing: +49 (0)7251 9295270 or c.lichtner@gfk-geomarketing.com.

Olaf Petersen

Olaf Petersen is a member of GfK GeoMarketing's management board and the head of the company's Real Estate Consulting Division. He has been active in location and real estate research at GfK since 1998. Prior to that, he was chief economist at the German Trade Association (*Handelsverbands BAG*).

About the GfK Retail & Real Estate Conference



The theme of this year's GfK Retail & Real Estate Conference was "The Future of Retail in Europe". Presentations and panel discussions led by experts provided conference participants with exclusive insights into Europe's current retail and real estate situation as well as future challenges.

The GfK conference for the retail and real estate sectors is a theme- and content-oriented get-together at which experts present branch market players with cutting-edge research results and analyses relating to the conference topic. The conference also provides a forum for the productive exchange of experience and ideas.

The conference – organized by GfK GeoMarketing – is part of a 30-year tradition of the GfK's location research division. The conference takes place once every three years and celebrated its tenth anniversary this year. The next conference will take place in 2012.



About GfK GeoMarketing

GfK GeoMarketing is one of the largest providers of geomarketing services in Europe for customers and users from all branches of trade. Key business areas include:

-  Consultancy
-  Market data

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-  Digital maps
-  Geomarketing software RegioGraph

GfK GeoMarketing is one of the leading independent providers of consultancy services in the area of real estate and location research. The company produces studies and reports for customers from the retail, public authority, investment, banking and project development sectors.

GfK GeoMarketing is a subsidiary of the globally active GfK Group. Ranked fourth among the world's market research institutes, the GfK is represented by approximately 10,000 employees belonging to more than 115 subsidiaries located in 100 countries.