RETAIL REAL ESTATE INVESTMENT MANAGEMENT

REDEVCO

# PRESS RELEASE



## Location, Location, Tourist Destination: Soft Factors Differentiate Retail Property Investment Success for European Cities – Redevco Research

- **Redevco City Attractiveness Research Model shows variation in retail rents and yields depends strongly on "soft factors"**
- **Creative communities, tourist attractions, are key success elements**
- **Analysis ranks nearly 800 cities in 1,450 regions and 25 countries**

Differences in rent levels and yields of retail properties in hundreds of European cities stem to a significant extent from "soft factors," a research study from retail real estate specialist Redevco shows. The investment manager's City Attractiveness analytical model demonstrates that, in addition to fundamental market drivers such as economic and demographic data, soft factors encompassing areas like the representation of creative professionals in a city, or the number of tourist attractions, are increasingly important in determining an urban centre's overall attractiveness for High Street investments.

**Marrit Laning, Redevco's Head of Research & Strategy said:** "Location risk has leapt up the agenda as e-commerce changes Europe's retail landscape at an astonishing speed. In this volatile environment, retailers and property investors need a navigation tool such as Redevco's City Attractiveness Model to identify future winners and losers by measuring increasingly important soft factors alongside more traditional performance indicators."

Redevco's Research & Strategy team has drawn on a wide range of sources to analyze and rank nearly 800 main high street locations in European cities and 1450 regions within 25 countries. The City Attractiveness Model is composed of 19 different indicators grouped into four main categories: city quality, population, economy and retail property market. These are weighted to derive a city's ranking. This weighting is then enriched with the local knowledge of Redevco's seven country teams that enables the grouping of locations into five "Quality Baskets," ranging from 'Excellent' to "Poor," to identify a total investment grade universe of around 200 European cities.

Further statistical analysis shows that besides a strong population base and economy, soft factors are of significant importance in explaining the difference in retail rent and yield levels between cities. Another interesting finding of the research was that rental value changes and yield compression are strongest over time in those cities that have a higher number of historic points of interest. While there is an obvious strong link between the size of an urban area and the number of historic attractions that a city is likely to have, the relationship holds true for those smaller cities with disproportionately high numbers of points of interest that attract a greater number of shoppers.

The City Attractiveness Model enables Redevco to use traditional measures to estimate what the retail rental levels of a city might be and then link deviations from these estimations to soft factor variables. For example, the principal high streets of Cannes in the South of France command average retail rents in excess of €5,000 per square metre a year, more than double the average retail rent of €2,297 per sq. m. projected by traditional indicators such as the size of its population and rental values in comparable European markets. The explanation for this variance lies in the

# PRESS RELEASE



city's allure for the very wealthy and international congresses, like the Cannes film festival and MIPIM real estate trade fair.

Berlin, for example, has enjoyed very strong increases in its city attractiveness indicators in recent years, despite a relatively weaker economic base relative to some other high-ranking German cities. This comes from the very high quality of the city's living environment, its young population and fast-rising house prices. Media companies in particular have flocked to the German capital, demonstrating the powerful influence that hubs of creative professionals can have on the vibrancy and cultural life of a place.

**German Cities Occupy Seven of "Top 20" European Spots**

Of the 200 investor grade cities in Redevco's City Attractiveness ranking, the top 20 cities have experienced significant retail rental growth and yield compression over the past two years. London and Paris hold the two top spots, reflecting their status as global retail destinations commanding the highest European prices and rents. German cities occupy seven of the 20 highest places, as the "weight of money" from investors targeting the market has led to a solid performance for retail property.

| | |
|---|---|
| 1 London | 11 Düsseldorf |
| 2 Paris | 12 Frankfurt |
| 3 Munich | 13 Stockholm |
| 4 Hamburg | 14 Rome |
| 5 Vienna | 15 Stuttgart |
| 6 Berlin | 16 Copenhagen |
| 7 Cologne | 17 Barcelona |
| 8 Madrid | 18 Prague |
| 9 Amsterdam | 19 Zürich |
| 10 Milan | 20 Lyon |

*Redevco's 20 most Attractive European Cities for Retail Real Estate Investments*

**ENDS**

**ABOUT REDEVCO:**

Redevco is an independent, pan-European real estate investment management company specialised in retail property. The 450 assets under management are spread across the strongest retail concentrations in Austria, Belgium, France, Germany, Hungary, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom. Redevco partners with over 1,000 retailers.

**For further information please contact:**
Priscilla Tomasoa
Head of PR & Corporate Communications
Redevco B.V.
Wibautstraat 224
1097 DN Amsterdam, The Netherlands
Tel.: +31 20 599 6262
Fax: +31 20 599 6263
Email: priscilla.tomasoa@redevco.com
Website: www.redevco.com