



INTERVIEW WITH ERIC DECOUVELAERE, HEAD OF RETAIL EMEA AND REACT NEWS *"THE ROLE OF THE LANDLORD IS CHANGING MASSIVELY"*

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While COVID-19 has disrupted the entire real estate industry, the retail sector, which was already undergoing structural changes – including the rise of e-commerce and changing consumer habits, has been hit particularly hard amid national lockdowns across Europe.

Eric Decouvelaere, head of retail EMEA at CBRE Global Investors, tells React News how the sector is adapting to changes to succeed in a post-Covid environment. CBRE Global Investors manages about €13.2bn of retail assets, including shopping centres, high street and retail parks, in EMEA.

HOW WOULD YOU SUMMARISE 2020?

Challenging and exciting. Challenging – I don't think I need to labour the point, but also exciting as I really believe that COVID-19 is playing the role of a catalyst for the retail industry in general and for the retail real estate industry in particular.

In the last few years preceding the crisis, we have seen a slowdown in retail transaction volumes, and everybody knew that something was wrong but nobody was really acting. We were still contemplating the old business model of the last 20 years, which is a supply-driven model where you open square meters and hope customers will come without any need to tailor the customer proposition.

What we are seeing now is that we have to really fast track all the work our industry should have been doing a little earlier. I really believe that the COVID situation is a catalyst that will force us to devise what retail will look like over the next 20 to 30 years.

SO WHERE DO WE START IN 2021?

In the short term, our duty is to take care of our stakeholders – including guaranteeing the safety of our customers and making sure that we still offer a retail experience, as well as implementing rent deferrals for our tenants.

But we are also thinking about what we need to change to make the model relevant and the key point is that it all starts with the consumer. The consumer will determine the success of a strategy and not of the asset. It's location, location, location as well as relevance, relevance, relevance. And to be relevant to your customers, you need to know them. So at the moment our focus is on customer insight and data to really make sure that once we're out of this crisis, we are able to continue to position our assets to make them relevant to the customers.

WHAT ABOUT INVESTORS? ARE THERE ANY OPPORTUNITIES AVAILABLE TO THEM YET?

If you're speaking about short-term opportunities, I'm not sure that I would encourage investors to commit capital to retail until we have more clarity on when the COVID crisis will end. In early March, when it all started, if someone had said: "You will work from home until December 2020," I would have thought: "These people are mad."

So, at the moment, I think we need to focus on the short term and manage our assets to be ready for when the situation improves. For the time being, I would be reluctant to advise an investor to commit to retail.

WHAT DOES THE POST-COVID RETAIL WORLD LOOK LIKE?

There will be opportunities. I don't know when, but I have a clearer idea on the what. I think all the major retail players cannot wait to go back to market but there is too much uncertainty at the moment.

The biggest challenge for our industry over the last 20 years is that we have seen online retail as a threat. We need to reverse the situation and rethink how our physical assets can be relevant in a world of omni-channel retail. All of us want to be omni-channel – and that's why we need to reposition our physical retail in such a way that it's relevant for the successful brands of tomorrow. A store is now a media, an opportunity to connect with the brand and it must also be a logistic hub with click-and-collect and click-and-return facilities.

I don't believe for one second that physical retail is dead.

WILL THE ROLE OF THE LANDLORD CHANGE POST-COVID?

Yes, the role of the landlord will change massively. First of all, we need data on the customers to nurture sustainable relationship with them. Secondly, we need to be far more collaborative with our tenants. The leasing business is very transactional but to secure a deal, you need to understand the strategy of a brand and you need to ensure that the brand understands the strategy of the landlord as well.

Our stakeholders are the customers, the tenants, but also the investors. All of us need to be clear on the fact that it's not because you open a shed 50 km from a city that it will automatically be a successful strategy. In some cases, it will be much more labour intensive in terms of management to ensure that an asset is attractive to customers. So the role of the landlord is changing massively, thank God, I would add. However, it's changing more quickly than what we could have anticipated.

HOW ARE YOU ADAPTING YOUR INVESTMENT CRITERIA?

We are here to create value for investors, tenants, consumers and communities, once we have acquired an asset. This is a key point. We need to be close to the consumer, including the consumer without a car.

So clearly, our investment criteria will include being in big cities, vibrant cities and preferably close to public transportation. The second criteria would be the shape and the look of the asset. We all know that it's more difficult to retail on a fifth floor than on a ground floor. It needs to be easy and attractive. It needs to be seamless for the consumer. Thirdly – and this is very important for the landlord of tomorrow – the customer proposition needs to be crystal clear.

COVID has triggered exactly the contrary of what we expect retail will be in the future. It will be more entertaining, more social, with more food catering and places where you can convene. And because of social distancing, you want to be as far away as possible from any other human being. And because of COVID, you want to invest more in your nest rather than in the way you look. We have seen supermarkets and homeware blossom post-lockdown.

What we are seeing in the short term is exactly the opposite of what I believe will happen after the crisis. People will socialise again. They will return to restaurants and pubs. And I think you will see the emergence of new businesses, maybe enabled by lower rents.

I think one of the greatest opportunities for CBRE Global Investors in the coming years will be mixed-use developments and redevelopments, with retail, catering, socialising, learning on ground floors and offices and residential on upper floors.

CAN YOU DEFINE YOUR CURRENT PRIORITIES?

In the short term, we are dealing with a crisis – and long-term we are strategizing and evaluating the right types of assets, locations and customer propositions. And in the meantime, between short and long term, we are transitioning our organisation. We are very much looking at technology. ESG is absolutely critical. Diversity and inclusion are key as well. We are working to broaden the breadth of skills, knowledge and personal experience in order to be as relevant as possible for all our stakeholders.