Centro d'Abruzzo mall in S. Giovanni Teatino (Chieti province) recently was expanded with a GLA of 3,000 sq m, plus 8,743 sq m of parking.

STILL NOT THE RIGHT TIME TO SELL

Following the economic crisis, Claudio Albertini, CEO of IGD, considered selling the company's Romanian portfolio. But it is still not the ideal time to sell. The company's focus is still Italy.

IMAGES:IGD

ACROSS: PLEASE GIVE US A SHORT DESCRIPTION OF YOUR PORTFOLIO! HOW MANY AND WHAT KIND OF RETAIL REAL ESTATE ASSETS DOES IGD POSSESS IN ITALY? HOW MANY DOES IT MANAGE?

ALBERTINI: Our real estate assets in Italy, valued at approximately €1.9 billion December 31st 2013, comprise 19 hypermarkets and supermarkets, 19 shopping malls and retail parks (18 after the disposal of Le fonti del Corallo mall in Livorno on February 14th 2014), one city center property, four plots of land for direct development, one asset held for trading, and seven other types of property. Following the acquisition of Winmarkt Magazine SA in 2008, the Group's portfolio also includes 15 shopping centers and an office building spread across 13 Romanian cities. IGD also manages 15 shopping centers for third parties.

ACROSS: OUTSIDE ITALY, IGD IS ALSO ACTIVE IN ROMANIA. WHAT IS THE STORY BEHIND THIS EXPANSION STEP?

ALBERTINI: The investment made in Romania was part of the strategy included in the 2007 Business Plan, prior to the crisis and part of that period's economic context. Following the spread of the post-Lehman-crisis, above all in the second half of 2009, and the adoption of a business plan with different targets, this strategy was replaced with one that called for greater focus on the domestic business. At one point, we considered selling the Romanian portfolio, as it was no longer viewed as strategic, but we believe the timing is still not right and the sale is, in fact, not among the objectives included in our last 2014-2016 Business Plan.

ACROSS: IN FEBRUARY, YOU SOLD THE SHOPPING MALL "LE FONTI DEL CORALLO" IN LIVORNO. WHAT WAS THE REASON BEHIND THIS DEAL? PLEASE EXPLAIN YOUR GENERAL DIVESTMENT STRATEGY TO US!

ALBERTINI: We presented the 2014-2016 Business Plan in December. The plan includes a series of general three-year targets, such as reducing leverage, focus on the existing pipeline, and portfolio rotation. We expect to make investments of approximately €200 million over the three-year period in restyling and improving the shopping centers that are already part of the portfolio and in developing the pipeline. The Business Plan also calls for disposals amounting to approximately €190 million and the sale of Le Fonti del Corallo is part of this strategy. This mall in Livorno was fully mature and sold at its peak price with a view to reducing leverage and creating more dynamic portfolio management. The sale price was in line with the estimated fair value expressed by the independent appraiser on June 30th 2013, which is confirmation of the work we have done over the years to maintain the high quality of freehold assets.

ACROSS: WHAT RETAIL DEVELOPMENTS DOES IGD HAVE IN ITS PROJECT PIPELINE?

ALBERTINI: The three-year period includes two new important projects, Porta a Mare in Livorno and the Retail Park in Chioggia, which are currently underway.

The Porta a Mare project in Livorno involves the re-qualification of the old Orlando boatyards in Livorno. It will be a modern and avant-garde (given the eco-compatible development choices) multipurpose complex covering approximately 10 hectares with a buildable area of about 70,000 sq m. It will comprise residential and commercial units, as well as services and accommodations. IGD will maintain ownership of the entire commercial part. The total investment is expected to reach around €200 million and work should be completed after 2018. Porta a Mare will include five different zones. The first, Piazza Mazzini, was completed in the latter part of 2013, and 24 of its 73 apartments built have been sold. Work on the Officine Storiche – the project's crown jewel, located where the city's boatyards used to be – will begin at the end of 2014 and should take less than two years to complete.

The Retail Park in Chioggia will house a new shopping center that is expected to be completed by March 2015 for a total investment of approximately €39 million.

With regard to the work on shopping centers that are already part of the portfolio, Centro Sarca in Milan, Le Porte di Napoli in Naples, and Centro Borgo in Bologna will be restyled.

The expansion of the Porto Grande center in Porto d'Ascoli (Ascoli Piceno province) is expected to be completed in September 2015 for a total investment of €10 million. It includes two midsize external stores covering 5,000 sq m, green zones of 1,700 sq m, and new parking over approximately 10,531 sq m.

We expanded the Centro d'Abruzzo mall in S. Giovanni Teatino (Chieti province) following construction of a 4,700-sq-m building with a GLA of 3,000 sq m, plus 8,743 sq m of parking. The opening is scheduled for April 2014. The total investment is expected to reach approximately €16 million. We will also add a new midsize store to Gran Rondò, a shopping center in Crema, and restyle it. Work should be completed by May 2016 for a total investment of approximately €8 million.

ACROSS: THERE ARE FOUR PLOTS OF LAND IN IGD'S PORTFOLIO. WHERE ARE THEY LOCATED EXACTLY AND WHAT IS PLANNED FOR THEM?

ALBERTINI: One of our plots is in Chioggia, the second-largest municipality in the province of Venice and considered one of the most important ports on the Adriatic coast. A retail park is being built on this strategically located plot of land, along the Ravenna – Venice tract of the SS Romea highway, just a few minutes from the city center. Work is expected to be completed in March 2015.

Once completed, the shopping center will cover an area of 18,343 sq m and house an Ipercoop hypermarket of 7,490 sq m (4,500 sq m of which will be dedicated to the sales area), five midsize stores covering a total of 9,575 sq m, and eight shops, one of which will be used for restaurant services. There will also be some 1,465 parking spaces. The Chioggia retail park is found in an area with little in the way of competition and will service a catchment area of approximately 108,000 inhabitants who will be able to reach the center in 30 minutes by car.

CLAUDIO ALBERTINI

CEO of Immobiliare Grande Distribuzione SIIQ S.p.A. (IGD)

The other plots of land are found near existing shopping centers and will be used for future expansion. The plot in Ravenna, for example, will be used to double the Centro ESP, in an area known for tourism and cultural initiatives and which services a catchment area of 202,000 residents who can reach the center by car in 30 minutes. This is a significant project that will more than double the center's area from its current 13,270 sq m to 30,274 sq m, while the number of stores will rise from 40 to 85. Work in Ravenna should be completed by March 2016 for a total investment of approximately €51 million, including the value of the land.

***ACROSS:* WHAT ROLE DO FOOD COURTS AND GASTRONOMY PLAY IN YOUR SHOPPING CENTERS? WHAT TRENDS HAVE YOU NOTICED IN THIS AREA IN ITALY IN GENERAL?**

ALBERTINI: The food court sector is very particular and depends a lot on the habits and preferences of the local population. When managing a shopping center, it is very important to know how to interpret consumer trends. In Palermo, for example, we downsized the food court once we understood the habits of the local residents. In other centers, we have maintained or expanded food courts. We believe that, in order to create spaces to be lived in, you need to provide leisure time activities and food courts are the key to this.

Porta a Mare is a multipurpose project covering approximately 10 hectares in Livorno, with a buildable area of about 70,000 sq m.

***ACROSS:* WHO ARE THE MOST IMPORTANT RETAILERS IN YOUR SHOPPING CENTERS? DO YOU INTEND TO INTRODUCE BRAND NEW ONES?**

ALBERTINI: Our most important retailers in Italy belong to the clothing sector and, above all, are part of big Italian names like the Miroglio Group (Motivi, Oltre, and Fiorella Rubino), Piazza Italia, and Calzedonia, but also important international brands like Decathlon and H&M, which accounts for 1.9% of turnover with seven contracts. The main tenants also include do-it-yourself brands like those of the OBI Group, electronics like Euronics and Apple which, with just one contract, accounts for 1.4% of turnover. There is also the entertainment sector, represented by Game Stop, footwear (Scarpe e Scarpe and Bata), and restaurant services (Camst).

The merchandising mix in Romania is completely different. The food sector (Carrefour), in fact, holds first place, followed by electronics (DOMO), and jewelry (B&B). The main apparel brands include House of Art and H&M. The top ten also includes Billa supermarkets. The type of tenants changes often in order to meet the customers' needs. We are continuously looking for ways to offer the latest sector trends, as well as increase and change our panel.

***ACROSS:* COULD YOU PLEASE EXPLAIN THE ITALY'S "SHOPPING CENTER MAP"? WHICH REGIONS AND CITIES HAVE POTENTIAL FOR FURTHER MALLS AND WHICH ONES ARE ALREADY SATURATED? WHO ARE THE MOST IMPORTANT PLAYERS?**

ALBERTINI: The most important players currently active in Italy are almost all international, from Klépierre to Auchan, Eurocommercial, and Corio. IGD is basically the only Italian operator in this sector. The international crisis caused many expansion projects to be delayed or shut down. Geography matters, too: The most interesting regions are found in the north, where the population density and average incomes are higher. Even though this region is more saturated, international investors continue to prefer it. One of the most recent projects, for example, is the new center being built by the Percassi Group with Westfield in Milan. Quite often, Italian investors also gravitate towards the north-central regions as it is easier to get financing even though, in theory, southern Italy offers better growth opportunities.

IGD will use its plot in Ravenna to double Centro ESP's mall area.

In line with its Business Plan, IGD sold Le Fonte del Corallo in Livorno in February.

***ACROSS:* HOW HARD HAS IGD BEEN HIT BY THE GLOBAL CRISIS?**

ALBERTINI: IGD was exposed to the general crisis and the drastic drop in consumption. A normal situation for a retail-based business. Some centers fared better than others. In a few centers, we had to intervene and change the tenant mix, as well as grant temporary discounts but, overall, I must say that we have made it through the toughest period and have now reached the initial phase of a recovery. Over the past few years, IGD has demonstrated that it possesses the flexibility needed to meet the needs of both tenants and end users. We intend to continue in this direction, working dynamically by, for example, increasing the services offered. During these difficult years, we have always closed our financial statements in the black and this demonstrates the validity of our business model.

***ACROSS:*HOW IS RETAIL CHANGING IN GENERAL? ARE SHOPPING CENTERS IN INNER CITIES GAINING IN IMPORTANCE COMPARED TO SHOPPING CENTERS ON GREENFIELD SITES, FOR EXAMPLE?**

ALBERTINI: We are in a period that is particularly full of change and challenges for the retail sector, such as competition from e-commerce. In Italy, in contrast to northern Europe, however, many purchases are still made in stores. We are using different tools to meet this challenge. For example, we are increasing the space dedicated to services like fitness and wellness centers, dental and medical offices, and movie theaters in our centers. We have introduced some of the most popular brands, temporary stores, and shops with local products and vintage goods. We are also paying a lot of attention to equipping each center with wi-fi and Facebook pages and we are finalizing apps specific to different centers that provide users with information on their smartphones about discounts, special offers, and events. In general, I don't find that there is a great difference between the shopping centers found in city centers and outside the city. The majority of our centers are, in fact, found just outside of the city center. The average occupancy rate in Italy is 97.4% and in 2013 the amount of footfall in Italian shopping centers rose 0.9% compared to 2012, with more than 66 million visitors. This demonstrates the validity of the shopping centers' format and confirms the soundness of the choices IGD has made as both operator and manager. Positive figures have also been reported in the first months of 2014, with footfalls rising by 3.5% in February and tenants' sales up 1.3% in January and 1.6% in February. Over the next three years, we also expect to see a compound annual growth rate in rental income of 2.6%.