Retail Regeneration

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A burgeoning middle class, strong economic growth and the positive effects of market liberalization are combining to create a retail renaissance in urban Syria, prompting a flood of foreign brands and overseas investment to the country.

The latest predictions from the Central Bank forecast growth for Syria's economy at a robust 5% this year, up from 4% in 2009. According to Central Bank governor, Adib Mayaleh, the majority of this growth will be generated from finance, services and tourism - all white-collar sectors benefitting from the government's ongoing liberalization policy. Inflation is also set to fall to 3%, down from 4% in 2009, which will help further encourage middle class consumption.

As if to emphasize the heightened purchasing power among elements of Syria's bourgeoisie, new brands and tastes are rapidly finding their mark in the local marketplace. Luxury German brand Porsche was introduced in Damascus last month by Karkour Trading, the Syrian dealership for Volkswagen Group. Even exotic fare like sushi has been making a splash among the moneyed elite in the capital, with chains such as Lebanon's Sake opening branches in Damascus.

For those with the access and the spending power, the variety of retail opportunities in Damascus is expanding apace and in some respects offers a domestic alternative to Beirut, where well-heeled Syrians have traditionally gone to shop. Even electronic retail is beginning to take off - the country's first online grocery store registered 2000 clients in its first three months, according to Syria Report, a local economic periodical.

To accommodate this increased demand, investors from the Gulf in particular are looking to establish new, air-conditioned retail spaces in and around the Syrian capital. The Dubai-based Majid Al Futtaim Properties (MAF) announced at the start of May that it would be investing $3.5bn across the Middle East on four new shopping malls. Of the four announced, the largest gross leasable area (GLA) was reserved to the proposed Mall of Syria, to be located on the outskirts of Damascus. The Mall of Syria is expected to have a GLA of 200,000 sq meters and is due to open in 2014. International architecture firm Callison announced it would be providing the designs for the mall, which will form part of a larger, mixed-use project expected to total 1.5m sq meters.

The development of out-of-town retail space will likely enable Damascus to catch up with regional neighbors when it comes to providing access to international brands. Until now, the penetration of Western (or Western-inspired) brands in the Syrian capital has been largely limited to areas like Shaalan or the modestly sized retail spaces attached to hotel developments. Syria's improved relations with its Gulf neighbors will likely lead to rapid growth in its domestic retail franchise market. The rights to many major brands in the Middle East are controlled by relatively few big Gulf developers, including MAF. Investment from these quarters will prompt real change in Syria's high street.

The potential for continuing expansion in the retail segment is sizeable but franchises and mall developers will have to work hard to recapture the local market, particularly since visa-free travel was recently permitted between Turkey and Syria at the start of the year, which has allowed increasing numbers of Syrians from the Aleppo region to take advantage of the various brands available in Turkish cities like Gaziantep, just a short distance from the Syrian border. According to the Financial Times, Syrians now make up 5% of 850,000 monthly customers in Gaziantep's Sanko Park shopping centre - a sure indication of the massively suppressed demand for franchise retail in the country