

Additional insights about the post COVID-19 era by Phil McArthur of McArthur Retail Development Specialists

1. Much new retail development globally will be stalled in over saturated markets. Existing retailers will be hard pressed to survive. Depending on the category, we could see a big % of independent F&B and retail not survive. The Big guys will have to reduce their overall operations to try to get to break even. That mean closing stores. Without retailer demand new projects will stall.

2. Once the dust settles, in 2021 To 2025 a few unique new projects may overtake over market share from tired old mall and retail formats. More mixed use with less need for retail entertainment and F&B will grow again. The need for huge variety in fashion categories will be reduced. Part of this is the market share going to e-commerce.

New developments will be smaller, more focused and perhaps more mixed use. Open air centres for communities will make good sense.

3. Retail destinations will have to up their operational game dramatically. Clean and sanitary parking lots, common areas, and particularly rest rooms and other similar guest amenities will become demanded by the customers. Close enough will no longer be good enough. Most Malls in MENA have been guilty of poor standards. MAF and Emaar, being the exception

4. Mall owners must find a way to provide relief for their tenants. It must be done now, and it must be done in the spirit of partnership. Although the relationship is legal, unless the mall owners cut new deals and collect rent completely in relationship with sales generated, it won't make commercial sense. Rent has always been a % of sales, just calculated by square meter/foot. Banks will need to be on side.

5. Existing malls need to prepare now for repurposing space due to high vacancies coming and low demand for retail space. In markets where retail space per capita is low, opportunities will still be there (like KSA)

6. Shopping habits for food will change. Better hygiene and more careful shopping habits with social distancing could be the norm for a few years

7. Air travel will have a challenge bouncing back. Less tourists will arrive for the near future making it more challenging for the retailers.

8 Retail Development owners are completely tied to the banks, pension funds and private equity. All is be impacted by Covid and loss of sales, rent and retailers. No lender can turn its back on the development community as these assets will take cooperation and solid planning to return to acceptable levels of return and risk.

9 E-commerce has grown dramatically in the past 2 months and in certain categories will leap forward in market share over physical retail. E-commerce is not perfect, and people will eventually return to the malls, and their attractions