

## **PRESS RELEASE**

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### **Urbanisation and Polarisation Increasingly Shaping Retailers Location Decisions – Redevco City Attractiveness Report**

- **European Urbanisation and Polarisation Gathering Pace**
- **International Retailers Boost Presence in Top Cities**
- **EU has left Economic Crisis with Recovery Progressing Unevenly due to Differences in Sector Composition**
- **Soft Factors continue to Drive City Performance**

Urbanisation and widening polarisation between the ‘best and the rest’ of European cities continue to gather pace and are increasingly shaping the location decisions of international retailers. Research for retail real estate specialist Redevco’s latest “City Attractiveness Report,” shows that city quality is playing a growing role in the urban mix of factors determining the future success of European urban centres.

**Marrit Laning, Redevco’s Head of Research & Strategy said:** “Bigger European cities are continuing to expand at the expense of more secondary urban locations and rural areas as urbanisation -- a trend that only really took off in the nineties -- accelerates. ‘Soft factors,’ such as the presence of historic monuments and other tourist attractions, and the representation of creative professionals in a population, are playing a growing role in the attractiveness of cities, drawing people in search of job opportunities and leisure destinations. These gravitational forces have not gone unnoticed by international retailers who are following the crowd in their location decisions.”

#### **Redevco’s Top 25 Most Attractive European Retail Destinations**

From the more than 800 European cities ranked in Redevco’s City Attractiveness Model, the Top 25 (see Table 1) heading the “Excellent” category\* have remained relatively stable during the past three years. The quality and performance of these cities remains undisputed. London and Paris hold the top two slots, reflecting their status as global retail destinations commanding the highest prices and rents. German cities occupy seven of the 25 highest places, as the “weight of money” from investors targeting the market has led to a solid performance for retail property. Berlin moved up to fourth from sixth place in the rankings this year, ahead of Hamburg and Vienna and behind Munich.

1. London	14. Barcelona
2. Paris	15. Rome
3. Munich	16. Zurich
4. Berlin	17. Cologne
5. Hamburg	18. Prague
6. Vienna	19. Frankfurt
7. Stockholm	20. Stuttgart
8. Milan	21. Dusseldorf
9. Amsterdam	22. Glasgow
10. Copenhagen	23. Edinburgh
11. Manchester	24. Dublin
12. Madrid	25. Istanbul
13. Oslo	

**Table 1. Top 25: Solid and best in class**

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### **EU Economy Recovers, but Diversification Important**

Europe is emerging from the economic crisis and employment growth has turned positive in all markets, but large differences remain in the relative performance of cities according to the composition of their local economies. Currently, retail, ICT and real estate are important contributors to economic growth and cities with a substantial exposure to these sectors generally demonstrate higher growth rates. Also analysis shows that diversified economies are less vulnerable to external shocks. The current events in the automotive industry, for example, might have a severe impact on a city like Stuttgart, with sizeable direct and indirect links to car production.

### **Weight of Capital: A Quest for Higher Returns in Mature Markets**

Investment activity has increased with yield compression as a consequence, but occupier markets have largely lagged behind. In 2014, there was a clear tendency for investors to creep up the risk curve and be more willing to invest outside of the two top-ranking city categories in anticipation of rising rents. This trend was less pronounced in H1 2015, and retailers mostly haven't followed them to the same extent.

Retailers are responding to evolving consumer trends and the attractiveness of European cities by focusing their investments in openings in centres within the top two quality baskets.\* Redevco's survey of retailers shows that retailers have closed 11% of their existing stores. Those stores were primarily located in the lower ranking cities. However, the total number of outlets across Europe has only declined by 5% due to a significant number of store openings, mainly in high-ranking cities.

### **Tourists Flock to Quality Cities**

Tourism is recovering across Europe and is a strong supportive factor for retail sales in popular destinations. Amsterdam is a good example of this. Although the Dutch capital's economic fundamentals have lagged compared to other main West European urban centres, tourist numbers have jumped by 12% this year -- compared with 5% for the Netherlands as a whole and an average of 3% in Europe -- leading the city's recovery. Brighton's seaside location close to London is another magnet for visitors and it also has an affluent and creative population. The town has a large proportion of independent and boutique stores and ranks 7<sup>th</sup> in the UK and 34<sup>th</sup> in Europe as a "Very Good" retail experience destination in Redevco's City Attractiveness model, roughly on par with Bordeaux in France and Munster in Germany.

**Marrit Laning concluded:** "Traditional datasets such as sales figures, footfall, demographics and GDP are the main touchstones for retailers in determining their investment strategies, but the Redevco City Attractiveness Model offers them a deeper, more nuanced, view. Our model captures both data about the fundamentals as well as the 'soft factors' that are increasingly important in determining the likely future performance of a city as a retail location."

\* Redevco's City Attractive Model comprises 19 different indicators grouped into four main categories: population, economy, retail property market and city quality, that are weighed to derive a city's ranking. This weighting is then enriched with the local knowledge of Redevco's seven country teams that enables the groupings of locations into five "Quality Baskets," ranging from "Excellent" to "Poor," to identify a total investment grade within a range of around 200 European cities.

**ENDS**

### **ABOUT REDEVCO:**

Redevco is an independent, pan-European real estate investment management company specialised in retail property. The more than 400 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.

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