

APLEONA RETAIL NEWS



REAL ESTATE RETAIL NEWS
NO. 1 – 2017



Bound for
tomorrow

Ladies and Gentlemen, Dear Retailers:



The Brexit – what was that all about, again? Thus far, at least, the sales crash that had been forecast for Great Britain has failed to materialise. And in the other EU countries as well, private consumer spending is expected to grow by one to one and a half percent – whereby the highest growth rates are likely to be posted by foodstuff retailers, much as in the prior year. This is according to data from Gesellschaft für Konsumforschung (GfK), a leading consumer-research institute based in Germany.

Yet even if the generally solid economic performance of recent years is set to continue for now, the fact remains that the retailing sector will have major problems to overcome. On the one hand, change and restructuring are what keep our industry alive. On the other hand, the insolvency of established firms like Sinn Leffers, Strauss Innovation or the home decoration and accessories provider Butlers can give us an inkling of the huge shakeout that the retail market is sure to undergo in the coming years.

There is no one-size-fits-all solution. One thing is clear, however: The close interlinkage between online retailing and stationary retailing will continue to be of huge significance for future growth in the retail sector. Even more than before, retailers will have to focus on who is king – and that is the custo-

mer. Thus, sparing no effort to boost customer orientation and customer loyalty will be the strategic challenge going forward.

“the retailing sector
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The current issue of Apleona Retail News contains interesting articles by some of our international specialists, who give us their perspective on what is being done on the European retail markets in order to keep growth on a healthy course.

I hope you will find these pages a stimulating and useful read!

Sincerely yours,

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How Safe Are Shopping Centres?

Given the recent events in Munich and Oberhausen, more and more people in Germany are quietly asking themselves whether they should really feel safe when patronising or visiting a shopping centre. How are they to know, after all, whether the centre in question is even ready to deal with a violent incident or terrorist attack?



Truth be told, the threat level posed by such external risk factors is on the rise across the country. High-traffic public places and buildings, including shopping centres, are especially exposed. And while fire-safety measures are comprehensively regulated, Germany still lacks standardised, emergency-planning requirements for situations such as a terrorist attack or a random-shooting spree. For these reasons, we recommend that a customised analysis of safety gaps and potential threats be performed for each shopping centre, under due consideration of key parameters such as:

- **The location of the property;**
- **The size of the property;**
- **The safety facilities in place;**
- **The prevailing tenant profiles;**
- **The security personnel on hand.**

The results of the analysis can then serve to derive an emergency plan that allows for a range of scenarios, one that should ideally be fine-tuned on site in coordination with the competent government agencies and emergency services.

A joint, walk-through inspection of the property with the police and/or fire department will give us additional, valuable information on how to secure the premises and head off threats. We should

also remember that our task as Centre Managers includes ensuring that all employees and tenants at the centre are familiar with the rules of procedure that will enable them to protect themselves and others in an emergency.

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A tried and tested method to prevent, analyse, and evaluate threat scenarios consists of traditional video surveillance. Where this is used, particular care must be taken to comply with the statutory data-privacy regulations. The scope of video surveillance activities is currently being expanded in a number of the German Länder.

A visible increase in police presence
Having security personnel physically present on site is particularly important. Providing general emergency training to such personnel on a regular basis – as well as to the helpers tasked with facilitating evacuation during a fire – is mandatory and can be a matter of life and death in dealing with general threats. Ever since the terror attack in Berlin, the

number of police deployed at shopping centres has soared. Thus, uniformed police as well as undercover officers are on patrol not just at special events but in mundane settings as well. Interestingly enough, police departments and many external security advisors tend to concur that, other than is the case for fires, evacuating the premises is not necessarily the best response during ‘other threat scenarios’ such as random-shooting incidents. This view is confirmed by past experience with this kind of emergency at schools.

Fortunately, the dramatic events that took place last year have not caused any marked drop in the number of visitors to the shopping centres managed by Apleona GVA throughout Germany. This said, we intend to stay on point when it comes to further enhancing the safety strategies for the centres under our management.



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Technical Property Management 2.0 – Intelligent and Sustainable

Broadening knowledge and exchanging lessons learned – it is with this goal in mind that the Dutch fund investment company Annexum has been organising its regular seminars for investors. As part of the 'Annexum Academy' held on 23 March 2017, Apleona GVA was invited to give a presentation on its experiences with Technical Property Management 2.0.

Annexum is the leading independent provider of closed-end investment funds in the Netherlands and has over 1.2 billion euros in assets under management across 35 separate funds. Since the beginning of 2014, Apleona CV has been charged with managing the investment fund company's real estate portfolio. To learn more about Annexum, please navigate to: <http://www.annexuminternational.com/en>.

Success in developing and enhancing our technical property management depends above all on the following key factors: Data quality, data management, intelligent technologies, sustainability, transparency, and outstanding know-how. If we wish to stay ahead of the curve with respect to future trends and the expectations of our customers while achieving maximum added value, we will have to continually improve the way in which we work and communicate with our stakeholders.

Intelligent technologies

Thanks to the rollout of the document-management app Inspect4all, we

BREEAM is the oldest and most widely known certification system for sustainable construction methods. Developed in Great Britain in 1990, the system uses a simple point system to derive a seal of approval on a four-level scale (Pass, Good, Very Good, Excellent, and Outstanding). For more information, please see www.breem.com

can now work digitally anywhere, anytime throughout our organisation. The system saves time, significantly improves the quality of our work results, helps us make our processes transparent, and reduces risk for our customers.

In order to optimise our efficiency and service in terms of communicating with our tenants and suppliers, we have step-

Sustainability

When it comes to sustainability, Apleona GVA has positioned itself as a trailblazer among Dutch real-estate service providers. These efforts have garnered special recognition from one of our customers, CBRE Global Investors, which recently named us the "Most Sustainable Property Manager" for the third time running since 2014.

In our day-to-day activities, we strive to strike a harmonious balance between sustainability, good judgment, and profitability. An excellent tool that can help to meet this objective is the raft of sustainability criteria issued by BREE-

AM-NL. Indeed, several of our technical managers happen to be BREEAM-NL experts who advise and support our customers.

Given that investors on the market are becoming ever more conscious of the importance of sustainability, we will continue to intensify our efforts in this area going forward – for example, by set-



ped up our efforts at linking up to the management system Pro Servicedesk. Further measures, such as the setup of mobile interfaces, are also being reviewed.

Another pending project is the company-wide rollout of ELO Digital Office, which we are pursuing in collaboration with Apleona GVA in Germany. The intention is to enable us to better manage our data and to share them more effectively while also making all data-handling activities more secure and reliable.



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New Rules for Shopping Centres in Turkey



Until recently, Turkey had no clear, statutory requirements in place for the use and operation of retail space. In practice, this translated into a host of problems for the managers and owners of shopping centres, for example when it came to settling accounts for the ancillary costs for a centre's common areas.

One of the unresolved issues in this context was how costs should be allocated among the individual tenants of a centre. In effect, this left it up to the owner to make the final decision, which of course frequently led to objections from the tenants.

A newly adopted law has served to clear up this state of affairs as of late 2016. Besides specifying how ancillary costs are to be settled for common areas, the statute also includes regulations for topics such as video surveillance, parking fees, the structuring of sales areas (by merchandise segment), as well as public permits.

Here are the key stipulations of the new law:

- A shopping centre or mall is defined as a shopping facility featuring at least 5,000 square metres of sales area and a minimum of ten retail outlets, including at least one department store carrying daily necessities in the foodstuffs, clothing, entertainment, sports & leisure, and culture segments. Alternatively, the department store can be replaced by 30 stores that offer a corresponding range of goods and that also

share common areas and are run by a centre-management team.

- The permits for a project's planning, registration, and operation are to be issued by the competent administrations of the districts and municipalities and/or by the provincial authorities.

“A newly adopted law has served to clear up this state of affairs as of late 2016”

- Common areas must make due allowance for the needs of children, disabled persons, and the elderly. A number of special facilities must also be made available, i.e. areas for social and cultural events as well first-aid rooms, prayer rooms, diaper-changing rooms, segregated restrooms (for women, men, children, senior citizens, and the disabled, respectively), play areas, and free-of-charge leisure facilities.

- General overhead costs, e.g. for security purposes and for the maintenance of the areas shared by all tenants, are to be apportioned to the tenants in the form of service fees. The costs of any marketing measures must be individually agreed between the contracting parties. The Turkish lira must be used for calculation and settlement. No fees other than the ones provided for under the statute will be permitted. The centre management is under obligation to prepare an annual report on the allocation of shared costs and the correspon-

ding service fees charged.

- The service fees charged must be used exclusively for the operation of the common areas. Any shortfalls will have to be made good by the owners of the shopping centre.

- At least five percent of a given sales area must be reserved for traditional, artisanal products or products that have cultural or artistic value. This is meant to ensure that traditional handicrafts are not relegated to oblivion.

- The owner is responsible for the safety measures taken with regard to the common areas. Video-surveillance is deemed to be the default standard; the recorded data must be stored for at least 30 days by the centre management.

- Parking fees are to be charged on the basis of actual parking times. A new mandatory rule is the license-plate check upon entry/exit of each vehicle and an inspection of the vehicle's undercarriage by means of a special mirror device.



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Real Property as a Matter of Geography

Well-founded information about the potential footfall and catchment areas of a property is an important factor when decisions are taken, both by the developers of commercial properties and the investors. In order to properly assess the prospects of success that a given project has – whether it is a retail centre built on a greenfield site, a commercial building, or a shopping centre located in the highly frequented central business district – the tools serving to forecast the acceptance of the property and the footfall expected for it must be as precisely calibrated as possible.



In performing such location assessments, Bilfinger Real Estate* in Switzerland uses a data model that allows the potential footfall to be presented with no more than a few clicks of the mouse. The model was developed by the Swiss company Senozon AG, which was founded as a spin-off from

the university ETH Zurich. Its model shows the movements of inhabitants within a country and consolidates the data for repetitious, frequent activities such as “commuting to work” or “shopping” in order to then form patterns of movement. As a next step, these patterns are assigned to different population groups sharing certain socio-demographic characteristics. On that basis, it is possible to derive forecasts regarding potential footfall and accessibility for each retail location, broken down by target groups and times of day.

Bilfinger Real Estate is happy to present to interested clients how this data model can be used in order to better assess the potential of their property – and to unlock it!



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* Currently, Apleona GVA is still doing business in Switzerland as Bilfinger Real Estate. The company is set to change its name in the near future.

Continued: Real Property as a Matter of Geography

Questions asked of Michael Balmer, CEO of Senozon AG

How is the collaboration between Senozon and Bilfinger Real Estate structured?

Bilfinger Real Estate uses the locational data collected by Senozon to market the real properties in its portfolio, and also uses them for its analyses of locations. The reports, which are created in next to no time, provide quick and easy-to-follow information on a location's potential footfall, accessibility, catchment areas, and the numbers of vehicles travelling there.

Which companies need such precise evaluations of their locations?

Basically, any enterprise dealing with issues relevant to a location should have them. Currently, we are lending support

to clients primarily from the retail, real estate, and advertisement industries, who benefit in different ways from our products. For example, our data serve our clients in marketing their properties, and conversely will help them identify the best locations for their branches or out-of-home advertisement sites.

Which long-term objectives is Senozon pursuing?

Fundamentally, we are able to "mobilise" nearly all kinds of data, by which I mean that we can assign a geographic location to residents, pedestrians, customers, as well as to passengers or to the parties causing emissions. Over the long term, we intend to offer our technology and our models as a platform serving dif-

ferent industries; in this way, we will give our clients a better foundation on which to take their decisions by making available data to them. At present, we serve around 200 clients; that number is supposed to grow to a few thousand in the years ahead.



Michael Balmer
CEO Senozon AG

Is your development dementia friendly?

It is well known that creating vibrant communities around managed retail centres make them more attractive to occupiers, enhances their reputation and benefits retailers by increasing footfall and the customer shopping experience. We also understand that this is intrinsically linked to the protection of capital values.

That is why we believe that in addition to delivering a high level of service to our clients and occupiers, it is integral to provide an inclusive environment that is easy to navigate for everyone who visits. Approximately 850,000 people are living with dementia in the UK which is set to rise to over one million by 2025 and two million by 2051.

At GVA we have a strong community strategy and in addition to supporting a number of charities every year through fundraising and volunteering, we also nominate and support a partner charity to work alongside. For 2016/2017 we have been working with Alzheimer's Society as our partner, raising not only money but, importantly, awareness of dementia and how it affects people.

As part of our commitment we have been undertaking dementia friendly audits on all of the developments we manage across the UK. GVA is the first property consultancy to undertake the audits across their entire managed portfolio. This is the first step towards making the environments we manage, on behalf of our clients, more dementia friendly.

The audit uses a scoring system checklist in a number of key areas. Using the results of the audit, we have been able to create an action plan to make the developments we manage a more relaxing and positive experience for those with dementia.

This is particularly relevant to shopping centres but is also very relevant to mixed use schemes and retail parks that we manage, all of which are visited frequently by the public. People living with dementia regularly report shopping is one of their favourite activities.

The audit is based around seven key areas:

- Quiet space
- Signage
- Lighting
- Flooring

- Changing rooms and toilets
- Seating
- Navigation

Dementia friendly shopping centre: The Meadows in Chelmsford

At The Meadows in Chelmsford we have carried out an audit of the centre and improvement programme. Our team, along with a number of the retailers have also been to dementia awareness training. The Centre Management team have become "Dementia friends" and wear badges to make anyone who may need assistance aware and to highlight the Meadows as a "Dementia Friendly Centre".

So far, since the start of 2016, we have raised £82,000 for Alzheimer's Society by organising and taking part in a number of events. We also supported Dementia Awareness Week by raising money and awareness through an internal communications campaign, volunteering and quizzes. In 2017, we plan to support the week again by raising awareness of dementia friendly design, fit-out and management across the property industry.

The property sector can easily overlook the fact there are barriers preventing people with dementia feeling comfortable when visiting our buildings, but with a little support and understanding, everyone in the community can do their bit helping people with dementia to live well. In this context, the property sector has a key role to play.

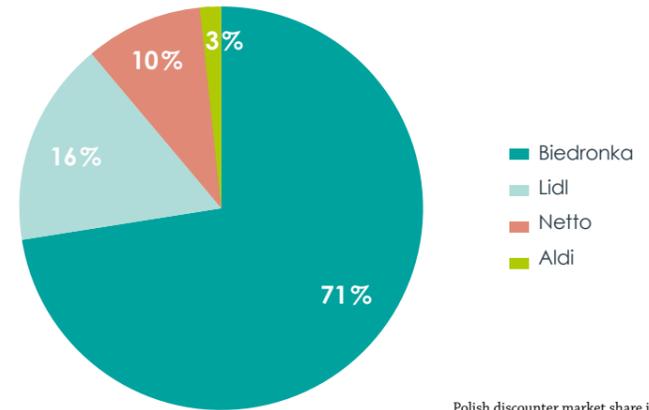


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To find out more about making your property more dementia friendly visit www.dementiaaction.org.uk/assets/0000/4336/dementia_friendly_environments_checklist.pdf

To join the Dementia Action Alliance in London click: www.dementiaaction.org.uk and click Get Involved

The Polish Retail Market: Developments and Trends



Polish discounter market share in 2016

In 2016, Poland's GDP rose by 2.8 percent. This is a slight decrease relative to the prior year (3.5 percent), but still significantly higher than the European average of under 2 percent. The main growth driver was domestic consumption, which has been a key factor behind the expansion of the country's retail sector.

Supermarkets were able to increase their turnover figures in Q4 2016, which actually reached a new high-water mark since 2012. This was also a trend reversal, since the major supermarket chains such as Auchan, Carrefour, Tesco, Kaufland, and E.Leclerc previously had been losing customers to smaller groceries outlets, which were becoming increasingly popular.

Discounters solidify their market leadership

It was also a favourable year for discounters, who were able to post higher overall sales growth (3.1 percent versus 2.8 percent in 2015) while further expanding their leading market position. As of the end of 2016, 3,809 discount markets were operating in Poland, whereby the market was divided up among four rivals: Biedronka, Lidl, Aldi, and Netto.

BU: Market shares of the discounters in Poland

With a share of over 70 percent of the market, Biedronka has a stronger position than all of its competitors combined. This is an atypical situation compared with other European countries, where the respective runner-up generally operates at least half as many stores as the market leader.

Trends and forecasts

When it comes to leasing out retail properties in Poland, it makes sense not to rely on a single anchor tenant. This is because the larger cities have experienced a wave of store closings in recent months due to a glut of competitors. On the other hand, localities with less than 100,000 inhabitants have reported explosive growth in the number of new stores being built.

Any analysis of the Polish retail market

must take account of the effect that the recent increase in the minimum wage is having. Thus, most store operators have been saddled with rising wage costs in recent months as a consequence of the altered situation on the labour market. On the other hand, this improvement in working conditions means that people can afford to buy more goods and services. Since wages are rising faster than inflation, Polish retailers will have no choice but to boost their productivity in order to keep margins as high as they are now.

"When it comes to leasing out retail properties in Poland, it makes sense not to rely on a single anchor tenant."

Developments in Poland are currently being monitored by a number of international retailers who are hoping to launch their brands on the market. We are seeing further, interesting refinements in the concept of high-street shopping. In addition, the number of shopping centres under construction is on the rise in various regions of Poland.



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