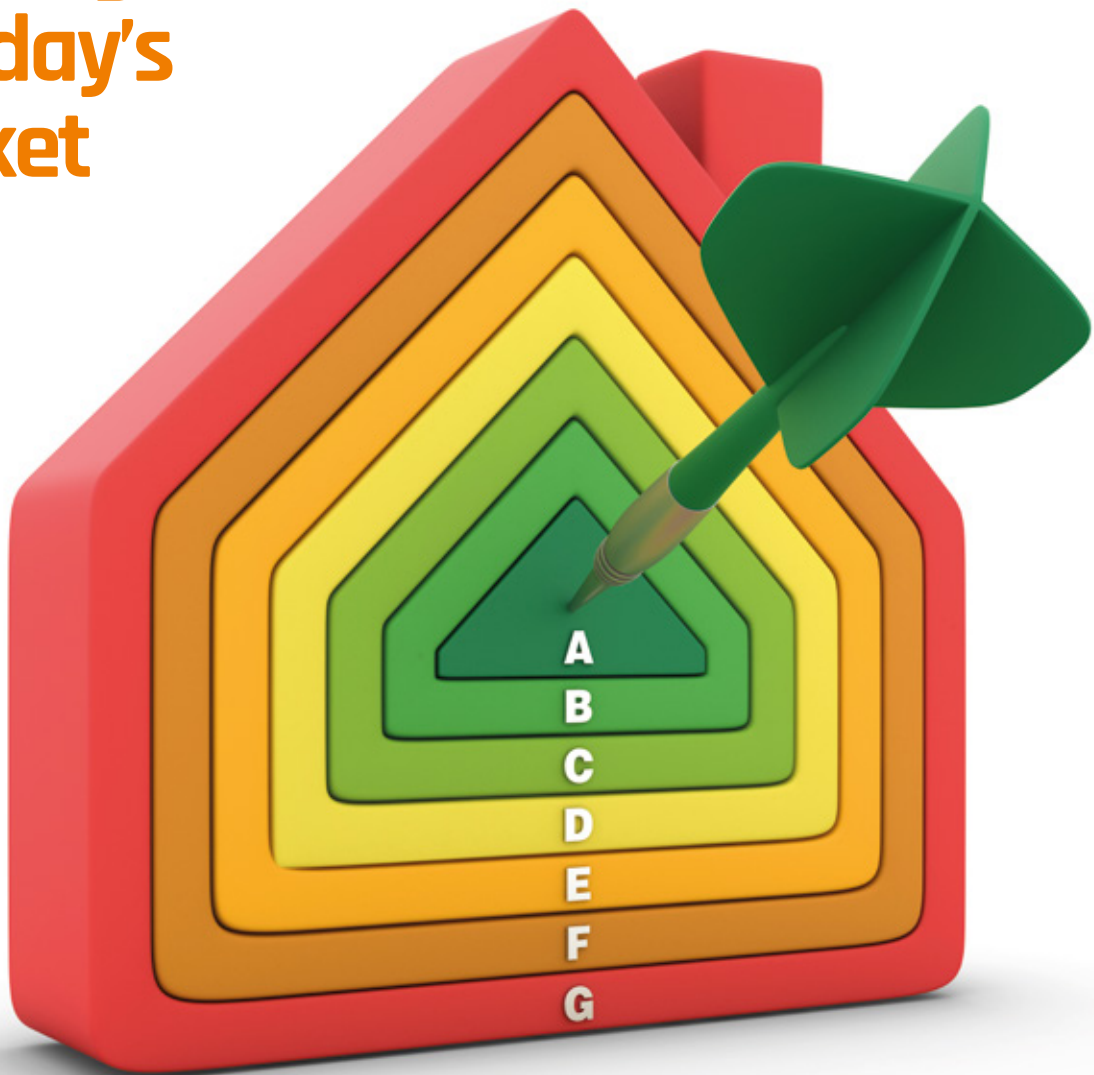


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Creating value
in today's
market



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KEYNOTE INTERVIEW

Creating value through strategic transformation



*The European retail real estate market has experienced a complex evolution, driven by macroeconomic pressures, geopolitical instability and shifting demographics, says Redevco's **Thierry Cahierre***

High inflation, rising interest rates and supply chain disruptions, exacerbated by the war in Ukraine, have dampened consumer confidence and altered investment strategies, explains Thierry Cahierre, chief operating officer of real estate at Redevco. Meanwhile, changing demographics and the acceleration of e-commerce have pushed retailers toward omnichannel models, prompting a rethinking of physical store footprints.

Q How have consumer behavior and market dynamics affected real estate investment strategies?

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Consumer behavior has shifted toward value and experience, increasing demand for mixed-use spaces and retail destinations that blend leisure, lifestyle and convenience. As a result, the market has become more polarized, with prime urban assets and resilient formats like retail parks and discount outlets outperforming secondary locations.

By applying a value-add approach to these assets and leveraging operational expertise, specialist companies can

create and find compelling investment opportunities under these market conditions.

Aligning transformation strategies with real estate assets could lead to better risk-adjusted returns while generating a positive social impact in the communities. As one of the largest owners of European high-street retail properties and retail park portfolios with total assets under management of €9.5 billion, we maintain a laser focus on value creation that can transform urban assets into mixed-use experiences and places to meet the evolving needs of cities.

Q Why have traditional retail real estate markets shifted?

The entire retail model has shifted. Value is no longer solely about prime locations, but about the ability to create dynamic, multifunctional spaces that serve the community. Changes in consumer behavior and trends are accelerating this shift, as the new generation is moving away from accumulation-based consumption to experience-based and purpose-driven consumption. In general, people are buying less in certain sectors, such as fashion, and when they do consume, they tend to focus on reusing or buying responsibly.

We also observe a shift in demand across certain sectors. There is a growing interest in sports and cosmetics, with consumers spending more on leisure activities. This transformation presents opportunities for real estate players to meet new consumer demand.

Consumers desire experiences and want to engage with cities, districts, streets and buildings that offer everything in one place. Successful assets integrate leisure, culture and lifestyle elements, while also being more socially impactful and environmentally friendly.

Q Is it possible to redefine asset value through strategic transformation and specialist expertise?

Assets that do not align with these long-term trends and lack purpose or utility for the community are losing value. Strategic transformation of assets should incorporate new retail market trends and consider their physical, social and environmental impacts.

For an asset to maintain or increase its value over time, it needs to have a positive social impact and purposefully attract visitors. Location alone is no longer sufficient.

Transformative real estate involves not only the physical implementation of redevelopment plans, but also its

effect on communities. Today's retail centers need to offer more than just shopping opportunities; they need to provide spaces that foster community engagement and that can transform city centers.

Q So, urban transformation is important for a retail investment portfolio?

Some time ago in France, in the historic city center of Bordeaux, we developed a large-scale urban project called Promenade Sainte-Catherine, transforming an abandoned industrial site into a pleasant pedestrian district

“By applying a value-add approach [and] leveraging operational expertise, specialist companies can create and find compelling investment opportunities”



From retail only to mixed use, Elisen Palais in Hamburg, Germany

where life revolves around retail, leisure and housing.

Promenade Sainte-Catherine is a 28,000-square-meter (301,400-square-foot) inner-city, open-air scheme. From design to construction, we integrated sustainability, combining respect for the environment and energy efficiency with an integrated architectural setting that adds value to the city. Promenade Sainte-Catherine exemplifies the transformation of a neglected urban location into a vibrant place where people like to meet, shop, eat and drink.

Another example in France is Le 31, a 25,000-square-meter retail asset situated in central Lille that we acquired in 2016. It was underperforming and nearly vacant, so we integrated a hotel and offices above a carefully selected retail and leisure mix. The building now has eight different uses, including coworking, food and beverage, leisure, sport and car parks, creating a community of usage where different actors benefit from each other's presence.

More recently, we initiated a similar project in Hamburg, where we reimagined a prominent corner site on Mönckebergstrasse as a top-tier, climate-neutral, mixed-use property. Upon completion, the building on one of Hamburg's key shopping streets will span nine floors and cover approximately 21,000 square meters of gross floor area. Designed in the style of a classic Kontorhaus office, it will transition from a single-use space into a vibrant mix of retail, two unique hotel concepts and a dynamic food and beverage offering.

Then there is 126 Rivoli, an iconic address in the heart of one of Paris' most vibrant shopping streets. This mixed-use project, crafted by Franklin Azzi Architecture, focuses on aligning with today's retail demands and evolving urban lifestyles. We are targeting BREEAM Excellent certification for both construction and operation. It is more than just a building; it's a forward-thinking destination where Parisians and tourists will converge.

Q How about the ongoing energy transition, is that a large opportunity for driving value in real estate assets?

The energy transition is crucial for tenants seeking to optimize costs and reduce their carbon footprints. As their landlord, we want to support them. Transforming our assets presents an opportunity to elevate our buildings to the highest environmental standards, exceeding certification requirements.

A significant contribution to emissions reduction is the provision of as much on-site renewable energy as possible for our tenants. On- and off-site renewable energy generation, such as solar panels and windmills, is an integral part of our building redevelopment approach.



SOURCE FOR BOTH IMAGES: REDEVCO

Solar panels on the roof of retail park RICH'L in Waterloo, Belgium

Q What are the key points to consider in adding value through sustainability initiatives?

Sustainability should be embedded from the outset of a project and should benefit users, operators and the planet. It should be deeply integrated into the building's design for the benefit of all stakeholders, including investors, rather than being a superficial effort. Sustainability is not just a compliance requirement, but a key pillar of long-term asset value. Therefore, we link performance to impact, preventing assets from becoming stranded and future-proofing them.

Environmental considerations are central to our transformation strategy, focusing on achieving substantial carbon footprint reductions through adaptive reuse instead of demolition, and targeting and achieving BREEAM certifications across major projects. In addition, generating a positive social impact in the communities we serve is integral to our asset and development management practice.

Q Is the same true for redefining asset value for warehouses?

Redevco is one of the biggest retail warehouse operators in Europe, particularly in Belgium, Germany and the UK.

We believe urban peripheries are integrating into city life, positioning retail warehouses as prime targets for transformation. Tenants and brands now have a presence in both of these locations, making them almost indistinguishable.

As urban areas expand and absorb these peripheral locations due to the demand for more affordable homes, larger living spaces and gardens just a short distance away from city centers, retail warehouse parks in these areas are transforming into vibrant new neighborhood hubs with restaurants, green terraces and coworking spaces, similar to city centers.

Q Where can investors find transformation opportunities in urban peripheries?

We anticipate creating value in retail warehouse parks by shifting from traditional mono-usage models toward mixed-use, experience-focused formats. Opportunities arise in the urban peripheries of major urban centers as they become more affluent and diverse.

The most promising investment locations are existing retail warehouse parks with excellent public transport and road connections, large site footprints and space for redevelopment densification. In addition, this sector could be one of the most sustainable retail real estate sectors due to the significant potential for implementing renewable energy solutions and measures, further reducing the assets' already relatively low carbon intensity.

Q What investment approaches will drive value in future years, especially in the urban European sectors?

Redevco's extensive transformation program goes beyond modernizing retail spaces. It involves fundamentally rethinking how these assets can better serve their communities through mixed-use concepts that integrate retail with residential, hospitality, wellness and community spaces.

Currently, we have numerous ongoing projects, with some planned for completion by the end of the year, focusing on urban redevelopment and asset value growth, including live projects in European urban transformation redevelopments across France, the UK, Switzerland and Germany. We view these projects as an ideal combination of generating stable income and redevelopment potential while enriching communities. ■