



PRESS RELEASE

Amsterdam, September 3, 2014 | Page 1/2

Redevco finds first link between retail rents and energy consumption in boost to sustainable investment strategies

- **Ground breaking research identifies link between retail rents and energy consumption for the first time**
 - **High Street leases and retail parks display opposing correlations**
 - **Implications for sustainable asset management and retailer costs**
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Research by pan-European retail real estate specialist Redevco, has for the first time identified a relation between rent levels and the intensity of energy consumption in two major retail property asset classes. The research shows that High Street leases with a high rent per square meter have a high energy intensity. High Street leases with a low rent per square meter have a low energy intensity. For retail parks the data demonstrates the opposite, with a high rent per square meter corresponding to low energy intensity. The findings may have implications for lifting future investment performance by integrating sustainability into asset management. It could also help retailers to manage a key element of their costs as European energy prices trend higher.

Derk Welling, Redevco's Head of Corporate Responsibility said: "Our research indicates that the influence of energy consumption on store profitability is greater for retail parks than for High Street retail. We started researching the impact of improving environmental performance, particularly energy consumption, and its relation to real estate financial performance in 2008, but could not find a link then. Now, with significantly more data, and a change in our analytical approach, we may have uncovered a new benchmark or investment market outperformance indicator, that could also prove to be good for the environment."

Redevco's €6.5 billion portfolio of 450 properties is spread across the strongest retail locations in Europe and attracts major retailers such as C&A, Carrefour, Starbucks, GAP, Primark and H&M. As the largest share of Redevco's portfolio consists of High Street properties (High Street 55% and retail parks 19% of invested volume) and the company is one of the biggest private investment managers in this real estate sector, it is an effective pan-European proxy for measuring retail sustainability trends.

Welling said the research, contained within Redevco's Responsible Real Estate Investment 2013/2014 report, differed from other studies on the subject because it examined the correlation at the retail lease level rather than at the property level. Secondly, while most existing studies have primarily looked at retail properties in general - where in Europe no significant relationship between financial and energy performance has been found - Redevco's Research and Strategy department made a distinction between High Street retail and retail parks. As not every lease and building is comparable the correlation is controlled for these differences and also for local market characteristics.

When corrected for energy intensity, the research showed that energy costs as a percentage of annual rent appear to be significantly higher for retail parks than for High Street properties - on average even double. In the case of sports retailers, for example, energy costs were found to be on average 10% of annual rents in retail parks compared with 5% for sports retailers on the High Street. The new research feeds into and supports the findings of the first study of sustainability by

PRESS RELEASE

Amsterdam, September 3, 2014 | Page 2/2

retail sector conducted by Redevco and used in the company's launch of a retailer sustainability benchmark last year.

Derk Welling concluded: "Although it may appear from these research findings that High Street retailers have less incentive to reduce their energy consumption than those in retail parks because energy seems to make up a smaller proportion of costs relative to the higher rent levels for these locations, I think we'll see a 'flip-over' point where future rising energy unit prices will lead to an intense focus on this element of the sustainability and asset management mix."

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The full Responsible Real Estate Investment report can be found on www.redevco.com/cr.

ABOUT REDEVCO:

Redevco is an independent, pan-European real estate investment management company specialised in retail property. The more than 450 assets under management are spread across the strongest retail in Belgium, Germany, France, Hungary, Luxembourg, Netherlands, Austria, Portugal, Spain, United Kingdom and Switzerland, partnering with more than 1,000 retailers.

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