

Press Release 29th August 2018

Ladies and gentlemen of the press,

ecostra GmbH has been analysing the status and development of factory outlet centres (FOC) in Europe for many years within the framework of ongoing basic research. The results are summarised in a quarterly updated market survey with a list of all FOC locations in operation and in planning. This market survey is available free of charge as a PDF file on the ecostra website.

In the following press release, the results and findings from the analysis of the latest available data on the outlet center market in Europe are prepared and commented on.

We would be very pleased if you could include this press release in your publication. If you need further illustration material (e.g. printable photos of selected objects), we can also provide it to you free of charge and without rights.

If you have any questions, please do not hesitate to contact us. Contact person is Dr. Will on phone no. +49 (0)611 716 95 75-0 or email info@ecostra.com.

With kind regards

ecostra GmbH

Outlet Centres: highly controversial, but still a growth market

The number of outlet centres in Europe continues to rise. In the past 12 months, the number of centres in operation grew by 4 to 175 sites and the outlet sales area increased by almost 100,000 m², which corresponds roughly to the size of 9 football pitches. These are results of the latest market study just published by the Wiesbaden-based research institute ecostra. The strongest outlet growth during this period was recorded in France and Italy, but several new outlets were also opened in Spain and the Czech Republic. According to the ecostra market researchers, this development will continue in the coming years.

Full project pipeline

The pipeline in European countries is still well filled with site and expansion plans. This applies not only to Germany but also to a national market that was long considered to be saturated: the United Kingdom. With currently 35 centers, the British Isles is home to the highest density of outlet centres in Europe. Plans for the realization of new centers are currently underway at 7 additional locations. As a result, the British market has obviously once again caught the attention of outlet developers and investors.

Target market Germany

However, the actual target market is still Germany. Here the ecostra researchers currently count 10 site plans, although many are still in an approval procedure with a mostly uncertain outcome. At the end of the year, the decision of the Higher Administrative Court of Münster will show whether the planning of the outlet operator Neinver in Werl in Westphalia can be continued. In this respect, the market leader McArthurGlen is significantly further ahead with the planned expansion of the center in Ochtrup and the construction of a new center in Remscheid (both North Rhine-Westphalia). However, McArthurGlen still faces lawsuits from neighbouring cities at both sites. By contrast, the state government of Mecklenburg-Western Pomerania approved outlet planning in Wittenburg (east of Hamburg) at the end of 2017. In contrast, construction is already underway in Selb, Bavaria. Starting from the site of a former porcelain

factory, a modern outlet concept is being implemented here, which is to be extended in several construction phases as far as downtown Selb and linked to it. The first construction phase is scheduled for completion in autumn 2019.

City Outlets. Was that it?

But Germany is also the country in which vacant retail space in a historic city centre was revitalised for the first time with a uniform outlet concept. The City Outlet in Bad Münstereifel (south of Bonn), which opened in 2014, has received national and in some cases international attention. *"Many communities are confronted with a rampant vacancy problem in their old towns. Small areas with often unsuitable cut-outs will no longer find any tenant, even at the lowest rental prices. An outlet concept is often the last lifesaver,"* explains ecostra Managing Director Joachim Will. The list of municipalities that have made such an attempt is long and ranges from the towns of Feuchtwangen, Dinkelsbühl and Öttingen in Central Franconia via Zwiesel and Gerolzhofen (all Bavaria), Kirchheimbolanden (Rhineland-Palatinate), Usingen and Rotenburg an der Fulda (both Hesse) to Emmerich am Rhein and Rietberg (both North Rhine-Westphalia). In Reutte (Tyrol) in Austria, Biella (Piedmont) in Italy and Hulst (Zeeland) in the Netherlands, attempts were also made to copy the Bad Münstereifel concept. All these attempts have failed so far. The reasons were mostly a lack of investors or a lack of demand for space. Investors were available in Rietberg and a sufficient number of brand manufacturers were also interested in renting the properties; however, this project was stopped by a citizens' decision in May 2018. This means that no other such city outlet concept is currently being implemented.

Citizen's decisions on outlet planning

In Germany, outlet planning is increasingly becoming the subject of citizens' decisions. In addition to Rietberg, citizens were recently called to the ballot box in Pohlheim (Hesse) and almost a year ago in Duisburg to vote on such projects. In Rietberg 54% and in Duisburg 51% voted against the planned outlet centres. In Pohlheim, the required quorum was just missed, so that the community can now continue planning. This was different a few years ago. In 2002, almost 78% of the citizens of Ingolstadt (Bavaria) voted for the Value Retail project and in 2011, in Remscheid, almost 77% voted for the McArthurGlen project.

Critical reporting on the quality of outlet goods

The increasingly critical attitude of citizens to such outlet projects has various reasons. Will: *"In Rietberg, the decision was significantly influenced by fears of increased traffic congestion in the city center and in Duisburg, the result cannot be seen without the predecessor planning at another location in the Marxloh district of Duisburg, which had nothing to do with the project at the main train station and had to be critically evaluated for good reasons. Maybe the Love Parade disaster in 2010 also played a role, which took place on the outlet planning area."* However, recent television coverage has also contributed to this more critical attitude. Reports by the German TV stations WDR and ZDF under the title "The Outlet-Lie" dealt with the quality of the goods offered in outlet centres and came to the conclusion that some defective goods produced especially for the outlets are sold there. *"This is indeed critical"*, emphasises the ecostra Managing Director and continues: *"On behalf of the approval authorities, we continuously carry out appropriate checks on the product characteristics at various outlet centres in Germany and have also found that various manufacturers produce in inferior quality especially for the outlets. However, these are only a few individual cases and are not a general phenomenon. Accordingly, this should not be exaggerated too much. From the point of view of brand management, however, such an assortment policy is fatal, because the real capital of a brand is consumer confidence. Poor quality*

damages this trust in the long term, regardless of whether the goods are sold in the outlet or in the full-price store. Especially the operators of outlet centers should have an interest in putting a stop to the sale of such, qualitatively inferior outlet goods".

The existing situation and development prospects of the outlet centres in the countries of Europe in 2018

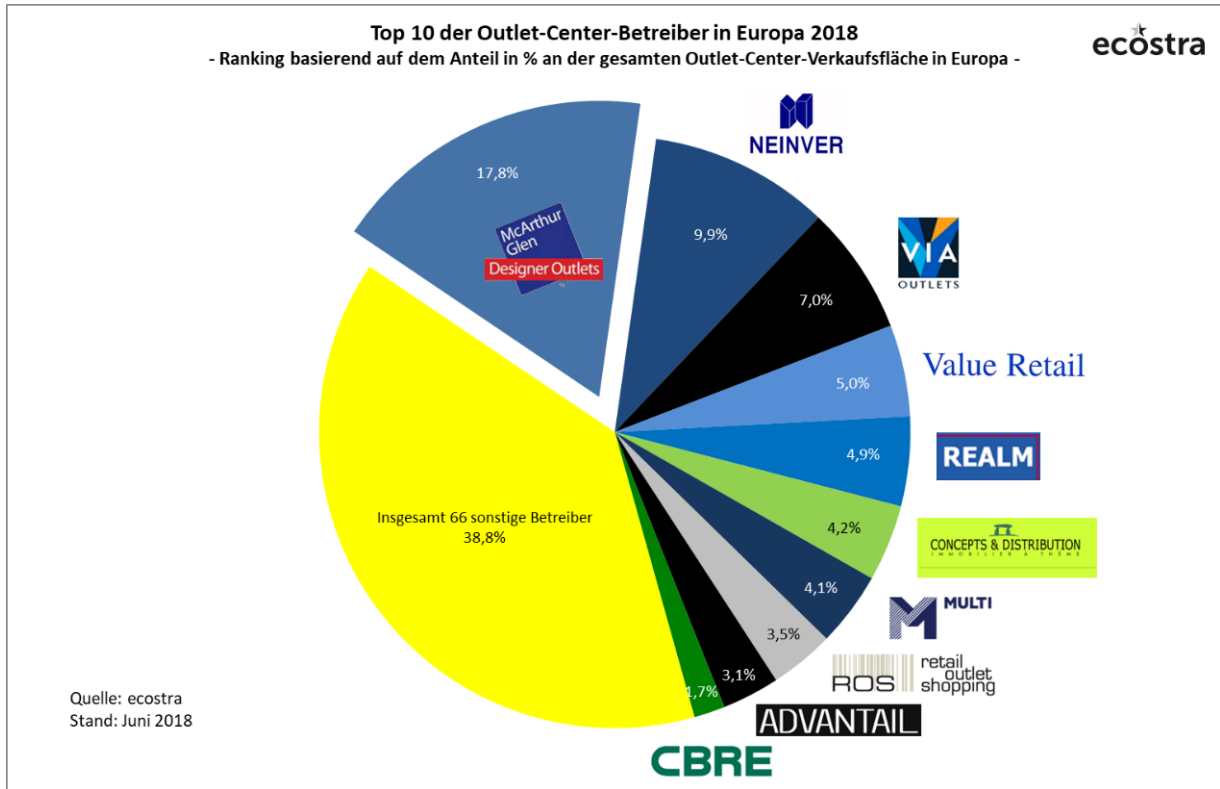
Country ⁽¹⁾	Number of Outlet Centres	Total Retail Sales area in m ²	Ø Retail Sales Area in m ² per Centre	Retail Sales Area in m ² per 1.000 Inhabitants	Number of planned sites	Medium Term Trend ⁽²⁾
IN OPERATION						
UK	35	526.305	15.035	8,6	7	↗
Italy	25	540.120	21.605	9,0	4	↗
France	24	359.335	14.970	5,7	7	↑
Spain	17	241.040	14.180	5,2	3	↗
Germany	14	215.050	15.360	2,6	10	↑
Poland	13	201.500	15.500	5,3	4	↗
Russia	5	106.050	21.210	1,0	3	↑
Portugal	5	88.550	17.710	8,3	-	→
Switzerland	5	77.500	15.500	10,1	1	↘
Greece	4	58.400	14.600	5,2	-	→
Netherlands	3	84.000	28.000	5,1	4	↑
Austria	3	74.000	24.665	8,8	-	→
Czech Republic	3	64.000	21.335	6,1	3	→
Belgium	2	32.000	16.000	3,0	1	↗
Hungary	2	29.500	14.750	2,9	-	→
Schweden	2	28.500	14.250	3,1	-	→
Norway	2	21.500	10.750	4,5	-	→
Ireland	2	20.000	10.000	4,7	-	→
Denmark	2	20.000	10.000	3,7	1	↗
Ukraine	1	15.000	15.000	0,3	1	→
Romania	1	14.500	14.500	0,7	-	→
Slovakia	1	14.000	14.000	2,6	-	→
Bulgaria	1	13.000	13.000	1,7	-	→
Serbia	1	13.000	13.000	1,4	-	→
Lithuania	1	12.700	12.700	3,8	-	→
Croatia	1	12.000	12.000	2,7	1	↑
Finland	-	-	-	-	2	↑
Luxembourg	-	-	-	-	1	↗
Total	175	2.881.550	16.465	-	52	↗

⁽¹⁾ = Ranking in descending order by number of sites in operation

⁽²⁾ = Classification of the medium-term trend in the development of the number of outlet sites and outlet sales area equipment in the corresponding countries from ↑ (= booming) bis ↓ (=rapidly declining)

Source: ecostra-research, Status: June 2018

The largest outlet center operators in Europe on the basis of the outlet sales area in operation



The development of annual volumes of outlet centre transactions in Europe from 2002 to 2017 in million €

