

Malls, more necessary than ever

Miguel Pereda, Director of Lar España
and CEO of Grupo Lar

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Like any other area of activity, the real estate sector and its different segments have been affected by the health crisis caused by covid-19. From the first moment, the companies have assumed the effect quickly; adapting our management to the new circumstances, and communicating to the markets almost in real time the different strategic measures and forecasts that we have been adopting in these weeks.

Faced with those who at first have been able to question the real estate sector, and have feared that a sectoral collapse like the one in 2008 could be repeated, the reality has been very different. A relevant part of the sector is made up of consolidated, solid and stable companies. They have proven to be a professional and efficient instrument and also very necessary for the recovery of the productive fabric of our country.

In the last eight years, the Spanish real estate sector has completed a great diversification accompanied by high professionalization. There are specialists in the different segments and the managers accumulate significant experience in each of them. The companies have been able to undertake emblematic projects, unanimously recognized for their efficiency, profitability and innovation, having also managed to channel a large amount of capital from all over the world to our country.

The real estate assets in the portfolio today are of proven quality, and this is certified by their constant revaluation in recent years, the returns obtained in the divestment processes and the recognized quality and solidity of investors and users, whatever the segment in the one who fixes attention.

In the current scenario, Spanish shopping centers have begun the process of returning to normal since last May 25. From that date, and if the established conditions are met, we will recover in a staggered way what is being called *new normal*. Little by little we will leave the house and we will reconnect with our habits, hobbies and ways of life and, from there, the recovery will be gradual.

The figures for the retail sector speak volumes from both an employment and economic point of view. With data from 2019, it integrates more than 500 centers and 36,000 merchants that generated 46,000 million euros in sales and received almost 2,000 million visits. The data exceed 740,000 jobs between direct and indirect jobs.

If Shopping Centers already had a relevant role in commerce, leisure and family entertainment, from now on they will also play a role in traffic safety

of people, in the capacity for innovation and in the necessary loyalty process between the main brands and their customers. In short, they will continue to be part of the Spanish way of life.

The retail sector and all its professionals have already demonstrated in the past a great capacity to adapt to new environments in a positive way. The evolution in the world of commerce has been a constant for many years, and this time it will not be different; a transformation that is part of the evolution of our society and the behavior of individuals, so that no industry is immune to these changes.

In parallel, a large part of the tenants of our assets are large and medium-sized companies with sufficient capacity to develop their business plans and adapt them to the new situations that will arise when we return to normalcy. They will operate in safe spaces and will be in a position to guarantee compliance with hygienic-sanitary measures well above the general protocols established for both employees, suppliers, as well as end customers. This would allow them to return to normality immediately, and at the same time as the rest of the street commerce.

Managed by the best merchants located in the shopping centers, the centers are also the sales formula with the largest surface area for customers from all over the commerce. Better adapted and safer surfaces that offer large common spaces and transit areas that will reduce and avoid the crowds of other urban commercial areas.

The arrival of capital has allowed a relevant modernization, integration and improvement of our assets, such as that carried out in recent years and which has meant a significant qualitative leap. We have modern open and experiential spaces, with spacious premises and with the best practices in environmental and accessibility matters, all managed with state-of-the-art technology and with the most qualified personnel.

It has long been evidence that online and physical sales spaces are not only compatible, but have also become indispensable for each other. The main retailers are strong in the network, but they use emblematic spaces to retain their customers. Conversely, e-tailers are opening stores around the world and shopping centers have established themselves as the main focus of attraction and intersection of both worlds.

"Buy Online, Pick-Up in Store" (BOPIS) and other mixed formulas, are an emerging value that will be leveraged on the logistics and cross-selling capabilities of each shopping center, making the purchasing processes more flexible and reducing the boundaries between the physical and the virtual. It has to be omnichannel, generate differential experience and increase loyalty and brand loyalty.

Continuous adaptation to the customer, and the focus on their shopping experience, will also be key factors. It is about understanding what they like, what bothers them and what matters to them, continuously monitoring the evolution of these factors through permanent data collection.

Technology, sustainability and accessibility will be differential elements of the best centers, as they are factors to which the customer is increasingly more

sensitive and that generate more "engagement" and therefore will be part of the strategy of each and every one of them. They will be safe, pleasant, varied and fun spaces

Regarding the specific position of Lar España, we are in an excellent starting position in this future. We have very dominant assets in their areas of influence, technologically very advanced and versatile. We have retained an excellent portfolio of tenants and end customers with whom we maintain a close relationship. We also have a high occupancy rate, a low effort rate and a very solid balance sheet and liquidity position.

We sincerely believe that the shopping center and park sector is ready to adapt to this new scenario. Those who are close to customers; that are technically sophisticated; that are connected to the community, that offer sustainable and safe environments, and that also have the satisfaction of their clients as their backbone, will undoubtedly be part of the new winning formula. It is also clear that its role will be fundamental for the normalization of social life and the recovery of our economy in the coming months.

A fluid dialogue with the administrations so that they have the best information about our industry and its operation will also be very necessary so that the measures that are taken have the desired effects. From the AECC we have tried to play this role, and sent to the government what, in the opinion of the sector, are the measures that should be taken into consideration to minimize the impact of the crisis on the economy and employment. Collaboration between landlords and tenants will also clearly contribute to stabilizing the situation.

We are convinced that this situation we are experiencing will accelerate in a dizzying way the important changes that, in any case, were already underway in the sector, as well as the transformation we were experiencing and for which we had already prepared.