

Press Release 07th August 2019

Ladies and gentlemen of the press,

ecostra GmbH has been analysing the status and development of outlet centres 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 outlet-centre sites 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 Centre Boom: for the first time more than 3 million m² of space for bargain hunters in Europe

While the stationary retail trade in general - and here above all the fashion trade - complains about declining sales, insolvencies and business closures, one form of retail continues to grow in terms of area and sales: these are the outlet centres. For the first time, outlet centres in Europe have now broken through the "magic barrier" of 3 million m² of sales space.

ecostra study: Outlet space growth in Europe continues to pick up speed

There are now a total of 181 outlet centres, which offer branded goods at strongly discounted prices on an aggregated area of 3,000,075 m². The total number of centres thus increased by 6 (previous year: + 4), the total sales area grew by almost 120,000 m² (previous year: + 100,000 m²), which corresponds to a size of around 17 football pitches. This development will continue unabated in the coming years, as a further 46 outlet locations in Europe are at a more concrete planning stage or are already under construction. These are the results of the continuous market observation of the outlet centres in Europe, which the Wiesbaden research institute ecostra has just published.

Strongest outlet growth on the British Isles

The strongest outlet growth in the last 12 months was recorded by a national market that is actually considered saturated in this distribution form: the United Kingdom. Here the number of locations increased on balance by 2 to now 37, the total outlet sales area increased by more than 26,000 m² to 552,000 m². This means that outlet development on the British Isles has picked up speed again after a stagnating phase. There are a further 8 locations in the project pipeline. *"In addition to the United Kingdom, Italy, Portugal, Switzerland and Austria are also considered saturated outlet markets,"* emphasises ecostra's Managing Director Dr. Joachim Will. *"For example, there is currently no concrete project in Austria or Portugal. In the United Kingdom as well as in Italy, it can be assumed that at least two outlet centres with sub-optimal location factors or faulty concepts will be driven out of*

the market each time a new outlet centre is opened. This is largely achieved by cut-throat competition," says Will.

Slovak Republic: all outlet centers have failed at the Austrian Parndorf

This has also made itself felt in other national markets. A few years ago, for example, two outlet centres were built in Slovakia; one - the D1 outlet centre in Senec - never opened due to a lack of tenant demand, and the other - the One Fashion Outlet in Voderady pri Trnave - went bankrupt last year after only a short period of operation and could no longer find an investor. Will: *"The reason for this, however, was not a particularly high number of outlets in Slovakia, but the dominant market position of the nearby Designer Outlet Parndorf in Burgenland, Austria. The Slovakian centres simply had no chance against this very large 35,900 m² centre of the European market leader McArthurGlen, which is also home to the who's who of the European brand manufacturers".* According to the ecostra managing director, the development of outlet centres in Slovakia is probably over. Will: *"There will be nothing more to come!"*

Dutch centres dominate the border region with Germany

The McArthurGlen Center in Roermond, the Netherlands, has an equal dominant market position. In the entire German border area between Krefeld and Aachen, no further outlet centres can be expected here. But further north and also in the Netherlands. In the border town of Zevenaar, building permission was granted in April 2019 for an outlet centre with 17,600 m² of space. As in Roermond, this centre will also have the opportunity to open on Sundays all year round and will recruit its customers primarily from North Rhine-Westphalia.

Re-use of distressed shopping centres and retail parks as outlet centre sites

The German market remains underdeveloped with 15 outlet centres and a total sales area of just under 235,000 m². The approval hurdles here are high and the resistance of interest groups against outlet planning has by no means subsided. Various developers are now taking the simpler route and trying to convert distressed shopping centres with liberal building laws into outlet centres and thus reposition them in the market. In this respect, such projects are currently underway in Bremerhaven and Marl in North Rhine-Westphalia. In Brehna, near Leipzig, such an earlier shopping centre was reopened as an outlet centre in April 2016. Other developers are trying to implement small-scale outlet agglomerations, which are designed like retail parks, lure tenants with low rents and are usually approved without costly procedures. According to the ecostra managing director, such developments will become more frequent in the future: *"The demand for space from brand manufacturers for outlet stores in Germany is clearly there. And this demand will be satisfied. Many fashion brands today only achieve notable increases in turnover and corresponding margins via the outlet sales channel. The sales network is being expanded accordingly."*

ecostra sees the market share of outlet centres on the German fashion market at 5 % in the medium term.

Despite a slightly lower number of projects than in previous years, the outlet development in Germany, but also in most other countries, has by no means subsided. Will: *"According to our calculations, the market share of outlet centers in the overall fashion market in Germany is currently around 2.3 %. There is still a lot of room for improvement, especially with a view to other European countries. We are assuming that the outlet centers in Germany will achieve a market share of a good 5.0 % in the*

medium term through new settlements and expansions, thus more than doubling today's total sales. But that is still less than the fashion chain Hennes & Mauritz alone is already doing in Germany today. So we are talking about a niche market!"

The existing situation and development prospects of the outlet centres in the countries of Europe in 2019

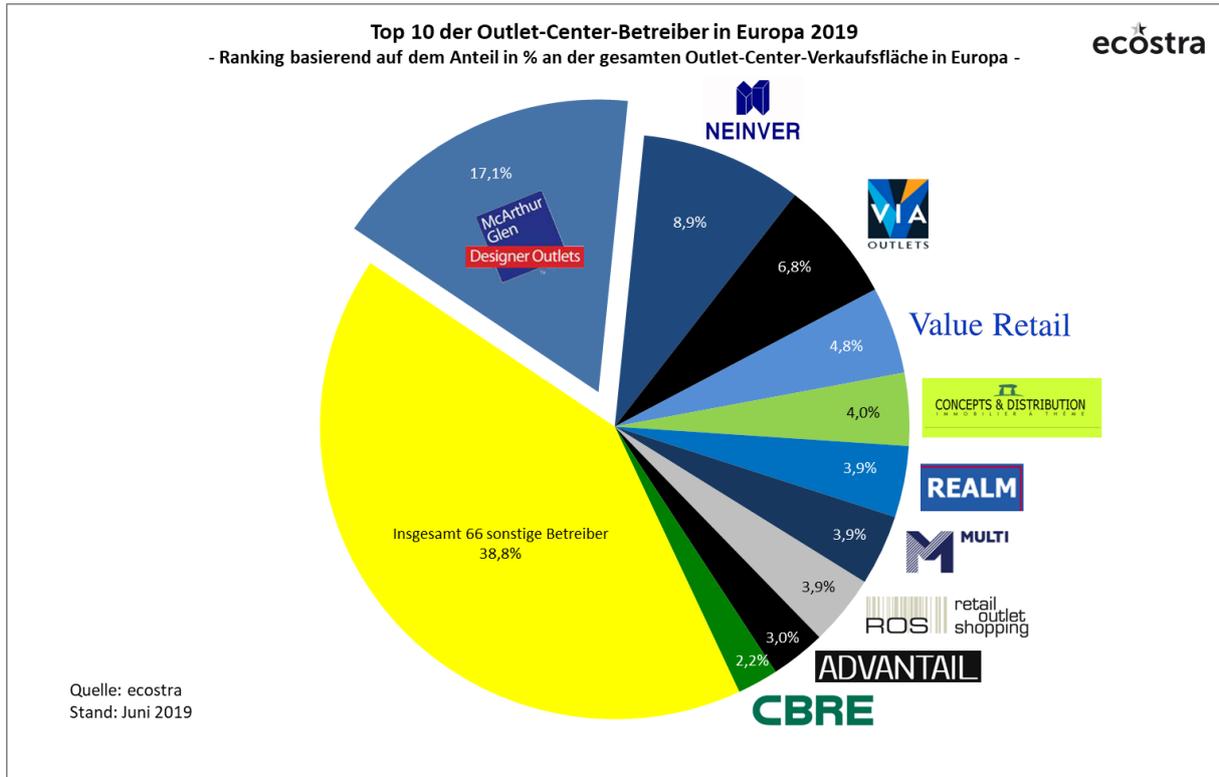
Country ⁽¹⁾	Number of Outlet Centres	Total Retail Sales area in m ²	Ø Retail Sales Area in m ² per Centre	Retail Sales Area in m ² per 1.000 Inhabitants	Number of planned sites	Medium Term Trend ⁽²⁾
IN OPERATION						
UK	37	552.335	14.930	8,3	8	↑
Italy	25	551.120	22.045	9,3	4	↗
France	23	356.155	15.485	5,5	8	↑
Spain	17	251.140	14.775	5,4	2	↗
Germany	15	234.795	15.365	2,9	9	↑
Poland	14	211.500	15.105	5,5	4	↗
Russia	5	113.050	22.610	1,1	2	↑
Portugal	5	88.550	17.710	8,6	-	→
Switzerland	5	77.500	15.500	9,1	-	↘
Greece	4	74.400	14.880	6,7	-	→
Netherlands	3	84.000	28.000	4,9	3	↑
Austria	3	74.000	24.665	8,4	-	→
Czech Republic	4	73.500	18.375	6,9	-	→
Belgium	2	32.000	16.000	2,8	1	↗
Hungary	2	29.500	14.750	3,0	-	→
Sweden	2	28.500	14.250	2,9	-	→
Croatia	2	27.000	13.500	6,4	-	↘
Norway	2	21.500	10.750	4,1	-	→
Ireland	2	20.000	10.000	4,2	-	→
Denmark	2	20.000	10.000	3,7	1	↗
Ukraine	1	15.000	15.000	0,3	-	→
Romania	1	14.500	14.500	0,7	-	→
Bulgaria	1	13.000	13.000	1,8	-	→
Serbia	1	13.000	13.000	1,8	-	→
Lithuania	1	12.700	12.700	4,4	-	→
Finland	1	12.000	12.000	2,2	1	↗
Luxembourg	-	-	-	-	1	↗
Latvia	-	-	-	-	1	↗
Cyprus	-	-	-	-	1	↗
Total	181	3.000.745	16.580	-	46	↗

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

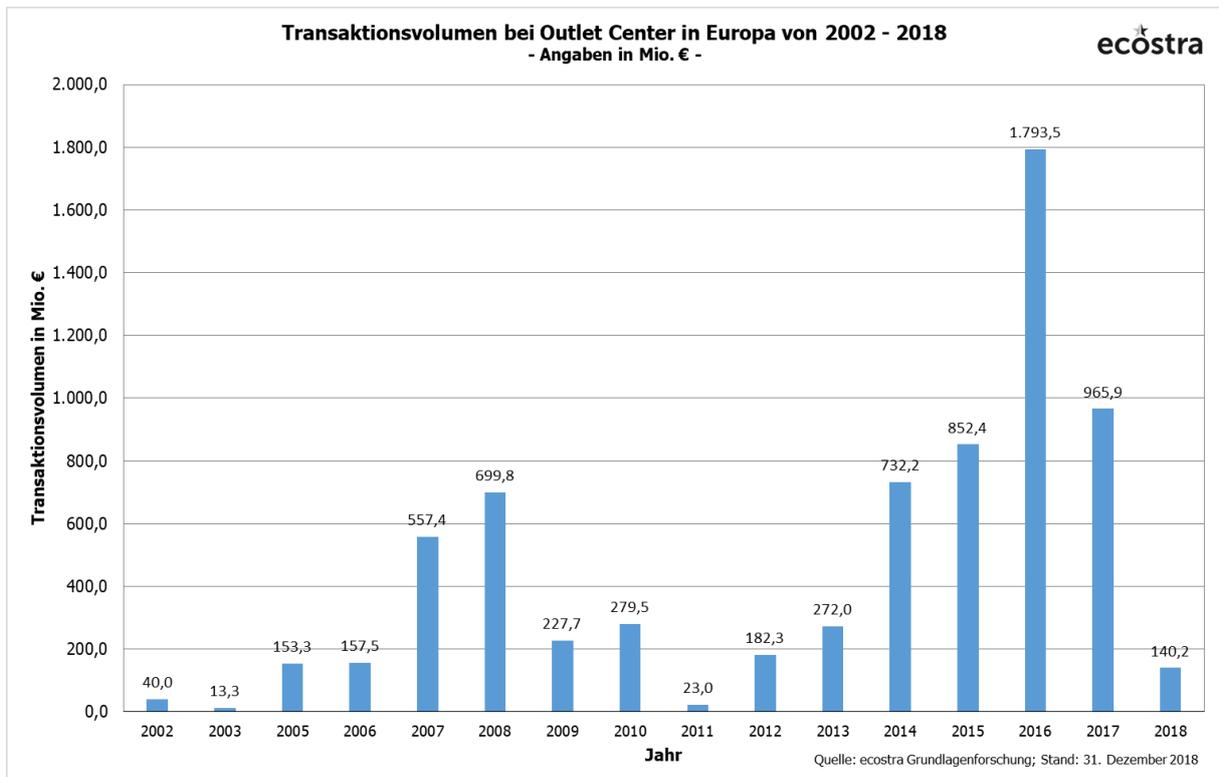
⁽²⁾ = Classification of the medium-term trend in the development of the number of outlet sites and outlet sales area equipment in the corresponding countries from ↑ (= booming) bis ↓ (=rapidly declining)

Source: ecostra-research, Status: June 2019

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 2018 in million €



Definition Outlet Centre:

Outlet Centres are an agglomeration of many outlet store units within a coordinately-planned or a spatially-interrelated complex of buildings with more than 5,000 m² retail sales area (= approx. 6,000 m² GLA) and with more than 20 outlet stores. There brand manufacturers and vertically-integrated retailers sell past seasons, factory seconds, surplus stock etc. directly to the consumer, without using retail businesses as (intermediate) distributive channels. All products are sold with a discount to the original high-street price of at least 25 %, whereas double-pricing (“High Street Price” / “Outlet Price”) is ruled by the leasing contract. The marketing targets a supraregional area and above all customers from far away are addressed. The coordination, organisation and marketing of an outlet centre is carried out by a centre management.

ecostra company profile

ecostra GmbH is one of the leading management consultancies for the real estate business and the retail trade. Beside consulting tasks as for example the optimisation of the existing retail net of companies, the production of location analyses and studies for the expansion planning as well as feasibility and profitability investigations for project developers, financial service providers and investors ecostra also compiles utilization concepts for shopping centres or analyses the chances and risks, e.g., of a possible relaunch of a centre. Beside the private sector, ecostra also works for the public sector by providing retail concepts for cities and regions and offers expert advice for approval procedures, administrative court procedures and cartel court procedures. The spatial field of activity encompasses all European countries, seat of the enterprise is the Hessian capital of Wiesbaden.

Beside the classical shopping centers a special focus of the retail trade research is put by ecostra at outlet centres. Here ecostra has published among other things a fundamental study on behalf of the German federal ministry of construction as well as various books and articles on the location requirements, the relevant operational aspects as well as to the impact of outlet centers on regional trade.