

After the lockdown, outlet centres are the winners

Strategy change for brand manufacturers: outlet space is becoming scarce

Adelsheim. The Corona virus has plunged the retail trade into a deep crisis. All retail? No! While shops in city centre locations, shopping centres or specialist retail centres are currently suffering major losses, the sales data available to date for German outlet centres show that the "bargain paradises" are already back on the fast track. The first two weekly sales after reopening amounted to approximately 60 to 70 percent of the previous year's level. Some brand shops there have even reached 100 percent. "Yes, the outlet centres are so popular with brand manufacturers at the moment, that there is a shortage in available rental space," explains Michael Haslinger, who with his consulting firm is responsible for renting out several German outlets as well as shopping centres. So, he knows his way around both worlds and therefore is aware of the reasons for the rush on available outlet spaces.

Haslinger: "The development of all outlet centres was already very positive for many years before the Corona crisis. Each year there were constant sales increases of over 5 to 17 percent."

In addition, a significantly higher turnover level was achieved here than in most inner-city business locations or shopping centres. Since the start of the pandemic and with the closure of shops, many companies could hardly generate any sales. Surprisingly, even the online sales of a large number of brand manufacturers slumped massively, so that many producers fear for their existence. The textile trade in particular is currently suffering more than any other industry. From 20 April, the retail trade partially reopened. The first outlet centres such as Zweibrücken, Montabaur, Metzingen, Brehna or the City Outlet in Bad Münstereifel also opened their doors - with great success. By contrast, sales of the same brands in the shopping streets and in the shopping centres are far from being as high as they were. In some cases, the sales level here is around 10 to 40 percent compared to the previous year. No wonder, then, that some tenants are asking themselves whether it would not be better to close again.

But in addition to the decline in sales, the industry has a second massive problem: there is a gigantic pressure on goods resulting from unsold spring and summer fashion. "All warehouses are filled to bursting point. In some cases, additional external space has to be rented to get the situation under control. A well-known shirt manufacturer has more than 50 shipping containers with new goods in his storage facility - and more containers are already on their way. He is now under a lot of pressure and is certainly not the only one", Michael Haslinger confirms the dire situation. According to his assessment, it is more or less inevitable that there will be a major price war in the normal retail shops. Outlets will also be flooded with goods - but they have an enormous advantage in this situation: they have already been a "bargain paradise" in the past

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and were able to advertise all year round with discounts of 30 to 70 percent. Those responsible at the manufacturers are also aware of this decisive advantage. "Immediately after the shops opened, many tenants already asked us for information. They urgently need additional outlet space for the next 12 to 24 months", Haslinger explains. But that is not so easy. It will be difficult to meet this demand. "All German outlet centres are almost fully let. There are still opportunities at the moment with those that are under construction. For example, the outlet project in Selb, Bavaria. Due to the approval situation, there is the prospect that it can be developed into one of the largest outlet centres in Germany. But the available space is also slowly becoming scarce for the project in Selb," Michael Haslinger explains.

Can we therefore speak of a paradigm shift? Michael Haslinger believes: Yes! Before the Corona crisis, the preference in the distribution strategy was for shop-in-shop in fashion stores, own sales or sales via the license partner. Outlets were ok, they were used for sales - and to strengthen the brand image. But they did not play a major role in the sales concepts. "This attitude has changed completely," says the expert. For example, a well-known sports goods manufacturer announced before the crisis that it no longer wanted to open any more outlets in Germany. Instead, massive investments were to be made in the company's own retail and wholesale operations as well as in online retailing. Everything is different today. And the reasons are obvious: sales per square metre are about two to four times higher in the outlet sector than in city centre locations or shopping centres. Assuming the same personnel and similar rental costs, it is obvious where manufacturers see the optimal distribution channel to reduce their inventories. In addition, due to the sharp decline in liquid funds, income from the outlets is currently much more important than any consideration of brand image or retail sensitivity. "Many brands are fighting for pure survival. They can't afford to do without sales," Michael Haslinger emphasizes. And the end of the story is: At the sports brand mentioned above, the corporate strategy was revised less than six weeks after the shops closed. Word from the company's headquarters is that they are in need of about 20 new outlet shops. But they are hardly still available ...

Info Michael Haslinger:

Michael Haslinger founded HASLINGER RETAIL REAL ESTATE CONSULTING in 2013. The company is an owner-managed consulting firm that focuses on the strategic development, leasing and management of outlets and shopping centres of all kinds in Europe. Over 15 projects are currently being supervised or co-developed by HASLINGER RETAIL REAL ESTATE CONSULTING. Thanks to many years of international experience and excellent references, most recently from the two market leaders McArthurGlen and ECE, as well as a Europe-wide network, individual solutions can be developed for every outlet and shopping centre concept. The goal is always to develop sustainable strategies that are in the interest of customers, tenants and consumers.

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