



Press information

Alexander Otto at the shopping center summit in Barcelona:

Crisis is a chance for cities and developers: Otto calls on industry to concentrate on inner city shopping-centers

— **Barcelona, April 23, 2009** – Today at the European Conference of the International Council of Shopping Centers (ICSC) in Barcelona, ECE CEO Alexander Otto called on his industry colleagues to develop high-quality, well-integrated shopping centers in the inner cities, particularly in these times of financial crisis.

Shopping centers support the renaissance of the city centers

"The shopping center industry now has the chance to create a win-win situation together with the cities," said Otto. "Integrated shopping centers in top inner city locations can support the current renaissance of the city centers and in return profit from this trend. In this way, we as center developers and operators can do justice to our responsibility both vis-à-vis society and towards our stakeholders. I strongly believe that long term success for shopping centers is only possible in an equally successful urban environment."

Germany as a role model

Otto said that the financial crisis has put the uncontrolled expansion of non-integrated "green field" shopping centers on hold for the time being. This gives the industry time to develop sustainable concepts for prime inner city locations that also bring the greatest benefit to the cities themselves. He added that many speculative construction projects in European cities have collapsed. "With land prices falling, attractive city center sites will once again become available for modern retail projects in many countries," said Otto. With an eye to many of the Central and Eastern

European markets, he stressed the importance of Germany as an example of how projects of this type have already been successful.

European cities face many challenges

European cities are currently undergoing fundamental changes. In many places, everyday life has migrated to the outskirts and suburbs, drawing purchasing power away from the city centers. There is a need to respond to the economic structural change due to the closure of factories or the failure of other retailing concepts such as department stores. At the same time, most cities are spending less and less on making public spaces attractive. Moreover, the spread of international chain outlets has created a situation in which many city centers are interchangeable, while entire branches are disappearing from the high streets due to high rents. At the same time, the market share of discount stores on green-field sites has been rising dramatically for a number of years. All the above factors contribute to the demise of city centers.

Europe needs European shopping centers

It is exactly there that Alexander Otto sees a major opportunity for the shopping center industry: "Despite all these developments, people want to come back to the city center. If they are planned well and built well, then shopping centers can help to solve many of the existing problems." He said that European cities need concepts that are different from those that work in America, however. Otto: "Europe needs European shopping centers – sensibly integrated into the urban environment and architecturally ambitious." In the past, there have been certain center developments which contributed to the demise of the cities. These mistakes must be avoided in the future. Otto listed five reasons why integrated centers strengthen the inner cities:

1. Centers attract individual retailers and missing branches such as supermarkets back into the cities. The staggered rent levels in shopping centers where rents are geared towards the financial strength of the individual branch ensure an attractive mix of local, regional, national and international retailers and chain outlets.
2. Centers provide urgently needed parking facilities in the inner cities. The additional parking spaces are integrated in the civic parking guidance system and offer low-priced parking facilities for the entire city center.

3. Inner city shopping centers have smaller footprints and reduce the burden on the urban road network. More and more visitors to shopping centers are travelling to their center on foot, by bicycle or by local public transport. During the last 12 years, the number of visitors to ECE shopping centers travelling by bike or on foot has risen by 13 %. The number of visitors arriving by local public transport has even risen by 20%. Modern shopping centers are also more space-efficient and environment-friendly than conventional retail buildings.
4. Centers create jobs. In France, 25% of jobs in the retail trade are in shopping centers. Depending on size, an ECE center provides work for between 600 and 2,000 people, not including the jobs during the construction phase. New shopping centers generally also prompt significant follow-up investments in the remaining parts of the city center, and this in turn creates and secures more jobs.
5. Centers are vibrant marketplaces and organize a wide range of events and activities that bring life back to the cities – not just in the shopping centers themselves but also outside the premises. A shopping center encourages more people to come into the inner city, as the overwhelming majority of center visitors also take advantage of the other shopping facilities in the city center. Pedestrian malls and centers therefore ideally supplement and profit from each other. As a new survey by Dr. Lademann & Partner proves, this makes cities with shopping centers in the inner city far more popular than cities without a shopping center.

ECE – a strong partner

ECE has been developing, planning, building, leasing and managing large-scale shopping centers since 1965 and is the European market leader in this sector with a total of 112 shopping centers under management and activities in 15 countries. All ECE centers together record annual sales of around 13.1 billion euros in around 11,700 shops over a total sales area of 3.4 million square meters. These centers include the Potsdamer Platz Arkaden in Berlin, the "Promenaden" at Leipzig central railway station, the Galeria Krakowska in Krakow and the Arkad Örs vezer tere in Budapest. 22 further shopping centers are currently under construction or at the planning stage throughout Europe, including the Rhein-Galerie in Ludwigshafen, the Limbecker Platz in Essen, the BahnhofCity at Vienna central railway station and the Serdika Center in Sofia. Through its Office, Traffic and Industries divisions, ECE also develops other large-scale properties like the Philips Germany headquarters in Hamburg, the Hermes goods dispatch center in Friedewald or, currently, the new ThyssenKrupp headquarters in Essen.