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Press Release 23rd July 2020

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.

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: Back on the Fast Lane after the Corona-Lockdown

Outlet centres almost unhindered continue to write their success story. The Corona pandemic and the lockdown ordered by the authorities led to the closure of all shops in almost all European countries that were not absolutely necessary for the basic supply of the population with food and other short-term necessities. With the exception of food retailing, this affected almost the entire retail sector, regardless of location or whether the shops were rented in a shopping centre or retail park or in a high street. However, outlet centres, which focus on fashion were particularly affected. As a result, the outlet centres were closed completely for several weeks and months.

Most outlet centres already have reached the previous year's level again. But there are better bargains in the high streets of the city centres

After shops were able to reopen from mid-May 2020 in Germany and, with a certain time lag, in other European countries, a clear trend is emerging: outlet centres have returned to the previous year's levels of footfall and turnover much more quickly than shopping centres or inner-city high streets. *"While most shopping centers have not even reached 70 % of the previous year's figures, we have information that most outlet centers have already reached the comparable figure for the same month of last year. Some are even already at over 100 %,"* explains Dr. Joachim Will, Managing Director of the Wiesbaden-based research institute ecostra. The discount battle is raging in the inner-city retail trade even more than in the bargain temples on greenfield sites. Will: *"The unsold spring collections and the economic pressure to improve the liquidity of the retail companies has led to the situation, that all oaths to put some restraint on the discount policy quickly became obsolete. Thus price reductions of 50 % and more are the rule rather than the exception. The better discounts are therefore available in the city centres high streets at the moment!"*

Traffic jams and queues at attractive outlet centres

But that does not stop the bargain hunters from streaming back in masses into the outlet centres. After the reopening of the outlet centre in Bicester, UK, in mid-June, the rush of visitors was so strong that the public immediately demanded the centre be closed again, so as not to create a new Corona hotspot. At the Designer Outlet Roermond, located just over the German-Dutch border, a 6 km long traffic jam formed on the motorway on the afternoon of 12th July 2020, after the permitted capacity for visitors to the centre had been reached. At that time, this was the longest traffic jam in the whole of the state of North Rhine-Westphalia. Visitor counting systems and admission controls are currently installed almost everywhere. And it is not only because of the obligation to wear masks that visitors have to do without the former amenities of an unrestricted shopping experience. Long queues and waiting times are constantly forming due to the access restrictions also in the individual outlet stores. At the Nike outlet store in the Fashion Outlet Zweibrücken in Germany, for example, customers often stand in a 30-metre long row waiting patiently for admission. There are similar reports from other outlet centres.

Premium brands are still strongly affected by travel restrictions

In this respect, the number of visitors and customers at the outlet centres has recovered relatively quickly from the Corona lockdown. But not everywhere and not to the same extent. Will: *"Outlet locations that previously had a high proportion of tourist visitors from other countries, especially China and Russia, are still a long way from the previous year's level. Because this clientele is still subject to very restrictive travel restrictions and is currently almost completely absent. However, visitors from these countries have so far made a significant contribution to the sales of the premium brands in the outlets. Centres with a predominantly mid-priced or upscale brand image and a densely populated regional catchment area, on the other hand, have so far come out of the crisis much better"*. But even within individual sectors, the picture is graded. Since hardly anyone needs suitcases at present, the sales of tenants such as Samsonite, for example, are still significantly below the previous year's figures.

Brands full warehouses lead to strong demand, especially for pop-up stores

The conrona-related loss of sales has caused many well-known brand manufacturers to experience economic difficulties and even led to insolvency for a number of them. Recent examples include St. Emile, René Lezard, Laurèl and Strenesse. If the brands did not have their own online store, all distribution channels, i.e. from wholesalers to their own full-price stores to the outlets, were blocked during the lockdown phase. Will: *"This has now put an end to some manufacturers who were already on shaky ground before!"* At the same time, the brands are sitting on full warehouses and urgently need to move the goods to make room for the new collections. *"So far, however, we have not been able to detect any exorbitant high-piled shelves and unusually high discounts in most outlet stores,"* reports the ecostra´s managing director. *"It would also be reasonable to assume that a run on the still available retail space in the outlet stores is now underway. This is also not yet apparent. Because due to the economic uncertainty, many brands are currently hesitating to sign long-term leases. At the moment they are looking for space for temporary pop-up stores."*

Number of outlet sites and the size of their retail sales area in Europe continues to grow

The number of outlet centres in Europe and their sales area has again grown strongly in the past 12 months. As the annual evaluation of the location data for all European countries carried out by ecostra as part of its market monitoring activities shows, there are now 188 outlet centres in operation (+ 7 compared to the previous year), which together account for a total retail sales area of almost 3.1 million m² (+ 0.1 million m²). Most of these centres are located in the United Kingdom (37), followed by Italy (26), France (23), Spain (18), Germany (16) and Poland (14). Outlet sites have recently been opened in Finland (Helsinki Outlet in Vantaa), Italy (The Mall San Remo) and Germany (Mein Outlet Bremerhaven). Two new centers started in Russia last year with the Fashion House Outlet Center St. Petersburg and the Novaya Riga Outlet Village in a western suburb of Moscow. Various other centres have also expanded and refurbished during this time, the most prominent example being the Outletcity Metzingen (D), which was able to put the last part of the long planned expansion into operation in September 2019 and is now the largest outlet centre in Europe with a gross leasable area of approx. 60,000 m² and a retail sales area of approx. 40,745 m².

Transaction volume has tripled, but remains comparatively low

The transaction market also picked up speed again in 2019, after outlet centres with a combined volume of only € 251 million changed hands throughout Europe in 2018. Will: *"This transaction volume tripled in 2019 and now stands at € 750 million, which is still a marginal figure compared to the transaction volumes in the European shopping centre market. Outlet centres are still a small but very attractive niche market for investors. In contrast to shopping centres, these properties are considered to be largely crisis-proof investments and have again demonstrated this in the wake of the lockdown. The problem is that outlet centres that perform really well, rarely come up for sale. We clearly do not have a buyer's market here!"* The most significant transactions in 2019 were the package purchase of the French outlet centres in Troyes and Roubaix with a volume of approx. € 295 million by Savills Investment Management and the acquisition of the Barberino Designer Outlet in Italy by DWS Grundbesitz Europa for almost € 235 million. In addition, the Percassi Group together with Orion Capital Managers formed a new real estate fund and contributed its 3 Italian outlet centers in Turin, Rome and Sicily.

The Outlet Centre Market in the European Countries 2020. Current Status and Development Trends

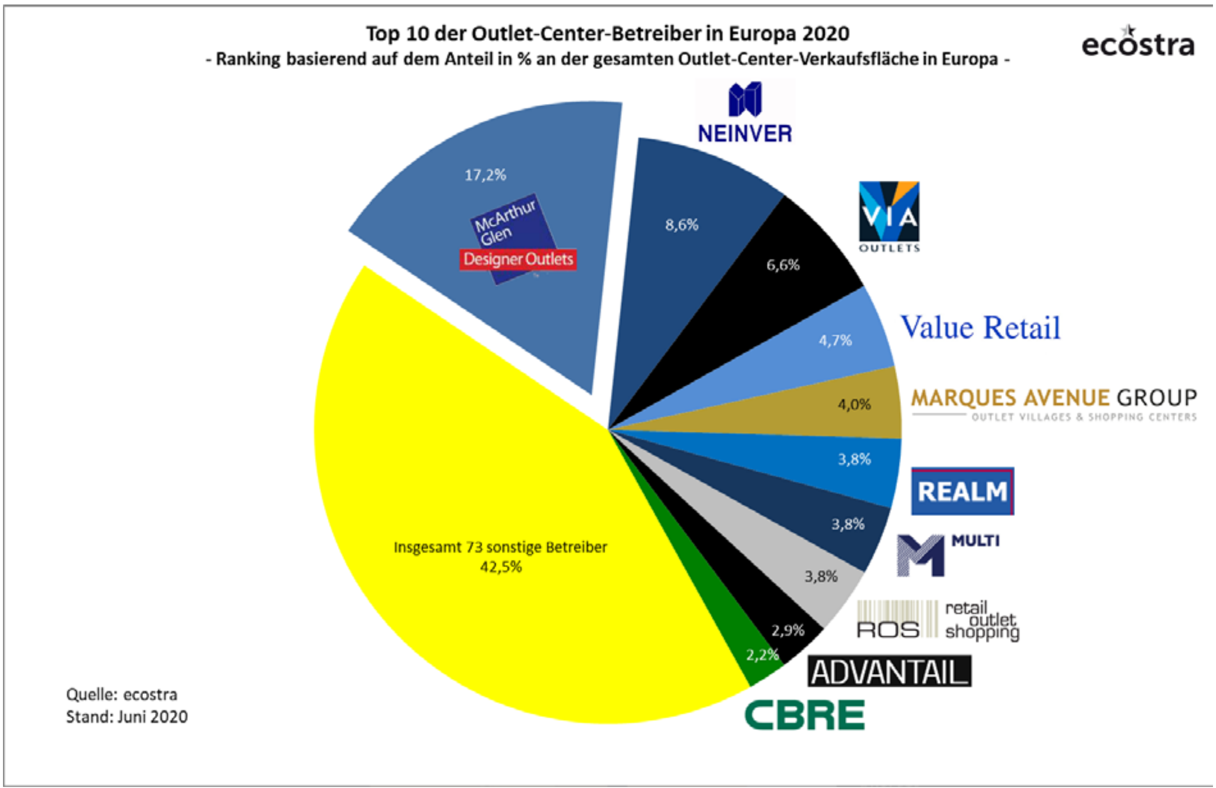
Country[1]	Number of Outlet Centres	Total Retail Sales area in m²	Ø Retail Sales Area in m² per Centre	Retail Sales Area in m² per 1.000 Inhabitants	Number of planned sites	Medium Term Trend[2]
	IN OPERATION					
UK	37	556.200	15.030	8,4	9	↑
Italy	26	556.100	21.390	9,4	3	↗
France	23	366.700	15.940	5,6	6	↑
Spain	18	264.100	14.670	5,7	1	→
Germany	16	243.800	15.240	3,0	4	↑
Poland	14	211.500	15.110	5,5	4	↗
Russia	8	159.100	19.880	1,5	1	↗
Portugal	5	88.550	17.710	8,6	-	→
Switzerland	5	77.500	15.500	9,1	-	↘
Greece	5	74.400	14.880	6,7	1	↗
Netherlands	3	84.000	28.000	4,9	2	↑
Austria	3	74.000	24.670	8,4	-	→
Czech Republic	4	73.500	18.380	6,9	-	→
Belgium	2	32.000	16.000	2,8	1	↗
Hungary	2	29.500	14.750	3,0	-	→
Sweden	2	30.000	15.000	3,0	-	→
Croatia	2	27.000	13.500	6,4	-	↘
Norway	2	21.500	10.750	4,1	-	→
Finland	2	20.500	10.250	3,7	-	↗
Ireland	2	20.000	10.000	4,2	1	↗
Denmark	2	20.000	10.000	3,5	1	↗
Ukraine	1	15.000	15.000	0,3	-	→
Romania	1	14.500	14.500	0,7	1	↗
Bulgaria	1	13.000	13.000	1,8	-	→
Serbia	1	13.000	13.000	1,8	-	→
Lithuania	1	12.700	12.700	4,4	1	↗
Latvia	-	-	-	-	1	↗
Cyprus	-	-	-	-	1	↗
Total	**188**	**3.098.145**	**16.480**	**-**	**38**	↗

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

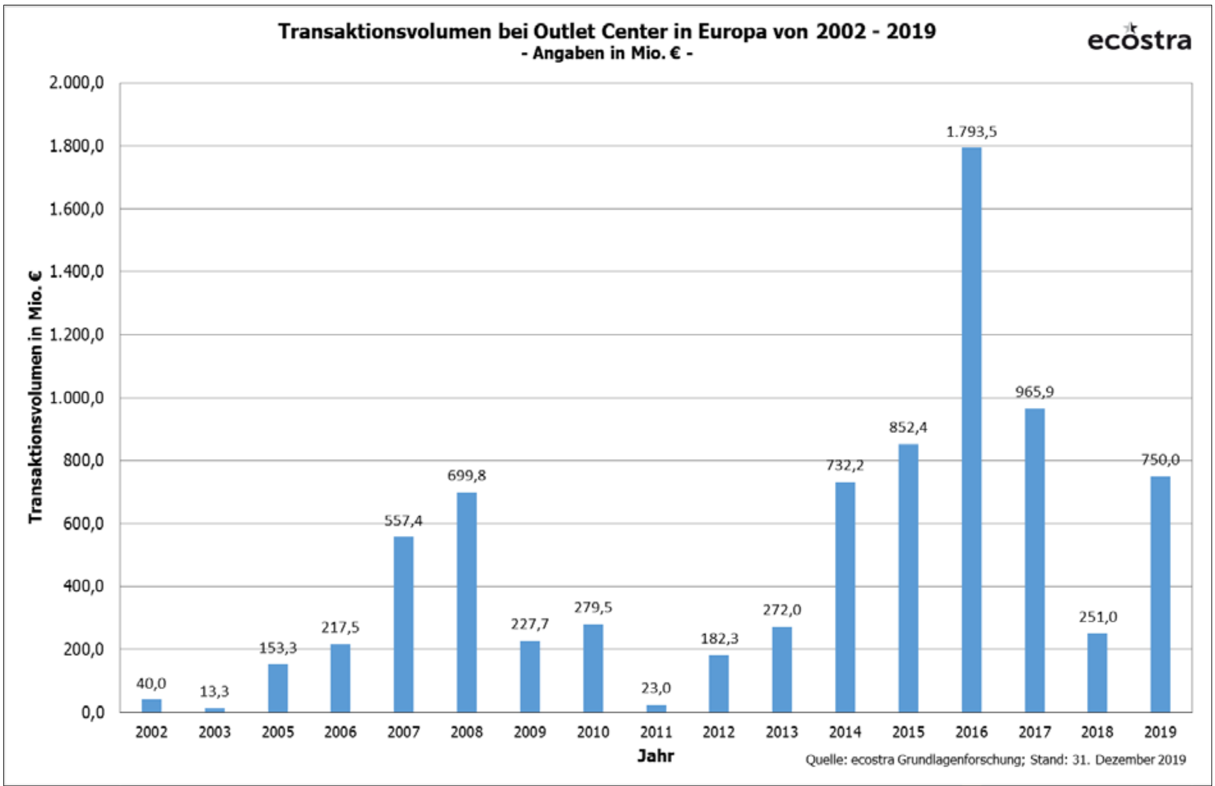
(2) = Classification of the medium-term trend in the development of the number of outlet sites and outlet sales area equipment in the corresponding countries from ↑ (= booming) bis ↓ (=rapidly declining)

Source: ecostra-research, Status: June 2020

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 2019 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.