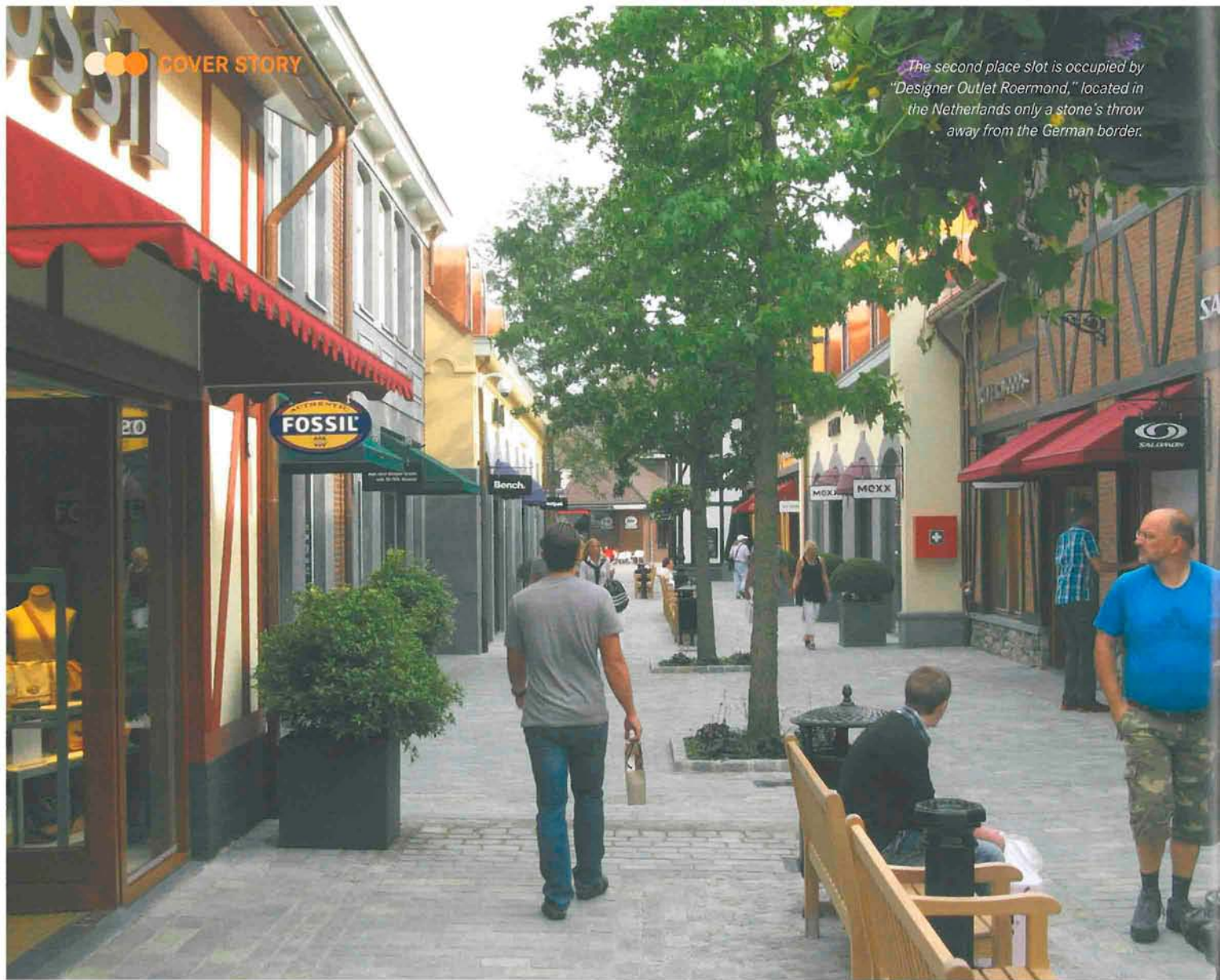


The second place slot is occupied by "Designer Outlet Roermond," located in the Netherlands only a stone's throw away from the German border.



EUROPE'S MOST SUCCESSFUL OUTLET CENTERS

ecostra and Magdus have again searched for the best-performing FOCs. And, once again, the renowned institute found the winner in England.



Currently, the best performing outlet center in Europe is located in England, about 30 km north of the historic university town of Oxford in the city of Bicester, home to approx. 30,000 inhabitants. This is the result of the "Factory Outlet Center Performance Report Europe 2013" (FOCPRE). This study focuses on the European outlet center market and was implemented by the consultancy ecostra (Wiesbaden, Germany) for the 6th consecutive year. Since 2012, this report has been prepared in cooperation with the French research institute Magdus. The report is based on a survey of international brand manufacturers regarding their satisfaction with the sales in their stores in the various European outlet malls, their future expansion plans and many other questions on the European outlet market.

The trophy moves from last year's winner "La Vallée Village," which is located in the vicinity of Paris, to the British center "Bicester Village," but remains with the operator Value Retail, which manages both centers. Of course, "Bicester Village" is not unknown in the European market: This center already led the ranking of the best performing Outlet Centers in 2008 and 2010 and it is generating very remarkable revenues. This fact was also recently announced by Scott Malkin, founder and CEO of Value Retail. Malkin stated in an interview that, with about €19,400 per sq m "Bicester Village" in the meantime has the world's highest area productivity, not only in regard to outlet centers, but also in regard to shopping malls. This is now impressively confirmed in the latest Factory Outlet Center Performance Report Europe 2013 due to the evaluations of the tenants of this center.

SECOND PLACE FOR DESIGNER OUTLET ROERMOND

The second place slot is occupied by "Designer Outlet Roermond," located in the Netherlands only a stone's throw away from the German border. With a lettable area of approx. 35,000 sq m, it is also one of the largest outlet malls in Europe. This center is open all year round, apart from Christmas and New Year's Day. More than 2/3 of the 4.1 million visitors per year come from Germany, on public holidays the number of Ger-

man visitors even rises to more than 80%. "If traffic news broadcast on the radio on Sunday state that there is a traffic jam on a highway in North Rhine-Westphalia, then the chances are high that it is the A52 from Moenchengladbach to Roermond," says ecostra's project manager Thomas Terlinden, who is in charge of the report at ecostra and grew up in this region. "Roermond is now one of the most important tourist shopping destinations in Europe. Especially on Sundays, caravans of shopping addicts from North Rhine-Westphalia storm towards Holland," Terlinden reports. Last year the "Designer Outlet Roermond" was ranked 3rd and has thus improved its placement.

Slipping to third place this year is last year's winner "La Vallée Village," which is located in the exurbs east of Paris very close to the theme park "Disneyland Europe." With about 100 shops and a lettable area of approx. 17,400 sq m, "La Vallée Village" is a medium-sized outlet center, but has – like the other top-ranked centers – a distinctive mix of high-priced premium and designer brands.

NO GERMAN CENTER IN THE EUROPEAN TOP 10

A novelty is the fact that none of the German centers in the portfolio is present in the European top 10 anymore. In previous reports on this market, at least two German locations were always represented in this top group. Here, French, Italian, and English centers have moved forward. These are sites in countries that did not count as "growth engines" for the European Union last year. Joachim Will, CEO of ecostra, comments: "It seems to be true that outlet centers prosper particularly in times of economic uncertainty and a corresponding fall in consumption." Until now, it was always assumed that outlet centers only show a higher resistance to crises compared to traditional forms of retail, but ultimately cannot escape negative economic cycles, too. "In subsequent studies, we will have to check if this trend can be confirmed" says the managing director of ecostra. Although there is no German center in the leading group, it can be stated that all German sites perform well above the European average. In this respect, there is no need to worry for investors in German outlet centers.



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DEFINITION OF OUTLET CENTER:

Factory outlet centers (FOCs) are a collection of many outlet store units within a mutually-planned or a spatially-interrelated complex of buildings with more than 5,000 sq m of sales area (= approx. 6,000 sq m GLA) or with more than 20 outlet stores. Manufacturers and vertically-integrated retailers sell past seasons' goods, factory seconds, surplus stocks, etc. there directly to consumers without using retail businesses as distributive channels. All goods are sold at a discount of at least 25%, whereas dual pricing (a "high street price" vs. an "outlet price") is prescribed in the leasing contract. The coordination, organization, and marketing is carried out by a center management.

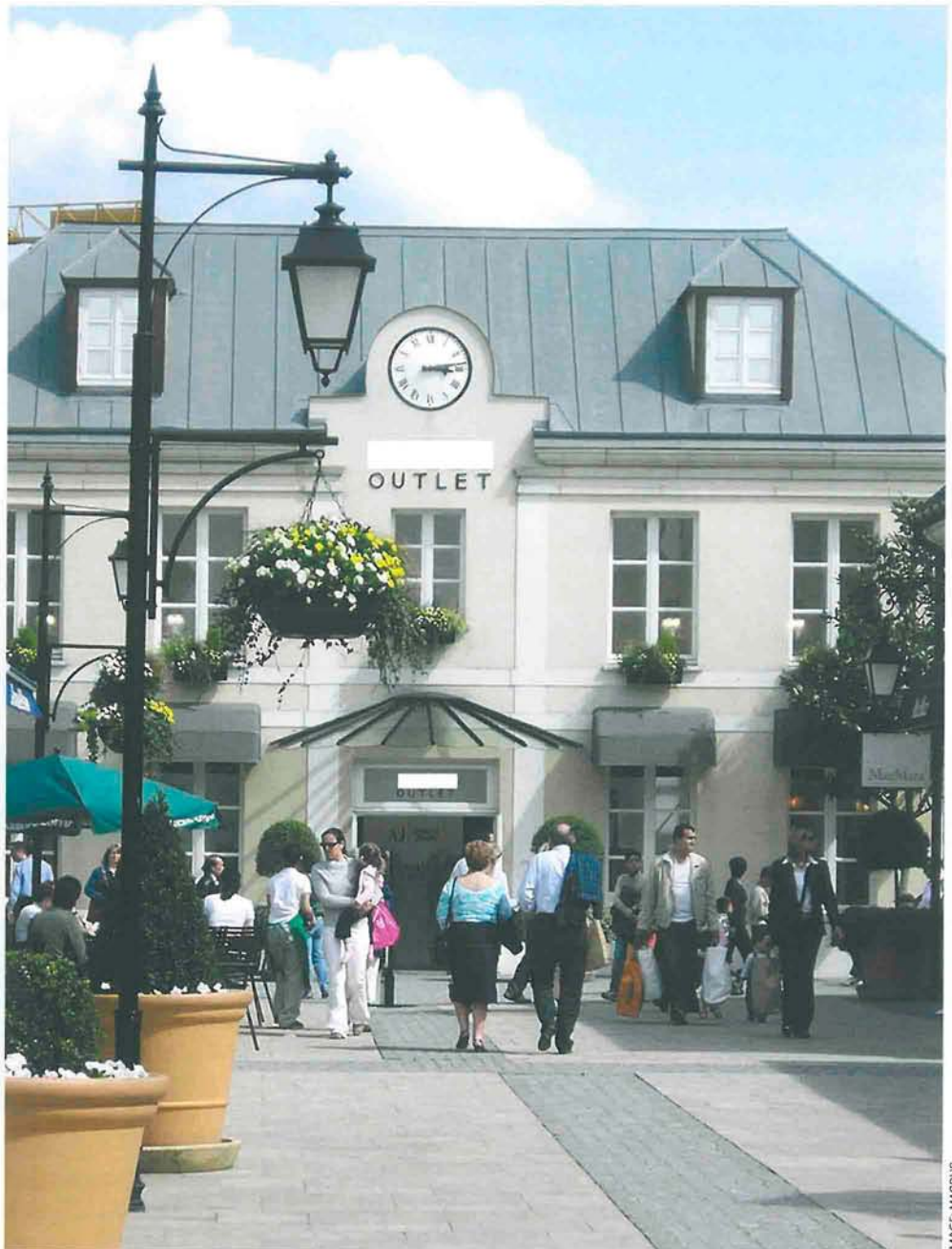


IMAGE: MAGDUS

DIFFICULT SITUATION IN SOFIA

In stark opposition to this rosy picture stand the centers at the bottom of the ranking. Here sites that are assessed by tenants in a way that can certainly be called dramatic. For example, the outlet center in the Bulgarian capital Sofia managed by Fashion House has received a rating of 4.60 (an average of single evaluations by the tenants on scale from "1" = much better to "5" =

much worse) regarding the economic performance. The center was also at the bottom of the ranking last year. The centers "L'Usine" in the French city of Roubaix (Ø 4.50), "Festival Park Outlet Shopping" in the English town of Ebbw Vale (Ø 4.33), and the "Fashion District Outlet" in Melilli in Italy (Ø 4.33), however, are also anything but successful from the tenants perspective.

Despite some failed or poorly performing outlet centers, the expansion activity of brand manufacturers is still strong. In recent years, a starkly increasing number of brands have discovered outlet stores as an additional distribution channel that provides a safe and controlled outlet for seconds, overstocks, and returns. This means that the goods do not end up with Ebay power sellers or sold off by discounters. "The brands have also realized that some potential in returns is still slumbering in the distribution channel outlet center," explains Caroline Lamy, owner of the Magdus institute and co-author of the study. "The results of the Factory Outlet Center Performance Report Europe 2013 show clearly that stores in outlet centers yield not only a significantly higher profit for the brand manufacturers than their own shops on the high streets, but generate even better revenue than highly-praised online stores." According to the French scientist, this is also visible by the fact that each of the surveyed brand manufacturers plans to open three to four new outlet stores on average in 2014. "Here, the highest rate of expansion is indicated by a well-known sports brand that intends to open up to 15 new outlet stores in the year 2014. That means at least one new store per month and illustrates how determined some manufacturers are to expand this distribution channel," Lamy said.

NEINVER THE BIG SURPRISE

Concerning the assessment of the competence and performance of each operator of outlet centers in Europe, McArthurGlen was able to defend last year's top spot. Here, the big surprise is the Spanish operator Neinver. Neinver has succeeded in pushing Value Retail to the 3rd rank. Some years ago, Neinver was derided as a newcomer to this market because they only had centers in their Spanish home market and in Poland. However, Neinver started a remarkable catch-up race and is now beginning to harvest the fruits of its labor. ecostras' project manager Terlinden: "Now that Neinver has managed to outperform such a renowned operator as Value Retail, it is clear how positively brand manufacturers now view Neinver. This is not an easy accomplishment in this difficult market with its very specific requirements in project development, leasing, management, and marketing."



THE COMPLETE STUDY OF THE "FACTORY OUTLET CENTER

Performance Report Europe 2013," with detailed analyses and elaborated commentaries, has been available since late November 2013 at ecostra or Magdus at a price of €100 (plus VAT).

The British center "Bicester Village" is the best performing outlet center in Europe.



IMAGE: VALUE RETAIL