

Press Release of 05th August 2024

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 summarized in a quarterly updated market survey with a list of all outlet centres that are in operation or in a planning stage. 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 centre 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 outlet centres), we can also provide it to you free of charge and without copyrights.

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 market in Europe overcomes first dent in growth

Expansion still restrained, but significant movement in the operator market

Between the years 2022 and 2023 the European market for outlet centres recorded a contraction in the number of sites and outlet space for the first time, both of which fell slightly. This was a novelty for this otherwise so successful form of retail distribution, which - unlike other retail channels in the fashion market - has so far been able to defy the challenges of online shopping without any problems. Hence, outlet centres so far were programmed for steady growth. This dent in growth is due to effects that can be attributed to the forced closures during coronavirus, but which only became noticeable with a time lag after the end of the pandemic. As a result, the outlet centres too were unable to escape either the sharp rise in construction costs or a changed financing environment. Added to this were the demands of many tenants for so-called incentives, such as fit-out cost subsidies and rent-free periods, which were economically disproportionate to the only moderate increase in rents. However, the dip in growth appears to have been largely overcome and the outlet market is picking up speed again. As the latest market data from Wiesbaden-based economic consultancy ecostra illustrates, recognisable growth signals are coming from this market again. Although the currently registered increases are still comparatively modest in quantitative terms, various new projects in the development pipeline indicate that there will be some more movement here in the near future.

Number of outlet sites and space in Europe increases slightly on balance

In the last 12 months, the number of factory outlet centres in Europe rose slightly - on balance of new openings and closures - to 198 centres in operation (+ 0.5%). In contrast, the total retail sales area of these centres grew more strongly by around + 7.6% to just under 3.3 million m² in the same period. One of the most significant new openings was the 'Designer Outlet Paris-Giverny' in Douains (France), which was realised by the European market leader McArthurGlen in immediate proximity to the motorway, running from Paris to Le Havre. Other centres, such as the 'Sevilla Fashion Outlet' in Spain for example,

carried out expansion measures. Even statistical effects had little influence on the growth of sites and floor space. So the ecostra researchers removed the 'Sofia Outlet Centre', which has been in operation in the Bulgarian capital since 2010, from the inventory statistics due to massive vacancies and the almost complete absence of brand stores. However, a replacement is expected soon in this national market: planning is already well advanced for the 'Outlet Village Sofia' at a car-oriented location to the east of Sofia. This project is expected to have a much more professional concept and will be integrated as a new utilisation component in an already successful retail park. Letting for the 'Outlet Village Sofia' started at MAPIC 2023 in Cannes. Tenant interest in the project appears to be high. *"The example of the now almost vacant centre in Sofia shows that not every project in the outlet market is automatically programmed for success,"* explains ecostra's CEO Dr Joachim Will. *"We have observed that professional site selection, a modern centre layout and - not least - an experienced letting team together with a competent centre management are now a basic prerequisite for commercial success, and not only in the saturated outlet markets of Europe. The same also applies to markets in which outlet centres are not yet or barely represented."*

French developer and investor buys outlet management expertise

The acquisition of the operator Retail Outlet Shopping (ROS) by the French project developer and investor Frey SA, which was announced just a few days ago, shows that this specific management expertise for outlet centres already represents a value in itself. According to information available to ecostra, the Frey Group has been looking to enter the outlet centre market for some time and has been exploring such opportunities. Frey has also already made a find on the property side. The "Malmö Designer Village", which is currently under construction in Sweden, was recently acquired from British developer Rioja Estates. This centre, with a lettable area of around 18,000 m², is scheduled to open in the second half of 2026. The pre-letting rate is currently around 35%. With the Austrian company ROS, the Frey Group has now also secured the corresponding management expertise. After all, ROS is number 5 in the European outlet operator market with centres in Germany, Belgium, Portugal, Spain, Poland, Hungary and Croatia. *"This has catapulted the Frey Group into the top group of European outlet operators from a standing start. When Malmö goes into operation in 2026 and ROS takes over the management, which should no longer be in doubt, Frey / ROS will also leave Value Retail behind as the current number 4. And I strongly suspect that those responsible at Frey have set themselves even higher targets here,"* says the ecostra Managing Director.

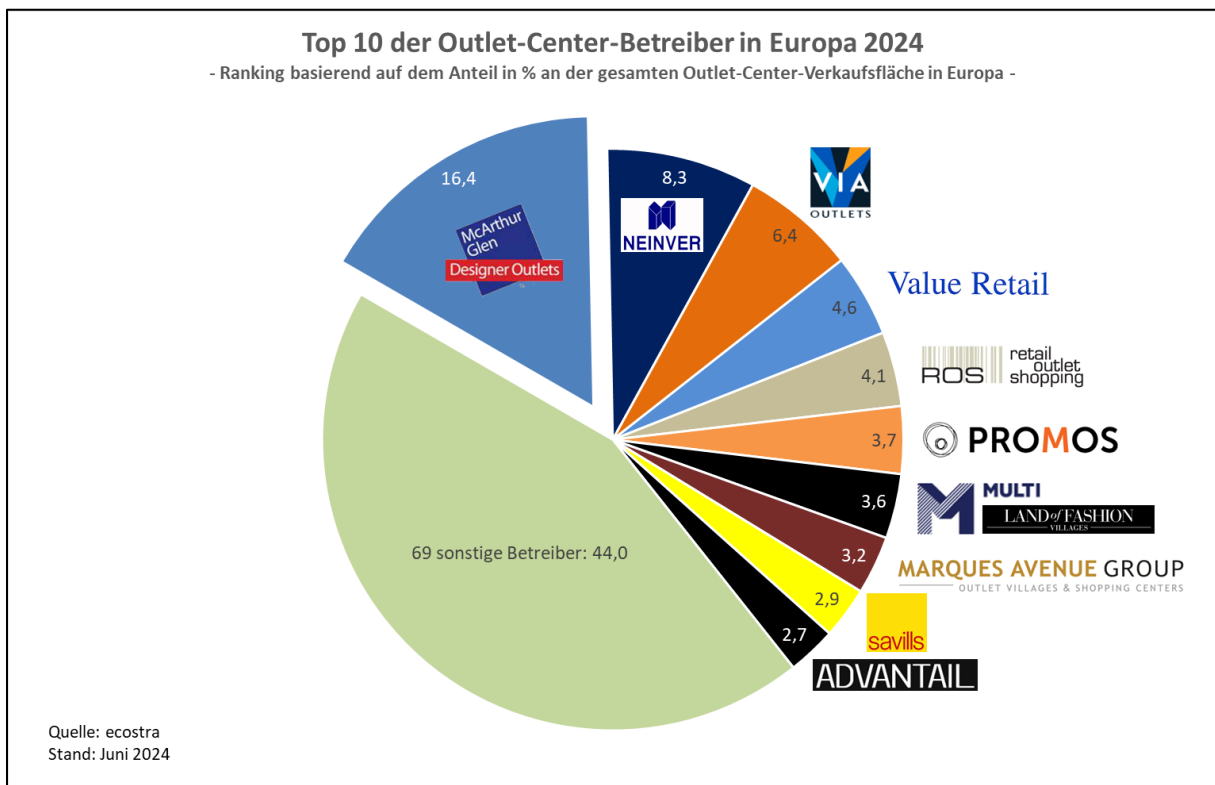
Bernard Arnault: The richest man in the world buys shares in Value Retail Centres

Another significant development has taken place in the transaction market, this time in the premium outlet segment. British investor Hammerson plc, the most important shareholder in Value Retail's centres, confirmed the sale rumours that had been circulating on the market for months and sold its shares at the end of July 2024. The transaction volume for this deal alone amounts to around EUR 1.7 billion, is probably the largest single transaction in the European outlet market to date and is assessed by ecostra's Managing Director as follows: *"The Value Retail centres were the jewels in Hammerson's portfolio, with which the best returns and value increases have been achieved to date. These are not simply put up for sale. Even though other reasons for the sale have been reported in the press on various occasions, we assume that Hammerson's capital requirements for other asset classes in its portfolio - and in particular the shopping centres - are the real reason for the sale."* The buyer of the Hammerson shares, the US investment fund L Catterton, is anything else but a stranger to the market. The most important shareholder of this fund is the head of the luxury group LVMH, Bernard Arnault, who is currently known to be the richest person in the world.

Hardly any new developments, but extensions to existing outlet centres and conversions of struggling shopping centres

While the pipeline for the establishment of new outlet centres in Europe is rather limited, the expansion of existing centres dominates the scene. However, even such projects are not always a sure-fire success under licensing law. This is particularly true in Germany, where building and regional planning law has particularly high hurdles for this form of retail distribution. For example, the expansion plans for the 'Designer Outlet Soltau', which had already been significantly reduced in terms of floorspace, were rejected by the relevant authorities in Lower Saxony in April 2024. The centre currently has just under 10,000 m² of retail space and was to be expanded to 15,000 m². On the other hand, the traffic lights for the expansion plans at the Zweibrücken and Montabaur sites (both in Rhineland-Palatinate) appear to be green. Both sites have already received positive approvals from the authorities for expansion. Another trend in response to the restrictive building laws is the conversion of parts of struggling shopping centres into outlets. The conversion of around 9,000 m² of space in the huma shopping centre in Sankt Augustin near Bonn is the most advanced in this respect. The outlet area planned there is due to open in November this year. This will not remain an isolated case, as Joachim Will emphasises: *"We are aware of a whole series of shopping centres that are thinking along exactly the same lines and intend to fill retail areas with outlet stores that would otherwise be difficult to let. This seems to be seen by the owners as an opportunity to rescue so-called 'stranded assets' and revalue them."* Such hybrid concepts of traditional shopping centres and outlet centres have long been established in various European countries. For example, in Poland with the 'Factory Krakow / Futura Park' near Krakow and the 'Outlet Park Szczecin' in Szczecin, in France with the 'Bord'eau Village' in Bordeaux, in Portugal with the 'Strada Outlet' near Lisbon or the 'La Corte del Sole / Sardinia Outlet' on the Italian Mediterranean island of Sardinia. *"There's more to come!"*, Will is certain.

The Top 10 outlet centre operators in Europe (on the basis of the outlet sales area in operation)



The Outlet Centre Market in the European Countries 2024. Current Status and Development Trends

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	38	579.435	15.250	8,6	5	↗
Italy	26	557.120	21.430	9,4	3	↗
France	23	350.655	15.250	5,2	2	↗
Spain	21	306.640	14.600	6,5	1	→
Germany	18	267.795	14.880	3,2	6	↑
Poland	14	215.500	15.390	5,7	1	→
Russia ⁽³⁾	10	199.050	19.910	1,4	-	↓
Portugal	5	85.550	17.110	8,2	-	→
Switzerland	5	77.500	15.500	8,8	-	↓
Greece	5	74.400	14.880	7,0	1	→
Netherlands	4	99.000	24.750	5,6	1	↗
Czech Republic	4	73.500	18.380	7,0	-	→
Austria	3	74.000	24.670	8,2	-	→
Lithuania	2	40.700	20.350	14,5	-	↓
Sweden	2	33.500	16.750	3,2	1	↗
Belgium	2	32.000	16.000	2,8	1	↗
Hungary	2	29.500	14.750	3,0	-	→
Croatia	2	25.270	12.640	6,5	-	↓
Denmark	2	25.000	12.500	4,2	1	↗
Norway	2	21.500	10.750	4,0	-	→
Romania	2	20.000	10.000	1,1	-	→
Ireland	1	17.200	17.200	3,4	1	↗
Ukraine	1	15.000	15.000	0,4	-	→
Serbia	1	13.000	13.000	1,8	-	→
Cyprus	1	12.500	12.500	13,9	-	→
Latvia	1	10.000	10.000	5,3	-	→
Finland	1	8.500	8.500	1,5	-	→
Bulgaria	-	-	-	-	1	↗
Slovenia	-	-	-	-	1	↗
Luxembourg	-	-	-	-	1	→
Total	198	3.263.815	16.480	4,6	27	↗

⁽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) to ↓ (=rapidly declining)

⁽³⁾ = Because of the withdrawal of most brand manufacturers from the Russian market due to the sanctions resulting from the Russian war of aggression in Ukraine, the current situation of Russian outlet centres cannot be reliably assessed.

Source: ecostra-research, Status: June 2024

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 centres 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 centres on regional trade.