

RETAIL NEWS

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REAL ESTATE



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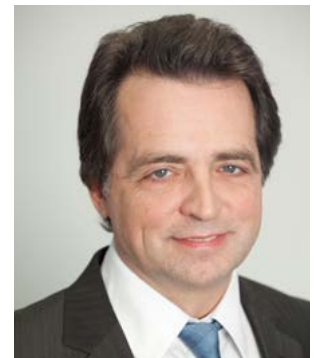
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Ladies and Gentlemen, Dear Retailer

You have surely already heard or read that our Group of companies was sold several weeks ago to Swedish financial investor EQT. EQT is a private equity company with 60 investments at the moment, many of them in the industrial area and with an investment volume of about €30 billion. Unlike other financial investors, EQT does not have a restructuring focus, but is interested in the sustainable growth of its companies. This is demonstrated by the sales, profit and employee figures of the EQT investments which have grown considerably over the period of ownership.

With the acquisition of Bilfinger's real-estate division, EQT will own a leading provider of management, consulting and construction services in Europe once the transaction is finalized. EQT's objective is the expansion of our strong position toward the European market leader for real-estate services. In this regard, EQT is relying on acquisitions and geographical expansion and is giving us support with everything that will help us to strengthen our client relationships: freedom to make decisions in daily business, investments in IT and digital solutions, development of new products.

With EQT, Bilfinger Real Estate has a responsible new owner who fully supports our growth and expansion goals and who offers us security and stability for our business.



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Retail News will of course continue to appear. In this issue, my European colleagues report on their new projects and current trends in the retail property sector.

We hope you enjoy reading our second Retail News issue.

Yours,

Volker Sonnenschein

DREILÄNDERGALERIE IN WEIL AM RHEIN: PLANNING OF NEW RETAIL SHOPPING MAGNET IN THE TRI-BORDER AREA



At Weil am Rhein in Baden-Württemberg, Bilfinger Real Estate is developing a shopping and services centre in close proximity to the Swiss border for the shopping centre investor Cemagg. In addition to people living in the region, the Dreiländergalerie is also intended to attract customers from France and especially Switzerland with its high purchasing power. Given its high planning and construction standards and town-centre location, the Dreiländergalerie is already, more than two years ahead of its planned completion, among the most talked-about retail projects in the region.

CHAPMAN TAYLOR PROJECT DREILÄNDERGALERIE

The Dreiländergalerie is being built according to plans by the internationally acclaimed architect Chapman Taylor on a plot of land measuring one hectare in the town centre of Weil am Rhein. The curved building complex to be constructed will consist of two linked building structures. The façade will be dominated by large glass fronts and perforated metal panels of varying transparency. According to the plans, the centre will have retail space of about 16,500 square metres divided among approximately 60 shops. In addition, there will be restaurants, a childcare facility, and a three-storey underground car park.

There have been plans to build a shopping centre in the central business district for a number of years. An earlier attempt by an investor, in 2011, to construct a shopping centre on what is known as the Hangkanten property (because of its sloped location) failed to get enough support in a referendum. Ultimately, the municipality restarted the tender process for the sale of the property in 2013. This time round, Bilfinger Real Estate as advisor of the shopping centre investor Cemagg and the architects of Chapman Taylor also took part in the tender.

Once the tender documents had been submitted in January 2014 and the project concept presented to town representatives, the people of Weil am Rhein approved the project in autumn 2015. As a result, in May this year, following the contract award and the analyses required of the impact on traffic, emissions, noise and the retail environment, Bilfinger Real Estate was finally able to apply for the regional planning process to be initiated.

The Dreiländergalerie will quickly become a shopping magnet not only in the region. A large influx of customers with high purchasing power is also expected from other countries, especially Switzerland – boosted by the favourable exchange rate of the franc against the euro. A tramline, which will connect Basel and Weil am Rhein every few minutes and serve a stop right outside the centre, will ensure excellent accessibility.

There are major planning permission requirements for a shopping centre located in the central business district, as it involves a hotly contested market, customers, retail space, the interests of regional retailers, and the political interests of major regional centres, cit-

ies and federal states. As project developers, advisors and owner representatives, we coordinate and mediate between all the parties involved in the project, the municipality and local interest groups, with whom we cooperate closely at the same time. The aim is to achieve the best possible result for our client, Cemagg. Although this may at times seem like a balancing act, it is also an extremely interesting and varied task.

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KEY FACTS DREILÄNDERGALERIE

RETAIL SPACE: 16,500 SQUARE METRES

STATUS: REGIONAL PLANNING PROCESS INITIATED

DESIGN: CHAPMAN TAYLOR

INVESTOR: CEMAGG

PROJECT DEVELOPMENT: BILFINGER REAL ESTATE
(OWNER REPRESENTATION, ADVICE)

COMPLETION: EXPECTED IN Q4 2019

H&M COMES TO QUEDAM



A strategic approach to lettings is fundamental to the successful positioning of retail centres. This is especially so for local retail destinations that compete for key retailers like the Quedam in Yeovil, a 16,200 sq m retail centre, who secured H&M to take space at the centre through working with them to meet their requirements.



H&M COMES TO QUEDAM

Increased footfall, perception and customer spend were the major considerations when the landlord, Benson Elliot, a key retail client, reconfigured and upsized redundant retail space at the Quedam centre in Yeovil, Somerset, to facilitate a letting to H&M. The centre already had a wide variety of well-known UK high street stores including Topshop, River Island and New Look. However, in order to reposition Quedam as a preferred shopping destination, the landlord recognised the benefit agile and forward thinking retailers would bring to the centre and wider community.

H&M had a requirement for the town, but as an older scheme, suitable space was not available. As a result, Benson Elliot's project team commenced works to create and deliver 1,600 sq m from existing prime space that was reconfigured to meet the requirements of the retailer.

As the managing agent, we worked closely with the project team at both local and head office level in delivering the reconfigured space, reviewing H&M's shop fitting proposals in detail to ensure a high standard was achieved, the space worked for them and in order to optimise their future trading aspirations. We also liaised with the adjoining occupiers, Starbucks and Topshop to ensure they were suitably represented and trade did not suffer while the works were underway. A joined up marketing approach was also adopted with the occupier, both pre and post opening, to ensure a smooth transition and to optimise results for H&M and our client, Benson Elliot.

Due to H&M's head office wanting to promote the store opening themselves, the Quedam team was restricted in terms of the marketing support that could be given. However the on-site team and Bilfinger GVA worked hard with H&M and local businesses and

2 H&M Quedam, Yeovil, UK

organisations to ensure news of the store opening reached a large audience through advertising, regular website updates and social media activity resulting in over 500 people queuing outside the store for the opening.

There was also a huge increase in activity in social media. Instagram followers increased by 1.5%, twitter by 3% and Facebook likes by 5.5%, Facebook reach for the opening month was 385,548 which resulted in an increase in engagement.

An excellent relationship continues with H&M. The store is trading well and has proved to be a very popular addition to the centre. This letting clearly demonstrates the importance key retailers play in the future success and repositioning of a retail scheme and as a result, fundamental in attracting other major retailers. Indeed, a letting to JD Sports shortly followed and strong interest from other key retailers requiring space continues.



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BASIC MOOD MANAGEMENT



In the mid-1980s, the US media psychologist Dolf Zillmann put the connection between media consumption and mood regulation at the centre of what became to be known as his mood management theory. The theory posits that the recipients use the media they consume to regulate their emotional needs. These insights from media research have for many years also been applied in retailing, with the Swiss retail market providing some examples.

SENSORY PERCEPTIONS AFFECTED

We perceive with our senses, interpret these perceptions and respond with emotions, depending on the kind of stimulation. Purchase decisions are not only made rationally, but are also influenced by emotions, and often subconsciously. Sensory perceptions, i.e. what the customer can see, hear, smell, feel and taste, play an important role in this context. By specifically addressing the senses, a feeling of well-being is imparted to the customer, and their purchase behaviour is influenced.

A SHOPPING CENTRE MUST MAKE CUSTOMERS FEEL GOOD AND ENCOURAGE THEM TO LINGER

In basic mood management, we never refer to manipulation, but rather stimulation and inspiration to ensure the greatest possible well-being for customers and visitors. A shopping centre must make customers feel good and encourage them to linger, shop and want to come back. In times of growing online retailing, the well-being and experience factor has turned into an important – or even critical – USP of store-based retailing.

CHOCOLATE SALES ROSE BY 12 PER CENT

The Letzipark shopping centre in Zürich is an example of how elements of basic mood management can be successfully applied. For

example, as a result of installing a conche inside the shopping centre and the smells produced during conching, chocolate sales rose by 12 per cent.

The analysis of short customer surveys has revealed that a significant improvement in customer satisfaction was achieved by providing free care and fragrance products in the ladies' toilets.

SMELLS, TOO, HAVE A STRONG IMPACT ON THE CUSTOMER'S WELL-BEING

Basic mood management is also taken into account in the technical areas. For example, optimized centre lighting makes it easy to navigate and provides a sense of security, because "the feet will rarely step where the eyes have not been before". Smells, too, have a strong impact on the customer's well-being. Defined production processes that generate unpleasant odours, such as deep-fat frying in restaurants, can be contained by different air volume proportions.

We are convinced that the use of basic mood management will continue to gain significance in retailing. Our experienced retail specialists will be happy to give you further information.



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3 Lüönd Shop, Switzerland

INTERVIEW



Andreas Lüönd, owner of the company with the same name in Switzerland.

Andreas Lüönd is the owner of the medium-sized bakery, confiserie and café business of the same name, which is based in Schwyz in the heart of Switzerland. The company was established in 1895. Its products are manufactured in Schwyz and most of them are sold in the five company-owned shops. The branch in the Mythen Center in Schwyz has been nominated for the “Best of Swiss Gastro” award in the “Coffee” category.

ARE THERE SENSES THAT YOU TARGET SPECIFICALLY IN YOUR OUTLETS?

Lüönd: Of course: sight, smell and taste. The fragrance coming from our “Gipfeli” (croissants), which we specifically make on site, speaks for itself ...

WHAT DO YOU GENERALLY THINK ABOUT BASIC MOOD MANAGEMENT?

Lüönd: In recent years, we have attached great importance to basic mood management in the design concept of our outlets. It's important to us that our products take centre stage. We use digital screens to present products that we do not stock in the shop, such as apéro variations, wedding cakes etc. Another important visual

element is our new bread shelves. When they are empty just before closing time, they are folded up, and instead of an empty rack, customers see images of our wonderful products.

HOW IMPORTANT IS LIGHTING IN YOUR SALES OUTLETS?

Lüönd: Extremely important. The products we display in our shops must be very well lit. They are the stars of the show. In the café section, by contrast, we provide atmospheric lighting to invite customers to linger.

WHAT TOOLS DO YOU EXPECT TO SEE MORE WIDELY DEPLOYED IN FUTURE?

Lüönd: These will definitely be visual, electronic tools, such as tablets and product/video screens. New technology, through the use of video, for example, allows you to project large atmospheric images on the walls and to change them quickly without much effort.



4 Chocolate creation

SHOPPING CENTER OPENINGS CONTINUE IN 2016



The Turkish retail property market is growing.

TOTALING €30 BILLION IN 2015

Including the 12 shopping centers scheduled to open in the course of this year, there will be a total of 373 shopping centers throughout the country by the end of the year covering a space of 11.13 million square meters. This corresponds to a growth rate of 5 percent as compared to 2015. Sales generated in the shopping centers, totaling €30 billion last year, is also rising. There was a sales increase in the first quarter of this year of 10 percent as compared to the prior year quarter.

OPENING OF THE PARAGON SHOPPING CENTER

One of the shopping centers newly-opened in 2016 is the Paragon Center, which we manage. The complex is located in the town of Ayvalık on the coast of the Aegean Sea, and which also borders Balıkesir province and the Marmara Sea.

The town has a population of 100,000 in the winter, but swells to 500,000 in the summer as a result of tourism. Due to the population swings in summer and winter, we took the needs for summer and winter as well as the seasonal characteristics into account for this shopping center. The Paragon Shopping Center was thus designed

as semi-closed in order to reflect the comfort of a closed space while retaining the advantages of an open space at the same time. We developed the retail and rental concept for the shopping center on the basis of demographic data as well as market and consumer research. We conducted project development studies very carefully by analyzing the future opportunities and risks. We completed the shop mix and store leasing studies in a way that allows us to meet the shopping needs of the people in the region and build on a varied, profitable customer base.

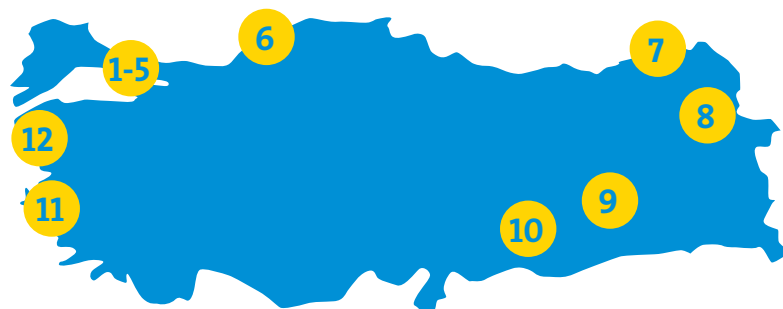
The financial feasibility of the shopping center was ensured and general earnings and expenses were calculated. In terms of business management, we conducted studies mainly regarding tenant relations management and development of the marketing strategy. We planned marketing activities to make the shopping center entertaining and lively. Once operational works such as cleaning, security and technical aspects were completed, the shopping center was successfully opened with 51,000 visitors

THE CENTER MANAGEMENT PORTFOLIO FROM BILFINGER REAL ESTATE TURKEY COMPRISES 12 SHOPPING CENTERS WITH A TOTAL FLOOR SPACE OF 1 MILLION SQUARE METERS

We deliver a broad range of services in the management and development phases, including:

- Consulting in the concept development of shopping centers
- Rental management
- Center management
- Corporate consulting
- Consulting in the areas of project valuation, investment development consultancy, sectoral analysis, financial reporting and accounting management, legal coordination, contract management, facility management, marketing and human resources management

- 1-5 Buyaka Shopping Center, Airport Outlet Center, Saphirre Shopping Center, Metropol Shopping Center, Ora Shopping Center in Istanbul
- 6 Westa Mall Shopping Center in Zonguldak
- 7 Varlıbaş Shopping Center in Trabzon
- 8 Forum Erzurum
- 9 Ceylan Karavil Park Shopping Center in Diyarbakır
- 10 Urfa City SC in Urfa
- 11 Folkart Towers Life in İzmir
- 12 Paragon Shopping Center in Ayvalık



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BOOMING HOTEL REAL ESTATE MARKET IN POLAND

Every year, the Polish hotel real estate market is becoming an increasingly important destination for international investors.

A VERY ATTRACTIVE TOURIST DESTINATION – 77 MILLION TRAVELERS

As the financial and business leader in the CEE region (the cumulative GDP growth amounted 28 percent in the years 2007-2015) and due to many cultural and sports events in the past (e.g. Euro Cup 2012), Poland has become a very attractive tourist destination and investment target.

According to information from the Ministry of Sport and Tourism, Poland was visited by more than 77 million travelers in 2015, of which about 16.7 million were tourists (16 million in 2014). And the tourist boom is expected to continue. Important events such as the NATO summit in Warsaw, World Youth Days in Krakow and the status of Wroclaw as European Capital of Culture will ensure increasing numbers of visitors also in this year.

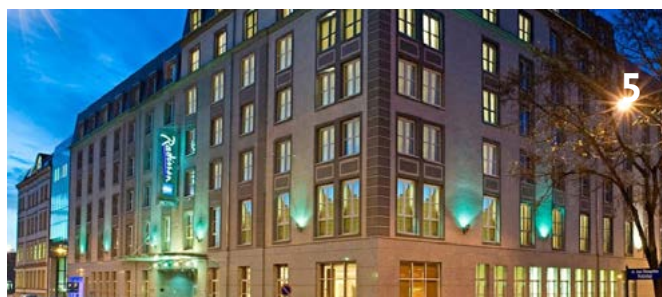
THE FIFTH LARGEST MARKET IN EUROPE

Against the backdrop of strong economic impetus, the Polish hotel real estate market has been continuing the upward trend for the past few years. It is the fifth largest market in Europe in terms of the number of branded hotels planned or under construction, after Great Britain, Turkey, Russia and Germany. The total number of licensed hotels in Poland has exceeded the level of 2,600, with more than 125,000 rooms. At the end of 2015 alone, 150 new hotels were opened. Over the course of the past five years, this represents a growth rate of nearly 40 percent.

BILFINGER REAL ESTATE IN POLAND IS EXPANDING ITS SERVICES FOR HOTEL REAL ESTATE

In response to the growing hotel market, Bilfinger Real Estate in Poland is expanding its services for hotel real estate. The company was recently awarded a contract for technical property management of a

hotel portfolio comprising three properties in Poland with a total floor space of 43,000 square meters and a total capacity of 658 rooms by its long-standing customer, Union Investment Real Estate. At these three hotels – Radisson Blu in Krakow, Radisson Blu in Wroclaw and Hampton by Hilton in Warsaw – Bilfinger Real Estate will be responsible for technical property management. The mandate is the first step in the establishment and development of a comprehensive range of professional services for hospitality real estate in Poland.



THE GOAL FOR THE NEXT FEW YEARS IS TO BECOME ONE OF THE LEADING COMPANIES

For Bilfinger Real Estate, the goal in Poland for the next few years is to become one of the leading companies offering the highest standard of hotel consultancy in the country. In this regard, we will work together closely with our colleagues in Europe who currently manage about 160 hotels in the United Kingdom, Germany and Turkey. With a selected group of experts and specialists in our headquarters based in Warsaw, we will be able to provide a full range of complex hotel consultancy services for all levels of hotel property life. In addition to technical hotel property management, we offer customers feasibility studies, hotel planning and development, investment consulting, building consultancy, business recovery and new technology solutions for the hotel market.



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5 Radisson Blu, Wroclaw, Poland

MODERNISING AND ENLARGING THE MAKADO BEEK SHOPPING CENTRE IN THE NETHERLANDS



Changing customer requirements, new brands, and competition from online traders are factors driving the need for modernisations and/or expansions of retail properties throughout Europe. The consequence: The number of refurbishment projects has been on the rise for many years.

The Makado Beek in the Dutch province of Limburg is following this trend. In order to strengthen the position this popular shopping centre has achieved on the market, and so as to attract an even greater number of customers in the region, the 25,000 square meter centre will be comprehensively modernised and expanded. As part of the work, the centre's façade and its interior will be replaced, a modern signage system will be installed and the parking deck accommodating around 1,800 vehicles will be re-designed. Additionally, a generously proportioned Food Court will be created on a total area approximately 7,000 square meters in size that is to be made newly available in the centre. Another part of these spaces will be leased out to a supermarket.

As the Centre Manager of Makado Beek, we work closely with the owner, Syntrus Achmea Real Estate & Finance, and its tenants in modernising and developing the shopping centre. Bilfinger Real Estate collaborates with the owner and an external broker to prepare and execute the concept for the new mix of sectors and for the re-positioning of the centre, and also for coordinating the move of the centre's tenants from their old premises to the new ones, as well as for attracting new tenants.

KEY FACTS MAKADO BEEK

Year constructed: late 1970s
Retail tenants: HEMA, C&A, Albert Heijn, and Kruidvat
Completion scheduled for: 1st quarter of 2017

6-9 Makado Beek, Netherlands



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