

PRESS RELEASE

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Redevco Research Reveals Strong Link Between European City Attractiveness ‘Social Buzz’ and Retail Rental Growth

The success or failure of European cities as retail destinations is becoming strongly intertwined with their rankings on ‘social buzz’ factors. The 2017 City Attractiveness study of retail real estate investment manager Redevco shows, that the higher the proportion of creative professionals in the population or number of tourist attractions, the better the city’s quality which in turn positively impacts rental growth.

The whirlwind forces of urbanisation, online shopping and the growing consumer search for ‘experience’ are forcing both investors and retailers to be far more selective about locations. The wrong choice of city, or even parallel streets, can be a very costly one. While the most attractive cities continue to grow and outperform, a significant number of less attractive cities slide down the ladder even further. Volatility of returns and polarisation between prime and other locations is intensifying, meaning it is becoming increasingly important to gauge the relative allure of less prominent cities.

“Retail real estate investment has become a much more specialist game, not only because the way that retailers do their business has become far more complex, but also due to increasing polarisation and a retail landscape that is evolving so rapidly. You have to be a specialist to understand, which retailers are likely to be successful and how you can create an environment that appeals to consumers’ thirst for enjoyment, beyond simply the retail offering,” **Redevco’s head of research and strategy, Marrit Laning**, said.

The City Attractiveness Model is composed of 19 different indicators grouped into four main categories: population, economy, retail property market and city quality, based on a wide and growing range of data sources. These are scored and weighted to derive a city’s ranking. This is then enriched with the local knowledge of Redevco’s country teams that collectively manage a €7.5 billion retail portfolio, which comprises one of the largest holdings of European high street investments, across 11 national markets. Finally, these locations are grouped into five ‘Quality Baskets’, ranging from ‘Excellent’ to ‘Poor’, to derive a total investment grade universe made up of the top 20% of European cities that fall into the ‘Good and above’ categories.

The variables used in Redevco’s City Attractiveness Model can now statistically explain around 80% of the differences in prime rental levels between cities. The rise of ‘big data’ statistical analysis spurred by the online information revolution and the application of behavioural economics to real estate investment strategies are allowing ‘social buzz’ factors to be quantified in a more meaningful way.

“When we began our research in 2012 an overwhelming focus was on the traditional metrics of the size of a city’s population and its economy. Over the last few years, city quality and the characteristics of the local property market have become much more important in our model and investment decisions. It’s no longer logical to buy an asset and wait for the rent to go up with the market’s polarisation since the global financial crisis of 2008. While there have been rental increases in the best locations, in the weakest locations our analysis shows decline has been enormous,” **Redevco research analyst Jeffrey Boerebach** said.



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More information about Redevco's City Attractiveness Model: <https://www.redevco.com/about/our-strategy/>

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ABOUT REDEVCO:

Redevco is an independent, pan-European real estate investment management company specialising in retail property. The 400 assets under management are spread across the strongest retail concentrations throughout Europe. Our highly experienced professionals purchase, develop, let and manage properties, ensuring that the portfolios optimally reflect the needs of our clients. We believe in long term investments where quality and sustainability are key. For further information about Redevco please visit www.redevco.com.

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