



REFURBISHING RETAIL REAL ESTATE: TREND OR JUST A BUZZWORD?



The lack of new projects from the shopping center industry is shifting the industry’s focus increasingly to ‘used real estate,’ especially in saturated markets. In any case, we have heard and read more and more often in the past few years that the restructuring of existing space will revive demand for retail space in the future. In Germany alone, studies show, around every third shopping center or retail park over 10,000 sq m is in urgent or at least foreseeable need of revitalization. That corresponds to around 200 objects.

But what really happens? I do not want to bring up figures on how many centers were refurbished with what level of investment in relation to the total investment volume of the market. It is about the qualitative factors surrounding profound restructuring and their impact on necessary processes and the value chain.

MAJOR ADVANTAGES AND DISADVANTAGES OF RESTRUCTURING PROJECTS

Advantages of reburbishments: The locations are anchored in the consumer market. You have a transferable occupancy permit and usually have upgradable infrastructure with transport links. The government and local authorities are keen to maintain or restore the functioning of objects for public life and the projects can be executed on an existing and predictable basis.

Obstacles to refurbishment: The retail location has possibly already suffered too heavily. Retailers’ willingness to start anew with the owner is limited. Used objects have less “sex appeal.” The location can have a negative connotation, its building stock may be limiting, and renovation costs may not be significantly below the cost of a new building. Banks may be unwilling to devalue the center below its book value, making a new beginning impossible, or the contract situation with the remaining tenant may be difficult to resolve. This is particularly true if retailers want to exploit a developer’s dependence to make their revenue problems go away once and for all.

This list of pros and cons already shows that, on closer inspection, this issue is more complex and demanding than one might think and is by no means any simpler than a new development. The focus during the various steps in the process must be set differently and the process and its details are not to be underestimated. And in the end, the object remains “used,” continuing to be seen by consumers as “old,” while for many retailers, it does not generate fail-proof growth.



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BUT LET’S THINK POSITIVELY: REFURBISHMENT IS AN OPPORTUNITY

As a rule, the government generally provides a tailwind in such circumstances, consumers have a soft spot for trusted old things glowing in new splendor, and changed demand makes it possible to set up-to-date use priorities. Careful evaluation of the project requirements with a critical and objective eye is essential. A successful restructuring requires a structured and strategic approach in the right location. Such an approach requires a solid base of data from across disciplines. It must differentiate the center from the competition with strategic marketing and outstanding architecture that keeps customers coming back and embeds the retail location into the social and public environment with complementary elements. Finally, the approach must ensure consistent and sustainable marketing. These are all essential elements of a successful restructuring.

Attention to detail and financing institutions’ willingness will provide the necessary drive to exploit any opportunities. The need to deal with the critical voices of experts and the public is also becoming ever more apparent in consulting on restructuring. Many retailers will have to be convinced again. Turning around morale at a site that has suffered is only possible with excellent arguments and consistency.

Many owners and operators are still keeping the path to a real new beginning for their properties closed. We are convinced that there are great opportunities to be leveraged here. The path is cumbersome and you must also be ready to admit, when appropriate and after detailed evaluation, that a given project makes no sense. But with the right approach, a willingness fundamentally to scrutinize the suitability of the objects, an attention to detail, and a helping of courage, you will convince the one who ultimately determines the success of any retail endeavor: the consumer.



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