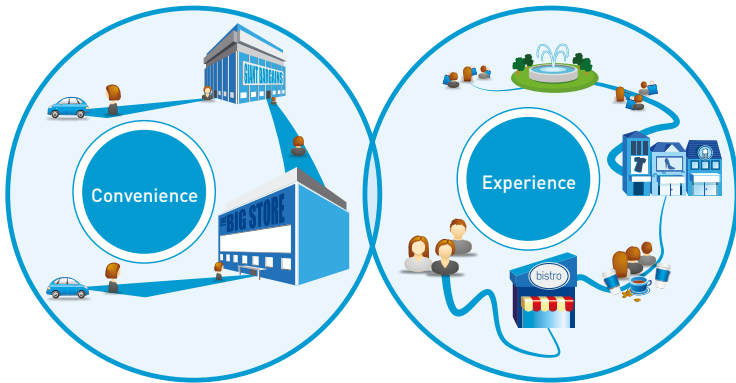
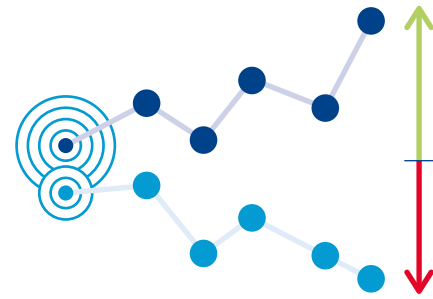


MAIN CONCLUSIONS

Polarisation

Consumers are shopping less frequently and prefer to visit the more attractive retail environments. Large and high-quality urban environments thrive at the expense of smaller and less attractive ones. The same is true for locations within cities; the best streets are benefiting from declining interest in weaker streets.



Experience versus Convenience

Shopping is increasingly about experience and convenience. Retail destinations need to cater for this to retain their relevance for the consumer. Inner-city high street environments generally have a distinct advantage in terms of experience shopping because of their historical nature and the availability of cultural amenities and leisure opportunities. Out-of-town retail parks are better equipped for convenience shopping due to their accessibility and offer.

Future becomes less predictable

Rapidly changing consumer shopping preferences and habits combined with a rising need for technological innovation make the current marketplace for retailers a very demanding one. Only those retailers (and landlords) that are responsive to change will succeed.



14 YEARS OF STORE PERFORMANCE DATA ANALYSED
7 RESEARCH-INTO-ACTION WORKSHOPS
 30,000 CONSUMER SURVEYS

4 YEARS OF RESEARCH

90 CONCRETE ACTIONS AND 185 NEXT STEPS IDENTIFIED

30 EXPERT INTERVIEWS
 6 EUROPEAN COUNTRIES
 9 RETAIL CATEGORIES

YEARS OF RESEARCH

If you are interested to know more about Redevco's view on the impact of e-commerce on retail real estate, please contact Redevco.

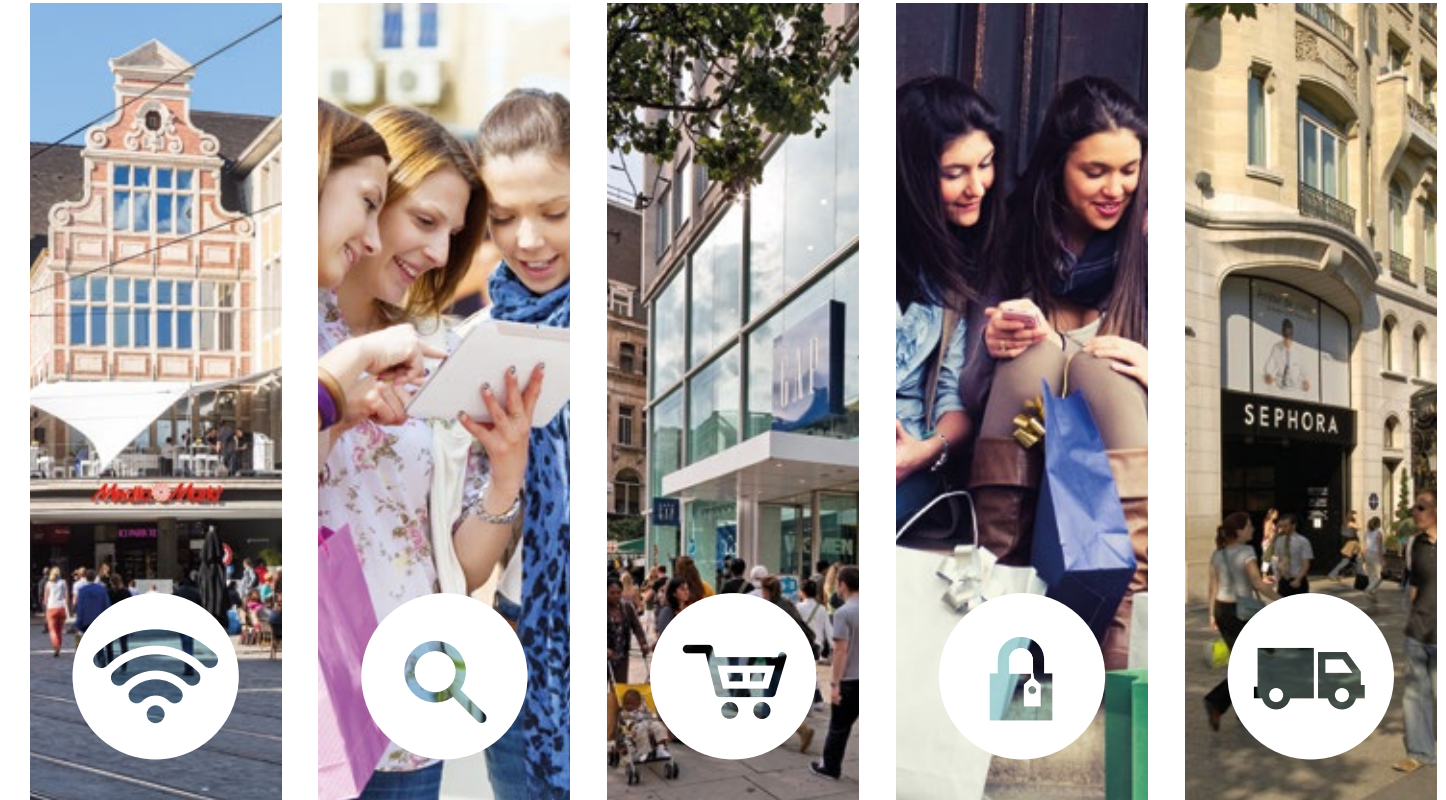
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Amsterdam, March 2015



REDEVCO'S VIEW



THE IMPACT OF E-COMMERCE

ON THE EUROPEAN RETAIL REAL ESTATE LANDSCAPE

Redevco strives to be the real estate partner of choice for retailers and we can only be successful when they are. Our task is to understand the developments in the retail landscape, enabling us to adapt our property offerings to the needs of our clients. Five years ago, this led Redevco to start its Internet Strategy Platform (ISP) to combine the knowledge and insights of experts from different departments and carry out a significant amount of research to determine the impact of e-commerce on retail real estate. Starting with the aim of exploring the phenomenon of e-commerce, numerous modelling exercises helped us to understand the pace of change. More recently, our ISP activities have been aimed at defining the value of the physical store in the current retail landscape. The value and role of the store vary from one retailer, sector, location and city to another. Despite the complexity of the subject, Redevco's differentiated approach has led to clear conclusions. With in-depth research on consumer behaviour and preferences, expert interviews, data-analysis and -modelling and trend research Redevco identified key internet retailing trends as well as likely retailer reactions on this changing retail landscape. During workshops with the regional offices we prioritized the likely reactions based on their potential impact on retail real estate and Redevco. This was the basis for the formulation of clear and tangible initiatives on European and regional level.

INTERNET RETAILING TRENDS

KEY TRENDS IN RETAILING DERIVED FROM EXTENSIVE RESEARCH

Consumer trends	Industry/competition trends	Macro-trends
<ul style="list-style-type: none"> New technologies are fuelling online demand Omni-channel shopping is the dominant shopping pattern Brand strength increasingly drives consumers across channels Experience matters more than product Omni-channel services and features work only as a holistic experience 	<ul style="list-style-type: none"> Retailers are focusing even more on high-traffic locations, at the expense of less popular locations and smaller cities Globalisation/consolidation in retail is boosting the shift towards online channels Retailers are adapting their business model in a search for the optimal Omni-channel network Retailers invest to improve the experience and to bring online into the store (e.g. magic mirrors, iPads, click-and-collect areas) Retailers differentiate store formats according to city and catchment area types 	<ul style="list-style-type: none"> Retail growth in Europe is expected to remain weak due to a low-growth economic environment Despite a general low growth economic environment there will be pockets of growth within Europe Demographic change in Europe is changing where, what and how consumers shop Megacities are becoming increasingly important markets for retailers Tourism is becoming more important as a revenue stream for retailers

These trends form the basis for pan-European and regional initiatives to mitigate perceived risks and seize opportunities arising from expected retailer behaviour.

TOP 5 LIKELY RETAILER REACTIONS ON THE CHANGING RETAIL LANDSCAPE

1.

Close down unprofitable stores

The tangible actions we have formulated and executed are derived from these trends and likely reactions ensuring that our assets under management are fit for purpose and future proof.

2.

Diversify expansion strategy – focus on flagships in leading large/wealthy cities combined with smaller niche formats

EXAMPLES OF PAN-EUROPEAN INITIATIVES

Cities

Redevco responds to the ongoing polarisation in the retail landscape by ruling out location risk as much as possible. The company has developed a City Attractiveness Study to determine the universe of investment grade cities for each investment strategy the company executes on behalf of its shareholders. The City Attractiveness Study not only takes economic and demographic fundamentals into account but also focuses on soft factors like the points of attraction for tourists and the proportion of creative individuals. Statistical research has indicated that nowadays soft factors are increasingly important in driving property performance.

Micro locations

Consumer shopping patterns as well as retailer performance are constantly evolving and getting less predictable whilst directly impacting the attractiveness of micro locations within cities. More detailed information is needed in order to be able to respond in a timely and appropriate manner. Redevco is involved in several initiatives to increase the availability of micro level information, for instance through footfall counting. Redevco Netherlands is running pilots, which will be extended to the other Redevco countries in case of success.

3.

Increase importance of location quality/surroundings

Assets

Retail space requirements are changing in accordance with the increasing need for stores to cater for experience and convenience. In addition, the level of churn is increasing due to the increased pace of change in the retailer landscape. Redevco constantly reviews its assets under management in search of opportunities to enhance the level of flexibility and to bring the assets in line with current and future occupier demand. Additionally, Redevco is developing a tool to monitor the asset quality on portfolio level. An example is a project in the United Kingdom whereby Redevco is intensively reviewing the current portfolio for opportunities to revert formerly unused storage space into so-called "dark stores" for click-and-collect activities.

Tenants

Retailer performance is becoming less predictable. Redevco is constantly engaging with tenants to better understand the drivers of their performance and to ensure an optimal fit between store and retail concept. In Spain for example, Redevco has reached agreements with certain tenants to right-size the current stores. This not only leads to increased efficiency for the existing tenant, but also gives Redevco the opportunity to re-let the available space to other tenants.

4.

Demand more flexible space

5.

Demand more flexible rental agreements

EXAMPLES OF REGIONAL INITIATIVES

It's not only about retail: ALEA101, Alexanderplatz, Berlin

Alexanderplatz is a location of historical value and an important point of attraction for tourists and Berliners alike due to the Fernsehturm, the Weltzeituhr and its importance as a regional transport hub. Combined with an attractive retail offer these are important ingredients for driving retail performance. Redevco's ALEA101 not only provides a modern retail mix but also creates an attractive environment thanks to its leisure offer and residential apartments. To ensure an optimal fit with future occupier demand, the building has been made multi-use and flexible in terms of floor plans and access.



ALEA101, Berlin, Germany

Advantage of spill over effect: Paris, Rue Francois 1er

Footfall is greatest in the most popular retail destinations. The scarcity of prime retail space in those locations creates a spill over effect, with the popularity of certain niche locations rising as a consequence. Recently Redevco has acquired an asset in one of those niche locations in Paris close to the Avenue des Champs-Élysées, the so-called Golden Triangle. The property currently consists of three smaller units and will be redeveloped into one larger unit to facilitate use as a flagship store.

Future proof retailers: Winterthur, Switzerland

Orrell Fussli, the leading Swiss bookstore chain, currently operates two stores in Winterthur, the sixth largest city in Switzerland. One of those stores is managed by Redevco. In light of the increased online competition of bookstores and the size of the footprint of this tenant in Winterthur, Redevco decided to replace the tenant with H&M. Although this has not led to a higher income return for Redevco in the short term, it does create better long-term prospects for retail in Winterthur and therefore for Redevco.



Shopping Pajot, Sint-Pieters-Leeuw, Belgium

Strong focus on convenience: Shopping Pajot, Belgium

Redevco Belgium redeveloped this retail park in order to optimise its convenience. Some of its current key strengths are good accessibility, ample parking space, pick-up points for online purchases, charging points for electric cars and a Carrefour Drive and Go.