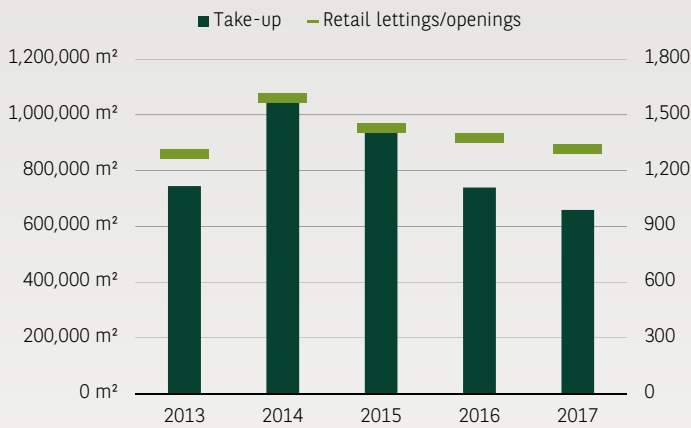




Market Focus Q4 2017

RETAIL LETTING

Take-up in German cities

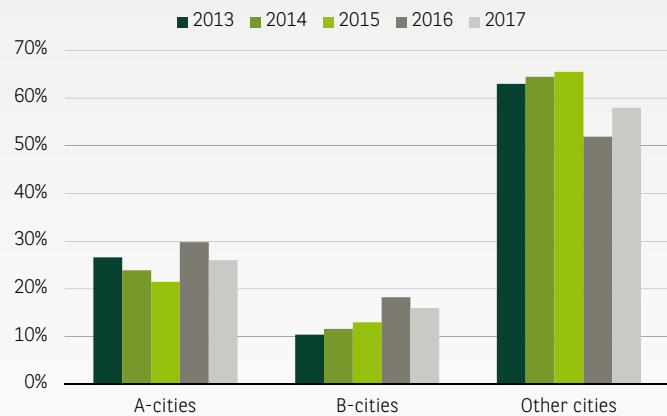


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ADJUSTMENT PROCESSES INSTEAD OF DOWNWARD TREND

The positive conditions for the German retail industry may also benefit e-commerce, but they also ensure that Germany remains one of the most important target and expansion markets for in-store shopping for German and foreign labels: Indications for the good underlying sentiment include the possibly record-breaking GfK consumer confidence index at the start of the year (10.8 points) and the above-average retail sales forecasted for 2018 by the GfK (419.7 bn €). Overall the take-up in German cities in 2017 may have been down by 11 % on the previous year's figure with around 660,000 m², but the number of lettings and openings has only fallen slightly with over 1,300 (-4 %), which suggests that the market remains very busy in city centre locations. The moderate take-up (including compared to the past decade) is primarily due to the average size per let, which has reduced by one fifth to 500 m² since 2014. Just over 44 % of contracts account for a total area of at most 200 m².

Share of take-up by city categorie

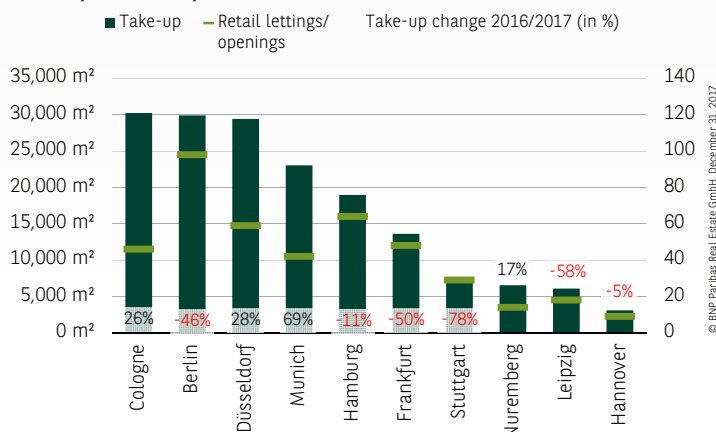


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THREE QUARTERS OF TAKE-UP OUTSIDE OF THE A-CITIES

Based on the five-year average and the current take-up, the Top 10 locations account for one in four square metres of space taken up. The biggest retail markets are top especially when it comes to the share of foreign labels: International retailers prefer to gain a foothold in Germany in particular in these cities or use them to draw attention to themselves. As a consequence, they are responsible for a notable 41 % of transactions in this category. B-cities, which include the 17 other markets regularly analysed by BNPPRE, contributed a share of 16 % to the volume. However, other cities account for the majority of take-up (58 %): These include for example Bielefeld, where the ECE centre LOOM Bielefeld was one of the few city centre malls opened in 2017.

Take-up in the Top 10 markets

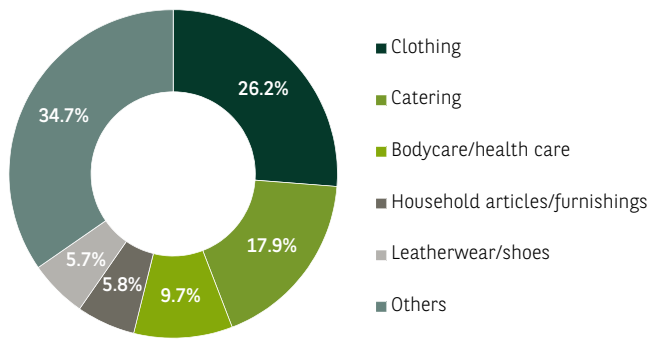


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INCREASE IN TAKE-UP IN COLOGNE, DÜSSELDORF, MUNICH

The fact that the high rents charged in the big shopping destinations are inconceivable for many retailers and are increasingly resulting in space optimisation is made clear by the analysis of the Top 10 locations. As a consequence, the area of space taken up in the most important metropolises has fallen by much more (-24 %) than the number of lettings (-13 %). Nonetheless, four cities recorded an increase in take-up: These were Munich (+69 %), Düsseldorf (+28 %), Cologne (+26 %) and Nuremberg (+17 %). As in previous years, Berlin accounted for by far the biggest number of transactions (around 100), while Hamburg also achieved a remarkable result with over 60 deals.

Retail lettings/openings by sector



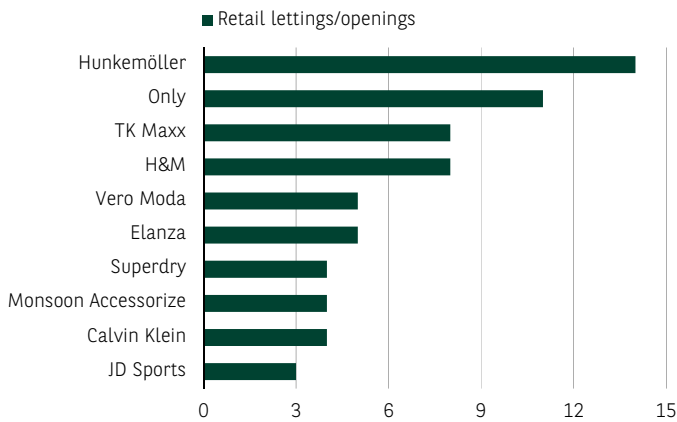
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➤ CATERING CONCEPTS ON THE INCREASE

The structural change in the retail market in Germany is reflected in particular in the structure of lettings and openings: While catering concepts accounted for just over 13 % of registered contracts between 2013 and 2016, in 2017 they contributed just under 18 % and therefore almost 5 percentage points more. Noticeable here were among others the following concepts: Wilma Wunder of the Enchilada Group, dean& david, coa Asian Food & Drinks and L'Osteria. In addition, the US burger concept Five Guys celebrated its German premiere in 2017 on the Zeil in Frankfurt and sees potential for many more stores in Germany. Against the background of these developments it is not surprising that catering concepts are also increasingly being integrated in shops in other sectors. One prominent example in this regard is the H&M Group's Arket, which opened its second store worldwide in Munich's Weinstraße in the fourth quarter of 2017. In spite of all this, clothes firms again secured the lion's share of lettings and openings, but with just over 26 % of the contracts are 7 percentage points below the average for the past years. Third place was taken by the bodycare/healthcare market segment, which includes drugstores, perfumeries and opticians (just under 10 %).

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Most expansive international fashion retailers in Germany

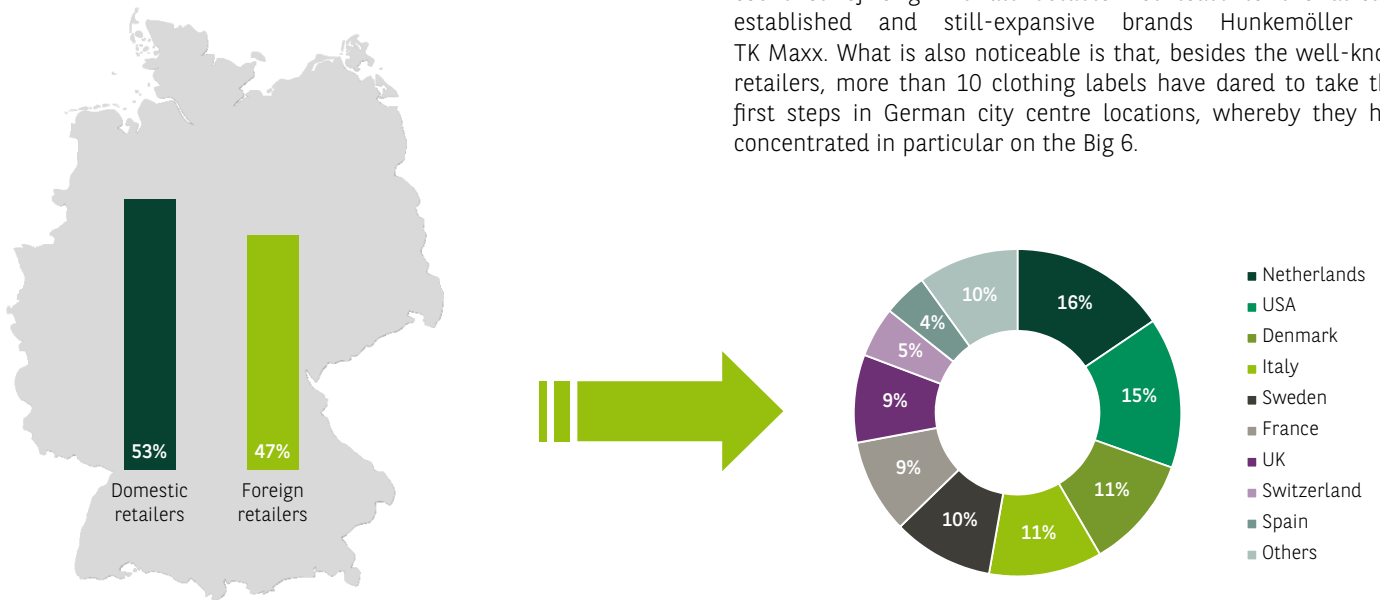


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➤ FASHION: INTERNATIONAL BRANDS VERY ACTIVE

All things considered, it can be stated that the continuous increase of online sales is impacting the fashion industry like no other industry. As a result, in particular creativity and a successful brand placement is needed in this segment in order to remain competitive in the high street. It is therefore all the more pleasing that international fashion labels with a share of 47 % and well over 150 lettings are participating much more in the market than in previous years. Particularly active were Dutch and American brands, which together were responsible for a little less than one in every three lettings and openings. The result for these two countries of origin is attributable not least to the already-established and still-expansive brands Hunkemöller and TK Maxx. What is also noticeable is that, besides the well-known retailers, more than 10 clothing labels have dared to take their first steps in German city centre locations, whereby they have concentrated in particular on the Big 6.

Retail lettings/openings by origin of fashion labels



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